# Consolidated Balance Sheet (March 31, 2024)

| ASSETS | Millions of Yen 2024 | Millions of Yen 2023 | Thousands of U.S. Dollars (Note 1) 2024 |
|---|---|---|---|
| **CURRENT ASSETS:** | | | |
| Cash and cash equivalents (Note 14) | ¥ 29,807 | ¥ 32,005 | $ 196,878 |
| Time deposits (Note 14) | 1,697 | 2,250 | 11,211 |
| Receivables (Notes 14 and 19): | | | |
| Trade notes | 2,742 | 2,664 | 18,113 |
| Trade accounts | | | |
| Trade accounts and contract assets | 51,966 | 46,841 | 343,234 |
| Unconsolidated subsidiaries and associated companies | 1,329 | 879 | 8,775 |
| Other | 1,381 | 77 | 9,122 |
| Allowance for doubtful receivables | (851) | (868) | (5,620) |
| Inventories (Note 5) | 76,812 | 68,754 | 507,343 |
| Prepaid expenses and other current assets | 4,972 | 6,460 | 32,837 |
| Total current assets | 169,855 | 159,062 | 1,121,893 |
| **PROPERTY, PLANT AND EQUIPMENT (Note 7):** | | | |
| Land | 3,832 | 3,711 | 25,310 |
| Buildings and structures | 29,732 | 28,347 | 196,381 |
| Machinery and equipment | 6,494 | 5,547 | 42,895 |
| Tools, furniture, and fixtures | 26,946 | 25,382 | 177,975 |
| Lease assets | 3,835 | 3,488 | 25,332 |
| Construction in progress | 387 | 618 | 2,553 |
| Total | 71,226 | 67,093 | 470,446 |
| Accumulated depreciation | (48,710) | (45,931) | (321,728) |
| Net property, plant and equipment | 22,516 | 21,162 | 148,718 |
| **INVESTMENTS AND OTHER ASSETS:** | | | |
| Investment securities (Notes 4, 7 and 14) | 27,138 | 7,497 | 179,244 |
| Investments in and advances to unconsolidated subsidiaries and associated companies (Note 14) | 2,464 | 2,198 | 16,278 |
| Software | 880 | 928 | 5,815 |
| Software lease | 15 | 51 | 99 |
| Goodwill (Notes 3 and 20) | 599 | 641 | 3,957 |
| Deferred tax assets (Note 10) | 3,699 | 4,029 | 24,434 |
| Other intangible assets | 777 | 1,173 | 5,126 |
| Other assets | 2,271 | 2,539 | 15,002 |
| Total investments and other assets | 37,843 | 19,056 | 249,955 |
| TOTAL | ¥ 230,214 | ¥ 199,280 | $ 1,520,566 |

See notes to consolidated financial statements.

| LIABILITIES AND EQUITY | Millions of Yen 2024 | Millions of Yen 2023 | Thousands of U.S. Dollars (Note 1) 2024 |
|---|---|---|---|
| **CURRENT LIABILITIES:** | | | |
| Current portion of long-term borrowings (Notes 7 and 14) | ¥ 6,943 | ¥ 4,740 | $ 45,859 |
| Current portion of bonds (Notes 7 and 14) | | 204 | |
| Current portion of long-term lease obligations (Notes 7 and 14) | 490 | 427 | 3,240 |
| Payables (Note 14): | | | |
| Trade notes | 3,208 | 3,333 | 21,191 |
| Trade accounts | 10,618 | 11,654 | 70,129 |
| Unconsolidated subsidiaries and associated companies | 959 | 981 | 6,333 |
| Other | 4,030 | 3,229 | 26,618 |
| Electronically recorded obligations | 15,197 | 16,722 | 100,379 |
| Income taxes payable | 5,693 | 4,533 | 37,602 |
| Contract liabilities (Note 19) | 35,036 | 29,649 | 231,411 |
| Accrued bonuses to employees | 2,030 | 1,869 | 13,406 |
| Other current liabilities | 3,896 | 3,566 | 25,736 |
| Total current liabilities | 88,100 | 80,907 | 581,904 |
| **LONG-TERM LIABILITIES:** | | | |
| Long-term borrowings (Notes 7 and 14) | 7,584 | 6,527 | 50,093 |
| Long-term lease obligations (Notes 7 and 13) | 765 | 580 | 5,051 |
| Deferred tax liabilities (Note 10) | 220 | 344 | 1,449 |
| Liability for employees' retirement benefits (Note 8) | 6,596 | 7,761 | 43,564 |
| Retirement allowances for directors, executive officers, and Audit & Supervisory Board members (Note 8) | 20 | 17 | 135 |
| Board Incentive Plan allowances | 652 | 530 | 4,305 |
| Asset retirement obligations | 317 | 317 | 2,097 |
| Other long-term liabilities | 446 | 401 | 2,946 |
| Total long-term liabilities | 16,600 | 16,477 | 109,640 |
| 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 2024 and 2023 | 21,394 | 21,394 | 141,309 |
| Capital surplus | 21,271 | 21,271 | 140,497 |
| Retained earnings | 73,285 | 55,117 | 484,046 |
| Treasury stock—at cost, 471,386 shares in 2024 and 522,907 shares in 2023 | (848) | (904) | (5,599) |
| Accumulated other comprehensive income (loss): | | | |
| Unrealized gain on available-for-sale securities | 6,198 | 3,948 | 40,939 |
| Deferred gain (loss) on derivatives under hedge accounting | (151) | 77 | (999) |
| Foreign currency translation adjustments | 3,207 | 941 | 21,184 |
| Defined retirement benefit plans | 1,158 | 52 | 7,645 |
| Total equity | 125,514 | 101,896 | 829,022 |
| TOTAL | ¥ 230,214 | ¥ 199,280 | $ 1,520,566 |

