

ANNUAL REPORT 2014

For the year ended September 30, 2014



HAMAMATSU

HAMAMATSU PHOTONICS K.K.



ANNUAL REPORT
2014

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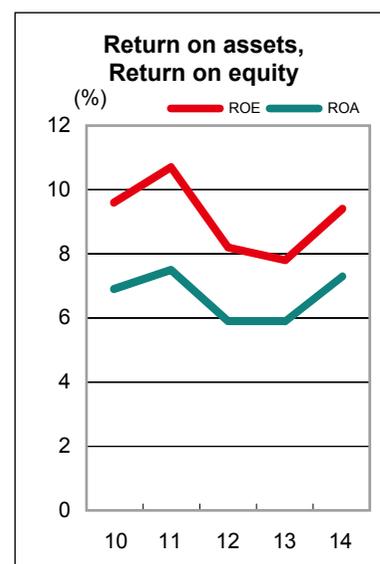
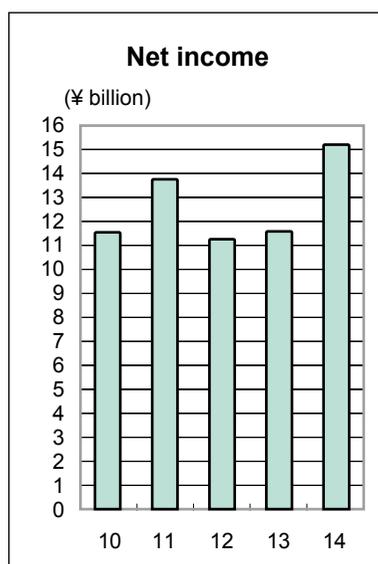
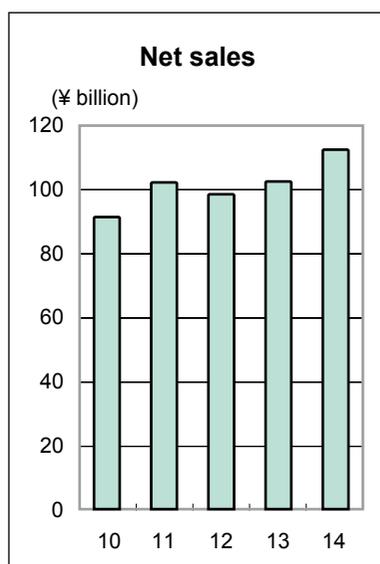
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FINANCIAL HIGHLIGHTS

Consolidated:

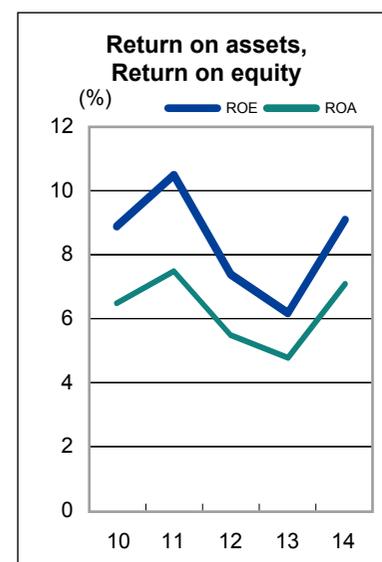
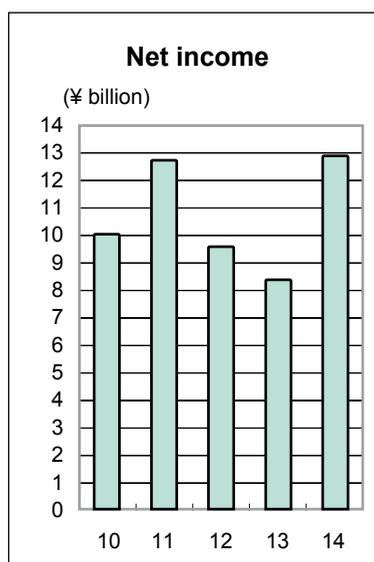
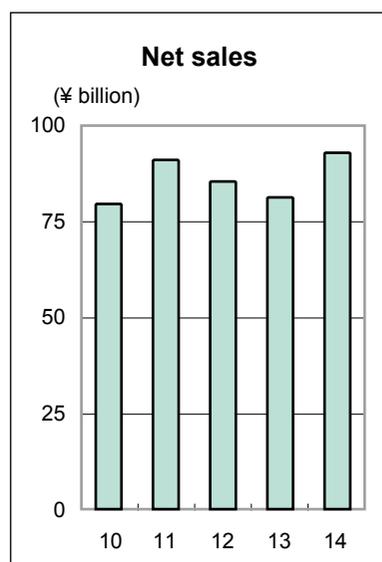
	Millions of Japanese Yen		Thousands of U.S. Dollars (*)	
	2013	2014	2013	2014
Net sales.....	¥ 102,156	¥ 112,092	\$ 937,212	\$ 1,028,373
Operating income.....	16,781	21,665	153,959	198,764
Income before income taxes and minority interests.....	17,904	22,462	164,257	206,074
Net income.....	11,529	15,155	105,772	139,042
Total assets.....	198,278	215,412	1,819,065	1,976,259
Net assets.....	154,385	168,815	1,416,384	1,548,767
R & D expenses.....	10,885	10,977	99,865	100,710
Per share data (in Yen and U.S. Dollars)				
Net income.....	¥ 143.41	¥ 188.52	\$ 1.31	\$ 1.72
Cash dividends.....	¥ 50.00	¥ 55.00	\$ 0.45	\$ 0.50



(*) 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 ¥109 = U.S.\$1.

Non-consolidated:

	Millions of Japanese Yen		Thousands of U.S. Dollars (*)	
	2013	2014	2013	2014
Net sales.....	¥ 80,937	¥ 92,583	\$ 742,549	\$ 849,390
Operating income	9,309	15,753	85,408	144,526
Income before income taxes	11,696	18,281	107,310	167,716
Net income	8,331	12,851	76,438	117,901
Total assets	173,354	186,463	1,590,411	1,710,672
Net assets.....	136,358	145,174	1,250,996	1,331,873
R & D expenses.....	10,624	10,681	97,473	97,997
Per share data (in Yen and U.S. Dollars)				
Net income.....	¥ 103.46	¥ 159.59	\$ 0.94	\$ 1.46
Cash dividends	¥ 50.00	¥ 55.00	\$ 0.45	\$ 0.50



TO OUR SHAREHOLDERS



Dear Shareholders:

During the fiscal year ended September 30, 2014 (from October 1, 2013 through September 30, 2014), Japan's economy as a whole maintained a gradual economic recovery trend. Capital investment rose gradually as corporate earnings strengthened and the employment and income environment showed improvement as well, against the backdrop of various economic measures and the Bank of Japan's monetary easing policy. On the other hand, the economic picture overseas remained uncertain despite moves toward a recovery that could be seen in some areas, and factors leading to instability, including a slowdown in newly developing countries and geopolitical risks, lingered.

Given such circumstances, our Group pursued basic and applied research in photonics, and strove to ensure net sales and earnings by undertaking aggressive sales and marketing activities, maintaining capital investment aimed at developing high-value-added products that address customers' needs and strengthening production capacity.

For the fiscal year ended September 30, 2014 net sales resulted in JPY 112,092 million, an increase of JPY 9,936 million (9.7%) compared with the previous year. Increased net sales resulted in similar performance from an earnings perspective as well, with operating income of JPY 21,665 million, up by JPY 4,883 million (29.1%), and net income of JPY 15,155 million, up by JPY 3,626 million (31.5%) over one year earlier respectively. Consequently, as a result of our domestic sales growth and the increase in our overseas sales because of the exchange rate effect, net sales and income both rose to record levels.

With regard to the business environment surrounding our Group, we recognize that although a sense of anticipation can be seen concerning the future business outlook, including the ongoing recovery trend in corporate capital investment driven by improved domestic corporate earnings, there also remain causes for concern, such as the uncertain conditions overseas, which create a situation under which we still cannot take an optimistic view.

Nevertheless, there remain many unknown areas in the light-related sectors the Company is pursuing that have yet to be clarified, and we believe industrial applications of optical technology will expand even more in the future.

As a Group, we recognize that to lead the photonics industry of the 21st century and emerge the winner in global competition, we must implement aggressive research and development activities and capital investment, pursue the development of highly competitive products, further improve state-of-the-art optical technologies that other companies cannot duplicate and further reinforce our operating base, and build a strong earnings organization capable of supporting these endeavors.

Finally, as a Group we must focus on uninterrupted growth by expanding our business domains through the creation of new industries that apply the optical technologies we have cultivated over many years, and never forget the venture mentality we have maintained since our Company was established.

We look forward to continuing to receive your unwavering support and encouragement in the future.

Sincerely,



Akira Hiruma
President and CEO
December 19, 2014

DIVISIONAL REVIEW

Electron Tube Division (Electron Tube Segment)

For over 60 years, Hamamatsu Photonics has developed and manufactured photomultiplier tubes. This technology continues to evolve today at the Electron Tube Division, one of the company's primary manufacturing divisions. The Electron Tube Division also develops and manufactures a variety of products for use in medical applications, chemical analysis, measurement, industrial testing, and academic research. These products include photomultiplier tubes, electron multipliers, microchannel plates, image intensifiers, X-ray products, and a wide variety of light sources. In fiscal year 2014, sales of these products accounted for 40.6% of the company's total revenue.

