

FY2021 Q2 Financial Results

October 29, 2021
TOPCON CORPORATION
President & CEO
Satoshi Hirano



FY2021 Q2 Financial Results

I . FY2021 Q2 Financial Results

II . FY2021 Full Year Plan

III . Summary

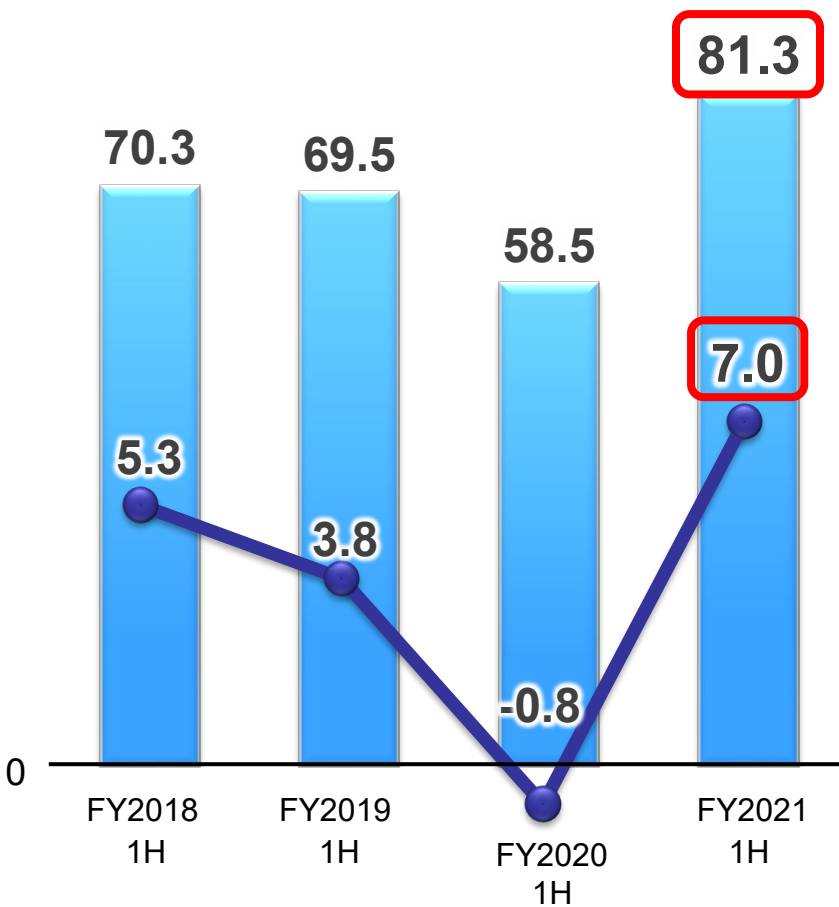
IV . Appendix

I . FY2021 Q2 Financial Results

I - 1 . FY2021 Q2 Financial Results

I - 2 . Overview of Each Business

FY2021 1H Overview



■ Record high sales: **139% YoY**



- Significant increase in sales and profit

- Substantial growth from pre-COVID-19 levels

vs FY2019

Sales 117%

Operating income 183%

(unit: billion yen)  Sales  Operating Income

FY2021 1H Financial Results

Record high sales, significant increase in sales and profit

(unit : million yen)

	FY2020	FY2021		
		1H Actual	YoY	%
Net Sales	58,465	81,251	22,785	+39%
Gross Profit (Gross Profit Ratio)	28,389 (48.6%)	41,583 (51.2%)	13,194	+46%
SGA	29,158	34,602	5,444	
Operating Income (Operating Income Ratio)	-768 (-1.3%)	6,980 (8.6%)	7,749	
Non-Operating Income (Expenses)	-1,029	-695	334	
Ordinary Income	-1,797	6,285	8,083	
Extraordinary Income (Loss)	-162	495	657	
Income Before Income Taxes and Minority Interests	-1,960	6,781	8,741	
Net Income	-2,037	3,883	5,921	
Dividends	-	¥10		
Exchange Rate USD	¥106.68	¥110.18	¥3.50	
(Average) EUR	¥121.36	¥130.97	¥9.61	

FY2021 1H Financial Results by Business

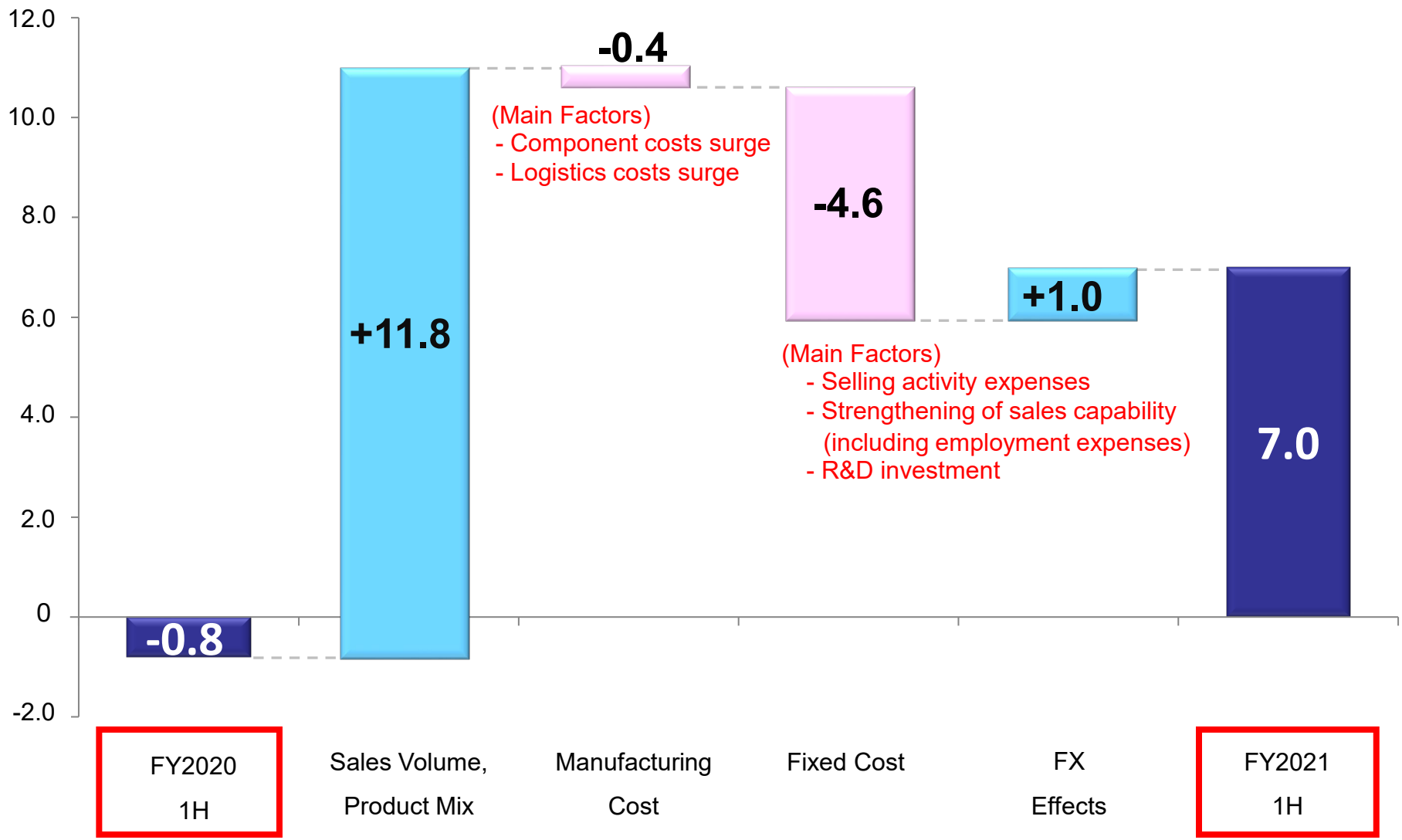
■ Significant increase in sales and operating income for all business segments

(unit : million yen)

		FY2020	FY2021		
		1H Actual	1H Actual	YoY	%
Net Sales	Positioning	32,141	45,279	13,138	+41%
	Smart Infrastructure	14,886	18,973	4,087	+27%
	Eye Care	16,785	25,252	8,467	+50%
	Others	500	600	100	+20%
	Elimination	-5,849	-8,854	-3,005	
	Total	58,465	81,251	22,785	+39%
Operating Income (Operating Income Ratio)	Positioning	2,157 (6.7%)	5,442 (12.0%)	3,285	+152%
	Smart Infrastructure	1,777 (11.9%)	3,242 (17.1%)	1,465	+82%
	Eye Care	-2,388 (-14.2%)	515 (2.0%)	2,903	Turns profitable
	Others	-255 (-51.1%)	-162 (-27.0%)	93	-
	Elimination	-2,060	-2,057	3	
	Total	-768 (-1.3%)	6,980 (8.6%)	7,749	-

FY2021 1H Operating Income YoY Breakdown

(unit: billion yen)



I . FY2021 Q2 Financial Results

I -1. FY2021 Q2 Financial Results

I -2. Overview of Each Business

Record high sales and operating income for 1H

(unit: million yen)

	FY2020		FY2021		
	1H Actual		1H Actual	YoY	%
Net Sales	32,141		45,279	13,138	+41%
Operating Income (Operating Income Ratio)	2,157 (6.7%)		5,442 (12.0%)	3,285	+152%
Exchange Rate	USD	¥106.68	¥110.18	¥3.50	
(Average)	EUR	¥121.36	¥130.97	¥9.61	

Review of FY2021 1H Financial Results

Overall

- Significant increase in sales and profit on strong demands mainly in the U.S. and Europe
- Realizing the impact for surges of component and logistics costs after Q2

