HORIBA
Explore the future

HORIBA, Ltd. Financial Highlights for the Year ended March 20, 2005

May 10, 2005

Consolidated Results

1. Consolidated Financial Results

	3/2005 Result	3/2004 Result	Change from previous year		3/2006 Estimate	Change from previous year	3/2006 Estimate	Change from previous period
	Full year	Full year	Amount	Ratio	Full year	Amount	1st Half	Amount
	Millions of yen	Millions of yen	Millions of yen		Millions of yen	Millions of yen	Millions of yen	Millions of yen
Sales	92,492	85,072	+7,419	+8.7%	100,000	+7,507	46,000	+3,834
Operating Income	9,372	6,850	+2,522	+36.8%	10,000	+627	3,800	+266
Operating Income Ratio	*10.1%*	*8.1%*	*+2.0P*		*10.0%*	*-0.1P*	*8.3%*	*-0.1P*
Ordinary Income	8,882	5,597	+3,284	+58.7%	9,000	+117	3,400	+80
Ordinary Income Ratio	*9.6%*	*6.6%*	*+3.0P*		*9.0%*	*-0.6P*	*7.4%*	*-0.5P*
Net Income	3,523	2,073	+1,449	+69.9%	4,600	+1,076	1,200	+384
Net Income Ratio	*3.8%*	*2.4%*	*+1.4P*		*4.6%*	*+0.8P*	*2.6%*	*+0.7P*
US$	108.23	116.00	-7.77		103.00	-5.23	103.00	-5.50
Euro	134.44	131.15	+3.29		135.00	+0.56	135.00	+1.90

2. Consolidated Segment Information

Sales	3/2005 Result	3/2004 Result	Change from previous year		3/2006 Estimate	Change from previous year	3/2006 Estimate	Change from previous period
	Full year	Full year	Amount	Ratio	Full year	Amount	1st Half	Amount
	Millions of yen	Millions of yen	Millions of yen		Millions of yen	Millions of yen	Millions of yen	Millions of yen
Engine	27,021	23,582	+3,439	+14.6%	27,200	+178	12,500	+1,917
Analytical	28,510	29,425	-914	-3.1%	31,800	+3,289	14,500	+1,414
Medical	18,776	17,301	+1,475	+8.5%	22,000	+3,223	10,000	+1,230
Semiconductor	18,182	14,763	+3,419	+23.2%	19,000	+817	9,000	-728
Total	92,492	85,072	+7,419	+8.7%	100,000	+7,507	46,000	+3,834

Operating Income	3/2005 Result	3/2004 Result	Change from previous year		3/2006 Estimate	Change from previous year	3/2006 Estimate	Change from previous period
	Full year	Full year	Amount	Ratio	Full year	Amount	1st Half	Amount
	Millions of yen	Millions of yen	Millions of yen		Millions of yen	Millions of yen	Millions of yen	Millions of yen
Engine	4,705	3,485	+1,219	+35.0%	4,800	+94	2,200	+499
Analytical	861	1,021	-159	-15.6%	1,000	+138	0	+247
Medical	1,145	1,507	-362	-24.0%	2,000	+854	800	+413
Semiconductor	2,659	835	+1,824	218.5%	2,200	-459	800	-894
Total	9,372	6,850	+2,522	+36.8%	10,000	+627	3,800	+266

3. Trend of Consolidated Sales by Segment and Area

	3/2005 Result	3/2004 Result	Change from previous year		3/2006 Estimate	Change from previous year	3/2006 Estimate	Change from previous period
	Full year	Full year	Amount	Ratio	Full year	Amount	1st Half	Amount
	Millions of yen	Millions of yen	Millions of yen		Millions of yen	Millions of yen	Millions of yen	Millions of yen
Engine	27,021	23,582	+3,439	+14.6%	27,200	+178	12,500	+1,917
Japan + Asia	14,885	12,233	+2,652	+21.7%	14,423	-461	7,299	+730
America	4,175	4,040	+135	+3.4%	4,653	+477	1,713	+367
Europe	7,960	7,309	+651	+8.9%	8,122	+161	3,487	+819
Analytical	28,510	29,425	-914	-3.1%	31,800	+3,289	14,500	+1,414
Japan + Asia	15,347	16,114	-766	-4.8%	16,651	+1,303	8,191	+785
America	2,295	2,606	-310	-11.9%	2,558	+262	1,198	+179
Europe	10,867	10,704	+162	+1.5%	12,589	+1,722	5,110	+450
Medical	18,776	17,301	+1,475	+8.5%	22,000	+3,223	10,000	+1,230
Japan + Asia	3,393	2,990	+403	+13.5%	3,977	+584	1,773	+82
America	-	-	-	-	-	-	-	-
Europe	15,383	14,311	+1,072	+7.5%	18,022	+2,638	8,227	+1,148
Semiconductor	18,182	14,763	+3,419	+23.2%	19,000	+817	9,000	-728
Japan + Asia	13,371	11,206	+2,165	+19.3%	14,558	+1,187	6,667	-558
America	3,493	2,228	+1,265	+56.8%	3,464	-29	1,932	+19
Europe	1,318	1,329	-11	-0.8%	977	-340	400	-189
Total	92,492	85,072	+7,419	+8.7%	100,000	+7,507	46,000	+3,834

4. Consolidated Financial Results (Quarterly Comparison)

	3/2005 1Q Result	3/2005 2Q Result	3/2005 3Q Result	3/2005 4Q Result	3/2004 1Q Result	3/2004 2Q Result	3/2004 3Q Result	3/2004 4Q Result
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Sales	21,674	20,490	24,279	26,047	18,844	20,033	20,374	25,820
Operating Income	2,092	1,441	3,125	2,713	801	956	1,919	3,171
Operating Income Ratio	*9.7%*	*7.0%*	*12.9%*	*10.4%*	*4.3%*	*4.8%*	*9.4%*	*12.3%*
Ordinary Income	2,034	1,285	2,960	2,602	432	724	1,750	2,690
Ordinary Income Ratio	*9.4%*	*6.3%*	*12.2%*	*10.0%*	*2.3%*	*3.6%*	*8.6%*	*10.4%*
Net Income	773	42	1,453	1,254	38	62	893	1,079
Net Income Ratio	*3.6%*	*0.2%*	*6.0%*	*4.8%*	*0.2%*	*0.3%*	*4.4%*	*4.2%*

5. Consolidated Segment Information (Quarterly Comparison)

Sales	3/2005 1Q Result	3/2005 2Q Result	3/2005 3Q Result	3/2005 4Q Result	3/2004 1Q Result	3/2004 2Q Result	3/2004 3Q Result	3/2004 4Q Result
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Engine	6,031	4,550	7,964	8,475	5,799	4,529	5,728	7,525
Analytical	6,444	6,640	7,240	8,185	6,424	7,557	6,559	8,884
Medical	4,071	4,697	4,549	5,458	3,811	4,559	4,431	4,499
Semiconductor	5,126	4,601	4,525	3,928	2,810	3,386	3,654	4,911
Total	21,674	20,490	24,279	26,047	18,844	20,033	20,374	25,820

Operating Income	3/2005 1Q Result	3/2005 2Q Result	3/2005 3Q Result	3/2005 4Q Result	3/2004 1Q Result	3/2004 2Q Result	3/2004 3Q Result	3/2004 4Q Result
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Engine	1,193	507	1,889	1,115	997	291	889	1,306
Analytical	-53	-194	329	780	-49	106	94	869
Medical	30	355	265	493	187	553	660	106
Semiconductor	922	772	641	324	-334	5	275	888
Total	2,092	1,441	3,125	2,713	801	956	1,919	3,171

6. Consolidated Orders, Backlog Information (Quarterly Comparison)

Orders	3/2005 1Q Result	3/2005 2Q Result	3/2005 3Q Result	3/2005 4Q Result	3/2004 1Q Result	3/2004 2Q Result	3/2004 3Q Result	3/2004 4Q Result
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Engine	7,965	4,616	9,310	6,708	6,325	4,814	7,548	4,655
Analytical	7,291	7,218	8,154	6,882	7,543	7,215	8,113	6,672
Medical	4,311	5,046	4,600	4,958	3,932	4,721	4,325	4,421
Semiconductor	5,745	3,896	4,777	3,733	3,326	3,103	4,259	4,501
Total	25,313	20,778	26,843	22,282	21,127	19,855	24,246	20,251

Backlog	3/2005 1Q Result	3/2005 2Q Result	3/2005 3Q Result	3/2005 4Q Result	3/2004 1Q Result	3/2004 2Q Result	3/2004 3Q Result	3/2004 4Q Result
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Engine	9,181	9,246	10,593	8,825	8,011	8,296	10,116	7,246
Analytical	6,448	7,026	7,940	6,638	6,602	6,261	7,814	5,602
Medical	1,431	1,779	1,831	1,330	1,213	1,374	1,268	1,191
Semiconductor	2,214	1,510	1,762	1,566	1,684	1,401	2,005	1,596
Total	19,275	19,562	22,126	18,361	17,511	17,333	21,205	15,636

