

Consolidated Financial Results

(Japanese GAAP)

FY2014 ending March 2015

TOPCON CORPORATION

Release Date: October 31, 2014

1. Summary of Second Quarter Business Results for FY2014 ending March 2015 (April 1, 2014 - September 30, 2014)

"%" indicate year-to-year increase (decrease)

(1) Consolidated business results

(Rounded down to the nearest million yen)

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
2nd quarter of FY2014	59,402	12.5	5,905	42.5	5,640	39.6	3,489	108.5
2nd quarter of FY2013	52,795	14.5	4,143	175.2	4,040	730.5	1,673	—

Note: Comprehensive income
 2nd quarter of FY2014 4,728 million yen (96.6 %)
 2nd quarter of FY2013 2,404 million yen (— %)

	Net income per share	Diluted net income per share
	yen	yen
2nd quarter of FY2014	32.30	—
2nd quarter of FY2013	15.50	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share
	million yen	million yen	%	yen
2nd quarter of FY2014	130,437	58,491	44.2	533.39
FY2013 ended March 2014	135,818	54,328	39.5	496.22

Note: Shareholders' equity
 2nd quarter of FY2014 57,613 million yen
 FY2013 ended March 2014 53,598 million yen

2. Dividends

	Dividends per share				
	end of 1st qtr	end of 2nd qtr	end of 3rd qtr	year-end	Total
	yen	yen	yen	yen	yen
FY2013 ended March 2014	—	5.00	—	5.00	10.00
FY2014 ending March 2015	—	8.00			
FY2014 ending March 2015 (forecast)			—	8.00	16.00

*Revisions to the projected dividends : No

3. Business Forecasts for FY2014 ending March 2015 (April 1, 2014 - March 31, 2015)

"%" indicate year-to-year increase (decrease)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	130,000	11.4	16,000	36.4	14,500	28.3	8,300	39.2	76.84

*Revisions to the business forecasts : No

Note: The forecasts above were prepared on the premise of future forecasts available at the time of the release of this document, such as trends of business, competition environment and currency exchange rates. Due to unforeseen circumstances, however, the actual results may differ from these forecast data.

Consolidated quarterly financial statements

Consolidated quarterly balance sheets

(Unit: million yen)

	FY2013 ended March 2014	2nd quarter of FY2014
Assets		
Current assets		
Cash and deposits	15,187	15,921
Notes and accounts receivable - trade	41,875	37,072
Merchandise and finished goods	18,237	18,451
Work in process	4,195	4,331
Raw materials and supplies	6,988	7,160
Other	11,315	10,492
Allowance for doubtful accounts	(1,409)	(1,521)
Total current assets	96,391	91,908
Non-current assets		
Property, plant and equipment	11,188	11,574
Intangible assets		
Goodwill	8,319	7,593
Other	9,812	10,399
Total intangible assets	18,132	17,993
Investments and other assets	10,105	8,960
Total non-current assets	39,426	38,529
Total assets	135,818	130,437
Liabilities		
Current liabilities		
Notes and accounts payable - trade	11,107	11,058
Short-term loans payable	25,044	27,736
Income taxes payable	2,378	1,846
Provision for product warranties	797	938
Other	10,682	9,647
Total current liabilities	50,010	51,227
Non-current liabilities		
Long-term loans payable	22,689	13,518
Provision for directors' retirement benefits	39	44
Net defined benefit liability	7,292	5,529
Other	1,457	1,626
Total non-current liabilities	31,478	20,718
Total liabilities	81,489	71,946
Net assets		
Shareholders' equity		
Capital stock	16,638	16,638
Capital surplus	20,950	20,950
Retained earnings	17,804	20,731
Treasury shares	(58)	(59)
Total shareholders' equity	55,335	58,260
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	468	575
Deferred gains or losses on hedges	(47)	(45)
Foreign currency translation adjustment	(712)	117
Remeasurements of defined benefit plans	(1,445)	(1,294)
Total accumulated other comprehensive income	(1,736)	(646)
Minority interests	729	877
Total net assets	54,328	58,491
Total liabilities and net assets	135,818	130,437

