

Omoshiro-okashiku
Joy and Fun

HORIBA

ANNUAL REPORT 2010



The HORIBA Motto

Joy and Fun

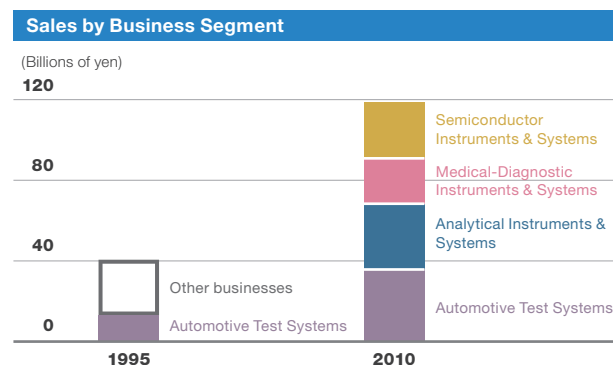
"Joy and Fun" represents our desire to see all employees performing work that is rewarding and allows them to lead happy and fulfilling lives. We want our people to put "Joy" into their work through their own efforts by making the most of the time they spend in the workplace. To that end, the company provides places where employees can work with a sense of "Joy and Fun." Furthermore, if employees do work with a sense of "Joy and Fun," their ability to generate ideas increases, their imagination expands, their efficiency also rises, and corporate value increases. This results in a "win-win" relationship for customers, shareholders, suppliers, and the society.

Omoshiro-okashiku
Joy and Fun

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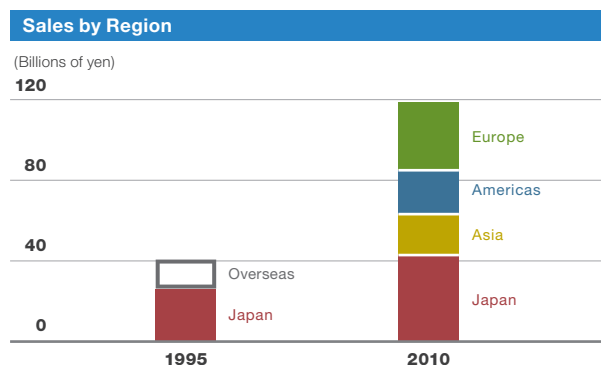
HORIBA at a Glance

Consolidated Net Sales



Acquisitions of HORIBA ABX S.A.S. (France) in 1996 and HORIBA Jobin Yvon S.A.S. (France) in 1997 and their subsequent growth have enabled HORIBA to expand into four distinct business segments. HORIBA is now less sensitive to shifting economic conditions by not relying so heavily on any single business.

(From 2011, HORIBA has divided the Analytical Instruments & Systems segment into the Scientific Instruments & Systems and Process & Environmental Instruments & Systems segment, yielding five business segments going forward.)



HORIBA's acquisitions have helped expand business in Europe and the Americas. Related expansion of product development and production in euro zone countries has improved our balance in currency exposure, hence making us more resilient to changing economic conditions and currency fluctuations.

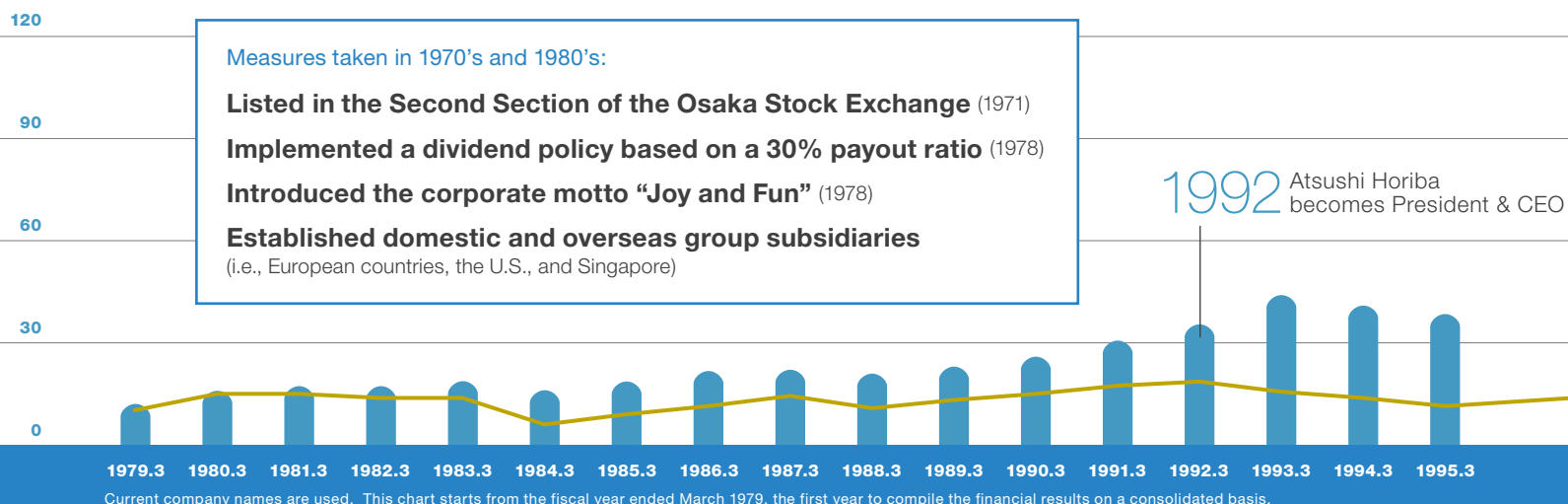
What we have changed	Management balance (business segments and regional expansion)	What we will never change	Company motto "Joy and Fun"
	Globalization (operations and human resources)		Corporate culture "Open and Fair" "Venture Spirit"
	Distance from customers (promotion of direct sales)		Continued efforts in Human resources development and R&D
	Corporate scale (sales, profits, and number of employees)		

(Billions of yen)

150

Consolidated Net Sales and Operating Income

■ Net Sales (left) — Operating Income (right)



Notation of HORIBA and HORIBA, Ltd.

In this annual report, the HORIBA Group of companies is described as "HORIBA" and the parent company as "HORIBA, Ltd."

Change of Fiscal Year-End

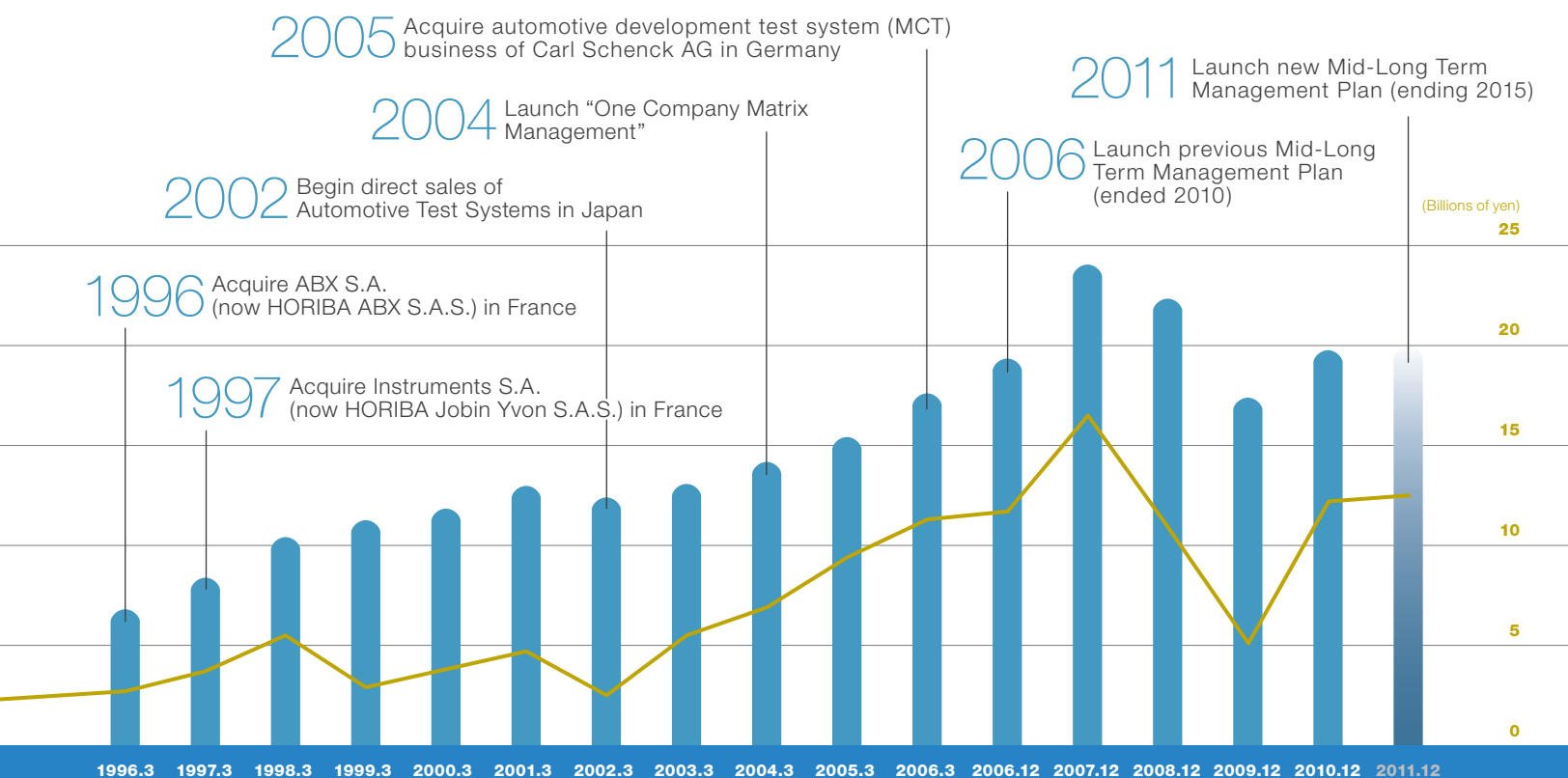
HORIBA changed its fiscal year-end from March 20 to December 31, effective from fiscal 2006. As a result of this change, the following irregular fiscal periods were recorded: Fiscal 2006 for HORIBA, Ltd. and HORIBA Advanced Techno Co., Ltd. comprised the 9 months and 11 days from March 21, 2006 to December 31, 2006; and fiscal 2006 for HORIBA STEC, Co., Ltd. comprised the 9 months from April 1, 2006 to December 31, 2006. The fiscal year-end of other consolidated HORIBA subsidiaries was December 31. Their 2006 fiscal periods remained unchanged at 12 months.

Disclaimer Regarding Future Plans and Forecasts

This annual report contains certain statements describing future plans, strategies, and performance forecasts of HORIBA, Ltd. and its affiliated companies. These statements reflect management's assumptions and beliefs based on currently available information. Actual performance may differ significantly from the forecast due to unforeseen circumstances in the operating environment.

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To Our Stakeholders

We will continue to pursue growth based on increased corporate value

Becoming a stable, highly profitable company
Raising corporate value through change

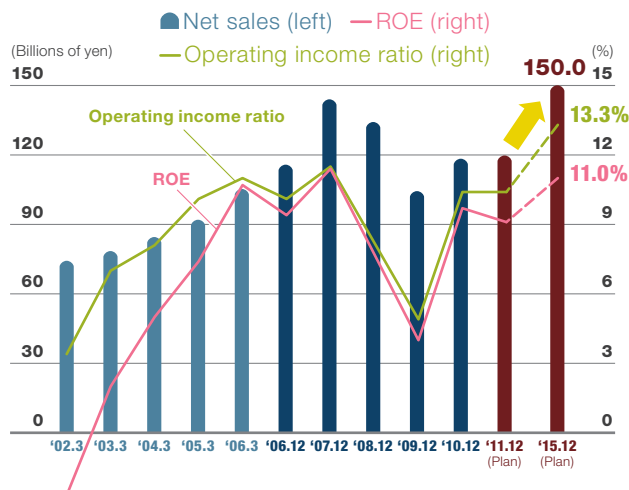
Overview of Fiscal 2010 Performance

In the 2010 fiscal year, which ended December 31, HORIBA posted higher sales and profits for the first time in three fiscal years. Consolidated net sales totalled ¥118.5 billion (up 13.4% year-on-year), operating income ¥12.2 billion (up 139.1%), and net income ¥7.9 billion (up 150.7%). Positive contributions reflect improved profitability in the Medical-Diagnostic Instruments & Systems segment and a recovery in the Semiconductor Instruments & Systems segment stemming from a strong demand for semiconductors and expansion in the light-emitting diode (LED) market. Earnings remained weak in the Automotive Test Systems segment, which was the profit growth driver until 2008.

Looking back over the Previous Mid-Long Term Management Plan

To achieve balanced growth in its four business segments, HORIBA has promoted group management based on the policy advocated in 2004 "HORIBA Group is One Company." As a result, in fiscal 2007, we achieved an operating income ratio of 11.5% and ROE of 11.4% ahead of the plan's respective final year targets of 10.0% and 11.0%. Earnings temporarily weakened due to the financial crisis, but in fiscal 2010, the final year of the plan, we posted an operating income ratio of 10.4%, which exceeded the plan's target. During the plan's term, corporate management continued a transition to a "Matrix management by business segment and region." However, we must still tackle issues of (1) decreased profitability of HORIBA, Ltd.; (2) delayed business expansion in Asia; (3) a divergence from customer viewpoints due to our technology-centric product development; and (4) the diversification of investment through an increase in types of products.

Net Sales, Operating Income Ratio and ROE



New Mid-Long Term Management Plan Launched

Numerical targets for fiscal 2015

Net sales **¥150.0** billion

Fiscal 2010 - ¥118.5 billion

Operating income ratio **13.0%** or more

Fiscal 2010 - 10.4%

ROE **11.0%** or more
(Return on equity)

Fiscal 2010 - 9.7%

Basic policy 1

Concentrated investment in highly profitable businesses

Basic policy 2

Change from strategy led by “technology development” to one led by “customer viewpoint and business models”

Basic policy 3

Complete “One Company Matrix Management”

Basic policy 4

Accelerate global product development and production



Chairman, President & CEO





Becoming a stable, highly profitable company Path of change to achieve transformation

We will focus on making concentrated investments in highly profitable businesses

By making aggressive investments under the previous mid-long term management plan, we managed to substantially improve profitability in the Medical-Diagnostic Instruments & Systems segment and the Semiconductor Instruments & Systems segment. As a result, these segments have grown into businesses that are now contributing to HORIBA's overall profits with high profit margins. We will continue to make concentrated investments in these two segments to reduce our dependence on Automotive Test Systems segment. And, we will continue to develop a corporate structure that will enable us to generate long term stability with high earnings.

We plan to accelerate our global expansion by concentrating personnel and technical development resources, especially in water quality-related products (supplied by the Process & Environmental, Scientific, and Semiconductor Instruments & Systems segments) where significant growth in demand is expected. In the Automotive Test Systems segment, we will invest in launching new products focused on enhancements in our driveline

related products in order to turn into profitability and expand the MCT business*, which we acquired in 2005.

*MCT business: Automotive development test system business acquired from Carl Schenck AG in Germany

Change from strategy led by “technology development” to one led by “customer viewpoint and business models”

HORIBA has traditionally developed and supplied distinctive products with original technology in niche “analysis” markets. Going forward, our business model will provide “product and analysis solutions,” which will contribute to higher quality. The product and applications technology we propose to our customers should yield greater efficiency and labor saving in their operations. By creating the industry standard through proposals that include measurement methods and software, we will expand the markets in our five business segments* as we aim to become the global leader in the analysis and measurement market.

*From 2011, HORIBA has divided the Analytical Instruments & Systems segment into the Scientific Instruments & Systems segment and Process & Environmental Instruments & Systems segment, resulting in five business segments: Automotive Test Systems, Medical-Diagnostic Instruments & Systems, Semiconductor Instruments & Systems, Scientific Instruments & Systems, and Process & Environmental Instruments & Systems.

Continuing to foster human resources and technologies that create further growth

HORIBA is promoting management that clarifies “what we will change” and “what we will never change,” practices we learned by overcoming several economic crises in the past. “What we will never change” is our continued investment in “Invisible Values” (assets that do not appear in the financial statements) such as human resources and technology.

From left (as of April 1, 2011)

Hideyuki Koishi
Segment Leader of Semiconductor Instruments & Systems segment

Bertrand de Castelnaud
Segment Leader of Medical-Diagnostic Instruments & Systems segment

Dr. Kozo Ishida
Executive Vice President

Dr. Michel Mariton
Segment Leader of Scientific Instruments & Systems segment

Sunao Kikkawa
General Manager of Finance & Control Division

Atsushi Horiba
Chairman, President & CEO

Dr. Jai Hakhu
Chairman, President & CEO of HORIBA International Corporation (U.S.)

Rex Tapp
Segment Leader of Automotive Test Systems segment

Tadao Nakamura
Segment Leader of Process & Environmental Instruments & Systems segment

Juichi Saito
Director and General Manager of Corporate & Segment Strategy Division

Measures Taken So Far

- ▶ Changed the corporate name and unified our corporate brand
- ▶ Introduced “Matrix management”
- ▶ Restructured group companies in the Americas and Europe, and organized development bases
- ▶ Introduced “Shared services*” in the U.S. and Japan
- ▶ Global expansion of the Blackjack Project
- ▶ Initiated the HORIBA COLLEGE

Measures to Take from Now on

- ▶ Enhance head office function
- ▶ Introduce “Shared services” in Europe, Asia, and South America
- ▶ Implement ERP (Enterprise Resource Planning) systems in all group companies, making it complete

*“Shared services” refer to the consolidation of certain common services in several divisions and organizations in order to enhance the productivity of the entire company or group companies and achieve cost reductions.

While economic cycles of recession and boom have repeatedly occurred, our continued investment has, without fail, been the driving force behind substantial growth in subsequent recovery phases. Based on this experience, we will continue to invest in technology and human resources as we prepare for future growth. On this occasion, our earnings are under pressure, so we have been reducing costs, but we have not cut back our R&D investment. Moreover, The HORIBA COLLEGE, which began offering educational opportunities to our human resources in 2009, has steadily increased the number of available courses. These continuing initiatives to create value will steadily bear fruit, even during challenging times.

We will continue to pursue growth by increasing our corporate value

Since its founding 58 years ago, HORIBA has consistently focused on a unique corporate culture symbolized by the company motto “Joy and Fun.” This corporate culture cultivates “Invisible Values,” such as our human resources and unique technologies that are valued worldwide. We ultimately deliver these “Invisible Values” to customers in the form of real “products” that create corporate value and earnings. Without being influenced by economic cycles, we will continue to pursue corporate growth based on the enhancement of our “Invisible Values.”

Our headquarters are located in Japan, but HORIBA is not simply another Japanese entity that conducts business around the world. Rather, our objective is to be a first-class, global company that understands the culture, customs, and values of the countries and regions where we do business, and conducts business in harmony with

the local community and its employees. As part of these endeavours, in April 2009, we appointed three non-Japanese employees from our foreign operations to be corporate officers of HORIBA, Ltd. And, in 2010, we welcomed a person with management experience in a global blue-chip company as an executive corporate officer who brings very valuable strengths to HORIBA.

I firmly believe that implementing management based on this corporate philosophy will lead to sustained growth while generating high earnings on a stable basis. As a global company, we will consequently receive a fair market valuation from investors around the world.

HORIBA has helped society overcome various development problems, such as pollution and global warming, through the provision of analytical and measurement instruments. To provide “assurance” to people, we will continue to supply a wide variety of products to assist social development.

The operating environment is uncertain, due in part to the impact of the Great East Japan Earthquake, which occurred in March 2011. However, instead of being complacent and running away from risk, or blindly stepping on the brake, we intend to pursue management strategies which turn risk into opportunity by correctly ascertaining situations and boldly acting.

I sincerely hope that all our stakeholders understand and agree with our management policies and will continue to support us for many years to come.

April 2011

Atsushi Horiba
Chairman, President & CEO

**Feature:
New Mid-Long Term
Management Plan
2011 ▶ 2015**

Aiming to Become a Steady and Highly-Profitable Company

The HORIBA Group has set a goal to steadily generate high profits while simultaneously making progress toward changing its business model, restructuring its organization, and applying global management skills during the management plan ending 2015. Juichi Saito, Director and General Manager of Corporate & Segment Strategy Division of HORIBA, Ltd., explains the new management plan.

Concentrating Investments in Highly-Profitable Businesses

As Mr. Atsushi Horiba, President of HORIBA Ltd., mentioned in his message, we will concentrate our management resources in the Automotive Test Systems, Medical-Diagnostic and Semiconductor Instruments & Systems segments as well as the water-related businesses. At the same time, we will review and decide what to do with unprofitable businesses; in particular in businesses operated by HORIBA, Ltd. At the end of 2010, we decided to withdraw from the crystal business in the Scientific Instruments & Systems segment. We will make final decisions on other underperforming businesses in the near future.

However, we will continue investing in businesses which currently generate low earnings but have attractive growth potential. The MCT business is a good example. It is not currently profitable but is expected to generate profit when its products are combined with emission measurement systems as part of valuable, total solutions for our customers. We are determined not to quench the sparks of technical advancements that appear in the course of basic research and reinforce development of high demand products for specific, and new, market applications.

Selection of Businesses to Focus Upon

Medical-Diagnostic/Semiconductor/Automotive measurement, Water-related business

Making Judgments on Business Potential

► Businesses operated at HORIBA, Ltd. will be reviewed.

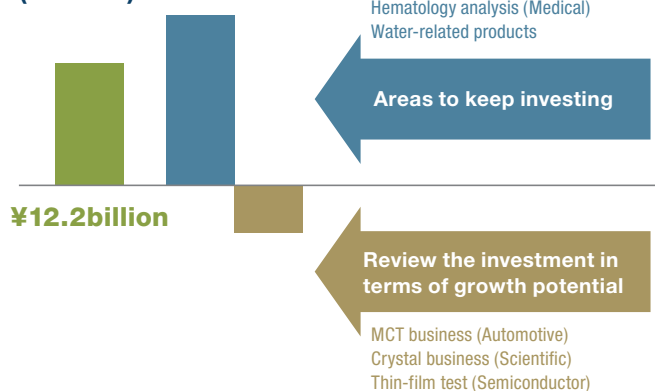
We have already withdrawn from or scaled back some businesses (i.e., crystal business.)

► Continue to invest in businesses with high potential.

MCT business

► Cultivate a wide variety of measurement technologies.

Operating Income (FY2010)



Numerical targets for fiscal 2015

assumed exchange rate :
U.S. dollars:¥80, Euro:¥110

Net sales :

¥150.0 billion

Fiscal 2010 - ¥118.5 billion

Operating income ratio :

13.0% or more

Fiscal 2010 - 10.4%

ROE (Return on equity) :

11.0% or more

Fiscal 2010 - 9.7%

Evolving and Completing "One Company Management"

1: Organizational reform to enhance our corporate structure

HORIBA's head office organization* was restructured in January 2011 to take on additional capabilities as global headquarters. The organization, previously separated by business segments, has been reorganized by function so that inter-segment information is shared, thereby enhancing the ability to propose innovative solutions. We will also improve the speed and quality of decision-making by clearly defining the responsibilities of persons in charge of development, production, and sales. These positions will report to a newly-appointed person in charge of overall business strategies.

*Further details on the organizational restructuring are presented on "Value Creation Based on Invisible Values: Technology" (page 32).

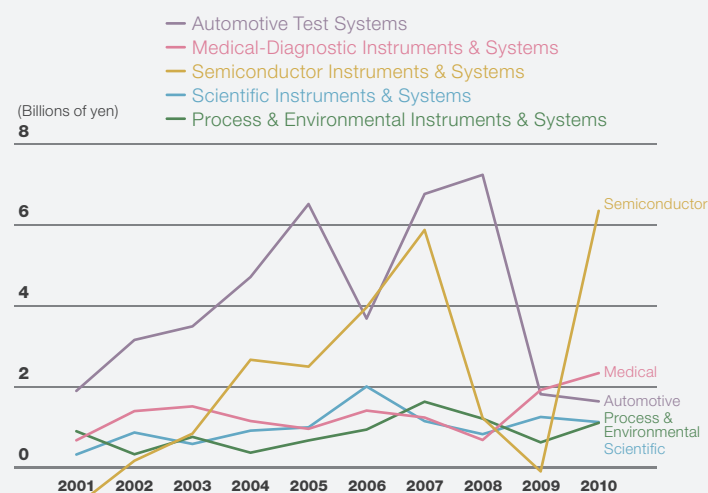
2: Efficient management by region

During the previous Mid-Long Term Management Plan a "shared services" organization, previously implemented in the U.S., was introduced in Japan. Going forward, we will exploit the benefits of the multiplier effect from these successful examples in the U.S. and Japan to introduce "shared services" in Europe and Asia. We will also promote increased efficiency by making cost reductions and adopting more specialized operations.

Accelerating Establishment of a Global Development and Production System

HORIBA will continue to make further progress in establishing its global footprint, especially in Asian countries. In 2011, the first year of the new management plan, we established a representative office in Vietnam as a foothold for business expansion in Vietnam, part of an area where Southeast Asian countries are achieving striking economic growth. In China, the Semiconductor Instruments & Systems business will expand production with a joint-venture factory in Beijing. The Medical-Diagnostic Instruments & Systems business will strive to expand business in South America by relocating and enlarging the reagent plant in Brazil. We will also accelerate building global footholds for the Medical-Diagnostic Instruments & Systems business and Automotive Test Systems businesses to meet anticipated high growth in demand.

Operating Income by Segment



HORIBA has changed its business segment categories from four to five starting in 2011. The Analytical Instruments & Systems segment has been divided into the Scientific Instruments & Systems segment (scientific analysis instruments) and the Process & Environmental Instruments & Systems segment (environmental measuring instruments). The remaining three segments remain unchanged.

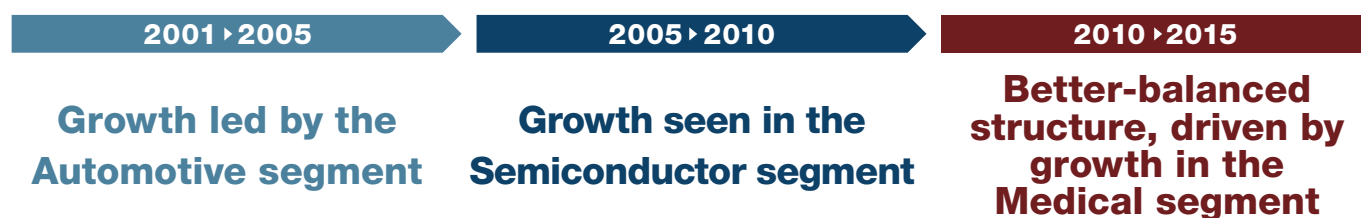
Numerical Targets by Segment

	Net Sales			Operating Income		
	2010 Results	2015 Plan	CAGR	2010 Results	2015 Plan	CAGR
Automotive	35.7	46	+5%	1.6	5	+25%
Medical	22.5	34	+9%	2.3	6	+21%
Semiconductor	27.6	30	+2%	6.3	6	-1%
Scientific	20.8	24	+3%	1.1	1.5	+6%
Process & Environmental	11.7	16	+6%	0.8	1.5	+11%
Total	118.5	150	+5%	12.2	20	+10%

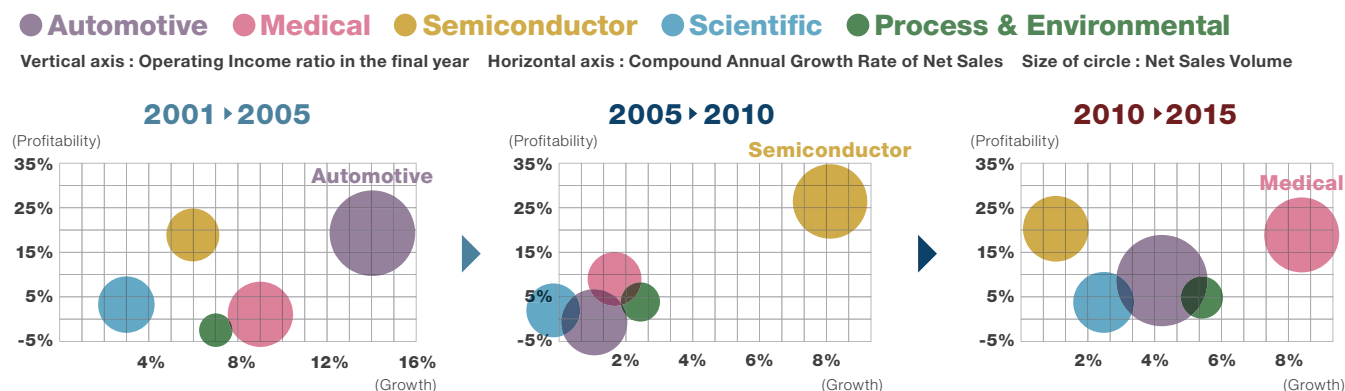
Business Growth in a Balanced Manner, Led by the Medical-Diagnostic Instruments & Systems segment

Prior to 2005 HORIBA's growth was led by the Automotive Test Systems segment. In the subsequent five years, the company had been supported by the recovery and growth of the Semiconductor Instruments & Systems segment. Over the next five years, leading up to 2015, we expect attractive profit contributions from the Medical-Diagnostic Instruments & Systems segment, which will balance our earnings structure.

