

FY2020 Q3 Financial Results



January 29, 2021

TOPCON CORPORATION

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

Haruhiko Akiyama



Company
Profile
Movie

FY2020 Q3 Financial Results

I . FY2020 Q3 Financial Results

II . FY2020 Full Year Plan

III . Topics

IV . Summary

V . Appendix

I . FY2020 Q3 Financial Results

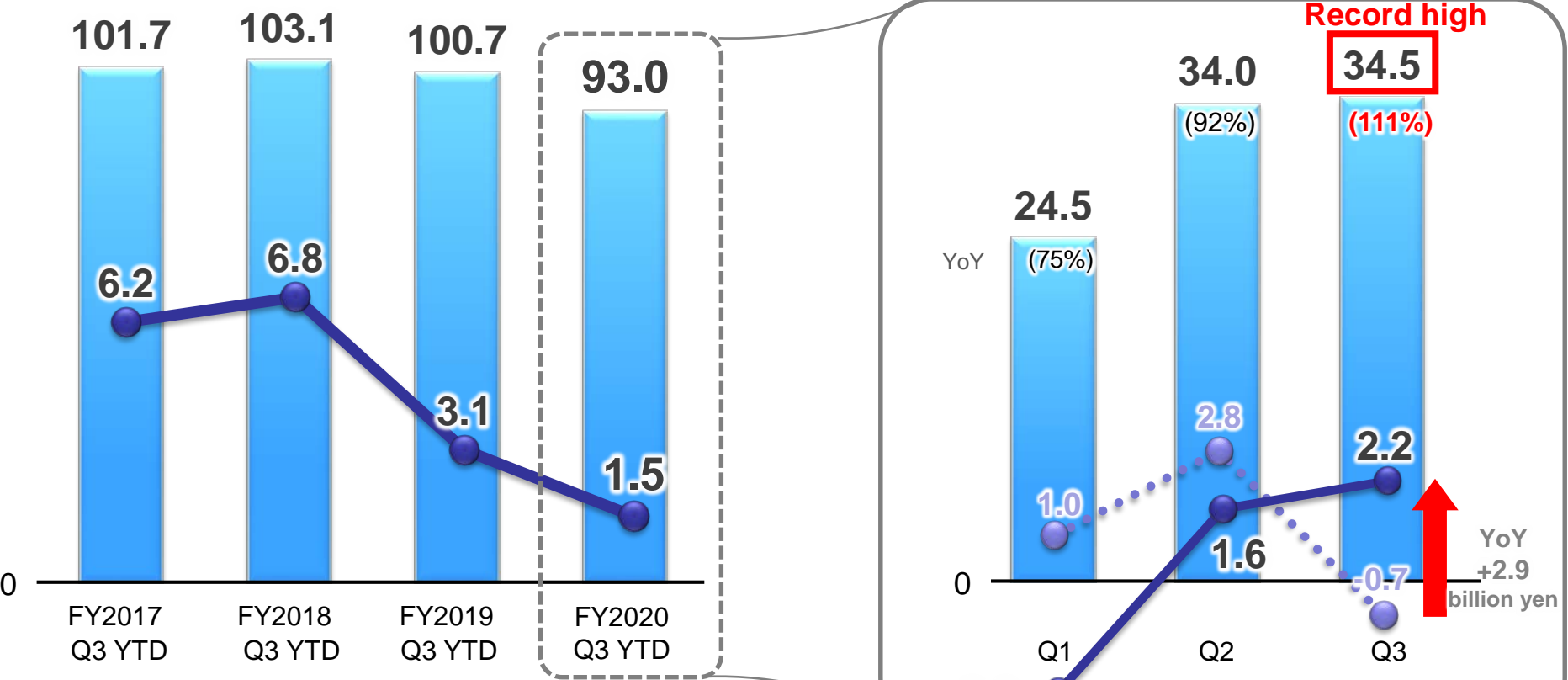
I - 1 . FY2020 Q3 Financial Results

I - 2 . Overview of Each Business

FY2020 Q3 Overview

- Q3 YTD: Turns profitable despite decreased sales and profit
- Q3: Strong recovery by adapting to a new normal under “with COVID-19” environment

Quarter-by-quarter Breakdown



(unit: billion yen) Net Sales Operating Income Operating Income (FY2019)

FY2020 Q3 Financial Results

Record high sales and profit in Q3 alone, expanding profit

(unit: million yen)

	FY2019 Q3 YTD Actual	FY2020				YoY
		Actual			Q3 YTD	
		Q1	Q2	Q3		
Net Sales	100,724	24,493	33,971	34,526	92,991	-7,733 (-8%)
Gross Profit (Gross Profit Ratio)	53,293 (52.9%)	11,680 (47.7%)	16,708 (49.2%)	17,287 (50.1%)	45,676 (49.1%)	-7,617 (-14%)
SGA	50,230	14,003	15,154	15,062	44,221	-6,009
Operating Income (Operating Income Ratio)	3,062 (3.0%)	-2,322 (-9.5%)	1,554 (4.6%)	2,224 (6.4%)	1,455 (1.6%)	-1,607 (-52%)
Non-Operating Income (Expenses)	-1,291	-721	-308	-365	-1,394	-103
Ordinary Income	1,771	-3,043	1,245	1,858	60	-1,711
Extraordinary Income	-415	-31	-130	-59	-221	194
Income Before Income Taxes and Minority Interests	1,355	-3,074	1,114	1,799	-160	-1,515
Net Income	254	-2,482	444	714	-1,322	-1,576
Exchange Rate USD	¥109.10	¥107.74	¥105.88	¥104.45	¥105.87	-¥3.23
(Average) EUR	¥121.46	¥118.94	¥123.71	¥124.41	¥122.30	+¥0.84

