

A colorful, stylized illustration of a modern landscape. It includes a large bridge over a river, a city with various buildings, a port with a ship, and a construction site with heavy machinery. In the sky, there are several satellites or drones. The overall scene is bright and represents a developed, multi-industry environment.

FY2019 3Q Financial Results



January 31, 2020
TOPCON CORPORATION
President & CEO
Satoshi Hirano



FY2019 3Q Financial Results

I . FY2019 3Q Financial Results

II . FY2019 Full Year Plan

III . Appendix

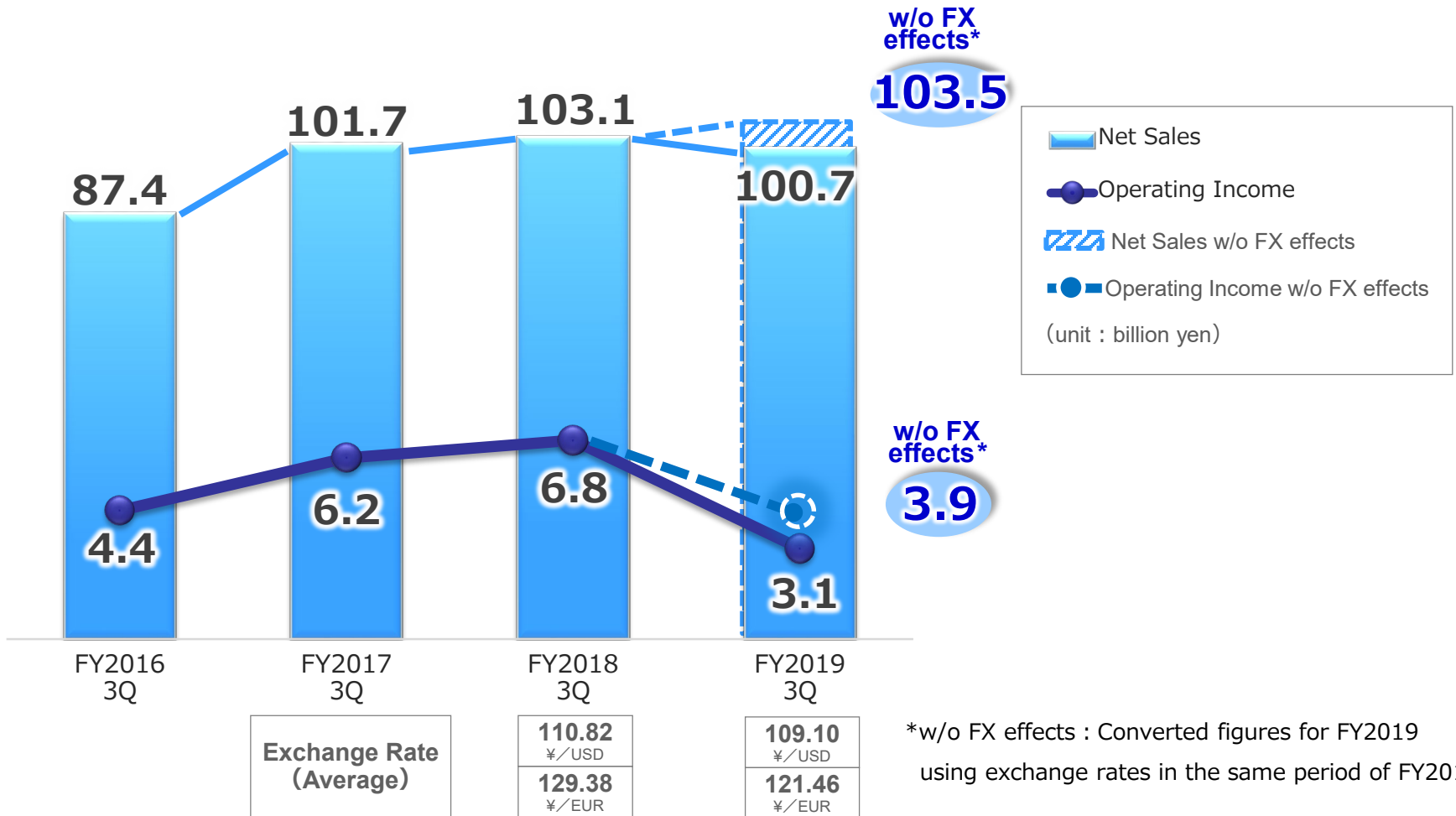
I . FY2019 3Q Financial Results

I - 1 . FY2019 3Q Financial Results

I - 2 . Overview of Each Business

FY2019 3Q Overview

Decline in sales and profit
Flat sales w/o FX effects*



*w/o FX effects : Converted figures for FY2019 using exchange rates in the same period of FY2018

FY2019 3Q Financial Results [Consolidated]

(unit : million yen)

	FY2018	FY2019				
		1-3Q Actual	1-3Q Actual	YoY	%	w/o FX effects
Net Sales	103,106	100,724	-2,382	-2%	103,486	+0%
Gross Profit (Gross Profit Ratio)	54,707 (53.1%)	53,293 (52.9%)	-1,414			
SGA	47,948	50,230	2,282			
Operating Income (Operating Income Ratio)	6,758 (6.6%)	3,062 (3.0%)	-3,696	-55%	3,944 (3.8%)	-42%
Non-Operating Income (Expenses)	-1,147	-1,291	-144			
Ordinary Income	5,611	1,771	-3,840	-68%	2,865	-49%
Extraordinary Income (Loss)	-731	-415	316			
Income Before Income Taxes and Minority Interests	4,880	1,355	-3,525			
Net Income	2,518	254	-2,264	-90%	941	-63%
Exchange Rate (Average)						
USD	110.82	109.10	-¥1.72			
EUR	129.38	121.46	-¥7.92			

