

Consolidated Financial Results for the Second Quarter of Fiscal Year ending September 30, 2023 (Japanese GAAP)

May 11, 2023

Company name: Hamamatsu Photonics K.K. Stock listing: Tokyo Stock Exchange
 Stock code: 6965 URL: <https://www.hamamatsu.com/jp/en.html>
 Representative: Tadashi Maruno, Representative Director and President, Chief Executive Officer
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 General Headquarters (Phone: +81-53-452-2141)
 Scheduled date to file quarterly securities report: May 12, 2023
 Scheduled date to begin dividend payments: June 2, 2023
 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, 2023 (From Oct. 1, 2022 through Mar. 31, 2023)

(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, 2023	111,618	11.0	31,520	12.2	32,502	13.5	23,749	11.3
Six months ended Mar. 31, 2022	100,516	26.7	28,097	95.2	28,645	99.0	21,341	97.9

Note: Comprehensive income

Six months ended Mar. 31, 2023: 20,199 million yen [(21.4)%]

Six months ended Mar. 31, 2022: 25,713 million yen [92.6%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended Mar. 31, 2023	153.37		-	
Six months ended Mar. 31, 2022	137.83		-	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of Mar. 31, 2023	376,702		295,388		78.1	
As of Sep. 30, 2022	366,177		281,904		76.6	

For reference: Equity

As of Mar. 31, 2023: 294,149 million yen

As of Sep. 30, 2022: 280,563 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, 2022	-	32.00	-	40.00	72.00
Fiscal year ending Sep. 30, 2023	-	38.00			
Fiscal year ending Sep. 30, 2023 (Forecast)			-	38.00	76.00

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

3. Forecast of consolidated financial results for the fiscal year ending Sep. 30, 2023 (From Oct. 1, 2022 through Sep. 30, 2023)

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	Yen
Fiscal year ending Sep. 30, 2023	223,900	7.2	55,800	(2.1)	56,900	(3.4)	39,600	(4.1)	255.73	

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 issued
 - (a) Number of shares issued at end of period including treasury shares
 - As of Mar. 31 2023: 165,065,948 shares
 - As of Sep. 30, 2022: 165,052,729 shares
 - (b) Number of treasury shares at end of period
 - As of Mar. 31 2023: 10,214,410 shares
 - As of Sep. 30, 2022: 10,214,389 shares
 - (c) Average number of shares outstanding during the period
 - Six months ended Mar. 31, 2023: 154,843,988 shares
 - Six months ended Mar. 31, 2022: 154,832,192 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, 2023), Japan's economy, despite expectations that COVID-19 would be controlled and economic activities could coexist with it, was in a severe and uncertain situation due to concerns including a downturn in overseas economies, rising prices, prolonged difficulties in procuring parts and materials, and the impact of the situation in Ukraine amid continued global monetary tightening.

Given these circumstances, the Group, under a new management structure, worked to secure net sales and earnings by making reforms for further growth, continuing capital investment for future market expansion, and promoting research and product development utilizing the proprietary photonics technologies, with a view to contributing to a sustainable society.

As a result, we closed the second quarter with net sales of JPY 111,618 million, up by JPY 11,101 million (11.0%) compared with the same period one year ago. From an earnings perspective, operating profit was JPY 31,520 million, up by JPY 3,422 million (12.2%), ordinary profit was JPY 32,502 million, up by JPY 3,857 million (13.5%), and profit attributable to owners of parent was JPY 23,749 million, up by JPY 2,407 million (11.3%) from the same period one year ago, resulting in an increase in both net sales and earnings year on year.

Operating results by segment are as follows:

(Electron Tube)

Regarding photomultiplier tubes (PMT), imaging devices and light sources, although sales of Stealth Dicing Engine for high-speed, high-quality silicon wafer dicing and sales of PMT and light sources for semiconductor wafer inspection equipment declined due to the slowdown in global semiconductor demand, accompanying the expanding production of EV (electric vehicles), sales of microfocus X-ray sources for non-destructive testing increased, mainly in Asia, for automotive battery testing applications and circuit board inspection applications. In addition, sales of deuterium lamps for liquid chromatography and other analyzers increased mainly in Europe and the US, reflecting growing demand for applications such as analysis of pharmaceutical ingredients.