Sales of photomultiplier tubes

Sales of photomultiplier tubes (PMT) fell in oil-well logging applications in the measuring instrument field, but remained strong in the medical field for inspection and monitoring system such as blood analyzers. Sales of photomultiplier tubes (PMT) gained as well, including higher sales for use in equipment such as laser scanning microscopes used in the field of biotechnology, which are highly regarded for their excellent sensitivity.



PMT modules for laboratory testing

Sales of imaging devices and light sources



Xenon lamps for semiconductor inspection

Imaging devices and light sources benefitted from the recovery in semiconductor plant and equipment investment in the industrial field, which boosted sales of xenon lamps for semiconductor inspection equipment and our Stealth Dicing Engine for high-speed, high-quality silicon wafer dicing. In addition sales of imaging devices and light sources also moved upward, including higher sales of microfocus X-ray sources for non-destructive testing, which have earned an excellent reputation for their ability to generate high-definition images.

In total, the Electron Tube business comprised of photomultiplier tubes (PMT) and imaging devices and light sources closed the year with net sales of JPY 45,550 million, up by 4.1% from the previous year.

Solid State Division (Opto-semiconductor Segment)

The Solid State Division develops and manufactures opto-semiconductors for demanding applications in medical imaging, high-energy physics, and scientific measurement. Products from this division include silicon photodiodes, photo IC components, position sensitive detectors, infrared detectors, image sensors for low-light-level imaging and X-ray imaging, mini-spectrometers, and light emitting devices. In fiscal year 2014, sales of these products accounted for 43.9% of the company's total revenue.

Sales of opto-semiconductors

In opto-semiconductors, sales in the medical field of core silicon photodiodes were boosted by growth in foreign countries in particular, while sales of our flat panel sensors, which enjoy a strong reputation for features such as high definition and high resolution, remained steady centered on dental applications. Also in the industrial field, sales of image sensors for semiconductor inspection equipment rose significantly as well, and sales of opto-semiconductors in general increased strongly as sales expanded for products such as LEDs and photo ICs, which have various applications in the FA (Factory Automation) sector, including controls for industrial robotic technology.

As a result, net sales in the Opto-semiconductor business came to JPY 49,161 million, up by 16.6% from the previous year.



Encoder module with built-in LED & photo IC

Systems Division (Imaging and Measurement Instruments Segment)

The Systems Division develops and manufactures a wide variety of cameras for scientific and industrial applications, as well as specialized instruments for use in fields such as pharmaceutical development, semiconductor manufacturing, X-ray nondestructive inspection, spectrophotometry, and optical communications. In fiscal year 2014, sales of these products accounted for 12.5% of the company's total revenue.

Sales of image processing and measurement systems

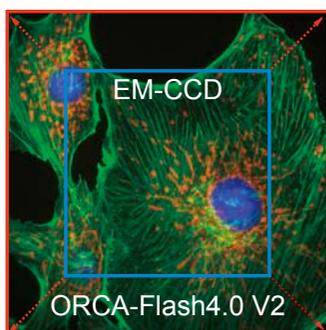


Image captured with the ORCA-Flash4.0 digital camera for life sciences. Compared to a conventional EMCCD camera, field of view is 2.5 times larger.

Sales of image processing and measurement systems were pushed higher by substantially greater sales of digital cameras, particularly for the field of life sciences and biotechnology, together with higher sales of failure analysis systems for semiconductor devices, which reflected not only growth in demand in Asia but also the solid reputation these systems have earned in a wide range of fields for achieving high definition and high sensitivity. Sales of digital slide scanners in pathology also advanced. Supported by these positive factors, sales of image processing and measurement systems increased.

As a result, net sales in the Imaging and Measurement Instruments business were JPY 14,022 million, up by 5.9% over the previous year.

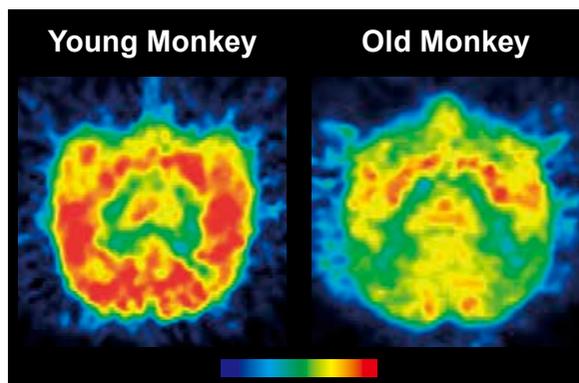
RESEARCH & DEVELOPMENT

With decades of accumulated expertise in the development of photonic technologies to rely upon, Hamamatsu Photonics conducts basic research to discover new knowledge and create new industries in the fields of biotechnology, medicine, information technology, communications, energy, materials, astronomy, and agriculture. We also strive to continuously develop exciting new products and enhance existing products with added functionality. In fiscal year 2014, funds allocated to research and development totaled ¥10,977 million, an increase of 0.8% over the previous fiscal year. Some highlights of our R&D efforts are presented here.

Basic research

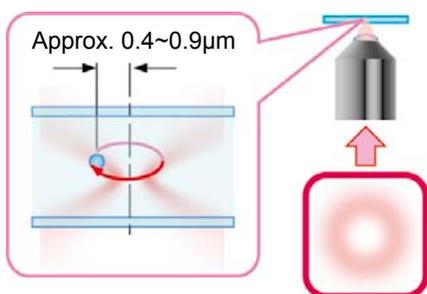
Measurement of mitochondrial function

In the medical care sector, we moved forward with development of a mitochondrial function measurement procedure using PET. Because cell function abnormalities that cause illnesses occur when cell mitochondrial function is disrupted, measuring this function is extremely useful for diagnosis and prevention of illnesses. The Company recently applied technology cultivated over long years of research to develop a novel PET probe for labeling mitochondrial function, which was used to discover for the first time the decline of mitochondrial function that occurs in the brains of aged monkeys compared with young monkeys. We will develop this in the future for use in clinical research, and pursue verification of its utility for early diagnosis of dementia and Parkinson's disease and therapy evaluation.



Cross-section of a monkey brain in which mitochondrial function was measured by PET. Red areas show increased activity.

LG (Laguerre-Gaussian) beam



Conceptual diagram of an optical vortex trapping and rotating an object

In the optical physics sector, we are conducting LG (Laguerre-Gaussian) beam^(*1) research using our proprietary Spatial Light Modulator (SLM) and hologram technology. As an application, we achieved the world's first successful attempt to freely move minute objects by converging an LG beam in a high-quality position to form a light vortex, which captures an object smaller than a micron^(*2) to rotate. The manipulation of minute objects using light is already an indispensable technology in sectors such as nanotechnology, and is expected to find application in diverse sectors in the future.

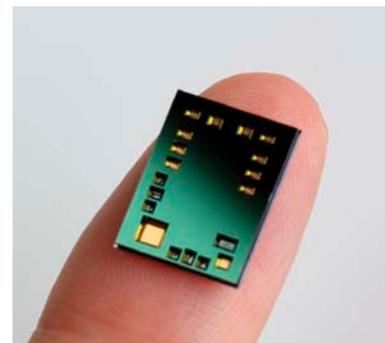
(*1) A special beam with a helical light wave aspect at its center.

(*2) One micron is one-millionth of a meter.

Product development

MEMS-fabricated ultra-small FTIR engine with optical interferometer in a fingertip-sized device

We developed the world's first ultra-small FTIR^(*3) engine that combined an optical interferometer in a fingertip-sized device. While traditional FTIR have the advantage of not needing expensive image sensors, most devices are large, expensive table-top units because they require a highly accurate optical interferometer. By fabricating all of the optical interferometer components on a silicon wafer through the use of our proprietary MEMS^(*4) technology, our product has simplified the manufacturing process, making it possible to achieve lower cost and miniaturization, together with a high sensitivity, highly accurate spectrum. As a result, unlike traditional measurement at a large-scale plant or laboratory, it is now feasible to perform spectrometry in convenient, on-the-spot locations. This technology is expected to find applications in new sectors in the future, such as detection of alcohol in exhaust during automobile operation and real-time soil monitoring at agricultural sites.



Ultra-small FTIR engine

As reported above, we are using the proprietary optical technologies our Group has cultivated over many years to pursue basic research aimed at the creation of new knowledge and new industries and undertake development that seeks to create new products and further enhance the high performance and added value of existing products in sectors such as biotechnology, medical care, information, telecommunications, energy, materials, space and astronomy, and agriculture.

For the fiscal year ended September 30, 2014, research and development expenses increased to JPY 10,977 million (up by 0.8%) compared with the previous fiscal year.

(*3) A Fourier transform infrared spectroscope used for analysis of components such as gases and liquids.

(*4) State-of-the-art technology for three-dimensional micromachining of semiconductor materials.

Semiconductor failure analysis system iPHEMOS-MP



iPHEMOS-MP semiconductor failure analysis system

In semiconductor device inspection, our customers seek the most efficient way to first find the general location of a failure and then quickly locate the precise point of failure. The iPHEMOS-MP system helps them do this through the combination of specialized wide-angle optics and a high-sensitivity, high-resolution camera that detects the faint light emitted where the failure is located. Having both wide field of view and precise analysis in one system can significantly improve the accuracy of failure analysis. Our system can be expanded further with other functions, such as the ability to observe the operation of embedded transistors, so as to best match customer needs.

