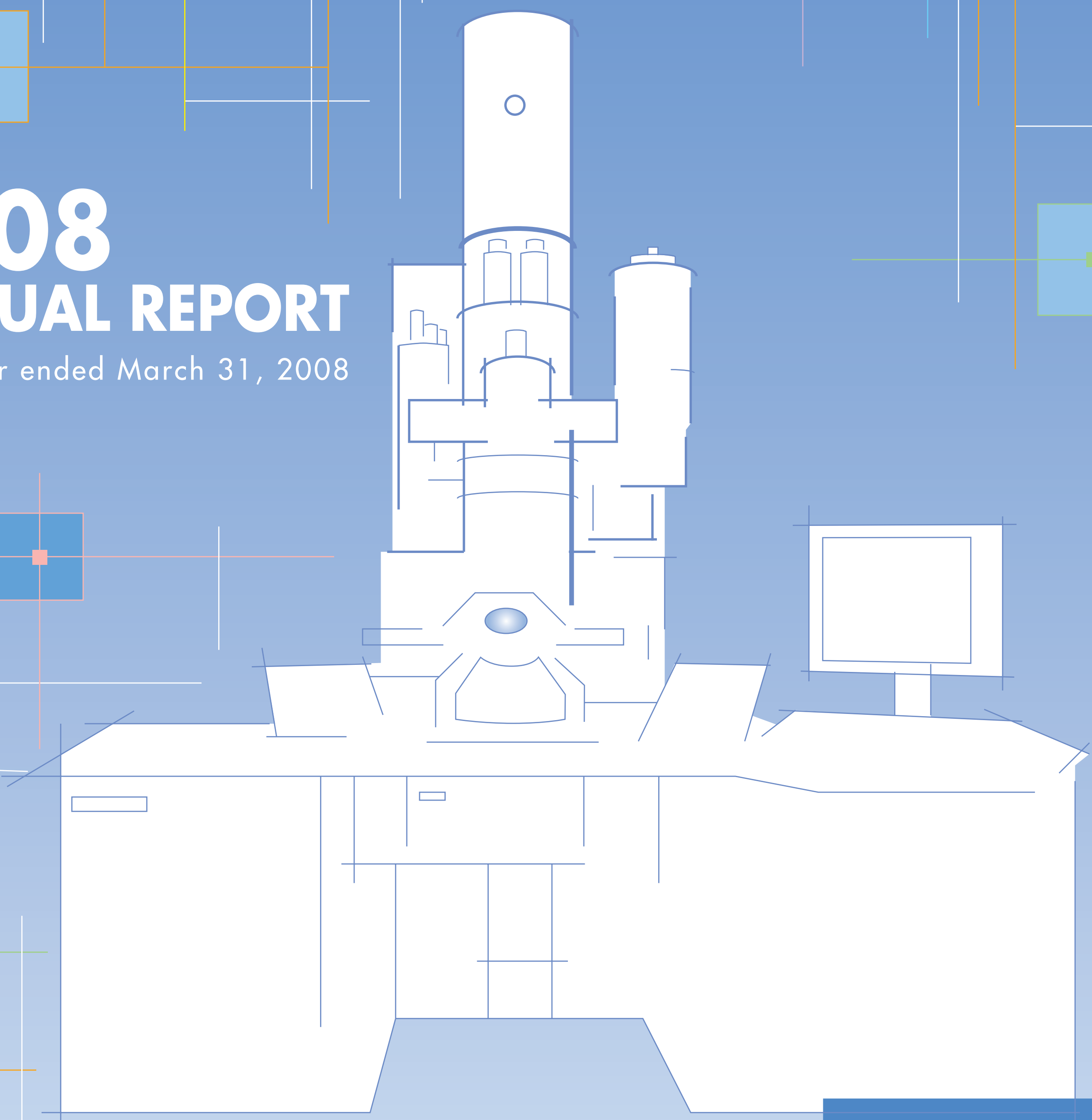
JEOL

2008 ANNUAL REPORT

Fiscal year ended March 31, 2008



JEOL

Company Philosophy

On the basis of "Creativity" and "Research and Development," JEOL positively challenges the world's highest technology, thus forever contributing to the progress in both Science and Human Society through its products.

Corporate History		Product Development History
Japan Electron Optics Laboratory Co., Ltd. established	1949	JEM-1 Electron microscope completed
	1956	JEM-5G Electron microscope first exported to the CEA Saclay Atomic Energy Research Institute, France; JNM-1, Japan's first nuclear magnetic resonance system, completed
Company name changed to JEOL Ltd.	1961	
JEOL listed on the Second Section of the Tokyo Stock Exchange	1962	JXA-3 X-ray microanalyzer completed
JEOLCO (USA) INC. established as the first overseas subsidiary		
	1963	JMS-01 Double-focusing mass spectrometer completed; JLC-01 general-purpose Automatic recording fluid chromatograph completed
JEOL listed on the First Section of the Tokyo Stock Exchange	1966	JSM-1 Scanning electron microscope completed; JEM-1000 1000kV ultrahigh voltage electron microscope completed
	1967	JEBX-2A Electron beam exposure instrument completed
	1968	JLC-5AH, world's first fully automated amino acid analyzer, completed
	1972	JCA-1KM "Clinalyzer" automated biochemical analyzer completed
	1974	JAMP-3 Auger micro probe, JIR-03F fourier transform infrared spectrometer, and JESCA-2 Photoelectron spectrometer diffraction system completed
"Tokyo Meeting," first overseas marketing meeting held	1976	
	1982	JEPAS-1000 Electron beam measuring instrument completed
	1983	JIBL-100 Convergent ion beam equipment completed
	1989	JSTM-4000XV Ultrahigh vacuum scanning tunnel microscope completed
	1990	JWS-7500 Wafer process inspection system completed
"JEOL 21" corporate management vision for the 21st century announced	1991	
	1993	JEIP-900F High-density reactive ion plating system completed
"BS EN ISO9001" obtained	1995	
Launch the JEOL Group web site (http://www.jeol.co.jp)	1996	High-speed next-generation automated biochemical analyzer "Bio Majesty" completed
	1998	JBX-9000MV Electron beam lithography system completed
"JEOL SPIRIT-1" management vision announced on JEOL's 50th anniversary	1999	JSM-6700F Field emission scanning electron microscope completed
"Bright Plan 1000" medium-term management plan for the JEOL group, announced	2000	JSM-6500F Field emission scanning electron microscope completed
New JEOL TECHNICS LTD. building completed	2001	JMS-T100LC (AccuTOF) Time-of-flight mass spectrometer and the JNM-ECA series of Nuclear magnetic resonance spectrometers completed
		JEM-9310FIB Focused ion beam system for specimen preparation completed
YAMAGATA CREATIVE CO., LTD. (YMCC) established, and the New Datum Hall completed	2002	JSM-6460 and 6360 series of Scanning electron microscopes completed
BEIJING CREATIVE TECHNOLOGY CO. LTD. established		JPS-9200 Photoelectron spectrometer completed
Obtained ISO14001 certification for environmental management system		JBX-3030 series of Electron beam lithography system completed
JEOL Group's Environmental Statement announced	2003	JEM2100F Field-emission transmission electron microscope completed
		JMS-800D Mass spectrometer dedicated to dioxin analysis completed
Medium-term management plan for the JEOL Group: Focus Plan 2006 announced	2004	JMS-T100GC Gas-chromatography time-of-flight mass spectrometer completed
YMCC Tendo Factory completed		JCM-5100 Carry scope (portable scanning electron microscope) completed
Agreed to set up an industry-academia collaboration office with the University of Tokyo	2005	JCA-BM8060 Clinical biochemistry analyzer completed
New YMCC Tendo Factory building completed		Ion source for mass spectrometers, DART completed
	2006	Semiconductor failure analysis system "Beam Tracer" completed
		Clinical chemical analyzer, JCA-BM6050 completed
		BS-60050EBS, Evaporation source for backscattered electron completed
JEOL Group new medium-term Management plan, "ACTION 60" announced	2007	JSM-7001F Thermal field emission scanning electron microscope completed
New clean room in Building 3 completed		
New building of JEOL FINETECH CO., LTD. completed		
New plant of Beijing Creative Technolog Co., Ltd. completed		
The third phase of construction work to enlarge YMCC completed	2008	JIB-4600F Multibeam milling/imaging system completed
		JSM-7600F Thermal field emission scanning electron microscope completed

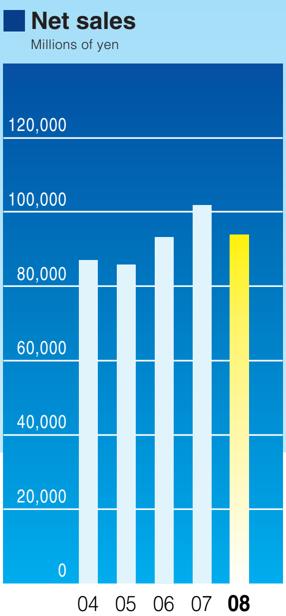
Contents

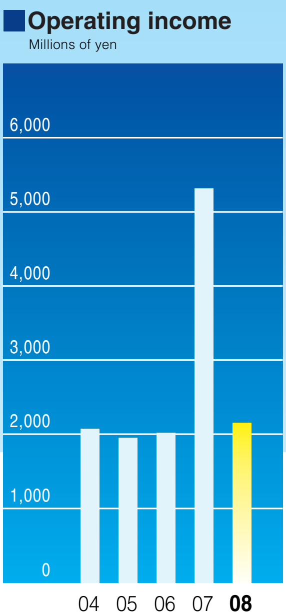
Financial Highlights

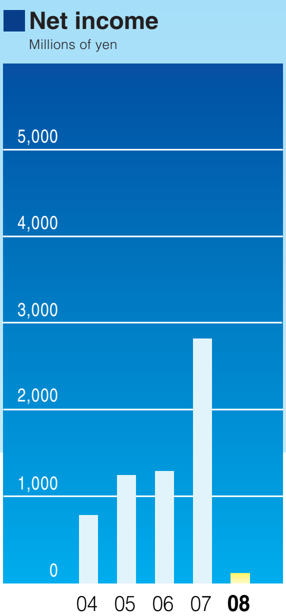
JEOL Ltd. and consolidated subsidiaries, for the years ended March 31, 2008 and 2007

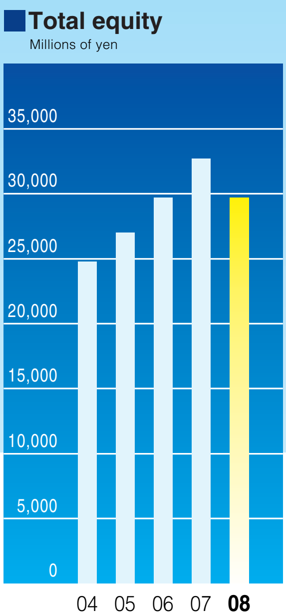
	Millions of yen		Thousands of U.S. dollars*
	2008	2007	2008
For the year:			
Net sales	¥ 93,889	¥ 101,776	$ 937,011
Operating income	2,154	5,313	21,500
Income before income taxes and minority interests	1,648	4,790	16,445
Net income	113	2,816	1,123
Per share data (in yen and U.S. dollars):			
Net income	1.42	35.50	0.01
Total equity	377.78	409.19	3.77
At year-end:			
Total assets	106,322	111,195	1,061,095
Total equity	29,696	32,684	296,361

Note: The U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥100.2 to U.S.$1 (the approximate exchange rate on March 31, 2008).









To Our Shareholders

Gon-emon Kurihara
President and Representative Director

Yoshiyasu Harada
Chairman and Representative Director

Q What is your assessment of the Company's performance for the fiscal year ended March 31, 2008?

In this consolidated fiscal year, the economy in Japan progressed steadily, assisted by strong corporate profits, although uncertainties included rapid fluctuations in exchange rates, steep rises in crude oil prices, and drops in private consumption.

Regarding the world economy, the US economy slowed due to the subprime housing loan problem, whereas the Asian and European economies continued to expand.

In the scientific instrument and industrial equipment markets, in which the JEOL Group operates, capital investment as well as R&D investment was active in the electric machinery, chemical machinery, and general industrial machinery companies, but capital investment in semiconductors was weak.