As a result, the Electron Tube business closed the second quarter with net sales of JPY 43,245 million, up by 10.1%, and operating profit of JPY 18,131 million, up by 12.6% from the same period one year ago.

(Opto-semiconductor)

In opto-semiconductors, sales of flat panel sensors for dental diagnostic equipment decreased due to insufficient production resulting from difficulties in procuring materials. However, sales of silicon photodiodes for X-ray CTs continued to increase as demand shifted from low-end to high-end models, despite the partial impact of material shortages. In addition, sales of image sensors for semiconductor fabrication and inspection equipment increased due to strong orders received through the previous fiscal year, despite the impact of the global slowdown in semiconductor demand.

As a result, net sales in the Opto-semiconductor business were JPY 50,196 million, up by 8.2%, and operating profit was JPY 18,108 million, up by 3.5% from the same period one year ago.

(Imaging and Measurement Instruments)

In image processing and measurement systems, sales of digital cameras increased not only in the life sciences sector and biotechnology sector but also in the physics sector, including quantum and astronomy, due to their ability to capture faint light with a wide field of view and high accuracy, and sales of X-ray cameras for non-destructive testing increased mainly overseas due to rising demand for inspection of automotive circuit boards and electronic components. Sales of failure analysis systems for semiconductor devices were also strong both in Japan and overseas, especially in Asia, as the new high-value-added products were praised for their ease of operation and high performance.

As a result, net sales for the Imaging and Measurement Instruments business were JPY 14,861 million, up by 24.0%, and operating profit was JPY 5,486 million, up by 57.0% 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 3,315 million, up by 15.1%, and operating profit was JPY 94 million, down by 75.1% from the same period one year ago.

(2) Financial Conditions

a. Summary of Assets, Liabilities and Net Assets

Current assets increased by JPY 2,096 million from the end of the previous fiscal year, mainly reflecting a JPY 10,146 million increase in inventories, despite a JPY 6,613 million decrease in cash and deposits.

Non-current assets increased by JPY 8,428 million from the end of the previous fiscal year, mainly reflecting an increase in construction in progress of JPY 7,011 million.

As a result, total assets at the end of the second quarter were JPY 376,702 million, up by JPY 10,524 million from the end of the previous fiscal year.

Current liabilities decreased by JPY 2,332 million from the end of the previous fiscal year, mainly reflecting decreases in income taxes payable of JPY 4,436 million and provision for bonuses of JPY 2,479 million, despite increases in suspense receipts (current liabilities - other) of JPY 2,214 million and notes and accounts payable - trade of JPY 1,732 million.

Non-current liabilities decreased by JPY 627 million from the end of the previous fiscal year, mainly due to decreases in forward exchange contracts (non-current liabilities, other) of JPY 228 million and deferred tax liabilities (non-current liabilities, other) of JPY 175 million.

As a result, total liabilities at the end of the second quarter were JPY 81,313 million, down by JPY 2,959 million from the end of the previous fiscal year.

Net assets at the end of the second quarter were JPY 295,388 million, up by JPY 13,484 million from the end of the previous fiscal year, mainly reflecting an increase in retained earnings of JPY 17,544 million as a result of recording profit attributable to owners of parent, despite a decrease in foreign currency translation adjustment of JPY 4,226 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 114,370 million, down by JPY 8,695 million from the end of the previous fiscal year.

(Cash flows from operating activities)

Net cash provided by operating activities was JPY 20,211 million, down by JPY 208 million compared with JPY 20,420 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 18,960 million. This mainly comprised expenditures for the purchase of property, plant and equipment, resulting in an increase of JPY 7,886 million compared with expenditures of JPY 11,073 million in the same period of the previous fiscal year.

