

# **FY2015 2Q**

# **Financial Results**

In this presentation, "FY2015" refers to the fiscal year ending March 31, 2016.

**October 30, 2015**

**TOPCON CORPORATION**

**President & CEO Satoshi Hirano**

## FY2015 2Q Financial Results

**I**

**FY2015 2Q Financial Results**

**II**

**FY2015 Full Year Plan**

**III**

**Appendix**

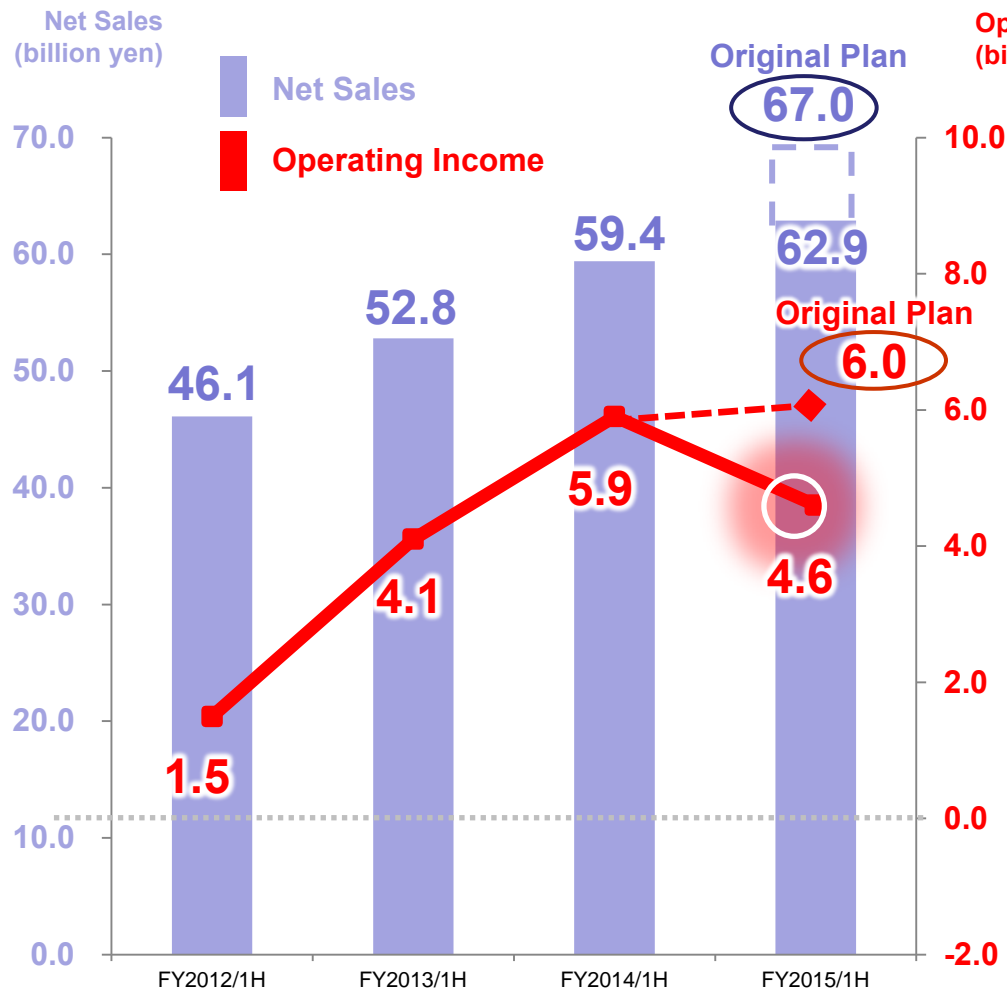
# **I . FY2015 2Q Financial Results**

## **I -1. FY2015 1H Financial Results**

## **I -2. Overview of Each Company**



## 1H Sales Trend



**Sales are increasing,  
but profits are leveling off**

**Increase sales and profit in ECC**

### Sales

- POC: Stagnation in IT Agriculture has bottomed out, but with a delay of recovery
- SIC: Temporary stagnation in manual Total Stations

### Operating Income

- Launched reduction on SGA but has not yet covered the sales decrement

# FY2015 1H Financial Results

(unit: million yen)

[Consolidated]		FY2014/1H	FY2015/1H		July 31, 2015
		Actual	Actual	YoY	Announcement
Net Sales		59,402	62,933	3,531	67,000
Gross Profit (Gross Profit Ratio)		29,566 (49.8%)	32,996 (52.4%)	3,430	
SGA		23,660	28,375	4,715	
Operating Income (Operating Income Ratio)		5,905 (9.9%)	4,620 (7.3%)	-1,285	6,000 (9.0%)
Non-Operating Expenses		-265	-600	-335	
Ordinary Income		5,640	4,019	-1,621	5,700
Extraordinary Income (Loss)		0	216	216	
Income (Loss) Before Income Taxes and Minority Interests		5,640	4,236	-1,404	
Net Income (Loss) *		3,489	2,426	-1,063	3,100
Dividends		¥8	¥12	¥4	¥12
Exchange Rate (Average)	US\$	¥103.51	¥121.50	¥17.99	¥118.62
	EUR	¥139.07	¥134.60	-¥4.47	¥132.21

\* According to change in Japanese Accounting Standards, the former Net Income is shown as "Profit (loss) attributable to owners of parent" on financial statements.

# FY2015 1H Company Financial Results

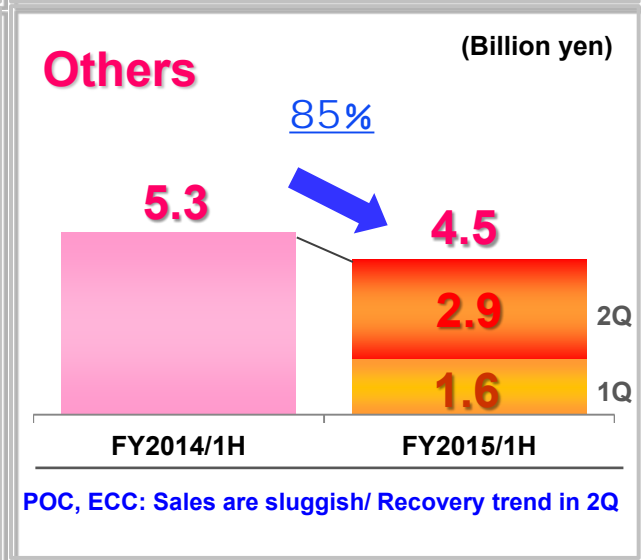
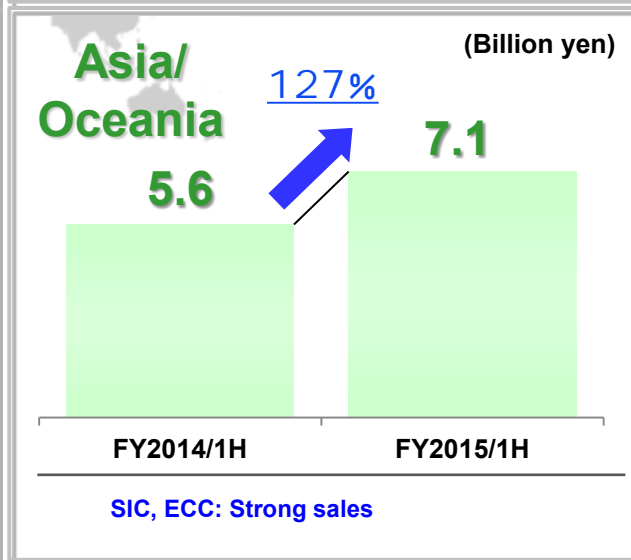
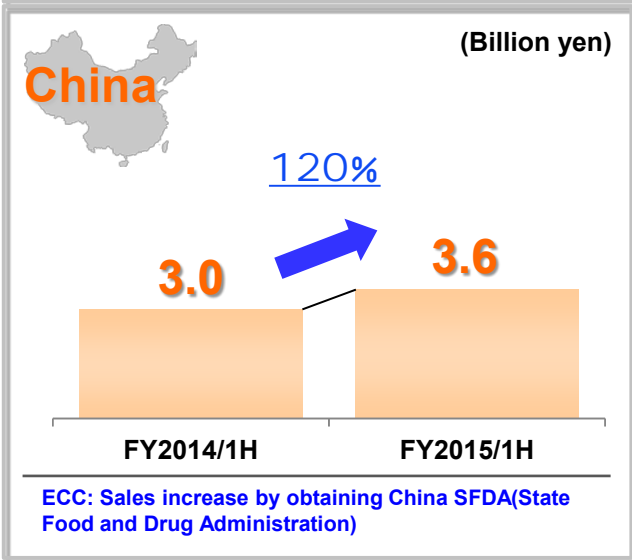
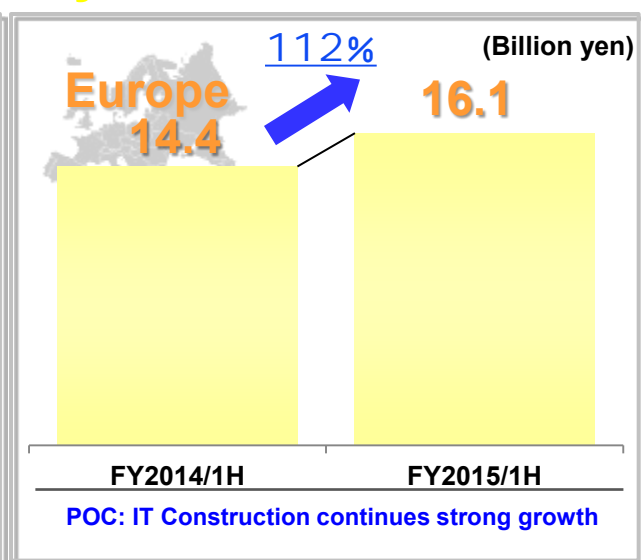
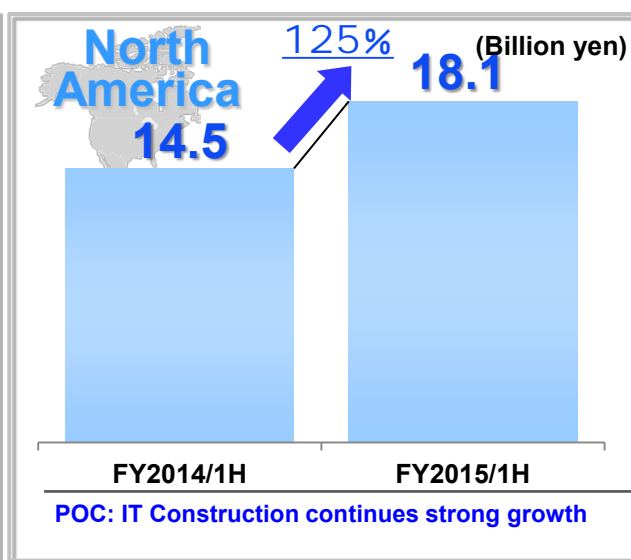
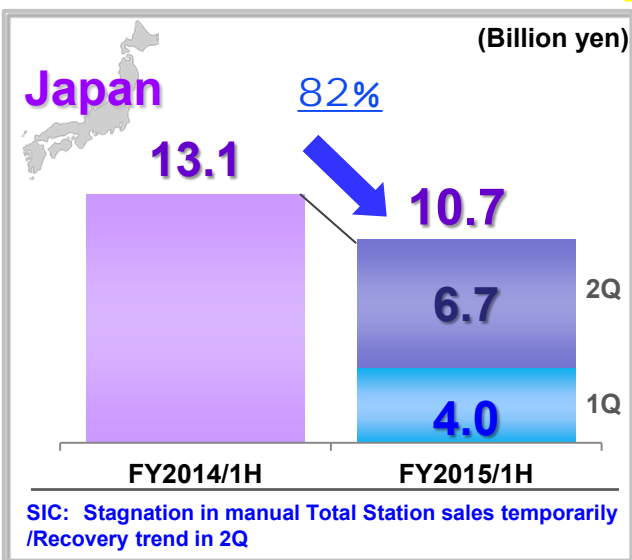
<Increased sales and profit in Eye Care Company>

