

Consolidated Financial Results for the Second Quarter of Fiscal Year ending September 30, 2018 (Japanese GAAP)

May 7, 2018

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: Kazuhiko Mori, Director and General Manager of Accounting Div. (Phone: +81-53-452-2141)
 Scheduled date to file quarterly securities report: May 10, 2018
 Scheduled date to begin dividend payments: June 4, 2018
 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, 2018 (From Oct. 1, 2017 through Mar. 31, 2018)

(1) Consolidated operating results

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended Mar. 31, 2018	73,074	12.5	14,995	34.3	15,217	27.0	10,429	17.0
Six months ended Mar. 31, 2017	64,953	3.4	11,161	0.5	11,978	7.1	8,917	13.1

Note: Comprehensive income

Six months ended Mar. 31, 2018: 9,892 million yen [(20.2)%]

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

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended Mar. 31, 2018	66.79		-	
Six months ended Mar. 31, 2017	56.69		-	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of Mar. 31, 2018	234,849		184,769		78.4	
As of Sep. 30, 2017	239,331		187,558		78.1	

For reference: Equity

As of Mar. 31, 2018: 184,099 million yen

As of Sep. 30, 2017: 186,939 million yen

2. Dividends

(Base date)	Dividends per share				
	End of Q1	End of Q2	End of Q3	End of FY	Full FY
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Sep. 30, 2017	-	17.00	-	17.00	34.00
Fiscal year ending Sep. 30, 2018	-	17.00			
Fiscal year ending Sep. 30, 2018 (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, 2018 (From Oct. 1, 2017 through Sep. 30, 2018)

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

	Net sales		Operating profit		Ordinary profit		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, 2018	144,300	10.6	26,600	16.4	26,900	11.9	19,200	8.0	124.03

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, 2018: 167,529,968 shares
 - As of Sep. 30, 2017: 167,529,968 shares
 - (b) Number of treasury shares at end of period
 - As of Mar. 31, 2018: 12,732,342 shares
 - As of Sep. 30, 2017: 10,213,886 shares
 - (c) Average number of shares issued during the period
 - Six months ended Mar. 31, 2018: 156,152,114 shares
 - Six months ended Mar. 31, 2017: 157,316,201 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, 2018), Japan's economy maintained a modest economic recovery trend, with capital investment rising amid improved corporate earnings, and exports rallying. Nevertheless, the economic outlook remained opaque with the political trends in Europe and the United States, geopolitical risks in East Asia and the Middle East, as well as the appreciation of the yen through the end of March.

Given these circumstances, our Group strove to expand net sales and earnings by our research and development leveraging the proprietary photonics technologies we have cultivated over many years and continued 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 73,074 million, up by JPY 8,121 million (12.5%) over one year ago. From an earnings perspective as well, operating profit was JPY 14,995 million, up by JPY 3,833 million (34.3%) compared with one year ago, ordinary profit was JPY 15,217 million, up by JPY 3,239 million (27.0%) from the previous year, and quarterly profit attributable to owners of parent was JPY 10,429 million, up by JPY 1,511 million (17.0%) from the same period one year ago.

Performance by segment is as follows;

(Electron Tube)

In the medical field, sales of photomultiplier tubes (PMT) for nuclear medicine testing applications such as Positron Emission Tomography (PET) contracted. On the other hand, sales of products for inspection and monitoring systems such as blood analyzers remained solid, thanks to their strong reputation for their high sensitivity, low-noise, and high-speed operations.

In addition, in the measuring instrument field, sales for oil-well logging devices that offer superior ruggedness to withstand against harsh work conditions such as high temperatures, shocks, and vibrations were higher. In imaging devices and light sources, sales in the industrial field of microfocus X-ray sources for X-ray non-destructive testing devices were brisk, both inside and outside Japan, thanks to their strong reputation for high-definition, high reliability and excellent stability. In addition, sales in the medical field of scintillators for converting X-rays into visible light were solid. Xenon flash lamps and deuterium lamps for environmental analysis and other applications also sold well.

As a result, the Electron Tube business closed the second quarter with net sales of JPY 27,941 million, up by 15.5%, and operating profit of JPY 10,003 million, up by 19.6% from the same period one year ago.

