

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

February 5, 2018

Company name: Hamamatsu Photonics K.K.

Stock listing: Tokyo Stock Exchange First Section

Stock code: 6965

URL: <http://www.hamamatsu.com/ir/index.html>

Representative: Akira Hiruma, President and Chief Executive Officer

Contact: Kazuhiko Mori, Director and General Manager of Accounting Div. (Phone: +81-53-452-2141)

Scheduled date to file quarterly securities report: February 9, 2018

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, 2017 (From Oct. 1, 2017 through Dec. 31, 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	%
Three months ended Dec. 31, 2017	34,282	14.3	6,168	43.4	6,341	32.8	4,301	18.8
Three months ended Dec. 31, 2016	29,981	0.5	4,300	(14.4)	4,775	(6.0)	3,621	(3.1)

Note: Comprehensive income

Three months ended Dec. 31, 2017: 5,142 million yen [(25.5)%]

Three months ended Dec. 31, 2016: 6,900 million yen [103.8%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended Dec. 31, 2017	27.40		-	
Three months ended Dec. 31, 2016	23.02		-	

#### (2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of Dec. 31, 2017	234,634		184,606		78.4	
As of Sep. 30, 2017	239,331		187,558		78.1	

For reference: Equity

As of Dec. 31, 2017: 183,960 million yen

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

### 2. Dividends

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

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

### 3. Forecast of consolidated financial results for the fiscal year ending Sep. 30, 2018 (From Oct. 1, 2017 through Sep. 30, 2018)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending Mar. 31, 2018	67,700	4.2	11,600	3.9	11,700	(2.3)	8,500	(4.7)	54.52
Fiscal year ending Sep. 30, 2018	136,300	4.4	23,600	3.3	23,900	(0.6)	17,500	(1.6)	112.24

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 outstanding
  - (a) Number of shares outstanding at end of period including treasury shares
    - As of Dec. 31, 2017: 167,529,968 shares
    - As of Sep. 30, 2017: 167,529,968 shares
  - (b) Number of treasury shares at end of period
    - As of Dec. 31, 2017: 11,620,686 shares
    - As of Sep. 30, 2017: 10,213,886 shares
  - (c) Average number of shares issued during the period
    - Three months ended Dec. 31, 2017: 156,970,553 shares
    - Three months ended Dec. 31, 2016: 157,316,210 shares

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

### (1) Operating Results

In the business environment for the first quarter of this fiscal year (three months ended December 31, 2017), the economy maintained its gradual economic recovery trend, with capital investment rising gradually as corporate earnings improved and exports continuing to recover as well. Nevertheless, the pace of the recovery lacked strength and depended to a large extent on overseas economic growth, and because of concerns over the outlook for the economies of newly developing countries, and uncertainties such as the political trends in Europe and the United States, the economic outlook remains to be lack of optimism.

Given these circumstances, our Group strove to expand net sales and earnings by continuing research and development that takes advantage of the Company's proprietary photonics technologies and proactive capital investment for our future.

As a result, we closed the first quarter with net sales of JPY 34,282 million, up by JPY 4,301 million (14.3%) over one year ago. From an earnings perspective, operating profit was JPY 6,168 million, up by JPY 1,867 million (43.4%) compared with one year ago, ordinary profit was JPY 6,341 million, up by JPY 1,565 million (32.8%) from the previous year, and quarterly profit attributable to owners of parent was JPY 4,301 million, up by JPY 679 million (18.8%) from the same period one year ago.

Performance by segment is as follows;

#### (Electron Tube)

In the medical field, sales of photomultiplier tubes (PMT) for nuclear medicine testing applications such as Positron Emission Tomography (PET) rose at a sluggish pace, but sales for inspection and monitoring systems including blood analyzers increased. Sales for oil-well logging devices and for academic applications such as high-energy physics experiments expanded steadily as well.

In imaging devices and light sources, sales in the industrial field of microfocus X-ray sources for non-destructive testing devices were brisk. In addition, sales in the medical field of scintillators for converting X-rays into visible light increased.

As a result, the Electron Tube business closed the first quarter with net sales of JPY 12,920 million, up by 15.9%, and operating profit of JPY 4,522 million, up by 24.3% from the same period one year ago.

#### (Opto-semiconductor)

In opto-semiconductor devices, sales of silicon photodiodes and LED in the industrial field were higher mainly in the 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 maintained a strong performance as well. In addition, the demand for image sensors and photodiodes for analytical instruments including environmental analysis equipment increased.

As a result, net sales in the Opto-semiconductor business were JPY 16,255 million, up by 15.7%, and operating profit was JPY 5,366 million, up by 31.8% from the same period one year ago.

