

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Annual Report 2002

Hamamatsu Photonics K.K. and Consolidated Subsidiaries
Years ended September 30, 2001 and 2002

	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 1)	
	2001	2002	2001	2002
Common stock:				
Beginning balance	¥ 14,635	¥ 15,604	\$ 118,984	\$ 126,862
Conversion of convertible debentures	969	96	7,878	780
Ending balance	¥ 15,604	¥ 15,700	\$ 126,862	\$ 127,642
Additional paid-in capital:				
Beginning balance	¥ 14,351	¥ 15,320	\$ 116,675	\$ 124,553
Proceeds in excess of common stock issued upon conversion of convertible debentures	969	96	7,878	780
Ending balance	¥ 15,320	¥ 15,416	\$ 124,553	\$ 125,333
Retained earnings:				
Beginning balance	¥ 15,217	¥ 18,118	\$ 123,715	\$ 147,301
Increase due to exclusion of the affiliate accounted for by the equity method	-	7	-	57
Net income	3,506	2,977	28,504	24,203
Cash dividends	(548)	(675)	(4,455)	(5,488)
Bonuses to directors and corporate auditors	(57)	(59)	(463)	(480)
Other	-	(2)	-	(16)
Ending balance	¥ 18,118	¥ 20,366	\$ 147,301	\$ 165,577
Unrealized loss on securities, net of tax	¥ (24)	¥ (10)	\$ (196)	\$ (81)
Adjustments arising from translation of accounts of foreign subsidiaries	¥ (915)	¥ (706)	\$ (7,439)	\$ (5,740)
Treasury stock, at cost:				
Beginning balance	¥ (1)	¥ (0)	\$ (8)	\$ (0)
(Acquired) sold, net	1	(3)	8	(24)
Ending balance	¥ (0)	¥ (3)	\$ (0)	\$ (24)
Total Shareholders' Equity	¥ 48,103	¥ 50,763	\$ 391,081	\$ 412,707

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Hamamatsu Photonics K.K. and Consolidated Subsidiaries
Years ended September 30, 2001 and 2002

	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 1)	
	2001	2002	2001	2002
Cash flows from operating activities:				
Income before income taxes and minority interests	¥ 5,303	¥ 5,290	\$ 43,114	\$ 43,008
Depreciation	5,237	6,591	42,577	53,585
Amortisation of consolidation adjustments	44	44	358	358
(Decrease) increase in allowance for doubtful accounts	(66)	54	(537)	439
(Decrease) increase in allowance for bonuses	(303)	113	(2,463)	919
Increase in allowance for retirement and severance benefit	1,602	813	13,024	6,610
Interest and dividend income	(346)	(114)	(2,813)	(927)
Interest expense	447	396	3,634	3,220
Foreign exchange (gain) loss	(146)	26	(1,187)	211
Debenture issue expenses	457	-	3,715	-
Gain on investments accounted for by the equity method	(29)	(27)	(236)	(220)
Loss on disposal of properties	275	179	2,236	1,455
(Gain) loss on properties sold	(5)	43	(41)	350
Loss on revaluation of marketable securities	2,041	365	16,594	2,967
Decrease in receivables, trade	743	114	6,041	927
(Increase) decrease in inventories	(1,767)	170	(14,366)	1,382
Decrease in payables, trade	(654)	(465)	(5,317)	(3,780)
Payment of bonuses to directors and corporate auditors	(59)	(61)	(480)	(496)
Other	(102)	193	(829)	1,569
Subtotal	12,672	13,724	103,024	111,577
Interest and dividend received	350	122	2,846	992
Interest expense paid	(432)	(408)	(3,512)	(3,317)
Income taxes paid	(5,174)	(3,174)	(42,065)	(25,805)
Net cash provided by operating activities	7,416	10,264	60,293	83,447
Cash flows from investing activities:				
(Increase) decrease in time deposits	(1,146)	1,586	(9,317)	12,894
Payments for acquisition of property, plant and equipment	(12,101)	(9,515)	(98,382)	(77,358)
Proceeds from sales of property, plant and equipment	13	86	106	699
Payments for acquisition of intangible fixed assets	(192)	(230)	(1,561)	(1,870)
Payments for purchases of investment securities	(1,301)	(59)	(10,577)	(480)
Proceeds from sales of investment securities	61	-	496	-
Payments for purchase of investment property	(127)	(749)	(1,033)	(6,089)
Other	(35)	(86)	(285)	(699)
Net cash used in investing activities	(14,828)	(8,967)	(120,553)	(72,903)
Cash flows from financing activities:				
Decrease in short-term debt	(198)	(1,032)	(1,610)	(8,390)
Proceeds from long-term debt	2,281	2,135	18,545	17,358
Payment of long-term debt	(2,609)	(3,160)	(21,211)	(25,691)
Proceeds from issuance of debenture	19,542	-	158,878	-
Dividends paid by the Company	(542)	(675)	(4,407)	(5,488)
Other (Note 2)	(1)	57	(8)	463
Net cash provided by (used in) financing activities	18,473	(2,675)	150,187	(21,748)
Effect of exchange rate changes on cash and cash equivalents	375	82	3,049	667
Net increase (decrease) in cash and cash equivalents	11,436	(1,296)	92,976	(10,537)
Cash and cash equivalents at beginning of year	13,188	24,683	107,219	200,675
Cash and cash equivalents held by newly consolidated subsidiary	59	-	480	-
Cash and cash equivalents at end of year	¥ 24,683	¥ 23,387	\$200,675	\$190,138

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