Consolidated Financial Results for the Third Quarter of Fiscal Year ending September 30, 2024 (Japanese GAAP)

August 8, 2024

Company name: Hamamatsu Photonics K.K. Stock listing: Tokyo Stock Exchange
Stock code: 6965 URL: https://www.hamamatsu.com/jp/en
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Scheduled date to begin dividend payments: –
Supplementary materials to the financial statements have been prepared: No
Presentation will be held to explain the financial statements: No

Note: All amounts are rounded down to the nearest million yen

1. Consolidated financial results for the nine months ended Jun. 30, 2024 (From Oct. 1, 2023 through Jun. 30, 2024)

(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, 2024	150,548	(8.5)	25,302	(41.1)	27,911	(37.7)	20,411	(37.1)
Nine months ended Jun. 30, 2023	164,488	8.4	42,956	3.8	44,811	5.2	32,471	2.5

Note: Comprehensive income
Nine months ended Jun. 30, 2024: 29,484 million yen [(17.6)%]
Nine months ended Jun. 30, 2023: 35,771 million yen [(14.3)%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended Jun. 30, 2024	131.80	–
Nine months ended Jun. 30, 2023	209.70	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Jun. 30, 2024	435,580	337,816	77.2
As of Sep. 30, 2023	402,921	320,059	79.1

For reference: Equity
As of Jun. 30, 2024: 336,269 million yen
As of Sep. 30, 2023: 318,645 million yen

2. Dividends

	Dividends per share				
(Base date)	End of Q1	End of Q2	End of Q3	End of FY	Full FY
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Sep. 30, 2023	–	38.00	–	38.00	76.00
Fiscal year ending Sep. 30, 2024	–	38.00	–		
Fiscal year ending Sep. 30, 2024 (Forecast)				38.00	76.00

Notes: 1. Revision of the forecasts for dividends most recently announced: No
2. The Company plans to conduct a 2-for-1 stock split of shares of common stock with an effective date of October 1, 2024. Dividend amounts for the fiscal year ended September 30, 2023 and the fiscal year ending September 30, 2024 are the amounts prior to such stock split.

3. Forecast of consolidated financial results for the fiscal year ending Sep. 30, 2024 (From Oct. 1, 2023 through Sep. 30, 2024)

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, 2024	205,700	(7.1)	32,000	(43.5)	34,800	(41.4)	24,900	(41.9)	160.78

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

2. The Company plans to conduct a 2-for-1 stock split of shares of common stock with an effective date of October 1, 2024. The impact of the stock split has not been taken into account for the forecast of earnings per share in the forecast of consolidated financial results for the fiscal year ending September 30, 2024.

4. Others

(1) Significant changes in the scope of consolidation during the period: Yes
Newly included: ten companies, NKT Photonics A/S, etc.

(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 Jun. 30 2024: 165,083,770 shares
As of Sep. 30, 2023: 165,065,948 shares
(b) Number of treasury shares at end of period
As of Jun. 30 2024: 10,214,438 shares
As of Sep. 30, 2023: 10,214,438 shares
(c) Average number of shares outstanding during the period
Nine months ended Jun. 30, 2024: 154,862,177 shares
Nine months ended Jun. 30, 2023: 154,846,504 shares

1. Overview of Operating Results, Etc.

(1) Overview of Operating Results for the Third Quarter of This Fiscal Year

During the third quarter of this fiscal year (nine months ended June 30, 2024), Japan's economy showed signs of a gradual recovery with improvement in the employment and income environment and the effects of various government policies. On the other hand, the outlook remained uncertain mainly due to continuing high interest rates and strong currencies in Europe and the US and concerns over the future of the Chinese economy.
Given these circumstances, the Group 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 third quarter with net sales of JPY 150,548 million, down by JPY 13,939 million (8.5%) compared with the same period one year ago. From an earnings perspective, operating profit was JPY 25,302 million, down by JPY 17,653 million (41.1%), ordinary profit was JPY 27,911 million, down by JPY 16,900 million (37.7%), and profit attributable to owners of parent was JPY 20,411 million, down by JPY 12,060 million (37.1%) from the same period one year ago, resulting in a decrease in both net sales and earnings year on year.

