

# Consolidated Financial Results for the First Quarter of Fiscal Year ending September 30, 2007

January 24, 2007

Company name : Hamamatsu Photonics K.K.

ID number : 6965

URL : www.hamamatsu.com

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 three months ended Dec. 31, 2006 (From Oct. 1, 2006 through Dec. 31, 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	%
Three months ended Dec. 31, 2006	22,992	13.0	5,086	18.3	5,073	18.1	3,221	67.2
Three months ended Dec. 31, 2005	20,349	14.5	4,300	19.7	4,294	15.6	1,926	(18.2)
(Reference) Fiscal year ended Sep. 30, 2006	86,988		15,726		16,036		9,741	

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Dec. 31, 2006	43.52	39.80
Three months ended Dec. 31, 2005	29.61	23.84
(Reference) Fiscal year ended Sep. 30, 2006	142.39	120.47

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	Shareholders' equity ratio	Net Assets per share
	Millions of yen	Millions of yen	%	Yen
Three months ended Dec. 31, 2006	160,554	90,396	55.8	1,210.28
Three months ended Dec. 31, 2005	145,579	61,004	41.9	932.86
(Reference) Fiscal year ended Sep. 30, 2006	161,192	88,143	54.2	1,179.86

### (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
Three months ended Dec. 31, 2006	1,234	(2,069)	(1,861)	43,931
Three months ended Dec. 31, 2005	481	(971)	(1,200)	42,595
(Reference) Fiscal year ended Sep. 30, 2006	17,350	(12,135)	(3,152)	46,433

## Summary of Consolidated Performance for the First Quarter of the fiscal year ended September 30, 2007

The Japanese economy continued to gradually expand during the first quarter, from October to December 2006, experiencing increased exports supported by favorable overseas economies, and expansion of capital investment due to the high profitability of many companies. Personal consumption also turned up while the employment situation improved.

Against this background, our group continued our long-term commitment to create new industries utilizing our photonics technology, and to develop competitive products that meet our customer's needs. In addition, we undertook to boost our revenue and income by leading active sales activities and streamlining operating expenses.

As a result of the above factors, we closed the first quarter with net sales of JPY 22,992 million, up by 13.0% and ordinary income of JPY 5,073 million, up by 18.1% over one year before respectively. Net income resulted in JPY 3,221 million, up by 67.2%.

### (1) Sales by Segment

#### Opto-Electronic Devices:

Photomultiplier Tube sales grew in the medical field, based on increased demand for Positron Emission Tomography (PET) imaging systems, mainly in the US market. Sales also increased substantially in the oil well logging market.

In Light Sources and Imaging Devices, the X-ray Scintillator for X-ray medical imaging posted an increase mainly in the European market. Microfocus X-ray sources for non-destructive inspection systems in the industrial market continued to expand.

Sales of Flat Panel Sensors, part of our Opto-semiconductors line of products, showed growth for dental X-ray imaging mainly in Europe and Asia. Sales of Photo ICs for communication network applications for the auto industry in Europe also recorded steady growth, along with Image Sensors and Photodiodes in industry and communications.

In total Opto-Electronic Devices closed the quarter with JPY 19,465 million, up by 13.0% from one year previous, and it achieved 51.4% of the first half '07 forecast.

#### Imaging and Measurement Instruments:

Sales in the medical field stagnated while Semiconductor Failure Analysis Systems sales associated with the industrial market in Japan and overseas were up steadily. Also Digital Camera sales in the biological market showed growth. Net sales for this sector resulted in JPY 3,353 million, up by 14.2% from one year before. This amount corresponds to 43.0% of the first half's projection.

### (2) Changes in Financial Conditions

At the end of the quarter, compared with last fiscal year end, the total assets were JPY 160,554 million, down by JPY 637 million. The major changes are decreases of JPY 2,545 million in cash and cash equivalents, while there was an increase in inventories, trade notes and accounts receivables. Liabilities stood at JPY 70,157 million, down by JPY 2,890 million. This was due to decreased income taxes payable of JPY 2,261 million, while there was an increase in trade notes and accounts payable. Net assets stood at JPY 90,396 million, which equals 55.8% of total assets, up by JPY 2,252 million because of increased net income for the first quarter of JPY 3,221 million.