IT Construction

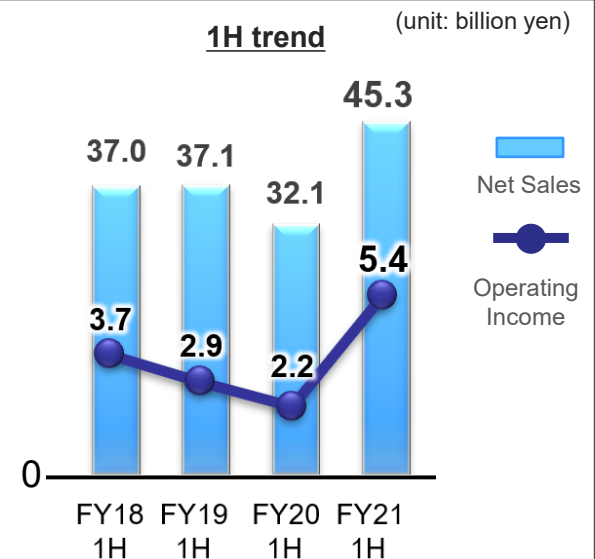
- Continuing strong sales for both aftermarket and OEM, substantially surpassed the pre-COVID-19 level

IT Agriculture

- Continuing strong sales for both aftermarket and OEM, substantially surpassed the pre-COVID-19 level

Surveying and laser products

- Booming housing construction market in the U.S. and Europe continues



Record high sales and operating income for 1H

(unit: million yen)

	FY2020		FY2021		
	1H Actual		1H Actual	YoY	%
Net Sales	14,886		18,973	4,087	+27%
Operating Income (Operating Income Ratio)	1,777 (11.9%)		3,242 (17.1%)	1,465	+82%
Exchange Rate	USD	¥106.68	¥110.18	¥3.50	
(Average)	EUR	¥121.36	¥130.97	¥9.61	

Review of FY2021 1H Financial Results

Overall

- Sales are solid in Japan, while sales growth continues in the U.S. and Europe
- Realizing the impact for surge of the component costs after Q2

Japan

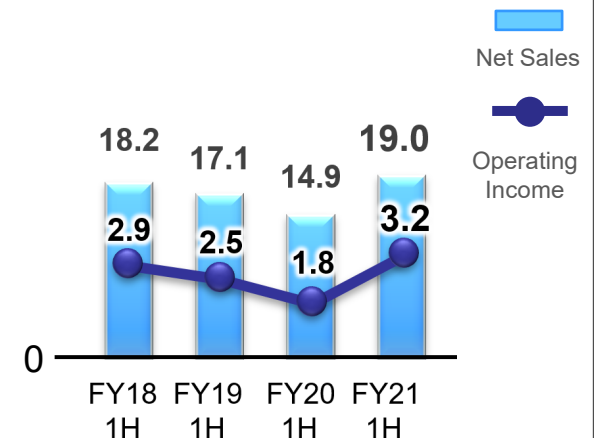
- Surveying instruments: Strong sales for total stations
- IT Construction: Full-scale growth of machine guidance system for small-sized excavators
- IT Agriculture: Temporary demand drop from the backlash due to the subsidies of last year

The U.S. and Europe

- Strong sales continues for surveying instruments and laser products for the booming homebuilding market

1H trend

(unit: billion yen)



Record high sales for 1H, turning profitable

(unit: million yen)

		FY2020	FY2021		
		1H Actual	1H Actual	YoY	%
Net Sales		16,785	25,252	8,467	+50%
Operating Income (Operating Income Ratio)		-2,388 (-14.2%)	515 (2.0%)	2,903	Turns profitable
Exchange Rate (Average)	USD	¥106.68	¥110.18	¥3.50	
	EUR	¥121.36	¥130.97	¥9.61	

Review of FY2021 1H Financial Results

Overall

- Continuing strong sales driven by the U.S., European, and Chinese markets
- Realizing the impact for surges of component and logistics costs after Q2

Screening business

- Growing demand from the large optical chain stores leading to the continuous sales growth of Screening equipment

Tele-optometry

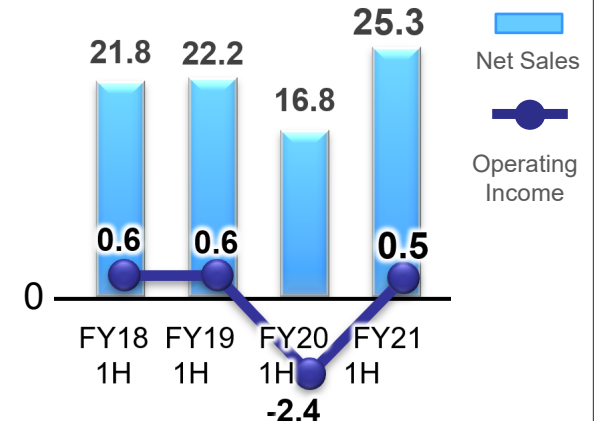
- Solid demand continue for remote eye-exam

China

- Continuing strong sales for capital investment and growing demand for eye screening
- Sales of fundus cameras continue to grow

1H trend

(unit: billion yen)



Ⅱ . FY2021 Full Year Plan

Ⅱ -1. FY2021 Full Year Plan

Ⅱ -2. Topics of Each Business

FY2021 Full Year Plan

■ Upward revision of operating income to **125%** (**190%** YoY)

Outlook for the macro environment

- Solid demand for housing and civil infrastructure investment continues mainly in developed countries and crop price remain higher level
- Appetite for capital investment of ophthalmic and optical markets in the U.S. and Europe is improved While COVID-19 impacts have been relieved
- Expanding impacts for surges of the component and logistics costs
- Expanding the delays in shipments and sales due to component shortages to the production

Based on 1H results and above environment outlook, we revised the full year plan as below

Revised Plan

Exchange rate assumptions of Q3 onward are unchanged: \$1=¥108/€1=¥128

	Previous Plan (As of July 30)	Revised Plan (As of October 29)	Change	FY2020 Actual	Change
Net Sales	¥149.0B	¥160.0B	+7%	¥137.2B	+17%
Operating Income	¥10.0B	¥12.5B	+25%	¥6.6B	+90%
Ordinary Income	¥8.0B	¥10.5B	+31%	¥5.6B	+88%
Net Income	¥5.0B	¥6.5B	+30%	¥2.4B	+174%
Dividends	¥20	¥20		¥10	

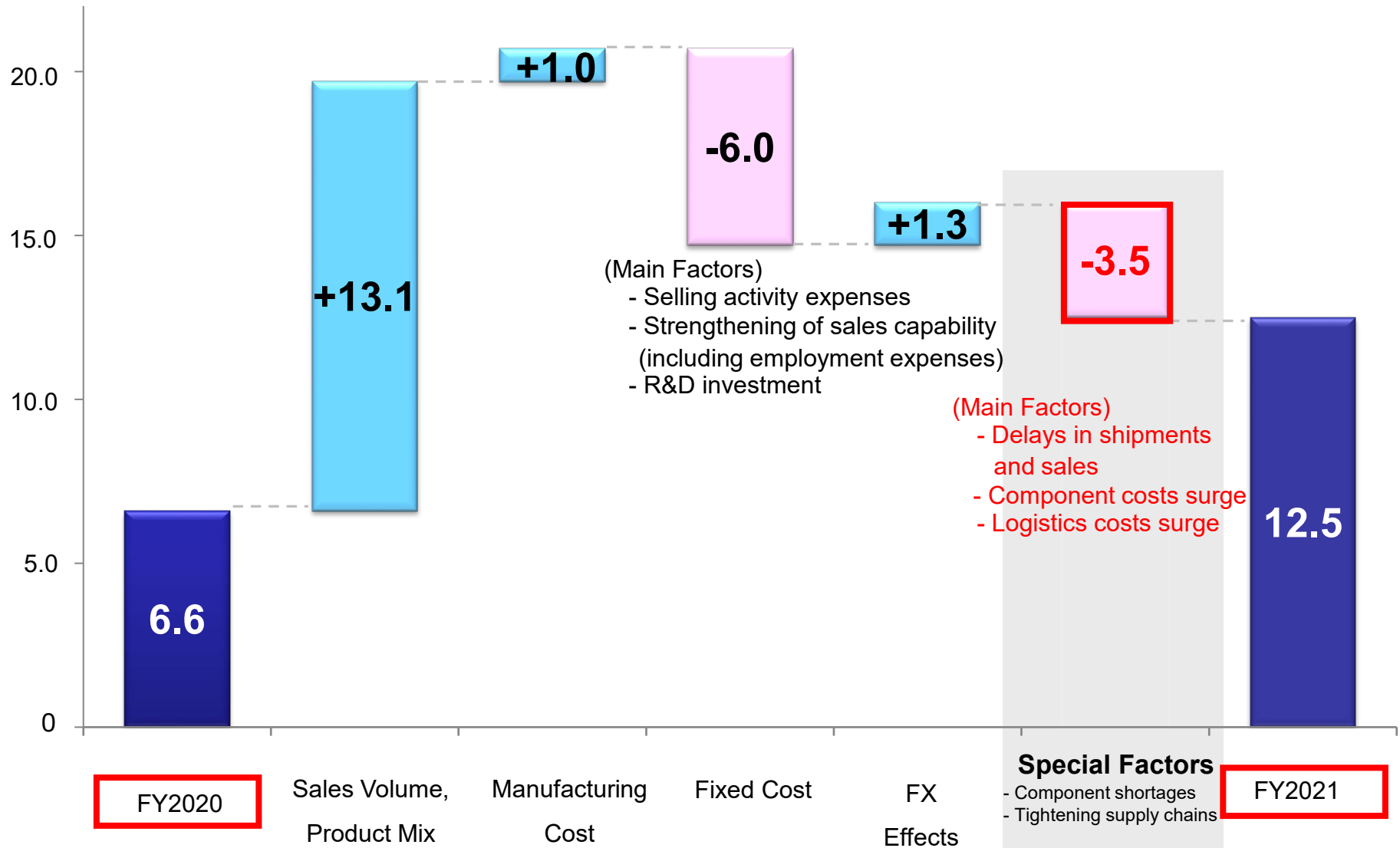
Component shortages and tightening supply chains

