

# Consolidated Financial Statements for the Year Ended March 20, 2004

May 13, 2004

Company Name: HORIBA, Ltd. Stock Exchange Listings: Tokyo, Osaka  
 Listing Code: 6856 Place of Head Office: Kyoto  
 (URL <http://www.horiba.co.jp>)  
 Representative: Atsushi Horiba President and CEO  
 Contact: Kensuke Nakagawa Senior Corporate Officer Telephone: (81) 75-313-8121

Board of Directors meeting : May 13, 2004

U.S. Accounting standards used : No

## 1. Results for the Year ended March 20, 2004

### (1) Sales and Income

	Sales		Operating Income		Ordinary Income	
	JPY million	%	JPY million	%	JPY million	%
Year ended 3/20/04	85,072	8.4	6,850	25.1	5,597	48.6
Year ended 3/20/03	78,501	5.4	5,473	114.9	3,766	135.5

	Net Income		Earnings per Share	Earnings per Share (diluted)	Return On Equity	Return On Assets	Ordinary Income To Sales
	JPY million	%	JPY	JPY	%	%	%
Year ended 3/20/04	2,073	164.0	62.90	50.10	5.0	5.8	6.6
Year ended 3/20/03	785	-	22.21	18.31	2.0	3.8	4.8

#### Notes:

- Equity in earnings of affiliates : Year ended Mar. 20, 2004 : JPY - million Year ended Mar. 20, 2003 : JPY - million
- Average number of shares outstanding (consolidated): Year ended Mar. 20, 2004 : 31,343,458 shares Year ended Mar. 20, 2003 : 30,970,910 shares
- Changes in accounting principles : None
- Percentages represent changes for net sales, operating income, ordinary income and net income compared to the corresponding period in the previous year.

### (2) Financial Position

	Total assets	Total shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	JPY million	JPY million	%	JPY
Year ended 3/20/04	92,657	43,348	46.8	1,350.31
Year ended 3/20/03	100,541	40,143	39.9	1,293.30

Note: Number of shares outstanding at end of period (Consolidated) : Mar. 20, 2004: 32,026,494 shares Mar. 20, 2003 : 30,964,333 shares

### (3) Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents End of Period
	JPY million	JPY million	JAY million	JPY million
Year ended 3/20/04	5,789	(2,765)	(11,596)	13,603
Year ended 3/20/03	8,960	(1,337)	(2,354)	22,061

### (4) Scope of consolidation and application of the equity method

Consolidated subsidiaries : 37 companies Unconsolidated subsidiaries accounted for by the equity method : None  
 Affiliated companies accounted for by the equity method : None

### (5) Changes in scope of consolidation and application of the equity method

Consolidation : (New) 2 companies (Eliminated) 3 companies Equity method : (New) None (Eliminated) None

## 2. Projected results for the year ending March 20, 2005

	Sales	Ordinary Income	Net Income
	JPY million	JPY million	JPY million
6 months ended 9/20/04	43,000	2,000	600
Year ended 3/20/05	90,000	6,000	2,600

Reference: Estimated earnings per share (full year) JPY 77.52

\* These projected results are made at May 13, 2004, and HORIBA's actual results could materially differ from those contained in these forward-looking statements as a result of numerous factors outside of HORIBA's control.

Please see page 11 of the attached materials regarding the above projected results.

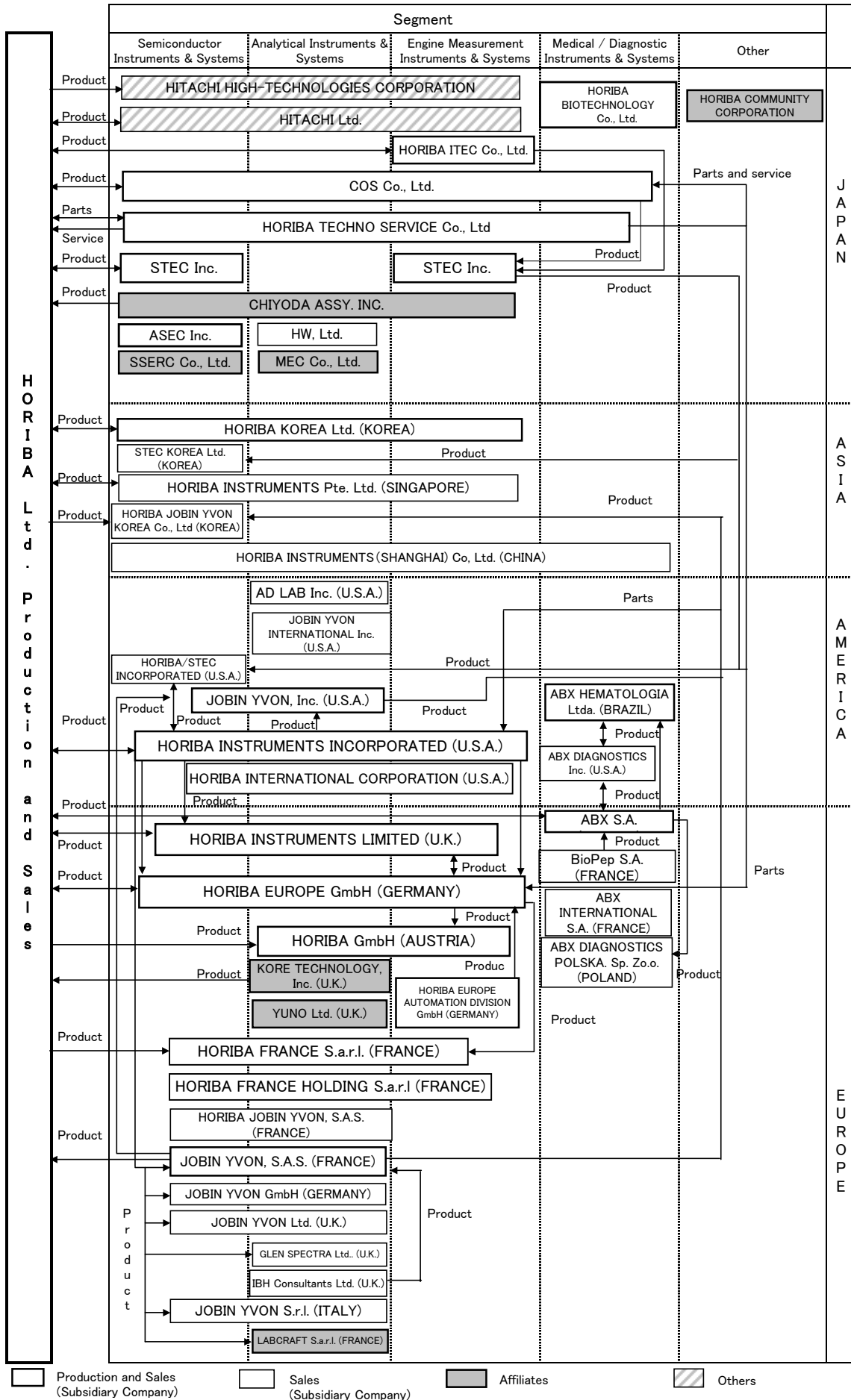
## The HORIBA Group

The HORIBA group consists of 37 consolidated subsidiaries, 1 unconsolidated subsidiary and 6 affiliates, producing and selling analyzers. The HORIBA group consists of the following divisions : Engine Measurement Instruments & Systems, Analytical Instruments & Systems, Medical / Diagnostic Instruments & Systems, Semiconductor Instruments & Systems.

The following shows the main products and main companies for each segment.

