

# Consolidated Financial Results for the Third Quarter of Fiscal Year ending September 30, 2006

July 26, 2006

Company name : Hamamatsu Photonics K.K.

ID number : 6965

URL : <http://www.hamamatsu.com/ir/index.html>

Representative : Teruo Hiruma, Chairman of the Board and Chief Executive Officer

Contact : Yukiaki Suzuki, Director and General Manager of Accounting Div. (Phone: +81-53-452-2141)

Stock listing : Tokyo Stock Exchange First Section

Headquarters : Hamamatsu City, Japan

## 1. Matters concerning the presentation of quarterly financial result

### (1) Adoption of simplified accounting method : Yes

Depreciation method of fixed assets : Estimated depreciation amount corresponding to the reported period

Computation of income taxes : Income taxes calculated based on the estimated effective tax rates

### (2) Changes in accounting method : None

### (3) Changes in scope of consolidation and application of equity method : None

## 2. Consolidated financial results for the nine months ended Jun. 30, 2006 (From Oct. 1, 2005 through Jun. 30, 2006)

Note : All amounts are rounding down to the nearest million yen.

### (1) Consolidated operating results

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended Jun. 30, 2006	64,055	16.6	13,432	40.7	13,681	38.7	7,882	26.5
Nine months ended Jun. 30, 2005	54,917	5.9	9,549	41.7	9,864	42.8	6,229	98.8
(Reference) Fiscal year ended Sep. 30, 2005	73,909		11,692		12,117		7,726	

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Jun. 30, 2006	116.83	97.49
Nine months ended Jun. 30, 2005	95.85	79.58
(Reference) Fiscal year ended Sep. 30, 2005	117.98	97.21

Percentages shown in the list for Net sales, Operating income, Ordinary income and Net income represent an increase or decrease from corresponding period of previous fiscal year.

### (2) Consolidated financial position

	Total assets	Net assets	Net assets ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Nine months ended Jun. 30, 2006	154,056	77,193	49.6	1,087.43
Nine months ended Jun. 30, 2005	139,928	56,236	40.2	865.28
(Reference) Fiscal year ended Sep. 30, 2005	144,437	58,400	40.4	897.63

### (3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Nine months ended Jun. 30, 2006	12,771	(6,466)	(2,818)	47,794
Nine months ended Jun. 30, 2005	10,316	(5,807)	14,897	42,488
(Reference) Fiscal year ended Sep. 30, 2005	14,411	(8,225)	14,651	44,045

## Qualitative Comments on Progress in Consolidated Performance and Financial Position

### Summary of Consolidated Performance for the Third Quarter of the Fiscal Year Ending September 30, 2006

The Japanese economy continued its steady recovery during this past quarter, with improved company profitability and expansion of demand having led to increases in capital investment. Personal consumption and personal income also improved during this period. At Hamamatsu Photonics, we continued to develop new photonics technologies for future applications. In addition, we strove to boost our revenue and income by producing a wide variety of competitive products, intensifying our sales activities, and streamlining operating expenses.

As a result of the above factors, we closed this year's third quarter with net sales of JPY 64,055 million (up by 16.6% over last year's third quarter sales period), ordinary income of JPY 13,681 million (up by 38.7%), and net income of JPY 7,882 million (up by 26.5%).

#### (1) Sales by Segment

##### Opto-Electronic Devices:

Photomultiplier Tube sales grew in the medical field, based on increased demand for PET imaging systems and Gamma Cameras, mainly in the U.S. market. In addition, devices used for blood analyzers showed steady growth. Light Sources and Imaging Devices showed good results by posting growth in industrial fields (such as UV Spot Light Source for UV curing in the Japanese market) and in medical fields (such as X-ray Scintillators for dental imaging and mammography, mainly in the U.S. and Europe). In the Opto-Semiconductor sector, sales of Silicon Photodiodes for medical applications and industrial non-destructive inspection continued to grow steadily. Flat Panel Sensors for dental imaging posted increased sales in Japan and in overseas markets. In total, Opto-Electronic Devices closed the quarter with JPY 54,385 million in sales, up by 19.1% from one year previous. This accounts for 75.9% of the annual projection for fiscal year 2006. We believe that the net sales amount for the year will be within our projection.

##### Imaging and Measurement Instruments:

Semiconductor Failure Analysis Systems sales in the industrial field were down in the Japanese market, but increased steadily in the Asian market. Digital Camera sales, mainly in the field of biology, increased in the U.S. and Europe. Net sales for this sector resulted in JPY 9,183 million, up by 5.0% from a year earlier. This amount corresponds to 64.7% of this year's annual projection.

