

Consolidated Financial Results

(Japanese GAAP)

FY2017 ending March 2018

TOPCON CORPORATION

Release Date: October 27, 2017

1. Summary of Second Quarter Business Results for FY2017 ending March 2018 (April 1, 2017 - September 30, 2017)

"%" 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 FY2017	68,046	17.4	4,570	21.6	4,088	83.1	1,867	194.5
2nd quarter of FY2016	57,939	(7.9)	3,757	(15.9)	2,233	(42.2)	634	(72.1)

Note: Comprehensive income
2nd quarter of FY2017 5,200 million yen [-%]
2nd quarter of FY2016 (5,233) million yen [-%]

	Basic earnings per share	Diluted earnings per share
	yen	yen
2nd quarter of FY2017	17.61	17.61
2nd quarter of FY2016	5.98	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share
	million yen	million yen	%	yen
2nd quarter of FY2017	161,205	67,492	39.7	603.03
FY2016 ended March 2017	158,280	63,313	37.7	563.30

Note: Shareholders' equity
2nd quarter of FY2017 63,928 million yen
FY2016 ended March 2017 59,716 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
FY2016 ended March 2017	—	8.00	—	8.00	16.00
FY2017 ending March 2018	—	10.00			
FY2017 ending March 2018 (forecast)			—	10.00	20.00

*Revisions to the projected dividends : No

3. Business Forecasts for FY2017 ending March 2018 (April 1, 2017 - 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
Annual	138,000	7.5	12,000	25.6	10,000	31.2	5,700	29.7	53.77

*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)

	FY2016 ended March 2017	2nd quarter of FY2017
Assets		
Current assets		
Cash and deposits	15,570	18,148
Notes and accounts receivable - trade	41,201	38,291
Merchandise and finished goods	19,988	21,202
Work in process	1,930	2,066
Raw materials and supplies	10,429	10,619
Other	11,650	11,891
Allowance for doubtful accounts	(1,680)	(1,878)
Total current assets	99,089	100,342
Non-current assets		
Property, plant and equipment	15,129	15,984
Intangible assets		
Goodwill	14,553	14,715
Other	21,481	21,802
Total intangible assets	36,035	36,518
Investments and other assets	8,025	8,359
Total non-current assets	59,190	60,863
Total assets	158,280	161,205
Liabilities		
Current liabilities		
Notes and accounts payable - trade	10,353	10,851
Short-term loans payable	16,296	18,055
Lease obligations	687	624
Income taxes payable	991	943
Provision for product warranties	920	961
Other	12,904	13,707
Total current liabilities	42,153	45,145
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	16,725	12,982
Lease obligations	4,901	4,679
Provision for directors' retirement benefits	43	46
Net defined benefit liability	6,743	5,934
Other	4,399	4,925
Total non-current liabilities	52,813	48,567
Total liabilities	94,966	93,712
Net assets		
Shareholders' equity		
Capital stock	16,638	16,638
Capital surplus	20,950	20,841
Retained earnings	29,344	30,350
Treasury shares	(2,089)	(2,089)
Total shareholders' equity	64,844	65,741
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	740	1,395
Deferred gains or losses on hedges	40	16
Foreign currency translation adjustment	(3,849)	(1,808)
Remeasurements of defined benefit plans	(2,059)	(1,416)
Total accumulated other comprehensive income	(5,127)	(1,812)
Subscription rights to shares	—	12
Non-controlling interests	3,596	3,550
Total net assets	63,313	67,492
Total liabilities and net assets	158,280	161,205

Consolidated quarterly statements of income

(Unit: million yen)

	2nd quarter of FY2016	2nd quarter of FY2017
Net sales	57,939	68,046
Cost of sales	27,718	33,501
Gross profit	30,220	34,545
Selling, general and administrative expenses	26,463	29,975
Operating profit	3,757	4,570
Non-operating income		
Interest income	38	52
Dividend income	10	15
Foreign exchange gains	—	195
Other	121	75
Total non-operating income	170	339
Non-operating expenses		
Interest expenses	445	448
Share of loss of entities accounted for using equity method	128	92
Foreign exchange losses	996	—
Other	124	279
Total non-operating expenses	1,694	820
Ordinary profit	2,233	4,088
Extraordinary losses		
Loss on valuation of investment securities	—	263
Office transfer expenses	151	—
Special retirement expenses	58	—
Total extraordinary losses	210	263
Profit before income taxes	2,023	3,825
Income taxes - current	1,137	2,264
Income taxes - deferred	155	(165)
Total income taxes	1,293	2,098
Profit	730	1,727
Profit (loss) attributable to non-controlling interests	96	(139)
Profit attributable to owners of parent	634	1,867

