JEOL

2007

Fiscal year ended March 31, 2007

ANNUAL REPORT

JEOL

Profile

Company Philosophy

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

Corporate History	Year	Product Development History
Japan Electron Optics Laboratory Co., Ltd. established	1949	JEM-1 electron microscope completed
	1956	JEM-5G electron microscope first exported to the CEA Saclay Atomic Energy Research Institute, France; JNM-1, Japan's first nuclear magnetic resonance system, completed
Company name changed to JEOL Ltd.	1961	
JEOL listed on the Second Section of the Tokyo Stock Exchange	1962	JXA-3 x-ray microanalyzer completed
JEOLCO (USA) INC. established as the first overseas subsidiary		
	1963	JMS-01 double-focusing mass spectrometer completed; JLC-01 general-purpose automatic recording fluid chromatograph completed
JEOL listed on the First Section of the Tokyo Stock Exchange	1966	JSM-1 scanning electron microscope completed; JEM-1000 1000kV ultrahigh voltage electron microscope completed
	1967	JEBX-2A electron beam exposure instrument completed
	1968	JLC-5AH, world's first fully automated amino acid analyzer, completed
	1970	Medical-use JTG-MA "Thermoviewer" infrared photography equipment completed
	1972	JCA-1KM "Clinalyzer" automated biochemical analyzer completed
	1974	JAMP-3 Auger micro probe, JIR-03F fourier transform infrared spectrometer, and JESCA-2 photoelectron spectrometer diffraction system completed
"Tokyo Meeting," first overseas marketing meeting, held	1976	
	1982	JEPAS-1000 electron beam measuring instrument completed
	1983	JIBL-100 convergent ion beam equipment completed
	1989	JSTM-4000XV ultrahigh vacuum scanning tunnel microscope completed
	1990	JWS-7500 wafer process inspection system completed
"JEOL 21" corporate management vision for the 21st century announced	1991	
	1993	JEIP-900F high-density reactive ion plating system completed
"BS EN ISO9001" obtained	1995	
Launch the JEOL Group web site (http://www.jeol.co.jp)	1996	High-speed next-generation automated biochemical analyzer "Bio Majesty" completed
	1998	JBX-9000MV electron beam lithography system completed
"JEOL SPIRIT-1" mid-term management vision announced on JEOL's 50th anniversary	1999	JSM-6700F field emission scanning electron microscope completed
"Bright Plan 1000," management plan for the JEOL group, announced	2000	JSM-6500F field emission scanning electron microscope completed
The new JEOL TECHNICS LTD. bulding completed	2001	JMS-T100LC (AccuTOF) time-of-flight mass spectrometer and the JNM-ECA series of nuclear magnetic resonance spectrometers completed
		JEM-2500SE nano analysis transmission electron microscope completed
		JEM-9310FIB focused ion beam system for specimen-preparation completed
YAMAGATA CREATIVE CO., LTD. established, and the New Datum Hall completed	2002	JSM-6460 and 6360 series of scanning electron microscopes completed
BEIJING CREATIVE TECHNOLOGY CO. LTD. established		JPS-9200 photoelectron spectrometer completed
Obtained ISO14001 certification for environmental management system		JBX-3030 series of electron beam lithography system completed
The JEOL Group's Environmental Statement announced	2003	JEM2100F field-emission transmission electron microscope completed
		JMS-800D mass spectrometer dedicated to dioxin analysis completed
		Succeeded in developing a high-performance capacitor
Medium-term management plan for the JEOL Group: Focus Plan 2006 announced	2004	JMS-T100GC gas-chromatography time-of-flight mass spectrometer completed
JEOL CREATIVE CO., LTD. merged		JCM-5100 carry scope (portable scanning electron microscope) completed
YMCC Tendo Factory completed		
Agreed to set up an industry-academia-collaboration office with the University of Tokyo	2005	JCA-BM8060 clinical biochemistry analyzer completed
The new YMCC Tendo Factory building completed		Ion source for mass spectrometers, DART completed
	2006	Semiconductor failure analysis system "Beam Tracer" completed
		Clinical chemical analyzer, JCA-BM6050 completed
		BS-60050EBS, evaporation source for backscattered electron completed
JEOL Group new medium term Management plan, "ACTION 60" announced	2007	JSM-7001F, a thermal field emission scanning electron microscope completed

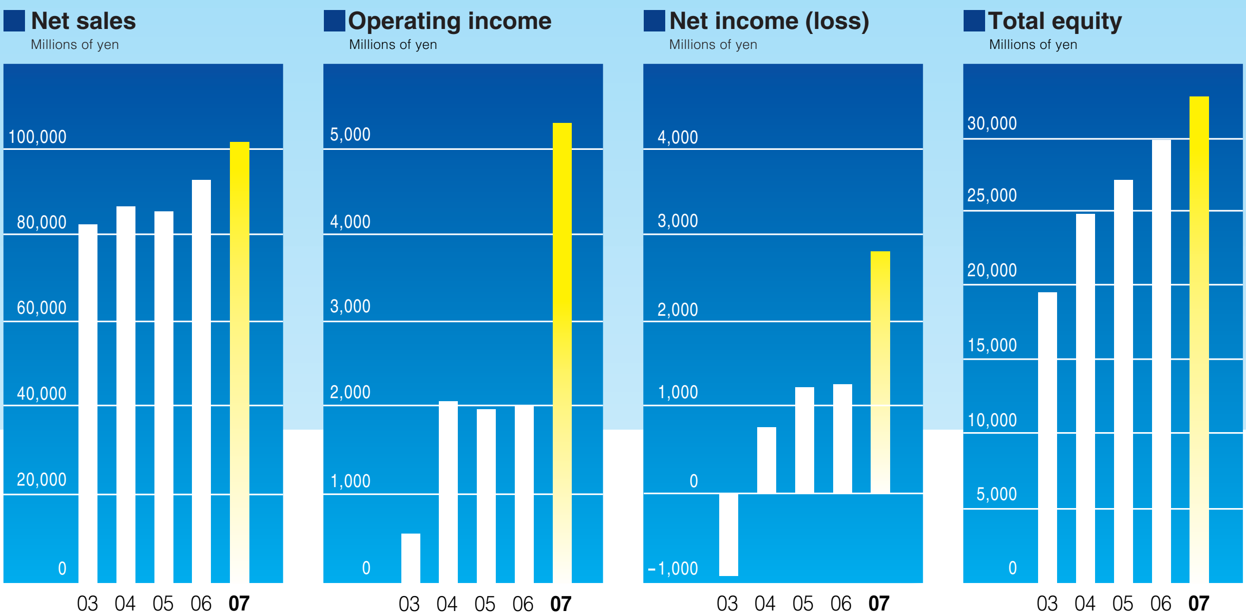
Contents

Financial Highlights

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

	Millions of yen		Thousands of U.S. dollars*
	2007	2006	2007
For the year:			
Net sales	¥ 101,776	¥ 93,291	$ 861,779
Operating income	5,313	2,013	44,989
Income before income taxes and minority interests	4,790	2,201	40,561
Net income	2,816	1,289	23,842
Per share data (in yen and U.S. dollars):			
Net income	35.50	16.25	0.30
Total equity	409.19	375.14	3.46
At year-end:			
Total assets	111,195	103,940	941,535
Total equity	32,684	29,752	276,751

Note: The U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥118.1 to U.S.$1 (the approximate exchange rate at March 31, 2007).



To Our Shareholders

Yoshiyasu Harada
President & COO,
Representative Director

Terukazu Eto
Chairman & CEO,
Representative Director

Q What is your assessment of the Company's performance for the fiscal year ended March 31, 2007?

During the fiscal year under review, the Japanese economy expanded steadily thanks to a rise in private-sector capital expenditures amid strong corporate earnings and steady personal consumption backed by improved employment and income environment, despite uncertainties over oil price hikes and interest increase following the removal of zero-interest-rate policy by the Bank of Japan. In addition, the yen remained weak.

Overseas economy continued to expand in the U.S., Europe and the rest of Asia.

In the markets of scientific instruments and industrial equipment, in which the JEOL Group is involved, electric machinery, chemical and general industrial machinery companies increased their capital expenditures and R&D investments. Semiconductor-related capital expenditures also remained strong.

Under these circumstances, the JEOL Group achieved its sales and profit targets, because of its strong overall performance driven by sales of electron microscopes and sales at the I-Core (industrial equipment market) business, which is related to semiconductor manufacturing equipment and automated biochemical analyzers.

Consequently, the JEOL Group posted consolidated net sales of ¥101,776 million (up 9.1% year-on-year), operating income of ¥5,313 million (up 164.0% year-on-year), ordinary profit of ¥5,183 million (up 170.9% year-on-year) and net income of ¥2,816 million (up 118.5% year-on-year). Among them, net sales, ordinary profit and net income hit record highs.

The JEOL Group is comprised the Scientific Instrument segment and the Industrial Equipment segment. In the Scientific Instrument segment, electron microscopes satisfied the demand from a variety of sectors, including the research and development of cutting-edge fields, the development of materials, the basic research of medical and biological fields, as well as quality control.

At the Industrial Equipment segment, sales of electron beam lithography systems were strong in the semiconductor sector, where miniaturization progressed. In the medical sector, sales of mainly medium- and large-sized equipment increased. In overseas markets, exports through OEM continued to be brisk.

Q How do you view the outcome of "Focus Plan 2006"?

In the medium-term management plan, Focus Plan 2006 (fiscal 2004 – 2006), we set targets of consolidated net sales of ¥100.0 billion or more and ordinary profit of ¥5.0 billion or more for fiscal 2006, and developed strategies focusing on enhancement of our production, sales/service and technologies. Consequently, we achieved numerical targets, and steadily developed our corporate structure for a further leap forward.

