

# Consolidated Financial Results for the Third Quarter of Fiscal Year ending September 30, 2005

July 22, 2005

Company name : Hamamatsu Photonics K.K.

ID number : 6965

URL : www.hamamatsu.com

Representative : Teruo Hiruma, President 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, 2005 (From Oct. 1, 2004 through Jun. 30, 2005)

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, 2005	54,917	5.9	9,549	41.7	9,864	42.8	6,229	98.8
Nine months ended Jun. 30, 2004	51,868	12.8	6,736	118.7	6,906	113.1	3,133	138.6
(Reference) Fiscal year ended Sep. 30, 2004	70,466		9,688		9,999		4,652	

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Jun. 30, 2005	95.85	79.58
Nine months ended Jun. 30, 2004	47.48	42.93
(Reference) Fiscal year ended Sep. 30, 2004	69.86	63.25

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	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
Nine months ended Jun. 30, 2005	139,928	56,236	40.2	865.28
Nine months ended Jun. 30, 2004	116,682	50,205	43.0	768.30
(Reference) Fiscal year ended Sep. 30, 2004	119,045	50,966	42.8	783.30

### (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, 2005	10,316	(5,807)	14,897	42,488
Nine months ended Jun. 30, 2004	10,103	(3,662)	(1,250)	21,892
(Reference) Fiscal year ended Sep. 30, 2004	12,861	(4,526)	(2,045)	23,126

## Summary of Consolidated Performance for the Third Quarter of the fiscal year ended September 30, 2005

This Quarter, as a whole, witnessed a recovery with exports and production slowly growing due to continued expansion in overseas market and domestic demand., and Corporate income remained favorable and the jobless rate & personal income level improved. There was persisting looming uncertainty regarding IT industry's inventory adjustment and the price of oil.

Against this background, we strived to maximize revenue and profit by advancing the notion of creating a "New Industry" based on our long term commitment to photonics technologies. In addition by developing high-value-added products that meet customers' need and by conducting active sales activities and streamlining operating expenses we were able to significantly improve operating results. In this light, we ended the first three quarters with net sales of Yen 54,917 million (up by 5.9% from the corresponding period of last year), ordinary profit of Yen 9,864 million (up by 42.8% from the same period) and net income of Yen 6,229 million (up by 98.8% from the same period).

### (1) Sales by Segment

#### Opto-Electronic Devices:

Photomultiplier Tube posted an increase in medical applications, particularly for PET scanners in North America. In addition, those devices used for blood analyzers also showed steady growth.

In Light Source & Imaging, the Photoionizer sales gained steadily in association with the application of removing static electricity in the semiconductor manufacturing market. UV Spot Light Source for UV cure bonding continued to reflect decreased sales. Opto-semiconductor continued to command good result by posting growth in medical fields such as silicon photodiodes for X-ray CT and the CCD image sensor for dental application. The Photo IC for automotive application also showed a rise, mainly in Europe. Opto-Electronic Devices closed the first nine months with net sales of Yen 45,672 million (up by 6.9% from one year before), which accounts for 74.3% of annual projection. It is believed that the net sales amount is almost within our projection.

#### Imaging and Measurement Instruments:

Semiconductor Failure Analysis Systems sales grew mainly in the Asian and Japanese markets. In Europe and the US, Digital Cameras continued to gain steadily. Imaging & Measurement Instruments ended the first nine months with net sales of Yen 8,749 million (up by 0.9% from one year before). This amount corresponds to 72.3% of the annual projection and it can be said that it is almost in line with the projection.

### (2) Changes in Financial Conditions

Compared with last fiscal year's end, total assets at the quarter end increased by Yen 20,882 million, shareholders' equity by Yen 5,270 million and takes 40.2% of total assets. The major changes come from issuance of bonds with warrants to buy stocks, which increased Cash on hand and in banks by Yen 19,732 million. Inventory rose by Yen 514 million and Tangible Fixed assets by Yen 1,480 million due to an increased capital investment. Under "Liability", repayment cut down balance of Long-term bank loans with due date within one year by Yen 5,018 million but the bond issue increased the balance of Convertible debenture by Yen 19,994 million. In Shareholders' equity, Retained earnings increased by Yen 4,868 million because of increased net income for the three quarters.

### (3) Changes in Cash Flow

Cash flow generated from operations was Yen 10,316 million, which was principally due from pre-tax income of Yen 9,767 million while there was a tax payment that reduced the flow. The investment activities decreased the cash flow by Yen 5,807 million due to payment of Yen 5,247 million for the capital investment. Financial activities increased the cash flow by Yen 14,897 million largely because of issue of Convertible debenture for Yen 20,000 million.