(unit: million yen)

[Consolidated]		FY2014/1H	FY2015/1H		July 31, 2015
		Actual	Actual	YoY	Announcement
Net Sales	Positioning	27,383	31,445	4,062	32,000
	Smart Infrastructure	15,639	16,231	592	19,000
	Eye Care	18,582	19,510	928	21,000
	Others	3,493	2,820	-673	2,500
	Elimination	-5,697	-7,073	-1,376	-7,500
	Total	59,402	62,933	3,531	67,000
Operating Income (Operating Income Ratio)	Positioning	2,929 (10.7%)	1,853 (5.9%)	-1,076	2,500 (7.8%)
	Smart Infrastructure	2,242 (14.3%)	1,883 (11.6%)	-359	2,500 (13.2%)
	Eye Care	1,462 (7.9%)	2,058 (10.5%)	596	2,000 (9.5%)
	Others	136 (3.9%)	94 (3.3%)	-42	200 (8.0%)
	Goodwill Amortization	-866	-1,269	-403	-1,200
	Total	5,905 (9.9%)	4,620 (7.3%)	-1,285	6,000 (9.0%)

# Domestic and Overseas Sales (YoY)

<North America, Europe, China and Asia are steady>



• Net sales of "Others" are excluded from figures above.

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

# **I . FY2015 2Q Financial Results**

**I -1. FY2015 1H Financial Results**

**I -2. Overview of Each Company**



(Unit: Million Yen)

	FY2014/1H Actual	FY2015/1H Actual	YoY (%)
Net Sales	27,383	31,445	115%
Operating Income (Operating Income Ratio)	2,929 (10.7%)	1,853 (5.9%)	63%

## Review of 1H Financial Results

### + Positive factor

- IT construction in the North American market continues strong growth (YoY110%)

### - Negative factor

- Stagnation in IT Agriculture has bottomed out, but with a delay of recovery

(Unit: Million Yen)

	FY2014/1H Actual	FY2015/1H Actual	YoY (%)
Net Sales	15,639	16,231	104%
Operating Income (Operating Income Ratio)	2,242 (14.3%)	1,883 (11.6%)	84%

## Review of 1H Financial Results

### + Positive factors

- Expanded domestic sales with IT Construction Systems (YoY130%)
- Expanded sales for Asian infrastructure business (YoY140%)

### - Negative factor

- Unexpected but temporary stagnation in manual Total Station sales

# Overview of Each Company

Eye Care

<Increased sales and profit>

(Unit: Million Yen)

	FY2014/1H Actual	FY2015/1H Actual	YoY (%)
Net Sales	18,582	19,510	105%
Operating Income (Operating Income Ratio)	1,462 (7.9%)	2,058 (10.5%)	141%

## Review of 1H Financial Results

### + Positive factors

- Stable sales for DRI OCT Triton/3D OCT Maestro
- Continuous sales growth of fundus camera for screening market (YoY140%)
- Sales growth in the US market (YoY130%)

### - Negative factor

- Sluggish economy in the Latin American market

# **Ⅱ . FY2015 Full Year Plan**

## **Ⅱ -1. FY2015 Full Year Plan**

## Ⅱ -2. Strategic Plans for 2H

## Ⅱ -3. Summary



# FY2015 Revised Plan Overview

## Speedy business management by foreseeing changes

### 1H Result

**Sales** Unable to reach our sales plan - 4 billion yen  
(YoY106%, 62.9 billion yen)

### Factors

- POC: Stagnation in IT Agriculture has bottomed out, but with a delay of recovery
- SIC: Temporary Stagnation in manual Total Station sales

### FY2015

**Sales**  
(Plan)

**Revised** in response to changes in external environment

150 billion yen → 143 billion yen (YoY111%)  
- 7 billion yen (- 4.7%)

**Operating  
Income (Plan)**

**No change**

in the target: 19 billion yen (YoY118%)

### Measures

- **Reduction of SGA 8%** already started  
+ cost reduction + revision of exchange rate (\$=¥115→¥120)

# FY2015 Full Year Plan <Increase sales and profit in full year>

(unit: million yen)

[ Consolidated ]		FY2014		FY2015				
		1H	Full Year	1H		Full Year		
		Actual	Actual	Actual	YoY (%)	New Plan	Change	YoY (%)
Net Sales		59,402	128,569	62,933	106%	143,000	-7,000	111%
Operating Income (Operating Income Ratio)		5,905 (9.9%)	16,041 (12.5%)	4,620 (7.3%)	78%	19,000 (13.3%)	0	118%
Ordinary Income		5,640	14,880	4,019	71%	17,500	0	118%
Net Income* <sup>1</sup>		3,489	8,670	2,426	70%	10,800	0	125%
ROE			14.8%			17%		
ROIC			10.9%			13%		
Dividends (Dividend ratio)		¥8 (25%)	¥16 (20%)	¥12 (53%)		¥24 (24%)		
Exchange Rate* <sup>2</sup> (Average)	US\$	¥103.51	¥110.03	¥121.50		¥120.81		
	EUR	¥139.07	¥138.68	¥134.60		¥132.48		

\*1 According to change in Japanese Accounting Standards, the former Net Income is shown as "Profit (loss) attributable to owners of parent" on financial statements.

\*2 Assumed exchange rate after October 2015 is ¥120/US\$, ¥130/EUR

# FY2015 Company Full Year Plan

<Increase sales and profit in full year >

(unit: million yen)

[ Consolidated ]		FY2014		FY2015				
		1H	Full Year	1H		Full Year		
		Actual	Actual	Actual	YoY (%)	Plan	Change	YoY (%)
Net Sales	Positioning	27,383	58,672	31,445	115%	68,000	-4,000	116%
	Smart Infrastructure	15,639	33,909	16,231	104%	38,000	-4,000	112%
	Eye Care	18,582	41,240	19,510	105%	47,000	0	114%
	Others	3,493	6,558	2,820	81%	5,000	0	76%
	Elimination	-5,697	-11,812	-7,073		-15,000	1,000	
	Total	59,402	128,569	62,933	106%	143,000	-7,000	111%
Operating Income (Operating Income Ratio)	Positioning	2,929 (10.7%)	6,652 (11.3%)	1,853 (5.9%)	63%	7,500 (11.0%)	0	113%
	Smart Infrastructure	2,242 (14.3%)	5,965 (17.6%)	1,883 (11.6%)	84%	7,000 (18.4%)	0	117%
	Eye Care	1,462 (7.9%)	5,093 (12.3%)	2,058 (10.5%)	141%	6,500 (13.8%)	0	128%
	Others	136 (3.9%)	163 (2.5%)	94 (3.3%)	69%	400 (8.0%)	0	245%
	Goodwill Amortization	-866	-1,833	-1,269		-2,400	0	
	Total	5,905 (9.9%)	16,041 (12.5%)	4,620 (7.3%)	78%	19,000 (13.3%)	0	118%

