

Consolidated Financial Results for the Second Quarter of Fiscal Year ending September 30, 2013

May 13, 2013

Company name: Hamamatsu Photonics K.K.

ID number: 6965

URL: www.hamamatsu.com

Representative: Akira Hiruma, President and Chief Executive Officer

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Scheduled date to submit Securities Report: May 13, 2013

Scheduled date to begin dividend payments: June 3, 2013

Supplementary materials to the quarterly financial statements have been prepared: Yes

Presentation will be held to explain the quarterly financial statements: Yes

Stock listing : Tokyo Stock Exchange First Section

Headquarters : Hamamatsu City, Japan

1. Consolidated financial results for the six months ended March 31, 2013 (From Oct. 1, 2012 through Mar. 31, 2013)

Note : All amounts are rounding down to the nearest million yen.

(1) Consolidated operating results

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended Mar. 31, 2013	50,474	(0.5)	8,483	(13.1)	9,083	(10.8)	5,731	(6.3)
Six months ended Mar. 31, 2012	50,726	(1.6)	9,760	(12.1)	10,180	(12.0)	6,113	(11.9)

Note: Comprehensive income

Six months ended Mar. 31, 2013: 9,648 million yen (+41.4%)

Six months ended Mar. 31, 2012: 6,824 million yen (-2.3 %)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Mar. 31, 2013	71.29	-
Six months ended Mar. 31, 2012	76.05	-

(2) Consolidated financial position

	Total assets	Net Assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
as of Mar. 31, 2013	199,268	148,270	74.3
as of Sep. 30, 2012	189,970	140,873	73.9

For Reference: Shareholders' equity

Six months ended Mar. 31, 2013: 148,046 million yen

Fiscal year ended Sep. 30, 2012: 140,303 million yen

2. Dividends

(Base date)	Dividends per share				
	End of Q1	End of Q2	End of Q3	End of Q4	Full Fiscal Year
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Sep. 30, 2012	-	23.00	-	23.00	46.00
Fiscal year ending Sep. 30, 2013	-	23.00			
Fiscal year ending Sep. 30, 2013 (Outlook)			-	23.00	46.00

Note: Whether the forecasts for dividends under review have been revised: No

3. Forecast of consolidated results for the fiscal year ending Sep. 30, 2013 (From Oct. 1, 2012 through Sep. 30, 2013)

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending Sep. 30, 2013	101,800	3.8	15,400	(12.4)	16,100	(12.3)	10,600	(5.4)	131.85

Note: Whether the forecasts for consolidated figures under review have been revised: Yes

4. Others

- (1) Changes in the state of material subsidiaries during the period (Changes regarding significant subsidiaries accompanying changes in the scope of consolidation): None
- (2) The application of special accounting treatment for the preparation of the 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: Yes
 - (b) Changes other than those in (a) above: None
 - (c) Changes in accounting estimates: Yes
 - (d) Changes in presentation due to revisions: None
- (4) Number of shares outstanding
 - (a) Number of shares outstanding at end of period including treasury stock
 - Six months ended Mar. 31, 2013: 83,764,984 shares
 - Fiscal year ended Sep. 30, 2012: 83,764,984 shares
 - (b) Number of treasury stock at end of period
 - Six months ended Mar. 31, 2013: 3,370,063 shares
 - Fiscal year ended Sep. 30, 2012: 3,370,025 shares
 - (c) Average number of shares issued during the period (second-quarter accumulation (six months))
 - Six months ended Mar. 31, 2013: 80,394,943 shares
 - Six months ended Mar. 31, 2012: 80,394,959 shares

The above forecast has been prepared based on the information which is currently available at this moment.
Actual results may differ from the forecast due to various factors that may arise in the future.

Qualitative Information Related to Consolidated Performance for the second quarter of this Fiscal Year

(1) Consolidated Operating Results

At first, the Japanese economy for the second quarter of this fiscal year was seen as weak, but then, there is a sign of improvement in the business mind due to weakening yen exchange rate and upturn of stock price. However, the actual economy has not been seen the full-scale recovery trend yet.

Against this background, our group strove to conduct basic research in photonics and develop new products for customers' needs by leveraging our optical technology. Moreover, we undertook to boost our revenue and income by intensive sales activities.

Nevertheless, sales in oversea market increased due to yen depreciation, while sales in domestic market dropped. We closed the second quarter with net sales of JPY 50,474 million, down by JPY 251 million (0.5%), operating income of JPY 8,483 million, down by JPY 1,276 million (13.1%) and ordinary income of JPY 9,083 million, down by JPY 1,097 million (10.8%) over one year before respectively. Net income resulted in JPY 5,731 million, down by JPY 382 million (6.3%).

