

Consolidated Financial Results

(Japanese GAAP)

FY2018 ended March 2019

TOPCON CORPORATION

Release Date: April 26, 2019

1. Summary of Business Results for FY2018 ended March 2019 (April 1, 2018 - March 31, 2019)

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

(1) Consolidated business results

(Rounded down to the nearest million yen)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
FY2018 ended March 2019	148,688	2.1	13,596	12.6	11,497	7.7	6,548	8.6
FY2017 ended March 2018	145,558	13.4	12,073	26.4	10,674	40.0	6,028	37.2

Note: Comprehensive income
 FY2018 ended March 2019 5,203 million yen (28.1%)
 FY2017 ended March 2018 7,235 million yen (109.1%)

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit to total assets ratio	Operating profit to net sales ratio
	yen	yen	%	%	%
FY2018 ended March 2019	61.76	61.75	9.8	7.2	9.1
FY2017 ended March 2018	56.87	56.86	9.7	6.7	8.3

Note: Share of profit (loss) of entities accounted for using equity method
 FY2018 ended March 2019 (67) million yen
 FY2017 ended March 2018 (117) million yen

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share
	million yen	million yen	%	%
FY2018 ended March 2019	160,288	71,148	43.1	651.11
FY2017 ended March 2018	160,747	68,336	40.5	614.78

Note: Shareholders' equity
 FY2018 ended March 2019 69,037 million yen
 FY2017 ended March 2018 65,173 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 end of period
	million yen	million yen	million yen	million yen
FY2018 ended March 2019	14,511	(6,667)	(7,797)	12,935
FY2017 ended March 2018	14,541	(9,053)	(7,258)	12,698

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	%	%
FY2017 ended March 2018	—	10.00	—	10.00	20.00	2,120	35.2	3.4
FY2018 ended March 2019	—	12.00	—	12.00	24.00	2,544	38.9	3.8
FY2019 ending March 2020 (forecast)	—	14.00	—	14.00	28.00		37.1	

3. Business Forecasts for FY2019 ending March 2020 (April 1, 2019 - March 31, 2020)

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

Annual	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
	154,000	3.6	14,500	6.6	12,500	8.7	8,000	22.2	75.45

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)

	FY2017 ended March 2018	FY2018 ended March 2019
Assets		
Current assets		
Cash and deposits	14,316	13,894
Notes and accounts receivable - trade	44,647	45,609
Merchandise and finished goods	19,019	18,509
Work in process	1,863	1,377
Raw materials and supplies	10,545	11,254
Other	6,788	7,608
Allowance for doubtful accounts	(1,967)	(2,098)
Total current assets	95,214	96,154
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,014	7,085
Machinery, equipment and vehicles, net	2,247	2,455
Land	2,592	2,813
Construction in progress	412	525
Other, net	3,633	4,070
Total property, plant and equipment	15,900	16,950
Intangible assets		
Goodwill	14,771	13,162
Software	8,627	10,122
Other	12,064	9,130
Total intangible assets	35,464	32,415
Investments and other assets		
Investment securities	5,031	3,961
Long-term loans receivable	204	419
Deferred tax assets	7,949	9,272
Other	1,025	1,144
Allowance for doubtful accounts	(43)	(30)
Total investments and other assets	14,168	14,767
Total non-current assets	65,533	64,133
Total assets	160,747	160,288
Liabilities		
Current liabilities		
Notes and accounts payable - trade	12,384	11,990
Short-term loans payable	17,776	13,563
Lease obligations	670	641
Accrued expenses	7,814	9,829
Income taxes payable	1,519	1,420
Provision for product warranties	1,075	1,069
Other	6,603	5,846
Total current liabilities	47,843	44,360
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	10,449	10,497
Lease obligations	4,390	3,853
Deferred tax liabilities	2,942	2,622
Provision for retirement benefits for directors (and other officers)	48	57
Retirement benefit liability	5,883	6,391
Other	853	1,356
Total non-current liabilities	44,567	44,779
Total liabilities	92,411	89,139
Net assets		
Shareholders' equity		
Capital stock	16,638	16,658
Capital surplus	20,799	20,819
Retained earnings	33,464	37,595
Treasury shares	(2,090)	(2,091)
Total shareholders' equity	68,811	72,981
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,757	879
Deferred gains or losses on hedges	(7)	5
Foreign currency translation adjustment	(4,158)	(3,776)
Remeasurements of defined benefit plans	(1,228)	(1,051)
Total accumulated other comprehensive income	(3,637)	(3,943)
Share acquisition rights	29	47
Non-controlling interests	3,133	2,063
Total net assets	68,336	71,148
Total liabilities and net assets	160,747	160,288

