

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

August 5, 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: August 6, 2020
 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, 2020 (From Oct. 1, 2019 through Jun. 30, 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	%
Nine months ended Jun. 30, 2020	103,254	(4.4)	16,100	(16.9)	16,664	(16.6)	12,175	(20.1)
Nine months ended Jun. 30, 2019	108,024	0.4	19,379	(9.6)	19,991	(8.8)	15,237	(4.8)

Note: Comprehensive income

Nine months ended Jun. 30, 2020: 11,973 million yen [(3.5) %]

Nine months ended Jun. 30, 2019: 12,411 million yen [(20.8) %]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended Jun. 30, 2020	78.65		-	
Nine months ended Jun. 30, 2019	98.43		-	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of Jun. 30, 2020	263,409		209,607		79.3	
As of Sep. 30, 2019	259,694		203,647		78.2	

For reference: Equity

As of Jun. 30, 2020: 208,781 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	138,600	(5.0)	20,500	(19.3)	21,200	(19.3)	15,300	(23.2)	98.83

Notes: 1 Revision of the forecasts for consolidated financial results most recently announced: Yes

- 2 The above forecast of consolidated financial results incorporates the impacts of the novel coronavirus disease (the coronavirus). Refer to the section of “(4) Impacts of the Coronavirus on Consolidated Financial Results” of “1. Qualitative Information Related to Consolidated Performance for the Third Quarter of this Fiscal Year” on page 4 of the attached material for details on the impacts of the coronavirus.

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 Jun. 30, 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 Jun. 30, 2020: 10,213,977 shares
 - As of Sep. 30, 2019: 10,213,968 shares
 - (c) Average number of shares issued during the period
 - Nine months ended Jun. 30, 2020: 154,807,106 shares
 - Nine months ended Jun. 30, 2019: 154,797,600 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, 2020), Japan's economy was affected by a significant decline in demand due to restrained economic activities in various countries and regions caused by the global spread of the novel coronavirus (referred to below as "coronavirus"). In addition, corporate earnings rapidly deteriorated and the business climate became extremely challenging with an unpredictable outlook amid signs of decreasing capital investment and other factors.

Given these circumstances, our Group strove to prevent employees from becoming infected with or spreading the coronavirus and prevent any impact on production activities, while minimizing the risks posed on the business, such as by maintaining a stable supply of products in addition to formulating measures to prevent infection. As a result, although product manufacturing, component and material purchasing, etc. were largely unaffected, the coronavirus had a major impact on sales.

As a result, we closed the third quarter with net sales of JPY 103,254 million, down by JPY 4,769 million (4.4%) compared with one year ago. From an earnings perspective, operating profit was JPY 16,100 million, down by JPY 3,278 million (16.9%) compared with one year ago, ordinary profit was JPY 16,664 million, down by JPY 3,326 million (16.6%) from the previous year, and profit attributable to owners of parent was JPY 12,175 million, down by JPY 3,062 million (20.1%) 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 medical 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 for environmental analysis increased in response to the higher demand in China. However, in the industrial field, sales of Stealth Dicing Engine for high-speed, high-quality silicon wafer dicing decreased, affected by restrained capital investment due to the prolonged trade friction between the U.S. and China.

As a result, the Electron Tube business closed the third quarter with net sales of JPY 40,070 million, down by 7.8%, and operating profit of JPY 13,790 million, down by 10.9% 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 medical inspection and monitoring systems steadily increased in response to the higher demand in Japan and overseas. In addition, in the industrial field, sales of products for semiconductor fabrication and inspection equipment increased, although sales of products for non-destructive testing devices declined.

As a result, net sales in the Opto-semiconductor business were JPY 48,786 million, up by 0.9%, and operating profit was JPY 14,110 million, down by 4.4% 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 significantly declined in the European and the U.S. market. In addition, sales of X-ray line sensor cameras for food inspection applications were solid, while sales for inspection applications for electronic components and automobile-related inspection applications 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 11,220 million, down

by 11.4%, and operating profit was JPY 1,781 million, down by 21.1% 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 3,177 million, down by 11.1%, and operating loss was JPY 685 million, compared with an operating loss of JPY 92 million in the same period one year ago.

(2) Financial Conditions

Current assets decreased by JPY 351 million from the end of the previous fiscal year, despite an increase in inventories of JPY 7,339 million, mainly reflecting a decrease in notes and accounts receivable - trade of JPY 4,843 million and a decrease in cash and deposits of JPY 4,668 million.

Non-current assets increased by JPY 4,066 million from the end of the previous fiscal year, mainly reflecting an increase in property, plant and equipment of JPY 4,106 million that resulted from an increase in construction in progress.

As a result, total assets at the end of the third quarter were JPY 263,409 million, up by JPY 3,715 million from the end of the fiscal year ended September 30, 2019.

