JEOL
Solutions for Innovation

ANNUAL REPORT 2016

Fiscal year ended March 31, 2016

Company Philosophy

On the basis of "Creativity" and "Research and Development," thus forever contributing to progress in both science and society

Corporate History

	Corporate History	Product Development History
1949	Japan Electron Optics Laboratory Co., Ltd. established	JEM-1 electron microscope completed
1956		JEM-5G electron microscope first exported to the CEA Saclay Atomic Energy Research Institute, France JNM-1, Japan's first nuclear magnetic resonance (NMR) system, completed
1961	Company name changed to JEOL Ltd.	
1962	JEOL listed on the Second Section of the Tokyo Stock Exchange JEOLCO (USA) INC. established as the first overseas subsidiary	JXA-3 X-ray microanalyzer completed
1963		JMS-01 double-focusing mass spectrometer completed JLC-01 general-purpose automatic recording fluid chromatograph completed
1966	JEOL listed on the First Section of the Tokyo Stock Exchange	JSM-1 scanning electron microscope completed JEM-1000 1000kV ultrahigh voltage electron microscope completed
1967		JEBX-2A electron beam lithography system completed
1968		JLC-5AH, world's first fully automated amino acid analyzer, completed
1972		JCA-1KM "Clinalyzer" clinical chemistry analyzer completed
1974		JAMP-3 Auger microprobe and JESCA-2 photoelectron spectrometer completed
1976	"Tokyo Meeting," first overseas marketing meeting, held	
1982		JEPAS-1000 electron beam measuring instrument completed
1983		JIBL-100 focused ion beam system completed
1989		JSTM-4000XV ultrahigh-vacuum scanning tunnel microscope completed
1993		JEIP-900F high-density reactive ion plating system completed
1995	"BS EN ISO 9001" obtained	
1996	Launch of the JEOL Group website (http://www.jeol.co.jp)	High-speed next-generation clinical chemistry analyzer "BioMajesty" completed
2001	New JEOL TECHNICS LTD. building completed	
2002	YAMAGATA CREATIVE CO., LTD. (YMCC) established, and the New Datum Hall completed Obtained ISO 14001 certification for environmental management system	
2003	JEOL Group's Environmental Statement announced	
2004	YMCC Tendo Factory completed	
2005	Agreed to set up an industry-academia collaboration office with the University of Tokyo	Ion source for mass spectrometers "DART" completed
2007	New clean room in Building 3 completed	
2009	JEOL DATUM LTD. and JEOL ACTIVE CO., LTD. absorbed	JEM-ARM200F atomic resolution analytical electron microscope completed
2010	JEOL BRASIL INSTRUMENTOS CIENTIFICOS LTDA. established JEOL FINETECH CO., LTD. and JEOL ENGINEERING CO., LTD. absorbed JEOL Group medium-term management plan, "CHALLENGE 5," announced JEOL SYSTEM TECHNOLOGY CO., LTD. absorbed	JMS-S3000 SpiralTOF, matrix assisted laser desorption/Ionization time-of-flight mass spectrometer, completed InTouchScope JSM-6010LA completed
2011	JEOL (RUS) LLC established JEOL INDIA PRIVATE LIMITED established JEOL RESONANCE Inc. established	JIB-4000 focused ion beam milling/imaging system completed
2012		New thermal field emission scanning electron microscope JSM-7100F completed New benchtop scanning electron microscope JCM-6000 "NeoScope™" completed New 0.75-mm solid-state NMR probe completed JEM-1400Plus new field emission transmission electron microscope completed
2013	JEOL Group medium-term management plan, "Dynamic Vision," announced	Zero boil-off magnet for NMR system completed JSM-IT300 scanning electron microscope completed
2014	Capital reinforcement implemented 65th anniversary of establishment Riken CLST-JEOL Collaboration Center established JEOL (BEIJING) CO., LTD. moved to new company location JEOL (GULF) FZE established	Ultimate atomic resolution transmission electron microscope JEM-ARM300F completed Nuclear magnetic resonance system JNM-ECZ series completed JSM-7800F PRIME new Schottky field emission scanning electron microscope completed
2015	NIMS-JEOL Center of Excellence for Analytical Technology opened JEOL (GERMANY) GmbH new building completed	JMS-T200GC high-end gas chromatograph time-of-flight mass spectrometer completed JSM-IT100 InTouchScope™ scanning electron microscope completed JEM-F200 multi-purpose electron microscope completed JCA-ZS050 future generation clinical chemistry analyzer completed

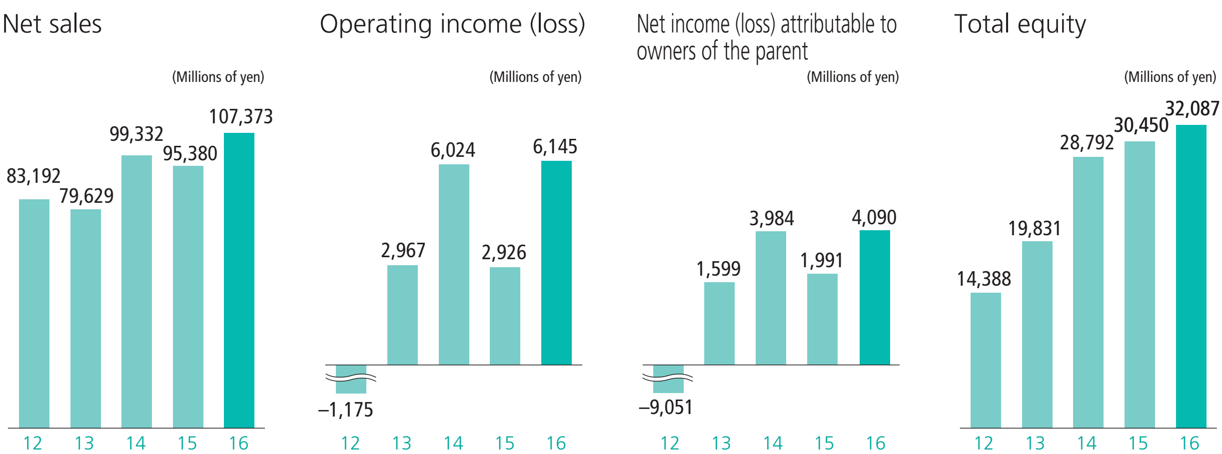
JEOL positively challenges the world's highest technology, through its products.

Consolidated Financial Highlights

JEOL Ltd. and consolidated subsidiaries, for the years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note)
	2016	2015	2016
For the year:			
Net sales	¥ 107,373	¥ 95,380	$ 952,735
Operating income	6,145	2,926	54,529
Income before income taxes	5,770	3,496	51,198
Net income attributable to owners of the parent	4,090	1,991	36,287
Per share data (in yen and U.S. dollars):			
Net income attributable to owners of the parent (yen)	42.32	18.58	0.38
Total equity (yen)	332.05	315.10	2.95
At year-end:			
Total assets	113,501	115,869	1,007,110
Total equity	32,087	30,450	284,710

Note: The U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥112.7 to U.S.$1 (the approximate exchange rate on March 31, 2016).



Contents

Disclaimer Regarding Forward-Looking Statements

The information contained in this annual report is given for the sole purpose of providing information regarding the business performance of JEOL Ltd. during the fiscal year ended March 31, 2016, and is not intended to solicit investment in any securities issued by the Company. Any statements with respect to JEOL's current plans, strategies and forecasts are forward-looking statements based upon information available as of March 31, 2016, and involve known and unknown risks and uncertainties.

Actual events and results may differ materially from those anticipated in these statements.

President's Message

Gon-emon Kurihara
President and Representative Director

First of all, let me take this opportunity to express my heartfelt gratitude for your continuous support.

It is a pleasure to deliver my message to our stakeholders in this JEOL Annual Report for the fiscal year ended March 31, 2016.

Business Results during the Fiscal Year Ended March 31, 2016

The economic climate during the consolidated fiscal year under review generally showed a moderate recovery supported by the government's monetary easing policies and a recovery in capital investment. This occurred despite uncertainties such as the impact of geopolitical risk, the slowdown of economic growth in emerging countries, accelerated global stock price declines, and the steep appreciation of the yen in the fourth quarter.

Under these circumstances, the JEOL Group worked hard to implement the prioritized strategies defined in its medium-term management plan, "Dynamic Vision" (FY 2013 to FY 2015) to enhance its enterprise value and management base as well as boost orders and sales. We have reported our results in the section of Consolidated Financial Analysis section of this document.

In Pursuit of Higher Corporate Values

The JEOL Group developed the "Triangle Plan," its new medium-term management plan for FY 2016 to FY 2018.

Under the plan, we will build on the management structure reforms achieved under "CHALLENGE 5" (the medium-term management plan for FY 2010 to FY 2012), and the growth strategy under "Dynamic Vision" (the medium-term management plan for FY 2013 to FY 2015). While continuing the YOKOGUSHI Strategy (cross-sectional collaboration strategy) implemented in the previous management plans, we will pursue "speed," "difference," and "change" as a new set of keywords to deepen and materialize our growth strategy. Based on these visions and strategies, we will strive to transform the Company into a highly profitable, medium-sized enterprise that continuously generates solid profits.

The JEOL Group will continue to work all-out to renovate its business structure and set up a stable revenue source structure, while promoting environmental conservation, enhancing compliance, maintaining our commitment to corporate ethics, and reinforcing our management base for sustainable growth by fostering a favorable corporate culture on a Group-wide basis.

Shareholder Return and Dividends

Our basic policy for profit distribution is to maintain stable dividends from a long-term perspective based on our efforts to improve our financial standing and corporate structure. For the fiscal year under review, in light of our business performance and financial condition, the year-end dividend was ¥3.50 per share (the full-year dividend including the interim dividend was ¥6 per share).

By pursuing profit-oriented management, we will continue to enhance our enterprise value and improve our earnings base. We look forward to your understanding on these matters.

Triangle Plan

(FY 2016 to FY 2018)

Under the “Triangle Plan,” we will further strengthen the management structure reforms achieved under “CHALLENGE 5” (the medium-term management plan for FY 2010 to FY 2012), and the growth strategy under “Dynamic Vision” (the medium-term management plan for FY 2013 to FY 2015). While continuing the YOKOGUSHI Strategy (cross-sectional collaboration strategy) implemented in the previous management plans, we will pursue “speed,” “difference” and “change” as a new set of keywords to deepen and achieve our growth strategy. Based on these visions and strategies, we will strive to transform the Company into a highly profitable, medium-sized enterprise that continuously generates solid profits.

