

Consolidated Financial Results for the Second Quarter of Fiscal Year ending September 30, 2020 (Japanese GAAP)

May 13, 2020

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, 2020
 Scheduled date to begin dividend payments: June 2, 2020
 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, 2020 (From Oct. 1, 2019 through Mar. 31, 2020)

(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, 2020	72,975	(1.9)	12,228	(12.7)	12,596	(12.2)	9,003	(17.2)
Six months ended Mar. 31, 2019	74,413	1.8	14,007	(6.2)	14,350	(5.3)	10,877	0.6

Note: Comprehensive income

Six months ended Mar. 31, 2020: 9,133 million yen [3.2%]

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

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended Mar. 31, 2020	58.16		-	
Six months ended Mar. 31, 2019	70.27		-	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of Mar. 31, 2020	262,475		209,867		79.6	
As of Sep. 30, 2019	259,694		203,647		78.2	

For reference: Equity

As of Mar. 31, 2020: 209,028 million yen

As of Sep. 30, 2019: 202,957 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, 2019	-	20.00	-	20.00	40.00
Fiscal year ending Sep. 30, 2020	-	20.00			
Fiscal year ending Sep. 30, 2020 (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, 2020 (From Oct. 1, 2019 through Sep. 30, 2020)

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, 2020	147,600	1.2	24,400	(4.0)	24,900	(5.2)	18,200	(8.6)	117.56

Notes:

- Revision of the forecasts for consolidated financial results most recently announced: Yes
- The above forecast of consolidated financial results does not incorporate the impacts of the novel coronavirus (COVID-19). For the impacts of the coronavirus, please see page 4, 1. Qualitative Information Related to Consolidated Performance for the Second Quarter of this Fiscal Year, (4) Impacts of the Novel Coronavirus (COVID-19) on Consolidated Financial Results.

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: Yes
 - (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, 2020: 165,027,259 shares
 - As of Sep. 30, 2019: 165,011,568 shares
 - (b) Number of treasury shares at end of period
 - As of Mar. 31, 2020: 10,213,968 shares
 - As of Sep. 30, 2019: 10,213,968 shares
 - (c) Average number of shares issued during the period
 - Six months ended Mar. 31, 2020: 154,804,031 shares
 - Six months ended Mar. 31, 2019: 154,797,600 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, 2020), Japan's economy was increasingly challenging due to the restrained economic activities as a result of the declining demand and the turmoil in supply chains caused by the spread of the coronavirus, in addition to the continuous restrained capital investment caused by the trade friction between the U.S. and China and the slowdown of overseas economies.

Given these circumstances, while considering the impacts of the coronavirus on the world economy, our Group strove to secure net sales and earnings by maintaining stable supply of our products so as to minimize the risk posed on the business; strengthening our sales structure and promoting capital investment in preparation for sales expansion in the future; and continuously promoting the development of products that address customers' needs as well as research and development that takes advantage of the Company's proprietary photonics technologies.

As a result, we closed the second quarter with net sales of JPY 72,975 million, down by JPY 1,437 million (1.9%) compared with one year ago. From an earnings perspective, operating profit was JPY 12,228 million, down by JPY 1,779 million (12.7%) compared with one year ago, ordinary profit was JPY 12,596 million, down by JPY 1,753 million (12.2%) from the previous year, and profit attributable to owners of parent was JPY 9,003 million, down by JPY 1,874 million (17.2%) from the same period one year ago.

Operating results by segment are as follows;

(Electron Tube)

In the medical field, sales of photomultiplier tubes (PMT) for 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, in the measuring instrument field, sales for oil-well logging devices decreased as a result of sluggish oilfield investment. Sales of products for laser microscopes used in the biotechnology sector decreased as well.

In imaging devices and light sources, sales of light sources such as deuterium lamps increased in response to the higher demand in environmental analysis in China. However, in the industrial field, although sales of microfocus X-ray sources for non-destructive testing devices for battery testing remained solid, sales for inspection applications for circuit boards decreased, affected by restrained capital investment due to the prolonged trade friction between the U.S. and China. In addition, sales of Stealth Dicing Engine for high-speed, high-quality silicon wafer dicing also decreased for the same reason.

As a result, the Electron Tube business closed the second quarter with net sales of JPY 27,734 million, down by 5.5%, and operating profit of JPY 9,721 million, down by 7.5% from the same period one year ago.