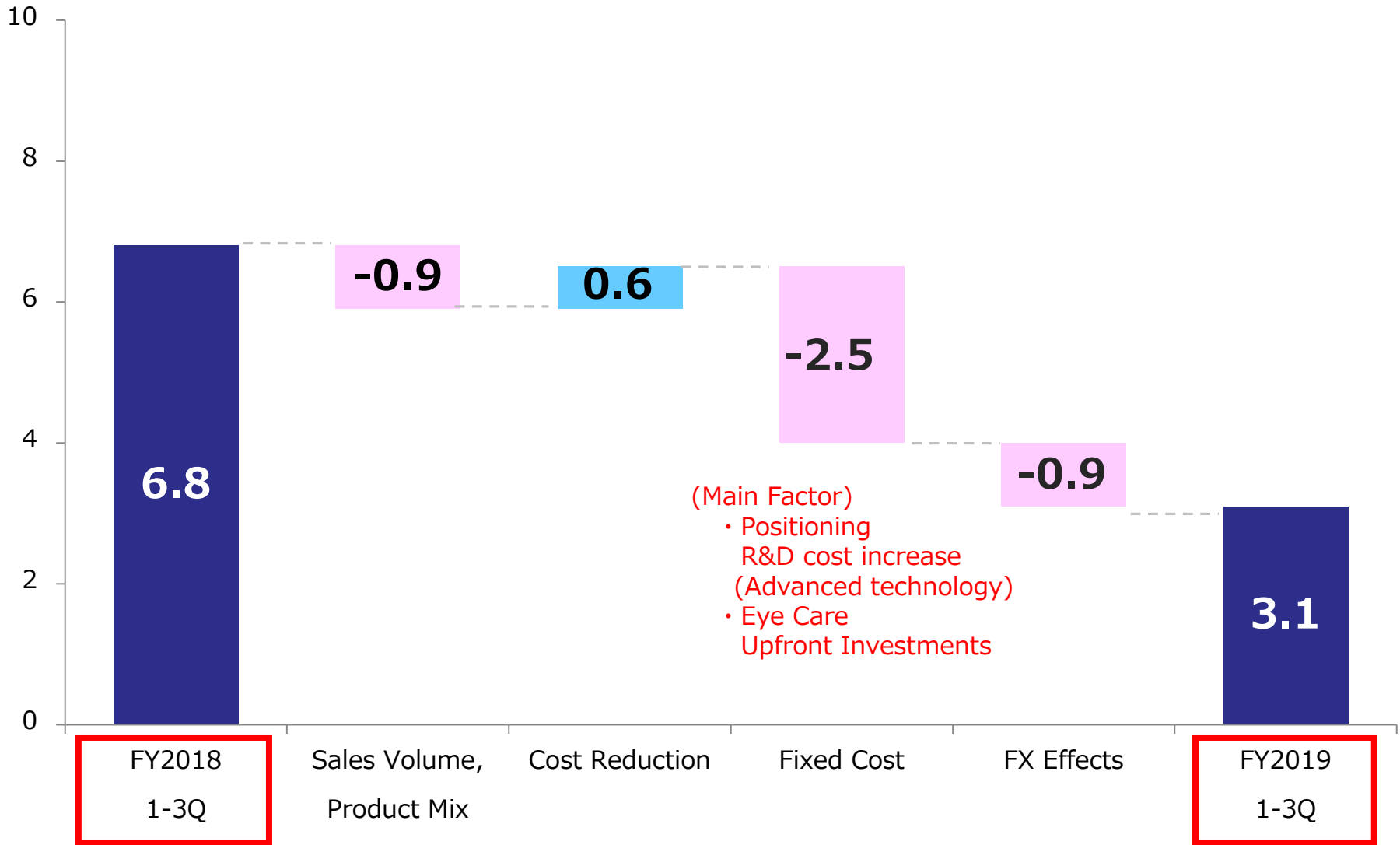
FY2019 3Q Financial Results by Business [Consolidated]

(unit : million yen)

		FY2018	FY2019				
		1-3Q Actual	1-3Q Actual	YoY	YoY%	w/o FX effects	%
Net Sales	Positioning	53,645	52,546	-1,099	-2%	54,178	+1%
	Smart Infrastructure	26,055	23,708	-2,347	-9%	24,011	-8%
	Eye Care	33,338	33,943	605	+2%	35,009	+5%
	Others	1,301	1,039	-262	-20%		
	Elimination	-11,232	-10,512	720			
	Total	103,106	100,724	-2,382	-2%	103,486	+0%
Operating Income (Operating Income Ratio)	Positioning	4,496 (8.4%)	2,416 (4.6%)	-2,080	-46%	2,498 (4.6%)	-44%
	Smart Infrastructure	3,933 (15.1%)	2,984 (12.6%)	-949	-24%	3,174 (13.2%)	-19%
	Eye Care	1,310 (3.9%)	871 (2.6%)	-439	-34%	1,505 (4.3%)	+15%
	Others	-46 (-3.5%)	-93 (-9.0%)	-47	-		
	Elimination	-2,935	-3,116	-181			
	Total	6,758 (6.6%)	3,062 (3.0%)	-3,696	-55%	3,944 (3.8%)	-42%

FY2019 3Q Operating Income YoY Breakdown

(unit : billion yen)



I . FY2019 3Q Financial Results

I - 1 . FY2019 3Q Financial Results

I - 2 . Overview of Each Business

(unit: million yen)

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	1-3Q Actual	1-3Q Actual	YoY	%	w/o FX effects	%
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Review of 3Q Financial Results

- IT Construction : Sales slowdown of OEM in 3Q
Solid sales in after market
- IT Agriculture : Stagnant sales
- Continuing investment for future growth

(unit: million yen)

	FY2018	FY2019				
	1-3Q Actual	1-3Q Actual	YoY	%	w/o FX effects	%
Net Sales	26,055	23,708	-2,347	-9%	24,011	-8%
Operating Income (Operating Income Ratio)	3,933 (15.1%)	2,984 (12.6%)	-949	-24%	3,174 (13.2%)	-19%
Exchange Rate	USD	¥110.82	¥109.10	-¥1.72		
	EUR	¥129.38	¥121.46	-¥7.92		

Review of 3Q Financial Results

- Steep sales decline in India
- Continuing sluggish sales in China and Southeast Asia
- Domestic market / i-Construction : Continuing strong sales

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

(unit: million yen)

	FY2018	FY2019				
	1-3Q Actual	1-3Q Actual	YoY	%	w/o FX effects	%
Net Sales	33,338	33,943	605	+2%	35,009	+5%
Operating Income (Operating Income Ratio)	1,310 (3.9%)	871 (2.6%)	-439	-34%	1,505 (4.3%)	+15%
Exchange Rate	USD	¥110.82	¥109.10	-¥1.72		
	EUR	¥129.38	¥121.46	-¥7.92		

■ Review of 3Q Financial Results

- Growth of sales and profit w/o FX effects
- Sales expansion of Screening Business
- Continuing investment for future growth

Ⅱ . FY2019 Full Year Plan

Ⅱ -1. FY2019 Full Year Plan

Ⅱ -2. Strategic Plans

Ⅱ -3. Summary

Revised Full Year Plan

Full Year Forecast

Downward revision of Full Year Plan taking into account worse-than-expected 3Q financial result and the following factors

