

Consolidated Financial Statements for the Six Months Ended September 20, 2003

November 18, 2003

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 : November 18, 2003

U.S. Accounting standards used : No

1. Results for the six months ended September 20, 2003

(1) Sales and Income

	Sales		Operating Income		Ordinary Income	
	¥ million	%	¥ million	%	¥ million	%
6 months ended 9/20/03	38,877	6.4	1,758	△ 6.0	1,157	31.7
6 months ended 9/20/02	36,543	2.0	1,869	256.9	878	—
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)	
	¥ million	%	¥		¥	
6 months ended 9/20/03	100	—	3.25		3.11	
6 months ended 9/20/02	△ 159	—	△ 5.13		—	
Year ended 3/20/03	785	—	22.21		18.31	

Notes:

- Equity in earnings of affiliates : Six months ended Sep. 20, 2003 : ¥ – million Six months ended Sep. 20, 2002 : ¥ – million
Year ended March 20, 2003 : ¥ – million
- Average number of shares outstanding (consolidated): Six months ended Sep. 20, 2003 : 30,969,851 shares Six months ended Sep. 20, 2002 : 30,973,330 shares
Year ended March 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
	¥ million	¥ million	%	¥
9/20/03	97,294	41,061	42.2	1,316.21
9/20/02	95,595	39,054	40.9	1,260.93
3/20/03	100,541	40,143	39.9	1,293.30

Note: Number of shares outstanding at end of period (Consolidated) : Sep. 20, 2003: 31,196,596 shares Sep. 20, 2002 : 30,972,497 shares
March 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
	¥ million	¥ million	¥ million	¥ million
6 months ended 9/20/03	3,209	△ 1,842	△ 7,782	15,924
6 months ended 9/20/02	4,400	△ 1,212	△ 1,312	18,531
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) 1 company (Eliminated) None Equity method : (New) None (Eliminated) None

2. Projected results for the year ending March 20, 2004

	Sales	Ordinary Income	Net Income
	¥ million	¥ million	¥ million
Year ended 3/20/04	82,500	4,200	1,400

Reference: Estimated earnings per share (full year) ¥41.99

* These projected results are made at November 18, 2003, 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.

