TOPCON

FY2022 Q2 Financial Results

October 28, 2022
TOPCON CORPORATION
President & CEO
Satoshi Hirano









Company Profile Movie

Topcon for Human Life

Contents

FY2022 Q2 Financial Results

Ⅰ. FY2022 Q2 Financial Results

Ⅱ. FY2022 Full Year Plan

Ⅲ. Summary

Ⅳ. Appendix

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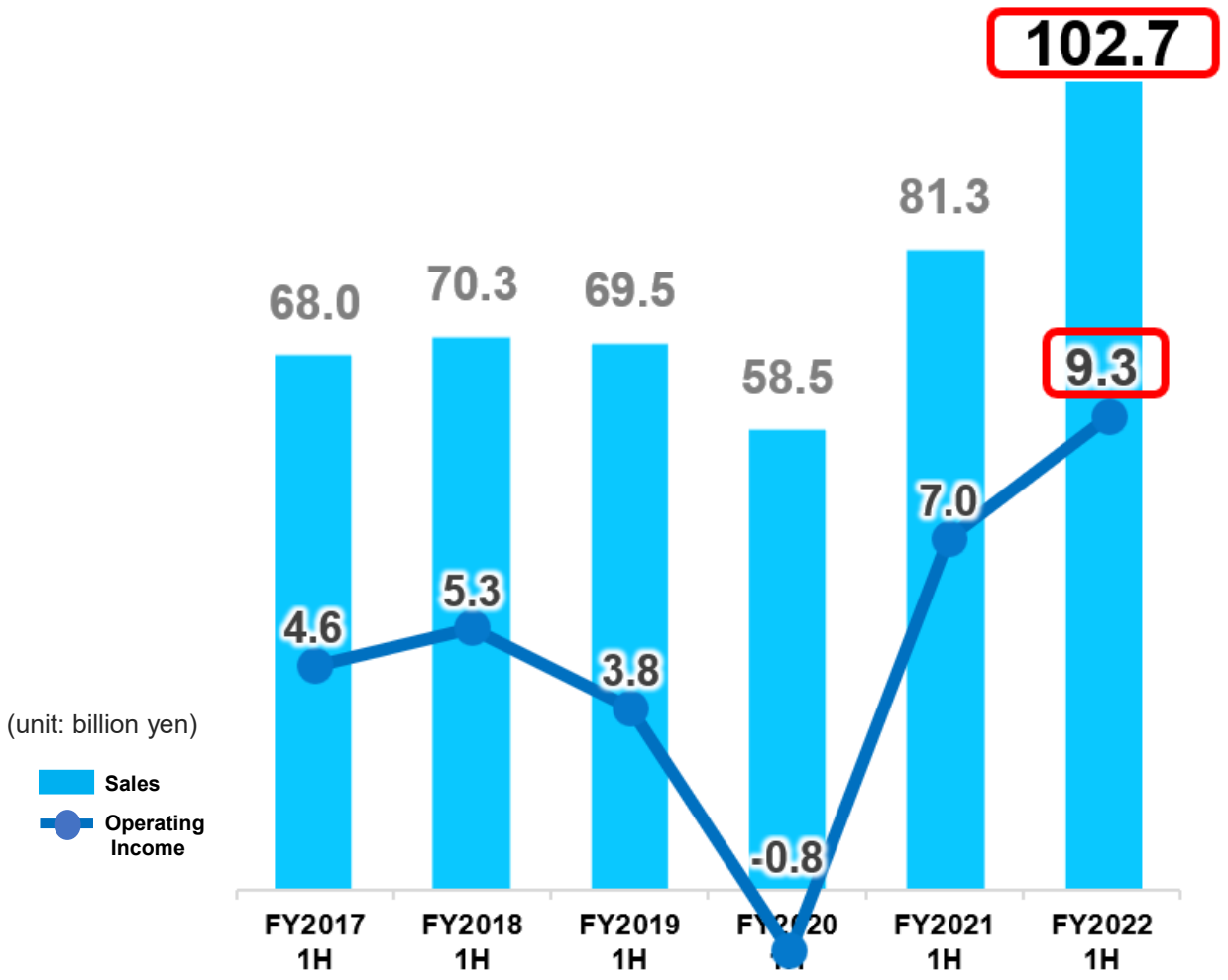
Ⅰ. FY2022 Q2 Financial Results

Ⅰ - 1. FY2022 Q2 Financial Results

Ⅰ - 2. Overview of Each Business

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FY2022 1H Overview



- **Substantial sales increase and income growth**

  Record high sales and operating income

  - Significant contribution from the growing businesses such as IT Construction and IT Agriculture
  - Screening Business demonstrate a good performance
  - More-than-expected impact from component shortages and component and logistics costs surge

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FY2022 1H Financial Results

Record high sales, income, and dividends

(unit: million yen)

	FY2021	FY2022		
	1H Actual	**1H Actual**	YoY	YoY%
Net Sales	81,251	**102,715**	21,464	+26%
Gross Profit (Gross Profit Ratio)	41,583 (51.2%)	53,515 (52.1%)	11,932	
SGA	34,602	**44,179**	9,576	
Operating Income (Operating Income Ratio)	6,980 (8.6%)	**9,336 (9.1%)**	2,355	+34%
Non-Operating Income (Expenses)	-695	**92**	787	
Ordinary Income	6,285	**9,428**	3,142	+50%
Extraordinary Income (Loss)	495	**-426**	-921	
Income Before Income Taxes and Minority Interests	6,781	**9,002**	2,221	
Net Income	3,883	**6,032**	2,148	+55%
Dividends	¥10	¥20	¥10	
Exchange Rate (Average) USD	¥110.18	¥133.46	¥23.28	
Exchange Rate (Average) EUR	¥130.97	¥138.79	¥7.82	

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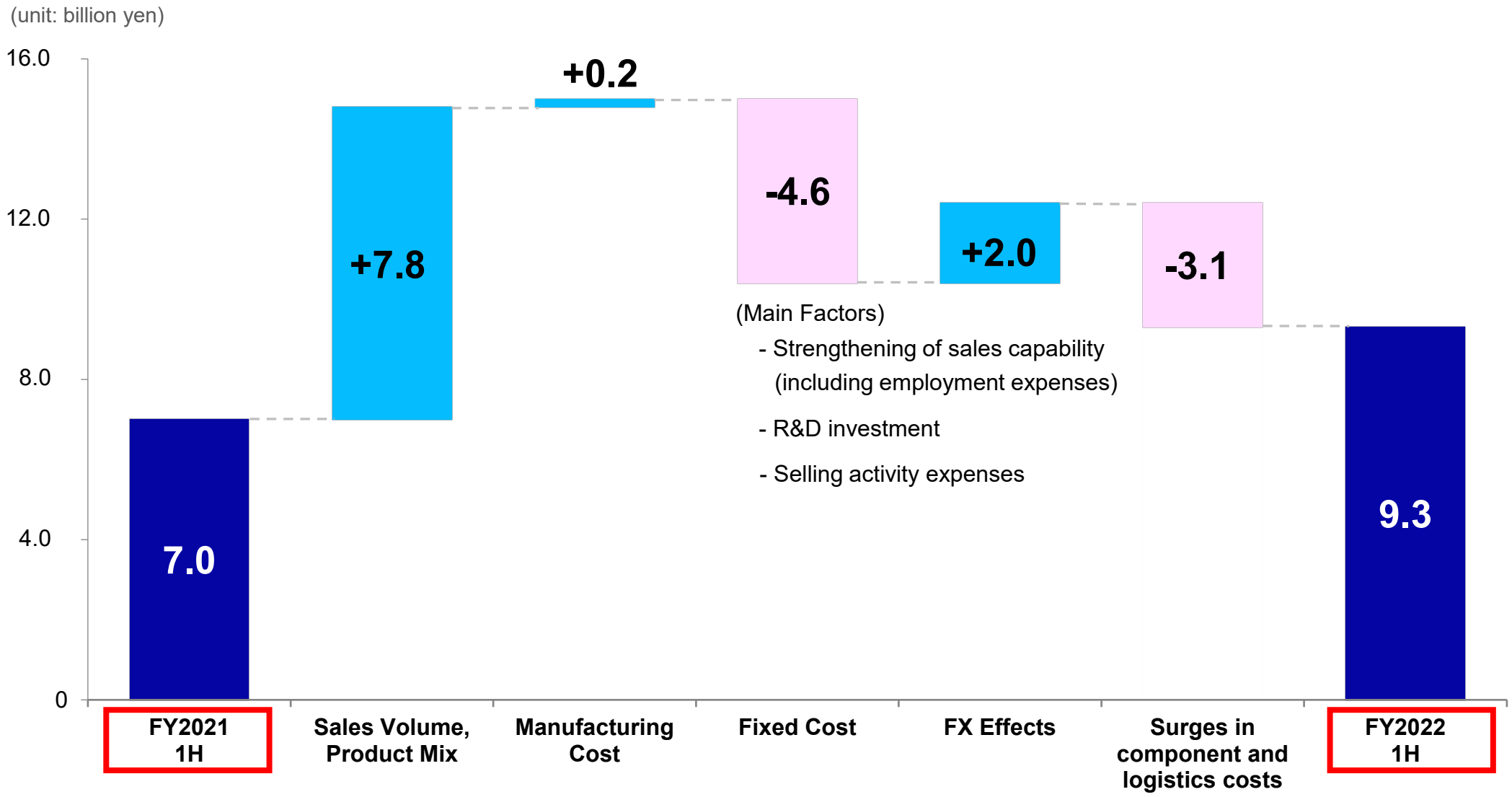
FY2022 1H Financial Results by Business

YoY sales growth for all business segments

(unit: million yen)

		FY2021	FY2022		
		1H Actual	**1H Actual**	YoY	YoY%
Net Sales	**Positioning**	45,279	**59,895**	14,615	+32%
	Smart Infrastructure	18,973	**20,773**	1,800	+9%
	Eye Care	25,252	**31,492**	6,239	+25%
	Others	600	588	-12	
	Elimination	-8,854	-10,033	-1,179	
	Total	81,251	**102,715**	21,464	+26%
Operating Income (Operating Income Ratio)	**Positioning**	5,442 (12.0%)	**7,590 (12.7%)**	2,148	+40%
	Smart Infrastructure	3,242 (17.1%)	**2,652 (12.8%)**	-589	-18%
	Eye Care	515 (2.0%)	**1,487 (4.7%)**	972	+189%
	Others	-162	-204	-42	
	Elimination	-2,057	-2,190	-133	
	Total	6,980 (8.6%)	**9,336 (9.1%)**	2,355	+34%

