

# FY2019 2Q Financial Results

October 31, 2019  
TOPCON CORPORATION  
President & CEO  
Satoshi Hirano



# **FY2019 2Q Financial Results**

**I . FY2019 2Q Financial Results**

**II . FY2019 Full Year Plan**

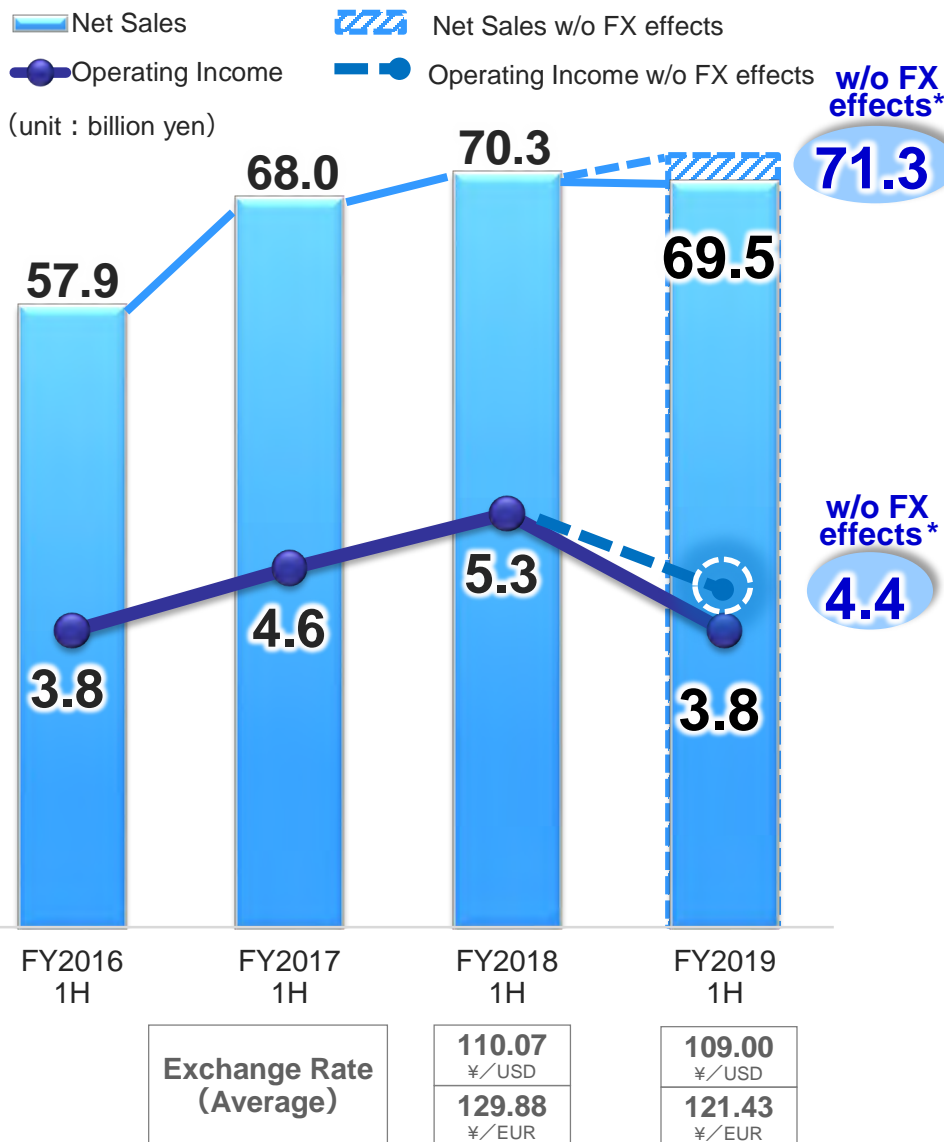
**III . Appendix**

# **I . FY2019 2Q Financial Results**

## **I - 1 . FY2019 2Q Financial Results**

## **I - 2 . Overview of Each Business**

# FY2019 1H Overview



**- Flat sales, decrease in profit**  
 Due to the macro environment and the FX effects

	YoY
Net Sales	¥69.5B (-1%)
Operating Income	¥3.8B (-28%)

**- Recovery trend in 2Q**  
 Sales increase and flat Operating Income w/o FX effects

(unit : billion yen)				
*w/o FX effects		FY2018	FY2019	YoY (%)
Net Sales	1Q	33.4	33.1	-0.3 (-1%)
	2Q	36.9	38.2	<b>+1.3 (+4%)</b>
Operating Income	1Q	1.9	1.2	-0.7 (-39%)
	2Q	3.4	3.2	<b>-0.2 (-5%)</b>

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

# FY2019 1H Financial Results [Consolidated]

(unit : million yen)

		FY2018	FY2019			
		1H Actual	1H Actual	YoY	%	w/o FX effects %
Net Sales		70,271	69,527	-744	-1%	71,289 +1%
Gross Profit (Gross Profit Ratio)		37,034 (52.7%)	36,972 (53.2%)	-62		
SGA		31,765	33,161	1,396		
Operating Income (Operating Income Ratio)		5,268 (7.5%)	3,810 (5.5%)	-1,458	-28%	4,355 (6.1%) -17%
Non-Operating Income (Expenses)		-526	-1,049	-523		
Ordinary Income		4,742	2,761	-1,981	-42%	3,738 -21%
Extraordinary Income (Loss)		-730	-555	175		
Income Before Income Taxes and Minority Interests		4,012	2,205	-1,807		
Net Income		2,146	895	-1,251	-58%	
Interim Dividends		¥12	¥14			
Exchange Rate	U S D	¥110.07	¥109.00	-¥1.07		
	E U R	¥129.88	¥121.43	-¥8.45		

