

FY2023 Financial Results

May 10, 2024

Infrastructure

Agriculture

Healthcare

TOPCON CORPORATION

President and CEO
Takashi Eto





FY2023 Financial Results Briefing

1. **FY2023 Financial Results**
2. **FY2024 Full Year Plan**
3. **Progress in Mid-Term Business Plan 2025**
4. **Appendix**

Highlight of FY2023 Financial Results



■ FY23 Financial Results

Sales flat and Profit decrease

Net Sales **216.5 Billion yen**
YoY 0%

Operating Income **11.2 Billion yen**
YoY -43%

Positioning Business

YoY

Net Sales



Operating Income



Net Sales were lower than the previous year, and profit decreased though SGA control.

Eye Care Business

YoY

Net Sales



Operating Income



Record High for both net sales and profit
Steadily improving operating income ratio

■ FY24 Full Year Plan

Significant increase in sales and profit

Net Sales **230.0 Billion yen**
YoY +6%

Operating Income **18.0 Billion yen**
YoY +61%

Structural reforms effect realized, upfront investment blossoming

Positioning Business

With the effect of structural reforms, reducing SGA

YoY

Net Sales



Operating Income



Eye Care Business

Expecting increase in sales and profit though continued investment

YoY

Net Sales



Operating Income



Signed partnership agreement strategically with Microsoft Corp.

Realizing innovation in the U.S. healthcare industry "Healthcare from the eye".

