

HORIBA Report 2014

[Year ended December 31, 2014]

“Invisible values” web data collection

Omoshiro-okashiku
Joy and Fun

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Editorial policy

We have published integrated “HORIBA Report” since 2013 to help you better understand the true value of HORIBA by introducing our unique corporate culture and “invisible values” is available on our website.

HORIBA Report Booklet



This booklet summarizes primarily HORIBA’s business activities and financial information, along with “invisible values” such as human resources and technologies.

“To our stakeholders” Website



This website provides the detailed information including the HORIBA Report web data collection, which features HORIBA’s safety and environmental activities, contribution to the society, and other information.

<http://www.horiba.com/to-our-stakeholders/>

“Invisible values” web data collection



Notation of HORIBA and HORIBA, Ltd.

In this HORIBA Report, the HORIBA Group of companies is described as “HORIBA” and the parent company as “HORIBA, Ltd.”

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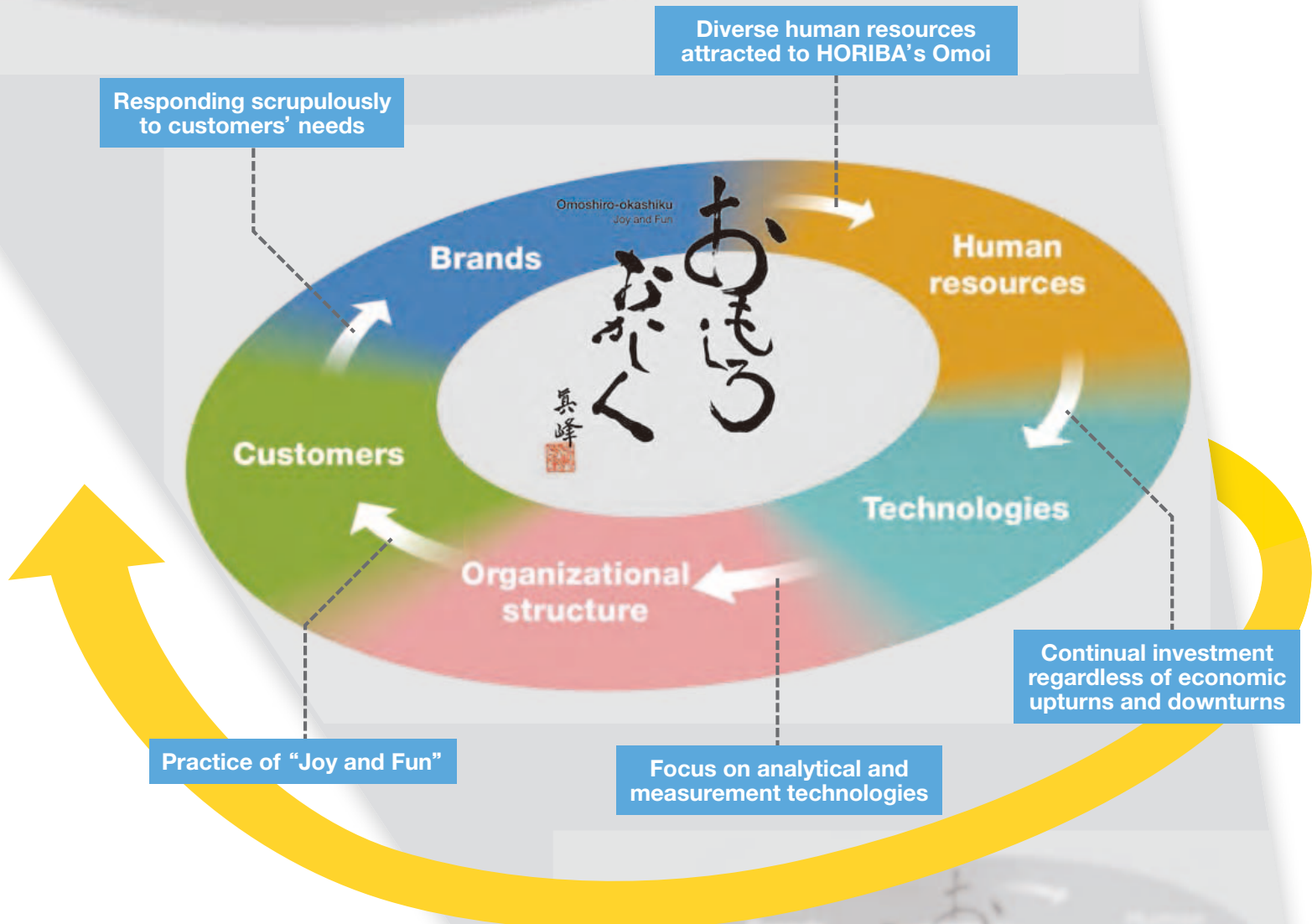
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Invisible Values **Assets not visible in the financial statements**

Value-creating spiral

Creating values by using our “Invisible Values” is one of HORIBA’s important management philosophies.

The earnings statement and balance sheet both embody visible and important values.

However, we believe that the essence of good management is to increase “Invisible Values” which are firmly rooted in corporate culture.

Management’s emphasis on maximizing short-term earnings will not foster sustainable growth or an increase in corporate value; these two objectives cannot be achieved if there is neglect to invest in Invisible Values.

Human resources

At HORIBA, employees are considered to be not simply “employees” but “human resources” in the sense of resources that are assets. In order for all employees to achieve self-realization through “Joy and Fun”, we have set forth, shared, and been striving to realize HORIBA's five *Omoi* shown below. HORIBA's strong organizational power is generated from the compelling desire of all highly-diversified HORIBA employees to practice HORIBA's five *Omoi*.

HORIBA's five *Omoi*

- To be a part of a collaborative community, at the forefront of new ideas and creations.
- To reach across the globe to expand learning that captures key business developments, wherever they occur.
- To achieve goals and making my life memorable by fostering the highest intellectual potential.
- To be proud of sharing what I do and what HORIBA delivers.
- I want to participate all around and where I can be of help.

Technologies

Technological development is one of the most important drivers for value creation and the lifeline of a manufacturer such as HORIBA. To make an analogy, technical capability is a form of basic physical fitness, which cannot be maintained without continual training and exercise. Using this analogy, HORIBA needs to keep training in order to maintain the power to make a dash forward in a recovery phase of the economy.

Organizational structures

HORIBA operates five business segments in 26 countries. We believe it is important that our human resources in each business and each region take the initiative in promoting their business. With that aim, we are spreading our “Joy and Fun” corporate philosophy into our global group-wide operation and promoting “One Company Matrix Management.”

Customers

HORIBA helps improve people's quality of life in a sustainable society by supplying products and providing services to customers. We think it is important to provide solutions in addition to supplying hardware (instruments). In order to achieve this goal, we collaborate with suppliers and group companies in Japan and overseas to improve the quality of our products and services.

Brands

HORIBA works on growing “Invisible Values”, such as human resources, technologies, and its corporate culture. “Invisible Values” are essential in generating future earnings and enabling enterprise continuity, while achieving numerical targets for net sales, profits, and other indicators.

We believe that our persistent, continuous efforts on increasing the other four invisible assets, namely “human resources,” “technologies,” “organizational structure,” and “customers,” have greatly helped us to establish our brands, representing trust in HORIBA placed by our customers.

Basic personnel management policies

Open & Fair

We believe in disclosing all necessary company information and personnel rules to every employee. This policy ensures open competition and allows free communication between executives and employees, managers and staff, and among employees themselves. We also believe that all employees should have an equal chance and rewards in proportion to their contributions in a fair work environment.

Positive evaluation system

Challenges always involve the risk of failure. If employees do not accept a challenge, they get no points in our evaluation system, even if they do not fail. If they accept a challenge, they receive a positive evaluation; and if their challenge brings them success, they will get extra points. We determine employee evaluations by how they attack their challenges.

Communication

Information is not what you report to others, but what you share with others. We have designed communication systems to allow staff to express their opinions and make proposals instead of managers passing information to their staff in one-way communications.