■ The impacts are inevitably expanding after Q3 despite our best efforts to mitigate the risks

	Current situation	Countermeasures	Impacts
Component shortages	<ul style="list-style-type: none"> - Tight supply of semiconductor-related components - Unstable delivery time and quantity 	<ul style="list-style-type: none"> ■ Timely adjustment of production and sales plans ■ Pre-Ordering of the components ■ Procurement of missing components from the market ■ Design changes for the alternative components 	<ul style="list-style-type: none"> ✓ Component costs surge ✓ Delays in shipments and sales
Tightening Supply chains	<ul style="list-style-type: none"> - Logistics costs surge due to container shortages - Fewer flights resulting in space shortage and higher logistics costs - Delay of cargo handlings at U.S. ports due to COVID-19 impacts 	<ul style="list-style-type: none"> ■ Pre-booking to secure containers and selecting Alternative ocean shipment routes ■ Using air freights to recover the Ocean Container shipment 	<ul style="list-style-type: none"> ✓ Logistics costs surge ✓ Delays in shipments and sales

FY2021 Operating Income YoY Breakdown

(unit: billion yen)



FY2021 Full Year Plan

■ Sales 117% YoY, Operating Income **190%** YoY, Net Income **2.7 times**

(unit: million yen)

		FY2020		FY2021			
		1H Actual	Full Year Actual	1H Actual	Full Year Plan	YoY (%)	* Announced on July 30 Full Year Plan*
Net Sales		58,465	137,247	81,251	160,000	+17%	149,000
Operating Income (Operating Income Ratio)		-768 (-1.3%)	6,593 (4.8%)	6,980 (8.6%)	12,500 (7.8%)	+90%	10,000 (6.7%)
Ordinary Income		-1,797	5,587	6,285	10,500	+88%	8,000
Net Income		-2,037	2,376	3,883	6,500	+174%	5,000
ROE			3.6%		9%		7%
Dividends		-	¥10	¥10	¥20		¥20
Exchange Rate (Average)	USD	¥106.68	¥106.17	¥110.18	(Q3 onward) ¥108 ¥128		¥108
	EUR	¥121.36	¥123.73	¥130.97		¥128	¥128

FY2021 Full Year Plan

* Announced
on July 30

(unit: million yen)

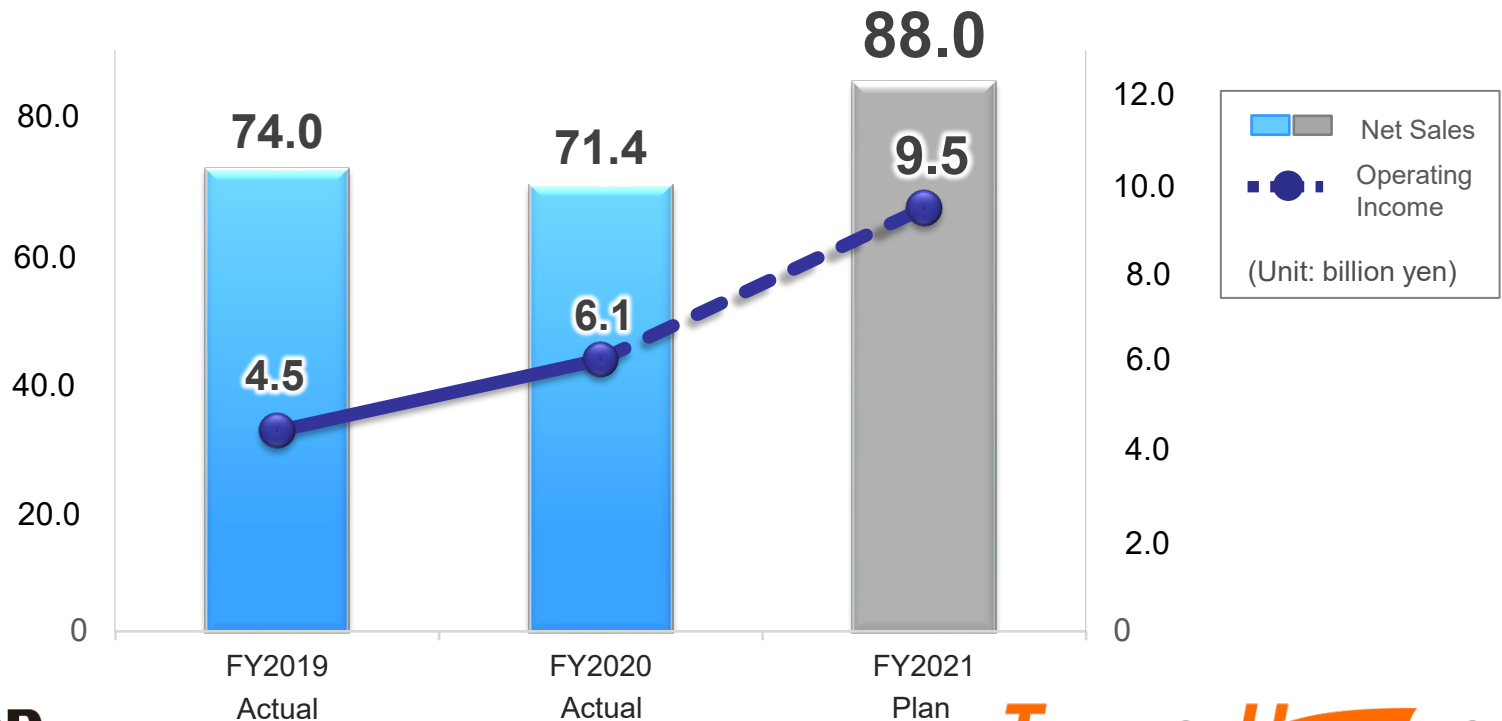
		FY2020		FY2021			
		1H Actual	Full Year Actual	1H Actual	Full Year Plan	YoY (%)	Full Year Plan*
Net Sales	Positioning	32,141	71,416	45,279	88,000	+23%	78,000
	Smart Infrastructure	14,886	33,982	18,973	37,000	+9%	36,000
	Eye Care	16,785	44,251	25,252	52,000	+18%	50,000
	Others	500	1,165	600	1,000	-14%	1,000
	Elimination	-5,849	-13,568	-8,854	-18,000		-16,000
	Total	58,465	137,247	81,251	160,000	+17%	149,000
Operating Income (Operating Income Ratio)	Positioning	2,157 (6.7%)	6,064 (8.5%)	5,442 (12.0%)	9,500 (10.8%)	+57%	7,000 (9.0%)
	Smart Infrastructure	1,777 (11.9%)	4,972 (14.6%)	3,242 (17.1%)	5,000 (13.5%)	+1%	5,000 (13.9%)
	Eye Care	-2,388 (-14.2%)	122 (0.3%)	515 (2.0%)	2,500 (4.8%)	+1,949%	2,500 (5.0%)
	Others	-255 (-51.1%)	-536 (-46.0%)	-162 (-27.0%)	-300 (-30.0%)	-	-300 (-30.0%)
	Elimination	-2,060	-4,028	-2,057	-4,200		-4,200
	Total	-768 (-1.3%)	6,593 (4.8%)	6,980 (8.6%)	12,500 (7.8%)	+90%	10,000 (6.7%)

Ⅱ . FY2021 Full Year Plan

Ⅱ -1. FY2021 Full Year Plan

Ⅱ -2. Topics of Each Business

- **IT Construction:**
 Strong trend will continue while automation needs are increasing due to the shortages of construction workers/engineers
- **IT Agriculture:**
 Farmers' strong appetite for capital investment will continue thanks to high level of crop prices
- **Expansion and relocation of U.S. test site**
- **Expanding impacts of component shortages, and surges of component and logistics costs**



Facilitating cutting-edge R&D activities and improving evaluation capabilities for IT Construction and IT Agriculture

Location : Livermore, California

Significant expansion of test site for R&D

- Site area: approx. 60 acres
Available for use in 2022
- Adjacent to TPS* Headquarters