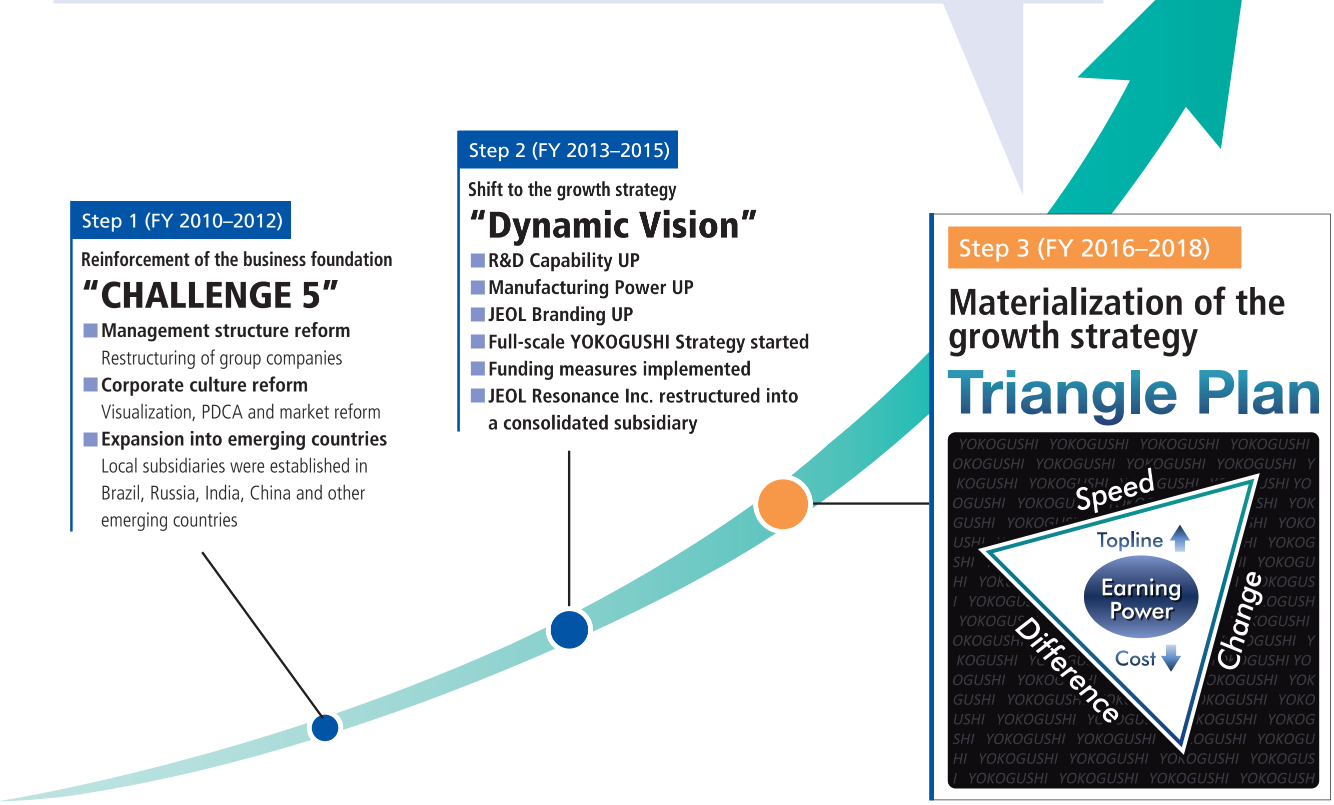
■ Corporate Message

Solutions for Innovation

Providing the solutions to support customer innovation

Outline of New Medium-Term Management Plan

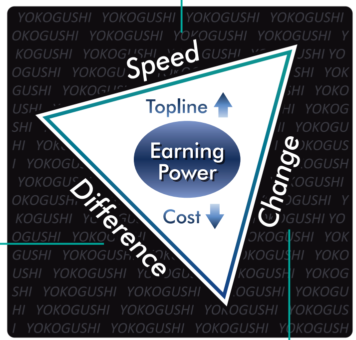
Based on results achieved by “CHALLENGE 5” and “Dynamic Vision,” and continuing the YOKOGUSHI Strategy (cross-sectional collaboration strategy) and focusing on the three axes of “speed,” “difference” and “change,” JEOL strives to become a distinctive and highly profitable, medium-sized enterprise, by promoting topline growth, cost reduction and improvement in earning power.



Outline of New Medium-Term Management Plan

Speed
The one who controls the speed, controls the business

- Achieve a speed-up of development in all product categories
- Strengthen product development ability by improving the high through-put function
- Reduce delivery time and delivery adjustment time
- Achieve prompt supply of consumable parts and prompt service
- Strengthen the response to the needs of the private-sector market where speed is essential



Difference
Creation of competitive advantage (which makes the difference)

- Strengthen product development focusing on differentiation from competitor products
- Promote YOKOGUSHI sales promotion
- Implement specific YOKOGUSHI activities that directly bring results to the business
- Further promote the solution business focusing on differentiation from competitor products

Change
Adaptation to environmental changes and efforts for self-reform

- Expand the business model from retailing to the aftermarket
- Establish a system to continuously monitor the business environment, detect changes and respond to the changes

Foundation of the "Triangle Plan"

YOKOGUSHI

Provide Total Solutions for Advanced Technology Development

Innovative Batteries
Next Generation Light-Emitting Element
Epigenome
Odor Analysis
Drug Discovery
Functional Food
Superconductivity
Element Strategy
GSC Green Sustainable Chemistry
DDS Drug Delivery Systems
Artificial Photosynthesis
Nano Catalyzer
Regenerative Medicine
Biomass
Nano Carbon
Soft Materials
Forensic Science
Metabolome

Wave length											
Instruments	TEM	SEM	EPMA	AES	XPS	XRD	XRF	IR/UV	ESR	NMR	MS
Scientific and Metrology instruments	TEM	SEM	EPMA	AES	XPS		XRF		ESR	NMR	MS
Medical equipment								CA/LC			
Industrial equipment	SB/EB/ST										

Consumables / Referrals
Maintenance / Services
Consultation
Contracted Analysis/ R&D Support
Environmental Engineering

JEOL Solutions for Innovation

Quantitative Targets

Consolidated net sales of ¥**120** billion and consolidated ordinary profit of ¥**7** billion (ordinary profit ratio: **5.8**%) in FY 2018

Topics

2015 July

JEOL Succeeded in Developing the World's Highest Magnetic Field* NMR System (1020 MHz):

The Advanced Technology of High-Temperature Superconductivity Makes a Major Step Forward to the Accelerated Development of New Drugs and Materials

As a part of the "Development of Beyond 1 GHz NMR System" project supported by the Japan Science and Technology Agency "SENTAN program," JEOL succeeded in the development of an ultra-high magnetic field nuclear magnetic resonance (NMR) system, which achieved the highest magnetic field in the world of 1020 MHz with HTS magnets.

* The world's highest magnetic field: 1020 MHz (24.0 T) as of April 17, 2015.

2015 August

JEOL Released a New Benchtop SEM JCM-6000Plus NeoScope™:

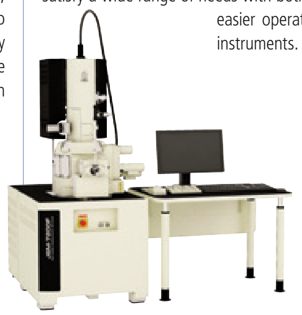
Equipped with a High-Sensitivity Semiconductor Detector, Delivering Efficient Analysis

JEOL has developed and released a new benchtop scanning electron microscope, the JCM-6000Plus NeoScope™, designed to meet the diverse needs of customers and to accommodate market expansion. The JCM-6000Plus is equipped with the high-sensitivity semiconductor detectors used in the high-end instruments of the series, making it easy to acquire composition contrast information about the specimen, and enabling efficient analysis. The series continues to include high-vacuum functionality and a secondary electron detector, offering the ability to clearly observe fine structures on the specimen surface at high magnification.

JEOL Launched the New Field Emission Scanning Electron Microscope JSM-7200F:

Multi-Purpose FE-SEM Combining High Resolution and Easy Operation

JEOL completed the development of and launched the JSM-7200F, a new field emission scanning electron microscope, onto the market. The JSM-7200F utilizes JEOL's proprietary in-lens Schottky Plus technology from JSM-7800FPRIME that allows improved higher spatial resolution at low accelerating voltages (1.6 nm @ 1 kV), and achieves maximum probe current of 300 nA. The JSM-7200F is a multi-purpose FE-SEM that can satisfy a wide range of needs with both higher resolution and easier operation than conventional instruments.



2015 October

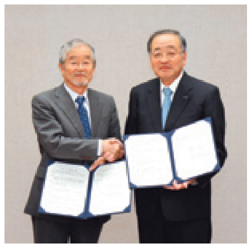
JEOL Launched the Next-Generation Clinical Chemistry Analyzer JCA-ZS050:

A Simpler, Intuitive System Operation and Very Easy Customer Maintenance with Excellent Cost-Effectiveness

JEOL completed the development of the JCA-ZS050 in Octorber 2015, and started sales in Japan under a new brand of in-vitro clinical chemistry analyzer, the BioMajesty™ ZERO series in April 2016. The JCA-ZS050 is a solution to our customers' ever-growing needs for greater efficiency in laboratory testing against the backdrop of limited financial resources available at medical institutions, expansion of pre-diagnosis examinations, and widespread practice of team medical care. Compared to the traditional BioMajesty™ series, it offers higher cost performance, utilizing even smaller reagent volumes, improved system operation and simplified customer maintenance.

JEOL-NIMS Center of Excellence for Analytical Technology Opened

JEOL opened jointly with the National Institute for Materials Science (NIMS), the JEOL-NIMS Center of Excellence for Analytical Technology. The purpose of the center is to diffuse new solid-state NMR analytical technologies that will contribute to materials research, aiming to develop the world top-class NMR systems by making the best use of the leading edge technologies of JEOL and NIMS.



Environmental Activities

(JEOL Group IMS Policy) Under its company philosophy, the JEOL Group strives to provide total solutions that meet the needs of customers and markets and contribute to the realization of a sustainable recycling society, by providing services and products that include the latest scientific and metrology instruments, semiconductor-related equipment, industrial equipment, medical equipment and other types of equipment.

Promotion of Environmental Conservation Activities

The JEOL Group strives to comply with the EU Waste Electrical and Electronic Equipment Directive (WEEE Directive) and the EU Restriction of Hazardous Substances Directive (RoHS) by establishing the Environmental Regulation Committee.

Participation in a Network of Enterprises That Consider the Environment in Akishima City

Based on the concept of contribution from the regional level to the global environment, we have actively participated from the beginning in the "Network of Enterprises That Consider the Environment in Akishima City," which was set up in April 2005 and which involves Akishima City in the Tokyo metropolitan area and enterprises in Akishima.

Expansion of the "Don't-Throw-Away" Campaign (Campaign for Cleaning Up Commuting Routes)

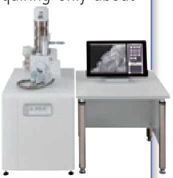
Since 1994, the JEOL Group has conducted a campaign to clean up areas around the Company's premises and routes from the Company to a nearby railway station. The clean-up activity has been held more than 100 times.

2015 November

JEOL Released New Scanning Electron Microscope JSM-IT100 InTouchScope™:

A Compact, Multi-Functional SEM

JEOL completed the development of and released a new scanning electron microscope, the JSM-IT100 InTouchScope™. The new JSM-IT100 has a footprint 30% smaller than its predecessors (the JSM-6510, JSM-6010Plus InTouchScope™), requiring only about the same space as a benchtop scanning electron microscope, which considerably increases flexibility at the installation site.



