

Consolidated Financial Results for the Second Quarter of Fiscal Year ending September 30, 2016 (Japanese GAAP)

May 9, 2016

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: Tadahiko Shimazu, Director and General Manager of Accounting Div. (Phone: +81-53-452-2141)
 Scheduled date to file quarterly securities report: May 12, 2016
 Scheduled date to begin dividend payments: June 2, 2016
 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, 2016 (From Oct. 1, 2015 through Mar. 31, 2016)

(1) Consolidated operating results

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended Mar. 31, 2016	62,843	1.0	11,101	(19.4)	11,189	(23.3)	7,882	(20.1)
Six months ended Mar. 31, 2015	62,229	9.8	13,777	24.4	14,582	27.7	9,861	32.0

Notes: Comprehensive income

Six months ended Mar. 31, 2016: 5,414 million yen [(55.9%)]

Six months ended Mar. 31, 2015: 12,284 million yen [32.6%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended Mar. 31, 2016	49.02		-	
Six months ended Mar. 31, 2015	61.33		-	

*Hamamatsu Photonics implemented a two-for-one stock split on April 1, 2015. Earnings per share has been calculated by assuming this stock split was executed at the beginning of the fiscal year ended September 30, 2015.

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of Mar. 31, 2016	226,983		183,124		80.4	
As of Sep. 30, 2015	226,179		180,770		79.6	

For reference: Equity

As of Mar. 31, 2016: 182,499 million yen

As of Sep. 30, 2015: 180,141 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, 2015	-	30.00	-	19.00	-
Fiscal year ending Sep. 30, 2016	-	17.00			
Fiscal year ending Sep. 30, 2016 (Forecast)			-	17.00	34.00

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

*Hamamatsu Photonics implemented a two-for-one stock split on April 1, 2015. The interim dividend for the fiscal year ended September 30, 2015 is stated as the amount before this stock split was executed.

3. Forecast of consolidated financial results for the fiscal year ending Sep. 30, 2016 (From Oct. 1, 2015 through Sep. 30, 2016)

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

	Net sales		Operating income		Ordinary income		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, 2016	121,900	1.0	20,400	(13.5)	20,700	(16.1)	14,900	(10.2)	92.67

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: 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, 2016: 167,529,968 shares

As of Sep. 30, 2015: 167,529,968 shares

- (b) Number of treasury shares at end of period

As of Mar. 31, 2016: 6,743,675 shares

As of Sep. 30, 2015: 6,743,639 shares

- (c) Average number of shares issued during the period

Six months ended Mar. 31, 2016: 160,786,306 shares

Six months ended Mar. 31, 2015: 160,788,710 shares

*Hamamatsu Photonics implemented a two-for-one stock split on April 1, 2015. Average number of shares issued during the period for the six months ended March 31, 2015 has been calculated by assuming this stock split was executed at the beginning of the fiscal year ended September 30, 2015.

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, 2016), Japan's economy overall labored under a severe environment. Despite a brisk rise in capital spending, and the noticeable recovery trend in several areas including the ongoing improvement of the employment and income environment, a shadow could be seen in personal consumption, while the economies of newly developing countries slowed, and the yen continued to appreciate from the beginning of the year.

Given such circumstances, our Group pursued proactive research and development investment and capital investments for growth based on the Group's medium and long-term vision for the future, and strove to ensure net sales and earnings by undertaking the development of products that addressed customers' needs.

As a result of the above factors, we closed the second quarter with net sales of JPY 62,843 million, up by JPY 613 million (1.0%). On the other hand, operating income was JPY 11,101 million, down by JPY 2,676 million (19.4%), and ordinary income was JPY 11,189 million, down by JPY 3,393 million (23.3%), respectively, and quarterly profit attributable to owners of parent was JPY 7,882 million, down by JPY 1,979 million (20.1%) from the same period one year ago.

Performance by segment is as follows;

(Electron Tube)

Sales of photomultiplier tubes (PMT) for environmental analysis expanded steadily in overseas markets. In other segments, however, sales for oil-well logging applications in the measuring instrument field contracted sharply because of the prolonged slump in oilfield development investment, and sales in the medical field for inspection and monitoring systems such as blood analyzers decreased.

In imaging devices and light sources, sales of deuterium lamps rose as the demand for environmental analysis in Asia increased, and in the industrial field, sales of Microfocus X-ray light sources for non-destructive testing also trended higher. However, sales in medical field of scintillators for converting X-rays into visible light moved lower.

