

Consolidated Financial Results for the Fiscal Year ended September 30, 2017 (Japanese GAAP)

November 13, 2017

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: Tadahiko Shimazu, Director and General Manager of Accounting Div. (Phone: +81-53-452-2141)
 Scheduled date of Annual General Meeting of Shareholders: December 22, 2017
 Scheduled date to file securities report: December 22, 2017
 Scheduled date to begin dividend payments: December 25, 2017
 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 fiscal year ended Sep. 30, 2017 (From Oct. 1, 2016 through Sep. 30, 2017)

(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	%
Fiscal year ended Sep. 30, 2017	130,495	7.1	22,849	11.2	24,037	19.9	17,777	23.3
Fiscal year ended Sep. 30, 2016	121,852	1.0	20,544	(12.9)	20,050	(18.7)	14,419	(13.1)

Note: Comprehensive income

Fiscal year ended Sep. 30, 2017: 23,224 million yen [387.4%]

Fiscal year ended Sep. 30, 2016: 4,765 million yen [(75.2)%]

	Earnings per share	Diluted earnings per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended Sep. 30, 2017	113.00	-	10.0	10.5	17.5
Fiscal year ended Sep. 30, 2016	90.23	-	8.3	9.0	16.9

For reference: Share of profit (loss) of entities accounted for using equity method

Fiscal year ended Sep. 30, 2017: 102 million yen

Fiscal year ended Sep. 30, 2016: 57 million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Sep. 30, 2017	239,331	187,558	78.1	1,188.30
As of Sep. 30, 2016	217,300	169,716	77.8	1,075.31

For reference: Equity

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

As of Sep. 30, 2016: 169,163 million yen

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended Sep. 30, 2017	26,154	(13,198)	(5,707)	63,385
Fiscal year ended Sep. 30, 2016	24,160	4,186	(15,413)	53,595

2. Dividends

(Base date)	Dividends per share					Total dividends (annual)	Dividend payout ratio (consolidated)	Dividends to net assets (consolidated)
	End of Q1	End of Q2	End of Q3	End of FY	Full FY			
Fiscal year ended Sep. 30, 2016	-	17.00	-	17.00	34.00	5,416	37.7	3.1
Fiscal year ended Sep. 30, 2017	-	17.00	-	17.00	34.00	5,357	30.1	3.0
Fiscal year ending Sep. 30, 2018 (Outlook)	-	17.00	-	17.00	34.00		30.6	

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
Six months ending Mar. 31, 2018	67,700	4.2	11,600	3.9	11,700	(2.3)	8,500	(4.7)	54.03
Fiscal year ending Sep. 30, 2018	136,300	4.4	23,600	3.3	23,900	(0.6)	17,500	(1.6)	111.24

4. Others

(1) Changes in consolidated subsidiaries (Changes in scope of consolidation): None

(2) 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

(3) Number of shares outstanding

(a) Number of shares outstanding at end of period including treasury shares

As of Sep. 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 Sep. 30, 2017: 10,213,886 shares

As of Sep. 30, 2016: 10,213,758 shares

(c) Average number of shares issued during the period

Fiscal year ended Sep. 30, 2017: 157,316,158 shares

Fiscal year ended Sep. 30, 2016: 159,812,773 shares

(Reference) Non-consolidated financial results for the fiscal year ended Sep. 30, 2017

1. Non-consolidated financial results for the fiscal year ended Sep. 30, 2017 (From Oct. 1, 2016 through Sep. 30, 2017)

(1) Non-consolidated operating results

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

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended Sep. 30, 2017	110,200	8.3	16,742	22.5	20,048	26.5	16,044	34.6
Fiscal year ended Sep. 30, 2016	101,786	2.7	13,663	(17.8)	15,854	(11.3)	11,922	(2.1)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended Sep. 30, 2017	101.81	-
Fiscal year ended Sep. 30, 2016	74.48	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Sep. 30, 2017	198,798	157,483	79.2	999.35
As of Sep. 30, 2016	184,019	145,992	79.3	926.44

For reference: Equity

As of Sep. 30, 2017: 157,483 million yen

As of Sep. 30, 2016: 145,992 million yen

Financial results reports are not required to be audited.

1. Overview of Operating Results and Others

(1) Overview of Operating Results for the Fiscal Year

During the fiscal year ended September 30, 2017 (from October 1, 2016 through September 30, 2017), Japan's economy generally maintained its recovery trajectory, despite concerns that included the political instability in Europe and the United States and elevated geopolitical risks in East Asia, as movement toward a recovery in exports was evident, and capital investment also exhibited modest growth as corporate earnings improved.

Given these circumstances, our Group strove to expand net sales and earnings by further improving the proprietary photonics technologies we have cultivated over many years, and continuing to make capital investments aimed at boosting production capacity and enhancing product development capabilities.

As a result, we closed the fiscal year 2017 with net sales of JPY 130,495 million, up by JPY 8,643 million (7.1%), thanks to higher domestic sales and overseas sales. From an earnings perspective as well, operating profit was JPY 22,849 million, up by JPY 2,305 million (11.2%) compared with one year ago, ordinary profit was JPY 24,037 million, up by JPY 3,986 million (19.9%) from the previous year, and profit attributable to owners of parent was JPY 17,777 million, up by JPY 3,357 million (23.3%) from the previous year.

