

FY2020 Financial Results

May 11, 2021
TOPCON CORPORATION
President & CEO
Satoshi Hirano



Company
Profile
Movie

FY2020 Financial Results

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I . FY2020 Financial Results

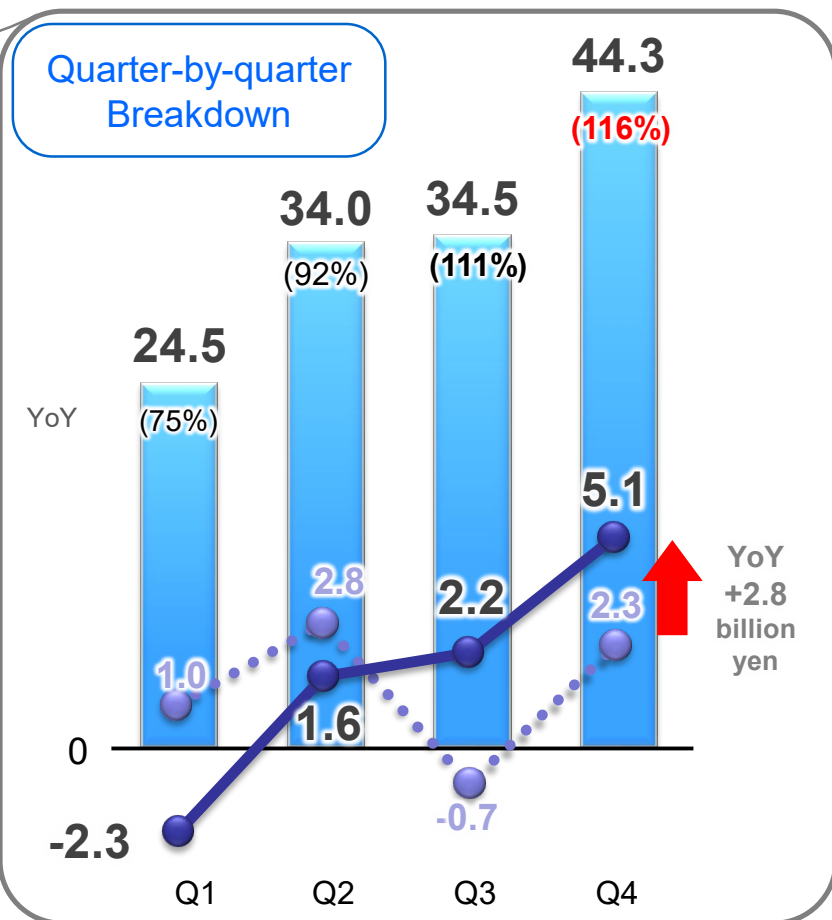
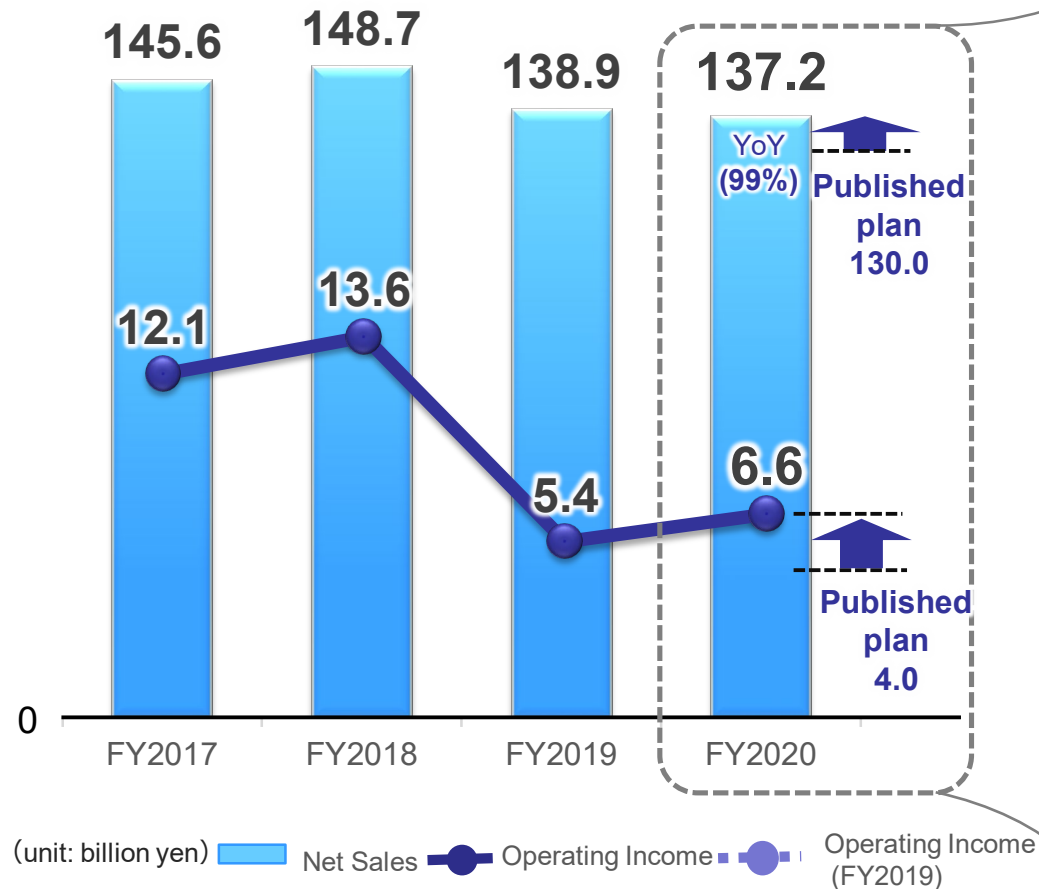
I - 1 . FY2020 Financial Results

I - 2 . Overview of Each Business

FY2020 Overview

Despite unprecedented COVID-19 pandemic,

- **Increased profit, exceeded the published plan** Proved our strength as an Essential Business
- Q1 was the bottom and turning to profitable in Q2, **accelerating pace of recovery** in Q3 onward



Despite unprecedented COVID-19 pandemic,

■ Improved financial base

Cash generation

Generated a record-high cash of ¥19.4 billion

	<u>FY2019</u>	<u>FY2020</u>	<u>YoY</u>
Operating Cash Flow	¥7.9B	¥19.4B	+11.5B

Reduction of Interest-bearing liabilities

Significant improvement in financial metrics,
even under COVID-19

	<u>FY2019</u>	<u>FY2020</u>	<u>YoY</u>
Interest-bearing liabilities	¥57.4B	¥53.0B	-¥4.4B
D/E Ratio	0.91	0.76	-0.15

FY2020 Financial Results

■ Increase in profit, exceeding published plan and hiking dividend

		FY2019	FY2020 (unit: million yen)			
		Actual	Actual	YoY	%	Announced on Jan. 29
Net Sales		138,916	137,247	-1,669	-1%	130,000
Gross Profit (Gross Profit Ratio)		72,632 (52.3%)	67,895 (49.5%)	-4,737		
SGA		67,251	61,301	-5,950		
Operating Income (Operating Income Ratio)		5,381 (3.9%)	6,593 (4.8%)	1,212	+23%	4,000 (3.1%)
Non-Operating Income (Expenses)		-2,486	-1,006	1,480		
Ordinary Income		2,895	5,587	2,692	+93%	2,000
Extraordinary Income (Loss)		17	-667	-684		
Income Before Income Taxes and Minority Interests		2,912	4,919	2,007		
Net Income		935	2,376	1,440	+154%	500
ROE		1.4%	3.6%			1%
Dividends		¥24	¥10			¥5
Payout Ratio		271%	44%			
Exchange Rate (Average)	USD	¥109.10	¥106.17	-¥2.93	(Assumed FX rate for 4Q)	¥105
	EUR	¥121.14	¥123.73	+¥2.59		¥123

FY2020 Financial Results by Business

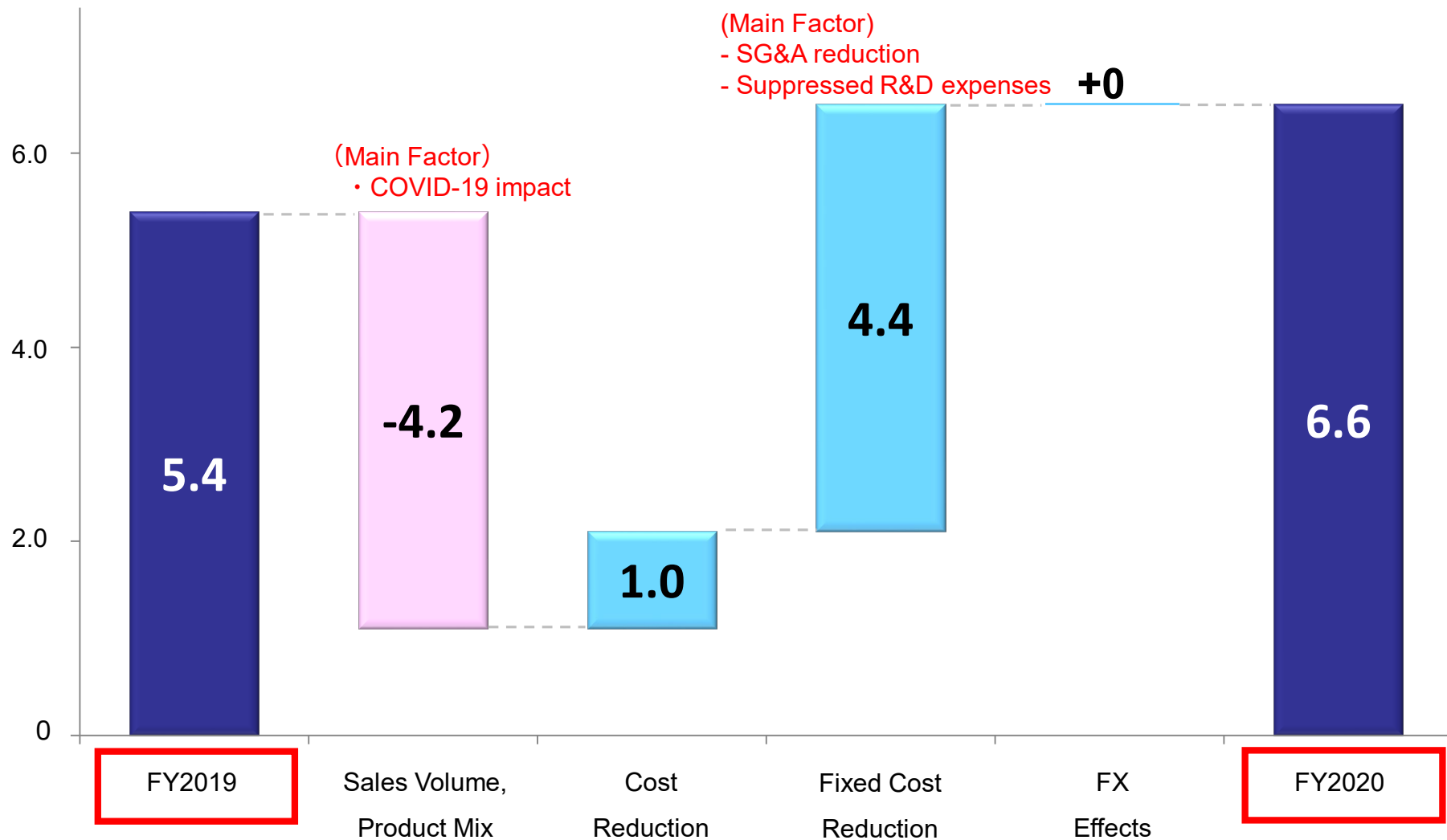
- Increase in sales for all business segments in Q4 alone
- Positioning Company and Smart Infrastructure Business drive profitability