## Consolidated Statement of Income (Year Ended March 31, 2024)

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|
| | 2024 | 2023 | 2024 |
| NET SALES (Note 12) | ¥ 174,337 | ¥ 162,690 | $ 1,151,496 |
| COST OF SALES (Note 12) | 95,052 | 89,988 | 627,815 |
| Gross profit | 79,285 | 72,702 | 523,681 |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 11 and 12) | 51,754 | 48,546 | 341,836 |
| Operating income | 27,531 | 24,156 | 181,845 |
| OTHER INCOME (EXPENSES): | | | |
| Interest and dividend income | 397 | 282 | 2,625 |
| Revenue from performance of research and development services | 152 | 87 | 1,001 |
| Insurance claim receipt | 42 | 5 | 275 |
| Subsidy income | 1,333 | | 8,802 |
| Interest expense | (88) | (74) | (584) |
| Foreign exchange gain (loss)—net | 600 | (1,184) | 3,965 |
| Loss on sales of trade receivables | (2) | (6) | (12) |
| Loss on cancellation of insurance policies | (41) | (10) | (273) |
| Settlement payments | (41) | | (270) |
| Gain (loss) on sales and disposals of property, plant and equipment—net | 144 | (271) | 948 |
| Loss on write-down of investment securities | (125) | (8) | (822) |
| Equity in earnings of unconsolidated subsidiaries and associated companies | 89 | 224 | 585 |
| Gain on sales of investment securities | 8 | 825 | 53 |
| Gain on sales of shares of unconsolidated subsidiaries | 25 | 188 | 163 |
| Stock issuance costs amortization | (38) | (38) | (250) |
| Impairment loss | (604) | (520) | (3,987) |
| Other—net | 89 | 60 | 593 |
| Other income (expenses)—net | 1,940 | (440) | 12,812 |
| INCOME BEFORE INCOME TAXES | 29,471 | 23,716 | 194,657 |
| INCOME TAXES (Note 10): | | | |
| Current | 8,414 | 6,849 | 55,577 |
| Deferred | (648) | (964) | (4,281) |
| Total income taxes | 7,766 | 5,885 | 51,296 |
| NET INCOME | 21,705 | 17,831 | 143,361 |
| NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT | ¥ 21,705 | ¥ 17,831 | $ 143,361 |

| | Yen | | U.S. Dollars |
|---|---|---|---|
| | 2024 | 2023 | 2024 |
| PER SHARE OF COMMON STOCK (Notes 2.v and 17): | | | |
| Basic net income | ¥ 424.93 | ¥ 349.34 | $ 2.81 |
| Cash dividends applicable to the year | 102.00 | 66.00 | 0.67 |

See notes to consolidated financial statements.



## Consolidated Statement of Comprehensive Income (Year Ended March 31, 2024)

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|
| | 2024 | 2023 | 2024 |
| NET INCOME | ¥ 21,705 | ¥ 17,831 | $ 143,361 |
| OTHER COMPREHENSIVE INCOME (LOSS) (Note 18): | | | |
| Unrealized gain on available-for-sale securities | 2,250 | 343 | 14,863 |
| Deferred gain (loss) on derivatives under hedge accounting | (228) | 146 | (1,506) |
| Foreign currency translation adjustments | 2,178 | 981 | 14,386 |
| Defined retirement benefit plans | 1,106 | (136) | 7,303 |
| Share of other comprehensive income in unconsolidated subsidiaries and associated companies | 88 | 102 | 584 |
| Total other comprehensive income | 5,394 | 1,436 | 35,630 |
| COMPREHENSIVE INCOME | ¥ 27,099 | ¥ 19,267 | $ 178,991 |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | | |
| Owners of the parent | ¥ 27,099 | ¥ 19,267 | $ 178,991 |
| Noncontrolling interests | | | |

See notes to consolidated financial statements.

## Consolidated Statement of Changes in Equity (Year Ended March 31, 2024)

| | 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, 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, ¥36 per share, and for current year interim, ¥30 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 |
| Net income attributable to owners of the parent | | | | 21,705 | | | | | | 21,705 |
| Cash dividends, for prior year-end, ¥36 per share, and for current year interim, ¥33 per share | | | | (3,547) | | | | | | (3,547) |
| Purchase of treasury stock | | | | | (1) | | | | | (1) |
| Disposal of treasury stock | | | | | 57 | | | | | 57 |
| Change in scope of equity method | | | | 10 | | | | | | 10 |
| Net change in items other than shareholders' equity | | | | | | 2,250 | (228) | 2,266 | 1,106 | 5,394 |
| BALANCE, MARCH 31, 2024 | 51,533 | ¥ 21,394 | ¥ 21,271 | ¥ 73,285 | ¥ (848) | ¥ 6,198 | ¥ (151) | ¥ 3,207 | ¥ 1,158 | ¥ 125,514 |

| | 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, 2023 | $ 141,309 | $ 140,497 | $ 364,053 | $ (5,976) | $ 26,076 | $ 507 | $ 6,214 | $ 342 | $ 673,022 |
| Net income attributable to owners of the parent | | | 143,361 | | | | | | 143,361 |
| Cash dividends, for prior year-end, $0.24 per share, and for current year interim, $0.22 per share | | | (23,431) | | | | | | (23,431) |
| Purchase of treasury stock | | | | (5) | | | | | (5) |
| Disposal of treasury stock | | | | 382 | | | | | 382 |
| Change in scope of equity method | | | 63 | | | | | | 63 |
| Net change in items other than shareholders' equity | | | | | 14,863 | (1,506) | 14,970 | 7,303 | 35,630 |
| BALANCE, MARCH 31, 2024 | $ 141,309 | $ 140,497 | $ 484,046 | $ (5,599) | $ 40,939 | $ (999) | $ 21,184 | $ 7,645 | $ 829,022 |

See notes to consolidated financial statements.