Performance by segment was as follows;

(Electron Tube)

Sales of Photomultiplier Tubes (PMTs) in nuclear medical applications, such as Positron Emission Tomography (PET) were down due to weakness in installation of expensive medical instruments. In addition, sales associated with measurement applications such as for oil well logging decreased. However, sales associated with medical diagnostics equipment such as blood analyzers were up.

In the Light Sources and Imaging Devices segment, sales in the industrial field, such as our Stealth Dicing Engine, that proves high-speed, high-quality dicing of various types of wafers and UV Spot Light Source for UV cure bonding were down due to reduction of investment, while sales of X-ray Scintillators, which converts X-rays into Optical Images for dental and breast imaging systems were up steadily mainly in the US market.

In total Electron Tube business closed the second quarter with JPY 21,696 million, down by 1.1% and operating income of JPY 7,997 million, down by 4.4% from one year before.

(Opto-semiconductor)

Sales of X-ray Image Sensors for industrial applications, such as semiconductor inspection systems increased mainly in the US market. However, sales of Photo ICs, which are used for optical communication networks in cars decreased due to the yen appreciation. Sales of Silicon Photodiodes in the field of medical and industrial instruments were also down because of adjustment of production and reduction of investment. Net sales for this business resulted in JPY 20,368 million, down by 3.7% and operating income was JPY 6,113 million, down by 16.9% from one year before.

(Imaging and Measurement Instruments)

Sales of Semiconductor Inspection Systems did well due to increase in demands for inspection of power device for automobile. In addition, ORCA-Flash4.0 scientific CMOS camera that launched last year contributed to the sales increase and digital cameras for academic research in the field of biomedical science also increased.

Net sales for this sector resulted in JPY 6,964 million, up by 15.6% and operating income was JPY 1,038 million, up by 107.0% from one year before.

(Others)

Others sales were primarily in the semiconductor laser business and hotel operations. Net sales for the businesses were JPY 1,444 million, down by 9.9% and operating loss was JPY 1 million (2nd Quarter of FY 2012 was JPY 148 million loss).

(2) Analysis of Financial Conditions

a. Summary of Assets, Liabilities and Net Assets

Current assets were increased JPY 7,877 million from the year ended September 30, 2012. This is mainly from increases in cash and deposits, up by JPY 6,697 million, notes and account receivable-trade, up by JPY 908 million and inventories, up by JPY 689 million. Noncurrent assets were increased JPY 1,420 million from the last fiscal year end. This is mainly from increases in property, plant and equipment, up by JPY 806 million because of increases in construction in progress and land, and investment securities, up by JPY 387 million due to increase in the market value. The total assets at the end of the second quarter were JPY 199,268 million, up by JPY 9,297 million from the last fiscal year end.

Current liabilities were increased JPY 2,360 million from the last fiscal year end. This is mainly from increases in income taxes payable, up by JPY 1,479 million and accounts payable-other, up by JPY 724 million, while there were decreases in notes and accounts payable-trade. Noncurrent liabilities were decreased JPY 460 million from the last fiscal year end, due mainly to a decrease in provision for retirement benefits, down by JPY 393 million. The total liabilities at the end of the second quarter were JPY 50,997 million, up by JPY 1,900 million.

Net Assets were JPY 148,270 million, up by JPY 7,397 million, due mainly to increases in foreign currency translation adjustments, up by JPY 3,482 million, and in retained earnings, up by JPY 3,879 million, because of net income for the second quarter of this fiscal year.

b. Summary of Cash Flow

At the end of the second quarter, cash and cash equivalent stood at JPY 42,522 million, up by JPY 6,757 million from the year ended September 30, 2012.

Cash flow created from operations such as net income before tax and depreciation during the second quarter was JPY 10,778 million, up by JPY 3,861 million over one year before of JPY 6,917 million.

Investment activity such as proceeds of fixed assets used a cash flow of JPY 3,759 million, up by JPY 231 million from previous year of JPY 3,527 million.

Financial activity such as payment of dividend used a cash flow of JPY 1,999 million, up by JPY 184 million from previous year of JPY 1,814 million.

(3) Projection for the year

We recognize that the business environment surrounding our group will continue to be uncertain, while there are some expectations for the economy such as correction of the yen appreciation by Japanese government and the Bank of Japan. We have made the following revisions on our forecast for the fiscal year ending September 30, 2013, which was announced on November 12, 2012. We assume that yen/US dollar exchange rate is JPY 90 and yen/Euro exchange rate is JPY 120.

