

ANNUAL REPORT 2015

For the year ended September 30, 2015



HAMAMATSU PHOTONICS K.K.



ANNUAL REPORT 2015

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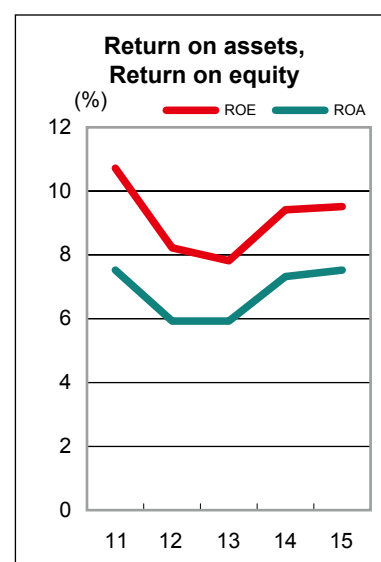
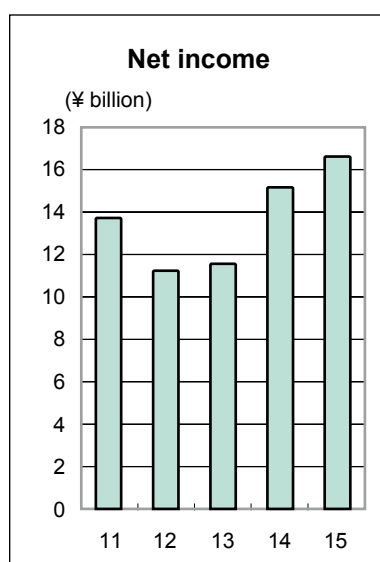
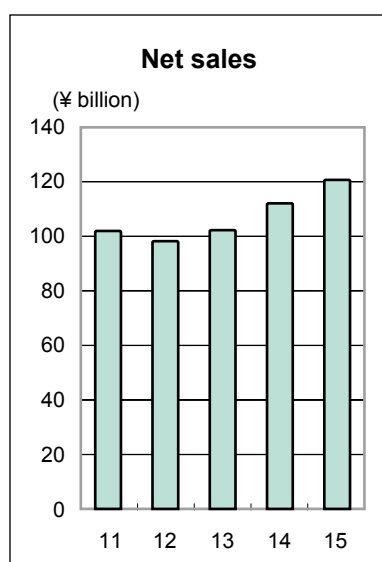
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FINANCIAL HIGHLIGHTS

Consolidated:

	Millions of Japanese Yen		Thousands of U.S. Dollars (*)	
	2014	2015	2014	2015
Net sales.....	¥ 112,092	¥ 120,691	\$ 934,105	\$ 1,005,759
Operating income.....	21,665	23,596	180,544	196,633
Income before income taxes and minority interests.....	22,462	24,672	187,184	205,607
Net income.....	15,155	16,598	126,297	138,320
Total assets.....	215,412	226,179	1,795,102	1,884,832
Net assets.....	168,815	180,770	1,406,797	1,506,423
R & D expenses.....	10,977	11,615	91,478	96,793
Per share data (in Yen and U.S. Dollars)				
Net income.....	¥ 94.26	¥ 103.23	\$ 0.78	\$ 0.86
Cash dividends.....	¥ 55.00	¥ 49.00	\$ 0.45	\$ 0.40

* Hamamatsu Photonics implemented a two-for-one stock split on April 1, 2015. Net income per share has been calculated by assuming this stock split was executed at the beginning of the fiscal year ended September 30, 2014. And our annual cash dividends for the current fiscal year came to JPY 49 (US\$ 0.40) per share. When translated into the equivalent value before the two-for-one stock split, the annual cash dividends come to JPY 68 (US\$ 0.56) per share, up by JPY 13 (US\$ 0.11) per share from the previous fiscal year.

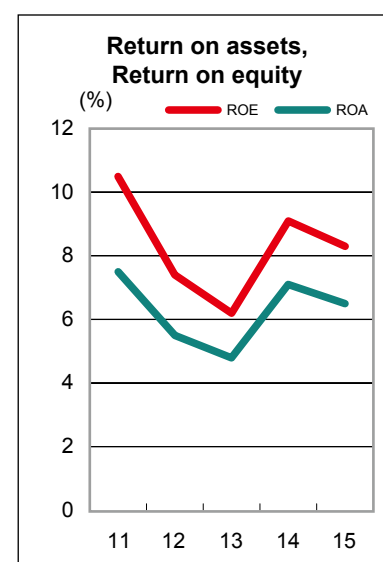
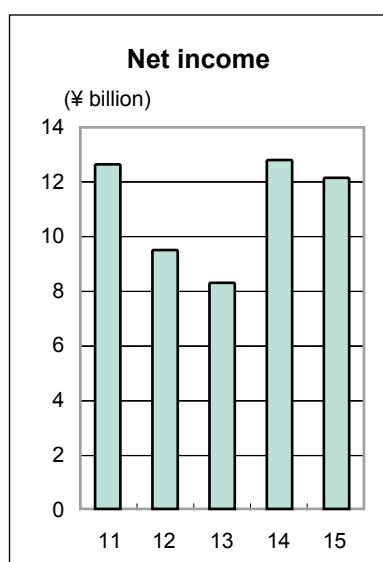
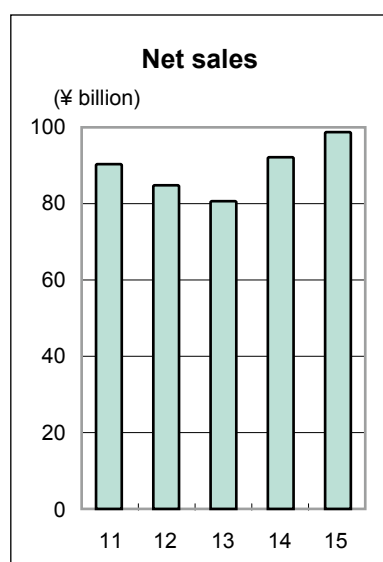


(*) The U.S. dollar amounts above and elsewhere in this report represent translations, solely for the convenience of the reader, using the exchange rate of JPY 120 = US\$ 1.

Non-consolidated:

	Millions of Japanese Yen		Thousands of U.S. Dollars (*)	
	2014	2015	2014	2015
Net sales.....	¥ 92,583	¥ 99,157	\$ 771,529	\$ 826,315
Operating income	15,753	16,626	131,278	138,557
Income before income taxes	18,281	17,863	152,342	148,864
Net income	12,851	12,182	107,094	101,519
Total assets	186,463	188,392	1,553,861	1,569,940
Net assets.....	145,174	149,933	1,209,785	1,249,444
R & D expenses.....	10,681	11,357	89,014	94,645
Per share data (in Yen and U.S. Dollars)				
Net income.....	¥ 79.79	¥ 75.64	\$ 0.66	\$ 0.63
Cash dividends	¥ 55.00	¥ 49.00	\$ 0.45	\$ 0.40

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TO OUR SHAREHOLDERS



Dear Shareholders:

During the fiscal year ended September 30, 2015 (from Oct. 1, 2014 through Sep. 30, 2015), Japan's economy as a whole maintained a gradual recovery as the corporate earnings picture brightened and personal consumption remained brisk. Nevertheless, concerns about the future direction of the economy increased, driven by factors such as a heightened sense of uncertainty that was influenced by the economic slowdown in newly developing countries towards the end of the fiscal year.

Given these circumstances, our Group pursued research and development by utilizing the proprietary photonics technologies we have cultivated over many years, and strove to expand net sales and earnings by undertaking aggressive sales and marketing activities, continuing to develop high-value added products that address customers' need and maintained a high level of capital investment for enhancing the production capacity.

In addition to steady domestic sales growth, overseas sales significantly gained as well, due mainly to the favorable exchange rate. As a result, we closed the fiscal year ended September 30, 2015 with net sales of JPY 120,691 million, up by JPY 8,598 million (7.7%) and operating income of JPY 23,596 million, up by JPY 1,930 million (8.9%) over one year ago respectively. Net income was JPY 16,598 million, up by JPY 1,442 million (9.5%) from the previous year.

With regard to the business environment surrounding our Group, we recognize that over the near term the economy will labor under strict circumstances, including an opaque situation in Europe and an economic slowdown in newly developing countries.

