

Consolidated Financial Results for the Second Quarter of Fiscal Year ending September 30, 2014 (Japanese GAAP)

May 12, 2014

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 13, 2014
 Scheduled date to begin dividend payments: June 3, 2014
 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, 2014 (From Oct. 1, 2013 through Mar. 31, 2014)

(1) Consolidated operating results

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

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended Mar. 31, 2014	56,680	12.3	11,078	30.6	11,422	25.8	7,468	30.3
Six months ended Mar. 31, 2013	50,474	(0.5)	8,483	(13.1)	9,083	(10.8)	5,731	(6.3)

Notes: Comprehensive income

Six months ended Mar. 31, 2014: 9,261 million yen [(4.0%)]

Six months ended Mar. 31, 2013: 9,648 million yen [41.4%]

	Net income per share		Diluted net income per share	
	Yen		Yen	
Six months ended Mar. 31, 2014	92.90		-	
Six months ended Mar. 31, 2013	71.29		-	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of Mar. 31, 2014	207,494		161,471		77.6	
As of Sep. 30, 2013	198,278		154,385		77.6	

For reference: Equity

As of Mar. 31, 2014: 160,912 million yen

As of Sep. 30, 2013: 153,873 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, 2013	-	23.00	-	27.00	50.00
Fiscal year ending Sep. 30, 2014	-	25.00			
Fiscal year ending Sep. 30, 2014 (Forecast)			-	30.00	55.00

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

Details of year-end dividends for the year ended Sep. 30, 2013: Regular dividends 23 yen Commemorative dividends 4 yen

3. Forecast of consolidated financial results for the fiscal year ending Sep. 30, 2014 (From Oct. 1, 2013 through Sep. 30, 2014)

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending Sep. 30, 2014	115,200	12.8	21,900	30.5	22,300	24.7	15,100	31.0	187.82

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 stock
 - As of Mar. 31, 2014: 83,764,984 shares
 - As of Sep. 30, 2013: 83,764,984 shares
 - (b) Number of treasury stock at end of period
 - As of Mar. 31, 2014: 3,370,469 shares
 - As of Sep. 30, 2013: 3,370,195 shares
 - (c) Average number of shares issued during the period
 - Six months ended Mar. 31, 2014: 80,394,672 shares
 - Six months ended Mar. 31, 2013: 80,394,943 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, 2014) Japan's economy maintained its gradual recovery momentum. With exports exhibiting a recovery trend, personal consumption was brisk in conjunction with the improvement in the employment and income environment, and the increase in corporate earnings was accompanied by growth in capital investment.

Given these circumstances, our group pushed forward with research and development concerning light, sought to develop new products that address customer needs, and continued to make active investments in plant and equipment while working to ensure net sales and earnings.

As a result of the above factors, we closed the second quarter with net sales of JPY 56,680 million, up by JPY 6,205 million (12.3%), operating income of JPY 11,078 million, up by JPY 2,595 million (30.6%) and ordinary income of JPY 11,422 million, up by JPY 2,339 million (25.8%) over one year ago respectively. Net income was JPY 7,468 million, up by JPY 1,736 million (30.3%).

Performances by the segment are as follows.

(Electron Tube)

Sales of photomultiplier tubes (PMTs) increased, boosted by steady sales for nuclear medicine applications such as Positron Emission Tomography (PET) and higher sales for the academic sector, including deep sea neutrino experiments in foreign countries. In addition, our PMTs for products such as laser scanning microscopes used in the field of biology enjoy an excellent reputation for high sensitivity, and sales of these products increased. Sales for equipment such as radiation measurement devices, however, declined. In the light sources and imaging devices segment, sales in the medical field of X-ray scintillators for converting X-rays into visible light continued to grow, primarily in North America. In addition, in the industrial field, sales of products such as xenon lamps for semiconductor inspection equipment were strong, while microfocus X-ray sources for non-destructive testing, which customers rate highly for their ability to obtain high-definition images, also saw higher sales.

In total, the Electron Tube business closed the second quarter with net sales of JPY 23,092 million, up by 6.4%, and operating income of JPY 8,598 million, up by 7.5% from the same period one year ago.

