

Financial Highlights

Financial Highlights of Hamamatsu Photonics K.K.

Non-Consolidated:

	Millions of Japanese Yen			Thousands of U.S. Dollars		
	1997	1998	1999	1997	1998	1999
Net Sales	¥36,049	¥37,850	¥ 36,892	\$336,907	\$353,738	\$ 344,785
Net Income	1,471	1,705	862	13,748	15,935	8,056
Shareholders' Equity	27,212	35,262	37,779	254,318	329,551	353,075
Working Capital	15,468	16,596	15,723	144,561	155,103	146,944
R & D Expenses	4,957	5,452	5,626	46,327	50,953	52,579
Per Share Data (in Yen and Dollars)						
Net Income (*) - Basic:	¥54.50	¥59.22	¥ 27.59	\$0.51	\$0.55	\$ 0.26
- Diluted:	¥52.31	¥52.05	¥ 26.74	\$0.49	\$0.49	\$ 0.25
Cash Dividends	¥16.50	¥17.50	¥ 16.50	\$0.15	\$0.16	\$ 0.15

Consolidated:

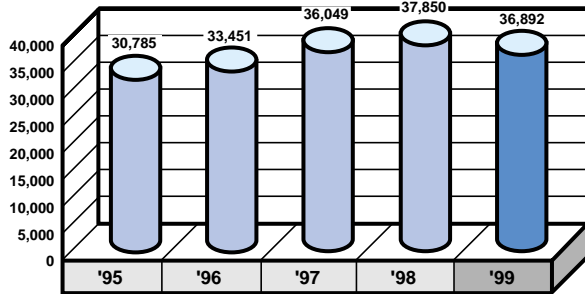
	Millions of Japanese Yen			Thousands of U.S. Dollars		
	1997	1998	1999	1997	1998	1999
Net Sales	¥42,789	¥45,606	¥ 40,773	\$399,897	\$426,224	\$ 381,056
Net Income	1,199	1,676	613	11,206	15,664	5,729
Shareholders' Equity	29,212	37,232	39,479	273,009	347,962	368,963
Working Capital	17,391	20,260	18,581	162,533	189,346	173,654
R & D Expenses	5,345	6,023	5,959	49,953	56,290	55,692
Per Share Data (in Yen and Dollars)						
Net Income (*) - Basic :	¥44.45	¥58.21	¥ 19.61	\$0.42	\$0.54	\$ 0.18
- Diluted :	¥43.03	¥51.20	¥ 19.42	\$0.40	\$0.48	\$ 0.18

(*) Net income per share is based on the weighted average number of shares outstanding during the respective years. The U.S. dollar amounts above and elsewhere in this report represent translations, solely for the convenience of the reader, using the exchange rate of Japanese ¥107 = U.S.\$1.



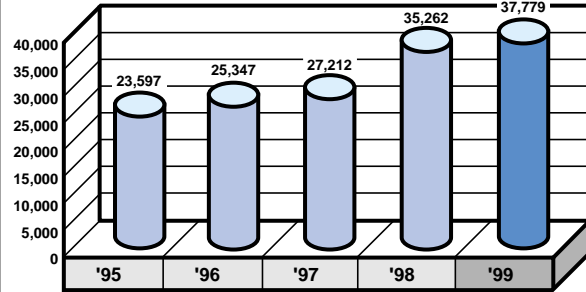
Net Sales

(Millions of Japanese Yen)

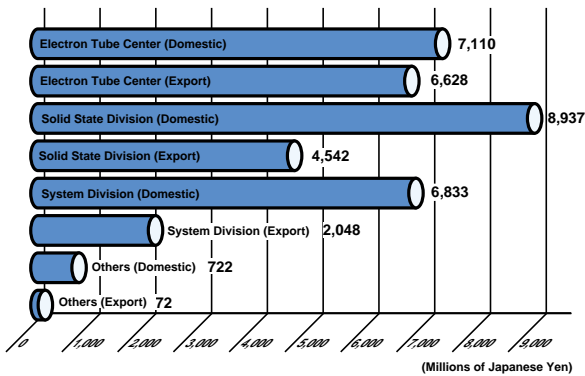


Shareholders' Equity

(Millions of Japanese Yen)

