HORIBA
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# Summary of Consolidated Financial Statements for the Year Ended December 31, 2016 (Japanese GAAP)

February 14, 2017

| | | |
|---|---|---|
| Company name | **HORIBA, Ltd.** | Listed stock exchanges: Tokyo |
| Listing code | 6856 | URL: http://www.horiba.com |
| Representative | Atsushi Horiba, Chairman, President and CEO | TEL: (81)75-313-8121 |
| Contact | Junichi Tajika, Department Manager, Financial & Control Division, Accounting Dept. | |

Scheduled date of start of dividend payment: March 6, 2017

(Figures have been rounded down to the nearest million yen)

**1. Consolidated Results for the Year Ended December 31, 2016 (January 1, 2016 - December 31, 2016)**

(1) Consolidated Operating Results (Percentages represent changes from the previous year)

| | Net Sales | | Operating Income | | Ordinary Income | | Net income attributable to Owners of Parent | |
|---|---|---|---|---|---|---|---|---|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Year ended 12/31/16 | 170,093 | −1.1 | 18,499 | −8.2 | 18,279 | −6.9 | 12,962 | −2.4 |
| Year ended 12/31/15 | 171,916 | - | 20,142 | - | 19,639 | - | 13,282 | - |

(Note) Comprehensive Income: FY2016 8,826 million yen -12.6%, FY2015 10,102 million yen -%

| | Net Income attributable to Owners of Parent per Share | Net Income per Share (Diluted) | Return on Equity | Ordinary Income to Total Assets | Operating Income to Net Sales |
|---|---|---|---|---|---|
| | Yen | Yen | % | % | % |
| Year ended 12/31/16 | 307.74 | 306.38 | 10.0 | 7.7 | 10.9 |
| Year ended 12/31/15 | 315.23 | 313.81 | 10.7 | 9.0 | 11.7 |

(Reference) Equity in earnings of affiliates: FY2016 - million yen, FY2015 - million yen

(Note) The Company and its domestic consolidated subsidiaries had formerly recognized revenue mainly on a shipping basis. However, starting from the fiscal year 2016, the Company and its domestic consolidated subsidiaries have changed to revenue recognition method on a completion date of installation or a delivery date basis under the terms and conditions of contracts. Accordingly, retrospective restatement is applied. The percentage of change for fiscal 2015 versus the same period of previous year is not released because retrospective restatement is not applied for fiscal 2014.

(2) Consolidated Financial Position

| | Total Assets | Net Assets | Shareholders' Equity Ratio | Net Assets per Share |
|---|---|---|---|---|
| | Millions of yen | Millions of yen | % | Yen |
| As of 12/31/16 | 239,657 | 133,191 | 55.4 | 3,148.70 |
| As of 12/31/15 | 232,121 | 127,243 | 54.6 | 3,011.71 |

(Reference) Net assets excluding subscription rights to shares and non-controlling interests:
As of December 31, 2016: 132,654million yen; As of December 31, 2015: 126,774 million yen

(3) Consolidated Cash Flows

| | Cash Flows from Operating Activities | Cash Flows from Investing Activities | Cash Flows from Financing Activities | Cash and Cash Equivalents at end of period |
|---|---|---|---|---|
| | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| Year ended 12/31/16 | 15,871 | (10,427) | (451) | 51,940 |
| Year ended 12/31/15 | 14,770 | (30,642) | 12,843 | 47,859 |

**2. Dividends**

| | Dividend per share | | | | | Total Dividends (Annual) | Payout Ratio (Consolidated) | Dividends to Net Assets (Consolidated) |
|---|---|---|---|---|---|---|---|---|
| | First quarter | Second quarter | Third quarter | Year end | Total | | | |
| | Yen | Yen | Yen | Yen | Yen | Millions of yen | % | % |
| Year ended 12/31/15 | - | 28.00 | - | 42.00 | 70.00 | 2,946 | 22.9 | 2.3 |
| Year ended 12/31/16 | - | 30.00 | - | 55.00 | 85.00 | 3,581 | 27.6 | 2.7 |
| Year ending 12/31/17 (Forecast) | - | 40.00 | - | 50.00 | 90.00 | | 29.2 | |

**3. Consolidated Forecast for the Year Ending December 31, 2017 (January 1, 2017 - December 31, 2017)**

(Percentages represent changes from the same period in the previous year)

| | Net Sales | | Operating Income | | Ordinary Income | | Net Income attributable to Owners of Parent | | Net Income attributable to Owners of Parent per Share |
|---|---|---|---|---|---|---|---|---|---|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| First half | 84,000 | 5.0 | 9,000 | 15.7 | 8,700 | 14.5 | 5,500 | 33.2 | 130.55 |
| Full year | 177,000 | 4.1 | 20,000 | 8.1 | 19,300 | 5.6 | 13,000 | 0.3 | 308.57 |

**Notes**

(1) Changes in significant subsidiaries during the period
(Changes in specified subsidiaries that caused a change in the scope of consolidation): Yes
New One company (Company name: HORIBA UK Finance Limited)

(2) Changes in accounting policies, accounting estimates and retrospective restatement
① Changes in accounting policies associated with revision of accounting standards: Yes
② Changes in accounting policies arising from other than the above: Yes
③ Changes in accounting estimates: None
④ Retrospective restatement: None
(Note) Please see "4 (6)Changes in Accounting Policies" on page 14 for further details.

(3) Number of shares outstanding (common stock)

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| ① Shares issued (including treasury stock) | 42,532,752 | 42,532,752 |
| ② Treasury stock | 402,986 | 439,021 |
| ③ The average number of outstanding shares during Jan. - Dec. in FY2016 and FY2015 | 42,121,274 | 42,136,185 |

Note 1. Indication regarding implementation status of audit procedures

These financial statements have not been prepared for the purpose of audit procedures pursuant to the Financial Instruments and Exchange Act (FIEA). Audit procedures for financial statements were in the process of being implemented as of the release of these financial statements.

Note 2. Appropriate use of business forecasts and other important information

The business forecasts stated herein are based on information currently available and certain assumptions for factors which may affect business results. We do not warrant that these forecasts will be achieved. Actual results may differ from the forecasts due to a range of factors. For additional information, please see "1. Operating Results" on page 3.

## 1. Operating Results

### (1) Operating Results Analysis

(For details, see page 16, "HORIBA, Ltd. Financial Highlights for the Year Ended December 31, 2016")

#### (i) Operating Results for the year ended December 2016

With regard to the global economy in the fiscal year ended December 31, 2016, the United States continued its economic recovery, driven by an increase in consumption supported by an improvement in the employment environment and other factors. In Europe, a modest economic recovery was sustained. In emerging countries, the overall economy recovered moderately, partly due to economic stimulus measures, but some countries experienced an economic slowdown.
In Japan, on top of a mild increase in capital spending, consumer spending was modest, supported by an improvement in the employment and wage environment. These factors allowed the moderate economic recovery trend to continue.
The annual average exchange rates for 2016 were 108.78 yen against the U.S. dollar and 120.26 yen against the euro, representing year-on-year appreciation of 11.3% against the U.S. dollar and appreciation of 11.7% against the euro.