		Q4 Actual			YTD Actual (unit: million yen)			
		FY2019	FY2020	YoY%	FY2019	FY2020	YoY	%
Net Sales	Positioning	21,443	22,357	+4%	73,989	71,416	-2,573	-3%
	Smart Infrastructure	9,689	10,179	+5%	33,398	33,982	584	+2%
	Eye Care	10,815	15,275	+41%	44,758	44,251	-507	-1%
	Others	279	329	+18%	1,319	1,165	-154	-12%
	Elimination	-4,037	-3,881		-14,549	-13,568	981	
	Total	38,191	44,257	+16%	138,916	137,247	-1,669	-1%
Operating Income (Operating Income Ratio)	Positioning	2,121 (9.9%)	2,978 (13.3%)	+40%	4,537 (6.1%)	6,064 (8.5%)	1,527	+34%
	Smart Infrastructure	2,042 (21.1%)	2,029 (19.9%)	-1%	5,027 (15.1%)	4,972 (14.6%)	-55	-1%
	Eye Care	-734 (-6.8%)	1,332 (8.7%)	Turns profitable	136 (0.3%)	122 (0.3%)	-14	-10%
	Others	-51 (-18.3%)	-196 (-59.6%)	-	-144 (-10.9%)	-536 (-46.0%)	-392	-
	Elimination	-1,058	-1,005		-4,175	-4,028	147	
	Total	2,319 (6.1%)	5,138 (11.6%)	+122%	5,381 (3.9%)	6,593 (4.8%)	1,212	+23%

FY2020 Operating Income YoY Breakdown

Full year

(unit: billion yen)

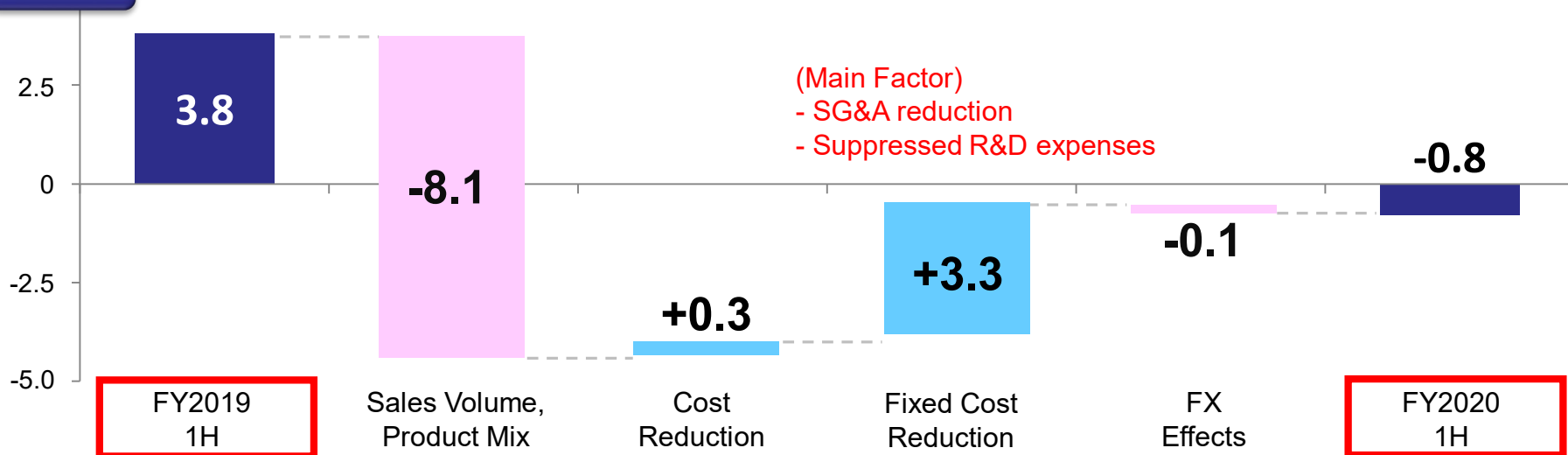


FY2020 Operating Income YoY Breakdown (1H&2H)

1H

Decrease in sales and profit due to COVID-19

(unit: billion yen)

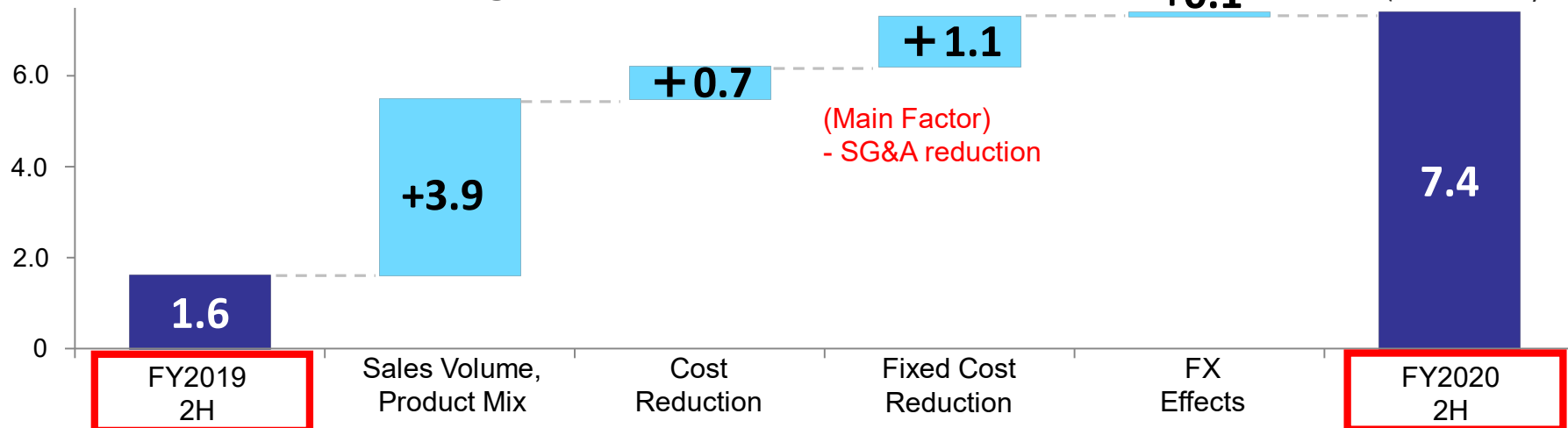


2H

Increase in sales and profit

Proved our strength as an Essential Business

(unit: billion yen)



I . FY2020 Financial Results

I - 1 . FY2020 Financial Results

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■ Significant increase in profit despite sales decrease

(unit: million yen)

		FY2019	FY2020				
		Full year actual	Actual		Full year	YoY	%
			1H	2H			
Net Sales		73,989	32,141	39,276	71,416	-2,573	-3%
Operating Income (Operating Income Ratio)		4,537 (6.1%)	2,157 (6.7%)	3,907 (9.9%)	6,064 (8.5%)	1,527	+34%
Exchange Rate	USD	¥109.10	¥106.68	¥105.60	¥106.17	-¥2.93	
(Average)	EUR	¥121.14	¥121.36	¥126.15	¥123.73	+¥2.59	

■ Review of FY2020 Financial Results

Overall

- Recovery from 2Q onward due to not only the strength as an Essential Business but also solid demand in the U.S. and Europe
- Achieved significant increase in profit thanks to cost containment, despite slight decrease in sales

IT Construction

- Aftermarket: Sales turned to positive YoY in Q3 and positive trend continues
- OEM: Sales recovered sharply since Q3 and annual sales ended up almost the same level as previous year

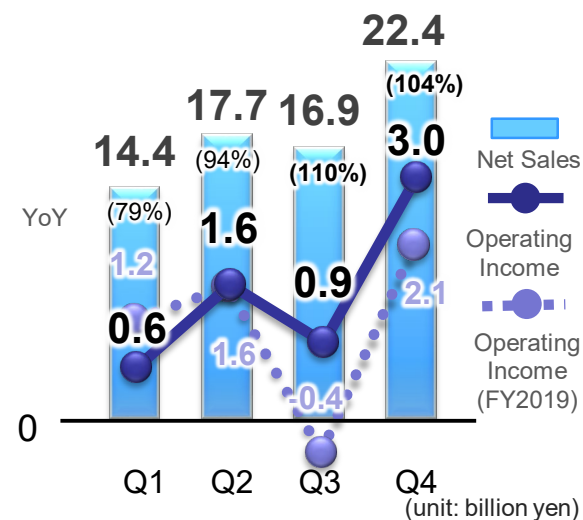
IT Agriculture

- Aftermarket: Significant sales growth thanks to strong investment appetite of farmers in the wake of rising crop prices
- OEM: Recovery trend from Q3 onward

Surveying and laser products

- Buoyant housing construction market in the U.S. and Europe due to increase of relocation demands to suburbs amid COVID-19

Quarterly trend



Secured previous year's level in both sales and profit

(unit: million yen)

		FY2019	FY2020				
		Full year actual	Actual		Full year	YoY	%
			1H	2H			
Net Sales		33,398	14,886	19,096	33,982	584	+2%
Operating Income (Operating Income Ratio)		5,027 (15.1%)	1,777 (11.9%)	3,195 (16.7%)	4,972 (14.6%)	-55	-1%
Exchange Rate	USD	¥109.10	¥106.68	¥105.60	¥106.17	-¥2.93	
(Average)	EUR	¥121.14	¥121.36	¥126.15	¥123.73	+¥2.59	

Review of FY2020 Financial Results

Overall

- Driven by domestic sales, where COVID-19 impact was limited
- Sluggish sales continues in Southeast Asia since it bottomed out

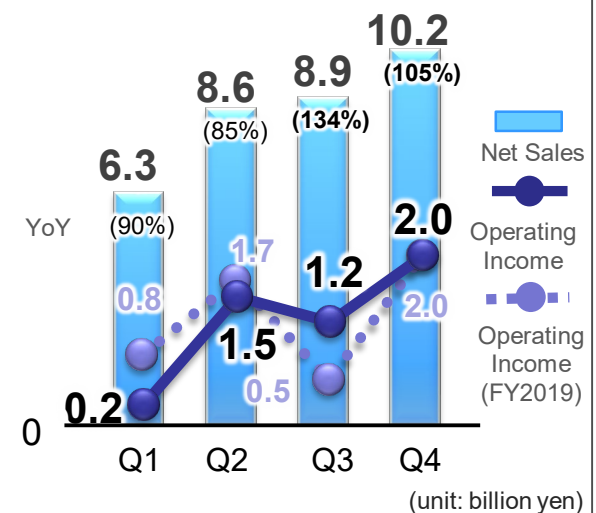
Japan

- 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 expansion of automation demand helped by subsidy effect

The U.S. and Europe

- Strong laser sales in the U.S. and Europe

Quarterly trend



- Sharp recovery in Q3 onward by living with COVID-19 environment, secured profit on full year base

(unit: million yen)