FY2022 1H Operating Income YoY Breakdown



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Ⅰ. FY2022 Q2 Financial Results

Ⅰ - 1. FY2022 Q2 Financial Results

Ⅰ - 2. Overview of Each Business

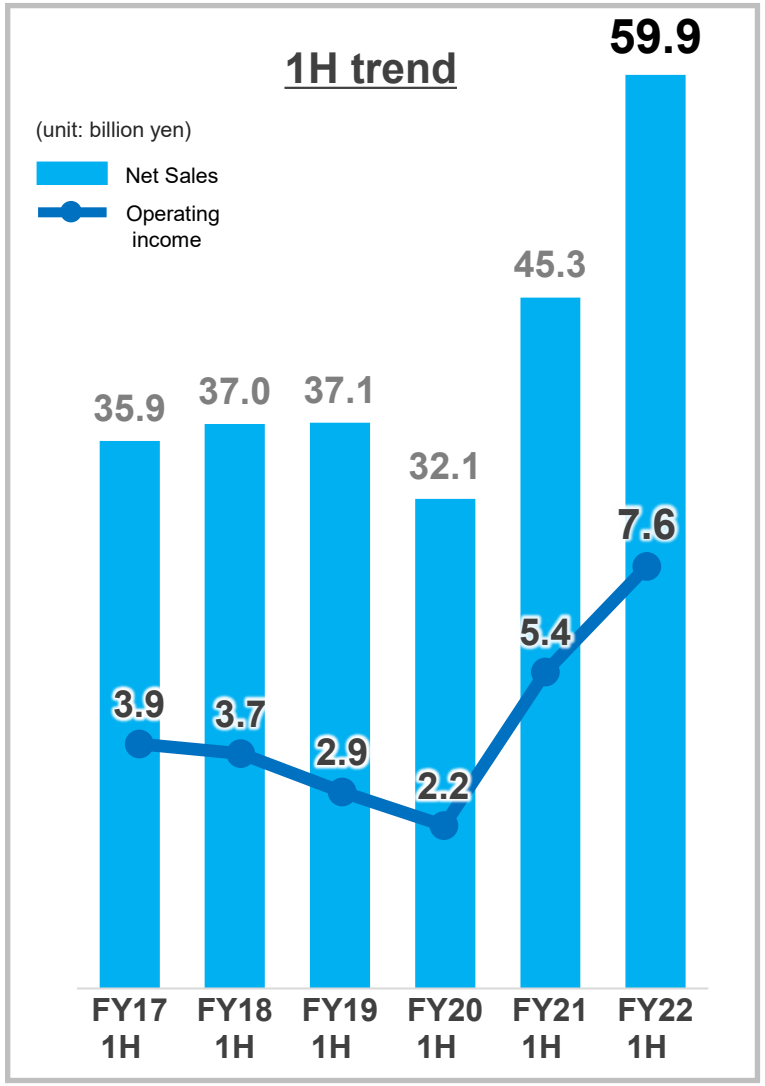
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Overview of Each Business

Record high sales and operating income

(unit: million yen)

	FY2021	FY2022		
	1H Actual	**1H Actual**	YoY	%
Net Sales	45,279	**59,895**	14,615	**+32%**
Operating Income (Operating Income Ratio)	5,442 (12.0%)	**7,590** (12.7%)	2,148	**+40%**
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Review of Financial Results

Overall

- Significant sales and operating income growth YoY by capturing strong demand mainly in the North America despite component shortages
- Surge of component and logistics costs become prominent

IT Construction and IT Agriculture

- Continued growth in sales for both aftermarket and OEM

Surveying and laser products

- Sales slowdown due to component shortages, while the demand continue to be healthy

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Overview of Each Business

Record high sales

(unit: million yen)

		FY2021	FY2022		
		1H Actual	**1H Actual**	YoY	%
Net Sales		18,973	**20,773**	1,800	**+9%**
Operating Income (Operating Income Ratio)		3,242 (17.1%)	**2,652** (12.8%)	-589	**-18%**
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Review of Financial Results

Overall

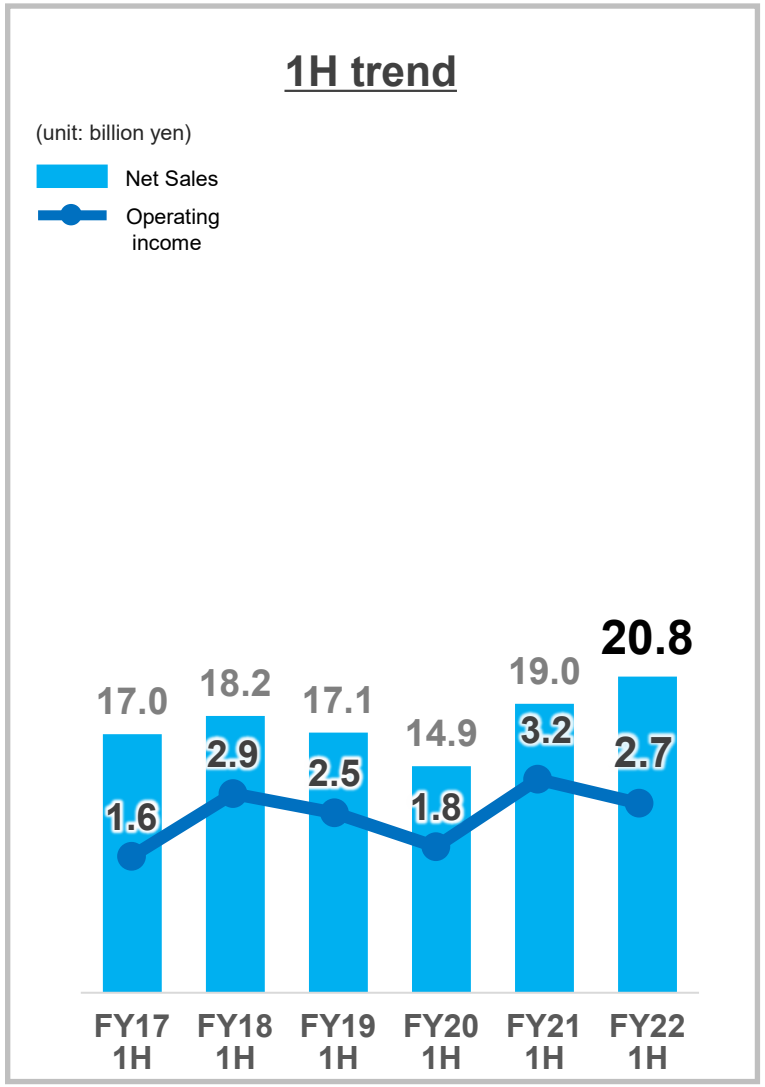
- Significant sales growth in Japan, continued recovery trend in Asia and the Middle East
- Decline in production for surveying instruments due to component shortages

IT Construction and IT Agriculture in Japan

- Healthy sales growth for KUI-NAVI SHOVEL (ICT Machine Guidance System) and Auto Steering System for IT Agriculture

Growth Investments

- Steady progress of upfront investments for building construction DX business and market development in Asia for IT Construction and IT Agriculture business



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Overview of Each Business

Eye Care

Record high sales

(unit: million yen)

	FY2021	FY2022		
	1H Actual	**1H Actual**	YoY	%
Net Sales	25,252	**31,492**	6,239	**+25%**
Operating Income (Operating Income Ratio)	515 (2.0%)	**1,487** (4.7%)	972	**+189%**
Exchange Rate (Average) USD	¥110.18	¥133.46	¥23.28	
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Review of Financial Results

Overall

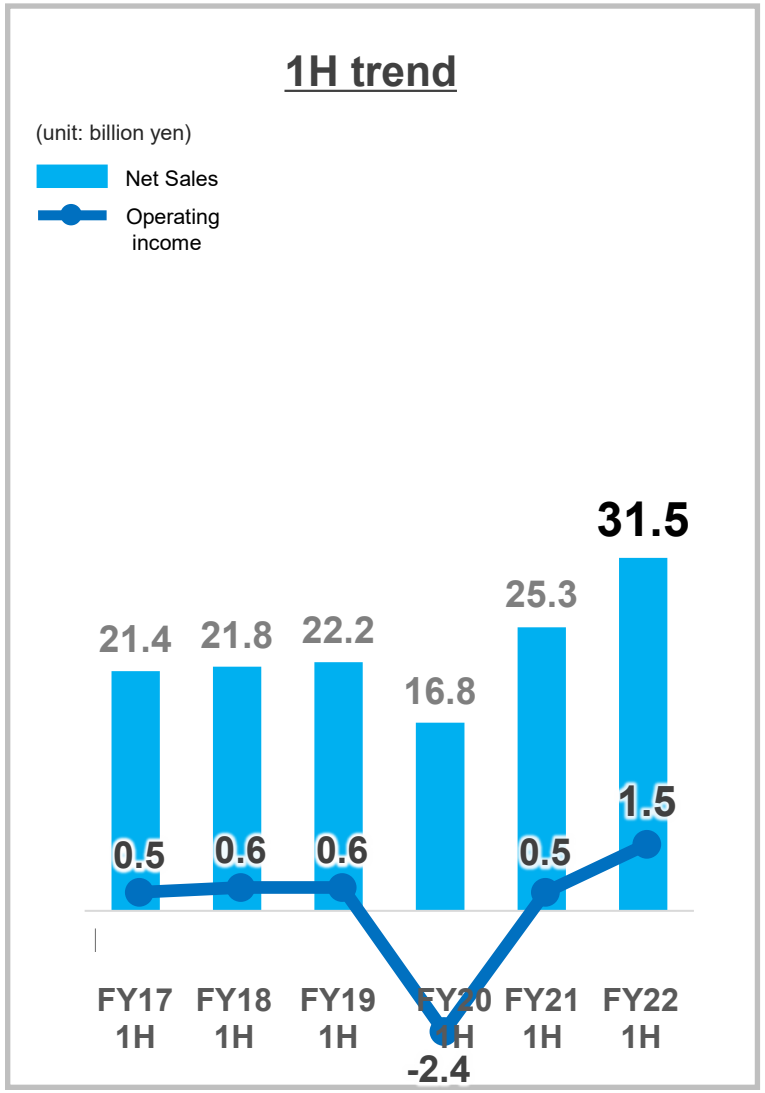
- Significant sales and income growth YoY thanks to healthy growth in the U.S. and Europe despite component shortages
- Sales slowdown in China due to zero-COVID policy
- Surge of component and logistics costs become prominent

