

Consolidated Financial Results for the Second Quarter of Fiscal Year ending September 30, 2017 (Japanese GAAP)

May 8, 2017

Company name: Hamamatsu Photonics K.K. Stock listing: Tokyo Stock Exchange First Section
 Stock code: 6965 URL: <http://www.hamamatsu.com/ir/index.html>
 Representative: Akira Hiruma, President and Chief Executive Officer
 Contact: Tadahiko Shimazu, Director and General Manager of Accounting Div. (Phone: +81-53-452-2141)
 Scheduled date to file quarterly securities report: May 11, 2017
 Scheduled date to begin dividend payments: June 2, 2017
 Supplementary materials to the financial statements have been prepared: Yes
 Presentation will be held to explain the financial statements: Yes (for analysts and institutional investors)

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

1. Consolidated financial results for the six months ended Mar. 31, 2017 (From Oct. 1, 2016 through Mar. 31, 2017)

(1) Consolidated operating results

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended Mar. 31, 2017	64,953	3.4	11,161	0.5	11,978	7.1	8,917	13.1
Six months ended Mar. 31, 2016	62,843	1.0	11,101	(19.4)	11,189	(23.3)	7,882	(20.1)

Note: Comprehensive income

Six months ended Mar. 31, 2017: 12,390 million yen [128.8%]

Six months ended Mar. 31, 2016: 5,414 million yen [(55.9)%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended Mar. 31, 2017	56.69		-	
Six months ended Mar. 31, 2016	49.02		-	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of Mar. 31, 2017	230,144		179,427		77.7	
As of Sep. 30, 2016	217,300		169,716		77.8	

For reference: Equity

As of Mar. 31, 2017: 178,806 million yen

As of Sep. 30, 2016: 169,163 million yen

2. Dividends

(Base date)	Dividends per share				
	End of Q1	End of Q2	End of Q3	End of FY	Full FY
	Yen				
Fiscal year ended Sep. 30, 2016	-	17.00	-	17.00	34.00
Fiscal year ending Sep. 30, 2017	-	17.00			
Fiscal year ending Sep. 30, 2017 (Forecast)			-	17.00	34.00

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

3. Forecast of consolidated financial results for the fiscal year ending Sep. 30, 2017 (From Oct. 1, 2016 through Sep. 30, 2017)

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

	Net sales		Operating income		Ordinary income		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, 2017	127,500	4.6	21,400	4.2	22,500	12.2	16,300	13.0	103.61

Note: Revision of the forecasts for consolidated financial results most recently announced: Yes

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: None
 - (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 outstanding
 - (a) Number of shares outstanding at end of period including treasury shares
 - As of Mar. 31, 2017: 167,529,968 shares
 - As of Sep. 30, 2016: 167,529,968 shares
 - (b) Number of treasury shares at end of period
 - As of Mar. 31, 2017: 10,213,814 shares
 - As of Sep. 30, 2016: 10,213,758 shares
 - (c) Average number of shares issued during the period
 - Six months ended Mar. 31, 2017: 157,316,201 shares
 - Six months ended Mar. 31, 2016: 160,786,306 shares

1. Qualitative Information Related to Consolidated Performance for the Second Quarter of this Fiscal Year

(1) Operating Results

During the second quarter of this fiscal year (six months ended March 31, 2017), Japan's economy traced a gradual recovery trend as personal consumption remained steady against the backdrop of an improved employment and income environment and the recovery trend in export activity continued. Nevertheless, the future of the economy remained clouded by difficult conditions, including concerns about the political trends in Europe and the United States and uncertain exchange rates.

Given these circumstances, our Group strove to ensure net sales and earnings by pursuing research and development that takes advantage of the Company's proprietary photonics technologies, and continuing proactive capital investment, based on our medium to long-term vision for the future.

As a result, we closed the second quarter with net sales of JPY 64,953 million, up by JPY 2,110 million (3.4%) over one year ago. From an earnings perspective as well, operating income was JPY 11,161 million, up by JPY 60 million (0.5%) compared with one year ago, ordinary income was JPY 11,978 million, up by JPY 789 million (7.1%) from the previous year, and quarterly profit attributable to owners of parent was JPY 8,917 million, up by JPY 1,035 million (13.1%) from the same period one year ago.

