Consolidated Balance Sheet (March 31, 2021)

		Millions of Yen		Thousands of U.S. Dollars (Note 1)
	ASSETS	2021	2020	2021
CURRENT ASSETS:	Cash and deposits (Note 13)	¥ 14,482	¥ 14,033	$ 130,821
	Time deposits (Note 13)	894	393	8,077
	Receivables (Note 13):			
	Trade notes	947	1,083	8,559
	Trade accounts	30,231	29,248	273,089
	Unconsolidated subsidiaries and affiliates	452	634	4,081
	Other	730	760	6,590
	Allowance for doubtful receivables	(392)	(321)	(3,537)
	Inventories (Note 4)	57,296	53,221	517,577
	Prepaid expenses and other current assets	3,974	3,985	35,899
	Total current assets	108,614	103,036	981,156
PROPERTY, PLANT AND EQUIPMENT (Note 6):	Land	3,593	1,772	32,461
	Buildings and structures	23,742	23,145	214,474
	Machinery and equipment	4,586	4,265	41,431
	Tools, furniture, and fixtures	23,648	22,704	213,619
	Lease assets	2,840	2,562	25,650
	Construction in progress	2,529	617	22,846
	Total	60,938	55,065	550,481
	Accumulated depreciation	(41,906)	(39,778)	(378,558)
	Net property, plant and equipment	19,032	15,287	171,923
INVESTMENTS AND OTHER ASSETS:	Investment securities (Notes 3, 6 and 13)	8,163	5,664	73,738
	Investments in and advances to unconsolidated subsidiaries and affiliates (Note 13)	1,651	1,453	14,917
	Software	527	361	4,759
	Software lease	122	167	1,106
	Goodwill (Note 5)	1,302	2,954	11,761
	Deferred tax assets (Note 9)	2,622	3,133	23,685
	Other intangible assets	1,670	1,761	15,088
	Other assets	2,685	2,972	24,253
	Total investments and other assets	18,742	18,465	169,307
	TOTAL	¥ 146,388	¥ 136,788	$ 1,322,386

See notes to consolidated financial statements.

		Millions of Yen		Thousands of U.S. Dollars (Note 1)
	LIABILITIES AND EQUITY	2021	2020	2021
CURRENT LIABILITIES:	Short-term bank loans (Notes 6 and 13)	¥ 6,552	¥ 9,451	$ 59,184
	Current portion of long-term bank loans (Notes 6 and 13)	6,167	4,041	55,706
	Current portion of bonds (Notes 6 and 13)	2,736	1,886	24,715
	Current portion of long-term lease obligations (Notes 6 and 12)	274	354	2,472
	Payables (Note 13):			
	Trade notes	2,905	3,789	26,243
	Trade accounts	8,697	8,491	78,562
	Unconsolidated subsidiaries and affiliates	765	556	6,913
	Other	3,035	3,006	27,415
	Electronically recorded obligations (Note 13)	9,079	10,597	82,015
	Income taxes payable	1,073	1,652	9,691
	Advances received	13,891	12,431	125,481
	Accrued bonuses to employees	1,463	1,458	13,218
	Other current liabilities	10,575	9,739	95,540
	Total current liabilities	67,212	67,451	607,155
LONG-TERM LIABILITIES:	Bonds (Notes 6 and 13)	390	3,126	3,523
	Long-term bank loans (Notes 6 and 13)	16,868	9,358	152,371
	Long-term lease obligations (Notes 6 and 12)	361	432	3,263
	Deferred tax liabilities (Note 9)	331	399	2,989
	Liability for employees' retirement benefits (Note 7)	8,250	9,463	74,526
	Retirement allowances for directors, executive officers, and Audit & Supervisory Board members (Note 7)	16	33	141
	Board Incentive Plan allowances	339	240	3,059
	Asset retirement obligations	321	321	2,900
	Other long-term liabilities	1,300	885	11,756
	Total long-term liabilities	28,176	24,257	254,528
	COMMITMENTS AND CONTINGENT LIABILITIES (Notes 12, 14 and 15)			
EQUITY (Note 8):	Common stock—authorized, 100,000,000 shares; issued, 48,857,800 shares in 2020 and 2021	10,038	10,038	90,675
	Capital surplus	9,915	9,915	89,565
	Retained earnings	29,664	27,089	267,976
	Treasury stock—at cost, 544,240 shares in 2021 and 544,134 shares in 2020	(1,059)	(1,069)	(9,571)
	Accumulated other comprehensive income (loss):			
	Unrealized gain on available-for-sale securities	4,113	2,297	37,159
	Deferred (loss) gain on derivatives under hedge accounting	(25)	71	(227)
	Foreign currency translation adjustments	(1,458)	(1,965)	(13,173)
	Defined retirement benefit plans	(188)	(1,296)	(1,701)
	Total equity	51,000	45,080	460,703
	TOTAL	¥ 146,388	¥ 136,788	$ 1,322,386

Consolidated Statement of Income (Year Ended March 31, 2021)

		Millions of Yen		Thousands of U.S. Dollars (Note 1)
		2021	2020	2021
	NET SALES (Note 11)	¥ 110,440	¥ 117,244	$ 997,651
	COST OF SALES (Note 11)	67,547	72,379	610,176
	Gross profit	42,893	44,865	387,475
	SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 10 and 11)	37,669	37,834	340,278
	Operating income	5,224	7,031	47,197
OTHER INCOME (EXPENSES):	Interest and dividend income	189	194	1,710
	Revenue from performance of research and development services	93	193	840
	Insurance claim receipt	31	20	281
	Interest expense	(159)	(162)	(1,439)
	Foreign exchange gain (loss)—net	613	(605)	5,542
	Loss on sales of trade receivables	(6)	(15)	(57)
	Gain on sales and disposals of property, plant and equipment—net	97	31	872
	Loss on write-down of investment securities	(15)	(77)	(139)
	Gain on step acquisitions		526	
	Loss on revision of retirement benefit plan		(233)	
	Equity in earnings of unconsolidated subsidiaries and affiliates	243	469	2,191
	Impairment loss (Note 5)	(1,017)		(9,189)
	Other—net	322	80	2,912
	Other income—net	391	421	3,524
	INCOME BEFORE INCOME TAXES	5,615	7,452	50,721
INCOME TAXES (Note 9):	Current	2,081	2,220	18,794
	Deferred	(211)	(128)	(1,903)
	Total income taxes	1,870	2,092	16,891
	NET INCOME	3,745	5,360	33,830
	NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 3,745	¥ 5,360	$ 33,830

	Yen		U.S. Dollars
	2021	2020	2021
PER SHARE OF COMMON STOCK (Notes 2 and 16):			
Basic net income	¥ 77.51	¥ 110.94	$ 0.70
Cash dividends applicable to the year	24.00	24.00	0.22