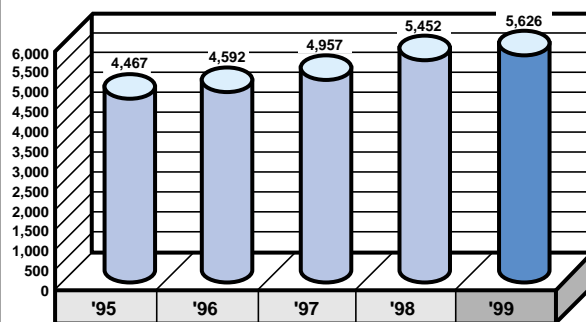


Sales by Division in 1999



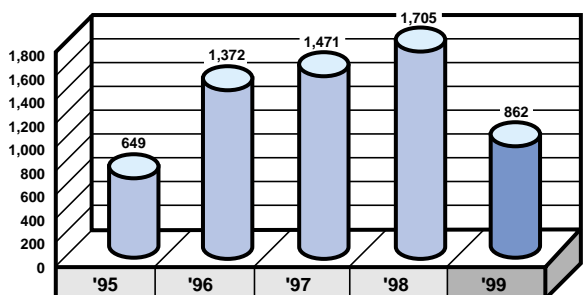
Research and Development Expenses

(Millions of Japanese Yen)



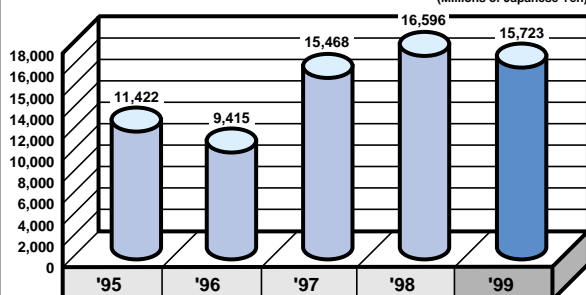
Net Income

(Millions of Japanese Yen)



Working Capital

(Millions of Japanese Yen)



Financial Review

Net Sales

Total sales for the fiscal year 1999 decreased by 2.5% to 36,892 million yen (US\$344.8 million) from 37,850 million yen (US\$353.7 million) in 1998. Domestic sales were down due to the sluggish Japanese economy to 23,602 million yen (US\$220.6 million), a 4.2% decrease from 24,637 million yen (US\$230.3 million) of last year, while export sales were slightly up by 0.6% to 13,290 million yen (US\$124.2 million). Recoveries in some areas have been seen recently and we expect an upwards in the following year.

Net sales for the Electron Tube Center were 13,738 million yen (US\$128.4 million), down from 13,827 million yen (US\$129.2 million) the year before. Domestic sales decreased to 7,110 million yen (US\$66.4 million) from 7,378 million yen (US\$69.0 million). Export sales increased from 6,448 million yen (US\$60.3 million) to 6,628 million yen (US\$61.9 million). Division I of the Electron Tube Center had another tough year. New products including the Electron Bombardment CCD Tube contributed to the sales from this year, however Photomultiplier Tubes, the main product of the Division, were lackluster in analytical and measuring equipment fields, causing a decrease in sales of 5.8% to 7,049 million yen (US\$65.9 million). Division II of the Center had another story. There has been a strong demand for Deuterium lamps, Micro Focus X-ray Sources, etc., especially in the foreign market and sales for the Division were 6,689 million yen (US\$62.5 million), an increase of 347 million yen (US\$3.2 million) or 5.5% over the last year. The export ratio of Division I and II were 63.7% and 31.9% respectively.