Performance by segment is as follows;

(Electron Tube)

Sales of photomultiplier tubes (PMT) in the medical care sector for nuclear medicine testing applications such as Positron Emission Tomography (PET) were robust due to factors such as increasing upgrade demand at medical institutions. Sales for academic applications such as high-energy physics experiments also increased. However, sales for emission spectrometry that are incorporated into devices for analyzing the components in steel materials decreased. Sales for inspection and monitoring systems such as blood analyzers also declined as a result of exchange rates.

In imaging devices and light sources, sales in the industrial field of microfocus X-ray sources for X-ray non-destructive testing were brisk, primarily in overseas markets, while xenon lamps for semiconductor inspection equipment enjoyed solid sales growth that was driven by brisk semiconductor capital investment in Asia. Sales of UV spot light sources for highly accurate bonding of precision equipment were steady as well. However, sales in the medical field of scintillators for converting X-rays into visible light decreased due to the impact of foreign exchange.

As a result, the Electron Tube business closed the second quarter with net sales of JPY 24,187 million, down by 0.0%, and operating income of JPY 8,367 million, up by 0.8% from the same period one year ago.

(Opto-semiconductor)

In opto-semiconductor devices, sales of our core silicon photodiodes remained solid in the medical field, while sales of flat panel sensors, which enjoy an excellent reputation for high performance and superb quality, went up significantly, mainly in Europe, in conjunction with expansion of the dental equipment market. In the industrial field, sales of Photo ICs and LED increased in the FA (Factory Automation) sector for applications such as controls for industrial-use robots and other equipment, and sales of image sensors for semiconductor fabrication and inspection equipment turned in a strong performance as well.

As a result, net sales in the Opto-semiconductor business were JPY 29,881 million, up by 8.9%, and operating income was JPY 8,723 million, up by 8.5% from the same period one year ago.

(Imaging and Measurement Instruments)

In the image processing and measurement systems business, sales of X-ray line sensor cameras rose strongly primarily for food inspection applications, partly due to the launch of new products. Sales of digital camera used in the life sciences sector and biotechnology sector, however, trended lower overseas. In addition, failure analysis systems for semiconductor devices were steady overseas, but domestic sales contracted.

As a result, net sales for the Imaging and Measurement Instruments business were JPY 8,826 million, down by 1.8%, and operating income was JPY 1,919 million, down by 8.5% 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.

Net sales were JPY 2,057 million, down by 7.2%, and operating income was JPY 115 million, down by 54.9% from the same period one year ago.

(2) Financial Conditions

a. Summary of Assets, Liabilities and Net Assets

Current assets increased by JPY 9,233 million from the end of the previous fiscal year. This mainly reflected an increase in cash and deposits of JPY 8,573 million, and an increase in notes and accounts receivable-trade of JPY 2,413 million, respectively.

Non-current assets increased by JPY 3,609 million from the end of the previous fiscal year. This was mainly from an increase in property, plant and equipment of JPY 2,854 million that resulted from an increase in construction in progress in conjunction with the construction of a new manufacturing plant.

Total assets at the end of the second quarter were JPY 230,144 million, up by JPY 12,843 million from the end of the fiscal year ended September 30, 2016.

Current liabilities increased by JPY 2,968 million from the end of the previous fiscal year. Total current liabilities increased mainly because of an increase in notes and accounts payable-trade of JPY 1,071 million and an increase in income taxes payable of JPY 749 million, respectively.

Non-current liabilities increased by JPY 164 million from the previous fiscal year-end, mainly due to an increase in net defined benefit liability of JPY 155 million.

Total liabilities at the end of the second quarter were JPY 50,717 million, up by JPY 3,133 million from the end of the fiscal year ended September 30, 2016.

Net assets for the second quarter of this fiscal year were JPY 179,427 million, up by JPY 9,710 million from the end of the fiscal year ended September 30, 2016. This mainly reflected an increase in retained earnings of JPY 6,238 million that included the reported profit attributable to owners of parent, and an increase in foreign currency translation adjustment of JPY 3,036 million.

b. Summary of Cash Flows

At the end of the second quarter, cash and cash equivalents (referred to below as "cash") stood at JPY 62,560 million, up by JPY 8,964 million from the year ended September 30, 2016.

(Cash flows from operating activities)

Cash provided by operating activities during the second quarter totaled JPY 16,023 million. This mainly reflected profit before income taxes and depreciation, and was up by JPY 1,538 million compared with JPY 14,484 million in the same period in the previous fiscal year.

(Cash flows from investing activities)

Cash used in investing activities totaled JPY 6,723 million. This was mainly for purchases of property, plant and equipment, which increased expenditures by JPY 4,991 million compared with cash used in investing activities of JPY 1,731 million in the same period of the previous fiscal year.