FY2020 Q3 Financial Results by Business

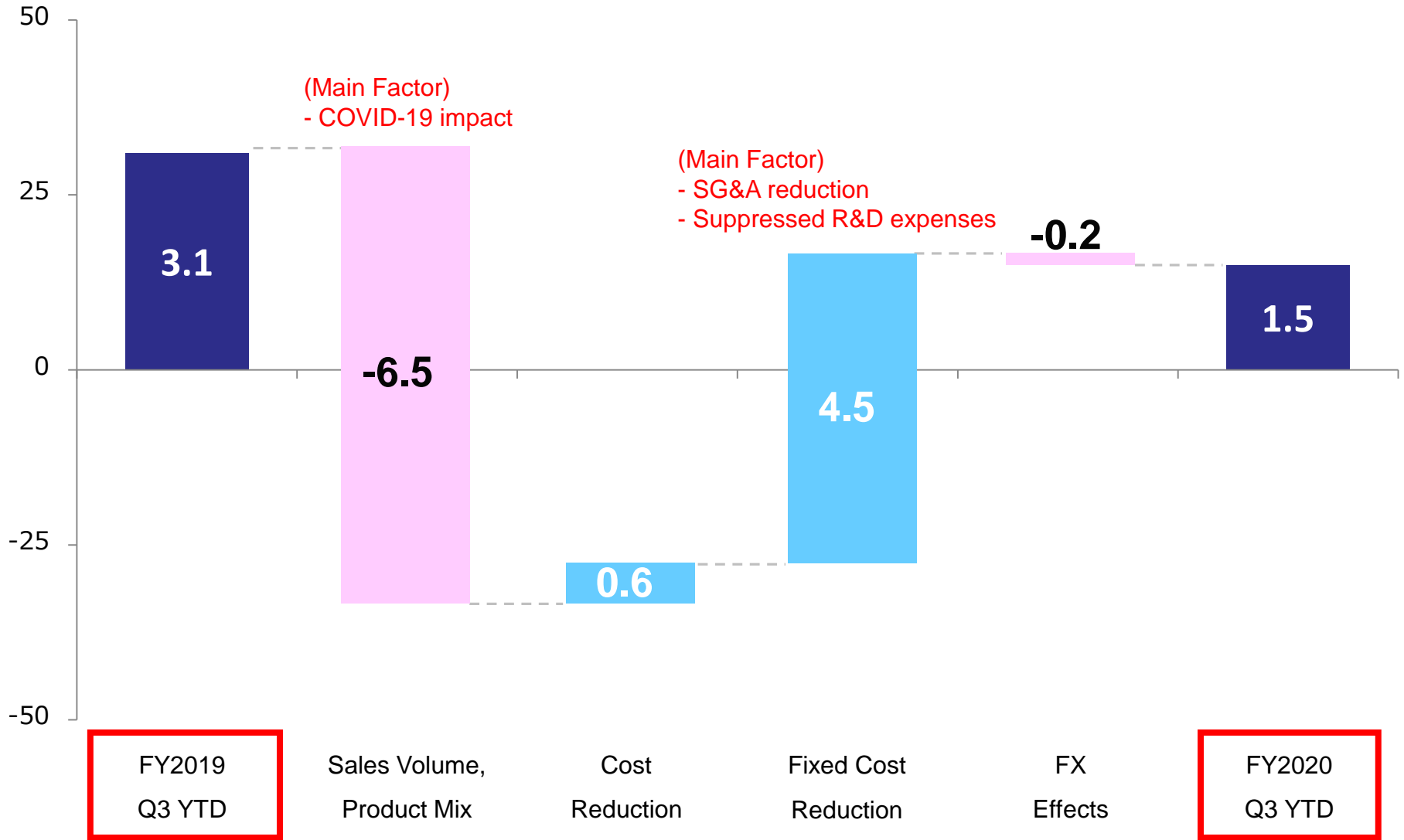
■ Increase in sales and profit for all business segments in Q3 alone

(unit : million yen)

		Q3 Actual			Q3 YTD Actual			
		FY2019	FY2020	YoY%	FY2019	FY2020	YoY	YoY%
Net Sales	Positioning	15,429	16,919	+10%	52,546	49,061	-3,485	-7%
	Smart Infrastructure	6,651	8,917	+34%	23,708	23,804	96	+0%
	Eye Care	11,740	12,191	+4%	33,943	28,976	-4,967	-15%
	Others	353	337	-5%	1,039	838	-201	-19%
	Elimination	-2,976	-3,839		-10,512	-9,688	824	
	Total	31,197	34,526	+11%	100,724	92,991	-7,733	-8%
Operating Income (Operating Income Ratio)	Positioning	-433 (-2.8%)	929 (5.5%)	Turns profitable	2,416 (4.6%)	3,087 (6.3%)	671	+28%
	Smart Infrastructure	492 (7.4%)	1,166 (13.1%)	+137%	2,984 (12.6%)	2,944 (12.4%)	-40	-1%
	Eye Care	254 (2.2%)	1,177 (9.7%)	+363%	871 (2.6%)	-1,211 (-4.2%)	-2,082	-
	Others	-31 (-8.8%)	-85 (-25.2%)	-	-93 (-9.0%)	-340 (-40.6%)	-247	-
	Elimination	-1,030	-964		-3,116	-3,024	92	
	Total	-748 (-2.4%)	2,224 (6.4%)	-	3,062 (3.0%)	1,455 (1.6%)	-1,607	-52%

FY2020 Q3 Operating Income YoY Breakdown

(unit: billion yen)



I . FY2020 Q3 Financial Results

I - 1 . FY2020 Q3 Financial Results

I - 2 . Overview of Each Business

Increase in profit by leverage from the strength of essential business

(unit: million yen)

		FY2019	FY2020		
		Q3 YTD Actual	Q3 YTD Actual	YoY	%
Net Sales		52,546	49,061	-3,485	-7%
Operating Income (Operating Income Ratio)		2,416 (4.6%)	3,087 (6.3%)	671	+28%
Exchange Rate (Average)	USD	¥109.10	¥105.87	-¥3.23	
	EUR	¥121.46	¥122.30	+¥0.84	

Review of Q3 Financial Results

Overall

- Increase in profit thanks to not only solid demand as an essential business but also cost reduction

Marked record-high sales and profit in Q3 alone

IT Construction

- Sales turned to positive YoY in both the aftermarket and OEM in Q3 alone

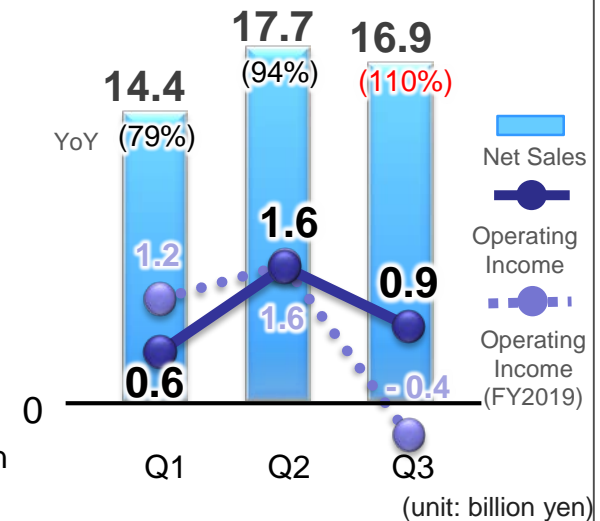
IT Agriculture

- Significant sales increase in the aftermarket particularly in Japan and Europe mainly due to subsidies
- OEM sales achieved the same level YoY in Q3 alone

Surveying and laser products

- Strong demands continue since 1H, in the wake of buoyant housing construction market in the U.S and Europe due to steady low interest rates

Quarterly trend



Recovery to pre-COVID-19 level in both sales and profit

(unit: million yen)

		FY2019	FY2020		
		Q3 YTD Actual	Q3 YTD Actual	YoY	%
Net Sales		23,708	23,804	96	+0%
Operating Income (Operating Income Ratio)		2,984 (12.6%)	2,944 (12.4%)	-40	-1%
Exchange Rate	USD	¥109.10	¥105.87	-¥3.23	
(Average)	EUR	¥121.46	¥122.30	+¥0.84	