	Main products	Main companies
Engine Measurement Instruments & Systems	Motor Exhaust Gas Analyzers, Vehicle Emissions Test Systems, Engine Research and Test Systems, Chassis Dynamometers, Robot Drivers, Automotive Emission Analyzers, Fuel Cell System Gas Analyzer Systems, Vessel Engine Exhaust Gas Analyzers, Tachometers and Super-Low-Mass PM Analyzers.	HORIBA Ltd., HORIBA INSTRUMENTS INCORPORATED (U.S.A.), HORIBA EUROPE GmbH (GERMANY), HORIBA INSTRUMENTS LIMITED (U.K.), HORIBA EUROPE AUTOMATION DIVISION GmbH (GERMANY), HORIBA KOREA Ltd. (KOREA), HORIBA INSTRUMENTS Pte. Ltd. (SINGAPORE)  10 other companies (Total 17 companies)
Analytical Instruments & Systems	PH-Meters, Ion Meters, Process Water Analyzers, Particle Size Distribution Analyzers, Metal/Ceramics Analyzers, ICP Luminescence Analyzers, Fourier Transform Infrared Spectrometers, Energy Dispersive X-ray Analyzers, X-ray Fluorescence Analyzers, Optical Crystals, Infrared Detectors, Stack Gas Analyzers, Soil Pollutant Analyzer and Radio Frequency Glow Discharge Optical Emission Spectrometer. Radiation Thermo Meters, Food Analyzers, Water Pollution Analyzers , Air Pollution Analyzers, Stack Gas Analyzers, Soil Pollutant Analyzer and Radio Frequency Glow Discharge Optical Emission Spectrometer.	HORIBA Ltd., JOBIN YVON, S.A.S. (FRANCE), JOBIN YVON, Inc. (U.S.A.), JOBIN YVON GmbH (GERMANY), HORIBA INSTRUMENTS INCORPORATED (U.S.A.), HORIBA EUROPE GmbH (GERMANY), HORIBA INSTRUMENTS LIMITED (U.K.), COS Co., Ltd.  21 other companies (Total 29 companies)
Medical / Diagnostic Instruments & Systems	Clinical Diagnostics Analyzers, Hematology Analyzers, Blood Cell Counters, Clinical Chemistry Analyzers, Immunoassay Analyzers, Blood Glucose Analyzers and Urometers.	HORIBA Ltd., ABX S.A. (FRANCE), ABX DIAGNOSTICS POLSKA. Sp. Zo.o. (POLAND), ABX DIAGNOSTICS Inc. (U.S.A.), ABX HEMATOLOGIA Ltda. (BRAZIL)  6 other companies (Total 11 companies)
Semiconductor Instruments & Systems	Mass Flow Controllers, Liquid Injection Systems, Chemical Concentration Meters, Spectroscopic Ellipsometers, Plasma Process Monitors, Flat Panel Display Module Defect Inspection Systems, Particle Counters and Reticle/Mask Particle Detection Systems.	HORIBA Ltd., STEC Inc., JOBIN YVON , S.A.S. (FRANCE), HORIBA INSTRUMENTS INCORPORATED (U.S.A.), HORIBA EUROPE GmbH (GERMANY), HORIBA INSTRUMENTS LIMITED (U.K.), HORIBA INSTRUMENTS Pte. Ltd. (SINGAPORE), STEC KOREA Ltd. (KOREA)  17 other companies (Total 25 companies)
Employee welfare	Employee welfare	HORIBA COMMUNITY CORPORATION (Total 1 company)

Brief overview is as follows



## Business Policies

### 1. The Fundamental Business Policies of HORIBA

As a manufacturer of analytical equipment, the HORIBA Group aims to be a leading medium-sized enterprise. Our basic philosophy is to contribute to society by promoting the development of science and technology and bringing greater convenience to society through our business activities, which focus on analytical technologies, and which span a variety of industrial fields in the global market. HORIBA has also long placed great importance on its affiliated businesses, and is aggressively promoting the strengthening and amalgamation of its alignments that utilize the human and technological resources of the 45 HORIBA Group companies throughout the world.

### 2. HORIBA's Fundamental Policies Related to Profit Sharing

The HORIBA Group is working to strengthen its profit structure through efforts such as increasing productivity, while striving to make dividend payments at a dividend payout ratio of 30% for the parent company. In some cases, extraordinary profit and loss may be excluded when computing the dividend payout ratio. Regarding retained earnings, HORIBA intends to appropriate this operating capital for business expansion and for facility, research and development investments and for strengthening the financial position of the corporation.

### 3. Concepts, Policies, etc., Related to the Reduction of Investment Units

It is the fundamental policy of HORIBA to review as necessary our stock investment units for feasible transactions on the stock market from the standpoint of increasing the liquidity of the corporation on the stock market and promoting investment participation from a wider range of investors. However, the liquidity of HORIBA stock at present is sufficiently insured, and a great deal of expense would be involved in reducing the investment unit, so we plan to take market imperatives, etc., into consideration as we work with great care to handle our investment structure.

### 4. Management Indexes That We Are Taking As Our Goals

For its mid- and long-term plan goals, the HORIBA Group aims to achieve consolidated sales of ¥100 billion and a consolidated operating earnings ratio of 10% or higher in March 2006. In order to maximize shareholder value, HORIBA also takes the shareholder return on equity (ROE) of the current period as a management index and aims to achieve a ROE of 8.0% or higher as a mid-term goal. In order to realize our target numbers, HORIBA is striving to expand its business achievements by strengthening the alliances between Group businesses, and to improve its consolidated balance sheet through reducing assets, etc., with the goal of increasing the efficiency of corporate asset utilization.

### 5. HORIBA's Mid- and Long-Term Business Strategies

With the goal of being a leading company in the field of analytical and measurement technologies, HORIBA is working in four core segments - engine measurement and testing systems, analytical instruments for physical, chemical and environmental applications, medical and diagnostic equipment for the health care industry, and semiconductors. HORIBA puts major efforts into providing, in a timely manner, the global market with products that have the potential to become de facto standards and which match the multifaceted technological capabilities of the HORIBA Group to the needs of today's market. To that end, HORIBA plans for true global development in product development and planning for all four core segments. Product planning does not take place only at the parent company; HORIBA may also assign "head office" duties to the members of the HORIBA Group that have the strongest capabilities in a specific field. HORIBA is also aggressively implementing the integration and merger of Group technologies. In the area of medical equipment, HORIBA is working with ABX S.A. of France on collaborative development that merges the technological resources in which both companies specialize. Likewise, in the semiconductor field, HORIBA is working to strengthen its partnerships in the areas of sales and development with STEC Inc. In the area of sales, HORIBA has acquired HORIBA Jobin Yvon Co., Ltd., a Group sales

subsidiary, as part of ongoing efforts begun last year to strengthen domestic sales in Japan. The goal of this acquisition is to further increase the efficiency of business resource utilization.

In the promotion of our business operations, HORIBA is continuously working to improve productivity and to formulate mid- and long-term business plans that can flexibly adapt to the multitude of changes taking place in today's economic environment.

#### 6. The Tasks Facing HORIBA

In order to not only be among the corporate survivors of the 21st-century, but also to achieve further growth, it is vital that we improve productivity and aggressively promote global development. At our parent company, we have been working for several years on the development of a business reform project with the goal of improving the efficiency of our work, increasing the speed of product output and raising the level of our productivity. We are also working to expand this project beyond manufacturing and development to encompass the entire corporation as a whole, including sales and management divisions. HORIBA is also currently working to expand the scope of this project to other Group companies. With this project as a basis, HORIBA aims to further enhance its foundation as a manufacturer that can quickly and accurately respond to user needs, realizing in all aspects of operation a position as an "ultra-quick supplier" that will put and keep us ahead of the competition. HORIBA will also be continuing in its efforts to promote the introduction of technologies and the formation of technical partnerships at the global level, as described earlier, as well as its efforts to strengthen its business capacity domestically in Japan. Our goal is to grow into a global corporation that can meet all of the requirements of a manufacturer in terms of performance, quality, delivery, price, and after-sales service.

#### 7. Policies Related to the Establishment of a HORIBA System for the Organization of Management

The parent company has been working to respond to the whirlwind of changes taking place in the business environment with which HORIBA and the HORIBA Group have been faced. In regard to management decision making by the Board of Directors for the Group as a whole, HORIBA is working to increase the speed of the decision-making process and enhance the supervisory functions of the Board of Directors. To that end, HORIBA has been introducing a system of "Corporate Officers" since June 1998, by which authority is delegated to the officers by representative directors, giving the corporate officers full responsibility for work execution. HORIBA has also established the "HORIBA Corporate Philosophy". HORIBA is promoting this philosophy as a guide for corporate business, and has designed the philosophy to give both management and personnel at all Group companies a unified sense of the HORIBA management concept, sense of values, and standards of action.

#### 8. Fundamental Concepts on Corporate Governance and the Current Status of Corporate Governance Policy Implementation

##### Fundamental Concepts on Corporate Governance

HORIBA is working to construct a corporate governance system with the goals of pursuing transparent business management and maximizing corporate value.

##### The Current Status of the HORIBA Corporate Governance System

###### 1) Auditing System

The revised Commercial Code enacted April 1, 2003, has led to the introduction of the "Company with Committees System". At present, however, HORIBA is utilizing a system of auditors rather than committees, and has not established the types of committees defined for this new system. As illustrated by various recent scandals in the United States, corporate control based on a variety of committees does not necessarily function as intended.

For its auditing system, HORIBA calls upon external human resources to serve as external statutory auditors, but HORIBA also relies on internal officers to perform audits, as these officers have worked for a long period of time in HORIBA management, have a thorough understanding of

the management system, and are able to make very detailed checks of the system. At HORIBA, we believe that our auditing system is functioning fully and adequately, and that enhancing the functions of our current auditing system is of more importance than establishing new committees for the Company with a Committees System. As such, HORIBA plans to continue with its current auditing system.

## 2) External Officers

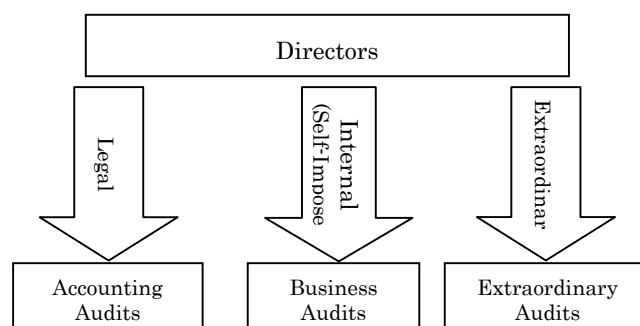
With the goal of examining our business policies and strategies from numerous standpoints, HORIBA has appointed one outside board member (Shijuro Ogata) and two external statutory auditors (Kozo Yamamoto, Attorney at Law and President of Law Office of Heian, and Kanji Ishizumi Representative Partner of Law Office of Chiyoda Kokusai). By participating in the HORIBA Board of Directors, these experienced outside human resources play a very important role in the corporate governance of our company by helping us to increase the quality of our management decisions and to enhance the transparency of our management operations. HORIBA does not employ full-time staff working for outside officers.