Given such circumstances, the Hamamatsu Photonics Group recognizes that “photonics”, which the Group has pursued since its establishment, now forms a fundamental technology supporting various industries, and that the unending evolution of photonics technology will be sought on a global scale to further enhance today’s technological innovations and the performance and accuracy of electronic equipment.

To respond flexibly and rapidly to this growth in the photonics industry and to changes in the business environment, the Hamamatsu Photonics Group will seek to create a sustainable, stable and strong earnings organization, by undertaking proactive research and development investment and capital investments for growth based on the Group’s medium and long-term vision.

As a Group, we will expand our business domain by seeking to create new industries and contribute to society, and work to solidify our decisive position as a leading global company in photonics technologies, by never forgetting our venture mentality and continuing to develop in the years ahead as well the photonics technologies we have cultivated since the 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 18, 2015

DIVISIONAL REVIEW

Electron Tube Division (Electron Tube Segment)

For over 60 years, Hamamatsu Photonics has developed and manufactured photomultiplier tubes (PMTs). 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 PMTs, electron multipliers, microchannel plates, image intensifiers, X-ray products, and a wide variety of light sources. In fiscal year 2015, sales of these products accounted for 40.4% of the company's total revenue.

Sales of PMTs



Large-diameter PMTs

Sales of PMTs fell in oil-well logging applications in the measuring instrument field following the drop in oilfield development investment, but sales for environmental analysis remained brisk in the analysis sector. In addition, in the medical field, sales for inspection and monitoring systems such as blood analyzers expanded steadily, mainly in overseas markets, thanks to these products' strong reputation for highly sensitive, high-speed operations. Sales for nuclear medicine applications such as Positron Emission Tomography (PET) also trended solidly, and consequently sales of PMTs rose.

Sales of imaging devices and light sources

In imaging devices and light sources, sales of Microfocus X-ray light sources for non-destructive testing in the industrial field remained steady in Europe and Japan, thanks to these products' strong reputation for high-definition, high reliability and excellent stability for inline application at production processes. In addition, sales of our Stealth Dicing Engine for high-speed, high-quality silicon wafer dicing and of UV-LED light sources for highly accurate bonding of large-scale panels rose higher as well, and as a result, sales of imaging devices and light sources increased.

In total, the Electron Tube business comprised of PMTs and imaging devices and light sources closed the fiscal year 2015 with net sales of JPY 48,706 million, up by 6.9% from the previous year.



UV-LED light sources

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 2015, sales of these products accounted for 43.0% of the company's total revenue.

Sales of opto-semiconductors

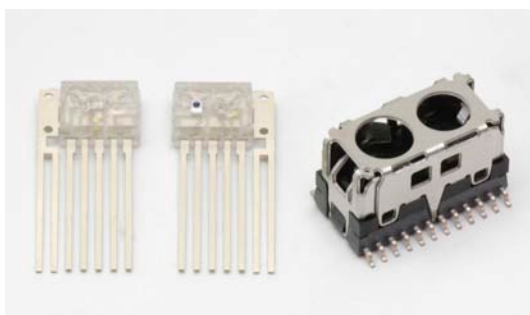


Photo ICs for in-vehicle data networks

In opto-semiconductors, sales in the medical field of our core silicon photodiodes rose significantly, largely for medical devices in North America, thanks to these products' suitability for customers' needs, while sales of our flat panel sensors also remained steady centered on dental applications. In addition, sales of Photo ICs, which are used for optical communication networks in automobiles, also increased in Europe, resulting in the expansion of sales of opto-semiconductors.

As a result, net sales in the Opto-semiconductor business came to JPY 51,944 million, up by 5.7% from the previous year.

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 2015, sales of these products accounted for 13.4% of the company's total revenue.

Sales of image processing and measurement systems

In image processing and measurement systems, failure analysis systems for semiconductor devices have earned a solid reputation for high-definition and high sensitivity in a wide range of fields, which drove a broad advance in sales in Japan as well as overseas. Sales of digital cameras, which enjoy a reputation for excellent performance that meets customers' needs, increased as well, particularly for the field of life sciences and biotechnology. In addition, sales of X-ray line sensor cameras, primarily for food inspection applications, also expanded. Reflecting these dynamics, sales of the image processing and measurement systems increased.

As a result, net sales for the Imaging and Measurement Instruments business were JPY 16,201 million, up by 15.5% from the previous year.



Semiconductor failure analysis system

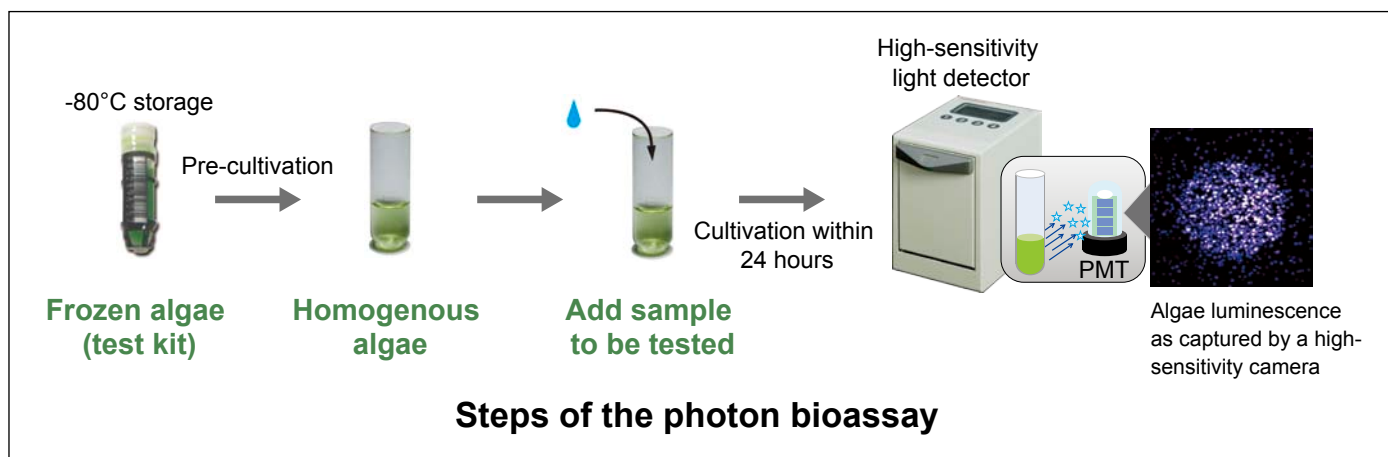
RESEARCH & DEVELOPMENT

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 2015, funds allocated to research and development totaled JPY 11,615 million, an increase of 5.8% over the previous fiscal year. Some highlights of our R&D efforts are presented here.

Basic research

Photon bioassay system to evaluate the toxicity of chemical substances in a rapid and simple procedure

In the biotechnology sector, we are pursuing research for the practical application of a photon bioassay system^(*). This system evaluates the toxicity of a target chemical substance by detecting and measuring the faint light emitted by algae when mixed with a solution of that substance, and currently we have created a practical, easy-to-use experimental procedure utilizing a test kit that uses algae cells as a reagent. As a result, the cultivation and maintenance of algae cells required for testing can be greatly simplified, making it feasible to achieve high-quality toxicity assessments in less time and at lower cost. In the future, this system is expected to find uses in water quality management through the measurement of contaminants such as factory effluents, and contribute to the development of agrochemicals, detergents and other products with a smaller negative environmental impact.



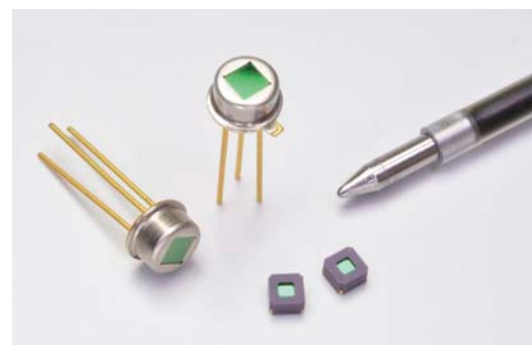
(*1) This technology was developed in collaboration with the National Institute for Environmental Studies.

Product development

Infrared light detection elements that operate at room temperature

Because the absorption wavelengths of gases assumed to cause environmental damage are within the 3-5 μm wavelength band of infrared light, it is possible to make measurements of gas concentrations by using infrared light detection elements that are sensitive to this wavelength band.