High-frequency RF discharge-type compact excimer lamp

Hamamatsu's excimer lamp efficiently generates high-energy ultraviolet light, and is used for high-quality surface modification or optical cleaning of various types of materials. It has the advantages of no waste liquids, no material damage, and no powdery fragments. Hamamatsu developed the world's only lamp with a long, flat emission area for high-frequency RF discharge, which offers stable and uniform illumination over a wide area. This technology has now been incorporated into a low-cost, compact and lightweight excimer lamp with a built-in power supply. Its design makes it easy for users to experiment with surface modification and cleaning for industrial applications.



Compact excimer lamp

20-inch PMT receives IEEE Milestone recognition

Hamamatsu's 20-inch photomultiplier tube was awarded the IEEE Milestone^(*) for its contribution to the birth of neutrino astronomy. IEEE is the world's largest professional organization for electrical and electronics technology. Their Milestone program recognizes technological achievements from at least 25 years ago that had a major impact on a region's society or industry. In the case of the 20-inch PMT, which was first developed in 1979 at the request of Tokyo University Professor Emeritus Masatoshi Koshiba, the detector made possible the world's first observation of cosmic neutrinos at the Kamiokande cosmic ray research facility in 1987.



20-inch PMT used for Kamiokande



Commemorative plaque at Toyooka Factory

(*1) The purpose of the IEEE Milestone award is to recognize superior technological achievements as well as the engineers who created such technology. To date, there have been 148 Milestone awards (23 in Japan).

Completion of a new building at the Main Factory

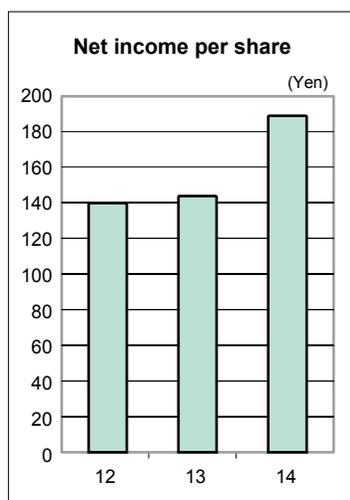
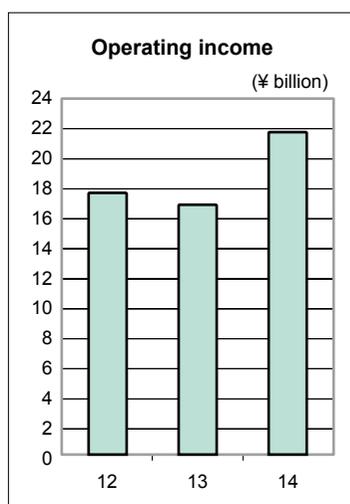
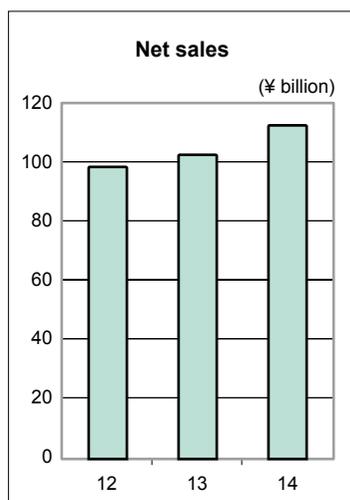


Exterior view of Building No. 13

Operations began at the newly-completed Building No. 13 at the Main Factory of the Solid State Division. In recent years, demand has increased dramatically for compact, multifunctional opto-semiconductor detectors for automotive applications, smartphones, and various other applications. The new Building No. 13 will be used for the development and mass production of such detectors. We hope to increase sales of advanced components and modules that feature our exclusive MOEMS technology.^(*)

(*2) MOEMS technology is the fusion of electron tube and semiconductor device technologies.

FINANCIAL REVIEW



Net sales

During the fiscal year ended September 30, 2014 (from Oct. 1, 2013 through Sep. 30, 2014), Japan's economy, as a whole, maintained a gradual trend toward economic recovery. Investment in plant and equipment rose as corporate earnings strengthened, employment increased and the income environment showed improvement. All of this was accomplished against the backdrop of various economic stimulus measures and the Bank of Japan's monetary easing policy. On the other hand, the economic picture overseas remained uncertain despite moves toward a recovery that could be seen in some areas. Linger uncertainty concerning such factors as a slowdown in newly developing countries and geopolitical risks lead to instability. In addition to domestic sales growth, overseas sales gained as well due mainly to the favorable exchange rate. As a result, consolidated net sales for fiscal year 2014 resulted in JPY 112,092 million (US\$ 1,028,373 thousand), up by 9.7% or JPY 9,936 million (US\$ 91,160 thousand) over the previous year.

Sales in the Electron Tube segment including Photomultiplier Tubes, Imaging Devices and Light Sources amounted JPY 45,550 million (US\$ 417,892 thousand), up by 4.1% from the previous year. Sales of Opto-semiconductor was JPY 49,161 million (US\$ 451,021 thousand), up by 16.6% over the previous year. Sales of the Imaging and Measurement Instruments segment including Image Processing and Measurement Systems increased 5.9% to JPY 14,022 million (US\$ 128,645 thousand). Net sales from other business, mainly semiconductor laser business and hotel operations, were JPY 3,358 million (US\$ 30,813 thousand), up by 12.9% over last year.

Operating income

Cost of sales increased 4.9% or JPY 2,499 million (US\$ 22,935 thousand) over the previous year to JPY 53,451 million (US\$ 490,382 thousand). The cost of sales ratio improved 2.2 points to 47.7% this year. Selling, general and administrative expenses were JPY 25,998 million (US\$ 238,516 thousand), up by 10.5%, JPY 2,460 million (US\$ 22,576 thousand). Research and development expenses were JPY 10,977 million (US\$ 100,710 thousand), up by 0.8% from previous year. As a result, operating income was JPY 21,665 million (US\$ 198,764 thousand), up by 29.1%. Operating income for Electron tube, Opto-semiconductor and Imaging and measurement instruments business segment was JPY 16,607 million (US\$ 152,366 thousand), up by 3.5%, JPY 16,326 million (US\$ 149,783 thousand), up by 31.6% and JPY 2,497 million (US\$ 22,914 thousand), up by 57.6%, respectively. Other business recorded an operating income of JPY 323 million (US\$ 2,965 thousand).

Net income

Other income, on net basis, was JPY 796 million (US\$ 7,310 thousand), compared with JPY 1,122 million (US\$ 10,297 thousand) net of other income for the previous year. Reflecting the previously cited factors, net income for the fiscal year ended September 30, 2014 was up by 31.5% to JPY 15,155 million (US\$ 139,042 thousand) from JPY 11,529 million (US\$ 105,772 thousand). Consequently, basic net income per share increased from JPY 143.41 (US\$ 1.31) to JPY 188.52 (US\$ 1.72). Dividend per share applicable to the fiscal year was JPY 55 (US\$ 0.50).

Financial position

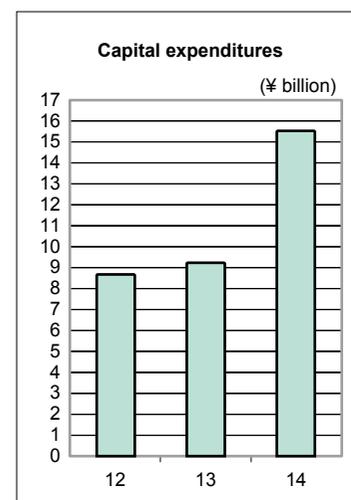
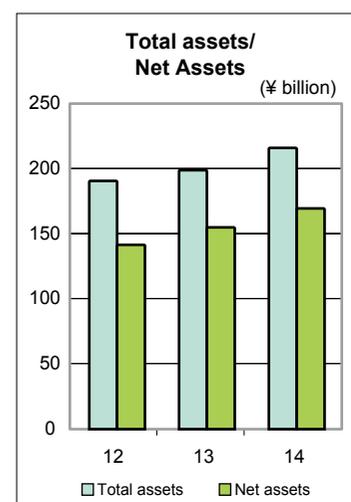
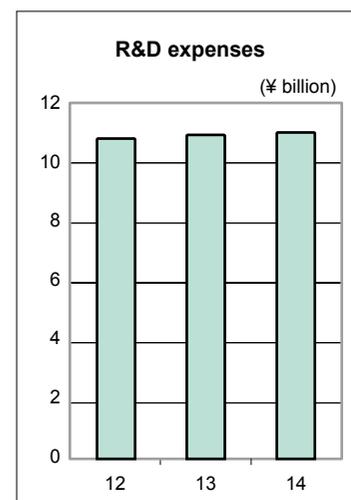
Current assets increased by JPY 10,152 million (US\$ 93,140 thousand) from the year ended September 30, 2013. This mainly reflected increases in cash and deposits of JPY 5,155 million (US\$ 47,296 thousand) and in inventories and an increase in notes and accounts receivable-trade. Non-current assets increased by JPY 6,981 million (US\$ 64,053 thousand) from the year ended September 30, 2013, mainly due to an increase in property, plant and equipment totaling JPY 8,081 million (US\$ 74,146 thousand), including buildings and structures and construction in progress, in conjunction with the construction of a new manufacturing plant. Total assets at the fiscal year-end were JPY 215,412 million (US\$ 1,976,259 thousand), up by JPY 17,134 million (US\$ 157,193 thousand) from the year ended September 30, 2013. Current liabilities increased by JPY 8,768 million (US\$ 80,448 thousand) from the prior fiscal year-end. Current portion of long-term loans payable increased by JPY 2,993 million (US\$ 27,463 thousand) and income taxes payable increased by JPY 2,715 million (US\$ 24,910 thousand), respectively. Non-current liabilities decreased by JPY 6,064 million (US\$ 55,638 thousand) from the prior fiscal year-end, despite an increase of JPY 4,830 million (US\$ 44,319 thousand) in net defined benefit liability, mainly due to a decrease in long-term loans payable of JPY 3,179 million (US\$ 29,171 thousand) and a decrease in provision for retirement benefits of JPY 7,609 million (US\$ 69,811 thousand), respectively. Total liabilities at the fiscal year-end were JPY 46,596 million (US\$ 427,491 thousand), up by JPY 2,704 million (US\$ 24,810 thousand) from the prior fiscal year-end. Net assets were JPY 168,815 million (US\$ 1,548,767 thousand), up by JPY 14,429 million (US\$ 132,383 thousand) from the prior fiscal year-end, due mainly to an increase in retained earnings of JPY 10,968 million (US\$ 100,625 thousand), which reflected higher net income, and an increase in the foreign currency translation adjustment.