## 3) Business and Affairs of the Corporation and the Mechanism for Monitoring Corporate Business

HORIBA utilizes a system of corporate officers to handle the business and affairs of the corporation and as a mechanism for monitoring corporate business. The company directors commission these corporate officers to execute corporate business and affairs. The corporate officers then issue concrete commands and orders to the managers of the departments overseeing the corresponding work, and are also responsible for monitoring the work. The monitoring of the company directors is handled by statutory auditors in accordance with related laws and ordinances such as the Commercial Code.

## 4) The Mechanism of Internal Control

The following diagram illustrates the HORIBA system of internal control.



Details of Self-Imposed Internal Audits (Other Than Legal Audits)

	Routine Business	Export Control Business	Publicly Subsidized Business	Subsidiary Control Business	ISO9001 Requirements Audit	ISO14001 Requirements Audit
Audit Details	Audit of Compliance to Office Routine Regulations	Audit of Compliance with the Compliance Program for Documents Submitted to the Ministry of Economy, Trade and Industry	Partial Accounting Audit of Public Subsidy Business	Audit of Domestic and Overseas Subsidiaries	-	-
Division in Charge	Group Audit Office	Export Control Office	Accounting Department	Accounting Department, Group Audit Office	Quality-Environment-Safety Center	Quality-Environment-Safety Center

Through the self-imposed audits listed above in addition to the legally-required audits, HORIBA is continuously working to minimize corporate risk.

#### 5) The Status of Third Parties, Including Lawyers and Accounting Auditors

When necessary, HORIBA has corporate lawyers, that it keeps on retainer, perform checks of vital company matters. HORIBA has also contracted KPMG AZSA & Co. to serve as accounting auditors. KPMG AZSA & Co. performs periodic independent accounting audits, and when necessary, is requested to perform checks related to HORIBA accounting procedures.

#### Overviews of the Personal, Capital and Transaction Relationships As Well As Relationships in Other Matters between HORIBA and Its Outside Statutory Auditors

HORIBA employs two outside statutory auditors. Both of the auditors are working part-time and are specialists in legal professions that are independent from HORIBA.

#### Projects Conducted in the past Year with the Goal of Enhancing Corporate Governance

HORIBA recognizes the fortification of Corporate Governance as an important subject, and is engaged in it. The fundamental policies are:

- I . The improvement of management transparency
- II . Strengthening of disclosure and accountability
- III . The engagement throughly of the risk management

##### I . The improvement of management transparency

HORIBA is served by the necessary number of board of directors and corporate officers. This enables the Company to be well prepared for quick decision making and monitoring business activities.

##### II . Strengthening of disclosure and accountability

Recognition of the importance for disclosure is higher than ever before. We are promoting voluntarily-disclosure and carrying out our accountability to every stakeholder.

In addition, quarterly disclosure has been released since April 2003.

##### III . The engagement throughly of the risk management

HORIBA employs measures, in addition to reports of employees to their superiors, to deal with any illegal acts. This "Compliance Program" includes the following.

- Establishment of a committee on compliance
- Conclusion of consulting consignment contracts with 2 external consultants
- Establishment of exclusive e-mail addresses

In this way, HORIBA goes forward with business, managing various contacts and improving consciousness to maintain compliance.

### Operating Results and Financial Conditions

#### 1. Operating Results

The consolidated financial results for the year ended March, 20 2004 show record sales of ¥85,072 million, an increase of 8.4% over the previous year. As for income, operating income increased 25.1% to ¥6,850 million, ordinary income increased 48.6% to ¥5,597 million. Net income increased 164.0% to ¥2,073 million relative to the previous year, and were record highs.

Below are summaries of the current business conditions of each business segment.

##### (Engine Measurement Instruments & Systems)

With stricter exhaust gas regulations being implemented globally and strong capital investment for developing new cars by automobile companies, HORIBA is seeing favorable conditions, both in Japan and in Europe, for the sales of large exhaust gas analyzers for diesel engines. Total segment sales

increased 11.6% over the previous year to ¥23,582 million. Operating income increased 10.7% to ¥3,485 million due to cost reductions generated by economics of scale resulting from the increased sales.

(Analytical Instruments & Systems)

Sales for this segment increased 8.8% over the previous year to ¥29,425 million due to factors such as expanding demand for monitor devices for discharged water in the Japanese market. Due to the increased sales and cost reductions, operating income increased 33.0% to ¥1,021 million.

(Medical/Diagnostic Instruments & Systems)

HORIBA is seeing increases in sales of test reagents accompanied by favorable sales of blood cell counters. The total sales for this segment were up 8.5% over the previous year to ¥17,301 million, and operating income also increased 8.4% to ¥1,507 million.

(Semiconductor Instruments & Systems)

The semiconductor market recovered rapidly in the second half and sales of mass flow controllers, our leading product in this segment, have increased. Total sales for this segment were up 2.6% from the previous year to ¥14,763 million. With the increased sales, operating income was up 404.8% to ¥835 million.

Consolidated Total	Year ended 3/20/04		Year ended 3/20/03		Change from previous year	
	Amount		Amount		Amount	%
	JPY million		JPY million		JPY million	%
Sales	85,072		78,501		6,571	8.4
Operating Income	6,850		5,473		1,376	25.1
Ordinary Income	5,597		3,766		1,831	48.6
Net Income	2,073		785		1,288	164.0

Comparison with the Same Term of the Previous Year:

Sales by Segment	Year ended 3/20/04		Year ended 3/20/03		Change from previous year	
	Amount	%	Amount	%	Amount	%
	JPY million		JPY million		JPY million	
Engine Measurement Instruments & Systems	23,582	27.7	21,131	26.9	2,451	11.6
Analytical Instruments & Systems	29,425	34.6	27,037	34.5	2,388	8.8
Medical/Diagnostic Instruments & Systems	17,301	20.3	15,941	20.3	1,359	8.5
Semiconductor Instruments & Systems	14,763	17.4	14,391	18.3	372	2.6
Total	85,072	100.0	78,501	100.0	6,571	8.4

Operating Income by Segment	Year ended 3/20/04		Year ended 3/20/03		Change from previous year	
	Amount	%	Amount	%	Amount	%
	JPY million		JPY million		JPY million	
Engine Measurement Instruments & Systems	3,485	50.9	3,149	57.6	335	10.7
Analytical Instruments & Systems	1,021	14.9	767	14.0	253	33.0
Medical/Diagnostic Instruments & Systems	1,507	22.0	1,390	25.4	117	8.4
Semiconductor Instruments & Systems	835	12.2	165	3.0	669	404.8
Total	6,850	100.0	5,473	100.0	1,376	25.1

Average Exchange Rate	Year ended 3/20/03	Year ended 3/20/04
US Dollar	125.18	116.00
Euro	118.13	131.15
Sterling Pound	187.89	189.43

Sales by Segment	3/21/03-6/20/03		6/21/03-9/20/03		9/21/03-12/20/03		12/21/03-3/20/04	
	Amount	%	Amount	%	Amount	%	Amount	%
Engine Measurement Instruments & Systems	JPY million 5,799	30.8	JPY million 4,529	22.6	JPY million 5,728	28.1	JPY million 7,525	29.2
Analytical Instruments & Systems	6,424	34.1	7,557	37.7	6,559	32.2	8,884	34.4
Medical/Diagnostic Instruments & Systems	3,811	20.2	4,559	22.8	4,431	21.8	4,499	17.4
Semiconductor Instruments & Systems	2,810	14.9	3,386	16.9	3,654	17.9	4,911	19.0
Total	18,844	100.0	20,033	100.0	20,374	100.0	25,820	100.0

Operating Income by Segment	3/21/03-6/20/03		6/21/03-9/20/03		9/21/03-12/20/03		12/21/03-3/20/04	
	Amount	%	Amount	%	Amount	%	Amount	%
Engine Measurement Instruments & Systems	JPY million 997	124.4	JPY million 291	30.5	JPY million 889	46.3	JPY million 1,306	41.2
Analytical Instruments & Systems	(49)	(6.1)	106	11.1	94	4.9	869	27.4
Medical/Diagnostic Instruments & Systems	187	23.4	553	57.9	660	34.4	106	3.4
Semiconductor Instruments & Systems	(334)	(41.7)	5	0.5	275	14.4	888	28.0
Total	801	100.0	956	100.0	1,919	100.0	3,171	100.0

## 2. Financial Conditions

### 1) Cash Flow Conditions for the Term

#### (Cash Flow Resulting from Operating Activities)

For this term, the net cash flow resulting from operating activities amounted to ¥5,789 million. This is attributed primarily to the fact that, income before income taxes increased considerably and accounts receivable decreased.

