Consolidated Balance Sheet (March 31, 2023)

ASSETS	Millions of Yen 2023	2022	Thousands of U.S. Dollars (Note 1) 2023
CURRENT ASSETS:			
Cash and cash equivalents (Note 14)	¥ 32,005	¥ 42,351	$ 239,735
Time deposits (Note 14)	2,250	1,876	16,854
Receivables (Notes 14 and 20):			
Trade notes	2,664	2,416	19,955
Trade accounts			
Trade accounts and contract assets	46,841	38,399	350,870
Unconsolidated subsidiaries and associated companies	879	353	6,587
Other	77	397	575
Allowance for doubtful receivables	(868)	(577)	(6,503)
Inventories (Note 5)	68,754	59,112	515,013
Prepaid expenses and other current assets	6,460	5,134	48,389
Total current assets	159,062	149,461	1,191,475
PROPERTY, PLANT AND EQUIPMENT (Note 7):			
Land	3,711	3,654	27,800
Buildings and structures	28,347	28,512	212,334
Machinery and equipment	5,547	5,458	41,548
Tools, furniture, and fixtures	25,382	24,636	190,129
Lease assets	3,488	2,736	26,132
Construction in progress	618	293	4,626
Total	67,093	65,289	502,569
Accumulated depreciation	(45,931)	(43,639)	(344,054)
Net property, plant and equipment	21,162	21,650	158,515
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4, 7 and 14)	7,497	6,924	56,155
Investments in and advances to unconsolidated subsidiaries and associated companies (Note 14)	2,198	1,971	16,461
Software	928	535	6,951
Software lease	51	87	380
Goodwill (Notes 3 and 21)	641	1,136	4,799
Deferred tax assets (Note 10)	4,029	3,305	30,182
Other intangible assets	1,173	1,647	8,787
Other assets	2,539	2,846	19,030
Total investments and other assets	19,056	18,451	142,745
TOTAL	¥ 199,280	¥ 189,562	$ 1,492,735

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2023	2022	Thousands of U.S. Dollars (Note 1) 2023
CURRENT LIABILITIES:			
Current portion of long-term borrowings (Notes 7 and 14)	¥ 4,740	¥ 4,904	$ 35,501
Current portion of bonds (Notes 7 and 14)	204	186	1,528
Current portion of long-term lease obligations (Notes 7 and 14)	427	266	3,200
Payables (Note 14):			
Trade notes	3,333	3,127	24,967
Trade accounts	11,654	10,162	87,293
Unconsolidated subsidiaries and associated companies	981	618	7,351
Other	3,229	7,265	24,185
Electronically recorded obligations	16,722	13,014	125,262
Income taxes payable	4,533	4,030	33,958
Contract liabilities (Note 20)	29,649	33,351	222,092
Accrued bonuses to employees	1,869	1,715	14,003
Other current liabilities	3,566	3,132	26,707
Total current liabilities	80,907	81,770	606,047
LONG-TERM LIABILITIES:			
Bonds (Notes 7 and 14)		204	
Long-term borrowings (Notes 7 and 14)	6,527	11,267	48,893
Long-term lease obligations (Notes 7 and 13)	580	284	4,342
Deferred tax liabilities (Note 10)	344	343	2,577
Liability for employees' retirement benefits (Note 8)	7,761	7,827	58,132
Retirement allowances for directors, executive officers, and Audit & Supervisory Board members (Note 8)	17	22	124
Board Incentive Plan allowances	530	480	3,972
Asset retirement obligations	317	317	2,376
Other long-term liabilities	401	1,144	3,010
Total long-term liabilities	16,477	21,888	123,426
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 13, 15 and 16)			
EQUITY (Note 9):			
Common stock—authorized, 100,000,000 shares; issued, 51,532,800 shares in 2023 and 2022	21,394	21,394	160,256
Capital surplus	21,271	21,271	159,335
Retained earnings	55,117	40,679	412,866
Treasury stock—at cost, 522,907 shares in 2023 and 539,847 shares in 2022	(904)	(1,022)	(6,778)
Accumulated other comprehensive income (loss):			
Unrealized gain on available-for-sale securities	3,948	3,605	29,573
Deferred gain (loss) on derivatives under hedge accounting	77	(69)	575
Foreign currency translation adjustments	941	(142)	7,047
Defined retirement benefit plans	52	188	388
Total equity	101,896	85,904	763,262
TOTAL	¥ 199,280	¥ 189,562	$ 1,492,735

Consolidated Statement of Income (Year Ended March 31, 2023)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
NET SALES (Note 12)	¥ 162,690	¥ 138,408	$ 1,218,650
COST OF SALES (Note 12)	89,988	83,043	674,065
Gross profit	72,702	55,365	544,585
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 11 and 12)	48,546	41,221	363,644
Operating income	24,156	14,144	180,941
OTHER INCOME (EXPENSES):			
Interest and dividend income	282	232	2,110
Revenue from performance of research and development services	87	96	651
Insurance claim receipt	5	13	40
Subsidy income		729	
Interest expense	(74)	(130)	(554)
Foreign exchange gain (loss)—net	(1,184)	832	(8,867)
Loss on sales of trade receivables	(6)	(7)	(48)
Loss on sales and disposals of property, plant and equipment—net	(271)	(35)	(2,028)
Loss on write-down of investment securities	(8)	(21)	(58)
Equity in earnings of unconsolidated subsidiaries and associated companies	224	193	1,675
Gain on sales of investment securities	825	395	6,180
Gain on sales of shares of unconsolidated subsidiaries	188		1,409
Impairment loss	(520)		(3,896)
Other—net	12	211	90
Other income (expenses)—net	(440)	2,508	(3,296)
INCOME BEFORE INCOME TAXES	23,716	16,652	177,645
INCOME TAXES (Note 10):			
Current	6,849	4,797	51,306
Deferred	(964)	(424)	(7,226)
Total income taxes	5,885	4,373	44,080
NET INCOME	17,831	12,279	133,565
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 17,831	¥ 12,279	$ 133,565

	Yen		U.S. Dollars
	2023	2022	2023
PER SHARE OF COMMON STOCK (Notes 2.v and 17):			
Basic net income	¥ 349.34	¥ 246.78	$ 2.62
Cash dividends applicable to the year	66.00	50.00	0.49