Positioning

IT Construction - Temporary decline in OEM sales with signs of some recovery in 4Q, while uncertainty remains
 - Continuing solid sales in after market
 - Grabbing significant orders at the largest construction exhibition in the US where the market is in good shape

Smart Infrastructure

China and Southeast Asia Continuing sluggish sales
i-Construction in Japan Continuing strong sales

Eye Care

Screening Business Strong performance but defer some sales into next FY

Revised Plan

	Before (Announced on October 31st)	New (Announced on January 31st)	Change	Change%
Net Sales	¥150.0B	¥147.0B	-¥3.0B	-2%
Operating Income	¥12.5B	¥10.0B	-¥2.5B	-20%
Net Income	¥6.0B	¥4.3B	-¥1.7B	-28%
Dividends	¥28	¥28	Unchanged (Payout Ratio 69%)	

Exchange rate assumptions of 4Q are unchanged : \$=¥110 / €=¥120¥

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

FY2019 Full Year Plan [Consolidated]

(unit : million yen)

	FY2018	FY2019		
		Full Year Actual	Full Year Plan	YoY (%)
Net Sales	148,688	147,000	-1%	150,000
Operating Income (Operating Income Ratio)	13,596 (9.1%)	10,000 (6.8%)	-26%	12,500 (8.3%)
Ordinary Income	11,497	8,000	-30%	10,500
Net Income	6,548	4,300	-34%	6,000
ROE	9.8%	6.5%		9%
Dividends	¥24	¥28		¥28
Payout Ratio	39%	69%		49%
Exchange Rate	USD	¥110.69	(Assumed FX rate)	¥110
(Average)	EUR	¥128.43		¥120

FY2019 Full Year Plan by Business [Consolidated]

(unit : million yen)

		FY2018	FY2019		
		Full Year Actual	Full Year Plan	YoY (%)	Announced on October 31 st
Net Sales	Positioning	77,722	76,000	-2%	76,500
	Smart Infrastructure	36,744	34,500	-6%	36,000
	Eye Care	47,713	50,000	+5%	51,000
	Others	1,698	1,500	-12%	1,500
	Elimination	-15,190	-15,000		-15,000
	Total	148,688	147,000	-1%	150,000
Operating Income (Operating Income Ratio)	Positioning	8,358 (10.8%)	6,000 (7.9%)	-28%	7,500 (9.8%)
	Smart Infrastructure	6,393 (17.4%)	5,100 (14.8%)	-20%	5,600 (15.6%)
	Eye Care	2,896 (6.1%)	3,000 (6.0%)	+4%	3,400 (6.7%)
	Others	-65 (-3.8%)	0 (0.0%)	-	0 (0.0%)
	Elimination	-3,986	-4,100		-4,000
	Total	13,596 (9.1%)	10,000 (6.8%)	-26%	12,500 (8.3%)

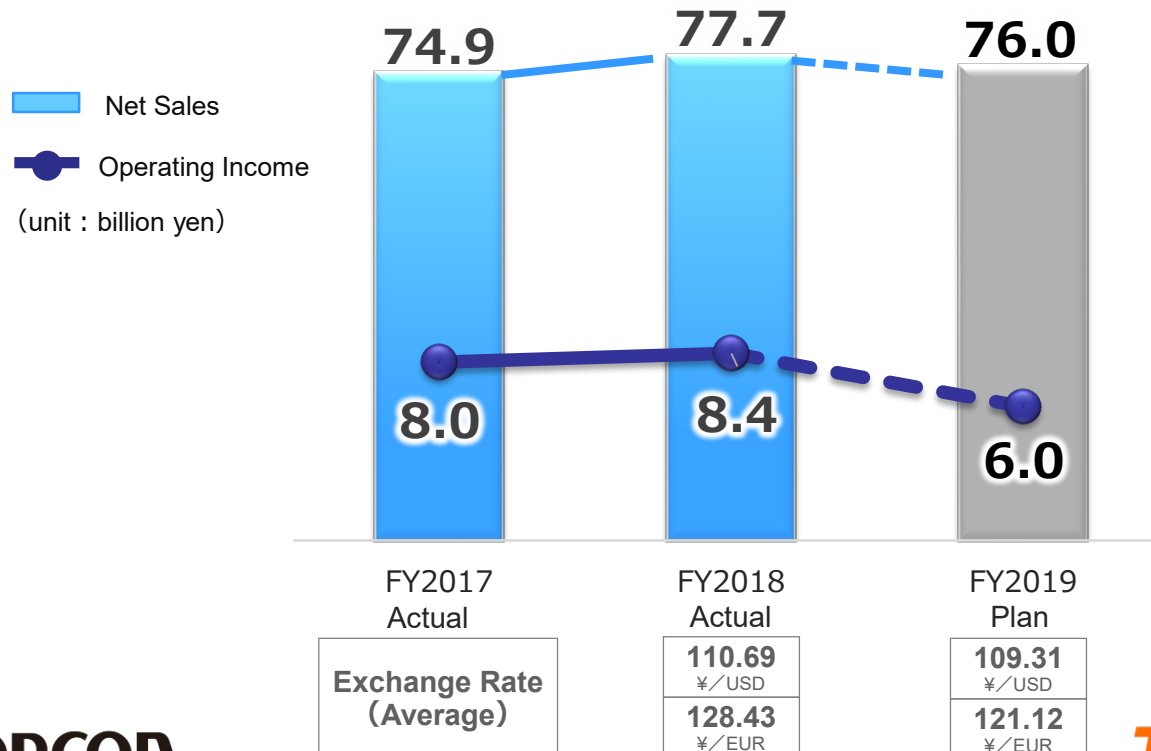
II . FY2019 Full Year Plan

II -1. FY2019 Full Year Plan

II -2. Strategic Plans

II -3. Summary

- **IT Construction** Further sales growth by new products launch
 - Grabbing significant orders at the largest construction exhibition in the US where the market is in good shape
 - New excavator machine control system : Strong momentum
- **Improvement of operational efficiency**
 - Enhancing SG&A expenses control and reduction in production cost



IT Construction : Further sales growth by new products launch

Positioning

Grabbing significant orders at the largest construction exhibition in the US where the market is in good shape



ConExpo in Las Vegas
The largest construction exhibition in the US (every 3 years)

- Schedule : March 2020
- Visitors : **130,000** (expected)
- Participants : **2,800 companies** (expected)