Operating results by segment are as follows:
Effective from the first quarter of this fiscal year, classifications of reportable segments have been changed. In addition, the "Laser" segment, which was previously included in the "Other" classification, is presented as a reportable segment from the third quarter of this fiscal year. Details are as stated in "Segment and Other Information" of "Consolidated Financial Statements." In accordance with these changes, comparative analysis concerning the comparisons against the third quarter of the previous fiscal year stated below is based on figures restated to reflect segment classifications after the changes.

(Electron Tube)
In photomultiplier tubes (PMT), imaging devices and light sources, while sales of PMT for academic applications such as high-energy physics experiments increased in the academic field, sales of PMT for semiconductor fabrication and inspection equipment decreased in the industrial field. In addition, sales of microfocus X-ray sources for non-destructive testing devices decreased due to the stagnant EV (electric vehicles) market, mainly for automotive battery testing applications and circuit board inspection applications.
As a result, the Electron Tube business closed the third quarter with net sales of JPY 58,014 million, down by 5.2%, and operating profit of JPY 18,139 million, down by 27.6% from the same period one year ago.
(Opto-semiconductor)
In opto-semiconductor devices, while sales of opto-semiconductor sensors such as photodiode arrays for high-energy physics experiments increased in the academic field due to continued orders from projects in Europe, sales of silicon photodiodes for X-ray CT decreased in the medical field due to the absence of the increase in orders, which had been the result of material shortages until the previous year. In addition, sales of flat panel sensors for dental use also decreased due to the impact of price competition due to the emergence of competitors overseas.
As a result, net sales in the Opto-semiconductor business were JPY 59,664 million, down by 19.9%, and operating profit was JPY 14,379 million, down by 41.1% from the same period one year ago.
(Imaging and Measurement Instruments)
In image processing and measurement systems, although sales of board cameras for medical inspection and monitoring systems decreased, sales of digital cameras for scientific measurement 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.
As a result, net sales for the Imaging and Measurement Instruments business were JPY 24,391 million, up by 10.1%, and operating profit was JPY 7,342 million, down by 6.0% from the same period one year ago.

(Laser)

In laser-related products, sales of Stealth Dicing Engine for high-quality silicon wafer dicing increased due to strong capital investment for generated AI (artificial intelligence).

As a result, net sales for the Laser business were JPY 5,050 million, up by 35.4%, and operating profit was JPY 885 million, up by 69.3% from the same period one year ago.

(Other)

Sales from other operations include the 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.

In our other businesses, net sales were JPY 3,429 million, up by 18.2%, and operating profit was JPY 629 million, up by 146.9% from the same period one year ago.

(2) Overview of Financial Conditions for the Third Quarter of This Fiscal Year

Current assets decreased by JPY 17,639 million from the end of the previous fiscal year, mainly reflecting a decrease in cash and deposits of JPY 17,932 million despite an increase in inventories of JPY 8,073 million.

Non-current assets increased by JPY 50,298 million from the end of the previous fiscal year, mainly reflecting increases in construction in progress of JPY 5,680 million and goodwill of JPY 33,170 million.

As a result, total assets at the end of the third quarter were JPY 435,580 million, up by JPY 32,658 million from the end of the previous fiscal year.

Current liabilities increased by JPY 13,418 million from the end of the previous fiscal year, mainly reflecting an increase in short-term borrowings of JPY 20,667 million despite a decrease in income taxes payable of JPY 5,495 million.

Non-current liabilities increased by JPY 1,483 million from the end of the previous fiscal year, mainly due to an increase in retirement benefit liability of JPY 1,333 million and an increase in lease liabilities (non-current liabilities - other) of JPY 1,693 million, despite a decrease in long-term borrowings of JPY 1,436 million.

As a result, total liabilities at the end of the third quarter were JPY 97,764 million, up by JPY 14,901 million from the end of the previous fiscal year.

Net assets at the end of the third quarter were JPY 337,816 million, up by JPY 17,757 million from the end of the previous fiscal year, mainly reflecting an increase in retained earnings of JPY 8,621 million as a result of recording profit attributable to owners of parent and an increase in foreign currency translation adjustment of JPY 8,930 million.

(3) Projection for the Year

In addition to a sense of uncertainty regarding the global economic outlook, the reactive effect from the end of COVID-19 special demand and the impact from customers' inventory adjustments mainly in the medical and industrial fields, which were the result of procurements made in advance during a time of material shortages were greater than expected. As a result, earnings for the full fiscal year are expected to fall below the consolidated earnings forecast announced on May 9, 2024.

