

# **FY2013 Financial Results and Mid-Term Business Plan 2016**

In this presentation, “FY2013” refers to the year ended March 31, 2014.

**April 25, 2014  
TOPCON CORPORATION  
President & CEO Satoshi Hirano**

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# I . FY2013 Financial Results

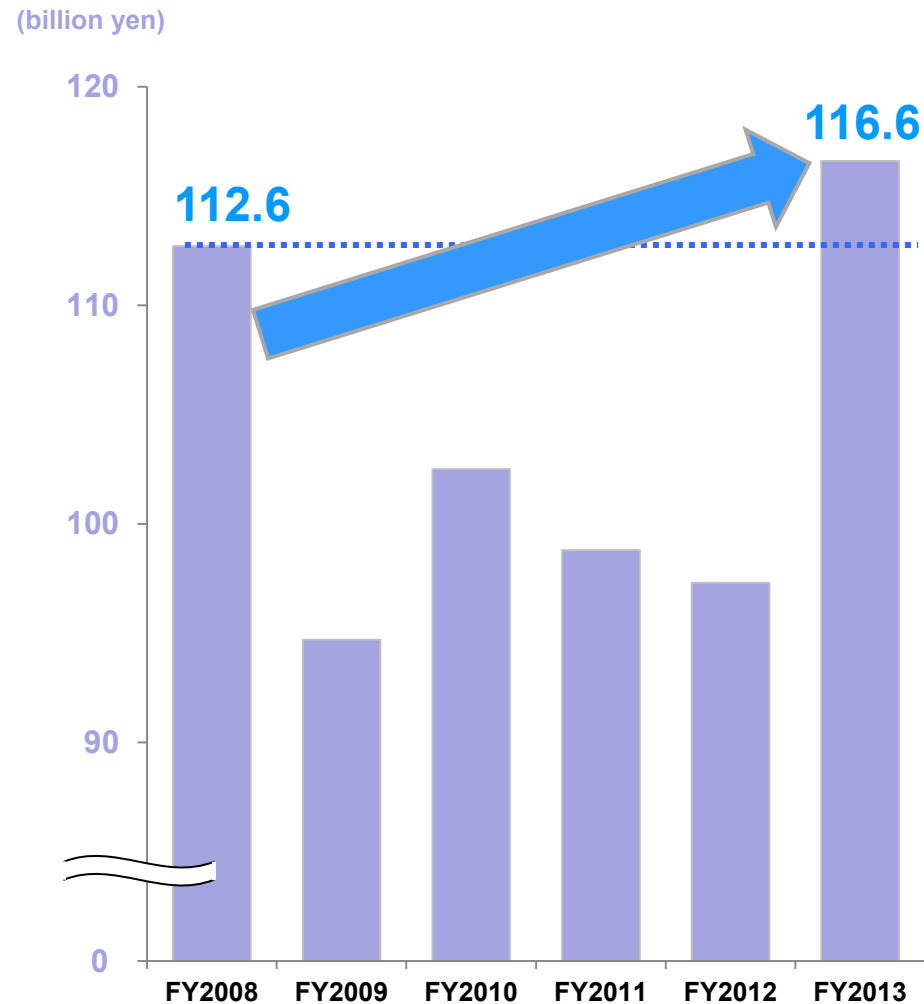
# Achievement of FY2013 <Reach all the announced figures>

(unit: billion yen)

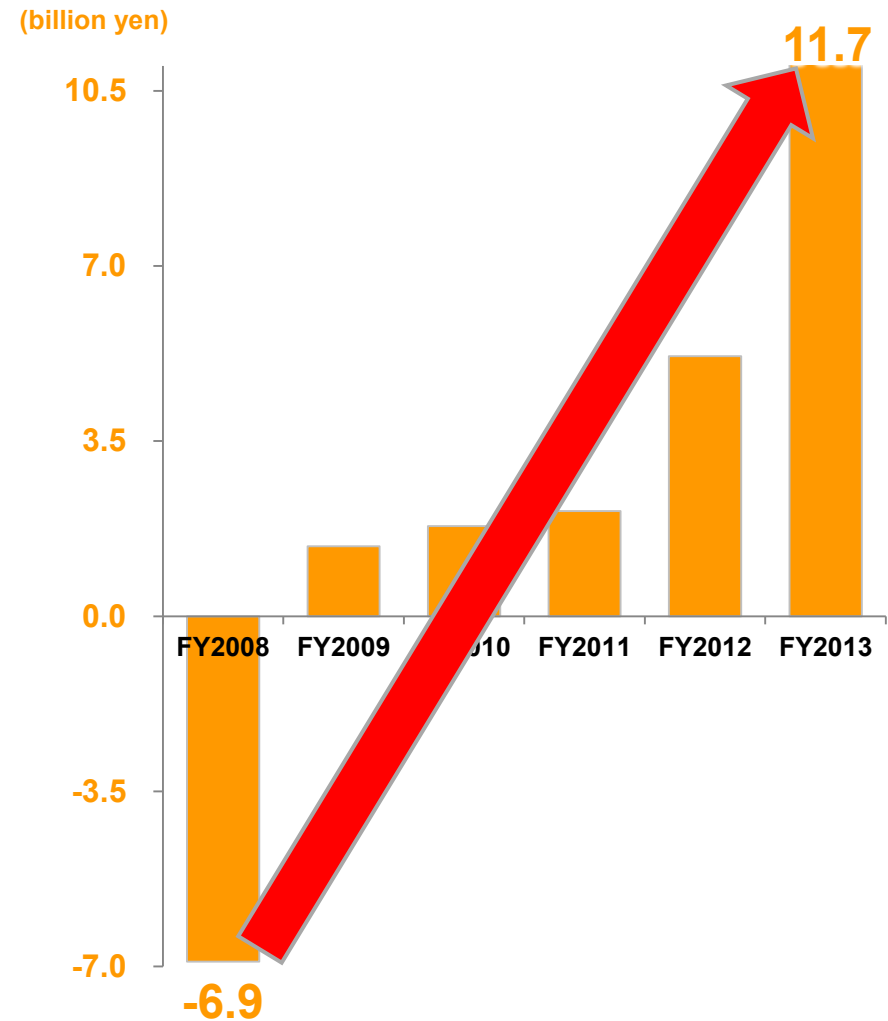
	Actual	Announcement	YoY	Comment
Sales	116.6	110.0	120%	Record-high Sales
Operating Income	11.7	11.5	230%	Achieved OP Ratio 10%
Ordinary Income	11.3	10.0	330%	Achieved over 10b yen
Net Income	5.9	5.0	x12	Remarkable Improvement
ROE	11.7%	10.3%	x9	Aim at 20% on FY2015

# Topic <Recorded the best profits in the last 5 years>

## Sales Trends



## Operating Income Trends





# FY2013 Financial Results

<Drastic growth in sales and profit >

(unit: million yen)

[Consolidated]	FY2012	FY2013			January 31, 2014
	Actual	Actual	YoY		Announcement
Net Sales	97,345	116,685	19,340	120%	110,000
Gross Profit (Gross Profit Ratio)	42,828 (44.0%)	55,651 (47.7%)	12,823	130%	
SGA	37,613	43,920	6,307	117%	
Operating Income (Operating Income Ratio)	5,214 (5.4%)	11,730 (10.1%)	6,516	225%	11,500 (10.5%)
Non-Operating Expenses	-1,743	-430	1,313	—	
Ordinary Income	3,471	11,300	7,829	326%	10,000
Extraordinary Income (Loss)	-1,444	-747	697	—	
Income Before Income Taxes and Minority Interests	2,027	10,552	8,525	521%	
Net Income	511	5,963	5,452	x11.7	5,000
ROE	1.3%	11.7%		x9	10.3%
ROIC	3.8%	7.9%		x2	9.5%
Dividends per Share	¥6	¥10	¥4		¥10