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

↑

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

↑

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

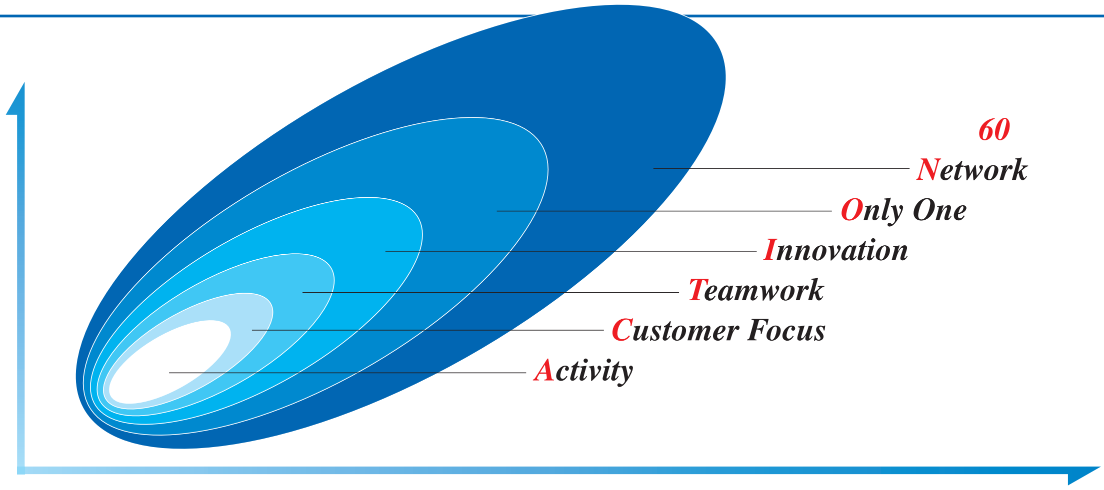
↑

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

↑

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

ACTION 60



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

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

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

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

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

Under the new plan, we will, as a basic policy, implement the strategy for a further growth and strive to improve corporate value, while focusing on technology, production, and sales/service strategies. We will also strengthen management structure and establish a corporate structure that can earn profits in any business environments.

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

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

For the fiscal year under review, we paid a special dividend of ¥3 per share in addition to an ordinary dividend of ¥7 per share, considering the achievement of numeric targets of the medium-term management plan "Focus Plan 2006." As a result, the full-year dividend totaled ¥10 per share, up ¥5 per share from the previous year.

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

Q What is your stance on corporate defense?

In defending JEOL, I believe the most important thing is to secure or increase our corporate value and common interests of shareholders.

I also think the decision on whether to sell the Company's shares in response to large takeover bids should be left in our shareholders' hands in the end. And to help shareholders judge properly, it is crucial to provide appropriate and enough information.

Given this, we have decided to establish rules relating to large scale of purchase of the Company's shares on ahead, and adopted advance warning-type defensive measures that provide beforehand steps against large scale purchase of the Company's shares deed.

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

July 1, 2007

Terukazu Eto
Chairman & CEO,
Representative Director

T. Eto

Yoshiyasu Harada
President & COO,
Representative Director

Y. Harada

ACTION 60

The JEOL Group formulated the new medium-term management plan "ACTION 60" in March 2007 following "Focus Plan 2006." We produced excellent results under "Focus Plan 2006," including achievements of numerical targets of the plan. This made the Group substantially confident, which has become the driving force of its "ACTION 60." Without stopping this momentum, we will carry out ACTION aiming to achieve new goals.

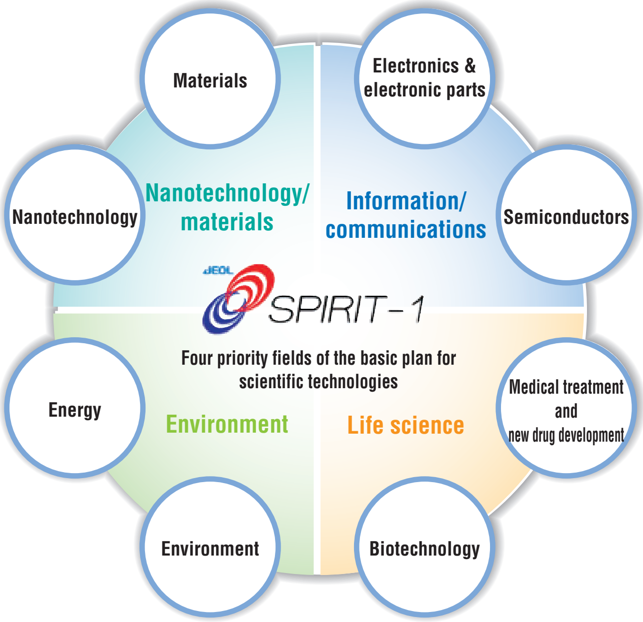
Basic Policy

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

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

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

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



Business Targets

Consolidated net sales: >> **¥120.0** billion

Consolidated ordinary profit: >>>> **¥7.5** billion

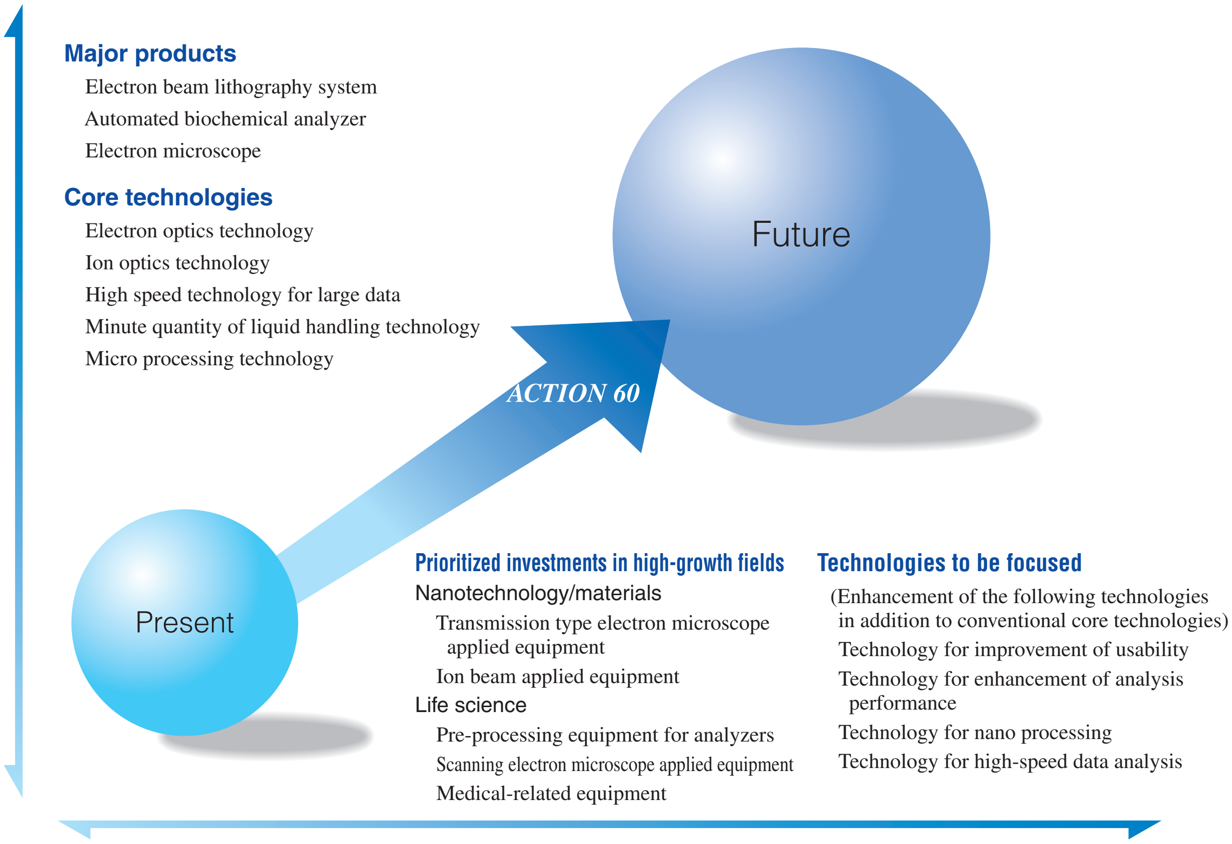
(Unit: Millions of yen)	*Focus Plan 2006*			*ACTION 60*		
	FY2004 Actual	FY2005 Actual	FY2006 Actual	FY2007 Forecast	FY2008 Forecast	FY2009 Forecast
Consolidated net sales	85,914	93,291	101,776	105,000	110,000	**120,000**
Consolidated operating income	1,985	2,013	5,313	5,500	6,000	7,500
(operating income margin)	2.3%	2.2%	5.2%	5.2%	5.5%	6.3%
Consolidated ordinary profit	1,629	1,913	5,183	5,500	6,000	**7,500**
(ordinary profit margin)	1.9%	2.1%	5.1%	5.2%	5.5%	6.3%
Consolidated net income	1,245	1,289	2,816	3,000	3,300	4,000
(net income margin)	1.4%	1.4%	2.8%	2.9%	3.0%	3.3%
R&D costs	4,436	5,223	5,984	6,500	7,100	8,400
(ratio of R&D costs to net sales)	5.2%	5.6%	5.9%	6.2%	6.5%	7.0%

Priority Strategy 1 ACTION for Technology Strategy

>>> Enhancement of research and development capability

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

●Technology strategy map



>>> Primary development themes

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

>>> Enhancement of the semiconductor business by integrating SEM technology

1. To establish the headquarters for inspection and measurement apparatus
2. To concentrate the Group’s management resources (personnel, manufacturing and money)
3. To pursue market-in with target of the semiconductor market

Priority Strategy 2 ACTION for Production Strategy

>>> Rationalization of manufacturing processes


No.3 Akishima Head Office Plant (Enlargement of Clean Rooms)


Tendo Plant in Yamagata Prefecture (YMCC)

1. **Improvement of the production efficiency of the Akishima Head Office Plant in Tokyo**

   We will expand facility of Clean Rooms to boost the production capacity of electron beam lithography systems and electron microscopes for semiconductors.

2. **Enlargement of the functions at the Tendo Plant in Yamagata Prefecture (YMCC)**

   We will speed up the effects of reducing costs through transfer of production.

3. **Increase of production work at the Beijing Plant in China (BJCC)**

   We will build a new plant for machine parts process and production of equipment for the Chinese market. — Aiming to reduce costs.


Beijing Plant in China (BJCC)

Priority Strategy 3 ACTION for Sales/Service Strategy


Cross Section Polisher (SM-09010)

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

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


Carry Scope (JCM-5700)

Priority Strategy 4 ACTION for Enhancement of Existing Businesses

Medical/biotechnology-related businesses

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

Thin Films, Coating Products, and Semiconductors-related Businesses

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

Environment-related businesses

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

Scientific instrument-related businesses

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

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

In the fiscal year under review, the Group's R&D costs totaled ¥5,984 million, of which the Scientific Instruments Segment accounted for ¥3,830 million and the Industrial Equipment accounted for ¥2,154 million.