		FY2019	FY2020			
		Full year actual	Actual		YoY	%
			1H	2H	Full year	
Net Sales		44,758	16,785	27,466	44,251	-507 -1%
Operating Income (Operating Income Ratio)		136 (0.3%)	-2,388 (-14.2%)	2,509 (9.1%)	122 (0.3%)	-14 -10%
Exchange Rate	USD	¥109.10	¥106.68	¥105.60	¥106.17	-¥2.93
(Average)	EUR	¥121.14	¥121.36	¥126.15	¥123.73	+¥2.59

Review of FY2020 Financial Results

Overall

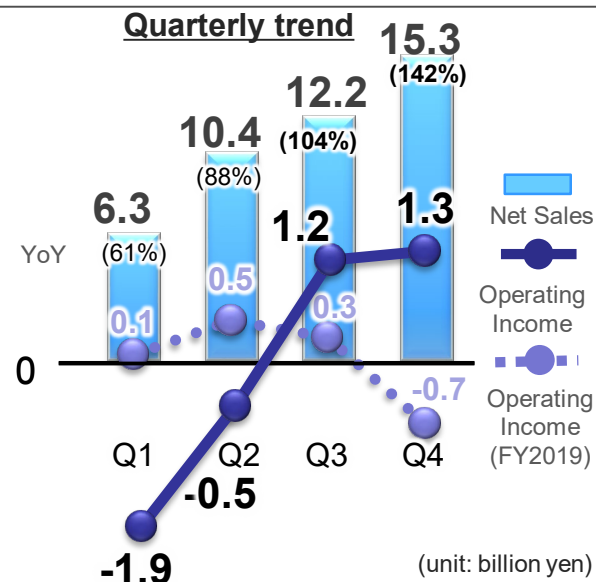
- Sharp recovery from serious COVID-19 impact in 1H
- Sales hit a **record high in Q3 and Q4**, respectively
- Secured profit on full year base

The U.S. and Europe

- Tele-optometry system: Sharp sales growth thanks to digital and remote technologies
- Screening business: Demands from major optical chain stores have recovered
- Sales of 3D OCT continue growing

China

- The market is normalized. Significant sales growth thanks to reorganization of our distribution network



Ⅱ . FY2021 Full Year Plan

Ⅱ -1. Effect on the Third Mid-term Business Plan

Ⅱ -2. FY2021 Full Year Plan

Ⅱ -3. Strategic Plans for Each Business

Effect on the Third Mid-term Business Plan

Reposted

Message on FY2019 Presentation Material (May 21, 2020)

■ The Third Mid-term Business Plan (FY2019 - FY2021)

Vision

Expand our businesses and **solve the societal challenges** within the growing market of Healthcare, Agriculture and Infrastructure

- Vision is intact, whilst the timeline is inevitable to change
- Tailwind for our growth scenario

FY2020 Results

- Proved our strength as an Essential Business
- Vision is intact
- Timeline is inevitable to change

Revision of the timeline in consideration of FY2020 results

- Only the timeline is changed
- Timeline is extended for another one year while the financial targets remain unchanged

FY2019 ~ FY2021



FY2022

Ⅱ . FY2021 Full Year Plan

Ⅱ -1. Effect on the Third Mid-term
Business Plan

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Ⅱ -3. Strategic Plans for Each
Business

Outlook

■ Outlook for the macro environment

We expect robust growth in construction and agriculture economy, as both are essential businesses, also vigorous demands in infrastructure investments and strong grain markets seems to be continued. On the other hand, the outlook remains uncertain due to delays in COVID-19 vaccination, movement restrictions from resurgence of the infections, and semiconductor shortages.

■ Outlook for each Business

Positioning

- Tailwind from buoyant U.S. housing construction market and infrastructure investment initiative (\$2 trillion budget over 8 years)
- Although Europe may suffer from prolonged COVID-19 pandemic, the impacts on the construction industry remain limited
- Farmers' appetite for capital investment is expected to grow thanks to strong grain markets

Smart Infrastructure

- Favorable trend will continue due to National resilience program and growing numbers of i-Construction works
- Steady increase in demands for Auto Steering System is expected to continue in Japan which have expanded thanks to subsidies effect
- A moderate recovery from COVID-19 impact in Asia

Eye Care

- Uncertain situation continues due to movement restrictions from resurgence of COVID-19 infections
- Demand for tele-optometry system corresponding to social distancing will continue
- Further growth is expected in China

Investments for further growth

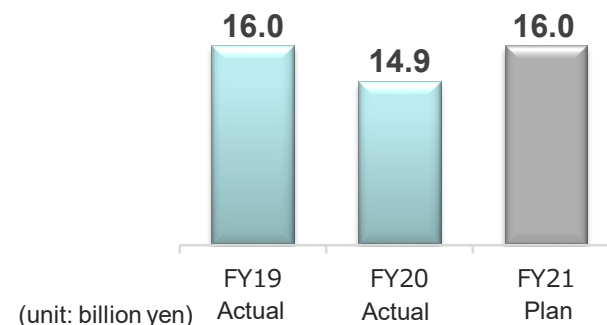
Making strategic investments in light of post COVID-19 growth

Strengthening to drive businesses

- Increasing sales force to capture the growing demands for IT Construction and IT Agriculture
- Recruiting capable personnel to promote “DX construction business”
- Strengthening monetization models to accelerate Screening Business

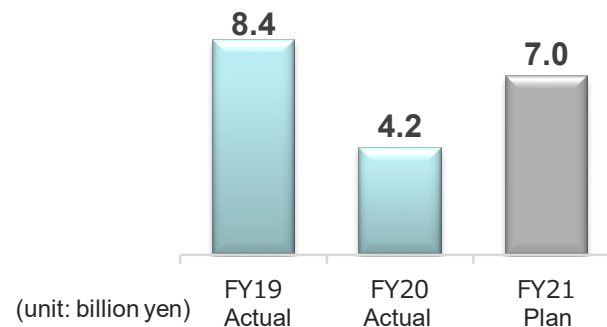
R&D investment

- Re-acceleration of R&D investment in light of post COVID-19 growth; enhancing development speed for next-generation strategic products, mainly for Positioning and Smart Infrastructure Business



Capital expenditure

- Construction of a new factory in Europe (Positioning)
- Relocation and expansion of test site in the U.S. (Positioning)
- Reinforce logistics structure in Europe (Eye Care)



FY2021 Full Year Plan

■ Expect sales and profit growth with dividend increase

(unit: million yen)

	FY2020	FY2021	
	Full Year Actual	Full Year Plan	YoY (%)
Net Sales	137,247	149,000	+9%
Operating Income (Operating Income Ratio)	6,593 (4.8%)	10,000 (6.7%)	+52%
Ordinary Income	5,587	8,000	+43%
Net Income	2,376	5,000	+110%
ROE	3.6%	7%	
Dividends	¥10	¥20	
Payout Ratio	44%	42%	
Exchange Rate	USD	¥108.00	
(Average)	EUR	¥128.00	

FY2021 Full Year Plan

■ Expect sales and profit growth for all businesses

(unit: million yen)

		FY2020	FY2021	
		Full Year Actual	Full Year Plan	YoY (%)
Net Sales	Positioning	71,416	78,000	+9%
	Smart Infrastructure	33,982	36,000	+6%
	Eye Care	44,251	50,000	+13%
	Others	1,165	1,000	-14%
	Elimination	-13,568	-16,000	
	Total	137,247	149,000	+9%
Operating Income (Operating Income Ratio)	Positioning	6,064 (8.5%)	7,000 (9.0%)	+15%
	Smart Infrastructure	4,972 (14.6%)	5,000 (13.9%)	+1%
	Eye Care	122 (0.3%)	2,500 (5.0%)	+1,949%
	Others	-536 (-46.0%)	-300 (-30.0%)	-
	Elimination	-4,028	-4,200	
	Total	6,593 (4.8%)	10,000 (6.7%)	+52%

FY2021 Operating Income YoY Breakdown

(unit: billion yen)



Ⅱ . FY2021 Full Year Plan

Ⅱ -1. Effect on the Third Mid-term
Business Plan

Ⅱ -2. FY2021 Full Year Plan

**Ⅱ -3. Strategic Plans for Each
Business**

Steady demands continue as an Essential Business

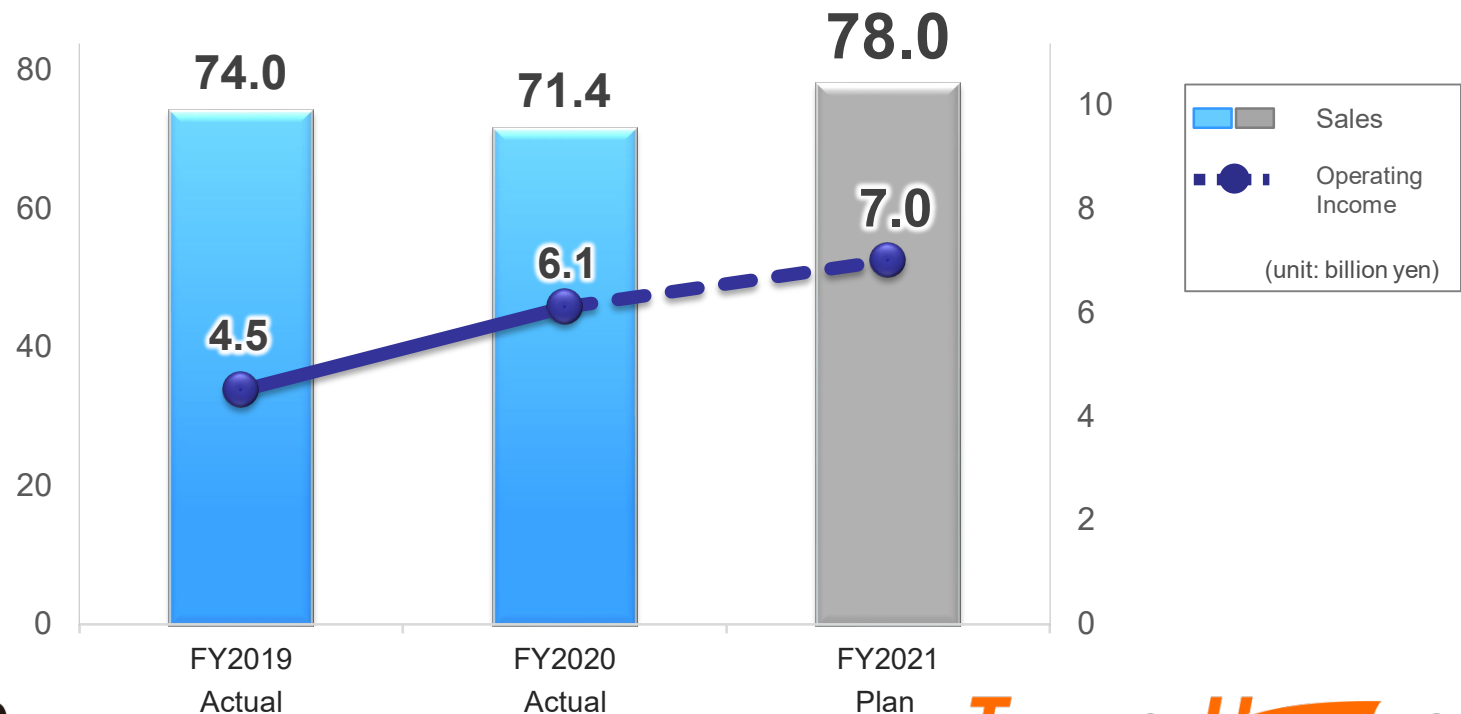
- Construction: The market is back to normal economic cycle out from the passing COVID-19 crisis
- Agriculture: Rising market sentiment thanks to high crop prices