Screening Business

- Continuing strong sales especially for Maestro and NW400

Digital Optometry Systems

- Strong sales to major optical chain stores in the U.S. and Europe



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Ⅱ. FY2022 Full Year Plan

Ⅱ-1. FY2022 Full Year Plan

Ⅱ-2. Topics of Each Business

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FY2022 Full Year Plan

Upward revision Net sales 200 billion yen

Outlook for the macro environment

- Looming recession risk caused by an inflation surge and monetary tightening around the globe
- Growing geopolitical risks such as the Russia-Ukraine war
- Continued impacts of component shortages and price hikes
- Prolonged impacts of the zero-COVID policy in China

Based on the robust demand for growing businesses area, meanwhile the macro environment outlook is more uncertain as noted above, and revision of assumed exchange rate in the second half, we revised the full year plan as below

Revised Plan

	Previous Plan (As of July 26)	Revised Plan (As of October 28)	Change	FY2021 Actual	Change
Net Sales	¥190.0B	**¥200.0B**	+5%	¥176.4B	+13%
Operating Income	¥18.0B	**¥19.0B**	+6%	¥15.9B	+19%
Ordinary Income	¥17.0B	**¥18.0B**	+6%	¥14.8B	+21%
Net Income	¥12.0B	**¥12.5B**	+4%	¥10.7B	+17%
Dividends	¥40	**¥42**	¥2	¥36	¥6

Exchange rate assumption of 2H : $1=¥130／€1=¥135

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FY2022 Full Year Plan

(Unit: million yen)

		FY2021		FY2022				
		1H Actual	Full Year Actual	1H Actual	**Full Year Actual**	**YoY (%)**	Full Year Plan*	
Net Sales		81,251	176,421	102,715	**200,000**	**+13%**	190,000	
Operating Income (Operating Income Ratio)		6,980 (8.6%)	15,914 (9.0%)	9,336 (9.1%)	**19,000 (9.5%)**	**+19%**	18,000 (9.5%)	
Ordinary Income		6,285	14,820	9,428	**18,000**	**+21%**	17,000	
Net Income		3,883	10,699	6,032	**12,500**	**+17%**	12,000	
ROE			14.0%		**14%**		14%	
Dividends		¥10	¥36	¥20	**¥42**	**¥6**	¥40	
Exchange Rate (Average)	USD	¥110.18	¥112.86	¥133.46	¥130.00	(Assumption of 2H)	¥120	
	EUR	¥130.97	¥131.01	¥138.79	¥135.00		¥130	

*Announced on July 26, 2022

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FY2022 Full Year Plan by Business

(Unit: million yen)

		FY2021		FY2022			
		1H Actual	Full Year Actual	1H Actual	**Full Year Plan**	**YoY (%)**	* Full Year Plan
Net Sales	**Positioning**	45,279	96,692	59,895	**113,000**	**+17%**	106,000
	Smart Infrastructure	18,973	39,040	20,773	**43,000**	**+10%**	42,000
	Eye Care	25,252	57,352	31,492	**65,000**	**+13%**	62,000
	Others	600	1,184	588	1,000		1,000
	Elimination	-8,854	-17,848	-10,033	-22,000		-21,000
	Total	81,251	176,421	102,715	**200,000**	**+13%**	190,000
Operating Income (Operating Income Ratio)	**Positioning**	5,442 (12.0%)	11,548 (11.9%)	7,590 (12.7%)	**13,500 (11.9%)**	**+17%**	13,000 (12.3%)
	Smart Infrastructure	3,242 (17.1%)	5,821 (14.9%)	2,652 (12.8%)	**5,500 (12.8%)**	**-6%**	5,000 (11.9%)
	Eye Care	515 (2.0%)	3,203 (5.6%)	1,487 (4.7%)	**5,000 (7.7%)**	**+56%**	4,500 (7.3%)
	Others	-162	-365	-204	-400		-300
	Elimination	-2,057	-4,293	-2,190	-4,600		-4,200
	Total	6,980 (8.6%)	15,914 (9.0%)	9,336 (9.1%)	**19,000 (9.5%)**	**+19%**	18,000 (9.5%)

*Announced on July 26, 2022

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Ⅱ. FY2022 Full Year Plan

Ⅱ-1. FY2022 Full Year Plan

Ⅱ-2. Topics of Each Business

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Strategic Plans

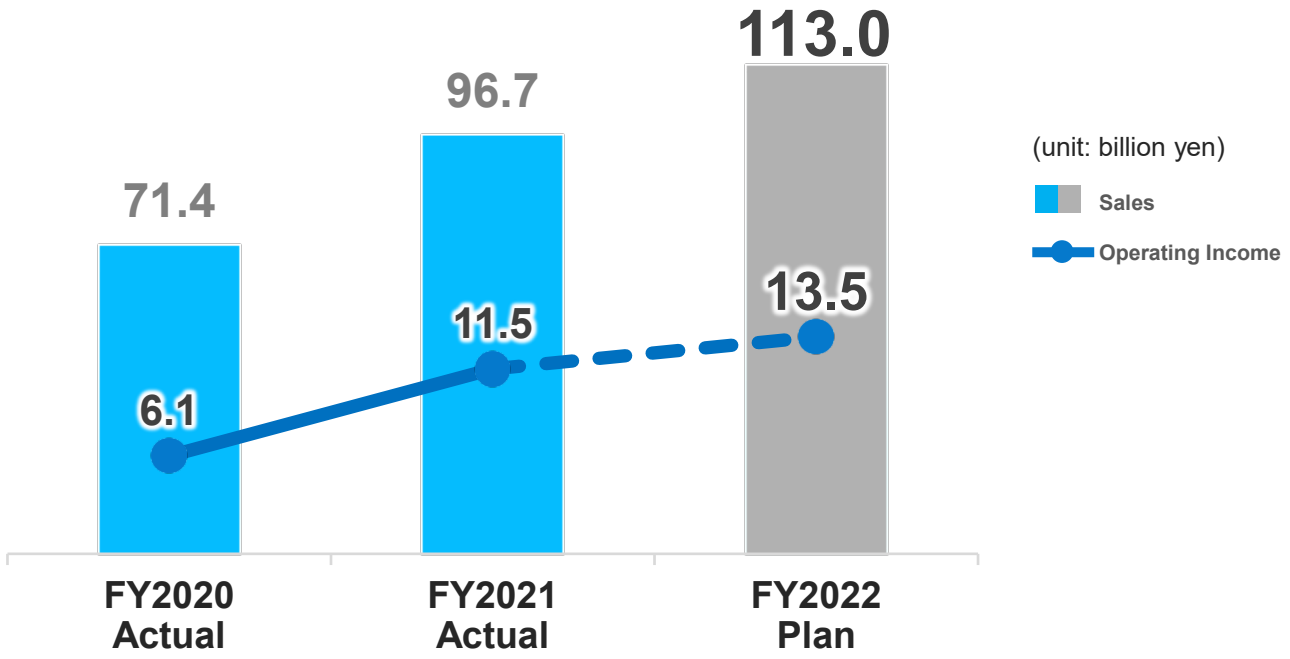
Positioning

Business Outlook

- Infrastructure related construction projects are increasing while the U.S. housing construction market is weakened due to rate hike
- Increasing demand for labor saving solutions due to chronic labor shortage in construction and agriculture industries in the U.S. and Europe

Strategic Plans

- Aggressively pursue new business opportunities leveraging the US infrastructure investment and jobs act
- BAUMA2022, the world's largest construction machinery exhibition, resumed



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Aggressively pursue new business opportunities leveraging the US infrastructure investment and jobs act

Positioning

Capturing the growing demand for infrastructure-related construction

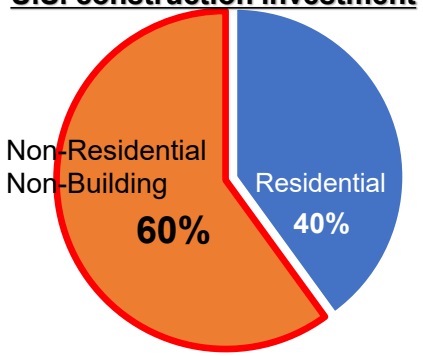
The Infrastructure investment and jobs act
(Enacted in November 2021)

- ✓ **Budget size: More than 1.2 trillion USD**
- ✓ **Increase of public investments is expected for 8 years**

Major investment areas
- Repair and reconstruction of roads and bridges
- Railway modernization
- Expansion of public transportation
- Development of aiports and ports

Source: https://www.congress.gov/bill/117th-congress/house-bill/3684/text

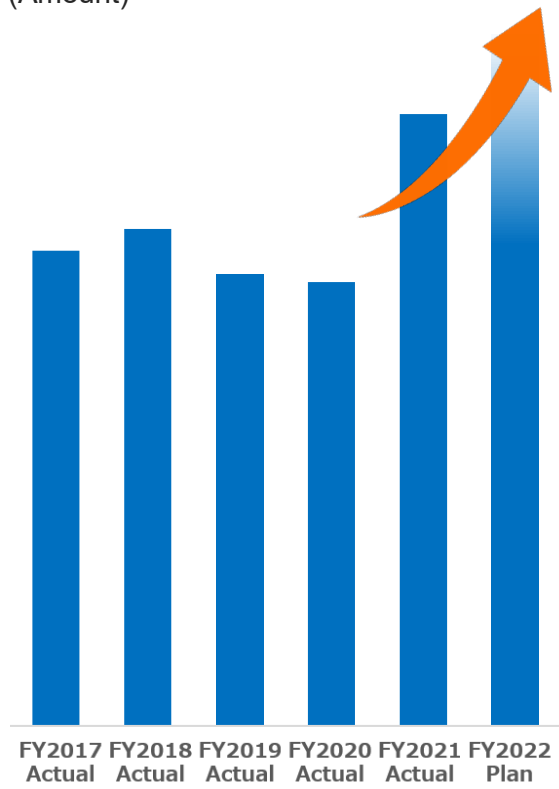
Breakdown of U.S. construction investment



Trends of Construction Projects in the U.S.