1. FY2023 Financial Results

- Consolidated Financial Results
- Overview of Each Business

FY2023 Financial Results

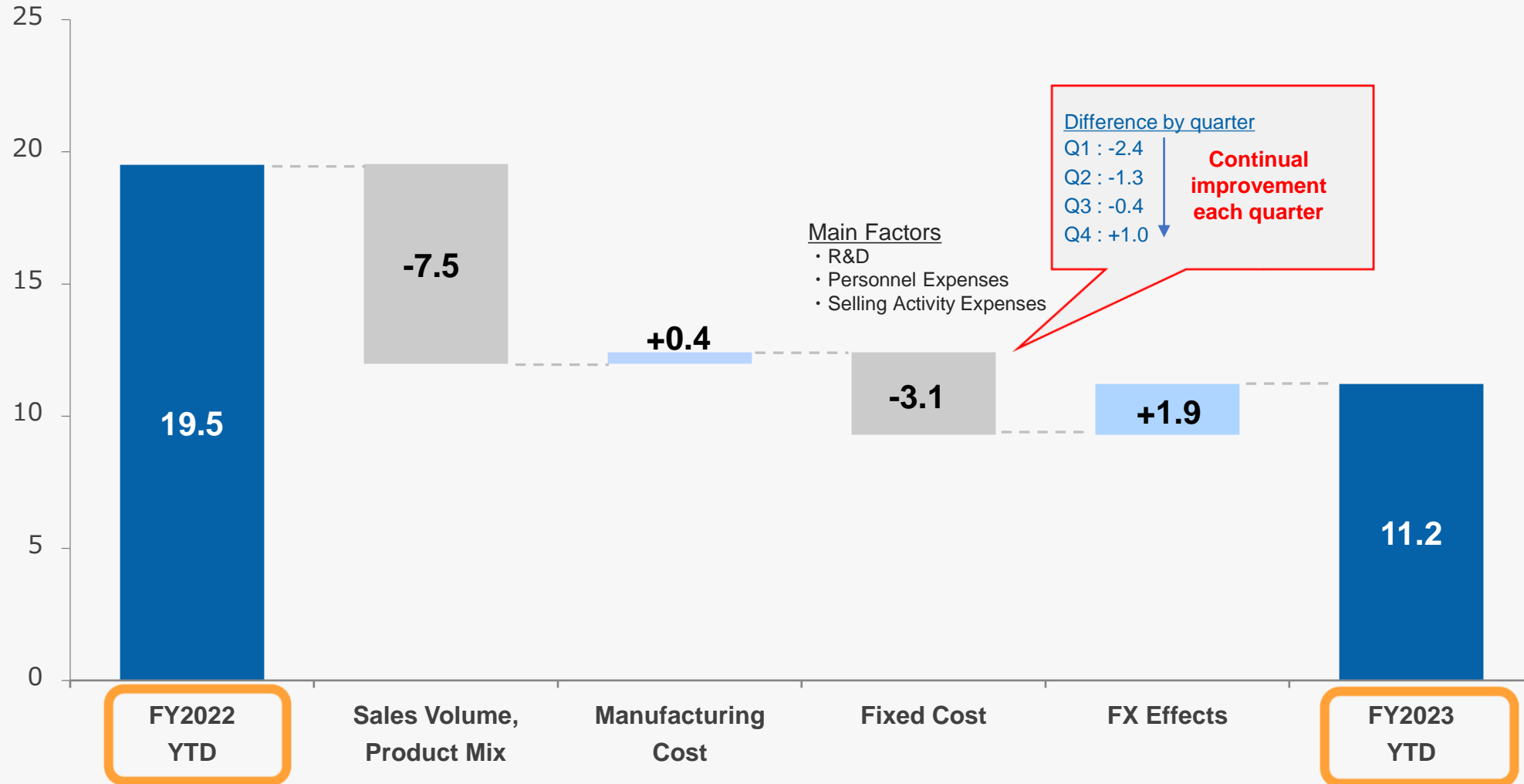


(Unit : billion yen)	FY2022 Actual	FY2023 Actual	YoY	%	Plan* *Announced on January 29	
Net Sales	215.6	216.5	+0.9	0%	215.0	
Gross Profit	112.4	114.8	+2.4	+2%		
Gross Profit Ratio	52.1%	53.0%	+0.9pt			
SGA	92.9	103.6	+10.7	+12%		
Operating Income	19.5	11.2	-8.3	-43%	13.0	
Operating Income Ratio	9.1%	5.2%	-3.9pt		6.0%	
Ordinary Income	17.8	8.9	-9.0	-50%	11.0	
Extraordinary Losses	-1.8	-4.4	-2.6			
Net income	11.8	4.9	-6.9	-58%	3.0	
Dividends	¥42	¥42	0	0%		
Payout Ratio	37%	90%	+52pt			
Exchange Rate (Average)	USD	¥134.95	¥144.40	¥+9.45	(Q4 Assumption)	¥140
	EUR	¥141.24	¥156.80	¥+15.56		¥150

FY2023 Operating Income YoY Breakdown



(Unit : billion yen)



1. FY2023 Financial Results

- Consolidated Financial Results
- Overview of Each Business

Overview of Each Business [Positioning Business]