Cash flows

At the end of this fiscal year, cash and cash equivalents stood at JPY 49,281 million (US\$ 452,121 thousand), up by JPY 6,429 million (US\$ 58,982 thousand) from the year ended September 30, 2013. Cash flows for the fiscal year ended September 30, 2014 (from Oct. 1, 2013 through Sep. 30, 2014) were as follows. Cash flow provided by operating activities during the year was JPY 23,135 million (US\$ 212,255 thousand), up by JPY 8,446 million (US\$ 77,494 thousand) over the previous year. This was mainly an increase of income before income taxes and minority interests of JPY 4,558 million (US\$ 41,816 thousand) and an increase in income that resulted because the decrease in the provision for retirement benefits of JPY 5,805 million (US\$ 53,258 thousand), which was reported in the previous year in conjunction with the contribution to the retirement benefit trust, did not apply this year. Cash flow used in investing activities was JPY 13,677 million (US\$ 125,480 thousand), up by JPY 7,183 million (US\$ 65,908 thousand) from the previous year, due mainly to an increase in purchases of property, plant and equipment of JPY 6,602 million (US\$ 60,574 thousand). Cash flow used in financing activities was JPY 4,139 million (US\$ 37,976 thousand), up by JPY 87 million (US\$ 798 thousand) from the previous year, due mainly to an increase of cash dividends, while short-term loan procurement grew.

Capital expenditures

Capital expenditures during fiscal year 2014 totaled JPY 15,499 million (US\$ 142,198 thousand), 68.8% or JPY 6,314 million (US\$ 57,935 thousand) higher than previous fiscal year. Major investments were made in new facilities for Photomultiplier Tubes and Opto-semiconductor devices aimed at the strengthening the divisions' R&D and boosting the production of these products. Investments were made in expanding and improving manufacturing, research and development facilities. There was no major sale or disposal of material fixed assets during this fiscal year.



FIVE-YEAR SUMMARY

Hamamatsu Photonics K.K. and Consolidated Subsidiaries
Years ended September 30

	Millions of Japanese Yen				
	2010	2011	2012	2013	2014
For the year:					
Net sales	¥ 90,958	¥ 101,858	¥ 98,067	¥ 102,156	¥ 112,092
Operating income	15,751	21,830	17,587	16,781	21,665
Income before income taxes and minority interests	16,145	21,719	17,812	17,904	22,462
Net income	11,491	13,702	11,206	11,529	15,155
Capital expenditures.....	9,236	7,348	8,633	9,184	15,499
Depreciation	8,354	7,750	8,223	7,769	7,396
R&D expenses	9,550	10,081	10,765	10,885	10,977
At year-end:					
Working capital.....	¥ 81,318	¥ 91,843	¥ 97,326	¥ 105,517	¥ 106,901
Total assets.....	176,407	188,091	189,970	198,278	215,412
Common stock	34,928	34,928	34,928	34,928	34,928
Net assets	124,481	133,434	140,873	154,385	168,815
Number of shares issued (thousands)	83,764	83,764	83,764	83,764	83,764
Number of employees	4,002	4,188	4,386	4,415	4,420
Japanese Yen					
Per share data:					
Net income					
Basic.....	¥ 142.93	¥ 170.44	¥ 139.39	¥ 143.41	¥ 188.52
Diluted	-	-	-	-	-
Cash dividends.....	40.00	44.00	46.00	50.00	55.00
Net assets	1,539.16	1,650.23	1,745.18	1,913.98	2,093.11
Percent					
Ratios:					
Equity ratio	70.1	70.5	73.9	77.6	78.1
Return on net sales	12.6	13.5	11.4	11.3	13.5
Return on assets	6.9	7.5	5.9	5.9	7.3
Return on equity	9.6	10.7	8.2	7.8	9.4

Japan

- Takaoka Electronics Co., Ltd.**
Hamamatsu City, Shizuoka Pref., Japan
- Koso Corporation**
Iwata City, Shizuoka Pref., Japan
- Hamamatsu Electronic Press Co., Ltd.**
Iwata City, Shizuoka Pref., Japan
- Iwata Grand Hotel Inc.**
Iwata City, Shizuoka Pref., Japan
- China Healthcare K.K.**
Hamamatsu City, Shizuoka Pref., Japan

Asia

- Hamamatsu Photonics (China) Co., Ltd.**
Beijing, China
- Hamamatsu Photonics Scientific Instrument (Beijing) Co., Ltd.**
Beijing, China
- Beijing Hamamatsu Photon Techniques, Inc.**
Beijing, China
- Hangzhou Hamamatsu Photonics Science and Technology Co., Ltd.**
Hangzhou, Zhejiang, China

U.S.A.

- Photonics Management Corp.**
Bridgewater, New Jersey, U.S.A.
- Hamamatsu Corporation**
Bridgewater, New Jersey, U.S.A.

Europe

- Hamamatsu Photonics Europe GmbH**
Herrsching, Germany
- Hamamatsu Photonics Deutschland GmbH**
Herrsching, Germany
- Hamamatsu Photonics France S.A.R.L.**
Massy Cedex, France
- Hamamatsu Photonics UK Limited**
Welwyn Garden City, United Kingdom
- Hamamatsu Photonics Norden AB**
Kista, Sweden
- Hamamatsu Photonics Italia S.r.l.**
Arese, Italy

CONSOLIDATED BALANCE SHEETS

Hamamatsu Photonics K.K. and Consolidated Subsidiaries
As of September 30, 2013 and 2014

ASSETS	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 1)	
	2013	2014	2013	2014
Current assets:				
Cash and deposits	¥ 78,603	¥ 83,758	\$ 721,134	\$ 768,430
Receivables:				
Notes and accounts receivable-trade.....	24,183	25,956	221,864	238,137
Less: Allowance for doubtful accounts.....	(158)	(143)	(1,453)	(1,316)
Inventories:				
Merchandise and finished goods	6,277	6,726	57,588	61,706
Work in process	12,977	13,802	119,061	126,632
Raw materials and supplies	5,849	6,349	53,669	58,255
Other.....	2,064	3,046	18,936	27,949
Deferred tax assets (Note 7).....	2,998	3,449	27,505	31,650
	132,795	142,947	1,218,305	1,311,445
Property, plant and equipment (Note 4):				
Land.....	15,822	15,897	145,162	145,848
Buildings and structures	56,757	60,680	520,709	556,703
Machinery, equipment and vehicles	91,887	95,124	843,004	872,705
Construction in progress.....	4,831	11,037	44,330	101,265
	169,299	182,741	1,553,206	1,676,523
Less: Accumulated depreciation.....	(115,757)	(121,117)	(1,061,997)	(1,111,167)
	53,541	61,623	491,208	565,355
Investments and other assets:				
Investment securities (Note 5).....	1,658	1,820	15,215	16,706
Investments in and advances to non-consolidated subsidiaries and affiliates.....	860	944	7,897	8,667
Other.....	3,204	2,906	29,397	26,663
Deferred tax assets (Note 7).....	6,217	5,168	57,039	47,420
	11,941	10,840	109,551	99,458
	¥ 198,278	¥ 215,412	\$ 1,819,065	\$ 1,976,259

See Notes to Consolidated Financial Statements.