## Consolidated Statement of Cash Flows (Year Ended March 31, 2024)

| | | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|---|
| | | 2024 | 2023 | 2024 |
| OPERATING ACTIVITIES: | Income before income taxes | ¥ 29,471 | ¥ 23,716 | $ 194,657 |
| | Adjustments for: | | | |
| | Income taxes—paid | (7,184) | (6,139) | (47,449) |
| | Depreciation and amortization | 4,651 | 4,674 | 30,718 |
| | Amortization of goodwill | 97 | 250 | 642 |
| | Loss (gain) on sales and disposals of property, plant and equipment—net | (144) | 271 | (948) |
| | Loss (gain) on write-down of investment securities | 117 | (817) | 770 |
| | Gain on sales of shares of unconsolidated subsidiaries | (25) | (188) | (163) |
| | Increase (decrease) in contract liabilities | 2,998 | (4,878) | 19,800 |
| | Subsidy income | (1,333) | | (8,802) |
| | Impairment loss | 604 | 520 | 3,987 |
| | Equity in earnings of unconsolidated subsidiaries and associated companies | (89) | (224) | (585) |
| | Changes in assets and liabilities: | | | |
| | Increase in trade notes and accounts receivable | (4,169) | (8,443) | (27,538) |
| | Increase in inventories | (7,559) | (9,523) | (49,929) |
| | Increase (decrease) in trade notes and accounts payable | (3,972) | 4,857 | (26,232) |
| | Increase in provision for accrued bonuses to employees | 142 | 143 | 936 |
| | Decrease in liability for employees' retirement benefits | (89) | (222) | (590) |
| | Increase in retirement allowances for directors, executive officers, and Audit & Supervisory Board members | 183 | 163 | 1,210 |
| | Other—net | 1,602 | (808) | 10,580 |
| | Total adjustments | (14,170) | (20,364) | (93,593) |
| | Net cash provided by operating activities | 15,301 | 3,352 | 101,064 |
| INVESTING ACTIVITIES: | Decrease (increase) in time deposits—net | 744 | (273) | 4,917 |
| | Proceeds from sales of investment securities | 13 | 864 | 86 |
| | Payment for purchases of investment securities | (15,736) | (135) | (103,939) |
| | Proceeds from sale of shares in consolidated subsidiaries | 25 | 217 | 163 |
| | Payment for purchase of shares in consolidated subsidiaries | (22) | (3) | (148) |
| | Proceeds from sales of property, plant and equipment | 212 | 87 | 1,402 |
| | Payment for purchases of property, plant and equipment | (3,243) | (6,029) | (21,423) |
| | Payment for purchases of intangible assets | (233) | (361) | (1,536) |
| | Other—net | 211 | (101) | 1,396 |
| | Net cash used in investing activities | (18,029) | (5,734) | (119,082) |
| FINANCING ACTIVITIES: | Proceeds from long-term bank loans | 8,000 | | 52,840 |
| | Repayments of long-term borrowings | (4,740) | (4,904) | (31,304) |
| | Payment for redemption of bonds | (204) | (186) | (1,347) |
| | Purchase of treasury stock | (1) | | (5) |
| | Cash dividends paid | (3,542) | (3,387) | (23,398) |
| | Other—net | (311) | (256) | (2,060) |
| | Net cash used in financing activities | (798) | (8,733) | (5,274) |
| FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS | | 1,328 | 769 | 8,779 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | | (2,198) | (10,346) | (14,513) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | | 32,005 | 42,351 | 211,391 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | | ¥ 29,807 | ¥ 32,005 | $ 196,878 |

See notes to consolidated financial statements.

## ❶ 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 IFRS Accounting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2023 consolidated financial statements to conform to the classifications used in 2024. The loss on cancellation of insurance policies and the stock issuance costs amortization, which were included in the other—net among the other income (expenses) section of the consolidated statement of income in the fiscal year ended March 31, 2023, are disclosed separately due to increased significance in this fiscal year ended March 31, 2024. The amounts included in the other—net for the year ended March 31, 2023, were ¥(10) million and ¥(38) million, respectively.

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 ¥151.4 to $1, the approximate rate of exchange at March 31, 2024. 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.

## ❷ SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### *a. Consolidation*

The consolidated financial statements as of March 31, 2024, include the accounts of the Company and its 20 (19 in 2023) significant subsidiaries (together, the "Group").

JEOL USA Investment, Inc. is included in the consolidation scope because it was newly established on October 3, 2023.

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 2023) unconsolidated subsidiaries and 2 (2 in 2023) associated companies are accounted for by the equity method.

CeSPIA Inc. is excluded from the scope of the equity method because the Company's ownership decreased following the issuance of new shares of CeSPIA Inc. through a third-party allotment on May 31, 2023.

J&B TECHNICAL OPERATIONS LTD. is included in the scope of the equity method because it was newly established with joint investment from JEOL TAIWAN SEMICONDUCTORS LTD., one of the Company's consolidated subsidiaries, and BLUE OCEAN RESEARCH & NETWORK LIMITED.

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 IFRS Accounting Standards 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 IFRS Accounting Standards 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 19, "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, 2024 and 2023, 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 |
|---|---|---|---|
| | 2024 | 2023 | 2024 |
| Goodwill | ¥ 599 | ¥ 641 | $ 3,957 |
| Other intangible assets —Customer relationships | 486 | 512 | 3,211 |
| Other intangible assets —Developed technologies | | 591 | |

*(2) Information on the accounting estimate*

Goodwill and other intangible assets at March 31, 2024, were recognized as a result of the acquisition of JEOL KOREA LTD. 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 statements for the next fiscal year.

## 4 INVESTMENT SECURITIES

Investment securities as of March 31, 2024 and 2023, consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2024 | 2023 | 2024 |
| Noncurrent: | | | |
| Marketable equity securities | ¥ 10,555 | ¥ 7,315 | $ 69,713 |
| Nonmarketable securities | 16,583 | 182 | 109,531 |
| Total | ¥ 27,138 | ¥ 7,497 | $ 179,244 |

The costs and aggregate fair values of investment securities at March 31, 2024 and 2023, were as follows:

| | Millions of Yen | | | |
|---|---|---|---|---|
| | Cost | Unrealized Gains | Unrealized Losses | Fair Value |
| March 31, 2024 | | | | |
| Securities classified as available-for-sale equity securities | ¥ 1,760 | ¥ 8,795 | | ¥ 10,555 |
| March 31, 2023 | | | | |
| Securities classified as available-for-sale equity securities | ¥ 1,765 | ¥ 5,556 | ¥ 6 | ¥ 7,315 |

| | Thousands of U.S. Dollars | | | |
|---|---|---|---|---|
| | Cost | Unrealized Gains | Unrealized Losses | Fair Value |
| March 31, 2024 | | | | |
| Securities classified as available-for-sale equity securities | $ 11,623 | $ 58,090 | | $ 69,713 |

The information for available-for-sale securities which were sold during the years ended March 31, 2024 and 2023, was as follows:

| | Millions of Yen | | |
|---|---|---|---|
| | Proceeds | Realized Gains | Realized Loss |
| March 31, 2024 | | | |
| Available-for-sale—Equity securities | ¥ 13 | ¥ 8 | |

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

| | Thousands of U.S. Dollars | | |
|---|---|---|---|
| | Proceeds | Realized Gains | Realized Loss |
| March 31, 2024 | | | |
| Available-for-sale—Equity securities | $ 86 | $ 53 | |

The impairment loss on available-for-sale equity securities for the year ended March 31, 2024, is ¥125 million ($822 thousand).