(Opto-semiconductor)

In opto-semiconductor devices, sales in the medical field rose as growth in sales of our core silicon photodiodes were driven by the recovery of domestic and overseas demand and our flat panel sensors, which enjoy a strong reputation for features such as high definition and high resolution, continued to expand steadily centered on dental applications. Furthermore, in the industrial field sales of image sensors were boosted by higher demand for applications in semiconductor inspection equipment.

Net sales for this business were JPY 24,610 million, up by 20.8%, and operating income was JPY 8,158 million, up by 33.5% from the same period one year ago.

(Imaging and Measurement Instruments)

Sales of image processing and measurement systems rose supported by strong growth in sales of digital cameras in the field of life sciences and biology, and increased sales of X-ray TDI cameras, which are used in applications such as inspection of substrates for electronic devices and have earned a positive reputation for their high-speed operation. Sales of digital slide scanners in pathology also gained based on new product launches.

Net sales for this business were JPY 7,044 million, up by 1.1%, and operating income was JPY 1,150 million, up by 10.8% from the same period one year ago.

(Other)

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

Net sales were JPY 1,933 million, up by 33.8%, and operating income was JPY 308 million (operating loss of JPY 1 million in the second quarter of the prior fiscal year).

(2) Financial Conditions

a. Summary of Assets, Liabilities and Net Assets

Current assets increased by JPY 4,863 million from the end of the prior fiscal year. This mainly reflected increases in cash and deposits, up by JPY 2,440 million and increases in notes and accounts receivable-trade, up by JPY 2,638 million.

Noncurrent assets increased by JPY 4,352 million from the end of the prior fiscal year. This was mainly from an increase in property, plant and equipment, up by JPY 4,658 million as a result of an increase in construction in progress due to new plant construction.

Total assets at the end of the second quarter were JPY 207,494 million, up by JPY 9,216 million from the end of the fiscal year ended September 30, 2013.

Current liabilities increased by JPY 2,928 million from the end of the prior fiscal year. This was mainly a decrease in notes and accounts payable-trade, down by JPY 1,582 million, and an increase in electronically recorded obligations-operating, up by JPY 2,750 million and an increase in income taxes payable, up by JPY 1,554 million.

Noncurrent liabilities decreased by JPY 798 million from the end of the prior fiscal year, mainly because of a decrease in the provision for retirement benefits, down by JPY 670 million.

Total liabilities at the end of the second quarter were JPY 46,022 million, up by JPY 2,130 million from the end of the fiscal year ended September 30, 2013.

Net assets were JPY 161,471 million, up by JPY 7,085 million, due mainly to an increase in retained earnings, up by JPY 5,294 million because of net income for the second quarter of this fiscal year, and an increase in foreign currency translation adjustment, up by JPY 1,793 million.

b. Summary of Cash Flow

At the end of the second quarter, cash and cash equivalents (referred to below as "cash") stood at JPY 45,376 million, up by JPY 2,524 million from the year ended September 30, 2013.

(Cash flow created from operations)

Cash flow created from operations during the second quarter totaled JPY 10,878 million. This mainly reflected income before income taxes and minority interests and depreciation, up by JPY 100 million compared with JPY 10,778 million in the same period in the prior fiscal year.

(Cash flow from investment activities)

Cash flow used in investment activities totaled JPY 7,078 million. This was mainly for purchases of property, plant and equipment, which increased expenditures, up by JPY 3,319 million compared with cash used in investment activities of JPY 3,759 million in the same period of the prior year.

(Cash flow from financial activities)

Cash flow used in financial activities was JPY 2,316 million. This mainly reflected cash used for dividend payments, which increased expenditures, up by JPY 316 million compared with cash used in financing activities of JPY 1,999 million in the same period of the prior year.

(3) Projection for the year

We recognize that as economic and market globalization advances, the business environment surrounding our group is becoming more competitive and limits us to take any optimistic approach.

Based on operating results through the second quarter and factors such as the recent demand situation, we have made the following revisions to our forecast of consolidated financial results for the fiscal year ending Sep. 30, 2014, which we announced on November 11, 2013.

