

Consolidated Financial Results

(Japanese GAAP)

FY2015 ended March 2016

TOPCON CORPORATION

Release Date: April 28, 2016

1. Summary of Business Results for FY2015 ended March 2016 (April 1, 2015 - March 31, 2016)

"%" 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	%
FY2015 ended March 2016	130,735	1.7	8,803	(45.1)	7,366	(50.5)	4,197	(51.6)
FY2014 ended March 2015	128,569	10.2	16,041	36.7	14,880	31.7	8,670	45.4

Note: Comprehensive income
 FY2015 ended March 2016 (903) million yen (- %)
 FY2014 ended March 2015 11,639 million yen (46.6 %)

	Profit attributable to owners of parent per share	Diluted profit attributable to owners of parent per share	Profit attributable to owners of parent to shareholders' equity	Ordinary income to total assets	Diluted profit attributable to owners of parent per share
	yen	yen	%	%	%
FY2015 ended March 2016	38.97	—	6.9	4.8	6.7
FY2014 ended March 2015	80.27	—	14.8	10.7	12.5

Note: Share of profit (loss) of entities accounted for using equity method
 FY2015 ended March 2016 (63) million yen
 FY2014 ended March 2015 (37) million yen

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share
	million yen	million yen	%	%
FY2015 ended March 2016	166,542	61,143	35.0	550.04
FY2014 ended March 2015	143,181	64,610	44.3	587.52

Note: Shareholders' equity
 FY2015 ended March 2016 58,311 million yen
 FY2014 ended March 2015 63,460 million yen

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at year-end
	million yen	million yen	million yen	million yen
FY2015 ended March 2016	3,979	(27,100)	22,889	15,499
FY2014 ended March 2015	17,143	(9,192)	(7,602)	16,252

2. Dividends

	Dividends per share					Dividends paid (Annual)	Dividends payout ratio (Consolidated)	Dividends on equity (Consolidated)
	end of 1st qtr	end of 2nd qtr	end of 3rd qtr	year-end	Total			
	yen	yen	yen	yen	yen	million yen	%	%
FY2014 ended March 2015	—	8.00	—	8.00	16.00	1,728	19.9	3.0
FY2015 ended March 2016	—	12.00	—	12.00	24.00	2,568	61.6	4.2
FY2016 ending March 2017 (forecast)	—	8.00	—	8.00	16.00		33.9	

3. Business Forecasts for FY2016 ending March 2017 (April 1, 2016 - March 31, 2017)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit attributable to owners of parent per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
First half	61,000	(3.1)	3,700	(19.9)	3,000	(25.4)	1,400	(42.3)	13.21
Annual	130,000	(0.6)	10,500	19.3	9,000	22.2	5,000	19.1	47.16

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 financial statements

Consolidated balance sheets

(Unit: million yen)

	FY2014 ended March 2015	FY2015 ended March 2016
Assets		
Current assets		
Cash and deposits	16,507	16,186
Notes and accounts receivable - trade	43,210	42,484
Merchandise and finished goods	19,646	23,867
Work in process	4,286	1,539
Raw materials and supplies	6,695	10,595
Deferred tax assets	6,107	6,299
Other	5,821	8,189
Allowance for doubtful accounts	(1,328)	(1,499)
Total current assets	100,946	107,663
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,755	4,904
Machinery, equipment and vehicles, net	2,226	2,120
Land	1,888	2,530
Construction in progress	458	227
Other, net	2,831	3,481
Total property, plant and equipment	12,159	13,265
Intangible assets		
Goodwill	8,555	17,501
Software	8,024	10,083
Other	4,500	11,051
Total intangible assets	21,081	38,636
Investments and other assets		
Investment securities	3,820	2,721
Long-term loans receivable	824	178
Net defined benefit asset	554	—
Deferred tax assets	2,306	2,813
Other	1,567	1,335
Allowance for doubtful accounts	(79)	(71)
Total investments and other assets	8,994	6,976
Total non-current assets	42,235	58,879
Total assets	143,181	166,542
Liabilities		
Current liabilities		
Notes and accounts payable - trade	12,034	11,066
Short-term loans payable	30,105	23,754
Lease obligations	156	759
Accrued expenses	7,876	6,264
Income taxes payable	2,518	1,204
Deferred tax liabilities	26	568
Provision for product warranties	832	894
Other	4,242	5,116
Total current liabilities	57,794	49,628
Non-current liabilities		
Bonds payable	—	20,000
Long-term loans payable	13,908	20,387
Lease obligations	185	5,540
Deferred tax liabilities	20	2,311
Provision for directors' retirement benefits	48	47
Net defined benefit liability	5,481	6,805
Other	1,130	676
Total non-current liabilities	20,775	55,770
Total liabilities	78,570	105,399
Net assets		
Shareholders' equity		
Capital stock	16,638	16,638
Capital surplus	20,950	20,950
Retained earnings	25,030	27,066
Treasury shares	(60)	(2,088)
Total shareholders' equity	62,558	62,566
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	763	294
Deferred gains or losses on hedges	(163)	12
Foreign currency translation adjustment	1,341	(2,251)
Remeasurements of defined benefit plans	(1,040)	(2,310)
Total accumulated other comprehensive income	901	(4,255)
Non-controlling interests	1,150	2,832
Total net assets	64,610	61,143
Total liabilities and net assets	143,181	166,542