Consolidated quarterly statements of income

(Unit: million yen)

	2nd quarter of FY2013	2nd quarter of FY2014
Net sales	52,795	59,402
Cost of sales	27,808	29,835
Gross profit	24,986	29,566
Selling, general and administrative expenses	20,842	23,660
Operating income	4,143	5,905
Non-operating income		
Interest income	30	39
Dividend income	17	20
Share of profit of entities accounted for using equity method	60	45
Foreign exchange gains	235	93
Other	247	110
Total non-operating income	590	309
Non-operating expenses		
Interest expenses	526	458
Other	167	116
Total non-operating expenses	694	574
Ordinary income	4,040	5,640
Extraordinary losses		
Loss on valuation of investment securities	467	-
Loss on liquidation of subsidiaries and associates	104	-
Impairment loss	25	-
Total extraordinary losses	597	-
Income before income taxes and minority interests	3,442	5,640
Income taxes - current	1,254	1,751
Income taxes - deferred	384	304
Total income taxes	1,638	2,056
Income before minority interests	1,803	3,584
Minority interests in income	129	94
Net income	1,673	3,489

Consolidated quarterly statements of cash flows

(Unit: Million Yen)

	2nd quarter of FY2013	2nd quarter of FY2014
Cash flows from operating activities		
Income before income taxes and minority interests	3,442	5,640
Depreciation	1,841	1,858
Amortization of goodwill	928	866
Increase (decrease) in allowance for doubtful accounts	(8)	82
Interest and dividend income	(47)	(59)
Interest expenses	526	458
Loss (gain) on valuation of investment securities	467	-
Loss on liquidation of subsidiaries and associates	104	-
Increase (decrease) in provision for retirement benefits	(547)	-
Increase (decrease) in net defined benefit liability	-	110
Decrease (increase) in notes and accounts receivable - trade	4,077	5,700
Decrease (increase) in inventories	(838)	107
Decrease (increase) in accounts receivable - other	346	91
Increase (decrease) in notes and accounts payable - trade	(29)	(267)
Increase (decrease) in accounts payable - other	(605)	(669)
Increase (decrease) in accrued expenses	(1,001)	(781)
Other, net	(2,300)	435
Subtotal	6,357	13,573
Interest and dividend income received	61	73
Interest expenses paid	(541)	(462)
Income taxes paid	(691)	(2,322)
Net cash provided by (used in) operating activities	5,185	10,862
Cash flows from investing activities		
Payments into time deposits	(116)	(78)
Proceeds from withdrawal of time deposits	157	72
Purchase of property, plant and equipment	(908)	(1,446)
Proceeds from sales of property, plant and equipment	121	92
Purchase of intangible assets	(879)	(1,117)
Purchase of investment securities	(0)	(356)
Proceeds from sales of investment securities	18	148
Additional purchase of investments in subsidiaries	(3)	-
Proceeds from sales of shares of subsidiaries	70	-
Payments of long-term loans receivable	(6)	(53)
Collection of long-term loans receivable	21	28
Other, net	42	76
Net cash provided by (used in) investing activities	(1,483)	(2,632)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(2,430)	(3,291)
Proceeds from long-term loans payable	7,147	400
Repayments of long-term loans payable	(10,736)	(4,244)
Repayments of finance lease obligations	(159)	(138)
Cash dividends paid	(428)	(539)
Other, net	(0)	(24)
Net cash provided by (used in) financing activities	(6,608)	(7,838)
Effect of exchange rate change on cash and cash equivalents	168	329
Net increase (decrease) in cash and cash equivalents	(2,736)	720
Cash and cash equivalents at beginning of period	16,883	15,029
Cash and cash equivalents at end of period	14,147	15,749

[Segment Information by business category]