Topcon's booth in ConExpo 2017

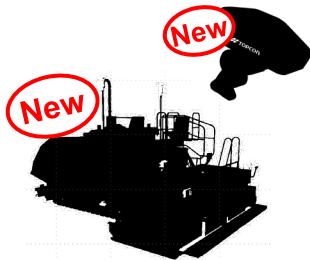


Photo of ConExpo 2017

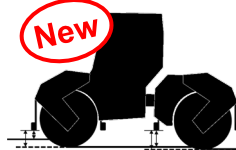
Plan to launch 15-20 new models



Excavator System



Paving System



Compaction System



Grader System



Software



IT Construction : Further sales growth by new products launch

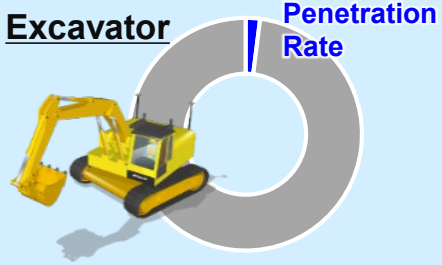
Positioning

New Excavator machine control system is getting momentum

Retrofittable to any brands (Vendor neutral)

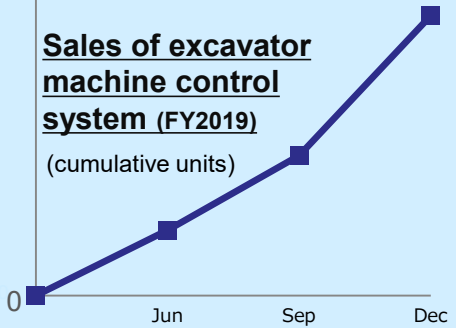
High growth potential

- Present penetration rate is low
- Much room for growth



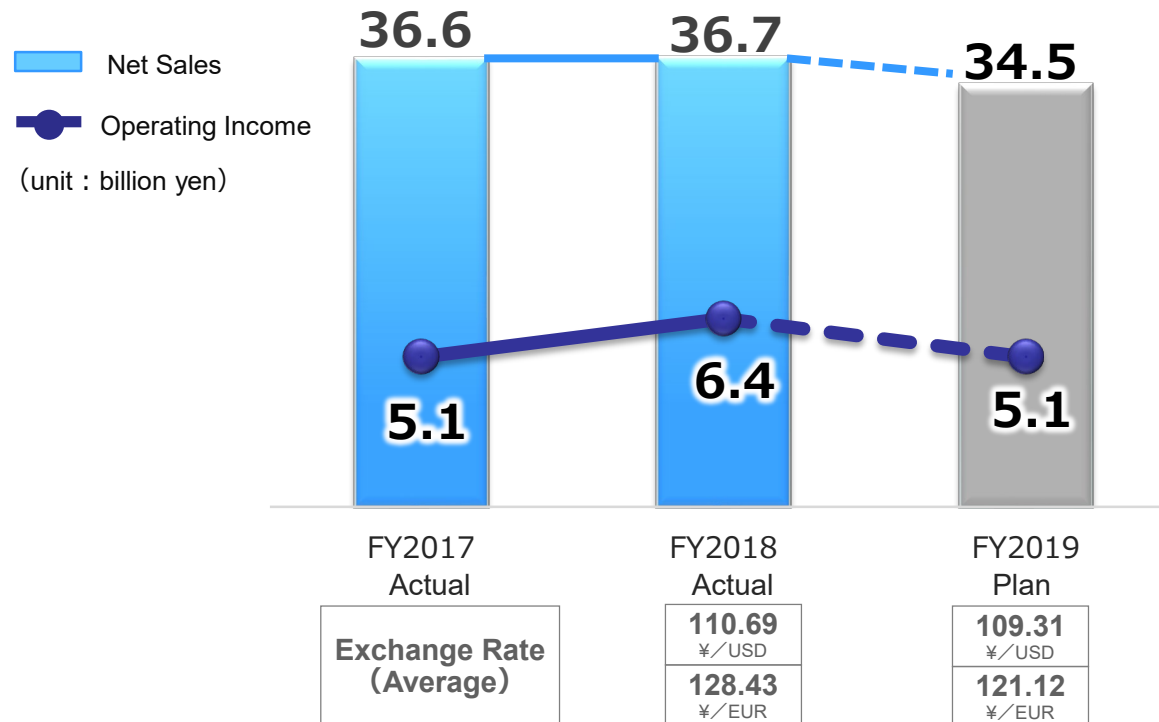
Made a good start

Sales of excavator machine control system (FY2019)
(cumulative units)



■ Grabbing vigorous infrastructure demands in Japan

- Expanding infrastructure market in Japan
- Acceleration of sales for i-Construction



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

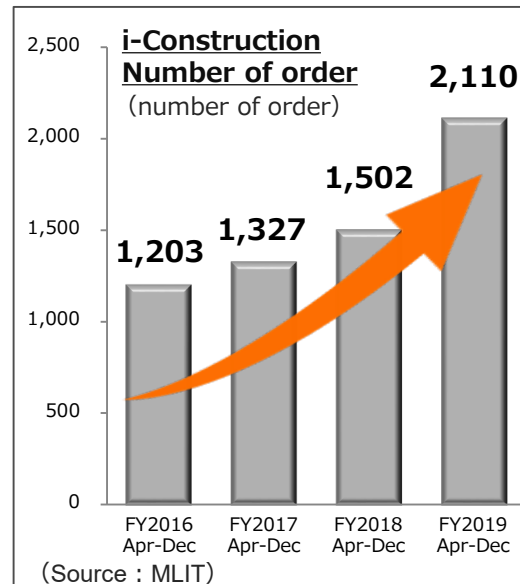
Expanding infrastructure market in Japan

National resilience

- ✓ The supplementary budget for FY2019 : **¥2.3trillion** for restoration from natural disasters, etc.
(Reported by media on December 12, 2019)

i-Construction

- ✓ "Year of accomplishment" (4th year)
- ✓ Number of i-Construction orders by MLIT continues to increase



Increase sales for infrastructure demand in Japan while market expansion continues

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



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

Acceleration of sales for i-Construction - Enhanced lineup

Focused products

New Excavator System

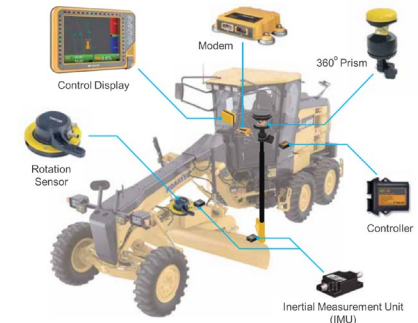
- Autonomous Operations according to design data
- Safety and security in the deep-digging prevention function
- Correspond to "QZSS" (correspond to multiple GNSS)