*TPS : Topcon Positioning Systems, Inc

**Size x 5
Larger**



Expectations for new site

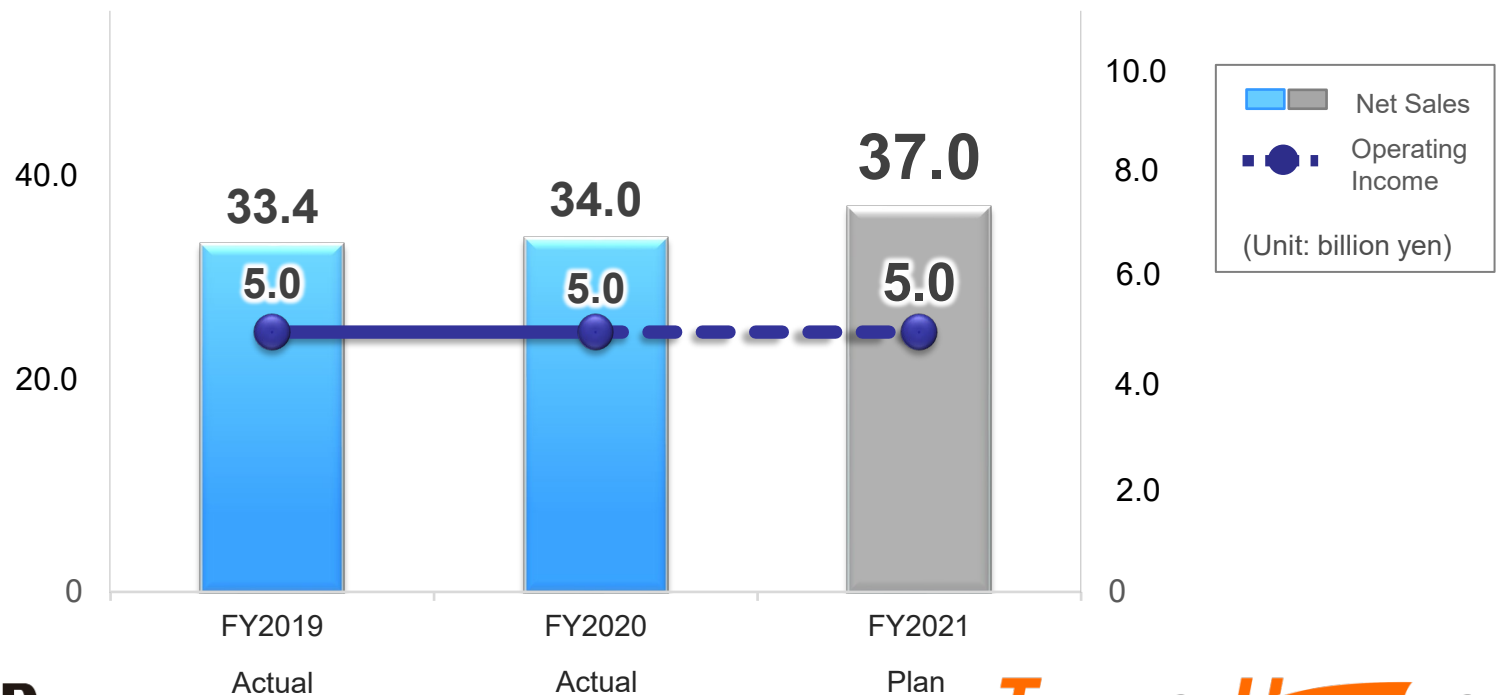
By enhancing leading-edge R&D and put better evaluation environment in place.....

- ✓ Further acceleration of new products development
- ✓ Expand partnership with OEM's and accelerating joint development activities



Current test site : 12 acres

- Increase for investments in “DX business for building construction”
- Expanding impacts of component shortages, and surges of component and logistics costs
- IT Construction in Japan: Expanding sales of machine guidance system for medium to small sized construction sites
- IT Agriculture in Japan: Launch of strategic new products



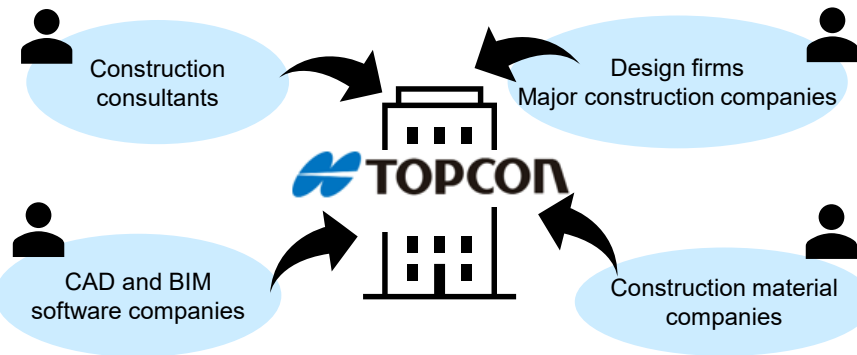
Increase for investments in “DX business for building construction”

Smart Infrastructure

Strengthening human resources, product lineup and interactive experience-based facility to make official launch

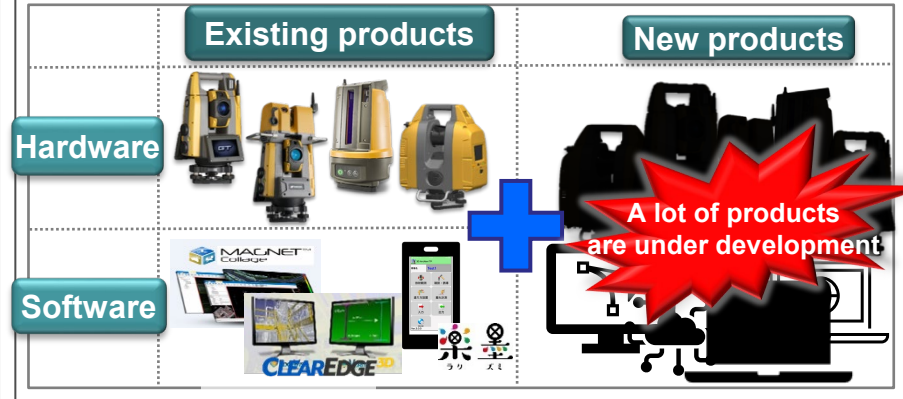
Strengthening human resources

- ✓ Hiring highly skilled professionals including first-class architect



Enhancement of product lineup

- ✓ Continuous development of new products for building construction



Newly developed an interactive facility of building construction solutions

- ✓ Provides education for building construction solutions utilizing our cutting-edge technologies
- ✓ Reproduces various construction processes in an indoor space
Enables experience for “DX business for building construction” in an environment similar to real construction site
- ✓ A facility for solution proposal, demonstration, education, and innovation creation

Japan's first!

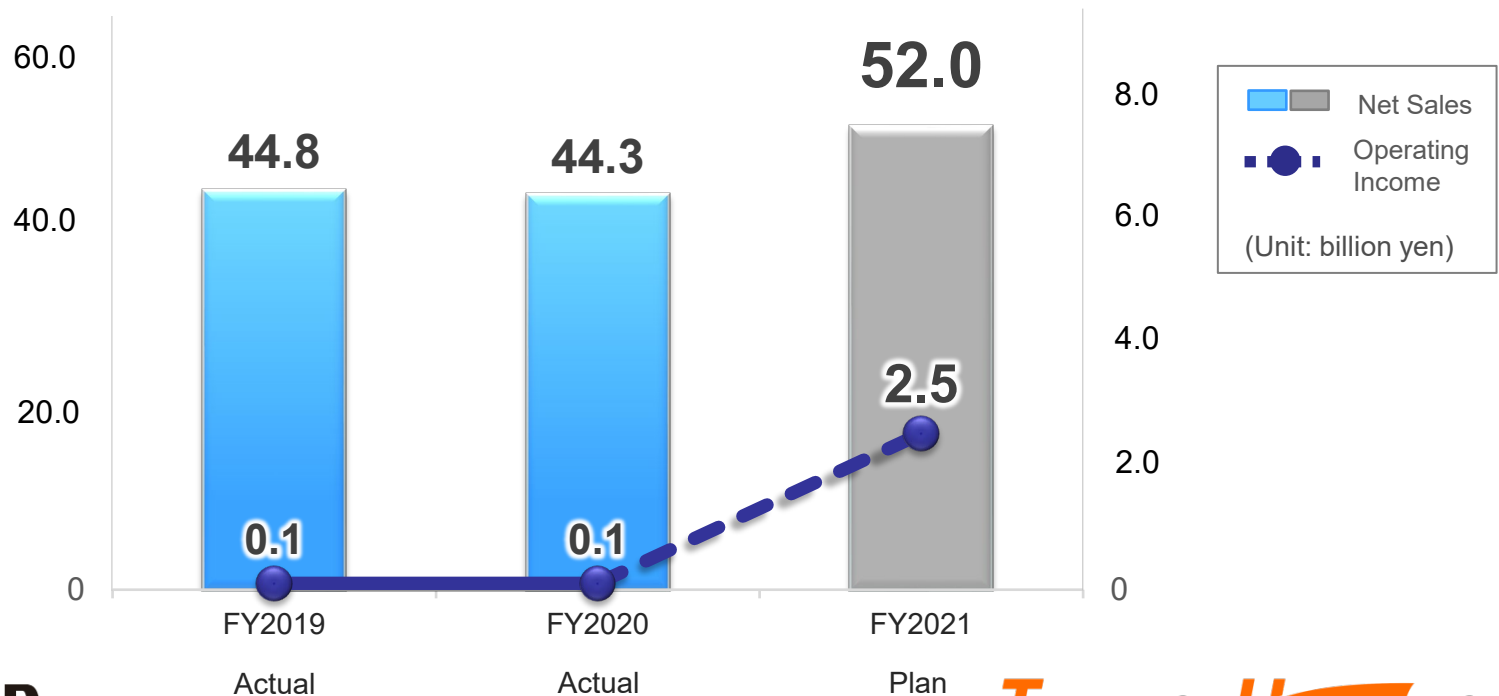
Located in headquarters:
Itabashi, Tokyo