LIABILITIES AND NET ASSETS	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 1)	
	2013	2014	2013	2014
Current liabilities:				
Short-term loans payable (Note 4).....	¥ 1,380	¥ 1,733	\$ 12,665	\$ 15,900
Current portion of long-term loans payable (Note 4)	186	3,179	1,708	29,171
Payables:				
Notes and accounts payable-trade	11,184	12,980	102,611	119,089
Construction and other.....	4,791	4,871	43,956	44,688
Income taxes payable (Note 7).....	1,418	4,133	13,015	37,925
Accrued expenses	5,517	6,175	50,621	56,654
Other.....	2,798	2,972	25,673	27,269
	<u>27,277</u>	<u>36,046</u>	<u>250,251</u>	<u>330,700</u>
Non-current liabilities:				
Long-term loans payable (Note 4)	7,084	3,904	64,994	35,822
Provision for retirement benefits (Note 6).....	7,609	-	69,811	-
Net defined benefit liability (Note 6).....	-	4,830	-	44,319
Other.....	1,701	1,626	15,607	14,924
Deferred tax liabilities (Note 7)	219	187	2,016	1,724
	<u>16,614</u>	<u>10,550</u>	<u>152,429</u>	<u>96,790</u>
Net assets:				
Shareholders' equity				
Capital stock, no par value:.....	34,928	34,928	320,446	320,446
Authorized - 250,000,000 shares				
Issued - 83,764,984 shares in 2013				
- 83,764,984 shares in 2014				
Capital surplus	34,672	34,672	318,097	318,097
Retained earnings.....	90,309	101,278	828,530	929,156
Less: Treasury shares.....	(6,048)	(6,050)	(55,492)	(55,508)
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities.....	541	695	4,969	6,377
Foreign currency translation adjustment.....	(530)	1,589	(4,864)	14,585
Remeasurements of defined benefit plans.....	-	1,160	-	10,648
Minority interests.....	512	541	4,698	4,964
	<u>154,385</u>	<u>168,815</u>	<u>1,416,384</u>	<u>1,548,767</u>
	<u>¥ 198,278</u>	<u>¥ 215,412</u>	<u>\$ 1,819,065</u>	<u>\$ 1,976,259</u>

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Annual Report 2014

Hamamatsu Photonics K.K. and Consolidated Subsidiaries
Year ended September 30, 2013 and 2014

	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 1)	
	2013	2014	2013	2014
Capital stock:				
Balance at beginning of current period	¥ 34,928	¥ 34,928	\$ 320,446	\$ 320,446
Total changes of items during period.....	-	-	-	-
Balance at end of current period.....	34,928	34,928	320,446	320,446
Capital surplus:				
Balance at beginning of current period	34,672	34,672	318,097	318,097
Total changes of items during period.....	-	-	-	-
Balance at end of current period.....	34,672	34,672	318,097	318,097
Retained earnings:				
Balance at beginning of current period	82,484	90,309	756,742	828,530
Dividend of surplus	(3,704)	(4,187)	(33,984)	(38,417)
Net income.....	11,529	15,155	105,772	139,042
Balance at end of current period.....	90,309	101,278	828,530	929,156
Treasury shares:				
Balance at beginning of current period	(6,048)	(6,048)	(55,487)	(55,492)
Purchase of treasury shares.....	(0)	(1)	(5)	(16)
Balance at end of current period.....	(6,048)	(6,050)	(55,492)	(55,508)
Valuation difference on available-for-sale securities:				
Balance at beginning of current period	157	541	1,447	4,969
Net changes of items other than shareholders' equity.....	383	153	3,522	1,408
Balance at end of current period.....	541	695	4,969	6,377
Foreign currency translation adjustment:				
Balance at beginning of current period	(5,892)	(530)	(54,057)	(4,864)
Net changes of items other than shareholders' equity.....	5,361	2,120	49,192	19,450
Balance at end of current period.....	(530)	1,589	(4,864)	14,585
Remeasurements of defined benefit plans:				
Balance at beginning of current period	-	-	-	-
Net changes of items other than shareholders' equity.....	-	1,160	-	10,648
Balance at end of current period.....	-	1,160	-	10,648
Minority interests:				
Balance at beginning of current period	569	512	5,224	4,698
Net changes of items other than shareholders' equity.....	(57)	29	(525)	266
Balance at end of current period.....	512	541	4,698	4,964
Total net assets	¥ 154,385	¥ 168,815	\$ 1,416,384	\$ 1,548,767

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Hamamatsu Photonics K.K. and Consolidated Subsidiaries
Year ended September 30, 2013 and 2014

	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 1)	
	2013	2014	2013	2014
Cash flows from operating activities:				
Income before income taxes and minority interests.....	¥ 17,904	¥ 22,462	\$ 164,257	\$ 206,074
Depreciation	8,672	7,952	79,561	72,958
Increase (decrease) in allowance for doubtful accounts	(5)	(23)	(49)	(218)
Increase (decrease) in provision for bonuses	56	563	513	5,165
Increase (decrease) in provision for retirement benefits	(5,805)	-	(53,258)	-
Increase (decrease) in net defined benefit liability	-	(1,058)	-	(9,707)
Interest and dividend income	(206)	(247)	(1,898)	(2,267)
Interest expenses	104	96	963	884
Foreign exchange losses (gains)	(44)	(13)	(404)	(122)
Share of (profit) loss of entities accounted for using equity method ...	(78)	(71)	(716)	(654)
Loss on retirement of property, plant and equipment.....	39	65	362	597
Loss (gain) on sales of property, plant and equipment	(15)	(2)	(144)	(27)
Decrease (increase) in notes and accounts receivable-trade	1,711	(867)	15,705	(7,957)
Decrease (increase) in inventories.....	1,316	(1,272)	12,074	(11,675)
Increase (decrease) in notes and accounts payable-trade	(2,887)	1,108	(26,487)	10,168
Other, net	(171)	(482)	(1,576)	(4,430)
Subtotal.....	20,590	28,207	188,902	258,786
Interest and dividend income received.....	207	246	1,900	2,265
Interest expenses paid	(104)	(96)	(963)	(884)
Income taxes (paid) refund	(6,003)	(5,222)	(55,079)	(47,912)
Net cash provided by (used in) operating activities.....	14,688	23,135	134,760	212,255
Cash flows from investing activities:				
Net decrease (increase) in time deposits.....	3,022	1,838	27,731	16,866
Purchase of property, plant and equipment	(8,433)	(15,036)	(77,375)	(137,950)
Proceeds from sales of property, plant and equipment.....	73	59	677	547
Purchase of intangible assets	(761)	(504)	(6,986)	(4,624)
Purchase of shares in subsidiaries	(489)	-	(4,490)	-
Other, net	94	(34)	871	(319)
Net cash provided by (used in) investing activities	(6,493)	(13,677)	(59,572)	(125,480)
Cash flows from financing activities:				
Net increase (decrease) in short-term loans payable	(56)	349	(514)	3,203
Proceeds from long-term loans payable	3,152	-	28,917	-
Repayments of long-term loans payable.....	(3,295)	(186)	(30,230)	(1,708)
Purchase of treasury shares	(0)	(1)	(5)	(16)
Cash dividends paid.....	(3,706)	(4,192)	(34,006)	(38,458)
Other, net	(145)	(108)	(1,337)	(995)
Net cash provided by (used in) financing activities	(4,052)	(4,139)	(37,177)	(37,976)
Effect of exchange rate change on cash and cash equivalents	2,944	1,110	27,011	10,184
Net increase (decrease) in cash and cash equivalents	7,087	6,429	65,021	58,982
Cash and cash equivalents at beginning of period.....	35,764	42,852	328,117	393,138
Cash and cash equivalents at end of period	¥ 42,852	¥ 49,281	\$ 393,138	\$ 452,121

See Notes to Consolidated Financial Statements.

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Hamamatsu Photonics K.K. (the "Company") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan. For convenience, the accompanying consolidated financial statements have been presented in U.S. dollars by arithmetically translating all Japanese yen amounts at ¥109 = US\$ 1, the exchange rate prevailing on September 30, 2014. 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 that or any other rate.

In preparing the consolidated financial statements, certain rearrangements and reclassifications have been made and certain additional financial information has been included in the consolidated financial statements issued in Japan for the convenience of readers outside Japan.

Amount less than one million yen and one thousand dollars have been omitted. As a result, the total in Japanese yen and U.S. dollars shown in the financial statements do not necessarily agree with the individual amounts.

2. Summary of Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements as of and for the year ended September 30, 2013 and 2014 included the accounts of the Company, five domestic subsidiaries and twelve foreign subsidiaries in the United States of America, EU and Asia. The Company has adopted the equity method of accounting for its investment in three affiliates for the years ended September 30, 2013 and 2014. All significant intercompany balances and transactions have been eliminated in consolidation.

(b) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, readily available deposits and highly liquid investments with insignificant risk of changes in value, which have original maturities of three months or less.

(c) Investment Securities

Marketable securities are valued by market price method based on the fair market price at the balance sheet date (unrealized gain or loss, net of applicable income taxes, included directly in net assets) and non-marketable securities are stated at cost determined by the total average method.

(d) Inventories

Inventories of the Company and consolidated subsidiaries are mainly stated at cost determined by the total average method of reducing book value when the contribution of inventories to profitability declines.

(e) Property, Plant and Equipment, and Depreciation

Property, plant and equipment are stated at cost. Significant renewals and additions are capitalized. 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 capitalized.

Depreciation of plant and equipment is determined by the declining-balance method over the estimated useful lives of the individual assets for the Company and its domestic subsidiaries. The straight-line method over the estimated useful lives of the individual assets is primarily applied to the plant and equipment of foreign subsidiaries.

(f) Retirement Benefits

When calculating retirement benefit obligations, the Company applies the straight-line method to attribute expected retirement benefits to the period until the end of the fiscal year. Prior service cost is amortized by the straight-line method over 10 years. Actuarial gain or loss is amortized by the straight-line method over 10 years from the following fiscal year.