The JEOL Group therefore focused on technology, production, and sales/service strategies as basic principles of its medium-term management plan "ACTION 60" (FY 2007 to FY 2009), thereby raising the value of the company and strengthening the management structure, while working to win orders and sales.

As a result, the JEOL Group posted consolidated net sales of ¥93,889 million (down 7.7% year-on-year), operating income of ¥2,154 million (down 59.5% year-on-year), ordinary profit of ¥1,952 million (down 62.3% year-on-year), and net income of ¥113 million (down 96.0% year-on-year).

The JEOL Group is comprised of the Scientific Instrument Segment and the Industrial Equipment Segment. In the Scientific Instrument Segment, Transmission electron microscopes satisfied the demand from a variety of sectors, including the research and development of cutting-edge fields, the development of materials, the basic research of medical and biological fields, as well as quality control. Regarding Analytical Instruments, the JEOL Group made every effort to maintain the market share of both Nuclear magnetic resonance spectrometers and Mass spectrometers, and successfully secured shares comparable to those in the previous year. As for X-ray fluorescence spectrometers, demand in environment-related markets was weak and sales fell.

In Industrial Equipment, Scanning electron microscopes met broad-ranging demand not only in research and development in the latest nanotechnology fields but also for material verification, evaluation, fault analysis, and quality control, resulting in increased sales of both Field emission scanning electron microscopes and General purpose/analytical scanning electron microscopes. Regarding electron beam lithography systems, efforts were made to secure sales, but the market was weak and sales greatly decreased. For medical-related equipment, demand was strong in Japan for mainly large and medium sized equipment, but sales decreased overseas. Regarding optical thin films and coating products, Electron beam evaporation source and power supplies as well as High-power electron beam source and power supplies met market needs and sales increased.

Q Please tell us about the medium-term management plan "ACTION 60".

Under its guidelines "JEOL SPIRIT-1", the JEOL Group has formulated the medium-term management plan "ACTION 60" (fiscal 2007 - 2009), following "Bright Plan 1000" (fiscal 2001 - 2003) and "Focus Plan 2006" (fiscal 2004 - 2006).

"ACTION 60" aims to enhance a restructuring strategy, the core of "Focus Plan 2006", and to achieve the targets of consolidated net sales of ¥120.0 billion, operating income of ¥7.5 billion and ordinary profit of ¥7.5 billion for fiscal 2009, which marks the 60th anniversary of JEOL.

Under the new plan, we will, as a basic policy, implement the strategy for a further growth and strive to improve corporate value, while focusing on technology, production, and sales/service strategies. We will also strengthen our

Medium-term management plan
ACTION 60 (from April 1, 2007 to March 31, 2010)
To form a stable earnings structure with ordinary profit margin of 5% or above

↑

Focus Plan 2006 (from April 1, 2004 to March 31, 2007)
Achieving net sales of ¥100 billion in size and ordinary profit margin of 5%

↑

Bright Plan 1000 (from April 1, 2001 to March 31, 2004)
Improving the corporate structure towards becoming a 21st century value-creating company, expanding the operations and enhancing profitability

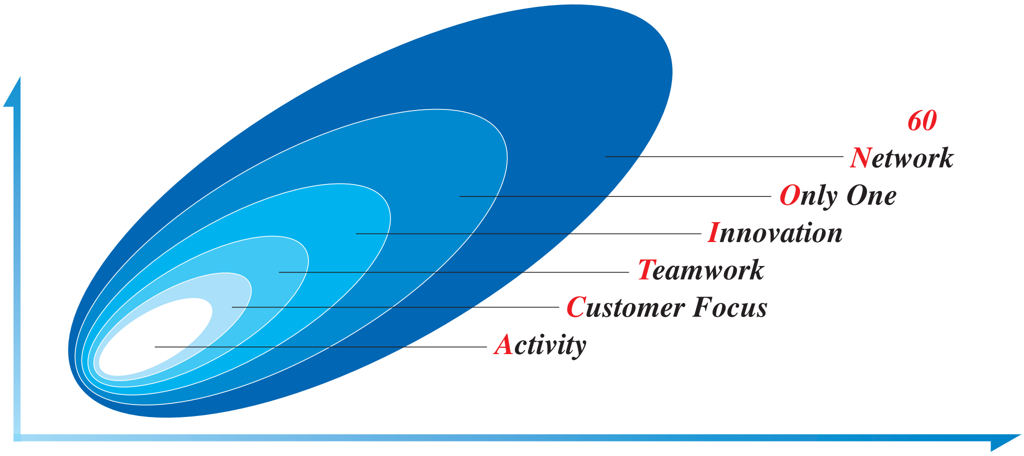
↑

JEOL Group's Management Vision
JEOL SPIRIT-1 (from October 1999)
50th anniversary of foundation—— *Twin Core / S-Core & I-Core*

↑

JEOL (established in 1949) ······ manufacturer of scientific instruments

ACTION 60



With the words “ACTION 60”, the JEOL Group not only expresses its strong intention to “act” but also puts various resolutions and feelings as shown right into these words.

A >>> Activity; we act energetically
C >>> Customer Focus; we value customers
T >>> Teamwork; we will work together as a Group to address various issues under the concerted efforts of the JEOL Group
I >>> Innovation; we will change our business with new ideas
O >>> Only One; we will provide products and solutions that no other companies can provide
N >>> Network; we will utilize our global network
60 >>> 60th Anniversary; thanks to your continued support, we mark the 60th anniversary of our foundation

management structure and establish a corporate structure that can earn profits in any business environment.

Among the important strategies of the new plan, we will work on (1) enhancement of research and development capability, (2) reinforcement of the semiconductor business by integrating the Scanning electron microscope (SEM) technology, (3) rationalization of manufacturing processes, and (4) strengthening of sales/service systems for small, mass-market products. We will develop these strategies, focusing our efforts and resources on the four fields, where markets are expected to grow, including nanotechnology, life science, environment and information/communications. Furthermore, through ACTION (acting), we aim to achieve our targets to meet the expectations of our shareholders and other stakeholders.

In order to securely achieve the business goals of the medium-term management Plan “ACTION 60”, the JEOL Group will carry out its technical, production, and sales/service strategies as prioritized measures, thereby driving forward development, business management and innovation.

- In the case of technical development, steps will be taken to supply precision products and introduce strategic commodities into markets.
- Development personnel will be strengthened, and budget will be secured for R&D of existing products as well as for developing new products that will underpin the future growth of the JEOL Group.
- In April 2007, the Metrology Inspection Division was established for expanding the I-Core (industrial equipment market), centering on the semiconductor market, thereby strengthening the Scanning electron microscope business.
- Regarding production, efforts will be made to reduce overall costs and stock, such as by shortening work periods. Moreover, production will be transferred to YMCC, which is our wholly owned subsidiary, to accelerate cost reductions. (The third phase of construction on the Tendo Plant was completed in March 2008.)
- To reduce costs, a new plant for processing machined parts and producing equipment for the Chinese market was built in the Beijing Economy and Technology Development Region, with construction completed in November 2007.
- To raise production capacity for equipment such as Electron beam lithography systems and Electron microscopes for semiconductors, a clean room was built at the Akishima Head Office Plant (completed in September 2007).
- In terms of sales/service, sales and profits for small-size mass-market items and for I-Core business items will be increased and new business models will be created as the solution business.
- To boost sales in Asian markets, particularly in China, the Asia Division was established in April 2007.
- Regarding medical equipment, we formed a capital tie-up with A&T Corporation to exploit the business advantages of both companies and to mutually complement each other for the future growth of both companies.

Q What are your views on return of profits to shareholders, dividends and financial policies?

For the fiscal year under review, in consideration of the performance and financial situation, the dividend will be reduced to ¥2.5 per share from the planned ¥5 per share. The annual dividend for this fiscal year will therefore be ¥7.5 per share.

We will maintain stable dividends from a long-term perspective, while achieving the goals of the medium-term management plan “ACTION 60” and providing shareholders with reasonable returns on their investments.

Q Please tell us about your new director arrangement.

A resolution on the new director arrangement was passed at the Board of Directors’ meeting held after the 61st Ordinary Shareholders Meeting. We intend to strengthen management more directly linked to market needs, thereby meeting the expectations of all stakeholders including our shareholders.

Aiming to expand our business and make the earning stable in the future, we will endeavor to further increase our corporate value. Please continue to place your hopes in the JEOL Group. We will strive to meet your expectations.

July 1, 2008

Yoshiyasu Harada
Chairman and
Representative Director

Y. Harada

Gon-emon Kurihara
President and
Representative Director

G. Kurihara

Medium-Term Management Plan

ACTION 60

Basic Policy

Under "ACTION 60", we will implement the strategy for further growth and strive to improve our corporate value, while focusing on technology, production, and sales/service strategies.

We will also strengthen management structure and establish a corporate structure that can make stable earnings in any business environment.

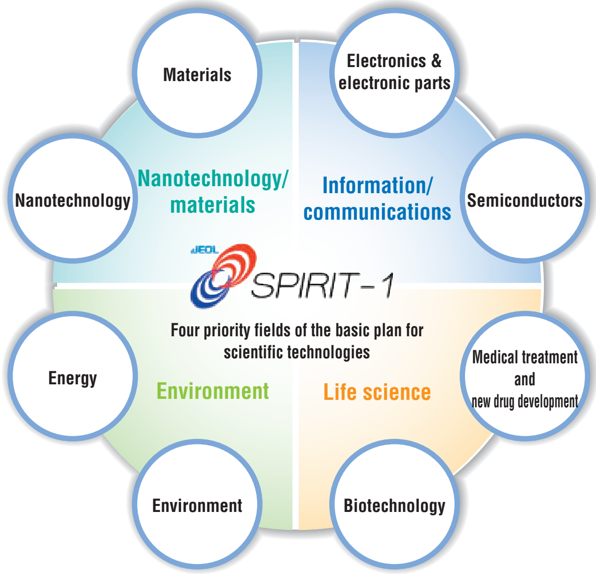
In fiscal 2009, which marks the 60th anniversary of JEOL, we aim to achieve the targets of consolidated net sales of ¥120.0 billion and ordinary profit of ¥7.5 billion.

Business Targets

Consolidated net sales: >> ¥120.0 billion

Consolidated ordinary profit: >>> ¥7.5 billion

●Image of JEOL business environment — JEOL's position and fields



1 ACTION for Technology Strategy

Enhancement of research and development capability

1. To invest predominantly in growth fields
2. To maintain and improve core technologies
3. To strengthen technologies for improvement of usability, enhancement of analysis performance, nano processing and high-speed data analysis

Primary development themes

1. Transmission electron microscope applied equipment
   >>> Targeting the semiconductor market
2. Ion beam applied equipment
   >>> Targeting the SEM market
3. Pre-processing equipment for analyzers
   >>> Aiming to improve performance of pre-processing functions
4. Scanning electron microscope applied equipment
   >>> Targeting the biotechnology-related markets
5. Medical-related equipment
   >>> Targeting the inspection equipment market

Enhancement of the semiconductor business by integrating SEM technology

1. To establish the Metrology Inspection Division
2. To concentrate the Group's management resources (personnel, manufacturing and money)
3. To pursue market-in with target of the semiconductor market

2 ACTION for Production Strategy

Rationalization of manufacturing processes

1. Improvement of the production efficiency of the Akishima Head Office Plant in Tokyo
2. Enlargement of the functions at the Tendo Plant in Yamagata Prefecture (YMCC)
3. Increase of production work at the Beijing Plant in China (BJCC)

3 ACTION for Sales / Service Strategy

Strengthening of sales/service systems for small, mass-market products

1. Response to expanding environment-related businesses
2. Response to expanding markets for small electron microscopes and pre-processing equipment
3. Response to untapped overseas markets

4 ACTION for Enhancement of Existing Businesses

Medical/biotechnology-related businesses

1. Further improvement of quality and cost cutting
2. Enhancement of consumables, reagents and service related businesses
3. Strengthening cooperation and alliances

Thin films, coating products, and semiconductors-related businesses

1. Expanding product lineups to increase market shares
2. Further improving the product quality and cost cutting

Environment-related businesses

1. Accommodation of EU and China directives on RoHS restrictions
2. Enhancement of domestic and international sales/services networks
3. Further improvement of product quality and cost cutting

Scientific instrument-related businesses

1. Improving profitability by offering total solutions
2. Strengthening product development capability by utilizing each of the Group company

Rationalization of Manufacturing Processes — Positioning of all plants: Clarification of roles

JEOL

JEM-2100F

Akishima Head Office Plant in Tokyo

- Production of high-end equipment
- Development, pilot production, special-order engineering work, and production of new products

(Products are manufactured at facilities having production engineering functions so that engineering and production are integrated.)

