

Consolidated Financial Results for the Third Quarter of Fiscal Year ending September 30, 2022 (Japanese GAAP)

August 10, 2022

Company name: Hamamatsu Photonics K.K. Stock listing: Tokyo Stock Exchange
 Stock code: 6965 URL: <https://www.hamamatsu.com/jp/en.html>
 Representative: Akira Hiruma, Representative Director and President, Chief Executive Officer
 Contact: Kazuhiko Mori, Senior Executive Officer and General Manager of Accounting Div. (Phone: +81-53-452-2141)
 Scheduled date to file quarterly securities report: August 12, 2022
 Scheduled date to begin dividend payments: –
 Supplementary materials to the financial statements have been prepared: No
 Presentation will be held to explain the financial statements: No

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

1. Consolidated financial results for the nine months ended Jun. 30, 2022 (From Oct. 1, 2021 through Jun. 30, 2022)

(1) Consolidated operating results

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended Jun. 30, 2022	151,763	24.5	41,394	76.2	42,611	80.6	31,672	77.1
Nine months ended Jun. 30, 2021	121,866	18.0	23,488	45.9	23,589	41.6	17,881	46.9

Note: Comprehensive income

Nine months ended Jun. 30, 2022: 41,726 million yen [89.8%]

Nine months ended Jun. 30, 2021: 21,983 million yen [83.6%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended Jun. 30, 2022	204.56		-	
Nine months ended Jun. 30, 2021	115.50		-	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of Jun. 30, 2022	346,247		270,070		77.6	
As of Sep. 30, 2021	301,676		237,570		78.4	

For reference: Equity

As of Jun. 30, 2022: 268,851 million yen

As of Sep. 30, 2021: 236,522 million yen

2. Dividends

(Base date)	Dividends per share				
	End of Q1	End of Q2	End of Q3	End of FY	Full FY
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Sep. 30, 2021	-	20.00	-	28.00	48.00
Fiscal year ending Sep. 30, 2022	-	32.00	-		
Fiscal year ending Sep. 30, 2022 (Forecast)				32.00	64.00

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

3. Forecast of consolidated financial results for the fiscal year ending Sep. 30, 2022 (From Oct. 1, 2021 through Sep. 30, 2022)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending Sep. 30, 2022	199,000	17.7	48,500	41.3	49,300	42.3	36,000	43.7	232.50

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: Yes
 - (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 issued
 - (a) Number of shares issued at end of period including treasury shares
 - As of Jun. 30 2022: 165,052,729 shares
 - As of Sep. 30, 2021: 165,041,841 shares
 - (b) Number of treasury shares at end of period
 - As of Jun. 30 2022: 10,214,389 shares
 - As of Sep. 30, 2021: 10,214,250 shares
 - (c) Average number of shares outstanding during the period
 - Nine months ended Jun. 30, 2022: 154,834,259 shares
 - Nine months ended Jun. 30, 2021: 154,822,093 shares

1. Qualitative Information Related to Consolidated Performance for the Third Quarter of This Fiscal Year

(1) Operating Results

During the third quarter of this fiscal year (nine months ended June 30, 2022), Japan's economy showed signs of a recovery in corporate earnings and capital investment in some sectors. However, there are concerns regarding factors such as the prolonged disruptions in the supply of materials and parts, and the rising raw material prices affected by the Ukraine situation and restriction of economic activities in China. Although the Group is currently benefiting from a dramatic swing toward yen depreciation in the exchange rate, the outlook for the global economy is uncertain, particularly with respect to the economic trend under quantitative tightening in the United States.

Given these circumstances, our Group strove to secure net sales and earnings by maintaining production to meet market requirements while continuing to take measures to prevent infections of COVID-19 and minimizing the risk posed on the business. Meanwhile, we continued proactive capital investment for the future with our sights on the post-COVID-19 world and promoted research and development that takes advantage of the Company's proprietary photonics technologies.