# FY2013 Company Financial Results

<All companies made significant growth in sales and profit>

(unit: million yen)

[Consolidated]		FY2012	FY2013				January 31, 2014
		Actual	Actual	YoY			Announcement
Net Sales	Positioning	37,824	48,959	11,135	129%		43,000
	Smart Infrastructure	29,839	34,621	4,782	116%		33,000
	Eye Care	31,073	38,736	7,663	125%		38,000
	Others	9,262	6,625	-2,637	72%		7,000
	Elimination	-10,653	-12,258	-1,605			-11,000
	Total	97,345	116,685	19,340	120%		110,000
Operating Income (Operating Income Ratio)	Positioning	1,413 (3.7%)	4,514 (9.2%)	3,101	319%		4,000 (9.3%)
	Smart Infrastructure	4,126 (13.8%)	5,201 (15.0%)	1,075	126%		4,800 (14.5%)
	Eye Care	1,563 (5.0%)	4,003 (10.3%)	2,440	256%		4,200 (11.1%)
	Others	-269 (-2.9%)	-205 (-3.1%)	64	—		100 (1.4%)
	Goodwill Amortization	-1,618	-1,782	-164			-1,600
	Total	5,214 (5.4%)	11,730 (10.1%)	6,516	225%		11,500 (10.5%)

# Status of Growth Strategy

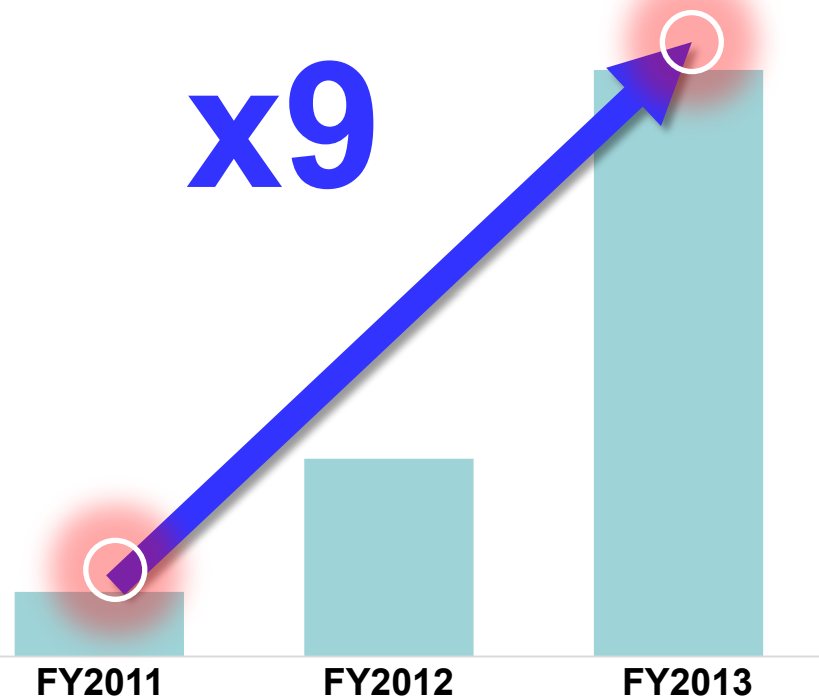
<Launch disruptive strategic products>

Positioning

**Big hit by seamless integration with  
construction machinery**



**OEM Sales Trends in  
Construction Business**





### Significant growth by launching all-in-one type

#### OEM Sales Trends in Precision AG Business



x2.4



FY2011

FY2012

FY2013

## Huge success as World's First Product for BIM

Released at the end of Jan. 2014  
**Sold 1,000 units  
in 2 months**



**LN-100**  
Layout Navigator



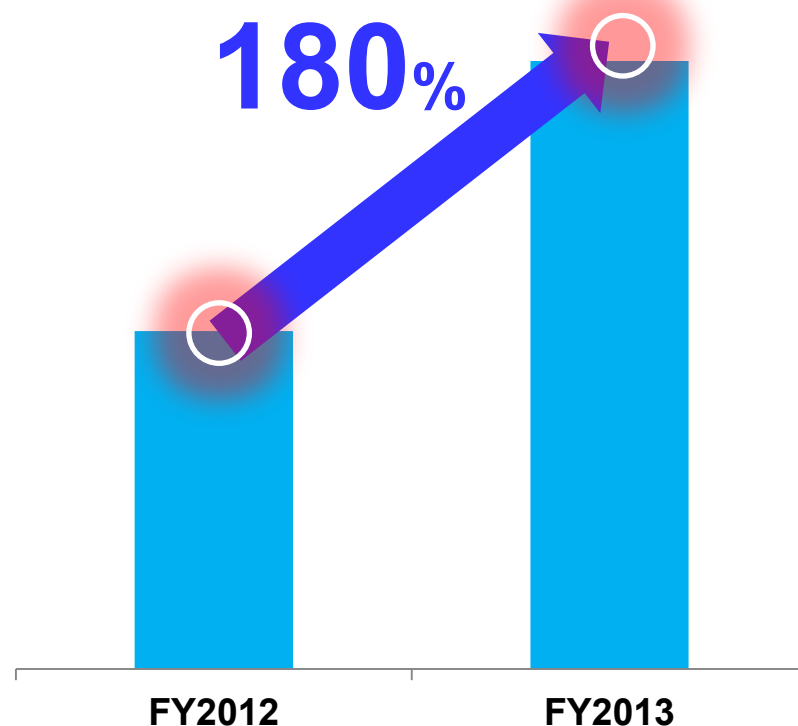
USA Dec 2013 **Autodesk University**



Japan Dec 2013 **TOPCON INNOVATION**

## OCT Series' drastic growth by big hit of Maestro

### 3D OCT-1 Maestro



# Status of Growth Strategy

< Launch disruptive strategic products >

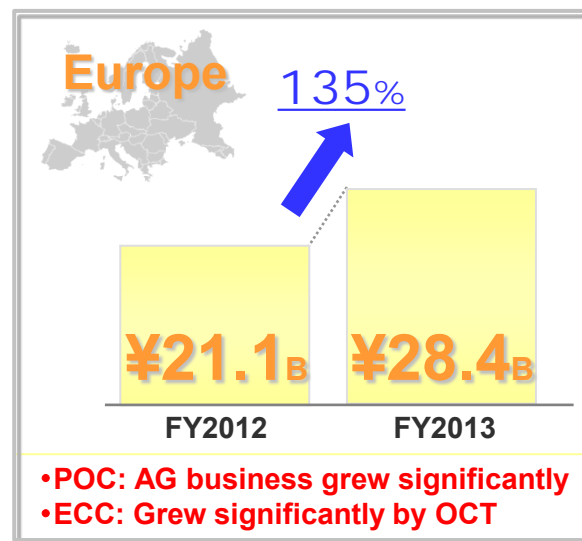
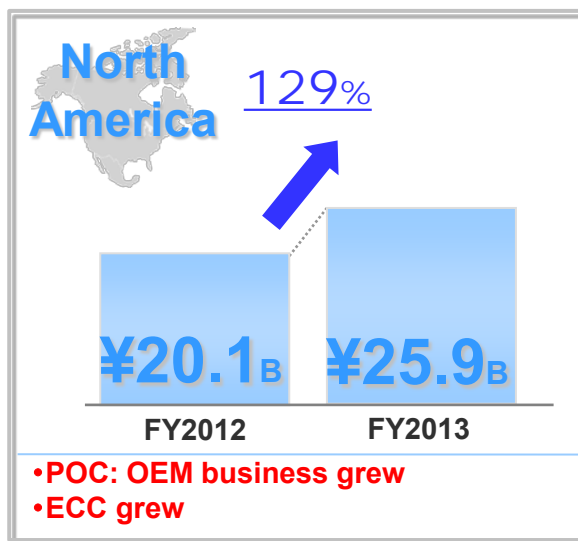
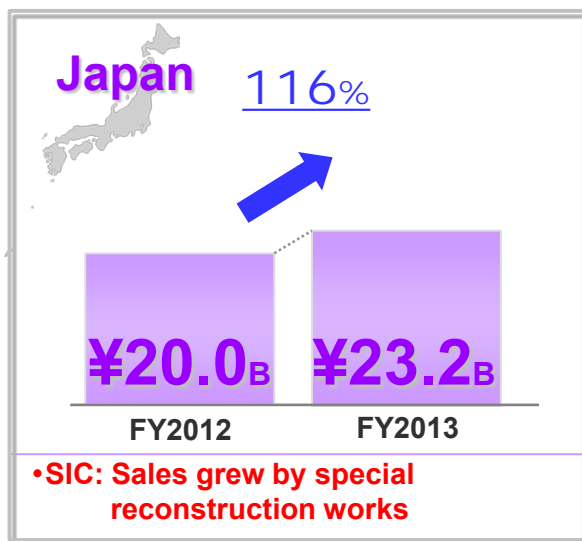
## New Products Launch