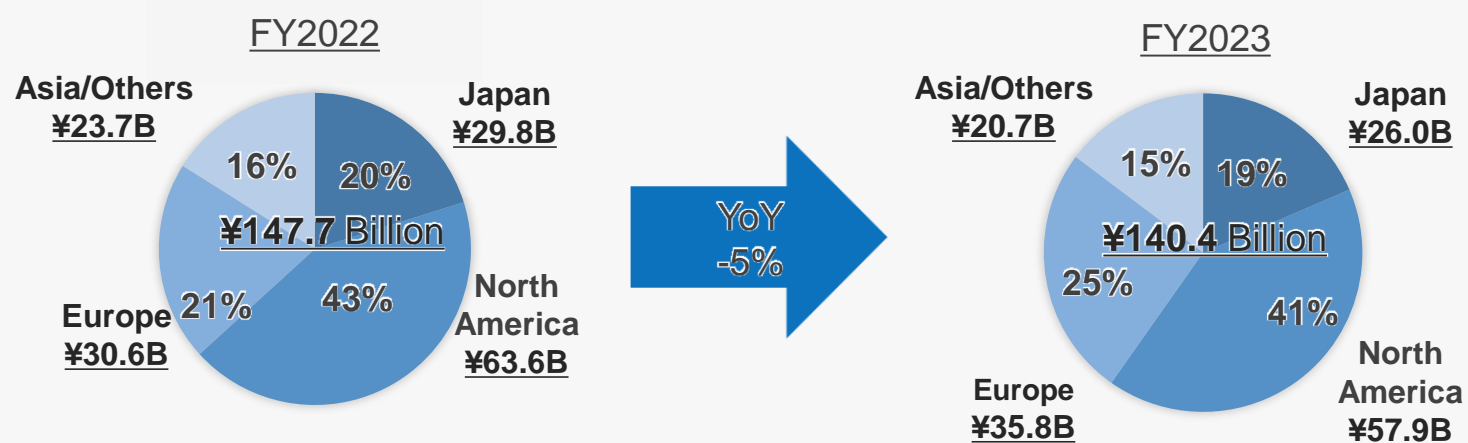


■ Net Sales were lower than the previous year, and profit decreased though SGA control.

✓ Sales and Profit

(Unit : billion yen)		FY2022	FY2023	YoY	%	Plan*
		Actual	Actual			
Positioning Business	Net Sales	147.7	140.4	-7.3	-5%	138.0
	Operating Income	20.5	9.1	-11.4	-56%	11.5
	Operating Income Ratio	13.9%	6.5%	-7.4pt	-	8.3%
Exchange Rate	USD	¥134.95	¥144.40	¥+9.45		
(Average)	EUR	¥141.24	¥156.80	¥+15.56		

✓ Sales by Region



Overview of Each Business [Positioning Business]

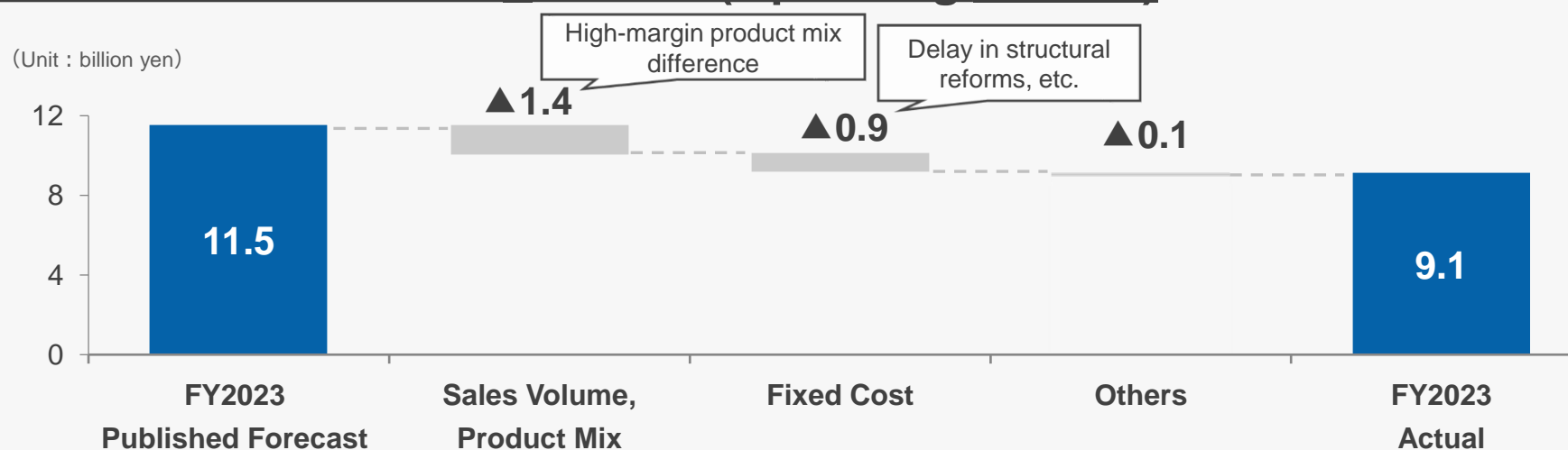


■ Net Sales were lower than the previous year, and profit decreased though SGA control.