# **II . FY2015 Full Year Plan**

II -1. FY2015 Full Year Plan

**II -2. Strategic Plans for 2H**

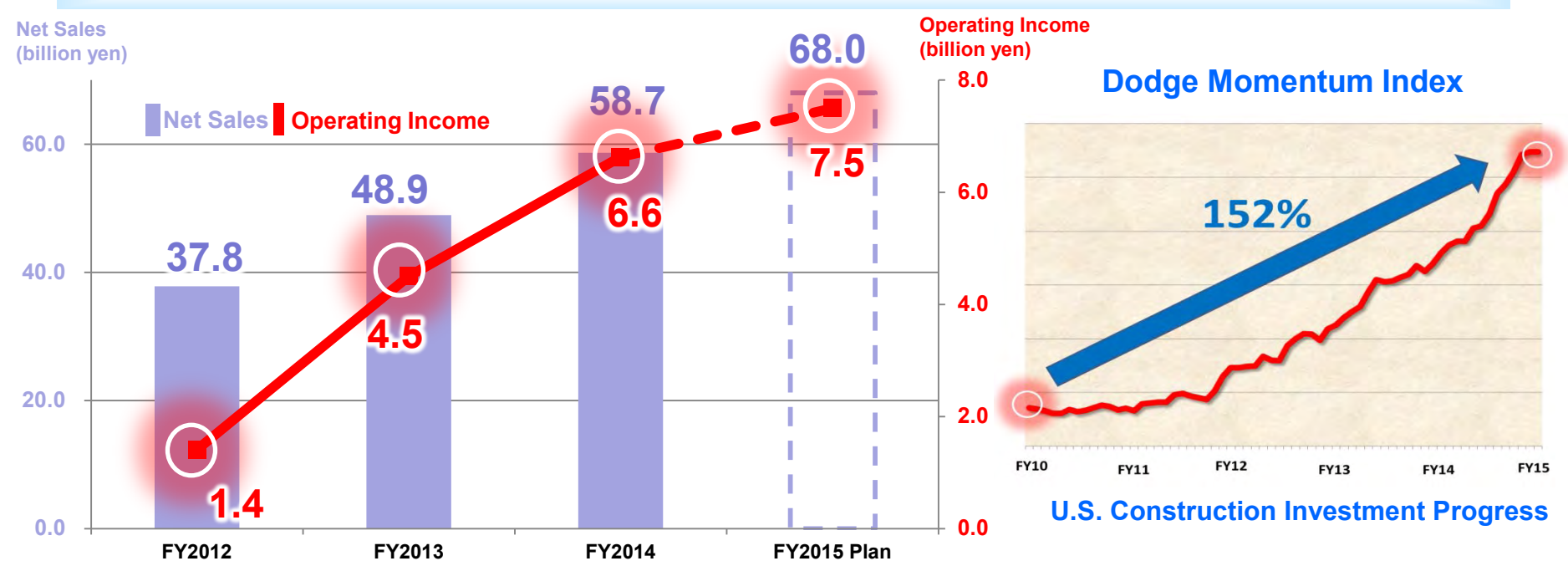
II -3. Summary



### 1. Positioning Company

#### Focused Strategy

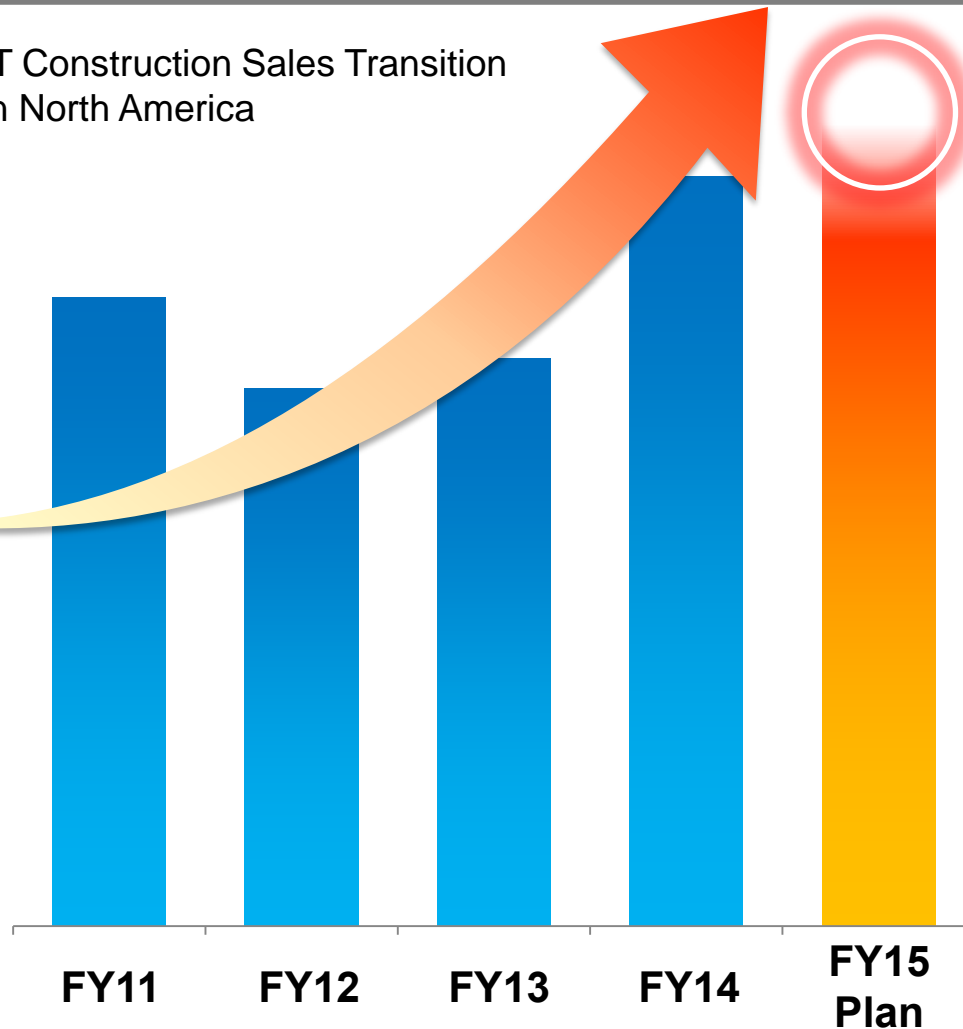
- IT Construction: Sales expansion in the steady American market
- IT Agriculture: A creation of new synergies
- Taking action for the revised annual plan



<Sales expansion in the steady American market>

### Active IT Construction Business in North America

IT Construction Sales Transition  
in North America



① **Innovative** new product release

② **A steady** Construction Market in North America



**Enhance superiority** in the market through continuous investment

## Acceleration of IT Agriculture

### Topcon Strategy of IT Ag

In addition to the major auto steering, we will strengthen our total solutions by enriching CropSpec and sensor equipment, such as Load cells incorporated through M&A.

