

# Consolidated Financial Results for the Second Quarter of Fiscal Year ending September 30, 2019 (Japanese GAAP)

May 13, 2019

Company name: Hamamatsu Photonics K.K. Stock listing: Tokyo Stock Exchange First Section  
 Stock code: 6965 URL: <https://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: May 14, 2019  
 Scheduled date to begin dividend payments: June 4, 2019  
 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 six months ended Mar. 31, 2019 (From Oct. 1, 2018 through Mar. 31, 2019)

### (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	%
Six months ended Mar. 31, 2019	74,413	1.8	14,007	(6.2)	14,350	(5.3)	10,877	0.6
Six months ended Mar. 31, 2018	73,074	12.5	14,935	33.8	15,158	26.5	10,811	21.2

Note: Comprehensive income

Six months ended Mar. 31, 2019: 8,850 million yen [(13.7)%]

Six months ended Mar. 31, 2018: 10,258 million yen [(17.2)%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended Mar. 31, 2019	70.27		-	
Six months ended Mar. 31, 2018	69.24		-	

Note: At the end of the previous fiscal year, we finalized the provisional accounting treatment for a business combination. For the second quarter of fiscal year ended Sep. 30, 2018, we used figures reflecting the finalization of the provisional accounting treatment.

### (2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of Mar. 31, 2019	252,182		199,734		78.9	
As of Sep. 30, 2018	244,914		193,985		78.9	

For reference: Equity

As of Mar. 31, 2019: 199,037 million yen

As of Sep. 30, 2018: 193,317 million yen

Note: From the beginning of the first quarter of this fiscal year, we applied "Partial Amendments to Accounting Standard for Tax Effect Accounting." We used figures after retroactive adjustment for fiscal year ended Sep. 30, 2018.

## 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, 2018	-	17.00	-	20.00	37.00
Fiscal year ending Sep. 30, 2019	-	20.00			
Fiscal year ending Sep. 30, 2019 (Forecast)			-	20.00	40.00

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

## 3. Forecast of consolidated financial results for the fiscal year ending Sep. 30, 2019 (From Oct. 1, 2018 through Sep. 30, 2019)

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, 2019	146,300	1.4	26,100	(4.3)	26,700	(4.9)	20,200	(4.8)	130.49

Note: Revision of the forecasts for consolidated financial results most recently announced: Yes

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 Mar. 31, 2019: 165,011,568 shares
    - As of Sep. 30, 2018: 165,011,568 shares
  - (b) Number of treasury shares at end of period
    - As of Mar. 31, 2019: 10,213,968 shares
    - As of Sep. 30, 2018: 10,213,968 shares
  - (c) Average number of shares issued during the period
    - Six months ended Mar. 31, 2019: 154,797,600 shares
    - Six months ended Mar. 31, 2018: 156,152,114 shares

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

### (1) Operating Results

During the second quarter of this fiscal year (six months ended March 31, 2019), Japan's economy as a whole traced a gradual recovery trend as capital investment continued to rise, despite its export and production being affected by slowdown in China's economy and the IT-related demand. The future of the economy, however, is challenging due to the concerns about the impacts of global trade disputes and the expectation of continuing slowdown in China's economy.

Given these circumstances, our Group strove to secure net sales and earnings by promoting research and development leveraging the photonics technologies we have cultivated over many years, as well as working towards the development of products that addressed customers' needs. As a result, we closed the second quarter with net sales of JPY 74,413 million, up by JPY 1,338 million (1.8%) over one year ago. From an earnings perspective, operating profit was JPY 14,007 million, down by JPY 928 million (6.2%) compared with one year ago, ordinary profit was JPY 14,350 million, down by JPY 808 million (5.3%) from the previous year, but quarterly profit attributable to owners of parent was JPY 10,877 million, up by JPY 65 million (0.6%) from the same period one year ago.

Operating results by segment are as follows;

#### (Electron Tube)

In the measuring instrument field, in response to the recovery in oilfield investment, sales of photomultiplier tubes (PMT) for oil-well logging devices that offer superior ruggedness to withstand against harsh work conditions such as high temperatures, shocks, and vibrations maintained a strong performance. In addition, in the medical field, sales of products for inspection and monitoring systems such as blood analyzers increased, thanks to their strong reputation for their high sensitivity, low-noise, and high-speed operations. However, sales of academic applications such as high-energy physics experiments decreased due to factors such as delivery to large-scale international projects being finished.

In imaging devices and light sources, sales in the industrial field of microfocus X-ray sources for non-destructive testing devices were brisk, both inside and outside Japan, thanks to their strong reputation for high-definition, high reliability and excellent stability. Sales of Stealth Dicing Engine for high-speed, high-quality silicon wafer dicing also increased. Further, sales of light sources for environmental analysis such as deuterium lamps remained solid.

