

# 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**

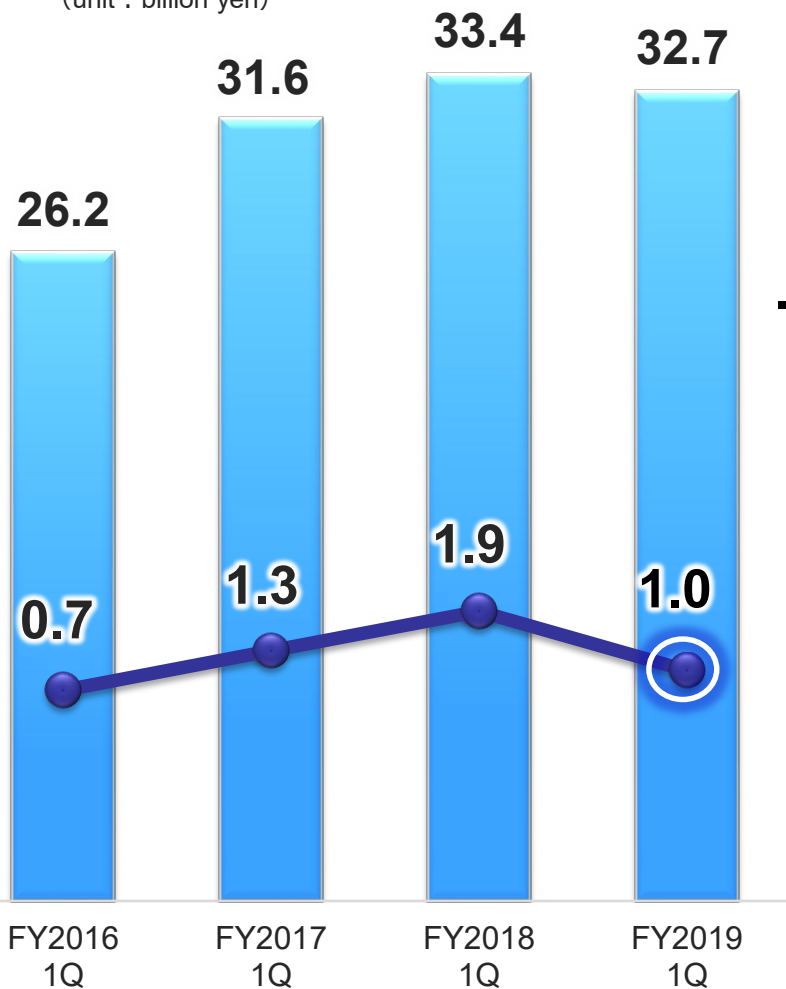
# I . FY2019 1Q Financial Results

**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

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

# FY2019 1Q Financial Results [Consolidated]

(unit : million yen)

