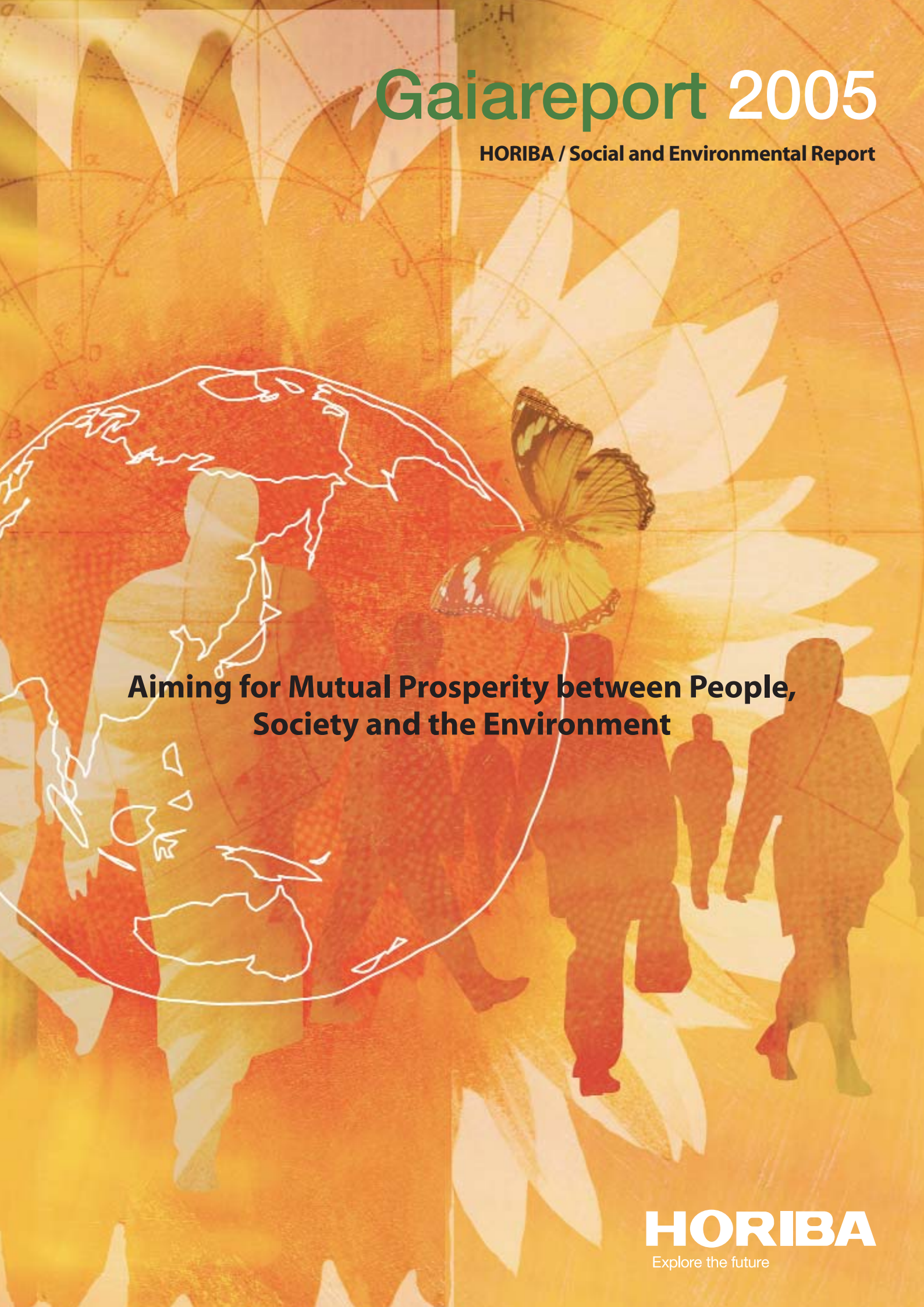
Gaiareport 2005

HORIBA / Social and Environmental Report



Aiming for Mutual Prosperity between People, Society and the Environment

HORIBA

Explore the future

Profile

Company Outline (As of March 20, 2005)

Corporate Name:
HORIBA, Ltd.

Head Office:
2, Miyanohigashi, Minami-ku, Kyoto, 601-8510, Japan

Founded:
October 17, 1945

Incorporated:
January 26, 1953

Paid-in Capital:
¥9,640 million

Representative:
Atsushi Horiba, chairman, President & CEO

Employees:
Consolidated 3,984
Unconsolidated 1,075

Fiscal Closing Date:
March 20

Stock Listings:
Tokyo Stock Exchange (1st Section)
Osaka Securities Exchange (1st Section)

Line of Business:
HORIBA manufactures and sells a wide range of scientific analyzers, engine emission analyzers, environment-monitoring equipment,analyzers and measuring equipment used in the semi-conductor industry, and medical analyzers. Horiba also manufactures and markets peripheral measuring and analysis devices. Moreover, the Company equips such facilities as laboratories with measuring and analytical equipment for R&D, production, and other applications.

* The role of the HORIBA representative has been effective since June 18, 2005.

Editorial Notes

HORIBA has been making environmental reports since 1999 to outline measures undertaken to ensure environmental preservation to our stakeholders. The entire group strives to contribute to the wellbeing of society based on our environmental management system that organically links quality, safety and the environment.

"Gaiareport 2005" was created in line with the following basic policies.

- Focus on the social nature of the enterprise (renamed Social and Environmental Report from Environmental and Social Report)
- Ensure the information within is conveyed as sincerely as possible and is easy to understand for all stakeholders
- References used in the creation of this report:
  Environmental Report Guidelines (2003) by the Ministry of the Environment
  Sustainability Reporting Guidelines (2002) by Global Reporting Initiative (GRI)
- The report covers HORIBA, its Head Office, Head Factory, domestic sales offices, Horiba Techno Service Co., Ltd. and domestic service stations for fiscal 2004 (March 21, 2004 to March 20, 2005).
- ✶ Environmental performance data refers to the Head Office and the Head Factory.
- Date of issue: June 18, 2005
- Planned release of next report: June 2006
- All inquiries should be directed to the Quality, Environment & Safety Management Center:
  Tel: +0081-75-325-5086
  Fax: +0081-75-316-0194
- Homepages:
- Environmental protection activities:
  http://www.jp.horiba.com/about_e/environment/
- Investor relations:
  http://www.jp.horiba.com/ir_e/
- SENSORIUM:
  http://www.jp.horiba.com/sensorium_e/index.htm

Towards WIN-WIN Relationships

The continued creation of mutually beneficial WIN-WIN relationships in all that we do underpins our philosophy of Corporate Social Responsibility (CSR).
We promote open and fair communication.
We develop products with the spirit of "joy and fun."
We operate in a manner befitting the city that was the starting point of the Kyoto Protocol.
We do all that we can.
HORIBA, always listening and always together with all.

Contents

Company Precept

Joy and Fun
Originates from the belief that if we take interest and pride in the work that occupies most of the active time in our lives, in the place where we spend the majority of each day, then as a result our satisfaction with life will increase, and we will be able to enjoy our lives even more. Taking interest and pride in our work leads us to "joy and fun."

Corporate Philosophy

To constantly broaden our horizons to ensure a prosperous future for all

- Promoting the protection of our earth and coexistence with the natural environment

Behavioral Guidelines

1. Be responsive to customer needs
2. Pursue technology to the ultimate degree
3. Always challenge
4. Be unique
5. Promote active communication

To be a Good Corporate Citizen in a Sustainable Society

The Need to Fulfill Social Responsibility Now Greater then Ever

The business and social environments have undergone tremendous change since the latter half of the 20th century. Production and markets have expanded rapidly, especially in China, while corporate management has become increasingly global and complex. Energy consumption and growing environmental burden are problems associated not only with industrialized nations but also developing nations. In order to realize sustainable social and economic development, we are faced with major challenges that include effectively using resources, preventing global warming and reducing harmful chemical substances. Amid these circumstances, the Kyoto Protocol, which was concluded in December 1997, entered into force in February this year, prompting the world to take action to cut CO_2 emissions. HORIBA will do its utmost to ensure that Japan achieves the objectives set by the protocol through the integration of technologies and cooperation with the government.

Various regulations have been enforced in countries around the world to help achieve the goals of the protocol, such as Restriction of the Use of Certain Hazardous Substances (RoHS) and End of Life Vehicles (ELV) directives in Europe. Additionally, companies must now take into consideration more than ever the health and safety of everyone surrounding their operations in their daily business activities. Corporate social responsibility (CSR) is a major focus of management anywhere. As a maker of analytical and measuring instrumentation, the orientation of our management is firmly directed towards comprehensively reducing environmental burden to fulfill our social responsibility.

Pursuing Further Reforms

In fiscal 2004, HORIBA emphasized its company-wide management policy as "HORIBA Group is One Company" and placed the word "HORIBA" at the start of each company name. We have grown into a true global enterprise, promoting a consistent brand with 38 group companies in 22 countries worldwide. As our operations expand, expectations in HORIBA increase as does our social responsibility. We aim to meet this challenge head on as a global company based on our precept "joy and fun" and through a shared vision and strategy. We will continue to aggressively pursue an open and fair management style in a bid to create an attractive organization.

To this end, we introduced an integrated management system (IMS) in 2004 that combines facets of quality, the environment and safety. Besides working to increase employee awareness of the need to improvement over the years (Black Jack Project), we have executed various reforms of our corporate structure in the development of our group companies. Going forward, we will continue to grow as a group enterprise that contributes to the realization of a rich future based on harmonious coexistence with nature and society.

Driving Technological Innovation with Youth and Vitality

HORIBA celebrated 50 years in business in 2004. In commemoration, we instituted the Dr. Masao Horiba's Award to encourage innovation in the field of analysis and measurement technology by those working in universities and public research institutes both in Japan and overseas. We seek to contribute to further technical development around the world by raising the position of measuring technology in scientific technology through such initiatives.

This report summarizes the activities and results of fiscal 2004. The new title, Social and Environmental Report, depicts our commitment to further enhance the social aspect of our operations. I hope you gain a deeper insight into our thoughts and undertakings through this report and I look forward to your continued support and guidance in the years to come.

Atsushi Horiba
Chairman, President & CEO
June 2005

HORIBA Group

Business Outline

Since its founding in 1945, the HORIBA Group has been supplying the world with diverse products as an integrated maker of analysis and measuring instruments.

We believe that "measuring" technology is indispensable to the advancement of technology and essential to investigate global environmental changes. Engineers at HORIBA Group constantly strive to develop world-class equipment in the hope that it will lead to the wellbeing of the world as we know it.

HORIBA Group Operates in Four Business Sectors

Engine Measurement Systems

HORIBA will continue to meet the expectations of automobile makers around the world as the leading company supplying equipment to measure the exhaust gas performance of vehicles, which greatly affects the environment. Our measuring technology is also applied to the field of clean engine development through hydrogen energy and fuel cell development.

Analytical Equipment & Systems (Scientific/Environmental Processes)

Through a diverse range of analysis equipment, HORIBA helps to solve global environmental issues key to the 21st century to the nanometer level of accuracy in componential analysis. With a line-up ranging from air pollution monitoring equipment to saliva acid neutralizing capacity analyzers, HORIBA makes the most of its technology to provide a healthy, safe and peaceful life for all.

Medical Electronic Systems

HORIBA's measuring technology has important application in the medical industry, a key area affecting human life, with products such as blood cell counters and equipment for measuring immunological responses. We are expanding this global business together with HORIBA ABX S.A. (France).

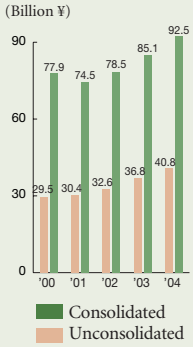
Semiconductor Instruments & Systems

HORIBA does its all to increase quality and speed in semiconductor manufacturing equipment to support the advancement of IT. HORIBA STEC Co., Ltd., HORIBA Advanced Techno, Co., Ltd. and HORIBA JOBIN YVON SAS work in unison to promote the HORIBA brand.

Five-Year Summary

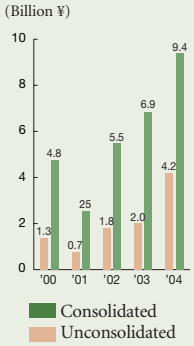
Net Sales

(Billion ¥)



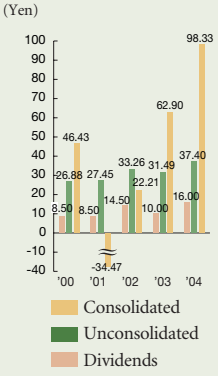
Operating Income

(Billion ¥)



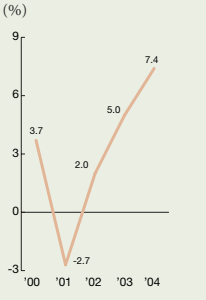
Income per Share/Dividends

(Yen)

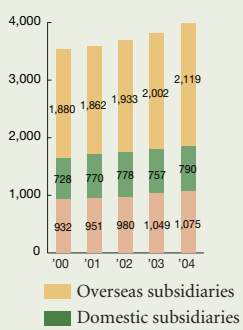


Return on Equity (ROE)

(%)



Number of Employees



Global Topics

Name Change in Four Major Group Companies

As part of the strategy to create a worldwide HORIBA brand to boost corporate value, we have changed the name of four major group companies in Japan and overseas by placing HORIBA at the start of the new company name.

Domestically, we changed the name of STEC Inc., which boasts number one global share of gas flow controllers in the semiconductor industry, and COS Co., Ltd., a specialist in water quality measuring equipment. Overseas, we changed the name of Jobin Yvon, S.A.S., which boasts sophisticated optical analysis technology, and ABX S.A., which plays a key role in the medical business field.

Moving forward, by combining the brand strength of each entity, we will strive to further boost trust from the market as an integrated manufacturer of analytical and measuring equipment.

- STEC Inc. (headquarters: Kyoto)
  → HORIBA STEC Co., Ltd. (effective July 1, 2004)
- COS Co., Ltd. (headquarters: Kyoto)
  → HORIBA Advanced Techno Co., Ltd. (effective July 1, 2004)
- Jobin Yvon, S.A.S. (headquarters: Longjumeau, France)
  → HORIBA Jobin Yvon, S.A.S. (effective October 1, 2004)
- ABX S.A. (headquarters: Montpelier, France)
  → HORIBA ABX S.A. (effective November 2, 2004)

New HORIBA Group Buildings

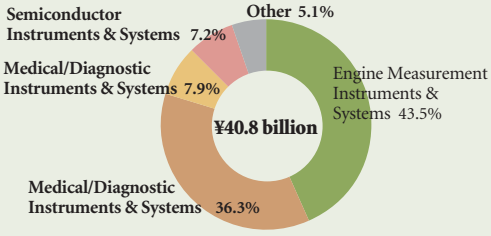
On October 19, 2004, we completed construction of buildings 22, 23 and 24 at the Head Factory. The buildings contain a semiconductor analysis equipment division, an environmental process analysis department, a service department and an optical frontier department.

HORIBA Included in MS-SRI Index

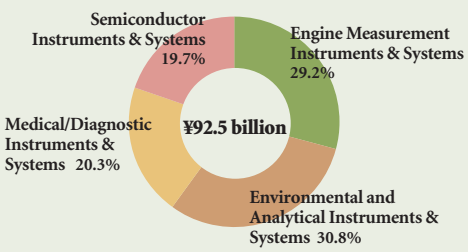
HORIBA has been selected as one of the 150 companies in the MS-SRI (Morningstar Socially Responsible Investment) Index. In the future, in order to achieve mutual prosperity with all our stakeholders, we will continue to promote the idea that "if it's HORIBA, anything is possible."

MS-SRI モーニングスター社会的責任投資株価指数
Morningstar Socially Responsible Investment Index

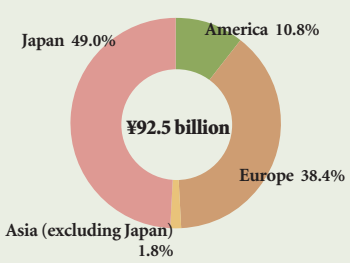
Sales by Business Segment (Unconsolidated)



Sales by Business Segment (Consolidated)



Sales by Geographic Region



Corporate Governance

The spirit of HORIBA has remained unchanged since it was founded as a student venture business. We encourage a challenging mind without fear of failure. We promote an open and fair environment that provides the impetus to challenge, evaluating not results but attitude. Our company precept of "joy and fun" underpins all business activities at HORIBA.

Through the provision of analytical and measuring products and services, we contribute to the wellbeing of society and fulfill our social responsibility. Sustainability forms the crux of all HORIBA operations as we move forward with an unrelenting spirit.

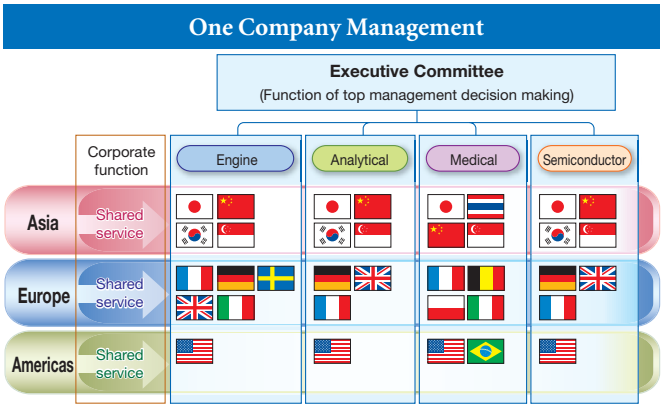
Corporate Governance

With the goals of pursuing transparent business management and maximizing corporate value, HORIBA consistently endeavors to strengthen its corporate governance.

HORIBA has appointed one outside board member and two outside auditors to assist with management decision making. Making use of external human resources with wide-ranging knowledge and experience enables us to increase the quality of management decision-making, promote the transparency of management operations and enhance the effectiveness of auditing functions. It also acts to reinforce management monitoring functions.

HORIBA introduced a corporate officer system (executive officer system) in June 1998 to speed up management decision-making by the board of directors and to increase the efficiency of monitoring functions by separating management and business execution. Company directors commission the corporate officers to execute the operations, while the corporate officers give specific instruction to departmental managers and oversee strategy implementation. The board of directors makes decisions on management policy and strategy and oversees business execution. This system acts to strengthen our corporate governance.