Sales of IT Construction



Various projects


Road pavement work


Bridge construction work


Highway construction work


Airport runway pavement work

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Topcon for Human Life

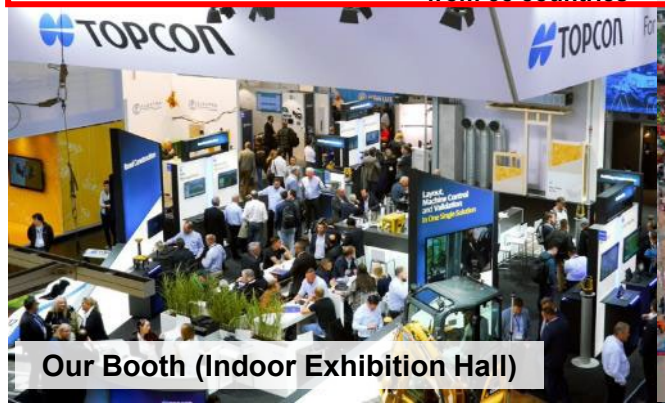
BAUMA2022, the world's largest construction machinery exhibition, resumed

Positioning

- **BAUMA2022 held every three years is back after postponement due to COVID-19 pandemic**

BAUMA2022 held in Europe

Venue	: Munich, Germany
Schedule	: October 24-30, 2022
Projected number of participants	: 600,000 or more (previous record: 620,000)
Number of exhibitors	: More than 3,000 companies from 58 countries



Our Booth (Indoor Exhibition Hall)



Outdoor exhibition hall

Showcasing our unique solutions in growing construction sectors

Solutions for resurfacing work



Repaving cycles with Topcon Ecosystem

MC Mobile for small to mid sized construction equipment


Spreading more ICT machinery

DX for building construction


Creating new markets with DX

- ✓ **The venue is packed with large crowd of visitors**
- ✓ **Order bookings and sales leads exceed last time**

Having the confidence of the momentum of construction market despite of global inflation

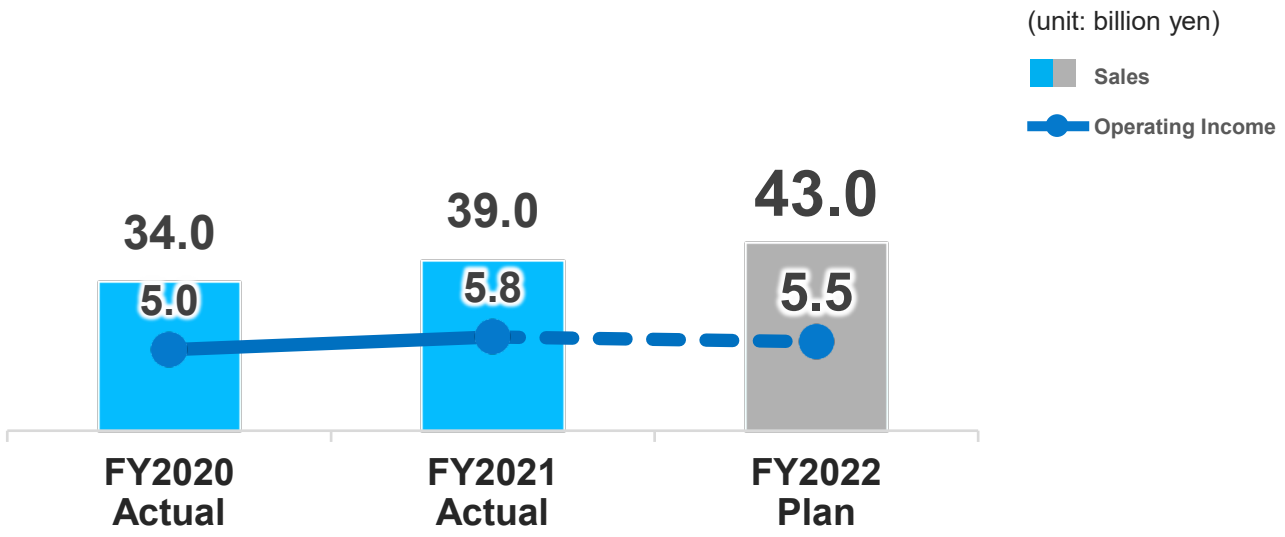
Strategic Plans

Business Outlook

- Solid momentum in domestic IT construction and IT agriculture business, and growing demand for automation due to lack of operators/successors
- Asia: Full-swing recovery in demands from the COVID-19

Strategic Plans

- Facilitating the spread of IT Construction in Japan with “KUI-NAVI SHOVEL”
- Domestic IT Agriculture: Cultivating the small-to-mid sized IT farm machinery market



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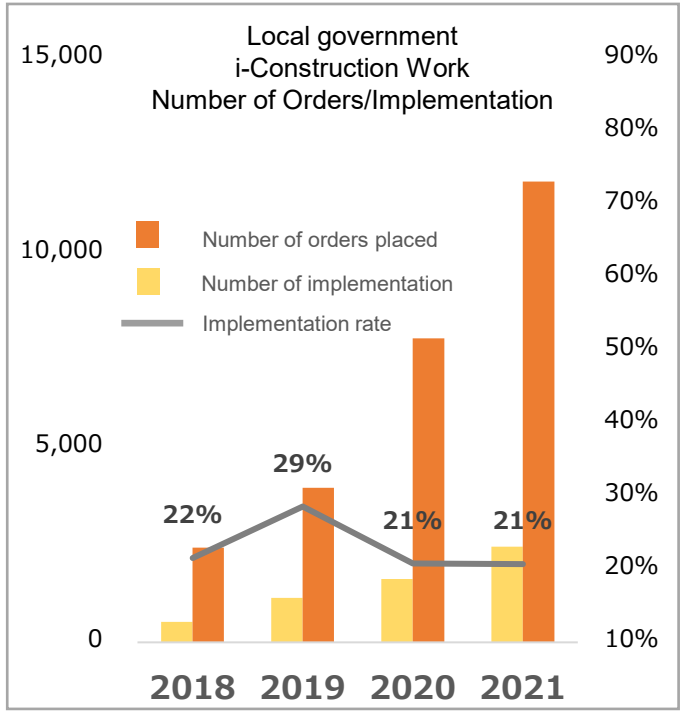
Facilitating the spread of IT Construction in Japan with “KUI-NAVI SHOVEL”

Smart Infrastructure

Encouraging the spread of i-Construction in local region

i-Construction Implementation Status and Issues

- ✓ **Six years after launching of i-Construction in Japan, the number of orders steadily increase even in small construction sites**
- ✓ **However, implementation rate stay lower level**



(Source: the Ministry of Land, Infrastructure, Transport and Tourism)

Initiatives to spread IT Construction to small-scale construction sites

Factors that make IT Construction machinery difficult to spread

- ✓ Mainly for large-scale construction sites (for large construction machinery)
- ✓ Requires certain expertise in installation/setup
- ✓ Requires certain expertise in GNSS (GPS) technology

Promoting KUI-NAVI SHOVEL!



Features of KUI-NAVI SHOVEL to ease of deployment

- ✓ **Affordable system suitable for small construction sites (for small size construction machinery)**
- ✓ Easy to set up
- ✓ KUI-NAVI, widely used on-site, uses as a sensor, thus no GNSS (GPS) expertise required

杭ナビ Kui-Navi ショベル

Sales of KUI-NAVI SHOVEL (Units)



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

Domestic IT Agriculture: Cultivating small-to-mid sized IT farm machinery market

- **Substantial sales growth after launching a new simplified auto steering systems**

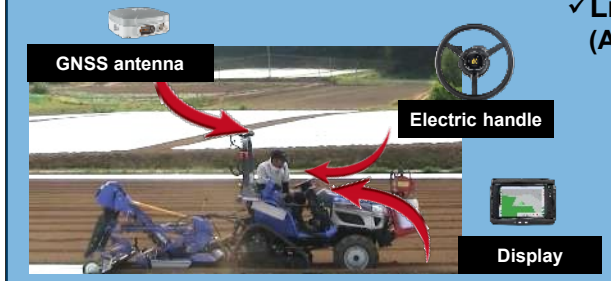
Topcon IT Agriculture Systems Lineup

Auto steering system for large size tractor



< Features >
- ✓For large size tractors
- ✓Use on large farms
- ✓Full featured

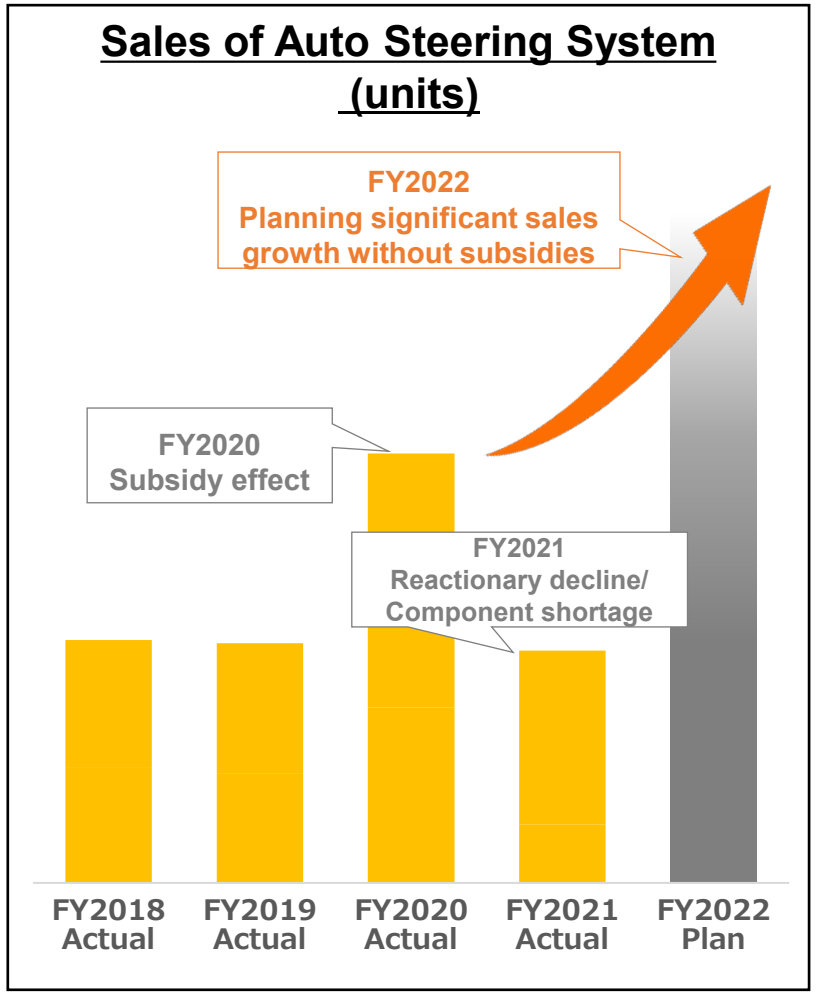
Auto steering system for Small-to-mid size tractor Released in November 2021