The mainstream room temperature infrared light detection elements in this wavelength band, however, were themselves an environmental problem because they contain lead. Moreover, because models that did not contain lead required cooling, miniaturization and price reductions were limited, and applications were restricted as well. Given these considerations, the Company used its compound semiconductor crystal growth technology and processing technology, cultivated over many years, to develop environmentally friendly infrared light detection elements without lead that can be operated at room temperature in this wavelength band^(*2). Measurement using these infrared light detection elements is expected to contribute not only to the environmental field, but also to a broad range of sectors in the future, including medical care and agriculture.

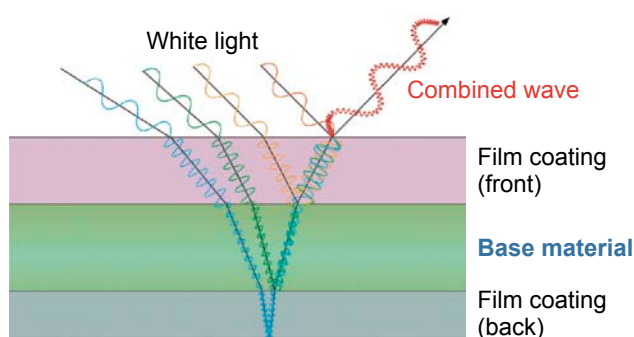


Room temperature operation IR detectors

(*2) Part of this development result is based on the NEDO grant program "Development of High-Performance Quantum-type Infrared Detectors Operable at Room Temperature for Environmental Measurement/Manufacturing Use".

Small film thickness measurement systems that can be easily incorporated into manufacturing and inspection equipment

Recently multilayer coatings have been applied to touch panels in products such as smartphones to give them functions such as electro-conductivity and surface protection. Film thickness meters, which are devices for inspecting for product defects by measuring the film thickness, make it possible to accelerate measurement by incorporating such devices into manufacturing and inspection equipment. By utilizing state-of-the-art spectral interferometry to achieve greater miniaturization, together with functions that can simultaneously measure film thickness of both surfaces of a substrate and support PLC^(*3) connections, the Company has developed a film thickness measurement system that is unique in the industry and can be easily incorporated into other equipment. The Company's film thickness measurement systems will help shorten operating times of manufacturing and inspection processes, and contribute to highly effective, stable quality control.



Film thickness on both sides of a base material can be measured at once by analyzing the spectra of white light that reflects or transmits to varying degrees due to each layer's refractive index.

(*3) Devices that use programs to automatically control equipment in plants or other locations.

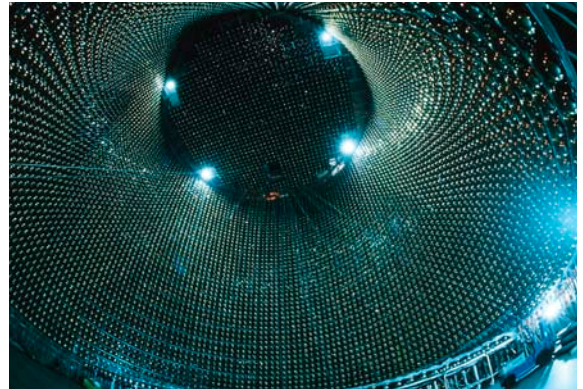
Photonics technology enables advances in science

In 2015, the Nobel Prize in Physics was co-awarded to Professor Takaaki Kajita, Director of the Institute of Cosmic Ray Research (University of Tokyo), who made a significant discovery that subatomic particles called neutrinos have mass – an experimental result which forces theorists to reconsider the Standard Model of particle physics. Data for this discovery was collected at the Super Kamiokande, an underground facility that was constructed as a higher performance successor to the original Kamiokande detector.

In both the Kamiokande and the Super Kamiokande, the “eyes” of the experiment were specially-made large diameter PMTs from Hamamatsu. At the original facility, these unique PMTs helped make the first-ever observation of neutrinos in 1987, when a team led by Nobel laureate Masatoshi Koshiba (also of the University of Tokyo) observed neutrinos that had originated from a supernova in the Large Magellanic Cloud, a nearby galaxy. The PMTs were then dramatically improved for use in the Super Kamiokande, which began operation in 1996.

At the Super Kamiokande, the observation of atmospheric neutrinos over two years indicated their possible mass. This theory was then put to the test in 1999 by artificially generating a large number of muon neutrinos with a proton accelerator located roughly 250 km away. The muon neutrinos were directed through the earth at the Super Kamiokande, where Professor Kajita’s team found neutrino oscillation to occur even in these man-made neutrinos and thus concluded that neutrinos have mass. (In this experiment, Hamamatsu’s large-diameter PMTs and large-diameter image intensifiers were also used in the proton accelerator.)

Hamamatsu is proud to be a part of these great scientific endeavors, and will continue to develop photonics technologies as our way of contributing to the advancement of science.



Inside the Super Kamiokande are 11,200 of the 20-inch PMTs



Large diameter 20-inch PMTs

Photon Terrace teaches the mysteries of light

The United Nations declared 2015 the International Year of Light (IYL) in recognition of the importance of light-based technologies to the development of society. The declaration was made to raise awareness about how light is used in diverse fields (including medicine, energy, IT, and astronomy) as well as to promote various activities related to light.

In support of the IYL, Hamamatsu launched an educational website called Photon Terrace for school children and the general public to learn more about the fascinating nature of light. The site covers topics such as the fundamental properties of light, the history of research about light, and how light technologies are used in our daily lives.



Home page Photon Terrace



Scan this QR code to view Photon Terrace on your smartphone

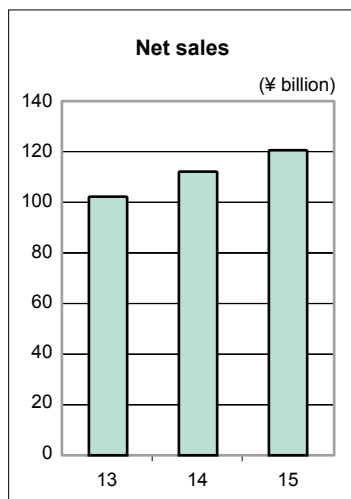
New building for PMT production



Exterior view of new building

At Toyooka Factory, a new building was constructed to consolidate the production lines for head-on PMTs. The building will also be used for R&D of new products, as well as the manufacturing of PMTs for large-scale detectors of neutrinos and other subatomic particles. It provides added capacity for revenue growth on the scale of JPY 10 billion.

FINANCIAL REVIEW

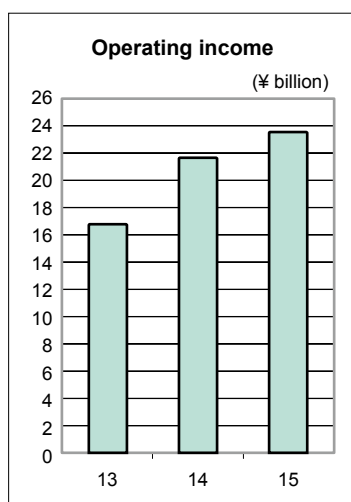


Net sales

During the fiscal year ended September 30, 2015 (from Oct. 1, 2014 through Sep. 30, 2015), Japan's economy as a whole maintained a gradual recovery as the corporate earnings picture brightened and personal consumption remained brisk. Nevertheless, concerns about the future direction of the economy increased, driven by factors such as a heightened sense of uncertainty that was influenced by the economic slowdown in newly developing countries towards the end of the fiscal year.

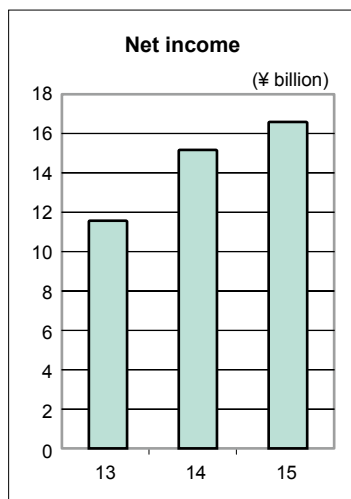
In addition to steady domestic sales growth, overseas sales gained as well, due mainly to the favorable exchange rate. As a result, we closed the fiscal year 2015 with net sales of JPY 120,691 million (US\$ 1,005,759 thousand), up by 7.7% or JPY 8,598 million (US\$ 71,653 thousand) from the previous year.