In the analytical and measurement equipment industry, demand for semiconductors and electronic devices increased due to demand for servers used in data centers and the increased functionality of smartphones. Consequently, semiconductor-related investment remained at a high level throughout the year, and demand for semiconductor production equipment expanded. In the automotive industry, domestic and overseas automakers were temporarily cautious regarding capital and R&D investment. On the other hand, following the introduction of new emission gas regulations in Europe, as Japan has decided to introduce new regulations in 2018, demand for emission measurement systems has increased. In the scientific analysis equipment industry, demand for leading-edge scientific analysis equipment was at a high level in China but sluggish in other areas.

Under such business environment, HORIBA, Ltd. ("the Company") and its consolidated subsidiaries (together "the HORIBA Group" or "HORIBA" as a consolidated group), implemented several measures to strengthen each segment in current fiscal year.
In the <u>Automotive Test Systems segment</u>, we opened automotive development and demonstration laboratory "HORIBA India Technical Center" in India in order to expand the automotive measurement instrument business in that market. We also invested aggressively in the ECT (Engineering Consultancy & Testing) business, which we acquired from MIRA Ltd. (U.K.) in 2015,with the aim of expanding into business fields that include the development of next-generation mobility, including automatic driving technology.

In the <u>Process & Environmental Instruments & Systems segment</u>, HORIBA, jointly with local universities and other institutions, proposed analytical and measurement solutions that contribute to the tightening of local environmental regulations and the improvement of the local environment, in order to expand business in Asia. Furthermore, in the process analytical product line, which HORIBA acquired from the U.S. corporation Cameron in 2013, HORIBA was active in the oil refining market.
In the <u>Medical-Diagnostic Instruments & Systems segment</u>, we accelerated the development of new products which are developed in France in the hematology sector. At the same time, our product line-up has been expanded for prospective launch through sales alliances of biochemical testing equipment.
In the <u>Semiconductor Instruments & Systems segment</u>, the Aso Factory of HORIBA STEC began construction to expand capacity, in order to respond to an increase in demand for semiconductor production equipment.
In the <u>Scientific Instruments & Systems segment</u>, we strengthened the sales organization for products such as Raman spectrometers used in R&D in China. The segment also sought to mutually utilize technology resources and customer networks with other business segments and focused on growing its customer base, with the aim of developing business in new markets.

Furthermore, in Japan, HORIBA BIWAKO E-HARBOR, the new Biwako factory in Japan, began full-fledged operation. This newly-constructed factory aims to cater for the reinforcement of development and production capabilities in the gas measurement field for the Automotive Test Systems segment and the Process & Environmental Instruments & Systems segment. Moreover, we have been strengthening the water measurement-related business, which has been promoted as one of the priority initiatives in the Company's Mid-Long Term Management Plan "MLMAP2020". Specifically, development and production resources which have been dispersed in the Company and HORIBA Advanced Techno, were decided to be integrated in HORIBA Advanced Techno, in order to grow the business and strengthen its brand power globally. In addition, with the aim at improving asset efficiency and accelerating business growth at the same time, HORIBA's management indices to measure asset efficiency were introduced and have been thoroughly implemented by all Group companies.

Despite those measures and sales efforts, due to some impacts from the yen's appreciation against foreign currency, HORIBA recorded net sales of 170,093 million yen (down 1.1% y-o-y), operating income of 18,499 million yen (down 8.2%), ordinary income of 18,279 million yen (down 6.9%), and net income attributable to owners of parent of 12,962 million yen (down 2.4%).

The operating results of each business segment are summarized as follows.

**(Automotive Test Systems)**
On top of increased sales of emission measurement systems supported by tighter automotive emission gas regulations across the world, sales of HORIBA MIRA, Ltd. (U.K.), which was acquired in July 2015, contributed to sales gain on a full-year basis. On the other hand, due to the impacts of the appreciation of the yen, which decreased overseas sales in yen terms, and the MCT (Mechatronics) sales decreased, as customers temporarily became cautious regarding investments.　As a result, segment sales decreased by 4.9% y-o-y to 62,207 million yen. Operating income decreased by 32.1% to 3,529 million yen, which was attributable to increased costs that are related to the full-scale operation of HORIBA BIWAKO E-HARBOR, the new factory in Japan from May 2016, and sales decrease of the MCT business.

**(Process & Environmental Instruments & Systems)**
While sales of stack gas analyzers for power plants and factories in Asia and Europe were sluggish, sales were modest in Japan. Sales were also firm in the Americas, as a decline in oil prices led to an increase in demand in the process measurement equipment business. As a result, segment sales increased by 0.3% y-o-y to 16,753 million yen. Operating income, however, decreased by 12.3% to 1,540 million yen due to lower profitability of overseas projects.

**(Medical-Diagnostic Instruments & Systems)**
Sales of the hematology and C-Reactive Protein (CRP) analyzers, which were launched in March 2015 in Japan, were at a high level, but sales in Europe in yen terms decreased, stemming from the yen's appreciation against the euro. Consequently, segment sales decreased by 4.0% y-o-y to 26,564 million yen. Operating income increased by 9.7% to 2,806 million yen thanks to high level sales in Japan and other factors.

**(Semiconductor Instruments & Systems)**
Despite some impacts from the yen's appreciation against foreign currency, due to high level of capital investment by semiconductor manufacturers, sales to semiconductor production equipment manufacturers surged.
As a result, segment sales increased by 9.8% y-o-y to 38,828 million yen and operating income was up 2.6% to 9,678 million yen.

**(Scientific Instruments & Systems)**
Sales of instruments and systems to universities and other customers for R&D were solid in Japan and China but sluggish in Europe and the Americas. Sales in Europe in yen terms were also depressed by the yen's appreciation against the euro. Consequently, segment sales decreased by 3.8% y-o-y to 25,738 million yen and operating income decreased by 21.1% to 944 million yen.

**(ii) Outlook for the Year Ending December 31, 2017**
Regarding the global economic outlook for the next fiscal year, the United States is expected to continue its economic recovery, driven by solid demand in the domestic private sector. In Europe, although uncertainties over the U.K.'s decision to leave the EU (Brexit) and other political situations will weigh on economic activities, the moderate economic recovery is likely to continue. Emerging economies are also expected to maintain moderate recovery, stemming from the steady growth of developed countries and the effects of economic stimulus measures.
In Japan, the economy is likely to recover moderately, driven by an increase in demand in Japan and overseas. However, caution is required concerning uncertainties over the fluctuation of foreign exchange rates and the overseas economic trend.
Based on such economic outlook, HORIBA's forecasts for fiscal 2017 are shown as below.
Our assumed foreign exchange rates are 110 yen against the U.S. dollar (vs. 108.78 yen in fiscal 2016) and 120 yen against the euro (vs. 120.26 yen in fiscal 2016).

**Net sales of 177,000 million yen, up 4.1% y-o-y**
In the Automotive Test Systems segment, overall sales are expected to increase. Sales of emission measurement systems are likely to be firm because of tighter automotive emission gas regulations, while sales in the MCT business are also projected to increase largely, supported by a recovery in demand.
In the Semiconductor Instruments & Systems segment, conservative forecast is made due to uncertainties over outlook in demand by semiconductor production equipment in the second half of the fiscal year. However, demand in the first half is projected to remain robust, resulting in forecasting an increase in full-year sales.

In the Medical-Diagnostic Instruments & Systems segment, overall sales are expected to decline as steady sales in Japan and Asia are anticipated to be more than offset by a decrease in sales in Europe and the Americas.
In the Process & Environmental Instruments & Systems segment and the Scientific Instruments & Systems segment, sales are expected to be firm, mainly contributed by demand in Japan and Asia.
As a result, net sales are expected to increase by 6,906 million yen from the previous year to 177,000 million yen.