#### (2) Changes in Financial Conditions

Total assets at quarter's end stood at JPY 154,056 million, up by JPY 9,618 million over the same period from the previous fiscal year. The major changes of assets are increases of JPY 3,819 million in cash and cash equivalents, JPY 2,828 million in trade receivables due to improved operating activities, and JPY 1,535 million in tangible assets due to increased capital investment. Liability stood at JPY 76,862 million, down by JPY 8,533 million. This was due to a decrease in balance of convertible debenture of JPY 11,437 million by the exercise of stock subscription rights, and by an increase of JPY 1,690 million in trade notes and accounts payable. Net assets stood at JPY 77,193 million (which equals 49.6% of total assets), due to booked net income for the third quarter of JPY 7,882 million, increased common stock, and additional paid-in capital by the exercise of stock subscription rights.

#### (3) Changes in Cash Flow

Cash flow generated from operations was JPY 12,771 million, which was principally due to pre-tax income of JPY 13,421 million, while there was a tax payment of JPY 6,026 million that reduced the flow. Investment activities decreased the cash flow by JPY 6,466 million due to payment of JPY 6,684 million for the acquisition of tangible fixed assets. Financial activities decreased the cash flow by JPY 2,818 million because of dividend payments of JPY 2,180 million. At the end of the quarter, cash and cash equivalents stood at JPY 47,794 million, up by JPY 3,749 million from one year earlier.

### 3. Projection of consolidated performance for the fiscal year ending September 30, 2006

There is no change to the annual projection released on May 16, 2006.

	Net sales	Ordinary income	Net income	Net income per share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ending Sep. 30, 2006	86,600	17,200	10,300	145.72

Ref. : Forecast of non-consolidated result for the fiscal year ending Sep. 30, 2006 (From Oct. 1, 2005 through Sep. 30, 2006)

	Net sales	Ordinary income	Net income	Net income per share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ending Sep. 30, 2006	72,900	13,900	8,600	121.35

### Third Quarter Consolidated Financial Statements

#### Third Quarter Consolidated Balance Sheets

(Millions of Japanese Yen)

	As of June 30, 2006		As of June 30, 2005		Change		As of Sep. 30, 2005	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>Assets</b>								
Current assets								
Cash on hand and in banks	48,921		43,365		5,555		45,102	
Trade notes and accounts receivable	22,029		19,242		2,787		19,200	
Inventories	14,819		13,765		1,054		13,701	
Deferred income taxes	2,323		2,111		212		2,341	
Other	947		1,173		(225)		1,333	
<b>Total current assets</b>	<b>89,040</b>	<b>57.8</b>	<b>79,657</b>	<b>56.9</b>	<b>9,382</b>	<b>11.8</b>	<b>81,679</b>	<b>56.5</b>
Fixed assets								
Tangible fixed assets	52,655	34.2	49,401	35.3	3,254	6.6	51,120	35.4
Intangible fixed assets	504	0.3	613	0.5	(109)	(17.8)	512	0.4
Investments and other assets	11,855	7.7	10,255	7.3	1,599	15.6	11,124	7.7
Investment securities	5,382		4,510		872		5,173	
Deferred income taxes	4,497		4,297		199		4,475	
Other	1,974		1,447		527		1,475	
<b>Total fixed assets</b>	<b>65,015</b>	<b>42.2</b>	<b>60,270</b>	<b>43.1</b>	<b>4,744</b>	<b>7.9</b>	<b>62,758</b>	<b>43.5</b>
<b>Total assets</b>	<b>154,056</b>	<b>100.0</b>	<b>139,928</b>	<b>100.0</b>	<b>14,127</b>	<b>10.1</b>	<b>144,437</b>	<b>100.0</b>
<b>Liabilities</b>								
Current liabilities								
Trade notes and accounts payable	11,217		8,848		2,369		9,527	
Short-term bank loans and current portion of long-term debt	7,171		2,985		4,186		2,971	
Income taxes payable	2,345		1,399		945		2,524	
Other	11,798		9,583		2,215		9,917	
<b>Total current liabilities</b>	<b>32,533</b>	<b>21.1</b>	<b>22,816</b>	<b>16.3</b>	<b>9,716</b>	<b>42.6</b>	<b>24,939</b>	<b>17.3</b>
Long-term liabilities								
Non-collateral bonds with warrants to buy stocks	8,548		19,994		(11,446)		19,985	
Convertible debentures	18,723		19,107		(384)		19,107	
Long-term bank loans	4,205		9,219		(5,014)		9,020	
Allowance for employees' retirement and severance benefits	11,401		10,540		860		10,869	
Allowance for retirement benefits for directors and corporate auditors	1,369		1,335		33		1,352	
Other	82		70		11		121	
<b>Total long-term liabilities</b>	<b>44,329</b>	<b>28.8</b>	<b>60,267</b>	<b>43.1</b>	<b>(15,938)</b>	<b>(26.4)</b>	<b>60,455</b>	<b>41.8</b>
<b>Total liabilities</b>	<b>76,862</b>	<b>49.9</b>	<b>83,083</b>	<b>59.4</b>	<b>(6,221)</b>	<b>(7.5)</b>	<b>85,395</b>	<b>59.1</b>