As a result, we closed the third quarter with net sales of JPY 151,763 million, up by JPY 29,897 million (24.5%) compared with the same period one year ago. From an earnings perspective, operating profit was JPY 41,394 million, up by JPY 17,905 million (76.2%), ordinary profit was JPY 42,611 million, up by JPY 19,021 million (80.6%), and profit attributable to owners of parent was JPY 31,672 million, up by JPY 13,790 million (77.1%) from the same period one year ago, resulting in an increase in both net sales and earnings year on year.

Operating results by segment are as follows:

(Electron Tube)

Regarding photomultiplier tubes (PMT), in the medical field, sales for products for medical inspection and monitoring systems such as flow cytometers increased due to rising demand in Japan and overseas. Also, in the industrial field, sales for semiconductor inspection equipment increased in Japan and overseas, in response to the expanding semiconductor market, and sales for academic applications such as high-energy physics experiments also increased.

Regarding sales of imaging devices and light sources, in the industrial field, accompanying the expanding production of EV (electric vehicles) and the global penetration of 5G, sales of microfocus X-ray sources for non-destructive testing increased, mainly in Asia, for automotive battery testing applications and circuit board inspection applications. Sales of Stealth Dicing Engine for high-speed, high-quality silicon wafer dicing and light sources for semiconductor wafer inspection equipment also increased, driven by brisk semiconductor capital investment worldwide.

As a result, the Electron Tube business closed the third quarter with net sales of JPY 58,929 million, up by 25.6%, and operating profit of JPY 23,949 million, up by 49.0% from the same period one year ago.

(Opto-semiconductor)

In opto-semiconductor devices, in response to continued growth in demand, in the medical field, sales of silicon photodiodes for X-ray CT increased in Japan and overseas, and sales of flat panel sensors for dental use also increased, mainly in Europe. In addition, in the industrial field, sales of image sensors for semiconductor fabrication and inspection equipment also increased.

As a result, net sales in the Opto-semiconductor business were JPY 70,438 million, up by 24.9%, and operating profit was JPY 26,447 million, up by 63.1% from the same period one year ago.

(Imaging and Measurement Instruments)

In image processing and measurement systems, sales of digital cameras increased not only in the life sciences sector and biotechnology sector but also in the physics sector due to the introduction of new products, and sales for DNA testing were also strong overseas. In addition, sales of digital slide scanners

increased due to rising demand from inter-hospital networks mainly in Europe. Sales of failure analysis systems for semiconductor devices were also robust, mainly in Asia and Japan.

As a result, net sales for the Imaging and Measurement Instruments business were JPY 18,240 million, up by 22.0%, and operating profit was JPY 5,165 million, up by 58.4% 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.

In our other businesses, net sales were JPY 4,154 million, up by 16.0%, and operating profit was JPY 289 million, down by 36.8% from the same period one year ago.

(2) Financial Conditions

Current assets increased by JPY 39,621 million from the end of the previous fiscal year, mainly reflecting increases in cash and deposits of JPY 17,159 million and inventories of JPY 12,243 million.

Non-current assets increased by JPY 4,949 million from the end of the previous fiscal year, mainly reflecting an increase in construction in progress of JPY 5,144 million.

As a result, total assets at the end of the third quarter were JPY 346,247 million, up by JPY 44,571 million from the end of the previous fiscal year.

Current liabilities increased by JPY 8,778 million from the end of the previous fiscal year, despite a decrease in current portion of long-term borrowings of JPY 2,945 million, mainly reflecting increases in notes and accounts payable - trade of JPY 4,494 million and advances received (current liabilities - other) of JPY 2,715 million.

Non-current liabilities increased by JPY 3,292 million from the end of the previous fiscal year, mainly due to an increase in long-term borrowings of JPY 3,418 million.

As a result, total liabilities at the end of the third quarter were JPY 76,176 million, up by JPY 12,071 million from the end of the previous fiscal year.

