

# ANNUAL REPORT 2017

For the year ended September 30, 2017



**HAMAMATSU PHOTONICS K.K.**

# ANNUAL REPORT 2017

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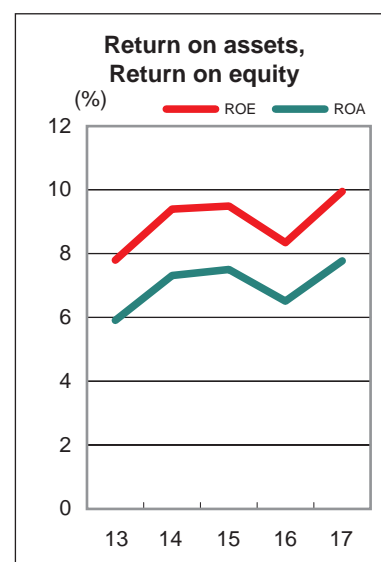
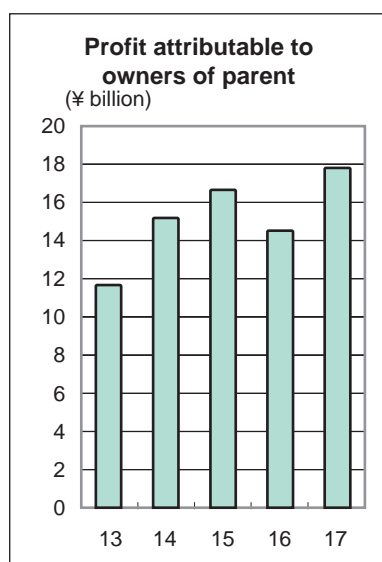
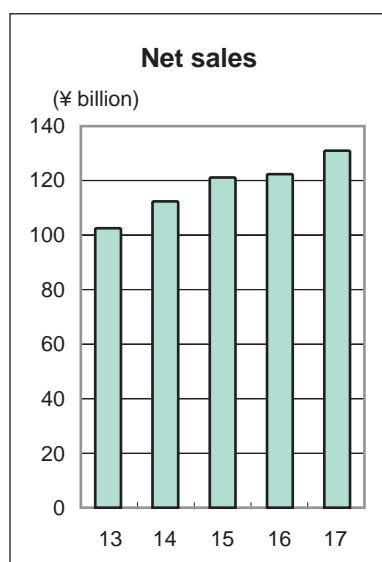
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# FINANCIAL HIGHLIGHTS

Consolidated:

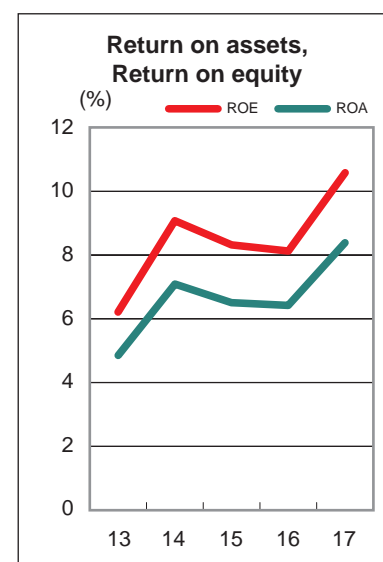
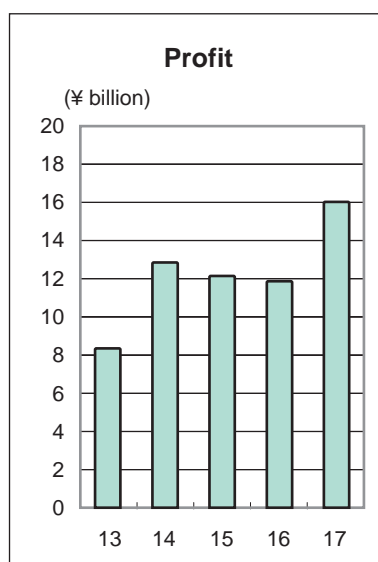
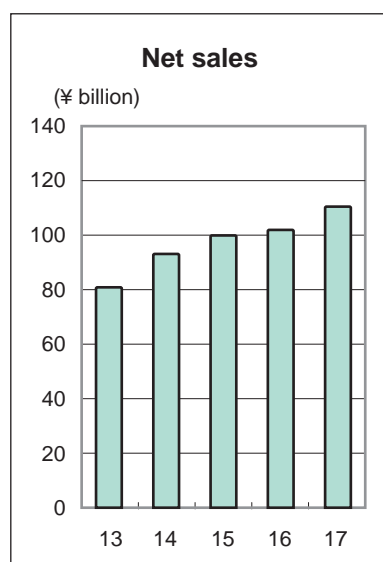
	Millions of Japanese Yen		Thousands of U.S. Dollars (*)	
	2016	2017	2016	2017
Net sales.....	¥ 121,852	<b>¥ 130,495</b>	\$ 1,078,336	<b>\$ 1,154,825</b>
Operating income .....	20,544	<b>22,849</b>	181,805	<b>202,207</b>
Profit before income taxes.....	20,080	<b>23,570</b>	177,705	<b>208,588</b>
Profit attributable to owners of parent.....	14,419	<b>17,777</b>	127,608	<b>157,322</b>
Total assets .....	217,300	<b>239,331</b>	1,923,015	<b>2,117,977</b>
Net assets.....	169,716	<b>187,558</b>	1,501,918	<b>1,659,806</b>
R & D expenses.....	11,873	<b>11,776</b>	105,074	<b>104,214</b>
Per share information (in Yen and U.S. Dollars)				
Earnings per share .....	¥ 90.23	<b>¥ 113.00</b>	\$ 0.79	<b>\$ 1.00</b>
Cash dividends .....	¥ 34.00	<b>¥ 34.00</b>	\$ 0.30	<b>\$ 0.30</b>



(\*) 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 113 = US\$ 1.

## Non-consolidated:

	Millions of Japanese Yen		Thousands of U.S. Dollars (*)	
	2016	2017	2016	2017
Net sales.....	¥ 101,786	<b>¥ 110,200</b>	\$ 900,761	<b>\$ 975,227</b>
Operating income .....	13,663	<b>16,742</b>	120,916	<b>148,163</b>
Profit before income taxes.....	15,883	<b>19,599</b>	140,561	<b>173,445</b>
Profit .....	11,922	<b>16,044</b>	105,506	<b>141,984</b>
Total assets .....	184,019	<b>198,798</b>	1,628,495	<b>1,759,279</b>
Net assets.....	145,992	<b>157,483</b>	1,291,969	<b>1,393,655</b>
R & D expenses.....	11,608	<b>11,529</b>	102,726	<b>102,031</b>
Per share information (in Yen and U.S. Dollars)				
Earnings per share .....	¥ 74.48	<b>¥ 101.81</b>	\$ 0.65	<b>\$ 0.90</b>
Cash dividends .....	¥ 34.00	<b>¥ 34.00</b>	\$ 0.30	<b>\$ 0.30</b>



## TO OUR SHAREHOLDERS



Dear Shareholders:

During the fiscal year ended September 30, 2017 (from October 1, 2016 through September 30, 2017), Japan's economy generally maintained its recovery trajectory, despite concerns that included the political instability in Europe and the United States and elevated geopolitical risks in East Asia, as movement toward a recovery in exports was evident, and capital investment also exhibited modest growth as corporate earnings improved.

Given these circumstances, our Group strove to expand net sales and earnings by further improving the proprietary photonics technologies we have cultivated over many years, and continuing to make capital investments aimed at boosting production capacity and enhancing product development capabilities.

As a result, we closed the fiscal year 2017 with net sales of JPY 130,495 million, up by JPY 8,643 million (7.1%), thanks to higher domestic sales and overseas sales. From an earnings perspective as well, operating income was JPY 22,849 million, up by JPY 2,305 million (11.2%) from the previous year and profit attributable to owners of parent was JPY 17,777 million, up by JPY 3,357 million (23.3%) from the previous year.

With regard to the business environment surrounding our Group, the economy fluctuated around a gradual recovery trend, with an increase in capital investment against the backdrop of improved corporate earnings. Nevertheless, the economic outlook remains to be lack of optimism by uncertain circumstances, including the future direction of the economies of newly developing countries and the political trends in Europe and the United States.

Given such circumstances, the scope of application for the photonics technologies pursued by our Group can be seen to be expanding on a worldwide scale, and these technologies have become a key enabling technology in the manufacture of state-of-the-art devices in fields such as medicine and industry, improvements in performance, or new technical innovations.

Since being established, the Company has honed the core technologies such as photodetectors that drive our business growth, and has responded promptly and flexibly to changes and issues in the external environment. In sectors such as the medical and industrial fields, where the pace of change is accelerating, expectations are high that photonics technologies will lead to high-value-added products in the future as well, and our Company is being called upon to possess ever greater capacity to meet these expectations. Together with further strengthening the Group's domestic and overseas organization to address this growing demand for photonics technologies, the Company will press forward with aggressive research and development investment and capital investments aimed at broadening the scope of application of new applications opened up by the evolution of elemental and photonics technologies.

As the Group, we will live up to our shareholders' expectations, and contribute to the development of industry and society, by expanding our business domain and creating a sustainable, stable and strong earnings organization through the introduction of competitive, high-value-added products to the market, while never forgetting the venture mentality from the Company's conception.