< Features >
- ✓For small-to-mid size tractors, affordable system
- ✓For small-to-mid size farms
- ✓Limited functionality (Auto steering only)

An Image of Tractor Market Size (Units)

Sales of Auto Steering System (units)



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Strategic Plans

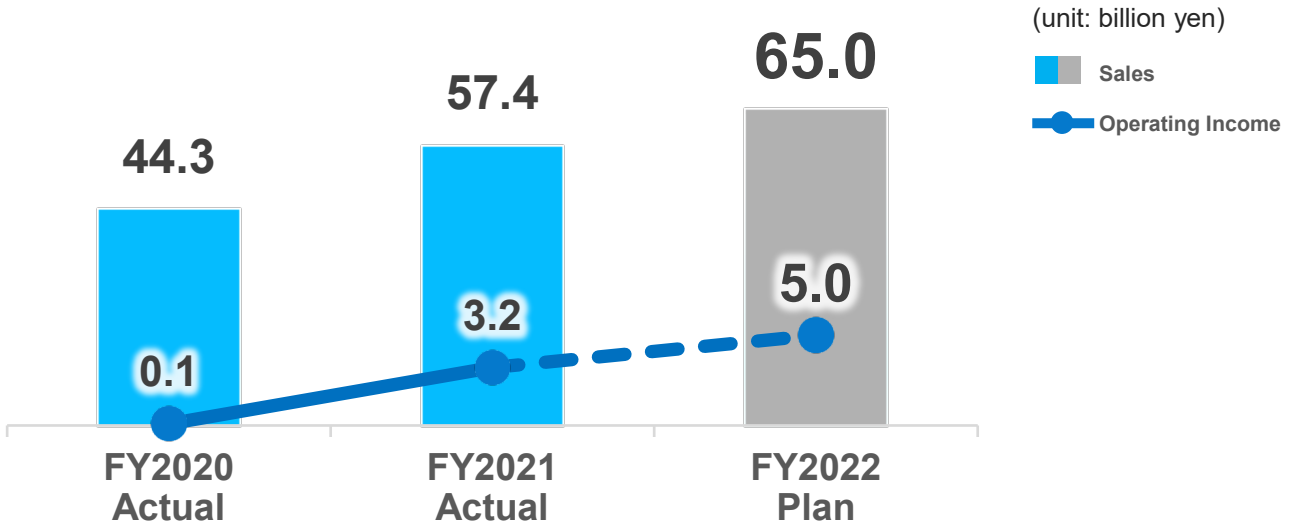
Eye Care

Business Outlook

- Continued capex appetites at major optical chain stores in the U.S. and Europe, with a particular focus on screening
- Continuous increase of chronic eye disease due to global aging and growing number of diabetes patient

Strategic Plans

- Launch of a new strategic product to boost Screening Business
- AAO 2022, the world's largest American Academy of Ophthalmology, was held



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Launch of a new strategic product to boost Screening Business

Eye Care

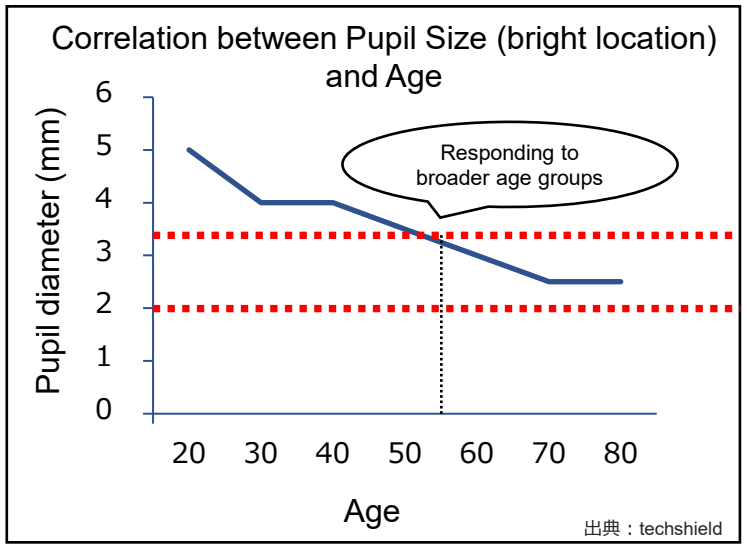
Launched NW 500, full-auto fundus camera with enhanced functions suitable for screening *1

- Responding to an aging population!
- Useable at any location!





Suitable for a wide range of age groups, including elderly people with small pupils



Minimum pupil diameter that can be captured

⇦ Existing product 3.3 mm

⇦ **New product** **2 mm** *2

Pupil diameter image diagram



Enable to capture images in bright location such as optical shops and drugstores *3





*1 Product name: NON-MYDRIATIC RETINAL CAMERA NW 500
*2 Verified with model eyes
*3 Verified at 623 lux location

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AAO 2022, World's Largest American Academy of Ophthalmology, was held

Eye Care

- Full-scale physical event held for the first time in three years after the pandemic

American Academy of Ophthalmology (AAO)

Venue: Chicago, USA
Dates: September 30-October 3, 2022



Scene of the venue





Scene of a conference



Our exhibition booth

AMERICAN ACADEMY™ OF OPHTHALMOLOGY

Significant increase in participants
15,000
(9,000 last year)

Orders received
130% YoY

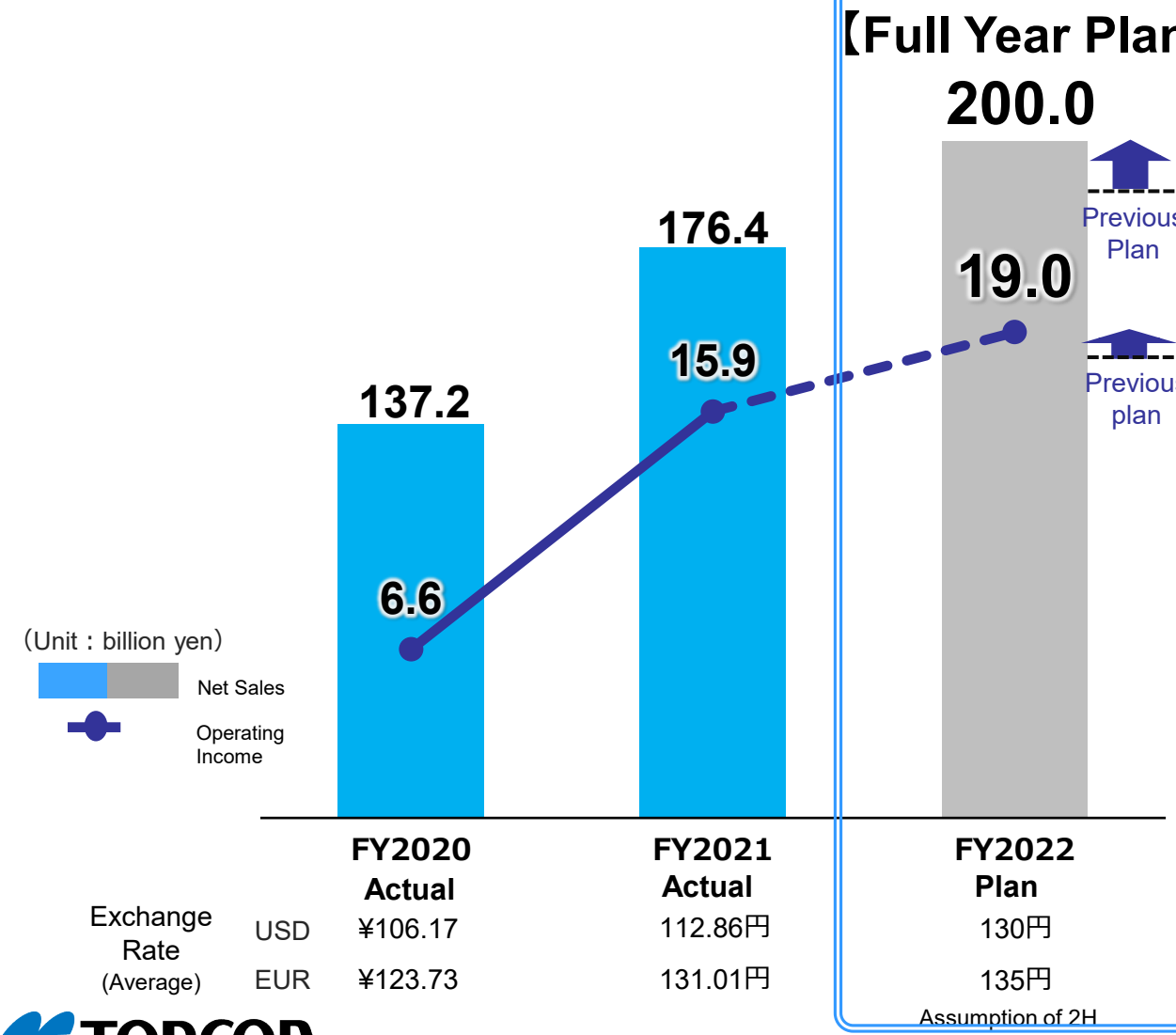
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Ⅲ. Summary

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Summary

Upward revision Record high net sales and profit



Increase Sales・Profit・Dividend

	Plan	YoY
Net Sales	¥200.0B	+13%
Operating Income	¥19.0B	+19%
Ordinary Income	¥18.0B	+21%
Net Income	¥12.5B	+17%

