HORIBA
Explore the future

Gaiareport 2008

HORIBA / CSR Report

Company Precept
"Joy and Fun"

HORIBA Corporate Philosophy

HORIBA's Company Precept "Joy and Fun"

Originates from the belief that if we take interest and pride in the work that occupies most of the active time in our lives, in the place where we spend the majority of each day, then as a result our satisfaction with life will increase, and we will be able to enjoy our lives even more. Taking interest and pride in our work leads us to "Joy and Fun."

Business Operations

We, at the Horiba Group, apply of our most-advanced analytical technologies to provide highly original analytical and measuring products and equipment in such fields as engine emissions; scientific analysis; industrial and process control; environment monitoring; semi-conductor process control; medical and health-care; and biotechnology, thereby contributing to the progress of science and technology, improve the quality the development and benefit human health. Group companies engaging in the new businesses for derivative and peripheral products aim to develop scientific technology and improve the life of the community, while at the same time minimizing the impact on the environment.

We strictly abide by all environmental protection laws and regulations in our ordinary business activities. In addition, all Group companies are required to attain the highest levels of quality for establishing, developing, and maintaining environmental systems, including implementing internal control standards that minimize the impact that our business activities have on the environment.

We strive to deliver higher value-added products and services in the shortest possible time to customers all over the world, combining the functions and specialties of development, production, sales, and services from globally located points throughout the world. Furthermore, we aim to be the leader in the global market in the fields and product segments in which we operate, to meet all customers' needs consistently, and to effectively maximize our limited resources through a policy of selective investment.

Customer Responsiveness

We maintain a philosophy of pursuing technology to an ultimate degree in both the fundamental and applied technology fields, supplying products that continuously satisfy customers' requirements. We are committed to offering top-quality, highly reliable products and services with a consistent level of excellence throughout the world. Group companies are obliged to attain the highest standards for establishing, developing, and maintaining quality control systems. To provide products and services to customers in the fastest delivery time possible, we have adopted the slogan "Ultra-Quick Supplier" for all the Company's activities. This slogan encompasses not only production lead times but also development, marketing and sales, service, and control functions.

Responsibility to the Shareholders and Investors

Our basic policy is to calculate annual dividends on an allocated rate of net income. Important information regarding management and business operations are fully disclosed on a regular basis to shareholders and potentially interested parties. A timely responsive management control system will be established by group companies to ensure that company objectives are met, profit generated and the information disclosed the truthful representation of the performance of the Company as well as its management.

Employees

We are proud of the entrepreneurial spirit that led to the creation of the HORIBA Group. Each employee is made aware of this heritage, and we actively encourage ideas and innovations from individual employees. HORIBA promotes an open and fair business environment that allows all Group employees to achieve their individual goals and maximize their potential. To further employees' personal and professional growth, we encourage employees to think from a global perspective and establish a global personnel development program and performance evaluation system. We value employees who challenge their personal abilities and recognize their accomplishments.

Code of Ethics

Code of Conduct

HORIBA has drawn the Code of Conduct that encompasses the following eight articles, in compliance with company precept of "Joy and Fun" and our HORIBA Corporate Philosophy. Board members and employees of HORIBA strictly observe them in order to constantly be aware of our mission and role as well as to pursue sustainable development into the future as an international enterprise.

Our board members and employees value this code, take initiative in practicing it as Horibarians,* and commit to educating and disseminating its content throughout the corporation. Moreover, we will continue to appreciate opinions from both inside and outside the corporation, reflect them to improve efficiency of internal systems and to strengthen our corporate ethics. Should a situation arise that is contrary to the code, we shall promptly disclose accurate information, ensure accountability, carry out an investigation into the cause, and endeavor to prevent a recurrence.

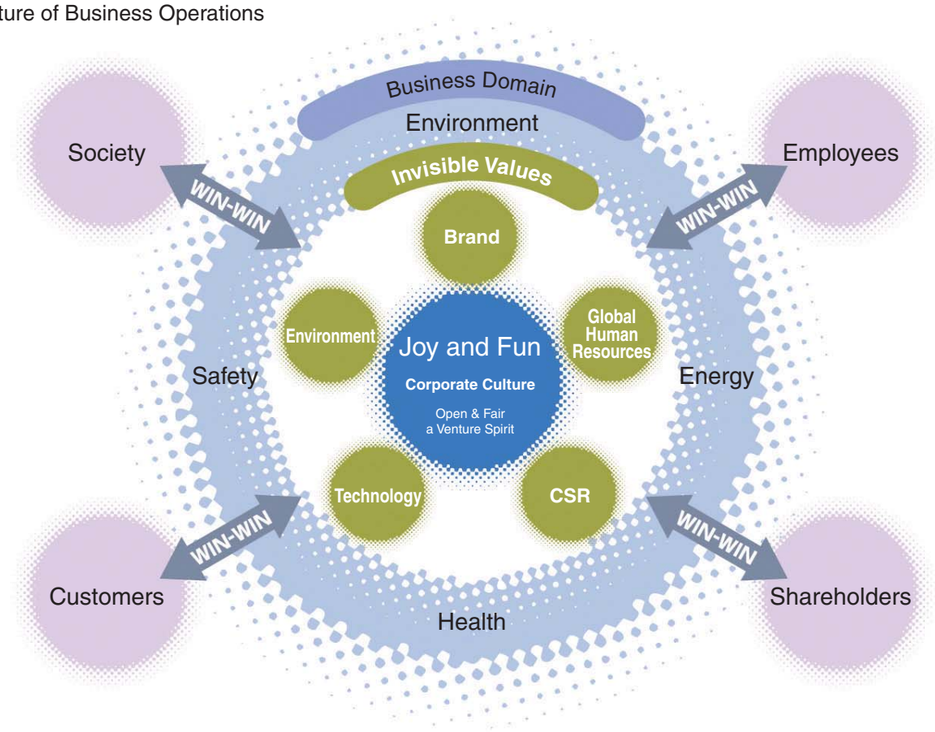
I. We shall comply with all laws, regulations, and social norms.
II. We shall contribute to society by providing excellent products and services.
III. We shall engage in fair, transparent, and free competition. We shall also maintain sound, normal relationships with governments.
IV. We shall respect our employees' individuality and create safe, healthy, and comfortable workplaces.
V. We shall respect the opinions of our stakeholders (interested parties).
VI. We shall make an active social contribution as a good corporate citizen.
VII. We recognize that environmental initiatives are essential to the existence of our company, and we shall voluntarily commit ourselves to them.
VIII. We shall confront antisocial groups and organizations that threaten the social order and the safety of citizens, and we shall absolutely reject any unlawful or unjustified requests.

Behavioral Criteria

We have formulated our Behavioral Criteria as a means of putting our Code of Conduct into effect in our corporate activities. This Code of Conduct sets forth principles that HORIBA's board members and employees are required to follow when conducting corporate business. These detailed Behavioral Criteria address important matters and can be practiced in our day-to-day business activities.

*The common designation for all employees of the HORIBA Group

Structure of Business Operations



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Company Outline (As of December 31, 2007)

Corporate Name:	HORIBA, Ltd.
Head Office:	2, Miyanohigashi-cho, Kisshoin, Minami-ku, Kyoto 601-8510, Japan
Founded:	October 17, 1945
Incorporated:	January 26, 1953
Paid-in Capital:	¥11,952 million
Representative:	Atsushi Horiba, Chairman, President & CEO
Employees:	Consolidated 4,976 Unconsolidated 1,235
Fiscal Closing Date:	December 31
Stock Listings:	Tokyo Stock Exchange (1st Section) Osaka Securities Exchange (1st Section)
Scope of Business:	HORIBA manufactures and sells a wide range of automotive test systems, environmental monitoring equipment, medical analyzers, scientific analyzers, and measuring equipment for the semiconductor industry. HORIBA also manufactures and markets peripheral measuring and analysis devices. As well, HORIBA manufactures and sells systems and equipment for measuring and analytical applications and other construction projects.

Editorial Notes

We published the first edition of Gaiareport in January 2000 as an environmental report covering our 1999 fiscal year. Beginning in 2004, this publication was transformed into the Environmental and Social Report; in 2005, it was transformed once again into the Social and Environmental Report in an effort to enrich the content related to social factors. We have maintained this approach in the intervening years up to the present. With 2008 marking our milestone tenth edition, we have again expanded our roles and responsibility in society and have expanded the content of the publication to create a Corporate Social Responsibility (CSR) report. As part of our increased commitment to all stakeholders, we are publishing this very accessible report with expanded content on the initiatives of our Group companies, through which the HORIBA Group is striving to take the initiative in employing analysis technology to achieve a sustainable society. We trust this report will demonstrate our vision to create an online version in the future for the benefit of the global environment.

We used the following references in compiling this report:
- Environmental Report Guidelines (2007) published by the Ministry of the Environment
- Sustainability Reporting Guidelines (2006) published by the Global Reporting Initiative (GRI)

Reporting period:
January 1–December 31, 2007 (This report also contains some data from fiscal year 2008.)
The handling of 2006 fiscal year, which is affected by a change in our accounting period, is indicated on pages where it appears.

Reporting organizations:
The head office, main factory, and domestic sales offices of HORIBA, Ltd.; the domestic service stations of HORIBA Techno Service Co., Ltd.; and some of our group companies in Japan and abroad

Publication date: March 22, 2008

Planned publication date of next report: March 2009

Please direct all inquiries to the Quality, Environmental & Safety Management Center:
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E-mail: ims-promotion.hor@jp.horiba.com

A “Kyoto-style” Approach to Meeting the Needs of Society

Upholding our corporate social responsibility with stable corporate management

At HORIBA, all employees utilize their innate wisdom as they provide society with excellent analytical and measurement equipment, thereby meeting our corporate social responsibility. The products we provide to our customers contribute directly to society; we believe that the root of CSR is to respond to our stakeholders’ trust and expectations through our business. We are in a fortunate position, as the more effort we apply, the more we can contribute to safety, human health, the environment, and solutions to energy issues. This pride engenders loyalty and leads to the development of competitive products; as a result, we can continue to contribute to society through stable operation of our company.

A history of dedication to fulfilling our corporate social responsibility

Since our founding, the spirit of HORIBA has been based on the idea of “the importance of being sustained by the unified “Omoi”—convictions—of all our employees and being a company that is recognized by and needed by society.” Our Company Precept of “Joy and Fun” describes what we have termed the “Horibarian* way of thinking.” Although HORIBA did not specifically establish CSR initiatives in our corporate rules in our early days, these initiatives have been deeply rooted in our company in an unbroken line since our inception. At HORIBA, we have cultivated an atmosphere in which our activities conform to the era, and we continuously pursue these activities with a natural stance. In the future, we shall remain committed to promoting the HORIBA spirit by further improving our systems, training, and other aspects, all of which will further enhance our employees’ skills. I am confident this approach will have a positive influence on our associated companies, sales companies, and customers.

* The common designation for all employees of the HORIBA Group

Providing first-class quality for a life of content for all

At HORIBA, our business itself contributes to society. We aspire to further increase our scale and to become a Global No.1 company as we contribute to a life of content for all through our analysis technology. Becoming a Global No.1 company does not mean simply pursuing higher sales, increasing profits, and producing larger quantities of products; it also means leading the world in quality. This is the very heart of the Kyoto approach, which we refer to as the “Kyoto style.” If we can provide the entire world with first-class quality not only in terms of products and services but also in terms of our “Omoi,” then we will have become what we believe is a Global No.1 company.

I look forward to your support as we seek to achieve our objectives.

Atsushi Horiba
Chairman, President & CEO
March 2008

Management Policy and Strategy

As a manufacturer of analytical and measurement equipment with operations worldwide, HORIBA aims to become a first-class global company. Our corporate philosophy is to contribute to society by developing science and technology and fostering greater convenience for all through business operations focused on analysis technology.

Mid-Long-Term Management Plan

We are currently implementing our Mid-Long-Term Management Plan (MLMAP) with 2010 as our target year. This plan is promoting the three priority measures outlined below.

MLMAP
Mid-Long Term Management Plan
2006-2010

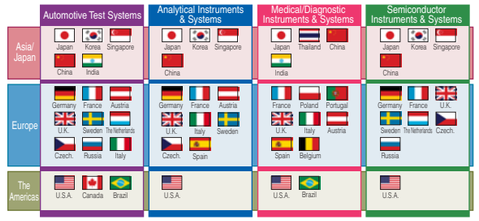
Priority Measure 1 — Building a Platform for ¥200 Billion in Sales: Taking "One Company" management to a higher level

▼ The Core Components of Our Strategy

Pursuit of global business strategies | Effective management on a regional basis | Introduction of the ERP system

One Company Management: The HORIBA Group is "One Company"

We will manage our operations effectively under a global management system we have termed "One Company" management. We will do this through the sharing of common resources by considering the HORIBA Group as a single company. In order to achieve One Company management, we are promoting organizational reform across our three regions of Asia, Europe, and the Americas. We envision this as a vertical axis that extends beyond our conventional group companies to include our four business segments.



Priority Measure 2 — Building a Well-balanced Business Portfolio

▼ HORIBA at a Glance

Automotive Test Systems Segment	This segment broadly encompasses test equipment for automotive development and seeks to expand its business around a core of emission measurement products with a high market share.
Analytical Instruments & Systems Segment	This segment refines analytical and measurement seed technologies and seeks to attain global leadership in its niche markets.
Medical/Diagnostic Instruments & Systems Segment	This segment seeks to expand its market share through aggressive product development and targets becoming one of HORIBA's future principal product lines.
Semiconductor Instruments & Systems Segment	This segment provides analytical and control technologies with high added value for the high-growth semiconductor market, ensuring stable profitability.

Priority Measure 3 — Increasing Invisible Values: Promoting management focused on corporate culture

▼ The Core Components of Our Strategy

Promoting management focused on corporate culture | Increased technological capability
Improving brand value | CSR and Green Management*
Cultivating global human resources

* Specific initiatives of CSR and Green Management are introduced as indicated at right.

The HORIBA Group's CSR Promotion System ——— P12
Report on Our Integrated Management System (IMS) — P30
Social Report ——— P33

Because the pace of progress with our Mid-Long-Term Management Plan is exceeding our initial expectations, we are undertaking to create a new management plan with even loftier targets. We will complete the formulation of this plan during 2008 and will publicize it at the beginning of 2009.

Group development of our new ERP system

Our HORIBA Group Enterprise Resource Planning (ERP) system goal is to increase work efficiency through centralization and management of information such as material purchasing, customer data, and account processing. As a driving force of the "One Company" management approach, we are committed to sequentially introducing this system into our Group companies. We introduced this system in 2007 in five companies, starting with HORIBA Advanced Techno Co., Ltd., followed by Germany, the U.K. and two companies located in China. In January 2008, we introduced our new enterprise resource planning system to HORIBA, Ltd., HORIBA STEC, Co., Ltd., and HORIBA Techno Service Co., Ltd. We expect to complete the full introduction of this system Group-wide no sooner than 2010.

GEO
Group ERP for "One Company"

Logo for introduction project of the new ERP system

Topics for Fiscal 2007

January 2007 — The Kumamoto Service Station starts operation.

The Kumamoto Service Station was established as the HORIBA Group's 25th service base in Japan. It is conveniently located within HORIBA STEC's Aso Factory, the key factory of the HORIBA Group. This community-based approach enables the company to offer its customers even faster service. By supporting the customers' point of view through closer cooperation with HORIBA STEC's Aso Factory, this initiative took a step toward achieving unmatched customer satisfaction. 1

March 2007 — HORIBA Trading (Shanghai) Co., Ltd. expands its office locations.

HORIBA Trading (Shanghai) Co., Ltd. relocated its Shanghai and Beijing offices to new locations. These offices—both of which feature the common design concept of bright, unobstructed space—opened concurrently. In order to support expansion of semiconductor operations, a service hub was established within the Zhangjiang High Technology Park in Shanghai Pudong to ensure enhanced service for local customers. 2

July 2007 — The HORIBA Technology Center opens in Silicon Valley, U.S.A.

The HORIBA Technology Center was opened in Silicon Valley (Santa Clara, California), a hub of leading-edge technologies, to accommodate product demand arising from the semiconductor, biotechnology, and other high-tech industries in the U.S.A. This center is fully equipped with a clean room and a laboratory providing the most up-to-date equipment from the HORIBA Group companies. Located in the center of businesses in the semiconductor and science sectors, this new hub strengthens cooperation with engineers residing in other regions of the U.S.A.—particularly in the automotive and medical/diagnostic sectors—and promotes customer-focused marketing and product development. 3

July 2007 — ¥10 billion in straight bonds issued as HORIBA's first significant capital infusion in six years.

HORIBA issued its third series of unsecured domestic bonds with a ¥10 billion issuance of straight bonds (seven-year term, 1.98% interest rate), payment being completed in July. This marked the first large-scale capital infusion since the second bond series, an issuance of ¥5 billion in straight bonds in 2001. The funds raised with this issuance are allocated for redemption of the second series of straight bonds with a deadline of August 2008 and for a capital investment to improve the business infrastructure for achieving the company sales target of ¥200 billion. With the opportunities presented by this corporate bond issue, we are setting out to build stronger business operations through efficient use of our assets.

August 2007 — HORIBA STEC, Co., Ltd., opens its Tainan Office.

HORIBA STEC, Co., Ltd. Taiwan Branch recently opened its Tainan Office. This represents their second office in Tainan (following their Hsinchu office) and was established partly in response to strong demand from the semiconductor device and liquid crystal panel industries in the Tainan area. Thanks to these two new hubs in Hsinchu and Tainan, the company now has a system capable of responding to any important customer in Taiwan within two hours. This branch is committed to further strengthening the HORIBA brand by offering "High Quality & the Best Technical Support." 4

September 2007 — Construction begins on a new reagent factory for HORIBA ABX S.A.S.

HORIBA ABX S.A.S. of France, the main arm of the HORIBA Group's medical/diagnostic segment, has started construction of a new reagent factory at its head office. This project will accommodate the growing demand for reagents used in research. The anticipated growth in demand is expected from an increase in the number of our leading products now in operation in the hematology analyzer and clinical chemistry analyzer markets. The company will promote further business cooperation between France and Japan in the future. Operation is scheduled to begin in April 2008. 5

1 Kumamoto Service Station

2 Left: Shanghai Office, Right: Beijing Office

3 HORIBA Technology Center

4 HORIBA STEC, Co., Ltd. Taiwan Branch

5 The cornerstone ceremony for the new reagent factory of HORIBA ABX S.A.S.

Business Outline

The analytical technology that supports our lives is also the driving force behind recent achievements in science and technology. Underpinning a variety of industries, HORIBA provides analytical and measurement instruments across four industry segments: automotive test systems, analytical instruments and systems, medical/diagnostic instruments and systems, and semiconductor instruments and systems.

Automotive Test Systems Segment

MEXA-7000
Emission
Measurement System

Driveline Test System

HORIBA's emission measurement systems, which hold 80 percent share of the global market, have been adopted as the standard for confirming compliance with regulations enforced by emission control authorities in many nations. The automotive industry uses this system worldwide in its R&D and quality control operations. In 2005, the HORIBA Group acquired the "Schenck Development Test Systems" division of Carl Schenck AG. With this acquisition, the HORIBA Automotive Test Systems Segment expanded the scope of its major business, sales of emission measurement systems, to added sales of comprehensive automotive development systems providing driveline, and brake testing. The HORIBA Group does not restrict itself to the emission measurement business; we also increase our customers' developmental efficiency through total solutions, such as providing leading-edge technologies and accommodating a wide variety of automotive tests.

In addition, HORIBA ITECH Co., Ltd. provides the Digital Tachograph, a management system for transport companies, as well as drive recorders and other products for promoting safe and eco-friendly driving. HORIBA Automotive Test Systems remains committed to developing further innovations and increasing the efficiency in all aspects of the automotive industry.

HORIBA products are in use in the following application.

Emission Measurement System

OBS-2000

User	Description	Analysis Target	Purpose	Objective
Automakers	Engine exhaust emissions	Carbon monoxide, nitrogen oxides, etc.	To support engine R&D	To minimize the environmental impact of automotive emissions

Analytical Instruments & Systems Segment

(Scientific & environmental segments)

XGT-1000WR
Pb/Cd X-ray
Fluorescence Analyzer

ENDA-5000
Stack-gas Analysis System

The HORIBA Analytical Instruments & Systems Segment addresses two scientific and environmental segments. In the scientific segment, HORIBA manufactures over 500 types of instruments; the development of which is supported by the parent company's broad base of analytical and measurement technology, and the advanced optical measurement technology of HORIBA Jobin Yvon SAS. These products command leading shares in niche markets and are used in a wide range of applications, including R&D and production facilities of public sector and private sector organizations, as well as organizations that monitor environmental pollution. The segment also invests in the development of basic technologies to provide new analytical and measurement technology to other business segments.

In the environmental segment, HORIBA has developed advanced analysis technologies and fostered many experts over the past 40-plus years. The environmental segment has consistently responded to new and challenging market needs in response to environmental regulations enacted in Europe, the U.S. and Japan. These new technologies represent assets that are currently in demand in China and other emerging markets, where they are earning us high market shares. We will continue to expand our operations by providing advanced measurement technologies which integrate HORIBA's core technologies with the continuous analysis technology it has developed for the environmental field. Our strength lies in our ability to provide high-quality products that address the increasing number of risk management-related needs, measure productivity and sustain quality control.

HORIBA products are in use in the following application.

Science

LabRAM ARAMIS Raman Spectroscopy System

User	Description	Analysis Target	Purpose	Objective
Leading-edge biotechnology researchers	Nanomaterials	Carbon nanotube & single molecule	To elucidate unknown properties and behaviors	To create totally new technologies

Environment

Air Pollution Monitor

APDA-370

User	Description	Analysis Target	Purpose	Objective
States & municipalities	Municipal air quality	SPM* in air	To monitor air pollution	To improve air quality in populated areas

*Suspended Particulate Matter

Medical/Diagnostic Instruments & Systems Segment

Pentra XL80
Hematology Analyzer

LC-178CRP
Automatic Blood Cell and CRP Counter

The HORIBA Medical/Diagnostic Instruments & Systems Segment develops, manufactures, sells, and services hematology and clinical chemistry analyzers that are indispensable for diagnostics, an essential aspect of human health. In 1996, HORIBA ABX S.A.S. joined the HORIBA Group, launched its products into the market, and expanded its share of the hematology market. HORIBA ABX S.A.S. and HORIBA, Ltd. have been developing and commercializing point-of-care testing (POCT), an innovation that makes possible instantaneous testing on demand. They also provide medium-sized and large-sized analyzers for use in central clinical laboratories in hospitals. In the future, we intend to develop and provide total management systems which will encompass a variety of analyzers, samples, and test results by introducing new products in the biochemistry and hematology market. By providing easy-to-operate analyzers that provide quick results, HORIBA is contributing to efficient diagnostics. Our goal is to contribute to health care by helping to construct ideal systems for health care and medical diagnostics.