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

April 2006:

Released the field-emission electron microscope "JEM-3100F"

With the world's highest resolution performance for this class, the JEM-3100F is suitable for assessing materials that are being increasingly miniaturized. The control system adopts a state-of-the-art computer control system, and substantially enhances ease of operation. The product is suitable for assessing manufacturing process, and is capable of inspecting thick semiconductor device specimens at high throughput.

August 2006:

Released a defect analyzer that can handle semiconductors with 65nm-node and beyond

The "Beam Tracer JFAS-7000BT," an equipment that can identify detective portions in semiconductor devices using high spatial resolution techniques, is released. Equipped with a highly accurate probe, the product enables users to probe micro areas needed for development of 45nm and 32nm node devices, and accurately identify defect portions.

October 2006:

Released JCA-BM6050 (1,200 tests/hour: automated analyzer)

By improving the JCA-BM1650, which has won wide acclaim from users, we developed the JCA-BM6050 featuring enhanced ultra-micro analysis functions for targeting the medium-size model market.

October 2006:

Released the transmission type electron microscope "JEM-1400"

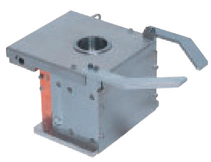
With an acceleration voltage of up to 120kV, the JEM-1400 uses a newly developed high-contrast polepiece for its object lens, and is suitable for observing configurations in the fields of medical/biological, clinical medicine, immunization, pharmaceuticals, foods and high polymer.

February 2007:

Released a new model of evaporation source "BS-60050EBS"

JEOL evaporation sources are used for creating thin optical film in a variety of applications from anti-reflection coating for cameras and glasses to coating of optical filters and mirrors integrated in liquid crystal projectors, DVD, MD, and CD.

The BS-60050EBS reduces damage by backscattered electrons on substrates, and is effective for coating subject to optical loss (absorption of light).



February 2007:

Released the new thermal field emission scanning electron microscope "JSM-7001F"

With enhanced user interface, the JSM-7001F was developed as a platform to support additional functions such as analysis, processing and metrology for diversified functions according to various necessary uses. The product is a powerful high-resolution scanning electron microscope, and is capable of acquiring data with reproducibility from a wide range of samples from semiconductors to magnetic substances.

ISO policy of the JEOLGroup

The JEOL Group engages in business activities with an awareness of its responsibility as a "global corporate citizen" for harmonious coexistence with customers, local residents, shareholders and governmental agencies to ultimately develop a suitable recycling-based society in the future. Based on this corporate philosophy, the JEOL Group intends to conduct business activities that contribute to a better global environment by providing products such as environmental measurement and analyzing equipment and related services.

Promotion of Environmental Conservation Activities

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

Development of Activities toward Environmental Conservation

The JEOL Group has been engaged in the following activities for environmental conservation to assume its corporate social responsibility (CSR).

Energy conservation

The JEOL Group has set a goal of reducing the basic unit for energy by 1% from the previous year. To achieve this, the Group will strive to save electricity by introducing energy-saving devices into air conditioners, office automation (OA) equipment and lighting apparatus, as well as promoting the so-called "Cool Biz" and "Warm Biz" campaigns.

Reduction in waste

The Group aims to achieve a recycling rate of 77% or more, by thoroughly separating waste and fully recycling sludge, dead leaves and vegetation.

Reduction in greenhouse gas emissions

The Group will reduce its greenhouse gas emissions by introducing a machine to recover sulfur hexafluoride gas (SF6), a byproduct of the Company's manufacturing processes, which can be used as an insulating-gas for high-voltage operations.

JEOL was ranked as No. 1 company by the Tokyo Metropolitan Government in the mining/manufacturing division concerning the "Plan for Measures to Prevent Global Warming."

Under "Program on Plan for Measures to Prevent Global Warming," the Tokyo Metropolitan Government evaluated plans submitted by companies who participated in the program, where JEOL ranked as "AA," the highest rank, for its largest reduction of greenhouse gas emission in the mining/manufacturing division.

The evaluation is ranked in "AA," "A+," "A," "B" and "C," according to the reduction rate calculated based on the average annual amount of greenhouse gas discharged over the past three years (from 2002 to 2004) and emissions planned for 2009.

As part of its environment preservation activities, JEOL is actively promoting energy saving and waste reduction. We are also implementing various measures for environment preservation, including a response to the toxic substances control by providing environment-related products, such as environment measuring and analyzing equipment and relevant services.

Environment-related Products

Energy Dispersive X-ray Fluorescence Spectrometer "JSX-3100RⅡ"

The JSX-3100RⅡ enables an easy screening of elements restricted by the EU RoHS directive and ELV directive and can detect X-ray analysis of general specimens with high sensitivity.

Ion attachment mass spectrometry system "IA-Lab"

"IA-Lab," which was developed based on JEOL's mass spectrometer (JMS-Q1000GC), is supplied by Canon ANELVA Technix Corporation and JEOL. The product is suitable for measuring brominated flame retardants that are restricted by RoHS directives.

■3R

Reduce
Reduction of waste generation

Reuse
Reuse of products and parts

Recycle
Recycling of recovered resources

In order to coexist in harmony with the global environment, the JEOL Group takes the greatest care in all business activities, including purchase of materials, delivery of products, provision of services and maintenance, and disposal and destruction of products.

We promoted less environmental burdens procurements, including product quality, costs and delivery schedule. Now, we also purchase materials in accordance with the "JEOL Group Green Purchase Guidelines" based on the JEOL Group comprehensive ISO management system.

Environment-related Website

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

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

■Social Contribution

●"Science Camp" and "Science Club"

In these activities, our engineers provide lectures and practical training for college and high-school students using displayed equipment, such as electron microscopes.

●Participation in Super Science High Schools

(SSH: Designated by the Ministry of Education, Culture, Sports, Science and Technology, and supported by the Japan Science and Technology Agency (JST))

In fiscal 2002, the Ministry of Education, Culture, Sports, Science and Technology launched the Super Science High School project. We support the program to promote understanding of science and technology for students by sending our engineers as lecturers to the Super Science High School designated by the Ministry or giving students hand-on class activities.

●"Don't-Throw-Away" Campaign (Campaign for cleaning up commuting routes)

We clean up cigarette butts and garbage along commuting routes from the Company to nearby stations and around the Company on a regular basis. Every time we conducted this campaign, the number of participants increased, and the campaign has fully taken hold among our employees. We will continue such community-based movement.

About Advanced Capacitor Technologies

Advanced Capacitor Technologies, Inc. has begun to distribute the number of samples of "Premlis™," an originally developed asymmetrical capacitor, which have been well received among customers in various fields to assess the performance of the product. By the end of 2007, we will increase the production capacity of the sample to 2,000 cells per month, and continue to strive to spread the use of the product so that it can contribute to our business expansion in the future.

The JEOL Group Network

Worldwide Network

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

Domestic

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

Notes: All Companies in the above table are consolidated subsidiaries.
Satsuki Kogyo and Tachibana Denshi merged and established a new company, JEOL FINETECH CO., LTD. as a result of the merger, effectively July 1, 2007.
Japan Laser Corporation was removed from the scope of consolidation because the ratio of shares held by the Group reduced to 14.9%, effective June 2006

Overseas

Corporate name	Location	Foundation	Capital	Equity ratio
JEOL USA, INC.	USA	1962	US$ 15,060 thousand	100%
JEOL (EUROPE) SAS	France	1964	EUR 720 thousand	100%
JEOL (U.K.) LTD.	U.K.	1968	Stg. £ 400 thousand	100%
JEOL (EUROPE) B.V.	the Netherlands	1973	EUR 1,472 thousand	100%
JEOL (SKANDINAVISKA) A.B.	Sweden	1973	S.Kr 3,160 thousand	100%
JEOL (GERMANY) GmbH	Germany	1997	EUR 511 thousand	100%
JEOL (ITALIA) S.p.A.	Italy	1984	EUR 300 thousand	100%
JEOL ASIA PTE. LTD.	Singapore	1995	S.$ 350 thousand	(JEOL DATUM 40%) 60%
JEOL TAIWAN SEMICONDUCTORS LTD.	Taiwan	1999	NT$ 7,000 thousand	(JEOL DATUM 40%) 60%
○ JEOL (AUSTRALASIA) PTY.LTD.	Australia	1968	A.$ 500 thousand	(JEOL ASIA 100%) —
○ JEOL DE MEXICO S.A. DE C.V.	Mexico	1991	MXP 650 thousand	(JEOL USA 100%) —
○ JEOL CANADA, INC.	Canada	1993	C.$ 100 thousand	(JEOL USA 100%) —
○ JEOL (MALAYSIA) SDN BHD	Malaysia	1995	RM 300 thousand	(JEOL ASIA 100%) —
○ Beijing Creative Technology Co., Ltd.	China	2002	Yuan 3,300 thousand	60.6%
○ JEOL Shanghai Semiconductors	China	2006	US$ 200 thousand	(JEOL TAIWAN SEMICONDUCTORS LTD. 100%) —
● JEOL KOREA LTD.	Korea	1994	Won 600,000 thousand	(JEOL DATUM 12%) 28%

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

Board of Directors, Corporate Auditors and Corporate Officers

(As of June 28, 2007)

Chairman and CEO, Representative Director

Terukazu Eto

President and COO, Representative Director

Yoshiyasu Harada

Director and Executive Vice President

Azuma Ohtsuka

Gon-emon Kurihara

Director and Chief Executive Officers

Hideaki Hirano

Director and Executive Officer

Masashi Iwatsuki

Masaki Saito

Director and Officer

Masayuki Tajimi

Standing Corporate Auditors

Reisuke Izumiyama

Mitsuo Kaneko

Corporate Auditors

Hidetake Horikiri

Yoshiaki Ueda

Executive Officers

Norimasa Ishida
Mikio Naruse
Kazufumi Adachi
Shin-ichi Watanabe
Youichi Shibuki

Corporate Officers

Hirofumi Kusano
Keiji Ota
Tetsu Hinomoto
Kunio Kamide
Toshihito Suzuki
Koichi Fukuyama
Wataru Wakamiya
Yoshihiro Sawada
Tsutomu Morita

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

Five-year Summary

JEOL Ltd. and consolidated subsidiaries, for the years ended March 31, 2007, 2006, 2005, 2004 and 2003.