After taking into account the aforementioned situation, the Group's earnings forecast for the fiscal year ending September 30, 2024 has been revised as shown below.

As for projections for the fiscal year ending September 30, 2025, the Group is expecting a recovery in sales based on the current market environment and status of orders from customers.

We assume the yen/US dollar exchange rate for the fourth quarter (from July 1, 2024 through September 30, 2024) will be JPY 152, the yen/Euro exchange rate will be JPY 164 and the yen/RMB exchange rate will be JPY 20.62.

Forecast of Consolidated Financial Results for the Fiscal Year Ending Sep. 30, 2024 (From Oct. 1, 2023 through Sep. 30, 2024)

(Millions of Japanese Yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Earnings per share
					Yen
Previous forecast (A)	211,100	37,500	39,700	29,400	189.84
Revised forecast (B)	205,700	32,000	34,800	24,900	160.78
Change (B-A)	(5,400)	(5,500)	(4,900)	(4,500)	–
Change (%)	(2.6)	(14.7)	(12.3)	(15.3)	–

Note: The Company plans to conduct a 2-for-1 stock split of shares of common stock with an effective date of October 1, 2024. The impact of the stock split has not been taken into account for the forecast of earnings per share in the forecast of consolidated financial results for the fiscal year ending September 30, 2024.

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of Japanese Yen)

	As of Sep. 30, 2023	As of Jun. 30, 2024
Assets		
Current assets		
Cash and deposits	119,128	101,196
Notes and accounts receivable - trade	50,471	43,820
Securities	2,393	2,577
Merchandise and finished goods	18,146	15,773
Work in process	36,014	42,100
Raw materials and supplies	21,394	25,756
Other	13,546	12,235
Allowance for doubtful accounts	(245)	(246)
Total current assets	260,850	243,211
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	55,861	56,188
Machinery, equipment and vehicles, net	15,197	16,902
Tools, furniture and fixtures, net	6,429	6,959
Land	17,798	19,678
Leased assets, net	183	294
Right-of-use assets, net	1,877	3,736
Construction in progress	16,299	21,979
Total property, plant and equipment	113,648	125,738
Intangible assets		
Goodwill	1,029	34,199
Customer-related intangible assets	1,550	1,360
Other	2,556	3,754
Total intangible assets	5,136	39,314
Investments and other assets		
Investment securities	4,233	4,466
Retirement benefit asset	2,831	4,350
Deferred tax assets	12,631	12,526
Other	3,608	5,991
Allowance for doubtful accounts	(19)	(19)
Total investments and other assets	23,286	27,315
Total non-current assets	142,071	192,369
Total assets	402,921	435,580

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of Japanese Yen)

	As of Sep. 30, 2023	As of Jun. 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,931	8,638
Electronically recorded obligations - operating	9,238	7,468
Short-term borrowings	5,854	26,521
Current portion of long-term borrowings	1,094	4,094
Income taxes payable	6,631	1,136
Provision for bonuses	7,265	9,206
Other	30,484	24,853
Total current liabilities	68,500	81,918
Non-current liabilities		
Long-term borrowings	5,535	4,099
Retirement benefit liability	6,383	7,716
Deferred tax liabilities	336	230
Other	2,107	3,799
Total non-current liabilities	14,362	15,846
Total liabilities	82,862	97,764
Net assets		
Shareholders' equity		
Share capital	35,095	35,146
Capital surplus	34,374	34,426
Retained earnings	247,922	256,543
Treasury shares	(20,798)	(20,798)
Total shareholders' equity	296,594	305,318
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,109	1,183
Foreign currency translation adjustment	19,173	28,104
Remeasurements of defined benefit plans	1,768	1,662
Total accumulated other comprehensive income	22,051	30,950
Non-controlling interests	1,413	1,547
Total net assets	320,059	337,816
Total liabilities and net assets	402,921	435,580

Consolidated Financial Statements

Consolidated Statements of Income

(Millions of Japanese Yen)

