

**Consolidated Financial Statements for the Nine Months ended December 20, 2005**

Company Name	<b>HORIBA, Ltd.</b>	February 1, 2006
Listing Code	6856	Stock Exchange Listings: Tokyo, Osaka
(URL <a href="http://www.horiba.co.jp">http://www.horiba.co.jp</a> )		Address of Head Office: Kyoto
Representative:	Atsushi Horiba Chairman, President & CEO	
Contact:	Fumitoshi Sato Managing Director	Telephone:(81)75-313-8121

**1. Information relating to the preparation of quarterly financial statements**

- Adoption of simplified accounting principles : None
- Differences in accounting principles applied compared to latest fiscal year : None
- Changes in the scope of consolidation and application of the equity method : Yes  
With acquisition of the shares of six subsidiaries of Carl Schenck AG in the third quarter of this year, HORIBA Automotive Test Systems GmbH (Germany), HORIBA Automotive Test Systems Corp. (U.S.A.), HORIBA Automotive Test Systems Ltd. (Korea), HORIBA Canada Inc. (Canada), HORIBA Automotive Test Systems Inc. (Canada), Schenck-TKS Test Systems Ltd. (Japan) were newly included in consolidation.

\*Results for the nine months ended December 20, 2004 and 2005 were not audited by independent auditors.

**2. Results for the Nine Months ended December 20, 2005 (March 21, 2005 - December 20, 2005)**

(1) Sales and Income

	Net sales		Operating income		Ordinary income	
	¥ million	%	¥ million	%	¥ million	%
9 months ended 20/12/05	71,555	7.7	7,731	16.1	7,826	24.6
9 months ended 20/12/04	66,444	12.1	6,659	81.0	6,279	116.0
Year ended 20/3/05	92,492	8.7	9,372	36.8	8,882	58.7

	Net income		Net income per share		Net income per share (diluted)	
	¥ million	%	¥		¥	
9 months ended 20/12/05	4,211	85.6	105.76		99.99	
9 months ended 20/12/04	2,269	128.3	67.34		56.81	
Year ended 20/3/05	3,523	69.9	98.33		83.81	

(Note) 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	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	¥ million	¥ million	%	¥
As of 20/12/05	111,210	61,496	55.3	1,493.18
As of 20/12/04	95,621	48,573	50.8	1,401.43
As of 20/3/05	99,913	52,262	52.3	1,415.75

(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
9 months ended 20/12/05	2,498	(6,251)	2,852	15,125
9 months ended 20/12/04	4,049	(2,665)	(565)	14,328
Year ended 20/3/05	7,215	(3,628)	(1,058)	16,108

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

	Net sales	Ordinary income	Net income
	¥ million	¥ million	¥ million
Year ending 20/3/06	104,000	10,200	5,500

Reference: Estimated net income per share (full year) ¥126.92

\* The projected results are computed based on information available to us at February 1, 2006, 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 5 of the attachments with regard to the above projected results.

1. Consolidated Financial Results

	3/2006 Result		3/2005 Result		Change from previous year		3/2006 Estimate	3/2005 Result		Change from previous year	
	3Q(9 months)	3Q(9 months)	Amount	Ratio	Amount	Ratio		Full year	Full year	Amount	Ratio
	Millions of yen	Millions of yen	Millions of yen		Millions of yen		Millions of yen	Millions of yen	Millions of yen		Millions of yen
Net Sales	71,555	66,444	+5,111	+7.7%			104,000	92,492	+11,507	+12.4%	
Operating Income	7,731	6,659	+1,072	+16.1%			10,500	9,372	+1,127	+12.0%	
Operating Income Ratio	10.8%	10.0%	+0.8P				10.1%	10.1%	0.0P		
Ordinary Income	7,826	6,279	+1,546	+24.6%			10,200	8,882	+1,317	+14.8%	
Ordinary Income Ratio	10.9%	9.5%	+1.4P				9.8%	9.6%	+0.2P		
Net Income	4,211	2,269	+1,941	+85.6%			5,500	3,523	+1,976	+56.1%	
Net Income Ratio	5.9%	3.4%	+2.5P				5.3%	3.8%	+1.5P		
US\$	107.90	109.00	1.10				110.25	108.23	+2.02		
Euro	136.07	133.53	+2.54				136.91	134.44	+2.47		