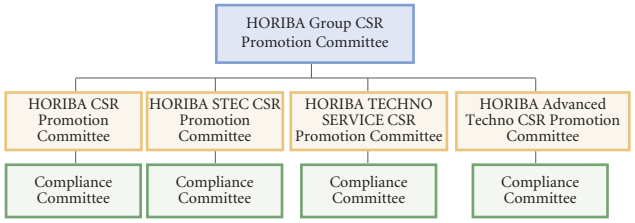
We also enhance corporate governance throughout the HORIBA Group based on the management policy of "The HORIBA Group is One Company." Transcending borders and divisions between group companies, we divide the HORIBA Group into business segment units such as production, purchasing, customer service and personnel. We promote efficiency in operations by clarifying the scope of responsibility of each unit. HORIBA has an executive committee with the highest decision-making authority in the entire HORIBA Group, which accelerates correct decision-making and manages the organization on a global level by delineating lines of responsibility.



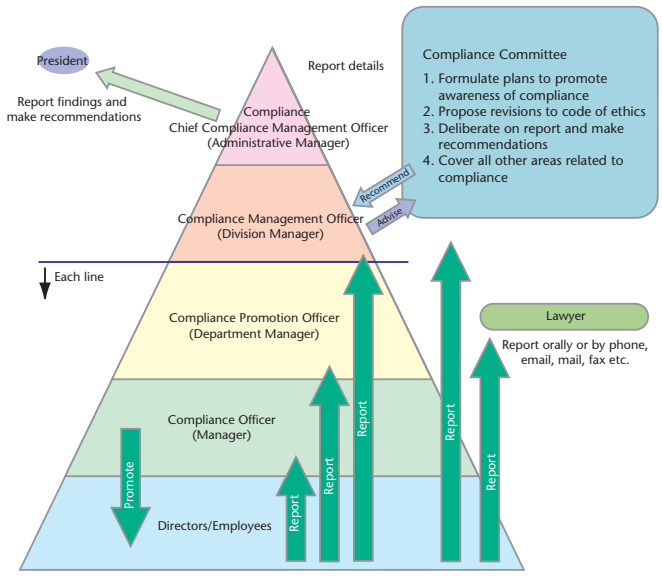
Compliance

Based on the "One Company" principle, HORIBA set up the HORIBA Group CSR (corporate social resposibility) Promotion Committee together with members of the major domestic group companies in April 2005. This body determines policies and strategies related to CSR. Through the CSR Promotion Committee at each company, these policies and strategies are percolated throughout the organization. A Compliance Committee has been established below the CSR Promotion Committee to promote understanding of compliance, to discuss any related matters and to enquire about, report on and recommend on whistle-blowing. In order to boost legal compliance in employees, we have set up an internal reporting system, while enabling consultation with external lawyers and providing an email address exclusively for whistle-blowing.

HORIBA Group CSR Promotion System



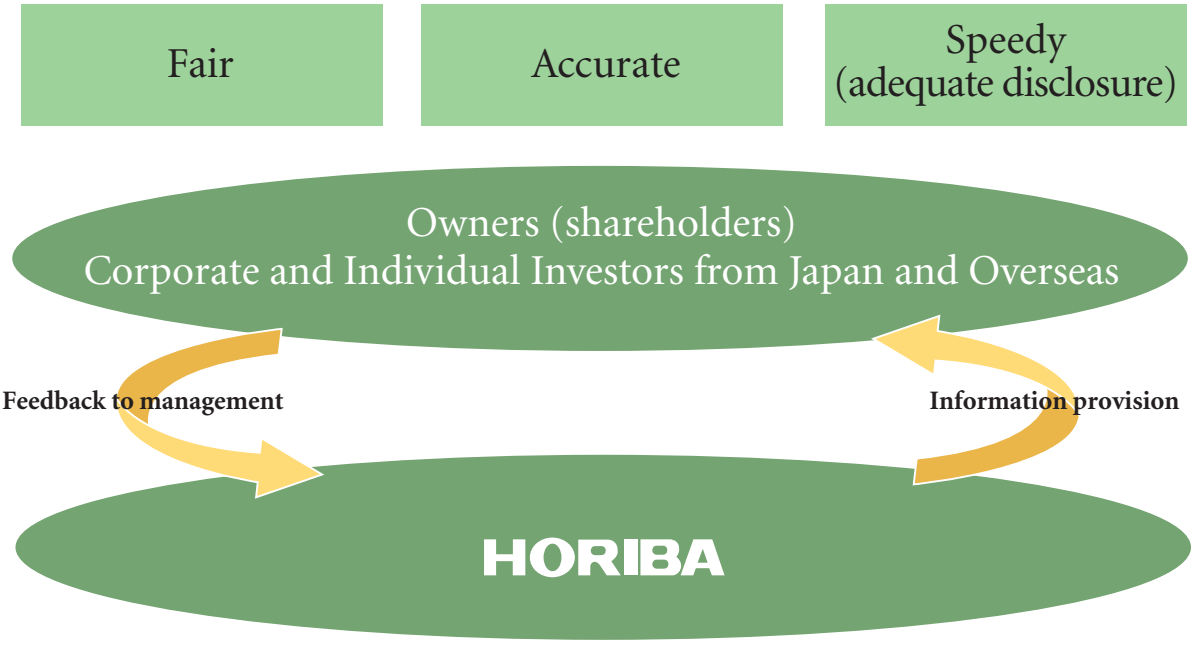
Compliance Promotion Flow



Relationship with Investors

We regularly report on our management status to investors and parties with a vested interest in HORIBA. By disclosing critical business and management information without delay, we are able to guarantee transparency in management.

We maintain an excellent relationship with our owners (shareholders) and investors, which are key company stakeholders. At the same time, we strive to ensure that the fair value of the corporation is reflected in our share value. At HORIBA, we are active in our approach to IR activities based on the mottos "Fair," "Accurate" and "Speedy (adequate disclosure)."



For domestic corporate investors

Financial Presentation Meeting (biannual)
Individual meetings with president, directors and managers (over 200 times/yr)

For overseas investors

Hold meetings as often as possible
Create materials in English at same high standard as Japanese (can view on company website)

IR Fair

For individual investors

Apart from creating opportunities for direct meetings, we strive to enhance and improve the various IR tools to ensure there is no difference in the information provided to corporate and individual investors.
Specific measures: General shareholders meetings on Saturdays, participation in exhibitions at IR events, etc.

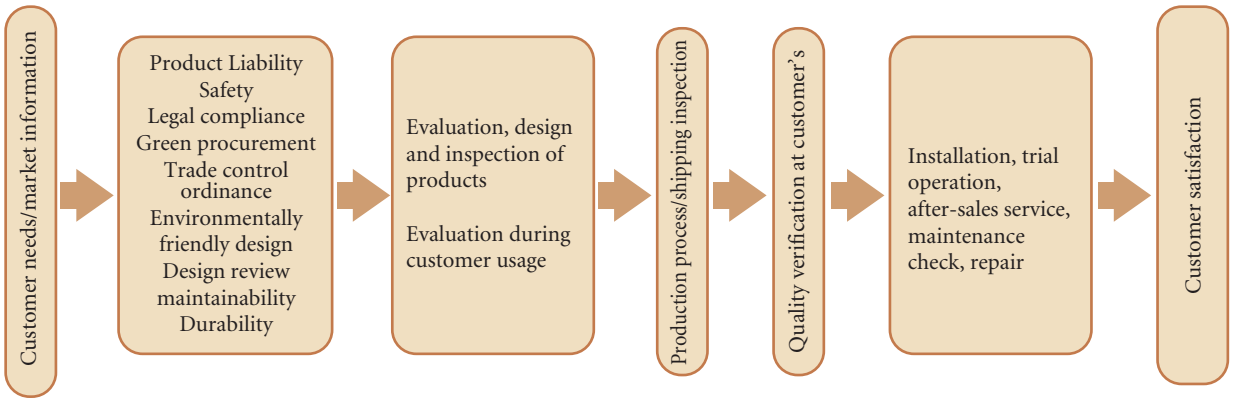
*At HORIBA, we refer to "shareholders" as "owners."
We believe that "shareholders" are more than mere holders of the company's shares but are in essence the "owners" of the company.

Relationship with Customers

In order to provide a steady stream of products that satisfy our customers, we pursue technologies to the greatest extent possible - both basic technology and technology to commercialize products. We guarantee that all products and services are of the same world-class level of quality in all corners of the globe. To achieve this, we created and enhanced a quality management system (QMS) and made it compulsory for each group company to acquire the most appropriate QMS.

Our aim is to be an "ultra-quick supplier" so that customers are provided with our products and services in as short a timeframe as possible. Achieving this goal requires us to be ultra-quick in all areas of operation, not only production but also development, sales, service and administration.

Quality Management System



Listening to Customer Opinion

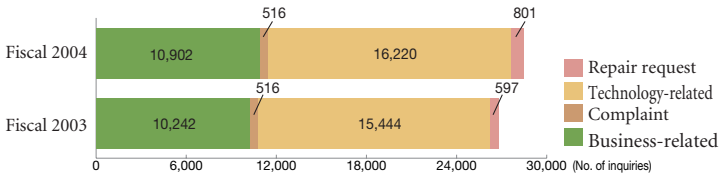
Customer Support Center

We have set up a customer support center to answer queries about how to use analytical equipment and how to measure properly, while fielding answers on whether we have devices suitable for certain measuring needs. This center covers a wide range of inquiries from general users, sales companies and others.

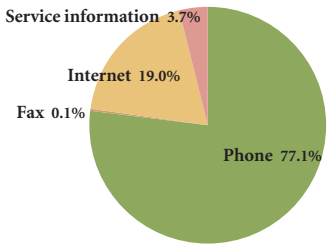
A technical service center was established in 1992 and revamped into the customer support center in November 1994. The number of inquiries from around the world in addition to Japan directed to the center via email and so on has been increasing in recent years. In fiscal 2004, we received more than 29,000 customer inquiries.

The center executes a variety of different measures to provide information that will lead to customer satisfaction. Besides making sure that responses are speedy and accurate, we make effective use of the data on customer opinion and needs to improve products and operations.

Type of Inquiry



Mode of Inquiry



Perpetually Customer-Oriented

HORIBA provides a variety of different scenes to promote communication with customers. To make sure that our employees are always acting with the customer in mind, we have to further boost awareness of the need for innovation. Besides offering the highest quality products and services, we understand the importance of constantly thinking about what we can do for the customer.

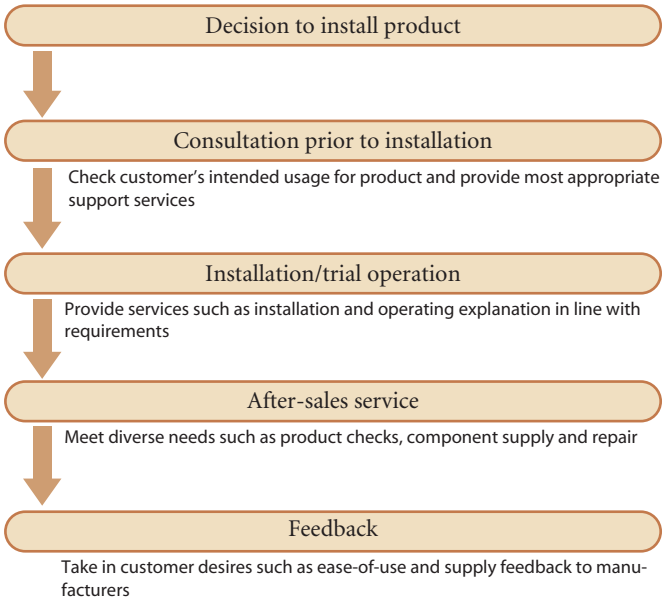
For that reason, we have made it our mission to continue being an open and fair organization for our customers.

Maintenance

What kind of analysis do you need?

The type of analysis differs depending on the scale of the analytical system, the numerical value required and the customer. HORIBA makes a point of grasping exactly what the customer wants through consultation prior to product installation. We also provide equipment and technical support for total solutions to our customers' "measuring" requirements.

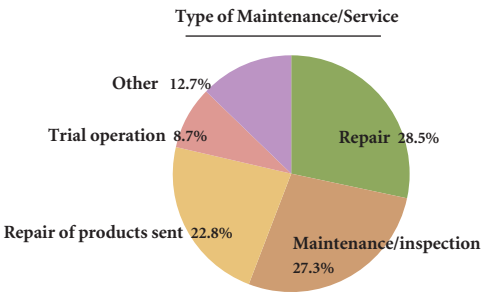
Support System from Product Installation



Maintenance and Support

Horiba Techno Service Co., Ltd. provides all after-sales services and support for HORIBA Group products. Customer support in Japan for the maintenance and repair of HORIBA's analytical instruments and for technology-related issues is available from 22 sites nationwide.

Horiba Techno Service responded to no less than 25,000 requests for service in fiscal 2004 (99.8% relative to previous year). Customer requests ranged from regular product checks, overhauls, repairs and maintenance contracts to installation, support, component supply, training and technician dispatch.



Respecting Privacy

HORIBA has created its own unique information security system to safeguard data that arises from communication with customers. There is no better system than this for eliminating problems such as external information leakage.

To ensure compliance with the law protecting personal information that came into effect on April 1, 2005, all employees who receive customer inquiries undergo exclusive training on how to handle the information. We will continue to emphasize the importance of compliance in all activities throughout the organization.

Communication Policy

Corporate communication activities such as advertising and promotions play a key role in our relationship with customers.

We aim to make catalogs and advertising campaigns that are creative, original and easy to understand so that we can convey the necessary information in the most appropriate way to our target audience.

Company Advertising and Promotions

In 2001, we introduced the corporate slogan "Explore the Future." This expresses our commitment to play a key role in uncovering the unknown in analytical and measuring equipment in industrial and environmental fields.

HORIBA vows to always stay one step ahead in the industry in terms of high-tech advancement in technical innovation, and through the development of novel new products and technologies. We constantly endeavor to execute our critical roles and enhance our existence as a maker of analytical and measuring devices.

We promote these slogans through advertising campaigns and commercials run in the Nikkei newspaper and the CS TV discovery channel. We also hold various environmental enlightenment exhibitions for the general public to boost our appeal as a company that contributes to the wellbeing of our world through environmental measurement.

Advertisement at JR Kyoto Station building

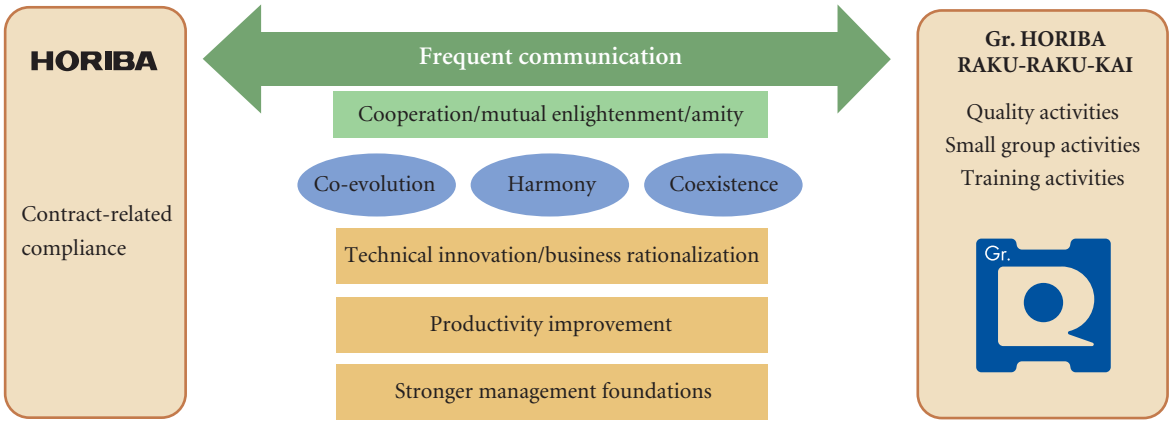
Relationship with Suppliers

Our business activities are built on the cooperation and support of a lot of people engaged in respective fields, beginning with suppliers of materials and components needed for production. We endeavor to create trusting relationships with a diverse array of suppliers both in Japan and abroad when we procure goods and services.

Relationship with Partner Companies in Production and Assembly

At HORIBA, we refer to suppliers that we purchase materials from as "partner companies." Through mutual cooperation, we believe we can grow together with these partners.

Besides suppliers, we are also strongly affiliated with companies that we consign assembly operations to. Among them, 54 key partner companies comprise the Gr. HORIBA RAKU-RAKU-KAI, which promotes mutual enlightenment based on their motto of co-evolution, harmony and coexistence.



Global Procurement: Collaboration with HORIBA Worldwide

The HORIBA Group makes effective use of its overseas network for material procurement.

1. Contributes to material cost cuts
2. Contributes to lower logistics costs through joint transport with group companies
3. Contributes to maximizing productivity at local manufacturing sites through increased local procurement
4. Aims to achieve effective communication beyond inter-group walls by way of the global purchasing committee

Moreover, the HORIBA Group strives as one to reduce environmental burden by complying with the WEEE, RoHS and other directives.

Manufacturing Sites (Abbreviations are in parentheses)

A. HORIBA INSTRUMENTS LIMITED (HIL)
B. HORIBA Jobin Yvon SAS (JYFR)
C. HORIBA ABX S.A. (ABX)
D. HORIBA EUROPE GmbH (HE)
E. HORIBA KOREA LTD. (HKL)
F. HORIBA INSTRUMENTS (SHANGHAI) CO., LTD. (HSC)
G. HORIBA, Ltd. (HOR)/HORIBA STEC Co., Ltd. (STEC)/ HORIBA Advanced Techno, Co., Ltd. (HAT)
H. HORIBA INSTRUMENTS INCORPORATED (Irvine Facility) (HII)
I. HORIBA INSTRUMENTS INCORPORATED (Tempe Facility) (HCP)
J. HORIBA INSTRUMENTS INCORPORATED (Ann Arbor Facility) (HAD)
K. HORIBA JOBIN YVON Inc (JYUS)

A Step towards becoming One Company

In June 2004, the purchasing departments of two key domestic group companies, HORIBA Advanced Techno Co., Ltd. and HORIBA STEC Co., Ltd., and of HORIBA itself were integrated into the purchasing department at the head factory. This was one move aimed at creating One Company and one step towards a global procurement system that includes overseas companies.

After the integration, we started to execute activities based on SICDEQ. This acronym takes the initial letter from six keywords necessary in the purchasing department (see below).

Through these activities, we uncover problems and offer solutions in each area to boost group synergies.