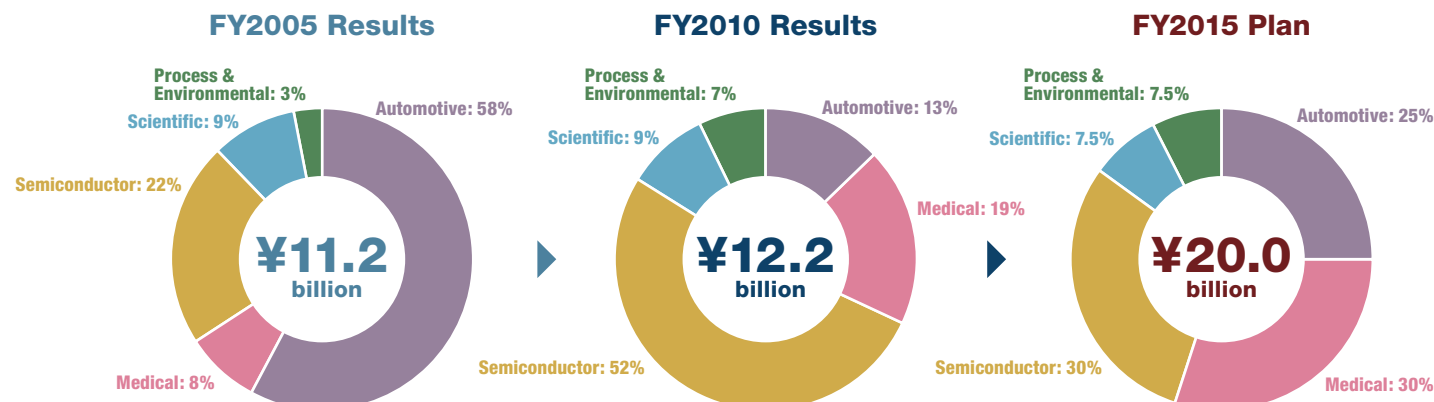
Business portfolio



Net Sales Growth by Segment



Operating Income Mix by Segment



Water-Related Business Potential

We believe our water-related business is a promising area where our strengths can be applied. We expect to expand this business by accelerating applications development and sharing information among our segments. The water-related world market is estimated to be ¥86 trillion in aggregate, encompassing areas of life science, health care, and infrastructure, i.e., desalination and purification of seawater. We estimate that HORIBA can develop business opportunities in the analysis segment of the water-related market, which is

estimated to be about 1% (¥1 trillion) of the whole market. We believe we can offer a significant number of products to satisfy one set of common requirements by different business segments being involved jointly in planning and development. By having this business unit use the established sales networks of other segments, we will be able to enter markets much faster than a potential entrant starting from scratch. This is a promising area with potential to grow into a “Water business segment” in the future.

**New Mid-Long Term
Management Plan
Symbol Mark**



MLMAP
Mid-Long Term Management Plan
2011-2015

A yacht's sails enable it to go forward regardless of the direction of the wind.

HORIBA is like such a yacht, sailing the seas with five sails (business segments) which are efficiently coordinated with each other so that the company is propelled toward its goals by redirecting winds (opportunities) into driving forces. HORIBA's previous symbol mark was a balloon. While both a balloon and a yacht are moved by wind, properly set sails will enable a yacht to move forward, even against headwinds. This expresses the new attitude at HORIBA, the attitude of proactively using the wind, rather than passively being carried by it.

Juichi Saito

Juichi Saito joined HORIBA, Ltd. in 1982. After serving as General Manager in the Automotive Emission Measurement Planning & Development department, he was appointed President of HORIBA Instruments Incorporated (U.S.) in 2000. Since joining HORIBA, he has twice worked in the U.S. for a total of 14 years where he devoted his efforts to expanding HORIBA's business in the U.S. market. He was appointed Director of HORIBA, Ltd. in 2005 and Vice President of HORIBA STEC, Co., Ltd. in 2008. He concurrently served as a leader in the Semiconductor Instruments & Systems segment. He was appointed General Manager of the Corporate & Segment Strategy Division of HORIBA, Ltd. in 2011.



Message from the CFO

HORIBA is investing for growth and rewarding shareholders in a balanced manner

Basic Capital Policy

HORIBA's basic capital policy is as follows.

1 Pay dividends in line with corporate growth and earnings.

Maintain the standard payout ratio at 30% of HORIBA, Ltd. net income.

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

3 Achieve high ROE (Return on equity) through earnings growth.

Mid-Long Term Management Plan (2015) : 11% or more

Implement a Dividend Policy Linked to Earnings Growth

HORIBA was the first listed Japanese company to start paying shareholder dividends based on a payout ratio (30% of parent company's net income). This practice, which began in 1978, has paid dividends to its owners without interruption for 32 years.

Financial Policies

HORIBA maintains an appropriate level of liquidity in hand to ensure efficient funding in accordance with capital requirements. This is an important guideline for HORIBA's financing activities. We define liquidity in hand to be a sum of cash and cash equivalents and the open amount of the commitment lines that have been negotiated with financial institutions. At the end of 2010, liquidity in hand amounted to ¥39.4 billion, which was ¥34.4 billion in cash and cash equivalents and a ¥5.0 billion open balance of commitment lines with banks. We believe that this cash should be reserved for future investment opportunities such as M&A.

Credit Ratings

HORIBA has obtained credit ratings from Rating and Investment Information, Inc. (R&I) and Japan Credit Rating Agency, Ltd. (JCR) in order to obtain funds from capital markets. Our credit ratings (long-term and short-term) in 2010 were A- from R&I and A from JCR.

Sunao Kikkawa

Senior Corporate Officer and General Manager of Finance & Control Division

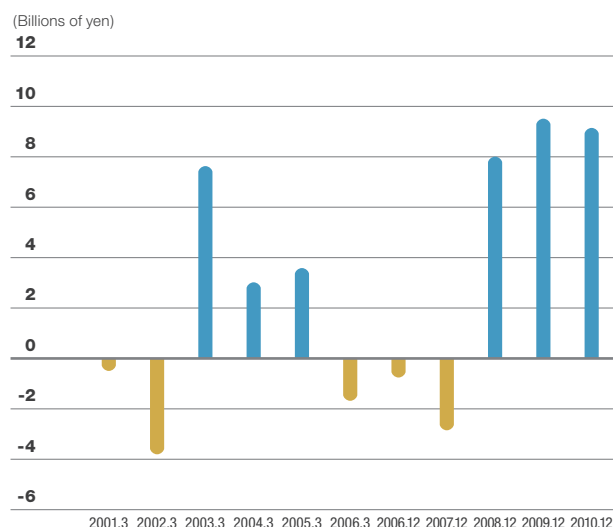
Sunao Kikkawa joined HORIBA, Ltd. in 1974. He was assigned to work at HORIBA Instruments Incorporated (U.S.) in 1982 and returned to HORIBA, Ltd. in 1988. He was appointed General Manager of the Accounting Department in 1996 and Senior Corporate Officer in 2007. He participates in globalizing HORIBA's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



Free Cash Flow Extension

HORIBA had had negative free cash flow for three consecutive years from 2005 to 2007, primarily due to the acquisition of the MCT business in September 2005 and capital investments for the ERP introduction in 2006-2007. Since 2008, when our business results deteriorated due to the economic slowdown, we have recorded positive free cash flow for three consecutive years as total assets were reduced by inventory reduction and earnings were generated by cost reduction.

Free Cash Flow

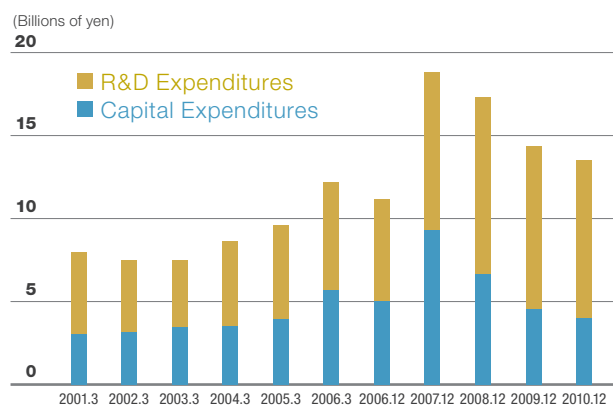


Continued Investment for Growth

HORIBA has continued to invest in production facilities as well as R&D and human resources during both good times and economic downturns. This strategy has contributed to increased market share during recovery phases from economic downturns.

*Capital expenditures are a sum of investments in tangible and intangible fixed assets.

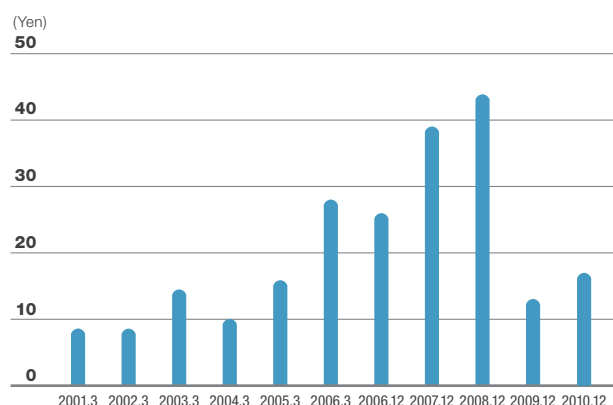
Capital Expenditures and R&D Expenditures

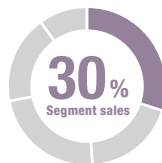


Dividend Payment Record of the Past 11 Years

HORIBA lowered the per-share dividend to 13 yen in 2009. This action was due to the deteriorated profitability of the Automotive Test Systems segment, the core business of HORIBA, Ltd. This was a result of the 2008 economic recession triggered by the Lehman Brothers Shock. We raised the per-share dividend by 4 yen to 17 yen in 2010 thanks to the recovery and growth of the Semiconductor and Medical-Diagnostic Instruments & Systems segments.

Cash Dividends per Share





Automotive Test Systems

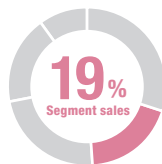
Strong support for automotive development

HORIBA's automotive emission measurement systems have been adopted as the primary standard by national certification bodies in many countries. This recognition has led to a commanding top position in the industry with an 80% global market share. Business acquisitions have expanded our product line-up into complete turn-key systems for automotive development. These test systems are used at the forefront of research and development and quality control. Our test systems are indispensable for developing new types of engines, such as gasoline, diesel, hybrid electric powertrains and alternative fuel engines. We expect to experience an increase in demand for our automotive development instruments.

Principal products	Emission measurement systems, automotive emission analyzers, on-board emission measurement systems, driveline test systems, drive recorder
Major customers	Automobile and motorcycle manufacturers, automotive component manufacturers, multi-purpose motor manufacturers, government regulatory agencies, oil companies, automotive maintenance and repair centers
Product applications	Development of new gasoline, diesel and hybrid powertrains, vehicle certification and quality control, in-use vehicle inspections

Risk factor

The global automotive industry's shifting investments for research and development



Medical-Diagnostic Instruments & Systems

Proactive product development in a large market with stable growth

HORIBA medical products are primarily blood testing instruments and reagents for the in-vitro diagnostics market, with over ¥2 trillion in global annual sales. The segment's business model is based on earnings generated from reagents sales. HORIBA sells its original small and medium-sized blood cell counters in the diagnostic market for point-of-care testing (POCT), which is defined as immediate diagnostic testing during patient care; typically in small hospitals, testing centers, outpatient clinics, and surgery centers. We are endeavoring to boost instrument sales which will lead to expanded sales of testing reagents.

Principal products	Equipment for blood sample analysis (hematology analyzers, equipment for measuring immunological responses, clinical chemistry analyzers, blood glucose measurement systems)
Major customers	Medical testing centers, small to medium-sized hospitals, medical practitioners
Product applications	Health and diagnostic testing, disease diagnosis

Risk factor

Impact on earnings from changes in medical insurance systems in different countries



Semiconductor Instruments & Systems

Helping to improve yields in semiconductor manufacturing processes

The semiconductor industry is cyclical but continues to grow. HORIBA's main products are mass flow controllers; devices that control gas and liquid flows in the semiconductor, solar cell, and LED (light-emitted diode) manufacturing process. Semiconductor products also include many other types of monitoring equipment for semiconductor production. HORIBA provides customers with high-level solutions that support technical advances in processing, miniaturization, and yield enhancement.

Principal products	Mass flow controllers, chemical concentration monitors, thin-film analyzers for semiconductors and LCD inspection, reticle/mask particle detection systems
Major customers	Semiconductor production equipment manufacturers, semiconductor device makers, semiconductor cleaning equipment manufacturers
Product applications	Flow control of gases and liquids, monitoring of cleaning fluid concentrations in semiconductor manufacturing processes, semiconductor and LCD quality control inspections

Risk factor

Significant fluctuation in demand caused by the "silicon cycle" in the semiconductor industry and investments related to solar cell and other energy sources

Business Overview

Scientific Instruments & Systems

Achieve a good balance with unique analytical measurement technologies and business operations

HORIBA manufactures and sells over 500 types of instruments in the leading edge of scientific technology. We command leading market shares thanks to our high-level of analytical technology know-how and enhanced customer support. The Scientific segment develops basic analytical and measurement technologies, which play key roles in providing new technologies to other business segments.

Principal products	pH meters, particle-size distribution analyzers, X-ray fluorescence analyzers, Raman spectrophotometers, diffraction gratings
Major customers	Manufacturers, national research institutions, universities, government agencies
Product applications	R&D, product quality testing, criminal forensics

Risk factor

Investment trend of national government agencies and other institutions
Demand fluctuation following changes in environmental regulations



Process & Environmental Instruments & Systems

Providing analytical and measurement instruments for compliance with environmental regulations

HORIBA provides total solution technologies for preservation of the global environment and to fulfill analytical needs in manufacturing processes. We ensure public safety, security, and health.

Principal products	Stack gas analyzers, water quality analysis and examination systems, air pollution analyzers
Major customers	Manufacturers, government agencies, electric power companies
Product applications	Measurement of wastewater and water supplies, gaseous emissions, environmental pollution monitoring

Risk factor

Demand fluctuation following changes in environmental regulations



Business Summary by Region

Japan

- Steady growth and high market shares for products that are related to R&D applications and environmental regulations.

Asia

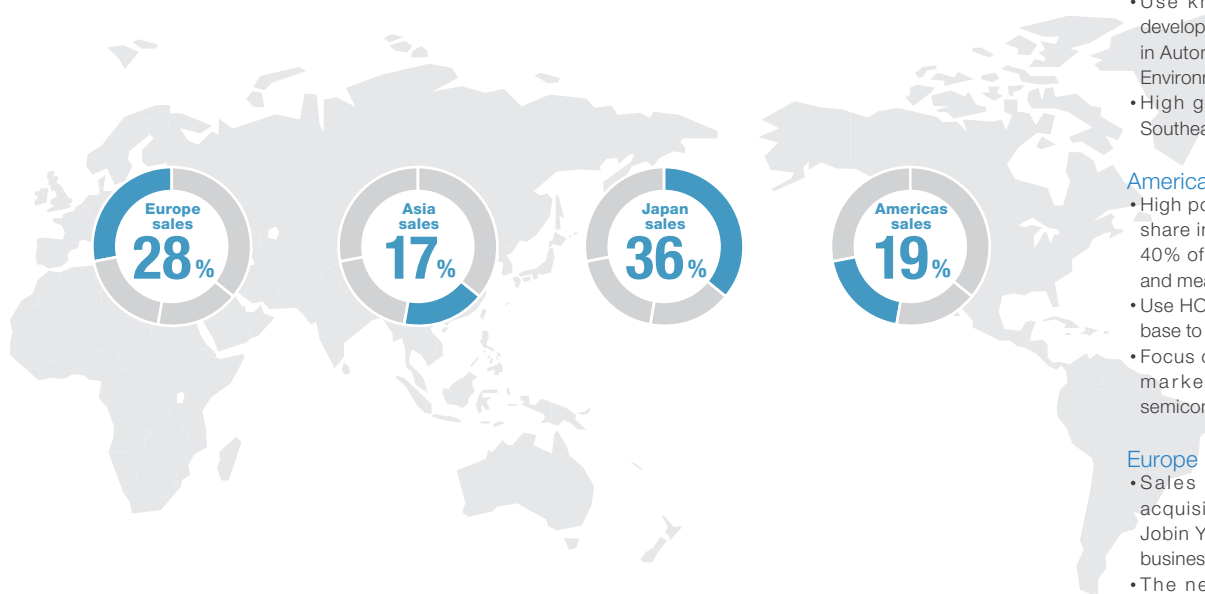
- Use know-how accumulated in developed markets to expand business in Automotive, Medical and Process & Environmental business.
- High growth in China, India, and Southeast Asian countries.

Americas

- High potential for expanding market share in this market that represents 40% of global demand for analytical and measurement instruments.
- Use HORIBA Technology Center as a base to enhance competitiveness.
- Focus on product development and marketing for the medical and semiconductor markets.

Europe

- Sales growth generated by the acquisition of companies (HORIBA Jobin Yvon and HORIBA ABX) and a business (the MCT business.)
- The new R&D Center in Paris is scheduled to open in 2012 as a core facility for product development in Europe.





Automotive Test Systems

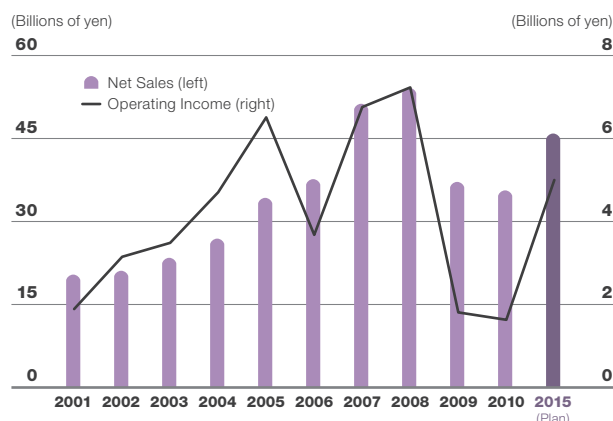
HORIBA
Automotive Test Systems



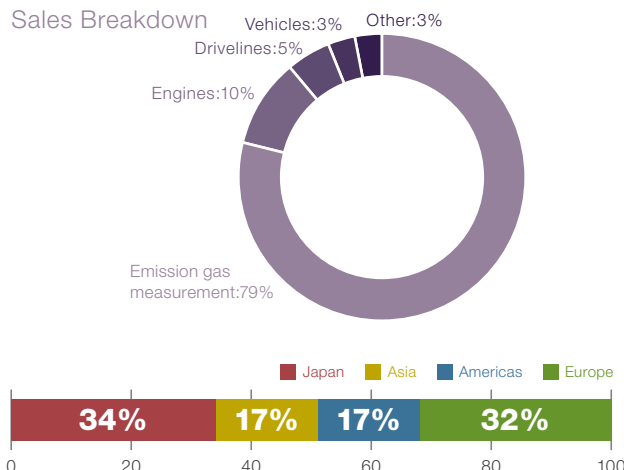
No.1 in the world in emission measurement systems

HORIBA's emission measurement systems command the top position in the industry with an 80%* worldwide market share and have been adopted as the primary standard by national certification bodies in many countries. We have increased sales in this segment by responding to rising demand to measure emission characteristics of alternative fuels such as biofuel, and the requirement to measure emissions in more diverse applications such as construction machinery, ships, locomotives, and general purpose engines. (*HORIBA's estimate)

Net Sales and Operating Income



Sales Breakdown



2011: Renewed investment by the automotive industry

Thanks to increased investment by Asian automotive manufacturers in 2010, HORIBA's sales of emission measurement systems increased. However, overall segment sales and earnings decreased from the previous year because of investment cuts by automakers in Japan, Europe, and the Americas. In 2011, we are expecting a surge in investment by automakers worldwide thanks to improved earnings. Japan may be the exception as investment plans may be delayed due to the impact of the Great East Japan Earthquake. In the meantime, we anticipate a long-term steady recovery in demand, triggered by the European Commission fuel efficiency requirements that will be implemented in Europe in 2012 and various new emission standards likely to become regulation requirements in 2014-2015. We intend to be prepared for the expected market growth by strengthening our development and production systems.

New Mid-Long Term Management Plan: Future development of the MCT business

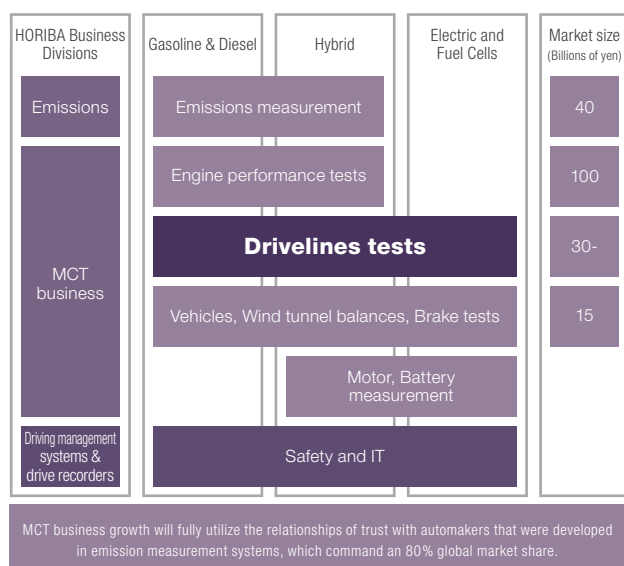
The acquisition of the MCT (Mechatronics) business of Carl Schenck AG in Germany, in September 2005, has allowed us to broaden our market that entails supporting the full scope of automotive development, including engines, hybrid vehicle development, driveline components, wind tunnel balances, and brakes. This capability is critical for developing all-electric cars that do not require emission measurement. By achieving increased market share in developed markets and enjoying new demand in emerging markets, we expect to grow our business and improve profitability.

Provide solutions for hybrid and electric car development : Focus on driveline test

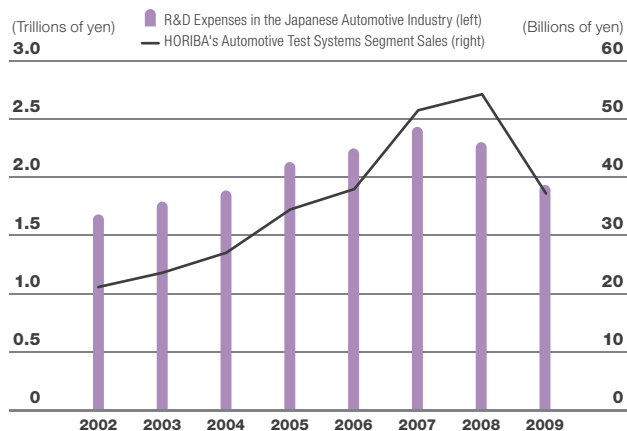
2010 can be defined as the year of the electric car, with the launch of electric or plug-in hybrid cars by automakers in many countries. We expect that automakers will allocate part of their development spending to all-electric cars, for which HORIBA's MCT business provides essential measurement systems to evaluate power-train efficiency and aerodynamic performance. In the meantime, development of hybrid or plug-in hybrid cars that use engines, motors and batteries requires new features in emission measurement systems. Emission measurement is becoming increasingly important in this area. Moreover, high demand for emission measurement systems is expected in emerging markets, which is in line with increased need for local development amid the accelerated growth in automotive sales.

HORIBA's Automotive Business

Invest heavily in driveline testing systems to achieve sales growth and improve profitability.



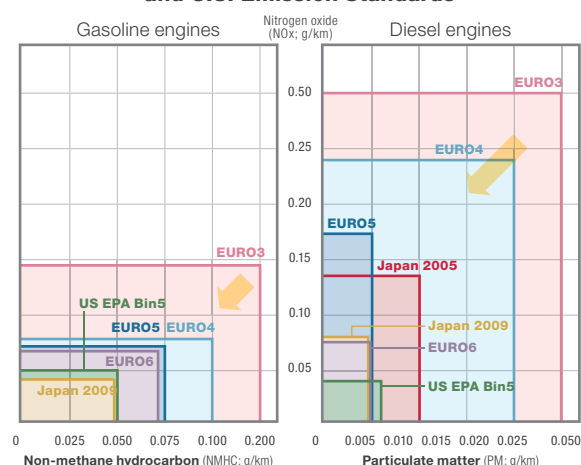
HORIBA's Automotive Test Systems Segment Sales in Comparison to R&D Expenses in Japan's Automotive Industry



Source: Survey of Research and Development, R&D Expenditures by Industry (Ministry of Internal Affairs and Communications)

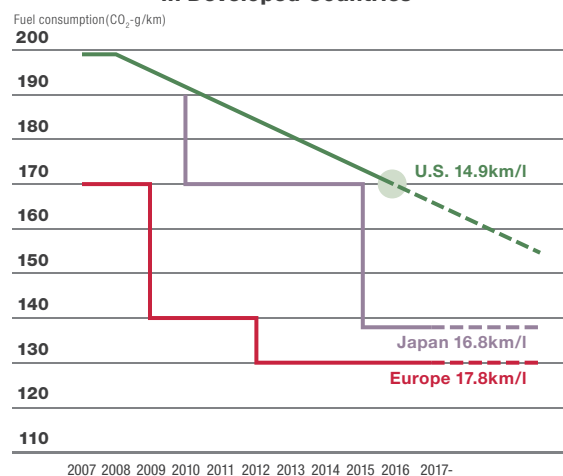
Trend of Automobile-related Regulations

Progression of Japanese, European, and U.S. Emission Standards



Source: Ministry of the Environment; Japan Automobile Manufacturers Association, Inc.

Automotive Fuel Efficiency Requirements in Developed Countries



Source: Japan Automobile Manufacturers Association Inc., Report of December 2008; Ministry of Economy, Trade and Industry

Major Products and Market Shares

Note: Market shares quoted are estimates by HORIBA

Emission Measurement Systems



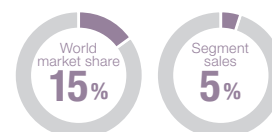
These systems continuously and simultaneously measure gases over a broad range of concentrations. They are widely used in R&D and product certification in the automotive industry.



Driveline Test Systems



The driveline is an extremely important powertrain component that transmits energy from engines or motors to the vehicles' tires. HORIBA's driveline test systems use the latest simulation technology for applications in all types of driveline testing. This is HORIBA's strength; demonstrated by providing flexible systems for all applications.



Medical-Diagnostic Instruments & Systems

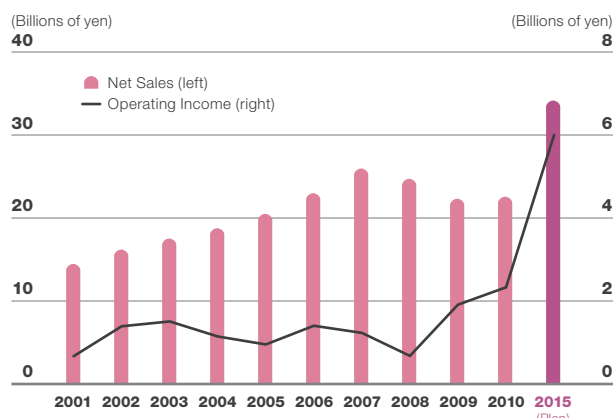
HORIBA
Medical



Stable business model supported by sales of reagents

HORIBA's Medical-Diagnostic Instruments and Systems segment generates steady profits from the sale of reagents used by the installed base of HORIBA medical-diagnostic and blood sample analysis instruments. Our products are used in bloodtesting, biochemical and other areas that are directly linked to assessing the health of people. Another characteristic of this segment is that currency risk has been diversified by having two bases for development and production, namely Japan and France.

Net Sales and Operating Income



Note) HORIBA changed its fiscal year-end from March 20 to December 31, effective from fiscal 2006. (Please refer to Page 4.)

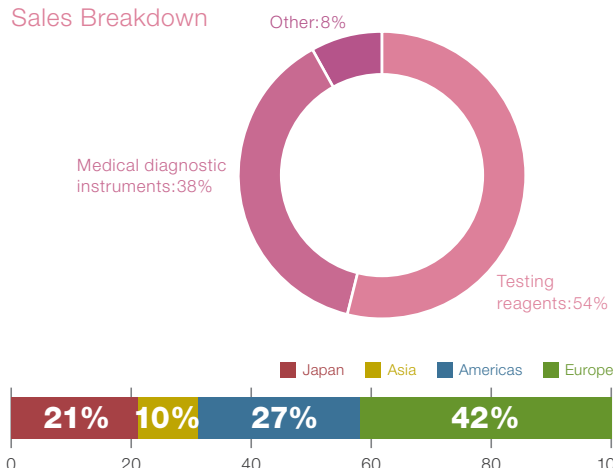
2011: Expect firm sales to continue in Japan and benefits from the weaker euro in Europe and the U.S.

In 2010, HORIBA's medical segment profits increased in tandem with improved profitability thanks to growth in the installed base generated by the introduction of new products in the Japanese market in late 2008, and the weaker euro, which enhanced the competitiveness of HORIBA ABX S.A.S. (France) products. In 2011, we expect to continue expanding our installed base with new products in Japan and sales growth worldwide, particularly in China, India, Southeast Asia, and other emerging markets.

New Mid-Long Term Management Plan: Establish business base for expansion

The U.S. is the world largest medical equipment market and HORIBA aims to increase its U.S. market share by utilizing its technologies for hematology analyzers. We will also consider M&A opportunities that will enable us to expand our business base. In mass-consumption areas with high near-term growth potential, such as China, India, Southeast Asia and Latin America. We plan to install localized production of reagents in order to reduce costs of distribution and inventory management, respond promptly to customer needs, and improve profitability. Moreover, we will roll out an automatic blood cell counter plus CRP technology, a strategic product in Japan, to China and other Asian markets, in order to expand our market share and improve profitability.

Sales Breakdown



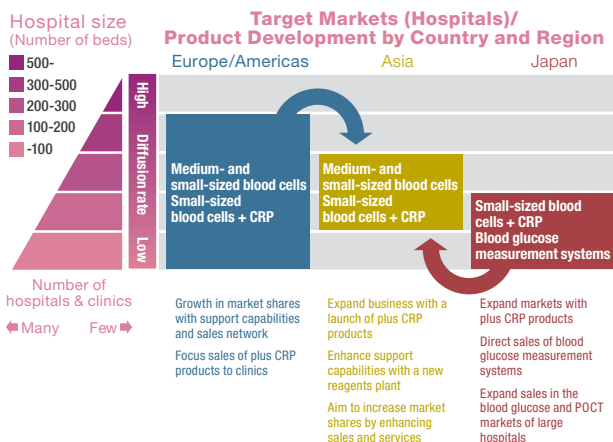
Market leader in small-sized hematology analyzers

Over the years, based on its innovation, HORIBA has acquired a leading position worldwide in the small-sized hematology analyzers. In particular in Japan, HORIBA commands a market share for small-size hematology analyzers that is approximately 50%. Point-of-care testing (POCT), which is defined as immediate, accurate diagnostic testing at the site of patient care, will merit higher demand as it contributes not only to quick and proper medical diagnostics, but also to a reduction in medical expenses with fewer drugs being dispensed. HORIBA in Japan is steadily expanding its market share in small-sized hematology analyzers and blood glucose measurement instruments that are used in familiar medical environments such as private practitioner clinics or hospital testing rooms.