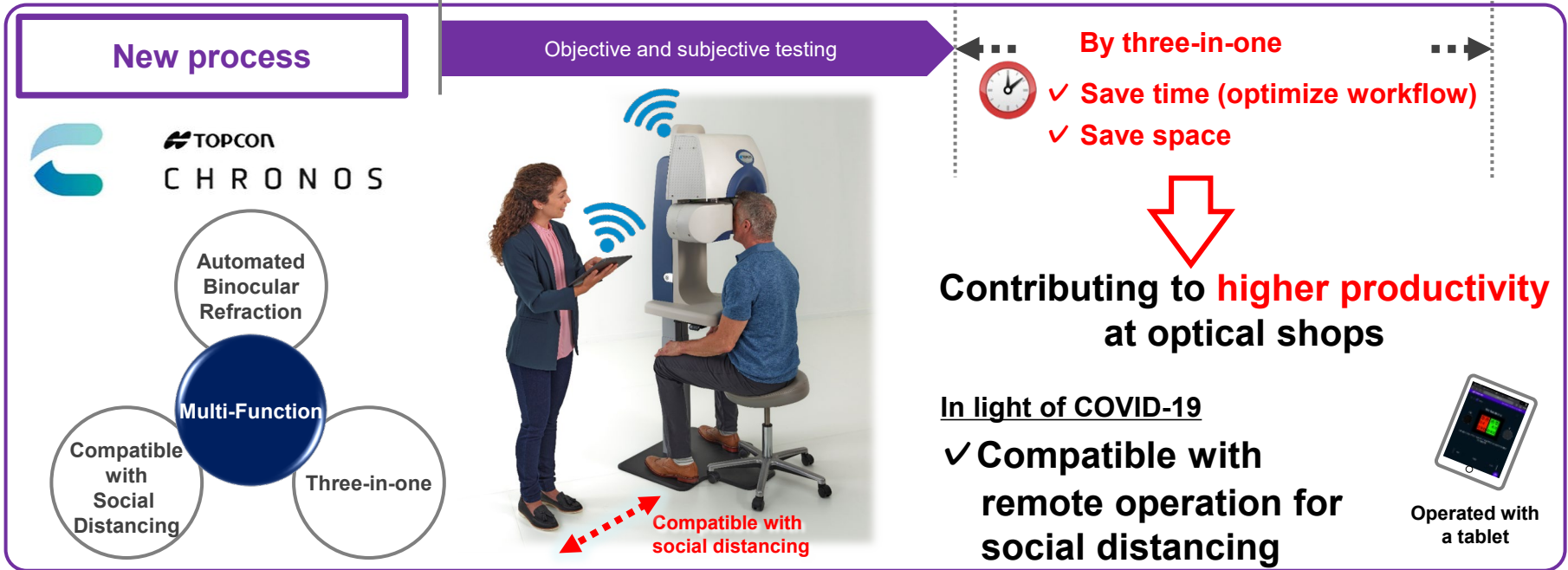
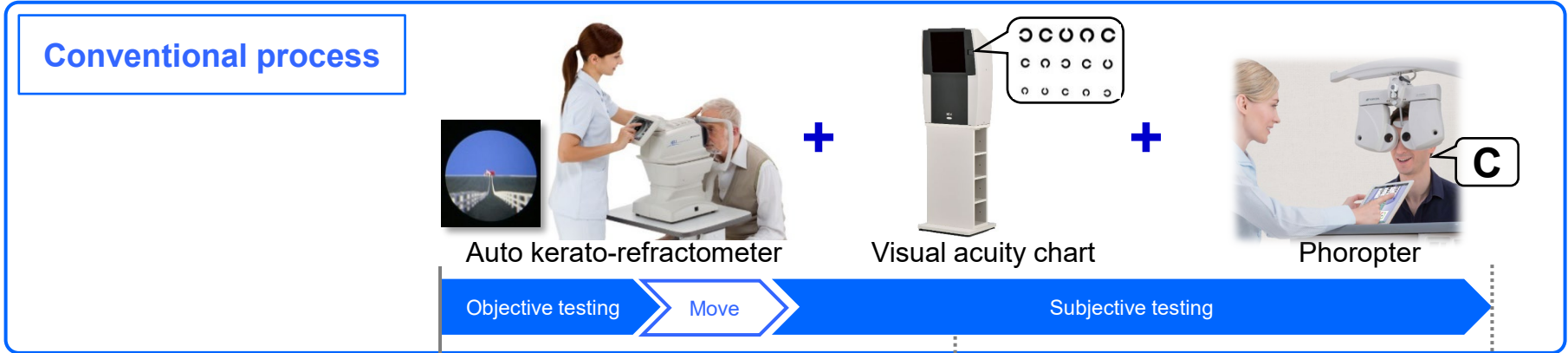
Seminars and events are held on regular basis
Visitors from 80 companies are expected in FY2021



- Sales expansion of new strategic product “Chronos”
- Expanding Screening Business with Maestro2 and NW400
- Some uncertainty in China despite uptrend in business activity
- Expanding impacts of component shortages, and surges of component and logistics costs



Improvement of the productivity by three-in-one technology



TOPCON
CHRONOS

Automated Binocular Refraction

Multi-Function

Compatible with Social Distancing

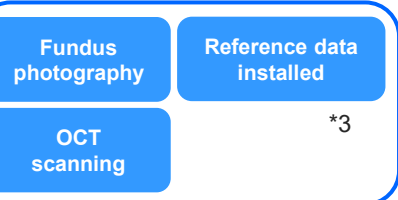
Three-in-one

Compatible with social distancing

Expanding Screening Business with Maestro2 and NW400

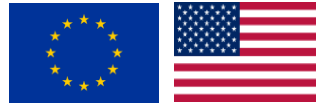
- Expanding markets in the focusing markets in the U.S., Europe, and China
- Growing sales despite unprecedented COVID-19 pandemic

Maestro2 ^{*1}



^{*3} Comparison with a database of healthy eyes enables physicians to support diagnosis

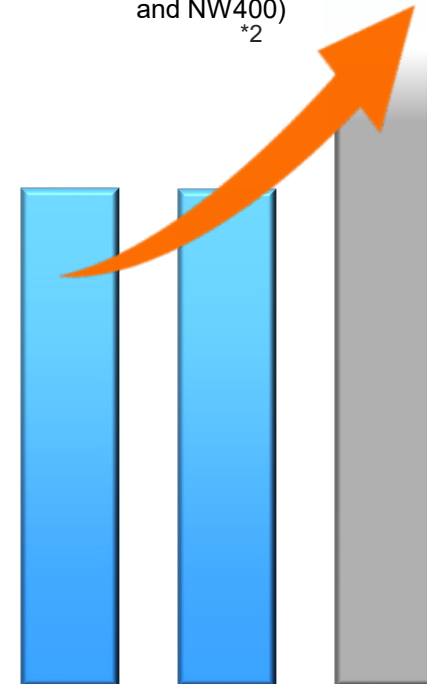
3DOCT-1Maestro2
3D OPTICAL COHERENCE TOMOGRAPHY



- Won the large orders from optical chain stores in Europe
- Resuming business talks with certain orders at shows in the U.S.

Sales of screening equipment

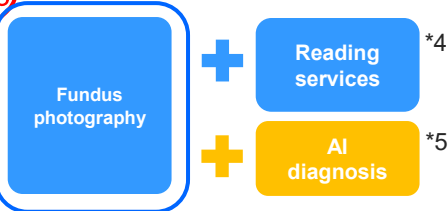
(Total global sales of Maestro1, 2 and NW400) ^{*1}
^{*2}



FY2019 Actual FY2020 Actual FY2021 Plan

^{*1} Product name :3D OPTICAL COHERENCE TOMOGRAPHY 3D OCT-1 (Type: Maestro2)
^{*2} Product name: NON-MYDRIATIC RETINAL CAMERA TRC-NW400

NW400 ^{*2}



^{*4} Diagnostic support services at reading centers, offered in the U.S. only as of now

^{*5} AI-based diagnostic services supported by AI companies

TRC-NW400

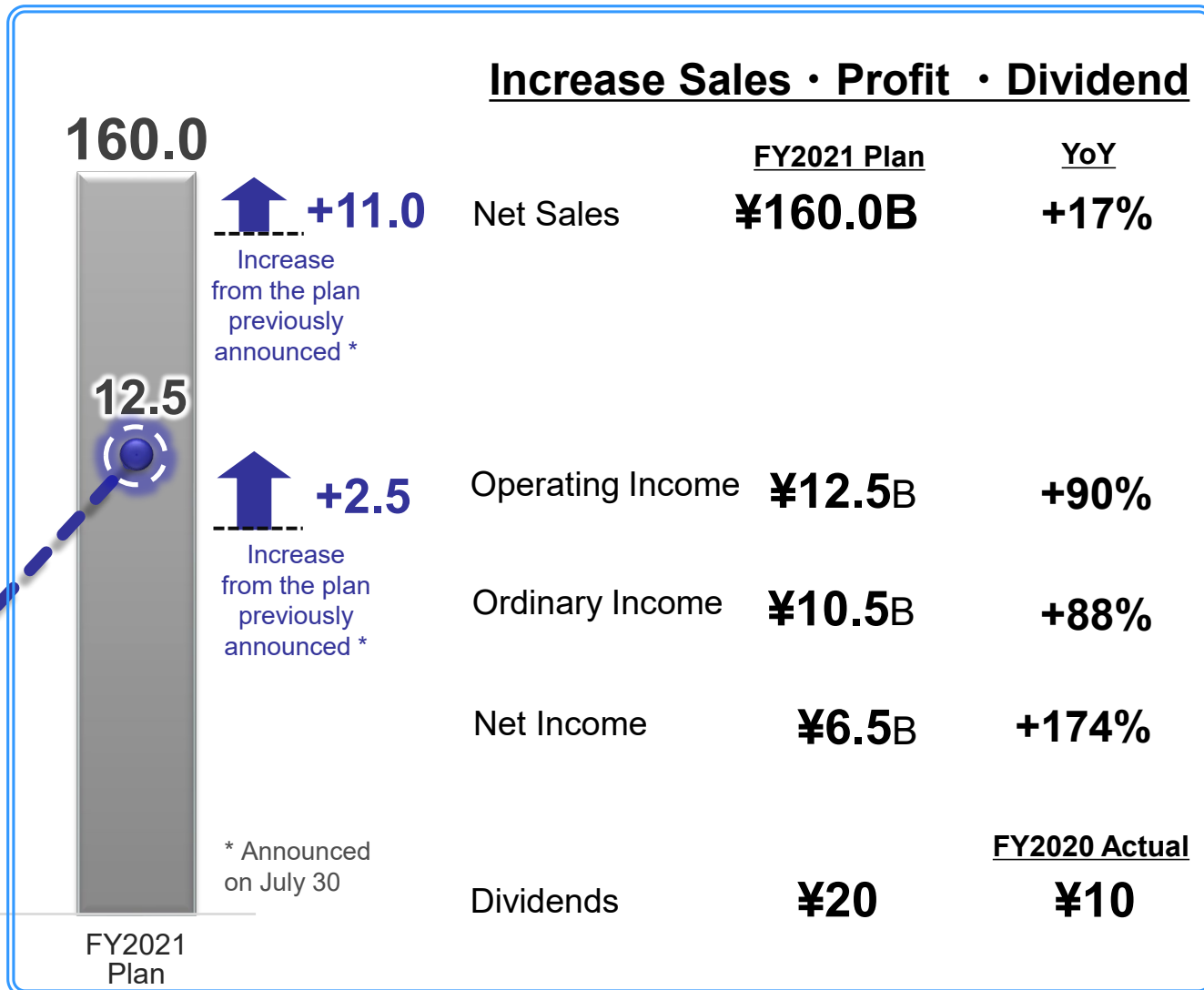
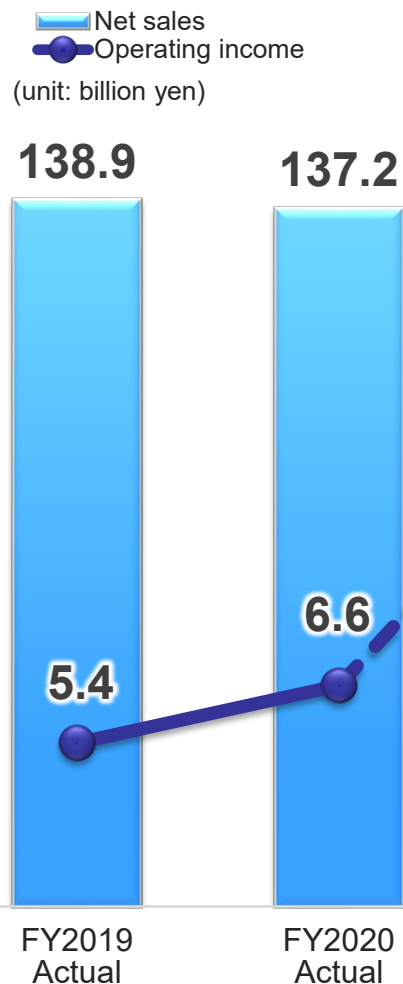


