

FY2017 Financial Results

April 27, 2018
TOPCON CORPORATION
President & CEO
Satoshi Hirano



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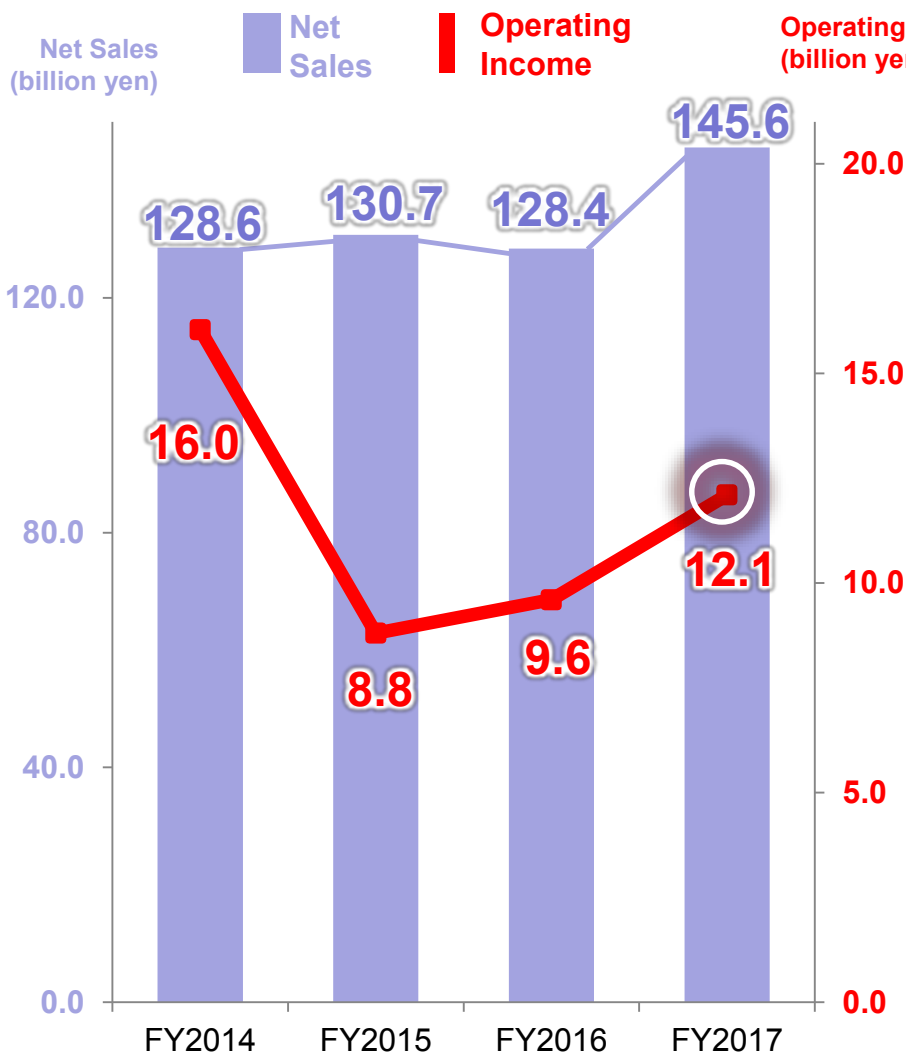
Appendix

I . FY2017 Financial Results

I -1. FY2017 Financial Results

I -2. Overview of Each Business

FY2017 Result



- Significant Growth in Sales and Profit, Dividend increase
- Achieved published figures

		YoY
Sales	¥145.6B	113% Record!
Operating Income	¥12.1B	126%
Ordinary Income	¥10.8B	141%
Net Income	¥6.0B	137%
Annual dividend	¥20	FY2016 ¥16

FY2017 Financial Results

<Significant growth in Sales and Profit, Dividend increase>

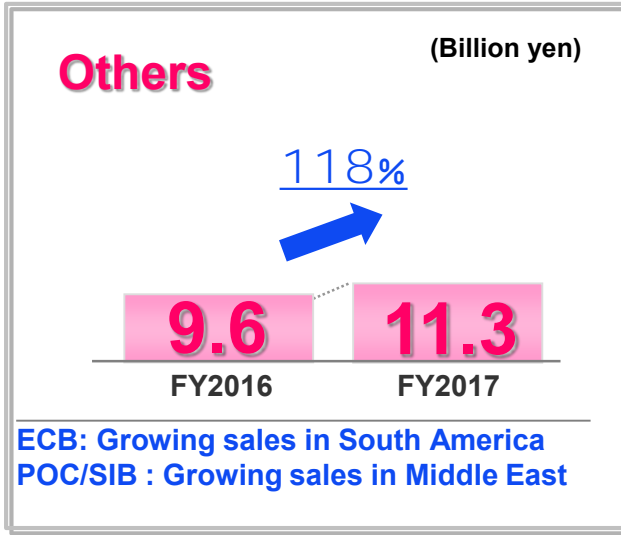
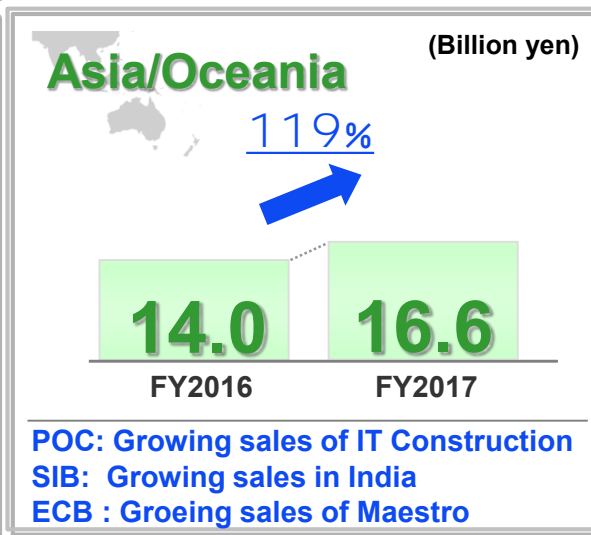
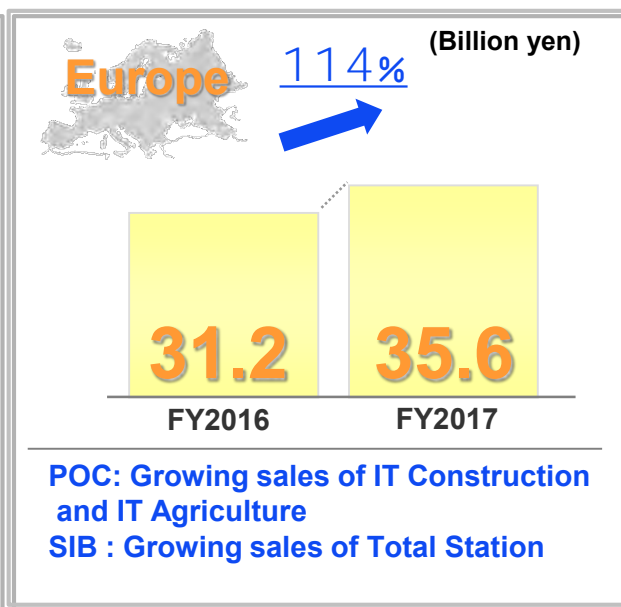
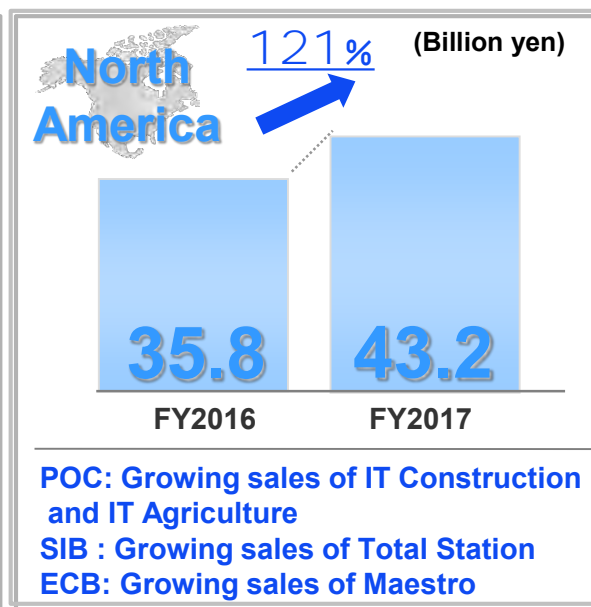
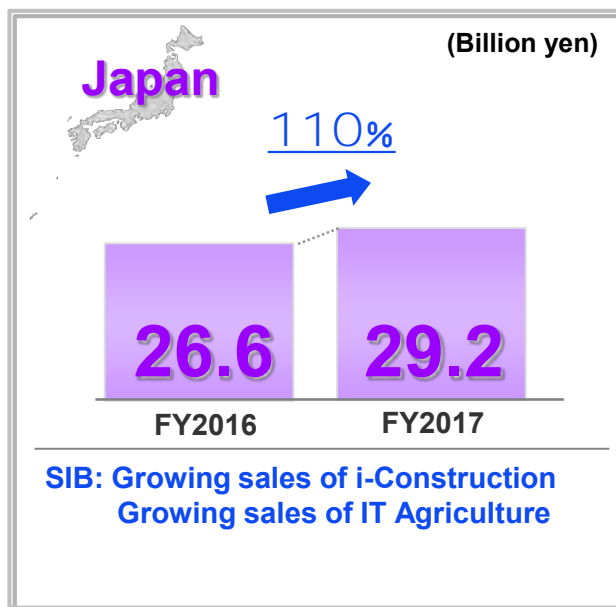
[Consolidated]		FY2016	FY2017 (unit: million yen)			
		Actual	Actual	YoY	YoY%	Published
Net Sales		128,387	145,558	17,171	113%	138,000
Gross Profit (Gross Profit Ratio)		65,547 (51.1%)	74,984 (51.5%)	9,437		
SGA		55,996	62,911	6,915		
Operating Income (Operating Income Ratio)		9,551 (7.4%)	12,073 (8.3%)	2,522	126%	12,000 (8.7%)
Non-Operating Expenses		-1,928	-1,399	529		
Ordinary Income		7,622	10,674	3,052	140%	10,500
Extraordinary Income (Loss)		28	-1,469	-1,497		
Income (Loss) Before Income Taxes and Minority Interests		7,651	9,205	1,554		
Net Income (Loss)		4,395	6,028	1,633	137%	5,900
ROE		7.4%	9.7%			10%
ROIC		5.5%	7.1%			7%
Dividends (JPY)		¥16	¥20			¥20
Exchange Rate (Average)	USD	¥109.03	¥110.81	¥1.78		¥110.24
	EUR	¥119.37	¥129.45	¥10.08		¥125.45