Contact
HORIBA Ltd. Corporate Strategy Office, Nobuhiro Tanji
2, Miyanohigashi-cho, Kisshoin, Minami-ku, Kyoto 601-8510, Japan
E-mail nobuhiro.tanji@horiba.com

HORIBA
Explore the future

Consolidated Financial Statements for the Year ended March 20, 2005

Company Name	**HORIBA, Ltd.**	May 10, 2005
Listing Code	6856	Stock Exchange Listings: Tokyo, Osaka
(URL http://www.horiba.co.jp)		Address of Head Office: Kyoto
Representative:	Atsushi Horiba President and CEO	
Contact:	Fumitoshi Sato Senior Corporate Officer	Telephone:(81)75-313-8121
Board of Directors meeting	: May 10, 2005	
U.S. accounting standards used	: No	

1. Results for the Year ended March 20, 2005 (March 21, 2004 - March 20, 2005)

(1) Sales and Income

	Net sales		Operating income		Ordinary income	
	¥ million	%	¥ million	%	¥ million	%
Year ended 20/3/05	92,492	8.7	9,372	36.8	8,882	58.7
Year ended 20/3/04	85,072	8.4	6,850	25.1	5,597	48.6

	Net income		Earnings per share	Earnings per share (diluted)	Return on equity	Return on assets	Ordinary income to net sales
	¥ million	%	¥	¥	%	%	%
Year ended 20/3/05	3,523	69.9	98.33	83.81	7.4	9.2	9.6
Year ended 20/3/04	2,073	164.0	62.90	50.10	5.0	5.8	6.6

Notes:
1. Equity in earnings of affiliates : Year ended Mar. 20, 2005 : ¥ - million Year ended March 20, 2004 : ¥ - million
2. Average number of shares outstanding (consolidated):
   Year ended Mar. 20, 2005 : 34,142,798 shares Year ended Mar. 20, 2004 : 31,343,458 shares
3. Changes in accounting methods : Yes
4. Percentage (%) represents year-on -year change for net sales, operating income, ordinary income and net income compared to the previous fiscal year.

(2) Financial Position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	¥ million	¥ million	%	¥
Year ended 20/3/05	99,913	52,262	52.3	1,415.75
Year ended 20/3/04	92,657	43,348	46.8	1,350.31

Note: Number of shares outstanding at end of period (consolidated) :
Mar. 20, 2005: 36,797,578 shares March 20, 2004: 32,026,494 shares

(3) Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	¥ million	¥ million	¥ million	¥ million
Year ended 20/3/05	7,215	(3,628)	(1,058)	16,108
Year ended 20/3/04	5,789	(2,765)	(11,596)	13,603

(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) 4 companies (Eliminated) 4 companies Equity method : (New) None (Eliminated) None

2. Projected Results for the Year ending March 20, 2006 (March 21, 2005 - March 20, 2006)

	Net sales	Ordinary income	Net income
	¥ million	¥ million	¥ million
6 months ending 20/9/05	46,000	3,400	1,200
Year ending 20/3/06	100,000	9,000	4,600

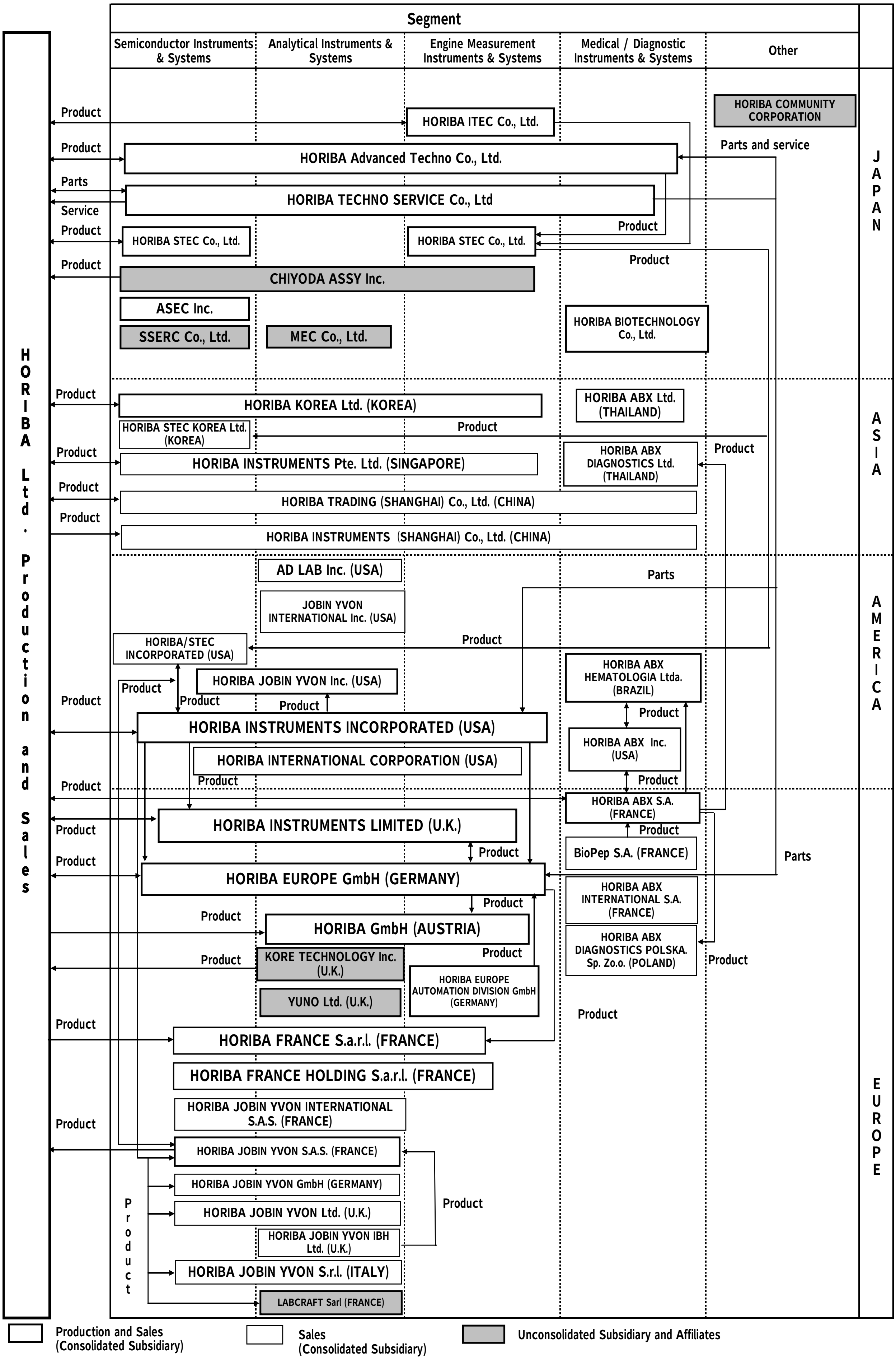
Reference: Estimated earnings per share (full year) ¥113.37
Note: The new stock issue of 1,614,750 shares, which was made for a stock swap with HORIBA STEC Co., Ltd. on March 21, 2005, is included in the calculation of the estimated earnings per share above.
* The projected results are computed based on information available to us at May 10, 2005, 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 refer to page 10 of the attachments with regard to 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 (USA), HORIBA EUROPE GmbH (GERMANY), HORIBA INSTRUMENTS LIMITED (U.K.), HORIBA EUROPE AUTOMATION DIVISION GmbH (GERMANY), HORIBA KOREA Ltd. (KOREA), HORIBA INSTRUMENTS Pte. Ltd. (SINGAPORE) 11 other companies (Total 18 companies)
Analytical Instruments & Systems	PH-Meters, Ion Meters, Process Water Analyzers, Process Gas Analyzers, Particle Size Distribution Analyzers, Metal/Ceramics Analyzers, ICP Luminescence Analyzers, Fourier Transform Infrared Spectrometers, Energy Dispersive X-ray Analyzers, X-ray Fluorescence Analyzers, X-ray Analytical Microscope, 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.	HORIBA Ltd., HORIBA JOBIN YVON S.A.S. (FRANCE), HORIBA JOBIN YVON Inc. (USA), HORIBA JOBIN YVON GmbH (GERMANY), HORIBA INSTRUMENTS INCORPORATED (USA), HORIBA EUROPE GmbH (GERMANY), HORIBA INSTRUMENTS LIMITED (U.K.), HORIBA Advanced Techno Co., Ltd. 20 other companies (Total 28 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., HORIBA ABX S.A. (FRANCE), HORIBA ABX DIAGNOSTICS POLSKA. Sp. Zo.o. (POLAND), HORIBA ABX Inc. (USA), HORIBA ABX HEMATOLOGIA Ltda. (BRAZIL) 9 other companies (Total 14 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., HORIBA STEC Co., Ltd. HORIBA JOBIN YVON S.A.S. (FRANCE), HORIBA INSTRUMENTS INCORPORATED (USA), HORIBA EUROPE GmbH (GERMANY), HORIBA INSTRUMENTS LIMITED (U.K.), HORIBA INSTRUMENTS Pte. Ltd. (SINGAPORE), HORIBA 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. 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. The HORIBA Group 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. Fundamental Profit Sharing Policies of HORIBA

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 payment ratio of 30% for the parent company. In some cases, special gains and losses may be excluded when computing the dividend payment ratio. Regarding the retained capital in reserve, HORIBA intends to appropriate this reserve as operating capital for business expansion and as basic capital for facility, research and development investments and for strengthening the financial position of the corporation.