### Enhancement of Product Portfolio



**Positioning + Weighing + Mechanical Control**



+

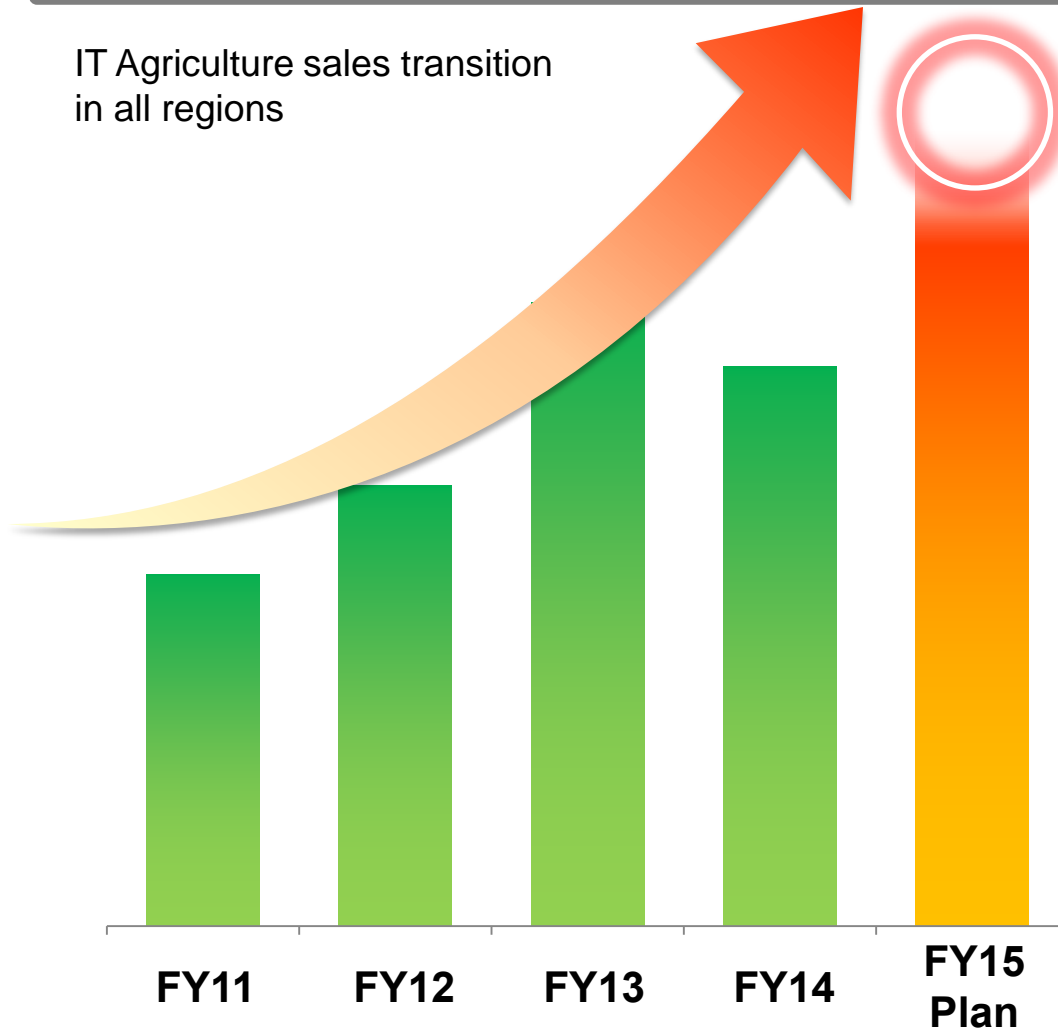


+



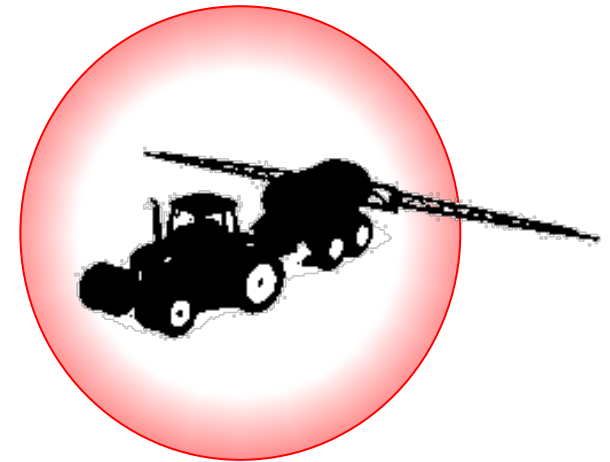
Return on investment through the integration of Topcon technologies and advanced technologies

IT Agriculture sales transition in all regions



① **Strategic** new product release

② **M&A Synergy Effect** → **Expansion of market**



**Greater market share**  
through the acceleration of  
synergy effect with acquired  
businesses



## Market condition

- ➡ Stagnation in IT agriculture has bottomed out, but with a delay of recovery

## Improvement of Operating Income

### SGA reduction

- ① Employment lay off ✓ **Completed**
- ② Selection and concentration of developing cost

# New Products

<Revitalization of the market with revolutionary products>

Positioning

2015

Apr

Jul

Oct

2016

Jan

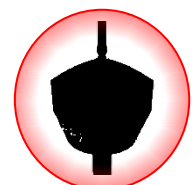
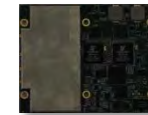
Mar

GPS

GCX2  
Revolutionary  
GNSS receiver



NET-G5  
448channel  
QZSS・Beidou compatible

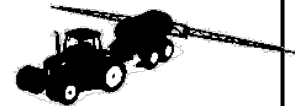
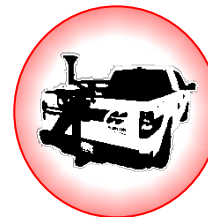


MC & AG\*

C-63  
Compaction Management  
System w/Temperature  
sensor



New display for Excavator  
System (Integrated LED Light  
bars)  
(GX-55)

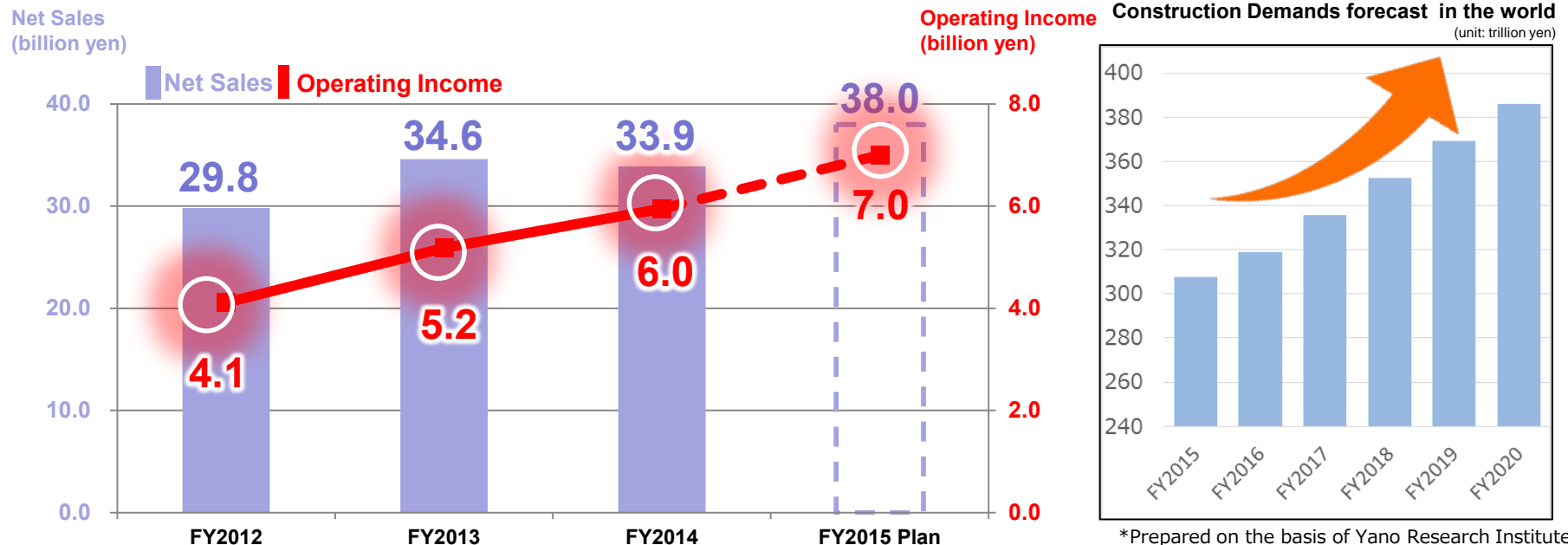


\* MC=Machine Control  
AG=IT Agriculture

### 2. Smart Infrastructure Company

#### Focused Strategy

- Expansion of domestic IT construction business
- Expansion of Asian infrastructure business
- Launch high-value-added Total Stations to increase sales and profit
- Expansion of 3D measurement business (IP-S3/ Scanner)

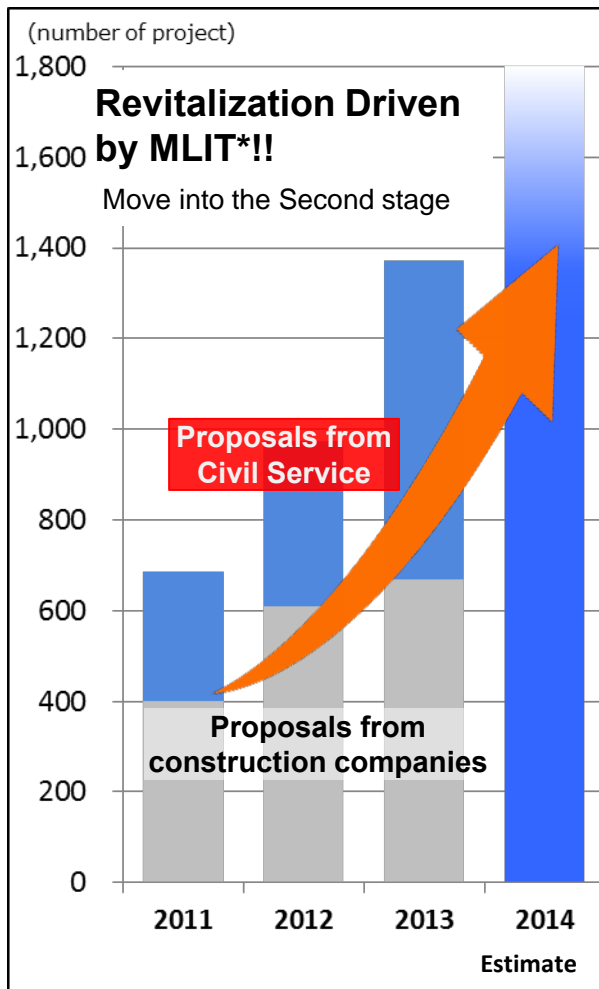


\*Prepared on the basis of Yano Research Institute Ltd. & Mizuho Research Institute Ltd. data

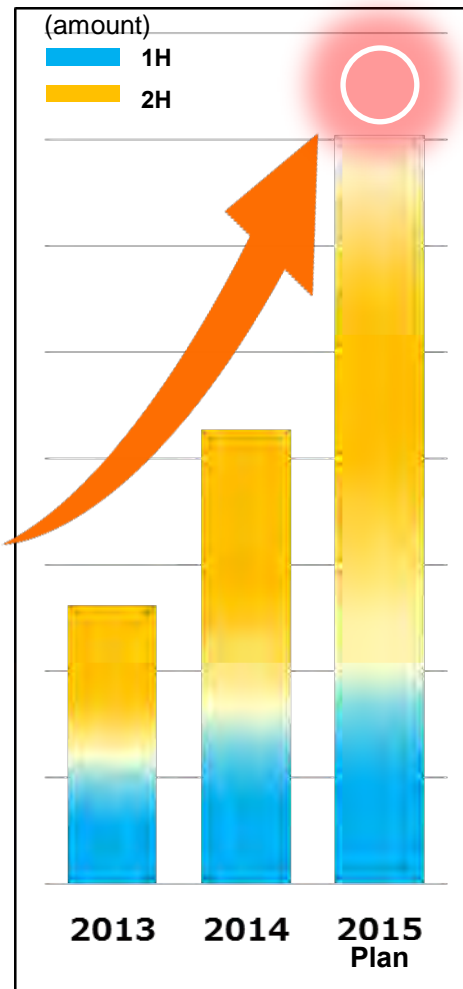
# Expansion of IT Construction Business Smart Infrastructure