Birthday parties for employees

To facilitate communication between executives and employees, buffet parties are hosted by the President and other executives for employees celebrating their birthdays each month (head office: once per month; Tokyo: four times per year; Nagoya: three times per year; Fukuoka: once per year).

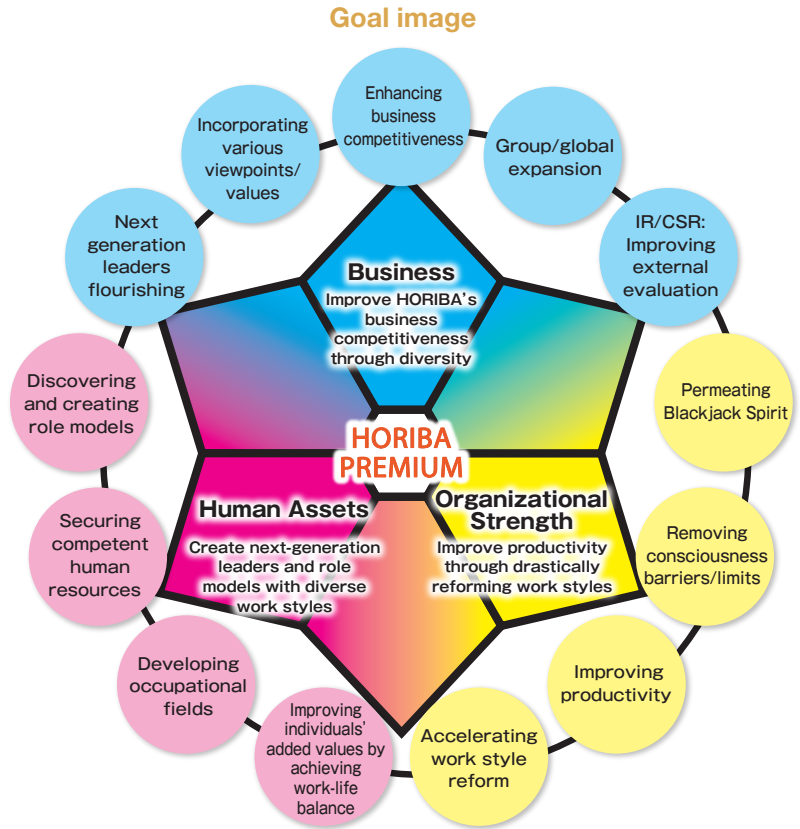


HORIBA Stained Glass Project

The HORIBA Stained Glass Project was launched in January 2014, to provide a focal point for continuing efforts toward becoming a more vibrant, stronger organization where our people respect each other's abilities and individuality.

Project mission

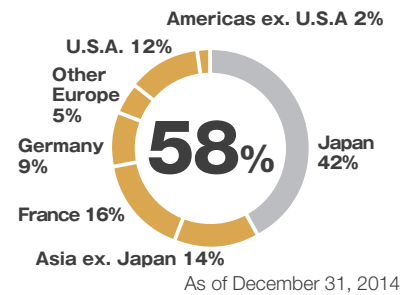
We establish a strong HORIBA by allowing various personalities and talents to shine for creating new values on an ongoing basis.



Performance by female employees was the first year's theme

In 2014, performance by female employees was the main theme and various workshops featured on topics such as how they go about their jobs or how they feel about the work. In total, 1,480 employees participated the project, helping them to be aware of the importance of promoting diversity. As of the end of 2014 women made up 11% of overall HORIBA managerial level persons. At HORIBA, Ltd., the ratio was 4%. The percentage of women among all group employees is 25%. We believe that we have ample capacity for offering women opportunities to develop their abilities and advance in the organization. On the other hand, HORIBA's overseas employee ratio was as high as 58% as of the end of 2014. This is not a result of shifting production offshore in order to use low-cost labor but rather is a consequence of our growing need for highly skilled workers and specialists who hold advanced degrees. This is quite unique among Japanese companies. Keeping our corporate motto "Joy and Fun" in mind, we aim to build a powerful organization where all employees respect each other's strength and weakness and make the best out of diversity.

Overseas employee ratio



Famel manager ratio

Targeted companies	No. of female managers	% of female managers
4 domestic companies	9	4%
15 major overseas companies	82	11%

Promotion of the employment of people with disabilities

In order to provide greater employment opportunities for handicapped persons, we collaborate with Job-placement offices to accept employees through on-the-job training. In 2014, we employed thirteen handicapped persons.

Official commendation at the Second ACE Forum

The Accessibility Consortium of Enterprises (ACE) is a corporation that was established to reform corporate cultures and facilitate business growth by promoting employment of handicapped persons. HORIBA is one of its 24 member companies.

At the Second ACE Forum, employees who play active roles at ACE's various member companies received official commendations; among them was Mr. Toshihiko Matano, a HORIBA employee with a hearing impairment who was recognized for the active role he has played as a design engineer for automotive exhaust emission measuring equipment.



Employment of Personnel from Overseas

We employ skilled personnel irrespective of nationality in a wide range of areas, including research and development as well as administration and sales. Personnel of various nationalities (Canadian, Chinese, South Korean, Russian, Ukrainian, Myanmar, etc.) are working both inside and outside our companies. We also take the initiative in recruiting new graduates. This year, we employed graduates with foreign citizenship, including those who graduated from school in 2015, for the eighth consecutive year (33 graduates in total, including those from France, China, South Korea, Indonesia and Sri Lanka).

Support for athlete employees

Based on our basic personnel management policy "Open & Fair," we actively support our athlete employees by providing an environment that enables them to take on new challenges in order to realize their dreams.

Yuki Hayashi, archer

Ms. Yuki Hayashi, who plays an active role in the global arena as a member of the Japanese national archery team, is handling both her sports activities and work life quite well by making the most of the seven-hours-a-day work system for regular employees.

Her past achievements include ranking highly as a member of the Japanese national team at the Beijing Olympics, winning the all-Japan indoor archery championship as an individual in February 2014, and winning a bronze medal as a member of the Japanese national team at the 17th Asian Games held in Incheon, South Korea in September 2014. We expect she will go on to even greater success in the future.



Support for work-life balance

In response to changes in employees' family circumstances, we introduced a shorter working hours system for employees in 2005 and a work from home system in 2006 to maintain and improve employees' work-life balance. We are also working to make these systems known to all employees and to provide training for managers in order to create a work environment where employees can easily apply for our work-life balance support programs, including childcare leave.

Employees who started taking childcare leave

HORIBA Group companies in Japan

(HORIBA, Ltd.; HORIBA STEC, Co., Ltd., HORIBA Techno Service Co., Ltd.; and HORIBA Advanced Techno Co., Ltd.)

(Unit : Person)

		2010	2011	2012	2013	2014
Women	No. who gave birth	28	24	33	32	34
	No. on childcare leave	28	26	33	32	33
	No. of managers	1	0	0	0	0
Men	No. on childcare leave	3	3	5	5	3
	No. of managers	0	1	0	0	0

Nearly 100% of women who gave birth took childcare leave and returned to work.

HORIBA Open House

To enable employees' families to better understand what HORIBA does, HORIBA has held Open House events annually since 2002 and invited employees' families to visit company offices and work sites. As of 2014, 1,181 family members have accepted HORIBA's invitation.



Group of HORIBA Working Mothers

In 2012, a group of concerned female managers in the process of raising children established the Association of HORIBA Working Mothers. The Association continues to plan and implement internal luncheon meetings, off-day meetings for working mothers and their children, and other events for female employees who are rearing children but do not have enough time to communicate with others around them mainly due to their shorter working hours. The Group's members aim to achieve better work-life balance by exchanging information on jobs, families, and child rearing.



Open application system for overseas training

As early as 1984 we adopted the policy of sending some of our people to our overseas Group companies for one-year period to acquire international working experience and an international outlook. Every employee can apply this with on each individual's own initiative. In 2015, 16 persons will be transferred to post abroad, bringing the total of such participants to 220 persons. We will continue to value the willingness of employees to take up challenges, send them to overseas bases, and develop human resources with multicultural perspective.