SICDEQ meeting

Green Procurement of Office Supplies

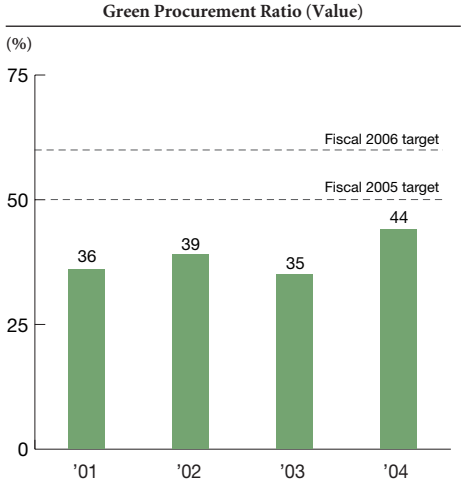
We introduced a purchasing system using the internet in 2001 and since then, have been aggressively buying environmentally friendly products.

In fiscal 2004, we started promoting the green procurement of office supplies for the IMS target to boost the proportion of environmentally friendly items. We hold presentation meetings for purchasing managers of office supplies to increase awareness of green procurement. Purchases of office supplies amounted to ¥16.1 million in fiscal 2004, with green procurement accounting for 44% of this. We aim to boost this figure to over 50% in each department at IMS companies in fiscal 2005.

HORIBA is a registered member of both the Kyoto Green Purchasing Network, established on November 22, 2004, and the Green Purchasing Network. We will continue to advance green procurement throughout the company.

Green Purchasing Network logo

Green procurement presentation meeting



Relationship with Employees

We are proud of the fact that the HORIBA Group was founded based on a venture spirit. All group employees have the entrepreneurial drive and are expected to strive towards the realization of creative ideas and innovation.

To maximize the potential of each employee and realize goals, we provide an open and fair work environment. To promote personal growth and development, we encourage understanding of other cultures and foster a global perspective. Initiatives to achieve this objective include developing key international human resources, exchange programs and a performance evaluation system. We reward those with a challenging spirit who work hard to reach goals by way of a points system.

Aiming for Corporate Appeal

~Implementation of One Company Operations~

HORIBA always strives to be "the number one and the only one" in the world. From fiscal 2004, in order to increase corporate strength, we implemented "one company" operations in accord with our mission to make the HORIBA Group one company. With the objective of raising corporate appeal, we are working to maximize synergies by integrating group strengths.

Basic Policy of Personnel System

Create Corporate Value

Aiming to create value at each HORIBA Group company and for the group as a whole, our intention is to make a "strong HORIBA." For that purpose, we guarantee outstanding personnel who possess individuality, culture and experience. We also aim for employment systems at each group company that befit respective business models.

Open and Fair

We provide equal opportunity for all employees to voice their opinion and receive information. The employee evaluation system is always conducted in a fair and transparent manner to ensure total satisfaction with work type and job.

Family Friendly

We aim to maintain a balance between personal and work life by creating an atmosphere that facilitates peace-of-mind. In particular, amid a falling birthrate, we have institutionalized a support system to nurture the next generation.

Labor and Management Join Forces to Build Corporate Appeal

Labor and management have concluded a union agreement aimed at corporate development and providing a stable and better life for employees. Both parties have made a promise to remain true to this agreement.

The Labor-Management Council convenes on a regular basis to exchange opinions. In addition, we formed a work group with members from both labor and management to deliberate on the new salary based grade system started in 2005. By facing challenges together with a view to the future, we can increase the appeal of HORIBA.

Personnel System that Maximizes "Joy and Fun" for Challenge-Seekers

In-house Staff Recruitment System

HORIBA provides the opportunity to aspiring workers to further their career. In fiscal 2004, we commenced an in-house staff recruitment system whereby personnel can apply to be transferred to a location or position that suits them best. Departments and jobs available are advertised on the intranet. Applicants do not need to notify their superior, but are free to apply to any department, either at a company inside Japan or overseas. We have conducted three recruitment campaigns thus far. A total of 15 people have been reassigned new challenges.

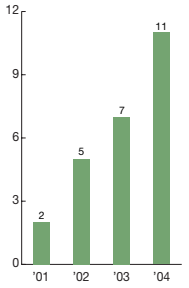
Developing Global Personnel

HORIBA products are sold in markets around the world where needs are steadily growing. Personnel exchanges between overseas group companies have therefore become more important. We have been running an international training system for years now in which domestic employees apply to be sent for training at overseas group companies. Recently, we have stepped up efforts in this regard. At the same time, we accept overseas group employees and interns to foster an environment that is open to diverse cultures. These moves bolster the global perspective of all HORIBA employees.

We also hold language study programs for English, French and Chinese and offer incentives to those employees that make improvements as a means to raising motivation.

Overseas trainess at HORIBA Jobin Yvon S.A.S (France)

Employees Dispatched for Training Overseas



Maximizing Potential of the Physically Challenged

We are aggressive in our approach to ensuring all HORIBA personnel are provided with a work environment that offers both "joy and fun." Since fiscal 1995, the proportion of physically challenged employed at HORIBA has exceeded the rate required by law. In fiscal 2004, the proportion stood at 1.82%, with the average length of continuous service at around 21 years. We received an award from the mayor of Kyoto in recognition of our efforts in 2001 and continue to garner high praise from various other quarters.

HORIBA Employee Won Award in CAD Category of Kyoto Abilympics for Second Consecutive Year

The Product Vertification department at HORIBA is in charge of testing products, making workflow standard forms and creating manufacturing processes. An employee from this department entered the Kyoto Abilympics for the physically challenged in 2004 and 2005, winning the gold award and an award from the mayor of Kyoto in the CAD category.

He plans to enter the national competition in October 2005 and hopefully come out on top again.

Shunya Fujishige,
Product Vertification department

Combining Work and Family for a Dynamic Workplace

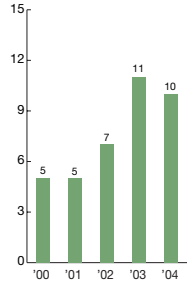
Equal Rights Optimize Effectiveness

At HORIBA, we constantly promote female staff to managerial positions and create a work environment that maximizes their potential. By promoting women in instructor positions in-house and proving an environment for them to develop their skills, the number of years of continuous service is increasing annually, especially for those in managerial positions or above.

In July 2004, we held training for around 30 female employees from HORIBA sites throughout Japan to help boost their careers. The program was based on dialog as an effective coaching methodology, with participants sharing their concerns and offering advice.

Female Staff in Supervisory Position or Above

(As of March 21)



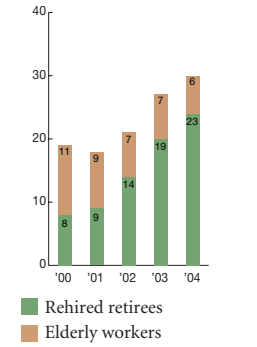
Seminar to enhance female careers

Dissemination of Technology

Rehiring Retirees and Employing the Elderly

To take advantage of the extensive knowledge and experience of retired workers, we introduced a system in 1986 that allows rehiring workers up to the age of 65. They are then free to work over and beyond the normal retirement age. We also actively employ outside contract workers between the ages of 55 and 65 to exploit their know-how and expertise.

Rehired Retirees and Elderly Workers



System to Hand Down Production Technology

HORIBA introduced a system on December 1, 2004 that facilitates the dissemination of production technology. This system delineates technologies indispensable to the HORIBA Group so as to build awareness of them in experts (masters) and make sure they are appropriately handed down to novices (juniors). Core technologies in the production division are identified and pertinent masters and juniors are chosen. At present, there are 12 masters, who are educating juniors in line with plans.

Occupational Health & Safety and Accident Prevention

Occupational health and safety and accident prevention underpin a healthy organization and its ability to grow. At HORIBA, we strive to create a comfortable, accident-free work environment. In July 2004, we acquired OHSAS18001 certification to complement the previously attained ISO9001 and ISO14001 certifications. We are committed to the creation of a low-risk, safe and comfortable environment by aggressively pursuing "near-miss" programs and risk management.

We are also deeply concerned with the general wellbeing of all employees. Ensuring that HORIBA employees live a healthy and fulfilling life has positive repercussions for corporate growth, so cannot be underestimated. Besides instituting the EAP (Employee Assistance Program) to answer inquiries, we try to increase the number of people taking medical examinations. We managed a rate of 99% in fiscal 2004, and will look for 100% in the years to come.

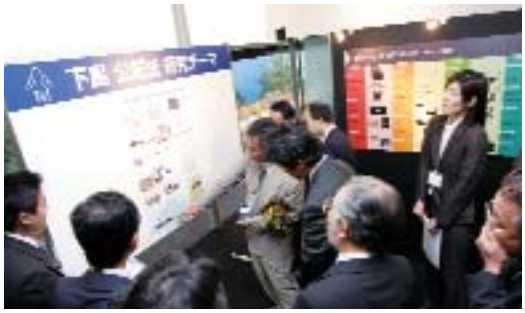
Relationship with Society

We aim to maintain a close and meaningful relationship with the local community, living in harmony side-by-side. Going forward, we will conduct emergency-relief and disaster-prevention activities so that we are fully prepared in case of accident. We will also proactively interact with local communities.

Instituted Dr. Masao Horiba's Award

In recognition of its fiftieth year in business, HORIBA established an award to encourage research in analysis and measurement systems in scientific fields. The award is called "The Dr. Masao Horiba's Award," after the founder of the company. The subject for the premier year of the award was pH measuring instruments, which were the first products put out by HORIBA, and also its first core technology. Entries were welcomed from researchers inside and outside Japan. Inaugural winners were: Dr. Kiwamu Sue from Tohoku University, Graduate School of Environmental Studies (topic: Development of Apparatus for Potentiometric pH Measurement of Supercritical Aqueous Solution); Dr. Naoki Sugimoto from Konan University, Faculty of Science and Engineering, Department of Chemistry of Functional Molecules (topic: Development of Biosensor Based on DNA Material for Monitoring pH in Cell); and Dr. Kiminori Shitashima from Central Research Institute of Electric Power Industry, Environmental Science Research Laboratory (topic: Development of pH-ISFET for In-situ Sea Water Measurement). The winning topics demonstrated the contribution of cutting-edge pH measurement technology in state-of-the-art material development, biotechnology and environmental protection, underpinning its importance. The award will continue to support researchers with innovative and socially significant research.

Dr. Masao Horiba's Award ceremony


Dr. Masao Horiba's Award (Kiminori Shitashima poster session)

Inauguration of Eight-Company Consortium: The "Micro Chemical Initiative"

The "Micro Chemical Initiative" (MCI) is the result of joint efforts by HORIBA, Ltd. and seven other companies, namely Dainippon Screen Mfg. Co., Ltd., OMRON Corporation, Olympus Corporation, ZEON Corporation, Yamatake Corporation, Ushio Inc. and Shin-Etsu Chemical Co., Ltd. MCI will focus on commercialization of micro chemical technologies, which are the objects of high hopes in a wide variety of fields including chemicals, drug development, biotechnology, health care, environment and energy. The aim is for the consortium of manufacturers, each of which has developed its own unique technologies, to work toward early application of these technologies through technological collaboration as well as business alliances.

Micro chemical technology utilizes minute microspaces from several dozen to a few hundred microns (1 micron = 1 millionth of a meter) to conduct chemical reactions on a chip (substrate) a few square centimeters in size. These chips are made of metal, glass or plastic. Besides chemical reactions, the technology can also be applied to minute analysis and the division and extraction of elements. It may also be used to create modules and systems that integrate multiple chips. It is presumed that the scope of application will extend to biochips for blood testing and lab-on-a-chip. Compared to conventional methods, this technology enables more micro analysis at a greater speed and higher accuracy. It is also safe and environmentally friendly. HORIBA anticipates that it will have useful benefits in the fields of chemistry, biology, environment and energy.

HORIBA Provides Aid to Sumatra Earthquake and Tidal Wave Victims

The HORIBA Group made a donation to the victims of the Sumatra earthquake and tidal wave that occurred in December 2004. We collected more than ¥1 million from group companies, affiliates and employees. The relief money was donated to the Japan Committee for UNICEF to provide aid to areas affected by the disaster. We hope for quick resolution in all these communities.

Supports and Invites Public to Concert Affiliated with Science

HORIBA was the main sponsor of the 18th International Congress on Acoustics (ICA2004) held in Kyoto. No less than 50 couples were invited to the commemoration concert featuring the world-renowned violinist, Mariko Senju. The unique concert integrated science with music by experimenting with changes in sound and musical interpretation by altering the position and number of instruments in the orchestra and the distance between performers. By sponsoring this concert, which gave ordinary citizens the opportunity to experience musical performance firsthand, we have contributed to the advancement of musical culture as part of our corporate philanthropy activities.

Exhibition at the International Congress on Acoustics

Supported Earth Photo Contest

HORIBA has supported the Earth Photo Contest sponsored by President Inc. every year since its inception. The Ministry of the Environment and Research Institute for Environment and Society also support the event. Our theme of the contest is "Whisper of the Earth." The number of entries has been increasing in recent years, showing rising awareness towards environmental issues. It is a great opportunity to deepen consciousness of problems through the medium of photography by amateur enthusiasts.


HORIBA Outstanding Award: "Shipwreck"

Together with the Local Community

Participated in Exhibition of Corporations Kind to the Environment

HORIBA's Gaiareport 2004 was displayed at an exhibition for companies in Kyoto that are kind to the environment held at the Miyako Ecology Center (Fushimi, Kyoto). The event showcases corporations that strive aggressively to ensure environmental preservation and outlines their activities.

Third Cleanup at Katsuragawa River

To express our gratitude to the community, emphasize environmental issues to parent and child and personify our stance as "One Company," we once again conducted a cleanup of the Katsuragawa River on the west side of our Head Factory. After collecting around 300kg of rubbish, participants performed a show of picture-cards made by hand.

Open House

We held company open days in spring for families of HORIBA employees and in autumn for primary school students.

In addition to observing the inside of the company, participants had the opportunity to visit laboratories that measure vehicle exhaust gas, smoker's breath and pH levels in volcanic ash. We will conduct more open days like this as a means to increasing awareness of environmental issues in the local community.

Integrated Management System (IMS)

Promoting IMS

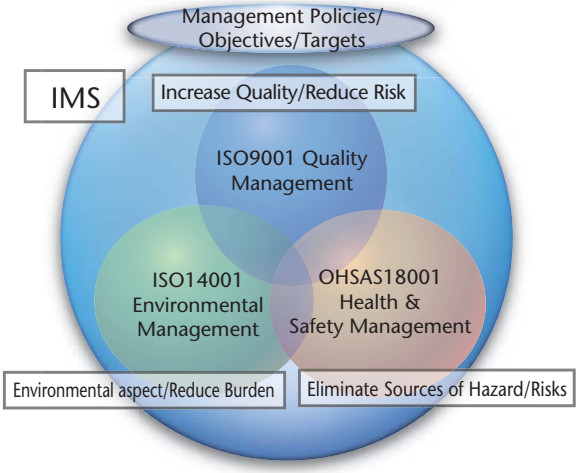
HORIBA introduced an integrated quality, environmental and safety management system (IMS) in 2004.

Through IMS efforts, we aim to create high-value-added, efficient corporate management that leads to enhanced corporate value.

IMS Policy

1. We will meet diversified customer needs by providing products and services through an environment friendly production system.
2. We will comply with laws and regulations to promote mutual prosperity.
3. We will strive for continuous improvement by establishing appropriate business goals and objectives and implementing the plans to achieve them.

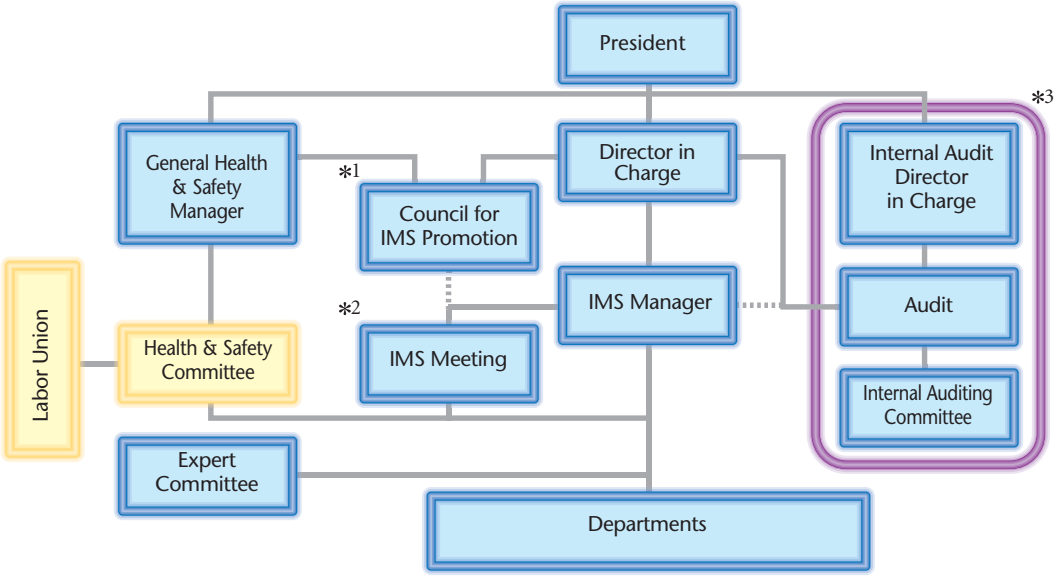
Outline of IMS



Aims of IMS

1) Simplify management decision-making and trade-offs in each activity by operating under a simple management system to guarantee the most appropriate decision
2) Increase operating efficiency by simplifying document management and material creation, and reduce costs associated with internal audits and third-party audits

IMS Promotion System



Notes:

1) Council for IMS Promotion: Top management reviews suitability, adequacy and effectiveness of IMS
2) IMS Meeting: Department managers debate problems and areas for improvement to ensure a smooth-running IMS (monthly meetings)
3) Internal audit: Objective and systematic evaluation of whether IMS is running according to set standards

System Improvements during First Year of IMS

The IMS was officially recognized as being an effective management system by the Japan Quality Assurance Organization (JQA) in July, 2004. Details of IMS activities and status of target achievement in fiscal 2004 are outlined on page 18 "Results of Fiscal 2004 IMS Activities."

