

FY2017 3Q Financial Results

January 30, 2018

TOPCON CORPORATION

Director and Executive Officer, CFO
General Manager of Accounting & Finance Div.

Haruhiko Akiyama



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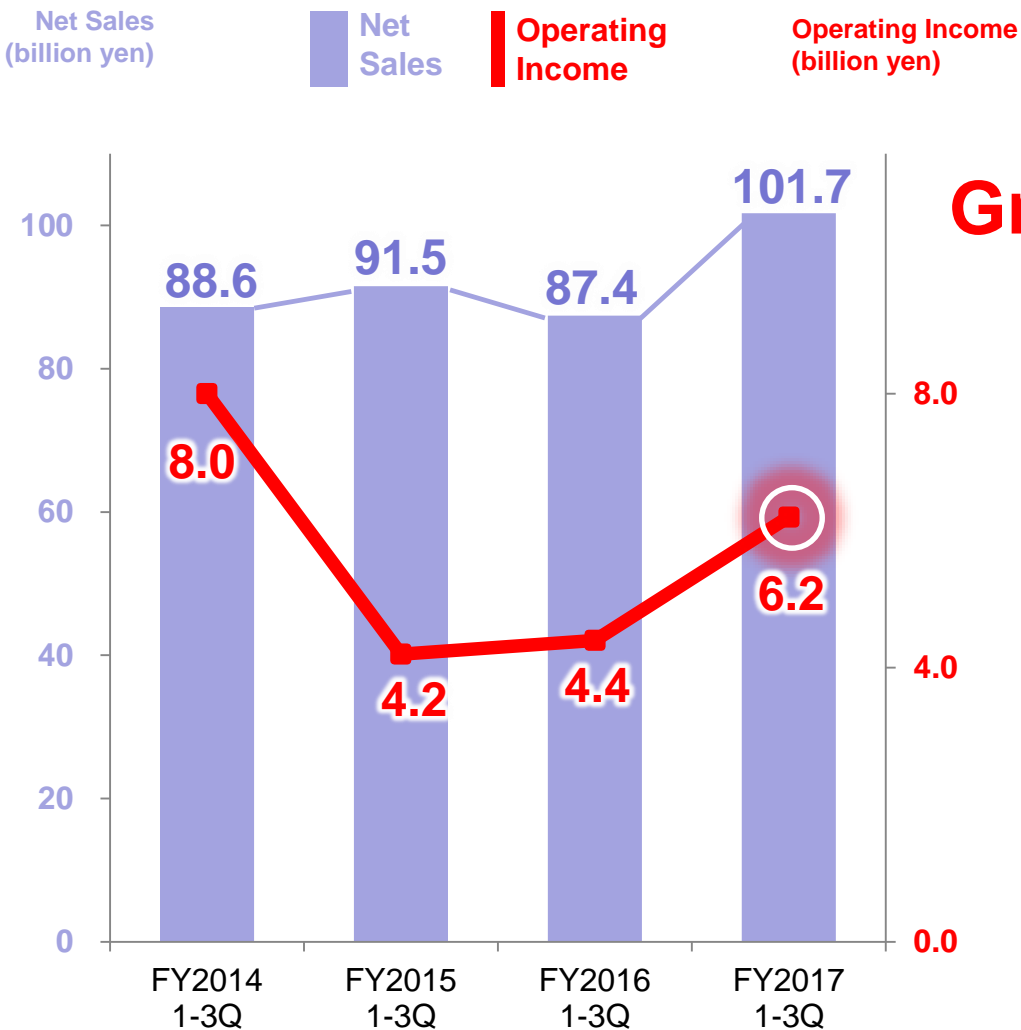
I . FY2017 3Q Financial Results

I -1. FY2017 3Q Financial Results

I -2. Overview of 3Q

FY2017 3Q <Significant growth>

3Q Sales Trend



Growth in sales and profit

		YoY
Net Sales	¥101.7B*	116%
Operating Income	¥6.2B	141%
Ordinary Income	¥5.3B	177%
Net Income	¥2.9B	336%

*Recorded the highest sales in the past as a result of 3Q sales

FY2017 3Q Financial Results <Growth in sales and profit>

[Consolidated]		FY2016/1-3Q	FY2017/1-3Q (unit: million yen)		
		Actual	Actual	YoY	YoY(%)
Net Sales		87,422	101,660	14,238	116%
Gross Profit (Gross Profit Ratio)		45,125 (51.6%)	51,894 (51.0%)	6,769	
SGA		40,713	45,667	4,954	
Operating Income (Operating Income Ratio)		4,412 (5.0%)	6,227 (6.1%)	1,815	141%
Non-Operating Income (Expenses)		-1,403	-908	495	
Ordinary Income		3,009	5,319	2,310	177%
Extraordinary Income (Loss)		-174	-125	49	
Income Before Income Taxes and Minority Interests		2,834	5,193	2,359	
Net Income		878	2,946	2,068	336%
Exchange Rate (Average)	USD	¥107.88	¥111.82	¥3.94	
	EUR	¥119.13	¥128.59	¥9.46	

