

Consolidated Financial Results for the Second Quarter of FY2020 Ending March 2021

(Japanese GAAP)

TOPCON CORPORATION

Release Date: October 30, 2020

1. Summary of Second Quarter Business Results for FY2020 ending March 2021 (April 1, 2020 - September 30, 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	%
2nd quarter of FY2020	58,465	(15.9)	(768)	—	(1,797)	—	(2,037)	—
2nd quarter of FY2019	69,527	(1.1)	3,810	(27.7)	2,761	(41.8)	895	(58.3)

Note: Comprehensive income
 2nd quarter of FY2020 (1,202) million yen (— %)
 2nd quarter of FY2019 (1,162) million yen (— %)

	Basic earnings per share	Diluted earnings per share
	yen	yen
2nd quarter of FY2020	(19.38)	—
2nd quarter of FY2019	8.47	8.47

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share
	million yen	million yen	%	yen
2nd quarter of FY2020	154,364	62,240	39.4	578.03
FY2019 ended March 2020	161,721	64,659	39.0	600.03

Note: Shareholders' equity
 2nd quarter of FY2020 60,801 million yen
 FY2019 ended March 2020 63,100 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
FY2019 ended March 2020	—	14.00	—	10.00	24.00
FY2020 ending March 2021	—	0.00			
FY2020 ending March 2021 (forecast)			—	5.00	5.00

*Revisions to the most recently disclosed dividend forecasts : No

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

"%" 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	128,000	(7.9)	3,000	(44.3)	1,000	(65.5)	0	(100.0)	0.00

*Revision to the most recently disclosed 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)

	FY2019 ended March 2020	2nd quarter of FY2020
Assets		
Current assets		
Cash and deposits	16,134	18,824
Notes and accounts receivable - trade	40,631	33,490
Merchandise and finished goods	21,063	19,446
Work in process	1,510	1,668
Raw materials and supplies	13,188	13,662
Other	8,555	7,419
Allowance for doubtful accounts	(2,555)	(2,562)
Total current assets	98,528	91,950
Non-current assets		
Property, plant and equipment	20,738	21,222
Intangible assets		
Goodwill	10,856	9,776
Other	17,826	17,060
Total intangible assets	28,683	26,837
Investments and other assets	13,770	14,354
Total non-current assets	63,192	62,414
Total assets	161,721	154,364
Liabilities		
Current liabilities		
Notes and accounts payable - trade	12,981	8,127
Current portion of bonds payable	10,000	—
Short-term borrowings	26,831	15,658
Lease obligations	1,260	1,352
Income taxes payable	1,159	447
Provision for product warranties	1,124	930
Other	15,009	16,216
Total current liabilities	68,366	42,733
Non-current liabilities		
Bonds payable	10,000	30,000
Long-term borrowings	4,397	5,981
Lease obligations	4,883	4,374
Provision for retirement benefits for directors (and other officers)	44	48
Retirement benefit liability	5,263	5,197
Other	4,107	3,788
Total non-current liabilities	28,695	49,390
Total liabilities	97,062	92,124
Net assets		
Shareholders' equity		
Share capital	16,680	16,697
Capital surplus	20,630	20,575
Retained earnings	35,749	32,660
Treasury shares	(3,170)	(3,170)
Total shareholders' equity	69,889	66,763
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	434	727
Deferred gains or losses on hedges	(47)	(13)
Foreign currency translation adjustment	(6,278)	(5,878)
Remeasurements of defined benefit plans	(897)	(796)
Total accumulated other comprehensive income	(6,788)	(5,961)
Share acquisition rights	58	47
Non-controlling interests	1,499	1,391
Total net assets	64,659	62,240
Total liabilities and net assets	161,721	154,364

Consolidated quarterly statements of income

(Unit: million yen)

