

Consolidated Financial Results for the Second Quarter of FY2023 Ending March 2024

(Japanese GAAP)

TOPCON CORPORATION

Release Date: October 27, 2023

1. Summary of Second Quarter Business Results for FY2023 ending March 2024 (April 1, 2023 - September 30, 2023)

"%" 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 FY2023	104,497	1.7	3,830	(59.0)	3,395	(64.0)	609	(89.9)
2nd quarter of FY2022	102,715	26.4	9,336	33.7	9,428	50.0	6,032	55.3

Note: Comprehensive income
 2nd quarter of FY2023 10,433 million yen (21.4 %)
 2nd quarter of FY2022 13,281 million yen (215.7 %)

	Basic earnings per share	Diluted earnings per share
	yen	yen
2nd quarter of FY2023	5.78	5.78
2nd quarter of FY2022	57.32	57.32

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share
	million yen	million yen	%	yen
2nd quarter of FY2023	238,563	105,074	43.3	979.90
FY2022 ended March 2023	207,890	97,040	45.8	905.17

Note: Shareholders' equity
 2nd quarter of FY2023 103,234 million yen
 FY2022 ended March 2023 95,310 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
FY2022 ended March 2023	—	20.00	—	22.00	42.00
FY2023 ending March 2024	—	20.00			
FY2023 ending March 2024 (forecast)			—	22.00	42.00

*Revision to the most recently disclosed dividend forecasts : No

3. Business Forecasts for FY2023 ending March 2024 (April 1, 2023 - March 31, 2024)

"%" 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	215,000	(0.3)	13,000	(33.5)	11,000	(38.3)	4,500	(61.9)	42.73

*Revision to the most recently disclosed 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)

	FY2022 ended March 2023	2nd quarter of FY2023
Assets		
Current assets		
Cash and deposits	17,660	19,859
Notes and accounts receivable - trade	47,454	44,243
Merchandise and finished goods	24,309	29,157
Work in process	2,048	2,117
Raw materials and supplies	25,151	30,058
Other	8,375	10,268
Allowance for doubtful accounts	(1,925)	(1,596)
Total current assets	123,074	134,107
Non-current assets		
Property, plant and equipment	32,848	37,417
Intangible assets		
Goodwill	8,994	19,479
Other	21,333	21,703
Total intangible assets	30,328	41,182
Investments and other assets	21,638	25,855
Total non-current assets	84,815	104,455
Total assets	207,890	238,563
Liabilities		
Current liabilities		
Notes and accounts payable - trade	16,389	16,727
Short-term borrowings	20,712	20,484
Lease liabilities	2,770	3,106
Income taxes payable	1,486	2,769
Provision for product warranties	1,890	1,815
Other	24,032	23,380
Total current liabilities	67,282	68,283
Non-current liabilities		
Bonds payable	20,000	40,000
Long-term borrowings	2,058	1,988
Lease liabilities	7,943	8,604
Provision for retirement benefits for directors (and other officers)	42	39
Retirement benefit liability	4,470	3,803
Other	9,052	10,768
Total non-current liabilities	43,567	65,205
Total liabilities	110,850	133,488
Net assets		
Shareholders' equity		
Share capital	16,780	16,837
Capital surplus	20,682	20,739
Retained earnings	52,635	50,927
Treasury shares	(3,171)	(3,172)
Total shareholders' equity	86,926	85,332
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	891	1,931
Deferred gains or losses on hedges	14	-
Foreign currency translation adjustment	7,313	15,346
Remeasurements of defined benefit plans	164	623
Total accumulated other comprehensive income	8,384	17,902
Share acquisition rights	63	63
Non-controlling interests	1,666	1,776
Total net assets	97,040	105,074
Total liabilities and net assets	207,890	238,563

Consolidated quarterly statements of income

(Unit: million yen)

	2nd quarter of FY2022	2nd quarter of FY2023
Net sales	102,715	104,497
Cost of sales	49,199	49,512
Gross profit	53,515	54,985
Selling, general and administrative expenses	44,179	51,154
Operating profit	9,336	3,830
Non-operating income		
Interest income	59	119
Dividend income	17	18
Foreign exchange gains	1,075	588
Other	417	351
Total non-operating income	1,569	1,078
Non-operating expenses		
Interest expenses	344	983
Share of loss of entities accounted for using equity method	214	70
Loss on valuation of investment securities	479	-
Other	438	459
Total non-operating expenses	1,476	1,513
Ordinary profit	9,428	3,395
Extraordinary losses		
Impairment losses	426	1,314
Extra retirement payments	-	91
Total extraordinary losses	426	1,406
Profit before income taxes	9,002	1,988
Income taxes - current	2,672	2,101
Income taxes - deferred	204	(869)
Total income taxes	2,876	1,232
Profit	6,126	756
Profit attributable to non-controlling interests	94	147
Profit attributable to owners of parent	6,032	609

