

FY2019 1Q Financial Results

July 31, 2019

TOPCON CORPORATION

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

Haruhiko Akiyama



FY2019 1Q Financial Results

I . FY2019 1Q Financial Results

II . FY2019 Full Year Plan

III. Share Buyback

IV. Appendix

I . FY2019 1Q Financial Results

I - 1 . FY2019 1Q Financial Results

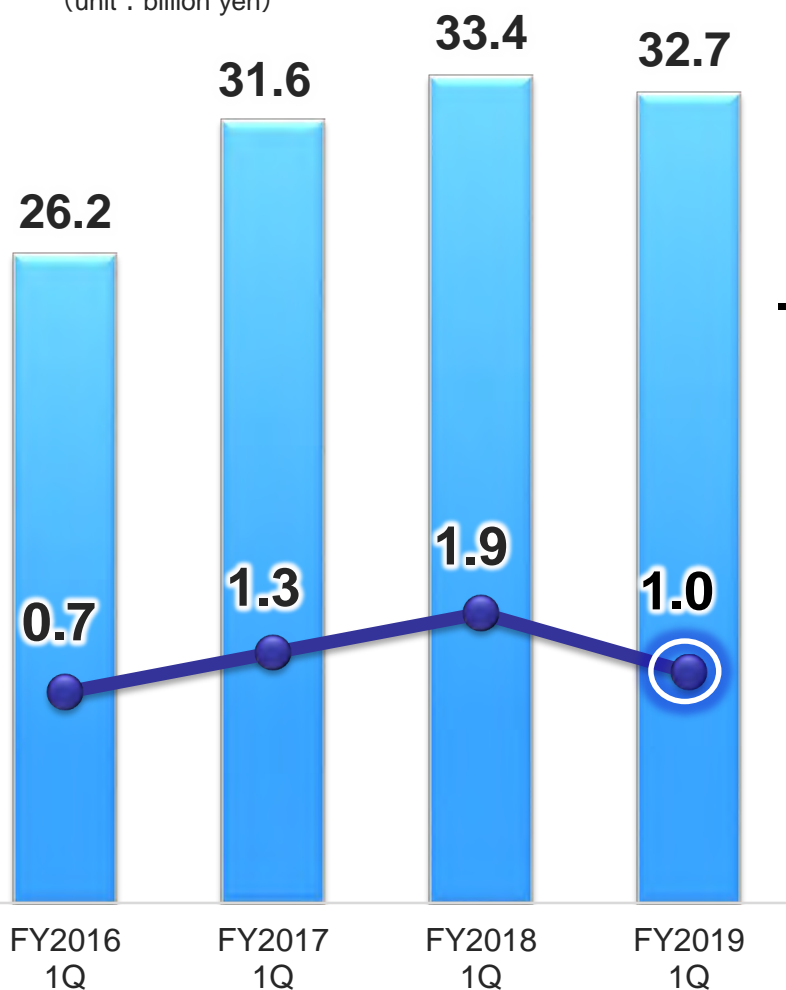
I - 2 . Overview of Each Business

FY2019 1Q Overview

Net Sales

Operating Income

(unit : billion yen)



- Flat sales, profit falls unable to absorb upfront investment

	1Q Actual	YoY
Net Sales	¥32.7B	-2%
Operating Income	¥1.0B	-47%

- Core businesses are stable despite of uncertainty of outlook

Full year forecast remains unchanged

Current Conditions

- Positioning : Strong sales of IT Construction
Sales slowdown of IT Agriculture
- Smart Infrastructure :
Strong sales of i-Construction in Japan
- Eye Care : Growth of Screening Business

FY2019 1Q Financial Results [Consolidated]

(unit : million yen)

	FY2018	FY2019		
	1Q Actual	1Q Actual	YoY	YoY%
Net Sales	33,406	32,747	-659	-2%
Gross Profit (Gross Profit Ratio)	18,077 (54.1%)	17,692 (54.0%)	-385	
SGA	16,171	16,682	511	
Operating Income (Operating Income Ratio)	1,905 (5.7%)	1,009 (3.1%)	-896	-47%
Non-Operating Income (Expenses)	-304	-442	-138	
Ordinary Income	1,601	567	-1,034	-65%
Extraordinary Income (Loss)	-150	-562*	-412	* Loss from stock sales of ifa system AG
Income Before Income Taxes and Minority Interests	1,451	4	-1,447	
Net Income	492	-375	-867	— %
Exchange Rate (Average)	USD	¥108.71	¥110.00	¥1.29
	EUR	¥129.39	¥123.29	¥-6.10