*Point-of-care testing (POCT) is defined as medical testing at or near the site where patients are located; in places such as surgery by a doctor or a physician, a hospital ward, or a clinic for outpatients

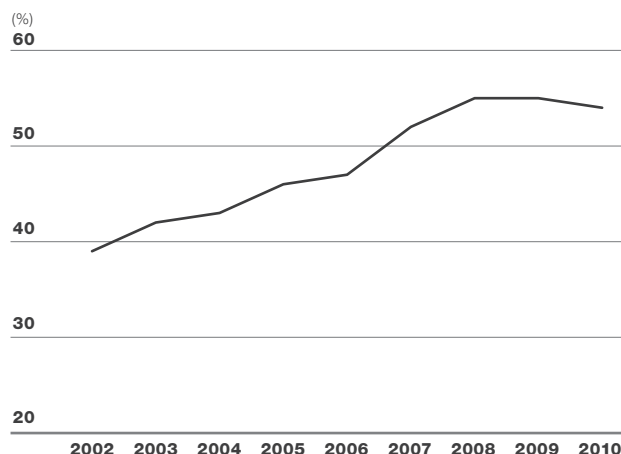
Product Development in the In-Vitro Diagnostics Analysis Market

HORIBA aims to capture the POCT needs with its globally-competitive small or mid-sized hematology analyzers and expand its market share. And also play a key role in the hematology market, with its medium-sized instruments and its high throughput solution.



Sales Ratio of Testing Reagents in HORIBA's Medical-Diagnostic Instruments & Systems segment

The sales ratio of testing reagents is increasing in proportion to the growth in the installed base of instruments.



Global Development

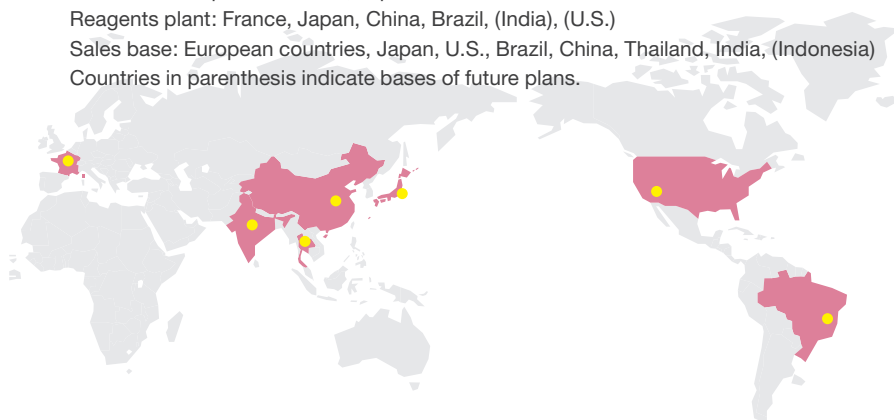
We plan to install local reagent production facilities in mass-consumption areas in order to reduce distribution costs and inventory management, respond promptly to customer needs, and improve profitability.

Product development: France, Japan

Reagents plant: France, Japan, China, Brazil, (India), (U.S.)

Sales base: European countries, Japan, U.S., Brazil, China, Thailand, India, (Indonesia)

Countries in parenthesis indicate bases of future plans.



HORIBA's strengths in hematology analyzers

Uniqueness in small-sized instruments

HORIBA developed a unique product that measures CRP (C-reactive protein) levels in addition to hematology measurements.

Low operating costs and low sample volume requirement for measurement

By reducing the amount of reagents used per test, operating costs can be reduced. By reducing the amount of sample volume to one as minute as "a drop," the physical burden on patients can be alleviated, enabling even babies to be tested.

Strong sales network

HORIBA has established a strong relationship of trust with medical sales companies that have their own strong sales network in Japan, Europe, and the Americas.

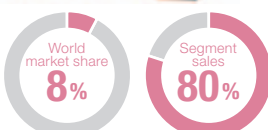
Major Products and Market Shares

Note: Market shares quoted are estimates by HORIBA

Automatic Hematology Analyzers



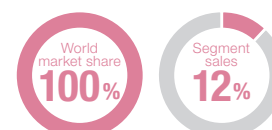
Blood tests are essential for assessing the health of people and animals. These analyzers check red and white blood cell counts as well as hemoglobin concentrations and platelet counts in laboratories and hospitals.

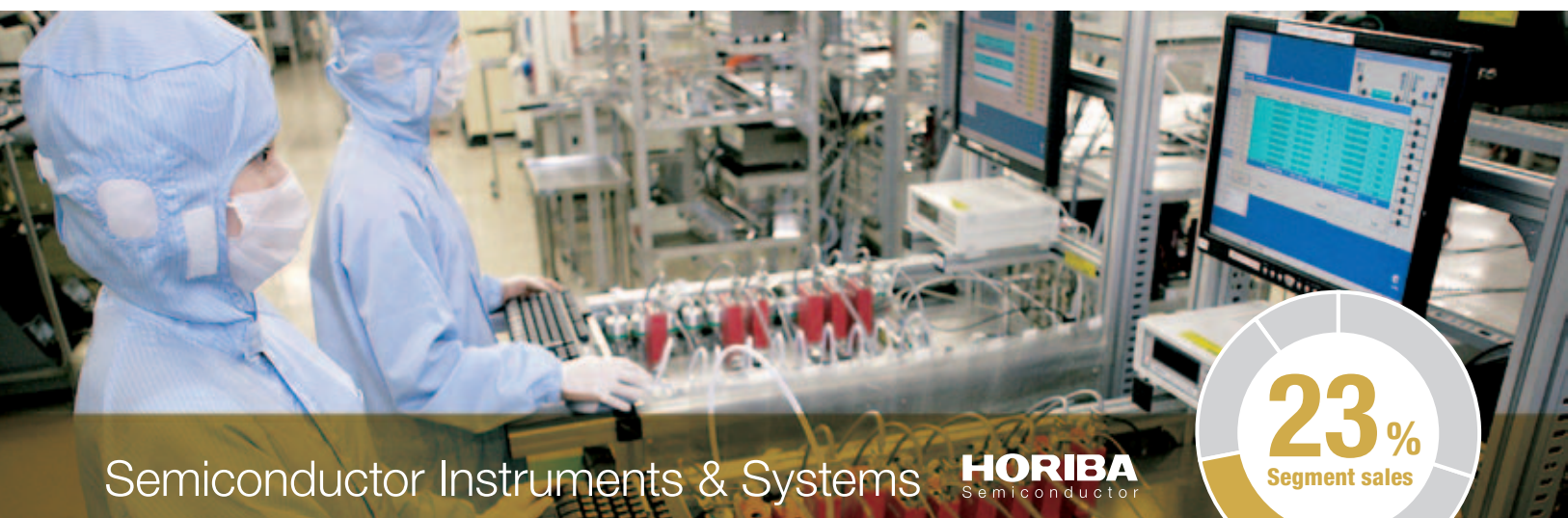


Automatic Blood Cell Counter plus CRP



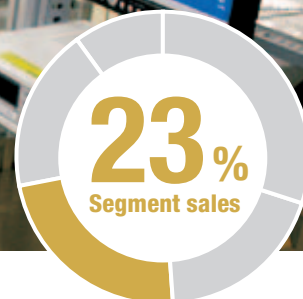
This is the first counter in the world to simultaneously measure blood cell counts and C-Reactive Protein (CRP), which the body produces in response to internal inflammation, thus facilitating faster and more accurate diagnosis.





Semiconductor Instruments & Systems

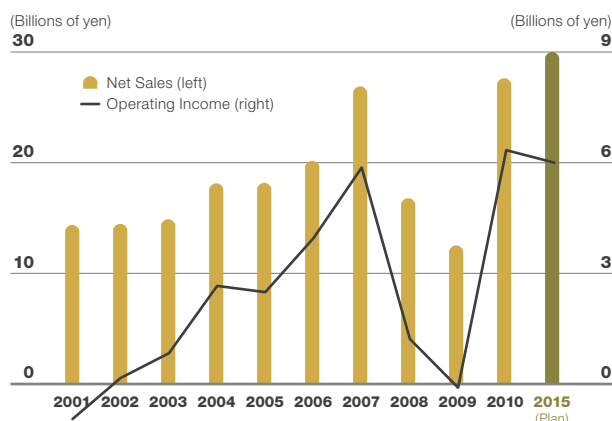
HORIBA
Semiconductor



No.1 in the world in mass flow controllers

Mass flow controllers, essential components in semiconductor manufacturing equipment, are the mainstay products for HORIBA's Semiconductor Instruments & Systems segment. We have a leading 45%* market share for these products. We will continue to provide highly functional, miniaturized products that answer the ever increasing needs for improved productivity and high performance in semiconductor manufacturing processes. (*HORIBA's estimate)

Net Sales and Operating Income



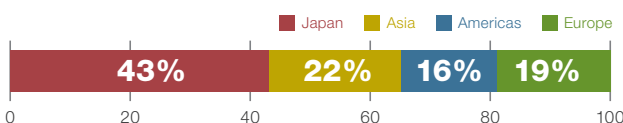
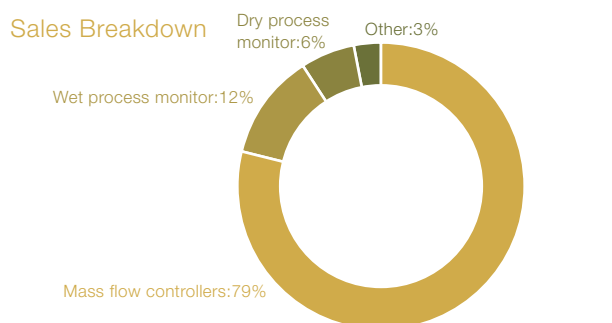
2011: Respond to a surge in demand thanks to an increase in production capacity

In 2010, HORIBA posted record-high segment sales and earnings thanks to increased spending for manufacturing processes to miniaturize semiconductors and investments in LEDs (light-emitting diodes) and other new markets, which began to recover in the second half of 2009. In 2011, we anticipate continued investment in manufacturing equipment for semiconductors, LEDs and solar cells (photovoltaic), and expect steady growth in sales for mass flow controllers and chemical concentration monitors. However, we forecast that the operating income ratio will be lower due to the appreciation of the yen and competitive pressure on sales prices.

New Mid-Long Term Management Plan: New product capabilities to satisfy new markets and new applications

We have developed products for various applications such as mass flow controllers and chemical concentration monitors that are used in the semiconductor wafer cleaning process. HORIBA's strength lies in its line-up of products that respond to the needs of unique markets. Recent examples include photovoltaic, which are receiving great attention in many countries as a recyclable energy source, and LEDs, which are a promising product as a next-generation light source.

Sales Breakdown

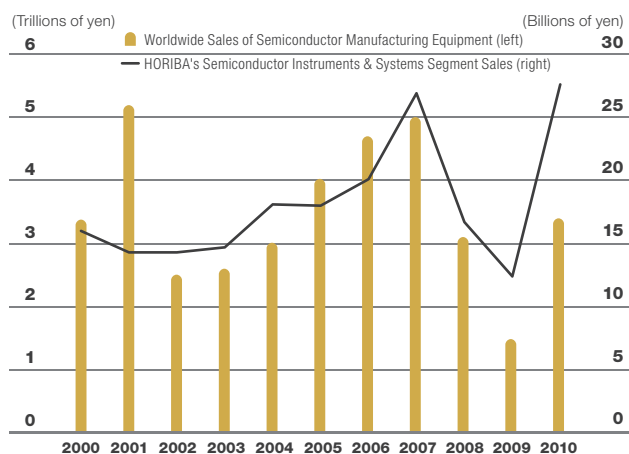


Expand sales in Asia, supported by strong trust of semiconductor makers

HORIBA's service strength is its capability to support customers in Asia. Our strategy is to expand our market share by gaining more credibility from manufacturing equipment makers of semiconductors, photovoltaics, and LEDs, and by making enhanced quality products that satisfies the rising demand from customers.

In addition, we will start producing mass flow controllers at Beijing HORIBA METRON Instruments Co., Ltd., a joint venture established in Beijing, China. We plan to establish its position in Asia, where demand is rising.

HORIBA's Semiconductor Instruments & Systems Segment Sales in Comparison to Worldwide Sales of Semiconductor Manufacturing Equipment



HORIBA's Share of Global Market for Mass Flow Controllers

(HORIBA's estimate)

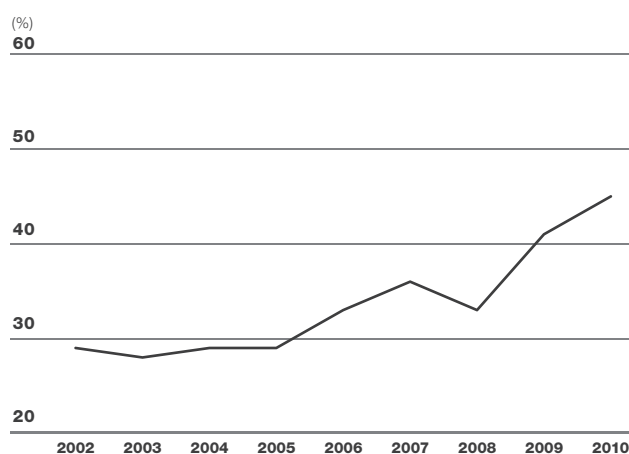
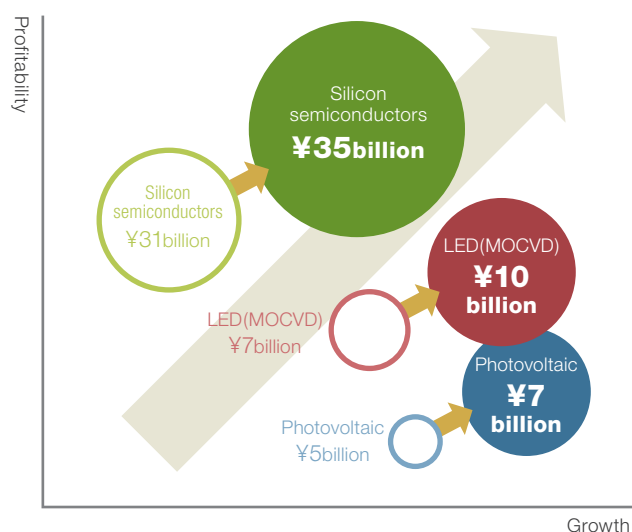
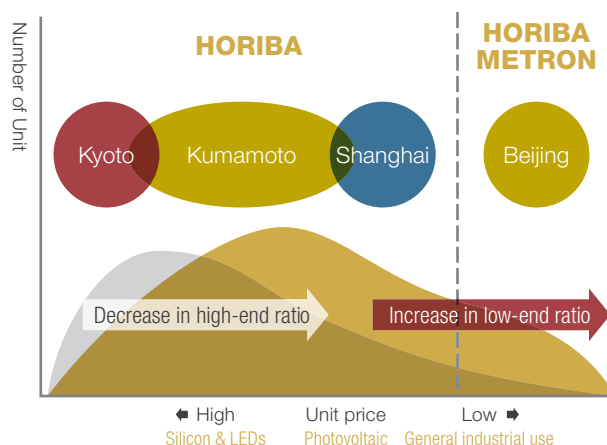


Image of Mass Flow Controller Market by Application in 2015



Production System for Mass Flow Controllers

Thanks to the growing demand for manufacturing equipment, production volume for mass flow controllers is expected to increase. However, our sales prices are likely to quickly decrease due to emerging Asian competitors. To combat this trend HORIBA is utilizing the Beijing HORIBA METRON manufacturing operation to ensure it is competitive in low-price markets.



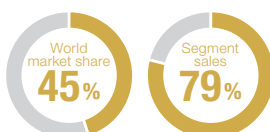
Major Products and Market Shares

Note: Market shares quoted are estimates by HORIBA

Mass Flow Controllers



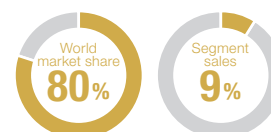
These high-precision controllers are used to regulate gas and liquid flow rates in semiconductor manufacturing processes, typically in thin-film formation processes. They are also indispensable components in high-quality semiconductor and LED production.



Chemical Concentration Monitors

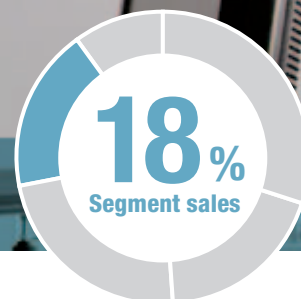


These compact units are used in semiconductor manufacturing to monitor cleaning chemical concentrations. They ensure that no cleansing fluids are wasted, which optimizes the cleaning process and helps boost production yields.



Scientific Instruments & Systems

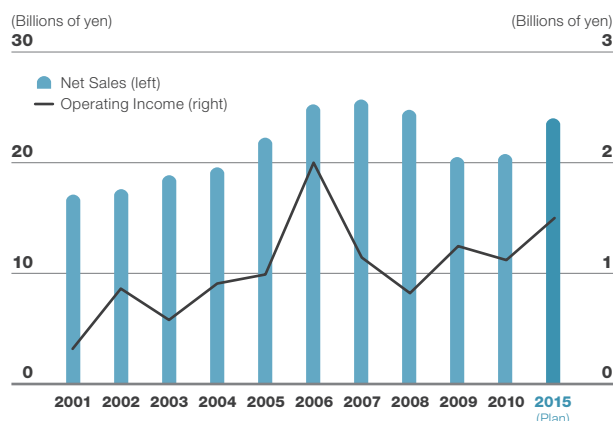
HORIBA
Scientific



HORIBA's nano-level measurement technologies provide solutions on various data analysis

Behaviors of nano-level atoms and molecules have been highlighted in microscopic analysis basic research. Providing solutions for data analysis, HORIBA supports advanced research that ventures into unknown territories, where outcomes may lead to new materials or advanced, high-tech products. In addition, HORIBA's analyzers are widely used in foreign-object examinations, defect analysis of drugs, food, or electronic components, criminal investigation, and archaeological work.

Net Sales and Operating Income



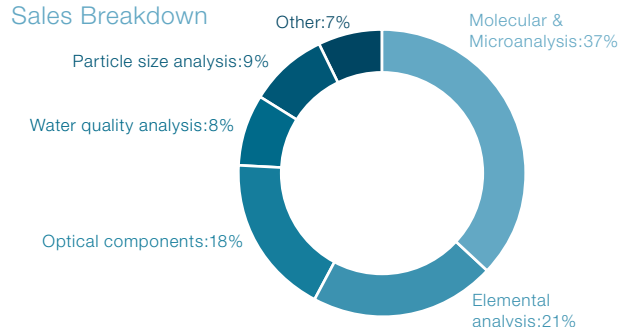
2011: Growing demand in emerging markets and higher demand from general industries

In 2010, thanks to more government spending in Japan, demand from universities, government offices, and other institutions. HORIBA experienced favorable growth in sales in the first half for Raman spectrophotometers and related instruments. In the second half, limited demand for general industrial products slowed down the recovery in segment sales. The appreciation of the yen also resulted in lower profitability for products manufactured in Japan, and overseas sales declined when converted into yen. In 2011, we anticipate a return to solid sales thanks to growing demand in the private sector, despite some lower profitability concerns caused by decreased government spending.

New Mid-Long Term Management Plan: Support development of energy sources for the next generation

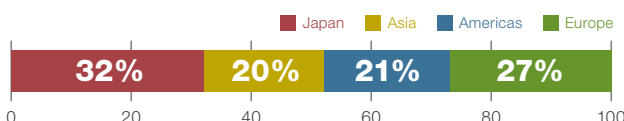
Demand for our products manufactured by HORIBA Jobin Yvon S.A.S. (France) is growing in basic research for advanced lithium ion batteries, which are expected to become the core energy storage components for next-generation automobiles. Specific products include diffraction gratings, fluorescence spectroscopy, and Raman spectrophotometers, which command No. 1 global shares (HORIBA estimates).

Sales Breakdown



Provide leading-edge analyzers and developing technology that supports HORIBA's other businesses

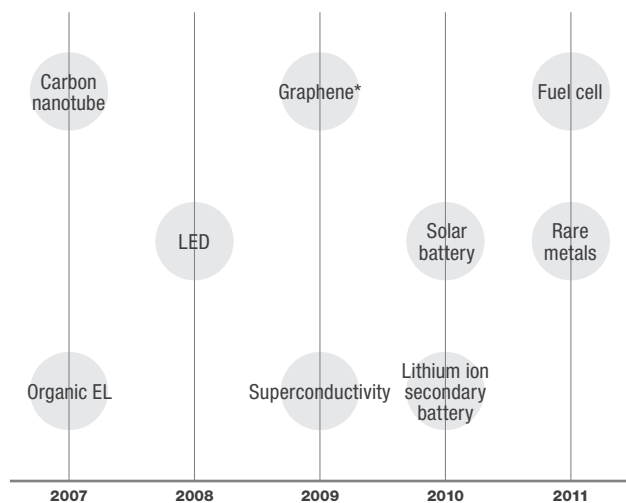
HORIBA has made effective use of its "measurement" technologies that have been continually developed since its inception and has developed a wide variety of products that respond not only to current environmental issues but also to the future, such as next-generation energy sources. In addition to product development, this segment continues to invest in basic technology and provide new technologies to other business segments.



Business Model

HORIBA's many products in the Scientific Instruments & Systems segment have been making a significant contribution in advanced research and development.

Business Based on R&D of Leading-Edge Products and Materials



*Graphene is one-atom-thick sheets of sp²-bonded carbon atoms. Many graphene sheets stacked together are graphite.

Target markets

HORIBA instrumentation satisfies analysis needs in material development for positive/negative electrodes and separators for lithium ion batteries. A wide range of products is developed for customers that include corporate research centers, academic institutions and universities.

HORIBA's strengths

Blending of technologies of HORIBA, Ltd. and HORIBA Jobin Yvon S.A.S.
Capabilities to propose numerous applications in advanced materials analysis and other high-end fields

Focus Markets and Applications

Compound semiconductors

LED (light-emitting diode) manufacturing equipment
 Solutions for quality management and process management

Drug discovery and biotechnology

Quality assessment from basic research for drug discovery
 Pharmaceutical composition mapping

Lithium Ion Batteries

Positive/negative electrode, separators, and electrolytic solutions
 Formulation mapping

HORIBA, Ltd.

pH meters

Particle-size distribution analyzers

X-ray fluorescence analyzers
 Elemental analyzers

HORIBA Jobin Yvon S.A.S.

Gratings

Raman spectrophotometers

Fluorescence spectroscopy

Fluorescence lifetime systems

Development structure

HORIBA is enhancing its cooperation with academia in related fields in Japan. In addition, development in France is fortified by a joint research program with École Polytechnique^{*1} and the acquisition of Genoptics S.A.^{*2} HORIBA aims to become a standard for mass production processes.



*1 École Polytechnique: It is a state-run, renowned engineering school in France.

*2 Acquisition of Genoptics S.A.: A French venture company with advanced technologies in the biochemistry field, acquired by HORIBA Jobin Yvon S.A.S. in April 2009.

Major Products and Market Shares

Note: Market shares quoted are estimates by HORIBA

Raman Spectrophotometers



Raman spectroscopy is a spectroscopic technique that effectively identifies the chemical composition of physical materials and analyzes molecular structures. In recent years, Raman spectroscopy has been attracting attention for applications in cutting-edge research. Raman scattering is typically very weak, so a highly-sensitive and optimal optical design is needed. HORIBA Jobin Yvon's outstanding record in optics-related technology has successfully been utilized in pursuit of extremely high performance Raman spectrophotometers.



pH Meters



HORIBA has been recognized as one of the top pH meter brands since its development of Japan's first glass electrode pH meter in the 1950's. HORIBA offers a full pH product line-up to satisfy varied customer needs: from desk-top models to support laboratory research to rugged instruments for field use to measure river water, groundwater, and waste water.





Process & Environmental Instruments & Systems

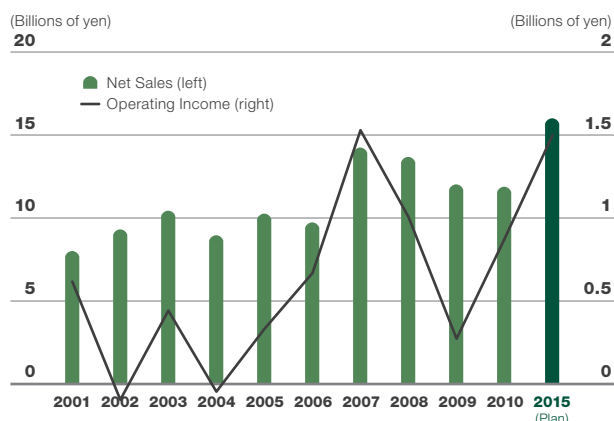
HORIBA
Process & Environmental



Business to support global environment and new energy industries

HORIBA provides analytical and measurement instruments for a wide variety of applications to measure air, water, and soil constituents. We supply these instruments to various industries in today's world of increasing demand for environmental emissions reduction and process monitoring. We play an important role in gas measurement and monitoring of industrial liquid waste in the electric power, steel, and chemical industries as well as energy industries in oil refining, and heavy chemicals; purified water management for medical and semiconductor use; and constant monitoring and control of water quality in the pharmaceuticals, food, and cosmetics fields. In addition, HORIBA's accurate measuring technology helps provide safety in environmental radiological measurement.

Net Sales and Operating Income



Note) HORIBA changed its fiscal year-end from March 20 to December 31, effective from fiscal 2006. (Please refer to Page 4.)

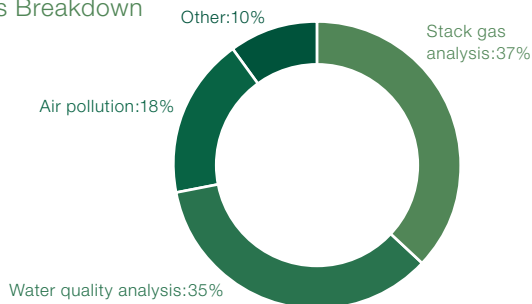
2011: Growing demand in emerging markets and recovery in the general-use market

In 2010, investment in the private sector did not recover significantly, although HORIBA improved profitability in this segment thanks to improved productivity in Japan. In 2011, private-sector investment is expected to remain subdued but we expect to increase sales and earnings because of anticipated demand growth in emerging markets.

New Mid-Long Term Management Plan: Aiming to become No. 1 in the environmental and analytical instrument market

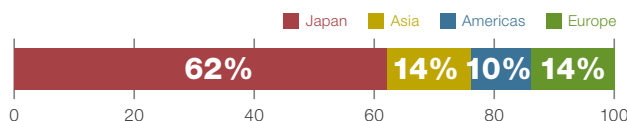
HORIBA is determined to grow in the global environmental analytical instrument market, estimated at ¥150 billion, by utilizing its accumulated know-how and experience in Japan, Europe, and the Americas. We will also expand our market share in the water quality measurement area, by putting pH measuring technology, which has been a HORIBA business since the 1950's, at the core. We expect to grow sales and earnings by establishing a cycle of design, production, and sales in emerging markets.

Sales Breakdown



Measures to address the growing environmental regulation markets in Asia

We will expand our business activity in the promising environmental analytical instrument market in Asia and other emerging regions. In January 2011, we established a base in Vietnam, an area experiencing rapid economic growth. We are preparing to make it a foothold for our business expansion in Southeast Asia.



Target market: Environmental regulation market

Stack Gas Analyzers



HORIBA has a leading market share in Japan in continuous emission monitoring systems used in plants and other facilities that generate gaseous emissions and soot. Our instruments have been highly evaluated for the application design capability of their sampling systems, which are essential in continuous measurement of a variety of gases. The analyzers are used in system applications for power generation, petrochemicals, steel, paper, foods and pharmaceuticals.

Air Pollution Analyzers



HORIBA's air pollution analyzers have won high acclaim in the field as highly reliable analyzers that demonstrate excellent precision and long-term stability at ppb* concentrations. They are used in over 50 countries to monitor air quality by municipal governments and industrial companies.

* ppb:parts per billion.

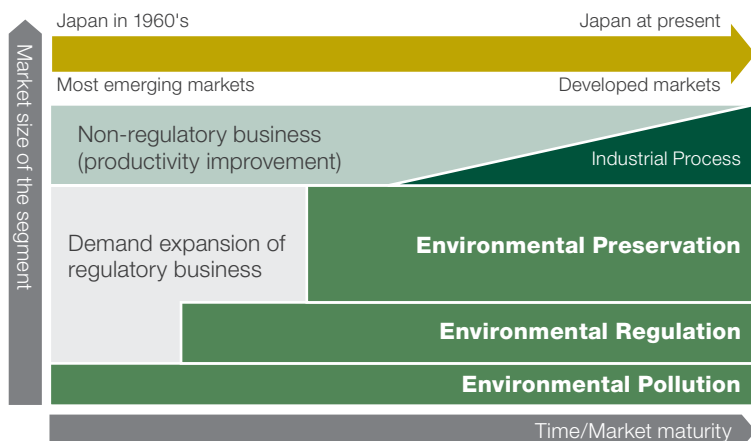
Water Quality Analyzers



HORIBA's products are used for water treatment processes. We have a wide-ranging water quality product line to measure pH, the basic water quality indicator, as well as chemical oxygen demand (COD), total nitrogen, and total phosphorous. They have been highly evaluated by municipalities and companies in such industries as electric power, gas, petrochemicals, steel, paper, foods, and pharmaceuticals.