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income (Year Ended March 31, 2021)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
NET INCOME	¥ 3,745	¥ 5,360	$ 33,830
OTHER COMPREHENSIVE INCOME (LOSS) (Note 17):			
Unrealized gain (loss) on available-for-sale securities	1,816	(446)	16,410
Deferred gain (loss) on derivatives under hedge accounting	(96)	70	(872)
Foreign currency translation adjustments	551	(332)	4,982
Defined retirement benefit plans	1,108	65	10,009
Share of other comprehensive loss in unconsolidated subsidiaries and affiliates	(44)	(59)	(400)
Total other comprehensive income (loss)	3,335	(702)	30,129
COMPREHENSIVE INCOME	¥7,080	¥ 4,658	$ 63,959
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ 7,080	¥ 4,658	$ 63,959
Noncontrolling interests			

Consolidated Statement of Changes in Equity (Year Ended March 31, 2021)

	Thousands	Millions of Yen								
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)				Total Equity
						Unrealized Gain on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	
BALANCE, APRIL 1, 2019	48,858	¥10,038	¥9,915	¥22,899	¥(1,068)	¥2,743	¥1	¥(1,574)	¥(1,361)	¥41,593
Net income attributable to owners of the parent				5,360						5,360
Cash dividends, for prior year-end, ¥12 per share, and for current year interim, ¥12 per share				(1,170)						(1,170)
Purchase of treasury stock					(1)					(1)
Net change in the year						(446)	70	(391)	65	(702)
BALANCE, MARCH 31, 2020	48,858	10,038	9,915	27,089	(1,069)	2,297	71	(1,965)	(1,296)	45,080
Net income attributable to owners of the parent				3,745						3,745
Cash dividends, for prior year-end, ¥12 per share, and for current year interim, ¥12 per share				(1,170)						(1,170)
Purchase of treasury stock					(1)					(1)
Disposal of treasury stock					11					11
Net change in the year						1,816	(96)	507	1,108	3,335
BALANCE, MARCH 31, 2021	48,858	¥10,038	¥9,915	¥29,664	¥(1,059)	¥4,113	¥(25)	¥(1,458)	¥(188)	¥51,000

	Thousands of U.S. Dollars (Note 1)								
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)				Total Equity
					Unrealized Gain on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	
BALANCE, MARCH 31, 2020	$90,675	$89,565	$244,713	$(9,654)	$20,749	$645	$(17,755)	$(11,710)	$407,228
Net income attributable to owners of the parent			33,830						33,830
Cash dividends, for prior year-end, $0.11 per share, and for current year interim, $0.11 per share			(10,567)						(10,567)
Purchase of treasury stock				(14)					(14)
Disposal of treasury stock				97					97
Net change in the year					16,410	(872)	4,582	10,009	30,129
BALANCE, MARCH 31, 2021	$90,675	$89,565	$267,976	$(9,571)	$37,159	$(227)	$(13,173)	$(1,701)	$460,703

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows (Year Ended March 31, 2021)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
OPERATING ACTIVITIES:			
Income before income taxes	¥ 5,615	¥ 7,452	$ 50,721
Adjustments for:			
Income taxes—paid	(2,606)	(1,789)	(23,540)
Depreciation and amortization	3,626	3,191	32,755
Amortization of goodwill	590	370	5,330
Gain on sales and disposals of property, plant and equipment—net	(97)	(31)	(872)
Loss on write-down of investment securities	15	77	139
Loss on revision of retirement benefit plan		233	
Gain on step acquisitions		(526)	
Impairment loss	1,017		9,189
Equity in earnings of unconsolidated subsidiaries and affiliates	(243)	(469)	(2,191)
Changes in assets and liabilities:			
Decrease (increase) in trade notes and accounts receivable	(295)	1,674	(2,665)
Increase in inventories	(3,457)	(6,585)	(31,232)
Decrease in trade notes and accounts payable	(2,577)	(768)	(23,278)
Increase in advances received	684	311	6,181
Decrease in provision for accrued bonuses to employees	(1)	(136)	(9)
Decrease in liability for employees' retirement benefits	(112)	(290)	(1,011)
Increase in retirement allowances for directors, executive officers, and Audit & Supervisory Board members	92	139	829
Other—net	1,108	888	9,993
Total adjustments	(2,256)	(3,711)	(20,382)
Net cash provided by operating activities	3,359	3,741	30,339
INVESTING ACTIVITIES:			
Increase in time deposits—net	(472)	(126)	(4,261)
Purchases of shares of unconsolidated subsidiaries		(70)	
Purchase of investments in subsidiaries resulting in change in scope of consolidation		(1,097)	
Proceeds from sales of property, plant and equipment	242	156	2,184
Purchases of property, plant and equipment	(6,650)	(2,638)	(60,070)
Purchases of intangible assets	(379)	(269)	(3,436)
Other—net	270	(128)	2,450
Net cash used in investing activities	(6,989)	(4,172)	(63,133)
FINANCING ACTIVITIES:			
Increase (decrease) in short-term bank loans—net	(2,899)	3,657	(26,182)
Proceeds from long-term bank loans	13,648	8,500	123,288
Repayments of long-term bank loans	(4,041)	(4,756)	(36,504)
Payment for redemption of bonds	(1,886)	(449)	(17,037)
Purchase of treasury stock	(1)	(1)	(14)
Cash dividends paid	(1,170)	(1,170)	(10,567)
Other—net	(355)	(386)	(3,211)
Net cash provided by financing activities	3,296	5,395	29,773
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	783	(454)	7,080
NET INCREASE IN CASH AND CASH EQUIVALENTS	449	4,510	4,059
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	14,033	9,262	126,762
INCREASE IN CASH AND CASH EQUIVALENTS FROM NEWLY CONSOLIDATED SUBSIDIARIES		261	
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 14,482	¥ 14,033	$ 130,821

See notes to consolidated financial statements.

1 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards ("IFRS").

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2020 consolidated financial statements to conform to the classifications used in 2021.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which JEOL Ltd. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥110.7 to $1, the approximate rate of exchange at March 31, 2021. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation

The consolidated financial statements as of March 31, 2021, include the accounts of the Company and its 21 (21 in 2020) significant subsidiaries (together, the "Group").

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in 9 (9 in 2020) unconsolidated subsidiaries and 3 (3 in 2020) affiliates are accounted for by the equity method.

Goodwill represents the excess of the fair value of the net assets of the acquired subsidiaries at the date of acquisition over their cost.

Goodwill is amortized on a straight-line basis within 10 years, with the exception of minor amounts which are charged to income when incurred.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements

Under Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements," the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either IFRSs or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC")) tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of research and development ("R&D"); (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

c. Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method

ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments," requires adjustments to be made to conform associates' accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associates' financial statements are used in applying the equity method, unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either IFRSs or generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign associate elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

d. Business Combinations

Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. The acquirer recognizes any bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

e. Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and exposed to insignificant risk of changes in value.

Cash equivalents include time deposits and securities which mature or become due within three months of the date of acquisition.

f. Inventories

Finished products are mainly stated at the lower of cost, determined by the moving-average cost method, or net selling value. Finished products of consolidated foreign subsidiaries are stated at the lower of cost, determined by the specific identification method, or net selling value. Work in process is mainly stated at the lower of cost, determined by the specific identification method, or net selling value.