## <Strengthen sales and support structures>

■ Total number of IT Construction technologies used

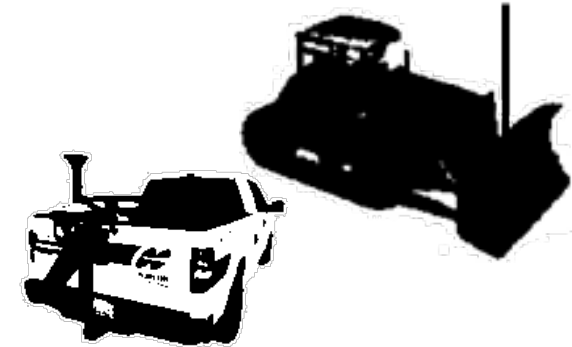


■ Machine control sales(Japan)



### Expanding Machine Control Business!!

■ Plans to release new product



■ Provide personnel training and enhance user support systems



Planning to expand training center in western Japan

Source: \*MLIT: Ministry of Land, Infrastructure, Transport and Tourism  
FY2014 our research

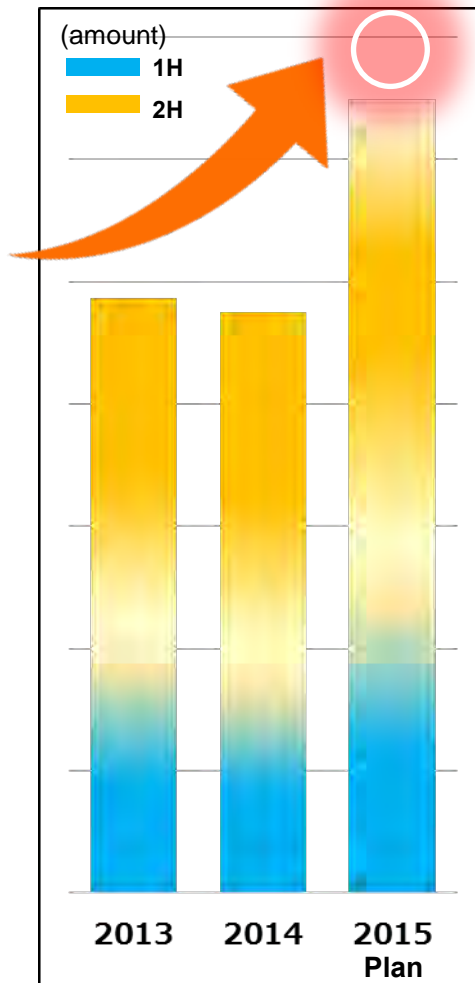
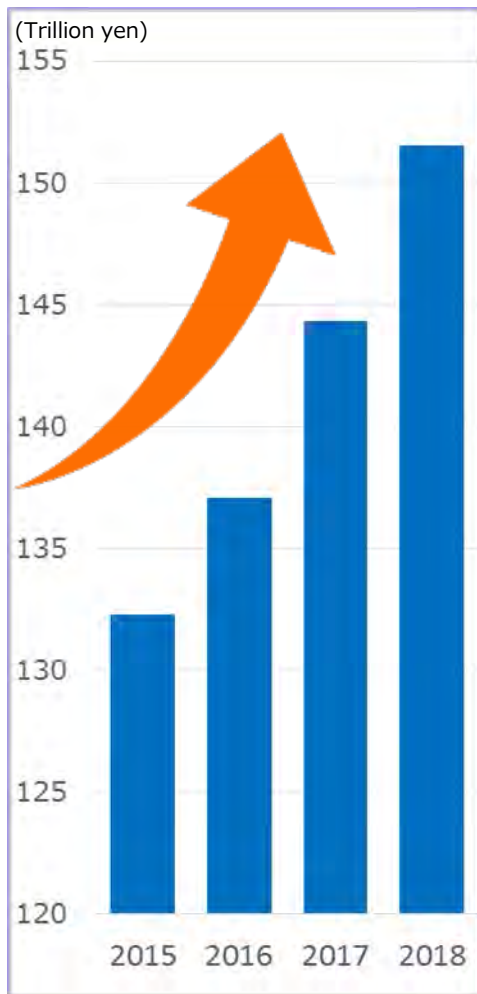


# Expansion of Asian Infrastructure Business

<Strengthen sales channels in growing market>

Smart Infrastructure

■ Construction investment in Asia ■ Sales result in Asia



Focus on growing Asian market!!

YoY 200% business in India in  
FY2015 1H!!

Doubling Plan of  
India Business



\*Prepared on the basis of Yano Research Institute Ltd. & Mizuho Research Institute Ltd. data

# Launch New Total Station (High value added) *Smart Infrastructure*

<Accelerate shifting to sales of high value added products>

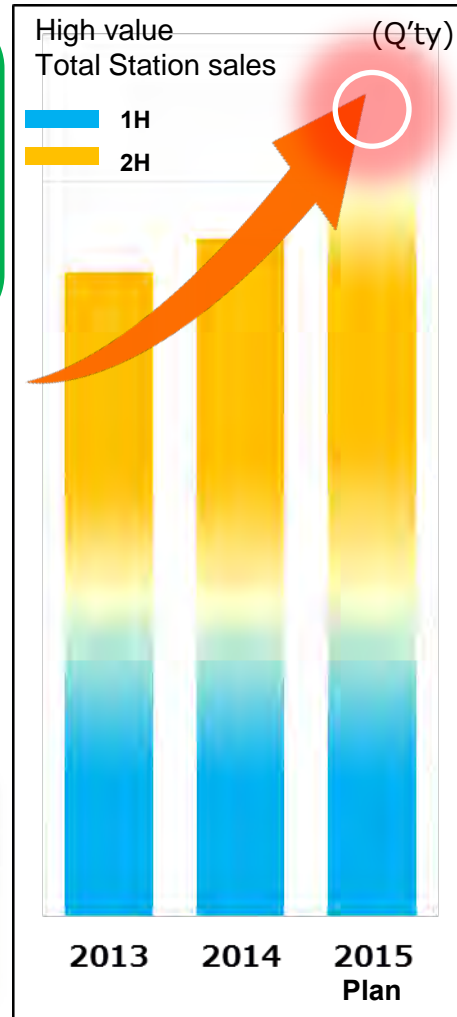
## World's First!! IoT Integrated Total Station!!

Shortage in skilled workers

Labor saving

Improve Efficiency

Increasing demands of high value added Total Station



Temporary slow down of manual Total Station sales

Focus on high value added Total Stations!!



# Expansion of 3D Measurement Business

## <Acceleration for new launched 3D measuring products>

Smart Infrastructure

## Strong sales of New products

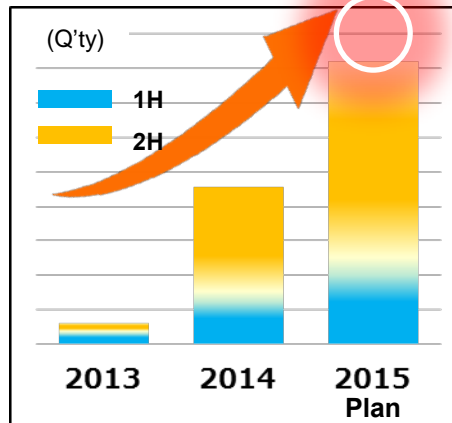
High demand for construction and measuring job based on 3D data

Improve efficiency

Labor saving

**Increasing Demands for 3D measurement**

### ■ Laser Scanner sales



## Expansion of Laser Scanner product lineup !!

Short type

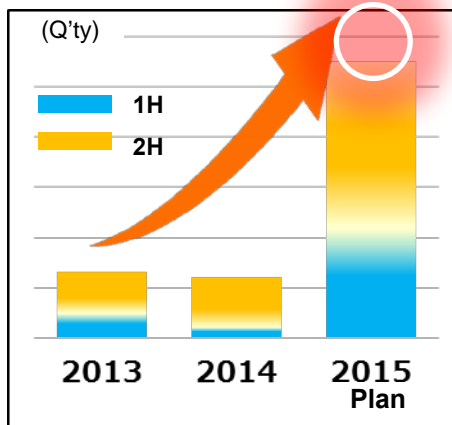


Middle type

Long type

GLS-2000 new lineup released (2015 July)

### ■ Mobile Mapping System sales



## Release high function model (compact & 5 times High-density point clouds)



IP-S3 released (2015 March)