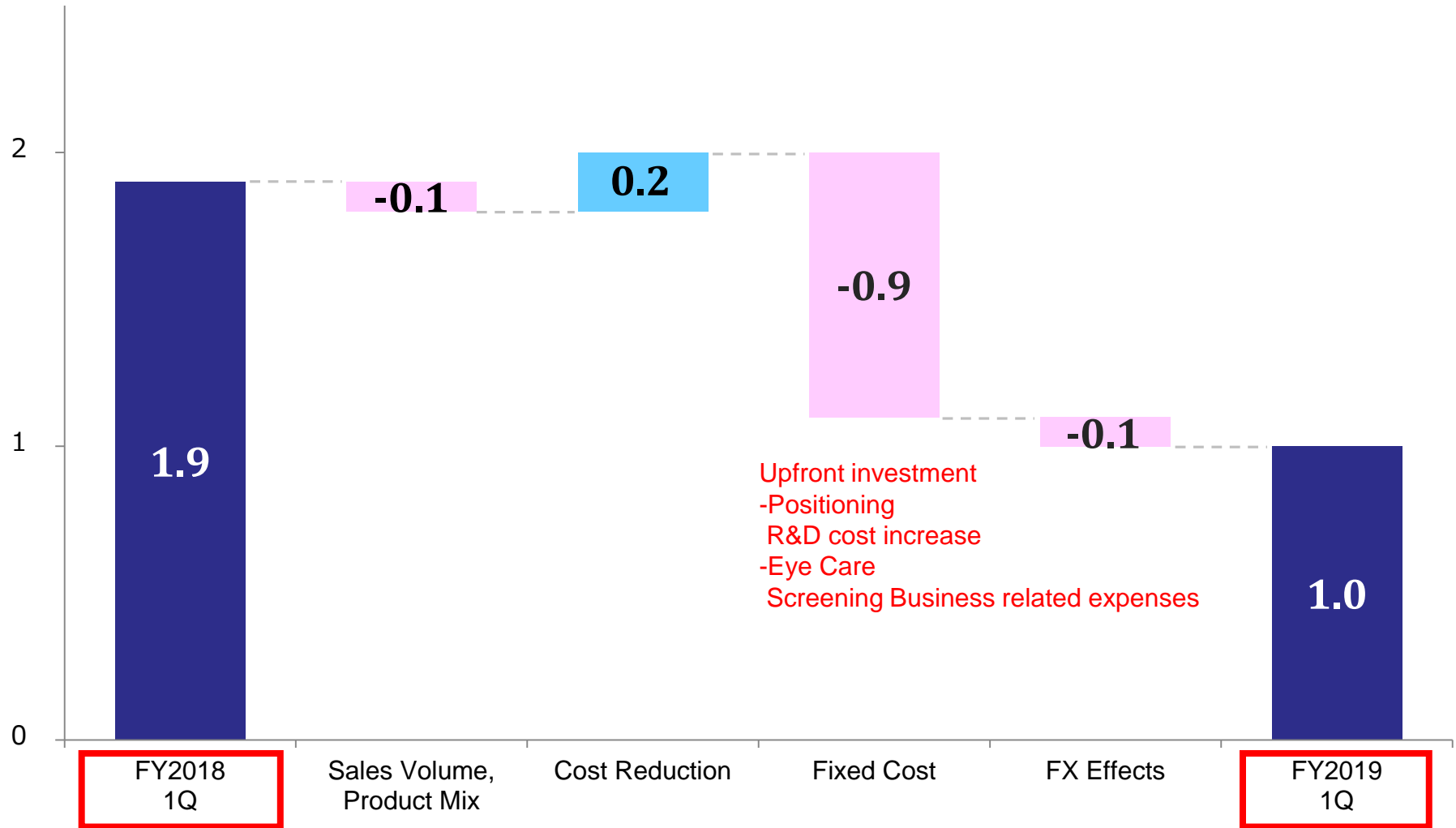
FY2019 1Q Financial Results by Business [Consolidated]

(unit : million yen)

		FY2018	FY2019		
		1Q Actual	1Q Actual	YoY	YoY%
Net Sales	Positioning	18,430	18,188	-242	-1%
	Smart Infrastructure	8,182	7,043	-1,139	-14%
	Eye Care	10,047	10,321	274	+3%
	Others	450	316	-134	-30%
	Elimination	-3,704	-3,121	583	
	Total	33,406	32,747	-659	-2%
Operating Income (Operating Income Ratio)	Positioning	1,823 (9.9%)	1,203 (6.6%)	-620	-34%
	Smart Infrastructure	877 (10.7%)	797 (11.3%)	-80	-9%
	Eye Care	246 (2.4%)	114 (1.1%)	-132	-54%
	Others	-19 (-4.2%)	-47 (-15.2%)	-28	- %
	Elimination	-1,023	-1,057	-34	
	Total	1,905 (5.7%)	1,009 (3.1%)	-896	-47%

FY2019 1Q Operating Income YoY Breakdown

(unit : billion yen)



I . FY2019 1Q Financial Results

I-1. FY2019 1Q Financial Results

I-2. Overview of Each Business

(unit : million yen)

	FY2018	FY2019		
	1Q Actual	1Q Actual	YoY	%
Net Sales	18,430	18,188	-242	-1%
Operating Income (Operating Income Ratio)	1,823 (9.9%)	1,203 (6.6%)	-620	-34%

■ Review of 1Q Financial Results

- Strong sales of IT Construction
- Growing signs of a slowdown of IT Agriculture globally
- Profit decreases due to unable to absorb R&D cost and one-time exhibition-related expense
- Import cost burden increase by the duty increase to China (Measures has taken)

■ Topics

- IT Construction : Sales growth due to increase of OEM partners
Sales growth by launching new strategic product

IT Construction : Sales growth due to increase of OEM partners

Positioning

BAUMA (Munich, Germany in April 2019)
the world's largest construction
machinery trade show (Once every 3 years)

bauma

APRIL 8-14, 2019, MUNICH

Visitors : 620,000 (Record)

Participants : 3,700 companies

Major construction machinery
manufacturers released ICT models



Built partnership with more than
30 construction machinery manufacturers

- Retrofittable to any manufacturers' machines
- Showed a strength of the vendor neutral