Consolidated quarterly statements of cash flows

(Unit: Million Yen)

	2nd quarter of FY2022	2nd quarter of FY2023
Cash flows from operating activities		
Profit before income taxes	9,002	1,988
Depreciation	4,974	4,694
Amortization of goodwill	796	1,029
Increase (decrease) in allowance for doubtful accounts	(170)	(498)
Interest and dividend income	(76)	(138)
Interest expenses	344	983
Impairment losses	426	1,314
Extra retirement payments	-	91
Increase (decrease) in retirement benefit liability	(141)	(1,434)
Decrease (increase) in trade receivables	5,245	7,288
Decrease (increase) in inventories	(5,855)	(4,390)
Decrease (increase) in accounts receivable - other	699	(344)
Increase (decrease) in trade payables	(1,148)	(677)
Increase (decrease) in accounts payable - other	457	(422)
Increase (decrease) in accrued expenses	(3,176)	(442)
Other, net	(6,172)	(3,916)
Subtotal	5,204	5,126
Interest and dividends received	99	138
Interest paid	(353)	(963)
Extra retirement payments	-	(91)
Income taxes paid	(3,207)	(901)
Net cash provided by (used in) operating activities	1,742	3,307
Cash flows from investing activities		
Payments into time deposits	(606)	(28)
Proceeds from withdrawal of time deposits	-	501
Purchase of property, plant and equipment	(2,039)	(3,668)
Proceeds from sale of property, plant and equipment	34	67
Purchase of intangible assets	(1,144)	(1,460)
Purchase of investment securities	(278)	(574)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(11,680)
Payments for acquisition of businesses	(11)	-
Long-term loan advances	-	(302)
Other, net	(448)	79
Net cash provided by (used in) investing activities	(4,494)	(17,065)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	16,846	(1,517)
Repayments of long-term borrowings	(2,375)	(129)
Proceeds from issuance of bonds	-	20,000
Redemption of bonds	(10,000)	-
Repayments of lease liabilities	(796)	(961)
Dividends paid	(2,733)	(2,316)
Purchase of treasury shares	(0)	(0)
Other, net	-	(119)
Net cash provided by (used in) financing activities	940	14,956
Effect of exchange rate change on cash and cash equivalents	2,034	1,203
Net increase (decrease) in cash and cash equivalents	223	2,400
Cash and cash equivalents at beginning of period	19,009	14,950
Cash and cash equivalents at end of period	19,232	17,351

[Segment Information by business category]

The reportable segments have been changed since the current fiscal year, from "Smart Infrastructure Business", "Positioning Company", "Eye Care Business" and "Other" to "Positioning Business", "Eye Care Business" and "Other".

Segments which were categorized under "Smart Infrastructure" and "Positioning Company" in prior fiscal years are now categorized under new segment "Positioning Business".

Comparative information for the same period of previous fiscal year shown below are restated to reflect the new categories.

2nd quarter of FY2022 (April 1, 2022 - September 30, 2022) (Unit: million yen)

	Reportable segment				Elimination & Common	Total
	Positioning Business	Eye Care Business	Other	Sub-Total		
Sales						
Sales to unaffiliated customers	70,755	31,372	586	102,715	—	102,715
Intercompany sales or transfer	—	119	1	120	(120)	—
Total	70,755	31,492	588	102,836	(120)	102,715
Segment Profit (Operating Income)	10,243	1,487	(204)	11,526	(2,190)	9,336

Note: Segment Profit (2,190) 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 FY2023 (April 1, 2023 - September 30, 2023) (Unit: million yen)

	Reportable segment				Elimination & Common	Total
	Positioning Business	Eye Care Business	Other	Sub-Total		
Sales						
Sales to unaffiliated customers	69,557	34,316	623	104,497	—	104,497
Intercompany sales or transfer	5	134	2	143	(143)	—
Total	69,563	34,451	625	104,640	(143)	104,497
Segment Profit (Operating Income)	4,862	1,269	(91)	6,040	(2,209)	3,830

Note: Segment Profit (2,209) 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 FY2022 (April 1, 2022 - September 30, 2022) (Unit: million yen)

	North America	Europe	China	Asia / Oceania	Other	Total
Overseas sales	41,979	22,274	5,732	9,367	5,584	84,938
Consolidated Sales						102,715
Ratio to Consolidated Sales (%)	40.9	21.7	5.6	9.1	5.4	82.7

2nd quarter of FY2023 (April 1, 2023 - September 30, 2023) (Unit: million yen)

	North America	Europe	China	Asia / Oceania	Other	Total
Overseas sales	36,594	26,307	6,556	9,281	7,069	85,809
Consolidated Sales						104,497
Ratio to Consolidated Sales (%)	35.0	25.2	6.3	8.9	6.8	82.1

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.