Employees sent to overseas business sites for training

Target: HORIBA Group companies in Japan

(HORIBA, Ltd.; HORIBA STEC Co., Ltd.; HORIBA Techno Service Co., Ltd.; and HORIBA Advanced Techno Co., Ltd.)

(Unit: person)

Area	America		Europe				Asia							Total
	U.S.A.	Brazil	Austria	France	Germany	U.K.	China	India	South Korea	Singapore	Taiwan	Vietnam	Thailand	
No. of persons	83	5	1	49	32	10	11	6	10	8	3	1	1	220

HORIBA COLLEGE

HORIBA COLLEGE offers training courses designed to raise participants' levels of knowledge, skills and business literacy, and to support individual employees in building independent careers. More than 3,600 employees participated in the project in 2014. We are developing global "human assets," i.e., personnel who are able to flexibly respond to changes in the business environment and develop different strategies.



Training center "Fun House"

In keeping with the belief that the training center could create more values than a manufacturing plant, we opened a training center that we named Fun House in 1991. Since then, many employees attended the HORIBA COLLEGE training courses, in which know-how and skills are transferred from employees as lecturers to other employees. There are courses for new recruits, and global conferences attended by the management of Group companies in various countries, and others. 5,778 employees used the Fun House in 2014. The attendees have more diverse and stimulating exchanges with each other as a result of being away from everyday assignments and spending time together with their colleagues at Fun House.



Ranked among the Best Workplaces in Japan

The results of the ninth survey on Best Workplaces in Japan, conducted by Great Place to Work® Institute (GPTW) Japan, showed that HORIBA, Ltd. ranked among the top 16 companies. Since the survey started in Japan, HORIBA, Ltd. has been chosen among the best workplaces for nine consecutive years. GPTW Japan defines the best companies to work for as companies where employees can trust their managers and administrators, work with a sense of pride, and enjoy camaraderie with their co-workers. The survey includes a questionnaire for company executives concerning the company system and corporate culture, as well as questions for a random sample of employees. Employee responses account for two-thirds of the survey, thereby allowing employees' opinions to be more strongly reflected in the final evaluation. The results of the questionnaire conducted among our employees showed many positive responses to survey questions, such as "If something special comes along, we all celebrate it." and "Our company makes great contributions to local communities and society." At HORIBA, we work in line with the corporate motto, "Joy and Fun," and have basic policies of "Open & Fair" "Positive evaluation" and "Communication" Based on these policies, we will continue to maintain a corporate culture that makes HORIBA one of the best companies to work for in Japan.



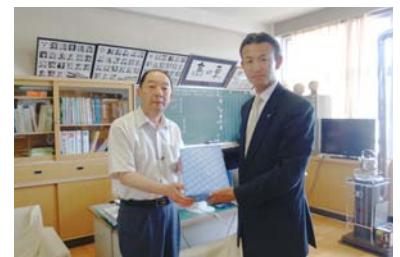
Volunteering for the “Kimchi from Our Hearts” event

On November 29, 2014, 40 employees of HORIBA STEC Korea, Ltd. participated in volunteer activities to produce kimchi, a traditional Korean dish made of pickled seasoned vegetables, at a welfare hall in Seongnam City in South Korea's Kyonggi Province. The company annually participates in these activities, which aim to produce kimchi and deliver the completed dish to the elderly and families in the neighborhood together with support supplies. As a member of the local community, the company will continue to carry out these activities in the years to come.



Visiting Takata Higashi Junior High School baseball team

On June 13, 2014, a HORIBA corporate officer visited Takata Higashi Junior High School, which is operated by Rikuzentakata City. This school was established in April 2013 by combining three schools, including the former Hirota Junior High School. In 2012, based on sales from the bazaar it held as part of an internal company event, HORIBA donated a pitching machine to the former Hirota Junior High School. In January 2014, deeply moved by the thank-you letter it received from the representative of the parents' association of the school's baseball club, HORIBA management sent one of its officers to Takata Higashi Junior High School. This corporate officer heard from the principal and vice principal about the events that had occurred since the Great East Japan Earthquake and the current issues to be addressed. The officer re-confirmed the magnitude of the damage caused by the tsunami and was impressed by the enormous efforts that victims of the earthquake and tsunami had made up to that point. There are still temporary residences for evacuees on the grounds of Takata Higashi Junior High School, and members of the baseball team are training using nearby paddy fields as temporary practice areas. The officer was also strongly affected by the fact that despite these hardships, the team members are leading cheerful, energetic lives as junior high school students. Recently, HORIBA donated a set of balls to the baseball team in order to support its members. We hope this will encourage the baseball team to do even more remarkable work.



Participating in the “Beach Cleanup in Suma” event

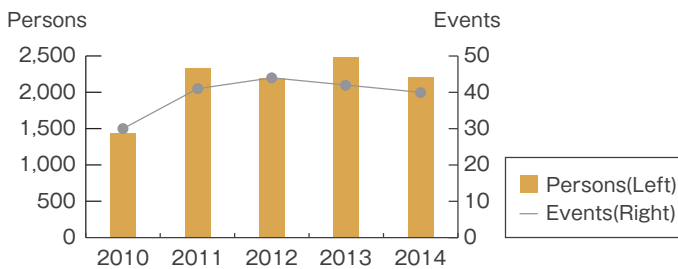
The Beach Cleanup in Suma is held twice a year to pick up trash scattered along Hyogo Prefecture's Suma Beach in order to study its composition. This event is part of a global initiative, the International Beach Cleanup campaign, which targets beaches around the world. HORIBA employees have participated in this campaign since 2002.



Environmental delivering classes

Based on HORIBA's wish to show children how interesting and important the science of measurement is, in 1994 the company started a program in which it enlisted employees to give talks at schools and events. HORIBA employees demonstrate scientific truths using ordinary objects and materials from daily life and show students how plants and animals use their sensory capabilities, with the thought that some of these students may go on later in life to work with analytic technology. In 2014, we held 40 seminars, for a total of 2,213 participants.

The number of pupils who have been present at our classes, and the number of such events



Project to develop female scientists

From September to November 2014, as part of a project implemented by Kacho Girls' Senior High School in Kyoto to develop students who go on to study science in higher education, a total of nine female science and technology employees from HORIBA gave ten lectures on the importance of measuring and manufacturing to the high school's second-year students who wished to advance to medical or science universities.

The high school wanted its students to learn how necessary and interesting scientific ways of thinking were by studying the significance and social functions of analysis and measurement. It also wanted its students to imagine how they may work in the future by meeting with women who work as scientists. HORIBA approved of the school's vision and worked to bring this project to fruition.



Participating in the Student Formula Japan Competition as a sponsor company

The 12th Student Formula Japan Competition took place at a specially set up stadium in Ogasayama Sports Park ECOPA in Shizuoka Prefecture from September 2 to 6, 2014.

A total of 96 universities, the largest ever in the history of the competition, participated in the event. An increasing number of universities from not only Japan but also various other parts of Asia took part in the contest, so much so that it could be called an "Asian Competition." The competition aims to allow young student engineers who will lead the next generation to learn about manufacturing technologies through practical exercises in a way that is not possible through classroom lectures.

HORIBA, one of the competition's sponsors, was responsible for inspecting the vehicle technology at the event; in addition, it used small motor exhaust gas analyzer to carry out exhaust gas tests after the race was over, thus selecting vehicles with a high level of environmental performance.

Starting last year, not only gasoline-engine-based cars but also electric vehicles (EVs) entered the competition, making their development process a microcosm of that of automobile manufacturers. HORIBA considers this event important because it provides student engineers with opportunities to experience not only exhaust gas measurement but also the products of HORIBA, which is deeply involved in the development of EVs and drive systems.