There was no impairment loss on available-for-sale equity securities for the year ended March 31, 2023.

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, 2024 and 2023, consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2024 | 2023 | 2024 |
| Finished products | ¥ 16,714 | ¥ 13,506 | $ 110,394 |
| Work in process | 54,336 | 48,241 | 358,891 |
| Raw materials and supplies | 5,762 | 7,007 | 38,058 |
| Total | ¥ 76,812 | ¥ 68,754 | $ 507,343 |

## 6 IMPAIRMENT LOSS

The Group recorded impairment loss as follows:

Previous Consolidated Fiscal Year (from April 1, 2022 to March 31, 2023)

| Location | Classification | Millions of Yen |
|---|---|---|
| Akishima, Tokyo | Construction in progress | ¥ 159 |
| Integrated Dynamic Electron Solutions, Inc. (Pleasanton, CA, U.S.A.) | Goodwill | 316 |
| | Intangible assets | 45 |

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%).

Current Consolidated Fiscal Year (from April 1, 2023 to March 31, 2024)

| Location | Classification | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|---|
| Integrated Dynamic Electron Solutions, Inc. (Pleasanton, CA, U.S.A.) | Lease assets and others | ¥ 134 | $ 885 |
| | Intangible assets | 470 | 3,102 |

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 reviewing the future recoverability of the intangible assets, the entire amount of the intangible assets was recorded as impairment loss. Also, as a result of re-evaluating the future recoverability of the business assets, the recoverable amount was found to be below the book value. Thus, the entire amount of business assets was recorded as impairment loss.

## 7 LONG-TERM DEBT

Long-term debt at March 31, 2024 and 2023, consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2024 | 2023 | 2024 |
| Unsecured 0.03% yen bonds, due 2023 | | ¥ 60 | |
| Unsecured 0.07% yen bonds, due 2023 | | 144 | |
| Loans from banks and insurance companies, due serially to 2027 with interest rates ranging from 0.31% to 0.79% (2024) and from 0.31% to 0.70% (2023): | | | |
| Collateralized | ¥ 6,850 | 5,349 | $ 45,245 |
| Unsecured | 7,677 | 5,918 | 50,707 |
| Lease obligations | 1,255 | 1,007 | 8,291 |
| Total | 15,782 | 12,478 | 104,243 |
| Less current portion | (7,433) | (5,371) | (49,099) |
| Long-term debt, less current portion | ¥ 8,349 | ¥ 7,107 | $ 55,144 |

Annual maturities of long-term debt, excluding finance leases (see Note 13), at March 31, 2024, were as follows:

| Year Ending March 31 | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| 2025 | ¥ 6,943 | $ 45,859 |
| 2026 | 4,414 | 29,153 |
| 2027 | 2,820 | 18,628 |
| 2028 | 350 | 2,312 |
| 2029 | | |
| 2030 and thereafter | | |
| Total | ¥ 14,527 | $ 95,952 |

There were no carrying amounts of assets pledged as collateral for short-term bank loans at March 31, 2024 and 2023. The carrying amounts of assets pledged as collateral for current portion of long-term borrowings of ¥2,818 million ($18,614 thousand) and ¥1,899 million, and long-term borrowings of ¥4,032 million ($26,631 thousand) and ¥3,450 million at March 31, 2024 and 2023, were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2024 | 2023 | 2024 |
| Land | ¥ 535 | ¥ 535 | $ 3,535 |
| Buildings and structures—net of accumulated depreciation | 2,584 | 2,837 | 17,065 |
| Machinery and equipment—net of accumulated depreciation | 1 | 1 | 6 |
| Investment securities | 4,406 | 3,435 | 29,105 |
| Total | ¥ 7,526 | ¥ 6,808 | $ 49,711 |

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 ($59,445 thousand), with a syndicate of six Japanese banks, arranged by MUFG Bank, Ltd. The details of this agreement at March 31, 2024 and 2023, were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2024 | 2023 | 2024 |
| Total amount of commitment line contract | ¥ 9,000 | ¥ 9,000 | $ 59,445 |
| Net | ¥ 9,000 | ¥ 9,000 | $ 59,445 |

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, 2024, 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, 2024 and 2023, for directors and Audit & Supervisory Board members is ¥20 million ($135 thousand) and ¥17 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, 2024 and 2023, were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2024 | 2023 | 2024 |
| Balance at beginning of year | ¥ 19,162 | ¥ 19,047 | $ 126,558 |
| Current service cost | 1,117 | 1,047 | 7,378 |
| Interest cost | 159 | 152 | 1,051 |
| Actuarial (gains) losses | (90) | 62 | (597) |
| Benefits paid | (1,041) | (1,161) | (6,874) |
| Others | 31 | 15 | 210 |
| Balance at end of year | ¥ 19,338 | ¥ 19,162 | $ 127,726 |

(2) The changes in plan assets for the years ended March 31, 2024 and 2023, were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2024 | 2023 | 2024 |
| Balance at beginning of year | ¥ 11,686 | ¥ 11,471 | $ 77,183 |
| Expected return on plan assets | 218 | 208 | 1,438 |
| Actuarial (gains) losses | 936 | (151) | 6,182 |
| Contributions from the employer | 864 | 848 | 5,708 |
| Benefits paid | (636) | (691) | (4,203) |
| Others | 6 | 1 | 44 |
| Balance at end of year | ¥ 13,074 | ¥ 11,686 | $ 86,352 |

(3) The changes in liability for retirement benefits under the simplified method for the years ended March 31, 2024 and 2023, were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2024 | 2023 | 2024 |
| Balance at beginning of year | ¥ 285 | ¥ 251 | $ 1,883 |
| Net periodic benefit costs | 49 | 37 | 322 |
| Benefits paid | (2) | (3) | (15) |
| Balance at end of year | ¥ 332 | ¥ 285 | $ 2,190 |