(The new clean room was completed in September 2007.)

Beijing Plant in China (BJCC)

- Increased production involving processing of machine parts. >>> Cost improvement
- Production of equipment for the Chinese market

(Construction work was completed in November 2007.)

Expansion of the Tendo Plant in Yamagata Prefecture (YMCC)

- Main plant for general-purpose devices and equipment
- Group of products whose sales advantage is competitive prices

(Construction work was completed in March 2008.)

Business tie-up with A&T Corporation

As one of the world's leading scientific instrument manufacturers, the JEOL Group leverages its technical capabilities to produce equipment encompassing scientific instruments for R&D, semiconductor-related equipment, medical equipment, and industrial equipment. On the other hand, A&T Corporation is one of the few comprehensive technology manufacturers in the world whose business ranges from the development of the whole spectrum of clinical inspection room products to the manufacture, sales and customer support of these products.

The purpose of this business alliance is to exploit the business advantages of each company in medical field and to mutually complement each other for the future growth of both companies.

The JEOL group will demonstrate to the utmost the synergy effects obtained by this tie-up, thereby striving to further improve market competitiveness and maximize the corporate value.

JCA-BM9130

Comprehensive cooperation agreement with the Faculty of Science of Yamagata University

The JEOL Group and the Faculty of Science of Yamagata University, which is a National University Corporation, signed a comprehensive cooperation agreement on collaboration for mutual growth.

The purpose is to mutually exchange the research results and modern educational skills accumulated over the years by the Faculty of Science of Yamagata University, with the advanced technical capabilities centering on electron microscopes of the JEOL Group. This will help advance education, science, and technology; stimulate local communities, and provide international contributions.

Under the current Comprehensive cooperation agreement, both the company and the university will create opportunities for interchanges to achieve mutual growth.

Research & Development

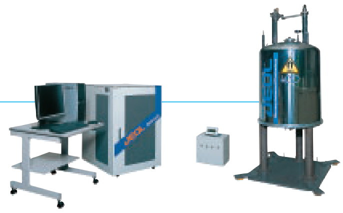
The JEOL Group, which sells cutting-edge equipment such as electron microscopes all over the world, continuously introduces new products to increase product competitiveness.

In the fiscal year under review, the Group's R&D costs totaled ¥6,486 million, of which the Scientific Instruments Segment accounted for ¥2,809 million and the Industrial Equipment Segment accounted for ¥3,677 million.

The following are the results of major R&D activities in the fiscal year under review.

April 2007:

JNM-ECS400 FT-NMR equipment released.



World-class sensitivity by fully-automatic, high-sensitivity, auto-tune probes

The JNM-ECS-series FT-NMR equipment offers the world's leading sensitivity thanks to advanced software and automation technologies and the use of high-sensitivity auto-tune probes that automate all daily measurement operations. Furthermore, the downsized equipment requires only half the installation area. Spectrometers, which operate separately from the host computer, can be remotely controlled through networks.

April 2007:

JSX-3100RⅡ, for screening RoHS controlled substances without using liquid nitrogen released.

JSX-3100RⅡ energy dispersion type fluorescent X-ray analyzer with high-sensitivity performance

The JSX-3100RⅡ is an energy dispersion type fluorescent X-ray analyzer that does not use liquid nitrogen and is equipped with in-house developed Si (Li) detectors. This world-class equipment for screening RoHS controlled substances went on sale in April.

December 2007:

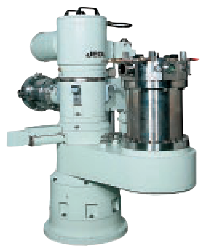
JIB-4500 Multibeam milling/imaging system released.

Reliable, proven multibeam SEMs for ubiquitous needs

The JIB-4500 multibeam milling/imaging system meets the demand for high-precision analysis and assaying involved in developing modern materials and improving process technologies that support advanced industrial society. Data can be obtained easily and efficiently, regardless of the specimens.

February 2008:

Electron beam source for manufacturing solar battery silicon material released.



JEBG-3000UB, which has the highest power output among equivalent Japanese products delivered to manufacturers in Japan.

The JEBG-3000UB, which is a high-power electron beam source, has the highest power output among equivalent devices manufactured in Japan for solar battery silicon material, and has started to be sold to manufacturers in Japan.

Such beam source used to be sold in this business for vapor deposition on high-density magnetic recording tapes and wrapping films with oxide barriers. Now, the stability and controllability of electron beams in continuous operation are highly valued.

Since the solar battery market is presumed to greatly expand to help address environmental issues, the JEBG-3000UB is expected to contribute significantly to volume production of polycrystal silicon material.

May 2008:

JIB-4600F Multibeam milling/imaging system released.

There is increasing demand for high-resolution observation and high-precision cross-sectional analysis and assaying, as well as for easy acquisition of highly reproducible data. The newly released JIB-4600F meets such needs.

May 2008:

JSM-7600F, the latest Thermal electron field emission type scanning electron microscope released.

There is increasing demand for high-resolution scanning electron microscopes as material development and processing technologies continue to be downsized. The new JSM-7600F features the latest user interface functions to reduce the need for expertise.

About Advanced Capacitor Technologies

Advanced Capacitor Technologies, Inc. is distributing samples of its high-capacity capacitors, "Premlis®" to enable many customers in various fields to evaluate its performance. Diverse applications being studied include nighttime illumination systems where power-saving long-life LEDs are combined with solar photovoltaic power generation panel cells, as well as various display equipment.

These capacitors will continue to be developed to expand the business.

Environmental Activities

ISO policy of the JEOL Group

The JEOL Group engages in business activities with an awareness of its responsibility as a “global corporate citizen” for harmonious coexistence with customers, local residents, shareholders and governmental agencies to ultimately develop a suitable recycling-based society in the future.

Based on this corporate philosophy, the JEOL Group intends to conduct business activities that contribute to a better global environment by providing products such as environmental measurement and analyzing equipment and related services.

Promotion of Environmental Conservation Activities

The IMS Management Committee plays a central role in carrying out the management system, which combines ISO 9001 and ISO 14001. The Group set up the WEEE / RoHS Committee in order to meet the requirements of European Union directives on Waste Electrical and Electronic Equipment (WEEE) and Restrictions on Hazardous Substances (RoHS) contained in electrical and electronic equipment.

Recycling and recovery of gases discharged to the atmosphere during the manufacture and repair of our products have been carried out since fiscal 2005. From April 2008, this practice is being reinforced to recover all these SF6 gases in principle.

Development of super-reductive water “RUMIC®”

(The photograph shows a free sample for household use.)

In 1995, the JEOL Group totally eliminated the use of chlorine-based organic solvents (chlorofluorocarbon ethane), which had been frequently used as an industrial cleaning agent.

Our environmental efforts include starting to use an alternative to chlorofluorocarbon, and we have also developed an industrial cleaning agent, “RUMIC®”, as a substitute for chlorofluorocarbon which is environment-friendly and safe for humans.

Expansion of “Don’t-Throw-Away” Campaign (Campaign for cleaning up commuting routes)

Since 1994, the JEOL Group has been conducting a campaign that we clean up commuting routes from the Company to nearby stations, as well as around the Company on a regular basis, are cleaned periodically.

Participation in Network of Enterprises that Consider the Environment in Akishima City

To exchange environmental information with local companies, we actively participate in the “Network of Enterprises that Consider the Environment in Akishima City”, which was set up in April 2005 and which involves Akishima City and enterprises in this city.

Environment-related website

URL http://www.jeol.co.jp/envi/index.htm

In order to present our approach toward environmental issues and to provide various environment-related information, the JEOL Group offers useful, detailed contents through its environment-related website.

CSR

Science Class Support and Science Camp

As part of the project to commemorate the 60th anniversary of the founding of our company, we supported science classes in six elementary schools in Hachioji City, Tokyo, starting in December 2007.

In this project, we sent instructors into the schools with portable scanning electron microscopes so that students could actually observe substances such as plant pollen. We hope that more students will become interested in science.

Since March 2004, we have also been holding “Science Camp” activities sponsored by the Japan Science and Technology Agency, which is an independent administrative corporation. In this Camp, we use our state-of-the-art devices to give practical training on the subject of “Observing the Nanometer World by Electrons”.

Kazato Research Foundation

The Kazato Research Foundation was established in 1969 in commemoration of the 20th anniversary of the founding of our company, through a donation from Mr. Kenji Kazato, the founder, for promoting research and development of electron microscopes and other related devices in the fields of medical science, biology, material study, nanotechnologies, etc. This Association bestows awards to encourage research.

The JEOL Group Network

Worldwide Network

With overseas branch offices based in more than 30 countries all over the world including America, Europe, Oceania, and Asia, we have established local sales systems and the best possible service systems. In particular, JEOL USA, INC. has set up many offices since its inception in Boston in 1962, and has now become well established as a local company in wide area throughout North and South America. Also in Europe, JEOL has established service support systems using local companies, with a large number of units of JEOL products delivered to date, since its first overseas delivery to France (in 1956). Local offices in Europe were established earlier, starting with one in France (1964) followed by Britain, the Netherlands, Sweden, Italy, and Germany.

We develop our marketing by providing detailed responses to customers' needs through our Asia Division.

Domestic

Corporate name	Production	Sales	Development & Design	Service	Purchase	Training & Others
JEOL TECHNICS LTD.	●		●			
JEOL DATUM LTD.		●		●		●
JEOL FINETECH CO., LTD.	●		●			
JEOL SYSTEM TECHNOLOGY CO., LTD.			●			
JEOL ENGINEERING CO., LTD.	●		●			
JEOL ACTIVE CO., LTD.		●			●	
JEOL TECHNOSERVICE CO., LTD.						●
YAMAGATA CREATIVE CO., LTD.	●					
ADVANCED CAPACITOR TECHNOLOGIES, INC.			●			

Notes: All Companies in the above table are consolidated subsidiaries.
JAPAN LASER CORPORATION has become exempt from the accounting for consolidation due to the sales of shares.
The consolidated subsidiaries merged SATSUKI INDUSTRIES CO., LTD. and TACHIBANA ELECTRONICS CO., LTD. and the merged company name is JEOL FINETECH CO., LTD.

Overseas

Corporate name	Location	Foundation	Capital	Equity ratio
JEOL USA, INC.	USA	1962	US$ 15,060 thousand	100%
JEOL (EUROPE) SAS	France	1964	EUR 720 thousand	100%
JEOL (U.K.) LTD.	U.K.	1968	Stg. £ 400 thousand	100%
JEOL (EUROPE) B.V.	the Netherlands	1973	EUR 1,472 thousand	100%
JEOL (SKANDINAVISKA) A.B.	Sweden	1973	S.Kr 3,160 thousand	100%
JEOL (GERMANY) GmbH	Germany	1997	EUR 511 thousand	100%
JEOL (ITALIA) S.p.A.	Italy	1984	EUR 300 thousand	100%
JEOL ASIA PTE. LTD.	Singapore	1995	S.$ 350 thousand	(JEOL DATUM 40%) 60%
JEOL TAIWAN SEMICONDUCTORS LTD.	Taiwan	1999	NT$ 7,000 thousand	(JEOL DATUM 40%) 60%
○JEOL (AUSTRALASIA) PTY.LTD.	Australia	1968	A.$ 500 thousand	(JEOL ASIA 100%) —
○JEOL DE MEXICO S.A. DE C.V.	Mexico	1991	MXP 650 thousand	(JEOL USA 100%) —
○JEOL CANADA, INC.	Canada	1993	C.$ 100 thousand	(JEOL USA 100%) —
○JEOL (MALAYSIA) SDN BHD	Malaysia	1995	RM 300 thousand	(JEOL ASIA 100%) —
○Beijing Creative Technology Co., Ltd.	China	2002	Yuan 4,800 thousand	93.9%
○JEOL Shanghai Semiconductors	China	2006	US$ 200 thousand	(JEOL TAIWAN SEMICONDUCTORS LTD. 100%) —
○JEOL DATUM Shanghai Co., Ltd.	China	2007	US$ 200 thousand	(JEOL DATUM 100%) —
●JEOL KOREA LTD.	Korea	1994	Won 600,000 thousand	(JEOL DATUM 12%) 28%

Notes: No mark: Consolidated subsidiaries.
○ Unconsolidated subsidiaries to which the equity method is applied.
● Associated companies to which the equity method is applied.