Declarations of Occupational Safety and Health

In addition to the Physical and Mental Health Promotion Declaration and the HORIBA Group Safety Declaration issued by top executives, HORIBA has adopted a policy of “promoting physical and mental health to create comfortable, vibrant workplaces” as one pillar of its Integrated Management System, including OHSAS 18001 certification (for occupational safety and health). All HORIBA Group companies actively engage in occupational safety and health initiatives.

Physical and Mental Health Promotion Declaration

(May 7, 2012)

To stay true to the “Joy and Fun” motto, the HORIBA Group promotes its employees' physical and mental health in order to help them live fulfilling lives with a sense of purpose in both life and work as well as to realize comfortable and lively workplaces.

Chairman, President & CEO, HORIBA, Ltd.
Atsushi Horiba

Physical and Mental Health Promotion Action Guidelines

(May 7, 2012)

In order to put into practice the Physical and Mental Health Promotion Declaration, the HORIBA Group works to promote three types of prevention and implement four healthcare measures based on the Code of Ethics, the Health and Safety Regulations, the Healthcare Regulations, and so forth.

■ Promotion of three types of prevention

Primary prevention : Promote physical and mental health; prevent illnesses and injuries. The HORIBA Group promotes efforts to create vibrant workplaces by enlivening communication among employees through unique initiatives and events.

Secondary prevention : Take measures for early detection and treatment of illnesses/injuries; prevent development of serious symptoms. The Group works with the health insurance union and external partner organizations to provide education and establish a system that allows employees to seek healthcare advice with a sense of security.

Tertiary prevention : If unfortunately an employee becomes sick or injured, the healthcare staff members in the employee's workplace and outside the company will keep the sickness or injury confidential and strive with all their might to ensure the person does not become sick or injured again after returning to work, thereby minimizing the negative impact on the employee and his or her workplace.

PDCA : HORIBA's health promotion divisions collaborate with the HORIBA Group's Safety and Health Committee to set medium-term targets, and develop action plans for the primary, secondary, and tertiary prevention and indicators to measure the effectiveness of the plans. The divisions evaluate the achievement of the indicators and reflect evaluation results in new action plans.

■ Enhancement of four healthcare measures

Self-care Each employee pays attention to his/her level of health and stress, quickly and appropriately dealing with any unwelcome health conditions.

Line care Managers focus on establishing free, open, reasonable, and consistent work environments without waste and paying attention to the work-life balance and health of their subordinates and other concerned parties on a daily basis to facilitate early detection of those in poor condition.

Care by internal health management staff

Internal health management staff members provide necessary information and advice to promote self-care and line care as well as help each employee to safeguard their health.

Care by outside experts

The HORIBA Group works with outside expert organizations such as EAP services to operate a system that allows employees to easily seek necessary information and advice to solve problems in their lives and safeguard their health; inquiries are kept confidential.

Work-life balance

Physical and mental health is not only the foundation of the workplace but also of the family and community. The HORIBA Group is stepping up its efforts to implement four healthcare measures while simultaneously striving to help each employee achieve work-life balance and, together with the employee and his or her family, safeguard health.

Chairman of the Group Safety and Health Committee
Managing Director, HORIBA, Ltd.
Fumitoshi Sato

HORIBA Group Safety Declaration

HORIBA Group Safety Declaration

(April 1, 2013)

<Basic Principle>

We strive to place the highest priority on ensuring human safety in all aspects of our business activities and also attempt to ensure product safety. HORIBA Group executives and employees as well as partner company employees are responsible for placing the highest priority on safety, regardless of profits or delivery times.

<Action Guidelines>

We shall act based on the following guidelines.

1. We shall qualitatively and quantitatively analyze factors that compromise safety and make continuous improvements in order to actively promote the safety of people working at our company.
2. We honestly recognize that there some factors in our products that may compromise the safety of customers as well as of the employees of HORIBA and our partner companies, so we make positive, continuous efforts to improve safety.
3. To improve safety, we comply with regulations, agreements, and conventions as well as establish our own independent standards to meet requirements.
4. We provide curricula for various safety education programs in order to improve the knowledge, skills, sensitivities, and ability to take action of HORIBA executives and employees as well as of our partner companies' employees.
5. We actively participate in product safety improvement activities undertaken and promoted by customers, other companies, and the public at large.
6. We keep HORIBA executives and employees as well as our partner companies' employees well informed of safety improvement activities in order to raise their safety awareness; we also release information on our safety improvement activities to the public as needed.

Chairman, President & CEO, HORIBA, Ltd.
Atsushi Horiba

HORIBA Group Annual Safety and Health Plan

In 2015, in accordance with the HORIBA Group policy, "HORIBA PREMIUM -Create First Class Value", we formulated an annual safety and health management plan for the HORIBA Group. In order to achieve our annual goals, all group employees are making united efforts to implement safety and health programs.

HORIBA Group Annual Health and Safety Management Plan for 2015

Slogan

Together, put the Physical and Mental Health Promotion Declaration and the HORIBA Group Safety Declaration into practice; remember the importance of physical and mental health and work to create cheerful, vibrant workplaces under the company slogan, "Joy and Fun."

Action guidelines

- To reduce the number of work-related accidents to zero, the HORIBA Group strives to provide systematic health and safety training to all employees who need it so that they obtain more knowledge about health and safety.
- To reduce the number of accidents in which company cars are involved, the HORIBA Group strives to eliminate dangerous driving through business vehicle operation management and making the most of drive recorders.
- To maintain employee health, the HORIBA Group strives to maintain and improve its comfortable work environment.

Annual Goals and Achievements

[Safety management]

- (1) Employment injury prevention
 - Established HORIBA Safety Enhancement Week held in tandem with National Safety Week (patrols by top managers of partner companies and official commendation of risk assessment promotion activities).
 - Participated in the Ministry of Health, Labour and Welfare's "Safety Project" and applied to enter a contest for visible safety activities.
 - Provided training to enhance safety management (of chemicals, X-ray equipment, lasers, high-pressure gases, electricity, and forklifts)[6 lectures were attended by 678 employees in total].
 - Provided training for newly recruited employees.
- (2) Traffic safety
 - Acquired ISO 39001 certification (road transport safety).
 - Officially commended excellent drivers for safe driving.
 - Provided re-training to employees who caused accidents.
 - Equipped company cars with HORIBA's proprietary operation management system.
 - Developed safe driving manuals (for managers, driving during bad weather, etc.).
 - Stepped up driving management through healthcare support.
 - Held lectures on safe driving (automobile course attended by 714 employees; motorcycle course attended by 128 employees; and bicycle course attended by 464 employees).
 - Conducted driving aptitude tests upon hiring new employees.



Safety patrol by top managers



Forklift driving training

[Occupational health]

- (1) Safeguarding of employees' health
- (2) Prevention of mental disorders
 - Implemented a physical and mental health promotion project (company-wide; cross-sectional activities involving general affairs, human resources, health insurance unions, welfare-related companies, OHSAS 18001 administration and operation units, labor unions, occupational health staff members, and EAP providers*).
 - Carried out "Health Up Challenge 2014," a health promotion activity in which employees participated [213 in total].
 - Provided training that included hands-on agricultural experiences.
 - Implemented health guidance specified by internal occupational health staff members.
 - Provided training on mental health for managers.
 - Conducted integrated medical examinations in 2014 and provided health guidance based on their results (stepped up efforts to support promoting health of employees in distant locations).
 - Provided occupational health training (on preventing lower-back pain, VDT worker health, and hazardous substance handling) [6 lectures were attended by 599 employees in total].
 - Supported female workers (offered seminars by gynecologists and obstetricians, email counseling, special diagnosis and treatment on holidays, etc.).
 - Conducted stress checks for employees.
 - Provided internal counseling (on using EAP effectively).
 - Communicated health information through internal company bulletins and the corporate intranet.*EAP : Employee Assistance Program



Traffic safety training for employees commuting by motorcycle



AED life-saving lectures

[Other]

- Carried out general disaster prevention drills (such as earthquake experiences using an earthquake generator and smoke-house experiences) in 2014.
- Provided emergency training (on fire prevention and disaster prevention training for new employees and AED life-saving lectures) [767 employees attended the lecture].
- Self-defense fire brigades carried out activities (such as ceremonies to appoint or discharge members, participation in southern region self-defense fire brigade drills, group drills, presentation of exemplary performances, and periodic drills).
- Established and strengthened health and safety management promotion systems for each division in conjunction with the Integrated Management System.
- Made presentations at academic and other conferences and participated in symposiums.