Capture new business opportunities from increasing infrastructure investments for economic restoration

- IT Construction: Aggressively capturing new demands

Investments to strengthen sales capabilities looking at FY2022

- Enhancement of sales structure to meet the increasing demands for IT Construction and IT Agriculture



Steady demand as an Essential Business

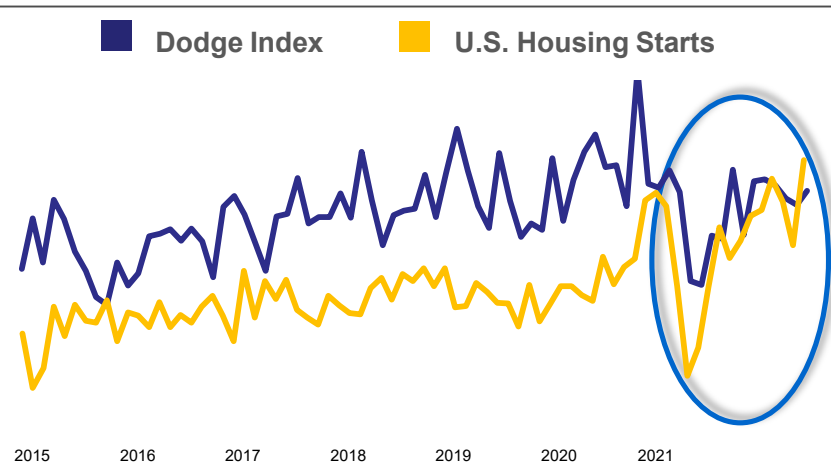
Positioning

- Construction: The market is back to normal economic cycle out from the passing COVID-19 crisis
- Agriculture: Rising market sentiment thanks to high crop prices

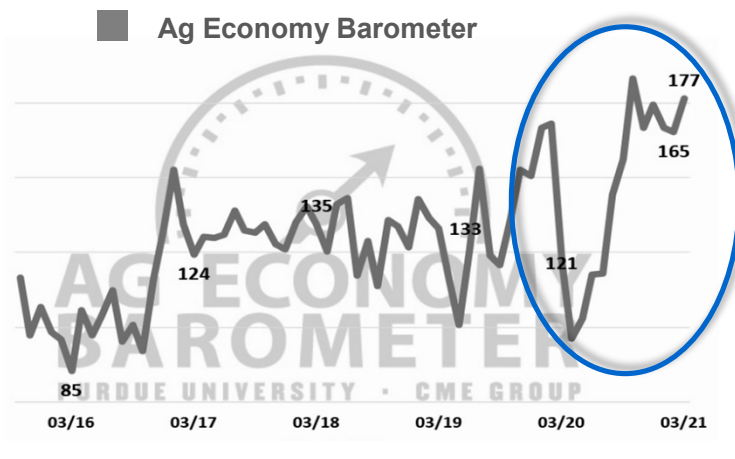
Construction market



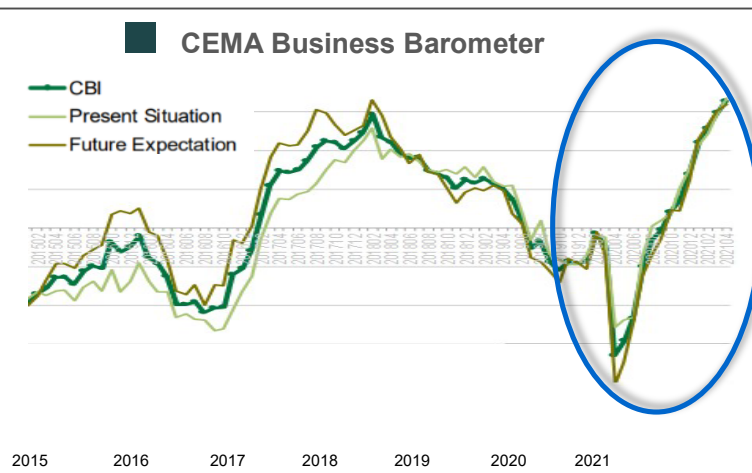
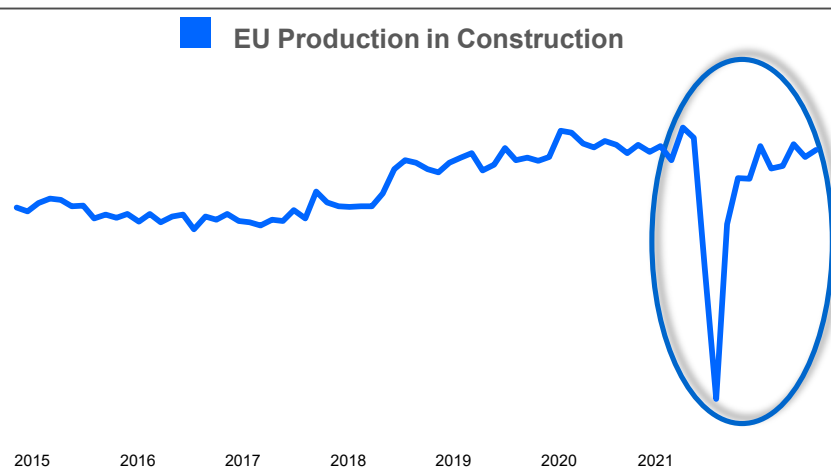
U.S.



Agricultural market



EU



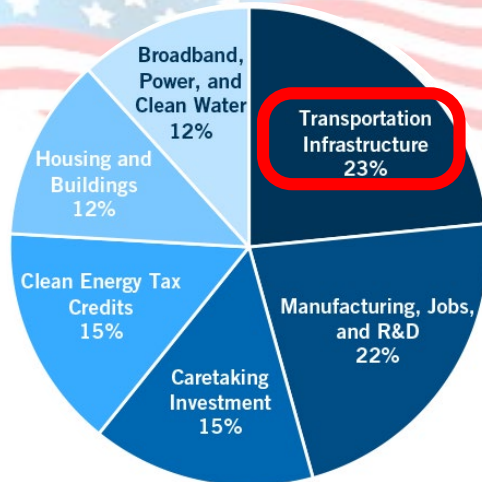
Capture new business opportunities from increasing infrastructure investments

Positioning

IT Construction: Aggressively capturing new demands

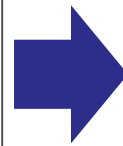
U.S. infrastructure package

American Jobs Plan (Budget: over \$2 trillion)



Expecting increase of public works
such as reworks of aging roads and bridges

Source: <https://www.pgpf.org/blog/2021/04/what%E2%80%99s-in-bidens-infrastructure-plan-and-how-he-proposes-paying-for-it>



IT Construction contributes for
PRODUCTIVITY IMPROVEMENTS
and **LABOR SAVINGS**



Photos of IT Construction at road construction sites

IT Construction: Sales expansion with introducing a new strategic product

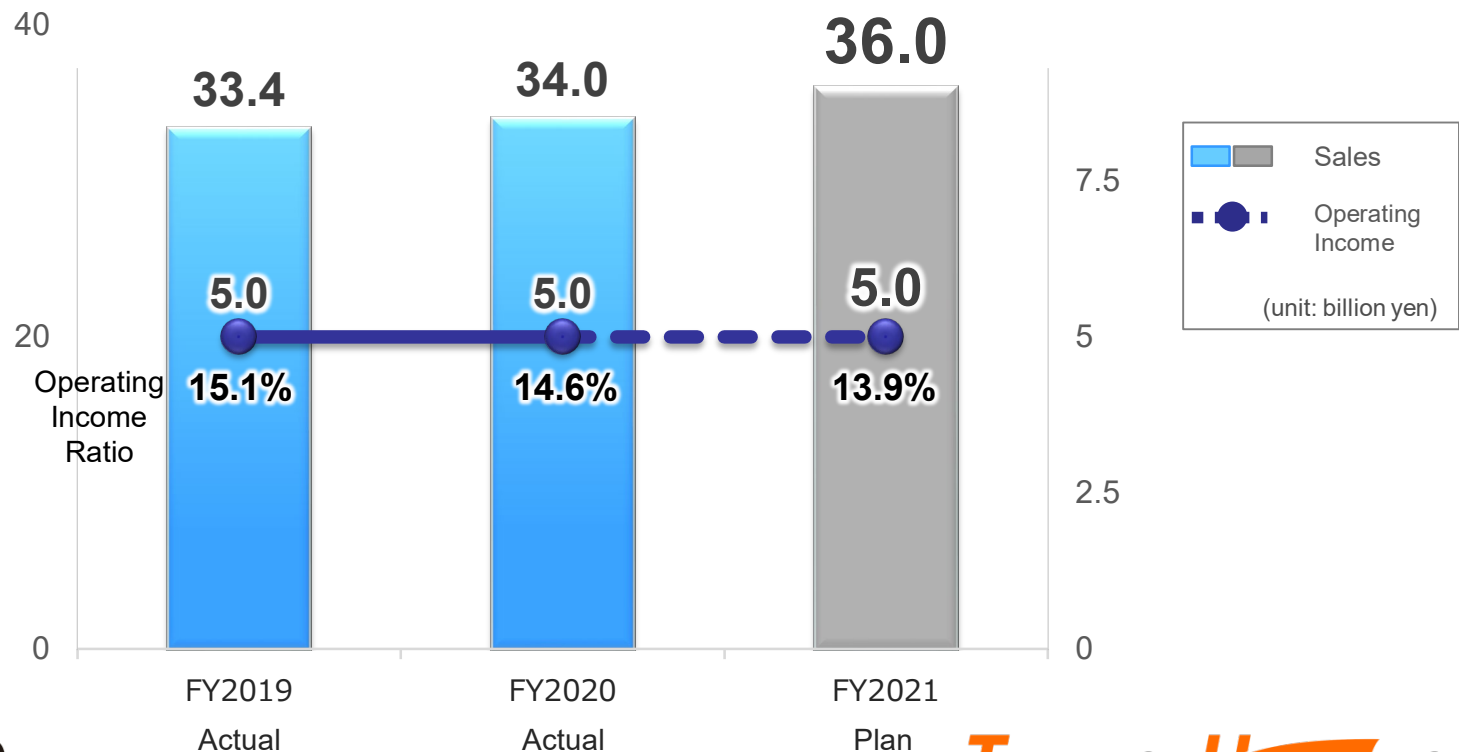
- World's First : Epoch-making machine guidance system for small-sized excavators to easily adopt ICT feature

IT Agriculture in Japan: Accelerating market penetration and expanding sales network

- COVID-19 fuels the demand expansion

Enhance investments to expand “DX business for building construction”

- Develop “DX business for building construction” as a new pillar!