**Operating income of 20,000 million yen, up 8.1% y-o-y**
In the Automotive Test Systems segment, we expect segment operating income to increase, due to solid demand for emission measurement systems, and sales growth and profitability improvement in the MCT business.
In the Medical-Diagnostic Instruments & Systems segment, segment operating income is expected to decrease due to overall sales decline, an increase in sales promotion expenses for new product launch and other factors.
The Semiconductor Instruments & Systems segment is expected to increase operating income thanks to sales gain for products such as mass flow controllers and chemical concentration monitors for semiconductor production equipment.
As a result, operating income is expected to increase by 1,500 million yen from the previous year to 20,000 million yen.

**Ordinary income of 19,300 million yen, up 5.6% y-o-y**
HORIBA's forecasts incorporate a net non-operating loss of 700 million yen (compared to a net non-operating loss of 220 million yen in fiscal 2016), assuming foreign exchange losses and some uncertain non-operating expenses. As a result, ordinary income is expected to increase by 1,020 million yen from the previous year to 19,300 million yen.

**Net income attributable to owners of parent of 13,000 million yen, up 0.3% y-o-y**
In addition to an increase in ordinary income, net extraordinary loss of 300 million yen (compared to a net extraordinary loss of 1,035 million yen in fiscal 2016) is expected by assuming the generation of some extraordinary losses. As a result, net income is forecast to increase by 37 million yen from the previous year to 13,000 million yen.

(Note) The above forecasts have been made on the basis of information available as of February 14, 2017, but due to the existence of various uncertain elements, it is possible that actual performance will vary considerably from those forecasts.

### (2) Basic Policy for Profit Distribution and Dividends for the Year Ended December 31, 2016 and the Year Ending December 31, 2017
At the board of directors' meeting held on February 14, 2013, HORIBA decided to adopt a basic dividend policy in which the Company will maintain a total shareholder return ratio of around 30% of consolidated net income attributable to owners of parent.
According to its basic policy, we have decided to pay a year-end dividend of 55 yen per share. Combined with the interim dividend that has been paid out, the annual dividend is 85 yen.
As regards the dividend forecast for the fiscal year ending December 31, 2017, we expect to increase the annual dividend by 5 yen from the fiscal 2016 to 90 yen (Interim dividend is 40 yen).
The Company will continue to make effective use of internal reserves to improve corporate value through profit growth and focus on investing in growth areas, and it will make profit returns to shareholders that are linked to consolidated earnings.

## 2. Management Policies
### (1) Basic Management Policies
As a manufacturer of analytical equipment that has developed its business worldwide, the HORIBA Group aims to be a truly global company. Our basic philosophy is to contribute to society by preserving the environment, bringing human health and greater convenience and safety to society, and promoting the development of science and technology through our business activities, which focus on analytical technologies and span a variety of industrial fields in the global market.
In addition, HORIBA Group has long focused on consolidated-based management and promoted the reinforcement of alliances and the integration of its 49 companies throughout the world by utilizing our human and technological resources.

### (2) Management Target Indices
In February 2016, the HORIBA Group formulated the "MLMAP 2020" (Mid-Long Term Management Plan 2020) with numerical targets set for 2020, or five years later. These targets call for the achievement of consolidated net sales of 250.0 billion yen, operating income of 30.0 billion yen, and ROE of 10% or more. Various measures have been and will continue to be implemented to realize these targets.

### (3) Mid-Long Term Business Strategies and Challenges for HORIBA
The HORIBA Group's business consists of five segments: Automotive Test Systems, Process & Environmental Instruments & Systems, Medical-Diagnostic Instruments & Systems, Semiconductor Instruments & Systems and Scientific Instruments & Systems. Each segment operates business in a different market, which enables each to exert its strengths and complement the weaknesses of each other. Our aim is to achieve well-balanced growth with this structure. Technologies and know-how in all segments are shared mutually. The transfer of human, production capacity and other resources among

segments gives us the strategic flexibility to temporarily integrate resources in a favorably performing business while alleviating the burden to a certain extent in an underperforming business. This enables us to achieve efficient management.
In keeping with the management principle of the "HORIBA Group is One Company.", HORIBA had pursued integrated group management by promoting efficiency region by region, and enhancing matrix management. As the next stage, through "HORIBA Stained Glass Project * " which was launched in January 2014, we are aiming to promote business growth and expand business fields with the aim to become a true partner to all customers in analysis and measurement, with the slogan "ONE STEP AHEAD".

*The "HORIBA Stained Glass Project" was launched in January 2014, in accordance with the belief that employees having diverse experiences, values, individuality, and restrictions create new value in their efforts to play leading roles through their diversity and contribute to realize a strong HORIBA. This project was upgraded to the Stained Glass Project Promotion Office in January 2017 in order to accelerate the growth of the project from HORIBA, Ltd. alone to its global organization.

The priority measures of the Mid-Long Term Management Plan toward fiscal 2020 "MLMAP 2020" are as follows.

**● Priority Measure 1: Applying HORIBA Technology in new business fields and new markets and becoming a true partner in analysis and measurement**

By making use of established operational bases and investments for future growth made during the previous Mid-Long Term Management Plan, HORIBA intends on achieving strategic growth of each business segment on the back of new investments, in addition to further growth of the two businesses, namely the Automotive Test Systems business and the Semiconductor business.
In the Automotive Test Systems business, the HORIBA BIWAKO E-HARBOR will increase production volume and improve profitability to expand business in the emission gas measurement field, turning to advantage the expected tightening of gas emission regulations in many countries. In addition, HORIBA will grow ECT business. HORIBA will make use of HORIBA MIRA's testing knowhow in connection with autonomous driving technology and promote expansion in connection with next-generation mobility.
In the Semiconductor business, the semiconductor manufacturing market is expected to expand on the back of significant growth in use of semiconductors as the automotive, medical, and other fields are becoming increasingly high-tech and connected online. HORIBA, with its stable supply capacity of high-precision products, will aim for further growth in this field.
Moreover, by actively making new investments and pursuing M&A opportunities, HORIBA will enter into other business fields and markets with great growth potential. They include aspects of fuel cells and other alternative energy sources, the bio-life science field, and the water analytical and measurement field. HORIBA plans to integrally utilize in-house technological resources and the customer network of each other's business in order to realize strategic growth. In addition to working to achieve the plan's targets for each business, HORIBA aims to develop businesses which can drive the growth in the future.

**● Priority Measure 2: Accelerating corporate growth by its Super Dream Team based on balanced management, matrix organization, and HORIBA Stained Glass Project**

In keeping with the management principle of the "HORIBA Group is One Company," HORIBA has implemented well-balanced matrix management and has achieved a high order of integrated group operation. In order to further advance this group operation, HORIBA will continue to promote diversity, through the HORIBA Stained Glass Project, to realize the Super Dream Team of its human resources with diversity and to accelerate renovation in existing business and creation of new businesses.

**● Priority Measure 3: Raising capital efficiency to maximize corporate value**

Under the previous Mid-Long Term Management Plan, HORIBA promoted laying a foundation for future growth by establishing many bases and acquiring businesses globally. In order to make effective use of those assets, each group company and each business segment will set its asset efficiency target and remain dedicated to efficient management under the new plan.

