

Consolidated Financial Results

(Japanese GAAP)

FY2017 ended March 2018

TOPCON CORPORATION

Release Date: April 27, 2018

1. Summary of Business Results for FY2017 ended March 2018 (April 1, 2017 - March 31, 2018)

"%" 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 | % |
| FY2017 ended March 2018 | 145,558 | 13.4 | 12,073 | 26.4 | 10,674 | 40.0 | 6,028 | 37.2 |
| FY2016 ended March 2017 | 128,387 | (1.8) | 9,551 | 8.5 | 7,622 | 3.5 | 4,395 | 4.7 |

Note: Comprehensive income
 FY2017 ended March 2018 7,235 million yen (109.1 %)
 FY2016 ended March 2017 3,460 million yen (- %)

| | 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 | % | % | % |
| FY2017 ended March 2018 | 56.87 | 56.86 | 9.7 | 6.7 | 8.3 |
| FY2016 ended March 2017 | 41.46 | — | 7.4 | 4.7 | 7.4 |

Note: Share of profit (loss) of entities accounted for using equity method
 FY2017 ended March 2018 (117) million yen
 FY2016 ended March 2017 (221) million yen

(2) Consolidated financial position

| | Total assets | Net assets | Shareholders' equity ratio | Shareholders' equity per share |
|-------------------------|--------------|-------------|----------------------------|--------------------------------|
| | million yen | million yen | % | % |
| FY2017 ended March 2018 | 160,751 | 68,336 | 40.5 | 614.78 |
| FY2016 ended March 2017 | 158,280 | 63,313 | 37.7 | 563.30 |

Note: Shareholders' equity
 FY2017 ended March 2018 65,173 million yen
 FY2016 ended March 2017 59,716 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 |
| FY2017 ended March 2018 | 14,541 | (9,053) | (7,258) | 12,698 |
| FY2016 ended March 2017 | 18,192 | (4,954) | (13,807) | 14,703 |

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 | % | % |
| FY2016 ended March 2017 | — | 8.00 | — | 8.00 | 16.00 | 1,696 | 38.6 | 2.9 |
| FY2017 ended March 2018 | — | 10.00 | — | 10.00 | 20.00 | 2,120 | 35.2 | 3.4 |
| FY2018 ending March 2018 (forecast) | — | 12.00 | — | 12.00 | 24.00 | | 36.3 | |

3. Business Forecasts for FY2018 ending March 2018 (April 1, 2018 - March 31, 2018)

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

| | 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 |
| First half | 70,000 | 2.9 | 5,000 | 9.4 | 4,200 | 2.7 | 2,100 | 12.5 | 19.81 |
| Annual | 150,000 | 3.1 | 15,000 | 24.2 | 13,000 | 21.8 | 7,000 | 16.1 | 66.03 |

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)