	Nine months ended Jun. 30, 2023	Nine months ended Jun. 30, 2024
Net sales	164,488	150,548
Cost of sales	75,074	74,141
Gross profit	89,413	76,407
Selling, general and administrative expenses	46,457	51,104
Operating profit	42,956	25,302
Non-operating income		
Interest income	532	1,087
Share of profit of entities accounted for using equity method	293	332
Foreign exchange gains	326	476
Other	868	837
Total non-operating income	2,021	2,734
Non-operating expenses		
Interest expenses	63	86
Other	102	38
Total non-operating expenses	165	125
Ordinary profit	44,811	27,911
Extraordinary income		
Gain on sale of non-current assets	35	31
Subsidy income	363	306
Compensation income	–	1,127
Total extraordinary income	398	1,465
Extraordinary losses		
Loss on sale of non-current assets	0	0
Loss on retirement of non-current assets	705	13
Loss on tax purpose reduction entry of non-current assets	231	69
Loss on valuation of investment securities	34	37
Total extraordinary losses	971	119
Profit before income taxes	44,238	29,257
Income taxes	11,647	8,730
Profit	32,591	20,526
Profit attributable to non-controlling interests	119	114
Profit attributable to owners of parent	32,471	20,411

Consolidated Financial Statements

Consolidated Statements of Comprehensive Income

(Millions of Japanese Yen)

	Nine months ended Jun. 30, 2023	Nine months ended Jun. 30, 2024
Profit	32,591	20,526
Other comprehensive income		
Valuation difference on available-for-sale securities	205	74
Deferred gains or losses on hedges	1,050	–
Foreign currency translation adjustment	1,870	8,958
Remeasurements of defined benefit plans, net of tax	71	(106)
Share of other comprehensive income of entities accounted for using equity method	(17)	32
Total other comprehensive income	3,180	8,958
Comprehensive income	35,771	29,484
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	35,655	29,310
Comprehensive income attributable to non-controlling interests	115	174

Segment and Other Information

[Segment information]

I. Nine months ended Jun. 30, 2023 (From Oct. 1, 2022 through Jun. 30, 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	Adjust-ments (Note 2)	Consoli-dated total (Note 3)
	Electron Tube	Opto-semiconductor	Imaging and Measurement Instruments	Laser	Total				
Net sales									
Japan	10,565	19,266	5,187	3,127	38,147	123	38,270	–	38,270
North America	18,094	20,934	4,255	122	43,406	11	43,417	–	43,417
Europe	13,212	17,496	4,748	225	35,683	232	35,915	–	35,915
Asia excluding Japan	19,199	16,748	7,906	254	44,108	2,532	46,641	–	46,641
Other	145	33	63	–	242	–	242	–	242
Revenue from contracts with customers	61,217	74,479	22,161	3,729	161,587	2,900	164,488	–	164,488
Outside customers	61,217	74,479	22,161	3,729	161,587	2,900	164,488	–	164,488
Intersegment	995	1,275	51	79	2,402	155	2,557	(2,557)	–
Total net sales	62,213	75,755	22,212	3,808	163,990	3,055	167,045	(2,557)	164,488
Segment profit	25,041	24,416	7,810	522	57,791	254	58,046	(15,090)	42,956

Notes:

1. The “Other” classification encompasses business segments not included in the reportable segments, and is the 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 15,090 million represents intersegment transactions of negative JPY 1,165 million and unallocated corporate expenses of negative JPY 13,925 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. Nine months ended Jun. 30, 2024 (From Oct. 1, 2023 through Jun. 30, 2024)

1. 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	Adjust-ments (Note 2)	Consoli-dated total (Note 3)
	Electron Tube	Opto-semiconductor	Imaging and Measurement Instruments	Laser	Total				
Net sales									
Japan	9,506	14,276	5,689	4,331	33,803	436	34,240	–	34,240
North America	17,023	17,729	4,659	103	39,516	92	39,608	–	39,608
Europe	12,262	13,871	5,436	191	31,762	213	31,976	–	31,976
Asia excluding Japan	19,014	13,742	8,594	420	41,772	2,686	44,459	–	44,459
Other	206	43	10	3	263	–	263	–	263
Revenue from contracts with customers	58,014	59,664	24,391	5,050	147,119	3,429	150,548	–	150,548
Outside customers	58,014	59,664	24,391	5,050	147,119	3,429	150,548	–	150,548
Intersegment	613	519	79	73	1,285	117	1,403	(1,403)	–
Total net sales	58,627	60,183	24,470	5,123	148,405	3,546	151,952	(1,403)	150,548
Segment profit	18,139	14,379	7,342	885	40,746	629	41,375	(16,072)	25,302

Notes:

1. The “Other” classification encompasses business segments not included in the reportable segments, and is the 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 16,072 million represents intersegment transactions of negative JPY 653 million and unallocated corporate expenses of negative JPY 15,418 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.