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

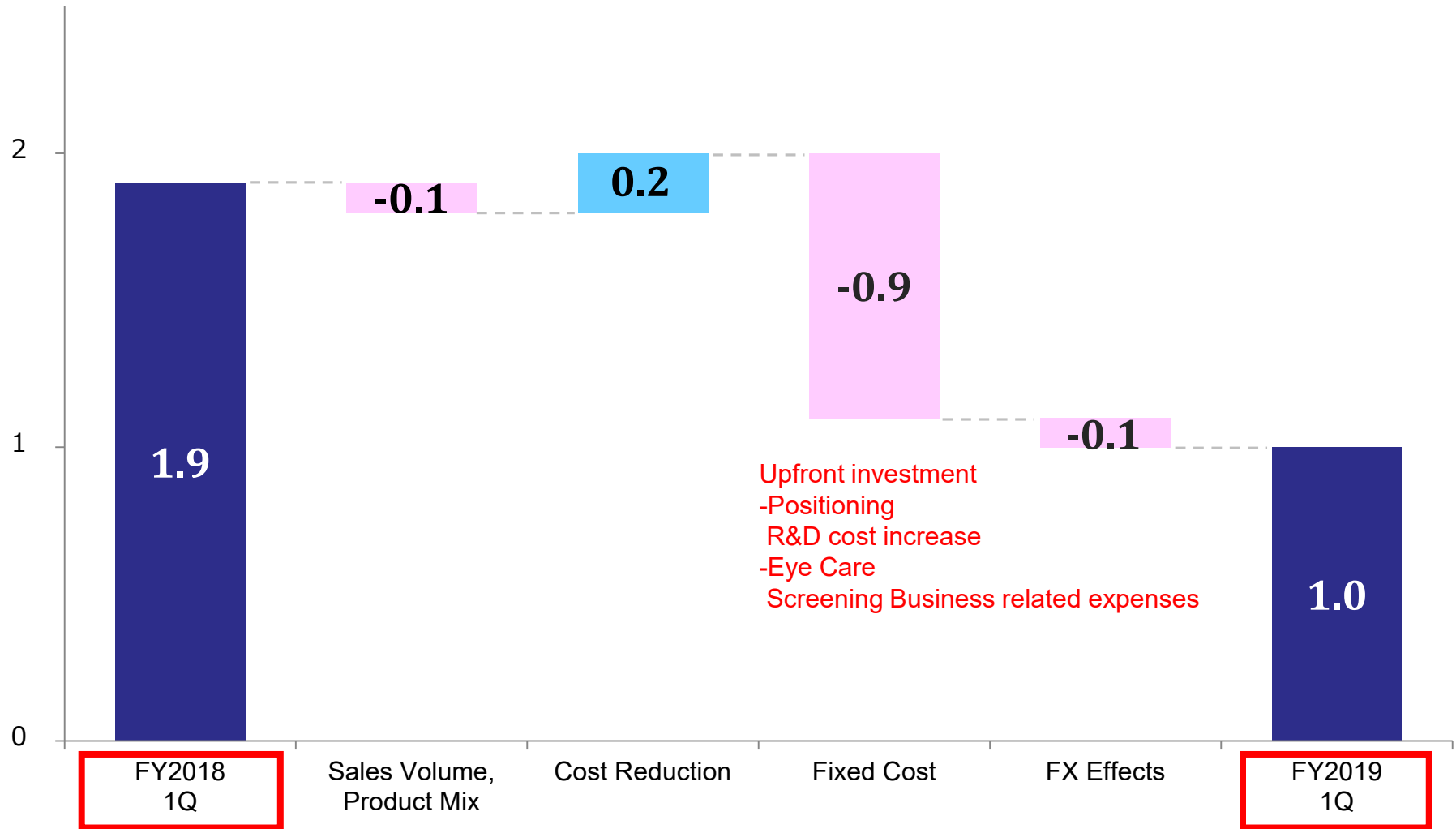
# FY2019 1Q Financial Results by Business [Consolidated]

(unit : million yen)

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

# 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	<b>18,188</b>	-242	<b>-1%</b>
Operating Income (Operating Income Ratio)	1,823 (9.9%)	<b>1,203</b> <b>(6.6%)</b>	-620	<b>-34%</b>