2016 January

Compact Ultra-High Magnetic Field NMR to Be Realized:

A Joint Team Developed an NMR System Incorporating Rare Earth-Based High Temperature Superconductor Wire

The joint research group comprising the NMR facility of the RIKEN Center for Life Science Technologies, Japan Superconductor Technologies Inc., the National Institute for Materials Science, JEOL Resonance Inc., and Chiba University, has developed an NMR system incorporating rare earth-based high-temperature superconductor wires and succeeded in the NMR analysis of protein specimens by using this system. This development is expected to lead to the realization of a very compact ultra-high magnetic field NMR system.

JEOL Released the JEM-F200, a Multi-Purpose Transmission Electron Microscope

JEOL has completed the development of and released the JEM-F200, a multi-purpose transmission electron microscope. The JEM-F200 is a new field emission transmission electron microscope, which features higher spatial resolution and analytical performance, an easy-to-use new operation system for multi-purpose operation, a smart appearance, and a range of environmentally friendly, energy saving systems for CO_2 reduction.

JEOL Released the JMS-MT3010HRGA, the advanced Multi-Turn Time-of-Flight Mass Spectrometer:

For Trace Gas Analysis in Advanced Energy Fields

JEOL developed and released the JMS-MT3010HRGA, a multiple circulation time-of-flight mass spectrometer based on the latest ion multi-turn technology, realizing downsizing and high mass resolution. In addition to the high mass resolving power necessary for identifying unknown materials, it can detect hydrogen atom ions and meet a range of research needs, including the realization of a hydrogen-energy-based society and the development of future energy sources.

2016 February

Sales Site in Europe Established and Strengthened:

JEOL (Germany) GmbH Opening Ceremony

On February 4, 2016, the opening ceremony for the new office building of JEOL (Germany) GmbH was conducted. Before this ceremony, in August 2015 JEOL (Germany) moved its headquarters to the suburb of Munich, where most advanced research organizations and universities are concentrated. The new office building has a demonstration hall where the latest scientific and metrology instruments are installed. The company will actively propose solutions to customers in Germany, which leads in global research and development, and other European markets.

2016 April

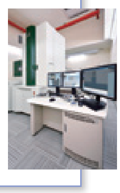
JEOL Employees Received the Prizes for Science and Technology FY 2016 for Two Achievements from the Commendation for Science and Technology by the Minister of Education, Culture, Sports, Science and Technology

Hideyuki Takahashi (SA Business Unit, JEOL) and Ryoji Tanaka (a development group expert from the Engineering Division, JEOL Resonance Inc. (a consolidated subsidiary) received the Prizes for Science and Technology (in the Development Category) FY 2016 from the Commendation for Science and Technology by the Minister of Education, Culture, Sports, Science and Technology. Mr. Takahashi received the prize for development and improvement of a soft X-ray emission spectrometer for electronic microscopes. Mr. Tanaka received the prize for development of the world's first over-1GHz NMR system using a high-temperature superconductor.

2016 May

JEOL Introduced Cryo TEM for the Bio Market

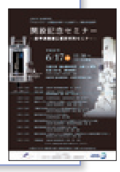
Cryo TEM provides a solution to automatically retrieve data necessary to determine atomic models such as those of membrane proteins, which improves the efficiency of leading-edge drug discovery.



2016 June

JEOL Co-Hosted the Commemorative Seminar for Establishment of the Endowed Research Department, Osaka University Institute for Protein Research

At the Institute for Protein Research, Osaka University, JEOL co-hosted with the institute a seminar to celebrate the establishment of the JEOL-Endowed Research Department for multi-scale structural biology. A speaker from JEOL explained the Company's new 200kV Cryo TEM and lectured on the new analysis method that sees the structure of proteins via hydrogen.



CSR

Science Class Support and Science Camp

As part of the commemorative projects for the 60th anniversary of the establishment of the JEOL Group, Science Class Support has been continuously conducted since December 2007 for neighboring elementary schools and others. This special class sees instructors sent from the JEOL Group, and pupils can observe plant pollen and others using desktop scanning electron microscopes.

Since November 2011, a special lesson has been given to pupils at elementary schools in Sendai City, Shiogama City, and Natori City, which were devastated by the Great East Japan Earthquake. JEOL plans to continue this activity in the future.

Kazato Research Foundation

In commemoration of the 20th anniversary of the establishment of the Company, the Kazato Research Foundation was launched in 1969 by a donation from Kenji Kazato, the founder of JEOL, to promote R&D of electron microscopes and related equipment, as well as research using electron microscopes and related equipment.

Board of Directors, Audit & Supervisory Board Members and Corporate Officers (As of June 28, 2016)

President & Representative Director

Gon-emon Kurihara

Representative Director & Executive Vice President

Masashi Iwatsuki

Director & Executive Vice President

Toshiyuki Masai

Directors & Senior Executive Officers

Koichi Fukuyama

Hideyuki Nimura

Directors & Executive Officers

Izumi Oi

Toyohiko Tazawa

Outside Directors

Hiroshi Akao

Satoshi Nagakubo

Standing Audit & Supervisory Board Members

Takashi Wakasa

Kazunori Fukushima

Outside Audit & Supervisory Board Members

Hajime Miyakawa

Akifumi Goto

Executive Officers

Hirofumi Kusano
Wataru Wakamiya
Yasutoshi Nakagawa
Shin Saito
Katsumoto Yaguchi
Yoshihiro Ohkura

Corporate Officers

Peter Genovese
Hiroaki Fukuda
Atsushi Seki
Mitsuru Takahashi
Yasuo Hijikata
Akihiro Kobayashi
Tadashi Okubo
Tadashi Komagata

Consolidated Five-Year Summary

JEOL Ltd. and consolidated subsidiaries, for the years ended March 31, 2016, 2015, 2014, 2013, and 2012

For the year (Millions of yen):	2016	2015	2014	2013	2012
Net sales	**¥107,373**	¥95,380	¥99,332	¥79,629	¥83,192
Scientific and metrology instruments	**73,909**	69,221	72,692	56,452	53,875
Industrial equipment	**9,988**	7,436	9,090	6,612	11,268
Medical equipment	**23,476**	18,723	17,550	16,565	18,049
Selling, general and administrative expenses	**34,129**	31,918	27,632	24,357	23,307
Operating income (loss)	**6,145**	2,926	6,024	2,967	(1,175)
Ordinary profit (loss)	**5,370**	3,532	3,340	1,909	(2,408)
Net income (loss) attributable to owners of the parent	**4,090**	1,991	3,984	1,599	(9,051)
Capital expenditures	**2,859**	3,014	3,681	3,226	2,408
Scientific and metrology instruments	**2,216**	2,191	1,530	2,177	1,505
Industrial equipment	**200**	386	1,517	501	183
Medical equipment	**302**	319	258	260	69
Eliminations/Corporate	**141**	118	376	288	651
Depreciation expense	**2,877**	2,718	2,528	2,276	2,890
Research and development costs	**6,479**	5,515	4,515	4,291	4,384
Scientific and metrology instruments	**4,671**	4,065	3,550	3,223	3,446
Industrial equipment	**668**	633	274	450	460
Medical equipment	**1,140**	817	691	618	478

At year-end (Millions of yen):					
Total assets	**¥113,501**	¥115,869	¥111,452	¥98,534	¥93,820
Total equity	**32,087**	30,450	28,792	19,831	14,388

Per share data (Yen):					
Net income (loss) attributable to owners of the parent	**¥42.32**	¥18.58	¥47.98	¥19.01	¥(115.60)
Total equity	**332.05**	315.10	276.72	213.58	181.94
Cash dividends					
Common stock	**6.00**	5.00	5.00	2.00	2.00
Preferred stock	**–**	–	50,000.00	36,712.30	–

Value indicators (%):					
Return on equity (ROE)	**13.1**	6.7	16.4	9.4	(47.6)
Return on assets (ROA)	**3.6**	1.8	3.8	1.7	(9.6)

Consolidated Financial Analysis

Overview of the Fiscal Year Ended March 31, 2016

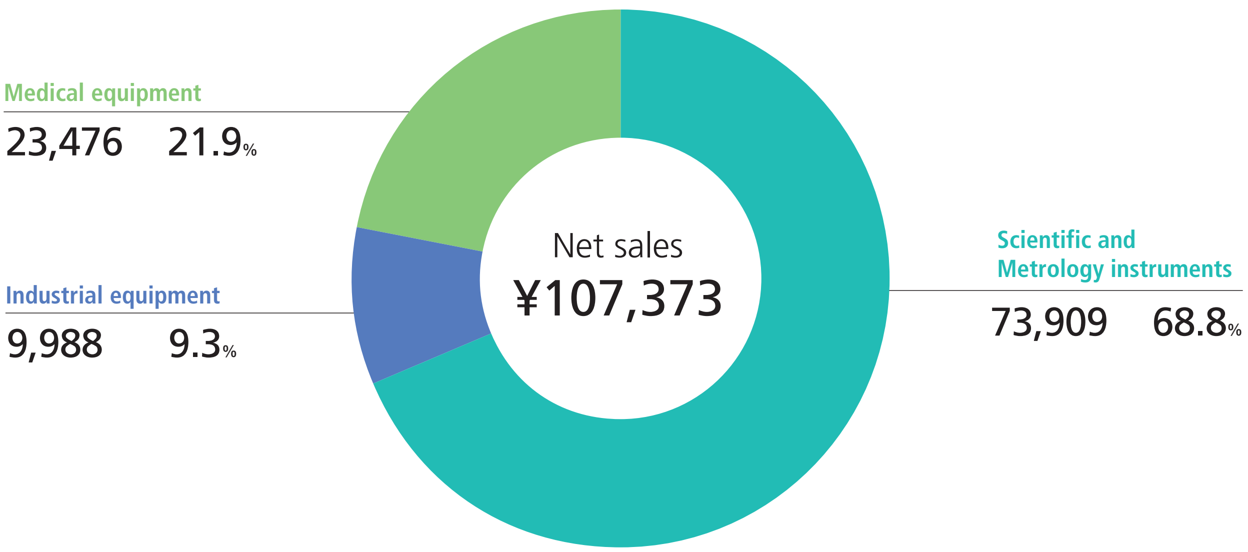
The economic climate during the consolidated fiscal year under review generally showed a moderate recovery supported by the government's monetary easing policies and a recovery in capital investment. This occurred despite uncertainties such as the impact of geopolitical risk, the slowdown of economic growth in emerging countries, accelerated global stock price declines, and the steep appreciation of the yen in the fourth quarter.

In these conditions, the JEOL Group worked hard to implement the prioritized strategies defined in its medium-term management plan, "Dynamic Vision," (FY 2013 to FY 2015) to enhance its enterprise value and management base as well as boost receipt of orders and net sales.

Net sales for the consolidated fiscal year under review were ¥107,373 million (up 12.6% compared with ¥95,380 million in the previous year). In terms of profit and loss, operating income was ¥6,145 million (up 110.0% compared with ¥2,926 million in the previous year), ordinary profit was ¥5,370 million (up 52.0% compared with ¥3,532 million in the previous year), and profit attributable to owners of the parent was ¥4,090 million (up 105.4% compared with ¥1,991 million in the previous year).

Net sales by segment

(Millions of yen)



Segment Information

Information by Business Segment

❶ Scientific and Metrology Instruments Segment

We responded to consistently brisk demand for electron microscopes from a broad range of fields, ranging from materials R&D, medicine and biology to quality control. Inquiries about our nuclear magnetic resonance systems have significantly increased in the global market as their competitiveness has improved.