Smoke room experience

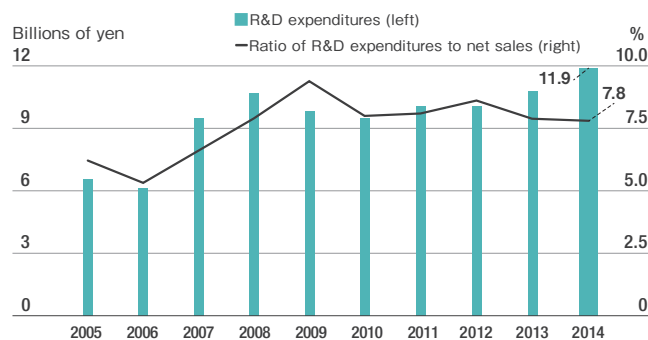
[Awards]

- Received the 2014 Director-General of the Kyoto Labor Bureau Excellence Award.
- Received a Certificate of Record for Having No Type II Accidents.
- Received the First Kyoto Award for Companies Practicing Health Promotion (Excellence Award).

Accelerating investments in basic analytical and measurement technologies and application development

The development of analytical technology and engineering technology is vital to HORIBA as an analytical and measurement equipment manufacturer. We have maintained R&D investment at the level of 7-8% of sales, even during economic downturns when our competitors reduced their investments. This strategy has helped to boost our market share during subsequent upturn phases. In 2009, our sales declined sharply, but we maintained the same level of R&D investment. We firmly believe this investment policy will contribute to our future growth and profitability improvement. HORIBA aims to improve the efficiency of our R&D investments and realize a higher operating income ratio.

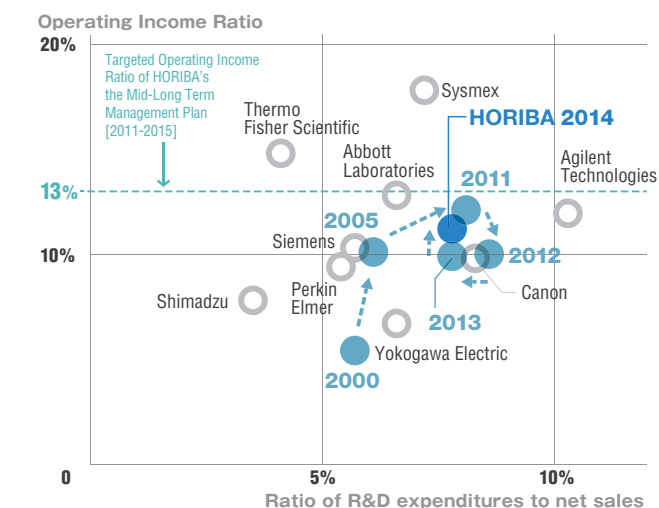
R&D expenditures and ratio of R&D expenditures to net sales



Comparison with other companies – operating income ratio and ratio of R&D expenditures to net sales

HORIBA recorded 11.2% in operating income ratio and 7.8% in the ratio of R&D expenditures to net sales in 2014. In recent years, those ratios have been stable and the ratio of R&D expenditures, in particular, has been a higher level compared to other companies.

Comparison with other companies – operating income ratio and ratio of R&D expenditures to net sales



Other companies' information is extracted from their disclosed materials, which are available as of April 1, 2015.

Mid-Long Term Management Plan's Investments in R&D facilities

HORIBA has been investing in R&D facilities for the five business segments for the Mid-Long Term Management Plan period of 2011 to 2015. Enhanced R&D capability for each segment will allow us to accelerate R&D in a balanced manner in the future.



Japan

Automotive Test Systems

Process & Environmental Instruments & Systems

HORIBA BIWAKO E-HARBOR

Scheduled to be completed in the autumn of 2015;
approximately ¥10 billion investment

Objective: Improve the time-to-market of new gas measurement products and efficiency of production by an organic integration of development, design and production



France

Medical-Diagnostic Instruments & Systems

New Medical R&D Center

Opened in July 2015;
approximately ¥1 billion investment

Objective: Enhance medical R&D including development for medium and large-sized hematology analyzers, with new prospective markets in mind. This is intended to be an important base for growth and profitability improvement of our medical business.



Japan

Semiconductor Instruments & Systems

HORIBA STEC Kyoto Fukuchiyama Technology Center

Opened in 2013; approximately ¥1 billion investment

Objective: Develop mass flow controllers and next-generation advanced material control equipment



France

Scientific Instruments & Systems

HORIBA Europe Research Center

Opened in 2012; approximately ¥2 billion investment

Objective: At a location next to the École Polytechnique, the renowned French engineering institution, to use industry, academic, and government interaction and research to quickly ascertain future customer needs and accelerate development of new products



Japan

Corporate-wide

HORIBA Advanced Technology Center

Opened in 2015 April; approximately ¥3 billion investment

Objective: Integrate technical development teams of semiconductor sensors used in all segments of HORIBA products to accommodate market needs and shorten the development-to-production time

Heritage of Analytical and Scientific Instruments

Spectrometer and Monochromator HR 320 was selected to be part of 16 instruments certified as “Heritage of Analytical and Scientific Instruments” by the Japan Analytical Instruments Manufacturers' Association (JAIMA) and Japan Scientific Instruments Association (JSIA).

The Heritage of Analytical and Scientific Instruments program was established in 2012 for the purpose of bequeathing valuable analytical techniques, analyzers and scientific instruments that have contributed to the daily lives, economy, education and culture of the people of Japan as a cultural heritage for future generations. The certified products are world-class instruments and technologies that are recognized as representing the power of science and that are to be passed on to the next generation.



Masao Horiba Awards

The Masao Horiba Award, named after the founder of HORIBA, Ltd., was established to promote research in the field of analysis and measurement technology by researchers working at universities and public research institutes in Japan and overseas. HORIBA has given awards to 41 promising researchers and engineers from 2004 to 2014 and supported their activities. We hope the award will continue to serve as a source of motivation and encouragement to those who receive it.



Specific themes

2004	pH measurement
2005	Infrared related analysis and measurement technologies
2006	X-ray analysis
2007	Measurement technologies for cells or biological particles
2008	Measurement and analytical technologies related to internal combustion engines
2009	The analysis of the surface of material for the semiconductor and related industries
2010	In situ and continuous measurement of harmful airborne substances affecting human health, safety, and security
2011	Ultra high-sensitive or ultra high-speed analytical method and technology using electromagnetic radiation from the NIR to the X-ray
2012	Radiation measurement
2013	Measurement of water property
2014	Gas measurement

★Masao Horiba Awards
<http://www.mh-award.org/en>

Technical journal “Readout”

Readout is a technical journal issued by HORIBA. The name “Readout” represents our sincere desire - helping readers understand the company's proprietary products and technologies by offering information about them. Since its first issue in July 1990, the journal has been published biannually.

★Technical journal “Readout”
<http://www.horiba.com/publications/readout/>



HORIBA Group IP (Intellectual Property) World Cup

Our in-house IP World Cup competition was held for the first time in 2011, with the aim of encouraging creation of HORIBA technology which can initiate the next growth phase of HORIBA. HORIBA's numerous unique technology and intellectual property have propelled growth of businesses. From 2011 to 2014, 68 applications have been submitted from 11 bases worldwide. In the Fourth World Cup of 2014, out of 16 applications, 5 superior applicants were invited to the award ceremony and the in-house seminar held at the headquarters in Kyoto. The purpose of the seminar is to facilitate exchange of technological information and ideas among the different business segments. We anticipate to generate synergy effects across different segments as a result.

