

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

August 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
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 General Headquarters (Phone: +81-53-452-2141)
 Scheduled date to file quarterly securities report: August 10, 2023
 Scheduled date to begin dividend payments: –
 Supplementary materials to the financial statements have been prepared: No
 Presentation will be held to explain the financial statements: No

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

1. Consolidated financial results for the nine months ended Jun. 30, 2023 (From Oct. 1, 2022 through Jun. 30, 2023)

(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	%
Nine months ended Jun. 30, 2023	164,488	8.4	42,956	3.8	44,811	5.2	32,471	2.5
Nine months ended Jun. 30, 2022	151,763	24.5	41,394	76.2	42,611	80.6	31,672	77.1

Note: Comprehensive income

Nine months ended Jun. 30, 2023: 35,771 million yen [(14.3)%]

Nine months ended Jun. 30, 2022: 41,726 million yen [89.8%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended Jun. 30, 2023	209.70		–	
Nine months ended Jun. 30, 2022	204.56		–	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of Jun. 30, 2023	387,452		305,066		78.4	
As of Sep. 30, 2022	366,177		281,904		76.6	

For reference: Equity

As of Jun. 30, 2023: 303,749 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	Yen	Yen	Yen	Yen
Fiscal year ended Sep. 30, 2022	–	32.00	–	40.00	72.00
Fiscal year ending Sep. 30, 2023	–	38.00	–		
Fiscal year ending Sep. 30, 2023 (Forecast)				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	Yen
Fiscal year ending Sep. 30, 2023	223,900	7.2	55,800	(2.1)	56,900	(3.4)	39,600	(4.1)	255.73	

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 Jun. 30 2023: 165,065,948 shares
 - As of Sep. 30, 2022: 165,052,729 shares
 - (b) Number of treasury shares at end of period
 - As of Jun. 30 2023: 10,214,410 shares
 - As of Sep. 30, 2022: 10,214,389 shares
 - (c) Average number of shares outstanding during the period
 - Nine months ended Jun. 30, 2023: 154,846,504 shares
 - Nine months ended Jun. 30, 2022: 154,834,259 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, 2023), Japan's economy, despite economic activities being on a recovery trend mainly due to the increase in inbound tourism following the downgrading of COVID-19 to a Class 5 infectious disease, was in a severe and uncertain situation due to growing concerns over a slowdown in overseas economies caused by prolonged monetary tightening in Europe and the US, prolonged adjustments in the global semiconductor market and other factors.

Given these circumstances, the Group worked to secure net sales and earnings by making reforms for further growth, continuing capital investment for future market expansion, and promoting research and product development utilizing the proprietary photonics technologies, with a view to contributing to a sustainable society.

As a result, we closed the third quarter with net sales of JPY 164,488 million, up by JPY 12,724 million (8.4%) compared with the same period one year ago. From an earnings perspective, operating profit was JPY 42,956 million, up by JPY 1,561 million (3.8%), ordinary profit was JPY 44,811 million, up by JPY 2,200 million (5.2%), and profit attributable to owners of parent was JPY 32,471 million, up by JPY 799 million (2.5%) from the same period one year ago, resulting in an increase in both net sales and earnings year on year.

Operating results by segment are as follows:

(Electron Tube)

Regarding photomultiplier tubes (PMT), imaging devices and light sources, although sales of Stealth Dicing Engine for high-speed, high-quality silicon wafer dicing declined, accompanying the expanding production of EV (electric vehicles), sales of microfocus X-ray sources for non-destructive testing devices in the industrial field increased for automotive battery testing applications and circuit board inspection applications. In addition, sales of light sources for semiconductor photolithography and inspection equipment increased due to the continuing impact of the strong orders received through the previous fiscal year, despite inventory adjustments by our customers due to the rebound following the sharp growth in demand that accompanied the settling down of COVID-19.

As a result, the Electron Tube business closed the third quarter with net sales of JPY 64,016 million, up by 8.6%, and operating profit of JPY 25,871 million, up by 8.0% from the same period one year ago.

(Opto-semiconductor)

In opto-semiconductor devices, in the medical field, sales of flat panel sensors for dental diagnostic equipment decreased. However, sales of silicon photodiodes for X-ray CTs continued to increase as demand shifted from low-end to high-end models. Also, sales of image sensors for semiconductor fabrication and inspection equipment increased in the industrial field.

As a result, net sales in the Opto-semiconductor business were JPY 73,744 million, up by 4.7%, and operating profit was JPY 25,757 million, down by 2.6% from the same period one year ago.

(Imaging and Measurement Instruments)

In image processing and measurement systems, sales of failure analysis systems for semiconductor devices increased as the new high-value-added products were praised for their ease of operation and high performance. Also, sales of X-ray TDI cameras for automotive circuit board inspection applications and battery testing applications increased.