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

Sincerely,



Akira Hiruma  
President and CEO  
December 22, 2017

# DIVISIONAL REVIEW

## *Electron Tube Division (Electron Tube Segment)*

For over 60 years, Hamamatsu Photonics has developed and manufactured photomultiplier tubes (PMT). 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 PMT, electron multipliers, microchannel plates, image intensifiers, X-ray products, and a wide variety of light sources. In fiscal year 2017, sales of these products accounted for 37.4% of net sales.

### *Sales of PMT*



PMT for inspection and monitoring systems

Sales of PMT increased in the medical field for inspection and monitoring systems such as blood analyzers, particularly in overseas markets, where these products enjoy a favorable reputation for highly sensitive, low-noise, high-speed operations. In addition, in the measuring instrument field, sales for oil-well logging devices that offer superior ruggedness to withstand against harsh work conditions such as high temperatures, shocks, and vibrations were higher. Further, sales for academic applications such as high-energy physics experiments also increased. As a result, sales of PMT increased.

### *Sales of imaging devices and light sources*

In imaging devices and light sources, sales in the industrial field of microfocus X-ray sources for non-destructive testing were brisk, primarily in overseas markets. Sales in the medical field of scintillators for converting X-rays into visible light increased. Further, sales of deuterium lamps for environmental analysis also were brisk. Net sales of imaging devices and light sources grew as a result.

In total, the Electron Tube business comprised of PMT and imaging devices and light sources closed the fiscal year 2017 with net sales of JPY 48,744 million, up by 6.9% from the previous year.



X-ray scintillator



## *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 2017, sales of these products accounted for 46.4% of net sales.

### *Sales of opto-semiconductors*



Optical encoder modules using a combination of a photo IC and red LED, mainly used for factory automation applications

In opto-semiconductor devices, sales of flat panel sensors, which enjoy an excellent reputation for the high performance and superb quality, went up significantly, mainly in Europe and China, in conjunction with expansion of the dental equipment market. In the industrial field, sales of Photo ICs and LED increased mainly in domestic market in the FA (Factory Automation) sector for applications such as controls for industrial-use robots and other equipment, and sales of image sensors for semiconductor fabrication and inspection equipment turned in a strong performance as well. As a result, net sales of opto-semiconductors increased.

In total, net sales for the Opto-semiconductor business were JPY 60,589 million, up by 9.0% 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 2017, sales of these products accounted for 13.2% of net sales.

### *Sales of image processing and measurement systems*

In the image processing and measurement systems, failure analysis systems for semiconductor devices were steady overseas, but domestic sales contracted, affected by constraints on semiconductor capital investment. However, sales of X-ray line sensor cameras rose strongly primarily for food inspection applications, partly due to the launch of new longer-life-type products. In addition, new products addressing customers' needs for digital slide scanners in pathology also contributed to increased sales, particularly in Europe. As a result, net sales of image processing and measurement systems increased.

As a result, net sales for the Imaging and Measurement Instruments business were JPY 17,214 million, up by 5.3% from the previous year.



New digital slide scanner "NanoZoomer S60" for pathology research and diagnosis

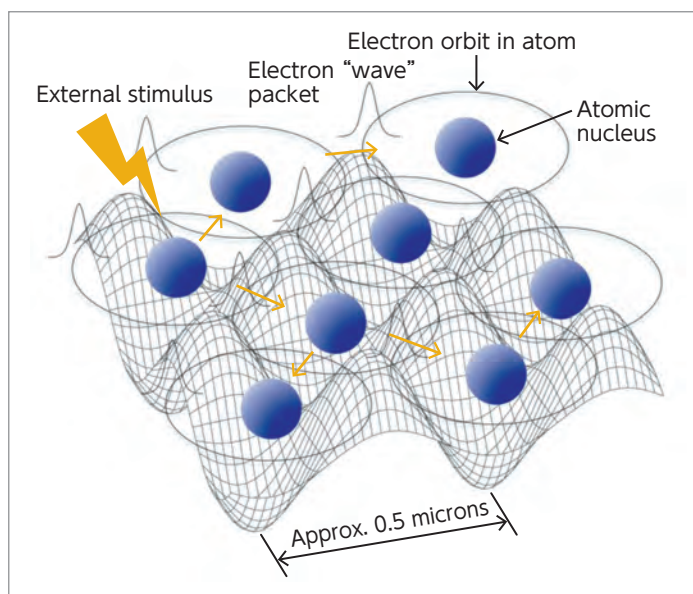
## RESEARCH & DEVELOPMENT

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 2017, funds allocated to research and development totaled JPY 11,776 million, a decrease of 0.8% over the previous fiscal year. Some highlights of our R&D efforts are presented here.

### *Basic research*

#### *Promoting basic research for ultrafast quantum simulators*

In the photonics basic research sector, we are pursuing research on an ultrafast quantum simulator. In materials, atoms and molecules exchange energy. And such phenomenon determines the characteristics of products such as semiconductor devices, superconductors, and drugs. A quantum simulator is a device for performing simulations of the activity inside an artificial atomic ensemble to clarify this mechanism, and is expected to assist the development of new products, including new functional materials and new drugs. Using the spatial light modulation technology the Company has cultivated over many years, it has created technology for forming arbitrary optical patterns with excellent reproducibility<sup>(\*1)</sup>. This is one of the photonics technologies required to develop a quantum simulator, and is used to examine the effect that stimulation from an external source exerts atomic ensembles. Moreover, we can anticipate further research and development because this technology is not limited only to pure research but can be applied to new super-resolution microscopes and three-dimensional measurement technology as well.



Schematic view of ultrafast quantum simulator in which atoms are assembled into an artificial strongly correlated system  
(Courtesy of Prof. Ohmori, Institute for Molecular Sciences, National Institute of Natural Sciences, Japan)  
An externally applied stimulus alters electron orbits creating electron wave packets reaching internally throughout the atomic assembly.

(\*1) This result was achieved through joint research with the Institute for Molecular Science of the National Institutes of Natural Sciences, based on “Addressing Quantum Many-Body Dynamics by Ultrafast Coherent Control with Attosecond Precision”, a Grant-in-Aid for Scientific Research (Specially Promoted Research) from the Japan Society for the Promotion of Science.

## Product development

### World's smallest high-voltage power supply module with high stability

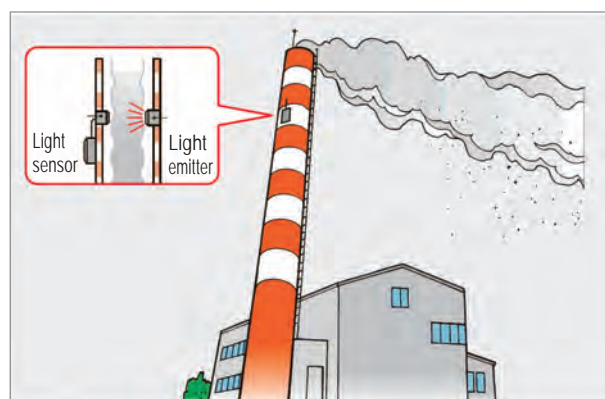
Because of the high voltage required for operation of photomultiplier tubes (PMT), the Company also develops and manufactures various high-voltage power supplies. This includes high-voltage power supply modules, small devices that can step up a voltage of several volts to about 1,000 volts. In addition to PMT, these modules have been adopted for a variety of small measurement instruments, such as simple testing equipment for medical care and airport baggage inspection machines. With the advances in miniaturization of measurement devices in recent years, their application has spread to fields such as sanitation management, medical care, and environmental measurement, and even further miniaturization is being demanded. Given such demand, the Company developed the world's smallest high-voltage power supply module with high stability, which achieved the same high performance as traditional devices but with less than half the size, by improving the structural design and circuit design and devising a proprietary manufacturing technique. As a high-performance, high-voltage power supply module for PMT, this product supports automated mounting processes for the first time anywhere in the world, enabling customers to greatly shorten working times in their manufacturing processes. Furthermore, by making mass production feasible, these modules also will enable the Company to support future market growth. In the future the Company will pursue the development of even smaller high-voltage power supply modules, and strive to expand their use not only in PMT but in a broad range of applications.



Newly developed high-voltage power supply module (left) and previously marketed high-voltage power supply module (right)

### Infrared detectors for gas analysis

In infrared detectors that use InAsSb (indium arsenide antimonide) as a material, the Company developed high-speed, high sensitivity infrared detectors that operate at normal temperatures and expand the sensitivity wavelength band from  $8 \mu\text{m}$  to  $11 \mu\text{m}$ . This was achieved with the proprietary thin film crystal growth technology and processing technology cultivated by the Company. As a result, it has become possible to measure substances such as ammonia and ozone that absorb wavelengths in the vicinity of  $10 \mu\text{m}$ , and together with measurement of air pollutants such as nitrogen oxide and sulfur oxide that absorb in the shorter wavelength bands, which has been gaining attention for some time, has made it feasible using only this detector. The Company is one of the few firms in the world producing devices for both light detection and emission in the infrared wavelength band. As devices enabling gas analysis at higher speeds, higher sensitivity, and higher resolution than was feasible in the past, through the combination of these detectors with Company-produced light emission devices possessing oscillation wavelengths in the infrared wavelength band, further growth in demand can be expected.



Application to flue gas monitor

## *Contributing to dental care with X-ray image sensors*

In recent dental X-ray diagnosis, digital X-ray imaging that instantly stores the acquired images as electronic data is becoming widely used, because it offers much less radiation than traditional techniques using X-ray films. Digital X-ray imaging makes use of a compact sensor unit that usually consists of an X-ray image sensor and its drive circuit.