2. Matters related to changes in reportable segments

Effective the first quarter of the fiscal year ending September 30, 2024, the Stealth Dicing Engine unit that was included in the Electron Tube Segment, is now included in the Other Segment as part of changes that have been made to segment classifications following restructuring in the Company.

In addition, the “Laser” segment, which was previously included in the “Other” classification, has become quantitatively more important due to the acquisition of shares of NKT Photonics A/S, newly including it in the scope of consolidation from the third quarter of this fiscal year, and is therefore presented as a reportable segment. Following these changes, segment information for the nine months ended June 30, 2023 is disclosed based on the new segment classifications.

3. Information on assets by reportable segment

In the third quarter of this fiscal year, the Company acquired shares of NKT Photonics A/S and newly included it in the scope of consolidation. As a result, the amount of assets in reportable segments for third quarter of this fiscal year increased by JPY 44,785 million in the “Laser” segment from the end of the previous fiscal year.

4. Information on impairment losses on non-current assets or goodwill, etc. by reportable segment

Significant changes in the amount of goodwill

In the third quarter of this fiscal year, goodwill of JPY 33,346 million was recorded in the “Laser” segment due to the acquisition of shares of NKT Photonics A/S and newly including it in the scope of consolidation.

The amount of goodwill is tentatively calculated since the allocation of the acquisition cost has not been completed as of the end of the third quarter.

Business Combinations, Etc.

Business combination through acquisition

1. Outline of the business combination
   (1) Name and business description of the acquiree
   Name of the acquiree: NKT Photonics A/S
   Description of business: Development, manufacture and sales of laser devices, and laser device components
   (2) Primary reasons for the business combination
   NKT Photonics A/S is a fiber laser manufacturer that possesses unique manufacturing technologies for photonic crystal fiber used for ultrashort pulse laser amplification and for fiber transmission. Meanwhile, the Company, which specializes in the laser diode business, which forms the basis of compound semiconductor process technologies, has a mutually complementary relationship with NKT Photonics A/S, which specializes in fiber lasers.
   The Company has acquired the shares of NKT Photonics A/S based on the judgment that it will further enhance the market for the laser business through the sharing and cooperation of insight, knowhow, and management resources accumulated by the Company and NKT Photonics A/S.
   (3) Date of the business combination
   May 31, 2024 (Share acquisition date)
   June 30, 2024 (Deemed acquisition date)
   (4) Legal form of the business combination
   Cash acquisition of shares
   (5) Name of company after combination
   NKT Photonics A/S
   (6) Ratio of voting rights acquired
   100%
   (7) Main basis for reaching a decision on business combination
   Cash acquisition of shares by the Company's consolidated subsidiary Photonics Management Europe S.R.L.

2. Period of the acquiree's results included in the quarterly consolidated statements of income for the period
   Since the deemed acquisition date of the acquiree is June 30, 2024, only its balance sheet is consolidated, and the quarterly consolidated statements of income for the nine months ended June 30, 2024 does not include the results of the acquiree.

3. Acquisition cost of the acquiree and breakdown thereof by consideration type

Consideration for the acquisition	Cash	Approx. EUR 254 million (Approx. JPY 43,929 million)
Acquisition cost		Approx. EUR 254 million (Approx. JPY 43,929 million)

   The exchange rate uses EUR 1 = JPY 172.33 (closing telegraphic transfer middle rate for June 28, 2024 announced by MUFG Bank, Ltd.) The acquisition cost includes consideration for the acquisition of the shares plus the amount of net interest-bearing debt and reflects the price adjustment stipulated in the share transfer agreement.

4. Amount of goodwill, reason for recognition, amortization method and amortization period
   (1) Amount of goodwill
   JPY 33,346 million
   The amount of goodwill is tentatively calculated since the allocation of the acquisition cost has not been completed as of the end of the third quarter.
   (2) Reason for recognition
   Since the acquisition cost exceeded the net asset value, the difference was recorded as goodwill.

(3) Amortization method and amortization period

Goodwill is planned to be amortized using the straight-line method over the period in which the effect of goodwill is expected to be realized, and the amortization period is currently being determined.