

FY2016 Consolidated Financial Results

February 9, 2017

(Amounts are rounded down to the nearest million yen)

1. Consolidated Results for FY2016 (January 1, 2016 through December 31, 2016)

(1) Consolidated financial results (% of change from previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2016	59,903	(16.7)	2,361	(48.2)	2,855	(44.4)	1,482	(63.4)
FY2015	71,946	(2.3)	4,554	(25.0)	5,140	(17.1)	4,048	5.2

(Note) Comprehensive income: FY2016: (125) million yen [-%] / FY2015: 2,449 million yen [(61.9%)]

	Net income per share –Basic	Net income per share –Diluted	Ratio of net income to shareholders' equity	Ratio of income before taxes to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
FY2016	57.19	-	3.1	4.5	3.9
FY2015	153.98	-	8.0	7.6	6.3

(2) Consolidated financial position

	Total assets	Total net assets	Ratio of net assets	Net assets per share
	Million yen	Million yen	%	Yen
FY2016	60,910	47,321	77.7	1,825.62
FY2015	66,035	49,001	74.2	1,890.45

(Reference) Shareholders' equity: FY2016: 47,321 million yen / FY2015: 49,001 million yen

(3) Consolidated cash flows

	From operating activities	From investing activities	From financing activities	Cash and cash equivalents at end of year
	Million yen	Million yen	%	Yen
FY2016	6,537	(2,540)	(1,524)	16,030
FY2015	6,214	(2,552)	(5,219)	14,192

2. Cash dividends

	Cash dividends per share					Total amount of cash dividends (annual)	Dividends Payout ratio (consolidated)	Ratio of total amount of dividends to shareholders' equity (consolidated)
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million Yen	%	%
FY2015	-	25.00	-	*35.00	60.00	1,555	39.0	3.2
FY2016	-	25.00	-	30.00	55.00	1,425	96.2	3.0
FY2017 (forecast)	-	25.00	-	25.00	50.00		57.9	

\* Anticipated year-end dividends for 2015 include anniversary dividends of 5 yen for the company's 65th anniversary

3. Forecast of consolidated results for FY2017 (January 1, 2017 through December 31, 2017)

(% of change from FY2016 or 1st Half FY2016)

	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
FY2017 1st Half	28,500	(6.6)	800	(41.9)	800	(46.2)	600	(35.8)	23.15
FY2017	62,500	4.3	3,200	35.5	3,200	12.0	2,240	51.1	86.42

**Consolidated financial statements**

## (1) Consolidated balance sheets

(Amount: millions of yen)

	FY2015 (As of December 31, 2015)	FY2016 (As of December 31, 2016)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	14,192	16,030
Notes and accounts receivable - trade	15,804	13,419
Finished goods	8,170	7,023
Work in process	3,209	2,201
Raw materials and supplies	1,495	875
Deferred tax assets	656	442
Other	1,422	1,630
Allowance for doubtful accounts	(31)	(32)
<b>Total current assets</b>	44,920	41,590
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	13,529	13,200
Accumulated depreciation	(6,754)	(7,088)
Buildings and structures, net	6,774	6,112
Machinery, equipment and vehicles	20,050	19,195
Accumulated depreciation	(13,726)	(13,682)
Machinery, equipment and vehicles, net	6,324	5,513
Tools, furniture and fixtures	18,806	19,289
Accumulated depreciation	(16,464)	(17,056)
Tools, furniture and fixtures, net	2,342	2,232
Land	1,057	1,012
Construction in progress	711	668
<b>Total property, plant and equipment</b>	17,209	15,539
Intangible assets	804	787
<b>Investments and other assets</b>		
Investment securities	2,330	2,303
Deferred tax assets	435	340
Other	406	437
Allowance for doubtful accounts	(72)	(88)
<b>Total investments and other assets</b>	3,100	2,993
<b>Total non-current assets</b>	21,114	19,320
<b>Total assets</b>	66,035	60,910

(Amount: millions of yen)

	FY2015 (As of December 31, 2015)	FY2016 (As of December 31, 2016)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	5,285	3,068
Short-term loans payable	3,154	3,327
Accrued expenses	3,757	2,826
Income taxes payable	603	371
Other	1,793	1,794
<b>Total current liabilities</b>	<b>14,594</b>	<b>11,388</b>
<b>Non-current liabilities</b>		
Long-term loans payable	881	736
Net defined benefit liability	1,495	1,403
Other	62	60
<b>Total non-current liabilities</b>	<b>2,439</b>	<b>2,200</b>
<b>Total liabilities</b>	<b>17,033</b>	<b>13,589</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	6,923	6,923
Capital surplus	7,432	7,432
Retained earnings	30,187	30,114
Treasury shares	(53)	(53)
<b>Total shareholders' equity</b>	<b>44,489</b>	<b>44,416</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	445	498
Foreign currency translation adjustment	4,260	2,475
Remeasurements of defined benefit plans	(194)	(69)
<b>Total accumulated other comprehensive income</b>	<b>4,512</b>	<b>2,905</b>
<b>Total net assets</b>	<b>49,001</b>	<b>47,321</b>
<b>Total liabilities and net assets</b>	<b>66,035</b>	<b>60,910</b>

