

Consolidated Financial Results for the First Quarter of Fiscal Year ending September 30, 2017 (Japanese GAAP)

February 6, 2017

Company name: Hamamatsu Photonics K.K. Stock listing: Tokyo Stock Exchange First Section
 Stock code: 6965 URL: <http://www.hamamatsu.com/ir/index.html>
 Representative: Akira Hiruma, President and Chief Executive Officer
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 Scheduled date to file quarterly securities report: February 10, 2017
 Scheduled date to begin dividend payments: -
 Supplementary materials to the financial statements have been prepared: None
 Presentation will be held to explain the financial statements: None

Note: All amounts are rounded down to the nearest million yen

1. Consolidated financial results for the three months ended Dec. 31, 2016 (From Oct. 1, 2016 through Dec. 31, 2016)

(1) Consolidated operating results

Note: Percentage figures represent changes from the same period of the previous year.

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended Dec. 31, 2016	29,981	0.5	4,300	(14.4)	4,775	(6.0)	3,621	(3.1)
Three months ended Dec. 31, 2015	29,822	4.3	5,023	(12.5)	5,082	(18.3)	3,736	(18.3)

Note: Comprehensive income

Three months ended Dec. 31, 2016: 6,900 million yen [103.8%]

Three months ended Dec. 31, 2015: 3,385 million yen [(52.8)%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended Dec. 31, 2016	23.02		-	
Three months ended Dec. 31, 2015	23.24		-	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of Dec. 31, 2016	223,673		173,937		77.5	
As of Sep. 30, 2016	217,300		169,716		77.8	

For reference: Equity

As of Dec. 31, 2016: 173,370 million yen

As of Sep. 30, 2016: 169,163 million yen

2. Dividends

(Base date)	Dividends per share				
	End of Q1	End of Q2	End of Q3	End of FY	Full FY
	Yen				
Fiscal year ended Sep. 30, 2016	-	17.00	-	17.00	34.00
Fiscal year ending Sep. 30, 2017	-				
Fiscal year ending Sep. 30, 2017 (Outlook)		17.00	-	17.00	34.00

Note: Revision of the forecasts for dividends most recently announced: No

3. Forecast of consolidated financial results for the fiscal year ending Sep. 30, 2017 (From Oct. 1, 2016 through Sep. 30, 2017)

Note: Percentage figures represent changes from the same period of the previous year.

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending Mar. 31, 2017	60,500	(3.7)	9,100	(18.0)	9,400	(16.0)	7,000	(11.2)	44.50
Fiscal year ending Sep. 30, 2017	122,500	0.5	19,000	(7.5)	19,600	(2.2)	14,400	(0.1)	91.54

Note: Revision of the forecasts for consolidated financial results most recently announced: No

4. Others

- (1) Changes in consolidated subsidiaries (Changes in scope of consolidation): None
- (2) Application of special accounting treatment for preparing quarterly consolidated financial statements: Yes
- (3) Changes in accounting principles, changes in accounting estimates, and changes in presentation due to revisions
 - (a) Changes in accounting principles accompanying revisions in accounting standards: None
 - (b) Changes other than those in (a) above: None
 - (c) Changes in accounting estimates: None
 - (d) Changes in presentation due to revisions: None
- (4) Number of shares outstanding
 - (a) Number of shares outstanding at end of period including treasury shares
 - As of Dec. 31, 2016: 167,529,968 shares
 - As of Sep. 30, 2016: 167,529,968 shares
 - (b) Number of treasury shares at end of period
 - As of Dec. 31, 2016: 10,213,758 shares
 - As of Sep. 30, 2016: 10,213,758 shares
 - (c) Average number of shares issued during the period
 - Three months ended Dec. 31, 2016: 157,316,210 shares
 - Three months ended Dec. 31, 2015: 160,786,317 shares

1. Qualitative Information Related to Consolidated Performance for the First Quarter of this Fiscal Year

(1) Operating Results

In the business environment for the first quarter of this fiscal year (three months ended December 31, 2016), the economy traced a gradual recovery trend as personal consumption remained steady and a recovery in export activity was evident as well. Nevertheless, there also were obstacles, such as the risk of a slowdown in the economies of newly developing countries, the problem of Great Britain's withdrawal from the EU, and the change of political administration in the United States, and the future outlook for the economy remained opaque.