### ■ 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

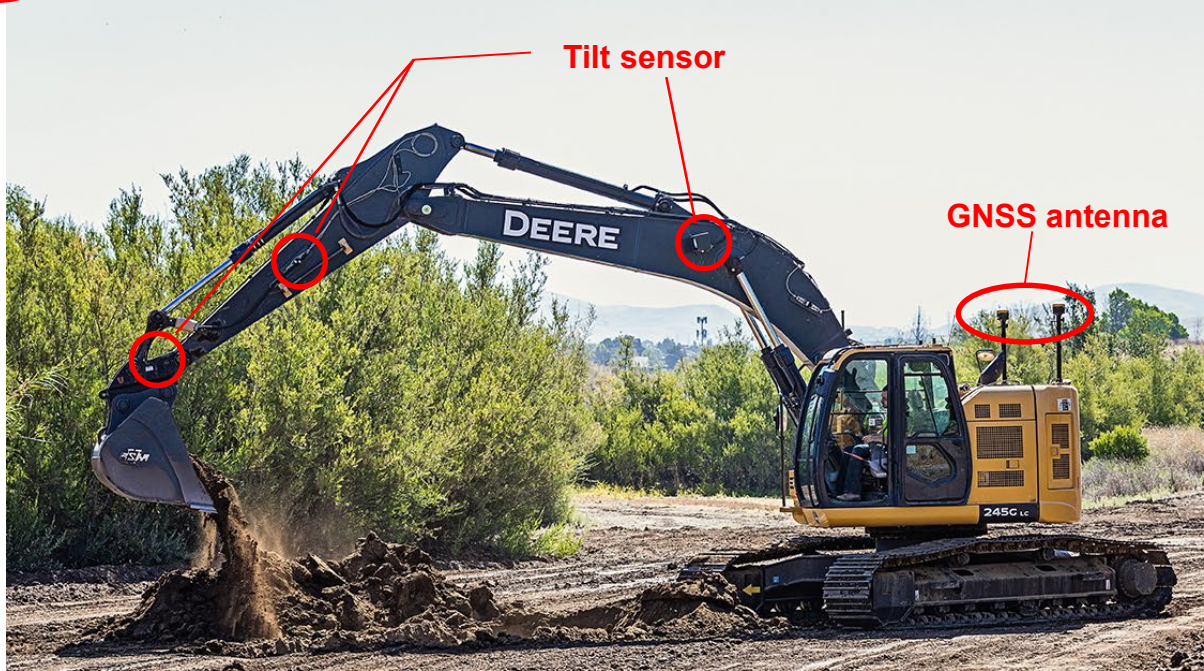


# IT Construction : Sales growth by launching new strategic product

Positioning

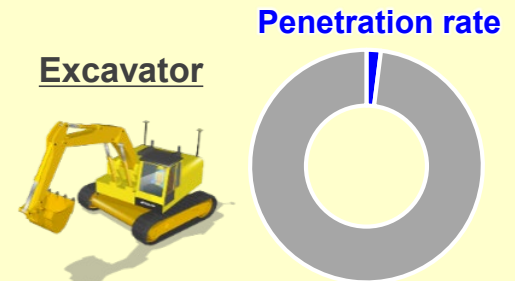
New

## 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



\*Expected useful life is 8 years  
(Topcon's estimation)

Retrofittable to any manufacturers' machinery



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

### ■ Review of 1Q Financial Results

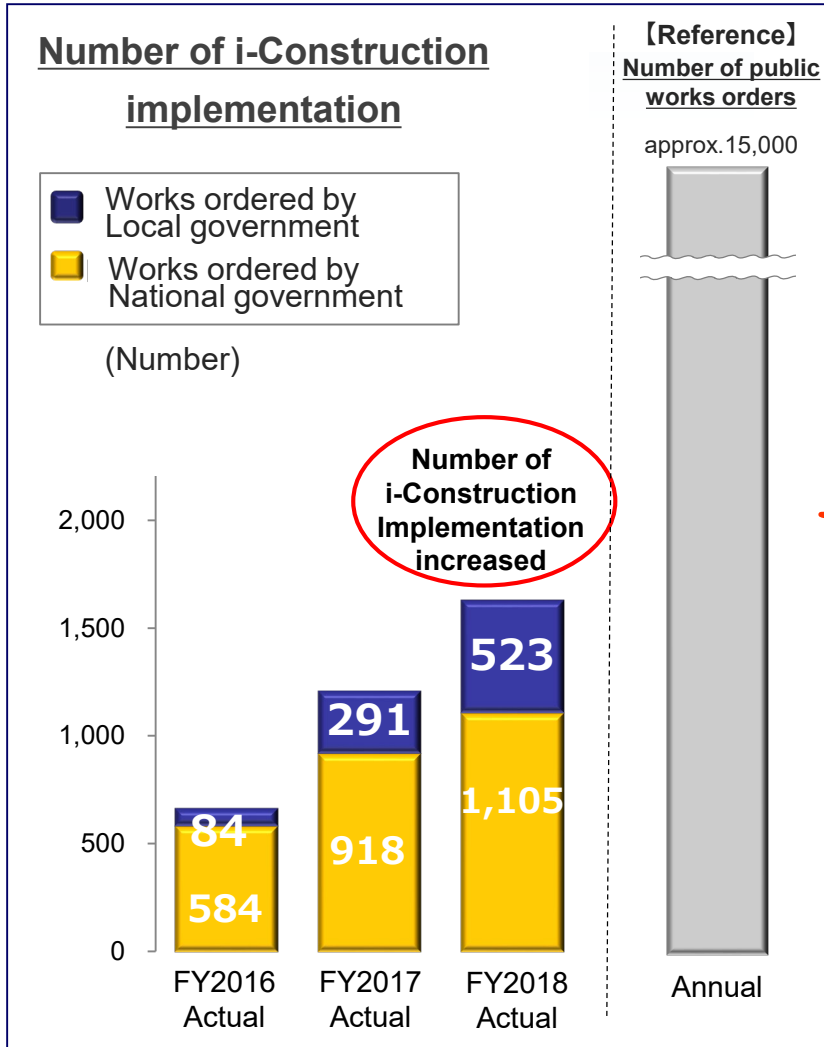
- Strong sales of i-Construction in Japan
- Stagnant sales in China due to slowdown of construction economy
- Temporary sales slowdown in Southeast Asian market
- Improvement of profitability thanks to cost reduction

### ■ 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



## 2<sup>nd</sup> Construction & Survey Productivity Improvement EXPO (May 2019, in Chiba)

**Big crowd due to expansion of i-Construction demand**

**Both participants and visitors increases 30% YoY**

**Great Success**

**Major manufacturers exhibited IT Construction machinery**



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



**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	<b>10,321</b>	274	<b>+3%</b>
Operating Income (Operating Income Ratio)	246 (2.4%)	<b>114</b> <b>(1.1%)</b>	-132	<b>-54%</b>

### ■ 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

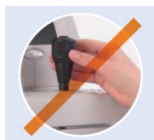
## Sales expansion by long-awaited new model release