#### (Cash Flow Resulting from Investing Activities)

The net cash flow used in investing activities amounted to ¥2,765 million. This is attributed primarily to factors such as a payout of ¥2,622 million for the acquisition of fixed assets.

#### (Cash Flow Resulting from Financing Activities)

The net cash flow used in financing activities amounted to ¥11,596 million. This is attributed primarily to a payment of ¥9,000 million for redemption of corporate bonds, a net decrease of ¥589 million in short-term borrowings and repayment of long-term debt of ¥1,618 million.

As a result, cash and cash equivalents fell ¥8,457 million compared with the beginning of the year, for a total of ¥13,603 million.

## 2) Trends in Cash Flow Indexes

	Year ended 3/20/04	Year ended 3/20/03
Shareholders' Equity Ratio (%)	46.8	39.9
Shareholders' Equity Ratio on a Market Value Basis (%)	47.7	23.6
Number of Years for Debt Redemption (Year)	3.7	3.7
Interest Coverage Ratio	12.9	13.1

(Notes) Shareholders' Equity Ratio = Shareholders' Equity / Total Assets

Shareholders' Equity Ratio on a Market Value Basis = Total Market Value of Shares / Total Assets

Number of Years for Debt Redemption = Interest-Bearing Debt / Operating Cash Flow

Interest Coverage Ratio = Operating Cash Flow / Interest Payments

- ※ All indexes are calculated on the consolidation basis.
- ※ The total market value of shares is calculated as the closing share price at the end of the term multiplied by the total number of shares issued at the end of the term after deduction of treasury stock.
- ※ The value used for operating cash flow is "cash flow resulting from operating activities" shown in the consolidated cash flow statement. Interest-bearing debt covers all debts accounted for in the consolidated balance sheet for which interest is paid. The value used for the interest paid is the amount of payment for interest shown in the consolidated cash flow statement

### 3. Outlook

In the next financial year, we are afraid that market conditions will remain poor. On the other hand, the semiconductor market has recovered rapidly. The HORIBA Group shall continue to concentrate full efforts to enhance our enterprise value by improving our financial efficiency and aim to be at an attractive company contributing to society. We estimate the following consolidated business results for the term — Sales: ¥90,000 million (up 5.8% from the preceding year), Operating Income: ¥7,200 million (up 5.1%), Ordinary Income: ¥6,000 million (up 7.2%), Net Income: ¥2,600 million (up 25.4%).

Consolidated Total	Year ended 3/20/05		Year ended 3/20/04		Change from previous year	
	Amount		Amount		Amount	%
	JPY million		JPY million		JPY million	%
Sales	90,000		85,072		4,927	5.8
Operating Income	7,200		6,850		349	5.1
Ordinary Income	6,000		5,597		402	7.2
Net Income	2,600		2,073		526	25.4

Sales by Segment	Year ended 3/20/05		Year ended 3/20/04		Change from previous year	
	Amount	%	Amount	%	Amount	%
	JPY million		JPY million		JPY million	
Engine Measurement Instruments & Systems	23,600	26.2	23,582	27.7	17	0.1
Analytical Instruments & Systems	28,900	32.1	29,425	34.6	(525)	(1.8)
Medical/Diagnostic Instruments & Systems	18,600	20.7	17,301	20.3	1,298	7.5
Semiconductor Instruments & Systems	18,900	21.0	14,763	17.4	4,136	28.0
Total	90,000	100.0	85,072	100.0	4,927	5.8

Operating Income by Segment	Year ended 3/20/05		Year ended 3/20/04		Change from previous year	
	Amount	%	Amount	%	Amount	%
	JPY million		JPY million		JPY million	
Engine Measurement Instruments & Systems	3,200	44.4	3,485	50.9	(285)	(8.2)
Analytical Instruments & Systems	800	11.1	1,021	14.9	(221)	(21.7)
Medical/Diagnostic Instruments & Systems	1,200	16.7	1,507	22.0	(307)	(20.4)
Semiconductor Instruments & Systems	2,000	27.8	835	12.2	1,164	139.5
Total	7,200	100.0	6,850	100.0	349	5.1

Average Exchange Ratio	Year ended 3/20/04 (actual)	Year ended 3/20/05 (estimated)
US Dollar	116.00	105.00
Euro	131.15	128.00
Sterling Pound	189.43	190.00

## Consolidated Balance Sheets

	As of March 20, 2004		As of March 20, 2003		Increase/ Decrease
	Amount	%	Amount	%	Amount
<b>Assets</b>	JPY million		JPY million		JPY million
<b>Current Assets:</b>	[ 65,726 ]	[ 70.8 ]	[ 73,820 ]	[ 73.4 ]	[ (8,093) ]
Cash and banks	13,002		21,409		(8,407)
Trade notes and accounts receivable	29,143		29,594		(450)
Marketable securities	601		653		(51)
Inventories	19,402		18,336		1,066
Deferred tax assets	2,177		1,999		178
Other current assets	1,919		2,289		(369)
Allowance for doubtful accounts	(520)		(462)		(58)
<b>Fixed Assets:</b>	[ 26,930 ]	[ 29.1 ]	[ 26,698 ]	[ 26.6 ]	[ 232 ]
<b>Tangible Assets:</b>	[ 18,841 ]	[ 20.3 ]	[ 19,000 ]	[ 18.9 ]	[ (158) ]
Buildings and structures	7,088		6,872		215
Machinery, equipment, and vehicles	2,338		2,144		194
Land	7,476		7,510		(33)
Construction in progress	158		827		(669)
Other property, plant and equipment	1,779		1,645		134
<b>Intangible Assets:</b>	[ 2,180 ]	[ 2.4 ]	[ 1,387 ]	[ 1.4 ]	[ 792 ]
Goodwill	84		350		(266)
Consolidation difference	1,206		301		905
Other intangibles	888		735		153
<b>Investments and Other Non-Current Assets:</b>	[ 5,909 ]	[ 6.4 ]	[ 6,310 ]	[ 6.3 ]	[ (401) ]
Investment securities	3,957		3,910		46
Deferred tax assets	650		968		(317)
Other investments and other assets	1,441		1,552		(111)
Allowance for doubtful accounts	(140)		(120)		(19)
<b>Deferred Charges:</b>	[ 0 ]	[ 0.0 ]	[ 22 ]	[ 0.0 ]	[ (22) ]
Bond issue expenses	-		11		(11)
Organization cost	0		0		(0)
Business commencement expense	-		10		(10)
<b>Total Assets</b>	<b>92,657</b>	<b>100.0</b>	<b>100,541</b>	<b>100.0</b>	<b>(7,884)</b>

## Consolidated Balance Sheets

	As of March 20, 2004		As of March 20, 2003		Increase/ Decrease
	Amount	%	Amount	%	Amount
Liabilities	JPY million		JPY million		JPY million
Current Liabilities:	[ 29,371 ]	[ 31.7 ]	[ 37,961 ]	[ 37.7 ]	[ (8,589) ]
Notes and accounts payable - trade	8,757		9,198		(440)
Short-term loans payable	6,352		6,714		(362)
Current portion of long-term debt	641		684		(42)
Accounts payable - other	5,650		4,533		1,117
Accrued income taxes	2,052		2,079		(26)
Accrued bonuses to employees	2,095		2,012		82
Reserve for product warranty	885		935		(50)
Deferred tax liabilities	0		-		0
Current maturities of bonds	-		9,000		(9,000)
Other current liabilities	2,935		2,802		133
Non-Current Liabilities:	[ 17,597 ]	[ 19.0 ]	[ 19,876 ]	[ 19.8 ]	[ (2,278) ]
Corporate bonds	5,000		5,000		-
Convertible bonds	8,819		9,983		(1,164)
Long-term debt	647		1,836		(1,188)
Employees' retirement benefits	1,108		2,234		(1,125)
Deferred tax liabilities	20		22		(1)
Other non-current liabilities	2,001		800		1,201
<b>Total Liabilities</b>	<b>46,969</b>	<b>50.7</b>	<b>57,837</b>	<b>57.5</b>	<b>(10,868)</b>
Minority Interests in Consolidated Subsidiaries	2,340	2.5	2,559	2.6	(219)
Shareholders' Equity					
Common stock	7,160	7.7	6,577	6.5	582
Capital surplus	11,456	12.4	10,875	10.8	581
Retained earnings	24,341	26.3	22,936	22.8	1,404
Net unrealized holding gains on securities	1,100	1.2	405	0.4	694
Foreign currency translation adjustments	(433)	(0.5)	(401)	(0.4)	(31)
Treasury stock	(277)	(0.3)	(250)	(0.2)	(26)
<b>Total Shareholders' Equity</b>	<b>43,348</b>	<b>46.8</b>	<b>40,143</b>	<b>39.9</b>	<b>3,204</b>
<b>Total Liabilities, Minority Interests and Shareholders' Equity</b>	<b>92,657</b>	<b>100.0</b>	<b>100,541</b>	<b>100.0</b>	<b>(7,884)</b>

