HORIBA
Explore the future

Ensuring a Healthy Future for Our Planet

Gaiareport 2007

HORIBA / Social and Environmental Report

Contents

Company Outline (As of December 31, 2006)

Corporate Name:
HORIBA, Ltd.

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

Founded:
October 17, 1945

Incorporated:
January 26, 1953

Paid-in Capital:
¥11,739 million

Representative:
Atsushi Horiba, Chairman, President & CEO

Employees:
Consolidated 4,697
Unconsolidated 1,172

Fiscal Closing Date:
December 31

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

Line of Business:

HORIBA manufactures and sells a wide range of automotive test systems, environmental monitoring equipment, medical analyzers, scientific analyzers, and measuring equipment for the semiconductor industry. HORIBA also manufactures and markets peripheral measuring and analysis devices. As well, HORIBA manufactures and sells systems and equipment related to measuring and analytical applications and other construction projects.

Editorial Notes

Since 1999, HORIBA has been publishing the Gaiareport as an annual environmental and corporate social responsibility report. Beginning with this, our 2007 edition, we are including additional details on the 2006 activities of our group companies while expanding our effort to communicate with our stakeholders.

In an effort to further improve the social aspect of this publication, this edition of the Gaiareport serves as our social and environmental report on the HORIBA Group's detailed initiatives for a sustainable society.

◆ We ensured the information contained in the document was conveyed as honestly as possible and in a manner clear to all stakeholders.

◆ We used the following references in compiling this report:
- Environmental Report Guidelines (2003) published by the Ministry of the Environment
- Sustainability Reporting Guidelines (2006) published by the Global Reporting Initiative (GRI)

◆ Reporting period: March 21–December 31, 2006

◆ Reporting organizations: The head office, main factory, and domestic sales offices of HORIBA, Ltd.; the domestic service stations of HORIBA TECHNO SERVICE CO., LTD.; and some of our group companies in Japan and abroad

◆ Publication date: March 24, 2007

◆ Planned publication date of next report: March 2008

◆ Please direct all inquiries to the Quality, Environmental & Safety Management Center:
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E-mail: ims-promotion.hor@jp.horiba.com

◆ Relevant websites:
- Environmental protection initiatives
  http://www.jp.horiba.com/about_e/environment/
- Investor Relations
  http://www.jp.horiba.com/ir_e/
- Gaiapress
  http://www.jp.horiba.com/sensorium_e/index.htm

Company Precept

<HORIBA Corporate Philosophy>

HORIBA's 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."

Business Operations

Our business operates in the fields of engine emissions; research and industrial applications; environmental monitoring; semiconductor process control; medical and health care; and biotechnology. We are committed to minimizing our environmental impact, promoting the progress of science and technology, improving the quality of development, and benefiting human health.

In our regular business operations, we strictly adhere to all environmental laws and regulations. We focus our efforts on developing, implementing, and maintaining environmental systems, including internal control standards. In addition, all corporate members of our group are required to implement environmental protection systems at the most stringent levels.

We strive to deliver products and services of the highest added value in the shortest possible time to customers worldwide. We are achieving this objective by combining the individual functions and specialties—development, production, sales, and service—of our globally dispersed companies and offices. We intend to meet the needs of all our customers with a consistent response. Through this effort, we aim to become a global leader in the fields and product segments in which we participate and to effectively maximize our limited resources through a policy of selective investment.

Customer Responsiveness

We maintain a philosophy of pursuing technology to an ultimate degree in both the fundamental and applied technology fields, supplying products that continuously satisfy customers' requirements. We are committed to offering top-quality, highly reliable products and services with a consistent level of excellence throughout the world. Group companies are obliged to attain the highest standards for establishing, developing, and maintaining quality control systems. To provide products and services to customers in the fastest delivery time possible, we have adopted the slogan "Ultra-Quick Supplier" for all the Company's activities. This slogan encompasses not only production lead times but also development, marketing and sales, service, and control functions.

Responsibility to the shareholders and investors

Our basic policy is to calculate annual dividends on an allocated rate of net income. Important information regarding management and business operations are fully disclosed on a regular basis to shareholders and potentially interested parties.

Our group companies are introducing a timely, responsive management control system to ensure that corporate objectives are met, profits are generated, and information is disclosed in a manner that accurately represents the performance of the Company as well as its management.

Employees

We are proud of the entrepreneurial spirit that led to the creation of the HORIBA Group. Each employee is made aware of this heritage, and we actively encourage ideas and innovations from individual employees.

HORIBA promotes an open and fair business environment that allows all employees of our Group to achieve their individual goals and maximize their potential. To further their personal and professional growth, we require our employees to adopt a global perspective and understand other cultures. To further employees' personal and professional growth, we encourage employees to think from a global perspective and establish a global personnel development program with a performance evaluation system. We value employees who challenge their personal abilities and recognize their accomplishments.

<Code of Ethics>

Code of Conduct

HORIBA has drawn the Code of Conduct that encompasses the following eight articles, in compliance with company precept of "Joy and Fun" and our HORIBA Corporate Philosophy. Board members and employees of HORIBA strictly observe them in order to constantly be aware of our mission and role as well as to pursue sustainable development into the future as an international enterprise.

Our board members and employees value this code, take initiative in practicing it and commit to educating and disseminating its content throughout the corporation. Moreover, we will continue to appreciate opinions from both inside and outside the corporation, reflect them to improve efficiency of internal systems and to strengthen our corporate ethics. Should a situation arise that is contrary to the code, we shall promptly disclose accurate information, ensure accountability, carry out an investigation into the cause, and endeavor to prevent a recurrence.

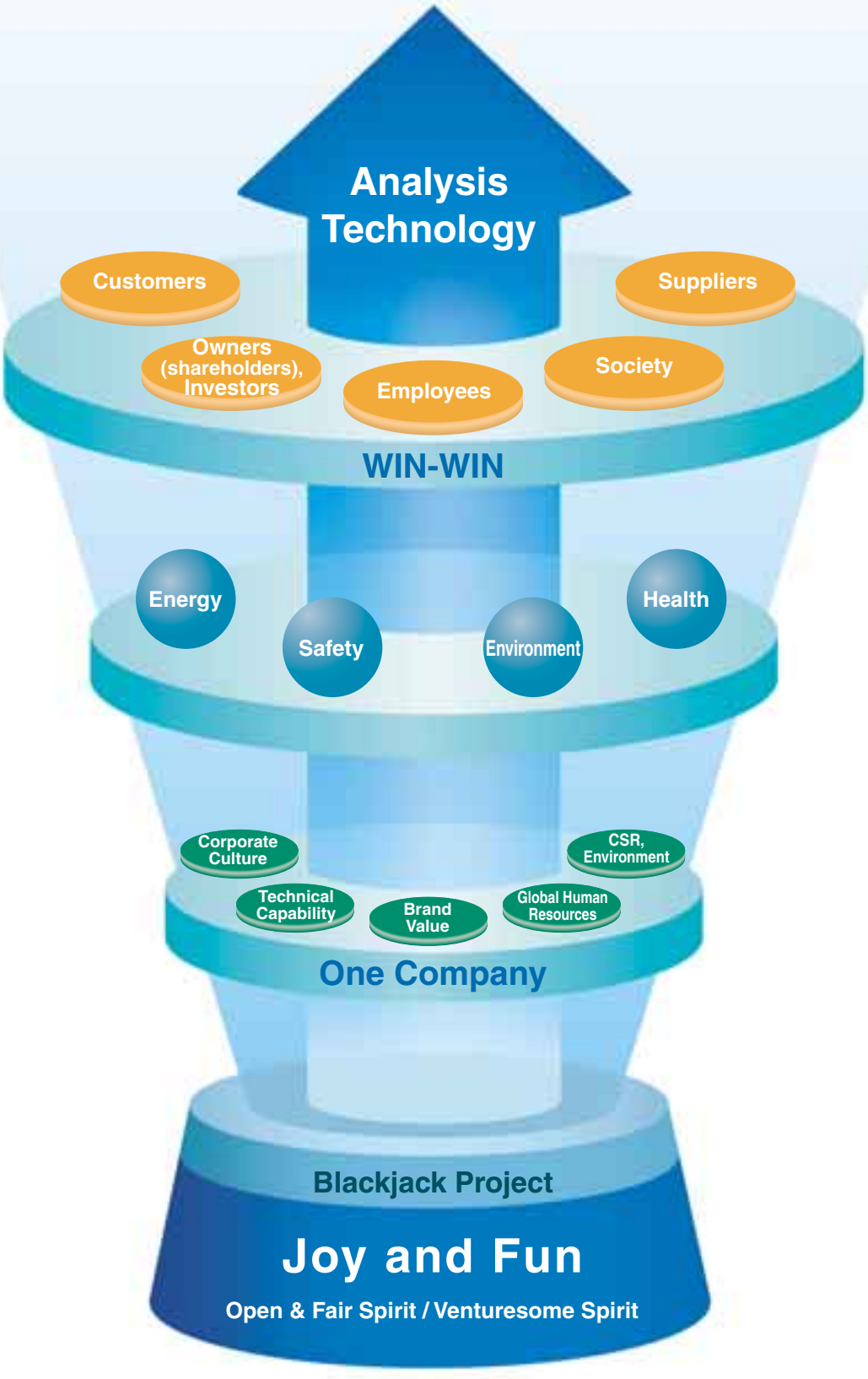
I. We shall comply with all laws, regulations, and social norms.
II. We shall contribute to society by providing excellent products and services.
III. We shall engage in fair, transparent, and free competition. We shall also maintain sound, normal relationships with governments.
IV. We shall respect our employees' individuality and create safe, healthy, and comfortable workplaces.
V. We shall respect the opinions of our stakeholders (interested parties).
VI. We shall make an active social contribution as a good corporate citizen.
VII. We recognize that environmental initiatives are essential to the existence of our company, and we shall voluntarily commit ourselves to them.
VIII. We shall confront antisocial groups and organizations that threaten the social order and the safety of citizens, and we shall absolutely reject any unlawful or unjustified requests.

Behavioral Criteria

We have formulated our Behavioral Criteria as a means of putting our Code of Conduct into effect in our corporate activities. This Code of Conduct sets forth principles that HORIBA's board members and employees are required to follow when conducting corporate business. These detailed Behavioral Criteria address important matters and can be practiced in our day-to-day business activities.

HORIBA's Business Operations

Contributing to a sustainable society with analysis technology



Our mission is to contribute to a sustainable society and protect the environment.

We are meeting our responsibilities as a global company by improving our technological capability and the value of our human resources.

Providing updated technologies and improving the environment

Throughout HORIBA's more than 60 years of history, we have continually expanded our operations as a manufacturer of analysis and measurement equipment. We currently comprise a global corporate group of 43 companies spanning four business segments: automotive, analytical, medical, and semiconductor.

The HORIBA Group is mobilizing all available resources to devise technologies that respond to the needs of the times. In short, our Group is concentrating its efforts on accommodating the specific needs of customers, exploring the limits of technology, and demonstrating HORIBA's innovation as we continuously address the challenges of our business. From the very first day of our company's establishment, we have sought to contribute to the environment, energy, and the health and safety of society through our products and through our analysis and measurement technologies.

As specific examples of our products, we have developed the environmental monitoring equipment urgently needed by society to address issues such as air and water pollution, the mass flow controllers indispensable to the semiconductor manufacturing process, and the X-ray analyzers that are essential for reducing the presence of hazardous chemicals.

Today, as a result of the development of information technology, the world is growing smaller and the pace of development is accelerating.

We intend to ensure that our founding philosophy permeates all group companies so that we may contribute to the improvement of lifestyles, culture, and the environment. In short, we will continue to promote the belief that "the HORIBA Group is One Company."

Continuing our implementation of our "One Company" management initiative

Last year, the HORIBA Group formulated its Mid-Long Term Management Plan; this year marks the second year of this plan's implementation. Under this plan, we have adopted the slogan, "to implement One Company management with the goal of becoming a truly global company." Moreover, we are implementing various initiatives to achieve this goal. Currently, our group companies worldwide are undertaking their business activities within their respective cultures, environments, and production systems. In the future, we believe it will be necessary to provide society with better products with even more advanced technologies by effectively adopting timely management of group operations under the "One Company" management approach while respecting the unique culture of each company. For this reason, it is essential that all employees of the HORIBA Group adopt a common system. HORIBA is now formulating and introducing the new Enterprise Resource Planning System (GEO System*), a globally integrated initiative that will serve as a key tool for our global operations.

However, no matter how well we develop our hardware side, we believe the quality of the human resources that constitute our company and actually accomplish these tasks is the most important business asset.

* An abbreviation for the Group Enterprise Resource Planning System that is part of our "One Company" project

A management strategy focused on HORIBA's corporate culture

Our Company Precept of "Joy and Fun" springs from our desire to ensure that all our employees, who are devoting the most active period of their life to work, address their work with pride and a spirit of challenge. Throughout our history, we have continued to nurture and preserve this approach as part of our DNA.

With our Mid-Long Term Management Plan, we are now focusing on our priority task of releasing the invisible values of our corporate culture, brand value, human resources, technological capability, CSR and environmental management. Among these, I believe our human resources best reflect our corporate brand and value.

Although our brand power and human strengths—such as our human resources and technological capability—cannot be measured, they serve as the motive power for the HORIBA Group as they produce steady results. Under our reform effort—termed the "Blackjack Project"—we are further enhancing our employees' awareness and conduct in order to expand our basis for growth. As a result, we have identified "increasing the invisible values" as our top priority.

We aim to achieve our Mid-Long Term Management Plan by integrating our hardware side, in which we are implementing an Enterprise Resource Planning System, and our software side, in which we are realizing the invisible values of our human resources.

Contributing to a promising future for our globe

In recent years, society has voiced growing demand for greater transparency and increased responsibility by corporations in their role as an intrinsic element of society. For its part, the HORIBA Group has demonstrated its commitment to these ideals through our Open & Fair spirit as we continue to uphold our standards as a global enterprise.

Today, it is becoming clear that human activity is placing severe pressure on the natural environment. In response, HORIBA is assuming its share of responsibility for protecting the planet to ensure our descendants can live with peace of mind well into the future.

Under our Mid-Long Term Management Plan, the HORIBA Group is communicating with its stakeholders, concentrating the intelligence of our group associates, and continuing to develop advanced technologies for the future.

Through our products we are contributing to the soundness of the global environment, energy conservation, improved human health, and public safety and are fully meeting our social responsibilities under our CSR System. We are dedicated to building "win-win" relationships with all stakeholders with the goal of bringing the benefits of continued growth to all.

Our Gaiareport for 2007 summarizes the details of our activities and achievements in fiscal 2006 and features an expanded section on our social initiatives. Moreover, we have included enhanced coverage of the activities of our group companies from our "One Company" management perspective. We invite you to read this issue to become more familiar with HORIBA initiatives and our approach of taking on challenges and exhibiting our originality in a spirit of "Joy and Fun." We look forward to receiving your comments and advice.

Atsushi Horiba
Chairman, President & CEO
March 2007

Management Policy and Strategy

HORIBA aims to become a first-in-class global company by executing the “One Company” management under our Mid-Long Term Management Plan. We have always addressed the challenge of applying advanced technologies and providing products that respond to the needs of the times. In the future, we intend to realize the potential of our “invisible values”—as embodied in our human resources, technology, and our brand—by fostering a corporate culture focused on the development of our employees worldwide.

Management Policy

As a manufacturer of analytical and measurement equipment, our corporate philosophy is to contribute to society by promoting scientific and technological development and by providing greater convenience through our products.

MLMAP
Mid-Long Term Management Plan
2006-2010

Mid-Long Term Management Plan

With operations across four business segments, HORIBA has created a balanced portfolio of products that highlights the advantages of each segment while providing reciprocal support to resolve any shortcomings that might arise within a segment. Because each segment provides reciprocal support through its technology and expertise, we have a flexible strategy that allows us to shift personnel and other resources between segments.

In addition, we have formulated a new management policy that adheres to a single integrated principle—“The HORIBA Group is One Company.” We will manage our operations according to a global management system (“One Company” management) across our three regions of Asia, Europe, and the Americas as a vertical axis that extends beyond the barriers of each group company toward our four business segments. Going forward, we intend to create additional value by improving our management efficiency and the speed of our response with the goal of ensuring continued growth for the medium and long term.

● Matrix of “One Company” Management

	Business Segment			
	Automotive	Analytical	Medical	Semiconductor
Asia				
Europe				
Americas				

HORIBA Brand Book

On January 26, 2007, HORIBA’s anniversary, we published *The HORIBA Brand Book* to explain the symbolism of the HORIBA brand, and distributed to worldwide HORIBA employees. Published in a multilingual edition containing Japanese, English, French, German, Chinese, and Korean, this publication emphasizes the origins of the HORIBA brand and how it is involved in our daily activities. *The HORIBA Brand Book* is clearly the authoritative publication for the HORIBA Group companies.

HORIBA Brand Book

Priority Measure 1: Building a Platform for ¥200 Billion in Sales

We are focused on the following key strategies:
- pursuing global business strategy;
- ensuring effective management on a regional basis; and
- introducing Enterprise Resource Planning System.

Fiscal 2006 Initiatives

In keeping with our Mid-Long Term Management Plan, the HORIBA’s top executives and associated managers gathered at the Global Strategy Meeting in Aso, Kumamoto, from June 29 to July 1. Discussions centered on devising business strategies to support the Mid-Long Term Management Plan, to enhance brand value, and to increase the efficiency of resources. Through an active exchange of opinions, the members of the Group were able to truly experience that the slogan “The HORIBA Group is One Company” had transcended barriers between countries and business segments to become firmly embedded within the companies comprising the HORIBA Group. Preparatory work is under way toward the fiscal 2008 introduction of HORIBA’s new Enterprise Resource Planning System.

Global Strategy Meeting

Priority Measure 2: Building a Well-balanced Business Portfolio

HORIBA’s aggressive investments in the semiconductor and medical segments have begun to bear fruit. Our goal is to ensure balanced growth across the automotive and analytical segments as well.

Fiscal 2006 Initiatives

Our Automotive Test Systems Segment is experiencing a global sales expansion of the automotive development test system products of Carl Schenck AG of Germany. We have launched our full-scale business as a total solutions provider of test systems for automotive development in addition to offering our conventional equipment for measuring emission gases.

Meanwhile, in our Analytical Instruments & Systems Segment, we are developing environmental products and expanding sales to companies in response to the WEEE & RoHS Directives. We have increased our sales efficiency in this segment by revising our sales routes in Japan.

In the Medical/Diagnostic Instruments & Systems Segment, we undertook activities to expand market share and improve profitability in the blood testing market by strengthening sales of our medium-sized clinical chemistry analyzer in the global market, and by increasing investment in the Japanese market for the compact blood cell counter market.

In the Semiconductor Instruments & Systems Segment, we significantly increased production at the Aso Factory of HORIBA STEC, Co., Ltd. in response to promising sales of our mainline mass flow controller. We have continued to develop and enhance various products that contribute to the enhanced efficiency and quality of semiconductor and LCD manufacturing lines. Moreover, our second production plant in Shanghai, China started operation in response to business growth, while HORIBA KOREA LTD., our production base in South Korea, became a wholly owned subsidiary of HORIBA, Ltd.

Priority Measure 3: Increasing Invisible Values

HORIBA conducts its business by emphasizing the “invisible values” that do not appear on a balance sheet, such as a management focus on corporate culture, enhanced brand value, advanced technology, highly developed human resources, and a management focus on CSR and the environment. In this way, we have endeavored to improve our corporate value. Going forward, we will utilize these assets with even greater effectiveness, enhance the value of each as we build on these invisible values and continue to achieve dramatic improvements in our profitability and investment efficiency.

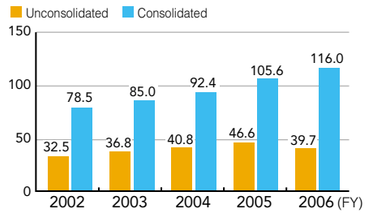
Achievements in Fiscal 2006

Our employees are indispensable to the achievement of our goal of becoming a first-in-class global company. For years, we have promoted employee development through training programs and reciprocal exchanges between HORIBA Group companies. To accelerate our employee development program in the future, we will offer our employees expanded opportunities for global advancement.