(Cash flows from financing activities)

Cash used in financing activities was JPY 2,647 million. This mainly reflected cash used for dividend payments, which together with other changes reduced expenditures by JPY 284 million compared with cash used in financing activities of JPY 2,931 million in the same period of the previous fiscal year.

(3) Projection for the year

Based on factors such as the conditions in markets where we are conducting our businesses and the improvement in operating performance in the most recent quarter, we have made the following revisions to our forecast of consolidated financial results for the fiscal year ending Sep. 30, 2017, which we announced on November 7, 2016.

We assume the applicable yen/US dollar exchange rate will be JPY 110 and the yen/Euro exchange rate will be JPY 115.

Forecast of Consolidated Financial Results for the fiscal year ending Sep. 30, 2017
(From Oct. 1, 2016 through Sep. 30, 2017)

(Millions of Japanese Yen)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Earnings per share
					(Yen)
Previous forecast (A)	122,500	19,000	19,600	14,400	91.54
Revised forecast (B)	127,500	21,400	22,500	16,300	103.61
Change (B-A)	5,000	2,400	2,900	1,900	-
Change (%)	4.1	12.6	14.8	13.2	-

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of Japanese Yen)

	As of Sep. 30, 2016	As of Mar. 31, 2017
Assets		
Current assets		
Cash and deposits	74,503	83,076
Notes and accounts receivable - trade	27,916	30,330
Securities	1,000	-
Merchandise and finished goods	7,554	8,553
Work in process	16,248	15,298
Raw materials and supplies	6,241	6,220
Other	7,232	6,490
Allowance for doubtful accounts	(188)	(226)
Total current assets	140,508	149,742
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	29,231	29,468
Machinery, equipment and vehicles, net	10,070	10,344
Tools, furniture and fixtures, net	3,762	4,204
Land	16,406	16,447
Leased assets, net	195	189
Construction in progress	4,625	6,491
Total property, plant and equipment	64,292	67,146
Intangible assets	1,463	1,722
Investments and other assets		
Investment securities	2,446	2,899
Deferred tax assets	6,638	6,519
Other	1,970	2,133
Allowance for doubtful accounts	(19)	(19)
Total investments and other assets	11,036	11,532
Total non-current assets	76,792	80,401
Total assets	217,300	230,144

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of Japanese Yen)

	As of Sep. 30, 2016	As of Mar. 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,580	5,651
Electronically recorded obligations - operating	8,880	9,657
Short-term loans payable	2,183	2,455
Current portion of long-term loans payable	218	210
Income taxes payable	2,019	2,768
Provision for bonuses	3,613	3,633
Other	10,380	10,469
Total current liabilities	31,876	34,845
Non-current liabilities		
Long-term loans payable	6,844	6,757
Net defined benefit liability	7,118	7,274
Other	1,743	1,840
Total non-current liabilities	15,707	15,871
Total liabilities	47,583	50,717
Net assets		
Shareholders' equity		
Capital stock	34,928	34,928
Capital surplus	34,672	34,672
Retained earnings	119,259	125,497
Treasury shares	(16,059)	(16,059)
Total shareholders' equity	172,800	179,039
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	455	752
Foreign currency translation adjustment	(2,921)	115
Remeasurements of defined benefit plans	(1,170)	(1,100)
Total accumulated other comprehensive income	(3,637)	(232)
Non-controlling interests	553	621
Total net assets	169,716	179,427
Total liabilities and net assets	217,300	230,144

Consolidated Financial Statements

Consolidated Statements of Income

(Millions of Japanese Yen)

	Six months ended Mar. 31, 2016	Six months ended Mar. 31, 2017
Net sales	62,843	64,953
Cost of sales	30,967	32,915
Gross profit	31,875	32,038
Selling, general and administrative expenses	20,774	20,876
Operating income	11,101	11,161
Non-operating income		
Interest income	129	97
Rent of real estate for investment	43	33
Foreign exchange gains	-	527
Share of profit of entities accounted for using equity method	50	55
Other	206	229
Total non-operating income	430	943
Non-operating expenses		
Interest expenses	46	57
Rent expenses on real estates	40	38
Foreign exchange losses	235	-
Other	18	29
Total non-operating expenses	341	125
Ordinary income	11,189	11,978
Extraordinary income		
Gain on sales of non-current assets	27	11
Subsidy income	125	-
Gain on sales of investment securities	-	0
Total extraordinary income	153	11
Extraordinary losses		
Loss on sales of non-current assets	2	5
Loss on retirement of non-current assets	10	29
Loss on reduction of non-current assets	77	-
Total extraordinary losses	89	35
Profit before income taxes	11,252	11,954
Income taxes	3,343	3,001
Profit	7,909	8,953
Profit attributable to non-controlling interests	26	35
Profit attributable to owners of parent	7,882	8,917