Review of Q3 Financial Results

Overall

- Sales and profit recovered to the same level YoY thanks to solid demands as an essential business

Marked record-high sales and profit in Q3 alone

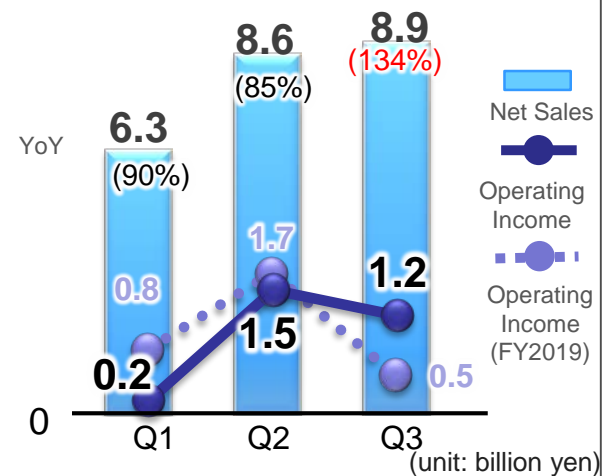
Japan

- i-Construction: Sales maintained at the same level YoY even under COVID-19
Strong sales of 3D Layout Navigator “LN-150”
- IT Agriculture: Significant sales increase due to the subsidy effect

Other Regions

- Strong laser sales in the U.S and Europe
- Bottoming out but still sluggish sales in Southeast Asia, India, and the Middle East

Quarterly trend



Sharp recovery in Q3 by living with COVID-19 environment

(unit: million yen)

		FY2019	FY2020		
		Q3 YTD Actual	Q3 YTD Actual	YoY	%
Net Sales		33,943	28,976	-4,967	-15%
Operating Income (Operating Income Ratio)		871 (2.6%)	-1,211 (-4.2%)	-2,082	-
Exchange Rate	USD	¥109.10	¥105.87	-¥3.23	
(Average)	EUR	¥121.46	¥122.30	+¥0.84	

Review of Q3 Financial Results

Overall

- Sharp recovery from serious COVID-19 impact in 1H
- Sales hit a record high in Q3 alone**

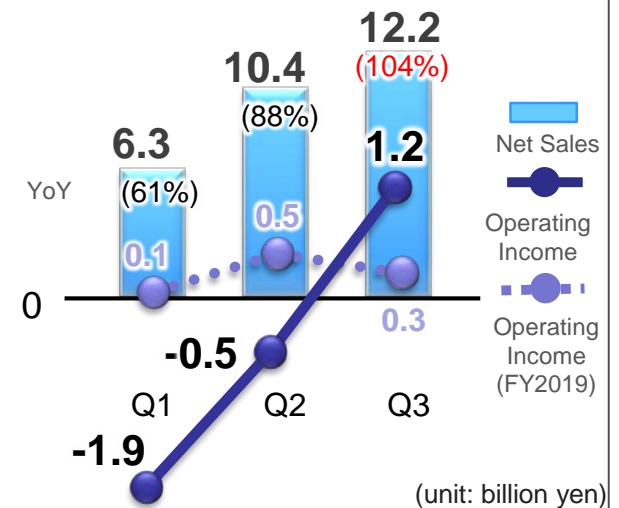
The U.S and Europe

- Tele-optometry system: Strong demands continue since 1H
- Screening business: Demands from major optical chain stores are on a recovery trend

China

- Significant sales growth thanks to reorganization of our distribution network in almost normalized market in Q3

Quarterly trend



II . FY2020 Full Year Plan

Upward revision

Full year plan

Recent business is in recovery trend in light of the strength that we are engaged in essential businesses and coexistence with the new business environment of "with COVID-19". On the other hand, there is growing uncertainty for the future due to the resumption of lockdown in European countries and the U.S. in the wake of the resurgence of infections worldwide, and concerns about possible impact of semiconductor shortages on production. We keep striving to control and reduce fixed costs.

Based on above, we revise the full year plan as below.

Revised Plan

	Previous Plan (As of October 30)	Revised Plan (As of January 29)	Change	Change %
Net Sales	¥128.0B	¥130.0B	+¥2.0B	+2%
Operating Income	¥3.0B	¥4.0B	+¥1.0B	+33%
Ordinary Income	¥1.0B	¥2.0B	+¥1.0B	+100%
Net income	¥0B	¥0.5B	+¥0.5B	-
Dividends	¥5	¥5	Unchanged (Payout Ratio 105%)	

Exchange rate assumptions of Q4 are unchanged : \$1=¥105 / €1=¥123

FY2020 Full Year Plan

Upward revision

(unit: million yen)

	FY2019	FY2020		
	Full Year Actual	Full Year Plan	YoY (%)	Full Year Plan*
Net Sales	138,916	130,000	-6%	128,000
Operating Income (Operating Income Ratio)	5,381 (3.9%)	4,000 (3.1%)	-26%	3,000 (2.3%)
Ordinary Income	2,895	2,000	-31%	1,000
Net Income	935	500	-47%	0
ROE	1.4%	1%		0%
Dividends	¥24	¥5		¥5
Payout Ratio	271%	105%		-
Exchange Rate	USD	¥109.10	(Assumptions of Q4)	¥105
(Average)	EUR	¥121.14		¥123