#### (Imaging and Measurement Instruments)

In image processing and measurement systems, demand for digital slide scanners in pathology was strong both domestically and overseas and drove sales higher, despite sluggish sales of failure analysis systems for semiconductor devices that are used for semiconductor fabrication and inspection, which reflected a lull following the completion of large-scale projects in the prior period and postponement of large-scale projects in Asia until the second half of the year or later.

As a result, net sales in the Imaging and Measurement Instruments business were JPY 4,132 million, up by 8.6%, and operating profit was JPY 700 million, up by 3.8% from the previous year.

#### (Other)

Sales from other operations include the semiconductor laser business, hotel operations run by Iwata Grand

Hotel Inc., a subsidiary, and business relating to the unique products of Beijing Hamamatsu Photon Techniques Inc., which is also a subsidiary.

Net sales were JPY 974 million, down by 0.1%, and operating loss was JPY 62 million, compared with operating profit of ¥68 million of the same period one year ago.

## **(2) Financial Conditions**

Current assets decreased by JPY 11,726 million from the end of the previous fiscal year. This mainly reflected a decrease in cash and deposits of JPY 14,648 million because of the purchase of treasury shares and the acquisition of a subsidiary in the United States.

Non-current assets increased by JPY 7,029 million from the end of the previous fiscal year, mainly due to an increase in intangible assets of JPY 4,331 million that reflected the increase in goodwill related to the acquisition of a subsidiary in the United States.

As a result, total assets at the end of the first quarter were JPY 234,634 million, down by JPY 4,697 million from the end of the fiscal year ended September 30, 2017.

Current liabilities decreased by JPY 2,439 million from the end of the previous fiscal year, despite an increase in notes payable - facilities (current liabilities, other) of JPY 2,817 million, and mainly reflected decreases in electronically recorded obligations - operating of JPY 3,306 million and provision for bonuses of JPY 2,586 million, respectively.

Non-current liabilities increased by JPY 694 million from the previous fiscal year-end, mainly due to an increase in reserve for loss on dissolution of employees' pension fund of JPY 534 million.

Total liabilities at the end of the first quarter were JPY 50,028 million, down by JPY 1,745 million from the end of the fiscal year ended September 30, 2017.

Net assets at the end of the first quarter of this fiscal year were JPY 184,606 million, down by JPY 2,951 million from the end of the fiscal year ended September 30, 2017. This mainly reflected an increase in retained earnings of JPY 1,622 million as a result of reporting profit attributable to owners of parent and a decrease of JPY 5,413 million in treasury shares because of an acquisition.

## **(3) Projection for the year**

There is no change to the forecast for the first six months ending March 31, 2018 and for the fiscal year ending September 30, 2018 released on November 13, 2017.

We assume the yen/US dollar exchange rate will be JPY 110 and the yen/Euro exchange rate will be JPY 125.

# Consolidated Financial Statements

## Consolidated Balance Sheets

(Millions of Japanese Yen)

	As of Sep. 30, 2017	As of Dec. 31, 2017
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	83,902	69,253
Notes and accounts receivable - trade	33,608	33,060
Merchandise and finished goods	8,742	9,162
Work in process	16,389	16,708
Raw materials and supplies	6,620	7,511
Other	7,729	9,566
Allowance for doubtful accounts	(159)	(155)
<b>Total current assets</b>	<b>156,834</b>	<b>145,107</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	31,668	35,879
Machinery, equipment and vehicles, net	9,843	9,975
Tools, furniture and fixtures, net	3,951	4,282
Land	16,545	16,550
Leased assets, net	299	340
Construction in progress	5,983	3,451
<b>Total property, plant and equipment</b>	<b>68,291</b>	<b>70,479</b>
<b>Intangible assets</b>		
Goodwill	9	4,392
Other	1,688	1,636
<b>Total intangible assets</b>	<b>1,697</b>	<b>6,029</b>
<b>Investments and other assets</b>		
Investment securities	3,684	4,160
Deferred tax assets	6,412	6,265
Other	2,429	2,610
Allowance for doubtful accounts	(19)	(19)
<b>Total investments and other assets</b>	<b>12,507</b>	<b>13,018</b>
<b>Total non-current assets</b>	<b>82,497</b>	<b>89,526</b>
<b>Total assets</b>	<b>239,331</b>	<b>234,634</b>

# Consolidated Financial Statements

## Consolidated Balance Sheets

(Millions of Japanese Yen)