- Won the large orders from medical and health care group utilizing AI in China
- Won the large orders from optical chain stores in the U.S.

III. Summary

Summary

■ Upward revision: net sales 117% YoY, operating income **190%** YoY, net income **2.7 times** from FY2020



【Topcon Way】

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



IV. Appendix

Issuance of Topcon Report 2021

- We issued an integrated report with enhanced non-financial information in September
- Website: <https://global.topcon.com/invest/library/integration/>

Message from the CEO

A Venture Company with 89 Years of Tradition

— The History and Future of Creating New Markets —


Satoshi Hirano President & CEO

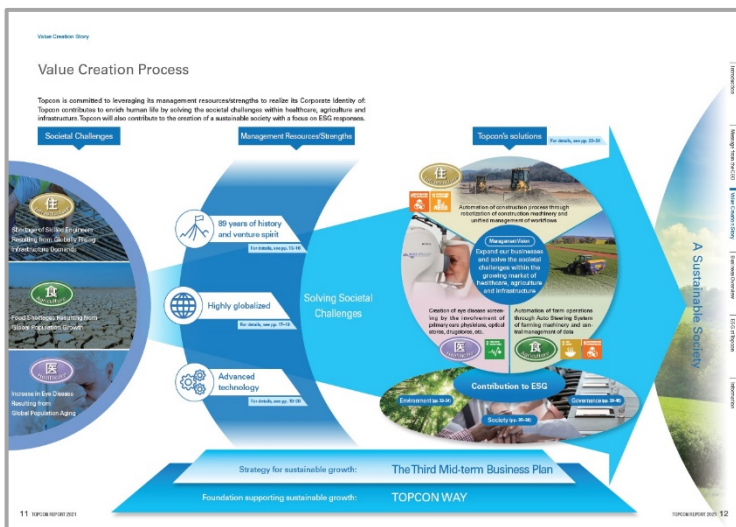
We offer our heartfelt sympathy to all those who have been affected by COVID-19, and would also like to express Topcon's sincere gratitude to the healthcare professionals working on the front lines of treatment and vaccination.

The impact of the COVID-19 pandemic placed significant restrictions on our business activities all over the world in FY2020. However, as we see a clear recovery trend, we are ready to take bold steps again toward the future. President Satoshi Hirano discusses herein the current situation and future of Topcon, as well as the history and the detailed background of our business in the domains of healthcare, agriculture and infrastructure.




Topcon Report 2021
Integrated Report





Interview with an Outside Director

The Future of Topcon through the Eyes of a Legend of the Manufacturing Industry



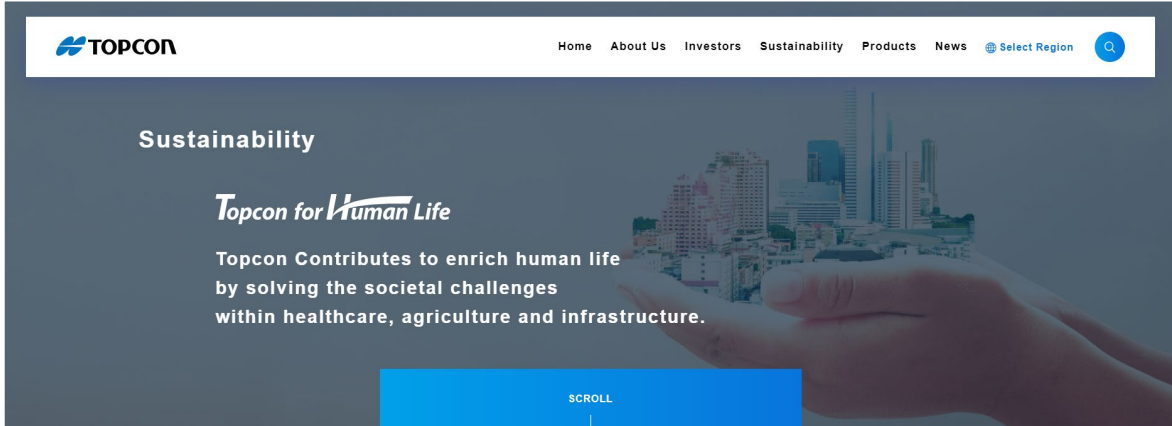
Yoshiharu Inaba Chairman (Representative Director) of FANUC CORPORATION, and Outside Director of TOPCON CORPORATION

Yoshiharu Inaba was born in 1946 in Ibaraki Prefecture. He graduated from the Department of Mechanical Engineering, School of Engineering, Tokyo Institute of Technology in 1973, and after working for Isuzu Motors, he joined FANUC in 1983. He created numerical control (NC) devices that improved the precision of machine tools and is still involved to this day in the development of a large number of industrial robots with an exceptionally large share of the global market. He became Senior Executive Vice President (Representative Director) at FANUC in 2001, President and CEO (Representative Director) in 2003, followed by Chairman (Representative Director) in 2019. In 2020, he assumed his current position of Outside Director at Topcon.

FANUC CORPORATION
It is a pioneering company in CNC of machine tools (Factory Automation) market. In the field of FA, it has high market share of more than 50% in both global and domestic markets. It has net sales of ¥513.3 billion and operating income of ¥112.5 billion (for the fiscal year ended March 31, 2021).

Launch of new sustainability web page

- We launched new sustainability pages illustrating the societal challenges we are tackling and our initiatives toward SDGs
 - Website: <https://global.topcon.com/sustainability/>

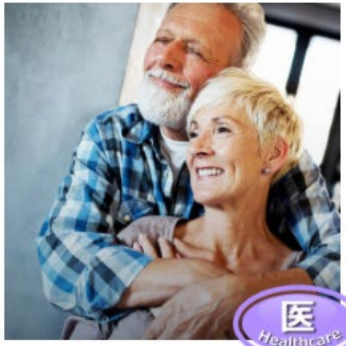


• Sustainability

Topcon's corporate identity is "Topcon contributes to enrich human life by solving the societal challenges within healthcare, agriculture and infrastructure".

Topcon operates businesses in the fields of healthcare, agriculture, and infrastructure, which are essential areas of life for people all over the world.

- SDGs
- Environmental initiatives
- Societal initiatives
- Corporate governance initiatives
- Social contribution activities
- News/Topics



Helping people live a healthy, comfortable life



Helping feed a growing world



Helping build a strong, sustainable future



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

住 Infrastructure

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

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

食 Agriculture

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

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.

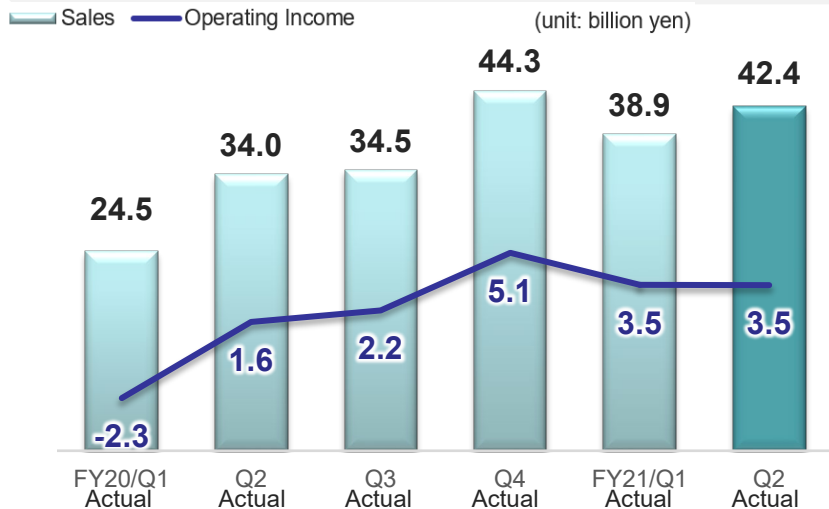
*3: Source: AEM "The Environmental Benefits of Precision Agriculture in the United States" (2020) <https://newsroom.aem.org/asset/977839/environmentalbenefitsofprecisionagriculture-2#.YBdQZR2Lc74.link>

*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.