3. Concepts and Policies on Reduction of Investment Unit

It is the fundamental policy of HORIBA to review as necessary our stock investment units for ease of 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 Index Targets of HORIBA

For its mid- and long-term plan goals, the HORIBA Group aims to achieve consolidated sales of ¥100 billion and a consolidated operating earning rate of 10% or higher in the year ending March 20, 2006. In order to maximize shareholder value, HORIBA also takes the shareholder return on equity (ROE) 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 the group businesses, and to improve its consolidated balance sheets through asset reduction, etc., with the goal of increasing the efficiency of corporate asset utilization.

5. Mid- and Long-Term Business Strategies of HORIBA

The HORIBA Group's business consists of four operating segments: Engine Measurement Instruments & Systems, Analytical Instruments & Systems, Medical/Diagnostic Instruments & Systems, and Semiconductor Instruments & Systems. Each of these segments targets an essentially separate market. Commonalties in fundamental technology and know-how, however, allow us to shift people and resources and to tap combinations among these segments for greater segment strength individually and overall. Our flexible strategic approach enables us to offset weak performance in any one segment with good results in another, to mitigate poor performance in struggling areas, and to operate efficiently. We can achieve balanced growth by overcoming each segment's weaknesses with complementary strengths among our operating segments.

We also declared a new management policy, "The HORIBA Group is One Company" to focus the power of the entire HORIBA Group on generating higher levels of growth. In the past, separate HORIBA Group companies compiled their own strategic planning and operational performance projections. To accelerate the growth of the integrated group, we plan to ignore national boundaries and divisions between HORIBA Group companies. Instead, we will divide the HORIBA Group into four virtual segments. Effective strategic management at the segment level will improve the profitability of the whole group; promote a more global approach to operations and management,; and, in doing so, raise the overall value of the company.

HORIBA, Ltd. has been pursuing a group brand strategy as a link of ″One Company Management.″ In 2004, we changed almost all of the company names of the HORIBA Group companies with the title of "HORIBA" prefixed to their company names. By combining HORIBA's corporate culture and reliability with their specialist technologies, we aim to create a synergy effect.

6. Challenges of HORIBA

We think it is an essential issue to improve investment efficiency and productivity for sustained growth and value of the company. To achieve this, we must improve the backbone information system that is the basis of business management for all of the HORIBA Group companies. In September 2004, HORIBA, Ltd. set up an ERP Department, which changed to the Enterprise Resourse Planning Office on March 21, 2005, which has been investigating the system. In addition, we also promote common accounting rules among the HORIBA Group to improve the management information and to speed up information reporting.

7. Policies on Establishment of Management Control System of HORIBA

The parent company has been working to respond to the whirlwind of changes taking place in the business environment with which HORIBA, Ltd and the HORIBA Group has been faced since June 1998. In regard to the management decision-making for the whole group by the Board of Directors, HORIBA is working to speed up the decision-making process and enhance the supervisory functions of the Board of Directors, and is introducing a system of "Corporate Officers," 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," which is designed to ensure the managements and employees of all of the HORIBA Group companies its unified management concept, sense of values and standards of action, and promote this philosophy as a guideline for the corporate business.

8. Fundamental Concepts on Corporate Governance and Corporate Governance Policy Implementation

<u>Fundamental Concepts on Corporate Governance</u>

With the goals of pursuing transparent business management and maximizing corporate value, HORIBA, Ltd. is working to strengthen the auditing system and compliance management and to build up good relations with stockholders, investors and all stakeholders.

<u>Corporate Governance Policy Implementation</u>

1) Auditing System

The New 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 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 auditors (Kozo Yamamoto, Attorney at Law and President of Law Office of Heian, and Kanji Ishizumi, Representative Partner of Law Office of Chiyoda Kokusai). Those experienced outside officers' participating on the board of directors ensures that HORIBA increases the quality of management decision-making, promotes the transparency of management operations and enhances the effectiveness of auditing functions. Although no full-time assistant staff is deployed for outside directors, the outside directors may always require and gain appropriate assistance from any departments in the Company. We expect some change in outside directors of the Board at the general meeting of shareholders to be held in June 2005.

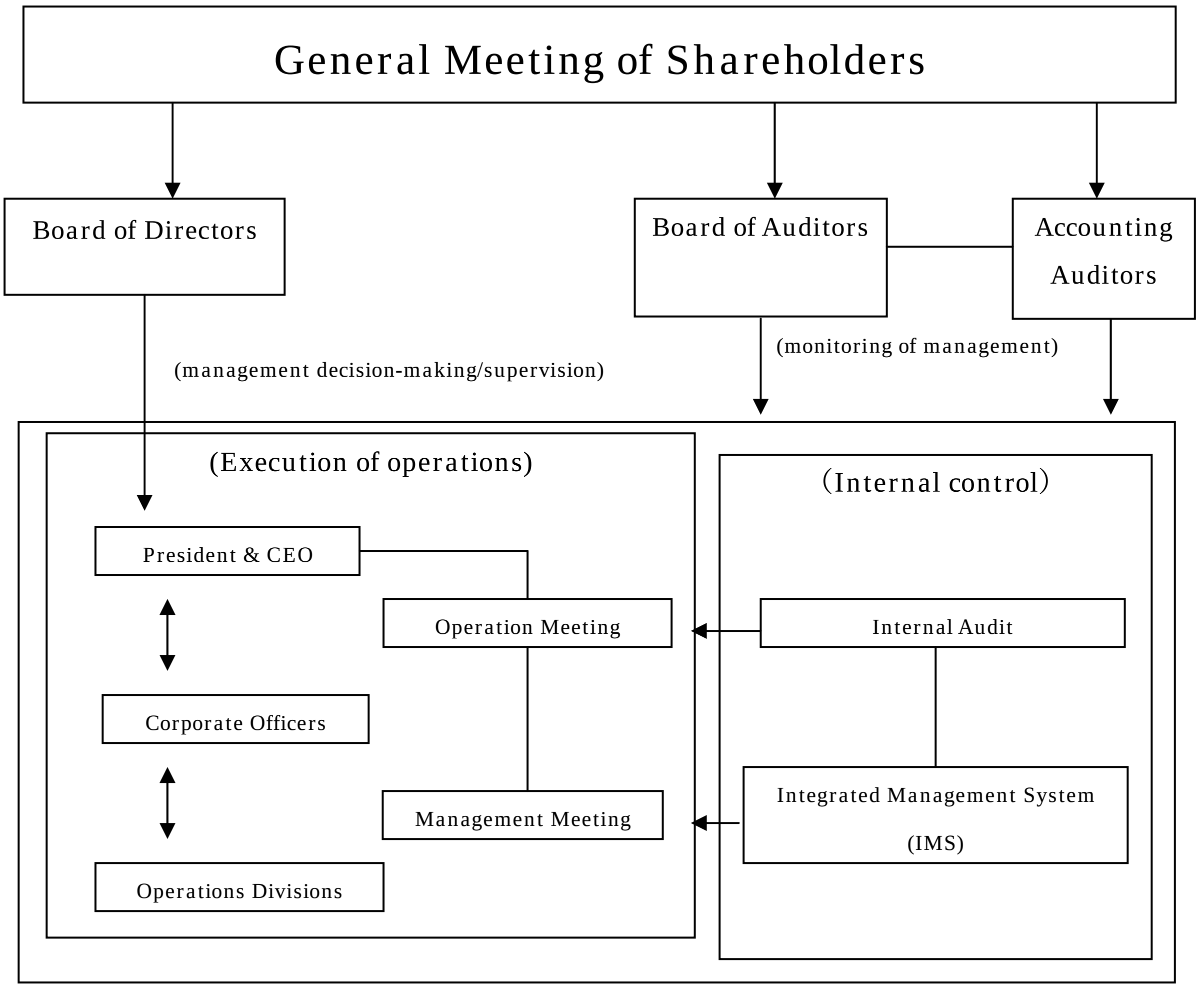
3) Operation Execution and Monitoring Mechanism

HORIBA introduced a corporate officer system (an executive officer system) in June 1998 in order to speed up the management decision-making by the board of directors and to increase efficiency of monitoring functions by separating the management and the execution of operations. In this system, the board of directors is to make the decisions of management policy and strategy and to oversee the execution of operations, and is basically meeting once a month. The board of directors commissions the corporate officers to execute the operations, and the corporate officers give specific commands and orders to the managers of the departments, and oversee their business. This works for the enhancement of the corporate governance system.

HORIBA also enhances the corporate governance throughout HORIBA Group under the management policy of "One Company." We ignore national boundaries and divisions between HORIBA Group companies, and instead, divide the HORIBA Group into business segment units and common administrative units such as production, purchasing, customer service and personnel, and promote the efficiency of operations clarifying the responsibility of each unit. HORIBA has an executive committee (a presidential advisory committee on world-wide group business of HORIBA) which speeds up correct decision-making and monitors operations.

