

Consolidated Financial Results

(Japanese GAAP)

FY2016 ended March 2017

TOPCON CORPORATION

Release Date: April 28, 2017

1. Summary of Business Results for FY2016 ended March 2017 (April 1, 2016 - March 31, 2017)

"%" 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	%
FY2016 ended March 2017	128,387	(1.8)	9,551	8.5	7,622	3.5	4,395	4.7
FY2015 ended March 2016	130,735	1.7	8,803	(45.1)	7,366	(50.5)	4,197	(51.6)

Note: Comprehensive income
 FY2016 ended March 2017 3,460 million yen (- %)
 FY2015 ended March 2016 (903) million yen (- %)

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary income to total assets ratio	Operating income to net sales ratio
	yen	yen	%	%	%
FY2016 ended March 2017	41.46	—	7.4	4.7	7.4
FY2015 ended March 2016	38.97	—	6.9	4.8	6.7

Note: Share of profit (loss) of entities accounted for using equity method
 FY2016 ended March 2017 (221) million yen
 FY2015 ended March 2016 (63) million yen

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share
	million yen	million yen	%	%
FY2016 ended March 2017	158,280	63,313	37.7	563.30
FY2015 ended March 2016	166,542	61,143	35.0	550.04

Note: Shareholders' equity
 FY2016 ended March 2017 59,716 million yen
 FY2015 ended March 2016 58,311 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
FY2016 ended March 2017	18,192	(4,954)	(13,807)	14,703
FY2015 ended March 2016	4,180	(27,301)	22,889	15,499

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	%	%
FY2015 ended March 2016	—	12.00	—	12.00	24.00	2,568	61.6	4.2
FY2016 ended March 2017	—	8.00	—	8.00	16.00	1,696	38.6	2.9
FY2017 ending March 2018 (forecast)	—	10.00	—	10.00	20.00		37.2	

3. Business Forecasts for FY2017 ending March 2018 (April 1, 2017 - March 31, 2018)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
First half	60,000	3.6	4,000	6.5	3,000	34.3	1,200	89.2	11.32
Annual	131,000	2.0	12,000	25.6	10,000	31.2	5,700	29.7	53.77

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)

	FY2015 ended March 2016	FY2016 ended March 2017
Assets		
Current assets		
Cash and deposits	16,186	15,570
Notes and accounts receivable - trade	42,484	41,201
Merchandise and finished goods	23,867	19,988
Work in process	1,539	1,930
Raw materials and supplies	10,595	10,429
Deferred tax assets	6,299	5,399
Other	8,189	6,251
Allowance for doubtful accounts	(1,499)	(1,680)
Total current assets	107,663	99,089
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,904	5,434
Machinery, equipment and vehicles, net	2,120	2,111
Land	2,530	2,631
Construction in progress	227	1,441
Other, net	3,481	3,509
Total property, plant and equipment	13,265	15,129
Intangible assets		
Goodwill	17,501	14,553
Software	10,083	7,630
Other	11,051	13,850
Total intangible assets	38,636	36,035
Investments and other assets		
Investment securities	2,721	3,371
Long-term loans receivable	178	305
Deferred tax assets	2,813	3,028
Other	1,335	1,428
Allowance for doubtful accounts	(71)	(107)
Total investments and other assets	6,976	8,025
Total non-current assets	58,879	59,190
Total assets	166,542	158,280
Liabilities		
Current liabilities		
Notes and accounts payable - trade	11,066	10,353
Short-term loans payable	23,754	16,296
Lease obligations	759	687
Accrued expenses	6,264	6,403
Income taxes payable	1,204	991
Deferred tax liabilities	568	624
Provision for product warranties	894	920
Other	5,116	5,876
Total current liabilities	49,628	42,153
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	20,387	16,725
Lease obligations	5,540	4,901
Deferred tax liabilities	2,311	2,807
Provision for directors' retirement benefits	47	43
Net defined benefit liability	6,805	6,743
Other	676	1,591
Total non-current liabilities	55,770	52,813
Total liabilities	105,399	94,966
Net assets		
Shareholders' equity		
Capital stock	16,638	16,638
Capital surplus	20,950	20,950
Retained earnings	27,066	29,344
Treasury shares	(2,088)	(2,089)
Total shareholders' equity	62,566	64,844
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	294	740
Deferred gains or losses on hedges	12	40
Foreign currency translation adjustment	(2,251)	(3,849)
Remeasurements of defined benefit plans	(2,310)	(2,059)
Total accumulated other comprehensive income	(4,255)	(5,127)
Non-controlling interests	2,832	3,596
Total net assets	61,143	63,313
Total liabilities and net assets	166,542	158,280

Consolidated statements of income

(Unit: million yen)