	Plan	
Dividends	¥42	+¥6

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Topcon for Human Life

尖ったDXで、
世界を丸く。



DX銘柄
3年連続受賞
DX銘柄2022
Digital Transformation

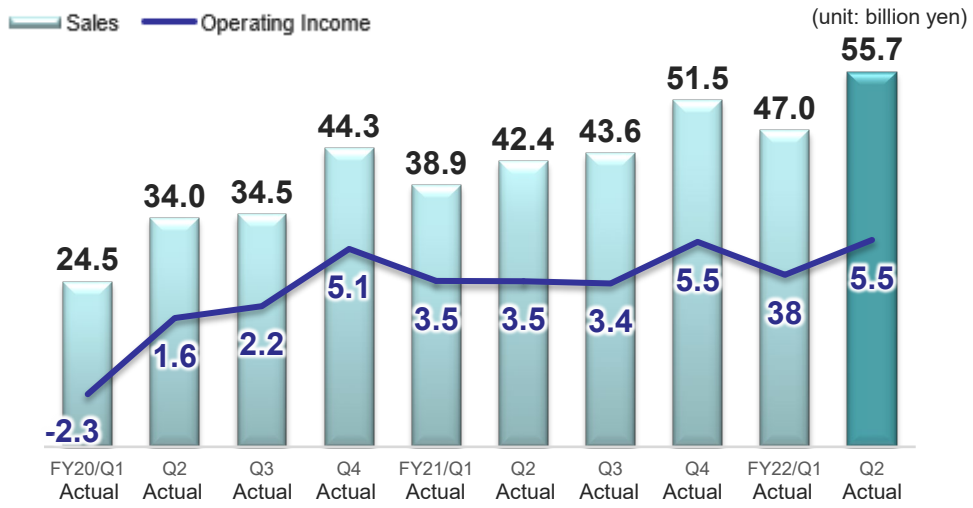
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Ⅳ. Appendix

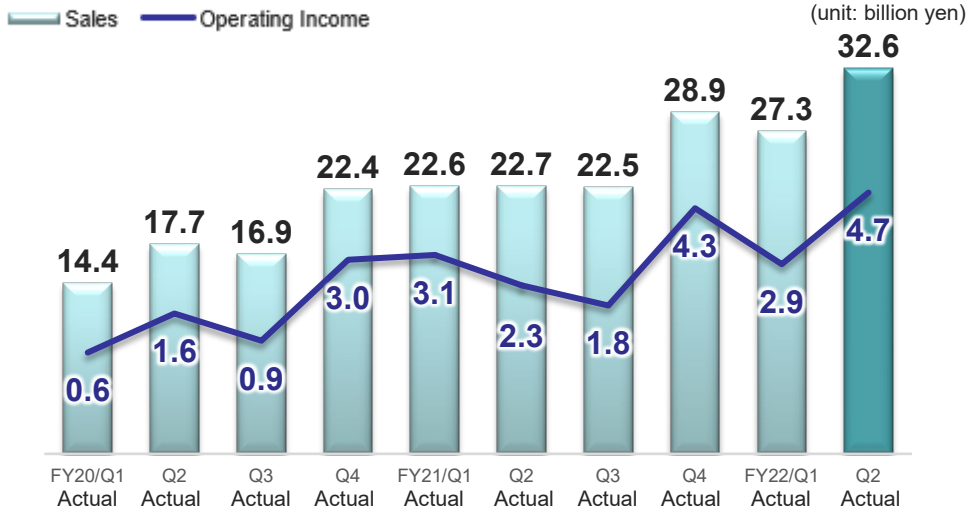
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Financial Results (Quarterly)

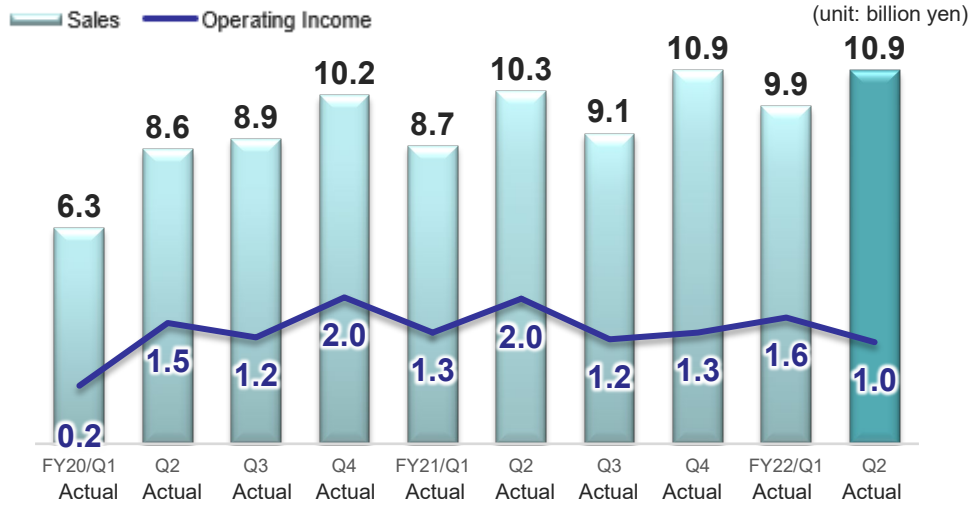
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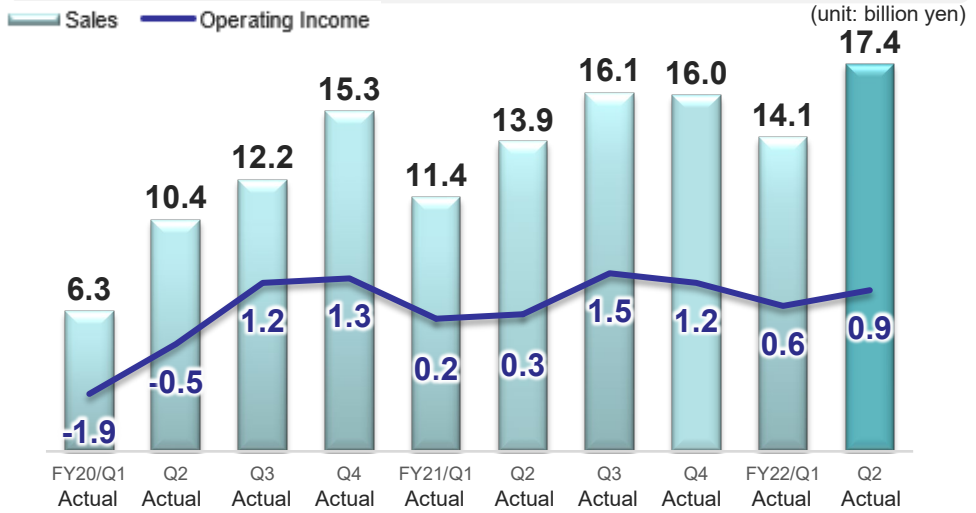
Positioning



Smart Infrastructure



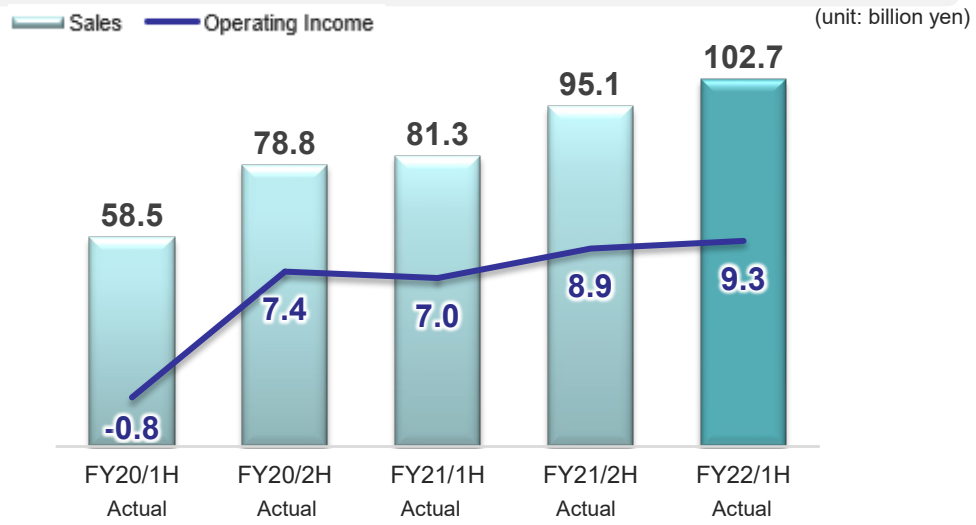
Eye Care



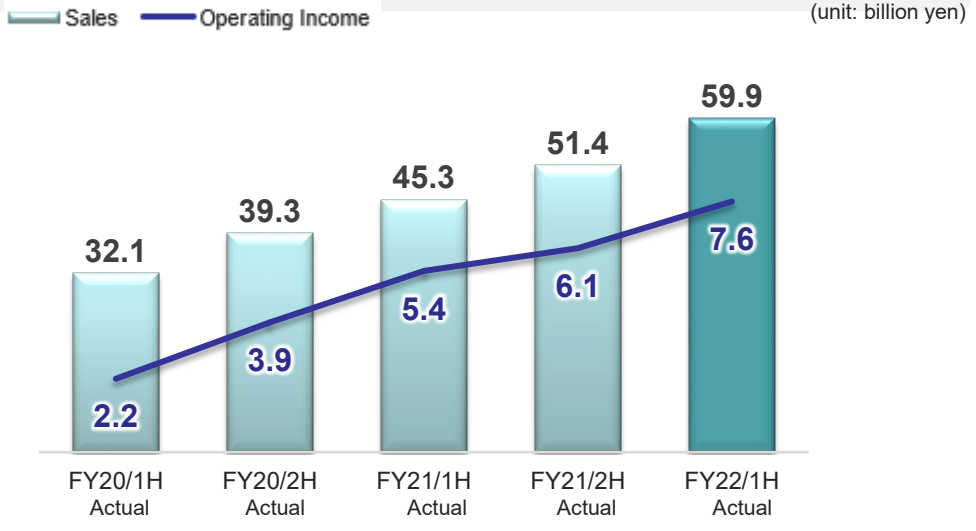
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Financial Results (Semiannually)