✓ Sales and Profit

		FY2022	FY2023			Plan*
(Unit : billion yen)		Actual	Actual	YoY	%	*Announced on January 29
	Net Sales	147.7	140.4	-7.3	-5%	138.0
Positioning Business	Operating Income	20.5	9.1	-11.4	-56%	11.5
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Exchange Rate (Average)	USD	¥134.95	¥144.40	¥+9.45		
	EUR	¥141.24	¥156.80	¥+15.56		

✓ Comparison with Published Forecast (Operating Income)





■ Review of Financial Results

Overall

- ✓ Sluggish sales due to the prolonged impact of hold off on purchases caused by the receding expectations for monetary easing
- ✓ Reactionary decline in special large demand in the previous year
- ✓ Continued the focus on reducing SGA

ICT Construction・IT Agriculture

- ✓ ICT Construction: OEM sales remained stable except for a reactionary decline in special large demand in the previous year, while aftermarket was impacted by the prolonged holding off on purchases.
- ✓ IT Agriculture: Sales declined due to the impact of decreasing grain prices and remaining at high interest rates
- ✓ Demand from subsidy effects had run its course in IT agriculture in Japan.

Surveying and laser products

- ✓ Hold off on purchases due to the stagnant housing construction market in North America and economic uncertainty
- ✓ Sales in Japan temporarily declined due to inventory adjustment. Sales in Asia was steady.

Overview of Each Business [Eye Care Business]



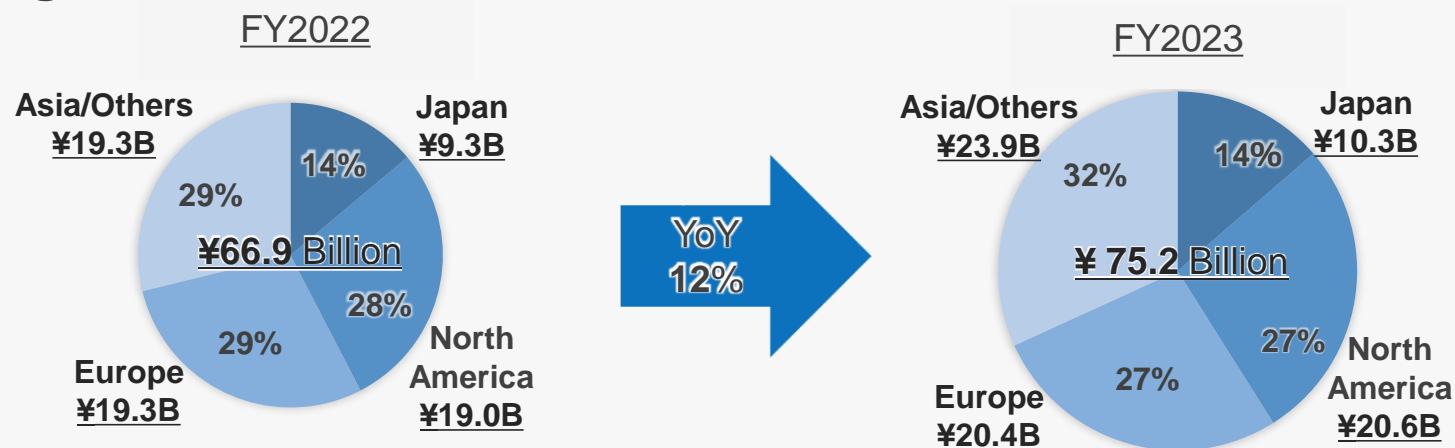
- Upfront investment blossomed and achieved **Record High** for both net sales and profit. Operating income ratio **steadily improved**.

✓ Sales and Profit

(Unit : billion yen)

		FY2022	FY2023			Plan*
		Actual	Actual	YoY	%	*Announced on January 29
Eye Care Business	Net Sales	66.9	75.2	+8.3	12%	76.0
	Operating Income	4.0	6.7	+2.7	+69%	6.0
	Operating Income Ratio	5.9%	8.9%	3.0pt		7.9%
Exchange Rate (Average)						
	USD	¥134.95	¥144.40	¥+9.45		
	EUR	¥141.24	¥156.80	¥+15.56		

✓ Sales by Region





■ Review of Financial Results

Overall

- ✓ Major optical chain stores in the U.S. and Europe continued stable capex investment, while small to mid sized optical stores continued to hold off purchases due to remaining at high interest rates.
- ✓ In China, higher sales were driven by growth in sales to private hospitals, despite the ongoing impact of the anti-corruption campaign
- ✓ Achieved record high profits by controlling SGA cost despite continuing investment in growth.

