

# **FY2011 3Q**

# **Financial Results**

**January 31, 2012**  
**TOPCON CORPORATION**  
**President Norio Uchida**

In this presentation, “FY2011” refers to the year ending March 31, 2012.  
In addition, “FY2011 3Q” refers to the period from April 1 to December 31, 2011.

# Introduction

Since I was appointed the President of Topcon in June 2011, we have dedicated all our effort to analyze and come up with a strategic direction we should take in order to maintain sustainable and profitable growth under the slogan of “Reform & Enhancement.”

Today, I would like to talk about a strategic action to maximize our corporate value which is beneficial to common interest of all stake holders including shareholders.

## FY2011 3Q Financial Results

**I**

**FY2011 3Q Financial Results and Full Year Forecast**

**II**

**Results of Solicitation for Voluntary Retirement**

**III**

**Transformation of Business Policy**

# FY2011 3Q Financial Results and Full Year Forecast

# FY2011 3Q Financial Results and Full Year Forecast

(million yen)

[Consolidated]		FY2010		FY2011			
		1Q-3Q	Full Year	1Q-3Q		Full Year	
		Actual	Actual	Actual	YoY (%)	Forecast	YoY (%)
Net Sales		70,703	102,470	68,877	97.4%	97,000	94.7%
Operating Income (Loss)		(2,119)	1,799	(1,320)	-%	1,800	100.1%
Ordinary Income (Loss)		(3,421)	608	(2,828)	-%	0	-%
Extraordinary Income (Loss)		(441)	(621)	(4,406)	-%	( 5,400)	-%
Current Term (a quarter) Net Income (Loss)		(3, 940)	(1,288)	(5,877)	-%	(5,000)	-%
ROE			(3.3%)			(15.1)%	
Dividends		¥2	¥4	¥2		¥4	
Exchange Rate (Average)	US\$	¥86.86	¥85.82	¥79.17		¥78.21	
	EUR	¥113.49	¥113.56	¥111.32		¥108.71	

\* Assumed exchange rate, after December 2011, will be 75 yen per U.S. dollar and 100 yen per Euro.

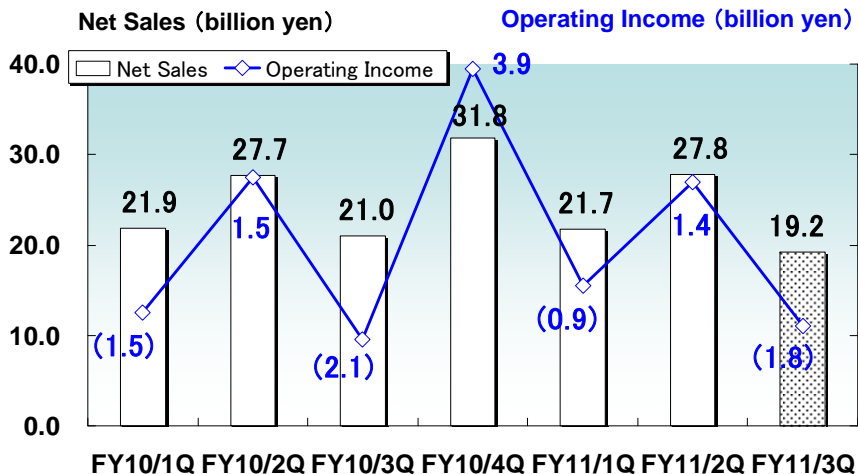
# FY2011 3Q Financial Results and Full Year Forecast by Segment

(million yen)

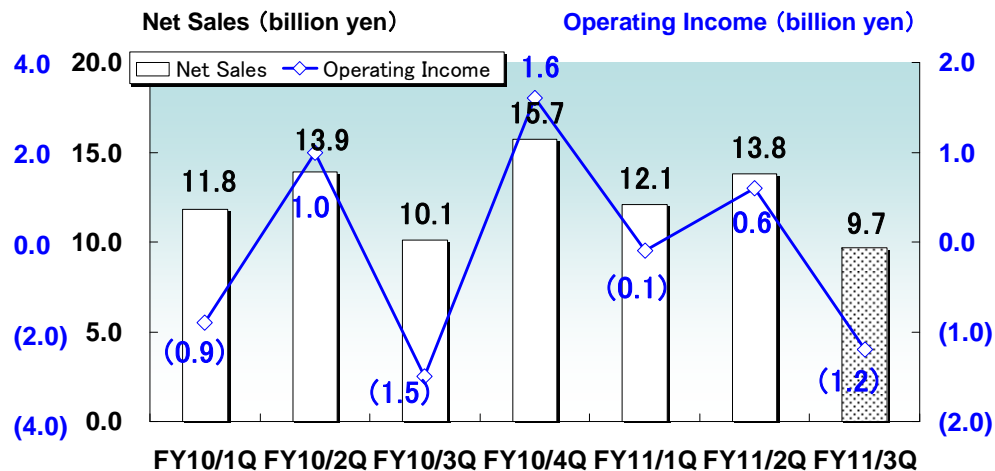
[Consolidated]		FY2010		FY2011			
		1Q-3Q	Full Year	1Q-3Q		Full Year	
		Actual	Actual	Actual	YoY (%)	Forecast	YoY (%)
Net Sales	Positioning	35,897	51,559	35,773	99.7%	51,000	98.9%
	Eye Care	22,055	30,946	22,811	103.4%	32,000	103.4%
	Finetech	12,751	19,946	10,292	80.7%	14,000	70.2%
	Total	70,703	102,470	68,877	97.4%	97,000	94.7%
Operating Income (Loss)	Positioning	(1,489)	130	(713)	-%	1,300	- %
	Eye Care	(569)	307	299	-%	1,700	553.7%
	Finetech	(60)	1,362	(906)	-%	(1,200)	- %
	Total	(2,119)	1,799	(1,320)	-%	1,800	100.1%