X-53x

New IT Construction system for motor grader

- Retro-fit kit for new motor grader
- Autonomous Operations according to design data



New 3D layout navigator

- Subsequent model of best seller machine "LN-100"
- Accurate vertical angle measurement
- Easy to operate on your smartphone or tablet



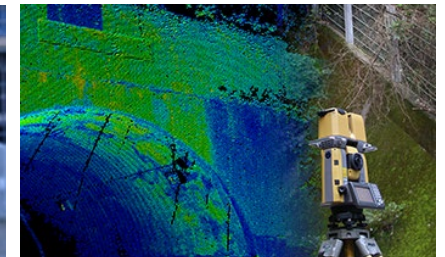
LN-150



New Total Station with Scanner

- Dual role, Surveying and 3D measurement, improves efficiency
- Dramatically shorten the work process

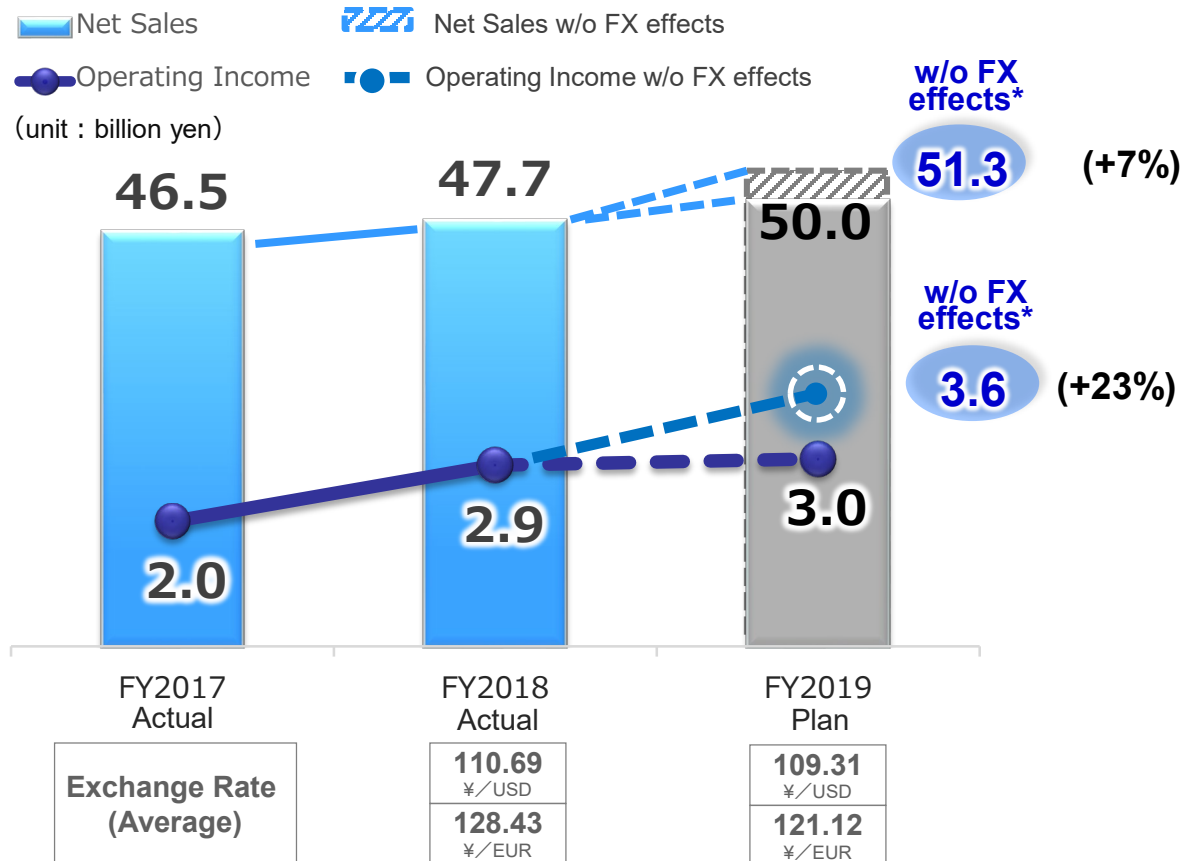
World's first



GTL-1000

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

- Further sales expansion of 3D OCT
- Expansion of Screening Business



Triton

Spreading widely from research to clinical market

High-performance premium OCT

October, 2019 **YoY130%**
Strong sales at the world's largest ophthalmological academic conference

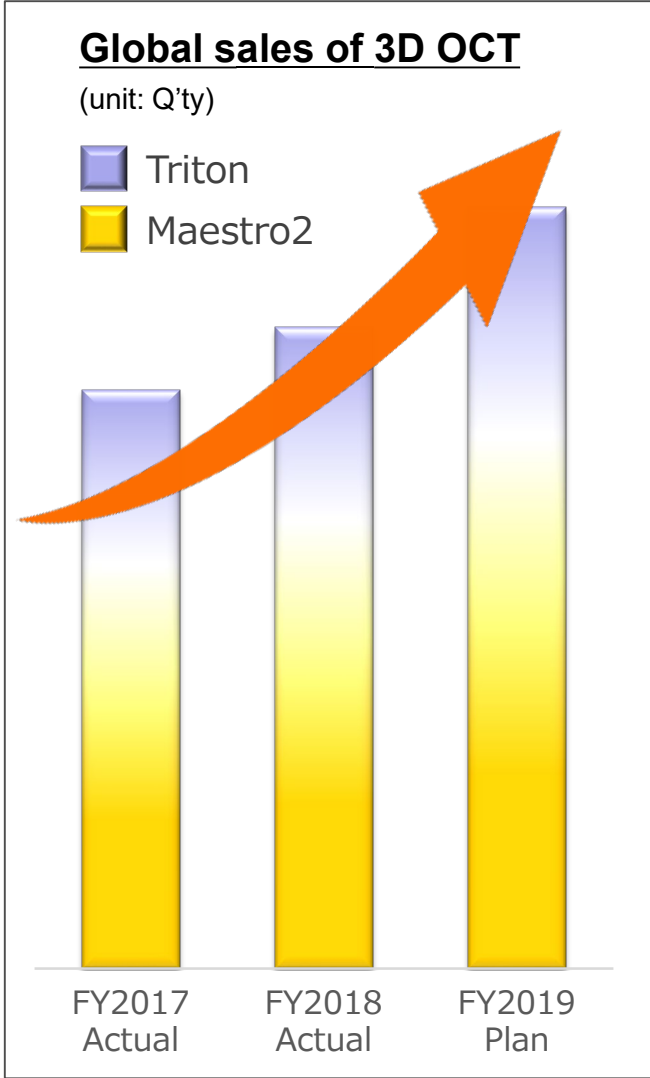
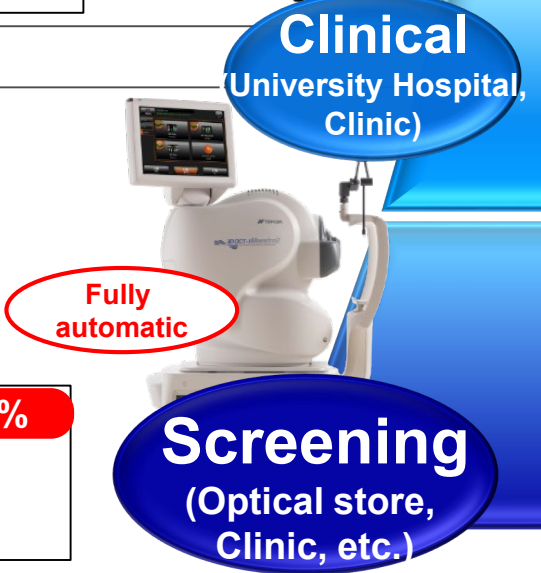