(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 |
|---|---|---|---|
| | 2024 | 2023 | 2024 |
| Funded defined benefit obligation | ¥ 19,079 | ¥ 18,949 | $ 126,013 |
| Plan assets | (13,074) | (11,685) | (86,352) |
| Total | 6,005 | 7,264 | 39,661 |
| Unfunded defined benefit obligation | 591 | 497 | 3,903 |
| Net liability arising from defined benefit obligation | ¥ 6,596 | ¥ 7,761 | $ 43,564 |

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2024 | 2023 | 2024 |
| Liability for retirement benefits | ¥ 6,596 | ¥ 7,761 | $ 43,564 |
| Net liability arising from defined benefit obligation | ¥ 6,596 | ¥ 7,761 | $ 43,564 |

(5) The components of net periodic benefit costs for the years ended March 31, 2024 and 2023, were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2024 | 2023 | 2024 |
| Service cost | ¥ 1,117 | ¥ 1,047 | $ 7,378 |
| Interest cost | 159 | 152 | 1,051 |
| Expected return on plan assets | (218) | (208) | (1,438) |
| Recognized actuarial losses | 80 | 47 | 530 |
| Amortization of prior service cost | | (2) | |
| Benefit costs accounted for by the simplified method | 49 | 37 | 321 |
| Net periodic benefit costs | ¥ 1,187 | ¥ 1,073 | $ 7,842 |

(6) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2024 and 2023, were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2024 | 2023 | 2024 |
| Prior service cost | | ¥ (2) | |
| Actuarial (gains) losses | ¥ 1,106 | (134) | $ 7,304 |
| Total | ¥ 1,106 | ¥ (136) | $ 7,304 |

(7) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2024 and 2023, were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2024 | 2023 | 2024 |
| Unrecognized actuarial gains | ¥ (1,158) | ¥ (52) | $ (7,645) |
| Total | ¥ (1,158) | ¥ (52) | $ (7,645) |

(8) Plan assets

*a.Components of plan assets*

Plan assets as of March 31, 2024 and 2023, consisted of the following:

| | 2024 | 2023 |
|---|---|---|
| Debt investments | 16% | 15% |
| Equity investments | 33 | 30 |
| Cash and cash equivalents | 1 | 1 |
| General account | 45 | 49 |
| 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, 2024 and 2023, are set forth as follows:

| | 2024 | 2023 |
|---|---|---|
| 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, 2024 and 2023, were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2024 | 2023 | 2024 |
| Retirement benefit costs of defined contribution plans | ¥ 692 | ¥ 464 | $ 4,568 |

### 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, 2024 and 2023.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2024 and 2023, are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2024 | 2023 | 2024 |
| Deferred tax assets: | | | |
| Accrued bonuses to employees | ¥ 567 | ¥ 523 | $ 3,742 |
| R&D costs | 1,121 | 942 | 7,403 |
| Accrued enterprise taxes | 346 | 312 | 2,288 |
| Loss on write-down of inventories | 584 | 531 | 3,858 |
| Unrealized intercompany profits of inventories | 1,719 | 1,317 | 11,352 |
| Property, plant and equipment | 549 | 503 | 3,629 |
| Amortization of software | 1,051 | 991 | 6,945 |
| Impairment loss | 44 | 7 | 290 |
| Loss on write-down of investment securities | 116 | 127 | 764 |
| Liability for employees' retirement benefits | 2,417 | 2,496 | 15,965 |
| Tax loss carryforwards | 44 | 49 | 292 |
| Retirement allowances for directors, executive officers, and Audit & Supervisory Board members | 23 | 22 | 154 |
| Other | 2,171 | 1,890 | 14,336 |
| Less valuation allowance | (3,339) | (3,235) | (22,053) |
| Total | 7,413 | 6,475 | 48,965 |
| Deferred tax liabilities | (3,714) | (2,446) | (24,531) |
| Net deferred tax assets | ¥ 3,699 | ¥ 4,029 | $ 24,434 |
| Deferred tax liabilities: | | | |
| Unrealized gain on available-for-sale securities | ¥ (2,597) | ¥ (1,602) | $ (17,150) |
| Undistributed earnings of associated companies | (527) | (430) | (3,481) |
| Other | (810) | (758) | (5,349) |
| Total | (3,934) | (2,790) | (25,980) |
| Deferred tax assets | 3,714 | 2,446 | 24,531 |
| Net deferred tax liabilities | ¥ (220) | ¥ (344) | $ (1,449) |

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, 2024, with the corresponding figures for 2023, is as follows:

| | 2024 | 2023 |
|---|---|---|
| Normal effective statutory tax rate | 30.6% | 30.6% |
| Impairment loss | | 0.7 |
| Expenses not deductible for income tax purposes | 1.3 | 2.3 |
| Inhabitant tax on per capita basis | 0.1 | 0.2 |
| Unrealized intercompany profits | 0.1 | (0.2) |
| Difference in tax rates of foreign subsidiaries | (0.8) | (1.0) |
| Foreign tax credit | 0.2 | 0.2 |
| Tax credit | (5.6) | (6.4) |
| Less valuation allowance | 1.4 | 0.7 |
| Other—net | (1.0) | (2.3) |
| Actual effective tax rate | 26.3% | 24.8% |

### 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, 2024 and 2023, were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2024 | 2023 | 2024 |
| Depreciation and amortization | ¥ 1,750 | ¥ 1,715 | $ 11,558 |
| R&D costs | 10,265 | 10,391 | 67,800 |
| Net periodic retirement benefit costs | 510 | 465 | 3,367 |
| Amortization of goodwill | 97 | 250 | 642 |

### 12 RELATED-PARTY DISCLOSURES

Transactions of the Group with unconsolidated subsidiaries and associated companies for the years ended March 31, 2024 and 2023, were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2024 | 2023 | 2024 |
| Sales | ¥ 2,451 | ¥ 1,617 | $ 16,190 |
| Purchases | 2,291 | 1,873 | 15,135 |
| Selling, general and administrative expenses | 2,291 | 2,181 | 15,130 |

### 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, 2024 and 2023, were ¥2,122 million ($14,019 thousand) and ¥1,915 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 | |
|---|---|---|---|---|---|---|
| | 2024 | | 2023 | | 2024 | |
| | Finance Leases | Operating Leases | Finance Leases | Operating Leases | Finance Leases | Operating Leases |
| Due within one year | ¥ 490 | ¥ 12 | ¥ 427 | ¥ 15 | $ 3,240 | $ 75 |
| Due after one year | 765 | 17 | 580 | 13 | 5,051 | 115 |
| Total | ¥ 1,255 | ¥ 29 | ¥ 1,007 | ¥ 28 | $ 8,291 | $ 190 |

### 14 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

*(1) Group Policy for Financial Instruments*

The Group uses financial instruments, mainly long-term debt including borrowings, 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 and lease obligations are less than five years after the consolidated balance sheet date. Although a part of such borrowings is 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.