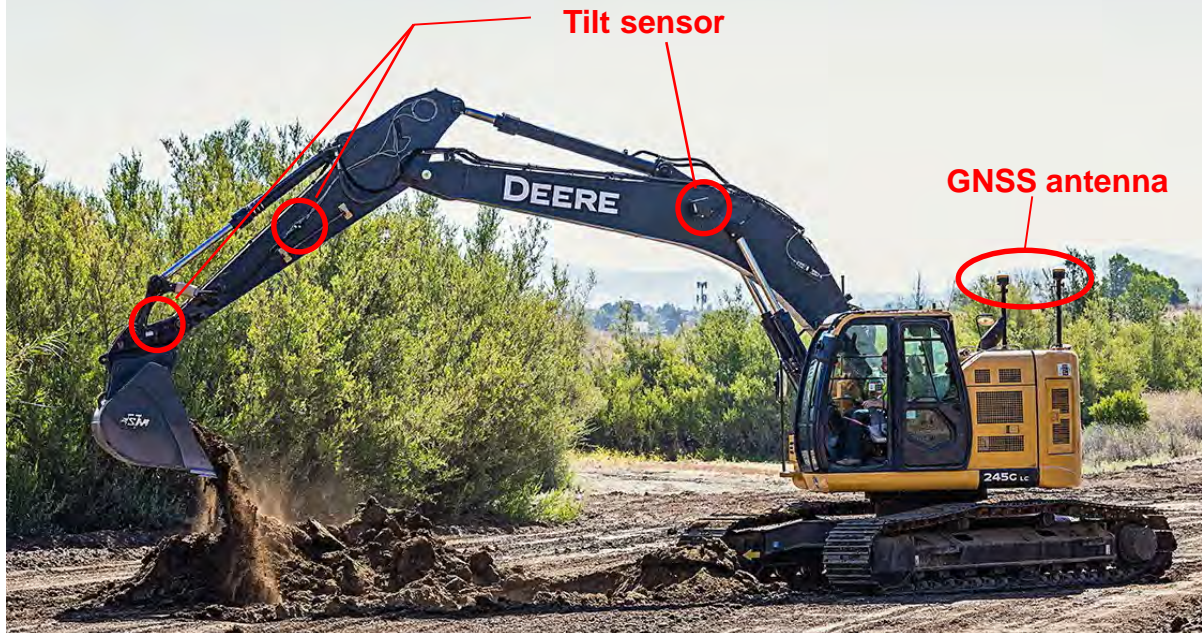


IT Construction : Sales growth by launching new strategic product

Positioning

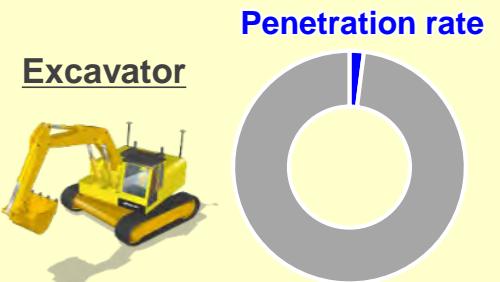
New

Excavator machine control system sales gets into full swing!



Market size and penetration rate of IT Construction

- Present penetration rate is low
- Much room for growth



Retrofittable to any manufacturers' machinery



	FY2018	FY2019		
	1Q Actual	1Q Actual	YoY	%
Net Sales	8,182	7,043	-1,139	-14%
Operating Income (Operating Income Ratio)	877 (10.7%)	797 (11.3%)	-80	-9%

■ Review of 1Q Financial Results

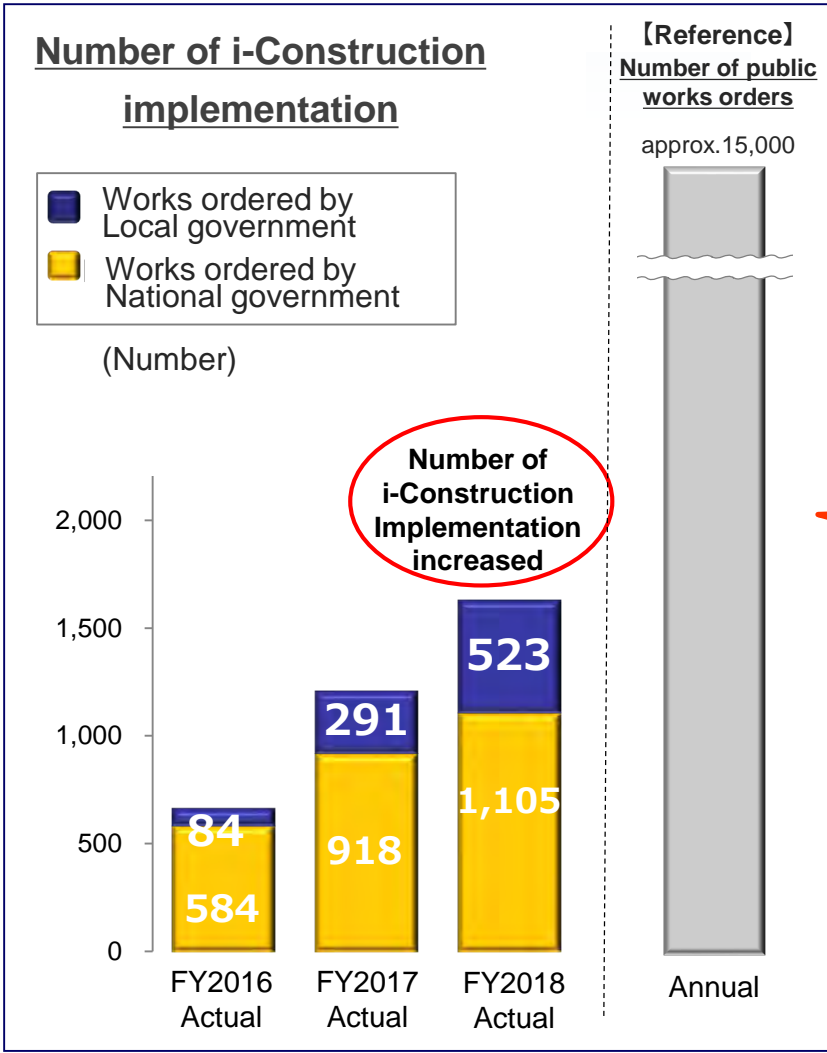
- Strong sales of i-Construction in Japan
- Stagnant sales in China due to slowdown of construction economy
- Temporary sales slowdown in Southeast Asian market
- Improvement of profitability thanks to cost reduction

