

Consolidated Financial Results

(Japanese GAAP)

FY2018 ending March 2019

TOPCON CORPORATION

Release Date: October 31, 2018

1. Summary of Second Quarter Business Results for FY2018 ending March 2019 (April 1, 2018 - September 30, 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	%
2nd quarter of FY2018	70,271	3.3	5,268	15.3	4,742	16.0	2,146	15.0
2nd quarter of FY2017	68,046	17.4	4,570	21.6	4,088	83.1	1,867	194.5

Note: Comprehensive income
2nd quarter of FY2018 5,154 million yen [(0.9%)]
2nd quarter of FY2017 5,200 million yen [-%]

	Basic earnings per share	Diluted earnings per share
	yen	yen
2nd quarter of FY2018	20.25	20.25
2nd quarter of FY2017	17.61	17.61

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share
	million yen	million yen	%	yen
2nd quarter of FY2018	163,203	72,297	42.3	651.37
FY2017 ended March 2018	160,747	68,336	40.5	614.78

Note: Shareholders' equity
2nd quarter of FY2018 69,065 million yen
FY2017 ended March 2018 65,173 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
FY2017 ended March 2018	—	10.00	—	10.00	20.00
FY2018 ending March 2019	—	12.00			
FY2018 ending March 2019 (forecast)			—	12.00	24.00

*Revisions to the projected dividends : No

3. Business Forecasts for FY2018 ending March 2019 (April 1, 2018 - March 31, 2019)

"%" 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
Annual	150,000	3.1	15,000	24.2	13,000	21.8	7,000	16.1	66.03

*Revisions to the business forecasts : No

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)

	FY2017 ended March 2018	2nd quarter of FY2018
Assets		
Current assets		
Cash and deposits	14,316	15,496
Notes and accounts receivable - trade	44,647	40,739
Merchandise and finished goods	19,019	20,871
Work in process	1,863	1,714
Raw materials and supplies	10,545	11,241
Other	6,788	6,534
Allowance for doubtful accounts	(1,967)	(2,148)
Total current assets	95,214	94,449
Non-current assets		
Property, plant and equipment	15,900	17,343
Intangible assets		
Goodwill	14,771	15,599
Other	20,692	21,210
Total intangible assets	35,464	36,810
Investments and other assets	14,168	14,599
Total non-current assets	65,533	68,753
Total assets	160,747	163,203
Liabilities		
Current liabilities		
Notes and accounts payable - trade	12,384	11,241
Short-term loans payable	17,776	16,821
Lease obligations	670	642
Income taxes payable	1,519	1,632
Provision for product warranties	1,075	1,079
Other	14,417	14,909
Total current liabilities	47,843	46,327
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	10,449	10,551
Lease obligations	4,390	4,156
Provision for directors' retirement benefits	48	51
Net defined benefit liability	5,883	5,488
Other	3,795	4,329
Total non-current liabilities	44,567	44,578
Total liabilities	92,411	90,906
Net assets		
Shareholders' equity		
Capital stock	16,638	16,658
Capital surplus	20,799	20,819
Retained earnings	33,464	34,463
Treasury shares	(2,090)	(2,090)
Total shareholders' equity	68,811	69,849
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,757	1,946
Deferred gains or losses on hedges	(7)	(16)
Foreign currency translation adjustment	(4,158)	(1,836)
Remeasurements of defined benefit plans	(1,228)	(878)
Total accumulated other comprehensive income	(3,637)	(784)
Share acquisition rights	29	15
Non-controlling interests	3,133	3,215
Total net assets	68,336	72,297
Total liabilities and net assets	160,747	163,203

Consolidated quarterly statements of income

(Unit: million yen)

	2nd quarter of FY2017	2nd quarter of FY2018
Net sales	68,046	70,271
Cost of sales	33,501	33,237
Gross profit	34,545	37,034
Selling, general and administrative expenses	29,975	31,765
Operating profit	4,570	5,268
Non-operating income		
Interest income	52	119
Dividend income	15	21
Foreign exchange gains	195	—
Other	75	195
Total non-operating income	339	336
Non-operating expenses		
Interest expenses	448	557
Share of loss of entities accounted for using equity method	92	44
Foreign exchange losses	—	25
Other	279	235
Total non-operating expenses	820	862
Ordinary profit	4,088	4,742
Extraordinary income		
Gain on extinguishment of debts	—	148
Total extraordinary income	—	148
Extraordinary losses		
Loss on valuation of investment securities	263	—
Loss on retirement of non-current assets	—	497
Special retirement expenses	—	150
Loss on abolishment of retirement benefit plan of subsidiaries and associates	—	231
Total extraordinary losses	263	879
Profit before income taxes	3,825	4,012
Income taxes - current	2,264	1,761
Income taxes - deferred	(165)	3
Total income taxes	2,098	1,764
Profit	1,727	2,247
Profit (loss) attributable to non-controlling interests	(139)	100
Profit attributable to owners of parent	1,867	2,146