IT Construction : Sales expansion with introducing a new strategic product

Smart Infrastructure

- **World's First** : Epoch-making machine guidance system for small-sized excavators to easily adopt ICT feature



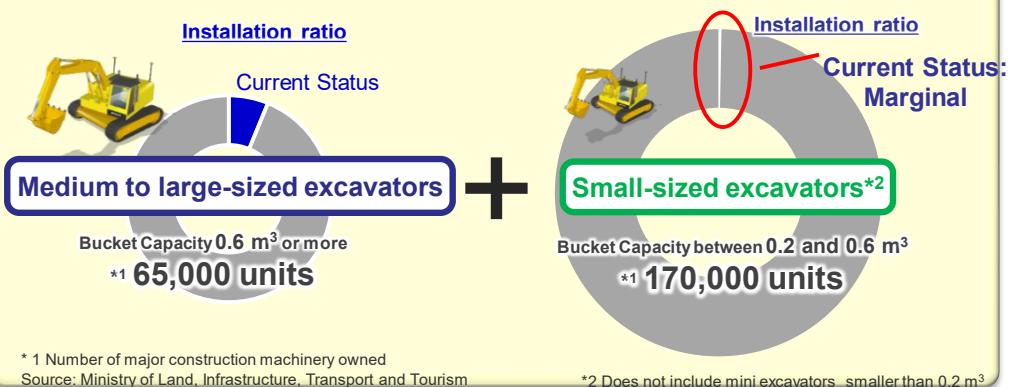
- ✓ **Reasonably priced**
3D machine guidance system suited for small-sized excavators to facilitate IT Construction

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

Domestic Excavator Market

Large growth potential for small sized machine

Market Size and IT Construction Installation Ratio of Excavators in Japan (Topcon estimation)

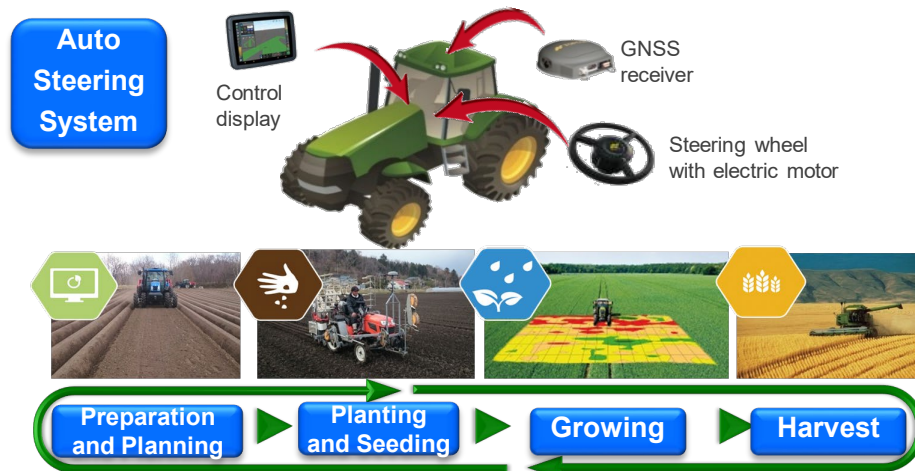


Aiming to expand overseas market

IT Agriculture in Japan: Accelerating market penetration and expanding sales network

Smart Infrastructure

COVID-19 fuels the demand expansion



Tailwind factors

- Laborsaving needs
- Subsidy programs
- Local governments initiatives (development of GNSS reference station network)

Our initiatives

- Expands our sales network in the Honshu area, where the penetration rate is low

(Sales to Hokkaido prefecture account for 90% of the total sales)

Cumulative number of shipments for Auto Steering System by all manufacturers
(As of the end of 2019)



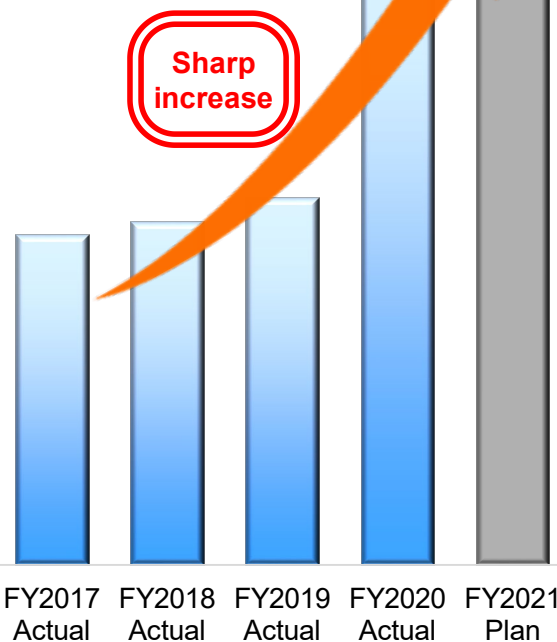
Source : Hokkaido Prefecture Website

http://www.pref.hokkaido.lg.jp/ns/gjfi/GPS_GuidanceSystem/GPS_GuidanceSystem_introduction_results-2020.pdf

Huge potential demand

Sales for IT Agriculture in Japan

(Amount)



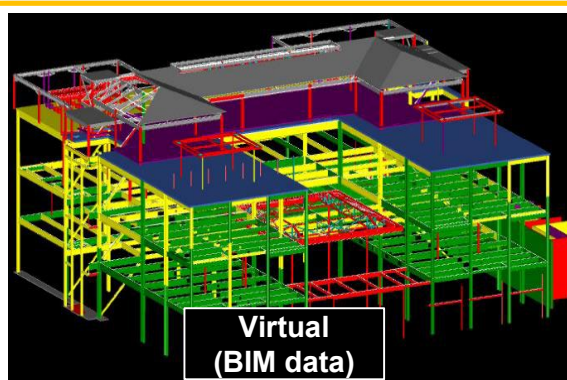
Aggressively capture tailwind factors as IT Agriculture market is rapidly expanding in Japan

Enhance investments to expand “DX business for building construction”

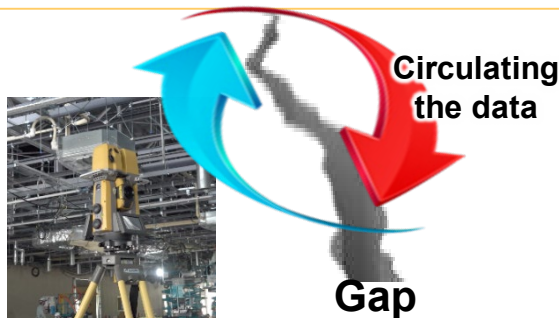
Smart Infrastructure

■ Develop “DX business for building construction” as a new pillar!

To bridge the gap between the virtual and real worlds with 3D data



Digital twin at building construction sites



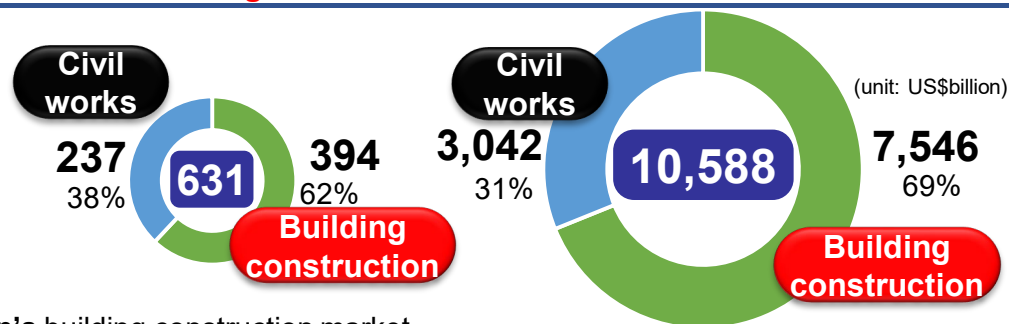
3D digitalization of construction site

Realizing labor savings and improvement of quality and productivity

Details of investment

- Hiring of key personnel to promote this new business
- Enhancing product line-up for building construction

The market size of building construction is twice as much as that of civil works



Japan's building construction market

Source: "Annual Data" National Bureau of Statistics of China, "Construction Spending" The U.S. Bureau, "KEY FIGURES 2019" European Confederation of Construction Industries and "Estimate of Construction Investment" Ministry of Land, Infrastructure, Transport and Tourism
Currency rate: 1USD = 6.57CNY, 1USD = €0.82, 1USD = ¥103.6

World's building construction market

Further sales expansion of tele-optometry system

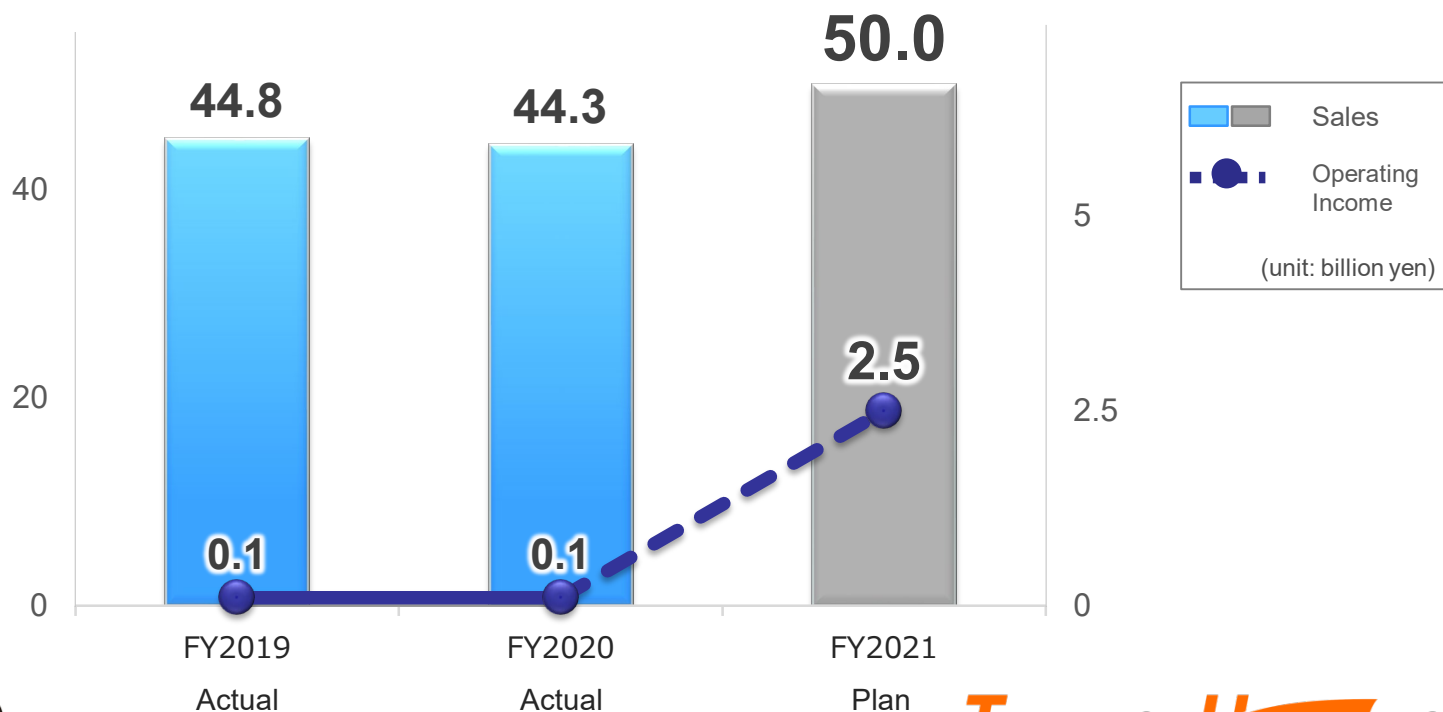
- Continued demands for tele-optometry for corresponding to social distancing needs

Further sales expansion of Maestro

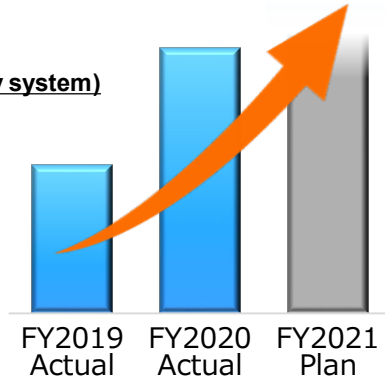
- Screening Business is driving the sales growth