X-ray image sensors are applied to “intraoral imaging” that captures images of several teeth by inserting a sensor itself into the mouth of a patient, “panoramic imaging” that displays tomographic images of the whole dental state including the jaw by scanning around the patient’s head, and “2D imaging” such as cephalometric imaging that views the entire skull from the side and front. X-ray image sensors are also used for dental CT imaging that creates 3D images and demand for X-ray imaging is expanding rapidly in Europe, the USA and other countries due to recent progress in dental implant treatment (artificial tooth root implants).

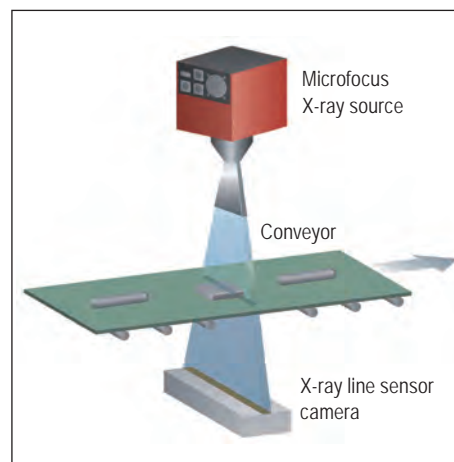
Hamamatsu Photonics has been designing and developing various types of image sensors for many years. Our image sensors are made of materials such as monocrystalline silicon or special polycrystalline silicon optimized to produce high quality images. We also provide flat panel sensors, which are a type of X-ray image sensor having a unique structure in which a scintillator we developed and produce in-house is directly deposited on the sensor surface to achieve higher sensitivity and resolution. Combining our own related technologies in this way makes our image sensors very competitive in performance compared with other competitors’ products, and so allows us to expand our market share both domestically and abroad.

We will continuously promote development of state-of-the-art image sensors with vastly improved characteristics and functions to spur rapid progress in X-ray image diagnostic technology including dental X-ray imaging.



## *Our optical technology plays an active role in non-destructive inspection*

Recently, the application of non-destructive inspection technology<sup>(\*1)</sup> is becoming widespread year by year to include not only defect inspection of electronic parts and baggage inspection at airports, but also production line inspections in food processing plants due to increasing consumer awareness of food safety. We supply a diverse array of X-ray generator and sensor devices for the wide-ranging non-destructive inspection market. For example, our microfocus X-ray sources are capable of acquiring high-definition images and so are widely used for inspection of smartphones and lithium-ion batteries that are incorporating ever more sophisticated functions. Also, for security measures against terrorism that is a growing global threat, more and more baggage screening systems are becoming installed at airports and railway stations. Applying our semiconductor technology amassed over many years, we are developing products that meet diverse customer needs. In food inspection applications, X-ray line sensor cameras we developed by using the most of our advanced semiconductor sensor technology are widely used and highly rated by customers for their high speed and high sensitivity, showing a steady increase in sales. We promote the expanding non-destructive inspection market with our unique photonics technology while flexibly supporting customer needs and responding to changes in the environment around us, by merging our in-house technologies and applying existing technologies to new application fields.



Example using a microfocus X-ray source and a X-ray line sensor camera

(\*1) Non-destructive inspection or testing is an inspection method for detecting defects and flaws in products by viewing their internal condition by way of the “light” transmitting through them, without physically affecting any item under inspection such as materials, components, or structural objects.

## *Signature to the “UN Global Compact”*

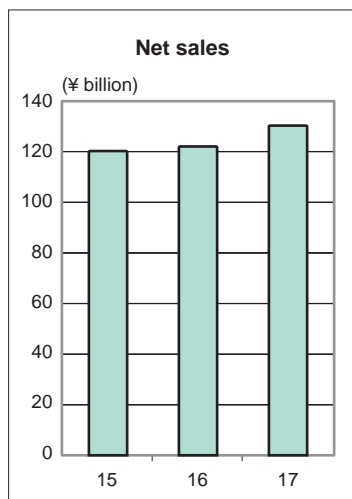
Hamamatsu Photonics signed the UN Global Compact (UNGC) proposed by the United Nations and was registered as a member company on August 18, 2017.

The companies and organizations who signed the UNGC will comply with the UNGC's 10 principles in 4 fields including human rights, labor, environment, and anti-corruption and are making strong efforts to accomplish this.

We encourage every employee to maintain high ethical standards and aim to contribute to both society and humanity and also to grow and develop as a trusted company by creating new industries through photonics technology. We will support the UNGC's 10 principles as a global company to assist in developing a sustainable society.



# FINANCIAL REVIEW

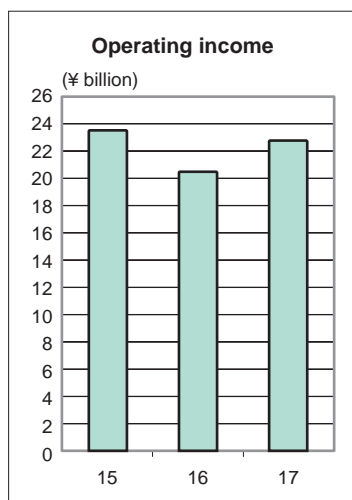


## Net sales

During the fiscal year ended September 30, 2017 (from October 1, 2016 through September 30, 2017), nevertheless facing some difficulties such as geopolitical risk increasing in East Asia and political situations in the Western countries, Japan's economy generally remained in a recovery trend as some export indexes showed recovery signs and corporate profitability is improved while capital investment gradually increases.

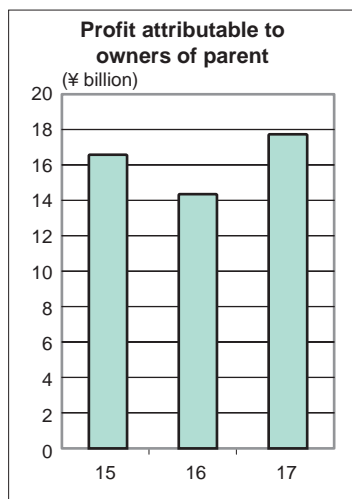
In the context of these general situation, we closed the fiscal year 2017 with net sales of JPY 130,495 million (US\$ 1,154,825 thousand), up by 7.1% from the previous year, thanks to higher sales in both of domestic and overseas business.

Performance by segment, sales in the Electron Tube business comprised of Photomultiplier Tubes (PMT) and Imaging Devices and Light Sources amounted JPY 48,744 million (US\$ 431,367 thousand), up by 6.9% from the previous year. Sales of Opto-semiconductor was JPY 60,589 million (US\$ 536,189 thousand), up by 9.0% over the previous year. Sales of the Imaging and Measurement Instruments increased 5.3% to JPY 17,214 million (US\$ 152,336 thousand). Net sales from other business, mainly semiconductor laser business, hotel operations and a business relating to the proprietary products of Beijing Hamamatsu Photon Techniques, Inc., which is a subsidiary in China, were JPY 3,947 million (US\$ 34,931 thousand), down by 8.2% over last year.



## Operating income

Cost of sales increased 8.0% or JPY 4,862 million (US\$ 43,033 thousand) over the previous year to JPY 65,670 million (US\$ 581,152 thousand). The cost of sales ratio weakened 0.4 points to 50.3% this year. Selling, general and administrative expenses were JPY 30,199 million (US\$ 267,250 thousand), up by 5.5%, JPY 1,572 million (US\$ 13,912 thousand). Research and development expenses were JPY 11,776 million (US\$ 104,214 thousand), down by 0.8% from previous year. As a result, operating income was JPY 22,849 million (US\$ 202,207 thousand), up by 11.2%. Operating income for Electron tube, Opto-semiconductor and Imaging and measurement instruments business segment was JPY 16,992 million (US\$ 150,380 thousand), up by 10.8%, JPY 18,155 million (US\$ 160,665 thousand), up by 12.5% and JPY 3,544 million (US\$ 31,366 thousand), up by 0.2%, respectively. Other business recorded an operating income of JPY 281 million (US\$ 2,488 thousand), down by 50.9%.



## Profit attributable to owners of parent

Other income, on net basis, was JPY 720 million (US\$ 6,380 thousand), compared with JPY 463 million (US\$ 4,100 thousand) net of other expenses for the previous year. Reflecting the previously cited factors, profit attributable to owners of parent for the fiscal year ended September 30, 2017 was up by 23.3% to JPY 17,777 million (US\$ 157,322 thousand) from JPY 14,419 million (US\$ 127,608 thousand). Consequently, earnings per share increased from JPY 90.23 (US\$ 0.79) to JPY 113.00 (US\$ 1.00). Dividend per share applicable to the fiscal year was JPY 34 (US\$ 0.30).

### Financial position

Current assets increased by JPY 16,325 million (US\$ 144,475 thousand) from the year ended September 30, 2016. This mainly reflected an increase in cash and deposits of JPY 9,399 million (US\$ 83,177 thousand), and an increase in notes and accounts receivable-trade of JPY 5,692 million (US\$ 50,373 thousand), respectively. Non-current assets increased by JPY 5,705 million (US\$ 50,487 thousand) from the year ended September 30, 2016, this was mainly from an increase in property, plant and equipment of JPY 3,999 million (US\$ 35,394 thousand), that resulted from an increase in buildings and structures. Total assets at the fiscal year-end were JPY 239,331 million (US\$ 2,117,977 thousand), up by JPY 22,030 million (US\$ 194,962 thousand) from the year ended September 30, 2016.