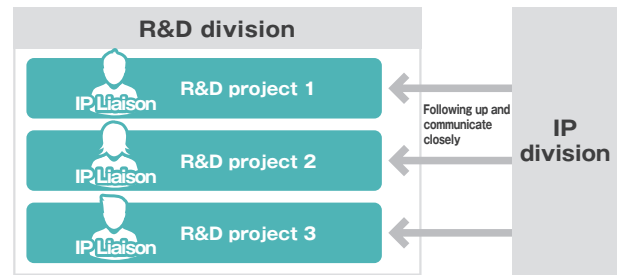


In-house presentation by a IP World Cup award winner



IP Liaison

HORIBA has introduced a system to nominate "IP Liaisons" mainly from among engineers to enhance awareness on intellectual property. The IP Liaisons serve as a bridge for the IP division, development and design division, and other divisions. An IP Liaison is assigned for each major development project to promote creation, protection, and use of proprietary technologies.



Promote creation, protection, and use of proprietary competitive technologies

From core technology to product development

HORIBA strives to astutely allocate its R&D resources to specific analytical technologies, apply them to product development in five different business segments, and achieve product releases efficiently.

HORIBA's major analysis and control technologies
(selected on the basis of sales-size importance)

	Automotive	Process & Environmental	Scientific	Medical	Semiconductor
Infrared measurement Technology for real-time analysis of elements in gases	●	●	●		●
Gas flow control Technology to measure and instantly control the flow of gases	●	●			●
Particle-size distribution analysis Technology to measure particle diameter and particle distribution	●		●	●	
Spectroscopic analysis Technology for analysis of visible light			●		●

One Company Matrix Management

We announced the concept of “HORIBA Group is One Company.” in 2004 and have promoted this concept ever since. Under the corporate motto of “Joy and Fun”, we have established basic infrastructure for sustainable growth, by overcoming barriers such as often inherent in national boundaries and corporate organizations. We are united under our corporate brand and all the group companies in the world have worked as one entity, aiming to improve corporate value. HORIBA intends to enhance our organizational strength and become a more competitive global group.



HORIBA Brand Book

HORIBA published the “HORIBA Brand Book” in 2007 to preserve and cultivate HORIBA’s corporate culture while expanding global business. The Book is like a bible that tells the origin of the HORIBA Brand, lessons which employees reaffirm, share, and convey to others. This is distributed to all group and newly-hired employees. The Book contains the story behind the corporate motto “Joy and Fun” and messages contributed by employees. It is published in six languages: Japanese, English, French, German, Chinese, and Korean.



Matrix structure, and promotion of global business strategies

HORIBA is managed under the matrix management across five business segments and three operating regions. This is a global organizational framework for executive decisions on strategies and plans by business segment, by removing barriers such as separation of countries, regions, or group companies. This framework has also enabled globally-integrated business operation and ability to swiftly react to diverse opportunities, depending on the market outlook for each segment. We will continue to exploit the benefits of the multiplier effect from successful examples and strengths in one segment or one region to others and improve HORIBA's corporate values.

Shared services for efficient regional management

HORIBA has been introducing "shared services" which centralize certain common services such as finance, HR and IT in several divisions and organizations, in the Asia, Europe, and Americas regions. This has enabled identification and selection of skillful expertise to be concentrated in specific services in the organization, as well as achieving more efficient operations, group-wide productivity improvement and cost reduction.

Global ERP for One Company: GEO

Since 2007 HORIBA has been sequentially introducing the enterprise resource planning (ERP) system, called the GEO System, to each group company, with the aim of enabling quick assessment of business strategies for the entire group as one entity. The introduction of GEO in all major locations of the group will be completed in 2015. This will reduce or eliminate information barriers caused by national boundaries or corporate organization and further facilitate sharing of business resources and information.

Restructuring in the U.S.

As one of measures toward realization of One Company management, we are promoting restructuring, consolidation, and building of bases in each country. In 2014, the U.S. operation was restructured. Various separate offices in the U.S. were consolidated into one base, with enhanced controlling function as the U.S. headquarters. An improved showroom for Medical-Diagnostics Instruments and Systems segment was opened at this new base, which not only represent pursuit of efficiency but also a stronger supporting function for businesses.

Blackjack Project

The Blackjack Project, which began in 1997 with the objective of changing the awareness and activities of employees, has resulted in submission of 830 suggestions and proposals for change in 2014. In addition to improvement in operational efficiency and cost reduction, personnel development and enhancement of organizational strength are among popular proposals, demonstrating one aspect of HORIBA's corporate culture which emphasizes organizational reform by employees. We hold an internal World Cup competition among candidate proposals from each country where we operate and have employees. This competition also provides an opportunity to demonstrate to management and employees how we make our belief a reality. We see the Blackjack Project as having the important function of sharing corporate culture, experience and knowledge.

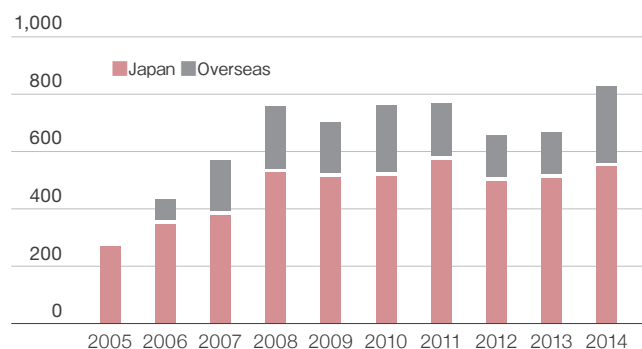


Blackjack Award World Cup 2014 winners

Proposals submitted in 2014 e.g. HORIBA, Ltd.



Number of proposals



The United Nations Global Compact

In agreement with the ten principles in the areas of human rights, labor, the environment, and anti-corruption, which the Global Compact (GC) of the United Nations sets forth for companies within their sphere of influence, HORIBA declared its concurrence to the UN's policy initiative in April 2011. Actions taken to date in connection with the policy initiative are shown on the following page. In addition, we have joined the Global Compact Japan Network and are actively involved in the organization's committee work. This is one more way we engage in activities needed and useful to society.



Network Japan
WE SUPPORT

<How the items in the HORIBA Report: "Invisible values" web data collection correspond to GC principles>

"Human resources" corresponds to GC Principles 1-6.

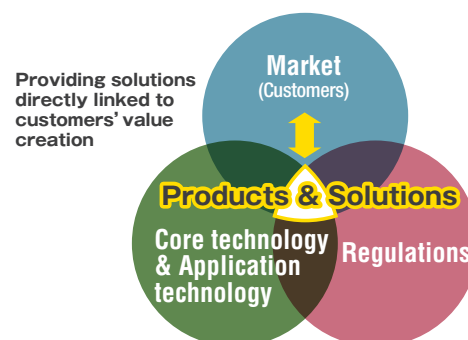
"Technologies" corresponds to GC Principle 9.

"Organizational structures" corresponds to GC Principles 7-10.

"Customers" corresponds to GC Principles 7-9.

Customers' opinions are precious in product development

In addition to adapting to regulations, we find it important to develop products based on the real needs of our customers in analysis and measurement, by visiting them and exploring their needs. We will continue to provide products and analysis and measurement solutions, that are directly linked to customers' value creation, and thereby both expand our business domain and earn their trust.



Quality Improvement Initiatives

The HORIBA Group's quality assurance activities cover the following three stages: the first stage, covering product planning to design; the second stage, covering material procurement to manufacture; and the third stage, covering shipment to after sales services. In order to satisfy the needs of our customers, we strive to develop the highest quality standards in the world at each stage, in addition to producing safe and Eco-Design products of outstanding quality. To this end, we are working to reduce total quality costs in a balanced manner with respect to prevention, assessment and loss.