Scaling up the business in China

- Sales increases by enhancing sales network and improve market coverage
- Expansion of Screening Business



- Sales for**
CV-5000
(Optometry system)
(Amount)



A computerized vision tester (phoropter) which provides precise diopter correction through refractive tests



■ Screening Business is driving the sales growth

- Our proprietary full automatic functionality completely coincide with screening purposes

➡ Brisk sales to optical stores in the U.S. and Europe

*1 Product name :3D OPTICAL COHERENCE TOMOGRAPHY 3D OCT-1 (Type: Maestro2)

One-touch operation
with a full automatic
functionality

3D OCT-1 Maestro2
3D OPTICAL COHERENCE TOMOGRAPHY



- Enabling remote operation by a tablet^{*2} for corresponding to social distancing

➡ Our solution complete coincide with new needs



Remotely^{*2}
operate the
instrument
by a tablet



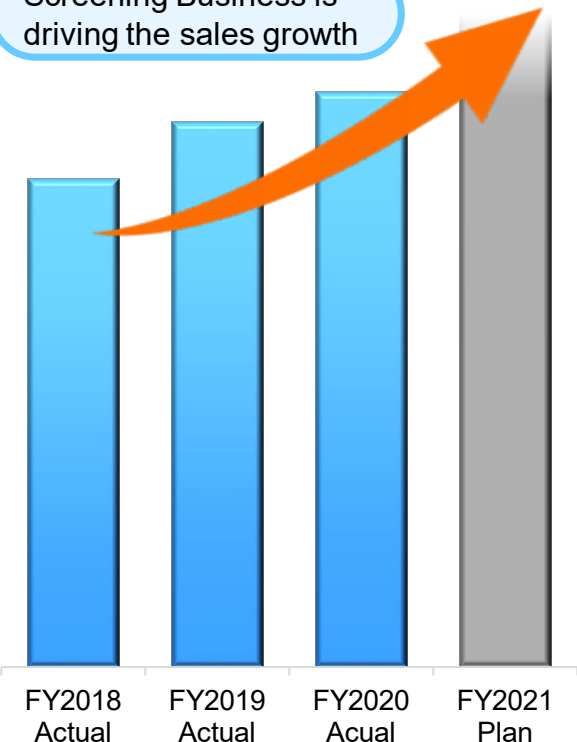
Corresponding to
social distancing

*2
Remote operation is available only
with Type:Maestro2
Functions intended to be operated
by an operator from a control room
in the same facility
Remote operation is available only
from PCs connected with wired LAN
in the U.S.

Sales for 3D OCT-1 Maestro^{*1}

(units)

Screening Business is
driving the sales growth



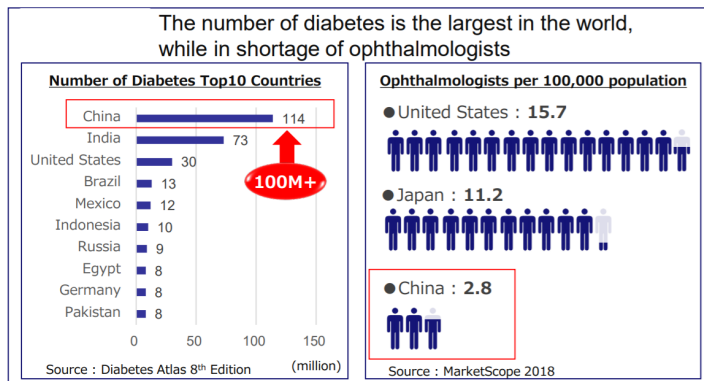
■ Sales increases by enhancing sales network and improve market coverage

- Deploying hybrid channel strategies (combining multiple distributors network and direct sales focusing on key accounts)
- Targeting public hospitals, private hospital chains, major medical and health care chains, and optical stores



■ Expansion of Screening Business

Societal issue in Chinese market



- Major medical and health care group and AI development companies continue to enter the disease screening market
- Expecting significant sales growth for our full automatic fundus camera, TRC-NW400 *



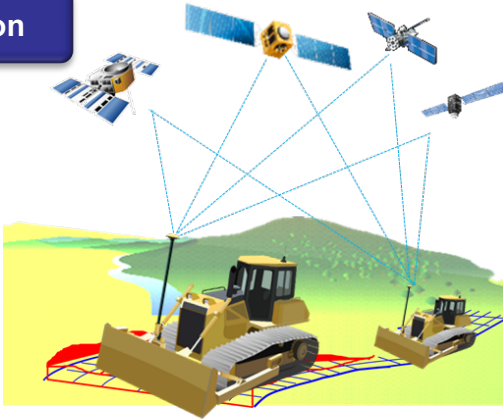
III. Topics



Initiatives for SDGs: Contribution to CO2 emission reduction

■ Topcon's **automation technologies for construction and farming machinery itself** contribute to reduce environmental impact

IT Construction

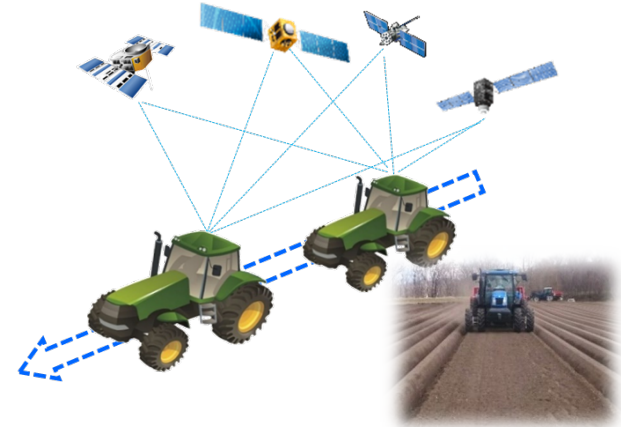


By automating construction machinery,
operating time reduced by approximately 30% *1

Reduction in CO2
emission from
our products
(Topcon's estimation)

Global
600,000 tons/year *2

IT Agriculture



By Auto Steering System for farming machinery,
Operating time reduced by approximately 20% *3

Reduction in CO2
emission from
our products
(Topcon's estimation)

Global
500,000 tons/year *4

**By leveraging the strength of vendor neutral strategy,
penetrate automation technology
for existing construction and farming machinery**

**Expecting further CO2 reduction by
spreading of the automation technologies**

*1: Source - Ministry of Land, Infrastructure,
Transport and Tourism i-Construction
promotion consortium
"Progress of i-Construction" (2019)
https://www.mlit.go.jp/tec/i-construction/pdf/03_5_kikaku_siryou6.pdf

*2: Basis of calculation
Based on the numbers with multiplying the
estimated annual CO2 emissions per unit of
construction machinery and the estimated
reduction rate of working hours through the use of
ICT, calculating the CO2 emissions reduction
multiplying the estimated number of ICT
automated construction machinery in operation
worldwide and the estimated share of our
company.

*i-Construction is a registered trademark of Ministry of Land, Infrastructure, Transport and Tourism's National Institute for Land and Technology Policy.

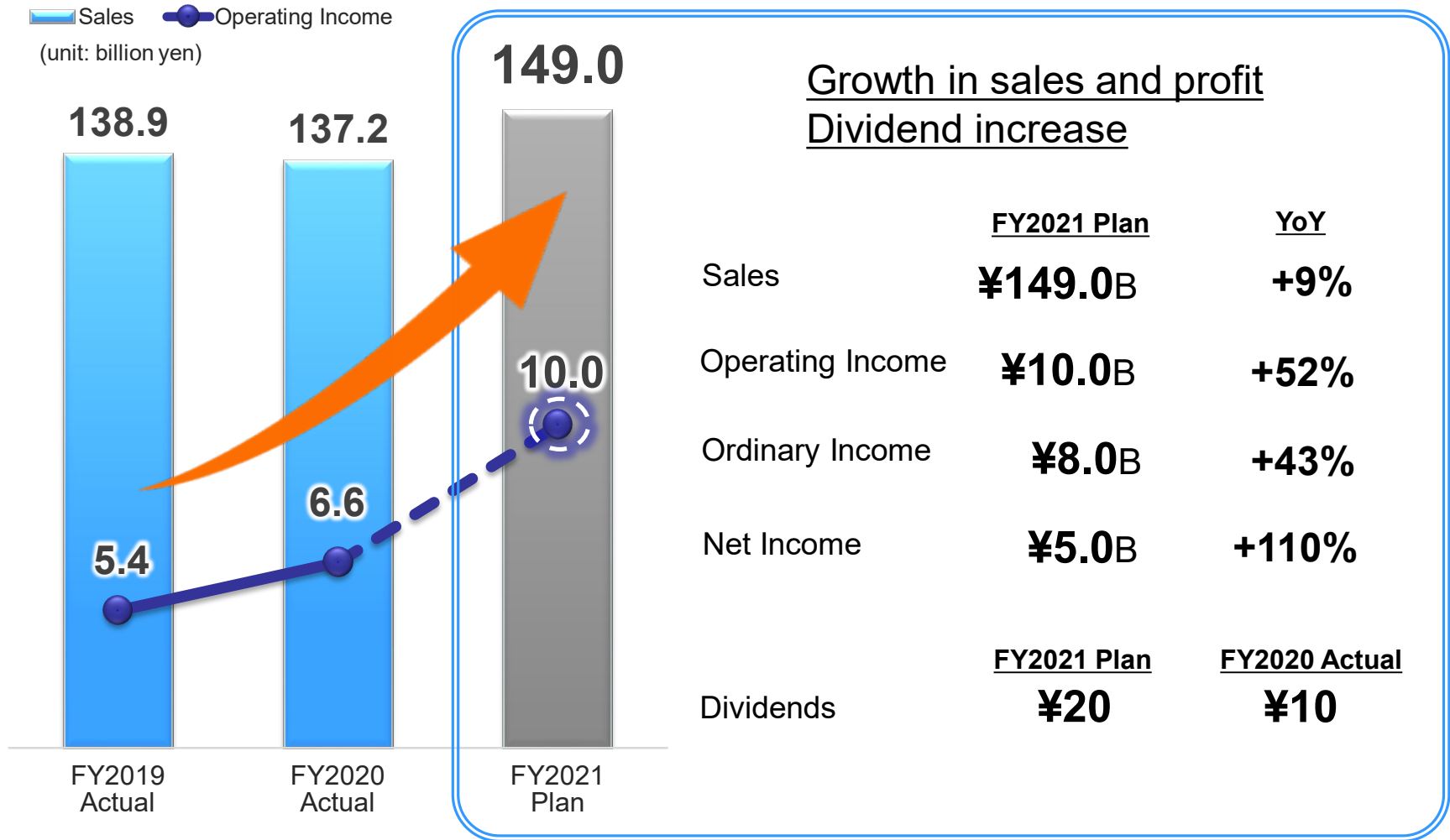
*3: Source: AEM "The Environmental Benefits of
Precision Agriculture in the United States" (2020)
<https://newsroom.aem.org/asset/977839/environmentalbenefitsofprecisionagriculture-2#.YBdQZR2Lc74.link>

*4: Basis of Calculation
Based on the numbers with multiplying the
estimated annual CO2 emissions per unit of
farming tractor and the estimated reduction rate
of working hours through the use of Auto Steering
System, calculating the CO2 emissions reduction
multiplying the estimated number of tractors with
Auto Steering System in operation worldwide and
the estimated share of our company.