Net assets at the end of the third quarter were JPY 270,070 million, up by JPY 32,499 million from the end of the previous fiscal year, mainly reflecting an increase in retained earnings of JPY 22,366 million as a result of reporting profit attributable to owners of parent and an increase in foreign currency translation adjustment of JPY 10,220 million.

(3) Projection for the Year

There is no change to the forecast of consolidated financial results for the fiscal year ending September 30, 2022, released on March 25, 2022.

We assume the yen/US dollar exchange rate will be JPY 112.00, the yen/Euro exchange rate will be JPY 127.50 and the yen/RMB exchange rate will be JPY 17.20.

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of Japanese Yen)

	As of Sep. 30, 2021	As of Jun. 30, 2022
Assets		
Current assets		
Cash and deposits	91,087	108,246
Notes and accounts receivable - trade	42,528	48,619
Securities	8,671	10,654
Merchandise and finished goods	9,106	11,425
Work in process	23,885	30,356
Raw materials and supplies	11,410	14,865
Other	5,622	7,801
Allowance for doubtful accounts	(193)	(227)
Total current assets	192,120	231,741
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	44,853	43,286
Machinery, equipment and vehicles, net	12,005	11,659
Tools, furniture and fixtures, net	4,923	5,219
Land	17,196	17,332
Leased assets, net	326	293
Right-of-use assets, net	611	716
Construction in progress	6,561	11,706
Total property, plant and equipment	86,479	90,216
Intangible assets		
Customer relationships	1,734	1,855
Other	3,118	3,394
Total intangible assets	4,853	5,249
Investments and other assets		
Investment securities	3,907	3,712
Deferred tax assets	11,587	12,116
Other	2,747	3,229
Allowance for doubtful accounts	(19)	(19)
Total investments and other assets	18,223	19,039
Total non-current assets	109,556	114,505
Total assets	301,676	346,247

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of Japanese Yen)

	As of Sep. 30, 2021	As of Jun. 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,371	11,865
Electronically recorded obligations - operating	7,387	9,590
Short-term borrowings	3,507	3,645
Current portion of long-term borrowings	3,039	94
Income taxes payable	6,700	5,972
Provision for bonuses	5,814	7,288
Other	18,473	22,614
Total current liabilities	52,293	61,072
Non-current liabilities		
Long-term borrowings	3,240	6,658
Retirement benefit liability	6,903	6,704
Other	1,668	1,741
Total non-current liabilities	11,811	15,104
Total liabilities	64,105	76,176
Net assets		
Shareholders' equity		
Share capital	35,008	35,048
Capital surplus	34,752	34,792
Retained earnings	185,206	207,573
Treasury shares	(20,797)	(20,798)
Total shareholders' equity	234,170	256,616
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,191	956
Deferred gains or losses on hedges	–	(109)
Foreign currency translation adjustment	1,592	11,812
Remeasurements of defined benefit plans	(431)	(423)
Total accumulated other comprehensive income	2,351	12,235
Non-controlling interests	1,048	1,218
Total net assets	237,570	270,070
Total liabilities and net assets	301,676	346,247

Consolidated Financial Statements

Consolidated Statements of Income

(Millions of Japanese Yen)