## Market condition

- Temporary stagnation in manual Total Station sales



## Improvement of Operating Income

Prime cost reduction

Launch new Total Station series

SGA reduction

Selection and concentration of development investment



# New Products <Strengthen Total Station lineup> Smart Infrastructure

2015

2016

Apr

Jul

Oct

Jan

Mar

3D  
Measurement  
and others



IP-S3



Image Master UAS



Short type  
GLS-2000 series



Long type



Total Stations  
and others



TP-L5



MS1005/NET1005



GPT-3500



TKS-400R



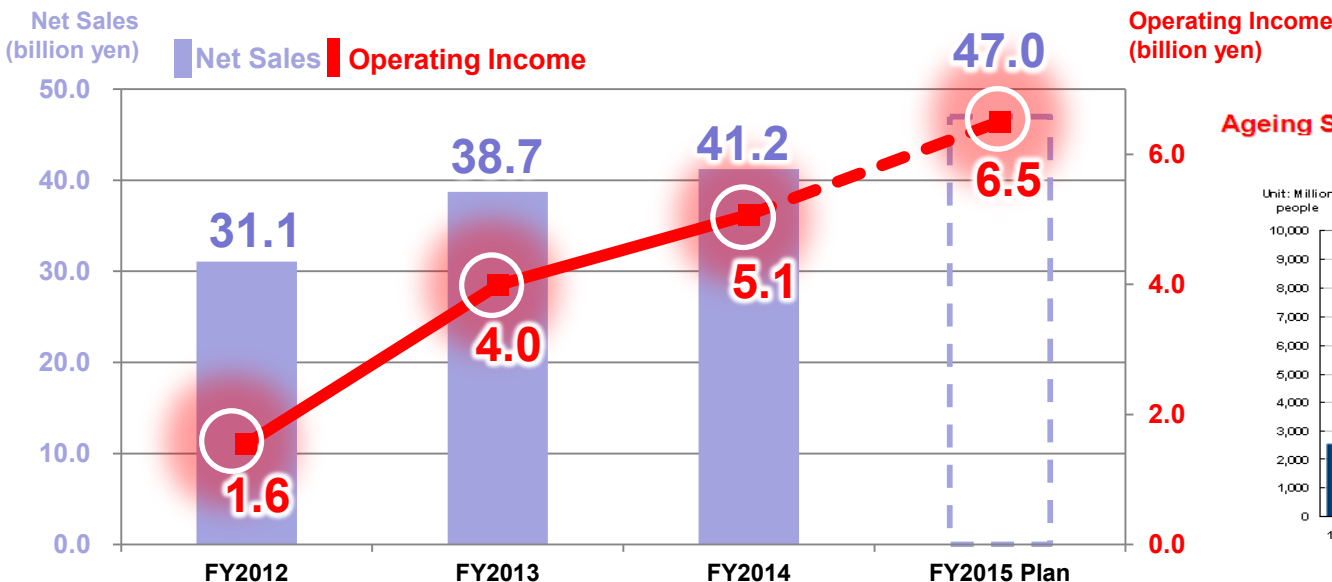
DS-200i



## 3. Eye Care Company

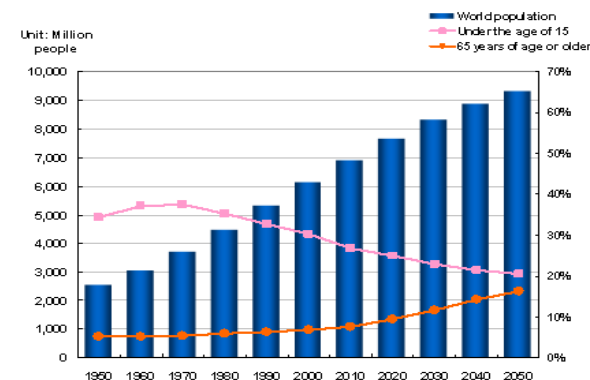
### Focused Strategy

- Sales acceleration of premium OCT Triton with additional function of OCT angiography
- Sales growth for screening and treatment product market
- Certification for 3D OCT-1 Maestro



### Ageing Society – Demographic trend (Global)

Prospect of world population



Source: United Nations Report

## **DRI OCT Triton** 3D OPTICAL COHERENCE TOMOGRAPHY

### Research and Clinical Ophthalmologic Market

Deeper

Faster

Beautiful

Disruptive technology and multi function capability, making this machine applicable for research purpose

## **3D OCT-1 Maestro** 3D OPTICAL COHERENCE TOMOGRAPHY

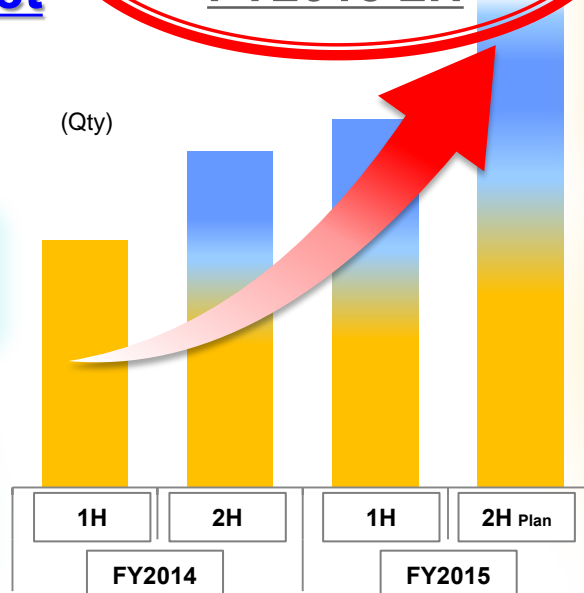
### Ophthalmologist • Screening Market

Easy-To-Operate,  
Full Auto Function



Popular model  
went beyond the  
**Ophthalmology Market**  
such as...  
Health Check-Up and Clinic etc