# Financial Results (Quarterly)

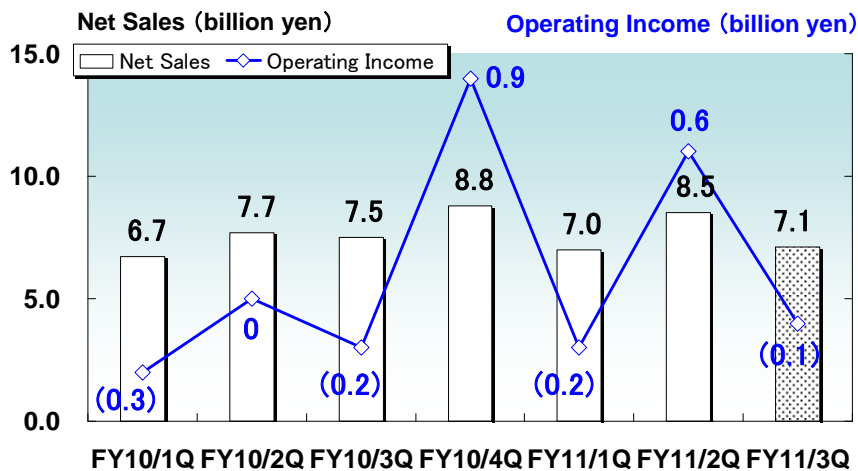
## 1. Consolidated



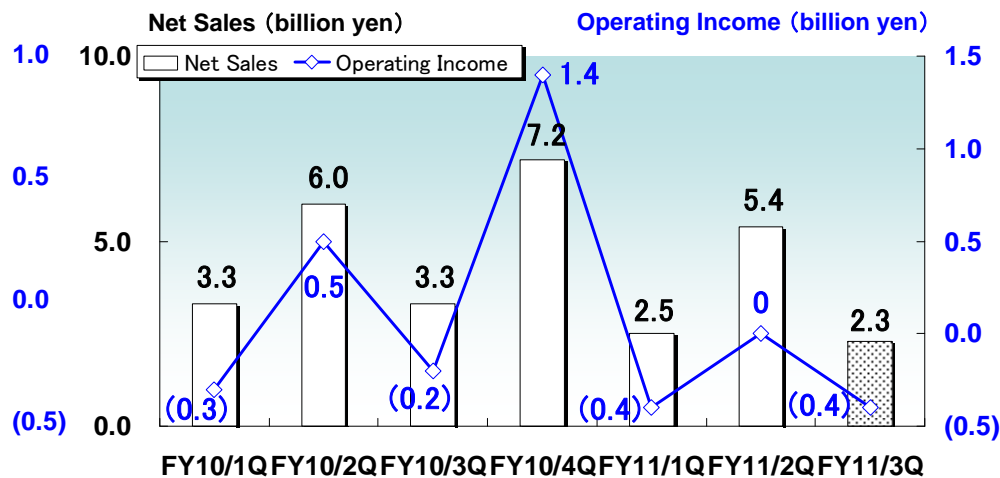
## 2. Positioning



## 3. Eye Care



## 4. Finetech



# Analysis of Gain and Loss in Operating Income (YoY)

[Consolidated]

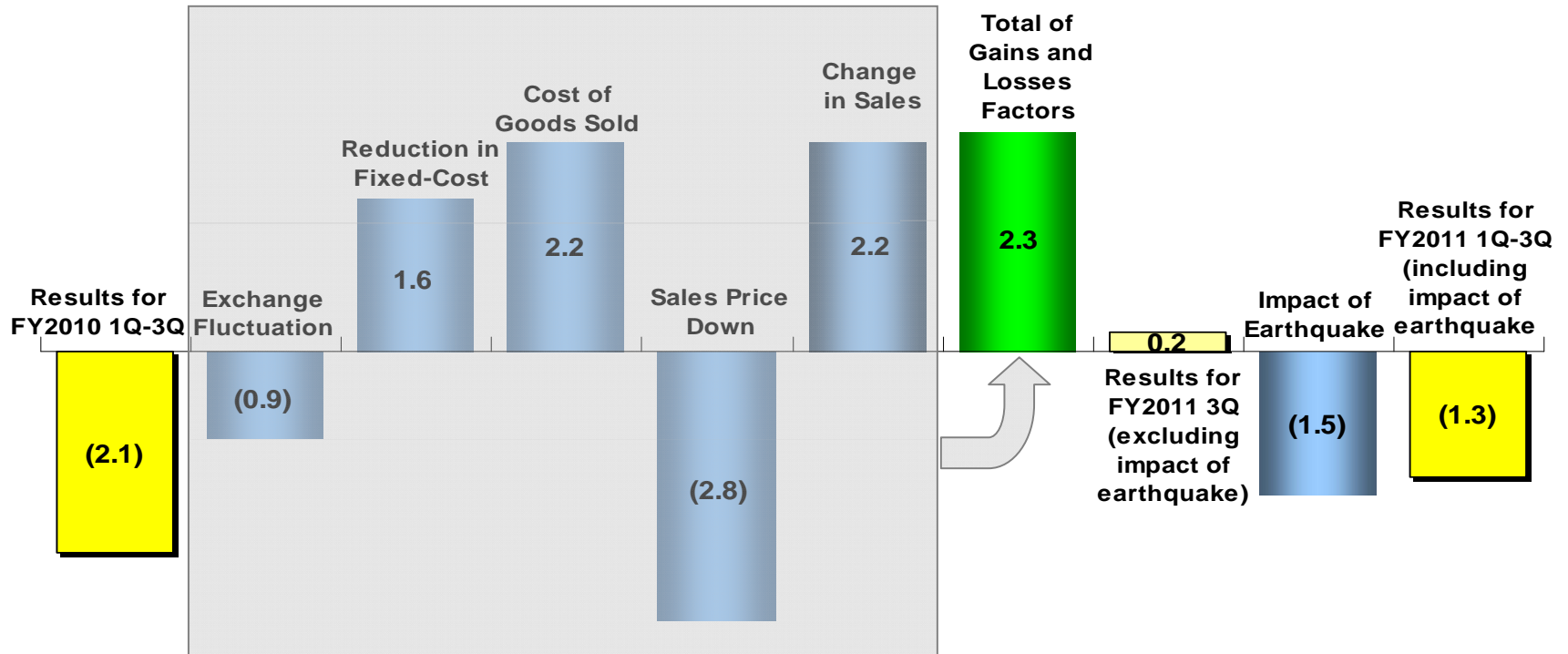
Results for  
FY2010 1Q-3Q



Results for  
FY2011 1Q-3Q

(billion yen)

(codes are based on gains and losses)



# Interim Report and Forecast of Business Restructuring

## Plans for FY2011 and Forecast

(billion yen)

### 1 Fixed-Cost Reduction, Enhancement of Organizational Efficiency

- Optimize Staffing Allocation in Topcon Group
- Promote Business Process Restructuring

Original Plan

3Q Actual

Full Year Forecast

1.1

1.6

2.0

### 2 COGS Reduction

- Strengthen \*VA/CD Activities (increase oversea procurement) \*Value Analysis/Cost Down
- Improve the Ratio of Direct Cost and Overhead Cost (reduce indirect personnel)

Original Plan

3Q Actual

Full Year Forecast

4.0

2.2

4.0

★Total of Fixed-Cost Reduction and COGS Reduction

6.0

# Details of Extraordinary Income and Losses (1Q-3Q)

(million yen)

## 1. Extraordinary Income

■ Profits from sales of affiliated companies stocks

604

## 2. Extraordinary Losses

■ Special payment for voluntary retirees

(699)

■ Loss on business withdrawal

(4,189)

■ Loss on liquidation of affiliated companies

(69)

■ Loss on valuation of investment securities

(53)