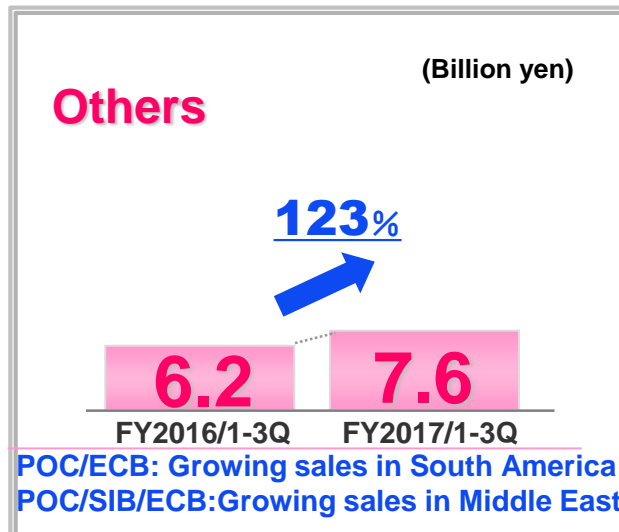
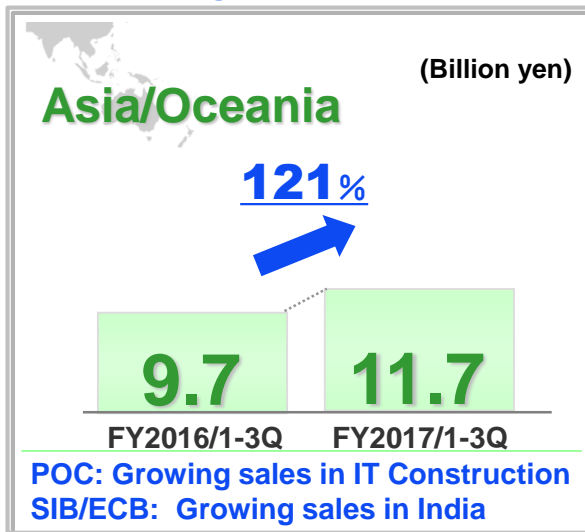
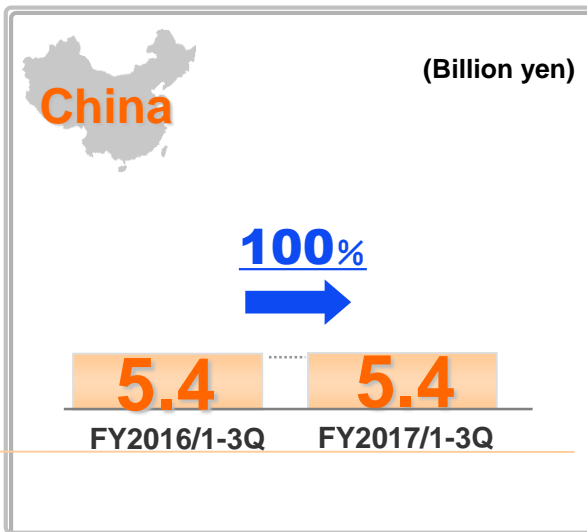
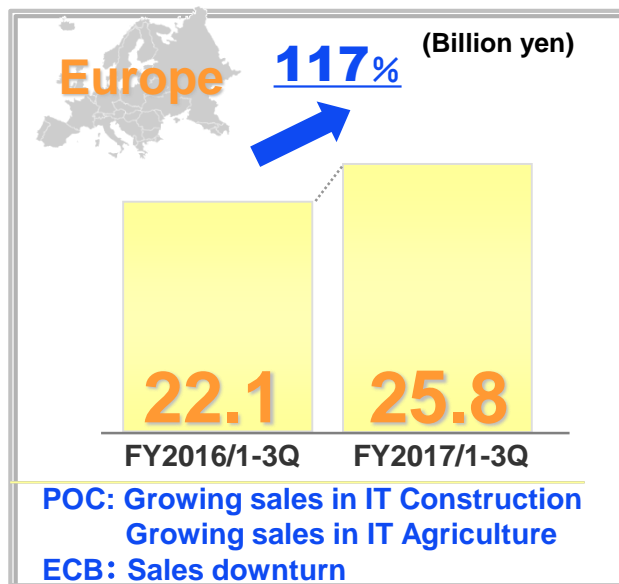
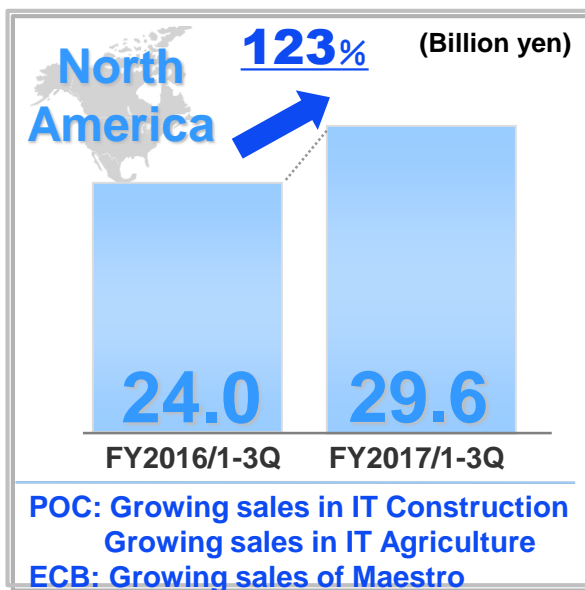
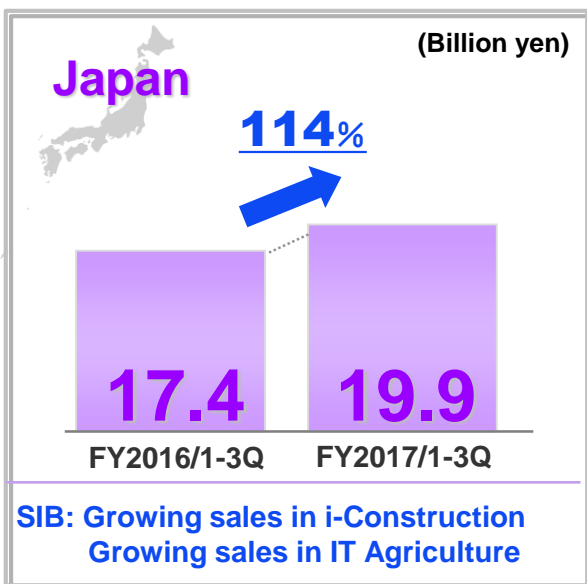
FY2017 3Q Financial Results by Business