2. Consolidated Segment Information

Net Sales	3/2006 Result		3/2005 Result		Change from previous year		3/2006 Estimate	3/2005 Result		Change from previous year	
	3Q(9 months)	3Q(9 months)	Amount	Ratio	Amount	Ratio		Full year	Full year	Amount	Ratio
	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	22,328	18,546	+3,782	+20.4%			33,500	27,021	+6,478	+24.0%	
Analytical	21,825	20,325	+1,499	+7.4%			31,800	28,510	+3,289	+11.5%	
Medical	14,600	13,318	+1,282	+9.6%			20,500	18,776	+1,723	+9.2%	
Semiconductor	12,800	14,253	1,453	10.2%			18,200	18,182	+17	+0.1%	
Total	71,555	66,444	+5,111	+7.7%			104,000	92,492	+11,507	+12.4%	

Operating Income	3/2006 Result		3/2005 Result		Change from previous year		3/2006 Estimate	3/2005 Result		Change from previous year	
	3Q(9 months)	3Q(9 months)	Amount	Ratio	Amount	Ratio		Full year	Full year	Amount	Ratio
	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	5,249	3,589	+1,659	+46.2%			6,000	4,705	+1,294	+27.5%	
Analytical	186	81	+104	+127.4%			1,200	861	+338	+39.2%	
Medical	689	651	+37	+5.8%			1,100	1,145	45	4.0%	
Semiconductor	1,607	2,335	728	31.2%			2,200	2,659	459	17.3%	
Total	7,731	6,659	+1,072	+16.1%			10,500	9,372	+1,127	+12.0%	

3. Trend of Consolidated Sales by Segment and Area

	3/2006 Result		3/2005 Result		Change from previous year		3/2006 Estimate	3/2005 Result		Change from previous year	
	3Q(9 months)	3Q(9 months)	Amount	Ratio	Amount	Ratio		Full year	Full year	Amount	Ratio
	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	22,328	18,546	+3,782	+20.4%			33,500	27,021	+6,478	+24.0%	
Japan + Asia	13,210	11,385	+1,825	+16.0%			16,175	14,885	+1,289	+8.7%	
America	3,864	2,270	+1,594	+70.2%			7,237	4,175	+3,061	+73.3%	
Europe	5,253	4,891	+362	+7.4%			10,087	7,960	+2,127	+26.7%	
Analytical	21,825	20,325	+1,499	+7.4%			31,800	28,510	+3,289	+11.5%	
Japan + Asia	12,035	11,397	+637	+5.6%			16,252	15,347	+904	+5.9%	
America	1,958	1,562	+396	+25.4%			3,384	2,295	+1,088	+47.4%	
Europe	7,831	7,366	+465	+6.3%			12,162	10,867	+1,295	+11.9%	
Medical	14,600	13,318	+1,282	+9.6%			20,500	18,776	+1,723	+9.2%	
Japan + Asia	2,857	2,549	+307	+12.1%			3,840	3,393	+446	+13.2%	
America	-	-	-	-			-	-	-	-	
Europe	11,742	10,768	+974	+9.0%			16,659	15,383	+1,276	+8.3%	
Semiconductor	12,800	14,253	1,453	10.2%			18,200	18,182	+17	+0.1%	
Japan + Asia	10,322	10,485	163	1.6%			14,575	13,371	+1,204	+9.0%	
America	1,811	2,905	1,094	37.7%			2,670	3,493	823	23.6%	
Europe	666	862	195	22.7%			954	1,318	363	27.6%	
Total	71,555	66,444	+5,111	+7.7%			104,000	92,492	+11,507	+12.4%	

#### 4. Consolidated Financial Results (Quarterly Comparison)

	3/2006				3/2005			
	1Q Result	2Q Result	3Q Result	4Q Estimate	1Q Result	2Q Result	3Q Result	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
Net Sales	22,418	22,275	26,861	32,444	21,674	20,490	24,279	26,047
Operating Income	2,702	1,035	3,994	2,768	2,092	1,441	3,125	2,713
<i>Operating Income Ratio</i>	12.1%	4.6%	14.9%	8.5%	9.7%	7.0%	12.9%	10.4%
Ordinary Income	2,683	1,175	3,967	2,373	2,034	1,285	2,960	2,602
<i>Ordinary Income Ratio</i>	12.0%	5.3%	14.8%	7.3%	9.4%	6.3%	12.2%	10.0%
Net Income	1,047	604	2,559	1,288	773	42	1,453	1,254
<i>Net Income Ratio</i>	4.7%	2.7%	9.5%	4.0%	3.6%	0.2%	6.0%	4.8%