Current liabilities were up by JPY 8,182 million (US\$ 72,412 thousand) from the prior fiscal year-end. Total current liabilities increased because of an increase in current portion of long-term loans payable of JPY 2,975 million (US\$ 26,329 thousand) and an increase in income taxes payable of JPY 1,498 million (US\$ 13,264 thousand), respectively. Non-current liabilities decreased by JPY 3,993 million (US\$ 35,337 thousand) from the previous fiscal year-end, mainly due to a decrease in long-term loans payable of JPY 3,160 million (US\$ 27,972 thousand).

Net assets were JPY 187,558 million (US\$ 1,659,806 thousand), up by JPY 17,841 million (US\$ 157,888 thousand) from the previous fiscal year-end. This mainly reflected an increase in retained earnings of JPY 12,419 million (US\$ 109,907 thousand) as a result of reporting profit attributable to owners of parent, and an increase of JPY 4,132 million (US\$ 36,567 thousand) as a result of the foreign currency translation adjustment, respectively.

### Cash flows

At the end of this fiscal year, cash and cash equivalents stood at JPY 63,385 million (US\$ 560,937 thousand), up by JPY 9,790 million (US\$ 86,638 thousand) from the year ended September 30, 2016. Cash flows for the fiscal year ended September 30, 2017 (from October 1, 2016 through September 30, 2017) were as follows.

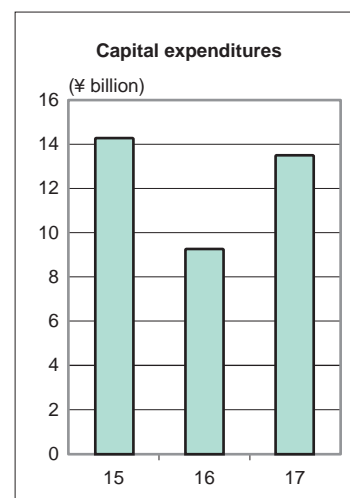
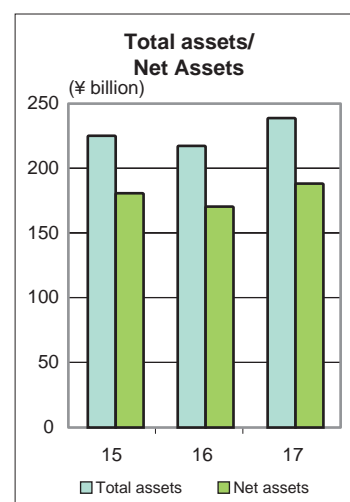
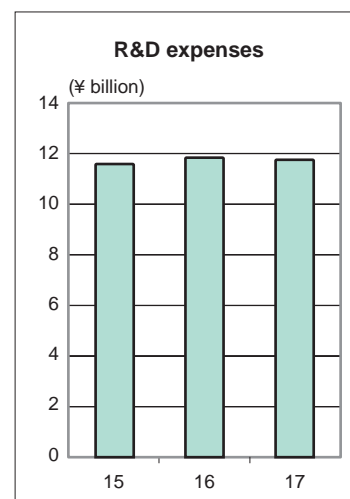
Net cash provided by operating activities during the year was JPY 26,154 million (US\$ 231,457 thousand), up by JPY 1,994 million (US\$ 17,647 thousand) over the previous year. The increase is mainly generated from an increase in profit before income taxes in the previous fiscal year, and a decrease in income taxes paid, etc.

Net cash used in investing activities was JPY 13,198 million (US\$ 116,802 thousand), due mainly to expenditures in acquirement of fixed tangible assets, etc. This compares with net cash provided by investing activities in the previous fiscal year of JPY 4,186 million (US\$ 37,051 thousand), increase in cancellation of time deposits for longer than three months, which are not counted as cash, in conjunction with the purchase of treasury shares.

Net cash used in financing activities was JPY 5,707 million (US\$ 50,505 thousand), down by JPY 9,706 million (US\$ 85,896 thousand) from the previous year, due mainly to a decrease in expenditures for purchase of treasury shares.

### Capital expenditures

Capital expenditures during fiscal year 2017 totaled JPY 13,572 million (US\$ 120,111 thousand), 45.7% or JPY 4,257 million (US\$ 37,674 thousand) higher than previous fiscal year. Major investments were made in new facility for Opto-semiconductor production aimed at boosting the production. 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

	<i>Millions of Japanese Yen</i>				
	2013	2014	2015	2016	2017
<b>For the year:</b>					
Net sales .....	¥ 102,156	¥ 112,092	¥ 120,691	¥ 121,852	¥ 130,495
Operating income .....	16,781	21,665	23,596	20,544	22,849
Profit before income taxes .....	17,904	22,462	24,672	20,080	23,570
Profit attributable to owners of parent.....	11,529	15,155	16,598	14,419	17,777
Capital expenditures .....	9,184	15,499	14,338	9,315	13,572
Depreciation.....	7,769	7,396	8,561	9,888	9,441
R&D expenses.....	10,885	10,977	11,615	11,873	11,776
<b>At year-end:</b>					
Working capital .....	¥ 105,517	¥ 106,901	¥ 111,326	¥ 108,631	¥ 116,774
Total assets .....	198,278	215,412	226,179	217,300	239,331
Capital stock .....	34,928	34,928	34,928	34,928	34,928
Net assets.....	154,385	168,815	180,770	169,716	187,558
Number of shares issued (thousands).....	83,764	83,764	167,529	167,529	167,529
Number of employees.....	4,415	4,420	4,482	4,592	4,683

	<i>Japanese Yen</i>				
	2013	2014	2015	2016	2017
<b>Per share information:</b>					
Earnings per share					
Basic .....	¥ 143.41	¥ 94.26	¥ 103.23	¥ 90.23	¥ 113.00
Diluted.....	-	-	-	-	-
Cash dividends .....	50.00	55.00	49.00	34.00	34.00
Net assets.....	1,913.98	1,046.56	1,120.38	1,075.31	1,188.30

\* Hamamatsu Photonics implemented a two-for-one stock split on April 1, 2015. Earnings per share has been calculated by assuming this stock split had been executed at the beginning of the fiscal year ended September 30, 2014.

	<i>Percent</i>				
	2013	2014	2015	2016	2017
<b>Ratios:</b>					
Equity ratio.....	77.6	78.1	79.6	77.8	78.1
Return on net sales.....	11.3	13.5	13.8	11.8	13.6
Return on assets.....	5.9	7.3	7.5	6.5	7.8
Return on equity .....	7.8	9.4	9.5	8.3	10.0

## CONSOLIDATED SUBSIDIARIES

<b>Japan</b>	Koso Corporation Takaoka Electronics Co., Ltd. Hamamatsu Electronic Press Co., Ltd. Iwata Grand Hotel Inc.	Iwata City, Shizuoka Pref., Japan Hamamatsu City, Shizuoka Pref., Japan Iwata City, Shizuoka Pref., Japan Iwata City, Shizuoka Pref., Japan
<b>Asia</b>	Hamamatsu Photonics (China) Co., Ltd. Hamamatsu Photonics Taiwan Co., Ltd. Beijing Hamamatsu Photon Techniques, Inc. Hamamatsu Photonics Scientific Instrument (Beijing) Co., Ltd. Hamamatsu Photonics Medical Technology (Lang Fang) Co., Ltd.	Beijing, China Hsinchu, Taiwan Beijing, China Beijing, China Hebei, China
<b>U.S.A.</b>	Photonics Management Corp. Hamamatsu Corporation	Bridgewater, New Jersey, U.S.A. Bridgewater, New Jersey, U.S.A.
<b>Europe</b>	Hamamatsu Photonics Deutschland GmbH Hamamatsu Photonics France S.A.R.L. Hamamatsu Photonics Italia S.r.l. Hamamatsu Photonics UK Limited Hamamatsu Photonics Norden AB Hamamatsu Photonics Europe GmbH	Herrsching, Germany Massy Cedex, France Arese, Italy Welwyn Garden City, United Kingdom Kista, Sweden Herrsching, Germany



# CONSOLIDATED BALANCE SHEET

Annual Report 2017

Hamamatsu Photonics K.K. and Consolidated Subsidiaries  
As of September 30, 2017

ASSETS	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 1)	
	2016	2017	2016	2017
<b>Current assets:</b>				
Cash and deposits (Note 9) .....	¥ 74,503	¥ 83,902	\$ 659,318	\$ 742,496
Receivables:				
Notes and accounts receivable-trade.....	27,916	33,608	247,047	297,420
Less: Allowance for doubtful accounts.....	(188)	(159)	(1,666)	(1,407)
Securities (Note 5) .....	1,000	-	8,849	-
Inventories:				
Merchandise and finished goods .....	7,554	8,742	66,857	77,371
Work in process .....	16,248	16,389	143,790	145,039
Raw materials and supplies .....	6,241	6,620	55,233	58,589
Other .....	3,993	4,184	35,343	37,028
Deferred tax assets (Note 7).....	3,239	3,545	28,665	31,377
	140,508	156,834	1,243,439	1,387,915
<b>Property, plant and equipment (Note 9):</b>				
Land.....	16,406	16,545	145,187	146,416
Buildings and structures .....	70,847	74,585	626,969	660,050
Machinery, equipment and vehicles .....	105,981	109,966	937,888	973,151
Construction in progress.....	4,625	5,983	40,934	52,955
	197,860	207,080	1,750,980	1,832,573
Less: Accumulated depreciation.....	(133,568)	(138,788)	(1,182,022)	(1,228,220)
	64,292	68,291	568,957	604,352
<b>Investments and other assets:</b>				
Investment securities (Note 5) .....	1,680	2,987	14,867	26,441
Investments in and advances to non-consolidated subsidiaries and affiliates .....	1,076	1,269	9,529	11,236
Other .....	3,104	3,534	27,472	31,280
Deferred tax assets (Note 7).....	6,638	6,412	58,746	56,750
	12,499	14,205	110,617	125,710
	¥ 217,300	¥ 239,331	\$ 1,923,015	\$ 2,117,977

See Notes to Consolidated Financial Statements.