Given these circumstances, our Group strove to ensure net sales and earnings by continuing proactive capital investment for the future, pursuing research and development concerning light, and working on the development of new products to address customers' needs.

As a result, we closed the first quarter with net sales of JPY 29,981 million, up by JPY 158 million (0.5%) over one year ago. From an earnings perspective, however, operating income was JPY 4,300 million, down JPY 723 million (14.4%) compared with one year ago, and ordinary income was JPY 4,775 million, down by JPY 307 million (6.0%) from the previous year, and quarterly profit attributable to owners of parent was JPY 3,621 million, down by JPY 114 million (3.1%) from the same period one year ago.

Performance by segment is as follows;

(Electron Tube)

Although sales of photomultiplier tubes (PMT) for nuclear medicine applications such as Positron Emission Tomography (PET) and semiconductor devices such as wafer inspection equipment were strong, and sales for academic applications also rose as a result of orders for PMT to use in high-energy physics experiments, results compared with the same period one year ago were negatively affected by downward pressure on sales as the exchange rate shifted to appreciation of the yen.

In imaging devices and light sources, sales in the industrial field of microfocus X-ray light sources for non-destructive testing devices improved steadily centered on Asia, but sales of our Stealth Dicing Engine for silicon wafer dicing contracted. In addition, sales in the medical field of scintillators for converting X-ray light into visible light struggled to expand.

As a result of the above factors, the Electron Tube business closed the first quarter with net sales of JPY 11,151 million, down by 4.1%, and operating income of JPY 3,638 million, down by 9.6% from the same period one year ago.

(Opto-semiconductor)

In opto-semiconductors, even though sales were pushed downward by the effect of the appreciation of the yen, sales of flat panel sensors for dental applications in the medical field rose substantially centered on overseas markets. In addition, sales of our core silicon photodiodes continued to increase steadily centered on applications for other medical devices. In the industrial field, sales of image sensors for semiconductor fabrication and inspection equipment, and sales of silicon photodiodes and LED for the encoders used for industrial robotic control, remained strong.

As a result, net sales in the Opto-semiconductor business were JPY 14,047 million, up by 4.5%, and operating income was JPY 4,071 million, down by 0.6% from the same period one year ago.

(Imaging and Measurement Instruments)

In the image processing and measurement systems business, sales of failure analysis systems for semiconductor manufacturing continued to expand vigorously, primarily in Asia, and sales of cameras for X-ray nondestructive testing in markets such as foods also were steady. On the other hand, sales of digital cameras used in the field of life sciences and biology declined, affected by the impact of inventory adjustments caused by delayed releases of customers' new products.

As a result, net sales for the Imaging and Measurement Instruments business were JPY 3,806 million, down by 0.3%, and operating income was JPY 674 million, down by 10.8% from the same period one year ago.

(Other)

Sales from other operations include the semiconductor laser business, hotel operations run by Iwata Grand Hotel Inc., a subsidiary, and business relating to the unique products of Beijing Hamamatsu Photon Techniques, Inc., which is also a subsidiary.

Net sales were JPY 975 million, up by 4.5%, and operating income was JPY 68 million, down by 19.7% from the same period one year ago.

(2) Financial Conditions

Current assets increased by JPY 3,455 million from the year ended September 30, 2016. This mainly reflected an increase in cash and deposits of JPY 2,455 million, and an increase in inventories of JPY 1,618 million, respectively.

Non-current assets increased by JPY 2,917 million from the end of the previous fiscal year. This was mainly from an increase in property, plant and equipment of JPY 2,595 million that resulted from increases in construction in progress, buildings and structures.

Total assets at the end of the first quarter were JPY 223,673 million, up by JPY 6,372 million from the year ended September 30, 2016.