Raw materials and supplies are stated at cost, determined by the moving-average cost method, or net selling value.

g. Investment Securities

All securities are classified as available-for-sale securities and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The cost of securities sold is determined based on the moving-average method.

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

h. Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed by the declining-balance method based on the estimated useful lives of the assets, while the straight-line method is applied to all property, plant and equipment of consolidated foreign subsidiaries. The range of useful lives is from 7 to 65 years for buildings and structures and from 2 to 15 years for tools, furniture, and fixtures.

Lease assets are depreciated by the straight-line method over their respective lease periods. The useful lives for lease assets are based on the terms of the respective leases.

i. Long-Lived Assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

Accumulated depreciation includes the accumulated amounts of impairment losses.

j. Software

Software development costs for internal use are deferred at cost less accumulated amortization, which is calculated by the straight-line method over the estimated useful lives (five years).

k. Bond Issue Costs

Bond issue costs incurred on or after May 1, 2006, are amortized by the straight-line method over the bond term in accordance with ASBJ PITF No. 19, "Tentative Solution on Accounting for Deferred Assets," which was issued by the ASBJ on August 11, 2006, and is effective for fiscal years ending on or after May 1, 2006.

l. Retirement and Pension Plans

Employees of the Company and certain consolidated subsidiaries who retire at or after the age of 60 are entitled to approximately 60% of their benefits in the form of an annuity. The funds for the annuity payments are entrusted to an outside trustee.

The Company accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the consolidated balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income) after adjusting for tax effects and are recognized in profit or loss over 12 years and 11 to 12 years, respectively, no longer than the expected average remaining service period of the employees. The discount rate is determined using a single weighted-average discount rate reflecting the estimated timing and amount of benefit payment.

m. Asset Retirement Obligations

An asset retirement obligation is recorded for a legal obligation imposed either by law or contract that results from the acquisition, construction, development, and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

n. R&D

R&D costs are charged to income as incurred.

o. Leases

Finance lease transactions are capitalized to recognize lease assets and lease obligations in the consolidated balance sheet. In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions. Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's financial statements. The revised accounting standard permits leases that existed at the transition date and that do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions.

The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company continues to account for leases that existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

All other leases are accounted for as operating leases.

p. Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

q. Foreign Currency Transactions

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

r. Foreign Currency Financial Statements

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the consolidated balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

s. Derivatives and Hedging Activities

The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts and interest rate swaps are utilized by the Group to reduce foreign currency exchange and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

Gains or losses on derivatives used for hedging purposes, if qualified for hedge accounting because of a high correlation and effectiveness between the hedging instruments and the hedged items, are deferred until maturity of the hedged transactions.

Forward contracts applied to forecasted (or committed) transactions are also measured at fair value but the unrealized gains/losses are deferred until the underlying transactions are completed.

Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense.

t. Per Share Information

Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period.

For the years ended March 31, 2021 and 2020, diluted net income per share is not disclosed because the Company no longer has convertible securities.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

u. Accounting Changes and Error Corrections

Under ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections," and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections," accounting treatments are required as follows: (1) Changes in Accounting Policies—When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation—When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors—When an error in prior-period financial statements is discovered, such financial statements are restated.

v. Significant Accounting Estimates

Evaluation of goodwill and other intangible assets

(1) Carrying amounts

	Millions of Yen	Thousands of U.S. Dollars
	2021	2021
Goodwill	¥ 1,302	$ 11,761
Other intangible assets—Customer relationships	597	5,390
Other intangible assets—Developed technologies	746	6,736

(2) Information on the accounting estimate

Goodwill and other intangible assets was recognized as a result of the acquisitions of JEOL RESONANCE Co., Ltd., JEOL KOREA LTD., and INTEGRATED DYNAMIC ELECTRON SOLUTIONS, INC. ("IDES"). Estimated excess earning power and economic benefits are based on future business plan, which is predicted to still keep for the fiscal year. However, if there is an unpredictable change in the assumption of sales order and sales volume on the research and development budgets of government agencies and trends in capital investment of companies used in future business based plans, it may have a significant impact on the amount to be recognized in the consolidated financial statement for the next fiscal year.

w. New Accounting Pronouncements

Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020)

Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 26, 2021)

(1) Outline

The International Accounting Standards Board ("IASB") and the FASB jointly developed a comprehensive accounting standard for revenue recognition and issued "Revenue from Contracts with Customers" (IFRS No. 15, issued by the IASB and ASC Topic 606 issued by the FASB) in May 2014. Considering the situation that IFRS No. 15 has become applicable from the fiscal year beginning on or after January 1, 2018, and ASC Topic 606 from the fiscal year beginning on or after December 15, 2017, the ASBJ developed a comprehensive accounting standard for revenue recognition and issued it together with implementation guidance.

ASBJ's basic policy in developing the accounting standard for revenue recognition was to establish accounting standards as a starting point to adopt basic principles of IFRS No. 15 from the viewpoint of comparability of financial statements, which is one of the benefits of maintaining consistency with IFRS No. 15, and to add alternative treatments to the extent not to impair comparability in cases where previous practices and others in Japan should be considered.

(2) Date of application

The Company plans to apply the accounting standards, etc. from the beginning of the fiscal year ending March 31, 2022.

(3) Impact of the application of the accounting standards, etc.

About Accounting Standard for Revenue Recognition application, according to the transitional requirements under Accounting Standard for Revenue Recognition No. 84, the cumulative effect where we apply the new accounting policy before the beginning of the fiscal year ending March 2022 retroactively will be added to retained earnings of the fiscal year ending March 2022 and we will apply for the new accounting policy from the beginning of the fiscal year. The impact on the beginning retained earnings is insignificant.

3 INVESTMENT SECURITIES

Investment securities as of March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Noncurrent:			
Marketable equity securities	¥ 8,105	¥ 5,605	$ 73,216
Nonmarketable securities	58	59	522
Total	¥ 8,163	¥ 5,664	$ 73,738

The costs and aggregate fair values of investment securities at March 31, 2021 and 2020, were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2021				
Securities classified as available-for-sale equity securities	¥ 2,284	¥ 5,864	¥ 43	¥ 8,105
March 31, 2020				
Securities classified as available-for-sale equity securities	¥ 2,308	¥ 3,439	¥ 142	¥ 5,605

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2021				
Securities classified as available-for-sale equity securities	$ 20,635	$ 52,970	$ 389	$ 73,216

No investment securities were sold during the years ended March 31, 2021 and 2020.

The impairment loss on available-for-sale equity securities for the years ended March 31, 2021 and 2020, was ¥15 million ($139 thousand) and ¥77 million, respectively.

The Company recognizes impairment loss for the full amount of securities when the fair value declines below 50% of the acquisition cost and for amounts deemed necessary after consideration of recoverability when the fair value declines by 30% to 50% of the acquisition cost.