FY2017 Financial Results by Business

<Significant Growth in POC and SIB>

[Consolidated]		FY2016	FY2017 (unit: million yen)			
		Actual	Actual	YoY	YoY %	Published
Net Sales	Positioning	60,602	74,945	14,343	124%	68,000
	Smart Infrastructure	33,091	36,626	3,535	111%	36,000
	Eye Care	43,148	46,515	3,367	108%	45,000
	Others	3,708	2,493	-1,215	67%	4,000
	Elimination	-12,163	-15,023	-2,860		-15,000
	Total	128,387	145,558	17,171	113%	138,000
Operating Income (Operating Income Ratio)	Positioning	5,596 (9.2%)	8,018 (10.7%)	2,422	143%	7,000 (10.3%)
	Smart Infrastructure	3,939 (11.9%)	5,102 (13.9%)	1,163	130%	4,700 (13.1%)
	Eye Care	2,598 (6.0%)	2,038 (4.4%)	-560	78%	2,800 (6.2%)
	Others	10 (0.3%)	88 (3.5%)	78	-	0 (-)
	Goodwill Amortization	-2,593	-3,173	-580		
	Total	9,551 (7.4%)	12,073 (8.3%)	2,522	126%	12,000 (8.7%)

Domestic and Overseas Sales (YoY)



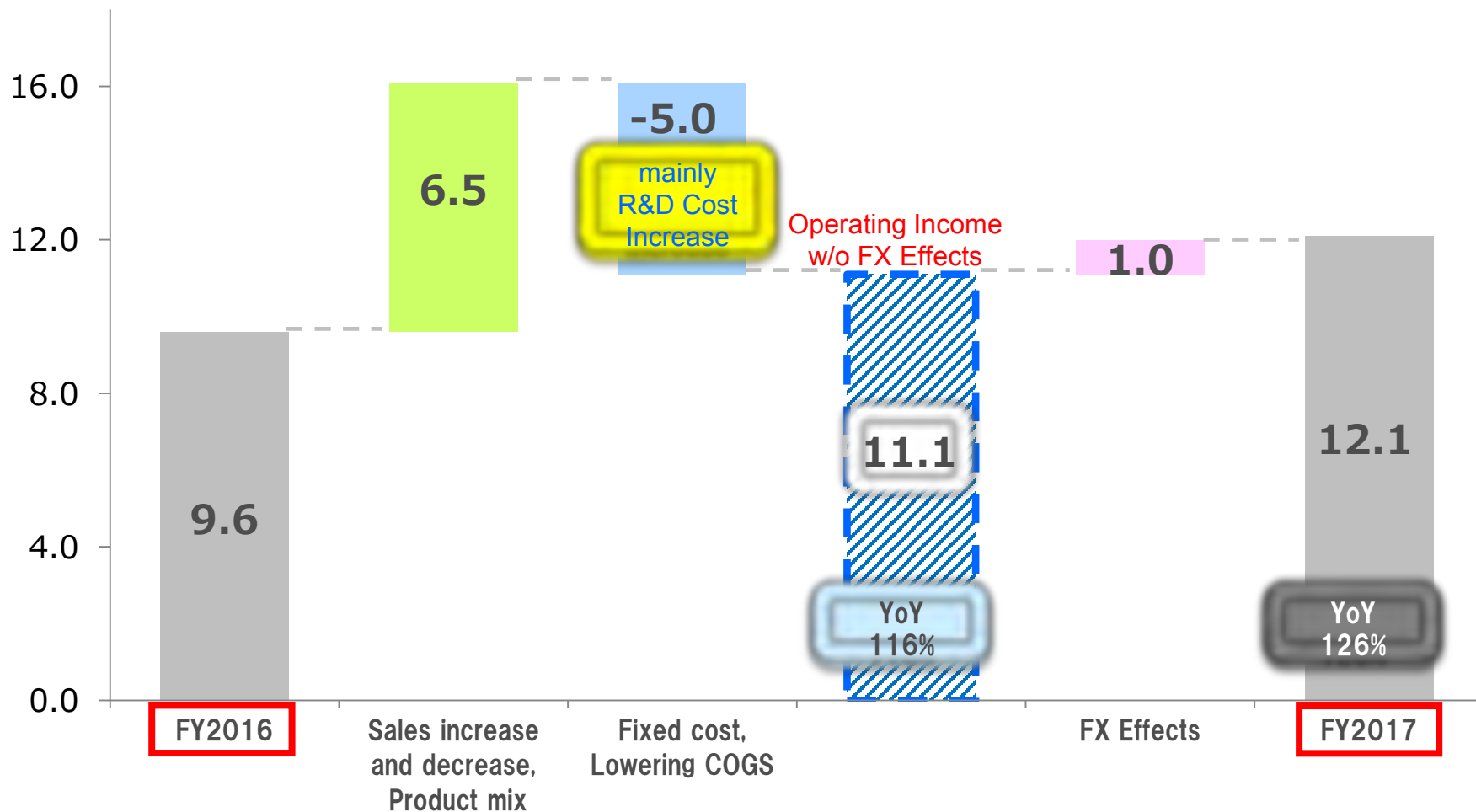
POC=Positioning Company/ SIB=Smart Infrastructure Business/ ECB=Eye Care Business

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

FY2017 Operating Income YoY Breakdown

<Profit growth, Accelerate upfront investment>

(Unit: Billion yen)



I . FY2017 Financial Results

I -1. FY2017 Financial Results

I -2. Overview of Each Business

Record-high Sales and Operating income

		FY2016	FY2017 (unit: million yen)			
		Actual	Actual	YoY	%	Published
Net Sales		60,602	74,945	14,343	124%	68,000
Operating Income (Operating Income Ratio)		5,596 (9.2%)	8,018 (10.7%)	2,422	143%	7,000 (10.3%)
Exchange Rate	USD	¥109.03	¥110.81			¥110.24
	EUR	¥119.37	¥129.45			¥125.45

Review of FY2017 Financial Results

- Growing sales of **IT Construction** due to steady development of market penetration (YoY 120%)
- Growing sales of **IT Agriculture** thanks to market recovery and increasing OEM sales (YoY 130%)
- Acceleration of upfront investment(development of advanced technology, enhancement of sales network)

Overview of Each Business

<Growth in Sales and Operating Income>

Smart Infrastructure

Increase profitability

		FY2016	FY2017 (unit: million yen)			
		Actual	Actual	YoY	%	Published
Net Sales		33,091	36,626	3,535	111%	36,000
Operating Income (Operating Income Ratio)		3,939 (11.9%)	5,102 (13.9%)	1,163	130%	4,700 (13.1%)
Exchange Rate	USD	¥109.03	¥110.81			¥110.24
	EUR	¥119.37	¥129.45			¥125.45

Review of FY2017 Financial Result

- Sales growth by spreading of i-Construction (YoY 140%)
- Rapid sales expansion of IT Agriculture in Japan (YoY 290%)
- Improve profitability thanks to release of “Common Platform” based Total Station

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

Overview of Each Business

<Growth in Sales and decrease in Operating Income>

Eye Care

Acceleration of upfront investment

		FY2016	FY2017			(unit: million yen)
		Actual	Actual	YoY	%	Published
Net Sales		43,148	46,515	3,367	108%	45,000
Operating Income (Operating Income Ratio)		2,598 (6.0%)	2,038 (4.4%)	-560	78%	2,800 (6.2%)
Exchange Rate	USD	¥109.03	¥110.81			¥110.24
	EUR	¥119.37	¥129.45			¥125.45

Review of FY2017 Financial Results

- Growing Sales of 3D OCT (YoY 120%)
Growing Sales of Maestro and Triton in the U.S.
- Growing Sales of Retinal Camera (NW400) (YoY 120%)
- Sales stagnation in European market
- Acceleration of upfront investments (IoT business, R&D, FDA)

Ⅱ . FY2018 Full Year Plan

Ⅱ -1. FY2018 Full Year Plan

Ⅱ -2. Strategic Plans For Each Business

Ⅱ -3. Summary

FY2018 Full Year Plan

[Consolidated]		FY2017		FY2018 (unit: million yen)			
		1H	Full Year	1H		Full Year	
		Actual	Actual	Plan	YoY(%)	Plan	YoY (%)
Net Sales		68,046	145,558	70,000	103%	150,000	103%
Operating Income (Operating Income Ratio)		4,570 (6.7%)	12,073 (8.3%)	5,000 (7.1%)	109%	15,000 (10.0%)	124%
Ordinary Income		4,088	10,674	4,200	103%	13,000	122%
Net Income		1,867	6,028	2,100	112%	7,000	116%
ROE			9.7%			11%	
ROIC			7.1%			9%	
Dividends		¥10	¥20	¥12		¥24	
Exchange Rate (Average)	USD	¥111.42	¥110.81	¥105		¥105	
	EUR	¥126.63	¥129.45	¥130		¥130	