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income (Year Ended March 31, 2023)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
NET INCOME	¥ 17,831	¥ 12,279	$ 133,565
OTHER COMPREHENSIVE INCOME (LOSS) (Note 18):			
Unrealized gain (loss) on available-for-sale securities	343	(508)	2,566
Deferred gain (loss) on derivatives under hedge accounting	146	(44)	1,092
Foreign currency translation adjustments	981	1,174	7,347
Defined retirement benefit plans	(136)	376	(1,018)
Share of other comprehensive income in unconsolidated subsidiaries and associated companies	102	142	765
Total other comprehensive income	1,436	1,140	10,752
COMPREHENSIVE INCOME	¥ 19,267	¥ 13,419	$ 144,317
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ 19,267	¥ 13,419	$ 144,317
Noncontrolling interests			

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity (Year Ended March 31, 2023)

	Thousands	Millions of Yen								
						Accumulated Other Comprehensive Income (Loss)				
	Number of Shares of Common Stock Issued	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total Equity
BALANCE, MARCH 31, 2021	48,858	¥ 10,038	¥ 9,915	¥ 29,664	¥ (1,059)	¥ 4,113	¥ (25)	¥ (1,458)	¥ (188)	¥ 51,000
Cumulative effect of accounting change				(1)						(1)
BALANCE, MARCH 31, 2021 (as restated)	48,858	10,038	9,915	29,663	(1,059)	4,113	(25)	(1,458)	(188)	50,999
Net income attributable to owners of the parent				12,279						12,279
Issuance of new shares	2,675	11,356	11,356							22,712
Cash dividends, for prior year-end, ¥14 per share, and for current year interim, ¥36 per share				(1,305)						(1,305)
Purchase of treasury stock					(1)					(1)
Disposal of treasury stock					38					38
Increase due to accounting term alterations of subsidiary				42						42
Net change in items other than shareholders' equity						(508)	(44)	1,316	376	1,140
BALANCE, MARCH 31, 2022	51,533	21,394	21,271	40,679	(1,022)	3,605	(69)	(142)	188	85,904
Net income attributable to owners of the parent				17,831						17,831
Cash dividends, for prior year-end, ¥30 per share, and for current year interim, ¥36 per share				(3,393)						(3,393)
Disposal of treasury stock					118					118
Net change in items other than shareholders' equity						343	146	1,083	(136)	1,436
BALANCE, MARCH 31, 2023	51,533	¥ 21,394	¥ 21,271	¥ 55,117	¥ (904)	¥ 3,948	¥ 77	¥ 941	¥ 52	¥101,896

	Thousands of U.S. Dollars (Note 1)								
					Accumulated Other Comprehensive Income (Loss)				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total Equity
BALANCE, MARCH 31, 2022	$ 160,256	$ 159,335	$ 304,719	$ (7,661)	$ 27,007	$ (517)	$ (1,065)	$ 1,406	$ 643,480
Net income attributable to owners of the parent			133,565						133,565
Cash dividends, for prior year-end, $0.22 per share,and for current year interim, $0.27 per share			(25,418)						(25,418)
Disposal of treasury stock				883					883
Net change in items other than shareholders' equity					2,566	1,092	8,112	(1,018)	10,752
BALANCE, MARCH 31, 2023	$ 160,256	$ 159,335	$ 412,866	$ (6,778)	$ 29,573	$ 575	$ 7,047	$ 388	$ 763,262

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows (Year Ended March 31, 2023)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
Income before income taxes	¥ 23,716	¥ 16,652	$ 177,645
Adjustments for:			
Income taxes—paid	(6,139)	(2,245)	(45,985)
Depreciation and amortization	4,674	4,106	35,011
Amortization of goodwill	250	230	1,872
Loss on sales and disposals of property, plant and equipment—net	271	35	2,028
Gain on write-down of investment securities	(817)	(374)	(6,122)
Gain on sales of shares of unconsolidated subsidiaries	(188)		(1,409)
Increase (decrease) in contract liabilities	(4,878)	12,262	(36,540)
Subsidy income		(729)	
Impairment loss	520		3,896
Equity in earnings of unconsolidated subsidiaries and associated companies	(224)	(193)	(1,675)
Changes in assets and liabilities:			
Increase in trade notes and accounts receivable	(8,443)	(8,940)	(63,243)
Increase in inventories	(9,523)	(1,847)	(71,331)
Increase in trade notes and accounts payable	4,857	5,001	36,385
Increase in provision for accrued bonuses to employees	143	241	1,071
Decrease in liability for employees' retirement benefits	(222)	(63)	(1,663)
Increase in retirement allowances for directors, executive officers, and Audit & Supervisory Board members	163	186	1,218
Other—net	(808)	(1,718)	(6,051)
Total adjustments	(20,364)	5,952	(152,538)
Net cash provided by operating activities	3,352	22,604	25,107
OPERATING ACTIVITIES:			
Increase in time deposits—net	(273)	(5)	(2,044)
Proceeds from sales of investment securities	864	864	6,469
Payment for purchases of investment securities	(135)		(1,011)
Proceeds from sale of shares in consolidated subsidiaries	217		1,627
Proceeds from sales of property, plant and equipment	87	62	654
Payment for purchases of property, plant and equipment	(6,029)	(1,159)	(45,161)
Payment for purchases of intangible assets	(361)	(356)	(2,704)
Other—net	(104)	(55)	(782)
Net cash used in investing activities	(5,734)	(649)	(42,952)
INVESTING ACTIVITIES:			
Decrease in short-term bank loans—net		(6,536)	
Repayments of long-term borrowings	(4,904)	(6,167)	(36,737)
Payment for redemption of bonds	(186)	(2,736)	(1,393)
Purchase of treasury stock		(1)	
Cash dividends paid	(3,387)	(1,303)	(25,369)
Proceeds from issuance of common shares		22,599	
Other—net	(256)	(339)	(1,916)
Net cash (used in) provided by financing activities	(8,733)	5,517	(65,415)
FINANCING ACTIVITIES:			
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	769	936	5,760
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(10,346)	28,408	(77,500)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	42,351	14,482	317,235
NET DECREASE IN CASH AND CASH EQUIVALENTS FROM ACCOUNTING TERM ALTERATIONS OF SUBSIDIARIES		(539)	
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 32,005	¥ 42,351	$ 239,735

See notes to consolidated financial statements.

1 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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.

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 ¥133.5 to $1, the approximate rate of exchange at March 31, 2023. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation

The consolidated financial statements as of March 31, 2023, include the accounts of the Company and its 19 (20 in 2022) significant subsidiaries (together, the "Group").

JEOL RESONANCE, INC., one of its consolidated subsidiaries, is excluded from the consolidation scope because it merged with the Company on October 1, 2022.

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

Investments in 9 (9 in 2022) unconsolidated subsidiaries and 2 (3 in 2022) associated companies are accounted for by the equity method.