4 INVENTORIES

Inventories at March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Finished products	¥ 14,062	¥ 11,816	$ 127,027
Work in process	40,689	38,776	367,557
Raw materials and supplies	2,545	2,629	22,993
Total	¥ 57,296	¥ 53,221	$ 517,577

5 IMPAIRMENT LOSS

Accounted impairment loss is as follows:

Location	Classification	Millions of Yen	Thousands of U.S. Dollars
JEOL RESONANCE Inc.	Goodwill	¥ 1,017	$ 9,189

Goodwill was recorded on the premise of excess earning power when acquiring shares of the consolidated subsidiary JEOL RESONANCE Inc. However, the business performance was below the original business plan and as a result of conservative review of the business plan, it was decided to dispose full amount of unamortized goodwill balance as lump sum expense. The reduced amount of ¥1,017 million ($9,189 thousand) was recorded as impairment loss in the consolidated accounting year. The recoverable amount of goodwill was evaluated zero as value in use.

6 SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2021 and 2020, consisted of notes to banks and bank overdrafts. The annual interest rates applicable to the short-term bank loans ranged from 0.52% to 1.68% and 0.95% to 1.04% at March 31, 2021 and 2020, respectively.

Long-term debt at March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Unsecured 0.53% yen bonds, due 2020		¥ 1,500	
Unsecured 0.32% yen bonds, due 2020		100	
Unsecured 0.16% yen bonds, due 2021	¥ 1,500	1,500	$ 13,550
Unsecured 0.01% yen bonds, due 2021	50	150	452
Unsecured 0.10% yen bonds, due 2021	1,000	1,000	9,033
Unsecured 0.03% yen bonds, due 2023	180	240	1,626
Unsecured 0.07% yen bonds, due 2023	396	522	3,577
Loans from banks and insurance companies, due serially to 2026 with interest rates ranging from 0.29% to 0.70% (2021) and from 0.35% to 0.96% (2020):			
Collateralized	9,233	5,942	83,398
Unsecured	13,802	7,457	124,679
Lease obligations	635	786	5,735
Total	26,796	19,197	242,050
Less current portion	(9,177)	(6,281)	(82,893)
Long-term debt, less current portion	¥17,619	¥12,916	$159,157

Annual maturities of long-term debt, excluding finance leases (see Note 12), at March 31, 2021, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2022	¥ 8,903	$ 80,421
2023	5,786	52,271
2024	4,944	44,656
2025	3,998	36,119
2026	1,520	13,723
2027 and thereafter	1,010	9,125
Total	¥ 26,161	$ 236,315

The carrying amounts of assets pledged as collateral for short-term bank loans of ¥2,806 million ($25,350 thousand) and ¥2,470 million, current portion of long-term bank loans of ¥1,937 million ($17,500 thousand) and ¥1,505 million, and long-term bank loans of ¥7,295 million ($65,899 thousand) and ¥4,437 million at March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Land	¥ 535	¥ 535	$ 4,835
Buildings and structures—net of accumulated depreciation	3,580	3,646	32,336
Machinery and equipment—net of accumulated depreciation	2	2	17
Investment securities	3,259	2,341	29,443
Total	¥ 7,376	¥ 6,524	$ 66,631

In addition to the above loan balances, in order to increase liquidity, the Company entered into a committed loan facility agreement for an aggregated amount of ¥9,000 million ($81,301 thousand), with a syndicate of six Japanese banks, arranged by MUFG Bank, Ltd. The details of this agreement at March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Total amount of commitment line contract	¥ 9,000	¥ 9,000	$ 81,301
Utilized amount		(3,000)	
Net	¥ 9,000	¥ 6,000	$ 81,301

The committed loan facility agreement includes financial covenants with which the Company is in compliance. The financial covenants are as follows. As of March 31, 2021, there is no infringement of the debt covenants.

(a) The amount of the Group's net assets at the end of the fiscal year
(b) The amount of the Group's net assets at the end of the previous fiscal year
(c) The amount of the Group's net assets at the end of the fiscal year 2011—¥14,388 million

(a) must not fall below 75% of the larger of (b) or (c).

7 RETIREMENT AND PENSION PLANS

The Company and certain consolidated subsidiaries have severance payment plans for employees, directors, executive officers, and Audit & Supervisory Board members. Certain consolidated foreign subsidiaries also have pension plans.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service, and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain consolidated subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

The liability for retirement benefits at March 31, 2021 and 2020, for directors and Audit & Supervisory Board members is ¥16 million ($141 thousand) and ¥33 million, respectively. The retirement benefits for directors and Audit & Supervisory Board members are paid subject to the approval of the shareholders.

(1) The changes in defined benefit obligation for the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Balance at beginning of year	¥ 17,762	¥ 18,727	$ 160,455
Current service cost	984	1,019	8,890
Interest cost	145	175	1,312
Actuarial gains	(28)	(111)	(253)
Benefits paid	(778)	(832)	(7,035)
Change to defined contribution pension plan		(1,084)	
Effect of changes in the scope of consolidation		8	
Others	4	(140)	34
Balance at end of year	¥ 18,089	¥ 17,762	$ 163,403

(2) The changes in plan assets for the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Balance at beginning of year	¥ 8,837	¥ 9,638	$ 79,824
Expected return on plan assets	164	180	1,482
Actuarial gains (losses)	810	(710)	7,319
Contributions from the employer	1,050	1,068	9,489
Benefits paid	(472)	(529)	(4,268)
Change to defined contribution pension plan		(777)	
Effect of changes in the scope of consolidation		8	
Others	1	(41)	12
Balance at end of year	¥ 10,390	¥ 8,837	$ 93,858

(3) The changes in liability for retirement benefits under the simplified method for the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Balance at beginning of year	¥ 538	¥ 502	$ 4,848
Net periodic benefit costs	28	58	258
Benefits paid	(15)	(22)	(125)
Balance at end of year	¥ 551	¥ 538	$ 4,981

(4) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Funded defined benefit obligation	¥ 18,776	¥ 18,436	$ 169,611
Plan assets	(10,928)	(9,336)	(98,718)
Total	7,848	9,100	70,893
Unfunded defined benefit obligation	402	363	3,633
Net liability arising from defined benefit obligation	¥ 8,250	¥ 9,463	$ 74,526

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Liability for retirement benefits	¥ 8,250	¥ 9,463	$ 74,526
Net liability arising from defined benefit obligation	¥ 8,250	¥ 9,463	$ 74,526

(5) The components of net periodic benefit costs for the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Service cost	¥ 984	¥ 1,019	$ 8,890
Interest cost	145	175	1,312
Expected return on plan assets	(164)	(180)	(1,482)
Recognized actuarial losses	278	304	2,511
Amortization of prior service cost	(10)	(10)	(88)
Benefit costs accounted for by the simplified method	29	58	257
Net periodic benefit costs	¥ 1,262	¥ 1,366	$ 11,400

(6) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Prior service cost	¥ (9)	¥ (9)	$ (88)
Actuarial losses	1,117	74	10,097
Total	¥ 1,108	¥ 65	$ 10,009

(7) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Unrecognized prior service cost	¥ (12)	¥ (22)	$ (110)
Unrecognized actuarial losses	200	1,318	1,811
Total	¥ 188	¥ 1,296	$ 1,701

(8) Plan assets

a.Components of plan assets

Plan assets as of March 31, 2021 and 2020, consisted of the following:

	2021	2020
Debt investments	15%	14%
Equity investments	31	28
Cash and cash equivalents	0	0
General account	47	51
Others	7	7
Total	100%	100%

b.Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined based on current and future long-term rates of return from various components of the plan assets.