Current liabilities increased by JPY 2,084 million from the end of the previous fiscal year. Total current liabilities increased mainly because of an increase in accounts payable - facilities (current liabilities-other) of JPY 1,236 million and an increase in deposits received (current liabilities-other) of JPY 1,173 million, respectively.

Non-current liabilities increased by JPY 67 million from the previous fiscal year-end, mainly due to an increase in net defined benefit liability of JPY 96 million.

Total liabilities at the end of the first quarter were JPY 49,735 million, up by JPY 2,151 million from the end of the fiscal year ended September 30, 2016.

Net assets were JPY 173,937 million, up by JPY 4,221 million from the previous fiscal year-end. This mainly reflected an increase in foreign currency translation adjustment of JPY 3,026 million, and an increase in retained earnings of JPY 942 million that included the reported profit attributable to owners of parent.

(3) Projection for the year

There is no change to the projection for the first six months ending March 31, 2017 and for the fiscal year ending September 30, 2017 released on November 7, 2016.

We assume the yen/US dollar exchange rate will be JPY 100 and the yen/Euro exchange rate will be JPY 110.

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of Japanese Yen)

	As of Sep. 30, 2016	As of Dec. 31, 2016
Assets		
Current assets		
Cash and deposits	74,503	76,958
Notes and accounts receivable - trade	27,916	29,164
Securities	1,000	-
Merchandise and finished goods	7,554	8,866
Work in process	16,248	16,527
Raw materials and supplies	6,241	6,268
Other	7,232	6,360
Allowance for doubtful accounts	(188)	(183)
Total current assets	140,508	143,964
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	29,231	29,905
Machinery, equipment and vehicles, net	10,070	10,586
Tools, furniture and fixtures, net	3,762	3,953
Land	16,406	16,463
Leased assets, net	195	188
Construction in progress	4,625	5,791
Total property, plant and equipment	64,292	66,888
Intangible assets	1,463	1,534
Investments and other assets		
Investment securities	2,446	2,744
Deferred tax assets	6,638	6,568
Other	1,970	1,992
Allowance for doubtful accounts	(19)	(19)
Total investments and other assets	11,036	11,286
Total non-current assets	76,792	79,709
Total assets	217,300	223,673

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of Japanese Yen)

	As of Sep. 30, 2016	As of Dec. 31, 2016
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,580	4,668
Electronically recorded obligations - operating	8,880	9,451
Short-term loans payable	2,183	2,176
Current portion of long-term loans payable	218	215
Income taxes payable	2,019	1,201
Provision for bonuses	3,613	1,767
Other	10,380	14,480
Total current liabilities	31,876	33,961
Non-current liabilities		
Long-term loans payable	6,844	6,801
Net defined benefit liability	7,118	7,215
Other	1,743	1,757
Total non-current liabilities	15,707	15,774
Total liabilities	47,583	49,735
Net assets		
Shareholders' equity		
Capital stock	34,928	34,928
Capital surplus	34,672	34,672
Retained earnings	119,259	120,201
Treasury shares	(16,059)	(16,059)
Total shareholders' equity	172,800	173,743
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	455	657
Foreign currency translation adjustment	(2,921)	104
Remeasurements of defined benefit plans	(1,170)	(1,134)
Total accumulated other comprehensive income	(3,637)	(372)
Non-controlling interests	553	567
Total net assets	169,716	173,937
Total liabilities and net assets	217,300	223,673

Consolidated Financial Statements

Consolidated Statements of Income

(Millions of Japanese Yen)