### 3. Basic policy on selection of accounting standard

The HORIBA Group prepares its consolidated financial statements in accordance with General Accepted Accounting Principles in Japan ("JGAAP"), as it allows comparison between different periods and companies. Concerning adoption of the International Financial Reporting Standards (IFRS), HORIBA intends to appropriately respond with due consideration to various circumstances in Japan and abroad and expected clerical costs.

## 4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Amount: millions of yen

| | FY2015 (As of December 31, 2015) | FY2016 (As of December 31, 2016) |
|---|---|---|
| **Assets** | | |
| **Current Assets:** | | |
| Cash and bank deposits | 43,922 | 52,272 |
| Trade notes and accounts receivable | 50,128 | 53,724 |
| Marketable securities | 6,927 | 1,178 |
| Merchandise and finished goods | 15,696 | 15,118 |
| Work in process | 13,707 | 14,543 |
| Raw materials and supplies | 10,786 | 10,626 |
| Deferred tax assets | 5,140 | 4,160 |
| Other current assets | 6,584 | 6,029 |
| Allowance for doubtful accounts | (789) | (842) |
| **Total Current Assets** | 152,104 | 156,812 |
| **Fixed Assets:** | | |
| **Property, Plant and Equipment:** | | |
| Buildings and structures, net | 31,288 | 32,966 |
| Machinery, equipment and vehicles, net | 6,468 | 8,837 |
| Land | 10,647 | 13,065 |
| Construction in progress | 4,739 | 3,453 |
| Other property, plant and equipment, net | 3,834 | 3,654 |
| **Total Property, Plant and Equipment** | 56,978 | 61,977 |
| **Intangibles:** | | |
| Goodwill | 576 | 387 |
| Software | 4,851 | 4,082 |
| Other intangibles | 4,870 | 3,453 |
| **Total Intangibles** | 10,298 | 7,923 |
| **Investments and Other Non-Current Assets:** | | |
| Investment securities | 8,335 | 8,519 |
| Deferred tax assets | 1,671 | 1,726 |
| Other investments and other assets | 2,783 | 2,764 |
| Allowance for doubtful accounts | (50) | (66) |
| **Total Investments and Other Non-Current Assets** | 12,739 | 12,943 |
| **Total Fixed Assets** | 80,017 | 82,844 |
| **Total Assets** | 232,121 | 239,657 |

Amount: millions of yen

| | FY2015 (As of December 31, 2015) | FY2016 (As of December 31, 2016) |
|---|---|---|
| **Liabilities** | | |
| **Current Liabilities:** | | |
| Trade notes and accounts payable | 17,675 | 20,013 |
| Short-term loans payable | 12,879 | 12,463 |
| Accounts payable - other | 14,759 | 14,041 |
| Accrued income taxes | 3,796 | 1,838 |
| Advances Received | 10,831 | 10,162 |
| Deferred tax liabilities | 91 | 76 |
| Accrued bonuses to employees | 948 | 914 |
| Accrued bonuses to directors and corporate auditors | 63 | 58 |
| Reserve for product warranty | 1,651 | 1,672 |
| Provision for loss on disaster | - | 227 |
| Other current liabilities | 3,628 | 4,607 |
| **Total Current Liabilities** | 66,325 | 66,076 |
| **Non-Current Liabilities:** | | |
| Corporate bonds | 15,000 | 15,000 |
| Long-term loans payable | 16,826 | 19,255 |
| Deferred tax liabilities | 1,181 | 931 |
| Net defined benefit liability | 1,947 | 2,191 |
| Provision for loss on dissolution of the employees' pension fund | 1,267 | 1,247 |
| Other non-current liabilities | 2,329 | 1,763 |
| **Total Non-Current Liabilities** | 38,552 | 40,389 |
| **Total Liabilities** | 104,878 | 106,466 |
| **Net Assets** | | |
| **Shareholders' Equity** | | |
| Common stock | 12,011 | 12,011 |
| Capital surplus | 18,717 | 18,717 |
| Retained earnings | 93,232 | 103,104 |
| Treasury stock | (1,730) | (1,588) |
| **Total Shareholders' Equity** | 122,230 | 132,244 |
| **Accumulated Other Comprehensive Income** | | |
| Net unrealized holding gains on securities | 2,624 | 2,928 |
| Deferred gains or losses on hedges | (0) | - |
| Foreign currency translation adjustments | 1,852 | (2,297) |
| Remeasurements of defined benefit plans | 66 | (221) |
| **Total Accumulated Other Comprehensive Income** | 4,543 | 409 |
| **Subscription Rights to Shares** | 469 | 466 |
| **Non-controlling Interests** | 0 | 71 |
| **Total Net Assets** | 127,243 | 133,191 |
| **Total Liabilities and Net Assets** | 232,121 | 239,657 |

(2) Consolidated Statements of Income and Consolidated Comprehensive Income Statements

(Consolidated Statements of Income)

Amount: millions of yen

| | FY2015 (For the year ended December 31, 2015) | FY2016 (For the year ended December 31, 2016) |
|---|---|---|
| **Net Sales** | 171,916 | 170,093 |
| **Cost of Sales** | 99,842 | 100,339 |
| **Gross Income** | 72,074 | 69,754 |
| **Selling, General and Administrative Expenses** | 51,932 | 51,254 |
| **Operating Income** | 20,142 | 18,499 |
| **Non-Operating Income** | | |
| Interest income | 267 | 144 |
| Dividend income | 152 | 150 |
| Subsidy income | 160 | 149 |
| Other | 269 | 211 |
| Total non-operating income | 850 | 655 |
| **Non-Operating Expense** | | |
| Interest expense | 816 | 574 |
| Foreign exchange losses | 308 | 206 |
| Other | 227 | 95 |
| Total non-operating expense | 1,352 | 875 |
| **Ordinary Income** | 19,639 | 18,279 |
| **Extraordinary Gain** | | |
| Gain on sales of fixed assets | 8 | 33 |
| Gain on sales of investment securities | 44 | 0 |
| Gain on sales of subsidiaries and affiliates' stocks | - | 240 |
| Reversal of provision for compensation losses | 2 | - |
| Reversal of provision for loss on dissolution of the employees'pension fund | 439 | - |
| Reversal of foreign currency translation adjustment | - | 113 |
| Insurance income | - | 139 |
| Total extraordinary gain | 495 | 527 |
| **Extraordinary Loss** | | |
| Loss on sales of fixed assets | 13 | 0 |
| Loss on disposal of fixed assets | 10 | 219 |
| Impairment loss | 170 | - |
| Loss on valuation of investment securities | - | 68 |
| Provision for loss on dissolution of the employees' pension fund | - | 177 |
| Business structure improvement expenses | 135 | - |
| Loss on disaster | - | 1,098 |
| Total extraordinary loss | 330 | 1,563 |
| **Income before Income Taxes** | 19,804 | 17,243 |
| Income taxes (current) | 6,013 | 3,372 |
| Income taxes (deferred) | 508 | 906 |
| Total income taxes | 6,522 | 4,278 |
| **Net Income** | 13,282 | 12,964 |
| Profit attributable to non-controlling interests | - | 1 |
| **Net Income attributable to Owners of Parent** | 13,282 | 12,962 |

(Consolidated Statements of Comprehensive Income)