Forecast of Consolidated Performance for the fiscal year ending Sep. 30, 2013

(Millions of Japanese Yen)

	Sales	Operating income	Ordinary income	Net income	Net income per share
Previous forecast (A)	101,800	16,700	17,000	11,400	141.80
Revised forecast (B)	101,800	15,400	16,100	10,600	131.85
Difference (B-A)	-	(1,300)	(900)	(800)	-
Differential ratio (%)	-	(7.8%)	(5.3%)	(7.0%)	-

Forecast of Non-consolidated Performance for the fiscal year ending Sep. 30, 2013

(Millions of Japanese Yen)

	Sales	Operating income	Ordinary income	Net income	Net income per share
Previous forecast (A)	89,000	13,500	15,000	10,300	127.90
Revised forecast (B)	82,400	9,700	11,700	8,400	104.31
Difference (B-A)	(6,600)	(3,800)	(3,300)	(1,900)	-
Differential ratio (%)	(7.4%)	(28.1%)	(22.0%)	(18.4%)	-

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of Japanese Yen)

	As of Sep. 30, 2012	As of Mar. 31, 2013
Assets		
Current assets		
Cash and deposits	74,559	81,257
Notes and accounts receivable-trade	23,469	24,378
Merchandise and finished goods	6,446	6,536
Work in process	12,430	12,967
Raw materials and supplies	5,478	5,539
Other	4,747	4,326
Allowance for doubtful accounts	(134)	(132)
Total current assets	126,996	134,874
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	22,150	21,739
Machinery, equipment and vehicles, net	7,808	7,831
Tools, furniture and fixtures, net	3,180	3,509
Land	15,149	15,561
Lease assets, net	239	238
Construction in progress	2,831	3,285
Total property, plant and equipment	51,359	52,165
Intangible assets	1,669	1,851
Investments and other assets		
Investment securities	2,004	2,392
Deferred tax assets	6,372	6,365
Other	1,586	1,637
Allowance for doubtful accounts	(18)	(19)
Total investments and other assets	9,944	10,376
Total noncurrent assets	62,973	64,393
Total assets	189,970	199,268

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of Japanese Yen)

	As of Sep. 30, 2012	As of Mar. 31, 2013
Liabilities		
Current liabilities		
Notes and accounts payable-trade	11,657	11,475
Short-term loans payable	1,345	1,370
Current portion of long-term loans payable	3,290	3,273
Income taxes payable	1,321	2,800
Provision for bonuses	3,033	2,972
Other	9,020	10,138
Total current liabilities	29,669	32,030
Noncurrent liabilities		
Long-term loans payable	4,123	4,043
Provision for retirement benefits	13,371	12,978
Provision for directors' retirement benefits	1,370	-
Other	562	1,945
Total noncurrent liabilities	19,427	18,966
Total liabilities	49,097	50,997
Net assets		
Shareholders' equity		
Capital stock	34,928	34,928
Capital surplus	34,672	34,672
Retained earnings	82,484	86,364
Treasury stock	(6,048)	(6,048)
Total shareholders' equity	146,038	149,917
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	157	538
Foreign currency translation adjustment	(5,892)	(2,409)
Total accumulated other comprehensive income	(5,734)	(1,871)
Minority interests	569	224
Total net assets	140,873	148,270
Total liabilities and net assets	189,970	199,268

Consolidated Financial Statements
Consolidated Statements of income

(Millions of Japanese Yen)

	Six months ended Mar. 31, 2012	Six months ended Mar. 31, 2013
Net sales	50,726	50,474
Cost of sales	24,947	25,368
Gross profit	25,779	25,106
Selling, general and administrative expenses	16,018	16,622
Operating income	9,760	8,483
Non-operating income		
Interest income	63	66
Rent of real estate for investment	170	25
Foreign exchange gains	57	362
Equity in earnings of affiliates	54	35
Other	195	203
Total non-operating income	540	692
Non-operating expenses		
Interest expenses	55	51
Rent expenses on real estates	44	21
Other	20	20
Total non-operating expenses	120	92
Ordinary income	10,180	9,083
Extraordinary income		
Gain on sales of noncurrent assets	9	10
Subsidy	625	49
Gain on sales of investment securities	-	46
Total extraordinary income	634	105
Extraordinary loss		
Loss on sales of noncurrent assets	1	6
Loss on retirement of noncurrent assets	22	17
Loss on reduction of noncurrent assets	616	37
Impairment loss	424	-
Total extraordinary losses	1,065	62
Income before income taxes and minority interests	9,749	9,127
Income taxes	3,820	3,384
Income before minority interests	5,928	5,742
Minority interests in income	(184)	10
Net income	6,113	5,731