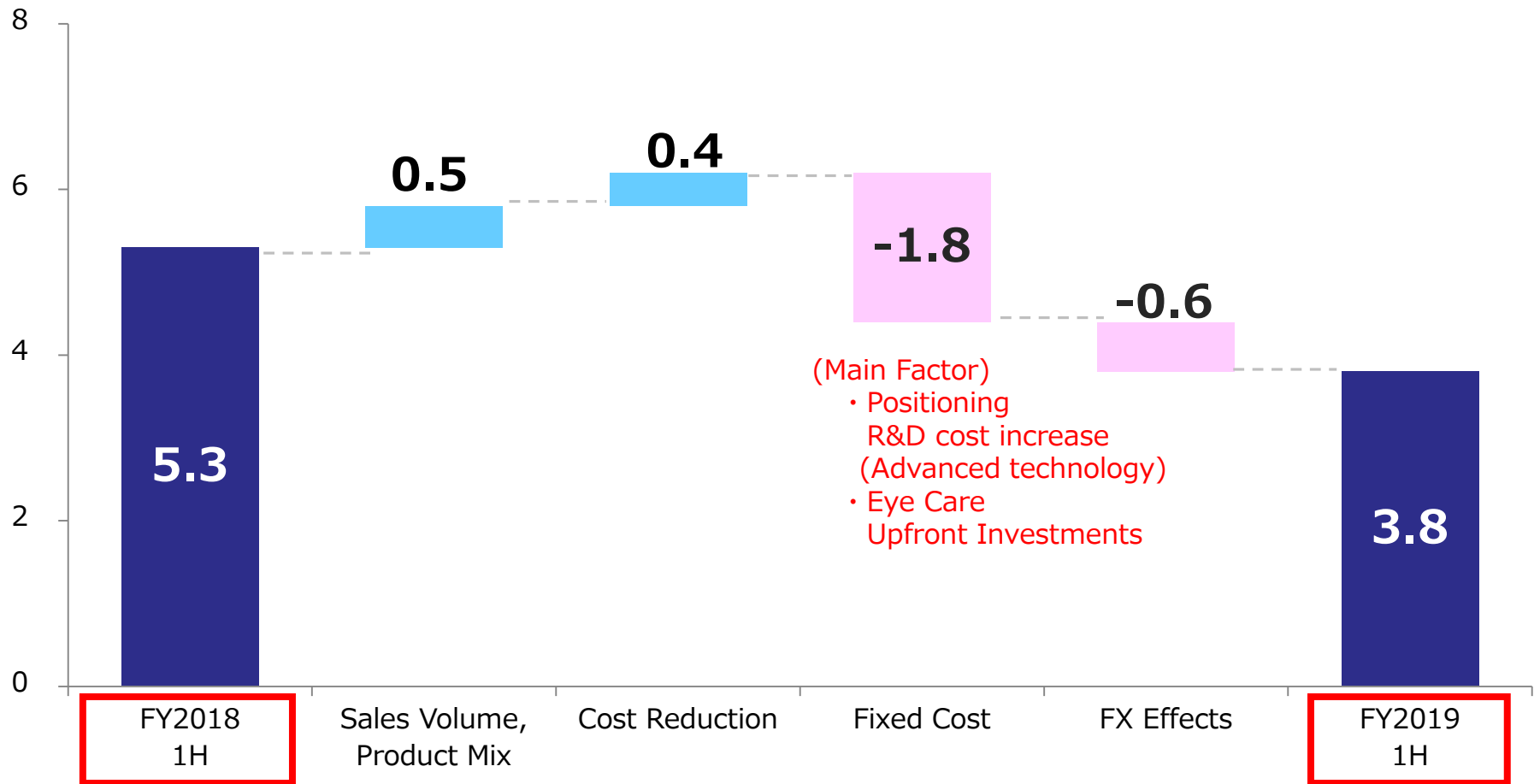
# FY2019 1H Financial Results by Business [Consolidated]

(unit : million yen)

		FY2018	FY2019				
		1H Actual	1H Actual	YoY	YoY%	w/o FX effects	%
Net Sales	Positioning	37,018	37,116	98	+0%	38,150	+3%
	Smart Infrastructure	18,207	17,057	-1,150	-6%	17,268	-5%
	Eye Care	21,828	22,202	374	+2%	22,733	+4%
	Others	934	686	-248	-27%		
	Elimination	-7,716	-7,535	181			
	Total	70,271	69,527	-744	-1%	71,289	+1%
Operating Income (Operating Income Ratio)	Positioning	3,740 (10.1%)	2,850 (7.7%)	-890	-24%	2,924 (7.7%)	-22%
	Smart Infrastructure	2,856 (15.7%)	2,492 (14.6%)	-364	-13%	2,621 (15.2%)	-8%
	Eye Care	636 (2.9%)	616 (2.8%)	-20	-3%	980 (4.3%)	+54%
	Others	-17 (-1.8%)	-62 (-9.0%)	-45	-		
	Elimination	-1,947	-2,086	-139			
	Total	5,268 (7.5%)	3,810 (5.5%)	-1,458	-28%	4,355 (6.1%)	-17%

# FY2019 1H Operating Income YoY Breakdown

(unit : billion yen)



# **I . FY2019 2Q Financial Results**

**I - 1 . FY2019 2Q Financial Results**

**I - 2 . Overview of Each Business**



**Sales increase**

**Profit decrease in spite of recovery trend in 2Q**

(unit: million yen)

		FY2018	FY2019			
		1H Actual	1H Actual	YoY	%	w/o FX effects %
Net Sales		37,018	<b>37,116</b>	98	+0%	38,150 +3%
Operating Income (Operating Income Ratio)		3,740 (10.1%)	<b>2,850 (7.7%)</b>	-890	-24%	2,924 (7.7%) -22%
Exchange Rate	USD	¥110.07	¥109.00	-¥1.07		
	EUR	¥129.88	¥121.43	-¥8.45		

## ■ Review of 1H Financial Results

- IT Construction : Solid sales in major markets (US, Europe and Japan)
- IT Agriculture : Flat sales of OEM and continuous sluggish trend in after market
- Continue upfront investments

### Sales and profit decrease in spite of recovery trend in 2Q

(unit: million yen)

		FY2018	FY2019			
		1H Actual	1H Actual	YoY	%	w/o FX effects %
Net Sales		18,207	<b>17,057</b>	-1,150	-6%	17,268 -5%
Operating Income		2,856	<b>2,492</b>	-364	-13%	2,621 -8%
(Operating Income Ratio)		(15.7%)	<b>(14.6%)</b>			(15.2%)
Exchange Rate	USD	¥110.07	¥109.00	-¥1.07		
	EUR	¥129.88	¥121.43	-¥8.45		

### ■ Review of 1H Financial Results

- Sales growth thanks to favorable Construction market in Japan including i-Construction
- Sales growth of IT Agriculture
- Prolonged decreasing demand in China and Southeast Asian market

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

## Sales growth and strong profit in spite of negative FX effect

(unit: million yen)

		FY2018	FY2019			
		1H Actual	1H Actual	YoY	%	w/o FX effects %
Net Sales		21,828	<b>22,202</b>	374	+2%	22,733 +4%
Operating Income (Operating Income Ratio)		636 (2.9%)	<b>616</b> <b>(2.8%)</b>	-20	-3%	980 (4.3%) <b>+54%</b>
Exchange Rate	USD	¥110.07	¥109.00	-¥1.07		
	EUR	¥129.88	¥121.43	-¥8.45		

## ■ Review of 1H Financial Results

- Sales growth of Screening Business
- Sales growth in China
- Significant profit growth w/o FX effects
- Expand upfront investments

# **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

Revision of Full Year Plan taking into account the following factors comprehensively

- ① Review of exchange rate assumptions (from 3Q ¥120/EUR)
- ② Concern about slowdown of sales due to prolonged trade friction between US and China (Positioning / Smart Infrastructure)
- ③ Expanding Screening Business (Eye Care)
- ④ Improvement of management efficiency by reducing SG&A expenses
- ⑤ Investment effect (new product release and OEM expansion)

## Revised Plan

		Before (Announced on July 31th)	<b>New</b> (Announced on October 31th)	Change	Change%
Net Sales		¥154.0B	<b>¥150.0B</b>	-¥4.0B	-3%
Operating Income		¥14.5B	<b>¥12.5B</b>	-¥2.0B	-14%
Net Income		¥8.0B	<b>¥6.0B</b>	-¥2.0B	-25%
Dividends		¥28	<b>¥28</b>	No change	
Exchange Rate	USD	¥110	<b>¥110</b>	-	
	EUR	¥125	<b>¥120</b>	↗ ¥5	

# FY2019 Full Year Plan [Consolidated]

(unit : million yen)

		FY2018		FY2019			
		1H Actual	Full Year Actual	1H Actual	Full Year Plan	YoY (%)	Announced on July 31 <sup>st</sup>
Net Sales		70,271	148,688	69,527	150,000	+1%	154,000
Operating Income (Operating Income Ratio)		5,268 (7.5%)	13,596 (9.1%)	3,810 (5.5%)	12,500 (8.3%)	-8%	14,500 (9.4%)
Ordinary Income		4,742	11,497	2,761	10,500	-9%	12,500
Net Income		2,146	6,548	895	6,000	-8%	8,000
ROE			9.8%		9%		11%
Dividends		¥12	¥24	¥14	¥28		28円
Payout Ratio			39%		49%		37%
Exchange Rate	USD	¥110.07	¥110.69	¥109.00	(Assumed FX rate)	¥110	¥110
(Average)	EUR	¥129.88	¥128.43	¥121.43		¥120	¥125