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, 2024 | Carrying Amount | Fair Value | Unrealized Gain/Loss |
| Investment securities | ¥ 10,555 | ¥ 10,555 | |
| Total | ¥ 10,555 | ¥ 10,555 | |
| Long-term debt | ¥ 14,527 | ¥ 14,499 | ¥ (28) |
| Total | ¥ 14,527 | ¥ 14,499 | ¥ (28) |

| | 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) |

| | Thousands of U.S. Dollars | | |
|---|---|---|---|
| March 31, 2024 | Carrying Amount | Fair Value | Unrealized Gain/Loss |
| Investment securities | $ 69,713 | $ 69,713 | |
| Total | $ 69,713 | $ 69,713 | |
| Long-term debt | $ 95,952 | $ 95,763 | $ (189) |
| Total | $ 95,952 | $ 95,763 | $ (189) |

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

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2024 | 2023 | 2024 |
| Investments in equity instruments that do not have a quoted market price in an active market | ¥ 19,047 | ¥ 2,379 | $ 125,809 |

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

| | Millions of Yen |
|---|---|
| March 31, 2024 | Due in 1 Year or Less |
| Cash and cash equivalents | ¥ 29,807 |
| Time deposits | 1,697 |
| Receivables | 56,567 |
| Total | ¥ 88,071 |

| | 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 |

| | Thousands of U.S. Dollars |
|---|---|
| March 31, 2024 | Due in 1 Year or Less |
| Cash and cash equivalents | $ 196,878 |
| Time deposits | 11,211 |
| Receivables | 373,624 |
| Total | $ 581,713 |

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, 2024 | Level 1 | Level 2 | Level 3 | Total |
| Investment securities | ¥ 10,555 | | | ¥ 10,555 |
| Total assets | ¥ 10,555 | | | ¥ 10,555 |
| Derivative transactions | | ¥ 218 | | ¥ 218 |
| Total liabilities | | ¥ 218 | | ¥ 218 |

| | Thousands of U.S. Dollars | | | |
|---|---|---|---|---|
| March 31, 2024 | Level 1 | Level 2 | Level 3 | Total |
| Investment securities | $ 69,713 | | | $ 69,713 |
| Total assets | $ 69,713 | | | $ 69,713 |
| Derivative transactions | | $ 1,440 | | $ 1,440 |
| Total liabilities | | $ 1,440 | | $ 1,440 |

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

| | Millions of Yen | | | |
|---|---|---|---|---|
| March 31, 2024 | Level 1 | Level 2 | Level 3 | Total |
| Long-term debt | | ¥ 14,499 | | ¥ 14,499 |

| | Thousands of U.S. Dollars | | | |
|---|---|---|---|---|
| March 31, 2024 | Level 1 | Level 2 | Level 3 | Total |
| Long-term debt | | $ 95,763 | | $ 95,763 |

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, 2024 | Hedged Item | Contract Amount | Contract Amount Due after One Year | Fair Value |
| Foreign currency forward contracts—Selling USD | Receivables | ¥ 6,404 | | ¥ (218) |
| Interest rate swaps (fixed rate payment, floating rate receipt) | Long-term debt | 316 | ¥ 76 | |

| | | 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 | |

| | | Thousands of U.S. Dollars | | |
|---|---|---|---|---|
| March 31, 2024 | Hedged Item | Contract Amount | Contract Amount Due after One Year | Fair Value |
| Foreign currency forward contracts—Selling USD | Receivables | $ 42,298 | | $ (1,440) |
| Interest rate swaps (fixed rate payment, floating rate receipt) | Long-term debt | 2,087 | $ 502 | |

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, 2024 and 2023, the Group had the following contingent liabilities:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2024 | 2023 | 2024 |
| Guarantees of advances received and borrowings of an unconsolidated subsidiary | ¥ 1,188 | ¥ 1,189 | $ 7,848 |

## 17 NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2024 and 2023, 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, 2024 | | | | |
| Basic EPS—Net income available to common shareholders | ¥ 21,705 | 51,079 | ¥ 424.93 | $ 2.81 |
| Year Ended March 31, 2023 | | | | |
| Basic EPS—Net income available to common shareholders | ¥ 17,831 | 51,042 | ¥ 349.34 | |

For the years ended March 31, 2024 and 2023, 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, 2024 and 2023, were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2024 | 2023 | 2024 |
| Unrealized gain on available-for- sale securities: | | | |
| Gains arising during the year | ¥ 3,253 | ¥ 1,303 | $ 21,484 |
| Reclassification adjustments to profit or loss | (8) | (825) | (53) |
| Amount before income tax effect | 3,245 | 478 | 21,431 |
| Income tax effect | 995 | 135 | 6,568 |
| Total | ¥ 2,250 | ¥ 343 | $ 14,863 |
| Deferred gain (loss) on derivatives under hedge accounting: | | | |
| Gains arising during the year | ¥ 529 | ¥ 727 | $ 3,493 |
| Reclassification adjustments to profit or loss | (858) | (517) | (5,664) |
| Amount before income tax effect | (329) | 210 | (2,171) |
| Income tax effect | (101) | 64 | (665) |
| Total | ¥ (228) | ¥ 146 | $ (1,506) |
| Foreign currency translation adjustments | ¥ 2,178 | ¥ 981 | $ 14,386 |
| Defined retirement benefit plans: | | | |
| Adjustments arising during the year | ¥ 1,027 | ¥ (213) | $ 6,780 |
| Reclassification adjustments to profit or loss | 79 | 77 | 523 |
| Amount before income tax effect | 1,106 | (136) | 7,303 |
| Total | ¥ 1,106 | ¥ (136) | $ 7,303 |
| Share of other comprehensive income in unconsolidated subsidiaries and associated companies: | | | |
| Gains arising during the year | ¥ 88 | ¥ 102 | $ 584 |
| Amount before income tax effect | 88 | 102 | 584 |
| Total | ¥ 88 | ¥ 102 | $ 584 |
| Total other comprehensive income | ¥ 5,394 | ¥ 1,436 | $ 35,630 |

## 19 REVENUES RECOGNITION

*(1) Disaggregation of Revenue*

Disaggregation of revenues from contracts with clients are provided in Note 20.