Performance by segment is as follows;

(Electron Tube)

Sales of photomultiplier tubes (PMT) increased in the medical field for inspection and monitoring systems such as blood analyzers, particularly in overseas markets, where these products enjoy a favorable reputation for highly sensitive, low-noise, 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. Further, sales for academic applications such as high-energy physics experiments also increased. As a result, net sales of photomultiplier tubes (PMT) increased.

In imaging devices and light sources, sales in the industrial field of microfocus X-ray sources for non-destructive testing were brisk, primarily in overseas markets. Sales in the medical field of scintillators for converting X-rays into visible light increased. Further, sales of deuterium lamps for environmental analysis also were brisk. Net sales of imaging devices and light sources grew as a result.

In total, the Electron Tube business comprised of photomultiplier tubes (PMT) and imaging devices and light sources closed fiscal year 2017 with net sales of JPY 48,744 million, up by 6.9%, and operating profit of JPY 16,992 million, up by 10.8% from the previous year.

(Opto-semiconductor)

In opto-semiconductor devices, sales of flat panel sensors, which enjoy an excellent reputation for the high performance and superb quality, went up significantly, mainly in Europe and China, in conjunction with expansion of the dental equipment market. In the industrial field, sales of Photo ICs and LED increased mainly in domestic market 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 of opto-semiconductors increased.

Net sales in the Opto-semiconductor business were JPY 60,589 million, up by 9.0%, and operating profit was JPY 18,155 million, up by 12.5% from the previous year.

(Imaging and Measurement Instruments)

In the image processing and measurement systems business, failure analysis systems for semiconductor devices were steady overseas, but domestic sales contracted, affected by constraints on semiconductor capital investment. However, sales of X-ray line sensor cameras rose strongly primarily for food inspection applications, partly due to the launch of new longer-life-type products. In addition, new products addressing customers' needs for digital slide scanners in pathology also contributed to increased sales, particularly in Europe. As a result, net sales of image processing and measurement systems increased.

As a result, net sales in the Imaging and Measurement Instruments business were JPY 17,214 million, up by 5.3%, and operating profit was JPY 3,544 million, up by 0.2% from the previous year.

(Other)

In our other businesses, net sales were JPY 3,947 million, down by 8.2%, and operating profit was JPY 281 million, down by 50.9% from the previous year.

(2) Overview of Financial Position for the Fiscal Year

Current assets increased by JPY 16,325 million from the end of the previous fiscal year. This mainly reflected an increase in cash and deposits of JPY 9,399 million, and an increase in notes and accounts receivable-trade of JPY 5,692 million, respectively.

Non-current assets increased by JPY 5,705 million from the end of the previous fiscal year. This was mainly from an increase in property, plant and equipment of JPY 3,999 million that resulted from an increase in buildings and structures.

Total assets at the fiscal year-end were JPY 239,331 million, up by JPY 22,030 million from the end of the previous fiscal year.

Current liabilities were up by JPY 8,182 million from the end of the previous fiscal year. Total current liabilities increased because of an increase in current portion of long-term loans payable of JPY 2,975 million and an increase in income taxes payable of JPY 1,498 million, respectively.

Non-current liabilities decreased by JPY 3,993 million from the previous fiscal year-end, mainly due to a decrease in long-term loans payable of JPY 3,160 million.

As a result, total liabilities at the fiscal year-end were JPY 51,773 million, up by JPY 4,189 million from the end of the previous fiscal year.

Net assets were JPY 187,558 million, up by JPY 17,841 million from the previous fiscal year-end. This mainly reflected an increase in retained earnings of JPY 12,419 million as a result of reporting profit attributable to owners of parent and an increase of JPY 4,132 million as a result of the foreign currency translation adjustment.

(3) Overview of Cash Flows for the Fiscal Year

At the end of this fiscal year, cash and cash equivalents stood at JPY 63,385 million, up by JPY 9,790 million from the end of the previous fiscal year.

Cash flows for the fiscal year ended September 30, 2017 (from Oct. 1, 2016 through Sep. 30, 2017) were as follows.

Net cash provided by operating activities during the year was JPY 26,154 million, up by JPY 1,994 million over the previous year.

This was mainly an increase of profit before income taxes and minority interests of JPY 3,489 million and a decrease in income taxes paid, etc. of JPY 1,296 million.

Net cash used by investing activities was JPY 13,198 million, due mainly to purchases of property, plant and equipment. This compares with net cash provided in investing activities in the previous fiscal year of JPY 4,186 million, which mainly reflected an increase in cancellation of time deposits for longer than three months, which are not counted as cash, in conjunction with the purchase of treasury shares.

Net cash used in financing activities was JPY 5,707 million, down by JPY 9,706 million from the previous year, due mainly to a decrease in expenditures for purchase of treasury shares of JPY 9,999 million.

(Reference) Trends in Cash-Flow Indicators

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Equity Ratio (%)	77.6	78.1	79.6	77.8	78.1
Equity Ratio Based on Current Market Price (%)	149.8	194.4	191.9	223.3	223.5
Interest-bearing Debt to Cash Flows Ratio (Years)	0.7	0.5	0.7	0.5	0.4
Interest Coverage Ratio (Times)	139.9	240.0	164.1	246.7	214.8

Notes: Calculation methods of the above indicators are as follows:

Equity Ratio: Equity / Total assets

Equity Ratio Based on Current Market Price: Total market value of common stock / Total assets

Interest-bearing Debt to Cash Flows Ratio: Interest-bearing debt / Net cash provided by operating activities

Interest Coverage Ratio: Net cash provided by operating activities / Interest payments

- * All indicators are calculated based on consolidated financial figures.
- * Total market value of common stock is calculated by multiplying the closing stock price at the end of each period by the number of shares issued (excluding treasury shares) at the end of the period.
- * Net cash provided by operating activities refers to activities detailed in the Consolidated Statements of Cash Flows.
- * Interest-bearing debt refers to all the debts in the Consolidated Balance Sheets which involve interest payment. Interest payments refer to the figure for the amount of interest paid in the Consolidated Statements of Cash Flows.