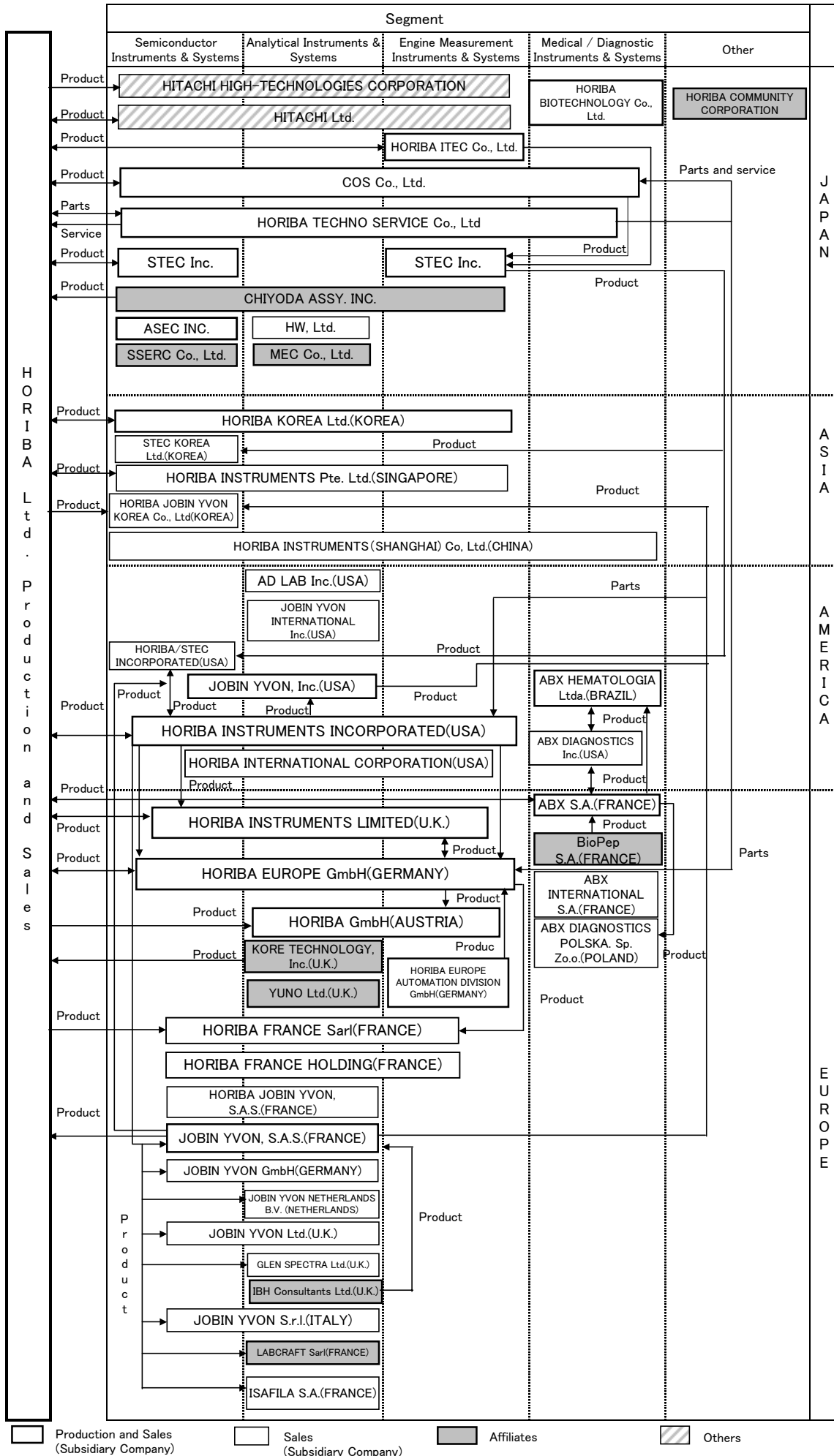
The HORIBA Group

The HORIBA group consists of 37 consolidated subsidiaries, 3 unconsolidated subsidiaries 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 is the position of segment, main products and main companies.

	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) 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, 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.(USA), JOBIN YVON GmbH(GERMANY), HORIBA INSTRUMENTS INCORPORATED(USA), HORIBA EUROPE GmbH(GERMANY), HORIBA INSTRUMENTS LIMITED(U.K.), COS Co., Ltd. 23 other companies (Total 31 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.(USA), 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(USA), 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



Production and Sales (Subsidiary Company)
 Sales (Subsidiary Company)
 Affiliates
 Others

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 47 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 rate 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 has 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 is 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

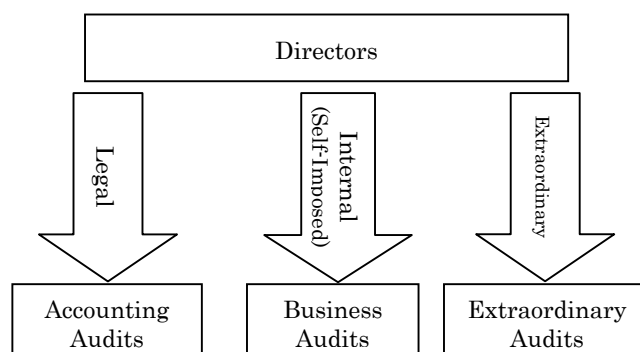
With the goal of examining our business policies and strategies from numerous standpoints, HORIBA has appointed one outside board member (Shijuro Ogata) and two external statutory auditors (Kozo Yamamoto, Attorney at Law and President of Law Office of Heian, and Kanji Ishizumi Representative Partner 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 staffs 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 the corporate lawyers that it keeps on retainer perform checks of vital company matters. HORIBA has also contracted Asahi & Co. to serve as accounting auditors. Asahi & 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

With the goal of promoting faster business management, HORIBA has introduced a "Corporate Officer System" to oversee business operations. HORIBA revised its Board of Directors Bylaws in April 2003, making allowances for these corporate officers to attend Board of Directors meetings when deemed necessary in order to present explanations or reports related to agenda. This participation has led to more lively discussions by the Board of Directors and has increased the speed of the decision making process. HORIBA increased the number of its corporate officers by two in June 2003 (at present, HORIBA has two senior corporate officers and six corporate officers).

Furthermore, in order to strengthen HORIBA's capacity for legal compliance, HORIBA has established a new Auditing Department in the Legal Affairs and Intellectual Property Center (established in fiscal 2003). (The Auditing Department absorbed the Export Control Office and the status of the section was upgraded from "office" to "department".) HORIBA is positioning the new Auditing Department as headquarters for the international corporate entity, and is working to strengthen the legal compliance system for the Group as a whole.

Operating Results and Financial Conditions

1. Operating Results

The mid-term consolidated financial results for September 2003 show a volume of sales of ¥38,877 million, an increase of 6.4% over the same term of the previous year. As for income, while operating income was at ¥1,758 million, down 6.0% from the previous year, ordinary income was at ¥1,157 million, an increase of 31.7% from the previous year, due to a reduction in foreign-exchange losses and a decrease in interest expenses resulting from a curtailment of interest-bearing debt. Net income for the term was ¥100 million, and the company made a transition to reporting net income, compared to the net loss of ¥159 million that was reported for the corresponding period in the prior year.

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

(Engine Measurement Instruments & Systems)

With stricter exhaust gas regulations for diesel engines being implemented globally, 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 15.6% over the previous year to ¥10,328 million. Operating income increased 34.8% to ¥1,289 million due to cost reductions generated by economies of scale resulting from the increased sales.