### (3) Changes in Cash Flow

Operating activity during the quarter created cash flow of JPY 1,234 million. This is mainly from income before income taxes and minority interests for JPY 5,151 million, while there was an income tax payment of JPY 4,165 million that reduced the flow.

Investment activity decreased the cash flow by JPY 2,069 million, the main portion of which came from acquisition of tangible fixed assets for JPY 2,165 million.

Financial activity used the cash flow by JPY 1,861 million because of dividend payment of JPY 1,155 million and short-term debts repayment.

At the end of the quarter, cash and cash equivalent stood at JPY 43,931 million, down by JPY 2,502 million from the year ended September 30, 2006.

## 3. Projection of consolidated performance for the fiscal year ended September 2007

There is no change to the semi-annual and annual projection released on November 13, 2006.

	Net sales	Operating income	Ordinary income	Net income	Net income per share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Six months ending Mar. 31, 2007	46,000	8,900	9,100	5,900	-
Fiscal year ending Sep. 30, 2007	93,400	17,200	17,600	11,400	154.00

Ref. : Forecast of non-consolidated result for the fiscal year ending Sep. 30, 2007 (From Oct. 1, 2006 through Sep. 30, 2007)

	Net sales	Operating income	Ordinary income	Net income	Net income per share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Six months ending Mar. 31, 2007	38,600	6,600	8,000	5,700	-
Fiscal year ending Sep. 30, 2007	78,000	12,300	13,900	9,500	128.10

The above forecasts were prepared based on the information available at the time of announcement. The actual results may differ from the forecast due to various factors.

**First Quarter Consolidated Financial Statements**

## First Quarter Consolidated Balance Sheets

(Millions of Japanese Yen)

	As of Dec. 31, 2006		As of Dec. 31, 2005		Change		As of Sep. 30, 2006	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>Assets</b>								
Current assets								
Cash on hand and in banks	47,022		43,633		3,388		49,567	
Trade notes and accounts receivable	23,340		20,851		2,488		22,975	
Inventories	16,458		14,120		2,338		15,371	
Deferred income taxes	3,621		2,292		1,329		3,529	
Other	1,914		1,360		553		1,854	
<b>Total current assets</b>	<b>92,357</b>	<b>57.5</b>	<b>82,257</b>	<b>56.5</b>	<b>10,099</b>	<b>12.3</b>	<b>93,299</b>	<b>57.9</b>
Fixed assets								
Tangible fixed assets	55,890	34.8	51,273	35.2	4,616	9.0	55,458	34.4
Intangible fixed assets	458	0.3	606	0.4	(148)	(24.5)	474	0.3
Investments and other assets	11,848	7.4	11,441	7.9	407	3.6	11,960	7.4
Investment securities	5,148		5,996		(847)		5,116	
Deferred income taxes	4,684		3,949		734		4,856	
Other	2,015		1,495		520		1,987	
<b>Total fixed assets</b>	<b>68,197</b>	<b>42.5</b>	<b>63,321</b>	<b>43.5</b>	<b>4,875</b>	<b>7.7</b>	<b>67,893</b>	<b>42.1</b>
<b>Total assets</b>	<b>160,554</b>	<b>100.0</b>	<b>145,579</b>	<b>100.0</b>	<b>14,974</b>	<b>10.3</b>	<b>161,192</b>	<b>100.0</b>
<b>Liabilities</b>								
Current liabilities								
Trade notes and accounts payable	11,970		9,359		2,611		11,269	
Short-term bank loans and current portion of long-term debt	8,518		2,902		5,616		7,173	
Current portion of convertible debentures	14,664		-		14,664		14,667	
Income taxes payable	1,950		1,508		442		4,212	
Other	14,223		10,326		3,896		15,111	
<b>Total current liabilities</b>	<b>51,327</b>	<b>32.0</b>	<b>24,096</b>	<b>16.5</b>	<b>27,230</b>	<b>113.0</b>	<b>52,433</b>	<b>32.5</b>
Long-term liabilities								
Non-collateral bonds with warrants to buy stocks	3,553		19,101		(15,548)		3,620	
Convertible debentures	-		19,103		(19,103)		-	
Long-term bank loans	2,016		9,012		(6,996)		4,031	
Allowance for employees' retirement and severance benefits	11,683		11,105		578		11,475	
Allowance for retirement benefits for directors and corporate auditors	1,402		1,335		66		1,385	
Other	174		124		50		101	
<b>Total long-term liabilities</b>	<b>18,830</b>	<b>11.7</b>	<b>59,782</b>	<b>41.1</b>	<b>(40,952)</b>	<b>(68.5)</b>	<b>20,614</b>	<b>12.8</b>
<b>Total liabilities</b>	<b>70,157</b>	<b>43.7</b>	<b>83,878</b>	<b>57.6</b>	<b>(13,721)</b>	<b>(16.4)</b>	<b>73,048</b>	<b>45.3</b>