<Significant profit growth of POC and SIB>

(unit: million yen)

[Consolidated]		FY2016/1-3Q	FY2017/1-3Q		
		Actual	Actual	YoY	YoY(%)
Net Sales	Positioning	40,734	52,589	11,855	129%
	Smart Infrastructure	22,445	25,506	3,061	114%
	Eye Care	30,078	32,828	2,750	109%
	Others	2,596	1,592	-1,004	61%
	Elimination	-8,431	-10,857	-2,426	
	Total	87,422	101,660	14,238	116%
Operating Income (Operating Income Ratio)	Positioning	3,010 (7.4%)	4,485 (8.5%)	1,475	149%
	Smart Infrastructure	1,702 (7.6%)	2,680 (10.5%)	978	157%
	Eye Care	1,716 (5.7%)	1,207 (3.7%)	-509	70%
	Others	-123 (-4.7%)	-81 (-5.1%)	42	-
	Goodwill Amortization	-1,894	-2,064	-170	
	Total	4,412 (5.0%)	6,227 (6.1%)	1,815	141%

Domestic and Overseas Sales (YoY)



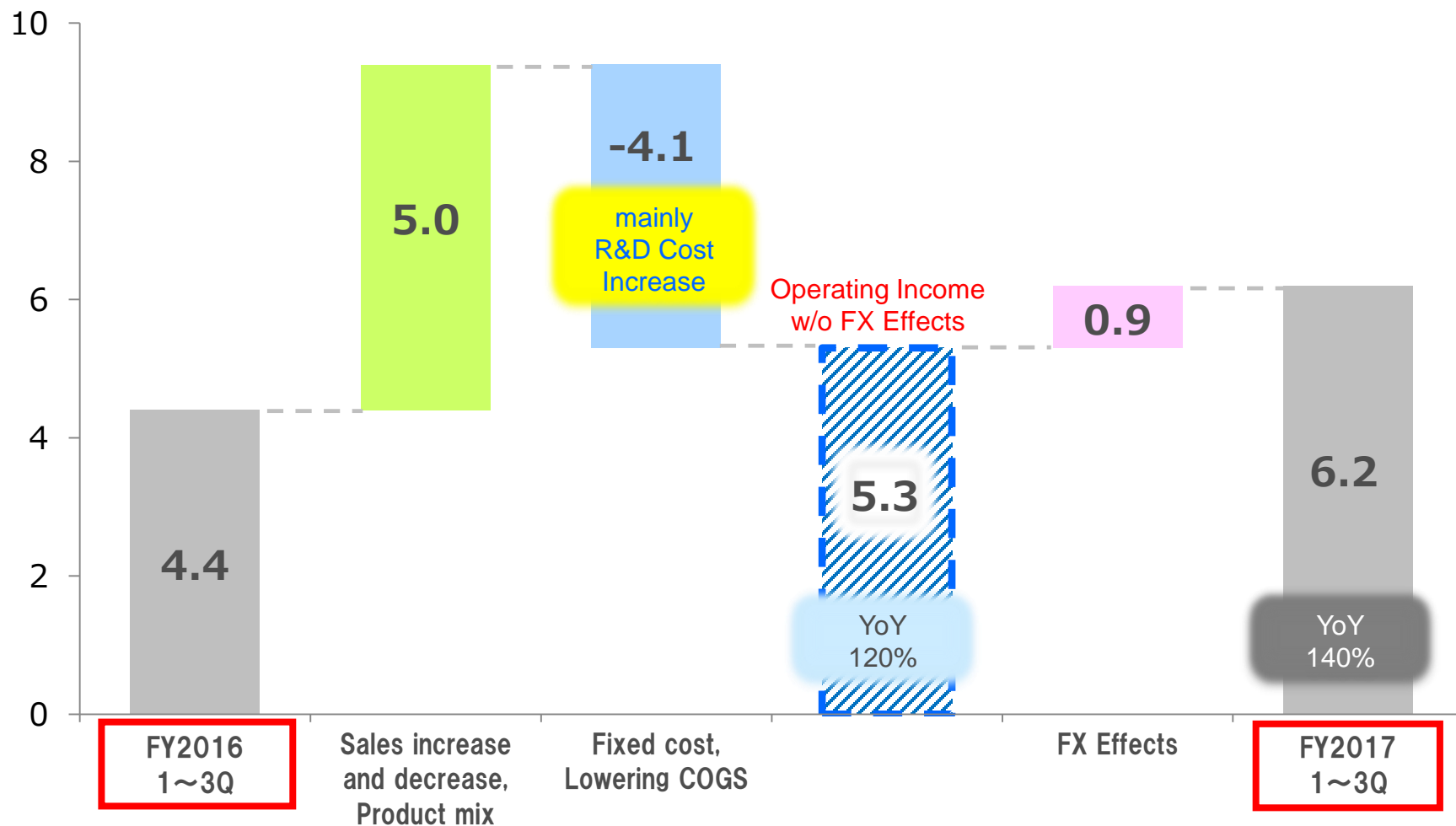
POC=Positioning Company/ SIB=Smart Infrastructure Business/ ECB=Eye Care Business

*"i-Construction" is a registered trademark of National Institute for Land and Infrastructure Management, MLIT, Japan.