---

★ Total of Extraordinary Income and Losses (4,406)

# Interim Report of Business Strategy by Segment

## 1. Consolidated

### Business Circumstances by 3Q

- Emerging countries were slowing down/ Exchange fluctuation affected negatively in Europe/ United States was recovering gradually while it had an impact of exchange fluctuation

### Core Strategies for 4Q are to:

- Achieve the target of 4Q and improve profitability by launching new products, strengthening business model and implementing additional measures

## 2. Positioning

### Business Circumstances by 3Q

- Decelerating trend became stronger because of influences of strong yen, finance and political instability
- The markets of Japan and North America started to show up-trend, and demands increased mainly in IT construction segment

### Core Strategies for 4Q are to:

- Improve market share, strengthen profitability and maximize synergy effects of business integration by launching new products
- Expand sales in emerging countries; respond to the demand of revitalization of Japan

# Interim Report of Business Strategy by Segment

## 3. Eye Care

### Business Circumstances by 3Q

- The market of Europe showed steady growth while it was affected by financial instability / The market of Japan and United States were in stagnation because of economic downturn
- Emerging countries showed steady growth while they were affected by the stagnated economy in advanced countries

### Core Strategies for 4Q are to:

- Promote sales of retinal imaging instruments such as OCT
- Promote sales of surgical instruments

## 4. Finetech

### Business Circumstances by 3Q

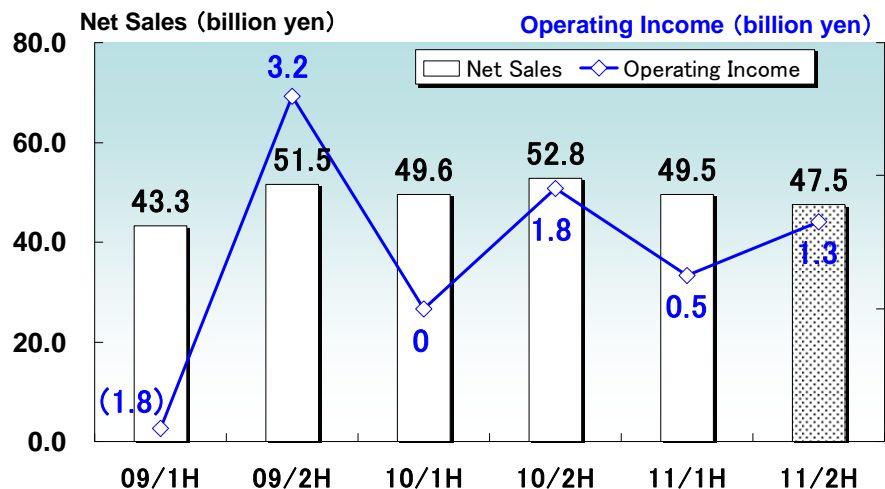
- Net sales and profits dropped drastically because of stagnation in semiconductor and touch panel screen markets

### Core Strategies for 4Q are to:

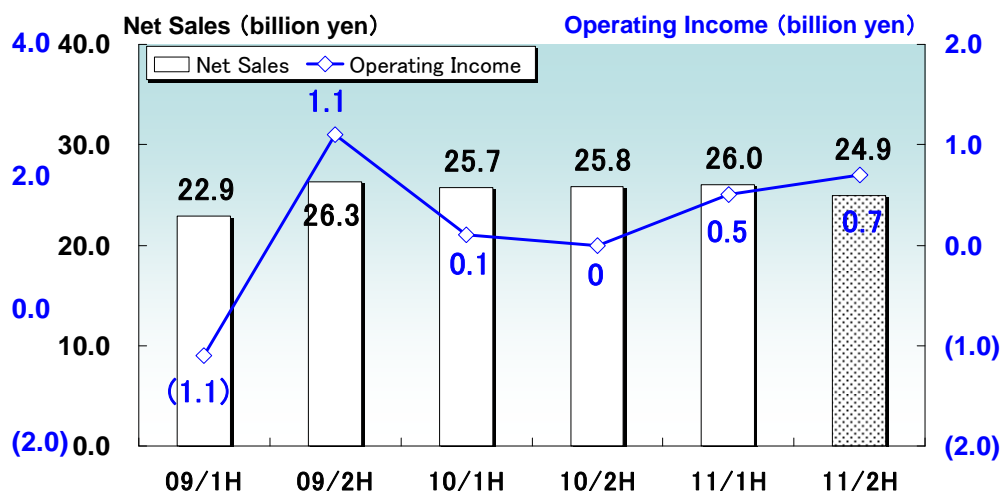
- Implement the reorganization to have profitable structure