(2) Consolidated statements of income

(Amount: millions of yen)

	FY2015 (January 1, 2015 through December 31, 2015)	FY2016 (January 1, 2016 through December 31, 2016)
Net sales	71,946	59,903
Cost of sales	49,303	41,001
Gross profit	22,642	18,901
Selling, general and administrative expenses		
Advertising expenses	1,455	1,174
Promotion expenses	962	853
Provision of allowance for doubtful accounts	4	29
Salaries and bonuses	4,653	4,261
Retirement benefit expenses	136	147
Technical research expenses	3,986	3,946
Other	6,887	6,126
Total selling, general and administrative expenses	18,087	16,539
Operating income	4,554	2,361
Non-operating income		
Interest income	32	34
Dividend income	51	61
Foreign exchange gains	387	348
Rent income	20	20
Subsidy income	103	38
Other	209	206
Total non-operating income	804	709
Non-operating expenses		
Interest expenses	45	42
Loss on retirement of non-current assets	112	88
Loss on abandonment of inventories	38	15
Other	21	69
Total non-operating expenses	218	215
Ordinary income	5,140	2,855
Extraordinary income		
Insurance income	99	-
Gain on bargain purchase	653	-
Total extraordinary income	753	-
Extraordinary losses		
Loss on valuation of investment securities	-	77
Impairment loss	-	35
Total extraordinary losses	-	113
Profit before income taxes	5,893	2,742
Income taxes - current	1,926	987
Income taxes - deferred	(81)	273
Total income taxes	1,845	1,260
Profit	4,048	1,482
Profit attributable to owners of parent	4,048	1,482

(3) Consolidated statements of comprehensive income

(Amount: millions of yen)

	FY2015 (January 1, 2015 through December 31, 2015)	FY2016 (January 1, 2016 through December 31, 2016)
Profit	4,048	1,482
Other comprehensive income		
Valuation difference on available-for-sale securities	(20)	52
Foreign currency translation adjustment	(1,536)	(1,784)
Remeasurements of defined benefit plans, net of tax	(41)	124
Total other comprehensive income	(1,598)	(1,607)
Comprehensive income	2,449	(125)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,449	(125)

## (4) Consolidated statements of changes in net assets

FY2015 (January 1, 2015 through December 31, 2015)

(Amount: millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,923	7,432	31,609	(81)	45,883
Cumulative effects of changes in accounting policies			(13)		(13)
Restated balance	6,923	7,432	31,595	(81)	45,869
Changes of items during period					
Dividends of surplus			(1,471)		(1,471)
Profit attributable to owners of parent			4,048		4,048
Purchase of treasury shares				(3,957)	(3,957)
Retirement of treasury shares			(3,985)	3,985	-
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	-	(1,408)	27	(1,380)
Balance at end of current period	6,923	7,432	30,187	(53)	44,489

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	466	5,797	(152)	6,111	51,995
Cumulative effects of changes in accounting policies				-	(13)
Restated balance	466	5,797	(152)	6,111	51,981
Changes of items during period					
Dividends of surplus				-	(1,471)
Profit attributable to owners of parent				-	4,048
Purchase of treasury shares				-	(3,957)
Retirement of treasury shares				-	-
Net changes of items other than shareholders' equity	(20)	(1,536)	(41)	(1,598)	(1,598)
Total changes of items during period	(20)	(1,536)	(41)	(1,598)	(2,979)
Balance at end of current period	445	4,260	(194)	4,512	49,001

FY2016 (January 1, 2016 through December 31, 2016)

(Amount: millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,923	7,432	30,187	(53)	44,489
Cumulative effects of changes in accounting policies					-
Restated balance	6,923	7,432	30,187	(53)	44,489
Changes of items during period					
Dividends of surplus			(1,555)		(1,555)
Profit attributable to owners of parent			1,482		1,482
Purchase of treasury shares					-
Retirement of treasury shares					-
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	-	(72)	-	(72)
Balance at end of current period	6,923	7,432	30,114	(53)	44,416

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total Accumulated other comprehensive income	
Balance at beginning of current period	445	4,260	(194)	4,512	49,001
Cumulative effects of changes in accounting policies				-	-
Restated balance	445	4,260	(194)	4,512	49,001
Changes of items during period					
Dividends of surplus				-	(1,555)
Profit attributable to owners of parent				-	1,482
Purchase of treasury shares				-	-
Retirement of treasury shares				-	-
Net changes of items other than shareholders' equity	52	(1,784)	124	(1,607)	(1,607)
Total changes of items during period	52	(1,784)	124	(1,607)	(1,680)
Balance at end of current period	498	2,475	(69)	2,905	47,321

