

Consolidated Financial Results

(Japanese GAAP)

FY2019 ending March 2020

TOPCON CORPORATION

Release Date: October 31, 2019

1. Summary of Second Quarter Business Results for FY2019 ending March 2020 (April 1, 2019 - September 30, 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	%
2nd quarter of FY2019	69,527	(1.1)	3,810	(27.7)	2,761	(41.8)	895	(58.3)
2nd quarter of FY2018	70,271	3.3	5,268	15.3	4,742	16.0	2,146	15.0

Note: Comprehensive income
 2nd quarter of FY2019 (1,162) million yen (- %)
 2nd quarter of FY2018 5,154 million yen (0.9 %)

	Basic earnings per share	Diluted earnings per share
	yen	yen
2nd quarter of FY2019	8.47	8.47
2nd quarter of FY2018	20.25	20.25

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share
	million yen	million yen	%	%
2nd quarter of FY2019	152,889	67,347	42.9	624.23
FY2018 ended March 2019	160,288	71,148	43.1	651.11

Note: Shareholders' equity
 2nd quarter of FY2019 65,644 million yen
 FY2018 ended March 2019 69,037 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
FY2018 ended March 2019	—	12.00	—	12.00	24.00
FY2019 ending March 2020	—	14.00			
FY2019 ending March 2020 (forecast)			—	14.00	28.00

*Revisions to the projected dividends : No

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

"%" 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	0.9	12,500	(8.1)	10,500	(8.7)	6,000	(8.4)	56.72

*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)

	FY2018 ended March 2019	2nd quarter of FY2019
Assets		
Current assets		
Cash and deposits	13,894	13,372
Notes and accounts receivable - trade	45,609	39,443
Merchandise and finished goods	18,509	19,439
Work in process	1,377	1,412
Raw materials and supplies	11,254	11,708
Other	7,608	6,963
Allowance for doubtful accounts	(2,098)	(2,008)
Total current assets	96,154	90,332
Non-current assets		
Property, plant and equipment	16,950	19,372
Intangible assets		
Goodwill	13,162	11,792
Other	19,252	17,191
Total intangible assets	32,415	28,984
Investments and other assets	14,767	14,200
Total non-current assets	64,133	62,557
Total assets	160,288	152,889
Liabilities		
Current liabilities		
Notes and accounts payable - trade	11,990	10,510
Current portion of bonds	—	10,000
Short-term borrowings	13,563	18,180
Lease obligations	641	1,361
Income taxes payable	1,420	489
Provision for product warranties	1,069	1,192
Other	15,675	14,266
Total current liabilities	44,360	56,002
Non-current liabilities		
Bonds payable	20,000	10,000
Long-term borrowings	10,497	5,093
Lease obligations	3,853	5,381
Provision for retirement benefits for directors (and other officers)	57	41
Retirement benefit liability	6,391	5,385
Other	3,979	3,638
Total non-current liabilities	44,779	29,539
Total liabilities	89,139	85,542
Net assets		
Shareholders' equity		
Share capital	16,658	16,680
Capital surplus	20,819	20,841
Retained earnings	37,595	37,218
Treasury shares	(2,091)	(3,170)
Total shareholders' equity	72,981	71,570
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	879	1,040
Deferred gains or losses on hedges	5	5
Foreign currency translation adjustment	(3,776)	(6,005)
Remeasurements of defined benefit plans	(1,051)	(966)
Total accumulated other comprehensive income	(3,943)	(5,925)
Share acquisition rights	47	32
Non-controlling interests	2,063	1,670
Total net assets	71,148	67,347
Total liabilities and net assets	160,288	152,889

Consolidated quarterly statements of income

(Unit: million yen)

	2nd quarter of FY2018	2nd quarter of FY2019
Net sales	70,271	69,527
Cost of sales	33,237	32,555
Gross profit	37,034	36,972
Selling, general and administrative expenses	31,765	33,161
Operating profit	5,268	3,810
Non-operating income		
Interest income	119	103
Dividend income	21	31
Share of profit of entities accounted for using equity method	—	9
Other	195	101
Total non-operating income	336	246
Non-operating expenses		
Interest expenses	557	472
Share of loss of entities accounted for using equity method	44	—
Foreign exchange losses	25	578
Other	235	245
Total non-operating expenses	862	1,295
Ordinary profit	4,742	2,761
Extraordinary income		
Gain on extinguishment of debts	148	—
Total extraordinary income	148	—
Extraordinary losses		
Loss on sales of shares of subsidiaries	—	555
Loss on retirement of non-current assets	497	—
Extra retirement payments	150	—
Loss on abolishment of retirement benefit plan of subsidiaries and associates	231	—
Total extraordinary losses	879	555
Profit before income taxes	4,012	2,205
Income taxes - current	1,761	776
Income taxes - deferred	3	548
Total income taxes	1,764	1,324
Profit	2,247	881
Profit (loss) attributable to non-controlling interests	100	(14)
Profit attributable to owners of parent	2,146	895