### 3. Projection of consolidated performance for the fiscal year ended September 2005

The business environment continues to pose a severe challenge for the Company. Despite this environment, the performance for the three quarters' remained within the scope of annual projection released on April 22,2005, and it is expected to achieve projection. Accordingly, there is no change to the annual projection.

	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, 2005	74,300	12,300	7,800	119.24

Ref. : Forecast of non-consolidated result for the fiscal year ending Sep. 30, 2005 (From Oct. 1, 2004 through Sep. 30, 2005)

	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, 2005	64,900	10,400	7,000	106.76

### Third Quarter Consolidated Financial Statements

#### Third Quarter Consolidated Balance Sheets

(Millions of Japanese Yen)

	As of June 30, 2005		As of June 30, 2004		Change		As of Sep. 30, 2004	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>Assets</b>								
Current assets	79,657	56.9	58,525	50.2	21,131	36.1	60,934	51.2
Fixed assets	60,270	43.1	58,157	49.8	2,113	3.6	58,111	48.8
Tangible fixed assets	49,401	35.3	47,494	40.7	1,907	4.0	47,921	40.2
Intangible fixed assets	613	0.5	1,137	1.0	(523)	(46.1)	594	0.5
Investments and other assets	10,255	7.3	9,525	8.1	730	7.7	9,595	8.1
<b>Total assets</b>	<b>139,928</b>	<b>100.0</b>	<b>116,682</b>	<b>100.0</b>	<b>23,245</b>	<b>19.9</b>	<b>119,045</b>	<b>100.0</b>
<b>Liabilities</b>								
Current liabilities	22,816	16.3	28,033	24.0	(5,216)	(18.6)	29,609	24.9
Long-term liabilities	60,267	43.1	37,850	32.5	22,416	59.2	37,866	31.8
<b>Total liabilities</b>	<b>83,083</b>	<b>59.4</b>	<b>65,884</b>	<b>56.5</b>	<b>17,199</b>	<b>26.1</b>	<b>67,476</b>	<b>56.7</b>
Minority interests in consolidated subsidiaries	608	0.4	593	0.5	15	2.6	603	0.5
<b>Shareholders' equity</b>								
Common stock	16,079	11.5	16,002	13.7	77	0.5	16,076	13.5
Capital surplus	15,830	11.3	15,753	13.5	76	0.5	15,827	13.3
Retained earnings	30,081	21.5	23,693	20.3	6,388	27.0	25,213	21.2
Unrealized loss on securities, net of tax	1,075	0.8	868	0.8	207	23.9	642	0.5
Adjustment arising from translation of accounts of foreign subsidiaries	(826)	(0.6)	(1,123)	(1.0)	296	(26.4)	(790)	(0.7)
Less treasury stock, at cost	(6,004)	(4.3)	(4,989)	(4.3)	(1,015)	20.3	(6,003)	(5.0)
<b>Total shareholders' equity</b>	<b>56,236</b>	<b>40.2</b>	<b>50,205</b>	<b>43.0</b>	<b>6,031</b>	<b>12.0</b>	<b>50,966</b>	<b>42.8</b>
<b>Total liabilities and shareholders' equity</b>	<b>139,928</b>	<b>100.0</b>	<b>116,682</b>	<b>100.0</b>	<b>23,245</b>	<b>19.9</b>	<b>119,045</b>	<b>100.0</b>

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, 2005		Nine months ended Jun. 30, 2004		Change		Fiscal year ended Sep. 30, 2004	
	Amount	%	Amount	%	Amount	%	Amount	%
Net sales	54,917	100.0	51,868	100.0	3,049	5.9	70,466	100.0
Cost of sales	25,267	46.0	24,987	48.2	279	1.1	33,996	48.2
Gross profit	29,649	54.0	26,880	51.8	2,769	10.3	36,470	51.8
Selling, general and administrative expenses	13,501	24.6	13,519	26.0	(18)	(0.1)	18,010	25.7
Research and Development	6,599	12.0	6,624	12.8	(24)	(0.4)	8,771	12.4
Operating income	9,549	17.4	6,736	13.0	2,812	41.7	9,688	13.7
Non-operating income	678	1.2	518	1.0	160	31.0	746	1.1
Non-operating expenses	363	0.6	348	0.7	14	4.2	434	0.6
Ordinary income	9,864	18.0	6,906	13.3	2,958	42.8	9,999	14.2
Extraordinary income	7	0.0	108	0.2	(101)	(93.5)	70	0.1
Extraordinary loss	103	0.2	1,657	3.2	(1,553)	(93.7)	1,975	2.8
Income before income taxes and minority interests	9,767	17.8	5,357	10.3	4,410	82.3	8,094	11.5
Income taxes	3,515	6.4	2,233	4.3	1,282	57.4	3,449	4.9
Minority interests in consolidated subsidiaries	22	0.1	(9)	(0.0)	31	-	(8)	(0.0)
Net income	6,229	11.3	3,133	6.0	3,096	98.8	4,652	6.6