### Notes

- |  |                          |                    |
|--|--------------------------|--------------------|
| 1. Accumulated depreciation of tangible assets : |                          | 20,496 JPY million |
| 2. Pledged assets :                              | Land                     | 7 JPY million      |
|  | Buildings                | 107 JPY million    |
| 3. Liabilities secured :                         | Short-term loans payable | 1 JPY million      |
|  | Long-term debt           | 48 JPY million     |
| 4. Contingent liabilities :                      |                          | 386 JPY million    |
| 5. The number of treasury stock :                |                          | 308,272 shares     |
| 6. R&D expenditure :                             |                          | 5,128 JPY million  |

Consolidated Statements of Operations

	Year ended March 20, 2004		Year ended March 20, 2003		Increase/Decrease	
	Amount	%	Amount	%	Amount	%
Net Sales	JPY million 85,072	100.0	JPY million 78,501	100.0	JPY million 6,571	8.4
Cost of Sales	50,417	59.3	47,675	60.7	2,742	5.8
Gross Income	34,654	40.7	30,826	39.3	3,828	12.4
Selling, General and Administrative Expenses	27,804	32.6	25,352	32.3	2,452	9.7
Operating Income	6,850	8.1	5,473	7.0	1,376	25.1
Other Income	[ 582 ]	[ 0.7 ]	[ 602 ]	[ 0.8 ]	[ (20) ]	[ (3.3) ]
Interest and dividend income	84	0.1	122	0.2	(37)	(30.8)
Other	498	0.6	480	0.6	17	3.7
Other expenses	[ 1,835 ]	[ 2.2 ]	[ 2,310 ]	[ 3.0 ]	[ (475) ]	[ (20.6) ]
Interest expense	448	0.5	684	0.9	(235)	(34.4)
Amortization of bond issue expenses	11	0.0	11	0.0	0	0.0
Foreign exchange loss	235	0.3	878	1.1	(642)	(73.2)
Amortization of goodwill	301	0.4	291	0.4	9	3.1
Other	837	1.0	443	0.6	394	89.0
Ordinary Income	5,597	6.6	3,766	4.8	1,831	48.6
Special gains	[ 120 ]	[ 0.1 ]	[ 158 ]	[ 0.2 ]	[ (38) ]	[ (24.0) ]
Gain on sales of properties	120	0.1	12	0.0	108	870.4
Gain on sales of investment securities	-	-	14	0.0	(14)	(100.0)
Gain on change in subsidiary's retirement benefits plan	-	-	131	0.2	(131)	(100.0)
Special losses	[ 938 ]	[ 1.1 ]	[ 806 ]	[ 1.0 ]	[ 132 ]	[ 16.5 ]
Loss on disposal of properties	57	0.1	90	0.1	(33)	(36.8)
Loss on sales of properties	25	0.0	203	0.3	(177)	(87.3)
Loss on valuation of properties	133	0.2	-	-	133	-
Loss on valuation of inventories	89	0.1	-	-	89	-
Loss on change of retirement benefit plan	441	0.5	-	-	441	-
Loss on sales of investment securities	34	0.0	34	0.0	0	1.0
Retirement benefits to directors	0	0.0	133	0.2	(132)	(99.8)
Loss on disposal of inventories	-	-	24	0.0	(24)	(100.0)
Loss on valuation of investment securities	135	0.2	319	0.4	(184)	(57.6)
Other	19	0.0	-	-	19	-
Income Before Income Taxes	4,779	5.6	3,118	4.0	1,660	53.2
Income Taxes (Current)	2,937	3.4	2,393	3.1	543	22.7
Income Taxes (Deferred)	(363)	(0.4)	(231)	(0.3)	(131)	56.8
Minority Interest in Earnings of Consolidated Subsidiaries	132	0.2	171	0.2	(39)	(23.2)
Net Income	2,073	2.4	785	1.0	1,288	164.0

Consolidated Statements of Capital Surplus and Retained Earnings

	Year ended March 20, 2004	Year ended March 20, 2003	Increase/Decrease
	JPY million	JPY million	JPY million
(Capital Surplus)			
Balance of capital surplus at beginning of period	[ 10,875 ]	[ 10,875 ]	[ - ]
Balance of capital surplus at beginning of period	-	10,875	-
Increase of capital surplus	[ 581 ]	[ - ]	[ 581 ]
Conversion of convertible bonds	581	-	581
Balance of capital surplus at end of period	11,456	10,875	581
(Retained Earnings)			
Balance of retained earnings at beginning of period	[ 22,936 ]	[ 22,479 ]	[ 456 ]
Balance of retained earnings at beginning of period	-	22,479	-
Increase of retained earnings	[ 2,073 )	[ 785 ]	[ 1,288 ]
Net income	2,073	785	1,288
Decrease of retained earnings	[ 669 ]	[ 328 ]	[ 340 ]
Cash dividends	449	263	186
Bonuses to directors and statutory auditors	98	65	32
Decrease of retained earnings by merger of consolidated subsidiary	121	-	121
Balance of retained earnings at end of period	[ 24,341 ]	[ 22,936 ]	[ 1,404 ]

## Consolidated Statements of Cash Flows

	Year ended March 20, 2004	Year ended March 20, 2003	Increase/Decrease
	JPY million	JPY million	JPY million
<b>Cash Flows from Operating Activities:</b>			
Income before income taxes	4,779	3,118	1,660
Depreciation	2,903	2,806	96
Amortization of consolidation difference	133	108	25
Amortization of bond issue expenses	11	11	0
Increase in allowance for doubtful receivables	10	54	(43)
Decrease in employees' retirement benefits	(1,138)	(168)	(970)
Interest and dividend income	(84)	(122)	37
Interest expense	448	684	(235)
Foreign exchange (gains) losses	(11)	5	(17)
Gain on sale of property, plant and equipment	(120)	(12)	(108)
Loss on disposal of properties	57	90	(33)
Loss on sale of property, plant and equipment	25	203	(177)
Gain on sales of investment securities	-	(14)	14
Loss on sales of investment securities	34	34	0
Loss on valuation of investment securities	135	319	(184)
Loss on disposal of inventories	-	24	(24)
Retirement benefits to directors	0	133	(132)
Loss on valuation of properties	133	-	133
Decrease in trade notes and accounts receivables	688	397	291
Decrease (increase) in inventories	(881)	813	(1,694)
Increase (decrease) in trade notes and accounts payable	(357)	1,215	(1,573)
Bonuses to directors and statutory auditors	(98)	(65)	(32)
Bonuses to directors and statutory auditors charged to minority interests	(7)	(4)	(2)
Other, net	2,575	846	1,728
Subtotal	9,240	10,481	(1,240)
Interest and dividends received	85	124	(39)
Interest paid	(519)	(685)	166
Payment of retirement benefits to directors	(30)	(80)	50
Income taxes paid	(2,986)	(879)	(2,107)
<b>Net cash provided by operating activities</b>	<b>5,789</b>	<b>8,960</b>	<b>(3,171)</b>
<b>Cash Flows from Investing Activities:</b>			
Increase in time deposits	(85)	(17)	(67)
Decrease in time deposits	87	258	(171)
Payment for purchase of property, plant and equipment	(2,622)	(2,638)	16
Proceeds from sale of property, plant and equipment	261	364	(103)
Payment for purchase of intangibles	(418)	(304)	(113)
Proceeds from sale of intangibles	-	2	(2)
Payment for purchase of investment securities	(413)	(340)	(72)
Proceeds from sale and redemption of investment securities	452	1,933	(1,481)
Payment for purchase of investments in consolidated subsidiaries	(168)	(452)	283
Payment for purchase of investments in newly consolidated subsidiaries	(272)	-	(272)
Increase in loans receivable	(1)	(305)	303
Decrease in loans receivable	237	69	168
Other, net	179	93	85
<b>Net cash used in investing activities</b>	<b>(2,765)</b>	<b>(1,337)</b>	<b>(1,428)</b>
<b>Cash Flows from Financing Activities:</b>			
Payment for redemption of corporate bonds	(9,000)	-	(9,000)
Net decrease in short-term borrowings	(589)	(1,389)	799
Increase in long-term debt	247	445	(198)
Repayment of long-term debt	(1,618)	(1,005)	(612)
Payments for purchase of treasury stock	(26)	(8)	(18)
Cash dividends paid	(449)	(264)	(185)
Cash dividends paid to minority interests	(39)	(18)	(20)
Other, net	(120)	(114)	(6)
<b>Net cash used in financing activities</b>	<b>(11,596)</b>	<b>(2,354)</b>	<b>(9,241)</b>
Effects of Exchange Rate Changes	114	167	(52)
Net Increase (Decrease) in Cash and Cash Equivalents	(8,457)	5,435	(13,893)
Cash and Cash Equivalents at Beginning of Year	22,061	16,625	5,435
Cash and Cash Equivalents at End of Year	13,603	22,061	(8,457)

The relation between cash and cash equivalents and the amounts in the consolidated balance sheet