Board of Directors, Corporate Auditors and Corporate Officers

(As of June 27, 2008)

Chairman and Representative Director

Yoshiyasu Harada

President and Representative Director

Gon-emon Kurihara

Executive Vice President and Representative Directors

Azuma Ohtsuka

Hideaki Hirano

Director and Chief Executive Officer

Masashi Iwatsuki

Director and Executive Officers

Masaki Saito

Masayuki Tajimi

Director and Advisor

Terukazu Eto

Standing Corporate Auditors

Reisuke Izumiyama

Mitsuo Kaneko

Corporate Auditors

Hidetake Horikiri

Yoshiaki Ueda

Executive Officers

Norimasa Ishida

Mikio Naruse

Kazufumi Adachi

Shin-ichi Watanabe

Youichi Shibuki

Corporate Officers

Hirofumi Kusano

Keiji Ota

Tetsu Hinomoto

Kunio Kamide

Toshihito Suzuki

Koichi Fukuyama

Wataru Wakamiya

Yoshihiro Sawada

Tsutomu Morita

Yasutoshi Nakagawa

(Note) Mr. Hidetake Horikiri and Mr. Yoshiaki Ueda are external corporate auditors of the Company.

Five-year Summary

JEOL Ltd. and consolidated subsidiaries, for the years ended March 31, 2008, 2007, 2006, 2005, and 2004.

For the year (Millions of yen):	2008	2007	2006	2005	2004
Net sales	**93,889**	101,776	93,291	85,914	87,097
Scientific instrument	**39,090**	64,364	58,502	60,083	57,935
Industrial equipment	**54,799**	37,412	34,789	25,831	29,162
Selling, general and administrative expenses	**29,372**	28,755	26,912	25,205	24,629
Operating income	**2,154**	5,313	2,013	1,985	2,068
Ordinary profit	**1,952**	5,183	1,913	1,629	1,638
Net income	**113**	2,816	1,289	1,245	784
Capital expenditures	**6,118**	3,092	3,192	3,775	3,366
Scientific instrument	**1,911**	1,698	1,514	1,485	2,077
Industrial equipment	**4,191**	1,379	1,671	2,207	1,163
Eliminations/Corporate	**16**	15	7	83	126
Depreciation expense	**2,923**	2,672	2,583	2,622	2,438
Research and development costs	**6,486**	5,984	5,223	4,436	4,031
Scientific instrument	**2,809**	3,830	3,641	3,416	2,845
Industrial equipment	**3,677**	2,154	1,582	1,020	1,186
At year-end (Millions of yen):					
Total assets	**106,322**	111,195	103,940	95,211	95,310
Total equity	**29,696**	32,684	29,752	27,077	24,803
Per share data (yen):					
Net income	**1.42**	35.50	16.25	16.24	10.92
Total equity	**377.78**	409.19	375.14	341.39	324.88
Cash dividends	**7.50**	10.00	5.00	5.00	2.50
Value indicators (%):					
Return on equity <ROE>	**0.4**	9.1	4.5	4.8	3.5
Return on assets <ROA>	**0.1**	2.6	1.3	1.3	0.8

(Information by business segment)
The JEOL Group conducts business in the two segments of Scientific Instrument and Industrial Equipment. In the past, scanning electron microscopes (SEMs) were classified in the Scientific Instrument Segment, but from this fiscal year are moved to the Industrial Equipment Segment. This is because the markets for SEMs now focus mainly on industrial fields, including quality control and semiconductors.

Overview of the fiscal year ended March 2008

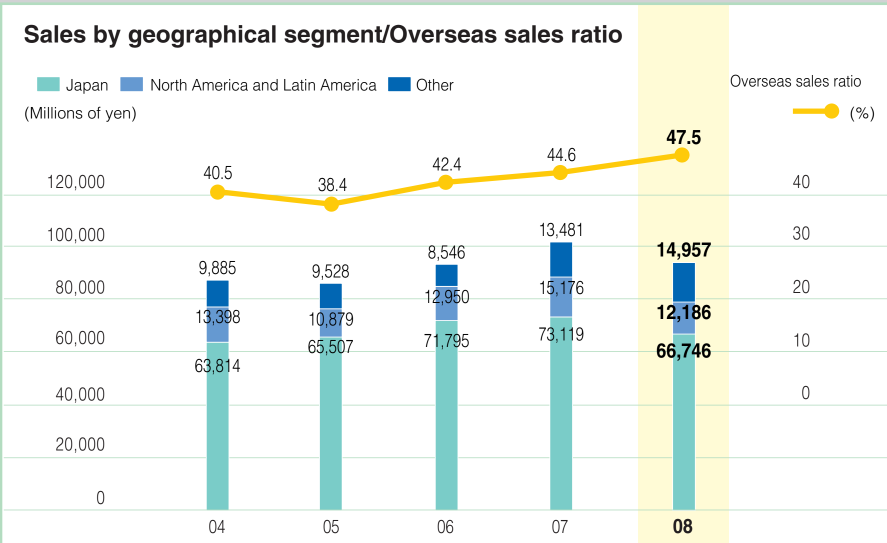
In this consolidated fiscal year, the economy in Japan progressed steadily, assisted by strong corporate profits, although uncertainties included rapid fluctuations in exchange rates, steep rises in crude oil prices, and drops in private consumption.

Regarding the world economy, the US economy slowed due to the subprime housing loan problem, whereas the Asian and European economies continued to expand.

In the scientific instrument and industrial equipment markets, in which the JEOL Group operates, capital investment as well as R&D investment was active in the electric machinery, chemical machinery, and general industrial machinery companies, but capital investment in semiconductors was weak.

The JEOL Group therefore focused on technology, production, and sales/service strategies as the basic principle of its medium-term management plan "ACTION 60" (FY2007 to FY2009), thereby raising the value of the Company and strengthening the management structure, while working to win orders and sales.

As a result, the Company posted consolidated net sales of ¥93,889 million (down 7.7% from ¥101,776 million in the previous year), operating income of ¥2,154 million (down 59.5% from ¥5,313 million in the previous year), ordinary profit of ¥1,952 million (down 62.3% from ¥5,183 milion in the previous year), and net income of ¥113 million (down 96.0% from ¥2,816 million in the previous year).



(Note) The primary countries and regions included in geographic classifications outside Japan are as follows:
- North America and Latin America: U.S.A., Canada and Mexico
- Other: Europe, Asia and Australia

Segment Information

(Information by business segment)

The JEOL Group conducts business in the two segments of Scientific Instrument and Industrial Equipment. In the past, Scanning electron microscopes (SEMs) were classified in the Scientific Instrument Segment, but from this fiscal year are moved to the Industrial Equipment Segment. This is because the markets for SEMs now focus mainly on industrial fields, including quality control and semiconductors. Furthermore, “reinforcement of the semiconductor business by integrating Scanning electron microscope (SEM) technology” is stated as one of the priority strategies in the medium-term management plan “ACTION 60”, and the headquarters for inspection and measurement apparatus have been established, thereby strengthening the market-oriented business.

1. Scientific Instrument

As for Transmission electron microscopes, we met demand in a broad range of fields, including cutting-edge areas and material development, basic research in medicine and biology, and quality control. Sales of Transmission electron microscopes, continued to be steady.

Regarding Analytical instruments, the Group made every effort to maintain the market share of Nuclear magnetic resonance spectrometers and Mass spectrometers, and successfully secured shares comparable to those in the previous year. As for X-ray fluorescence spectrometers, demand in environment-related markets was weak and sales fell.

As a result, net sales amounted to ¥39,090 million (down 7.9% from ¥42,439 million in the previous year, as based on the changed business category).

2. Industrial Equipment

Scanning electron microscopes widely met demand not only in research and development in the state-of-the-art field of nanotechnology but also in matters such as material verification, evaluation, fault analysis, and quality control, resulting in increased sales of Field emission scanning electron microscopes and General purpose/analytical scanning electron microscopes.

[Main Products]

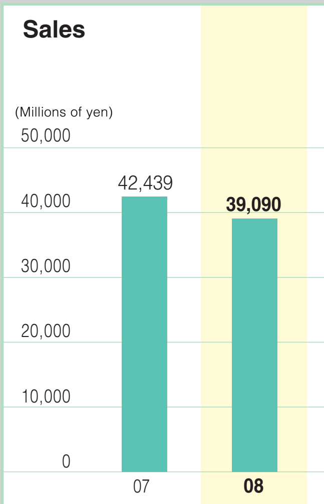
Scientific Instrument

<Electron Optics Instruments>

Transmission electron microscopes (TEM), Energy filter electron microscopes, Electron probe microanalyzers, Auger microprobes, Analytical electron microscopes, Peripheral equipment

<Analytical Instruments>

NMR spectrometers, ESR spectrometers, Mass spectrometers, Time-of-flight mass spectrometers, Gas chromatograph mass spectrometers, Liquid chromatograph mass spectrometers, Energy-dispersive X-ray fluorescence spectrometers, Handheld X-rays fluorescence spectrometer, Portable gas chromatographs, Gas monitor analyzer



In the case of Electron beam lithography systems, efforts were made to secure sales, but the market was weak and sales greatly decreased.

Regarding medical equipment, demand was strong in Japan for large and medium sized equipment, but sales decreased overseas.

In the optical thin film and coating products, sales of Electron beam evaporation source and power supplies as well as High-power electron beam source and power supplies met the market needs and sales increased.

As a result, net sales amounted to ¥54,799 million yen (down 7.6% from ¥59,337 million in the previous year, as based on the changed business category).

(Information by geographical area)

1. Japan

As for the Scientific Instrument business, sales of Transmission electron microscopes increased, while those of Analytical Instruments were comparable to the previous year.

As for the Industrial Equipment business, sales decreased for Electron beam lithography systems. As regards medical-related equipment, solid changes were shown in the case of automated analyzers. Furthermore, sales increased for Electron beam evaporation source and power supplies as well as High-power electron beam source and power supplies.

As a result, sales in Japan amounted to ¥66,746 million (down 8.7% year-on-year).

2. North America and Latin America

Sales of electron microscopes rose strongly, but sales of Electron beam lithography systems decreased, resulting in lower sales overall.

As a result, sales in those regions amounted to ¥12,186 million (down 19.7% year-on-year).

3. Others

In the Asian and European regions, sales increased mainly for electron microscopes. As a result, net sales amounted to ¥14,957 million (up 11.0% year-on-year).

[Main Products]

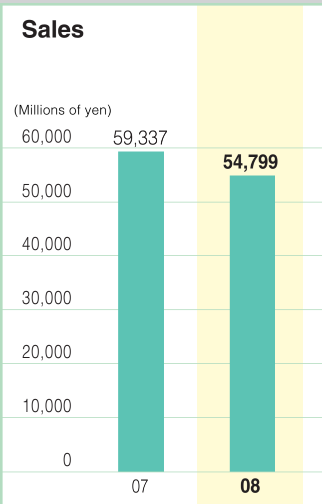
Industrial Equipment

<Metrology Inspection Equipment>
Scanning electron microscopes (SEM), Analytical scanning electron microscopes, Scanning probe microscopes, Peripheral equipment, Multibeam System, Focused ion beam system, Wafer process monitors (review SEM), Mask observation scanning microscope, Semiconductor failure analysis systems

<Semiconductor Equipment>
Electron beam lithography systems (a variable-shaped electron beam), Electron beam lithography systems (a spot beam lithography system)

<Industrial Equipment>
High-frequency generator for thermal plasma, Electron beam evaporation source and power supplies, High-power electron beam source, High density reactive ion plating systems, Built-in plasma source/Plasma source control power supplies

<Medical Equipment>
Automated biochemical analyzers, Laboratory information system, Amino acid analyzers



Operating Income and Net Income

Cost of sales in the fiscal year under review fell to ¥62,363 million, down 7.9% from the previous year, but sales decreased further, reducing gross profit on sales to ¥31,526 million, down 7.5%.