	Nine months ended Jun. 30, 2021	Nine months ended Jun. 30, 2022
Net sales	121,866	151,763
Cost of sales	62,353	70,034
Gross profit	59,513	81,729
Selling, general and administrative expenses	36,024	40,334
Operating profit	23,488	41,394
Non-operating income		
Interest income	97	137
Rental income from investment property	55	58
Foreign exchange gains	–	304
Share of profit of entities accounted for using equity method	–	252
Other	445	643
Total non-operating income	599	1,396
Non-operating expenses		
Interest expenses	39	56
Rental expenses on real estate	86	74
Foreign exchange losses	258	–
Share of loss of entities accounted for using equity method	68	–
Other	44	48
Total non-operating expenses	498	179
Ordinary profit	23,589	42,611
Extraordinary income		
Gain on sale of non-current assets	22	23
Subsidy income	805	517
Gain on sale of investment securities	5	–
Reversal of reserve for loss on dissolution of employees' pension fund	164	–
Total extraordinary income	997	540
Extraordinary losses		
Loss on sale of non-current assets	0	1
Loss on retirement of non-current assets	31	186
Loss on tax purpose reduction entry of non-current assets	441	433
Impairment losses	351	–
Loss on valuation of investment securities	71	16
Total extraordinary losses	896	637
Profit before income taxes	23,690	42,514
Income taxes	5,739	10,774
Profit	17,950	31,740
Profit attributable to non-controlling interests	69	68
Profit attributable to owners of parent	17,881	31,672

Consolidated Financial Statements

Consolidated Statements of Comprehensive Income

(Millions of Japanese Yen)

	Nine months ended Jun. 30, 2021	Nine months ended Jun. 30, 2022
Profit	17,950	31,740
Other comprehensive income		
Valuation difference on available-for-sale securities	499	(235)
Deferred gains or losses on hedges	–	(109)
Foreign currency translation adjustment	3,455	10,268
Remeasurements of defined benefit plans, net of tax	64	8
Share of other comprehensive income of entities accounted for using equity method	12	53
Total other comprehensive income	4,032	9,985
Comprehensive income	21,983	41,726
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	21,850	41,555
Comprehensive income attributable to non-controlling interests	133	170

Additional Information

Impact of COVID-19 on accounting estimates

No material changes have occurred regarding the impact of COVID-19 on accounting estimates from the content described in "Additional Information" in the securities report for the fiscal year ended September 30, 2021.

Impact of the Russia/Ukraine situation

With regard to the Russia/Ukraine situation, there are concerns about the impact of economic sanctions and regulations from various countries on economic activity as well as the impact of rising resource prices. However, we expect that the impact of either of these on the Group's performance or financial condition, including accounting estimates, will be immaterial.

Business combination through acquisition

Based on the Board of Directors meeting held on June 9, 2022, the Company concluded a share transfer agreement on June 24, 2022, that its consolidated subsidiary Photonics Management Europe S.R.L. would acquire all the shares of NKT Photonics A/S to make it a subsidiary (sub-subsidiary of the Company). Photonics Management Europe S.R.L. is planned to acquire all shares of NKT Photonics A/S in accordance with that agreement, which specifies a share transfer date of March 31, 2023.

1. Outline of the business combination

(1) Name and business description of the acquiree

Name of the acquiree:	NKT Photonics A/S
Description of business:	Development, manufacture and sales of laser devices, and laser device components

(2) Primary reasons for the business combination

NKT Photonics A/S is a fiber laser manufacturer that possesses unique manufacturing technologies for photonic crystal fiber used for ultrashort pulse laser amplification and for fiber transmission. Meanwhile, the Company, which specializes in the laser diode business, which forms the basis of compound semiconductor process technologies, has a mutually complementary relationship with NKT Photonics A/S, which specializes in fiber lasers.

The Company has decided on this acquisition of the shares of NKT Photonics A/S based on the judgment that it will further enhance the market for the laser business through the sharing and cooperation of insight, knowhow, and management resources accumulated by the Company and NKT Photonics A/S.

(3) Date of the business combination

March 31, 2023 (Planned)

(4) Legal form of the business combination

Cash acquisition of shares

(5) Ratio of voting rights to be acquired

100%

(6) Main basis for reaching a decision on business combination

Cash acquisition of shares by the Company's consolidated subsidiary Photonics Management Europe S.R.L.

