

Consolidated Financial Results

(Japanese GAAP)

FY2015 ending March 2016

TOPCON CORPORATION

Release Date: October 30, 2015

1. Summary of Second Quarter Business Results for FY2015 ending March 2016 (April 1, 2015 - September 30, 2015)

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

(1) Consolidated business results

(Rounded down to the nearest million yen)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
2nd quarter of FY2015	62,933	5.9	4,620	(21.8)	4,019	(28.7)	2,426	(30.5)
2nd quarter of FY2014	59,402	12.5	5,905	42.5	5,640	39.6	3,489	108.5

Note: Comprehensive income
2nd quarter of FY2015 1,923 million yen [(59.3%)]
2nd quarter of FY2014 4,728 million yen [96.6%]

	Net income per share	Diluted net income per share
	yen	yen
2nd quarter of FY2015	22.47	—
2nd quarter of FY2014	32.30	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share
	million yen	million yen	%	yen
2nd quarter of FY2015	163,267	66,003	39.5	596.40
FY2014 ended March 2015	143,181	64,610	44.3	587.52

Note: Shareholders' equity
2nd quarter of FY2015 64,419 million yen
FY2014 ended March 2015 63,460 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
FY2014 ended March 2015	—	8.00	—	8.00	16.00
FY2015 ending March 2016	—	12.00			
FY2015 ending March 2016 (forecast)			—	12.00	24.00

*Revisions to the projected dividends : No

3. Business Forecasts for FY2015 ending March 2016 (April 1, 2015 - March 31, 2016)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	143,000	11.2	19,000	18.4	17,500	17.6	10,800	24.6	99.99

*Revisions to the business forecasts : Yes

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)

	FY2014 ended March 2015	2nd quarter of FY2015
Assets		
Current assets		
Cash and deposits	16,507	14,385
Notes and accounts receivable - trade	43,210	39,868
Merchandise and finished goods	19,646	25,293
Work in process	4,286	2,128
Raw materials and supplies	6,695	10,101
Other	11,928	13,636
Allowance for doubtful accounts	(1,328)	(1,487)
Total current assets	100,946	103,924
Non-current assets		
Property, plant and equipment	12,159	14,001
Intangible assets		
Goodwill	8,555	18,858
Other	12,525	18,185
Total intangible assets	21,081	37,044
Investments and other assets	8,994	8,296
Total non-current assets	42,235	59,342
Total assets	143,181	163,267
Liabilities		
Current liabilities		
Notes and accounts payable - trade	12,034	11,962
Short-term loans payable	30,105	23,756
Income taxes payable	2,518	1,801
Provision for product warranties	832	904
Other	12,302	11,113
Total current liabilities	57,794	49,537
Non-current liabilities		
Bonds payable	—	20,000
Long-term loans payable	13,908	19,748
Provision for directors' retirement benefits	48	43
Net defined benefit liability	5,481	5,390
Other	1,336	2,542
Total non-current liabilities	20,775	47,726
Total liabilities	78,570	97,263
Net assets		
Shareholders' equity		
Capital stock	16,638	16,638
Capital surplus	20,950	20,950
Retained earnings	25,030	26,583
Treasury shares	(60)	(62)
Total shareholders' equity	62,558	64,109
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	763	461
Deferred gains or losses on hedges	(163)	(64)
Foreign currency translation adjustment	1,341	814
Remeasurements of defined benefit plans	(1,040)	(902)
Total accumulated other comprehensive income	901	309
Non-controlling interests	1,150	1,584
Total net assets	64,610	66,003
Total liabilities and net assets	143,181	163,267

Consolidated quarterly statements of income

(Unit: million yen)

	2nd quarter of FY2014	2nd quarter of FY2015
Net sales	59,402	62,933
Cost of sales	29,835	29,937
Gross profit	29,566	32,996
Selling, general and administrative expenses	23,660	28,375
Operating income	5,905	4,620
Non-operating income		
Interest income	39	43
Dividend income	20	21
Share of profit of entities accounted for using equity method	45	—
Foreign exchange gains	93	—
Other	110	138
Total non-operating income	309	203
Non-operating expenses		
Interest expenses	458	496
Share of loss of entities accounted for using equity method	—	7
Foreign exchange losses	—	55
Other	116	245
Total non-operating expenses	574	804
Ordinary income	5,640	4,019
Extraordinary income		
Gain on sales of investment securities	—	216
Income before income taxes and minority interests	5,640	4,236
Income taxes - current	1,751	2,211
Income taxes - deferred	304	(523)
Total income taxes	2,056	1,687
Profit	3,584	2,548
Profit attributable to non-controlling interests	94	122
Profit attributable to owners of parent	3,489	2,426