#### 5. Consolidated Segment Information (Quarterly Comparison)

Net Sales	3/2006				3/2005			
	1Q Result	2Q Result	3Q Result	4Q Estimate	1Q Result	2Q Result	3Q Result	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	6,318	6,275	9,734	11,171	6,031	4,550	7,964	8,475
Analytical	7,107	7,138	7,579	9,974	6,444	6,640	7,240	8,185
Medical	4,616	4,732	5,252	5,899	4,071	4,697	4,549	5,458
Semiconductor	4,375	4,129	4,295	5,399	5,126	4,601	4,525	3,928
Total	22,418	22,275	26,861	32,444	21,674	20,490	24,279	26,047

  

Operating Income	3/2006				3/2005			
	1Q Result	2Q Result	3Q Result	4Q Estimate	1Q Result	2Q Result	3Q Result	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	1,751	801	2,696	750	1,193	507	1,889	1,115
Analytical	59	-152	279	1,013	-53	-194	329	780
Medical	118	91	479	410	30	355	265	493
Semiconductor	772	295	538	592	922	772	641	324
Total	2,702	1,035	3,994	2,768	2,092	1,441	3,125	2,713

#### 6. Consolidated Orders, Backlog Information (Quarterly Comparison)

Orders	3/2006				3/2005			
	1Q Result	2Q Result	3Q Result	4Q Estimate	1Q Result	2Q Result	3Q Result	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	8,965	5,842	9,935	-	7,965	4,616	9,310	6,708
Analytical	7,936	8,138	8,120	-	7,291	7,218	8,154	6,882
Medical	4,888	5,114	5,575	-	4,311	5,046	4,600	4,958
Semiconductor	4,610	3,988	4,417	-	5,745	3,896	4,777	3,733
Total	26,400	23,084	28,049	-	25,313	20,778	26,843	22,282

  

Backlog	3/2006				3/2005			
	1Q Result	2Q Result	3Q Result	4Q Estimate	1Q Result	2Q Result	3Q Result	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	11,472	11,039	21,707 (*)	-	9,181	9,246	10,593	8,825
Analytical	7,466	8,467	9,008	-	6,448	7,026	7,940	6,638
Medical	1,603	1,985	2,309	-	1,431	1,779	1,831	1,330
Semiconductor	1,800	1,659	1,781	-	2,214	1,510	1,762	1,566
Total	22,343	23,152	34,807	-	19,275	19,562	22,126	18,361

(\*) Backlog in engine included an increase of ¥10,466 million by acquisition of the shares of six subsidiaries of Carl Schenck AG in the results for the third quarter of this year.

#### Contact

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## Operating Results and Financial Condition

### 1. Operating Results

Consolidated net sales for the nine months ended December 20, 2005 increased 7.7% to ¥71,555 million compared with the previous corresponding period. As for income, operating income increased 16.1% to ¥7,731 million, ordinary income increased 24.6% to ¥7,826 million due to an increase in foreign exchange gains and a decrease in interest expense and amortization of goodwill, and net income increased 85.6% to ¥4,211 million due to an improvement in special income and losses and a decrease in minority interest with the conversion of HORIBA STEC Co., Ltd. into a wholly owned subsidiary.

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

As a result of an expansion of new investments by automobiles manufacturers in China, Korea, India and other Asian countries and brisk demand in the American market due to the legislation limits on exhaust emissions in 2007, sales of this segment increased 20.4% to ¥22,328 million compared with the previous corresponding period. Operating income increased 46.2% to ¥5,249 million due to the sales growth and the effectiveness in mass production.

#### **(Analytical Instruments & Systems)**

Due to the growth of sales of X-ray analyzers for Waste Electrical and Electronic Equipment (WEEE) and Restriction of the use of certain Hazardous Substances in Electrical and Electronic Equipment (RoHS) directives in the domestic and Asian markets and high demand for exhaust gas measurement (stack gas) related to the environmental measurement equipment, total segment sales increased 7.4% to ¥21,825 million relative to the previous corresponding period. Operating income increased 127.4% to ¥186 million.

#### **(Medical/Diagnostic Instruments & Systems)**

Due to increased sales of new products, mid-sized clinical chemistry analyzers and large-sized hematology analyzers, and diagnostic reagents, total segment sales increased 9.6% to ¥14,600 million. Operating income increased 5.8% to ¥689 million.

#### **(Semiconductor Instruments & Systems)**

Though sales of analytical instruments for semiconductor and liquid crystal, like chemical concentration monitors, were favorable, total segment sales decreased 10.2% to ¥12,800 million and operating income decreased 31.2% to ¥1,607 million compared with the previous corresponding period. This decrease was negatively affected by the lack of strong sales of mass flow controllers, which are our main products, as was the case in the previous corresponding period.

### 2. Financial Condition

#### **Cash Flows**

##### **Cash Flows Resulting from Operating Activities**

Net cash provided by operating activities amounted to ¥2,498 million. This was due mainly to a significant increase of income before income taxes to ¥7,434 million, even though corporate taxes of ¥2,572 million were paid and trade notes and accounts payable decreased by ¥2,454 million.