Consolidated Financial Statements

Consolidated Statements of Comprehensive Income

(Millions of Japanese Yen)

	Six months ended Mar. 31, 2012	Six months ended Mar. 31, 2013
Income before minority interests	5,928	5,742
Other comprehensive income		
Valuation difference on available-for-sale securities	77	380
Foreign currency translation adjustment	830	3,475
Share of other comprehensive income of associates accounted for using equity method	(12)	49
Total other comprehensive income	895	3,906
Comprehensive income	6,824	9,648
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	7,012	9,594
Comprehensive income attributable to minority interests	(188)	53

Consolidated Financial Statements

Consolidated statements of cash flows

(Millions of Japanese Yen)

	Six months ended Mar. 31, 2012	Six months ended Mar. 31, 2013
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	9,749	9,127
Depreciation and amortization	3,977	3,906
Increase (decrease) in provision for bonuses	(528)	(95)
Interest and dividends income	(81)	(82)
Interest expenses	55	51
Equity in (earnings) losses of affiliates	(54)	(35)
Decrease (increase) in notes and accounts receivable-trade	(646)	723
Decrease (increase) in inventories	(142)	703
Increase (decrease) in notes and accounts payable-trade	(1,694)	(1,859)
Other, net	1,103	253
Subtotal	11,738	12,693
Interest and dividends income received	80	82
Interest expenses paid	(55)	(51)
Income taxes (paid) refund	(4,845)	(1,945)
Net cash provided by (used in) operating activities	6,917	10,778
Net cash provided by (used in) investing activities		
Net decrease (increase) in time deposits	(480)	53
Proceeds from sales of short-term investment securities	1,500	-
Purchase of property, plant and equipment	(4,267)	(3,471)
Other, net	(280)	(342)
Net cash provided by (used in) investing activities	(3,527)	(3,759)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	124	5
Repayment of long-term loans payable	(96)	(96)
Cash dividends paid	(1,775)	(1,852)
Other, net	(66)	(56)
Net cash provided by (used in) financing activities	(1,814)	(1,999)
Effect of exchange rate change on cash and cash equivalents	368	1,737
Net increase (decrease) in cash and cash equivalents	1,942	6,757
Cash and cash equivalents at beginning of period	33,045	35,764
Cash and cash equivalents at end of period	34,988	42,522

Segment Information

Sales and Income (Loss) by Reporting Segment

Six months ended Mar. 31, 2012

(Millions of Japanese Yen)

	Reportable Segment				Others (Note 1)	Total	Adjustments (Note 2)	Consolidated total (Note 3)
	Electron tube	Opto- semiconductor	Imaging and measurement instruments	Total				
Net sales								
Outside customers	21,939	21,156	6,027	49,123	1,603	50,726	-	50,726
Intersegment	602	324	31	959	98	1,057	(1,057)	-
Total net sales	22,542	21,481	6,058	50,082	1,701	51,783	(1,057)	50,726
Segment income	8,363	7,358	501	16,224	(148)	16,075	(6,315)	9,760

Notes :

1. The classification of "Others" is the business segment, which is not included in the reportable segments, and its businesses are mainly Semiconductor laser business and Hotel operations.
2. Adjustment of segment profit of negative JPY 6,315 million represents intersegment transactions of negative JPY 303 million and unallocated corporate expenses of negative JPY 6,011 million.
Corporate expenses mainly consist of general and administrative expenses and basic research expenses that are unattributable to reportable segments.
3. Segment income is adjusted with operating income in the quarterly consolidated statements of income.

Six months ended Mar. 31, 2013

(Millions of Japanese Yen)

	Reportable Segment				Others (Note 1)	Total	Adjustments (Note 2)	Consolidated total (Note 3)
	Electron tube	Opto- semiconductor	Imaging and measurement instruments	Total				
Net sales								
Outside customers	21,696	20,368	6,964	49,029	1,444	50,474	-	50,474
Intersegment	654	286	30	972	311	1,284	(1,284)	-
Total net sales	22,351	20,655	6,995	50,002	1,756	51,758	(1,284)	50,474
Segment income	7,997	6,113	1,038	15,148	(1)	15,147	(6,664)	8,483

Notes :

1. The classification of "Others" is the business segment, which is not included in the reportable segments, and its businesses are mainly Semiconductor laser business and Hotel operations.
2. Adjustment of segment profit of negative JPY 6,664 million represents intersegment transactions of negative JPY 450 million and unallocated corporate expenses of negative JPY 6,213 million.
Corporate expenses mainly consist of general and administrative expenses and basic research expenses that are unattributable to reportable segments.
3. Segment income is adjusted with operating income in the quarterly consolidated statements of income.