Consolidated statements of cash flows

(Unit: Million Yen)

	2nd quarter of FY2014	2nd quarter of FY2015
Cash flows from operating activities		
Income before income taxes and minority interests	5,640	4,236
Depreciation	1,858	2,495
Amortization of goodwill	866	1,269
Increase (decrease) in allowance for doubtful accounts	82	150
Interest and dividend income	(59)	(65)
Interest expenses	458	496
Loss (gain) on sales of investment securities	—	(216)
Increase (decrease) in net defined benefit liability	110	108
Decrease (increase) in notes and accounts receivable - trade	5,700	4,356
Decrease (increase) in inventories	107	(5,704)
Decrease (increase) in accounts receivable - other	91	75
Increase (decrease) in notes and accounts payable - trade	(267)	(685)
Increase (decrease) in accounts payable - other	(669)	(800)
Increase (decrease) in accrued expenses	(781)	(119)
Other, net	435	(672)
Subtotal	13,573	4,926
Interest and dividend income received	73	65
Interest expenses paid	(462)	(475)
Income taxes paid	(2,322)	(2,983)
Net cash provided by (used in) operating activities	10,862	1,532
Cash flows from investing activities		
Payments into time deposits	(78)	(566)
Proceeds from withdrawal of time deposits	72	414
Purchase of property, plant and equipment	(1,446)	(3,131)
Proceeds from sales of property, plant and equipment	92	89
Purchase of intangible assets	(1,117)	(737)
Purchase of investment securities	(356)	(0)
Proceeds from sales of investment securities	148	80
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(18,506)
Payments of long-term loans receivable	(53)	(154)
Collection of long-term loans receivable	28	94
Other, net	76	19
Net cash provided by (used in) investing activities	(2,632)	(22,400)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(3,291)	3,630
Proceeds from long-term loans payable	400	5,930
Repayments of long-term loans payable	(4,244)	(10,288)
Proceeds from issuance of bonds	—	20,000
Repayments of finance lease obligations	(138)	(82)
Cash dividends paid	(539)	(863)
Other, net	(24)	(37)
Net cash provided by (used in) financing activities	(7,838)	18,288
Effect of exchange rate change on cash and cash equivalents	329	(14)
Net increase (decrease) in cash and cash equivalents	720	(2,594)
Cash and cash equivalents at beginning of period	15,029	16,252
Cash and cash equivalents at end of period	15,749	13,657

[Segment Information by business category]

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 Income)	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.

2nd quarter of FY2015 (April 1, 2015 - September 30, 2015)

(Unit: million yen)

	Reportable segment					Elimination & Common	Total
	Smart Infrastructure Company	Positioning Company	Eye Care Company	Other	Sub-Total		
Sales							
Sales to unaffiliated customers	11,521	29,081	19,510	2,820	62,933	—	62,933
Intercompany sales or transfer	4,710	2,363	—	0	7,073	(7,073)	—
Total	16,231	31,445	19,510	2,820	70,007	(7,073)	62,933
Segment Profit (Operating Income)	1,883	1,853	2,058	94	5,890	(1,269)	4,620

Note: Segment Profit (1,269) on "Elimination & Common" is goodwill amortization expense which is not distributed to each reportable segment.

[Segment Information by region]

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 Income)	2,583	3,265	432	210	33	36	(656)	5,905

2nd quarter of FY2015 (April 1, 2015 - September 30, 2015)

(Unit: million yen)

	Japan	North America	Europe	China	Asia / Oceania	Other	Elimination & Common	Total
Sales								
Sales to unaffiliated customers	14,235	23,232	17,029	2,555	4,596	1,284	—	62,933
Intercompany sales or transfer	12,764	6,789	1,401	3,745	814	—	(25,516)	—
Total	27,000	30,022	18,431	6,301	5,410	1,284	(25,516)	62,933
Segment Profit (Operating Income)	2,386	2,967	623	355	208	51	(1,973)	4,620

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 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

2nd quarter of FY2015 (April 1, 2015 - September 30, 2015)

(Unit: million yen)

	North America	Europe	China	Asia / Oceania	Other	Total
Overseas sales	18,059	16,107	4,157	7,543	4,527	50,395
Consolidated Sales						62,933
Ratio to Consolidated Sales (%)	28.7	25.6	6.6	12.0	7.2	80.1

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.