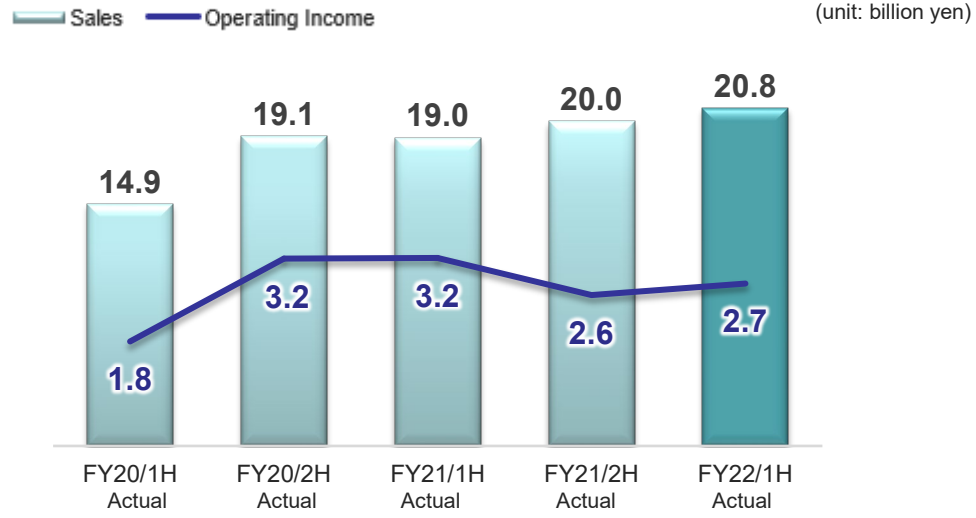
Consolidated



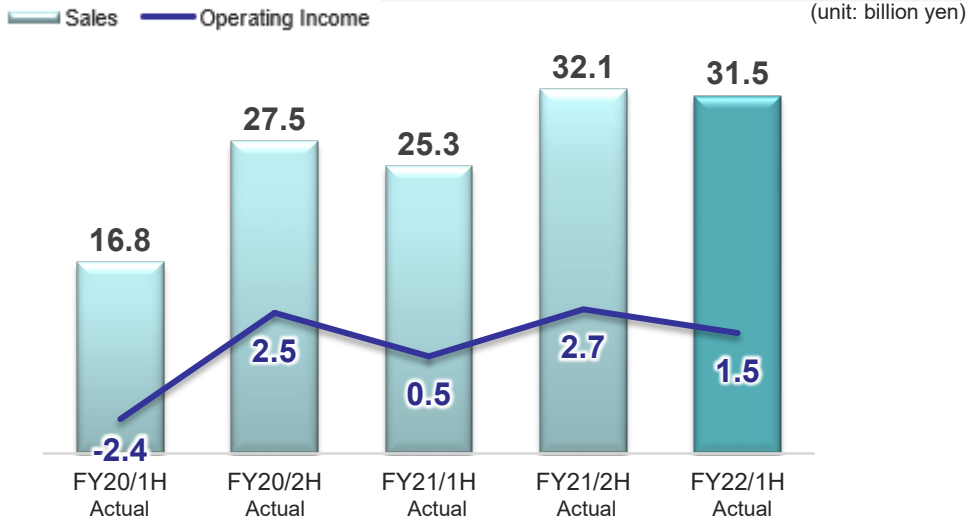
Positioning



Smart Infrastructure



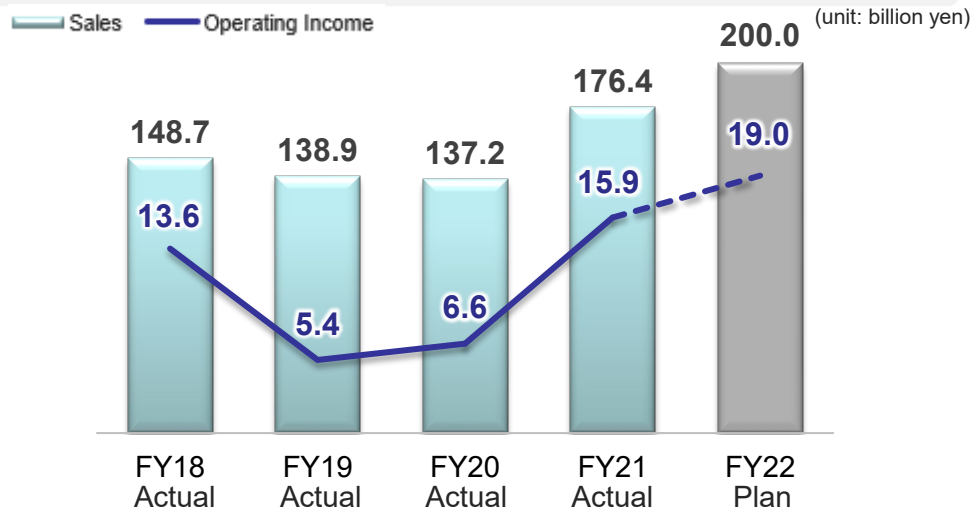
Eye Care



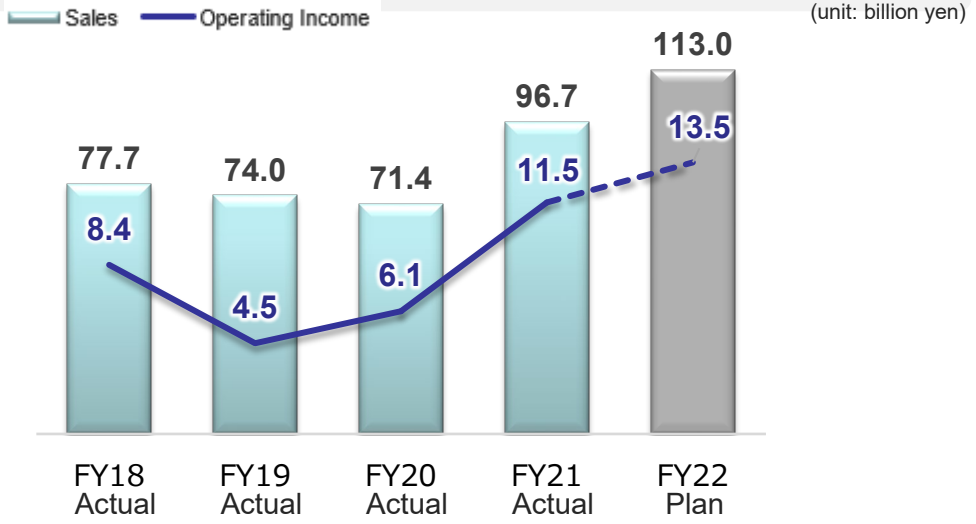
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Financial Results and Plan (Annually)

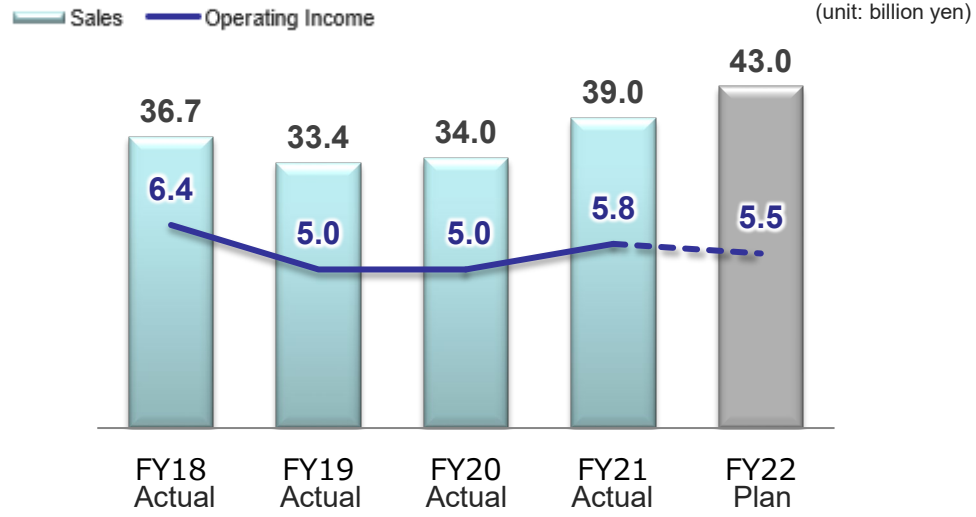
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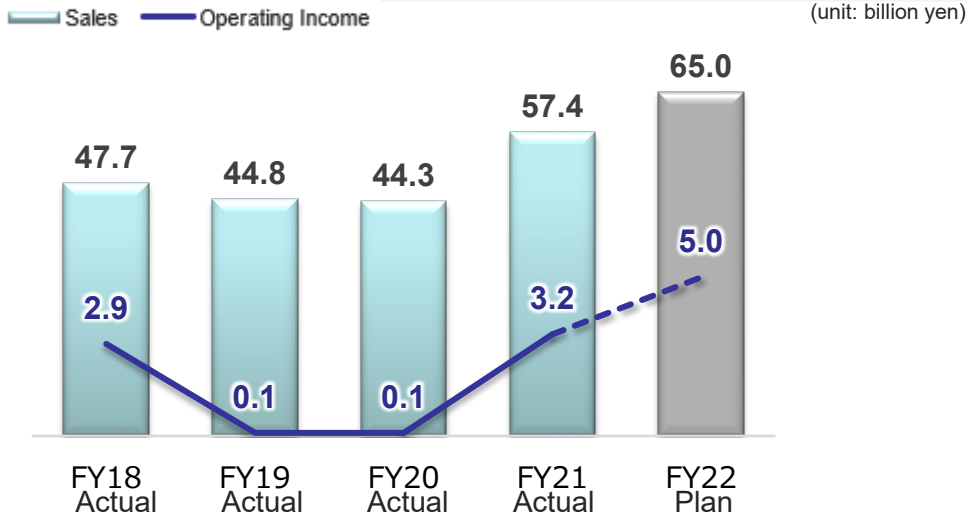
Positioning