HORIBA products are in use in the following application.

Hematology Analyzer

Pentra DX120

User	Description	Analysis Target	Purpose	Objective
Hospitals	Blood sample	Red blood cell count and white blood cell count	To support diagnostics for disease	To diagnose disease accurately for appropriate treatment

Semiconductor Instruments & Systems Segment

HF-700
High Sensitive HF
Concentration Monitor

Z500X
Digital Mass Flow
Controller

The HORIBA Semiconductor Instruments & Systems Segment provides unique products for the semiconductor industry. HORIBA STEC, Co., Ltd., the leading company in our Semiconductor Segment, supplies mass flow controllers for fluid flow control, while HORIBA, Ltd. and HORIBA Advanced Techno Co., Ltd. supply chemical solution concentration monitors for semiconductor wet cleaning systems. These products have captured top market share around the world thanks to their excellent performance and high reliability. In addition, HORIBA accommodates advanced measurement needs, providing comprehensive analysis and control of process systems, control of properties of multilayer thin films and the reticle/mask particle detection systems used in the semiconductor industry for 300-mm process; the flat-panel display (FPD) industry, which requires a variety of large circuit boards; and the eco-friendly photovoltaics industry. Also responding to these advanced measurement requirements are process water quality monitoring systems of HORIBA Advanced Techno Co., Ltd., and various optical measurement control systems of HORIBA Jobin Yvon SAS. In July 2007, we established the HORIBA Technology Center in Silicon Valley, U.S.A., where we are conducting next-generation process development in cooperation with leading semiconductor process engineers. Going forward, HORIBA intends to contribute to the global semiconductor business by providing advanced process control solutions for the semiconductor industry.

HORIBA products are in use in the following application.

Chemical Solution Concentration Monitor

CS-100F1

User	Description	Analysis Target	Purpose	Objective
Semiconductor industry	Cleaning solutions for semiconductor processes	Concentration of chemical solutions	To eliminate waste and ensure proper use of chemical solutions	To ensure stability of supply by improving production line yield

Highlight

Automotive Test Systems:
Contributing to society through analysis technology

The “Omoi”* Behind the MEXA-7000 System

HORIBA’s MEXA-7000 Series Emission Measurement System is capable of measuring CO_2, NOx, and other gaseous pollutants present in the engine exhaust emissions of gasoline and diesel fueled vehicles. Development of the MEXA-7000 system began in 1992 with product launch into the market occurring in 1995. We have achieved a series of improvements in performance in the intervening 13 years and, as a result, more than 3,000 units are now in service in laboratories of the world’s leading automakers, parts makers, research institutes, and government agencies.

*“Omoi” means an emotional feeling, passion, thoughts, enthusiasm, desire, aspiration, ambition, commitment, mission, and objective.

MEXA-7000

Marketing “Omoi”

Providing society with a product that exceeds expectations

Hiroyuki Urabe

Department Manager, International Sales Department
HORIBA, Ltd.

Some of our customers were extremely frustrated in their attempts to maximize the efficiency of their lab from the perspective of utilizing the entire laboratory without the need to focus on the analyzer system as a single item. With the introduction of the MEXA-7000 system, these customers enjoyed increased potential for optimization with a highly simplified format. Our customers’ requests were mainly focused on two issues, as follows: “It would be nice to have this feature,” and “This is where I am dissatisfied.” After listening to these customer comments and digesting their requests, marketing must take the role of revealing to the world a product that greatly exceeds expectations, a product that is a must-have if one wishes to gain new capabilities. To ensure that our customers use the MEXA-7000 system effectively, the measurement data must be absolutely error-free. Marketing the MEXA-7000 system is like providing a benchmark for a particular environment because its accuracy must never waver. We can take pride in continuing to exceed our customers’ expectations.

Production “Omoi”

Taking pride in our level of quality

Satoshi Katayama

Deputy Department Manager, Automotive Test Systems Manufacturing Department
HORIBA, Ltd.

We place a great deal of emphasis on the importance of quality. The MEXA Series products are individually produced on custom orders because the requirements for each individual unit naturally differ. Consequently we are fully committed to offering products that satisfy our customers, and we are constantly aiming for “zero problems.” In our production process, we use a processing signboard* arranged so that all tasks are visible to the whole team as all endeavor to uphold the quality level and meet the delivery date. We all take pride in our production capabilities, our success at capturing of 80 percent of the global market, and the social contribution our products represent. Because demand remains steady for products capable of measuring low-concentration gases, we must continue to upgrade our skills. More than ever, we are fully dedicated to production with a strong commitment to absolutely trouble-free products.

*A processing signboard by each production unit is for sharing information and indicating the current production process as well as the presence or absence of problems.

Development “Omoi”

Motivating developers with the social contribution of this product

Hiroshi Kawamura

General Manager, Automotive Test Systems Division
HORIBA, Ltd.

“Reduce the size, energy consumption and other utilities up to 50%, and achieve 10 times higher sensitivity” were basic targets set during the development of the MEXA-7000 system in order to follow and meet automotive emission trends such as the well-known ULEV and SULEV (Ultra and Super Ultra Low Emission Vehicles), which are becoming accomplished facts (1/100 level compared to the first regulation standard in the U.S. and cleaner than ambient air in CO, HC and NOx).

In the early 90’s, environmental issues were not paid so much attention yet, but we focused on “ecology” pretty much for the next decade or more based on the MEXA life cycle as our responsibility. Furthermore, we believed that the products we developed for the future could contribute to innovative engines, powertrains and other automobile developments.

Going forward, we believe the function of “measurement” will be more important to solve things such as cleaner emissions, lower CO_2 emissions and oil dependency. And, we expect that the technology provided by Schenck Development Test Systems of Germany, which became a part of the HORIBA Group in 2005, will contribute to the growth of our expertise and provide benefit to our society as a whole.

Service “Omoi”

Imbuing everyone with a commitment to “quality service”

Norio Okada

General Manager, Western Japan Regional Service System Division
HORIBA Techno Service Co., Ltd.

In service, the top priority is not just the quality of products but also gaining the trust of customers. To this end, we thoroughly train all our service personnel in safety procedures and information security. Another of our standard procedures is to avoid stopping a customer’s production line because of a product failure.

Our first service station was opened in the Tokai region of Japan in 1971; since then, we have expanded these facilities to 25 locations countrywide. With bases in the plants of every automaker, we provide service that is closely harmonized with the local customer base.

Recently, we have been maintaining a special focus on something we call “quality service.” In addition to product inspections and repairs, we maintain links to third parties through the products we sell and through our customer relationships. This is how we contribute to society and is what we truly believe to be the original focus of our service.

Highlight

Automotive Test Systems:
Contributing to society through analysis technology

The History of the MEXA Series and Environmental Improvement

Since the State of California enacted the world's first exhaust emission regulations in 1960, a number of jurisdictions have enacted emissions control regulations that are dependent upon emission measurement systems based on MEXA technology. Today, we contribute to an improved environment by providing comprehensive support for emission measurement with innovations such as our engine test systems, which are capable of measuring emissions at ultralow level or the particulate matter in exhaust emissions.

The History of the MEXA Series

1964 The State of California enacts the world's first exhaust emission regulations in 1960.
- In response to the global interest in exhaust emissions, the first emission measurement system is produced.

1968 The MEXA system is introduced on the international stage.
- For the first time, HORIBA exports an automotive emission measurement system to the U.S.A.
- HORIBA begins sales by establishing business ties with a company offering a powerful local sales route.

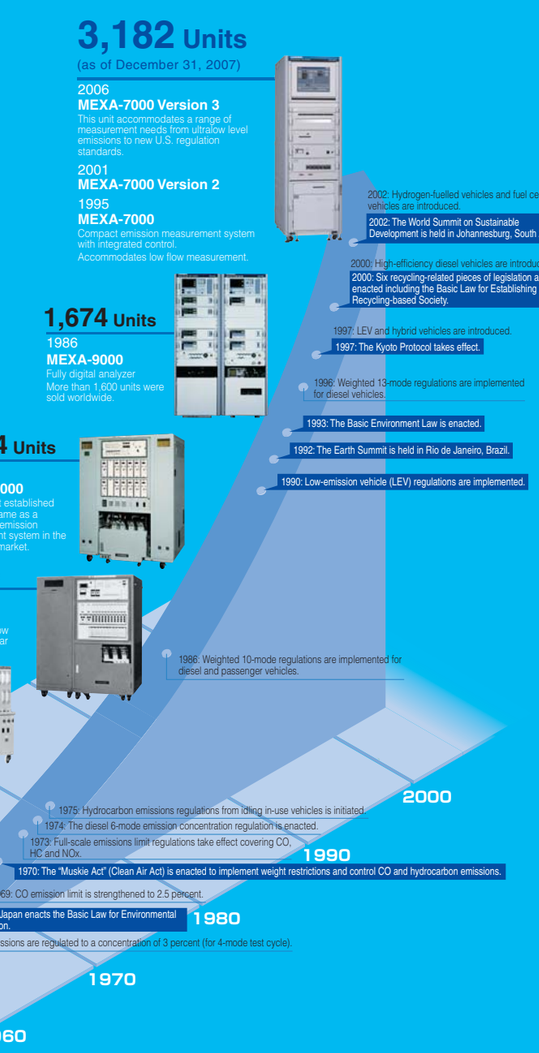
1975 HORIBA sells the MEXA system to the U.S. Environmental Protection Agency (EPA).
- HORIBA installs the MEXA system in the Vehicle Emissions Test Laboratory of the EPA.
- This is proof that the U.S. government recognizes the excellence of the MEXA system.

1978 The MEXA-8000, the predecessor of the current MEXA Series, is developed.
- With a structure that separates the sampling section, analysis section, and control section, the new system is capable of analyzing up to 14 gaseous components.

1986 The MEXA-9000 is introduced as a testing and evaluation system.
- A CPU providing integrated control of the total measurement by the MEXA with a sampling system makes possible data processing at a host computer easier and faster.

1995 The MEXA-7000 is introduced into the market.
- As a result of the globalization of the automotive industry, common products with global specifications are developed.
- Cooperative global development is a success thanks to the participation of engineers from HORIBA's international group of companies.

2005 HORIBA acquires the "Schenck Development Test Systems" division of Carl Schenck AG.
- In addition to capturing an 80 percent share of the global market for emission measurement systems, the company introduces a product line including powertrain test systems for engines, brakes, and driveline components.
- HORIBA aims to become the Global No. 1 Total Solutions Provider of automotive test systems.



Topic 1

Formula-1 Racing adopt the MEXA Series.

The major challenges in the auto industry are finding ways to enhance combustion efficiency and increase power without increasing fuel consumption. In Formula-1 Racing, the pinnacle of the auto racing world, various teams compete ruthlessly through technological development. HORIBA's MEXA Series performs brilliantly as an indispensable instrument for developing extremely powerful engines that do not waste even the smallest amount of energy.

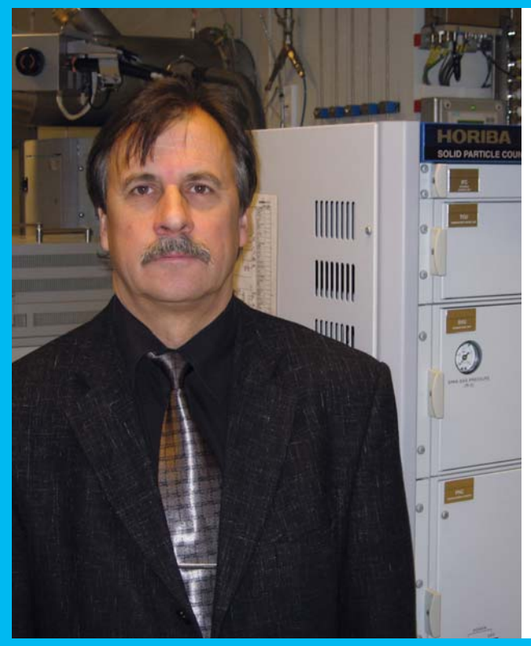
Topic 2

Your own vehicle might also have a date with MEXA.

Vehicles cannot be shipped without first undergoing an emissions test by the automaker. Because MEXA Series commands 80 percent share of the global market for emissions analyzers, it is easy enough to realize that 80 percent of the vehicles in the world have undergone emissions testing with a MEXA system. Although one rarely has the opportunity to see a MEXA system, we are actually making an active contribution to your daily life.

Customer Interviews

Customers using the MEXA-7000 system discuss the precise role this system is playing and their expectations for the future.



Marking 40 Years of Mutual Trust

Sven Jacobsson
Director of Powertrain Laboratories, Volvo Car Corporation

HORIBA has been one of Volvo's most reliable partners for almost 4 decades. Volvo has installed a diverse range of HORIBA products, some of which have been in regular use for the past 25 years.

Volvo Car Corporation takes pride in its history of being at the front edge of developing clean cars, an initiative that has required accurate and reliable analytics. We were one of the first to start using the MEXA-7000 when it was introduced. This technically advanced system, together with HORIBA's guidance and consultations on best practice solutions have been vital to the development of our Partial Zero-Emissions Vehicles (PZEV).

The automotive industry is facing great challenges in the upcoming decade. We expect HORIBA to not only continue leading the development of emission analytics but also to increase its focus on engine development tools and automation.

Our collaboration and good relations with HORIBA are of great importance to Volvo. We would like to continue working with HORIBA to achieve our goals of developing premium cars and improve the global environment.

An Environmental Contribution Rate of 80 percent

Yuichi Goto
Director, Environment Research Department, National Traffic Safety and Environment Laboratory

At the Environment Research Department, we are helping to improve and maintain the global environment by conducting research and testing that is directly linked to national policy in order to conserve energy resources and respond to diversification and by preparing draft technical standards—both domestic and international—for automobile technology. Measuring emissions carries a very high weighting in our work. The MEXA-7000 system is reliable, as the same value is obtained no matter how many times a measurement is made, and this is only to be expected. I believe the MEXA-7000 system's environmental contribution ratio is very high, although indirect. With 80% of the global market, the MEXA unit is surely making a worthy contribution. In the field of automotive emissions analysis, HORIBA continuously produces very good products. Although their products are high-priced, I expect HORIBA to continue to quickly produce high-quality products that meet the needs of the times.

The HORIBA Group's CSR Promotion System

To meet its corporate social responsibility (CSR), a company must appropriately assume the corporate role requested of it by society, fulfill its responsibilities, and earn the trust of the public. We aim to continue enhancing HORIBA's brand value and providing society with improved products and services. This, our CSR initiative, is tied to our response to environmental issues and our contribution to local communities. We are proud of this effort and we remain dedicated to pursuing our business activities.

The HORIBA Group CSR Policy and Lead Issues for Fiscal 2008

Group CSR Policy: Promoting CSR activities through our operations

With our commitment to energy, human health, the environment, and safety, we are pursuing corporate initiatives that contribute to the goal of "a life of content for all."

Lead Issues

- Improve total quality and raise awareness of safety, ethical standards, and compliance.
- Increase security.
- Pursue symbiosis with local communities, promote a system of collaboration with external organizations, and contribute to local communities.

HORIBA's CSR Initiatives

HORIBA products and services are applicable to a variety of domains and support our modern way of life. Many HORIBA products are used in numerous industries where they contribute to the key issues of energy, human health, the environment, and safety. We provide boiler combustion gas monitors that are indispensable for thermal power plants; ultrapure water monitors; blood test devices that are used in hospitals and testing institutions; emissions analysis systems that have become the de facto world standard for the industry and have captured 80 percent of the global market; and systems of X-ray analytical instruments that satisfy the European Restriction of Hazardous Substances (WEEE & RoHS) directives. In this way, we are helping to achieve "a life of content for all."

In short, HORIBA's role is to provide high-performance products and high-added-value services that contribute to society, and these are the initiatives that are required in our approach to CSR.

By improving the HORIBA brand value and conducting our business with pride, we can engender trust and peace of mind among all HORIBA stakeholders including customers, owners (shareholders), investors, sales agents, employees, and assembly and material-supply partner companies. As sources of our "omoi," these goals contribute greatly to our vitality.

Corporate Governance

With the goal of implementing transparent business management and maximizing corporate value under our "Open & Fair" management principle, HORIBA is endeavoring to introduce a globally acceptable governance system by creating an organizational system capable of responding quickly to a changing business environment, offering improved monitoring of management, and ensuring a stronger compliance system. We also seek to establish a good relationship with all our stakeholders.

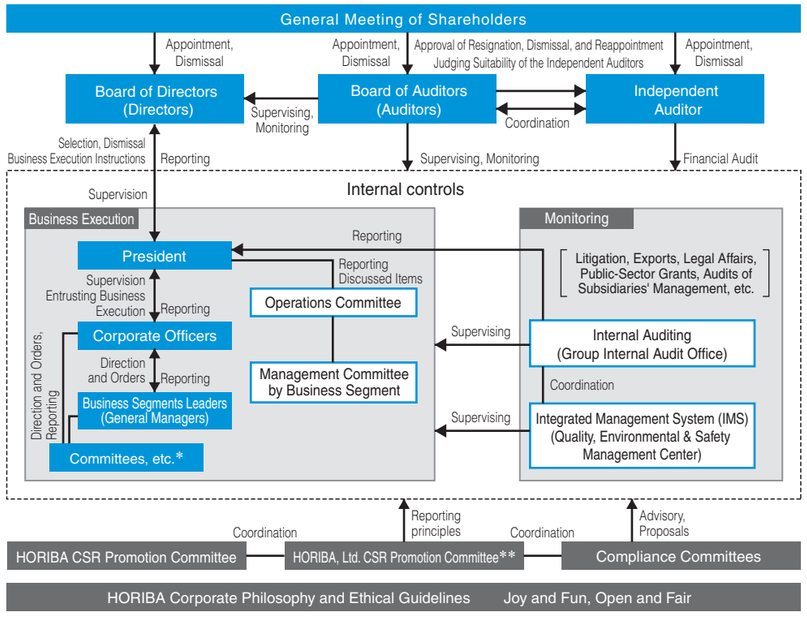
We make management decisions on important issues such as management policies and strategy at meetings of our board of directors (which comprise one external director and four internal directors). From the above decisions, our ten corporate officers undertake the operation of the business. For our auditing and monitoring system, we have established a board of auditors (comprising two external auditors and one internal auditor) and a Group Internal Audit Office that is under the direct control of the president and remains independent from other divisions. It conducts audits to determine whether each division is conducting itself in a fair and legal manner.

Internal Controls

Our internal controls are essential to our daily operations and to the achievement of our goals of fairness, transparency, and accountability. Under HORIBA's commitment to an "Open & Fair" management principle, we adopted a "policy of developing an internal control system" at our board of directors' meeting in May 2006. This system ensures that board members and employees conform to laws, regulations, and company statutes in their job performance. It also ensures that our work is appropriate and effective. We are promoting to improve our compliance systems, risk management systems, and other systems.

Subsequent to the enacting of the Japanese equivalent to the Sarbanes-Oxley Act of the U.S.A., we are committed to constructing a more effective and highly reliable financial reporting system. Consequently, we are now improving our internal controls and ensuring compliance in financial reporting. With the adoption of internal controls based on documentation systems, we contribute to improved labor efficiency by promoting visualization of work.

Corporate Governance Structure Chart



* Committees, etc. refer to committees and conferences that are established and registered based on the "Regulations concerning conferences and committees," such as the Promotion Committee for Management of Business with Public Subsidies and the Safety and Health Committee.

** The CSR Promotion Committee decides on the CSR Policy and priority measures and organizes CSR-related specific activities. In addition, it discusses and approves the issues and the measures concerning the promotion of risk management.

The CSR Promotion System

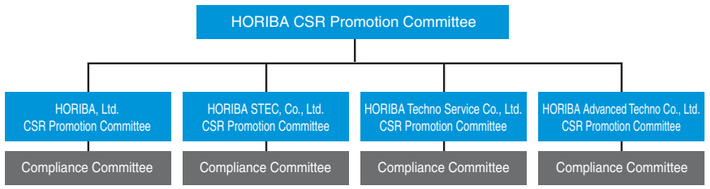
The concept behind HORIBA's CSR initiative is to fulfill our CSR through our business operations. Moreover, our stakeholders now expect more from us. We contribute to society in order to fulfill the role expected of us as a corporate citizen. It is important that HORIBA's significant awareness of and initiatives to support CSR become well known by our stakeholders through our actions.

The HORIBA Group formed the HORIBA CSR Promotion Committee in April 2005; it is currently engaged in CSR initiatives with the full-fledged support of the Group companies.

This committee meets every six months, bringing together the directors in charge of CSR at HORIBA STEC, Co., Ltd.; HORIBA Advanced Techno Co., Ltd.; and HORIBA Techno Service Co., Ltd. under the chairmanship of Kozo Ishida Dr. Eng., Executive Vice President of HORIBA, Ltd. They determine the CSR policies and priority challenges for all Group companies. The members of this committee deliberate the details and approve issues in this committee, and seek to reflect the results of the meeting in their workplaces through their respective CSR Promotion Committees.

The member companies convene their committees every three months and prepare reports on the results of detailed surveys of specific initiatives targeting issues determined by the HORIBA CSR Promotion Committee. Reports are also prepared for social initiatives such as those focused on education, the environment, and local community.