(4) Future Outlook

With regard to the business environment surrounding our Group, the economy fluctuated around a gradual recovery trend, with an increase in capital investment against the backdrop of improved corporate earnings. Nevertheless, the economic outlook remains to be lack of optimism by uncertain circumstances, including the future direction of the economies of newly developing countries and the political trends in Europe and the United States.

In this business environment, we expect consolidated net sales for the next year of JPY 136,300 million, up by 4.4%. On the other hand, from an earnings perspective we are planning for operating profit of JPY 23,600 million, up by 3.3%, ordinary profit of JPY 23,900 million, down by 0.6% and profit attributable to owners of parent of JPY 17,500 million, down by 1.6% respectively from the previous year. We assume the yen/US dollar exchange rate will be JPY 110 and the yen/Euro exchange rate will be JPY 125.

FY 2018 (From Oct. 1, 2017 through Sep. 30, 2018)

Forecast for consolidated financial results for the fiscal year ending Sep. 30, 2018

(Millions of Japanese Yen)

	Through the second quarter	Compared with previous year	Forecast for the year	
				Compared with previous year
Net sales	67,700	4.2%	136,300	4.4%
Operating profit	11,600	3.9%	23,600	3.3%
Ordinary profit	11,700	(2.3)%	23,900	(0.6)%
Profit attributable to owners of parent	8,500	(4.7)%	17,500	(1.6)%

(5) Basic Policy for Allocation of Profit and Dividend for FY 2017 and FY 2018

The Company places the highest priority on distribution of results through dividends as a measure for returning profits to shareholders. Its basic dividend strategy outlines steadily increasing dividends through continuous growth in earnings per share by enhancing and strengthening corporate earning capacity based on a long-term perspective, with a policy of a dividend payout ratio of around 30% of profit attributable to owners of parent.

On the other hand, to maintain its competitiveness based on advanced technical capabilities as the leading company in photonics, the Company believes long-term investment will be essential for the research and development necessary to achieve long-term growth of our corporate value and creation of the photon-based industries. To accomplish this, the Company also recognizes the importance of ensuring a certain level of funds on hand to provide for research and development investment and for capital investment. In addition, while the Company also regards funds on hand as a bulwark against earthquakes and other natural disasters and maintains a high level of retained earnings, it recognizes such funds contribute to the further enhancement of corporate value through business investment for the development of highly competitive future products.

Based on the above policy and a comprehensive review of various factors including its financial results, as the year-end dividend for the current fiscal year (FY 2017 ended Sep. 30, 2017), we plan to pay a dividend of JPY 17 per share. As a result, when added to the interim dividend of JPY 17 we have already paid, our annual dividend will come to JPY 34 per share.

For FY 2018, our annual dividend will be JPY 34 per share, consisting of an interim dividend of JPY 17 and a year-end dividend of JPY 17 per share.

Consolidated Financial Statements and Significant Notes Thereto

Consolidated Balance Sheets

(Millions of Japanese Yen)

	As of Sep. 30, 2016	As of Sep. 30, 2017
Assets		
Current assets		
Cash and deposits	74,503	83,902
Notes and accounts receivable - trade	27,916	33,608
Securities	1,000	-
Merchandise and finished goods	7,554	8,742
Work in process	16,248	16,389
Raw materials and supplies	6,241	6,620
Deferred tax assets	3,239	3,545
Other	3,993	4,184
Allowance for doubtful accounts	(188)	(159)
Total current assets	140,508	156,834
Non-current assets		
Property, plant and equipment		
Buildings and structures	70,847	74,585
Accumulated depreciation	(41,615)	(42,917)
Buildings and structures, net	29,231	31,668
Machinery, equipment and vehicles	75,515	78,393
Accumulated depreciation	(65,444)	(68,549)
Machinery, equipment and vehicles, net	10,070	9,843
Tools, furniture and fixtures	30,032	31,005
Accumulated depreciation	(26,269)	(27,054)
Tools, furniture and fixtures, net	3,762	3,951
Land	16,406	16,545
Leased assets	434	567
Accumulated depreciation	(238)	(267)
Leased assets, net	195	299
Construction in progress	4,625	5,983
Total property, plant and equipment	64,292	68,291
Intangible assets	1,463	1,697
Investments and other assets		
Investment securities	2,446	3,684
Real estate for investment	1,667	1,972
Accumulated depreciation	(1,374)	(1,405)
Real estate for investment, net	292	566
Deferred tax assets	6,638	6,412
Other	1,678	1,862
Allowance for doubtful accounts	(19)	(19)
Total investments and other assets	11,036	12,507
Total non-current assets	76,792	82,497
Total assets	217,300	239,331

Consolidated Financial Statements and Significant Notes Thereto

Consolidated Balance Sheets

(Millions of Japanese Yen)