Areas for Improvement from Fiscal 2005

Item	Fiscal 2004	Fiscal 2005
1. Stance of Council for IMS Promotion	Convenes annually at fiscal year-end	Hold quarterly meetings (Objective: reflect management decisions on IMS in short cycle)
2. Formulate IMS activity plans	Manages IMS activity plans and business plans	Integrate IMS activity plan into business plan (Objective: Further integrate IMS activity and business plans)
3. Increase competency of internal auditors	Requires review of members	Aggressively recruit new managers Objective: Strengthen auditor skills and increase effectiveness of audit system

Status of ISO Certification Acquisition

Based on the management policy, "HORIBA Group is one Company," we are aggressively promoting management to realize an attractive global corporation.

We intend to introduce an IMS at each group company in the coming years to further enhance the efficiency of our business operations.

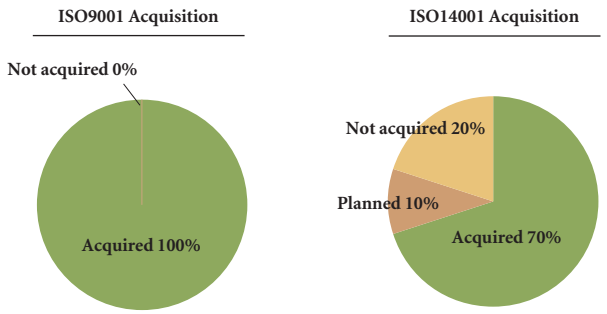
For this reason, we strive to attain ISO certification at each domestic and overseas subsidiary. Recently, we pressed forward with activities to obtain the qualification at HORIBA STEC Co., Ltd. (STEC) and HORIBA Advanced Techno, Co., Ltd. (HAT) as part of our program to create a group-wide environmental management system. As a result, HAT acquired ISO certification in February 2005, while STEC is expected to acquire it at the beginning of 2006.

Overseas, HORIBA INSTRUMENTS (SHANGHAI) CO., LTD. has already attained ISO certification for quality and the environment. Almost all group companies in Japan and overseas have attained these two ISO certifications. We have made steady progress in percolating IMS throughout the company.

ISO Certification at Group Companies

Company	Quality (ISO9001)	Environment (ISO14001)
HII (USA)	○ 1998.12	○ 2002.2
HAD (USA)	○ 1998. 1	○ 2002.2
HIL (England)	○ 1994. 8	○ 2003.2
JYFR (France)	○ 1998.10	×
ABX (France)	○ 1999. 4	×
HE (Germany)	○ 1996.12	○ 2003.6
HSC (China)	○ 2005. 1	○ 2005.5
HKL (Korea)	○ 1999. 9	○ 2004.6
HAT (Japan)	○ 1999.12	○ 2005.2
STEC (Japan)	○ 1999. 2	△ 2006.2

○ Already acquired △ Planned × Not acquired
*Refer to page 10 for company abbreviations



Future Direction

In fiscal 2004, we made improvements in several key areas, including the creation of an EMS at subsidiaries, Environmental conformity design of new products and energy and resource reduction. Nonetheless, we have to execute more balanced efforts to optimize quality, environmental and safety systems in order to boost management efficiency and keep pace with the ever-changing world of today.

We seek to increase the effectiveness of our IMS by further improving systems based on the challenges uncovered and proposed correction in fiscal 2004.

Additionally, to realize the policy, "HORIBA Group is One Company," and to maximize group synergies, our long-term vision is to standardize our IMS throughout the group.

Fiscal 2004 Activity Report

Results of Fiscal 2004 IMS Activities

Fiscal 2004 marked the first year of the mid- to long-term plan for our IMS (three-year plan). The following outlines the results of IMS related activities.

Item	Objective	FY 2004 Targets	FY2004 Results	Self-Evaluation
Create corporate value	Promote Turn Around Project (TAP)	Improve profits in seven areas	Achieved profit targets in areas for improvement at general affairs department	○
	Create EMS at domestic production companies	Attain ISO at one company	Provided affiliates with EMS information Attained ISO environmental certification at HORIBA Advanced Techno in February 2005	○
Enhance brand value and customer satisfaction	Ensure rapid delivery	83%	Standardized sales and production schedule for all products	△
	Respond swiftly to complaints (within 1 month)	Over 70%	Fell below target due to delayed component check and verification Will conduct QA meetings to improve delays	△
	Reduce loss from returned products	Under 0.80%	Implemented claim busters in semiconductor products Will enhance QA meetings and process surveys in future	△
	Reduce unfinished work and minimize errors	Reduce by 10%	Horizontal development of solutions to service problems; implemented preventative measures Analyzed reasons for unfinished work and reduce incidence	△
	Promote environmental enlightenment in community and enhance communication	Over four cases	Executed 13 campaigns such as onsite training, cleanups and recognition in Eco Kyoto 21	○
	Expand environmental conformity design in new products	Over 60%	Evaluated environmental conformity design in eight areas, including energy-savings, resource-reduction and environmental preservation	○
	Eliminate use of lead solders	Reduce lead circuit boards by 30%	Fell short of target	△
	Promote green procurement and eliminate prohibited substances	Formulate and implement plans for elimination	Gathering supplier information (agreements, nonuse guarantees) basically in line with plans Started inspection system through internal XGT	○
Promote creation of safe, high-efficiency clean factories	Improve power consumption factor through energy- and resource-saving activities and reduce CO_2 emissions	Over 1%	Improved energy-saving awareness and actual results by increasing energy-conservation days	○
	Reduce power consumption	Over 11%	Improved energy-saving awareness and actual results by increasing energy-conservation days	○
	Promote green procurement of office supplies	Over 50%	Held meeting for purchasing managers at start of period to increase awareness	△
	Reduce waste	Over 2.5%	Achieved power consumption target by reducing waste in production Total paper increased, however, due to OA paper required for increase in sales	○
	Promote product reuse and recycle	Over 60%	Collected sample products used in sales and promoted recycling to boost sales	△
	Enhance management of harmful substances and reduce emissions	Set plan for each substance	Investigated possibility of eliminating all harmful substances and reflected results in policy	○
	Reduce errors in processes	Set plan for each product	Promoted activities to improve QC process and increased awareness by introducing examples of errors	○
	Increase percent of usable collected parts	Under 0.25%	Set policies for each parts maker and strive for improvement Encouraged measures through quality patrol	○
	Reduce work hours	Reduce work hours outside company time by 10% YoY	Increased proportion of free holidays during period Couldn't decrease total work hours due to increase in sales	△
	Eliminate absenteeism caused by accidents	Zero-accidents	Provided employee training and improved facilities	△
	Conduct medical exams for 100% of personnel	98%	Encouraged all personnel to take exam and enhanced preventative measures	○
	Reduce risk through appropriate management	Eliminate risk V and reduce risk IV by half	Enhanced processes by optimizing integration and improving effect of measures	○

* Note: Self-Evaluation Category: ○ = Goal achieved; △ = Achieved more than 70% of goal ; × = Achieved less than 70% of goal

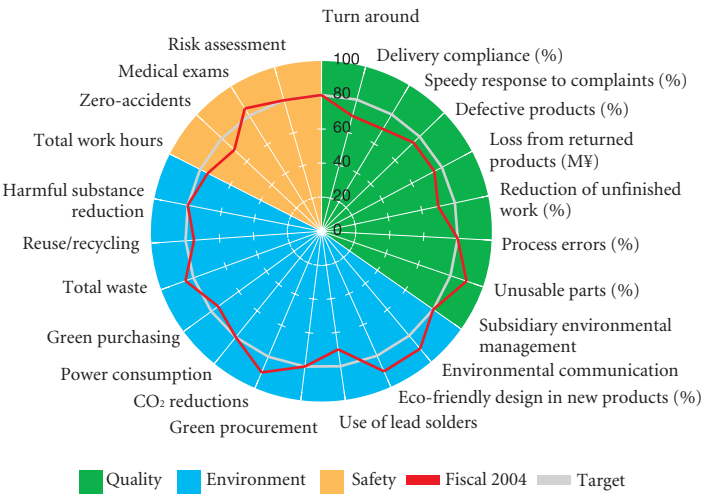
Results and Challenges of IMS Year One

Respective company departments formulated plans aimed at achieving the targets of the 22 items set under our IMS and implemented them in the form of a short three-month PDCA (Plan-Do-Check-Act) cycle. These activities were discussed at IMS meetings, with internal audits evaluating each workspace. Outcomes of these talks were fed back into the system to ensure continuous improvements.

Moving forward, we will promote initiatives to garner even more balanced results in terms of quality, environment and safety.

Furthermore we strive to make satisfactory of our stakeholder and to be going to improve our corporate value more.

IMS Target Achievement Radar Chart



Mid- to Long-term Plan for IMS and Fiscal 2005 Action Plan

Fiscal 2005 is the second year of the mid- to long-term plan for our IMS. The following table outlines the results and challenges from fiscal 2004, revised plans and targets for fiscal 2005.

IMS policy

	Objectives	Objectives	FY 2005 Targets	FY 2006 Targets (Relative to FY 2003)
Integrated Management System (IMS) Policy	1. Create corporate value Fiscal 2005 Group sales ¥100 billion Operating profit ¥10 billion 1) Expand IMS group-wide	(1) Create EMS at domestic production companies	1. Convey environmental information 2. Collect data on green products and environment 3. Hold group environmental meetings and support certification acquisition	Acquire ISO14001 at group companies (2 companies, 4 factories) Extend IMS to subsidiaries
Establish eco-conscious production system and meet customer needs through products and services	2. Enhance brand value and customer satisfaction 2) Ensure rapid delivery 3) Respond swiftly to complaints 4) Improve service quality 5) Optimize environmental/IR communication 6) Expand range of eco-friendly products	(2) Ensure rapid delivery	83%	85%
		(3) Respond swiftly to complaints (within 1 month)	Over 70%	Over 80%
		(4) Reduce loss from returned products and defective products	Under 0.70%	Under 0.60%
		(5) Reduce unfinished work and minimize errors	Over 2 months: 0 / Over 1 month: 1/3	Over 1 month: 1/2
		(6) Promote environmental enlightenment in community and enhance communication	Over 6 cases	Over 10 cases
Comply with local regulations and promote coexistence		(7) Expand environmental conformity design in new products (environmental display system)	Over 65%	Over 70%
		(8) Eliminate harmful substances in products (promote green procurement)	Eliminate all substances specified by RoHS	Totally eliminate
		(9) Improve power consumption factor through energy- and resource-saving activities and reduce CO2 emissions	Over 3%	Over 7%
		(10) Promote green procurement of office supplies	Over 50%	Over 60%
Formulate targets and plans to achieve them	3. Promote creation of safety and high efficiency clean factories 7) Contribute to prevention of global warming 8) Reduce waste 9) Reduce harmful substances 10) Raise production/administrative efficiency 11) Strive for zero-accidents	(11) Achieve zero-emissions companywide and reduce emissions in each department	Companywide: Under 10% of final waste at landfill	Under 1% of final waste at landfill (companywide)
		(12) Promote product reuse and recycling of collected products	Over 60%	Over 80%
		(13) Enhance management of chemical substances, reduce emissions and eliminate harmful substances	(Set for each substance)	Totally eliminate (except specified substances)
		(14) Reduce errors in processing	(Set for each department)	(Set for each department)
		(15) Reduce work hours	Set based on fiscal 2004 results	(Set separately)
		(16) Eliminate absenteeism from work accidents	Reduce accidents by half (zero absenteeism from accidents)	Zero-accidents
		(17) Reduce risks through appropriate management	Extermination risk V and IV	Extermination risk V and IV

Key Objectives of IMS Mid- to Long-term Plan for Fiscal 2005

The following outlines the key objectives in quality, environment and safety for fiscal 2006 under our IMS mid- to long-term plan.

1. Environmental improvement activities

1) Reduce environmental burden in products and bolster compliance
   a) Expand and enhance environmental conformity in the design of new products
   b) Totally eliminate harmful and prohibited substances by promoting green procurement
2) Conserve energy and resources to help prevent global warming and waste
   a) Reduce CO_2 emissions through energy-saving and resource-saving activities
   b) Achieve zero-emissions
3) Expand EMS to all group companies
   We will strive to employ our EMS and IMS in all group companies

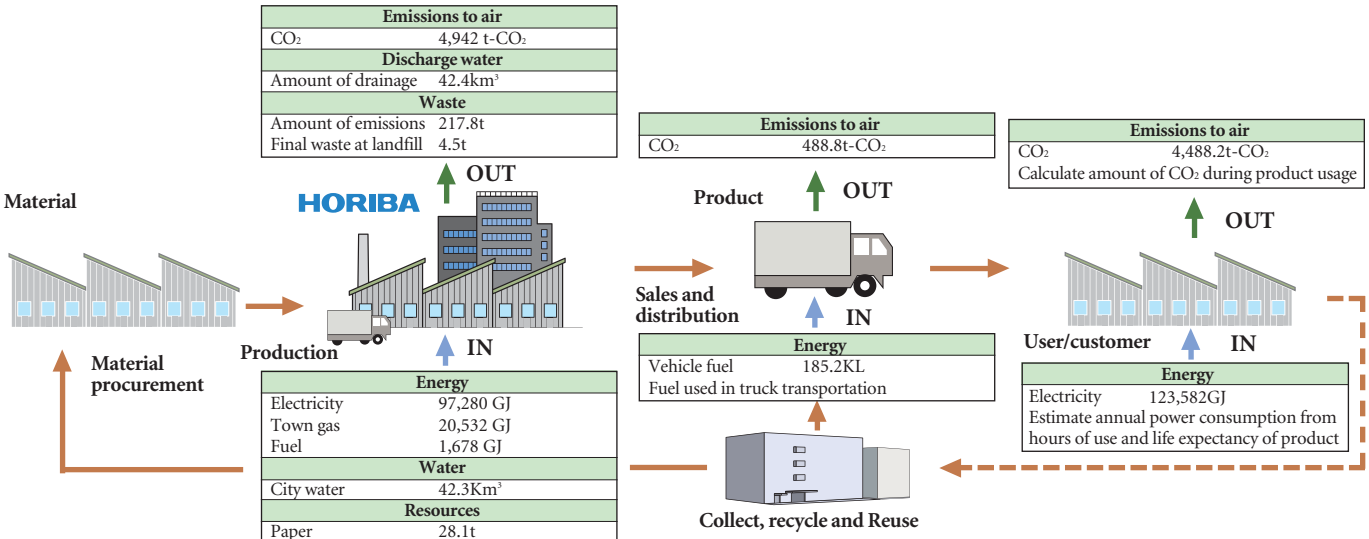
2. Quality and safety improvement activities

1) Promote production that enhances customer satisfaction
   a) Reduce product defects and respond swiftly to complaints
   b) Increase compliance to delivery requirements
2) Promote safe and efficient factory operations
   a) Reduce errors, from components supplied to production processes
   b) Reduce accidents at work by minimizing risk

Reducing Environmental Impact in Our Operations

(1) Head Office/Factory

HORIBA procures resources via a supply chain for its products and uses energy, water and other resources in various stages of production. Finished products are then transported to the customer, where they use energy during operation. These products may be reused or recycled. With the Kyoto Protocol entering into force in February this year, we are even more concerned with effectively using valuable resources and will conduct production activities from the perspective of environmental preservation.



Computation:
Coverage: Head Office/Factories
Period: Fiscal 2004

Production Input
Electricity: from power companies
Gas: Town gas
Fuel: Gasoline, diesel, kerosene
Water: Groundwater, city water
Resources: Office paper, packaging materials, liquid gas, etc.

Production Output
CO_2: Amount generated during electricity, gas, fuel and water consumption and through waste emissions
Amount of emissions:
At downstream
Waste: Total amount of emissions and waste at final landfill

Sales and logistics
Transport from factory to customer/store
Consumption
Calculated as power consumed by environment-friendly products in fiscal 2004
Collect/Recycle/Reuse
Products collected in fiscal 2004

(2) Sales Offices (12) and Service Stations (21)

	INPUT		FY 2004	
	Item	Unit	SO	SS
Energy consumption	electricity, Town gas, fuel	GJ	9,102	10,836
Water	Water used Groundwater, city water	km^3	2.2	1.0
Resource material	Office paper, packaging materials, liquid gas, etc.	t	7.3	1.7
	Liquid nitrogen	t	3.3	0.0
	Liquid argon	t	3.0	0.0

OUTPUT		FY 2004	
Item	Unit	SO	SS
Total CO_2 emissions	t-CO_2	388	579
Wastewater discharge	km^3	2.2	1.0
Total waste produced emissions	t	5.2	8.5
Emission into air	t	3.0	0.0
Emission into air	t	3.0	0.0

(3) Group Company Information

Region	Company name	No. of employees	Power consumption (MWh)	Town gas consumption (km^3)	Water consumption (m^3)	Automobile fuel consumption (kl)	Waste emissions (t)
USA	HII	112	464	–	7,469	–	–
	HAD	118	1,086	43	5,727	–	–
	HCP	7	1,200	–	1,600	100	4
EU	HE	108	511	126	418	274	11
	HIL	75	369	11	1,138	4	16
	ABX	537	2,137	–	14,408	–	400
	JYFR (include JYUS)	503	4,914	320	28,015	550	–
ASIA	HKL	18	74	–	–	4	0
	HSC	30	136	–	156	6	6
	HAT	122	320	38	4,867	18	3
	STEC	341	4,604	237	14,643	47	16

Note: Refer to page 10 for company abbreviations

Environmental Risk Management

Status of Legal Compliance

HORIBA conducts daily monitoring for its environmental risk management based on the company's own voluntary standards, which are rooted in laws and regulations. Factory effluent is measured and the results reported to the Kyoto City Council, while other measurements are made on a regular or spot basis. Results are always reflected in measures for improvement.

[**FY 2004 Results**]

- Legal breaches/environmental complaints: zero
- Soil/underground water contamination: no breach of laws
- Harmful substance management: no substances exceeded consumption levels specified by PRTR Law; we will strive to further reduce these substances in the future through eco-conscious activities

Emergency Procedures

We conduct training and emergency drills every year just in case an earthquake or other such disaster strikes. In fiscal 2004, we conducted two kinds of emergency training concerning the environment and two concerning safety. We uncovered areas for improvement by doing so.

Training for emergencies

Internal Auditing

We promoted initiatives to improve our IMS during fiscal 2004. Last time, we undertook a stringent check of whether the PDCA cycle was running smoothly or not in all stages of IMS creation. This time, we focused more on the check-action part.

We audited 35 of HORIBA's 61 departments though an IMS audit system. Two auditors checked areas related to quality, the environment and safety. It was found that 30% of areas required improvement in order to realize IMS targets. Furthermore, with the newly introduced OHSAS system, we uncovered a number of aspects that need to be improved on a safety front. We also found 15 strong points, which we will continue to enhance.