**Expectation of sales expansion for Screening market**

### Features

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

**Fully automatic photography function**

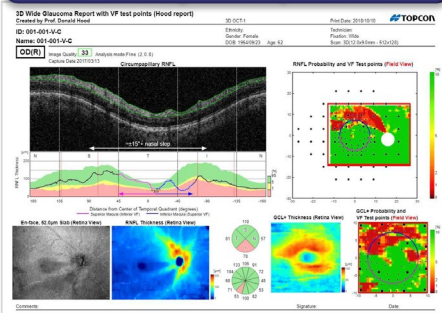


**3DOCT-1 Maestro2**  
3D OPTICAL COHERENCE TOMOGRAPHY

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

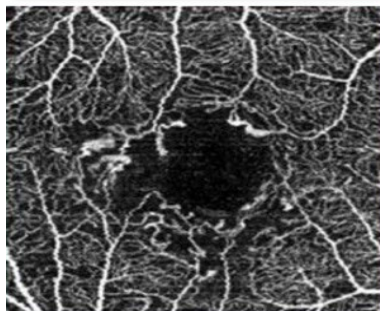
**New**

**Glaucoma analysis report**



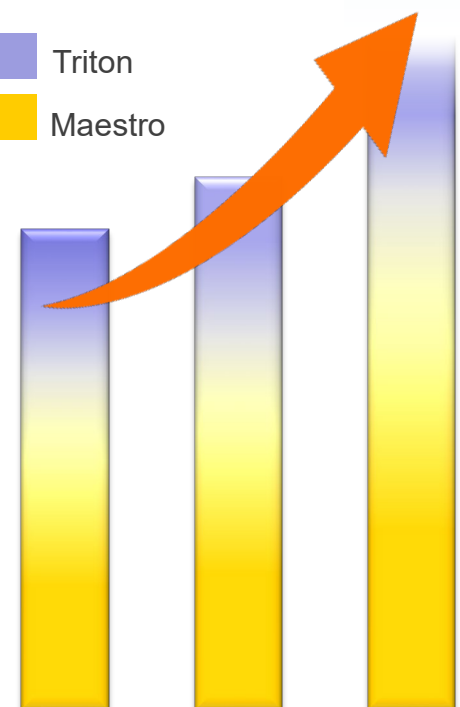
**New**

**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

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

\*Largest in the US

Expectation for sales expansion of new product "Maestro2"



**3DOCT-1Maestro2**  
3D OPTICAL COHERENCE TOMOGRAPHY

**VISION SOURCE**  
SIGNATURE EYE CARE™

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](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

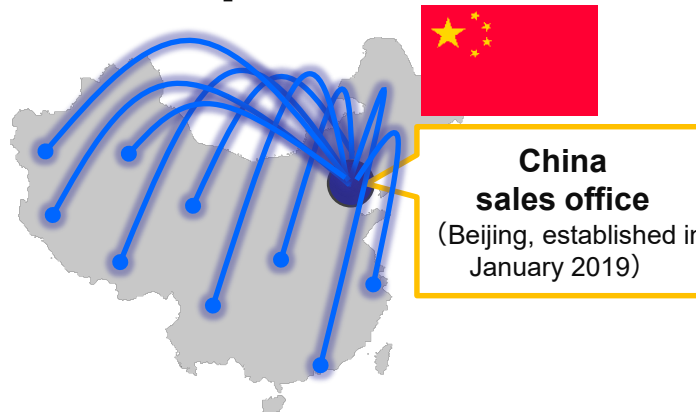
Plans to expand to stores in other regions



## 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

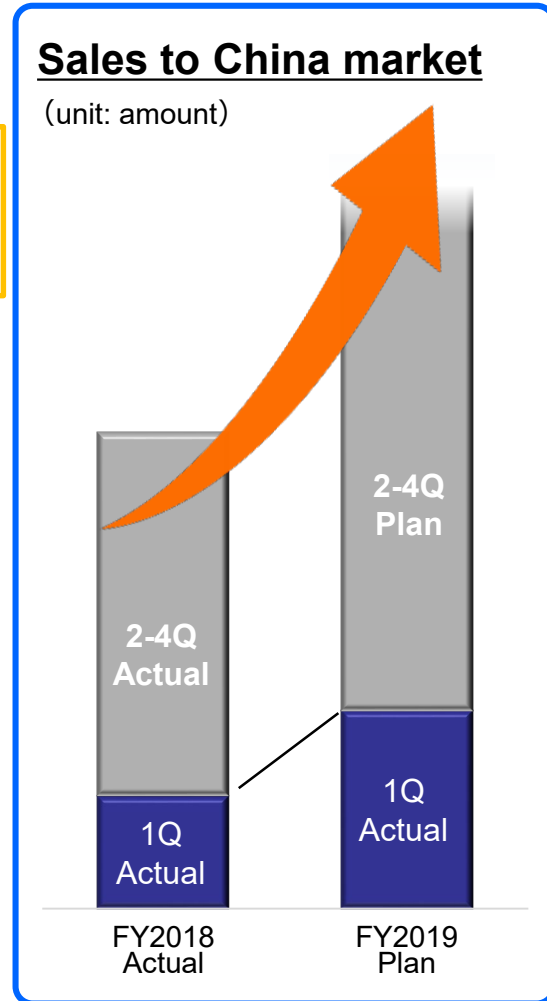
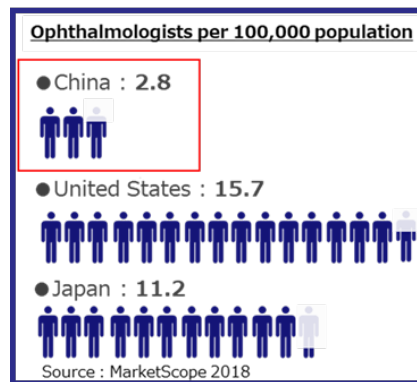
Shortage of ophthalmologists to correspond to rapidly increasing eye diseases