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

### Third Quarter Consolidated Financial Statements

#### Third Quarter Consolidated Balance Sheets

(Millions of Japanese Yen)

	As of June 30, 2006		As of June 30, 2005		Change		As of Sep. 30, 2005	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>Net asset</b>								
Shareholders' equity								
Common stock	21,994	14.3	-	-	-	-	-	-
Capital surplus	21,745	14.1	-	-	-	-	-	-
Retained earnings	37,037	24.0	-	-	-	-	-	-
Less treasury stock, at cost	(6,012)	(3.9)	-	-	-	-	-	-
Total shareholders' equity	74,764	48.5	-	-	-	-	-	-
Unrealized gains and adjustment								
Unrealized gain on securities, net of tax	1,880	1.2	-	-	-	-	-	-
Deferred Hedge Gain (Loss)	(7)	(0.0)	-	-	-	-	-	-
Foreign Currency Translation Adjustment	(210)	(0.1)	-	-	-	-	-	-
Total Unrealized gains and adjustment	1,662	1.1	-	-	-	-	-	-
Minority interests in consolidated subsidiaries	767	0.5	-	-	-	-	-	-
Total net asset	77,193	50.1	-	-	-	-	-	-
Total liabilities and net asset	154,056	100.0	-	-	-	-	-	-
<b>Minority interests in consolidated subsidiaries</b>	-	-	608	0.4	-	-	641	0.5
<b>Shareholders' equity</b>								
Common stock	-	-	16,079	11.5	-	-	16,084	11.1
Capital surplus	-	-	15,830	11.3	-	-	15,834	11.0
Retained earnings	-	-	30,081	21.5	-	-	31,578	21.9
Unrealized loss on securities, net of tax	-	-	1,075	0.8	-	-	1,470	1.0
Adjustment arising from translation of accounts of foreign subsidiaries	-	-	(826)	(0.6)	-	-	(561)	(0.4)
Less treasury stock, at cost	-	-	(6,004)	(4.3)	-	-	(6,005)	(4.2)
Total shareholders' equity	-	-	56,236	40.2	-	-	58,400	40.4
<b>Total liabilities and shareholders' equity</b>	-	-	139,928	100.0	-	-	144,437	100.0

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

### Third Quarter Consolidated Financial Statements

#### Third Quarter Consolidated Income Statements

(Millions of Japanese Yen)

	Nine months ended June 30, 2006		Nine months ended Jun. 30, 2005		Change		Fiscal year ended Sep. 30, 2005	
	Amount	%	Amount	%	Amount	%	Amount	%
Net sales	64,055	100.0	54,917	100.0	9,138	16.6	73,909	100.0
Cost of sales	29,412	45.9	25,267	46.0	4,144	16.4	34,823	47.1
Gross profit	34,643	54.1	29,649	54.0	4,993	16.8	39,085	52.9
Selling, general and administrative expenses	14,822	23.1	13,501	24.6	1,321	9.8	18,547	25.1
Research and Development	6,389	10.0	6,599	12.0	(210)	(3.2)	8,846	12.0
Operating income	13,432	21.0	9,549	17.4	3,883	40.7	11,692	15.8
Non-operating income	621	1.0	678	1.2	(57)	(8.5)	918	1.3
Non-operating expenses	371	0.6	363	0.6	7	2.1	492	0.7
Ordinary income	13,681	21.4	9,864	18.0	3,817	38.7	12,117	16.4
Extraordinary income	136	0.2	7	0.0	129	1823.4	9	0.0
Extraordinary loss	396	0.6	103	0.2	292	282.0	262	0.3
Income before income taxes and minority interests	13,421	21.0	9,767	17.8	3,654	37.4	11,864	16.1
Income taxes	4,833	7.5	3,515	6.4	1,317	37.5	4,089	5.5
Income taxes in previous years	674	1.1	-	-	674	-	-	-
Minority interests in consolidated subsidiaries	30	0.1	22	0.1	8	39.0	48	0.1
Net income	7,882	12.3	6,229	11.3	1,653	26.5	7,726	10.5