*(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 2024 and 2023 were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2024 | 2023 | 2024 |
| Receivables from contracts with customers: | | | |
| Balance at beginning of year | ¥ 48,448 | ¥39,929 | $ 319,999 |
| Balance at end of year | 54,064 | 48,448 | 357,095 |
| Contract assets: | | | |
| Balance at beginning of year | 1,928 | 1,239 | 12,732 |
| Balance at end of year | 1,970 | 1,928 | 13,013 |
| Contract liabilities: | | | |
| Balance at beginning of year | 29,649 | 33,351 | 195,834 |
| Balance at end of year | 35,036 | 29,649 | 231,411 |

Notes:1.The amounts of recognized revenue included in the amounts of contract liabilities at the beginning of the fiscal years were ¥19,261 million ($127,219 thousand) and ¥23,594 million for the fiscal years ended March 31, 2024 and 2023, 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, 2024 and 2023:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2024 | 2023 | 2024 |
| Within one year | ¥ 70,379 | ¥ 34,558 | $ 464,853 |
| After one year | 8,976 | 12,797 | 59,286 |
| Total | ¥ 79,355 | ¥ 47,355 | $ 524,139 |

## 20 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, Nuclear Magnetic Resonance 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 | | | | | |
|---|---|---|---|---|---|---|
| | 2024 | | | | | |
| | Reportable Segments | | | | Reconciliations | Consolidated |
| | Scientific Instruments | Industrial Equipment | Medical Equipment | Total | | |
| Sales: | | | | | | |
| Japan | ¥ 42,406 | ¥ 5,411 | ¥ 12,446 | ¥ 60,263 | | ¥ 60,263 |
| North, Central and South America | 19,339 | 3,127 | 2,349 | 24,815 | | 24,815 |
| China | 22,136 | 10,583 | 334 | 33,053 | | 33,053 |
| Other | 36,132 | 19,890 | 184 | 56,206 | | 56,206 |
| Revenue from contracts with customers | 120,013 | 39,011 | 15,313 | 174,337 | | 174,337 |
| Sales to external customers | 120,013 | 39,011 | 15,313 | 174,337 | | 174,337 |
| Intersegment sales or transfers | | | | | | |
| Total | ¥ 120,013 | ¥ 39,011 | ¥ 15,313 | ¥ 174,337 | | ¥ 174,337 |
| Segment profit | ¥ 16,846 | ¥ 16,203 | ¥ 476 | ¥ 33,525 | ¥ (5,994) | ¥ 27,531 |
| Segment assets | 111,456 | 59,328 | 13,717 | 184,501 | 45,713 | 230,214 |
| Other: | | | | | | |
| Depreciation | 2,888 | 1,017 | 360 | 4,265 | 386 | 4,651 |
| Increase in property, plant and equipment and intangible assets | 3,042 | 1,891 | 248 | 5,181 | 379 | 5,560 |



Notes:1. Reconciliations of:

—Segment profit amounting to ¥(5,994) 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 ¥45,713 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 ¥386 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 ¥379 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 | | | | | |
|---|---|---|---|---|---|---|
| | 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.

| | Thousands of U.S. Dollars | | | | | |
|---|---|---|---|---|---|---|
| | 2024 | | | | | |
| | Reportable Segments | | | | Reconciliations | Consolidated |
| | Scientific Instruments | Industrial Equipment | Medical Equipment | Total | | |
| Sales: | | | | | | |
| Japan | $ 280,097 | $ 35,739 | $ 82,199 | $ 398,035 | | $ 398,035 |
| North, Central and South America | 127,731 | 20,657 | 15,518 | 163,906 | | 163,906 |
| China | 146,210 | 69,899 | 2,204 | 218,313 | | 218,313 |
| Other | 238,651 | 131,373 | 1,218 | 371,242 | | 371,242 |
| Revenue from contracts with customers | 792,689 | 257,668 | 101,139 | 1,151,496 | | 1,151,496 |
| Sales to external customers | 792,689 | 257,668 | 101,139 | 1,151,496 | | 1,151,496 |
| Intersegment sales or transfers | | | | | | |
| Total | $ 792,689 | $ 257,668 | $ 101,139 | $1,151,496 | | $1,151,496 |
| Segment profit | $ 111,266 | $ 107,024 | $ 3,144 | $ 221,434 | $ (39,589) | $ 181,845 |
| Segment assets | 736,162 | 391,865 | 90,603 | 1,218,630 | 301,936 | 1,520,566 |
| Other: | | | | | | |
| Depreciation | 19,073 | 6,720 | 2,377 | 28,170 | 2,548 | 30,718 |
| Increase in property, plant and equipment and intangible assets | 20,099 | 12,487 | 1,635 | 34,221 | 2,503 | 36,724 |

Notes:1. Reconciliations of:

—Segment profit amounting to $(39,589) thousand 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 $301,936 thousand 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 $2,548 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 $2,503 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 | | |
|---|---|---|
| 2024 | | |
| Japan | Other | Total |
| ¥ 17,365 | ¥ 5,151 | ¥ 22,516 |

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

| Thousands of U.S. Dollars | | |
|---|---|---|
| 2024 | | |
| Japan | Other | Total |
| $ 114,695 | $ 34,023 | $ 148,718 |

*(3) Information about Major Customers*

Information for the year ended March 31, 2024, is not disclosed because no customers represent 10% or more of the consolidated sales. Information for the year ended March 31, 2023, was as follows:

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

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

| | Millions of Yen | | | | | |
|---|---|---|---|---|---|---|
| | 2024 | | | | | |
| | Reportable Segments | | | | Reconcil-iations | Consol-idated |
| | Scientific Instruments | Industrial Equipment | Medical Equipment | Total | | |
| Impairment loss | ¥ 604 | | | ¥ 604 | | ¥ 604 |

| | 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 | | | | | |
|---|---|---|---|---|---|---|
| | 2024 | | | | | |
| | Reportable Segments | | | | Reconcil-iations | Consol-idated |
| | Scientific Instruments | Industrial Equipment | Medical Equipment | Total | | |
| Impairment loss | $ 3,987 | | | $ 3,987 | | $ 3,987 |