As a result, the Electron Tube business closed the second quarter with net sales of JPY 29,347 million, up by 5.0%, and operating profit of JPY 10,513 million, up by 5.7% from the same period one year ago.

#### (Opto-semiconductor)

In opto-semiconductor devices, in the medical field, sales of mainstay silicon photodiodes increased. However, affected by the restrained capital investment in semiconductor market, sales of image sensors for semiconductor fabrication and inspection equipment declined. In addition, sales of photodiodes and LED in the FA (Factory Automation) sector for applications such as controls for industrial-use robots and other equipment decreased.

As a result, net sales in the Opto-semiconductor business were JPY 33,457 million, down by 2.0%, and operating profit was JPY 10,416 million, down by 7.7% from the same period one year ago.

#### (Imaging and Measurement Instruments)

In image processing and measurement systems, sales of digital cameras increased due to the increased demand in the industrial field in addition to the demand in the life sciences sector and biotechnology sector. In addition, sales of failure analysis systems for semiconductor devices increased due to their highly acclaimed capability in conducting diverse analysis that adapts to each application in addition to the merits on high resolution and high sensitivity in the wide field of view. Further, sales of X-ray line sensor cameras increased

primarily for food inspection applications.

As a result, net sales for the Imaging and Measurement Instruments business were JPY 9,212 million, up by 6.1%, and operating profit was JPY 2,016 million, up by 7.2% from the same period one year ago.

(Other)

Sales from other operations include the semiconductor laser business, hotel operations run by Iwata Grand Hotel Inc., a subsidiary, and business relating to the unique products of Beijing Hamamatsu Photon Techniques Inc., which is also a subsidiary.

In our other businesses, net sales were JPY 2,395 million, up by 4.4%, and operating loss was JPY 108 million, compared with an operating profit of JPY 198 million in the same period one year ago.

## (2) Financial Conditions

### a. Summary of Assets, Liabilities and Net Assets

Current assets increased by JPY 5,692 million from the end of the previous fiscal year, despite a decrease in accounts receivable - other under other current assets of JPY 2,109 million, mainly reflecting an increase in securities of JPY 3,438 million and an increase in cash and deposits of JPY 2,670 million.

Non-current assets increased by JPY 1,576 million from the end of the previous fiscal year, despite a decrease in investment securities of JPY 774 million, mainly reflecting an increase in property, plant and equipment of JPY 1,842 million that resulted from an increase in construction in progress.

Total assets at the end of the second quarter were JPY 252,182 million, up by JPY 7,268 million from the end of the fiscal year ended September 30, 2018.

Current liabilities increased by JPY 1,518 million from the end of the previous fiscal year, despite a decrease in provision for bonuses of JPY 1,003 million, mainly reflecting an increase in notes and accounts payable - trade of JPY 926 million and an increase in notes payable - facilities (current liabilities-other) of JPY 742 million.

Non-current liabilities increased by JPY 1 million from the end of the previous fiscal year, despite a decrease in long-term loans payable of JPY 79 million, mainly due to an increase in net defined benefit liability of JPY 120 million.

Total liabilities at the end of the second quarter were JPY 52,448 million, up by JPY 1,520 million from the end of the fiscal year ended September 30, 2018.

Net assets at the end of the second quarter of this fiscal year were JPY 199,734 million, up by JPY 5,748 million from the end of the fiscal year ended September 30, 2018, despite a decrease in foreign currency translation adjustment of JPY 1,460 million, reflecting an increase in retained earnings of JPY 7,775 million as a result of reporting profit attributable to owners of parent.

### b. Summary of Cash Flows

At the end of the second quarter, cash and cash equivalents (referred to below as "cash") stood at JPY 64,149 million, up by JPY 2,325 million from the end of the previous fiscal year.

(Cash flows from operating activities)

Net cash provided by operating activities during the second quarter was JPY 16,878 million, up by JPY 6,418 million compared with JPY 10,459 million in the same period in the previous fiscal year. This mainly reflected profit before income taxes and depreciation.

(Cash flows from investing activities)

Net cash used in investing activities was JPY 10,838 million, which increased expenditures by JPY 7,947 million compared with net cash used in investing activities of JPY 2,891 million in the same period of the previous fiscal year. This mainly reflected the JPY 6,002 million in purchase of property, plant and equipment and the JPY 3,441 million in purchase of securities.

(Cash flows from financing activities)

Net cash used in financing activities was JPY 3,053 million, which decreased expenditures by JPY 9,905 million compared with net cash used in financing activities of JPY 12,958 million in the same period of the

previous fiscal year, mainly reflecting the cash dividends paid.