FY2017 3Q Operating Income YoY Breakdown

<Profit growth, Accelerate upfront investment>

(Unit : Billion yen)



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Review of 3Q Financial Results

+ Positive factors

- Sales growth in **IT Construction** supported by solid global construction investment (YoY 125%)
- Sales growth in **IT Agriculture** by increasing the number of OEM partners (YoY 130%)

- Negative factor

- Acceleration of upfront investment (development of advanced technology, enhancement of sales network)

Topics

■ Exhibited at **Agritechnica**^{*1}, the world's largest agricultural machinery trade show

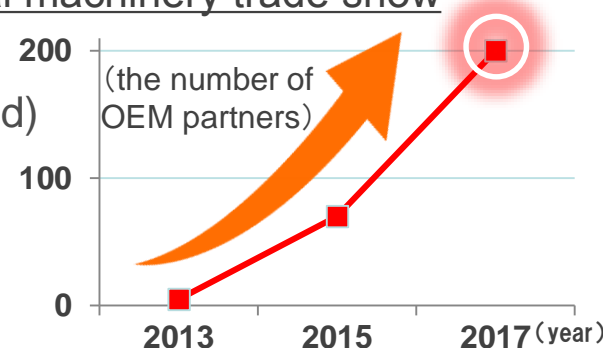
- The number of OEM partners rapidly increased to 200 by establishment of **TA**^{*2} (over 100 OEM partners participated)

^{*1} Outline of Agritechnica

Held in November 2017 (once every two years)
Venue : Hanover Messe, Germany 500,000m²
(the world's largest convention center)
The number of visitors : over 500,000 people

^{*2} TA

= Topcon Agriculture S.p.A
(headquarter : Turin, Italy)



IT Agriculture : OEM sales growth according to expansion of cross-sells **Positioning**

Past

Agriculture group of POC

 WACHENDORFF

DIGI★STAR

NORAC 

KEE
TECHNOLOGIES
POWERING FARM PRODUCTION

Individual sales activities

Present

Topcon Agriculture S.p.A

(Headquarter)



Topcon Electronics



Topcon Agriculture America



Topcon Agriculture Canada



Topcon Precision Agriculture



Organization integration

Significant growth in OEM sales

Maximization of synergy effect

Farm machinery industry

Supplier

Tractor Manufacturer

A

B

C

D

E

Review of 3Q Financial Results

+ Positive factors

- Favorably prevailing the **i-Construction** in Japan (YoY 140%)
- Growing sales of **IT Agriculture** in Japan (YoY 400%)

Topics

- Opened another i-Construction Training Center (Pre-opened in January 2018)
 - Following those in Fukushima, Kobe and Kitakyushu the 4th one was newly opened in Namekata-city, Ibaraki aiming for further spread of i-Construction

- Auto Steering System : Sales promotion to small farms in Japan
 - Shared use : usable in several machinery such as small to mid-size tractor or rice transplanter
 - Adoption at small farms accelerate the spread of Auto Steering System in Japan

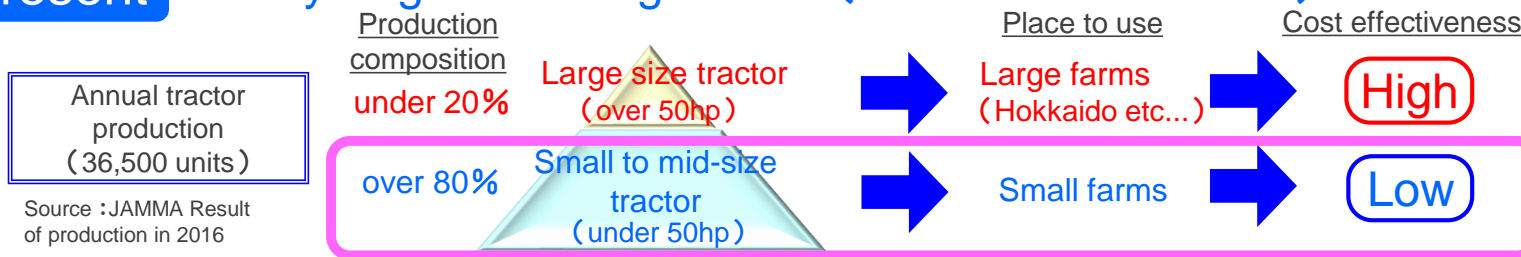
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Auto Steering System :