● HORIBA CSR Promotion System



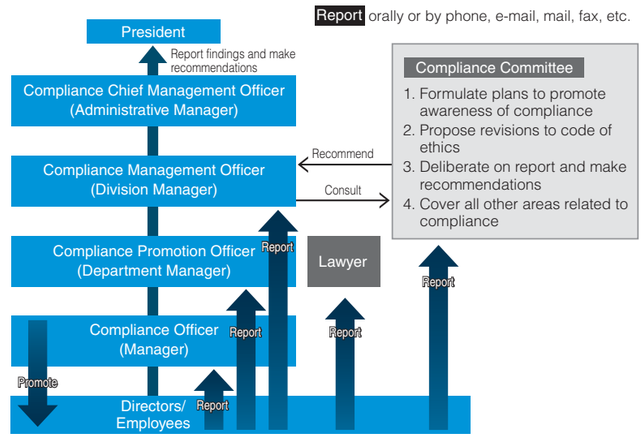
Compliance Promotion System

Companies and employees that have been involved in criminal activity or scandals are currently drawing the ire of the public. Clearly, raising employee awareness of, and compliance with laws, ordinances, and regulations is important for promoting fair trade and business operations. To improve the value of the HORIBA brand and operate as a global company, we have established a distinctive system that ensures stronger compliance to the laws, regulations, and social norms of all countries in which we operate. We also promote risk management across the entire HORIBA Group, thereby avoiding risk exposure and ensuring a rapid and appropriate response in circumstances where risk is unavoidable.

At HORIBA, we established our Compliance Committee to discuss relevant matters and inquire, report, and make recommendations in response to instances of whistle-blowing. This committee promotes a better understanding of compliance issues and effective risk management.

We established the HORIBA Corporate Philosophy, our Compliance Management Provisions, and our Code of Ethics to enhance our systems related to compliance. We also introduced an internal reporting system that encompasses prevention, early detection, and correction of illegal acts. We will continue to improve employee awareness and observance of laws and regulations by establishing a lawyer consultation service and an internal e-mail reporting system.

● Compliance Promotion System



Risk Management

Managing risk is a major challenge for every company, as risk factors can impede goal achievement within an organization. When an incident or accident occurs that impacts a company's operations and causes the company to fall behind its objectives, the cost and the labor required to deal with it can be enormous, particularly if the company is slow to respond. In such cases, the critical factor in a successful crisis management approach is a well-focused initial response based on sound information.

In Japanese corporate law, initiatives such as risk management systems are determined at the board of directors' meeting, and the board members or directors must manage such systems. At HORIBA, we adopted our Group Risk Management Regulations in August 2007 to strengthen our risk management system.

We created major classifications of risks to operations, risks to development and manufacturing, risks to sales, and risks to financial affairs. We stipulated a management system for addressing these risks and a responsibility system that will manage crisis situations whenever they occur.

The HORIBA CSR Promotion Committee undertakes the responsibility of discussing and approving the tasks required to promote risk management and risk countermeasures. We maintain a system for implementing precise, responsible actions whenever we face a challenge. Moreover, we provide periodic awareness campaigns and training programs so that all employees of the HORIBA Group—from top management to the responsible personnel—remain fully aware of their specific responsibilities.

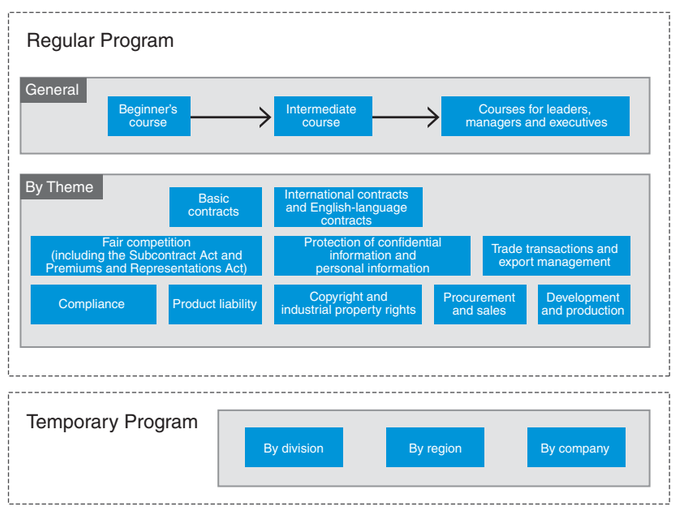
Legal Training

Many business operations are closely linked to laws, and it is important that each employee nurture an awareness of the law in order to prevent any legal problem from arising. We must discipline ourselves through our own initiative by acquiring adequate legal knowledge of the rules of market competition, and applying this knowledge wisely and strategically.

We provide legal training to assist employee acquisition of an awareness of the law and the necessary legal knowledge required for their level of business operations.

We offer two programs to cultivate legal awareness and provide the general legal knowledge required by the employees of our Group companies for day-to-day operations. The regular program comprises the general course, which is held continuously, as well as courses on specific themes. The temporary program includes three courses: courses for 1) divisions and 2) regions that are given on request from various divisions and communities; and courses for specific companies that are held by the Group companies.

● Legal Training System



Quality Improvement Initiatives

We have implemented the following three stages for quality assurance of HORIBA products: 1) planning, development, and product design; 2) procurement and production; and 3) installation and after-sales service.

Design reviews are one of our important control functions for ensuring product quality under item 1 above. Reliability evaluation tests on key components contribute to improved product quality under item 2. Moreover, we promote quality assurance initiatives in concert with all Group companies so that our worldwide customers may take full advantage of the benefits or our high-reliability and high-quality at all times in all markets. Through this approach, the HORIBA Group has established a comprehensive quality assurance system.

1 Design review

2 Quality slogan
"We focus on quality with conviction, enthusiasm and professionalism"

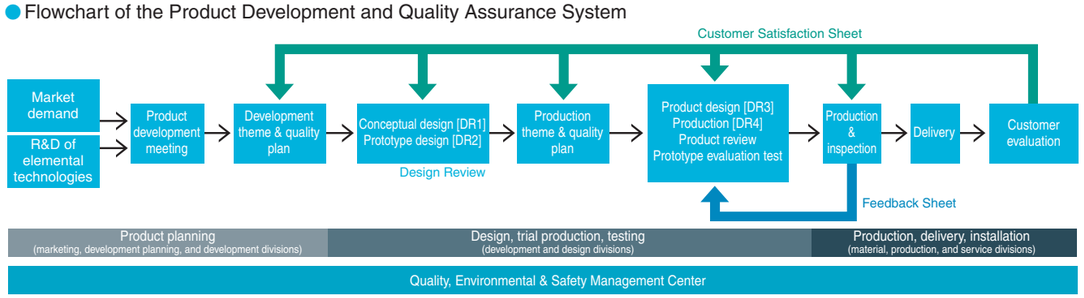
Design Review Project

As part of our effort to establish a corporate foundation for ¥200 billion in annual sales, we inaugurated a Design Review Project in April. The project's goal is to improve quality to the level at which customer recognition of the HORIBA brand is grounded in widespread awareness of HORIBA quality. For our Design Review Project, we planned product flow extending from the planning, development, and design process through to production of new products. Our veteran employees have taken a particular interest in participating in product development, contributing their ideas to improve product quality and also passing along their many years of experience, thereby nurturing a manufacturing culture and philosophy among the younger employees who will lead HORIBA into the next era. Employees who have more than 20 years of R&D experience are submitting recommendations and asking questions that will pass along their valuable experience. The first new step in reviewing the product development process is to make a positive improvement by incorporating HORIBA's "invisible values" in future products. 1

Quality Month

The HORIBA Group has selected November as Quality Month. In fiscal 2007, all employees of the Group undertook their individual improvement initiatives under the slogan, "Global No.1 Quality by One Company." Employees were solicited for ideas such as quality badges, posters and slogans, to raise everyone's awareness of quality. Group companies in Japan and associated companies competed to devise unique improvement initiatives. A presentation was held to unify our quality "omoi." Following up, we informed Group companies outside Japan about the motivation behind Quality Month and its goal to achieve the Global No.1 Quality in the next fiscal year. 2

● Flowchart of the Product Development and Quality Assurance System



P.Q.I. (Product Quality Improvement)

The HORIBA Group aspiration is to become a Global No.1 company by implementing "One Company" management. Quality is clearly one key attribute of a Global No.1, and we acknowledge that quality improvement is a most important initiative. At the HORIBA Group, we've created the Blackjack Project* as a foundation for all our activities—including our management, operations and initiatives—and have adopted it as the HORIBA style of management.

HORIBA has an 18-year history of holding quality control (QC) circles as a quality improvement initiative for production, and its continued QC circle activity has led to many positive achievements. Nonetheless, with our "omoi" to emphasize improving quality earlier during the development stage, as opposed to only improving quality during production, we undertook a review of our internal QC circle initiatives. In 2006, the QC circle was integrated as an initiative of the Blackjack Project to stimulate growth through innovation. Our technology and methods are being integrated into the Blackjack Project as a consolidation of the expertise to be passed on to future generations.

The culture of the Blackjack Project continues to grow, evolve, and develop without limit. It is starting to expand into a means of comprehensive reform. This initiative was first addressed in 2006 and was launched in 2007 as the P.Q.I. (Product Quality Improvement) initiative, which focuses on improving the quality of products and services by returning once again to the production site, the very starting point of manufacturing.

We remain committed to maintaining quality awareness and focusing on quality at all times, and we shall strive to promote quality improvements and reforms while enhancing maintenance. We believe that the missions of our P.Q.I. initiative are to focus our spirit and efforts on our products and technologies and to deliver the highest quality products to our customers and society as a whole. 1 2 3

* This project, which marked its 10th anniversary in 2007, comprises reform initiatives targeting employee awareness and behavior. We are extending this project to all HORIBA Group companies worldwide so it may be incorporated into the foundation for every business. Not limited to engendering improvements or reforms, this project fosters morale, develops our human resources, and energizes the organization through our HORIBA-style management.

1 Announcement of results of initiatives in November P.Q.I. Competition introduced.

2 Commendation for a team recognized for its superior initiatives in the P.Q.I. Competition

3 P.Q.I. study group

1 Quality Engineering Group Study

2 Opening of the joint presentations of the QC Circle, Kinki Branch

3 Automotive product training session

4 World Service Conference

Quality Improvement Initiatives Implemented within Each Group Company and Regional Businesses

The HORIBA Group companies in Japan periodically hold study groups for applying quality engineering to solutions for technical challenges. We have been holding monthly meetings since September. Beginning with an outline of quality engineering, each Group company introduces case studies or examinations and seeks solutions from the group study. We also participate in joint symposiums of study groups in the Kansai region. Participants with many diverse perspectives—some face technical challenges that require solutions, others seek to acquire techniques, while others face difficulty with an application of a technique—come together, submit their challenges, debate methods of evaluation, experimentation, and analysis, and seek the best strategy for solution. These efforts clearly lead to improved quality.

HORIBA STEC, Co., Ltd. provided the site for the QC Circle Kinki branch joint presentations and over 30 participants visited the company. During the convention, the sales department provided tours of the factory and described our products.

According to one participant, “It was a good opportunity for understanding the real conditions contributing to problems faced by other enterprises and for finding ways of advancing circle activities. I’d like to employ what I’ve gained here at my own company.”

Going forward, the HORIBA Group will promote more quality exchanges with local enterprises to exchange ideas and share quality improvement initiatives that transcend specific industries. 1 2

Automotive Product Training Session

HORIBA Techno Service Co., Ltd. has introduced training facilities and videoconferencing systems to study new technologies, new products, and new regulations. The goal of this effort is to ensure the readiness and reliability of service. Classes starting with basic principles and other topics are conducted in advance by video study and videoconferencing, followed by practical hands-on training using real machines at the head office and adjoining main factory. Following the training, we hold skill certification tests for certifying the skills of all service engineers. We are also investing in safety training and technological strengths as we continue to improve the quality of our service, including its safety aspects. This increased focus on safety and training is necessary because we recently introduced dynamometers and brake testing systems into our total system product offerings which supplement our conventional emission measurement systems. 3

World Service Conference

The service managers from all HORIBA Group companies participated in our 11th World Service Conference, which was held from October 24 to 26 at the Kyoto Office of HORIBA Techno Service Co., Ltd. Nine participants hailed from outside Japan, while an additional two were employees of HORIBA Techno Service Co., Ltd. but reside overseas. Following reports from the various service divisions on their activities and status, members from each Systems Division of HORIBA, Ltd. addressed topics regarding the timely resolution of problems arising during service and processes for introducing new systems. We aim to improve the quality of our global service through this exchange of ideas and by sharing information. This conference is held semiannually inside and outside Japan on a rotating basis. The 2008 meeting is scheduled to be held in France. 4

TOPICS In Focus

HORIBA STEC, Co., Ltd. Wins Lam Supplier Excellence Awards

On March 14, American Lam Research, the world’s leading manufacturer of semiconductor etching devices, presented HORIBA STEC, Co., Ltd. with the Lam Supplier Excellence Award.

Following a comprehensive evaluation of five criteria—delivery, cost, quality, support and flexibility—six companies were selected from more than 100 main suppliers. For delivery, HORIBA STEC, Co., Ltd. was rated at the top of its class at 99%, while it also received a high rating for quality and its excellent technology. The evaluation also included a rating of “good” for cost. In the support category it won for the unified strengths of the Kyoto head office, the Aso Factory of HORIBA STEC, Co., Ltd., and HORIBA/STEC Incorporated (U.S.) as well as the daily support provided by the various HORIBA Group locations. Receiving this award has further raised the value of the HORIBA brand in the semiconductor industry.

Environmental Initiatives

HORIBA provides society with a wide array of analysis and measurement devices as well as peripheral equipment capable of measuring the Earth’s environment. Our objective is “to create an eco-friendly production system while responding to customer needs with products and services.” In line with our efforts to ensure full compliance and fulfill our social responsibility, we are attempting to develop “green products” designed with consideration for the entire product life cycle. Moreover, with supplier cooperation, we are steadily working to conserve energy and resources in our production processes as well. Notably, in light of our employee concerns about environmental issues, many of them are actively engaged in planning voluntary environmental initiatives such as cleaning and collecting trash from the riverbanks and areas around the company grounds, delivering environmental lectures to elementary and middle schools, and participating in eco events promoted through government campaigns.

1 Trend in Number of Environmental Complaints

	Fiscal 2005	Fiscal 2006	Fiscal 2007
Environmental complaints	0	0	0

2 Trend in Measurement and Monitoring Conditions (number of exceedances of legal standards)

	Fiscal 2005	Fiscal 2006	Fiscal 2007
Factory effluent	0	0	0
Toxins in atmosphere	0	0	0

3 Providing continuous monitoring, this pH meter represents part of our comprehensive total drainage management monitoring system.

Environmental Compliance

Since receiving ISO 14001 certification of registration, the international standard for environmental management systems, in 1997, we have been making a greater effort to comply with laws and ordinances. As a result, we are proud that we have had no violations to date. As well, we are making an effort to minimize the effect on the neighborhood from the noise that arises occasionally when vehicles enter and leave our premises. In the future, we will promote a system that will reduce the potential risk of accidents while continuing to monitor with our own measurement technology. 1 2

For specific numerical values, please refer to the data presented at the end of this publication.

Controlling Environmental Pollution

At HORIBA, we undertake effluent control in accord with our strict voluntary management standards, which are more stringent than those of the Sewerage Law and the ordinances of the Kyoto City Sewerage Bureau. To meet these standards and prevent the release of effluent from laboratories and factories that exceed our voluntary standards, we have installed a buffer tank at the final drainage container and have implemented around-the-clock automatic surveillance of the wastewater channel and the integrated drainage tank with a comprehensive total monitoring system. In this way, we can undertake a rapid response to any abnormal event.

To conduct even more effective monitoring, we have installed pH meters on washstands, thus employing pH measurement technology, an innovation from HORIBA’s early days. We undertook this initiative in order to monitor any abnormality in effluent from washstands discharging into headwaters, which are connected to our factory effluent. This feature was designed by a young engineer who had been with our company for only two years, and it has served to make the engineer even more aware of the environment. 3

Responding to Emergencies in Our Semiconductor Clean Room

HORIBA maintains a small-scale clean room for developing and manufacturing semiconductors. In our facility, we work with gases and chemicals that are indispensable to the semiconductor manufacturing process. For this reason, every six months we implement an emergency response drill in preparation for the risk of a one-in-a-million accident. For every drill, we alter our suppositions for the imagined accident, and by actually taking the steps outlined in our manuals, we are able to determine whether our response is appropriate. Following the drill, all participants review training content to determine where improvements can be made; we then respond quickly to improve any deficiencies. For the training drill that we carried out in July, we adopted the simulation of an ammonia gas leak. We revealed that room for improvement exists in our roll-call method for people in the affected room and in the training of employees who are temporarily in the room. Consequently, we are implementing changes where necessary.

Environmental Initiatives

Integrated Management System Accounting (Environmental)

Our environmental accounting, focused on environmental items, has been unified with the approach of integrated management system accounting (environmental), which incorporates both quality and occupational health and safety costs.

Initiatives Adopted under Integrated Management System Accounting (Environmental)

This report has included environmental accounting starting with the fiscal 2001 edition. Since adopting the integrated management system (and starting with the fiscal 2006 edition of this report), we have used integrated management system accounting (environment) procedures that incorporate quality and occupational health and safety costs.

At all times all our employees seek to remain aware of costs and stay focused on daily improvement initiatives with an ownership mindset.

Scope of accounting: Head office and adjoining main factory, 11 sales offices, 24 service stations
Accounting period: January 1–December 31, 2007

Environmental, Safety, and Quality Assurance Costs (by business activity)

(Millions of yen)

Environmental Protection Costs (by business activity)							Economic Effect (internal)	
Category		Key Actions	Amount Invested	Total Cost	Total	Year-on-year Comparison (%)	Benefits of Amount	Remarks
(1) Business Area			30.1	64.4	94.4	85.5	108.4	
Details	1. Cost of pollution prevention	Maintained existing exhaust and drainage facilities; provided regular and preventive maintenance	1.0	8.1	9.1	90.7	8.1	Power-saving in facilities, effective operational benefits
Details	2. Cost of global environmental protection	Switchover of all air conditioners from electricity to gas, promoted switchover to energy-efficient facilities, and other initiatives	29.1	11.5	40.6	133.8	27.4	Conversion to energy-efficient facilities, modification of equipment, effect of electricity conservation
Details	3. Cost of resource circulation	Reduced waste and promoted zero emissions	0.0	44.7	44.7	63.8	72.9	Promotion of refuse sorting and reduced waste disposal
(2) Upstream/downstream cost		Promoted green purchasing, and collection and reuse of used products	10.1	1.2	11.3	85.3	22.7	Promotion of green purchasing and reuse of collected used products
(3) Administration cost		Improved EMS efficiency and promoted eco-training and other initiatives	0.0	98.5	98.5	93.1	1.0	Benefit of environmental advertisements, etc.
(4) R&D cost		Promoted design for environment, the lead-free initiative, and other initiatives	63.0	913.3	976.3	142.5	1,032.3	Expansion of eco-friendly products, contribution to increased operating income ratio
(5) Cost of social activities		Actively promoted awareness-raising activities related to environmental technology and other initiatives	0.0	26.7	26.7	70.3	0.0	Support of environmental improvement, promotion of enlightenment initiatives
(6) Cost of environmental remediation		Not applicable	0.0	0.0	0.0	0.0	0.0	Not applicable
Total cost of environmental initiatives			103.2	1,104.0	1,207.2	126.8	1,164.4	
(7)	Cost of occupational health & safety management	Health checkups, occupational health & safety training and supervision, and other initiatives	0.0	56.5	56.5	138.1		
(7)	Cost of occupational health & safety preventive maintenance	Process safety, improvement of work environs, facility maintenance, and other initiatives	2.1	6.8	8.9	105.6		
(7)	Cost of SMS (OSAS) operational management activities	Operational management of occupational safety management system	0.0	30.1	30.1	75.6		
(7)	Total cost of occupational health & safety initiatives		2.1	93.4	95.5	107.1		
(8)	Cost of quality management, maintenance and improvement initiatives	Quality management and improvement and awareness-raising campaigns	0.0	10.9	10.9	69.1		
(8)	Cost of QMS operational management initiatives	Operational management initiatives of the quality management system	0.0	20.7	20.7	91.5		
(8)	Cost of quality improvement research initiatives	Research initiatives for quality improvement and productivity improvement	0.0	12.2	12.2	59.9		
(8)	Total cost of quality improvement initiatives		0.0	43.8	43.8	74.5		
Grand total cost of IMS initiatives			105.3	1,241.2	1,346.5	122.4		

Environmental Protection Benefits

Environmental Protection Benefits					
Category	Environmental Performance Indicator	FY2006 (standard)	FY2007	Difference from Standard (environmental protection benefits)	
Benefits in terms of resources invested	Total energy input (GJ)	138,104	145,826	7,722	*
	Power consumption (GJ)	110,494	114,902	4,408	*
	City gas consumption (GJ) (normal circumstances)	18,982	20,704	1,722	*
	Fuel (diesel, kerosene, gasoline) (GJ)	8,628	10,219	1,591	*
	Core production elements input (t) (iron, SUS, aluminum, glass, copper)	829.5	852.6	23.1	
	Lead solder input (t)	1.9	0.3	△1.6	
	Recycled resource input (t), OA paper, packaging materials (cardboard, wood, polystyrene)	350.1	373.8	23.7	
	Water input (km^3)	45	42	△3	
	Groundwater input (km^3)	12	13	1	
	City water input (km^3)	33	30	△3	
Benefits in terms of environmental impact and waste	Greenhouse gas total emissions (t-CO_2)	5,859	6,201	342	**
	Greenhouse gas emissions through electric energy consumption (t-CO_2)	4,279	4,450	171	**
	Greenhouse gas emissions through city gas consumption (t-CO_2)	974	1,063	89	**
	Greenhouse gas emissions through fuel consumption (t-CO_2)	578	686	108	**
	Total waste generated (t)	187.5	204.8	17.3	
	Final waste at landfill (t)	1.6	1.2	△0.4	***
	Total water drained (km^3)	44	42	△2	
	Water quality (BOD/COD) (mg/L)	Outside scope	Outside scope	—	
	NOx, SOx emissions (t)	N/A	N/A	—	
	Malodor (max. density) (mg/L)	N/A	N/A	—	

Environmental Protection Benefits					
Category	Environmental Performance Indicator	FY2006 (standard)	FY2007	Difference from Standard (environmental protection benefits)	
Benefits in terms of goods and services generated	Energy consumption during operation (GJ) (Total of eco-friendly energy-saving products)	48,159	58,480	10,321	*
	Greenhouse gas emissions during operation (t-CO_2) (Total of eco-friendly energy-saving products)	1,865	2,265	400	**
	Hazardous substances emitted during disposal of used products and recycling of containers and packaging (t)	7	9	2	
	Amount of used products, containers and packaging recycled (t)	8	2	△6	
	Amount of product packing materials used (t)	302	341	39	
Other benefits	Greenhouse gas emissions from transporting products via charter flights (t-CO_2)	507	505	△2	**
	Product transport distance via charter flights (thousands of km)	1,213	1,191	△22	
	Soil contamination (m^2)	N/A	N/A	—	
	Noise (dB) at night	53	53	0	
	Vibration (dB) in evening	30	30	0	

* GJ (gigajoule):
converted and calculated at 0.00976 GJ/kWh (from the April 1, 2006 public notification of the Energy Conservation Center)

** t-CO_2:
converted and calculated at 0.000378 t-CO_2/kWh (from the ordinances of the Kyoto City Global Warming Provision Section)

*** From head office and adjoining main factory only

Economic Benefits from Environmental Protection Activities

(Millions of yen)

Economic Benefits from Environmental Protection Activities (substantial benefits)		
	Effect	Amount
Profit	Gain on sale of recycled waste: amount of metals, oils, electric wires, rare metals, etc. sold (5,854 kg)	1.4
Profit	Gain on sale of recycled products: 33 units	71.7
Cost reduction	Reduction in processing fees from achievement of zero emissions	5.2
Cost reduction	Reduction in disposal costs associated with pre-recycling (paper & cardboard): amount recycled (6.8 t) Reduced disposal costs + cost control in purchases of cushioning materials	0.7
Total		79.0

Environmental Accounting Standards

1) The standard year (fiscal 2006: nine-month accounting term) used for comparison of performance has been converted to the same number of months of operation as apply to fiscal 2007.
2) Investment/expenditure classification: based on financial accounting standards
3) Costs: includes personnel, management and R&D expenses (excl. depreciation)
   i) Personnel costs: average labor costs × no. hrs environmental protection activities
   ii) R&D costs: R&D costs for products used in environmental applications (materials & labor costs) + research costs for promoting environmental activities
   iii) R&D economic benefit: contribution of eco-friendly products to operating income
4) Based on Environmental Accounting Guidelines by the Ministry of the Environment (Fiscal 2005 version)

Analysis of Aggregate Results for Fiscal 2007

Environmental protection costs decreased by 36.2% on a year-on-year basis due to the elimination of the resource recycling cost as a result of investment in the zero emissions initiative. Consequently, although the cost of global environmental protection within our business domain increased as a result of replacing air conditioning equipment, it decreased overall by 14.5% from the same period a year earlier. R&D costs increased year-on-year by 42.5% from the purchase of relatively expensive equipment for product development. In the area of occupational health and safety management, costs rose by 38.1% year-on-year from the addition of administrative personnel. As for efficiency, we were able to reduce our waste treatment and disposal expenses by ¥5.2 million year-on-year as a result of improving our sorting and output methods within our zero-emission initiative. However, each environmental performance index has shown a tendency toward an overall increase as a result of the influence of increased sales.