Net sales of this segment for the year were ¥73,909 million (a 6.8% increase from the previous year).

❷ Industrial Equipment Segment

Sales of electron beam lithography systems advanced. Sales of electron guns and power sources for electron beam vapor disposition were also strong.

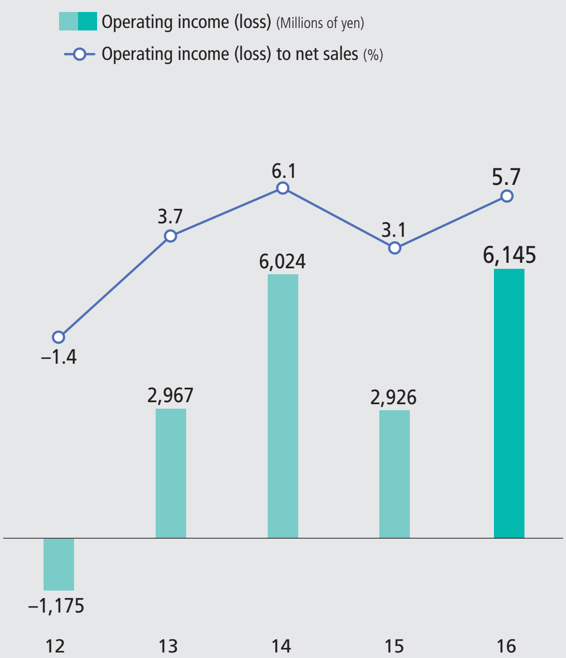
Net sales of this segment for the year were ¥9,988 million (a 34.3% increase from the previous year).

❸ Medical Equipment Segment

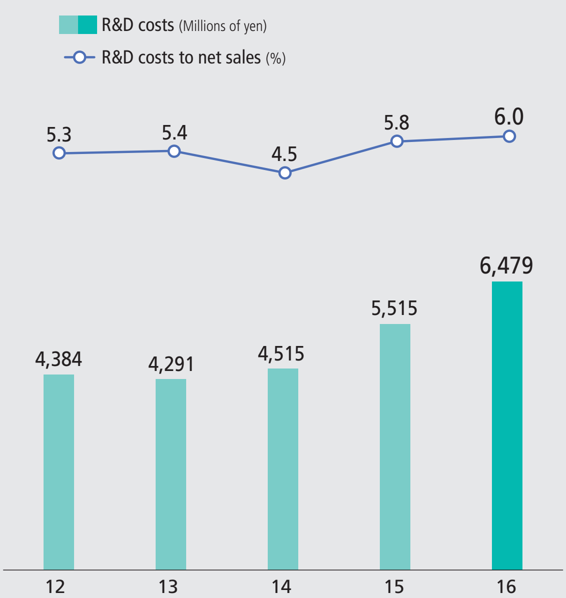
Domestic sales of clinical chemistry analyzers recorded steady growth. In overseas markets, sales growth was driven by the introduction of new products for Siemens, our OEM partner.

Net sales of this segment for the year were ¥23,476 million (a 25.4% increase from the previous year).

Operating income (loss) / Operating income (loss) to net sales



R&D costs / R&D costs to net sales



Consolidated Financial Analysis

Financial Position

Total assets at the end of the consolidated fiscal year under review amounted to ¥113,501 million, down ¥2,368 million from the end of the previous consolidated fiscal year. The major factor for this decline was a decline of ¥3,111 million in non-current assets attributable to a decline in investment securities, while current assets increased by ¥743 million attributable to higher inventories, partially offset by a decline in trade notes and account receivables.

Total liabilities amounted to ¥81,414 million, down ¥4,005 million from the end of the previous consolidated fiscal year. This was mainly due to a decline in short-term bank loans which was partially offset by an increase in notes and accounts payable.

Total equity expanded ¥1,637 million, to ¥32,087 million, reflecting the recording of ¥4,090 million in profit attributable to owners of the parent. As a result, the shareholders' equity ratio as of March 31, 2016 rose 2.0 percentage points, to 28.3%.

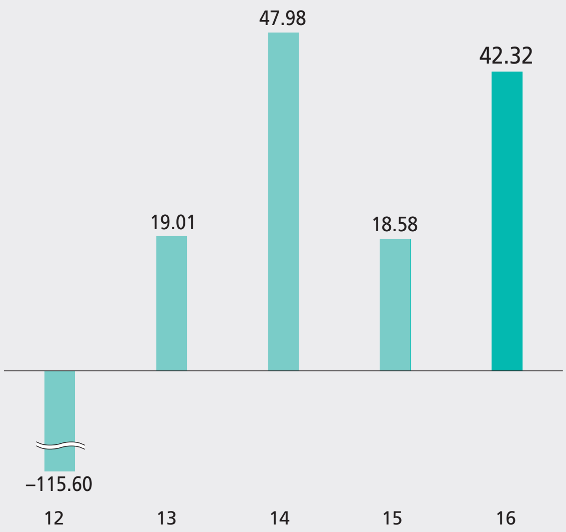
Cash Flows

For the consolidated fiscal year under review, net cash provided by operating activities amounted to ¥8,137 million, compared to an inflow of ¥9,405 million in FY 2015. This rise was mainly due to an expansion in inventories, while trade receivables decreased and trade payables increased.

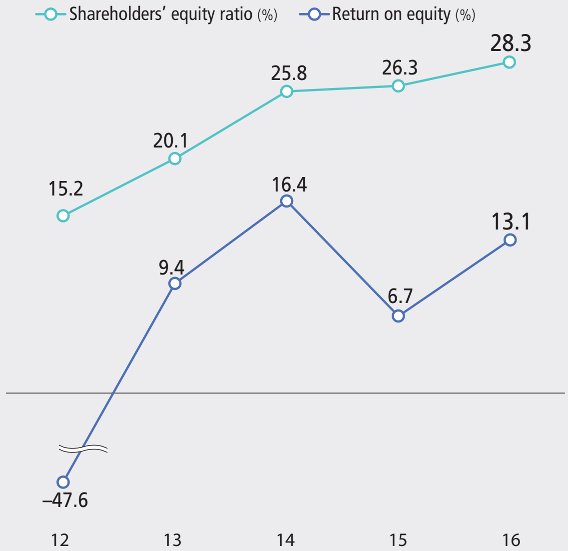
Net cash used in investing activities totaled ¥1,697 million, compared to a net cash outflow of ¥2,711 million in FY 2014. This net cash outflow was mainly attributable to purchases of property, plant and equipment, which were partially offset by proceeds from the sales of investment securities.

Net cash used in financing activities was ¥5,820 million, compared to a net cash outflow of ¥3,378 million in FY 2015. This was mainly due to repayments of loans and corporate bonds and the purchase of treasury stock.

Net income (loss) per share (Yen)



Shareholders' equity ratio / Return on equity

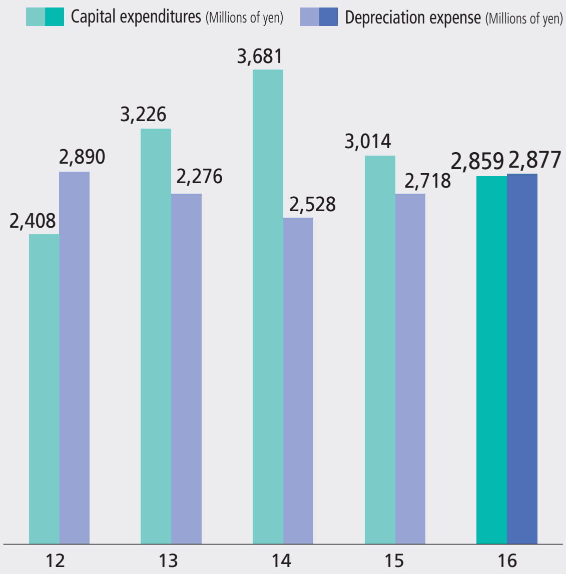


Outlook for the Next Fiscal Year

Looking ahead, although expectations for economic recovery have been increasing, it is anticipated that uncertainty will linger. Under these circumstances, the Group has firmly determined to make the utmost efforts to achieve the set targets by intensively promoting the measures defined in our medium-term management plan, "Triangle Plan" (FY 2016 to FY 2018), and securing order receipts as well as sales while implementing cost improvements.

With respect to the consolidated operating forecasts for the fiscal year ending March 31, 2017, we expect ¥107,000 million in net sales (down 0.3% year on year), ¥3,000 million in operating income (down 51.2%), ¥3,000 million in ordinary profit (down 44.1%), and ¥1,800 million in profit attributable to owners of the parent (down 56.0%).

Capital expenditures / Depreciation expense



Consolidated Balance Sheet (March 31, 2016)

		Millions of Yen		Thousands of U.S. Dollars (Note 1)
	ASSETS	2016	2015	2016
CURRENT ASSETS:	Cash and cash equivalents (Note 12)	¥ 11,717	¥ 11,465	$ 103,970
	Time deposits (Note 12)	724	676	6,428
	Receivables (Note 12):			
	Trade notes	941	694	8,353
	Trade accounts	23,753	27,041	210,760
	Unconsolidated subsidiaries and affiliates	1,537	1,434	13,635
	Other	478	500	4,239
	Allowance for doubtful receivables	(418)	(386)	(3,712)
	Inventories (Note 4)	41,318	37,823	366,615
	Deferred tax assets (Note 8)	2,157	2,569	19,135
	Prepaid expenses and other current assets	2,688	2,336	23,861
	Total current assets	84,895	84,152	753,284
PROPERTY, PLANT AND EQUIPMENT (Notes 5):	Land	1,834	1,879	16,270
	Buildings and structures	21,875	20,807	194,096
	Machinery and equipment	3,498	3,515	31,041
	Tools, furniture and fixtures	17,978	18,613	159,519
	Lease assets	3,629	3,935	32,204
	Construction in progress	34	666	306
	Total	48,848	49,415	433,436
	Accumulated depreciation	(35,811)	(36,006)	(317,759)
	Net property, plant and equipment	13,037	13,409	115,677
INVESTMENTS AND OTHER ASSETS:	Investment securities (Notes 3, 5 and 12)	6,272	8,373	55,647
	Investments in and advances to unconsolidated subsidiaries and affiliates (Note 12)	2,585	2,684	22,933
	Software	453	743	4,020
	Software lease	115	110	1,021
	Goodwill	2,866	3,236	25,436
	Deferred tax assets (Note 8)	588	689	5,216
	Other assets	2,690	2,473	23,876
	Total investments and other assets	15,569	18,308	138,149
TOTAL		¥113,501	¥115,869	$1,007,110