	Three months ended Dec. 31, 2015	Three months ended Dec. 31, 2016
Net sales	29,822	29,981
Cost of sales	14,388	15,288
Gross profit	15,433	14,692
Selling, general and administrative expenses	10,410	10,392
Operating income	5,023	4,300
Non-operating income		
Interest income	68	36
Rent of real estate for investment	36	27
Foreign exchange gains	-	370
Share of profit of entities accounted for using equity method	25	31
Other	90	66
Total non-operating income	220	533
Non-operating expenses		
Interest expenses	24	28
Rent expenses on real estates	18	15
Foreign exchange losses	110	-
Other	8	13
Total non-operating expenses	161	57
Ordinary income	5,082	4,775
Extraordinary income		
Gain on sales of non-current assets	26	8
Gain on sales of investment securities	-	0
Total extraordinary income	26	8
Extraordinary losses		
Loss on sales of non-current assets	0	5
Loss on retirement of non-current assets	4	7
Total extraordinary losses	4	13
Profit before income taxes	5,104	4,770
Income taxes	1,354	1,126
Profit	3,750	3,643
Profit attributable to non-controlling interests	14	22
Profit attributable to owners of parent	3,736	3,621

Consolidated Financial Statements

Consolidated Statements of Comprehensive Income

(Millions of Japanese Yen)

	Three months ended Dec. 31, 2015	Three months ended Dec. 31, 2016
Profit	3,750	3,643
Other comprehensive income		
Valuation difference on available-for-sale securities	80	201
Foreign currency translation adjustment	(531)	3,022
Remeasurements of defined benefit plans, net of tax	90	36
Share of other comprehensive income of entities accounted for using equity method	(4)	(3)
Total other comprehensive income	(364)	3,256
Comprehensive income	3,385	6,900
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,388	6,885
Comprehensive income attributable to non-controlling interests	(2)	14

Segment Information

Information on the Amounts of Sales and Income (Loss) for Reportable Segments

Three months ended December 31, 2015 (From Oct. 1, 2015 through Dec. 31, 2015)

(Millions of Japanese Yen)

	Reportable Segment				Other (Note 1)	Total	Adjustments (Note 2)	Consolidated total (Note 3)
	Electron Tube	Opto- semiconductor	Imaging and Measurement Instruments	Total				
Net sales								
Outside customers	11,624	13,446	3,817	28,888	933	29,822	-	29,822
Intersegment	304	226	1	532	244	776	(776)	-
Total net sales	11,929	13,673	3,818	29,421	1,177	30,598	(776)	29,822
Segment income	4,026	4,095	756	8,878	85	8,963	(3,939)	5,023

Notes:

1. The "Other" classification encompasses business segments not included in the reportable segments, and is the semiconductor laser business, hotel operations run by Iwata Grand Hotel Inc., a subsidiary, and business relating to the proprietary products of Beijing Hamamatsu Photon Techniques, Inc., which is also a subsidiary.
2. Adjustment of segment income of negative JPY 3,939 million represents intersegment transactions of negative JPY 312 million and unallocated corporate expenses of negative JPY 3,627 million. Corporate expenses mainly consist of general and administrative expenses and basic research expenses that are unattributable to reportable segments.
3. Segment income has been reconciled with operating income presented in the consolidated financial statements.

Three months ended December 31, 2016 (From Oct. 1, 2016 through Dec. 31, 2016)

(Millions of Japanese Yen)

	Reportable Segment				Other (Note 1)	Total	Adjustments (Note 2)	Consolidated total (Note 3)
	Electron Tube	Opto- semiconductor	Imaging and Measurement Instruments	Total				
Net sales								
Outside customers	11,151	14,047	3,806	29,005	975	29,981	-	29,981
Intersegment	428	187	2	618	129	748	(748)	-
Total net sales	11,580	14,235	3,808	29,624	1,105	30,729	(748)	29,981
Segment income	3,638	4,071	674	8,385	68	8,453	(4,153)	4,300

Notes:

1. The "Other" classification encompasses business segments not included in the reportable segments, and is the semiconductor laser business, hotel operations run by Iwata Grand Hotel Inc., a subsidiary, and business relating to the proprietary products of Beijing Hamamatsu Photon Techniques, Inc., which is also a subsidiary.
2. Adjustment of segment income of negative JPY 4,153 million represents intersegment transactions of negative JPY 361 million and unallocated corporate expenses of negative JPY 3,792 million. Corporate expenses mainly consist of general and administrative expenses and basic research expenses that are unattributable to reportable segments.
3. Segment income has been reconciled with operating income presented in the consolidated financial statements.