Consolidated quarterly statements of cash flows

(Unit: Million Yen)

	2nd quarter of FY2018	2nd quarter of FY2019
Cash flows from operating activities		
Profit before income taxes	4,012	2,205
Depreciation	2,763	3,051
Amortization of goodwill	1,110	1,012
Increase (decrease) in allowance for doubtful accounts	67	(30)
Interest and dividend income	(140)	(135)
Interest expenses	557	472
Loss (gain) on sales of shares of subsidiaries	—	555
Gain on extinction of liabilities	(148)	—
Loss on retirement of non-current assets	497	—
Extra retirement payments	150	—
Loss on abolishment of retirement benefit plan of subsidiaries and associates	231	—
Increase (decrease) in retirement benefit liability	(152)	(863)
Decrease (increase) in trade receivables	5,288	4,845
Decrease (increase) in inventories	(1,618)	(2,122)
Decrease (increase) in accounts receivable - other	526	846
Increase (decrease) in trade payables	(1,451)	(1,151)
Increase (decrease) in accounts payable - other	39	(834)
Increase (decrease) in accrued expenses	535	(287)
Other, net	(1,965)	518
Subtotal	10,302	8,082
Interest and dividends received	147	144
Interest paid	(557)	(472)
Extra retirement payments	(150)	—
Income taxes paid	(1,473)	(2,137)
Net cash provided by (used in) operating activities	8,269	5,617
Cash flows from investing activities		
Payments into time deposits	(710)	(286)
Proceeds from withdrawal of time deposits	1,288	590
Purchase of property, plant and equipment	(2,074)	(1,653)
Proceeds from sales of property, plant and equipment	32	117
Purchase of intangible assets	(955)	(1,139)
Purchase of investment securities	(100)	(1)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,473)	—
Proceeds from sale of businesses	253	—
Long-term loan advances	(122)	(5)
Other, net	8	216
Net cash provided by (used in) investing activities	(3,854)	(2,160)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	2,463	2,524
Repayments of long-term borrowings	(4,231)	(2,770)
Repayments of lease obligations	(320)	(669)
Dividends paid	(1,060)	(1,272)
Purchase of treasury shares	(0)	(1,078)
Other, net	—	(54)
Net cash provided by (used in) financing activities	(3,148)	(3,320)
Effect of exchange rate change on cash and cash equivalents	431	(320)
Net increase (decrease) in cash and cash equivalents	1,698	(184)
Cash and cash equivalents at beginning of period	12,698	12,935
Cash and cash equivalents at end of period	14,397	12,751

[Segment Information by business category]

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" is mainly goodwill amortization expense and corporate expense (advanced research and development expense), both of which are not distributed to each reportable segment.

2nd quarter of FY2019 (April 1, 2019 - September 30, 2019)

(Unit: million yen)

	Reportable segment					Elimination & Common	Total
	Smart Infrastructure Business	Positioning Company	Eye Care Business	Other	Sub-Total		
Sales							
Sales to unaffiliated customers	12,066	34,711	22,063	686	69,527	—	69,527
Intercompany sales or transfer	4,991	2,405	139	0	7,535	(7,535)	—
Total	17,057	37,116	22,202	686	77,063	(7,535)	69,527
Segment Profit (Operating Income)	2,492	2,850	616	(62)	5,897	(2,086)	3,810

Note: Segment Profit (2,086) 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.

[Overseas Sales]

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

2nd quarter of FY2019 (April 1, 2019 - September 30, 2019)

(Unit: million yen)

	North America	Europe	China	Asia / Oceania	Other	Total
Overseas sales	20,816	16,755	4,141	6,978	5,640	54,333
Consolidated Sales						69,527
Ratio to Consolidated Sales (%)	29.9	24.1	6.0	10.0	8.1	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.