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

### Third Quarter Consolidated Financial Statements

#### Third Quarter Consolidated Statements of Cash Flow

(Millions of Japanese Yen)

	Nine months ended June 30, 2006	Nine months ended Jun. 30, 2005	Fiscal year ended September 30, 2005
<b>Cash flows from operating activities</b>			
Income before income taxes and minority interests	13,421	9,767	11,864
Depreciation	4,975	4,873	6,684
Increase in allowance for retirement and severance benefits	531	478	807
(Increase) decrease in receivables, trade	(2,556)	1,140	1,291
(Increase) decrease in inventories	(928)	(545)	(423)
Increase (decrease) in payables, trade	1,397	(1,593)	(1,011)
Other	1,896	1,695	963
<b>Subtotal</b>	<b>18,738</b>	<b>15,816</b>	<b>20,176</b>
Income taxes paid	(6,026)	(5,432)	(5,707)
Other	60	(67)	(57)
<b>Net cash provided by operating activities</b>	<b>12,771</b>	<b>10,316</b>	<b>14,411</b>
<b>Cash flows from investing activities</b>			
Payments for acquisition of property, plant and equipment	(6,684)	(5,247)	(7,423)
Other	218	(560)	(802)
<b>Net cash used in investing activities</b>	<b>(6,466)</b>	<b>(5,807)</b>	<b>(8,225)</b>
<b>Cash flows from financing activities</b>			
Increase (decrease) in short-term debt	(502)	(665)	(673)
Payment of long-term debt	(126)	(3,132)	(3,322)
Proceeds from bond issue	-	20,000	20,000
Dividends paid by the parent company	(2,180)	(1,256)	(1,302)
Other	(9)	(47)	(50)
<b>Net cash provided by (used in) financing activities</b>	<b>(2,818)</b>	<b>14,897</b>	<b>14,651</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>261</b>	<b>(43)</b>	<b>80</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>3,749</b>	<b>19,362</b>	<b>20,918</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>44,045</b>	<b>23,126</b>	<b>23,126</b>
<b>Cash and cash equivalents at end of period</b>	<b>47,794</b>	<b>42,488</b>	<b>44,045</b>

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

## Segment Information

### Business Segment

Nine months ended Jun. 30, 2006

(Millions of Japanese Yen)

	Opto-electronic devices	Imaging and measurement instruments	Other	Segment total	Elimination or corporate	Consolidated total
Net sales						
Outside customers	54,385	9,183	487	64,055	-	64,055
Intersegment	397	27	-	424	(424)	-
Total net sales	54,782	9,210	487	64,480	(424)	64,055
Operating expenses	35,503	8,122	599	44,225	6,398	50,623
Operating income	19,278	1,087	(111)	20,255	(6,823)	13,432

Nine months ended Jun. 30, 2005

(Millions of Japanese Yen)

	Opto-electronic devices	Imaging and measurement instruments	Other	Segment total	Elimination or corporate	Consolidated total
Net sales						
Outside customers	45,672	8,749	495	54,917	-	54,917
Intersegment	435	16	-	452	(452)	-
Total net sales	46,107	8,766	495	55,370	(452)	54,917
Operating expenses	30,652	7,390	598	38,641	6,726	45,368
Operating income	15,455	1,375	(103)	16,728	(7,179)	9,549

Reference : Fiscal year ended Sep. 30, 2005

(Millions of Japanese Yen)

	Opto-electronic devices	Imaging and measurement instruments	Other	Segment total	Elimination or corporate	Consolidated total
Net sales						
Outside customers	61,170	12,075	663	73,909	-	73,909
Intersegment	578	24	-	602	(602)	-
Total net sales	61,748	12,100	663	74,512	(602)	73,909
Operating expenses	42,135	10,287	810	53,233	8,983	62,216
Operating income	19,613	1,812	(147)	21,278	(9,585)	11,692

#### Notes:

1. Business segments are classified based on the similarities of products, markets and so on.
2. Major products in each business segment ;