Performance by segment, sales in the Electron Tube business comprised of PMTs and Imaging Devices and Light Sources amounted JPY 48,706 million (US\$ 405,887 thousand), up by 6.9% from the previous year. Sales of Opto-semiconductor was JPY 51,944 million (US\$ 432,869 thousand), up by 5.7% over the previous year. Sales of the Imaging and Measurement Instruments business including Image Processing and Measurement Systems, Failure Analysis Systems for semiconductor devices increased 15.5% to JPY 16,201 million (US\$ 135,010 thousand). Net sales from other business, mainly semiconductor laser business and hotel operations, were JPY 3,839 million (US\$ 31,991 thousand), up by 14.3% over last year.



Operating income

Cost of sales increased 7.7% or JPY 4,130 million (US\$ 34,420 thousand) over the previous year to JPY 57,582 million (US\$ 479,850 thousand). The cost of sales ratio was 47.7% this year, about the same as last year. Selling, general and administrative expenses were JPY 27,897 million (US\$ 232,481 thousand), up by 7.3%, JPY 1,899 million (US\$ 15,828 thousand). Research and development expenses were JPY 11,615 million (US\$ 96,793 thousand), up by 5.8% from previous year. As a result, operating income was JPY 23,596 million (US\$ 196,633 thousand), up by 8.9%. Operating income for Electron Tube, Opto-semiconductor and Imaging and Measurement Instruments business segment was JPY 17,861 million (US\$ 148,847 thousand), up by 7.5%, JPY 16,114 million (US\$ 134,287 thousand), down by 1.3% and JPY 3,793 million (US\$ 31,609 thousand), up by 51.9%, respectively. Other business recorded an operating income of JPY 172 million (US\$ 1,436 thousand), down by 46.7%.



Net income

Other income, on net basis, was JPY 1,076 million (US\$ 8,974 thousand), compared with JPY 796 million (US\$ 6,640 thousand) net of other income for the previous year. Reflecting the previously cited factors, net income for the fiscal year ended September 30, 2015 was up by 9.5% to JPY 16,598 million (US\$ 138,320 thousand) from JPY 15,155 million (US\$ 126,297 thousand). Consequently, basic net income per share (*) increased from JPY 94.26 (US\$ 0.78) to JPY 103.23 (US\$ 0.86). Dividend per share (*) applicable to the fiscal year was JPY 49 (US\$ 0.40).

* Hamamatsu Photonics implemented a two-for-one stock split on April 1, 2015. Net income per share has been calculated by assuming this stock split was executed at the beginning of the fiscal year ended September 30, 2014. And our annual cash dividends for the current fiscal year came to JPY 49 (US\$ 0.40) per share. When translated into the equivalent value before the two-for-one stock split, the annual cash dividends come to JPY 68 (US\$ 0.56) per share, up by JPY 13 (US\$ 0.11) per share from the previous fiscal year.

Financial position

Current assets increased by JPY 4,212 million (US\$ 35,103 thousand) from the year ended September 30, 2014. This mainly reflected increases in notes and accounts receivable-trade of JPY 2,779 million (US\$ 23,166 thousand) and in inventories of JPY 2,597 million (US\$ 21,646 thousand).

Non-current assets increased by JPY 6,555 million (US\$ 54,626 thousand) from the year ended September 30, 2014, mainly due to an increase in property, plant and equipment totaling JPY 5,230 million (US\$ 43,590 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 226,179 million (US\$ 1,884,832 thousand), up by JPY 10,767 million (US\$ 89,730 thousand) from the year ended September 30, 2014.

Current liabilities were down by JPY 212 million (US\$ 1,770 thousand) from the prior fiscal year-end. Notes and accounts payable-trade increased by JPY 532 million (US\$ 4,440 thousand), but income taxes payable decreased by JPY 1,370 million (US\$ 11,423 thousand). Non-current liabilities decreased by JPY 975 million (US\$ 8,125 thousand) from the prior fiscal year-end, mainly due to a decrease in net defined benefit liability of JPY 874 million (US\$ 7,287 thousand).

As a result, total liabilities at the fiscal year-end were JPY 45,409 million (US\$ 378,409 thousand), down by JPY 1,187 million (US\$ 9,895 thousand) from the prior fiscal year-end. Net assets were JPY 180,770 million (US\$ 1,506,423 thousand), up by JPY 11,955 million (US\$ 99,626 thousand) from the prior fiscal year-end, due mainly to an increase in retained earnings of JPY 9,359 million (US\$ 77,994 thousand), which reflected higher net income, and an increase in the foreign currency translation adjustment of JPY 2,777 million (US\$ 23,147 thousand).

Cash flows

At the end of this fiscal year, cash and cash equivalents stood at JPY 45,556 million (US\$ 379,634 thousand), down by JPY 3,725 million (US\$ 31,042 thousand) from the year ended September 30, 2014.

Cash flows for the fiscal year ended September 30, 2015 (from Oct. 1, 2014 through Sep. 30, 2015) were as follows.

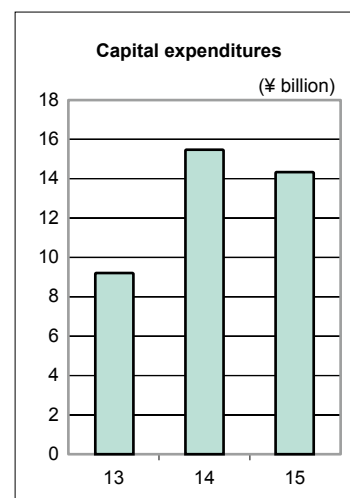
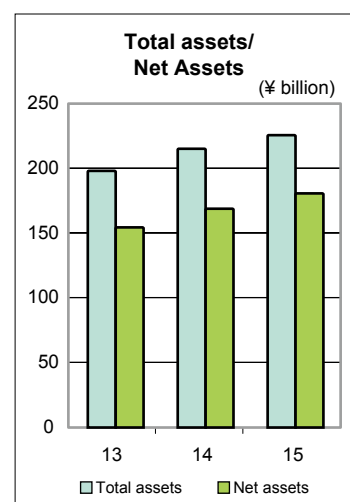
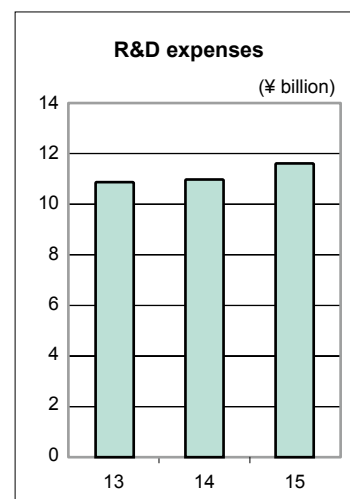
Cash flow provided by operating activities during the year was JPY 16,046 million (US\$ 133,724 thousand), down by JPY 7,088 million (US\$ 59,074 thousand) over the previous year. The decrease was mainly the result of larger decrease in net defined benefit liability of JPY 3,745 million (US\$ 31,210 thousand) generated by a cash contribution to the retirement benefit trust for JPY 5,000 million (US\$ 41,666 thousand) and an increase in income taxes paid, etc. of JPY 3,397 million (US\$ 28,310 thousand).

Net cash used in the investing activities was JPY 17,057 million (US\$ 142,145 thousand), up by JPY 3,380 million (US\$ 28,167 thousand) from the previous year. This was due mainly to higher investment to time deposits for longer than three months, which are not counted as cash.

Net cash used in the financing activities was JPY 4,878 million (US\$ 40,650 thousand), up by JPY 738 million (US\$ 6,155 thousand) from the previous year, due mainly to an increase in cash dividends paid of JPY 634 million (US\$ 5,289 thousand).