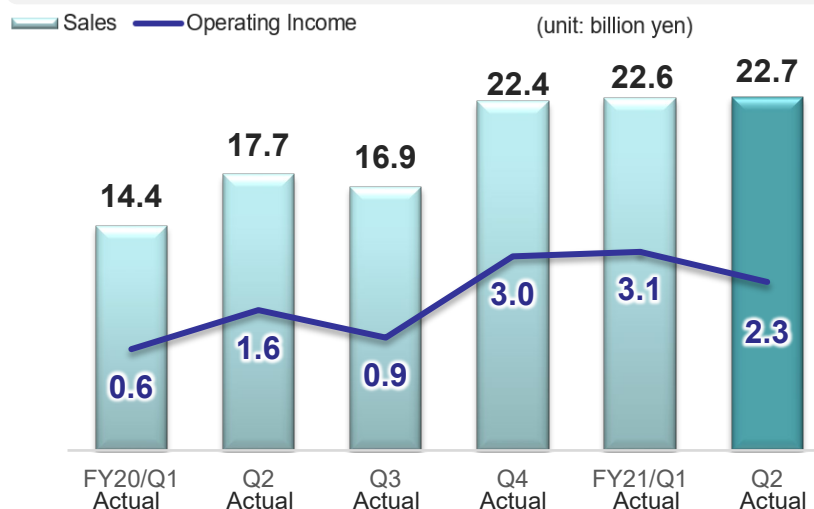
*i-Construction is a registered trademark of Ministry of Land, Infrastructure, Transport and Tourism's National Institute for Land and Technology Policy.

Financial Results (Quarterly)

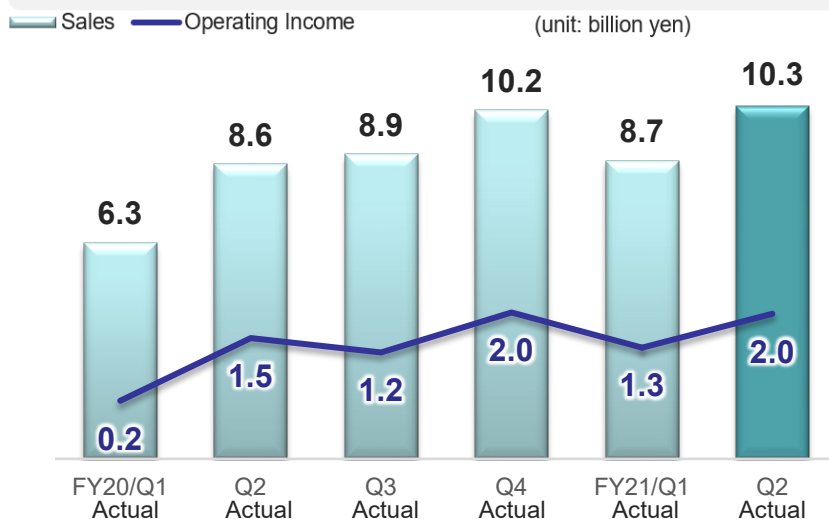
Consolidated



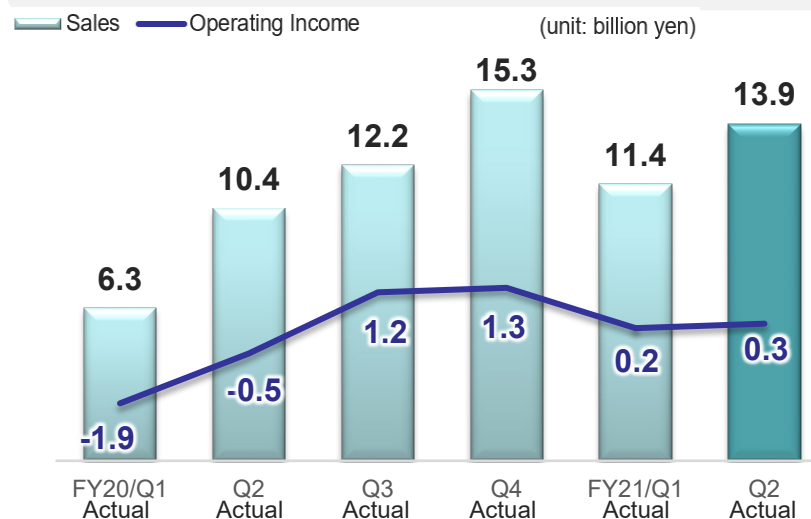
Positioning



Smart Infrastructure



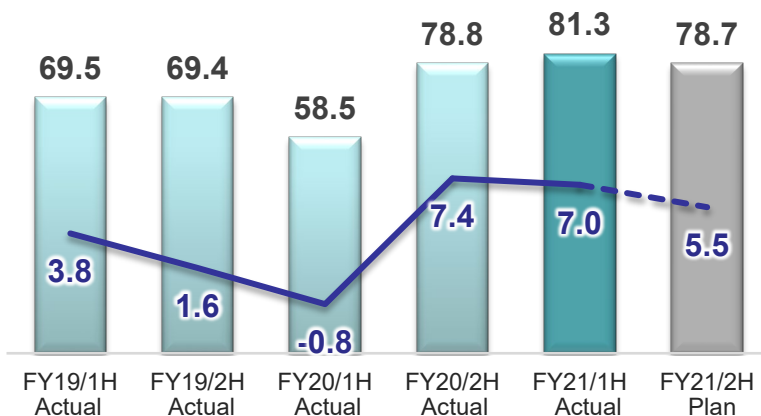
Eye Care



Financial Results and Plan (Semiannually)

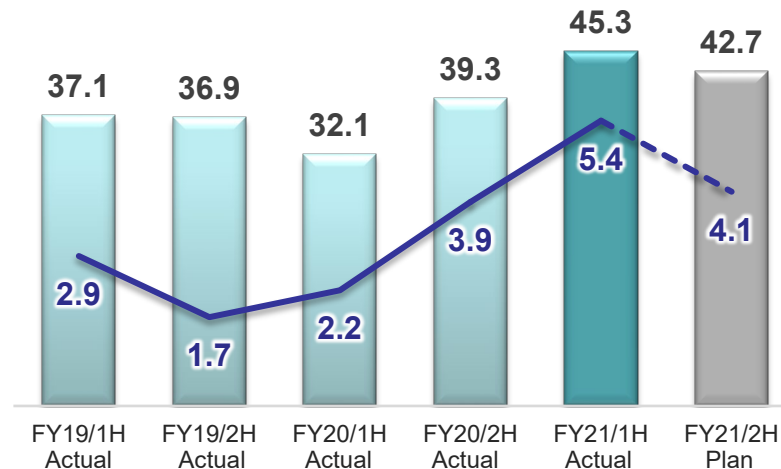
Consolidated

— Sales — Operating Income (unit: billion yen)



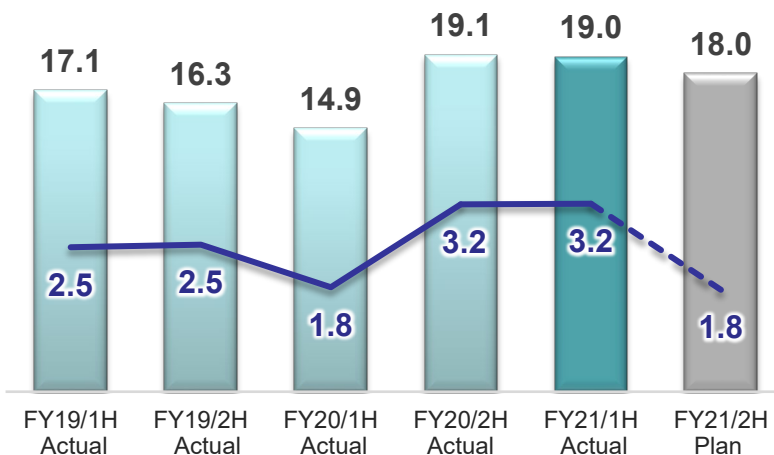
Positioning

— Sales — Operating Income (unit: billion yen)



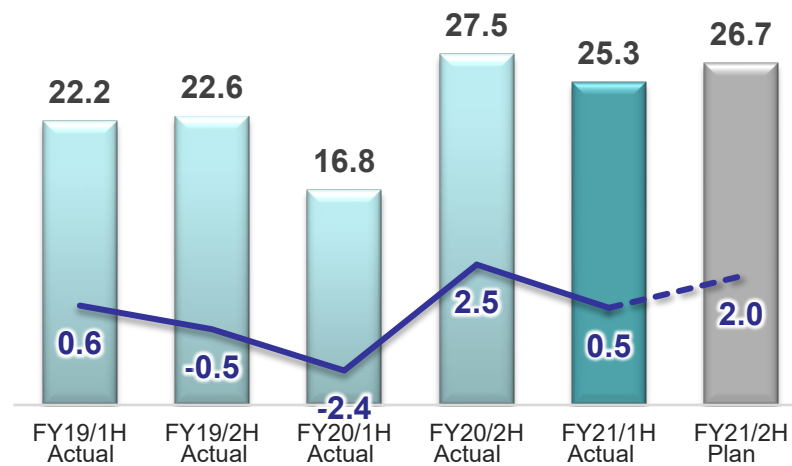
Smart Infrastructure

— Sales — Operating Income (unit: billion yen)