(Cash flows from financing activities)

Net cash used in investing activities was JPY 6,887 million. This mainly comprised dividends paid, resulting in an increase of JPY 3,190 million compared with expenditures of JPY 3,697 million in the same period of the previous fiscal year.

(3) Projection for the Year

Based on a careful review of the Group's earnings forecast for the fiscal year ending September 30, 2023, taking into account the conditions in markets where we are conducting our businesses and the operating performance in the most recent quarter, we have revised our forecast of consolidated financial results released on November 11, 2022, as follows.

We assume the yen/US dollar exchange rate for the second half year (from April 1, 2023 through September 30, 2023) will be JPY 125, the yen/Euro exchange rate will be JPY 135 and the yen/RMB exchange rate will be JPY 18.5.

Forecast of Consolidated Financial Results for the Fiscal Year Ending Sep. 30, 2023 (From Oct. 1, 2022 through Sep. 30, 2023)

(Millions of Japanese Yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Earnings per share
Previous forecast (A)	236,200	58,500	59,200	42,400	(Yen) 273.83
Revised forecast (B)	223,900	55,800	56,900	39,600	255.73
Change (B-A)	(12,300)	(2,700)	(2,300)	(2,800)	–
Change (%)	(5.2)	(4.6)	(3.9)	(6.6)	–

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of Japanese Yen)

	As of Sep. 30, 2022	As of Mar. 31, 2023
Assets		
Current assets		
Cash and deposits	125,999	119,386
Notes and accounts receivable - trade	49,751	49,801
Securities	2,316	2,136
Merchandise and finished goods	11,458	15,321
Work in process	31,920	35,391
Raw materials and supplies	15,698	18,511
Other	9,120	7,790
Allowance for doubtful accounts	(227)	(202)
Total current assets	246,038	248,134
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	47,925	48,016
Machinery, equipment and vehicles, net	11,958	12,614
Tools, furniture and fixtures, net	5,345	5,784
Land	17,516	17,558
Leased assets, net	243	185
Right-of-use assets, net	743	651
Construction in progress	11,466	18,477
Total property, plant and equipment	95,200	103,288
Intangible assets		
Customer relationships	1,873	1,555
Other	3,486	3,407
Total intangible assets	5,359	4,963
Investments and other assets		
Investment securities	3,711	4,063
Deferred tax assets	12,913	13,280
Other	2,973	2,990
Allowance for doubtful accounts	(19)	(19)
Total investments and other assets	19,579	20,315
Total non-current assets	120,139	128,567
Total assets	366,177	376,702

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of Japanese Yen)

	As of Sep. 30, 2022	As of Mar. 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,129	9,862
Electronically recorded obligations - operating	9,253	9,772
Short-term borrowings	4,799	4,829
Current portion of long-term borrowings	2,098	2,095
Income taxes payable	11,350	6,913
Provision for bonuses	7,926	5,446
Other	25,964	28,270
Total current liabilities	69,522	67,189
Non-current liabilities		
Long-term borrowings	4,630	4,582
Retirement benefit liability	8,363	8,268
Other	1,757	1,272
Total non-current liabilities	14,751	14,124
Total liabilities	84,273	81,313
Net assets		
Shareholders' equity		
Share capital	35,048	35,095
Capital surplus	34,792	34,374
Retained earnings	217,195	234,740
Treasury shares	(20,798)	(20,798)
Total shareholders' equity	266,239	283,412
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	921	1,069
Deferred gains or losses on hedges	(274)	183
Foreign currency translation adjustment	15,344	11,118
Remeasurements of defined benefit plans	(1,666)	(1,633)
Total accumulated other comprehensive income	14,324	10,737
Non-controlling interests	1,340	1,238
Total net assets	281,904	295,388
Total liabilities and net assets	366,177	376,702

Consolidated Financial Statements

Consolidated Statements of Income

(Millions of Japanese Yen)