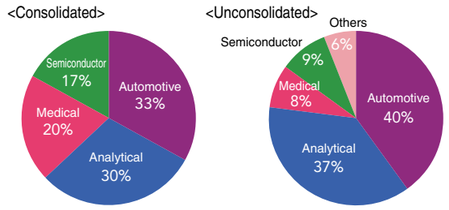
Review of Performance for Fiscal 2006

Fiscal 2006 marked the first year of our Mid-Long Term Management Plan. As a result of our efforts to promote our “One Company” management initiative, this fiscal period of HORIBA, Ltd. and its domestic major consolidated companies spans only nine months; nevertheless, we achieved our target of ¥100 billion in consolidated net sales and succeeded in maintaining an operating income ratio of 10 percent for the second consecutive year. For fiscal 2010, our targets are to achieve ¥150 billion in consolidated net sales, an operating income ratio exceeding 10 percent, and a return on equity (ROE) exceeding 11 percent.

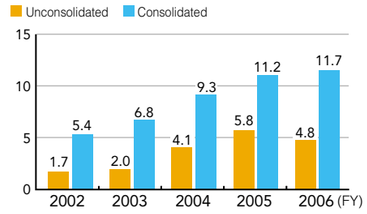
Net Sales (¥ billion)



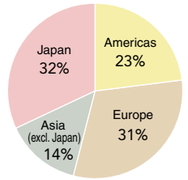
Net Sales Ratio by Segment (%)



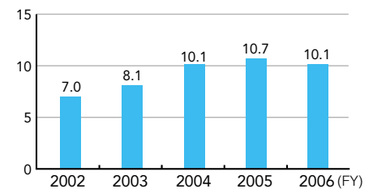
Operating Income (¥ billion)



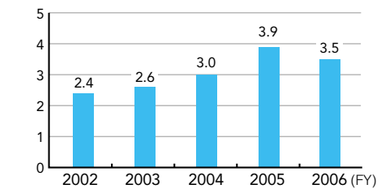
Consolidated Net Sales Ratio by Region (%)



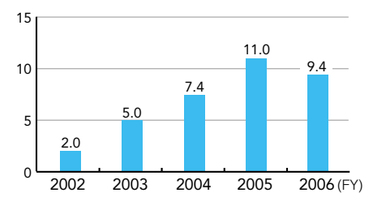
Consolidated Operating Income Ratio (%)



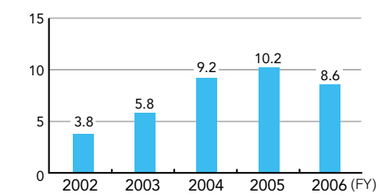
Consolidated Investment in Equipment (¥ billion)



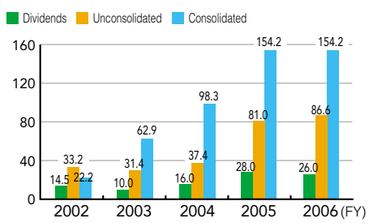
Consolidated Return on Equity (ROE) (%)



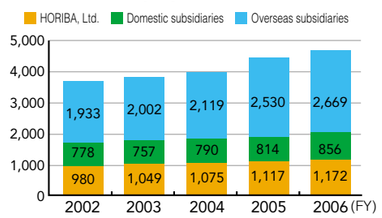
Consolidated Return on Assets (ROA) (%)



Net Income per Share/Dividends (Yen)



Number of Employees



Topics for Fiscal 2006

June 2006 HORIBA Biotechnology Co., Ltd. is acquired.

HORIBA Biotechnology Co., Ltd. was established in 2000 as our wholly owned subsidiary. It is focused on a collaborative model encompassing industry, academia, and government with the intention of commercializing environmental, foodstuff, and medical analysis technologies. The company was acquired by HORIBA, Ltd. on June 9 with the goal of strengthening the management system and enhancing operational efficiency within the business segment.

We intend to achieve synergy with our Medical/Diagnostic Instruments & Systems by applying the business assets and expertise cultivated by HORIBA Biotechnology Co., Ltd.

July 2006 Our new enterprise resource planning system is named “GEO Project.”

The HORIBA Group has introduced a project intended to launch our enterprise resource planning (ERP) system to implement our “One Company” policy in 2005. The project was named the “HORIBA GEO Project” in July. *Geo*, as the Greek word for “the land, earth,” creates an image of an even more secure foothold for the HORIBA Group worldwide. The new building for the project was completed in October, and project members are working together diligently to implement the project.

GEO Logo

October 2006 The Blackjack Project (reform of employee awareness and behavior) approaches its 10th anniversary.

In October 1997, after thoughtfully considering ways of growing and developing as a company in the 21st century, we launched a project to reform employee awareness and behavior. Named the “Blackjack Project” after the card game in which 21 is the strongest hand, this project has achieved outstanding results by implementing improvements and reforms that have contributed to expertise and various way of thinking. This project has recently marked its 10th anniversary.

We are currently implementing enhancements to this project, and we are extending it to all group companies worldwide as the foundation for every business. Not limited to engendering improvements or reforms, this project fosters morale, develops our human resources, and energizes the organization through HORIBA-style management.

Poster promoting the Blackjack Project

September 2006 Manufacturing of HORIBA products is transferred to the Aso Factory of HORIBA STEC, Co., Ltd.

The manufacture of several HORIBA products, including reagents for automated blood cell counters, pH/ion meters, handheld gloss checkers, PD3 reticle/mask particle detection systems, and CS Series chemical solutions monitors, has been transferred to the Aso Factory of HORIBA STEC, Co., Ltd. In the future, this factory will be a key component in ensuring the HORIBA Group functions as “One Company.”

Clean Room Production Line

September 2006 Our production system in China begins full-scale operation with completion of our second production plant in Shanghai.

Construction of our second production plant in China was recently completed in Shanghai (Jiading District) by HORIBA INSTRUMENTS (Shanghai) CO., LTD., a production subsidiary of the HORIBA Group. The company began full-scale operation on September 29. The site and the building area of the new plant is 3.5 times larger than that of the previous plant. Its spacious layout can flexibly accommodate our group business strategy in China. Also, newly established on the site are facilities for on-site product design and training of engineers.

Items produced by the original plant include automotive test systems, consumable goods for instruments used in physics and chemistry, and pH meter sensors (electrodes); the new plant will produce COD monitors utilizing the UV method as well as blood cell counters.

Second Production Plant in Shanghai, China

December 2006 Consolidated fiscal year end harmonized.

The fiscal year for the international businesses within the HORIBA Group has conventionally ended on December 31, while the fiscal year of the domestic group ended on March 31. To promote “One Company” management encompassing both international and domestic group companies as a global enterprise, we have unified all business groups and designated December 31 as the fiscal year end beginning with our 2006 fiscal year.

Business Outline

Outline of Business Segments

● Automotive Test Systems

The automotive industries have taken the lead and an essential part to economic growth all over the world. These industries bring many technological innovations such as clean diesel technology, hybrid electric powertrain and fuel cell electric vehicle technology. These technologies respond not only to the market demands but also to issues such as “Global Warming” etc.

To address these issues comprehensively, the HORIBA Group acquired “Schenck Development Test System” division of Carl Schenck AG in 2005. With this acquisition, HORIBA Automotive Test Systems expanded the scope of our major business from the sales of emissions measurement systems to total automotive development systems such as driveline testing and brake testing. In addition, HORIBA ITECH Co., Ltd., a member of the HORIBA Group, is responsible for “Digital Tachograph” as management systems for transport companies and added drive recorders and other devices that promote safety and eco-friendly driving. HORIBA Automotive Test Systems will pursue to contribute to the further innovative developments and its efficiency of all aspects in the automotive industries.

● Analytical Instruments & Systems

In the Environmental & Process Systems Segment, we mainly provide essential instrumentation technology for the research and development of fuel cells. This segment is advancing innovations for next-generation energy sources as well as air monitoring systems that monitor air quality. In the future, we will continue developing as a leading company that provides total instrumentation solutions through the application of HORIBA’s analysis technologies.

The products of our Scientific Instruments & Systems business are widely used in R&D and production bases of private enterprises and academia. In 1997, HORIBA Jobin Yvon SAS, a company with a technological foundation in optical instrumentation, joined the HORIBA Group and expanded our technical capability and product lineup.

HORIBA Advanced Techno, Co., Ltd., another member of the HORIBA Group, has developed technology for water treatment, semiconductors, the environment, agriculture, forestry, fisheries, and foodstuffs. As a result, the company contributes to securing stable lifelines and plays a leading role in environmental preservation by focusing on de facto water measurement standards.

● Medical/Diagnostic Instruments & Systems

Our Medical/Diagnostic Instruments & Systems Segment undertakes the development, manufacturing, sales, and servicing of the hematology and clinical chemistry analyzers that are indispensable for diagnostics, an essential aspect of public health.

In 1996, HORIBA ABX SAS joined the HORIBA Group, launched its products onto the market, and expanded its share of the hematology market. Moreover, HORIBA ABX SAS and HORIBA, Ltd. have been developing and commercializing POCT (Point of Care Testing), an innovation that makes possible instant testing when needed, as well as medium-to-large-sized analyzers that are used in central laboratories in hospitals. In the future, we intend to develop and provide total management systems encompassing a variety of analyzers, samples, and test results for blood cell tests and biochemistry tests from multi-task models to basic models, and both the hospital lab and POCT markets.

● Semiconductor Instruments & Systems

The HORIBA Semiconductor Segment provides unique products for the global semiconductor industry.

We have achieved an 80 percent market share for chemical concentration monitors for water wet cleaning systems. In addition, HORIBA STEC, Co., Ltd., a leading company of our Semiconductor Segment, supplies various monitors and controllers indispensable to the semiconductor manufacturing process and has achieved the top market share for mass flow controllers for fluid flow control.

The HORIBA Group is expanding its market share with unique and original products that combine various analysis and fluid control technologies while providing leading-edge process control solutions.

The HORIBA Group’s Global Network and Flagship Products

Europe

● Pentra DX120 Automated Blood Cell Counter
HORIBA ABX SAS (France)

● DYNAS3 AC Dynamometer
HORIBA Automotive Test Systems GmbH (Germany)

● MM-16 Visible Spectroscopic Ellipsometer
HORIBA Jobin Yvon SAS (France)

● LabRAM ARAMIS Raman Spectroscopy System
HORIBA Jobin Yvon SAS (France)

Asia (excluding Japan)

● OPSA-150 COD Monitor utilizing UV method
HORIBA INSTRUMENTS (Shanghai) CO., LTD. (China)

●● Unit production of various products
HORIBA KOREA LTD. (South Korea)

HORIBA INSTRUMENTS LIMITED (England)
HORIBA SWEDEN (Sweden)
HORIBA EUROPE GmbH (Germany)
HORIBA Automotive Test Systems GmbH (Germany)
HORIBA Europe Automation Division GmbH (Germany)
HORIBA GmbH (Austria) Czech Office (Czech Rep.)
HORIBA GmbH (Austria)
HORIBA France SARL. Italy Office (Italy)
HORIBA ABX SAS (France)
HORIBA Jobin Yvon SAS (France)
HORIBA FRANCE SARL (France)
HORIBA KOREA LTD. (South Korea)
HORIBA Automotive Test Systems Ltd. (South Korea)
HORIBA STEC KOREA Ltd. (South Korea)
HORIBA INSTRUMENTS (Shanghai) CO., LTD. (China)
HORIBA Trading (Shanghai) Co., Ltd. (China)
HORIBA India Private Limited (India)
ABX HORIBA Diagnostics (Thailand) Ltd. (Thailand)
HORIBA INSTRUMENTS (SINGAPORE) PTE, LTD. (Singapore)
HORIBA ITECH Co., Ltd. (Japan)
HORIBA, Ltd. (Japan)
HORIBA STEC, Co., Ltd. (Japan)
HORIBA Advanced Techno, Co., Ltd. (Japan)
HORIBA TECHNO SERVICE CO., LTD. (Japan)

Americas

HORIBA Automotive Test Systems Corp. Troy (U.S.A.)
HORIBA Automotive Test Systems Inc. (Canada)
HORIBA INSTRUMENTS INCORPORATED Tempe Facility (U.S.A.)
HORIBA ABX Inc. Irvine (U.S.A.)
HORIBA Jobin Yvon Inc. Edison (U.S.A.)
HORIBA INSTRUMENTS INCORPORATED Ann Arbor Facility (U.S.A.)
HORIBA INSTRUMENTS INCORPORATED Irvine Facility (U.S.A.)
HORIBA ABX BRASIL (Brazil)

● SPEX FluoroMax-4 Spectrofluorometer
HORIBA Jobin Yvon Inc.

● Driveline Test Systems
HORIBA Automotive Test Systems Corp.

● ENDA CEMS Continuous Emission Monitoring System
HORIBA INSTRUMENTS INCORPORATED

Japan

● XGT-5100WR X-ray Analytical Microscope
HORIBA, Ltd.
(Complies with EU Directives)

● MEXA-7000 Series Emissions Analysis System
HORIBA, Ltd.
(The leading product in its field)

● CS-100F1 Series Fiber-Optic Chemical Solution Concentration Monitor
HORIBA, Ltd.

● LC-178CRP Automated Blood Cell Counter with CRP Measurement System
HORIBA, Ltd.

● HP-480 Industrial pH Meter
HORIBA Advanced Techno, Co., Ltd.

● SEC-Z500X Digital Mass Flow Controller
HORIBA STEC, Co., Ltd.

Retaining Public Confidence as a Corporate Group

In demonstrating HORIBA's commitment to corporate social responsibility, our approach is to build win-win relationships with all stakeholders. One feature of our business is our focus on environmental protection which itself represents a social contribution. Moreover, we remain committed to contributing to society through a range of initiatives. According to the HORIBA Group's corporate philosophy, we state our intention to comply with all laws and ordinances. Moreover, we endeavor to promote awareness through a variety of opportunities.

CSR Promotion System

CSR Policy for Fiscal 2007

With our commitment to the environment, energy conservation, health, and safety, we promote corporate initiatives that focus on ensuring "all can live a life of contentment."

The HORIBA Group in Japan, comprising the major domestic group companies, has established the HORIBA Group CSR Promotion Committee. This body determines the group's policies and objectives related to CSR based on our "One Company" management principle. These policies are then implemented by each company in the group.

We shall ensure that our corporate philosophy and code of ethics permeate the entire group. We shall comply with all laws and ordinances, actively disclose relevant information, and endeavor to construct a satisfactory relationship with the local communities in which we operate. Our mission is to contribute to the sustainable development of society through our core business, and our philosophy is to provide products that contribute to a rich future and environmental protection through energy monitoring, health management, and environmental instrumentation. As well, we shall ensure safety in all aspects of the manufacturing process for our analysis and measurement devices.

In fiscal 2006, we implemented CSR promotion activities according to the group's CSR-related policies and objectives as determined by the CSR Promotion Committee in January of that year. The specific details of these activities were reported to the HORIBA, Ltd. CSR Promotion Committee, which meets in April and October.

● HORIBA Group CSR Promotion System

Corporate Governance System

At HORIBA, we seek ways to increase management transparency and strengthen corporate governance by minimizing the linkage between managing supervisors and directors.

One of our five directors is elected as an external director; diverse views of this director help us to develop a variety of management proposals. This has enabled us to enhance the judgment and transparency of our management.

In addition, we have adopted a system specifically designed for monitoring our directors' legal conduct with two external auditors and one internal auditor.

The HORIBA Group Management System

With the goal of implementing transparent business management and maximizing corporate value under our "Open & Fair" management principle, HORIBA is endeavoring to introduce a globally acceptable management system. We seek to establish a good relationship with all our stakeholders while creating an organizational system capable of responding quickly to a changing business environment, offering improved monitoring of management, and ensuring a stronger compliance system.

Specifically, we hold periodic board of directors' meetings to make management decisions on important matters such as management policies, goals, strategies, etc. The board of directors selects corporate officers to perform reviews, issue reports, and make decisions regarding company operations at operation meetings and the management committee.

The directors entrust the administration of corporate business to the corporate officers who provide specific instructions and supervise the division managers who control the business.

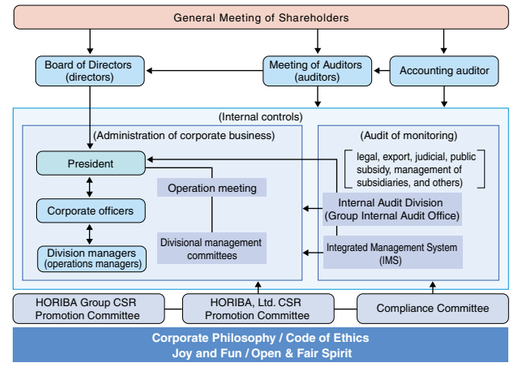
Internal Controls

Our internal controls are essential to our daily operations and to the achievement of our goals of fairness, transparency, and accountability. Under our commitment to an "Open & Fair" spirit, we adopted a policy for building an internal control system at our board of directors' meeting in May 2006. This system ensures that board members and employees conform to laws, regulations, and company statutes in their job performance. It also ensures that our work is appropriate and effective. We are continuing to improve our compliance systems, risk management systems, and other systems.

In March of fiscal 2006, we initiated our internal control project and held meetings every other week. Subsequent to the enacting of the Japanese Sarbanes-Oxley Act, we are committed to constructing a more effective and highly reliable financial reporting system. Consequently, we are now improving our internal control and documentation systems and ensuring compliance in financial reporting. With the adoption of internal controls based on documentation systems, we hope to contribute to improving labor effectiveness by promoting visualization of work.

Further, we reviewed our Internal Audit Division and made it an independent body under direct control of the president on January 1, 2007.

● Diagram of our Internal Control System



Internal Control briefing session

Compliance Promotion System

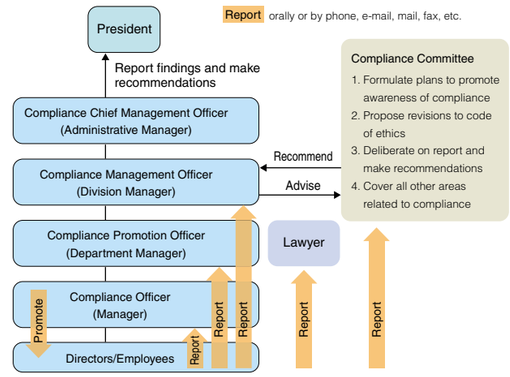
In addition to complying with laws and ordinances, we are raising employee awareness of compliance in order to promote fair trade and operations.

We have established a distinctive system and have engaged in strengthening compliance to ensure that we abide by the laws, rules, and social norms of all countries in which we operate. We are also promoting risk management across the entire group of companies to avoid exposure to risk and ensure a rapid and appropriate response where risk is unavoidable.

At the HORIBA Group, we established our Compliance Committee under our CSR Promotion Committee to discuss relevant matters and enquire about, report on, and make recommendations on whistle blowing. This committee promotes a better understanding of compliance and thorough risk management.

In order to enhance systems related to compliance, we established the HORIBA Corporate Philosophy, our Compliance Management Regulations, and our Code of Ethics. We also introduced an internal reporting system that encompasses prevention, early detection, and correction. We will continue to enhance in- house awareness and observance of laws and regulations.

● Compliance Promotion System



Risk Management

Recent environmental changes have contributed to external risks including disaster risk and economic risk; in addition, there exist internal risks such as market risk, legal risk, and information systems risk.

It is necessary to maintain an inventory of these risks to ensure proper responses for reducing and accepting risk. As one of our most important management responsibilities, we have implemented a system for responding with precision and agility. This system entails stable execution of our business, protection of management resources, and improvement of corporate value through the proper management and control of all operational risks. We are responding appropriately to risk by discussing responses at operation meetings and by dealing with risk in the CSR Promotion Committee and Compliance Committee.

Integrated Management System (IMS)

We are committed to enhancing our business structure and fulfilling our social responsibilities by further improving our Integrated Management System.

In June 2004, HORIBA introduced the Integrated Management System to harmonize the previously independent ISO quality assurance system, ISO environmental management system, and OHSAS 18001 occupational health & safety management system. We are continuing to ramp up this system as we promote its operations. In the future, we will drive forward these initiatives in order to implement effective operations as a group based on our management plan by expanding and extending our IMS to all group companies.

