

# Consolidated Financial Results for the Third Quarter of Fiscal Year ending September 30, 2008

August 8, 2008

Company name : Hamamatsu Photonics K.K.

ID number : 6965

URL : www.hamamatsu.com

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

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Stock listing : Tokyo Stock Exchange First Section

Headquarters : Hamamatsu City, Japan

## 1. Consolidated financial results for the nine months ended June 30, 2008 (From Oct. 1, 2007 through June 30, 2008)

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 June 30, 2008	72,643	1.4	15,097	(6.8)	15,906	(3.1)	9,692	(2.3)
Nine months ended June 30, 2007	71,650	11.9	16,191	20.5	16,416	20.0	9,922	25.9
(Reference) Fiscal year ended Sep. 30, 2007	96,316		19,873		20,175		12,036	

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended June 30, 2008	120.67	119.65
Nine months ended June 30, 2007	132.81	122.59
(Reference) Fiscal year ended Sep. 30, 2007	159.86	148.63

### (2) Consolidated financial position

	Total assets	Net Assets	Shareholders' equity ratio	Net Assets per share
	Millions of yen	Millions of yen	%	Yen
Nine months ended June 30, 2008	173,666	119,874	68.1	1,472.25
Nine months ended June 30, 2007	164,624	101,333	61.1	1,320.78
(Reference) Fiscal year ended Sep. 30, 2007	170,143	113,897	66.4	1,407.96

### (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 June 30, 2008	14,663	(5,218)	4,556	48,761
Nine months ended June 30, 2007	13,248	(16,688)	(4,767)	38,644
(Reference) Fiscal year ended Sep. 30, 2007	18,188	(18,243)	(11,597)	35,067

## 2. Dividends

(Base date)	Dividends per share		
	Interim	Year end	Total
Fiscal year ended Sep. 30, 2007	Yen 20.00	Yen 23.00	Yen 43.00
Fiscal year ended Sep. 30, 2008	20.00		46.00
Fiscal year ended Sep. 30, 2008 (Outlook)		26.00	

We have made a revision of the projected year-end dividend that was announced on Nov. 9, 2007.

The projected year-end dividend has been included 3 yen commemorative dividend per share.

## 3. Forecast of consolidated results for the fiscal year ended Sep. 30, 2008 (From Oct. 1, 2007 through Sep. 30, 2008)

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

	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
Fiscal year ended Sep. 30, 2008	99,500	3.3	20,100	1.1	21,000	4.1	13,200	9.7	164.24

There is no change to the annual projection released on May 16, 2008.

## 4. Others

(1) Changes in consolidated subsidiaries (Changes in scope of consolidation) : None

(2) Whether the Company has adopted simplified accounting methods : Yes

(3) Differences in consolidated accounting policies from recent fiscal year : None

Note: For further details, please refer to the item "3. Other Matters".

The above forecast has been prepared based on the information which is currently available at this moment.

Actual results may differ from the forecast due to various factors that may arise in the future.

## 1. Comments on Consolidated Performance

### (1) Summary of Consolidated Performance for the Third Quarter of this Fiscal Year

The business environment during the third quarter of this fiscal year suffered from a slowing economy caused by turmoil in the international financial market. This uncertainty in the market came in the wake of the subprime loan issue in the U.S. and the high price of energies and materials.

Our group continued to improve our photonics technologies that we have been cultivated for a long time. We strove to anticipate the market's needs and to develop competitive products using our photonics technologies. Moreover, we undertook to boost our revenue and income by intensive sales activities and streamlining operating expenses.

As a result of the above factors, we closed the third quarter with net sales of JPY 72,643 million, up by 1.4%, operating income of JPY 15,097 million, down by 6.8% and ordinary income of JPY 15,906 million, down by 3.1% over one year before respectively. Net income resulted in JPY 9,692 million, down by 2.3%.

### (2) Sales by Segment

#### a. Opto-Electronic Devices:

Sales of Photomultiplier Tube (PMTs) in the field of blood analysis continued to increase steadily. However, the sales of PMTs for Positron Emission Tomography (PET) decreased due to a reduction in capital investment for the medical equipment traceable to the effect of the Deficit Reduction Act had on Medicare reimbursement in the U.S. In addition, PMTs used in the oil well logging were down mainly in the U.S. market.