IV. Summary

Summary

Full year plan: Expect sales and profit growth with dividend increase



【Topcon Way】

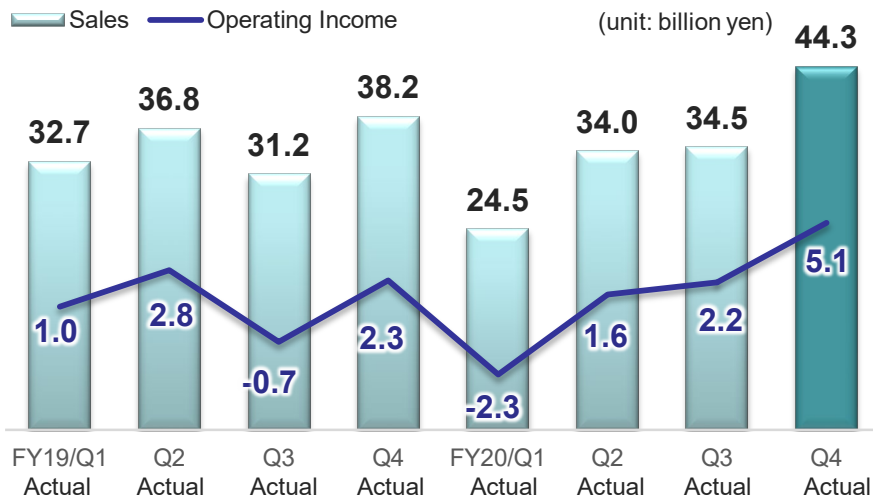
We aim to contribute to the creation of a prosperous society by solving societal challenges on healthcare, agriculture, and infrastructure



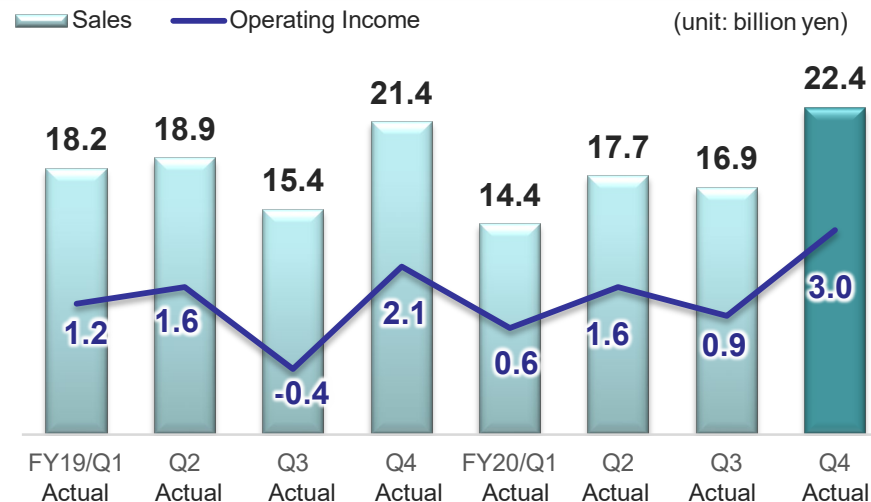
V. Appendix

Financial Results (Quarterly)

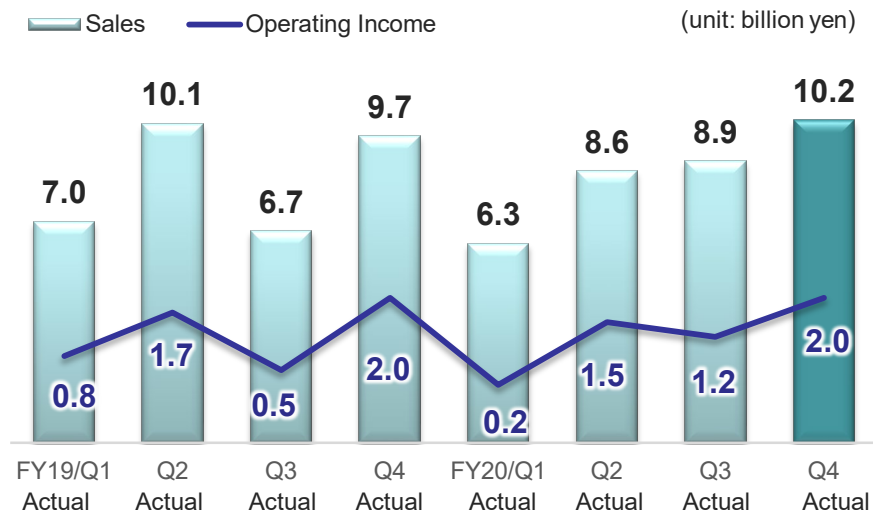
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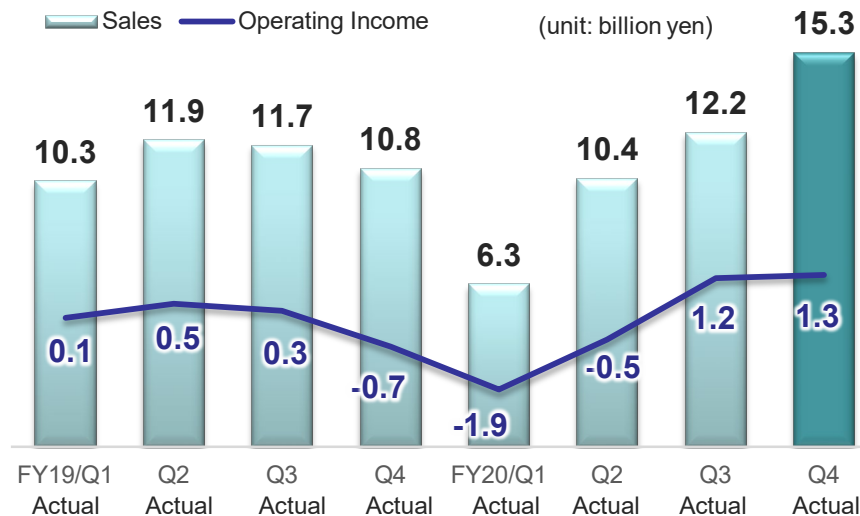
Positioning



Smart Infrastructure

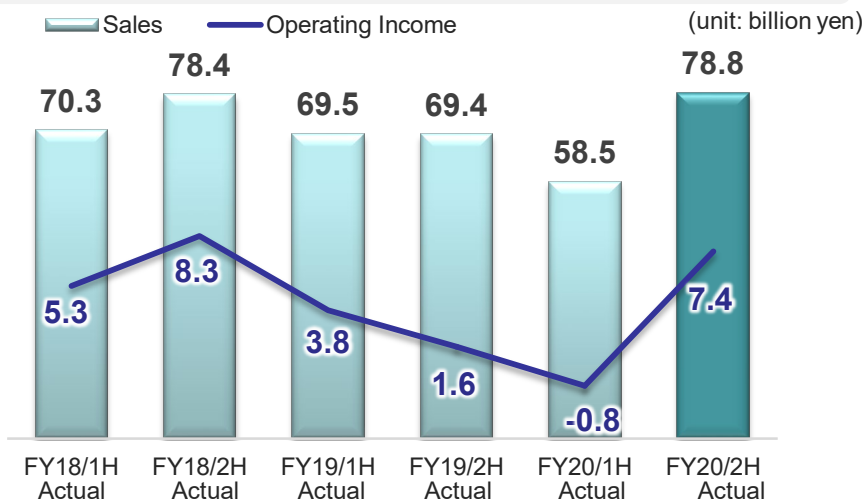


Eye Care

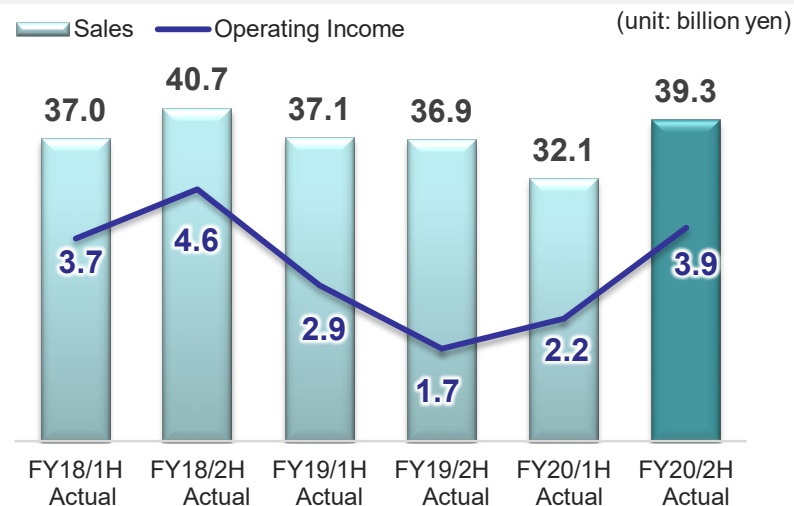


Financial Results (Semiannually)