Capital expenditures

Capital expenditures during fiscal year 2015 totaled JPY 14,338 million (US\$ 119,486 thousand), 7.5% or JPY 1,161 million (US\$ 9,676 thousand) lower than previous fiscal year. Major investments were made in new facilities for PMT production aimed at boosting the production of PMT along with strengthening PMT's development efforts. 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				
	2011	2012	2013	2014	2015
For the year:					
Net sales	¥ 101,858	¥ 98,067	¥ 102,156	¥ 112,092	¥ 120,691
Operating income	21,830	17,587	16,781	21,665	23,596
Income before income taxes and minority interests	21,719	17,812	17,904	22,462	24,672
Net income	13,702	11,206	11,529	15,155	16,598
Capital expenditures	7,348	8,633	9,184	15,499	14,338
Depreciation	7,750	8,223	7,769	7,396	8,561
R&D expenses	10,081	10,765	10,885	10,977	11,615
At year-end:					
Working capital	¥ 91,843	¥ 97,326	¥ 105,517	¥ 106,901	¥ 111,326
Total assets	188,091	189,970	198,278	215,412	226,179
Common stock	34,928	34,928	34,928	34,928	34,928
Net assets	133,434	140,873	154,385	168,815	180,770
Number of shares issued (thousands)	83,764	83,764	83,764	83,764	167,529
Number of employees	4,188	4,386	4,415	4,420	4,482

	Japanese Yen				
	2011	2012	2013	2014	2015
Per share data:					
Net income					
Basic	¥ 170.44	¥ 139.39	¥ 143.41	¥ 94.26	¥ 103.23
Diluted	-	-	-	-	-
Cash dividends	44.00	46.00	50.00	55.00	49.00
Net assets	1,650.23	1,745.18	1,913.98	1,046.56	1,120.38

*Hamamatsu Photonics implemented a two-for-one stock split on April 1, 2015. Net income per share and net assets per share have been calculated by assuming this stock split was executed at the beginning of the fiscal year ended September 30, 2014.

	Percent				
	2011	2012	2013	2014	2015
Ratios:					
Equity ratio	70.5	73.9	77.6	78.1	79.6
Return on net sales	13.5	11.4	11.3	13.5	13.8
Return on assets	7.5	5.9	5.9	7.3	7.5
Return on equity	10.7	8.2	7.8	9.4	9.5

Japan

Koso Corporation

Iwata City, Shizuoka Pref., Japan

Takaoka Electronics Co., Ltd.

Hamamatsu City, Shizuoka Pref., Japan

Hamamatsu Electronic Press Co., Ltd.

Iwata City, Shizuoka Pref., Japan

Iwata Grand Hotel Inc.

Iwata City, Shizuoka Pref., Japan

Asia

Hamamatsu Photonics (China) Co., Ltd.

Beijing, China

Hamamatsu Photonics Taiwan Co., Ltd.

Hsinchu, Taiwan

Beijing Hamamatsu Photon Techniques, Inc.

Beijing, China

Hamamatsu Photonics Scientific Instrument (Beijing) Co., Ltd.

Beijing, China

Hamamatsu Photonics Medical Technology (Lang Fang) Co., Ltd.

Hebei, China

U.S.A.

Photonics Management Corp.

Bridgewater, New Jersey, U.S.A.

Hamamatsu Corporation

Bridgewater, New Jersey, U.S.A.

Europe

Hamamatsu Photonics Deutschland GmbH

Herrsching, Germany

Hamamatsu Photonics France S.A.R.L.

Massy Cedex, France

Hamamatsu Photonics Italia S.r.l.

Arese, Italy

Hamamatsu Photonics UK Limited

Welwyn Garden City, United Kingdom

Hamamatsu Photonics Norden AB

Kista, Sweden

Hamamatsu Photonics Europe GmbH

Herrsching, Germany

CONSOLIDATED BALANCE SHEETS

Hamamatsu Photonics K.K. and Consolidated Subsidiaries
As of September 30, 2014 and 2015

ASSETS	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 1)	
	2014	2015	2014	2015
Current assets:				
Cash and deposits	¥ 83,758	¥ 81,548	\$ 697,991	\$ 679,571
Receivables:				
Notes and accounts receivable-trade.....	25,956	28,736	216,308	239,474
Less: Allowance for doubtful accounts.....	(143)	(155)	(1,196)	(1,299)
Inventories:				
Merchandise and finished goods	6,726	7,383	56,050	61,528
Work in process	13,802	15,689	115,024	130,746
Raw materials and supplies	6,349	6,403	52,915	53,361
Other.....	3,046	4,249	25,387	35,414
Deferred tax assets (Note 7).....	3,449	3,304	28,748	27,536
	142,947	147,160	1,191,229	1,226,333
Property, plant and equipment (Note 4):				
Land.....	15,897	16,644	132,478	138,700
Buildings and structures	60,680	71,675	505,672	597,295
Machinery, equipment and vehicles	95,124	103,125	792,707	859,380
Construction in progress.....	11,037	2,737	91,982	22,814
	182,741	194,182	1,522,841	1,618,190
Less: Accumulated depreciation.....	(121,117)	(127,328)	(1,009,310)	(1,061,068)
	61,623	66,854	513,531	557,121
Investments and other assets:				
Investment securities (Note 5).....	1,820	1,619	15,174	13,491
Investments in and advances to non-consolidated subsidiaries and affiliates.....	944	1,079	7,873	8,993
Other.....	2,906	3,511	24,219	29,261
Deferred tax assets (Note 7).....	5,168	5,955	43,073	49,630
	10,840	12,165	90,341	101,377
	¥ 215,412	¥ 226,179	\$ 1,795,102	\$ 1,884,832

See Notes to Consolidated Financial Statements.

LIABILITIES AND NET ASSETS	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 1)	
	2014	2015	2014	2015
Current liabilities:				
Short-term loans payable (Note 4).....	¥ 1,733	¥ 2,040	\$ 14,443	\$ 17,008
Current portion of long-term loans payable (Note 4)	3,179	3,172	26,497	26,439
Payables:				
Notes and accounts payable-trade	12,980	13,513	108,172	112,613
Construction and other.....	4,871	4,533	40,592	37,782
Income taxes payable (Note 7).....	4,133	2,763	34,449	23,026
Accrued expenses	6,175	6,429	51,461	53,582
Other.....	2,972	3,379	24,769	28,163
	36,046	35,833	300,386	298,616
Non-current liabilities:				
Long-term loans payable (Note 4)	3,904	3,808	32,538	31,738
Net defined benefit liability (Note 6).....	4,830	3,956	40,257	32,969
Other	1,626	1,633	13,556	13,613
Deferred tax liabilities (Note 7)	187	176	1,566	1,470
	10,550	9,575	87,918	79,792
Net assets:				
Shareholders' equity				
Capital stock, no par value:.....	34,928	34,928	291,072	291,072
Authorized - 500,000,000 shares				
Issued - 83,764,984 shares in 2014				
- 167,529,968 shares in 2015				
Capital surplus	34,672	34,672	288,938	288,938
Retained earnings	101,278	110,637	843,983	921,977
Less: Treasury shares.....	(6,050)	(6,059)	(50,420)	(50,495)
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities.....	695	520	5,793	4,334
Foreign currency translation adjustment.....	1,589	4,367	13,248	36,395
Remeasurements of defined benefit plans.....	1,160	1,074	9,672	8,953
Minority interests.....	541	629	4,509	5,247
	168,815	180,770	1,406,797	1,506,423
	¥ 215,412	¥ 226,179	\$ 1,795,102	\$ 1,884,832

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME

Hamamatsu Photonics K.K. and Consolidated Subsidiaries
Year ended September 30, 2014 and 2015

	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 1)	
	2014	2015	2014	2015
Net sales	¥ 112,092	¥ 120,691	\$ 934,105	\$ 1,005,759
Operating costs and expenses				
Cost of sales.....	53,451	57,582	445,430	479,850
Selling, general and administrative expenses.....	25,998	27,897	216,652	232,481
Research and development expenses.....	10,977	11,615	91,478	96,793
Operating income	21,665	23,596	180,544	196,633
Other income (expenses):				
Interest and dividend income.....	247	242	2,060	2,023
Interest expenses.....	(96)	(97)	(803)	(815)
Other, net.....	645	931	5,383	7,765
Income before income taxes and minority interests	22,462	24,672	187,184	205,607
Income taxes (Note 7)				
Current.....	7,359	7,185	61,330	59,880
Deferred.....	(83)	852	(692)	7,106
	7,276	8,038	60,637	66,987
Income before minority interests	15,185	16,634	126,546	138,619
Minority interests in income	(29)	(35)	(249)	(299)
Net income	¥ 15,155	¥ 16,598	\$ 126,297	\$ 138,320