R&D costs amounted to ¥6,486 million (up 8.4% year-on-year), accounting for 6.9% of net sales, reflecting JEOL's policy for energetically making future investment. Selling, general and administrative expenses, excluding R&D costs increased modestly 0.5%, to ¥22,886 million attributable to the entire Group's efforts to reduce cost. However, operating income was ¥2,154 million, down 59.5%, and operating income margin was 2.3%, down 2.9 points.

Income before income taxes was ¥1,648 million, down ¥3,142, and net income was ¥113 million, down ¥2,703 million. Net income per share stood at ¥1.42.

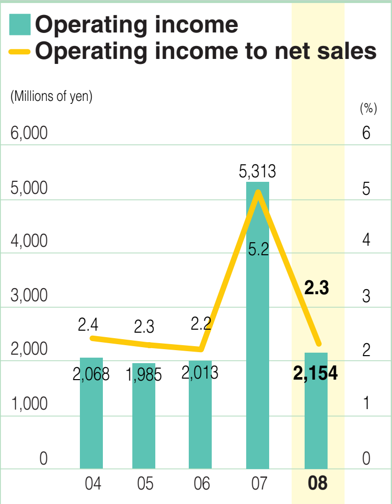
Financial Position

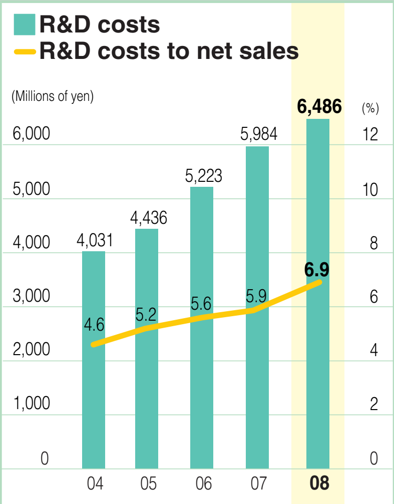
Total assets at the end of the fiscal year under review were ¥106,322 million, down ¥4,873 million from the previous year.

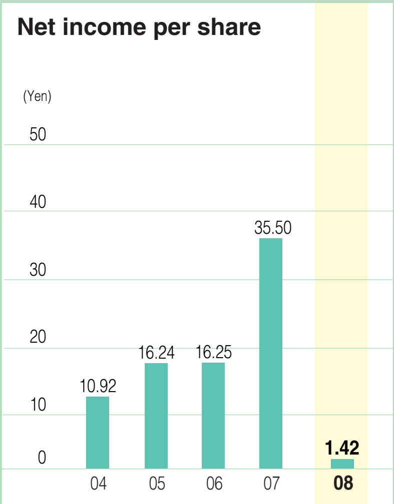
In the assets section, inventories increased ¥1,185 million, while cash and deposits decreased ¥6,198 million and trade notes and accounts receivable decreased ¥2,756 million, with the result that current assets amounted to ¥76,267 million, down ¥7,810 million.

Net property, plant and equipment amounted to ¥15,739 million, up ¥2,809 million. As for investments and other assets, investment securities amounted to ¥7,441 million, down ¥1,319 million.

In the liabilities section, total current liabilities amounted to ¥52,594 million, down ¥3,455 million, chiefly because trade notes and trade accounts came to ¥19,381 million, down ¥2,290 million, and income taxes payable amounted to ¥750 million, down ¥1,412 million. On the other hand, long-term liabilities amounted to ¥24,032 million, up ¥1,570 million, mainly because long-term bank loans came to ¥5,999 million, down ¥1,048 million, whereas bonds amounted to ¥4,510 million, up ¥2,940 million. As a result, total liabilities stood at ¥76,626 million, down ¥1,885 million.







In the equity section, total equity amounted to ¥29,696 million, down ¥2,988 million, for the following main reasons: retained earnings of shareholders' equity decreased; acquisition of treasury stock and unrealized gains on available for-sale-securities decreased in terms of valuation and translation adjustments. capital ratio stood at 27.8%, and net assets per share were ¥377.78.

Cash Flows

Cash flows from operating activities decreased to ¥1,391 million, for the following main reasons: inventories increased although receivables decreased; payables decreased; and income taxes, etc. were paid.

Cash flows from investing activities decreased to ¥5,370 million, due primarily to payments made for purchasing tangible fixed assets.

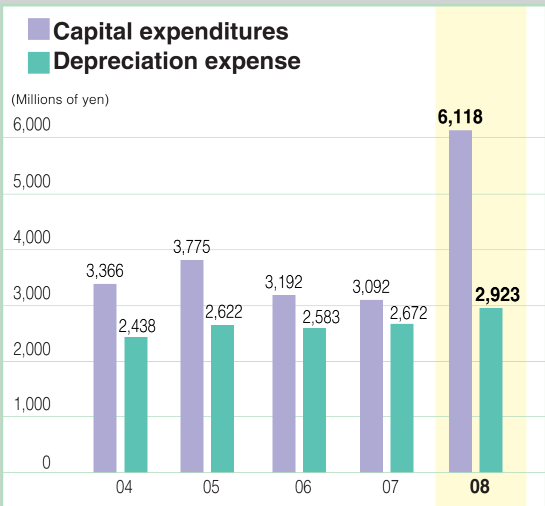
Cash flows from financial activities increased to ¥1,455 million, due mainly to financing through the issuance of corporate bonds and payment of dividends.

Outlook for Current Fiscal Year

As for the future outlook, uncertainties remain over the U.S. economic outlook as well as trends of crude oil prices, raw materials costs, exchange rates, and interest rates. Given this, we may not be optimistic to believe that the present favorable situation will continue.

Under these circumstances, the JEOL Group will forcefully implement various measures in its medium-term management plan "ACTION 60", secure orders, increase sales, and surely reduce costs. Through these efforts, we aim to achieve the plan.

For the fiscal year ending March 2009, we forecast net sales and operating income at ¥100,000 million (up 6.5% from the current year), and at ¥3,500 million (up 62.5%) each, and ordinary profit and net income at ¥3,200 million (up 64.0%), and at ¥1,500 million (up 1,233.1%) each.



Consolidated Balance Sheets

JEOL Ltd. and Consolidated Subsidiaries
March 31, 2008 and 2007

ASSETS	Millions of Yen 2008	Millions of Yen 2007	Thousands of U.S. Dollars (Note 1) 2008
CURRENT ASSETS:			
Cash and cash equivalents	¥ 9,164	¥ 15,092	$ 91,457
Time deposits	107	377	1,065
Receivables:			
Trade notes	1,748	2,952	17,449
Trade accounts	22,176	23,790	221,321
Unconsolidated subsidiaries and associated companies	820	758	8,188
Other	482	568	4,806
Allowance for doubtful receivables	(154)	(149)	(1,542)
Inventories (Note 4)	37,828	36,643	377,522
Deferred tax assets (Note 9)	2,401	2,761	23,959
Prepaid expenses and other current assets	1,695	1,285	16,918
Total current assets	76,267	84,077	761,143
PROPERTY, PLANT AND EQUIPMENT (Note 6):			
Land	1,445	1,387	14,419
Buildings and structures	18,989	15,886	189,508
Machinery and equipment	3,732	3,579	37,245
Tools, furniture and fixtures	15,962	14,003	159,302
Construction in progress	775	1,114	7,737
Total	40,903	35,969	408,211
Accumulated depreciation	(25,164)	(23,039)	(251,135)
Net property, plant and equipment	15,739	12,930	157,076
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 6)	7,441	8,760	74,259
Investments in unconsolidated subsidiaries and associated companies	1,553	913	15,502
Software	307	393	3,063
Deferred tax assets (Note 9)	2,393	1,795	23,880
Other assets	2,622	2,327	26,172
Total investments and other assets	14,316	14,188	142,876
TOTAL	¥ 106,322	¥ 111,195	$ 1,061,095

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2008	2007	Thousands of U.S. Dollars (Note 1) 2008
CURRENT LIABILITIES:			
Short-term bank loans (Note 6)	¥ 15,800	¥ 13,518	$ 157,684
Current portion of long-term bank loans (Note 6)	1,960	2,045	19,566
Current portion of bonds (Note 6)	460	2,200	4,591
Payables:			
Trade notes	12,327	12,262	123,028
Trade accounts	6,888	9,255	68,745
Unconsolidated subsidiaries and associated companies	166	154	1,653
Other (Note 6)	1,549	1,691	15,458
Income taxes payable	750	2,162	7,480
Advances received	5,881	6,732	58,691
Accrued bonuses to employees	1,159	1,503	11,568
Other current liabilities (Notes 6 and 9)	5,654	4,527	56,425
Total current liabilities	52,594	56,049	524,889
LONG-TERM LIABILITIES:			
Bonds (Note 6)	4,510	1,570	45,010
Convertible bonds (Note 6)	6,000	6,000	59,880
Long-term bank loans (Note 6)	5,999	7,047	59,871
Liability for employees' retirement benefits (Note 7)	6,374	6,593	63,608
Retirement allowances for directors, executive officers and corporate auditors (Note 7)	689	648	6,878
Negative goodwill		3	
Other long-term liabilities (Notes 6 and 9)	460	601	4,598
Total long-term liabilities	24,032	22,462	239,845
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 12, 13 and 14)			
EQUITY (Notes 8 and 16):			
Common stock—authorized, 136,080,000 shares; issued, 79,365,600 shares in 2008 and 2007	6,740	6,740	67,265
Capital surplus	6,346	6,346	63,338
Retained earnings	15,895	16,786	158,633
Unrealized gain on available-for-sale securities	2,030	3,127	20,261
Deferred gain (loss) on derivatives under hedge accounting	142	(1)	1,417
Foreign currency translation adjustments	(1,043)	(506)	(10,410)
Treasury stock—at cost, 1,062,355 shares in 2008 and 58,802 shares in 2007	(528)	(41)	(5,277)
Total	29,582	32,451	295,227
Minority interests	114	233	1,134
Total equity	29,696	32,684	296,361
TOTAL	¥ 106,322	¥ 111,195	$ 1,061,095

Consolidated Statements of Income

JEOL Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
NET SALES (Note 11)	¥ 93,889	¥ 101,776	$ 937,011
COST OF SALES (Note 11)	62,363	67,708	622,385
Gross profit	31,526	34,068	314,626
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 10 and 11)	29,372	28,755	293,126
Operating income	2,154	5,313	21,500
OTHER INCOME (EXPENSES):			
Interest and dividend income	362	293	3,614
Revenue from acceptance of research and development services	498	536	4,969
Insurance claim receipt	44	15	440
Interest expense	(479)	(392)	(4,779)
Foreign exchange loss—net	(244)	(215)	(2,431)
Charge for sales of trade receivables	(427)	(379)	(4,265)
Loss on disposals of inventories	(53)	(79)	(531)
Loss on sales and disposals of property, plant and equipment—net	(36)	(162)	(360)
Gain on sales of investment securities	34		337
Loss on sales of investments in associated company	(101)		(1,003)
Loss on write-down of investment securities	(39)	(152)	(390)
Equity in earnings of unconsolidated subsidiaries and associated companies	80	76	802
Settlement of patent	(140)		(1,397)
Other—net	(5)	(64)	(61)
Other expenses—net	(506)	(523)	(5,055)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	1,648	4,790	16,445
INCOME TAXES (Note 9):			
Current	1,331	2,553	13,282
Deferred	278	(529)	2,776
Total income taxes	1,609	2,024	16,058
MINORITY INTERESTS IN NET LOSS	74	50	736
NET INCOME	¥ 113	¥ 2,816	$ 1,123

