

Consolidated Financial Results for the First Quarter of Fiscal Year ending September 30, 2023 (Japanese GAAP)

February 9, 2023

Company name: Hamamatsu Photonics K.K. Stock listing: Tokyo Stock Exchange
 Stock code: 6965 URL: <https://www.hamamatsu.com/jp/en.html>
 Representative: Tadashi Maruno, Representative Director and President, Chief Executive Officer
 Contact: Kazuhiko Mori, Director, Senior Executive Officer in charge of Finance and Accounting and General Manager of Accounting Div. (Phone: +81-53-452-2141)
 Scheduled date to file quarterly securities report: February 10, 2023
 Scheduled date to begin dividend payments: –
 Supplementary materials to the financial statements have been prepared: None
 Presentation will be held to explain the financial statements: None

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

1. Consolidated financial results for the three months ended Dec. 31, 2022 (From Oct. 1, 2022 through Dec. 31, 2022)

(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	%
Three months ended Dec. 31, 2022	55,163	17.3	15,507	38.6	15,697	35.8	11,320	31.7
Three months ended Dec. 31, 2021	47,028	29.1	11,185	115.7	11,561	130.1	8,596	118.6

Note: Comprehensive income

Three months ended Dec. 31, 2022: 7,996 million yen [(16.7)%]

Three months ended Dec. 31, 2021: 9,600 million yen [140.7%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended Dec. 31, 2022	73.11		-	
Three months ended Dec. 31, 2021	55.52		-	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of Dec. 31, 2022	370,588		283,695		76.2	
As of Sep. 30, 2022	366,177		281,904		76.6	

For reference: Equity

As of Dec. 31, 2022: 282,304 million yen

As of Sep. 30, 2022: 280,563 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, 2022	-	32.00	-	40.00	72.00
Fiscal year ending Sep. 30, 2023	-				
Fiscal year ending Sep. 30, 2023 (Forecast)		38.00	-	38.00	76.00

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

3. Forecast of consolidated financial results for the fiscal year ending Sep. 30, 2023 (From Oct. 1, 2022 through Sep. 30, 2023)

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
Six months ending Mar. 31, 2023	115,300	14.7	30,200	7.5	30,500	6.5	22,200	4.0	143.38
Fiscal year ending Sep. 30, 2023	236,200	13.1	58,500	2.7	59,200	0.5	42,400	2.7	273.83

Note: Revision of the forecasts for consolidated financial results most recently announced: No

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 issued
 - (a) Number of shares issued at end of period including treasury shares
 - As of Dec. 31, 2022: 165,052,729 shares
 - As of Sep. 30, 2022: 165,052,729 shares
 - (b) Number of treasury shares at end of period
 - As of Dec. 31, 2022: 10,214,410 shares
 - As of Sep. 30, 2022: 10,214,389 shares
 - (c) Average number of shares outstanding during the period
 - Three months ended Dec. 31, 2022: 154,838,326 shares
 - Three months ended Dec. 31, 2021: 154,827,591 shares

1. Qualitative Information Related to Consolidated Performance for the First Quarter of This Fiscal Year

(1) Operating Results

During the first quarter of this fiscal year (three months ended December 31, 2022), Japan's economy continued to face an uncertain outlook, despite signs of a recovery in corporate earnings and capital investment in some sectors, due to such factors as the disruptions in the supply of materials and parts, the rising raw material prices affected by the Ukraine situation, and unstable exchange rate fluctuations, uncertain elements remaining unresolved, and in overseas economies, monetary tightening and China's zero-COVID policy have led to signs of economic deceleration mainly in developed countries.

Given these circumstances, in addition to continuously taking measures to prevent infections of COVID-19 and bearing in mind our contributions to a sustainable society, our Group strove to secure net sales and earnings by developing products in response to market requirements and enhancing research and development leveraging the proprietary photonics technologies.

As a result, we closed the first quarter with net sales of JPY 55,163 million, up by JPY 8,135 million (17.3%) compared with the same period one year ago. From an earnings perspective, operating profit was JPY 15,507 million, up by JPY 4,322 million (38.6%), ordinary profit was JPY 15,697 million, up by JPY 4,136 million (35.8%), and profit attributable to owners of parent was JPY 11,320 million, up by JPY 2,723 million (31.7%) from the same period one year ago.