The resulting net sales for this business were JPY 24,198 million, down by 4.3%, and operating income was JPY 8,298 million, down by 14.2%, from one year before.

(Opto-semiconductor)

In opto-semiconductors, sales in the medical field of our core silicon photodiodes continued to climb steadily in North America in particular, where these products enjoy a positive reputation for accurately addressing customers' needs, while sales of our flat panel sensors remained strong, centered on dental applications. In addition, sales of Photo ICs used for optical communication networks in automobiles were higher in Europe, and sales of silicon photodiodes for luggage inspection increased as well.

As a result, net sales in the Opto-semiconductor business came to JPY 27,436 million, up by 2.1%, and operating income was JPY 8,043 million, down by 8.7% from one year before.

(Imaging and Measurement Instruments)

In the image processing and measurement systems business, sales of failure analysis systems for semiconductor devices increased substantially, especially in the Asia region, reflecting the solid reputation these systems have earned for achieving high-definition and high sensitivity in a wide range of fields and enabling diverse analyses tailored to applications. Digital cameras also turned in solid sales performance, based on a positive assessment of both their excellent performance and a product lineup that meet customers' needs. In addition, sales of X-ray line sensor cameras, primarily for food inspection applications, also expanded.

As a result, net sales for the Imaging and Measurement Instruments business were JPY 8,992 million, up by 8.5%, and operating income was JPY 2,097 million, down by 7.3% from one year before.

(Other)

Sales of other operations are primarily in the semiconductor laser business and hotel operations.

Net sales were JPY 2,216 million, up by 23.2%, and operating income was JPY 255 million, up by 164.0% from the same period one year ago.

(2) Financial Conditions

a. Summary of Assets, Liabilities and Net Assets

Current assets increased by JPY 2,315 million from the end of the prior fiscal year. This mainly reflected a decrease in notes and accounts receivable-trade, and an increase in cash and deposits of JPY 4,063 million. Non-current assets decreased by JPY 1,512 million from the end of the prior fiscal year. This was mainly the result of a decrease in property, plant and equipment of JPY 1,408 million that reflected a decrease in buildings and structures.

Total assets at the end of the second quarter were JPY 226,983 million, up by JPY 803 million from the end of the fiscal year ended September 30, 2015.

Current liabilities decreased by JPY 1,287 million from the end of the prior fiscal year. Although notes and accounts payable-trade were higher, total current liabilities fell because of a decrease in electronically recorded obligations-operating of JPY 556 million and a decrease in accounts payable-other (current liabilities-other) of JPY 599 million, respectively.

Non-current liabilities decreased by JPY 262 million from the prior fiscal year-end, due mainly to a decrease in net defined benefit liability of JPY 170 million.

Total liabilities at the end of the second quarter were JPY 43,858 million, down by JPY 1,550 million from the end of the fiscal year ended September 30, 2015.

Net assets for the second quarter of this fiscal year were JPY 183,124 million, up by JPY 2,353 million from the end of the fiscal year ended September 30, 2015 despite a decrease in foreign currency translation adjustment of JPY 2,513 million, due mainly to an increase in retained earnings of JPY 4,822 million from quarterly 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 53,648 million, up by JPY 8,091 million from the year ended September 30, 2015.

(Cash flows from operating activities)

Cash provided by operating activities during the second quarter totaled JPY 14,484 million. This mainly reflected income before income taxes and minority interests and depreciation, and was up by JPY 4,457 million compared with JPY 10,027 million in the same period in the prior fiscal year.

(Cash flows from investing activities)

Cash used in investing activities totaled JPY 1,731 million. This was mainly for purchases of property, plant and equipment, which reduced expenditures by JPY 8,816 million compared with cash used in investing activities of JPY 10,548 million in the same period of the prior year.

(Cash flows from financing activities)

Cash used in financing activities was JPY 2,931 million. This mainly reflected cash used for dividend payments, which together with other changes increased expenditures by JPY 460 million compared with cash used in financing activities of JPY 2,471 million in the same period of the prior year.

(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, 2016, which we announced on November 9, 2015.

We assume the applicable yen/US dollar exchange rate for the second half year (From Apr. 1, 2016 through Sep. 30, 2016) will be JPY 110 and the yen/Euro exchange rate will be JPY 125.