(Opto-semiconductor)

In opto-semiconductor devices, sales of image sensors for semiconductor fabrication and inspection equipment in the industrial field maintained a strong performance and sales of Photo ICs, photodiodes and LED in the FA (Factory Automation) sector for applications such as controls for industrial-use robots and other equipment increased as well. Opto-semiconductor devices also performed well in the medical field.

As a result, net sales in the Opto-semiconductor business were JPY 34,157 million, up by 14.3%, and operating profit was JPY 11,282 million, up by 29.3% from the same period one year ago.

(Imaging and Measurement Instruments)

In image processing and measurement systems, sales of digital slide scanners for remote pathologic diagnosis systems and other pathologic applications were solid primarily in Europe thanks to the release of new products. However, sales of failure analysis systems for semiconductor devices contracted due to the concentration of orders to the second half. Sales of digital cameras used in the life sciences sector and biotechnology sector were also down.

As a result, net sales for the Imaging and Measurement Instruments business were JPY 8,681 million, down by 1.6%, and operating profit was JPY 1,880 million, down by 2.0% 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 2,293 million, up by 11.5%, and operating profit was JPY 198 million, up by 71.8% from the same period one year ago.

(2) Financial Conditions

a. Summary of Assets, Liabilities and Net Assets

Current assets decreased by JPY 12,001 million from the end of the previous fiscal year, despite an increase in notes and accounts receivable-trade of JPY 1,738 million, and mainly reflected a decrease in cash and deposits of JPY 13,588 million.

Non-current assets increased by JPY 7,519 million from the end of the previous fiscal year. This mainly reflected an increase in property, plant and equipment of JPY 3,177 million that resulted from an increase in buildings and structures, and an increase in intangible assets of JPY 3,927 million that resulted from an increase in goodwill related to the acquisition of a subsidiary in the United States.

Total assets at the end of the second quarter were JPY 234,849 million, down by JPY 4,482 million from the end of the fiscal year ended September 30, 2017.

Current liabilities decreased by JPY 2,335 million from the end of the previous fiscal year. This result was mainly due to a decrease in electronically recorded obligations-operating of JPY 3,385 million.

Non-current liabilities increased by JPY 642 million from the previous fiscal year-end, mainly due to an increase in reserve for loss on dissolution of employees' pension fund of JPY 534 million.

Total liabilities at the end of the second quarter were JPY 50,080 million, down by JPY 1,693 million from the end of the fiscal year ended September 30, 2017.

Net assets at the end of the second quarter of this fiscal year were JPY 184,769 million, down by JPY 2,789 million from the end of the fiscal year ended September 30, 2017. This mainly reflected an increase in retained earnings of JPY 7,750 million as a result of reporting profit attributable to owners of parent and a decrease of JPY 9,999 million in treasury shares because of an acquisition.

b. Summary of Cash Flows

At the end of the second quarter, cash and cash equivalents (referred to below as "cash") stood at JPY 57,636 million, down by JPY 5,749 million from the end of the previous fiscal year.

(Cash flows from operating activities)

Net cash provided by operating activities during the second quarter was JPY 10,459 million, down by JPY 5,563 million compared with JPY 16,023 million in the same period in the previous fiscal year. This mainly reflected profit before income taxes and depreciation.

(Cash flows from investing activities)

Net cash used in investing activities was JPY 2,891 million, which reduced expenditures by JPY 3,832 million compared with net cash used in investing activities of JPY 6,723 million in the same period of the previous fiscal year. This mainly reflected the JPY 6,724 million in purchase of property, plant and equipment, and the JPY 3,922 million in purchase of shares of subsidiaries in the United States, which offset the withdrawal from time deposits (over three months; a non-cash item).

(Cash flows from financing activities)

Net cash used in financing activities was JPY 12,958 million, which increased expenditures by JPY 10,310 million compared with net cash used in financing activities of JPY 2,647 million in the same period of the previous fiscal year, reflecting the purchase of treasury shares.

(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, 2018, which we announced on November 13, 2017.