Results of Index Analysis and Future Challenges

As a business involved in producing analysis and test systems, we must apply a relatively high proportion of our research and development costs to environmental protection. This tendency continued in fiscal 2007, with 45.1% allocated to this area.

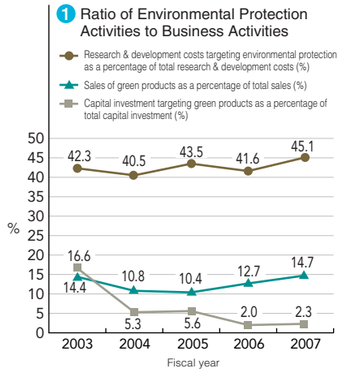
Green products accounted for 14.7% of sales, a figure that is steadily increasing.

The decrease in the proportion of our capital investment targeted at environmental objectives is due to the influence of a large investment in the new Enterprise Resource Planning (ERP) system.

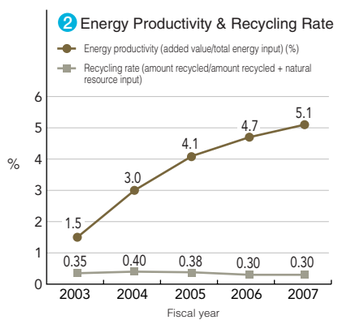
Our energy productivity indicates a stable improvement trend in fiscal 2007. Considering the increase in our business volume company-wide, this result is clearly an indication that our energy conservation efforts are bearing fruit.

Going forward, we have identified our major challenge as the need to devise ways of minimizing this increase in our absolute environmental impact. Each employee must have “omoi” for the environment and adopt an ownership mindset to devise ways of taking cumulative steps, no matter how small, that will address this formidable challenge. 1 2

1 Ratio of Environmental Protection Activities to Business Activities



2 Energy Productivity & Recycling Rate



Environmental Initiatives

Balancing Environmental Impacts

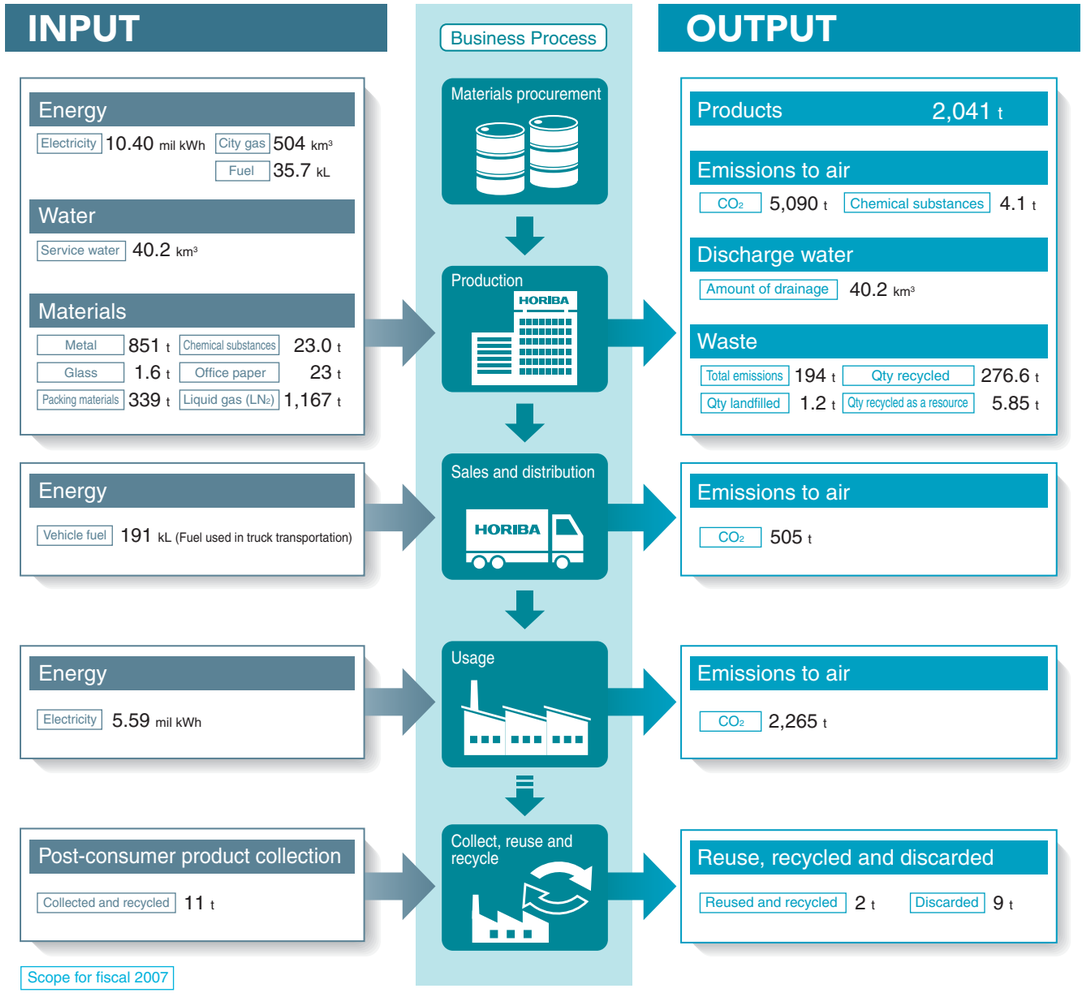
This illustration summarizes our resource inputs and outputs at the stages of production, distribution, and usage in fiscal 2007. This exercise helps us to determine specific numerical values and reduce our environmental impacts.

Materials in Balance: Determining the Full Extent of Environmental Impacts

The flow chart below is a representation of the overall picture of our environmental impact for fiscal 2007. It encompasses HORIBA's situation regarding inputs—such as resources and energy—and outputs to the environment. While keeping this image in mind, we are striving to add even greater value with the goal of achieving an optimal total with an even smaller environmental impact. Having begun with energy-conservation and resource-saving initiatives in the production process, we are now pursuing initiatives such as product development that considers the entire product life cycle as well as modal shifts in product transport.

Looking to the future, we will strive to achieve further reductions through a comprehensive understanding of the entire environmental impact of the HORIBA Group and its affiliated companies.

● Material Flow Chart for Fiscal 2007 to Determine Environmental Impacts



Head office and adjoining main factory only. Domestic non-producing locations are excluded.

Environmental Initiatives

Reducing the Environmental Impact of Our Products

As evidenced by the RoHS directive,* environmental laws and regulations are becoming more stringent worldwide and lead to increased demand for products that are more eco-friendly. At HORIBA, each of our divisions—including development, production, and distribution—is cooperating to offer our customers products with minimal environmental impact.

* A European directive outlining usage restrictions on toxic substances

The "Design for Environment" Process at HORIBA

In our goal to provide society with products designed with consideration for the entire product life cycle, our product development teams have adopted the "design for environment" approach. Products that satisfy our in-house standard are identified as green products and bear the HORIBA green label in our product catalogue. Going forward, we plan to extend our "design for environment" approach to products from other HORIBA Group companies situated outside Japan.

● HORIBA's green label and logo

Harmoniearth

● Evaluation Categories of Design for Environment

1. Lightness 2. Longevity 3. Ease of recycling 4. Ease of dismantling
5. Ease of processing 6. Environmental friendliness 7. Energy-saving
8. Information provision

Design for Environment of the LA-950V2 Laser Scattering Particle Size Distribution Analyzer

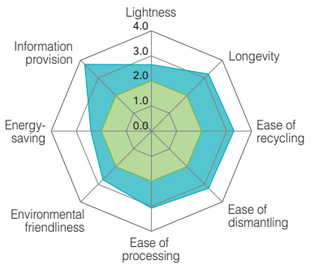
Particle size is an important parameter that affects the functionality of a wide array of products such as cosmetics, foodstuffs, and pharmaceuticals. We had been selling the LA-950 Laser Scattering Particle Size Distribution Analyzer, a versatile, high-efficiency unit capable of measuring particle size from nanometers to millimeters. In response to numerous customer requests, HORIBA, Ltd. has developed a new product, the Model LA-950V2, which adds eight custom specifications and eight pretreatment accessories to its product line. 1

This analyzer also features the "design for environment" approach and features a 26% weight reduction compared to our previous model, despite its being equipped with the same large, easy-to-use sample chamber of its predecessor.

In the global market, and especially in the U.S., we have earned a favorable reputation not only from customers but also from sales agents, thanks in part to the product's reduced weight. Of course, included with the weight reduction, we have ensured a long service life, ease of disassembly, and eco-friendly design. As can be seen in the assessment results, we were able to achieve a balanced improvement in greenness. 2

1 LA-950V2 Laser Scattering Particle Size Distribution Analyzer

2 Explanation of "Design for Environment"



At HORIBA, even before adopting the "design for environment" initiative, we have been addressing the development of eco-friendly, energy-conserving products. Please see page 25 for a list of products that bring about a CO_2 reduction benefit.

TOPICS In Focus

The Benefits of a Modal Shift*

In its role as the mainstay factory of the HORIBA Group, the Aso Factory of HORIBA STEC, Co., Ltd. has been manufacturing reagents for medical equipment since October 2005. In the spring of 2006, the company began utilizing 12-foot shipping containers equipped with jack-up intermediary floors for shipping reagents for medical equipment by rail between JR Kumamoto Station and Tokyo Freight Terminal Station. The origin of this initiative was the rail transport of analysis devices in vibration-proof containers, an investigation by Japan Freight Railway Company, CHUO EXPRESS CO., LTD., and HORIBA, Ltd.'s Supply Chain Management Center.

In comparison with truck transport, rail transport has 1/250th the accident rate and 1/8th the CO_2 emissions. By initiating rail transport as an eco-friendly initiative, we have not only reduced CO_2 emissions but also introduced renewable Eco Band straps and a side-protecting covering material.**

With the innovations applied to products shipped from the Aso Factory, items bearing the phrase "Made in Aso" are viewed as desirable. It is now possible to achieve not only environmental benefits but also improved product quality as a result of this modal shift.

* The conversion of truck transport to rail and marine transport modes for a reduced environmental impact

** A protective material that functions as a cushion to prevent damage from shock during transportation

Environmental Initiatives

Reducing Our Use of Chemical Substances

As a supplier of environmental measurement equipment, HORIBA cannot avoid the use of some chemical substances in the manufacture of our products. Moreover, as our production output has increased in recent years, we have had to increase the consumption of these chemical substances in our production lines. In response to this trend, we are taking steps to reduce our consumption of these chemicals, particularly those associated with high environmental risk.

Controlling the Use and Discharge of Chemical Substances:

585 kg consumed efficiently in fiscal 2007

We manage our chemicals in chemical storerooms and monitor the amount of each chemical consumed. Previously, this data was recorded on paper; in fiscal 2006, however, we introduced an initiative to centralize this monitoring system under the Chemical Engineering Committee. We are now able to search data on chemical monitoring via our corporate intranet and have established a system for exchanging chemical substances within the divisions of the company.

Initiatives to Reduce Hazardous Substances:

Consumption of lead solder significantly reduced

In parallel with the increase in our production output, we are implementing measures to reduce the content of hazardous substances in materials. Notably, we have substantially reduced the amount of lead solder we use through the lead-free initiative that we have been implementing for several years. ❶

Trend in Quantity of Chemical Substances Used in Production:

Stable consumption per unit of sales

The total amounts of chemical substances consumed in our production tend to increase as our sales rise; however, the consumption per unit of sales has remained stable. We intend to reduce our use of these chemical substances, particularly those that carry a high environmental risk. ❷

Implementing PRTR Monitoring:

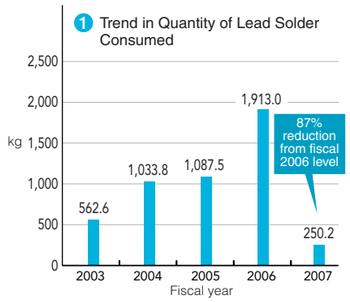
A dramatic reduction in consumption

The Pollutant Release and Transfer Register Law (PRTR Law)* specifies 354 Class 1 chemical substances. We monitor all chemicals that we consume in this category in quantities exceeding 1 gram/year. The accompanying figure shows our consumption of specified chemical substances consumed in quantities reaching or exceeding 10 kg/year. (The graph depicts our total consumption of 13 such chemicals.) In fiscal 2007, we significantly reduced our total consumption of these chemical substances, largely due to our efforts to minimize the use of lead solder.

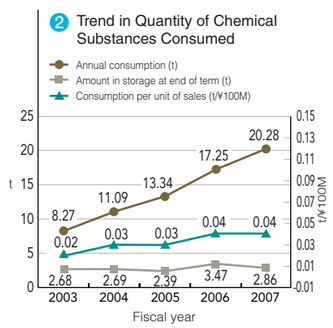
When our consumption of a specified substance reaches or exceeds one metric ton/year (0.5 metric tons/year in the case of specified Class 1 chemical substances), we must report this consumption under the terms of the PRTR Law; however, we do not currently use any such substances. ❸

* Law concerning Reporting, etc. of Releases to the Environment of Specific Chemical Substances and Promoting Improvements in Their Management

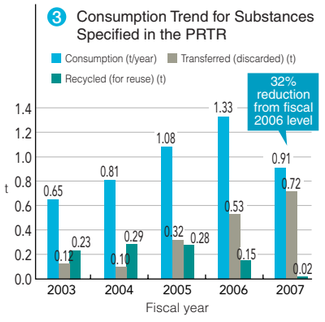
❶ Trend in Quantity of Lead Solder Consumed



❷ Trend in Quantity of Chemical Substances Consumed



❸ Consumption Trend for Substances Specified in the PRTR



Note: Data for fiscal 2006 reflects the nine-month fiscal period resulting from a change in our settlement term.

Environmental Initiatives

Energy Conservation

HORIBA is promoting energy conservation initiatives in our manufacturing processes and in our offices. At the same time, as we design and develop our products, we incorporate energy conservation measures throughout the product life cycle.

By minimizing the environmental impact of our products when they are used by our customers, we are helping to prevent global warming through all phases of our business operations.

Preventing Global Warming

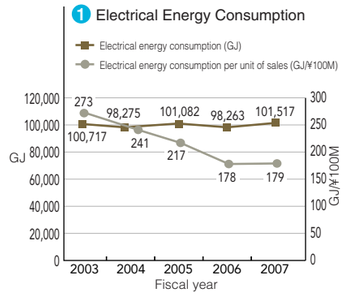
As an energy-saving measure in fiscal 2007, we stopped using the air conditioning systems in low-humidity rooms during evenings and holidays. In addition, our clean rooms were set to operate on timers during holidays, which achieved reductions of 31,000 kWh/year in electricity consumption and 37,200 m^3/year in natural gas consumption. Total CO_2 emissions increased slightly compared to fiscal 2006 levels, and emissions per unit of sales remained stable. In our assessment, these results can be attributed to the higher emissions from increased production output and weather conditions such as a heat wave, which overwhelmed our daily efforts to conserve energy. In fiscal 2008, with a goal to achieve an even better balance between electricity and gas, we will install energy-saving air conditioning equipment. In addition, we are actively participating in campaigns to help prevent global warming as advocated by Kyoto Prefecture and Kyoto City. In concert with the Lights Out Program, we turned off the lighting in our facilities at night. We are also encouraging our employees' family members to participate in the campaign to end global warming. ❶❷❸

Reducing CO_2 Emissions through the Development of Energy-Efficient Green Products

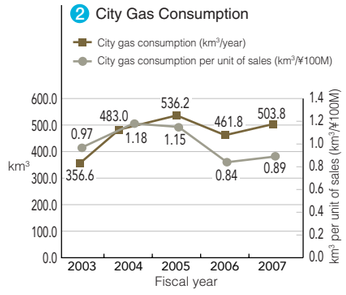
HORIBA provides global markets with a variety of environmental measurement products. In the belief that we should offer products that minimize our CO_2 emissions, we are focusing on the development of such products.

Having begun collecting data in 1999, fiscal 2007 marked our ninth year of collecting data. This data revealed that our total reduction in CO_2 emissions during this period (5,604 t) surpassed even HORIBA's annual CO_2 emissions (5,090 t). We are committed to continuing this successful initiative. ❸❹❺

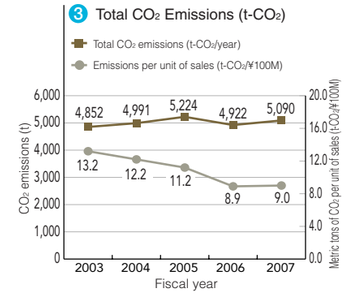
❶ Electrical Energy Consumption



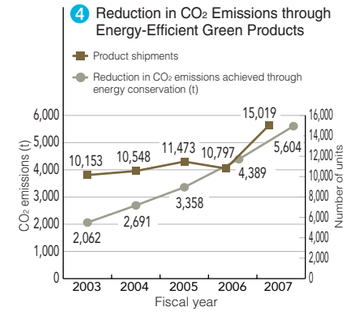
❷ City Gas Consumption



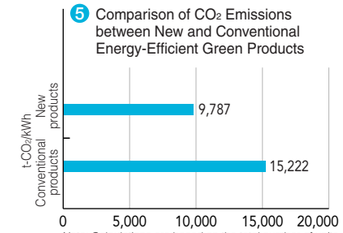
❸ Total CO_2 Emissions (t-CO_2)



❹ Reduction in CO_2 Emissions through Energy-Efficient Green Products



❺ Comparison of CO_2 Emissions between New and Conventional Energy-Efficient Green Products



Note: Calculations are based on the total number of units sold in the past nine years.

Note: The results for fiscal 2006 (a nine-month period resulting from a change in the settlement term) have been annualized.

Environmental Initiatives

Waste Reduction

The zero emissions system established in fiscal 2006 contributed to attaining our targets for fiscal 2007. HORIBA continues to focus employee awareness on further reductions in wasted resources.

Zero Emissions* Achieved on an Annual Basis

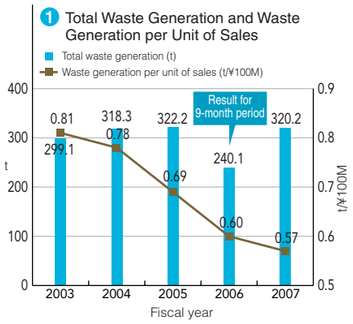
HORIBA established a zero emissions system in fiscal 2006; in the second half of that year, we achieved our targets. In fiscal 2007, we continued to implement the system, again successfully achieving zero emissions on an annual basis. New initiatives introduced in fiscal 2007 (see next paragraph) focused on a reduction of the risk inherent in the disposal of hazardous and harmful substances and on improving our sorting capability, in concert with the zero emissions activities of the Blackjack Project.** In fiscal 2008, we will continue to address the risk associated with disposal of hazardous and harmful substances; moreover, we will promote the zero emissions system at HORIBA STEC, Co., Ltd., one of our Group companies. ❶❷

*HORIBA's Definition of Zero Emissions
"The total amount of landfilled waste must not exceed 1 percent of total waste generation."

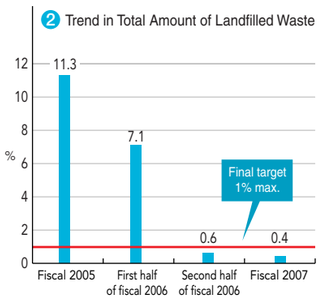
Total waste generation:
A generic term for waste discharged from all divisions because it is no longer required (including valuable resources, general waste and industrial waste)

Total amount of landfilled waste:
Total amount of waste landfilled after being processed for reuse, recycling, or intermediate treatment (including neutralization, change into non-hazardous substance, and incineration)

❶ Total Waste Generation and Waste Generation per Unit of Sales



❷ Trend in Total Amount of Landfilled Waste



Note: Data for fiscal 2006 reflects the nine-month fiscal period resulting from a change in our settlement term.