(Opto-semiconductor)

In opto-semiconductor devices, in the medical field, sales of silicon photodiodes for X-ray CT and products for inspection and monitoring systems steadily increased in response to the higher demand in Japan and overseas. Also, sales of flat panel sensors for dental use increased in Europe and Asia. In addition, in the industrial field, sales of products for semiconductor fabrication and inspection equipment increased, although sales in the FA sector and for non-destructive testing devices declined.

As a result, net sales in the Opto-semiconductor business were JPY 34,701 million, up by 3.7%, and operating profit was JPY 10,244 million, down by 1.7% from the same period one year ago.

(Imaging and Measurement Instruments)

In image processing and measurement systems, sales of digital cameras used in the life sciences sector and biotechnology sector were strong in the Japanese and the U.S. market, while in the European market the

sales significantly declined. In addition, sales of X-ray line sensor cameras for food inspection applications were solid, while sales for inspection applications for electronic circuit boards and electronic components declined in Asia. Significantly affected by restrained capital investment primarily in Japan and Europe, sales of failure analysis systems for semiconductor devices declined.

As a result, net sales for the Imaging and Measurement Instruments business were JPY 8,089 million, down by 12.2%, and operating profit was JPY 1,569 million, down by 22.2% 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 2,450 million, up by 2.3%, and operating loss was JPY 522 million, compared with an operating loss of JPY 108 million in the same period one year ago.

(2) Financial Conditions

a. Summary of Assets, Liabilities and Net Assets

Current assets decreased by JPY 2,103 million from the end of the previous fiscal year, despite an increase in inventories of JPY 2,250 million, mainly reflecting a decrease in cash and deposits of JPY 3,735 million and a decrease in accounts receivable - other under other current assets of JPY 1,275 million.

Non-current assets increased by JPY 4,884 million from the end of the previous fiscal year, mainly reflecting an increase in property, plant and equipment of JPY 4,825 million that resulted from an increase in construction in progress.

Total assets at the end of the second quarter were JPY 262,475 million, up by JPY 2,781 million from the end of the fiscal year ended September 30, 2019.

Current liabilities decreased by JPY 3,581 million from the end of the previous fiscal year, mainly reflecting a decrease in electronically recorded obligations - facilities (current liabilities - other) of JPY 1,443 million and a decrease in notes and accounts payable - trade of JPY 1,411 million.

Non-current liabilities increased by JPY 142 million from the end of the previous fiscal year, mainly due to an increase in lease obligations under other non-current liabilities of JPY 638 million.

As a result, total liabilities at the end of the second quarter were JPY 52,607 million, down by JPY 3,439 million from the end of the previous fiscal year.

Net assets at the end of the second quarter of this fiscal year were JPY 209,867 million, up by JPY 6,220 million from the end of the fiscal year ended September 30, 2019, reflecting an increase in retained earnings of JPY 5,901 million as a result of reporting profit attributable to owners of parent and an increase in foreign currency translation adjustment of JPY 279 million.

b. Summary of Cash Flows

At the end of the second quarter, cash and cash equivalents (referred to below as “cash”) stood at JPY 61,938 million, down by JPY 6,582 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 11,450 million, down by JPY 5,427 million compared with JPY 16,878 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 14,706 million, which increased expenditures by JPY 3,867 million compared with net cash used in investing activities of JPY 10,838 million in the same period of the previous fiscal year. This mainly reflected the JPY 11,347 million in purchase of property, plant and equipment and the JPY 3,648 million in purchase of securities.

(Cash flows from financing activities)

Net cash used in financing activities was JPY 3,418 million, which increased expenditures by JPY 365 million compared with net cash used in financing activities of JPY 3,053 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 current 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, 2020, which we announced on November 11, 2019.

The following Forecast of Consolidated Financial Results for the Fiscal Year Ending Sep. 30, 2020 does not include the impacts of the coronavirus, the reason for which is explained in (4) Impacts of the Novel Coronavirus (COVID-19) on Consolidated Financial Results below.

In addition, we assume the yen/US dollar exchange rate for the second half year (from Apr. 1, 2020 through Sep. 30, 2020) will be JPY 105 and the yen/Euro exchange rate will be JPY 120.