# FY2019 Full Year Plan by Business [Consolidated]

(unit : million yen)

		FY2018		FY2019			
		1H Actual	Full Year Actual	1H Actual	Full Year Plan	YoY (%)	Announced on July 31 <sup>st</sup>
Net Sales	Positioning	37,018	77,722	37,116	76,500	-2%	79,000
	Smart Infrastructure	18,207	36,744	17,057	36,000	-2%	38,500
	Eye Care	21,828	47,713	22,202	51,000	+7%	51,000
	Others	934	1,698	686	1,500	-12%	1,500
	Elimination	-7,716	-15,190	-7,535	-15,000		-16,000
	Total	70,271	148,688	69,527	150,000	+1%	154,000
Operating Income (Operating Income Ratio)	Positioning	3,740 (10.1%)	8,358 (10.8%)	2,850 (7.7%)	7,500 (9.8%)	-10%	8,500 (10.8%)
	Smart Infrastructure	2,856 (15.7%)	6,393 (17.4%)	2,492 (14.6%)	5,600 (15.6%)	-12%	6,600 (17.1%)
	Eye Care	636 (2.9%)	2,896 (6.1%)	616 (2.8%)	3,400 (6.7%)	+17%	3,400 (6.7%)
	Others	-17 (-1.8%)	-65 (-3.8%)	-62 (-9.0%)	0 (0.0%)	-	0 (0.0%)
	Elimination	-1,947	-3,986	-2,086	-4,000		-4,000
	Total	5,268 (7.5%)	13,596 (9.1%)	3,810 (5.5%)	12,500 (8.3%)	-8%	14,500 (9.4%)

# **Ⅱ . FY2019 Full Year Plan**

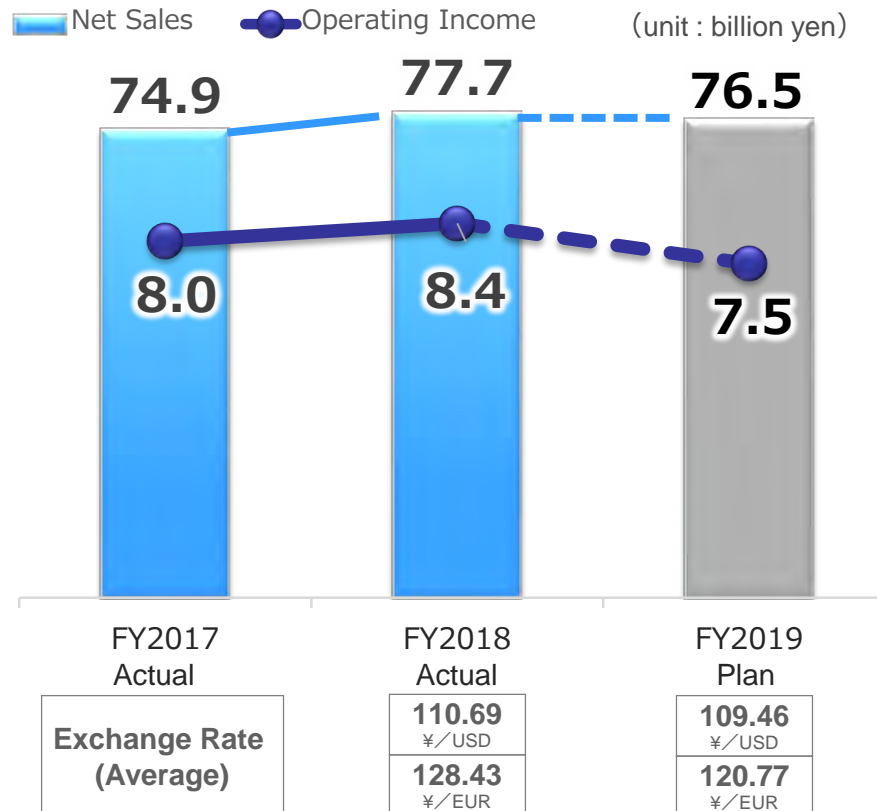
Ⅱ -1. FY2019 Full Year Plan

**Ⅱ -2. Strategic Plans**

Ⅱ -3. Summary



- IT Construction : Sales growth by new products launch
- IT Agriculture : Rush of new products launch even under the market headwinds
- Improving management efficiency
- Established new JV with Bentley Systems Inc. in the US



### Rush of New Products Launch

#### ■ Plan to launch 15-20 models

(next 6 months)



- Aggressive sales promotion at the largest construction exhibition in the US
- New OEM products will also be launched in 3-5 models
- Excavator machine control system (launched in 1H) is expected to contribute to sales in 2H



#### ConExpo

the largest construction exhibition in the US (every 3 years)

Held in March 2020

Visitors : **130,000** (expected)

Participants : **2,800 companies** (expected)

Venue : Las Vegas (US)

#### Sales of IT Construction

(unit : sales)

Expect new products sales increase!



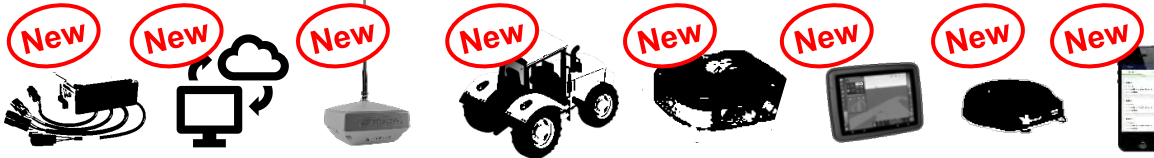
FY2018  
Actual



FY2019  
Plan

### Rush of New Products Launch

- Plan to launch 10 models
- Presented at the world's largest agricultural machinery exhibition



New  
Products  
Release

**AGRI  
TECHNICA**  
THE WORLD'S NO. 1

### Agritechnica

The world's largest agricultural machinery exhibition (every 2 years)

Held in November, 2019

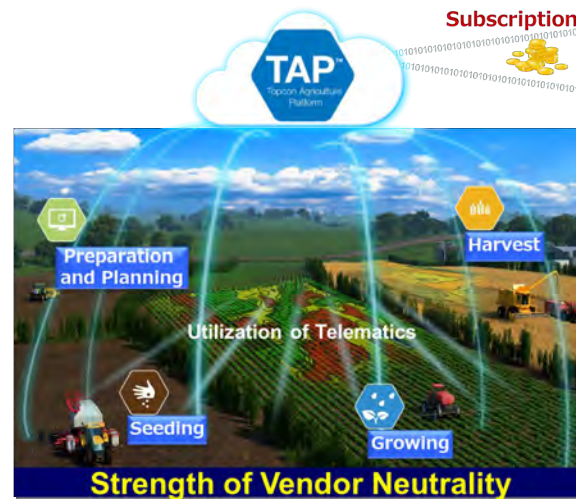
Visitors : **500,000** (expected)

Participants : **3,000 companies** (expected)

Venue : Hannover, Germany

### IoT Platform business Full-scale launch

Cloud-based Agricultural management IoT solution started a full-scale!