(Analytical Instruments & Systems)

Sales for this segment increased 7.8% over the previous year to ¥13,981 million due to factors such as expanding demand for environment-related products in the Japanese market. However, with the intensifying competition in Japan, operating income fell 68.4% to ¥57 million.

(Medical/Diagnostic Instruments & Systems)

Although sales in the US and other markets were stagnant due to the high value of the Euro, 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 6.0% from the previous year to ¥8,371 million, and operating income also increased 2.7% to ¥740 million.

(Semiconductor Instruments & Systems)

Full-scale recovery of the semiconductor market has not yet been realized and sales of mass flow controllers, our leading product in this segment, are sluggish. Total sales for this segment were down 8.0% from the previous year to ¥6,197 million. In addition to reduced income due to the decreased sales, expenses for the development of new products are piling up, resulting in an operating loss of -¥329 million (the operating income for the previous year was ¥11 million).

Comparison with the Same Term of the Previous Year:

Sales by Segment	6 months ended 9/20/03		6 months ended 9/20/02		Change from previous year		Year ended 3/20/03	
	Amount	%	Amount	%	Amount	%	Amount	%
Engine Measurement Instruments & Systems	¥ million 10,328	26.6	¥ million 8,935	24.5	¥ million 1,393	15.6	¥ million 21,131	26.9
Analytical Instruments & Systems	13,981	36.0	12,971	35.5	1,009	7.8	27,037	34.5
Medical/Diagnostic Instruments & Systems	8,371	21.5	7,897	21.6	473	6.0	15,941	20.3
Semiconductor Instruments & Systems	6,197	15.9	6,739	18.4	△ 542	△ 8.0	14,391	18.3
Total	38,877	100.0	36,543	100.0	2,334	6.4	78,501	100.0

Operating Income by Segment	6 months ended 9/20/03		6 months ended 9/20/02		Change from previous year		Year ended 3/20/03	
	Amount	%	Amount	%	Amount	%	Amount	%
Engine Measurement Instruments & Systems	¥ million 1,289	73.3	¥ million 956	51.1	¥ million 333	34.8	¥ million 3,149	57.6
Analytical Instruments & Systems	57	3.2	180	9.7	△ 124	△ 68.4	767	14.0
Medical/Diagnostic Instruments & Systems	740	42.1	721	38.6	20	2.7	1,390	25.4
Semiconductor Instruments & Systems	△ 329	△ 18.6	11	0.6	△ 341	—	165	3.0
Total	1,758	100.0	1,869	100.0	△ 112	△ 6.0	5,473	100.0

Sales by Segment	4/03-6/03		7/03-9/03		6 months ended 9/20/03	
	Amount	%	Amount	%	Amount	%
	¥ million		¥ million		¥ million	
Engine Measurement Instruments & Systems	5,799	30.8	4,529	22.6	10,328	26.6
Analytical Instruments & Systems	6,424	34.1	7,557	37.7	13,981	36.0
Medical/Diagnostic Instruments & Systems	3,811	20.2	4,559	22.8	8,371	21.5
Semiconductor Instruments & Systems	2,810	14.9	3,386	16.9	6,197	15.9
Total	18,844	100.0	20,033	100.0	38,877	100.0

Operating Income by Segment	4/03-6/03		7/03-9/03		6 months ended 9/20/03	
	Amount	%	Amount	%	Amount	%
	¥ million		¥ million		¥ million	
Engine Measurement Instruments & Systems	997	124.4	291	30.5	1,289	73.3
Analytical Instruments & Systems	△ 49	△ 6.1	106	11.1	57	3.2
Medical/Diagnostic Instruments & Systems	187	23.4	553	57.9	740	42.1
Semiconductor Instruments & Systems	△ 334	△ 41.7	5	0.5	△ 329	△ 18.6
Total	801	100.0	956	100.0	1,758	100.0

Average Exchange Rate	6 months ended 9/20/03	6 months ended 9/20/02	Year ended 3/20/03
US Dollar	118.71	129.71	125.18
Euro	131.35	116.33	118.13
Sterling Pound	191.31	187.20	187.89

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 was up to ¥3,209 million. This increase is attributed primarily to the fact that, although purchase liabilities decreased and corporate tax payments increased, interim net income prior to tax adjustment increased and accounts receivable decreased.

(Cash Flow Resulting from Investing Activities)

The net cash flow used in investing activities was up to ¥1,842 million. This increase is attributed primarily to factors such as a payout of ¥1,591 million for the acquisition of fixed assets.

(Cash Flow Resulting from Financing Activities)

The net cash flow used in financing activities was up to ¥7,782 million. This increase is attributed primarily to an output of ¥5,000 million for prepayment for redemption of bonds, a net decrease of ¥1,421 million in short-term borrowings and repayment of ¥895 million for long-term debt.

As a result, cash and cash equivalents fell ¥6,136 million compared with the beginning of the year, for a total of ¥15,924 million.