### Continuous Sales Growth in FY2015 2H

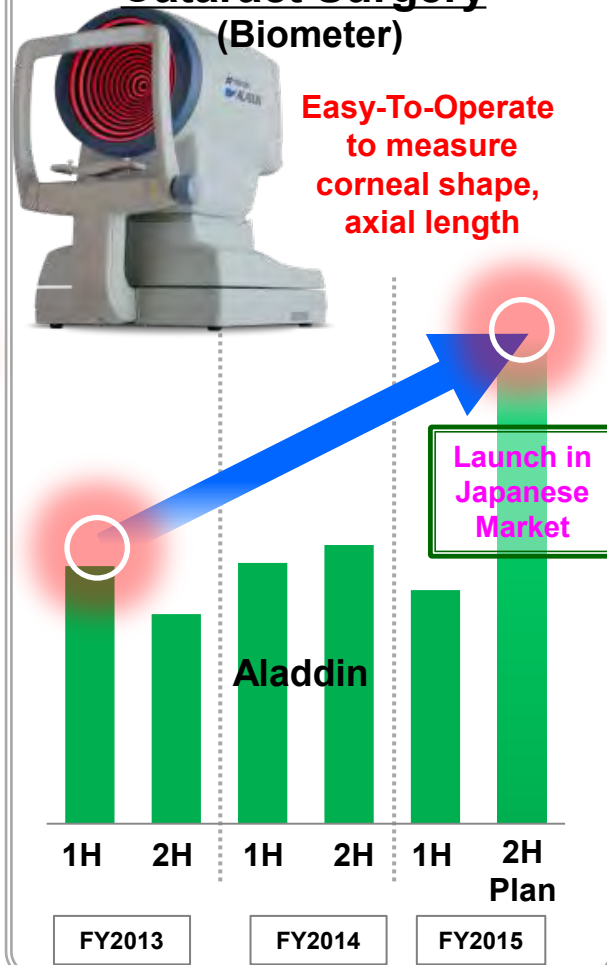


## Global Sales Transition (qty)

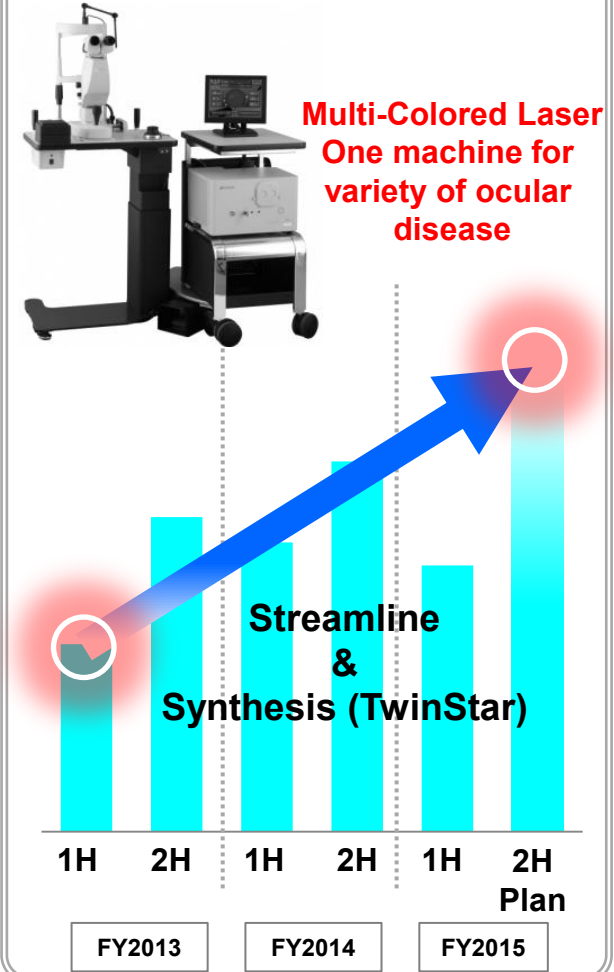
### Screening



### Preoperative Machine for Cataract Surgery (Biometer)



### Treatment Product





# New Products

<Strengthen of basic products' appealing>

Eye Care

2015

April

July

Oct

2016

Jan

Mar

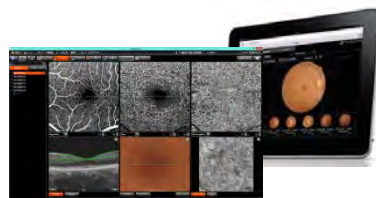
Examination/  
Diagnosis



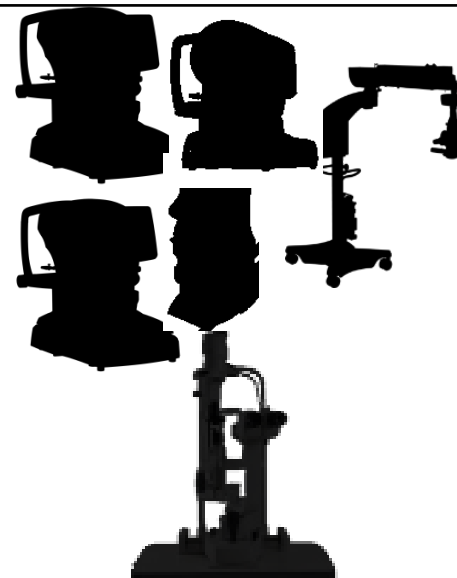
Triton



IMAGENet 6  
Integral



IMAGENet6 Ver.up  
OCT Angiography



FDA Approval  
(Plan)



SP-1P



# **Ⅱ . FY2015 Full Year Plan**

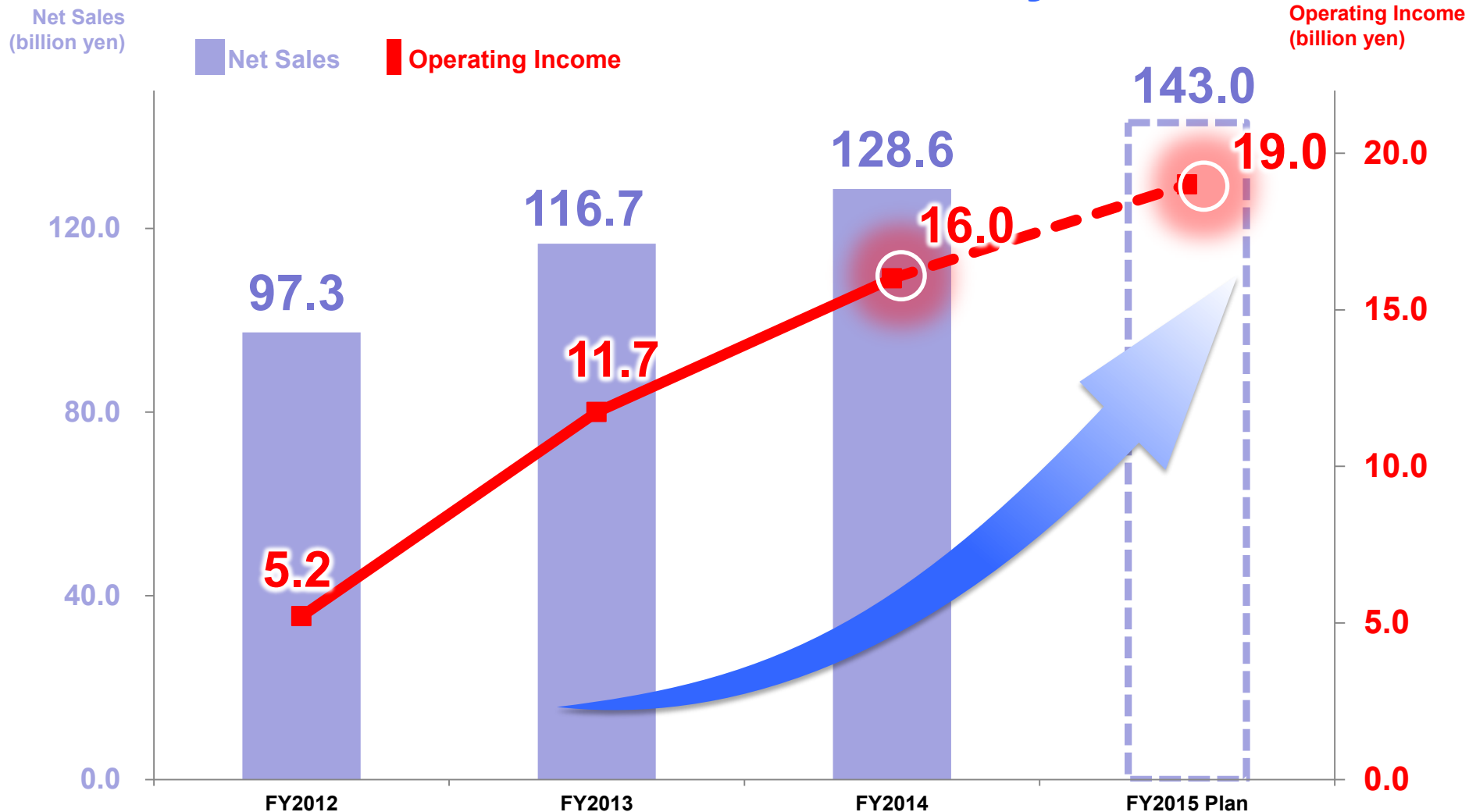
Ⅱ -1. FY2015 Full Year Plan

Ⅱ -2. Strategic Plans for 2H

**Ⅱ -3. Summary**

# Summary

## Trends of Financial Results Annually



# Summary

<Speedy business management by foreseeing changes>

**With a strong focus on our growth strategy of mid-long term, we will respond to the latest business environment changes, keenly and promptly.**

***Creativity  
& Growth*** 

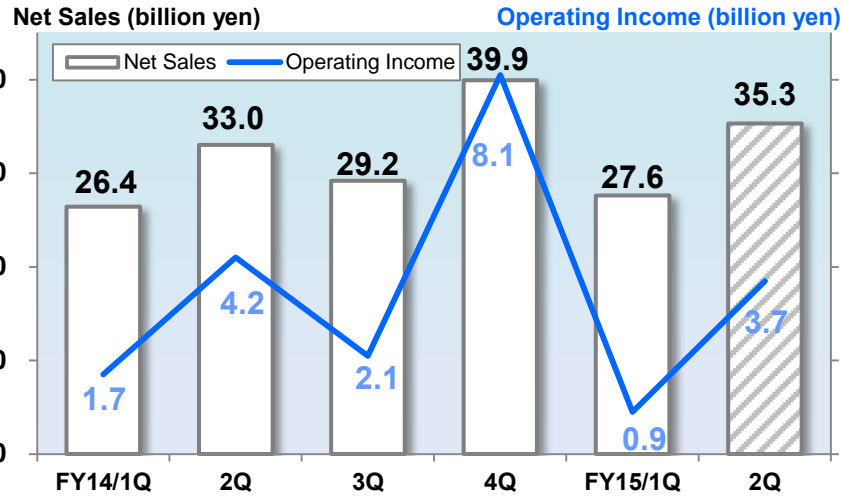
**We will strive to increase the corporate value to reach the target of ROE20%**