Forecast of Consolidated Financial Results for the Fiscal Year Ending Sep. 30, 2020

(From Oct. 1, 2019 through Sep. 30, 2020)

(Millions of Japanese Yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Earnings per share
					(Yen)
Previous forecast (A)	150,200	26,900	27,500	20,300	131.14
Revised forecast (B)	147,600	24,400	24,900	18,200	117.56
Change (B-A)	(2,600)	(2,500)	(2,600)	(2,100)	-
Change (%)	(1.7)	(9.3)	(9.5)	(10.3)	-

(4) Impacts of the Novel Coronavirus (COVID-19) on Consolidated Financial Results

Impacts of the coronavirus on the financial results during the second quarter of this fiscal year (six months ended March 31, 2020) is immaterial. Our marketing areas are primarily Japan, Europe, the U.S. and China, and there are many uncertainties regarding impacts of the spread of the coronavirus in each area on the financial results, thus making a proper and reasonable forecast of financial results extremely difficult. Therefore, as described above, our forecast of consolidated financial results for the fiscal year ending September 30, 2020 does not include the impacts of the coronavirus.

We are aware that the following events have occurred as a result of the spread of the coronavirus.

- Impacts on shipments of our products due to the reduced number of flights primarily to Europe, the U.S. and China
- Reduced opportunities to acquire orders from and delay in delivering our products to domestic and overseas customers due to the limited operating activities
- Delay in receiving our products or return of our products after their shipment due to the overseas customers' suspension of their plants
- Request for payment deferral by overseas customers due to their cash flow problems
- Concerns about material sourcing due to suspension of operations by overseas material manufacturers
- Demand for moving up the delivery date and increased production of optical sensors such as for X-ray CT, blood inspection and DNA inspection

Due to the impacts of the coronavirus such as the above events, we anticipate the potential downside risk of minus 10% to 15% of the figures described in the forecast of consolidated financial results for the fiscal year ending Sep. 2020 as to the net sales for the second half year.

(5) Execution of Bilateral Commitment Line Agreements

It is announced that it was resolved today at the meeting of the Board of Directors of the Company to enter into commitment line agreements with MUFG Bank, Ltd., Resona Bank, Limited, The Shizuoka Bank, Ltd., Mizuho Bank, Ltd. and Sumitomo Mitsui Banking Corporation, granting the Company a commitment line of JPY 20 billion in total.

Establishment of this commitment line allows the Company to build a stronger financial foundation and makes available to the Company flexible, stable and efficient financing in the future business development. The impacts of the establishment of commitment line on the Company's financial results and financial conditions are immaterial.

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of Japanese Yen)

	As of Sep. 30, 2019	As of Mar. 31, 2020
Assets		
Current assets		
Cash and deposits	78,414	74,678
Notes and accounts receivable - trade	35,381	35,934
Securities	3,646	3,651
Merchandise and finished goods	9,730	10,693
Work in process	19,184	20,058
Raw materials and supplies	8,614	9,027
Other	5,111	3,917
Allowance for doubtful accounts	(174)	(156)
Total current assets	159,909	157,805
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	35,861	34,528
Machinery, equipment and vehicles, net	11,714	12,254
Tools, furniture and fixtures, net	4,467	4,657
Land	16,910	16,885
Leased assets, net	230	498
Right-of-use assets, net	–	706
Construction in progress	8,266	12,745
Total property, plant and equipment	77,450	82,275
Intangible assets		
Customer relationships	2,226	2,105
Other	3,098	3,294
Total intangible assets	5,324	5,400
Investments and other assets		
Investment securities	3,123	2,873
Deferred tax assets	11,010	11,108
Other	2,894	3,030
Allowance for doubtful accounts	(19)	(19)
Total investments and other assets	17,009	16,993
Total non-current assets	99,785	104,669
Total assets	259,694	262,475

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of Japanese Yen)

	As of Sep. 30, 2019	As of Mar. 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,885	5,473
Electronically recorded obligations - operating	5,771	6,183
Short-term borrowings	1,454	1,299
Current portion of long-term borrowings	162	129
Income taxes payable	3,167	3,010
Provision for bonuses	4,768	4,252
Other	17,220	15,499
Total current liabilities	39,429	35,847
Non-current liabilities		
Long-term borrowings	6,349	6,299
Reserve for loss on dissolution of employees' pension fund	519	511
Retirement benefit liability	7,878	7,732
Other	1,868	2,215
Total non-current liabilities	16,617	16,759
Total liabilities	56,046	52,607
Net assets		
Shareholders' equity		
Share capital	34,928	34,964
Capital surplus	34,672	34,708
Retained earnings	156,036	161,938
Treasury shares	(20,795)	(20,795)
Total shareholders' equity	204,842	210,815
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	744	569
Foreign currency translation adjustment	(1,877)	(1,598)
Remeasurements of defined benefit plans	(752)	(758)
Total accumulated other comprehensive income	(1,885)	(1,787)
Non-controlling interests	689	839
Total net assets	203,647	209,867
Total liabilities and net assets	259,694	262,475