	Yen		U.S. Dollars
	2008	2007	2008
PER SHARE OF COMMON STOCK (Notes 2.p and 15):			
Basic net income	¥ 1.42	¥ 35.50	$ 0.01
Diluted net income	1.28	31.83	0.01
Cash dividends applicable to the year	7.50	10.00	0.07

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Jeol Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2008 and 2007

	Thousands	Millions of Yen									
	Issued Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2006	79,366	¥ 6,740	¥ 6,346	¥ 14,330	¥ 3,140		¥ (764)	¥ (40)	¥ 29,752		¥ 29,752
Reclassified balance as of March 31, 2006 (Note 2.i)										¥ 282	282
Net income				2,816					2,816		2,816
Cash dividends paid:											
For prior year end, ¥2.5 per share				(198)					(198)		(198)
For current year interim, ¥3.5 per share				(278)					(278)		(278)
Treatment of the foreign consolidated subsidiary's liability for employees' retirement benefits				116					116		116
Purchase of treasury stock								(1)	(1)		(1)
Net change in the year					(13)	¥ (1)	258		244	(49)	195
BALANCE, MARCH 31, 2007	79,366	6,740	6,346	16,786	3,127	(1)	(506)	(41)	32,451	233	32,684
Net income				113					113		113
Cash dividends paid:											
For prior year end, ¥6.5 per share				(515)					(515)		(515)
For current year interim, ¥5.0 per share				(397)					(397)		(397)
Treatment of the foreign consolidated subsidiary's liability for employees' retirement benefits				(92)					(92)		(92)
Purchase of treasury stock								(487)	(487)		(487)
Net change in the year					(1,097)	143	(537)		(1,491)	(119)	(1,610)
BALANCE, MARCH 31, 2008	79,366	¥ 6,740	¥ 6,346	¥ 15,895	¥ 2,030	¥ 142	¥ (1,043)	¥ (528)	¥ 29,582	¥ 114	¥ 29,696

	Thousands of U.S. Dollars (Note 1)									
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2007	$ 67,265	$ 63,338	$167,527	$ 31,210	$ (9)	$ (5,051)	$ (416)	$323,864	$ 2,325	$326,189
Net income			1,123					1,123		1,123
Cash dividends paid:										
For prior year end, $0.06 per share			(5,145)					(5,145)		(5,145)
For current year interim, $0.05 per share			(3,957)					(3,957)		(3,957)
Treatment of the foreign consolidated subsidiary's liability for employees' retirement benefits			(915)					(915)		(915)
Purchase of treasury stock							(4,861)	(4,861)		(4,861)
Net change in the year				(10,949)	1,426	(5,359)		(14,882)	(1,191)	(16,073)
BALANCE, MARCH 31, 2008	$ 67,265	$ 63,338	$158,633	$ 20,261	$ 1,417	$ (10,410)	$(5,277)	$295,227	$ 1,134	$296,361

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

JEOL Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 1,648	¥ 4,790	$ 16,445
Adjustments for:			
Income taxes—paid	(2,749)	(882)	(27,437)
Depreciation and amortization	2,923	2,672	29,171
Loss on sales and disposals of property, plant and equipment—net	36	162	360
Loss on write-down of investment securities	39	152	390
Equity in earnings of unconsolidated subsidiaries and associated companies	(80)	(76)	(802)
Changes in assets and liabilities, net of effects from consolidation of previously unconsolidated subsidiaries and net of effects from deconsolidation of previously consolidated subsidiaries:			
Decrease in trade notes and accounts receivable	1,297	2,435	12,947
Increase in inventories	(2,816)	(3,014)	(28,104)
(Decrease) increase in trade notes and accounts payable	(1,003)	1,734	(10,008)
Decrease in trade notes and accounts payable related to sales of trade accounts by consolidated subsidiaries (Note 5)		(1,000)	
Decrease in advances received	(404)	(409)	(4,030)
(Decrease) increase in provision for accrued bonuses to employees	(318)	188	(3,176)
(Decrease) increase in liability for employees' retirement benefits	(158)	82	(1,580)
Increase in retirement allowances for directors, executive officers and corporate auditors	81	43	808
Other—net	113	464	1,131
Total adjustments	(3,039)	2,551	(30,330)
Net cash (used in) provided by operating activities	(1,391)	7,341	(13,885)
INVESTING ACTIVITIES:			
Decrease (increase) in time deposits—net	263	(127)	2,629
Payment for purchases of investment securities	(572)	(1,265)	(5,707)
Proceeds from sales of investment securities	52		521
Proceeds from sales of property, plant and equipment	12	10	116
Payment for purchases of property, plant and equipment	(3,953)	(2,285)	(39,455)
Payment for purchases of intangible assets	(351)	(75)	(3,506)
Other—net	(821)	(659)	(8,188)
Net cash used in investing activities	(5,370)	(4,401)	(53,590)
FINANCING ACTIVITIES:			
Increase in short-term bank loans—net	2,467	46	24,618
Proceeds from long-term bank loans	1,126	2,450	11,241
Repayments of long-term bank loans	(2,115)	(2,580)	(21,111)
Proceeds from bonds issuance	3,720	978	37,124
Payment for redemption of bonds	(2,330)		(23,253)
Payment for acquisition of treasury stock	(485)		(4,841)
Cash dividends paid	(910)	(479)	(9,082)
Payments for sale and installment buyback agreement		(465)	
Other—net	(18)	(16)	(171)
Net cash provided by (used in) financing activities	1,455	(66)	14,525
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(622)	263	(6,210)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(5,928)	3,137	(59,160)
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR		120	
CASH AND CASH EQUIVALENTS OF DECONSOLIDATED SUBSIDIARIES		(142)	
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	15,092	11,977	150,617
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 9,164	¥ 15,092	$ 91,457
NONCASH INVESTING AND FINANCING ACTIVITIES:			
Assets increased by consolidation of previously unconsolidated subsidiary		¥ 30	

See notes to consolidated financial statements.

1. BASIS OF PRESENTING 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 Law and its related accounting regulations, and in conformity 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.

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 2007 financial statements to conform to the classifications used in 2008.

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 ¥100.2 to $1, the approximate rate of exchange at March 31, 2008. 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 include the accounts of the Company and its 18 (20 in 2007) significant subsidiaries (together, the "Companies"). Consolidation of the remaining subsidiaries would not have a material effect on the accompanying consolidated financial statements. Under the control or influence concept, 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 Companies have the ability to exercise significant influence are accounted for by the equity method.

JAPAN LASER CORPORATION has become exempt from the accounting for consolidation due to the sales of shares.

The consolidated subsidiaries merged SATSUKI INDUSTRIES CO., LTD. and TACHIBANA ELECTRONICS CO., LTD. and the merged company name is JEOL FINETECH CO., LTD.

Investments in 7 (6 in 2007) unconsolidated subsidiaries and 2 associated companies are accounted for by the equity method.

Negative goodwill represents the excess of the fair value of the net assets of the acquired subsidiaries at the date of acquisition under their cost. Negative goodwill is credited to income using the straight-line method over 5 years, with the exception of minor amounts which are credited 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 Companies is eliminated.

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

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

c. Inventories—Inventories are stated at mainly cost substantially determined by the moving-average cost method and last purchased price method.

Inventories of consolidated foreign subsidiaries are stated at the lower of cost or market, mainly determined by the specific identification method.

d. Investment Securities—All securities are classified as available-for-sale securities and are reported at fair value, with unrealized gain 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.

Non-marketable 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.

e. 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 over the estimated useful lives of the assets, while the straight-line method is principally applied to the 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.
Property, plant and equipment (except buildings) acquired on and after April 1, 2007 are depreciated by the declining-balance method in accordance with the revised corporate tax law, which is effective April 1, 2007.
The effect of this treatment was to decrease income before income taxes and minority interests for the year ended March 31, 2008 by ¥142 million ($1,419 thousand).
Property, plant and equipment (except buildings) had been depreciated up to 95% of acquisition cost with 5% of residual value carried until previous fiscal years. However, such 5% portion of property, plant and equipment is systematically amortized over 5 years starting in the following year in which the carrying value of property, plant and equipment (except buildings) reaches 5% of the

acquisition cost in accordance with the revised corporate tax law, which is effective for fiscal years beginning on and after April 1, 2007.
The effect of this treatment was to decrease income before income taxes and minority interests for the year ended March 31, 2008 by ¥86 million ($865 thousand).

f. ***Long-lived Assets***—The Companies review their 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 would be 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.

g. ***Software***—Development costs related to software for sale are deferred and amortized in proportion to the actual sales volume of software sold during the current year to the estimated total sales volume. 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 (5 years).

h. ***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 50% of their benefits in the form of an annuity. The funds for the annuity payments are entrusted to an outside trustee.

Effective April 1, 2000, the Company and consolidated domestic subsidiaries adopted a new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

For the transitional obligation of ¥6,981 million in April 2000, the Company contributed certain available-for-sale securities with a fair value of ¥3,601 million to the employees' retirement benefits trust for the Company's non-contributory pension plans, and recognized a non-cash gain of ¥3,201 million. The securities held in this trust are qualified as plan assets. The remaining transitional obligation of ¥3,380 million ($33,733 thousand) is being amortized over 15 years.

Retirement allowances for directors, executive officers and corporate auditors of the Company and its domestic consolidated subsidiaries are recorded to state the liability at the amount that would be required if all directors, executive officers and corporate auditors retired at the balance sheet date.

i. ***Presentation of Equity***—On December 9, 2005, the Accounting Standards Board of Japan (the "ASBJ") published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities or assets, as the case may be, are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard was effective for fiscal years ending on or after May 1, 2006. The balances of such items as of March 31, 2006 were reclassified as separate components of equity as of April 1, 2006 in the consolidated statement of changes in equity.

j. ***Research and Development Costs***—Research and development costs are charged to income as incurred.

k. ***Leases***—All leases, except for finance leases that deem to transfer ownership of the leased property to the lessee, are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

l. ***Income Taxes***—The provision for income taxes is computed based on the pretax income included in the consolidated statements 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 tax laws to the temporary differences.

m. ***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 balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income to the extent that they are not hedged by forward exchange contracts.

n. ***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 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" in a separate component of equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

o. ***Derivatives and Hedging Activities***—The Companies use derivative financial instruments to manage their exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts, currency swaps and interest rate swaps are utilized by the Companies to reduce foreign currency exchange and interest rate risks. The Companies do 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 and currency swaps applied to forecasted (or committed) transactions are also measured at their 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 are recognized and included in interest expense.

p. Per Share Information—Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share reflects the potential dilution that could occur if securities were converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible bonds at the beginning of the year with an applicable adjustment for related interest expense, net of tax.

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

q. New Accounting Pronouncements

Measurement of Inventories—Under Japanese GAAP, inventories are currently measured either by the cost method, or at the lower of cost or market. On July 5, 2006, the ASBJ issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories," which is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard also requires that inventories held for trading purposes be measured at the market price.

Lease Accounting—On March 30, 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the existing accounting standard for lease transactions issued on June 17, 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions shall be capitalized recognizing lease assets and lease obligations in the balance sheet.

Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements—Under Japanese GAAP, a company currently can use the financial statements of its foreign subsidiaries which have been prepared in accordance with generally accepted accounting principles in their respective jurisdictions for its consolidation process unless they are clearly unreasonable. On May 17, 2006, the ASBJ issued 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 new standard prescribes: (1) 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, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material;

(1) Amortization of goodwill
(2) Actuarial gains and losses of defined benefit plans recognized outside profit or loss
(3) Capitalization of intangible assets arising from development phases
(4) Fair value measurement of investment properties, and the revaluation model for property, plant and equipment, and intangible assets
(5) Retrospective application when accounting policies are changed
(6) Accounting for net income attributable to a minority interest

The new task force is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

3. INVESTMENT SECURITIES

Investment securities as of March 31, 2008 and 2007, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Non-current:			
Marketable equity securities	¥7,369	¥8,674	$73,540
Non-marketable securities	72	86	719
Total	¥7,441	¥8,760	$74,259

The carrying amounts and aggregate fair values of investment securities at March 31, 2008 and 2007, were as follows:

	Millions of Yen			
March 31, 2008	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale equity securities	¥4,181	¥3,678	¥490	¥7,369
March 31, 2007				
Securities classified as available-for-sale equity securities	3,667	5,076	69	8,674

	Thousands of U.S. Dollars			
March 31, 2008	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale equity securities	$41,720	$36,710	$4,890	$73,540

Available-for-sale securities whose fair value was not readily determinable as of March 31, 2008 and 2007 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Available-for-sale—Equity securities	¥72	¥86	$719
Total	¥72	¥86	$719

4. INVENTORIES

Inventories at March 31, 2008 and 2007, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Merchandise		¥ 542	
Finished products	¥15,906	16,477	$158,738
Work in process	15,601	13,658	155,703
Raw materials and supplies	6,321	5,966	63,081
Total	¥37,828	¥36,643	$377,522

5. PAYABLES

Payables (trade notes and trade accounts) of the Company which were sold to a third party (finance company) by consolidated subsidiaries for financing are reported as "Payables (trade notes and trade accounts)" in the consolidated balance sheets, if the due dates of settlement have not come as of balance sheet date.