■ Topics

- i-Construction in Japan : Market is expanding
- Acceleration of the spread of i-Construction and IT Agriculture by new partnerships in Japan

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

Market trends



2nd Construction & Survey Productivity Improvement EXPO

(May 2019, in Chiba)

Big crowd due to expansion of i-Construction demand



Major manufacturers exhibited IT Construction machinery





Strategic partnership to offer one stop solution for construction, engineering works market
(Released in March 12, 2019)



Autodesk Ltd. Japan TOPCON CORPORATION

Aim at the acceleration of the spread of i-Construction together



**Acceleration of IT Agriculture
Cooperation with Yamaha Motor Co., Ltd.**
(Released in March 8, 2019)



Kokusai Kogyo Co., Ltd. TOPCON CORPORATION
Yamaha Motor Co., Ltd. WaterCell Inc.

Aim at the acceleration of the spread of IT Agriculture together

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

(unit : million yen)

	FY2018	FY2019		
	1Q Actual	1Q Actual	YoY	%
Net Sales	10,047	10,321	274	+3%
Operating Income (Operating Income Ratio)	246 (2.4%)	114 (1.1%)	-132	-54%

■ Review of 1Q Financial Results

- Growth of Screening Business
- Sales growth in China
- Upfront investment for Screening Business

■ Topics

- Maestro2, the strategic new product, released
- Expansion of Screening Business
- Expansion of business in China

Sales expansion by long-awaited new model release

Expectation of sales expansion for Screening market

Features

✓ Followed a **fully automatic function** of bestseller Maestro

Fully automatic photography function

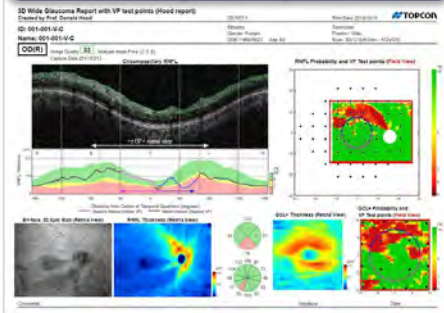


3DOCT-1 Maestro2
3D OPTICAL COHERENCE TOMOGRAPHY

✓ Add two **new features** equipped with only high-end model

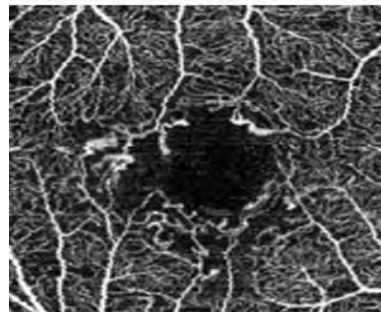
New

Glaucoma analysis report



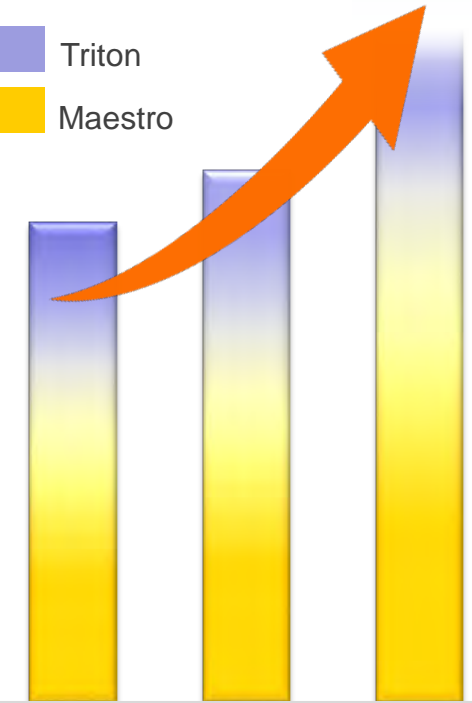
New

Angiography*



Global sales plan of 3D OCT (unit: Q'ty)

Triton
Maestro



FY2017
Actual

FY2018
Actual

FY2019
Plan

※Angiography : Method for visualize capillary of retina (contrast media injection unnecessary)

Start business with the U.S.'s largest optical store franchisor

Expectation for sales expansion of new product "Maestro2"

3DOCT-1Maestro2
3D OPTICAL COHERENCE TOMOGRAPHY



VISION SOURCE
SIGNATURE EYE CARE

Approx. **3,300** stores
(\$2.8B annual sales)

*Largest in the US

About "Vision Source Willard"

- Founded in 1991, Texas, US
- Houston Kingwood Headquarters
- The largest optical store franchisor in the US