IonSense, INC., one of its associated companies accounted for by the equity method, is excluded from the scope of the equity method because all shares held in the Company were sold on April 13, 2022.

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

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

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

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

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

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

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

d. Business Combinations

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

e. Cash Equivalents

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

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

f. Inventories

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

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

g. Investment Securities

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

Nonmarketable available-for-sale equity 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.

Effective April 1, 2021, the Company applied ASBJ Statement No. 30, "Accounting Standard for Fair Value Measurement" and ASBJ Guidance No. 31, "Implementation Guidance on Accounting Standard for Fair Value Measurement," and revised related ASBJ Statements and ASBJ Guidance (the "New Accounting Standards"). Under the New Accounting Standards, nonmarketable available-for-sale equity securities are stated at cost, while under the previous accounting standards, nonmarketable available-for-sale securities are stated at cost. The Company applied the New Accounting Standards prospectively.

h. Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed by the declining-balance method based on the estimated useful lives of the assets, while the straight-line method is applied to all property, plant and equipment of consolidated foreign subsidiaries. The range of useful lives is from 7 to 50 years for buildings and structures and from 2 to 20 years for tools, furniture, and fixtures.

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

i. Long-Lived Assets

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

Accumulated depreciation includes the accumulated amounts of impairment losses.

j. Software

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

k. Stock Issue Costs

Stock issue costs are amortized to income by the straight-line method over three years in accordance with ASBJ PITF No. 19, "Tentative Solution on Accounting for Deferred Assets," which was issued by the ASBJ in August 2006.

l. Bond Issue Costs

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

m. Retirement and Pension Plans

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

n. Asset Retirement Obligations

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

o. Revenues Recognition

The Group recognizes revenue under the following five-step approach for contracts with customers.

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

For details of the criteria for revenue recognition, see Note 20, "Revenues Recognition."

p. R&D

R&D costs are charged to income as incurred.

q. Leases

Finance lease transactions are capitalized to recognize lease assets and lease obligations in the consolidated balance sheet.

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

All other leases are accounted for as operating leases.

r. Income Taxes

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

s. Foreign Currency Transactions

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

t. Foreign Currency Financial Statements

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

u. Derivatives and Hedging Activities

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

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

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

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

v. Per Share Information

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

For the years ended March 31, 2023 and 2022, diluted net income per share is not disclosed because the Company no longer has convertible securities.

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

w. Accounting Changes and Error Corrections

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

3 SIGNIFICANT ACCOUNTING ESTIMATES

Evaluation of Goodwill and Other Intangible Assets

(1) Carrying amounts

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Goodwill	¥ 641	¥ 1,136	$ 4,799
Other intangible assets —Customer relationships	512	569	3,839
Other intangible assets —Developed technologies	591	691	4,430

(2) Information on the accounting estimate

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

4 INVESTMENT SECURITIES

Investment securities as of March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Noncurrent:			
Marketable equity securities	¥ 7,315	¥ 6,867	$ 54,793
Nonmarketable securities	182	57	1,362
Total	¥ 7,497	¥ 6,924	$ 56,155

The costs and aggregate fair values of investment securities at March 31, 2023 and 2022, were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2023				
Securities classified as available-for-sale equity securities	¥ 1,765	¥ 5,556	¥ 6	¥ 7,315

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2022				
Securities classified as available-for-sale equity securities	¥ 1,795	¥ 5,157	¥ 85	¥ 6,867

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2023				
Securities classified as available-for-sale equity securities	$ 13,219	$ 41,618	$ 44	$ 54,793

The information for available-for-sale securities which were sold during the years ended March 31, 2023 and 2022, was as follows:

	Millions of Yen		
	Proceeds	Realized Gains	Realized Loss
March 31, 2023			
Available-for-sale—Equity securities	¥ 864	¥ 825	

	Millions of Yen		
	Proceeds	Realized Gains	Realized Loss
March 31, 2022			
Available-for-sale—Equity securities	¥ 864	¥ 395	

	Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Loss
March 31, 2023			
Available-for-sale—Equity securities	$ 6,469	$ 6,180	

There is no impairment loss on available-for-sale equity securities for the year ended March 31, 2023. The impairment loss on available-for-sale equity securities for the year ended March 31, 2022, was ¥21 million.

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

5 INVENTORIES

Inventories at March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Finished products	¥ 13,506	¥ 13,978	$ 101,170
Work in process	48,241	42,217	361,353
Raw materials and supplies	7,007	2,917	52,490
Total	¥ 68,754	¥ 59,112	$ 515,013

6 IMPAIRMENT LOSS

Impairment loss for the year ended March 31, 2023, is as follows:

Location	Classification	Millions of Yen	Thousands of U.S. Dollars
Akishima, Tokyo	Construction in progress	¥ 159	$ 1,191
INTEGRATED DYNAMIC ELECTRON SOLUTIONS, INC. (Pleasanton, CA, U.S.A.)	Goodwill	316	2,366
	Intangible assets	45	339

There was no plan to use idle assets for business. Therefore, the book value was reduced to the recoverable amount and the reduced amount was recorded as impairment loss.

The recoverable amount of idle asset was evaluated zero.

Goodwill and intangible assets were recorded on the premise of excess earning power when acquiring shares of the consolidated subsidiary INTEGRATED DYNAMIC ELECTRON SOLUTIONS, INC. However, the business performance was below the original business plan and as a result of conservative review of the business plan, the undiscounted cash flow was below the book value of fixed assets. Therefore, the book value was reduced to the recoverable amount and the reduced amount was recorded as impairment loss in the consolidated accounting year.

The recoverable amount of goodwill was evaluated as value in use (discount rate was 27.5%).

7 SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2023 and 2022, consisted of notes to banks and bank overdrafts. The annual interest rates applicable to the short-term bank loans were 0% at March 31, 2023 and 2022.