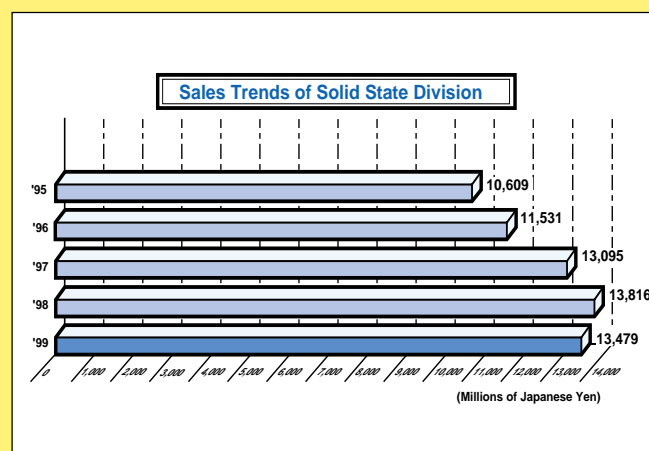
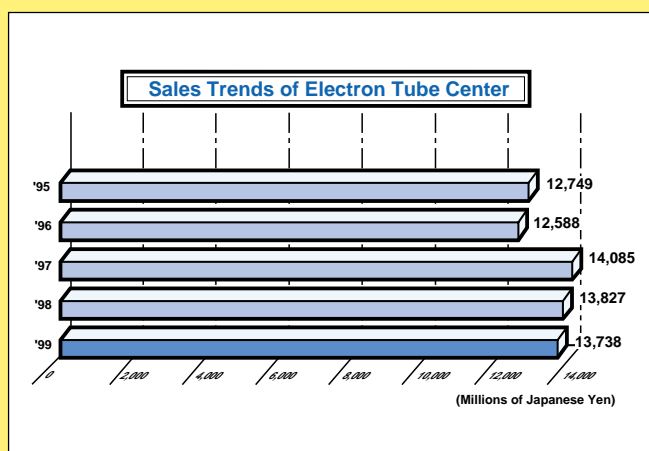
At the Solid State Division, sales decreased for the first time in 6 years down to 13,479 million yen (US\$126.0 million), a 2.4% or 337 million yen (US\$3.1 million) lower than the previous year of 13,816 million yen (US\$129.1 million).

Silicon Photodiodes, a main product of the division, had been steady in medical and information equipment fields, however Photo ICs, Image Sensors, IR Photodiodes, etc. were slow in sales especially in the domestic market. Domestic sales decreased by 5.7% to 8,937 million yen (US\$83.5 million) while exports increased by 4.8% to 4,542 million yen (US\$42.4 million).

The Systems Division's sales for the year 1999 were down to 8,881 million yen (US\$83.0 million), a reduction of 281 million yen (US\$2.6 million) or 3.1%. As in the other divisions, it suffered from the downwards in the domestic markets. Domestic sales were 6,833 million yen (US\$63.9 million) down from 7,125 million yen (US\$66.6 million). Exports were up to 2,048 million yen (US\$19.1) from 2,037 million yen (US\$19.0 million). Sales of digital cameras continued strong, however, semiconductors and factory automation fields were still sluggish during the fiscal year.

Net income and Return on Net Sales

In spite of the continuous effort to cut manufacturing, overhead and administration costs, Income before taxes fell 1,513 million yen (US\$14.1 million) compared with the previous fiscal year, to 1,766 million yen (US\$16.5 million), principally because of the domestic sales decline.



Accordingly, Net income was down to 862 million yen (US\$8.1 million) from 1,705 million yen (US\$15.9 million). Convertible bonds equaling 1,063,409 shares were executed this fiscal year and total outstanding number of shares at the end of fiscal year was 31,730,916 compared to 30,667,507 of last year. Net Income per share, basic and diluted were 27.59 yen (US\$0.26) and 26.74 yen (US\$0.25) for the year, down from 59.22 yen (US\$0.55) and 52.05 yen (US\$ 0.49) respectively. Net return on sales for 1999 was 2.3% compared to 4.5% of the last fiscal year.

Research and Development

The Company conducted research and development at the Central Research Laboratory and Tsukuba Laboratory, which is the essence of the Company and contributes to create new technology and industry. Research & development expenses for this fiscal year were 5,626 million yen (US\$52.6 million), increased by 3.2% or 174 million yen (US\$1.6 million) from last year. The ratio of research expenses to Net sales for 1999 and 1998 were 15.2% and 14.4% respectively. The total research and development expenses including the work at the divisional levels for year 1999 were 5,834 million (US\$54.5 million), up by 3.0% from the year before.