Business Model

The growth driver shifts from developed markets to regulation business in emerging markets.



Environmental radiation monitor PA-1000

A palm-sized environmental radiation monitor, the PA-1000 accurately measures radiation levels using a scintillation crystal that produces light in the presence of radiation. The PA-1000 is suitable for measuring radiation in work areas or for environmental checking.

Specifications

Suggested sales price: 125,000 yen (before tax)

Operating range: 0.001 – 9,999 micro Sieverts per hour (μSv/h)

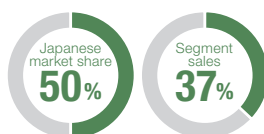
Major Products and Market Shares

Note: Market shares quoted are estimates by HORIBA

Stack Gas Analyzers



These analyzers provide highly sensitive and precise measurements of NO_x, SO₂, CO, CO₂, and O₂ content of gases emitted by boilers and furnaces in thermal power stations. A single unit can simultaneously and continuously measure all five gases. HORIBA has a leading market share in this competitive market with over 50 competitors.

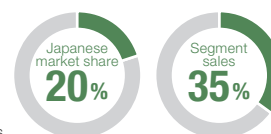


Water Quality Analyzers



The chemical oxygen demand (COD) testing instrument is used to indirectly measure pollution levels in water. In Japan, water quality regulations stipulate maximum concentrations of pollutants in closed marine areas such as Tokyo Bay. Three constituents* are required to be measured by municipalities in charge of ports, lakes, and plant facilities. New regulatory enhancements for these three constituents are currently being considered for inclusion in the seventh water quality regulations due to be enacted in fiscal 2014. This action is expected to lead to an increase in demand for water quality analyzers. HORIBA aims to expand sales efforts in Asia, where regulations similar to Japan's model are expected to be introduced.

*COD, total nitrogen, and total phosphorous



Value Creation Based on Invisible Values

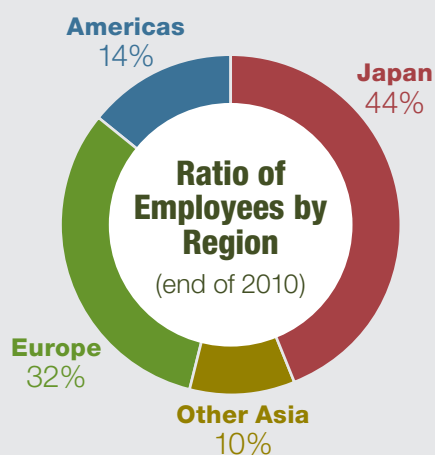
Invisible Values = assets that do not appear in the financial statements

Rationale of Invisible Values

The number of fruit and the value of the harvest are important, but it is more important that the roots are growing strong

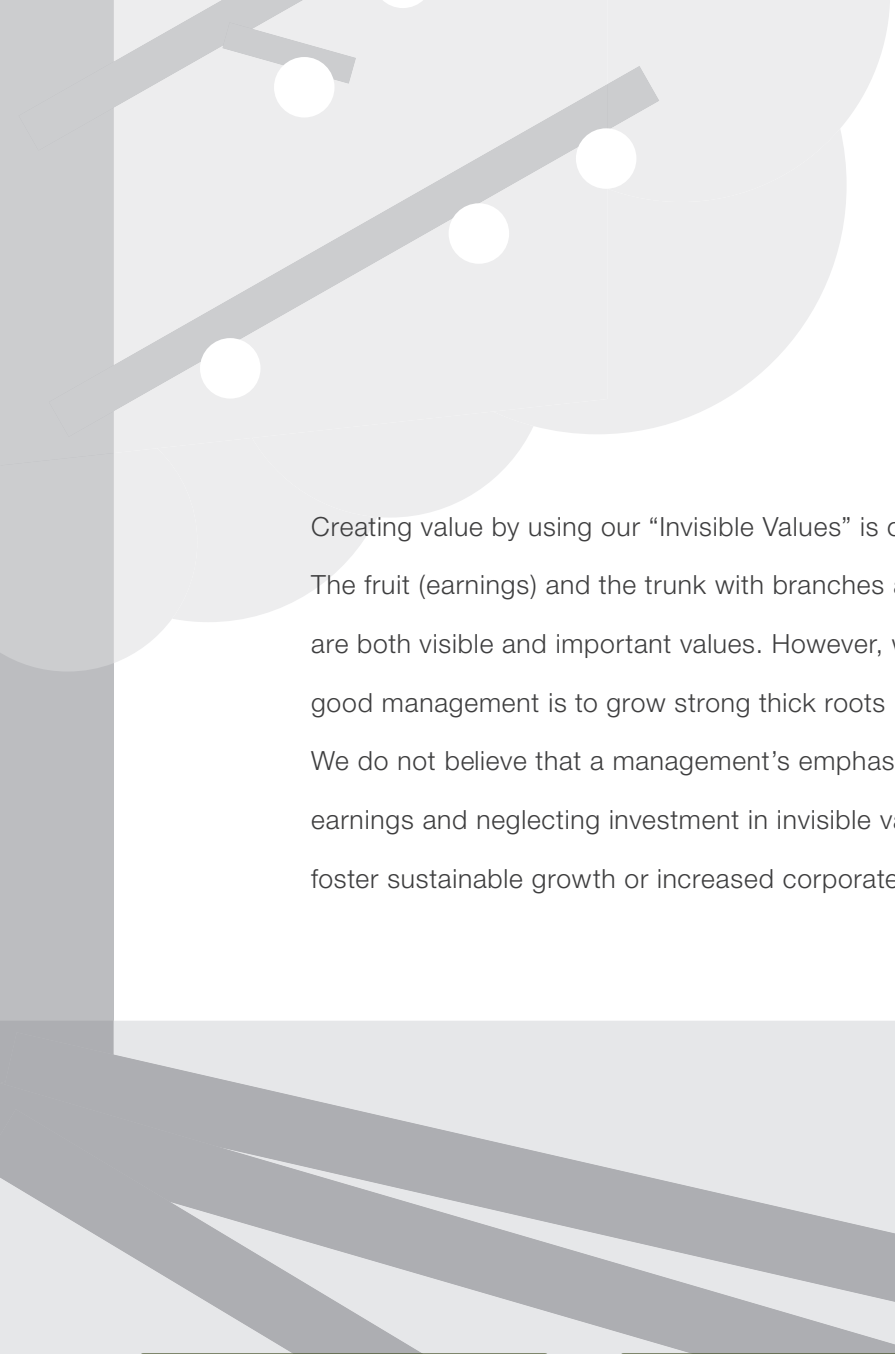
Human Resources

A core objective of acquisitions is to acquire highly competent human resources. Constructive acquisitions have raised HORIBA's ratio of non-Japanese employees to 56%. This high ratio was not achieved by pursuing low-cost overseas labor forces. In fact, HORIBA acquisitions have acquired very talented people, many holding doctorate degrees. This makes us a very unique Japanese company.



Technologies

Technological development is the most important growth driver that will enable HORIBA to achieve the new Mid-Long Term Management Plan targets: ¥150 billion in consolidated net sales and an operating income ratio of 13% or more. We firmly believe that technical development is the lifeline of a manufacturer such as HORIBA. To make an analogy, technical capability is a form of basic physical fitness, which cannot be maintained without continual training and exercise. Using this analogy, HORIBA needs to keep training in order to maintain the power to make a dash forward in the upcoming recovery phase of the economy.



Creating value by using our “Invisible Values” is one of HORIBA’s important management themes. The fruit (earnings) and the trunk with branches and leaves (the balance sheet), are both visible and important values. However, we believe that the essence of good management is to grow strong thick roots (invisible values) in rich soil (corporate culture). We do not believe that a management’s emphasis on maximizing short-term earnings and neglecting investment in invisible values will foster sustainable growth or increased corporate value.

Number of Fruit:
**Earnings of the
Current Fiscal Year**

Roots: **Invisible Assets**
Soil: **Corporate Culture**

Customers

HORIBA helps improve people’s quality of life (QOL) in a sustainable society by supplying products and providing services to customers. In order to achieve this goal, we collaborate with suppliers and group companies in Japan and overseas to improve the quality of our products and services.

Organizational Structures

HORIBA is promoting “One Company Matrix Management” in its global operation in 25 countries. The aim is to enhance our HORIBA brands.

Brands

HORIBA works on growing “invisible assets,” such as human resources, technologies, and its corporate culture. These are the “invisible assets” that become the sources for generating future earnings and enabling enterprise continuity, while achieving numerical targets for net sales, profits, and other indicators. We believe that these efforts are reflected in raising the value of the HORIBA brands.

Value Creation Based on Invisible Values **Human Resources**

Through economic booms and recessions HORIBA has consistently invested in human resources, which are precious “invisible values” of the company.

The foundation for sustainable value creation is the understanding each HORIBA employee has of our corporate culture that is symbolized by “Joy and Fun,” “Open and Fair” and “entrepreneurial spirit” and puts this heritage into practice through his or her assigned tasks. We have established a global personnel development and exchange program to advance personal growth and development for all our employees.

HORIBA COLLEGE Project

Since its opening in February 2009, the HORIBA COLLEGE has hosted close to 70 courses for over 1,300 attendees in the first two years at the “FUN HOUSE” Training center. Our employees teach and learn from each other. Our ultimate objective is to insure HORIBA’s know-how and skills that have been accumulated over 50 years will be inherited by the next generation. Our belief is that the expert knowledge directly linked to our business operations and experiences should be maintained by sharing within the group. Implanting HORIBA’s corporate culture at the same time leads to the effective development of high-quality personnel.

FUN HOUSE (Training center)

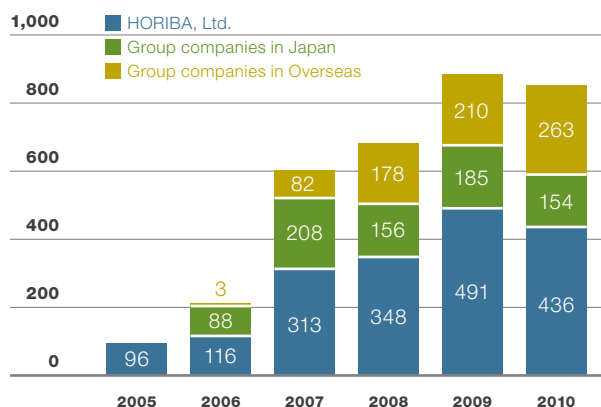
Extended in February 2009



Blackjack Project

Since its launch in 1997, the Blackjack Project (BJ) has been HORIBA’s activity designed to foster innovation in the mind-set and action of all our people. In 2010, approximately one-half of BJ themes completed were from overseas HORIBA Group companies. In recent years, the number of registered themes from the overseas group companies has grown nicely. Starting in 2007, a BJ World Cup competition to select the best themes has been held every year. BJ plays an important role in sharing our corporate culture, experiences, and knowledge.

Registered Themes of Blackjack Project



HORIBA Brand Book

HORIBA published the “HORIBA Brand Book” in 2007 to preserve and cultivate HORIBA’s corporate culture while expanding global business. The Book is like a bible that tells the origin of the HORIBA Brand, lessons which employees reaffirm, share, and convey to others. This is distributed to all group and newly-hired employees.

The Book contains the story behind the corporate motto “Joy and Fun” and messages contributed by 36 employees. It is published in six languages: Japanese, English, French, German, Chinese, and Korean.



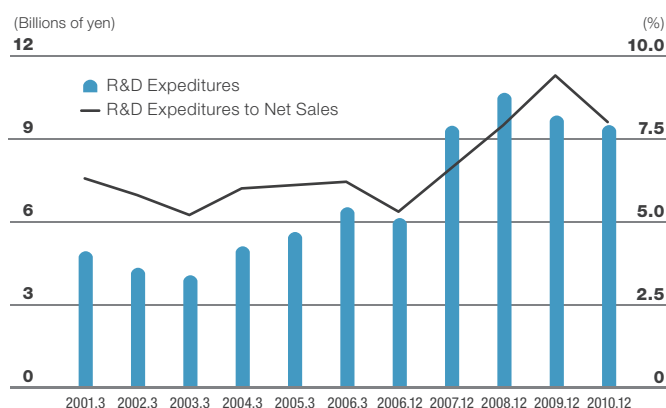


Value Creation Based on Invisible Values Technology

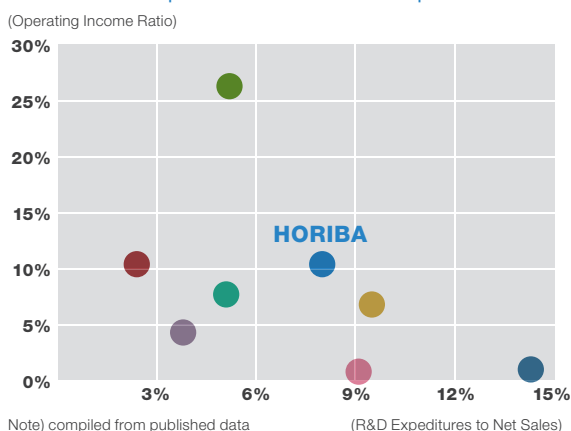
Technical Development will Accelerate Further Growth

The development of basic technologies and product technologies is the lifeline of HORIBA as an analytical equipment manufacturer. Based on the strategy of maintaining R&D investment at 7-8% of sales, we have continued to invest during economic downturns, while our competitors have reduced their investments. This strategy has boosted our market share during subsequent recovery phases. In 2009-2010, our sales declined sharply, but we maintained the same level of R&D investment. We firmly believe this investment will contribute to our future growth. HORIBA aims to improve the efficiency of our R&D investments and realize a higher operating income ratio.

R&D Expenditures and R&D Expenditures to Net Sales

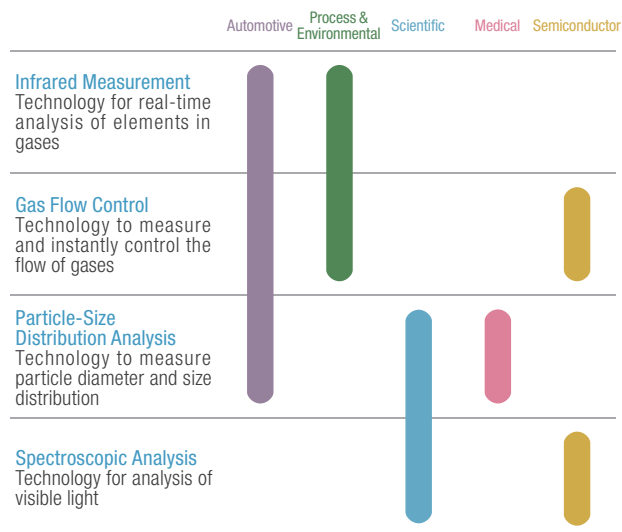


Operating Income Ratio and R&D Expenditures to Net Sales comparison with other companies



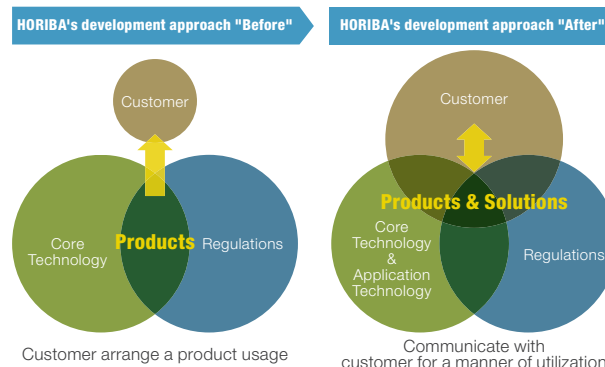
From Core Technology to Product Development

HORIBA allocates development resources to be focused in areas of analysis and measurement technology, and uses this core technology to develop superior applications. This leads to efficient development of advanced products by our five business segments, each of which serves different markets.



Accelerate Development of Unexploited Applications

A unique point of HORIBA's technology development is that the basic technology in analysis of four forms of matter (solids, liquids, gases, and powders) is utilized in all five business segments. We believe there are still unexploited applications within our five business segments. We plan to pursue development of these new applications and propose new business models. Our potential should continue to expand when we collaborate with our customers in technology development. What we need most is speed in getting new products to market. We believe that the recent organizational changes will accelerate the pace of development.



What HORIBA, Ltd. aims for with Organizational Change

The Research & Development Division of HORIBA, LTD. plays an important role in the recent organizational change. Dr. Masayuki Adachi, General Manager of the Division, answered questions about objectives of the change.

What is the concept of the recent organizational change?

The Research and Development Division, where operations were previously separated by business segment, has been reorganized by function so that inter-segment expertise is shared among all segments, and capability to provide new solutions is enhanced.

What are specific changes you are expecting?

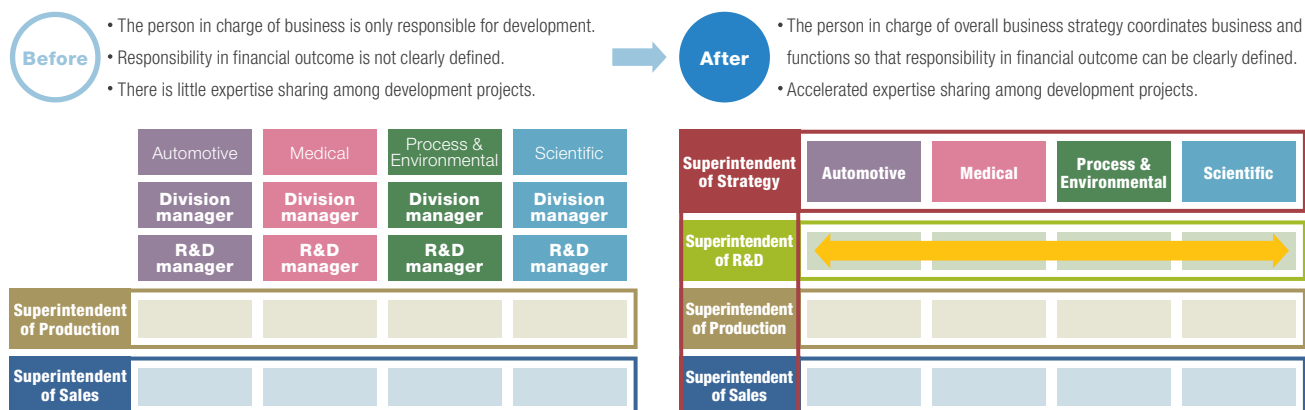
We established an Application Development Center where 123 scientists and engineers are engaged in development and verification of new products. We will become more conscious of our customers' expectations of our products. Our smaller, agile units of people will be closer to our customer base and easier to capture their needs in product development, instead of being distant and simply responding to customers' specifications. We will utilize HORIBA's hardware, software, and application technologies to

provide solutions which bridge HORIBA's applications expertise to our customers' needs.

What kind of effects can be expected?

Only a few months have passed since this organizational change but some effects are already emerging. More seeds for future application have been found as a result of our development engineers visiting customers. This is new and different from the past when mainly our sales and service people visited customers. Our engineers have now begun to think that their job is more than simply satisfying customer specifications. They are beginning to think more about and be more sensitive to what is happening at users' site, beyond what is written in a specifications document. The application know-how accumulated in each business segment is now consolidated into a shared asset. I believe this will make a huge difference going forward.

Outline of the Organizational Change for Enhancement of HORIBA, Ltd.



Dr. Masayuki Adachi

Dr. Masayuki Adachi joined HORIBA, Ltd. in 1985, and has been engaged in research and development of emission measurement systems, which included an assignment at the University of California Irvine Combustion Laboratory. As the Segment Leader of the Automotive Test Systems segment in 2004-2006, he was involved in the acquisition of the MCT business of Carl Schenck AG (Germany). He served as President of HORIBA International Corporation (U.S.) in 2007-2010. He was appointed as Senior Corporate Officer in 2010, and as General Manager of the Research & Development Division of HORIBA, Ltd. in 2011. He has a doctorate in engineering.



Corporate Governance

Corporate Governance Philosophy

HORIBA fully recognizes the importance of its shareholders as the company's owners. Since the 1950's, when Japanese corporations paid little attention to corporate governance, HORIBA has pledged to conduct its corporate affairs by the following policies which focus on our responsibility to the company's owners based on the corporate motto, "Open and Fair."

Appointment of External Directors and Corporate Auditor

To avoid managing with an introverted approach, HORIBA has always appointed directors and corporate auditors from outside the company. This practice started with the company's origin in 1953 and has been continued through to the present day.

Open General Meetings of Shareholders

Since its initial stock listing in 1971, HORIBA has encouraged all shareholders (whom we frequently call owners) to attend the annual General Shareholders Meeting. These meetings are held on Saturdays to facilitate public attendance. Since 2005, an informal get-together event has been held afterwards to enable shareholders to talk directly with the management.

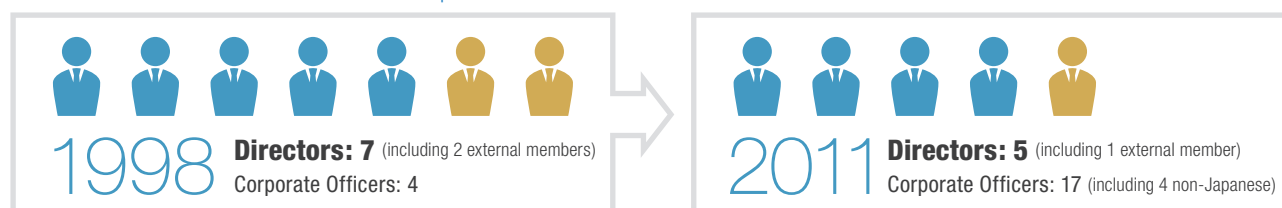
Implementing a Dividend Policy that Emphasizes Shareholder Returns

HORIBA was the first listed Japanese company to start paying shareholder dividends based on a predetermined payout ratio (30% of parent company's net earnings); this practice started in 1978 and has paid dividends without interruption for 32 years.

Adoption of a Corporate Officer System

Since 2005, HORIBA has decreased the number of directors to five members to prevent the Board of Directors meetings from becoming inflexible and to ensure lively, in-depth discussion. In addition, we introduced a corporate officer system in 1998 to augment managerial capability. HORIBA now has 17 corporate officers, including four non-Japanese. In April 2010, we invited Dr. Jai Hakhu, who had served on the board of a prominent overseas company, to become a corporate officer. We are expecting his contribution to be extremely valuable, particularly in implementing the new Mid-Long Term Management Plan and our business expansion in the U.S. market.

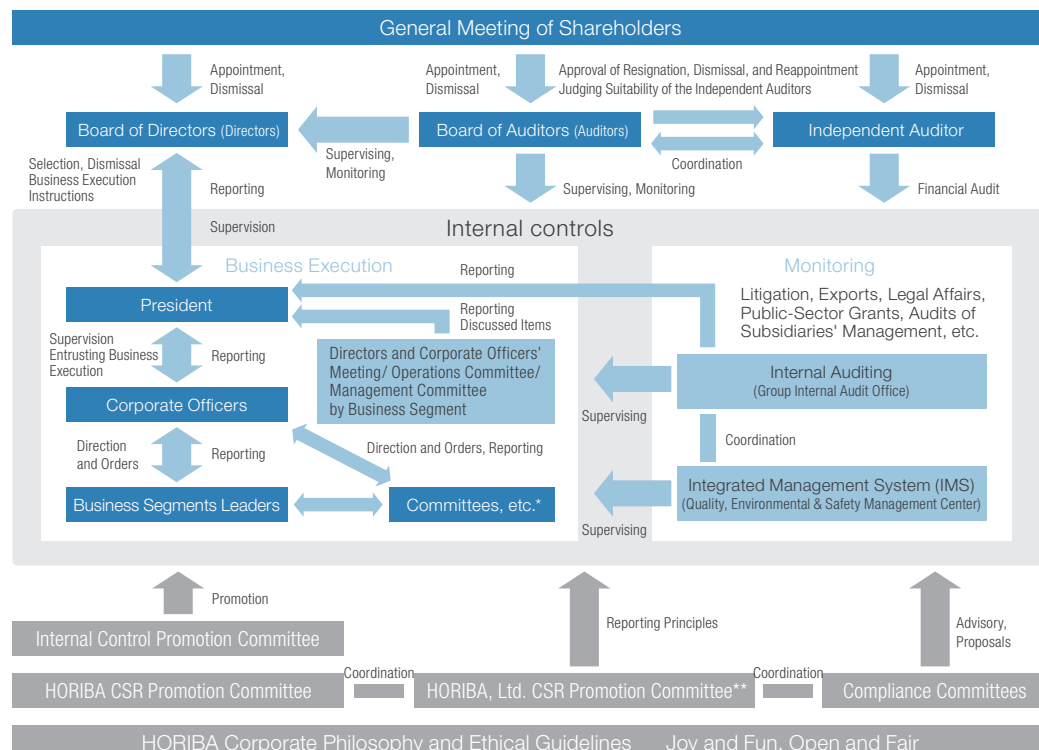
The number of Board of Directors and Corporate Officers



(As of April 1, 2011)

Board of Directors and Auditors			Corporate Officer	
Chairman, President & CEO	Atsushi Horiba		Executive Corporate Officer	Dr. Jai Hakhu
Executive Vice President	Dr. Kozo Ishida		Senior Corporate Officer	Dr. Michel Mariton
Managing Director	Fumitoshi Sato			Dr. Masayuki Adachi
Director	Juichi Saito			Sunao Kikkawa
Director (External)	Masahiro Sugita	Auditor of MSD K.K.		Takashi Nagano
		Auditor of 77 Bank Ltd.		Dr. Kiyoaki Hara
Auditor	Hiroshi Tajima		Corporate Officer	Rex Tapp
Auditor (External)	Kanji Ishizumi	President of the Law Offices of		Bertrand de Castelnaud
		Chiyoda Kokusai, Attorney at Law		Atsushi Nakamine
Auditor (External)	Keisuke Ishida	Chairman of the Board, CEO, Shashin Kagaku Co., Ltd.		Yuichi Muroga
		Chairman of the Board, SK-Electronics, Co., Ltd.	Junior Corporate Officer	Tsukasa Satake
				Narihiro Oku
				Hiroshi Kawamura
				Tadao Nakamura
				Kenichi Otori
				Seiji Usui
				Yasuo Yamashita

Corporate Governance Structure Chart



* Committees, etc. refer to committees and conferences that are established and registered based on the "Regulations concerning conferences and committees," such as the Promotion Committee for Management of Business with Public Subsidies and the Safety and Health Committee.

** The CSR Promotion Committee decides on the CSR Policy and priority measures and organizes CSR-related specific activities. In addition, it discusses and approves the issues and the measures concerning the promotion of risk management.

An External Director's views on HORIBA's corporate governance

1 The Board meetings

I am delighted to attend HORIBA's Board meetings where lively and constructive small-group discussions are conducted in a casual atmosphere.

2 Personal views on the management

HORIBA's management is always interested in learning what is going on outside the company that may be of importance to it, and is intent on listening to comments and opinions from outside. The managers are excellent in providing the information External Directors need to do their work. I find HORIBA is well equipped with what is needed for internally-driven innovation at this time in particular, when Japanese companies have greater need to innovate themselves.

3 Issues related to corporate governance

HORIBA's management has been aware of corporate governance in managing the company since 1950's. This is quite uncommon for a Japanese company. I believe that corporate governance issues tend to have more than one right answer and answers could differ company by company. And, I think it is important for HORIBA to establish its corporate governance procedures as the company grows so that there can be effective collaboration and organic functioning of all three: full-time directors/officers, external directors, and auditors.



External Director
Masahiro Sugita

Masahiro Sugita served as Director-General of the International Department of the Bank of Japan and Director of the Research Institute of Overseas Investment of the Export-Import Bank of Japan before being appointed as Auditor of the Bank of Japan, a position he held from 1999 to 2003.

In 2003, he began to serve as Outside Auditor (full-time) of Banyu Pharmaceutical Co., Ltd., the former MSD K.K. Since 2006, he has been appointed as an outside director of HORIBA, Ltd. He also serves as an auditor of 77 Bank Ltd.

CSR

Corporate Social Responsibility (CSR) Philosophy and Basic Policy

“Encourage CSR in the Course of Day to Day Operations”

HORIBA's products, supplied by its five business segments, are intimately linked with key challenging issues of our times: energy, human health, global environment, and public safety. With a sense of pride, we will support products and technologies that contribute to building a sustainable society and improving the people's quality of life. This is the essence of HORIBA's CSR activities.

CSR Promotion Structure

Since April 2005, HORIBA has organized the HORIBA CSR Promotion Committee in order to promote CSR-related specific activities. The committee is composed of Dr. Kozo Ishida, Executive Vice President of HORIBA, Ltd., as Chairman, and Directors in charge of CSR of its four major group companies in Japan, as members. It decides on CSR Policy and priority measures. The CSR Promotion Committee of each group company implements these policies and measures, and organizes various social action programs on themes such as on education or environment or in their communities.

CSR Report: Gaiareport

HORIBA has published the "Gaiareport" as an annual environmental and corporate social responsibility report. Our activities on behalf of environmental protection and contribution to society are introduced in the report. Please visit our website for details.

<http://www.horiba.com/gaiareport/>

HORIBA Group CSR Policy

Promote CSR in the Course of Day to Day Operations

HORIBA helps realize a pleasant and happy society by promoting corporate activities based on the key issues of the global environment, human health, public safety and energy.