2) Trends in Cash Flow Indexes

	6 months ended 9/20/03	6 months ended 9/20/02	Year ended 3/20/03
Shareholders' Equity Ratio (%)	42.2	40.9	39.9
Shareholders' Equity Ratio on a Market Value Basis (%)	41.8	28.5	23.6
Number of Years for Debt Redemption (Year)	4.9	3.8	3.7
Interest Coverage Ratio	11.8	11.8	13.1

(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

(For the terms ended September 2003 and September 2002 only: Number of Years for Debt Redemption = Interest-Bearing Debt / Operating Cash Flow / 2)

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 latter half of the fiscal year, we anticipate that there will be a modest recovery of the Japanese economy and a favorable upturn in the semiconductor market. However, we also expect to see decreases in sales prices due to increasing competition and worsening profits in the US market as a result of a further depreciation in the value of the US dollar. Taking these factors into account, we estimate the following consolidated business results for the term — Sales: ¥82.5 billion (up 5.1% from the preceding year), Operating Income: ¥5.5 billion (up 0.5%), Ordinary Income: ¥4.2 billion (up 11.5%), Net Income for the Term: ¥1.4 billion (up 78.1%).

HORIBA shall continue to put full effort into enhancing its enterprise value by further promoting its global operations and by improving its financial efficiency.

Sales by Segment	First half of year ended 3/20/04		Second half of year ended 3/20/04		Year ended 3/20/04	
	Amount	%	Amount	%	Amount	%
	¥ million		¥ million		¥ million	
Engine Measurement Instruments & Systems	10,328	26.6	12,371	28.4	22,700	27.4
Analytical Instruments & Systems	13,981	36.0	14,718	33.7	28,700	34.9
Medical/Diagnostic Instruments & Systems	8,371	21.5	8,928	20.5	17,300	21.0
Semiconductor Instruments & Systems	6,197	15.9	7,602	17.4	13,800	16.7
Total	38,877	100.0	43,622	100.0	82,500	100.0

Operating Profit by Segment	First half of year ended 3/20/04		Second half of year ended 3/20/04		Year ended 3/20/04	
	Amount	%	Amount	%	Amount	%
	¥ million		¥ million		¥ million	
Engine Measurement Instruments & Systems	1,289	73.4	1,710	45.6	3,000	54.5
Analytical Instruments & Systems	57	3.2	742	19.9	800	14.6
Medical/Diagnostic Instruments & Systems	740	42.1	859	23.0	1,600	29.1
Semiconductor Instruments & Systems	△ 329	△ 18.7	429	11.5	100	1.8
Total	1,758	100.0	3,741	100.0	5,500	100.0

Average Exchange Ratio	Year ended 3/20/03	Year ended 3/20/04 Expected exchange rate
US Dollar	125.18	115.00
Euro	118.13	130.00
Sterling Pound	187.89	185.00

(Reference) Business Result Estimates Made at the Beginning of the year ended 3/20/04.

Sales: ¥83.0 billion (up 5.7% from the preceding year), Operating Income: ¥6.0 billion (up 9.6%), Ordinary Income: ¥4.7 billion (up 24.8%), Net Income for the Term: ¥1.7 billion (up 116.4%)

Consolidated Balance Sheets

	As of September 20, 2003		As of September 20, 2002		As of March 20, 2003	
	Amount	%	Amount	%	Amount	%
Assets	¥ million		¥ million		¥ million	
Current Assets:	(69,467)	(71.4)	(67,727)	(70.8)	(73,820)	(73.4)
Cash	15,465		18,315		21,409	
Trade notes and accounts receivable	25,112		26,386		29,594	
Marketable securities	548		1,464		653	
Inventories	19,636		18,458		18,336	
Deferred tax assets	1,978		1,729		1,999	
Prepayment for redemption of corporate bonds	5,000		—		—	
Other current assets	2,258		1,709		2,289	
Allowance for doubtful accounts	△ 532		△ 335		△ 462	
Fixed Assets:	(27,821)	(28.7)	(27,850)	(29.1)	(26,698)	(26.6)
Tangible Assets:	(19,631)	(20.2)	(18,994)	(19.9)	(19,000)	(18.9)
Buildings and structures	6,858		7,115		6,872	
Machinery, equipment, and vehicles	2,143		2,327		2,144	
Land	7,621		7,784		7,510	
Construction in progress	1,182		214		827	
Other property, plant and equipment	1,826		1,552		1,645	
Intangible Assets:	(1,228)	(1.3)	(1,432)	(1.4)	(1,387)	(1.4)
Goodwill	213		508		350	
Consolidation difference	208		344		301	
Other intangibles	806		580		735	
Investments and Other Non-Current Assets:	(6,960)	(7.2)	(7,422)	(7.8)	(6,310)	(6.3)
Investment securities	4,947		4,649		3,910	
Deferred tax assets	609		1,089		968	
Other investments and other assets	1,529		1,804		1,552	
Allowance for doubtful accounts	△ 124		△ 120		△ 120	
Deferred Charges:	(6)	(0.0)	(18)	(0.0)	(22)	(0.0)
Bond issue expenses	5		17		11	
Organization cost	0		0		0	
Business commencement expense	—		—		10	
Total Assets	97,294	100.0	95,595	100.0	100,541	100.0