As a result, net sales for the Imaging and Measurement Instruments business were JPY 22,161 million, up by 21.5%, and operating profit was JPY 7,810 million, up by 51.2% 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 4,565 million, up by 9.9%, and operating loss was JPY 128 million, compared with an operating profit of JPY 289 million in the same period one year ago.

(2) Financial Conditions

Current assets increased by JPY 7,669 million from the end of the previous fiscal year, mainly reflecting a JPY 15,967 million increase in inventories, despite a JPY 7,406 million decrease in cash and deposits.

Non-current assets increased by JPY 13,605 million from the end of the previous fiscal year, mainly reflecting an increase in construction in progress of JPY 11,126 million.

As a result, total assets at the end of the third quarter were JPY 387,452 million, up by JPY 21,274 million from the end of the previous fiscal year.

Current liabilities decreased by JPY 1,054 million from the end of the previous fiscal year, mainly reflecting decrease in income taxes payable of JPY 9,487 million, despite increases in notes and accounts payable - trade of JPY 2,880 million and suspense receipts (current liabilities - other) of JPY 2,376 million.

Non-current liabilities decreased by JPY 832 million from the end of the previous fiscal year, mainly due to a decrease in forward exchange contracts (non-current liabilities - other) of JPY 391 million.

As a result, total liabilities at the end of the third quarter were JPY 82,386 million, down by JPY 1,887 million from the end of the previous fiscal year.

Net assets at the end of the third quarter were JPY 305,066 million, up by JPY 23,161 million from the end of the previous fiscal year, mainly reflecting an increase in retained earnings of JPY 20,372 million as a result of recording profit attributable to owners of parent and an increase in foreign currency translation adjustment of JPY 1,856 million.

(3) Projection for the Year

There is no change to the forecast of consolidated financial results for the fiscal year ending September 30, 2023, released on May 11, 2023.

We assume the yen/US dollar exchange rate for the second half year (from April 1, 2023 through September 30, 2023) will be JPY 125.00, the yen/Euro exchange rate will be JPY 135.00 and the yen/RMB exchange rate will be JPY 18.50.

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of Japanese Yen)

	As of Sep. 30, 2022	As of Jun. 30, 2023
Assets		
Current assets		
Cash and deposits	125,999	118,593
Notes and accounts receivable - trade	49,751	48,436
Securities	2,316	2,319
Merchandise and finished goods	11,458	17,901
Work in process	31,920	37,336
Raw materials and supplies	15,698	19,807
Other	9,120	9,526
Allowance for doubtful accounts	(227)	(212)
Total current assets	246,038	253,708
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	47,925	47,619
Machinery, equipment and vehicles, net	11,958	12,792
Tools, furniture and fixtures, net	5,345	5,989
Land	17,516	17,616
Leased assets, net	243	171
Right-of-use assets, net	743	602
Construction in progress	11,466	22,593
Total property, plant and equipment	95,200	107,384
Intangible assets		
Customer relationships	1,873	1,596
Other	3,486	3,539
Total intangible assets	5,359	5,135
Investments and other assets		
Investment securities	3,711	4,211
Deferred tax assets	12,913	13,191
Other	2,973	3,840
Allowance for doubtful accounts	(19)	(19)
Total investments and other assets	19,579	21,224
Total non-current assets	120,139	133,744
Total assets	366,177	387,452

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of Japanese Yen)

	As of Sep. 30, 2022	As of Jun. 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,129	11,009
Electronically recorded obligations - operating	9,253	9,642
Short-term borrowings	4,799	5,204
Current portion of long-term borrowings	2,098	2,094
Income taxes payable	11,350	1,862
Provision for bonuses	7,926	8,168
Other	25,964	30,485
Total current liabilities	69,522	68,467
Non-current liabilities		
Long-term borrowings	4,630	4,559
Retirement benefit liability	8,363	8,288
Other	1,757	1,070
Total non-current liabilities	14,751	13,918
Total liabilities	84,273	82,386
Net assets		
Shareholders' equity		
Share capital	35,048	35,095
Capital surplus	34,792	34,374
Retained earnings	217,195	237,568
Treasury shares	(20,798)	(20,798)
Total shareholders' equity	266,239	286,240
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	921	1,126
Deferred gains or losses on hedges	(274)	776
Foreign currency translation adjustment	15,344	17,200
Remeasurements of defined benefit plans	(1,666)	(1,595)
Total accumulated other comprehensive income	14,324	17,508
Non-controlling interests	1,340	1,317
Total net assets	281,904	305,066
Total liabilities and net assets	366,177	387,452

Consolidated Financial Statements

Consolidated Statements of Income

(Millions of Japanese Yen)