	As of Sep. 30, 2016	As of Sep. 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,580	5,232
Electronically recorded obligations - operating	8,880	8,866
Short-term loans payable	2,183	2,230
Current portion of long-term loans payable	218	3,194
Income taxes payable	2,019	3,517
Provision for bonuses	3,613	4,570
Other	10,380	12,446
Total current liabilities	31,876	40,059
Non-current liabilities		
Long-term loans payable	6,844	3,683
Deferred tax liabilities	182	272
Net defined benefit liability	7,118	7,025
Other	1,561	731
Total non-current liabilities	15,707	11,713
Total liabilities	47,583	51,773
Net assets		
Shareholders' equity		
Capital stock	34,928	34,928
Capital surplus	34,672	34,672
Retained earnings	119,259	131,678
Treasury shares	(16,059)	(16,060)
Total shareholders' equity	172,800	185,219
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	455	1,259
Foreign currency translation adjustment	(2,921)	1,210
Remeasurements of defined benefit plans	(1,170)	(750)
Total accumulated other comprehensive income	(3,637)	1,719
Non-controlling interests	553	618
Total net assets	169,716	187,558
Total liabilities and net assets	217,300	239,331

Consolidated Financial Statements and Significant Notes Thereto

Consolidated Statements of Income

(Millions of Japanese Yen)

	Fiscal year ended Sep. 30, 2016	Fiscal year ended Sep. 30, 2017
Net sales	121,852	130,495
Cost of sales	60,807	65,670
Gross profit	61,044	64,825
Selling, general and administrative expenses		
Freightage and packing expenses	1,036	1,111
Advertising expenses	903	925
Salaries	10,253	10,558
Provision for bonuses	1,077	1,436
Retirement benefit expenses	812	857
Depreciation	1,603	1,547
Commission fee	3,588	3,721
Research and development expenses	11,873	11,776
Provision of allowance for doubtful accounts	68	(30)
Other	9,282	10,070
Total selling, general and administrative expenses	40,500	41,975
Operating profit	20,544	22,849
Non-operating income		
Interest income	237	207
Dividend income	40	45
Rent income on non-current assets	77	70
Rent of real estate for investment	79	76
Foreign exchange gains	-	495
Share of profit of entities accounted for using equity method	57	102
Other	328	409
Total non-operating income	821	1,407
Non-operating expenses		
Interest expenses	97	121
Rent expenses on real estates	65	81
Foreign exchange losses	1,115	-
Other	36	15
Total non-operating expenses	1,314	219
Ordinary profit	20,050	24,037
Extraordinary income		
Gain on sales of non-current assets	31	20
Subsidy income	781	214
Gain on sales of investment securities	-	0
Total extraordinary income	813	234

Consolidated Financial Statements and Significant Notes Thereto

Consolidated Statements of Income

(Millions of Japanese Yen)

	Fiscal year ended Sep. 30, 2016	Fiscal year ended Sep. 30, 2017
Extraordinary losses		
Loss on sales of non-current assets	4	6
Loss on retirement of non-current assets	71	484
Loss on reduction of non-current assets	707	206
Loss on valuation of investment securities	0	5
Total extraordinary losses	783	701
Profit before income taxes	20,080	23,570
Income taxes - current	5,294	6,137
Income taxes - deferred	318	(409)
Total income taxes	5,612	5,727
Profit	14,467	17,842
Profit attributable to non-controlling interests	47	65
Profit attributable to owners of parent	14,419	17,777

Consolidated Financial Statements and Significant Notes Thereto

Consolidated Statements of Comprehensive Income

(Millions of Japanese Yen)

	Fiscal year ended Sep. 30, 2016	Fiscal year ended Sep. 30, 2017
Profit	14,467	17,842
Other comprehensive income		
Valuation difference on available-for-sale securities	(64)	804
Foreign currency translation adjustment	(7,352)	4,136
Remeasurements of defined benefit plans, net of tax	(2,245)	420
Share of other comprehensive income of entities accounted for using equity method	(39)	20
Total other comprehensive income	(9,702)	5,381
Comprehensive income	4,765	23,224
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,820	23,134
Comprehensive income attributable to non-controlling interests	(55)	90

Consolidated Financial Statements and Significant Notes Thereto

Consolidated Statements of Changes in Equity

Fiscal year ended Sep. 30, 2016

(Millions of Japanese Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	34,928	34,672	110,637	(6,059)	174,179
Changes of items during period					
Dividends of surplus			(5,797)		(5,797)
Profit attributable to owners of parent			14,419		14,419
Purchase of treasury shares				(10,000)	(10,000)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	8,621	(10,000)	(1,378)
Balance at end of current period	34,928	34,672	119,259	(16,059)	172,800

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	520	4,367	1,074	5,962	629	180,770
Changes of items during period						
Dividends of surplus						(5,797)
Profit attributable to owners of parent						14,419
Purchase of treasury shares						(10,000)
Net changes of items other than shareholders' equity	(64)	(7,289)	(2,245)	(9,599)	(76)	(9,675)
Total changes of items during period	(64)	(7,289)	(2,245)	(9,599)	(76)	(11,054)
Balance at end of current period	455	(2,921)	(1,170)	(3,637)	553	169,716

Consolidated Financial Statements and Significant Notes Thereto

Consolidated Statements of Changes in Equity

Fiscal year ended Sep. 30, 2017

(Millions of Japanese Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	34,928	34,672	119,259	(16,059)	172,800
Changes of items during period					
Dividends of surplus			(5,357)		(5,357)
Profit attributable to owners of parent			17,777		17,777
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	12,419	(0)	12,419
Balance at end of current period	34,928	34,672	131,678	(16,060)	185,219