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2016	Millions of Yen 2015	Thousands of U.S. Dollars (Note 1) 2016
CURRENT LIABILITIES:			
Short-term bank loans (Notes 5 and 12)	¥ 11,103	¥ 15,071	$ 98,519
Current portion of long-term bank loans (Notes 5 and 12)	5,809	3,750	51,546
Current portion of bonds (Notes 5 and 12)	650	585	5,768
Current portion of long-term lease obligations (Notes 5 and 11)	490	825	4,346
Payables (Note 12):			
Trade notes	13,524	11,428	119,997
Trade accounts	8,086	7,881	71,747
Unconsolidated subsidiaries and affiliates	314	319	2,784
Other	2,850	2,411	25,286
Income taxes payable	530	633	4,706
Deferred tax liabilities (Note 8)	25		219
Advances received	8,176	8,474	72,542
Accrued bonuses to employees	1,155	1,097	10,252
Other current liabilities	5,403	5,564	47,950
Total current liabilities	58,115	58,038	515,662
LONG-TERM LIABILITIES:			
Bonds (Notes 5 and 12)	2,663	875	23,625
Long-term bank loans (Notes 5 and 12)	8,775	13,293	77,862
Long-term lease obligations (Notes 5 and 11)	784	1,943	6,957
Deferred tax liabilities (Note 8)	25	30	221
Liability for employees' retirement benefits (Note 6)	10,260	10,440	91,042
Retirement allowances for directors, executive officers and Audit & Supervisory Board members (Note 6)	190	195	1,683
Asset retirement obligations	331	329	2,937
Other long-term liabilities	271	276	2,411
Total long-term liabilities	23,299	27,381	206,738
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 11, 13 and 14)			
EQUITY (Note 7):			
Common stock—authorized, 200,000,000 shares; issued, 97,715,600 shares in 2016 and 2015	10,038	10,038	89,066
Capital surplus	9,386	9,386	83,284
Retained earnings	14,058	10,451	124,734
Treasury stock—at cost, 1,083,293 shares in 2016 and 1,080,846 shares in 2015	(537)	(535)	(4,762)
Accumulated other comprehensive income (loss):			
Unrealized gain on available-for-sale securities	2,514	3,601	22,308
Foreign currency translation adjustments	(1,062)	(448)	(9,419)
Defined retirement benefit plans	(2,310)	(2,043)	(20,501)
Total equity	32,087	30,450	284,710
TOTAL	¥113,501	¥115,869	$1,007,110

See notes to consolidated financial statements.

Consolidated Statement of Income (Year Ended March 31, 2016)

		Millions of Yen		Thousands of U.S. Dollars (Note 1)
		2016	2015	2016
NET SALES (Note 10)		¥107,373	¥95,380	$952,735
COST OF SALES (Note 10)		67,099	60,536	595,378
Gross profit		40,274	34,844	357,357
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 9 and 10)		34,129	31,918	302,828
Operating income		6,145	2,926	54,529
OTHER INCOME (EXPENSES):	Interest and dividend income	195	146	1,725
	Revenue from performance of research and development services	150	215	1,332
	Insurance claim receipt	1	77	12
	Interest expense	(461)	(495)	(4,091)
	Foreign exchange (loss) gain—net	(951)	707	(8,438)
	Loss on sales of trade receivables	(28)	(190)	(250)
	Loss on sales and disposals of property, plant and equipment—net	(59)	(39)	(523)
	Loss on liquidation of unconsolidated subsidiary	(161)		(1,430)
	Gain on sales of investment securities (Note 3)	667		5,920
	Equity in gain of unconsolidated subsidiaries and affiliates	154	146	1,366
	Other—net	118	3	1,046
	Other (expenses) income—net	(375)	570	(3,331)
INCOME BEFORE INCOME TAXES		5,770	3,496	51,198
INCOME TAXES (Note 8):	Current	1,047	1,100	9,290
	Deferred	633	405	5,621
	Total income taxes	1,680	1,505	14,911
NET INCOME		4,090	1,991	36,287
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT		¥ 4,090	¥ 1,991	$ 36,287

	Yen		U.S. Dollars
	2016	2015	2016
PER SHARE OF COMMON STOCK (Notes 2.u and 15):			
Basic net income	¥42.32	¥18.58	$0.38
Cash dividends applicable to the year	6.00	5.00	0.05

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income (Year Ended March 31, 2016)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
NET INCOME	¥4,090	¥1,991	$36,287
OTHER COMPREHENSIVE INCOME (LOSS) (Note 16):			
Unrealized (loss) gain on available-for-sale securities	(1,087)	1,579	(9,638)
Foreign currency translation adjustments	(389)	247	(3,448)
Defined retirement benefit plans	(267)	458	(2,377)
Share of other comprehensive (loss) income in unconsolidated subsidiaries and affiliates	(225)	138	(1,997)
Total other comprehensive (loss) income	(1,968)	2,422	(17,460)
COMPREHENSIVE INCOME	¥2,122	¥4,413	$18,827
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥2,122	¥4,413	$18,827
Noncontrolling interests			

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity (Year Ended March 31, 2016)

	Thousands		Millions of Yen							
	Number of Shares of Common Stock Outstanding	Number of Shares of Preferred Stock Issued	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)			Total Equity
							Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	
BALANCE, MARCH 31, 2014 (APRIL 1, 2014, as previously reported)	97,716	2	¥10,038	¥11,582	¥ 9,018	¥ (534)	¥2,022	¥ (833)	¥(2,501)	¥28,792
Cumulative effect of accounting change					(25)					(25)
BALANCE, APRIL 1, 2014 (as restated)	97,716	2	10,038	11,582	8,993	(534)	2,022	(833)	(2,501)	28,767
Net income attributable to owners of the parent					1,991					1,991
Cash dividends for prior year-end, ¥2.5 per share, for current year interim, ¥2.5 per share					(533)					(533)
Purchase of treasury stock						(2,197)				(2,197)
Retirement of treasury stock		(2)		(2,196)		2,196				
Net change in the year							1,579	385	458	2,422
BALANCE, MARCH 31, 2015	97,716		¥10,038	¥ 9,386	¥10,451	¥ (535)	3,601	¥ (448)	¥(2,043)	¥30,450
Net income attributable to owners of the parent					4,090					4,090
Cash dividends, for prior year-end, ¥2.5 per share, for current year interim, ¥2.5 per share					(483)					(483)
Purchase of treasury stock						(2)				(2)
Net change in the year							(1,087)	(614)	(267)	(1,968)
BALANCE, MARCH 31, 2016	97,716		¥10,038	¥ 9,386	¥14,058	¥ (537)	¥2,514	¥(1,062)	¥(2,310)	¥32,087

	Thousands of U.S. Dollars (Note 1)							
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)			Total Equity
					Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	
BALANCE, MARCH 31, 2015	$89,066	$83,284	$ 92,734	$(4,746)	$31,946	$(3,974)	$(18,124)	$270,186
Net income attributable to owners of the parent			36,287					36,287
Cash dividends, for prior year-end, $0.02 per share, for current year interim, $0.02 per share			(4,287)					(4,287)
Purchase of treasury stock				(16)				(16)
Net change in the year					(9,638)	(5,445)	(2,377)	(17,460)
BALANCE, MARCH 31, 2016	$89,066	$83,284	$124,734	$(4,762)	$22,308	$(9,419)	$(20,501)	$284,710

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows (Year Ended March 31, 2016)

		Millions of Yen		Thousands of U.S. Dollars (Note 1)
		2016	2015	2016
OPERATING ACTIVITIES:	Income before income taxes	¥ 5,770	¥ 3,496	$ 51,198
	Adjustments for:			
	Income taxes—paid	(1,193)	(1,163)	(10,590)
	Depreciation and amortization	2,877	2,718	25,527
	Amortization of goodwill	370	370	3,282
	Loss on sales and disposals of property, plant and equipment—net	59	39	523
	Equity in gain of unconsolidated subsidiaries and affiliates	(154)	(146)	(1,366)
	Gain on sales of investment securities	(667)		(5,920)
	Loss on liquidation of unconsolidated subsidiary	161		1,430
	Changes in assets and liabilities:			
	Decrease in trade notes and accounts receivable	2,521	5,319	22,370
	Increase in inventories	(4,086)	(2,755)	(36,256)
	Decrease in trade notes and accounts payable	2,725	1,596	24,184
	Increase in advances received	57	226	503
	Increase in provision for accrued bonuses to employees	63	87	558
	(Decrease) increase in liability for employees' retirement benefits	(95)	533	(840)
	Decrease in retirement allowances for directors, executive officers and Audit & Supervisory Board members	(5)	(2)	(42)
	Other—net	(266)	(913)	(2,360)
	Total adjustments	2,367	5,909	21,003
	Net cash provided by operating activities	8,137	9,405	72,201
INVESTING ACTIVITIES:	(Increase) decrease in time deposits—net	(115)	173	(1,019)
	Purchase of investment securities		(652)	
	Proceeds from sales of investment securities	1,219		10,817
	Proceeds from sales of property, plant and equipment	126	77	1,115
	Purchases of property, plant and equipment	(2,525)	(1,927)	(22,408)
	Purchases of intangible assets	(289)	(121)	(2,562)
	Other—net	(113)	(261)	(1,003)
	Net cash used in investing activities	(1,697)	(2,711)	(15,060)
FINANCING ACTIVITIES:	Decrease in short-term bank loans—net	(3,968)	(1,509)	(35,212)
	Proceeds from long-term bank loans	1,300	4,500	11,535
	Repayments of long-term bank loans	(3,759)	(3,624)	(33,354)
	Proceeds from bonds issuance	2,465	493	21,868
	Payment for redemption of bonds	(648)	(760)	(5,745)
	Purchase of treasury stock	(2)	(2,197)	(16)
	Cash dividends paid	(482)	(534)	(4,273)
	Proceeds from sale and leaseback		917	
	Other—net	(726)	(664)	(6,445)
	Net cash used in financing activities	(5,820)	(3,378)	(51,642)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS		(368)	509	(3,262)
NET INCREASE IN CASH AND CASH EQUIVALENTS		252	3,825	2,237
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		11,465	7,640	101,733
CASH AND CASH EQUIVALENTS, END OF YEAR		¥11,717	¥11,465	$103,970

See notes to consolidated financial statements.

1 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

The consolidated financial statements are stated in Japanese yen, the currency of the country in which JEOL Ltd. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥112.7 to $1, the approximate rate of exchange at March 31, 2016. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation

The consolidated financial statements as of March 31, 2016 and 2015, include the accounts of the Company and its 14 significant subsidiaries (together, the "Group").

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

Investments in 13 unconsolidated subsidiaries and 3 affiliates are accounted for by the equity method.

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

Goodwill is amortized on a straight line basis over 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 eliminated.

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

In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements" which was subsequently revised in February 2010 and March 2015 to reflect revisions of the relevant Japanese GAAP or accounting standards in other jurisdictions. PITF No. 18 prescribes that 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 International Financial Reporting Standards or the generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification) 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 R&D; and (d) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.

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

In March 2008, the ASBJ issued ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments" which was subsequently revised in line with the revisions to PITF No. 18 above. The standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's 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 International Financial Reporting 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 the equity through other comprehensive income; (c) expensing capitalized development costs of R&D; and (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.

d. Business Combinations

In October 2003, the Business Accounting Council issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures."

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling of interests method of accounting is no longer allowed. (2) The previous accounting standard required research and development costs to be charged to income as incurred. Under the revised standard, in process research and development costs (IPR&D) acquired in the business combination are capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the 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. The revised standard was applicable to business combinations undertaken on or after April 1, 2010.

In September 2013, the ASBJ issued revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures," and revised ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements." Major accounting changes are as follows:

(a) *Transactions with noncontrolling interest*—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. Under the previous accounting standard, 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 an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference is accounted for as capital surplus as long as the parent retains control over its subsidiary.