These results were discussed at the council for IMS promotion, with a decision made to review the system after fiscal 2005.

Internal audit in progress

Environmental Education

From the time personnel enter the company, they participate in courses on IMS, with the objective of boosting understanding of ISO9001, ISO14001, OHSAS18001 and our IMS.

We also conduct concentrated training on drainage and effluent as well as green purchasing seminars.

IMS seminer for mid-career workers

Environmental Communication

We strive to enhance communication with a wide range of people by providing environmental information that covers our various business activities. By doing so, we aim to deepen mutual understanding. We continue to promote the disclosure of environmental information in the form of environmental reports, other media and exhibitions.

Although people are not wholly familiar with the devices used to measure and analyze the environment, we intend to increase awareness based on the motto "to measure is to know."

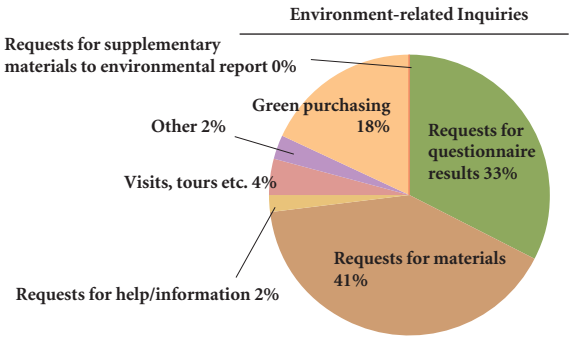
Results of Environmental Communication

Medium/Activity	Number
Social and Environmental Report	4,200 copies
Courses/seminars	5
Website	Approx. 90,000 views
Questionnaires/surveys	116
TV/radio commercials	8
Environmental information requests	292
Newspaper/magazine advertisements	4
Gaiareport questionnaire responses	17
Environmental exhibitions/cartoon displays	4
Onsite training/company open days	8

Communication Sheet

At HORIBA, we use what's known as a communication sheet that outlines environment-related inquiries from stakeholders.

In fiscal 2004, we received 116 inquiries, 3% up on the previous year. Inquiries regarding not only green procurement, but also requests for materials pertaining to the company's EMS are increasing.



Environmental Accounting

HORIBA instituted its integrated management system (IMS) in fiscal 2004, which combines quality, environment and safety systems. We also started environmental protection activities under our third environmental plan, with fiscal 2006 marked as the year to achieve goals.

At HORIBA, we quantify "environmental costs" and "environmental effects," and examine the difference between targets and results so that we can promote effective environmental management.

We refer to the Environmental Accounting Guidelines of the Ministry of the Environment (fiscal 2005 (latest) version) when calculating the cost of environmental measures.

Total environmental costs in fiscal 2004 were 99.3% of the previous year, so basically on a par. Despite this, costs associated with resource recycling and management increased significantly, especially to promote waste recycling and to investigate harmful substances in products.

In terms of capital investment, we continued to spend money on measures to prevent pollution, while also concentrating on ways to save energy and curb global warming, such as shifting from electric to gas in air conditioners and promoting green procurement by installing energy-saving office equipment.

Our environmental performance declined on a unit basis in terms of amount of CO_2 emissions and waste generation, but this can be attributed to an increase in business volume. It is a key future challenge for us to reduce both CO_2 emissions and waste in the future.

1) Environmental Protection Costs (by business activity)

Category		Key Actions	Amount Invested	Total Cost
(1) Business Area			38.7	65.9
Details	1. Pollution prevention	Maintained existing exhaust and drainage facilities, promoted measures in pursuit of air and water quality (p.34)	0.9	6.7
Details	2. Global environmental	Switched from electricity to city gas in air conditioners, promoted energy-saving activities (p.30)	32.9	10.7
Details	3. Resource circulation	Reduced waste, promoted reuse/recycling (p.33)	4.8	48.6
(2) Upstream/downstream		Promoted green purchasing, and collection and reuse of used products (p.11 & 20)	5.2	0.5
(3) Administration		Improved EMS, environmental disclosure and reporting, and education (p.21)	4.0	107.2
(4) R&D		Promoted development of environmentally designed and applied products, and lead-free equipment (p.26)	14.5	572.3
(5) Social activities		Supported environmental technology and seminars, enhanced enlightenment activities and communication (p.14 & 15)	0.0	36.1
(6) Environmental remediation		N/A	0.0	0.0
Total			62.4	782.0

2) Environmental Protection Benefits

Environmental Protection Benefits				
Category	Environmental Performance Index	FY 2003 (standard)	FY 2004 Outside scope	Difference from Standard (Environmental Protection Benefits)
Benefits in terms of resources invested	Total energy input (GJ)	135,131	139,428	4,297
	Power consumption (GJ)	110,798	109,529	-1,269
	City gas consumption (GJ)	15,157	20,532	5,375
	Fuel (diesel, kerosene, gasoline) (GJ)	9,175	9,366	191
	Core production elements input (t) (Iron, SUS, aluminum, glass)	58.2	64.6	6.3
	Recycled resource input (t), OA paper, packaging materials (cardboard, wood, polystyrene)	250	309	59
	Water input (km^3)	43.5	45.5	2.0
	Groundwater input (km^3)	16.7	15.7	-0.9
	City water input (km^3)	26.8	29.8	3.0
Benefits in terms of environmental burden and waste	Greenhouse gas (total CO_2 emissions t-CO_2)	5,635	5,908	273.5
	Greenhouse gas emissions through electric energy consumption (t-CO_2)	4,024	3,978	-46.1
	Greenhouse gas emissions through city gas consumption (t-CO_2)	793	1,074	281.2
	Greenhouse gas emissions through gas consumption (t-CO_2)	611	625	13.1
	Amount of PRTR-specified substances emitted/transferred (t)	0.12	0.10	-0.02
	Total waste generated (t)	224.9	231.6	6.66
	Final waste at landfill (t)	5.4	5.2	-0.25
	Total water drained (km^3)	43.4	45.5	2.2
	Water quality (BOD/COD) (mg/l)	Outside scope	Outside scope	—
	NOx, Sox emissions (t)	N/A	N/A	—
	Malodor (max. density) (mg/l)	N/A	N/A	—
Benefits in terms of goods and services generated	Energy consumption during operation (GJ) (Total of eco-friendly energy-saving products)	34,674	26,531	-8,143
	CO_2 emissions during operation (t) (Total of eco-friendly energy-saving products)	1,259	964	-296
	Harmful substances emitted during disposal (t)	24.1	18.4	-5.7
	Amount of used products, containers and packaging recycled (t)	10.3	11.1	0.8
	Amount of containers, packaging used (t)	0.200	0.144	-0.056
Other benefits	CO_2 emissions during transportation (t) (Charter bin)	472	489	17
	Products, materials transported (thousand km) (Charter bin)	1,132	1,172	40
	Soil contamination (m^2)	N/A	N/A	—
	Noise (dB) *at night	55	55	0
	Vibration (dB) *in evening	30	30	0

Coverage: Head Office/Factory, 11 sales offices, 21 service stations)
Period: March 21, 2004~March 20, 2005)
Unit: ¥M (incl. supplementary tables)

3) Economic Benefits from Environmental Protection Activities

Difference from Standard (Environmental Protection Benefits)		Amount (¥M)
Effect		
Profit	Gain on sale of recycled waste: amount of metals, oils, electric wires and rare metals sold (6,550kg)	0.30
	Gain on sale of recycled products; 61 units	9.11
Cost reduction	Reduction in energy costs through energy-saving measures (switch from electricity to city gas in air conditioners, etc.); reduction in power consumption=3.24M kw/h (-¥10.02M) / increase in city gas consumption=117.9 km3 (+¥3.11M)	6.91
	Reduction in disposal costs through recycling (paper, cardboard); amount recycled=93.4t (saving of ¥0.529M)	0.53
Total		16.85

Environmental Accounting Standards

1) Investment/expenditure classification: based on financial accounting standards
2) Costs: includes personnel, management and R&D expenses (excl. depreciation)
   i) Personnel costs: Average labor costs x no. hrs environmental protection activities
   ii) R&D costs: by product (materials, personnel) + research costs into environmental improvement activities
3) Based on Environmental Accounting Guidelines by the Ministry of the Environment (Fiscal 2005 version)

Supplementary Tables

1) Environmental Protection Costs (by measure)

Environmental Protection Costs (by measure)			
Measure	Key Actions	Amount Invested	Total Cost
(1) Global warming prevention	Switched energy forms in air conditioners, encouraged use of inverters	25.4	6.7
(2) Ozone depletion prevention	Reduced consumption through improved work processes, recycled washing materials	0.0	0.5
(3) Air quality preservation	Maintained, inspected, managed outdoor equipment	0.0	4.0
(4) Noise/vibration prevention	Periodically repaired cleaning tower	0.0	0.0
(5) Water, soil, ground protection	Repaired, managed water drainage monitoring system	0.9	2.7
(6) Waste, recycling	Enhanced separation, collection and disposal costs at waste storage sites	4.8	48.6
(7) Harmful substance measures	Promoted investigation into harmful substances in products, installed inspection	4.0	8.8
(8) Natural environment protection	Katsuragawa River beautification activities, etc.	0.0	4.3
(9) Other	—	—	—
Total		35.1	75.5

3) Environmental Protection Benefits Relative to Ongoing Costs

Ongoing costs and activity	Objective	Achievement
1. Costs to comply with regulations for water quality, air, noise on par with previous year	Manage within scope of regulations	Kept under designated figures
2. Reduced EMS costs by 30% through IMS	Exploit merits of integration	Reduced costs by 29%

4) Three-Year Summary of Environmental Accounting

	FY 2002	FY 2003	FY 2004
(1) Environmental protection costs			
Amount invested	30.1	127.2	62.4
Total cost	719.1	722.8	782.0
(2) Environmental performance index			
Total energy input (GJ)	131,013	135,131	139,428
Input amount of PRTR-specified substances (total of 8 substances) (t)	0.62	0.651	0.81
Water input (km^3)	47.1	43.5	45.5
Greenhouse gas emissions (t-CO_2)	5,440	5,635	5,908
Amount of PRTR-specified substances emitted/transferred (t)	0.16	0.12	0.10
Total waste (t)	208.6	224.9	231.6
Total drainage (km^3)	47.1	43.5	45.5
(3) Economic benefits of environmental protection measures			
Actual benefits	173.7	126.5	110.8
Other benefits	—	—	—

5) Three-Year Summary of Indices for Analysis

	FY 2002	FY 2003	FY 2004
Proportion of environmental protection activities to total business activities			
R&D costs for environmental protection relative to total R&D costs (%)	41.7	42.3	40.5
Amount invested for environmental protection relative to total capital expenditure (%)	3.0	16.6	5.3
Costs of sales of eco-friendly products relative to operating revenue (%)	14.8	14.4	10.8
Cost/benefit comparison in specific fields			
Energy productivity (added value/total energy input)	1.36	1.50	3.00
Energy productivity improvement rate/environmental protection cost	0.084	0.02	0.094
Water resource productivity (added value/input amount)	37.94	47.71	92.99
Water resource improvement rate/environmental protection cost	7.4	11.4	22.4
Recycling rate (recycled amount/recycled amount + natural resource input)	0.83	0.81	0.83
Recycling improvement rate/environmental protection cost	0.160	0.168	0.087

2) Comparison of Costs and Benefits of Key Environmental Performance Indices

Greenhouse Gas Emissions

FY 2003: 5,635t-CO_2 (standard)	FY 2004: 5,908t- CO_2	Environmental Protection Benefit: +273t- CO_2
Target year: FY 2006	Target: Power consumption factor: 7% (1.071t- CO_2/¥100M) reduction	Achievement rate: 77.5%

Environmental Protection Activities	Environmental Protection Costs
1. Switched to gas in air conditioners, FY03 100 units unfinished, FY04 30 units completed	23.8
2. Promoted use of inverters for power generation, energy-saving activities	8.3
Total	32.1

Environmental protection benefits of measures to curb global warming:
Emissions increased by 273t due to greater business volume, but improved power consumption factor from 15.30t- CO_2/¥100M in FY03 to 14.4t- CO_2/¥100M in FY04 by switching from electricity to gas. This translates to a reduction of 5.42%, which is a 77.5% achievement relative to FY06 targets.

Total Waste Generation

FY 2003 (standard): 324.1t	FY 2004: 341.7t	Environmental Protection Benefit: +17.6t
Target year: FY 2006	Target: Power consumption factor: 8% (0.07t/¥100M) reduction	Achievement rate: 61.1%

Environmental Protection Activities	Environmental Protection Costs
1. Promoted recycling by separating waste before disposal	34.5
2. Reduced cardboard by switching to plastic for cartons	9.8
Total	44.3

Environmental protection benefit of recycling waste:
Despite YoY increase of 17.6t, improved power consumption factor from 0.88t/¥100M (standard) to 0.837t/¥100M in FY04. This equates to an improvement of 0.043t/¥100M (4.89% reduction), or a 61.1% achievement relative to our target of an 8% reduction in FY06 (target year).

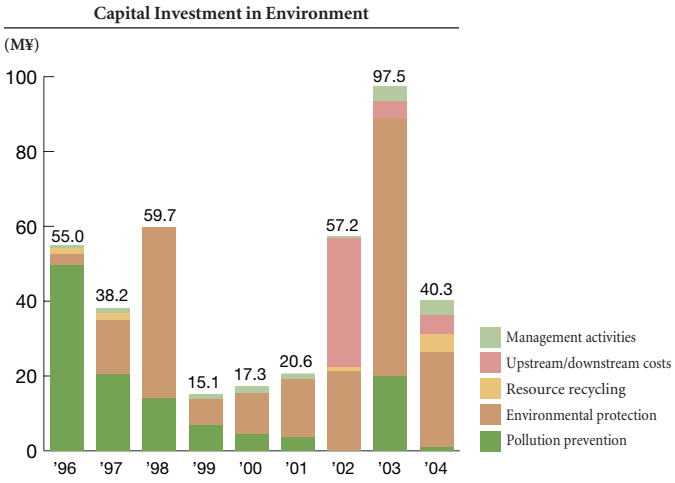
Emission/Transfer of Specified Harmful Substances

FY 2003 (standard): 0.124t	FY 2004: 0.100t	Environmental Protection Benefit: -0.024t
Target year: FY 2006	Target: Reduce by over 30%	Achievement rate: 64.5%

Substances: 9 types of PRTR-specified substances of which over 10kg are handled

Environmental Protection Activities	Environmental Protection Costs
1. Promoted reduction/elimination of substances based on internal standards	1.0
2. Encouraged switch to replacement substances	1.2
3. Reduced power consumption factor by changing processes/methods	2.9
Total	5.1

Environmental protection benefit of measures related to harmful substances:
Reduced amount handled by using replacement substances and promoting recycling; reduced amount transferred by improving processes and promoting reuse/recycling.
Total reduction: 0.024t, or a 64.5% achievement relative to FY06 target.



Environmental Protection through Business Activities

HORIBA develops technologies and commercializes products with the objective of contributing to environmental preservation through its business activities. This is personified in the provision of analytical and measuring equipment. Here, we will introduce the efforts undertaken by each department.

Medical Electronic Systems Division

Yoichi Omori

Living a healthy life is more important than anything. But finding the right balance to keep ourselves healthy is often difficult to do. If this balance deteriorates at all, the role of the medical profession then has an essential role to play. The Medical Electronic Systems Division provides equipment for use in the clinical testing and analysis of blood, so vital to health.

For instance, Antsense III, a potable blood glucose measuring instrument, boasts equivalent performance to large equipment installed in examination rooms. Eliminating the need to set aside time and place at the hospital, this device speeds up testing, diagnosis and administration of required medication.

Demand for such small-size, high-performance equipment is expected to grow significantly in the future. The medical field now requires equipment that is effective and accurate in all stages of the treatment cycle: testing, diagnosis, medication. By quickly testing blood on the spot, we can eliminate the administration of unnecessary medication because we can understand the medical condition much sooner. This helps to cut down medical costs, which is a major social issue. The portable size also means that direct energy consumption is kept to a minimum, while decreasing waste in the testing procedure and cutting indirect energy used in other treatment. The benefits to the environment are manifold. We will continue to create instruments that meet the quality standards of the medical profession and that are friendly to the environment.

Small-size electrode-type blood glucose meter

Environmental &Process Instruments systems Division

Tadao Nakamura

At the Environmental &Process Instruments systems Division, we contribute to environmental preservation by monitoring global warming.

The World Meteorological Organization (WMO) set up the Global Atmosphere Watch (GAW) program in 1989. As part of efforts under GAW, the body has installed devices around the world to monitor greenhouse gases and the ozone layer. In Japan, monitoring stations have been set up in Tokyo, Okinawa and Iwate, at which HORIBA products are used to measure gases that contribute to global warming such as CO_2 and methane.

The technology to accurately measure small changes in the amount of CO_2 is based on our own unique infrared measuring technology accumulated over many years. This technology has been applied to a number of our analytical and measuring devices.

Measuring CO_2 density in the atmosphere

New Business Development Project

Norio Itaya

Our radiation monitor known as “Radi” measures radiation in the environment.

Various types of radioactive waves are all around us on earth and in the atmosphere both day and night. Radi measures the gamma rays, which are similar in nature to X-rays. “Hakaru-kun,” which has the same capabilities, is being used by the Science and Technology Agency (currently, the Ministry of Education, Culture, Sports, Science and Technology). More than 3,000 units of this device have been loaned to primary, junior high and senior high schools around the country through the Institute of Radiation Measurements so that ordinary citizens are more aware of radiation in the environment and have a deeper appreciation of science.

We also provide onsite environmental education for youngsters. As Kyoto is the home of COP3 and where the Kyoto Protocol originated from, we are committed to spreading an understanding about the need for environmental preservation among society as a good corporate citizen.

Radiation monitor

Engine Measurement systems Division

Masayuki Adachi

Automotive exhaust gas regulations were first introduced in the United States in the 1960s and have since spread to all corners of the world. In response, HORIBA has continued to provide leading edge gas analyzers and samplers that are essential to exhaust emissions testing. As a result, our products have become the de facto standard at numerous government environmental certification laboratories across the globe. Rather than simply to clear regulations, these devices also contribute to improve fuel efficiency, helping to develop eco-friendly automobiles and engines that suit the consumer taste. In particular, our range of analytical and measuring instruments, beginning with the MEXA-7000 series, and supported by peripheral products, are used in the automobile-industry for the certification and development of new cars.