JPY million

	March 20, 2004	March 20, 2003	
Cash and banks	13,002	21,409	
Time deposits with maturities of 3 months or more	0	(2)	
Short-term investments whose maturity or repayment date is within 3 months from the acquisition date (Marketable securities)	601	653	
Cash and cash equivalents	<u>13,603</u>	<u>22,061</u>	

## Basis of Presenting Consolidated Financial Statements

### 1. Scope of consolidation

#### 1) Consolidated subsidiaries: 37 companies

##### Foreign Subsidiaries (30 companies):

HORIBA International Corporation (U.S.A.); HORIBA Instruments Incorporated (U.S.A.); HORIBA/STEC Incorporated (U.S.A.); HORIBA Europe GmbH (Germany); HORIBA GmbH (Austria); HORIBA France Holding S.a.r.l. (France); HORIBA France S.a.r.l. (France); HORIBA Europe Automation Division GmbH (Germany); HORIBA Instruments Limited (U.K.); ABX International S.A. (France); ABX S.A. (France); ABX Inc. (U.S.A.); ABX Hematologia Ltda. (Brazil); ABX Diagnostics Polska. Sp. (Poland); HORIBA Jobin Yvon S.A.S. (France); Jobin Yvon S.A.S (France); Jobin Yvon Inc. (U.S.A.); Jobin Yvon International Inc. (U.S.A.); AD LAB Inc. (U.S.A.); Jobin Yvon GmbH (Germany); Jobin Yvon Ltd. (U.K.); Glen Spectra Ltd. (U.K.); Jobin Yvon S.r.l (Italy); HORIBA Instruments Pte. Ltd. (Singapore); HORIBA Korea Ltd. (Korea); STEC Korea Ltd. (Korea); HORIBA Jobin Yvon Korea Co., Ltd. (Korea); HORIBA Instruments (Shanghai) Co., Ltd. (China); BioPep S.A. (France); IBH Consultants Ltd. (U.K.)

##### Domestic Subsidiaries (7 companies)

STEC Inc.; HORIBA Itec Co., Ltd.; COS Co., Ltd.; HW Ltd.; HORIBA Techno Service Co., Ltd.; HORIBA Biotechnology Co., Ltd.; ASEC Inc.

During the present consolidated accounting period, ABX International S.A. (France) acquired BioPep S.A. (France) and Jobin Yvon Inc. (U.S.A.) acquired IBH Consultants Ltd. (U.K.), so they were included in the scope of consolidation. ISAFILA S.A. (France) and Jobin Yvon Netherlands B.V. (Netherlands) were liquidated and HORIBA Jobin Yvon Co., Ltd. was merged into our company, and they were excluded from the scope of consolidation. Regarding HORIBA Jobin Yvon Co., Ltd., only the profit and loss calculations up to the time of the merger are consolidated. Furthermore, Bio Applied Systems Inc. changed its name to HORIBA Biotechnology Co., Ltd.

#### 2) Unconsolidated subsidiary companies: 1 company

HORIBA Community Corporation (Japan)

This company is a small-scale operation. Since such things as its total assets, net sales, net income and loss, retained earnings and so forth has no significant effect upon the consolidated financial statements, it is excluded from the scope of consolidation.

### 2. Application of the equity method

#### 1) Unconsolidated companies for which equity method has not been applied: 1

company

HORIBA Community Corporation (Japan)

#### 2) Affiliated companies for which the equity method has not been applied: 6

companies

Chiyoda Assy Inc. ; Mec Co., Ltd.; SSERC Co., Ltd.; LABCRAFT S.a.r.l. (France); KORE Technology Inc. (U.K.); YUNO Ltd. (U.K.)

Each of the companies for which the equity method was not applied have an insignificant effect upon consolidated net income and retained earnings, and since they are also insignificant as a whole, they are excluded from application of the equity method.

#### 3. Consolidated subsidiaries' accounting periods end on December 31<sup>th</sup> for foreign subsidiaries and HORIBA Itec Co., Ltd., HW Ltd., and HORIBA Techno Service Co., Ltd.,

on March 20<sup>th</sup> for COS Co., Ltd. and ASEC Inc., and on March 31<sup>th</sup> for STEC Inc. and HORIBA Biotechnology Co., Ltd.

In preparing consolidated financial statements, we use the financial statements for the respective accounting period of subsidiaries. In addition, we carry out the necessary adjustments in consolidation with respect to unusual significant transactions that have occurred between accounting periods.

4. Accounting policies

1) Securities and inventories

a) Available-for-sale securities

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

b) Derivatives

Market value method

c) Inventories

- Finished products / work in process: Stated at cost. Cost is principally determined by the weighted-average method.
- Raw materials: Stated at cost. Cost is determined by the moving-average method.

2) Depreciation

a) Property, plant and equipment

Depreciation is computed on the following methods over the estimated useful lives of the assets:

Buildings acquired after April 1, 1998- Straight-line method

Others:

The Company and domestic subsidiaries – Declining balance method

Overseas subsidiaries – Straight line method

Estimated useful lives of the assets are principally as follows:

Buildings and structures: 3 to 60 years

Machinery, equipment, and vehicles: 2 to 17 years.

b) Intangibles

Straight-line method.

Amortization of computer software, which is used by the Group, is computed on the straight-line method over the estimated useful life of 5 years.

3) Deferred assets

Straight line method is used based on the Commercial Code.

4) Allowances and reserves

a) Allowance for doubtful accounts

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 estimated uncollectable amounts based on analysis of certain individual receivables. The foreign subsidiaries provide for doubtful accounts based on estimates of management.

b) Accrued bonuses to employees.

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

c) Reserve for product warranty

Reserve for product warranty is provided for accrued warranty expenses for products of the Company and certain subsidiaries.

d) Retirement allowance

The company and domestic subsidiaries provide for employees' severance and retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of the plan asset. Actuarial gains or losses are recognized in expense using the straight-line method over the fixed years (5 years) within the average of the estimated remaining service lives commencing with the following period. In HORIBA, prior service costs are recognized in expense using the straight-line method over the fixed years (10 years) within the average of the estimated remaining service lives commencing with the emergent period. In 1 consolidated subsidiary, they are treated collectively in the emergent period.

The Company and 2 consolidated subsidiaries changed to defined contribution plans and a new defined-benefit corporate pension plan from a non-contributory funded retirement plan in March 2004, and adopted the new accounting standard, "Opinion on Setting Accounting Standard for Employees' Severance and Pension Benefits", issued by the Business Accounting Deliberation Council. The effects of this change was a special loss: 441JPY million by this change.

5) Foreign currency translation into Japanese yen

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. Translation differences are reflected in the income statement.

Balance sheet accounts of consolidated foreign subsidiaries are translated into Japanese yen at the balance sheet date, and revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the average annual exchange rates. Differences arising from the application of the process stated above are presented in the consolidated financial statements in "Minority Interests" and as "Foreign Currency Translation Adjustments", a separate component of shareholders' equity.

6) Finance leases

Finance leases that do not transfer ownership are accounted for in the same manner as operating leases in accordance with Japanese GAAP.

7) Hedge accounting

a) Hedge accounting methods

Foreign exchange forward contracts that meet certain hedging criteria are stated at the forward exchange rate. For interest rate swap contracts that are used as hedges and meet certain hedging criteria, the amount to be paid or received on the interests rate swap contract is added to or deducted from the interest on the liability for which the swap contract was executed.

b) Means for hedging and hedged items

<u>Means for Hedging</u>	<u>Hedged items</u>
Foreign exchange contracts	Foreign currency trade receivables
Interest rate swaps	Interest on bonds

c) Hedge policy

The Company 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 the Group's foreign currency denominated receivables and payables. Contracts are entered into and controlled by the accounting department, which reports results to the responsible corporate officer. The Company entered into an interest rate swap contract in relation to the Euro yen bonds with floating interest rate due in 2003.

d) Evaluating hedge effectiveness

Hedge effectiveness is evaluated by verifying the currency type, term, and identity of the hedged object and the hedge transaction. With respect to interest rate swap transactions, for the reason that the requirements for special treatment are fulfilled, evaluating hedge effectiveness is abbreviated.

8) Other important topic in preparing consolidated financial statements

a) Consumption tax

Consumption tax is accounted for separately.

5. Assets and liabilities of consolidated subsidiaries

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 the historical rates.

6. Depreciation of consolidation difference

Acquisition costs in excess of the net assets of acquired subsidiaries and affiliates which can not be specifically assigned to individual accounts are amortized on the straight-line basis over five years. Some of the foreign consolidated subsidiaries amortize acquisition cost in excess of the net assets of acquired subsidiaries and affiliates, which cannot be specifically assigned to individual accounts, on the straight-line basis over ten to twenty years, in accordance with the generally accepted accounting principles of the country of their incorporation.

7. Appropriation of profits

In the consolidated statement of capital surplus and retained earnings the amounts are based on appropriation of profit which was decided in this period.

8. Cash and cash equivalents

Cash and cash equivalents in the consolidated cash flows include cash on hand, readily available bank deposits, and short-term highly liquid investments readily convertible into cash and present insignificant risk of changes in value, with original maturities of three months or less from date of purchase.