##### **Cash Flows Resulting from Investing Activities**

Net cash used in investing activities totaled ¥6,251 million. This was due primarily to cash outflow of ¥2,958 million related to purchase of investments in six subsidiaries of Carl Schenck AG (acquisition of shares and repayment of liabilities for Carl Schenck AG) and payment of ¥2,734 million for purchase of tangible fixed assets.

##### **Cash Flows Resulting from Financing Activities**

Net cash provided by financing activities amounted to ¥2,852 million. This was resulted from net increase in short-term borrowings by ¥3,072 million, mainly because of acquiring the shares of six subsidiaries of Carl Schenck AG.

As a result, cash and cash equivalents decreased ¥982 million and cash and cash equivalents at the end of the period amounted to ¥15,125 million.

### 3. Outlook for the Year Ending March 20, 2006

Please refer to page 2 with regard to the segment information of net sales and operating income.

#### Net Sales of ¥104,000 million (12.4% up from the previous year)

HORIBA expects to achieve the mid-and long-term plan, net sales of ¥100,000 million, grounded on the facts that net sales for the nine months ended December 20, 2005 were favorable and that order backlog at the end of the third quarter totaled ¥34,807 million at high level. In the fourth quarter, an increase of sales related to development test systems acquired from Carl Schenck AG dated September 30, 2005, is additionally expected. Thus, overall sales are expected to increase to ¥104,000 million by ¥2,000 million compared with the previous forecast press-released in November. By business segment, sales of engine measurement instruments & systems are predicted to increase ¥2,500 million, sales of medical/diagnostic instruments & systems to decrease ¥500 million and sales of others to have no change.

#### Operating Income of ¥10,500 million (12.0% up from the previous year)

Operating income is forecast to increase ¥500 million to ¥10,500 million compared with the previous forecast press-released in November. By business segment, operating income of engine measurement instruments & systems are predicted to increase ¥500 million, operating income of analytical instruments & systems to increase ¥200 million, operating income of medical/diagnostic instruments & systems to decrease ¥400 million and operating income of semiconductor instruments & systems to increase ¥200 million.

#### Ordinary Income of ¥10,200 million (14.8% up from the previous year)

Besides an increase in operating income, with an increase in foreign exchange gains and a decrease in interest expense, ordinary income is expected to increase ¥800 million to ¥10,200 million compared with the previous forecast press-released in November.

#### Net Income of ¥5,500 million (56.1% up from the previous year)

Due to an increase in ordinary income, net income is also forecast to increase ¥500 million to ¥5,500 million compared with the previous forecast press-released in November.

#### (Supplementary Information)

Regarding an impact on the outlook for the year ending March 20, 2006 by acquiring the shares of six subsidiaries of Carl Schenck AG, net sales of ¥4,000 million and operating loss of ¥200 million are expected in engine measurement instruments & systems. The impact is included in the above-mentioned forecast for the year ending March 20, 2006.

#### (Note)

The outlook is calculated based on information available to us at February 1, 2006. 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 (changes in economic conditions in our market and demand for our products/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 economy, social and political risks)
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 December 20, 2005		As of December 20, 2004		As of March 20, 2005	
	Amount	%	Amount	%	Amount	%
Assets	¥ million		¥ million		¥ million	
Current Assets:	79,083	71.1	68,039	71.2	72,505	72.6
Cash and bank deposits	15,074		13,943		15,447	
Trade notes and accounts receivable	32,815		28,174		30,595	
Marketable securities	165		386		680	
Inventories	27,053		22,199		22,012	
Deferred tax assets	1,991		1,894		2,012	
Other current assets	2,699		2,011		2,270	
Allowance for doubtful receivables	(715)		(570)		(511)	
Fixed Assets:	32,127	28.9	27,581	28.8	27,407	27.4
Property, Plant and Equipment:	20,154	18.1	19,482	20.4	18,481	18.5
Buildings and structures	7,018		7,246		7,184	
Machinery, equipment, and vehicles	3,181		2,620		2,866	
Land	6,577		7,736		6,564	
Construction in progress	1,273		128		81	
Other property, plant and equipment	2,103		1,751		1,784	
Intangibles:	5,088	4.6	2,220	2.3	2,688	2.7
Goodwill	306		54		78	
Consolidation difference	2,050		1,035		1,315	
Other intangibles	2,730		1,131		1,294	
Investments and Other Non-current Assets:	6,884	6.2	5,878	6.1	6,237	6.2
Investment securities	5,142		3,988		4,296	
Deferred tax assets	563		571		704	
Other investments and other assets	1,293		1,438		1,356	
Allowance for doubtful accounts	(116)		(120)		(119)	
Deferred Charges:	-	-	0	0.0	-	-
Organization cost	-		0		-	
<b>Total Assets</b>	<b>111,210</b>	<b>100.0</b>	<b>95,621</b>	<b>100.0</b>	<b>99,913</b>	<b>100.0</b>