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	455	(2,921)	(1,170)	(3,637)	553	169,716
Changes of items during period						
Dividends of surplus						(5,357)
Profit attributable to owners of parent						17,777
Purchase of treasury shares						(0)
Net changes of items other than shareholders' equity	804	4,132	420	5,357	65	5,422
Total changes of items during period	804	4,132	420	5,357	65	17,841
Balance at end of current period	1,259	1,210	(750)	1,719	618	187,558

Consolidated Financial Statements and Significant Notes Thereto

Consolidated Statements of Cash Flows

(Millions of Japanese Yen)

	Fiscal year ended Sep. 30, 2016	Fiscal year ended Sep. 30, 2017
Cash flows from operating activities		
Profit before income taxes	20,080	23,570
Depreciation	10,547	10,043
Increase (decrease) in allowance for doubtful accounts	65	(45)
Increase (decrease) in provision for bonuses	189	911
Increase (decrease) in net defined benefit liability	2	468
Interest and dividend income	(278)	(253)
Interest expenses	97	121
Foreign exchange losses (gains)	59	(26)
Share of (profit) loss of entities accounted for using equity method	(57)	(102)
Loss on retirement of property, plant and equipment	71	484
Loss (gain) on sales of property, plant and equipment	(27)	(13)
Decrease (increase) in notes and accounts receivable - trade	(1,669)	(4,106)
Decrease (increase) in inventories	(2,369)	(563)
Increase (decrease) in notes and accounts payable - trade	2,408	(994)
Other, net	812	1,193
Subtotal	29,934	30,688
Interest and dividend income received	280	247
Interest expenses paid	(97)	(121)
Income taxes (paid) refund	(5,956)	(4,660)
Net cash provided by (used in) operating activities	24,160	26,154
Cash flows from investing activities		
Net decrease (increase) in time deposits	14,936	590
Purchase of securities	(1,000)	-
Proceeds from sales of securities	-	1,000
Purchase of property, plant and equipment	(9,144)	(13,773)
Proceeds from sales of property, plant and equipment	47	31
Purchase of intangible assets	(424)	(741)
Other, net	(228)	(305)
Net cash provided by (used in) investing activities	4,186	(13,198)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	419	(29)
Proceeds from long-term loans payable	3,261	38
Repayments of long-term loans payable	(3,178)	(224)
Purchase of treasury shares	(10,000)	(0)
Cash dividends paid	(5,798)	(5,359)
Other, net	(117)	(132)
Net cash provided by (used in) financing activities	(15,413)	(5,707)
Effect of exchange rate change on cash and cash equivalents	(4,894)	2,541
Net increase (decrease) in cash and cash equivalents	8,039	9,790
Cash and cash equivalents at beginning of period	45,556	53,595
Cash and cash equivalents at end of period	53,595	63,385

Segment Information

1. Summary of Reportable Segments

The Company's reportable segments are components of the Company for which separate financial information is available. These segments are subject to periodic examinations to enable the Company's board of directors to decide how to allocate resources and assess performance.

The Company's business divisions are based on product and service categories. Each of the divisions conducts business based on comprehensive strategies formulated for the products and services it handles.

Therefore the Company's business segments based on the products and services handled by each of the divisions comprise its three principal reportable segments, which are Electron Tube, Opto-semiconductor, and Imaging and Measurement Instruments.

The Electron Tube business segment manufactures and sells photomultiplier tubes (PMTs), light sources and imaging devices. The Opto-semiconductor business segment manufactures and sells opto-semiconductor devices. The Imaging and Measurement Instruments business segment manufactures and sells image processing and measurement systems.

2. Method for Calculating the Sales, Profit (Loss), Assets, Liabilities, and Other Items for Reportable Segments

Figures for income in reportable segments are on an operating profit basis. Intersegment sales and transfers are based on prevailing market prices.

3. Information on the Amounts of Sales, Profit (Loss), Assets, Liabilities, and Other Items for Reportable Segments

Fiscal year ended September 30, 2016 (From Oct. 1, 2015 through Sep. 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	45,608	55,592	16,352	117,552	4,299	121,852	-	121,852
Intersegment	1,281	839	14	2,135	921	3,056	(3,056)	-
Total net sales	46,890	56,432	16,366	119,688	5,220	124,908	(3,056)	121,852
Segment income	15,342	16,141	3,538	35,022	572	35,594	(15,050)	20,544
Segment assets	44,829	43,733	12,052	100,614	6,851	107,466	109,834	217,300
Other items								
Depreciation and amortization	3,527	4,101	914	8,544	399	8,943	1,559	10,503
Increase in property, plant and equipment and intangible assets	3,323	3,732	927	7,983	373	8,357	1,378	9,736

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 15,050 million represents intersegment transactions of negative JPY 1,238 million and unallocated corporate expenses of negative JPY 13,811 million. Corporate

expenses mainly consist of general and administrative expenses and basic research expenses that are unattributable to reportable segments.

Adjustment of segment assets of JPY 109,834 million consists of common assets that are not distributed to reportable segments.

Adjustment of depreciation and amortization of JPY 1,559 million is depreciation and amortization of common assets that are not distributed to reportable segments.

Adjustment of increase in property, plant and equipment and intangible assets of JPY 1,378 million is an increase in common non-current assets that are not distributed to reportable segments.