Long-term debt at March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Unsecured 0.03% yen bonds, due 2023	¥ 60	¥ 120	$ 449
Unsecured 0.07% yen bonds, due 2023	144	270	1,079
Loans from banks and insurance companies, due serially to 2027 with interest rates ranging from 0.31% to 0.70% (2023 and 2022):			
Collateralized	5,349	7,295	40,066
Unsecured	5,918	8,876	44,328
Lease obligations	1,007	550	7,542
Total	12,478	17,111	93,464
Less current portion	(5,371)	(5,356)	(40,229)
Long-term debt, less current portion	¥ 7,107	¥ 11,755	$ 53,235

Annual maturities of long-term debt, excluding finance leases (see Note 13), at March 31, 2023, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2024	¥ 4,944	$ 37,029
2025	3,998	29,949
2026	1,519	11,378
2027	660	4,944
2028	350	2,622
2029 and thereafter		
Total	¥ 11,471	$ 85,922

There were no carrying amounts of assets pledged as collateral for short-term bank loans at March 31,2023 and 2022. The carrying amounts of assets pledged as collateral for current portion of long-term borrowings of ¥1,899 million ($14,222 thousand) and ¥1,946 million, and long-term borrowings of ¥3,450 million ($25,843 thousand) and ¥5,349 million at March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Land	¥ 535	¥ 535	$ 4,010
Buildings and structures—net of accumulated depreciation	2,837	3,159	21,254
Machinery and equipment—net of accumulated depreciation	1	2	9
Investment securities	3,435	3,360	25,726
Total	¥ 6,808	¥ 7,056	$ 50,999

In addition to the above loan balances, in order to increase liquidity, the Company entered into a committed loan facility agreement for an aggregated amount of ¥9,000 million ($67,416 thousand), with a syndicate of six Japanese banks, arranged by MUFG Bank, Ltd. The details of this agreement at March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Total amount of commitment line contract	¥ 9,000	¥ 9,000	$ 67,416
Net	¥ 9,000	¥ 9,000	$ 67,416

The committed loan facility agreement includes financial covenants with which the Company is in compliance. The financial covenants are as follows. As of March 31, 2023, there is no infringement of the debt covenants.

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

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

8 RETIREMENT AND PENSION PLANS

The Company and certain consolidated subsidiaries have severance payment plans for employees, directors, executive officers, and Audit & Supervisory Board members. Furthermore, certain consolidated foreign subsidiaries have pension plans for some time and the Company and certain domestic subsidiaries have selective defined contribution pension plans in the fiscal year 2022.

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

The liability for retirement benefits at March 31, 2023 and 2022, for directors and Audit & Supervisory Board members is ¥17 million ($124 thousand) and ¥22 million, respectively. The retirement benefits for directors and Audit & Supervisory Board members are paid subject to the approval of the shareholders.

(1) The changes in defined benefit obligation for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Balance at beginning of year	¥ 19,047	¥ 18,089	$ 142,672
Current service cost	1,047	1,090	7,843
Interest cost	152	157	1,138
Actuarial losses	62	508	463
Benefits paid	(1,161)	(1,389)	(8,697)
Change from simple method to principle method		585	
Others	15	7	109
Balance at end of year	¥ 19,162	¥ 19,047	$ 143,528

Note: The amount of change from simple method to principle method resulted from the acceptance of JEOL Technics LTD.'s retirement benefit obligations due to the merger. JEOL Technics LTD. had applied the simplified method.

(2) The changes in plan assets for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Balance at beginning of year	¥ 11,471	¥ 10,390	$ 85,919
Expected return on plan assets	208	205	1,555
Actuarial (gains) losses	(151)	862	(1,129)
Contributions from the employer	848	834	6,356
Benefits paid	(691)	(822)	(5,173)
Others	1	2	4
Balance at end of year	¥ 11,686	¥ 11,471	$ 87,532

(3) The changes in liability for retirement benefits under the simplified method for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Balance at beginning of year	¥ 251	¥ 551	$ 1,879
Net periodic benefit costs	37	41	276
Benefits paid	(3)	(26)	(19)
Change from simple method to principle method		(315)	
Balance at end of year	¥ 285	¥ 251	$ 2,136

Note: The amount of change from simple method to principle method resulted from the acceptance of JEOL Technics LTD.'s retirement benefit obligations due to the merger. JEOL Technics LTD. had applied the simplified method.

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

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Funded defined benefit obligation	¥ 18,949	¥ 18,858	$ 141,939
Plan assets	(11,685)	(11,471)	(87,532)
Total	7,264	7,387	54,407
Unfunded defined benefit obligation	497	440	3,725
Net liability arising from defined benefit obligation	¥ 7,761	¥ 7,827	$ 58,132

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Liability for retirement benefits	¥ 7,761	¥ 7,827	$ 58,132
Net liability arising from defined benefit obligation	¥ 7,761	¥ 7,827	$ 58,132

(5) The components of net periodic benefit costs for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Service cost	¥ 1,047	¥ 1,090	$ 7,843
Interest cost	152	157	1,138
Expected return on plan assets	(208)	(205)	(1,555)
Recognized actuarial losses	47	66	353
Amortization of prior service cost	(2)	(10)	(17)
Change from simple method to principle method		270	
Benefit costs accounted for by the simplified method	37	40	276
Net periodic benefit costs	¥ 1,073	¥ 1,408	$ 8,038

(6) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Prior service cost	¥ (2)	¥ (10)	$ (18)
Actuarial (gains) losses	(134)	386	(1,000)
Total	¥ (136)	¥ 376	$ (1,018)

(7) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Unrecognized prior service cost		¥ (2)	
Unrecognized actuarial gains	¥ (52)	(186)	$ (388)
Total	¥ (52)	¥ (188)	$ (388)

(8) Plan assets

a.Components of plan assets

Plan assets as of March 31, 2023 and 2022, consisted of the following:

	2023	2022
Debt investments	15%	16%
Equity investments	30	32
Cash and cash equivalents	1	0
General account	49	47
Others	5	5
Total	100%	100%

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

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

(9) Assumptions used for the years ended March 31, 2023 and 2022, are set forth as follows:

	2023	2022
Discount rate	0.8%	0.8%
Expected rate of return on plan assets	1.9	1.9

(10) Defined contribution plans

Retirement benefit costs of defined contribution plans as of March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Retirement benefit costs of defined contribution plans	¥ 464	¥ 211	$ 3,474

9 EQUITY

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

a. Dividends

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

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

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

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

c. Treasury Stock and Treasury Stock Acquisition Rights

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

d. Share Consolidation

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

10 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 30.6% for the years ended March 31, 2023 and 2022.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2023 and 2022, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Deferred tax assets:			
Accrued bonuses to employees	¥ 523	¥ 495	$ 3,916
R&D costs	942	666	7,058
Accrued enterprise taxes	312	280	2,333
Loss on write-down of inventories	531	407	3,980
Unrealized intercompany profits of inventories	1,317	1,083	9,868
Property, plant and equipment	503	411	3,765
Amortization of software	991	985	7,421
Impairment loss	7	8	54
Loss on write-down of investment securities	127	127	953
Liability for employees' retirement benefits	2,496	2,609	18,699
Tax loss carryforwards	49	67	370
Retirement allowances for directors, executive officers, and Audit & Supervisory Board members	22	25	166
Other	1,890	1,478	14,153
Less valuation allowance	(3,235)	(3,192)	(24,233)
Total	6,475	5,449	48,503
Deferred tax liabilities	(2,446)	(2,144)	(18,321)
Net deferred tax assets	¥ 4,029	¥ 3,305	$ 30,182
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥ (1,602)	¥ (1,467)	$ (12,002)
Undistributed earnings of associated companies	(430)	(391)	(3,218)
Other	(758)	(631)	(5,678)
Total	(2,790)	(2,489)	(20,898)
Deferred tax assets	2,446	2,144	18,321
Net deferred tax liabilities	¥ (344)	¥ (343)	$ (2,577)