(unit: model)

Company	FY2013			<u>Mid-Term Plan 2015</u> Plan for FY2013-FY2015
	1H	2H	Total	
Positioning	3	10	13	32
Smart Infrastructure	4	4	8	21
Eye Care	2	7	9	21
Total	9	21	30	74

# Domestic and Overseas Sales (YoY)

<Growth in all region>



• Net sales of former Finetech business are excluded from figures above.

• POC=Positioning Company/ SIC=Smart Infrastructure Company / ECC=Eye Care Company

# Summary of FY2013 Financial Results

**1. Reach all the announced targets**

**2. Significant growth in sales and profit**

**3. Realization of growth strategy**

**4. Launch disruptive strategic products at all companies**



# **Ⅱ . Mid-Term Business Plan 2016**

## **Ⅱ -1. Vision for Mid-Term Business Plan**

## **Ⅱ -2. Strategic Plans on Mid-Term Business Plan**

## **Ⅱ -3. Financial Targets**

## **Ⅱ -4. Strategic Plans by Companies**

## Accelerate Growth Strategy

**Aim to become a true Global Top!**  
**Profitable and sustainable growth by creativity**

***Creativity & Growth***



### Strategy 1

**Enhance new business  
and strengthen core  
business**

### Strategy 2

**Launch disruptive  
strategic products**

### Strategy 3

**Utilize global  
human resources**

**Targeting ROE 20%!**



# Topcon's Business Domain

## Expanding business in growing fields

POC



**Revolution of Construction Industry**  
Improve productivity and quality by introduction of IT

SIC



**Infrastructure Building**  
Improve profitability and efficiency by introduction of IT

GPS (QZSS)