*Announced on October 30, 2020

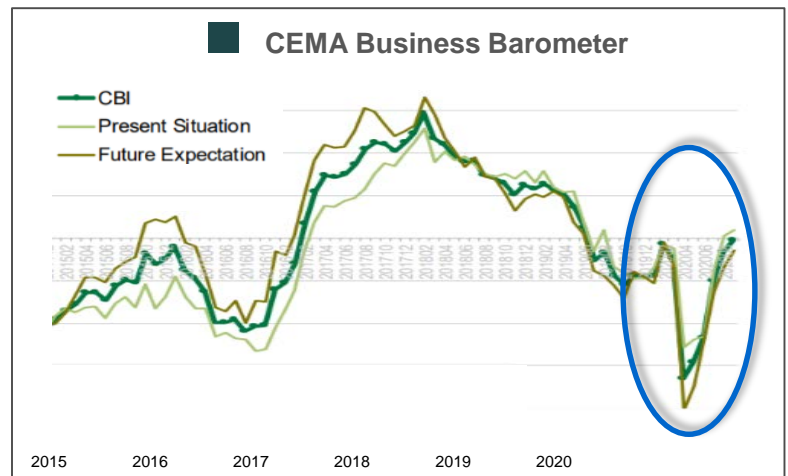
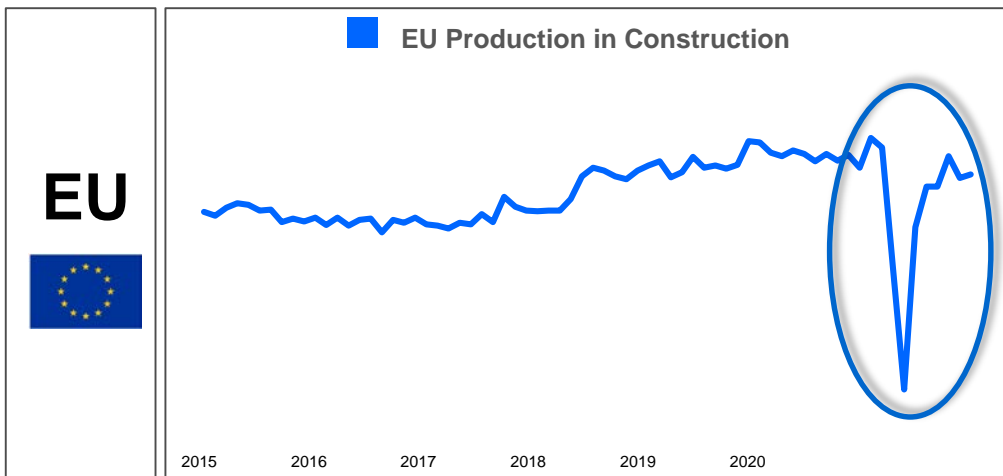
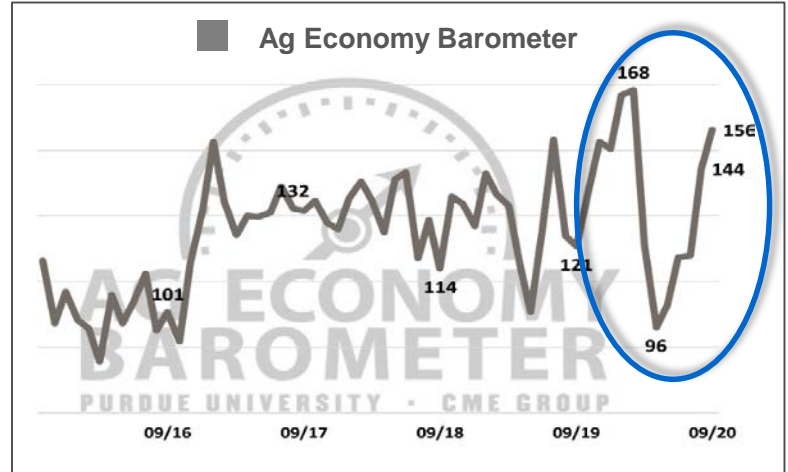
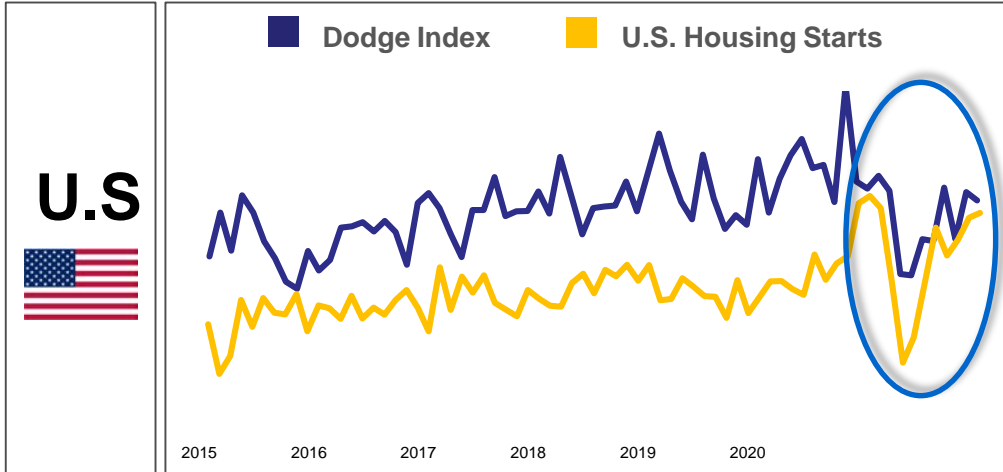
III. Topics



- The U.S and Europe : The markets have returned to a normal economic cycle with limited COVID-19 impact

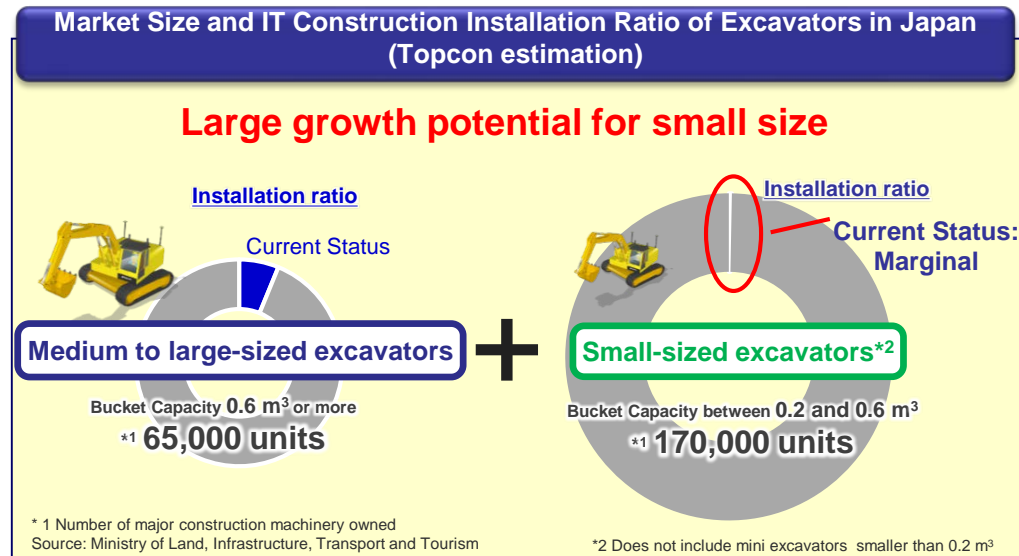
Construction market

Agricultural market



■ Launching “KUI-NAVI SHOVEL*”, the world's first epoch-making machine guidance system for small-sized excavators to easily adopt ICT feature

*Simplified IT Construction system for small-sized excavators using with “LN-150 (layout navigator)”



✓ **Reasonable prices** suited for small-sized excavators to facilitate **3D machine guidance system** to accelerate IT Construction

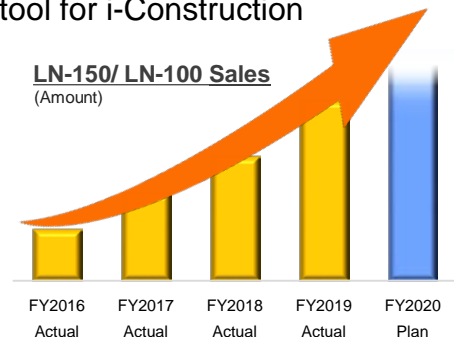
✓ Using our widely prevalent “LN-150(layout navigator)” as the positioning sensor