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

## Segment Information

### Business Segment

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

Nine months ended Jun. 30, 2004

(Millions of Japanese Yen)

	Opto-electronic devices	Imaging and measurement instruments	Other	Segment total	Elimination or corporate	Consolidated total
Net sales						
Outside customers	42,722	8,668	477	51,868	-	51,868
Intersegment	478	25	-	504	(504)	-
Total net sales	43,201	8,694	477	52,372	(504)	51,868
Operating expenses	30,313	7,237	617	38,168	6,963	45,131
Operating income	12,888	1,456	(140)	14,203	(7,467)	6,736

Reference : Fiscal year ended Sep. 30, 2004

(Millions of Japanese Yen)

	Opto-electronic devices	Imaging and measurement instruments	Other	Segment total	Elimination or corporate	Consolidated total
Net sales						
Outside customers	57,882	11,930	653	70,466	-	70,466
Intersegment	628	28	-	656	(656)	-
Total net sales	58,511	11,958	653	71,123	(656)	70,466
Operating expenses	41,402	9,837	826	52,066	8,711	60,778
Operating income	17,109	2,121	(173)	19,057	(9,368)	9,688

#### 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 Image Intensifier, Microchannel Plate, Deuterium Lamp, UV Spot Light Source, Microfocus X-ray Source), Opto-semiconductors (Photo Diode, Infrared Detector, Image Sensor, Light Emitting Diode, Photo IC, Photocoupler )
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 6,973 million yen, 7,255 million yen and 9,091 million yen for the nine months ended Jun. 30, 2005, the nine months ended Jun. 30, 2004 and the fiscal year ended Sep. 30, 2004, respectively.

## Segment Information

### Geographical Segment

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

Nine months ended Jun. 30, 2004

(Millions of Japanese Yen)

	Japan	North America	Europe	Other	Segment total	Elimination or corporate	Consolidated total
Net sales							
Outside customers	31,369	10,750	9,454	293	51,868	-	51,868
Intersegment	14,479	537	44	321	15,382	(15,382)	-
Total net sales	45,848	11,288	9,499	614	67,250	(15,382)	51,868
Operating expenses	33,530	10,992	8,176	568	53,268	(8,136)	45,131
Operating income	12,318	296	1,322	46	13,982	(7,246)	6,736

Reference : Fiscal year ended Sep. 30, 2004

(Millions of Japanese Yen)

	Japan	North America	Europe	Other	Segment total	Elimination or corporate	Consolidated total
Net sales							
Outside customers	42,582	15,141	12,359	382	70,466	-	70,466
Intersegment	20,405	737	55	468	21,666	(21,666)	-
Total net sales	62,987	15,879	12,414	851	92,133	(21,666)	70,466
Operating expenses	46,211	15,383	10,799	778	73,172	(12,394)	60,778
Operating income	16,776	495	1,615	72	18,960	(9,271)	9,688

#### 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 6,973 million yen, 7,255 million yen and 9,091 million yen for the nine months ended Jun. 30, 2005, the nine months ended Jun. 30, 2004 and the fiscal year ended Sep. 30, 2004, respectively.

## Segment Information

### Overseas sales

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%

Nine months ended Jun. 30, 2004

(Millions of Japanese Yen)

	North America	Europe	Asia	Other	Consolidated total
Overseas sales	11,028	9,424	6,247	275	26,975
Consolidated net sales	-	-	-	-	51,868
Ratio of overseas sales to consolidated net sales	21.3%	18.2%	12.0%	0.5%	52.0%

Reference : Fiscal year ended Sep. 30, 2004

(Millions of Japanese Yen)

	North America	Europe	Asia	Other	Consolidated total
Overseas sales	15,525	12,251	8,865	369	37,011
Consolidated net sales	-	-	-	-	70,466
Ratio of overseas sales to consolidated net sales	22.0%	17.4%	12.6%	0.5%	52.5%

#### 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