Current liabilities decreased by JPY 2,171 million from the end of the previous fiscal year, mainly reflecting a decrease in electronically recorded obligations - facilities (current liabilities - other) of JPY 2,747 million and a decrease in income taxes payable of JPY 1,759 million.

Non-current liabilities decreased by JPY 72 million from the end of the previous fiscal year, mainly due to a decrease in retirement benefit liability of JPY 224 million.

As a result, total liabilities at the end of the third quarter were JPY 53,802 million, down by JPY 2,244 million from the end of the fiscal year ended September 30, 2019.

Net assets at the end of the third quarter of this fiscal year were JPY 209,607 million, up by JPY 5,959 million from the end of the fiscal year ended September 30, 2019, reflecting an increase in retained earnings of JPY 5,972 million as a result of reporting profit attributable to owners of parent.

(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 May 13, 2020. The impacts of the coronavirus are explained in “(4) Impacts of the Coronavirus on Consolidated Financial Results.”

In addition, we assume the yen/US dollar exchange rate for the fourth quarter (from Jul. 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)	147,600	24,400	24,900	18,200	117.56
Revised forecast (B)	138,600	20,500	21,200	15,300	98.83
Change (B-A)	(9,000)	(3,900)	(3,700)	(2,900)	-
Change (%)	(6.1)	(16.0)	(14.9)	(15.9)	-

(4) Impacts of the Coronavirus on Consolidated Financial Results

The impacts of the coronavirus on financial results were noticeable starting in the third quarter of this fiscal year.

The main events that had an impact on financial results are as follows.

- Suspension of product shipments and postponement of deliveries due to suspension of operations, etc. at overseas customers' plants, mainly in Europe
- Reduced opportunities to acquire orders due to closures of universities, research institutions, etc., mainly in the U.S. and Europe
- Postponement of public bidding and deliveries for national projects, etc. due to the impact of lockdown measures in cities, mainly in Europe
- Inventory adjustments of our products due to suspension or delays in operating activities of our main customers in Japan and overseas
- Reduced opportunities to acquire orders due to the limited operating activities in Japan and overseas (Note: Employees at many overseas sales subsidiaries in the U.S. and Europe continue to telework.)

The main impacts by field are as follows.

- In the medical field, sales of flat panel sensors for dental use and other products decreased significantly, mainly in Europe.
- In the industrial field, sales of optical sensors for baggage inspections decreased due to closures of airports, etc.
- In the industrial field, sales of X-ray sources for battery testing, etc. decreased due to the drop in global automobile production, and in the transportation field, sales of optical sensors for automobiles decreased.

On the other hand, within the medical field, demand is growing for optical sensors, etc. for polymerase chain reaction (PCR) tests, blood inspections, and X-ray CT, and sales for some products are increasing.

In the fourth quarter of this fiscal year, although we expect economies to mostly bottom out as economic activities in various countries resume, the spread of coronavirus infections in the U.S. and Europe is not slowing down and we must say that the recovery trend in sales is weak at this point in time.

After considering the above impacts, net sales are currently expected to drop within a range from 10% to 15% from the net sales forecast for the second half of the fiscal year as indicated in the consolidated financial results for the second quarter of the fiscal year. Net sales for the fiscal year ending September 30, 2020 are expected to be JPY 138,600 million as explained in "(3) Projection for the Year."

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of Japanese Yen)

	As of Sep. 30, 2019	As of Jun. 30, 2020
Assets		
Current assets		
Cash and deposits	78,414	73,745
Notes and accounts receivable - trade	35,381	30,538
Securities	3,646	5,646
Merchandise and finished goods	9,730	12,557
Work in process	19,184	22,232
Raw materials and supplies	8,614	10,079
Other	5,111	4,912
Allowance for doubtful accounts	(174)	(152)
Total current assets	159,909	159,558
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	35,861	34,496
Machinery, equipment and vehicles, net	11,714	12,111
Tools, furniture and fixtures, net	4,467	4,524
Land	16,910	16,928
Leased assets, net	230	457
Right-of-use assets, net	-	655
Construction in progress	8,266	12,383
Total property, plant and equipment	77,450	81,557
Intangible assets		
Customer relationships	2,226	2,015
Other	3,098	3,193
Total intangible assets	5,324	5,208
Investments and other assets		
Investment securities	3,123	2,915
Deferred tax assets	11,010	11,252
Other	2,894	2,936
Allowance for doubtful accounts	(19)	(19)
Total investments and other assets	17,009	17,085
Total non-current assets	99,785	103,851
Total assets	259,694	263,409

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of Japanese Yen)