We assume the applicable yen/US dollar exchange rate will be JPY 100 and the yen/Euro exchange rate will be JPY 140.

Forecast of Consolidated Performance for the fiscal year ending Sep. 30, 2014 (From Oct. 1, 2013 through Sep. 30, 2014)

(Millions of Japanese Yen)

	Net sales	Operating income	Ordinary income	Net income	Net income per share
					(Yen)
Previous forecast (A)	110,500	18,100	18,300	12,600	156.73
Revised forecast (B)	115,200	21,900	22,300	15,100	187.82
Change (B-A)	4,700	3,800	4,000	2,500	-
Change (%)	4.3	21.0	21.9	19.8	-

(Reference) Forecast of Non-consolidated Performance for the fiscal year ending Sep. 30, 2014 (From Oct. 1, 2013 through Sep. 30, 2014)

(Millions of Japanese Yen)

	Net sales	Operating income	Ordinary income	Net income	Net income per share
					(Yen)
Previous forecast (A)	86,700	10,800	12,700	9,400	116.73
Revised forecast (B)	91,200	13,900	16,300	11,700	145.29
Change (B-A)	4,500	3,100	3,600	2,300	-
Change (%)	5.2	28.7	28.3	24.5	-

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of Japanese Yen)

	As of Sep. 30, 2013	As of Mar. 31, 2014
Assets		
Current assets		
Cash and deposits	78,603	81,043
Notes and accounts receivable-trade	24,183	26,821
Merchandise and finished goods	6,277	6,677
Work in process	12,977	12,640
Raw materials and supplies	5,849	5,911
Other	5,062	4,755
Allowance for doubtful accounts	(158)	(191)
Total current assets	132,795	137,659
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	21,485	21,134
Machinery, equipment and vehicles, net	7,801	8,133
Tools, furniture and fixtures, net	3,391	3,480
Land	15,822	15,918
Lease assets, net	207	171
Construction in progress	4,831	9,362
Total property, plant and equipment	53,541	58,200
Intangible assets	1,697	1,745
Investments and other assets		
Investment securities	2,412	2,373
Deferred tax assets	6,217	6,191
Other	1,633	1,343
Allowance for doubtful accounts	(18)	(19)
Total investments and other assets	10,243	9,889
Total noncurrent assets	65,482	69,835
Total assets	198,278	207,494

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of Japanese Yen)

	As of Sep. 30, 2013	As of Mar. 31, 2014
Liabilities		
Current liabilities		
Notes and accounts payable-trade	6,752	5,170
Electronically recorded obligations-operating	4,432	7,182
Short-term loans payable	1,380	1,409
Current portion of long-term loans payable	186	183
Income taxes payable	1,418	2,973
Provision for bonuses	3,156	3,122
Other	9,951	10,165
Total current liabilities	27,277	30,206
Noncurrent liabilities		
Long-term loans payable	7,084	6,993
Provision for retirement benefits	7,609	6,938
Other	1,921	1,883
Total noncurrent liabilities	16,614	15,816
Total liabilities	43,892	46,022
Net assets		
Shareholders' equity		
Capital stock	34,928	34,928
Capital surplus	34,672	34,672
Retained earnings	90,309	95,604
Treasury stock	(6,048)	(6,049)
Total shareholders' equity	153,862	159,155
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	541	493
Foreign currency translation adjustment	(530)	1,263
Total accumulated other comprehensive income	11	1,757
Minority interests	512	558
Total net assets	154,385	161,471
Total liabilities and net assets	198,278	207,494

Consolidated Financial Statements

Consolidated Statements of Income

(Millions of Japanese Yen)