Mini Lectures

We seek to ensure that our employees raise their awareness of zero emissions at the worksite and the need to sort waste diligently, and that these behaviors become second nature. Therefore, as one theme of our Blackjack Project,** we recruit volunteer members from within our Group, regardless of the framework of our corporate organization, to conduct "mini lectures." For about five minutes during a morning or lunchtime meeting, employees give a lecture on a key point regarding sorting. We remain dedicated to reducing our overall generation of waste to maintain our zero emissions initiative. ❸

❸ Mini lectures

Study Visit to Waste Reduction Course

On August 23, in response to a request by the Kyoto City Waste Reduction Promotion Council, we organized a study visit to a waste reduction course at HORIBA, Ltd. We invited 28 visitors from outside the company and explained HORIBA's zero emissions initiatives and the Blackjack Project.** The participants gave us their impressions and voiced the opinion that HORIBA is conducting significant and ongoing activities. ❹

❹ Study visit to waste reduction course

** See page 17.

Occupational Health & Safety Initiatives

Believing in the need to practice prevention, HORIBA adopts an annual slogan and demonstrates a commitment to improving the systems and activities required for maintaining and promoting health care and assessing risk. We organize an Annual Health & Safety Control Plan, and under its annual slogan and annual targets, we methodically implement important practices such as workplace examinations and inspections, health and safety training, medical checkups and consultations. To increase the value of the HORIBA brand, we develop an annual plan common to Group companies in Japan. In combination with all Group companies in Japan, we are implementing aspects of the plan such as joint training and establishing a medical office for the Group. We intend to carry out a variety of activities so that we will be able to provide all HORIBA workers with a safe, healthy, and comfortable workplace.

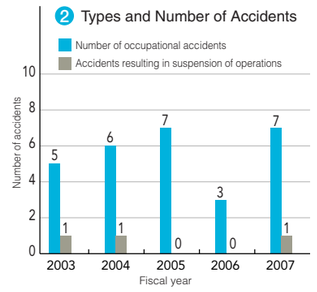
Annual Health & Safety Plan for 2007

Annual Slogan
Let's establish a safe, healthy, and pleasant workplace and make every effort to increase the value of the HORIBA brand.

Annual Targets
- ○ Maintain good health.
- ○ Reduce accidents by half and prevent accidents during commuting to ensure zero accidents leading to lost days of work.
- ○ Promote risk assessment.

❶ Industrial nurse and industrial physician

❷ Types and Number of Accidents



Note: Data for fiscal 2006 reflects the nine-month fiscal period resulting from a change in our settlement term.

Maintaining Good Health

On July 3, we opened a new medical office—our "Healthcare Room"—at the head office of HORIBA, Ltd. Recently, the trend in medical treatment has shifted from secondary prevention (early detection and early treatment) to primary prevention (preventive medicine and health care). This shift requires that we remain one step ahead as we implement health management for our employees. Accordingly, we established a medical office to provide services such as prevention of lifestyle-related illnesses and promotion of mental health. An in-house industrial physician and full-time industrial nurse work to support the health care of our employees. ❶

Reducing Accidents by Half and Ensuring Zero Commuting Accidents

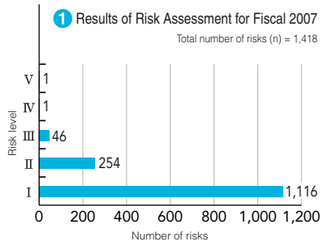
With the aim of creating a workplace free from occupational accidents and ensuring our employees can work free of anxiety, the HORIBA Group has established the goal of reducing occupational accidents by half and ensuring zero accidents related to commuting.

HORIBA Techno Service Co., Ltd. aims to ensure safe driving by employees, seeks to raise moral, and has established a system for awarding model driver commendations.

In addition, we have installed HIT-GS—a driving control system made by HORIBA ITECH Co., Ltd.—in all service vehicles that are used for maintenance work in order to control excess speed, rapid acceleration and deceleration, and long driving hours.

By not only issuing warnings for dangerous driving but by commending model drivers on a monthly basis, we are encouraging our employees to contend to become safer drivers with the goal of achieving zero traffic accidents. ❷

"Model driver"
Logo of commendation



2 Implementation of KYT

3 A fire-fighting team

4 Fire-fighting assistants of HORIBA Automotive Test Systems engaged in a fire drill

Promotion of Risk Assessments

In 2004, we achieved certification of OHSAS 18001 registration for occupational health & safety along with the implementation of our IMS.* As a result, we conduct annual risk assessments. Using data compiled from past accidents and close calls as our baseline, we assess a risk level on a scale ranging from Level I (low) to Level V (high) for the rate of accident occurrence, the frequency of exposure to risk, the accident severity, and the number of potential victims.

Soon after the introduction of risk assessments, we implemented risk reduction activities to attain our corporate targets. We did reveal Level V and Level IV risks. As a result, our risk assessment in fiscal 2006 revealed zero Level V and Level IV risks.

In our 2007 risk assessment review, we again revealed Level V and Level IV risks. We are committed to implementing risk reduction activities in order to achieve our corporate targets and are working to eradicate Level V and Level IV risks. 1

* See pages 30 and 31.

KYT Initiatives

About 260 employees of HORIBA Techno Service Co., Ltd. conduct maintenance services on a daily basis on the premises of customers who use HORIBA products. Because it is vital that we guarantee safety at the worksite, we are concentrating on prevention activities such as KYT (*kiken yochi** training) and KYM (*kiken yochi* meeting). These efforts have achieved good results.

We provide instruction to ensure that our service workers receive training during their day-to-day work, including safety instruction during their first six months with the company. Having made accident prevention a priority, we are carrying out KYT initiatives concerning close calls and risk assessment. 2

* Risk prediction

Our Fire-Fighting Teams

We organize our own fire-fighting teams comprising members chosen from among all Group companies in Japan. Our Group's own fire-fighting teams undergo daily training so that in an emergency, they can cooperate closely with fire stations and local residents, engage in relief work, and prevent disasters. In particular, at the head office districts of HORIBA, Ltd. and HORIBA STEC, Co., Ltd., and at the Aso Factory of HORIBA STEC, the members of the fire-fighting teams train in monthly practice sessions and intensive practice sessions held about a dozen times a year in order to improve their skills at operating indoor fire hydrants and fire extinguishers. They also demonstrate their daily training in general emergency drills, municipal fire drill meetings and joint drill meetings within our Group. Moreover, in order to raise employee awareness of fire prevention, our Group companies carry out annual general emergency drills and fire drills for new employees under the direction of members of the fire-fighting team. 3

Regular Fire Prevention Drills

Every three to five years, fire-fighting assistants from HORIBA Automotive Test Systems GmbH in Germany undergo training in practical fire protection in addition to their theoretical exercises. In the practical exercise, the fire-fighting assistants must learn how to use a fire extinguisher in case of emergency. After being instructed by a fire-fighting trainer, they extinguish a variety of dummy fires including a monitor, a wastebasket, and an engine, which are items one would normally encounter in the workplace. They learn not only how to use a fire extinguisher but also how dangerous different types of fires can be. Various types of aerosol cans as well as grease and the like in spray form can explode in the presence of a fire. The fire-fighting trainer showed how to extinguish such fires. In consideration of environmental protection and to simplify disposal of depleted fire extinguishers, they use carbonic acid drenchers*—the standard fire drencher used in Germany—in addition to regular fire extinguishers. 4

* Sprinklers for fighting fires

Health & Safety Patrol

In order to create a safe, healthy, and pleasant workplace, management personnel perform periodic health and safety patrols while industrial physicians and legally designated health supervisors perform regular inspections. 5

● Results of safety patrols in fiscal 2007

Inspector	Description	Frequency
Upper management (president or vice president)	Health & safety patrol	Quarterly
General health & safety supervisor	Health patrol	Annually
Health supervisor & safety supervisor	Regular inspection	Weekly
Industrial physician	Regular inspection	Monthly

General Lifesaving Course

The head office and Aso Factory of HORIBA STEC, Co., Ltd. are working to ensure that all their employees acquire lifesaving skills through a general lifesaving course so that they can provide first-aid to injured or ill individuals until an ambulance arrives. The course focuses on practical exercises such as cardiopulmonary resuscitation (comprising artificial respiration and heart massage), hemostasis methods, and the use of automated external defibrillators (AED),* an item that is widely available in train stations and public facilities. HORIBA has installed an AED in front of the canteen at the head office of HORIBA STEC, Co., Ltd. and at the entrance to the Aso Factory, two high-traffic locations. The head office and Aso Factory hold the general lifesaving course every year to ensure that each employee can appreciate the importance of lifesaving and that the greatest possible number of employees have a foundation of correct knowledge and understanding so that they are capable of heroic action when necessary. 6

* This medical device automatically analyzes an electrocardiogram of a sick or injured person under cardiopulmonary arrest. If defibrillation is required, it gives voice instruction on how to provide an electric shock. As of July 2004, anyone in Japan was permitted to operate such a device.

HORIBA has installed five AEDs in HORIBA, Ltd. and HORIBA STEC, Co., Ltd., and all HORIBA Group companies in Japan hold general lifesaving courses.

5 Health & safety patrol

6 General lifesaving course

TOPICS In Focus

Demonstrating the Knowledge and Skills Acquired in the General Lifesaving Course

Minoru Tsuda

Head of Relief Squad, Fire-Fighting Team
Administration Department, HORIBA, Ltd.

When the Administration Department reported that someone had collapsed on the premises, I rushed to the scene immediately. The person was unconscious and was under cardiopulmonary arrest. As I had learned at the in-house AED training course, I quickly dialed 119, ordered someone to prepare the AED, and performed cardiopulmonary resuscitation. As a result, the person began breathing again before the ambulance arrived and a life was saved.

HORIBA Group companies in Japan distribute badges to those who have taken the general lifesaving course (which includes training in operation of the AED). In emergency situations, we aim to work together and take immediate action by using this badge as a sign.

AED badge

● Number of participants in the in-house AED training course in the HORIBA Group in Japan
(As of December 31, 2007)

	Number of participants
HORIBA, Ltd.	76
HORIBA Techno Service Co., Ltd.	10
HORIBA STEC, Co., Ltd.	155
HORIBA Advanced Techno Co., Ltd.	3
HORIBA ITECH Co., Ltd.	3
ASEC Inc.	2
HORIBA COMMUNITY CORPORATION	2
Total	251

Report on Our Integrated Management System (IMS)

In June 2004, HORIBA introduced the Integrated Management System to harmonize the previously independent ISO quality assurance system, ISO environmental management system, and OHSAS 18001 occupational health & safety management system. We are continuing to ramp up this system as we promote its operations. We are committed to enhancing our business structure and fulfilling our social responsibilities by making further improvements to our Integrated Management System. In the future, we will drive forward these initiatives to implement effective operations as a group based on our management plan by introducing our IMS to our Group companies.

Integrated Management System

● Results of IMS Initiatives for Fiscal 2007

Items	Objectives	FY2007 Targets	FY2007 Results	Self-Evaluation
Fiscal 2010 Group sales ¥150 billion Operating income to net sales 10% minimum	Establish a theme so that stakeholders are made aware of the Group's positive attitude toward quality along with the terms of the corporate strategy that meets MLMAP on quality.		· Targets for appeal were established after consent was obtained from each division.	○
Create corporate value 1) Expand IMS group-wide	Help establish the IMS in all Group companies inside and outside Japan.	1. Convey environmental information 2. Collect data on quality and the environment 3. Establish and implement the IMS at Group companies inside and outside Japan 4. Prepare for implementing the IMS at Group companies outside Japan	· One Group company in Japan is seeking to acquire IMS certification. · One Group company in Japan is seeking to acquire certification of OHSAS 18001 registration.	○
Enhance the HORIBA brand (contribute to increased customer satisfaction) 2) Ensure rapid satisfaction of customer demand 3) Improve overall quality 4) Observe all rules and code of ethics both inside and outside the company	Ensure rapid delivery.	Over 86%	· The Sales, R&D, Design and Manufacturing divisions—guided by the Sales Support Department—made adjustments at weekly meetings and implemented their initiatives. · In the next fiscal year, our new ERP system will be a new initiative for improvement.	△
	Reduce loss from returned products (product defect rates).	Under 0.65%	· Reasons for the failure to attain the objectives were discussed at IMS meetings. The conclusions were reported to each division and staff members set out to make improvements.	△
	Reduce the incidence of defects in new products.	Under 0.65%	· With a focus on detection of initial defects, products on the market for three years were targeted and early countermeasures were implemented. As a result, objectives were achieved for some individual products.	×
	Reduce backlog and work-in-progress.	Over 2 months: 0 Over 1 month: 1/3	· The results were short of our goal although the service division played a leading role and facilitated adjustments and communication with systems divisions to attain the objectives.	×
	Expand environmentally compatible design to new products (application of HORIBA's green label system).	Over 75%	· A satisfactory result was not obtained due to delays in the overall development schedule.	△
Promote creation of safety and high-efficiency clean factories 5) Contribute to environmental protection 6) Raise production/administrative efficiency 7) Strive for zero-accidents	Eliminate harmful substances from products (promote green procurement).	Products placed on the market in 2007 Each division's main product	· Related departments held weekly meetings and promoted the project. A steady increase in the percentage of compliance was achieved. · Regarding the products requiring voluntary compliance with RoHS, the compliance rate improved during this past year.	△
	Reduce CO_2 emissions per unit of sales through activities to conserve energy and resources.	Over 10% compared to fiscal 2005 result	· Excessive energy consumption was controlled with the use of timers to control night and holiday operation of the clean room air conditioning system.	○
	Companywide: Achieve zero emissions. Each department: Reduce emissions.	Companywide: Under 1% of final waste at landfill Each department: Each sets its own targets	· Led by the Administration Department, sorting facilities were improved and guidance provided to employees in the workplace. The target of zero emissions (not exceeding 1% of total waste generated) was achieved.	○
	Reduce errors in processing (incoming parts, Automotive, Analytical & Medical segments).	Individual targets were set for five divisions.	· Quality patrols at suppliers were reinforced to achieve reductions. · Among the five divisions, four attained their targets; the achievement rate of the remaining division was 95%.	△
	Eliminate absenteeism from work accidents.	Reduce work accidents by half compared to fiscal 2005 result. (zero absenteeism from accidents)	· One instance of absenteeism from a work accident and six instances of accidents without absenteeism · The cause of most accidents was human error; to prevent recurrence and attain the targets, health and safety training, including risk prediction, will be implemented.	×

Note: Self-Evaluation Category: ○ = Goal achieved; △ = Achieved more than 70% of goal; × = Achieved less than 70% of goal

● Fiscal 2008 Action Plan

Policies	Items	Objectives	FY2008 Targets	FY2010 Targets (Relative to FY2005)
Establish eco-conscious production system and meet customer needs through products and services. Actively contribute to society by complying with laws and regulations and social regulations, and promote harmony with stakeholders. Formulate plans based on our management policy to increase the enterprise value of our Group and continually work to improve them.	Fiscal 2010 Group sales ¥150 billion Operating income to net sales 10% minimum	Promote construction and development of the IMS to all Group companies inside and outside Japan.	1. Collect data on quality, safety, and the environment from all Group companies inside and outside Japan. 2. Acquire IMS certification at one of our Group companies in Japan. 3. Acquire certification of OHSAS 18001 registration at one of our Group companies in Japan. 4. Prepare for certification of ISO 14001 registration at two of our Group companies outside Japan.	Implement the IMS at Group companies inside Japan and those outside Japan that operate factories.
	Create corporate value 1) Expand IMS group-wide			
	Enhance the HORIBA brand (contribute to increased customer satisfaction) 2) Ensure rapid satisfaction of customer demand 3) Improve overall quality 4) Observe all rules and code of ethics both inside and outside the company	Ensure rapid delivery.	Over 87%	90%
		Reduce product warranty servicing costs (product defect rates).	Reduce by 5% in Automotive and Semiconductor Divisions and 10% in Environmental, Medical, and Scientific Divisions compared to fiscal 2007 results.	Under 0.50%
		Reduce the incidence of defects in new products.	Under 0.60%	Under 0.40%
		Expand environmentally compatible design to new products (application of HORIBA's green label system).	Over 75%	100%
	Promote creation of safety and high-efficiency clean factories 5) Contribute to environmental protection 6) Raise production/administrative efficiency 7) Strive for zero-accidents	Eliminate harmful substances from products requiring voluntary controls (promote green procurement).	Products placed on the market in fiscal 2008 that require voluntary controls	Totally eliminate
		Reduce CO_2 emissions per unit of sales through activities to conserve energy and resources.	Over 18% compared to fiscal 2005 result	Set separately (in response to Kyoto Protocol)
		Reduce errors in processing (incoming parts, Automotive, Analytical & Medical segments).	Set for five divisions individually	Set for five divisions individually
		Eliminate absenteeism from work accidents.	Reduce work accidents by half compared to fiscal 2005 result. (zero absenteeism from accidents)	Zero work accidents

❶ IMS Target Achievement Radar Chart

IMS Results and Challenges

At the monthly IMS meetings, our company departments formulated plans ("Plan") and implemented them ("Do") according to the PDCA cycle with the goal of achieving the targets identified in fiscal 2007 under our IMS; reported and discussed the details of progress achieved; and took steps toward improvements. Moreover, we evaluated activities through internal audits ("Check") and the results of each target and item were fed back into the system for correction and prevention ("Act"), thus ensuring improvement.

Every quarter, a Management Review ("Check/Act") summarizes the progress toward our IMS targets, promotes reporting and discussion, and represents the views of top management concerning the progress achieved. We've implemented a short cycle management system to ensure continuous improvement. The IMS Target Achievement Radar Chart shows the status of the fiscal 2007 targets and the challenges that remain. We will strive to further improve quality and occupational health & safety and promote balanced IMS initiatives from various perspectives. These efforts will help us meet our corporate social responsibility and improve stakeholder satisfaction. ❶

Priority Measures for Fiscal 2008

1. In fiscal 2006, we reviewed IMS policies from the perspective of the "One Company" management principle to ensure they reflected the management policies of the HORIBA Group.
2. IMS items were established with consideration of consistency with IMS policies and organization-wide goals.
3. IMS objectives were established with consideration of quality goals in which our customers can be confident.

IMS Improvement Activities

1) To establish the HORIBA brand as one of highly reliable quality
- To reduce product warranty servicing costs (product defect rates) and to respond to complaints more swiftly
- To reduce the incidence of defects in new products
- To conform to products development schedules and to place products on the market on a timely basis
- To improve work quality in order to promote CSR

2) To expand environmentally compatible design of our products and fortify our response to domestic and international laws & regulations
- To expand environmentally compatible design to new products
- To eliminate harmful and prohibited chemical substances from our products

3) To thoroughly implement occupational health & safety initiatives by returning to fundamentals
- To reduce work accidents by half (zero absenteeism from work accidents)

4) To promote our IMS in all Group companies both inside and outside Japan
- To acquire IMS certification at one of our Group companies in Japan
- To acquire certification of OHSAS 18001 registration at one of our Group companies in Japan

Report on Our Integrated Management System (IMS)

Internal Audits/Group IMS

The HORIBA Group makes effective use of internal audits and the entire Group reinforces the initiatives to ensure continuous improvement to our Integrated Management System.

1 IMS internal audit

2 Commemorating certification of ISO 9001 registration at The Netherlands office of HORIBA Europe

IMS Internal Audit

At HORIBA, we believe that one of the most important ways to improve our Integrated Management System is to meet the requirements of our internal audits and to improve the competence of our internal auditors. Therefore, in fiscal 2007, we implemented internal audits in 60 departments and divisions of our company to enhance our management system. For these internal audits, we recognized the following two objectives:

(1) We must determine whether work has been done in accordance with relevant laws, regulations, company rules, and procedures;
and
(2) We must evaluate our performance to determine the attainment rate of targets.

Our management system is taking root and each division is focusing on work improvements and have achieved excellent results.

Our Internal Auditing Committee clarifies the objectives and targets of audits and conducts integrated audits with the objective of integrating audits for IMS, export control, fixed asset management, and business operations. The Internal Auditing Committee and the Council for IMS Promotion discusses the results of the integrated audit and plans a review that will be made in the next fiscal year. Before conducting an audit, specific audit requests are solicited from upper management to ensure internal audits are sufficiently flexible to respond to exceptional changes in the business environment. Internal auditors, assigned from among newly appointed managers, undertake audits after undergoing training. We will continue to upgrade the skills of our internal auditors and we shall conduct internal audits that contribute to further improvements in our management system. 1

● HORIBA-Integrated Audit System (H-IAS)

	Auditor	Audit Office	
Internal IMS audit	Internal auditors	Group Internal Audit Office (IMS)	Implementation of all audits
Export control audit	Group Internal Audit Office (member of Export Control Committee)	Group Internal Audit Office (export control)	
Business audit	Group Internal Audit Office	Group Internal Audit Office	
Asset audit (fixed assets & samples)	Internal auditors	Accounting Dept.	
Audit by accountants	Accountants	Accounting Dept.	Individual

Working to Establish a Group IMS

As a part of our “One Company” management approach, the HORIBA Group is developing and plans to implement a Group IMS in 2010. HORIBA STEC, Co., Ltd., as a member of our Group, is also participating in this initiative. The company acquired certifications of registration with the ISO 9001 standard for quality assurance systems in February 1999 and the ISO 14001 standard for environmental management systems in February 2006. In addition, we obtained certification of registration with the OHSAS 18001 occupational health and safety management system in April 2007 and have developed a full-scale IMS implementation system for integrating these three standards. Assessment of the system’s operation is scheduled for March 2008.