Smart Infrastructure

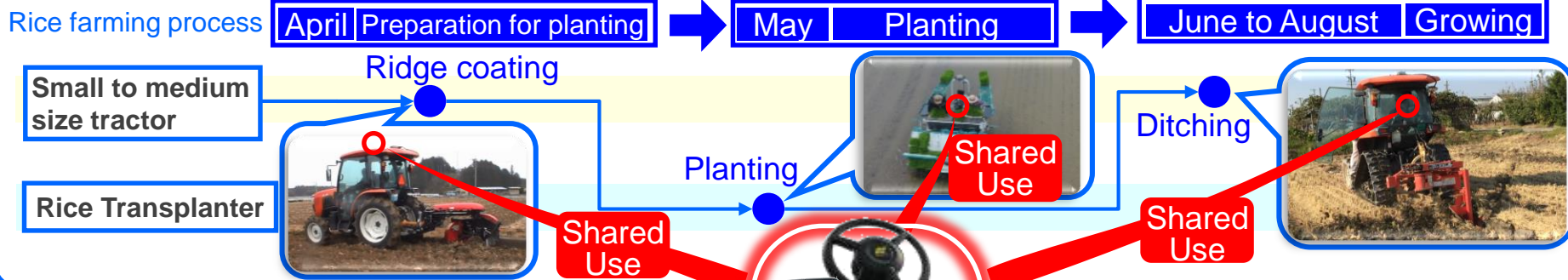
Promotion to small farms in Japan

Present Mainly targeted to large farms (due to cost-effective)



Promotion to small farms

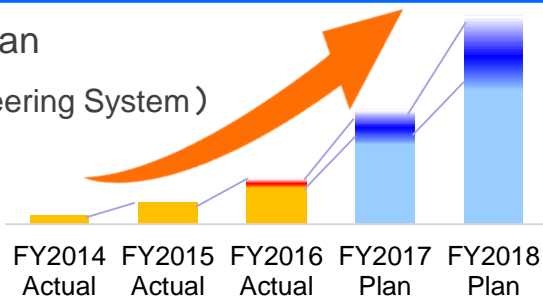
Improvement of cost effectiveness by **Shared use**



Sales of IT Agriculture in Japan

Sales plan

(Auto Steering System)
(amount)



Small to mid-size tractor
Large size tractor

Why **shared use** available?

Attachable to existing tractor



✓ **Easy installation**

Replace general handle with Motor built-in steering wheel



Review of 3Q Financial Results

+ Positive factors

- Sales growth of **3D OCT** (YoY120%)
- Sales growth of **Retinal Camera (NW400)** (YoY120%)

- Negative factors

- **Cost increase due to upfront investment** (Development of new IoT business, R&D cost, Enhancement of FDA acquisition)
- **Sales slow down in European market**

Topics

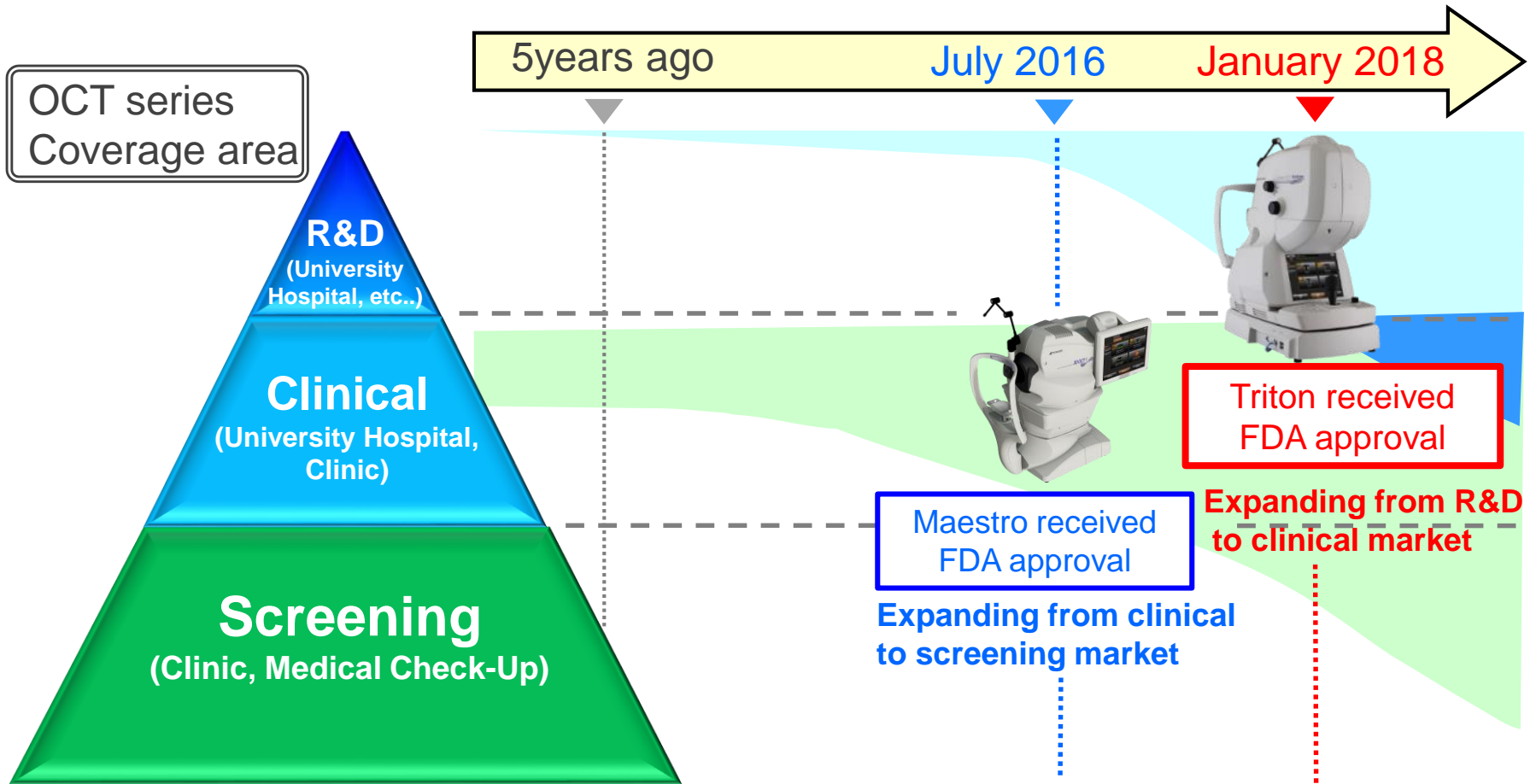
■ DRI OCT Triton

- **US FDA clearance on January 20th**

DRI OCT Triton received FDA approval in US *Eye Care*

Received FDA approval as planned thanks to the persistent efforts to cope with FDA regulatory