Amount: millions of yen

| | FY2015 (For the year ended December 31, 2015) | FY2016 (For the year ended December 31, 2016) |
|---|---|---|
| **Net Income** | 13,282 | 12,964 |
| **Other Comprehensive Income** | | |
| Net unrealized holding gains on securities | 582 | 304 |
| Deferred gains or losses on hedges | (19) | 0 |
| Foreign currency translation adjustments | (3,793) | (4,153) |
| Remeasurements of defined benefit plans | 50 | (288) |
| Total other comprehensive income | (3,180) | (4,137) |
| **Comprehensive Income** | 10,102 | 8,826 |
| (Breakdown of comprehensive income) | | |
| Comprehensive income attributable to owners of parent | 10,102 | 8,828 |
| Comprehensive income attributable to non-controlling interests | (0) | (1) |

(3) Consolidated Statement of Changes in Net Assets

FY2015 (For the year ended December 31, 2015)

Amount: Millions of yen

| | Shareholders' Equity | | | | |
|---|---|---|---|---|---|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total Shareholders' Equity |
| Beginning balance | 12,011 | 18,717 | 86,218 | (730) | 116,216 |
| Cumulative effects of changes in accounting policies | | | (3,313) | | (3,313) |
| Beginning balance after reflection of changes in accounting policies | 12,011 | 18,717 | 82,905 | (730) | 112,903 |
| Changes during the period | | | | | |
| Dividend from earnings | | | (2,955) | | (2,955) |
| Net Income attributable to Owners of Parent | | | 13,282 | | 13,282 |
| Purchase of treasury stock | | | | (999) | (999) |
| Others | | | | | |
| Total changes during the period | - | - | 10,326 | (999) | 9,326 |
| Ending balance | 12,011 | 18,717 | 93,232 | (1,730) | 122,230 |

| | Accumulated Other Comprehensive Income | | | | | Subscription Rights to Shares | Non-controlling Interests | Total Net Assets |
|---|---|---|---|---|---|---|---|---|
| | Net unrealized holding gains on securities | Deferred gains or losses on hedges | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Total Accumulated Other Comprehensive Income | | | |
| Beginning balance | 2,041 | 18 | 5,630 | 16 | 7,707 | 389 | 0 | 124,314 |
| Cumulative effects of changes in accounting policies | | | 15 | | 15 | | | (3,297) |
| Beginning balance after reflection of changes in accounting policies | 2,041 | 18 | 5,646 | 16 | 7,723 | 389 | 0 | 121,017 |
| Changes during the period | | | | | | | | |
| Dividend from earnings | | | | | | | | (2,955) |
| Net Income attributable to Owners of Parent | | | | | | | | 13,282 |
| Purchase of treasury stock | | | | | | | | (999) |
| Others | 582 | (19) | (3,793) | 50 | (3,180) | 79 | (0) | (3,100) |
| Total changes during the period | 582 | (19) | (3,793) | 50 | (3,180) | 79 | (0) | 6,225 |
| Ending balance | 2,624 | (0) | 1,852 | 66 | 4,543 | 469 | 0 | 127,243 |

FY2016 (For the year ended December 31, 2016)

Amount: Millions of yen

| | Shareholders' Equity | | | | |
|---|---|---|---|---|---|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total Shareholders' Equity |
| Beginning balance | 12,011 | 18,717 | 93,232 | (1,730) | 122,230 |
| Cumulative effects of changes in accounting policies | | | | | |
| Beginning balance after reflection of changes in accounting policies | 12,011 | 18,717 | 93,232 | (1,730) | 122,230 |
| Changes during the period | | | | | |
| Dividend from earnings | | | (3,031) | | (3,031) |
| Net Income attributable to Owners of Parent | | | 12,962 | | 12,962 |
| Purchase of treasury stock | | | | (0) | (0) |
| Disposal of treasury stock | | | (58) | 142 | 83 |
| Others | | | | | |
| Total changes during the period | - | - | 9,871 | 141 | 10,013 |
| Ending balance | 12,011 | 18,717 | 103,104 | (1,588) | 132,244 |

| | Accumulated Other Comprehensive Income | | | | | Subscription Rights to Shares | Non-controlling Interests | Total Net Assets |
|---|---|---|---|---|---|---|---|---|
| | Net unrealized holding gains on securities | Deferred gains or losses on hedges | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Total Accumulated Other Comprehensive Income | | | |
| Beginning balance | 2,624 | (0) | 1,852 | 66 | 4,543 | 469 | 0 | 127,243 |
| Cumulative effects of changes in accounting policies | | | | | | | | |
| Beginning balance after reflection of changes in accounting policies | 2,624 | (0) | 1,852 | 66 | 4,543 | 469 | 0 | 127,243 |
| Changes during the period | | | | | | | | |
| Dividend from earnings | | | | | | | | (3,031) |
| Net Income attributable to Owners of Parent | | | | | | | | 12,962 |
| Purchase of treasury stock | | | | | | | | (0) |
| Disposal of treasury stock | | | | | | | | 83 |
| Others | 304 | 0 | (4,150) | (288) | (4,134) | (2) | 71 | (4,066) |
| Total changes during the period | 304 | 0 | (4,150) | (288) | (4,134) | (2) | 71 | 5,947 |
| Ending balance | 2,928 | - | (2,297) | (221) | 409 | 466 | 71 | 133,191 |

(4) Consolidated Statements of Cash Flows

Amount: millions of yen

| | FY2015 (For the year ended December 31, 2015) | FY2016 (For the year ended December 31, 2016) |
|---|---|---|
| **Cash Flows from Operating Activities:** | | |
| Income before income taxes | 19,804 | 17,243 |
| Depreciation expense | 5,964 | 6,676 |
| Loss on impairment of fixed assets | 170 | - |
| Amortization of goodwill | 145 | 139 |
| Increase (decrease) in allowance for doubtful accounts | (243) | 110 |
| Increase (decrease) in net defined benefit liability | (302) | 349 |
| Increase (decrease) in provision for loss on dissolution of the employees' pension fund | (603) | (19) |
| Interest and dividend income | (420) | (294) |
| Interest expense | 816 | 574 |
| Foreign exchange losses (gains) | (106) | 42 |
| Loss (gain) on sales of fixed assets | 5 | (32) |
| Loss on disposal of fixed assets | 10 | 219 |
| Loss (gain) on valuation of investment securities | - | 68 |
| Loss (gain) on sales of investment securities | (44) | (0) |
| Decrease (increase) in trade notes and accounts receivable | (2,060) | (5,454) |
| Decrease (increase) in inventories | (917) | (1,461) |
| Increase (decrease) in trade notes and accounts payable | 2,078 | 3,333 |
| Other, net | (1,452) | 837 |
| **Subtotal** | 22,844 | 22,330 |
| Interest and dividends received | 423 | 298 |
| Interest paid | (814) | (569) |
| Income taxes (paid) refund | (7,682) | (6,187) |
| **Net Cash Provided by (used in) Operating Activities** | 14,770 | 15,871 |
| | | |
| **Cash Flows from Investing Activities:** | | |
| Increase in time deposits | (3,204) | (2,857) |
| Decrease in time deposits | 2,964 | 3,014 |
| Decrease in time deposits restricted for use | 32 | 32 |
| Payments for purchase of marketable securities | (1,702) | (103) |
| Proceeds from sales or redemption of marketable securities | 2,504 | 1,414 |
| Payments for purchase of property, plant and equipment | (15,671) | (13,001) |
| Proceeds from sales of property, plant and equipment | 68 | 53 |
| Payments for purchase of intangibles | (1,442) | (373) |
| Proceeds from sales of intangibles | 4 | - |
| Payments for purchase of investment securities | (620) | (48) |
| Proceeds from sales or redemption of investment securities | 83 | 4 |
| Proceeds from sales of stocks of subsidiaries and affiliates | - | 256 |
| Payments of loans receivable | (21) | (27) |
| Collection of loans receivable | 43 | 23 |
| Payments for transfer of business | (13,610) | - |
| Other, net | (69) | 1,184 |
| **Net Cash Provided by (used in) Investing Activities** | (30,642) | (10,427) |
| | | |
| **Cash Flows from Financing Activities:** | | |
| Net increase (decrease) in short-term borrowings | 2,380 | 130 |
| Increase in long-term debt | 15,388 | 3,690 |
| Repayments of long-term debt | (826) | (1,078) |
| Repayments on finance lease obligations | (170) | (195) |
| Proceeds from share issuance to non-controlling shareholders | - | 60 |
| Net decrease (increase) of treasury stock | (999) | (0) |
| Cash dividends paid | (2,928) | (3,058) |
| **Net Cash Provided by (used in) Financing Activities** | 12,843 | (451) |
| **Effect of Exchange Rate Changes on Cash and Cash Equivalents** | (668) | (911) |
| **Net Increase (Decrease) in Cash and Cash Equivalents** | (3,697) | 4,081 |
| **Cash and Cash Equivalents at Beginning of Period** | 51,109 | 47,859 |
| **Increase (Decrease) in Cash and Cash Equivalents Resulting from Change of Scope of Consolidation** | 446 | - |
| **Cash and Cash Equivalents at End of Period** | 47,859 | 51,940 |