Subscription Model



Digitize all farm data, improve quality and maximize efficiency

Automation of agricultural machinery

- + Diagnose
- + Predict
- + Prescribe
- + Progress Management



### Strategy

Under the uncertain business environment, while making efforts to expand sales by utilizing our unique technology, we aim to improve management efficiency by focusing on the following measures

- ① Strengthen SG&A expenses control
- ② Reduction in production cost



**Aim to further improvement of management efficiency!**

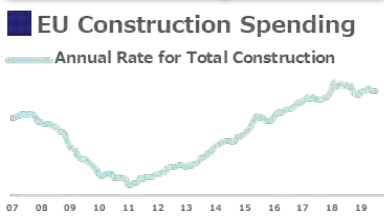
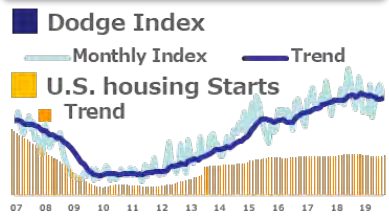
### Reference : macro environment

**Construction market**  
Generally firm, but a slightly decelerating trend

**Agricultural market**  
Continue to be tough situations in both Europe and the US

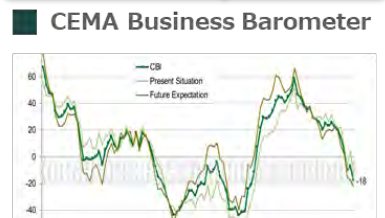
**US**

**Europe**



**US**

**Europe**



## Accelerating the spread of IT Construction!

### JV Overview

- Company name : **Digital Construction Works Inc.**
- Business Activity : Consulting service and software sales

### Aim of incorporation

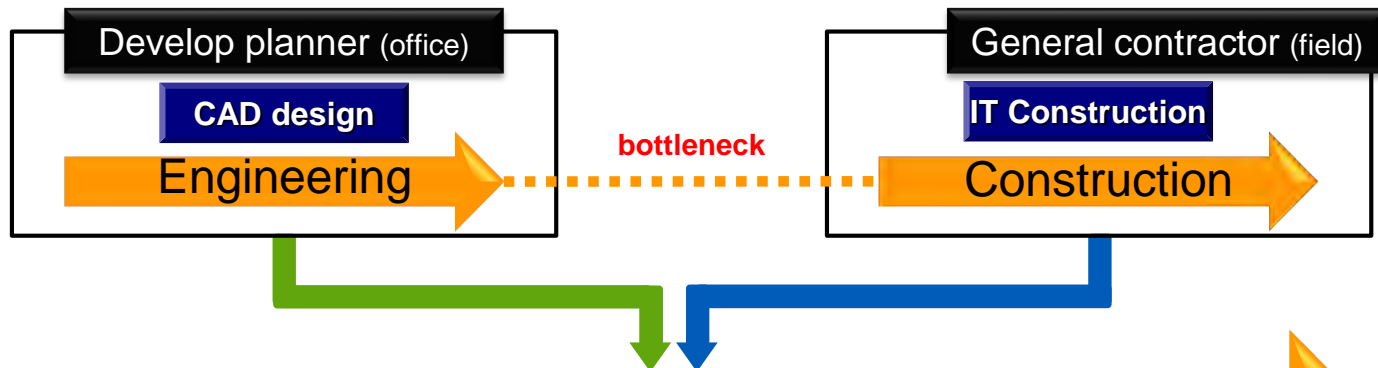
Promotion of the spread of IT construction under a new workflow  
**"Constructioneering"** that **seamlessly** connects  
 Engineering flow and Construction flow

Reference  
URL



### Current

Workflow

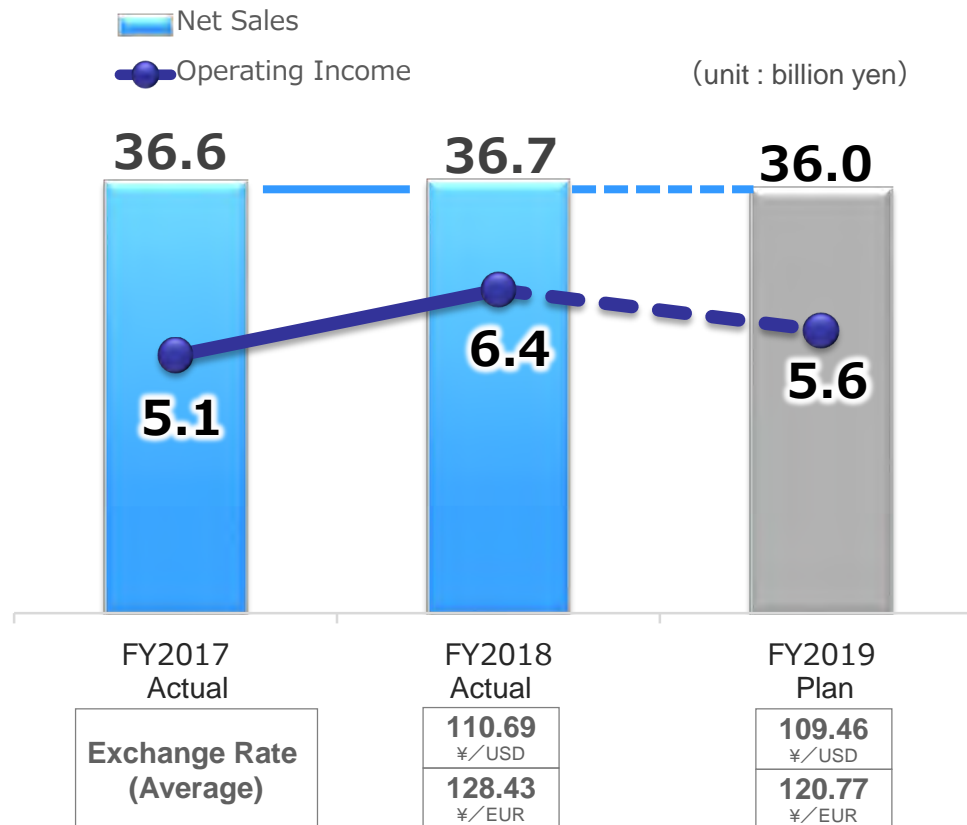


### New Workflow

### Vision



- Acceleration of i-Construction sales
  - Significant increase of small-scale i-Construction works
  - Supporting the spread of i-Construction through the launch of innovative new products
- Strategic move for IT Agriculture business in Asia



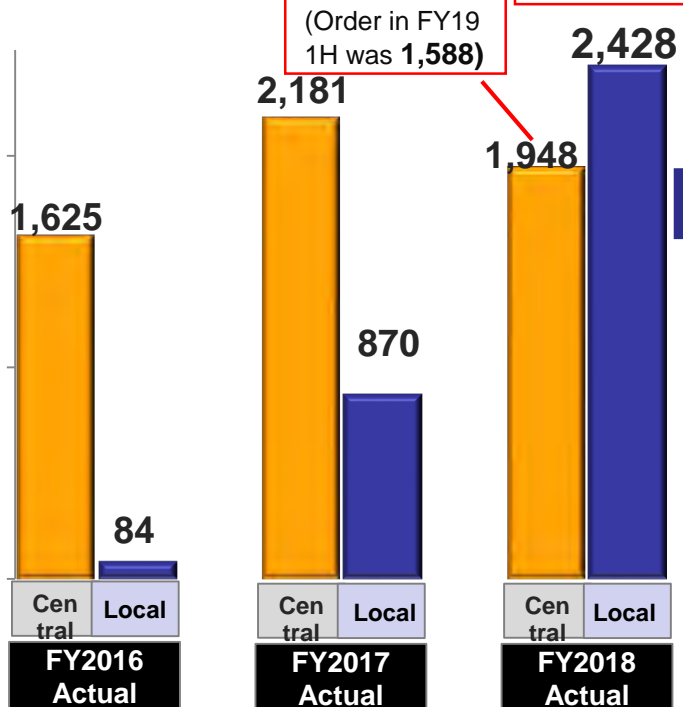
\*\*\*i-Construction\*\* is a registered trademark of National Institute for Land and Infrastructure Management, MLIT, Japan.