Consolidated Balance Sheets

	As of September 20, 2003		As of September 20, 2002		As of March 20, 2003	
	Amount	%	Amount	%	Amount	%
Liabilities	¥ million		¥ million		¥ million	
Current Liabilities:	(34,887)	(35.9)	(24,758)	(25.9)	(37,961)	(37.7)
Notes and accounts payable – trade	8,104		7,310		9,198	
Short-term loans payable	5,712		7,129		6,714	
Current portion of long-term debt	717		943		684	
Accounts payable – other	4,731		4,211		4,533	
Accrued income taxes	985		1,273		2,079	
Accrued bonuses to employees	1,938		1,792		2,012	
Reserve for product warranty	927		769		935	
Current maturities of bonds	9,000		—		9,000	
Other current liabilities	2,769		1,327		2,802	
Non-Current Liabilities:	(19,089)	(19.6)	(29,317)	(30.7)	(19,876)	(19.8)
Corporate bonds	5,000		14,000		5,000	
Convertible bonds	9,727		9,983		9,983	
Long-term debt	1,050		1,817		1,836	
Employees' retirement benefits	2,461		2,310		2,234	
Deferred tax liabilities	33		19		22	
Other non-current liabilities	817		1,187		800	
Total Liabilities	53,976	55.5	54,076	56.6	57,837	57.5
Minority Interests in Consolidated Subsidiaries	2,256	2.3	2,464	2.5	2,559	2.6
Shareholders' Equity						
Common stock	6,706	6.9	6,577	6.9	6,577	6.5
Capital surplus	11,003	11.3	10,875	11.4	10,875	10.8
Retained earnings	22,461	23.1	22,084	23.1	22,936	22.8
Net unrealized holding gains on securities	943	1.0	472	0.5	405	0.4
Foreign currency translation adjustment	204	0.2	△ 712	△ 0.7	△ 401	△ 0.4
Treasury stock	△ 257	△ 0.3	△ 244	△ 0.3	△ 250	△ 0.2
Total Shareholders' Equity	41,061	42.2	39,054	40.9	40,143	39.9
Total Liabilities, Minority Interests and Shareholders' Equity	97,294	100.0	95,595	100.0	100,541	100.0

Notes

1. Accumulated depreciation of tangible assets :		20,431	¥ million
2. Pledged assets :	Buildings	246	¥ million
3. Secured loans :	Current portion of long-term debt	5	¥ million
	Long-term debt	126	¥ million
4. Guarantee liabilities :		394	¥ million
5. The number of treasury stock :		293,532	shares
6. R&D expenditure :		2,356	¥ million

Consolidated Statements of Operations

	Six months ended September 20, 2003		Six month ended September 20, 2002		Year ended March 20, 2003	
	Amount	%	Amount	%	Amount	%
Net Sales	¥ million 38,877	100.0	¥ million 36,543	100.0	¥ million 78,501	100.0
Cost of Sales	23,015	59.2	22,223	60.8	47,675	60.7
Gross Income	15,862	40.8	14,319	39.2	30,826	39.3
Selling, General and Administrative Expenses	14,104	36.3	12,449	34.1	25,352	32.3
Operating Income	1,758	4.5	1,869	5.1	5,473	7.0
Other Income	(238)	(0.6)	(265)	(0.7)	(602)	(0.8)
Interest and dividend income	33	0.1	56	0.2	122	0.2
Other	204	0.5	209	0.5	480	0.6
Other expenses	(839)	(2.2)	(1,257)	(3.4)	(2,310)	(2.9)
Interest expense	272	0.7	371	1.0	684	0.9
Amortization of bond issue expenses	5	0.0	5	0.0	11	0.0
Foreign exchange loss	59	0.2	532	1.5	878	1.1
Amortization of goodwill	152	0.4	147	0.4	291	0.4
Other	349	0.9	199	0.5	443	0.6
Ordinary Income	1,157	2.9	878	2.4	3,766	4.8
Special gains	(8)	(0.0)	(145)	(0.4)	(158)	(0.2)
Gain on sales of properties	8	0.0	13	0.0	12	0.0
Gain on sales of investment securities	—	—	—	—	14	0.0
Gain on change in subsidiary's retirement benefits plan	—	0.0	131	0.4	131	0.2
Special losses	(26)	(0.0)	(166)	(0.5)	(806)	(1.0)
Loss on disposal of properties	13	0.0	13	0.0	90	0.1
Loss on sales of properties	9	0.0	6	—	203	0.3
Loss on sales of investment securities	—	—	0	—	34	0.0
Retirement benefits to directors	0	0.0	133	0.5	133	0.2
Loss on disposal of inventories	—	—	0	0.0	24	0.0
Loss on valuation of investment securities	3	0.0	13	0.0	319	0.4
Income Before Income Taxes	1,139	2.9	856	2.3	3,118	4.0
Income Taxes (Current)	963	2.5	1,079	2.9	2,393	3.1
Income Taxes (Deferred)	52	0.0	△ 164	△ 0.5	△ 231	△ 0.3
Minority Interest in Earnings of Consolidated Subsidiaries	22	0.1	100	0.3	171	0.2
Net Income	100	0.3	△ 159	△ 0.4	785	1.0