FY2018 Full Year Plan by Business

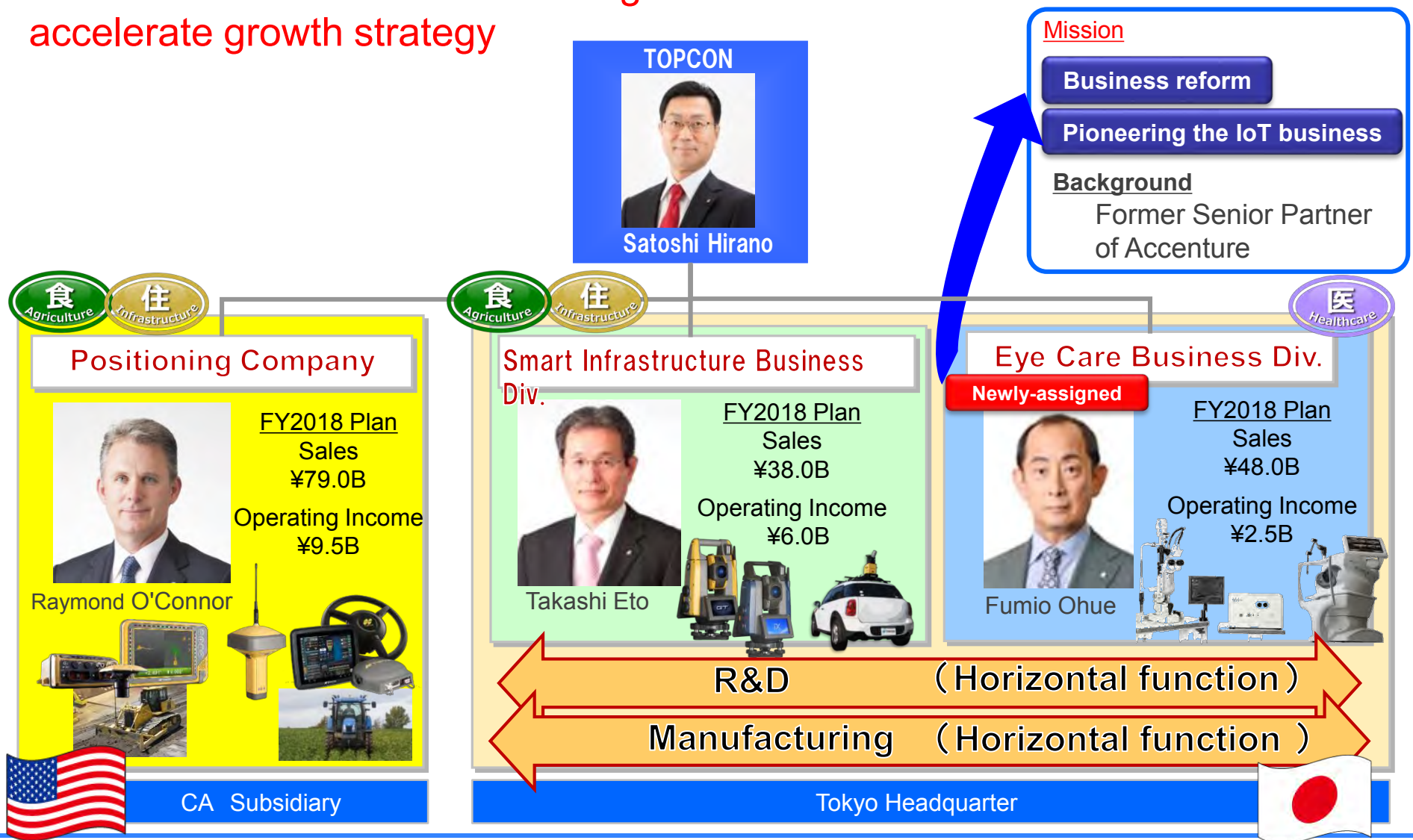
[Consolidated]			FY2017		FY2018 (unit: million yen)			
			1H	Full Year	1H		Full Year	
			Actual	Actual	Plan	YoY(%)	Plan	YoY (%)
Net Sales	Positioning		35,884	74,945	37,000	103%	79,000	105%
	Smart Infrastructure		17,042	36,626	18,000	106%	38,000	104%
	Eye Care		21,397	46,515	22,000	103%	48,000	103%
	Others		1,030	2,493	1,000	97%	1,500	60%
	Elimination		-7,307	-15,023	-8,000		-16,500	
	Total		68,046	145,558	70,000	103%	150,000	103%
Operating Income (Operating Income Ratio)	Positioning		3,869 (10.8%)	8,018 (10.7%)	4,000 (11.1%)	103%	9,500 (12.0%)	118%
	Smart Infrastructure		1,630 (9.6%)	5,102 (13.9%)	2,000 (11.1%)	123%	6,000 (15.8%)	118%
	Eye Care		526 (2.5%)	2,038 (4.4%)	600 (2.7%)	114%	2,500 (5.2%)	123%
	Others		-22 (-2.1%)	88 (3.5%)	0 (0.0%)	-	0 (0.0%)	-
	Goodwill Amortization		-1,433	-3,173	-1,600		-3,000	
	Total		4,570 (6.7%)	12,073 (8.3%)	5,000 (7.1%)	109%	15,000 (10.0%)	124%
	Exchange Rate (Average)	USD	¥111.42	¥110.81	¥105		¥105	
		EUR	¥126.63	¥129.45	¥130		¥130	

Strengthening of Management structure for growth acceleration

<one company, two business units structure>

Concentrate on each business segment to accelerate growth strategy

Assignment of outside personnel



Ⅱ . FY2018 Full Year Plan

Ⅱ -1. FY2018 Full Year Plan

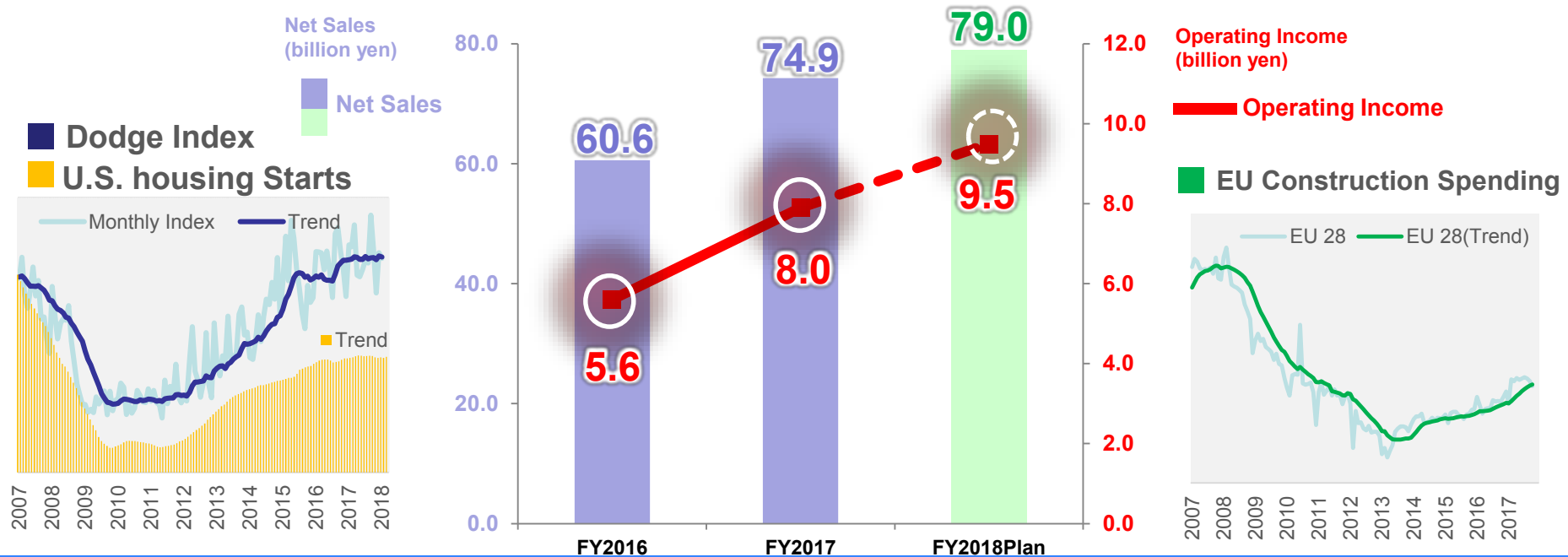
Ⅱ -2. Strategic Plans For Each Business

Ⅱ -3. Summary

1. Positioning Company

Focused Strategy

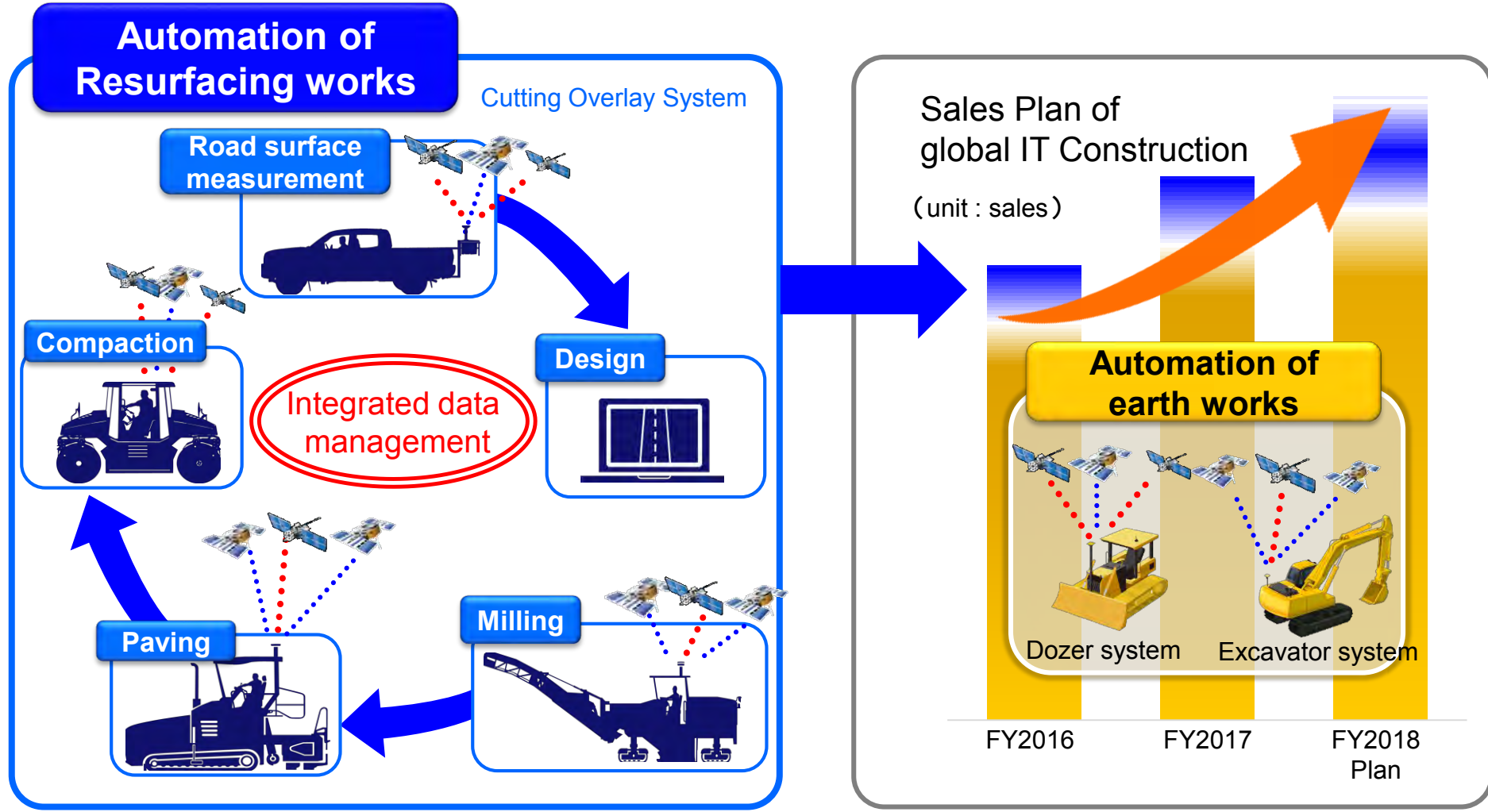
- **IT Construction** : Grow the paving solution to be a major part of business
- **IT Agriculture** :
 - 1) Strong performance both in aftermarket and OEM
 - 2) Promotion of IoT business...TAP(Topcon Agriculture Platform) released



IT Construction :
Grow the paving solution to be a major part of business

Positioning

Road resurfacing solution Targeting the maintenance market !



