

Consolidated Financial Results for the First Quarter of Fiscal Year ending September 30, 2021 (Japanese GAAP)

February 8, 2021

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, Representative Director and President, Chief Executive Officer

Contact: Kazuhiko Mori, Senior Executive Officer and General Manager of Accounting Div. (Phone: +81-53-452-2141)

Scheduled date to file quarterly securities report: February 10, 2021

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 three months ended Dec. 31, 2020 (From Oct. 1, 2020 through Dec. 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	%
Three months ended Dec. 31, 2020	36,430	5.6	5,185	3.4	5,025	(2.9)	3,932	(0.5)
Three months ended Dec. 31, 2019	34,492	(3.4)	5,014	(16.7)	5,173	(16.6)	3,949	(18.9)

Note: Comprehensive income

Three months ended Dec. 31, 2020: 3,988 million yen [(18.6)%]

Three months ended Dec. 31, 2019: 4,900 million yen [58.3%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended Dec. 31, 2020	25.40		-	
Three months ended Dec. 31, 2019	25.52		-	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of Dec. 31, 2020	268,078		214,401		79.7	
As of Sep. 30, 2020	271,615		213,515		78.3	

For reference: Equity

As of Dec. 31, 2020: 213,571 million yen

As of Sep. 30, 2020: 212,680 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, 2020	-	20.00	-	20.00	40.00
Fiscal year ending Sep. 30, 2021	-				
Fiscal year ending Sep. 30, 2021 (Forecast)		20.00	-	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, 2021 (From Oct. 1, 2020 through Sep. 30, 2021)

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
Six months ending Mar. 31, 2021	70,800	(3.0)	9,600	(21.5)	9,700	(23.0)	7,500	(16.7)	48.45
Fiscal year ending Sep. 30, 2021	145,600	3.8	22,200	2.1	22,400	(1.3)	16,600	0.5	107.23

Note: Revision of the forecasts for consolidated financial results most recently announced: No

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 Dec. 31, 2020: 165,027,259 shares
 - As of Sep. 30, 2020: 165,027,259 shares
 - (b) Number of treasury shares at end of period
 - As of Dec. 31, 2020: 10,214,034 shares
 - As of Sep. 30, 2020: 10,213,977 shares
 - (c) Average number of shares issued during the period
 - Three months ended Dec. 31, 2020: 154,813,239 shares
 - Three months ended Dec. 31, 2019: 154,797,600 shares

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

(1) Operating Results

During the first quarter of this fiscal year (three months ended December 31, 2020), Japan's economy continued to be severely impacted by the novel coronavirus (COVID-19) despite signs of a recovery in exports and some areas of production, and capital investment continued to fall due to a deterioration in corporate earnings. Furthermore, due to a resurgence in the number of infections of COVID-19 both in Japan and overseas and other factors, the economic conditions remained severe with an uncertain outlook.

Given these circumstances, in addition to drawing up measures to prevent infections of COVID-19, our Group strove to secure net sales and earnings by maintaining a stable supply of our products so as to minimize the risk posed on the business, and by promoting the development of products that meet market requirements as well as research and development that takes advantage of the Company's proprietary photonics technologies. As a result, we closed the first quarter with net sales of JPY 36,430 million, up by JPY 1,937 million (5.6%) compared with one year ago. From an earnings perspective, operating profit was JPY 5,185 million, up by JPY 171 million (3.4%), ordinary profit was JPY 5,025 million, down by JPY 148 million (2.9%), and profit attributable to owners of parent was JPY 3,932 million, down by JPY 17 million (0.5%) from the same period one year ago.

Operating results by segment are as follows;

(Electron Tube)

In photomultiplier tubes (PMT), sales of products for polymerase chain reaction (PCR) tests increased in Japan and overseas. However, sales for oil-well logging devices declined significantly due to sluggish oilfield investment, as well as a decline in sales of products for nuclear medical imaging devices such as PET scanners.

Regarding imaging devices and light sources, in the industrial field, sales of Stealth Dicing Engine for high-speed, high-quality silicon wafer dicing increased. In addition, sales of xenon lamps for semiconductor inspection equipment and sales of microfocus X-ray sources for non-destructive testing devices increased. As a result, the Electron Tube business closed the first quarter with net sales of JPY 14,001 million, up by 6.1%, and operating profit of JPY 4,456 million, up by 2.5% from the same period one year ago.