Herein we present our report on three years of activities beginning with the preparatory stage, including the background of construction of the IMS and details of our implementation efforts. We conclude with a discussion of improvements made to the system after it was implemented.

1. Construction Stage: 2003–June 2004

• Background to Construction
Operations and Challenges Following ISO Registration

After acquiring certifications of ISO registration for our quality assurance and environmental management systems, we implemented these systems and made improvements to the performance of both. Over time, these systems could not keep up with the speed of improvements and expectations of management. Operating each individual system independently brought disadvantages in the area of management efficiency because of the many elements common to each system.

Furthermore, in light of the currently severe business climate, we needed to implement aggressive management policies in the areas of corporate social responsibility and sustainable development. Because of these circumstances, the company management made clear their strong intentions and instructions to change the current operations of the ISO-related management systems at an early stage.

• Details of Initiatives for Establishment of the IMS

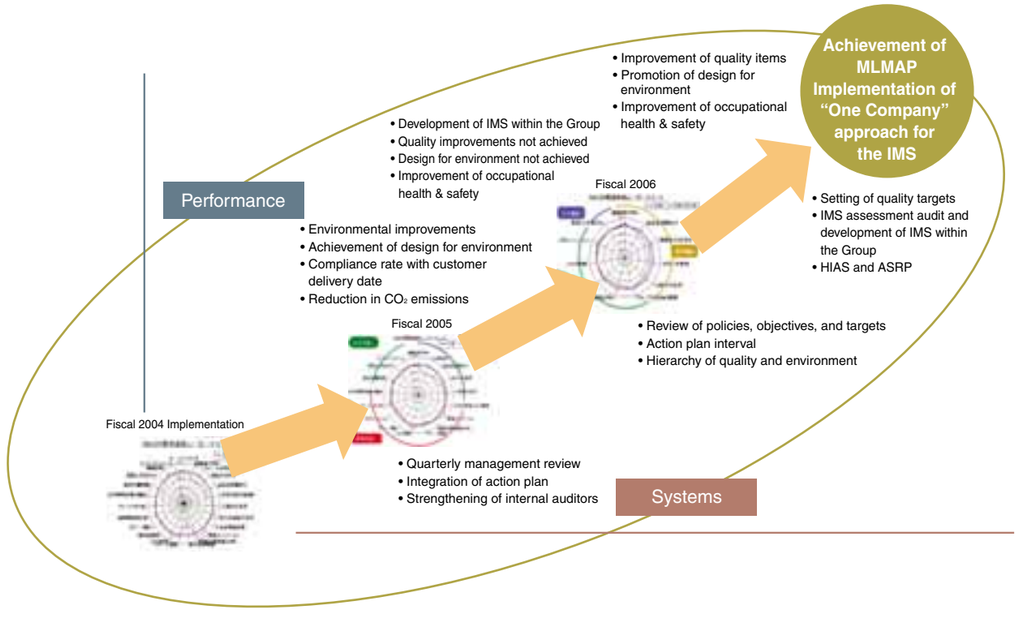
We undertook major improvements in the establishment of our system as follows.

1) Unification of document management for regulations and standards
2) Integration of operational organization (offices)
3) Establishment of IMS policies, objectives and targets
4) Implementation of a system to adopt the PDCA cycle
5) Integration of internal audits and external assessment audit

Poster promoting awareness of the IMS

We have implemented our IMS through these initiatives and have established the foundation on which to strengthen our corporate activities substantially.

As a result, in July 2004, the Japan Quality Assurance Organization issued us a certificate of IMS operation. We have been promoting this initiative since that date.



2. Improvements in 2004 Initiatives as Reflected in 2005

We began to implement initiatives to achieve our IMS targets for 2004 and made improvements in the following three points from the viewpoint of further improving the operational system. In short, our goal is to speed up ways of adopting executives' opinions and instructions, further linking the adoption of targets and evaluation of initiatives to personnel ratings, and improving the competency of internal auditors to create a self-correcting system.

1) Increase in the frequency of management reviews from annually to quarterly
2) Integration of the formulation of the IMS action plan with the personnel affairs plan
3) Assignment of new managers every year as internal auditors

3. Improvements in 2005 Initiatives as Reflected in 2006

1) Implementation of drafts, corrections, and assessments of the IMS action plan from the conventional semiannual interval to a quarterly interval (design coordination with the management review)
2) Conformance between IMS targets and those of the Mid-Long Term Management Plan
3) Creation of a hierarchy incorporating quality and the environment
4) Canvassing executives for their opinions to ensure these opinions are reflected before the internal audit is implemented
5) Acquisition of certification of ISO 13485 registration for medical equipment under the IMS

4. Details of Initiatives and Company Policies for 2006 to be Reflected in the Future

1) Establishment of a goal to promote quality
2) Constructing and providing instruction on the IMS at group companies in Japan
3) Implementation of group audits, assessment audits and ASRP*
4) Integration of internal audit cycles with business and export audits

* Advanced surveillance and reassessment procedures

5. Initiatives Targeting the "One Company" Management Principle

As a part of our commitment to the "One Company" management principle, we are advancing development and implementation of our IMS to our group companies in Japan, beginning with HORIBA STEC, Co., Ltd. and HORIBA Advanced Techno, Co., Ltd. Both companies are scheduled to acquire OHSAS occupational health & safety certifications in addition to conventional ISO quality assurance and environment management certifications in 2007 and construct an IMS in 2008. Beginning in 2009, these companies' IMS group audits and assessment audits will then be undertaken jointly with HORIBA, Ltd. Each of these companies will improve their internal audits and the competency of their internal auditors, strengthen self-correction activities, and promote CSR. We shall strive to create a company that further contributes to the growth of society in the future.

● Scheduled Initiatives to Promote the "One Company" Management Principle

	Registration date	Fiscal 2006	Fiscal 2007	Fiscal 2008	Fiscal 2009 or from Fiscal 2010	
HORIBA, Ltd.	Q: Oct. 20, 1993 E: Jun. 4, 1997 S: Jul. 16, 2004 M: Mar. 10, 2006 IMS: Jul. 28, 2004	IMS reassessment audit	IMS surveillance audit (concurrently with ISO 13485 in April 2007)	IMS surveillance audit	ASRP (IMS) reassessment audit	Group IMS assessment audit, IMS audit
HORIBA STEC, Co., Ltd.	Q: Feb. 12, 1999 E: Feb. 24, 2006	Quality assurance reassessment audit, environmental management registration assessment audit	Combined assessment audits for quality assurance & environmental management and assessment audit for OHSAS registration in March 2007	Assessment audit for IMS certification	IMS surveillance audit	
HORIBA Advanced Techno, Co., Ltd.	Q: Dec. 3, 1999 E: Feb. 10, 2005	Combined assessment audits for quality assurance & environmental management	Combined assessment audits for quality assurance & environmental management	Assessment audit for IMS certification	IMS surveillance audit	

Q: ISO 9001, E: ISO 14001, S: OHSAS 18001, M: ISO 13485, IMS: Integrated Management System

Acquisition of ISO/OHSAS Certifications for Group Companies Both Inside and Outside Japan

In the future, we will promote acquisition of ISO quality assurance and environmental management certifications by subsidiaries outside Japan as a means of establishing a foundation for implementing IMS. The following table shows the state of acquisition of these certifications. We will promote the establishment of a foundation to implement our IMS through early acquisition of ISO registrations.

Name of Group Company (abbreviated)	Quality Assurance System (ISO 9001)	Environmental Management System (ISO 14001)	Occupational Health & Safety Management System (OHSAS 18001)
HII Irvine (U.S.A.)	November 2006	January 2006	–
HII Ann Arbor (U.S.A.)	May 1999	February 2002	–
HE (Germany)	December 1996	June 2003	September 2006
HIL (England)	August 1994	February 2003	–
HDHQ (France)	April 1999	–	–
HADE (Germany)	August 2006	July 2005	October 2006
JYFR (France)	March 2005	–	–
STEC (Japan)	February 1999	February 2006	March 2007
HAT (Japan)	December 1999	February 2005	Scheduled date: December 2007
HKL (South Korea)	June 2004	June 2004	–
HSC (China)	January 2005	May 2005	–

* Please refer to the table of group companies on page 44 for full official names of group companies.

Results of HORIBA's IMS Initiatives for Fiscal 2006

Fiscal 2006 marked the first year of our Mid-Long Term Management Plan. The following table outlines the results of our IMS targets for fiscal 2006. In the table, we used primary factor analysis to identity for improvement those items for which we failed to attain the target rates.

Item	Objectives	FY2006 Targets	FY2006 Results	Self-Evaluation
1. Create corporate value Fiscal 2010 group sales ¥150 billion Operating profit ratio 10% minimum 1) Expand IMS group-wide	Promotion of construction and development of IMS to domestic & international group companies.	1. Convey environmental information 2. Collect Group data on green products and environment 3. Hold group environmental meetings and support certification acquisition	• HORIBA STEC, Co., Ltd., a group company, is seeking to acquire OHSAS 18001 certification in March 2007. • HORIBA Advanced Techno, Co., Ltd. has begun implementation of OHSAS standards.	○
2. Establishment of the HORIBA brand (Contribution to increased customer satisfaction) 2) Ensure rapid delivery	Ensure rapid delivery.	Over 85%	• Achieved compliance targets for 12 consecutive months. • Production schedule was standardized and linked to the results through communication among the sales, SCM, and production divisions.	○
3) Respond swiftly to complaints 4) Increase the quality of products and services 5) Conduct business processes quickly and accurately	Reduce loss from returned products and defective products.	Under 0.70%	• Targets not achieved despite discussion of factors at monthly meetings and actions to promote improvement. Targets will be achieved in the future through further efforts to investigate factors by segment.	△
6) Expand range of eco-friendly products 7) Observe all rules and code of ethics both inside and outside the company	Reduce the defect rate in new products.	Under 0.70%	• Targets not achieved despite early focus on defectives and efforts to implement early countermeasures. • Two-year targets were adopted in the past, but we will focus on and investigate three-year targets in future fiscal years.	△
3. Promote creation of safety and high efficiency clean factories 8) Contribute to prevention of global warming	Reduce unfinished work and minimize errors.	Over 2 months: 0 Over 1 month: 1/3	• No great improvement despite weekly progress meetings with each SO and the main office of HORIBA TECHNO SERVICE CO., LTD. A swifter response will be made in the future through links to each segment.	×
9) Reduce waste 10) Reduce harmful substances	Expand environmentally compatible design to new products (environmental display system).	Over 70%	• Targets were not achieved due to evaluation delays as a result of the delayed nine-month development period and product development work schedule.	×
11) Raise production/administrative efficiency 12) Strive for zero-accident	Eliminate harmful substances in products (promote green procurement).	Eliminate all substances specified by RoHS	• Extended fiscal July 2006 application for categories 8 & 9 under the RoHS Directive, but the response to the China Factory's RoHS initiative is urgent.	△
	• Reduce pollutant load per unit of sales through activities to conserve energy and resources. • Reduce CO_2 emissions.	Over 9%	• Reduced CO_2 emissions through energy conservation efforts thanks to accelerated updating of energy-saving equipment, appropriate air conditioner operation, and concentration of facilities.	○
	Companywide: Achieve zero emissions. Each department: Reduce emissions.	Companywide: Under 10% of final waste at landfill Each department: Each sets its own goals	• Results for first half of fiscal year: Landfill rate 7.1% max. Results for second half of fiscal year: Landfill rate 0.6% max., burnable waste reduced by 75 percent. We will continue to monitor sorting.	○
	Reduce errors in processing (unusable parts, engine, analytical & medical parts).	Set plan for each product	• Results were improved through quality patrols at suppliers and partner companies.	△
	Eliminate absenteeism from work accidents.	Reduce accidents by half (zero absenteeism from accidents)	• Achieved target by cutting by half compared with last year despite three shutdowns due to accidents.	○

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

IMS Results and Challenges

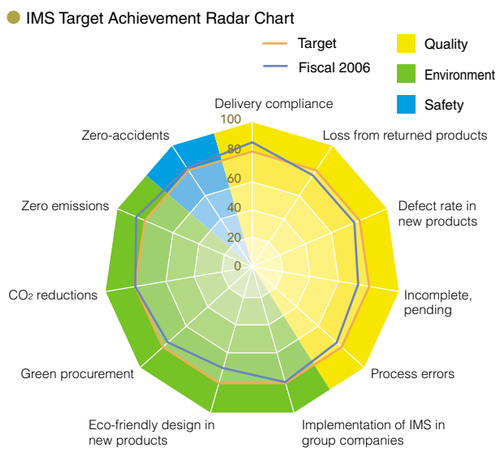
At the monthly IMS meetings, etc., our respective company departments have formulated "P" plans and implemented "D" plans (according to the PDCA* cycle) aimed at achieving the targets of the 11 items identified in fiscal 2006 under our IMS, reported and discussed the details of progress, and linked to the improvement activities. Moreover, we evaluated the activities of various workplaces through internal "C" audits, and the outcomes of each target and item were fed back into the system for correction and prevention, thus ensuring improvement.

The Council for IMS Promotion (management review and "A") reviews and discusses every quarter, represents the views of top management, follows the management system in the form of a short cycle, and ensures continuous improvement.

The IMS Target Achievement Radar Chart at right shows the status of achievement of target values for each of the quality, environmental, and occupational health & safety targets for the balance of fiscal 2006. In achieving these results, top management gave instructions that we must follow in order to achieve even greater quality improvements than had been achieved in the past. Going forward, we will promote initiatives by achieving even more objectives and balanced IMS initiatives from various perspectives; as a result, these efforts will help us meet our corporate social responsibility and improve stakeholder satisfaction.

* Plan-Do-Check-Act

● IMS Target Achievement Radar Chart



New Mid-Long Term IMS Plan and Fiscal 2007 Action Plan

Integrated Management System (IMS) Policy	Objectives
1. Establish eco-conscious production system and meet customer needs through products and services. 2. Actively contribute to society by complying with laws and regulations and social regulations, and promote harmony with stakeholders. 3. Formulate plans based on our management policy to increase the enterprise value of our Group and continually work to improve them.	Fiscal 2010 Group sales ¥150 billion Operating profit ratio 10% minimum 1. Create corporate value 1) Expand IMS group-wide 2. Enhance the HORIBA brand (contribute to increased customer satisfaction) 2) Ensure rapid satisfaction of customer demand 3) Improve overall quality 4) Observe all rules and code of ethics both inside and outside the company 3. Promote creation of safety and high-efficiency clean factories 5) Contribute to environmental protection 6) Raise production/administrative efficiency 7) Strive for zero-accidents

No.	Objectives	FY2007 Targets	FY2010 Targets (Relative to FY2005)
(1)	Establish a theme so that stakeholders are made aware of the group's positive attitude toward quality along with the terms of the corporate strategy that meets MLMAP on quality.		
(2)	Promotion of construction and development of IMS to all group companies inside and outside Japan	1. Convey environmental information 2. Collect Group data on green products and environment 3. Establish and implement the IMS at group companies in Japan 4. Prepare for implementation of the IMS at group companies outside Japan	Implementation of IMS for all group companies inside and outside Japan
(3)	Ensure rapid delivery.	Over 86%	Over 90%
(4)	Reduce loss from returned products and defective products.	Under 0.65%	Under 0.50%
(5)	Reduce the defect rate in new products.	Under 0.65%	Under 0.40%
(6)	Reduce unfinished work and minimize errors.	Over 2 months: 0 Over 1 month: 1/3	Over 2 months: 0 Over 1 month: 1/2
(7)	Expand environmentally compatible design to new products (environmental display system).	Over 75%	100%
(8)	Eliminate harmful substances in products (promote green procurement).	• Products placed on the market in 2007 • Each main product	Totally eliminate
(9)	• Reduce pollutant load per unit of sales through activities to conserve energy and resources. • Reduce CO_2 emissions.	Over 10%	Set separately (in response to Kyoto Protocol)
(10)	Companywide: Achieve zero emissions. Each department: Reduce emissions.	Companywide: Under 1% of final waste at landfill Each department: Each sets its own goals	Companywide: Under 1% of final waste at landfill Reduce total volume of waste
(11)	Reduce errors in processing (unusable parts, automotive, analytical & medical parts).	Set for each department	(Set for each department)
(12)	Eliminate absenteeism from work accidents.	Reduce accidents by half (zero absenteeism from accidents)	Zero-accidents

* The CS completion rate; environmental awareness activities; green purchasing; reuse and recycling of returned products; management of chemical substances; working hours; and risk assessment are managed by each workplace as routine work indicators and indices.

Objectives for Fiscal 2007

(1) In fiscal 2006, we reviewed IMS policies from the perspective of the "One Company" management principle to ensure they reflected the management policies of the HORIBA Group.

(2) Our management indicators are as follows: The objective of the IMS is to raise awareness of consistency of policies and organization-wide goals; the target of the IMS is to establish quality goals of which stakeholders can be made aware.

The following outlines the environmental, quality, and occupational health & safety objectives for fiscal 2010.

1. Environmental Improvement Activities

1) To increase the ratio of eco-friendly products and to strengthen our response to domestic and international laws & regulations
   a) To expand and enhance new products with design for environment
   b) To eliminate harmful and prohibited chemical substances in products by promoting green procurement

2) To prevent global warming and reduce waste through efforts to conserve energy and resources
   a) To reduce CO_2 emissions per unit of net sales through energy conservation and resource-saving activities
   b) To achieve and thoroughly establish a commitment to zero emissions

3) To extend IMS to group companies inside and outside Japan
   To support the introduction of IMS in all group companies

2. Quality and Occupational Health & Safety Improvement Activities

1) To promote production that enhances customer satisfaction
   a) To increase compliance with delivery requirements
   b) To reduce defective products and more swiftly respond to complaints
   c) To reduce defects in new products

2) To promote safe and efficient factory operations
   a) To reduce process errors caused by unusable materials, purchased components, and production processes
   b) To reduce work accidents by half (zero absenteeism from accidents)

Environmental Risk Management

Our environmental risk management begins with monitoring. Today, society is placing great importance on appropriate compliance; therefore, we intend to implement measures ensuring even greater protection.

Environmental Compliance Initiatives

In our efforts to ensure environmental compliance at HORIBA, we undertake measurement and monitoring by harmonizing our own unique voluntary management standards with legal requirements. The principal items we monitor are the following:

- Measurement of factory effluent: Monthly reporting to the Waterworks Bureau, City of Kyoto
- Measurement of noise and vibration at the factory lot line
- Measurement of toxins in the atmosphere (at factory lot line and point of emission)

As for management of chemical substances, we count and determine them through annual environmental aspect surveys. Although we have not exceeded the use of any chemical substances subject to obligatory reporting under the PRTR Law, we continue to take steps to reduce the quantity used as part of each department's improvement efforts.

● Trend in Number of Environmental Complaints

Fiscal 2004	Fiscal 2005	Fiscal 2006
0	0	0

● Trend in Measurement and Monitoring Conditions (number of exceedances of legal standards)

	Fiscal 2004	Fiscal 2005	Fiscal 2006
Factory effluent	0	0	0
Noise	0	0	0
Vibration	0	0	0
Toxins in atmosphere	0	0	0

Controlling Environmental Pollution

Monitoring Factory Effluent

Under the guidance of the Waterworks Bureau, City of Kyoto, we implement periodic measurement of each item that must be monitored, including 24-hour pH monitoring, and report the results to the Waterworks Bureau. In fiscal 2006, we did not exceed the standard level in any instance. For details, please see the detailed data on page 45.

Although our factory effluent is largely below standard levels, the standard levels for some items were increased while measurements were in progress. Based on the results of an investigation by an internal committee, we removed the sediment from a drainage tank.

Sampling sediment from a drainage tank

Monitoring Toxins in the Atmosphere

Our factories do not have large stacks, but we carry out voluntary semiannual measurement of legally specified hazardous substances at the factory lot line and point of emission. As a result, we did not exceed the standard level at any time in fiscal 2006. Please see the detailed data on page 45.

Monitoring Noise and Vibration

In areas where dwellings such as apartments are situated adjacent to our operations, we take voluntary measurements annually at our factory lot line. No legal or regulatory problems related to noise were encountered in fiscal 2006, but we did discover a temporary noise issue apparently related to trucks and forklift trucks traveling on our premises. We remain committed to continuous monitoring and will discuss an appropriate response through our factory retrofit plan.