We assume the yen/US dollar exchange rate for the second half year (From Apr. 1, 2018 through Sep. 30, 2018) will be JPY 105 and the yen/Euro exchange rate will be JPY 130.

Forecast of Consolidated Financial Results for the Fiscal Year Ending Sep. 30, 2018
(From Oct. 1, 2017 through Sep. 30, 2018)

(Millions of Japanese Yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Earnings per share
					(Yen)
Previous forecast (A)	136,300	23,600	23,900	17,500	111.24
Revised forecast (B)	144,300	26,600	26,900	19,200	124.03
Change (B-A)	8,000	3,000	3,000	1,700	-
Change (%)	5.9	12.7	12.6	9.7	-

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of Japanese Yen)

	As of Sep. 30, 2017	As of Mar. 31, 2018
Assets		
Current assets		
Cash and deposits	83,902	70,313
Notes and accounts receivable - trade	33,608	35,346
Merchandise and finished goods	8,742	8,431
Work in process	16,389	16,450
Raw materials and supplies	6,620	7,268
Other	7,729	7,189
Allowance for doubtful accounts	(159)	(166)
Total current assets	156,834	144,832
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	31,668	35,327
Machinery, equipment and vehicles, net	9,843	10,022
Tools, furniture and fixtures, net	3,951	4,277
Land	16,545	16,727
Leased assets, net	299	327
Construction in progress	5,983	4,787
Total property, plant and equipment	68,291	71,469
Intangible assets		
Goodwill	9	4,022
Other	1,688	1,603
Total intangible assets	1,697	5,625
Investments and other assets		
Investment securities	3,684	4,153
Deferred tax assets	6,412	6,267
Other	2,429	2,519
Allowance for doubtful accounts	(19)	(19)
Total investments and other assets	12,507	12,921
Total non-current assets	82,497	90,016
Total assets	239,331	234,849

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of Japanese Yen)

	As of Sep. 30, 2017	As of Mar. 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,232	6,238
Electronically recorded obligations - operating	8,866	5,480
Short-term loans payable	2,230	2,264
Current portion of long-term loans payable	3,194	3,182
Income taxes payable	3,517	3,483
Provision for bonuses	4,570	3,913
Provision for loss on disaster	-	131
Other	12,446	13,028
Total current liabilities	40,059	37,723
Non-current liabilities		
Long-term loans payable	3,683	3,598
Reserve for loss on dissolution of employees' pension fund	-	534
Net defined benefit liability	7,025	7,138
Other	1,004	1,086
Total non-current liabilities	11,713	12,356
Total liabilities	51,773	50,080
Net assets		
Shareholders' equity		
Capital stock	34,928	34,928
Capital surplus	34,672	34,672
Retained earnings	131,678	139,429
Treasury shares	(16,060)	(26,060)
Total shareholders' equity	185,219	182,970
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,259	1,553
Foreign currency translation adjustment	1,210	263
Remeasurements of defined benefit plans	(750)	(687)
Total accumulated other comprehensive income	1,719	1,129
Non-controlling interests	618	669
Total net assets	187,558	184,769
Total liabilities and net assets	239,331	234,849

Consolidated Financial Statements
Consolidated Statements of Income

(Millions of Japanese Yen)

	Six months ended Mar. 31, 2017	Six months ended Mar. 31, 2018
Net sales	64,953	73,074
Cost of sales	32,915	35,383
Gross profit	32,038	37,690
Selling, general and administrative expenses	20,876	22,695
Operating profit	11,161	14,995
Non-operating income		
Interest income	97	77
Rent of real estate for investment	33	44
Foreign exchange gains	527	77
Share of profit of entities accounted for using equity method	55	53
Other	229	233
Total non-operating income	943	486
Non-operating expenses		
Interest expenses	57	32
Rent expenses on real estates	38	60
Commission for purchase of treasury shares	-	103
Other	29	66
Total non-operating expenses	125	264
Ordinary profit	11,978	15,217
Extraordinary income		
Gain on sales of non-current assets	11	11
Gain on sales of investment securities	0	-
Total extraordinary income	11	11
Extraordinary losses		
Loss on sales of non-current assets	5	52
Loss on retirement of non-current assets	29	13
Loss on disaster	-	201
Provision for loss on dissolution of the employees' pension fund	-	534
Total extraordinary losses	35	800
Profit before income taxes	11,954	14,428
Income taxes	3,001	3,967
Profit	8,953	10,461
Profit attributable to non-controlling interests	35	31
Profit attributable to owners of parent	8,917	10,429