Increasing needs for Screening

Development of Screening Business by cooperating with..

- ✓ Major health screening groups
- ✓ AI Development companies



# 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	<b>154,000</b>	<b>+4%</b>
Operating Income (Operating Income Ratio)	13,596 (9.1%)	<b>14,500 (9.4%)</b>	<b>+7%</b>
Ordinary Income	11,497	<b>12,500</b>	<b>+9%</b>
Net Income	6,548	<b>8,000</b>	<b>+22%</b>
ROE	9.8%	<b>11%</b>	
Dividends	¥24	<b>¥28</b>	
Payout Ratio	39%	<b>37%</b>	
Exchange Rate	USD	<b>¥110.00</b>	
(Average)	EUR	<b>¥125.00</b>	

# 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	
	<b>Total</b>	<b>148,688</b>	<b>154,000</b>	<b>+4%</b>
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	
	<b>Total</b>	<b>13,596 (9.1%)</b>	<b>14,500 (9.4%)</b>	<b>+7%</b>

# 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

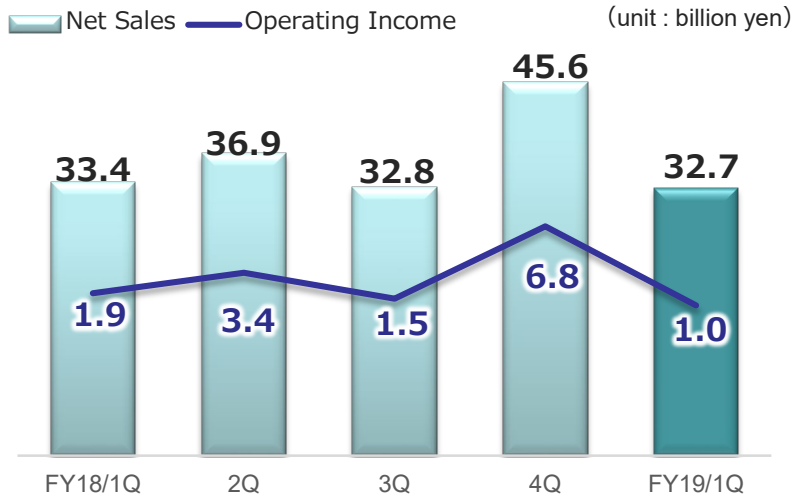




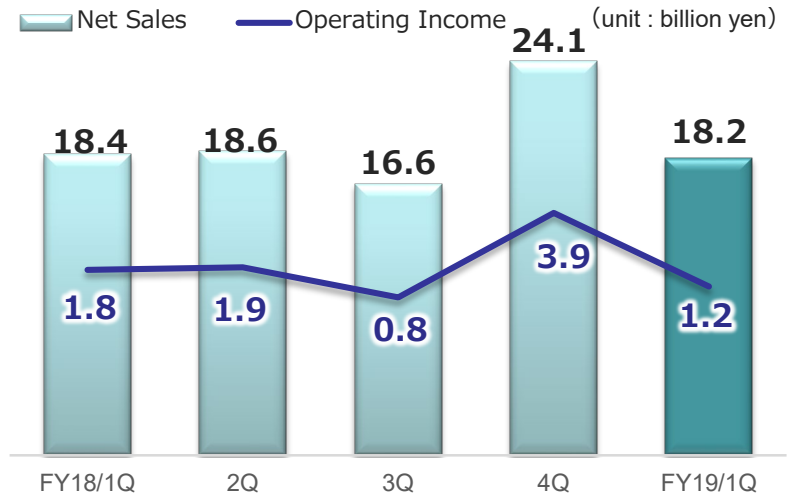