For the year:	**2007**	2006	2005	2004	2003
Net sales	**101,776**	93,291	85,914	87,097	82,834
Scientific instrument	**64,364**	58,502	60,083	57,935	58,721
Industrial equipment	**37,412**	34,789	25,831	29,162	24,113
Selling, general and administrative expenses	**28,755**	26,912	25,205	24,629	24,993
Operating income	**5,313**	2,013	1,985	2,068	546
Ordinary profit	**5,183**	1,913	1,629	1,638	45
Net income (loss)	**2,816**	1,289	1,245	784	(951)
Capital expenditures	**3,092**	3,192	3,775	3,366	2,157
Scientific instrument	**1,698**	1,514	1,485	2,077	1,485
Industrial equipment	**1,379**	1,671	2,207	1,163	662
Eliminations/Corporate	**15**	7	83	126	10
Depreciation expense	**2,672**	2,583	2,622	2,438	2,217
Research and development costs	**5,984**	5,223	4,436	4,031	4,235
Scientific instrument	**3,830**	3,641	3,416	2,845	2,901
Industrial equipment	**2,154**	1,582	1,020	1,186	1,334
At year-end:					
Total assets	**111,195**	103,940	95,211	95,310	93,135
Total equity	**32,684**	29,752	27,077	24,803	19,535
Per share data (yen)**:**					
Net income (loss)	**35.50**	16.25	16.24	10.92	(13.85)
Total equity	**409.19**	375.14	341.39	324.88	283.03
Cash dividends	**10.00**	5.00	5.00	2.50	2.50
Value indicators:					
Return on equity (%) <ROE>	**9.1**	4.5	4.8	3.5	(4.7)
Return on assets (%) <ROA>	**2.6**	1.3	1.3	0.8	(1.1)

Overview of the fiscal year ended March 2007

During the fiscal year under review, the Japanese economy expanded steadily thanks to a rise in private-sector capital expenditures amid strong corporate earnings and steady personal consumption backed by improved employment and income environment, despite uncertainties over oil price hikes and interest increase following the removal of zero-interest-rate policy by the Bank of Japan. In addition, the yen remained weak. The global economy continued to expand in the U.S., Europe and the rest of Asia.

In the markets of scientific instrument and industrial equipment, where the JEOL Group is involved, electric machinery, chemical and general machinery industries increased their capital expenditure and R&D investments. Semiconductor-related capital expenditures also remained strong.

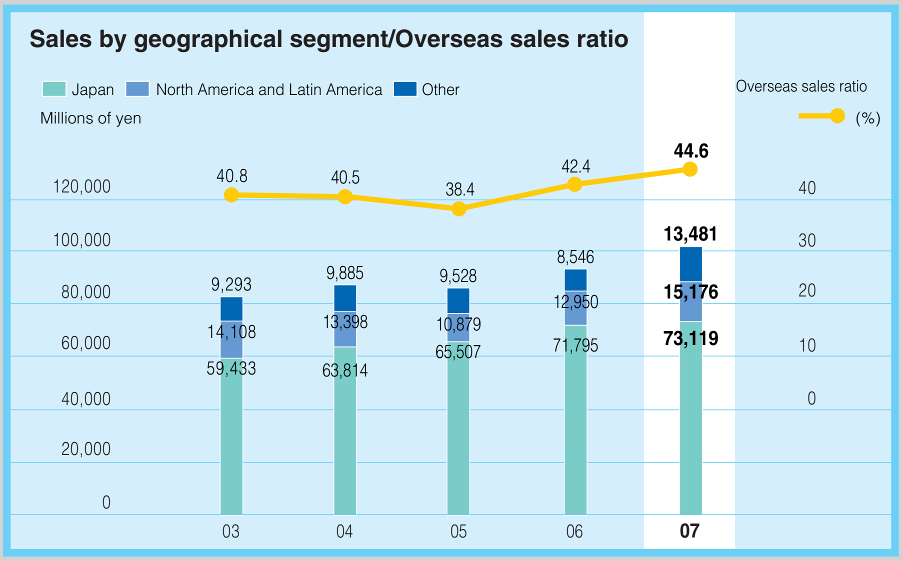
Under such circumstances, the JEOL Group implemented various strategies in production, sales/service and technology, in order to achieve the targets of consolidated net sales of ¥100.0 billion or more and ordinary profit of ¥5.0 billion or more for fiscal 2006, the final year of the medium-term management plan "Focus Plan 2006."

As for production, we strove to improve product quality, and reduce costs by increasing manufacturing capacity at the plant of a subsidiary in Tendo, Yamagata Prefecture. As for the areas of technology and development, we tried to introduce new products to meet market needs, into the market as early as possible. Regarding sales and services, we made worldwide efforts to expand sales of major products and reinforce management bases of overseas affiliates.

As a result, consolidated net sales were up 9.1% from the previous year, to ¥101,776 million.

Operating income surged 164.0% year on year to ¥5,313 million, ordinary profit soared 170.9% to ¥5,183 million, and net income jumped 118.5% to ¥2,816 million.

Net sales, ordinary profit and net income hit record highs.



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

Segment Information

(Information by business segment)

1. Scientific Instrument

As for electron microscopes, we met demand in a broad range of fields, including cutting-edge area as well as material development, basic research in medicine and biology, and quality control. Sales of transmission electron microscopes continued to be steady. We increased sales of scanning electron microscope sector, backed by favorable sales of field emission scanning electron microscopes and general-purpose/analytical scanning electron microscopes that responded to the market needs.

As for analyzing devices, the Group made every effort to maintain the market share of nuclear magnetic resonance devices and mass spectrometers, whereas market remains difficult and sales were sluggish. Meanwhile, sales of X-ray fluorescence spectrometers rose in the environment-related markets.

As a result, sales of the Scientific Instrument Segment increased 10.0% from the previous year, to ¥64,364 million.

2. Industrial Equipment

As for the semiconductor-related equipment, sales of electron beam lithography systems were strong, amid progress of miniaturization.

Sales of mainly medium- and large-sized equipment increased in the medical-related equipment. In the overseas markets, exports through OEM continued to be brisk.

In the optical thin film and coating products, sales of electron beam evaporation guns and power supplies as well as high-power electron beam guns and power supplies remained almost unchanged from the previous year.

As a result, sales of the Industrial Equipment Segment were up 7.5% from the previous year, to ¥37,412 million.

[Main Products]

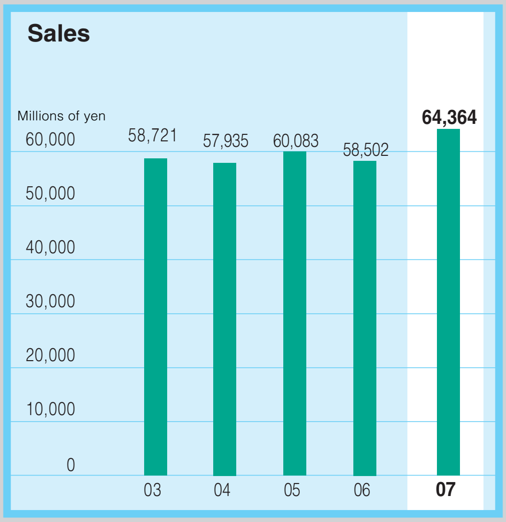
Scientific Instrument

<Electron-Optic Instruments>

Transmission electron microscope, Scanning electron microscope, Electron probe microanalyzer, Auger microprobe, Photoelectron spectrometer, Scanning probe microscope, Focused Ion Beam system for specimen-preparation

<Analytical Instruments>

Nuclear magnetic resonance system, Electron spin resonance spectrometer, Mass spectrometer, X-ray spectrometer, Portable gas chromatograph



(Information by geographical area)

1. Japan

As for the Scientific Instrument business, sales increased for general-purpose scanning electron microscopes and electron probe microanalyzers.

As for the Industrial Equipment business, sales of electron beam lithography systems rose. In the medical equipment sector, clinical biochemistry analyzers sold well.

As a result, sales in Japan rose 1.8% year-on-year, to ¥73,119 million.

2. North America and Latin America

Amid the brisk U.S. economy, the JEOL Group actively implemented sales activities for transmission electron microscopes, field emission scanning electron microscopes, general-purpose electron microscopes and time-of-flight mass spectrometers, etc., and increased sales as a whole.

As a result, sales in those regions increased 17.2% from the previous year, to ¥15,176 million.

3. Others

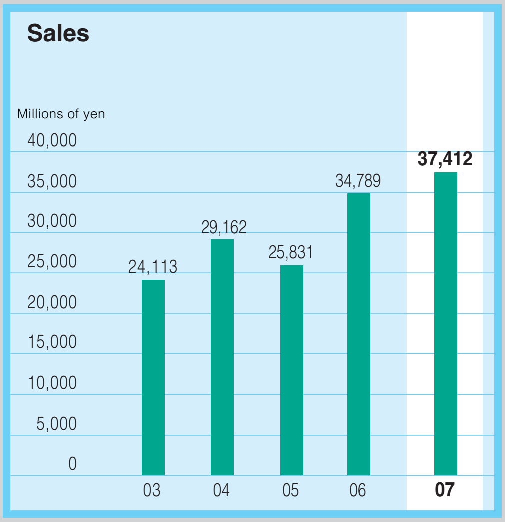
In the European and Asian regions, sales increased mainly for electron microscopes. As a result, sales in the other regions were up 57.7% year-on-year, to ¥13,481 million.

[Main Products]

Industrial Equipment

<Industrial Equipment>
Electron beam lithography system, Wafer process monitors (Review SEM), Mask observation scanning microscope, Nano review analyzers, Semiconductors failure analysis systems, Electron beam evaporation gun and power supply, Plasma gun and plasma gun control power supply, High-frequency generator for thermal plasma, RF ion source and power supply, High density reactive ion plating system, Thermal plasma system

<Medical Equipment>
Clinical biochemistry analyzer, Laboratory information system, Amino acid analyzer



Operating Income and Net Income

Cost of sales in the fiscal year under review rose 5.2% from the previous year to ¥67,708 million, which are below the sales growth rate of 9.1%. As a result, gross profit rose 17.8% year-on-year to ¥34,068 million.

R&D costs increased 14.6% from the previous year, to ¥5,984 million, accounting for 5.9% of net sales, reflecting JEOL's policy for energetically making future investments. Selling, general and administrative expenses excluding R&D costs increased modestly 5.0%, to ¥22,771 million attributable to the entire Group's efforts to reduce costs. As a result, operating income surged 164.0% to ¥5,313 million, and operating income margin increased 3.0 percentage points to 5.2%.

Ordinary profit soared 170.9% to ¥5,183 million, hitting a record high.