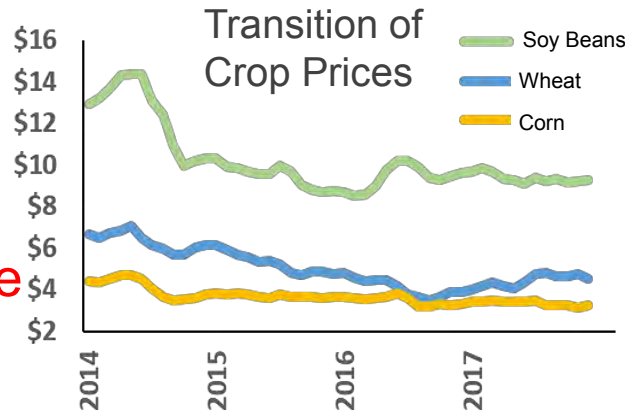
IT Agriculture : Strong performance both in Aftermarket and OEM

Positioning

Aftermarket

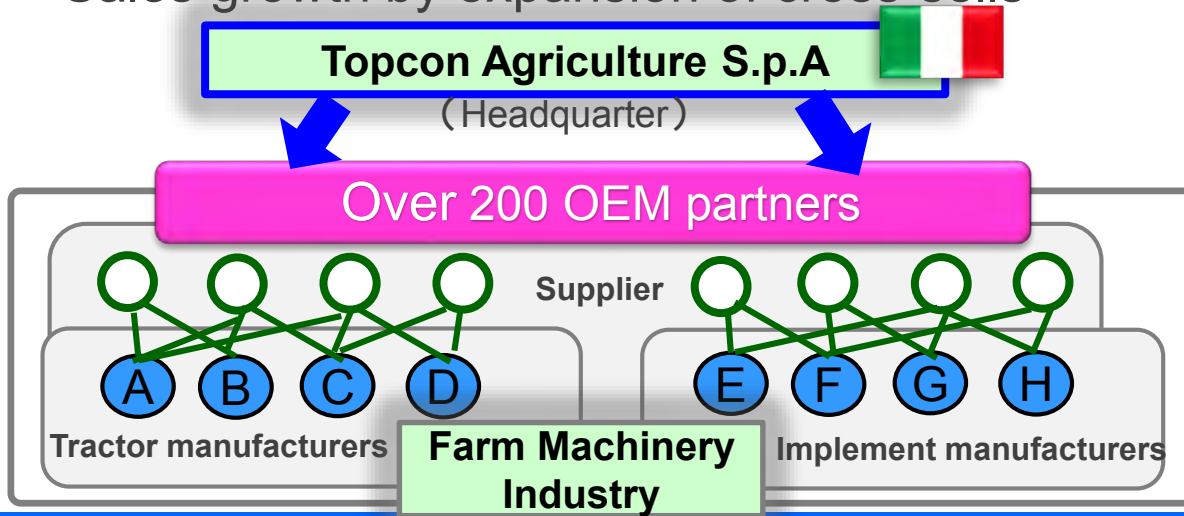
- Growing sales in all region with market recovery (stability of crop price)
- Appointed a key(one of the largest)distributor in Europe

Source: United States Department of Agriculture



OEM

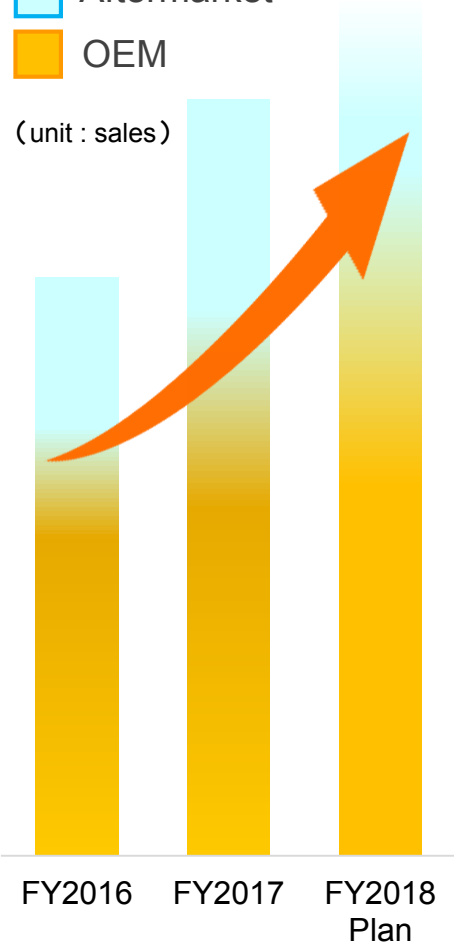
Sales growth by expansion of cross-sells



Sales Plan of global IT Agriculture

Aftermarket
OEM

(unit : sales)



IoT Platform for agriculture

Cloud-based ecosystem (unified data management system)

TAP sales plan

New

(unit : sales)

FY2016 FY2017 FY2018
Plan

past

Cumbersome implements
control consoles



Tractor A



Tractor B



Implement A



Implement B



TOPCON

TAP™
Topcon Agriculture
Platform

New

Unified data
management

Simple!

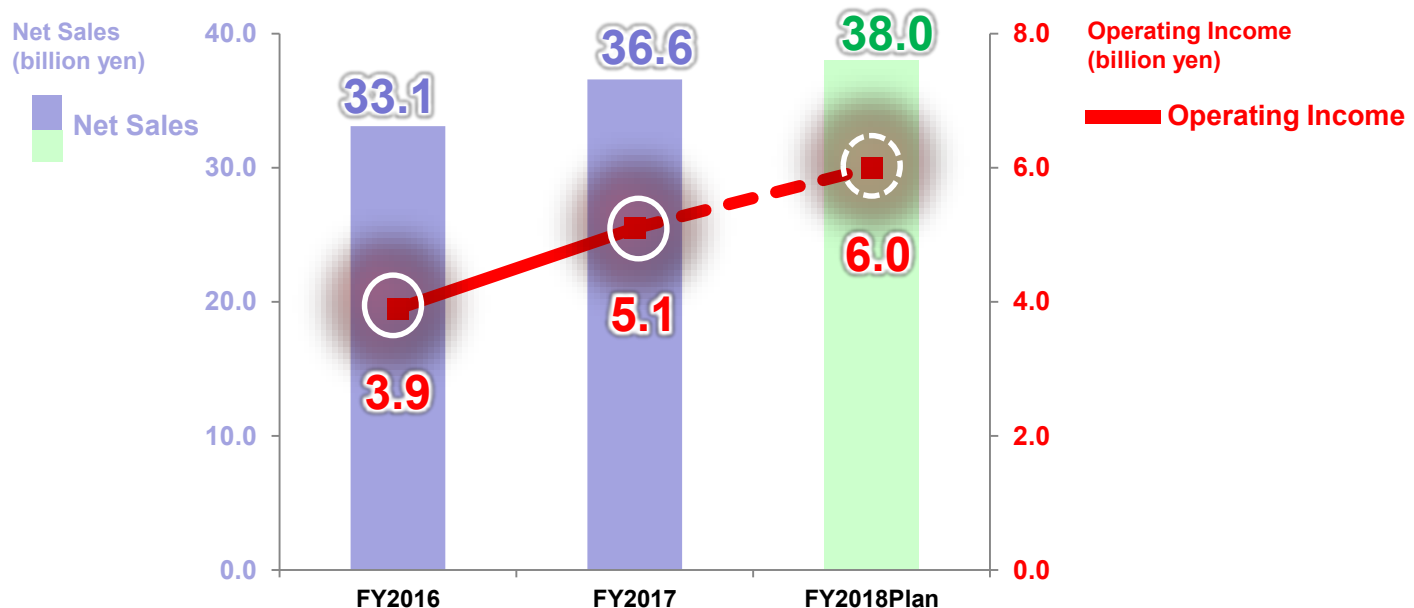


2. Smart Infrastructure Business

Focused Strategy

- **i-Construction** : MLIT's policy goes into "the year of deepening"
- **Total Station** : Increase profitability
- **IT Agriculture in Japan** : Acceleration of sales to small-size farms
- **BIM market** : Enhancement of vertical construction (acquisition of ClearEdge3D)

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



MLIT's policy goes into "the year of deepening"

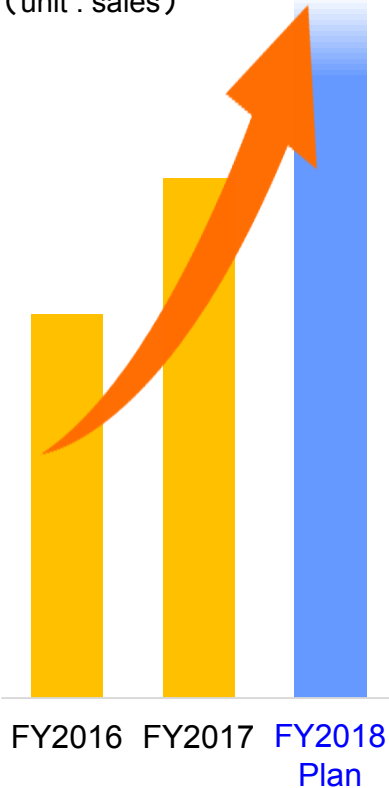
Industry issue

Knowledge engineer shortage despite market growth

TOPCON's Mission

Provide **sufficient** training and support

Sales plan of
IT construction in Japan
(unit : sales)



Training

Over 6,000 Trainees
YoY200%



2016

Kobe
Training Center

2017

Kita-Kyushu
Training Center

2013

Shirakawa
Training Center

4th facility

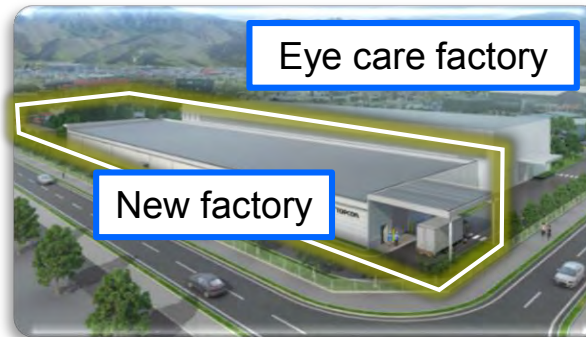
Kanto Training Center

Grand Opening
in June 15th, 2018

Integration of production base at Topcon Yamagata

Built a new factory for
Total Station production

(July, 2017)