Balancing Environmental Impacts

We are working to reduce the environmental impacts of all our operations, including materials procurement, production, transport, usage by customers, collect, recycling, and reuse (resale).

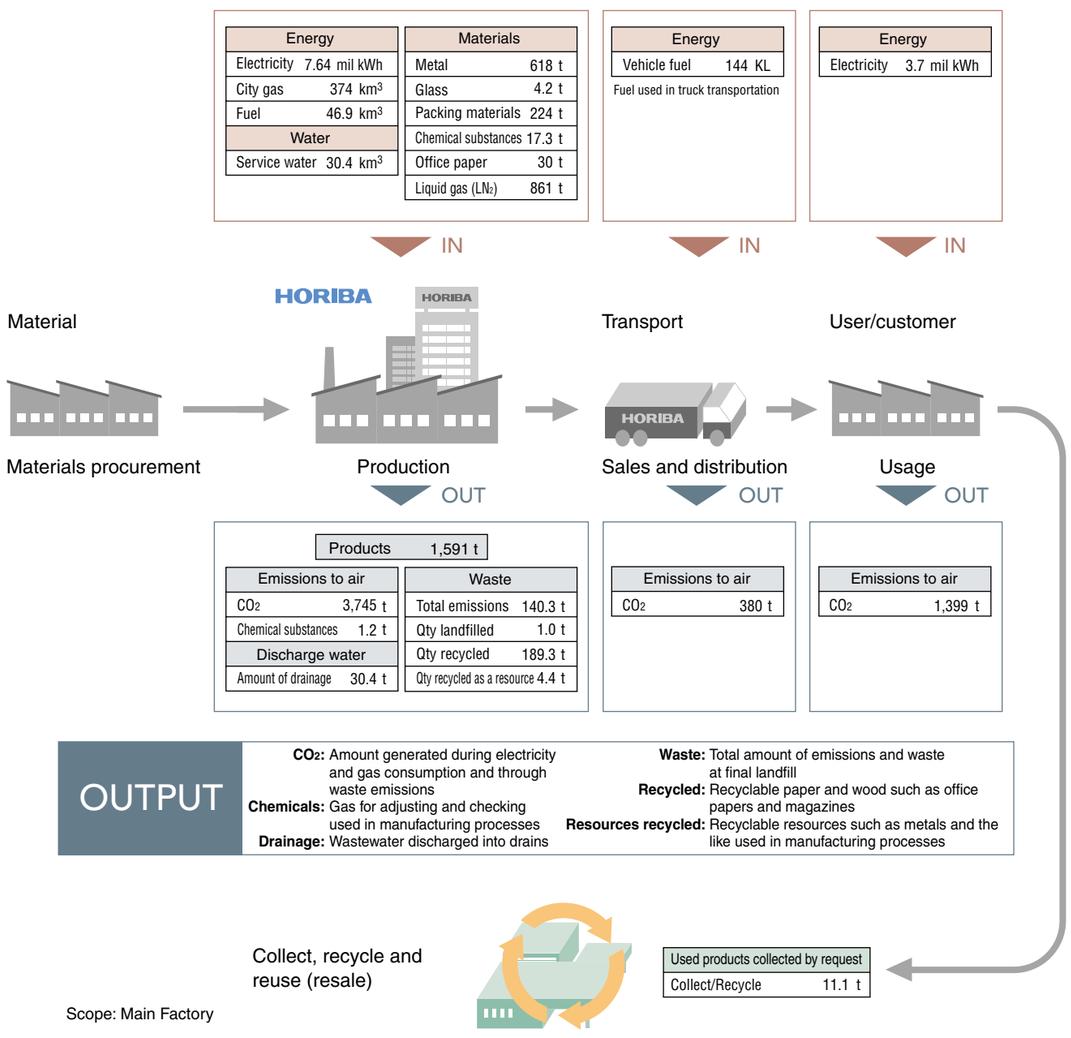
Materials Balance: Determining the Full Extent of Environmental Impacts

Changes to our accounting term in fiscal 2006 resulted in an abbreviated fiscal period; the resulting reduced operational period produced a reduction in energy consumption in the form of electricity, city gas, and fuel commensurate with the reduced operational period, but use of production materials increased due to growth in business volume.

Regarding future challenges, we will target more efficient operation against fluctuations in environmental impact accompanying a change in the volume of business activities and will strive to reduce consumption rates. We will actively promote energy and resource conservation in our production activities by focusing on eco-friendly product design.

INPUT

Electricity: From power companies
Gas: City gas as a form of energy
Fuel: Gasoline, diesel, kerosene
Water: Groundwater, city water
Metal: Production material
Chemicals: Chemicals used in manufactured goods or manufacturing processes
Packing materials: Packing and packaging for manufactured goods
Office paper: Copy paper used in factories and offices



OUTPUT

CO_2: Amount generated during electricity and gas consumption and through waste emissions
Chemicals: Gas for adjusting and checking used in manufacturing processes
Drainage: Wastewater discharged into drains
Waste: Total amount of emissions and waste at final landfill
Recycled: Recyclable paper and wood such as office papers and magazines
Resources recycled: Recyclable resources such as metals and the like used in manufacturing processes

Collect, recycle and reuse (resale)

Used products collected by request	
Collect/Recycle	11.1 t

Scope: Main Factory

Integrated Management System Accounting (Environmental)

As part of our environmental accounting, we express the results of IMS initiatives and the listed costs of quality assurance and occupational health & safety activities according to conventional environmental accounting.

Initiatives Under the Integrated Management System Accounting (Environmental)

HORIBA adopted its Integrated Management System in fiscal 2003 and now institutes effective environmental, quality assurance, and occupational health & safety activities in keeping with our management policy. We are introducing management activities with the goal of creating synergy.

In fiscal 2006, we endeavored to improve the accuracy of the costing of our quality assurance and occupational health & safety activities according to conventional environmental accounting practices. We strive to improve our cost awareness by gaining an overall perspective and by enhancing the efficiency of our operational management under an integrated system.

Scope of accounting: Main Factory, 11 sales offices, 21 service stations
Accounting period: March 21–December 31, 2006

(1) Environmental, Safety, and Quality Assurance Costs (by business activity)

(Millions of yen)

Environmental Protection Costs (by business activity)								Economic Effect (internal)	
Category		Key Actions	Amount Invested	Total Cost	Total	Year-on-year Comparison (%)	Benefits of Amount	Remarks
(1) Business Area			35	48	83	124.2	83	
Details	1. Pollution prevention	Maintained existing exhaust and drainage facilities; provided regular and preventive maintenance	2	6	8	133.7	7	Power-saving in facilities, effective operational benefits
Details	2. Global environmental	Switchover of all air conditioners from electricity to gas, promoted switchover to energy-efficient facilities, and other initiatives	17	5	23	153.3	21	Conversion to energy-efficient facilities, modification of equipment, effect of electricity conservation
Details	3. Resource circulation	Reduced waste and promoted zero emissions	16	36	53	113.6	55	Promotion of refuse sorting and reduced waste disposal
(2) Upstream/downstream		Promoted green purchasing, and collection and reuse of used products	8	2	10	108.4	21	Promotion of green purchasing and reuse of collected used products
(3) Administration		Improved EMS efficiency and promoted eco-training and other initiatives	0	79	79	79.3	12	Benefit of implementation of optimized management tasks
(4) R&D		Promoted design for environment, the lead-free initiative, and other initiatives	13	500	514	108.1	532	Expansion of eco-friendly products, contribution to increased operating income ratio
(5) Social activities		Actively promoted awareness-raising activities related to environmental technology and other initiatives	0	28	28	326.6	0	Support environmental improvement and promote enlightenment initiatives
(6) Environmental remediation		Not applicable	0	0	0	0	0	Not applicable
Total cost of environmental initiatives			56	658	714	108.2	648	
(7)	Cost of occupational health & safety management	Health checkups, occupational health & safety training and supervision, and other initiatives	0	31	31	120.9	—	
(7)	Cost of occupational health & safety preventive maintenance	Process safety, improvement of work environs, facility maintenance, and other initiatives	1	5	6	118.1	—	
(7)	Cost of SMS operational management activities	Operational management of occupational safety management system	0	30	30	115.4	—	
(7)	Total cost of occupational health & safety initiatives		1	66	67	118.1	—	
(8)	Cost of quality improvement initiatives	Quality management and improvement and awareness-raising campaigns	0	12	12	151.0	—	
(8)	Cost of QMS operational management initiatives	Operational management initiatives of the quality management system	0	17	17	131.0	—	
(8)	Cost of quality improvement research initiatives	Research initiatives for quality improvement and production improvement	3	12	15	40.7	—	
(8)	Cost of quality improvement research initiatives		3	41	44	75.5	—	
Total cost of IMS initiatives			61	764	825	106.5	648	

(2) Environmental Protection Benefits

Environmental Protection Benefits				
Category	Environmental Performance Indicator	FY2005 (standard)	FY2006 Outside Scope	Difference from Standard (environmental protection benefits)
Benefits in terms of resources invested	Total energy input (GJ)	108,037	106,906	−1,131
	Power consumption (GJ)	84,246	84,364	118
	City gas consumption (GJ)	16,529	14,842	−1,687
	Fuel (diesel, kerosene, gasoline) (GJ)	7,262	7,700	438
	Core production elements input (t) (Iron, SUS, aluminum, glass)	434	622	188
	Recycled resource input (t), OA paper, packaging materials (cardboard, wood, polystyrene)	260	263	3
	Water input (km^3)	38.7	31.9	−6.8
	Groundwater input (km^3)	13	9	−4
	City water input (km^3)	24	23	−1
Benefits in terms of environmental burden and waste	Greenhouse gas (total CO_2 emissions t-CO_2)	4,656	4,567	−89
	Greenhouse gas emissions through electric energy consumption (t-CO_2)	3,240	3,244	4
	Greenhouse gas emissions through city gas consumption (t-CO_2)	849	762	−87
	Greenhouse gas emissions through fuel consumption (t-CO_2)	490	518	28
	Amount of PRTR-specified substances emitted/transferred (t)	0.24	0.53	0.29
	Total waste generated (t)	177	143	−34
	Final waste at landfill (t)	3.2	0.7	−2.5
	Total water drained (km^3)	38.7	31.9	−6.8
	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	—

Environmental Protection Benefits				
Category	Environmental Performance Indicator	FY2005 (standard)	FY2006 Outside Scope	Difference from Standard (environmental protection benefits)
Benefits in terms of goods and services generated	Energy consumption during operation (GJ) (Total of eco-friendly energy-saving products)	26,492	36,378	9,886
	CO_2 emissions during operation (t) (Total of eco-friendly energy-saving products)	1,019	1,399	380
	Hazardous substances emitted during disposal of used products and recycling of containers and packaging (t)	34.0	5.4	−28.6
	Amount of used products, containers and packaging recycled (t)	3.7	5.7	2.0
	Amount of containers, packaging used (t)	318	226	−92
Other benefits	CO_2 emissions during transportation (t) (Charter service)	374	380	6
	Products, materials transported (thousand km) (Charter service)	893	910	17
	Soil contamination (m^2)	N/A	N/A	—
	Noise (dB) at night	53	53	0
	Vibration (dB) in evening	30	30	0

(3) Economic Benefits from Environmental Protection Activities

Difference from Standard (Environmental Protection Benefits)		
Effect		Amount (Millions of yen)
Profit	Gain on sale of recycled waste: amount of metals, oils, electric wires and rare metals sold (9,096 kg)	0.6
Profit	Gain on sale of recycled products: 23 units	74.1
Cost reduction	Reduction in energy costs through energy-saving measures (switch from electricity to city gas in air conditioners): Reduced power consumption = 285 thousand kWh Increase in city gas consumption = 55.0 km^3	1.3
Cost reduction	Reduction in disposal costs associated with pre-recycling (paper & cardboard): amount recycled 4.7 metric tons = reduced disposal costs + cost control in purchases of cushioning materials	0.5
Total		76.5

Environmental Accounting Standards
1) The operational scope is nine months and 10 days from March 21 to December 31, 2006, due to a change in the accounting term.
2) The standard year (fiscal 2005) used for comparison of performance has been converted to the same number of months of operation as apply to fiscal 2006.
3) Investment/expenditure classification: based on financial accounting standards
4) Costs: includes personnel, management and R&D expenses (excl. depreciation)
   i) Personnel costs: Average labor costs × no. hrs environmental protection activities
   ii) R&D costs: R&D costs for green products (materials & labor costs) + research costs for promoting environmental activities
   iii) R&D economic benefit: Contribution of eco-friendly products to operating income
5) Based on Environmental Accounting Guidelines by the Ministry of the Environment (Fiscal 2005 version)

Analysis of Aggregate Results for Fiscal 2006

The total cost of the IMS for fiscal 2006 increased by 6.5 percent compared with fiscal 2005; global environmental protection costs increased by 8.2 percent as a result of conversion of facilities involved in promotion of energy efficiency, promotion of activities, and capital investment targeting zero emissions, as well as enhancement of activities intended for the benefit of society.

On the other hand, occupational health & safety costs increased by 18 percent due to program enhancements and an increase in the number of employees targeted.

Although the costs of quality improvement initiatives have tended to remain steady from year to year, they fell by 24 percent compared with the previous fiscal year due to decreased capital investment. Total costs for safety and quality assurance decreased by 3.5 percent below the level of the previous year.

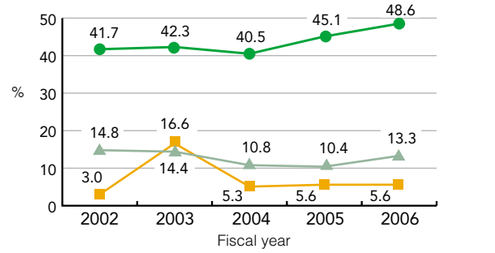
Our environmental performance assessments remained about the same or exhibited a declining trend measured against the comparison year (fiscal 2005). We intend to work toward reducing our consumption rate in light of our forecast for an overall increase due to our planned increase in sales volume.

Analysis of Index—Results

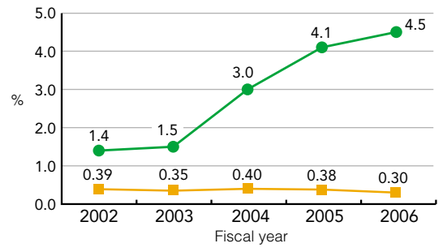
1) Our R&D initiatives for green products continued to improve, with our research & development costs representing 48.6 percent. Our green product ratio accounted for 13.3 percent of total sales. Real net sales of green products increased by 8.8 percent compared with the preceding year, showing the gradual results of our patient efforts.

2) Our energy productivity exhibited an improving trend over the past several years, and our energy efficiency efforts appear to be bearing fruit. On the other hand, our recycling rate has remained about the same. We need to place much greater effort on resource conservation initiatives from now on.

Ratio of Environmental Protection Activities to Business Activities



Energy Productivity & Recycling Rate



Future Initiatives

The results of our quality assurance and occupational health & safety initiatives are indicated in the status of IMS initiatives on pages 14 and 15; however, we have not fully determined the economic impact due to the coincidence of several factors and the lack of definite target setting. We will continue to work toward development of an effective management index responsive to costs.

Reducing Environmental Impacts Through Our Products and Technologies

Because HORIBA is involved in environmental measurement, we contribute to society's environmental preservation efforts through our products and technologies. In addition, HORIBA develops products with consideration for their lifecycles and is very proactive about reusing used products.

Reducing the Environmental Impact of Our Products

Since HORIBA's products measure various environmental values, we make a significant contribution to environmental preservation. However, in order to measure various environmentally hazardous substances, we have to use these hazardous substances as analysis standards. Therefore, we are minimizing our use of these hazardous substances and are enthusiastically adopting "design for environment" (environmentally compliant design) when developing new products so that we can provide society with recyclable products.

In our company, products that conform to company standards are regarded as "green" (environmentally compliant) products. These green products bear HORIBA's own green label in our product catalogs and the like.

Green label & logo

Harmoniearth

The design for environment process and main evaluation categories are shown below.

Evaluation Categories of Design for Environment

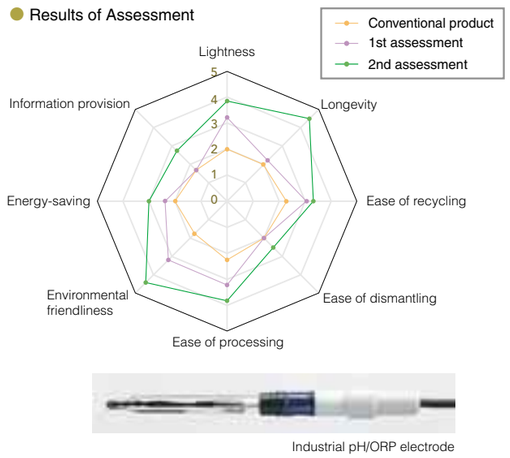
1. Lightness 2. Longevity 3. Ease of recycling 4. Ease of dismantling 5. Ease of processing 6. Environmental friendliness
7. Energy-saving 8. Information provision

Design for Environment for Industrial pH/ORP Electrode

Global production of glass electrodes totals about one million units annually. However, the glass used for these electrodes normally contains about 30 percent lead, and the discarded glass electrodes present a lead disposal issue. In addition, the electrodes release a slight amount of lead during measurement. The waste liquid containing this slight amount of lead is released into the environment.

The RoHS Directive* prohibits the use of lead; therefore, a demand exists for lead-free glass electrodes. We have responded to this situation by developing a lead-free industrial pH electrode. Since this electrode contains lead-free glass, it is the first product in the analytical instrument field to conform to the RoHS Directive. In addition, we have improved the structure of the glass electrode by strengthening it physically and chemically. As a result, we have greatly prolonged the service life of the glass electrode. Because it reduces the amount of lead in industrial waste, this new glass electrode contributes greatly to reduced environmental load.

* A directive issued by the EU to restrict the use of the certain six hazardous substances in electrical and electronic equipment



Industrial pH/ORP electrode

Initiatives Aimed at Product Reuse

In 1999, HORIBA established a sales company for recycled products; a joint venture between two local entities, this company has helped to provide a market for used products. In fiscal 2006, however, the company had to significantly decrease its reuse & recycling rate because reuse and recycling are not financially viable. We intend to take steps to increase the reuse & recycling rate in fiscal 2007.

Green Factory (Eco-friendly Manufacturing)

An increasing number of stringent environmental laws are being established worldwide. Against this background, our Production Division and Physical Distribution Division have been taking steps to reduce our environmental impact.

Reduced Use of Packaging Materials

The physical distribution division of HORIBA Group is working to prevent global warming by reducing CO_2 emissions and introducing recyclable physical distribution materials.

(1) Reduced CO_2 Emissions

1. We have established a centralized delivery information control system that allows our sales divisions and the factories of our group companies to use the same information network. With this system, we have centralized our cargo to ensure efficient delivery and to reduce the number of transport trucks in use.
2. Conventionally, we have used trucks four or five times a month to transport goods between Kyoto and Tokyo. As of September 2004, however, we instituted a modal shift for this transportation method, shifting from conventional road transport to rail transport. We have implemented this shift gradually and smoothly, and we are now considering an additional shift. Since starting production of reagents for medical products at our Aso Plant in March 2006, we have introduced the use of rail transport for these products. In addition, to improve the load efficiency of rail transport, we have adopted special containers incorporating two shelves.
3. We recommend to our contract transport companies that they adopt eco-friendly driving practices and introduce hybrid trucks.

(2) Introduction of Recyclable Physical Distribution Materials

1. For physical distribution, we have substituted recyclable packing materials (air mats, rubber bands, compact packing cases, packing tape, and the like) for conventional packing materials.
2. For pallet transportation, we have replaced disposable curing stretch film with the eco-friendly "eco band" reusable type. Since January 2007, this product has been used for rail transport from the Aso Plant.
3. We will reduce waste by adopting transport requiring no packing and by simplifying the outer packing method.