# CONSOLIDATED BALANCE SHEET

LIABILITIES AND NET ASSETS	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 1)	
	2016	2017	2016	2017
<b>Current liabilities:</b>				
Short-term loans payable (Note 9).....	¥ 2,183	¥ 2,230	\$ 19,322	\$ 19,741
Current portion of long-term loans payable (Note 9) .....	218	3,194	1,938	28,267
Payables:				
Notes and accounts payable-trade .....	13,461	14,099	119,125	124,772
Construction and other.....	4,507	5,257	39,892	46,526
Income taxes payable (Note 7).....	2,019	3,517	17,868	31,132
Accrued expenses .....	6,484	8,073	57,382	71,445
Other.....	3,002	3,686	26,566	32,622
	31,876	40,059	282,096	354,508
<b>Non-current liabilities:</b>				
Long-term loans payable (Note 9) .....	6,844	3,683	60,574	32,601
Net defined benefit liability (Note 6).....	7,118	7,025	62,993	62,173
Other.....	1,561	731	13,819	6,472
Deferred tax liabilities (Note 7) .....	182	272	1,612	2,415
	15,707	11,713	139,000	103,662
<b>Net assets:</b>				
Shareholders' equity				
Capital stock, no par value:.....	34,928	34,928	309,103	309,103
Authorized - 500,000,000 shares				
Issued - 167,529,968 shares in 2016				
- 167,529,968 shares in 2017				
Capital surplus .....	34,672	34,672	306,837	306,837
Retained earnings.....	119,259	131,678	1,055,390	1,165,298
Less: Treasury shares.....	(16,059)	(16,060)	(142,122)	(142,125)
- 10,213,758 shares in 2016				
- 10,213,886 shares in 2017				
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities.....	455	1,259	4,030	11,149
Foreign currency translation adjustment.....	(2,921)	1,210	(25,856)	10,710
Remeasurements of defined benefit plans.....	(1,170)	(750)	(10,362)	(6,641)
Non-controlling interests .....	553	618	4,897	5,475
	169,716	187,558	1,501,918	1,659,806
	¥ 217,300	¥ 239,331	\$ 1,923,015	\$ 2,117,977

See Notes to Consolidated Financial Statements.

# CONSOLIDATED STATEMENT OF INCOME

Annual Report 2017

Hamamatsu Photonics K.K. and Consolidated Subsidiaries  
Year ended September 30, 2017

	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 1)	
	2016	2017	2016	2017
<b>Net sales</b> .....	¥ 121,852	¥ 130,495	\$ 1,078,336	\$ 1,154,825
<b>Operating costs and expenses</b>				
Cost of sales.....	60,807	65,670	538,118	581,152
Selling, general and administrative expenses.....	28,627	30,199	253,337	267,250
Research and development expenses.....	11,873	11,776	105,074	104,214
<b>Operating income</b> .....	20,544	22,849	181,805	202,207
<b>Other income (expenses):</b>				
Interest and dividend income.....	278	253	2,462	2,242
Interest expenses.....	(97)	(121)	(866)	(1,077)
Other, net.....	(643)	589	(5,696)	5,215
<b>Profit before income taxes</b> .....	20,080	23,570	177,705	208,588
<b>Income taxes (Note 7)</b>				
Current.....	5,294	6,137	46,857	54,313
Deferred.....	318	(409)	2,814	(3,626)
	5,612	5,727	49,672	50,687
<b>Profit</b> .....	14,467	17,842	128,032	157,900
<b>Profit attributable to non-controlling interests</b> .....	(47)	(65)	(424)	(577)
<b>Profit attributable to owners of parent</b> .....	¥ 14,419	¥ 17,777	\$ 127,608	\$ 157,322

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Note 3)

Hamamatsu Photonics K.K. and Consolidated Subsidiaries  
Year ended September 30, 2017

	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 1)	
	2016	2017	2016	2017
<b>Profit</b> .....	¥ 14,467	¥ 17,842	\$ 128,032	\$ 157,900
<b>Other comprehensive income</b>				
Valuation difference on available-for-sale securities.....	(64)	804	(572)	7,119
Foreign currency translation adjustment.....	(7,352)	4,136	(65,070)	36,608
Remeasurements of defined benefit plans, net of tax.....	(2,245)	420	(19,869)	3,720
Share of other comprehensive income of entities accounted for using equity method.....	(39)	20	(349)	179
Total other comprehensive income.....	(9,702)	5,381	(85,862)	47,627
<b>Comprehensive income</b> .....	¥ 4,765	¥ 23,224	\$ 42,170	\$ 205,528
<b>Comprehensive income attributable to</b>				
Owners of parent.....	¥4,820	¥ 23,134	\$ 42,658	\$ 204,729
Non-controlling interests.....	(55)	90	(488)	798

See Notes to Consolidated Financial Statements.

# CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

Hamamatsu Photonics K.K. and Consolidated Subsidiaries  
Year ended September 30, 2017

	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 1)	
	2016	2017	2016	2017
<b>Capital stock:</b>				
Balance at beginning of current period .....	¥ 34,928	¥ 34,928	\$ 309,103	\$ 309,103
Total changes of items during period.....	-	-	-	-
Balance at end of current period.....	34,928	34,928	309,103	309,103
<b>Capital surplus:</b>				
Balance at beginning of current period .....	34,672	34,672	306,837	306,837
Total changes of items during period.....	-	-	-	-
Balance at end of current period.....	34,672	34,672	306,837	306,837
<b>Retained earnings:</b>				
Balance at beginning of current period .....	110,637	119,259	979,091	1,055,390
Dividends of surplus .....	(5,797)	(5,357)	(51,309)	(47,414)
Profit attributable to owners of parent.....	14,419	17,777	127,608	157,322
Balance at end of current period.....	119,259	131,678	1,055,390	1,165,298
<b>Treasury shares:</b>				
Balance at beginning of current period .....	(6,059)	(16,059)	(53,624)	(142,122)
Purchase of treasury shares.....	(10,000)	(0)	(88,497)	(3)
Balance at end of current period.....	(16,059)	(16,060)	(142,122)	(142,125)
<b>Valuation difference on available-for-sale securities:</b>				
Balance at beginning of current period .....	520	455	4,603	4,030
Net changes of items other than shareholders' equity.....	(64)	804	(572)	7,119
Balance at end of current period.....	455	1,259	4,030	11,149
<b>Foreign currency translation adjustment:</b>				
Balance at beginning of current period .....	4,367	(2,921)	38,650	(25,856)
Net changes of items other than shareholders' equity.....	(7,289)	4,132	(64,507)	36,567
Balance at end of current period.....	(2,921)	1,210	(25,856)	10,710
<b>Remeasurements of defined benefit plans:</b>				
Balance at beginning of current period .....	1,074	(1,170)	9,507	(10,362)
Net changes of items other than shareholders' equity.....	(2,245)	420	(19,869)	3,720
Balance at end of current period.....	(1,170)	(750)	(10,362)	(6,641)
<b>Non-controlling interests:</b>				
Balance at beginning of current period .....	629	553	5,572	4,897
Net changes of items other than shareholders' equity.....	(76)	65	(674)	577
Balance at end of current period.....	553	618	4,897	5,475
<b>Total net assets .....</b>	<b>¥ 169,716</b>	<b>¥ 187,558</b>	<b>\$ 1,501,918</b>	<b>\$ 1,659,806</b>

See Notes to Consolidated Financial Statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Annual Report 2017

Hamamatsu Photonics K.K. and Consolidated Subsidiaries  
Year ended September 30, 2017

