

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

August 6, 2018

Company name: Hamamatsu Photonics K.K. Stock listing: Tokyo Stock Exchange First Section
 Stock code: 6965 URL: <https://www.hamamatsu.com/jp/ja/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: August 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 nine months ended Jun. 30, 2018 (From Oct. 1, 2017 through Jun. 30, 2018)

(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, 2018	107,642	12.2	21,518	30.5	22,007	26.0	15,730	19.7
Nine months ended Jun. 30, 2017	95,945	5.3	16,483	4.8	17,459	13.1	13,138	18.1

Note: Comprehensive income

Nine months ended Jun. 30, 2018: 15,382 million yen [(10.0)%]

Nine months ended Jun. 30, 2017: 17,101 million yen [222.9%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended Jun. 30, 2018	101.03		-	
Nine months ended Jun. 30, 2017	83.51		-	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of Jun. 30, 2018	236,930		187,623		78.9	
As of Sep. 30, 2017	239,331		187,558		78.1	

For reference: Equity

As of Jun. 30, 2018: 186,947 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	Yen	Yen	Yen	Yen
Fiscal year ended Sep. 30, 2017	-	17.00	-	17.00	34.00
Fiscal year ending Sep. 30, 2018	-	17.00	-		
Fiscal year ending Sep. 30, 2018 (Forecast)				20.00	37.00

Note: Revision of the forecasts for dividends most recently announced: Yes

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
Fiscal year ending Sep. 30, 2018	144,300	10.6	26,600	16.4	26,900	11.9	19,200	8.0	124.03

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 Jun. 30, 2018: 165,011,568 shares
 - As of Sep. 30, 2017: 167,529,968 shares
 - (b) Number of treasury shares at end of period
 - As of Jun. 30, 2018: 10,213,942 shares
 - As of Sep. 30, 2017: 10,213,886 shares
 - (c) Average number of shares issued during the period
 - Nine months ended Jun. 30, 2018: 155,700,618 shares
 - Nine months ended Jun. 30, 2017: 157,316,184 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, 2018), Japan's economy traced a gradual recovery trend as capital investment continued to rise backed by improved corporate earnings and the recovery trend in export activity continued. Nevertheless, the economic outlook remains opaque with the political trends in Europe and the United States, and trade friction between the United States and China. Given these circumstances, our Group strove to expand net sales and earnings by continued proactive capital investment for the future and enhancing our research and development, leveraging the proprietary photonics technologies we have cultivated over many years.

As a result, we closed the third quarter with net sales of JPY 107,642 million, up by JPY 11,697 million (12.2%) over one year ago. From an earnings perspective as well, operating profit was JPY 21,518 million, up by JPY 5,034 million (30.5%) compared with one year ago, ordinary profit was JPY 22,007 million, up by JPY 4,547 million (26.0%) from the previous year, and quarterly profit attributable to owners of parent was JPY 15,730 million, up by JPY 2,592 million (19.7%) 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) contracted. On the other hand, sales of products for inspection and monitoring systems such as blood analyzers remained solid, thanks to their strong reputation for their high sensitivity, low-noise, and 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.

In imaging devices and light sources, sales in the industrial field of microfocus X-ray sources for X-ray nondestructive testing devices were brisk, both inside and outside Japan, thanks to their strong reputation for high-definition, high reliability and excellent stability. In addition, sales in the medical field of scintillators for converting X-rays into visible light were solid. Xenon flash lamps and deuterium lamps for environmental analysis and other applications also sold well.

As a result, the Electron Tube business closed the third quarter with net sales of JPY 41,675 million, up by 15.8%, and operating profit of JPY 14,766 million, up by 17.1% from the same period one year ago.

(Opto-semiconductor)

In opto-semiconductor devices, sales of image sensors for semiconductor fabrication and inspection equipment in the industrial field maintained a strong performance and sales of Photo ICs, photodiodes and LED in the FA (Factory Automation) sector for applications such as controls for industrial-use robots and other equipment increased as well. Sales of silicon photodiodes used in non-destructive testing also increased.

As a result, net sales in the Opto-semiconductor business were JPY 50,591 million, up by 14.1%, and operating profit was JPY 16,940 million, up by 27.0% from the same period one year ago.