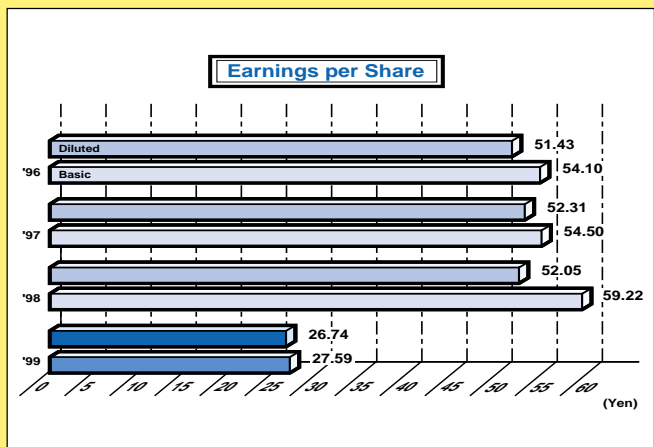
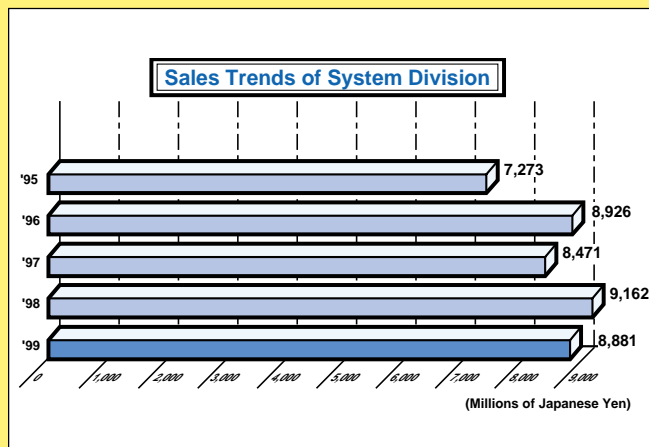
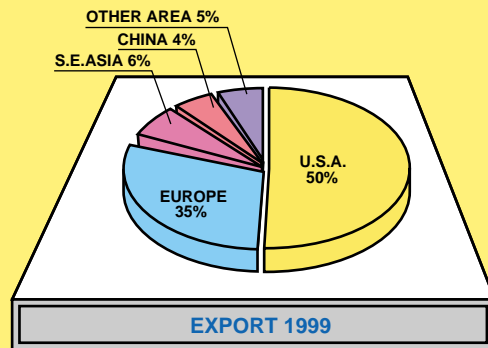
Capital Investment

During fiscal year 1999, the Company made capital investments of 4,564 million (US\$42.7 million), a decrease of

392 million yen (US\$3.7 million) from the previous year. The major investment was for the construction of a new building at the Solid State Division for manufacturing and management of the division.

Liquidity and Financial Position

At the end of fiscal year 1999, the current ratio, current assets to current liabilities, was 204% which was slightly down from 207% of year 1998. Working capital amounted to 15,723 million yen (US\$146.9 million), down from 16,596 million yen (US\$155.1 million), following a decrease in cash on hand and in banks. Total assets at fiscal year-end were 67,969 million yen (US\$635.2 million), 2,043 million yen (US\$19.1 million) over the previous year. Shareholders' equity at year-end rose 2,517 million yen (US\$23.5 million) to 37,779 million yen (US\$353.1 million), as a result of the conversion of convertible bonds to stock. The shareholders' equity ratio for the fiscal year 1999 and 1998 were 55.6% and 53.5% respectively.



Non-Consolidated Balance Sheets

As of 30th September, 1998 and 1999

ASSETS

	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 1)	
	1998	1999	1998	1999
Current assets:				
Cash on hand and in banks	¥ 9,909	¥ 7,895	\$ 92,607	\$ 73,785
Receivables:				
Trade notes	2,655	2,779	24,813	25,972
Trade accounts	10,482	11,419	97,963	106,720
Less allowance for doubtful receivables	(108)	(100)	(1,009)	(935)
Inventories (Note 3)	8,374	8,027	78,262	75,019
Prepaid expenses and other	727	881	6,794	8,234
	<u>32,039</u>	<u>30,901</u>	<u>299,430</u>	<u>288,795</u>
Property, plant and equipment, at cost (Note 4):				
Land	9,674	9,744	90,411	91,065
Buildings	16,914	16,697	158,075	156,047
Machinery and equipment	32,341	34,711	302,252	324,402
Construction in progress	513	2,019	4,795	18,869
	59,442	63,171	555,533	590,383
Less accumulated depreciation	<u>(32,987)</u>	<u>(35,798)</u>	<u>(308,290)</u>	<u>(334,561)</u>
	<u>26,455</u>	<u>27,373</u>	<u>247,243</u>	<u>255,822</u>
Investments and other assets:				
Investment securities	975	3,008	9,112	28,112
Investments in and advances to subsidiaries and affiliates	4,719	5,059	44,103	47,280
Other assets	1,738	1,628	16,243	15,215
	<u>7,432</u>	<u>9,695</u>	<u>69,458</u>	<u>90,607</u>
	<u>¥ 65,926</u>	<u>¥ 67,969</u>	<u>\$616,131</u>	<u>\$635,224</u>

The accompanying Notes to Non-Consolidated Financial Statements are an integral part of these statements.