Layout Navigator

- 3D layout job can be easily done by one operator
- Widely used as standard 3D layout tool for i-Construction



LN-150/ LN-100 Sales (Amount)



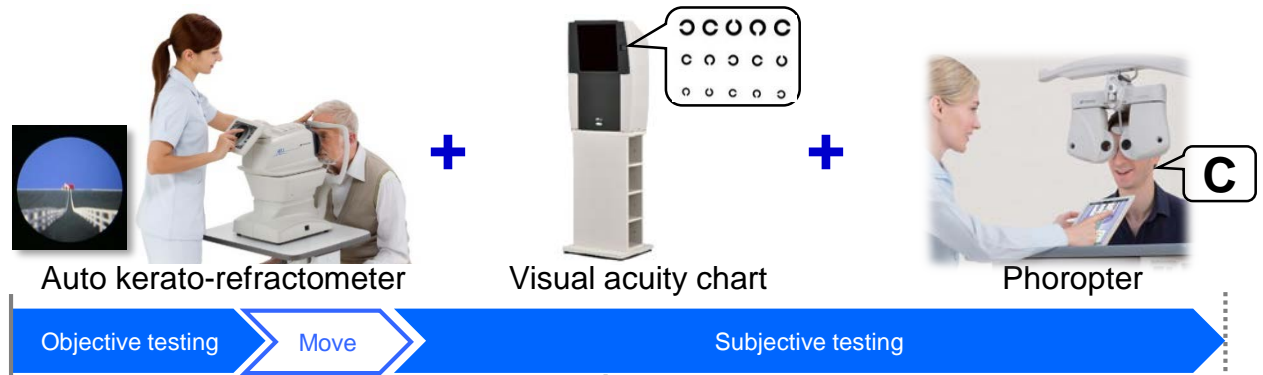
Tele-optometry: Accelerate sales expansion with introducing a new strategic product



Eye Care

Launching new multifunctional refraction system, "Chronos" for opticians' market

Conventional process



New process



Automated Binocular Refraction

First in the world

Compatible with Remote diagnosis

Three-in-one



Objective and subjective testing

By three-in-one



- ✓ Save time (optimize workflow)
- ✓ Save space



Contributing to **higher productivity** at optical shops

In light of COVID-19

✓ Compatible with remote operation for social distancing

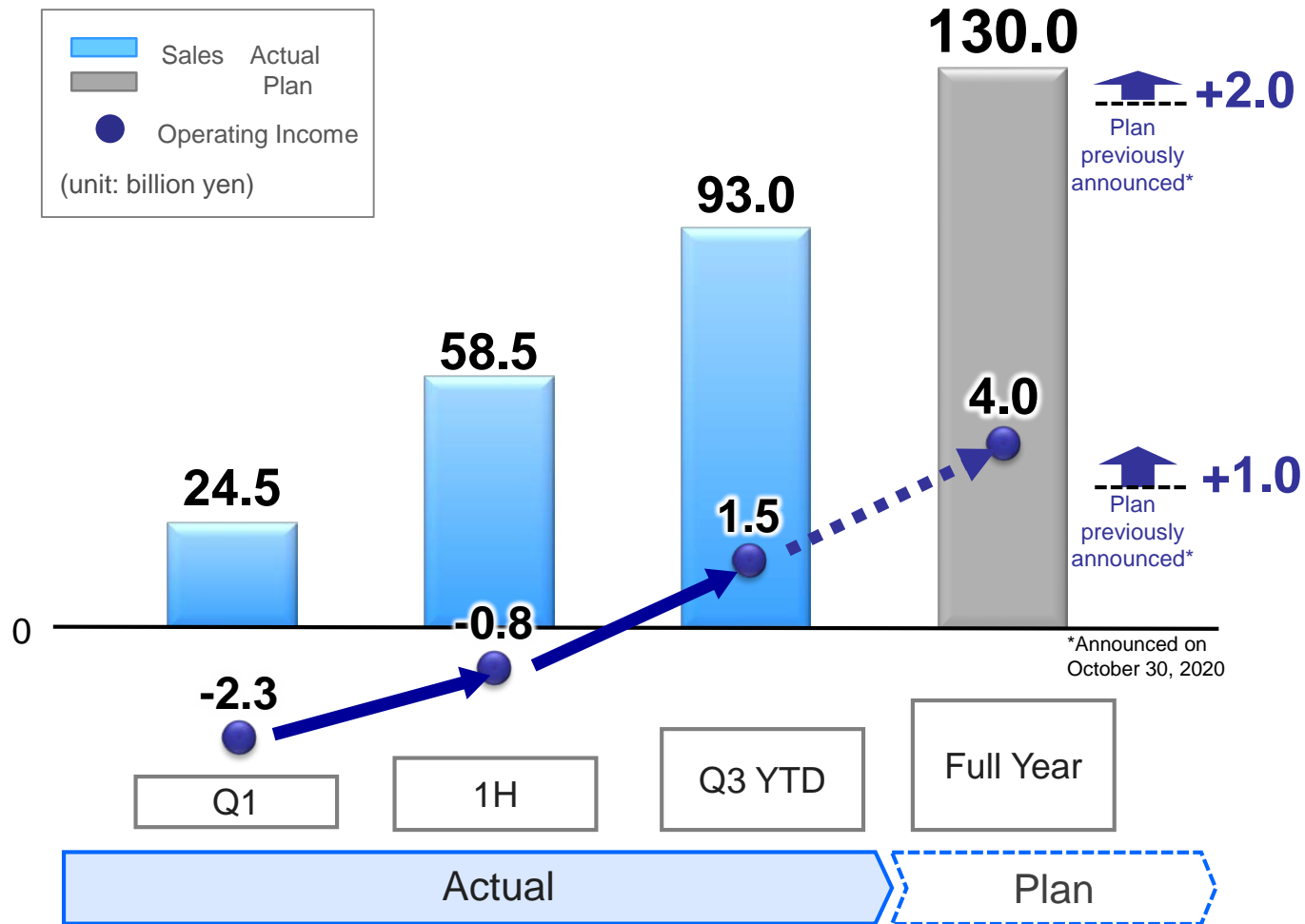


Operated with a tablet

IV. Summary

Summary

Full year plan: upward revision



【Topcon Way】

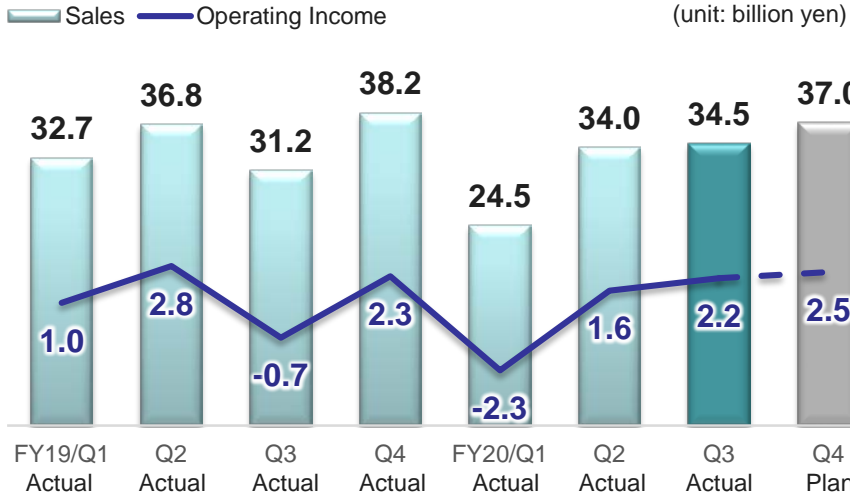
We aim to contribute to the creation of a prosperous society by solving societal challenges on healthcare, agriculture, and infrastructure