# IV. Appendix

# Financial Results (Quarterly)

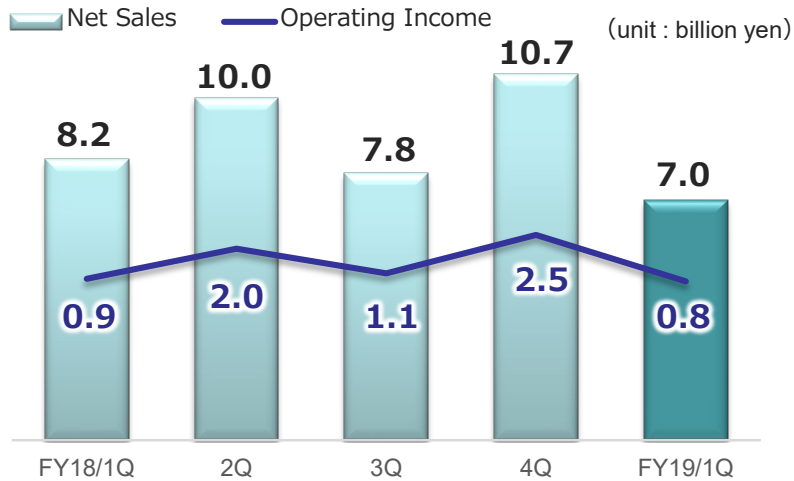
## Consolidated



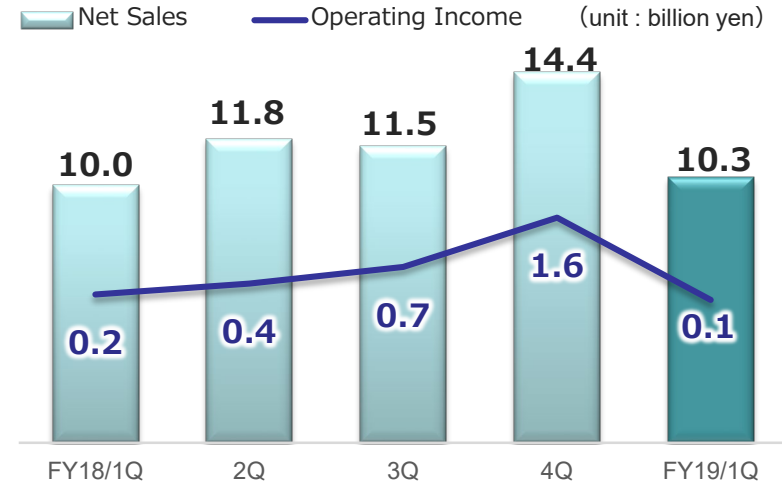
## Positioning



## Smart Infrastructure

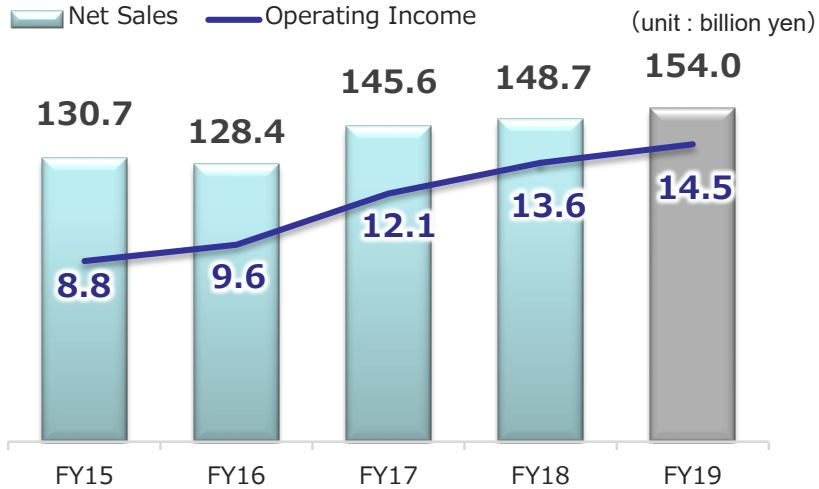


## Eye Care

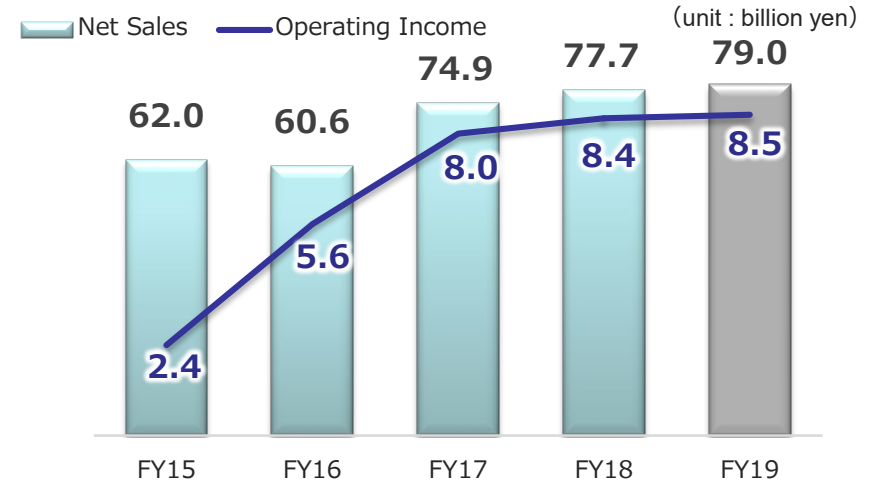


# Financial Results and Plan (Semiannually)

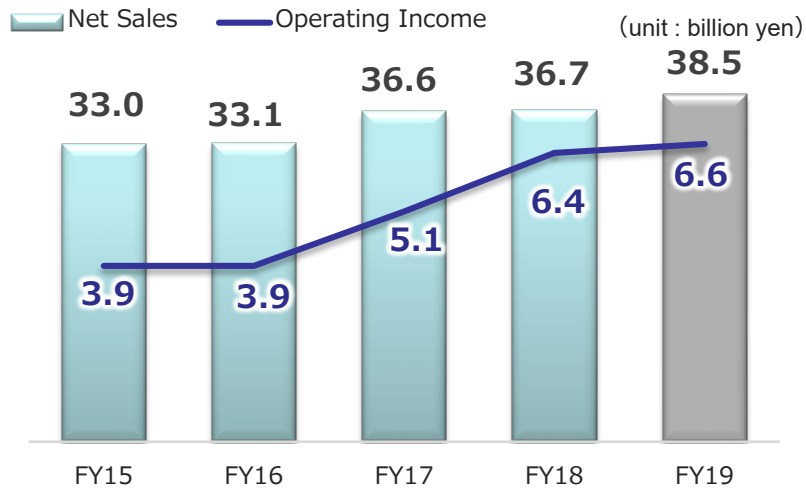
## Consolidated



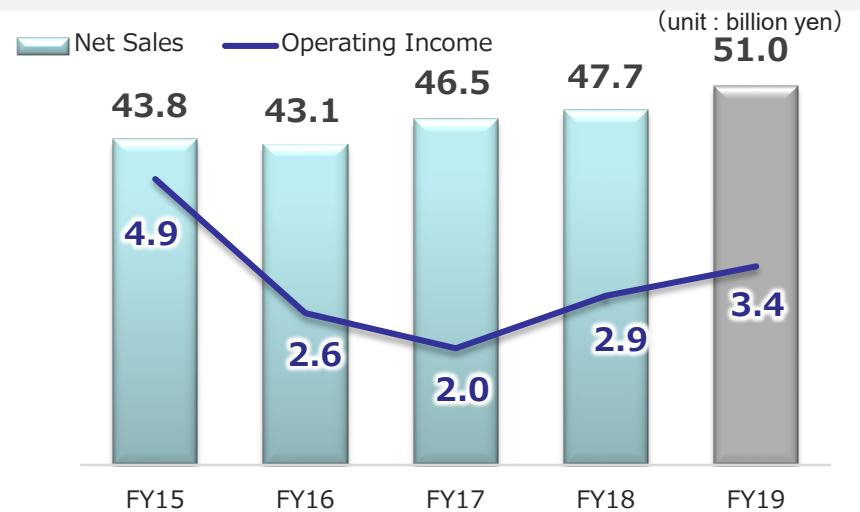
## Positioning



## Smart Infrastructure



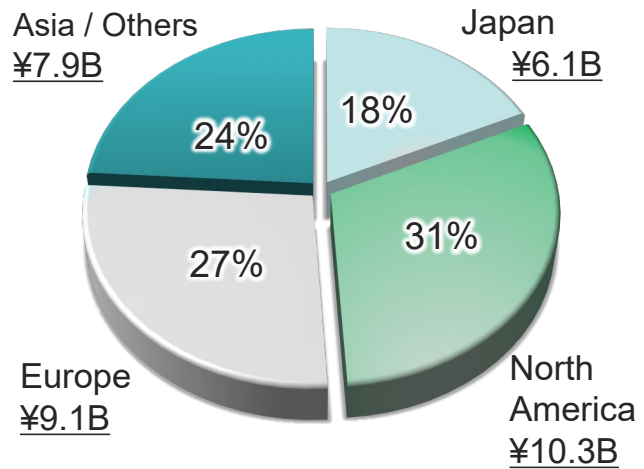