Forecast of Consolidated Financial Results for the fiscal year ending Sep. 30, 2016
(From Oct. 1, 2015 through Sep. 30, 2016)

(Millions of Japanese Yen)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Earnings per share
					(Yen)
Previous forecast (A)	126,900	23,200	23,600	17,200	106.97
Revised forecast (B)	121,900	20,400	20,700	14,900	92.67
Change (B-A)	(5,000)	(2,800)	(2,900)	(2,300)	-
Change (%)	(3.9)	(12.1)	(12.3)	(13.4)	-

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of Japanese Yen)

	As of Sep. 30, 2015	As of Mar. 31, 2016
Assets		
Current assets		
Cash and deposits	81,548	85,612
Notes and accounts receivable-trade	28,736	28,005
Securities	-	1,000
Merchandise and finished goods	7,383	6,972
Work in process	15,689	16,144
Raw materials and supplies	6,403	6,106
Other	7,554	5,823
Allowance for doubtful accounts	(155)	(190)
Total current assets	147,160	149,475
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	32,342	31,290
Machinery, equipment and vehicles, net	11,497	11,193
Tools, furniture and fixtures, net	3,451	3,701
Land	16,644	16,529
Leased assets, net	181	189
Construction in progress	2,737	2,541
Total property, plant and equipment	66,854	65,446
Intangible assets	1,766	1,633
Investments and other assets		
Investment securities	2,465	2,437
Deferred tax assets	5,955	5,954
Other	1,997	2,055
Allowance for doubtful accounts	(19)	(19)
Total investments and other assets	10,398	10,427
Total non-current assets	79,019	77,507
Total assets	226,179	226,983

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of Japanese Yen)

	As of Sep. 30, 2015	As of Mar. 31, 2016
Liabilities		
Current liabilities		
Notes and accounts payable-trade	4,518	4,855
Electronically recorded obligations-operating	8,994	8,438
Short-term loans payable	2,040	2,212
Current portion of long-term loans payable	3,172	3,174
Income taxes payable	2,763	2,723
Provision for bonuses	3,480	3,373
Other	10,863	9,767
Total current liabilities	35,833	34,546
Non-current liabilities		
Long-term loans payable	3,808	3,720
Net defined benefit liability	3,956	3,785
Other	1,810	1,806
Total non-current liabilities	9,575	9,312
Total liabilities	45,409	43,858
Net assets		
Shareholders' equity		
Capital stock	34,928	34,928
Capital surplus	34,672	34,672
Retained earnings	110,637	115,459
Treasury shares	(6,059)	(6,059)
Total shareholders' equity	174,179	179,001
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	520	483
Foreign currency translation adjustment	4,367	1,853
Remeasurements of defined benefit plans	1,074	1,160
Total accumulated other comprehensive income	5,962	3,498
Non-controlling interests	629	624
Total net assets	180,770	183,124
Total liabilities and net assets	226,179	226,983

Consolidated Financial Statements

Consolidated Statements of Income

(Millions of Japanese Yen)

	Six months ended Mar. 31, 2015	Six months ended Mar. 31, 2016
Net sales	62,229	62,843
Cost of sales	29,196	30,967
Gross profit	33,032	31,875
Selling, general and administrative expenses	19,254	20,774
Operating income	13,777	11,101
Non-operating income		
Interest income	95	129
Rent of real estate for investment	39	43
Foreign exchange gains	525	-
Share of profit of entities accounted for using equity method	53	50
Other	204	206
Total non-operating income	918	430
Non-operating expenses		
Interest expenses	48	46
Rent expenses on real estates	40	40
Foreign exchange losses	-	235
Other	23	18
Total non-operating expenses	113	341
Ordinary income	14,582	11,189
Extraordinary income		
Gain on sales of non-current assets	63	27
Subsidy income	-	125
Total extraordinary income	63	153
Extraordinary losses		
Loss on sales of non-current assets	11	2
Loss on retirement of non-current assets	34	10
Loss on reduction of non-current assets	-	77
Loss on sales of shares of subsidiaries	3	-
Total extraordinary losses	49	89
Income before income taxes and minority interests	14,596	11,252
Income taxes	4,708	3,343
Profit	9,888	7,909
Profit attributable to non-controlling interests	26	26
Profit attributable to owners of parent	9,861	7,882