(g) Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into yen at the exchange rates in effect on the respective balance sheet dates or at the rate of each forward exchange contract. Assets and liabilities accounts of foreign consolidated subsidiaries are translated into yen amounts at the exchange rates in effect at the each balance sheet date. Revenue and expense accounts of foreign consolidated subsidiaries were translated into yen amounts at average rates for the period for each fiscal year. Any resulting translation differences are included in Minority interests in consolidated subsidiaries and adjustments arising from translation of accounts of foreign consolidated subsidiaries as a separate component of net assets.

(h) Hedging Account

The Companies have entered into foreign forward contracts in order to manage the exposures to risk arising from fluctuations in foreign currency exchange rates. All derivative financial instruments are recognized as either assets or liabilities and measured at fair value with any changes in unrealized gain or loss recognized in the statements of income, except for those which meet the criteria for deferral hedge accounting under which unrealized loss or gain is deferred as an asset or liability until maturity of the hedged transactions.

(i) Income Taxes

Deferred income taxes are provided on the asset and liability method by which deferred tax assets and liabilities are recognized based on the temporary differences between the assets and liabilities for financial reporting and those for tax purpose, and are measured by applying currently enacted tax laws.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(j) Per share information

Net income per share is computed based on the net income available for distribution to the shareholders of common stock and the weighted average number of shares outstanding during the year. Cash dividends per share shown for each year in the consolidated statements of income represent dividends declared as applicable to the respective periods.

(k) Accounting Changes

The Company adopted "Accounting Standard for Retirement Benefits" (ASBJ Statement No.26 of May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25 of May 17, 2012) (except for certain provisions described in the main clause of Section 35 of the standard and in the main clause of Section 67 of the guidance) as of the end of the fiscal year ended September 30, 2014.

These accounting standards require entities to apply a revised method for recording the retirement benefit obligation, after deducting pension plan assets, as a liability for the retirement benefits. In addition, unrecognized actuarial differences and unrecognized prior service costs are recorded as a liability for retirement benefits. Concerning the application of the Accounting Standard for Retirement Benefits, based on the provisional treatment set out in Clause 37 of the standard, the effects of such changes in the current fiscal year have been recorded in retirement benefits liability adjustments through accumulated other comprehensive income. As a result of this change, a liability for retirement benefits was recognized in the amount of ¥4,830 million (US\$ 44,319 thousand) and accumulated other comprehensive income increased by ¥1,160 million (US\$ 10,648 thousand) as of September 30, 2014.

3. Other Comprehensive Income

Reclassification adjustments and income tax effect allocated to each component of other comprehensive income for the year ended September 30, 2013 and 2014 were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars	
	2013	2014	2013	2014
Valuation difference on available-for-sale securities:				
Amount arising during the year	¥ 420	¥ 189	\$ 3,861	\$ 1,738
Amount before income tax effect	420	189	3,861	1,738
Income tax effect	(37)	(35)	(339)	(330)
Valuation difference on available-for-sale securities	383	153	3,522	1,408
Foreign currency translation adjustment:				
Amount arising during the year	5,386	2,121	49,415	19,460
Reclassification adjustments	(21)	5	(197)	47
Foreign currency translation adjustment	5,364	2,126	49,218	19,508
Share of other comprehensive income of entities accounted for using equity method:				
Amount arising during the year	34	(0)	312	(5)
Reclassification adjustments	39	-	361	-
Share of other comprehensive income of entities accounted for using equity method	73	(0)	673	(5)
Total other comprehensive income	¥ 5,822	¥ 2,279	\$ 53,414	\$ 20,911

4. Short-Term and Long-Term Loans Payable

Short-term bank loans represent notes maturing generally within six months. The average annual interest rate applicable to the short-term bank loans at September 30, 2014 was 1.0%.

Long-term debt at September 30, 2013 and 2014 were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars	
	2013	2014	2013	2014
Loans principally from banks due serially through 2026	¥ 7,270	¥ 7,084	\$ 66,702	\$ 64,994
Less current portion	(186)	(3,179)	(1,708)	(29,171)
	¥ 7,084	¥ 3,904	\$ 64,994	\$ 35,822

At September 30, 2013 and 2014, property, plant and equipment which had a carrying amount of ¥4,810 million (US\$ 44,135 thousand) and ¥4,638 million (US\$ 42,552 thousand) were pledged as collateral for short-term bank loans and long-term debt, respectively.

5. Investment Securities

Information regarding the marketable securities classified as other securities as of September 30, 2013 and 2014 were as follows:

	Millions of Japanese Yen				Thousands of U.S. Dollars			
	2013				2013			
	Carrying amount	Cost	Unrealized gain	Unrealized loss	Carrying amount	Cost	Unrealized gain	Unrealized loss
Equity securities	¥ 1,498	¥ 911	¥ 586	-	\$ 13,744	\$ 8,360	\$ 5,384	-
Other	-	-	-	-	-	-	-	-
	¥ 1,498	¥ 911	¥ 586	-	\$ 13,744	\$ 8,360	\$ 5,384	-

	Millions of Japanese Yen				Thousands of U.S. Dollars			
	2014				2014			
	Carrying amount	Cost	Unrealized gain	Unrealized loss	Carrying amount	Cost	Unrealized gain	Unrealized loss
Equity securities	¥ 1,687	¥ 911	¥ 776	-	\$ 15,483	\$ 8,360	\$ 7,122	-
Other	-	-	-	-	-	-	-	-
	¥ 1,687	¥ 911	¥ 776	-	\$ 15,483	\$ 8,360	\$ 7,122	-

6. Retirement benefits

The Company and certain domestic subsidiaries have retirement and severance benefit plans for employees who are entitled to annuity and lump-sum payments, the amounts of which are determined based on basic rate of pay, length of service and other conditions. Certain of the overseas subsidiaries have their own retirement and severance benefit plans for covering substantially all employees who meet the eligibility requirements.

The liability for employees' retirement and severance benefits at September 30, 2013 consisted of the following:

	Millions of Japanese Yen	Thousands of U.S. Dollars
	2013	2013
Projected benefit obligation	¥ (23,682)	\$ (217,267)
Fair value of plan asset	17,340	159,083
Unrecognized actuarial gain	(662)	(6,073)
Unrecognized prior service cost	(605)	(5,553)
	¥ (7,609)	\$ (69,811)

The components of net periodic benefit cost for the year ended September 30, 2013 were as follows:

	Millions of Japanese Yen	Thousands of U.S. Dollars
	2013	2013
Service cost	¥ 1,187	\$ 10,890
Interest cost	448	4,117
Expected return on plan assets	(178)	(1,638)
Amortization of prior service cost	(86)	(793)
Amortization of actuarial gain or loss	171	1,569
	¥ 1,541	\$ 14,145

Assumptions used in calculation for the year ended September 30, 2013 were as follows:

	2013
Discount rate	2.0 %
Expected rate of return on plan assets	2.0 %
Allocation method of projected benefit to service periods	Straight-line
Amortization period of prior service cost	10 years
Amortization period of unrecognized actuarial differences	10 years

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Retirement benefits (continued)

The Company and certain of its consolidated subsidiaries have defined benefit pension plans and lump-sum payment plans. Certain of consolidated subsidiaries have defined contribution plans. And the Company has retirement benefit trust.

The changes in the retirement benefit obligation during the year ended September 30, 2014 are as follows:

	Millions of Japanese Yen	Thousands of U.S. Dollars
	2014	2014
Retirement benefit obligation at October 1, 2013	¥ 23,682	\$ 217,267
Service cost	1,343	12,324
Interest cost	465	4,268
Actuarial loss	104	960
Retirement benefit paid	(746)	(6,849)
Foreign currency translation differences	41	376
Retirement benefit obligation at September 30, 2014	¥ 24,889	\$ 228,346

The changes in plan assets during the year ended September 30, 2014 are as follows:

	Millions of Japanese Yen	Thousands of U.S. Dollars
	2014	2014
Plan assets at October 1, 2013	¥ 17,340	\$ 159,083
Expected return on plan assets	279	2,564
Actuarial loss	835	7,661
Contributions by the Company	1,941	17,813
Retirement benefits paid	(337)	(3,095)
Plan assets at September 30, 2014	¥ 20,058	\$ 184,027

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of September 30, 2014 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of Japanese Yen	Thousands of U.S. Dollars
	2014	2014
Funded retirement benefit obligation	¥ 24,389	\$ 223,752
Plan assets at fair value	(20,058)	(184,027)
	4,330	39,725
Unfunded retirement benefit obligation	500	4,594
Net liability for retirement benefits in the balance sheet	4,830	44,319
Liability for retirement benefits	4,830	44,319
Net liability for retirement benefits in the balance sheet	4,830	44,319

The components of retirement benefit expense for the year ended September 30, 2014 are as follows:

	<u>Millions of Japanese Yen</u>	<u>Thousands of U.S. Dollars</u>
	2014	2014
Service cost	¥ 1,343	\$ 12,324
Interest cost	465	4,268
Expected return on plan assets	(279)	(2,564)
Amortization of actuarial loss	15	142
Amortization of prior service cost	(86)	(793)
Retirement benefit expense	<u>¥ 1,458</u>	<u>\$ 13,376</u>

Unrecognized prior service cost and unrecognized actuarial loss included in accumulated other comprehensive income (before tax effect) as of September 30, 2014 are as follows:

	<u>Millions of Japanese Yen</u>	<u>Thousands of U.S. Dollars</u>
	2014	2014
Unrecognized prior service cost	¥ (518)	\$ (4,760)
Unrecognized actuarial loss	(1,230)	(11,292)
Total	<u>¥ (1,749)</u>	<u>\$ (16,052)</u>

The fair value of plan assets, by major category, as a percentage of total plan assets as of September 30, 2014 are as follows:

Bonds	48%
General accounts at life insurance companies	34%
Stocks	17%
Other	1%
Total	<u>100%</u>

The expected return on assets has been estimated based on anticipated allocation to each asset class and the expected long-term returns on assets held in each category.