Expand sales with state-of-the-art SS OCT and versatile Maestro



Ⅱ.FY2017 Full Year Plan

FY2017 Full Year Plan

[Consolidated]		FY2016	FY2017 (unit: million yen)			
		Full Year	Full Year			
		Actual	New Plan	Change	YoY (%)	Announced on October 27 th
Net Sales		128,387	138,000	0	107%	138,000
Operating Income (Operating Income Ratio)		9,551 (7.4%)	12,000 (8.7%)	0	126%	12,000 (8.7%)
Ordinary Income		7,622	10,500	500	138%	10,000
Net Income		4,395	5,900	200	134%	5,700
ROE		7.4%	10%			10%
ROIC		5.5%	7%			7%
Dividends		¥16	¥20			¥20
Exchange Rate *	USD	¥109.03	¥110.24			¥108.46
	EUR	¥119.37	¥125.45			¥121.26

* Assumed exchange rate after January 2018 is ¥105/US\$, ¥115/EUR

FY2017 Full Year Plan by Business

[Consolidated]			FY2016	FY2017 (unit: million yen)		
			Full Year	Full Year		
			Actual	Plan	YoY (%)	Announced on October 27 th
Net Sales	Positioning		60,602	68,000	112%	68,000
	Smart Infrastructure		33,091	36,000	109%	36,000
	Eye Care		43,148	45,000	104%	45,000
	Others		3,708	4,000	108%	4,000
	Elimination		-12,163	-15,000		-15,000
	Total		128,387	138,000	107%	138,000
Operating Income (Operating Income Ratio)	Positioning		5,596 (9.2%)	7,000 (10.3%)	125%	7,000 (10.3%)
	Smart Infrastructure		3,939 (11.9%)	4,700 (13.1%)	119%	4,700 (13.1%)
	Eye Care		2,598 (6.0%)	2,800 (6.2%)	108%	2,800 (6.2%)
	Others		10 (0.3%)	0 (-)	-	0 (-)
	Goodwill Amortization		-2,593	-2,500		-2,500
	Total		9,551 (7.4%)	12,000 (8.7%)	126%	12,000 (8.7%)
	Exchange Rate (Average)	USD	¥109.03	¥110.24		¥108.46
		EUR	¥119.37	¥125.45		¥121.26

【TOPCON WAY】

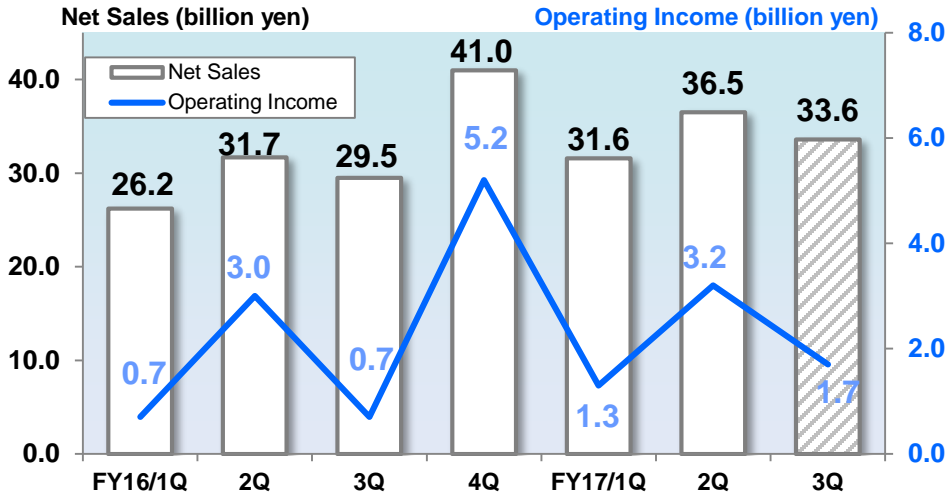
Topcon contributes to enrich human life by solving the societal challenges within healthcare, agriculture and infrastructure.