### Market condition

- Increasing of i-Construction works ordered by local government on top of the works ordered by central government

#### i-Construction number of order

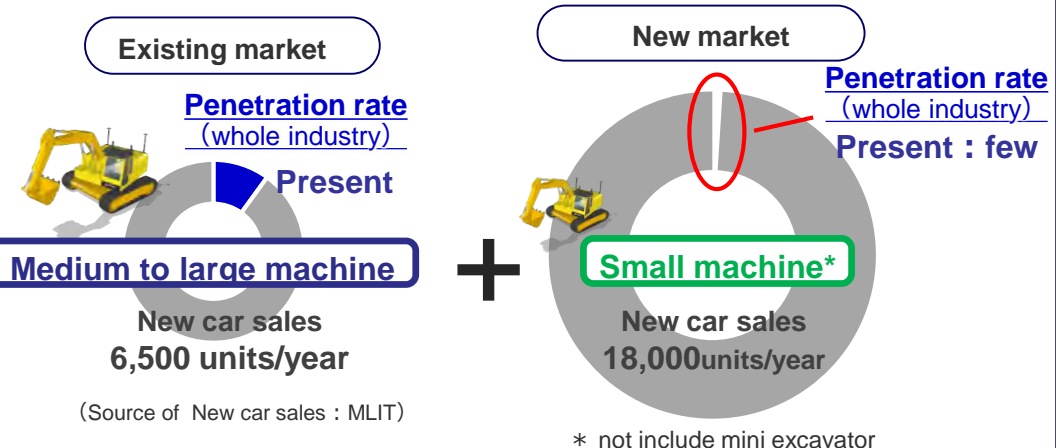


(Source : MLIT, "ICT utilization status in construction")

### Significant increase of small-scale i-Construction works

Conventionally, ICT is mainly used for medium and large size excavator

Creating demands for automatic systems for small size excavators suitable for small-scale works



#### sales expansion measures

To expand sales of retrofit automatic excavator systems

- Utilizing sales channels of construction machinery manufacturers
- Further utilization of our training centers (4 locations in Japan)

### Supporting the spread of i-Construction through the launch of innovative new products

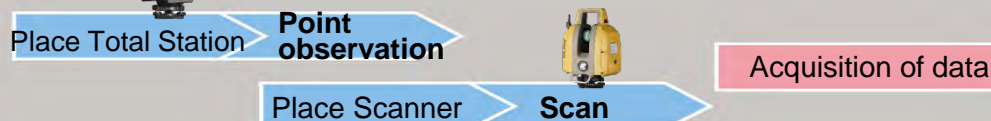
#### ■ Realization of efficiency by quick 3D data acquisition

Total Station + 3D Laser Scanner 1 unit 2 roles!

world's first

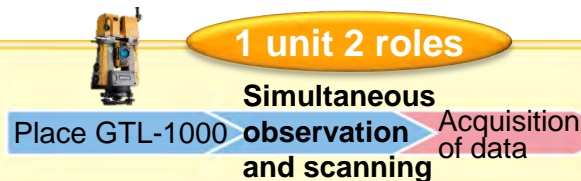


#### Conventional process



New

#### New process



1 unit 2 roles

**Dramatically shorten the work process!**

#### ■ Contributes to improve construction productivity!

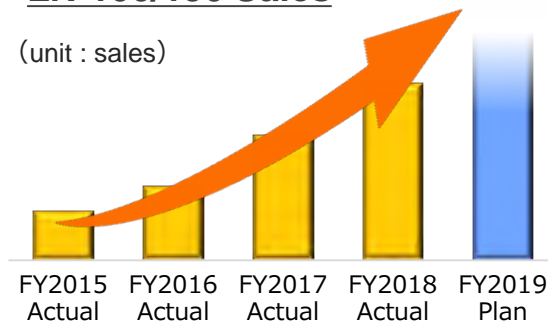
3D point navigator LN150 will be released! **New**



Successor to the best-selling LN-100

#### LN-100/150 Sales

(unit : sales)



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



(Release dates : Oct 16<sup>th</sup>, 2019)

## Concluded MOU with Thai Ministry of Agriculture and Cooperatives for smart agriculture demonstration experiment

### ■ Supporting national agricultural policy

Participated in the smart agriculture promotion plan based on the national project "Thailand 4.0" \*

Ministry of Agriculture  
And Cooperatives in Thailand



Left: Mr. Anan Suwannarat  
Permanent Secretary of the Ministry of  
Agriculture and Cooperatives  
Right : Mr. Arata Kimura  
Deputy General Manager of  
Smart Infrastructure Business Div.



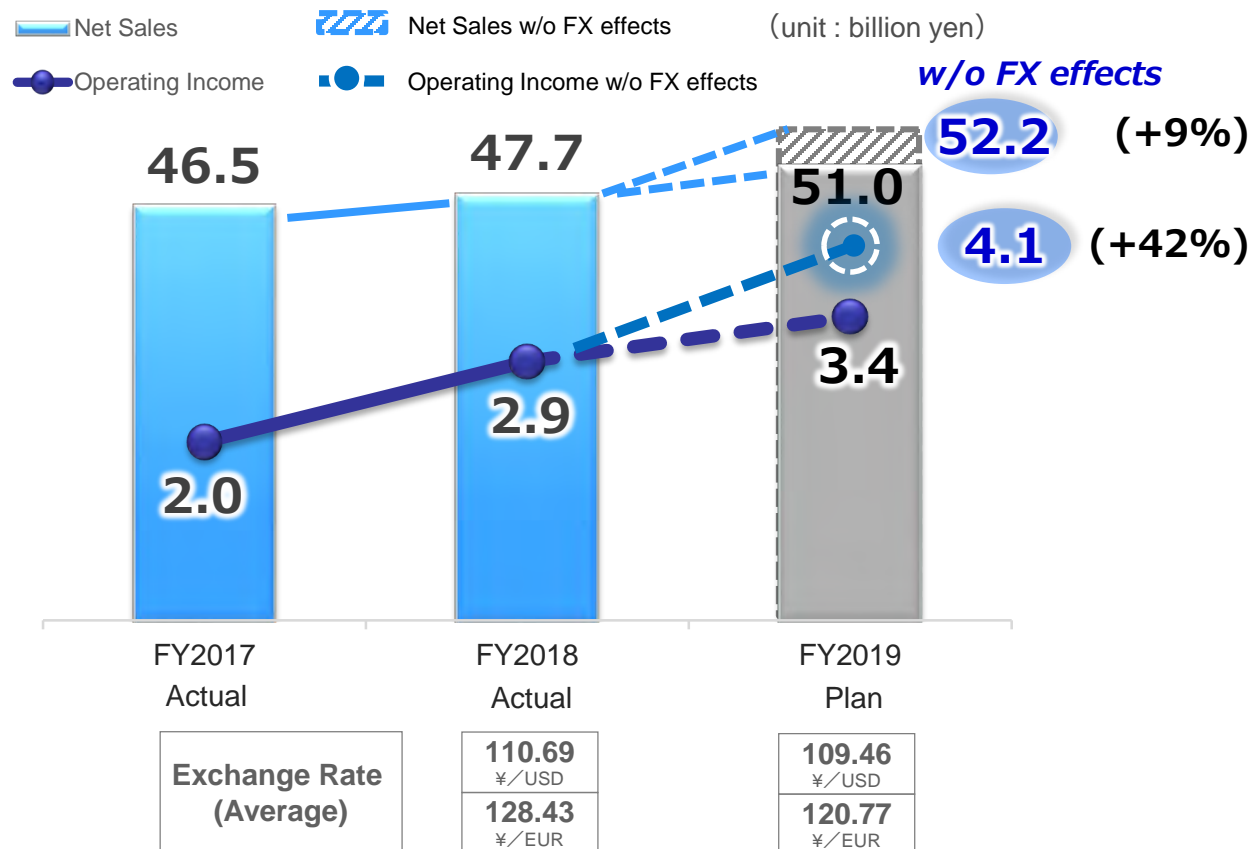
### ■ Purpose of demonstration experiment

<Challenges of the Ministry of Agriculture>  
**Productivity and quality are lower** than  
other ASEAN countries, though agriculture  
is a major industry.