Smart Infrastructure



Eye Care

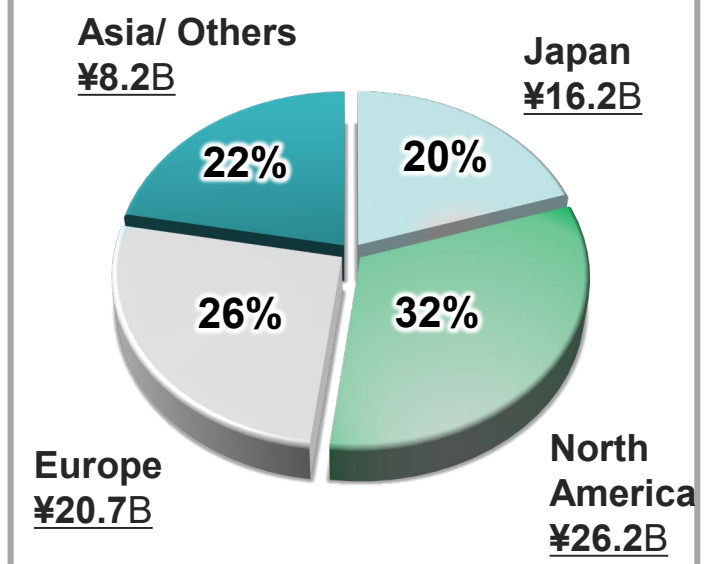


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Sales by region

FY2021/1H

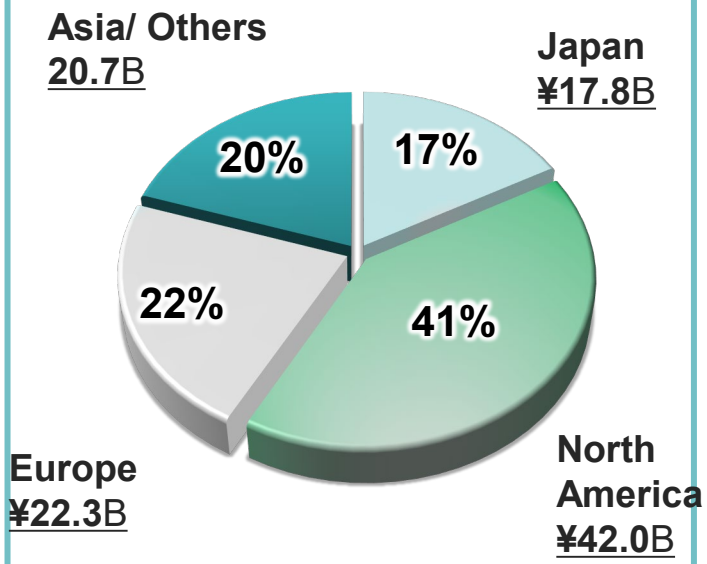
¥81.3B



YoY
+26%

FY2022/1H

¥102.7B



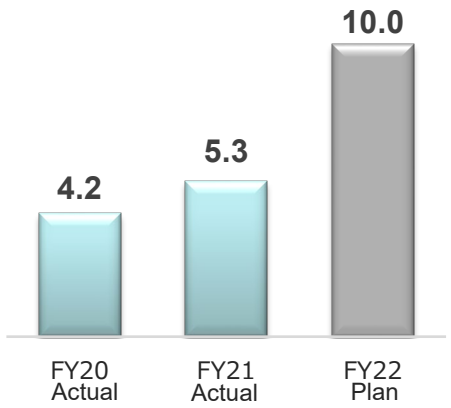
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Capital Expenditure and R&D / Forex Sensitivity

Projections

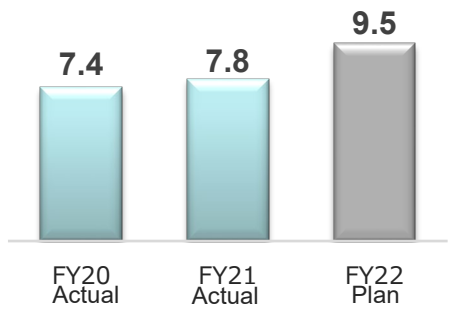
Capital Expenditure

(unit: billion yen)



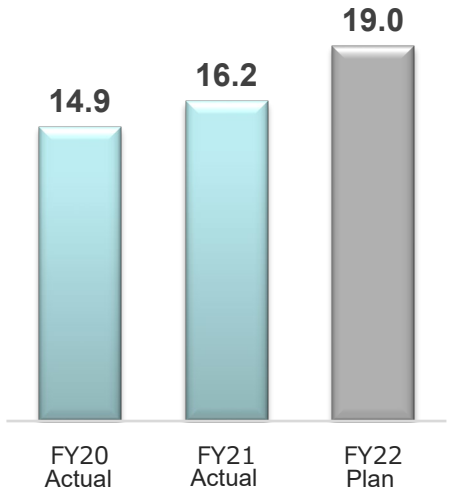
Depreciation*

(unit: billion yen)



R&D

(unit: billion yen)



*Excluding Goodwill Amortization

Forex Sensitivity（impact by ¥1 change）

USD：Operating Income ¥0.15B - ¥0.2B

EUR：Operating Income ¥0.07B - ¥0.1B

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Topcon Report 2022 (integrated report) published

- **Published integrated report with enhanced non-financial information content in October (Japanese version is published in August)**

■ Website: https://global.topcon.com/invest/library/integration/



Satoshi Hirano, President and CEO

- The history and future of the Topcon's challenge
- Venture Spirit
- Sustainability Initiatives





Content

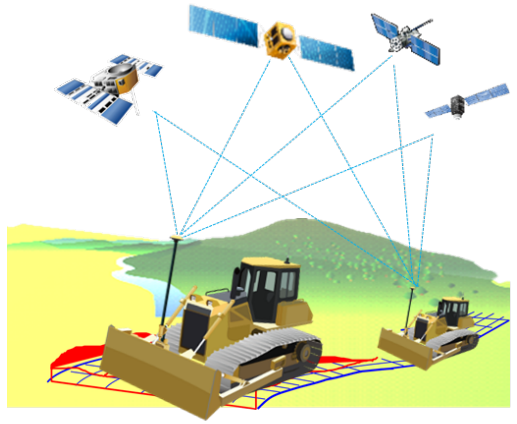
- Top Message
- Topcon's Value Creation
- Strategies by Business
- Sustainability
- Governance
- Financial Highlights

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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

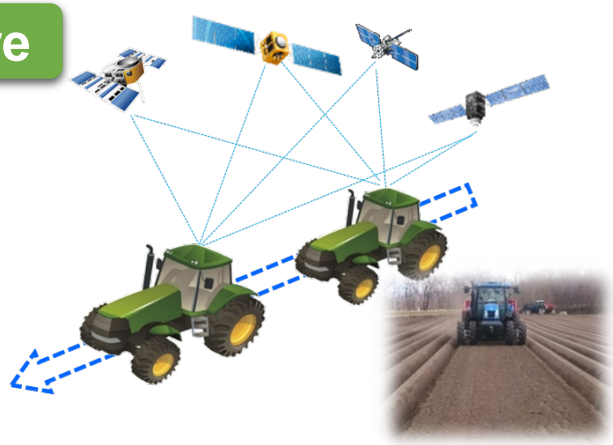


By automating construction machinery, operating time reduced by approximately 30% *1

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.

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Non-Financial Information

External evaluation for our Sustainability

2022 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

MSCI Japan Empowering Women Index (WIN)

The index is constructed based on the gender diversity score which is calculated by the data on women's employment disclosures accordance with the Act on Promotion of Women's Participation and Advancement in the Workplace. Companies with high scores in each industry are selected.

■ News release：https://global.topcon.com/news/10159/

FTSE Blossom Japan Sector Relative Index

FTSE Blossom Japan Sector Relative Index

The index selects the companies who demonstrate strong environmental, social and governance (ESG) practices relative to their respective sectors.

■ News release：https://global.topcon.com/news/9664/

NIKKEI SDGs 経営調査 2021 ★★★½

The Third Nikkei SDG Management Survey

Three-and-a-half stars for two consecutive year in the annual survey of SDGs initiative by Nikkei

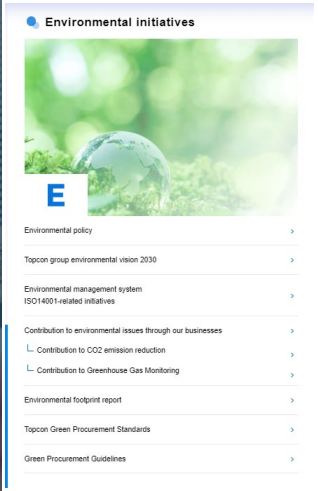
■ News release：https://www.topcon.co.jp/sustainability/news/2573/ (only in Japanese language)

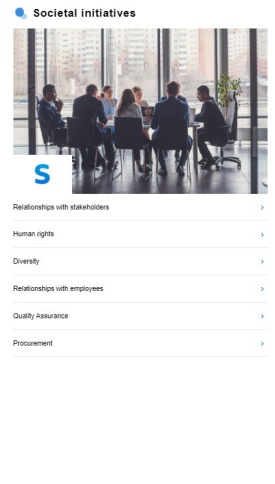
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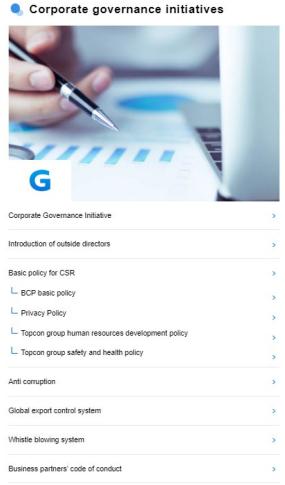
Non-Financial Information

- **Sustainability page on our website explaining the social issues we addressed and SDGs, etc.**

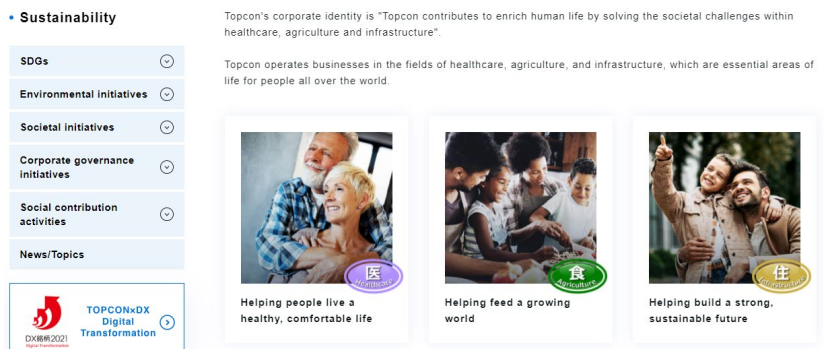












■Website: https://global.topcon.com/sustainability/sdgs/

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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 October 28, 2022 at 15:00(UTC+9)

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