HORIBA is achieving sustainable growth and higher ROE by seeking earnings growth and rewards to shareholders in a balanced manner.

Basic capital policy

Implementing shareholder return linked to earnings growth

2013 onwards:Aiming for payout ratio of 30% of HORIBA's consolidated net income*

*Target total returns to shareholders at 30% of consolidated net income, by combining the amount of dividend payments and share buybacks.

Select an optimal financing method, responding to capital needs and with due consideration to factors such as the equity ratio, capital cost, market interest rates, and credit ratings

Achieving a high ROE based on earnings growth

Target of the Mid-Long Term Management Plan [2011-2015]: 11% or more

Implement a shareholder return policy linked to earnings growth

HORIBA frequently calls shareholders owners and puts emphasis on exceeding their expectations. In 1974, when a majority of companies paid fixed dividends, we were the first listed Japanese company to start paying shareholder dividends based on a payout ratio and have continued this practice without interruption for 39 years. (See Corporate Philosophy on page 78.)

Starting in 2013, we changed to a dividend policy targeting total returns to shareholders (the combined amount of dividend payments and share buybacks) at 30% of consolidated net income, instead of targeting 30% of nonconsolidated net income, in order to link shareholder return directly to consolidated operating results.

Financial policies

HORIBA maintains an appropriate level of liquidity in hand to ensure efficient funding in response to capital requirements. This is an important guideline for HORIBA's financing activities. We define liquidity in hand to be a sum of cash and cash equivalents and the open amount of the commitment lines that have been negotiated with financial institutions. At the end of fiscal 2013, liquidity in hand amounted to ¥54.2 billion, which was ¥49.2 billion in cash and cash equivalents and a ¥5.0 billion open balance of commitment lines with banks.

We consider this cash on hand and commitment lines as reserves for future capital expenditures, M&A activities, and other expenditures to be incurred in the future.

Sunao Kikkawa Senior Corporate Officer and General Manager of Finance & Control Division

Sunao Kikkawa joined HORIBA, Ltd. in 1974. He was assigned to work at HORIBA Instruments Incorporated (U.S.) in 1982 and returned to HORIBA, Ltd. in 1988. He was appointed General Manager of the Accounting Department in 1996 and Senior Corporate Officer in 2007. He made efforts toward globalizing HORIBA's accounting operations along with the Group's globalization and maintaining compliance with international accounting standards. At present he is engaged in raising efficiency in capital strategy and group administrative operations as Senior Corporate Officer and General Manager of the Finance & Control Division.

Dividend Payments and Total Return Ratio

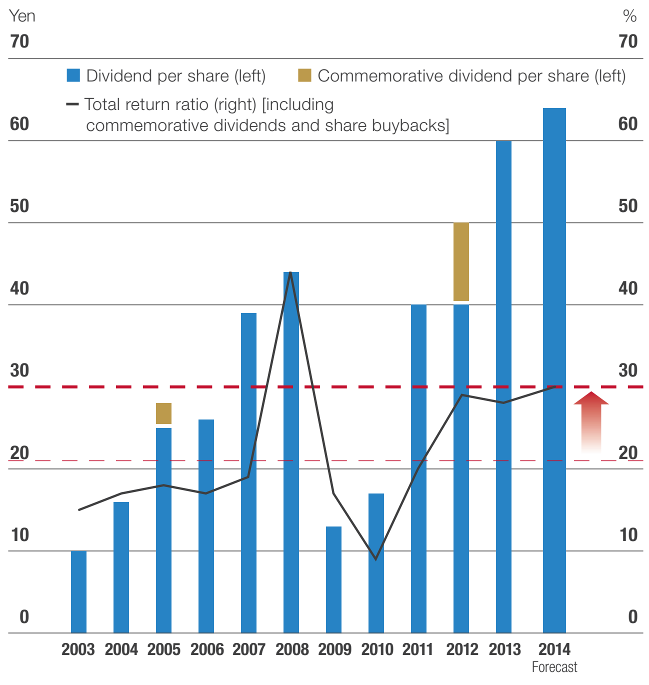
Due to profit deterioration caused by the economic downturn after the Lehman Brothers Shock in 2008, our dividend per share was at a lower level in fiscal 2009 and 2010. However, thanks to earnings recovery in each business segment, we made a significant increase in dividend value per share in fiscal 2011 and effectively raise it again in fiscal 2012 including a commemorative dividend of ¥10 per share to celebrate the 60th anniversary of HORIBA, Ltd.

Since fiscal 2013, we have changed the dividend policy to one based on consolidated net income and paid a record-high dividend per share of ¥60. In fiscal 2014, we are projecting another record-high dividend per share of ¥64, based on our net income forecast of ¥9.0 billion as of February 13, 2014.

We intend to continually increase reward to owners (shareholders) by growing earnings per share (EPS) and achieving higher ROE on a medium-term basis.

Based on consolidated net income, the total return ratio in the past 10 years, from fiscal 2003 to fiscal 2012, can be calculated to 20.8%. We believe the change of our dividend policy increases return to owners (shareholders).

Dividend payments and total return ratio



Investment record and plans in the Mid-Long Term Management Plan [2011-2015]

HORIBA continuously invests in equipment, ERP, R&D, and human resources from a long-term perspective, without depending on performance of a single fiscal year.

In the Mid-Long Term Management Plan [2011-2015] with 2015 being a final target year, we have invested mainly in overseas R&D bases and reagent production bases of the Medical segment from the first year.

From 2014, our focus will shift to setting up bases in Japan. We will once again strengthen our manufacturing (literally meaning "production" but capturing an all-encompassing approach to manufacturing with respect and craftsmanship) in Japan, enhance our technology development and manufacturing capability, and achieve business growth in the next Mid-Long Term Management Plan.

Global investments and plans