Operating results by segment are as follows:

(Electron Tube)

Regarding photomultiplier tubes (PMT), imaging devices and light sources, while sales of Stealth Dicing Engine for high-speed, high-quality silicon wafer dicing decreased, and sales for academic applications such as high-energy physics experiments also decreased, sales of microfocus X-ray sources for non-destructive testing devices in the industrial field increased, as did sales of light sources for semiconductor fabrication and inspection equipment.

As a result, the Electron Tube business closed the first quarter with net sales of JPY 21,497 million, up by 14.7%, and operating profit of JPY 9,038 million, up by 24.9% from the same period one year ago.

(Opto-semiconductor)

In opto-semiconductor devices, sales of image sensors for semiconductor fabrication and inspection equipment increased in the industrial field. In addition, in the medical field, sales of silicon photodiodes for X-ray CT increased in response to continued growth in demand in Japan and overseas, and sales of flat panel sensors for dental use also increased, mainly in Asia.

As a result, net sales in the Opto-semiconductor business were JPY 24,844 million, up by 11.1%, and operating profit was JPY 9,312 million, up by 18.1% from the same period one year ago.

(Imaging and Measurement Instruments)

In image processing and measurement systems, sales of X-ray TDI cameras for the testing of servers and automotive circuit boards increased. In addition, sales of failure analysis systems for semiconductor devices also increased, mainly in Japan and Asia.

As a result, net sales for the Imaging and Measurement Instruments business were JPY 7,276 million, up by 55.1%, and operating profit was JPY 2,259 million, up by 181.6% 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.

In our other businesses, net sales were JPY 1,544 million, up by 25.3%, and operating loss was JPY 4 million, compared with an operating profit of JPY 211 million in the same period one year ago.

(2) Financial Conditions

Current assets decreased by JPY 649 million from the end of the previous fiscal year, despite an increase in inventories of JPY 7,818 million, mainly reflecting decreases in cash and deposits of JPY 5,578 million and accounts receivable - other under other current assets of JPY 3,612 million.

Non-current assets increased by JPY 5,060 million from the end of the previous fiscal year, mainly reflecting an increase in construction in progress of JPY 6,363 million.

As a result, total assets at the end of the first quarter were JPY 370,588 million, up by JPY 4,411 million from the end of the previous fiscal year.

Current liabilities increased by JPY 2,226 million from the end of the previous fiscal year, mainly due to an increase in notes and accounts payable - trade of JPY 3,628 million.

Non-current liabilities increased by JPY 394 million from the end of the previous fiscal year, mainly due to an increase in forward exchange contracts (Non-current liabilities, Other) of JPY 518 million.

As a result, total liabilities at the end of the first quarter were JPY 86,893 million, up by JPY 2,620 million from the end of the previous fiscal year.

Net assets at the end of the first quarter were JPY 283,695 million, up by JPY 1,790 million from the end of the previous fiscal year, mainly reflecting an increase in retained earnings of JPY 5,115 million as a result of reporting profit attributable to owners of parent, despite a decrease in foreign currency translation adjustment of JPY 3,465 million.

(3) Projection for the Year

There is no change to the forecast of consolidated financial results for the first six months ending March 31, 2023 and for the fiscal year ending September 30, 2023, released on November 11, 2022.

We assume the yen/US dollar exchange rate will be JPY 130, the yen/Euro exchange rate will be JPY 135 and the yen/RMB exchange rate will be JPY 19.

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of Japanese Yen)

	As of Sep. 30, 2022	As of Dec. 31, 2022
Assets		
Current assets		
Cash and deposits	125,999	120,421
Notes and accounts receivable - trade	49,751	51,117
Securities	2,316	2,123
Merchandise and finished goods	11,458	13,763
Work in process	31,920	35,994
Raw materials and supplies	15,698	17,137
Other	9,120	5,054
Allowance for doubtful accounts	(227)	(223)
Total current assets	246,038	245,388
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	47,925	46,833
Machinery, equipment and vehicles, net	11,958	11,502
Tools, furniture and fixtures, net	5,345	5,528
Land	17,516	17,490
Leased assets, net	243	218
Right-of-use assets, net	743	712
Construction in progress	11,466	17,830
Total property, plant and equipment	95,200	100,115
Intangible assets		
Customer relationships	1,873	1,631
Other	3,486	3,264
Total intangible assets	5,359	4,895
Investments and other assets		
Investment securities	3,711	3,953
Deferred tax assets	12,913	13,237
Other	2,973	3,017
Allowance for doubtful accounts	(19)	(19)
Total investments and other assets	19,579	20,188
Total non-current assets	120,139	125,200
Total assets	366,177	370,588

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of Japanese Yen)