	Six months ended Mar. 31, 2013	Six months ended Mar. 31, 2014
Net sales	50,474	56,680
Cost of sales	25,368	27,181
Gross profit	25,106	29,498
Selling, general and administrative expenses	16,622	18,420
Operating income	8,483	11,078
Non-operating income		
Interest income	66	114
Rent of real estate for investment	25	38
Foreign exchange gains	362	106
Equity in earnings of affiliates	35	34
Other	203	148
Total non-operating income	692	443
Non-operating expenses		
Interest expenses	51	42
Rent expenses on real estates	21	39
Other	20	17
Total non-operating expenses	92	99
Ordinary income	9,083	11,422
Extraordinary income		
Gain on sales of noncurrent assets	10	2
Subsidy income	49	-
Gain on sales of investment securities	46	-
Total extraordinary income	105	2
Extraordinary loss		
Loss on sales of noncurrent assets	6	2
Loss on retirement of noncurrent assets	17	12
Loss on reduction of noncurrent assets	37	-
Total extraordinary losses	62	14
Income before income taxes and minority interests	9,127	11,410
Income taxes	3,384	3,923
Income before minority interests	5,742	7,487
Minority interests in income	10	19
Net income	5,731	7,468

Consolidated Financial Statements

Consolidated Statements of Comprehensive Income

(Millions of Japanese Yen)

	Six months ended Mar. 31, 2013	Six months ended Mar. 31, 2014
Income before minority interests	5,742	7,487
Other comprehensive income		
Valuation difference on available-for-sale securities	380	(47)
Foreign currency translation adjustment	3,475	1,816
Share of other comprehensive income of associates accounted for using equity method	49	5
Total other comprehensive income	3,906	1,773
Comprehensive income	9,648	9,261
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	9,594	9,214
Comprehensive income attributable to minority interests	53	47

Consolidated Financial Statements
Consolidated Statements of Cash Flows

(Millions of Japanese Yen)

	Six months ended Mar. 31, 2013	Six months ended Mar. 31, 2014
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	9,127	11,410
Depreciation and amortization	3,906	3,712
Increase (decrease) in provision for bonuses	(95)	(51)
Interest and dividends income	(82)	(130)
Interest expenses	51	42
Equity in (earnings) losses of affiliates	(35)	(34)
Decrease (increase) in notes and accounts receivable-trade	723	(1,959)
Decrease (increase) in inventories	703	382
Increase (decrease) in notes and accounts payable-trade	(1,859)	587
Other, net	253	(637)
Subtotal	12,693	13,322
Interest and dividends income received	82	130
Interest expenses paid	(51)	(42)
Income taxes (paid) refund	(1,945)	(2,531)
Net cash provided by (used in) operating activities	10,778	10,878
Net cash provided by (used in) investing activities		
Net decrease (increase) in time deposits	53	565
Purchase of property, plant and equipment	(3,471)	(7,388)
Other, net	(342)	(255)
Net cash provided by (used in) investing activities	(3,759)	(7,078)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	5	0
Repayment of long-term loans payable	(96)	(93)
Cash dividends paid	(1,852)	(2,174)
Other, net	(56)	(48)
Net cash provided by (used in) financing activities	(1,999)	(2,316)
Effect of exchange rate change on cash and cash equivalents	1,737	1,040
Net increase (decrease) in cash and cash equivalents	6,757	2,524
Cash and cash equivalents at beginning of period	35,764	42,852
Cash and cash equivalents at end of period	42,522	45,376

Segment Information

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

Six months ended March 31, 2013 (From Oct. 1, 2012 through Mar. 31, 2013)

(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	21,696	20,368	6,964	49,029	1,444	50,474	-	50,474
Intersegment	654	286	30	972	311	1,284	(1,284)	-
Total net sales	22,351	20,655	6,995	50,002	1,756	51,758	(1,284)	50,474
Segment income (loss)	7,997	6,113	1,038	15,148	(1)	15,147	(6,664)	8,483

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 6,664 million represents intersegment transactions of negative JPY 450 million and unallocated corporate expenses of negative JPY 6,213 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, 2014(From Oct. 1, 2013 through Mar. 31, 2014)

(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	23,092	24,610	7,044	54,747	1,933	56,680	-	56,680
Intersegment	631	339	22	994	485	1,479	(1,479)	-
Total net sales	23,724	24,950	7,066	55,741	2,418	58,159	(1,479)	56,680
Segment income (loss)	8,598	8,158	1,150	17,908	308	18,216	(7,137)	11,078

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 7,137 million represents intersegment transactions of negative JPY 554 million and unallocated corporate expenses of negative JPY 6,583 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.