Eco band

Reducing Hazardous Substances Contained in Our Products in Compliance with the RoHS Directive

The RoHS Directive enforced in July 2006 does not apply to our products; in the near future, however, the Directive might apply to our products. Therefore, we are taking steps to reduce the hazardous substances contained in our products. We are already marketing products that comply with the hazardous substance reduction requirement. In 2006, each division identified those products requiring reduced content of hazardous substances and our WEEE & RoHS Project monitored the progress of hazardous substance reduction. In order to reduce the hazardous substance content efficiently, however, we require the cooperation of our customers. Although reducing the hazardous substance content can be difficult, we will actively address this important issue in cooperation with our business customers.

Eco-Friendly Production: The Lead-free Solder Plan

Mass Production Line for Lead-free Printed Circuit Board Begins Operation.

Subsequent to the lead-free solder plan proposed seven years ago, we finally started mass production of lead-free printed circuit boards in November 2006. With the operation of this production line, we expect to ensure the use of only lead-free printed circuit boards within 2007 in most of our group companies.

Ensuring that all our printed circuit boards are lead-free requires that we introduce the equipment necessary for lead-free production. In addition, we must train our workers in the proper use of lead-free solder, which is a difficult innovation to apply because of its very high melting point. Therefore, we introduced a worker skill training system; only those workers authorized through this system are permitted to undertake soldering work.

In the future, we intend to refine our lead-free technology so that we can produce 1.5 times more printed circuit boards than is possible with our current level of productivity. In addition, we will continue to pursue efficiency and will manufacture products with an emphasis on our IMS encompassing quality assurance, environmental management, and occupational safety.

Mass production line for lead-free printed circuit boards

Energy Conservation Initiatives

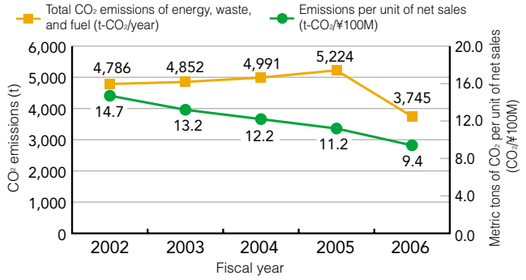
In addition to promoting energy conservation in all our plants, we believe it is also important to promote the energy efficiency of our products in order to minimize their environmental impact when used by our customers.

Initiatives Aimed at Curbing Global Warming

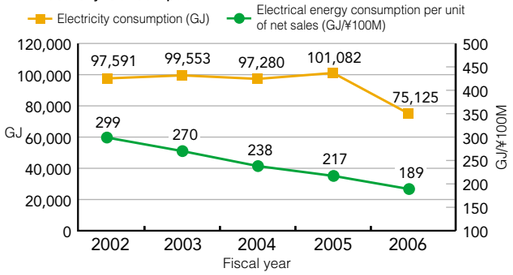
HORIBA's basic approach to energy conservation is to achieve the best balance between electricity and city gas. When we checked the CO_2 emission values of city gas, the city gas rate was 7 percent in 1990; in 2004, however, we introduced the GHP to our production building. This innovation enabled us to improve the city gas rate to 20 percent or more. Since our fiscal 2006 term spans only nine months, we cannot compare this result directly to those of other fiscal years. However, when the results for fiscal 2006 are extrapolated over 12 months, CO_2 emissions would total 4,992 metric tons. This means that, compared with the previous year, we reduced the absolute value of CO_2 emissions by 4.5 percent. When considered from the viewpoint of unit of net sales, we have reduced the CO_2 emission value by 16 percent. Clearly, we have achieved a significant reduction in CO_2 emissions.

On the other hand, our output is increasing. Considering this fact, we can say that the above result proves that our emission control activities have been effective. We will continue to adopt all possible measures to ensure efficient use of energy, such as turning off machinery when not needed and adopting energy conservation methods for replacement facilities.

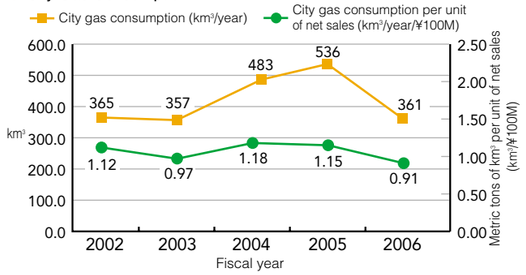
● Total CO_2 Emissions (t-CO_2)



● Electricity Consumption



● City Gas Consumption

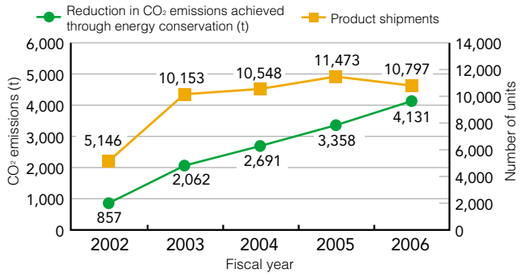


Reduced CO_2 Emissions Through Development of Green Products

Since obtaining certification of ISO 14001 registration in 1997, HORIBA has been emphasizing the development of energy-efficient products. We carry out these energy efficiency measures for our products as part of the ongoing environmental initiatives of our IMS, and we incorporate them in the product development stage in order to provide green products. The results of these activities are shown in the accompanying table.

Some of our products are intended for 24-hour operation, while others require a very long time to warm up. If we can shorten the operation time or warm-up time needed for this equipment, we will be able to curb global warming. In light of this, we will actively continue to promote energy efficiency.

● Reduction in CO_2 Emissions Through Energy-Efficient Green Products



Reducing Our Use of Chemical Substances

Since HORIBA is a developer and manufacturer of environmental measurement equipment, we cannot avoid the use of some chemical substances. Moreover, since our production output has recently increased, we are also increasing the amounts of these chemical substances that we use in our production lines. However, we are taking steps to reduce the amount of chemical substances used per unit process and we are promoting the use of chemical substances that have a reduced environmental impact.

Total Control of Chemical Substances and Reduced Use of Hazardous Substances

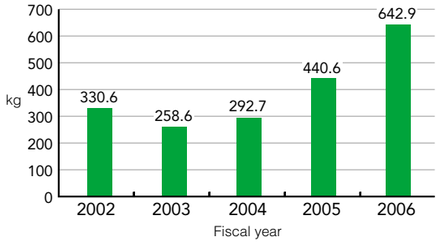
In fiscal 2000, HORIBA published its *Guidelines for Control of Chemical Substances* in response to the relevant laws and regulations enacted in Japan and other countries. To ensure that we properly control the use of chemical substances in our product development stage and production stage, this publication specifies several control levels such as "prohibited," "reduced," and "controlled."

In fiscal 1999, we eliminated all ozone-depleting substances—including CFCs, HFCs, and chlorine-based organic solvents—from our production processes. Although our sales have been increasing recently, we will continue to implement initiatives entailing the reduction, substitution, and elimination of hazardous substances by implementing processes changes. We are committed to taking steps to contribute to a sustainable society.

Initiatives to Reduce Substances Subject to Restrictions and Prohibitions

As stated in the HORIBA publication *Guidelines for Control of Chemical Substances*, we have been taking steps to reduce our use of chemical substances subject to restrictions and prohibitions. However, since we are required to measure the chemical substances that our customers seek to eliminate, we cannot avoid using these chemical substances. In fiscal 2006, we increased our production in response to rising sales of RoHS-compliant products. As a result, the total weight of the chemical substances subject to prohibitions and restrictions was increased because these substances were indispensable to our processes. However, we remain committed to an ongoing effort to reduce our use of these chemical substances.

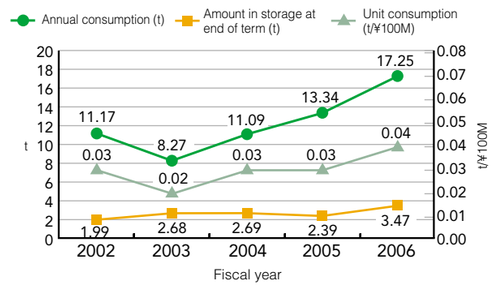
● Trend in Total Weight of Chemical Substances Subject to Prohibitions and Restrictions Used in Production



Trend in Amounts of Chemical Substances Used in Production

As our production has increased, so too have the amounts of chemical substances used in our production. Employing the same approach we have applied to our use of chemical substances subject to prohibitions and restrictions, we will examine the possibility of using less of the chemical substances that we use in comparatively large amounts. We intend to further reduce our use of these chemical substances going forward as we measure the benefits against the costs.

● Trend in Amount of Chemical Substances Consumed



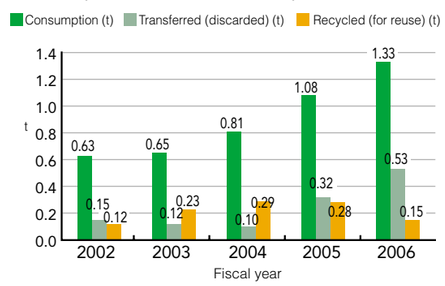
PRTR Controls

As a result of our production increases, the amounts of chemical substances subject to the PRTR (Pollutant Release and Transfer Register) Law* used in our production are also increasing. When our consumption of a specified substance reaches or exceeds 1 metric ton/year, we must report this consumption under the terms of this law; however, we do not use any such substances.

We control the chemical substances subject to the PRTR Law if our consumption of any particular such substance reaches or exceeds 1 g/year. The following graph shows the trend in consumption for those chemical substances of which we consume at least 10 kg/year. (The graph depicts our total consumption of nine such substances.)

* A law stipulating the clarification of the amounts of specified chemical substances emitted into the environment with the goal of promoting improved control of these chemical substances

● Consumption Trend for Substances Specified in the PRTR



Waste Reduction Efforts

Since obtaining certification of ISO 14001 registration in 1997, we have been promoting the reuse and recycling of waste. Since 2004, we have been promoting our IMS initiative, and since 2006, we have been promoting disposal of waste by type. As a result, we have succeeded in establishing a zero emissions system.

Establishment of Zero Emissions System and Targets Attained

As a result of our waste reduction activities in 2006, we have finally established our target of a zero emissions system.

While HORIBA manufactures and sells products, it also functions as a laboratory. Therefore, HORIBA discards small to moderate amounts of various types of waste. However, we cannot recycle these wastes because the amounts of each type of waste are too small to recycle. In addition, the conditions of the storage place are unsuitable for long-term storage. After discussing this situation with outside experts in an effort to resolve these issues, we improved our waste sorting method and finally achieved zero emissions.

Our upgrades to our sorting and recycling methods are shown below.

Difficult-to-recycle paper	The waste paper is transformed into a solid fuel.
Difficult-to-recycle waste plastics	The waste plastic is transformed into a solid fuel or used as a cement additive.

In fiscal 2007, we will determine the results of our zero emissions system while maintaining and checking the system.

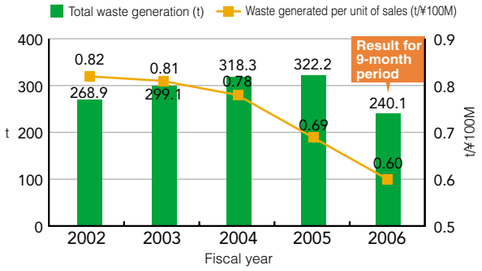
HORIBA's Definition of Zero Emissions

"The amount of landfilled waste must not exceed 1 percent of total waste generation."

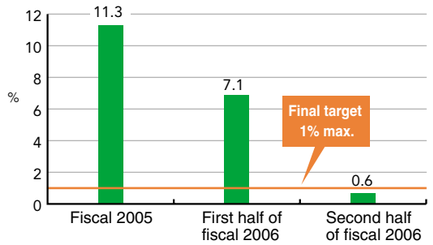
Total waste generation:
A generic term for waste discharged from all divisions because it is no longer required (including valuable resources, general waste and industrial waste)

Total amount of landfilled waste:
Total amount of waste landfilled after being processed for reuse, recycling, or intermediate treatment (including neutralization, change into non-hazardous substance, and incineration)

● Total Waste Generation and Waste Generation per Unit of Sales



● Trend in Total Amount of Landfilled Waste



75 Percent Reduction in Combustible Waste

We decided to remove all types of paper from our combustible waste (such as unsanitary waste paper and trash) before discarding it at the Kyoto City incineration plant. As a result, we have reduced the total amount of combustible waste by a significant 75 percent.

In addition, we prepared a table showing how to dispose of waste by type and adopted recycling labels to raise awareness of the need to sort refuse.

Standardization of Waste Disposal Receptacles by Type

Previously, each division used its own type of waste receptacle, which resulted in a diverse variety of waste boxes. However, after implementing our zero emissions system, we prepared labels indicating the type of waste and standardized our waste receptacles to facilitate disposal of waste by type.

Waste receptacles for disposal by type

Technologies Incorporated in Our Products

We provide the market with a range of varied analysis and measuring instruments. In this section, we describe an atmospheric air monitoring system designed for developing countries and our green procurement support system that conforms to EU regulations.

Contributing the Technologies Needed by Developing Countries

Atmospheric Air Monitoring System Designed for Use in Pakistan

Air pollution has recently become a serious issue not only for developed nations, but also for the entire planet.

Controlling air pollution requires that the extent of air pollution be clarified around the world. Clarifying the extent of air pollution in a particular location requires continuous atmospheric monitoring. In order to accomplish this, we must use an integrated system of communications networks, software that ensures full control and analysis of the measurement data obtained, and highly reliable and maintainable air measuring instruments that conform to the environment of the respective country. As a consequence, HORIBA is selling atmospheric air monitoring systems to various countries and regions.

The funds to develop the atmospheric air monitoring system described here were raised through Official Development Assistance (ODA), and the system was delivered to Pakistan via the Japan International Cooperation Agency (JICA). This system will be implemented in several cities and will begin taking measurements in spring 2007.

City in Pakistan	Number of Systems	Traveling Measurement Vehicle
Islamabad	1	1
Karachi	2	1
Lahore	2	1
Peshawar	1	—
Quetta	1	—

Atmospheric Air Monitoring System operating in Lahore, Pakistan

Green Procurement Support Equipment

XGT-5100WR X-ray Analysis Microscope

Europe is making advances in the area of environmental preservation. For example, the European Union has issued its "EU Directives," a set of common regulations targeting environmental protection. Among these is the RoHS Directive, which specifies regulations for restricting the use of certain hazardous substances in electrical and electronic equipment, and the ELV Directive, which specifies the rules for restricting the use of certain hazardous substances in vehicles. Knowledge of these directives is essential to those Japanese companies that export to Europe. In addition to Europe, other countries have also started to restrict the use of hazardous substances in various products. For example, China has issued a similar law to Management Methods for Controlling Pollution by Electronic Information Products.

Companies that export products to these countries now demand inspection equipment capable of detecting hazardous substances. In order to conform to the hazardous substance control rules (RoHS/ELV Directives) of importing countries, companies must use lead-free solder and eco-friendly resins. In response, HORIBA has developed the XGT Series Green Procurement Support Equipment to check for the hazardous substances specified in these directives.

To develop the Green Procurement Support Equipment, we have adopted the X-ray tube, our own original technology. This technology was recognized for its contribution to society when our company was presented with the 4th Industry-Academia-Government Collaboration Honor Nippon Keidanren* Chairman's Award.

* Organizer: Cabinet office, Government of Japan, etc.

XGT-5100WR

The 4th Industry-Academia-Government Collaboration Honor

The National Institute for Research in Inorganic Materials (currently the National Institute for Material Science), the Research Development Corporation of Japan, the Ministry of International Trade and Industry (currently the Ministry of Economy, Trade, and Industry), and HORIBA, Ltd. were presented with this award by the Chairman of the Nippon Keidanren for their development of the bright X-ray analysis microscope, which has made possible the high-speed analysis of minute amounts of hazardous elements.

Recipients of the 4th Industry-Academia-Government Collaboration Honor

Quality Improvement Initiatives

We are carrying out quality assurance activities and improving our customer support system in order to provide the highest quality products and services to all areas of the world. In this way, we are making a significant effort to satisfy our customers.

Providing Our Customers with Reliable, High-Quality Products

We have identified the following three stages for implementing quality assurance activities for HORIBA products:
(1) Planning, development, and product design
(2) Procurement and production
(3) Installation and after-sales service

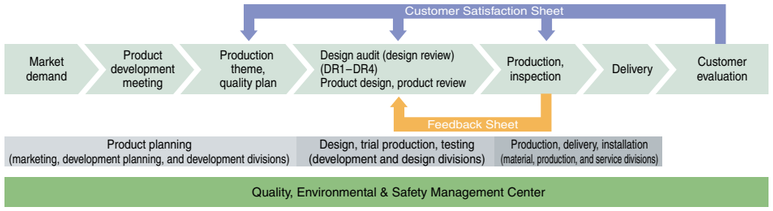
We believe that one of the important control functions that affect product quality is the design review (DR). In our company, we make sure design reviews are implemented by experts in our Sales Division, Planning Division, Production Division, Service Division, Legal Affairs Division, and Reliability Evaluation Division. This approach ensures that our products incorporate what the market and customer demand.

For example, we implement the design review at the product design stage by checking the product specifications, restrictions under relevant laws and regulations, energy-efficient development and design, eco-friendly waste disposal development and design, and serviceability, in an effort to maintain the high quality of our products.

In addition, we carry out reliability evaluation tests for key parts of our products as a means of improving product quality. This stringent approach underpins the safe operation of HORIBA brand products in the interests of our customers.

To provide HORIBA Group products to global markets, we are promoting quality assurance activities together with our group companies inside and outside Japan so that our customers worldwide benefit from highly reliable and high-quality HORIBA brand products at all times in all markets. Through this approach, the HORIBA Group is establishing a comprehensive quality assurance system.

● Flowchart of the Product Development and Quality Assurance System



Design Review

The HORIBA Group's 18th Quality Assurance Meeting

Since November is "quality month," HORIBA Group companies in Japan hold their annual Quality Assurance Meeting in November. At this meeting, the best quality control (QC) circle from each company reports the results of its QC activities in competition with the other circles. At least 200 employees attended the fiscal 2006 Quality Assurance Meeting as representatives of HORIBA Group companies or other companies. A total of nine teams from HORIBA Group companies, including associated companies, reported the results of their QC activities. Compared with the preceding year, they improved their work in the areas of both safety and environmental management, and obtained better results. The Quality Assurance Meeting for this year clearly demonstrated improvements over the meetings of previous years.

QA Meeting

The 1st Global Quality Meeting

Under the slogan "The HORIBA Group is One Company," we held our 1st Global Quality Meeting at our head office from May 22 to 26 in an effort to further improve HORIBA brand products. This event brought together about 20 persons employed in the Quality Assurance Divisions of HORIBA Group companies inside and outside Japan.

This first meeting saw enthusiastic discussions and agreement to create a unified quality indicator to clarify the total quality of the HORIBA Group. It was also decided to establish a risk management system in order to maintain brand value. Through their discussions, those in attendance recognized that the quality indicators of the various group companies differed from each other. The meeting clearly presented an excellent opportunity for members of all group companies to get to know each other.

Attendees at the Global Quality Meeting

Occupational Health & Safety Initiatives

As part of our Integrated Management System, we are establishing a healthy, safe, and low-risk workplace incorporating the OHSAS 18001 standard introduced in 2004.

Occupational Health & Safety Control System

Annual Slogan and Targets

In fiscal 2006, we carried out our business operations under the following annual slogan and annual targets.

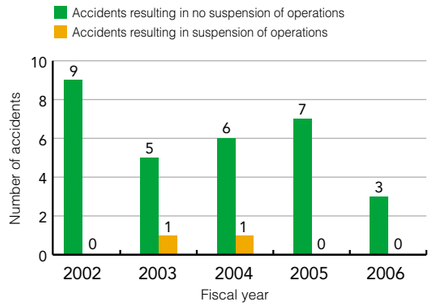
Annual Slogan

Let's attain our three targets: zero disasters, good health, and a comfortable workplace.

Annual Targets

- Reduce accidents by half (ensure zero disasters leading to suspension of operations).
  Prevent accidents during commuting to ensure zero disasters leading to lost days of work.
- Maintain good health.
- Reduce risk by implementing risk assessments.