(Opto-semiconductor)

In opto-semiconductor devices, sales of flat panel sensors for dental use decreased, caused by a decrease in demand due to restrictions on the customers' production activities. However, sales of silicon photodiodes for X-ray CT increased in response to the higher demand in Japan and overseas. In addition, in the industrial field, sales of image sensors for semiconductor fabrication and inspection equipment increased in response to the recovery of the semiconductor market.

As a result, net sales in the Opto-semiconductor business were JPY 16,426 million, up by 0.2%, and operating profit was JPY 4,407 million, down by 8.8% from the same period one year ago.

(Imaging and Measurement Instruments)

In image processing and measurement systems, sales of X-ray line sensor cameras for food X-ray inspection applications decreased. However, sales of digital slide scanners for remote pathologic diagnosis systems grew due to strong demand related to veterinary pathology in the U.S. and rising demand from inter-hospital networks in Europe. In addition, sales of digital cameras for PCR tests increased mainly in overseas.

As a result, net sales for the Imaging and Measurement Instruments business were JPY 5,061 million, up by 35.9%, and operating profit was JPY 907 million, up by 72.6% 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 941 million, down by 20.1%, and operating profit was JPY 11 million, compared with an operating loss of JPY 141 million in the same period one year ago.

(2) Impacts of COVID-19 on Consolidated Financial Results

Regarding the impacts of COVID-19 on consolidated financial results, although some restrictions remain on production activities and operating activities of companies, universities, research institutions and other customers due to travel restrictions, etc. in response to a resurgence in infections in Japan and overseas and there continues to be an impact of lower sales, etc. in some industries compared to the peak sales, business performance is on a gradual recovery overall.

(3) Financial Conditions

Current assets decreased by JPY 1,994 million from the end of the previous fiscal year, despite an increase in securities of JPY 1,986 million, mainly reflecting a decrease in accounts receivable - other under other current assets of JPY 4,553 million and a decrease in cash and deposits of JPY 1,408 million.

Non-current assets decreased by JPY 1,542 million from the end of the previous fiscal year, mainly reflecting a decrease in property, plant and equipment of JPY 1,089 million that resulted from a decrease in buildings and structures due to depreciation.

As a result, total assets at the end of the first quarter were JPY 268,078 million, down by JPY 3,536 million from the end of the previous fiscal year.

Current liabilities decreased by JPY 3,995 million from the end of the previous fiscal year, despite an increase in deposits received (current liabilities - other) of JPY 1,417 million, mainly reflecting a decrease in accounts payable - facilities (current liabilities - other) of JPY 2,837 million and a decrease in provision for bonuses of JPY 2,216 million.

Non-current liabilities decreased by JPY 427 million from the end of the previous fiscal year, mainly due to a decrease in reserve for loss on dissolution of employees' pension fund of JPY 503 million following the finalization of the amount of residual assets.

Total liabilities at the end of the first quarter were JPY 53,676 million, down by JPY 4,423 million from the end of the previous fiscal year.

Net assets at the end of the first quarter were JPY 214,401 million, up by JPY 886 million from the end of the previous fiscal year, reflecting an increase in retained earnings of JPY 836 million as a result of reporting profit attributable to owners of parent.

(4) Projection for the Year

There is no change to the forecast for the first six months ending March 31, 2021 and for the fiscal year ending September 30, 2021, released on November 9, 2020.

We assume the yen/US dollar exchange rate will be JPY 100, the yen/Euro exchange rate will be JPY 115 and the yen/RMB exchange rate will be JPY 15.

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of Japanese Yen)

	As of Sep. 30, 2020	As of Dec. 31, 2020
Assets		
Current assets		
Cash and deposits	73,763	72,355
Notes and accounts receivable - trade	32,220	33,072
Securities	6,634	8,620
Merchandise and finished goods	11,541	11,345
Work in process	21,609	22,971
Raw materials and supplies	10,362	10,403
Other	7,316	2,688
Allowance for doubtful accounts	(155)	(158)
Total current assets	163,293	161,299
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	47,092	46,430
Machinery, equipment and vehicles, net	12,525	13,003
Tools, furniture and fixtures, net	5,028	5,173
Land	16,933	16,937
Leased assets, net	469	439
Right-of-use assets, net	616	625
Construction in progress	3,674	2,642
Total property, plant and equipment	86,341	85,252
Intangible assets		
Customer relationships	1,911	1,803
Other	3,124	3,040
Total intangible assets	5,035	4,843
Investments and other assets		
Investment securities	3,081	3,118
Deferred tax assets	11,226	11,100
Other	2,656	2,483
Allowance for doubtful accounts	(19)	(19)
Total investments and other assets	16,945	16,683
Total non-current assets	108,321	106,779
Total assets	271,615	268,078