Verification of the effect of  
introducing our IT Agriculture  
solution through demonstration  
experiments

\*Thailand 4.0: Vision to shift Thailand to an added value creation society by accelerating the digitization of economic society  
Name of long-term economic development plan

- Expansion of Screening Business
- Expansion of business in China
- 3D OCT : Strong sales in the world's largest US market



## OCT deployed in the US Optical chain store

### Received a large order of Maestro2!

Following Specsavers (Australia),  
 a large order from major US optical chain store!

Fully automatic

Easy operation with less expertise



Golden Maestro  
 Commemorative model  
 for sales of 10,000 units

### The US Eyeglass Store Sales Ranking 2018

Rank	Retailer	Sales (\$ Millions)	Stores
1	Vision Source L.P.	2,840	3,279
2	Luxottica Retail	2,470	2,187
3	Walmart Inc.	1,762	3,403
4	National Vision Holdings, Inc	1,537	1,082
5	Costco Wholesale	1,130	509
6	Visionworks of America, Inc.	947	727
⋮	⋮	⋮	⋮
50	⋮	⋮	⋮
Total		\$14,361 Millions	14,690 Stores

(Source: 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' case :  (Optical chain store with 1,600 stores in 10 countries)

Year 2017 - 2019 Specsavers deployed 350units of Maestro

Effect **Early detection**

Glaucoma Detection Rate : 8%

Approximately 10,000 people were detected as suspicious patient of Glaucoma out from 125,000 people screening (yearly)

### Demand for Eye Screening is increasing in China

#### ■ Major search engine Baidu deployed NW400 for their AI automatic diagnosis system

(Providing ophthalmic screening services in poor areas through the Red Cross)

Major search engine Baidu started  
**AI ophthalmic screening** services



Fundus photography  
with **Topcon NW400**



[Reference URL]

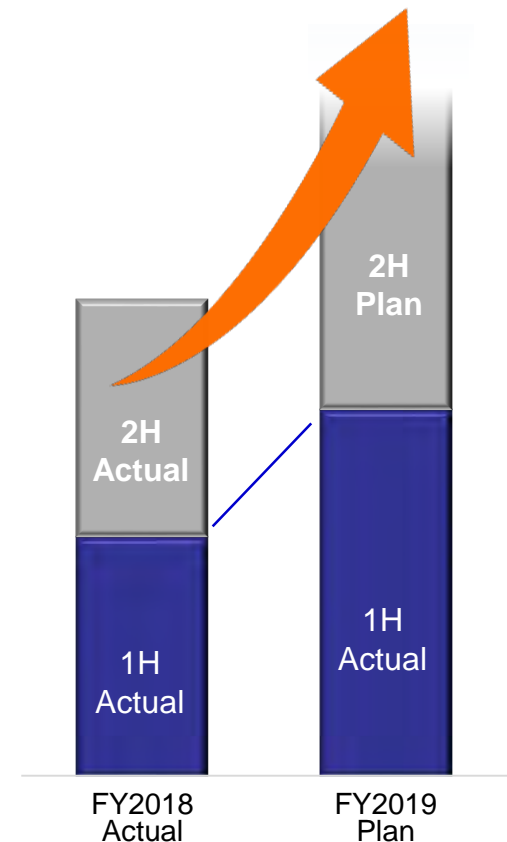
<http://www.fonow.com/view/224661.html>

**Expectation of sales expansion**  
for Screening business



### Sales to China market

(unit: sales)





### ■ Sales Record in the World largest optical exhibition

YoY1.6 times (Maestro)

Vision Expo West  
September, Las Vegas



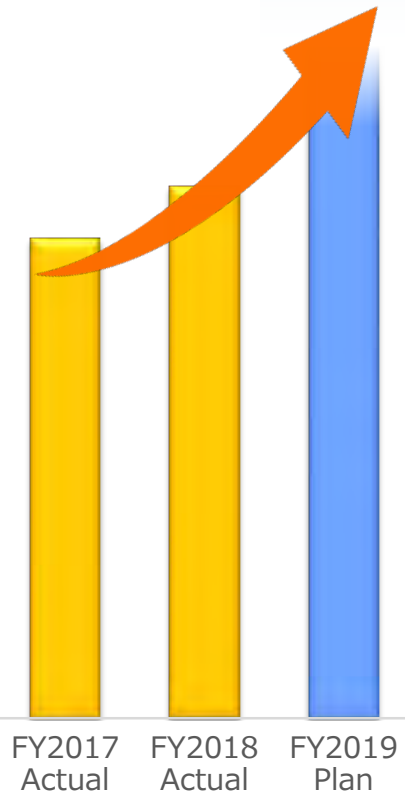
### ■ Strong Sales in the World largest academic conference of Ophthalmology

YoY1.3 times (Triton)

American Academy  
of Ophthalmology  
October, San Francisco



### Global sales of 3D OCT (unit: Q'ty)



# **Ⅱ . FY2019 Full Year Plan**

Ⅱ -1. FY2019 Full Year Plan

Ⅱ -2. Strategic Plans

**Ⅱ -3. Summary**

## Full Year Plan : Sales growth and Profit decrease

Net Sales

Operating Income  
(unit : billion yen)

148.7

150.0

13.6

12.5

FY2018  
Actual

FY2019  
Plan

Exchange  
Rate  
(Average)

110.69  
¥/USD

128.43  
¥/EUR

109.46  
¥/USD

120.77  
¥/EUR

FY2019 Plan (YoY)

w/o FX effects (YoY)