# Financial Results and Forecast (Semiannually)

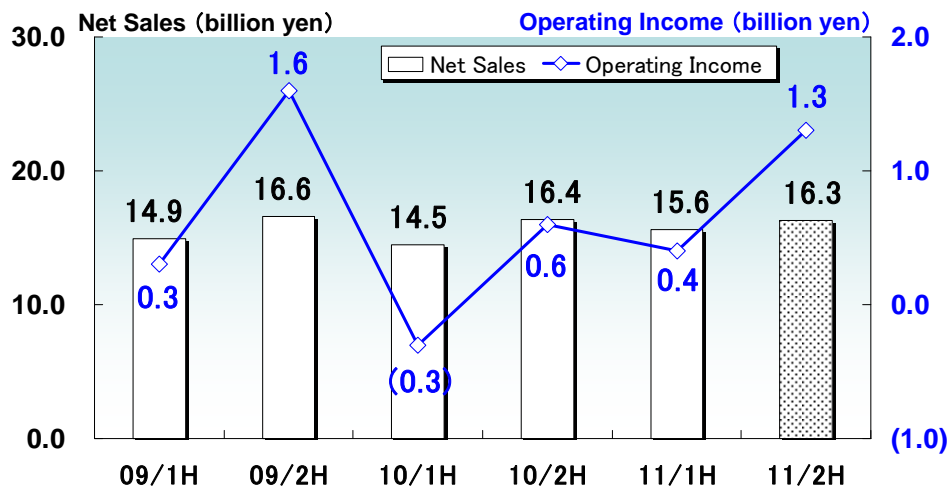
## 1. Consolidated



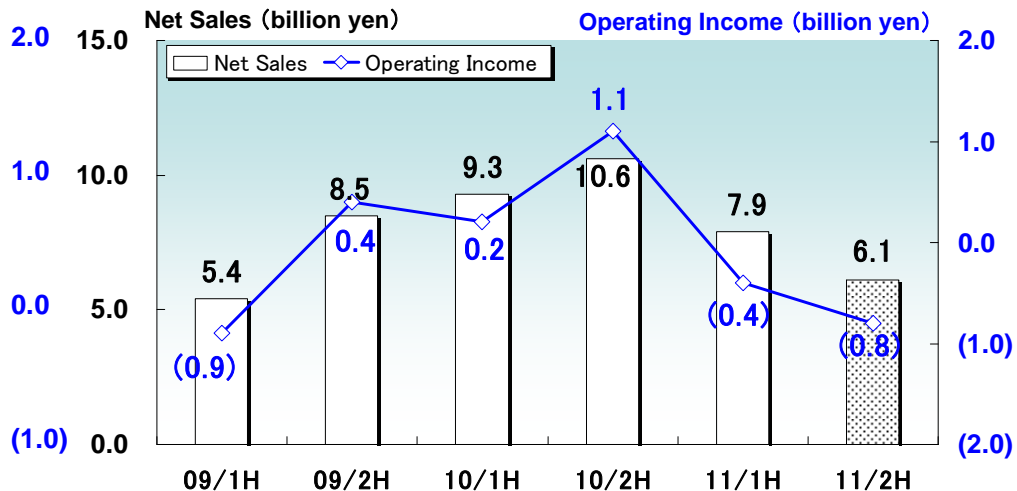
## 2. Positioning



## 3. Eye Care



## 4. Finetech



# Analysis of Gain and Loss in Operating Income (YoY)

**[Consolidated]**

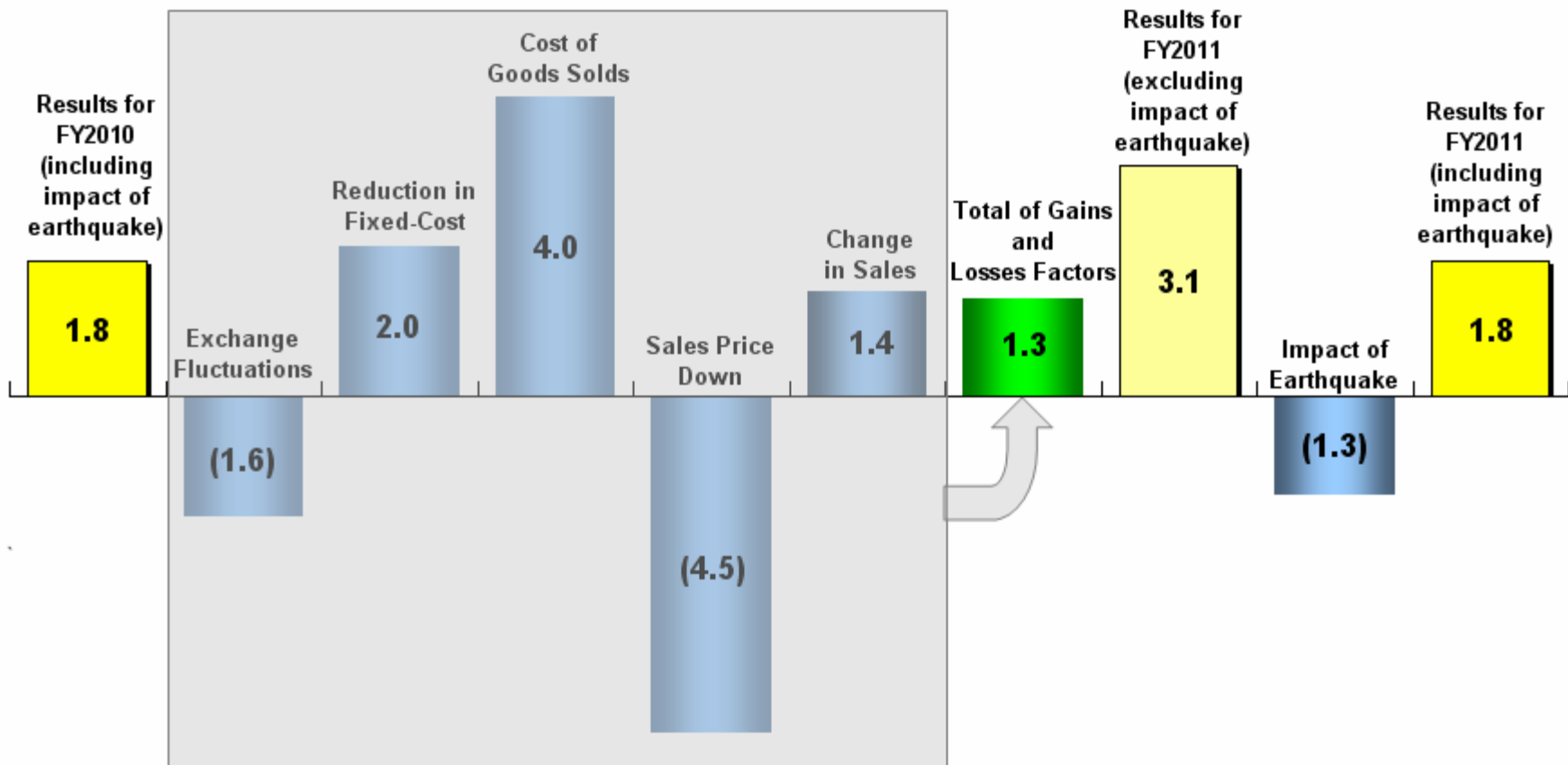
FY2010  
Actual Results



FY2011  
Forecast

(billion yen)

(codes are based on gains and losses)



# Results of Solicitation for Voluntary Retirement

# Results of Solicitation for Voluntary Retirement

## Results

### 1. Eligible Employees and Period of Solicitation

- Eligible Employees : Full-time employees of the Company aged 40 or over as of January 1, 2012.
- Period of solicitation : Dec. 5, 2011 – Dec. 27, 2011