2. Acquisition cost of the acquiree and breakdown thereof by consideration type

<u>Consideration for the acquisition</u>	Cash	Approx. EUR 205 million (Approx. JPY 29,499 million) (Plan)
Acquisition cost		Approx. EUR 205 million (Approx. JPY 29,499 million) (Plan)

The exchange rate is assumed to be EUR 1 = JPY 143.90 (closing telegraphic transfer middle rate for June 23, 2022 announced by MUFG Bank, Ltd.)

3. Details and amounts of main acquisition-related costs

Advisory fees, etc. (approximate amount) JPY 700 million

4. Amount of goodwill, reason for recognition, amortization method and amortization period

Not confirmed at this stage.

5. Amount and breakdown of assets to be acquired and liabilities to be assumed on the date of the business combination

Not confirmed at this stage.

Segment Information

I. Nine months ended Jun. 30, 2021 (From Oct. 1, 2020 through Jun. 30, 2021)

1. Information on the amounts of sales and profit (loss) for reportable segments

(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	46,928	56,406	14,950	118,284	3,581	121,866	–	121,866
Intersegment	806	370	6	1,183	670	1,854	(1,854)	–
Total net sales	47,734	56,776	14,957	119,468	4,252	123,720	(1,854)	121,866
Segment profit	16,078	16,211	3,262	35,552	458	36,011	(12,522)	23,488

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 profit of negative JPY 12,522 million represents intersegment transactions of negative JPY 765 million and unallocated corporate expenses of negative JPY 11,756 million. Corporate expenses mainly consist of general and administrative expenses and basic research expenses that are unattributable to reportable segments.
3. Segment profit has been reconciled with operating profit presented in the consolidated financial statements.

2. Information on impairment loss on non-current assets or goodwill, etc. by reportable segment
(Major impairment loss on non-current assets)

“Opto-semiconductor” recorded an impairment loss on non-current assets. The amount of the impairment loss recorded for nine months ended June 30, 2021 was JPY 351 million.

II. Nine months ended Jun. 30, 2022 (From Oct. 1, 2021 through Jun. 30, 2022)

1. Information on the amounts of sales and profit (loss) for reportable segments and information on disaggregation of revenue

(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								
Japan	14,003	18,548	4,530	37,082	1,045	38,127	–	38,127
North America	15,704	19,377	4,201	39,282	222	39,505	–	39,505
Europe	11,503	17,112	4,111	32,727	459	33,187	–	33,187
Asia excluding Japan	17,558	15,379	5,368	38,306	2,427	40,733	–	40,733
Other	158	22	28	209	–	209	–	209
Revenue from contracts with customers	58,929	70,438	18,240	147,609	4,154	151,763	–	151,763
Outside customers	58,929	70,438	18,240	147,609	4,154	151,763	–	151,763
Intersegment	1,262	934	19	2,216	1,181	3,397	(3,397)	–
Total net sales	60,191	71,373	18,259	149,825	5,336	155,161	(3,397)	151,763
Segment profit	23,949	26,447	5,165	55,563	289	55,853	(14,458)	41,394

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 profit of negative JPY 14,458 million represents intersegment transactions of negative JPY 1,462 million and unallocated corporate expenses of negative JPY 12,996 million. Corporate expenses mainly consist of general and administrative expenses and basic research expenses that are unattributable to reportable segments.
3. Segment profit has been reconciled with operating profit presented in the consolidated financial statements.
4. Net sales is classified by country or region, based on where the customer resides.

2. Matters related to changes in reportable segments

As described in “(3) Notes to Consolidated Financial Statements (Changes in accounting principles)” of “2. Consolidated Financial Statements and Significant Notes Thereto” (in Japanese only), the Company has applied the Accounting Standard for Revenue Recognition and relevant ASBJ regulations from the beginning of the first quarter of this fiscal year, and changed the accounting treatment for revenue recognition. Accordingly, the Company has changed the method of calculating profit of business segments. The impact of this change on net sales to outside customers and segment profit for the nine months ended June 30, 2022 is immaterial for each reportable segment.