SIC



**Smart Sensing of Aging Infrastructure**  
Evaluation of deteriorated infrastructure  
Reduce maintenance cost by IT

POC

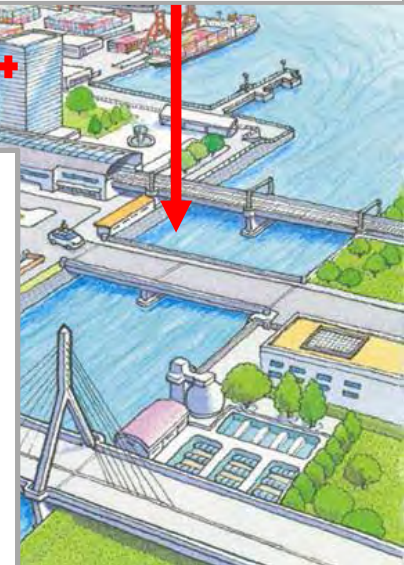


**Revolution of Agriculture Industry**  
Improve productivity and quality by introduction of IT

ECC



**Ophthalmology**  
Total solutions for increasing eye diseases caused by aging society, and reduce medical cost



# Ⅱ . Mid-Term Business Plan 2016

Ⅱ -1. Vision for Mid-Term Business Plan

**Ⅱ -2. Strategic Plans on  
Mid-Term Business Plan**

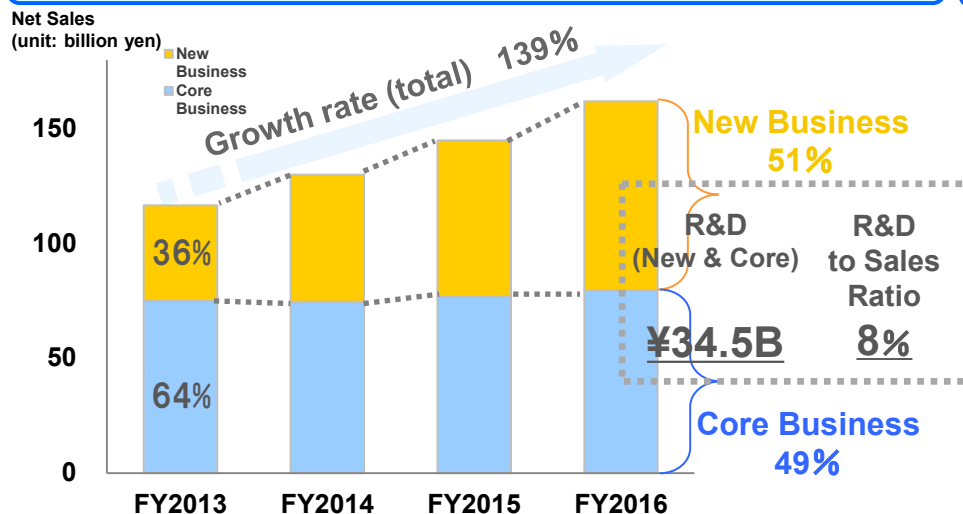
Ⅱ -3. Financial Targets

Ⅱ -4. Strategic Plans by Companies

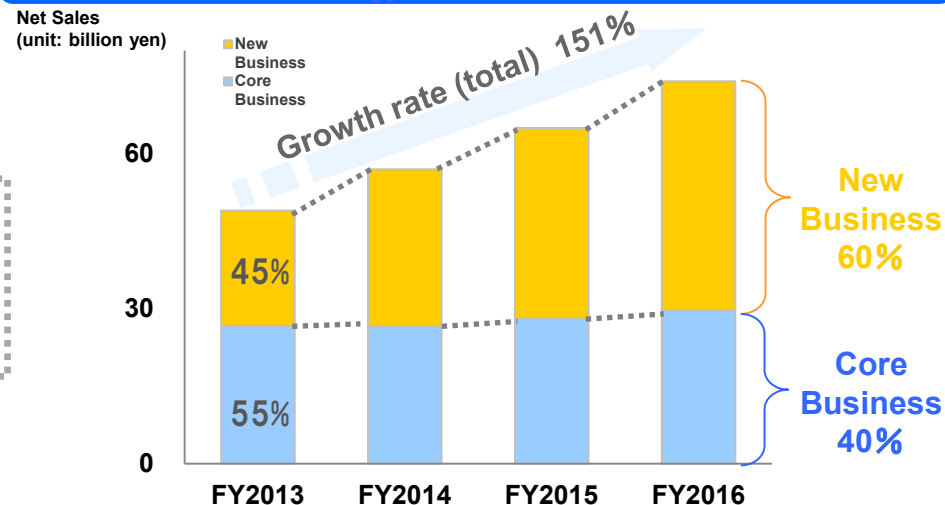


# Strategy 1. Enhance new business (Strengthen core business)

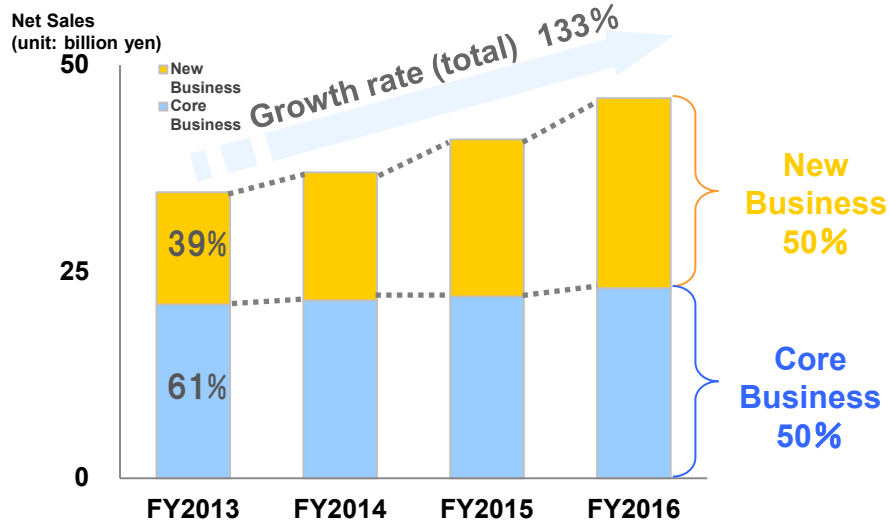
## Consolidated: Business growth by aggressive investment



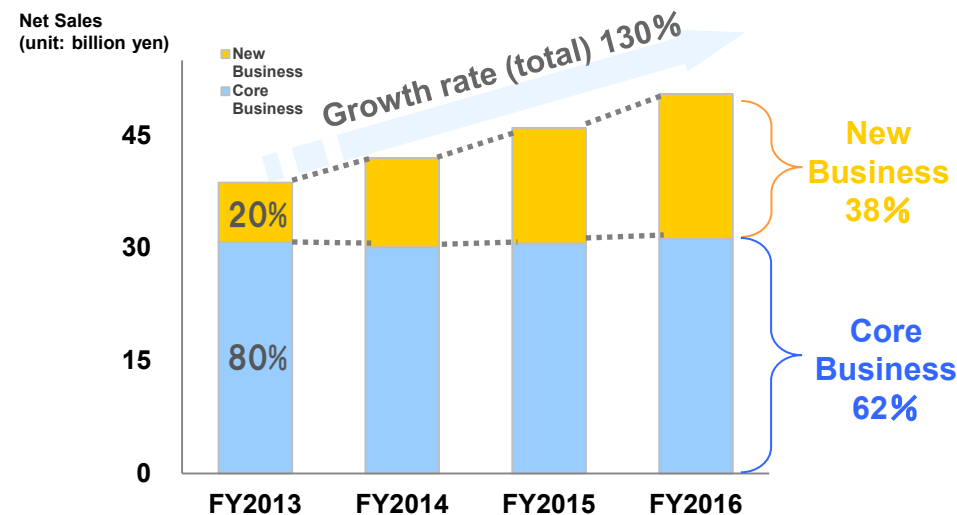
## POC: Accelerating IT Construction and IT Agriculture with strong GNSS core technology



## SIC: Enhance new business with strong basis of surveying instruments



## ECC: Strengthen Prognostic Management and Treatment Segment by enforcing competitiveness of Examination/ Diagnosis Segment



# Strategy 2. Launch disruptive strategic products

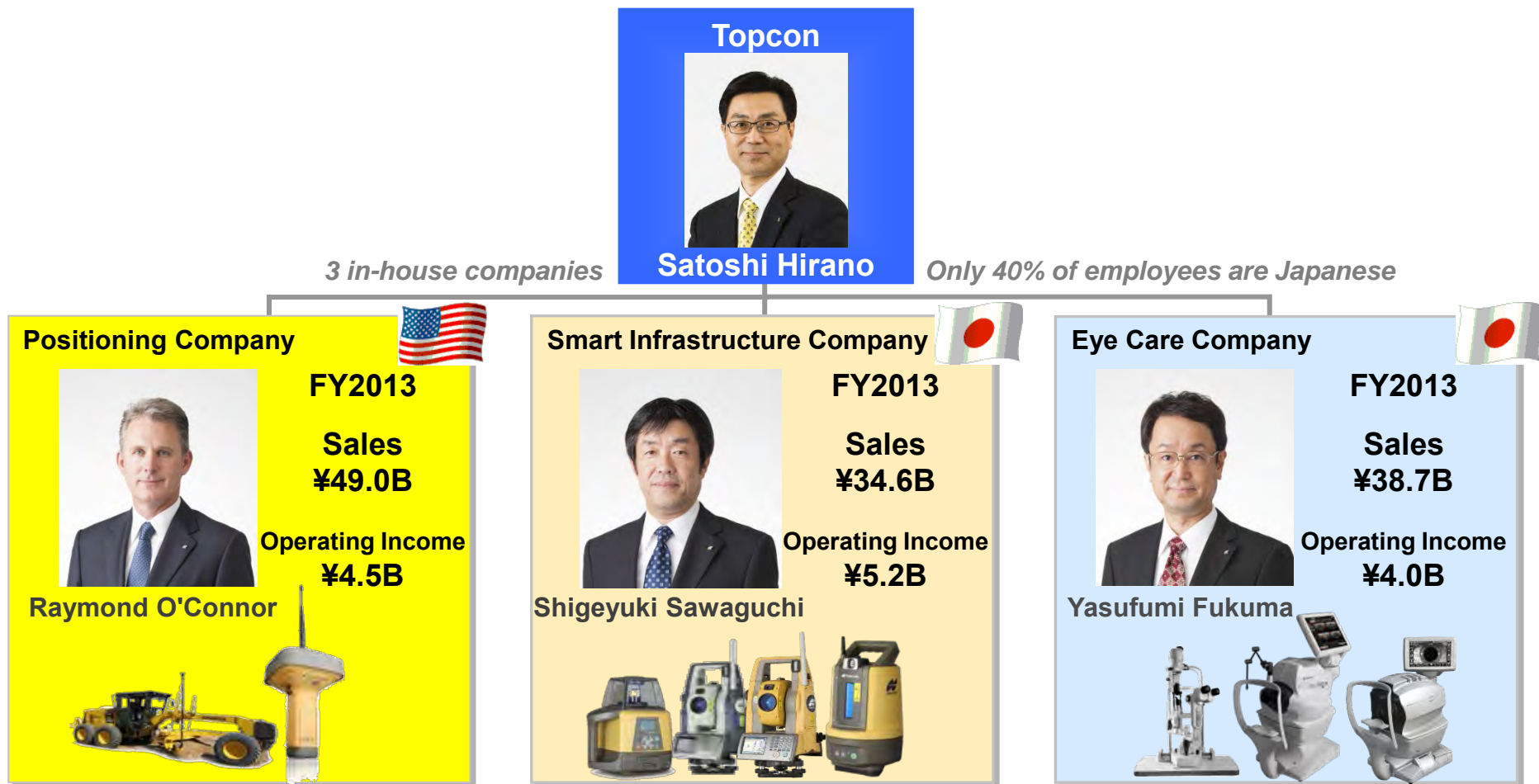
Accelerate development of strategic products by investing in R&D

	FY2013 (Results)	FY2014 - FY2016 (Plan)
Strategic products	<b>15</b> models	<b>45</b> models
Reduction of COGS	<b>12</b> models	<b>11</b> models
Products for emerging markets	<b>3</b> models	<b>9</b> models
<b>Total</b>	<b>30</b> models	<b>65</b> models