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2023, with the corresponding figures for 2022, is as follows:

	2023	2022
Normal effective statutory tax rate	30.6%	30.6%
Impairment loss	0.7	
Expenses not deductible for income tax purposes	2.3	(0.2)
Inhabitant tax on per capita basis	0.2	0.3
Unrealized intercompany profits	(0.2)	0.3
Difference in tax rates of foreign subsidiaries	(1.0)	(1.2)
Foreign tax credit	0.2	0.4
Tax credit	(6.4)	(5.5)
Less valuation allowance	0.7	2.0
Other—net	(2.3)	(0.4)
Actual effective tax rate	24.8%	26.3%

11 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Depreciation and amortization, R&D costs, net periodic retirement benefit costs, and amortization of goodwill for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Depreciation and amortization	¥ 1,715	¥ 1,469	$ 12,844
R&D costs	10,391	8,516	77,836
Net periodic retirement benefit costs	465	423	3,479
Amortization of goodwill	250	230	1,872

12 RELATED-PARTY DISCLOSURES

Transactions of the Group with unconsolidated subsidiaries and associated companies for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Sales	¥ 1,617	¥ 926	$ 12,113
Purchases	1,873	1,561	14,031
Selling, general and administrative expenses	2,181	1,680	16,336

13 LEASES

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

Total rental expenses including lease payments under finance leases for the years ended March 31, 2023 and 2022, were ¥1,915 million ($14,341 thousand) and ¥1,877 million, respectively.

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

	Millions of Yen				Thousands of U.S. Dollars	
	2023		2022		2023	
	Finance Leases	Operating Leases	Finance Leases	Operating Leases	Finance Leases	Operating Leases
Due within one year	¥ 427	¥ 15	¥ 266	¥ 165	$ 3,200	$ 109
Due after one year	580	13	284	537	4,342	98
Total	¥ 1,007	¥ 28	¥ 550	¥ 702	$ 7,542	$ 207

14 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

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

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

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

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

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

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

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amount. Please see Note 15 for more details about derivatives.

(3) Fair Values of Financial Instruments

Fair values of financial instruments are as follows: Investments in equity instruments that do not have a quoted market price in an active market are not included in the following table. The fair values of cash and cash equivalents, trade notes, trade accounts, electronically recorded obligations and short-term bank loans are not disclosed because their maturities are short and the carrying values approximate fair value. Also, please see Note 15 for the details of fair value for derivatives.

(a) Fair value of financial instruments

	Millions of Yen		
March 31, 2023	Carrying Amount	Fair Value	Unrealized Gain/Loss
Investment securities	¥ 7,315	¥ 7,315	
Total	¥ 7,315	¥ 7,315	
Long-term debt	¥ 11,471	¥ 11,418	¥ (53)
Total	¥ 11,471	¥ 11,418	¥ (53)

	Millions of Yen		
March 31, 2022	Carrying Amount	Fair Value	Unrealized Gain/Loss
Investment securities	¥ 6,867	¥ 6,867	
Total	¥ 6,867	¥ 6,867	
Long-term debt	¥ 16,561	¥ 16,494	¥ (67)
Total	¥ 16,561	¥ 16,494	¥ (67)

	Thousands of U.S. Dollars		
March 31, 2023	Carrying Amount	Fair Value	Unrealized Gain/Loss
Investment securities	$ 54,793	$ 54,793	
Total	$ 54,793	$ 54,793	
Long-term debt	$ 85,922	$ 85,527	$(395)
Total	$ 85,922	$ 85,527	$(395)

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

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Investments in equity instruments that do not have a quoted market price in an active market	¥ 2,379	¥ 2,028	$ 17,823

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

	Millions of Yen
March 31, 2023	Due in 1 Year or Less
Cash and cash equivalents	¥ 32,005
Time deposits	2,250
Receivables	49,593
Total	¥ 83,848

	Millions of Yen
March 31, 2022	Due in 1 Year or Less
Cash and cash equivalents	¥ 42,351
Time deposits	1,876
Receivables	40,988
Total	¥ 85,215

	Thousands of U.S. Dollars
March 31, 2023	Due in 1 Year or Less
Cash and cash equivalents	$ 239,735
Time deposits	16,854
Receivables	371,484
Total	$ 628,073

Please see Note 7 for annual maturities of long-term debt and Note 13 for obligations under finance leases.

(5) Financial Instruments Categorized by Fair Value Hierarchy

The fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of the inputs used in making fair value measurements:

Level 1: Fair values measured by using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair values measured by using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3: Fair values measured by using unobservable inputs for the assets or liabilities.

If multiple inputs are used that have a significant impact on the measurement of fair value, fair value is categorized at the lowest level in the fair value measurement among the levels to which each of these inputs belongs.

(a) The financial assets and liabilities measured at the fair values in the consolidated balance sheet

	Millions of Yen			
March 31, 2023	Level 1	Level 2	Level 3	Total
Investment securities	¥ 7,315			¥ 7,315
Derivative transactions		¥ 111		111
Total assets	¥ 7,315	¥ 111		¥ 7,426

	Thousands of U.S. Dollars			
March 31, 2023	Level 1	Level 2	Level 3	Total
Investment securities	$ 54,793			$ 54,793
Derivative transactions		$ 829		829
Total assets	$ 54,793	$ 829		$ 55,622

(b) The financial assets and liabilities not measured at the fair values in the consolidated balance sheet

	Millions of Yen			
March 31, 2023	Level 1	Level 2	Level 3	Total
Long-term debt		¥ 11,418		¥ 11,418

	Thousands of U.S. Dollars			
March 31, 2023	Level 1	Level 2	Level 3	Total
Long-term debt		$ 85,527		$ 85,527

The following is a description of valuation methodologies and inputs used for measurement of the fair value of assets and liabilities:

Investment Securities

The fair values of investment securities are measured at the quoted market price. Since listed equity securities are traded in active markets, the fair values of listed equity securities are categorized as Level 1.