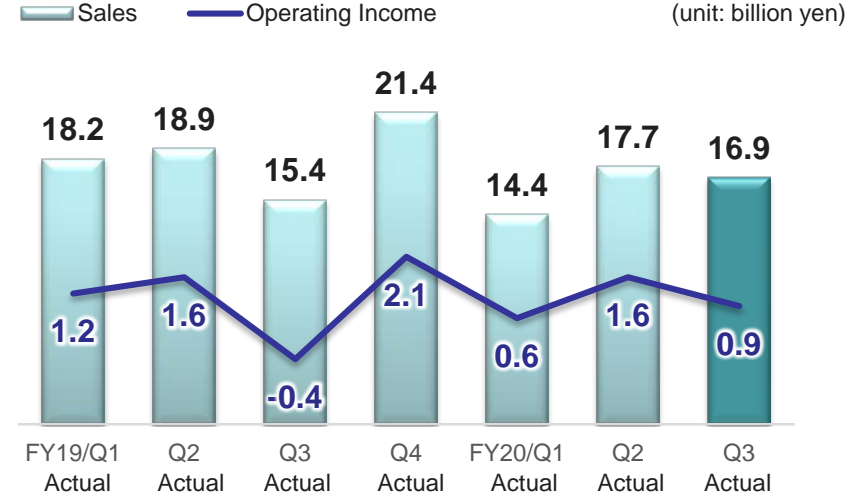
V. Appendix

Financial Results and Plan (Quarterly)