Key Issues of Fiscal 2010

First Class Quality – Striving to provide First Class Quality

1 : Overall quality improvement

- Raise awareness on safety, manners, and compliance issues
- Reduce risks against breach of compliance issues
- Satisfy corporate legal requirements
- Respond speedily to solve quality issues and other problems

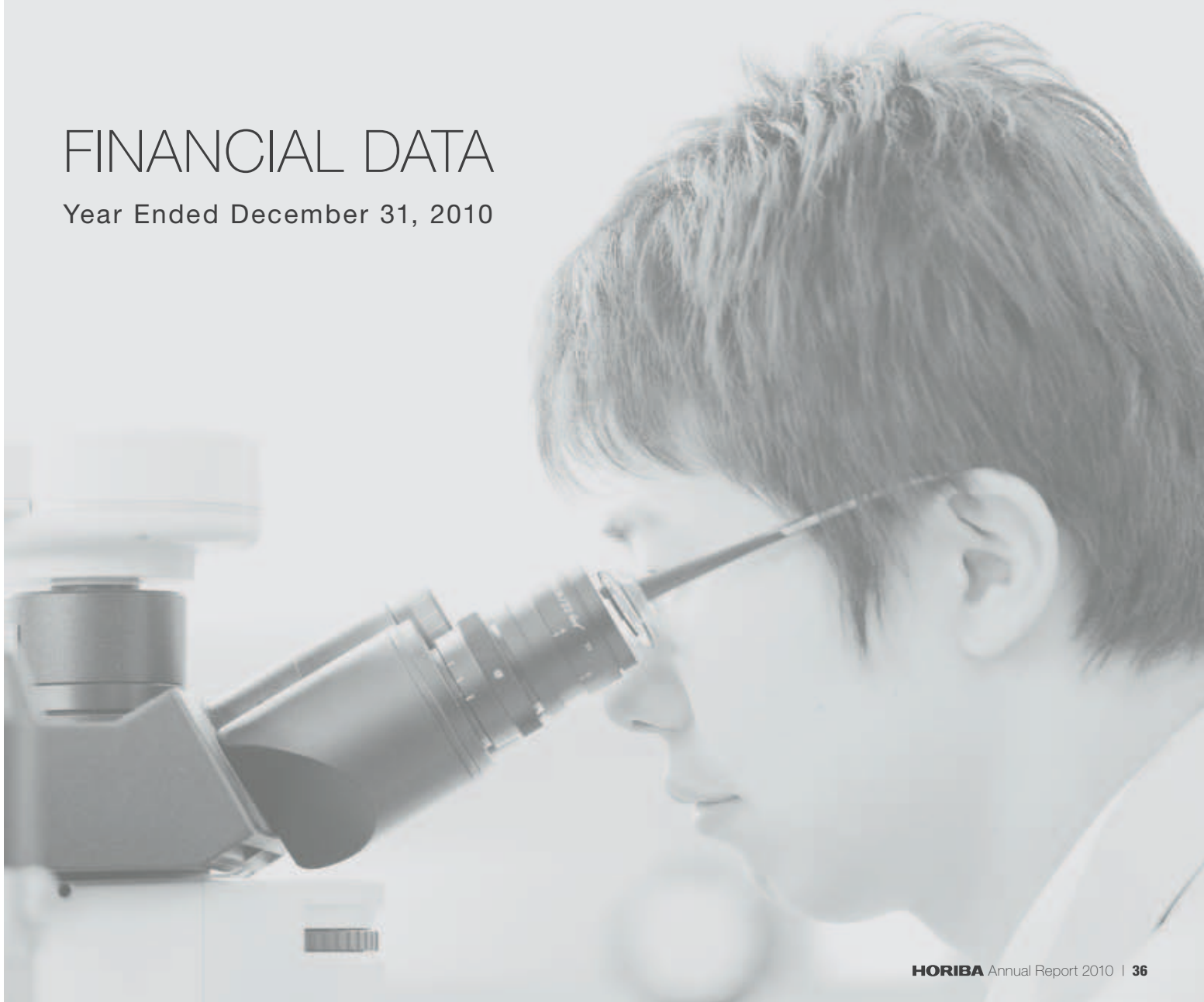
2 : Security enhancement (information, intellectual properties, improving building security, etc.)

3 : Promoting saving of energy and resources



FINANCIAL DATA

Year Ended December 31, 2010



Eleven-Year Summary

HORIBA, Ltd. and Consolidated Subsidiaries

The years ended March 20, 2001 - 2006 and the years ended December 31, 2006 - 2010.

	2001.3	2002.3	2003.3	2004.3	2005.3	
For the Year						
Net sales	¥77,873	¥74,468	¥78,501	¥85,073	¥92,492	
Operating costs and expenses	73,123	71,921	73,027	78,223	83,119	
Operating income	4,750	2,547	5,474	6,850	9,373	
Net income (loss)	1,443	(1,071)	786	2,074	3,524	
Capital expenditures	3,032	3,137	3,444	3,501	3,956	
Depreciation and amortization	3,276	3,381	2,915	3,037	2,944	
Research and development expenses	4,938	4,336	4,044	5,129	5,636	

At Year-End						
Total assets	¥101,006	¥98,766	¥100,542	¥92,657	¥99,913	
Cash and cash equivalents	17,443	16,625	22,061	13,603	16,108	
Trade notes and accounts receivable	Affiliated companies	-	-	-	-	
	Other	31,960	29,622	29,594	29,143	30,595
Inventories	19,503	19,169	18,336	19,402	22,012	
Property, plant and equipment, net	18,541	19,279	19,000	18,841	18,481	
Trade notes and accounts payable	Affiliated companies	79	43	51	58	26
	Other	12,081	7,887	9,147	8,700	11,264
Liabilities with interest	30,545	34,989	33,218	21,460	16,042	
Shareholders' equity	39,796	40,063	40,144	43,348	52,263	
Share price at end of fiscal period (¥)	825	896	765	1,380	1,950	
Number of employees (consolidated)	3,540	3,583	3,691	3,808	3,984	

Per Share Information

Net income (loss) - basic	¥46.43	(¥34.47)	¥22.21	¥62.90	¥98.33	
Net income - diluted	38.75	-	18.31	50.10	83.81	
Net assets	1,280.51	1,293.42	1,293.30	1,350.31	1,415.75	
Cash dividends	8.50	8.50	14.50	10.00	16.00	

Financial Ratios

Operating income to net sales (%)	6.1	3.4	7.0	8.1	10.1	
Return on assets (%)	1.5	(1.1)	0.8	2.2	3.7	
Return on equity (%)	3.7	(2.7)	2.0	5.0	7.4	
Shareholders' equity ratio (%)	39.4	40.6	39.9	46.8	52.3	
Consolidated dividend payout ratio (%)	18.3	-	57.2	15.3	16.5	
Nonconsolidated dividend payout ratio (%)	31.4	30.9	40.8	30.3	41.8	

Notes: The stated amounts have been rounded down to the nearest million yen from fiscal 2009, ended December 31, 2009, but had been rounded off to the nearest million yen prior to that year.

1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥81.49=U.S.\$1, the approximate Tokyo foreign exchange rate as of December 31, 2010.
2. Effective from the year ended March 20, 2002, the revised accounting standards for financial instruments and employees' retirement benefits were adopted. The amounts in prior years have not been restated.
3. Effective from the year ended March 20, 2003, the revised accounting standard for per share information was adopted. The amounts in prior years have not been restated.
4. Effective from the year ended December 31, 2006, the revised accounting standard for presentation of net assets in the balance sheet was adopted. The amounts in prior years have not been restated.
5. For the year ended December 31, 2006, the accounting term for HORIBA, Ltd. and HORIBA Advanced Techno Co., Ltd. was only 9 months and 11 days and that for HORIBA STEC Co., Ltd. was only 9 months as a result of a change in the fiscal year-end to December 31.

	2006.3	2006.12	2007.12	2008.12	2009.12	2010.12
Millions of yen						
	¥105,665	¥116,099	¥144,283	¥134,248	¥104,538	¥118,556
	94,390	104,392	127,753	123,290	99,394	106,256
	11,275	11,707	16,530	10,958	5,144	12,299
	6,473	6,510	8,691	6,039	3,161	7,927
	5,664	5,059	9,336	6,645	4,534	4,033
	3,173	3,246	4,161	4,955	4,573	4,523
	6,553	6,136	9,474	10,662	9,831	9,480

Millions of yen						
	¥119,976	¥129,236	¥154,367	¥133,279	¥129,580	¥137,290
	14,884	15,673	20,565	22,660	27,590	34,459
	-	-	-	63	6	1
	37,408	42,485	45,873	37,330	34,505	36,425
	27,273	30,947	33,734	29,802	23,363	24,843
	20,223	21,700	24,071	23,115	23,602	22,516
	45	44	53	40	52	60
	13,017	14,917	16,792	11,063	10,515	13,423
	13,866	16,224	25,177	20,984	18,348	17,128
	65,446	72,371	80,377	76,829	79,906	84,019
	3,690	4,400	4,100	1,237	2,250	2,303
	4,461	4,697	4,976	5,146	5,133	5,202

Yen (Notes 2, 3, 4, 5, 6)						
	¥154.27	¥154.23	¥205.01	¥142.76	¥74.77	¥187.46
	146.97	153.70	204.39	142.71	74.68	187.11
	1,548.08	1,710.75	1,892.64	1,816.96	1,889.58	1,986.77
	28.00	26.00	39.00	44.00	13.00	17.00

	10.7	10.1	11.5	8.2	4.9	10.4
	5.9	5.2	6.1	4.2	2.4	5.9
	11.0	9.4	11.4	7.7	4.0	9.7
	54.6	56.0	52.1	57.6	61.7	61.2
	18.1	16.9	19.0	30.8	17.4	9.1
	33.8	30.0	30.1	30.0	30.0	30.3

2010.12
Thousands of U.S. dollars (Note 1)
\$1,454,853
1,303,914
150,926
97,275
49,490
55,503
116,333

Thousands of U.S. dollars (Note 1)
\$1,684,746
422,861
12
446,987
304,859
276,303
736
164,719
210,185
1,031,034
U.S. dollars (Note 1) 28.26

U.S. dollars (Note 1)
\$2.30
2.29
24.38
0.20

Computations:

Shareholders' equity = net assets - subscription rights to shares - minority interests

Net income per share (¥) = 100 x (net income – projected bonuses to directors and corporate auditors)*

/ (average number of shares issued and outstanding in the fiscal period, corrected for treasury stock)

Net assets per share (¥) = (shareholders' equity – projected bonuses to directors and corporate auditors)*

/ (number of shares issued and outstanding, corrected for treasury stock)

Operating income to net sales (%) = 100 x operating income / net sales

Return on assets (ROA, %) = 100 x net income / average total assets in prior fiscal period

Return on equity (ROE, %) = 100 x net income / average shareholders' equity in prior fiscal period

Shareholders' equity ratio (%) = 100 x shareholders' equity / total assets

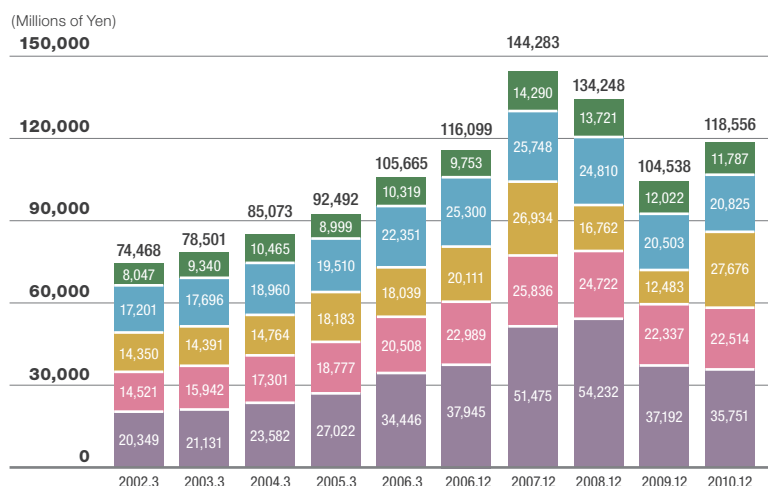
Consolidated dividend payout ratio (%) = 100 x dividends paid / net income (consolidated)

Nonconsolidated dividend payout ratio (%) = 100 x dividends paid / net income (nonconsolidated)

*Directors' and corporate auditors' bonuses from the year ended December 31, 2006 are recognized in selling, general and administrative expenses.

Eleven-Year Summary

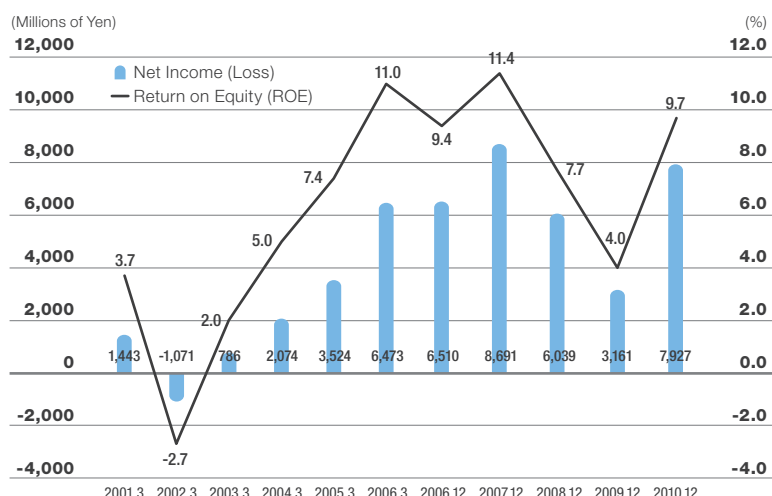
Net Sales by Segment



In fiscal 2010 ended December 31, 2010, the Semiconductor Instruments & Systems segment posted record-high sales and contributed to a recovery in overall sales, while the Automotive Test Systems segment recorded a depressed level of sales. Compared to fiscal 2001 ended March 20, 2002, all segments achieved growth of over 20%, despite significant impacts from changes in foreign exchange rates.

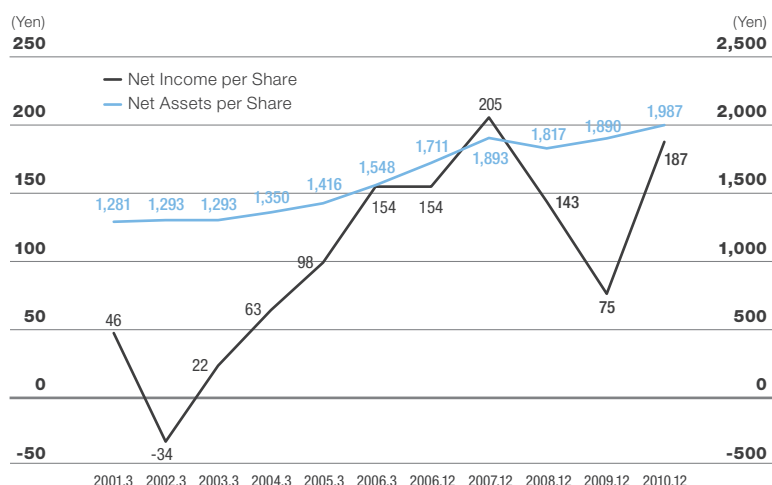
Process & Environmental Instruments & Systems	+46.5%
Scientific Instruments & Systems	+21.1%
Semiconductor Instruments & Systems	+92.9%
Medical-Diagnostic Instruments & Systems	+55.0%
Automotive Test Systems	+75.7%
Total	+59.2%

Net Income and Return on Equity (ROE)



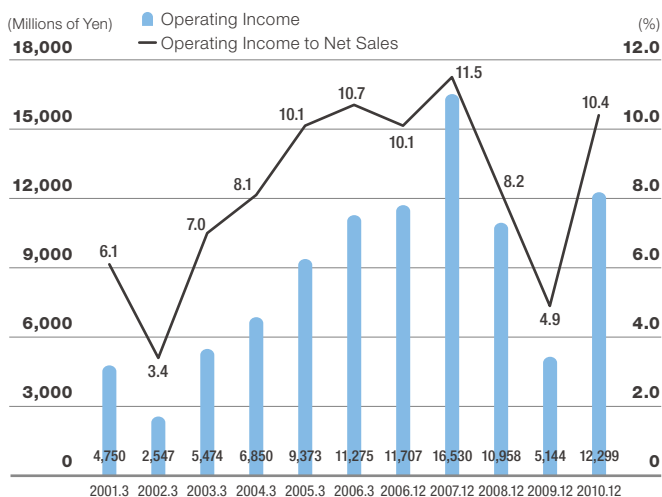
Net income and ROE recovered to ¥7.927 million and 9.7% respectively in fiscal 2010. The amount of net income rebounded from two years of decrease after achieving the target amount of the previous Mid-Long Term Management Plan at the record-high level in fiscal 2007. Cost reduction efforts and improved operational efficiency driven by promotion of shared services resulted in a recovery in net income for the first time in three years.

Net Income per Share and Net Assets per Share

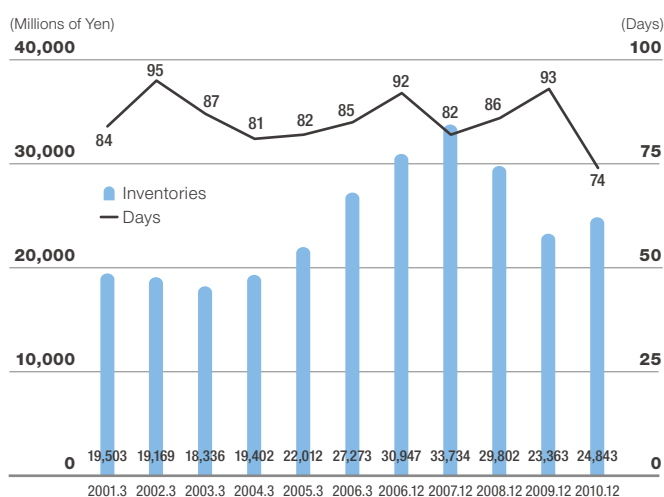


Total assets amounted to ¥137,290 million at the end of December 2010. In fiscal 2010, net assets per share was the record high at ¥1,987, while net income per share has recovered to the second highest amount in the company's history at ¥187.

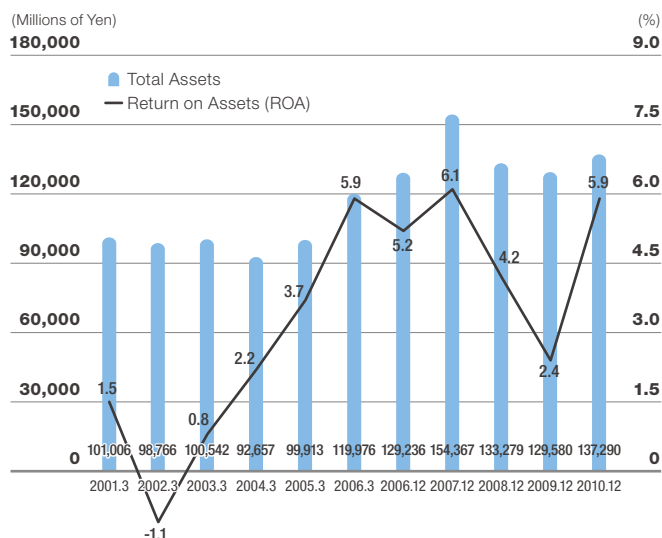
Operating Income and Operating Income to Net Sales



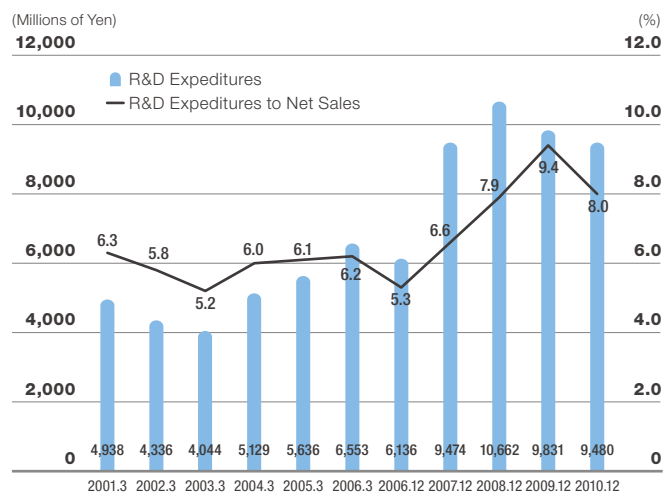
Inventories and Inventory Turnover (Days)



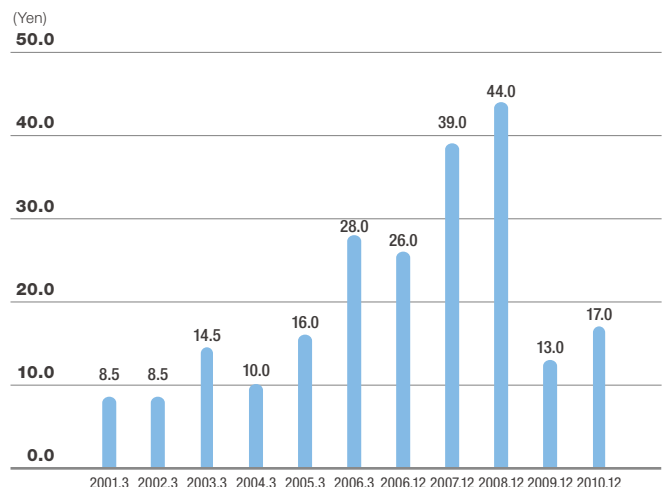
Total Assets and Return on Assets (ROA)



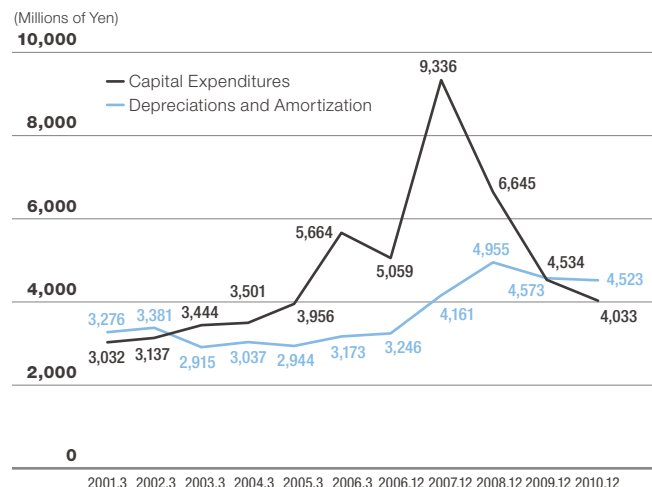
R&D Expenditures and R&D Expenditures to Net Sales



Cash Dividends per Share



Capital Expenditures and Depreciations and Amortization



HORIBA, Ltd. and Consolidated Subsidiaries | Consolidated Financial Review

During the fiscal year ended December 31, 2010 (fiscal 2010), the global economy continued to experience difficulties such as the high level of unemployment. However, it recovered moderately thanks to economic stimulative measures introduced by national governments. The Japanese economy also saw a moderate recovery due to the impact of government economic measures and growth in exports to emerging markets. Unfortunately, the recovery has been stalled since autumn. The deflationary trend has continued, and the employment environment remained challenging. The business environment also remained uncertain and difficult, influenced by factors such as the sharp appreciation of the yen and the financial problems in Europe. In fiscal 2010, the yen appreciated for the second consecutive year by approximately 7% against the U.S. dollar and 12% against the euro, resulting in an annual average rate of 87.79 yen and 116.27 yen, respectively.

In the analytical instruments industry, the anticipated growth in capital expenditures driven by an improvement in profits at automobile manufacturers continued a mild recovery in development investment. In contrast, semiconductor manufacturers increased their capital expenditures, which led to a boom in the market related to semiconductor manufacturing equipment. In the meantime, the general weakening trend in product pricing continued as a result of the strong yen and intensifying competition.

In the face of these economic conditions, HORIBA, Ltd. (“the Company”) and its consolidated subsidiaries (together “the HORIBA Group” or “HORIBA” as a consolidated group) implemented cost reduction measures such as the use of “shared services” (consolidation of common services in several organizations to make them more efficient and specialized) and revisions in the allocation of human resources in order to improve profitability. At the same time, the Semiconductor Instruments & Systems segment expanded production capacity in Japan and overseas in order to timely respond to a growth in demand.

As a result of such measures and focused sales efforts, both consolidated sales and profit of HORIBA increased significantly from the fiscal year ended December 31, 2009 (fiscal 2009).

Net Sales

In fiscal 2010 under review, consolidated net sales increased by ¥14,017 million, or 13.4%, year on year to ¥118,556 million.

Business Segments

Automotive Test Systems

Sales in the Automotive Test Systems segment amounted to

¥35,751 million, down 3.9% year on year. Although sales of emission measurement systems, HORIBA’s major product, were steady in China, India, and other Asian countries due to an increase in investment by local manufacturers, sales were sluggish in Japan, Europe and the United States due to the impact of investment cutbacks in the automotive industry and the appreciation of the yen. By geographic region*2, sales decreased by 2.4% in Japan and other Asian countries, 7.1% in the Americas and 4.3% in Europe.

Analytical Instruments & Systems

Sales in the Analytical Instruments & Systems amounted to ¥32,613 million, up 0.3% year on year. In Europe and the United States, clients’ investments stemming from economic measures introduced by national governments tapered off, and overseas sales declined in value on conversion to yen due to the currency’s appreciation. In contrast, analytical instruments and systems for analysis of cutting-edge materials developed and manufactured in France performed steadily in Japan, supported by the depreciation of the euro. By geographic region*2, sales increased by 3.8% in Japan and other Asian countries, but decreased by 0.7% in the Americas and 5.0% in Europe.

Medical-Diagnostic Instruments & Systems

Sales in the Medical-Diagnostic Instruments & Systems segment increased by 0.8% year on year to ¥22,514 million. However, the strong yen led to a decline in sales revenue on conversion to yen in Europe, where roughly half of the segment sales are generated, but sales of hematology analyzers were brisk in various countries. By geographic region*2, sales increased by 14.2% in Japan and other Asian countries, but decreased 0.8% in the Americas and 3.5% in Europe.

Semiconductor Instruments & Systems

Sales in the Semiconductor Instruments & Systems segment amounted to ¥27,676 million, up 121.7% year on year. Reflecting growth in capital investment by manufacturers of production equipment for silicon semiconductors and light-emitting diodes (LEDs), sales of HORIBA’s main products, namely mass flow controllers and chemical concentration monitors, grew significantly. However, production adjustments by LED manufacturing equipment makers through the fourth quarter caused a slight dip in segment sales. By geographic region*2, sales increased by 96.5% in Japan and other Asian countries, 147.8% in the Americas and 224.3% in Europe.

*2 Geographic segmentation is based on the region where sales occur.

The average foreign exchange rate applied in book closings was ¥87.79 to the U.S. dollar, compared with ¥93.65 for fiscal 2009, and ¥116.27 to the euro, compared with ¥130.35 for fiscal 2009. Using the exchange rates for fiscal 2009, consolidated sales for fiscal 2010 under review would have been ¥124,847 million. Thus, ¥6,291 million in decreased sales can be attributed to the appreciation of the yen.

Cost of Sales, SG&A Expenses, and Operating Income

Consolidated cost of sales increased by ¥7,440 million to ¥66,153 million. The cost of sales ratio improved by 0.4 percentage points from fiscal 2009 to 55.8%, mainly due to improved capacity utilization of the plants that stemmed from an increase in production volume in the Semiconductor-Instruments & Systems. Excluding the ¥2,936 million increase in cost caused by fluctuations in foreign exchange rates, however, the actual cost increase was ¥10,376 million rather than the nominal increase of ¥7,440 million.

Selling, general and administrative (SG&A) expenses decreased by ¥578 million from fiscal 2009 to ¥40,102 million thanks to cost cutting efforts which included fixed cost reduction measures such as the use of "shared services" (consolidation of common services in several organizations to make them more efficient and specialized) and revisions in the allocation of human resources. The ratio of costs to net sales improved by 5.1 points to 33.8%. Contrary to the nominal decrease of ¥578 million, SG&A expenses actually increased by ¥1,531 million when the ¥2,109 million increase caused by fluctuations in foreign exchange rates was excluded.

As a result, consolidated operating income increased by ¥7,155 million, or 139.1%, year on year to ¥12,299 million. The operating income ratio was 10.4%, up 5.5 percentage points from 4.9% in fiscal 2009.

Business Segments

Automotive Test Systems

Operating income in the Automotive Test Systems segment decreased by 9.8% to ¥1,632 million. In addition to a drop in demand associated with a cutback in capital spending by the automotive industry in Japan, Europe and the United States, profits deteriorated due to the strength of the yen. In addition, the segment was affected by margin deterioration in Europe caused by the Mechatronics (MCT) business acquired from

Germany's Carl Schenck AG in 2005.

Analytical Instruments & Systems

Segment operating income in the Analytical Instruments & Systems increased by 31.3% to ¥1,995 million. Analytical instruments and systems for analysis of cutting-edge materials developed and manufactured in France performed steadily in Japan, supported by the depreciation of the euro. Together with a modest recovery in sales prices, these factors contributed to an improvement in domestic profitability.

Medical-Diagnostic Instruments & Systems

In the Medical-Diagnostic Instruments & Systems segment, operating income surged by 21.8% to ¥2,330 million. In addition to an increase in sales of testing reagents in tandem with the growth of the installed base of instruments, the impact of cost reduction stemming from the restructuring in the United States greatly contributed to profit.

Semiconductor Instruments & Systems

The Semiconductor Instruments & Systems segment recorded operating income of ¥6,340 million (compared to operating loss of ¥98 million in fiscal 2009) thanks to significant increases in the sales of HORIBA's main products in this segment, namely mass flow controllers and chemical concentration monitors.

Net Income

Other income (expenses) improved by ¥334 million from fiscal 2009 to a loss of ¥416 million due in part to a reaction to the posting of a loss on valuation of inventories in accordance with changes in accounting standards in fiscal 2009. Nevertheless, because of the increase in operating income, pretax income increased by ¥7,489 million, or 170.5%, to ¥11,882 million, and net income increased by ¥4,765 million, or 150.7%, to ¥7,927 million.

Financial Position

As of December 31, 2010, total consolidated assets were ¥137,290 million, up ¥7,709 million from December 31, 2009. The main factors contributing to the increase in total assets were an increase of ¥6,868 million in cash and cash equivalents and an increase in sales, which increased trade notes and accounts receivable by ¥1,915 million.

Total consolidated liabilities increased by ¥3,531 million yen from a year ago to ¥53,135 million. The main factors contributing to the increase in total liabilities were an increase in purchasing, which increased trade notes and accounts payable by ¥2,916

HORIBA, Ltd. and Consolidated Subsidiaries | Consolidated Financial Review

million, and an increase in profit, which increased accrued income taxes by ¥2,791 million.