	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 1)	
	2016	2017	2016	2017
<b>Cash flows from operating activities:</b>				
Profit before income taxes .....	¥ 20,080	¥ 23,570	\$ 177,705	\$ 208,588
Depreciation .....	10,547	10,043	93,343	88,882
Increase (decrease) in allowance for doubtful accounts .....	65	(45)	579	(398)
Increase (decrease) in provision for bonuses .....	189	911	1,677	8,069
Increase (decrease) in net defined benefit liability .....	2	468	22	4,148
Interest and dividend income .....	(278)	(253)	(2,462)	(2,242)
Interest expenses .....	97	121	866	1,077
Foreign exchange losses (gains) .....	59	(26)	524	(235)
Share of (profit) loss of entities accounted for using equity method ...	(57)	(102)	(506)	(907)
Loss on retirement of property, plant and equipment .....	71	484	633	4,287
Loss (gain) on sales of property, plant and equipment .....	(27)	(13)	(242)	(123)
Decrease (increase) in notes and accounts receivable-trade .....	(1,669)	(4,106)	(14,773)	(36,340)
Decrease (increase) in inventories .....	(2,369)	(563)	(20,965)	(4,985)
Increase (decrease) in notes and accounts payable-trade .....	2,408	(994)	21,313	(8,803)
Other, net .....	812	1,193	7,194	10,565
Subtotal .....	29,934	30,688	264,910	271,583
Interest and dividend income received .....	280	247	2,479	2,193
Interest expenses paid .....	(97)	(121)	(866)	(1,077)
Income taxes (paid) refund .....	(5,956)	(4,660)	(52,713)	(41,242)
Net cash provided by operating activities .....	24,160	26,154	213,809	231,457
<b>Cash flows from investing activities:</b>				
Net decrease (increase) in time deposits .....	14,936	590	132,183	5,222
Purchase of securities .....	(1,000)	-	(8,849)	-
Proceeds from sales of securities .....	-	1,000	-	8,849
Purchase of property, plant and equipment .....	(9,144)	(13,773)	(80,921)	(121,886)
Proceeds from sales of property, plant and equipment .....	47	31	419	276
Purchase of intangible assets .....	(424)	(741)	(3,760)	(6,565)
Other, net .....	(228)	(305)	(2,020)	(2,699)
Net cash provided by (used in) investing activities .....	4,186	(13,198)	37,051	(116,802)
<b>Cash flows from financing activities:</b>				
Net increase (decrease) in short-term loans payable .....	419	(29)	3,712	(258)
Proceeds from long-term loans payable .....	3,261	38	28,858	339
Repayments of long-term loans payable .....	(3,178)	(224)	(28,128)	(1,983)
Purchase of treasury shares .....	(10,000)	(0)	(88,497)	(3)
Cash dividends paid .....	(5,798)	(5,359)	(51,310)	(47,431)
Other, net .....	(117)	(132)	(1,036)	(1,168)
Net cash used in financing activities .....	(15,413)	(5,707)	(136,401)	(50,505)
Effect of exchange rate change on cash and cash equivalents .....	(4,894)	2,541	(43,312)	22,489
Net increase (decrease) in cash and cash equivalents .....	8,039	9,790	71,147	86,638
Cash and cash equivalents at beginning of period .....	45,556	53,595	403,151	474,299
Cash and cash equivalents at end of period (Note 4) .....	¥ 53,595	¥ 63,385	\$ 474,299	\$ 560,937

See Notes to Consolidated Financial Statements.

# 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 113 = US\$ 1, the exchange rate prevailing on September 30, 2017. 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 consolidated financial statements do not necessarily agree with the individual amounts.

## 2. Summary of Significant Accounting Policies

### (a) Principles of Consolidation

The consolidated financial statements for the year ended September 30, 2016 and 2017 include the accounts of the Company and its 17 subsidiaries and its 3 affiliates are accounted for by the equity method. All significant intercompany balances and transactions have been eliminated in consolidation. The Company does not consolidate nor apply the equity method to subsidiaries whose total assets, net sales, profit(loss) and retained earnings are not significant to the consolidated financial statements.

### (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 or by reducing book value when the inventory 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 property, plant and equipment is not capitalized.

Depreciation of property, 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 property, 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 and differences arising from the translation are included in the consolidated statement of income.

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 are translated into yen amounts at average rates for the period for each fiscal year. Any resulting translation differences are included in Foreign currency translation adjustment and Non-controlling interests as a separate component of net assets.

### (h) Derivative

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.

### (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.

### (j) Per share information

Earnings per share is computed based on the profit attributable to owners of parent 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.

### 3. Other Comprehensive Income

Reclassification adjustments and income tax effect allocated to each component of other comprehensive income for the years ended September 30, 2016 and 2017 were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars	
	2016	2017	2016	2017
<b>Valuation difference on available-for-sale securities:</b>				
Amount arising during the year .....	¥ (99)	¥ 1,071	\$ (877)	\$ 9,482
Amount before income tax effect .....	(99)	1,071	(877)	9,482
Income tax effect .....	34	(267)	304	(2,363)
Valuation difference on available-for-sale securities .....	(64)	804	(572)	7,119
<b>Foreign currency translation adjustment:</b>				
Amount arising during the year .....	(7,352)	4,136	(65,070)	36,608
Foreign currency translation adjustment .....	(7,352)	4,136	(65,070)	36,608
<b>Remeasurements of defined benefit plans:</b>				
Amount arising during the year .....	(3,057)	402	(27,059)	3,562
Reclassification adjustments .....	(161)	198	(1,432)	1,755
Amount before income tax effect .....	(3,219)	600	(28,492)	5,317
Income tax effect .....	974	(180)	8,622	(1,597)
Remeasurements of defined benefit plans .....	(2,245)	420	(19,869)	3,720
<b>Share of other comprehensive income of entities accounted for using equity method:</b>				
Amount arising during the year .....	(39)	20	(349)	179
<b>Total other comprehensive income</b> .....	¥ (9,702)	¥ 5,381	\$ (85,862)	\$ 47,627

### 4. Supplementary Cash Flow Information

Cash and cash equivalents in the consolidated statement of cash flows for years ended September 30, 2016 and 2017 were reconciled to cash and deposits in the consolidated balance sheet as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars	
	2016	2017	2016	2017
Cash and deposits .....	¥ 74,503	¥ 83,902	\$ 659,318	\$ 742,496
Time deposits with maturities of more than three months .....	(20,907)	(20,516)	(185,019)	(181,558)
Cash and cash equivalents .....	¥ 53,595	¥ 63,385	\$ 474,299	\$ 560,937

### 5. Investment Securities

Information regarding the marketable securities classified as other securities as of September 30, 2016 and 2017 were as follows:

	Millions of Japanese Yen				Thousands of U.S. Dollars			
	2016				2016			
	Carrying amount	Cost	Unrealized gain	Unrealized loss	Carrying amount	Cost	Unrealized gain	Unrealized loss
Equity securities	¥ 1,388	¥ 911	¥ 483	¥ (6)	\$ 12,288	\$ 8,064	\$ 4,279	\$ (56)
Other	1,000	1,000	-	-	8,849	8,849	-	-
	¥ 2,388	¥ 1,911	¥ 483	¥ (6)	\$ 21,137	\$ 16,914	\$ 4,279	\$ (56)

	Millions of Japanese Yen				Thousands of U.S. Dollars			
	2017				2017			
	Carrying amount	Cost	Unrealized gain	Unrealized loss	Carrying amount	Cost	Unrealized gain	Unrealized loss
Equity securities	¥ 2,460	¥ 911	¥ 1,548	-	\$ 21,770	\$ 8,064	\$ 13,705	-
Other	-	-	-	-	-	-	-	-
	¥ 2,460	¥ 911	¥ 1,548	-	\$ 21,770	\$ 8,064	\$ 13,705	-

# 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. The Company has retirement benefit trust.

The changes in the retirement benefit obligation during the years ended September 30, 2016 and 2017 were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars	
	2016	2017	2016	2017
Retirement benefit obligation at beginning of current period .....	¥ 29,806	¥ 33,525	\$ 263,771	\$ 296,687
Service cost.....	1,499	1,739	13,273	15,397
Interest cost.....	270	60	2,390	536
Actuarial gain and loss .....	3,057	(154)	27,058	(1,364)
Retirement benefits paid .....	(1,036)	(953)	(9,173)	(8,435)
Foreign currency translation differences .....	(71)	38	(632)	336
Retirement benefit obligation at end of current period.....	¥ 33,525	¥ 34,256	\$ 296,687	\$ 303,158

The changes in plan assets during the years ended September 30, 2016 and 2017 were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars	
	2016	2017	2016	2017
Plan assets at beginning of current period .....	¥ 25,849	¥ 26,407	\$ 228,759	\$ 233,693
Expected return on plan assets.....	383	391	3,390	3,464
Actuarial gain and loss .....	(11)	247	(101)	2,185
Contributions by the Company.....	693	706	6,141	6,248
Retirement benefits paid .....	(508)	(520)	(4,496)	(4,607)
Plan assets at end of current period.....	¥ 26,407	¥ 27,231	\$ 233,693	\$ 240,984

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of September 30, 2016 and 2017 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of Japanese Yen		Thousands of U.S. Dollars	
	2016	2017	2016	2017
Funded retirement benefit obligation .....	¥ 33,146	¥ 33,856	\$ 293,333	\$ 299,618
Plan assets at fair value .....	(26,407)	(27,231)	(233,693)	(240,984)
	6,739	6,625	59,639	58,633
Unfunded retirement benefit obligation.....	378	399	3,353	3,539
Net liability for retirement benefits in the balance sheet.....	7,118	7,025	62,993	62,173
	7,118	7,025	62,993	62,173
Net defined benefit liability.....	7,118	7,025	62,993	62,173
Net liability for retirement benefits in the balance sheet.....	¥ 7,118	¥ 7,025	\$ 62,993	\$ 62,173



The components of retirement benefit expense for the years ended September 30, 2016 and 2017 were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars	
	2016	2017	2016	2017
Service cost.....	¥ 1,499	¥ 1,739	\$ 13,273	\$ 15,397
Interest cost.....	270	60	2,390	536
Expected return on plan assets.....	(383)	(391)	(3,390)	(3,464)
Amortization of actuarial gain and loss.....	(75)	284	(667)	2,520
Amortization of prior service cost.....	(86)	(86)	(765)	(765)
Retirement benefit expense.....	¥ 1,224	¥ 1,607	\$ 10,840	\$ 14,224