### (3) Projection for the Year

Based on factors such as the conditions in markets where we are conducting our businesses and the improvement in operating performance in the most recent quarter, we have made the following revisions to our forecast of consolidated financial results for the fiscal year ending Sep. 30, 2019, which we announced on Nov. 12, 2018.

We assume the yen/US dollar exchange rate for the second half year (From Apr. 1, 2019 through Sep. 30, 2019) will be JPY 105 and the yen/Euro exchange rate will be JPY 125.

Forecast of Consolidated Financial Results for the Fiscal Year Ending Sep. 30, 2019  
(From Oct. 1, 2018 through Sep. 30, 2019)

(Millions of Japanese Yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Earnings per share
					(Yen)
Previous forecast (A)	150,400	27,500	28,000	21,200	136.95
Revised forecast (B)	146,300	26,100	26,700	20,200	130.49
Change (B-A)	(4,100)	(1,400)	(1,300)	(1,000)	-
Change (%)	(2.7)	(5.1)	(4.6)	(4.7)	-

## Consolidated Financial Statements

### Consolidated Balance Sheets

(Millions of Japanese Yen)

	As of Sep. 30, 2018	As of Mar. 31, 2019
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	74,458	77,129
Notes and accounts receivable - trade	35,914	36,363
Securities	-	3,438
Merchandise and finished goods	8,874	9,317
Work in process	17,933	18,145
Raw materials and supplies	7,677	8,292
Other	5,501	3,373
Allowance for doubtful accounts	(162)	(170)
<b>Total current assets</b>	<b>150,197</b>	<b>155,889</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	34,117	33,886
Machinery, equipment and vehicles, net	12,364	12,129
Tools, furniture and fixtures, net	4,359	4,592
Land	16,789	16,806
Leased assets, net	272	258
Construction in progress	3,826	5,899
<b>Total property, plant and equipment</b>	<b>71,730</b>	<b>73,572</b>
<b>Intangible assets</b>		
Customer relationships	2,634	2,432
Other	3,644	3,354
<b>Total intangible assets</b>	<b>6,278</b>	<b>5,787</b>
<b>Investments and other assets</b>		
Investment securities	4,158	3,384
Deferred tax assets	10,254	10,657
Other	2,314	2,910
Allowance for doubtful accounts	(19)	(19)
<b>Total investments and other assets</b>	<b>16,708</b>	<b>16,933</b>
<b>Total non-current assets</b>	<b>94,717</b>	<b>96,293</b>
<b>Total assets</b>	<b>244,914</b>	<b>252,182</b>

# Consolidated Financial Statements

## Consolidated Balance Sheets

(Millions of Japanese Yen)

	As of Sep. 30, 2018	As of Mar. 31, 2019
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	5,101	6,027
Electronically recorded obligations - operating	6,266	5,701
Short-term loans payable	1,662	1,840
Current portion of long-term loans payable	3,178	3,163
Income taxes payable	2,892	3,243
Provision for bonuses	5,138	4,134
Other	13,838	15,485
<b>Total current liabilities</b>	<b>38,078</b>	<b>39,596</b>
<b>Non-current liabilities</b>		
Long-term loans payable	3,512	3,432
Reserve for loss on dissolution of employees' pension fund	529	525
Net defined benefit liability	7,393	7,514
Other	1,414	1,379
<b>Total non-current liabilities</b>	<b>12,850</b>	<b>12,851</b>
<b>Total liabilities</b>	<b>50,928</b>	<b>52,448</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	34,928	34,928
Capital surplus	34,672	34,672
Retained earnings	142,321	150,097
Treasury shares	(20,795)	(20,795)
<b>Total shareholders' equity</b>	<b>191,126</b>	<b>198,902</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	1,545	936
Foreign currency translation adjustment	1,259	(201)
Remeasurements of defined benefit plans	(614)	(599)
<b>Total accumulated other comprehensive income</b>	<b>2,190</b>	<b>134</b>
<b>Non-controlling interests</b>	<b>668</b>	<b>696</b>
<b>Total net assets</b>	<b>193,985</b>	<b>199,734</b>
<b>Total liabilities and net assets</b>	<b>244,914</b>	<b>252,182</b>

## Consolidated Financial Statements

### Consolidated Statements of Income

(Millions of Japanese Yen)