	Six months ended Mar. 31, 2022	Six months ended Mar. 31, 2023
Net sales	100,516	111,618
Cost of sales	46,243	49,451
Gross profit	54,273	62,167
Selling, general and administrative expenses	26,175	30,647
Operating profit	28,097	31,520
Non-operating income		
Interest income	75	271
Rental income from investment property	38	36
Share of profit of entities accounted for using equity method	260	241
Foreign exchange gains	–	38
Other	392	546
Total non-operating income	766	1,134
Non-operating expenses		
Interest expenses	40	41
Rental expenses on real estate	53	55
Foreign exchange losses	72	–
Other	53	53
Total non-operating expenses	219	151
Ordinary profit	28,645	32,502
Extraordinary income		
Gain on sale of non-current assets	15	16
Subsidy income	–	306
Total extraordinary income	15	323
Extraordinary losses		
Loss on sale of non-current assets	1	–
Loss on retirement of non-current assets	57	610
Loss on tax purpose reduction entry of non-current assets	–	177
Loss on valuation of investment securities	–	34
Total extraordinary losses	58	822
Profit before income taxes	28,602	32,003
Income taxes	7,243	8,178
Profit	21,358	23,825
Profit attributable to non-controlling interests	16	76
Profit attributable to owners of parent	21,341	23,749

Consolidated Financial Statements

Consolidated Statements of Comprehensive Income

(Millions of Japanese Yen)

	Six months ended Mar. 31, 2022	Six months ended Mar. 31, 2023
Profit	21,358	23,825
Other comprehensive income		
Valuation difference on available-for-sale securities	(146)	148
Deferred gains or losses on hedges	–	457
Foreign currency translation adjustment	4,477	(4,243)
Remeasurements of defined benefit plans, net of tax	5	32
Share of other comprehensive income of entities accounted for using equity method	19	(21)
Total other comprehensive income	4,355	(3,626)
Comprehensive income	25,713	20,199
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	25,648	20,161
Comprehensive income attributable to non-controlling interests	64	37

Consolidated Financial Statements
Consolidated Statements of Cash Flows

(Millions of Japanese Yen)

	Six months ended Mar. 31, 2022	Six months ended Mar. 31, 2023
Cash flows from operating activities		
Profit before income taxes	28,602	32,003
Depreciation	6,386	6,468
Increase (decrease) in provision for bonuses	(1,023)	(2,456)
Interest and dividend income	(124)	(298)
Interest expenses	40	41
Share of loss (profit) of entities accounted for using equity method	(260)	(241)
Decrease (increase) in trade receivables	(4,839)	(1,352)
Decrease (increase) in inventories	(4,236)	(10,831)
Increase (decrease) in trade payables	1,000	3,265
Other, net	2,371	6,562
Subtotal	27,916	33,161
Interest and dividends received	124	300
Interest paid	(40)	(41)
Income taxes refund (paid)	(7,580)	(13,208)
Net cash provided by (used in) operating activities	20,420	20,211
Cash flows from investing activities		
Net decrease (increase) in time deposits	(537)	(1,000)
Purchase of securities	(2,689)	(1,780)
Proceeds from redemption of securities	689	821
Purchase of property, plant and equipment	(8,082)	(16,513)
Purchase of investment securities	(38)	(84)
Other, net	(414)	(403)
Net cash provided by (used in) investing activities	(11,073)	(18,960)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	237	30
Proceeds from long-term borrowings	543	–
Repayments of long-term borrowings	(44)	(49)
Dividends paid	(4,342)	(6,196)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	–	(602)
Other, net	(91)	(69)
Net cash provided by (used in) financing activities	(3,697)	(6,887)
Effect of exchange rate change on cash and cash equivalents	3,015	(3,058)
Net increase (decrease) in cash and cash equivalents	8,664	(8,695)
Cash and cash equivalents at beginning of period	90,008	123,065
Cash and cash equivalents at end of period	98,673	114,370

Additional Information

Impact of COVID-19 on accounting estimates

No material changes have occurred regarding the impact of COVID-19 on accounting estimates from the content described in "Additional Information" in the securities report for the fiscal year ended September 30, 2022.