Maestro2

Expanding from clinical to screening market

Easy to use with less expertise

September, 2019 **YoY160%**
Record sales at the world's largest eyeglass exhibition




OCT getting popular in European market

■ Continuing strong sales of Maestro2

New orders from major optical retail chains in the UK and Scandinavia, following Australia and the United States



Specsavers' case 

Installed 350 units of Maestro from 2017 to 2019 (Oceanian region)

Top 10 Eyewear and Optical retailers in Europe 2017

Rank	Retailer	Headquarter	Sales (€ Millions)	Stores
1	Specsavers	UK	2,028	1,226
2	Fielmann	Germany	1,606	723
3	Optic 2000	France	1,350	1,180
4	Krys Group	France	1,000	1,400
5	Alain Afflelou	France	730	1,200
6	Apollo Optik	Germany	694	800
7	Grandoptical	France	664	299
8	Boots Opticians	UK	417	637
9	Hans Anders	Netherlands	367	409
10	Hartlauer	Austria	238	155

Total **€9,094** **8,029**
millions stores

(Source: Retail-Index)

<https://www.retail-index.com/Sectors/OpticalRetailersinEurope.aspx>

II . FY2019 Full Year Plan

II -1. FY2019 Full Year Plan

II -2. Strategic Plans

II -3. Summary

Summary

Full Year Plan : Sales flat and Profit decrease

Net Sales

Operating Income

(unit : billion yen)

148.7

147.0

13.6

10.0

FY2018
Actual

FY2019
Plan

Exchange
Rate
(Average)

110.69
¥/USD
128.43
¥/EUR

109.31
¥/USD
121.12
¥/EUR

FY2019 Plan (YoY) w/o FX effects (YoY)

Net Sales

¥147.0B (-1%) **¥150.2B** (+1%)

Operating Income

¥10.0B (-26%) **¥11.0B** (-19%)

Ordinary Income

¥8.0B (-30%) **¥9.0B** (-22%)

Net Income

¥4.3B (-34%) **¥4.9B** (-25%)

Dividends

FY2019 Plan FY2018
¥28 **¥24**

【Topcon Way】

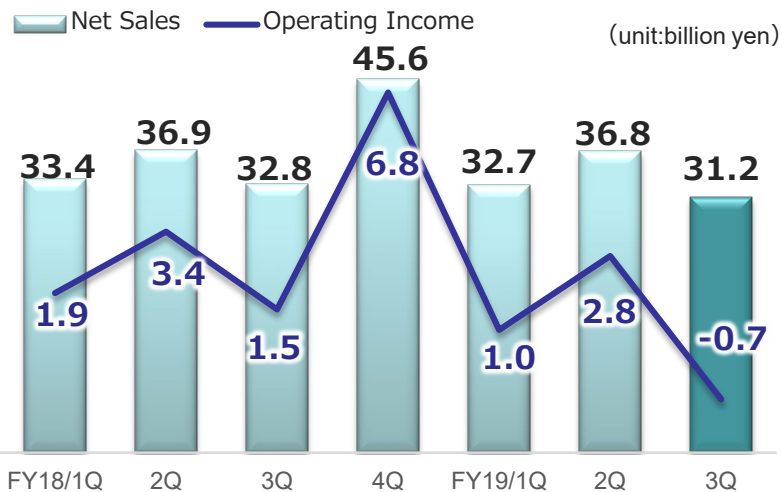
We aim to contribute to the creation of a prosperous society by solving societal challenges on healthcare, agriculture, and infrastructure



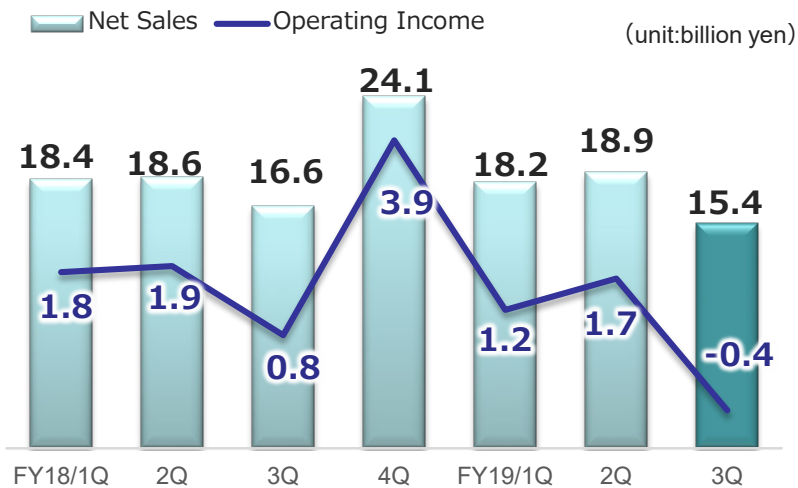
III. Appendix

Financial Results (Quarterly)