In the Light Sources and Imaging Devices sector, the X-ray Scintillator in the field of medical imaging continued to grow steadily and sales of UV Spot Light Source for UV cure bonding also increased in Japan and Asia.

In the Opto-semiconductor sector, sales of Silicon Photodiodes continued to command good result. Sales of X-ray Image Sensors for dental and non-destructive internal inspection rose substantially and sales of Photo ICs for communication network applications for the European automotive industry also recorded steady growth.

In total Opto-Electronic Devices closed the third quarter with JPY 62,479 million, up by 3.7% from one year previous and it achieved 74.3% of the '08 forecast.

#### b. Imaging and Measurement Instruments:

Sales of Functional Drug Screening System (FDSS) for research associated with drug discovery by drug manufactures grew, principally in the U.S. market. However, sales of Semiconductor Failure Analysis Systems were down drastically in Japan, Asia and Europe due to delays in capital investment in the semiconductor industry. Net sales for this sector resulted in JPY 10,196 million, down by 9.8% from one year before. This amount corresponds to 66.2% of the projection.

## 2. Comments on Financial Position

### (1) Summary of Financial Position

Total assets at the end of the third quarter were JPY 173,666 million, up by JPY 3,522 million from the year ended September 30, 2007. This is mainly from increases in inventories mainly work in progress, up by JPY 3,282 million and cash on hand and in banks, while investment securities were down by JPY 521 million due to decreases in the market values.

Total liabilities were JPY 53,792 million, down by JPY 2,454 million due to decreases in short and long-term debts repayment, down by JPY 2,196 million and income tax payable, down by JPY 1,478 million, while there were increases in trade notes and accounts payable, up by JPY 1,875 million due to increases in the purchase of materials.

Net Assets were JPY 119,874 million, up by JPY 5,976 million, due mainly to be net income for the nine months of JPY 9,692 million. Against these factors, the equity ratio was 68.1%.

### (2) Summary of Cash Flow

Operating activity during the third quarter increased cash flow of JPY 14,663 million. This is mainly from income before income taxes and minority interests for JPY 15,819 million, while there was an income tax payment of JPY 7,244 million that reduced the flow. Investment activity decreased the cash flow by JPY 5,218 million due mainly to an acquisition of tangible fixed assets for JPY 6,214 million, while there was a repayment of time deposits for JPY 1,506 million. Financial activity increased cash flow of JPY 4,556 million due mainly to reimbursement of redemption of convertible debentures for JPY 9,372 million, while there were dividend payment and short-term debts repayment.

At the end of the third quarter, cash and cash equivalent stood at JPY 48,761 million, up by JPY 13,693 million from the end of the previous fiscal year.

## 3. Other Matters

(1) Changes in the status of material subsidiaries during the nine months of the fiscal year (Companies newly consolidated or removed from consolidation): None

(2) Whether the Company has used simplified accounting methods : Calculated using the projected annual tax rate based on the statutory effective tax rate

(3) Differences in accounting policies from recent fiscal year : None

### Third Quarter Consolidated Financial Statements

#### Third Quarter Consolidated Balance Sheets

(Millions of Japanese Yen)