Derivatives

The fair values of interest rate swaps and foreign currency forward contracts are measured by using discounted present value techniques considering observable inputs such as interest rates and foreign currency exchange rate, and are categorized as Level 2.

Long-Term Debt

The fair values of long-term debt are measured by using discounted present value techniques considering assumptions including expected future cash flows and discount rates taking into account maturity and credit risk, and are categorized as Level 2.

15 DERIVATIVES

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

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

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

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

Derivative Transactions to Which Hedge Accounting Is Applied

		Millions of Yen		
March 31, 2023	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts—Selling USD	Receivables	¥ 3,920		¥ 111
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term debt	591	¥ 316	

		Millions of Yen		
March 31, 2022	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts—Selling USD	Receivables	¥ 2,460		¥ (99)
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term debt	881	¥ 591	

		Thousands of U.S. Dollars		
March 31, 2023	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts—Selling USD	Receivables	$ 29,360		$ 829
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term debt	4,427	$ 2,367	

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

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

16 CONTINGENT LIABILITIES

At March 31, 2023 and 2022, the Group had the following contingent liabilities:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Guarantees of advances received and borrowings of an unconsolidated subsidiary	¥ 1,189	¥ 862	$ 8,906

17 NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2023 and 2022, is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Year Ended March 31, 2023				
Basic EPS—Net income available to common shareholders	¥ 17,831	51,042	¥ 349.34	$ 2.62
Year Ended March 31, 2022				
Basic EPS—Net income available to common shareholders	¥ 12,279	49,757	¥ 246.78	

For the years ended March 31, 2023 and 2022, diluted EPS is not disclosed because the Company no longer has convertible securities.

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

18 OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Unrealized gain (loss) on available-for-sale securities:			
Gains (losses) arising during the year	¥ 1,303	¥ (375)	$ 9,760
Reclassification adjustments to profit or loss	(825)	(373)	(6,180)
Amount before income tax effect	478	(748)	3,580
Income tax effect	135	(240)	1,014
Total	¥ 343	¥ (508)	$ 2,566
Deferred gain (loss) on derivatives under hedge accounting:			
Gains arising during the year	¥ 727	¥ 125	$ 5,448
Reclassification adjustments to profit or loss	(517)	(188)	(3,874)
Amount before income tax effect	210	(63)	1,574
Income tax effect	64	(19)	482
Total	¥ 146	¥ (44)	$ 1,092
Foreign currency translation adjustments	¥ 981	¥ 1,174	$ 7,347
Defined retirement benefit plans:			
Adjustments arising during the year	¥ (213)	¥ 354	$ (1,592)
Reclassification adjustments to profit or loss	77	22	574
Amount before income tax effect	(136)	376	(1,018)
Total	¥ (136)	¥ 376	$ (1,018)
Share of other comprehensive income in unconsolidated subsidiaries and associated companies:			
Gains arising during the year	¥ 102	¥ 142	$ 765
Amount before income tax effect	102	142	765
Total	¥ 102	¥ 142	$ 765
Total other comprehensive income	¥ 1,436	¥ 1,140	$ 10,752

19 BUSINESS COMBINATIONS

Transaction under Common Control

(1) Overview of the business combination

(a) Name and business of the company acquired

Name:	JEOL RESONANCE, INC.
Business:	Manufacture and sales of Nuclear Magnetic Resonance and Electron Spin Systems

(b) Date of business combination

October 1, 2022

(c) Legal form of the business combination

Absorption-type merger with the Company as the surviving company and JEOL RESONANCE, INC. as the absorbed company

(d) Name of the company after the combination

JEOL Ltd.

(e) Other remarks on the overview of the business transaction

As investment in advanced research and development continues to increase globally, the Company intends to utilize the acquisition to enhance the combined performance between its products, further strengthening its ability to provide the highest value to users of its sophisticated metrology/analytical systems including NMR (nuclear magnetic resonance) and electron microscopes. The Company also aims to increase profitability of its scientific/

metrology instruments business by sharing administrative sectors for higher operational efficiency.

(2) Summary of accounting treatments

This merger is treated as a transaction under common control in accordance with "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 issued on January 16, 2019) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 issued on January 16, 2019).

20 REVENUES RECOGNITION

(1) Disaggregation of Revenue

Disaggregation of revenues from contracts with clients are provided in Note 21.

(2) Basic Information to Understand Revenues from Contracts with Customers

(a) Product sales

The Group manufactures and sells electron optical equipment, analytical equipment, metrology/inspection equipment, industrial equipment, and medical equipment. For these products, the Company recognizes revenue when it transfers significant risks and rewards of ownership of products to its customers, that is the point of time when its performance obligations are satisfied. Specifically, revenue is recognized when the goods are transferred to the customer at the time of shipment, customer receipt, or upon customer approval depending on the terms of sale. Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and subtracts discounts and other price concession. The Company's payment terms of its transactions are generally typical and agreed-upon deferred payment term is immaterial. Majority of payments are due within one year from when the Company recognized revenue, and do not contain a significant financing component which required to adjust the balance of account receivables. Also, because payment of any product sold is normally received within one year from the time of revenue recognition, no significant financial element is adjusted for operating receivables. Sales revenue is recognized, unbilled amount is recorded as contract asset, and advance received from client is recorded as contract liability.

(b) Maintenance and services

The Company provides maintenance and services accompanying the products sold. Revenue is recognized when the significant risks and ownership of maintenance and services are transferred to the client and its obligation performance has been fulfilled. Specifically, revenue is recognized when maintenance or services has been accepted, on straight line basis during the maintenance or service performance period defined in the contract, or on the basis of the number of engineers expended or the number of units sold. Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and subtracts discounts and other price concession. The Company's payment terms of its transactions are generally typical and agreed-upon deferred payment term is immaterial. Majority of payments of any maintenance and services are due within one year from when the Company recognized revenue, and do not contain a significant financing component which required to adjust the balance of account receivables. Sales revenue is recognized, unbilled amount is recorded as contract asset, and advance received from client is recorded as contract liability.

(3) Contract Balances

Receivables from contract with customers, contract assets and contract liabilities at the beginning and end of 2023 and 2022 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Receivables from contracts with customers:			
Balance at beginning of year	¥ 39,929	¥30,390	$ 299,090
Balance at end of year	48,448	39,929	362,905
Contract assets:			
Balance at beginning of year	1,239	1,240	9,282
Balance at end of year	1,928	1,239	14,439
Contract liabilities:			
Balance at beginning of year	33,351	19,770	249,822
Balance at end of year	29,649	33,351	222,092

Notes:1.The amounts of recognized revenue included in the amounts of contract liabilities at the beginning of the fiscal years were ¥23,594 million ($176,736 thousand) and ¥14,314 million for the fiscal years ended March 31, 2023 and 2022, respectively.