# Strategy 3. Utilize global human resources

## Globalized Management Structure



*Japanese president of subsidiaries are only 8 offices within total 53 offices*

*(as of April 1st 2014)*

# Ⅱ . Mid-Term Business Plan 2016

Ⅱ -1. Vision for Mid-Term Business Plan

Ⅱ -2. Strategic Plans on  
Mid-Term Business Plan

**Ⅱ -3. Financial Targets**

Ⅱ -4. Strategic Plans by Companies

(unit: million yen)

← Mid-Term Plan 2016 →

[Consolidated]		FY2013	FY2014	FY2015	FY2016
Net Sales		116,685	130,000	145,000	162,000
Operating Income (Operating income ratio)		11,730 (10.1%)	16,000 (12.3%)	22,000 (15.2%)	27,000 (16.7%)
Ordinary Income		11,300	14,500	20,500	25,500
Net Income		5,963	8,300	12,800	15,500
ROE		11.7%	15%	20%	20%
ROIC		7.9%	11%	15%	17%
Dividends per Share		¥10	¥16	¥24	¥30
Exchange Rate (Average)	US\$	¥100.00	¥100	¥100	¥100
	EUR	¥134.01	¥135	¥135	¥135

## Company Financial Targets

(unit: million yen)

← Mid-Term Plan 2016 →

[Consolidated]		FY2013	FY2014	FY2015	FY2016	FY2013-FY2016 CAGR
Net Sales	Positioning	48,959	57,000	65,000	74,000	15%
	Smart Infrastructure	34,621	37,000	41,000	46,000	10%
	Eye Care	38,736	42,000	46,000	50,500	9%
	Others	6,625	7,000	7,500	8,000	6%
	Elimination	-12,258	-13,000	-14,500	-16,500	—
	Total	116,685	130,000	145,000	162,000	12%
Operating Income (Operating Income Ratio)	Positioning	4,514 (9.2%)	6,200 (10.9%)	9,000 (13.8%)	11,500 (15.5%)	37%
	Smart Infrastructure	5,201 (15.0%)	5,900 (15.9%)	7,500 (18.3%)	8,500 (18.5%)	18%
	Eye Care	4,003 (10.3%)	5,500 (13.1%)	7,100 (15.4%)	8,500 (16.8%)	29%
	Others	-205 (-3.1%)	300 (4.3%)	400 (5.3%)	500 (6.3%)	—
	Goodwill Amortization	-1,782	-1,900	-2,000	-2,000	—
	Total	11,730 (10.1%)	16,000 (12.3%)	22,000 (15.2%)	27,000 (16.7%)	32%



# Financial Strategy

## <Financial improvement and growth investment>

1. Capital efficiency•Profitability → ROE:20% (after FY2015)
2. Asset efficiency → Total asset turnover: more than 1 time/ year (after FY2015)
3. Growth investment → Investment Mid-Term Plan: ¥20B (FY2014-FY2016)
  - growth field(AG,BIM, infrastructure maintenance, check-up)
  - sales network, sales expansion for emerging market
  - software, solution, cloud

### Investment plan for growth strategy

(unit: billion yen)

Consolidated	FY2013	FY2014	FY2015	FY2016
R&D (R&D to Sales ratio)	9.2 (8%)	10.0 (8%)	11.5 (8%)	13.0 (8%)
CAPEX	3.7	6.0	5.0	5.0
Investment	0.2	6.0	7.0	7.0

FY2014

## Full Year Forecast

(unit: million yen)

[Consolidated]		FY2013		FY2014			
		1H	Full Year	1H		Full Year	
		Actual	Actual	Forecast	YoY(%)	Forecast	YoY(%)
Net Sales		52,795	116,685	60,000	114%	130,000	111%
Operating Income (Operating Income Ratio)		4,143 (7.8%)	11,730 (10.1%)	5,000 (8.3%)	121%	16,000 (12.3%)	136%
Ordinary Income		4,040	11,300	4,300	106%	14,500	128%
Net Income		1,673	5,963	2,100	126%	8,300	139%
ROE			11.7%			15%	
ROIC			7.9%			11%	
Dividends per Share		¥5	¥10	¥8		¥16	
Exchange Rate (Average)	US\$	¥97.99	¥100.00	¥100		¥100	
	EUR	¥128.79	¥134.01	¥135		¥135	



FY2014

## Company Full Year Forecast

(unit: million yen)

[Consolidated]		FY2013		FY2014			
		1H	Full Year	1H		Full Year	
		Actual	Actual	Forecast	YoY (%)	Forecast	YoY (%)
Net Sales	Positioning	22,352	48,959	27,000	121%	57,000	116%
	Smart Infrastructure	15,887	34,621	17,000	107%	37,000	107%
	Eye Care	17,072	38,736	19,000	111%	42,000	108%
	Others	3,175	6,625	3,000	94%	7,000	106%
	Elimination	-5,692	-12,258	-6,000		-13,000	
	Total	52,795	116,685	60,000	114%	130,000	111%
Operating Income (Operating Income Ratio)	Positioning	1,830 (8.2%)	4,514 (9.2%)	2,400 (8.9%)	131%	6,200 (10.9%)	137%
	Smart Infrastructure	1,975 (12.4%)	5,201 (15.0%)	2,000 (11.8%)	101%	5,900 (15.9%)	113%
	Eye Care	1,251 (7.3%)	4,003 (10.3%)	1,400 (7.4%)	112%	5,500 (13.1%)	137%
	Others	16 (0.5%)	-205 (-3.1%)	100 (3.3%)	625%	300 (4.3%)	—
	Goodwill Amortization	-928	-1,782	-900		-1,900	
	Total	4,143 (7.8%)	11,730 (10.1%)	5,000 (8.3%)	121%	16,000 (12.3%)	136%

# II . Mid-Term Business Plan 2016

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Mid-Term Business Plan

II -3. Financial Targets

**II -4. Strategic Plans by Companies**

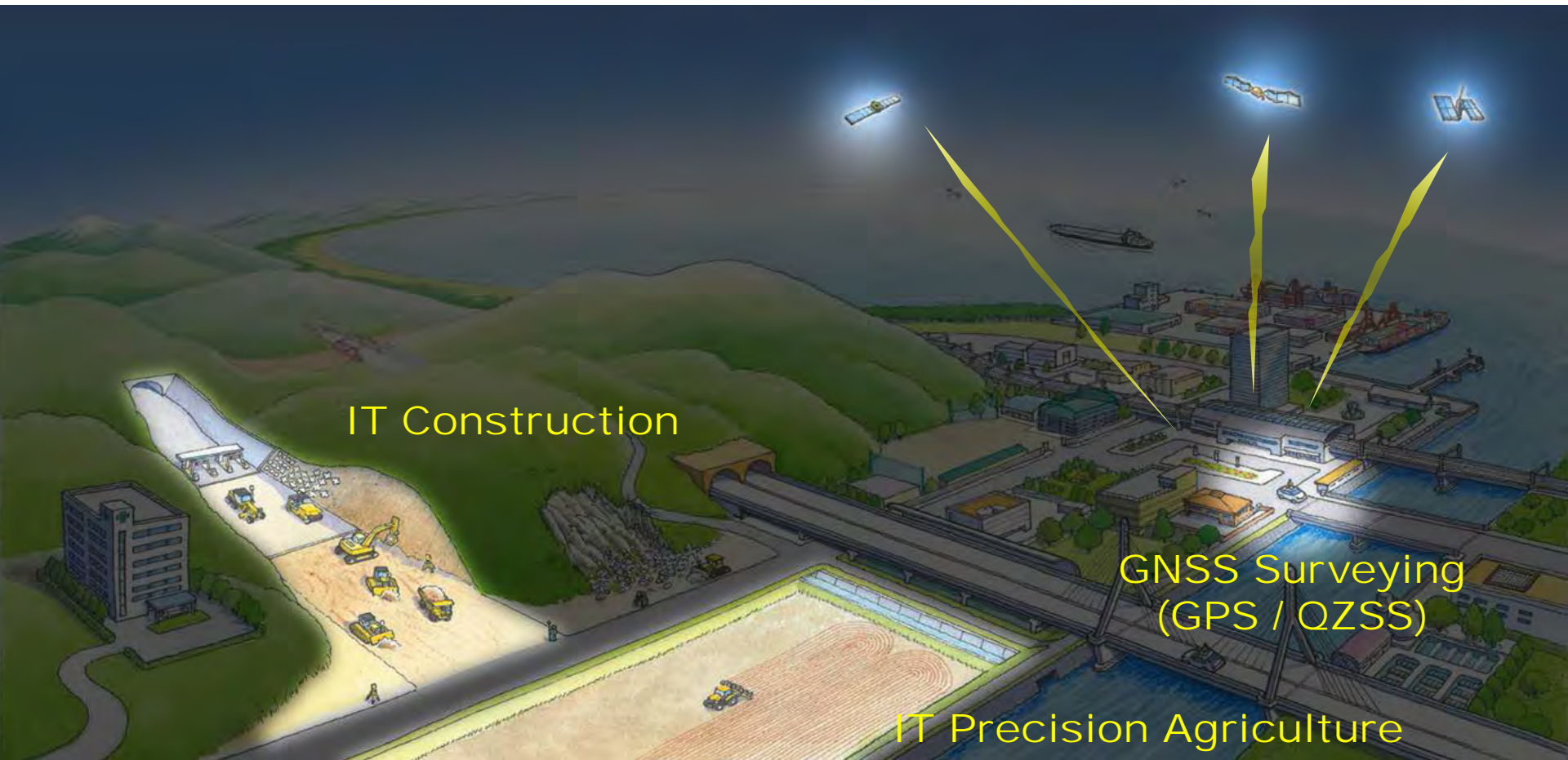
**POC: Accelerating IT Construction and IT Agriculture with strong GNSS core technology**