● Types and Number of Accidents



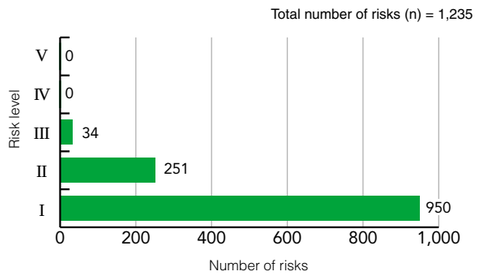
Risk Assessment

We introduced annual risk assessments in 2004 after introducing our IMS and obtaining our OHSAS 18001 certification for occupational health & safety. Using data compiled on past accidents and close calls as our baseline data, we determined the rate of accident occurrence, frequency of exposure to risk, and accident severity, and we estimated the number of potential victims in order to assign a risk level on a scale ranging from Level I (low) to Level V (high).

In fiscal 2004, although we revealed Level V and Level IV risks, we implemented risk reduction activities to attain our corporate targets. As a result, our risk assessment in fiscal 2006 revealed zero Level V and Level IV risks.

The accompanying graph shows the risks at each level in fiscal 2006. We remain committed to uncover risks in order to prevent accidents.

● Results of Risk Assessment for Fiscal 2006



Reducing Work-Related Accidents

• Executive Safety Patrol

The Executive Safety Patrol is an important activity carried out during National Safety Week in July. This past July, President Masao Horiba and the General Health and Safety Manager undertook safety patrols of the company's workplaces. In 2007, they will also go on safety patrols to other group companies.

Clean Room of the Development Division

Fire Prevention and Disaster Response

• Disaster Response Drills in 2006

In November, we held a disaster response drill involving about 500 employees at our Main Factory. For this drill, we assumed that an earthquake measuring "6 lower" on the Japanese seismic intensity scale had occurred in southern Kyoto prefecture. We also assumed that the building remained standing, that a fire had started, and that several were injured.

First aid provided by our own emergency relief squad during a disaster response drill

Introduction to ISO Initiatives Implemented by the HORIBA Group in 2006

Our IMS and ISO activities are being extended to all companies of the HORIBA Group. In the future, we will introduce and construct the IMS in all group companies inside and outside Japan so that HORIBA can do business efficiently according to our "One Company" management principle.

HORIBA STEC, Co., Ltd.

Reduced Emissions of Greenhouse Gases

In the manufacture of various mass flow controllers, HORIBA STEC, Co., Ltd. uses adjustment gases that can contribute to global warming. In 2005, emissions of these adjustment gases (CO_2 converted value) from this company totaled approximately four times those of utilities (electricity and gas). Reduced emissions of these adjustment gases would greatly reduce our total emissions of global warming gases. As a result, we formulated a project comprising our Development, Production, and General Affairs Divisions. In 2006, this project was submitted to parts manufacturers for their comments and to survey their gas recovery, recycling, and decomposition methods.

We also compared their exhaust gas treatment methods and systems to clarify the differences. At the Environment Management Meeting, we reported the results of the survey of this project. In 2007, after considering the results of this survey, HORIBA STEC, Co., Ltd. will determine the optimal gas emission reduction method and will install the necessary equipment to reduce emissions of greenhouse gases.

HORIBA STEC, Co., Ltd.

HORIBA Advanced Techno, Co., Ltd.

The environmental impact resulting from the business activities of HORIBA Advanced Techno, Co., Ltd. is comparatively small. However, since this company manufactures and provides environmental measuring products, we choose to emphasize the development of eco-friendly products and the promotion of green procurement in order to promote our environmental initiatives.

Result of Our Initiatives

In 2006, we were unable to attain the targets of some of our environmental initiatives. However, on the whole, our initiatives are serving to improve the environment. Therefore, we will continue to implement our environmental initiatives.

Increase the design for environment rate when developing new products.	Target achievement rate: 100%
Reduce use of lead solder.	Target achievement rate: 100%
Minimize hazardous substances found in products.	Target achievement rate: 60%
Increase sales of eco-friendly products.	Target achievement rate: 60%
Reduce electricity consumption.	Target achievement rate: 100%
Reduce quantities of waste generated.	Target achievement rate: 70%

Product-Related Activities

<Industrial pH Meter: HP-480>
- The lead-free technique was adopted. (This pH Meter will soon be accepted as a product conforming to the RoHS Directive.)
- We have reduced the weight, volume, and power consumption by at least 20 percent.
- We increased the proportion of recyclable parts by 20 percent.

<Industrial pH Glass Electrode>
- Since the lead-free technology was adopted, this electrode was certified as being in conformance with the RoHS Directive.
- The silver ion trap technique was adopted to ensure stable, long-term performance. In addition, we carried out various improvements such as a significant increase in the strength of the thick-film pH response glass.

HORIBA Advanced Techno, Co., Ltd.

HORIBA EUROPE GmbH

Certification of OHSAS 18001 Registration and Recertification of ISO 14001, ISO 9001, and VDA 6-4 Registrations

We have obtained certification of registration with OHSAS 18001, the global standard for occupational health & safety management systems. In addition, we completed reassessment audits for our registrations for ISO 9001 and VDA 6-4 (standards for quality assurance systems) and ISO 14001 (standards for environmental management system); as a result, we were issued certificates of registration valid for another 10 years. These renewals testify to the effectiveness of our quality assurance and environmental management systems.

Currently, we operate management systems encompassing quality assurance, environmental management, and occupational health & safety. Through this initiative, we are taking steps to effect daily improvements.

Registration certificates

Communications

In our business activities, we place much importance on maintaining open communication with our many internal and external stakeholders. We communicate with these stakeholders through a variety of media in order to promote clear understanding and to reflect stakeholders' opinions in our business activities.

IMS Communication Sheets

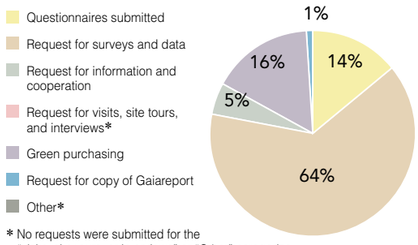
We use communication sheets to solicit questions from our stakeholders regarding our varied business activities. In 2006, we received 153 questions in total. Among them, 13 questions were regarding asbestos; which represents a significant reduction from the 220 questions we received on asbestos during the preceding year. However, we received 36 questions on the hazardous substances contained in our products and on green procurement as specified in the WEEE & RoHS Directives. The number of questions on these issues totaled 28 during the preceding year.

We also noted a gradual increase in the number of questions related to our CSR activities; questions related to issues that could affect quality assurance, the environment, and occupational health & safety; and questions on our IMS activities. As a consequence, we believe that our IMS has become more relevant.

● Record of Environmental Inquiries in 2006

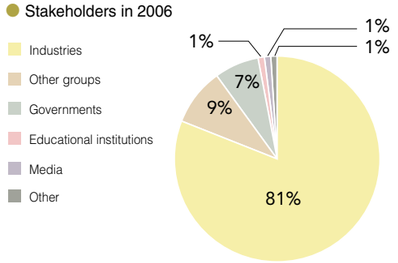
Number of published issues of our Social and Environmental Report	Japanese-language edition	5,000
	English-language edition	1,600
Number of lectures and seminars		76
Requests for environmental information		689
Number of newspaper and magazine advertisements		15
Number of questionnaires returned from our Social and Environmental Report		45
Number of environmental exhibitions and animated presentations		4
Number of onsite training classes, environmental experiment classes & company open days		9
Total number of completed communication sheets received		153

● Content of Communication Sheets in 2006



* No requests were submitted for the "visits, site tours, or interviews" or "Other" categories.

● Stakeholders in 2006



Meeting to Read the Gaiareport 2006

On July 27, we invited to our premises a company that had collaborated with us in preparing the Gaiareport for a meeting to read the 2006 edition of the Gaiareport.

The representative of the company we invited presented a lecture on the trend toward CSR reports and the importance of preparing such reports. Later, the representative pointed out some items that should be reconsidered in the Gaiareport 2006 from their viewpoint as a collaborating company and offered some advice on preparing the 2007 edition of Gaiareport.

Readers of the Gaiareport from our company and the Gaiareport preparation secretariat later exchanged opinions. For example, one mentioned that our customers were not visible in the Gaiareport, while another mentioned that, since this is a report on the HORIBA Group, it should have articles on our overseas subsidiaries. We discussed these points in order to prepare an improved version of the Gaiareport for next year.

Gaiareport meeting

Gaiapress

We have used a variety of opportunities to disclose our environmental initiatives, such as our website and exhibitions, to ensure that our stakeholders clearly understand our initiatives. For example, since the theme of the Gaiapress website is "to communicate with nature, the environment, human life, and the unknown world," our website shows various analysis data and numerous environmental problems so that all can readily understand our initiatives.

Gaiapress

earthrium

Gaiapress website:
http://www.jp.horiba.com/sensorium_e/index.htm

Internal Audits

At the HORIBA Group, each person must monitor his or her own activities. In this way, the entire group promotes an approach of self-correction.

IMS Internal Audit

At HORIBA, we believe that the most important way to improve our Integrated Management System is to meet the requirements of our internal audits and to improve the competence of our internal auditors.

Therefore, in 2006, we implemented internal audits in 42 divisions of our company in order to promote our management system. For these internal audits, we recognized the following two objectives:

(1) We must determine whether work has been done in accordance with relevant laws, regulations, company rules, and procedures; and
(2) We must evaluate our performance in order to determine the attainment rate of targets and objectives.

We are achieving excellent results from the promotion of our management system, and all divisions have earned high praise because they are striving to promote work improvements.

● Schedule for H-IAS*

	Auditor	Audit Office	Fiscal 2007	Fiscal 2008
Internal IMS audit	Internal auditor	Internal Audit Office (IMS)	Implementation of all audits	Implementation of all audits
Export control audit	Internal Audit Office	Internal Audit Office (Export control)		
Business audit	Internal Audit Office	Internal Audit Office		
Asset audit (Fixed assets & samples)	Accounting Dept.	Accounting Dept.	Implementation of individual audits	
Audit by accountants	Accountants	Accounting Dept.	Implementation of individual audits	Implementation of individual audits

* HORIBA-Integrated Audit System

The Internal Audit Office of HORIBA controls and implements business audits, accounting audits, export control audits, and IMS internal audits. We now believe that we should further improve our level of corporate social responsibility and compliance, and that in the future we should integrate our various audits into a single unified audit system. In 2007, therefore, we will integrate the IMS, export, and business audits into one audit system. In 2008, we will add an asset audit to our audit system.

We discuss the results of the IMS audit at meetings of the Auditing Committee and the Council for IMS Promotion. We review the audit plans for the next and subsequent years. Before undertaking an audit, the auditors talk with the administration to hear their requests for the audit. In addition, while conventional audits were undertaken annually, we accelerated our audit schedule by changing from annual to semiannual audits. In this way, we have been able to establish a flexible internal audit system that can cope with changing conditions. Our internal auditors are selected from among newly appointed administrators, and the selected auditors are trained before they perform any audits. We will continue to train internal auditors to improve their competency, and we will continue to undertake internal audits to promote our system.

Training of IMS internal auditors

IMS Assessment Audit

Since the standards for our Integrated Management System are not specified within current ISO international standards, we are not required to implement IMS assessment audits. However, in cooperation with the Japan Quality Assurance Organization (JQA), we have been undertaking IMS assessment audits since 2004 to monitor the operation of the IMS. In 2006, we carried out an IMS reassessment audit. This audit, which required five days to complete, identified six areas requiring improvement.

In light of the items that had been identified for improvement, we are now taking this opportunity to further improve the system.

Among the general comments was the following: “You say that you should establish the HORIBA brand, but I feel that your method involves only reducing the negative aspects. I notice no aggressiveness in your targets. I believe that you should set proper targets in the belief that they are ‘worthy of HORIBA’ so that you can meet customer needs.”

This was an excellent suggestion that provided direction for future initiatives.

Certificate issued by the JQA in 2006 certifying the IMS following the 3rd IMS operation audit

IMS Internal Audit to Promote the “One Company” Management Principle and IMS Assessment Audit Activities

The HORIBA Group is now establishing a system that supports IMS internal audits. As the first step toward implementing this system, HORIBA STEC, Co., Ltd. and HORIBA Advanced Techno, Co., Ltd. will establish the IMS assessment audit system in 2008. Thereafter, along with HORIBA, Ltd., these three companies will collaborate in order to establish a joint system of IMS internal audits. As part of this approach, we will seek to have the assessment audits performed by the JQA—a third-party certification organization—undertaken as a joint three-company IMS assessment audit.

Working Together with Our Customers

In order to provide products that satisfy our customers, we listen to the opinions of our customers and meet their requests. In addition, we will continue to develop both basic and production technologies.

Developing Products from the Customers’ Perspective

HORIBA has developed the SEM Surface Finisher (TENSEC). Ensuring good results from observations of material structure requires that the sample be polished and chemically etched with an acidic or alkaline substance. However, such chemicals have been identified as environmental loads that should be minimized because the waste liquids can cause environmental problems.

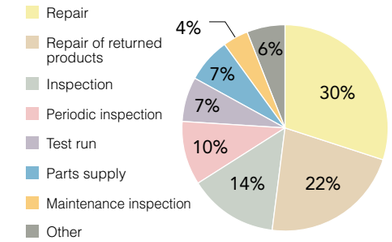
This new product utilizes high-frequency plasma to ensure a high etching rate and soft ionic radiation. Compared with conventional products, this innovative product enables highly detailed data to be obtained.

SEM Surface Finisher (TENSEC)

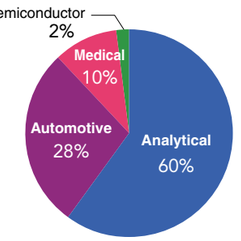
Service System

HORIBA TECHNO SERVICE CO., LTD. supports customers by providing maintenance services and a repair response for all products offered by the HORIBA Group from its 24 offices in Japan. In 2006, we provided 27,000 instances of maintenance services. Our maintenance services include periodic inspections, overhauls, repairs, maintenance services, test runs, parts supply, worker training, and dispatch of technicians. By providing these services for our products, we continue to meet customer needs.

● Typical Maintenance Services Provided in 2006 (by service)



● Typical Maintenance Services Provided in 2006 (by segment)



Providing Satisfactory Customer Services

HORIBA INSTRUMENTS INCORPORATED Irvine Facility (U.S.A.)

We chose National Customer Service Week (October 2–6, 2006) as an opportunity to reflect on the importance of customer service. During this week, we emphasized customer service characterized by sincerity and depth. Our Customer Service Department serves as the first point of contact for our customers and is in charge of replacing parts and manuals, taking orders, and giving advice before purchase. Our customer office receives an average of 740 inquiries every month, and our office staff handle each inquiry with an appropriate response.

As one of our customers remarked, “When I called your customer service office, the person who took my call quickly solved my problem and provided excellent service!”

This comment testifies to the excellent customer service we provide.

Members of our customer service team

Contributing to Safer Motoring

Doraneko Contributes to Safe Driving.

Doraneko (“alley cat”) is a series of in-vehicle systmems that uses a windshield-mounted camera to record events occurring in front of a vehicle; the device senses acceleration (impact) exceeding a fixed level and retains the video recorded 30 seconds before and after the impact. Related information is also recorded, such as the vehicle’s speed and rate of acceleration or deceleration, the use of turn signals, where the impact occurred, and details of the driver’s braking action. Analysis of close calls and near misses can help prevent accidents when such analyses are used for driver training. As a result, this device contributes to safer driving.

Doraneko

Customer Interview

Kenichi Umeda
Sales Department Manager
Sales Division
MK Co., Ltd.

Q What motivated your company to introduce the Doraneko device?

We wanted to decrease traffic accidents as much as possible. We emphasized safety training and introduced the Doraneko device as a tool for more effective safety training.

Q How many units have you installed so far?

We have installed a total of 850 units into all our taxis and van taxis operating in Kyoto prefecture. We are now considering installing the device in the vehicles the MK Group operates in other prefectures.

Q What benefits have you noticed?

As of December 2006, a total of 15 months after the official start of testing, the number of accidents has decreased by more than 20 percent. Clearly, the benefits have been dramatic.

The advantages of the Doraneko can be noticed in two areas: First, the system reveals the mechanics of a traffic accident; conventionally, when no eyewitnesses to an accident can be found, it is necessary to make a judgment based on the known circumstances and to assume both the two parties involved are being truthful. If an accident occurs, those involved generally give testimony in favor of themselves, and the issues can become emotional. Consequently, many cases take a long time to be settled. In those cases, for example, if one can verify the color of the traffic light or whether basic traffic rules were followed, both parties can negotiate in a calm and objective manner and more quickly arrive at a settlement.

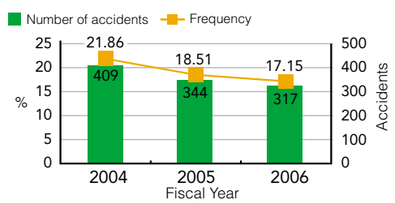
Second, the Doraneko is a useful tool for effective safety training. Our mission is to transport our customers to their destination safely, and we have a great social responsibility as a common carrier of passengers; therefore, we have a clear duty to adopt a stance of zero tolerance for traffic accidents.

In all staff meetings, we can show video of actual traffic accidents caused by our drivers as well as cases of close calls and near misses. We can therefore identify to our drivers the cause of a particular traffic accident.

The scenes in these videos are familiar to the drivers as their regular routes, and they can clearly remember a particular intersection or other location they have considered dangerous. Naturally, this prompts our drivers to consider what they would do in their own case. Accordingly, they are seriously considering our explanations. Moreover, the images show accidents in which their fellow drivers were involved, and they can readily imagine themselves having such an experience; from the perspective of convincing others of the usefulness of this device, this approach is quite effective. Of course, the Doraneko cannot solve all problems, but I believe the device is effective as a training tool.

Trial period: February–September 2005
Full-scale adoption: October 2005

Trend in the Number of Accidents and Frequency



Medical Products

Automated Blood Cell Counter with CRP Measurement System

This unique blood cell counter determines the number of blood constituents such as white blood cells, red blood cells, and platelets, as well as the hemoglobin concentration. It also includes a CRP (C-reactive protein) measurement system. While conventional quantitative analyzer requires sample preparation such as centrifugation as well as two different blood collection tubes, this product allows simultaneous measurement without pretreatment.

CRP is a protein in serum that increases in the presence of inflammation. CRP increases with bacterial infections, but not virus infections. For this reason, CRP is useful for determining the proper dosage of an antibiotic. In addition, the time required for a level to change is different compared with that of the number of white blood cells. Consequently, the combination of the number of white blood cells and the test for CRP allows for a more detailed diagnosis. Because CRP detects subtle changes in the condition of a patient, it is particularly effective for diagnosing patients who cannot make others clearly aware of their symptoms, such as young children.

Automated Blood Cell Counter
with CRP Measurement System

Customer Interview

The Asazuma Clinic
Kyoto prefecture

This diagnostic product is useful because we can determine straightaway whether it is necessary to hospitalize the patient or simply administer an antibiotic. It gives us confidence in our diagnosis, and when we talk to a patient’s parents, we can easily obtain their understanding by showing the results.

When we insert a needle for an IV drip or injection, we collect blood for testing at the same time, because the patient will feel pain only once and we can obtain immediate results. While giving a patient an IV drip, we see the results and can determine whether to add an antibiotic to an IV drip, so this approach is very efficient. When we administer an IV drip for several hours daily over several consecutive days, we can confirm the effect of an antibiotic over a period of time by checking the results of the CRP test.

Automated Blood Cell Counter Microsemi

The Automated Blood Cell Counter Microsemi LC-660 is a compact analyzer that provides immediate test result with a minute blood sample. The blood cell counter determines the number of blood constituents such as white blood cells, red blood cells, and platelets as well as the hemoglobin concentration. It is effective for screening of a patient’s general condition and providing a diagnosis and treatment for anemia.

This compact product is suitable for confirming diagnosis and treatment and for performing urgent tests as well as tests in doctor’s clinics and medical offices. As a result, medical care based on objective data obtained from the test results can be provided swiftly. In addition, the test results are quantitative; this is helpful when sharing the data and when a core hospital and local medical office are collaborating in providing local medical care. Moreover, since the sample required is very small, patients are happy to avoid having to endure the standard collection of a large amount of blood.

Microsemi LC-660

Customer Interview

The Hirata Clinic
Oita City

Despite its appealing and compact appearance, the Microsemi is a hard worker. With its timer function, the product is automatically ready in the morning and does cleaning in the evening. Thanks to this automation, we no longer worry that we may have forgotten to cleanse the unit when we are busy, and this reduces our mental stress. Of course, we can immediately obtain test results with only a small amount of blood, which makes this product useful for medical examinations.