* **reference** The US Eyeglass Store Sales Ranking 2018 (Vision Monday, May 2019)

http://www.visionmonday.com/CMSDocuments/2019/05/vmtop50retailers_VM0519.pdf

Specsavers* deployed Maestro to almost all stores in Australia



Optical chain store with
1,600 stores in 10 countries

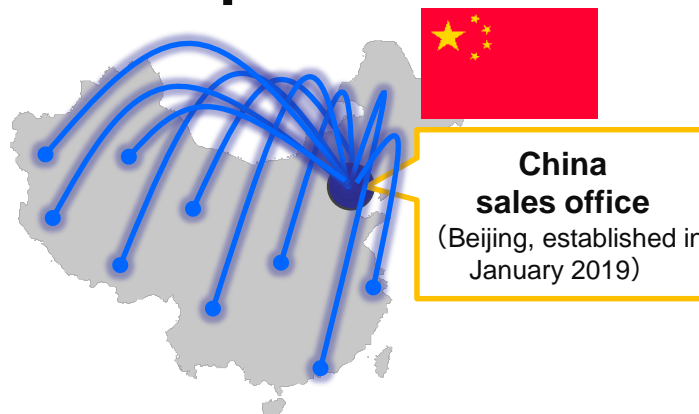
Plans to expand to stores in other regions



Sales growth due to expansion of sales network

Expansion of market coverage by..

- ✓ Establishment of sales office
- ✓ Reorganization of sales network



Development of Screening Business

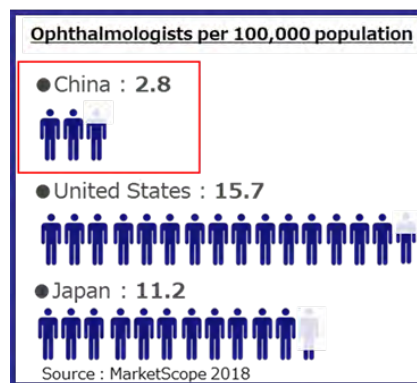
Shortage of ophthalmologists to correspond to rapidly increasing eye diseases



Increasing needs for Screening

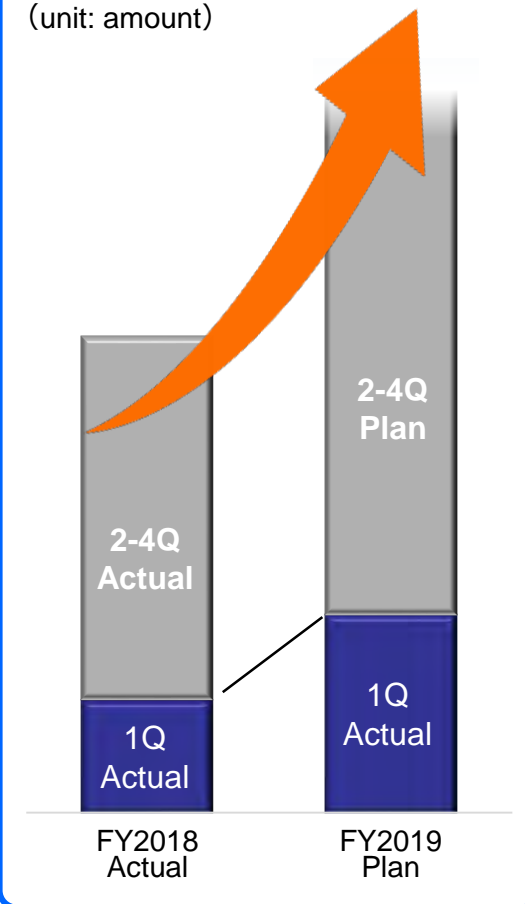
Development of Screening Business by cooperating with..

- ✓ Major health screening groups
- ✓ AI Development companies



Sales to China market

(unit: amount)



II. FY2019 Full Year Plan

FY2019 Full Year Plan [Consolidated]

No change from initial forecasts

(unit : million yen)

		FY2018	FY2019	
		Full Year Actual	Full Year Plan	YoY
Net Sales		148,688	154,000	+4%
Operating Income (Operating Income Ratio)		13,596 (9.1%)	14,500 (9.4%)	+7%
Ordinary Income		11,497	12,500	+9%
Net Income		6,548	8,000	+22%
ROE		9.8%	11%	
Dividends		¥24	¥28	
Payout Ratio		39%	37%	
Exchange Rate (Average)	USD	¥110.69	¥110.00	
	EUR	¥128.43	¥125.00	

FY2019 Full Year Plan by Business [Consolidated]

(unit : million yen)

		FY2018	FY2019	
		Full Year Actual	Full Year Plan	YoY
Net Sales	Positioning	77,722	79,000	+2%
	Smart Infrastructure	36,744	38,500	+5%
	Eye Care	47,713	51,000	+7%
	Others	1,698	1,500	-12%
	Elimination	-15,190	-16,000	
	Total	148,688	154,000	+4%
Operating Income (Operating Income Ratio)	Positioning	8,358 (10.8%)	8,500 (10.8%)	+2%
	Smart Infrastructure	6,393 (17.4%)	6,600 (17.1%)	+3%
	Eye Care	2,896 (6.1%)	3,400 (6.7%)	+17%
	Others	-65 (-3.9%)	0 (0.0%)	-
	Elimination	-3,986	-4,000	
	Total	13,596 (9.1%)	14,500 (9.4%)	+7%

III. Share Buyback

Share Buyback

Buyback company shares, taking the existing market price and the growth potential of our businesses into consideration