## Consolidated Balance Sheets

Accounts	As of December 20, 2005		As of December 20, 2004		As of March 20, 2005	
	Amount	%	Amount	%	Amount	%
Liabilities	¥ million		¥ million		¥ million	
Current Liabilities:	39,692	35.7	28,680	30.0	34,799	34.9
Trade notes and accounts payable	11,438		9,672		11,290	
Short-term loans payable	8,440		5,591		5,468	
Current portion of long-term debt	331		336		267	
Accounts payable - other	7,822		5,604		5,476	
Accrued income taxes	1,449		1,779		1,463	
Accrued bonuses to employees	1,662		1,488		2,355	
Reserve for product warranty	876		780		820	
Deferred tax liabilities	5		0		-	
Current maturities of convertible bonds	979		-		3,863	
Other current liabilities	6,689		3,426		3,794	
Non-Current Liabilities:	9,876	8.9	15,886	16.6	10,305	10.3
Corporate bonds	5,000		5,000		5,000	
Convertible bonds	-		6,072		-	
Long-term debt	1,830		1,283		1,442	
Employees' retirement benefits	1,357		971		1,347	
Directors' and corporate auditors' retirement benefits	596		1,159		1,144	
Deferred tax liabilities	584		21		22	
Other non-current liabilities	507		1,377		1,348	
<b>Total Liabilities</b>	<b>49,569</b>	<b>44.6</b>	<b>44,567</b>	<b>46.6</b>	<b>45,105</b>	<b>45.2</b>
Minority Interests in Consolidated Subsidiaries	144	0.1	2,481	2.6	2,544	2.5
Shareholders' Equity						
Common stock	11,084	10.0	8,535	8.9	9,640	9.6
Capital surplus	17,791	16.0	12,831	13.4	13,932	13.9
Retained earnings	30,648	27.6	26,172	27.4	27,422	27.5
Net unrealized holding gains on securities	1,750	1.5	1,221	1.3	1,401	1.5
Foreign currency translation adjustments	308	0.3	32	0.0	20	0.0
Treasury stock	(86)	(0.1)	(220)	(0.2)	(154)	(0.2)
Shareholders' Equity	61,496	55.3	48,573	50.8	52,262	52.3
<b>Total Liabilities, Minority Interests, and Shareholders' Equity</b>	<b>111,210</b>	<b>100.0</b>	<b>95,621</b>	<b>100.0</b>	<b>99,913</b>	<b>100.0</b>