Consolidated Statements of Capital Surplus and Retained Earnings

	Six months ended September 20, 2003	Six month ended September 20, 2002	Year ended March 20, 2003
(Capital Surplus)			
Balance of capital surplus at beginning of period	(10,875)	(—)	(—)
Balance of capital surplus at beginning of period	—	10,875	10,875
Increase of capital surplus	(127)	(—)	(—)
Conversion of convertible bonds	127	—	—
Balance of capital surplus at end of period	11,003	10,875	10,875
(Retained Earnings)			
Balance of retained earnings at beginning of period	(22,936)	(—)	(—)
Balance of retained earnings at beginning of period	—	22,479	22,479
Increase of retained earnings	(100)	(△ 159)	(785)
Net income	100	△ 159	785
Decrease of retained earnings	(575)	(236)	(328)
Cash dividends	356	170	263
Bonus to directors and statutory auditors	98	65	65
Decrease of retained earnings by merger of consolidated subsidiary company	121	—	—
Balance of retained earnings at end of period	(22,461)	(22,084)	(22,936)

Consolidated Statements of Cash Flows

	Six months ended September 20, 2003	Six month ended September 20, 2002	Year ended March 20, 2003
	¥ million	¥ million	¥ million
Cash Flows from Operating Activities:			
Income before income taxes	1,139	856	3,118
Depreciation	1,370	1,350	2,806
Amortization of consolidation difference	18	57	108
Loss on disposal of properties	13	13	90
Amortization of bond issue expenses	5	5	11
Loss on valuation of investment securities	3	13	319
Loss on disposal of inventories	—	0	24
Increase (decrease) in allowance for doubtful receivables	34	△ 50	54
Increase (decrease) in employees' retirement benefits	200	△ 80	△ 168
Interest and dividend income	△ 33	△ 56	△ 122
Interest expense	272	371	684
Foreign exchange gains	△ 5	△ 4	5
Gain on sale of property, plant and equipment	△ 8	△ 13	△ 12
Loss on sale of property, plant and equipment	9	6	203
Gain on sales of investment securities	—	—	△ 14
Loss on sales of investment securities	—	0	34
Retirement benefits to directors	0	133	133
Decrease (increase) in trade notes and accounts receivables	5,204	3,126	397
Decrease (increase) in inventories	△ 660	439	813
Increase (decrease) in trade notes and accounts payable	△ 1,272	△ 516	1,215
Bonuses to directors and statutory auditors	△ 98	△ 65	△ 65
Bonuses to directors and statutory auditors charged to minority interests	△ 7	△ 4	△ 4
Other, net	△ 584	△ 492	846
Subtotal	5,603	5,091	10,481
Interest and dividends received	25	129	124
Interest paid	△ 298	△ 381	△ 685
Payment of retirement benefits to directors	△ 30	△ 80	△ 80
Income taxes paid	△ 2,091	△ 358	△ 879
Net cash provided by operating activities	3,209	4,400	8,960
Cash Flows from Investing Activities:			
Increase in time deposits	△ 87	△ 17	△ 17
Decrease in time deposits	0	10	258
Payment for purchase of marketable securities	—	△ 999	—
Payment for purchase of investment securities	△ 119	△ 4	△ 340
Proceeds from sale of investment securities	1	1,304	1,933
Payment for purchase of property, plant and equipment	△ 1,591	△ 932	△ 2,638
Proceeds from sale of property, plant and equipment	88	18	364
Payment for purchase of intangibles	△ 179	△ 53	△ 304
Proceeds from sale of intangibles	—	0	2
Payment for purchase of investments in an consolidated subsidiary	△ 168	△ 452	△ 452
Increase in loans receivable	△ 3	△ 70	△ 305
Decrease in loan receivable	234	16	69
Other, net	△ 17	△ 31	93
Net cash used in investing activities	△ 1,842	△ 1,212	△ 1,337
Cash Flows from Financing Activities:			
Increase in prepayment for redemption of corporate bonds	△ 5,000	—	—
Net decrease in short-term borrowings	△ 1,421	△ 829	△ 1,389
Increase in long-term debt	—	103	445
Repayment of long-term debt	△ 895	△ 326	△ 1,005
Payments for purchase of treasury stock	△ 7	△ 1	△ 8
Cash dividends paid	△ 356	△ 169	△ 264
Cash dividends paid to minority interests	△ 39	△ 18	△ 18
Other, net	△ 61	△ 69	△ 114
Net cash provided by (used in) financing activities	△ 7,782	△ 1,312	△ 2,354
Effects of Exchange Rate Changes	279	30	167
Net Increase (Decrease) in Cash and Cash Equivalents	△ 6,136	1,906	5,435
Cash and Cash Equivalents at Beginning of Year	22,061	16,625	16,625
Cash and Cash Equivalents at End of Year	15,924	18,531	22,061