	FY2015 ended March 2016	FY2016 ended March 2017
Net sales	130,735	128,387
Cost of sales	65,093	62,840
Gross profit	65,642	65,547
Selling, general and administrative expenses	56,839	55,996
Operating profit	8,803	9,551
Non-operating income		
Interest income	94	97
Dividend income	69	30
Other	284	208
Total non-operating income	448	335
Non-operating expenses		
Interest expenses	948	897
Share of loss of entities accounted for using equity method	63	221
Foreign exchange losses	506	746
Other	367	397
Total non-operating expenses	1,885	2,263
Ordinary profit	7,366	7,622
Extraordinary income		
Gain on sales of shares of subsidiaries and associates	—	204
Gain on sales of investment securities	357	—
Gain on sales of land	192	—
Total extraordinary income	549	204
Extraordinary losses		
Office transfer expenses	—	116
Special retirement expenses	150	59
Loss on valuation of investment securities	335	—
Loss on retirement of property, plant and equipment	73	—
Loss on transfer of business	47	—
Total extraordinary losses	607	175
Profit before income taxes	7,307	7,651
Income taxes - current	2,814	2,944
Income taxes - deferred	79	174
Total income taxes	2,893	3,118
Profit	4,413	4,533
Profit attributable to non-controlling interests	216	138
Profit attributable to owners of parent	4,197	4,395

Consolidated statements of cash flows

(Unit: Million Yen)

	FY2015 ended March 2016	FY2016 ended March 2017
Cash flows from operating activities		
Profit before income taxes	7,307	7,651
Depreciation	4,715	4,660
Amortization of goodwill	2,546	2,451
Increase (decrease) in allowance for doubtful accounts	244	241
Interest and dividend income	(164)	(127)
Interest expenses	948	897
Loss on retirement of property, plant and equipment	269	281
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	63	221
Extra retirement payment	150	59
Loss (gain) on transfer of business	47	—
Office Transfer Expenses	—	116
Loss (gain) on sales of shares of subsidiaries and associates	—	(204)
Decrease (increase) in net defined benefit asset	76	382
Increase (decrease) in net defined benefit liability	47	(45)
Decrease (increase) in notes and accounts receivable - trade	263	894
Decrease (increase) in inventories	(5,396)	3,688
Decrease (increase) in prepaid expenses	(994)	554
Increase (decrease) in notes and accounts payable - trade	(1,520)	(1,836)
Increase (decrease) in accrued expenses	6	35
Increase (decrease) in other current liabilities	448	(103)
Other, net	429	2,400
Subtotal	9,277	22,221
Interest and dividend income received	165	78
Interest expenses paid	(927)	(898)
Payments for extra retirement payments	(150)	(59)
Income taxes paid	(4,185)	(3,149)
Net cash provided by (used in) operating activities	4,180	18,192
Cash flows from investing activities		
Payments into time deposits	(629)	(610)
Proceeds from withdrawal of time deposits	445	551
Purchase of property, plant and equipment	(5,024)	(3,881)
Proceeds from sales of property, plant and equipment	439	139
Purchase of intangible assets	(1,607)	(911)
Purchase of investment securities	(332)	(118)
Proceeds from sales of investment securities	620	0
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(21,158)	(868)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	229
Decrease (increase) in short-term loans receivable	40	782
Payments of long-term loans receivable	(13)	(84)
Collection of long-term loans receivable	5	8
Other, net	(87)	(191)
Net cash provided by (used in) investing activities	(27,301)	(4,954)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	5,909	(9,145)
Proceeds from long-term loans payable	8,621	—
Repayments of long-term loans payable	(13,275)	(1,675)
Proceeds from issuance of bonds	20,000	—
Proceeds from sales and leasebacks	6,037	—
Repayments of finance lease obligations	(164)	(723)
Purchase of treasury shares	(2,028)	(0)
Cash dividends paid	(2,158)	(2,120)
Dividends paid to non-controlling interests	(51)	(141)
Other, net	(0)	(0)
Net cash provided by (used in) financing activities	22,889	(13,807)
Effect of exchange rate change on cash and cash equivalents	(521)	(137)
Net increase (decrease) in cash and cash equivalents	(752)	(706)
Cash and cash equivalents at beginning of period	16,252	15,499
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	—	(89)
Cash and cash equivalents at end of period	15,499	14,703

[Segment Information by business category]

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

(unit: million yen)

	Reportable segment					Adjustment	Total
	Smart Infrastructure Business	Positioning Company	Eye Care Business	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.

FY2016 ended March 2017 (April 1, 2016 - March 31, 2017)

(unit: million yen)

	Reportable segment					Adjustment	Total
	Smart Infrastructure Business	Positioning Company	Eye Care Business	Other	Sub-Total		
Sales							
Sales to unaffiliated customers	25,004	56,819	42,881	3,682	128,387	—	128,387
Intercompany sales or transfer	8,087	3,782	267	26	12,163	(12,163)	—
Total	33,091	60,602	43,148	3,708	140,551	(12,163)	128,387
Segment Profit (Operating Profit)	3,939	5,596	2,598	10	12,144	(2,593)	9,551

Note: Segment Profit (2,593) on "Elimination & Common" is mainly goodwill amortization expense which is not distributed to each reportable segment.

[Related information]

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	Adjustment	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.

FY2016 ended March 2017 (April 1, 2016 - March 31, 2017)

1. Regional information

(unit: million yen)

	Japan	North America	Europe	China	Asia / Oceania	other	Total
Sales	29,450	35,843	31,186	8,094	14,243	9,569	128,387

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	Adjustment	Total
Sales								
Sales to unaffiliated customers	31,288	45,366	34,865	4,529	10,995	1,342	—	128,387
Intercompany sales or transfer	24,652	11,444	3,128	4,959	1,523	2	(45,711)	—
Total	55,940	56,810	37,994	9,489	12,519	1,345	(45,711)	128,387
Segment Profit (Operating Profit)	2,869	4,649	1,764	659	1,010	(27)	(1,375)	9,551

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.