(Imaging and Measurement Instruments)

In image processing and measurement systems, sales of digital slide scanners for remote pathologic diagnosis systems and other pathologic applications were solid primarily in Europe thanks to the release of new products. However, sales of X-ray line sensor cameras trended lower primarily for food inspection applications. Sales of digital cameras used in the life sciences sector and biotechnology sector were also sluggish.

As a result, net sales for the Imaging and Measurement Instruments business were JPY 12,021 million, down by 4.6%, and operating profit was JPY 2,457 million, down by 3.0% 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.

Net sales were JPY 3,354 million, up by 12.0%, and operating profit was JPY 190 million, up by 45.8% from the same period one year ago.

(2) Financial Conditions

Current assets decreased by JPY 9,324 million from the end of the previous fiscal year despite an increase in inventories of JPY 2,244 million, mainly reflecting a decrease in cash and deposits of JPY 12,954 million.

Non-current assets increased by JPY 6,923 million from the end of the previous fiscal year. This mainly reflected an increase in property, plant and equipment of JPY 2,832 million that resulted from an increase in buildings and structures, and an increase in intangible assets of JPY 3,911 million that resulted from an increase in goodwill related to the acquisition of a subsidiary in the United States.

Total assets at the end of the third quarter were JPY 236,930 million, down by JPY 2,400 million from the end of the fiscal year ended September 30, 2017.

Current liabilities decreased by JPY 6,405 million from the end of the previous fiscal year. This result was mainly due to a decrease in current portion of long-term loans payable of JPY 3,009 million and a decrease in electronically recorded obligations - operating of JPY 2,994 million.

Non-current liabilities increased by JPY 3,939 million from the previous fiscal year-end, mainly due to an increase in long-term loans payable of JPY 2,871 million and an increase in reserve for loss on dissolution of employees' pension fund of JPY 532 million.

Total liabilities at the end of the third quarter were JPY 49,307 million, down by JPY 2,465 million from the end of the fiscal year ended September 30, 2017.

Net assets at the end of the third quarter of this fiscal year were JPY 187,623 million, up by JPY 65 million from the end of the fiscal year ended September 30, 2017, despite a decrease of JPY 4,735 million due to purchase of treasury shares, mainly reflecting an increase in retained earnings of JPY 5,150 million as a result of reporting profit attributable to owners of parent.

(3) Projection for the Year

There is no change to the forecast of consolidated financial results for the fiscal year ending September 30, 2018, released on May 7, 2018.

We assume for the second half of this fiscal year that the applicable yen/US dollar exchange rate will be JPY 105 and the yen/Euro exchange rate will be JPY 130, and for the full year that the applicable yen/US dollar exchange rate will be JPY 107.50 and the yen/Euro exchange rate will be JPY 131.50.

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of Japanese Yen)

	As of Sep. 30, 2017	As of Jun. 30, 2018
Assets		
Current assets		
Cash and deposits	83,902	70,947
Notes and accounts receivable - trade	33,608	34,678
Merchandise and finished goods	8,742	8,304
Work in process	16,389	18,096
Raw materials and supplies	6,620	7,595
Other	7,729	8,042
Allowance for doubtful accounts	(159)	(154)
Total current assets	156,834	147,510
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	31,668	34,532
Machinery, equipment and vehicles, net	9,843	11,940
Tools, furniture and fixtures, net	3,951	4,343
Land	16,545	16,772
Leased assets, net	299	312
Construction in progress	5,983	3,222
Total property, plant and equipment	68,291	71,124
Intangible assets		
Goodwill	9	4,072
Other	1,688	1,537
Total intangible assets	1,697	5,609
Investments and other assets		
Investment securities	3,684	4,047
Deferred tax assets	6,412	6,275
Other	2,429	2,382
Allowance for doubtful accounts	(19)	(19)
Total investments and other assets	12,507	12,687
Total non-current assets	82,497	89,420
Total assets	239,331	236,930

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of Japanese Yen)