## (5) Consolidated statements of cash flows

(Amount: millions of yen)

	FY2015 (January 1, 2015 through December 31, 2015)	FY2016 (January 1, 2016 through December 31, 2016)
<b>Cash flows from operating activities</b>		
Profit before income taxes	5,893	2,742
Depreciation	3,654	3,365
Increase (decrease) in net defined benefit liability	102	95
Interest and dividends income	(83)	(96)
Interest expenses	45	42
Loss on retirement of property, plant and equipment	112	88
Insurance income	(99)	-
Gain on bargain purchase	(653)	-
Impairment loss	-	35
Loss (gain) on valuation of investment securities	-	77
Decrease (increase) in notes and accounts receivable-trade	2,264	1,260
Decrease (increase) in inventories	(2,737)	2,263
Increase (decrease) in notes and accounts payable-trade	(62)	(1,331)
Increase (decrease) in accrued expenses	440	(787)
Other, net	(463)	(193)
Subtotal	8,412	7,564
Interest and dividends income received	83	96
Interest expenses paid	(46)	(43)
Proceeds from insurance income	99	-
Income taxes paid	(2,335)	(1,079)
Net cash provided by (used in) operating activities	6,214	6,537
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(2,400)	(2,286)
Purchase of intangible assets	(130)	(204)
Purchase of investment securities	(1)	(1)
Payments of loans receivable	(7)	(10)
Collection of loans receivable	26	13
Other, net	(40)	(49)
Net cash provided by (used in) investing activities	(2,552)	(2,540)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	1,132	308
Proceeds from long-term loans payable	-	700
Repayment of long-term loans payable	(1,185)	(977)
Purchase of treasury shares	(3,693)	-
Cash dividends paid	(1,471)	(1,554)
Other, net	(1)	(1)
Net cash provided by (used in) financing activities	(5,219)	(1,524)
Effect of exchange rate change on cash and cash equivalents	(561)	(635)
Net increase (decrease) in cash and cash equivalents	(2,118)	1,837
Cash and cash equivalents at beginning of period	15,915	14,192
Increase (decrease) in cash and cash equivalents resulting from merger of subsidiaries	394	-
Cash and cash equivalents at end of period	14,192	16,030



**(Segment Information)**

## Business Segment Information

FY2015 (January 1, 2015 through December 31, 2015)

(Amount: millions of yen)

	Photographic Products	Optical Components	Commercial/Industrial use optics	Total	Adjustment (Note 1)	Consolidated (Note 2)
Net sales :						
(1) Sales to external customers	54,578	4,567	12,800	71,946	-	71,946
(2) Intersegment sales	-	-	-	-	-	-
Total	54,578	4,567	12,800	71,946	-	71,946
Operating income	5,498	228	1,411	7,139	(2,584)	4,554
Assets	44,228	2,825	10,127	57,181	8,854	66,035
Depreciation	2,653	168	568	3,390	263	3,654
Increase in tangible and intangible fixed assets	1,927	92	395	2,415	62	2,478

Note:

- (1) Adjustment of segment profit totaled (2,584) million yen is due to unallocated operating expenses consisted principally of expenses related to general affairs, accounting and other departments of the Company.  
(2) Adjustment to segment assets includes corporate level assets, which consist principally of surplus investment funds (cash and deposits), long-term investment funds (such as marketable securities), and non-segment specific.
- Segment profit is adjusted to operating profit of consolidated statements of income.

FY2016 (January 1, 2016 through December 31, 2016)

(Amount: millions of yen)

	Photographic Products	Optical Components	Commercial/Industrial use optics	Total	Adjustment (Note 1)	Consolidated (Note 2)
Net sales :						
(1) Sales to external customers	46,805	2,358	10,739	59,903	-	59,903
(2) Intersegment sales	-	-	-	-	-	-
Total	46,805	2,358	10,739	59,903	-	59,903
Operating income	4,034	75	733	4,843	(2,482)	2,361
Assets	39,567	1,944	8,600	50,112	10,797	60,910
Depreciation	2,497	167	470	3,135	229	3,365
Impairment loss	-	-	-	-	35	35
Increase in tangible and intangible fixed assets	1,840	91	526	2,458	25	2,484

Note:

- (1) Adjustment of segment profit totaled (2,482) million yen is due to unallocated operating expenses consisted principally of expenses related to general affairs, accounting and other departments of the Company.  
(2) Adjustment to segment assets includes corporate level assets, which consist principally of surplus investment funds (cash and deposits), long-term investment funds (such as marketable securities), and non-segment specific.
- Segment profit is adjusted to operating profit of consolidated statements of income.