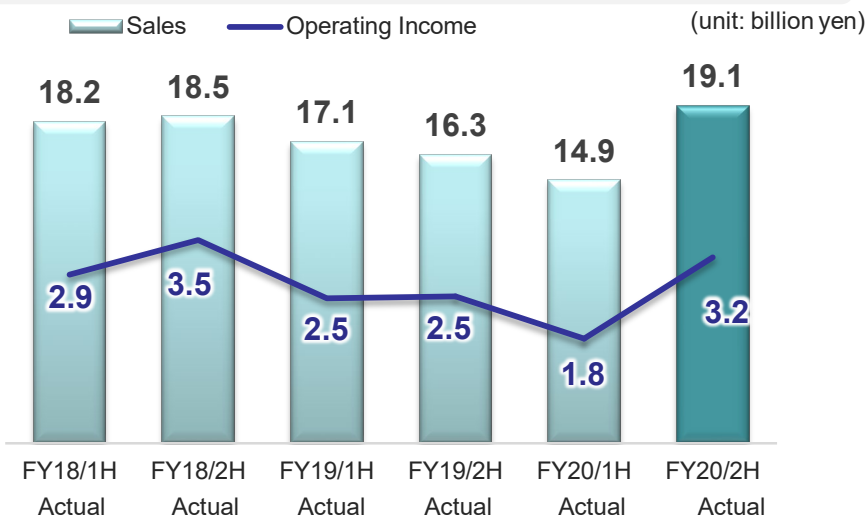
Consolidated



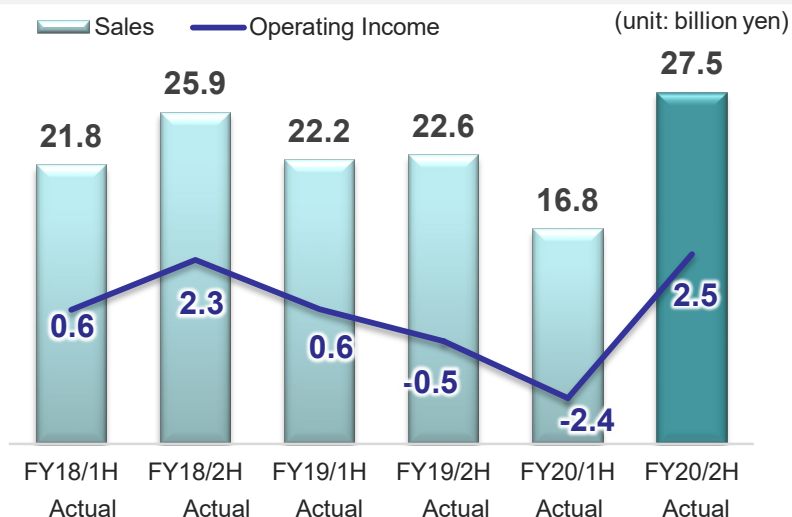
Positioning



Smart Infrastructure

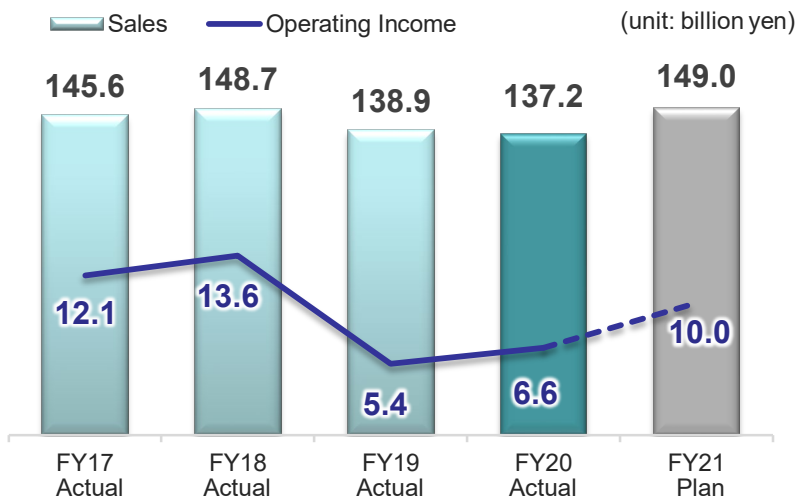


Eye Care

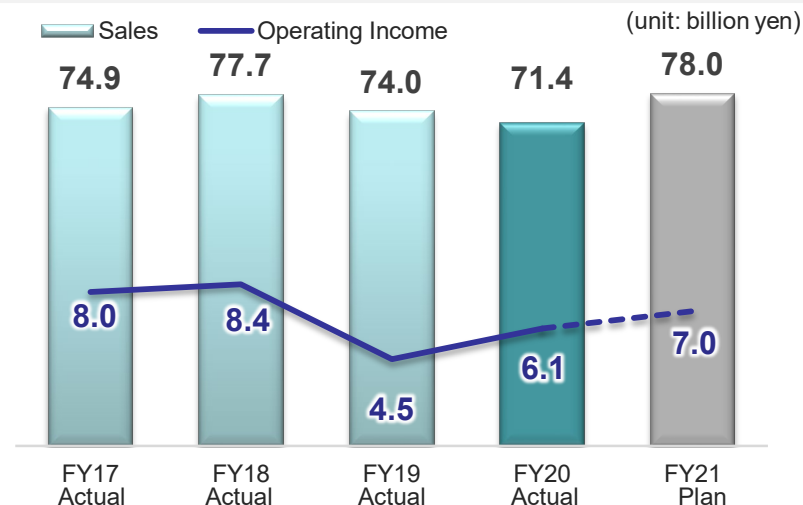


Financial Results and Plan (Annually)

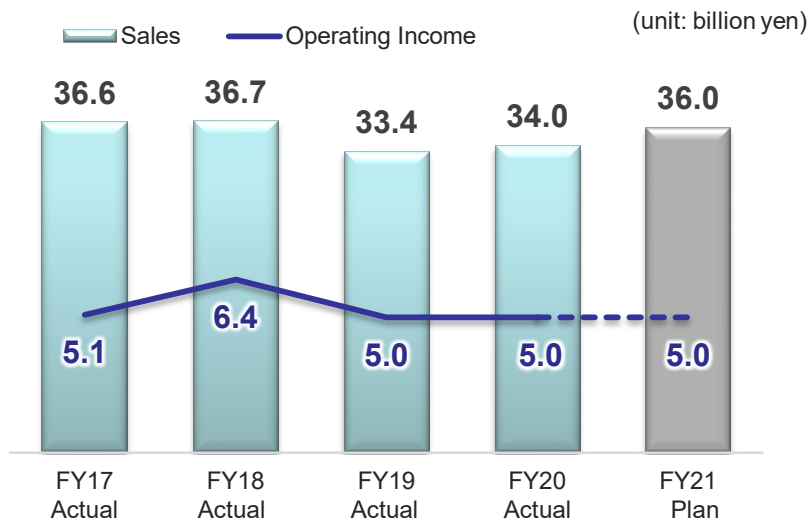
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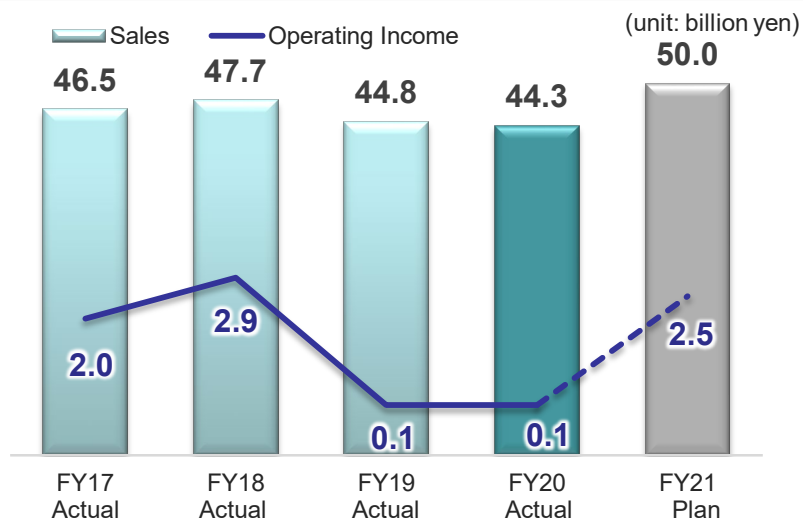
Positioning



Smart Infrastructure



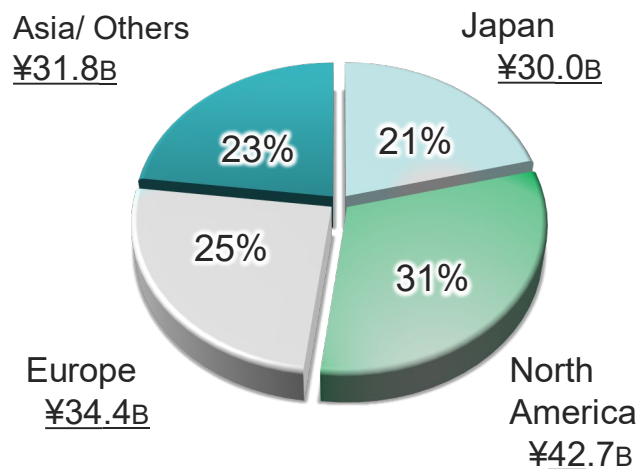
Eye Care



Sales by region

FY2019

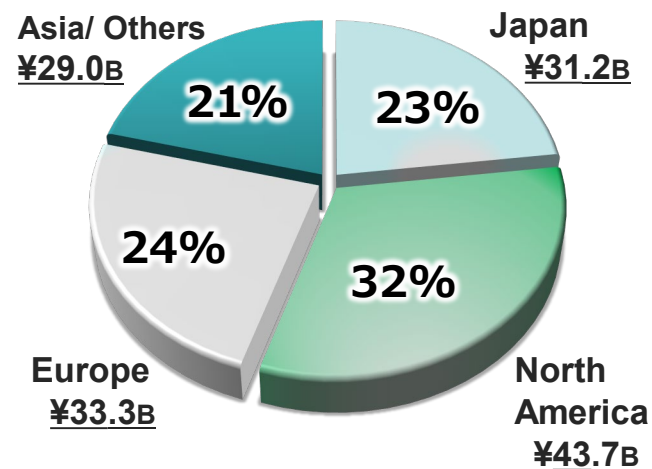
¥138.9B



YoY
-1%

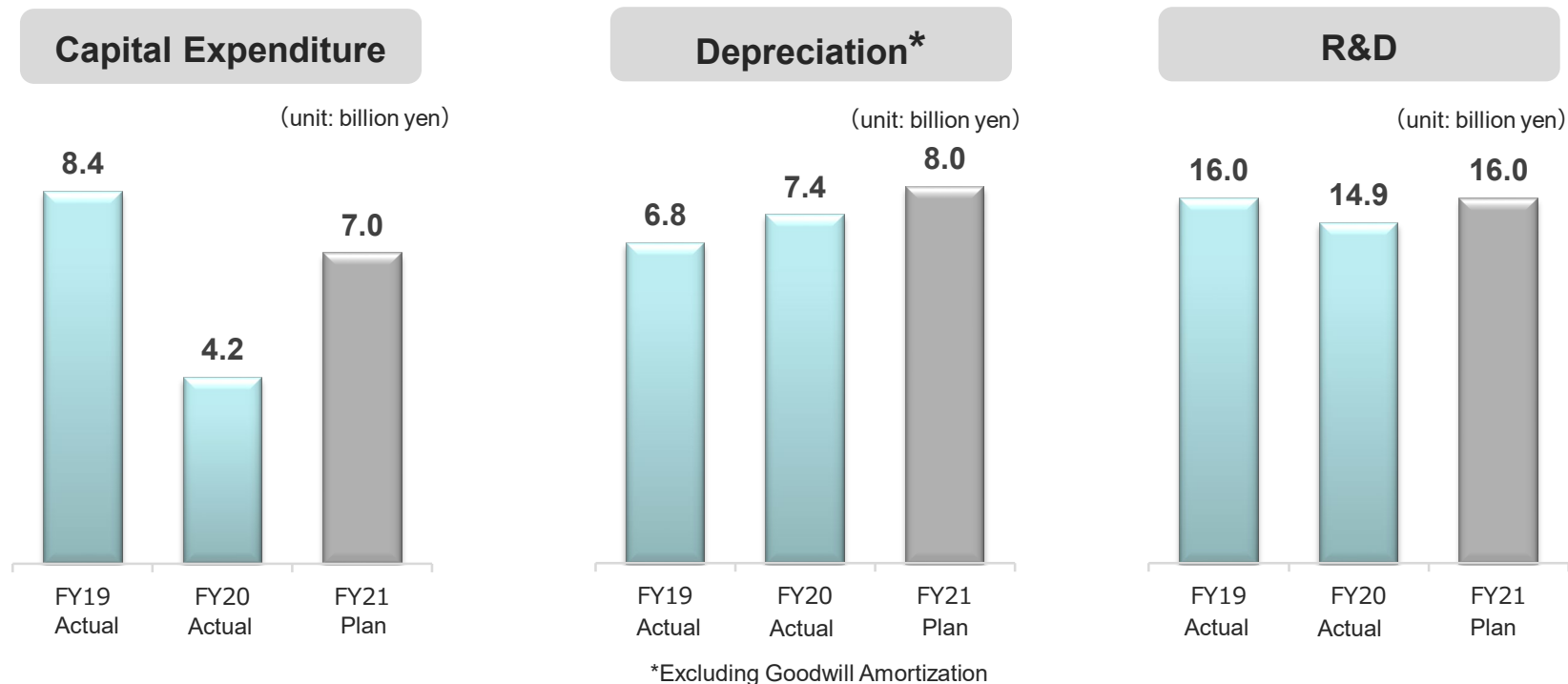
FY2020

¥137.2B



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.

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