

Consolidated Financial Results

(Japanese GAAP)

FY2019 ended March 2020

TOPCON CORPORATION

Release Date: May 21, 2020

1. Summary of Business Results for FY2019 ended March 2020 (April 1, 2019 - March 31, 2020)

"%" 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	%
FY2019 ended March 2020	138,916	(6.6)	5,381	(60.4)	2,895	(74.8)	935	(85.7)
FY2018 ended March 2019	148,688	2.1	13,596	12.6	11,497	7.7	6,548	8.6

Note: Comprehensive income
 FY2019 ended March 2020 (2,013) million yen (- %)
 FY2018 ended March 2019 5,203 million yen (28.1) %)

	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	%	%	%
FY2019 ended March 2020	8.87	8.87	1.4	1.8	3.9
FY2018 ended March 2019	61.76	61.75	9.8	7.2	9.1

Note: Share of profit (loss) of entities accounted for using equity method
 FY2019 ended March 2020 (416) million yen
 FY2018 ended March 2019 (67) million yen

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share
	million yen	million yen	%	yen
FY2019 ended March 2020	161,721	64,659	39.0	600.03
FY2018 ended March 2019	160,288	71,148	43.1	651.11

Note: Shareholders' equity
 FY2019 ended March 2020 63,100 million yen
 FY2018 ended March 2019 69,037 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
FY2019 ended March 2020	7,636	(6,806)	2,303	15,784
FY2018 ended March 2019	14,511	(6,667)	(7,797)	12,935

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	%	%
FY2018 ended March 2019	—	12.00	—	12.00	24.00	2,544	38.9	3.8
FY2019 ended March 2020	—	14.00	—	10.00	24.00	2,523	270.7	3.8
FY2020 ending March 2021 (forecast)	—	—	—	—	—	—	—	—

*The dividend forecast for the fiscal year ending March 31, 2021 is currently undetermined.

3. Business Forecasts for FY2020 ending March 2021 (April 1, 2020 - March 31, 2021)

The Company's consolidated business forecasts for the fiscal year 2020 are undetermined, as there are difficulties in reasonably estimating the impacts caused by the spread of coronavirus disease 2019 (COVID-19) as of the release date of this document. It depends on the situation, but the Company will disclose the business forecasts when the financial results for the first quarter of the fiscal year are announced.

Consolidated financial statements

Consolidated balance sheets

(Unit: million yen)

	FY2018 ended March 2019	FY2019 ended March 2020
Assets		
Current assets		
Cash and deposits	13,894	16,134
Notes and accounts receivable - trade	45,609	40,631
Merchandise and finished goods	18,509	21,063
Work in process	1,377	1,510
Raw materials and supplies	11,254	13,188
Other	7,608	8,555
Allowance for doubtful accounts	(2,098)	(2,555)
Total current assets	96,154	98,528
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,085	7,651
Machinery, equipment and vehicles, net	2,455	2,938
Land	2,813	3,100
Construction in progress	525	1,374
Other, net	4,070	5,673
Total property, plant and equipment	16,950	20,738
Intangible assets		
Goodwill	13,162	10,856
Software	10,122	10,821
Other	9,130	7,004
Total intangible assets	32,415	28,683
Investments and other assets		
Investment securities	3,961	2,301
Long-term loans receivable	419	695
Deferred tax assets	9,272	9,679
Other	1,144	1,108
Allowance for doubtful accounts	(30)	(15)
Total investments and other assets	14,767	13,770
Total non-current assets	64,133	63,192
Total assets	160,288	161,721
Liabilities		
Current liabilities		
Notes and accounts payable - trade	11,990	12,981
Short-term borrowings	13,563	26,831
Lease obligations	641	1,260
Accrued expenses	9,829	8,655
Income taxes payable	1,420	1,159
Provision for product warranties	1,069	1,124
Current portion of bonds payable	—	10,000
Other	5,846	6,353
Total current liabilities	44,360	68,366
Non-current liabilities		
Bonds payable	20,000	10,000
Long-term borrowings	10,497	4,397
Lease obligations	3,853	4,883
Deferred tax liabilities	2,622	2,388
Provision for retirement benefits for directors (and other officers)	57	44
Retirement benefit liability	6,391	5,263
Other	1,356	1,718
Total non-current liabilities	44,779	28,695
Total liabilities	89,139	97,062
Net assets		
Shareholders' equity		
Share capital	16,658	16,680
Capital surplus	20,819	20,630
Retained earnings	37,595	35,749
Treasury shares	(2,091)	(3,170)
Total shareholders' equity	72,981	69,889
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	879	434
Deferred gains or losses on hedges	5	(47)
Foreign currency translation adjustment	(3,776)	(6,278)
Remeasurements of defined benefit plans	(1,051)	(897)
Total accumulated other comprehensive income	(3,943)	(6,788)
Share acquisition rights	47	58
Non-controlling interests	2,063	1,499
Total net assets	71,148	64,659
Total liabilities and net assets	160,288	161,721

Consolidated statements of income

(Unit: million yen)

	FY2018 ended March 2019	FY2019 ended March 2020
Net sales	148,688	138,916
Cost of sales	70,173	66,283
Gross profit	78,515	72,632
Selling, general and administrative expenses	64,918	67,251
Operating profit	13,596	5,381
Non-operating income		
Interest income	165	182
Dividend income	65	67
Other	361	226
Total non-operating income	592	476
Non-operating expenses		
Interest expenses	1,041	915
Share of loss of entities accounted for using equity method	67	416
Foreign exchange losses	501	531
Other	1,081	1,099
Total non-operating expenses	2,692	2,962
Ordinary profit	11,497	2,895
Extraordinary income		
Gain on sales of investment securities	—	572
Gain on extinguishment of debts	148	—
Total extraordinary income	148	572
Extraordinary losses		
Loss on sales of shares of subsidiaries	—	554
Loss on liquidation of subsidiaries and associates	827	—
Impairment loss	2,772	—
Loss on retirement of non-current assets	497	—
Extra retirement payments	254	—
Loss on abolishment of retirement benefit plan of subsidiaries and associates	294	—
Free repair expense	522	—
Total extraordinary losses	5,167	554
Profit before income taxes	6,478	2,912
Income taxes - current	2,611	2,293
Income taxes - deferred	(1,783)	(252)
Total income taxes	827	2,041
Profit	5,650	871
Loss attributable to non-controlling interests	(897)	(64)
Profit attributable to owners of parent	6,548	935