Consolidated quarterly statements of cash flows

(Unit: Million Yen)

	2nd quarter of FY2016	2nd quarter of FY2017
Cash flows from operating activities		
Profit before income taxes	2,023	3,825
Depreciation	2,129	2,829
Amortization of goodwill	1,268	1,274
Increase (decrease) in allowance for doubtful accounts	89	148
Interest and dividend income	(48)	(68)
Interest expenses	445	448
Loss (gain) on valuation of investment securities	—	263
Office transfer expenses	151	—
Extra retirement payment	58	—
Increase (decrease) in net defined benefit liability	130	110
Decrease (increase) in notes and accounts receivable - trade	4,805	4,103
Decrease (increase) in inventories	250	(225)
Decrease (increase) in accounts receivable - other	992	153
Increase (decrease) in notes and accounts payable - trade	(2,444)	13
Increase (decrease) in accounts payable - other	(334)	(235)
Increase (decrease) in accrued expenses	(371)	533
Other, net	1,510	1,174
Subtotal	10,656	14,350
Interest and dividend income received	48	62
Interest expenses paid	(431)	(433)
Payments for extra retirement payments	(58)	—
Income taxes paid	(1,561)	(2,332)
Net cash provided by (used in) operating activities	8,653	11,646
Cash flows from investing activities		
Payments into time deposits	(399)	(843)
Proceeds from withdrawal of time deposits	416	488
Purchase of property, plant and equipment	(1,729)	(2,651)
Proceeds from sales of property, plant and equipment	83	73
Purchase of intangible assets	(782)	(1,184)
Purchase of investment securities	(0)	(373)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(142)	(1,039)
Payments for transfer of business	—	(108)
Other, net	63	(203)
Net cash provided by (used in) investing activities	(2,490)	(5,843)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(4,913)	(772)
Proceeds from long-term loans payable	—	499
Repayments of long-term loans payable	(53)	(2,130)
Repayments of finance lease obligations	(347)	(274)
Cash dividends paid	(1,273)	(848)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(0)	(169)
Other, net	(67)	(55)
Net cash provided by (used in) financing activities	(6,655)	(3,751)
Effect of exchange rate change on cash and cash equivalents	(800)	166
Net increase (decrease) in cash and cash equivalents	(1,292)	2,217
Cash and cash equivalents at beginning of period	15,499	14,703
Cash and cash equivalents at end of period	14,206	16,921

[Segment Information by business category]

2nd quarter of FY2016 (April 1, 2016 - September 30, 2016)

(Unit: million yen)

	Reportable segment					Elimination & Common	Total
	Smart Infrastructure Business	Positioning Company	Eye Care Business	Other	Sub-Total		
Sales							
Sales to unaffiliated customers	11,051	25,666	19,503	1,717	57,939	—	57,939
Intercompany sales or transfer	3,906	1,499	108	19	5,533	(5,533)	—
Total	14,958	27,166	19,611	1,736	63,472	(5,533)	57,939
Segment Profit (Operating Income)	1,377	2,472	1,269	(93)	5,025	(1,268)	3,757

Note: Segment Profit (1,268) on "Elimination & Common" is mainly goodwill amortization expense which is not distributed to each reportable segment.

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.

[Overseas Sales]

2nd quarter of FY2016 (April 1, 2016 - September 30, 2016)

(Unit: million yen)

	North America	Europe	China	Asia / Oceania	Other	Total
Overseas sales	16,241	14,439	4,124	6,385	4,059	45,249
Consolidated Sales						57,939
Ratio to Consolidated Sales (%)	28.0	24.9	7.1	11.0	7.0	78.1

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

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.