Net Sales

**150.0B** (+1%)

**153.3B** (+3%)

Operating Income

**12.5B** (-8%)

**13.5B** (0%)

Ordinary Income

**10.5B** (-9%)

**11.9B** (+3%)

Net Income

**6.0B** (-8%)

**7.0B** (+7%)

FY2019 Plan

FY2018

Dividends

**¥28**

**¥24**

# Topcon for Human Life 医・食・住

## 【Topcon Way】

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

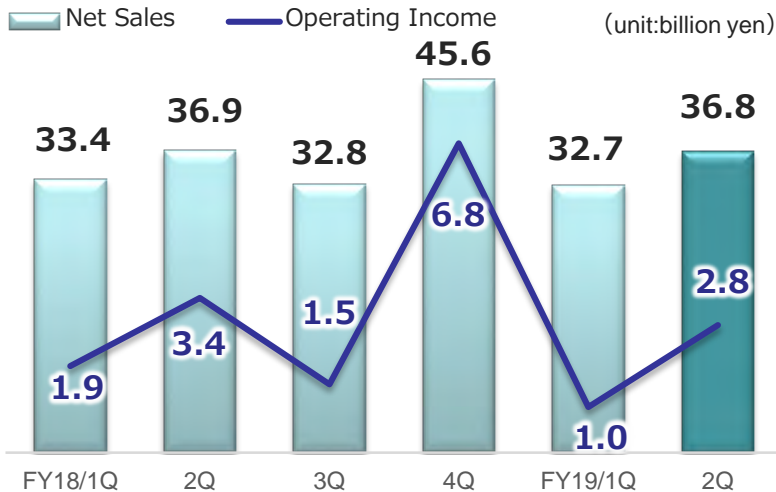




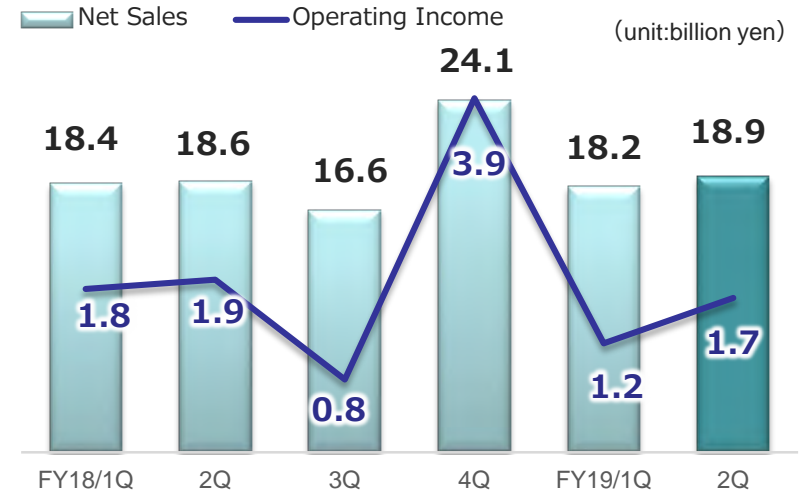
# III. Appendix

# Financial Results (Quarterly)

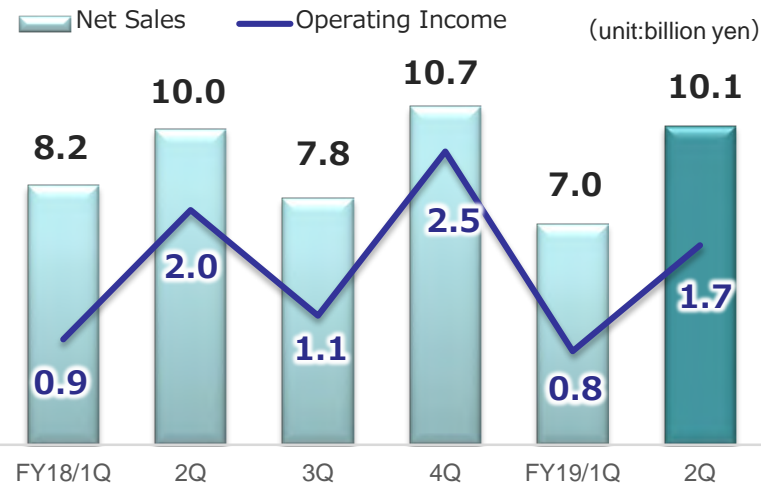
## Consolidated



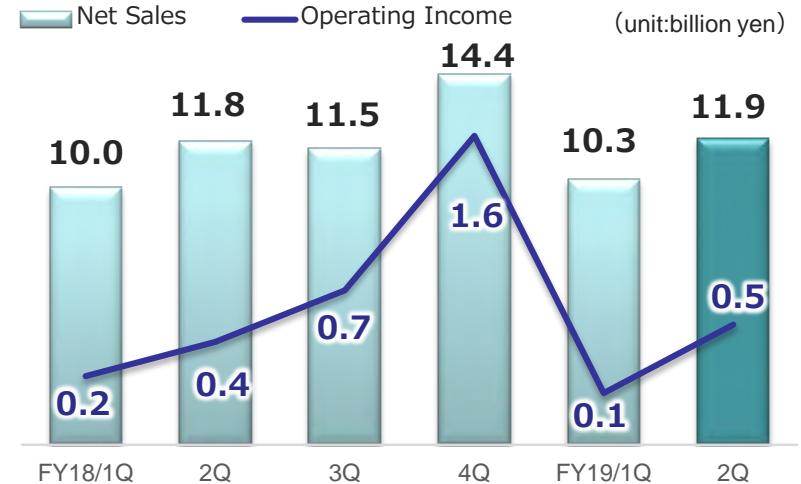