	Six months ended Mar. 31, 2018	Six months ended Mar. 31, 2019
Net sales	73,074	74,413
Cost of sales	35,414	36,255
Gross profit	37,659	38,157
Selling, general and administrative expenses	22,723	24,150
Operating profit	14,935	14,007
Non-operating income		
Interest income	77	129
Rent of real estate for investment	44	43
Foreign exchange gains	77	-
Share of profit of entities accounted for using equity method	53	101
Other	233	319
Total non-operating income	486	593
Non-operating expenses		
Interest expenses	32	27
Rent expenses on real estates	60	69
Foreign exchange losses	-	87
Commission for purchase of treasury shares	103	-
Other	66	65
Total non-operating expenses	264	250
Ordinary profit	15,158	14,350
Extraordinary income		
Gain on sales of non-current assets	11	26
Total extraordinary income	11	26
Extraordinary losses		
Loss on sales of non-current assets	52	0
Loss on retirement of non-current assets	13	17
Loss on valuation of investment securities	-	9
Loss on disaster	201	-
Provision for loss on dissolution of employees' pension fund	534	-
Total extraordinary losses	800	27
Profit before income taxes	14,369	14,349
Income taxes	3,525	3,429
Profit	10,843	10,919
Profit attributable to non-controlling interests	31	42
Profit attributable to owners of parent	10,811	10,877

## Consolidated Financial Statements

### Consolidated Statements of Comprehensive Income

(Millions of Japanese Yen)

	Six months ended Mar. 31, 2018	Six months ended Mar. 31, 2019
Profit	10,843	10,919
Other comprehensive income		
Valuation difference on available-for-sale securities	293	(609)
Foreign currency translation adjustment	(944)	(1,475)
Remeasurements of defined benefit plans, net of tax	63	14
Share of other comprehensive income of entities accounted for using equity method	2	1
Total other comprehensive income	(584)	(2,069)
Comprehensive income	10,258	8,850
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	10,205	8,821
Comprehensive income attributable to non-controlling interests	52	28

Consolidated Financial Statements  
Consolidated Statements of Cash Flows

(Millions of Japanese Yen)

	Six months ended Mar. 31, 2018	Six months ended Mar. 31, 2019
Cash flows from operating activities		
Profit before income taxes	14,369	14,349
Depreciation	5,091	5,623
Increase (decrease) in provision for bonuses	(645)	(983)
Interest and dividend income	(100)	(155)
Interest expenses	32	27
Share of loss (profit) of entities accounted for using equity method	(53)	(101)
Decrease (increase) in notes and accounts receivable - trade	(2,147)	(1,028)
Decrease (increase) in inventories	(619)	(1,693)
Increase (decrease) in notes and accounts payable - trade	(1,972)	772
Other, net	540	3,203
Subtotal	14,494	20,013
Interest and dividend income received	100	153
Interest expenses paid	(32)	(27)
Income taxes (paid) refund	(4,102)	(3,260)
Net cash provided by (used in) operating activities	10,459	16,878
Cash flows from investing activities		
Net decrease (increase) in time deposits	7,810	(379)
Purchase of securities	-	(3,441)
Purchase of property, plant and equipment	(6,724)	(6,002)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(3,922)	-
Payments for investments in capital of subsidiaries and associates	-	(694)
Other, net	(54)	(320)
Net cash provided by (used in) investing activities	(2,891)	(10,838)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(24)	199
Repayments of long-term loans payable	(97)	(94)
Purchase of treasury shares	(10,103)	-
Cash dividends paid	(2,680)	(3,114)
Other, net	(53)	(44)
Net cash provided by (used in) financing activities	(12,958)	(3,053)
Effect of exchange rate change on cash and cash equivalents	(359)	(661)
Net increase (decrease) in cash and cash equivalents	(5,749)	2,325
Cash and cash equivalents at beginning of period	63,385	61,824
Cash and cash equivalents at end of period	57,636	64,149

## Segment Information

### I. Six months ended March 31, 2018 (From Oct. 1, 2017 through Mar. 31, 2018)

Information on the amounts of sales and profit (loss) for reportable segments

(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	27,941	34,157	8,681	70,780	2,293	73,074	-	73,074
Intersegment	783	403	5	1,192	310	1,502	(1,502)	-
Total net sales	28,725	34,560	8,686	71,973	2,603	74,576	(1,502)	73,074
Segment profit (loss)	9,943	11,282	1,880	23,106	198	23,304	(8,369)	14,935

#### 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 8,369 million represents intersegment transactions of negative JPY 675 million and unallocated corporate expenses of negative JPY 7,694 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.

### II. Six months ended March 31, 2019 (From Oct. 1, 2018 through Mar. 31, 2019)

Information on the amounts of sales and profit (loss) for reportable segments

(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	29,347	33,457	9,212	72,017	2,395	74,413	-	74,413
Intersegment	653	560	84	1,297	419	1,717	(1,717)	-
Total net sales	30,000	34,018	9,296	73,315	2,814	76,130	(1,717)	74,413
Segment profit (loss)	10,513	10,416	2,016	22,945	(108)	22,837	(8,830)	14,007

#### 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 8,830 million represents intersegment transactions of negative JPY 734 million and unallocated corporate expenses of negative JPY 8,096 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.