

B-c-1 Group Purchasing Policy and Global Purchasing

Group Purchasing Policy

Our group purchasing policy is to challenge the procurement from a global perspective and overcome the difficulties posed by an extremely highly valued yen in order to survive as a company. In our daily operations, we are working to achieve three goals: (1) rebuild our global production system, (2) increase productivity, and (3) improve purchasing quality.

When purchasing parts, materials, and equipment, we strive to ensure free, fair transactions while observing Japanese and foreign laws and regulations as well as the applicable social codes. In purchasing operations, we emphasize compliance mainly by exchanging memorandums with our suppliers to cease any relations with antisocial groups.

In addition, we are working to reduce environmental impact by reducing the amount of packaging materials used chiefly by encouraging our suppliers to use dedicated reusable casings when delivering parts and material.

Green Procurement

We are promoting global production aimed at reducing environmental impact throughout product lifecycles. To this end, the environmental impact of procurement for parts and materials by the HORIBA Group's materials divisions must be reduced. We strive to promote green procurement primarily by revising as necessary our Green Procurement Guidelines, which we issued in 2003, so that those guidelines meet statutory regulations and keep pace with social trends as well as by inviting our suppliers to briefing sessions and training programs and also giving priority to suppliers intent on pursuing environmental initiatives during purchasing.

Promotion of global procurement

HORIBA Group companies worldwide periodically work together to hold meetings in order to promote global procurement. While applying common KPIs, we make international efforts to achieve parts standardization, joint purchasing, and quality improvement in order to realize high productivity across the boundaries of our group companies.

In promoting global purchasing, one concern

is how to ensure the export control mandated by the Foreign Exchange and Foreign Trade Act. To cope with this issue, export control committee members play a central role in establishing close cooperation with the export control division and providing periodic training. Thus we work to ensure compliance with relevant laws and ordinances.



Participants in the HORIBA Group global supply chain council held in Shanghai (October 14, 2011)

B-c-2 Maintaining Good Relations with Production Partner Companies

Our business activities would be possible to carry out with the cooperation and support of all our suppliers, especially our partners who provide materials and parts required for product manufacturing. We work to maintain relationships of trust with domestic and overseas materials and services suppliers, and exchange information with these partner companies.

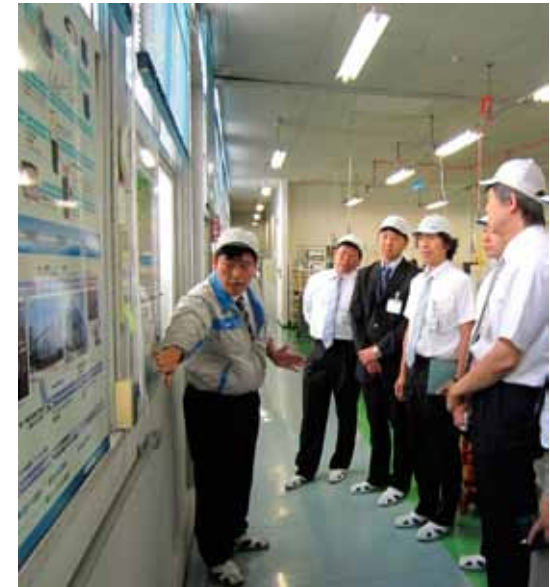
Maintaining Good Relations with Production & Assembly Partner Companies

We consider suppliers of production partner companies with which we can work and grow together. We maintain strong relationships with our material suppliers as well as with our outsource assembly companies. We have created an organization with our suppliers named “HORIBA Group Cooperators Organization of Manufacturing” for the HORIBA Group companies in Japan. We try to improve each other by adopting “Co-evolution, Harmony and Coexistence” as our motto.

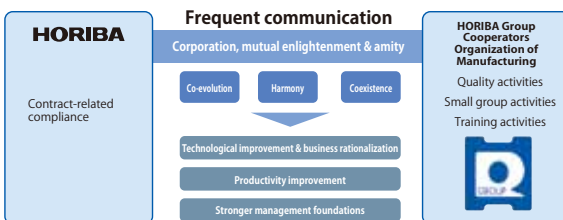
In 2011, we worked with production partner companies to jointly hold the following events:
 Quality lectures at HORIBA COLLEGE (April)
 HORIBA product workshops (June)
 Technical Olympics (July)
 QC competitions (October)
 HORIBA STEC factory tour (December)

In particular, at the HORIBA product workshops held in June, we showed our production partner companies the level of quality that is expected of HORIBA products by having them learn about HORIBA products and observe the products at our factories with their own eyes in order to allow them to see how the parts, which they supply us with, are used for the HORIBA products and what roles such parts play.

Thus we endeavor to raise both our own and their quality awareness, improve production sites and increase technological capabilities by establishing close cooperation and coordination between our suppliers and HORIBA through encouraging learning from one another.



Scene from a HORIBA product workshop (June 2011)



B-c-2 Interview with a Production Partner Company

Interview with an Award Winning Member of the HORIBA Group Meeting for Production Partner Companies

Mr. Shigeru Kirino, president and representative director of Crystal Optics Inc., is attempting to apply super-precision grinding to all kinds of materials based on a grinding technology for optical single crystals which he acquired while he was working for HORIBA. He has since expanded his company's business using this technology. We interviewed him about his enthusiasm for his work and asked him to share some interesting episodes.



