

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 Jun. 30, 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 Jun. 30, 2017: 10,213,886 shares
 - As of Sep. 30, 2016: 10,213,758 shares
 - (c) Average number of shares issued during the period
 - Nine months ended Jun. 30, 2017: 157,316,184 shares
 - Nine months ended Jun. 30, 2016: 160,613,206 shares

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

(1) Operating Results

During the third quarter of this fiscal year (nine months ended June 30, 2017), Japan's economy fluctuated around a gradual recovery trend. In addition to an underlying gradual increase in capital investment against the backdrop of improved corporate earnings, positive factors included a recovery in exports and the increasingly brisk pace of personal consumption amidst the ongoing improvement in the employment and income environment. Nevertheless, the economic outlook remains clouded by uncertain circumstances, including concerns about the future direction of the economies of newly developing countries and the political trends in Europe and the United States.

Given these circumstances, our Group endeavored to ensure net sales and earnings by pursuing research and development that takes advantage of proprietary photonics technologies the Company has cultivated over many years, and focusing efforts on the development of products that address customers' needs.

As a result, we closed the third quarter with net sales of JPY 95,945 million, up by JPY 4,787 million (5.3%) over one year ago. From an earnings perspective as well, operating income was JPY 16,483 million, up by JPY 755 million (4.8%) compared with one year ago, ordinary income was JPY 17,459 million, up by JPY 2,020 million (13.1%) from the previous year, and quarterly profit attributable to owners of parent was JPY 13,138 million, up by JPY 2,013 million (18.1%) from the same period one year ago.

Performance by segment is as follows;

(Electron Tube)

Though sales of photomultiplier tubes (PMT) for emission spectrometry that are incorporated into devices for analyzing the components in steel materials decreased, sales in the medical care sector for nuclear medicine testing applications such as Positron Emission Tomography (PET) remained solid due to factors such as increasing demand for replacement at medical institutions. Sales for academic applications such as high-energy physics experiments also increased.

In imaging devices and light sources, sales in the industrial field of microfocus sources for X-ray non-destructive testing were brisk, primarily in overseas markets, while xenon lamps for semiconductor inspection equipment enjoyed solid sales growth 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.

As a result, the Electron Tube business closed the third quarter with net sales of JPY 36,003 million, up by 4.9%, and operating income of JPY 12,609 million, up by 6.8% from the same period one year ago.

(Opto-semiconductor)

In opto-semiconductor devices, 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 44,345 million, up by 7.5%, and operating income was JPY 13,336 million, up by 7.5% from the same period one year ago.

(Imaging and Measurement Instruments)

In the image processing and measurement systems business, though sales of digital camera used in the life sciences sector and biotechnology sector trended lower overseas, 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 slide scanners in pathology enjoyed solid sales as well.

As a result, net sales for the Imaging and Measurement Instruments business were JPY 12,600 million, up by

1.5%, and operating income was JPY 2,533 million, down by 5.8% 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 2,995 million, down by 5.1%, and operating income was JPY 130 million, down by 60.5% from the same period one year ago.

(2) Financial Conditions

Current assets increased by JPY 11,471 million from the end of the previous fiscal year. This mainly reflected an increase in cash and deposits of JPY 9,166 million, and an increase in notes and accounts receivable - trade of JPY 1,894 million, respectively.

Non-current assets increased by JPY 5,379 million from the end of the previous fiscal year. This was mainly from an increase in property, plant and equipment of JPY 4,377 million that resulted from an increase in buildings and structures in conjunction with the construction of a new manufacturing plant.

Total assets at the end of the third quarter were JPY 234,152 million, up by JPY 16,851 million from the end of the fiscal year ended September 30, 2016.

Current liabilities increased by JPY 7,904 million from the end of the previous fiscal year. Total current liabilities increased mainly because of an increase in current portion of long-term loans payable of JPY 2,976 million and an increase in provision for bonuses of JPY 1,893 million, respectively.

Non-current liabilities decreased by JPY 2,794 million from the previous fiscal year-end, mainly due to a decrease in long-term loans payable of JPY 3,113 million.

Total liabilities at the end of the third quarter were JPY 52,693 million, up by JPY 5,109 million from the end of the fiscal year ended September 30, 2016.

Net assets for the third quarter of this fiscal year were JPY 181,459 million, up by JPY 11,742 million from the end of the fiscal year ended September 30, 2016. This mainly reflected an increase in retained earnings of JPY 7,780 million that included the reported profit attributable to owners of parent, and an increase in foreign currency translation adjustment of JPY 3,421 million.

(3) Projection for the year

There is no change to the forecast for the fiscal year ending September 30, 2017, released on May 8, 2017.