The assumptions used accounting for the above plans were as follows:

Discount rates	2.0%
Expected rates of return on plan assets	2.0%

The amount paid to the defined contribution plans for the year ended September 30, 2014 was ¥325 million (US\$ 2,983 thousand).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rate of approximately 37.20% for the year ended September 30, 2013 and 2014.

Significant components of deferred tax assets and liabilities at September 30, 2013 and 2014 were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars	
	2013	2014	2013	2014
Deferred tax assets:				
Depreciation	¥ 2,097	¥ 2,068	\$ 19,239	\$ 18,974
Contribution to retirement benefit trust	1,741	1,741	15,977	15,977
Provision for retirement benefits	2,718	-	24,942	-
Net defined benefit liability	-	1,576	-	14,463
Provision for bonuses	1,066	1,198	9,784	10,993
Unrealized gain on sales of inventories	1,006	1,108	9,236	10,170
Noncurrent accounts payable	469	469	4,306	4,306
Write down of inventories	411	425	3,770	3,901
Impairment loss	320	320	2,937	2,937
Write down of investment securities	240	241	2,203	2,215
Others	920	1,294	8,445	11,873
Less valuation allowance	(1,702)	(1,715)	(15,623)	(15,741)
Total deferred tax assets	¥ 9,288	¥ 8,727	\$ 85,219	\$ 80,071
Amount set off against deferred tax liabilities	(73)	(109)	(673)	(1,001)
Net deferred tax assets	¥ 9,215	¥ 8,618	\$ 84,545	\$ 79,070
Deferred tax liabilities				
Deferred income under preferential tax treatment	¥ 195	¥ 167	\$ 1,795	\$ 1,538
Others	180	158	1,657	1,452
Total deferred tax liabilities	¥ 376	¥ 326	\$ 3,453	\$ 2,990
Amount set off against deferred tax assets	(73)	(109)	(673)	(1,001)
Net deferred tax liabilities	¥ 303	¥ 216	\$ 2,780	\$ 1,989

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended September 30, 2013 and 2014 were as follows:

	2013	2014
Normal effective statutory tax rate for the Company	37.20 %	37.20 %
Tax credit	(2.81)	(4.87)
Statutory tax rates variance of overseas subsidiaries	(1.36)	(2.92)
Expenses not deductible for income tax purposes	1.76	1.46
Other, net	0.78	1.52
Actual effective tax rate	35.57 %	32.39 %

8. Segment Information

1. Summary of Reportable Segments

The Company's reportable segments are components of the Company for which separate financial information is available. These segments are subject to periodic examinations to enable the Company's board of directors to decide how to allocate resources and assess performance.

The Company's business divisions are based on product and service categories. Each of the divisions conducts business based on comprehensive strategies formulated for the products and services it handles.

Therefore the Company's business segments, based on the products and services handled by each of the divisions comprise its three principal reportable segments, which are Electron Tube, Opto-semiconductor, and Imaging and Measurement Instruments.

The Electron Tube business segment manufactures and sells photomultiplier tubes (PMTs), light sources and imaging devices. The Opto-semiconductor business segment manufactures and sells opto-semiconductor devices. The Imaging and Measurement Instruments business segment manufactures and sells image processing and measurement systems.

2. Method for Calculating the Sales, Income (Loss), Assets, and Other Items for Reportable Segments

Figures for income in reportable segments are on an operating income basis. Intersegment sales and transfers are based on prevailing market prices.

3. Information on the Amounts of Sales, Income (Loss), Assets, and Other Items for Reportable Segments

Year ended or as of September 30, 2013	Millions of Japanese Yen							
	Reportable Segment				Others	Total	Adjustments	Consolidated total
	Electron Tube	Opto-semiconductor	Imaging and Measurement Instruments	Total				
Net sales								
Outside customers	¥ 43,764	¥ 42,176	¥ 13,240	¥ 99,180	¥ 2,975	¥ 102,156	-	¥ 102,156
Intersegment	1,246	622	41	1,910	692	2,603	(2,603)	-
Total net sales	45,010	42,798	13,282	101,091	3,667	104,759	(2,603)	102,156
Segment income	¥ 16,040	¥ 12,406	¥ 1,584	¥ 30,031	¥ 153	¥ 30,185	¥ (13,403)	¥ 16,781
Segment assets	¥ 38,212	¥ 35,012	¥ 10,273	¥ 83,498	¥ 5,164	¥ 88,663	¥ 109,614	¥ 198,278
Other items								
Depreciation and amortization	¥ 2,841	¥ 2,620	¥ 1,268	¥ 6,730	¥ 276	¥ 7,006	¥ 1,605	¥ 8,612
Increase in property, plant and equipment and intangible assets	¥ 3,007	¥ 3,452	¥ 838	¥ 7,298	¥ 415	¥ 7,714	¥ 2,245	¥ 9,959

Year ended or as of September 30, 2014	Millions of Japanese Yen							
	Reportable Segment				Others	Total	Adjustments	Consolidated total
	Electron Tube	Opto-semiconductor	Imaging and Measurement Instruments	Total				
Net sales								
Outside customers	¥ 45,550	¥ 49,161	¥ 14,022	¥ 108,734	¥ 3,358	¥ 112,092	-	¥ 112,092
Intersegment	1,320	701	42	2,065	912	2,978	(2,978)	-
Total net sales	46,871	49,862	14,065	110,799	4,271	115,070	(2,978)	112,092
Segment income	¥ 16,607	¥ 16,326	¥ 2,497	¥ 35,432	¥ 323	¥ 35,755	¥ (14,089)	¥ 21,665
Segment assets	¥ 43,073	¥ 40,194	¥ 10,703	¥ 93,971	¥ 5,762	¥ 99,733	¥ 115,678	¥ 215,412
Other items								
Depreciation and amortization	¥ 2,608	¥ 2,691	¥ 813	¥ 6,113	¥ 339	¥ 6,453	¥ 1,449	¥ 7,903
Increase in property, plant and equipment and intangible assets	¥ 7,419	¥ 5,269	¥ 713	¥ 13,401	¥ 555	¥ 13,957	¥ 2,045	¥ 16,003

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Segment Information (continued)

Year ended or as of September 30, 2013	Thousands of U.S. Dollars							
	Reportable Segment				Others	Total	Adjustments	Consolidated total
	Electron Tube	Opto-semiconductor	Imaging and Measurement Instruments	Total				
Net sales								
Outside customers	\$ 401,505	\$ 386,938	\$ 121,471	\$ 909,914	\$ 27,297	\$ 937,212	-	\$ 937,212
Intersegment	11,437	5,708	385	17,531	6,353	23,885	(23,885)	-
Total net sales	412,943	392,647	121,856	927,446	33,651	961,097	(23,885)	937,212
Segment income	\$ 147,163	\$ 113,818	\$ 14,535	\$ 275,516	\$ 1,412	\$ 276,928	\$ (122,968)	\$ 153,959
Segment assets	\$ 350,573	\$ 321,219	\$ 94,252	\$ 766,045	\$ 47,383	\$ 813,428	\$ 1,005,636	\$ 1,819,065
Other items								
Depreciation and amortization	\$ 26,065	\$ 24,043	\$ 11,639	\$ 61,747	\$ 2,534	\$ 64,282	\$ 14,729	\$ 79,011
Increase in property, plant and equipment and intangible assets	\$ 27,594	\$ 31,676	\$ 7,688	\$ 66,960	\$ 3,811	\$ 70,772	\$ 20,600	\$ 91,372

Year ended or as of September 30, 2014	Thousands of U.S. Dollars							
	Reportable Segment				Others	Total	Adjustments	Consolidated total
	Electron Tube	Opto-semiconductor	Imaging and Measurement Instruments	Total				
Net sales								
Outside customers	\$ 417,892	\$ 451,021	\$ 128,645	\$ 997,559	\$ 30,813	\$ 1,028,373	-	\$ 1,028,373
Intersegment	12,119	6,436	394	18,950	8,372	27,322	(27,322)	-
Total net sales	430,011	457,458	129,040	1,016,509	39,185	1,055,695	(27,322)	1,028,373
Segment income	\$ 152,366	\$ 149,783	\$ 22,914	\$ 325,064	\$ 2,965	\$ 328,029	\$ (129,265)	\$ 198,764
Segment assets	\$ 395,168	\$ 368,754	\$ 98,199	\$ 862,122	\$ 52,868	\$ 914,990	\$ 1,061,268	\$ 1,976,259
Other items								
Depreciation and amortization	\$ 23,932	\$ 24,696	\$ 7,458	\$ 56,087	\$ 3,115	\$ 59,203	\$ 13,301	\$ 72,505
Increase in property, plant and equipment and intangible assets	\$ 68,065	\$ 48,344	\$ 6,543	\$ 122,953	\$ 5,097	\$ 128,051	\$ 18,770	\$ 146,821



Ernst & Young ShinNihon LLC

Independent Auditor's Report

The Board of Directors
Hamamatsu Photonics K.K.