SIC: Enhance new business with strong basis of surveying instruments

ECC: Strengthen Prognostic Management and Treatment Segment by enforcing competitiveness of Examination/Diagnosis Segment



## Accelerating IT Construction and IT Agriculture with strong GNSS core technology

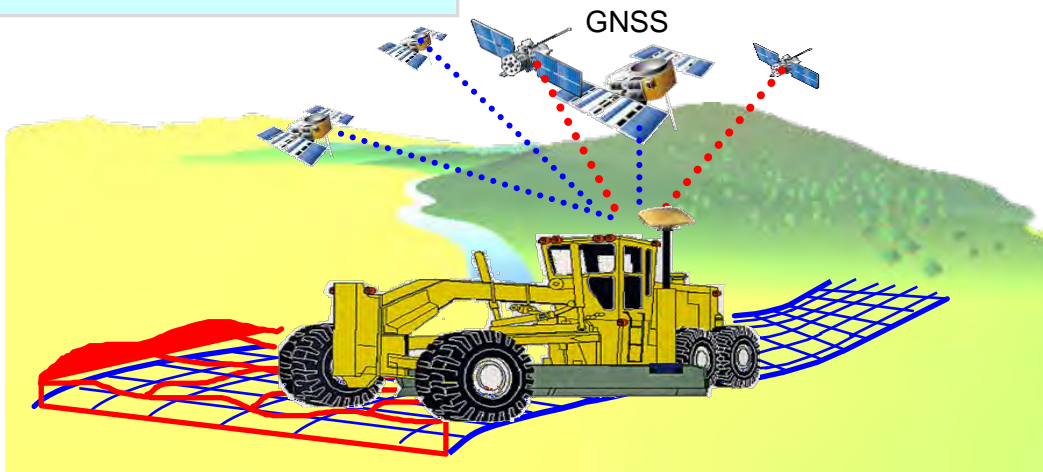


## **Revolutionary** Automated Construction!

3D Machine Control = IT Automated Construction

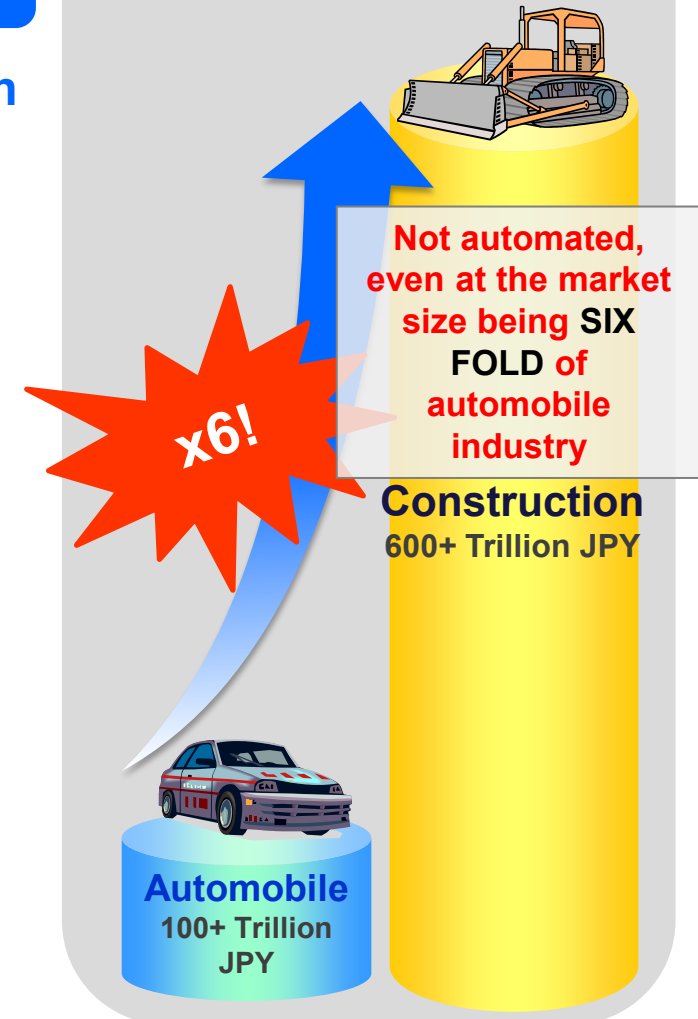
By automating equipment, the construction sites are seeing improved productivity, solved labor shortages and lowered costs