Screening Business (Growing Business)

- ✓ A new fundus camera, NW500 is good reputation for both screening and ophthalmology, and sales continue to exceed the plan.

Optometry and diagnostic equipment (Core Business)

- ✓ Continuing expansion of sales to major optician chain stores by leveraging the strengths of the Screening Business
- ✓ Digital optometry devices contributed to sales expansion.



2. FY2024 Full Year Plan



■ Significant Increase in Sales and Profit. Maintaining Dividends.

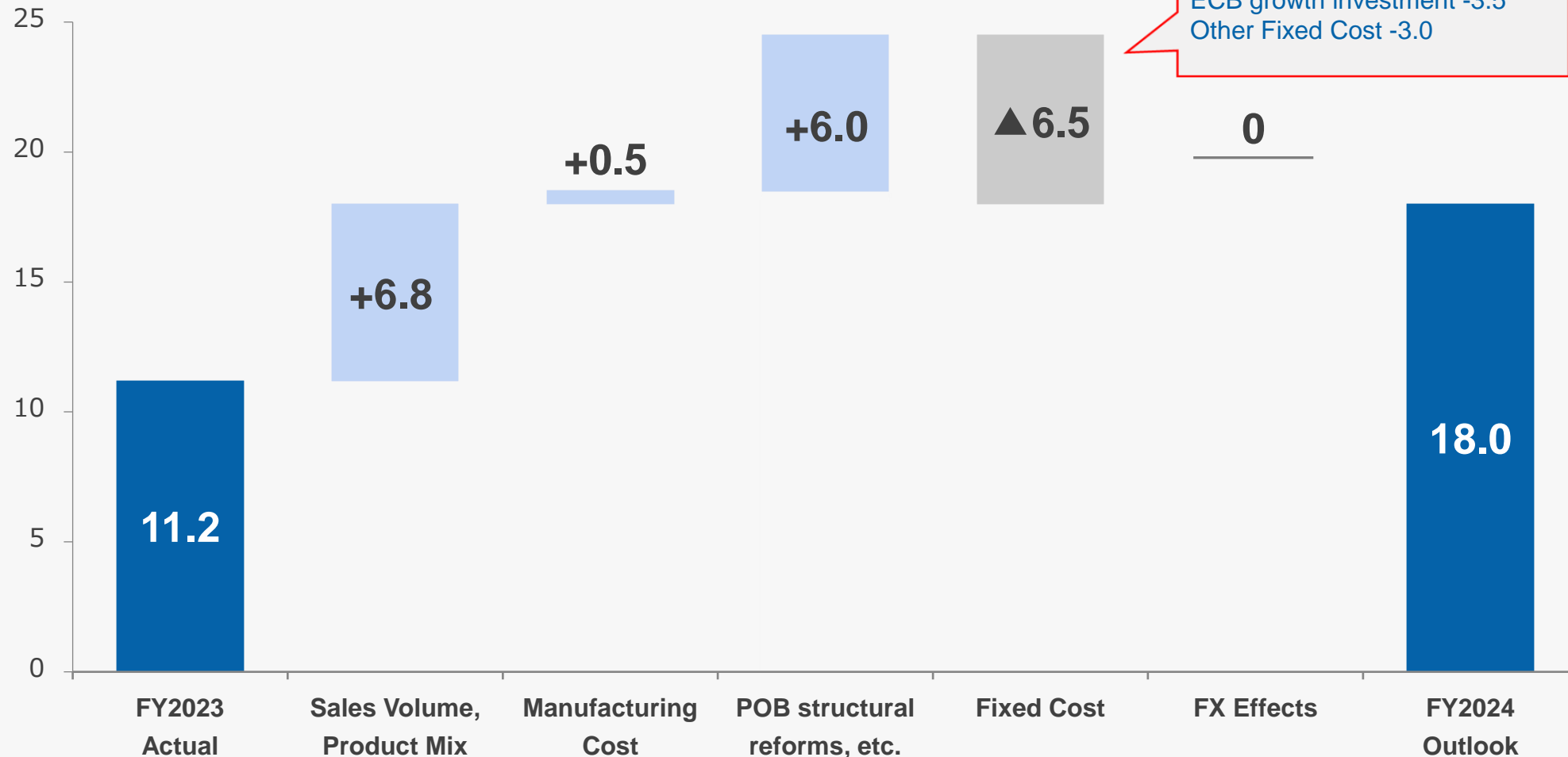
		FY2023 Actual	FY2024 Outlook	YoY	%
Net Sales		¥216.5B	¥230.0B	+13.5	+6%
Operating Income		¥11.2B	¥18.0B	+6.8	+61%
Ordinary Income		¥8.9B	¥15.5B	+6.6	+75%
Net Income		¥4.9B	¥9.5B	+4.6	+92%
ROE		5%	9%	+4pt	
Dividends		¥42	¥42	0	0%
Dividend Payout Ratio		90%	47%	-43pt	
Exchange Rate (Average)	USD	¥144.40	¥145.00	+¥0.60	
	EUR	¥156.80	¥155.00	-¥1.80	