	As of Sep. 30, 2022	As of Dec. 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,129	11,758
Electronically recorded obligations - operating	9,253	10,259
Short-term borrowings	4,799	4,899
Current portion of long-term borrowings	2,098	2,096
Income taxes payable	11,350	5,403
Provision for bonuses	7,926	2,551
Other	25,964	34,778
Total current liabilities	69,522	71,748
Non-current liabilities		
Long-term borrowings	4,630	4,606
Retirement benefit liability	8,363	8,305
Other	1,757	2,233
Total non-current liabilities	14,751	15,145
Total liabilities	84,273	86,893
Net assets		
Shareholders' equity		
Share capital	35,048	35,048
Capital surplus	34,792	34,792
Retained earnings	217,195	222,311
Treasury shares	(20,798)	(20,798)
Total shareholders' equity	266,239	271,355
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	921	1,008
Deferred gains or losses on hedges	(274)	(309)
Foreign currency translation adjustment	15,344	11,878
Remeasurements of defined benefit plans	(1,666)	(1,627)
Total accumulated other comprehensive income	14,324	10,949
Non-controlling interests	1,340	1,390
Total net assets	281,904	283,695
Total liabilities and net assets	366,177	370,588

Consolidated Financial Statements

Consolidated Statements of Income

(Millions of Japanese Yen)

	Three months ended Dec. 31, 2021	Three months ended Dec. 31, 2022
Net sales	47,028	55,163
Cost of sales	22,572	24,541
Gross profit	24,456	30,622
Selling, general and administrative expenses	13,270	15,115
Operating profit	11,185	15,507
Non-operating income		
Interest income	13	136
Foreign exchange gains	14	–
Share of profit of entities accounted for using equity method	221	126
Gain on sale of scraps	40	119
Other	148	150
Total non-operating income	439	533
Non-operating expenses		
Interest expenses	16	32
Foreign exchange losses	–	273
Other	46	37
Total non-operating expenses	63	343
Ordinary profit	11,561	15,697
Extraordinary income		
Gain on sale of non-current assets	8	14
Subsidy income	–	53
Total extraordinary income	8	68
Extraordinary losses		
Loss on retirement of non-current assets	49	199
Loss on tax purpose reduction entry of non-current assets	–	45
Loss on valuation of investment securities	–	35
Total extraordinary losses	49	280
Profit before income taxes	11,519	15,485
Income taxes	2,909	4,130
Profit	8,610	11,354
Profit attributable to non-controlling interests	14	34
Profit attributable to owners of parent	8,596	11,320

Consolidated Financial Statements

Consolidated Statements of Comprehensive Income

(Millions of Japanese Yen)

	Three months ended Dec. 31, 2021	Three months ended Dec. 31, 2022
Profit	8,610	11,354
Other comprehensive income		
Valuation difference on available-for-sale securities	(83)	87
Deferred gains or losses on hedges	–	(35)
Foreign currency translation adjustment	1,064	(3,488)
Remeasurements of defined benefit plans, net of tax	2	38
Share of other comprehensive income of entities accounted for using equity method	5	40
Total other comprehensive income	989	(3,358)
Comprehensive income	9,600	7,996
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	9,572	7,945
Comprehensive income attributable to non-controlling interests	27	51

Additional Information

Impact of COVID-19 on accounting estimates

No material changes have occurred regarding the impact of COVID-19 on accounting estimates from the content described in "Additional Information" in the securities report for the fiscal year ended September 30, 2022.

Impact of the Russia/Ukraine situation

With regard to the Russia/Ukraine situation, there are concerns about the impact of economic sanctions and regulations from various countries on economic activity as well as the impact of rising resource prices. However, we expect that the impact of either of these on the Group's performance or financial condition, including accounting estimates, will be immaterial.

Business combination through acquisition

Based on the Board of Directors meeting held on June 9, 2022, the Company concluded a share transfer agreement on June 24, 2022, that its consolidated subsidiary Photonics Management Europe S.R.L. would acquire all the shares of NKT Photonics A/S to make it a subsidiary (sub-subsidiary of the Company). Photonics Management Europe S.R.L. is planned to acquire all shares of NKT Photonics A/S in accordance with that agreement, which specifies a share transfer date of March 31, 2023.