Total consolidated net assets amounted to ¥84,155 million, up ¥4,178 million from a year ago, due mainly to an increase of ¥7,373 million in retained earnings, which more than offset a decrease of ¥3,230 million in foreign currency translation adjustments.

Cash Flows

Cash Flow from Operating Activities

Net cash provided by operating activities amounted to ¥11,964 million, compared to ¥13,711 million provided in fiscal 2009. Contributing factors included an increase of ¥11,882 million in income before tax, while trade notes and accounts receivable increased by ¥4,985 million.

Cash Flow from Investing Activities

Net cash provided by investment activities totaled ¥2,821 million, compared to ¥4,191 million in fiscal 2009, due mainly to payments of ¥3,280 million for the purchase of property, plant and equipment.

Cash Flow from Financing Activities

Net cash used in financing activities amounted to ¥1,028 million, compared to ¥4,722 million in the previous year. This was mainly attributable to cash dividends paid of ¥550 million and repayment of long-term debt of ¥543 million.

As a result, there was a net increase of ¥6,868 million in cash and cash equivalents to ¥34,459 million as of December 31, 2010.

Dividend Policy

HORIBA's basic policy regarding dividends is to maintain its standard payout ratio in which the total dividend payment is equal to 30% of the nonconsolidated net income of the Company. In some cases, a portion of extraordinary gains and/or losses may be excluded from the calculation of the payout ratio. The Company receives a certain proportion of the net income of each group company as a dividend. Thus, although dividend payments to shareholders are computed based on the nonconsolidated net income of the Company, they are in effect made on consolidated earnings. In addition, the Company intends to appropriate internal reserves for retained earnings as working capital for business expansion, capital expenditure and investment in research and development, with the aim of improving corporate value in the medium to long term.

Major Risks

1. Business Risks

(1) Risks Associated with International Business Activities

HORIBA conducts business activities in many countries around the world, including the U.S. and countries in Europe and Asia. Major risks associated with the entry into these overseas markets and conducting business there include sudden shifts in economic conditions or in product supply and demand, sudden changes in retail prices due to competition, changes in laws, regulations and tax systems and social disruptions such as terrorism or war. These risks could affect HORIBA's financial position and business results.

To protect against fluctuations in foreign currency exchange rates, HORIBA promotes local production and supply. HORIBA also employs foreign exchange forward contracts within the limits of its balance of foreign currency denominated receivables and payables to import and export transactions to minimize foreign exchange risks. However, fluctuations in foreign exchange rates could still have an impact when financial statements prepared in local currencies are translated into Japanese yen for the consolidated financial statements, and a major change in foreign exchange rates beyond our estimates could affect our financial condition and business performance.

(2) Changes in Performance or Financial Position Associated with Acquisitions or Alliances

HORIBA has actively promoted corporate acquisitions and alliances to enhance the efficiency and effectiveness of its business operations. HORIBA conducts complete and diligent investigations when making acquisitions and forming alliances in order to avoid any negative impact on earnings and cash flows. However, it is possible that HORIBA's financial condition and business performance could be affected if an acquisition or alliance did not proceed in accordance with initial plans.

(3) Repairs of Facilities Following Natural Disasters and Associated Delays in Delivery, etc.

HORIBA produces products in Japan, Europe (France and Germany), the U.S., Asia (China and South Korea) and other locations. In the case of a major earthquake or other natural disaster, HORIBA may incur substantial costs for repair of manufacturing facilities, etc., or losses may be incurred due to delays in shipments or other factors. Under such circumstances, there would be a possibility of a significant impact on HORIBA's financial condition and business performance.

(4) Risks Associated with Contracts and Transactions

HORIBA enters into various contracts with customers, suppliers and other stakeholders and conducts its business activities based on these contracts. Nevertheless, there is a possibility of claims arising for damages due to different views of performance or a different understanding of business terms between the parties. It is possible that such claims could have a significant impact on HORIBA's financial condition and business performance.

(5) Other Business Risks

In addition to the above mentioned risks, there are risks associated with the breakdown or malfunction of information systems and regulations in the environmental area. These risks could affect HORIBA's financial position and business results.

2. Risks Associated with Development and Production

(1) Compensation for Product Liability

HORIBA conducts optimum quality control for its products and services and strives to maintain the highest standards of reliability. Nevertheless, there is always the possibility of recalls or litigation arising from unforeseen defects. HORIBA carries insurance for product liability, but there can be no guarantee that this insurance would cover the full amount of any unforeseen damages. Such circumstances could have an affect on HORIBA's financial condition and business performance.

(2) Delays in Development of New Products

HORIBA's business field, measuring instruments, is extremely specialized and requires high levels of technical capability. HORIBA, therefore, invests large sums in product development. However, it is possible that expected returns of this investment will not be realized due to unforeseen circumstances.

(3) Risks Concerning Intellectual Property Rights

HORIBA possesses a wide range of intellectual property rights related to the products it manufactures, including patents, trademarks and expertise, which give it superiority in terms of competitiveness. HORIBA exercises all possible caution regarding the management and protection of these intellectual property rights. However, in the case of infringement by a third party, it is possible that HORIBA will be unable to attain its expected earnings. There is also a possibility of disputes over intellectual property rights with other companies. Such disputes could significantly affect HORIBA's financial condition and business performance.

(4) Risks Associated with Fluctuations in Raw Material Prices

HORIBA takes into account the risk of fluctuations in purchasing prices and makes arrangements such as advance purchasing to manage this risk when it is deemed necessary. However, it may require some time for an increase in purchasing prices to be passed on and reflected in selling prices. Such circumstances could significantly affect HORIBA's financial condition and business performance.

3. Financial Risks

(1) Shifts in the Market Price of Securities and Other Assets

HORIBA holds shares in its major alliance partners and other companies as part of its technology and business strategies for the future. Currently, HORIBA's acquisitions and sales of investment securities are carefully inspected by the Board of Directors. Market prices of the shares are reported to top management on a timely basis, and the purpose for holding the investment securities is properly reviewed. If declines in the market price or profitability of land, building or other assets occurred in the future, there could be a negative impact on the financial condition and business performance of HORIBA by application of impairment accounting.

(2) Reversal of Deferred Tax Assets Resulting From Changes in Systems or Accounting Policies

HORIBA considers the deferred tax assets recorded at the end of the current period under review to be fully recoverable with future earnings (taxable income), but it is possible that a reversal of a portion of these assets will be required as a result of systemic changes.

4. Risks by Business Segment

HORIBA consists of four business segments: Automotive Test Systems, Analytical Instruments & Systems, Medical-Diagnostic Instruments & Systems, Semiconductor Instruments & Systems. HORIBA can achieve balanced growth by overcoming each segment's weakness with complementary strengths among all the business segments. Nevertheless, each business segment carries risks associated with fluctuations in its respective operations.

(1) Automotive Test Systems

Emission measurement systems, the main products of the Automotive Test Systems segment, are used by automobile manufacturers, automotive component manufacturers and government agencies, and the setting of legal limits on exhaust

emissions affects demand. It is possible, therefore, that the financial condition and business performance of HORIBA will be significantly affected by future regulations. Furthermore, capital expenditures related to shifts in the automation of automotive test systems could have a significant impact on HORIBA's financial condition and business performance.

(2) Analytical Instruments & Systems

Scientific analysis instruments in the Analytical Instruments & Systems segment are used for R&D and product quality testing, and there are risks that demand may be affected by the R&D budgets of government agencies and the R&D investments and production of private enterprises. In addition, demand for environmental measuring instruments such as analyzers for air pollution and water quality may be affected by changes in environmental regulations and have a significant impact on HORIBA's financial condition and business performance.

(3) Medical-Diagnostic Instruments & Systems

The main products in the Medical-Diagnostic Instruments & Systems segment are hematology analyzers, which target the market for small- and medium-sized equipment used by small- and medium-sized hospitals and medical practitioners. Price competition for these products that is beyond our expectations could have a significant impact on HORIBA's financial condition and business performance.

(4) Semiconductor Instruments & Systems

The main products in this segment are fluid control products for semiconductor manufacturing processes and products that support R&D and quality testing by semiconductor manufacturers. To minimize fluctuations in the semiconductor market, HORIBA makes efforts to shorten lead time and quickly respond to customers' needs. Nevertheless, sharp fluctuations in the semiconductor market and the investments of semiconductor manufacturers could affect the financial condition and business performance of HORIBA.

Consolidated Balance Sheets

HORIBA, Ltd. and Consolidated Subsidiaries
For the years ended December 31, 2009 and December 31, 2010

Thousands of
U.S. dollars
(Note 1)

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	12/2009	12/2010	12/2010
Current Assets:			
Cash and cash equivalents.....	¥27,590	¥34,459	\$422,861
Trade notes and accounts receivable (Note 6)			
Affiliated companies.....	6	1	12
Other.....	34,505	36,425	446,987
Allowance for doubtful receivables.....	(825)	(765)	(9,387)
Marketable securities (Note 4).....	236	101	1,239
Inventories (Note 5).....	23,363	24,843	304,859
Deferred tax assets (Note 14).....	2,080	2,930	35,955
Other current assets.....	2,946	2,127	26,101
Total current assets.....	89,904	100,124	1,228,666
Property, Plant and Equipment (Note 7):			
Land.....	7,153	7,272	89,237
Buildings and structures.....	20,688	19,659	241,244
Machinery, equipment and vehicles.....	13,528	12,315	151,122
Construction in progress.....	156	743	9,117
Other property, plant and equipment.....	12,540	12,335	151,368
Total.....	54,068	52,325	642,103
Accumulated depreciation.....	(30,465)	(29,809)	(365,799)
Net property, plant and equipment.....	23,602	22,516	276,303
Investments and Other Noncurrent Assets:			
Investment securities (Note 4).....	4,398	4,028	49,429
Investments in nonconsolidated subsidiaries and affiliates.....	83	94	1,153
Deferred tax assets (Note 14).....	2,216	2,129	26,125
Allowance for doubtful accounts.....	(133)	(205)	(2,515)
Other investments and other assets.....	2,923	3,231	39,649
Total.....	9,488	9,278	113,854
Intangibles:			
Goodwill.....	293	210	2,577
Software.....	5,727	4,787	58,743
Other intangibles.....	563	373	4,577
Total.....	6,585	5,371	65,909
Total Assets.....	¥129,580	¥137,290	\$1,684,746
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Short-term loans (Note 7).....	¥6,158	¥5,041	\$61,880
Current portion of long-term debt (Note 7).....	720	653	8,013
Trade notes and accounts payable:			
Affiliated companies.....	52	60	736
Other.....	10,515	13,423	164,719
Accounts payable – other.....	8,403	8,540	104,798
Accrued income taxes.....	666	3,458	42,434
Deferred tax liabilities (Note 14).....	24	34	417
Accrued bonuses to employees.....	835	647	7,939
Accrued bonuses to directors and corporate auditors.....	16	106	1,300
Reserve for product warranty.....	898	1,098	13,474
Other current liabilities.....	5,891	4,631	56,829
Total current liabilities.....	34,183	37,695	462,572
Long-term debt (Note 7).....	12,015	11,433	140,299
Deferred tax liabilities (Note 14).....	30	113	1,386
Employees' retirement benefits (Note 8).....	1,675	1,734	21,278
Directors' and corporate auditors' retirement benefits.....	254	248	3,043
Provision for loss on guarantees.....	56	67	822
Provision for compensation losses.....	–	429	5,264
Other noncurrent liabilities.....	1,388	1,413	17,339
Total liabilities.....	49,603	53,135	652,043
Contingent Liabilities (Note 12)			
Net Assets (Note 9):			
Common stock.....	12,011	12,011	147,392
Authorized – 100,000,000 shares			
Issued and outstanding – 42,287,801 shares (excluding treasury stock) at 12/2009			
Issued and outstanding – 42,289,697 shares (excluding treasury stock) at 12/2010			
Capital surplus.....	18,717	18,717	229,684
Retained earnings.....	51,095	58,468	717,486
Treasury stock.....	(811)	(804)	(9,866)
(244,951 shares at 12/2009 and 243,055 shares at 12/2010)			
Net unrealized holding gains on securities.....	932	897	11,007
Foreign currency translation adjustments.....	(2,039)	(5,269)	(64,658)
Subscription rights to shares.....	59	126	1,546
Minority interests in consolidated subsidiaries.....	11	9	110
Net assets.....	79,977	84,155	1,032,703
Total Liabilities and Net Assets.....	¥129,580	¥137,290	\$1,684,746

See the notes to the consolidated financial statements.

Consolidated Statements of Income

HORIBA, Ltd. and Consolidated Subsidiaries

For the years ended December 31, 2009 and December 31, 2010

Thousands of

U.S. dollars

	Millions of yen		Thousands of U.S. dollars (Note 1)
	12/2009	12/2010	12/2010
Net Sales (Note 16)	¥104,538	¥118,556	\$1,454,853
Operating Costs and Expenses (Note 16):			
Cost of sales.....	58,713	66,153	811,792
Selling, general and administrative expenses.....	40,680	40,102	492,109
Total operating costs and expenses.....	99,394	106,256	1,303,914
Operating Income (Note 16)	5,144	12,299	150,926
Other Income (Expenses):			
Interest and dividend income.....	237	185	2,270
Interest expense.....	(664)	(488)	(5,988)
Foreign exchange gains (losses), net.....	90	31	380
Gain on sale of property, plant and equipment.....	7	313	3,840
Loss on sale of property, plant and equipment.....	(7)	(25)	(306)
Loss on disposal of property, plant and equipment.....	(37)	(112)	(1,374)
Loss on impairment of fixed assets (Note 15)	(235)	(40)	(490)
Gain on sales of investment securities.....	7	5	61
Loss on valuation of investment securities	(6)	(203)	(2,491)
Loss on valuation of shares of affiliated companies	(20)	-	-
Loss on valuation of inventories (Note 2(d))	(472)	-	-
Subsidy income.....	100	34	417
Retirement benefits expense (Note 2(m) and 8).....	(110)	-	-
Reversal of allowance for doubtful accounts.....	-	16	196
Office transfer expense.....	-	(68)	(834)
Provision for loss on guarantees.....	(4)	(11)	(134)
Provision for compensation losses.....	-	(299)	(3,669)
Other, net.....	366	245	3,006
Total other expenses, net.....	(750)	(416)	(5,104)
Income Before Income Taxes	4,393	11,882	145,809
Income Taxes (Note 14):			
Current.....	1,388	4,945	60,682
Deferred.....	(155)	(990)	(12,148)
Total income taxes.....	1,233	3,955	48,533
Minority Interests (Losses) in Earnings of Consolidated Subsidiaries	(1)	(0)	(0)
Net Income	¥3,161	¥7,927	\$97,275
	Yen		U.S. dollars
	12/2009	12/2010	(Note 1)
			12/2010
Per Share Information:			
Net income – basic.....	¥74.77	¥187.46	\$2.30
Net income – diluted.....	74.68	187.11	2.29
Cash dividends.....	13.00	17.00	0.20

See the notes to the consolidated financial statements.

Consolidated Statements of Changes in Net Assets

HORIBA, Ltd. and Consolidated Subsidiaries

For the years ended December 31, 2009 and December 31, 2010

Thousands of
U.S. dollars
(Note 1)

	Millions of yen		
	12/2009	12/2010	12/2010
Common Stock			
Balance at beginning of period.....	¥12,006	¥12,011	\$147,392
Issuance of new shares (exercise of stock acquisition rights).....	4	—	—
4,000 shares in 12/2009			
0 shares in 12/2010			
Balance at end of period.....	¥12,011	¥12,011	\$147,392
Capital Surplus			
Balance at beginning of period.....	¥18,712	¥18,717	\$229,684
Issuance of new shares (exercise of stock acquisition rights).....	4	—	—
Balance at end of period.....	¥18,717	¥18,717	\$229,684
Retained Earnings			
Balance at beginning of period.....	¥49,538	¥51,095	\$627,009
Net income.....	3,161	7,927	97,275
Cash dividends.....	(1,479)	(549)	(6,737)
Disposal of treasury stock.....	—	(4)	(49)
Effect of changes in accounting policies applied to foreign subsidiaries.....	(125)	—	—
Balance at end of period.....	¥51,095	¥58,468	\$717,486
Treasury Stock			
Balance at beginning of period.....	(¥810)	(¥811)	(\$9,952)
Purchase of treasury stock.....	(0)	(0)	(0)
431 shares in 12/2009			
204 shares in 12/2010			
Disposal of treasury stock.....	—	6	73
0 shares in 12/2009			
2,100 shares in 12/2010			
Balance at end of period.....	(¥811)	(¥804)	(\$9,866)
Net Unrealized Holding Gains on Securities			
Balance at beginning of period.....	¥463	¥932	\$11,436
Increase (decrease) in net unrealized holding gains on securities.....	469	(35)	(429)
Balance at end of period.....	¥932	¥897	\$11,007
Foreign Currency Translation Adjustments			
Balance at beginning of period.....	(¥3,083)	(¥2,039)	(\$25,021)
Increase (decrease) in foreign currency translation adjustments.....	1,043	(3,230)	(39,636)
Balance at end of period.....	(¥2,039)	(¥5,269)	(\$64,658)
Subscription Rights to Shares			
Balance at beginning of period.....	—	¥59	\$724
Increase (decrease) in subscription rights to shares.....	59	67	822
Balance at end of period.....	¥59	¥126	\$1,546
Minority Interests in Consolidated Subsidiaries			
Balance at beginning of period.....	¥13	¥11	\$134
Increase (decrease) in minority interests in consolidated subsidiaries.....	(1)	(2)	(24)
Balance at end of period.....	¥11	¥9	\$110
Net Assets.....	¥79,977	¥84,155	\$1,032,703

See the notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

HORIBA, Ltd. and Consolidated Subsidiaries
For the years ended December 31, 2009 and December 31, 2010

Thousands of
U.S. dollars
(Note 1)

	Millions of yen		
	12/2009	12/2010	12/2010
Cash Flows From Operating Activities:			
Income before income taxes.....	¥4,393	¥11,882	\$145,809
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization.....	4,573	4,523	55,503
Loss on impairment of fixed assets.....	235	40	490
Increase (decrease) in allowance for doubtful receivables.....	277	165	2,024
Increase (decrease) in employees' retirement benefits.....	44	197	2,417
Increase (decrease) in directors' and corporate auditors' retirement benefits	(641)	(6)	(73)
Increase (decrease) in provision for compensation losses.....	-	429	5,264
Interest and dividend income.....	(237)	(185)	(2,270)
Interest expense.....	664	488	5,988
Foreign exchange losses (gains).....	42	64	785
Loss (gain) on sale of fixed assets.....	0	(287)	(3,521)
Loss on disposal of fixed assets.....	37	112	1,374
Loss (gain) on valuation of marketable securities.....	2	4	49
Loss on valuation of shares of affiliates.....	20	-	-
Loss (gain) on valuation of investment securities.....	6	203	2,491
Loss (gain) on sales of investment securities.....	(7)	(4)	(49)
Decrease (increase) in trade notes and accounts receivable.....	3,576	(4,985)	(61,173)
Decrease (increase) in inventories.....	6,744	(3,689)	(45,269)
Increase (decrease) in trade notes and accounts payable.....	(769)	3,933	48,263
Other, net.....	(2,141)	535	6,565
Subtotal.....	16,821	13,423	164,719
Interest and dividends received.....	253	189	2,319
Interest paid.....	(699)	(503)	(6,172)
Income taxes paid.....	(2,663)	(1,144)	(14,038)
Net cash provided by (used in) operating activities.....	13,711	11,964	146,815
Cash Flows From Investing Activities:			
Increase in time deposits.....	(151)	(655)	(8,037)
Decrease in time deposits.....	3	804	9,866
Increase in time deposits restricted for use.....	-	(262)	(3,215)
Decrease in time deposits restricted for use.....	700	-	-
Payments for purchase of marketable securities.....	(323)	(228)	(2,797)
Proceeds from sale of marketable securities.....	99	456	5,595
Payments for purchase of property, plant and equipment.....	(3,940)	(3,280)	(40,250)
Proceeds from sale of property, plant and equipment.....	282	608	7,461
Payments for purchase of intangibles.....	(487)	(187)	(2,294)
Payments for purchase of investment securities.....	(214)	(101)	(1,239)
Proceeds from sale or redemption of investment securities.....	27	87	1,067
Payments for purchase of investments in newly consolidated subsidiaries.....	(122)	-	-
Other, net.....	(65)	(63)	(773)
Net cash provided by (used in) investing activities.....	(4,191)	(2,821)	(34,617)
Cash Flows From Financing Activities:			
Net increase (decrease) in short-term borrowings.....	(2,157)	(38)	(466)
Increase in long-term debt.....	20	341	4,184
Repayments of long-term debt.....	(872)	(543)	(6,663)
Repayments on finance lease obligation.....	(238)	(237)	(2,908)
Proceeds from exercise of stock acquisition rights.....	9	-	-
Net decrease (increase) of treasury stock.....	(0)	(0)	(0)
Cash dividends paid.....	(1,482)	(550)	(6,749)
Net cash provided by (used in) financing activities.....	(4,722)	(1,028)	(12,615)
Effect of Exchange Rate Changes on Cash and Cash Equivalents.....	133	(1,244)	(15,265)
Net Increase (Decrease) in Cash and Cash Equivalents.....	4,930	6,868	84,280
Cash and Cash Equivalents at Beginning of Year.....	22,660	27,590	338,569
Cash and Cash Equivalents at End of Year.....	¥27,590	¥34,459	\$422,861

See the notes to the consolidated financial statements.

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of HORIBA, Ltd. ("the Company") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

Prior to the year ended December 31, 2009 (fiscal 2009), the accounts of overseas subsidiaries were based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. From fiscal 2009, the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Practical Issue Task Force of the ASBJ No. 18; issued on May 17, 2006) was adopted, and necessary adjustments in preparing the consolidated financial statements were made. The adoption of the new standard had the effect of increasing operating income by 158 million yen and reducing income before income taxes by 20 million yen compared to the amounts that would have been recorded with the previous method. The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Japanese Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

Yen amounts are rounded down to the nearest million. Therefore, total or subtotal amounts do not necessarily correspond with the aggregate of such account balances.

The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at December 31, 2010, which was ¥81.49 to U.S.\$1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be converted into U.S. dollars at this or any other rate of exchange. The U.S. dollars amounts are then rounded down to the nearest thousand.

Certain prior year amounts have been reclassified to conform to the current year's presentation.

2. Summary of significant accounting policies

(a) Principles of consolidation

The consolidated financial statements include the accounts of the

Company and 36 (36 in fiscal 2009) of its subsidiaries ("HORIBA" as a consolidated group). In fiscal 2009, one company became a subsidiary of another subsidiary of the Company as a result of a share acquisition, four subsidiaries were absorbed by another subsidiary of the Company and another subsidiary was liquidated.

The accompanying consolidated financial statements include the accounts of the Company and significant companies over which the Company has control through majority voting rights or certain other conditions evidencing control by the Company. Significant intercompany transactions and accounts have been eliminated in consolidation. In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portions attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiary. Acquisition costs that are in excess of the net assets of acquired subsidiaries and affiliates and cannot be assigned to specific individual accounts are amortized on a straight-line basis over five years.

December 31 is the year-end of the consolidated subsidiaries and matches that of the consolidated financial statements for fiscal 2009 and the year ended December 31, 2010 (fiscal 2010).

One of the Company's subsidiaries is not included in the consolidated accounts as the effect of its inclusion on total assets, sales, income and retained earnings would have been immaterial.

The Company has six affiliated companies. For one of the six affiliates, the equity method was applied. Investments in the other five affiliates (generally 20%–50% ownership) and in one nonconsolidated subsidiary were accounted for on a cost basis, not by the equity method, as the effect on income and retained earnings was immaterial.

(b) Cash and cash equivalents

Cash and cash equivalents include cash on hand, readily available bank deposits, and short-term highly liquid investments that are readily convertible into cash, have insignificant risk of change in value and have original maturities of three months or less from date of purchase.

(c) Securities

Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on the sale of such securities are computed using moving average cost. Available-for-sale securities with no available fair market value are stated mainly at moving average cost.

(d) Inventories

Inventories are valued by the cost method. Cost is principally determined by the weighted average method for merchandise, finished goods and work-in-process and by the moving average method for raw materials and supplies.

Effective January 1, 2009, the Company and its consolidated domestic

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subsidiaries have adopted the “Accounting Standards for Measurement of Inventories” (ASBJ Statement No. 9; issued on July 5, 2006), and standards for inventory valuation have been changed from the conventional cost method to the cost method entailing the writing down of book values based on decreasing profitability with regard to the values on the balance sheet. The adoption of the new standard reduced operating income by 543 million yen and income before income taxes by 1,015 million yen compared to the amounts that would have been recorded with the previous method.

(e) Property, plant and equipment and depreciation (except for leases)

Property, plant and equipment are stated at cost. Depreciation is computed by the straight-line method or the declining balance method over the estimated useful life of the asset. Buildings acquired after April 1, 1998 and the ERP system (server, etc) included in “Other property, plant and equipment” are depreciated by the straight-line method. Other property, plant and equipment are depreciated by the Company and domestic subsidiaries by the declining balance method and by overseas subsidiaries by the straight-line method. The estimated useful lives of buildings and structures range from 3 to 60 years and those of machinery, equipment and vehicles from 2 to 18 years.

In accordance with the revised Corporate Tax Law of Japan, the Company and its consolidated domestic subsidiaries reviewed the estimated useful lives of machinery and equipment. As a result, the estimated useful lives of some machinery and equipment were changed. This change had the effect of reducing both operating income and income before income taxes by 35 million yen for fiscal 2009.

(f) Goodwill

Goodwill, which represents the excess of the purchase price over the fair value of net assets acquired, is amortized on a straight-line basis over a period of five years.

(g) Software

Amortization of computer software used by HORIBA is computed on the straight-line method over the estimated useful life of 3 to 10 years.

(h) Leases

With regard to leased assets under finance leases other than those that are deemed to transfer ownership of the leased property to the lessee, the lease term is deemed to be the useful life, and depreciation is computed by the straight-line method over the lease term with zero residual value. Finance leases other than those that are deemed to transfer ownership of the leased property to the lessee and which commenced in fiscal years beginning prior to January 1, 2009, continue to be accounted for in a way that is similar to the method used for operating leases.

The leased assets under finance leases other than those that are deemed to transfer ownership of the leased property to the lessees are accounted for in the way that is similar to the method used for operating

leases. However, the “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13; originally issued by the Corporate Accounting Council on June 17, 1993 and revised by the ASBJ on March 30, 2007) and the “Guidance on Accounting Standard for Lease Transactions” (ASBJ Guidance No. 16; issued by the Japanese Institute of Certified Public Accountants on January 18, 1994 and revised by the ASBJ on March 30, 2007) became applicable to fiscal years beginning on or after April 1, 2008. The company and domestic subsidiaries adopted this accounting standard and practical guideline starting from January 1, 2009, and the leases have been accounted for by the method used for ordinary sales transactions. The above changes had no impact on operating income or income before income taxes for fiscal 2009.

(i) Allowance for doubtful receivables

The Company and its domestic subsidiaries provide for doubtful accounts principally at an amount computed based on the actual ratio of bad debts in the past plus the estimated uncollectible amounts of certain individual receivables. The overseas subsidiaries provide for doubtful accounts based on estimates made by management.

(j) Accrued bonuses to employees

Accrued bonuses to employees are provided for the expected payment of employee bonuses for fiscal 2010 to those employees employed at the end of the fiscal year.

(k) Accrued bonuses to directors and corporate auditors

Some consolidated subsidiaries provide for accrued bonuses to directors and corporate auditors for the expected payment of director and corporate auditor bonuses for fiscal 2010 to those directors and corporate auditors serving at the end of the fiscal year.

(l) Reserve for product warranty

The reserve for product warranty is provided for accrued warranty expenses for products of the Company and certain subsidiaries. The provision is based on estimates made from actual past experience and product warranty records and takes into account individual cases.

(m) Retirement benefits and pension plans

The Company and some consolidated subsidiaries provide for employees’ severance and retirement benefits based on estimated amounts of projected benefit obligation and the fair value of plan assets.

Actuarial gains and losses are recognized in expenses using the straight-line method over a fixed term of years (5 years), which is within the average of the estimated remaining service years of employees, commencing with the following period. In the Company and some domestic consolidated subsidiaries, prior service costs are recognized in expenses using the straight-line method over a fixed term of years (10 years), which is within the average of the estimated remaining service years of employees, commencing in the period they arise. In some consolidated subsidiaries, they are expensed as incurred.

Effective January 1, 2009, at one domestic consolidated subsidiary,

the method for calculating projected benefit obligation has changed from the simplified method to the “rule method” to more accurately account for retirement benefits. The difference resulting from the change from the simplified method to the “rule method” has been recorded as other expenses of 110 million yen in “Retirement benefits expense” for fiscal 2009. This change had no impact on operating income, but it reduced income before income taxes by 110 million yen for fiscal 2009 compared to the amount that would have been recorded with the previous method.

Effective January 1, 2010, the Company has adopted the “Partial Revisions to Accounting Standard for Retirement Benefits (Part 3)” (ASBJ Statement No. 19, July 31, 2008). This application had no impact on operating income or income before income taxes.

(n) Retirement benefits for the directors and corporate auditors

Some domestic consolidated subsidiaries accrue an amount for retirement benefits for directors and corporate auditors based upon internal rules at the balance sheet date.

Following a resolution by the Board of Directors meeting held on February 17, 2009 to abolish the retirement benefits plan for directors and corporate auditors, the Company resolved at the shareholders meeting held on March 28, 2009 to pay retirement benefits to directors and corporate auditors upon their termination (the actual payment to be made when a director or auditor retires from his post.). As a result, the allowance for directors’ and corporate auditors’ retirement benefits was fully reversed, and the resulting unpaid amount of 654 million yen was included in “Other noncurrent liabilities” for fiscal 2009.