(9) Assumptions used for the years ended March 31, 2021 and 2020, are set forth as follows:

	2021	2020
Discount rate	0.8%	0.8%
Expected rate of return on plan assets	1.9	1.9

(10) Defined contribution plans

Retirement benefit costs of defined contribution plans as of March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Retirement benefit costs of defined contribution plans	¥248	¥136	$2,244

8 EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the Company has prescribed so in its articles of incorporation. However, the Company does not meet all the above criteria.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the Company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

d. Share Consolidation

Based on the resolution at the general meeting of shareholders held on June 17, 2018, the Company consolidated its shares at a rate of one share for every two shares and changed the number of its shares constituting one unit from 1,000 shares to 100 shares effective October 1, 2018.

9 INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 30.6% and 30.6% for the years ended March 31, 2021 and 2020, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2021 and 2020, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Deferred tax assets:			
Accrued bonuses to employees	¥ 419	¥ 427	$ 3,784
R&D costs	585	559	5,283
Accrued enterprise taxes	73	114	658
Loss on write-down of inventories	389	291	3,511
Unrealized intercompany profits of inventories	859	843	7,763
Property, plant and equipment	344	319	3,106
Amortization of software	960	921	8,674
Impairment loss	9	10	81
Loss on write-down of investment securities	198	198	1,790
Liability for employees' retirement benefits	2,566	2,604	23,177
Tax loss carryforwards	65	46	589
Retirement allowances for directors, executive officers, and Audit & Supervisory Board members	23	28	209
Other	1,181	1,122	10,666
Less valuation allowance	(2,884)	(2,937)	(26,051)
Total	4,787	4,545	43,240
Deferred tax liabilities	(2,165)	(1,412)	(19,555)
Net deferred tax assets	¥ 2,622	¥ 3,133	$ 23,685
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥ (1,707)	¥ (1,009)	$ (15,423)
Undistributed earnings of affiliates	(335)	(267)	(3,025)
Other	(454)	(535)	(4,096)
Total	(2,496)	(1,811)	(22,544)
Deferred tax assets	2,165	1,412	19,555
Net deferred tax liabilities	¥ (331)	¥ (399)	$ (2,989)

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2021, with the corresponding figures for 2020, is as follows:

	2021	2020
Normal effective statutory tax rate	30.6%	30.6%
Impairment loss	5.5	
Expenses not deductible for income tax purposes	1.0	2.0
Inhabitant tax on per capita basis	0.8	0.6
Unrealized intercompany profits	0.3	0.1
Difference in tax rates of foreign subsidiaries	(2.5)	(0.6)
Foreign tax credit	0.4	0.4
Tax credit	(4.5)	(5.3)
Less valuation allowance	(1.5)	(0.6)
Other—net	3.2	0.9
Actual effective tax rate	33.3%	28.1%

10 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Depreciation and amortization, R&D costs, net periodic retirement benefit costs, and amortization of goodwill for the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Depreciation and amortization	¥ 1,310	¥ 963	$ 11,832
R&D costs	8,064	7,757	72,846
Net periodic retirement benefit costs	457	549	4,130
Amortization of goodwill	590	370	5,330

11 RELATED-PARTY DISCLOSURES

Transactions of the Group with unconsolidated subsidiaries and affiliates for the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Sales	¥ 996	¥ 1,456	$ 8,996
Purchases	1,614	1,564	14,584
Selling, general and administrative expenses	1,435	1,333	12,966

12 LEASES

The Group leases certain machinery, computer equipment, office space, and other assets.

Total rental expenses including lease payments under finance leases for the years ended March 31, 2021 and 2020, were ¥1,885 million ($17,029 thousand) and ¥1,785 million, respectively.

Obligations under finance leases and future minimum payments under noncancelable operating leases were as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2021		2020		2021	
	Finance Leases	Operating Leases	Finance Leases	Operating Leases	Finance Leases	Operating Leases
Due within one year	¥ 274	¥ 161	¥ 354	¥ 134	$ 2,472	$ 1,452
Due after one year	361	241	432	199	3,263	2,181
Total	¥ 635	¥ 402	¥ 786	¥ 333	$ 5,735	$ 3,633

13 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

The Group uses financial instruments, mainly long-term debt including bank loans and bonds, to finance capital investment for scientific instruments and industrial equipment. Cash surpluses, if any, are invested in low-risk financial assets. Bank loans are used to fund the Company's ongoing operations. Derivatives are not used for speculative purposes, but to manage exposure to financial risks as described in (2) below.

(2) Nature and Extent of Risks and Risk Management for Financial Instruments

Receivables, such as trade notes and trade accounts, are exposed to customer credit risk. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, the position, net of payables in foreign currencies, is hedged by using forward foreign currency contracts. Investment securities, mainly equity instruments of customers and suppliers of the Group, are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade notes and trade accounts, are less than one year.

Maturities of bank loans, bonds, and lease obligations are less than five years after the consolidated balance sheet date. Although a part of such bank loans and bonds are exposed to market risks from changes in variable interest rates, those risks are mitigated by using derivatives of interest rate swaps.

Derivatives mainly include forward foreign currency contracts and interest rate swaps, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and from changes in interest rates of bank loans and bonds.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amount. Please see Note 14 for more details about derivatives.

(3) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, another rational valuation technique is used instead. The results of valuation may differ in assumptions because the rational valuation techniques include variable factors. Also, please see Note 14 for the details of fair value for derivatives.

(a) Fair value of financial instruments

March 31, 2021	Millions of Yen Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and deposits	¥ 14,482	¥ 14,482	
Time deposits	894	894	
Receivables	31,968	31,968	
Investment securities	8,105	8,105	
Total	¥ 55,449	¥ 55,449	
Short-term bank loans	¥ 6,552	¥ 6,552	
Payables	15,402	15,402	
Electronically recorded obligations	9,079	9,079	
Long-term debt	26,161	26,156	¥ (5)
Total	¥ 57,194	¥ 57,189	¥ (5)

March 31, 2020	Millions of Yen Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and deposits	¥ 14,033	¥ 14,033	
Time deposits	393	393	
Receivables	31,404	31,404	
Investment securities	5,604	5,604	
Total	¥ 51,434	¥ 51,434	
Short-term bank loans	¥ 9,451	¥ 9,451	
Payables	15,842	15,842	
Electronically recorded obligations	10,597	10,597	
Long-term debt	18,411	18,370	¥ (41)
Total	¥ 54,301	¥ 54,260	¥ (41)

March 31, 2021	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and deposits	$ 130,821	$ 130,821	
Time deposits	8,077	8,077	
Receivables	288,782	288,782	
Investment securities	73,216	73,216	
Total	$ 500,896	$ 500,896	
Short-term bank loans	$ 59,184	$ 59,184	
Payables	139,133	139,133	
Electronically recorded obligations	82,015	82,015	
Long-term debt	236,315	236,278	$ (37)
Total	$ 516,647	$ 516,610	$ (37)

Cash and Deposits and Time Deposits

The carrying values of cash and deposits and time deposits approximate fair value because of their short maturities.