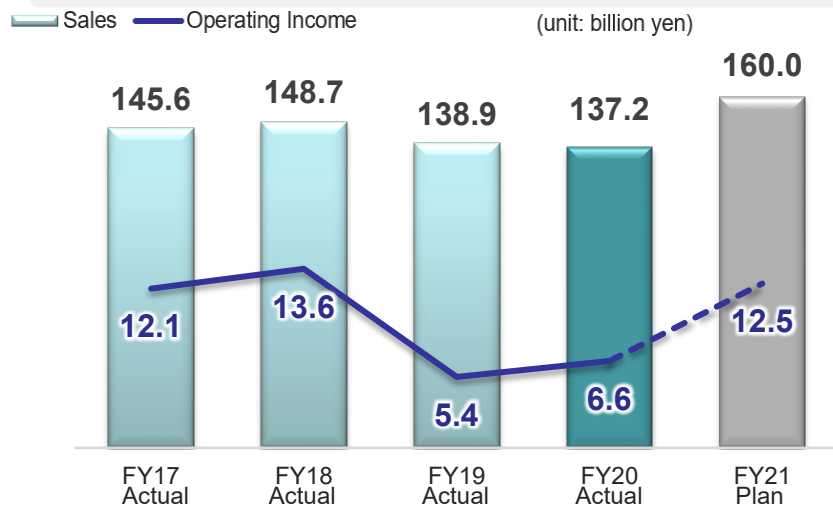
Eye Care

— Sales — Operating Income (unit: billion yen)

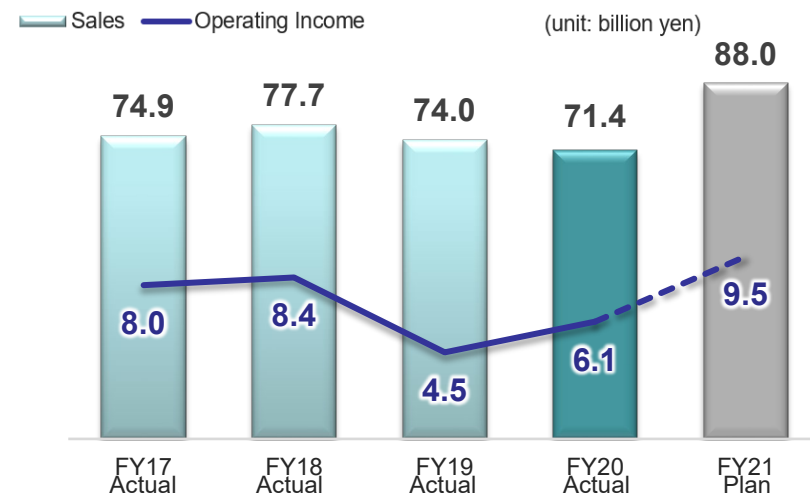


Financial Results and Plan (Annually)

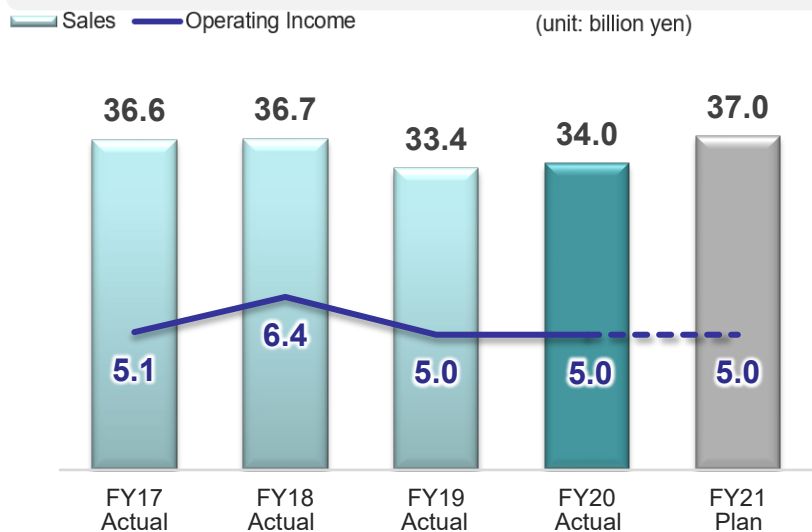
Consolidated



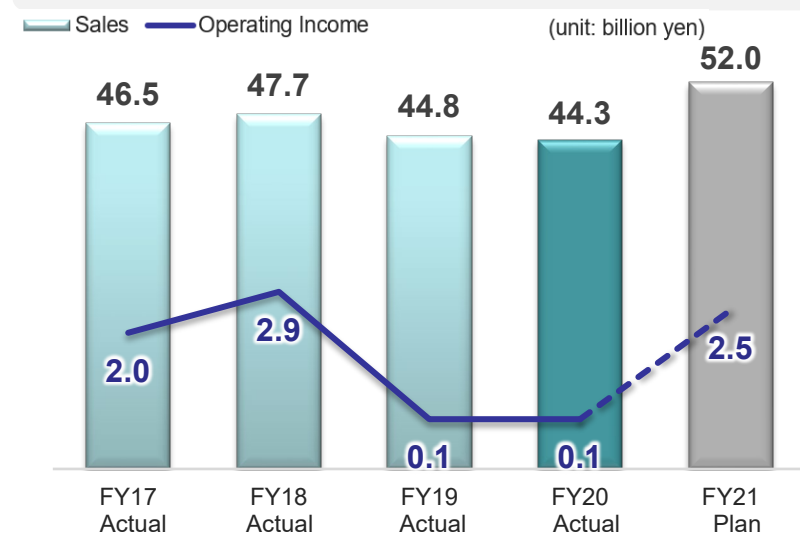
Positioning



Smart Infrastructure



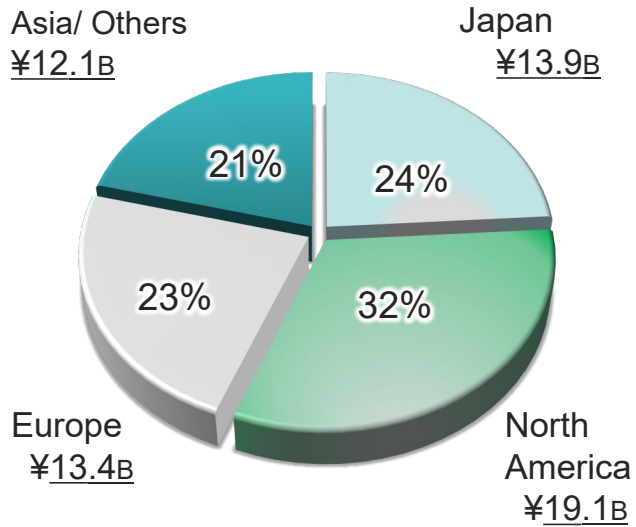
Eye Care



Sales by region

FY2020/1H

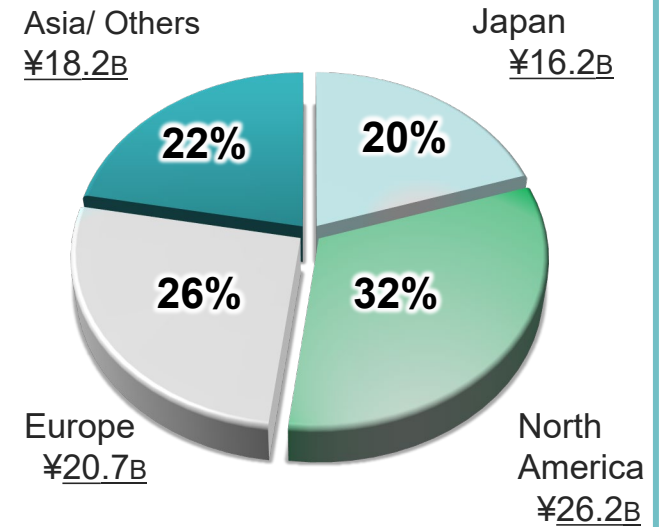
¥58.5B



YoY
+39%

FY2021/1H

¥81.3B

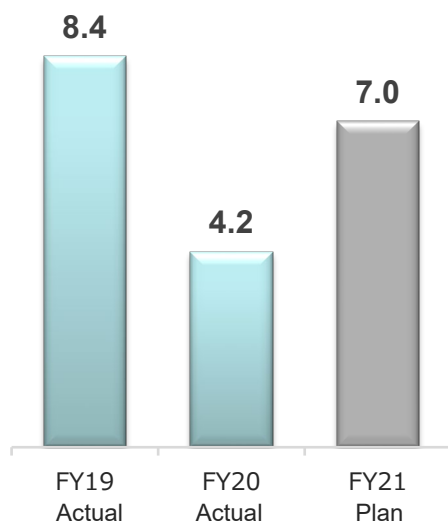


Capital Expenditure and R&D / Forex Sensitivity

Projections

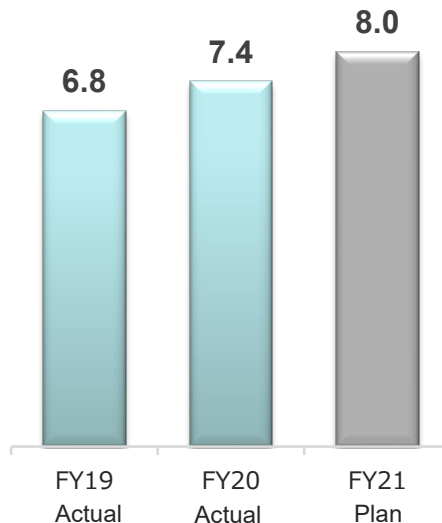
Capital Expenditure

(unit: billion yen)



Depreciation*

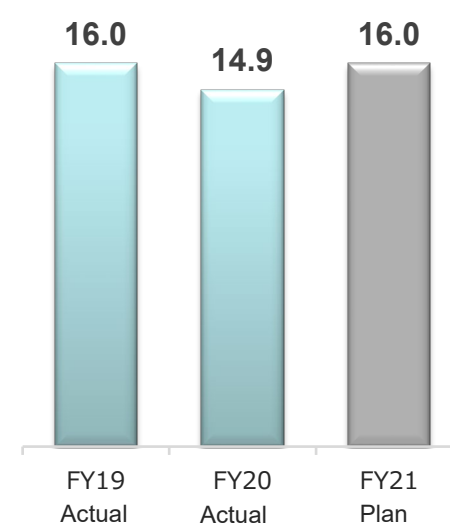
(unit: billion yen)



*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.

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