- Design review as an important function to ensure product quality
- Stepping up change order control to maintain consistent quality
- On-the-site assessment to examine whether customers' needs are being met
- Reliability assessment tests on essential product parts
- Organizing Product Quality Improvement (PQI) competitions to eliminate issues
- Organizing the Craftsmanship competition

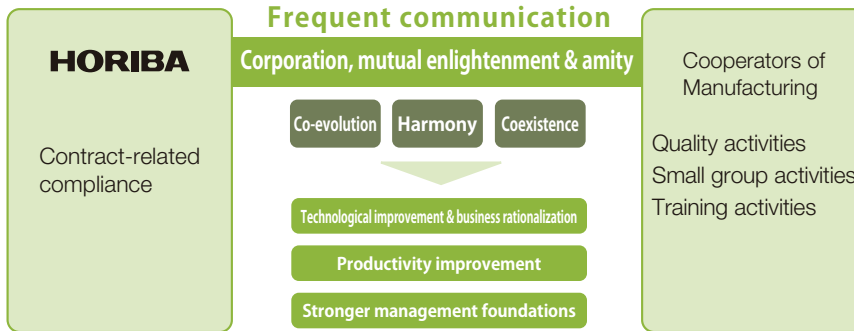
We also collaborate with HORIBA Group and suppliers to establish a comprehensive quality assurance system so that we can provide customers with high quality products with consistency throughout the world.



Product Quality Improvement (PQI) competitions

The HORIBA Group hosted the Eighth HORIBA PQI Competition in which employees competed over quality improvement results. Employees carried out various quality improvement initiatives with themes such as reducing defect ratios, improving technologies, improving job sites, and so on. The HORIBA Group and its partner companies are committed to quality improvement activities in order to build a system for working together in harmony.

Collaboration with suppliers



Over the long term we have developed strong ties with our regular production partner companies, which has enabled us to provide customers with high quality products and reliable delivery scheduling. We are now increasing procurement on a global basis through our network of overseas companies. In Japan, in order to ensure continuation of our Win-Win relationships, we provide opportunities to share our thoughts and experience in business matters with suppliers, and help them develop their next generation of managers. In 2014, we worked together with production partner companies at the following events:

- Quality lectures at HORIBA COLLEGE
- Factory tours
- Craftsmanship competition
- Improvement activity report sessions
- QC activity conferences

The regular suppliers with which we have been doing business for seven years or longer since 2008 represent 71% (or 681 out of 964 companies) of all our suppliers. They have been able to prosper in good times and survive tough times, together with us. One reason we have been able to increase our market shares in the past even when there have been a strong surge in demand is that our relationships with these suppliers has enabled us to respond very quickly to customer demand.

Factory tours

Factory tours allowed members of partner production companies to learn about HORIBA products and see firsthand how the materials delivered by their companies were used at HORIBA plants and what roles they played in HORIBA's manufacturing process. In this way, they learned about the high level of HORIBA products' quality requirements.



Craftsmanship competition

We held our seventh Technical Olympics in which members from the HORIBA Group and our production partners compete with one another. This event allows group company members to develop world-class professional skills and awareness as well as to raise their skill levels through mutual competition with partner companies. A total of 62 people from the HORIBA Group and our production partner companies participated in the competitions.



Responses to various directives, regulations, and so on

The RoHS* Directive

HORIBA has diligently prepared to meet the Revised RoHS Directive 2011 without delay. In 2014, it declared 39 models conformed to the European Union RoHS Directive. Other countries have their own versions of the RoHS regulations, and HORIBA is taking action by obtaining information on movements aiming to establish statutory regulations mainly through its representatives in Belgium and industry activities; the company is also submitting its opinions on policy-making processes.

*RoHS: Restriction of Hazardous Substances

European Union Directive on the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment

The EU REACH* Regulation

In 2012, HORIBA introduced a new system to control data on the substances contained in each type of material so that it can efficiently reply to customer inquiries about whether its materials contain substances of very high concern (SVHC) as designated by the European Union's REACH regulations (as of the end of 2014, there are 161 SVHCs). In the future, since the amount of SVHCs handled is expected to increase, the company will continue to take swift action while seeking suppliers' cooperation.

*REACH: Registration, Evaluation, Authorization and Restriction of Chemicals

Regulation of the European Parliament and of the Council concerning the use of chemical substances for the protection of human health and the environment in the European Union

The GHS*¹ Regulations

Manufacturers are sometimes required by law to provide safety information on chemical products in the form of safety data sheets (SDS)*² and labels.*³ In July 2003, the Globally Harmonized System of Classification and Labeling of Chemicals (GHS), which stipulates rules for providing such information, was published; subsequently, GHS-related rules have been established on a global scale. Against this backdrop, at the end of 2013, HORIBA introduced an SDS creation support system that supports 43 languages in 50 countries worldwide. Thus, the company is taking GHS-related measures in each country as GHS-related laws come into force between 2015 and 2016 in the EU, North America, and elsewhere.

¹ GHS : The Globally Harmonized System of Classification and Labelling of Chemicals

² SDS : Document used to provide information on the hazardous properties of chemical products and chemicals contained in products in order to ensure safe handling thereof.

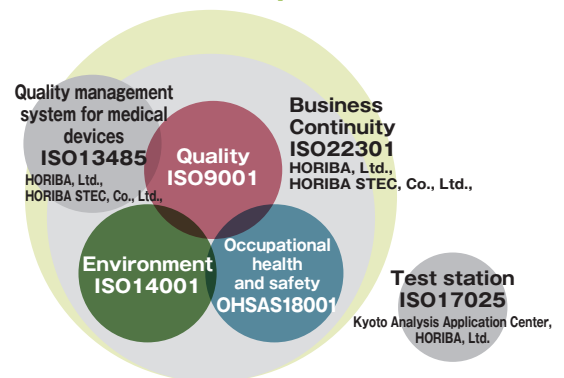
³ Labels : Labels are filled in with necessary information and presented (affixed or printed) on containers to provide information on the hazardous properties of chemical products.

Integrated Management System (IMS)

HORIBA, Ltd. has adopted the Integrated Management System (IMS), which is a combination of the Quality Management System ISO 9001, Environmental Management System ISO 14001, and Occupational Health & Safety Management System OHSAS 18001, and become the first Japanese company in the analysis and measurement industry to acquire a JQA Integrated Management System Certificate of Implementation (JQA-IG0001-08) in 2004. Since 2011, HORIBA, Ltd. and its domestic subsidiaries began implementing these management systems as a group. In 2014, HORIBA, Ltd. and a domestic subsidiary also acquired the certification for Business Continuity Management System ISO22301 in the medical and semiconductor areas and strengthened and continues to strengthen its system for ensuring a stable supply of products even in the wake of an earthquake, accident, or various other diverse risk events. We are committed to continually enhancing IMS for customer satisfaction to further improve our corporate value.

* IMS (Integrated Management System) is an integrated management system combining multiple ISOs and OHSAS.

HORIBA Group IMS



For detailed data on IMS policy initiatives and results as well as environmental initiatives, visit:

<http://www.horiba.com/to-our-stakeholders/horibas-csr-policy/integrated-management-system/>



Development of long-life, energy conservation “eco-friendly products”

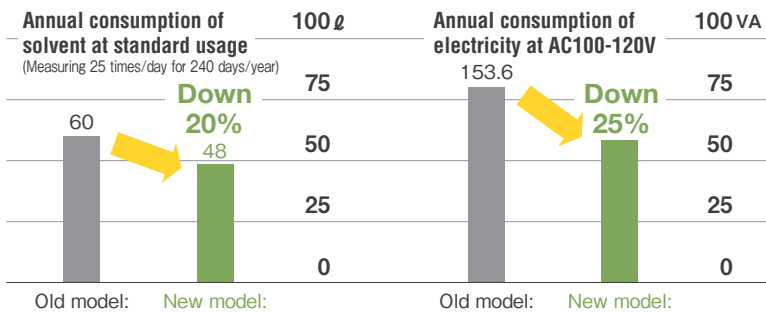
In order to provide customers with products that reflect consideration of their life cycles, such as long those with usable lives and minimization of energy consumption, we have positioned certain products as “eco-friendly products” if they satisfy certain standards we have adopted; we use this description when developing and marketing such products. With social and economic matters such as rising energy costs in the background, we use quantitative measurement to determine to what extent products reduce energy requirements or materials used. With our “eco-friendly products,” we aim to achieve a 25% reduction compared to conventional models.