### 2. Number of Voluntary Retirees

- Total : 126

### 3. Impact on Extraordinary Losses

- Special payment for voluntary retirees: 0.7 billion yen

### 4. Impact on Next Fiscal Year

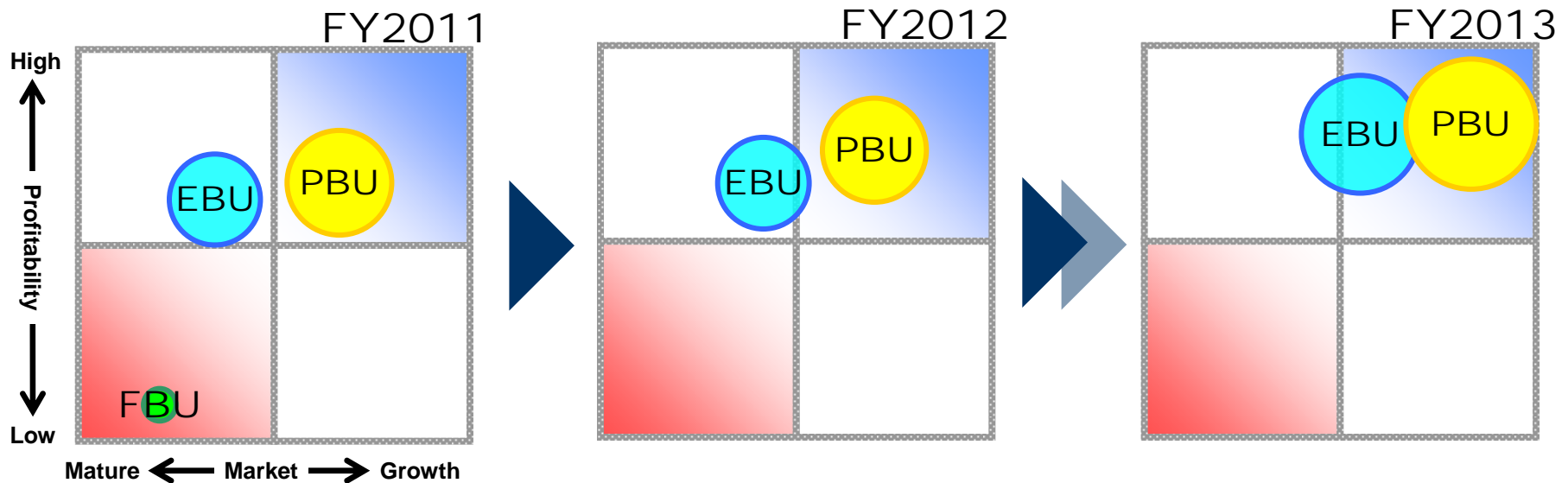
- Impact : 1.2 billion yen

# Transformation of Business Policy

# Purpose of Transformation of Business Policy

In order to optimize invested management resource and strive for further business expansion, we are going to implement the drastic business contraction of Finetech business, and we are going to reallocate the management resource on Positioning business and Eye Care business which have higher potential growth.

## Business Portfolio



# Overview of Reorganization

## Downsizing Finetech Business Unit

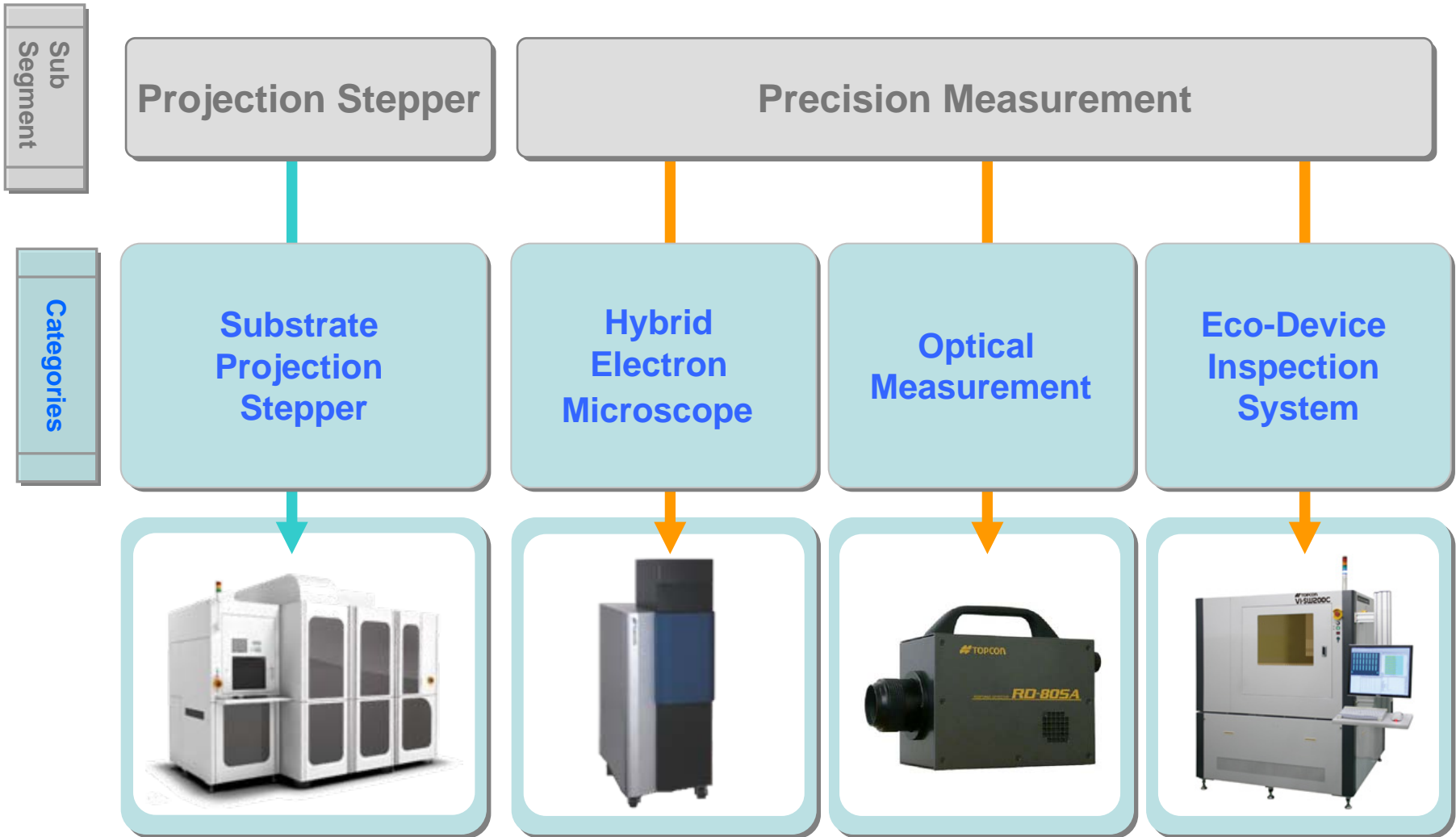
Reduce number of employees  
**Target : 150 (consolidated)**

Focus on the business fields of  
which Topcon has technology with  
its own core and differentiation  
**20 categories ⇒ 4 categories**