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

Fiscal year ended September 30, 2017 (From Oct. 1, 2016 through Sep. 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	48,744	60,589	17,214	126,547	3,947	130,495	-	130,495
Intersegment	1,704	937	27	2,670	640	3,310	(3,310)	-
Total net sales	50,449	61,526	17,242	129,218	4,587	133,805	(3,310)	130,495
Segment income	16,992	18,155	3,544	38,692	281	38,973	(16,124)	22,849
Segment assets	47,110	50,243	12,437	109,791	6,183	115,974	123,356	239,331
Other items								
Depreciation and amortization	3,420	3,903	869	8,193	338	8,531	1,468	10,000
Increase in property, plant and equipment and intangible assets	2,801	5,654	1,222	9,678	285	9,963	4,360	14,324

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 16,124 million represents intersegment transactions of negative JPY 1,506 million and unallocated corporate expenses of negative JPY 14,617 million. Corporate expenses mainly consist of general and administrative expenses and basic research expenses that are unattributable to reportable segments.
Adjustment of segment assets of JPY 123,356 million consists of common assets that are not distributed to reportable segments.
Adjustment of depreciation and amortization of JPY 1,468 million is depreciation and amortization of common assets that are not distributed to reportable segments.
Adjustment of increase in property, plant and equipment and intangible assets of JPY 4,360 million is an increase in common non-current assets that are not distributed to reportable segments.
3. Segment income has been reconciled with operating profit presented in the consolidated financial statements.

Related Information

Fiscal year ended September 30, 2016 (From Oct. 1, 2015 through Sep. 30, 2016)

1. Information by product and service

This information has been omitted because the Company discloses the same information in its segment information section.

2. Information by geographical segment

(1) Net sales

(Millions of Japanese Yen)

Japan	North America	Europe	Asia	Others	Total
36,258	32,704	30,138	22,489	261	121,852

Note: Sales information is based on the geographical location of customers, and it is classified by country or region.

(2) Property, plant and equipment

This information has been omitted because property, plant and equipment within Japan accounted for more than 90% of total property, plant and equipment recorded on the consolidated balance sheets.

3. Information by principal customer

This information has been omitted because there were no customers that accounted for 10% or more of total net sales recorded on the consolidated statements of income.

Fiscal year ended September 30, 2017 (From Oct. 1, 2016 through Sep. 30, 2017)

1. Information by product and service

This information has been omitted because the Company discloses the same information in its segment information section.

2. Information by geographical segment

(1) Net sales

(Millions of Japanese Yen)

Japan	North America	Europe	Asia	Others	Total
38,378	33,314	32,961	25,546	293	130,495

Note: Sales information is based on the geographical location of customers, and it is classified by country or region.

(2) Property, plant and equipment

This information has been omitted because property, plant and equipment within Japan accounted for more than 90% of total property, plant and equipment recorded on the consolidated balance sheets.

3. Information by principal customer

This information has been omitted because there were no customers that accounted for 10% or more of total net sales recorded on the consolidated statements of income.

Information on impairment losses on non-current assets by reportable segment

Fiscal year ended September 30, 2016 (From Oct. 1, 2015 through Sep. 30, 2016)

Not applicable

Fiscal year ended September 30, 2017 (From Oct. 1, 2016 through Sep. 30, 2017)

Not applicable

Information related to the amount of amortization of goodwill and the unamortized amount of goodwill by reportable segment

Fiscal year ended September 30, 2016 (From Oct. 1, 2015 through Sep. 30, 2016)

This information has been omitted because the amounts are not material.

Fiscal year ended September 30, 2017 (From Oct. 1, 2016 through Sep. 30, 2017)

This information has been omitted because the amounts are not material.

Information on gain on bargain purchase by reportable segment

Fiscal year ended September 30, 2016 (From Oct. 1, 2015 through Sep. 30, 2016)

Not applicable

Fiscal year ended September 30, 2017 (From Oct. 1, 2016 through Sep. 30, 2017)

Not applicable

Per Share Information

(Japanese Yen)

	Fiscal year ended September 30, 2016 (From Oct. 1, 2015 through Sep. 30, 2016)	Fiscal year ended September 30, 2017 (From Oct. 1, 2016 through Sep. 30, 2017)
Net assets per share	1,075.31	1,188.30
Earnings per share	90.23	113.00

Notes:

1. There are no latent shares, and no figures for the diluted earnings per share have been disclosed.
2. Basis for calculations of earnings per share is as follows.

(Millions of Japanese Yen)

	Fiscal year ended September 30, 2016 (From Oct. 1, 2015 through Sep. 30, 2016)	Fiscal year ended September 30, 2017 (From Oct. 1, 2016 through Sep. 30, 2017)
Profit attributable to owners of parent	14,419	17,777
Value not attributed to common stock	-	-
Profit attributable to owners of parent attributed to common stock	14,419	17,777
Average number of common stock outstanding during the period (Thousands shares)	159,812	157,316

Important Subsequent Events

(Business combination through acquisition)

The Company passed a resolution at a Board of Directors meeting held on September 11, 2017 for Photonics Management Corp. (PMC), a consolidated subsidiary, to turn Energetiq Technology Inc. (EQ), which manufactures and sells light sources, into a subsidiary. The stock transfer agreement was then concluded as of September 20, 2017. The acquisition of these shares was completed on October 16, 2017.

1. Outline of business combination

(1) Name of the acquired company and the content of its business

Name of the acquired company: Energetiq Technology Inc.