Eco-friendly product: HORIBA Ltd.

The OCMA-500 oil content monitor

The oil content monitor measures oil content such as in factory waste water, residual oil after washing mechanical parts, and in soil. It is mainly used by petrochemical makers and component processing makers but is expected to be used in the food and other industries in the future.

Reduction in environmental load of “eco-friendly products” (Example of an oil content monitor)



Eco-friendly product: HORIBA STEC, Co., Ltd.

High-temperature digital mass flow controller SEC(F)-8470F/D

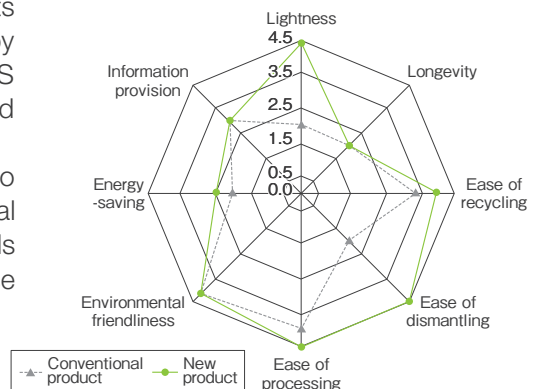
The SEC(F)-8470F/D high-temperature digital mass flow controller is a controller used to control the flow of reactive gas (evaporated from a gasification tank containing liquid materials) by embedding the machine in the user's LSC series liquid material gasification system for semiconductor production equipment. This controller enables control of 1.5 times (N2 equivalent) as much flow as its predecessor.

The environmentally conscious design was achieved by reviewing the way the high-displacement small peizo valve was installed as well as its structure, thus reducing the controller's height by 11 % and width by 37% compared to its predecessor. In addition, in response to the RoHS Directive, the controller does not use lead or any other prohibited hazardous substances, thereby better protecting the environment.

In the future, mass flow controllers are expected to meet needs to control greater flows due to market requirements that liquid material gasification systems handle greater flows and evaporate liquid materials at lower temperatures; HORIBA will contribute to flow control in these areas.



Comparison of environmentally conscious design assessments



Global customer service organization

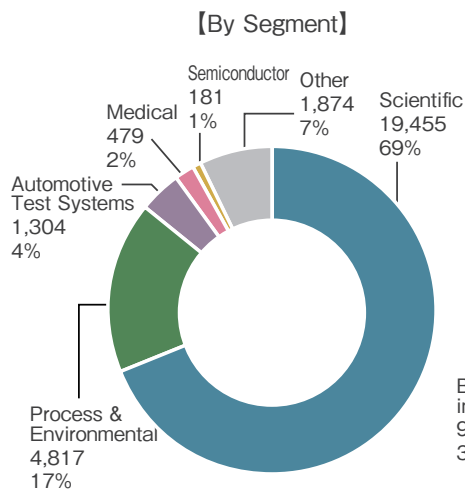
HORIBA has set up an after-sales service network in the Americas, Europe, and Asia and has earned the trust of our customers. As a part of our internal efforts, we regularly hold international service meetings, which are attended by those in charge of service from various countries, and hold training sessions on services for new products, with the aim of improving services. Experienced service engineers in Japan are dispatched overseas to support overseas service members and overseas employees come to Japan for training. In 2013, we opened a new training center in Kyoto. We also conduct product training sessions for overseas customers who request to visit Japan, verify that we will provide products meeting the specifications and performance standards they require, and participate in a training program. We instruct them on use of the product, and propose the most suitable method of measurement to satisfy specific needs, as well as the method of maintenance. During five years from 2010 to 2014, 376 customers from 145 companies in Asia and Oceania attended product training sessions in Japan. Going forward, we will continue to propose the most appropriate services for each region and give reliable, trustworthy support to customers, so that we can have more satisfied customers and higher market shares.



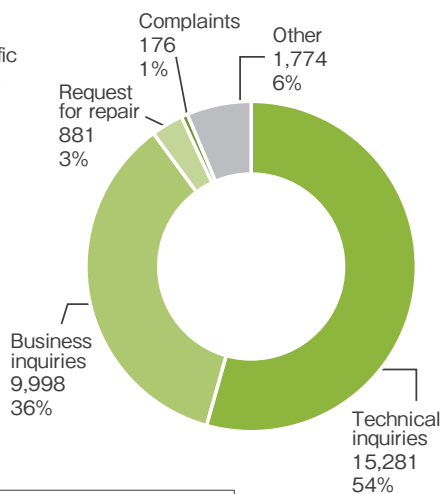
Customer Support Center

The Customer Support Center receives customer inquiries placed via toll-free calls and dedicated forms on the website. Inquiries to the scientific instruments and systems division account for about 70% of the total, while those to the process and environmental instruments and systems division account for about 17%. In particular, questions about pH meters represent about 60% of the total, and most of these are solved through free-dial calls and email. In the future, the Customer Support Center will continue to work with the sales, development, and service divisions to proactively respond to customer requests and analytical needs, supporting customers so that they come to prefer HORIBA products for a long time.

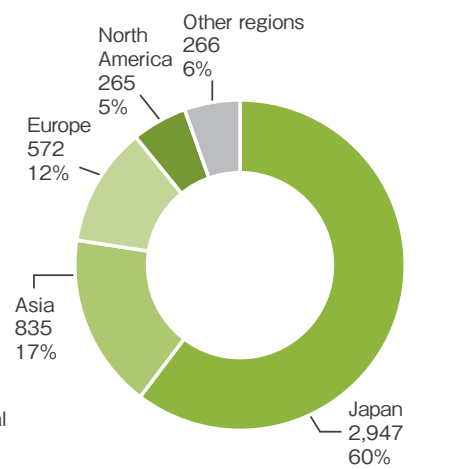
Breakdown of Inquiries



By Content



Breakdown of Visits to the Company Website



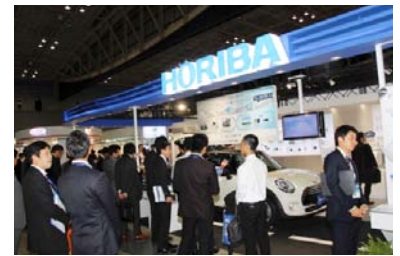
Total number of inquiries in 2014 : 28,110

Total number of inquiries in 2014 : 4,885

Exhibitions

HORIBA participates in many exhibitions in Japan and abroad, actively presenting its and group companies' new products and technological capabilities. We invite customers and other concerned parties within the industry to social gatherings called "HORIBA Hospitality Suites," which we hold during each major exhibition. In this way, HORIBA shows the importance of our bonds with customers and we encourage our customers to use these gatherings as opportunities to form connections with one another.

At the same time, HORIBA strives to hold briefings for investors so that we become known to as many people as possible.



Technical Seminars

HORIBA hosts HORIBA ATS seminars for users of our automotive test systems (ATS) twice a year. In 2014, we held the first seminar in both Tokyo and Nagoya in April, while the second took place in Tokyo in October. Some 60 customers --including automakers, parts manufacturers, public institutions, and universities --participated in each seminar, where HORIBA engineers provided the latest information on exhaust gas tests and lectured on the measuring equipment related to such tests as well as on new measurement technologies.

One customer commented, "I was able to reorganize my information on future automotive certification tests. This seminar provided a good opportunity to collect information because we are considering introducing equipment." In the future, we will not only provide information on statutory regulations but also offer information on a wide range of measurement technologies and propose systems suited for new testing methods in real time, thus further solidifying customers' trust in HORIBA.



J O Y
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F U N

HORIBA Report 2014

“Invisible values”
web data collection