By optimizing each management system and operating them with the greatest efficiency, we expect to contribute to society while achieving consistent corporate growth. 2

● Acquisition of ISO/OHSAS Certifications for Group Companies Both Inside and Outside Japan

Name of Company	Quality Assurance System (ISO 9001)	Environmental Management System (ISO 14001)	Occupational Health & Safety Management System (OHSAS 18001)
HORIBA, Ltd. (Japan)	○	○	○
HORIBA Instruments Incorporated Irvine Facility (U.S.A.)	○	○	—
HORIBA Instruments Incorporated Ann Arbor Facility (U.S.A.)	○	○	—
HORIBA Instruments Incorporated Tempe Facility (U.S.A.)	—	—	—
HORIBA Automotive Test Systems Corp. (U.S.A.)	○	○	—
HORIBA Jobin Yvon Inc. (U.S.A.)	○	—	—
HORIBA/STEC Incorporated (U.S.A.)	○ (Austin Office)	Scheduled date: 2009 (Santa Clara Office)	—
HORIBA EUROPE GmbH (Germany)	○	○	○
HORIBA Instruments Limited (U.K.)	○	○	—
HORIBA ABX S.A.S. (France)	○	—	—
HORIBA Automotive Test Systems GmbH (Germany)	○	○	○
HORIBA Jobin Yvon SAS (France)	○	—	—
HORIBA GmbH (Austria)	○	—	—
HORIBA STEC, Co., Ltd. (Japan)	○	○	○
HORIBA Advanced Techno Co., Ltd. (Japan)	○	○	Scheduled date: December 2008
HORIBA KOREA LTD. (Korea)	○	○	—
HORIBA Instruments (Shanghai) Co., Ltd. (China)	○	○	—

Social Report

We respect the views of customers, owners (shareholders), investors, suppliers, employees, and other stakeholders who support HORIBA. We are committed to operating our business in a manner that builds win-win relationships with all stakeholders.

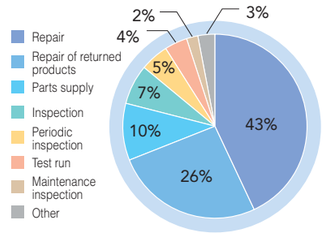
Initiatives in Fiscal 2007

Social Report

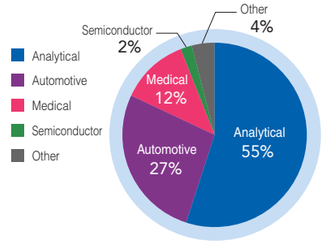
Working Together with Our Customers

In order to offer products that fully satisfy our customers, HORIBA will continue to develop both basic and production technologies to the maximum. In addition, we believe that we should guarantee to provide products and services with the same quality in all areas throughout the world. At the same time, we must ensure the quality of our products and services must remain of the highest grade.

1 Typical Services Provided in 2007 (by service)



2 Typical Services Provided in 2007 (by segment)



Customer Support Center

Our Customer Support Center has a toll-free number exclusively for technical consultation, and our website provides an inquiry form. This Customer Support Center allows us to quickly and appropriately respond to our customers at any time. We offer our support to a broad range of customers for answers to technical inquiries about our products, including questions about operation and requests for help with taking measurements, and assistance with choosing an instrument for a specific measurement application. This assistance is extended to general users, sales agents and special agents. In recent years, we have witnessed an increasing number of inquiries from all over the world via the Internet. In fact, we now receive more than 30,000 inquiries annually.

HORIBA, Ltd.
Customer Support Center
0120-37-6045 (Toll-free)
Monday to Friday (excluding holidays)
09:00 to 12:00, 13:00 to 17:00

Service System

HORIBA Techno Service Co., Ltd. provides support to customers worldwide and within Japan from 25 service outlets around the country. The company provides services for all products offered by the HORIBA Group. These services include field repairs, repairs of returned products, periodic inspections, maintenance, test runs, parts supply, and worker training. In 2007, the company answered 22,130 service requests worldwide. By providing service and support for HORIBA products, HORIBA Techno Service Co., Ltd. continues to meet customer needs. 1 2

1 Analysis seminar

Seminars & Training Courses in Analysis and Measurement Technology

At HORIBA, we have many ways of keeping in contact with our customers. Opportunities such as seminars and technical training courses are especially interesting because they allow us to directly explain the features and functions of HORIBA products. These seminars and courses are a very important way for us to help customers with analysis and measurement solutions and enhance customer satisfaction.

Even at seminars—where the main focus is on sales—we not only explain our products but also use the opportunity to talk with our customers and uncover new potential applications for analysis and measurement. In fact, we never rest in our effort to expand and improve our analysis and measurement expertise. To meet the demand for rapid development of analysis and measurement instruments and offer technologies that satisfy existing needs, we are developing a system that provides comprehensive solutions supported by two key elements—product functions and our extensive analysis and measurement expertise. We have also prepared several approaches to customer training that enable customers to acquire product operation skills and maintenance techniques. In addition, to meet customer demand, we have developed an infrastructure capable of providing training programs with substantial content for both international and domestic customers. Through these opportunities, we listen to the opinions of our customers, respond to their requests, and evaluate our own solutions from their viewpoint. In short, we are sincerely working to improve the quality of our products and services and to earn the confidence of customers worldwide.

HORIBA will continue to make full use of these occasions and pursue the ultimate in analysis and measurement technologies. 1

TOPICS In Focus

HORIBA Wins the Ford Q1 Award

Recently, representatives from Ford presented two of the HORIBA Group's facilities in Germany—in Oberursel and Darmstadt—with the Ford Q1 Award. This award is given to suppliers to the Ford Group who successfully implement an integrated management system for quality, environmental management, and health and safety. Other important criteria are a high level of customer satisfaction and a consistently positive assessment of the supplier's products by Ford. The insignias, the Q1 plaque, and the Q1 flag demonstrate that suppliers are premium partners to the automotive industry, and that these companies belong to an elite group of the world's leading suppliers. Therefore, earning the Q1 Award was a highlight in our excellent relationship with Ford and a validation of all our dedicated efforts in recent years.

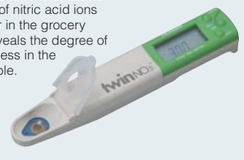
INTERVIEW Conversation with a Customer

Twin NO_3^- Compact Nitric Acid Ion Meter

Mr. Yoshihiko Morita of Morita Farm in Kamigamo, Kyoto City

Delicious vegetables are "raised," not "made." By making it possible to check the health of a vegetable plant, this measurement instrument has become a vital tool. A vegetable that contains an overabundance of nitric acid ions is an "obese" vegetable that has been overfed with an excessive amount of fertilizer. To ensure proper nitric acid values, we must decrease the amount of a fertilizer. If proper values are maintained, vegetables are unlikely to become infested with insects and, as a result, the consumption of agrochemicals is reduced; in other words, in addition to lowering costs, we can grow healthier and tastier crops.

HORIBA's Nitric Acid Ion Meter allows easy measurement of nitric acid ions either on the farm or in the grocery store. This meter reveals the degree of bitterness or harshness in the flavor of the vegetable.



Social Report

Working with Our Owners (Shareholders) and Investors

We share our profits with our "owners" (shareholders) and investors, disclose information fairly, and develop a dialog with the public to ensure management transparency.

1 Informal gathering following the 69th Ordinary General Meeting of Shareholders

2 Exhibit at the Investor Relations Fair

Expanding Our Dialog with the Public

To ensure our true enterprise value is reflected in our market value—as represented by our share price—HORIBA provides investor relations (IR) information to our owners and investors in keeping with our commitment to accuracy, fairness, and promptness (timely disclosure).

For private investors, we make timely information available through our company website. At the same time, we remain aware of the need to provide information in a clear and easily understandable format in our substantial and informative publications. In the interests of our owners, we prepare semiannual reports and hold our annual general meeting of shareholders on a Saturday. In these shareholders' meetings, we provide an opportunity for owners to talk directly to our executives.

For institutional investors, our president and executives hold financial meetings twice a year, visit individual investors, and provide IR information to international investors. Together with our IR division, they participated in more than 300 activities during the year and provided detailed information that included our management philosophy, business strategies, and business performance. In this way, we are making a concerted effort to maintain a dialog with the public.

● Explanatory Business Meetings

1. For Institutional Investors in Japan

- Meeting on term-end financial statement (February 22, 2007, in Tokyo)
- Meeting on midterm financial statement (August 23, 2007, in Tokyo)
- Interviews with each institutional owner by the president, executives in charge, and other persons in charge (300 interviews or more annually)

2. For International Investors

- Interviews with each investor by executives in charge and other persons in charge (July 2007, in London and New York)
- President's visit with investors (September 2007, in London and Edinburgh)

3. For Private Investors

- Ordinary General Meeting of Shareholders (Held on Saturday, March 24, 2007. A meeting with executives was held at the Kyoto head office following the general meeting.)
- Investor Relations Fair for private investors (November 30–December 1, 2007, at Tokyo International Forum)

Ordinary General Meeting of Shareholders

Since the founding of our company, we have maintained our "Open & Fair" corporate philosophy and had the "omoi" that we want our owners (shareholders) to attend our annual ordinary general meeting of shareholders. Accordingly, we hold this meeting on a Saturday for owner convenience. Our fiscal 2007 Ordinary General Meeting of Shareholders was held on March 24 in the Grand Conference Room of our head office with 133 owners attending. Following the president's discussion of business issues—measures to strengthen each business segment, the general state of the business, the performance forecast for fiscal 2007, and challenges to be addressed at that meeting—four agenda items were raised and all were approved.

Since 2005, we have hosted an informal gathering with our owners following the general meeting. This event provides an opportunity for owners to speak candidly with our executives.

We will continue to improve our annual meeting with the goal of maintaining an open annual general meeting. 1

Presentation at an Investor Relations Fair for Private Investors

At the Tokyo International Forum on November 30 and December 1, we presented an exhibit at an event for private investors hosted by securities companies; this marked the first time we exhibited at such an event in Tokyo. Although we were concerned about HORIBA's name recognition in the Kanto district of Japan, our booth attracted more than 700 private investors during the two-day event. By directly explaining our businesses and corporate philosophy, we elicited a favorable response from many visitors, especially in relation to how our businesses contribute to the global environment and how we have created a unique corporate culture. At the same time, we listened to the issues frequently raised by investors about our dividend and our prospects for growth. We will continue to create discussion opportunities with private investors and will promote initiatives to increase the number of HORIBA owners and supporters. 2

Since our "omoi" at HORIBA is to encourage investors to make medium-and-long-term investments in our company, we use the expression "owner" instead of "shareholder." While the term "shareholder" simply means a holder of our stock, the term "owner" emphasizes the actual ownership of our company.

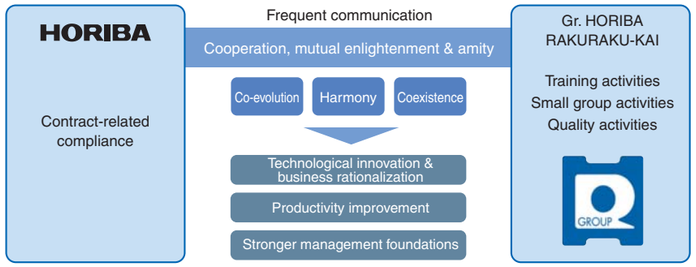
Social Report

Working with Our Suppliers

Our business can be successful only after we obtain the full cooperation and support of the many people engaged in many fields which include the suppliers of the parts and raw materials required by our production lines. When we procure materials and services, we stress the importance of the relationship of trust with our wide range of suppliers both inside and outside Japan. Together, we are achieving our goals.

Maintaining Good Relations with Partner Companies in Production & Assembly

At the HORIBA Group, the suppliers from whom we procure materials and parts are called “partner companies.” We consider them colleagues who cooperate and grow with us. Such cooperative relationships are forged not only with materials suppliers, but also with companies to whom we outsource assembly. Among them are 54 companies with a particularly strong cooperative relationships with HORIBA that have organized Gr. HORIBA “RAKURAKU-KAI” under the motto of “Co-evolution, Harmony & Coexistence,” through which we inspire each other. 1



The HORIBA Group Meeting for Production Partner Companies

Under the theme, “the HORIBA Group is One Company,” we hold a semiannual HORIBA Group Meeting for Production Partner Companies where we report the HORIBA Group’s business conditions and our efforts to improve production and expand information sharing with partner companies. At each meeting we present a certificate of appreciation and a prize to partner companies that have extended significant cooperation to the HORIBA Group.

1 Party to commemorate the 50th anniversary of Gr. HORIBA RAKURAKU-KAI

INTERVIEW Introducing an Award Recipient

The 14th HORIBA Group Meeting for Production Partner Companies

SGA Co., Ltd., the company to whom we outsource some of our design and assembly, was awarded a certificate of appreciation and a prize in recognition of their cooperation in complying with our quality requirements and delivery deadlines.

Masaki Katsuno, President, SGA Co., Ltd.

Complying with Quality Requirements and Delivery Deadlines

Our policy is to abstain from accepting jobs that we cannot do and to work to the maximum on jobs that we do accept. We apply this stance not only to HORIBA, but to all our partners. As for the work requested by HORIBA, we perform everything from design to assembly and manufacture products concurrently with HORIBA. As a result, we can shorten lead times.

Relationship with Gr. HORIBA RAKURAKU-KAI

Gr. HORIBA RAKURAKU-KAI must be mentioned as a unique characteristic of HORIBA. Partner companies must supply products that meet the quality standards and delivery times stipulated by HORIBA. However, I have the impression that before giving such requirements, Gr. HORIBA RAKURAKU-KAI tries to establish good human relationships with its partner companies. Should a problem arise within the partner company, HORIBA provides support. We have developed a stable system of cooperation and meet HORIBA’s requests with assurance.

Group Material Purchasing Policy

Our Group material purchasing policy is as follows: “To promote the production initiatives of the HORIBA Group, we will purchase the high-quality parts and materials we require—only when necessary and in the quantities required—only after giving full consideration to the global environment and the needs of regional communities.” In keeping with this policy, we are addressing the following initiatives.

1. We shall reduce the number of suppliers and consider economies of scale.
2. We shall purchase parts and materials at the optimum location and promote competition among suppliers.
3. We shall standardize regular tasks and implement horizontal management.
4. We shall share information and promote training to improve the skills of buyers.

50th Anniversary of the Founding of Gr. HORIBA RAKURAKU-KAI: Study Tour to European Group Companies

From May 27 to June 3, 2007, we visited four Group companies in Europe: HORIBA Jobin Yvon SAS, HORIBA ABX S.A.S., HORIBA Automotive Test Systems GmbH, and HORIBA EUROPE GmbH. We were able to establish a sense of solidarity with these four HORIBA Group companies. What’s more, we really came to understand that globalization means to accept a different corporate culture, different traditions, and different customs, and to incorporate them in the spirit of one company. Accepting this definition, we confirmed that the HORIBA Group is truly “One Company.” As a member of the HORIBA Group, we will make every effort to establish a more solid relationship of cooperation and trust. 2
(Gr. HORIBA RAKURAKU-KAI Office)

A Big Step toward Our “One Company” Concept:

From Group Purchasing to Global Procurement Network

In June 2004, we integrated the purchasing divisions of three companies—HORIBA, Ltd. and our major Group companies in Japan: HORIBA STEC, Co., Ltd. and HORIBA Advanced Techno Co., Ltd.—into the Purchasing Department within HORIBA, Ltd.’s head office and adjoining main factory. This integration is part of our Group’s “One Company” concept, and together with our Group companies outside Japan, we have taken the first step toward global procurement.

After the integration, we succeeded in solving problems encountered in each of the activities relating to six key themes required by the purchasing division: Quality, Speed, Information, Cost, Delivery and the Environment. Under the Group material purchasing policy, it is taking root in the implementation of group purchasing in Japan.

Global Purchasing: Reliability

In 2007, we began promoting a systematic transition of our procurement system from the current system of separate procurement by each of the 43 companies in the HORIBA Group to collaborative ordering by our Group companies in each of our three major regions—Europe, the Americas, and Asia. Our goal is to reduce the cost of procurement and transportation by promoting collaboration among the Group companies. These initiatives are helping us build a relationship of trust across the HORIBA Group.

Material Procurement: Using the HORIBA Group’s International Network to Advantage

By making effective use of the HORIBA Group’s international network, we promote global procurement through which we seek to facilitate interaction that extends beyond the scope of each Group company.

Our specific measures are as follows:

- by combining purchases of parts and materials and carefully selecting suppliers, we focus on doing business with suppliers who provide high quality at a low price, resulting in an effective reduction in the costs of parts and materials;
- by promoting joint transport between Group companies, we reduce distribution costs; and
- through expansion of local procurement, we maximize our production productivity in each country in which we operate.

Furthermore, for substances identified as having an environmental impact, the Group focuses as one on ensuring compliance with the European WEEE and RoHS directives. 3 4

Green Procurement

The HORIBA Group has established a Green Procurement Policy for the procurement of parts, materials, and equipment. Partner companies are requested to comply with this policy. 5

In fiscal 2007, we implemented initiatives emphasizing conformity with the European RoHS Directive.* As a result, many of our product designs now conform to the RoHS Directive: specifically, these include 10 models produced by HORIBA, Ltd.; 29 models produced by HORIBA STEC, Co., Ltd.; and 12 models produced by HORIBA Advanced Techno Co., Ltd. In Fiscal 2008, we will continue to expand the range of RoHS-compliant products.

* HORIBA’s products fall under either Category 8 (medical devices) or Category 9 (monitoring and control instruments) of Europe’s RoHS Directive. As of fiscal 2007, these products have been exempt from this directive.

2 50th anniversary of the founding of Gr. HORIBA RAKURAKU-KAI: Study tour to European group companies

3 Main members of global procurement system

4 Global Procurement Meeting

5 Green Procurement Standards

In our Green Procurement, we hope our suppliers to perform the following basic actions in delivery of parts, materials, and facilities:

(1) Improving the environmental performance of suppliers

(2) Disclosing the names and amounts of chemicals contained in the delivered goods

(3) Avoiding the use of the substances under the self-imposed control by the HORIBA Group

For further details, please visit our website:
http://www.horiba.com/company/hor/green_procurement/

Social Report

Working in Support of Our Employees

Under our management policy, “The HORIBA Group is One Company,” we have implemented several personnel systems to provide our employees with arenas in which they can take on challenges in our “Open & Fair” working environment.

Our Personnel System

Policy of Our Personnel System

To ensure our employees work with “Joy and Fun,” our personnel system has adopted three policies intended to create a comfortable work environment that encourages our employees to take on challenges with a global perspective and venturesome spirit. 1

Creating an Organization that Fosters Personal Growth through Training and Education

In order to promote “One Company” management with the target of establishing a platform for achieving ¥200 billion in sales, it is becoming increasingly important that we undertake reforms and target growth. Furthermore, we are required to make the most of each employee’s career skills and natural abilities and foster the next generation of leaders. To fulfill these requirements, we have been conducting ongoing career training since 2005 that offers our employees an opportunity to clarify how to conform to their job and tasks and to consider their career planning and work-life balance at each milestone in their lives.

In addition, in 2008 we will launch “My Brand Training” with the goal of engendering a sense of solidarity among all employees that is independent of seniority and the employment system. By implementing these initiatives, we are sharing HORIBA’s philosophy and are forming an appealing community in which people are educated and trained for personal growth. This leads to the development of “talented personnel assets” who can play an active role both inside and outside Japan.

1 Three Basic Policies

Open & Fair
We believe that necessary information and personnel regulations should always be open to everyone so that the communication process remains free and open between management and employees, between manager chiefs and their subordinates, and among employees. We also believe in fairness, that all should be afforded equal opportunity, and that all should be rewarded for their achievements.

Positive Evaluation System
When one strives continually to succeed, failures may sometimes occur. We understand that unless we take on challenges, we cannot score points. The simple act of taking on a challenge earns an employee points. Extra points are awarded when a challenge is successful. When we evaluate an employee for taking on a challenge, we also determine how well the employee has addressed that challenge.

Two-Way Communication
Information should be not only transmitted but also shared. When a superior transmits information to a subordinate (one-way communication), the subordinate should then pass along opinions or proposals to the superior (ensuring two-way communication). We have established several systems to support two-way communication.

TOPICS In Focus

HORIBA’s Athletes in Conversation

- Yuki Hayashi, Legal Affairs Department
- Yoko Bamba, Automotive Test Systems Sales Department

We asked these two athletes to discuss the keys to balancing their work responsibilities with the demands of their sport.

Hayashi: Compared to my life at the university, I found it very hard to arrange practice time after I went out into the world. I was in a state of anxiety after realizing how much my practice time had decreased, and I was sometimes unable to perform to my expectations.

Bamba: My case was the same. When I was working at the head office in Kyoto, my practice time fell short, and I worried about how to cope with both my work demands and the need to participate in competitions. I asked my superior for advice and even approached the Global Human Resources Department. As a result, I was transferred to the Tokyo office, where a training environment had been developed. I was assigned to a position where I could make use of my experience in the development division. By making use of the part-time worker program, I can now work for seven hours a day and still reserve practice time.

Yuki Hayashi has been with HORIBA since 2007. She has been selected to represent Japan in archery at the 2008 Beijing Summer Olympic Games.

Hayashi: I am able to concentrate on my work so that I don’t need to work overtime. And after work, I have time for my archery training. Sometimes my superior will say to me, “Why don’t you go home and practice?” My family and friends often remark that I work for a good company.

Bamba: That’s right. I think that, thanks to the understanding and support of the company, I can handle both my work and participation in competitions.

Hayashi: I agree with you. Also, we’re required to produce our output within a set time; therefore, I always think about how efficiently I can do my work.

Bamba: Me too. At the start of a day, I think about the priority order and combine similar tasks; in this way, I avoid wasting time.

Yoko Bamba joined the company in 2004. As an orienteer, Ms. Bamba has participated in numerous title competitions around the world.

Topics for Fiscal 2007

HORIBA is Ranked the 6th Best Company to Work for in Japan.

In a survey conducted by the Great Place to Work Institute, a research firm in the U.S.A., HORIBA, Ltd. was ranked No. 6 in the second “Best Companies to Work for in Japan.” This marks an improvement from HORIBA’s 9th place ranking in the first survey. The ranking was determined from the results of a questionnaire submitted to companies and their employees.

We believe this excellent showing was the result of the following three factors: the relationship of trust that exist between employees and upper management; the sense of solidarity among employees; and our employees’ evident pride in their work. In the free comment column of the questionnaire, one HORIBA employee wrote, “I can easily understand the intentions and ideas of our top management. The company is willing to educate and train personnel, provides an environment where we can work diligently and pursue our work with a spirit of ‘Joy and Fun,’ and takes good care of its employees. Above all, everybody in this company always has a bright smile.”