Losses on sales and disposal of property, plant and equipment were ¥162 million, unrealized losses on investment securities posted ¥152 million, while income before income taxes jumped 117.6% to ¥4,790 million. As a result, net income jumped 118.5% to ¥2,816 million, marking an all-time high. Net income per share stood at ¥35.50.

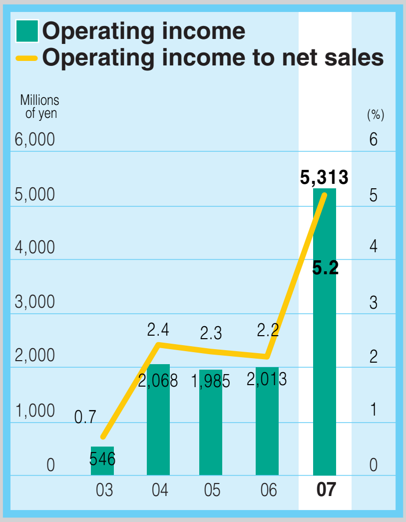
Financial Position

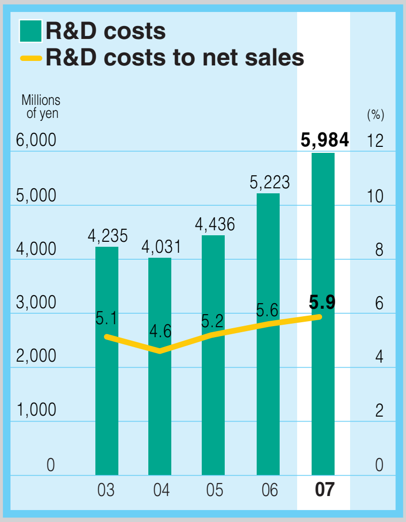
Total assets at the end of the fiscal year under review were up ¥7,255 million from the previous year, to ¥111,195 million.

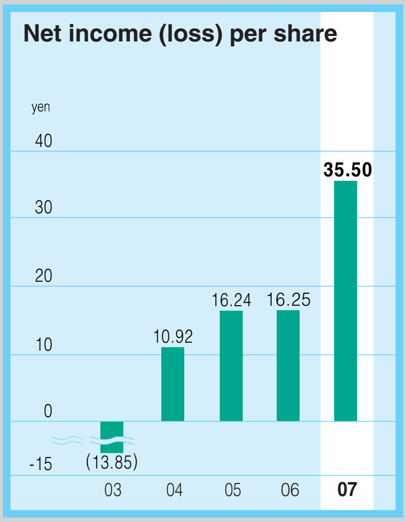
In the assets section, current assets increased ¥5,368 million, to ¥84,077 million. Trade notes and accounts receivable decreased ¥2,115 million, while cash and deposits and inventories increased ¥3,266 million and ¥3,240 million, respectively.

Net property, plant and equipment remained almost the same level as those of previous year, with an increase of ¥124 million, to ¥12,930 million. In investments and other assets, investment securities were up ¥1,092 million, to ¥8,760 million..

In the liabilities section, total current liabilities rose ¥5,756 million, to ¥56,049 million, chiefly because trade notes and accounts payable were up ¥1,155 million, to ¥21,671 million. Meanwhile, long-term liabilities decreased ¥1,151 million, to ¥22,462 million. As a result,







total liabilities increased ¥4,605 million, to ¥78,511million.

In the equity section, total equity posted ¥32,684 million due mainly to booking of ¥16,786 million in retained earnings of shareholders' equity. The capital ratio stood at 29.2% and net assets per share were ¥409.19.

Cash Flows

Cash flows from operating activities were ¥7,341 million, reflecting a substantial increase in net income before taxes, a decrease in trade notes and accounts receivable, and a rise in notes and accounts payable.

Cash flows from investing activities decreased ¥4,401 million, due primarily to payment of purchase of tangible fixed assets.

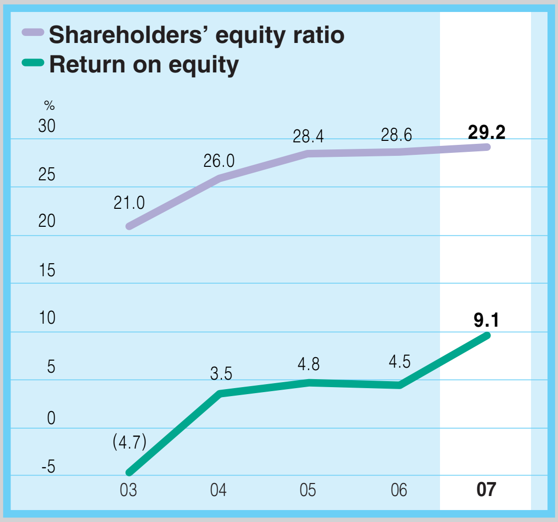
Cash flows from financing activities decreased ¥66 million, due primarily to financing through issuance of corporate bonds and payment of dividends.

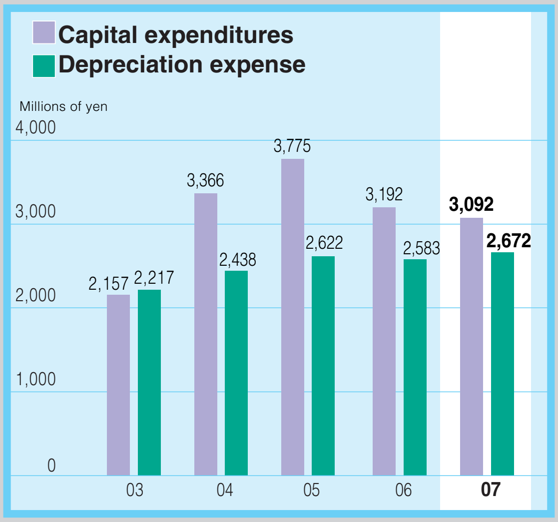
Outlook for Current Fiscal Year

As for the future outlook, the Japanese economy is expected to expand due to an increase in capital expenditures and consumer spending reflecting strong corporate earnings. However, it is also true that uncertainties remain over the U.S. economic outlook as well as trends of oil prices, raw materials costs, exchange rates and interest rates. Given this, we may not be optimistic to believe that the present favorable situation will continue.

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

For the fiscal year ending March 2008, we forecast net sales and operating income at ¥105,000 million (up 3.2% from the current year), and at ¥5,500 million (up 3.5%) each, and ordinary profit and net income at ¥5,500 million (up 6.1%), and at ¥3,000 million (up 6.5%) each.





Consolidated Balance Sheets

JEOL Ltd. and Consolidated Subsidiaries
March 31, 2007 and 2006

ASSETS	Millions of Yen 2007	Millions of Yen 2006	Thousands of U.S. Dollars (Note 1) 2007
CURRENT ASSETS:			
Cash and cash equivalents	¥ 15,092	¥ 11,977	$ 127,789
Time deposits	377	226	3,189
Receivables:			
Trade notes	2,952	2,850	24,996
Trade accounts	23,790	25,877	201,439
Unconsolidated subsidiaries and associated companies	758	888	6,416
Other	568	552	4,808
Allowance for doubtful receivables	(149)	(171)	(1,258)
Inventories (Note 4)	36,643	33,403	310,269
Deferred tax assets (Note 9)	2,761	2,028	23,379
Prepaid expenses and other current assets	1,285	1,078	10,883
Total current assets	84,077	78,708	711,910
PROPERTY, PLANT AND EQUIPMENT (Note 6):			
Land	1,387	1,376	11,744
Buildings and structures	15,886	15,455	134,518
Machinery and equipment	3,579	3,541	30,301
Tools, furniture and fixtures	14,003	14,028	118,572
Construction in progress	1,114	374	9,431
Total	35,969	34,774	304,566
Accumulated depreciation	(23,039)	(21,968)	(195,079)
Net property, plant and equipment	12,930	12,806	109,487
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 6)	8,760	7,668	74,170
Investments in unconsolidated subsidiaries and associated companies	913	395	7,735
Software	393	478	3,323
Deferred tax assets (Note 9)	1,795	1,958	15,200
Other assets	2,327	1,927	19,710
Total investments and other assets	14,188	12,426	120,138
TOTAL	¥ 111,195	¥ 103,940	$ 941,535

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2007	Millions of Yen 2006	Thousands of U.S. Dollars (Note 1) 2007
CURRENT LIABILITIES:			
Short-term bank loans (Note 6)	¥ 13,518	¥ 13,487	$ 114,464
Current portion of long-term bank loans (Note 6)	2,045	2,557	17,317
Current portion of bonds (Note 6)	2,200		18,628
Payables (Notes 5 and 6):			
Trade notes	12,262	11,545	103,831
Trade accounts	9,255	8,751	78,367
Unconsolidated subsidiaries and associated companies	154	220	1,303
Other	1,691	1,478	14,319
Income taxes payable	2,162	469	18,303
Advances received	6,732	6,995	57,001
Accrued bonuses to employees	1,503	1,310	12,724
Other current liabilities (Notes 6 and 9)	4,527	3,481	38,332
Total current liabilities	56,049	50,293	474,589
LONG-TERM LIABILITIES:			
Bonds (Note 6)	1,570	2,770	13,294
Convertible bonds (Note 6)	6,000	6,000	50,804
Long-term bank loans (Note 6)	7,047	6,588	59,670
Liability for employees' retirement benefits (Note 7)	6,593	6,620	55,830
Retirement allowances for directors, executive officers and corporate auditors (Note 7)	648	605	5,487
Negative goodwill	3	9	21
Other long-term liabilities (Notes 6 and 9)	601	1,021	5,089
Total long-term liabilities	22,462	23,613	190,195
MINORITY INTERESTS		282	
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 12, 13 and 14)			
EQUITY (Notes 8 and 16):			
Common stock—authorized, 136,080,000 shares; issued, 79,365,600 shares in 2007 and 2006	6,740	6,740	57,070
Capital surplus	6,346	6,346	53,738
Retained earnings	16,786	14,330	142,136
Unrealized gain on available-for-sale securities	3,127	3,140	26,480
Deferred loss on derivatives under hedge accounting	(1)		(7)
Foreign currency translation adjustments	(506)	(764)	(4,285)
Treasury stock—at cost, 58,802 shares in 2007 and 56,690 shares in 2006	(41)	(40)	(354)
Total	32,451	29,752	274,778
Minority interests	233		1,973
Total equity	32,684	29,752	276,751
TOTAL	¥ 111,195	¥ 103,940	$ 941,535