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Note 3)

Hamamatsu Photonics K.K. and Consolidated Subsidiaries
Year ended September 30, 2014 and 2015

	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 1)	
	2014	2015	2014	2015
Income before minority interests	¥ 15,185	¥ 16,634	\$ 126,546	\$ 138,619
Other comprehensive income				
Valuation difference on available-for-sale securities.....	153	(175)	1,279	(1,458)
Foreign currency translation adjustment.....	2,126	2,817	17,719	23,481
Remeasurements of defined benefit plans, net of tax.....	-	(86)	-	(719)
Share of other comprehensive income of entities accounted for using equity method.....	(0)	34	(4)	283
Total other comprehensive income.....	2,279	2,590	18,994	21,586
Comprehensive income	¥ 17,464	¥ 19,224	\$ 145,541	\$ 160,206
Comprehensive income attributable to				
Comprehensive income attributable to owners of parent.....	¥ 17,429	¥ 19,114	\$ 145,244	\$ 159,290
Comprehensive income attributable to minority interests.....	35	109	297	916

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Annual Report 2015

Hamamatsu Photonics K.K. and Consolidated Subsidiaries
Year ended September 30, 2014 and 2015

	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 1)	
	2014	2015	2014	2015
Capital stock:				
Balance at beginning of current period	¥ 34,928	¥ 34,928	\$ 291,072	\$ 291,072
Total changes of items during period.....	-	-	-	-
Balance at end of current period.....	34,928	34,928	291,072	291,072
Capital surplus:				
Balance at beginning of current period	34,672	34,672	288,938	288,938
Total changes of items during period.....	-	-	-	-
Balance at end of current period.....	34,672	34,672	288,938	288,938
Retained earnings:				
Balance at beginning of current period	90,309	101,278	752,582	843,983
Cumulative effects of changes in accounting policies	-	(2,407)	-	(20,062)
Restated balances	90,309	98,870	752,582	823,921
Dividend of surplus	(4,187)	(4,831)	(34,895)	(40,264)
Net income.....	15,155	16,598	126,297	138,320
Balance at end of current period.....	101,278	110,637	843,983	921,977
Treasury shares:				
Balance at beginning of current period	(6,048)	(6,050)	(50,405)	(50,420)
Purchase of treasury shares.....	(1)	(9)	(14)	(75)
Balance at end of current period.....	(6,050)	(6,059)	(50,420)	(50,495)
Valuation difference on available-for-sale securities:				
Balance at beginning of current period	541	695	4,513	5,793
Net changes of items other than shareholders' equity.....	153	(175)	1,279	(1,458)
Balance at end of current period.....	695	520	5,793	4,334
Foreign currency translation adjustment:				
Balance at beginning of current period	(530)	1,589	(4,418)	13,248
Net changes of items other than shareholders' equity.....	2,120	2,777	17,667	23,147
Balance at end of current period.....	1,589	4,367	13,248	36,395
Remeasurements of defined benefit plans:				
Balance at beginning of current period	-	1,160	-	9,672
Net changes of items other than shareholders' equity.....	1,160	(86)	9,672	(719)
Balance at end of current period.....	1,160	1,074	9,672	8,953
Minority interests:				
Balance at beginning of current period	512	541	4,267	4,509
Net changes of items other than shareholders' equity.....	29	88	241	737
Balance at end of current period.....	541	629	4,509	5,247
Total net assets	¥ 168,815	¥ 180,770	\$ 1,406,797	\$ 1,506,423

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Hamamatsu Photonics K.K. and Consolidated Subsidiaries
Year ended September 30, 2014 and 2015

	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 1)	
	2014	2015	2014	2015
Cash flows from operating activities:				
Income before income taxes and minority interests.....	¥ 22,462	¥ 24,672	\$ 187,184	\$ 205,607
Depreciation.....	7,952	9,517	66,270	79,310
Increase (decrease) in allowance for doubtful accounts.....	(23)	1	(198)	14
Increase (decrease) in provision for bonuses.....	563	(247)	4,691	(2,066)
Increase (decrease) in net defined benefit liability.....	(1,058)	(4,803)	(8,817)	(40,027)
Interest and dividend income.....	(247)	(242)	(2,060)	(2,023)
Interest expenses.....	96	97	803	815
Foreign exchange losses (gains).....	(13)	(295)	(111)	(2,459)
Share of (profit) loss of entities accounted for using equity method ...	(71)	(86)	(594)	(723)
Loss on retirement of property, plant and equipment.....	65	52	543	434
Loss (gain) on sales of property, plant and equipment.....	(2)	(72)	(24)	(606)
Decrease (increase) in notes and accounts receivable-trade.....	(867)	(2,065)	(7,227)	(17,216)
Decrease (increase) in inventories.....	(1,272)	(2,104)	(10,605)	(17,540)
Increase (decrease) in notes and accounts payable-trade.....	1,108	(44)	9,236	(369)
Other, net.....	(482)	145	(4,024)	1,209
Subtotal.....	28,207	24,523	235,064	204,360
Interest and dividend income received.....	246	241	2,057	2,009
Interest expenses paid.....	(96)	(97)	(803)	(815)
Income taxes (paid) refund.....	(5,222)	(8,619)	(43,520)	(71,830)
Net cash provided by (used in) operating activities.....	23,135	16,046	192,798	133,724
Cash flows from investing activities:				
Net decrease (increase) in time deposits.....	1,838	(1,472)	15,319	(12,274)
Purchase of property, plant and equipment.....	(15,036)	(14,779)	(125,304)	(123,163)
Proceeds from sales of property, plant and equipment.....	59	315	497	2,626
Purchase of intangible assets.....	(504)	(621)	(4,200)	(5,178)
Other, net.....	(34)	(498)	(290)	(4,155)
Net cash provided by (used in) investing activities.....	(13,677)	(17,057)	(113,978)	(142,145)
Cash flows from financing activities:				
Net increase (decrease) in short-term loans payable.....	349	157	2,909	1,314
Proceeds from long-term loans payable.....	-	3,216	-	26,800
Repayments of long-term loans payable.....	(186)	(3,318)	(1,551)	(27,657)
Purchase of treasury shares.....	(1)	(9)	(14)	(75)
Cash dividends paid.....	(4,192)	(4,826)	(34,933)	(40,223)
Other, net.....	(108)	(97)	(904)	(808)
Net cash provided by (used in) financing activities.....	(4,139)	(4,878)	(34,494)	(40,650)
Effect of exchange rate change on cash and cash equivalents.....	1,110	2,163	9,250	18,029
Net increase (decrease) in cash and cash equivalents.....	6,429	(3,725)	53,576	(31,042)
Cash and cash equivalents at beginning of period.....	42,852	49,281	357,101	410,677
Cash and cash equivalents at end of period.....	¥ 49,281	¥ 45,556	\$ 410,677	\$ 379,634

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 JPY 120 = US\$ 1, the exchange rate prevailing on September 30, 2015. 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, 2014 included the accounts of the Company, five domestic subsidiaries and twelve foreign subsidiaries in the United States of America, EU and Asia, and those as of and for the year ended September 30, 2015 included the accounts of the Company, four domestic subsidiaries and thirteen foreign subsidiaries. The Company has adopted the equity method of accounting for its investment in three affiliates for the years ended September 30, 2014 and 2015. 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 benefit formula 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 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 March 26, 2015) pursuant to certain provisions described in the main clause of Section 35 of the standard and in the main clause of Section 67 of the guidance effective from the beginning of the fiscal year ended September 30, 2015. Under the new standards, the calculation methods of retirement benefit obligations and service costs are revised. In addition, the method of attributing the projected benefits is changed from the straight-line method to the benefit formula method, and the method for determining discount rate is also changed to use a single weighted-average discount rate reflecting the expected timing and amount of

benefit payments from the discount rate based on the average period for the expected payment date.

In accordance with transitional treatment as stipulated in Clause 37 of the standard, the effects of these changes are recognized in retained earnings at October 1, 2014.

As a result, net defined benefit liability increased by ¥3,694 million (US\$ 30,784 thousand) and retained earnings decreased by ¥2,407 million (US\$ 20,062 thousand) at October 1, 2014. The effect of these changes on consolidated operating income and income before income taxes and minority interests was immaterial.