FY2024 Operating Income YoY Breakdown



■ Operating income will increase mainly by the expansion of growing business and the effect of structural reforms in Positioning Business.

(Unit : billion yen)



FY2024 Full Year Plan by Business



■ Expecting Increase in Sales and Profit in both Businesses

(Unit: billion yen)		FY2023 Actual	FY2024 Outlook	YoY	Overview
Positioning Business	Net Sales	140.4	147.0	+6.6	<ul style="list-style-type: none"> • Despite an uncertain business environment, a reversal is expected with the introduction of new products. • Reducing SGA and improving operating income due to the effects of structural reforms.
	Operating Income	9.1	16.5	+7.4	
	Operating Income Ratio	6.5%	11.2%	4.7pt	
Eye Care Business	Net Sales	75.2	82.0	+6.8	<ul style="list-style-type: none"> • Expanding Growing business such as Screening Business. • Increasing operating income despite continued investment.
	Operating Income	6.7	7.5	+0.8	
	Operating Income Ratio	8.9%	9.1%	0.2pt	
Exchange Rate (Average)	USD	¥144.40	¥145.00	+¥0.60	
	EUR	¥156.80	¥155.00	-¥1.80	

Sales Status by Business



- Positioning Business: Recovery Expected in FY24 2H after Weak FY23 2H Results
- Eye Care Business: Positive YoY Trend Expected to Continue

↗ Positive YoY change

⇒ Same level

↘ Negative YoY change

Segment	Solution	Major Markets	FY2023 Actual		FY2024 Outlook		
			1H	2H	1H	2H	
POB (Positioning Business)	Core	Surveying and laser products	Surveying & Construction	⇒	↘	⇒	↗
		ICT Construction	OEM※2	↗ ※5	↘	↘	⇒
	Growing ※1		Aftermarket※3	↘	↘	⇒	↗
			OEM※4	↗	↘	⇒	↗
			IT Agriculture	Aftermarket※3	↘	↘	⇒
ECB (Eye Care Business)	Core	Optometry and diagnostic equipment	Medical institutions/ Major optical chain stores/Drugstores	↗	↗	↗	↗
	Growing	Screening and other services	Medical institutions/ Major optical chain stores/Drugstores	↗	↗	↗	↗

※1 Comparison in U.S. dollars
 ※2 Sold to construction machinery manufacturers (mounted on new vehicles)
 ※3 Sold to distributors of construction machinery, agricultural machinery, etc. (mounted on new or used vehicles)
 ※4 Sold to agricultural machinery manufacturers (mounted on new vehicles)
 ※5 Excluding the impact of special demand in the same period of the previous year (FY22)

3. Progress in Mid-Term Business Plan 2025

- **Mid-Term Business Plan 2025 | Progress in Basic Measures**
- **Positioning Business**
- **Eye Care Business**
- **Mid-Term Business Plan 2025 Outlook**