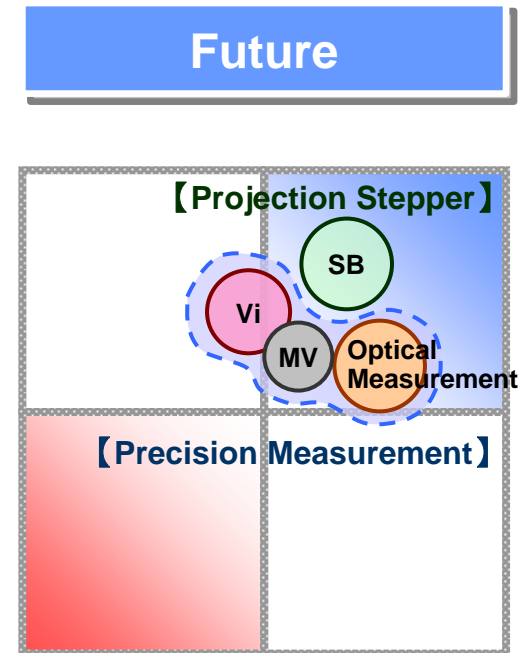
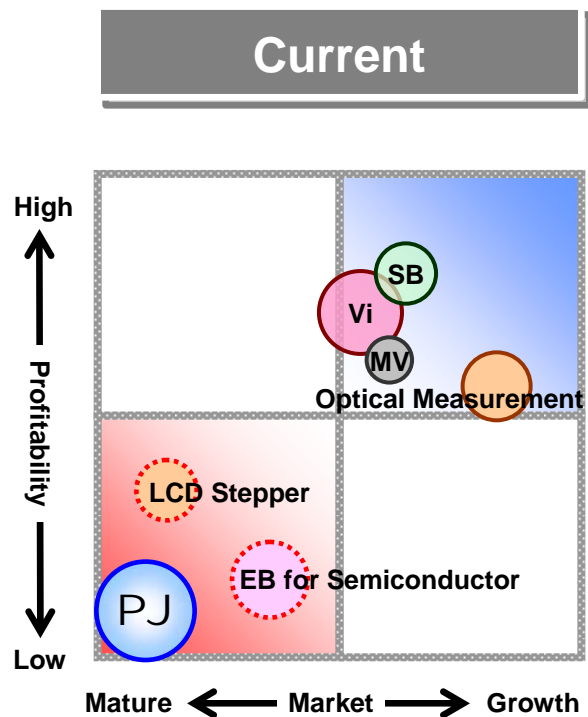
We are going to shut down Fintech Business Unit,  
and we will transfer 4 categories to Topcon Techno House  
(a wholly-owned subsidiary)

**Start operation from April 1, 2012 under new business structure**

# 4 Categories



# Product Portfolio



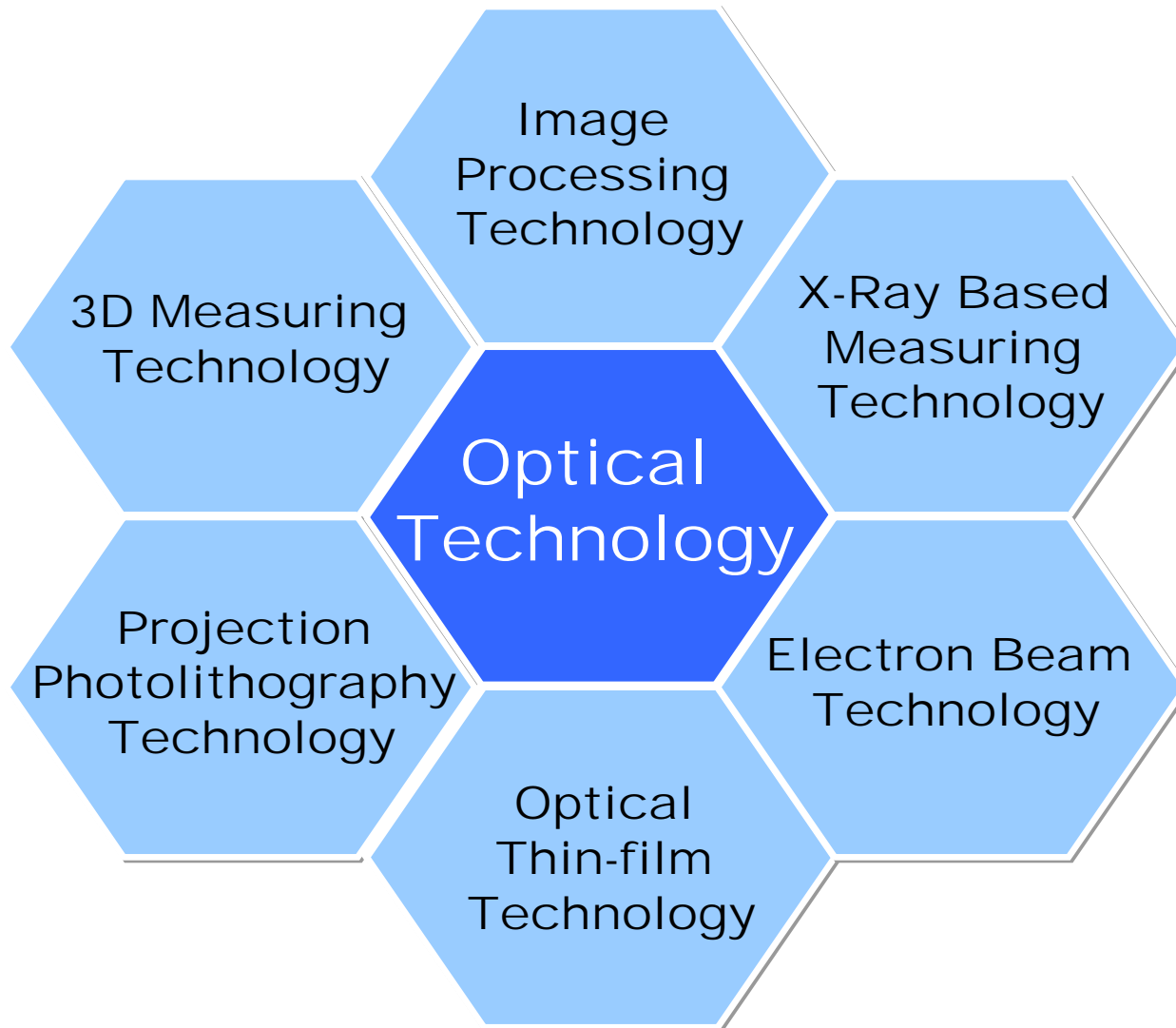
- \*Vi : Eco-Device Inspection System
- \*SB: Substrate Projection Stepper
- \*MV: Hybrid Electron Microscope