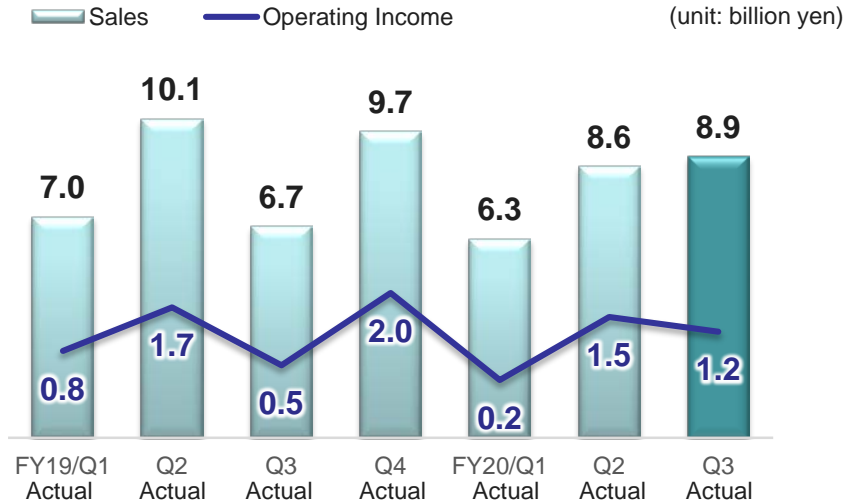
Consolidated



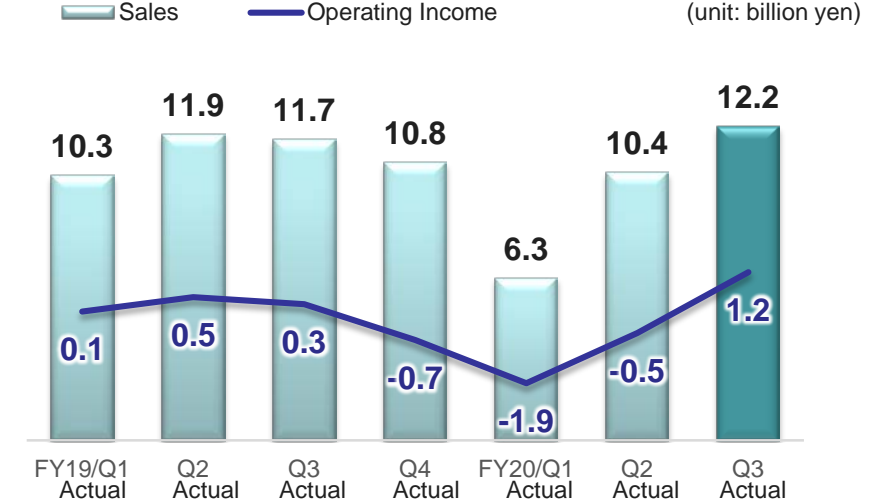
Positioning



Smart Infrastructure

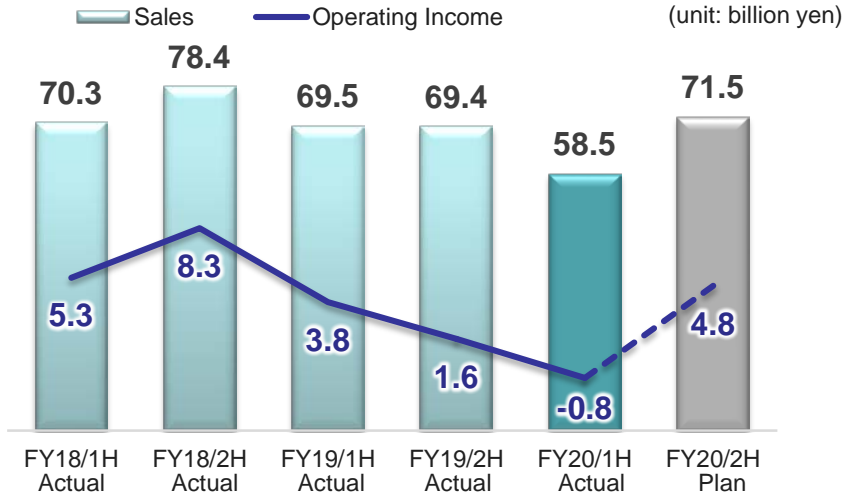


Eye Care

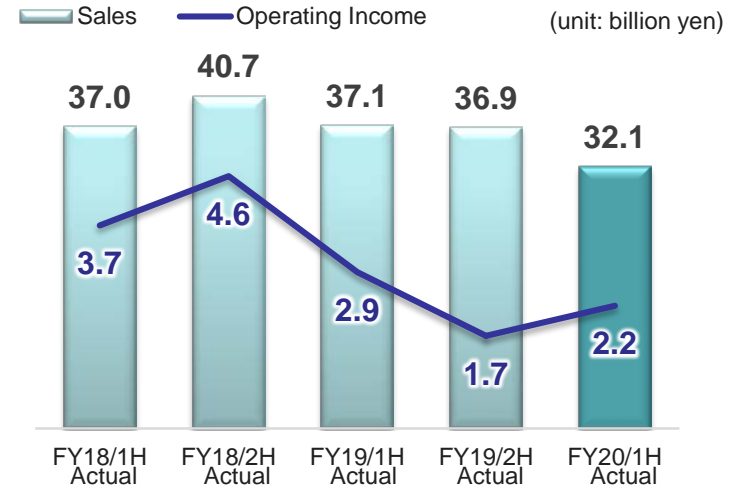


Financial Results and Plan (Semiannually)

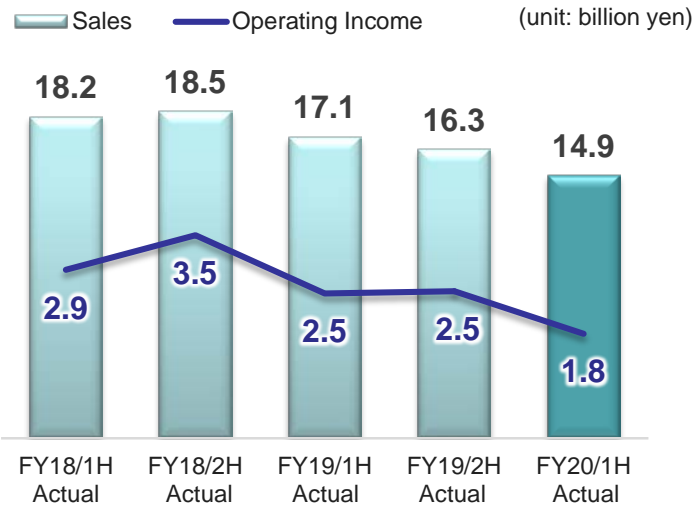
Consolidated



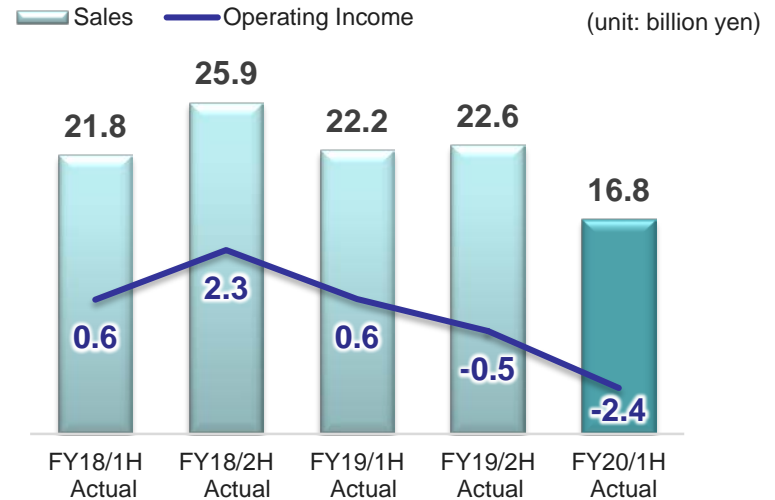
Positioning



Smart Infrastructure

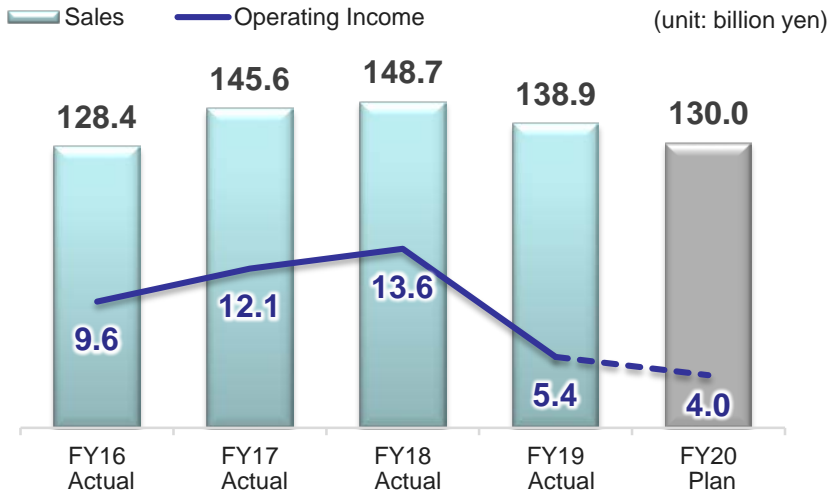


Eye Care

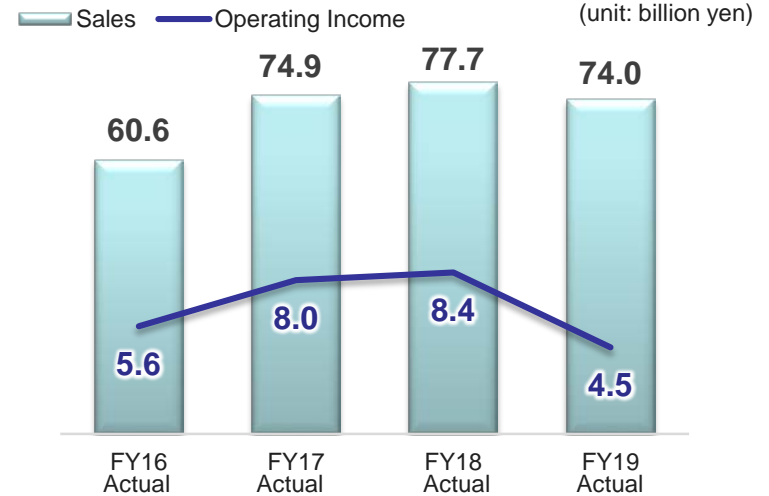


Financial Results and Plan (Annually)