Consolidated Statements of Income

JEOL Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
NET SALES (Note 11)	¥ 101,776	¥ 93,291	$ 861,779
COST OF SALES (Note 11)	67,708	64,366	573,311
Gross profit	34,068	28,925	288,468
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 10 and 11)	28,755	26,912	243,479
Operating income	5,313	2,013	44,989
OTHER INCOME (EXPENSES):			
Interest and dividend income	293	162	2,486
Revenue from acceptance of research and development	536	447	4,539
Insurance claim receipt	15	50	125
Interest expense	(392)	(372)	(3,317)
Foreign exchange loss—net	(215)	(7)	(1,824)
Charge for sales of trade receivables	(379)	(291)	(3,211)
Loss on disposals of inventories	(79)	(172)	(672)
(Loss) gain on sales and disposals of property, plant and equipment—net	(162)	216	(1,369)
Gain on sales of investment securities		2	
Loss on write-down of investment securities	(152)		(1,291)
Equity in earnings of unconsolidated subsidiaries and associated companies	76	74	644
Other—net	(64)	79	(538)
Other (expenses) income—net	(523)	188	(4,428)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	4,790	2,201	40,561
INCOME TAXES (Note 9):			
Current	2,553	975	21,621
Deferred	(529)	(36)	(4,485)
Total income taxes	2,024	939	17,136
MINORITY INTERESTS IN NET LOSS	50	27	417
NET INCOME	¥ 2,816	¥ 1,289	$ 23,842

	Yen		U.S. Dollars
	2007	2006	2007
PER SHARE OF COMMON STOCK (Notes 2.q and 15):			
Basic net income	¥ 35.50	¥ 16.25	$ 0.30
Diluted net income	31.83	15.06	0.27
Cash dividends applicable to the year	10.00	5.00	0.08

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Jeol Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2007 and 2006

	Thousands	Millions of Yen									
	Issued Number of Shares Common Stock	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available for-sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2005	79,363	¥ 6,740	¥ 6,346	¥ 13,494	¥ 1,601		¥ (1,069)	¥ (35)	¥ 27,077		¥ 27,077
Net income				1,289					1,289		1,289
Cash dividends paid:											
For prior year end, ¥2.5 per share				(198)					(198)		(198)
For current year interim, ¥2.5 per share				(198)					(198)		(198)
Treatment of the foreign consolidated subsidiary's liability for employees' retirement benefits				(57)					(57)		(57)
Purchase of treasury stock								(5)	(5)		(5)
Conversion of convertible bonds	3										
Net increase in unrealized gain on available-for-sale securities					1,539				1,539		1,539
Net change in foreign currency translation adjustments							305		305		305
BALANCE, MARCH 31, 2006	79,366	6,740	6,346	14,330	3,140		(764)	(40)	29,752		29,752
Reclassified balance as of March 31, 2006 (Note 2.i)										¥ 282	282
Net income				2,816					2,816		2,816
Cash dividends paid:											
For prior year end, ¥2.5 per share				(198)					(198)		(198)
For current year interim, ¥3.5 per share				(278)					(278)		(278)
Treatment of the foreign consolidated subsidiary's liability for employees' retirement benefits				116					116		116
Purchase of treasury stock								(1)	(1)		(1)
Net change in the year					(13)	¥ (1)	258		244	(49)	195
BALANCE, MARCH 31, 2007	79,366	¥ 6,740	¥ 6,346	¥ 16,786	¥ 3,127	¥ (1)	¥ (506)	¥ (41)	¥ 32,451	¥ 233	¥ 32,684

	Thousands of U.S. Dollars (Note.1)									
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available for-sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2006	$ 57,070	$ 53,738	$121,338	$ 26,586		$ (6,469)	$ (340)	$251,923		$251,923
Reclassified balance as of March 31, 2006 (Note 2.i)									$ 2,395	2,395
Net income			23,842					23,842		23,842
Cash dividends paid:										
For prior year end, $0.02 per share			(1,679)					(1,679)		(1,679)
For current year interim $0.03 per share			(2,350)					(2,350)		(2,350)
Treatment of the foreign consolidated subsidiary's liability for employees' retirement benefits			985					985		985
Purchase of treasury stock							(14)	(14)		(14)
Net change in the year				(106)	$ (7)	2,184		2,071	(422)	1,649
BALANCE, MARCH 31, 2007	$ 57,070	$ 53,738	$142,136	$ 26,480	$ (7)	$ (4,285)	$ (354)	$274,778	$ 1,973	$276,751

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

JEOL Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 4,790	¥ 2,201	$ 40,561
Adjustments for:			
Income taxes—paid	(882)	(1,563)	(7,470)
Depreciation and amortization	2,672	2,583	22,621
Loss (gain) on sales and disposals of property, plant and equipment—net	162	(216)	1,369
Gain on sales of investment securities		(2)	
Loss on write-down of investment securities	152		1,291
Equity in earnings of unconsolidated subsidiaries and associated companies	(76)	(74)	(644)
Changes in assets and liabilities, net of effects from consolidation of previously unconsolidated subsidiaries and net of effects from deconsolidation of previously consolidated subsidiaries:			
Decrease (increase) in trade notes and accounts receivable	2,435	(4,118)	20,617
(Increase) decrease in inventories	(3,014)	1,621	(25,518)
Increase (decrease) in trade notes and accounts payable	1,734	(130)	14,685
Decrease in trade notes and accounts payable related to sales of trade accounts by consolidated subsidiaries (Note 5)	(1,000)	(700)	(8,467)
(Decrease) increase in advances received	(409)	1,832	(3,460)
Increase (decrease) in provision for accrued bonuses to employees	188	(179)	1,594
Increase in liability for employees' retirement benefits	82	195	698
Increase (decrease) in retirement allowances for directors, executive officers and corporate auditors	43	(3)	368
Other—net	464	699	3,917
Total adjustments	2,551	(55)	21,601
Net cash provided by operating activities	7,341	2,146	62,162
INVESTING ACTIVITIES:			
(Increase) decrease in time deposits—net	(127)	55	(1,072)
Payment for purchases of investment securities	(1,265)	(321)	(10,710)
Proceeds from sales of investment securities		3	
Proceeds from sales of property, plant and equipment	10	282	87
Payment for purchases of property, plant and equipment	(2,285)	(2,102)	(19,345)
Payment for purchases of intangible assets	(75)	(181)	(634)
Other—net	(659)	27	(5,589)
Net cash used in investing activities	(4,401)	(2,237)	(37,263)
FINANCING ACTIVITIES:			
Increase (decrease) in short-term bank loans—net	46	(3,213)	386
Proceeds from long-term bank loans	2,450	4,747	20,741
Repayments of long-term bank loans	(2,580)	(3,885)	(21,845)
Proceeds from issuance of common stock to minority shareholders		170	
Proceeds from bonds issuance	978		8,285
Proceeds from convertible bonds issuance		6,725	
Cash dividends paid	(479)	(399)	(4,052)
Payments for sale and installment buyback agreement	(465)	(456)	(3,941)
Other—net	(16)	(19)	(137)
Net cash (used in) provided by financing activities	(66)	3,670	(563)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	263	161	2,229
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,137	3,740	26,565
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR	120		1,018
CASH AND CASH EQUIVALENTS OF DECONSOLIDATED SUBSIDIARIES	(142)		(1,206)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	11,977	8,237	101,412
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 15,092	¥ 11,977	$ 127,789
NONCASH INVESTING AND FINANCING ACTIVITIES:			
Assets increased by consolidation of previously unconsolidated subsidiary	¥ 30		$ 252

See notes to consolidated financial statements.

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

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

On December 27, 2005, the Accounting Standards Board of Japan ("ASBJ") published a new accounting standard for the statement of changes in equity, which is effective for fiscal years ending on or after May 1, 2006.

The consolidated statement of shareholders' equity, which was previously voluntarily prepared in line with the international accounting practices, is now required under Japanese GAAP and has been renamed "the consolidated statement of changes in equity" in the current fiscal year.

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 ¥118.1 to $1, the approximate rate of exchange at March 31, 2007. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. *Consolidation*—The consolidated financial statements include the accounts of the Company and its 20 significant subsidiaries (together, the "Companies"). Consolidation of the remaining subsidiaries would not have a material effect on the accompanying consolidated financial statements. Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Companies have the ability to exercise significant influence are accounted for by the equity method.

JEOL TAIWAN SEMICONDUCTORS LTD. has been consolidated from 2007 but was accounted for by the equity method in 2006, as it was not material.

JEOL (AUSTRALASIA) PTY. LTD. has been excluded from 2007 because of its materiality.

Investments in 6 (5 in 2006) unconsolidated subsidiaries and 2 associated companies are accounted for by the equity method.

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

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

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

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

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

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

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

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

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

f. *Long-lived Assets*—In August 2002, the Business Accounting Council issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets," and in October 2003 the ASBJ issued ASBJ Guidance No. 6, "Guidance for Accounting Standard for Impairment of Fixed Assets." These new pronouncements are effective for fiscal years beginning on or after April 1, 2005.

The Companies adopted the new accounting standard for impairment of fixed assets as of April 1, 2005. The Companies review their long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

g. ***Software***—Development costs related to software for sale are deferred and amortized in proportion to the actual sales volume of software sold during the current year to the estimated total sales volume. Software development costs for internal use are deferred at cost less accumulated amortization, which is calculated by the straight-line method over the estimated useful lives (5 years).

h. ***Retirement and Pension Plans***—Employees of the Company and certain consolidated subsidiaries who retire at or after the age of 60 are entitled to approximately 50% of their benefits in the form of an annuity. The funds for the annuity payments are entrusted to an outside trustee.

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

For the transitional obligation of ¥6,981 million in April 2000, the Company contributed certain available-for-sale securities with a fair value of ¥3,601 million to the employees' retirement benefits trust for the Company's non-contributory pension plans, and recognized a non-cash gain of ¥3,201 million. The securities held in this trust are qualified as plan assets. The remaining transitional obligation of ¥3,380 million ($28,627 thousand) is being amortized over 15 years.

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

i. ***Presentation of Equity***—On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006. The consolidated balance sheet as of March 31, 2007 is presented in line with this new accounting standard.

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

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

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

m. ***Appropriations of Retained Earnings***—
Appropriations of retained earnings at each year end are reflected in the financial statements for the following year upon shareholders' approval.

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

o. ***Foreign Currency Financial Statements***—The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate.