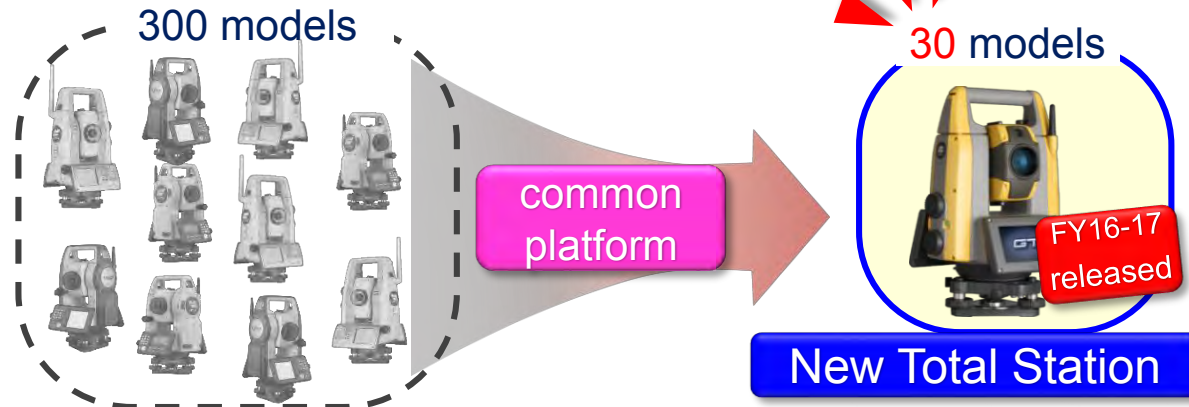
- Strengthening response to production fluctuations
- Optimization of production environment

Maximization of production efficiency

Total Station sales plan (unit: Q'ty)



Commonalized platform

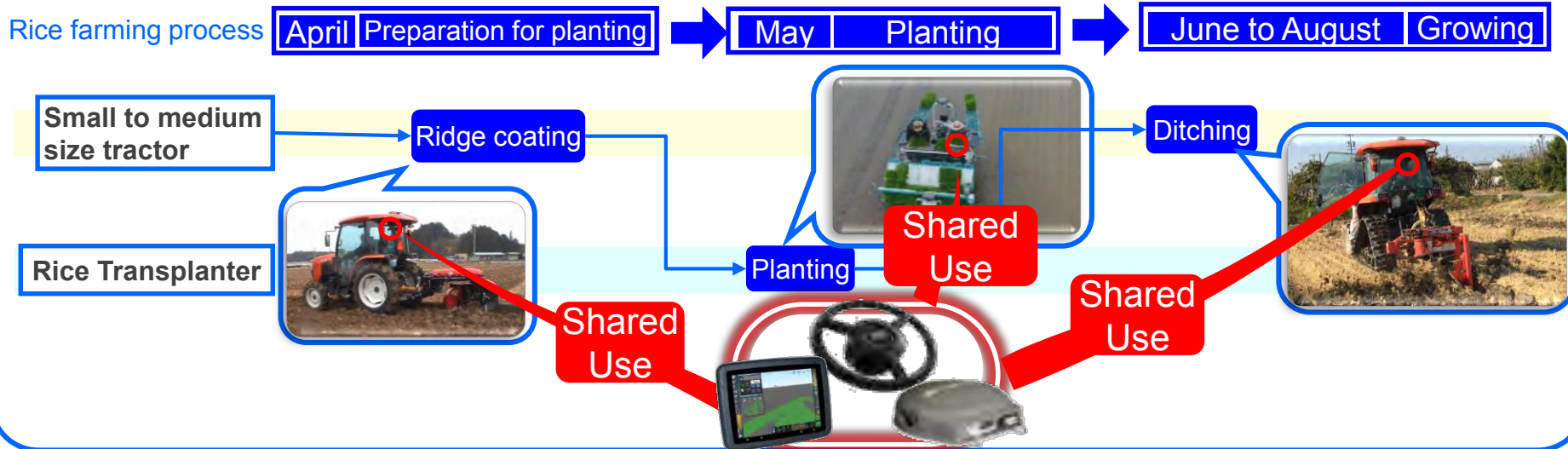


IT Agriculture in Japan : Acceleration of sales to small-size farms

Smart Infrastructure

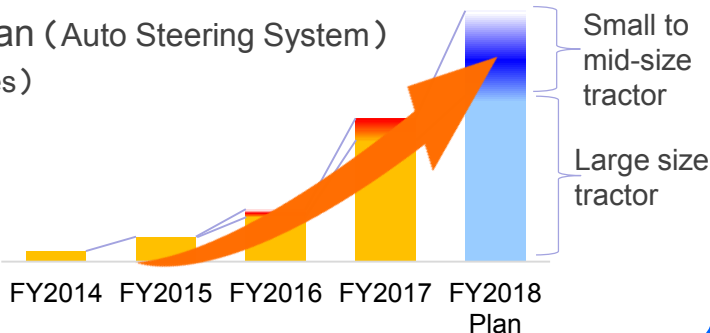
Sales acceleration of Autosteering system

Improvement of cost effectiveness by **Shared use**



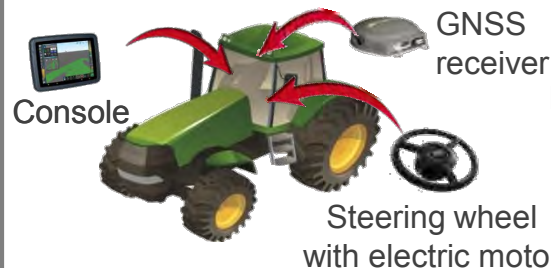
Sales of IT Agriculture in Japan

Sales plan (Auto Steering System)
(unit : sales)



Why **shared use** available?

Attachable to existing tractor



✓ **Easy installation**

Replace general handle with Motor built-in steering wheel



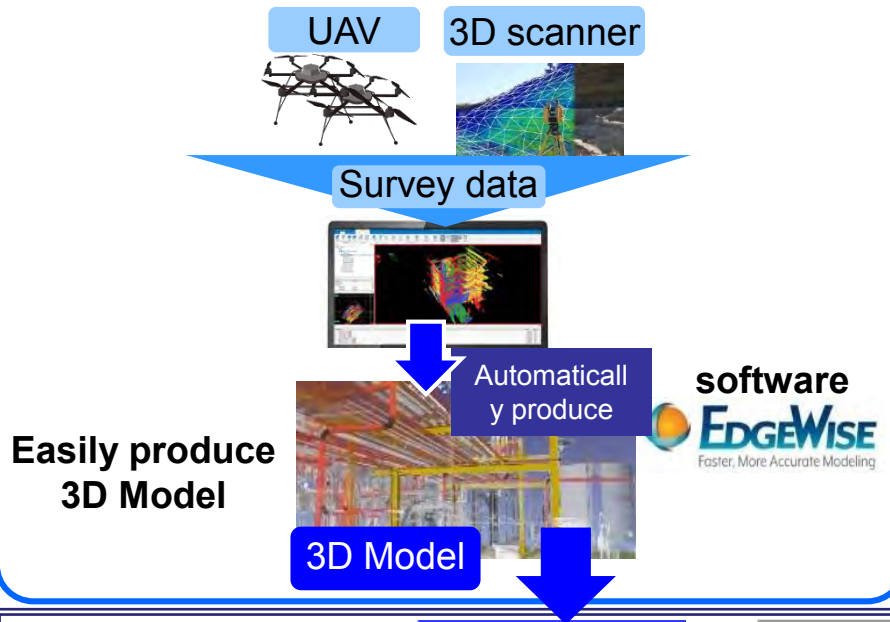
BIM market : Enhance vertical construction