### (5) Significant Items That Form the Basis for Preparation of Consolidated Financial Statements

**(Significant Change in Scope of Consolidation)**

From fiscal 2016, newly-established HORIBA UK Finance Limited (U.K.) has been included in the scope of consolidation.

### (6) Changes in Accounting Policies

**(Change in revenue recognition standard)**

The Company and its domestic consolidated subsidiaries had formerly recognized revenue mainly on a shipping basis. However, starting from the year ended December 31, 2016, the Company and its domestic consolidated subsidiaries have changed to revenue recognition method on a completion date of installation or a delivery date basis under the terms and conditions of contracts.

HORIBA's overseas consolidated subsidiaries, pursuant to IFRS or US GAAP, had recognized revenue on an installation completion date or a delivery date basis under the terms and conditions of contracts. In addition, sales of products that require a long time for installation have been increasing. Consequently, HORIBA made a change to more adequately reflecting revenue status, upon introduction of the Enterprise Resource Planning System.

This change in accounting policy has been retrospectively applied to the consolidated financial statements for full-year period of fiscal year 2015.

As a result, net sales for fiscal year 2015 increased by 1,017 million yen, and operating income increased by 769 million yen, ordinary income and income before income taxes increased by 790 million yen, respectively, as compared with the figures prior to the retrospective application. The net assets at the beginning of the previous fiscal year have reflected the cumulative effects, which resulted in a decrease by 3,223 million yen in retained earnings at the beginning of the previous fiscal year.

**(Adoption of Revised Accounting Standard for Business Combinations, etc.)**

"Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21, released on Sep. 13, 2013, hereinafter the "Accounting Standard for Business Combinations"), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, released on Sep. 13, 2013, hereinafter the "Consolidated Accounting Standard"), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, released on Sep. 13, 2013, hereinafter the "Accounting Standard for Business Divestitures") and others have been adopted effective from the beginning of the year ended December 31, 2016. As a result, any change resulting from the Company's ownership interests in its subsidiary when the Company retains control over the subsidiary is accounted for as capital surplus, and acquisition related costs are expensed in the year in which the costs are incurred. For any business combinations on or after the beginning of the year, subsequent measurement of the provisional amount recognized based on the purchase price allocation due to the completion of accounting for the business combination are reflected in the consolidated financial statements for the year to which the date of that business combination occurs. In addition, the presentation method of net income was amended as well as "minority interests in consolidated subsidiaries" to "non-controlling interests." To reflect these changes in presentation, adjustments have been made to the consolidated financial statements for the prior fiscal year presented herein. The aforementioned accounting standards are adopted as of the beginning of the year and thereafter, according to the transitional treatment provided for in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Consolidated Accounting Standard and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures. There is no impact of these changes on profit and loss.

### (7) Change in Method of Presentation

**(Consolidated Balance Sheets)**

In fiscal 2015, "Advances received" was included in "Other current liabilities". However, due to an increased significance in amount, it is independently stated from the year ended December 31, 2016. To reflect this change in presentation method, the consolidated financial statements for fiscal 2015 have been restated.

As a result, "Other current liabilities" of 14,460 million yen in the consolidated balance sheets for fiscal 2015 is restated as "Advances received" of 10,831 million yen and "Other current liabilities" of 3,628 million yen.

### (8) Additional Information

**(Revision of Amount of Deferred Tax Assets and Deferred Tax Liabilities due to Change in Rate of Corporate and Other Income Taxes)**

The Act for Partial Amendment of the Income Tax Act (Act No. 15 of 2016) and the Act for Partial Amendment of the Local Tax Act (Act No. 13 of 2016) were enacted in the Diet session on March 29, 2016, and the statutory effective tax rate for the consolidated fiscal year on and after April 1, 2016 was reduced. Following the Act, the statutory effective tax rate used to calculate deferred tax assets and deferred tax liabilities was changed from 32.2% to 30.8% for temporary differences expected to be reversed in the fiscal year beginning on January 1, 2017 and 2018, and to 30.5% for temporary differences expected to be reversed in the fiscal year beginning on January 1, 2019.

Due to such change in tax rate, the amount of deferred tax assets (netted with deferred tax liabilities) and remeasurements of defined benefit plans decreased by 75 million yen and 2 million yen, respectively, while income taxes (deferred) and net unrealized holding gains on securities increased by 139 million yen and 66 million yen, respectively.

**(9) Subsequent Events**

**(Transfer of the water quality and liquid analysis instruments and systems business through simplified absorption-type corporate split)**

The Company had HORIBA Advanced Techno, a wholly owned subsidiary of the Company, take over its water quality and liquid analysis instruments and systems business (hereinafter the “water measurement business”) through absorption-type corporate split approach, effective January 1, 2017.

The absorption-type corporate split is summarized as follows.

(1) Purpose of the corporate split

The HORIBA Group’s water measurement business, represented by pH meters, the Group’s mainstay product since the foundation of the Company, had been promoted jointly by the Company and HORIBA Advanced Techno. With the aim of business expansion in the water measurement area, as one of the priority initiatives in the HORIBA Mid-Long Term Management Plan, the Company separated its water measurement business division and integrated it with HORIBA Advanced Techno in order to develop more market-oriented products, improve customer satisfaction, and enhance market competitiveness and earnings power.

(2) Corporate split method

This corporate split is an absorption-type corporate split in which HORIBA Advanced Techno is the succeeding company.

(3) Effective date

January 1, 2017

(4) Details of allotments relating to the corporate split

The Company owns all shares of HORIBA Advanced Techno and there is no consideration such as allotment of shares or payment of cash due to this corporate split.

(5) Calculation of allotments relating to the corporate split

There are no allotments of shares or other assets due to this corporate split.

(6) Rights and obligations to be succeeded by the successor company

In accordance with the absorption-type corporate split agreement, HORIBA Advanced Techno shall succeed to assets, liabilities, other rights and obligations, and contractual status that are considered necessary to carry out the business.