	2nd quarter of FY2019	2nd quarter of FY2020
Net sales	69,527	58,465
Cost of sales	32,555	30,075
Gross profit	36,972	28,389
Selling, general and administrative expenses	33,161	29,158
Operating profit (loss)	3,810	(768)
Non-operating income		
Interest income	103	47
Dividend income	31	30
Share of profit of entities accounted for using equity method	9	—
Subsidy income	—	92
Other	101	122
Total non-operating income	246	293
Non-operating expenses		
Interest expenses	472	345
Share of loss of entities accounted for using equity method	—	194
Foreign exchange losses	578	184
Other	245	598
Total non-operating expenses	1,295	1,322
Ordinary profit (loss)	2,761	(1,797)
Extraordinary losses		
Extra retirement payments	—	162
Loss on sales of shares of subsidiaries	555	—
Total extraordinary losses	555	162
Profit (loss) before income taxes	2,205	(1,960)
Income taxes - current	776	356
Income taxes - deferred	548	(309)
Total income taxes	1,324	47
Profit (loss)	881	(2,007)
Profit (loss) attributable to non-controlling interests	(14)	30
Profit (loss) attributable to owners of parent	895	(2,037)

Consolidated quarterly statements of cash flows

(Unit: Million Yen)

	2nd quarter of FY2019	2nd quarter of FY2020
Cash flows from operating activities		
Profit (loss) before income taxes	2,205	(1,960)
Depreciation	3,051	3,342
Amortization of goodwill	1,012	955
Increase (decrease) in allowance for doubtful accounts	(30)	41
Interest and dividend income	(135)	(78)
Interest expenses	472	345
Extra retirement payments	—	162
Loss (gain) on sales of shares of subsidiaries	555	—
Increase (decrease) in retirement benefit liability	(863)	62
Decrease (increase) in trade receivables	4,845	6,646
Decrease (increase) in inventories	(2,122)	602
Decrease (increase) in accounts receivable - other	846	1,342
Increase (decrease) in trade payables	(1,151)	(4,735)
Increase (decrease) in accounts payable - other	(834)	(23)
Increase (decrease) in accrued expenses	(287)	1,363
Other, net	518	996
Subtotal	8,082	9,063
Interest and dividends received	144	70
Interest paid	(472)	(327)
Extra retirement payments	—	(162)
Income taxes paid	(2,137)	(1,056)
Net cash provided by (used in) operating activities	5,617	7,588
Cash flows from investing activities		
Payments into time deposits	(286)	(724)
Proceeds from withdrawal of time deposits	590	55
Purchase of property, plant and equipment	(1,653)	(2,486)
Proceeds from sales of property, plant and equipment	117	97
Purchase of intangible assets	(1,139)	(879)
Purchase of investment securities	(1)	(161)
Payments for acquisition of businesses	—	(19)
Long-term loan advances	(5)	(3)
Other, net	216	85
Net cash provided by (used in) investing activities	(2,160)	(4,036)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	2,524	(9,092)
Proceeds from long-term borrowings	—	2,312
Repayments of long-term borrowings	(2,770)	(2,649)
Proceeds from issuance of bonds	—	20,000
Redemption of bonds	—	(10,000)
Repayments of lease obligations	(669)	(732)
Dividends paid	(1,272)	(1,051)
Purchase of treasury shares	(1,078)	(0)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(139)
Other, net	(54)	(51)
Net cash provided by (used in) financing activities	(3,320)	(1,403)
Effect of exchange rate change on cash and cash equivalents	(320)	(120)
Net increase (decrease) in cash and cash equivalents	(184)	2,027
Cash and cash equivalents at beginning of period	12,935	15,784
Cash and cash equivalents at end of period	12,751	17,811

[Segment Information by business category]

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)	5,896	(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 .

2nd quarter of FY2020 (April 1, 2020 - September 30, 2020)

(Unit: million yen)

	Reportable segment					Elimination & Common	Total
	Smart Infrastructure Business	Positioning Company	Eye Care Business	Other	Sub-Total		
Sales							
Sales to unaffiliated customers	11,016	30,289	16,659	499	58,465	—	58,465
Intercompany sales or transfer	3,870	1,851	126	1	5,849	(5,849)	—
Total	14,886	32,141	16,785	500	64,314	(5,849)	58,465
Segment Profit (Operating Income)	1,777	2,157	(2,388)	(255)	1,291	(2,060)	(768)

Note: Segment Profit (2,060) 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 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

2nd quarter of FY2020 (April 1, 2020 - September 30, 2020)

(Unit: million yen)

	North America	Europe	China	Asia / Oceania	Other	Total
Overseas sales	19,064	13,443	3,942	4,575	3,532	44,559
Consolidated Sales						58,465
Ratio to Consolidated Sales (%)	32.6	23.0	6.7	7.8	6.0	76.2

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.