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

**First Quarter Consolidated Financial Statements**

## First Quarter Consolidated Balance Sheets

(Millions of Japanese Yen)

	As of Dec. 31, 2006		As of Dec. 31, 2005		Change		As of Sep. 30, 2006	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>Net asset</b>								
Shareholders' equity								
Common stock	26,522		-		-		26,487	
Capital surplus	26,271		-		-		26,236	
Retained earnings	40,541		-		-		38,802	
Less treasury stock, at cost	(6,018)		-		-		(6,016)	
Total shareholders' equity	87,317	54.4	-	-	-	-	85,509	53.1
Unrealized gains and adjustment								
Unrealized gain on securities, net of tax	1,762		-		-		1,712	
Deferred Hedge Gain (Loss)	(34)		-		-		(53)	
Foreign Currency Translation Adjustment	547		-		-		135	
Total Unrealized gains and adjustment	2,275	1.4	-	-	-	-	1,794	1.1
Minority interests in consolidated subsidiaries	804	0.5	-	-	-	-	839	0.5
Total net asset	90,396	56.3	-	-	-	-	88,143	54.7
Total liabilities and net asset	160,554	100.0	-	-	-	-	161,192	100.0
<b>Minority interests in consolidated subsidiaries</b>	-	-	696	0.5	-	-	-	-
<b>Shareholders' equity</b>								
Common stock	-	-	16,528	11.3	-	-	-	-
Capital surplus	-	-	16,278	11.2	-	-	-	-
Retained earnings	-	-	32,143	22.1	-	-	-	-
Unrealized loss on securities, net of tax	-	-	2,267	1.6	-	-	-	-
Adjustment arising from translation of accounts of foreign subsidiaries	-	-	(207)	(0.2)	-	-	-	-
Less treasury stock, at cost	-	-	(6,006)	(4.1)	-	-	-	-
Total shareholders' equity	-	-	61,004	41.9	-	-	-	-
<b>Total liabilities and shareholders' equity</b>	-	-	145,579	100.0	-	-	-	-

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

## First Quarter Consolidated Financial Statements

### First Quarter Consolidated Income Statements

(Millions of Japanese Yen)