Smart Infrastructure

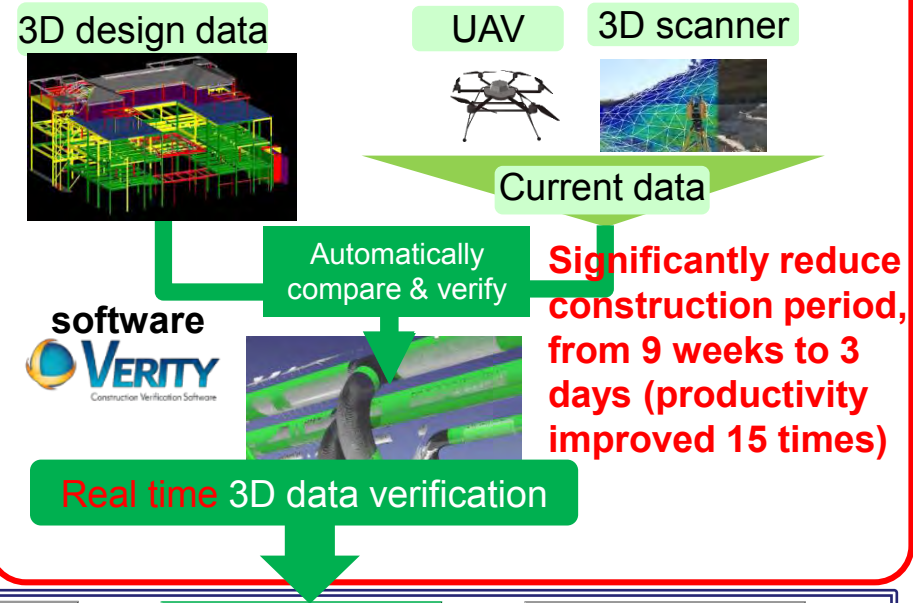
Acquisition of ClearEdge3D

Seamless linkage with designed data
Improve productivity

Automatically produce the 3D Model
from 3D point-cloud data



Automatically compare and verify
designed data with point-cloud data



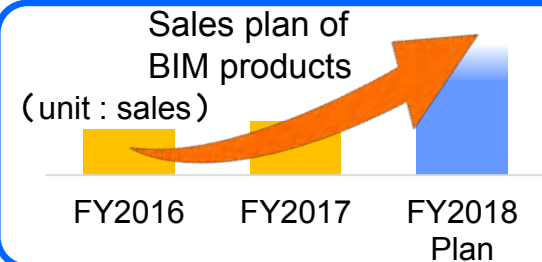
Operation process
of BIM

Basic design

Actual
engineering

Construction

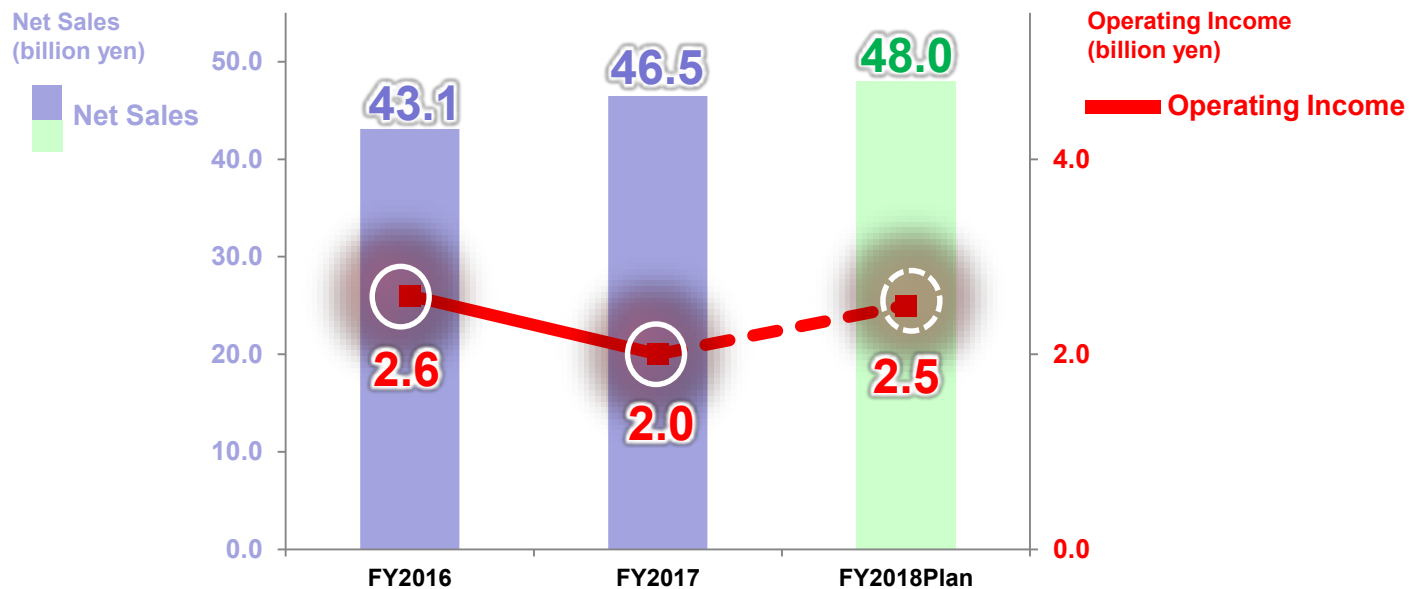
Maintenance



3. Eye Care Business

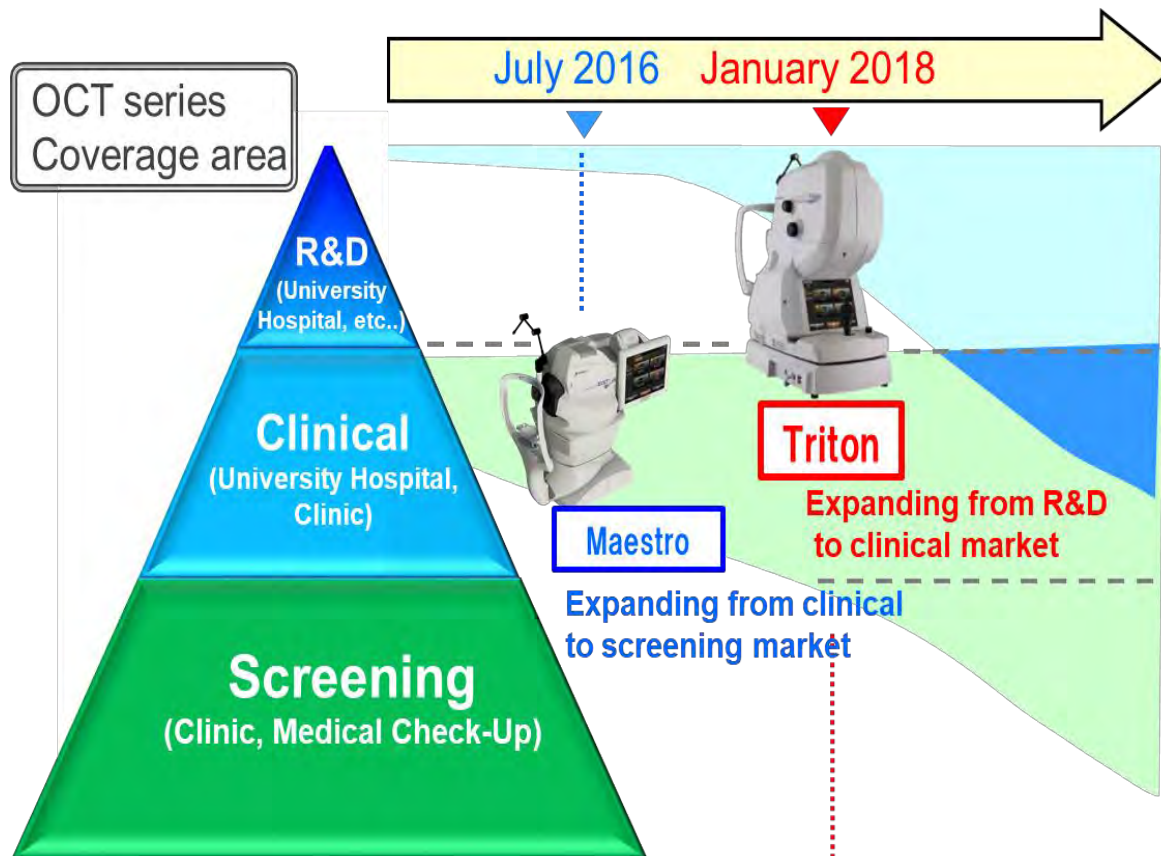
Focused Strategy

- 3D OCT : Growing sales in the U.S.
- IoT business : Acceleration of upfront investment for early commercialization
(Acquisition of KIDE, Collaboration with IDx)

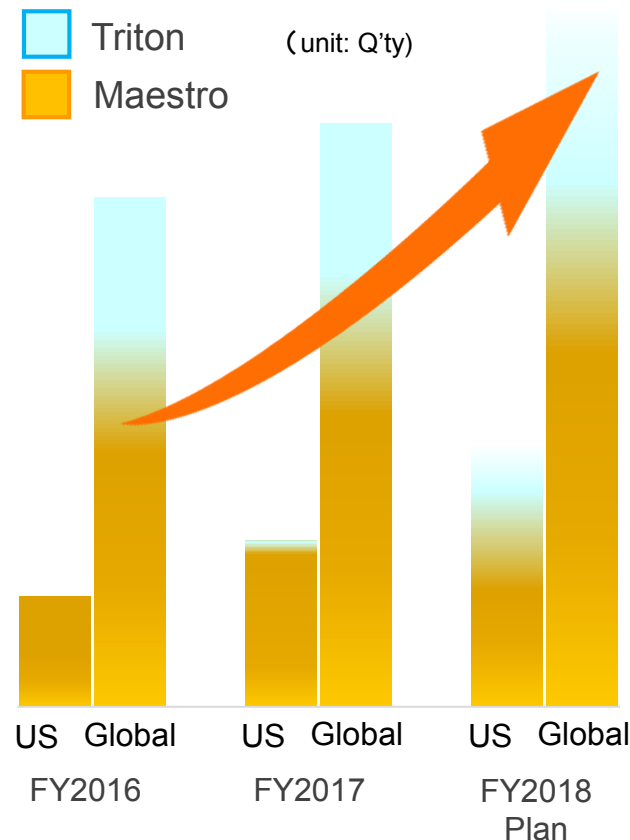


Sales of 2 models(Maestro/Triton)spreads coverage area

Triton : Received FDA approval
⇒ Full contribution to sales



Sales plan of 3D OCT



IoT business : Acceleration of upfront investment for early commercialization

Eye Care

- Acquisition of KIDE: Accelerate screening business for optical chainstore
- Collaboration with IDx : Started “World first” **AI** diagnosis

Globally develop the IoT business led by newly established THS
(THS=Topcon Healthcare Solutions / NJ, USA)



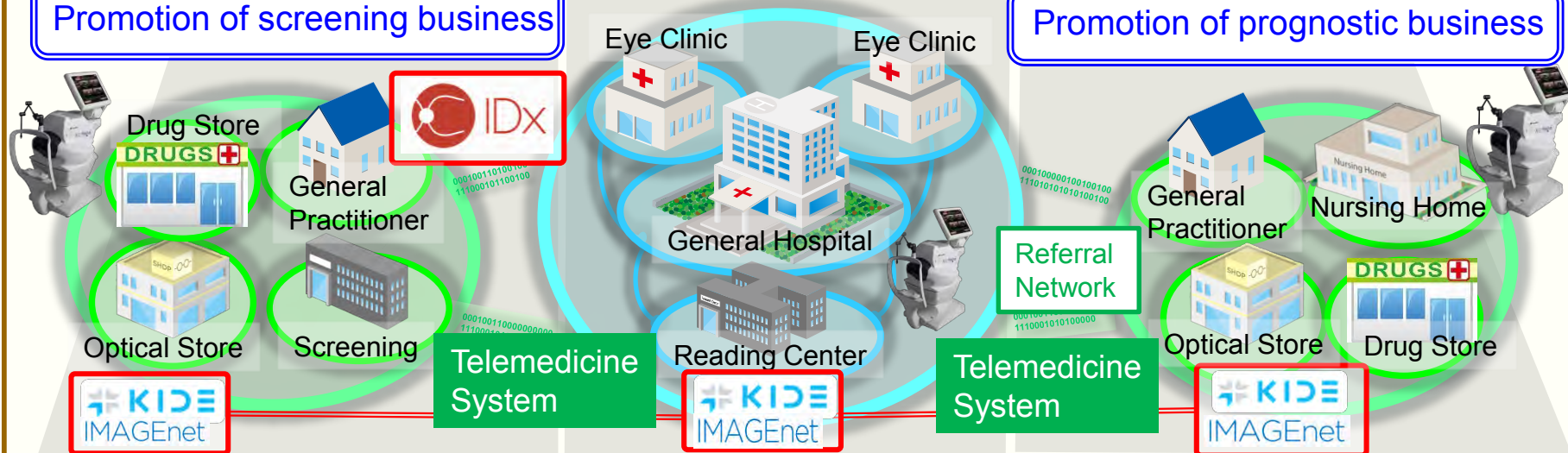
Preventive domain

Exam/Diagnosis/Treatment domains

Prognostic domain

Promotion of screening business

Promotion of prognostic business



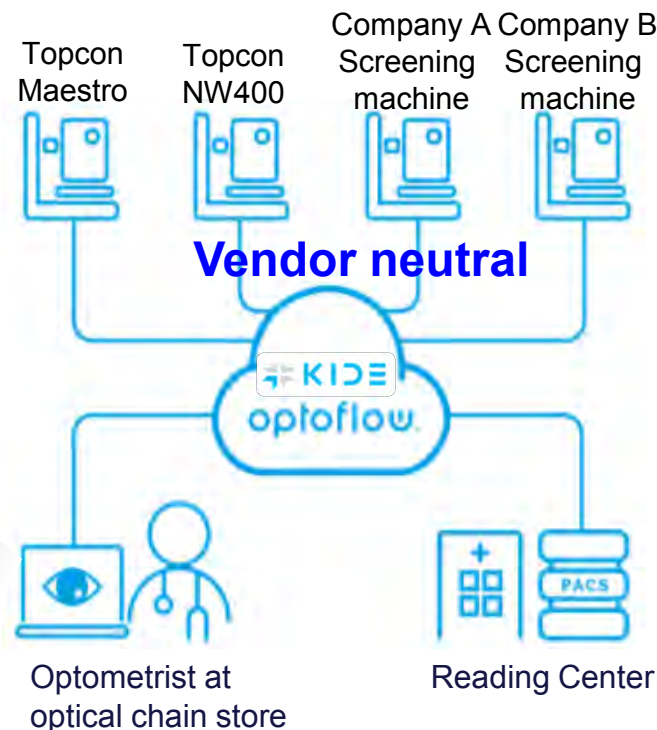
Pharmaceutical company/ Medical insurance company