Consolidated Financial Statements

Consolidated Statements of Comprehensive Income

(Millions of Japanese Yen)

	Six months ended Mar. 31, 2016	Six months ended Mar. 31, 2017
Profit	7,909	8,953
Other comprehensive income		
Valuation difference on available-for-sale securities	(36)	297
Foreign currency translation adjustment	(2,541)	3,038
Remeasurements of defined benefit plans, net of tax	86	70
Share of other comprehensive income of entities accounted for using equity method	(3)	30
Total other comprehensive income	(2,494)	3,436
Comprehensive income	5,414	12,390
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,418	12,322
Comprehensive income attributable to non-controlling interests	(4)	68

Consolidated Financial Statements
Consolidated Statements of Cash Flows

(Millions of Japanese Yen)

	Six months ended Mar. 31, 2016	Six months ended Mar. 31, 2017
Cash flows from operating activities		
Profit before income taxes	11,252	11,954
Depreciation	5,057	4,707
Increase (decrease) in provision for bonuses	(90)	5
Interest and dividend income	(149)	(120)
Interest expenses	46	57
Share of (profit) loss of entities accounted for using equity method	(50)	(55)
Decrease (increase) in notes and accounts receivable - trade	(73)	(1,418)
Decrease (increase) in inventories	(311)	730
Increase (decrease) in notes and accounts payable - trade	589	493
Other, net	1,291	1,567
Subtotal	17,562	17,923
Interest and dividend income received	150	117
Interest expenses paid	(46)	(57)
Income taxes (paid) refund	(3,181)	(1,960)
Net cash provided by (used in) operating activities	14,484	16,023
Cash flows from investing activities		
Net decrease (increase) in time deposits	3,922	521
Purchase of securities	(1,000)	-
Proceeds from sales of securities	-	1,000
Purchase of property, plant and equipment	(4,294)	(7,647)
Other, net	(360)	(598)
Net cash provided by (used in) investing activities	(1,731)	(6,723)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	249	163
Repayments of long-term loans payable	(87)	(96)
Cash dividends paid	(3,059)	(2,679)
Other, net	(34)	(34)
Net cash provided by (used in) financing activities	(2,931)	(2,647)
Effect of exchange rate change on cash and cash equivalents	(1,728)	2,313
Net increase (decrease) in cash and cash equivalents	8,091	8,964
Cash and cash equivalents at beginning of period	45,556	53,595
Cash and cash equivalents at end of period	53,648	62,560

Segment Information

Information on the Amounts of Sales and Income (Loss) for Reportable Segments

Six months ended March 31, 2016 (From Oct. 1, 2015 through Mar. 31, 2016)

(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	24,198	27,436	8,992	60,626	2,216	62,843	-	62,843
Intersegment	623	416	1	1,042	490	1,532	(1,532)	-
Total net sales	24,822	27,852	8,993	61,668	2,706	64,375	(1,532)	62,843
Segment income	8,298	8,043	2,097	18,439	255	18,694	(7,593)	11,101

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 income of negative JPY 7,593 million represents intersegment transactions of negative JPY 623 million and unallocated corporate expenses of negative JPY 6,970 million. Corporate expenses mainly consist of general and administrative expenses and basic research expenses that are unattributable to reportable segments.
3. Segment income has been reconciled with operating income presented in the consolidated financial statements.

Six months ended March 31, 2017 (From Oct. 1, 2016 through Mar. 31, 2017)

(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	24,187	29,881	8,826	62,895	2,057	64,953	-	64,953
Intersegment	844	442	8	1,294	252	1,546	(1,546)	-
Total net sales	25,031	30,324	8,834	64,189	2,310	66,500	(1,546)	64,953
Segment income	8,367	8,723	1,919	19,009	115	19,124	(7,963)	11,161

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 income of negative JPY 7,963 million represents intersegment transactions of negative JPY 724 million and unallocated corporate expenses of negative JPY 7,239 million. Corporate expenses mainly consist of general and administrative expenses and basic research expenses that are unattributable to reportable segments.
3. Segment income has been reconciled with operating income presented in the consolidated financial statements.