(o) Provision for loss on guarantees

A reserve for loss on guarantees was provided in an estimated amount in relation to an affiliated company after consideration of the Company’s financial position, etc.

(p) Provision for compensation losses

A provision has been made for potential damages arising from an infringement of the Antimonopoly Law, the Company has provided an amount based on its estimate of the potential losses.

(q) Sales and costs of completed construction

Sales and costs of completed construction were recorded using the percentage of completion method when the progress of the construction up to the end of fiscal 2010 was deemed certain (estimates of the ratio of completion of construction work are based on the cost-to-cost method). In the case of other construction, sales and costs were recorded based on the completed contract method.

With regard to the standards for recording income related to contract work, the Company previously applied mainly the completed contract method. Since fiscal 2010, however, the Company has applied the “Accounting Standard for Construction Contracts” (ASBJ Statement No. 15, December 27, 2007) and the “Guidance on Accounting Standard for Construction Contracts” (ASBJ Guidance No. 18, December 27,

2007). Accordingly, starting with construction contracts that commenced during fiscal 2010, the Company has applied the percentage of completion method with estimates of the progress based on the percentage of the cost incurred to the estimated total cost when the progress of the construction up to the end of fiscal 2010 was deemed certain. In the case of other construction, the completed contract method has been applied. This application had no impact on operating income or income before income taxes.

(r) Foreign currency translation

Short-term and long-term receivables and payables in foreign currencies are translated into Japanese yen based on exchange rates at the balance sheet date.

Balance sheet accounts of consolidated foreign subsidiaries are translated into Japanese yen at the balance sheet date, except for shareholders’ equity accounts, which are translated at historical rates. Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at average annual exchange rates. Differences arising from the application of the process stated above are separately presented in the consolidated financial statements in “Foreign currency translation adjustments” and “Minority interests” in net assets.

(s) Derivatives

Derivative financial instruments are stated at fair value, and changes in the fair value are recognized as gains or losses, unless the derivative financial instruments are used for hedging purposes. HORIBA uses foreign currency exchange contracts to manage risk related to its importing and exporting activities. The use of foreign currency exchange contracts is limited to the amounts of HORIBA’s foreign currency denominated receivables and payables. HORIBA also uses interest rate swap contracts to avoid the risk of rising interest rates. Contracts are entered into and controlled by the finance department, which reports results to the Director. Transactions involving derivative contracts are limited to highly rated banking institutions, and HORIBA considers that there are no material credit risks associated with them.

(t) Research and development expenses

Research and development expenses are charged to income when incurred. Research and development expenses charged to income for fiscal 2009 and fiscal 2010 were ¥9,831 million and ¥9,480 million (\$116,333 thousand), respectively.

(u) Income taxes

Income taxes comprise corporate tax, enterprise tax, and prefectural and municipal inhabitants taxes.

HORIBA recognizes the tax effects of loss carryforwards and the temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting. The provision for current income tax is computed based on the pretax income included in the consolidated

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statements of income.

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The Company and its consolidated domestic subsidiaries have received approval from the Commissioner of the National Tax Agency of Japan to adopt the consolidated taxation system effective for the fiscal year ending December 31, 2011 (fiscal 2011). From fiscal 2010, accounting treatment and presentation regarding deferred taxes has been based on the “Practical Solution on Tax Effect Accounting under the Consolidated Taxation System (Part 1)” (ASBJ PITF No. 5), and the “Practical Solution on Tax Effect Accounting under the Consolidated Taxation System (Part 2)” (ASBJ PITF No. 7) under the assumption that the Company would adopt the consolidated taxation system.

(v) Per share information

The computations of net income per share are based on the weighted average number of shares of common stock outstanding during each period. The weighted average number of shares of common stock used in the computation for fiscal 2009 and fiscal 2010 were 42,287 thousand and 42,289 thousand, respectively. Diluted net income per share of common stock assumes full conversion of dilutive convertible bonds at the beginning of the year or at the later date of issuance, with an applicable adjustment for related interest expense, net of tax and dilutive stock option plans. The weighted average number of shares used in the computation for fiscal 2009 and fiscal 2010 was 42,340 thousand and 42,368 thousand, respectively.

Cash dividends per share shown in the consolidated statements of income represent actual amounts applicable to earnings in the respective fiscal year, including dividends to be paid after the end of the period.

3. Financial instruments

(1) Overview of financial instruments

Management policy

The HORIBA Group carries out fund management with an emphasis on security and procures funds mainly through bank borrowings and bond issuances. Derivatives are used to manage foreign exchange fluctuation risk and interest rate fluctuation risk in monetary credits and liabilities related to foreign currency-denominated transactions, and it is HORIBA's policy not to engage in speculative transactions.

Financial instruments, risks and risk management

Notes receivable and accounts receivable, which are operating receivables, are exposed to the credit risk of customers. HORIBA endeavors to reduce this risk by conducting due date control and balance control and also by attempting to promptly recognize collection concerns stemming from such factors as a deterioration in the financial condition of a customer.

Most notes payable and accounts payable, which are operating payables, have payment due dates within one year. Some operating receivables and payables are denominated in foreign currencies and are exposed to foreign exchange fluctuation risk. However, HORIBA endeavors to reduce this risk by offsetting foreign currency-denominated operating receivables and payables and by using forward exchange contracts, etc.

Marketable securities are mainly short-term investments with high liquidity such as negotiable deposits. Investment securities are mainly shares of companies that have a business relationships with HORIBA and are exposed to market value fluctuation risk. However, when acquiring or selling shares with a certain value or more, the Board of Directors considers the details of the transactions and HORIBA endeavors to reduce any risk by ensuring that the market value information regarding the shares is reported to the management team in a timely manner.

Short-term loans are mainly for financing related to operating transactions, while long-term loans and corporate bonds are mainly for financing related to plan and equipment funds and working capital.

Trade liabilities and loans are exposed to liquidity risk, but HORIBA endeavors to reduce this risk by using methods such as the preparation of cash flow plans.

Regarding derivative transactions, HORIBA conducts exchange agreement transactions within the limit of the balance of foreign currency denominated receivables and payables, and also conducts interest rate swap transactions aimed at avoiding interest rate fluctuation risk within the limit of the balance of borrowings. HORIBA's policy is not to engage in speculative transactions. In addition, HORIBA endeavors to reduce risk stemming from the debt default of counterparties by conducting transactions with financial institutions that have high credit ratings.

Supplementary explanation of the estimated fair value of financial instruments

The market value of financial instruments includes value based on market prices and amounts rationally calculated when there are no market prices available. As HORIBA incorporates variable factors when making these calculations, the amounts may change due to the adoption of different assumptions. Furthermore, with regard to contract amounts related to derivative transactions in the Notes to Consolidated Financial Statements item "Derivative transactions", the amounts do not indicate the market risk associated with derivative transactions themselves.

(2) Fair value of financial instruments

The book value and fair value of financial instruments and any difference between the two as of December 31, 2010 are set forth in the table below.

Financial instruments whose fair value was extremely difficult to estimate are not included (See Note 2).

	Millions of yen			Thousands of U.S. dollars		
	12/2010			12/2010		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Assets:						
(1) Cash and time deposits.....	¥26,958	¥26,958	—	\$330,813	\$330,813	—
(2) Trade notes and accounts receivable.....	36,427	36,427	—	447,011	447,011	—
(3) Marketable securities and investment securities						
Available-for-sale securities.....	11,452	11,452	—	140,532	140,532	—
Total.....	¥74,838	¥74,838	—	\$918,370	\$918,370	—
Liabilities:						
(1) Trade notes and accounts payable.....	¥13,484	¥13,484	—	\$165,468	\$165,468	—
(2) Short-term loans.....	5,575	5,575	—	68,413	68,413	—
(3) Accounts payable – other.....	8,540	8,540	—	104,798	104,798	—
(4) Accrued income taxes.....	3,458	3,458	—	42,434	42,434	—
(5) Bonds.....	10,000	10,478	478	122,714	128,580	5,865
(6) Long-term loans.....	1,195	1,195	(0)	14,664	14,664	(0)
Total.....	¥42,253	¥42,731	¥478	\$518,505	\$524,371	\$5,865
Derivative transactions.....	(64)	(64)	—	(785)	(785)	—

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Note 1. Method for calculating the fair value of financial instruments and notes regarding securities and derivative transactions.

Assets

- (1) Cash and time deposits and (2) Trade notes and accounts receivable

As these are settled in the short term, market value approximates book value and is therefore based on the applicable book value.

- (3) Marketable securities and investment securities

Market value for these is based on prices on securities exchanges in the case of shares, etc. For bonds, market value is based on prices on securities exchanges or prices indicated by corresponding financial institutions. For marketable securities classified by the purpose for which they are held, see "Marketable Securities."

Liabilities

- (1) Trade notes and accounts payable, (2) Short-term loans, (3) Accounts payable – other and (4) Accrued income taxes

As these are settled in the short term, market value approximates book value and is therefore based on the applicable book value.

- (5) Bonds

Market value for bonds issued by HORIBA Group has been calculated based on market prices.

- (6) Long-term loans

Borrowings based on variable interest rates reflect market interest rates, and as the creditworthiness of HORIBA Group has not changed significantly since execution, market value is considered to approximate book value and is therefore based on applicable book value. The value of borrowings with fixed interest rates is based on the total amount of principal and interest discounted it at an interest rate of a similar new loan.

Derivative transactions

See Note 13 for derivative transactions

Net receivables (payables) derived from derivative transactions are displayed in the table above. Total net payables are showed in parenthesis.

Note 2. The following table summarized financial instruments whose fair value is extremely difficult to estimate.

	Millions of yen 12/2010	Thousands of U.S. dollars 12/2010
Non-listed equity securities.....	¥214	\$2,626
Investments in nonconsolidated subsidiaries and affiliates.....	94	1,153

The above financial instruments are not included in "(3) Marketable securities and investment securities" because they do not have market values, and the fair value is extremely difficult to estimate.

Note 3. Repayment schedule of monetary claims, available-for-sales securities with maturity and bond holds to maturity.

	Millions of yen 12/2010			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Time deposits.....	¥26,958	–	–	–
Trade notes and accounts receivable.....	36,427	–	–	–
Marketable securities and investment securities				
Available-for-sale securities with maturities				
(1) Bonds.....	101	–	–	–
(2) Other.....	0	3	0	–
Total.....	¥63,487	¥3	¥0	–
	Thousands of U.S. dollars 12/2010			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Time deposits.....	\$330,813	–	–	–
Trade notes and accounts receivable.....	447,011	–	–	–
Marketable securities and investment securities				
Available-for-sale securities with maturities				
(1) Bonds.....	1,239	–	–	–
(2) Other.....	0	36	0	–
Total.....	\$779,077	\$36	\$0	–

Note 4. Repayment schedule of bonds and long-term borrowings

See Note 6 for short-term loans and long-term debt

Additional information

From fiscal 2010, the Company has applied the "Accounting Standard for Financial Instruments and its Implementation Guidance" (ASBJ Statement No. 10, March 10, 2008) and "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 10, 2008).

4. Securities

The following table summarizes acquisition costs and book values (fair values) of available-for-sale securities with available fair values at December 31, 2009.

Millions of yen			
12/2009			
	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Equity securities.....	¥1,223	¥3,013	¥1,789
Corporate bonds.....	100	101	1
	1,323	3,114	1,791
Securities with book values not exceeding acquisition costs:			
Equity securities.....	1,357	1,049	(308)
	1,357	1,049	(308)
Total.....	¥2,681	¥4,163	¥1,482

The following table summarizes available-for-sale securities sold for the year ended December 31, 2009.

Millions of yen	
12/2009	
Total sales of available-for-sale securities.....	¥114
Related gains.....	7
Related losses.....	(0)

The following table summarizes book values of securities with no available fair values as of December 31, 2009.

Millions of yen	
12/2009	
Available-for-sale securities:	
Non-listed equity securities.....	¥222
Limited partnerships for investment.....	7
Other.....	83
Total.....	¥313

Available-for-sale securities with maturities and held-to-maturity debt securities at December 31, 2009 mature as follows:

Millions of yen			
12/2009			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years
Bonds			
Government bonds.....	¥0	¥2	¥0
Corporate bonds.....	–	101	–
Other.....	0	0	–
Total.....	¥0	¥104	¥0

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The following table summarizes acquisition costs and book values (fair values) of available-for-sale securities as of December 31, 2010.

	Millions of yen			Thousands of U.S. dollars		
	12/2010			12/2010		
	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
Securities with book values exceeding acquisition costs:						
Equity securities.....	¥2,920	¥1,223	¥1,697	\$35,832	\$15,007	\$20,824
Corporate bonds.....	101	100	1	1,239	1,227	12
Other.....	6	6	0	73	73	0
	<u>3,028</u>	<u>1,329</u>	<u>1,698</u>	<u>37,157</u>	<u>16,308</u>	<u>20,836</u>
Securities with book values not exceeding acquisition costs:						
Equity securities.....	887	1,183	(296)	10,884	14,517	(3,632)
Other.....	7,536	7,536	—	92,477	92,477	—
	<u>8,423</u>	<u>8,720</u>	<u>(296)</u>	<u>103,362</u>	<u>107,006</u>	<u>(3,632)</u>
Total.....	<u>¥11,452</u>	<u>¥10,050</u>	<u>¥1,402</u>	<u>\$140,532</u>	<u>\$123,328</u>	<u>\$17,204</u>

Note. Non-listed equity securities, etc. of ¥214 million (\$2,626 thousand) are not included in the above table because they do not have market values and the fair value is extremely difficult to estimate.

The following table summarizes available-for-sale securities sold for the year ended December 31, 2010.

	Millions of yen	Thousands of U.S. dollars
	12/2010	12/2010
Total sales of available-for-sale securities.....	¥9	\$110
Related gains.....	5	61
Related losses.....	(0)	(0)

Impairment loss on marketable securities

In fiscal 2010, the Company recognized an impairment loss of ¥203 million (\$2,491 thousand) yen on other marketable securities. When applying impairment accounting, if the market value at the end of the term has fallen by more than 50% from the acquisition price, an impairment loss is applied to the entire amount, and if the market value has fallen by approximately 30% to 50%, an impairment loss is applied to the amount recognized as necessary after considering the possibility of recovery, etc.

5. Inventories

Inventories at December 31, 2009 and December 31, 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	12/2009	12/2010	12/2010
Merchandise and finished goods.....	¥7,809	¥8,341	\$102,356
Work-in-process.....	8,468	8,781	107,755
Raw materials and supplies.....	7,086	7,720	94,735
Total.....	¥23,363	¥24,843	\$304,859

6. Notes receivable maturing on December 31, 2009 and December 31, 2010, which were bank holidays

December 31, 2009 and December 31, 2010, the end of the period, were bank holidays. Notes receivable maturing on those dates were settled on the following business day. Therefore, notes in the amount of ¥540 million were included in the ending balance at December 31, 2009 and notes in the amount of ¥468 million (\$5,743 thousand) were included in the ending balance at December 31, 2010.

7. Short-term loans and long-term debt

Short-term loans are generally represented by bank notes with annual interest rates ranging from 0.85% to 4.37% and 0.85% to 13.52% at December 31, 2009 and December 31, 2010, respectively.

Long-term debt at December 31, 2009 and December 31, 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	12/2009	12/2010	12/2010
Secured:			
Loans from banks due in 2010			
at a rate of 2.53% per annum.....	¥10	—	—
Unsecured:			
1.98% bonds due in 2014.....	10,000	10,000	122,714
Loans from banks due serially from 2011 to 2015			
at rates from 1.46% to 14.30% per annum.....	2,180	1,729	21,217
Lease obligations at 6.7% maturing serially through 2016	546	358	4,393
Total.....	12,736	12,087	148,324
Current portion.....	(720)	(653)	(8,013)
Long-term debt, less current portion.....	¥12,015	¥11,433	\$140,299

The aggregate annual maturities of long-term debt outstanding at December 31, 2010 were as follows:

Year ending December 31	Millions of yen	Thousands of U.S. dollars
2011.....	¥653	\$8,013
2012.....	451	5,534
2013.....	877	10,762
2014.....	10,095	123,880
2015.....	7	85
Thereafter.....	0	0
Total.....	¥12,087	\$148,324

As of December 31, 2010, the Company and its 11 subsidiaries had entered into agreements for bank overdrafts or loan commitments with 15 banks as follows:

	Millions of yen	Thousands of U.S. dollars
The maximum aggregate principal.....	¥15,497	\$190,170
Amount utilized.....	2,253	27,647
Balance available.....	¥13,243	\$162,510

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8. Employees' severance and pension benefits

Outline of adopted retirement pension fund

The Company and some domestic consolidated subsidiaries have adopted the defined contribution pension plan and the defined benefit pension plan (cash balance type). The Company and some domestic consolidated subsidiaries have been members of the Employees' Pension Fund of the Kyoto Machinery & Metal Industry (comprehensive type). The Company and some domestic consolidated subsidiaries use both of the above plans.

(1) The funded status of the multi-employer pension plan at December 31, 2009 and December 31, 2010 (available information as of March 31, 2009 and 2010), to which contributions were recorded as net periodic retirement benefit costs, was as follows:

(a) Funded status of pension plans

	Millions of yen		Thousands of U.S. dollars
	12/2009	12/2010	12/2010
Fair value of plan assets.....	¥46,857	¥52,459	\$643,747
Pension benefits obligation recorded by pension fund.....	88,592	79,710	978,156
Net balance.....	(¥41,735)	(¥27,251)	(\$334,409)

(b) The ratio of pension premiums expensed from March 1, 2010 to March 31, 2010 by the Company and its subsidiaries to the total premium amount was 14.28% (14.00% from March 1, 2009 to March 31, 2009).

Note 1. Net balance resulted from the prior service cost of ¥16,020 million and ¥10,178 million (\$124,898 thousand), the addition to the valuation of plan assets of ¥7,139 million and ¥7,985 million (\$97,987 thousand), and the shortage of reserve for plan assets of ¥18,575 million and ¥9,087 million (\$111,510 thousand) for the years ended December 31, 2009 and December 31, 2010, respectively.

Note 2. Prior service cost is amortized over 20 years.

Note 3. The percentage of HORIBA's contribution to the multi-employer pension plan described above in (1)(b) should not be construed as the percentage of HORIBA's actual obligation.

(2) Liabilities for employees' retirement benefits at December 31, 2009 and December 31, 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	12/2009	12/2010	12/2010
Projected benefit obligation.....	(¥5,253)	(¥5,510)	(\$67,615)
Pension assets.....	2,563	2,959	36,311
Unfunded projected benefit obligation.....	(2,690)	(2,550)	(31,292)
Unrecognized actuarial differences.....	548	463	5,681
Unrecognized differences on change of employees' retirement plan.....	466	352	4,319
Employees' retirement benefits.....	(¥1,675)	(¥1,734)	(\$21,278)

Employees' retirement benefits expense for the years ended December 31, 2009 and December 31, 2010 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	12/2009	12/2010	12/2010
Service cost.....	¥1,147	¥741	\$9,093
Interest expense on projected benefit obligation.....	109	125	1,533
Expected return on plan assets.....	(53)	(57)	(699)
Amortization of actuarial differences.....	153	155	1,902
Amortization of prior service costs.....	114	114	1,398
Other.....	316	312	3,828
Retirement benefits expense.....	¥1,787	¥1,391	\$17,069

Note 1. Premiums on the contributory funded retirement plan in the amount of ¥481 million and ¥338 million (\$4,147 thousand) expensed for the year ended December 31, 2009 and December 31, 2010, respectively, were also included in service cost.

Note 2. "Other" is plan participants' contribution to the defined contribution pension plan.

Assumptions used were as follows:

	12/2009	12/2010
Discount rate.....	2.00%	2.00%
Expected rate of return on plan assets.....	2.00%	1.50%
Allocation method for retirement benefits expected to be paid at retirement dates.....	Straight-line method based on years of service	
Amortization period for actuarial gains/losses.....	5 years	5 years
Amortization period for unrecognized prior service cost on change of employees' retirement plan.....	10 years (the Company and some subsidiary companies), Time of occurrence (some subsidiary companies)	

Additional information

Beginning in fiscal 2009 at one domestic consolidated subsidiary, the method for calculating projected benefit obligation changed from the simplified method to the "rule method" in order to more accurately account for retirement benefits. The difference resulting from the change from the simplified method to the "rule method" in fiscal 2009 has been recorded as other expenses of ¥110 million in "Provision for Retirement Benefit for Employees." This change had no impact on operating income in fiscal 2009, but it reduced income before income taxes by ¥110 million from the amount that would have been reported without the change.

9. Net assets

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Japanese Corporate Law ("the Law"), in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends. Both of these appropriations generally require a resolution of the shareholder's meeting.

The maximum amount that the Company can distribute as dividends is calculated based on the nonconsolidated financial statements of the Company in accordance with Japanese laws and regulations.

At the Board of Directors' meeting held on February 15, 2011, the Board of Directors approved cash dividends amounting to ¥465 million (\$5,706 thousand). The appropriation had not been accrued in the consolidated financial statements as of December 31, 2010. Such appropriations are recognized in the period in which they are approved by the Board of Directors.

10. Stock options

Information regarding stock options existing in the year ended December 31, 2009 was as follows:

(1) Expenses and items related to stock options in the year ended December 31, 2009

Selling, general and administrative expenses.....¥59 million

(2) Scale and movement (fluctuation) of stock options

Information regarding stock options outstanding in the year ended December 31, 2009. The number of stock options is stated after conversion into an equal number of shares.

(a) Details of stock options

	Stock options granted in 2005	Stock options granted in 2006	No. 1 Stock-based Compensation Type Stock Option
Persons granted options	2 directors, 9 corporate officers and 39 employees of the Company and 3 directors, 2 corporate officers and 12 employees of subsidiary companies	4 directors, 9 corporate officers and 37 employees of the Company and 2 directors, 4 corporate officers and 10 employees of subsidiary companies	4 directors and 13 corporate officers of the Company
Number of shares by type of stock (Note 1)	Common stock 300,000 shares	Common stock 300,000 shares	Common stock 54,200 shares
Date of grant	June 1, 2005	April 21, 2006	April 16, 2009
Vesting conditions	(Note 2)	(Note 2)	(Note 3)
Service period	(Note 4)	(Note 4)	(Note 4)
Exercise period	July 1, 2006 to June 30, 2009	July 1, 2007 to June 30, 2010	April 17, 2009 to April 16, 2039

Note 1. Stock options are convertible into an equal number of shares.

Note 2. To exercise these options, the person granted the option is principally required to be a director, a corporate auditor, a corporate officer or an employee of HORIBA, except in cases of resignation at the expiration of term, involuntary retirement or other cases approved by the Board of Directors.

Note 3. Vesting conditions and exercise period of stock options

A holder of stock options may exercise the options for a period of ten days from the day following the date on which he resigns (or retires) from the office of director or from the corporate office of the Company.

Note 4. The service period is not stipulated.

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(b) Number, movement and price of stock options

Stock options are convertible into an equal number of shares.

(i) Number of shares

	Stock options granted in 2005	Stock options granted in 2006	No. 1 Stock-based Compensation Type Stock Option
Options before vesting (number of shares)			
Balance at December 31, 2008	–	–	
Granted	–	–	54,200
Forfeited	–	–	
Vested	–	–	54,200
Balance at December 31, 2009	–	–	
Options after vesting (number of shares)			
Balance at December 31, 2008	80,000	249,000	
Vested	–	–	54,200
Exercised	4,000	–	
Forfeited	76,000	–	
Balance at December 31, 2009	–	249,000	54,200

(ii) Price per share

	Stock options granted in 2005	Stock options granted in 2006	No. 1 Stock-based Compensation Type Stock Option
Option price (yen)	2,265	3,890	1
Weighted average stock price (yen)	2,242	–	–
Fair value at grant date (yen)	(Note) –	(Note) –	1,091

Note. The fair value at grant date has been omitted because the stock options had been granted before the Japanese Corporate Law became effective on May 1, 2006.

(3) Method to estimate fair unit value of stock options

The grant date fair value of No. 1 Stock-based Compensation Type Stock Option in the year ended December 31, 2009 was estimated using the Black-Scholes option pricing model as follows:

	No. 1 Stock-based Compensation Type Stock Option
Stock price volatility (Note 1)	35.80%
Expected remaining period (Note 2)	15 Year
Expected dividend (Note 3)	¥44/share
Risk free interest rate (Note 4)	1.97%

Note 1. Stock price volatility was calculated based on actual weekly stock prices over 15 years (from the week of April 11, 1994 to the week of April 6, 2009).

Note 2. As it is difficult to estimate the expected remaining period without sufficient relevant data, it is determined to be exercised at the mid-point of the exercisable period.

Note 3. Expected dividend is calculated by using the actual dividend paid for the year ended December 31, 2008.

Note 4. Risk free interest rate represents the comparable compound interest rate of strip government bonds whose remaining period corresponds to the expected remaining period of the stock options.

(4) Condition regarding the estimate of the fair unit value of stock options

Retirement from the office of director is a condition to exercise stock options, but continuous employment is not. Accordingly, the initial number of stock options granted is used as an estimate of the number of vested shares.

Information regarding stock options existing in the year ended December 31, 2010 was as follows:

(1) Expenses and items related to stock options in the year ended December 31, 2010

Selling, general and administrative expenses.....¥67 million (\$822 thousand)

(2) Scale and movement (fluctuation) of stock options

Information regarding stock options outstanding in the year ended December 31, 2010. The number of stock options is stated after conversion into an equal number of shares.

(a) Details of stock options

	Stock options granted in 2006	No. 1 Stock-based Compensation Type Stock Option	No. 2 Stock-based Compensation Type Stock Option
Persons granted options	4 directors, 9 corporate officers and 37 employees of the Company and 2 directors, 4 corporate officers and 10 employees of subsidiary companies	4 directors and 13 corporate officers of the Company	4 directors and 14 corporate officers of the Company
Number of shares by type of stock (Note 1)	Common stock 300,000 shares	Common stock 54,200 shares	Common stock 26,400 shares
Date of grant	April 21, 2006	April 16, 2009	April 23, 2010
Vesting conditions	(Note 2)	(Note 3)	(Note 3)
Service period	(Note 4)	(Note 4)	(Note 4)
Exercise period	July 1, 2007 to June 30, 2010	April 17, 2009 to April 16, 2039	April 24, 2010 to April 23, 2040

Note 1. Stock options are convertible into an equal number of shares.

Note 2. To exercise these options, the person granted the option is principally required to be a director, a corporate auditor, a corporate officer or an employee of HORIBA, except in cases of resignation at the expiration of term, involuntary retirement or other cases approved by the Board of Directors.

Note 3. Vesting conditions and exercise period of stock options

A holder of stock options may exercise the options for a period of ten days from the day following the date on which he resigns (or retires) from the office of director or from the corporate office of the Company.

Note 4. The service period is not stipulated.

(b) Number, movement and price of stock options

Stock options are convertible into an equal number of shares.

(i) Number of shares

	Stock options granted in 2006	No. 1 Stock-based Compensation Type Stock Option	No. 2 Stock-based Compensation Type Stock Option
Options before vesting (number of shares)			
Balance at December 31, 2009	–	–	–
Granted	–	–	26,400
Forfeited	–	–	–
Vested	–	–	26,400
Balance at December 31, 2010	–	–	–
Options after vesting (number of shares)			
Balance at December 31, 2009	249,000	54,200	–
Vested	–	–	26,400
Exercised	–	2,100	–
Forfeited	249,000	–	–
Balance at December 31, 2010	–	52,100	26,400

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(ii) Price per share

	Stock options granted in 2006	No. 1 Stock-based Compensation Type Stock Option	No. 2 Stock-based Compensation Type Stock Option
Option price (yen)	3,890	1	1
Weighted average stock price (yen)	–	2,230	–
Fair value at grant date (yen)	(Note) –	1,091	2,628

Note. The fair value at grant date has been omitted because the stock options had been granted before the Japanese Corporate Law became effective on May 1, 2006.

(3) Method to estimate fair unit value of stock options

The grant date fair value of No. 2 Stock-based Compensation Type Stock Option in the year ended December 31, 2010 was estimated using the Black-Scholes option pricing model as follows:

	No. 2 Stock-based Compensation Type Stock Option
Stock price volatility (Note 1)	36.70%
Expected remaining period (Note 2)	15 Year
Expected dividend (Note 3)	¥13/share
Risk free interest rate (Note 4)	1.90%

Note 1. Stock price volatility was calculated based on actual weekly stock prices over 15 years (from the week of April 24, 1995 to the week of April 19, 2010).

Note 2. As it is difficult to estimate the expected remaining period without sufficient relevant data, it is determined to be exercised at the mid-point of the exercisable period.

Note 3. Expected dividend is calculated by using the actual dividend paid for the year ended December 31, 2009.

Note 4. Risk free interest rate represents the comparable compound interest rate of strip government bonds whose remaining period corresponds to the expected remaining period of the stock options.

(4) Condition regarding the estimate of the fair unit value of stock options

Retirement from the office of director is a condition to exercise stock options, but continuous employment is not. Accordingly, the initial number of stock options granted is used as an estimate of the number of vested shares.

11. Leases

At December 31, 2009 and December 31, 2010, assets leased under non-capitalized finance leases were as follows:

Acquisition cost, accumulated depreciation and balance of assets leased.

	Millions of yen		Thousands of U.S. dollars
	12/2009	12/2010	12/2010
Machinery, equipment and vehicles.....	¥246	¥229	\$2,810
Other property, plant and equipment.....	817	358	4,393
Other intangibles.....	95	4	49
Less accumulated depreciation and amortization.....	(757)	(399)	(4,896)
Total.....	¥401	¥193	\$2,368

Note 1. The method of depreciation and amortization of lease assets is described in Note 2(h) Summary of significant accounting policies – Leases.

With respect to finance lease transactions that do not transfer ownership and in which the lease transaction began before December 31, 2008, the Company has continued to implement accounting practices in accordance with those for normal sales transactions, as stated above.