Number of Shares

Up to 2 million

Total Amount

Up to ¥2.6 billion

Buyback Period

**From August 1, 2019 to
October 31, 2019**

【Topcon Way】

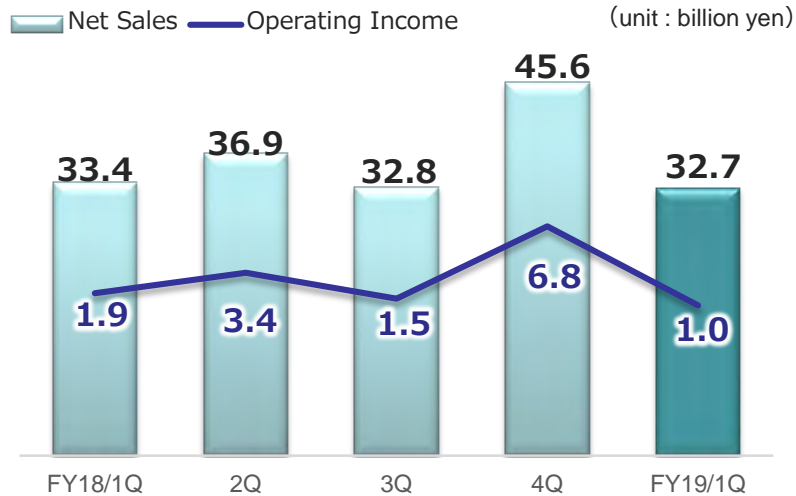
We aim to contribute to the creation of a prosperous society by solving societal challenges on healthcare, agriculture, and infrastructure



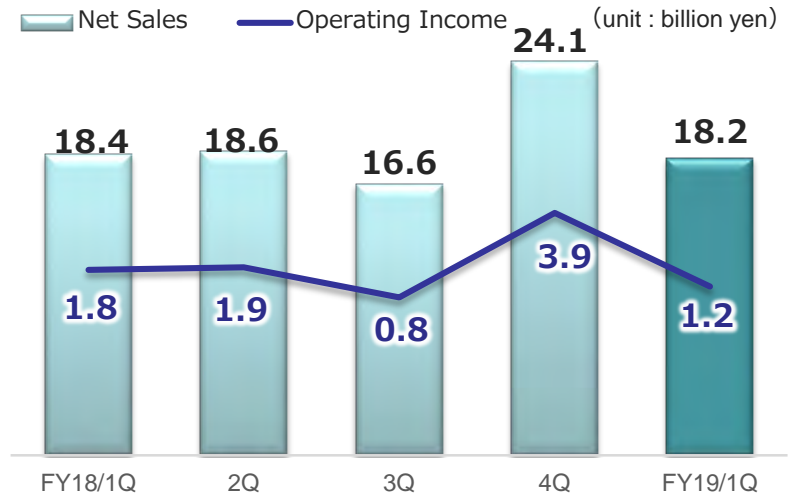
IV. Appendix

Financial Results (Quarterly)