Consolidated Financial Statements

Consolidated Statements of Comprehensive Income

(Millions of Japanese Yen)

	Six months ended Mar. 31, 2015	Six months ended Mar. 31, 2016
Profit	9,888	7,909
Other comprehensive income		
Valuation difference on available-for-sale securities	(35)	(36)
Foreign currency translation adjustment	2,383	(2,541)
Remeasurements of defined benefit plans, net of tax	17	86
Share of other comprehensive income of entities accounted for using equity method	30	(3)
Total other comprehensive income	2,396	(2,494)
Comprehensive income	12,284	5,414
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	12,191	5,418
Comprehensive income attributable to non-controlling interests	92	(4)

Consolidated Financial Statements
Consolidated Statements of Cash Flows

(Millions of Japanese Yen)

	Six months ended Mar. 31, 2015	Six months ended Mar. 31, 2016
Cash flows from operating activities		
Income before income taxes and minority interests	14,596	11,252
Depreciation	3,934	5,057
Increase (decrease) in provision for bonuses	(431)	(90)
Interest and dividend income	(110)	(149)
Interest expenses	48	46
Share of (profit) loss of entities accounted for using equity method	(53)	(50)
Decrease (increase) in notes and accounts receivable-trade	(3,252)	(73)
Decrease (increase) in inventories	414	(311)
Increase (decrease) in notes and accounts payable-trade	(810)	589
Other, net	758	1,291
Subtotal	15,094	17,562
Interest and dividend income received	109	150
Interest expenses paid	(48)	(46)
Income taxes (paid) refund	(5,128)	(3,181)
Net cash provided by (used in) operating activities	10,027	14,484
Cash flows from investing activities		
Net decrease (increase) in time deposits	(2,432)	3,922
Purchase of securities	-	(1,000)
Purchase of property, plant and equipment	(7,644)	(4,294)
Other, net	(471)	(360)
Net cash provided by (used in) investing activities	(10,548)	(1,731)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(2)	249
Proceeds from long-term loans payable	216	-
Repayments of long-term loans payable	(228)	(87)
Cash dividends paid	(2,414)	(3,059)
Other, net	(41)	(34)
Net cash provided by (used in) financing activities	(2,471)	(2,931)
Effect of exchange rate change on cash and cash equivalents	1,688	(1,728)
Net increase (decrease) in cash and cash equivalents	(1,304)	8,091
Cash and cash equivalents at beginning of period	49,281	45,556
Cash and cash equivalents at end of period	47,977	53,648

Segment Information

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

Six months ended March 31, 2015 (From Oct. 1, 2014 through Mar. 31, 2015)

(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	25,278	26,864	8,287	60,430	1,799	62,229	-	62,229
Intersegment	606	407	4	1,017	513	1,531	(1,531)	-
Total net sales	25,884	27,271	8,291	61,447	2,312	63,760	(1,531)	62,229
Segment income	9,672	8,808	2,263	20,743	96	20,840	(7,062)	13,777

Notes:

1. The "Other" classification encompasses business segments not included in the reportable segments, and is mainly the semiconductor laser business and hotel operations.
2. Adjustment of segment income of negative JPY 7,062 million represents intersegment transactions of negative JPY 591 million and unallocated corporate expenses of negative JPY 6,471 million. Corporate expenses mainly consist of general and administrative expenses and basic research expenses that are unattributable to reportable segments.
3. Segment income has been reconciled with operating income presented in the consolidated financial statements.

Six months ended March 31, 2016 (From Oct. 1, 2015 through Mar. 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	24,198	27,436	8,992	60,626	2,216	62,843	-	62,843
Intersegment	623	416	1	1,042	490	1,532	(1,532)	-
Total net sales	24,822	27,852	8,993	61,668	2,706	64,375	(1,532)	62,843
Segment income	8,298	8,043	2,097	18,439	255	18,694	(7,593)	11,101

Notes:

1. The "Other" classification encompasses business segments not included in the reportable segments, and is mainly the semiconductor laser business and hotel operations.
2. Adjustment of segment income of negative JPY 7,593 million represents intersegment transactions of negative JPY 623 million and unallocated corporate expenses of negative JPY 6,970 million. Corporate expenses mainly consist of general and administrative expenses and basic research expenses that are unattributable to reportable segments.
3. Segment income has been reconciled with operating income presented in the consolidated financial statements.