Accelerate a screening business for optical chain store

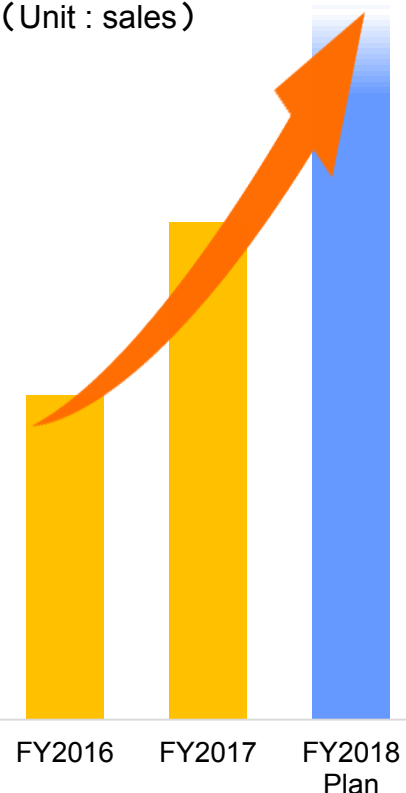
- Sales enhancement and promotion in Europe
- Entering subscription business model
- Respond to telemedicine by image reading center



KIDE Optoflow image



Sales plan of
IoT business sales
(Unit : sales)



*KIDE Clinical Systems Oy. (Headquarter:Finland) :data management company in the ophthalmological field

IDx* in the U.S.

World's First

AI automatic diagnosis
FDA approval

AI automatic diagnosis system

Diagnose Diabetic Retinopathy
easily. (General Practitioner)

Imaging retina by NW400

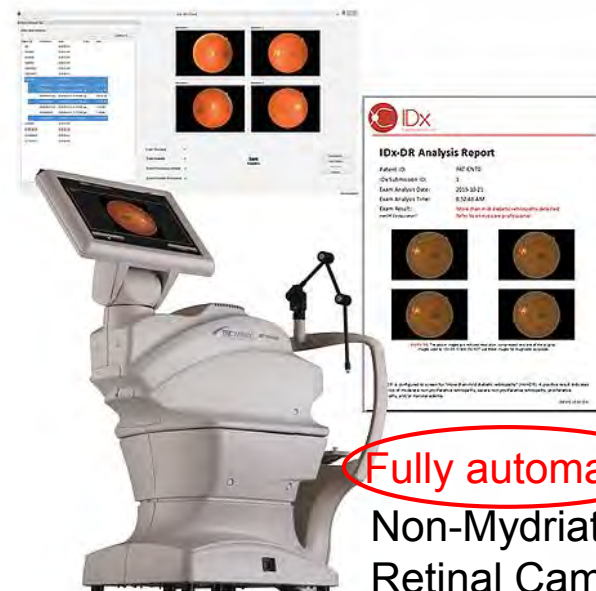
Upload on a Topcon Cloud

within 1 minute

AI automatic diagnosis

Effect

- Early detection, early treatment
- Improving medical productivity
- Increasing medical quality



Fully automatic
Non-Mydriatic
Retinal Camera
TRC-NW400

Sales plan of
screening machines
(the number of sales)

Screening machinery
TRC-NW400 & Maestro

FY2016

FY2017

FY2018
Plan

*Venture company which develops algorithm of the disease detection based on retina or OCT image

Press release about FDA approval from IDx

FDA permits marketing of IDx-DR for automated detection of diabetic retinopathy in primary care



April 12, 2018



IDx, a privately-held AI diagnostics company, announced today that the U.S. Food and Drug Administration (FDA) has granted **the company's De Novo request to market** IDx-DR, an AI-based diagnostic system for the automated detection of diabetic retinopathy, a leading cause of blindness. **IDx-DR is the first autonomous, AI-based diagnostic system authorized by the FDA.**

(Omission)

IDx-DR is intended for use by health care providers to automatically detect more than mild diabetic retinopathy (mtmDR) in adults (22 years of age or older) diagnosed with diabetes who have not been previously diagnosed with diabetic retinopathy.

IDx-DR is indicated for use with the Topcon NW400.

[URL]

<https://www.eyediagnosis.net/single-post/2018/04/12/FDA-permits-marketing-of-IDx-DR-for-automated-detection-of-diabetic-retinopathy-in-primary-care>

Ⅱ . FY2018 Full Year Plan

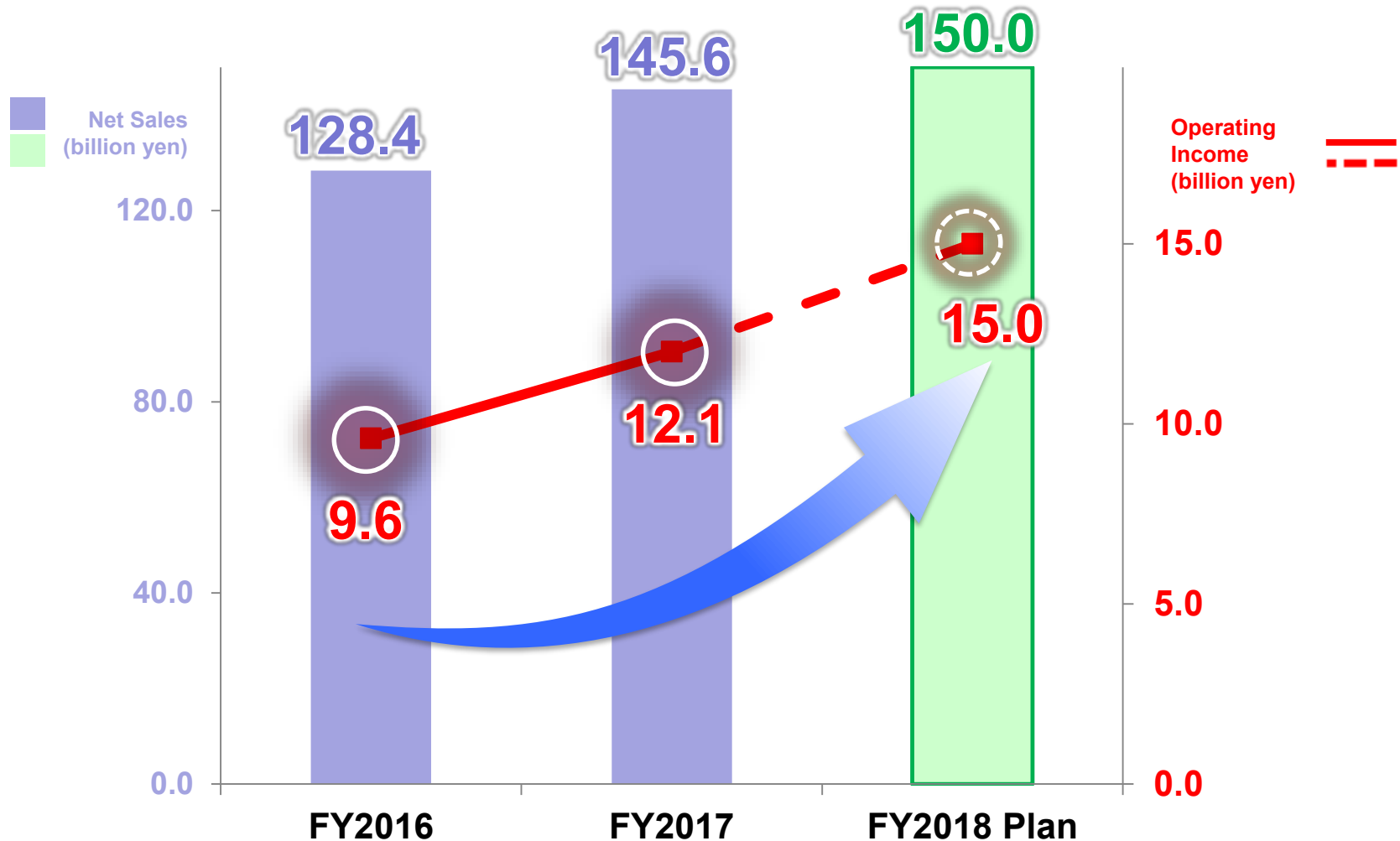
Ⅱ -1. FY2018 Full Year Plan

Ⅱ -2. Strategic Plans For Each Business

Ⅱ -3. Summary

Summary

Trends of Financial Results Annually



【Topcon Way】

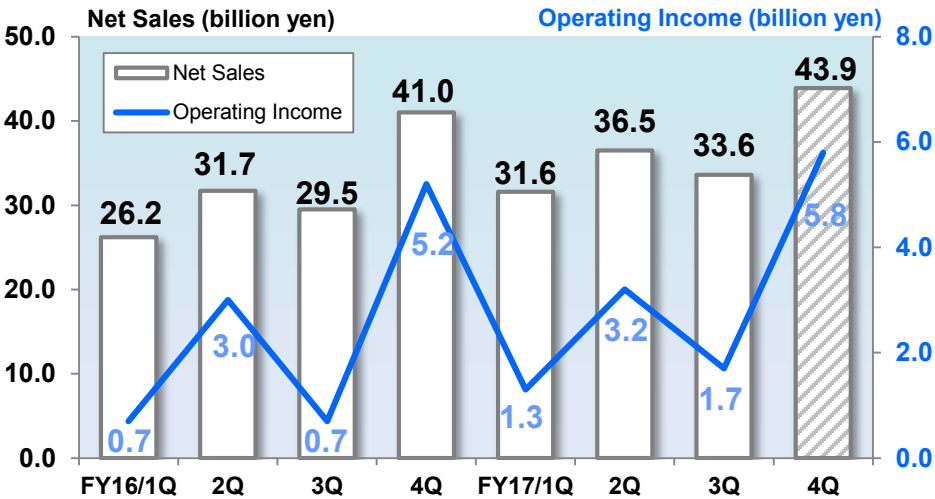
We aim to contribute to the creation of a prosperous society by solving societal challenges on healthcare, agriculture, and infrastructure