Investment Securities

The fair values of investment securities are measured at the quoted market price of the stock exchange for the equity instruments and at the quoted price obtained from the financial institution for certain debt instruments. Fair value information for investment securities by classification is included in Note 3.

Receivables, Payables, Electronically Recorded Obligations and Short-Term Bank Loans

The fair values of receivables, payables, and short-term bank loans are measured at the amount to be received or paid at maturity discounted at the Group's assumed corporate discount rate.

Long-Term Debt

The fair value of long-term debt is determined by discounting the cash flows related to the debt at the Group's assumed corporate borrowing rate.

Derivatives

Fair value information for derivatives is included in Note 14.

(b) Carrying amount of financial instruments whose fair values cannot be reliably determined

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Investments in equity instruments that do not have a quoted market price in an active market	¥ 1,709	¥ 1,512	$ 15,439

(4) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

March 31, 2021	Millions of Yen Due in 1 Year or Less
Cash and deposits	¥ 14,482
Time deposits	894
Receivables	31,968
Total	¥ 47,344

March 31, 2020	Millions of Yen Due in 1 Year or Less
Cash and deposits	¥ 14,033
Time deposits	393
Receivables	31,404
Total	¥ 45,830

March 31, 2021	Thousands of U.S. Dollars Due in 1 Year or Less
Cash and deposits	$ 130,821
Time deposits	8,077
Receivables	288,782
Total	$ 427,680

Please see Note 5 for annual maturities of long-term debt and Note 11 for obligations under finance leases.

14 DERIVATIVES

The Group enters into foreign currency forward contracts to hedge exchange rate risk associated with certain assets denominated in foreign currencies. The Group also enters into interest rate swap contracts to manage its interest rate exposures on certain liabilities.

All derivative transactions are entered into to hedge interest and foreign currency exchange rate risk exposures arising from the Group's ordinary business activities.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

With respect to derivative transactions, basic policies are decided by the Board of Directors. Derivative transactions are executed within the necessary range and managed by the financial affairs division.

Derivative Transactions to Which Hedge Accounting Is Applied

March 31, 2021	Hedged Item	Millions of Yen Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts—Selling USD	Receivables	¥ 2,839		¥ (36)
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term debt	1,265	¥ 881	

March 31, 2020	Hedged Item	Millions of Yen Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts—Selling USD	Receivables	¥ 5,509		¥ 103
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term debt	975	¥ 465	

March 31, 2021	Hedged Item	Thousands of U.S. Dollars Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts—Selling USD	Receivables	$ 25,642		$ (326)
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term debt	11,427	$ 7,958	

The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

The above interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps is included in that of hedged items (i.e., long-term debt).

15 CONTINGENT LIABILITIES

At March 31, 2021 and 2020, the Group had the following contingent liabilities:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Guarantees of advances received and bank loans of an unconsolidated subsidiary	¥ 883	¥ 877	$ 7,971

16 NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2021 and 2020, is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Year Ended March 31, 2021				
Basic EPS—Net income available to common shareholders	¥ 3,745	48,317	¥ 77.51	$ 0.70
Year Ended March 31, 2020				
Basic EPS—Net income available to common shareholders	¥ 5,360	48,314	¥ 110.94	

For the years ended March 31, 2021 and 2020, diluted EPS is not disclosed because the Company no longer has convertible securities.

The Company's shares held by the Board Incentive Plan Trust are included in the treasury stock to be deducted when computing the average number of shares during the fiscal year for the calculation of basic net income per share and diluted net income per share.

17 OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Unrealized gain(loss) on available-for-sale securities:			
Gains(losses) arising during the year	¥ 2,499	¥ (659)	$ 22,577
Reclassification adjustments to profit or loss	15	77	139
Amount before income tax effect	2,514	(582)	22,716
Income tax effect	698	(136)	6,306
Total	¥ 1,816	¥ (446)	$ 16,410
Deferred gain (loss) on derivatives under hedge accounting:			
Gains(losses) arising during the year	¥ (303)	¥ 104	$ (2,741)
Reclassification adjustments to profit or loss	164	(3)	1,484
Amount before income tax effect	(139)	101	(1,257)
Income tax effect	(43)	31	(385)
Total	¥ (96)	¥ 70	$ (872)
Foreign currency translation adjustments	¥ 551	¥ (332)	$ 4,982
Defined retirement benefit plans:			
Adjustments arising during the year	¥ 844	¥ (599)	$ 7,626
Reclassification adjustments to profit or loss	264	664	2,383
Amount before income tax effect	1,108	65	10,009
Total	¥ 1,108	¥ 65	$ 10,009
Share of other comprehensive loss in unconsolidated subsidiaries and affiliates:			
Losses arising during the year	¥ (44)	¥ (63)	$ (400)
Reclassification adjustments to profit or loss		4	
Amount before income tax effect	(44)	(59)	(400)
Total	¥ (44)	¥ (59)	$ (400)
Total other comprehensive income(loss)	¥ 3,335	¥ (702)	$ 30,129

⑱ SUBSEQUENT EVENTS

At the Board of Directors' meeting held on August 31, 2021, the Company resolved to issue new shares, as described below:

Overview

a. Issuance of new share by way of public offering

(1) Class and number of shares to be issued	2,000,000 new shares of common stock of the Company
(2) Method of determination of amount to be paid in	The amount to be paid in will be determined on a day in the period between September 8, 2021 (Wed) and September 13, 2021 (Mon) (such date, the "Pricing Date") in accordance with the method set forth in Article 25 of the Regulations Concerning Underwriting of Securities, etc. promulgated by the Japan Securities Dealers Association ("JSDA").
(3) Increases in the amounts of common stock and additional paid-in capital	The amount of common stock to be increased will be 1/2 of the maximum amount of increase in the common stock, etc., as calculated in accordance with Article 14, Paragraph 1 of the Rules of Corporate Accounting, with any fraction of less than one yen resulting from the calculation being rounded up to the nearest yen. The amount of the additional paid-in capital increase shall be the amount obtained by subtracting the amount of common stock increase from the maximum amount of increase in the common stock, etc.
(4) Method of offering	The offering shall be a public offering and several underwriters, in which Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. act as the Japanese joint lead manager shall underwrite and purchase all the new shares with respect to the public offering. The offer price will be determined on the Pricing Date in accordance with the method set forth in Article 25 of the Rules Concerning Underwriting, etc. of securities of JSDA, after taking into account market demand and other conditions, based on the preliminary pricing range calculated by multiplying by a factor between 0.90 and 1.00, the closing price of the shares of common stock of the Company in regular trading on Tokyo Stock Exchange, Inc. (rounded down to the nearest one yen) at the Pricing Date.
(5) Subscription period	The subscription period shall be from the business day immediately following the Pricing Date to the second business day following the Pricing Date.
(6) Payment date	The payment date shall be any day in the period from September 15, 2021 (Wed) to September 17, 2021 (Fri). However, if the Pricing Date is September 8, 2021 (Wed), the payment date shall be the fifth business day following the Pricing Date. If the Pricing Date is between September 9, 2021 (Thurs) and September 13, 2021 (Mon), the payment date shall be the fourth business day following the Pricing Date.
(7) Subscription unit	100 shares

b. Issuance of new share by way of third-party allotment in relation with offering by way of over-allotment