4) Internal Control Mechanism

Besides the legal audit, HORIBA has created a system of internal audits from various directions as follows: the audit required by Integrated Management System (IMS) that integrates an ISO9001-compliant quality management system, an ISO14001-compliant environment management system, and an OHSAS18001-compliant occupational health and safety management system, and the other internal audits concerning routine work, export administration, public-subsidy operations and administration of subsidiaries.



5) Risk Management System

HORIBA, Ltd. is preparing to create a risk management system in order to cope with the following managerial tasks: to maintain stability of operations, to preserve management resources and to increase the value of the company by controlling any risks in corporate activities.

In March 2005, the CSR (Corporate Social Responsibility) Promotion Committee of HORIBA Group was set up together with members of the major domestic group companies. It has determined policies and measures for CRS, and promoted risk management and compliance (observation of laws). In addition, the Compliance Committee has been established under the CSR Promotion Committee. It acts to promote understanding of compliance, to discuss any matters related to compliance, and also to inquire, report and recommend on whistle-blowing.

We also enhance compliance management and prevent potential illegal acts by enacting "compliance management rules," and "an ethical code." In order to detect illegal acts early and correct them, a system for whistle-blowing, such as consultation with the external lawyers and an e-mail system for whistle-blowing, has been established to increase the awareness of employees concerning compliance management.

In addition, HORIBA is promoting an internal system to comply with the law about protection of personal information, which became effective as of April 2005, to prevent and limit potential risks and to strengthen the management system in a crisis.

6) Accounting Auditors

HORIBA has engaged KPMG AZSA & Co. as independent accounting auditors. In the course of their periodic auditing, they also check specific accounting matters on a timely basis. The accounting auditors for the year ended March 20, 2005 are as follows;

Representative partner:	Noriaki Goda
Engagement partner:	Yuji Yamakawa
Auditing staff:	
Certified public accountants:	2
Junior accountants:	7

7) Compensation paid to Directors and Corporate Auditors

Compensation paid to directors (annual total):	¥202 million
(Compensation paid to external directors):	(¥6 million)
Compensation paid to auditors (annual total):	¥24 million
(Compensation paid to external auditors):	(¥8 million)

The amounts above include retirement benefits.

8) Compensation paid to Auditors

HORIBA, Ltd. has concluded the audit engagement with KPMG AZSA & Co. under the Commercial Code of Japan and the Securities and Exchange Law of Japan, and has paid the following compensation to it.

Compensation paid for audit:	¥22 million
Compensation paid for other services:	¥0 million

Summary of Personal, Capital and Transaction Relationships and Other Vested Interests between HORIBA, Ltd. and Outside Directors and Auditors

HORIBA, Ltd. has appointed one outside director and two outside corporate auditors. All of them are part-time officers and owe no capital nor have any transaction relationships nor other vested interests with HORIBA, Ltd.

Implementation of the Enhancement of Corporate Governance during the Most Recent Year

We promote compliance (observation of laws) to improve our corporate governance. To prevent illegal acts, we introduced compliance programs as follows.

- Introduction of a system that allows directors and employees to report to their superiors and external lawyers
- Consultation by two external lawyers
- Consultation by E-mail for whistle-blowers

HORIBA, Ltd. has recently introduced an Integrated Management System (IMS) that integrates an ISO9001-compliant quality management system, an ISO14001-compliant environment management system, and an OHSAS18001-compliant occupational health and safety management system. The system was accredited as appropriately operable and integrated on July 2004. By relying on a company-wide operation that efficiently integrates its management systems into one coherent whole, rather than leaving them separate from each other, HORIBA is demonstrating just how seriously it takes its CSR as a corporation with global operations.

Operating Results and Financial Condition

1. Operating Results

Consolidated net sales for the year ended March 20, 2005 increased by 8.7% to ¥92,492 million compared with the previous fiscal year and was the highest ever. As for income, operating income increased by 36.8% to ¥9,372 million, ordinary income increased by 58.7% to ¥8,882 million and net income increased by 69.9% to ¥3,523 million relative to the previous fiscal year, of all which were also record highs.

(Engine Measurement Instruments & Systems)

In addition to expanded investments in engine measurement systems for automobiles and motorcycles in Asia, centered on China, active investments in research and development continued related to environmental regulations on exhaust emissions and fuel economy for Japanese automobile industry. That resulted in an increase in sales for large exhaust gas analyzers. Total segment sales increased 14.6% over the previous fiscal year to ¥27,021 million and operating income increased 35.0% to ¥4,705 million due to increased sales and effectiveness in mass production.

(Analytical Instruments & Systems)

Though increased sales of X-ray elemental analyzers for hazardous substances and analysis instruments for nano-technology R&D, sales of this segment decreased 3.1% to ¥28,510 million and operating income also decreased 15.6% to ¥861 million compared to the previous fiscal year. The decrease was attributed to the effects of the high demand of monitoring devices for discharged water in the domestic market in the previous fiscal year.

(Medical/Diagnostic Instruments & Systems)

With increased sales of new models of large-scale hematology analyzers and middle-sized clinical chemistry analyzers, mainly in the European market, and enlarged domestic operations of blood glucose analyzers, sales for this segment were up 8.5% to ¥18,776 million compared with the previous fiscal year. On the other hand, operating income was down 24.0% to ¥1,145 million due to increased sales expenses for promotion of new products.

(Semiconductor Instruments & Systems)

Demand expanded in the semiconductor market and sales of mass flow controllers and chemical concentration meters for semiconductor manufacturing were favorable. Total segment sales increased 23.2% to ¥18,182 million and operating income rose 218.5% to ¥2,659 million relative to the previous fiscal year.

2. Financial Condition

1) Cash Flows

Cash Flows Resulting from Operating Activities

Net cash provided by operating activities amounted to ¥7,215 million. This was attributed primarily to the fact that income before income taxes increased to ¥6,105 million.

Cash Flows Resulting from Investing Activities

Net cash used in investing activities totaled ¥3,628 million. This reflected cash out flows mainly resulting from the acquisition of tangible assets in the amount of ¥2,979 million.

Cash Flows Resulting from Financing Activities

Net cash flow used in financing activities amounted to ¥1,058 million. This was due primarily to a net decrease of

¥1,034 million in short-term borrowing and the repayment of ¥720 million in long-term debt.

As a result, cash and cash equivalents increased by ¥2,633 million and cash and cash equivalents at the end of the fiscal year amounted to ¥16,108 million after a decrease in cash and cash equivalents of ¥127 million due to one subsidiary being excluded from consolidation.

2) Trends in Cash Flow Indexes

	Year ended March 20, 2005	Year ended March 20, 2004
Shareholders' Equity Ratio(%)	52.3	46.8
Shareholders' Equity Ratio on a Market Value Basis(%)	71.8	47.7
Number of Years for Debt Redemption(Year)	2.2	3.7
Interest Coverage Ratio	19.4	12.9

(Note) 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 according to consolidated financial values.

※ The total market value of shares is calculated using 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 for treasury stock.

※ The value used for the operating cash flow is the "cash flow resulting from operating activities" shown in the consolidated statements of cash flows. Interest-bearing debt includes all debt in the consolidated balance sheet for which interest is paid. The value used for the interest paid is the amount of payments for interest shown in the consolidated statement of cash flows.

3. Outlook for the Year Ending March 20, 2006

In the next fiscal year, the business environment surrounding us will remain severe and the market will be still uncertain. HORIBA, despite such concerns, will concentrate full efforts aiming to achieve the mid- and long-term plan goals (consolidated net sales ¥100 billion, consolidated operating income ratio of 10%, and ROE of 8%). Outlook for consolidated results for the next fiscal year is as follows.

Net Sales ¥100 billion (8.1% increase from the previous year)
HORIBA expects stable sales in exhaust gas analyzers and increased sales in analytical instruments & systems as resulting from expanding demand of products related to restriction of the use of hazardous substances and introducing new products to the scientific field. In medical/diagnostic instruments & systems, HORIBA predicts increased sales of hematology analyzers and reagents and new products launched in the previous fiscal year. In semiconductor instruments & systems, although sales of mass flow controllers, the main product, remain uncertain, sales of a new subsidiary are expected to expand total sales. Thus, every segment sales are expected to increase to reach the goal of ¥100 billion.

Operating Income of ¥10 billion (6.7% increase)/Ordinary Income of ¥9 billion (1.3% increase)
HORIBA expects to post historic highs in operating income and ordinary income and to achieve the target operating income ratio of 10% as a result of an increase in net sales, although a decline in other operating income and expense is predicted.

Net Income of ¥4.6 billion (30.5% increase)
Net income is expected to increase 30.6% compared with the previous year and show higher growth than ordinary income. Minority interest is forecast to decrease with HORIBA STEC Co., Ltd. consolidated as a wholly owned subsidiary, and in addition, there will be a significant decrease of special losses compared with the previous year.

(NOTE) The outlook is calculated based on information available to us at May 10, 2005. Uncertainties could cause our actual results to be different from these projections. Of uncertainties, some of the main factors are listed as follows.