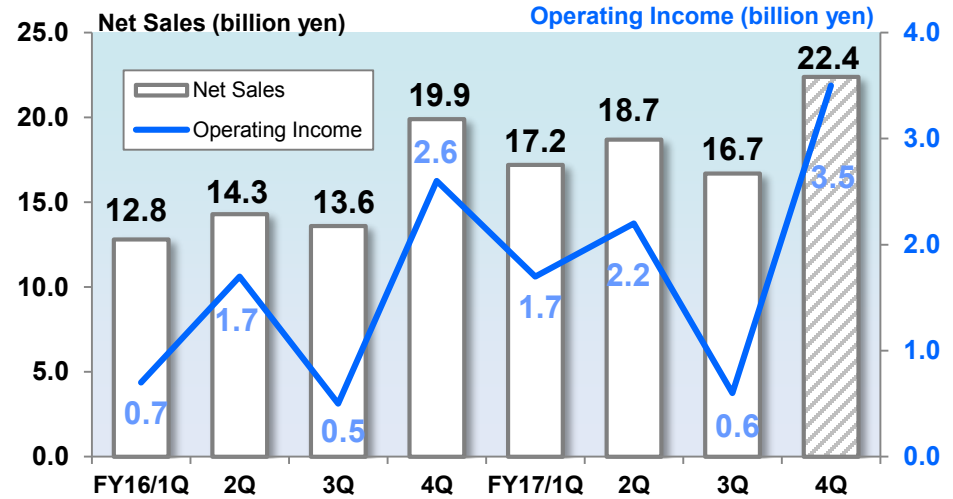
III. Appendix

Financial Results (Quarterly)

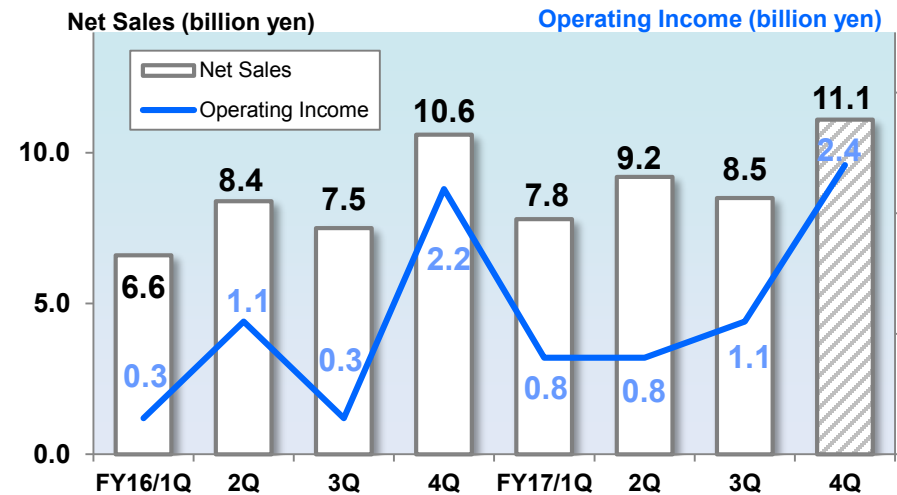
1. Consolidated



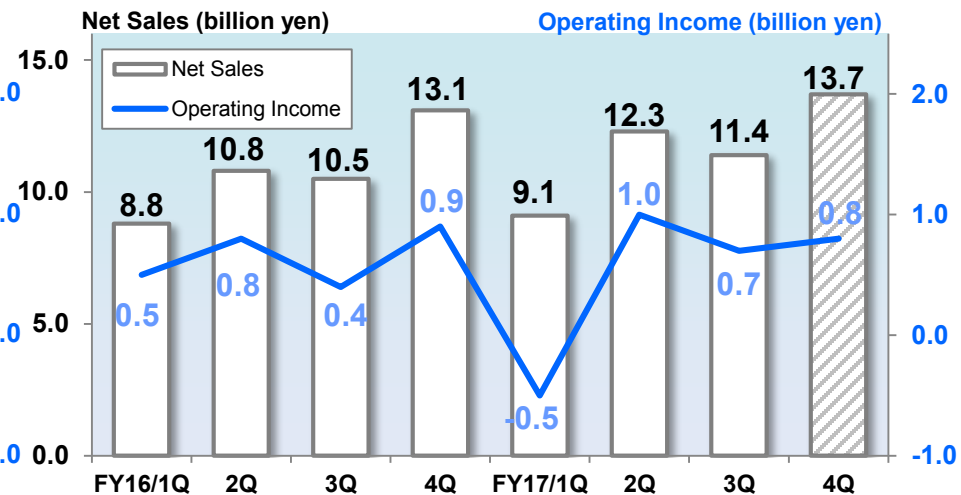
2. Positioning



3. Smart Infrastructure

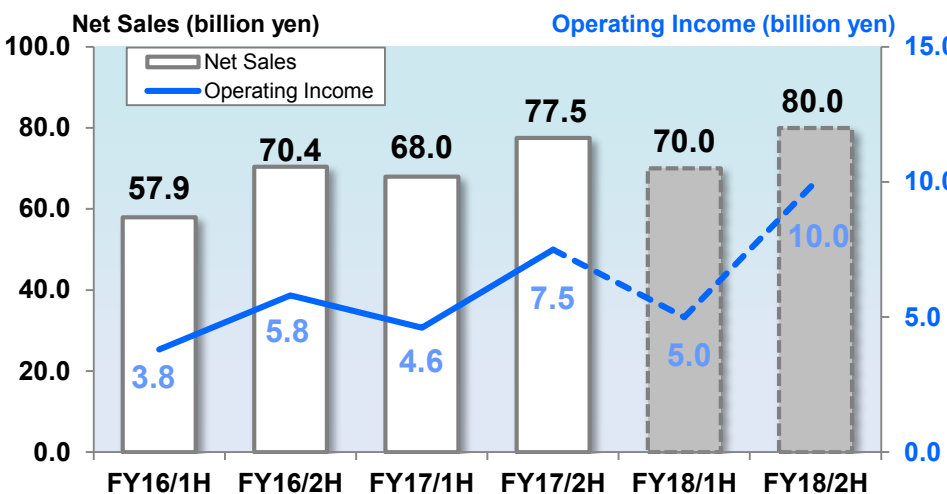


4. Eye Care

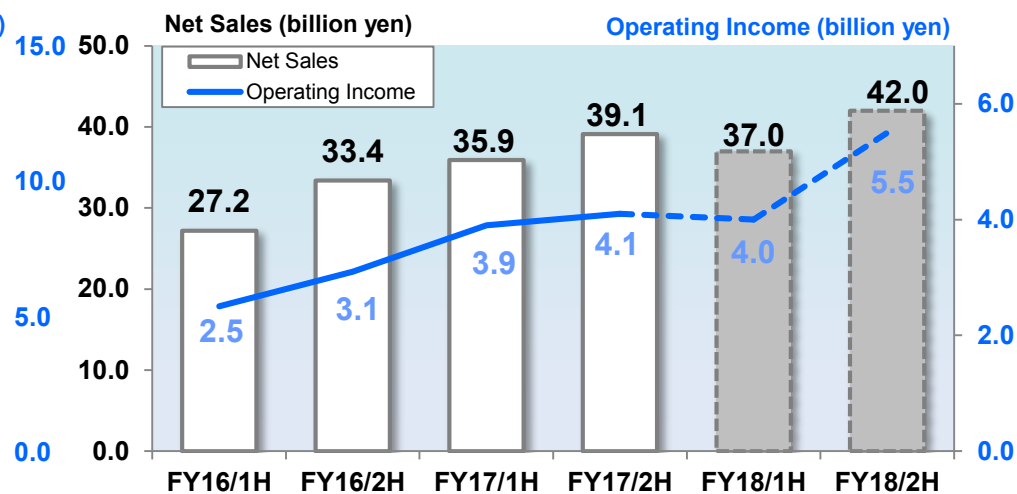


Financial Results and Plan (Semiannually)

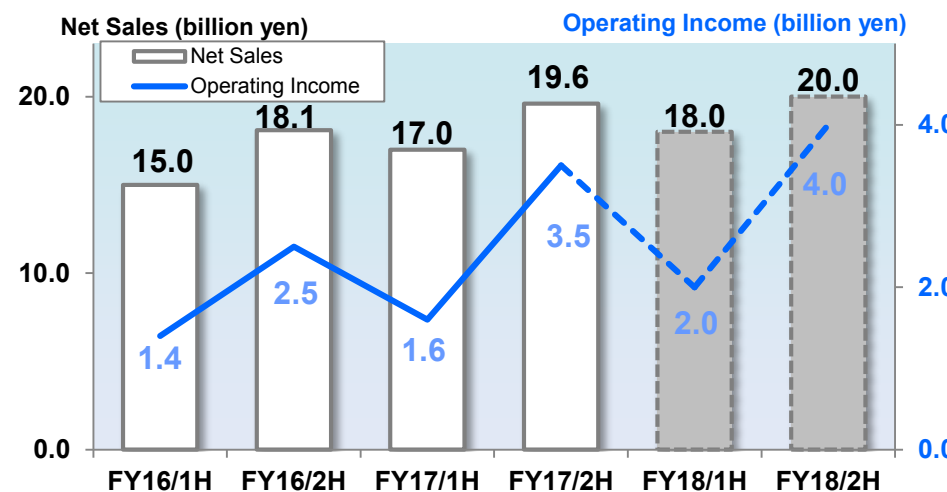
1. Consolidated



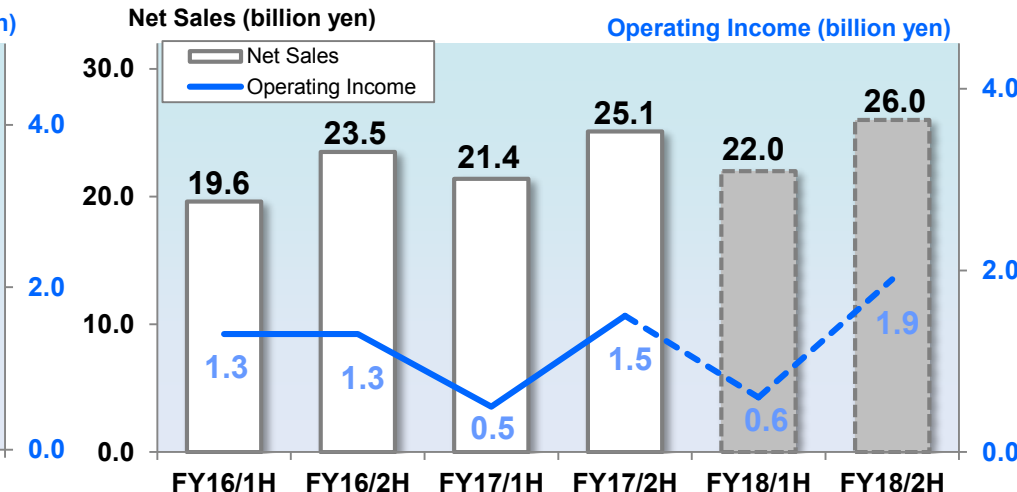
2. Positioning



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 April 27, 2018 at 15:30(UTC+9)

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