*(5) Information about Goodwill by Reportable Segment*

| | Millions of Yen | | | | | |
|---|---|---|---|---|---|---|
| | 2024 | | | | | |
| | Reportable Segments | | | | Reconcil-iations | Consol-idated |
| | Scientific Instruments | Industrial Equipment | Medical Equipment | Total | | |
| Amortization of goodwill | ¥ 48 | ¥ 49 | | ¥ 97 | | ¥ 97 |
| Goodwill at March 31, 2024 | 295 | 304 | | 599 | | 599 |

| | 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 |

| | Thousands of U.S. Dollars | | | | | |
|---|---|---|---|---|---|---|
| | 2024 | | | | | |
| | Reportable Segments | | | | Reconcil-iations | Consol-idated |
| | Scientific Instruments | Industrial Equipment | Medical Equipment | Total | | |
| Amortization of goodwill | $ 316 | $ 326 | | $ 642 | | $ 642 |
| Goodwill at March 31, 2024 | 1,951 | 2,006 | | 3,957 | | 3,957 |

*(6) Information about Negative Goodwill by Reportable Segment*

There was no negative goodwill for the years ended March 31, 2024 and 2023.

### 21 SUBSEQUENT EVENTS

*Appropriation of Retained Earnings*

The following appropriation of retained earnings at March 31, 2024, was approved at the shareholders' meeting held on June 26, 2024:

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| Year-end cash dividends, ¥69 ($0.45) per share | ¥ 3,547 | $ 23,431 |



# Independent Auditor's Report

Deloitte.

Deloitte Touche Tohmatsu LLC
Marunouchi Nijubashi Building
3-2-3 Marunouchi
Chiyoda-ku, Tokyo 100-8360
Japan

Tel: +81 (3) 6213 1000
Fax: +81 (3) 6213 1005
www.deloitte.com/jp/en

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of JEOL Ltd.:

**<Audit of Consolidated Financial Statements>**

**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, 2024, 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, 2024, 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.

| Revenue recognition from Scientific Instruments and Industrial Instruments sales | |
|---|---|
| **Key Audit Matter Description** | **How the Key Audit Matter Was Addressed in the Audit** |
| Consolidated net sales for the current fiscal year were ¥174,337 million. As stated in Note 20, "SEGMENT INFORMATION" to the consolidated financial statements, the Group's sales are mainly derived from ¥120,013 million in Scientific Instruments segment and ¥39,011 million in Industrial Equipment segment. These sales comprised 69% and 22% of consolidated net sales, respectively. Products in Scientific Instruments include Transmission Electron Microscopes, Nuclear Magnetic Resonance Spectrometers, and Mass Spectrometers, and products in Industrial Equipment include Electron Beam Lithography Systems, etc.<br><br>Products in Scientific Instruments include state-of-the-art equipment used at national institutes and laboratories of private companies. Since the equipment is mostly installed in March, which is the end of the fiscal year, the volume of sales generated in the fourth quarter is often considerably higher than that of other quarters.<br><br>Industrial Equipment includes multi-beam musk writers, etc. of which transaction price tends to be high. Therefore, inappropriate transaction price or timing of the satisfaction of performance obligations may have a significant impact on sales and profits.<br><br>In addition, the equipment contracts in both Scientific Instruments and Industrial Equipment segments may comprise multiple performance obligations, e.g., main equipment, peripheral equipment, etc., in response to customer needs.<br><br>As stated in Note 2, "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES," o. "Revenues Recognition" and Note 19, "REVENUES RECOGNITION" to the consolidated financial statements, the Group recognizes revenue in accordance with the following steps; identification of performance obligations, allocation of transaction prices, and timing of satisfaction of individual performance obligations in each contract.<br><br>Since the transaction price is high and multiple performance obligations are included in a contract, if revenue is recognized at the inappropriate timing, it could have a significant impact on sales and profits.<br><br>Accordingly, we determined occurrence and cutoff in revenue recognition of Scientific Instruments and Industrial Equipment as the key audit matter. | Our testing of revenue recognition included, among others, the following procedures:<br><br>(1) We evaluated the design and operating effectiveness of the control over product sales, especially the internal control over the appropriateness of timing of the revenue recognition.<br><br>(2) We performed statistical sampling on the sales of Scientific Instruments segment recorded in March, which served as the population and had a relatively large volume of sales generated, and then performed the following procedures for the samples extracted:<br><br>• In order to understand the transactions and test the appropriateness of identification of performance obligations and allocation of the transaction price, we inquired with the person in charge of the accounting department.<br><br>• In order to validate the appropriateness of the timing of satisfaction of performance obligations, we inspected documents related to sales orders and certificate of installation.<br><br>(3) We performed statistical sampling on the sales of Industrial Equipment segment in relation to the semiconductor business with the following procedures:<br><br>• In order to understand the transactions and validate the appropriateness of identification of the performance obligations and allocation of transaction prices, we inquired with the person in charge of the accounting department.<br><br>• In order to assess the occurrence of transactions and the validity of the timing of satisfaction of performance obligations, we inspected documents related to sales orders and certificate of installation.<br><br>(4) We performed the following procedures for the revenue from contracts with multiple performance obligations:<br><br>• In order to assess the reasonableness of the identification of performance obligations in contracts, the allocation of transaction prices, and the timing of the satisfaction of performance obligations, we inspected documents related to sales orders and certificate of installation.<br><br>• In order to understand the transaction and assess the reasonableness of the satisfaction of the performance obligations, we inquired about contracts of the person in charge of the accounting department.<br><br>• For samples extracted, we validated the timing of the satisfaction of performance obligations and the appropriateness of the sales amounts with customers. |



**Other Information**

Management is responsible for the other information. 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 other information. The other information comprises the information included in the Group's 2024 annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**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, actions taken to eliminate threats or safeguards applied.

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.

**<Fee-Related Information>**

Fees for audit and other services for the year ended March 31, 2024, which were charged by us and our network firms to JEOL Ltd. and its subsidiaries, were ¥71 million and ¥8 million, respectively.



**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.

Hiroyuki Motegi
Designated Engagement Partner
Certified Public Accountant

Katsuhiko Igarashi
Designated Engagement Partner
Certified Public Accountant

Deloitte Touche Tohmatsu LLC
September 20, 2024