	As of Sep. 30, 2017	As of Jun. 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,232	5,473
Electronically recorded obligations - operating	8,866	5,871
Short-term loans payable	2,230	2,231
Current portion of long-term loans payable	3,194	184
Income taxes payable	3,517	1,788
Provision for bonuses	4,570	5,893
Provision for loss on disaster	-	131
Other	12,446	12,080
Total current liabilities	40,059	33,654
Non-current liabilities		
Long-term loans payable	3,683	6,555
Reserve for loss on dissolution of employees' pension fund	-	532
Net defined benefit liability	7,025	7,276
Other	1,004	1,289
Total non-current liabilities	11,713	15,653
Total liabilities	51,773	49,307
Net assets		
Shareholders' equity		
Capital stock	34,928	34,928
Capital surplus	34,672	34,672
Retained earnings	131,678	136,829
Treasury shares	(16,060)	(20,795)
Total shareholders' equity	185,219	185,634
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,259	1,461
Foreign currency translation adjustment	1,210	505
Remeasurements of defined benefit plans	(750)	(654)
Total accumulated other comprehensive income	1,719	1,312
Non-controlling interests	618	675
Total net assets	187,558	187,623
Total liabilities and net assets	239,331	236,930

Consolidated Financial Statements
Consolidated Statements of Income

(Millions of Japanese Yen)

	Nine months ended Jun. 30, 2017	Nine months ended Jun. 30, 2018
Net sales	95,945	107,642
Cost of sales	48,242	51,809
Gross profit	47,702	55,833
Selling, general and administrative expenses	31,219	34,315
Operating profit	16,483	21,518
Non-operating income		
Interest income	125	112
Rent of real estate for investment	44	78
Foreign exchange gains	531	82
Share of profit of entities accounted for using equity method	81	97
Other	381	440
Total non-operating income	1,164	811
Non-operating expenses		
Interest expenses	99	49
Rent expenses on real estates	49	94
Commission for purchase of treasury shares	-	103
Other	38	74
Total non-operating expenses	187	322
Ordinary profit	17,459	22,007
Extraordinary income		
Gain on sales of non-current assets	17	28
Subsidy income	214	277
Gain on sales of investment securities	0	-
Total extraordinary income	231	306
Extraordinary losses		
Loss on sales of non-current assets	5	53
Loss on retirement of non-current assets	44	34
Loss on reduction of non-current assets	206	263
Loss on disaster	-	202
Loss on valuation of investment securities	5	-
Provision for loss on dissolution of employees' pension fund	-	534
Total extraordinary losses	261	1,088
Profit before income taxes	17,430	21,225
Income taxes	4,239	5,446
Profit	13,190	15,778
Profit attributable to non-controlling interests	52	48
Profit attributable to owners of parent	13,138	15,730

Consolidated Financial Statements

Consolidated Statements of Comprehensive Income

(Millions of Japanese Yen)

	Nine months ended Jun. 30, 2017	Nine months ended Jun. 30, 2018
Profit	13,190	15,778
Other comprehensive income		
Valuation difference on available-for-sale securities	364	201
Foreign currency translation adjustment	3,420	(678)
Remeasurements of defined benefit plans, net of tax	105	96
Share of other comprehensive income of entities accounted for using equity method	20	(15)
Total other comprehensive income	3,910	(396)
Comprehensive income	17,101	15,382
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	17,028	15,323
Comprehensive income attributable to non-controlling interests	72	59

Segment Information

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

Nine months ended June 30, 2017 (From Oct. 1, 2016 through Jun. 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	36,003	44,345	12,600	92,949	2,995	95,945	-	95,945
Intersegment	1,319	656	22	1,998	428	2,427	(2,427)	-
Total net sales	37,323	45,001	12,623	94,948	3,424	98,372	(2,427)	95,945
Segment profit	12,609	13,336	2,533	28,478	130	28,609	(12,126)	16,483

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 12,126 million represents intersegment transactions of negative JPY 1,119 million and unallocated corporate expenses of negative JPY 11,006 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.

Nine months ended June 30, 2018 (From Oct. 1, 2017 through Jun. 30, 2018)

(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	41,675	50,591	12,021	104,288	3,354	107,642	-	107,642
Intersegment	1,186	619	22	1,829	492	2,321	(2,321)	-
Total net sales	42,862	51,211	12,043	106,117	3,846	109,964	(2,321)	107,642
Segment profit	14,766	16,940	2,457	34,164	190	34,355	(12,837)	21,518

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 12,837 million represents intersegment transactions of negative JPY 1,054 million and unallocated corporate expenses of negative JPY 11,782 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.