3D Machine Control



Market comparison

Automobile vs. Construction

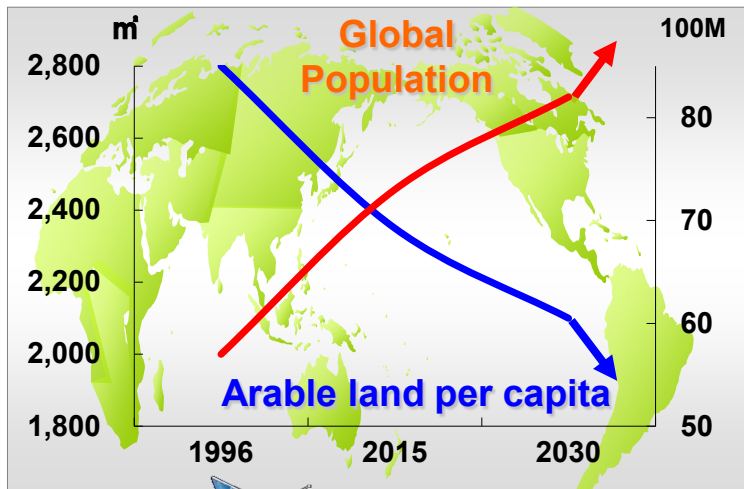


### Revolutionary Automated AG

The need to industrialize agriculture

Global population increase

Decrease in arable land per capita

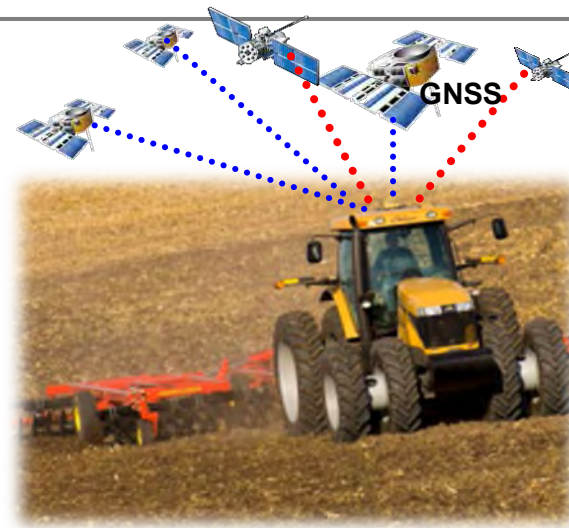
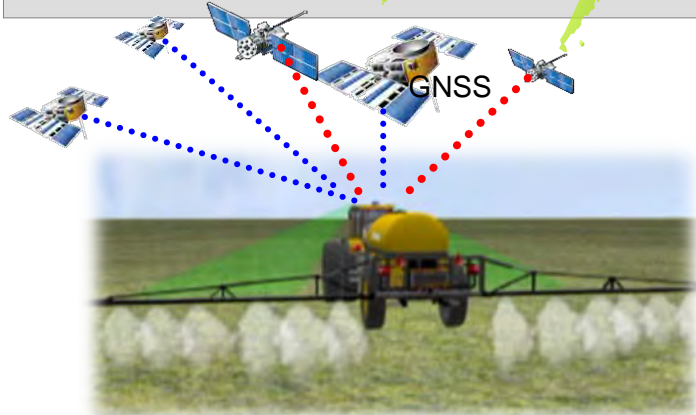


Issue

**Global Food Shortage**

Solution

**Improved productivity by IT**





### Major Strategy

World's first

**To the next stage of IT construction**  
(From 3D to 4D)

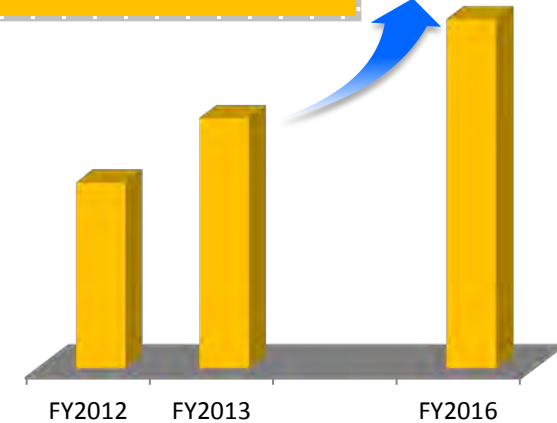
**Adopting the Just In Time (JIT) production strategy**

From individual management (3D control of equipment using GPS)

**To overall site management (Time-added 4D management)**

### Sales Projection

140%



### Market Potential

- ◆ Market size: 110 billion yen
- ◆ The demand for IT construction continue to grow in advanced countries
- ◆ Total solution needs from construction to management expanding



### Major Strategy

World's first

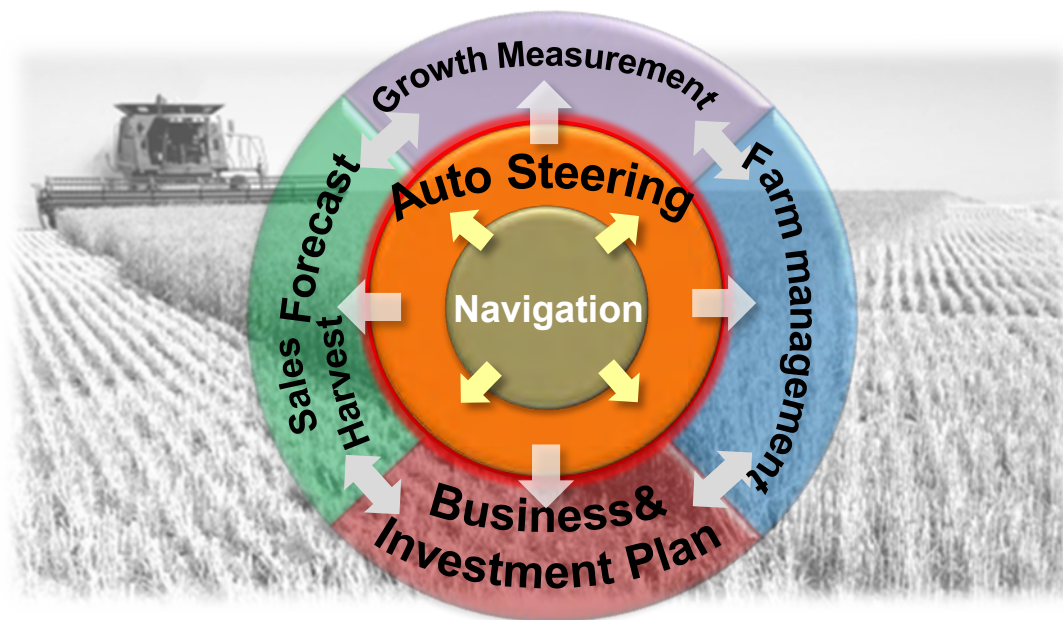
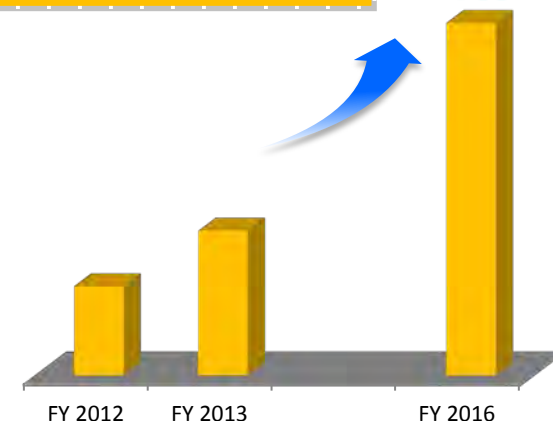
**Entering a new dimension**

Further improvement of quality and productivity  
(Wavelength analysis, scientifically handling Ag)

- Real time growth diagnosis and automatic fertilizer distribution
- Sales forecast from crop quality management

### Sales Projection

240%



### Market Potential

- ◆ Market size: 200 billion yen
- ◆ Market prospect:
  - Rapid expansion
- ◆ Smaller manufacturers will be merged into larger companies