Prior service cost and actuarial gain and loss included in other comprehensive income (before tax effect) for the years ended September 30, 2016 and 2017 were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars	
	2016	2017	2016	2017
Prior service cost.....	¥86	¥86	\$765	\$765
Actuarial gain and loss.....	3,144	(685)	27,827	(6,070)
Other.....	(11)	(1)	(99)	(12)
Total.....	¥3,219	¥(600)	\$28,492	\$(5,317)

Unrecognized prior service cost and unrecognized actuarial gain and loss included in accumulated other comprehensive income (before tax effect) as of September 30, 2016 and 2017 were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars	
	2016	2017	2016	2017
Unrecognized prior service cost.....	¥ (345)	¥ (259)	\$ (3,061)	\$ (2,295)
Unrecognized actuarial gain and loss.....	2,023	1,336	17,906	11,823
Total.....	¥ 1,677	¥ 1,076	\$ 14,845	\$ 9,527

The fair value of plan assets, by major category, as a percentage of total plan assets as of September 30, 2016 and 2017 were as follows:

	2016	2017
Bonds.....	56%	48%
General accounts at life insurance companies.....	26	26
Stocks.....	12	11
Other.....	6	15
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 in accounting for the above plans were as follows:

	2016	2017
Discount rate.....	0.2%	0.2%
Expected rates of return on plan assets.....	Principally 2.0%	Principally 2.0%
Estimated rate of salary increase.....	2.9%	2.9%

The amount paid to the defined contribution plans for the years ended September 30, 2016 and 2017 were ¥483 million (US\$ 4,280 thousand) and ¥514 million (US\$ 4,554 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 statutory effective tax rate of approximately 32.33% and 30.21% for the years ended September 30, 2016 and 2017 respectively.

Significant components of deferred tax assets and liabilities at September 30, 2016 and 2017 were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars	
	2016	2017	2016	2017
Deferred tax assets:				
Contribution to retirement benefit trust.....	¥ 3,034	¥ 3,053	\$ 26,857	\$ 27,020
Net defined benefit liability .....	2,015	1,978	17,840	17,507
Depreciation .....	1,930	1,955	17,087	17,302
Provision for bonuses.....	1,016	1,238	8,999	10,961
Unrealized gain on sales of inventories .....	978	1,159	8,655	10,258
Write down of inventories.....	470	476	4,165	4,214
Directors' retirement benefits .....	-	290	-	2,566
Impairment loss.....	257	257	2,282	2,282
Write down of investment securities.....	220	207	1,951	1,831
Others .....	1,564	1,202	13,843	10,641
Total gross deferred tax assets .....	11,490	11,818	101,683	104,586
Less valuation allowance .....	(1,486)	(1,260)	(13,158)	(11,155)
Total deferred tax assets .....	10,003	10,557	88,525	93,430
Amount set off against deferred tax liabilities.....	(125)	(599)	(1,113)	(5,302)
Net deferred tax assets .....	¥ 9,877	¥ 9,958	\$ 87,412	\$ 88,127
Deferred tax liabilities				
Valuation difference on available-for-sale securities.....	¥ 21	¥ 288	\$ 192	\$ 2,556
Deferred income under preferential tax treatment .....	137	154	1,215	1,365
Others .....	169	453	1,503	4,011
Total deferred tax liabilities.....	329	896	2,911	7,932
Amount set off against deferred tax assets.....	(125)	(599)	(1,113)	(5,302)
Net deferred tax liabilities .....	¥ 203	¥ 297	\$ 1,798	\$ 2,630

A reconciliation between the statutory effective tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended September 30, 2016 and 2017 were as follows:

	2016	2017
Statutory effective tax rate for the Company .....	32.33%	30.21%
Tax credit .....	(5.30)	(5.78)
Change in valuation allowance .....	0.08	(0.96)
Statutory tax rates variance of overseas subsidiaries.....	(2.77)	(0.22)
Expenses not deductible for income tax purposes.....	0.88	0.70
Reduction in deferred tax assets due to tax rate changes .....	1.97	-
Other, net .....	0.76	0.35
Actual effective tax rate .....	27.95%	24.30%

## 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 (PMT), 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 profit 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, 2016	Millions of Japanese Yen							
	Reportable Segment				Others	Total	Adjustments	Consolidated total
	Electron Tube	Opto-semiconductor	Imaging and Measurement Instruments	Total				
Net sales								
Outside customers	¥ 45,608	¥ 55,592	¥ 16,352	¥ 117,552	¥ 4,299	¥ 121,852	-	¥ 121,852
Intersegment	1,281	839	14	2,135	921	3,056	(3,056)	-
Total net sales	46,890	56,432	16,366	119,688	5,220	124,908	(3,056)	121,852
Segment income	¥ 15,342	¥ 16,141	¥ 3,538	¥ 35,022	¥ 572	¥ 35,594	¥ (15,050)	¥ 20,544
Segment assets	¥ 44,829	¥ 43,733	¥ 12,052	¥ 100,614	¥ 6,851	¥ 107,466	¥ 109,834	¥ 217,300
Other items								
Depreciation and amortization	¥ 3,527	¥ 4,101	¥ 914	¥ 8,544	¥ 399	¥ 8,943	¥ 1,559	¥ 10,503
Increase in property, plant and equipment and intangible assets	¥ 3,323	¥ 3,732	¥ 927	¥ 7,983	¥ 373	¥ 8,357	¥ 1,378	¥ 9,736

Year ended or as of September 30, 2017	Millions of Japanese Yen							
	Reportable Segment				Others	Total	Adjustments	Consolidated total
	Electron Tube	Opto-semiconductor	Imaging and Measurement Instruments	Total				
Net sales								
Outside customers	¥ 48,744	¥ 60,589	¥ 17,214	¥ 126,547	¥ 3,947	¥ 130,495	-	¥ 130,495
Intersegment	1,704	937	27	2,670	640	3,310	(3,310)	-
Total net sales	50,449	61,526	17,242	129,218	4,587	133,805	(3,310)	130,495
Segment income	¥ 16,992	¥ 18,155	¥ 3,544	¥ 38,692	¥ 281	¥ 38,973	¥ (16,124)	¥ 22,849
Segment assets	¥ 47,110	¥ 50,243	¥ 12,437	¥ 109,791	¥ 6,183	¥ 115,974	¥ 123,356	¥ 239,331
Other items								
Depreciation and amortization	¥ 3,420	¥ 3,903	¥ 869	¥ 8,193	¥ 338	¥ 8,531	¥ 1,468	¥ 10,000
Increase in property, plant and equipment and intangible assets	¥ 2,801	¥ 5,654	¥ 1,222	¥ 9,678	¥ 285	¥ 9,963	¥ 4,360	¥ 14,324

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended or as of September 30, 2016	Thousands of U.S. Dollars							
	Reportable Segment				Others	Total	Adjustments	Consolidated total
	Electron Tube	Opto-semiconductor	Imaging and Measurement Instruments	Total				
<b>Net sales</b>								
Outside customers	\$ 403,612	\$ 491,969	\$ 144,709	\$ 1,040,291	\$ 38,045	\$ 1,078,336	-	\$ 1,078,336
Intersegment	11,344	7,429	126	18,900	8,151	27,052	(27,052)	-
<b>Total net sales</b>	<b>414,957</b>	<b>499,399</b>	<b>144,835</b>	<b>1,059,192</b>	<b>46,197</b>	<b>1,105,389</b>	<b>(27,052)</b>	<b>1,078,336</b>
<b>Segment income</b>	<b>\$ 135,773</b>	<b>\$ 142,841</b>	<b>\$ 31,315</b>	<b>\$ 309,930</b>	<b>\$ 5,065</b>	<b>\$ 314,995</b>	<b>\$ (133,189)</b>	<b>\$ 181,805</b>
<b>Segment assets</b>	<b>\$ 396,717</b>	<b>\$ 387,017</b>	<b>\$ 106,660</b>	<b>\$ 890,396</b>	<b>\$ 60,636</b>	<b>\$ 951,032</b>	<b>\$ 971,982</b>	<b>\$ 1,923,015</b>
<b>Other items</b>								
Depreciation and amortization	\$ 31,213	\$ 36,300	\$ 8,097	\$ 75,611	\$ 3,538	\$ 79,149	\$ 13,799	\$ 92,949
Increase in property, plant and equipment and intangible assets	\$ 29,413	\$ 33,033	\$ 8,205	\$ 70,651	\$ 3,309	\$ 73,961	\$ 12,200	\$ 86,161