Opto-electronic devices	Photomultiplier Tubes, Imaging Devices and Light Sources (X-ray Scintillator, X-ray Image Intensifier, Microchannel Plate, Deuterium Lamp, Spot Light Source, Microfocus X-ray Source), Opto-semiconductors (Photo Diode, Infrared Detector, Image Sensor, Light Emitting Diode, Photo IC)
Imaging and measurement instruments	Image Processing and Measurement Systems (Special Purpose Video Camera, Image Processing System, Low-Level Light Image Acquisition System, Ultrafast Optical Measurement System, Image Processing and Analysis System for Optical Microscope, Nondestructive Inspection System)
Other	Photosensitizer R&D, Hotel operations

3. Operating expenses in elimination or corporate are principally basic research and corporate general and administrative expenses which can not be allocated to each business segment. The amounts of those expenses were 6,624 million yen, 6,973 million yen and 9,310 million yen for the nine months ended Jun. 30, 2006, the nine months ended Jun. 30, 2005 and the fiscal year ended Sep. 30, 2005, respectively.

## Segment Information

### Geographical Segment

Nine months ended Jun. 30, 2006

(Millions of Japanese Yen)

	Japan	North America	Europe	Other	Segment total	Elimination or corporate	Consolidated total
Net sales							
Outside customers	33,172	16,078	14,274	530	64,055	-	64,055
Intersegment	21,176	486	109	661	22,434	(22,434)	-
Total net sales	54,349	16,564	14,383	1,192	86,490	(22,434)	64,055
Operating expenses	38,132	14,807	12,551	1,067	66,559	(15,935)	50,623
Operating income	16,216	1,757	1,832	124	19,931	(6,499)	13,432

Nine months ended Jun. 30, 2005

(Millions of Japanese Yen)

	Japan	North America	Europe	Other	Segment total	Elimination or corporate	Consolidated total
Net sales							
Outside customers	31,097	12,118	11,329	373	54,917	-	54,917
Intersegment	17,157	432	42	544	18,177	(18,177)	-
Total net sales	48,254	12,550	11,371	917	73,094	(18,177)	54,917
Operating expenses	33,918	11,840	9,902	820	56,481	(11,113)	45,368
Operating income	14,336	710	1,469	97	16,612	(7,063)	9,549

Reference : Fiscal year ended Sep. 30, 2005

(Millions of Japanese Yen)

	Japan	North America	Europe	Other	Segment total	Elimination or corporate	Consolidated total
Net sales							
Outside customers	41,668	16,588	15,047	604	73,909	-	73,909
Intersegment	23,411	626	126	653	24,818	(24,818)	-
Total net sales	65,080	17,215	15,174	1,258	98,728	(24,818)	73,909
Operating expenses	46,580	16,486	13,331	1,119	77,518	(15,301)	62,216
Operating income	18,500	728	1,842	139	21,210	(9,517)	11,692

#### Notes :

- The countries or areas are classified based on the geographical proximity.
- Major countries and areas which belong to each classification:  
 North America : U.S.A.  
 Europe : Germany, France, U.K.  
 Other : China
- Operating expenses in elimination or corporate which can not be allocated to each business segment were 6,624 million yen, 6,973 million yen and 9,310 million yen for the nine months ended Jun. 30, 2006, the nine months ended Jun. 30, 2005 and the fiscal year ended Sep. 30, 2005, respectively.

## Segment Information

### Overseas sales

Nine months ended Jun. 30, 2006

(Millions of Japanese Yen)

	North America	Europe	Asia	Other	Consolidated total
Overseas sales	15,703	14,129	8,945	338	39,115
Consolidated net sales	-	-	-	-	64,055
Ratio of overseas sales to consolidated net sales	24.5%	22.1%	14.0%	0.5%	61.1%

Nine months ended Jun. 30, 2005

(Millions of Japanese Yen)

	North America	Europe	Asia	Other	Consolidated total
Overseas sales	11,956	11,225	7,459	291	30,933
Consolidated net sales	-	-	-	-	54,917
Ratio of overseas sales to consolidated net sales	21.8%	20.4%	13.6%	0.5%	56.3%

Reference : Fiscal year ended Sep. 30, 2005

(Millions of Japanese Yen)

	North America	Europe	Asia	Other	Consolidated total
Overseas sales	16,423	14,873	9,889	403	41,590
Consolidated net sales	-	-	-	-	73,909
Ratio of overseas sales to consolidated net sales	22.2%	20.1%	13.4%	0.6%	56.3%

#### Notes :

1. The countries or areas are classified based on the geographical proximity.
2. Major countries and areas which belong to each classification:  
North America : U.S.A.  
Europe : Germany, France, U.K.  
Asia : Israel, India, China, Korea, Taiwan  
Other : Australia