(1) Class and number of shares to be issued	675,000 shares of common stock of the Company
(2) Method of determination of amount to be paid in	The amount to be paid in will be determined on the Pricing Date. The amount to be paid in shall be the same as the amount of public offering to be paid in.
(3) Increases in the amounts of common stock and additional paid-in capital	The amount of common stock to be increased will be 1/2 of the maximum amount of increase in the common stock, etc., as calculated in accordance with Article 14, Paragraph 1 of the Rules of Corporate Accounting, with any fraction of less than one yen resulting from the calculation being rounded up to the nearest yen. The amount of the additional paid-in capital increase shall be the amount obtained by subtracting the amount of common stock increase from the maximum amount of increase in the common stock, etc.
(4) Allottee	Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.
(5) Subscription date	September 27, 2021 (Mon)
(6) Payment date	September 28, 2021 (Tues)
(7) Subscription unit	100 shares
(8) Shares not subscribed for within the subscription period in (5) above shall not be issued.	
(9) The third-party allotment shall be subject to the registration taking effect under the Financial Instruments and Exchange Act of Japan. If offering by way of over-allotment is cancelled, issuance of new share by way of third-party allotment will also be cancelled.	

Purpose of the Issuance

The Company intends to use the proceeds from the offering of new shares for capital expenditures for medium to long-term growth, including investment in new plant and research and development, and for repayment of long-term debt in order to enhance the Company's financial base.

⑲ SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Disclosures about Segment of an Enterprise and Related information," and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Disclosures about Segment of an Enterprise and Related information," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description of Reportable Segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is performed in order to decide how resources are allocated among the Group. The Group's reportable segments are Scientific Instruments, Industrial Equipment, and Medical Equipment. Scientific Instruments consist of the manufacture and sale of Transmission Electron Microscopes, NMR Spectrometers, Scanning Electron Microscopes, Mass Spectrometers, etc.; Industrial Equipment consists of the manufacture and sale of Electron Beam Lithography Systems, Wafer Inspection Systems, High Frequency Plasma Generators, etc.; Medical Equipment consists of the manufacture and sale of Clinalyzers, etc.

(2) Methods of Measurement for the Amounts of Sales, Profit (Loss), Assets, and Other Items for Each Reportable Segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

Segment profit is based on operating income.

(3) Information about Sales, Profit (Loss), Assets, and Other Items

	Millions of Yen					
	2021					
	Reportable Segments				Reconciliations	Consolidated
	Scientific Instruments	Industrial Equipment	Medical Equipment	Total		
Sales:						
Sales to external customers	¥70,564	¥24,010	¥15,866	¥110,440		¥110,440
Intersegment sales or transfers						
Total	¥70,564	¥24,010	¥15,866	¥110,440		¥110,440
Segment profit	¥ 1,198	¥ 7,275	¥ 945	¥ 9,418	¥(4,194)	¥ 5,224
Segment assets	79,180	24,620	16,503	120,303	26,085	146,388
Other:						
Depreciation	2,634	611	156	3,401	225	3,626
Increase in property, plant and equipment and intangible assets	2,418	4,530	176	7,124	440	7,564

Notes:1. Reconciliations of:

— Segment profit amounting to ¥(4,194) million includes common costs which are not distributed to any reportable segment. The common costs are mainly composed of the back-office expenses.

— Segment assets amounting to ¥26,085 million include common assets which are not distributed to any reportable segment. The common assets are mainly composed of cash surplus (cash and cash equivalents and time deposits) and long-term investments (investment securities).

— Depreciation amounting to ¥225 million includes depreciation of the general administration section that is not attributable to any reportable segment.

— Increase in property, plant and equipment and intangible assets amounting to ¥440 million includes common assets which are not distributed to any reportable segment.

2. Segment profit is reconciled to operating income in the consolidated statement of income.

	Millions of Yen					
	2020					
	Reportable Segments				Reconciliations	Consolidated
	Scientific Instruments	Industrial Equipment	Medical Equipment	Total		
Sales:						
Sales to external customers	¥76,644	¥23,845	¥16,755	¥117,244		¥117,244
Intersegment sales or transfers						
Total	¥76,644	¥23,845	¥16,755	¥117,244		¥117,244
Segment profit	¥ 2,689	¥ 7,374	¥ 1,407	¥ 11,470	¥ (4,439)	¥ 7,031
Segment assets	78,661	20,213	15,575	114,449	22,339	136,788
Other:						
Depreciation	2,506	322	181	3,009	182	3,191
Increase in property, plant and equipment and intangible assets	3,658	1,360	303	5,321	392	5,713

Notes:1. Reconciliations of:

— Segment profit amounting to ¥(4,439) million includes common costs which are not distributed to any reportable segment. The common costs are mainly composed of the back-office expenses.

— Segment assets amounting to ¥22,339 million include common assets which are not distributed to any reportable segment. The common assets are mainly composed of cash surplus (cash and cash equivalents and time deposits) and long-term investments (investment securities).

— Depreciation amounting to ¥182 million includes depreciation of the general administration section that is not attributable to any reportable segment.

— Increase in property, plant and equipment and intangible assets amounting to ¥392 million includes common assets which are not distributed to any reportable segment.

2. Segment profit is reconciled to operating income in the consolidated statement of income.

	Thousands of U.S. Dollars					
	2021					
	Reportable Segments				Reconciliations	Consolidated
	Scientific Instruments	Industrial Equipment	Medical Equipment	Total		
Sales:						
Sales to external customers	$ 637,431	$ 216,894	$ 143,326	$ 997,651		$ 997,651
Intersegment sales or transfers						
Total	$ 637,431	$ 216,894	$ 143,326	$ 997,651		$ 997,651
Segment profit	$ 10,818	$ 65,720	$ 8,540	$ 85,078	$ (37,881)	$ 47,197
Segment assets	715,267	222,406	149,076	1,086,749	235,637	1,322,386
Other:						
Depreciation	23,798	5,515	1,406	30,719	2,036	32,755
Increase in property, plant and equipment and intangible assets	21,838	40,920	1,597	64,355	3,976	68,331

Notes:1. Reconciliations of:

— Segment profit amounting to $(37,881) thousand includes common costs which are not distributed to any reportable segment. The common costs are mainly the back-office expenses.

— Segment assets amounting to $235,637 thousand include common assets which are not distributed to any reportable segment. The common assets are mainly cash surplus (cash and cash equivalents and time deposits) and long-term investments (investment securities).