(b) *Presentation of the consolidated balance sheet*—In the consolidated balance sheet, "minority interest" under the previous accounting standard is changed to "noncontrolling interest" under the revised accounting standard.

(c) *Presentation of the consolidated statement of income*—In the consolidated statement of income, "income before minority interest" under the previous accounting standard is changed to "net income" under the revised accounting standard, and "net income" under the previous accounting standard is changed to "net income attributable to owners of the parent" under the revised accounting standard.

(d) *Provisional accounting treatments for a business combination*—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. Under the previous accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, 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.

(e) *Acquisition related costs*—Acquisition related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the previous accounting standard, the acquirer accounts for acquisition related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition related costs are effective for the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted from the beginning of annual periods beginning on or after April 1, 2014, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income. In case of earlier application, all accounting standards and guidance above, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, should be applied simultaneously.

Either retrospective or prospective application of the revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition related costs is permitted. In retrospective application of the revised standards and guidance, the accumulated effects of retrospective adjustments for all (a) transactions with noncontrolling interest and (e) acquisition related costs which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first time application. In prospective application, the new standards and guidance shall be applied prospectively from the beginning of the year of the first time application.

The revised accounting standards and guidance for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income shall be applied to all periods presented in financial statements containing the first time application of the revised standards and guidance.

The revised standards and guidance for (d) provisional accounting treatments for a business combination are effective for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2014.

The Company applied the revised accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition related costs above, effective April 1, 2015, and (d) provisional accounting treatments for a business combination above for a business combination which occurred on or after April 1, 2015. The revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition related costs were applied prospectively.

With respect to (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, the applicable line items in the 2015 consolidated financial statements have been accordingly reclassified and presented in line with those in 2016.

There was no impact from these accounting changes.

e. Cash Equivalents

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

Cash equivalents include time deposits, 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. Work in process is mainly stated at the lower of cost, determined by the specific identification method, or net selling value.

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

g. Investment Securities

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

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

h. Property, Plant and Equipment

Property, plant and equipment are stated at cost.

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

Lease assets are depreciated by the straight line method over the respective lease period. The useful lives for lease assets are 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 (5 years).

k. Stock Issue Costs

Stock issue costs are amortized to income by the straight line method over 3 years.

l. Bond Issue Costs

Bond issue costs which were 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 was effective for fiscal years ending on or after May 1, 2006.

m. Retirement and Pension Plans

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

Effective April 1, 2000, the Company adopted a new accounting standard for retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a straight line basis. Actuarial gains and losses are amortized on a straight line basis over 12 years within the average remaining service period. Past service costs are amortized on a straight line basis over 11 to 12 years within the average remaining service period.

In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

(a) Under the revised accounting standard, 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 any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income, and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period are treated as reclassification adjustments (see Note 16).

(c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods, the discount rate, and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, all with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014, and for (c) above, effective April 1, 2014.

With respect to (c) above, the Company changed the method of attributing the expected benefit to periods from a straight line basis to a benefit formula basis, the method of determining the discount rate from using the period which approximates the expected average remaining service period to using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment and the method of estimating expected future salary increases from salary increases "expected to be certain" to salary increases "expected," and recorded the effect of (c) above as of April 1, 2014, in retained earnings. As a result, retained earnings as of April 1, 2014, decreased by ¥25 million.

n. Asset Retirement Obligations

In March 2008, the ASBJ issued ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as 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. Research and Development Costs

Research and development costs are charged to income as incurred.

p. Leases

In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized by recognizing lease assets and lease obligations in the consolidated balance sheet. In addition, the revised accounting standard permits leases that existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions.

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

All other leases are accounted for as operating leases.

q. 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.

r. Foreign Currency Transactions

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

s. Foreign Currency Financial Statements

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" 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.

t. 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.

u. 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, 2016 and 2015, 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 years including dividends to be paid after the end of the year.

v. Accounting Changes and Error Corrections

In December 2009, the ASBJ issued 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 under this standard and guidance are 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, those statements are restated.

w. New Accounting Pronouncements

Tax Effect Accounting—On December 28, 2015, the ASBJ issued ASBJ Guidance No. 26, "Guidance on Recoverability of Deferred Tax Assets," which included certain revisions of the previous accounting and auditing guidance issued by the Japanese Institute of Certified Public Accountants. While the new guidance continues to follow the basic framework of the previous guidance, it provides new guidance for the application of judgment in assessing the recoverability of deferred tax assets.

The previous guidance provided a basic framework which included certain specific restrictions on recognizing deferred tax assets depending on the company's classification in respect of its profitability, taxable profit and temporary differences, etc.

The new guidance does not change such basic framework but, in limited cases, allows companies to recognize deferred tax assets even for a deductible temporary difference for which it was specifically prohibited to recognize a deferred tax asset under the previous guidance, if the company can justify, with reasonable grounds, that it is probable that the deductible temporary difference will be utilized against future taxable profit in some future period.

The new guidance is effective for the beginning of annual periods beginning on or after April 1, 2016. Earlier application is permitted for annual periods ending on or after March 31, 2016. The new guidance shall not be applied retrospectively and any adjustments from the application of the new guidance at the beginning of the reporting period shall be reflected within retained earnings or accumulated other comprehensive income at the beginning of the reporting period.

The Company expects to apply the new guidance on recoverability of deferred tax assets effective April 1, 2016, and is in the process of measuring the effects of applying the new guidance in future applicable periods.

3 INVESTMENT SECURITIES

Investment securities as of March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Noncurrent:			
Marketable equity securities	¥6,213	¥7,763	$55,131
Nonmarketable securities	59	610	516
Total	¥6,272	¥8,373	$55,647

The costs and aggregate fair values of investment securities at March 31, 2016 and 2015, were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2016				
Securities classified as available-for-sale equity securities	¥2,648	¥3,631	¥66	¥6,213
March 31, 2015				
Securities classified as available-for-sale equity securities	¥2,648	¥5,130	¥15	¥7,763

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2016				
Securities classified as available-for-sale equity securities	$23,499	$32,214	$582	$55,131

The information for available for sale securities which were sold during the year ended March 31, 2016, is as follows:

	Millions of Yen	
March 31, 2016	Proceeds	Realized Gains
Available-for-sale—Equity securities	¥1,219	¥667

	Thousands of U.S. Dollars	
March 31, 2016	Proceeds	Realized Gains
Available-for-sale—Equity securities	$10,817	$5,920

There are no available for sale securities which were sold during the year ended March 31, 2015.

There is no impairment loss on available for sale equity securities for the years ended March 31, 2016 and 2015.

4 INVENTORIES

Inventories at March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Finished products	¥11,423	¥12,205	$101,359
Work in process	27,944	23,732	247,954
Raw materials and supplies	1,951	1,886	17,302
Total	¥41,318	¥37,823	$366,615

5 SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2016 and 2015, consisted of notes to banks and bank overdrafts. The annual interest rates applicable to the short term bank loans ranged from 0.92% to 1.60% and 0.63% to 1.95% at March 31, 2016 and 2015, respectively.

Long-term debt at March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Unsecured 0.73% yen bonds, due 2016		¥ 100	
Unsecured 1.00% yen bonds, due 2016		60	
Unsecured 0.60% yen bonds, due 2017	¥ 100	200	$ 888
Unsecured 0.45% yen bonds, due 2018	400	600	3,549
Unsecured 0.10% yen bonds, due 2018	375	500	3,327
Unsecured 0.10% yen bonds, due 2019	438		3,882
Unsecured 0.53% yen bonds, due 2020	1,500		13,310
Unsecured 0.32% yen bonds, due 2020	500		4,437
Loans from banks and insurance companies, due serially to 2020 with interest rates ranging from 0.63% to 1.95% (2016) and from 1.00% to 2.54% (2015):			
Collateralized	10,270	11,610	91,127
Unsecured	4,314	5,433	38,281
Lease obligations	1,274	2,768	11,303
Total	19,171	21,271	170,104
Less current portion	(6,949)	(5,160)	(61,660)
Long-term debt, less current portion	¥12,222	¥16,111	$108,444

Annual maturities of long term debt, excluding finance leases (see Note 11), at March 31, 2016, for the next five years were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2017	¥ 6,459	$ 57,314
2018	3,490	30,966
2019	3,815	33,853
2020	2,293	20,342
2021	1,840	16,326
Total	¥17,897	$158,801

The carrying amounts of assets pledged as collateral for short term bank loans of ¥1,878 million ($21,167 thousand), current portion of long term bank loans of ¥3,665 million ($41,305 thousand) and long term bank loans of ¥6,605 million ($74,438 thousand) at March 31, 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Land	¥ 535	¥ 535	$ 4,750
Buildings and structures—net of accumulated depreciation	3,332	3,287	29,566
Investment securities	2,161	2,597	19,175
Total	¥6,028	¥6,419	$53,491

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 ($79,858 thousand), with a syndicate of six Japanese banks, arranged by The Bank of Tokyo Mitsubishi UFJ, Ltd. The details at March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Total amount of commitment-line contract	¥9,000	¥9,000	$79,858
Utilized amount	(2,000)	(1,000)	(17,746)
Net	¥7,000	¥8,000	$62,112

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, 2016, 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 in March 2012—¥14,388 million

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

6 RETIREMENT AND PENSION PLANS

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

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

The liability for retirement benefits at March 31, 2016 and 2015, for directors and Audit & Supervisory Board members is ¥190 million ($1,683 thousand) and ¥195 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, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year (as previously reported)	¥18,845	¥17,684	$167,211
Cumulative effect of accounting change		25	
Balance at beginning of year (as restated)	18,845	17,709	167,211
Current service cost	951	982	8,434
Interest cost	251	263	2,229
Actuarial losses	603	168	5,349
Benefits paid	(783)	(877)	(6,949)
Plan termination benefits paid	(2,299)		(20,397)
Others	(427)	600	(3,781)
Balance at end of year	¥17,141	¥18,845	$152,096

(2) The changes in plan assets for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year	¥8,814	¥7,764	$78,212
Expected return on plan assets	206	178	1,823
Actuarial (gains) losses	(124)	233	(1,102)
Contributions from the employer	1,367	835	12,133
Benefits paid	(549)	(569)	(4,869)
Plan termination benefits paid	(2,299)		(20,397)
Others	(94)	373	(843)
Balance at end of year	¥7,321	¥8,814	$64,957

(3) The changes in liability for retirement benefits under the simplified method for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year	¥410	¥400	$3,637
Net periodic benefit costs	32	31	287
Benefits paid	(2)	(21)	(21)
Balance at end of year	¥440	¥410	$3,903

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

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Funded defined benefit obligation	¥17,804	¥19,461	$157,979
Plan assets	(7,752)	(9,215)	(68,788)
Total	10,052	10,246	89,191
Unfunded defined benefit obligation	208	194	1,851
Net liability arising from defined benefit obligation	¥10,260	¥10,440	$91,042

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Liability for retirement benefits	¥10,260	¥10,440	$91,042
Net liability arising from defined benefit obligation	¥10,260	¥10,440	$91,042

(5) The components of net periodic benefit costs for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Service cost	¥ 951	¥ 933	$ 8,434
Interest cost	251	263	2,229
Expected return on plan assets	(206)	(178)	(1,823)
Amortization of transitional obligation		218	
Recognized actuarial losses	204	418	1,799
Amortization of prior service cost	(10)	(10)	(86)
Benefit costs accounted for the simplified method	32	33	287
Total	1,222	1,677	10,840
Settlement loss	290		2,574
Net periodic benefit costs	¥1,512	¥1,677	$13,414

(6) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2016 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Prior service cost	¥ (9)	¥ (10)	$ (86)
Actuarial losses	(258)	250	(2,291)
Transitional obligation		218	
Total	¥(267)	¥458	$(2,377)

(7) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2016 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Unrecognized prior service cost	¥ (61)	¥ (70)	$ (540)
Unrecognized actuarial losses	2,371	2,113	21,041
Total	¥2,310	¥2,043	$20,501

(8) Plan assets

a. Components of plan assets

Plan assets as of March 31, 2016 and 2015, consisted of the following:

	2016	2015
Debt investments	9%	17%
Equity investments	43	48
Cash and cash equivalents	1	1
General account	38	28
Others	9	6
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 considering the long term rates of return which are expected currently and in the future from the various components of the plan assets.