Consolidated Financial Statements

Consolidated Statements of Comprehensive Income

(Millions of Japanese Yen)

	Six months ended Mar. 31, 2017	Six months ended Mar. 31, 2018
Profit	8,953	10,461
Other comprehensive income		
Valuation difference on available-for-sale securities	297	293
Foreign currency translation adjustment	3,038	(928)
Remeasurements of defined benefit plans, net of tax	70	63
Share of other comprehensive income of entities accounted for using equity method	30	2
Total other comprehensive income	3,436	(569)
Comprehensive income	12,390	9,892
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	12,322	9,839
Comprehensive income attributable to non-controlling interests	68	52

Consolidated Financial Statements
Consolidated Statements of Cash Flows

(Millions of Japanese Yen)

	Six months ended Mar. 31, 2017	Six months ended Mar. 31, 2018
Cash flows from operating activities		
Profit before income taxes	11,954	14,428
Depreciation	4,707	4,919
Increase (decrease) in provision for bonuses	5	(645)
Interest and dividend income	(120)	(100)
Interest expenses	57	32
Share of (profit) loss of entities accounted for using equity method	(55)	(53)
Decrease (increase) in notes and accounts receivable - trade	(1,418)	(2,147)
Decrease (increase) in inventories	730	(619)
Increase (decrease) in notes and accounts payable - trade	493	(1,972)
Other, net	1,567	652
Subtotal	17,923	14,494
Interest and dividend income received	117	100
Interest expenses paid	(57)	(32)
Income taxes (paid) refund	(1,960)	(4,102)
Net cash provided by (used in) operating activities	16,023	10,459
Cash flows from investing activities		
Net decrease (increase) in time deposits	521	7,810
Proceeds from sales of securities	1,000	-
Purchase of property, plant and equipment	(7,647)	(6,724)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(3,922)
Other, net	(598)	(54)
Net cash provided by (used in) investing activities	(6,723)	(2,891)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	163	(24)
Repayments of long-term loans payable	(96)	(97)
Purchase of treasury shares	(0)	(10,103)
Cash dividends paid	(2,679)	(2,680)
Other, net	(34)	(53)
Net cash provided by (used in) financing activities	(2,647)	(12,958)
Effect of exchange rate change on cash and cash equivalents	2,313	(359)
Net increase (decrease) in cash and cash equivalents	8,964	(5,749)
Cash and cash equivalents at beginning of period	53,595	63,385
Cash and cash equivalents at end of period	62,560	57,636

Segment Information

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

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 profit	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 profit 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 profit has been reconciled with operating profit presented in the consolidated financial statements.

Six months ended March 31, 2018 (From Oct. 1, 2017 through Mar. 31, 2018)

(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	27,941	34,157	8,681	70,780	2,293	73,074	-	73,074
Intersegment	783	403	5	1,192	310	1,502	(1,502)	-
Total net sales	28,725	34,560	8,686	71,973	2,603	74,576	(1,502)	73,074
Segment profit	10,003	11,282	1,880	23,166	198	23,364	(8,369)	14,995

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 profit of negative JPY 8,369 million represents intersegment transactions of negative JPY 675 million and unallocated corporate expenses of negative JPY 7,694 million. Corporate expenses mainly consist of general and administrative expenses and basic research expenses that are unattributable to reportable segments.
3. Segment profit has been reconciled with operating profit presented in the consolidated financial statements.

Important Subsequent Events

(Retirement of treasury shares)

At the Board of Directors meeting held on April 20, 2018, the Company resolved to retire treasury shares, pursuant to the provisions of Article 178 of the Companies Act, and conducted the retirement of treasury shares.

(1) Type of shares retired

Common shares of the Company

(2) Number of shares retired

2,518,400 shares

(3) Date of share retirement

April 26, 2018