	Three months ended Dec. 31, 2006		Three months ended Dec. 31, 2005		Change		Fiscal year ended Sep. 30, 2006	
	Amount	%	Amount	%	Amount	%	Amount	%
Net sales	22,992	100.0	20,349	100.0	2,643	13.0	86,988	100.0
Cost of sales	10,253	44.6	9,438	46.4	814	8.6	41,346	47.5
Gross profit	12,739	55.4	10,910	53.6	1,829	16.8	45,642	52.5
Selling, general and administrative expenses	5,113	22.3	4,546	22.4	567	12.5	20,734	23.8
Research and Development	2,539	11.0	2,063	10.1	476	23.1	9,181	10.6
Operating income	5,086	22.1	4,300	21.1	785	18.3	15,726	18.1
Non-operating income	192	0.9	221	1.1	(28)	(13.0)	860	1.0
Non-operating expenses	205	0.9	227	1.1	(21)	(9.4)	549	0.7
Ordinary income	5,073	22.1	4,294	21.1	778	18.1	16,036	18.4
Extraordinary income	95	0.4	2	0.0	93	-	205	0.2
Extraordinary loss	16	0.1	247	1.2	(230)	(93.2)	478	0.5
Income before income taxes and minority interests	5,151	22.4	4,049	19.9	1,102	27.2	15,764	18.1
Income taxes	1,905	8.3	1,474	7.3	430	29.2	5,305	6.1
Income taxes in previous years	-	-	676	3.3	(676)	-	674	0.8
Minority interests in consolidated subsidiaries	25	0.1	(27)	(0.2)	53	-	41	0.0
Net income	3,221	14.0	1,926	9.5	1,294	67.2	9,741	11.2

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

## First Quarter Consolidated Financial Statements

### First Quarter Consolidated Statements of Cash Flow

(Millions of Japanese Yen)

	Three months ended Dec. 31, 2006	Three months ended Dec. 31, 2005	Fiscal year ended Sep. 30, 2006
<b>Cash flows from operating activities</b>			
Income before income taxes and minority interests	5,151	4,049	15,764
Depreciation	1,704	1,571	7,062
Increase in allowance for retirement and severance benefits	208	236	606
Increase in receivables, trade	(137)	(1,458)	(3,315)
Increase in inventories	(963)	(276)	(1,383)
Increase (decrease) in payables, trade	514	(375)	1,290
Other	(1,115)	(204)	3,268
<b>Subtotal</b>	<b>5,362</b>	<b>3,542</b>	<b>23,293</b>
Income taxes paid	(4,165)	(3,122)	(6,041)
Other	37	60	98
<b>Net cash provided by operating activities</b>	<b>1,234</b>	<b>481</b>	<b>17,350</b>
<b>Cash flows from investing activities</b>			
Payments for acquisition of property, plant and equipment	(2,165)	(1,676)	(10,229)
Other	96	705	(1,905)
<b>Net cash used in investing activities</b>	<b>(2,069)</b>	<b>(971)</b>	<b>(12,135)</b>
<b>Cash flows from financing activities</b>			
Increase (decrease) in short-term debt	(689)	(210)	(470)
Payment of long-term debt	(12)	(13)	(300)
Dividends paid by the parent company	(1,155)	(970)	(2,342)
Other	(2)	(7)	(39)
<b>Net cash provided by (used in) financing activities</b>	<b>(1,861)</b>	<b>(1,200)</b>	<b>(3,152)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>193</b>	<b>240</b>	<b>325</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(2,502)</b>	<b>(1,449)</b>	<b>2,388</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>46,433</b>	<b>44,045</b>	<b>44,045</b>
<b>Cash and cash equivalents at end of period</b>	<b>43,931</b>	<b>42,595</b>	<b>46,433</b>

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

## Segment Information

### Business Segment

Three months ended Dec. 31, 2006

(Millions of Japanese Yen)

	Opto-electronic devices	Imaging and measurement instruments	Other	Segment total	Elimination or corporate	Consolidated total
Net sales						
Outside customers	19,465	3,353	173	22,992	-	22,992
Intersegment	135	2	-	137	(137)	-
Total net sales	19,601	3,355	173	23,130	(137)	22,992
Operating expenses	12,564	2,896	198	15,659	2,246	17,906
Operating income	7,036	458	(25)	7,470	(2,384)	5,086

Three months ended Dec. 31, 2005

(Millions of Japanese Yen)

	Opto-electronic devices	Imaging and measurement instruments	Other	Segment total	Elimination or corporate	Consolidated total
Net sales						
Outside customers	17,226	2,935	186	20,349	-	20,349
Intersegment	132	5	-	138	(138)	-
Total net sales	17,358	2,941	186	20,487	(138)	20,349
Operating expenses	11,105	2,617	209	13,932	2,115	16,048
Operating income	6,253	324	(22)	6,554	(2,253)	4,300