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

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of Japanese Yen)

	As of Sep. 30, 2016	As of Jun. 30, 2017
Assets		
Current assets		
Cash and deposits	74,503	83,669
Notes and accounts receivable - trade	27,916	29,811
Securities	1,000	-
Merchandise and finished goods	7,554	8,430
Work in process	16,248	16,651
Raw materials and supplies	6,241	6,654
Other	7,232	6,957
Allowance for doubtful accounts	(188)	(193)
Total current assets	140,508	151,980
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	29,231	32,370
Machinery, equipment and vehicles, net	10,070	10,343
Tools, furniture and fixtures, net	3,762	3,896
Land	16,406	16,467
Leased assets, net	195	193
Construction in progress	4,625	5,397
Total property, plant and equipment	64,292	68,669
Intangible assets	1,463	1,680
Investments and other assets		
Investment securities	2,446	3,017
Deferred tax assets	6,638	6,496
Other	1,970	2,328
Allowance for doubtful accounts	(19)	(19)
Total investments and other assets	11,036	11,822
Total non-current assets	76,792	82,171
Total assets	217,300	234,152

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of Japanese Yen)

	As of Sep. 30, 2016	As of Jun. 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,580	4,309
Electronically recorded obligations - operating	8,880	9,875
Short-term loans payable	2,183	2,570
Current portion of long-term loans payable	218	3,195
Income taxes payable	2,019	1,683
Provision for bonuses	3,613	5,507
Other	10,380	12,638
Total current liabilities	31,876	39,780
Non-current liabilities		
Long-term loans payable	6,844	3,731
Net defined benefit liability	7,118	7,332
Other	1,743	1,848
Total non-current liabilities	15,707	12,912
Total liabilities	47,583	52,693
Net assets		
Shareholders' equity		
Capital stock	34,928	34,928
Capital surplus	34,672	34,672
Retained earnings	119,259	127,039
Treasury shares	(16,059)	(16,060)
Total shareholders' equity	172,800	180,580
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	455	819
Foreign currency translation adjustment	(2,921)	499
Remeasurements of defined benefit plans	(1,170)	(1,065)
Total accumulated other comprehensive income	(3,637)	253
Non-controlling interests	553	625
Total net assets	169,716	181,459
Total liabilities and net assets	217,300	234,152

Consolidated Financial Statements

Consolidated Statements of Income

(Millions of Japanese Yen)

	Nine months ended Jun. 30, 2016	Nine months ended Jun. 30, 2017
Net sales	91,157	95,945
Cost of sales	44,580	48,242
Gross profit	46,577	47,702
Selling, general and administrative expenses	30,849	31,219
Operating income	15,727	16,483
Non-operating income		
Interest income	163	125
Rent of real estate for investment	75	44
Foreign exchange gains	-	531
Share of profit of entities accounted for using equity method	48	81
Other	346	381
Total non-operating income	634	1,164
Non-operating expenses		
Interest expenses	71	99
Rent expenses on real estates	57	49
Foreign exchange losses	763	-
Other	29	38
Total non-operating expenses	922	187
Ordinary income	15,439	17,459
Extraordinary income		
Gain on sales of non-current assets	29	17
Subsidy income	781	214
Gain on sales of investment securities	-	0
Total extraordinary income	811	231
Extraordinary losses		
Loss on sales of non-current assets	2	5
Loss on retirement of non-current assets	22	44
Loss on reduction of non-current assets	707	206
Loss on valuation of investment securities	0	5
Total extraordinary losses	732	261
Profit before income taxes	15,518	17,430
Income taxes	4,356	4,239
Profit	11,162	13,190
Profit attributable to non-controlling interests	37	52
Profit attributable to owners of parent	11,124	13,138

Consolidated Financial Statements

Consolidated Statements of Comprehensive Income

(Millions of Japanese Yen)

	Nine months ended Jun. 30, 2016	Nine months ended Jun. 30, 2017
Profit	11,162	13,190
Other comprehensive income		
Valuation difference on available-for-sale securities	(172)	364
Foreign currency translation adjustment	(5,732)	3,420
Remeasurements of defined benefit plans, net of tax	58	105
Share of other comprehensive income of entities accounted for using equity method	(19)	20
Total other comprehensive income	(5,865)	3,910
Comprehensive income	5,296	17,101
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,313	17,028
Comprehensive income attributable to non-controlling interests	(16)	72

Segment Information

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

Nine months ended June 30, 2016 (From Oct. 1, 2015 through Jun. 30, 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	34,333	41,251	12,415	88,000	3,157	91,157	-	91,157
Intersegment	924	660	9	1,593	685	2,279	(2,279)	-
Total net sales	35,257	41,912	12,424	89,594	3,842	93,437	(2,279)	91,157
Segment income	11,804	12,410	2,689	26,905	331	27,236	(11,509)	15,727

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 11,509 million represents intersegment transactions of negative JPY 925 million and unallocated corporate expenses of negative JPY 10,584 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.

Nine months ended June 30, 2017 (From Oct. 1, 2016 through Jun. 30, 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	36,003	44,345	12,600	92,949	2,995	95,945	-	95,945
Intersegment	1,319	656	22	1,998	428	2,427	(2,427)	-
Total net sales	37,323	45,001	12,623	94,948	3,424	98,372	(2,427)	95,945
Segment income	12,609	13,336	2,533	28,478	130	28,609	(12,126)	16,483

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 12,126 million represents intersegment transactions of negative JPY 1,119 million and unallocated corporate expenses of negative JPY 11,006 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.