# Impacts on Transformation of Business Policy

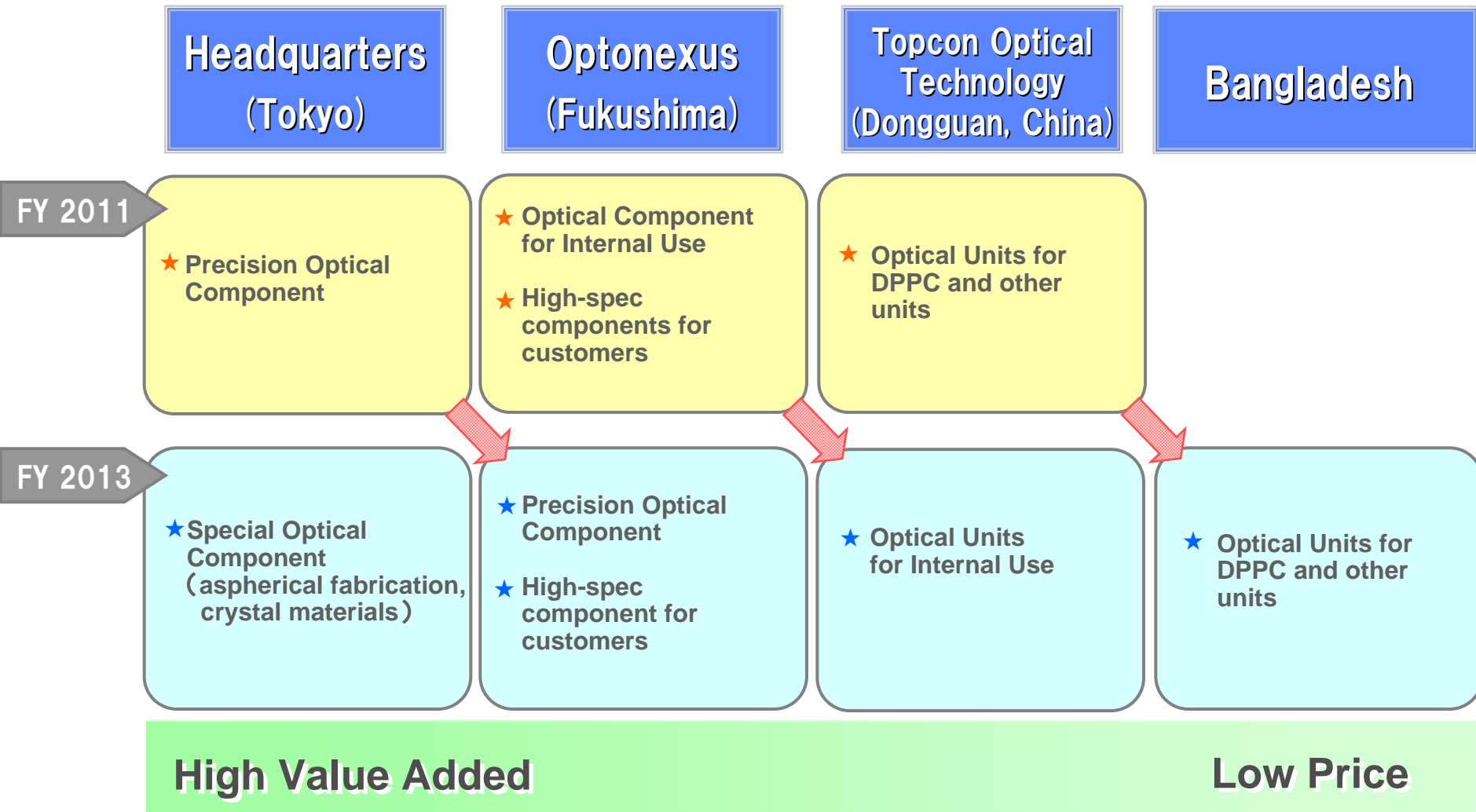
(billion yen)

	FY2011 (Forecast)	FY2012 (Plan)	Change
<b>Net Sales</b> (consolidated)	14	6.3	(7.7)
<b>Operating Income</b> (consolidated)	(1.2)	0.2	1.4

# Effective Use of Core Technology of FBU



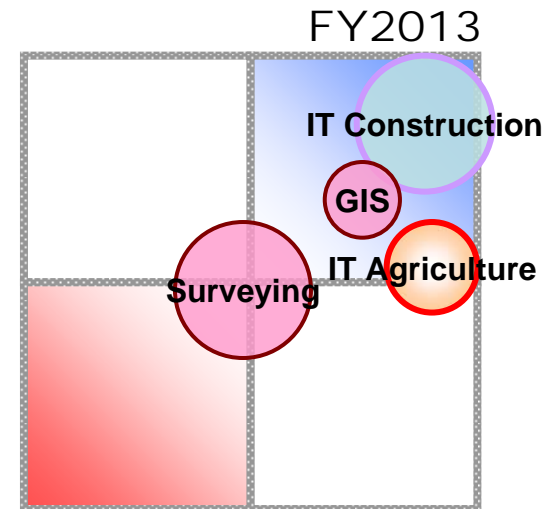
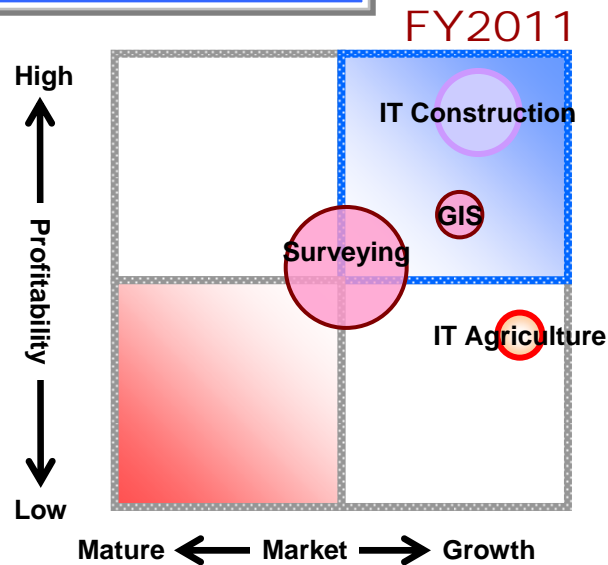
# Manufacturing Bases of Optical Component (“Monozukuri”: Core Component)



1. Improve cost competitiveness by global manufacturing rotation
2. Secure our core technologies at manufacturing base in Japan  
Improve own skills and technologies to meet the requirements at each manufacturing bases

# Investing Resources in Higher Growth Fields with Higher Value

PBU



## Main Strategies

### Surveying

Competition would be getting harder  
Increase sales by deploying TS-Shield and price competitive product lines from FY2013

### IT Construction

The segment is growing  
Increase the market share by launching products with technology integration as one of our core products