	As of June 30, 2007		As of June 30, 2008		Change		As of Sep. 30, 2007	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>Assets</b>								
Current assets								
Cash on hand and in banks	48,937		57,004		8,066		44,323	
Trade notes and accounts receivable	24,209		23,275		(934)		24,108	
Inventories	17,844		21,091		3,247		17,809	
Deferred income taxes	2,605		2,763		158		3,262	
Other	1,828		2,291		462		11,653	
<b>Total current assets</b>	<b>95,424</b>	<b>58.0</b>	<b>106,425</b>	<b>61.3</b>	<b>11,000</b>	<b>11.5</b>	<b>101,158</b>	<b>59.5</b>
Fixed assets								
Tangible fixed assets	56,674	34.4	56,287	32.4	(386)	(0.7)	57,334	33.7
Intangible fixed assets	357	0.2	250	0.1	(107)	(29.9)	282	0.1
Investments and other assets	12,166	7.4	10,702	6.2	(1,464)	(12.0)	11,368	6.7
Investment securities	4,890		3,050		(1,839)		3,572	
Deferred income taxes	5,121		5,896		775		5,615	
Other	2,155		1,754		(400)		2,181	
<b>Total fixed assets</b>	<b>69,199</b>	<b>42.0</b>	<b>67,240</b>	<b>38.7</b>	<b>(1,958)</b>	<b>(2.8)</b>	<b>68,985</b>	<b>40.5</b>
<b>Total assets</b>	<b>164,624</b>	<b>100.0</b>	<b>173,666</b>	<b>100.0</b>	<b>9,042</b>	<b>5.5</b>	<b>170,143</b>	<b>100.0</b>
<b>Liabilities</b>								
Current liabilities								
Trade notes and accounts payable	12,392		13,401		1,009		11,525	
Short-term bank loans and current portion of long-term debt	3,757		2,620		(1,136)		3,726	
Current portion of convertible debentures	11,111		-		(11,111)		-	
Income taxes payable	1,968		1,979		11		3,458	
Other	12,967		12,979		11		13,697	
<b>Total current liabilities</b>	<b>42,195</b>	<b>25.6</b>	<b>30,980</b>	<b>17.9</b>	<b>(11,214)</b>	<b>(26.6)</b>	<b>32,407</b>	<b>19.1</b>
Long-term liabilities								
Non-collateral bonds with warrants to buy stocks	1,862		1,418		(444)		1,673	
Long-term bank loans	5,585		7,308		1,722		8,398	
Allowance for employees' retirement and severance benefits	12,039		12,469		429		12,085	
Allowance for retirement benefits for directors and corporate auditors	1,435		1,504		68		1,452	
Other	170		111		(59)		229	
<b>Total long-term liabilities</b>	<b>21,094</b>	<b>12.8</b>	<b>22,811</b>	<b>13.1</b>	<b>1,716</b>	<b>8.1</b>	<b>23,838</b>	<b>14.0</b>
<b>Total liabilities</b>	<b>63,290</b>	<b>38.4</b>	<b>53,792</b>	<b>31.0</b>	<b>(9,497)</b>	<b>(15.0)</b>	<b>56,246</b>	<b>33.1</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, 2007		As of June 30, 2008		Change		As of Sep. 30, 2007	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>Net asset</b>								
Shareholders' equity								
Common stock	29,144		34,897		5,752		34,770	
Capital surplus	28,892		34,641		5,748		34,514	
Retained earnings	45,721		54,117		8,395		47,835	
Less treasury stock, at cost	(6,025)		(6,044)		(18)		(6,039)	
Total shareholders' equity	97,733	59.4	117,612	67.7	19,878	20.3	111,080	65.3
Unrealized gains and adjustment								
Unrealized gain on securities, net of tax	1,546		718		(827)		1,103	
Deferred Hedge Gain (Loss)	(13)		(47)		(34)		0	
Foreign Currency Translation Adjustment	1,239		38		(1,200)		811	
Total Unrealized gains and adjustment	2,771	1.7	710	0.4	(2,061)	(74.4)	1,915	1.1
Minority interests in consolidated subsidiaries	828	0.5	1,551	0.9	723	87.3	901	0.5
Total net asset	101,333	61.6	119,874	69.0	18,540	18.3	113,897	66.9
Total liabilities and net asset	164,624	100.0	173,666	100.0	9,042	5.5	170,143	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, 2007		Nine months ended June 30, 2008		Change		Fiscal year ended Sep. 30, 2007	
	Amount	%	Amount	%	Amount	%	Amount	%
Net sales	71,650	100.0	72,643	100.0	993	1.4	96,316	100.0
Cost of sales	32,261	45.0	33,552	46.2	1,290	4.0	44,356	46.1
Gross profit	39,389	55.0	39,091	53.8	(297)	(0.8)	51,960	53.9
Selling, general and administrative expenses	16,182	22.6	16,406	22.6	224	1.4	22,386	23.2
Research and Development	7,015	9.8	7,587	10.4	572	8.2	9,699	10.1
Operating income	16,191	22.6	15,097	20.8	(1,094)	(6.8)	19,873	20.6
Non-operating income	719	1.0	1,041	1.4	321	44.8	923	1.0
Non-operating expenses	493	0.7	231	0.3	(262)	(53.1)	621	0.7
Ordinary income	16,416	22.9	15,906	21.9	(509)	(3.1)	20,175	20.9
Extraordinary income	341	0.5	508	0.7	166	48.8	346	0.4
Extraordinary loss	541	0.8	595	0.8	53	9.9	691	0.7
Income before income taxes and minority interests	16,216	22.6	15,819	21.8	(397)	(2.4)	19,831	20.6
Income taxes	6,214	8.7	6,037	8.3	(177)	(2.8)	7,688	8.0
Minority interests in consolidated subsidiaries	79	0.1	89	0.2	9	12.4	106	0.1
Net income	9,922	13.8	9,692	13.3	(229)	(2.3)	12,036	12.5

