

I am pleased to report the performance of Hamamatsu Photonics for the fiscal year ending September 30, 2000. This report provides a summary of the worldwide-consolidated operations of the Company. You will notice a change in format; this is due to our new method of financial reporting, which is in line with newly established universal standards.

In 2000, Japan saw signs of recovery in capital spending and corporate profitability. All is not well though, as Japan also experienced a prolonged stagnation in personal spending and an employment crunch. There was a decrease in personal spending in the US, yet growth was maintained. Europe and Asia maintained their growth as well. Considering these circumstances, we have worked on developing more value-added products with higher performance and better quality.

Net sales for the year, on a global basis, were Yen 51,559 million (US \$477,398 thousand), which is up 26.5% from one year before, and an all time high. Operating income was Yen 5,942 million (US \$55,019 thousand), which is up 133.7%, and another unprecedented high. We have changed an accounting principle of reserving employees severance indemnities from 40% to 100%. This extra expense, which is Yen 2,995 million (US \$27,731 thousand), was made within the last year. The net income resulted in Yen 1,569 million (US\$14,528 thousand), up by 156.0%, which enabled us to sustain our annual dividend at Yen 16.50 (US\$0.15).

Opto-electronic devices, which consist of electron tube products and opto-semiconductors, had a remarkable 25.8% increase in shipment. The opto-semiconductor played a major role in contributing to this increase, since it was well received in new application fields, such as, IT and communications. In the US these industries require significant quantities of InGaAs photodetectors.



We have built new plants in response to the growing demand for opto-semiconductors. Photomultiplier tubes saw an increasing demand for Positron Emission Tomography (PET) in medical applications. The micro-focus X-ray light source and UV spot light source orders continued to soar, mainly from semiconductor manufacturers. It should be noted that opto-electronic devices are 76.7% of total sales, and more than 90% of the Company's profit.

Imaging and measurement instruments sold Yen 11,996 million (US\$111,074 thousand) during the year, which is a 28.7% increase from the previous year. Orders from universities and the government were stagnate, which caused a drop in sales from biology and optical information applications. Outside of Japan, however, there was substantial expansion in digital cameras. Semiconductor inspection equipment was helped by its favorable market condition, and posted steady increases in sales.

Regarding research and development activities, we are taking on a project that develops the Parallel Aligned Liquid crystal-Spatial Light Modulator (PAL-SLM) and its application. In recent years, the processing speed and volume of memory in computers have advanced dramatically. These advancements have highlighted issues concerning conventional interconnection in terms of time response and plugboard complexity. The PAL-SLM provides a practical solution by setting up a re-configurable light wiring in space and making massively parallel and ultra-speed information processing possible.

In the medical field our PET study is beginning to be recognized as an effective tool to diagnose cancer. Our system can detect cancer at an early stage and identify its characteristics as well. The study will continue to establish a methodology for early cancer detection.

We have entered the new fiscal year 2001 with an increased backlog. As I expressed last year, we truly believe the 21st century will be a century of light, where light is utilized in, or interacts with, almost all industrial areas. With this in mind, we are striving to be the leading company in dealing with light. At this time I would like to thank our shareholders, customers, suppliers, and fellow workers for their continued support.



Teruo Hiruma  
President and CEO January, 2001



New building for opto-semiconductors