	As of Sep. 30, 2017	As of Dec. 31, 2017
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	5,232	5,483
Electronically recorded obligations - operating	8,866	5,559
Short-term loans payable	2,230	2,236
Current portion of long-term loans payable	3,194	3,188
Income taxes payable	3,517	1,779
Provision for bonuses	4,570	1,984
Other	12,446	17,387
<b>Total current liabilities</b>	<b>40,059</b>	<b>37,620</b>
<b>Non-current liabilities</b>		
Long-term loans payable	3,683	3,641
Reserve for loss on dissolution of employees' pension fund	-	534
Net defined benefit liability	7,025	7,084
Other	1,004	1,148
<b>Total non-current liabilities</b>	<b>11,713</b>	<b>12,407</b>
<b>Total liabilities</b>	<b>51,773</b>	<b>50,028</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	34,928	34,928
Capital surplus	34,672	34,672
Retained earnings	131,678	133,301
Treasury shares	(16,060)	(21,473)
<b>Total shareholders' equity</b>	<b>185,219</b>	<b>181,428</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	1,259	1,568
Foreign currency translation adjustment	1,210	1,681
Remeasurements of defined benefit plans	(750)	(718)
<b>Total accumulated other comprehensive income</b>	<b>1,719</b>	<b>2,531</b>
<b>Non-controlling interests</b>	<b>618</b>	<b>646</b>
<b>Total net assets</b>	<b>187,558</b>	<b>184,606</b>
<b>Total liabilities and net assets</b>	<b>239,331</b>	<b>234,634</b>

## Consolidated Financial Statements

### Consolidated Statements of Income

(Millions of Japanese Yen)

	Three months ended Dec. 31, 2016	Three months ended Dec. 31, 2017
Net sales	29,981	34,282
Cost of sales	15,288	16,631
Gross profit	14,692	17,650
Selling, general and administrative expenses	10,392	11,482
Operating profit	4,300	6,168
Non-operating income		
Interest income	36	6
Rent of real estate for investment	27	33
Foreign exchange gains	370	70
Share of profit of entities accounted for using equity method	31	21
Other	66	94
Total non-operating income	533	226
Non-operating expenses		
Interest expenses	28	16
Rent expenses on real estates	15	21
Other	13	15
Total non-operating expenses	57	53
Ordinary profit	4,775	6,341
Extraordinary income		
Gain on sales of non-current assets	8	2
Gain on sales of investment securities	0	-
Total extraordinary income	8	2
Extraordinary losses		
Loss on sales of non-current assets	5	1
Loss on retirement of non-current assets	7	3
Provision for loss on dissolution of the employees' pension fund	-	534
Total extraordinary losses	13	539
Profit before income taxes	4,770	5,804
Income taxes	1,126	1,485
Profit	3,643	4,318
Profit attributable to non-controlling interests	22	17
Profit attributable to owners of parent	3,621	4,301

## Consolidated Financial Statements

### Consolidated Statements of Comprehensive Income

(Millions of Japanese Yen)

	Three months ended Dec. 31, 2016	Three months ended Dec. 31, 2017
Profit	3,643	4,318
Other comprehensive income		
Valuation difference on available-for-sale securities	201	308
Foreign currency translation adjustment	3,022	481
Remeasurements of defined benefit plans, net of tax	36	32
Share of other comprehensive income of entities accounted for using equity method	(3)	1
Total other comprehensive income	3,256	823
Comprehensive income	6,900	5,142
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,885	5,113
Comprehensive income attributable to non-controlling interests	14	29



## Segment Information

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

Three months ended December 31, 2016 (From Oct. 1, 2016 through Dec. 31, 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	11,151	14,047	3,806	29,005	975	29,981	-	29,981
Intersegment	428	187	2	618	129	748	(748)	-
Total net sales	11,580	14,235	3,808	29,624	1,105	30,729	(748)	29,981
Segment profit	3,638	4,071	674	8,385	68	8,453	(4,153)	4,300

#### 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 4,153 million represents intersegment transactions of negative JPY 361 million and unallocated corporate expenses of negative JPY 3,792 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.

Three months ended December 31, 2017 (From Oct. 1, 2017 through Dec. 31, 2017)

(Millions of Japanese Yen)

	Reportable Segment				Other (Note 1)	Total	Adjustments (Note 2)	Consolidated total (Note 3)
	Electron Tube	Opto- semiconductor	Imaging and Measurement Instruments	Total				
Net sales								
Outside customers	12,920	16,255	4,132	33,308	974	34,282	-	34,282
Intersegment	436	232	3	671	131	802	(802)	-
Total net sales	13,356	16,487	4,136	33,980	1,105	35,085	(802)	34,282
Segment profit (loss)	4,522	5,366	700	10,589	(62)	10,527	(4,359)	6,168

#### 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 4,359 million represents intersegment transactions of negative JPY 360 million and unallocated corporate expenses of negative JPY 3,998 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.