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, 2007	Nine months ended June 30, 2008	Fiscal year ended Sep. 30, 2007
<b>Cash flows from operating activities</b>			
Income before income taxes and minority interests	16,216	15,819	19,831
Depreciation	5,723	6,665	8,031
Increase in allowance for retirement and severance benefits	563	383	609
(Increase) decrease in receivables, trade	(632)	532	(839)
Increase in inventories	(2,134)	(3,560)	(2,231)
Increase in payables, trade	751	2,168	72
Other	380	(337)	915
<b>Subtotal</b>	<b>20,870</b>	<b>21,672</b>	<b>26,390</b>
Income taxes paid	(7,756)	(7,244)	(8,449)
Other	134	235	247
<b>Net cash provided by operating activities</b>	<b>13,248</b>	<b>14,663</b>	<b>18,188</b>
<b>Cash flows from investing activities</b>			
(Increase) decrease in time deposits	(7,159)	1,506	(6,142)
Payments for acquisition of property, plant and equipment	(9,394)	(6,214)	(11,889)
Other	(134)	(509)	(210)
<b>Net cash used in investing activities</b>	<b>(16,688)</b>	<b>(5,218)</b>	<b>(18,243)</b>
<b>Cash flows from financing activities</b>			
Decrease in short-term debt	(766)	(20)	(785)
Increase (decrease) in long-term debt	(1,143)	(2,110)	1,668
Proceeds from redemption of convertible debenture	-	9,372	-
Dividends paid by the parent company	(2,808)	(3,364)	(2,988)
Other	(48)	678	(9,492)
<b>Net cash provided by (used in) financing activities</b>	<b>(4,767)</b>	<b>4,556</b>	<b>(11,597)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>418</b>	<b>(307)</b>	<b>286</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(7,788)</b>	<b>13,693</b>	<b>(11,365)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>46,433</b>	<b>35,067</b>	<b>46,433</b>
<b>Cash and cash equivalents at end of period</b>	<b>38,644</b>	<b>48,761</b>	<b>35,067</b>

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

## Segment Information

### Business Segment

Nine months ended June 30, 2007

(Millions of Japanese Yen)

	Opto-electronic devices	Imaging and measurement instruments	Other	Segment total	Elimination or corporate	Consolidated total
Net sales						
Outside customers	59,854	11,294	500	71,650	-	71,650
Intersegment	383	6	-	390	(390)	-
Total net sales	60,238	11,301	500	72,040	(390)	71,650
Operating expenses	38,692	9,445	596	48,734	6,724	55,459
Operating income	21,545	1,855	(95)	23,305	(7,114)	16,191

Nine months ended June 30, 2008

(Millions of Japanese Yen)

	Opto-electronic devices	Imaging and measurement instruments	Other	Segment total	Elimination or corporate	Consolidated total
Net sales						
Outside customers	61,970	10,161	511	72,643	-	72,643
Intersegment	509	35	-	544	(544)	-
Total net sales	62,479	10,196	511	73,188	(544)	72,643
Operating expenses	41,317	8,690	566	50,573	6,972	57,546
Operating income	21,162	1,506	(54)	22,614	(7,517)	15,097