## Consolidated Statements of Income

Accounts	Nine Months ended December 20, 2005		Nine Months ended December 20, 2004		Year ended March 20, 2005	
	Amount	%	Amount	%	Amount	%
	¥ million		¥ million		¥ million	
Net Sales	71,555	100.0	66,444	100.0	92,492	100.0
Cost of Sales	40,379	56.4	38,162	57.4	53,855	58.2
<b>Gross Income</b>	<b>31,175</b>	<b>43.6</b>	<b>28,282</b>	<b>42.6</b>	<b>38,637</b>	<b>41.8</b>
Selling, General and Administrative Expenses	23,443	32.8	21,623	32.6	29,264	31.7
<b>Operating Income</b>	<b>7,731</b>	<b>10.8</b>	<b>6,659</b>	<b>10.0</b>	<b>9,372</b>	<b>10.1</b>
<b>Other Income</b>	<b>563</b>	<b>0.8</b>	<b>478</b>	<b>0.7</b>	<b>722</b>	<b>0.8</b>
Interest and dividend income	99	0.1	62	0.1	103	0.1
Foreign exchange gains	130	0.2	8	0.0	-	-
Other	333	0.5	407	0.6	618	0.7
<b>Other Expenses</b>	<b>469</b>	<b>0.7</b>	<b>858</b>	<b>1.2</b>	<b>1,213</b>	<b>1.3</b>
Interest expense	232	0.3	280	0.4	372	0.4
Foreign exchange losses	-	-	-	-	40	0.0
Amortization of goodwill	-	-	57	0.1	85	0.1
Other	237	0.4	520	0.7	714	0.8
<b>Ordinary Income</b>	<b>7,826</b>	<b>10.9</b>	<b>6,279</b>	<b>9.5</b>	<b>8,882</b>	<b>9.6</b>
<b>Special Gains</b>	<b>495</b>	<b>0.7</b>	<b>18</b>	<b>0.0</b>	<b>39</b>	<b>0.0</b>
Gain on sale of property, plant and equipment	4	0.0	18	0.0	38	0.0
Gain on sale of investment securities	394	0.6	0	0.0	0	0.0
Casualty insurance premium income	95	0.1	-	-	-	-
Other	0	0.0	-	-	-	-
<b>Special Losses</b>	<b>887</b>	<b>1.2</b>	<b>1,222</b>	<b>1.9</b>	<b>2,815</b>	<b>3.0</b>
Loss on disposal of property, plant and equipment	39	0.1	26	0.0	45	0.0
Loss on sale of property, plant and equipment	16	0.0	6	0.0	1,123	1.2
Loss on impairment of fixed assets	-	-	-	-	53	0.1
Loss on change of retirement benefit plan	-	-	79	0.1	79	0.1
Loss on change in accounting method for retirement benefits	-	-	-	-	143	0.2
Loss on sale of investment securities	-	-	0	0.0	0	0.0
Retirement benefits to directors	749	1.0	-	-	-	-
Loss on valuation of investment securities	4	0.0	0	0.0	35	0.0
Provision of retirement benefits for directors and corporate auditors for prior years	-	-	1,109	1.8	1,150	1.2
Other	77	0.1	-	-	183	0.2
<b>Income Before Income Taxes</b>	<b>7,434</b>	<b>10.4</b>	<b>5,076</b>	<b>7.6</b>	<b>6,105</b>	<b>6.6</b>
Income taxes (Current)	2,454	3.4	2,323	3.5	2,353	2.6
Income taxes (Deferred)	711	1.0	247	0.4	(62)	(0.1)
Minority interest in earnings of consolidated subsidiaries	57	0.1	235	0.3	290	0.3
<b>Net Income</b>	<b>4,211</b>	<b>5.9</b>	<b>2,269</b>	<b>3.4</b>	<b>3,523</b>	<b>3.8</b>



## Consolidated Statements of Surplus

Accounts	Nine Months ended December 20, 2005	Nine Months ended December 20, 2004	Year ended March 20, 2005
	¥ million	¥ million	¥ million
<b>(Capital surplus)</b>			
Balance of capital surplus at beginning of period	13,932	11,456	11,456
Increase of capital surplus	3,858	1,374	2,475
Conversion of convertible bonds	1,440	1,372	2,475
Increase on disposal of treasury stock	-	2	-
<u>Increase through a stock-for-stock exchange</u>	2,418	-	-
Balance of capital surplus at end of period	17,791	12,831	13,932
<b>(Retained earnings)</b>			
Balance of retained earnings at beginning of period	27,422	24,341	24,341
Increase of retained earnings	4,211	2,269	3,523
<u>Net income</u>	4,211	2,269	3,523
Decrease of retained earnings	984	438	442
Cash dividends	722	327	327
Bonus to directors and statutory auditors	176	102	102
Decrease on disposal of treasury stock	8	-	4
Effect of excluding a subsidiary from consolidation	-	7	7
<u>Effect of accounting change in an overseas subsidiary</u>	77	-	-
Balance of retained earnings at end of period	30,648	26,172	27,422