| | FY2016 ended March 2017 | FY2017 ended March 2018 |
|---|----------------------------|----------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 15,570 | 14,316 |
| Notes and accounts receivable - trade | 41,201 | 44,647 |
| Merchandise and finished goods | 19,988 | 19,019 |
| Work in process | 1,930 | 1,863 |
| Raw materials and supplies | 10,429 | 10,545 |
| Deferred tax assets | 5,399 | 5,941 |
| Other | 6,251 | 6,788 |
| Allowance for doubtful accounts | (1,680) | (1,967) |
| Total current assets | 99,089 | 101,156 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 5,434 | 7,014 |
| Machinery, equipment and vehicles, net | 2,111 | 2,247 |
| Land | 2,631 | 2,592 |
| Construction in progress | 1,441 | 412 |
| Other, net | 3,509 | 3,633 |
| Total property, plant and equipment | 15,129 | 15,900 |
| Intangible assets | | |
| Goodwill | 14,553 | 14,771 |
| Software | 7,630 | 8,627 |
| Other | 13,850 | 12,064 |
| Total intangible assets | 36,035 | 35,464 |
| Investments and other assets | | |
| Investment securities | 3,371 | 5,031 |
| Long-term loans receivable | 305 | 204 |
| Deferred tax assets | 3,028 | 2,011 |
| Other | 1,428 | 1,025 |
| Allowance for doubtful accounts | (107) | (43) |
| Total investments and other assets | 8,025 | 8,230 |
| Total non-current assets | 59,190 | 59,595 |
| Total assets | 158,280 | 160,751 |
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 10,353 | 12,384 |
| Short-term loans payable | 16,296 | 17,776 |
| Lease obligations | 687 | 670 |
| Accrued expenses | 6,403 | 7,814 |
| Income taxes payable | 991 | 1,519 |
| Deferred tax liabilities | 624 | 25 |
| Provision for product warranties | 920 | 1,075 |
| Other | 5,876 | 6,603 |
| Total current liabilities | 42,153 | 47,869 |
| Non-current liabilities | | |
| Bonds payable | 20,000 | 20,000 |
| Long-term loans payable | 16,725 | 10,449 |
| Lease obligations | 4,901 | 4,390 |
| Deferred tax liabilities | 2,807 | 2,920 |
| Provision for directors' retirement benefits | 43 | 48 |
| Net defined benefit liability | 6,743 | 5,883 |
| Other | 1,591 | 853 |
| Total non-current liabilities | 52,813 | 44,545 |
| Total liabilities | 94,966 | 92,415 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 16,638 | 16,638 |
| Capital surplus | 20,950 | 20,799 |
| Retained earnings | 29,344 | 33,464 |
| Treasury shares | (2,089) | (2,090) |
| Total shareholders' equity | 64,844 | 68,811 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 740 | 1,757 |
| Deferred gains or losses on hedges | 40 | (7) |
| Foreign currency translation adjustment | (3,849) | (4,158) |
| Remeasurements of defined benefit plans | (2,059) | (1,228) |
| Total accumulated other comprehensive income | (5,127) | (3,637) |
| Share acquisition rights | — | 29 |
| Non-controlling interests | 3,596 | 3,133 |
| Total net assets | 63,313 | 68,336 |
| Total liabilities and net assets | 158,280 | 160,751 |

Consolidated statements of income

(Unit: million yen)

| | FY2016 ended March 2017 | FY2017 ended March 2018 |
|---|----------------------------|----------------------------|
| Net sales | 128,387 | 145,558 |
| Cost of sales | 62,840 | 70,574 |
| Gross profit | 65,547 | 74,984 |
| Selling, general and administrative expenses | 55,996 | 62,910 |
| Operating profit | 9,551 | 12,073 |
| Non-operating income | | |
| Interest income | 97 | 136 |
| Dividend income | 30 | 49 |
| Other | 208 | 258 |
| Total non-operating income | 335 | 444 |
| Non-operating expenses | | |
| Interest expenses | 897 | 947 |
| Share of loss of entities accounted for using equity method | 221 | 117 |
| Foreign exchange losses | 746 | 214 |
| Other | 397 | 563 |
| Total non-operating expenses | 2,263 | 1,842 |
| Ordinary profit | 7,622 | 10,674 |
| Extraordinary income | | |
| Gain on transfer of business | — | 141 |
| Gain on step acquisitions | — | 91 |
| Gain on sales of shares of subsidiaries and associates | 204 | — |
| Total extraordinary income | 204 | 233 |
| Extraordinary losses | | |
| Impairment loss | — | 1,128 |
| Business structure reform expenses | — | 304 |
| Loss on valuation of investment securities | — | 268 |
| Office transfer expenses | 116 | — |
| Special retirement expenses | 59 | — |
| Total extraordinary losses | 175 | 1,702 |
| Profit before income taxes | 7,651 | 9,205 |
| Income taxes - current | 2,944 | 4,648 |
| Income taxes - deferred | 174 | (1,068) |
| Total income taxes | 3,118 | 3,579 |
| Profit | 4,533 | 5,625 |
| Profit (loss) attributable to non-controlling interests | 138 | (402) |
| Profit attributable to owners of parent | 4,395 | 6,028 |

