

Consolidated Financial Results

(Japanese GAAP)

FY2016 ending March 2017

TOPCON CORPORATION

Release Date: October 28, 2016

1. Summary of Second Quarter Business Results for FY2016 ending March 2017 (April 1, 2016 - September 30, 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	%
2nd quarter of FY2016	57,939	(7.9)	3,757	(15.9)	2,233	(42.2)	634	(72.1)
2nd quarter of FY2015	62,933	5.9	4,466	(24.4)	3,866	(31.5)	2,272	(34.9)

Note: Comprehensive income
2nd quarter of FY2016 (5,233) million yen [-%]
2nd quarter of FY2015 1,769 million yen [(62.6%)]

	Net income per share	Diluted net income per share
	yen	yen
2nd quarter of FY2016	5.98	—
2nd quarter of FY2015	21.04	—

Note: The previously reported amount in 2Q of FY2015 is retrospectively adjusted by determining provisional accounting of business combination.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share
	million yen	million yen	%	yen
2nd quarter of FY2016	147,331	54,570	35.4	491.55
FY2015 ended March 2016	166,542	61,143	35.0	550.04

Note: Shareholders' equity
2nd quarter of FY2016 52,110 million yen
FY2015 ended March 2016 58,311 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
FY2015 ended March 2016	—	12.00	—	12.00	24.00
FY2016 ending March 2017	—	8.00			
FY2016 ending March 2017 (forecast)			—	8.00	16.00

*Revisions to the projected dividends : No

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		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	125,000	(4.4)	9,500	7.9	7,500	1.8	4,200	0.1	39.62

*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)

	FY2015 ended March 2016	2nd quarter of FY2016
Assets		
Current assets		
Cash and deposits	16,186	14,823
Notes and accounts receivable - trade	42,484	34,668
Merchandise and finished goods	23,867	21,041
Work in process	1,539	2,002
Raw materials and supplies	10,595	10,440
Other	14,489	12,330
Allowance for doubtful accounts	(1,499)	(1,431)
Total current assets	107,663	93,875
Non-current assets		
Property, plant and equipment	13,265	13,153
Intangible assets		
Goodwill	17,501	14,670
Other	21,135	18,971
Total intangible assets	38,636	33,642
Investments and other assets	6,976	6,659
Total non-current assets	58,879	53,455
Total assets	166,542	147,331
Liabilities		
Current liabilities		
Notes and accounts payable - trade	11,066	8,209
Short-term loans payable	23,754	19,328
Lease obligations	759	731
Income taxes payable	1,204	739
Provision for product warranties	894	847
Other	11,948	10,680
Total current liabilities	49,628	40,535
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	20,387	17,704
Lease obligations	5,540	5,192
Provision for directors' retirement benefits	47	46
Net defined benefit liability	6,805	6,578
Other	2,988	2,703
Total non-current liabilities	55,770	52,225
Total liabilities	105,399	92,760
Net assets		
Shareholders' equity		
Capital stock	16,638	16,638
Capital surplus	20,950	20,950
Retained earnings	27,066	26,431
Treasury shares	(2,088)	(2,089)
Total shareholders' equity	62,566	61,931
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	294	314
Deferred gains or losses on hedges	12	13
Foreign currency translation adjustment	(2,251)	(8,090)
Remeasurements of defined benefit plans	(2,310)	(2,057)
Total accumulated other comprehensive income	(4,255)	(9,820)
Non-controlling interests	2,832	2,460
Total net assets	61,143	54,570
Total liabilities and net assets	166,542	147,331

Consolidated quarterly statements of income

(Unit: million yen)

	2nd quarter of FY2015	2nd quarter of FY2016
Net sales	62,933	57,939
Cost of sales	30,015	27,718
Gross profit	32,917	30,220
Selling, general and administrative expenses	28,451	26,463
Operating income	4,466	3,757
Non-operating income		
Interest income	43	38
Dividend income	21	10
Other	138	121
Total non-operating income	203	170
Non-operating expenses		
Interest expenses	496	445
Share of loss of entities accounted for using equity method	7	128
Foreign exchange losses	55	996
Other	245	124
Total non-operating expenses	804	1,694
Ordinary income	3,866	2,233
Extraordinary income		
Gain on sales of investment securities	216	—
Total extraordinary income	216	—
Extraordinary losses		
Office transfer expenses	—	151
Special retirement expenses	—	58
Total extraordinary losses	—	210
Profit before income taxes	4,082	2,023
Income taxes - current	2,211	1,137
Income taxes - deferred	(523)	155
Total income taxes	1,687	1,293
Profit	2,395	730
Profit attributable to non-controlling interests	122	96
Profit attributable to owners of parent	2,272	634

Consolidated quarterly statements of cash flows

(Unit: Million Yen)