The 1st Kyoto Prefecture Award for Companies Supporting Child-Rearing

Kyoto Prefecture has created an award with the goal of developing a social environment in which children, the leaders of the next generation, can be born and grow up in good health. HORIBA, Ltd. has been presented with this award as one of 10 companies that actively support child-rearing. We have introduced programs such as the part-time worker program, the home worker program, programs celebrating milestones in the growth of employees’ children, and return to work from child-rearing leave. We received this award in recognition of these worthy programs. 1

Encouragement Commendation of the 8th Telework Promotion Award

The Japan Telework Association presents this award to promote telework—or working from home—as a means of work that is not restricted by place and time while facilitating compatibility between work and private life. In 2006, HORIBA, Ltd. introduced its Home Worker Program to support child-rearing and nursing care and to promote an improved work-life balance. The Japan Telework Association recognized the value of our program and presented this Encouragement Commendation, which is presented to companies that have recently introduced new programs. 2

Chinese Dragon Boat Race on Lake Biwa

The Chinese Dragon Boat Race on Lake Biwa was initiated to commemorate the 10th anniversary of the friendship alliance between Shiga Prefecture and China’s Hunan Province. In 2007, we held the 17th regatta of an event that has become a special midsummer attraction on Lake Biwa. HORIBA Techno Service Co., Ltd., as an environmentally friendly company, approves of the theme of this event, “Protecting Beautiful Lake Biwa for the Future.” To promote unity and communication among its employees, the company participates in the race every year. In 2007, the race was held on August 19, and many employees came out to support their team. In the HORIBA tent, members of the team and its support group had lunch together in a gathering that has become an enjoyable tradition. After a refreshing day enjoying this event, participants came to realize how this race has evolved into the perfect opportunity to become more familiar with the jewel that is Lake Biwa. 3

Regular Events Planned by Employees

On September 6, 2007, a Summer Evening Party was held at HORIBA STEC, Co., Ltd. The theme for this year was “Summer Time,” and all participants had a great time dressed in summer wear while enjoying a suitable summer beverage. On September 7, new employees hosted a beer garden on the rooftop of HORIBA, Ltd. This eco-friendly event featured recycled tableware. Both events have become new traditions as part of our special summer attractions. Our Group companies also take part, creating an opportunity to promote lighthearted communication among all employees. 4

1 Kyoto Prefecture Award for Companies Supporting Child-Rearing

2 Telework Promotion Award

3 Chinese Dragon Boat Race on Lake Biwa

4 Beer garden at HORIBA, Ltd.

Social Report

Working Together with Society

Contributing to Society through Business Initiatives

HORIBA makes every effort to continue thriving in peace and prosperity and in harmony with both our local and international communities. We actively contribute to society through our own approach: we make use of our analytical technologies, support art and culture, and contribute to local communities.

Observer Dispatched to the Antarctic

Tomoki Aoyama
Scientific Systems Products R&D Department

Armed with HORIBA analytical devices, Mr. Aoyama departed on his tour of duty in November as a member of the 49th Japanese Antarctic Research Expedition. This 18-month venture will last until Spring 2009.

Mr. Aoyama with the Model XGT device prior to departure

Au revoir! Bristling with anticipation for an Antarctica I've never seen

In Antarctica, my main task is to monitor aerosols—or very fine particles—present in the air. Aerosol components differ depending on whether they originate from a volcano, the ocean, land, or an artificial source; therefore, my responsibility is to reveal atmospheric circulation through observation and analysis. Antarctica is an ideal location to measure changes in the background of the atmosphere, so the state of the global atmosphere can be accurately measured. For observation of aerosols, we use HORIBA's XGT-5000* and DP-1000** instruments. As part of my responsibility, I am required to focus on what I should consider and how I should approach the job according to the analysis results. In order to consider the global environment on the basis of numerical values, it is first important that I obtain accurate analysis results. Moreover, to properly understand these results, knowledge of weather conditions and earth science is necessary. I do not yet have such knowledge, but I hope to acquire it through this analysis project.

Elucidating the atmospheric circulation system would be a great discovery that gives clues to improving the global environment. My important objective is to elucidate the global extent of the atmospheric circulation system and its influence on the Earth.

The *SHIRASE* breaking ice on its voyage to Antarctica

* A device for conducting nondestructive analysis of chemical elements using X-rays
** A device for measuring solid particles without pretreatment

Surrounded by Antarctica! Aerosols in unbelievably small amounts

On December 19, I arrived at Showa Base on East Ongul Island. The season was changing to summer, so the snow had begun to melt. The first thing that surprised me upon arrival was the three HORIBA products I found in the observation building we were to use. One of them—used for monitoring of CO_2 levels—had been in operation for more than 10 years. Moreover, a pH meter and other HORIBA products are being used for water analysis in oceanographic research, although not at Showa Base. The research field is different from my usual field, but I was really impressed with the HORIBA products being used for Antarctic research.

In the middle of January, we safely carried into the base the XGT-5000 and DP-1000 units that I had brought with me from Japan. In February, we completed the handover from the 48th Wintering Team and began our ongoing observation of aerosols. From monitoring aerosols, I've become aware of how truly pristine Antarctica can be. This is the time of year when aerosol levels peak but, in reality, even this amount of aerosol is still unbelievably small. Interestingly, the quantity of aerosol measured would increase by one digit simply from the small amount of gas exhausted by the *SHIRASE*, our Antarctic research ship, sitting in the distance. I find it very interesting to observe how the behavior of aerosols can change.

On February 15, the *SHIRASE* left Showa Base, which took away any thought that I would be returning to Japan. Now, I have become very excited at the prospect of wintering here. With a refreshed spirit, I am now eager to experience the winter.

Posing with a penguin

The Japan Analytical Instruments Manufacturers' Association Appoints a New Chairman./Public Relations Office Established

On May 17, Atsushi Horiba, our Chairman, President & CEO, was inaugurated as Chairman of the Japan Analytical Instruments Manufacturers' Association (JAIMA) at that organization's ordinary general meeting. As a nationwide organization of manufacturers of analytical instruments in Japan, JAIMA's purpose is to advance the industry through the development of science and technology and the technological improvement of analytical instruments, thereby contributing to the development of the Japanese economy and the betterment of the country's cultural life.

In his inaugural address, Chairman Horiba said, "The one cutting-edge technology required as the foundation for technological development across all fields of industry is analysis and measurement technology. In our industry, we aim to become a manufacturers' association that continues to supply products with significant added value with a commitment to giving improved quality a priority over expansion of our scale."

To promote this policy, HORIBA has established a Public Relations Office. Inside Japan, the office mainly conducts activities related to government offices, industrial associations, and technical societies; outside Japan, it is actively working to establish cooperative relationships with Group companies and globally participate in exchanges with industrial organizations. By promoting the policy established by the Chairman of JAIMA, the office will be engaged in collaboration with the association, central authorities, and academic societies while emphasizing collaboration as a core activity. 1 2

The Dr. Masao Horiba Award 2007

On October 17, we held a seminar and ceremony in Kyoto University's Shiran Kaikan for the presentation of the Dr. Masao Horiba Award for 2007. The theme for 2007 was "Cell/Bioparticle Measurement," and the following three researchers were selected as award winners from the many who applied: Dr. Yasuhiro Awatsuji of Kyoto Institute of Technology; Dr. Fumiyoshi Abe of the Japan Agency for Marine-Earth Science and Technology; and Dr. Christopher Culbertson of Kansas State University (U.S.A.) This marked the fourth year of this award, and many guests mentioned the importance of "mastering a foundation of learning." There was a real feeling that the purpose of the award—to support such studies—has become much better known. We will continue to invite applications from researchers in different fields who are engaged in research targeting the development of measurement technology. 3

Joint Development of the Industry's Most Advanced Environmental Pollution Analytical Device

Aerosols, the minute particles that are suspended in the air, must be measured as part of environmental monitoring under the Air Pollution Control Law. The main sources of aerosols are factories and automobiles, and under the current regulations, the only requirement is to measure the mass of particles less than 10 microns diameter. By measuring particles of even smaller diameters and analyzing the composition of these particles, it becomes possible to conduct more accurate monitoring and analyze the generation mechanism. Accordingly, research is being promoted in a number of fields.

To meet this demand, we collaborated with the National Institute for Environmental Studies and Shizuoka University, and through the application of nanotechnology, we are proceeding with the development of small X-ray sources and electron-beam sources. Miniaturization affords easy installation, making possible a measurement network of fixed stations that may be finely distributed over an area to generate highly reliable monitoring data. 4

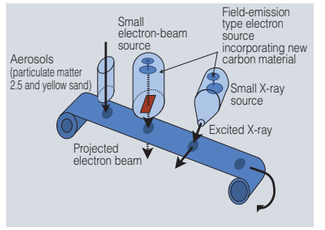
Joint Development of Elementary Particle Detector: Focused on the Future

Since 1954, HORIBA has been developing optical crystals and crystals for measuring radiation. Optical crystals are a major component of the detectors used in air pollution analyzers and automobile exhaust analyzers. Crystals for measuring radiation are incorporated in instruments used to measure environmental radiation in nuclear power plants; in addition, a large sodium iodide crystal with a diameter of about 80 cm and a weight of 500 kg, developed in 2002, is used in medical applications as a nuclear medicine radiation detector for early cancer detection. More recently, in collaboration with Associate Professor Kenichi Fushimi of the Faculty of Integrated Arts and Sciences of the University of Tokushima, we have developed an ultra-thin wafer-type sodium iodide radiation detector. This detector has attracted attention as a new type of detector that opens the frontiers to elucidation of dark matter, which is said to account for 90% of the universe. This has the potential to develop as an international project. We remain committed to establishing technologies and offering support to academia for such research in the future. 5

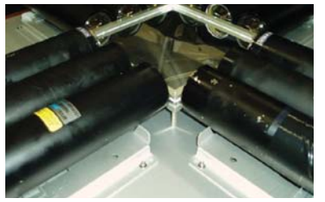
1 The chairman delivering his inaugural address

2 Launch of the Public Relations Office

3 The Dr. Masao Horiba Award 2007



4 Conceptual illustration of the project



5 Elementary particle detector under joint development

1 HORIBA-Doshisha Joint Laboratory opened

2 HORIBA sponsored the Student Council of the Ecole Polytechnique

3 Lecture on the Spectroscopic Ellipsometer

Joint Laboratory Opened in Doshisha University

The HORIBA-Doshisha Joint Laboratory opened in Doshisha University on March 27. The laboratory is located in the Doshisha University Entrepreneurs Incubation Establishment in Collaboration with Industry ("D-egg") on Doshisha University's Kyotanabe Campus. As a part of the "Fiscal 2006 Creative and Innovative Project: Commissioned Development," which is funded with a public subsidy from the Japan Science and Technology Agency, HORIBA was commissioned with the development of a vaporization control system employing flash boiling spray. Consequently, we are using the laboratory to conduct an evaluation of spray properties. Compared to conventional technology, flash boiling spray does not require extra heating, and it reduces the amount of chemical solution required. This technology contributes to energy conservation and is therefore expected to be applied to film formation instruments used in semiconductor production. Led by Professor Jiro Senda at the Faculty of Engineering of Doshisha University, we have installed a device for observing the shape of spray in the laboratory to perform evaluations of the fundamental properties of the vaporization control system. By opening a laboratory within the university, HORIBA's R&D Center aims to improve R&D efficiency. 1

HORIBA Sponsors the Student Council of the Ecole Polytechnique

HORIBA Jobin Yvon SAS in France has sponsored the 2007 Student Council of the Ecole Polytechnique, the most prestigious institution in France. Renowned for educating tomorrow's leaders in science, industry, and public affairs, the institution has had a long-term relationship with HORIBA Jobin Yvon SAS since the founding of the company. Each year, students elect a student council after an intense democratic competition among candidates. The Student Council participates in the school's institutional activities and helps to organize campus life for students.

HORIBA plans a research internship at HORIBA, Ltd. for 2008. 2

Lecture on the Spectroscopic Ellipsometer

On November 21, Kyoto University concurrently hosted the 1st Kyoto-Advanced Nanotechnology School and the 8th Nano-Engineering Seminar. HORIBA presented a lecture on the spectroscopic ellipsometer* manufactured by HORIBA Jobin Yvon SAS. The lecture was requested because HORIBA's analytical instruments are widely regarded as indispensable by leading researchers in universities and private enterprises. 3

* An instrument that makes it possible to measure the thickness and refractive index of a multilayer film beginning with an ultra-thin film only several angstroms in thickness. It is used in industries that deal with organic electroluminescence and solar cells.

TOPICS In Focus

Company Tours, Onsite Training Classes & Open House Events

HORIBA, Ltd. offers tours of its head office and adjoining main factory to enterprises, organizations, universities, high schools, and others both at home and abroad in order to introduce our company and our analytical and measurement technologies. In 2007, the company invited 718 visitors from 45 organizations. In addition, we are holding classes to teach ordinary citizens and schoolchildren about the environment. The Kyoto City Institute of Health and Environmental Sciences and HORIBA, Ltd. have jointly developed an experimental device that allows users to visualize the quantity of NOx in the air by observing the change in color of a Saltzman reagent.* We have also introduced this instrument to elementary schools through onsite classes. The number of requests for such classes is increasing year by year, and in 2007 we held six classes.

Our employees and their families are also important stakeholders. We host an open house for family members so that they can fully understand the conditions in the workplace and the aspects of their family members' work. Once they see our workplace, family members develop a sense of security. In addition, learning about HORIBA's role and contribution to society helps family members feel a greater sense of pride in HORIBA employees. Ensuring our employees' families gain a better understanding of our company helps our employees create a work environment that is conducive to easier work.

* A reagent that turns red in the presence of nitrogen dioxide

Open house

	Number of Tours	Total Number of Participants
Company Visit	Outside Japan 31, In Japan 14	718
Onsite Training Class	6	261
Open House	2	152

Source: HORIBA, Ltd. data record for fiscal 2007

School Contact with Space Station

On September 17, 2007, students at Mitchell Elementary School in the state of Michigan, U.S.A., made contact with Expedition 15 to the International Space Station (ISS) via Amateur Radio on the International Space Station (ARISS). This event, a NASA educational project organized by volunteers, enables children to make contact with the ISS using amateur radio equipment. Ignacy Justyna and Tim Nevius from HORIBA Instruments Incorporated Ann Arbor Facility collaborated by providing and operating the amateur radio equipment. The students spoke directly with Astronaut Clayton Anderson on board the ISS via amateur radio as his orbital path brought him close to Ann Arbor. The students were able to ask questions about space and life on the space station. This contact with the ISS enhanced the relevance of the students' academic subjects and broadened their interest in space development and communications technology. 4

Neighborhood Cleanup

The Kyoto head office of HORIBA Advanced Techno Co., Ltd., is adjacent to a popular children's park that provides neighboring residents and our employees with a place to relax. The neighbors have kept the park clean by weeding and removing trash, and in May 2005, all employees of HORIBA Advanced Techno Co., Ltd. initiated a weekly cleanup as a way to contribute to the local community. Recently, the incidence of careless littering and discarded cigarettes has diminished, allowing local residents to use the park in greater comfort. The company plans to continue this cleanup activity in cooperation with neighboring residents. 5

Model Forest

In Kyoto, the city where the Kyoto Protocol was signed, HORIBA, other local companies, and organizations took part in the establishment of the Kyoto ModelForest Association in 2006. This, the first step in expanding the circle of forest growth activities for our collective future, involved many citizens and participants. The association hosts several events where citizens and companies work on forest growth by, for example, thinning and trimming in order to restore neglected areas of the forest. They also have opportunities for strolling in the mountains of Kyoto as they commune with nature. The second year of this activity was 2007, and many HORIBA Group employees and their families took part. Such activities offer good opportunities for considering what we can do to restore nature. All employees of the HORIBA Group are becoming more aware of the environment and are actively engaged in the effort to develop a sustainable society. 6

Providing Internships and Raising Student Awareness Regarding Employment

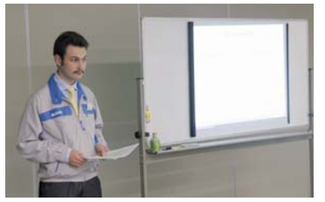
In recent years, young workers tend to leave or change jobs frequently, and their attitude is becoming an issue. In such a climate, we consider it important for junior high school and high school students to see adults in the workplace and to experience the structure of society. We also feel it is essential for technical college and university students to become aware of how their research will be linked to society in the future.

HORIBA believes that our internship program presents them with an excellent opportunity; we accept a broad range of interns from junior high school to university students as well as working adults both inside and outside Japan. As one of our initiatives, our executives and employees visit universities and give special lectures on how to develop employee awareness. This is not a recruiting activity. We are promoting this activity to raise student awareness of how they will enter the work world. 7 8

4 Volunteers help students contact the ISS via ARISS

5 Neighborhood cleanup

6 Model forest



7 Internship briefing session

8 Number of Interns Accepted in the HORIBA Group

	2005		2006		2007	
	Inside Japan	Outside Japan	Inside Japan	Outside Japan	Inside Japan	Outside Japan
HORIBA, Ltd.	16	2	18	4	20	6
HORIBA STEC, Co., Ltd.	2	—	2	—	2	—
Total	18	2	20	4	22	6

Social Report

Communications

At HORIBA, we place much importance on maintaining open communication with our many internal and external stakeholders as part of our business operations. We communicate with these stakeholders through a variety of media to promote clear understanding and to reflect stakeholders' opinions in our business activities. Our goal is to build win-win relationships.

Communication Sheet

We invite inquiries from stakeholders through the communication sheets we make available. These inquiries include requests for references as well as questions regarding our quality, environmental, and occupational health and safety initiatives. We comply with these inquiries by providing appropriate responses. In 2007, we received 201 questions on main topics such as surveys of the chemical content of products and confirmation of our standing with various certifications such as the ISO series.

In recent years, we have also noted a growing trend in the number of questions related to laws and regulations. To respond rapidly to such questions, we will make a daily effort to establish an in-house system and organize our information more efficiently. ❶❷❸

Meeting to Read the Gaiareport 2007

On June 12, we invited the company that had collaborated with us in preparing Gaiareport 2007 to attend a meeting at HORIBA, Ltd. to review that issue.

Readers of the Gaiareport from within our company as well as the Gaiareport Preparation Secretariat exchanged opinions and referred to the results of a preliminary survey.

In areas that improved from the fiscal 2006 edition, one respondent said that incorporating the comments of customers in the Gaiareport was a positive step. Another respondent welcomed the increase in articles on the HORIBA Group companies. On the other hand, we received several comments suggesting that we include more articles on Quality.

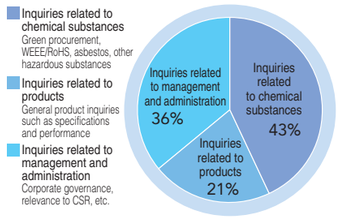
The Gaiareport Preparation Secretariat compiled these opinions so we may prepare an improved edition of the Gaiareport for next year.

Meeting to Read the Gaiareport 2007

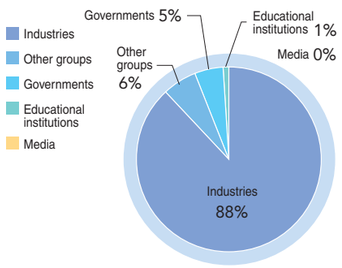
❶ Record of Environmental Inquiries in 2007
(January 1–December 31, 2007)

		FY2007
Number of published issues of our Social and Environmental Report (Gaiareport 2007)	Japanese-language edition	6,000
	English-language edition	2,000
Number of lectures and seminars		93
Requests for environmental information		777
Number of newspaper and magazine advertisements		19
Number of questionnaires returned from our Social and Environmental Report		25
Number of environmental exhibitions and animated presentations		4
Number of onsite training classes, environmental experiment classes & company open days		6
Total number of completed communication sheets received		201

❷ Breakdown of Inquiries by Subject for 2007



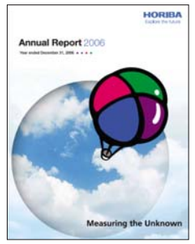
❸ Breakdown of Inquiries by Stakeholder for 2007



Disclosure of Information in Published Form

Annual Report

We introduce comprehensive information on our management details in the form of an annual report. This report is accessible by all our stakeholders, including owners (shareholders), investors, and customers as well as HORIBA employees.



HORIBA's Corporate Profile, *abiroh*

Through our Japanese-language corporate profile, *abiroh*, we introduce the analytical measurement technologies that are indispensable to revealing the unknown and opening the way to the future. At HORIBA, the field of analytical measurement is full of fascinating information. The theme of the 2007–08 edition of *abiroh*, "A Sense of Wonder," reflects its focus on the wonders of the unknown.

Self-assessment

At HORIBA, our Group Internal Audit Office performs a self-assessment of the information and data compiling system represented in our CSR report, Gaiareport 2008. This self-assessment is based on the *Guide for Self-assessment to Increase the Reliability of an Environmental Report* of the Ministry of the Environment. Specifically, the audit office determines whether the company's established policies and standards are reflected in the information and data compiling system. Through this report, we disclose information to stakeholders. In the future, we will promote continuous improvement by utilizing self-evaluations based on the *Environmental Reporting Guidelines* of the Ministry of the Environment.

[Report on the Results of Our Self-assessment]

We undertook a self-assessment of Gaiareport 2008, HORIBA's CSR Report.

1. Individual undertaking the self-assessment

Name/title: Masahiro Nakai, Deputy Manager
Affiliation: Group Internal Audit Office

2. Date

March 13, 2008

3. Procedural details

We prepared this report according to the list of items presented in the *Guide for Self-assessment to Increase the Reliability of an Environmental Report* published by the Ministry of the Environment.

4. Assessment objective

The target items of the self-assessment are the 29 items listed in the *Environmental Reporting Guidelines (Fiscal Year 2007 Version)*.

5. Result of assessment

We implemented the self-assessment procedures for the target items to be assessed and found no items of concern.