Consolidated quarterly statements of cash flows

(Unit: Million Yen)

	2nd quarter of FY2017	2nd quarter of FY2018
Cash flows from operating activities		
Profit before income taxes	3,825	4,012
Depreciation	2,829	2,763
Amortization of goodwill	1,274	1,110
Increase (decrease) in allowance for doubtful accounts	148	67
Interest and dividend income	(68)	(140)
Interest expenses	448	557
Gain on extinguishment of debts	—	(148)
Loss (gain) on valuation of investment securities	263	—
Loss on retirement of non-current assets	—	497
Extra retirement payment	—	150
Loss on abolishment of retirement benefit plan of subsidiaries and associates	—	231
Increase (decrease) in net defined benefit liability	110	(152)
Decrease (increase) in notes and accounts receivable - trade	4,103	5,288
Decrease (increase) in inventories	(225)	(1,618)
Decrease (increase) in accounts receivable - other	153	526
Increase (decrease) in notes and accounts payable - trade	13	(1,451)
Increase (decrease) in accounts payable - other	(235)	39
Increase (decrease) in accrued expenses	533	535
Other, net	1,174	(1,965)
Subtotal	14,350	10,302
Interest and dividend income received	62	147
Interest expenses paid	(433)	(557)
Extra retirement payments	—	(150)
Income taxes paid	(2,332)	(1,473)
Net cash provided by (used in) operating activities	11,646	8,269
Cash flows from investing activities		
Payments into time deposits	(843)	(710)
Proceeds from withdrawal of time deposits	488	1,288
Purchase of property, plant and equipment	(2,651)	(2,074)
Proceeds from sales of property, plant and equipment	73	32
Purchase of intangible assets	(1,184)	(955)
Purchase of investment securities	(373)	(100)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,039)	(1,473)
Payments for transfer of business	(108)	—
Proceeds from transfer of business	—	253
Payments of long-term loans receivable	—	(122)
Other, net	(203)	8
Net cash provided by (used in) investing activities	(5,843)	(3,854)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(772)	2,463
Proceeds from long-term loans payable	499	—
Repayments of long-term loans payable	(2,130)	(4,231)
Repayments of finance lease obligations	(274)	(320)
Cash dividends paid	(848)	(1,060)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(169)	—
Other, net	(55)	(0)
Net cash provided by (used in) financing activities	(3,751)	(3,148)
Effect of exchange rate change on cash and cash equivalents	166	431
Net increase (decrease) in cash and cash equivalents	2,217	1,698
Cash and cash equivalents at beginning of period	14,703	12,698
Cash and cash equivalents at end of period	16,921	14,397

[Segment Information by business category]

2nd quarter of FY2017 (April 1, 2017 - September 30, 2017)

(Unit: million yen)

	Reportable segment					Elimination & Common	Total
	Smart Infrastructure Business	Positioning Company	Eye Care Business	Other	Sub-Total		
Sales							
Sales to unaffiliated customers	12,552	33,209	21,257	1,027	68,046	—	68,046
Intercompany sales or transfer	4,490	2,674	140	2	7,307	(7,307)	—
Total	17,042	35,884	21,397	1,030	75,354	(7,307)	68,046
Segment Profit (Operating Income)	1,630	3,869	526	(22)	6,003	(1,433)	4,570

Note: Segment Profit (1,433) on "Elimination & Common" is mainly goodwill amortization expense which is not distributed to each reportable segment.

2nd quarter of FY2018 (April 1, 2018 - September 30, 2018)

(Unit: million yen)

	Reportable segment					Elimination & Common	Total
	Smart Infrastructure Business	Positioning Company	Eye Care Business	Other	Sub-Total		
Sales							
Sales to unaffiliated customers	12,899	34,736	21,701	933	70,271	—	70,271
Intercompany sales or transfer	5,308	2,281	126	0	7,716	(7,716)	—
Total	18,207	37,018	21,828	934	77,988	(7,716)	70,271
Segment Profit (Operating Income)	2,856	3,740	636	(17)	7,216	(1,947)	5,268

Note: Segment Profit (1,947) 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.

[Overseas Sales]

2nd quarter of FY2017 (April 1, 2017 - September 30, 2017)

(Unit: million yen)

	North America	Europe	China	Asia / Oceania	Other	Total
Overseas sales	19,913	16,554	4,094	8,339	5,163	54,065
Consolidated Sales						68,046
Ratio to Consolidated Sales (%)	29.3	24.3	6.0	12.3	7.6	79.5

2nd quarter of FY2018 (April 1, 2018 - September 30, 2018)

(Unit: million yen)

	North America	Europe	China	Asia / Oceania	Other	Total
Overseas sales	21,528	17,317	3,848	8,087	4,809	55,590
Consolidated Sales						70,271
Ratio to Consolidated Sales (%)	30.6	24.6	5.5	11.5	6.8	79.1

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.