Consolidated Financial Statements

Consolidated Statements of Income

(Millions of Japanese Yen)

	Six months ended Mar. 31, 2019	Six months ended Mar. 31, 2020
Net sales	74,413	72,975
Cost of sales	36,255	36,768
Gross profit	38,157	36,207
Selling, general and administrative expenses	24,150	23,979
Operating profit	14,007	12,228
Non-operating income		
Interest income	129	130
Rental income from investment property	43	42
Foreign exchange gains	–	79
Share of profit of entities accounted for using equity method	101	22
Other	319	214
Total non-operating income	593	489
Non-operating expenses		
Interest expenses	27	28
Rental expenses on real estate	69	63
Foreign exchange losses	87	–
Other	65	29
Total non-operating expenses	250	121
Ordinary profit	14,350	12,596
Extraordinary income		
Gain on sales of non-current assets	26	37
Gain on sales of investment securities	–	1
Total extraordinary income	26	39
Extraordinary losses		
Loss on sales of non-current assets	0	–
Loss on retirement of non-current assets	17	7
Impairment loss	–	431
Loss on valuation of investment securities	9	40
Total extraordinary losses	27	479
Profit before income taxes	14,349	12,155
Income taxes	3,429	3,120
Profit	10,919	9,035
Profit attributable to non-controlling interests	42	32
Profit attributable to owners of parent	10,877	9,003

Consolidated Financial Statements

Consolidated Statements of Comprehensive Income

(Millions of Japanese Yen)

	Six months ended Mar. 31, 2019	Six months ended Mar. 31, 2020
Profit	10,919	9,035
Other comprehensive income		
Valuation difference on available-for-sale securities	(609)	(175)
Foreign currency translation adjustment	(1,475)	272
Remeasurements of defined benefit plans, net of tax	14	(5)
Share of other comprehensive income of entities accounted for using equity method	1	6
Total other comprehensive income	(2,069)	97
Comprehensive income	8,850	9,133
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,821	9,101
Comprehensive income attributable to non-controlling interests	28	32

Consolidated Financial Statements
Consolidated Statements of Cash Flows

(Millions of Japanese Yen)

	Six months ended Mar. 31, 2019	Six months ended Mar. 31, 2020
Cash flows from operating activities		
Profit before income taxes	14,349	12,155
Depreciation	5,623	5,857
Impairment loss	–	431
Increase (decrease) in provision for bonuses	(983)	(522)
Interest and dividend income	(155)	(157)
Interest expenses	27	28
Share of loss (profit) of entities accounted for using equity method	(101)	(22)
Decrease (increase) in trade receivables	(1,028)	(427)
Decrease (increase) in inventories	(1,693)	(2,158)
Increase (decrease) in trade payables	772	(1,047)
Other, net	3,203	617
Subtotal	20,013	14,756
Interest and dividends received	153	140
Interest paid	(27)	(28)
Income taxes (paid) refund	(3,260)	(3,417)
Net cash provided by (used in) operating activities	16,878	11,450
Cash flows from investing activities		
Net decrease (increase) in time deposits	(379)	149
Purchase of securities	(3,441)	(3,648)
Proceeds from redemption of securities	–	652
Purchase of property, plant and equipment	(6,002)	(11,347)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(313)
Payments for investments in capital of subsidiaries and associates	(694)	–
Other, net	(320)	(198)
Net cash provided by (used in) investing activities	(10,838)	(14,706)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	199	(153)
Repayments of long-term borrowings	(94)	(82)
Dividends paid	(3,114)	(3,104)
Other, net	(44)	(77)
Net cash provided by (used in) financing activities	(3,053)	(3,418)
Effect of exchange rate change on cash and cash equivalents	(661)	90
Net increase (decrease) in cash and cash equivalents	2,325	(6,582)
Cash and cash equivalents at beginning of period	61,824	68,521
Cash and cash equivalents at end of period	64,149	61,938

Segment Information

I. 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.

II. Six months ended March 31, 2020 (From Oct. 1, 2019 through Mar. 31, 2020)

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	27,734	34,701	8,089	70,525	2,450	72,975	-	72,975
Intersegment	892	517	21	1,431	213	1,644	(1,644)	-
Total net sales	28,626	35,219	8,110	71,956	2,663	74,619	(1,644)	72,975
Segment profit (loss)	9,721	10,244	1,569	21,535	(522)	21,012	(8,784)	12,228

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 8,784 million represents intersegment transactions of negative JPY 640 million and unallocated corporate expenses of negative JPY 8,143 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.