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

	September 20, 2003	September 20, 2002	March 20, 2003
Cash	15,465	18,315	21,409
Time deposits with maturities of 3 months or more	△ 89	△ 248	△ 2
Short-term investments whose maturity or repayment date is within 3 months from the acquisition date (Marketable securities)	548	464	653
Cash and cash equivalents	15,924	18,531	22,061

Additional cash flow information

	Six months ended September 20, 2003	Six month ended September 20, 2002	Year ended March 20, 2003
Increase of common stock by conversion of convertible bonds	128	—	—
Increase of capital surplus by conversion of convertible bonds	127	—	—
Decrease of convertible bonds by conversion	256	—	—

Basis of Presenting Interim 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 (France); HORIBA France Sarl (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.); ISAFILA S.A. (France); Jobin Yvon Netherlands B.V. (Netherlands); 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).

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.

Due to the fact that HORIBA Jobin Yvon Co., Ltd., was merged into our company during the present interim consolidated accounting period, 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: 3 companies**

HORIBA Community Corporation (Japan), BioPep S.A. (France), IBH Consultants Ltd. (U.K.)

All of the non-consolidated companies are small-scale operations. Since such things as their total assets, net sales, net income and loss, retained earnings and so forth have no significant effect upon the interim consolidated financial statements, they are excluded from the scope of consolidation. Moreover, in the present interim consolidated financial period, the company's overseas subsidiary companies purchased BioPep S.A. (France) and IBH Consultants Ltd. (U.K.), but since the purchases were carried out subsequent to the interim account day of the subsidiary companies (June 30th) they are excluded from the scope of the present interim consolidated accounting period.

2. Application of the equity method

- 1) Unconsolidated companies for which equity method has not been applied: 3 companies**

HORIBA Community Corporation; BioPep S.A.(France); IBH Consultants Ltd.(U.K.)

- 2) Affiliated companies for which the equity method has not been applied:**

Chiyoda Assy Inc. ; Mec Co., Ltd.; SSERC Co., Ltd.; LABCRAFT Sarl (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 interim 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' interim accounting periods end on June 30th for foreign subsidiaries and HORIBA Itec Co., Ltd., HW Ltd., and HORIBA Techno Service Co., Ltd., on September 20th for COS Co., Ltd. and ASEC Inc., and on September 30th for STEC Inc. and HORIBA Biotechnology Co., Ltd.

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

4. Accounting policies

- 1) Marketable securities

- 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.

- 2) Derivatives

Market value method

- 3) Inventories

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

- 4) 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

Other:

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: 7 to 60 years

Machinery, equipment, and vehicles: 2 to 12 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.

- 5) Deferred assets

Straight line method is used based on the Commercial Code.

- 6) Allowances and reserves

- Allowance for doubtful accounts

- 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 interim period to those employees serving at the end of the current interim period.

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.

7) 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 separately presented in the consolidated financial statements in "Minority Interests" and as "Foreign Currency Translation Adjustments", a separate component of shareholders' equity.

8) Finance leases

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

9) 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

Means for Hedging

Foreign exchange contracts

Interest rate swaps

Hedged items

Foreign currency trade receivables

Bonds

c. Hedge policy

The Group 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.

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, hedge effectiveness is abbreviated.

10) Consumption tax

Consumption tax is accounted for separately.

11) Deferred income taxes.

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

5. 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.

Business Segment Information

1. Business Segment Information

Six months ended September 20, 2003

	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	10,328	13,981	8,371	6,197	38,877	—	38,877
(2) Intersegment sales and transfer	—	—	—	—	—	—	—
Operating expenses	9,038	13,923	7,630	6,526	37,119	—	37,119
Operating income	1,289	57	740	△ 329	1,758	—	1,758

Six months ended September 20, 2002

	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	8,935	12,971	7,897	6,739	36,543	—	36,543
(2) Intersegment sales and transfer	—	—	—	—	—	—	—
Operating expenses	7,978	12,790	7,176	6,728	34,673	—	34,673
Operating income	956	180	721	11	1,869	—	1,869

Year ended March 20, 2003

	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	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

Note: Main products of each business segment

Business Segment	Main Product
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