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of Japanese Yen)

	As of Sep. 30, 2020	As of Dec. 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,802	6,497
Electronically recorded obligations - operating	6,030	5,870
Short-term borrowings	1,511	1,682
Current portion of long-term borrowings	69	39
Income taxes payable	2,664	1,184
Provision for bonuses	4,500	2,283
Other	20,823	19,849
Total current liabilities	41,402	37,407
Non-current liabilities		
Long-term borrowings	6,280	6,270
Reserve for loss on dissolution of employees' pension fund	503	-
Retirement benefit liability	8,080	7,998
Other	1,834	2,001
Total non-current liabilities	16,697	16,269
Total liabilities	58,100	53,676
Net assets		
Shareholders' equity		
Share capital	34,964	34,964
Capital surplus	34,708	34,708
Retained earnings	166,357	167,193
Treasury shares	(20,795)	(20,795)
Total shareholders' equity	215,234	216,070
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	742	703
Foreign currency translation adjustment	(2,152)	(2,079)
Remeasurements of defined benefit plans	(1,144)	(1,122)
Total accumulated other comprehensive income	(2,553)	(2,499)
Non-controlling interests	834	830
Total net assets	213,515	214,401
Total liabilities and net assets	271,615	268,078

Consolidated Financial Statements

Consolidated Statements of Income

(Millions of Japanese Yen)

	Three months ended Dec. 31, 2019	Three months ended Dec. 31, 2020
Net sales	34,492	36,430
Cost of sales	17,267	18,959
Gross profit	17,224	17,470
Selling, general and administrative expenses	12,210	12,285
Operating profit	5,014	5,185
Non-operating income		
Interest income	47	40
Insurance claim income	14	42
Rental income from investment property	24	18
Foreign exchange gains	3	-
Share of profit of entities accounted for using equity method	19	-
Other	102	64
Total non-operating income	212	166
Non-operating expenses		
Interest expenses	13	13
Rental expenses on real estate	27	27
Foreign exchange losses	-	205
Share of loss of entities accounted for using equity method	-	71
Other	12	9
Total non-operating expenses	53	326
Ordinary profit	5,173	5,025
Extraordinary income		
Gain on sales of non-current assets	30	4
Gain on sales of investment securities	-	1
Reversal of reserve for loss on dissolution of employees' pension fund	-	164
Total extraordinary income	30	170
Extraordinary losses		
Loss on retirement of non-current assets	3	11
Total extraordinary losses	3	11
Profit before income taxes	5,201	5,184
Income taxes	1,232	1,264
Profit	3,969	3,919
Profit (loss) attributable to non-controlling interests	19	(12)
Profit attributable to owners of parent	3,949	3,932

Consolidated Financial Statements

Consolidated Statements of Comprehensive Income

(Millions of Japanese Yen)

	Three months ended Dec. 31, 2019	Three months ended Dec. 31, 2020
Profit	3,969	3,919
Other comprehensive income		
Valuation difference on available-for-sale securities	502	(39)
Foreign currency translation adjustment	426	95
Remeasurements of defined benefit plans, net of tax	1	21
Share of other comprehensive income of entities accounted for using equity method	0	(7)
Total other comprehensive income	931	69
Comprehensive income	4,900	3,988
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,897	3,985
Comprehensive income attributable to non-controlling interests	2	2

Segment Information

I. Three months ended December 31, 2019 (From Oct. 1, 2019 through Dec. 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	13,190	16,399	3,724	33,314	1,177	34,492	-	34,492
Intersegment	415	302	2	721	152	874	(874)	-
Total net sales	13,606	16,701	3,727	34,035	1,330	35,366	(874)	34,492
Segment profit (loss)	4,346	4,835	525	9,707	(141)	9,566	(4,552)	5,014

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 4,552 million represents intersegment transactions of negative JPY 355 million and unallocated corporate expenses of negative JPY 4,196 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. Three months ended December 31, 2020 (From Oct. 1, 2020 through Dec. 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	14,001	16,426	5,061	35,489	941	36,430	-	36,430
Intersegment	147	100	0	248	243	491	(491)	-
Total net sales	14,148	16,527	5,061	35,737	1,184	36,922	(491)	36,430
Segment profit	4,456	4,407	907	9,771	11	9,782	(4,597)	5,185

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 4,597 million represents intersegment transactions of negative JPY 191 million and unallocated corporate expenses of negative JPY 4,405 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.