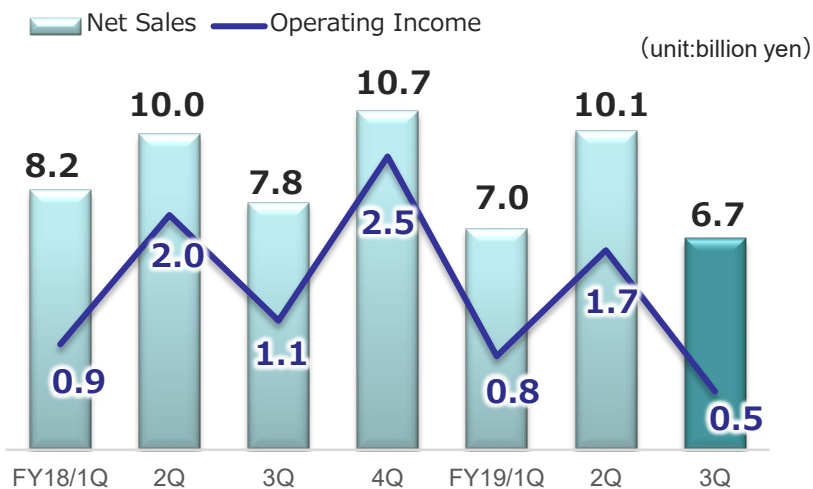
Consolidated



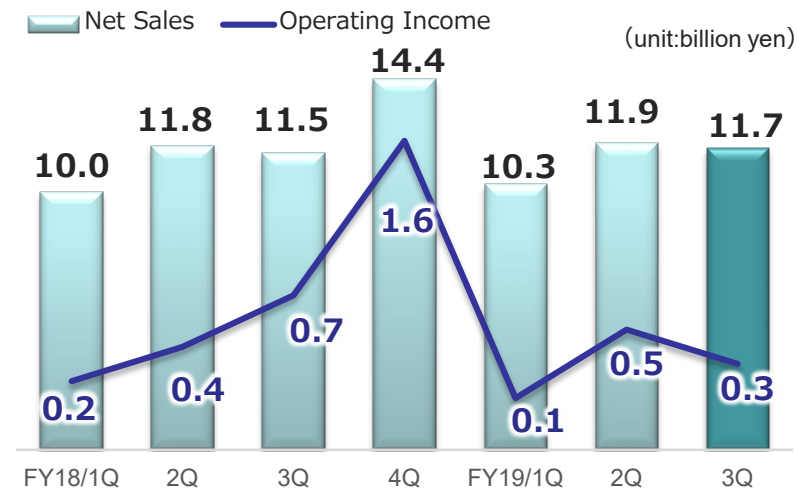
Positioning



Smart Infrastructure

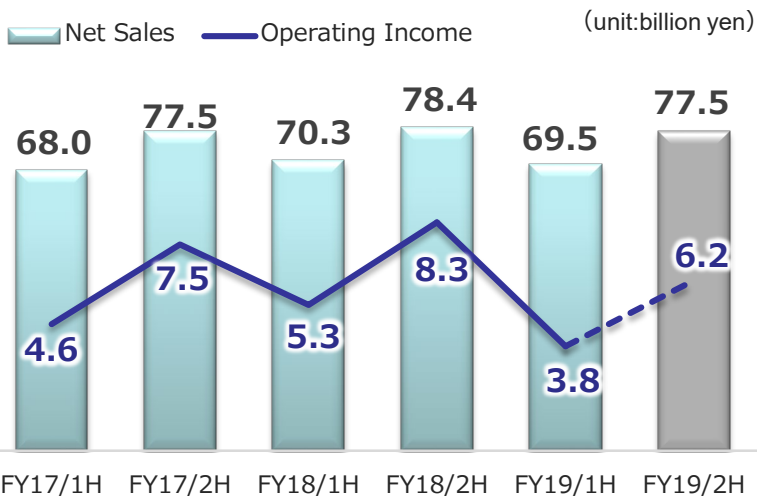


Eye Care

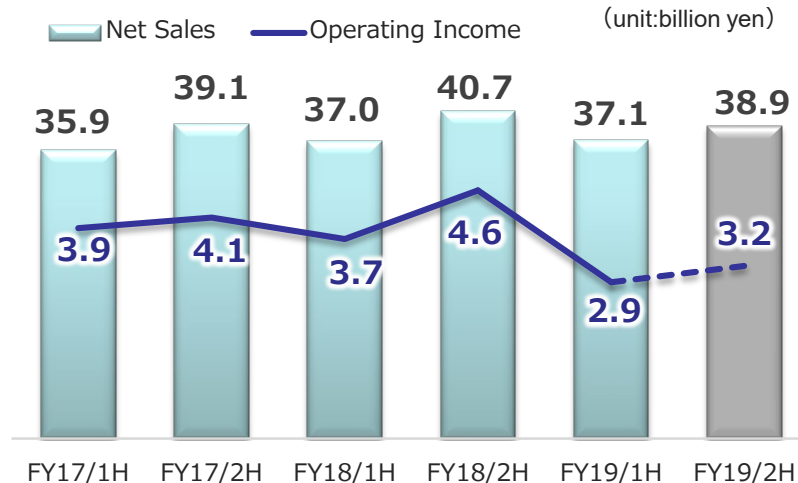


Financial Results and Plan (Semiannually)