Masahiro Nakai
Deputy Manager, Group Internal Audit Office
HORIBA, Ltd.
March 13, 2008

The 29 Items Listed in the *Environmental Reporting Guidelines (Fiscal Year 2007 Version)*

1. Basic Information
- BI-1: CEO's statement
- BI-2: Fundamental requirements of reporting
- BI-3: Summary of the organization's business (including management indices)
- BI-4: Outline of environmental reporting
- BI-5: Material balance of organizational activities

2. Status of Environmental Management
- MP-1: Status of environmental management
- MP-2: Status of compliance with environmental regulations
- MP-3: Environmental accounting information
- MP-4: Status of environmentally conscious investment or financing
- MP-5: Status of supply chain management for environmental conservation
- MP-6: Status of green purchasing or procurement
- MP-7: Status of research and development of new environmental technologies and DfE
- MP-8: Status of environmentally friendly transportation
- MP-9: Status of biodiversity conservation and sustainable use of biological resources
- MP-10: Status of environmental communication
- MP-11: Status of social contribution related to environment
- MP-12: Status of products and services that contribute to the reduction of negative environmental impacts

3. Status of Activities for Environmental Impacts and Reduction Measures
- OP-1: Total amount of energy input and reduction measures
- OP-2: Total amount of material input and reduction measures
- OP-3: Amount of water input and reduction measures
- OP-4: Amount of materials recycled within an organization's operational area
- OP-5: Total amount of manufactured products or sales
- OP-6: Amount of greenhouse gas emissions and reduction measures
- OP-7: Air pollution, its environmental impacts on the living environment, and reduction measures
- OP-8: Amount of release and transfer of chemical substances and reduction measures
- OP-9: Total amount of waste generation and final disposal and reduction measures
- OP-10: Total amount of water discharge and reduction measures

4. Status of the Relationship between Environmental Considerations and Management

5. Status of Social Initiatives

Our Global Network

Launching an integrated business as “One Company” in the international market

(As of December 31, 2007)

Europe

HORIBA EUROPE GmbH
Oberursel, Germany

HORIBA Automotive Test Systems GmbH
Darmstadt, Germany

HORIBA Instruments Limited
Northampton, U.K.

HORIBA France Sarl
Grenoble, France

HORIBA GmbH
Tulln, Austria

HORIBA Jobin Yvon SAS
Longjumeau, France

HORIBA Jobin Yvon SRL
Millano, Italy

HORIBA ABX S.A.S.
Montpellier, France

HORIBA ABX Sp. zo.o.
Warzsawa, Poland

BIOPEP S.A.S.
Herault, France

HORIBA, Ltd. Moscow Representative Office
Moscow, Russia

HORIBA Europe GmbH Leichlingen Office
Leichlingen, Germany

HORIBA Europe Automation Division GmbH
Neuhausen, Germany

SRH Systems Ltd.
Worcester, U.K.

HORIBA Europe GmbH Sweden (Sodertalje) Office
Sodertalje, Sweden

HORIBA GmbH (Austria) Czech Office
Praha, Czech.

HORIBA France Sarl Italy Office
Torino, Italy

HORIBA Jobin Yvon Ltd.
Middlesex, U.K.

HORIBA Jobin Yvon GmbH
München, Germany

HORIBA Jobin Yvon SAS Spain Branch
Madrid, Spain

HORIBA Jobin Yvon IBH Ltd.
Glasgow, U.K.

HORIBA ABX SAS Portugal Office
Amadora, Portugal

HORIBA ABX SAS UK Office
Shefford Bedfordshire, U.K.

HORIBA ABX SAS Italy Office
Roma, Italy

HORIBA ABX SAS Spain Office
Madrid, Spain

HORIBA ABX SAS Belgium Office
Deurne, Belgium

HORIBA STEC Co., Ltd. Europe Service Center
Northampton, U.K.

HORIBA STEC Co., Ltd. Europe Office
The Netherlands

Asia, Japan

HORIBA Trading (Shanghai) Co., Ltd.
Shanghai/Beijing, China

HORIBA Instruments (Shanghai) Co., Ltd.
Shanghai/Guangzhou, China

HORIBA KOREA LTD.
Seoul/Pucheon, Korea

HORIBA Instruments (Singapore) Pte Ltd.
Singapore

HORIBA STEC Korea, Ltd.
Sungnam, Korea

HORIBA STEC, Co., Ltd., Taiwan Branch
Hsinchu/Tainan, Taiwan

HORIBA Automotive Test Systems Ltd.
Seoul, Korea

HORIBA, Ltd. Thai Representative Office
Bangkok, Thailand

ABX HORIBA Diagnostics (Thailand) Co., Ltd.
Bangkok, Thailand

HORIBA India Private Limited
New Delhi, India

HORIBA, Ltd. Taiwan Office
Hsinchu Hsien, Taiwan

HORIBA, Ltd.
Kyoto and other 12 cities, Japan

HORIBA STEC, Co., Ltd.
Kyoto and other 7 cities, Japan

HORIBA Advanced Techno Co., Ltd.
Kyoto and other 2 cities, Japan

HORIBA STEC, Co., Ltd., Aso Factory
Kumamoto, Japan

HORIBA Techno Service Co., Ltd.
Kyoto and other 24 cities, Japan

HORIBA ITECH Co., Ltd.
Tokyo/Kyoto, Japan

ASEC Inc.
Tokyo/Kyoto, Japan

Americas

HORIBA Instruments Incorporated Irvine Facility
Irvine, U.S.A.

HORIBA Instruments Incorporated Ann Arbor Facility
Ann Arbor, U.S.A.

HORIBA Automotive Test Systems, Inc.
Oakville, Canada

HORIBA ABX Inc.
Irvine, U.S.A.

HORIBA Jobin Yvon Inc.
Edison, U.S.A.

HORIBA/STEC Incorporated
Santa Clara, U.S.A.

HORIBA/STEC Incorporated Austin Office
Austin, U.S.A.

HORIBA Instruments Incorporated Tempe Facility
Tempe, U.S.A.

HORIBA ABX Ltda.
São Paulo, Brazil

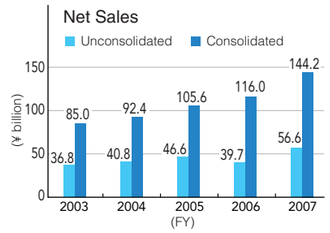
The companies of the HORIBA Group—which encompass four business segments—have been integrated into three regional markets: the Americas, Europe, and Asia.

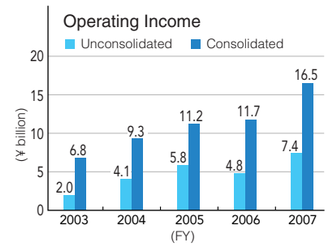
Our Four Business Segments

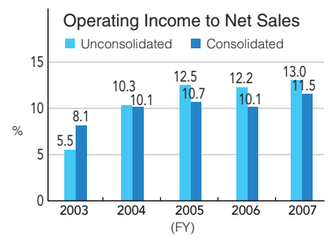
- Automotive Test Systems
- Medical/Diagnostic Instruments & Systems
- Analytical Instruments & Systems
- Semiconductor Instruments & Systems

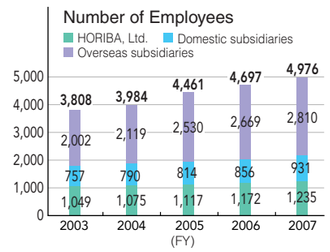
Business Performance for Fiscal 2007

Note: Due to a change in the accounting period, data for fiscal 2006 spans only a nine-month period.

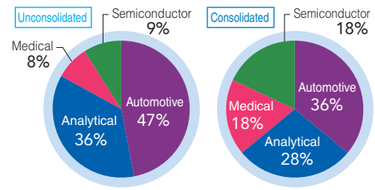




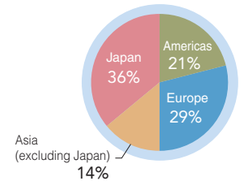




Share of Net Sales by Segment



Share of Net Sales by Region (Consolidated)



● Environmental Impact of Sales Offices and Service Stations

	Number of Locations		Sales Offices (11 locations)			Service Stations (24 locations)		
	Item / Year		FY2005	FY2006	FY2007	FY2005	FY2006	FY2007
INPUT	Electricity consumption	MW·h	749.6	809.5	768.6	394.5	443.7	602.8
	Water consumption	km³	2.2	2.2	2.1	1.0	1.0	0.0
	Fuel consumption	kL	48.1	54.0	57.4	184.5	190.9	197.9
	Quantity of chemicals consumed	t	0.2	0.0	0.0	0.0	0.0	0.0
	Office paper	t	5.8	5.8	6.0	2.7	2.6	3.6
	Packing materials	t	2.0	1.7	2.2	0.0	0.0	0.0
OUTPUT	CO_2 emissions	t-CO_2	398.7	432.6	424.0	585.4	615.6	689.8
	Wastewater discharge	t	2.2	2.2	2.1	1.0	1.0	0.0
	Amount of waste generated	t	14.8	12.7	9.4	8.9	9.6	9.9
	Waste emissions	t	11.2	9.6	3.2	6.8	7.6	7.6

Note: Due to a change in our accounting period for fiscal 2006, data collected over the nine-month period of fiscal 2006 was extrapolated to cover a 12-month period.

Sales Offices (11 locations): Tokyo, Sendai, Utsunomiya, Tsukuba, Yokohama, Nagoya, Toyota, Hamamatsu, Osaka, Hiroshima, Fukuoka

Service Stations (24 locations): Sapporo, Sendai, Utsunomiya, Ichihara, Kashima, Tsukuba, Kawaguchi, Tokyo, Nishitokyo, Yokohama, Fuji, Hamamatsu, Toyota, Nagoya, Toyama, Yokkaichi, Osaka, Himeji, Kurashiki, Hiroshima, Yamaguchi, Fukuoka, Oita, Kumamoto

Environmental Impact of Group Production Sites for Fiscal 2007

For the official name of each Group company, see the table below.

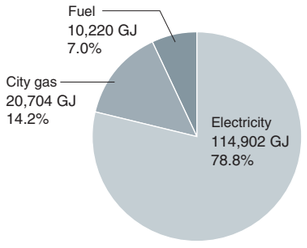
	Item / Region		U.S.A.						Europe						Asia			
	Abbreviated Company Name		HII (Irvine)	HII (Ann Arbor)	HII (Tempe)	HAUS	JYUS	SHI (*)	HE	HIL	HDHQ	HADE	JYFR	HA	STEC	HAT	HKL	HSC
INPUT	Electricity consumption	MW·h	413	1,000	1,300	2,955	1,490	269	490	333	1,986	1,613	4,017	0.6	5,723	321	56	479
	City gas consumption	km³	–	61.7	0	84.1	91.7	0.99	33.8	7.6	–	–	142.7	2.2	231.6	0.03	–	–
	Water consumption	km³	9.2	4.7	1.5	4.5	8.8	–	0.4	1.1	12	2.7	17.8	0.2	25.3	3.5	–	1.8
	Consumption of fuel oil & fuel for vehicles	kL	–	159	0.2	–	290.7	7.1	254	4	–	(**) –	62	10	32.5	14.4	3	26
	Quantity of chemicals consumed	t	–	–	0	–	0.009	–	3.0	–	1.8	–	–	0.005	5.1	0.09	–	–
	Office paper	t	2.4	3.0	0.1	2.5	5.1	–	2.6	1.0	32	7.3	7.8	0.8	7.7	5.2	0.2	0.5
	Packing materials	t	–	–	0.1	–	14.5	–	4.6	–	760	–	–	–	22.6	–	2.3	–
OUTPUT	CO_2 emissions	t-CO_2	244	1,083	768	1,921	1,735	177	899	175	99	823	643	26	19,041	155	28	240
	Wastewater discharge	km³	–	0.85	1.7	1.5	–	–	–	–	–	–	–	0.2	–	3.5	–	1.8
	Waste emissions	t	–	–	5	–	106	–	25	18	440	–	75	30	78	4.9	0.2	–
	No. of employees		112	117	7	80	200	61	135	95	548	292	310	21	393	136	23	85

* These data values refer only to HORIBA Technology Center, which is part of SHI.

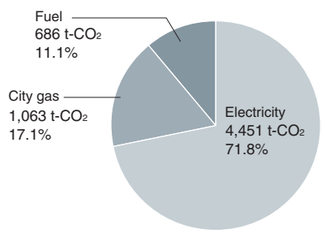
** Gaiareport 2007 contained an error regarding "Consumption of fuel oil & fuel for vehicles" at HADE. The actual data entry should be a dash ("not applicable").

Fiscal 2007 Energy Consumption Ratio by Energy Source and CO_2 Emissions

(1) Energy consumption ratio for fiscal 2007
(head office and adjoining main factory, SO, SS all sites)



(2) Greenhouse gas (CO_2 conversion) emissions by type
(head office and adjoining main factory, SO, SS all sites)



Group Manufacturing Companies (Production sites)

Company Name	Abbreviation	Location
HORIBA Instruments Incorporated Irvine Facility	HII	California, U.S.A.
HORIBA Instruments Incorporated Ann Arbor Facility	HII	Michigan, U.S.A.
HORIBA Instruments Incorporated Tempe Facility	HII	Arizona, U.S.A.
HORIBA Automotive Test Systems Corp.	HAUS	Michigan, U.S.A.
HORIBA Jobin Yvon Inc.	JYUS	New Jersey, U.S.A.
HORIBA/STEC Incorporated	SHI	California, U.S.A.
HORIBA EUROPE GmbH	HE	Oberursel, Germany
HORIBA Instruments Limited	HIL	Northampton, U.K.
HORIBA ABX S.A.S.	HDHQ	Montpellier, France
HORIBA Automotive Test Systems GmbH	HADE	Darmstadt, Germany
HORIBA Jobin Yvon SAS	JYFR	Longjumeau, France
HORIBA GmbH	HA	Tulln, Austria
HORIBA STEC, Co., Ltd.	STEC	Kyoto, Japan
HORIBA Advanced Techno Co., Ltd.	HAT	Kyoto, Japan
HORIBA KOREA LTD.	HKL	Kyunggido, Korea
HORIBA Instruments (Shanghai) Co., Ltd.	HSC	Shanghai, China

Wastewater Measurement Categories and Trends in Measured Values

Scope: Head office and adjoining main factory

(Unit: mg/L) except pH
∗ Under detection limit so omitted

	Regulation Category	Kyoto City Regulations	HORIBA Standards	Measured Result (maximum)			Detection Limit Value
				FY2005	FY2006	FY2007	
Environmental categories	pH	5–9	–	6.1–7.9	6.1–7.8	6.1–7.6	–
	n-Hexane extract	5	3.5	1.0	1.0	0.9	0.2
	Phenol	1	0.3	∗	∗	∗	0.2
	Copper	3	0.9	0.19	0.09	0.1112	0.0005
	Zinc	2	1.0	0.286	0.279	0.4782	0.0001
	Iron (soluble)	10	3.0	0.110	0.921	0.141	0.0004
	Manganese (soluble)	10	3.0	∗	0.05	0.007	0.0001
	Nickel	2	0.6	0.05	∗	0.0087	0.0001
Toxic substances	Boron and its compounds	10	3.0	0.15	0.25	0.4966	0.0002
	Fluorine and its compounds	8	4.5	1.02	1.25	1.16	0.02
	Cadmium and its compounds	0.1	0.03	∗	∗	∗	0.0003
	Cyanide	1	0.3	∗	∗	∗	0.1
	Lead and its compounds	0.1	0.07	∗	0.015	0.003	0.002
	6-Chromium	0.5	0.15	∗	∗	0.0009	0.0004
	Arsenic and its compounds	0.1	0.03	0.007	∗	0.003	0.003
	Mercury and its compounds	0.005	0.0015	∗	∗	∗	0.0005
	Trichloroethylene	0.3	0.09	∗	∗	∗	0.002
	Dichloromethane	0.2	0.14	∗	∗	0.043	0.002
	Carbon tetrachloride	0.02	0.014	∗	∗	∗	0.0002
	1,1,1-Trichloroethane	3	0.9	0.0006	∗	∗	0.0005

Notes:
・Regulation figures are from Kyoto City sewage and drainage standards.
・Due to a change in our accounting period for fiscal 2006, data collected over the nine-month period of fiscal 2006 was extrapolated to cover a 12-month period.

Atmospheric Measurement Categories and Trends in Measured Values (at vents and site perimeters)

Scope: Head office and adjoining main factory

	Measurement Category	Unit	Kyoto Prefecture Regulations	HORIBA Standards	Measured Result (maximum)		
					FY2005	FY2006	FY2007
At vents	Dichloromethane	vol ppm	200	180	Abolished	Abolished	Abolished
	Xylene	vol ppm	300	28	<2.00	<2.00	<2.00
	Ammonia	vol ppm	100	28	2.6	0.6	<0.5
	Fluorine compounds	mg/m³N	5	3.5	<0.70	<0.70	<0.50
	Hydrogen chloride	vol ppm	20	6	<1.00	<1.00	<1.00
	Nitrogen oxides (NOx)	vol ppm	100	30	<10.00	<10.00	<10.00
At site perimeters	Xylene	vol ppm	3	–	<0.30	<0.30	<0.30
	Ammonia	vol ppm	1	–	<0.10	<0.10	0.10
	Fluorine compounds	mg/m³N	0.05	–	<0.01	<0.01	<0.01
	Hydrogen chloride	vol ppm	0.2	–	<0.02	<0.02	<0.02
	Nitrogen oxides (NOx)	vol ppm	1	–	0.086	0.044	0.002

Notes:
・Regulation figures are based on ordinances in place to protect Kyoto Prefecture environment.
・Due to a change in our accounting period for fiscal 2006, data collected over the nine-month period of fiscal 2006 was extrapolated to cover a 12-month period.

Main Chemical Substances Handled

Scope: Head office and adjoining main factory

Unit: kg

CAS No.	IUPAC	Annual Amount Handled			Amount Transferred			Amount Recycled			Main Application
		FY2005	FY2006	FY2007	FY2005	FY2006	FY2007	FY2005	FY2006	FY2007	
67-63-0	Isopropyl alcohol	480	59	370	110	41	89	0	0	0	Clean printed circuit boards
64-17-5	Ethanol: over 99.5%	416	322	560	221	119	250	0	0	0	Clean components
67-64-1	Acetone (Dimethyl ketone)	454	322	472	448	137	448	1	0	0	Cleaning
124-18-5	n-Decane (petroleum hydrocarbon type cleaning agent)	847	655	898	212	164	29	0	0	0	Clean metals
7664-38-2	Phosphoric acid	377	72	184	376	71	83	0	0	6	Product additive
7439-92-1	Lead solder	371	708	93	0	0	0	132	135	15	Printed circuit boards
7440-31-5	Lead-free solder	3	5	486	0	0	0	0	0	36	Printed circuit boards
7803-57-8	Hydrazine monohydrate	142	21	23	0	0	20	142	21	0	Product inspection
1330-20-7	Xylene	135	446	524	135	446	523	0	0	1	Clean semiconductors/components

Notes: Due to a change in our accounting period for fiscal 2006, data collected over the nine-month period of fiscal 2006 was extrapolated to cover a 12-month period.

PRTR Substances for Fiscal 2007

Scope: Head office and adjoining main factory Minimum target treatment quantity: 10 kg

Unit: kg

No.	CAS No.	IUPAC	Annual Amount Handled	Added to Product	Amount Removed	Amount Emitted			Amount Transferred	Amount Recycled	Main Application
			Annual Amount Consumed	Shipment	Compounds Neutralized / Decomposed	Air	Water	Soil	Industrial Waste	Transferred Outside	
63	1330-20-7	Xylene and its mixtures	524	0	0	0	0	0	523	1	Clean components, semiconductors
230	7439-92-1	Lead amalgam (lead solder, etc.)	93	78	0	0	0	0	0	15	Printed circuit boards
113	123-91-1	1,4 Dioxane	61	0	0	0	0	0	61	0	Product inspection
144	507-55-1	H-997 1,3-dichloro-1,1,2,2,3-penta-fluoropropane	41	0	0	38	0	0	2	1	Product inspection
283	7664-39-3	Hydrofluoric acid	35	0	0	0	0	0	35	0	For semiconductors
132	1717-00-6	1,1-dichloro-1-fluoroethane (HCFC-141b)	33	0	0	33	0	0	0	0	Clean printed circuit boards
24	27176-87-0	Alkyl benzene sulfonate	28	0	0	0	0	0	28	0	For semiconductors
30	25068-38-6	Bisphenol A type epoxy resin (liquid)	20	8	1	0	0	0	11	0	Adhesive
181	62-56-6	Thiourea	19	17	0	0	0	0	2	0	Reagent production
227	108-88-3	Toluene	17	0	0	1	0	0	16	0	R&D
283	12125-01-8	Ammonium fluoride mixtures	14	0	0	0	0	0	14	0	For semiconductors
43	107-21-1	Ethylene glycol	13	0	0	0	0	0	13	0	Product tuning
16	141-43-5	Monoethanolamine mixtures	11	0	0	0	0	0	11	0	For semiconductors
		Total	909	103	1	72	0	0	716	17	

PRTR (Pollutant Release and Transfer Register) Law: Law concerning Reporting, etc. of Releases to the Environment of Specific Chemical Substances and Promoting Improvements in Their Management

HORIBA
Explore the future

HORIBA, Ltd.

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FAX: (81) 75-316-0194
E-mail: ims-promotion.hor@jp.horiba.com
URL: http://www.horiba.com

Relevant websites:

Environmental protection initiatives
http://www.horiba.com/company/hor/environment

Investor relations
http://www.jp.horiba.com/ir_e/

Gaiapress
http://www.jp.horiba.com/sensorium_e/

Cover Illustration

According to Greek mythology, Gaia is the maternal goddess of the Earth who ensures that the planet thrives and is capable of cleansing itself.

The HORIBA Group, a manufacturer of analytical and environmental measurement instruments, contributes to environmental protection by providing society with products that play an important role in safeguarding the environment. To demonstrate this determination, we have named our CSR communications media Gaiapress (our website) and Gaiareport (this CSR report). At HORIBA, we remain committed to the global environment by focusing on environmental measurement.

The cover theme for this edition is "Antarctica." Because Antarctica is the region most remote from the higher latitudes, it is being greatly impacted by global warming. As this is an ideal region for atmospheric measurement, we dispatched an employee, equipped with our analytical instruments, on the 49th Japanese Antarctic Research Expedition in November 2007. The objective of this expedition was to clarify the effects on the Earth and the atmosphere circulation system. Please see page 40 for details.

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In the interests of environmental conservation, this publication is printed with soy ink and VOC-free ink on recycled paper. Soy ink is biodegradable and readily erasable to ensure ease of recycling.

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