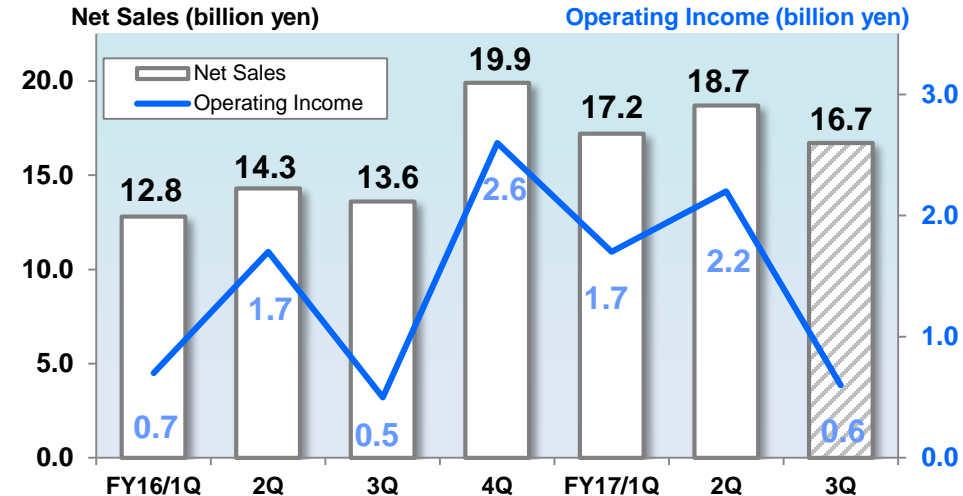
Ⅲ. Appendix

Financial Results (Quarterly)