### IT Agriculture

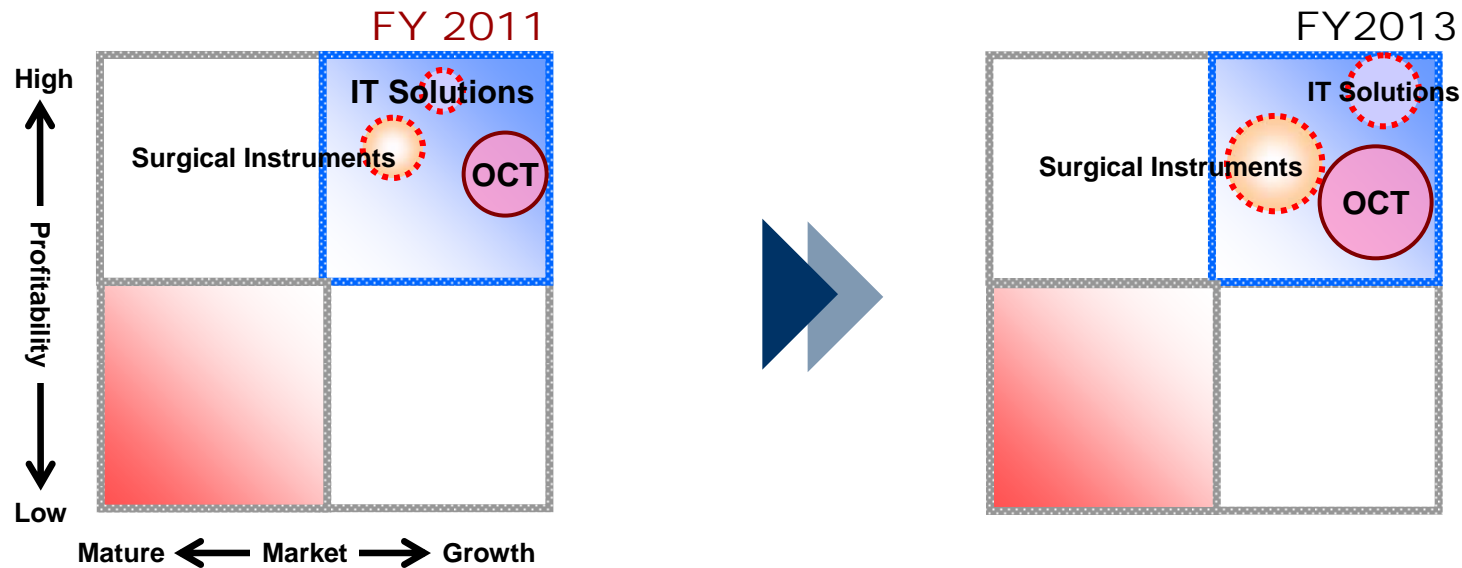
Launch a product with a function of harvest efficiency improvement to be one of 3 core business of PBU

### GIS

Integrate our current core technologies / and increase businesses of mobile mapping and 3D measurement  
Increase the market share by continuously launching TM-1 products

# Investing Resources in Higher Growth Fields with Higher Value

EBU



## Main Strategies

OCT

Expand OCT product lines from most advanced model for research institutions to a basic model for clinicians

PASCAL

Expand the business and increase sales

IT Solution

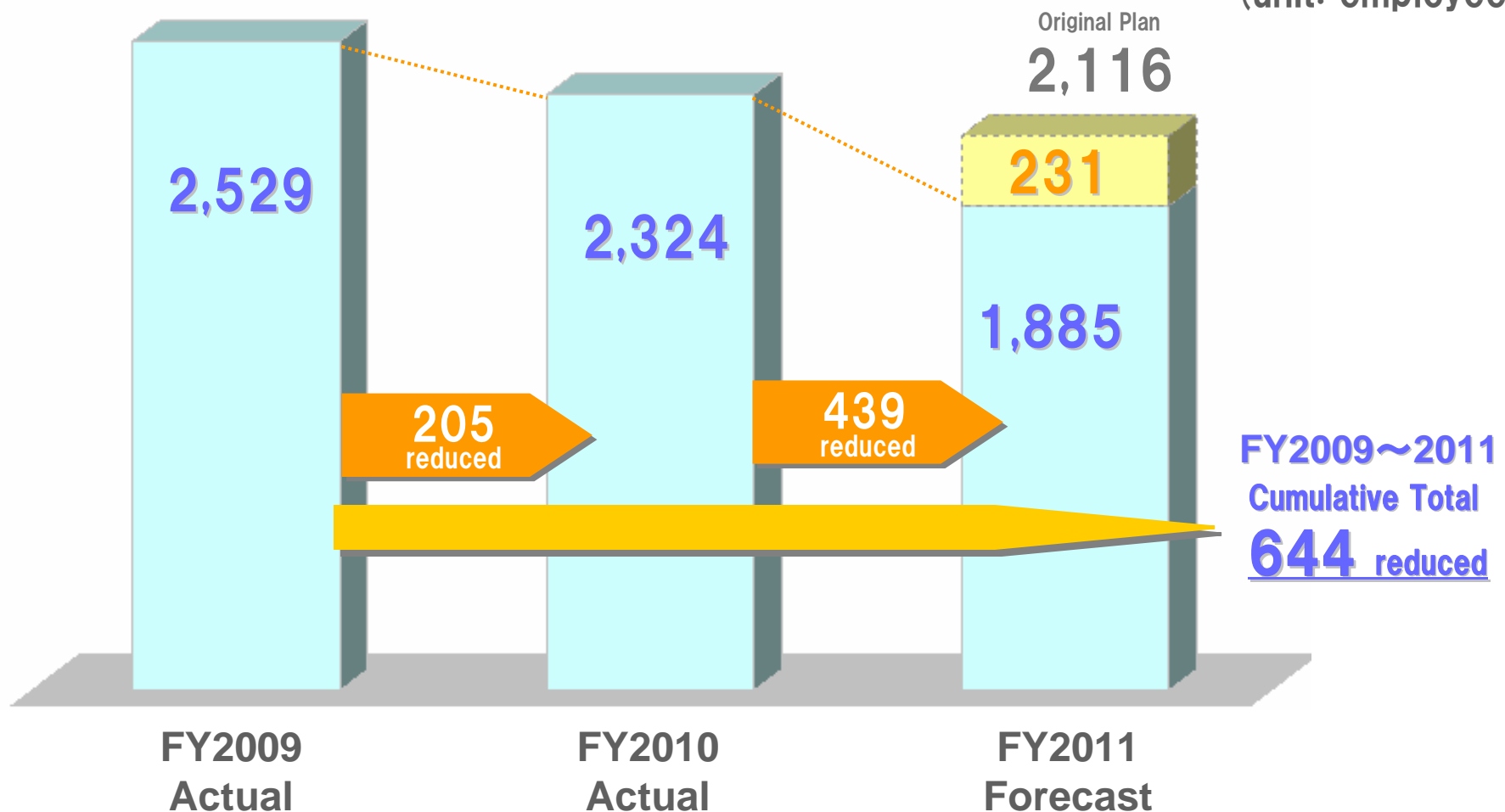
Strengthen IT system product: cloud computing, 3D displaying technology

Refraction

Improve profitability/ Launch high-end models added more sophisticated functions / Produce basic models in China

# Trends of Number of Employees (domestic)

(unit: employees)



\*including part time employees and temporary staff

# 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 Jan. 31, 2012 at 16:30 (GMT+9).

## Inquiries:

Corporate Communication Dept.

IR Affairs

TOPCON CORPORATION

TEL: +81-3-3558-2532

E-mail: [investor\\_info@topcon.co.jp](mailto:investor_info@topcon.co.jp)

URL: <http://global.topcon.com/invest/>