Consolidated statements of income

(Unit: million yen)

	FY2014 ended March 2015	FY2015 ended March 2016
Net sales	128,569	130,735
Cost of sales	62,299	65,093
Gross profit	66,269	65,642
Selling, general and administrative expenses	50,227	56,839
Operating income	16,041	8,803
Non-operating income		
Interest income	81	94
Dividend income	41	69
Foreign exchange gains	349	—
Other	247	284
Total non-operating income	720	448
Non-operating expenses		
Interest expenses	875	948
Share of loss of entities accounted for using equity method	37	63
Worker-on-loan expenses	345	—
Foreign exchange losses	—	506
Other	622	367
Total non-operating expenses	1,881	1,885
Ordinary income	14,880	7,366
Extraordinary income		
Gain on sales of investment securities	—	357
Gain on sales of land	—	192
Total extraordinary income	—	549
Extraordinary losses		
Loss on valuation of investment securities	—	335
Special retirement expenses	—	150
Loss on retirement of property, plant and equipment	—	73
Loss on transfer of business	—	47
Free repair expense	861	—
Impairment loss	591	—
Loss on business withdrawal	413	—
Total extraordinary losses	1,865	607
Profit before income taxes	13,014	7,307
Income taxes - current	4,145	2,814
Income taxes - deferred	13	79
Total income taxes	4,159	2,893
Profit	8,855	4,413
Profit attributable to non-controlling interests	184	216
Profit attributable to owners of parent	8,670	4,197

Consolidated statements of cash flows

(Unit: Million Yen)

	FY2014 ended March 2015	FY2015 ended March 2016
Cash flows from operating activities		
Profit before income taxes	13,014	7,307
Depreciation	3,732	4,715
Amortization of goodwill	1,833	2,546
Increase (decrease) in allowance for doubtful accounts	(170)	244
Interest and dividend income	(123)	(164)
Interest expenses	875	948
Loss on retirement of property, plant and equipment	161	269
Loss (gain) on sales of property, plant and equipment	—	(192)
Loss (gain) on valuation of investment securities	—	335
Loss (gain) on sales of investment securities	—	(357)
Share of (profit) loss of entities accounted for using equity method	37	63
Impairment loss	591	—
Loss on withdrawal from business	413	—
Extra retirement payment	—	150
Loss (gain) on transfer of business	—	47
Increase (decrease) in net defined benefit asset	402	76
Increase (decrease) in net defined benefit liability	(111)	47
Decrease (increase) in notes and accounts receivable - trade	1,414	263
Decrease (increase) in inventories	837	(5,396)
Decrease (increase) in prepaid expenses	456	(994)
Increase (decrease) in notes and accounts payable - trade	442	(1,520)
Increase (decrease) in accrued expenses	783	6
Increase (decrease) in other current liabilities	191	448
Other, net	(2,707)	229
Subtotal	22,076	9,077
Interest and dividend income received	123	165
Interest expenses paid	(900)	(927)
Payments for extra retirement payments	—	(150)
Income taxes paid	(4,157)	(4,185)
Net cash provided by (used in) operating activities	17,143	3,979
Cash flows from investing activities		
Payments into time deposits	(250)	(629)
Proceeds from withdrawal of time deposits	261	445
Purchase of property, plant and equipment	(3,352)	(5,024)
Proceeds from sales of property, plant and equipment	195	439
Purchase of intangible assets	(2,499)	(1,607)
Purchase of investment securities	(614)	(332)
Proceeds from sales of investment securities	148	620
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(3,005)	(20,958)
Payments of long-term loans receivable	(10)	(13)
Collection of long-term loans receivable	22	5
Other, net	(88)	(46)
Net cash provided by (used in) investing activities	(9,192)	(27,100)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(4,618)	5,909
Proceeds from long-term loans payable	3,743	8,621
Repayments of long-term loans payable	(5,003)	(13,275)
Proceeds from issuance of bonds	—	20,000
Proceeds from sales and leasebacks	—	6,037
Repayments of finance lease obligations	(269)	(164)
Purchase of treasury shares	(2)	(2,028)
Cash dividends paid	(1,402)	(2,158)
Dividends paid to non-controlling interests	(48)	(51)
Other, net	(0)	(0)
Net cash provided by (used in) financing activities	(7,602)	22,889
Effect of exchange rate change on cash and cash equivalents	782	(521)
Net increase (decrease) in cash and cash equivalents	1,130	(752)
Cash and cash equivalents at beginning of period	15,029	16,252
Increase in cash and cash equivalents from newly consolidated subsidiary	92	—
Cash and cash equivalents at end of period	16,252	15,499