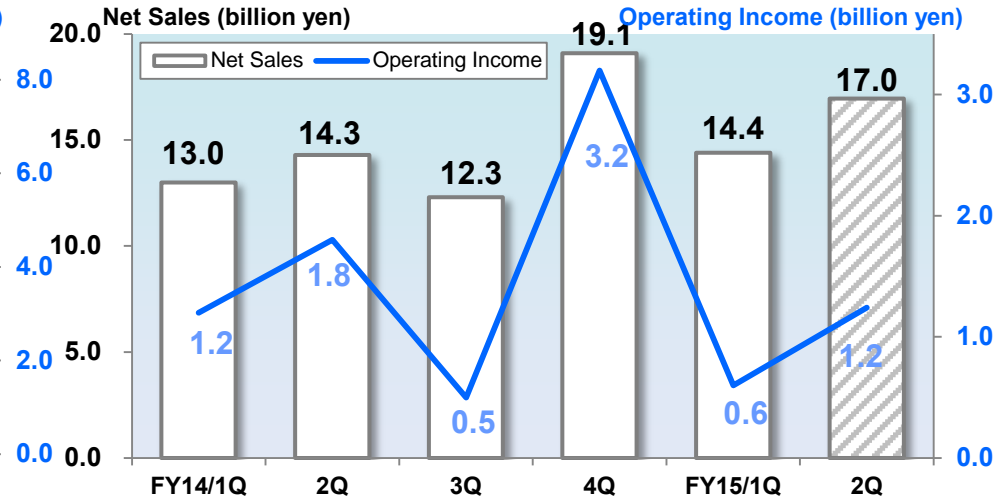
# III. Appendix

# Financial Results (Quarterly)

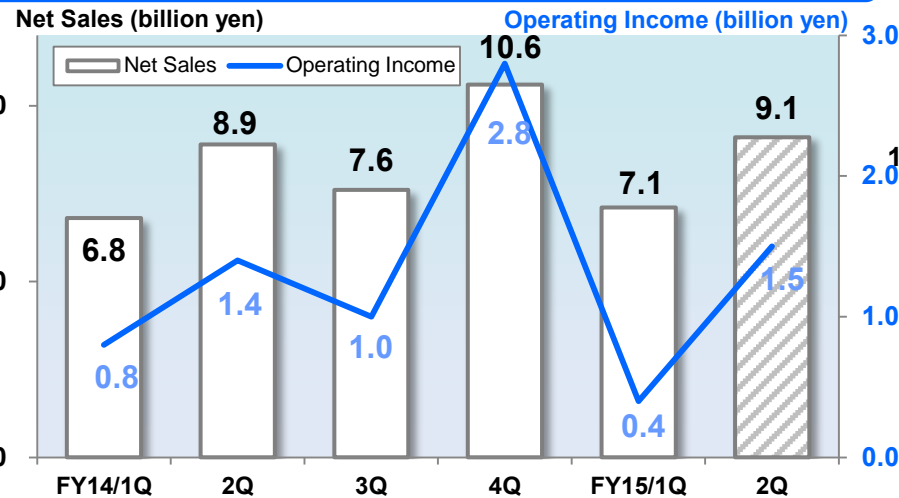
## 1. Consolidated



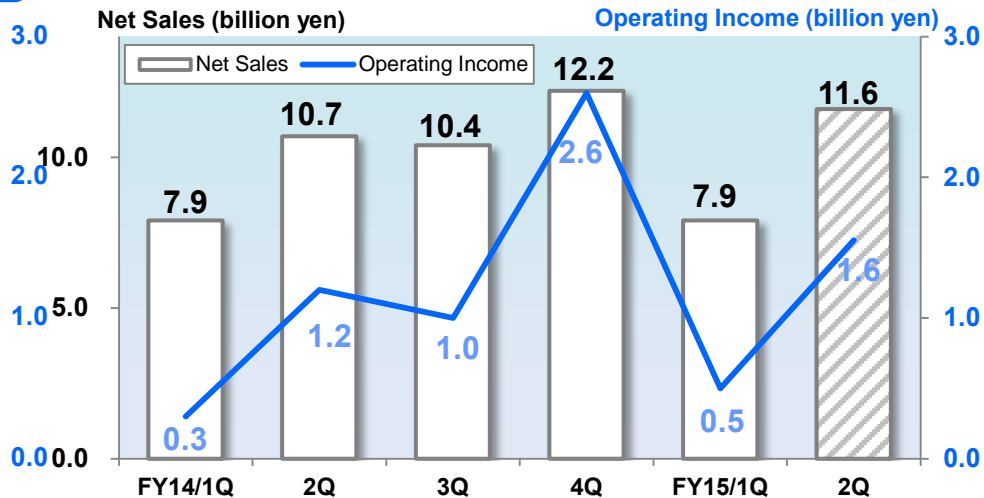
## 2. Positioning



## 3. Smart Infrastructure

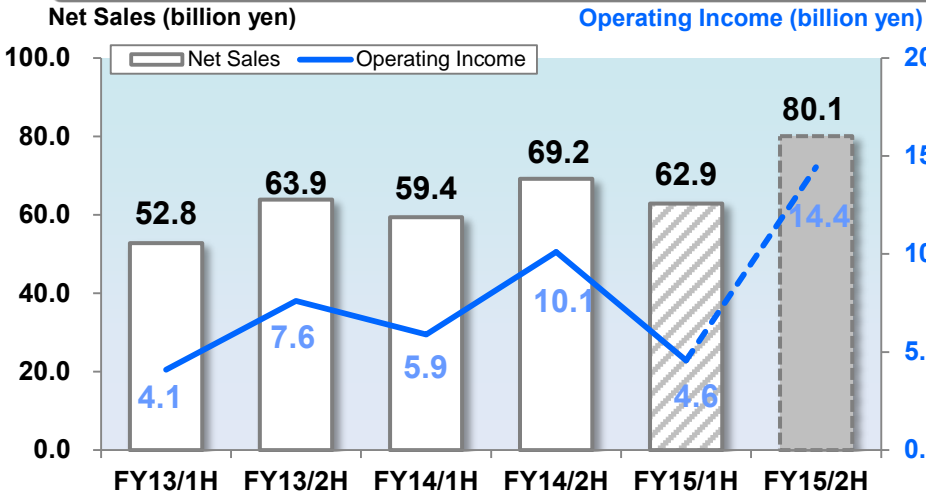


## 4. Eye Care

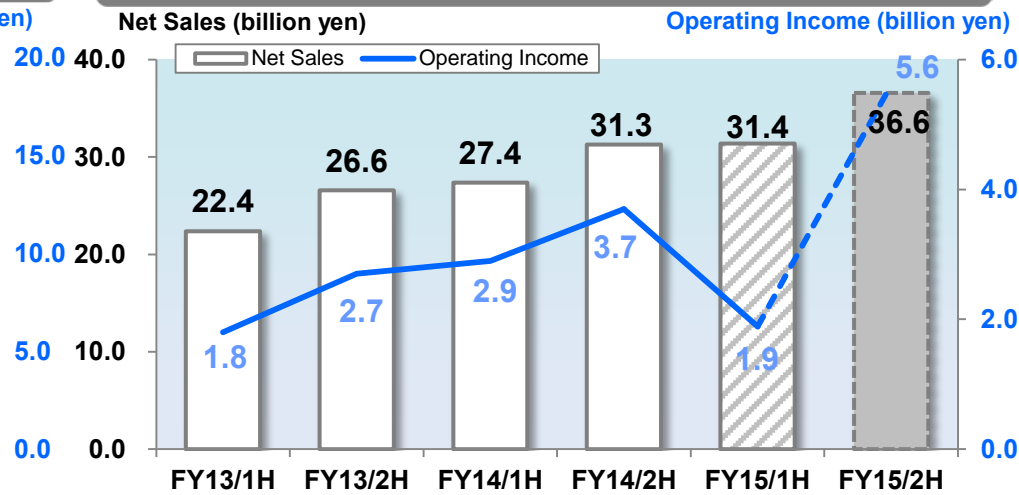


# Financial Results and Forecast (Semiannually)

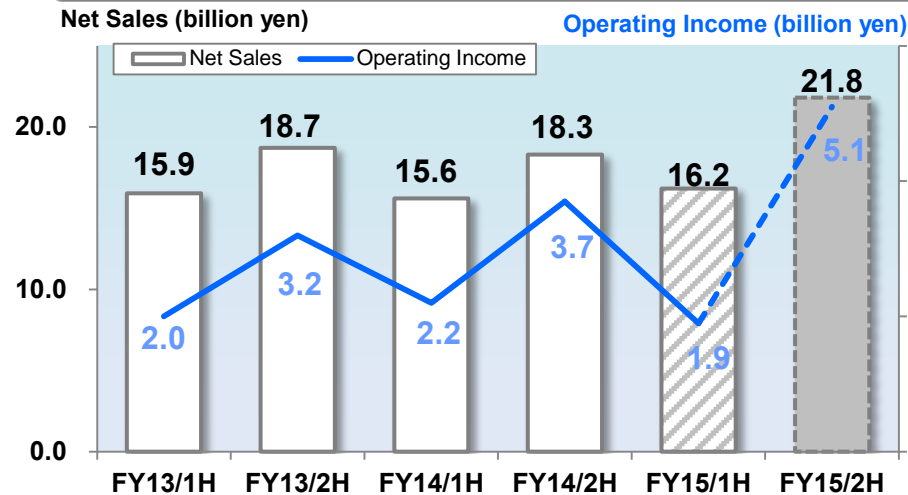
## 1. Consolidated



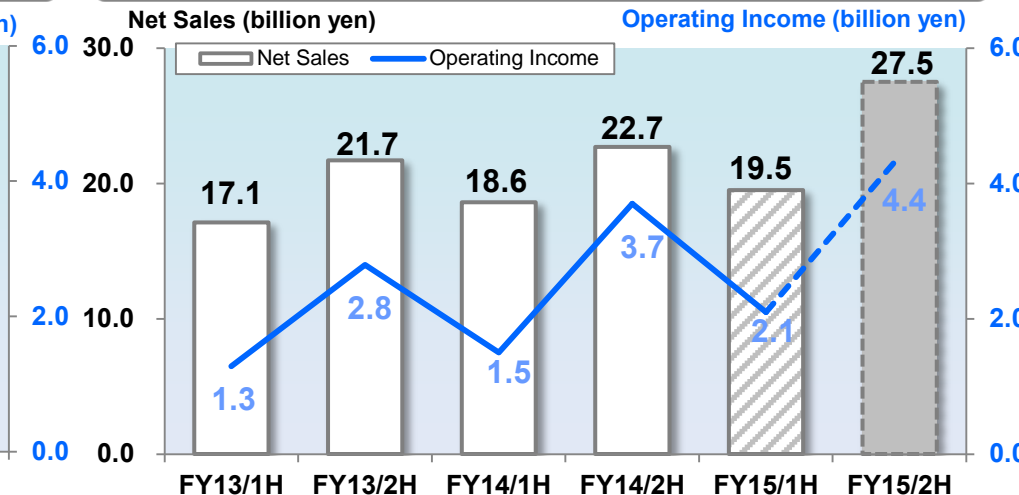
## 2. Positioning



## 3. Smart Infrastructure



## 4. Eye Care



## Cautionary Note regarding Forward-Looking Statements

These materials contain forward-looking statements, including projections of future operating performance. Such statements are based on management's best judgment, given the materials available to them at the time these statements are made.

However, please be aware that actual performance may differ from projected figures owing to unexpected changes in the economic environment in which we operate, as well as to market fluctuations.

The original disclosure in Japanese was released on October 30, 2015 at 16:30(UTC+9).

**Inquiries:**

**General Administration & Legal Div.**

**Public & Investor Relations Dept.**

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