Working with Our Owners (Shareholders) and Investors

We share our profits with shareholders (our “owners”) and investors, disclose information fairly, and develop a dialog with the public to ensure management transparency.

Expanding Our Dialog with the Public

To ensure our true enterprise value is reflected in our market value—as represented by our share price—HORIBA provides investor relations (IR) information to our owners and investors in keeping with our commitment to accuracy, fairness, and promptness (timely disclosure).

For private investors, we provide easy-to-understand information in a timely manner through media such as our company website and information booklets. In the interests of our owners, we prepare semiannual reports and hold our annual general meeting of shareholders on a Saturday. In our shareholders’ meetings, we provide an opportunity for shareholders to talk directly to our executives.

For institutional investors, our president and executives hold financial meetings twice a year, visit individual investors, and provide IR information to international investors. Together with our IR division, they participated in more than 300 activities during the year and provided detailed information that included our management philosophy, business strategies, and business performance; in this way, we are making a real effort to maintain a dialog with the public.

* Because we like to encourage investors to make medium-and-long-term investments in our company, we use the expression “owner” in place of “shareholder.” While the term “shareholder” simply means a holder of our stock, the term “owner” emphasizes the actual ownership of our company.

Explanatory Business Meetings

- For Institutional Investors in Japan
  - Meeting on term-end financial statement (May 15, 2006, in Tokyo)
  - Meeting on midterm financial statement (November 20, 2006, in Tokyo)
  - Interviews with each institutional owner by the president, executives in charge, and other persons in charge (300 interviews or more annually)
- For International Investors
  - Interview with private investors (August 21–23, 2006, in London and Paris)
- For Private Investors
  - Annual General Meeting of Shareholders (Held on Saturday, June 17, 2006. A meeting with directors was held after the general meeting at the Kyoto Head Office.)

Meeting with shareholders

Information Disclosure

- Issuance of an annual report, semiannual reports, and annual shareholders’ report
- Website
  (Distributes audio of meeting on financial statements and posts materials and notices.)
- Information provided via mobile gateway service
  (Information service via Internet to mobile phones)

IR activities in Europe

Winner of the 2006 IR Prime Business Special Award

The Japan Investor Relations Association (JIRA), an independent organization devoted to improving investor relations, has established an award program to recognize listed companies as well as companies that offer their shares over the counter. The Special Award is given to companies that have achieved excellent results, such as actively addressing investor relations and earning significant support from those involved in the stock markets.

HORIBA was presented with the award for a high evaluation of the following points: active involvement by top management, user-friendly IR tools, and thoughtful and considered responses to investors. The award is quite an honor for a listed company. We will continue to conduct vigorous investor relations with the support of our investors and with the aim of achieving a market value and share price that reflected our true enterprise value under our commitment to an “Open & Fair” approach.

Award Ceremony at the Imperial Hotel on November 30

Working with Our Suppliers

Ensuring fair transactions with our suppliers is one of our most important priorities. We strive to be cooperative and win the confidence of our suppliers. As part of this effort, we are making effective use of a supply chain management system that enables us to enhance our relationships with our suppliers both inside and outside Japan. We are confident that maintaining close communication with our suppliers will help both HORIBA and our suppliers achieve business growth.

Group Material Purchasing Policies

To promote the production initiatives of the HORIBA Group, we will purchase necessary amounts of high-quality materials and parts after giving full consideration to the global environment and the needs of regional communities.

1. We shall reduce the number of suppliers and consider economies of scale.
2. We shall purchase parts and materials at the optimum location and promote competition among suppliers.
3. We shall standardize regular tasks and implement horizontal management.
4. We shall share information and promote training to improve the skills of buyers.

A Big Step toward Our “One Company” Concept

In June 2004, we integrated the purchasing divisions of three companies—HORIBA, Ltd. and our major group companies in Japan, HORIBA STEC, Co., Ltd. and HORIBA Advanced Techno, Co., Ltd.—into the Purchasing Department within our main factory. This integration is part of our Group’s “One Company” concept, and together with our group companies outside Japan, we have taken the first step toward global procurement.

After the integration, we succeeded in solving problems encountered in each of the activities relating to six key themes required by the purchasing division: Quality, Speed, Information, Cost, Delivery and the Environment. Under the group materials purchasing policies, it is taking root in the implementation of group purchasing in Japan.

Improving the Skills of Purchasers in the Group Procurement

For the purpose of carrying on this purchasing technique, improving purchasers’ skills, and enhancing communication, our Purchasing Department has conducted training since June 2005 to train purchasers in all the necessary skills such as basic purchasing, knowledge of related laws, processing techniques, knowledge of international procurement, and manners, and we enhance our procurement power as a group purchasing.

Global Procurement: Collaboration

Collective Procurement in Each of Three World Regions

We are now planning to implement, beginning in 2007, a step-by-step transition of our procurement system from the current procurement by each of our 43 group companies to collaborative ordering by our group companies in each of our three regions—Europe, the Americas, and Asia. We manufacture products such as measuring instruments using small-lot production of a wide variety of products. Therefore, our aim is to first promote collaboration among group companies for the parts such as valves and materials that are suitable for combined purchasing, and to reduce the costs of procurement and transportation.

By making effective use of our global procurement network, we can verify the delivery price per item; furthermore, with regard to common parts and materials, we plan to focus our business with suppliers who provide high quality at a low price. In each region, staff members responsible for procurement for group companies meet on a regular basis and work together to order parts and materials. Via the Internet, procurement staff from each group company can exchange procurement information on special websites. This approach has promoted their cooperation. When a final judgment is required for the selection of parts and materials to be procured, the headquarters takes charge of the decision. By carefully selecting suppliers and combining purchases of parts and materials, we anticipate benefits such as decreased transportation costs through reduced use of air transport and reduced labor required to verify the quality of delivered parts.

Main members of global procurement system

The 2nd Global Procurement Meeting HORIBA Jobin Yvon Inc. (U.S.A.)

Working in Support of Our Employees

To ensure that all employees can maximize their abilities under our “Open & Fair” management policy, HORIBA prohibits discrimination on the basis of sex, age, and race at all our workplaces. In addition, in response to public demand, we have established a personnel system that accommodates a variety of working styles.

Making HORIBA More Attractive Through Our “One Company” Management Policy

Under our management policy, “The HORIBA Group is One Company,” all employees are encouraged to perform their work from a global perspective. In addition, we have implemented various personnel systems to ensure that all our employees are able to work with an attitude of “Joy and Fun.”

Policy of Our Personnel System

To allow our employees to work with “Joy and Fun,” our personnel system has adopted three policies and is working to create a comfortable work environment that encourages our employees to take on challenges with a venturesome spirit.

Open & Fair

We believe that necessary information and personnel regulations should always be open to everyone so that the communication process remains free and open between management and employees, between manager chiefs and their subordinates, and among employees. We also believe in fairness, that all should be afforded equal opportunity, and that all should be rewarded for their achievements.

Positive Evaluation System

When one strives continually to succeed, failures may sometimes occur. We understand that unless we take on challenges, we cannot score points. The simple act of taking on a challenge earns an employee points. Extra points are awarded when a challenge is successful. When we evaluate an employee for taking on a challenge, we also determine how well the employee has addressed that challenge.

Two-Way Communication

Information should be not only transmitted but also shared. When a superior transmits information to a subordinate (one-way communication), the subordinate should then pass along opinions or proposals to the superior (ensuring two-way communication). We have established various systems to support two-way communication.

A Personnel System that Motivates Our Employees

Career Training and an Innovative Personnel System

HORIBA believes that each individual employee should plan and create his or her career in the company.

In June 2005, we introduced an innovative personnel system to allow our employees to adopt various working styles that give them the freedom to maximize their abilities. At the same time, we introduced career training.

In this training, we implement programs that encourage employees to undertake financial planning and to consider where they see themselves in five or 10 years. In order to increase their motivation, we provide an opportunity for employees to review their duties and consider their future life and career plans.

Job Application Program for Ambitious Employees

In January 2004, we introduced an in-house job application program; in September 2006, we expanded the scope of this program to include the entire HORIBA Group. This initiative has enabled personnel to transfer outside their current company.

The system promotes career growth among our most ambitious employees, increases our likelihood of assigning the right person to the right position, and enables our employees to reach their full potential. As a result of this program, many employees who are full of ambition and desire to realize their potential are now fulfilling important roles in a new field of endeavor and contributing to improvement of the group’s capability.

HORIBA’s Qualification System

Meister Career Group	Professional Group	Expert Group
This is a group of leading expert in specific fields. They pursue themes in their area of specialization, master their specific field, and thus generate value.	These individuals are expected to demonstrate leadership both inside and outside the company. They create their visions, create value, and engage in value management.	These employees provide guidance and instruction for various work tasks and coordinate work. In this way, they increase productivity and thereby generate value.

General Career Group

The members of this group strive to develop their skills by investing in themselves with the goal of enhancing their professionalism. They are mainly engaged in supervising regular tasks and carry out their responsibilities swiftly and with precision.

Creating a Flexible Work Environment: Coping with Responsibilities both at Work and at Home

We provide our employees with positive support for a comfortable work environment in which both men and women can enjoy an energetic life with adequate balance between their work and private lives.

Part-time Worker Program and Home Worker Program

In response to situations in which an employee’s home environment changes and in order to maintain and improve the work-life balance, we have introduced a Part-time Worker Program and a trial Home Worker Program.

In the Part-time Worker Program, we accede to employee requests to reduce weekly working hours to the equivalent of 60 percent or 80 percent of regular working hours. Under the Home Worker Program, which applies to workers who undertake work that can be performed at home, we permit employees to work from home for a maximum of six months. This term can be extended under certain circumstances.

Miki Nanjo
Corporate Communications Office

Home Worker Program

At home, I am able to draw up PR bulletins for group companies outside Japan. While I’m working, my baby is very lively and crawls on the floor beside me. I’m breast-feeding and giving solid baby food, so my baby still needs a lot of care, but I am very grateful to have been given a chance to work yet still see my baby changing and growing every day.

Celebrating Milestones in the Growth of Employees’ Children and Return to Work from Child-rearing Leave

In addition to programs such as the Gift for a Child Entering School, which we introduced in 2005, we launched a Gift to Celebrate a Return from Child-rearing Leave in 2006. That same year, two of our male employees became the first males in our company to go on child-rearing leave. When an employee has a child, we celebrate their birth and growth together by, for example, publishing a photo of the baby in our in-house magazine.

Gift for a Child Entering School

We present ¥50,000 when a child of an employee (who has served with the company for a minimum of three years) enters elementary school, junior high school, or senior high school.

Gift to Celebrate a Return from Child-rearing Leave

Employee: ¥30,000 Other worker: ¥10,000

Naoya Konishi
Corporate Strategy Department

Child-rearing Leave

Nothing can replace the wonderful experience I enjoyed being able to look after my first daughter in the months after her birth.

Despite being quite busy at work, my coworkers in the department supported me, so I was able to take leave. I am grateful to them.

Extending Employment

Subsequent to the revision of employment laws in April 2006, we will update our reemployment system for retired persons to accommodate the rapid change in social conditions. The new system specifies that, as a rule, we should employ all retired persons who wish to be rehired. With this new system, we are working to create a society in which those who are eager to work can do so with enthusiasm.

In addition, we hold life-planning seminars that offer detailed information to employees who have turned 55. In this way, we provide an environment in which they can hand down their skills without worry.

Life Planning Seminar

Health Care and Recovery

Medical Examinations, Follow-up System and Dental Examinations

In 2006, under our annual slogan of “Let’s create a healthy and comfortable workplace free from accidents and injuries,” we adopted the annual goal of health maintenance and health improvement and promoted health and safety activities throughout the year. We worked to create a comfortable workplace in keeping with our monthly occupational health check theme. We also held health classes and courses to prevent lower-back pain and enhance mental health in order to provide opportunities for maintaining mental and physical health. Moreover, for those who desire them, we prepare programs such as gynecological health counseling and mental health care by specialists outside the company.

In addition to providing periodic regular and special medical examinations, we provide medical examinations to prevent lifestyle-related illnesses as well as dental examinations according to our insurance program as promoted by the Health Insurance Association.

In the area of medical examination follow-up, we arranged for industrial doctors and public health nurses to provide 100 employees with in-house health guidance related to examination results while ensuring the protection of personal information. For those employees at risk of stroke or heart disease, we provide careful examinations and health guidance according to the instructions of industrial doctors; for those who work long hours or have returned to work after retirement or childbirth, we offer continuous follow-ups with counseling by industrial doctors.

Communication between Employees and Executive Managers

The executive managers of the HORIBA Group attach the greatest importance to maintaining open communication with HORIBA’s employees. One typical example is the monthly Group Ace 21 Birthday Party hosted by executives to celebrate the birthdays of all employees whose birthday falls within that month. Throughout the venue, one can view executives and employees engaged in friendly chats. We also hold a year-end party, a field day open to all employees, a HORIBA beer garden party put together by that year’s new employees, and a May Day event. Each event offers executives and employees opportunity to have an informal chat and exchange opinions.

Group Ace 21 Birthday Party

Annual Ice Cream Social 2006

HORIBA INSTRUMENTS INCORPORATED Irvine Facility (U.S.A.)

In 2005, we introduced our Ice Cream Social as a new company tradition. This tradition, held during the week of Labor Day in the U.S.A., brings together all employees to enjoy ice cream. In the spirit of Labor Day, managers put on aprons and serve ice cream to employees. As all participating enjoy themselves, this event presents a good opportunity for fellowship and helps to create a cheerful company atmosphere.

Ice Cream Social

Working Together with Society

We actively contribute to society through our businesses so that we can continue to thrive in peace and prosperity and in harmony with the local and international communities. We provide modern technology, support art and culture, and contribute to local communities. These efforts represent HORIBA’s approach to engage with society, and in this way we contribute to the betterment of society.

Contributing to Society Through Business Initiatives: Science & Technology

Dr. Masao Horiba Award 2006

On October 17, 2006, we held a seminar and ceremony at Kyoto University’s Shiran Kaikan for the presentation of the Dr. Masao Horiba Award for 2006. The theme for 2006 was “X-ray Analysis”; therefore, the following three researchers were selected as award winners from the many who applied: Dr. Yasuko Terada, Senior Researcher at the Japan Synchrotron Radiation Research Institute; Dr. Hisashi Hayashi, Associate Professor at the Department of Chemical and Biological Sciences, Faculty of Science, Japan Women’s University; and Dr. Koen Janssens, Professor at University of Antwerp. The Special Prize was awarded to Dr. Masami Ando, Professor at the Tokyo University of Science. In the future, we will continue to invite applications from researchers in different fields who are engaged in research targeting the development of measurement technology.

Presentation Ceremony for the Dr. Masao Horiba Award

Technical Book on Measurement Technology Published

***Engine Emission Measurement Handbook* published.**

Recently, many low-emission vehicles have been developed in response to increasingly stringent regulations on engine emissions. From the viewpoint of preventing global warming, improving fuel efficiency is an important issue. In such a climate, the measurement of engine emissions is becoming increasingly important. On the other hand, some believe that analysis technology is so advanced that it can be difficult to understand.

In response to this situation, our Automotive Test Systems Division has published a handbook explaining the fundamentals of emission measurement technology in an easy-to-understand way. This is the first standard book in Japan to focus on measurement of engine emissions.

We are confident this book will be a useful guide or specialist publication for those actively involved in relevant fields.

Published by Sankaido Publishing Co., Ltd.

Innovation Award from Japan Society for Analytical Chemistry for Collaborative Research with Academia

The R&D Center Water Quality/Biochemical Sensors R&D Department, in collaboration with Dr. Takashi Kakiuchi at Kyoto University, is proceeding with research identified in 2005 by the Development of Systems and Technology for Advanced Measurement and Analysis of Japan Science and Technology Agency; the research is titled “The Development of Salt Bridge with Ionic Liquid for Highly Accurate pH Measurement.” By developing a hydrophobic ionic fluid comprising a complex compound of organic ions and applying this fluid to a salt bridge, we have made possible the stable, precise measurement of pH with no need for maintenance. This is an innovative technology and is completely different from the conventional principles that have been applied for more than century. For our contribution to the development, we were presented with the Innovation Award at the 55th Meeting of the Japan Society for Analytical Chemistry.

Winners of the Innovation Award

Technical Collaboration with TU Darmstadt

HORIBA Automotive Test Systems GmbH (Germany)

On June 29, a new engine test laboratory provided by HORIBA Automotive Test Systems GmbH began operation at TU Darmstadt. In 1996, Carl Schenck AG DTS (later HORIBA Automotive Test Systems GmbH) offered TU Darmstadt the first high dynamic test stand. This laboratory is the latest result of this technical collaboration.

By making use of HORIBA’s technology, the university can measure emissions and fuel before developing an actual prototype vehicle. Collaboration with the university gives the company practical feedback.

To ensure the efficient use and continued development of this high-performance test laboratory, we will continue to make use of this partnership with TU Darmstadt.

New engine test laboratory

The 4th Student Formula SAE Competition of Japan

Hosted by the Society of Automotive Engineers of Japan, Inc., the Student Formula SAE Competition of Japan is an opportunity for industry, academia, and government to develop manufacturing and engage in a partnership aimed at giving students comprehensive abilities and training young personnel who will take the reins of the automobile industry of the future. From its beginnings in 2003, our company has supported this competition.

The engineers in our Automotive Test Systems Division have sponsored our local racecar development team at Doshisha University in Kyoto. The engine optimized through the use of our emissions measurement expertise and test cells exhibited very high performance in the Formula SAE Competition. We will continue to support this competition while taking advantage of such opportunities to train our company's young engineers.

Doshisha University Team supported by HORIBA

Contributing to Society Through Business Initiatives: Culture & Art

Strain Your Ears to Hear the Earth's Whispers Sponsorship of the Earth Photo Contest 2007

The Earth Photo Contest encourages enterprises and ordinary citizens to take a serious view of the state of the Earth through photographs and share global issues; this year, the applications totaled 23,478, the highest number in the history of the contest. The contest is sponsored by PRESIDENT Inc. and is supported by the Research Institute for Environment and Society and the Ministry of the Environment.

Our company has supported the contest since it was initiated in 1997. We offer cutting-edge analysis and measurement technologies in the belief that perceiving subtle changes in the Earth is the first step in addressing global problems. In an effort to encourage people to perceive subtle changes—in other words, to "listen intently to the earth's whispers"—the contest is continuing with the same theme. *Blooming in Thirst*, the winner of the Outstanding Award in 2007, is a simple composition, but the work succinctly catches the vital force of a lotus flower emerging from cracked, dry ground. It is a work of beauty and dynamism.

HORIBA Outstanding Award: *Blooming in Thirst*
Minoru Hino

Contributing to Society Through Business Initiatives: Regional Activities

Sponsorship of "BIKKURI! ECO 100sen—A Hundred Surprisingly Selections from Ecological Topics" in 2006

The "Kyoto Protocol" intended to prevent global warming is a new key phrase that has raised the profile of Kyoto; however, it is taking time for citizens to become aware of its meaning. The environmental event titled "BIKKURI! ECO 100sen—A Hundred Surprisingly Selections from Ecological Topics" is a joint project involving members of the public, industry, academia, and government; it originated with a coalition of members who were inspired to disseminate ecological ideas, even if only to a single person. Our company supported this event again in 2006.

Among supporting companies, HORIBA was actively involved in the event as a member of the executive committee. We introduced the book, *Ecology with One Light Bulb*, which we helped to publish, and proposed an eco-friendly lifestyle.

In addition, related events were held in five different places in Kyoto City; one of these was "BIKKURI! ECOSPO 2006," which was held at Kyoto University from June 5, World Environment Day, to the end of August. Clearly, activities related to this issue are currently becoming more widespread.

Workshop: Making an eco-friendly bag with a used T-shirt

Model Forest

Today, CO_2 (carbon dioxide) emissions are believed to be a principal cause of global warming, which has emerged as an urgent issue. In order to protect and nurture forests that are expected to function as carbon sinks for absorbing CO_2, various activities are being promoted throughout Japan.

In Kyoto—the city in which the Kyoto Protocol was devised—HORIBA, other local companies, and various bodies such as NPOs have taken part in the establishment of the Kyoto Model Forest Association in order to further expand the circle of forest growth activities involving citizens.