## Consolidated Statements of Cash Flows

Accounts	Nine Months ended December 20, 2005	Nine Months ended December 20, 2004	Year ended March 20, 2005
	¥ million	¥ million	¥ million
<b>Cash Flows from Operating Activities:</b>			
Income before income taxes	7,434	5,076	6,105
Depreciation	1,948	1,940	2,692
Loss on impairment of fixed assets	-	-	53
Amortization of consolidation difference	241	188	251
Loss on disposal of property, plant and equipment	39	26	45
Loss on valuation of investment securities	4	0	35
Increase (decrease) in allowance for doubtful receivables	103	56	(23)
Increase in directors' and corporate auditors' retirement benefits	53	1,159	1,144
Increase (decrease) in employees' retirement benefits	3	(131)	230
Interest and dividend income	(99)	(62)	(103)
Interest expense	232	280	372
Foreign exchange losses	11	21	23
Gain on sale of property, plant and equipment	(4)	(18)	(38)
Loss on sale of property, plant and equipment	16	6	1,123
Gain on sale of investment securities	(394)	0	(0)
Loss on sale of investment securities	-	0	0
Retirement benefits to directors	770	-	-
Decrease (increase) in trade notes and accounts receivable	(951)	970	(894)
Increase in inventories	(1,025)	(2,493)	(2,281)
Increase (decrease) in trade notes and accounts payable	(2,454)	776	2,162
Bonuses to directors and statutory auditors	(176)	(102)	(102)
Bonuses to directors and statutory auditors charged to minority interests	-	(6)	(6)
Other, net	763	(809)	(299)
<b>Subtotal</b>	<b>6,515</b>	<b>6,877</b>	<b>10,488</b>
Interest and dividends received	96	59	100
Interest paid	(199)	(253)	(385)
Payment of retirement benefits to directors	(1,341)	(26)	(26)
Income taxes paid	(2,572)	(2,606)	(2,960)
<b>Net cash provided by operating activities</b>	<b>2,498</b>	<b>4,049</b>	<b>7,215</b>
<b>Cash Flows from Investing Activities:</b>			
Increase in time deposits	(110)	-	(17)
Decrease in time deposits	18	-	0
Payments for purchase of investment securities	(341)	(398)	(394)
Proceeds from sales or redemption of investment securities	502	509	559
Payments for purchase of property, plant and equipment	(2,734)	(2,268)	(2,979)
Proceeds from sale of property, plant and equipment	53	154	230
Payments for purchase of intangibles	(627)	(459)	(730)
Proceeds from sale of intangibles	2	0	0
Payments for purchase of investments in a consolidated subsidiary	-	(19)	(19)
Payments for purchase of investments in newly consolidated subsidiaries	(2,958)	-	(119)
Payments for sales of investments in a consolidated subsidiary	-	(45)	(45)
Increase in loans receivable	(7)	(0)	(0)
Decrease in loans receivable	8	1	2
Other, net	(55)	(142)	(115)
<b>Net cash used in investing activities</b>	<b>(6,251)</b>	<b>(2,665)</b>	<b>(3,628)</b>
<b>Cash Flows from Financing Activities:</b>			
Net increase (decrease) in short-term borrowings	3,072	(730)	(1,034)
Increase in long-term debt	680	1,051	1,049
Repayment of long-term debt	(184)	(507)	(720)
Payments for purchase of treasury stock	(102)	(41)	(88)
Proceeds from sales of treasury stock	161	100	206
Cash dividends paid	(699)	(315)	(328)
Cash dividends paid to minority interests	(31)	(72)	(72)
Other, net	(44)	(50)	(70)
<b>Net cash provided by (used in) financing activities</b>	<b>2,852</b>	<b>(565)</b>	<b>(1,058)</b>
<b>Cash and Cash Equivalents Foreign Currency Translation Adjustments</b>	<b>(81)</b>	<b>34</b>	<b>104</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(982)</b>	<b>853</b>	<b>2,633</b>
<b>Cash and Cash Equivalents at Beginning of Period</b>	<b>16,108</b>	<b>13,603</b>	<b>13,603</b>
<b>Cash and Cash Equivalents of a Subsidiary Excluded from Consolidation</b>	<b>-</b>	<b>(127)</b>	<b>(127)</b>
<b>Cash and Cash Equivalents at End of Period</b>	<b>15,125</b>	<b>14,328</b>	<b>16,108</b>

## Business Segment Information

### 1. Business Segment Information

Results for the Nine Months ended December 20, 2005 (March 21, 2005 - December 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
<b>Net Sales</b>							
(1) Sales to outside customers	22,328	21,825	14,600	12,800	71,555	-	71,555
(2) Intersegment sales and transfer	-	-	-	-	-	-	-
Operating expenses	17,079	21,639	13,911	11,193	63,823	-	63,823
<b>Operating Income</b>	<b>5,249</b>	<b>186</b>	<b>689</b>	<b>1,607</b>	<b>7,731</b>	<b>-</b>	<b>7,731</b>

Results for the Nine Months ended December 20, 2004 (March 21, 2004 - December 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
<b>Net Sales</b>							
(1) Sales to outside customers	18,546	20,325	13,318	14,253	66,444	-	66,444
(2) Intersegment sales and transfer	-	-	-	-	-	-	-
Operating expenses	14,956	20,243	12,666	11,918	59,785	-	59,785
<b>Operating Income</b>	<b>3,589</b>	<b>81</b>	<b>651</b>	<b>2,335</b>	<b>6,659</b>	<b>-</b>	<b>6,659</b>

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
<b>Net Sales</b>							
(1) Sales to outside 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
<b>Operating Income</b>	<b>4,705</b>	<b>861</b>	<b>1,145</b>	<b>2,659</b>	<b>9,372</b>	<b>-</b>	<b>9,372</b>