We have also launched an ammonia-analyzing system (MEXA-1170NX) and a sulfur-analyzing system (MEXA-1170SX), vital in the research of NOx treatment catalysts. Besides these, we have striven to improve exhaust gas measuring instruments that operate while the car is running. We will continue to strengthen our lineup of products that contribute to a cleaner environment.

In the future, we will exploit our expertise in vehicle exhaust gas measuring systems beyond mere automobile combustion engines to include the development of ships, airplanes, building equipment, power generators and fuel-cell vehicles. We will also strive to be a "Total Solution Provider" by offering more than just equipment to ensure that we contribute to the wellbeing of the earth as much as we can.

Motor Exhaust Gas Analyzer

Semiconductor Instruments & Systems Division

Tsukasa Satake

We provide analytical and measuring equipment that underpins the R&D and productivity of electric devices. In terms of everyday items, mobile phones are a good example. Such devices are getting smaller, lighter and more sophisticated at lightning speed. We support the development and production of these products.

We strive to do more than simply cut costs and boost performance when developing a product, we consider environmental conformity design in order to reduce environmental burden in all stages of the social cycle. In all products, we increase the recycling rate of purified water and cleaning fluid used in the production of IC chips, provide guidelines to lengthen the life of chemicals and optimize processes that use cleaning fluid to make it easier to recover chemicals. Our measuring instruments significantly reduce the environmental burden for society in production processes for semiconductors and crystals. They also play an important role in boosting productivity.

Optical fiber chemical Concentration Monitor

Scientific Instruments & Systems Division

Kenichi Obori

HORIBA's scientific systems and products have diverse application from cutting-edge R&D to quality management in companies, research labs and universities. In recent years, in response to harmful substance regulations planned for enactment by the EU, such as the RoHS directive, we introduced a range of analytical instruments that use X-rays. The XGT-1000WR can quickly screen for specified harmful substances. It is predominantly used by home appliance makers. We also developed the XGT-1100WR liquid nitrogen free detector system based on environmental preservation concepts. Going forward, we will leverage our dispersion technology (from X-ray to infrared), to meet societal needs, primarily with the development of products for cutting-edge fields such as nano-technology, expected to be key to resolving future environmental problems.

X-ray Analytical Microscope

Eco-Products

Considering the Environment in Product Planning

HORIBA conducts product development upon consideration of the potential impact on the environment.

We strive to reduce burden in all stages of the product lifecycle, from material procurement, production and use to collection, dismantling and disposal.

Products designated as environmentally friendly based on internal standards are labeled with the mark shown below and introduced to customers.

Harmoniearth

Environmental friendliness in design is measured based on the following criteria. Data and results are taken during product planning, development and production planning.

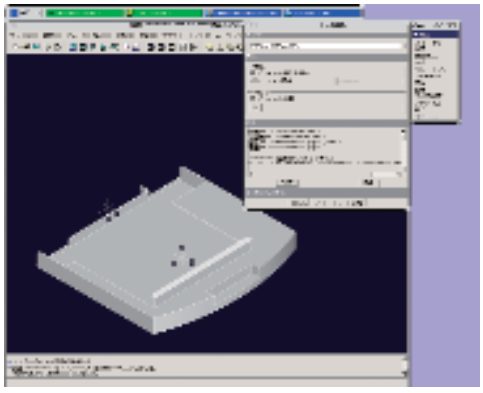
Item for Evaluation	Lifecycle Stage	Criteria
Lightness	Material procurement, production, distribution	Lightness, standardization
Longevity	Usage	Durability, ease of maintenance
Ease of recycling	Reuse, distribution	Possibility of recycling, standardize materials
Ease of dismantling	Dismantling	Ease of dismantling and material separation
Ease of processing	Production, distribution, dismantling	Ease of dismantling and processing
Environmental-friendliness	Material procurement, production, distribution, usage, dismantling, disposal	Degree of harmful substances contained, explosiveness
Energy-saving	Production, distribution, usage	Power consumption, low-energy consumable
Information provision	Usage, dismantling	Information on waste disposal

When we design new products, we always make comparisons with old products using 3D CAD.

We were one of the first to introduce 3D CAD and it has greatly enhanced efficiency in design.

Even with complex products, we immediately know the surface area, size, weight and center of gravity as well as the materials to select.

Using this function, we can measure the weight of each material and calculate the total.



3D CAD screen

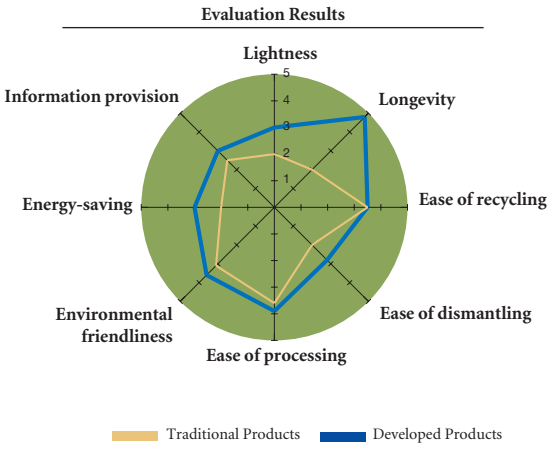
Environmental Conformity Design in Action

AP-370 series of trace gas analyzers

Trace gas analyzers perform online monitoring of continuous nano-level measurements of the concentrations of NOx, SO2, CO, HC, and O3 in the atmosphere, and are used in the evaluation of the effectiveness of photocatalysts, or are implemented in such places as clean rooms.

These products have been designed in as much an environmentally friendly manner as possible. Not only is the user interface enhanced, but the power consumption is on average 13% lower and it employs lead-free substrates. We also replaced those components prone to breaking down and changed the flow controller. The number of components used is 21% lower than the previous model, with around 50% of them made with vinyl chlorine. We reduced the weight of the product by roughly 21%, while we also improved energy-saving capability, environmental compliance, durability and resource-conservation.

Trace gas analyzer



Product Lifecycle

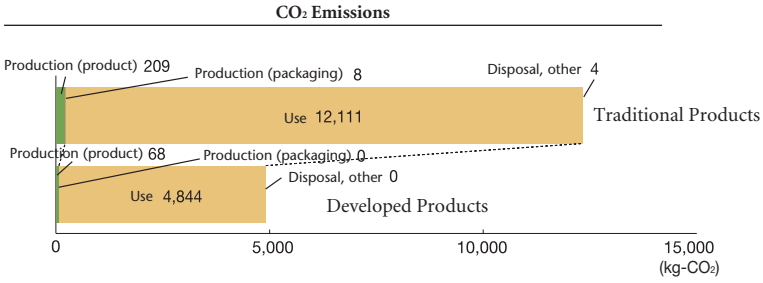
Part of our environmental conformity design criteria states that we should examine the environmental burden caused by the product in each stage of its lifecycle.

The table below shows that we reduced CO2 emissions by 60%, from production through to use and disposal, of products developed by HORIBA in fiscal 2004. We also succeeded in cutting final waste at landfill from 8.0kg to 0.4kg, marking a 95% reduction. We are committed to developing products that consider the environment in all aspects of their lifecycle, from development and production to use and disposal.

CO_2 Emissions and Final Waste at Landfill in HORIBA Products

CO_2 Emissions (kg-CO_2)	Traditional Products	Developed Products
Production (product)	209	68
Production (packaging)	8	0
Use	12,111	4,844
Disposal, other	4	0
Total	12,332	4,913

	Traditional Products	Developed Products	Reduction
Final waste at landfill (kg)	8.0	0.354	95.6%



Initiatives Aimed at Reuse

Products that have been used for many years eventually become industrial waste and are a cause of increasing environmental burden.

Nevertheless, it is possible to reuse some of these products by revitalizing old functions. We have created a system whereby these used, or "new-old" products are provided to new customers. Apart from satisfying customer requirements, this suppresses the increase in environmental burden.

As an example, a customer who has agreed to purchase a new product may want us to come and collect the existing item. In such cases, we check to see if the product can be repaired and the functions restored. After returning the product to its former glory, we provide it to new customers through SSERC Co., Ltd. (Scientific and Semiconductor Manufacturing Equipment Recycling Co., Ltd.), a Kyoto-based company started by two local entities. By doing so, we have bolstered our environmentally friendly operations based on recycling. Some old products are even seen as cheap and convenient to certain customers due to the low investment cost required.

Although we wanted to reuse over 60% of collected products in fiscal 2004, but fell short with 55% (61 out of 111 units). Because our measuring instruments are extremely durable, they are sometimes difficult to recycle. Nonetheless, we will continue promoting environmentally friendly operations.

Towards a Longer Lifespan and Zero Hazardous Emissions

The pH electrode, which is the part that measures pH levels, is comprised of a special glass membrane that reacts to the hydrogen ions in an aqueous solution, and an internal electrode to conduct it into the body of the pH measuring device. In order to make a better connection with the pH sensitive glass membrane, a glass tube with a 30% lead content is usually used as the material for the body of the pH electrode.

All of the materials and components of the lead free pH electrode we have developed this time are lead free, from the glass tubes in the body of the unit to the cables and the temperature sensing elements. We have also improved the composition of the pH sensitive glass membrane, which formerly could not measure pH unless the thinness of the glass membrane was around 0.1mm. In addition to making the glass membrane thicker, we have also succeeded in making it much stronger. Comparative testing within the company indicates that this thicker membrane is five times stronger than previous glass membranes.

In pH electrodes that use lead glass, the lead oxide, which is a constituent of the lead glass, leeches minute amounts of lead into aqueous solutions that are highly acidic or highly alkaline. By making this unit lead free, we have ensured that no lead will leech from the electrode during measurement; therefore ensuring that there is no cause for concern over its effect on the environment. Moreover, the pH electrode has a lifespan of about one year because it loses its reactivity when used continuously over a long period of time in aqueous solutions such as those used in processing industry lines. pH electrodes are generally disposed of as industrial waste by separating the cable materials and the glass materials. By improving the durability of pH electrodes, the volume of waste can be reduced while, at the same time, the waste disposed of will not leech lead, making it easier on the environment.

New pH electrode

Green Factories

Promoting Green Procurement throughout HORIBA Group

Besides striving to reduce environmental burden and save on energy in our business activities, HORIBA Group aggressively promotes the nonuse of harmful substances in the materials and components that make up its products.

Although HORIBA Group products such as medical-use equipment and controllers fall outside the scope of the EU's RoHS directive prohibiting the use of certain substances, which will take effect in July 2007, we have created the HORIBA Group Green Procurement Standards to fulfill our corporate social responsibility (CSR). We are working to eliminate the use of these substances throughout the group.

Objectives and Concept

The following outlines the objectives and concept behind the HORIBA Group's green procurement efforts, which began in fiscal 2003.

Objectives of Green Procurement

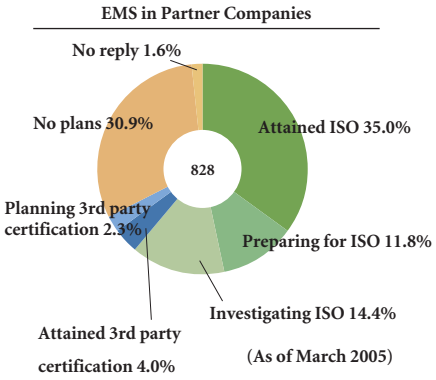
1. Comply with EU's RoHS directive and other environmental regulations in all HORIBA Group products.
2. Promote environmental preservation together with HORIBA Group suppliers to boost overall environmental performance.
3. Strive for nonuse of harmful substances to suppress the negative effects on people and the earth.
4. Specify chemical substances in products and consider the product's disposal stage in development to minimize the outflow of such substances during dismantling and increase recyclability.

Procurement Concept

1. Improve environmental managemant performance at partner companies.
2. Disclose information on chemical substances, such as weight, included in procured products.
3. Promote nonuse of prohibited substances in HORIBA Group's procured products.

Status of EMS Creation at HORIBA Group's Cooperating Companies

To further advance green procurement, the HORIBA Group encourages all partner companies to introduce an EMS. As a result of improved communication from the year before last, the proportion of partner companies that have installed an EMS was 39% (323 companies). Including those planning to introduce the system, the figure rises to 68.5% (639 companies). Creating environmental systems at partner companies is expected to lead to mutual development, so we intend to further strengthen ties in the future to improve the EMS at these companies.



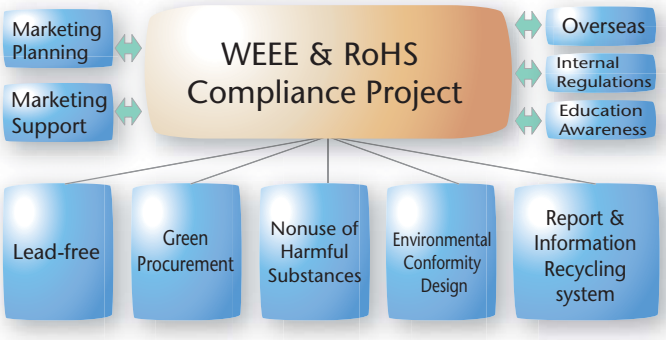
Disclose Information on Chemical Substances in Procured Products

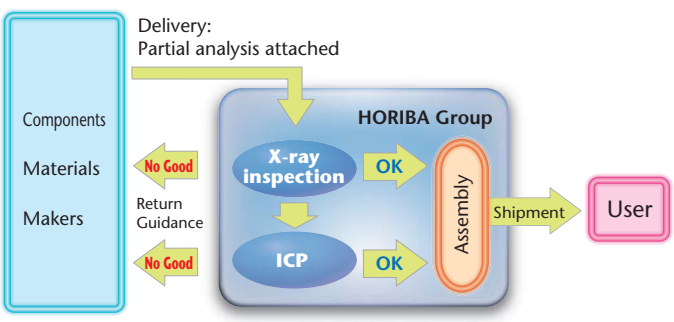
HORIBA uses a survey and reply tool provided by Japan Green Procurement Survey Standardization Initiative (JGPSSI) to identify the type and weight of specified chemical substances included in raw materials and components that make up products. HORIBA Group has designated 24 substances for elimination or reduction (including the six specified by the RoHS directive), and has created a survey covering them. The survey consists of around 100,000 items and has been distributed to approximately 900 partner companies.

We are currently gathering all the information to put in a database via the company's key information system and then to reflect it in product and component design.

Internally, we screen test for harmful substances in procured components with our own elemental analyzer X-ray inspection systems and ICP optical emission spectrometers, and reflect the results in the development of analytical instruments.

HORIBA Group WEEE & RoHS Compliance Project





Initiatives Aimed at Eco-Friendly Products

To reduce environmental burden in manufacturing and service activities, we promote environmental conformity design, green procurement and the management of restricted harmful substances, primarily via our WEEE & RoHS compliance project.

We began using lead-free solders early on and introduced activities to eliminate lead solders for printed circuit boards as part of our environmental management program in the second half of fiscal 2000.

As a result, we released our first range of lead-free product in May 2003 in the analysis industry, namely the F-50 and D-50 series of pH meters. The HORIBA Group now uses lead-free printed circuit boards in a diverse array of products, from saliva acid neutralizing capacity analyzers and air pollution monitoring systems to new mass controllers at HORIBA STEC Co., Ltd. and industrial-use pH meters at HORIBA Advanced Techno Co., Ltd.

Industrial-use pH meter


Lab-use pH meter

Lead-free Solders

<Printed Circuit Boards>

We introduced a so-called lead-free plan five years ago, the results of which are gradually beginning to emerge. The production volume of printed circuit boards at the company runs between 20,000 and 40,000 units a month. Around 20% of them are manufactured under a lead-free process. In September 2005, we aim to boost this number to half, and then totally eliminate lead in the production process sometime during fiscal 2005. We will continue working towards our goal to totally eliminate lead from all components used in printed circuit boards.

Other Solder Usage

The manufacturing process for printed circuit boards uses automatic soldering equipment, which makes it possible to create quality products with lead-free solders based on optimal technique and know-how.

The finished product when using a manual solder, however, depends significantly on the skill and experience of the user. At HORIBA, we hold technical training sessions to ensure a consistent level of quality. Not only group employees, but also people from partner companies participate to boost their skills.

Compared to conventional lead eutectic solders, lead-free varieties demand greater skill and experience. We have formulated guidelines for usage and promote education and problem resolution in line with these.

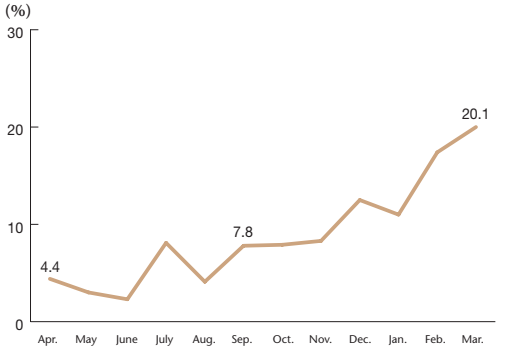
In the future, we will hold further training sessions both inside and outside the company to raise technical expertise for the creation of environmentally friendly goods.


Training session on lead-free soldering for employees of partner companies

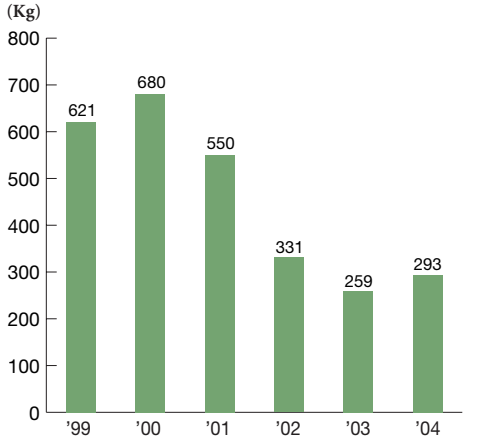
Eco-Conscious Production

In order to reduce environmental burden in production, we have formulated a management policy for chemical substances in terms of elimination, reduction and control. We also work to cut down these substances in purchasing, use, inventory and disposal. In fiscal 2004, we investigated the possibility of eliminating restricted substances used in-house. As the amount we used was high, we delineated possible candidates for reduction in our production processes. Despite this, we had already taken measures to reduce the amount of these substances and determined that it would be difficult to make any further progress. Nevertheless, we still aim to do our utmost to minimize these substances further.

Proportion of Lead-free Printed Circuit Boards (FY04)



Use of Restricted Substances (total weight)



Initiatives Aimed at Curbing Global Warming

Efforts to curb global warming have primarily revolved around the effective utilization of core energy sources - electricity and city gas. We always aim to reduce energy costs and suppress CO_2 emissions by promoting the best mix of electricity and gas in new facilities at Head Office and company factories, and switching to gas for air conditioning units.