(9) Assumptions used for the years ended March 31, 2016 and 2015, are set forth as follows:

	2016	2015
Discount rate	1.0%	1.3%
Expected rate of return on plan assets	1.9	3.3

7 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.

8 INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 33.1% and 35.6% for the years ended March 31, 2016 and 2015, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2016 and 2015, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Deferred tax assets—Current:			
Accrued bonuses to employees	¥ 333	¥ 331	$ 2,956
Research and development costs	512	467	4,545
Advances received		160	
Accrued enterprise taxes	76	61	675
Unrealized intercompany profits of inventories	555	274	4,920
Loss on write-down of inventories	495	846	4,393
Tax loss carryforwards	136	696	1,209
Other	639	769	5,670
Less valuation allowance	(332)	(727)	(2,946)
Total	2,414	2,877	21,422
Deferred tax liabilities—Current	(257)	(308)	(2,287)
Net deferred tax assets—Current	¥ 2,157	¥ 2,569	$ 19,135
Deferred tax assets—Non-current:			
Property, plant and equipment	¥261	¥ 268	$ 2,314
Amortization of software	873	880	7,744
Impairment loss	257	391	2,282
Loss on write-down of investment securities	198	209	1,758
Liability for employees' retirement benefits	2,688	2,733	23,854
Retirement allowances for directors, executive officers and Audit & Supervisory Board members	59	63	519
Tax loss carryforwards	872	1,619	7,735
Other	322	424	2,856
Less valuation allowance	(3,578)	(4,044)	(31,745)
Total	1,952	2,543	17,317
Deferred tax liabilities—Non-current	(1,364)	(1,854)	(12,101)
Net deferred tax assets—Non-current	¥ 588	¥ 689	$ 5,216
Deferred tax liabilities—Current—other	¥ (283)	¥ (308)	$ (2,507)
Total	(283)	(308)	(2,507)
Deferred tax assets—Current	258	308	2,288
Net deferred tax liabilities—Current	¥(25)		$ (219)
Deferred tax liabilities—Non-current:			
Unrealized gain on available-for-sale securities	¥(1,051)	¥(1,514)	$ (9,324)
Undistributed earnings of affiliates	(249)	(255)	(2,208)
Other	(89)	(115)	(790)
Total	(1,389)	(1,884)	(12,322)
Deferred tax assets—Non-current	1,364	1,854	12,101
Net deferred tax liabilities—Non-current	¥ (25)	¥ (30)	$ (221)

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, 2016, with the corresponding figures for 2015 is as follows:

	2016	2015
Normal effective statutory tax rate	33.1%	35.6%
Expenses not deductible for income tax purposes	2.1	3.8
Inhabitant tax on per capita basis	0.8	1.2
Unrealized intercompany profits	(5.4)	2.9
Difference in tax rates of foreign subsidiaries	0.2	0.0
Less valuation allowance	(6.0)	(5.1)
Adjustment on deferred tax assets due to change in income tax rate	2.8	5.7
Other—net	1.5	(1.1)
Actual effective tax rate	29.1%	43.0%

New tax reform laws enacted in 2016 in Japan changed the normal effective statutory tax rate for the fiscal years beginning on April 1, 2016 and 2017, to approximately 30.9% and for the fiscal year beginning on or after April 1, 2018, to approximately 30.6%. The effect of these changes was to decrease deferred tax assets, net of deferred tax liabilities, by ¥97 million ($864 thousand) and increase accumulated other comprehensive income for unrealized gain on available for sale securities by ¥59 million ($524 thousand) and to increase income taxes—deferred in the consolidated statement of income for the year then ended by ¥156 million ($1,387 thousand).

Additionally, the new tax legislation limited net operating loss deductions. The current 65% limitation was reduced to 60% for the fiscal year beginning on April 1, 2016, and to 55% for the fiscal year beginning on or after April 1, 2017. The effect of these changes was to decrease deferred tax assets by ¥7 million ($63 thousand) and to increase income taxes—deferred in the consolidated statement of income for the year then ended by ¥7 million ($63 thousand) in the consolidated balance sheet as of March 31, 2016.

At March 31, 2016, the Company has tax loss carryforwards aggregating approximately ¥3,258 million ($28,907 thousand) which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2019	¥ 172	$ 1,523
2021	2,710	24,050
2022	376	3,334
Total	¥3,258	$28,907

9 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Depreciation and amortization, research and development costs, net periodic retirement benefit costs and amortization of goodwill for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Depreciation and amortization	¥1,186	¥1,080	$10,521
Research and development costs	6,479	5,515	57,492
Net periodic retirement benefit costs	489	640	4,338
Amortization of goodwill	370	370	3,282

10 RELATED-PARTY DISCLOSURES

Transactions of the Group with unconsolidated subsidiaries and affiliates for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Sales	¥6,508	¥6,149	$57,744
Purchases	687	633	6,093
Selling, general and administrative expenses	1,310	1,229	11,628

11 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, 2016 and 2015, were ¥1,700 million ($15,083 thousand) and ¥1,805 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	
	2016		2015		2016	
	Finance Leases	Operating Leases	Finance Leases	Operating Leases	Finance Leases	Operating Leases
Due within one year	¥ 490	¥163	¥ 825	¥177	$ 4,346	$1,444
Due after one year	784	227	1,943	269	6,957	2,016
Total	¥1,274	¥390	¥2,768	¥446	$11,303	$3,460

Pro forma Information of Leased Property Whose Lease Inception Was before March 31, 2008

ASBJ Statement No. 13, "Accounting Standard for Lease Transactions" requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the consolidated balance sheet. However, ASBJ Statement No. 13 permits leases without ownership transfer of the leased property to the lessee and whose lease inception was before March 31, 2008, to continue to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the consolidated financial statements. The Company applied ASBJ Statement No. 13 effective April 1, 2008, and accounted for such leases as operating lease transactions. Pro forma information of leased property whose lease inception was before March 31, 2008, is as follows:

	Millions of Yen	
	2016	
	Machinery and Equipment	Total
Acquisition cost	¥41	¥41
Accumulated depreciation	30	30
Net leased property	¥11	¥11

	Millions of Yen	
	2015	
	Machinery and Equipment	Total
Acquisition cost	¥41	¥41
Accumulated depreciation	26	26
Net leased property	¥15	¥15

	Thousands of U.S. Dollars	
	2016	
	Machinery and Equipment	Total
Acquisition cost	$362	$362
Accumulated depreciation	266	266
Net leased property	$ 96	$ 96

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Due within one year	¥ 4	¥ 4	$ 37
Due after one year	9	13	76
Total	¥13	¥17	$113

Depreciation expense, interest expense and other information under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Depreciation expense	¥4	¥4	$33
Interest expense	1	1	6
Total	¥5	¥5	$39
Lease payments	¥5	¥5	$41

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

12 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

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

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

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

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

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

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

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amount. Please see Note 13 for more details about derivatives.

(3) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, another rational valuation technique is used instead. The results of valuation may differ in assumptions because the rational valuation techniques include variable factors. Also, please see Note 13 for the details of fair value for derivatives.

(a) Fair value of financial instruments

	Millions of Yen		
March 31, 2016	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥11,717	¥11,717	
Time deposits	724	724	
Receivables	26,291	26,291	
Investment securities	6,213	6,213	
Total	¥44,945	¥44,945	
Short-term bank loans	¥11,103	¥11,103	
Payables	24,774	24,774	
Long-term debt	17,897	18,019	¥122
Total	¥53,774	¥53,896	¥122

	Millions of Yen		
March 31, 2015	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥11,465	¥11,465	
Time deposits	676	676	
Receivables	29,283	29,283	
Investment securities	7,763	7,763	
Total	¥49,187	¥49,187	
Short-term bank loans	¥15,071	¥15,071	
Payables	22,039	22,039	
Long-term debt	18,503	18,577	¥74
Total	¥55,613	¥55,687	¥74

	Thousands of U.S. Dollars		
March 31, 2016	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	$103,970	$103,970	
Time deposits	6,428	6,428	
Receivables	233,275	233,275	
Investment securities	55,131	55,131	
Total	$398,804	$398,804	
Short-term bank loans	$ 98,519	$ 98,519	
Payables	219,814	219,814	
Long-term debt	158,801	159,880	$1,079
Total	$477,134	$478,213	$1,079

Cash and Cash Equivalents and Time Deposits

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

Investment Securities

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

Receivables, Payables and Short Term Bank Loans

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

Long Term Debt

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

Derivatives

Fair value information for derivatives is included in Note 13.

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

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Investments in equity instruments that do not have a quoted market price in an active market	¥2,373	¥3,024	$21,054

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

	Millions of Yen
March 31, 2016	Due in 1 Year or Less
Cash and cash equivalents	¥11,717
Time deposits	724
Receivables	26,291
Total	¥38,732

	Millions of Yen
March 31, 2015	Due in 1 Year or Less
Cash and cash equivalents	¥11,465
Time deposits	676
Receivables	29,283
Total	¥41,424

	Thousands of U.S. Dollars
March 31, 2016	Due in 1 Year or Less
Cash and cash equivalents	$103,970
Time deposits	6,428
Receivables	233,275
Total	$343,673

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

13 DERIVATIVES

The Group enters into foreign currency forward contracts to hedge foreign exchange 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 exposures incorporated within its business.

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

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

Derivative Transactions to Which Hedge Accounting Is Applied

March 31, 2016		Millions of Yen	
	Hedged Item	Contract Amount	Contract Amount Due after One Year
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term debt	¥10,175	¥5,535

March 31, 2015		Millions of Yen	
	Hedged Item	Contract Amount	Contract Amount Due after One Year
Foreign currency forward contracts—Selling €	Receivables	¥ 130	
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term debt	11,192	¥9,115

March 31, 2016		Thousands of U.S. Dollars	
	Hedged Item	Contract Amount	Contract Amount Due after One Year
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term debt	$90,284	$49,113

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).