Business content: Development, manufacture and sale of light sources for semiconductor inspections

(2) Main reason for the business combination

With the addition of EQ's Laser Driven Light Sources and Extreme Ultraviolet light sources to the Company's light sources, product offerings of our group will expand and our response to the demands of semiconductor inspection equipment market will be strengthened. Also, combining the light source development technologies cultivated by both companies will increase the speed of development and lead to the development of even greater value-added products to open up new markets.

(3) Business combination date

October 16, 2017

(4) Legal form of the business combination

Acquisition of shares with cash consideration

(5) Name of the company after the combination

Energetiq Technology Inc.

(6) Ratio of voting rights acquired

100%

(7) Main grounds for determining the acquiring company

This is because Photonics Management Corp., a consolidated subsidiary of the Company, acquired shares with cash consideration.

2. Acquisition price of the acquired company and acquisition cost breakdown

Acquisition price: JPY 6,040 million in cash

Acquisition cost: JPY 6,040 million

Note: The above amount is an estimated amount at the time of the acquisition and may differ in the future due to price adjustment and other factors.

3. Details and amounts of main acquisition costs

Advisory fee etc. (estimate): JPY 102 million

4. Amount, reason, amortization method and period of goodwill recognized

Not confirmed at this stage

5. Assets acquired and liabilities assumed on the date of business combination and their major components

Not confirmed at this stage

(Purchase and retirement of treasury shares)

At the Board of Directors meeting held on November 13, 2017, the Company resolved matters relating to the purchase of treasury shares, pursuant to the provisions of Article 156 of the Companies Act, as applied by replacing the relevant terms pursuant to the provision of Article 165, paragraph (3) of the same act. The Company also resolved to retire treasury shares, pursuant to the provisions of Article 178 of the Companies Act.

1. Reason for purchasing and retiring treasury shares

The Company will purchase and retire treasury shares as part of implementing flexible capital policy in response to changes in the business environment, and as part of its shareholder return policy.

2. Details of matters relating to the purchase of treasury shares

(1) Type of shares subject to purchase

Common shares of the Company

(2) Total number of shares to be purchased

3,000,000 shares (maximum)

(1.90% of shares issued (excluding treasury shares))

(3) Total acquisition price of shares to be purchased

JPY 10.0 billion (maximum)

(4) Purchase period

From November 14, 2017 to March 23, 2018

(5) Purchase method

Open-market purchase on the Tokyo Stock Exchange

3. Details of matters relating to the retirement of treasury shares

(1) Type of shares to be retired

Common shares of the Company

(2) Number of shares to be retired

All of the treasury shares purchased in "2." above.

(3) Scheduled date of share retirement

April 20, 2018

Non-consolidated Financial Statements

Non-consolidated Balance Sheets

(Millions of Japanese Yen)

	As of Sep. 30, 2016	As of Sep. 30, 2017
Assets		
Current assets		
Cash and deposits	48,441	58,115
Notes receivable - trade	4,178	5,777
Accounts receivable - trade	25,617	24,730
Securities	1,000	-
Merchandise and finished goods	2,569	2,773
Work in process	15,899	15,996
Raw materials and supplies	5,786	6,086
Deferred tax assets	1,778	2,338
Accounts receivable - other	2,702	2,893
Other	379	232
Allowance for doubtful accounts	(32)	(33)
Total current assets	108,320	118,911
Non-current assets		
Property, plant and equipment		
Buildings	23,077	25,441
Structures	1,726	1,683
Machinery and equipment	9,288	9,105
Vehicles	28	28
Tools, furniture and fixtures	2,944	2,963
Land	14,458	14,520
Leased assets	122	247
Construction in progress	4,564	5,433
Total property, plant and equipment	56,210	59,424
Intangible assets		
Patent right	348	243
Software	589	668
Other	16	15
Total intangible assets	955	928
Investments and other assets		
Investment securities	1,522	2,599
Shares of subsidiaries and associates	8,346	8,381
Investments in capital	1	1
Investments in capital of subsidiaries and associates	1,414	1,414
Deferred tax assets	6,112	6,075
Real estate for investment	129	117
Other	1,026	964
Allowance for doubtful accounts	(19)	(19)
Total investments and other assets	18,534	19,534
Total non-current assets	75,699	79,886
Total assets	184,019	198,798

Non-consolidated Financial Statements

Non-consolidated Balance Sheets

(Millions of Japanese Yen)

	As of Sep. 30, 2016	As of Sep. 30, 2017
Liabilities		
Current liabilities		
Notes payable - trade	82	-
Electronically recorded obligations - operating	8,880	8,866
Accounts payable - trade	4,600	4,869
Current portion of long-term loans payable	-	3,000
Lease obligations	63	80
Accounts payable - other	2,326	3,347
Accrued expenses	901	1,213
Income taxes payable	1,583	3,007
Advances received	9	142
Deposits received	162	341
Provision for bonuses	3,303	4,037
Electronically recorded obligations-facilities	1,804	1,459
Deposits received from employees	1,766	1,753
Other	24	32
Total current liabilities	25,511	32,151
Non-current liabilities		
Long-term loans payable	6,000	3,000
Lease obligations	72	194
Provision for retirement benefits	5,019	5,503
Asset retirement obligations	147	150
Other	1,275	315
Total non-current liabilities	12,515	9,163
Total liabilities	38,027	41,315
Net assets		
Shareholders' equity		
Capital stock	34,928	34,928
Capital surplus		
Legal capital surplus	34,636	34,636
Total capital surpluses	34,636	34,636
Retained earnings		
Legal retained earnings	695	695
Other retained earnings		
Reserve for special depreciation	18	14
Reserve for dividends	4,500	4,500
General reserve	71,600	78,600
Retained earnings brought forward	15,213	18,904
Total retained earnings	92,027	102,713
Treasury shares	(16,055)	(16,056)
Total shareholders' equity	145,537	156,223
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	455	1,259
Total valuation and translation adjustments	455	1,259
Total net assets	145,992	157,483
Total liabilities and net assets	184,019	198,798