Business risks (sudden changes in economic conditions in our market and demand for our products/drastic fluctuations in market prices affected by competitors/environmental restrictions /delay in launching new products, etc.)
Risks on world-wide activities (fluctuation of exchange rates/changes in laws, rules and taxation/terrorist acts, wars and other social confusions/other risks on economy, social and politics)
Compensation for product liability
Changes in results and financial condition caused by M&A and tie-ups
Changes in a market values of marketable and investment securities and other assets
Reversal of deferred tax assets due to changes in accounting standards and policies
Repairs of facilities damaged by natural disasters and delay in a delivery of products

Consolidated Balance Sheets

Accounts	As of March 20, 2005 Amount	%	As of March 20, 2004 Amount	%	Increase/ Decrease Amount
Assets	¥ million		¥ million		¥ million
Current Assets:	72,505	72.6	65,726	70.9	6,779
Cash and bank deposits	15,447		13,002		2,444
Trade notes and accounts receivable	30,595		29,143		1,452
Marketable securities	680		601		78
Inventories	22,012		19,402		2,610
Deferred tax assets	2,012		2,177		(165)
Other current assets	2,270		1,919		350
Allowance for doubtful receivables	(511)		(520)		8
Fixed Assets:	27,407	27.4	26,930	29.1	476
Property, Plant and Equipment:	18,481	18.5	18,841	20.3	(360)
Buildings and structures	7,184		7,088		96
Machinery, equipment, and vehicles	2,866		2,338		527
Land	6,564		7,476		(911)
Construction in progress	81		158		(77)
Other property, plant and equipment	1,784		1,779		4
Intangibles:	2,688	2.7	2,180	2.4	508
Goodwill	78		84		(5)
Consolidation difference	1,315		1,206		108
Other intangibles	1,294		888		405
Investments and Other Non-current Assets:	6,237	6.2	5,909	6.4	328
Investment securities	4,296		3,957		339
Deferred tax assets	704		650		53
Other investments and other assets	1,356		1,441		(85)
Allowance for doubtful accounts	(119)		(140)		20
Deferred Charges:	–	–	0	0.0	0
Organization cost	–		0		0
Total Assets	99,913	100.0	92,657	100.0	7,255

Consolidated Balance Sheets

Accounts	As of March 20, 2005		As of March 20, 2004		Increase/ Decrease
	Amount	%	Amount	%	Amount
Liabilities	¥ million		¥ million		¥ million
Current Liabilities:	34,799	34.9	29,371	31.7	5,428
Trade notes and accounts payable	11,290		8,757		2,532
Short-term loans payable	5,468		6,352		(884)
Current portion of long-term debt	267		641		(373)
Accounts payable - other	5,476		5,650		(174)
Accrued income taxes	1,463		2,052		(589)
Accrued bonuses to employees	2,355		2,095		260
Reserve for product warranty	820		885		(65)
Deferred tax liabilities	–		0		(0)
Current maturities of convertible bonds	3,863		–		3,863
Other current liabilities	3,794		2,935		858
Non-Current Liabilities:	10,305	10.3	17,597	19.0	(7,291)
Corporate bonds	5,000		5,000		–
Convertible bonds	–		8,819		(8,819)
Long-term debt	1,442		647		795
Employees' retirement benefits	1,347		1,108		238
Directors' and corporate auditors' retirement benefits	1,144		–		1,144
Deferred tax liabilities	22		20		2
Other non-current liabilities	1,348		2,001		(653)
Total Liabilities	45,105	45.2	46,969	50.7	(1,863)
Minority Interests in Consolidated Subsidiaries	2,544	2.5	2,340	2.5	204
Shareholders' Equity					
Common stock	9,640	9.6	7,160	7.7	2,480
Capital surplus	13,932	13.9	11,456	12.4	2,475
Retained earnings	27,422	27.5	24,341	26.3	3,081
Net unrealized holding gains on securities	1,401	1.5	1,100	1.2	300
Foreign currency translation adjustments	20	0.0	(433)	(0.5)	454
Treasury stock	(154)	(0.2)	(277)	(0.3)	122
Shareholders' Equity	52,262	52.3	43,348	46.8	8,914
Total Liabilities, Minority Interests, and Shareholders' Equity	99,913	100.0	92,657	100.0	7,255

Consolidated Statements of Income

	Year ended March 20, 2005		Year ended March 20, 2004		Increase/ Decrease
	Amount	%	Amount	%	Amount
	¥ million		¥ million		¥ million
Net Sales	92,492	100.0	85,072	100.0	7,419
Cost of Sales	53,855	58.2	50,417	59.3	3,437
Gross Income	38,637	41.8	34,654	40.7	3,982
Selling, General and Administrative Expenses	29,264	31.7	27,804	32.6	1,459
Operating Income	9,372	10.1	6,850	8.1	2,522
Other Income	722	0.8	582	0.7	140
Interest and dividend income	103	0.1	84	0.1	19
Other	618	0.7	498	0.6	120
Other Expenses	1,213	1.3	1,835	2.2	(621)
Interest expense	372	0.4	448	0.5	(76)
Amortization of bond issue expenses	–	–	11	0.0	(11)
Foreign exchange losses	40	0.0	235	0.3	(194)
Amortization of goodwill	85	0.1	301	0.4	(215)
Other	714	0.8	837	1.0	(123)
Ordinary Income	8,882	9.6	5,597	6.6	3,284
Special Gains	39	0.0	120	0.1	(81)
Gain on sales of property, plant and equipment	38	0.0	120	0.1	(81)
Gain on sales of investment securities	0	0.0	–	–	0
Special Losses	2,815	3.0	938	1.1	1,876
Loss on disposal of property, plant and equipment	45	0.0	57	0.1	(11)
Loss on sales of property, plant and equipment	1,123	1.2	25	0.0	1,097
Loss on valuation of property, plant and equipment	–	–	133	0.2	(133)
Loss on impairment of fixed assets	53	0.1	–	–	53
Loss on valuation of inventories	–	–	89	0.1	(89)
Loss on change of retirement benefit plan	79	0.1	441	0.5	(362)
Loss on change in accounting method of retirement benefits from a simplified method to a standard method	143	0.2	–	–	143
Loss on sales of investment securities	0	0.0	34	0.0	(34)
Retirement benefits to directors	–	–	0	0.0	(0)
Loss on valuation of investment securities	35	0.0	135	0.2	(100)
Provision of retirement benefits for directors and corporate auditors for prior years	1,150	1.2	–	–	1,150
Other	183	0.2	19	0.0	164
Income Before Income Taxes	6,105	6.6	4,779	5.6	1,325
Income taxes (Current)	2,353	2.6	2,937	3.4	(583)
Income taxes (Deferred)	(62)	(0.1)	(363)	(0.4)	300
Minority interest in earnings of consolidated subsidiaries	290	0.3	132	0.2	158
Net Income	3,523	3.8	2,073	2.4	1,449

Consolidated Statements of Surplus

	Year ended March 20, 2005	Year ended March 20, 2004	Increase/ Decrease
	¥ million	¥ million	¥ million
(Capital Surplus)			
Balance of capital surplus at beginning of period	11,456	10,875	581
Increase of capital surplus	2,475	581	1,894
Conversion of convertible bonds	2,475	581	1,894
Balance of capital surplus at end of period	13,932	11,456	2,475
(Retained Earnings)			
Balance of retained earnings at beginning of period	24,341	22,936	1,404
Increase of retained earnings	3,523	2,073	1,449
Net income	3,523	2,073	1,449
Decrease of retained earnings	442	669	(226)
Cash dividends	327	449	(121)
Bonuses to directors and statutory auditors	102	98	4
Decrease on disposal of treasury stock	4	–	4
Decrease by merger of a consolidated subsidiary	–	121	(121)
Decrease by excluding a subsidiary from consolidation	7	–	7
Balance of retained earnings at end of period	27,422	24,341	3,081