## Positioning



## Smart Infrastructure

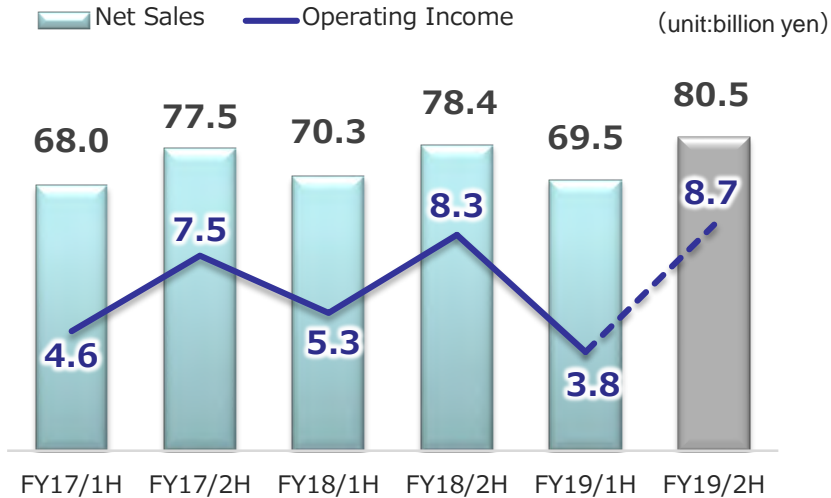


## Eye Care

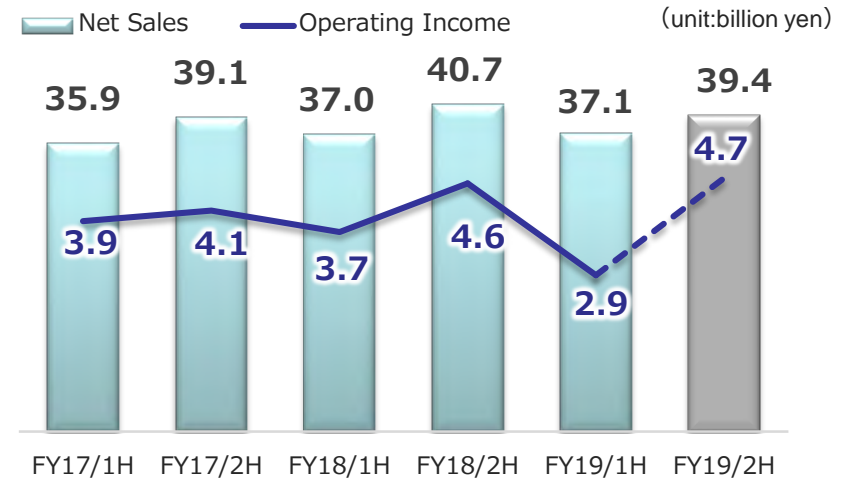


# Financial Results and Plan (Semiannually)

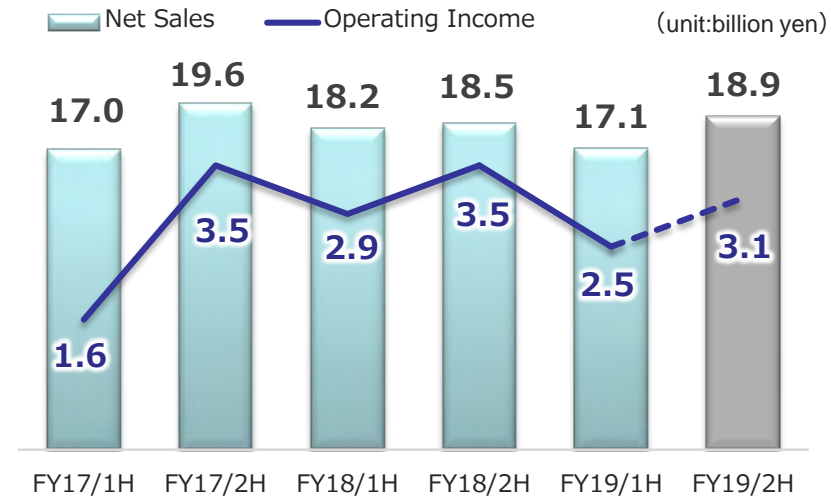
## Consolidated



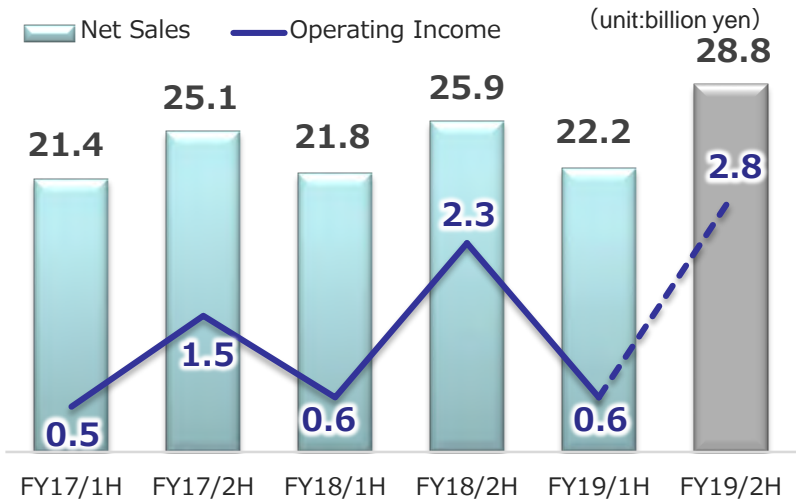
## Positioning



## Smart Infrastructure



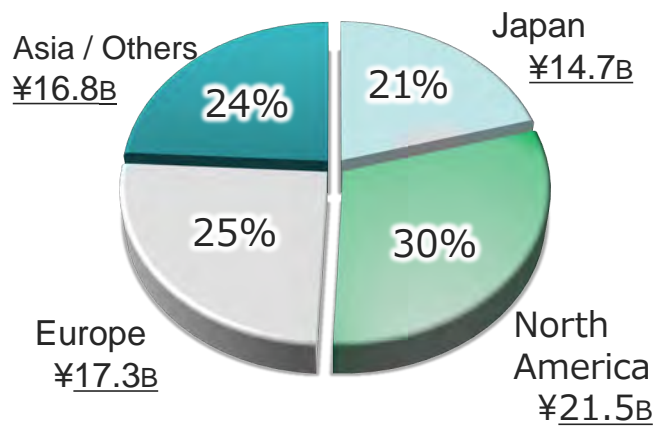
## Eye Care



# Sales by region

FY2018/1H

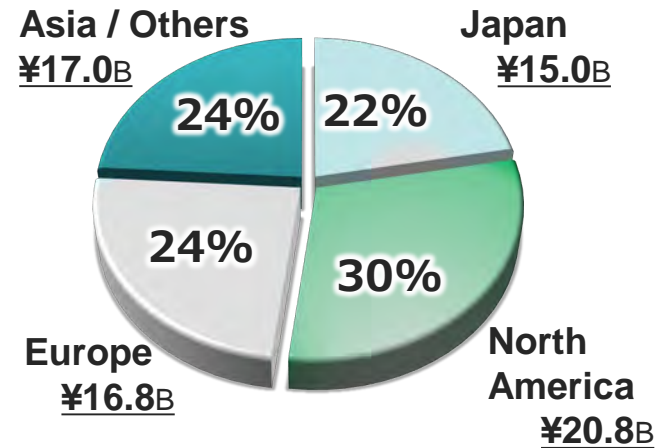
¥70.3B



YoY  
-1%

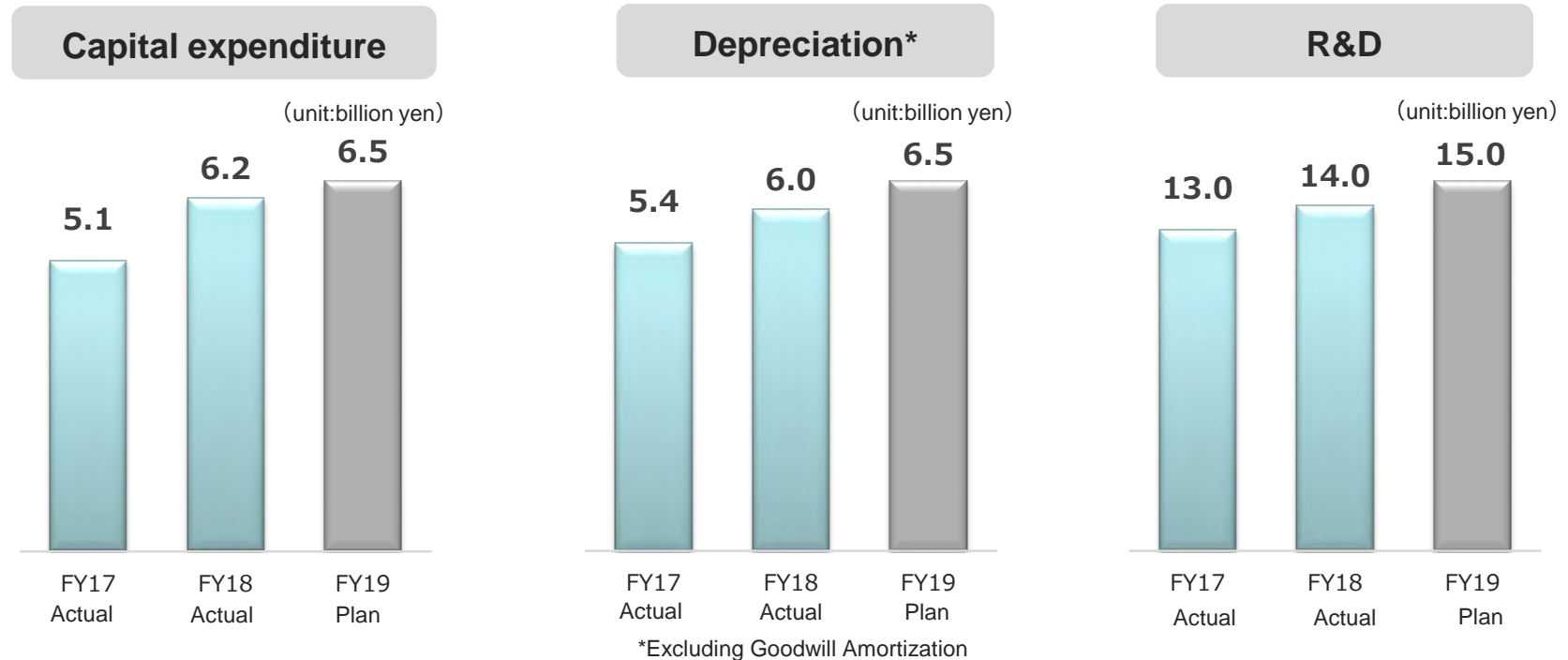
FY2019/1H

¥69.5B



# 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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