Note 2. The above depreciation and amortization is calculated by the straight-line method over the term of the lease. If the above leases had been capitalized, interest of ¥14 million and ¥7 million (\$85 thousand) and depreciation and amortization of ¥220 million and ¥132 million (\$1,619 thousand) would have been recorded for the years ended December 31, 2009 and December 31, 2010, respectively. Lease payments under non-capitalized finance leases were ¥240 million and ¥144 million (\$1,767 thousand) for the years ended December 31, 2009 and December 31, 2010, respectively. Obligations under finance leases at December 31, 2009 and December 31, 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	12/2009	12/2010	12/2010
Payments remaining:			
Payments due within 1 year.....	¥208	¥94	\$1,153
Payments due after 1 year.....	380	108	1,325
Total.....	¥589	¥202	\$2,478

Payments remaining under operating leases at December 31, 2009 and December 31, 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	12/2009	12/2010	12/2010
Payments remaining:			
Payments due within 1 year.....	¥510	¥500	\$6,135
Payments due after 1 year.....	1,200	1,169	14,345
Total.....	¥1,711	¥1,670	\$20,493

12. Contingent liabilities

The Company and certain consolidated subsidiaries were contingently liable as guarantors of loans to affiliated companies and employees in the amounts of ¥278 million and ¥187 million (\$2,294 thousand) at December 31, 2009 and December 31, 2010, respectively.

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13. Derivative transactions

Outstanding derivative transactions at December 31, 2009 and December 31, 2010 were as follows:

Currency related:

	Millions of yen				Millions of yen			
	12/2009				12/2010			
	Amount	Over 1 year	Market value	Gain (loss)	Amount	Over 1 year	Market value	Gain (loss)
Forwards								
Selling								
US dollar	¥1,610	—	¥1,628	(¥17)	¥1,654	—	¥28	¥28
Euro	1,101	132	1,097	3	1,487	—	99	99
Pound	113	—	109	3	117	—	4	4
Baht	96	—	99	(2)	—	—	—	—
Zloty	66	—	67	(0)	—	—	—	—
Buying								
US dollar	150	—	150	0	428	53	(6)	(6)
Euro	246	—	250	4	277	—	(4)	(4)
Pound	12	—	13	0	39	—	(1)	(1)
Yen	—	—	—	—	48	2	1	1
Options								
Selling								
Call								
US dollar	165	—	—	—	—	—	—	—
Option cost	—	—	1	1	—	—	—	—
Buying								
Put								
US dollar	165	—	—	—	—	—	—	—
Option cost	—	—	(6)	(6)	—	—	—	—
Total	—	—	—	(¥12)	—	—	¥120	¥120

Note 1. Market value is determined by banking institutions.

Note 2. Market value of currency option transactions is based on the price indicated by the transacting bank of the currency related option transaction contract.

Note. Market value is determined by banking institutions.

	Thousands of U.S. dollars			
	12/2010			
	Amount	Over 1 year	Market value	Gain (loss)
Forwards				
Selling				
US dollar	\$20,296	—	\$343	\$343
Euro	18,247	—	1,214	1,214
Pound	1,435	—	49	49
Baht	—	—	—	—
Zloty	—	—	—	—
Buying				
US dollar	5,252	650	(73)	(73)
Euro	3,399	—	(49)	(49)
Pound	478	—	(12)	(12)
Yen	589	24	12	12
Options				
Selling				
Call				
US dollar	—	—	—	—
Option cost	—	—	—	—
Buying				
Put				
US dollar	—	—	—	—
Option cost	—	—	—	—
Total	—	—	\$1,472	\$1,472

Interest rate related:

	Millions of yen				Millions of yen			
	12/2009				12/2010			
	Amount	Over 1 year	Market value	Gain (loss)	Amount	Over 1 year	Market value	Gain (loss)
Interest rate swap contracts								
Receiving floating rates and paying fixed rates	¥2,916	¥2,696	(¥242)	(¥242)	¥2,243	¥1,077	(¥181)	(¥181)
Total	¥2,916	¥2,696	(¥242)	(¥242)	¥2,243	¥1,077	(¥181)	(¥181)

Note. Market value is determined by banking institutions.

Note. Market value is determined by banking institutions.

	Thousands of U.S. dollars			
	12/2010			
	Amount	Over 1 year	Market value	Gain (loss)
Interest rate swap contracts				
Receiving floating rates and paying fixed rates	\$27,524	\$13,216	(\$2,221)	(\$2,221)
Total	\$27,524	\$13,216	(\$2,221)	(\$2,221)

14. Income taxes

The Company is subject to a number of taxes based on income, which, in the aggregate, indicate a statutory income tax rate in Japan of approximately 40.6% for the years ended December 31, 2009 and December 31, 2010.

The following table summarizes the significant differences between the statutory tax rate and HORIBA's effective tax rates for financial statement purposes for the years ended December 31, 2009 and December 31, 2010.

	12/2009	12/2010
Statutory tax rate.....	40.6%	40.6%
Expenses not qualifying for permanent deduction, e.g. entertainment expenses.....	1.7	0.6
Nontaxable dividend income.....	(0.3)	(2.2)
Per capita inhabitants tax.....	0.9	0.4
Increase/decrease in valuation allowance for deferred tax assets.....	0.8	(1.6)
Amortization of goodwill.....	0.0	0.0
Consolidated elimination of dividend income from consolidated subsidiaries.....	2.0	2.1
Differences in tax rate between foreign subsidiaries and the Company.....	(4.7)	(3.1)
Tax credits.....	(8.2)	(4.1)
Other.....	(4.7)	0.6
Effective tax rate.....	28.1%	33.3%

Significant components of HORIBA's deferred tax assets and liabilities at December 31, 2009 and December 31, 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	12/2009	12/2010	12/2010
Deferred tax assets			
Accrued enterprise tax.....	¥84	¥349	\$4,282
Loss on write-down of inventory.....	931	1,000	\$12,271
Allowance for doubtful receivables.....	90	97	\$1,190
Accrued bonuses.....	273	236	\$2,896
Loss carryforwards.....	1,786	1,446	\$17,744
Unrealized gains.....	869	854	\$10,479
Employees' retirement benefits.....	469	497	\$6,098
Depreciation.....	855	843	\$10,344
Loss on valuation of investment securities.....	106	433	\$5,313
Retirement benefits for directors and corporate auditors.....	103	400	\$4,908
Loss on impairment of fixed assets.....	251	267	\$3,276
Other.....	2,868	2,469	\$30,298
Total deferred tax assets.....	8,690	8,896	109,166
Valuation allowance.....	(2,688)	(2,312)	(28,371)
Net deferred tax assets.....	6,001	6,583	80,782
Deferred tax liabilities			
Reserve for deferred gains on property, plant and equipment.....	(144)	(105)	(1,288)
Unrealized losses.....	(390)	(390)	(4,785)
Net unrealized holding gains on securities.....	(549)	(504)	(6,184)
Other.....	(675)	(671)	(8,234)
Total deferred tax liabilities.....	(1,760)	(1,671)	(20,505)
Net deferred tax assets.....	¥4,241	¥4,911	\$60,265

Net deferred tax assets are included in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars
	12/2009	12/2010	12/2010
Current assets.....	¥2,080	¥2,930	\$35,955
Investments and other noncurrent assets.....	2,216	2,129	26,125
Current liabilities.....	(24)	(34)	(417)
Deferred tax liabilities (noncurrent).....	(30)	(113)	(1,386)
Net deferred tax assets.....	¥4,241	¥4,911	\$60,265

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15. Loss on impairment of fixed assets

HORIBA reviewed its long-lived assets for impairment, and, as a result, impairment losses were recognized by HORIBA for the following asset groups as other expenses for the year ended December 31, 2009.

Location	Use	Type	Million of yen
Kyoto City	Idle	Land	¥8
Kyoto City and other	Business assets (Semiconductor)	Tool, machinery, equipment and vehicles	93
Germany	Business assets (Automotive)	Machinery, equipment and vehicles	133
Totals			¥235

(Background)

Because there are no concrete plans to put to use the idle land owned in Kyoto City, the book value of this asset was lowered to the recoverable value, and the resulting impairment loss was recognized as other expenses.

Regarding the business assets (semiconductor related business) owned in Kyoto City and others, HORIBA estimated that the book value of these assets exceeded the estimated future cash flow due to a deterioration in profitability. As a result, the value was lowered to the recoverable amount and the resulting impairment loss was recognized as other expenses.

The business assets related to the automotive development test systems (DTS) in Germany were purchased by the Company's subsidiary in Germany in September 2005 from Carl Schenk AG. HORIBA estimated that the book value of these assets exceeded the estimated future cash flows due to a deterioration in profitability. As a result, the value was lowered to the recoverable amount, and the resulting impairment loss was recognized as other expenses.

(Method used for grouping)

In connection with the use of impairment accounting, assets are grouped on an industry segment basis. Idle assets bearing no connection to an industry are grouped on a property-by-property basis.

(Method used for calculating a recoverable amount)

The recoverable amount of idle assets was measured by the estimated net realizable value. Estimated net realizable value was determined based on publicly announced market values for land.

In addition, value for use of business assets (semiconductor related business) and those (automotive test system business) based on the estimated future cash flow were estimated to be negative at present. Thus, impairment loss was recognized based on the assumption of a zero recoverable amount.

HORIBA reviewed its long-lived assets for impairment, and, as a result, impairment losses were recognized by HORIBA for the following asset groups as other expenses for the year ended December 31, 2010.

Location	Use	Type	Million of yen	Thousands of U.S. dollars
Kyoto City	Idle	Land	¥40	\$490

(Background)

Because there are no concrete plans to put to use the idle land owned in Kyoto City, the book value of this asset was lowered to the recoverable value, and the resulting impairment loss was recognized as other expenses.

(Method used for grouping)

In connection with the use of impairment accounting, assets are grouped on an industry segment basis. Idle assets bearing no connection to an industry are grouped on a property-by-property basis.

(Method used for calculating a recoverable amount)

The recoverable amount of idle assets was measured by the estimated net realizable value. Estimated net realizable value was determined based on publicly announced market values for land.

16. Segment information

(1) Operations by business segment

HORIBA operates on a worldwide basis within four business segments. The four segments and the main products are as follows:

- (a) Automotive Test Systems
Emission Measurement Systems, In-Use Automotive Emissions Analyzers, On-Board Emission Measurement Systems, Driveline Test Systems, Engine Test Systems, Brake Test Systems, Drive Recorders
- (b) Analytical Instruments & Systems
Scientific Analysis Instruments (Particle-Size Distribution Analyzers, X-Ray Fluorescence Analyzers, Raman Spectrophotometers, Diffraction, Gratings), Environmental Measuring Instruments (pH Meters, Stack Gas Analyzers, Water Quality Analysis and Examination Systems, Air Pollution Analyzers)
- (c) Medical-Diagnostic Instruments & Systems
Equipment for Blood Sample Analysis (Hematology Analyzers, Equipment for Measuring Immunological Responses, Clinical Chemistry Analyzers, Blood Sugar Measurement Systems)
- (d) Semiconductor Instruments & Systems
Mass Flow Controllers, Chemical Concentration Monitors, Thin-Film Analyzers for Semiconductors and LCD Inspection, Reticle/Mask Particle Detection Systems, Residual Gas Analyzers

Information about operations by business and geographic segment and sales to foreign customers for the years ended December 31, 2009 and December 31, 2010, was as follows:

Millions of yen						
12/2009						
	Automotive	Analytical	Medical-Diagnostic	Semiconductor	Unallocated	Consolidated
Sales to outside customers.....	¥37,192	¥32,525	¥22,337	¥12,483	—	¥104,538
Operating expenses.....	35,381	31,005	20,424	12,582	—	99,394
Operating income.....	¥1,810	¥1,519	¥1,912	(¥98)	—	¥5,144
Assets.....	¥31,928	¥29,057	¥18,744	¥14,736	¥35,114	¥129,580
Depreciation and amortization.....	¥1,349	¥1,258	¥1,395	¥570	—	¥4,573
Impairment loss.....	¥137	¥3	¥0	¥94	—	¥235
Capital expenditures.....	¥1,159	¥1,104	¥1,941	¥328	—	¥4,534

Millions of yen						
12/2010						
	Automotive	Analytical	Medical-Diagnostic	Semiconductor	Unallocated	Consolidated
Sales to outside customers.....	¥35,751	¥32,613	¥22,514	¥27,676	—	¥118,556
Operating expenses.....	34,118	30,617	20,184	21,335	—	106,256
Operating income.....	¥1,632	¥1,995	¥2,330	¥6,340	—	¥12,299
Assets.....	¥28,377	¥26,733	¥16,712	¥23,334	¥42,133	¥137,290
Depreciation and amortization.....	¥1,308	¥1,124	¥1,385	¥704	—	¥4,523
Impairment loss.....	—	—	—	—	¥40	¥40
Capital expenditures.....	¥665	¥1,324	¥1,295	¥746	—	¥4,033

Thousands of U.S. dollars						
12/2010						
	Automotive	Analytical	Medical-Diagnostic	Semiconductor	Unallocated	Consolidated
Sales to outside customers.....	\$438,716	\$400,208	\$276,279	\$339,624	—	\$1,454,853
Operating expenses.....	418,677	375,714	247,686	261,811	—	1,303,914
Operating income.....	\$20,026	\$24,481	\$28,592	\$77,800	—	\$150,926
Assets.....	\$348,226	\$328,052	\$205,080	\$286,341	\$517,032	\$1,684,746
Depreciation and amortization.....	\$16,051	\$13,793	\$16,995	\$8,639	—	\$55,503
Impairment loss.....	—	—	—	—	\$490	\$490
Capital expenditures.....	\$8,160	\$16,247	\$15,891	\$9,154	—	\$49,490

Note 1. Unallocated assets of ¥35,114 million and ¥42,133 million (\$517,032 thousand) at December 31, 2009 and December 31, 2010, respectively, mainly include cash and cash equivalents, investment securities and idle land.

HORIBA, Ltd. and Consolidated Subsidiaries | Notes to Consolidated Financial Statements

Note 2. As stated in Note 2(d), Summary of significant accounting policies – inventories, the “Accounting Standards for Measurement of Inventories” (ASBJ Statement No. 9; issued on July 5, 2006) has been adopted from fiscal 2009. The adoption of the new standard had the effect of increasing operating income of the Medical-Diagnostic Instruments & Systems by ¥0 million and reducing operating income of the Automotive Test Systems by ¥11 million, the Analytical Instruments & Systems by ¥342 million and the Semiconductor Instruments & Systems by ¥189 million compared to the amounts that would have been recorded under the previous method.

As stated in Note 1 Basis of presenting consolidated financial statements, the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (Practical Issue Task Force of the ASBJ No. 18; issued on May 17, 2006) was adopted commencing in fiscal 2009. The adoption of the new standard had the effect of increasing operating income of the Automotive Test Systems by ¥182 million, and reducing operating income of the Analytical Instruments & Systems by ¥9 million, and the Medical-Diagnostic Instruments & Systems by ¥13 million and the Semiconductor Instruments & Systems by ¥1 million compared to the amounts that would have been recorded under the previous method.

As stated in Note 2(e), Summary of significant accounting policies – Property, plant and equipment and depreciation (except for leases), the Company and its consolidated domestic subsidiaries reviewed the estimated useful lives of some machinery and equipment commencing in fiscal 2009, in accordance with the revised Corporate Tax Law of Japan. This change had the effect of reducing operating income of the Automotive Test Systems by ¥14 million, the Analytical Instruments & Systems by ¥7 million, the Medical-Diagnostic Instruments & Systems by ¥1 million and the Semiconductor Instruments & Systems by ¥12 million compared to the amounts that would have been recorded under the previous method.

(2) Operations by geographic segment

Millions of yen						
12/2009						
	Japan	Americas	Europe	Asia	Elimination and/or unallocated	Consolidated
Sales to outside customers.....	¥43,659	¥16,987	¥39,364	¥4,526	–	¥104,538
Inter-area.....	9,980	1,488	3,824	1,764	(¥17,057)	–
Total sales.....	53,640	18,475	43,188	6,291	(17,057)	104,538
Operating expenses.....	52,178	17,783	41,760	5,570	(17,898)	99,394
Operating income.....	¥1,462	¥691	¥1,427	¥720	¥841	¥5,144
Assets.....	¥53,002	¥8,371	¥30,767	¥2,324	¥35,114	¥129,580

Millions of yen						
12/2010						
	Japan	Americas	Europe	Asia	Elimination and/or unallocated	Consolidated
Sales to outside customers.....	¥51,144	¥19,477	¥41,483	¥6,450	–	¥118,556
Inter-area.....	18,116	1,771	4,072	2,097	(¥26,057)	–
Total sales.....	69,261	21,249	45,555	8,547	(26,057)	118,556
Operating expenses.....	61,719	19,947	43,481	7,268	(26,160)	106,256
Operating income.....	¥7,542	¥1,301	¥2,073	¥1,279	¥102	¥12,299
Assets.....	¥56,123	¥8,703	¥27,371	¥2,958	¥42,133	¥137,290

Thousands of U.S. dollars						
12/2010						
	Japan	Americas	Europe	Asia	Elimination and/or unallocated	Consolidated
Sales to outside customers.....	\$627,610	\$239,010	\$509,056	\$79,150	–	\$1,454,853
Inter-area.....	222,309	21,732	49,969	25,733	(319,757)	–
Total sales.....	849,932	260,755	559,025	104,884	(319,757)	1,454,853
Operating expenses.....	757,381	244,778	533,574	89,188	(321,020)	1,303,914
Operating income.....	\$92,551	\$15,965	\$25,438	\$15,695	\$1,251	\$150,926
Assets.....	\$688,710	\$106,798	\$335,881	\$36,298	\$517,032	\$1,684,746

Note 1. Unallocated assets of ¥35,114 million and ¥42,133 million (\$517,032 thousand) at December 31, 2009 and December 31, 2010, respectively, included mainly cash and cash equivalents, investment securities and idle land.

Note 2. Americas..... North America and South America
Europe..... Europe, Russia and Africa
Asia..... Asia, excluding Japan and Oceania

Note 3. As stated in Note 2(d) Summary of significant accounting policies – inventories, the “Accounting Standards for Measurement of Inventories” (ASBJ Statement No. 9; issued on July 5, 2006) has been adopted from fiscal 2009. The adoption of the new standard had the effect of reducing operating income in the Japan segment by ¥543 million compared to the amount(s) that would have been recorded with the previous method.

As stated in Note 1, Basis of presenting consolidated financial statements, the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (Practical Issue Task Force of the ASBJ No. 18; issued on May 17, 2006) was adopted commencing in fiscal 2009. The adoption of the new standard had the effect of increasing operating income in the Europe segment by ¥187 million, and reducing operating income in the Asia segment by ¥28 million compared to the amount(s) that would have been recorded with the previous method.

As stated in Note 2(e), Summary of significant accounting policies – Property, plant and equipment and depreciation (except for leases), the Company and its consolidated domestic subsidiaries reviewed the estimated useful lives of some machinery and equipment commencing in fiscal 2009, in accordance with the revised Corporate Tax Law of Japan. This change had the effect of reducing operating income in the Japan segment by ¥35 million compared to the amount(s) that would have been recorded with the previous method.

(3) Sales to foreign customers

Millions of yen				
12/2009				
Sales to outside customers.....	Americas	Europe	Asia	Total
	¥19,603	¥31,575	¥15,990	¥67,169

Millions of yen				
12/2010				
Sales to outside customers.....	Americas	Europe	Asia	Total
	¥21,772	¥33,581	¥20,299	¥75,653

Thousands of U.S. dollars				
12/2010				
Sales to outside customers.....	Americas	Europe	Asia	Total
	\$267,173	\$412,087	\$249,098	\$928,371

Note. Americas..... North America and South America
Europe..... Europe, Russia and Africa
Asia..... Asia, excluding Japan and Oceania

HORIBA, Ltd. and Consolidated Subsidiaries | Notes to Consolidated Financial Statements

17. Related party transactions

Related party transactions for the year ended December 31, 2009 comprise the following:

Additional information

The Company has adopted the Accounting Standard for Related Party Disclosures (Corporate Accounting Standards No. 11, issued on October 17, 2006), and the Application Guidance for Accounting Standard for Related Party Disclosures (Corporate Accounting Standards Application Guidance No. 13, issued on October 17, 2006) starting in the year ended December 31, 2009.

As a result, in addition to the previous scope of disclosure, Michel Mariton and Bertrand de Castelnaud, directors of important subsidiaries of the Company that submitted consolidated financial statements, were included in the scope of disclosure. However, neither of the directors had any transactions to be disclosed.

(1) Related party transactions with the Company

Directors and major shareholders (individuals only) of the Company

Category		Director's close family member	
Name		Masao Horiba	
Address		—	
Amount of capital stock (millions of yen)		—	
Business or occupation		Advisor	
Percentage of voting rights held		3.1% (direct)	
Relationship		Consulting contract	
Transaction	Transaction amount	Consulting fee (Note 2)	¥24 million
Account	Balance at December 31, 2009	—	—

Note 1. The above transaction amounts do not include consumption taxes, while the balance at December 31, 2009 includes consumption taxes.

Note 2. Transaction conditions and policy on determining transaction conditions

The consulting fee for Masao Horiba is compensation for management consulting services to the Company, activities of society-academia collaboration for innovation, and participation in economic organizations. The payment was determined on a negotiated basis.

(2) Related party transactions with consolidated subsidiaries of the Company that submitted consolidated financial statements

Directors and major shareholders (individuals only) of the Company

Category		Director's close family member	
Name		Masao Horiba	
Address		—	
Amount of capital stock (millions of yen)		—	
Business or occupation		Advisor	
Percentage of voting rights held		3.1% (direct)	
Relationship		Consulting contract	
Transaction	Transaction amount	Consulting fee (Note 2)	¥12 million
Account	Balance at December 31, 2009	—	—

Note 1. The above transaction amounts do not include consumption taxes, while the balance at December 31, 2009 includes consumption taxes.

Note 2. Transaction conditions and policy on determining transaction conditions

The consulting fee for Masao Horiba is compensation for management consulting services to the Company, activities of society-academia collaboration for innovation, and participation in economic organizations. The payment was determined on a negotiated basis.

Related party transactions for the year ended December 31, 2010 comprise the following:

(1) Related party transactions with the Company

Directors and major shareholders (individuals only) of the Company

Category		Director's close family member	
Name		Masao Horiba	
Address		-	
Amount of capital stock (millions of yen)		-	
Business or occupation		Advisor	
Percentage of voting rights held		3.1% (direct)	
Relationship		Consulting contract	
Transaction	Transaction amount	Consulting fee (Note 2)	¥24 million (\$294 thousand)
Account	Balance at December 31, 2010	-	-

Note 1. The above transaction amounts do not include consumption taxes, while the balance at December 31, 2010 includes consumption taxes.

Note 2. Transaction conditions and policy on determining transaction conditions

The consulting fee for Masao Horiba is compensation for management consulting services to the Company, activities of society-academia collaboration for innovation, and participation in economic organizations. The payment was determined on a negotiated basis.

(2) Related party transactions with consolidated subsidiaries of the Company that submitted consolidated financial statements

Directors and major shareholders (individuals only) of the Company

Category		Director's close family member	
Name		Masao Horiba	
Address		-	
Amount of capital stock (millions of yen)		-	
Business or occupation		Advisor	
Percentage of voting rights held		3.1% (direct)	
Relationship		Consulting contract	
Transaction	Transaction amount	Consulting fee (Note 2)	¥12 million (\$147 thousand)
Account	Balance at December 31, 2010	-	-

Note 1. The above transaction amounts do not include consumption taxes, while the balance at December 31, 2010 includes consumption taxes.

Note 2. Transaction conditions and policy on determining transaction conditions

The consulting fee for Masao Horiba is compensation for management consulting services to the Company, activities of society-academia collaboration for innovation, and participation in economic organizations. The payment was determined on a negotiated basis.

18. Investment and rental property

Investment and rental property for the year ended December 31, 2010

Note for investment and rental property has been omitted as there were no significant amount of investment and rental property.

Additional information

From fiscal 2010, the Company applied the “Accounting Standard for Disclosures about Fair Value of Investment and Rental Property” (ASBJ Statement No. 20, November 28, 2008) and the “Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property” (ASBJ Guidance No. 23, November 28, 2008).

Independent Auditors' Report

To the Shareholders and the Board of Directors of
HORIBA, Ltd.:

We have audited the accompanying consolidated balance sheets of HORIBA, Ltd. and consolidated subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of income, changes in net assets and cash flows for the years then ended expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of HORIBA, Ltd. and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following:

As discussed in Note 1 to the consolidated financial statements, effective for the year ended December 31, 2009, the Company applied the new accounting standard for unification of accounting policies applied to foreign subsidiaries for the consolidated financial statements. As discussed in Note 2(d) to the consolidated financial statements, effective January 1, 2009, the Company and certain domestic subsidiaries adopted the new accounting standard for measurement of inventories.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended December 31, 2010 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

Kyoto, Japan
March 28, 2011

Corporate Philosophy

HORIBA's company motto

“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 large part 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

We, at the HORIBA, apply our most advanced analytical technologies to provide highly original analytical and measuring products and equipment in such fields as engine emissions, scientific analysis, industrial and process control, environment monitoring, semi-conductor process control, medical and health-care, and biotechnology, thereby contributing to the progress of science and technology, improvement in the quality, development and benefit of human health. We are engaging in the new businesses for derivative and peripheral products aim to develop scientific technology and improve the life of the community, while at the same time minimizing the impact on the environment.

We strictly abide by all environmental protection laws and regulations in our business activities. In addition, all HORIBA Group companies are required to attain the highest levels of quality for establishing, developing, and maintaining environmental systems, including implementing internal control standards that minimize the impact that our business activities have on the environment.

We strive to deliver higher value-added products and services in the shortest possible time to customers all over the world, combining the functions and specialties of development, production, sales, and services from globally located points throughout the world. Furthermore, we aim to be the leader in the global market in the fields and product segments in which we operate, to meet all customers' needs consistently, and

to effectively maximize our limited resources through a policy of selective investment.

Customer Responsiveness

We maintain a philosophy of pursuing technology to the 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. We are obliged to observe 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 our activities. This slogan encompasses not only production lead times but also development, marketing and sales, service, and control functions.

Responsibility to 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 potential investors. A timely responsive management control system should be maintained by HORIBA Group companies to ensure that company objectives are met, profit generated and the information disclosed represents the true performance of the company as well as its management.

Employees

We are proud of the entrepreneurial spirit that led to the creation of HORIBA Group companies. 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 to achieve their individual goals and maximize their potential. To further each employee's personal and professional growth, we encourage thinking from a global perspective and have established a global personnel development program and performance evaluation system. We value employees who challenge their personal abilities and recognize their own accomplishments.

Corporate Information

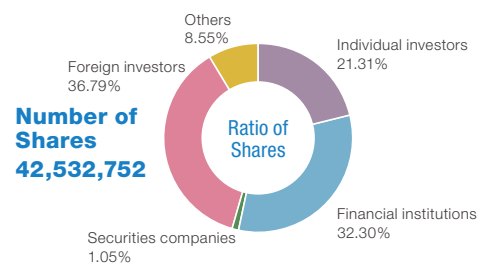
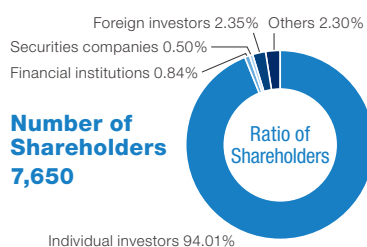
As of December 31, 2010

Head Office	2, Miyanohigashi-cho, Kisshoin, Minami-ku, Kyoto 601-8510, Japan
Founded	October 17, 1945
Incorporated	January 26, 1953
Paid in Capital	12,011 million yen
Number of Employees	5,202(Consolidated)
Fiscal Closing Date	December 31, annually
Annual Meeting of Shareholders	Held in March
Transfer Agent	The Chuo Mitsui Trust and Banking Co., Ltd.
Independent Auditors	KPMG AZSA LLC
Stock Listings	Tokyo Stock Exchange, First Section Osaka Securities Exchange, First Section Securities Code: 6856

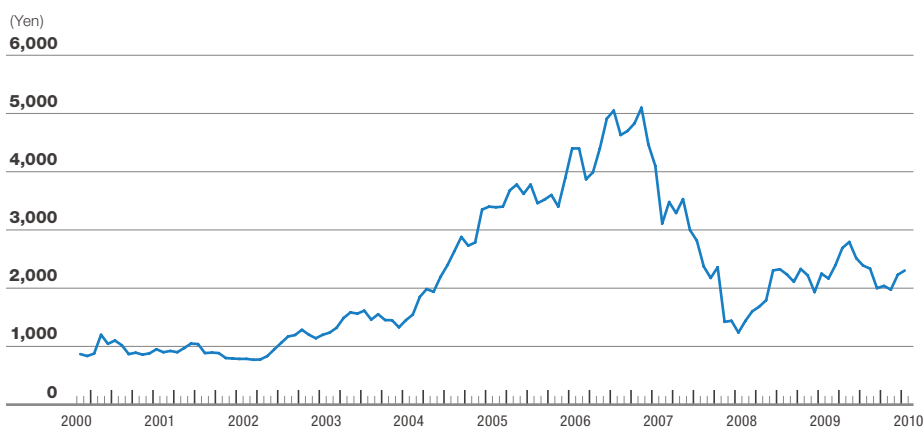
Major Shareholders

As of December 31, 2010

Name of Shareholders	Shares (Thousands)	Percentage (%)
Taiyo Fund, L.P.	3,475	8.17
The Master Trust Bank of Japan, Ltd.	2,506	5.89
Japan Trustee Service Bank, Ltd.	2,251	5.29
Masao Horiba	1,300	3.05
Japan Trustee Service Bank, Ltd. 9	1,022	2.40
Northern Trust Co.(AVFC) Sub A/C American Clients	1,009	2.37
The Bank of Kyoto, Ltd.	828	1.94
Atsushi Horiba	808	1.90
HORIBA Raku-Raku Kai	783	1.84
The Kyoto Chuo Shinkin Bank	645	1.51



Stock Price Trend





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