Fiscal 1996
Began efforts to attain ISO environmental certification; we have worked tirelessly since then to reduce CO_2 emissions
Fiscal 2003
Switched from electricity to gas heat pumps for all air conditioners in factories
Fiscal 2004
Installed gas heat pumps in the 22nd, 23rd and 24th buildings at Head Factory

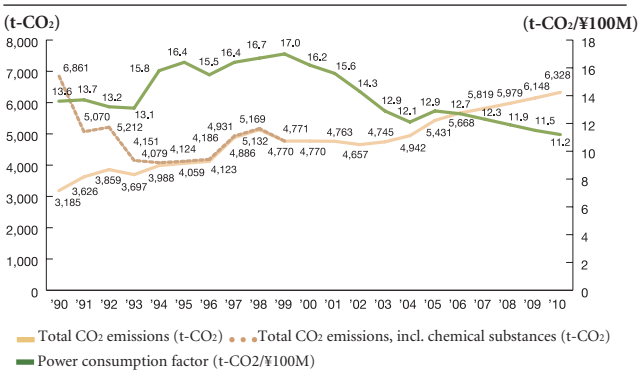
By reducing electricity consumption in manners such as these, we have succeeded in reducing CO_2 emissions (fiscal 2004 reduction: 315t- CO_2).

Future Initiatives

Due to plans to expand business volume, it will be extremely difficult to reduce total emissions to 1990 levels. This remains an ongoing challenge. We aim to cut the power consumption factor by more than 17% by enhancing current efforts.

* [Calculating total emissions]
Previously, we calculated total CO_2 emissions by aggregating emissions from electricity, city gas, fuel, six other forms of gas, waste, service water, and ozone-depleting substances such as CFC-113 (coefficient: 6000) and carbon tetrachloride (coefficient: 1800). The new calculation narrows down these items under the Kyoto Protocol, the results of which are graphed below.

Actual and Forecast CO_2 Emissions



Initiatives Aimed at Conserving Energy

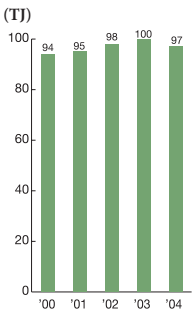
Power Consumption

We strove during fiscal 2004 to streamline electricity use. Main efforts included switching from electricity to gas heat pump operation in around 100 air conditioners in manufacturing premises. This culminated in a reduction in electricity consumption from these units of roughly 515,000kWh on an annual basis.

Although we constructed three new buildings at our Head Factory, such as a new wing on the western side, and increased the use of air conditioners due to an unusually hot summer, we still managed to reduce total electricity consumption by 2.3% year-on-year. This is mainly attributable to the decrease in electricity from air conditioners as we changed to gas.

In terms of initiatives undertaken to conserve energy, we stepped up efforts to turn off equipment during holidays and employed inverters for lighting in each room of new buildings. We also changed from 50Hz power sources to lower consumption devices, and rather than have them on continuously, opted to have them in use only when required. As a result, we were able to decrease the power consumption factor by 13 points. The increase in production and sales also played a positive effect here.

Electricity Consumption

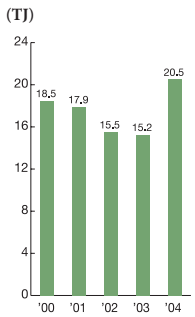


City Gas Consumption

The majority of city gas is consumed by the gas heat pumps of the air conditioners in the clean room, which operate 24 hours a day. Gas consumption for the period increased by 36% as we shifted to gas in air conditioners in production facilities and installed gas-powered units in new factory buildings.

The new gas heat pump units can be simply operated by remote control to make sure the air conditioners keep each room at the required temperature.

Gas Consumption

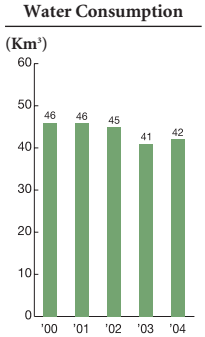


Water Consumption

By changing to gas, we were able to abolish the use of sprinkler systems for the external unit of the electricity-operated air conditioners. We also used a circulating water system in cooling towers. Although we also introduced these programs into new buildings, which helped us reduce final effluent, total water consumption rose slightly (2.4%) compared with the previous year.

Although the city water supply can more often than not be used as coolant for precision equipment due to its quality, pressure and stability, because most of our equipment is running all day, a minor mistake in settings can lead to a huge waste in water. In fiscal 2004, we made sure that regular meter readings were taken, with feedback given to equipment operators as soon as possible. This enabled adjustments for optimum water use, and accordingly, realized water savings equivalent to 360 tons a month.

Water Consumption



Energy-related Measures and Future Efforts

Key efforts to conserve energy in fiscal 2004 concerned the high-consumption clean room. Because we were unable to gauge the environmental performance and impact of the clean room, however, we only managed to improve the usage of air compressors to save energy. We will continue efforts to save energy in the clean room.

Previously, the definition of energy consumption separated electricity and heat sources, but recent law changes has seen these two elements aggregated together. We will strive to manage total energy output and streamline energy methods in the future.

Initiatives Aimed at Conserving Resources

Reusing Cardboard for Electrode Packaging

We strove to reduce environmental burden in all aspects of the new industrial-use lead-free pH electrodes, beginning with the design stage.

The packaging for all models comprises used cardboard, so we did away with the traditional urethane cases. By combining the cardboard and urethane cases, we can conserve resources without losing protective ability.

In addition, four of the five models use lead-free components and materials, while the printing ink used on the outer surface is both lead-free and cadmium-free. The newly developed electrodes also comply with the RoHS directive in terms of the six substances it prohibits.

Example of used cardboard applied

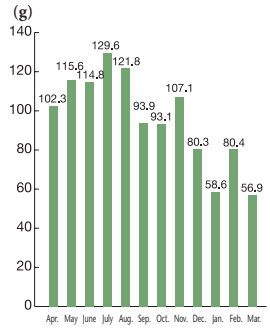
Reduced Packaging Waste

Together with our partner companies, we strengthened efforts to reduce packaging waste from cleaning procedures for machine processing parts. Before, to prevent scratches during transport, we asked for each item to be delivered in a packaged state. Now, with a focus on cutting down on packaging waste, we switched to boxes. We also use air packs, reuse plastic bags and boxes for small parcels when we can.

Boxes used for transporting cleaning materials

As a result, we have reduced the amount of packaging waste generated per unit by around 50% compared with previous methods. Furthermore, by improving the capacity utilization of equipment, we cut the amount of hydrocarbon solvents by 15L a month and machine operating hours by 10 hours a month, in spite of a 15% increase in cleaning jobs.

Amount of Packaging Waste per Product (FY2004)



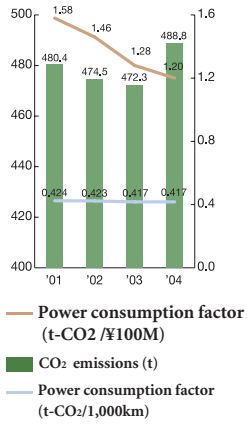
Initiatives Aimed at Reducing CO_2 Emissions in Transport

HORIBA seeks to reduce the amount of CO_2 emitted during product distribution by creating more fuel-efficient and cost-efficient ways to transport goods. Although truck deliveries make up about 70% of the total, 78% of that amount comprises charter bins. As such, we aim to promote CO_2 reductions by increasing awareness at the companies we use for transportation.

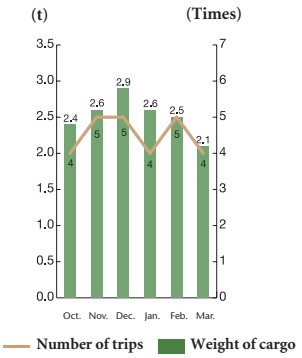
From fiscal 2003, we decided to switch from trucks to rail transport between Kyoto and Tokyo. In the second half of fiscal 2003, we began trials averaging 4.5 trips a month. At present, we are working to improve efficiency by expanding transport volume each time and making sure the containers are full going in both directions.

An increase in business volume and therefore cargo resulted in a 3.5% rise in CO_2 emissions, despite efforts to improve fuel efficiency in charters. Nevertheless, we cut the power consumption factor by 6.2%. We also realized a slight reduction per 1,000km at 0.02% down. We will continue efforts to boost awareness of the need for fuel efficiency and strive to make more effective use of transport in the future, aimed at decreasing CO_2 emissions.

Fuel Consumption during Charter Deliveries



Change in Transport Mode (FY2004)



Management of Chemical Substances

Substance Reduction to Preserve the Environment

Chemical substances are some of the greatest things ever made by humankind. If used with care and managed appropriately, they offer huge benefits to our daily lives. On the other hand, one little slip in handling can lead to pollution problems, work accidents or even negatively impact people's health and the ecosystem.

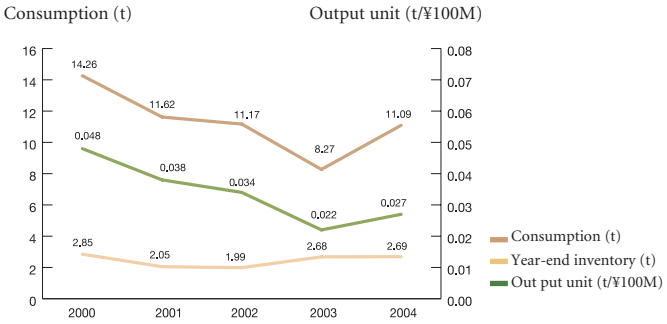
Chemical substances used by HORIBA are predominantly in the form of cleaning solvents for electric components and precision machine tool components. As a provider of environmental measuring equipment, we have sought to reduce the environmental burden caused by chemical substances since the early 1990s.

The following five points illustrate the main activities we have undertaken under our environmental management program as part of our IMS plan.

1. Either replaced or eliminated the use of ozone-depleting substances such as chlorine-based organic solvents and CFCs in production processes.
2. Promoted the reduction, collection or reuse of substances handled in production and cut the amount held in reserve.
3. Installed equipment to prevent chemical leaks by making it compulsory to use appropriate receptacles and waste tanks, and conducted regular training to minimize accidents in emergency situations.
4. Held regular education sessions on safe use and management of chemicals, and specified substances for reduction or elimination based on internal standards; also reduced PRTR specified substances.
5. Promoted green procurement ahead of fiscal 2006 (target year) by prohibiting components that contain harmful substances as specified by the EU's RoHS directive (lead, mercury, cadmium, hexavalent chromium, PBB and PBDE).

As a result of our efforts over the past four years, we have reduced the amount of harmful substances handled and the power consumption factor by more than 14%. In fiscal 2004, we slipped back to fiscal 2002 levels on account of the increase in business volume. Present efforts focus on reducing prohibited substances, but in terms of realizing total elimination, we still have to make fervent efforts based on sufficient analysis. Further, we do not generate any dioxins, which are specified as harmful substances, because we do not incinerate anything. Meanwhile, we contain PCB, a harmful substance used in insulators, inside a 192kg high-pressure condenser until it is time for disposal.

1) Reduction In Chemical Substances Handled



2) Main Chemical Substances Handled

(Unit: Kg)

CAS No.	IUPAC	Annual Amount Handled			Amount Transferred			Amount Recycled			Main Application
		FY01	FY03	FY04	FY01	FY03	FY03	FY01	FY03	FY04	
67-63-0	Isopropyl Alcohol; IPA over 99.9%; diisopropanolamine	949	841	728	0	112	1	21	80	80	Clean printed circuit boards
—	Glycol ether (compound)	781	717	1,548	71	372	387	0	0	0	Clean components
64-17-5	Ethanol; over 99.5%; (incl. for high-speed liquid chromatographs)	558	551	532	489	418	376	7	42	42	Clean components
67-64-1	Acetone; dimethyl ketone; over 99.5%	269	307	283	153	148	200	45	158	82	Cleaning
124-18-5	n-decane (petroleum hydrocarbon type cleaning agent)	589	289	630	14	148	0	0	158	0	Clean metals
7664-38-2	Phosphoric acid H3PO4	141	230	280	125	230	191	0	0	0	Product addition
7439-92-1	Lead solder (Pb 37%, Sn 63%)	303	208	383	1	3	0	108	77	127	Printed circuit boards
60-00-4	Ethylenediaminetetraacetic acid	128	128	111	0	0	0	0	0	0	Product addition
302-01-27	Hydrazine monohydrate	51	104	103	51	0	0	0	103	103	Product inspection
1330-20-7	Xylene (Xylene 80%, ethylbenzene 15%)	69	61	67	69	57	63	0	4	4	Clean semiconductors/components

3) PRTR Substances (FY 2004)

(Unit: Kg)

No.	CAS No.	IUPAC	Amount Handled	Consumption in Production	Added to Product	Amount Removed	Amount Emitted			Amount Transferred	Amount Recycled	Main Application
			Annual	Interim	Shipment	Neutralization/ Breakdown	Air	Water	Soil	Industrial Waste	Transferred Outside	
30	7439-92-1	Lead compound (lead solder etc.)	382.5	127.1	255.4	0.0	0.0	0.0	0.0	0.0	127.1	Printed circuit boards
47	60-00-4	Ethylenediaminetetraacetic acid	110.5	0.0	110.5	0.0	0.0	0.0	0.0	0.0	0.0	Production addition
253	302-01-27	Hydrazine monohydrate	103.1	103.1	0.0	0.0	0.0	0.0	0.0	0.0	103.1	For semiconductors
63	1330-20-7	Xylene and xylene mixtures	67.0	67.0	0.0	0.0	0.0	0.0	0.0	62.9	4.1	Clean components
24	22155-30-0	Alkylbenzene sulphonate compounds	50.7	50.7	0.0	0.0	0.0	0.0	0.0	0.0	50.7	For semiconductors
283	7681-49-4	Sodium fluoride	36.0	0.1	35.9	0.0	0.0	0.0	0.0	0.1	0.0	For semiconductors
113	123-91-1	1.4-dioxane	25.3	25.3	0.0	0.0	0.0	0.0	0.0	25.3	0.0	Production addition
304	1303-96-4	Sodium tetraborate: pyroborate	20.9	0.0	20.9	0.0	0.0	0.0	0.0	0.0	0.0	Production addition
283	7664-39-3	Hydrofluoric acid	12.3	12.3	0.0	0.0	0.0	0.0	0.0	12.3	0.0	For semiconductors
Total			808.3	385.6	422.7	0.0	0.0	0.0	0.0	100.6	285.0	

Efforts Aimed at Reducing Waste

In fiscal 2004, we worked towards our aim to reduce total waste generation (power consumption factor) by over 2.5% relative to a fiscal 2003 standard. Specific initiatives to achieve this goal included inaugurating a waste reduction committee to investigate waste management efforts throughout the group. This body set a reduction target of over 1% for each department. With this in mind, departments developed their own methods of reducing waste based on our IMS. Key efforts are as follows.

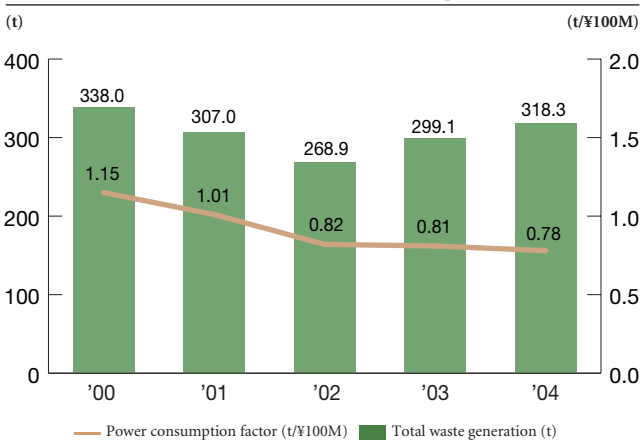
1. Reduce paper, especially OA paper
2. Review internal memo system
3. Reuse and recycle cardboard
4. Reduce number of goods purchased
5. Strive to eliminate packaging for supplied components
6. Work to uncover and convey product list anomalies, which cause surplus
7. Reduce production process errors
8. Recover reagent bottles
9. Reuse containers

Although the positive effects of these efforts are small in comparison with the overall picture and are yet to emerge fully, we are confident that we will see encouraging repercussions, both tangible and intangible, in the future.

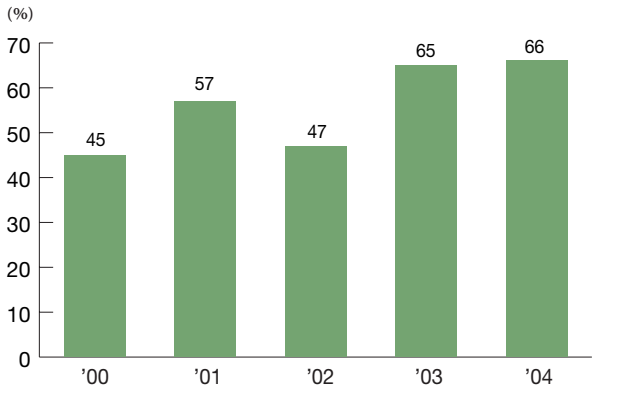
As you can see in the graphs at right, total waste generation increased slightly in line with rising sales until fiscal 2004, while the power consumption factor has decreased. We have estimated amount and proportion of final waste at landfill due to numerous uncertainties. We plan to focus on achieving zero-emissions in fiscal 2005.

* The term "total waste generation" used here includes valuable resources, recycled materials and general waste disposed of at each department.

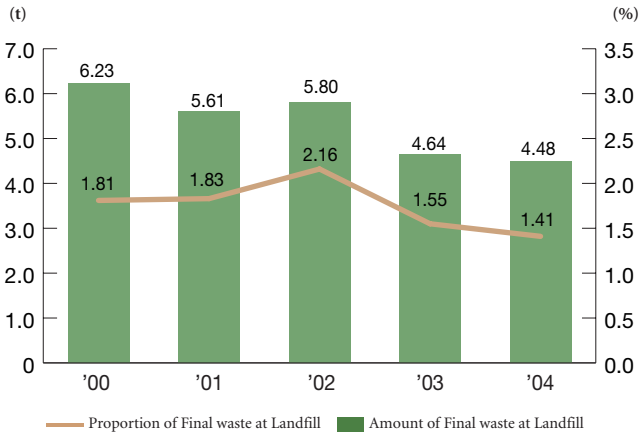
Total Waste Generation and Power Consumption Factor



Recycling Rate



Amount and Proportion of Final Waste at Landfill (Estimate)



Efforts Aimed at Preventing Water Contamination and Air Pollution

Monitoring Wastewater

Because we do not have our own wastewater processing facility, we have set voluntary control standards based on sewage laws and Kyoto City water regulations to prevent water contamination caused by effluent from our labs and factories. The water discharged is strictly measured, recorded and managed. Fiscal 2004 results, outlined in the table below, show that there was no infringement of regulations or voluntary standards. In fiscal 2005, we plan to step up efforts regarding ongoing monitoring through our environmental patrol, among others.