LIABILITIES AND SHAREHOLDERS' EQUITY

	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 1)	
	1998	1999	1998	1999
Current liabilities:				
Short-term bank loans (Note 4)	¥ 4,100	¥ 4,100	\$ 38,318	\$ 38,318
Current portion of long-term debt (Note 4)	467	560	4,364	5,234
Payables:				
Trade notes	3,893	4,115	36,383	38,458
Trade accounts	1,192	1,577	11,140	14,738
Construction and other	2,164	2,260	20,224	21,121
Income taxes (Note 5)	956	70	8,935	654
Accrued expenses	1,958	1,724	18,299	16,112
Other	713	772	6,664	7,215
	<u>15,443</u>	<u>15,178</u>	<u>144,327</u>	<u>141,850</u>
Long-term liabilities:				
Long-term debt (Note 4)	11,827	11,346	110,533	106,037
Allowance for severance indemnities	3,394	3,666	31,720	34,262
	<u>15,221</u>	<u>15,012</u>	<u>142,253</u>	<u>140,299</u>
Contingent liabilities (Note 8)				
Shareholders' equity:				
Common stock, no par value:				
Authorised - 100,000,000 shares				
Issued - 30,667,507 shares in 1998				
- 31,730,916 shares in 1999	12,112	13,220	113,196	123,551
Additional paid-in capital	11,830	12,937	110,561	120,907
Legal reserve (Note 6)	467	529	4,364	4,943
Retained earnings (Note 7)	10,853	11,093	101,430	103,674
	<u>35,262</u>	<u>37,779</u>	<u>329,551</u>	<u>353,075</u>
	<u>¥ 65,926</u>	<u>¥ 67,969</u>	<u>\$616,131</u>	<u>\$635,224</u>

Non-Consolidated Statements of Income

Years ended 30th September, 1998 and 1999

	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 1)	
	1998	1999	1998	1999
Net sales	¥ 37,850	¥ 36,892	\$353,738	\$344,785
Operating costs and expenses:				
Cost of sales	20,773	21,015	194,140	196,402
Selling, general and administrative expenses	7,976	8,175	74,542	76,402
Research and development	5,452	5,626	50,953	52,579
Operating income	3,649	2,076	34,103	19,402
Other income (expenses):				
Interest and dividend income	486	520	4,542	4,860
Interest expense	(456)	(287)	(4,262)	(2,682)
Other, net	(400)	(543)	(3,738)	(5,075)
Income before income taxes	3,279	1,766	30,645	16,505
Income taxes (Note 5)	1,574	904	14,710	8,449
Net income	¥ <u>1,705</u>	¥ <u>862</u>	\$ <u>15,935</u>	<u>\$ 8,056</u>

The accompanying Notes to Non-Consolidated Financial Statements are an integral part of these statements.