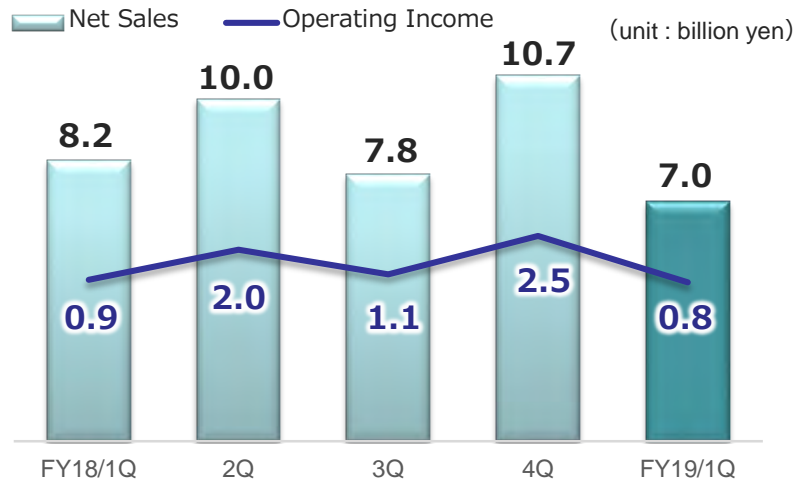
Consolidated



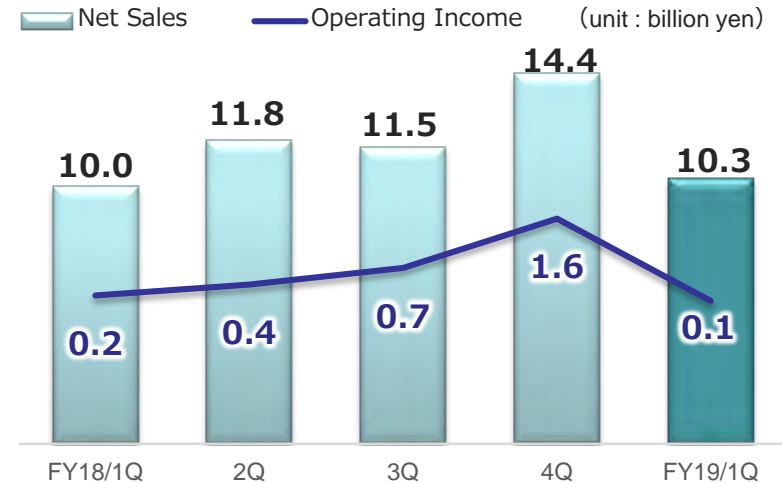
Positioning



Smart Infrastructure

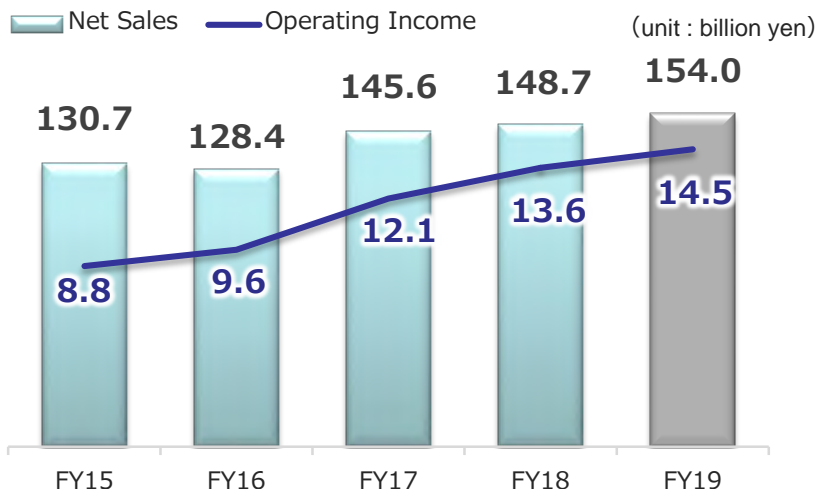


Eye Care

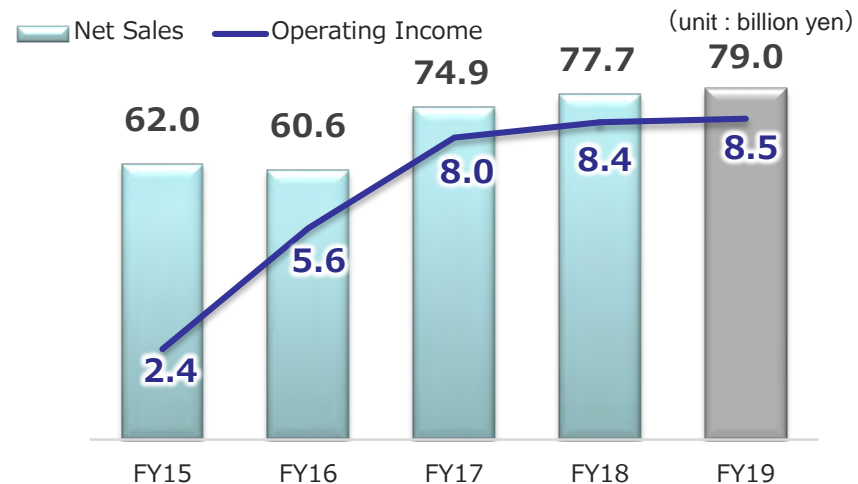


Financial Results and Plan (Semiannually)