## Securities

As of March 20, 2004

1. Available-for-sale securities with available fair values at March 20, 2004

JPY million

	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Equity securities:	1,028	2,922	1,894
Bonds:	496	501	4
Government bonds	-	-	-
Corporate bonds	496	501	4
Other bonds	-	-	-
Others	-	-	-
Subtotal	1,524	3,423	1,898
Securities with book values not exceeding acquisition costs:			
Equity securities:	30	13	(16)
Bonds:	3	3	-
Government bonds	3	3	-
Corporate bonds	-	-	-
Other bonds	-	-	-
Others	125	125	(0)
Subtotal	159	142	(17)
Total	1,684	3,566	1,881

2. Securities with no available fair values

JPY million

	Book value
Available-for-sale securities:	
Non-listed foreign investment trust	601
Non-listed equity securities (excluding over-the-counter securities)	390

3. Available-for-sale securities with maturities at March 20, 2004

JPY million

	Within one year	Over one year but within 5 years	Over five years but within ten years	Over ten years
Bond:				
Government bonds	-	3	0	-
Corporate bonds	-	-	501	-
Other bonds	-	-	-	-
Others:	-	-	-	-
Total	-	3	501	-

As of March 20, 2003

1. Available-for-sale securities with available fair values at March 20, 2003

JPY million

	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Equity securities:	243	1,124	881
Bonds:	-	-	-
Government bonds	-	-	-
Corporate bonds	-	-	-
Other bonds	-	-	-
Others	-	-	-
Subtotal	243	1,124	881
Securities with book values not exceeding acquisition costs:			
Equity securities:	507	415	(92)
Bonds:	500	491	(8)
Government bonds	4	4	-
Corporate bonds	495	487	(8)
Other bonds	-	-	-
Others	636	522	(114)
Subtotal	1,644	1,429	(215)
Total	1,888	2,554	665

2. Securities with no available fair values

JPY million

	Book value
Available-for-sale securities:	
Non-listed foreign investment trust	653
Non-listed equity securities (excluding over-the-counter securities)	242
Warrants for non-listed equity securities (excluding over-the-counter securities)	925

3. Available-for-sale securities with maturities at March 20, 2003

JPY million

	Within one year	Over one year but within 5 years	Over five years but within ten years	Over ten years
Bond:				
Government bonds	-	4	-	-
Corporate bonds	-	-	487	-
Other bonds	-	-	-	-
Others:	-	-	-	-
Total	-	4	487	-

## Retirement Benefits and Pension Plans

( Year ended 3/20/04 )

### 1. Retirement benefit scheme

The Company and certain of its domestic consolidated subsidiaries have a contributory funded retirement plan, a non-contributory funded retirement plan and a lump-sum severance payment plan.

The Company and certain of its domestic consolidated subsidiaries changed to a defined contribution plans and a new defined-benefit corporate pension plan from a non-contributory funded retirement plan in March 2004.

As the result, 3 companies have lump-sum severance payment plans, 1 company has a non-contributory funded retirement plan, 3 companies have a defined contribution plans, and 3 companies have a new defined-benefit corporate pension plan. The Company and certain of its domestic consolidated subsidiaries also use these plans together.

### 2. Project benefit obligation

JPY million

	Year ended 3/20/04
1) Project benefit obligation	(3,100)
2) Pension assets	721
3) Unfunded projected benefit obligation 1)+2)	(2,379)
4) Unrecognized differences on change of accounting standard	-
5) Unrecognized actuarial differences	136
6) Unrecognized differences on change of employee's retirement plan (decrease in liability)	1,134
7) Balance sheet amount 3)+4)+5)+6)	(1,108)
8) Prepaid retirement benefit expenses	-
9) Liability for employees' retirement benefits 7)-8)	(1,108)

Notes: 1. Certain domestic consolidated subsidiaries use a simplified method of calculating of projected benefit obligation.

2. Pension assets of the contributory funded retirement plan are not included in 2) Pension assets in the amount of 5,772JPY million (a proforma portion calculated by the ratio of accumulated pension premiums paid by the Company and certain subsidiaries).

### 3. Retirement benefits expenses

JPY million

	Year ended 3/21/03-3/20/04
1) Service cost	1,082
2) Interest cost on projected benefit obligation	124
3) Expected return on plan assets	(56)
4) Amortization of actuarial differences	356
5) Extraordinary loss on change of retirement benefit plan	441
6) Amortization of effect of changing in the accounting standard.	-
7) Retirement benefits expenses 1)+2)+3)+4)+5)+6)	1,948

Notes: 1. Retirement benefits expenses of consolidated subsidiaries which use the simplified method are included in 1) Service cost.

2. Premiums on contributory funded retirement plan (516JPY million) are also included.

3. The detail of extraordinary loss on change of retirement benefit plan.

·Decrease in projected benefit obligation by change into the defined contribution plan (5,556)

·The amount of pension assets transferred to the defined contribution plans 4,910

·The amount of amortization of unrecognized actuarial differences due to change into the defined contribution plans 730

·The amount of amortization of unrecognized prior service costs on change of employee's retirement plan 357

(domestic consolidated subsidiaries) 441

4. The pension assets to be transferred over 4years to the defined contribution plans system were 4,910 JPYmillion. The amount that hasn't been transferred to the defined contribution plans is:1,921 JPYmillion.

It is included in (accounts payable in Current Liabilities) and long-term accounts payable (Other non-current liabilities).

### 4. Basis of calculation of projected benefit obligation

	Year ended 3/20/04
1) Discount rate	2.0%
2) Expected rate of return on plan assets	2.0%
3) Allocation method of the retirement benefits expected to be paid at retirement dates	Straight-line method based on years of service
4) Amortization period for unrecognized prior service costs on change of employees' retirement plan	10 years (HORIBA), Time of occurrence (subsidiary companies)
5) Amortization period of differences from change in the accounting standard	no-difference
6) Amortization period for actuarial differences	5 years

## Retirement Benefits and Pension Plans

( year ended 3/20/03 )

### 1. Retirement benefit scheme

The Company and certain of its domestic consolidated subsidiaries have a contributory funded retirement plan, a non-contributory funded retirement plan and a lump-sum severance payment plan.

3 companies have a lump-sum severance payment plan, 3 companies have a non-contributory funded retirement plan, and 3 companies have defined contribution plans.

The Company and certain of its domestic consolidated subsidiaries also use these plans together.

### 2. Project benefit obligation

JPY million

	Year ended 3/20/03
1) Project benefit obligation	(7,469)
2) Pension assets	3,404
3) Unfunded projected benefit obligation 1)+2)	(4,064)
4) Unrecognized differences on change of accounting standard	-
5) Unrecognized actuarial differences	1,830
6) Unrecognized differences on change of employee's retirement plan (decrease in liability)	-
7) Balance sheet amount 3)+4)+5)+6)	(2,234)
8) Prepaid retirement benefit expenses	-
9) Liability for employees' retirement benefits 7)-8)	(2,234)

Notes: 1. Certain domestic consolidated subsidiaries use a simplified method for calculation of projected benefit obligation.  
2. Pension assets of the contributory funded retirement plan are not included in 2) Pension assets in the amount of 4,609JPY million (a proforma portion calculated by the ratio of accumulated pension premiums paid by the Company and certain subsidiaries).

### 3. Retirement benefits expenses

JPY million

	Year ended 3/21/02-3/20/03
1) Service cost	650
2) Interest cost on projected benefit obligation	170
3) Expected return on plan assets	(100)
4) Amortization of actuarial differences	104
5) Amortization of affect of changing in the accounting standard	-
6) Retirement benefits expenses 1)+2)+3)+4)+5)	824

Notes: 1. Retirement benefits expenses of consolidated subsidiaries which use the simplified method are included in 1) Service cost.  
2. Premiums on contributory funded retirement plan (171JPY million) are also included.  
3. The Unrecognized differences on change of employee's retirement plan of 131JPY million are included in special gains as gain on amortization of unrecognized differences on change of employees' retirement plan by a consolidated subsidiary, STEC Inc., which changed rules about retirement benefits.