Non-Consolidated Statements of Shareholders' Equity

Years ended 30th September, 1998 and 1999

	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 1)	
	1998	1999	1998	1999
Common stock:				
Beginning balance	¥ 8,667	¥ 12,112	\$ 81,000	\$113,196
Conversion of convertible debentures	3,445	1,108	32,196	10,355
Ending balance	<u>¥ 12,112</u>	<u>¥ 13,220</u>	<u>\$113,196</u>	<u>\$123,551</u>
Additional paid-in capital:				
Beginning balance	¥ 8,386	¥ 11,830	\$ 78,374	\$110,561
Proceeds in excess of common stock issued upon conversion of convertible debentures	3,444	1,107	32,187	10,346
Ending balance	<u>¥ 11,830</u>	<u>¥ 12,937</u>	<u>\$110,561</u>	<u>\$120,907</u>
Legal reserve:				
Beginning balance	¥ 404	¥ 467	\$ 3,775	\$ 4,364
Transfer from retained earnings	63	62	589	579
Ending balance	<u>¥ 467</u>	<u>¥ 529</u>	<u>\$ 4,364</u>	<u>\$ 4,943</u>
Retained earnings:				
Beginning balance	¥ 9,755	¥ 10,853	\$ 91,168	\$101,430
Net income	1,705	862	15,935	8,056
Cash dividends	(494)	(510)	(4,617)	(4,766)
Transfer to legal reserve	(63)	(62)	(589)	(579)
Bonuses to directors and statutory auditors	(50)	(50)	(467)	(467)
Ending balance	<u>¥ 10,853</u>	<u>¥ 11,093</u>	<u>\$101,430</u>	<u>\$103,674</u>

The accompanying Notes to Non-Consolidated Financial Statements are an integral part of these statements.

Non-Consolidated Statements of Cash Flows

Years ended 30th September, 1998 and 1999

	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 1)	
	1998	1999	1998	1999
Cash flows from operating activities:				
Net income	¥ 1,705	¥ 862	\$ 15,935	\$ 8,056
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	2,979	3,402	27,841	31,794
Payment of severance indemnities	(114)	(147)	(1,065)	(1,374)
Provision for severance indemnities	411	419	3,841	3,916
Changes in operating assets and liabilities:				
Receivables	(20)	(1,070)	(187)	(10,000)
Inventories	(169)	348	(1,579)	3,252
Prepaid expenses and other	(220)	(154)	(2,056)	(1,439)
Payables	(563)	703	(5,262)	6,570
Income taxes	494	(886)	4,617	(8,280)
Accrued expenses	39	(235)	364	(2,196)
Other current liabilities	35	59	327	551
Net cash provided by operating activities	<u>4,577</u>	<u>3,301</u>	<u>42,776</u>	<u>30,850</u>
Cash flows from investing activities:				
Acquisition of property, plant and equipment, net of disposals	(4,830)	(4,320)	(45,140)	(40,374)
Increase in investments and other assets	(1,272)	(2,262)	(11,888)	(21,140)
Net cash used in investing activities	<u>(6,102)</u>	<u>(6,582)</u>	<u>(57,028)</u>	<u>(61,514)</u>
Cash flows from financing activities:				
Payment of short-term bank loans	(200)	-	(1,869)	-
Payment of long-term debt	(10,367)	(2,682)	(96,888)	(25,065)
Increase in long-term debt	3,261	2,294	30,477	21,439
Proceeds from issuance of common stock	6,890	2,215	64,392	20,701
Cash dividends paid	(494)	(510)	(4,617)	(4,766)
Bonuses to directors and statutory auditors	(50)	(50)	(467)	(467)
Net cash provided by (used in) financing activities	<u>(960)</u>	<u>1,267</u>	<u>(8,972)</u>	<u>11,842</u>
Net decrease in cash on hand and in banks	(2,485)	(2,014)	(23,224)	(18,822)
Cash on hand and in banks at beginning of year	12,394	9,909	115,831	92,607
Cash on hand and in banks at end of year	<u>¥ 9,909</u>	<u>¥ 7,895</u>	<u>\$ 92,607</u>	<u>\$ 73,785</u>

The accompanying Notes to Non-Consolidated Financial Statements are an integral part of these statements.

Notes to Non-Consolidated Financial Statements

1. Basis of Presenting Non-Consolidated Financial Statements

The accompanying non-consolidated financial statements have been prepared from the financial statements filed with the Minister of Finance as required by the Securities and Exchange Law of Japan in accordance with accounting principles generally accepted in Japan. Accordingly, the accompanying non-consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practice generally accepted in countries and jurisdictions other than Japan. Non-consolidated statements of shareholders' equity and cash flows which are not currently required in Japan have been added as additional information and certain reclassifications have been made to present the accompanying non-consolidated financial statements in a format which is familiar to readers outside Japan. For convenience, the accompanying non-consolidated financial statements have been presented in U.S. dollars by arithmetically translating all Japanese yen amounts at ¥107 = U.S.\$1, the exchange rate prevailing on 30th September, 1999. The translations should not be construed as a representation that Japanese yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

2. Summary of Significant Accounting Policies

(a) Investment Securities

Current and non-current marketable securities are valued at the lower of cost or market by the total average cost method. Non-marketable securities are stated at cost determined by the total average method.