Decreases in those payables are reported as "Decrease in trade notes and accounts payable related to sales of trade accounts by consolidated subsidiaries" in the consolidated statements of cash flows.

6. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2008 and 2007, consisted of notes to banks and bank overdrafts. The weighted average annual interest rates for the short-term bank loans as of March 31, 2008 and 2007, were 3.5% and 4.0%, respectively.

Long-term debt at March 31, 2008 and 2007, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Unsecured 0.54% yen bonds, due 2008		¥ 2,000	
Unsecured 0.50% yen bonds, due 2009		170	
Unsecured 0.90% yen bonds, due 2009		100	
Unsecured 1.42% yen bonds, due 2011	¥ 500	500	$ 4,990
Unsecured 1.36% yen bonds, due 2012	800	1,000	7,984
Unsecured 1.40% yen bonds, due 2012	900		8,982
Unsecured 1.50% yen bonds, due 2012	500		4,990
Unsecured 1.24% yen bonds, due 2012	270		2,695
Unsecured 1.29% yen bonds, due 2013	2,000		19,960
Unsecured zero coupon yen convertible bonds, due 2009	6,000	6,000	59,880
Loans from banks and insurance companies, due serially to 2013 with interest rates ranging from 1.55% to 6.09%(2008 and 2007):			
Collateralized	3,230	3,225	32,236
Unsecured	4,730	5,867	47,201
Lease obligations	2	17	24
Total	18,932	18,879	188,942
Less current portion	(2,423)	(4,259)	(24,181)
Long-term debt, less current portion	¥16,509	¥14,620	$164,761

The unsecured zero coupon yen convertible bonds, due 2009 are convertible into common stocks on or after August 8, 2005 and up to including July 10, 2009. Unsecured zero coupon yen convertible bonds outstanding at March 31, 2008, were convertible into 9,160,305 shares of common stock of the Company. The conversion price was ¥655 per share at March 31, 2008. The conversion price of the unsecured zero coupon yen convertible bonds is subject to adjustments to reflect stock splits and certain other events. Under certain conditions, the unsecured zero coupon yen convertible bonds may be redeemed prior to maturity in whole at the option of the Company at prices ranging from 100% to 104% of the principal amount.

The Company must maintain net assets in excess of ¥13,813 million ($137,854 thousand) as of every year-end and interim closing dates. As of March 31, 2008, the Company was in compliance with this requirement.

Annual maturities of long-term debt as of March 31, 2008 for the next five years were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2009	¥ 2,423	$ 24,181
2010	9,023	90,047
2011	1,521	15,183
2012	3,180	31,737
2013	2,785	27,794
Total	¥18,932	$188,942

The carrying amounts of assets pledged as collateral for short-term bank loans of ¥6,713 million ($66,991 thousand), current portion of long-term bank loans of ¥380 million ($3,792 thousand), long-term bank loans of ¥2,850 million ($28,443 thousand) and deposit received accounts which were included in other current liabilities of ¥59 million ($587 thousand) and included in other long-term liabilities of ¥214 million ($2,132 thousand) at March 31, 2008, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Land	¥ 632	$ 6,303
Buildings and structures —net of accumulated depreciation	2,167	21,629
Machinery and equipment —net of accumulated depreciation	5	53
Investment securities	4,648	46,383
Total	¥7,452	$74,368

In addition to the above loan balances, in order to raise liquidity, the Company entered into a committed loan facility agreement, aggregated amount of ¥6,000 million ($59,880 thousand), with a syndicate of six Japanese banks, arranged by The Bank of Tokyo-Mitsubishi UFJ, Ltd. The Company must maintain net assets in excess of ¥13,813 million ($137,854 thousand) as of every year-end and interim closing dates. As of March 31, 2008, the Company was in compliance with this requirement.

7. RETIREMENT AND PENSION PLANS

The Company and its certain consolidated subsidiaries have severance payment plans for employees, directors, executive officers and corporate auditors. The 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 payments 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 employees' retirement benefits at March 31, 2008 and 2007, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Projected benefit obligation	¥(17,684)	¥(19,312)	$(176,481)
Fair value of plan assets	8,534	10,254	85,169
Unrecognized actuarial loss	2,495	1,841	24,898
Unrecognized transitional obligation	1,587	1,821	15,836
Unrecognized prior service cost	8	12	83
Benefits paid	(1,314)	(1,209)	(13,113)
Net liability	¥ (6,374)	¥ (6,593)	$ (63,608)

The components of net periodic retirement benefit costs for the years ended March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Service cost	¥1,036	¥1,073	$10,345
Interest cost	370	386	3,693
Expected return on plan assets	(329)	(329)	(3,286)
Recognized actuarial loss	280	237	2,796
Amortization of transitional obligation	250	302	2,496
Amortization of prior service cost	2	2	16
Net periodic retirement benefit costs	¥1,609	¥1,671	$16,060

The above service cost does not include additional retirement payments of ¥197 million ($1,968 thousand) and ¥154 million for the years ended March 31, 2008 and 2007, respectively.

Assumptions used for the years ended March 31, 2008 and 2007 were set forth as follows:

	2008	2007
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	4.0%	4.0%
Recognition period of actuarial gain/loss	12 years	12 years
Amortization period of transitional obligation	15 years	15 years

Retirement allowances for directors and corporate auditors are paid subject to approval of the shareholders in accordance with a new corporate law of Japan (the "Corporate Law").

8. EQUITY

Since May 1, 2006, Japanese companies have been subject to the Corporate Law which reformed and replaced the Commercial Code of Japan. The significant provisions in the Corporate Law that affect financial and accounting matters are summarized below:

a. Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal 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 cannot do so because it 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 Corporate Law 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 Corporate Law 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 total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Corporate Law 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 specific formula.

Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity.

The Corporate Law 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.

9. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.7% for the years ended March 31, 2008 and 2007.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2008 and 2007, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Deferred tax assets—Current:			
Accrued bonuses to employees	¥ 459	¥ 599	$ 4,577
Research and development cost	474	435	4,729
Accrued enterprise taxes	18	183	177
Unrealized intercompany profits of inventories	271	631	2,703
Loss on write-down of inventories	583	598	5,822
Tax loss carryforwards	386		3,852
Other	492	490	4,914
Less valuation allowance	(2)	(2)	(16)
Total	2,681	2,934	26,758
Deferred tax liabilities—Current	(280)	(173)	(2,799)
Net deferred tax assets—Current	¥2,401	¥2,761	$23,959

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Deferred tax assets—Non-current:			
Amortization of software	¥ 1,017	¥ 971	$ 10,153
Loss on write-down of investment securities	279	263	2,787
Liability for employees' retirement benefits	2,218	2,337	22,135
Retirement allowances for directors, executive officers and corporate auditors	282	265	2,810
Tax loss carryforwards	323	200	3,223
Other	385	376	3,839
Less valuation allowance	(592)	(468)	(5,905)
Total	3,912	3,944	39,042
Deferred tax liabilities—Non-current	(1,519)	(2,149)	(15,162)
Net deferred tax assets—Non-current	¥ 2,393	¥ 1,795	$ 23,880
Deferred tax liabilities—Current:			
Advances received	¥ (52)	¥ (53)	$ (526)
Other	(233)	(156)	(2,328)
Total	(285)	(209)	(2,854)
Deferred tax assets—Current	280	173	2,799
Net deferred tax liabilities—Current	¥ (5)	¥ (36)	$ (55)
Deferred tax liabilities—Non-current:			
Unrealized gain on available-for-sale securities	¥(1,158)	¥(1,880)	$(11,558)
Undistributed earnings of associated companies	(278)	(212)	(2,771)
Other	(144)	(94)	(1,437)
Total	(1,580)	(2,186)	(15,766)
Deferred tax assets—Non-current	1,519	2,149	15,162
Net deferred tax liabilities—Non-current	¥ (61)	¥ (37)	$ (604)

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 years ended March 31, 2008 is as follows:

	2008
Normal effective statutory tax rate	40.7%
Expenses not deductible for income tax purposes	8.5
Capitation of local inhabitant tax	1.6
Unrealized inter company profits	26.6
Difference in tax rates of foreign subsidiaries	6.8
Less valuation allowance	7.4
Other – net	6.0
Actual effective tax rate	97.6%

A reconciliation for the year ended March 31, 2007 is not presented as the difference was not material.

At March 31, 2008, certain subsidiaries had tax loss carryforwards aggregating approximately ¥1,754 million ($17,501 thousand) which were available to be offset against taxable income of such subsidiaries in future years.

The tax loss carryforwards, if not utilized, will expire in years ending in 2013 and thereafter.

10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥6,486 million ($64,728 thousand) and ¥5,984 million for the years ended March 31, 2008 and 2007, respectively.

11. RELATED PARTY TRANSACTIONS

Transactions with unconsolidated subsidiaries and associated companies for the years ended March 31, 2008 and 2007, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Sales	¥2,726	¥3,269	$27,206
Purchases	225	143	2,246
Selling, general and administrative expenses	202	285	2,016

12. LEASES

The Companies lease certain machinery, computer equipment, office space and other assets.

Total rental expenses, primarily for lease agreements for office space which were cancelable at the option of the Company or upon expiration, for the years ended March 31, 2008 and 2007, were ¥1,839 million ($18,352 thousand) and ¥1,937 million, respectively, including ¥268 million ($2,678 thousand) and ¥327 million of lease payments under finance leases.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense and interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2008 and 2007 was as follows:

Year Ended March 31, 2008

	Millions of Yen				
	Buildings and Structures	Machinery and Equipment	Tools, Furniture and Fixtures	Software	Total
Acquisition cost	¥7	¥84	¥672	¥393	¥1,156
Accumulated depreciation	5	24	475	292	796
Net leased property	¥2	¥60	¥197	¥101	¥ 360

	Thousands of U.S. Dollars				
	Buildings and Structures	Machinery and Equipment	Tools, Furniture and Fixtures	Software	Total
Acquisition cost	$68	$839	$6,708	$3,918	$11,533
Accumulated depreciation	54	234	4,739	2,912	7,939
Net leased property	$14	$605	$1,969	$1,006	$ 3,594

Year Ended March 31, 2007

	Millions of Yen				
	Buildings and Structures	Machinery and Equipment	Tools, Furniture and Fixtures	Software	Total
Acquisition cost	¥7	¥34	¥616	¥826	¥1,483
Accumulated depreciation	5	13	441	611	1,070
Net leased property	¥2	¥21	¥175	¥215	¥ 413

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Due within one year	¥142	¥241	$1,412
Due after one year	270	318	2,695
Total	¥412	¥559	$4,107

Depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Depreciation expense	¥191	¥224	$1,905
Interest expense	18	19	184
Total	¥209	¥243	$2,089

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of income, were computed by the declining-balance method and the interest method, respectively.

The minimum rental commitments under noncancelable operating leases at March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Due within one year	¥191	¥231	$1,910
Due after one year	200	172	1,991
Total	¥391	¥403	$3,901

13. DERIVATIVES

The Companies enter into derivative financial instruments ("derivatives"), including foreign currency forward contracts and currency swaps, to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Companies also enter into interest rate swap agreements as a means of managing their interest rate exposure.

It is the Companies' policy to use derivatives only for the purpose of reducing market risks associated with assets and liabilities. The Companies do not hold or issue derivatives for trading purposes.