Year ended or as of September 30, 2017	Thousands of U.S. Dollars							
	Reportable Segment				Others	Total	Adjustments	Consolidated total
	Electron Tube	Opto-semiconductor	Imaging and Measurement Instruments	Total				
<b>Net sales</b>								
Outside customers	\$ 431,367	\$ 536,189	\$ 152,336	\$ 1,119,893	\$ 34,931	\$ 1,154,825	-	\$ 1,154,825
Intersegment	15,086	8,294	247	23,628	5,669	29,298	(29,298)	-
<b>Total net sales</b>	<b>446,453</b>	<b>544,484</b>	<b>152,584</b>	<b>1,143,522</b>	<b>40,601</b>	<b>1,184,123</b>	<b>(29,298)</b>	<b>1,154,825</b>
<b>Segment income</b>	<b>\$ 150,380</b>	<b>\$ 160,665</b>	<b>\$ 31,366</b>	<b>\$ 342,412</b>	<b>\$ 2,488</b>	<b>\$ 344,900</b>	<b>\$ (142,692)</b>	<b>\$ 202,207</b>
<b>Segment assets</b>	<b>\$ 416,906</b>	<b>\$ 444,631</b>	<b>\$ 110,067</b>	<b>\$ 971,604</b>	<b>\$ 54,719</b>	<b>\$ 1,026,323</b>	<b>\$ 1,091,654</b>	<b>\$ 2,117,977</b>
<b>Other items</b>								
Depreciation and amortization	\$ 30,271	\$ 34,542	\$ 7,692	\$ 72,506	\$ 2,995	\$ 75,501	\$ 12,998	\$ 88,500
Increase in property, plant and equipment and intangible assets	\$ 24,788	\$ 50,037	\$ 10,822	\$ 85,648	\$ 2,526	\$ 88,175	\$ 38,587	\$ 126,763

## 9. 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, 2017 is 0.7%.

Long-term debt at September 30, 2016 and 2017 were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars	
	2016	2017	2016	2017
Loans principally from banks due serially through 2031.....	¥ 7,063	¥ 6,878	\$ 62,512	\$ 60,869
Less current portion.....	(218)	(3,194)	(1,938)	(28,267)
	¥ 6,844	¥ 3,683	\$ 60,574	\$ 32,601

At September 30, 2016 and 2017, cash & deposits and property, plant & equipment which had a carrying amount of ¥4,815 million (US\$42,612 thousand) and ¥4,655 million (US\$41,199 thousand) were pledged as collateral for short-term bank loans and long-term debt, respectively.

## 10. Related Party Transactions

Related party transactions for the year ended September 30, 2016 are as follows;

										2016
Attribute	Name	Location	Amount of capital or investment in capital	The contents of a business operation or an occupation	Ownership (Owned) ratio (%)	Relationship	Nature of transaction	Trading amount	Account	Balance at the end of the fiscal year
Director	Teruo Hiruma	-	-	Chairman of the Board	(Owned) Direct 0.6	-	Purchase of treasury shares	¥2,870 million (\$25,398 thousand)	-	-

(Transaction terms and conditions, policy to decide such terms and conditions)

The Purchase of its treasury shares by the Company is a form of stock purchase through the Tokyo Stock Exchange Trading Network Off-Auction Own Share Repurchase Trading (ToSTNeT-3) at the closing stock price on May 27, 2016.

For the year ended September 30, 2017

None

## 11. Per Share Information

	Japanese Yen		U.S. Dollars	
	2016	2017	2016	2017
<b>Per share of common stock:</b>				
Earnings per share	¥ 90.23	¥ <b>113.00</b>	\$ 0.79	\$ <b>1.00</b>
Cash dividends	34.00	<b>34.00</b>	0.30	<b>0.30</b>

## 12. Subsequent Events

*(Business combination through acquisition)*

The Company made a resolution at the Board of Directors meeting held on September 11, 2017 for Photonics Management Corp. (PMC), a consolidated subsidiary, to turn Energetiq Technology Inc. (EQ), which manufactures and sells light sources, into a subsidiary. The stock transfer agreement was concluded as of September 20, 2017. The acquisition of these shares was completed on October 16, 2017.

### 1. Outline of business combination

(1) Name of the acquired company and the content of its business

Name of the acquired company: Energetiq Technology Inc.

Business content: Development, manufacture and sale of light sources for semiconductor inspections

(2) Main reason for the business combination

By adding of EQ's Laser Driven Light Sources and Extreme Ultraviolet light sources to the Company's light sources, product offerings of our group will be expanded and our response to the demands of semiconductor inspection equipment market will be strengthened. In addition, combining the light source development technologies cultivated by both companies will increase the speed of development and lead to the development of even greater value-added products to open up new markets.

(3) Business combination date

October 16, 2017

(4) Legal form of the business combination

Acquisition of shares with cash consideration

(5) Name of the company after the combination

Energetiq Technology Inc.

(6) Percentage of voting rights acquired

100%

(7) Main grounds for determining the acquiring company

This is because Photonics Management Corp., a consolidated subsidiary of the Company, acquired shares of EQ with cash consideration.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## *2. Acquisition price of the acquired company and acquisition cost breakdown*

Acquisition price: ¥ 6,040 million (\$ 53,454 thousand) in cash

Acquisition cost: ¥ 6,040 million (\$ 53,454 thousand)

Note: The above amount is an approximately amount at the time of the acquisition and may differ in the future due to price adjustment and other factors.

## *3. Details and amounts of main acquisition costs*

Advisory fee etc. (approximately): ¥ 102 million (\$ 908 thousand)

## *4. Amount, reason, amortization method and period of goodwill recognized*

Currently being determined

## *5. Assets acquired and liabilities assumed on the date of business combination and their major components*

Currently being determined

## *(Purchase and retirement of treasury shares)*

At the Board of Directors meeting held on November 13, 2017, the Company resolved matters relating to the purchase of treasury shares, pursuant to the provisions of Article 156 of the Companies Act, as applied by replacing the relevant terms pursuant to the provision of Article 165, Paragraph 3 of the Companies Act. The Company also resolved to retire treasury shares, pursuant to the provisions of Article 178 of the Companies Act.

### *1. Reason for purchasing and retiring treasury shares*

The Company will purchase and retire treasury shares as part of implementing flexible capital policy in response to changes in the business environment, and as part of its shareholder return policy.

### *2. Details of matters relating to the purchase of treasury shares*

#### (1) Type of shares subject to purchase

Common shares of the Company

#### (2) Total number of shares to be purchased

3,000,000 shares (maximum)

(1.90% of shares issued (excluding treasury shares))

#### (3) Total amount of shares to be purchased

¥ 10,000million (\$ 88,495 thousand) (maximum)

#### (4) Purchase period

From November 14, 2017 to March 23, 2018

#### (5) Purchase method

Open-market purchase on the Tokyo Stock Exchange

### *3. Details of matters relating to the retirement of treasury shares*

#### (1) Type of shares to be retired

Common shares of the Company

#### (2) Number of shares to be retired

All of the treasury shares purchased in "2." above.

#### (3) Scheduled date of share retirement

April 20, 2018



Ernst &amp; 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, 2017, 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, 2017, 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 22, 2017  
Hamamatsu, Japan

A member firm of Ernst & Young Global Limited

# DIRECTORS AND AUDIT & SUPERVISORY BOARD MEMBERS

## **Directors and Audit & Supervisory Board Members**

### **President and CEO**

Akira Hiruma, Representative Director

### **Vice President**

Junichi Takeuchi, Representative Director

### **Senior Managing Director**

Koei Yamamoto, Representative Director

### **Managing Directors**

Kenji Suzuki

Tsutomu Hara

Kenji Yoshida

### **Directors**

Naofumi Toriyama

Kazuhiko Mori

Tadashi Maruno

Takayuki Suzuki

Kashiko Kodate

Ken Koibuchi

### **Audit & Supervisory Board Members**

Hiroshi Mizushima

Akira Utsuyama

Yuji Maki

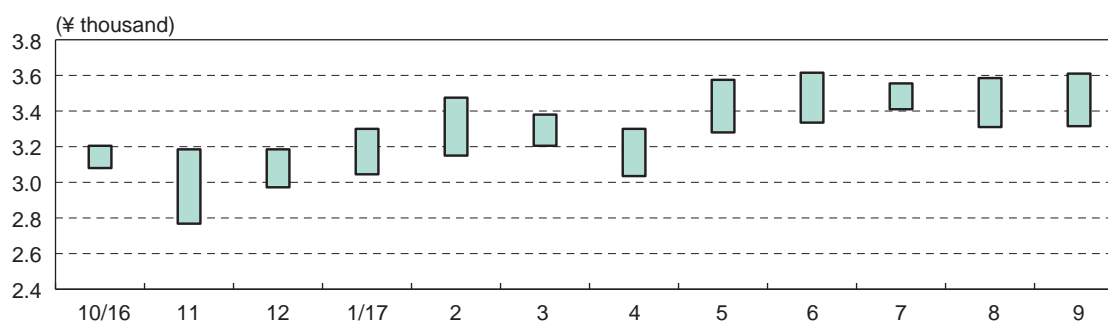
Saburo Sano



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

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:	24,254
Number of Employees:	4,683
Independent Auditor:	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, 2017 <sup>(*)</sup>	Percentage to total shares outstanding (%)
The Master Trust Bank of Japan, Ltd. (Trust Account) .....	5.44
Toyota Motor Corporation .....	5.01
State Street Bank and Trust Company .....	4.26
Japan Trustee Services Bank, Ltd. (Trust Account 9) .....	4.13
JP Morgan Chase Bank 380055 .....	3.86
Japan Trustee Services Bank, Ltd. (Trust Account) .....	3.35
Hamamatsu Photonics K.K. employees .....	2.98
The Nomura Trust and Banking Co., Ltd. (Investment Trust).....	1.71
Japan Trustee Services Bank, Ltd. (Trust Account 5) .....	1.64
State Street Bank West Client — Treaty 505234 .....	1.36

<sup>(\*)</sup> The Company holds 9,945,281 (5.94%) shares of treasury shares that is not included in the shares of the major shareholders shown above.

# PROFILE OF THE HAMAMATSU FAMILY



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