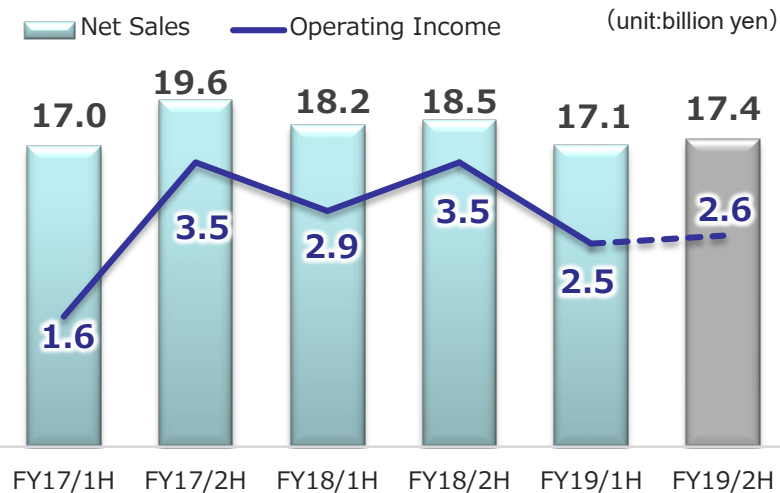
Consolidated



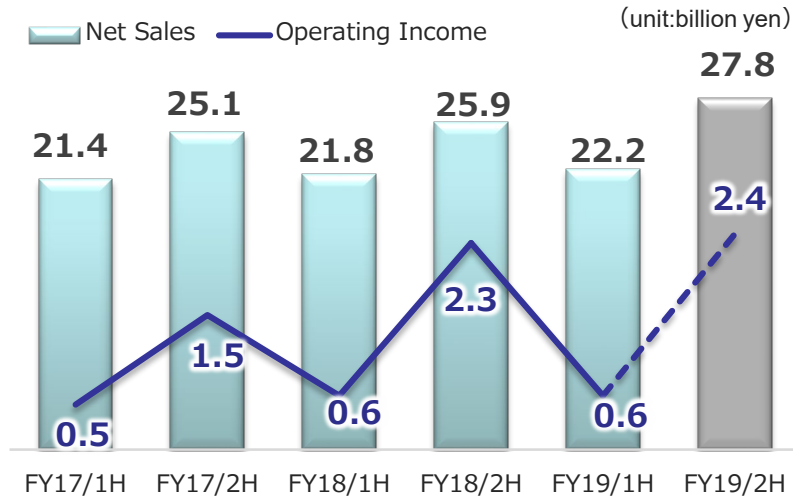
Positioning



Smart Infrastructure



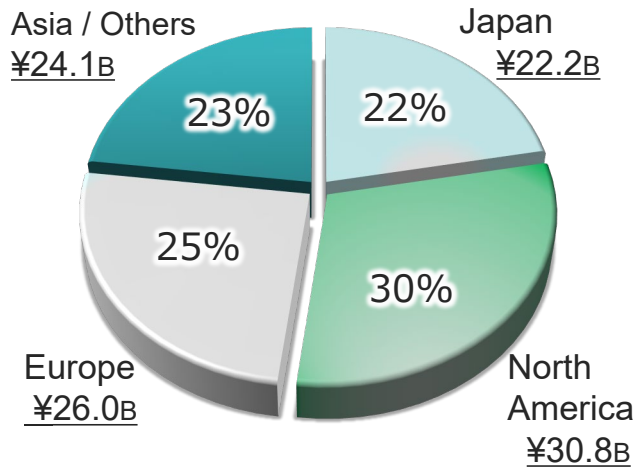
Eye Care



Sales by region

FY2018 / 1-3Q

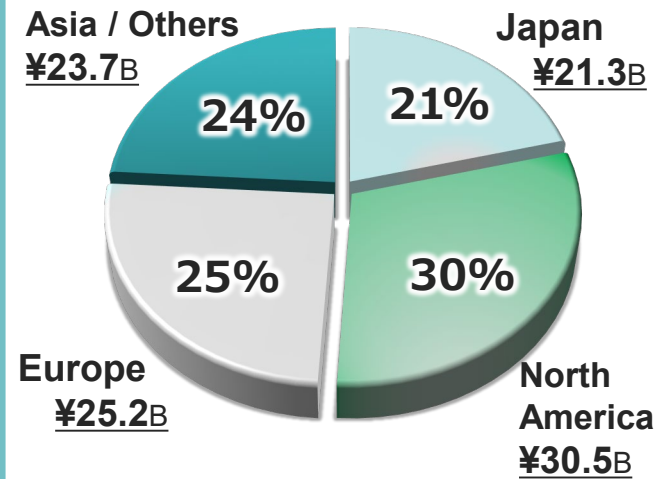
¥103.1B



YoY
-2%

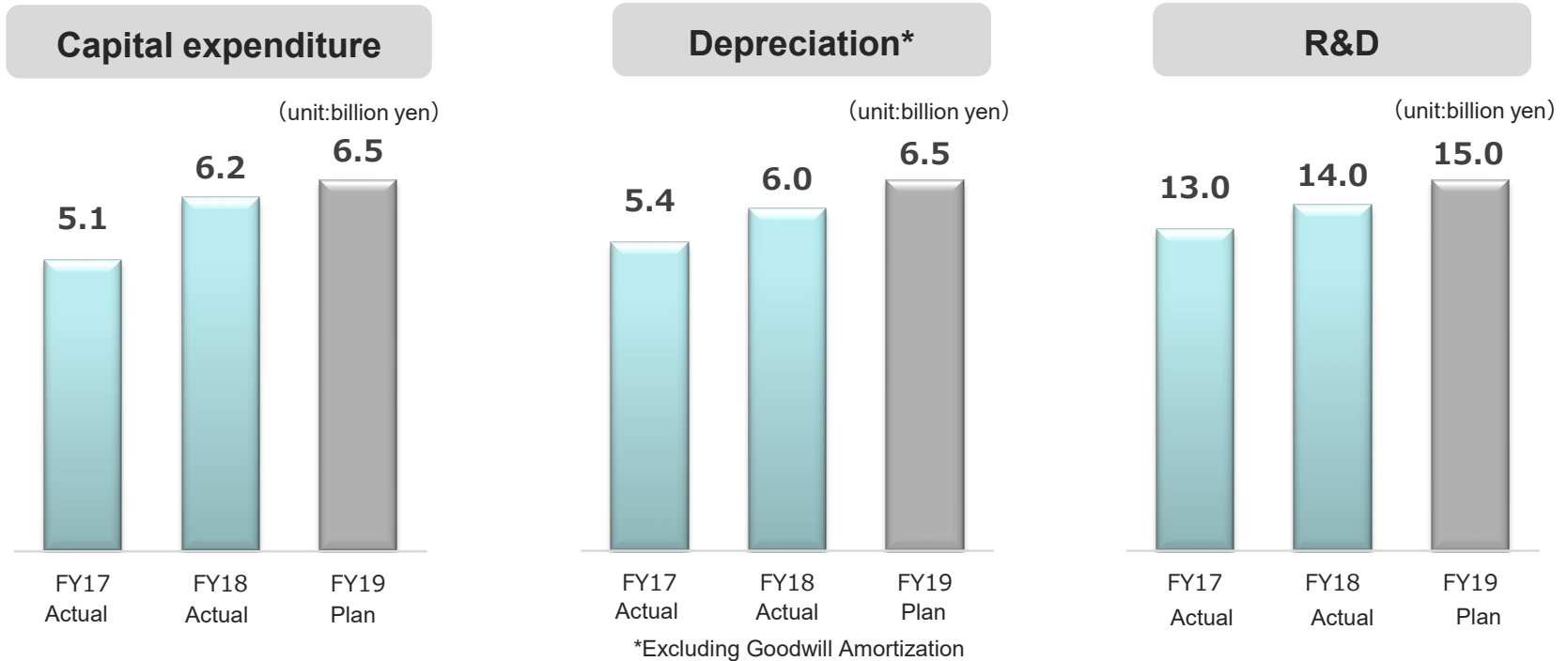
FY2019 / 1-3Q

¥100.7B



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 January 31, 2020 at 15:00(UTC+9)

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