Consolidated Statement of Cash Flows

	Year ended March 20, 2005	Year ended March 20, 2004	Increase/ Decrease
	¥ million	¥ million	¥ million
Cash Flows from Operating Activities:			
Income before income taxes	6,105	4,779	1,325
Depreciation	2,692	2,903	(211)
Loss on impairment of fixed assets	53	–	53
Amortization of consolidation difference	251	133	117
Loss on disposal of property, plant and equipment	45	57	(11)
Amortization of bond issue expenses	–	11	(11)
Loss on valuation of investment securities	35	135	(100)
Increase (decrease) in allowance for doubtful receivables	(23)	10	(34)
Increase in directors' retirement benefits	1,144	–	1,144
Increase (decrease) in employees' retirement benefits	230	(1,138)	1,368
Interest and dividend income	(103)	(84)	(19)
Interest expense	372	448	(76)
Foreign exchange losses (gains)	23	(11)	34
Gain on sale of property, plant and equipment	(38)	(120)	81
Loss on sale of property, plant and equipment	1,123	25	1,097
Loss on valuation of property, plant and equipment	–	133	(133)
Gain on sales of investment securities	(0)	–	(0)
Loss on sales of investment securities	0	34	(34)
Retirement benefits to directors	–	0	(0)
Decrease (increase) in trade notes and accounts receivable	(894)	688	(1,583)
Increase in inventories	(2,281)	(881)	(1,400)
Increase (decrease) in trade notes and accounts payable	2,162	(357)	2,520
Bonuses to directors and corporate auditors	(102)	(98)	(4)
Bonuses to directors and corporate auditors charged to minority interests	(6)	(7)	0
Other, net	(299)	2,575	(2,875)
Subtotal	10,488	9,240	1,248
Interest and dividends received	100	85	14
Interest paid	(385)	(519)	133
Payment of retirement benefits to directors	(26)	(30)	3
Income taxes paid	(2,960)	(2,986)	25
Net cash provided by operating activities	7,215	5,789	1,426
Cash Flows from Investing Activities:			
Increase in time deposits	(17)	(85)	68
Decrease in time deposits	0	87	(87)
Payments for purchase of investment securities	(394)	(413)	18
Proceeds from sale and redemption of investment securities	559	452	107
Payments for purchase of property, plant and equipment	(2,979)	(2,622)	(357)
Proceeds from sale of property, plant and equipment	230	261	(31)
Payments for purchase of intangibles	(730)	(418)	(311)
Proceeds from sale of intangibles	0	–	0
Payments for purchase of investments in a consolidated subsidiary	(19)	(168)	149
Payments for purchase of investments in newly consolidated subsidiaries	(119)	(272)	153
Payments for sale of investments in a consolidated subsidiary	(45)	–	(45)
Increase in loans receivable	(0)	(1)	1
Decrease in loans receivable	2	237	(234)
Other, net	(115)	179	(294)
Net cash used in investing activities	(3,628)	(2,765)	(863)
Cash Flows from Financing Activities:			
Payments for redemption of corporate bonds	–	(9,000)	9,000
Net decrease in short-term borrowing	(1,034)	(589)	(445)
Increase in long-term debt	1,049	247	801
Repayment of long-term debt	(720)	(1,618)	897
Payments for purchase of treasury stock	(88)	(26)	(61)
Proceeds from sale of treasury stock	206	–	206
Cash dividends paid	(328)	(449)	121
Cash dividends paid to minority interests	(72)	(39)	(32)
Other, net	(70)	(120)	50
Net cash used in financing activities	(1,058)	(11,596)	10,537
Cash and Cash Equivalents Foreign Currency Translation Adjustments	104	114	(10)
Net Increase (Decrease) in Cash and Cash Equivalents	2,633	(8,457)	11,090
Cash and Cash Equivalents at Beginning of Period	13,603	22,061	(8,457)
Net Decrease in Cash and Cash Equivalents of a Subsidiary Excluded from Consolidation	(127)	–	(127)
Cash and Cash Equivalents at End of Period	16,108	13,603	2,505

Important Items That Form the Basis for Preparation of Consolidated Financial Statements

1. Scope of consolidation

1) Consolidated subsidiary companies: 37 companies

Overseas subsidiary companies (31 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.); HORIBA ABX International S.A. (France); HORIBA ABX S.A. (France); HORIBA ABX Inc. (U.S.A.); HORIBA ABX Hematologia Ltda. (Brazil); HORIBA ABX Diagnostics Polska Sp. zo. o. (Poland); HORIBA Jobin Yvon International S.A.S. (France); HORIBA Jobin Yvon S.A.S (France); HORIBA Jobin Yvon Inc. (U.S.A.); Jobin Yvon International Inc. (U.S.A.); AD LAB Inc. (U.S.A.); HORIBA Jobin Yvon GmbH (Germany); HORIBA Jobin Yvon Ltd. (U.K.); HORIBA Jobin Yvon S.r.l. (Italy); HORIBA Instruments Pte. Ltd. (Singapore); HORIBA Korea Ltd. (Korea); HORIBA STEC Korea Ltd. (Korea); HORIBA Instruments (Shanghai) Co., Ltd. (China); BioPep S.A. (France); HORIBA Jobin Yvon IBH Ltd. (U.K.); HORIBA Trading (Shanghai) Co., Ltd. (China); HORIBA ABX Ltd. (Thailand); HORIBA ABX Diagnostics Ltd. (Thailand)

Domestic subsidiary companies (6 companies)

HORIBA STEC Co., Ltd.; HORIBA ITEC Co., Ltd.; HORIBA Advanced Techno Co., Ltd.; HORIBA TECHNO SERVICE Co., Ltd.; HORIBA Biotechnology Co., Ltd.; ASEC Inc.

During the consolidated fiscal year ended March 20, 2005, Horiba Trading (Shanghai) Co., Ltd., HORIBA ABX Ltd. (Thailand), and HORIBA ABX Diagnostics Ltd. (Thailand) were newly established and included in the scope of consolidation. Jobin Yvon Ltd. (U.K.) merged with Glen Spectra Ltd. (U.K.), and HORIBA Ltd. liquidated HW Ltd. and sold shares of HORIBA Jobin Yvon Korea Co., Ltd. (Korea), so they were excluded from the scope of consolidation. ASEC Inc. was excluded from the scope of consolidation to be one of the affiliated companies at the beginning of the consolidated fiscal year since HORIBA, Ltd. had no more effective control on it, and again included in the scope of consolidation to be a wholly owned subsidiary through the Company's additional acquisition of its shares in the 2nd half of the consolidated fiscal year. Only the balance sheet for the subsidiary was consolidated in the consolidated financial statements for the fiscal year ended March 20, 2005. Furthermore, STEC Inc., COS Co., Ltd., STEC Korea Ltd. (Korea), ABX International S.A. (France), ABX S.A. (France), ABX Inc. (U.S.A.), ABX Hematologia Ltda. (Brazil), ABX Diagnostics Polska Sp. zo. o. (Poland); HORIBA Jobin Yvon S.A.S. (France), Jobin Yvon S.A.S (France), Jobin Yvon Inc. (U.S.A.), Jobin Yvon GmbH (Germany), Jobin Yvon Ltd. (U.K.), Jobin Yvon S.r.l. (Italy), Jobin Yvon IBH Ltd. (U.K.) changed their names to HORIBA STEC Co., Ltd., HORIBA Advanced Techno Co., Ltd., HORIBA STEC Korea Ltd., HORIBA ABX International S.A. (France), HORIBA ABX S.A. (France), HORIBA ABX Inc. (U.S.A.), HORIBA ABX Hematologia Ltda. (Brazil), HORIBA ABX Diagnostics Polska Sp. zo. o. (Poland), HORIBA Jobin Yvon International S.A.S. (France), HORIBA Jobin Yvon S.A.S (France), HORIBA Jobin Yvon Inc. (U.S.A.), HORIBA Jobin Yvon GmbH (Germany), HORIBA Jobin Yvon Ltd. (U.K.), HORIBA Jobin Yvon S.r.l. (Italy), HORIBA Jobin Yvon IBH Ltd. (U.K.), respectively.

2) Unconsolidated subsidiary companies: 1 company

HORIBA Community Corporation (Japan)

This unconsolidated subsidiary, either small in scale, or having immaterial effects on total assets, net sales, net income and retained earnings (proportionate amount of ownership), is not included in the consolidated financial statements.

2. Application of the equity method

1) Unconsolidated companies for which the 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.)

Since the companies for which the equity method has not been applied have insignificant effects upon consolidated net income and retained earnings, and also are immaterial as a whole, they are excluded from the application of the equity method.

3. Year ends of the consolidated subsidiary companies

The year end is December 31 for HORIBA ITEC Co., Ltd., HORIBA TECHNO SERVICE Co., Ltd., ASEC Inc. and overseas subsidiaries. It is March 20 for HORIBA Advanced Techno Co., Ltd., and March 31 for HORIBA STEC Co., Ltd. and HORIBA Biotechnology Co., Ltd.

The accounts of these subsidiaries at the respective year ends are used in preparing the consolidated financial statements. With respect to significant transactions which occurred after those subsidiaries' year ends, necessary adjustments have been made in the consolidated financial statements.

4. Accounting policies

1) Valuation of marketable securities

Available-for-sale securities

- With available fair market values: Fair market value based on market prices, etc. at the balance sheet date

  (Unrealized gains and losses are reported as a separate component of shareholders' equity. Cost of sales is calculated using the moving-average method.)
- Without available fair market values: Primarily at cost using the moving-average method

2) Derivatives

Market value method

3) Valuation of inventories

a. Finished goods/goods in process: Estimated primarily at cost using the weighted-average method

b. Materials: Valued primarily at cost using the moving-average method

4) Depreciation methods of depreciable assets

a. Property, plant and equipment

The parent company and its domestic companies use the declining balance method. (However, buildings [excluding the accompanying facilities] acquired on or after April 1, 1998 are depreciated using the straight-line method.) Overseas subsidiaries use the straight-line method.

Estimated useful lives of the assets are mainly as follows:

Buildings and structures: 3-60 years

Machinery, equipment and vehicles: 2-17 years

b. Intangible assets

The straight-line method is used.

With respect to internal use software, it is computed on the straight-line method over the estimated useful life of 5 years.

5) Deferred assets

The straight-line method is used based on the Commercial Code.