Reference : Fiscal year ended Sep. 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	72,906	13,438	643	86,988	-	86,988
Intersegment	536	32	-	568	(568)	-
Total net sales	73,442	13,471	643	87,557	(568)	86,988
Operating expenses	49,556	11,884	791	62,232	9,029	71,262
Operating income	23,885	1,586	(147)	25,324	(9,598)	15,726

#### Notes:

- Business segments are classified based on the similarities of products, markets and so on.
- 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

- 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 2,324 million yen, 2,188 million yen and 9,332 million yen for the three months ended Dec. 31, 2006, the three months ended Dec. 31, 2005 and the fiscal year ended Sep. 30, 2006, respectively.

## Segment Information

### Geographical Segment

Three months ended Dec. 31, 2006

(Millions of Japanese Yen)

	Japan	North America	Europe	Other	Segment total	Elimination or corporate	Consolidated total
Net sales							
Outside customers	11,031	6,271	5,471	217	22,992	-	22,992
Intersegment	8,700	120	132	226	9,180	(9,180)	-
Total net sales	19,731	6,392	5,604	444	32,173	(9,180)	22,992
Operating expenses	13,685	5,644	4,787	375	24,493	(6,586)	17,906
Operating income	6,046	747	817	69	7,680	(2,593)	5,086

Three months ended Dec. 31, 2005

(Millions of Japanese Yen)

	Japan	North America	Europe	Other	Segment total	Elimination or corporate	Consolidated total
Net sales							
Outside customers	10,261	5,056	4,854	176	20,349	-	20,349
Intersegment	6,654	160	12	236	7,064	(7,064)	-
Total net sales	16,916	5,217	4,866	412	27,413	(7,064)	20,349
Operating expenses	11,969	4,626	4,127	376	21,099	(5,051)	16,048
Operating income	4,947	590	739	36	6,313	(2,013)	4,300

Reference : Fiscal year ended Sep. 30, 2006

(Millions of Japanese Yen)

	Japan	North America	Europe	Other	Segment total	Elimination or corporate	Consolidated total
Net sales							
Outside customers	44,628	22,416	19,200	743	86,988	-	86,988
Intersegment	30,139	708	257	884	31,988	(31,988)	-
Total net sales	74,767	23,124	19,457	1,627	118,976	(31,988)	86,988
Operating expenses	54,074	21,547	16,891	1,415	93,929	(22,667)	71,262
Operating income	20,692	1,576	2,566	211	25,047	(9,320)	15,726

#### 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 2,324 million yen, 2,188 million yen and 9,332 million yen for the three months ended Dec. 31, 2006, the three months ended Dec. 31, 2005 and the fiscal year ended Sep. 30, 2006, respectively.

## Segment Information

### Overseas sales

Three months ended Dec. 31, 2006

(Millions of Japanese Yen)

	North America	Europe	Asia	Other	Consolidated total
Overseas sales	6,138	5,383	3,007	118	14,647
Consolidated net sales	-	-	-	-	22,992
Ratio of overseas sales to consolidated net sales	26.7%	23.4%	13.1%	0.5%	63.7%

Three months ended Dec. 31, 2005

(Millions of Japanese Yen)

	North America	Europe	Asia	Other	Consolidated total
Overseas sales	4,961	4,840	2,679	100	12,582
Consolidated net sales	-	-	-	-	20,349
Ratio of overseas sales to consolidated net sales	24.4%	23.8%	13.1%	0.5%	61.8%

Reference : Fiscal year ended Sep. 30, 2006

(Millions of Japanese Yen)

	North America	Europe	Asia	Other	Consolidated total
Overseas sales	21,933	19,070	11,934	441	53,380
Consolidated net sales	-	-	-	-	86,988
Ratio of overseas sales to consolidated net sales	25.2%	22.0%	13.7%	0.5%	61.4%

#### 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