Mr. Shigeru Kirino
President & Representative Director
Crystal Optics Inc.

What he acquired through trial and error at HORIBA helped him establish himself as an independent businessman

In the spring of 1964, I was 15. After graduating junior high school, I joined HORIBA, Ltd. Some 50 new employees had joined the growing company, increasing its work force to about 200. That year, the Tokyo Olympics were held, and I remember seeing the first run of the Shinkansen bullet train from the roof of the company together with my co-workers. I was assigned to the grinding section, where I specialized in grinding crystals such as alkali halides, fluorides, and ultraviolet and infrared aperture plates.

To ensure the temperature and humidity were continuously maintained at fixed levels, the grinding chamber was well sealed with 50-cm-thick walls and doors that were as thick as the doors of refrigerators. For this reason, employees that were working in the grinding chamber were given special 10-minute-long breaks at 10:00 a.m. and 3:00 p.m. daily. At that time, my superior was the late Mr. Masahiro Oura (former HORIBA president). He had a really warm heart and I was proud to work for him.

Around that time, HORIBA's MEXA (Motor Exhaust Gas Analyzer) became a big hit. This monitor used lithium fluoride for its window. I was solely responsible for all processes, including breaking, rounding, and grinding the crystals. Since production could not catch up with demand if

processes were performed in that manner, the company decided to outsource the work to an optical glass grinder. As a result, I sometimes visited the subcontractor in order to instruct its personnel about grinding technology, sessions which sometimes lasted into the middle of the night. Different grinding technologies are used for different materials. I taught myself through repeated trial and error since there was no one to teach me. I thought as hard as I could about what to do to apply such technology to mass production. The experience I gained at that time is still useful to me even today.

Going independent was reckless. I had no sales experience nor any customers and I was 36 years old. But as many graduates of national universities joined HORIBA, I got caught in the dilemma of often not being permitted to do what I was interested in doing. In addition, HORIBA trended toward shrinking its crystal grinding operations. So I decided to start a business on my own. Indeed, it was reckless.

After starting my business, though I was asked on a number of occasions whether my company was being managed properly, many people stepped in and kindly replied that "Your company should be all right if it is run by a former HORIBA employee." Also, being a former HORIBA employee is also advantageous when borrowing money from banks. This is, so to speak, my retirement allowance from HORIBA, and this is why I publicly emphasize that I am a former HORIBA employee. When I left the

B-c-2 Interview with a Production Partner Company

company, my superior told me that I should not expect to win business from HORIBA. However, I think this remark was intended to encourage me, meaning that I ought to stand on my own feet and do my best. The reason I say this is that in the end I received orders from HORIBA immediately after I quit the company (laughter). That former superior of mine gave me a great deal of mental support even after I left the company.

Providing numerically demonstrable super-high quality with making constant efforts to stay a step ahead of the times

When doing business, I think the most important thing is to determine at a given point in time whether my company is ready to handle what the world needs at that moment and, furthermore, to determine what my company can do to meet the needs of the world. When working, one should look one step ahead of the times. If one looks two to three steps ahead, one tends to give up thinking that progress is impossible. However, anyone can look a single step ahead. This is also part of our company's slogan, "Look one step ahead of yourself and the times." Each morning, I recite it together with all of my employees.

As the name "Crystal Optics" suggests, we attempt to make our minds as clear and transparent as crystals when talking with our customers. If our attitude is clear, so too will the attitude of our customers be. Anything we gain from our communication we will always return to our customers. Our relationships with our customers

come to nothing unless they are win-win. That is the meaning of taking a clear attitude toward customers.

Crystal Optics has assembled a large number of the world's best measuring instruments. Using data obtained by such first-rate measuring instruments, we objectively prove that the products we deliver to customers are of high quality. I believe that accurate figures are the best proof of product quality, which gives customers a sense of security and gains their trust.

When I worked for HORIBA, the company forbade employees from buying expensive measuring instruments even if they wanted them. Naturally,



Super-precision lathe



Example of processing by a super-precision lathe (mirror for reflecting telescopes)

HORIBA decided whether to buy instruments or not based on whether their introduction would increase profits. Usually, such requests were rejected. Therefore, I made my own measuring instruments and I also modified the existing grinding machines by myself. In the end, all these efforts positively impacted the rest of my life. Crystal Optics has enjoyed a long business relationship with HORIBA as one of its production partner companies thanks to the training I received while I was an employee there. This experience also leads to the development of my attitude toward my current job, and I am truly grateful for this.



Corporate profile

Crystal Optics Inc.
Head office factory: 4-25 Imakatata 3-chome, Otsu, Shiga Prefecture 520-0241
Business operations: Super-precision grinding (stainless steel, metals, ceramics, new materials, optical crystals, etc.); super-precision smooth grinding (smooth grinding of metals and super-hard, equally plane surfaces as well as circle grinding); precision machining; and manufacture and sale of LED lighting apparatuses