## Eye Care



# Sales by region

FY2018/1Q

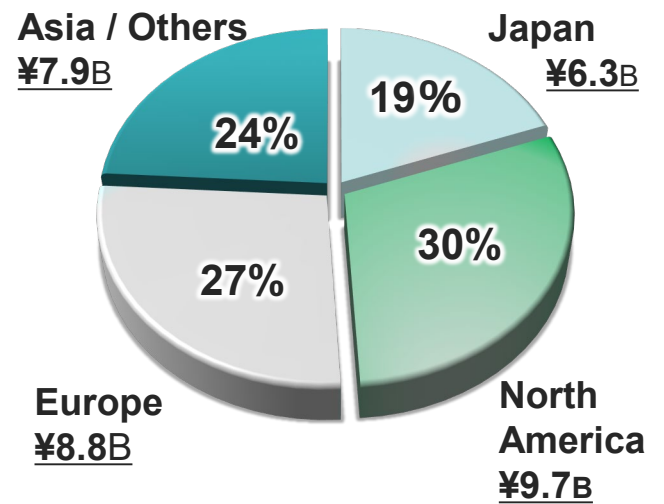
¥33.4B



YoY  
-2%

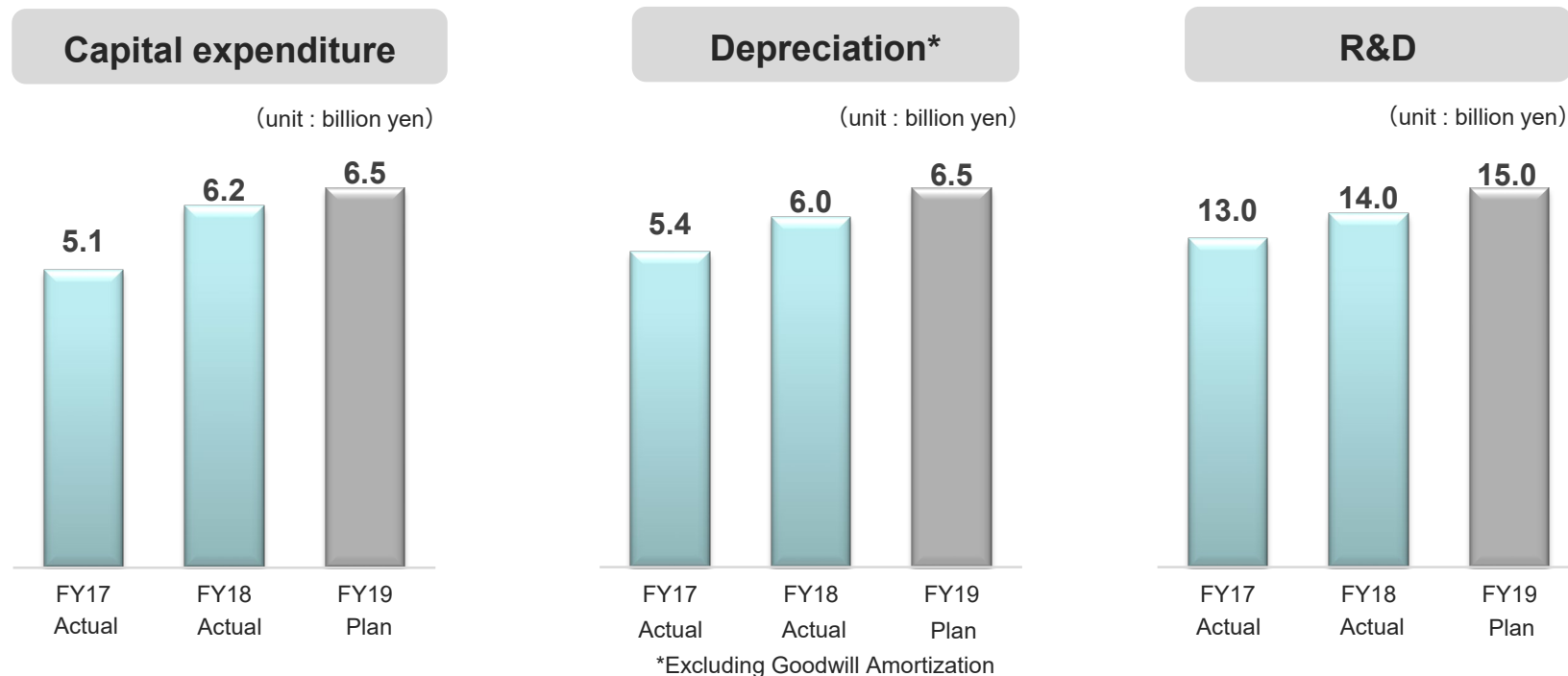
FY2019/1Q

¥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)

**Inquiries:**

**Corporate Communication Div.**

**Corporate Communication Dept.**

**TOPCON CORPORATION**

**Tel: +81-3-3558-2532**

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

**URL: <https://global.topcon.com/invest/>**