(7) Outline of the successor company

| | |
|---|---|
| Capital: | 250 million yen |
| Business: | Development, manufacturing, sales and services of measurement equipment |

(8) Outline of accounting treatment to be applied

Based on the "Accounting Standard for Business Combinations" and the "Guidelines on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures," this transfer is to be treated as a transaction under common control.

## 5. Supplemental Information

### HORIBA, Ltd. Financial Highlights for the Year Ended December 31, 2016

1. Consolidated Financial Results

Amount: millions of yen

| | **12/2016 Result** | 12/2015 Result | Changes | | **12/2017 Forecast** | Changes | **12/2017 Forecast** | Changes |
|---|---|---|---|---|---|---|---|---|
| | **Full year** | Full year | Amount | Ratio | **Full year** | Amount | **1st half** | Amount |
| Net Sales | **170,093** | 171,916 | -1,823 | -1.1% | **177,000** | +6,906 | **84,000** | +4,015 |
| Operating Income | **18,499** | 20,142 | -1,642 | -8.2% | **20,000** | +1,500 | **9,000** | +1,221 |
| *Operating Income Ratio* | ***10.9%*** | *11.7%* | *-0.8P* | | ***11.3%*** | *+0.4P* | ***10.7%*** | *+1.0P* |
| Ordinary Income | **18,279** | 19,639 | -1,360 | -6.9% | **19,300** | +1,020 | **8,700** | +1,102 |
| *Ordinary Income Ratio* | ***10.7%*** | *11.4%* | *-0.7P* | | ***10.9%*** | *+0.2P* | ***10.4%*** | *+0.9P* |
| Net Income attributable to Owners of Parent | **12,962** | 13,282 | -320 | -2.4% | **13,000** | +37 | **5,500** | +1,371 |
| *Net Income Ratio* | ***7.6%*** | *7.7%* | *-0.1P* | | ***7.3%*** | *-0.3P* | ***6.5%*** | *+1.3P* |
| US$ | **108.78** | 121.10 | -12.32 | | **110.00** | +1.22 | **110.00** | -1.70 |
| Euro | **120.26** | 134.31 | -14.05 | | **120.00** | -0.26 | **120.00** | -4.52 |

2. Consolidated Segment Results

Amount: millions of yen

| Net Sales | **12/2016 Result** | 12/2015 Result | Changes | | **12/2017 Forecast** | Changes | **12/2017 Forecast** | Changes |
|---|---|---|---|---|---|---|---|---|
| | **Full year** | Full year | Amount | Ratio | **Full year** | Amount | **1st half** | Amount |
| Automotive | **62,207** | 65,436 | -3,228 | -4.9% | **67,000** | +4,792 | **30,000** | +1,871 |
| Process&Environmental | **16,753** | 16,708 | +44 | +0.3% | **18,000** | +1,246 | **8,000** | +201 |
| Medical | **26,564** | 27,669 | -1,104 | -4.0% | **25,000** | -1,564 | **12,000** | -1,800 |
| Semiconductor | **38,828** | 35,353 | +3,475 | +9.8% | **41,000** | +2,171 | **22,000** | +4,104 |
| Scientific | **25,738** | 26,748 | -1,009 | -3.8% | **26,000** | +261 | **12,000** | -361 |
| Total | **170,093** | 171,916 | -1,823 | -1.1% | **177,000** | +6,906 | **84,000** | +4,015 |

| Operating Income | **12/2016 Result** | 12/2015 Result | Changes | | **12/2017 Forecast** | Changes | **12/2017 Forecast** | Changes |
|---|---|---|---|---|---|---|---|---|
| | **Full year** | Full year | Amount | Ratio | **Full year** | Amount | **1st half** | Amount |
| Automotive | **3,529** | 5,200 | -1,670 | -32.1% | **5,200** | +1,670 | **1,800** | +1,245 |
| Process&Environmental | **1,540** | 1,756 | -215 | -12.3% | **1,600** | +59 | **500** | -367 |
| Medical | **2,806** | 2,558 | +247 | +9.7% | **2,200** | -606 | **1,000** | -593 |
| Semiconductor | **9,678** | 9,429 | +249 | +2.6% | **10,000** | +321 | **5,500** | +1,016 |
| Scientific | **944** | 1,197 | -252 | -21.1% | **1,000** | +55 | **200** | -80 |
| Total | **18,499** | 20,142 | -1,642 | -8.2% | **20,000** | +1,500 | **9,000** | +1,221 |

(Note) The Company and its domestic consolidated subsidiaries had formerly recognized revenue mainly on a shipping basis. However, starting from the fiscal year 2016, the Company and its domestic consolidated subsidiaries have changed to revenue recognition method on a completion date of installation or a delivery date basis under the terms and conditions of contracts. Accordingly the amounts of fiscal year ended December 31, 2015 are calculated based on the retrospectively-restated amounts.

3. Consolidated Segment Sales by Destination

Amount: millions of yen

| | 12/2016 Result | 12/2015 Result | Changes | | 12/2017 Forecast | Changes | 12/2017 Forecast | Changes |
|---|---|---|---|---|---|---|---|---|
| | **Full year** | Full year | Amount | Ratio | **Full year** | Amount | **1st half** | Amount |
| Automotive | **62,207** | 65,436 | -3,228 | -4.9% | **67,000** | +4,792 | **30,000** | +1,871 |
| Japan | **19,063** | 17,782 | +1,281 | +7.2% | **21,500** | +2,436 | **12,000** | +1,012 |
| Asia | **14,310** | 17,371 | -3,061 | -17.6% | **15,400** | +1,089 | **6,400** | +440 |
| Americas(*) | **9,192** | 10,477 | -1,285 | -12.3% | **9,000** | -192 | **3,500** | -255 |
| Europe | **19,642** | 19,805 | -163 | -0.8% | **21,100** | +1,457 | **8,100** | +673 |
| Process&Environmental | **16,753** | 16,708 | +44 | +0.3% | **18,000** | +1,246 | **8,000** | +201 |
| Japan | **9,067** | 8,352 | +714 | +8.6% | **10,000** | +932 | **4,500** | +21 |
| Asia | **2,748** | 3,517 | -768 | -21.8% | **3,000** | +251 | **1,300** | +334 |
| Americas(*) | **2,935** | 2,567 | +368 | +14.3% | **3,000** | +64 | **1,300** | -171 |
| Europe | **2,001** | 2,270 | -268 | -11.8% | **2,000** | -1 | **900** | +16 |
| Medical | **26,564** | 27,669 | -1,104 | -4.0% | **25,000** | -1,564 | **12,000** | -1,800 |
| Japan | **5,877** | 5,950 | -72 | -1.2% | **6,000** | +122 | **3,000** | +8 |
| Asia | **4,852** | 4,326 | +525 | +12.1% | **4,800** | -52 | **2,500** | -93 |
| Americas(*) | **6,599** | 6,813 | -214 | -3.2% | **5,500** | -1,099 | **2,500** | -729 |
| Europe | **9,235** | 10,578 | -1,342 | -12.7% | **8,700** | -535 | **4,000** | -986 |
| Semiconductor | **38,828** | 35,353 | +3,475 | +9.8% | **41,000** | +2,171 | **22,000** | +4,104 |
| Japan | **15,004** | 13,071 | +1,933 | +14.8% | **16,000** | +995 | **8,500** | +1,685 |
| Asia | **16,969** | 14,147 | +2,821 | +19.9% | **17,500** | +530 | **9,500** | +2,176 |
| Americas(*) | **4,980** | 6,368 | -1,388 | -21.8% | **5,500** | +519 | **3,000** | +189 |
| Europe | **1,874** | 1,766 | +107 | +6.1% | **2,000** | +125 | **1,000** | +53 |
| Scientific | **25,738** | 26,748 | -1,009 | -3.8% | **26,000** | +261 | **12,000** | -361 |
| Japan | **7,509** | 6,992 | +517 | +7.4% | **7,500** | -9 | **4,000** | +329 |
| Asia | **6,082** | 6,207 | -125 | -2.0% | **6,200** | +117 | **2,800** | -279 |
| Americas(*) | **6,562** | 7,048 | -486 | -6.9% | **6,700** | +137 | **2,800** | -155 |
| Europe | **5,584** | 6,499 | -915 | -14.1% | **5,600** | +15 | **2,400** | -255 |
| Total | **170,093** | 171,916 | -1,823 | -1.1% | **177,000** | +6,906 | **84,000** | +4,015 |
| Japan | **56,522** | 52,148 | +4,373 | +8.4% | **61,000** | +4,477 | **32,000** | +3,056 |
| Asia | **44,963** | 45,571 | -608 | -1.3% | **46,900** | +1,936 | **22,500** | +2,579 |
| Americas(*) | **30,270** | 33,276 | -3,006 | -9.0% | **29,700** | -570 | **13,100** | -1,121 |
| Europe | **38,337** | 40,919 | -2,581 | -6.3% | **39,400** | +1,062 | **16,400** | -498 |