Many of our employees participated in the first activity held on December 3. They performed thinning and trimming tasks in order to restore a neglected forest.

Although this activity has just started, all employees of the HORIBA Group, an environmentally enlightened company, are becoming more aware of the environment and are actively engaged in an effort to develop a sustainable society.

A participant caring for the forest

Acceptance of Internship Applicants

Every year, we accept working adults as well as students from inside and outside Japan as interns.

Interns accepted in 2006

University/Technical College applicants	23
High school applicants	9
Employed adults	2
Applicants from universities outside Japan	4

Comments of Interns

Mr. Martin Gruau
ESSEC International Business School, France
Three-month internship with the Business Strategy Office

I was given a very clear duty—to monitor websites—and I found the training at HORIBA to be very meaningful. I was able to acquire knowledge about corporate websites, analysis equipment, and the analysis industry, which I did not know well at the time. Living with a Japanese host family and working at HORIBA enabled me to improve my Japanese and learn about Japanese business practices.

Onsite Training Classes

As manufacturers of analysis measuring devices, we assign personnel to elementary schools and junior high schools in order to introduce environmental technology and provide an opportunity for students to develop an awareness of science and environmental issues as well as a broader interest in environmental technology. In fiscal 2006, we conducted seven onsite training classes; these included an onsite training class at Yokohama Higashiyamada Junior High School in Yokohama City on July 7; a scientific experiment class at Miyako Ecology Center in Fushimi-ku, Kyoto City on August 22; and a scientific experiment class at Oyamazaki Junior High School in Kyoto prefecture on January 7.

Onsite training class

Neighborhood Cleanup

Before the start of work on each Wednesday, about 15 members of the "Joy & Fun Club," a volunteer group comprising HORIBA managers, collect trash around the company. This group has carried out this activity weekly since November 2005.

In addition, "Clean Up WG," a group formed by company volunteers, plans and implements an annual trash collection event in autumn. In 2006, they planned a trash collection and survey activity along the Katsura River, which flows near the head office. Employees were invited to participate, but bad weather unfortunately required that the event be downsized. The group plans to continue this initiative in 2007 and thereafter.

Trash collection along the Katsura River

2nd Student Engineer Day Hosted by the Society of Automotive Engineers

HORIBA INSTRUMENTS INCORPORATED
Ann Arbor Facility (U.S.A.)

In March 2006, we held a Student Engineer Day hosted by the Society of Automotive Engineers (SAE). This event allows university students majoring in engineering to spend a day with engineers who work in related fields. Students observed a discussion among engineers from many departments who produce high-quality products. They learned about all aspects of engineering, including R&D, design, and manufacturing, and deepened their understanding of their special fields. For the participating companies, this event became an occasion to meet with young and talented individuals.

Engineers with students

Participating in Local Charity Initiatives

HORIBA INSTRUMENTS INCORPORATED
Irvine Facility (U.S.A.)

Every year, we participate in an event to raise funds for the American Heart Association, a voluntary organization engaged in addressing the issue of heart disease. In 2006, eight of our employees took part in the “Orange County Heart Walk” and collected $1,500 in donations. Moreover, during the “Rock and Roll Marathon,” two employees who had trained hard for several months ran the full 26.2 miles, raising $5,300 in donations.

Participating employees

For Your Information: A Book for Considering the Global Environment

“Unit Environmental Load” from HORIBA’s website is published as *Ecology with One Light Bulb*—Let’s measure everything that has a unit environmental load (2,000 kcal).

“Unit Environmental Load,” which appears on the HORIBA website, has been published as a book.

Every person needs about 2,000 kcal of food energy daily. This is equivalent to the electric power consumed by a 100-watt light bulb burning for 24 hours, and is equivalent to the energy contained in a milk bottle of petroleum. We are all familiar with this amount of energy, which we refer to as the unit environmental load. This eu (ecological unit) is used to measure a variety of everyday items such as household appliances, items found in the home, food and clothing, and even a jumbo jet or space shuttle.

Published by Chuohoki Publishers Co., Ltd.

Opinions of Stakeholders

Dr. Takanori Chiba, Associate Professor, School of Business Administration, Meiji University

Your management model with a focus on an Integrated Management System aims to contribute to the earth, people, and society through measurement technology. It can be said that this management model not only measures levels of maintenance and improvement to business activities, products and services, but also optimizes the source to generate new enterprise value. The originality and enterprising spirit implied by your Company Precept “Joy and Fun” has been achieved by consulting with society about the Quality of Business (QoB) resulting from HORIBA’s approach. I trust you will spread your HORIBA-Style business and management approach by developing techniques for measuring newly created enterprise value and invisible values as well as techniques for measuring your QoB.

Tatsuya Nagata, Representative, Natural Energy, Inc. & Triathlon Team Natural Energy

I hold HORIBA’s corporate culture in high regard because their approach can be applied to everything we deal with, and I believe this is important. In any field, when you push to the maximum, you may occasionally encounter a distressful situation. In such times, however, as long as I adopt the “Joy and Fun” approach, I can overcome any situation and create something original or tell others difficult things in an easy-to-understand way; this is my approach. With regard to its entrepreneurial spirit, I have the following impression: all employees have adopted the spirit that Mr. Masao Horiba has valued since the foundation of the company. They have the belief and energy to push forward while maintaining the ideals on which they were founded. I think the reason such an approach permeates the company is that the “Open & Fair” spirit has deep roots within the company. HORIBA represents my ideal in this respect. I believe that HORIBA will further disseminate its wonderful ideas to the world and contribute to society, and I will continue to support the company.

Naoki Sato, Teacher, Kyoto Municipal Takeda Elementary School

I think HORIBA is a wonderful company that stresses the importance of establishing “win-win” relationships under the company precept of “Joy and Fun.” The training in which they accepted us as trainees was very beneficial. During the six-week training program, I was able to notice their consideration for the environment everywhere, and I was surprised to see that the company is aware of the role that a company should play as a good corporate citizen. A familiar example is that trash produced within the company is sorted to an incredibly detailed degree, and this approach has taken hold in the regular activities of the employees. In addition, HORIBA is proceeding steadily with its eco-friendly lead-free plan; I was able to experience HORIBA’s expertise as an enterprise in various scenarios. I hope HORIBA will continue to extend its influence both inside and outside the company through various initiatives, including accepting trainees such as us.

Noboru Hayase, Executive Director, Social Welfare Corporation, Osaka Voluntary Action Center

“Joy and Fun” is an attractive company precept. In our personal activities as well, “having fun” is a great driving force behind the effort to overcome problems. I have a feeling that HORIBA’s corporate culture, with its emphasis on initiative, is also a good model of our personal lives. Regarding the self-evaluation of the results of IMS 2006, it would be, of course, preferable that all items be rated “goal achieved,” but the number of items rated “not achieved” indicates that the targets and evaluation are not too lenient. (Please see the note below the table on page 12 of last year’s Gaiareport—this is what the writer is referring to.)

As for the social report, the section titled “Working in Support of Our Employees” clarified that the company has excellent systems and initiatives; however, I’d like to know further details about how much they are utilized and what they have achieved. I expect that the “Horibarians” who have the advantages of technology and creativity coupled with a unique corporate culture will address social and environmental issues with “Joy and Fun” to achieve excellent results.

Comments on Opinions Submitted

We would like to thank all those who thoughtfully acknowledged our IMS and environmental initiatives and submitted their opinions. We feel that our corporate initiatives have been justified as the correct course. In response to the suggestions and proposals received, we will consider incorporating them in future initiatives of the HORIBA Group.

We intend to expand the “win-win” relationships we forge with all stakeholders by continuing to grow and fulfill our social responsibilities. We thank all respondents for their support for our initiatives and we look forward to receiving your guidance and encouragement in the future.

Yoshihiro Wakiyama
General Manager
Quality, Environmental & Safety Management Center, HORIBA, Ltd.

Note: Data for fiscal 2006 represents the period from March 21 to December 31.

Environmental Impact of Non-business Related Locations (Sales Offices and Service Stations)

	Number of Locations		Sales Offices (11 locations)			Service Stations (21 locations)		
	Item / Year		FY2004	FY2005	FY2006	FY2004	FY2005	FY2006
INPUT	Electricity consumption	MW·h	883	750	607	341	394	333
	Water consumption	km^3	2.2	2.2	1.6	1.0	1.0	1.0
	Fuel consumption	kL	50.4	48.1	40.5	170	185	143
	Quantity of chemicals consumed	t	0.1	0.2	0	0	0	0
	Office paper	t	5.7	5.8	4.4	1.7	2.7	2.0
	Packing materials	t	1.6	2.0	1.3	0	0	0
OUTPUT	CO_2 emissions	t-CO_2	453	399	324	532	585	463
	Wastewater discharge	t	2.2	2.2	1.6	1.0	1.0	1.0
	Amount of waste produced	t	12.8	11.5	9.5	10.5	8.9	7.2
	Waste emissions	t	5.2	5.3	2.9	8.5	8.6	5.7
	Quantity of landfilled waste	t	0.3	0.3	0.1	0.4	0.2	0.1

Sales Offices (11 locations): Tokyo, Tohoku, Tochigi, Tsukuba, Yokohama, Nagoya, Toyota, Hamamatsu, Osaka, Hiroshima, Kyushu

Service Stations (21 locations): Hokkaido, Tohoku, Tochigi, Chiba, Kashima, Tsukuba, Saitama, Tokyo, Yokohama, Fuji, Hamamatsu, Tokai, Nagoya, Hokuriku, Mie, Osaka, Hyogo, Chugoku/Shikoku, Hiroshima, Kyushu, Oita

Environmental Impact of Group Production Sites for Fiscal 2006 (Data represents a 12-month period.)

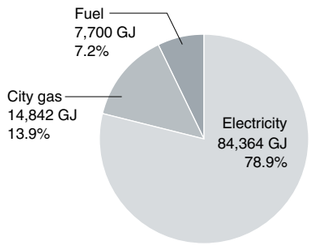
	Item / Region		U.S.A.			Europe					Asia			
	Abbreviated Company Name		HII (Irvine)	HII (Ann Arbor)	HII (Tempe)	HE	HIL	HDHQ	HADE	JYFR	STEC*	HAT*	HKL	HSC
INPUT	Electricity consumption	MW·h	429	940	1,300	520	350	2,105	1,197	9,162	5,599	317	70	232
	City gas consumption	km^3	–	49.1	0	92.1	10.3	–	–	108.8	245.5	0.03	0	0
	Water consumption	km^3	8.0	5.4	1.5	0.5	1.2	11.2	2.5	46.1	24.3	3.0	0	1.0
	Consumption of fuel oil & fuel for vehicles	kL	–	–	0.2	179	4	–	2,912	429	47.5	14.4	3	19
	Quantity of chemicals consumed	t	–	–	0	3.2	–	1.6	–	0.9	2.1	0.4	0	0
	Office paper	t	0.3	2.9	0.1	2.3	0.9	0.0	9.3	23.7	6.8	3.8	0.3	0.1
	Packing materials	t	–	2.4	0.1	5.9	–	0.7	–	41.3	17.4	–	2.1	0.6
OUTPUT	CO_2 emissions	t-CO_2	253	658	768	867	188	105	8,502	1,665	16,943	153	34	131
	Wastewater discharge	t	–	0.8	1.7	–	–	–	–	429.2	–	3.0	–	1.0
	Waste emissions	t	–	–	5	16	16	435	–	38	24	4.0	0.2	0
	No. of employees		112	117	7	129	95	561	286	999	384	128	21	65

* Data collected over a nine-month period was extrapolated to cover a 12-month period.

Fiscal 2006 Energy Consumption Ratio by Energy Source and CO_2 Emissions

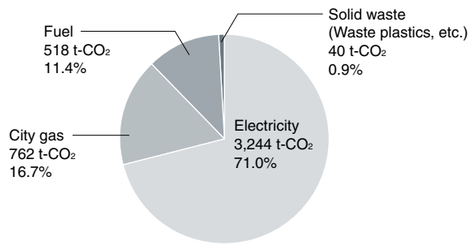
(1) Energy consumption ratio (main factory, SO, SS all sites)

Energy Consumption Ratio for Fiscal 2006 in GJ (all sites)



(2) Greenhouse gas (CO_2 conversion) emissions by type (main factory, SO, SS all sites)

Ratio of CO_2 Emissions



Group Manufacturing Companies (Production sites)

Company Name	Abbreviation	Location
HORIBA INSTRUMENTS INCORPORATED Irvine Facility	HII	California, U.S.A.
HORIBA INSTRUMENTS INCORPORATED Ann Arbor Facility	HII	Michigan, U.S.A.
HORIBA INSTRUMENTS INCORPORATED Tempe Facility	HII	Arizona, U.S.A.
HORIBA EUROPE GmbH	HE	Oberursel, Germany
HORIBA INSTRUMENTS LIMITED	HIL	Northampton, England
HORIBA ABX SAS	HDHQ	Montpellier, France
HORIBA Automotive Test Systems GmbH	HADE	Darmstadht, Germany
HORIBA Jobin Yvon SAS	JYFR	Longjumeau Cedex, France
HORIBA STEC, Co., Ltd.	STEC	Kyoto, Japan
HORIBA Advanced Techno, Co., Ltd.	HAT	Kyoto, Japan
HORIBA KOREA LTD.	HKL	Kyunggido, South Korea
HORIBA INSTRUMENTS (Shanghai) CO., LTD.	HSC	Shanghai, China

Wastewater Measurement Categories and Trends in Measured Values

Scope: Main Factory

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

	Regulation Category	Kyoto City Regulations	HORIBA Standards	Measured Result (maximum)			Detection Limit Value
				FY2004	FY2005	FY2006	
Environmental categories	pH	5–9	–	6.2–8.0	6.1–7.9	6.1–7.8	–
	n-Hexane extract	5	3.5	2.2	1.0	1.0	0.2
	Phenol	1	0.3	*	*	*	0.002
	Copper	3	0.9	0.14	0.19	0.09	0.01
	Zinc	5	1.5	0.319	0.286	0.279	0.005
	Iron (soluble)	10	3.0	0.241	0.110	0.921	0.01
	Manganese (soluble)	10	3.0	*	*	0.05	0.02
	Nickel	2	0.6	*	0.05	*	0.02
Toxic substances	Fluorine and its compounds	8	4.5	0.92	1.02	1.25	0.02
	Boron and its compounds	10	3	0.13	0.15	0.25	0.02
	Cadmium and its compounds	0.1	0.03	*	*	*	0.001
	Cyanide	1	0.3	*	*	*	0.1
	Lead and its compounds	0.1	0.07	*	*	0.015	0.005
	6-Chromium	0.5	0.15	*	*	*	0.04
	Arsenic and its compounds	0.1	0.03	*	0.007	*	0.005
	Mercury and its compounds	0.005	0.0015	*	*	*	0.0005
	Trichloroethylene	0.3	0.09	*	*	*	0.002
	Dichloromethane	0.2	0.14	*	*	*	0.002
	Carbon tetrachloride	0.02	0.014	*	*	*	0.0002
	1,1,1-Trichloroethane	3	0.9	0.0009	0.0006	*	0.0005

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

Atmospheric Measurement Categories and Trends in Measured Values (at vents and site perimeters)

Scope: Main Factory

	Measurement Category	Unit	Kyoto City Regulations	HORIBA Standards	Measured Result (maximum)			Detection Limit Value
					FY2004	FY2005	FY2006	
At vent	Dichloromethane	Vol ppm	200	180	Abolished	Abolished	Abolished	
	Xylene	Vol ppm	300	28	<2	<2	<2	
	Ammonia	Vol ppm	100	28	<0.5	2.6	0.6	
	Fluorine compounds	mg/m^3N	5	3.5	<0.70	<0.70	<0.70	
	Hydrogen chloride	Vol ppm	20	6	<1	<1	<1	
	Nitrogen oxides (NOx)	Vol ppm	100	30	<10	<10	<10	
At site perimeters	Dichloromethane	Vol ppm	2	–	Abolished	Abolished	Abolished	Under 0.5
	Xylene	Vol ppm	3	–	<0.3	<0.3	<0.3	
	Ammonia	Vol ppm	1	–	0.3	<0.1	<0.1	
	Fluorine compounds	mg/m^3N	0.05	–	<0.01	<0.01	<0.01	
	Hydrogen chloride	Vol ppm	0.2	–	0.04	<0.02	<0.02	
	Nitrogen oxides (NOx)	Vol ppm	1	–	0.064	0.086	0.044	

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

Main Chemical Substances Handled

Scope: Main Factory

Unit: kg

CAS No.	IUPAC	Annual Amount Handled			Amount Transferred			Amount Recycled			Main Application
		FY2004	FY2005	FY2006	FY2004	FY2005	FY2006	FY2004	FY2005	FY2006	
67-63-0	Isopropyl alcohol	728	480	59	1	110	41	80	0	0	Clean printed circuit boards
64-17-5	Ethanol: over 99.5%	532	416	322	376	221	119	42	0	0	Clean components
67-64-1	Acetone (Dimethyl ketone)	283	454	322	200	448	137	82	1	0	Cleaning
124-18-5	n-Decane (petroleum hydrocarbon type cleaning agent)	630	847	655	0	212	164	0	0	0	Clean metals
7664-38-2	Phosphoric acid	280	377	72	191	376	71	0	0	0	Product additive
7439-92-1	(Solder) Lead	383	371	708	0	0	0	127	132	135	Printed circuit boards
60-00-4	Ethylenediaminetetraacetic acid	111	125	3	0	0	0	0	0	3	Product additive
7803-57-8	Hydrazine monohydrate	103	142	21	0	0	0	103	142	21	Product inspection
1330-20-7	Xylene	67	135	446	63	135	446	4	0	0	Clean semiconductors/components

PRTR Substances for Fiscal 2006

Scope: Main Factory Minimum target treatment quantity: 10 kg/9 months

Unit: kg

No.	CAS No.	IUPAC	Annual Amount Handled	Consumption in Production	Added to Product	Amount Removed	Amount Emitted			Amount Transferred	Amount Recycled	Main Application
			Annual Amount Consumed	Interim	Shipment	Compounds Neutralized/ Decomposed	Air	Water	Soil	Industrial Waste	Transferred Outside	
230	7439-92-1	Lead amalgam (lead solder, etc.)	707.8	134.7	573.1	0.0	0.0	0.0	0.0	0.0	134.7	Printed circuit boards
63	1330-20-7	Xylene and its compounds	446.2	446.2	0.0	0.0	0.0	0.0	0.0	446.2	0.0	Clean components, semiconductors
144	507-55-1	H-997 1,3-dichloro-1,1,2,2,3-penta-fluoropropane	46.5	46.5	0.0	0.0	44.2	0.0	0.0	2.3	0.0	Product inspection
113	123-91-1	1,4 Dioxane	40.4	40.4	0.0	0.0	0.0	0.0	0.0	40.4	0.0	Product additive
24	121-65-3	Alkyl benzene sulfonate	26.4	26.4	0.0	0.0	0.0	0.0	0.0	26.4	0.0	For semiconductors
304	1330-43-4	Sodium tetraborate	20.1	0.1	20.0	0.0	0.0	0.0	0.0	0.1	0.0	Product additive
307	9002-92-0	Polyethylene glycol monolauryl ether	14.5	14.5	0.0	0.0	0.0	0.5	0.0	0.0	14.0	Product additive
283	1341-49-7	Ammonium fluoride and its compounds	13.5	13.5	0.0	0.0	0.0	0.0	0.0	13.5	0.0	For semiconductors
145	75-09-2	Dichloromethane	13.2	13.2	0.0	0.0	13.2	0.0	0.0	0.0	0.0	R&D
Total			1,329	735	593	0	57	1	0	529	149	–

Cover Illustration

According to Greek mythology, Gaia is the maternal goddess of the Earth who ensures that the planet thrives and is capable of cleansing itself.

HORIBA Group, as a manufacturer of analytical and environmental measurement instruments, contributes to environmental protection by providing society with products that play an important role in safeguarding the environment. To demonstrate this determination, we have named our social and environmental communications media Gaiapress (our website) and Gaiareport (this social environmental report). At HORIBA, we remain committed to the global environment by focusing on environmental measurement.

HORIBA
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