Differences arising from such translation are shown as "Foreign currency translation adjustments" in a separate component of equity.

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

p. ***Derivatives and Hedging Activities***—The Companies use derivative financial instruments to manage their exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts, currency swaps and interest rate swaps are utilized by the

Companies to reduce foreign currency exchange and interest rate risks. The Companies do not enter into derivatives for trading or speculative purposes.

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

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

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

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

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

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

r. *New Accounting Pronouncements*

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

***Lease Accounting*—**On March 30, 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions", which revised the existing accounting standard for lease transactions issued on June 17, 1993.

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements.

The revised accounting standard requires that all finance lease transactions should be capitalized. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

***Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements*—**Under Japanese GAAP, a company currently can use the financial statements of foreign subsidiaries which are prepared in accordance with generally accepted accounting principles in their respective jurisdictions for its consolidation process unless they are clearly unreasonable. On May 17, 2006, the ASBJ issued ASBJ Practical Issues Task Force (PITF) No.18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements". The new task force prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material;

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

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

3. INVESTMENT SECURITIES

Investment securities as of March 31, 2007 and 2006, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Non-current:			
Marketable equity securities	¥8,674	¥7,587	$73,445
Non-marketable securities	86	81	725
Total	¥8,760	¥7,668	$74,170

The carrying amounts and aggregate fair values of investment securities at March 31, 2007 and 2006, were as follows:

	Millions of Yen			
March 31, 2007	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale equity securities	¥3,667	¥5,076	¥69	¥8,674
March 31, 2006				
Securities classified as available-for-sale equity securities	¥2,558	¥5,061	¥32	¥7,587

	Thousands of U.S. Dollars			
March 31, 2007	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale equity securities	$31,045	$42,985	$585	$73,445

Available-for-sale securities whose fair value was not readily determinable as of March 31, 2007 and 2006 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Available-for-sale—Equity securities	¥86	¥81	$725
Total	¥86	¥81	$725

4. INVENTORIES

Inventories at March 31, 2007 and 2006, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Merchandise	¥ 542	¥ 625	$ 4,591
Finished products	16,477	14,450	139,520
Work in process	13,658	12,590	115,642
Raw materials and supplies	5,966	5,738	50,516
Total	¥36,643	¥33,403	$310,269

5. PAYABLES

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

The amount of such payables was ¥1,000 million at March 31, 2006.

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

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

Short-term bank loans at March 31, 2007 and 2006, consisted of notes to banks and bank overdrafts. The weighted average annual interest rates for the short-term bank loans as of March 31, 2007 and 2006, were 4.0% and 3.7%, respectively.

Long-term debt at March 31, 2007 and 2006, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Unsecured 0.54% yen bonds, due 2008	¥ 2,000	¥ 2,000	$ 16,935
Unsecured 0.50% yen bonds, due 2009	170	170	1,439
Unsecured 0.90% yen bonds, due 2009	100	100	847
Unsecured 1.42% yen bonds, due 2011	500	500	4,234
Unsecured 1.36% yen bonds, due 2012	1,000		8,467
Unsecured zero coupon yen convertible bonds, due 2010	6,000	6,000	50,804
Loans from banks and insurance companies, due serially to 2012 with interest rates ranging from 1.55% to 6.09% (2007) and from 1.45% to 5.44% (2006):			
Collateralized	3,225	2,085	27,307
Unsecured	5,867	7,060	49,680
Unsecured long-term payable, due serially to 2008 with interest rate 1.85%		465	
Lease obligations	17	32	146
Total	18,879	18,412	159,859
Less current portion	(4,259)	(2,755)	(36,070)
Long-term debt, less current portion	¥14,620	¥15,657	$123,789

The unsecured zero coupon yen convertible bonds, due 2010 are convertible into common stocks on or after August 8, 2005 and up to including July 10, 2009. Unsecured zero coupon yen convertible bonds outstanding at March 31, 2007, were convertible into 9,160,305 shares of common stock of the Company. The conversion price was ¥655 per share at March 31, 2007. The conversion price of the unsecured zero coupon yen convertible bonds is subject to adjustments to reflect stock splits and certain other events. Under certain conditions, the unsecured zero coupon yen convertible bonds may be redeemed prior to maturity in whole at the option of the Company at prices ranging from 100% to 104% of the principal amount.

The Company must maintain net assets in excess of ¥13,813 million ($116,960 thousand) as of every year-end and interim closing dates. As of March 31, 2007, the Company was in compliance with this requirement.

Annual maturities of long-term debt as of March 31, 2007 for the next five years were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2008	¥ 4,259	$ 36,070
2009	2,308	19,539
2010	8,565	72,524
2011	1,547	13,098
2012	2,200	18,628
Total	¥18,879	$159,859

The carrying amounts of assets pledged as collateral for short-term bank loans of ¥5,793 million ($49,047 thousand), current portion of long-term bank loans of ¥460 million ($3,895 thousand), long-term bank loans of ¥2,765 million ($23,412 thousand) and deposit received accounts which were included in other current liabilities of ¥59 million ($498 thousand) and included in other long-term liabilities of ¥272 million ($2,307 thousand) at March 31, 2007, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Land	¥ 632	$ 5,347
Buildings and structures —net of accumulated depreciation	2,354	19,931
Machinery and equipment —net of accumulated depreciation	6	56
Investment securities	5,636	47,724
Total	¥8,628	$73,058

In addition to the above loan balances, in order to raise liquidity, the Company entered into a committed loan facility agreement, aggregated amount of ¥6,000 million ($50,804 thousand), with a syndicate of six Japanese banks, arranged by The Bank of Tokyo-Mitsubishi UFJ, Ltd. The Company must maintain net assets in excess of ¥13,813 million ($116,960 thousand) as of every year-end and interim closing dates. As of March 31, 2007, the Company was in compliance with this requirement.

7. RETIREMENT AND PENSION PLANS

The Company and its certain consolidated subsidiaries have severance payment plans for employees, directors, executive officers and corporate auditors. The certain consolidated foreign subsidiaries also have pension plans.

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

The liability for employees' retirement benefits at March 31, 2007 and 2006, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Projected benefit obligation	¥(19,312)	¥(18,942)	$(163,522)
Fair value of plan assets	10,254	8,801	86,824
Unrecognized actuarial loss	1,841	2,397	15,592
Unrecognized transitional obligation	1,821	2,062	15,419
Unrecognized prior service cost	12	13	97
Benefits paid	(1,209)	(951)	(10,240)
Net liability	¥ (6,593)	¥ (6,620)	$ (55,830)

The components of net periodic retirement benefit costs for the years ended March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Service cost	¥1,073	¥1,003	$ 9,089
Interest cost	386	387	3,266
Expected return on plan assets	(329)	(218)	(2,785)
Recognized actuarial loss	237	415	2,010
Amortization of transitional obligation	302	237	2,558
Amortization of prior service cost	2	1	14
Net periodic retirement benefit costs	¥1,671	¥1,825	$14,152

The above service cost does not include additional retirement payments of ¥154 million ($1,306 thousand) and ¥112 million for the years ended March 31, 2007 and 2006, respectively.

Assumptions used for the years ended March 31, 2007 and 2006 were set forth as follows:

	2007	2006
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	4.0%	3.0%
Recognition period of actuarial gain/loss	12 years	12 years
Amortization period of transitional obligation	15 years	15 years

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

8. EQUITY

On and after May 1, 2006, Japanese companies are subject to the Corporate Law, which reformed and replaced the Commercial Code of Japan with various revisions that are, for the most part, applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below:

a. Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria.

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

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

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

c. Treasury Stock and Treasury Stock Acquisition Rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

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

The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

9. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.7% for the years ended March 31, 2007 and 2006.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2007 and 2006, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Deferred tax assets—Current:			
Accrued bonuses to employees	¥ 599	¥ 529	$ 5,075
Research and development cost	435	391	3,687
Accrued enterprise taxes	183	45	1,548
Unrealized intercompany profits of inventories	631	529	5,339
Loss on write-down of inventories	598	400	5,060
Other	490	307	4,144
Less valuation allowance	(2)	(5)	(13)
Total	2,934	2,196	24,840
Deferred tax liabilities—Current	(173)	(168)	(1,461)
Net deferred tax assets—Current	¥2,761	¥2,028	$23,379

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Deferred tax assets—Non-current:			
Amortization of software	¥ 971	¥ 878	$ 8,219
Loss on write-down of investment securities	263	201	2,230
Liability for employees' retirement benefits	2,337	2,372	19,786
Retirement allowances for directors, executive officers and corporate auditors	265	248	2,247
Tax loss carryforwards	200	378	1,697
Other	376	384	3,180
Less valuation allowance	(468)	(407)	(3,961)
Total	3,944	4,054	33,398
Deferred tax liabilities—Non-current	(2,149)	(2,096)	(18,198)
Net deferred tax assets—Non-current	¥ 1,795	¥ 1,958	$ 15,200
Deferred tax liabilities—Current:			
Advances received	¥ (53)	¥ (53)	$ (446)
Other	(156)	(115)	(1,320)
Total	(209)	(168)	(1,766)
Deferred tax assets—Current	173	168	1,461
Net deferred tax liabilities—Current	¥ (36)		$ (305)
Deferred tax liabilities—Non-current:			
Unrealized gain on available-for-sale securities	¥(1,880)	¥(1,889)	$(15,920)
Undistributed earnings of associated companies	(212)	(138)	(1,794)
Other	(94)	(69)	(796)
Total	(2,186)	(2,096)	(18,510)
Deferred tax assets—Non-current	2,149	2,096	18,198
Net deferred tax liabilities—Non-current	¥ (37)		$ (312)

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates for the year ended March 31,2007 and 2006 is not disclosed because the difference between the two tax rates is less than 5% of the statutory tax rate.

At March 31, 2007, certain subsidiaries had tax loss carryforwards aggregating approximately ¥520 million ($4,400 thousand) which were available to be offset against taxable income of such subsidiaries in future years.

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

10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥5,984 million ($50,666 thousand) and ¥5,223 million for the years ended March 31, 2007 and 2006, respectively.