Consolidated statements of income

(Unit: million yen)

	FY2017 ended March 2018	FY2018 ended March 2019
Net sales	145,558	148,688
Cost of sales	70,574	70,173
Gross profit	74,984	78,515
Selling, general and administrative expenses	62,910	64,918
Operating profit	12,073	13,596
Non-operating income		
Interest income	136	165
Dividend income	49	65
Other	258	361
Total non-operating income	444	592
Non-operating expenses		
Interest expenses	947	1,041
Share of loss of entities accounted for using equity method	117	67
Foreign exchange losses	214	501
Other	563	1,081
Total non-operating expenses	1,842	2,692
Ordinary profit	10,674	11,497
Extraordinary income		
Gain on sale of businesses	141	—
Gain on step acquisitions	91	—
Gain on extinguishment of debts	—	148
Total extraordinary income	233	148
Extraordinary losses		
Business structure reform expenses	304	—
Loss on valuation of investment securities	268	—
Impairment loss	1,128	2,772
Loss on retirement of non-current assets	—	497
Special retirement expenses	—	254
Loss on abolishment of retirement benefit plan of subsidiaries and associates	—	294
Loss on liquidation of subsidiaries and associates	—	827
Free repair expense	—	522
Total extraordinary losses	1,702	5,167
Profit before income taxes	9,205	6,478
Income taxes - current	4,648	2,611
Income taxes - deferred	(1,068)	(1,783)
Total income taxes	3,579	827
Profit	5,625	5,650
Loss attributable to non-controlling interests	(402)	(897)
Profit attributable to owners of parent	6,028	6,548

Consolidated statements of cash flows

(Unit: Million Yen)