### 4. Basis of calculation of projected benefit obligation

	Year ended 3/20/03
1) Discount rate	2.0%
2) Expected rate of return on plan assets	3.0%
3) Allocation method of the retirement benefits expected to be paid at retirement dates	Straight-line method based on years of service
4) Amortization period for unrecognized prior service on change of employees' retirement plan	Time of occurrence (subsidiary companies)
5) Amortization period of differences from change in the accounting standard	no-difference
6) Amortization period for actuarial differences	5 years

## Deferred Tax Assets and Liabilities

1. Significant components of deferred tax assets and liabilities are as follows:

	3/20/04	JPY million 3/20/03
Deferred tax assets		
Accrued enterprise tax	191	150
Loss on write-down of inventories	185	167
Allowance for doubtful receivables	47	34
Accrued bonuses	597	392
Amount for loss carryforward	2,337	2,469
Unrealized gains	600	660
Employees' retirement benefits	303	734
Accounts payable for pension	796	-
Depreciation	347	307
Loss on valuation of investment securities	227	41
Loss on valuation of treasury stock	37	39
Offset to deferred tax liabilities	(1,128)	(500)
Other	854	616
Total deferred tax assets	5,399	5,113
Valuation allowance	(2,570)	(2,145)
Net deferred tax assets	2,828	2,968
Deferred tax liabilities		
Allowance for doubtful receivables	(1)	(11)
Reserve for deferred gains on property, plant, and equipment	(53)	(59)
Net unrealized holding gains on securities	(788)	(298)
Offset to deferred tax assets	1,128	500
Other	(305)	(153)
Total deferred tax liabilities	(20)	(22)
Net deferred tax assets	2,807	2,945

2. Significant differences between the statutory tax rates and the effective tax rates.

	3/20/04	%
Statutory tax rate	41.90	41.90
Expenses like entertainment expenses not qualifying for deduction permanently	1.89	3.08
Non-taxable dividend income	(1.65)	(0.39)
Per capita inhabitant tax	0.80	1.15
Valuation allowance for deferred tax assets	9.35	15.81
Amortization of consolidation adjustment account	1.17	1.42
Consolidation elimination adjustment account	2.73	6.35
Differences in tax rate between foreign subsidiaries and the Company	(1.37)	(1.97)
Other	(0.98)	1.95
Effective tax rate	53.84	69.30

## Business Segment Information

### 1. Business Segment Information

Year ended March 20, 2004

	Engine Measurement Instruments & Systems	Analytical Instruments & Systems	Medical / Diagnostic Instruments & Systems	Semiconductor Instruments & Systems	Total	Unallocated	Consolidated
	JPY million	JPY million	JPY million	JPY million	JPY million	JPY million	JPY million
<b>I . Net Sales</b>							
(1) Sales to customers	23,582	29,425	17,301	14,763	85,072	-	85,072
(2) Intersegment sales and transfer	-	-	-	-	-	-	-
Operating expenses	20,096	28,404	15,793	13,928	78,222	-	78,222
Operating income	3,485	1,021	1,507	835	6,850	-	6,850
<b>II . Assets, Depreciation, Capital Expenditures</b>							
Assets	20,293	25,311	14,078	14,097	73,780	18,877	92,657
Depreciation	587	705	1,344	400	3,037	-	3,037
Capital Expenditures	737	990	932	840	3,501	-	3,501

Year ended March 20, 2003

	Engine Measurement Instruments & Systems	Analytical Instruments & Systems	Medical / Diagnostic Instruments & Systems	Semiconductor Instruments & Systems	Total	Unallocated	Consolidated
	JPY million	JPY million	JPY million	JPY million	JPY million	JPY million	JPY million
<b>Net Sales</b>							
(1) Sales to customers	21,131	27,037	15,941	14,391	78,501	-	78,501
(2) Intersegment sales and transfer	-	-	-	-	-	-	-
Operating expenses	17,981	26,269	14,551	14,226	73,027	-	73,027
Operating income	3,149	767	1,390	165	5,473	-	5,473
<b>II . Assets, Depreciation, Capital Expenditures</b>							
Assets	21,363	23,818	13,748	14,403	73,333	27,207	100,541
Depreciation	539	648	1,241	486	2,915	-	2,915
Capital Expenditures	681	817	1,161	783	3,444	-	3,444

Note: Main products of each business segment

Business Segment	Main Products
Engine Measurement Instruments & Systems	Motor Exhaust Gas Analyzers, Vehicle Emissions Test Systems, Engine Research and Test Systems, Chassis Dynamometers, Robot Drivers, Automotive Emission Analyzers, Fuel Cell System Gas Analyzer Systems, Vessel Engine Exhaust Gas Analyzers, Tachometers and Super-Low-Mass PM Analyzers.
Analytical Instruments & Systems	PH-Meters, Ion Meters, Process Water Analyzers, Particle Size Distribution Analyzers, Metal-Ceramics Analyzers, ICP Luminescence Analyzers, Fourier Transform Infrared Spectrometers, Energy Dispersive X-ray Analyzers, X-ray Fluorescence Analyzers, Optical Crystals, Infrared Detectors, Radiation Thermo Meters, Food Analyzers, Water Pollution Analyzers, Air Pollution Analyzers, Stack Gas Analyzers, Soil Pollutant Analyzer and Radio Frequency Glow Discharge Optical Emission Spectrometer.
Medical / Diagnostic Instruments & Systems	Clinical Diagnostics Analyzers, Hematology Analyzers, Blood Cell Counters, Clinical Chemistry Analyzers, Immunoassay Analyzers, Blood Glucose Analyzers and Urometers.
Semiconductor Instruments & Systems	Mass Flow Controllers, Liquid Injection Systems, Chemical Concentration Meters, Spectroscopic Ellipsometers, Plasma Process Monitors, Flat Panel Display Module Defect Inspection Systems, Particle Counters and Reticle/Mask Particle Detection Systems.

## Segment Information

### 2. Area Segment Information

Year ended March 20, 2004

	Japan	America	Europe	Asia	Total	Elimination and/or unallocated	Consolidated
	JPY million	JPY million	JPY million	JPY million	JPY million	JPY million	JPY million
<b>Net Sales</b>							
(1) Sales to outside customers	41,419	8,874	33,654	1,124	85,072	-	85,072
(2) Intersegment sales and transfers	8,312	266	1,822	503	10,904	(10,904)	-
<b>Total</b>	<b>49,731</b>	<b>9,141</b>	<b>35,476</b>	<b>1,627</b>	<b>95,977</b>	<b>(10,904)</b>	<b>85,072</b>
Operating expenses	45,478	9,071	33,485	1,539	89,574	(11,351)	78,222
<b>Operating Income (Loss)</b>	<b>4,253</b>	<b>69</b>	<b>1,991</b>	<b>88</b>	<b>6,402</b>	<b>447</b>	<b>6,850</b>
<b>Assets</b>	<b>44,746</b>	<b>5,873</b>	<b>22,190</b>	<b>970</b>	<b>73,780</b>	<b>18,877</b>	<b>92,657</b>

Note: Unallocated assets of 18,877JPYmillion for the year ended March 20 2004, mainly include cash and cash equivalents and marketable and investment securities.

Year ended March 20, 2003

	Japan	America	Europe	Asia	Total	Elimination and/or unallocated	Consolidated
	JPY million	JPY million	JPY million	JPY million	JPY million	JPY million	JPY million
<b>Net Sales</b>							
(1) Sales to outside customers	37,076	9,642	30,895	886	78,501	-	78,501
(2) Intersegment sales and transfers	7,553	561	1,911	414	10,440	(10,440)	-
<b>Total</b>	<b>44,629</b>	<b>10,204</b>	<b>32,806</b>	<b>1,301</b>	<b>88,941</b>	<b>(10,440)</b>	<b>78,501</b>
Operating expenses	41,519	10,006	30,598	1,247	83,372	(10,344)	73,027
<b>Operating Income</b>	<b>3,109</b>	<b>197</b>	<b>2,208</b>	<b>53</b>	<b>5,569</b>	<b>(95)</b>	<b>5,473</b>
<b>Assets</b>	<b>42,637</b>	<b>5,886</b>	<b>24,067</b>	<b>742</b>	<b>73,333</b>	<b>27,207</b>	<b>100,541</b>

Note: Unallocated assets of 27,207JPYmillion for the year ended March 20 2003, mainly include cash and cash equivalents and marketable and investment securities.

### 3. Overseas Sales

Year ended March 20, 2004

JPY million

	America	Europe	Asia	Total
Overseas sales	12,106	27,361	8,395	47,863
Consolidated sales	-	-	-	85,072
Overseas sales to consolidated sales	14.2%	32.2%	9.9%	56.3%

Year ended March 20, 2003

JPY million

	America	Europe	Asia	Total
Overseas sales	9,622	28,327	6,914	44,864
Consolidated sales	-	-	-	78,501
Overseas sales to consolidated sales	12.3%	36.1%	8.8%	57.2%

Note: Overseas sales comprise sales of HORIBA, Ltd. and its subsidiaries in countries or regions other than Japan.

## Order Booking, Backlog

Segment	Year ended March 20, 2004		Year ended March 20, 2003	
	Amount	%	Amount	%
	JPY million		JPY million	
Engine Measurement Instruments & Systems	23,343	27.3%	23,471	29%
Analytical Instruments & Systems	29,544	35%	27,293	34%
Medical / Diagnostic Instruments & Systems	17,400	20%	15,786	19%
Semiconductor Instruments & Systems	15,191	18%	14,491	18%
<b>Order Booking</b>	<b>85,480</b>	<b>100%</b>	<b>81,042</b>	<b>100%</b>
Engine Measurement Instruments & Systems	7,246	46%	7,485	49%
Analytical Instruments & Systems	5,602	36%	5,483	36%
Medical / Diagnostic Instruments & Systems	1,191	8%	1,091	7%
Semiconductor Instruments & Systems	1,596	10%	1,168	8%
<b>Backlog</b>	<b>15,636</b>	<b>100%</b>	<b>15,228</b>	<b>100%</b>