Non-consolidated Financial Statements

Non-consolidated Statements of Income

(Millions of Japanese Yen)

	Fiscal year ended Sep. 30, 2016	Fiscal year ended Sep. 30, 2017
Net sales	101,786	110,200
Cost of sales	60,272	64,358
Gross profit	41,513	45,842
Selling, general and administrative expenses	27,850	29,099
Operating profit	13,663	16,742
Non-operating income		
Interest income	38	15
Dividend income	1,954	3,036
Rent of real estate for investment	27	22
Foreign exchange gains	1	-
Miscellaneous income	303	394
Total non-operating income	2,325	3,468
Non-operating expenses		
Interest expenses	50	36
Rent expenses on real estates	49	48
Foreign exchange losses	-	68
Miscellaneous loss	35	9
Total non-operating expenses	134	162
Ordinary profit	15,854	20,048
Extraordinary income		
Gain on sales of non-current assets	19	9
Subsidy income	728	214
Gain on sales of investment securities	-	0
Total extraordinary income	747	224
Extraordinary losses		
Loss on sales of non-current assets	2	5
Loss on retirement of non-current assets	58	456
Loss on reduction of non-current assets	657	206
Loss on valuation of investment securities	0	5
Total extraordinary losses	718	673
Profit before income taxes	15,883	19,599
Income taxes - current	3,619	4,345
Income taxes - deferred	341	(790)
Total income taxes	3,961	3,555
Profit	11,922	16,044

Non-consolidated Financial Statements
Non-consolidated Statements of Changes in Equity
Fiscal year ended Sep. 30, 2016

(Millions of Japanese Yen)

	Shareholders' equity								Total retained earnings
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings				
		Legal capital surplus	Total capital surplus		Other retained earnings				
					Reserve for special depreciation	Reserve for dividends	General reserve	Retained earnings brought forward	
Balance at beginning of current period	34,928	34,636	34,636	695	22	4,500	65,600	15,085	85,903
Changes of items during period									
Provision of reserve for special depreciation					0			(0)	-
Reversal of reserve for special depreciation					(4)			4	-
Provision of general reserve							6,000	(6,000)	-
Dividends of surplus								(3,060)	(3,060)
Dividends from surplus (interim dividends)								(2,737)	(2,737)
Profit								11,922	11,922
Purchase of treasury shares									
Net changes of items other than shareholders' equity									
Total changes of items during period	-	-	-	-	(3)	-	6,000	128	6,124
Balance at end of current period	34,928	34,636	34,636	695	18	4,500	71,600	15,213	92,027

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	(6,055)	149,413	520	520	149,933
Changes of items during period					
Provision of reserve for special depreciation		-			-
Reversal of reserve for special depreciation		-			-
Provision of general reserve		-			-
Dividends of surplus		(3,060)			(3,060)
Dividends from surplus (interim dividends)		(2,737)			(2,737)
Profit		11,922			11,922
Purchase of treasury shares	(10,000)	(10,000)			(10,000)
Net changes of items other than shareholders' equity			(64)	(64)	(64)
Total changes of items during period	(10,000)	(3,876)	(64)	(64)	(3,940)
Balance at end of current period	(16,055)	145,537	455	455	145,992

Non-consolidated Financial Statements
Non-consolidated Statements of Changes in Equity
Fiscal year ended Sep. 30, 2017

(Millions of Japanese Yen)

	Shareholders' equity								Total retained earnings
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings				
		Legal capital surplus	Total capital surplus		Other retained earnings				
					Reserve for special depreciation	Reserve for dividends	General reserve	Retained earnings brought forward	
Balance at beginning of current period	34,928	34,636	34,636	695	18	4,500	71,600	15,213	92,027
Changes of items during period									
Reversal of reserve for special depreciation					(4)			4	-
Provision of general reserve							7,000	(7,000)	-
Dividends of surplus								(2,678)	(2,678)
Dividends from surplus (interim dividends)								(2,678)	(2,678)
Profit								16,044	16,044
Purchase of treasury shares									
Net changes of items other than shareholders' equity									
Total changes of items during period	-	-	-	-	(4)	-	7,000	3,690	10,686
Balance at end of current period	34,928	34,636	34,636	695	14	4,500	78,600	18,904	102,713

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	(16,055)	145,537	455	455	145,992
Changes of items during period					
Reversal of reserve for special depreciation		-			-
Provision of general reserve		-			-
Dividends of surplus		(2,678)			(2,678)
Dividends from surplus (interim dividends)		(2,678)			(2,678)
Profit		16,044			16,044
Purchase of treasury shares	(0)	(0)			(0)
Net changes of items other than shareholders' equity			804	804	804
Total changes of items during period	(0)	10,685	804	804	11,490
Balance at end of current period	(16,056)	156,223	1,259	1,259	157,483