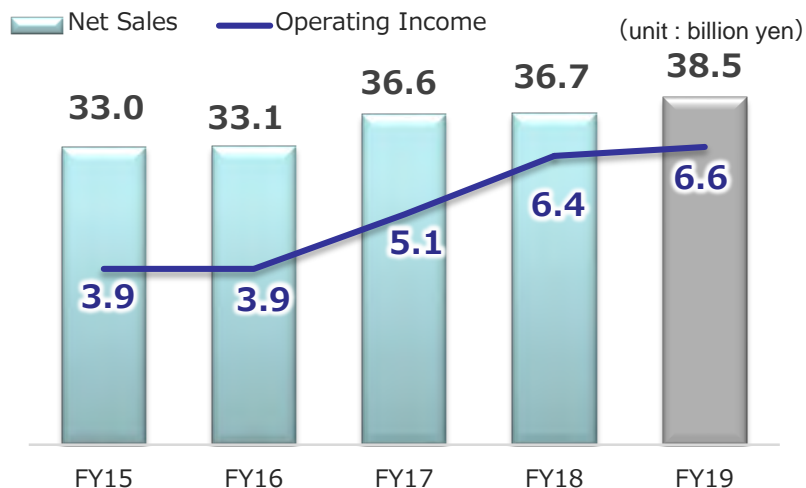
Consolidated



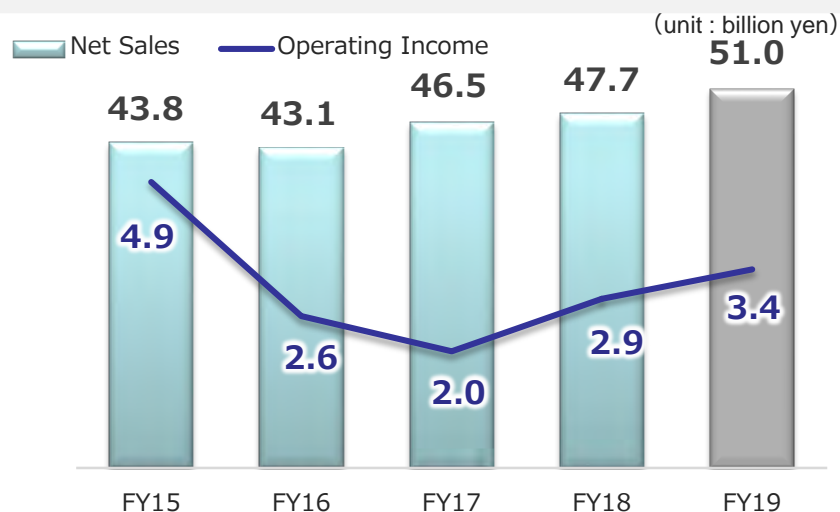
Positioning



Smart Infrastructure



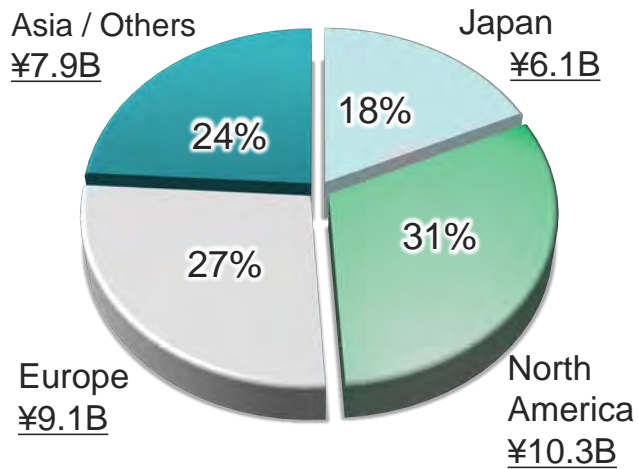
Eye Care



Sales by region

FY2018/1Q

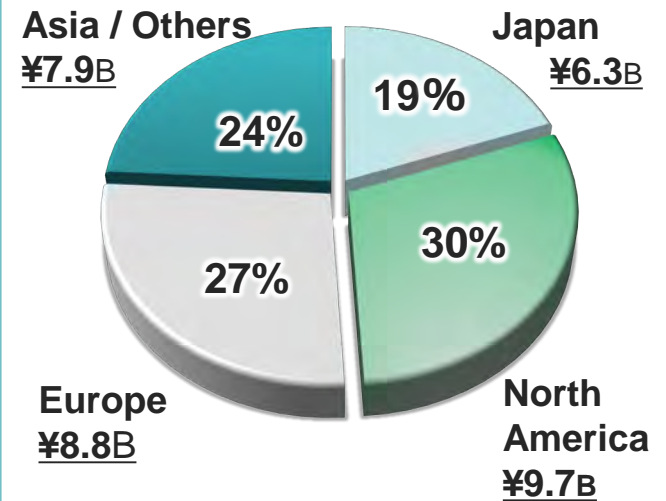
¥33.4B



YoY
-2%

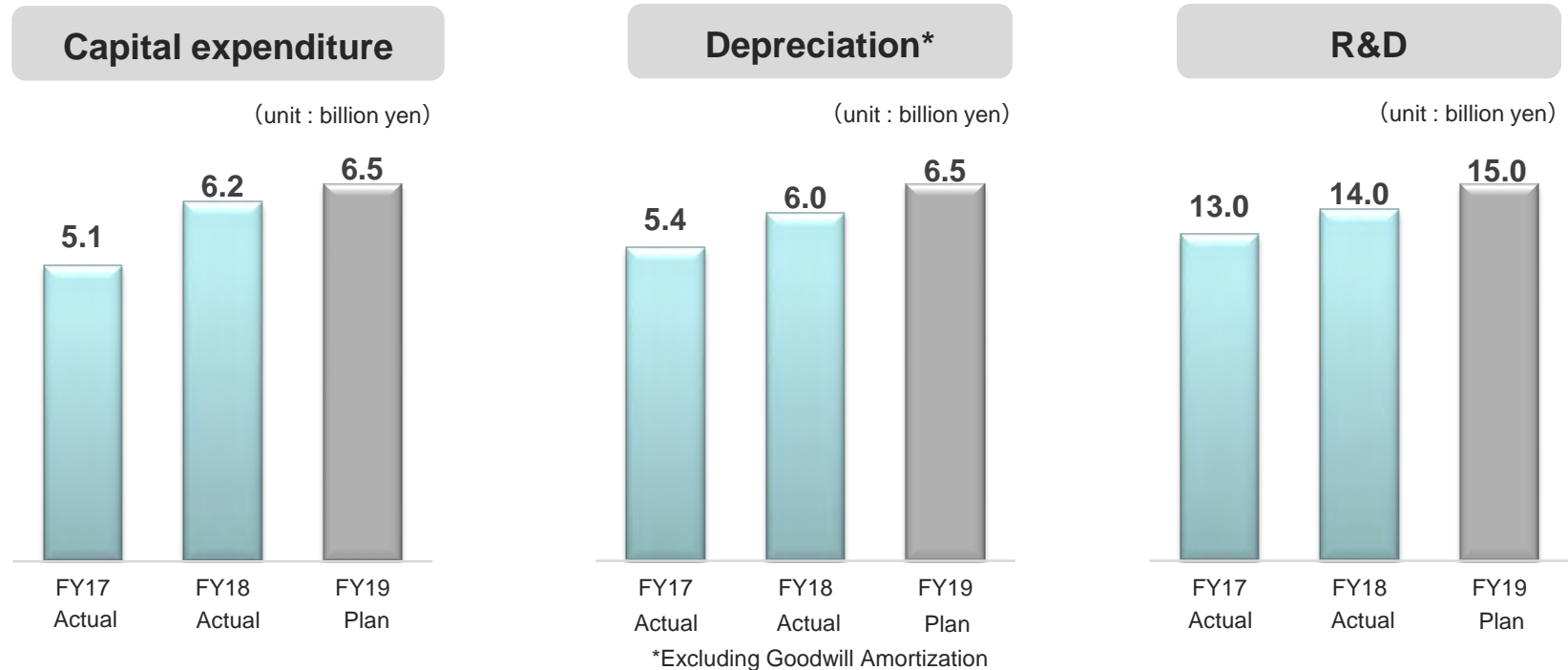
FY2019/1Q

¥32.7B



Capital Expenditure and R&D / Forex Sensitivity

■ Projections



■ Forex Sensitivity (impact by ¥1 change)

USD : Operating income ¥0.15B~¥0.2B

EUR : Operating income ¥0.07B~¥0.1B

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 July 31, 2019 at 15:00(UTC+9)

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