	Nine months ended Jun. 30, 2022	Nine months ended Jun. 30, 2023
Net sales	151,763	164,488
Cost of sales	70,034	75,074
Gross profit	81,729	89,413
Selling, general and administrative expenses	40,334	46,457
Operating profit	41,394	42,956
Non-operating income		
Interest income	137	532
Rental income from investment property	58	42
Share of profit of entities accounted for using equity method	252	293
Foreign exchange gains	304	326
Other	643	826
Total non-operating income	1,396	2,021
Non-operating expenses		
Interest expenses	56	63
Rental expenses on real estate	74	57
Other	48	45
Total non-operating expenses	179	165
Ordinary profit	42,611	44,811
Extraordinary income		
Gain on sale of non-current assets	23	35
Subsidy income	517	363
Total extraordinary income	540	398
Extraordinary losses		
Loss on sale of non-current assets	1	0
Loss on retirement of non-current assets	186	705
Loss on tax purpose reduction entry of non-current assets	433	231
Loss on valuation of investment securities	16	34
Total extraordinary losses	637	971
Profit before income taxes	42,514	44,238
Income taxes	10,774	11,647
Profit	31,740	32,591
Profit attributable to non-controlling interests	68	119
Profit attributable to owners of parent	31,672	32,471

Consolidated Financial Statements

Consolidated Statements of Comprehensive Income

(Millions of Japanese Yen)

	Nine months ended Jun. 30, 2022	Nine months ended Jun. 30, 2023
Profit	31,740	32,591
Other comprehensive income		
Valuation difference on available-for-sale securities	(235)	205
Deferred gains or losses on hedges	(109)	1,050
Foreign currency translation adjustment	10,268	1,870
Remeasurements of defined benefit plans, net of tax	8	71
Share of other comprehensive income of entities accounted for using equity method	53	(17)
Total other comprehensive income	9,985	3,180
Comprehensive income	41,726	35,771
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	41,555	35,655
Comprehensive income attributable to non-controlling interests	170	115

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 (a sub-subsidiary of the Company).

Subsequently, we proceeded with the legal and regulatory procedures in the relevant countries and obtained the approvals for the share acquisition from the relevant authorities in Germany, the United Kingdom, and the United States. However, in Denmark, the Minister for Industry, Business and Financial Affairs decided to reject the application for the share acquisition in accordance with the Danish Investment Screening Act after consulting with the Minister for Finance, Minister for Foreign Affairs, Minister for Justice, and Minister of Defence. On May 2, 2023, we received a notice regarding the decision from the Danish Business Authority.

In response to the above, after the necessary internal and external consultations and on July 20, 2023, we again submitted to the Danish Business Authority an application to acquire shares in NKT Photonics A/S as a subsidiary of Photonics Management Europe S.R.L. (a sub-subsidiary of the Company).

If the agreement is terminated, there is a possibility that a penalty or other expenses will be incurred.

Segment information

I. Nine months ended Jun. 30, 2022 (From Oct. 1, 2021 through Jun. 30, 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	14,003	18,548	4,530	37,082	1,045	38,127	–	38,127
North America	15,704	19,377	4,201	39,282	222	39,505	–	39,505
Europe	11,503	17,112	4,111	32,727	459	33,187	–	33,187
Asia excluding Japan	17,558	15,379	5,368	38,306	2,427	40,733	–	40,733
Other	158	22	28	209	–	209	–	209
Revenue from contracts with customers	58,929	70,438	18,240	147,609	4,154	151,763	–	151,763
Outside customers	58,929	70,438	18,240	147,609	4,154	151,763	–	151,763
Intersegment	1,262	934	19	2,216	1,181	3,397	(3,397)	–
Total net sales	60,191	71,373	18,259	149,825	5,336	155,161	(3,397)	151,763
Segment profit	23,949	26,447	5,165	55,563	289	55,853	(14,458)	41,394

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 14,458 million represents intersegment transactions of negative JPY 1,462 million and unallocated corporate expenses of negative JPY 12,996 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. Nine months ended Jun. 30, 2023 (From Oct. 1, 2022 through Jun. 30, 2023)

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	13,364	18,860	5,187	37,412	858	38,270	–	38,270
North America	18,094	20,870	4,255	43,219	197	43,417	–	43,417
Europe	13,212	17,334	4,748	35,295	620	35,915	–	35,915
Asia excluding Japan	19,199	16,646	7,906	43,752	2,889	46,641	–	46,641
Other	145	33	63	242	–	242	–	242
Revenue from contracts with customers	64,016	73,744	22,161	159,922	4,565	164,488	–	164,488
Outside customers	64,016	73,744	22,161	159,922	4,565	164,488	–	164,488
Intersegment	995	1,206	51	2,254	976	3,230	(3,230)	–
Total net sales	65,012	74,951	22,212	162,176	5,542	167,718	(3,230)	164,488
Segment profit (loss)	25,871	25,757	7,810	59,439	(128)	59,310	(16,354)	42,956

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 (loss) of negative JPY 16,354 million represents intersegment transactions of negative JPY 1,347 million and unallocated corporate expenses of negative JPY 15,006 million. Corporate expenses mainly consist of general and administrative expenses and basic research expenses that are unattributable to reportable segments.
3. Segment profit (loss) 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.