	2nd quarter of FY2015	2nd quarter of FY2016
Cash flows from operating activities		
Profit before income taxes	4,082	2,023
Depreciation	2,556	2,129
Amortization of goodwill	1,284	1,268
Increase (decrease) in allowance for doubtful accounts	150	89
Interest and dividend income	(65)	(48)
Interest expenses	496	445
Loss (gain) on sales of investment securities	(216)	—
Office transfer expenses	—	151
Extra retirement payment	—	58
Increase (decrease) in net defined benefit liability	108	130
Decrease (increase) in notes and accounts receivable - trade	4,356	4,805
Decrease (increase) in inventories	(5,623)	250
Decrease (increase) in accounts receivable - other	75	992
Increase (decrease) in notes and accounts payable - trade	(685)	(2,444)
Increase (decrease) in accounts payable - other	(800)	(334)
Increase (decrease) in accrued expenses	(119)	(371)
Other, net	(471)	1,510
Subtotal	5,128	10,656
Interest and dividend income received	65	48
Interest expenses paid	(475)	(431)
Payments for extra retirement payments	—	(58)
Income taxes paid	(2,983)	(1,561)
Net cash provided by (used in) operating activities	1,734	8,653
Cash flows from investing activities		
Payments into time deposits	(566)	(399)
Proceeds from withdrawal of time deposits	414	416
Purchase of property, plant and equipment	(3,131)	(1,729)
Proceeds from sales of property, plant and equipment	89	83
Purchase of intangible assets	(737)	(782)
Proceeds from sales of investment securities	80	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(18,709)	(142)
Payments of long-term loans receivable	(154)	(45)
Collection of long-term loans receivable	94	18
Other, net	18	90
Net cash provided by (used in) investing activities	(22,602)	(2,490)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	3,630	(4,913)
Proceeds from long-term loans payable	5,930	—
Repayments of long-term loans payable	(10,288)	(53)
Proceeds from issuance of bonds	20,000	—
Repayments of finance lease obligations	(82)	(347)
Cash dividends paid	(863)	(1,273)
Other, net	(37)	(67)
Net cash provided by (used in) financing activities	18,288	(6,655)
Effect of exchange rate change on cash and cash equivalents	(14)	(800)
Net increase (decrease) in cash and cash equivalents	(2,594)	(1,292)
Cash and cash equivalents at beginning of period	16,252	15,499
Cash and cash equivalents at end of period	13,657	14,206

[Segment Information by business category]

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

(Unit: million yen)

	Reportable segment					Elimination & Common	Total
	Smart Infrastructure Business	Positioning Company	Eye Care Business	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	1,714	2,058	94	5,751	(1,284)	4,466

Note: Segment Profit (1,284) on "Elimination & Common" is goodwill amortization expense which is not distributed to each reportable segment.

2nd quarter of FY2016 (April 1, 2016 - September 30, 2016)

(Unit: million yen)

	Reportable segment					Elimination & Common	Total
	Smart Infrastructure Business	Positioning Company	Eye Care Business	Other	Sub-Total		
Sales							
Sales to unaffiliated customers	11,051	25,666	19,503	1,717	57,939	—	57,939
Intercompany sales or transfer	3,906	1,499	108	19	5,533	(5,533)	—
Total	14,958	27,166	19,611	1,736	63,472	(5,533)	57,939
Segment Profit (Operating Income)	1,377	2,472	1,269	(93)	5,025	(1,268)	3,757

Notes: 1. Segment Profit (1,268) on "Elimination & Common" is goodwill amortization expense which is not distributed to each reportable segment.

2. The previously reported amount in 2Q of FY2015 is retrospectively adjusted by determining provisional accounting of business combination.

[Segment Information by region]

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	2,828	623	355	208	51	(1,987)	4,466

2nd quarter of FY2016 (April 1, 2016 - September 30, 2016)

(Unit: million yen)

	Japan	North America	Europe	China	Asia / Oceania	Other	Elimination & Common	Total
Sales								
Sales to unaffiliated customers	14,331	19,752	16,161	2,164	4,893	635	—	57,939
Intercompany sales or transfer	11,570	5,338	1,177	2,225	653	1	(20,968)	—
Total	25,902	25,091	17,339	4,390	5,547	636	(20,968)	57,939
Segment Profit (Operating Income)	728	2,186	640	222	330	(24)	(327)	3,757

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

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

3. The previously reported amount in 2Q of FY2015 is retrospectively adjusted by determining provisional accounting of business combination.

[Overseas Sales]

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

2nd quarter of FY2016 (April 1, 2016 - September 30, 2016)

(Unit: million yen)

	North America	Europe	China	Asia / Oceania	Other	Total
Overseas sales	16,241	14,439	4,124	6,385	4,059	45,249
Consolidated Sales						57,939
Ratio to Consolidated Sales (%)	28.0	24.9	7.1	11.0	7.0	78.1

Notes: 1. Sales are 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.