Consolidated statements of cash flows

(Unit: Million Yen)

	FY2018 ended March 2019	FY2019 ended March 2020
Cash flows from operating activities		
Profit before income taxes	6,478	2,912
Depreciation	5,983	6,757
Amortization of goodwill	2,145	1,999
Increase (decrease) in allowance for doubtful accounts	66	502
Interest and dividend income	(231)	(249)
Interest expenses	1,041	915
Loss on retirement of property, plant and equipment	21	14
Share of loss (profit) of entities accounted for using equity method	67	416
Loss (gain) on sales of investment securities	—	(572)
Gain on extinguishment of debts	(148)	—
Loss (gain) on sales of shares of subsidiaries	—	554
Loss (gain) on liquidation of subsidiaries and associates	827	—
Impairment loss	2,772	—
Loss on retirement of non-current assets	497	—
Extra retirement payments	254	—
Loss on abolishment of retirement benefit plan of subsidiaries and associates	294	—
Free repair expense	522	—
Decrease (increase) in retirement benefit asset	242	63
Increase (decrease) in retirement benefit liability	87	(1,057)
Decrease (increase) in trade receivables	(359)	3,212
Decrease (increase) in inventories	449	(5,181)
Decrease (increase) in prepaid expenses	63	238
Increase (decrease) in trade payables	(572)	1,269
Increase (decrease) in accrued expenses	1,368	(680)
Other, net	(3,815)	(299)
Subtotal	18,056	10,816
Interest and dividends received	296	276
Interest paid	(1,041)	(915)
Extra retirement payments	(150)	—
Income taxes paid	(2,648)	(2,540)
Net cash provided by (used in) operating activities	14,511	7,636
Cash flows from investing activities		
Payments into time deposits	(591)	(57)
Proceeds from withdrawal of time deposits	1,295	619
Purchase of property, plant and equipment	(3,363)	(4,954)
Proceeds from sales of property, plant and equipment	65	108
Purchase of intangible assets	(2,376)	(3,371)
Purchase of investment securities	(102)	(330)
Proceeds from sales of investment securities	1	1,228
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,604)	—
Proceeds from sale of businesses	253	—
Decrease (increase) in short-term loans receivable	79	246
Long-term loan advances	(220)	(234)
Collection of long-term loans receivable	6	9
Other, net	(109)	(71)
Net cash provided by (used in) investing activities	(6,667)	(6,806)

Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	2,284	10,359
Repayments of long-term borrowings	(6,979)	(2,751)
Purchase of treasury shares	(0)	(1,079)
Dividends paid	(2,332)	(2,744)
Dividends paid to non-controlling interests	(88)	(54)
Repayments of lease obligations	(680)	(1,426)
Net cash provided by (used in) financing activities	(7,797)	2,303
Effect of exchange rate change on cash and cash equivalents	189	(285)
Net increase (decrease) in cash and cash equivalents	236	2,848
Cash and cash equivalents at beginning of period	12,698	12,935
Cash and cash equivalents at end of period	12,935	15,784

[Segment Information by business category]

FY2018 ended March 2019 (April 1, 2018 - March 31, 2019)

(unit: million yen)

	Reportable segment					Elimination & Common	Total
	Smart Infrastructure Company	Positioning Company	Eye Care Company	Other	Sub-Total		
Sales							
Sales to unaffiliated customers	26,857	72,698	47,434	1,697	148,688	—	148,688
Intercompany sales or transfer	9,886	5,023	278	0	15,190	(15,190)	—
Total	36,744	77,722	47,713	1,698	163,878	(15,190)	148,688
Segment Profit (Operating Income)	6,393	8,358	2,896	(65)	17,583	(3,986)	13,596

Note: Segment Profit (3,986) 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.

FY2019 ended March 2020 (April 1, 2019 - March 31, 2020)

(unit: million yen)

	Reportable segment					Elimination & Common	Total
	Smart Infrastructure Company	Positioning Company	Eye Care Company	Other	Sub-Total		
Sales							
Sales to unaffiliated customers	24,335	68,771	44,489	1,318	138,916	—	138,916
Intercompany sales or transfer	9,062	5,218	269	0	14,549	(14,549)	—
Total	33,398	73,989	44,758	1,319	153,466	(14,549)	138,916
Segment Profit (Operating Income)	5,027	4,537	136	(144)	9,557	(4,175)	5,381

Note: Segment Profit (4,175) 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.

[Related information]

FY2018 ended March 2019 (April 1, 2018 - March 31, 2019)

Regional information

(unit: million yen)

	Japan	North America	Europe	China	Asia / Oceania	other	Total
Sales	33,389	44,565	36,361	7,483	15,901	10,986	148,688

Notes: 1.Sales is classified by country or region based on the location of customers.

FY2019 ended March 2020 (April 1, 2019 - March 31, 2020)

Regional information

(unit: million yen)

	Japan	North America	Europe	China	Asia / Oceania	other	Total
Sales	30,038	42,711	34,439	6,889	12,906	11,930	138,916

Notes: 1.Sales is classified by country or region based on the location of customers.