Derivatives are subject to market risk. Market risk is the exposure created by potential fluctuations in market conditions, including foreign exchange rates and interest rates. Because the counterparties to those derivatives are limited to major international financial institutions, the Companies do not anticipate any losses arising from credit risk.

The basic policies for the use of derivatives are approved by the Board of Directors and the execution and control of derivatives are controlled by the Financial Department.

Foreign currency forward contracts, interest rate swaps and currency swaps which qualified for hedge accounting for the years ended March 31, 2008 and 2007, are excluded from the disclosure of market value information.

14. CONTINGENT LIABILITIES

At March 31, 2008, the Companies had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Trade notes discounted	¥5,399	$53,886
Guarantees of advance received of unconsolidated subsidiary	¥ 203	$ 2,025

15 NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2008 and 2007 was as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2008	Net Income	Weighted-average Shares	EPS	
Basic EPS—Net income available to common shareholders	¥113	78,977	¥1.42	$0.01
Effect of dilutive securities—Convertible bonds		9,160		
Diluted EPS—Net income for computation	¥113	88,137	¥1.28	$0.01

Year Ended March 31, 2007			
Basic EPS—Net income available to common shareholders	¥2,816	79,308	¥35.50
Effect of dilutive securities—Convertible bonds		9,160	
Diluted EPS—Net income for computation	¥2,816	88,468	¥31.83

16. SUBSEQUENT EVENT

The following appropriation of retained earnings at March 31, 2008, was approved at the Company's shareholders meeting held on June 27, 2008:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥2.5 ($0.02) per share	¥196	$1,954

17. SEGMENT INFORMATION

Information about operations in different industry segments, geographical segments and sales to foreign customers of the Companies for the years ended March 31, 2008 and 2007, was as follows:

(1)Industry Segments

a. Sales and Operating Income

	Millions of Yen			
	2008			
	Scientific Instrument	Industrial Equipment	Eliminations/ Corporate	Consolidated
Sales to customers	¥39,090	¥54,799		¥93,889
Intersegment sales				
Total sales	39,090	54,799		93,889
Operating expenses	37,971	50,837	¥ 2,927	91,735
Operating income	¥ 1,119	¥ 3,962	¥(2,927)	¥ 2,154

b. Total Assets, Depreciation and Capital Expenditures

	Millions of Yen			
	2008			
	Scientific Instrument	Industrial Equipment	Eliminations/ Corporate	Consolidated
Total assets	¥33,812	¥54,384	¥18,126	¥106,322
Depreciation	1,149	1,699	75	2,923
Capital expenditures	1,911	4,191	16	6,118

a. Sales and Operating Income

	Thousands of U.S. Dollars			
	2008			
	Scientific Instrument	Industrial Equipment	Eliminations/ Corporate	Consolidated
Sales to customers	$390,119	$546,892		$937,011
Intersegment sales				
Total sales	390,119	546,892		937,011
Operating expenses	378,945	507,351	$ 29,215	915,511
Operating income	$ 11,174	$ 39,541	$(29,215)	$ 21,500

b. Total Assets, Depreciation and Capital Expenditures

	Thousands of U.S. Dollars			
	2008			
	Scientific Instrument	Industrial Equipment	Eliminations/ Corporate	Consolidated
Total assets	$337,446	$542,753	$180,896	$1,061,095
Depreciation	11,464	16,955	752	29,171
Capital expenditures	19,072	41,831	155	61,058

a. Sales and Operating Income

	Millions of Yen			
	2007			
	Scientific Instrument	Industrial Equipment	Eliminations/ Corporate	Consolidated
Sales to customers	¥64,364	¥37,412		¥101,776
Intersegment sales				
Total sales	64,364	37,412		101,776
Operating expenses	60,729	32,920	¥ 2,814	96,463
Operating income	¥ 3,635	¥ 4,492	¥(2,814)	¥ 5,313

b. Total Assets, Depreciation and Capital Expenditures

	Millions of Yen			
	2007			
	Scientific Instrument	Industrial Equipment	Eliminations/ Corporate	Consolidated
Total assets	¥51,538	¥34,516	¥25,141	¥111,195
Depreciation	1,612	996	64	2,672
Capital expenditures	1,698	1,379	15	3,092

Beginning in the year ended March 31, 2008, certain of the electron microscopes traditionally included in scientific instrument were classified under a new division, measurement/inspection, under the industrial equipment segment. Reasons for these changes are: (a) these microscopes are primarily used in industrial applications such as quality control of semiconductors; and (b) one of the goals in our mid term plan, Action 60, is to strengthen our semiconductor equipment business by integrating scanning electron microscopy(SEM) to respond to market demands. Consolidated accounting results of the previous year, adjusted under the new business divisions, are as follows:

a. Sales and Operating Income

	Millions of Yen 2007 Scientific Instrument	Industrial Equipment	Eliminations/ Corporate	Consolidated
Sales to customers	¥42,439	¥59,337		¥101,776
Intersegment sales				
Total sales	42,439	59,337		101,776
Operating expenses	40,281	53,368	¥ 2,814	96,463
Operating income	¥ 2,158	¥ 5,969	¥(2,814)	¥ 5,313

b. Total Assets, Depreciation and Capital Expenditures

	Millions of Yen 2007 Scientific Instrument	Industrial Equipment	Eliminations/ Corporate	Consolidated
Total assets	¥33,429	¥52,625	¥25,141	¥111,195
Depreciation	952	1,656	64	2,672
Capital expenditures	987	2,090	15	3,092

Note:

The Companies primarily engage in the manufacture and sale of products in two major segments, grouped on the basis of similarities in the type, nature and market of the products. The two segments, namely, scientific instrument and industrial equipment, consist of the following main products:

Scientific instrument:
Transmission Electron Microscopes, NMR Spectrometers, Mass Spectrometers, etc.
Industrial equipment:
Scanning Electron Microscopes, Electron Beam Lithography System, Wafer Inspection Systems, High Frequency Plasma Generators, Clinalyzers, etc.

(2)Geographical Segments

The geographical segments of the Companies for the years ended March 31, 2008 and 2007 were summarized as follows:

	Millions of Yen 2008 Japan	North America Latin America	Other	Eliminations/ Corporate	Consolidated
Sales to customers	¥66,746	¥12,186	¥14,957		¥ 93,889
Interarea transfer	13,168	254	510	¥(13,932)	
Total sales	79,914	12,440	15,467	(13,932)	93,889
Operating expenses	75,988	11,472	14,819	(10,544)	91,735
Operating income	¥ 3,926	¥ 968	¥ 648	¥ (3,388)	¥ 2,154
Total assets	¥76,789	¥ 6,136	¥ 9,360	¥ 14,037	¥106,322

	Thousands of U.S. Dollars 2008 Japan	North America Latin America	Other	Eliminations/ Corporate	Consolidated
Sales to customers	$666,123	$121,617	$149,271		$ 937,011
Interarea transfer	131,423	2,534	5,086	$(139,043)	
Total sales	797,546	124,151	154,357	(139,043)	937,011
Operating expenses	758,362	114,485	147,891	(105,227)	915,511
Operating income	$ 39,184	$ 9,666	$ 6,466	$ (33,816)	$ 21,500
Total assets	$766,350	$ 61,241	$ 93,413	$ 140,091	$1,061,095

	Millions of Yen 2007 Japan	North America Latin America	Other	Eliminations/ Corporate	Consolidated
Sales to customers	¥73,119	¥15,176	¥13,481		¥101,776
Interarea transfer	13,997	189	449	¥(14,635)	
Total sales	¥87,116	15,365	13,930	(14,635)	101,776
Operating expenses	79,539	15,092	13,472	(11,640)	96,463
Operating income	7,577	¥ 273	¥ 458	¥ (2,995)	¥ 5,313
Total assets	¥74,226	¥ 6,163	¥ 7,929	¥ 22,877	¥111,195

Note:

Each area primarily refers to the following countries:

North America, Latin America: U.S.A., Canada and Mexico
Other: Europe, Southeast Asia and Australia

(3)Sales to Foreign Customers

The sales to foreign customers of the Companies for the years ended March 31, 2008 and 2007 were summarized as follows:

	Millions of Yen 2008 North America Latin America	Other	Total
Overseas sales (A)	¥19,716	¥24,915	¥44,631
Consolidated sales (B)			93,889
(A)/(B)	21.0%	26.5%	47.5%

	Thousands of U.S. Dollars 2008 North America Latin America	Other	Total
Overseas sales (A)	$196,768	$248,656	$445,424
Consolidated sales (B)			937,011
(A)/(B)	21.0%	26.5%	47.5%

	Millions of Yen 2007 North America Latin America	Other	Total
Overseas sales (A)	¥23,797	¥21,569	¥45,366
Consolidated sales (B)			101,776
(A)/(B)	23.4%	21.2%	44.6%

Note:

The Companies are summarized in these segments by geographic area and the countries where the customers are located. The segments consisted of the following countries:

North America, Latin America: U.S.A., Canada and Mexico
Other: Europe, Asia and Australia

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
JEOL Ltd.:

We have audited the accompanying consolidated balance sheets of JEOL Ltd. and consolidated subsidiaries as of March 31, 2008 and 2007, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of JEOL Ltd. and consolidated subsidiaries as of March 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 2.e to the consolidated financial statements, the Company changed its method of accounting for depreciation effective April 1, 2007.

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

Deloitte Touche Tohmatsu

June 27, 2008

Member of
Deloitte Touche Tohmatsu

Corporate Outline

(As of March 31, 2008)

Corporate Name:	JEOL Ltd.
Address:	1-2, Musashino 3-chome, Akishima, Tokyo 196-8558, Japan TEL: +81-42-543-1111 FAX: +81-42-546-3353
Establishment:	May 30, 1949
Capital:	¥6,740 million
Number of Employees:	Consolidated 3,047 Non-consolidated 1,326

Stock Information:

Authorized shares: 200,000,000

Issued shares: 79,365,600

Number of shareholders: 11,835

Head Office and Branch Offices:

Head Office: Factory
Tokyo Office
Tokyo Branch Office
Sapporo Branch Office
Sendai Branch Office
Tsukuba Branch Office
Yokohama Branch Office
Nagoya Branch Office
Osaka Branch Office
Kansai Application Research Center
Hiroshima Branch Office
Fukuoka Branch Office

Domestic Subsidiaries and Affiliated Companies:

JEOL TECHNICS LTD.
JEOL DATUM LTD.
JEOL FINETECH CO., LTD.
JEOL SYSTEM TECHNOLOGY CO., LTD.
JEOL ENGINEERING CO., LTD.
JEOL ACTIVE CO., LTD.
JEOL TECHNOSERVICE CO., LTD.
YAMAGATA CREATIVE CO., LTD.
ADVANCED CAPACITOR TECHNOLOGIES, INC.

Overseas Subsidiaries and Affiliated Companies:

JEOL USA, INC. [USA]	11 Dearborn Road, Peabody, MA. 01960, USA TEL. 1-978-535-5900
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JEOL (U.K.) LTD. [U.K.]	JEOL House, Silver Court, Watchmead, Welwyn Garden City, Herts AL7 1LT, U.K. TEL. 44-1707-377117
JEOL (EUROPE) B. V. [the Netherlands]	Lireweg 4, NL-2153 PH Nieuw-Vennep, The Netherlands TEL. 31-252-623500
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JEOL DE MEXICO S.A. DE C.V. [Mexico]	Av. Amsterdam #46 DEPS. 402 Col Hipodromo, Mexico 06100, Mexico D.F. Mexico TEL. 52-5-55-211-4511
JEOL CANADA, INC. [Canada]	5757 Cavendish Boulevard, Suite 504, Montreal, Quebec H4W 2W8, Canada TEL. 1-514-482-6427
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Beijing Creative Technology Co., Ltd. [China]	Room 415, Building B, No.18 Xihuannan Road, BDA (Beijing Economic-technological Development Area) Beijing, China TEL. 86-10-6737-2198
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JEOL KOREA LTD. [Korea]	Sunmin Building. 6th F1., 218-16, Nonhyun-Dong, Kangnam-Ku, Seoul 135-010, Korea TEL. 82-2-511-5501

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