We have audited the accompanying consolidated financial statements of Hamamatsu Photonics K.K. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at September 30, 2014, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hamamatsu Photonics K.K. and its consolidated subsidiaries as at September 30, 2014, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

Ernst & Young ShinNihon LLC

December 19, 2014
Hamamatsu, Japan

DIRECTORS AND AUDIT & SUPERVISORY BOARD MEMBERS

Directors and Audit & Supervisory Board Members

Chairman of the Board

Teruo Hiruma

President and CEO

Akira Hiruma, Representative Director

Vice President

Haruji Ohtsuka, Representative Director

Senior Managing Directors

Koei Yamamoto, Representative Director

Junichi Takeuchi, Representative Director

Managing Directors

Hitoshi Iida

Kenji Suzuki

Mitsutaka Takemura

Tsutomu Hara

Kenji Yoshida

Directors

Hirofumi Uchiyama

Takashi Koike

Tadahiko Shimazu

Kiyotaka Ise

Audit & Supervisory Board Members

Kazuhiko Mori (Standing)

Hiroshi Mizushima (Standing)

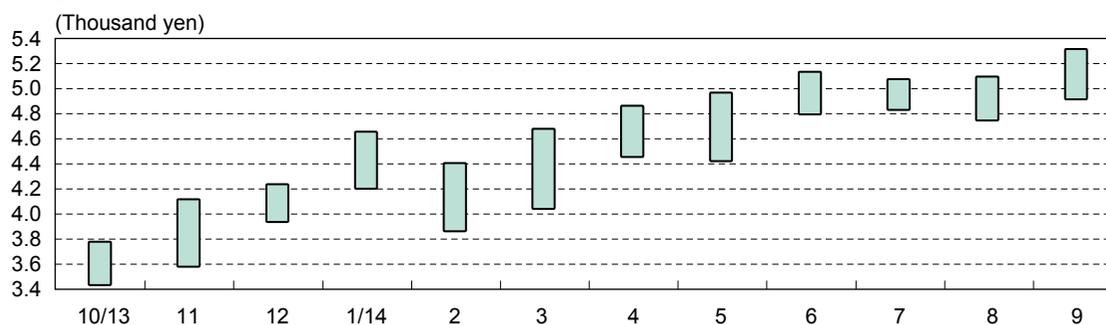
Masaharu Hamakawa

Yuji Maki

Hamamatsu Photonics K.K.
(Registered address)
1126-1 Ichino-cho, Higashi-ku, Hamamatsu City
Shizuoka Prefecture 435-8558, Japan
Telephone : (81)53-434-3311

Established:	September 29, 1953
Paid-in Capital:	34,928,648,325 yen
Common Stock Authorized:	250,000,000 shares
Issued:	83,764,984 shares
Stock Listing:	Tokyo Stock Exchange (1st Section) ID number 6965 Trading Unit 100 shares
Number of Shareholders:	22,627
Number of Employees:	4,420
Independent Auditors:	Ernst & Young ShinNihon LLC Hamamatsu City, Shizuoka Prefecture
Transfer Agent and Registrar:	Sumitomo Mitsui Trust Bank, Limited Chiyoda-ku, Tokyo
Annual Meeting:	The annual meeting of shareholders is held in December of each year in Hamamatsu City, Japan

Price range of stock traded



Major shareholders

As of September 30, 2014	Percentage to total shares outstanding (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	5.18
Toyota Motor Corporation	5.01
State Street Bank and Trust Company	3.94
Hamamatsu Photonics K.K. employees	3.66
Japan Trustee Services Bank, Ltd. (Trust Account)	2.68
Japan Trustee Services Bank, Ltd. (Trust Account 9)	2.05
Teruo Hiruma.....	1.88
The Nomura Trust and Banking Co., Ltd. (Investment Trust).....	1.68
Mellon Bank N.A. As Agent For Its Client Mellon Omnibus US Pension	1.55
JP Morgan Chase Bank 385632.....	1.39

PROFILE OF THE HAMAMATSU FAMILY



Europe

Hamamatsu Photonics Deutschland GmbH

Main office
Arzbergerstr. 10
D-82211 Herrsching am Ammersee, Germany
Telephone: (49)8152-375-0

Danish office
Lautruphøj 1-3
DK-2750 Ballerup, Denmark
Telephone: (45)7020-93 69

Netherlands office
Telesieweg 2
NL-1322 AC Almere, The Netherlands
Telephone: (31)36-5405384

Poland office
02-525 Warsaw, 8 St. A.
Boboli Str., Poland
Telephone: (48)22-646-0016

Hamamatsu Photonics Norden AB

Main office
Torshamnsgatan 35
SE-164 40 Kista, Sweden
Telephone: (46)8-509 031 00

Russian office
11, Chistoprudny Boulevard, Building 1,
101000, Moscow, Russia
Telephone: (7)495 258 85 18

Hamamatsu Photonics France S.A.R.L.

Main office
19, Rue du Saule Trapu
Parc du Moulin de Massy
91882 Massy Cedex, France
Telephone: (33)1 69 53 71 00

Grenoble office
Buro Club Meylan
29 Boulevard des Alpes
38246 Meylan Cedex, France
Telephone: (33)4 76 61 44 50

Swiss office
Dornacherplatz 7
4500 Solothurn, Switzerland
Telephone: (41)32 625 60 60

Belgian office
Axisparc Technology,
Rue Andre Dumont 7
1435 Mont-Saint-Guibert, Belgium
Telephone: (32)10 45 63 34

Spanish office
C. Argenters, 4 edif 2
Parque Tecnológico del Vallés
08290 Cerdanyola (Barcelona), Spain
Telephone: (34)93 582 44 30

Hamamatsu Photonics Italia S.r.l.

Main office
Strada della Moia, 1 int. 6
20020 Arese (Milano), Italy
Telephone: (39)02-93581733

Rome office
Viale Cesare Pavese, 435
00144 Roma, Italy
Telephone: (39)06-50513454

Hamamatsu Photonics UK Limited

Main office
2 Howard Court, 10 Tewin Road
Welwyn Garden City
Hertfordshire AL7 1BW, UK
Telephone: (44)1707-294888

South African office
PO Box 1112
Bucleuch 2066
Johannesburg, South Africa
Telephone: (27)11-802-5505



Asia

Hamamatsu Photonics (China) Co., Ltd.
 B1201 Jiaming Center, No.27
 Dongsanhuan Beilu, Chaoyang District,
 Beijing 100020, China
 Telephone: (86)10-6586-6006

Beijing Hamamatsu Photon Techniques, Inc.
 Head office
 Room 903, Noble Center #3,
 128 South 4th Ring Road West,
 Fengtai District, Beijing, 100070 China
 Telephone: (86)10-6370-6370

Hangzhou Hamamatsu Photonics Science and Technology Co., Ltd.
 Room 303, 195 Baochu Road, Xihu District,
 Hangzhou 310017, China
 Telephone: (86)571-8717-8237

Japan

Hamamatsu Photonics K.K.
 Headquarters
 325-6, Sunayama-cho, Naka-ku
 Hamamatsu City, Shizuoka Pref.
 430-8587, Japan
 Telephone: (81)53-452-2141

Electron Tube Division
 314-5, Shimokanzo
 Iwata City, Shizuoka Pref.
 438-0193, Japan
 Telephone: (81)539-62-3151

Solid State Division
 1126-1, Ichino-cho, Higashi-ku
 Hamamatsu City, Shizuoka Pref.
 435-8558, Japan
 Telephone: (81)53-434-3311

Systems Division
 812, Joko-cho, Higashi-ku
 Hamamatsu City, Shizuoka Pref.
 431-3196, Japan
 Telephone: (81)53-435-1560

Central Research Laboratory
 5000, Hirakuchi, Hamakita-ku
 Hamamatsu City, Shizuoka Pref.
 434-8601, Japan
 Telephone: (81)53-586-7111

U.S.A.

Photonics Management Corp.
 360 Foothill Road,
 Bridgewater, NJ 08807, U.S.A.
 Telephone: (1)908-231-0960

Hamamatsu Corporation
 Main office
 360 Foothill Road,
 Bridgewater, NJ 08807, U.S.A.
 Telephone: (1)908-231-0960

Factory
 250 Wood Ave.
 Middlesex, NJ 08846, U.S.A.
 Telephone: (1)732-356-1203

California Office - Northern
 2875 Moorpark Avenue
 San Jose, CA 95126, U.S.A.
 Telephone: (1)408-261-2022

California Office - Southern
 6310 Greenwich Drive, Suite 200
 San Diego, CA 92122, U.S.A.
 Telephone: (1)658-210-6701

Chicago Office
 4711 Golf Road, Suite 805
 Skokie, IL 60076, U.S.A.
 Telephone: (1)847-825-6046

Boston Office
 20 Park Plaza, Suite 312
 Boston, MA 02116, U.S.A.
 Telephone: (1)617-536-9900

Pittsburgh office
 2593 Wexford Bayne Road Suite 305
 Sewickley, PA 15143, U.S.A.
 Telephone: (1)724-935-3600

HAMAMATSU

HAMAMATSU PHOTONICS K.K.

HEADQUARTERS

325-6, Sunayama-cho, Naka-ku, Hamamatsu City 430-8587, Japan

Telephone:81-53-452-2141, Fax:81-53-456-7889

Homepage Address:<http://www.hamamatsu.com>