2.In the previous and current fiscal years, the amount of revenue recognized from the fulfilled performance obligation in the past period is not significant.

3.Contract liabilities are mainly related to advances from clients.

(4) Transaction Prices Allocated to Remaining Performance Obligations

The following table shows the summary of the transaction prices allocated to remaining performance obligations that are unsatisfied as of March 31, 2023 and 2022:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Within one year	¥ 34,558	¥ 7,300	$ 258,864
After one year	12,797	10,392	95,856
Total	¥ 47,355	¥ 17,692	$ 354,720

21 SEGMENT INFORMATION

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

(1) Description of Reportable Segments

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

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

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

Segment profit is based on operating income.

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

	Millions of Yen					
	2023					
	Reportable Segments				Reconciliations	Consolidated
	Scientific Instruments	Industrial Equipment	Medical Equipment	Total		
Sales:						
Japan	¥ 31,297	¥ 4,973	¥ 11,325	¥ 47,595		¥ 47,595
North, Central and South America	18,550	4,397	6,188	29,135		29,135
China	15,874	3,349	616	19,839		19,839
Other	29,074	36,745	302	66,121		66,121
Revenue from contracts with customers	94,795	49,464	18,431	162,690		162,690
Sales to external customers	94,795	49,464	18,431	162,690		162,690
Intersegment sales or transfers						
Total	¥ 94,795	¥ 49,464	¥ 18,431	¥ 162,690		¥ 162,690
Segment profit	¥ 5,812	¥ 23,252	¥ 531	¥ 29,595	¥ (5,439)	¥ 24,156
Segment assets	94,637	44,000	15,505	154,142	45,138	199,280
Other:						
Depreciation	2,783	1,108	402	4,293	381	4,674
Increase in property, plant and equipment and intangible assets	2,534	523	159	3,216	449	3,665

Notes:1. Reconciliations of:

—Segment profit amounting to ¥(5,439) million includes common costs which are not distributed to any reportable segment. The common costs are mainly composed of the back-office expenses.

—Segment assets amounting to ¥45,138 million include common assets which are not distributed to any reportable segment. The common assets are mainly composed of cash surplus (cash and cash equivalents and time deposits) and long-term investments (investment securities).

—Depreciation amounting to ¥381 million includes depreciation of the general administration section that is not attributable to any reportable segment.

—Increase in property, plant and equipment and intangible assets amounting to ¥449 million includes common assets which are not distributed to any reportable segment.

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

	Millions of Yen					
	2022					
	Reportable Segments				Reconciliations	Consolidated
	Scientific Instruments	Industrial Equipment	Medical Equipment	Total		
Sales:						
Japan	¥ 34,265	¥ 4,805	¥ 11,565	¥ 50,635		¥ 50,635
North, Central and South America	11,541	2,872	6,191	20,604		20,604
China	12,816	3,869	1,293	17,978		17,978
Other	26,523	22,458	210	49,191		49,191
Revenue from contracts with customers	85,145	34,004	19,259	138,408		138,408
Sales to external customers	85,145	34,004	19,259	138,408		138,408
Intersegment sales or transfers						
Total	¥ 85,145	¥ 34,004	¥ 19,259	¥ 138,408		¥ 138,408
Segment profit	¥ 4,848	¥ 13,101	¥ 1,098	¥ 19,047	¥ (4,903)	¥ 14,144
Segment assets	87,560	31,800	16,287	135,647	53,915	189,562
Other:						
Depreciation	2,720	891	208	3,819	287	4,106
Increase in property, plant and equipment and intangible assets	2,149	3,541	1,035	6,725	168	6,893

Notes:1. Reconciliations of:

—Segment profit amounting to ¥(4,903) million includes common costs which are not distributed to any reportable segment. The common costs are mainly composed of the back office expenses.

—Segment assets amounting to ¥53,915 million include common assets which are not distributed to any reportable segment. The common assets are mainly composed of cash surplus (cash and cash equivalents and time deposits) and long-term investments (investment securities).

— Depreciation amounting to ¥287 million includes depreciation of the general administration section that is not attributable to any reportable segment.

—Increase in property, plant and equipment and intangible assets amounting to ¥168 million includes common assets which are not distributed to any reportable segment.

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

	Thousands of U.S. Dollars					
	2023					
	Reportable Segments				Reconciliations	Consolidated
	Scientific Instruments	Industrial Equipment	Medical Equipment	Total		
Sales:						
Japan	$ 234,436	$ 37,253	$ 84,829	$ 356,518		$ 356,518
North, Central and South America	138,953	32,934	46,354	218,241		218,241
China	118,908	25,088	4,611	148,607		148,607
Other	217,781	275,240	2,263	495,284		495,284
Revenue from contracts with customers	710,078	370,515	138,057	1,218,650		1,218,650
Sales to external customers	710,078	370,515	138,057	1,218,650		1,218,650
Intersegment sales or transfers						
Total	$ 710,078	$ 370,515	$ 138,057	$1,218,650		$1,218,650
Segment profit	$ 43,538	$ 174,174	$ 3,975	$ 221,687	$ (40,746)	$ 180,941
Segment assets	708,888	329,590	116,141	1,154,619	338,116	1,492,735
Other:						
Depreciation	20,844	8,296	3,014	32,154	2,857	35,011
Increase in property, plant and equipment and intangible assets	18,980	3,921	1,188	24,089	3,366	27,455

Notes:1. Reconciliations of:

—Segment profit amounting to $(40,746) thousand includes common costs which are not distributed to any reportable segment. The common costs are mainly the back-office expenses.

—Segment assets amounting to $338,116 thousand include common assets which are not distributed to any reportable segment. The common assets are mainly cash surplus (cash and cash equivalents and time deposits) and long-term investments (investment securities).

—Depreciation amounting to $2,857 thousand includes depreciation of the general administration section that is not attributable to any reportable segment.

—Increase in property, plant and equipment and intangible assets amounting to $3,366 thousand includes common assets which are not distributed to any reportable segment.