Consolidated statements of cash flows

(Unit: Million Yen)

| | FY2016 ended March 2017 | FY2017 ended March 2018 |
|---|----------------------------|----------------------------|
| Cash flows from operating activities | | |
| Profit before income taxes | 7,651 | 9,205 |
| Depreciation | 4,660 | 5,408 |
| Amortization of goodwill | 2,451 | 2,651 |
| Increase (decrease) in allowance for doubtful accounts | 241 | 268 |
| Interest and dividend income | (127) | (185) |
| Interest expenses | 897 | 947 |
| Loss on retirement of property, plant and equipment | 33 | 33 |
| Loss (gain) on valuation of investment securities | — | 268 |
| Share of loss (profit) of entities accounted for using equity method | 221 | 117 |
| Loss (gain) on step acquisitions | — | (91) |
| Loss (gain) on transfer of business | — | (141) |
| Impairment loss | — | 1,128 |
| Business structure reform expenses | — | 304 |
| Extra retirement payment | 59 | — |
| Office transfer expenses | 116 | — |
| Loss (gain) on sales of shares of subsidiaries and associates | (204) | — |
| Decrease (increase) in net defined benefit asset | 382 | 377 |
| Increase (decrease) in net defined benefit liability | (45) | (56) |
| Decrease (increase) in notes and accounts receivable - trade | 877 | (3,563) |
| Decrease (increase) in inventories | 3,662 | 1,252 |
| Decrease (increase) in prepaid expenses | 554 | (584) |
| Increase (decrease) in notes and accounts payable - trade | (1,791) | 1,770 |
| Increase (decrease) in accrued expenses | 35 | 1,324 |
| Other, net | 2,542 | (1,000) |
| Subtotal | 22,221 | 19,436 |
| Interest and dividend income received | 78 | 174 |
| Interest expenses paid | (898) | (949) |
| Extra retirement payments | (59) | — |
| Income taxes paid | (3,149) | (4,119) |
| Net cash provided by (used in) operating activities | 18,192 | 14,541 |
| Cash flows from investing activities | | |
| Payments into time deposits | (610) | (1,446) |
| Proceeds from withdrawal of time deposits | 551 | 630 |
| Purchase of property, plant and equipment | (3,881) | (3,192) |
| Proceeds from sales of property, plant and equipment | 139 | 211 |
| Purchase of intangible assets | (911) | (1,881) |
| Purchase of investment securities | (118) | (375) |
| Proceeds from sales of investment securities | 0 | 6 |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | (869) | (3,032) |
| Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation | 229 | — |
| Payments for transfer of business | — | (108) |
| Proceeds from transfer of business | — | 200 |
| Decrease (increase) in short-term loans receivable | 782 | 27 |
| Payments of long-term loans receivable | (84) | (4) |
| Collection of long-term loans receivable | 8 | 10 |
| Other, net | (191) | (98) |
| Net cash provided by (used in) investing activities | (4,954) | (9,053) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term loans payable | (9,145) | (1,255) |
| Proceeds from long-term loans payable | — | 261 |
| Repayments of long-term loans payable | (1,675) | (3,460) |
| Repayments of finance lease obligations | (723) | (593) |
| Purchase of treasury shares | (0) | (1) |
| Cash dividends paid | (2,120) | (1,908) |
| Dividends paid to non-controlling interests | (141) | (75) |
| Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | (0) | (224) |
| Net cash provided by (used in) financing activities | (13,807) | (7,258) |
| Effect of exchange rate change on cash and cash equivalents | (137) | (234) |
| Net increase (decrease) in cash and cash equivalents | (706) | (2,004) |
| Cash and cash equivalents at beginning of period | 15,499 | 14,703 |
| Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation | (89) | — |
| Cash and cash equivalents at end of period | 14,703 | 12,698 |

[Segment Information by business category]

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.

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

(unit: million yen)

| | Reportable segment | | | | | Adjustment | Total |
|-----------------------------------|-------------------------------|---------------------|-------------------|-------|-----------|------------|---------|
| | Smart Infrastructure Business | Positioning Company | Eye Care Business | 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 Profit) | 5,102 | 8,018 | 2,038 | 88 | 15,247 | (3,173) | 12,073 |

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

[Related information]

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 |

Note: Sales is classified by country or region based on the location of customers.

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

1. 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 |

Note: Sales is classified by country or region based on the location of customers.