Impact of the Russia/Ukraine situation

With regard to the Russia/Ukraine situation, there are concerns about the impact of economic sanctions and regulations from various countries on economic activity as well as the impact of rising resource prices. However, we expect that the impact of either of these on the Group's performance or financial condition, including accounting estimates, will be immaterial.

Business combination through acquisition

Based on the Board of Directors meeting held on June 9, 2022, the Company concluded a share transfer agreement on June 24, 2022, that its consolidated subsidiary Photonics Management Europe S.R.L. would acquire all the shares of NKT Photonics A/S to make it a subsidiary (sub-subsidiary of the Company).

Subsequently, the Company proceeded with the legal and regulatory procedures in the relevant countries and obtained the approvals for the share acquisition from the relevant authorities in Germany, the UK, and the US. However, in Denmark, the Minister for Industry, Business and Financial Affairs decided to reject the application for the share acquisition in accordance with the Danish Investment Screening Act after consulting with the Minister for Finance, Minister for Foreign Affairs, Minister for Justice, and Minister of Defence. On May 2, 2023, the Company received a notice regarding the decision from the Danish Business Authority.

Regarding further actions, the Company will focus on understanding the contents of the decision, and will work together with various parties in considering a response that encompasses all possibilities, including the realization of the agreement. If the agreement is terminated, there is a possibility that a penalty or other expenses will be incurred.

Segment information

I. Six months ended Mar. 31, 2022 (From Oct. 1, 2021 through Mar. 31, 2022)

Information on the amounts of sales and profit (loss) for reportable segments and information on disaggregation of revenue

(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								
Japan	9,789	12,470	3,481	25,741	755	26,497	–	26,497
North America	10,181	12,383	2,995	25,560	152	25,713	–	25,713
Europe	7,714	11,240	2,630	21,586	272	21,858	–	21,858
Asia excluding Japan	11,469	10,283	2,847	24,600	1,698	26,299	–	26,299
Other	113	9	25	148	–	148	–	148
Revenue from contracts with customers	39,269	46,386	11,980	97,636	2,880	100,516	–	100,516
Outside customers	39,269	46,386	11,980	97,636	2,880	100,516	–	100,516
Intersegment	793	569	12	1,374	892	2,267	(2,267)	–
Total net sales	40,062	46,955	11,993	99,011	3,772	102,784	(2,267)	100,516
Segment profit	16,109	17,503	3,493	37,106	378	37,485	(9,387)	28,097

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 9,387 million represents intersegment transactions of negative JPY 957 million and unallocated corporate expenses of negative JPY 8,430 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.
4. Net sales is classified by country or region, based on where the customer resides.

II. Six months ended Mar. 31, 2023 (From Oct. 1, 2022 through Mar. 31, 2023)

Information on the amounts of sales and profit (loss) for reportable segments and information on disaggregation of revenue

(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								
Japan	8,967	13,139	3,967	26,073	630	26,704	–	26,704
North America	12,187	14,369	3,038	29,595	111	29,707	–	29,707
Europe	8,829	11,459	3,282	23,570	455	24,026	–	24,026
Asia excluding Japan	13,161	11,205	4,523	28,891	2,117	31,008	–	31,008
Other	99	21	49	171	–	171	–	171
Revenue from contracts with customers	43,245	50,196	14,861	108,303	3,315	111,618	–	111,618
Outside customers	43,245	50,196	14,861	108,303	3,315	111,618	–	111,618
Intersegment	664	796	2	1,463	700	2,164	(2,164)	–
Total net sales	43,909	50,992	14,864	109,766	4,015	113,782	(2,164)	111,618
Segment profit	18,131	18,108	5,486	41,726	94	41,820	(10,300)	31,520

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 10,300 million represents intersegment transactions of negative JPY 898 million and unallocated corporate expenses of negative JPY 9,402 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.
4. Net sales is classified by country or region, based on where the customer resides.