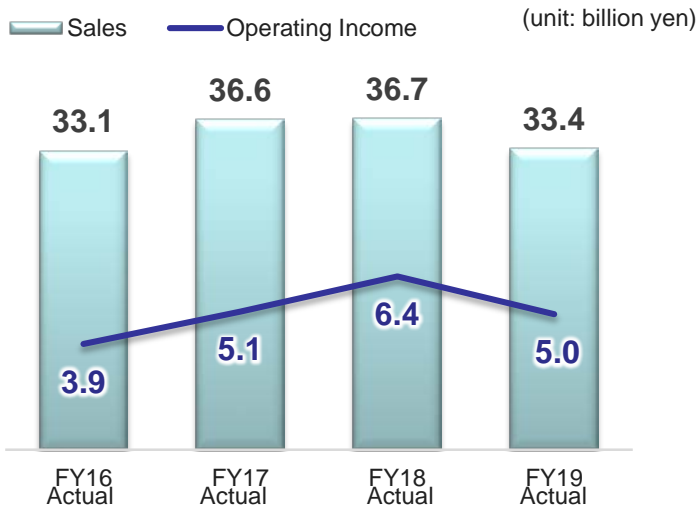
Consolidated



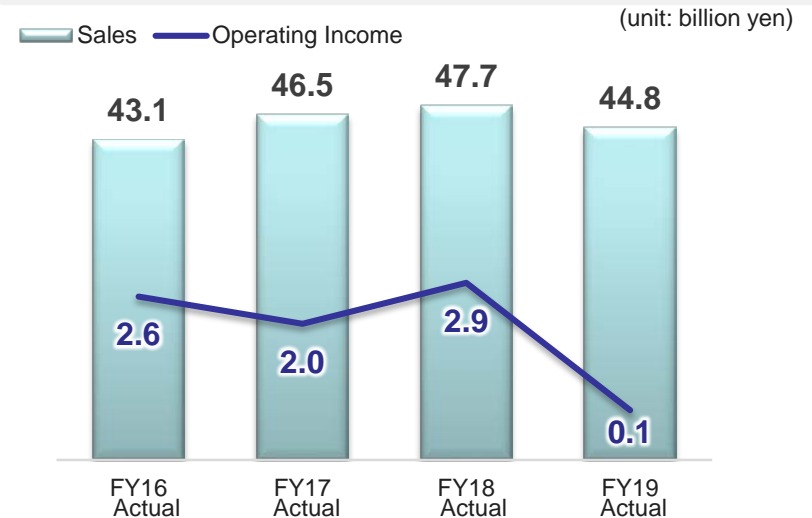
Positioning



Smart Infrastructure



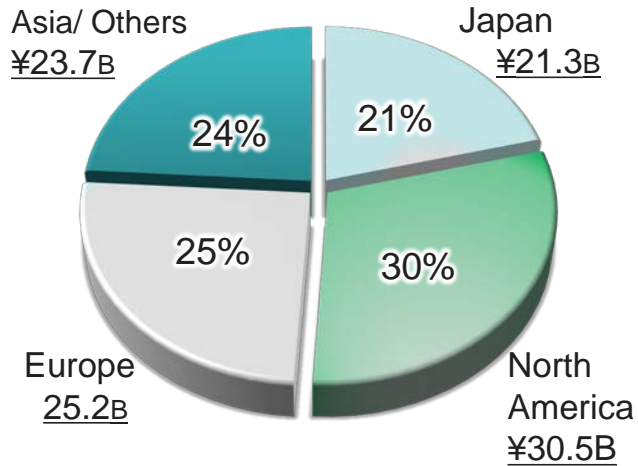
Eye Care



Sales by region

FY2019 / Q3 YTD

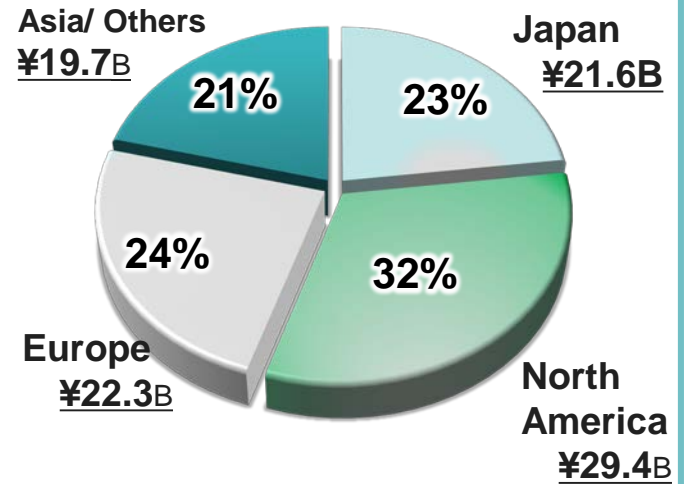
¥100.7B



YoY
-8%

FY2020 / Q3 YTD

¥93.0B

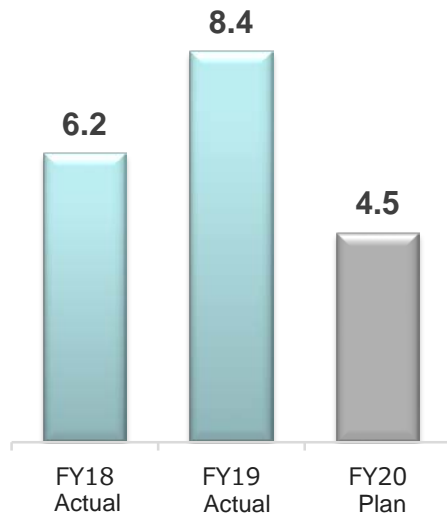


Expenditure and R&D / Forex Sensitivity

■ Projections

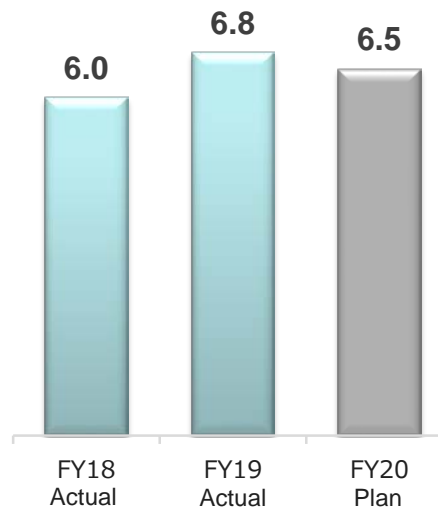
Capital Expenditure

(unit: billion yen)



Depreciation*

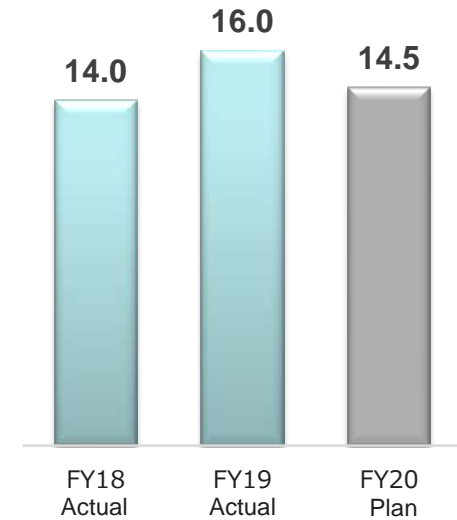
(unit: billion yen)



*Excluding Goodwill Amortization

R&D

(unit: billion yen)



■ 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 29, 2021 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

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