(Note) Americas includes all countries in North America and South America.

4. Capital Expenditures, Depreciation and R&D Expenses

Amount: millions of yen

| | 12/2016 | 12/2015 | 12/2017 |
|---|---|---|---|
| | Result | Result | Forecast |
| Capital Expenditures (*) | 13,796 | 16,309 | 15,000 |
| Depreciation | 6,816 | 6,110 | 7,200 |
| R&D Expenses | 12,933 | 12,341 | 14,000 |

(Note) Capital Expenditures are investments in tangible and intangible fixed assets.

## 5. Consolidated Financial Results (Quarterly Comparison)

Amount: millions of yen

| | 12/2016 Result | | | | 12/2015 Result | | | |
|---|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q |
| Net Sales | 41,270 | 38,713 | 36,917 | 53,191 | 43,049 | 38,034 | 39,277 | 51,554 |
| Operating Income | 5,172 | 2,606 | 2,880 | 7,840 | 6,982 | 4,035 | 2,869 | 6,254 |
| *Operating Income Ratio* | *12.5%* | *6.7%* | *7.8%* | *14.7%* | *16.2%* | *10.6%* | *7.3%* | *12.1%* |
| Ordinary Income | 5,100 | 2,496 | 2,744 | 7,937 | 6,666 | 4,050 | 2,736 | 6,186 |
| *Ordinary Income Ratio* | *12.4%* | *6.4%* | *7.4%* | *14.9%* | *15.5%* | *10.6%* | *7.0%* | *12.0%* |
| Net Income attributable to Owners of Parent | 3,181 | 946 | 3,153 | 5,680 | 4,078 | 2,487 | 2,133 | 4,582 |
| *Net Income Ratio* | *7.7%* | *2.4%* | *8.5%* | *10.7%* | *9.5%* | *6.5%* | *5.4%* | *8.9%* |
| US$ | 115.35 | 108.05 | 102.31 | 109.41 | 119.16 | 121.44 | 122.34 | 121.46 |
| Euro | 127.15 | 121.89 | 114.14 | 117.86 | 134.00 | 134.20 | 136.02 | 133.02 |

## 6. Consolidated Segment Results (Quarterly Comparison)

Amount: millions of yen

| Net Sales | 12/2016 Result | | | | 12/2015 Result | | | |
|---|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q |
| Automotive | 14,964 | 13,164 | 11,298 | 22,781 | 14,177 | 12,511 | 14,040 | 24,707 |
| Process&Environmental | 4,157 | 3,641 | 4,010 | 4,943 | 4,291 | 3,926 | 3,685 | 4,804 |
| Medical | 6,939 | 6,860 | 5,975 | 6,789 | 7,283 | 6,670 | 6,823 | 6,891 |
| Semiconductor | 8,689 | 9,205 | 9,865 | 11,068 | 10,307 | 8,794 | 8,618 | 7,633 |
| Scientific | 6,519 | 5,841 | 5,767 | 7,609 | 6,989 | 6,132 | 6,109 | 7,517 |
| Total | 41,270 | 38,713 | 36,917 | 53,191 | 43,049 | 38,034 | 39,277 | 51,554 |

| Operating Income | 12/2016 Result | | | | 12/2015 Result | | | |
|---|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q |
| Automotive | 1,124 | (570) | (490) | 3,466 | 2,227 | 762 | (552) | 2,762 |
| Process&Environmental | 666 | 200 | 254 | 418 | 652 | 295 | 215 | 593 |
| Medical | 828 | 764 | 628 | 584 | 820 | 489 | 717 | 532 |
| Semiconductor | 2,329 | 2,153 | 2,666 | 2,528 | 2,752 | 2,414 | 2,454 | 1,808 |
| Scientific | 222 | 57 | (177) | 841 | 530 | 73 | 35 | 557 |
| Total | 5,172 | 2,606 | 2,880 | 7,840 | 6,982 | 4,035 | 2,869 | 6,254 |

## 7. Consolidated Orders and Backlog Information (Quarterly Comparison)

Amount: millions of yen

| Orders | 12/2016 Result | | | | 12/2015 Result | | | |
|---|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q |
| Automotive | 12,316 | 14,777 | 18,638 | 22,199 | 13,006 | 15,383 | 16,254 | 16,246 |
| Process&Environmental | 3,447 | 4,111 | 3,684 | 5,016 | 4,028 | 4,829 | 3,594 | 4,159 |
| Medical | 7,654 | 6,465 | 5,600 | 6,632 | 7,468 | 7,904 | 6,260 | 7,170 |
| Semiconductor | 9,563 | 9,659 | 10,477 | 11,867 | 9,670 | 9,203 | 7,865 | 6,999 |
| Scientific | 5,623 | 5,358 | 5,858 | 8,673 | 5,740 | 6,519 | 6,709 | 7,517 |
| Total | 38,605 | 40,372 | 44,259 | 54,389 | 39,914 | 43,840 | 40,684 | 42,093 |

| Backlog | 12/2016 Result | | | | 12/2015 Result | | | |
|---|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q |
| Automotive | 40,566 | 42,180 | 49,520 | 48,938 | 41,231 | 44,103 | 51,675 | 43,215 |
| Process&Environmental | 4,106 | 4,576 | 4,249 | 4,323 | 4,648 | 5,551 | 5,460 | 4,815 |
| Medical | 4,353 | 3,958 | 3,583 | 3,426 | 2,688 | 3,922 | 3,359 | 3,638 |
| Semiconductor | 4,018 | 4,467 | 5,080 | 5,879 | 4,119 | 4,528 | 3,775 | 3,140 |
| Scientific | 8,343 | 7,863 | 7,955 | 9,018 | 8,255 | 8,641 | 9,242 | 9,243 |
| Total | 61,387 | 63,046 | 70,388 | 71,586 | 60,942 | 66,747 | 73,513 | 64,052 |

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