(b) Inventories

Finished goods, work in process and raw materials are stated at cost determined by the total average method. Supplies are stated at cost determined by the most recent purchase price method.

(c) Property, Plant and Equipment and Depreciation

Property, plant and equipment is stated at cost. Significant renewals and additions are capitalised. Maintenance and repairs, including minor renewals and improvements, are charged to income as incurred. Interest expense relating to the construction of plant and equipment is not capitalised. Depreciation is determined by the declining-balance method over the estimated useful lives of the individual assets which are as follows:

Buildings	3 - 50 years
Machinery and equipment	2 - 10 years

The effective rates of depreciation as a percentage of net book value for the years ended 30th September, 1998 and 1999 were as follows:

	<u>1998</u>	<u>1999</u>
Buildings	8.0%	9.0%
Machinery and equipment	23.7%	26.4%

(d) Research and Development

Research and development expenses are charged to income as incurred.

(e) Allowance for Severance Indemnities and Pension Plan

The Company has an unfunded employees' retirement benefit plan. The annual provision under the plan is provided at 40% of the amount which would be required if all employees covered by the plan voluntarily terminated their employment as of the balance sheet date. The Company also has a funded employees' pension plan, which has been independently managed under a trustee agreement by a financial institution since 1st September, 1984. Contributions to the funded pension plan are charged to income when paid.

(f) Foreign Currency Translation

Current monetary assets and liabilities denominated in foreign currencies are translated into yen at the exchange rates prevailing on the respective balance sheet dates or at the rate of each forward exchange contract. Long-term monetary assets and liabilities are translated at historical rates or at the rate of each forward exchange contract. The difference between the historical rate and the rate of a forward exchange contract is charged to income over the period from the date of the contract to its maturity date.

(g) Net Income per Share

Net income per share is based on the weighted average number of shares outstanding during the respective years.

3. Inventories

Inventories at 30th September, 1998 and 1999 are summarised as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars	
	<u>1998</u>	<u>1999</u>	<u>1998</u>	<u>1999</u>
Finished goods	¥ 1,913	¥ 1,586	\$17,879	\$14,822
Work in process	4,186	4,319	39,121	40,365
Raw materials and supplies	<u>2,275</u>	<u>2,122</u>	<u>21,262</u>	<u>19,832</u>
	<u>¥ 8,374</u>	<u>¥ 8,027</u>	<u>\$78,262</u>	<u>\$75,019</u>

Notes to Non-Consolidated Financial Statements

4. Short-Term Bank Loans and Long-Term Debt

Short-term bank loans represent notes maturing generally within six months. The annual interest rates applicable to loans for the years ended 30th September, 1998 and 1999 were approximately 1.63% and 1.44%, respectively.

Short-term bank loans and debentures due within one year at 30th September, 1998 and 1999 are summarised as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars	
	1998	1999	1998	1999
Short-term bank loans:	¥ 4,100	¥ 4,100	\$38,318	\$38,318
Secured	250	-	2,337	-
Unsecured	3,850	4,100	35,981	38,318
Current portion of long-term debt	467	560	4,364	5,234
	<u>¥ 4,567</u>	<u>¥ 4,660</u>	<u>\$42,682</u>	<u>\$43,552</u>

Long-term debt at 30th September, 1998 and 1999 is summarised as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars	
	1998	1999	1998	1999
Unsecured debt	¥ 9,989	¥ 9,740	\$ 93,355	\$ 91,028
Secured debt	2,305	2,166	21,542	20,243
Less: current portion of long-term debt	(467)	(560)	(4,364)	(5,234)
	<u>¥11,827</u>	<u>¥11,346</u>	<u>\$110,533</u>	<u>\$106,037</u>

The annual average interest rates applicable to long-term debt for the years ended 30th September, 1998 and 1999 were 2.47% and 2.32%, respectively.