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

Related Information

(1) Information about Products and Services

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

(2) Information about Geographical Areas

a.Sales

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

b.Property, plant and equipment

Millions of Yen		
2023		
Japan	Other	Total
¥ 17,475	¥ 3,687	¥ 21,162

Millions of Yen		
2022		
Japan	Other	Total
¥ 18,595	¥ 3,055	¥ 21,650

Thousands of U.S. Dollars		
2023		
Japan	Other	Total
$ 130,898	$ 27,617	$ 158,515

(3) Information about Major Customers

	2023	
	Millions of Yen	
Name of Customers	Sales	Related Segment Name
IMS Nanofabrication GmbH	¥ 26,821	Industrial Equipment

	2022	
	Millions of Yen	
Name of Customers	Sales	Related Segment Name
IMS Nanofabrication GmbH	¥ 16,695	Industrial Equipment

	2023	
	Thousands of U.S. Dollars	
Name of Customers	Sales	Related Segment Name
IMS Nanofabrication GmbH	$ 200,905	Industrial Equipment

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

There was no impairment loss for the year ended March 31, 2022, and information about impairment loss for the year ended March 31, 2023, is as follows:

	Millions of Yen					
	2023					
	Reportable Segments				Reconcil-iations	Consol-idated
	Scientific Instruments	Industrial Equipment	Medical Equipment	Total		
Impairment loss	¥ 361			¥ 361	¥ 159	¥ 520

Note: Reconciliations amounting to ¥159 million include impairment loss of common assets which are not distributed to any segment.

	Thousands of U.S. Dollars					
	2023					
	Reportable Segments				Reconcil-iations	Consol-idated
	Scientific Instruments	Industrial Equipment	Medical Equipment	Total		
Impairment loss	$2,705			$2,705	$1,191	$3,896

Note: Reconciliations amounting to $1,191 thousand include impairment loss of common assets which are not distributed to any segment.

(5) Information about Goodwill by Reportable Segment

	Millions of Yen					
	2023					
	Reportable Segments				Reconcil-iations	Consol-idated
	Scientific Instruments	Industrial Equipment	Medical Equipment	Total		
Amortization of goodwill	¥ 203	¥ 47		¥ 250		¥ 250
Goodwill at March 31, 2023	316	325		641		641

	Millions of Yen					
	2022					
	Reportable Segments				Reconcil-iations	Consol-idated
	Scientific Instruments	Industrial Equipment	Medical Equipment	Total		
Amortization of goodwill	¥ 177	¥ 53		¥ 230		¥ 230
Goodwill at March 31, 2022	771	365		1,136		1,136

	Thousands of U.S. Dollars					
	2023					
	Reportable Segments				Reconcil-iations	Consol-idated
	Scientific Instruments	Industrial Equipment	Medical Equipment	Total		
Amortization of goodwill	$ 1,523	$ 349		$ 1,872		$ 1,872
Goodwill at March 31, 2023	2,366	2,433		4,799		4,799

(6) Information about Negative Goodwill by Reportable Segment

There was no negative goodwill for the years ended March 31, 2023 and 2022.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of JEOL Ltd.:

Opinion

We have audited the consolidated financial statements of JEOL Ltd. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2023, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

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

Basis for Opinion

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

Key Audit Matter

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

Member of
Deloitte Touche Tohmatsu Limited

Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
As stated in Note 3, "Significant Accounting Estimates," JEOL Ltd. (the "Company") recorded goodwill of ¥641 million (0.32% of total assets), intangible assets related to customer relationships of ¥512 million (0.26% of total assets), and intangible assets related to development technologies of ¥591 million (0.30% of total assets) as of March 31, 2023. As stated in Note 6, "Impairment Loss," JEOL Ltd. recorded impairment loss of ¥361 million (1.52% of net income before income taxes) related to goodwill and intangible assets. Goodwill and intangible assets were recognized as a result of the acquisitions of JEOL KOREA LTD. ("JEOL KOREA") and INTEGRATED DYNAMIC ELECTRON SOLUTIONS, INC. ("IDES"). All remaining book value of goodwill and a portion of the book value of intangible assets that were recognized as result of acquisition of IDES were recorded as an impairment loss for the year ended March 31, 2023. In the evaluation of goodwill and intangible assets, determining whether the excess earnings power and economic benefits based on the future business plan at the time of acquisition still exist at the end of the year is significantly affected by management's judgment. In particular, there are uncertainties in forecasting sales orders and sales volume for scientific instruments and industrial equipment for the following consolidated fiscal years because they are affected by the research and development budgets of government agencies and trends in capital investment of private sectors. This required a high degree of expertise in decision of discount rate used in measurement of impairment loss. We identified valuation of goodwill and intangible assets as a key audit matter because management's judgment on the estimation of the excess earning power of goodwill and the economic benefit of intangible assets is particularly important in the financial statement audit for the current consolidated fiscal year.	In examining the evaluation of goodwill and intangible assets, we have performed the following audit procedures, among others: (1) Evaluating internal control In evaluating the goodwill and intangible assets, we evaluated the design and operating effectiveness of internal controls by inspecting whether the internal documents regarding impairment indication, which were prepared for each asset group, were approved by appropriate authorizers and inquiring of the person in charge on the process of their preparation and judgment. (2) Evaluating the recoverability of goodwill and intangible assets • In order to evaluate the impairment indication judgments performed by the Company, we inquired of management, the management strategy planning office, and local managers in consolidated subsidiaries on whether there were any significant changes in the business environment. • In order to evaluate the existence of abnormal fluctuations and reasonableness of the current performance and the future plans of JEOL KOREA and IDES, we inspected the evaluation judgment documents of goodwill and intangible assets prepared by the Company and inquired of the person in charge. • In order to evaluate the reasonableness of sales orders and sales volume which are the main assumptions included in the estimates of the business plans, we performed trend analyses based on the historical sales performance. • In order to evaluate the reasonableness of business plans, we compared them with available external data, such as domestic research and development budgets and capital investment plans of major customers. • In order to evaluate the effectiveness of the process in management's estimation, we compared the prior business plans and their results. • In order to evaluate there had been no decision made, which relates to the impairment indication such as discontinuation or reorganization of the business, we inspected the minutes of the Board of Directors, approval documents and related materials.

	• We evaluated the validity of the calculation report of value used in impairment test (including data source and input, such as evaluation method, discount rate, long-term growth rate), with the assistance of specialists in our network firm. In addition, we performed sensitivity analysis through our specialists. • Regarding goodwill and intangible assets, with indication of impairment, judged to be required to recognize an impairment loss, we examined the value in use is calculated as discounted present value and value not to exceed net selling price is recorded. • We examined the relevant notes.

Other Information

Other information comprises the information included in the Group's disclosure documents accompanying the audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We determined that no such information existed and therefore, we did not perform any work thereon.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Katsuhiko Igarashi
Designated Engagement Partner
Certified Public Accountant

Deloitte Touche Tohmatsu LLC
September 22, 2023