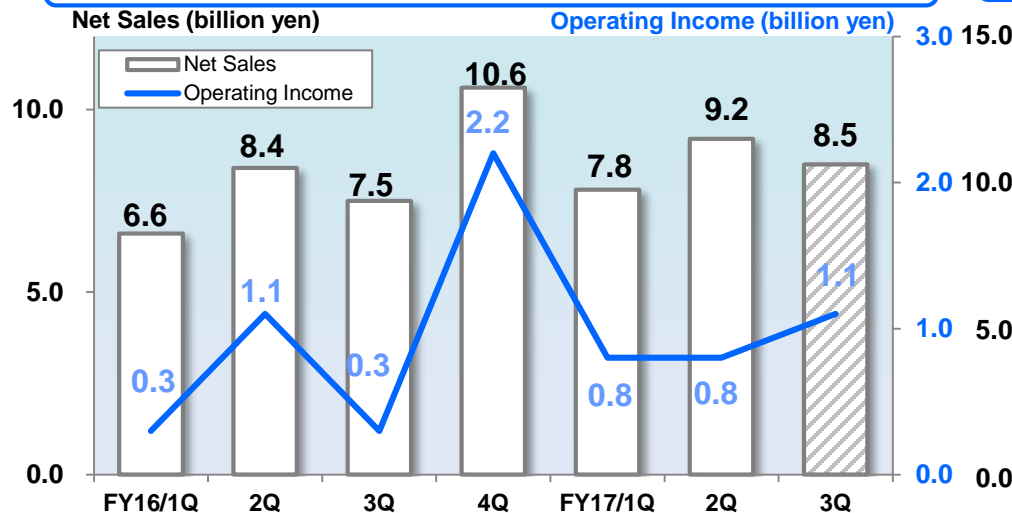
1. Consolidated



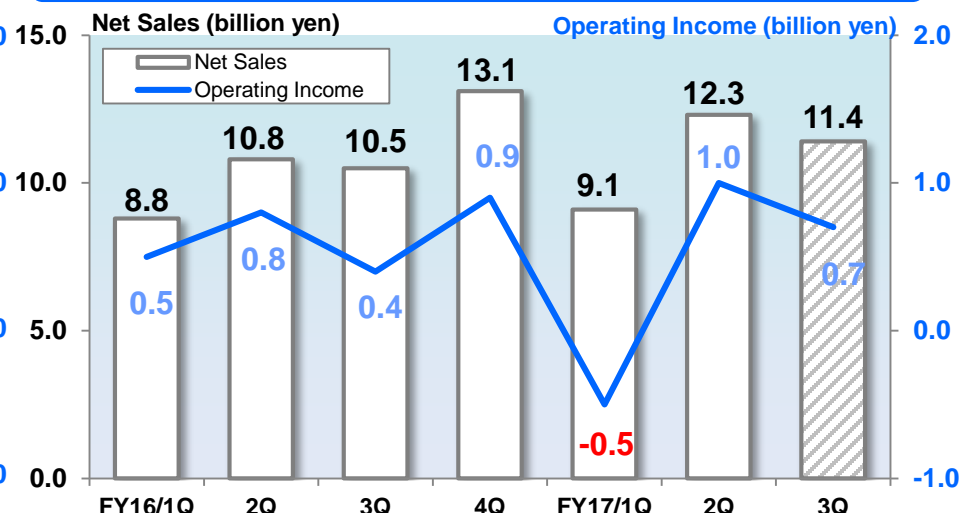
2. Positioning



3. Smart Infrastructure

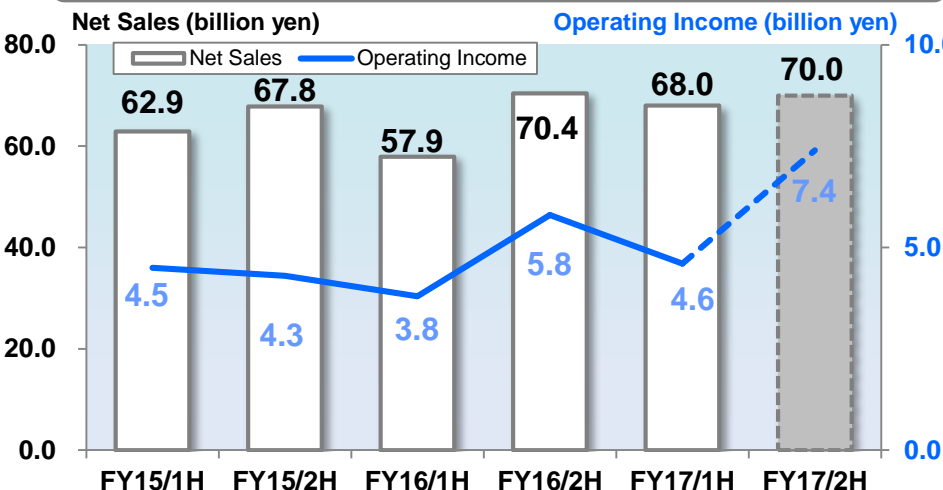


4. Eye Care

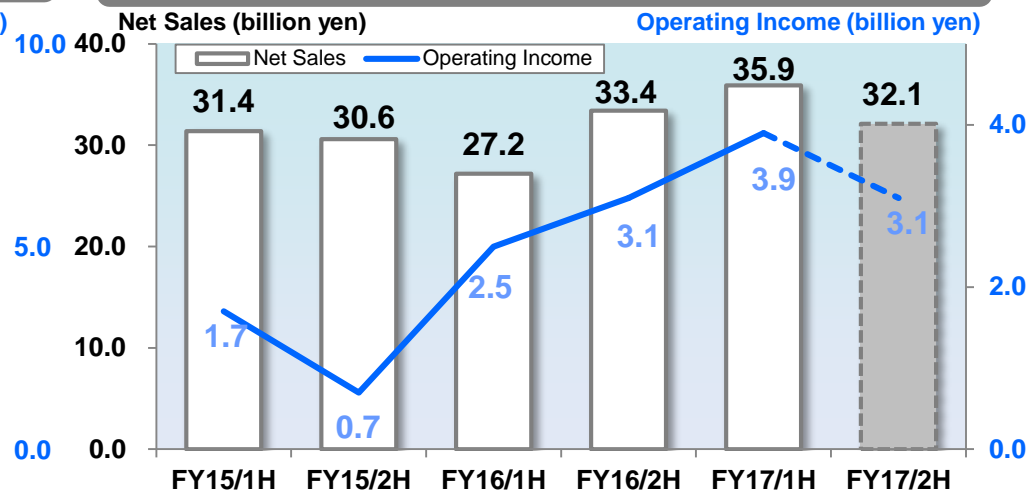


Financial Results and Forecast (Semiannually)

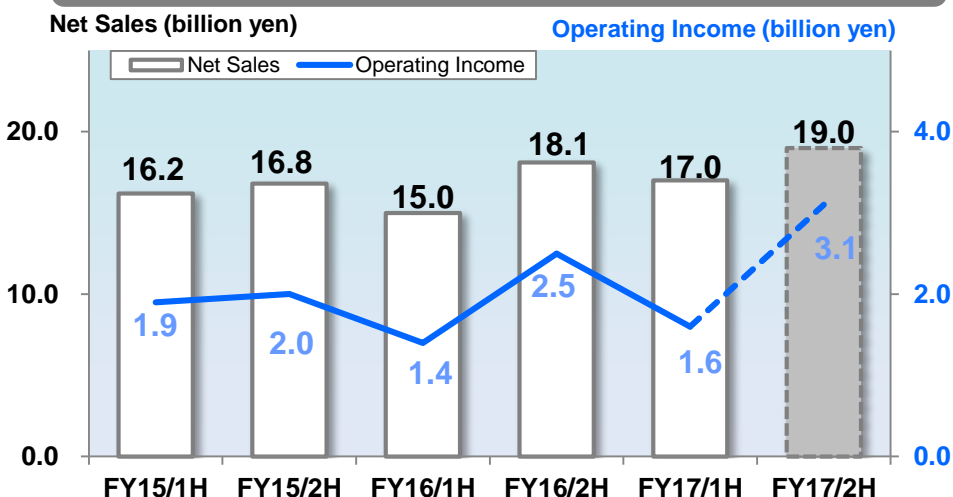
1. Consolidated



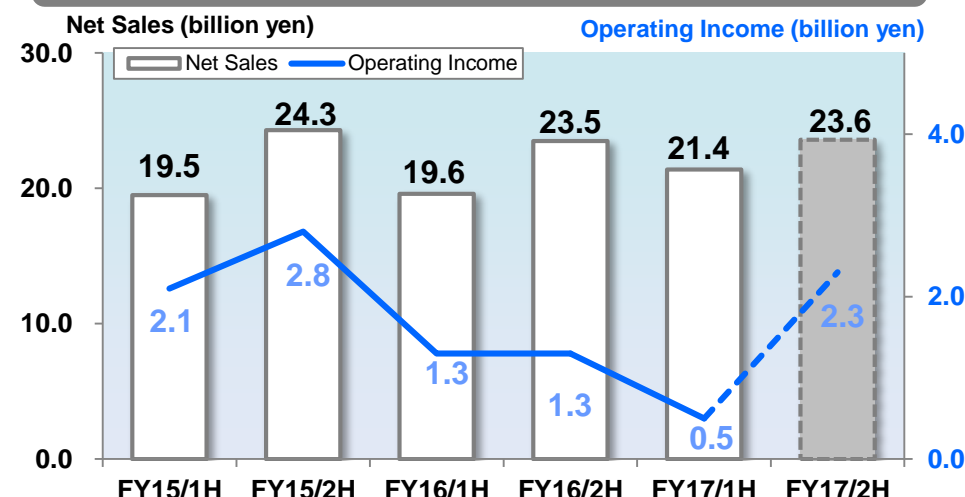
2. Positioning



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 January 30, 2018 at 16:30(UTC+9)

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