2nd quarter of FY2013 (April 1, 2013 - September 30, 2013)

(Unit: million yen)

	Reportable segment					Elimination & Common	Total
	Smart Infrastructure Company	Positioning Company	Eye Care Company	Other	Sub-Total		
Sales							
Sales to unaffiliated customers	11,511	21,047	17,072	3,163	52,795	—	52,795
Intercompany sales or transfer	4,375	1,304	—	12	5,692	(5,692)	—
Total	15,887	22,352	17,072	3,175	58,487	(5,692)	52,795
Segment Profit (Operating Profit)	1,975	1,830	1,251	16	5,072	(928)	4,143

Note: Segment Profit (928) on "Elimination & Common" is goodwill amortization expense which is not distributed to each reportable segment.

2nd quarter of FY2014 (April 1, 2014 - September 30, 2014)

(Unit: million yen)

	Reportable segment					Elimination & Common	Total
	Smart Infrastructure Company	Positioning Company	Eye Care Company	Other	Sub-Total		
Sales							
Sales to unaffiliated customers	11,508	25,840	18,582	3,471	59,402	—	59,402
Intercompany sales or transfer	4,131	1,542	—	22	5,697	(5,697)	—
Total	15,639	27,383	18,582	3,493	65,099	(5,697)	59,402
Segment Profit (Operating Profit)	2,242	2,929	1,462	136	6,772	(866)	5,905

Note: Segment Profit (866) on "Elimination & Common" is goodwill amortization expense which is not distributed to each reportable segment.

[Segment Information by region]

2nd quarter of FY2013 (April 1, 2013 - September 30, 2013)

(Unit: million yen)

	Japan	North America	Europe	China	Asia / Oceania	Other	Elimination & Common	Total
Sales								
Sales to unaffiliated customers	15,434	16,774	13,504	2,489	3,691	900	—	52,795
Intercompany sales or transfer	10,666	3,836	535	2,408	897	—	(18,344)	—
Total	26,100	20,611	14,039	4,897	4,589	900	(18,344)	52,795
Segment Profit (Operating Profit)	2,865	2,020	417	313	167	50	(1,691)	4,143

Notes: 1. Sales and Segment Profit are classified by country or region based on the location of each our group company.

2. The region which belongs to "other" category is Middle East.

2nd quarter of FY2014 (April 1, 2014 - September 30, 2014)

(Unit: million yen)

	Japan	North America	Europe	China	Asia / Oceania	Other	Elimination & Common	Total
Sales								
Sales to unaffiliated customers	16,426	21,162	14,948	2,466	3,336	1,062	—	59,402
Intercompany sales or transfer	10,617	4,926	752	2,194	944	—	(19,435)	—
Total	27,043	26,089	15,700	4,661	4,280	1,062	(19,435)	59,402
Segment Profit (Operating Profit)	2,583	3,265	432	210	33	36	(656)	5,905

Notes: 1. Sales and Segment Profit are classified by country or region based on the location of each our group company.

2. The region which belongs to "other" category is Middle East.

[Overseas Sales]

2nd quarter of FY2013 (April 1, 2013 - September 30, 2013)

(Unit: million yen)

	North America	Europe	China	Asia / Oceania	Other	Total
Overseas sales	11,843	13,063	3,949	6,729	5,468	41,054
Consolidated Sales						52,795
Ratio to Consolidated Sales (%)	22.4	24.7	7.5	12.8	10.4	77.8

2nd quarter of FY2014 (April 1, 2014 - September 30, 2014)

(Unit: million yen)

	North America	Europe	China	Asia / Oceania	Other	Total
Overseas sales	14,532	14,451	3,801	6,552	5,294	44,633
Consolidated Sales						59,402
Ratio to Consolidated Sales (%)	24.5	24.3	6.4	11.0	8.9	75.1

Notes: 1. Sales is classified by country or region based on the location of customers.

2. The main regions which belong to "other" category are Latin America, Middle East, Russia, and Africa.