	FY2017 ended March 2018	FY2018 ended March 2019
Cash flows from operating activities		
Profit before income taxes	9,205	6,478
Depreciation	5,408	5,983
Amortization of goodwill	2,651	2,145
Increase (decrease) in allowance for doubtful accounts	268	66
Interest and dividend income	(185)	(231)
Interest expenses	947	1,041
Loss on retirement of property, plant and equipment	33	21
Loss (gain) on valuation of investment securities	268	—
Share of loss (profit) of entities accounted for using equity method	117	67
Loss (gain) on step acquisitions	(91)	—
Loss (gain) on sale of businesses	(141)	—
Business structure reform expenses	304	—
Gain on extinguishment of debts	—	(148)
Impairment loss	1,128	2,772
Loss on retirement of non-current assets	—	497
Extra retirement payment	—	254
Loss on abolishment of retirement benefit plan of subsidiaries and associates	—	294
Loss (gain) on liquidation of subsidiaries and associates	—	827
Free repair expense	—	522
Decrease (increase) in retirement benefit asset	377	242
Increase (decrease) in retirement benefit liability	(56)	87
Decrease (increase) in notes and accounts receivable - trade	(3,563)	(359)
Decrease (increase) in inventories	1,252	449
Decrease (increase) in prepaid expenses	(584)	63
Increase (decrease) in notes and accounts payable - trade	1,770	(572)
Increase (decrease) in accrued expenses	1,324	1,368
Other, net	(1,000)	(3,815)
Subtotal	<u>19,436</u>	<u>18,056</u>
Interest and dividend income received	174	296
Interest expenses paid	(949)	(1,041)
Extra retirement payments	—	(150)
Income taxes paid	(4,119)	(2,648)
Net cash provided by (used in) operating activities	<u>14,541</u>	<u>14,511</u>
Cash flows from investing activities		
Payments into time deposits	(1,446)	(591)
Proceeds from withdrawal of time deposits	630	1,295
Purchase of property, plant and equipment	(3,192)	(3,363)
Proceeds from sales of property, plant and equipment	211	65
Purchase of intangible assets	(1,881)	(2,376)
Purchase of investment securities	(375)	(102)
Proceeds from sales of investment securities	6	1
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(3,032)	(1,604)
Payments for acquisition of businesses	(108)	—
Proceeds from sale of businesses	200	253
Decrease (increase) in short-term loans receivable	27	79
Payments of long-term loans receivable	(4)	(220)
Collection of long-term loans receivable	10	6
Other, net	(98)	(109)
Net cash provided by (used in) investing activities	<u>(9,053)</u>	<u>(6,667)</u>
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(1,255)	2,284
Proceeds from long-term loans payable	261	—
Repayments of long-term loans payable	(3,460)	(6,979)
Repayments of finance lease obligations	(593)	(680)
Purchase of treasury shares	(1)	(0)
Cash dividends paid	(1,908)	(2,332)
Dividends paid to non-controlling interests	(75)	(88)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(224)	—
Net cash provided by (used in) financing activities	<u>(7,258)</u>	<u>(7,797)</u>
Effect of exchange rate change on cash and cash equivalents	(234)	189
Net increase (decrease) in cash and cash equivalents	<u>(2,004)</u>	<u>236</u>
Cash and cash equivalents at beginning of period	<u>14,703</u>	<u>12,698</u>
Cash and cash equivalents at end of period	<u>12,698</u>	<u>12,935</u>

[Segment Information by business category]

FY2017 ended March 2018 (April 1, 2017 - March 31, 2018)

(unit: million yen)

	Reportable segment					Elimination & Common	Total
	Smart Infrastructure Company	Positioning Company	Eye Care Company	Other	Sub-Total		
Sales							
Sales to unaffiliated customers	27,270	69,548	46,249	2,490	145,558	—	145,558
Intercompany sales or transfer	9,356	5,397	266	2	15,023	(15,023)	—
Total	36,626	74,945	46,515	2,493	160,582	(15,023)	145,558
Segment Profit (Operating Income)	5,102	8,018	2,038	88	15,247	(3,173)	12,073

Note: Segment Profit (3,173) on "Elimination & Common" is mainly goodwill amortization expense and corporate expense (advanced research and development expense), both of which are not distributed to each reportable segment.

FY2018 ended March 2019 (April 1, 2018 - March 31, 2019)

(unit: million yen)

	Reportable segment					Elimination & Common	Total
	Smart Infrastructure Company	Positioning Company	Eye Care Company	Other	Sub-Total		
Sales							
Sales to unaffiliated customers	26,857	72,698	47,434	1,697	148,688	—	148,688
Intercompany sales or transfer	9,886	5,023	278	0	15,190	(15,190)	—
Total	36,744	77,722	47,713	1,698	163,878	(15,190)	148,688
Segment Profit (Operating Income)	6,393	8,358	2,896	(65)	17,583	(3,986)	13,596

Note: Segment Profit (3,986) on "Elimination & Common" is mainly goodwill amortization expense and corporate expense (advanced research and development expense), both of which are not distributed to each reportable segment.

[Related information]

FY2017 ended March 2018 (April 1, 2017 - March 31, 2018)

Regional information

(unit: million yen)

	Japan	North America	Europe	China	Asia / Oceania	other	Total
Sales	30,708	43,197	35,628	7,650	17,053	11,319	145,558

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.

FY2018 ended March 2019 (April 1, 2018 - March 31, 2019)

Regional information

(unit: million yen)

	Japan	North America	Europe	China	Asia / Oceania	other	Total
Sales	33,389	44,565	36,361	7,483	15,901	10,986	148,688

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.