Six months ended September 20, 2003

	Japan	America	Europe	Asia	Total	Elimination and/or unallocated	Consolidated
	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million
Net Sales							
(1) Sales to outside customers	19,214	3,775	15,367	520	38,877	–	38,877
(2) Intersegment sales and transfers	4,077	144	928	186	5,336	△ 5,336	–
Total	23,291	3,920	16,296	706	44,213	△ 5,336	38,877
Operating expenses	22,009	4,182	15,861	682	42,736	△ 5,616	37,119
Operating Income	1,282	△ 262	434	23	1,477	280	1,758

Six months ended September 20, 2002

	Japan	America	Europe	Asia	Total	Elimination and/or unallocated	Consolidated
	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million
Net Sales							
(1) Sales to outside customers	16,864	4,488	14,844	346	36,543	–	36,543
(2) Intersegment sales and transfers	4,043	233	952	167	5,396	△ 5,396	–
Total	20,907	4,721	15,796	514	41,939	△ 5,396	36,543
Operating expenses	19,563	4,818	15,054	511	39,948	△ 5,274	34,673
Operating Income	1,344	△ 97	741	2	1,991	△ 121	1,869

Year ended March 20, 2003

	Japan	America	Europe	Asia	Total	Elimination and/or unallocated	Consolidated
	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million
Net Sales							
(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	–
Total	44,629	10,204	32,806	1,301	88,941	△ 10,440	78,501
Operating expenses	41,519	10,006	30,598	1,247	83,372	△ 10,344	73,027
Operating Income	3,109	197	2,208	53	5,569	△ 95	5,473

3. Overseas Sales

Six months ended September 20, 2003 ¥ million

	America	Europe	Asia	Total
Overseas sales	5,293	12,323	4,181	21,798
Consolidated sales	—	—	—	38,877
Overseas sales to consolidated sales	13.6%	31.7%	10.8%	56.1%

Six months ended September 20, 2002 ¥ million

	America	Europe	Asia	Total
Overseas sales	4,438	13,596	3,138	21,173
Consolidated sales	—	—	—	36,543
Overseas sales to consolidated sales	12.1%	37.2%	8.6%	57.9%

Year ended March 20, 2003 ¥ 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	Six months ended September 20, 2003		Six months ended September 20, 2002		Year ended March 20, 2003	
	Amount	%	Amount	%	Amount	%
	¥ million		¥ million		¥ million	
Engine Measurement Instruments & Systems	11,139	27.2	11,137	27.7	23,471	29.0
Analytical Instruments & Systems	14,758	36.0	14,033	34.9	27,293	33.7
Medical / Diagnostic Instruments & Systems	8,654	21.1	7,755	19.3	15,786	19.5
Semiconductor Instruments & Systems	6,429	15.8	7,236	18.1	14,491	17.9
Order Booking	40,982	100.0	40,163	100.0	81,042	100.0
Engine Measurement Instruments & Systems	8,296	47.9	7,346	45.1	7,485	49.2
Analytical Instruments & Systems	6,261	36.1	6,289	38.6	5,483	36.0
Medical / Diagnostic Instruments & Systems	1,374	7.9	1,105	6.8	1,091	7.2
Semiconductor Instruments & Systems	1,401	8.0	1,565	9.6	1,168	7.8
Backlog	17,333	100.0	16,307	100.0	15,228	100.0

Securities

As of September 20, 2003

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

¥ million

	Acquisition cost	Book value	Difference
Equity securities:	752	2,419	1,667
Bonds:	500	501	-
Government bonds	4	4	-
Corporate bonds	496	496	-
Other bonds	-	-	-
Other	642	569	73
Total	1,895	3,490	1,594

2. Securities with no available fair values

¥ million

	Book value
(1) Available-for-sale securities	
Non-listed foreign investment trust	548
Non-listed equity securities (excluding over-the-counter securities)	342
Warrants for non-listed equity securities (excluding over-the-counter securities)	925

As of September 20, 2002

1. Available-for-sale securities with available fair values at September 20, 2002

¥ million

	Acquisition cost	Book value	Difference
Equity securities:	913	1,849	936
Bonds:	500	486	13
Government bonds	4	4	-
Corporate bonds	495	482	13
Other bonds	-	-	-
Other	1,063	963	99
Total	2,477	3,300	823

2. Securities with no available fair values

¥ million

	Book value
(1) Available-for-sale securities	
Non-listed foreign investment trust	464
Commercial paper	999
Non-listed equity securities (excluding over-the-counter securities)	236
Warrants for non-listed equity securities (excluding over-the-counter securities)	925

As of March 20, 2003

1. Available-for-sale securities with available fair values at March 20, 2002

¥ 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	-	-	-
Other	-	-	-
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	-	-	-
Other	636	522	114
Subtotal	1,644	1,429	215
Total	1,888	2,554	665

2. Securities with no available fair values

¥ 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

¥ 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	-	-	-	-
Other:	-	-	-	-
Total	-	4	487	-