Main products of each business segment

Business Segment	Main Products
Engine Measurement Instruments & Systems	Motor Exhaust Gas Analyzers, Automatic Engine Measurement Control Systems, Portable Emissions Analyzers, On-Board Emissions Measurement Systems, High Sensitivity Continuous PM Measurement Systems, Fuel Cell Evaluation Systems
Analytical Instruments & Systems	pH Meters, Water Quality Monitor for Total Nitrogen/Phosphorus, Stack Gas Analysis Systems, Particle size Distribution Analyzers, X-Ray Analytical Microscopes, Monochromator/Grating, ICP Optical Emission Spectrometer, Raman Spectrophotometer
Medical/Diagnostic Instruments & Systems	Hematology Analyzers, Hematology Analyzers Plus CRP, Blood Glucose Analyzers, Clinical Chemistry Systems
Semiconductor Instruments & Systems	Mass Flow Controllers, Chemical Concentration Monitor, Ultra-Thin Film Analyzer, Film Thickness Analyzers for FPDs, Reticle/Mask Particle Detection Systems

## Geographical Segment Information

### 2. Geographical Segment Information

Results for the Nine Months ended December 20, 2005 (March 21, 2005 - December 20, 2005)

	Japan	America	Europe	Asia	Total	Elimination and/or unallocated	Consolidated
	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million
<b>Net Sales</b>							
(1) Sales to outside customers	37,143	7,634	25,494	1,282	71,555	-	71,555
(2) Intersegment sales and transfers	8,261	334	1,568	637	10,802	(10,802)	-
Total	45,404	7,969	27,063	1,920	82,358	(10,802)	71,555
Operating expenses	38,577	7,834	26,634	1,675	74,722	(10,899)	63,823
<b>Operating Income</b>	6,827	135	428	244	7,635	96	7,731

Results for the Nine Months ended December 20, 2004 (March 21, 2004 - December 20, 2004)

	Japan	America	Europe	Asia	Total	Elimination and/or unallocated	Consolidated
	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million
<b>Net Sales</b>							
(1) Sales to outside customers	34,584	6,738	23,888	1,233	66,444	-	66,444
(2) Intersegment sales and transfers	8,080	165	1,362	454	10,062	(10,062)	-
Total	42,664	6,903	25,250	1,688	76,507	(10,062)	66,444
Operating expenses	36,078	6,983	25,399	1,494	69,956	(10,170)	59,785
<b>Operating Income (Loss)</b>	6,585	(79)	(148)	193	6,551	107	6,659

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
<b>Net Sales</b>							
(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
<b>Operating Income</b>	7,364	127	1,432	246	9,170	201	9,372

### 3. Overseas Sales

Results for the Nine Months ended December 20, 2005 (March 21, 2005 - December 20, 2005)

¥ million

	America	Europe	Asia	Total
Overseas sales	13,995	17,046	9,342	40,384
Consolidated sales	-	-	-	71,555
Overseas sales to consolidated sales (%)	19.6	23.8	13.0	56.4

Results for the Nine Months ended December 20, 2004 (March 21, 2004 - December 20, 2004)

¥ million

	America	Europe	Asia	Total
Overseas sales	12,279	16,388	8,279	36,947
Consolidated sales	-	-	-	66,444
Overseas sales to consolidated sales (%)	18.5	24.7	12.4	55.6

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

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

### Orders, Backlog

Segment		Nine Months ended December 20, 2005		Nine Months ended December 20, 2004		Year ended March 20, 2005	
		Amount	%	Amount	%	Amount	%
O r d e r s	Engine Measurement Instruments & Systems	¥ million 24,743	31.9	¥ million 21,892	30.0	¥ million 28,601	30.0
	Analytical Instruments & Systems	24,195	31.2	22,663	31.1	29,546	31.0
	Medical/Diagnostic Instruments & Systems	15,579	20.1	13,958	19.1	18,916	19.9
	Semiconductor Instruments & Systems	13,016	16.8	14,419	19.8	18,152	19.1
	Total	77,534	100.0	72,934	100.0	95,217	100.0
B a c k l o g	Engine Measurement Instruments & Systems	21,707	62.4	10,593	47.9	8,825	48.1
	Analytical Instruments & Systems	9,008	25.9	7,940	35.9	6,638	36.2
	Medical/Diagnostic Instruments & Systems	2,309	6.6	1,831	8.3	1,330	7.2
	Semiconductor Instruments & Systems	1,781	5.1	1,762	7.9	1,566	8.5
	Total	34,807	100.0	22,126	100.0	18,361	100.0

Note: Backlog in engine measurement instruments & systems included an increase of ¥10,466 million by acquisition of the shares of six subsidiaries of Carl Schenck AG in the results for the third quarter of this year.