6) Allowance and accruals

a. Allowance for doubtful receivables

- The parent company and its domestic subsidiaries

  In order to provide for losses from uncollectible trade notes, accounts receivable and loans, the parent 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 based on analysis of certain individual receivables.

- Overseas subsidiaries

  In order to protect against losses from uncollectible accounts receivable and so on, the overseas subsidiaries provide for doubtful accounts based on estimates of management.

b. Accrued bonuses to employees

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

c. Reserve for product warranty

Reserve for product warranty is provided for warranty expenses for products of the parent company and certain subsidiaries.

d. Employees' retirement benefits

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

(Additional Information)

Certain consolidated subsidiaries changed to defined contribution plans and a new defined-benefit corporate pension plan from a non-contributory funded retirement plan and a lump-sum severance benefit payment plan in September 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 effect of this change was a special loss of ¥79 million. A consolidated domestic subsidiary changed the calculation of projected benefit obligation from a simplified method to a standard method since the number of its employee increased. The effect of this change was a special loss of ¥143 million.

e. Retirement benefits for directors and corporate auditors

To cover payment of retirement benefits for directors and corporate auditors, the Company and certain domestic subsidiaries provide for the amount to be required at the end of the consolidated fiscal year based upon internal rules.

(Change in Accounting Method)

Although previously not accrued, in the year ended March 20, 2005 the Company and certain domestic subsidiaries changed to provide for retirement benefits for directors and corporate auditors at the amount to be paid based upon the internal rules at the balance sheet date. This change in accounting method was aimed to more appropriately state periodic income corresponding to the serving term of directors and corporate auditors, and also to promote the soundness of the financial condition.

As a result of this change, HORIBA recorded retirement benefits of ¥81 million in selling, general and administrative expenses and directors' retirement benefits for prior years of ¥1,150 million as a special loss. Compared with the previous method, operating income and ordinary income decreased ¥81 million, and income before income taxes decreased ¥1,144 million (net of objective expense reversal for the current consolidated fiscal year).

The effect on segment information is described in the accompanying segment information.

7) Foreign currency translation

Assets and liabilities in foreign currencies are converted to Japanese yen using the market rate at the balance sheet date, and differences in the translation are recorded in the consolidated statements of income. In addition, the assets and liabilities of overseas subsidiaries are converted to Japanese yen on the basis of the exchange rate at the balance sheet date, while income and expenses are converted to Japanese yen based on the average exchange rate during the period. Differences in translation are included in the consolidated financial statements under minority interest and foreign currency translation adjustments in shareholders' equity.

8) Lease transactions

Finance leases that do not transfer ownership or that do not have bargain purchase option provisions are accounted for in the same manner as operating leases in accordance with Japanese GAAP.

9) Hedge accounting

a. Hedge accounting method

Foreign exchange contracts that fulfill certain requirements are accounted for as hedges.

b. Hedge instruments and hedged items

Hedge instruments	Hedged items
Foreign exchange contracts	Foreign currency trade receivables

c. Hedge policy

With respect to such things as foreign currency trade receivables, the parent company enters into foreign exchange contracts within the limits of the balance for foreign currency trade receivables and payables. The execution and management of these transactions are carried out by the accounting department, and the results of the transactions are reported to the member of the Board of Directors that is responsible for accounting.

d. Methods for evaluating hedge effectiveness

Hedge effectiveness is evaluated by verifying the currency type, term, and identity of the hedged item and the hedging instrument.

10) Accounting for consumption tax

The net of tax method is used.

11) Impairment of fixed assets (Change in Accounting Method)

The Company has adopted "Accounting Standard for Impairment of Fixed Assets" ("Opinion on Establishing Accounting Standards for Impairment of Fixed Assets" issued by Accounting Standards Board of Japan on August 9, 2002) and "Guidance on Application of Accounting Standards for Impairment of Fixed Assets" (Application Guidance on Accounting Standards Number 6, issued on October 31, 2003), which became applicable to the consolidated financial statements in the year ended March 20, 2005. By the application of the new accounting standards, the Company recognized a special loss on impairment of fixed assets of ¥53 million, which led to a decrease of income before income taxes of the same amount compared with the previous accounting method.

5. Valuation of assets and liabilities of consolidated subsidiaries

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries.

6. Amortization 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 generally accepted accounting principles of the country of their incorporation.

7. Appropriation of retained earnings

In the consolidated statement of capital surplus and retained earnings the amounts are based on appropriations which were approved in this period.

8. Cash and cash equivalents

Cash and cash equivalents in the consolidated cash flow statements include cash on hand, readily available bank deposits, and short-term highly liquid investments that are readily convertible into cash and present insignificant risk of change in value, with maturity periods of three months or less from the date of acquisition.

Notes:

(Consolidated Balance Sheet at March 20, 2005)

1.	Accumulated depreciation for tangible assets		¥21,937 million
2.	Pledged assets	Buildings	¥162 million
3.	Secured liabilities	Current portion of long-term debt	¥3 million
		Long-term debt	¥103 million
4.	Contingent liabilities for guarantees		¥378 million
5.	Number of treasury stock		147,369 shares

(Consolidated Statement of Income for the Year ended March 20, 2005)

1.	Research and development expenses		¥5,635 million
2.	Loss on impairment of fixed assets	Land	¥53 million

(Consolidated Statement of Cash Flow for the Year ended March 20, 2005)

Reconciliation between Cash and Banks in Consolidated Balance Sheets and Cash and Cash Equivalents at End of Period in Consolidated Statement of Cash Flows:

	As of March 20, 2005	As of March 20, 2004
	¥ million	¥ million
Cash and banks	15,447	13,002
Time deposits with maturities exceeding 3 months	(19)	(0)
Short-term investments whose expiration or redemption date is within 3 months	680	601
Cash and cash equivalents at end of period	16,108	13,603

Significant Non-cash Transactions:

Conversion of convertible bonds

	Year ended March 20, 2005	Year ended March 20, 2004
	¥ million	¥ million
Increase in common stock	2,480	582
Increase in capital surplus	2,475	581
Decrease in convertible bonds by conversion	4,956	1,164

Securities

As of March 20, 2005

1. Available-for-sale securities with available fair values at March 20, 2005 ¥ million

	Acquisition cost	Book (fair) value	Difference
Securities with book values exceeding acquisition costs:			
Equity securities	1,427	3,792	2,365
Bonds:			
Government bonds	–	–	–
Corporate bonds	–	–	–
Other	–	–	–
Other	–	–	–
Subtotal	1,427	3,792	2,365
Securities with book values not exceeding acquisition costs:			
Equity securities	19	12	(7)
Bonds:			
Government bonds	–	–	–
Corporate bonds	–	–	–
Other	–	–	–
Other	121	96	(25)
Subtotal	141	108	(32)
Total	1,568	3,901	2,332

2. Securities with no available fair values ¥ million

	Book value
Available-for-sale securities	
Non-listed foreign investment trust	671
Non-listed equity securities (excluding over-the-counter securities)	309

3. Available-for-sale securities with maturities at March 20, 2005 ¥ million

	Within one year	Over one year but within 5 years	Over five years but within ten years	Over ten years
Bonds:				
Government bonds	–	3	0	–
Corporate bonds	–	–	–	–
Other	–	–	–	–
Total	–	3	0	–

As of March 20, 2004

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

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

2. Securities with no available fair values ¥ 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 ¥ million

	Within one year	Over one year but within 5 years	Over five years but within ten years	Over ten years
Bonds:				
Government bonds	–	3	0	–
Corporate bonds	–	–	501	–
Other	–	–	–	–
Total	–	3	501	–

Retirement Benefits and Pension Plans

(Year ended March 20, 2005)

1. Retirement benefit plans
As of March 20, 2005, in HORIBA, Ltd. and its consolidated subsidiaries, 4 companies have lump-sum severance payment plans, 3 companies have contributory funded retirement plans, 4 companies have defined contribution plans, and 4 companies have new defined-benefit corporate pension plans.
The Company and certain consolidated subsidiaries use these plans together.
The Company and certain domestic consolidated subsidiaries changed to defined contribution plans and new defined-benefit corporate pension plan from non-contributory funded retirement plans in March and September 2004.

2. Project benefit obligation

	As of March 20, 2004
	¥ million
1) Project benefit obligation	(2,848)
2) Pension assets	377
3) Unfunded projected benefit obligation 1)+2)	(2,471)
4) Unrecognized differences on change of accounting standard	–
5) Unrecognized actuarial differences	104
6) Unrecognized prior service costs on change of employees' retirement plan (decrease in liability)	1,019
7) Balance sheet amount 3)+4)+5)+6)	(1,347)
8) Prepaid retirement benefit expenses	–
9) Liability for employees' retirement benefits 7)–8)	(1,347)

Notes: 1. Certain domestic consolidated subsidiaries use a simplified method for calculating projected benefit obligation.
2. Pension assets of the contributory funded retirement plan are not included in 2) Pension assets in the amount of ¥5,882 million (a proforma portion calculated by the ratio of accumulated pension premiums paid by the Company and certain subsidiaries).