[Segment Information by business category]

FY2014 ended March 2015 (April 1, 2014 - March 31, 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	25,566	55,259	41,240	6,502	128,569	—	128,569
Intercompany sales or transfer	8,342	3,413	—	55	11,812	(11,812)	—
Total	33,909	58,672	41,240	6,558	140,381	(11,812)	128,569
Segment Profit (Operating Profit)	5,965	6,652	5,093	163	17,874	(1,833)	16,041

Note: Segment Profit (1,833) on "Elimination & Common" is goodwill amortization expense which is not distributed to each reportable segment.

FY2015 ended March 2016 (April 1, 2015 - March 31, 2016)

(unit: million yen)

	Reportable segment					Elimination & Common	Total
	Smart Infrastructure Company	Positioning Company	Eye Care Company	Other	Sub-Total		
Sales							
Sales to unaffiliated customers	24,416	57,802	43,556	4,959	130,735	—	130,735
Intercompany sales or transfer	8,572	4,174	277	38	13,063	(13,063)	—
Total	32,989	61,977	43,834	4,997	143,799	(13,063)	130,735
Segment Profit (Operating Profit)	3,909	2,385	4,850	196	11,341	(2,538)	8,803

Note: Segment Profit (2,538) on "Elimination & Common" is mainly goodwill amortization expense which is not distributed to each reportable segment.

[Related information]

FY2014 ended March 2015 (April 1, 2014 - March 31, 2015)

1. Regional information

(unit: million yen)

	Japan	North America	Europe	China	Asia / Oceania	other	Total
Sales	30,998	32,047	31,190	7,826	13,907	12,598	128,569

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.

2. Segment information by location

(unit: million yen)

	Japan	North America	Europe	China	Asia / Oceania	other	Elimination & Common	Total
Sales								
Sales to unaffiliated customers	35,411	45,783	31,788	4,865	8,153	2,565	—	128,569
Intercompany sales or transfer	23,315	10,659	1,848	5,042	1,888	0	(42,754)	—
Total	58,726	56,442	33,637	9,907	10,041	2,566	(42,754)	128,569
Segment Profit (Operating Profit)	7,730	6,993	1,698	399	342	164	(1,286)	16,041

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.

FY2015 ended March 2016 (April 1, 2015 - March 31, 2016)

1. Regional information

(unit: million yen)

	Japan	North America	Europe	China	Asia / Oceania	other	Total
Sales	27,941	36,373	33,889	8,105	14,887	9,538	130,735

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.

2. Segment information by location

(unit: million yen)

	Japan	North America	Europe	China	Asia / Oceania	other	Elimination & Common	Total
Sales								
Sales to unaffiliated customers	30,861	46,594	36,127	4,721	9,994	2,436	—	130,735
Intercompany sales or transfer	25,196	12,003	3,268	7,161	1,803	3	(49,435)	—
Total	56,057	58,597	39,396	11,882	11,797	2,439	(49,435)	130,735
Segment Profit (Operating Profit)	4,761	3,497	2,284	656	789	134	(3,320)	8,803

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.