Secured and unsecured debentures at 30th September, 1998 and 1999 are summarised as follows:

Date of Issue	Millions of Japanese Yen		Thousands of U.S. Dollars	
	1998	1999	1998	1999
19th December, 1994	¥ 3,013	¥ 2,131	\$ 28,159	\$ 19,916
17th April, 1997	4,032	2,699	37,682	25,224
	<u>¥ 7,045</u>	<u>¥ 4,830</u>	<u>\$ 65,841</u>	<u>\$ 45,140</u>

The original aggregate amounts of the debentures issued on 19th December, 1994 and 17th April, 1997 were ¥7 billion (US\$65.4 million) and ¥10 billion (US\$93.5 million) with coupon rates of 2.4% and 1.25%, respectively. The debentures are unsecured and convertible. As of September 30, 1999, ¥4,869 million (US\$45.5 million) and ¥7,301 million (US\$68.2 million) had been converted or redeemed, respectively.

The maturity dates of the debentures are September 2003 and September 2004.

The assets pledged as collateral for short-term bank loans and long-term debt at 30th September, 1998 and 1999 were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars	
	1998	1999	1998	1999
Property, plant and equipment	¥ 8,385	¥ 8,029	\$78,364	\$75,037

As is customary in Japan, long-term and short-term bank loans are made under general agreements which provide that additional security and guarantees for present and future indebtedness will be given at the request of the bank and that any collateral so furnished will be applicable to all indebtedness due to that bank. In addition, such agreements provide that the bank has the right to offset cash deposited against any long-term or short-term debt which becomes due and, in the case of default and certain other specified events, against all other debt payable to the bank.

The aggregate annual maturities of long-term debt subsequent to 30th September, 1999 are as follows:

Years ending 30th September,	Millions of Japanese Yen	Thousands of U.S. Dollars
2000	¥ 560	\$ 5,234
2001	344	3,215
2002	255	2,383
2003	5,375	50,234
2004 and thereafter	5,372	50,206

5. Income Taxes

The statutory rates for income taxes for the years ended 30th September, 1998 and 1999 were approximately 50% and 47% respectively. The effective tax rates reflected in the statements of income differ from the above statutory tax rate principally because of (1) the policy of not providing for deferred taxes arising from temporary differences between the recognition of certain income and expenses for tax and financial reporting purposes, and (2) certain expenses not deductible for tax purposes.

6. Legal Reserve

The Commercial Code of Japan provides that an amount equivalent to at least 10% of cash dividends and bonuses paid to directors and statutory auditors be appropriated to the legal reserve until such reserve equals 25% of common stock. The legal reserve may be used to reduce a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors. It is not available for the payment of dividends.

Notes to Non-Consolidated Financial Statements & Report of Independent Certified Public Accountants

7. Subsequent Event

Under the Commercial Code of Japan, a plan for the appropriation of retained earnings (primarily for cash dividend payments) proposed by the Board of Directors must be approved at a shareholders' meeting held within three months of the end of the fiscal year.

On 21st December, 1999, the shareholders of the Company approved a plan for the appropriation of retained earnings, which resulted in the following deductions from retained earnings at 30th September, 1999:

	Millions of Japanese Yen	Thousands of U.S. Dollars
Transfer to legal reserve	¥ 40	\$ 374
Cash dividends	301	2,813
Bonuses to directors and statutory auditors	50	467
	<u>¥391</u>	<u>\$3,654</u>

8. Contingent Liabilities

Contingent liabilities at 30th September, 1998 and 1999 were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars	
	1998	1999	1998	1999
Guarantees of loans for subsidiaries and affiliates	¥111	¥ 504	\$1,037	\$4,710

Showa Ota & Co.
CERTIFIED PUBLIC ACCOUNTANTS

**The Board of Directors
Hamamatsu Photonics K.K.**

We have examined the non-consolidated balance sheets of Hamamatsu Photonics K.K. as of 30th September, 1998 and 1999, and the related non-consolidated statements of income, shareholders' equity, and cash flows for the years then ended, expressed in Japanese yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the non-consolidated financial statements referred to above present fairly the financial position of Hamamatsu Photonics K.K. at 30th September, 1998 and 1999, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

The accompanying non-consolidated financial statements have been translated into U.S. dollars solely for the convenience of the reader. We have reviewed the translation and, in our opinion, the non-consolidated financial statements expressed in Japanese yen have been translated into U.S. dollars on the basis set forth in Note 1 to the non-consolidated financial statements.

Showa Ota & Co.

Showa Ota & Co.

Hamamatsu, Japan
21st December, 1999