Wastewater Measurement Estimates and Actual Results

(Unit: mg/L) except pH
*Under detection limit so omitted

	Items to be Regulated	Kyoto City Regulations	HORIBA Standards	Maximum Value FY2002	Maximum Value FY2003	Maximum Value FY2004	Non-detectable
Items Concerning Home Environment	pH	5～9	–	6.1-7.6	6.3-8.3	6.2～8.0	/
	n-hexane extract	5	3.5	2.1	41.7	2.2	0.2
	phenol	1	0.3	*	*	*	0.002
	copper	3	0.9	0.37	0.13	0.14	0.01
	zinc	5	1.5	0.236	0.334	0.319	0.005
	Iron (soluble)	10	3.0	1.113	0.113	0.241	0.01
	Manganese (soluble)	10	3.0	*	*	*	0.02
	fluorine	8	4.5	0.94	0.78	0.92	0.02
	nickel	2	0.6	*	*	*	0.02
	boron	10	3	*	0.122	0.133	0.02
Items Concerning Human Health	Cadmium and its compounds	0.1	0.03	*	*	*	0.001
	cyanide	1	0.3	*	*	*	0.1
	Lead and its compounds	0.1	0.07	*	0.006	*	0.005
	6-chromium	0.5	0.15	*	*	*	0.04
	Arsenic and its compounds	0.1	0.03	*	*	*	0.005
	Mercury and its compounds	0.005	0.0015	*	*	*	0.0005
	trichloro ethylene	0.3	0.09	*	0.0010	*	0.002
	dichloro methane	0.2	0.14	*	*	*	0.002
	Carbon tetrachloride	0.02	0.014	*	*	*	0.0002
	1,1,1-trichloroethane	3	0.9	*	0.0010	0.0009	0.0005

Note: Regulation figures are from Kyoto City sewage and drainage standards.

Monitoring Air Pollution

Although HORIBA does not have any facilities that emit a large amount of smoke, we do handle a relatively small amount of harmful substances. As such, we regularly measure the emission of these substances at vents and the perimeter of each HORIBA site. As shown in the table below, there was no infringement of regulations or voluntary standards.

Air Measurement Estimates and Actual Results (at vents and site perimeters)

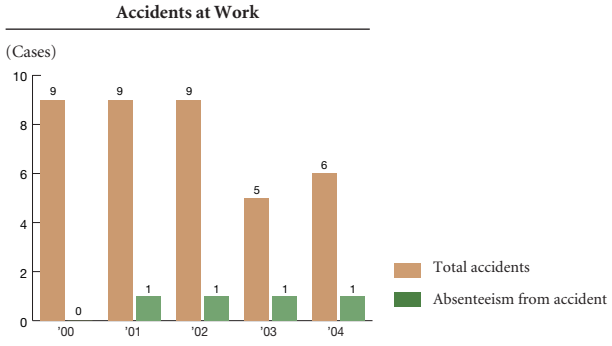
	Items to be monitored	Unit	Kyoto City Regulation	HORIBA Standards	Maximum Value FY2002	Maximum Value FY2003	Maximum Value FY2004	Non-detectable
At vent	di-chloromethane	Vol ppm	200	180	abolition	abolition	abolition	
	Xylene	Vol ppm	300	28	< 2	< 2	< 2	
	Ammonia	Vol ppm	100	28	3.8	< 0.5	< 0.5	
	Fluorine compounds	mg/m³N	5	3.5	< 0.7	< 0.7	< 0.70	
	Hydrogen chloride	Vol ppm	20	6	< 1	< 1	< 1	
	Nitrogen oxides (NOx)	Vol ppm	100	30	13	< 10	< 10	
At site permeters	di-chloromethane	Vol ppm	2	–	abolition	abolition	abolition	0.5under
	Xylene	Vol ppm	3	–	< 0.3	< 0.3	< 0.3	
	Ammonia	Vol ppm	1	–	0.2	0.4	0.3	
	Fluorine compounds	mg/m³N	0.05	–	0.03	0.01	< 0.01	
	Hydrogen chloride	Vol ppm	0.2	–	0.04	< 0.02	0.04	
	Nitrogen oxides (NOx)	Vol ppm	1	–	0.069	0.028	0.064	

Note: Regulation figures are based on ordinances in place to protect Kyoto City environment

Efforts Aimed at Occupational Health and Safety

Reporting Accidents

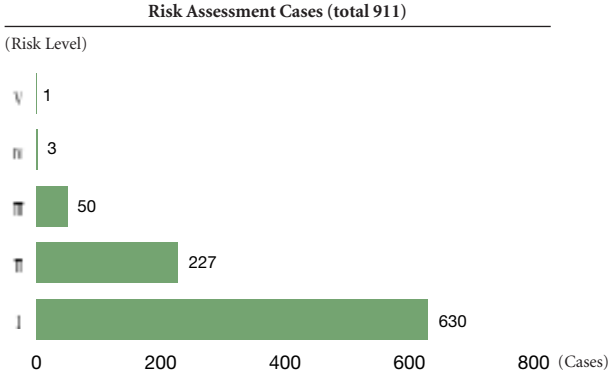
In fiscal 2004, we reported six accidents at work, one more than the previous year. Most of these cases were assessed as low-risk. In the future, we aim to eliminate accidents by promoting various safety management activities.



Implementing Risk Assessment to Prevent Accidents

We implemented a risk assessment system in fiscal 2003 to identify hazards in the workplace, estimate the magnitude of risk and execute appropriate preventative measures. Risk is categorized into five areas, from high (V) to low (I), depending on rate of incidence, degree of intensity, time to be uncovered and number of potential victims.

In fiscal 2004, we identified 911 hazards and formulated strategies to minimize the risk in the most serious areas (risk V & VI).



Note: The higher the risk level, the more serious the potential damage

Environmental Topics

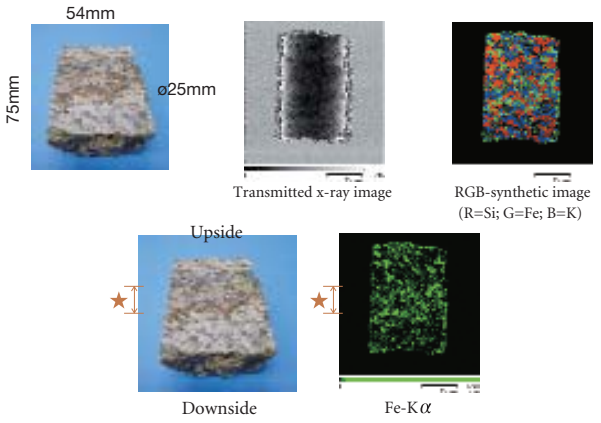
The Wonders of Analysis

This data is the result of the analysis of granite with the X-ray analytical microscopes (XGT). Granite is found all over Japan and can cause landslides due to excessive rain particularly in humid regions. The general minerals contained in granite are quartz, plagioclase, potassium feldspar and biotite.

Biotite contains iron, and through an analysis of iron, we can predict and prevent this type of landslide.

Measurement sample: Granite

Measuring conditions: X-ray tube voltage: 50kV
X-ray tube current: 1.0mA
X-ray radiation diameter: ø100μm
Mapping area: 100mm



When granite is weathered, iron in biotite is commonly dissolved into water and migrates along microcracks, sometimes being soaked as iron hydroxide in the microcracks. These microcracks form through stress release and differential volume change of constituent minerals, leading to breakdown of granite to gruss. XGT mapping is quite effective to identify the mineral configuration which is essential to investigate the microcrack formative process. XGT gives a clue to recognize which type of granite is easily weathered to gruss and liable to cause a shallow landslide.

Participation in 2005 World Exposition in Aichi

HORIBA was the only analytical instrument maker to participate in the 2005 World Expo in Aichi held from March 25 through September 25, 2005. At the venue, Our CO_2 meters contribute to CO_2 measurement.

A total of 20 different points were set up at the site to measure air temperature, humidity and CO_2 density. Five of these measuring towers employed HORIBA's CO_2 measuring systems to measure changes in CO_2 density in real-time. Measurement results are published on the Expo website, showing the positive effects of measures to improve the environment of the venue.

The theme of the Expo was "Nature's Wisdom," and embodied the quest for coexistence with nature and sustainable development.

愛・地球博
EXPO 2005 AICHI JAPAN

Enactment of Kyoto Protocol

The 3rd Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP3) in 1997 adopted the Kyoto Protocol, which finally entered into force on February 16, 2005. Japan's goal is to reduce greenhouse gasses by 6% (relative to 1990 levels) by 2012.

To celebrate the enactment, a party was held at the Kyoto International Conference Hall on the same day. Distinguished guests included Nobel Peace Prize winner and now Minister of the Environment in Kenya, Wangari Maathai, as well as other environment ministers from various nations. HORIBA president Atsushi Horiba was one of the panelists in a discussion on the Kyoto Protocol's entiring into force and its significance. He spoke of the importance of cooperation between the corporate and consumer worlds and the need to educate the children of tomorrow based on the HORIBA background as a maker of analytical and measuring equipment.

Environmental Improvement Activities and Report Review

Ongoing Improvements and Proactive Disclosure

HORIBA has employed an integrated management system (IMS) that combines common aspects of quality, environment and safety since 2003. The aim of this system is to enhance operational efficiency and more closely reflect policies in management activities.

Through this system, we can ascertain the effect of improvements in the three areas and can therefore more easily evaluate the appropriateness and effectiveness of our activities. It is also easier to see the extent to which we are trusted by society. We promote voluntary inspection of our activities and convey the information to all stakeholders in a sincere manner to deepen understanding of our business actions and increase trust through intimate communication.

Internal audits and regular third party inspections check the appropriateness and effectiveness of our IMS and measure how closely our reporting adheres to guidelines set by the Ministry of the Environment. Results of the assessments are as follows.

1. Inspection of environmental improvement activities

Results from internal audit

- The internal audit was conducted by 105 internal auditors in 35 departments inn December 2004
- Audit time: approximately 2.5 hours per department
- Audit results:
  Cases of nonconformance: 71
  Departments with nonconformance: 29
  Departments in full conformance: 6 departments
  Average number of nonconformance:2

Cases of Nonconformance

ISO 9001, 14001 74.6%	OHSAS 18001 25.4%
Action plan deficiency 16%	Objective setting deficiency 12%
Document management deficiency 6%	Risk assessment deficiency 10%
Education plan deficiency 25%	Other 31%

In line with the introduction of our OHSAS system, cases of nonconformance in safety matters rose by 10%. Deficiency in education was the highest at 25%, so we have already looked into enhancing this across the board and for individuals. We strove to prevent reoccurrence in both areas by implementing appropriate improvement measures. On the plus side, we had 15 cases of effective IMS execution. We will continue to develop this system in other departments.

2. Evaluation of environmental report

This report is based on guidelines set by the Ministry of the Environment (version 2003). The following table shows the extent of conformity with these guidelines.

	No.	Item	Inclusion	Page/Topic
1) Basic items	(1)	Introduction from management	○	p-3 Message from the President
	(2)	Foundations of reporting (organization (boundary), period, field)	○	p-C2 Company profile, editorial policy
	(3)	Business outline	○	p-4, 5 Business outline, results
2) Targets, objectives and achievements	(4)	Environmental policy in business activities	○	p-2, 16 Business ethics, IMS
	(5)	Targets, objectives and achievements from activities	○	p-18, 19 Fiscal 2004 Activity Report, Fiscal 2005 targets
	(6)	Material balance of business activities	○	p-20 Outline of environmental burden
	(7)	Environmental accounting information	○	p-22, 23 Environmental accounting
3) State of Environmental Management System (EMS), its organization and implementation	(8)	State of EMS	○	p-16, 17 IMS
	(9)	State of environment-friendly supply chain management	○	p-10, 11, 28 Procurement management, green procurement promotion
	(10)	State of R&D of technologies for environmental conservation	○	p-26 Eco-friendly product design
	(11)	State of the disclosure of environmental information and communication	○	p-21 Relationship with society
	(12)	State of compliance with environmental regulations	○	p-21 Compliance and monitoring of laws and regulations
	(13)	State of social contribution related to environment	○	p-14, 15 Social contribution activities
4) Measures to reduce environmental burdens	(14)	Total energy consumption and measures for its reduction	○	p-30 Efforts aimed at saving energy
	(15)	Amount of materials used and measures for its reduction	○	p-20, 22 Outline of environmental burden, environmental accounting
	(16)	Amount of water used and measures for its reduction	○	p-30 Efforts aimed at conserving resources
	(17)	Greenhouse gas emissions and measures for its reduction	○	p-30 Efforts aimed at curbing global warming
	(18)	Amount of chemical substance emissions, amount transferred and measures for its reduction	○	p-32 Chemical substance management
	(19)	Amount of production and sales	○	p-23 Environmental accounting
	(20)	Total amount of waste, amount of final disposal of wastes and measure for its disposal	○	p-33 Efforts aimed at reducing waste
	(21)	Amount of drainage and measures for its reduction	○	p-20, 23 Included in environmental accounting
	(22)	State of environmental burden in transportation and measures for its reduction	○	p-31 Reducing environmental burden in transport
	(23)	State of green procurement and its promotion	○	p-11 Green procurement of office products
	(24)	State of products and services that reduce environmental burden	○	p-26 Eco-friendly products
5) Social activities	(25)	State of social activities	○	p-8~15 Quality, suppliers, employees, safety

Chronicle of Environmental Activities

Pollution and other environmental problems are becoming more and more critical as society develops. Precise understanding of these issues and appropriate preventative measures are key to the survival of our earth.

To meet this pressing requirement, HORIBA has endeavored since its founding to develop unique technologies and measuring expertise as a manufacturer of analytical and measuring devices to provide products and technologies that meet societal needs. Through various types of media, we provide information on environmental analytical technology, while constantly striving to fulfill our responsibility to society as a good corporate citizen.

	Measures Taken by Horiba				Year	Relevant World Events
	Year	Environmental Preservation/Improvement Activities	Year	Technical development/External Activities		
1970s			1970	• Launched a series of measuring instruments for water treatment and water quality monitoring systems. Started marketing air quality and water quality for the monitoring systems.	1970	• Water Pollution Prevention Law formulated • Muskie Act established in USA
	1971	• Established a pollution control system within the company.			1973	• Water quality regulations formulated
	1978.3	• Connected public sewage by building sewage systems				
			1979	• Became a charter member of the Japan Environmental Technology Association.		
1980s	1982.8	• Established a committee for environmental management within the company.	1988	• Donated the Sensorize Tower, a display on air pollution monitoring, to Kyoto City	1988	• Montreal Protocol adopted
1990s	1990.2	• Reduced the use or switched to substitutes for chlorine-based organic solvents and the specified CFCs	1991 1992	• Opened "HONEST" website on acid rain • Participated in the Eco Brazil Exhibition held concurrently with the UNCED. • Independently developed and commenced operations of the Returnable Display Booth	1992	• Environmental Summit held
	1993.4	• Stopped the use of 1,1,1-trichloroethane and switched to dichloromethane • Eliminated use of CFC-113 (shifted to HCFC-225b)	1993	• Introduced an air background observation system to the Minami Torishima Observatory, Japan Meteorological agency	1993	• Basic Environment Law formulated
	1994	• Stipulated the companys contribution to environmental management in the corporate philosophy.			1994	• Framework Convention on Climate Change enacted
	1996	• Stipulated the company's environmental philosophy and the environmental policy.	1996	• Developed air pollution monitoring equipment for HAPs	1996	• Keidanren Appeal on Environment established
	1997.6	• The HORIBA environmental management system was certified as meeting ISO-14001 requirements	1997	• Organized an internal meeting on the environ ment in corporation with the foreign participants of COP3 held in Kyoto.	1997	• COP3 held in Kyoto
	1998.3	• Stopped cleaning solvent of HCF225.	1998	• Developed water quality monitor that can measure 13 items at once • Dispatched action and guidance personnel through a JICA project to support water quality management in Paraguay		
	1999.4	• HORIBA was designated a 2nd model factory for saving energy.			1999	• Pollutant Release and Transfer Register (PRTR) established
2000s	2000.2	• Stopped all use of dichloromethane, a chlorine-based organic solvent	2000	• HORIBA HIT-700 digital driving recorder won an award in the 2nd Eco-drive Contest (March).	2000.5	• Environmental Accounting guidelines issued by the Ministry of the Environment
	2000.3	• Independently developed total environmental monitoring system HORTEM-21			2000.6	• Basic Law for Establishing the Recycling-based Society established
	2001.4	• Began project to expand environmental management activities based on ISO 14001 to all the local sales offices	2001	• Sponsored workshops at the 9th International Conference on the Conservation and Management of Lakes	2001.4	• Law on Promoting Green Purchasing enacted
	2002.3	• Established self-approved environmental mark	2002	• Completed Miyako Ecology Center and introduced permanent displays		
	2003.3	• Introduced lead-free print circuits in 14 products • Started IMS Promotion			2003.2	• WEEE and RoHS (EU directives) announced Soil Contamination Countermeasures Law enacted
			2003.3	• Sponsored and held workshops for the 3rd World Water Forum		
			2003.5	• 1,800 employees took part in cleanup activities as part of 50th anniversary		
			2003.9	• Completed round-the-world analysis of exhaust gas (Ekiden)		
	2003.10	• Awarded the Chairman's Prize from the 3R promotion Committee for 4th consecutive year	2003.3~	• Conducted 4th series of lectures on environmental awareness		
	2003.12	• Commenced green procurement				
	2004.3.3	• Switched to gas heat pumps for all air conditioners in production facilities				
			2004.4~	• Conducted environmental awareness education at five primary schools		
	2004.6	• Acquired OHSAS18001 certification				
			2004.10	• Sponsored science festival for youths Held inaugural Dr. Masao Horiba's Award ceremony and held commemorative seminar		
					2004.11	• SO14001 fiscal 2004 version issued
			2004.12	• Sponsored Kyoto Environmental Festival		
					2005.2	• Kyoto Protocol entered into force

HORIBA

Explore the future

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