Reference : Fiscal year ended Sep. 30, 2007

(Millions of Japanese Yen)

	Opto-electronic devices	Imaging and measurement instruments	Other	Segment total	Elimination or corporate	Consolidated total
Net sales						
Outside customers	79,966	15,685	664	96,316	-	96,316
Intersegment	542	10	-	552	(552)	-
Total net sales	80,509	15,695	664	96,869	(552)	96,316
Operating expenses	53,476	13,012	788	67,278	9,164	76,442
Operating income	27,032	2,682	(124)	29,590	(9,716)	19,873

#### 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 6,940 million yen, 7,269 million yen and 9,472 million yen for the nine months ended June 30, 2007, the nine months ended June 30, 2008 and the fiscal year ended Sep. 30, 2007, respectively.



## Segment Information

### Geographical Segment

Nine months ended June 30, 2007

(Millions of Japanese Yen)

	Japan	North America	Europe	Other	Segment total	Elimination or corporate	Consolidated total
Net sales							
Outside customers	34,568	19,325	17,099	656	71,650	-	71,650
Intersegment	25,923	370	291	683	27,269	(27,269)	-
Total net sales	60,491	19,696	17,390	1,340	98,919	(27,269)	71,650
Operating expenses	42,066	17,342	14,740	1,171	75,320	(19,861)	55,459
Operating income	18,425	2,354	2,650	168	23,598	(7,407)	16,191

Nine months ended June 30, 2008

(Millions of Japanese Yen)

	Japan	North America	Europe	Other	Segment total	Elimination or corporate	Consolidated total
Net sales							
Outside customers	35,710	18,062	17,886	983	72,643	-	72,643
Intersegment	26,966	504	406	688	28,566	(28,566)	-
Total net sales	62,676	18,567	18,293	1,672	101,209	(28,566)	72,643
Operating expenses	43,893	17,979	15,696	1,325	78,894	(21,348)	57,546
Operating income	18,783	588	2,596	346	22,315	(7,217)	15,097

Reference : Fiscal year ended Sep. 30, 2007

(Millions of Japanese Yen)

	Japan	North America	Europe	Other	Segment total	Elimination or corporate	Consolidated total
Net sales							
Outside customers	46,717	25,695	22,925	979	96,316	-	96,316
Intersegment	35,701	542	460	873	37,578	(37,578)	-
Total net sales	82,418	26,237	23,385	1,852	133,894	(37,578)	96,316
Operating expenses	57,992	24,538	19,944	1,603	104,079	(27,636)	76,442
Operating income	24,426	1,698	3,441	248	29,815	(9,941)	19,873

#### 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 6,940 million yen, 7,269 million yen and 9,472 million yen for the nine months ended June 30, 2007, the nine months ended June 30, 2008 and the fiscal year ended Sep. 30, 2007, respectively.

## Segment Information

### Overseas sales

Nine months ended June 30, 2007

(Millions of Japanese Yen)

	North America	Europe	Asia	Other	Consolidated total
Overseas sales	18,854	16,929	9,366	394	45,545
Consolidated net sales	-	-	-	-	71,650
Ratio of overseas sales to consolidated net sales	26.3%	23.6%	13.1%	0.6%	63.6%

Nine months ended June 30, 2008

(Millions of Japanese Yen)

	North America	Europe	Asia	Other	Consolidated total
Overseas sales	17,733	17,725	10,356	376	46,192
Consolidated net sales	-	-	-	-	72,643
Ratio of overseas sales to consolidated net sales	24.4%	24.4%	14.3%	0.5%	63.6%

Reference : Fiscal year ended Sep. 30, 2007

(Millions of Japanese Yen)

	North America	Europe	Asia	Other	Consolidated total
Overseas sales	25,108	22,690	12,825	534	61,159
Consolidated net sales	-	-	-	-	96,316
Ratio of overseas sales to consolidated net sales	26.1%	23.6%	13.3%	0.5%	63.5%

#### 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