1. Outline of the business combination

(1) Name and business description of the acquiree

Name of the acquiree:	NKT Photonics A/S
Description of business:	Development, manufacture and sales of laser devices, and laser device components

(2) Primary reasons for the business combination

NKT Photonics A/S is a fiber laser manufacturer that possesses unique manufacturing technologies for photonic crystal fiber used for ultrashort pulse laser amplification and for fiber transmission. Meanwhile, the Company, which specializes in the laser diode business, which forms the basis of compound semiconductor process technologies, has a mutually complementary relationship with NKT Photonics A/S, which specializes in fiber lasers.

The Company has decided on this acquisition of the shares of NKT Photonics A/S based on the judgment that it will further enhance the market for the laser business through the sharing and cooperation of insight, knowhow, and management resources accumulated by the Company and NKT Photonics A/S.

(3) Date of the business combination

March 31, 2023 (Planned)

(4) Legal form of the business combination

Cash acquisition of shares

(5) Ratio of voting rights to be acquired

100%

(6) Main basis for reaching a decision on business combination

Cash acquisition of shares by the Company's consolidated subsidiary Photonics Management Europe S.R.L.

2. Acquisition cost of the acquiree and breakdown thereof by consideration type

<u>Consideration for the acquisition</u>	<u>Cash</u>	<u>Approx. EUR 226 million (JPY 32,000 million) (Plan)</u>
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Acquisition cost		Approx. EUR 226 million (JPY 32,000 million) (Plan)
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The exchange rate is assumed to be EUR 1 = JPY 141.47 (closing telegraphic transfer middle rate for December 30, 2022 announced by MUFG Bank, Ltd.)

The acquisition cost includes consideration for the acquisition of the shares plus the amount of net interest-bearing debt. The amount will be adjusted for price adjustments as stipulated in the share transfer agreement.

3. Details and amounts of main acquisition-related costs

Advisory fees, etc. (approximate amount)	JPY 730 million
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4. Amount of goodwill, reason for recognition, amortization method and amortization period

Not confirmed at this stage.

5. Amount and breakdown of assets to be acquired and liabilities to be assumed on the date of the business combination

Not confirmed at this stage.

6. Acquisition funds

Funds for this acquisition will be provided by cash on hand and bank loans.

Segment Information

I. Three months ended Dec. 31, 2021 (From Oct. 1, 2021 through Dec. 31, 2021)

Information on the amounts of sales and profit (loss) for reportable segments and information on disaggregation of revenue

(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								
Japan	4,706	6,130	889	11,726	299	12,026	–	12,026
North America	4,945	5,775	1,519	12,241	72	12,314	–	12,314
Europe	3,751	5,378	1,164	10,295	110	10,405	–	10,405
Asia excluding Japan	5,268	5,073	1,107	11,450	750	12,201	–	12,201
Other	65	6	9	80	–	80	–	80
Revenue from contracts with customers	18,737	22,365	4,691	45,795	1,233	47,028	–	47,028
Outside customers	18,737	22,365	4,691	45,795	1,233	47,028	–	47,028
Intersegment	404	274	0	679	429	1,109	(1,109)	–
Total net sales	19,142	22,640	4,692	46,474	1,662	48,137	(1,109)	47,028
Segment profit	7,235	7,884	802	15,922	211	16,133	(4,948)	11,185

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 4,948 million represents intersegment transactions of negative JPY 479 million and unallocated corporate expenses of negative JPY 4,469 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.
4. Net sales is classified by country or region, based on where the customer resides.

II. Three months ended Dec. 31, 2022 (From Oct. 1, 2022 through Dec. 31, 2022)

Information on the amounts of sales and profit (loss) for reportable segments and information on disaggregation of revenue

(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								
Japan	4,449	6,607	1,750	12,806	221	13,028	–	13,028
North America	6,159	6,562	1,165	13,887	51	13,939	–	13,939
Europe	4,305	5,675	1,513	11,495	238	11,733	–	11,733
Asia excluding Japan	6,539	5,988	2,843	15,371	1,032	16,404	–	16,404
Other	43	10	3	57	–	57	–	57
Revenue from contracts with customers	21,497	24,844	7,276	53,618	1,544	55,163	–	55,163
Outside customers	21,497	24,844	7,276	53,618	1,544	55,163	–	55,163
Intersegment	386	379	1	766	367	1,134	(1,134)	–
Total net sales	21,883	25,223	7,277	54,385	1,912	56,298	(1,134)	55,163
Segment profit	9,038	9,312	2,259	20,610	(4)	20,606	(5,098)	15,507

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 5,098 million represents intersegment transactions of negative JPY 470 million and unallocated corporate expenses of negative JPY 4,627 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.
4. Net sales is classified by country or region, based on where the customer resides.