11. RELATED PARTY TRANSACTIONS

Transactions with unconsolidated subsidiaries and associated companies for the years ended March 31, 2007 and 2006, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Sales	¥3,269	¥2,854	$27,680
Purchases	143	158	1,211
Selling, general and administrative expenses	285	524	2,413

12. LEASES

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

Total rental expenses, primarily for lease agreements for office space which were cancelable at the option of the Company or upon expiration, for the years ended March 31, 2007 and 2006, were ¥1,937 million ($16,402thousand) and ¥1,993 million, respectively, including ¥327 million ($2,772 thousand) and ¥420 million of lease payments under finance leases.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense and interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2007 and 2006 was as follows:

Year Ended March 31, 2007

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

	Thousands of U.S. Dollars				
	Buildings and Structures	Machinery and Equipment	Tools, Furniture and Fixtures	Software	Total
Acquisition cost	$58	$289	$5,215	$6,998	$12,560
Accumulated depreciation	41	106	3,733	5,179	9,059
Net leased property	$17	$183	$1,482	$1,819	$ 3,501

Year Ended March 31, 2006

	Millions of Yen				
	Buildings and Structures	Machinery and Equipment	Tools, Furniture and Fixtures	Software	Total
Acquisition cost	¥7	¥17	¥647	¥1,045	¥1,716
Accumulated depreciation	4	12	451	860	1,327
Net leased property	¥3	¥ 5	¥196	¥ 185	¥ 389

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Due within one year	¥241	¥314	$2,041
Due after one year	318	379	2,692
Total	¥559	¥693	$4,733

Depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Depreciation expense	¥224	¥308	$1,897
Interest expense	19	20	163
Total	¥243	¥328	$2,060

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

The minimum rental commitments under noncancelable operating leases at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Due within one year	¥231	¥229	$1,953
Due after one year	172	245	1,458
Total	¥403	¥474	$3,411

13. DERIVATIVES

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

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

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

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

The fair value of the Companies' derivative financial instruments at March 31, 2006, is as follows:

	Millions of Yen		
	2006		
	Contract Amount	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts—			
Buying—U.S.$ forward	¥1,634	¥1,639	¥(5)

Foreign currency forward contracts, interest rate swaps and currency swaps which qualified for hedge accounting for the years ended March 31, 2007 and 2006, are excluded from the disclosure of market value information.

The contract or notional amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Company's exposure to credit or market risk.

14. CONTINGENT LIABILITIES

At March 31, 2007, the Companies had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Trade notes discounted	¥5,067	$42,908
Guarantees of advance received of unconsolidated subsidiary	¥ 128	$ 1,081

15. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2007 and 2006 was as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2007	Net Income	Weighted-average Shares	EPS	
Basic EPS—Net income available to common shareholders	¥2,816	79,308	¥35.50	$0.30
Effect of dilutive securities— Convertible bonds		9,160		
Diluted EPS—Net income for computation	¥2,816	88,468	¥31.83	$0.27
Year Ended March 31, 2006				
Basic EPS—Net income available to common shareholders	¥1,289	79,311	¥16.25	
Effect of dilutive securities— Convertible bonds		6,277		
Diluted EPS—Net income for computation	¥1,289	85,588	¥15.06	

16. SUBSEQUENT EVENT

The following appropriation of retained earnings at March 31, 2007, was approved at the Company's shareholders meeting held on June 28, 2007:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥6.5 ($0.06) per share	¥515	$4,365

17. SEGMENT INFORMATION

Information about operations in different industry segments, geographical segments and sales to foreign customers of the Companies for the years ended March 31, 2007 and 2006, was as follows:

(1)Industry Segments

a. Sales and Operating Income

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

b. Total Assets, Depreciation and Capital Expenditures

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

a. Sales and Operating Income

	Thousands of U.S. Dollars			
	2007			
	Scientific Instrument	Industrial Equipment	Eliminations/ Corporate	Consolidated
Sales to customers	$544,997	$316,782		$861,779
Intersegment sales				
Total sales	544,997	316,782		861,779
Operating expenses	514,215	278,744	$ 23,831	816,790
Operating income	$ 30,782	$ 38,038	$(23,831)	$ 44,989

b. Total Assets, Depreciation and Capital Expenditures

	Thousands of U.S. Dollars			
	2007			
	Scientific Instrument	Industrial Equipment	Eliminations/ Corporate	Consolidated
Total assets	$436,391	$292,260	$212,884	$941,535
Depreciation	13,649	8,433	539	22,621
Capital expenditures	14,381	11,680	122	26,183

a. Sales and Operating Income

	Millions of Yen			
	2006			
	Scientific Instrument	Industrial Equipment	Eliminations/ Corporate	Consolidated
Sales to customers	¥58,502	¥34,789		¥93,291
Intersegment sales				
Total sales	58,502	34,789		93,291
Operating expenses	55,930	32,639	¥ 2,709	91,278
Operating income	¥ 2,572	¥ 2,150	¥(2,709)	¥ 2,013

b. Total Assets, Depreciation and Capital Expenditures

	Millions of Yen			
	2006			
	Scientific Instrument	Industrial Equipment	Eliminations/ Corporate	Consolidated
Total assets	¥50,422	¥33,251	¥20,267	¥103,940
Depreciation	1,525	995	63	2,583
Capital expenditures	1,514	1,671	7	3,192

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

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

(2)Geographical Segments

The geographical segments of the Companies for the years ended March 31, 2007 and 2006 were summarized as follows:

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

	Thousands of U.S. Dollars				
	2007				
	Japan	North America Latin America	Other	Eliminations/ Corporate	Consolidated
Sales to customers	$619,130	$128,503	$114,146		$861,779
Interarea transfer	118,515	1,602	3,806	$(123,923)	
Total sales	737,645	130,105	117,952	(123,923)	861,779
Operating expenses	673,490	127,792	114,075	(98,567)	816,790
Operating income	$ 64,155	$ 2,313	$ 3,877	$ (25,356)	$ 44,989
Total assets	$628,499	$ 52,189	$ 67,141	$ 193,706	$941,535

	Millions of Yen				
	2006				
	Japan	North America Latin America	Other	Eliminations/ Corporate	Consolidated
Sales to customers	¥71,795	¥12,950	¥8,546		¥ 93,291
Interarea transfer	9,236	565	348	¥(10,149)	
Total sales	81,031	13,515	8,894	(10,149)	93,291
Operating expenses	76,384	13,309	8,896	(7,311)	91,278
Operating income (loss)	¥ 4,647	¥ 206	¥ (2)	¥ (2,838)	¥ 2,013
Total assets	¥71,386	¥ 8,600	¥5,997	¥ 17,957	¥103,940

Note:
Each area primarily refers to the following countries:

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

(3)Sales to Foreign Customers

The sales to foreign customers of the Companies for the years ended March 31, 2007 and 2006 were summarized as follows:

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

	Thousands of U.S. Dollars		
	2007		
	North America Latin America	Other	Total
Overseas sales (A)	$201,494	$182,635	$384,129
Consolidated sales (B)			861,779
(A)/(B)	23.4%	21.2%	44.6%

	Millions of Yen		
	2006		
	North America Latin America	Other	Total
Overseas sales (A)	¥19,055	¥20,468	¥39,523
Consolidated sales (B)			93,291
(A)/(B)	20.4%	22.0%	42.4%

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

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

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
JEOL Ltd.:

We have audited the accompanying consolidated balance sheets of JEOL Ltd. and consolidated subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of JEOL Ltd. and consolidated subsidiaries as of March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

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

Deloitte Touche Tohmatsu

June 28, 2007

Member of
Deloitte Touche Tohmatsu

Corporate Outline

(As of March 31, 2007)

Corporate Name:	JEOL Ltd.
Address:	1-2, Musashino 3-chome, Akishima, Tokyo 196-8558, Japan TEL: +81-42-543-1111 FAX: +81-42-546-3353
Establishment:	May 30, 1949
Capital:	¥6,740 million
Number of Employees:	Consolidated 3,014 Non-consolidated 1,353

Stock Information:

Authorized shares: 136,080,000

Issued shares: 79,365,600

Number of Shareholders: 10,877

Head Office and Branch Offices:

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

Domestic Subsidiaries and Affiliated Companies:

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

Overseas Subsidiaries and Affiliated Companies:

JEOL USA, INC. [USA]	11 Dearborn Road, Peabody, MA. 01960, USA TEL. 1-978-535-5900
JEOL (EUROPE) SAS [France]	Espace Claude Monet, 1 Allee de Giverny 78290 Croissy-sur-Seine, France TEL. 33-13015-3737
JEOL (U.K.) LTD. [U.K.]	JEOL House, Silver Court, Watchmead, Welwyn Garden City, Herts AL7 1LT, U.K. TEL. 44-1707-377117
JEOL (EUROPE) B. V. [the Netherlands]	Lireweg 4, NL-2153 PH Nieuw-Vennep, The Netherlands TEL. 31-252-623500
JEOL (SKANDINAVISKA) A.B. [Sweden]	Hammarbacken 6A Box 716 191 27 Sollentuna, Sweden TEL. 46-8-28-2800
JEOL (GERMANY) GmbH [Germany]	Oskar-Von-Miller-Strasse 1, 85386 Eching, Germany TEL. 49-8165-77512
JEOL (ITALIA) S.p.A. [Italy]	Centro Direzionale Green Office Via Dei Tulipani, 1, 20090 Pieve, Emanuele (MI), Italy TEL. 39-2-9041431
JEOL ASIA PTE. LTD. [Singapore]	29 International Business Park #04-02A Acer Building, Tower B, Singapore 609928 TEL. 65-6565-9989
JEOL TAIWAN SEMICONDUCTORS LTD. [Taiwan]	11F, No.346, Pei-Ta Road, Hsin-Chu City300, Taiwan, Republic of China TEL. 886-3-523-8490
JEOL (AUSTRALASIA) PTY. LTD. [Australia]	Unit 9, 750-752 Pittwater Road, Brookvale, N.S.W. 2100, Australia TEL. 61-2-9905-8255
JEOL DE MEXICO S.A. DE C.V. [Mexico]	Av. Amsterdam #46 DEPS. 402 Col Hipodromo, Mexico 06100, Mexico D.F. Mexico TEL. 52-5-55-211-4511
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Beijing Creative Technology Co., Ltd. [China]	Room 415, Building B, No.18 Xihuannan Road, BDA (Beijing Economic-technological Development Area) Beijing, China TEL. 86-10-6737-2198
JEOL Shanghai Semiconductors Ltd. [China]	34A World Plaza No.855 PuDong Nan Road. Shanghai, China TEL. 86-21-6888-0770
JEOL KOREA LTD. [Korea]	Sunmin Building. 6th F1., 218-16, Nonhyun-Dong, Kangnam-Ku, Seoul 135-010, Korea TEL. 82-2-511-5501

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