3. Retirement benefits expenses

	Year ended March 20, 2005
	¥ million
1) Service cost	1,185
2) Interest cost on projected benefit obligation	35
3) Expected return on plan assets	(0)
4) Amortization of actuarial differences	29
5) Amortization of prior service costs on change of employees' retirement plan	114
6) Special loss on change of retirement benefit plan	79
7) Special loss on change in accounting method of retirement benefits from a simplified method to a standard method	143
8) Amortization of effect of changing the accounting standard	–
9) Retirement benefits expenses 1)+2)+3)+4)+5)+6)+7)+8)	1,587

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 (¥516 million) are also included.

4. Basis of calculation of projected benefit obligation

	As of March 20, 2004
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, Ltd.), Time of occurrence (consolidated subsidiaries)
5) Amortization period of differences from change in the accounting standard	No differences
6) Amortization period for actuarial differences	5 years

Retirement Benefits and Pension Plans

(Year ended March 20, 2004)

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

2. Project benefit obligation

	As of March 20, 2004
	¥ million
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 ¥5,772 million (a proforma portion calculated by the ratio of accumulated pension premiums paid by the Company and certain subsidiaries).

3. Retirement benefits expenses

	Year ended March 20, 2004
	¥ million
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) Special loss on change of retirement benefit plan	441
6) Amortization of effect of changing 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 (¥516 million) are also included.
3. Special loss on change of retirement benefit plan.

−Decrease in projected benefit obligation by changing to 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 changing to the defined contribution plans	730
−The amount of amortization of unrecognized prior service costs on change of employee's retirement plan (domestic consolidated subsidiaries)	357
	441

4. The pension assets to be transferred over 4 years to the defined contribution plans were ¥4,910 million. The amount that hasn't been transferred to the defined contribution plans is ¥1,921 million. It is included in accounts payable in current liabilities and long-term accounts payable in other non-current liabilities.

4. Basis of calculation of projected benefit obligation

	As of March 20, 2004
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, Ltd.), Time of occurrence (subsidiary companies)
5) Amortization period of differences from change in the accounting standard	No differences
6) Amortization period for actuarial differences	5 years

Deferred Tax Assets and Liabilities

1. Significant components of deferred tax assets and liabilities

	As of March 20, 2005	As of March 20, 2004
	¥ million	¥ million
Deferred tax assets		
Accrued enterprise tax	115	191
Loss on write-down of inventories	177	185
Allowance for doubtful receivables	16	47
Accrued bonuses	756	597
Amount for loss carryforward	2,383	2,337
Unrealized gains	709	600
Employees' retirement benefits	422	303
Accounts payable for retirement benefits	492	796
Depreciation	299	347
Loss on valuation of investment securities	232	227
Retirement benefits to directors	468	–
Loss on valuation of treasury stock	37	37
Offset to deferred tax liabilities	(1,345)	(1,128)
Other	843	854
Total deferred tax assets	5,609	5,399
Valuation allowance	(2,893)	(2,570)
Net deferred tax assets	2,716	2,828
Deferred tax liabilities		
Allowance for doubtful receivables	(1)	(1)
Reserve for deferred gains on property, plant, and equipment	(51)	(53)
Net unrealized holding gains on securities	(929)	(788)
Offset to deferred tax assets	1,345	1,128
Other	(385)	(305)
Total deferred tax liabilities	(22)	(20)
Net deferred tax assets	2,693	2,807

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

	As of March 20, 2005	As of March 20, 2004
	%	%
Statutory tax rate	41.9	41.9
Adjustments:		
Expenses like entertainment expenses not qualifying for deduction permanently	1.52	1.89
Non-taxable dividend income	(0.20)	(1.65)
Per capita inhabitant tax	0.64	0.80
Valuation allowance for deferred tax assets	3.04	9.35
Amortization of consolidation adjustment account	1.72	1.17
Consolidation elimination adjustment account	2.09	2.73
Differences in tax rate between foreign subsidiaries and the Company	(2.94)	(1.37)
Tax credits	(5.26)	–
Other	(4.99)	(0.98)
Effective tax rate	37.52	53.84

Business Segment Information

1. Business Segment Information

Results for the Year ended March 20, 2005 (March 21, 2004 - March 20, 2005)

	Engine Measurement Instruments & Systems	Analytical Instruments & Systems	Medical/Diagnostic Instruments & Systems	Semiconductor Instruments & Systems	Total	Unallocated	Consolidated
	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million
Net Sales							
(1) Sales to customers	27,021	28,510	18,776	18,182	92,492	—	92,492
(2) Intersegment sales and transfer	—	—	—	—	—	—	—
Operating expenses	22,316	27,648	17,631	15,523	83,119	—	83,119
Operating income	4,705	861	1,145	2,659	9,372	—	9,372
Assets, Depreciation, Capital Expenditures							
Assets	22,588	24,109	15,741	15,746	78,185	21,728	99,913
Depreciation	574	685	1,253	430	2,943	—	2,943
Capital expenditures	937	1,128	1,385	505	3,956	—	3,956

Results for the Year ended March 20, 2004 (March 21, 2003 - March 20, 2004)

	Engine Measurement Instruments & Systems	Analytical Instruments & Systems	Medical/Diagnostic Instruments & Systems	Semiconductor Instruments & Systems	Total	Unallocated	Consolidated
	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million
Net Sales							
(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
Assets, Depreciation, Capital Expenditures							
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

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, X-ray Analytical Microscope, Optical Crystals, Infrared Detectors, Radiation Thermo Meters, Food Analyzers, Water Pollution Analyzers, Air Pollution Analyzers, Stack Gas Analyzers, Soil Pollutant Analyzers 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.

Notes:

1. Unallocated assets of ¥18,877million and ¥21,728 million for the years ended March 20, 2004 and 2005, respectively, mainly include cash and cash equivalents and marketable and investment securities.
2. As shown in "Accounting policies," the accounting method for retirement benefits for directors and corporate auditors was changed in the year ended March 20, 2005.
   As a result, operating cost increased ¥20 million in engine measurement instruments & systems, ¥25 million in analytical instruments & systems, ¥4 million in medical/diagnostic instruments & systems and ¥32 million in semiconductor instruments & systems.
   Operating income decreased by the same amounts accordingly.

Geographical Segment Information

2. Geographical Segment Information

Results for the Year ended March 20, 2005 (March 21, 2004 – March 20, 2005)

	Japan	America	Europe	Asia	Total	Elimination and/or unallocated	Consolidated
	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million
Net sales							
(1) Sales to outside customers	45,288	9,965	35,529	1,709	92,492	–	92,492
(2) Intersegment sales and transfers	9,888	261	2,102	626	12,879	(12,879)	–
Total	55,177	10,226	37,631	2,336	105,371	(12,879)	92,492
Operating expenses	47,812	10,099	36,199	2,089	96,200	(13,081)	83,119
Operating income	7,364	127	1,432	246	9,170	201	9,372
Assets	45,824	5,709	25,567	1,083	78,185	21,728	99,913

Results for the Year ended March 20, 2004 (March 21, 2003 – March 20, 2004)

	Japan	America	Europe	Asia	Total	Elimination and/or unallocated	Consolidated
	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million
Net sales							
(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)	–
Total	49,731	9,141	35,476	1,627	95,977	(10,904)	85,072
Operating expenses	45,478	9,071	33,485	1,539	89,574	(11,351)	78,222
Operating income	4,253	69	1,991	88	6,402	447	6,850
Assets	44,746	5,873	22,190	970	73,780	18,877	92,657

Notes:
1. Unallocated assets of ¥18,877 million and ¥21,728 million for the years ended March 20, 2004 and 2005, respectively, mainly include cash and cash equivalents and marketable and investment securities.
2. As shown in "Accounting policies," the accounting method for retirement benefits for directors and corporate auditors was changed in the year ended March 20, 2005. As a result, in the Japan segment operating cost increased ¥81 million and operating income decreased by the same amount accordingly.

3. Overseas Sales

Results for the Year ended March 20, 2005 (March 21, 2004 – March 20, 2005) ¥ million

	America	Europe	Asia	Total
Overseas sales	17,705	24,925	10,971	53,602
Consolidated sales	―	―	―	92,492
Overseas sales to consolidated sales (%)	19.1	27.0	11.9	58.0

Results for the Year ended March 20, 2004 (March 21, 2003 – March 20, 2004) ¥ 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

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

Orders, Backlog

	Segment	Year ended March 20, 2005		Year ended March 20, 2004	
		Amount	%	Amount	%
		¥ million		¥ million	
Orders	Engine Measurement Instruments & Systems	28,601	30.0	23,343	27.2
	Analytical Instruments & Systems	29,546	31.0	29,544	34.6
	Medical/Diagnostic Instruments & Systems	18,916	19.9	17,400	20.4
	Semiconductor Instruments & Systems	18,152	19.1	15,191	17.8
	Total	95,217	100.0	85,480	100.0
Backlog	Engine Measurement Instruments & Systems	8,825	48.1	7,246	46.3
	Analytical Instruments & Systems	6,638	36.2	5,602	35.8
	Medical/Diagnostic Instruments & Systems	1,330	7.2	1,191	7.6
	Semiconductor Instruments & Systems	1,566	8.5	1,596	10.3
	Total	18,361	100.0	15,636	100.0