14 CONTINGENT LIABILITIES

At March 31, 2016 and 2015, the Group had the following contingent liabilities:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Trade notes discounted		¥4,822	
Guarantees of advance received and bank loans of unconsolidated subsidiary	¥433	227	$3,845
Guarantees of advance received of third party		120	

15 NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2016 and 2015, 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, 2016				
Basic EPS—Net income available to common shareholders	¥4,090	96,634	¥42.32	$0.38
Year Ended March 31, 2015				
Basic EPS—Net income available to common shareholders	¥1,795	96,636	¥18.58	

For the years ended March 31, 2016 and 2015, diluted EPS is not disclosed because the Company no longer has convertible securities.

16 OTHER COMPREHENSIVE INCOME

The components of other comprehensive income (loss) for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Unrealized (loss) gain on available-for-sale securities:			
(Losses) gains arising during the year	¥(1,550)	¥1,974	$(13,750)
Amount before income tax effect	(1,550)	1,974	(13,750)
Income tax effect	463	(395)	4,112
Total	¥(1,087)	¥1,579	$ (9,638)
Foreign currency translation adjustments	¥ (389)	¥ 247	$ (3,448)
Defined retirement benefit plans:			
Adjustments arising during the year	¥ (727)	¥ 225	$ (6,452)
Reclassification adjustments to profit or loss	460	233	4,075
Amount before income tax effect	(267)	458	(2,377)
Total	¥ (267)	¥ 458	$ (2,377)
Share of other comprehensive (loss) income in unconsolidated subsidiaries and affiliates—(Losses) gains arising during the year	¥ (225)	¥ 138	$ (1,997)
Total other comprehensive (loss) income	¥(1,968)	¥2,422	$(17,460)

17 SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," 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 being performed in order to decide how resources are allocated among the Group. Therefore, the Group's reportable segments consist of the industry scientific instruments, industrial equipment, and medical equipment. Industry scientific instruments consist of Transmission Electron Microscopes, NMR Spectrometers, Scanning Electron Microscopes, Mass Spectrometers, etc.; Industry industrial equipment consists of Electron Beam Lithography Systems, Wafer Inspection Systems, High Frequency Plasma Generators, etc.; Industry medical equipment consists 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."

The segment profit (loss) is based on operating income.

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

	Millions of Yen					
	2016					
	Reportable Segment				Reconciliations	Consolidated
	Scientific Instruments	Industrial Equipment	Medical Equipment	Total		
Sales:						
Sales to external customers	¥73,909	¥ 9,988	¥23,476	¥107,373		¥107,373
Intersegment sales or transfers						
Total	¥73,909	¥ 9,988	¥23,476	¥107,373		¥107,373
Segment profit	¥ 4,621	¥ 1,504	¥ 4,128	¥ 10,253	¥ (4,108)	¥ 6,145
Segment assets	64,063	10,061	18,349	92,473	21,028	113,501
Other:						
Depreciation	1,767	376	174	2,317	560	2,877
Increase in property, plant and equipment and intangible assets	2,216	200	302	2,718	141	2,859

Notes: 1. Reconciliations of:

— Segment profit amounting to ¥4,108 million (loss) includes common costs which are not distributed to any reportable segment. The common costs are mainly the back office expenses.

— Segment assets amounting to ¥21,028 million include common assets which are not distributed to any reportable segment. The common assets are mainly cash surplus (cash and cash equivalents and time deposits) and long term investments (investment securities).

— Depreciation amounting to ¥560 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 ¥141 million includes common assets which are not distributed to any reportable segment.

2. Segment profit is the same as operating income in the consolidated statement of income.

	Millions of Yen					
	2015					
	Reportable Segment				Reconciliations	Consolidated
	Scientific Instruments	Industrial Equipment	Medical Equipment	Total		
Sales:						
Sales to external customers	¥69,221	¥7,436	¥18,723	¥95,380		¥95,380
Intersegment sales or transfers						
Total	¥69,221	¥ 7,436	¥18,723	¥95,380		¥95,380
Segment profit	¥ 3,772	¥ 478	¥ 2,401	¥ 6,651	¥ (3,725)	¥ 2,926
Segment assets	65,353	10,678	16,909	92,940	22,929	115,869
Other:						
Depreciation	1,790	234	174	2,198	520	2,718
Increase in property, plant and equipment and intangible assets	2,191	386	319	2,896	118	3,014

Notes: 1. Reconciliations of:

— Segment profit amounting to ¥3,725 million (loss) includes common costs which are not distributed to any reportable segment. The common costs are mainly the back office expenses.

— Segment assets amounting to ¥22,929 million include common assets which are not distributed to any reportable segment. The common assets are mainly cash surplus (cash and cash equivalents and time deposits) and long term investments (investment securities).

— Depreciation amounting to ¥520 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 ¥118 million includes common assets which are not distributed to any reportable segment.

2. Segment profit is the same as operating income in the consolidated statement of income.

	Thousands of U.S. Dollars					
	2016					
	Reportable Segment				Reconciliations	Consolidated
	Scientific Instruments	Industrial Equipment	Medical Equipment	Total		
Sales:						
Sales to external customers	$655,800	$88,628	$208,307	$952,735		$ 952,735
Intersegment sales or transfers						
Total	$655,800	$88,628	$208,307	$952,735		$ 952,735
Segment profit	$ 41,005	$13,347	$ 36,626	$90,978	$(36,449)	$ 54,529
Segment assets	568,444	89,273	162,811	820,528	186,582	1,007,110
Other:						
Depreciation	15,683	3,336	1,540	20,559	4,968	25,527
Increase in property, plant and equipment and intangible assets	19,663	1,773	2,676	24,112	1,255	25,367

Notes: 1. Reconciliations of:

— Segment profit amounting to $36,449 thousand (loss) includes common costs which are not distributed to any reportable segment. The common costs are mainly the back office expenses.

— Segment assets amounting to $186,582 thousand include common assets which are not distributed to any reportable segment. The common assets are mainly cash surplus (cash and cash equivalents and time deposits) and long term investments (investment securities).

— Depreciation amounting to $4,968 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 $1,255 thousand includes common assets which are not distributed to any reportable segment.

2. Segment profit is the same as operating income in the consolidated statement of income.

Related Information

(1) *Information about Products and Services*

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

(2) *Information about Geographical Areas*

a. Sales

Millions of Yen			
2016			
Japan	U.S.A.	Other	Total
¥41,140	¥26,803	¥39,430	¥107,373

Millions of Yen			
2015			
Japan	U.S.A.	Other	Total
¥40,599	¥21,703	¥33,078	¥95,380

Thousands of U.S. Dollars			
2016			
Japan	U.S.A.	Other	Total
$365,044	$237,823	$349,868	$952,735

b. Property, plant and equipment

Millions of Yen			
2016			
Japan	Germany	Other	Total
¥10,332	¥1,321	¥1,384	¥13,037

Millions of Yen		
2015		
Japan	Other	Total
¥11,051	¥2,358	¥13,409

Thousands of U.S. Dollars			
2016			
Japan	Germany	Other	Total
$91,678	$11,721	$12,278	$115,677

(3) *Information about Major Customers*

	2016	
	Millions of Yen	Related Segment Name
Name of Customers	Sales	
SIEMENS HEALTHCARE DIAGNOSTICS INC.	¥12,649	Medical equipment

	2016	
	Thousands of U.S. Dollars	Related Segment Name
Name of Customers	Sales	
SIEMENS HEALTHCARE DIAGNOSTICS INC.	$112,238	Medical equipment

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

There is no impairment loss for the years ended March 31, 2016 and 2015.

(5) *Information about Goodwill by Reportable Segment*

	Millions of Yen					
	2016					
	Reportable Segment				Reconcil-iations	Consol-idated
	Scientific Instruments	Industrial Equipment	Medical Equipment	Total		
Amortization of goodwill	¥ 370			¥ 370		¥ 370
Goodwill at March 31, 2016	2,866			2,866		2,866

	Millions of Yen					
	2015					
	Reportable Segment				Reconcil-iations	Consol-idated
	Scientific Instruments	Industrial Equipment	Medical Equipment	Total		
Amortization of goodwill	¥ 370			¥ 370		¥ 370
Goodwill at March 31, 2015	3,236			3,236		3,236

	Thousands of U.S. Dollars					
	2016					
	Reportable Segment				Reconcil-iations	Consol-idated
	Scientific Instruments	Industrial Equipment	Medical Equipment	Total		
Amortization of goodwill	$ 3,282			$ 3,282		$ 3,282
Goodwill at March 31, 2016	25,436			25,436		25,436

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

There is no negative goodwill.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of JEOL Ltd.:

We have audited the accompanying consolidated balance sheet of JEOL Ltd. and its consolidated subsidiaries as of March 31, 2016, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of JEOL Ltd. and its consolidated subsidiaries as of March 31, 2016, and the consolidated results of their operations and their 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.

Deloitte Touche Tohmatsu LLC

June 28, 2016

Member of
Deloitte Touche Tohmatsu Limited

Corporate Outline (As of March 31, 2016)

Corporate Name	JEOL Ltd.
Address	1-2, Musashino 3-chome, Akishima, Tokyo 196-8558, Japan TEL: +81-42-543-1111 FAX: +81-42-546-3353
Establishment	May 30, 1949
Capital	¥10,038 million
Number of Employees	Consolidated: 2,963 Non-consolidated: 1,903

Stock Information	Authorized shares	200,000,000
	Issued shares	97,715,600
	Number of shareholders	6,599

Head Office and Branch Offices

Head Office: Factory
Tokyo Office
Tokyo 2nd Office
Yokohama Office
Tokyo Branch Office
Sapporo Branch Office
Sendai Branch Office
Tsukuba Branch Office
Nagoya Branch Office
Osaka Branch Office
West Japan Solution Center
Hiroshima Branch Office
Takamatsu Branch Office
Fukuoka Branch Office

Domestic Subsidiaries and Affiliated Companies

JEOL TECHNICS LTD.
JEOL TECHNOSERVICE CO., LTD.
JEOL YAMAGATA CO., LTD.
JEOL INSTRUMENTS INC.
JEOL RESONANCE Inc.

Overseas Subsidiaries

JEOL USA, INC. [USA]	11 Dearborn Road Peabody, MA 01960, USA TEL. 1-978-535-5900
JEOL (EUROPE) SAS [France]	Espace Claude Monet 1 Allée de Giverny 78290 Croissy Sur Seine, France TEL. 33-13015-3737
JEOL (U.K.) LTD. [U.K.]	JEOL House, Silvercourt, Watchmead, Welwyn Garden City, Herts AL7 1LT, England TEL. 44-1707-377117
JEOL (EUROPE) B. V. [the Netherlands]	Lireweg 4 2153 PH Nieuw-Vennep, The Netherlands TEL. 31-252-623-500
JEOL (SKANDINAVISKA) A.B. [Sweden]	Hammarbacken 6A, P.O. BOX 716, 191 27 Sollentuna, Sweden TEL. 46-8-28-2800
JEOL (GERMANY) GmbH [Germany]	Gute Änger 30 85356 Freising, Germany TEL. 49-8161-9845-0
JEOL (ITALIA) S.p.A. [Italy]	Palazzo Pacinotti Milano 3 City Via Ludovico il Moro, 6/A 20080 Basiglio (MI), Italy TEL. 39-02-9041431
JEOL ASIA PTE. LTD. [Singapore]	2 Corporation Road #01-12 Corporation Place, Singapore 618494 TEL. 65-6565-9989
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