In addition, net assets per share decreased by ¥14.97 (US\$ 0.12), while the effect of change on net income per share was immaterial.

Net defined benefit liability

In the current fiscal year, to promote the soundness of financial retirement benefits, the Company contributed ¥5,000 million (US\$ 41,666 thousand) in cash to the retirement benefit trust. Accordingly, the balance of net defined benefit liability has decreased by the same amount.

3. Other Comprehensive Income

Reclassification adjustments and income tax effect allocated to each component of other comprehensive income for the year ended September 30, 2014 and 2015 were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars	
	2014	2015	2014	2015
Valuation difference on available-for-sale securities:				
Amount arising during the year	¥ 189	¥ (200)	\$ 1,579	\$ (1,666)
Amount before income tax effect	189	(200)	1,579	(1,666)
Income tax effect	(35)	25	(299)	208
Valuation difference on available-for-sale securities	153	(175)	1,279	(1,458)
Foreign currency translation adjustment:				
Amount arising during the year	2,121	2,823	17,676	23,529
Reclassification adjustments	5	(5)	43	(48)
Foreign currency translation adjustment	2,126	2,817	17,719	23,481
Remeasurements of defined benefit plans:				
Amount arising during the year	-	(92)	-	(773)
Reclassification adjustments	-	(121)	-	(1,013)
Amount before income tax effect	-	(214)	-	(1,786)
Income tax effect	-	128	-	1,067
Remeasurements of defined benefit plans	-	(86)	-	(719)
Share of other comprehensive income of entities accounted for using equity method:				
Amount arising during the year	(0)	34	(4)	283
Total other comprehensive income	¥ 2,279	¥ 2,590	\$ 18,994	\$ 21,586

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, 2015 was 1.1%.

Long-term debt at September 30, 2014 and 2015 were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars	
	2014	2015	2014	2015
Loans principally from banks due serially through 2030	¥ 7,084	¥ 6,981	\$ 59,036	\$ 58,178
Less current portion	(3,179)	(3,172)	(26,497)	(26,439)
	¥ 3,904	¥ 3,808	\$ 32,538	\$ 31,738

At September 30, 2014 and 2015, property, plant and equipment which had a carrying amount of ¥4,638 million (US\$38,651 thousand) and ¥4,872 million (US\$40,606 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, 2014 and 2015 were as follows:

	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	-	\$ 14,064	\$ 7,594	\$ 6,469	-
Other	-	-	-	-	-	-	-	-
	¥ 1,687	¥ 911	¥ 776	-	\$ 14,064	\$ 7,594	\$ 6,469	-

	Millions of Japanese Yen				Thousands of U.S. Dollars			
	2015				2015			
	Carrying amount	Cost	Unrealized gain	Unrealized loss	Carrying amount	Cost	Unrealized gain	Unrealized loss
Equity securities	¥ 1,487	¥ 911	¥ 576	-	\$ 12,397	\$ 7,594	\$ 4,803	-
Other	-	-	-	-	-	-	-	-
	¥ 1,487	¥ 911	¥ 576	-	\$ 12,397	\$ 7,594	\$ 4,803	-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Retirement benefits

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 and 2015 were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars	
	2014	2015	2014	2015
Retirement benefit obligation at beginning of current period	¥ 23,682	¥ 24,889	\$ 197,351	\$ 207,415
Cumulative effects of changes in accounting policies	-	3,694	-	30,784
Restated balances	23,682	28,583	197,351	238,199
Service cost	1,343	1,448	11,194	12,071
Interest cost	465	259	3,876	2,166
Actuarial gain and loss	104	282	872	2,352
Retirement benefits paid	(746)	(812)	(6,221)	(6,774)
Foreign currency translation differences	41	44	342	369
Retirement benefit obligation at end of current period	¥ 24,889	¥ 29,806	\$ 207,415	\$ 248,385

The changes in plan assets during the year ended September 30, 2014 and 2015 were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars	
	2014	2015	2014	2015
Plan assets at beginning of current period	¥ 17,340	¥ 20,058	\$ 144,501	\$ 167,158
Expected return on plan assets	279	333	2,329	2,776
Actuarial gain and loss	835	213	6,958	1,779
Contributions by the Company	1,941	668	16,180	5,571
Contribution to retirement benefit trust	-	5,000	-	41,666
Retirement benefits paid	(337)	(424)	(2,811)	(3,536)
Plan assets at end of current period	¥ 20,058	¥ 25,849	\$ 167,158	\$ 215,415

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 and 2015 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of Japanese Yen		Thousands of U.S. Dollars	
	2014	2015	2014	2015
Funded retirement benefit obligation	¥ 24,389	¥ 29,230	\$ 203,241	\$ 243,583
Plan assets at fair value	(20,058)	(25,849)	(167,158)	(215,415)
	4,330	3,380	36,083	28,168
Unfunded retirement benefit obligation	500	576	4,173	4,801
Net liability for retirement benefits in the balance sheet	4,830	3,956	40,257	32,969
Net defined benefit liability	4,830	3,956	40,257	32,969
Net liability for retirement benefits in the balance sheet	4,830	3,956	40,257	32,969

The components of retirement benefit expense for the year ended September 30, 2014 and 2015 were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars	
	2014	2015	2014	2015
Service cost.....	¥ 1,343	¥ 1,448	\$ 11,194	\$ 12,071
Interest cost.....	465	259	3,876	2,166
Expected return on plan assets.....	(279)	(333)	(2,329)	(2,776)
Amortization of actuarial gain and loss.....	15	(35)	129	(292)
Amortization of prior service cost.....	(86)	(86)	(720)	(720)
Retirement benefit expense.....	¥ 1,458	¥ 1,253	\$ 12,150	\$ 10,448

Prior service cost and actuarial gain and loss included in other comprehensive income (before tax effect) for the year ended September 30, 2014 and 2015 were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars	
	2014	2015	2014	2015
Prior service cost.....	-	¥ 86	-	\$ 720
Actuarial gain and loss.....	-	103	-	865
Other.....	-	24	-	200
Total.....	-	¥ 214	-	\$ 1,786

Unrecognized prior service cost and unrecognized actuarial gain and loss included in accumulated other comprehensive income (before tax effect) as of September 30, 2014 and 2015 were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars	
	2014	2015	2014	2015
Unrecognized prior service cost.....	¥ (518)	¥ (432)	\$ (4,324)	\$ (3,603)
Unrecognized actuarial gain and loss.....	(1,230)	(1,109)	(10,256)	(9,247)
Total.....	¥ (1,749)	¥ (1,542)	\$ (14,581)	\$ (12,851)

The fair value of plan assets, by major category, as a percentage of total plan assets as of September 30, 2014 and 2015 were as follows:

	2014	2015
Bonds.....	48%	56%
General accounts at life insurance companies.....	34%	26%
Stocks.....	17%	14%
Other.....	1%	4%
Total.....	100%	100%

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:

	2014	2015
Discount rates.....	2.0%	0.9%
Expected rates of return on plan assets.....	2.0%	2.0%
Estimated rates of salary increase.....	2.8%	2.9%

The amount paid to the defined contribution plans for the year ended September 30, 2014 and 2015 were ¥325 million (US\$ 2,709 thousand) and ¥392 million (US\$ 3,274 thousand), respectively.

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% and 34.83% for the year ended September 30, 2014 and 2015 respectively.