	As of Sep. 30, 2019	As of Jun. 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,885	7,018
Electronically recorded obligations - operating	5,771	6,433
Short-term borrowings	1,454	1,434
Current portion of long-term borrowings	162	99
Income taxes payable	3,167	1,407
Provision for bonuses	4,768	6,355
Other	17,220	14,508
Total current liabilities	39,429	37,257
Non-current liabilities		
Long-term borrowings	6,349	6,289
Reserve for loss on dissolution of employees' pension fund	519	508
Retirement benefit liability	7,878	7,654
Other	1,868	2,091
Total non-current liabilities	16,617	16,544
Total liabilities	56,046	53,802
Net assets		
Shareholders' equity		
Share capital	34,928	34,964
Capital surplus	34,672	34,708
Retained earnings	156,036	162,009
Treasury shares	(20,795)	(20,795)
Total shareholders' equity	204,842	210,886
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	744	606
Foreign currency translation adjustment	(1,877)	(1,954)
Remeasurements of defined benefit plans	(752)	(756)
Total accumulated other comprehensive income	(1,885)	(2,104)
Non-controlling interests	689	825
Total net assets	203,647	209,607
Total liabilities and net assets	259,694	263,409

Consolidated Financial Statements

Consolidated Statements of Income

(Millions of Japanese Yen)

	Nine months ended Jun. 30, 2019	Nine months ended Jun. 30, 2020
Net sales	108,024	103,254
Cost of sales	52,570	52,104
Gross profit	55,454	51,149
Selling, general and administrative expenses	36,074	35,049
Operating profit	19,379	16,100
Non-operating income		
Interest income	156	155
Rental income from investment property	67	64
Foreign exchange gains	-	127
Share of profit of entities accounted for using equity method	171	17
Other	557	363
Total non-operating income	953	727
Non-operating expenses		
Interest expenses	41	41
Rental expenses on real estate	102	94
Foreign exchange losses	153	-
Other	44	27
Total non-operating expenses	341	163
Ordinary profit	19,991	16,664
Extraordinary income		
Gain on sales of non-current assets	37	54
Subsidy income	113	-
Gain on sales of investment securities	-	1
Total extraordinary income	151	56
Extraordinary losses		
Loss on sales of non-current assets	0	0
Loss on retirement of non-current assets	24	15
Loss on tax purpose reduction entry of non-current assets	113	-
Impairment loss	-	431
Loss on valuation of investment securities	9	46
Total extraordinary losses	147	493
Profit before income taxes	19,994	16,228
Income taxes	4,705	4,024
Profit	15,289	12,204
Profit attributable to non-controlling interests	51	28
Profit attributable to owners of parent	15,237	12,175

Consolidated Financial Statements

Consolidated Statements of Comprehensive Income

(Millions of Japanese Yen)

	Nine months ended Jun. 30, 2019	Nine months ended Jun. 30, 2020
Profit	15,289	12,204
Other comprehensive income		
Valuation difference on available-for-sale securities	(774)	(138)
Foreign currency translation adjustment	(2,127)	(91)
Remeasurements of defined benefit plans, net of tax	22	(3)
Share of other comprehensive income of entities accounted for using equity method	1	3
Total other comprehensive income	(2,877)	(230)
Comprehensive income	12,411	11,973
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	12,364	11,955
Comprehensive income attributable to non-controlling interests	46	17

Segment Information

I. Nine months ended June 30, 2019 (From Oct. 1, 2018 through Jun. 30, 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	43,462	48,330	12,659	104,452	3,571	108,024	-	108,024
Intersegment	1,127	851	84	2,063	643	2,707	(2,707)	-
Total net sales	44,590	49,182	12,744	106,516	4,215	110,731	(2,707)	108,024
Segment profit (loss)	15,484	14,766	2,256	32,507	(92)	32,415	(13,035)	19,379

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 (loss) of negative JPY 13,035 million represents intersegment transactions of negative JPY 1,163 million and unallocated corporate expenses of negative JPY 11,872 million. Corporate expenses mainly consist of general and administrative expenses and basic research expenses that are unattributable to reportable segments.
3. Segment profit (loss) has been reconciled with operating profit presented in the consolidated financial statements.

II. Nine months ended June 30, 2020 (From Oct. 1, 2019 through Jun. 30, 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	40,070	48,786	11,220	100,077	3,177	103,254	-	103,254
Intersegment	1,274	729	25	2,029	350	2,379	(2,379)	-
Total net sales	41,344	49,515	11,246	102,106	3,527	105,634	(2,379)	103,254
Segment profit (loss)	13,790	14,110	1,781	29,683	(685)	28,997	(12,897)	16,100

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 (loss) of negative JPY 12,897 million represents intersegment transactions of negative JPY 923 million and unallocated corporate expenses of negative JPY 11,973 million. Corporate expenses mainly consist of general and administrative expenses and basic research expenses that are unattributable to reportable segments.
3. Segment profit (loss) has been reconciled with operating profit presented in the consolidated financial statements.