## OEM business expansion of Construction equipment manufacturers

### Major Strategy

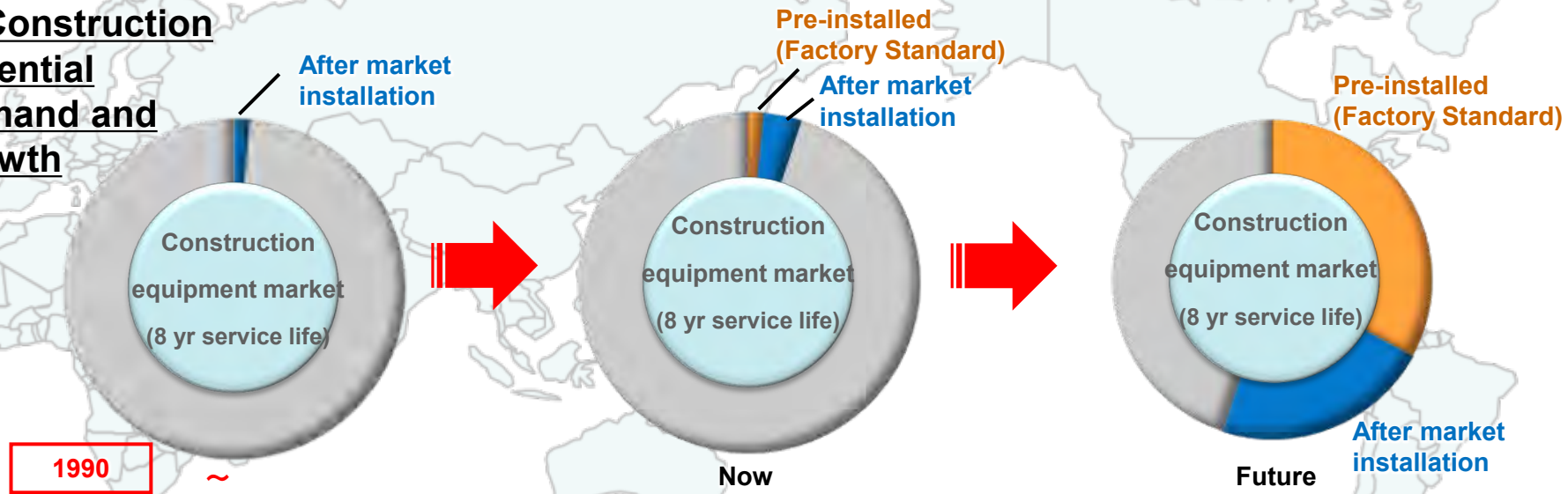
1st Stage: Success in aftermarket → Uncovered demands

2nd Stage: **Development of Pre-installed market**

3rd Stage: **Rejuvenation and expansion of the market  
(Standardization of IT Construction)**



### IT Construction Potential demand and growth



# New Business <IT Agriculture: OEM Business> **Positioning**

## Expansion of OEM business to AG equipment manufacturers

### Major Strategy

1st Stage: Success in aftermarket → Uncovered demands

2nd Stage: **Development of Pre-installed market**

3rd Stage: **Rejuvenation and expansion of the AG market  
(Standardization of IT Agriculture)**



IT AG  
Potential  
demand  
and growth

After market  
installation

Leapfrog growth of the pre-installed  
market

Pre-installed  
(Factory Standard)

After market  
installation

Pre-installed  
(Factory  
Standard)

Ag equipment  
Market  
(8 yr service life)

Ag equipment  
Market  
(8 yr service life)

Ag equipment  
Market  
(8 yr service life)

2000

~











Now

Future

# New Product Launch

<Reinforcing each field with advanced technology>

Positioning

	2014			2015	
	Apr	Jul	Oct	Jan	Mar
GPS	 <p>HiPer SR with integrated Cellular Cellular enabled GNSS receiver</p>  <p>FC-500 Versatile hand-held data collector for GIS applications</p>  <p>Highly competitive GNSS receiver</p>  <p>Next Generation Handheld GNSS receiver</p>				
MC & AG*	 <p>HT-30 Haul truck management system</p>     				

\* MC=Machine Control  
AG=Agriculture

	FY2013 (Result)	FY2014 - FY2016 (Plan)
Strategic products	<b>10</b> models	<b>20</b> models
Reduction of COGS	<b>1</b> model	<b>3</b> models
Products for emerging markets	<b>2</b> models	<b>2</b> models
<b>Total</b>	<b>13</b> models	<b>25</b> models

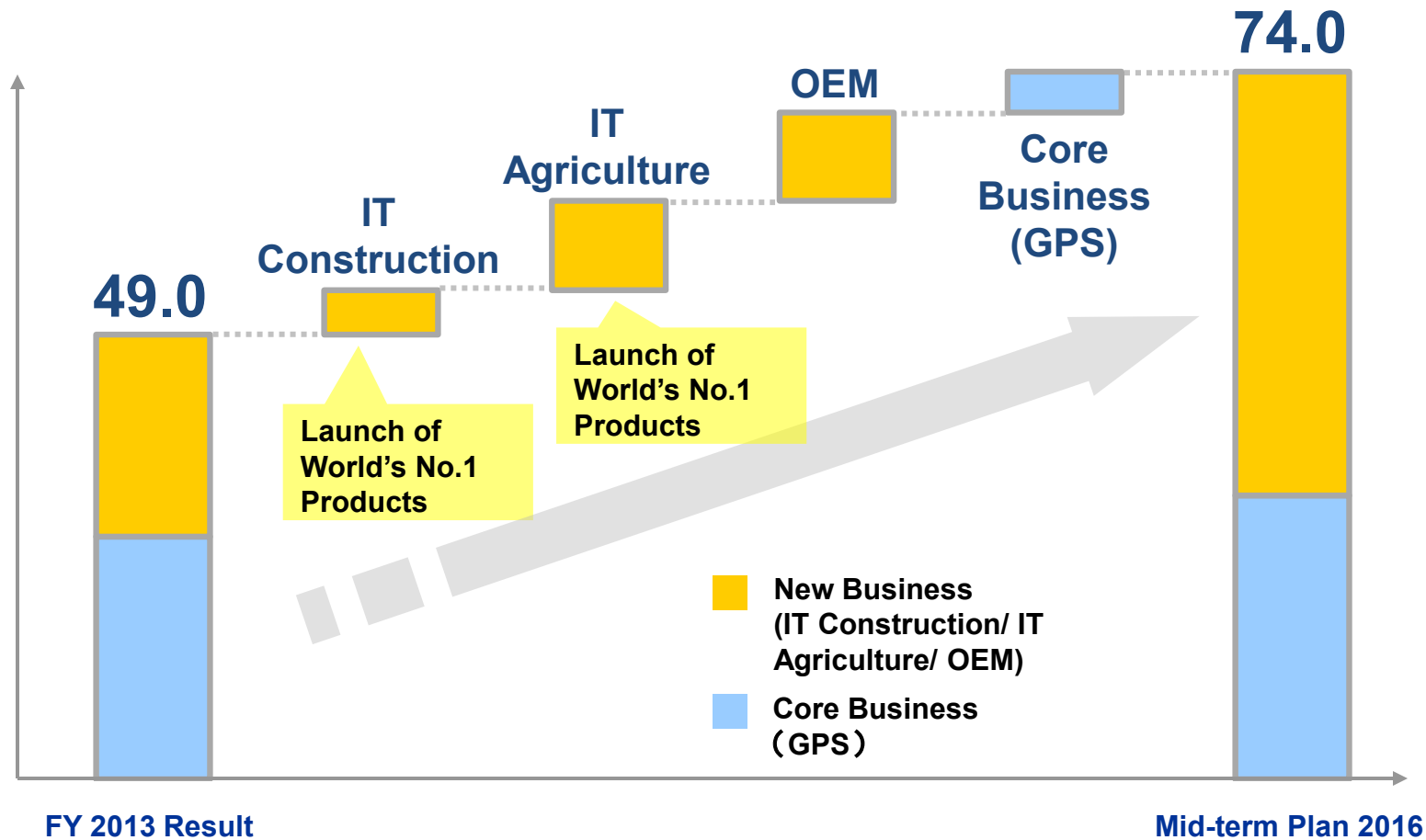


# Breakdown of Sales Growth

Positioning

## Positioning Company

(unit: billion yen)



Operating Income Ratio  
9.2%

Operating Income Ratio  
15.5%

# II . Mid-Term Business Plan 2016

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Mid-Term Business Plan

II -3. Financial Targets

**II -4. Strategic Plans by Companies**

POC: Accelerating IT Construction and IT Agriculture with strong GNSS core technology

**SIC: Enhance new business with strong basis of surveying instruments**

ECC: Strengthen Prognostic Management and Treatment Segment by enforcing competitiveness of Examination/Diagnosis Segment



**Enhance new business with strong basis of surveying instruments!**  
**- Giant leap by drastic innovation -**