Significant components of deferred tax assets and liabilities at September 30, 2014 and 2015 were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars	
	2014	2015	2014	2015
Deferred tax assets:				
Contribution to retirement benefit trust.....	¥ 1,741	¥ 3,156	\$ 14,512	\$ 26,300
Depreciation.....	2,068	1,961	17,235	16,346
Unrealized gain on sales of inventories.....	1,108	1,146	9,237	9,556
Net defined benefit liability.....	1,576	1,143	13,137	9,527
Provision for bonuses.....	1,198	1,023	9,985	8,530
Write down of inventories.....	425	425	3,543	3,542
Noncurrent accounts payable.....	469	422	3,911	3,522
Impairment loss.....	320	271	2,667	2,262
Write down of investment securities.....	241	219	2,012	1,828
Others.....	1,294	1,153	10,785	9,612
Less valuation allowance.....	(1,715)	(1,585)	(14,298)	(13,208)
Total deferred tax assets.....	¥ 8,727	¥ 9,338	\$ 72,731	\$ 77,820
Amount set off against deferred tax liabilities.....	(109)	(78)	(909)	(654)
Net deferred tax assets.....	¥ 8,618	¥ 9,260	\$ 71,822	\$ 77,166
Deferred tax liabilities				
Deferred income under preferential tax treatment.....	¥ 167	¥ 154	\$ 1,397	\$ 1,284
Others.....	158	124	1,319	1,034
Total deferred tax liabilities.....	¥ 326	¥ 278	\$ 2,716	\$ 2,319
Amount set off against deferred tax assets.....	(109)	(78)	(909)	(654)
Net deferred tax liabilities.....	¥ 216	¥ 199	\$ 1,806	\$ 1,665

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, 2014 and 2015 were as follows:

	2014	2015
Normal effective statutory tax rate for the Company.....	37.20 %	34.83 %
Tax credit.....	(4.87)	(5.27)
Statutory tax rates variance of overseas subsidiaries.....	(2.92)	(2.08)
Expenses not deductible for income tax purposes.....	1.46	0.57
Reduction in deferred tax assets due to tax rate changes.....	0.74	3.24
Other, net.....	0.78	1.29
Actual effective tax rate.....	32.39 %	32.58 %

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 PMTs, imaging devices and light sources. 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, 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

Year ended or as of September 30, 2015	Millions of Japanese Yen							
	Reportable Segment				Others	Total	Adjustments	Consolidated total
	Electron Tube	Opto-semiconductor	Imaging and Measurement Instruments	Total				
Net sales								
Outside customers	¥ 48,706	¥ 51,944	¥ 16,201	¥ 116,852	¥ 3,839	¥ 120,691	-	¥ 120,691
Intersegment	1,227	942	10	2,180	949	3,130	(3,130)	-
Total net sales	49,934	52,886	16,211	119,032	4,788	123,821	(3,130)	120,691
Segment income	¥ 17,861	¥ 16,114	¥ 3,793	¥ 37,769	¥ 172	¥ 37,941	¥ (14,345)	¥ 23,596
Segment assets	¥ 48,174	¥ 43,608	¥ 11,685	¥ 103,467	¥ 6,433	¥ 109,901	¥ 116,278	¥ 226,179
Other items								
Depreciation and amortization	¥ 2,953	¥ 3,655	¥ 1,124	¥ 7,733	¥ 393	¥ 8,127	¥ 1,344	¥ 9,471
Increase in property, plant and equipment and intangible assets	¥ 6,486	¥ 5,441	¥ 769	¥ 12,697	¥ 347	¥ 13,045	¥ 1,917	¥ 14,963

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Segment Information (continued)

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	\$ 379,585	\$ 409,678	\$ 116,853	\$ 906,116	\$ 27,988	\$ 934,105	-	\$ 934,105
Intersegment	11,008	5,846	358	17,213	7,605	24,818	(24,818)	-
Total net sales	390,593	415,524	117,211	923,329	35,593	958,923	(24,818)	934,105
Segment income	\$ 138,399	\$ 136,053	\$ 20,813	\$ 295,266	\$ 2,693	\$ 297,960	\$ (117,416)	\$ 180,544
Segment assets	\$ 358,944	\$ 334,951	\$ 89,198	\$ 783,094	\$ 48,022	\$ 831,116	\$ 963,985	\$ 1,795,102
Other items								
Depreciation and amortization	\$ 21,738	\$ 22,432	\$ 6,775	\$ 50,946	\$ 2,830	\$ 53,776	\$ 12,082	\$ 65,858
Increase in property, plant and equipment and intangible assets	\$ 61,826	\$ 43,913	\$ 5,943	\$ 111,683	\$ 4,630	\$ 116,313	\$ 17,049	\$ 133,363

Year ended or as of September 30, 2015	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	\$ 405,887	\$ 432,869	\$ 135,010	\$ 973,767	\$ 31,991	\$ 1,005,759	-	\$ 1,005,759
Intersegment	10,230	7,853	88	18,171	7,914	26,086	(26,086)	-
Total net sales	416,117	440,722	135,098	991,938	39,906	1,031,845	(26,086)	1,005,759
Segment income	\$ 148,847	\$ 134,287	\$ 31,609	\$ 314,743	\$ 1,436	\$ 316,179	\$ (119,546)	\$ 196,633
Segment assets	\$ 401,454	\$ 363,400	\$ 97,377	\$ 862,231	\$ 53,612	\$ 915,844	\$ 968,988	\$ 1,884,832
Other items								
Depreciation and amortization	\$ 24,610	\$ 30,462	\$ 9,370	\$ 64,443	\$ 3,281	\$ 67,725	\$ 11,205	\$ 78,930
Increase in property, plant and equipment and intangible assets	\$ 54,053	\$ 45,347	\$ 6,413	\$ 105,814	\$ 2,898	\$ 108,713	\$ 15,982	\$ 124,695

9. Per Share Information

	Japanese Yen		U.S. Dollars	
	2014	2015	2014	2015
Per share of common stock:				
Net income	¥ 94.26	¥ 103.23	\$ 0.78	\$ 0.86
Cash dividends applicable to the year	55.00	49.00	0.45	0.40

* Hamamatsu Photonics implemented a two-for-one stock split on April 1, 2015. Net income per share has been calculated by assuming this stock split was executed at the beginning of the fiscal year ended September 30, 2014. And our annual cash dividends for the current fiscal year came to JPY 49 (US\$ 0.40) per share. When translated into the equivalent value before the two-for-one stock split, the annual cash dividends come to JPY 68 (US\$ 0.56) per share, up by JPY 13 (US\$ 0.11) per share from the previous fiscal year.



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, 2015, 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, 2015, 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 18, 2015
Hamamatsu, Japan

A member firm of Ernst & Young Global Limited

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

Tadahiko Shimazu

Kiyotaka Ise

Naofumi Toriyama

Kashiko Kodate

Audit & Supervisory Board Members

Kazuhiko Mori (Standing)

Hiroshi Mizushima (Standing)

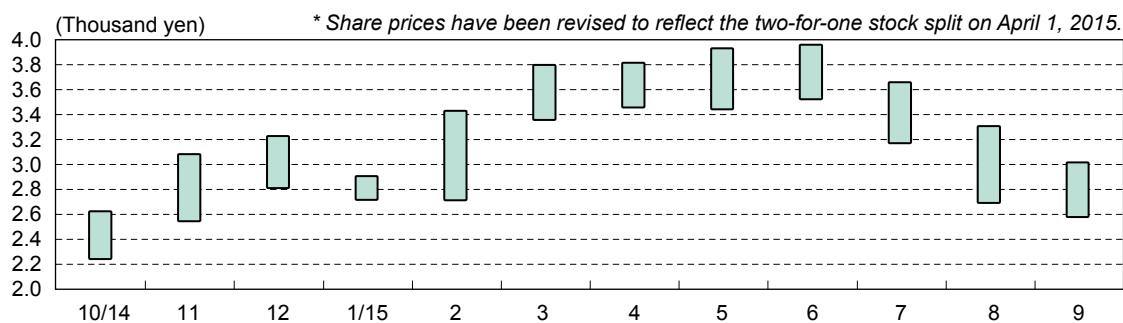
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Established:	September 29, 1953
Paid-in Capital:	34,928,648,325 yen
Common Stock Authorized:	500,000,000 shares
Issued:	167,529,968 shares
Stock Listing:	Tokyo Stock Exchange (1st Section) ID number 6965 Trading Unit 100 shares
Number of Shareholders:	30,774
Number of Employees:	4,482
Independent Auditors:	Ernst & Young ShinNihon LLC Hamamatsu City, Shizuoka Pref.
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, 2015	Percentage to total shares outstanding (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	5.38
Toyota Motor Corporation	5.01
Hamamatsu Photonics K.K. employees	3.28
Japan Trustee Services Bank, Ltd. (Trust Account 9)	3.10
Japan Trustee Services Bank, Ltd. (Trust Account)	2.95
State Street Bank and Trust Company	2.69
Teruo Hiruma.....	1.88
The Nomura Trust and Banking Co., Ltd. (Investment Trust).....	1.75
The Chase Manhattan Bank, N.A. London Special Account No.1	1.67
State Street Bank and Trust Company 505225	1.36

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HAMAMATSU
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