— Depreciation amounting to $2,036 thousand includes depreciation of the general administration section that is not attributable to any reportable segment.

— Increase in property, plant and equipment and intangible assets amounting to $3,976 thousand includes common assets which are not distributed to any reportable segment.

2. Segment profit is reconciled to operating income in the consolidated statement of income.

Related Information

(1) Information about Products and Services

This information is omitted because it is provided as part of the reportable segment information.

(2) Information about Geographical Areas

a.Sales

Millions of Yen				
2021				
Japan	U.S.A.	China	Other	Total
¥ 40,316	¥ 17,308	¥ 15,058	¥ 37,758	¥ 110,440

Millions of Yen				
2020				
Japan	U.S.A.	China	Other	Total
¥ 45,153	¥ 17,099	¥ 14,435	¥ 40,557	¥ 117,244

Thousands of U.S. Dollars				
2021				
Japan	U.S.A.	China	Other	Total
$ 364,191	$ 156,352	$ 136,025	$ 341,083	$ 997,651

b.Property, plant and equipment

Millions of Yen		
2021		
Japan	Other	Total
¥ 16,039	¥ 2,993	¥ 19,032

Millions of Yen		
2020		
Japan	Other	Total
¥ 12,391	¥ 2,896	¥ 15,287

Thousands of U.S. Dollars		
2021		
Japan	Other	Total
$ 144,886	$ 27,037	$ 171,923

(3) Information about Major Customers

Information for the year ended March 31, 2020, was not disclosed because no customers represented 10% or more of the consolidated sales, and information about major customers for the year ended March 31, 2021, was as follows:

	2021		
	Millions of Yen	Thousands of U.S. Dollars	
Name of Customers	Sales		Related Segment Name
IMS Nanofabrication GmbH	¥ 11,845	$ 107,001	Industrial Equipment

(4) Information about Impairment Loss of Fixed Assets by Reportable Segment

There was no impairment loss for the year ended March 31, 2020, and information about impairment loss for the year ended March 31, 2021, was as follows:

	Millions of Yen					
	2021					
	Reportable Segments				Reconcil-iations	Consol-idated
	Scientific Instruments	Industrial Equipment	Medical Equipment	Total		
Impairment loss	¥ 1,017			¥ 1,017		¥ 1,017

	Thousands of U.S. Dollars					
	2021					
	Reportable Segments				Reconcil-iations	Consol-idated
	Scientific Instruments	Industrial Equipment	Medical Equipment	Total		
Impairment loss	$ 9,189			$ 9,189		$ 9,189

(5) Information about Goodwill by Reportable Segment

	Millions of Yen					
	2021					
	Reportable Segments				Reconcil-iations	Consol-idated
	Scientific Instruments	Industrial Equipment	Medical Equipment	Total		
Amortization of goodwill	¥ 549	¥ 41		¥ 590		¥ 590
Goodwill at March 31, 2021	916	386		1,302		1,302

	Millions of Yen					
	2020					
	Reportable Segments				Reconcil-iations	Consol-idated
	Scientific Instruments	Industrial Equipment	Medical Equipment	Total		
Amortization of goodwill	¥ 370			¥ 370		¥ 370
Goodwill at March 31, 2020	2,528	¥ 426		2,954		2,954

	Thousands of U.S. Dollars					
	2021					
	Reportable Segments				Reconcil-iations	Consol-idated
	Scientific Instruments	Industrial Equipment	Medical Equipment	Total		
Amortization of goodwill	$ 4,961	$ 369		$ 5,330		$ 5,330
Goodwill at March 31, 2021	8,278	3,483		11,761		11,761

(6) Information about Negative Goodwill by Reportable Segment

In the "Scientific Instruments" and "Medical Equipment" segment, the gain on negative goodwill of ¥216 million was recorded due to the additional acquisition of the shares of SYSTEM IN FRONTIER INC. for the fiscal year ended March 31, 2020. The gain on negative goodwill was included in the "Equity in earnings of unconsolidated subsidiaries and affiliates" in the consolidated statement of income.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of JEOL Ltd.:

Opinion

We have audited the consolidated financial statements of JEOL Ltd. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2021, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
(Valuation of goodwill and intangible assets) As stated in the consolidated balance sheet, JEOL Ltd. recorded goodwill of ¥1,302 million (0.88% of total assets) and other intangible assets of ¥1,670 million (1.14% of total assets) as of March 31, 2021. As stated in the consolidated statement of income, impairment loss of ¥1,017 million was recorded for the year then ended. Goodwill was recognized as a result of the acquisitions of JEOL RESONANCE Inc., JEOL KOREA LTD. ("JEOL KOREA"), and INTEGRATED DYNAMIC ELECTRON SOLUTIONS, INC. ("IDES"). As stated in Note 2.v, "Significant Accounting Estimates," other intangible assets mainly consisting of customer relationships of ¥597 million and developed technologies of ¥746 million were recognized as a result of the acquisitions of JEOL KOREA and IDES. In evaluating the goodwill and intangible assets, whether the excess earnings power and economic benefits based on the future business plan at the time of acquisition still exist at the end of the year is significantly affected by management's judgment. In particular, forecasts of sales orders and sales volume for scientific instruments and industrial equipment for the following consolidated fiscal years are subject to management's judgment due to uncertainties, because research and development budgets of government agencies and trends in capital investment of companies may have a significant impact on the Group's business performance. The discount rate used in the measurement of impairment loss on goodwill is subject to uncertainty and requires management's judgment in its determination, mainly because significant assumptions are used in the calculation of the cost of equity. We identified valuation of goodwill and other intangible assets as a key audit matter because management's judgment on the estimation of the excess earning power of goodwill and the economic benefit of intangible assets is particularly important in the financial statement audit for the current consolidated fiscal year.	In examining the evaluation of goodwill and intangible assets, we have performed the following audit procedures, among others: • Through inspecting the relevant documentation and inquiring of the management and the finance division, we evaluated the effectiveness of internal controls over goodwill and intangible assets, such as the comparative analysis of future business plans at the time of acquisition and the actual business performance after the acquisition and the judgment on the necessity of revising future business plans. • In order to understand the business performance after the acquisition and the changes in the business environment, we inquired of the management and the management strategy planning office and examined the presence or absence of contradictions or abnormal fluctuations related to financial fluctuations by financial statements analysis. • In order to evaluate the changes in the business environment, which might significantly reduce the recoverable amounts, we compared the future business plan at the time of acquisition of each subsidiary with the result of the actual business performance after the acquisition and inspected the minutes of the Board of Directors' meetings, approval documents and related materials. • In order to evaluate the recoverability of goodwill and intangible assets, we inquired of the management. We compared sales orders and sales volume, which are the main inputs included in the estimates of the business plans, with available external data, such as domestic research and development budgets and capital investment plans of major customers, tested backlog of sales order and performed trend analyses of financial results based on historical performance. • As for the discount rate, with the assistance of our specialists, we evaluated its validity, taking some measures such as comparison with available external information.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tohmatsu LLC

June 25, 2021
(September 14, 2021 as to Note 18)