Mid-Term Business Plan 2025 | Progress in Basic Measures



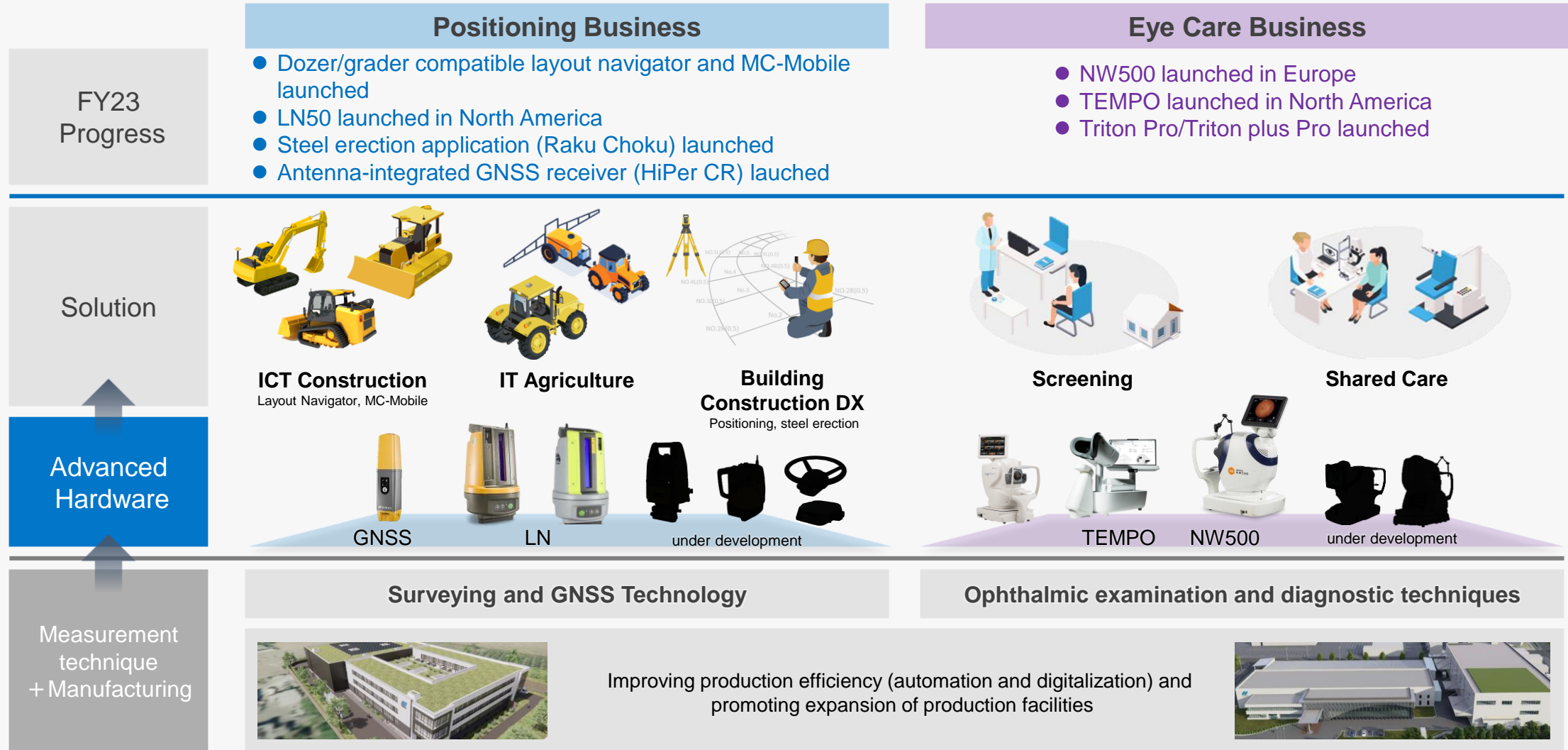
■ **Steadily Promoting Measures** In accordance with the Basic Policies Set Forth in the Mid-Term Business Plan

Mid-Term Business Plan 2025	Challenging to sustainably growing 100 year venture Three Pillars Supporting Sustainable Growth		
	Deepening Customer Orientation Remain a company in need	Reforming the foundation Establish an efficient organization	DX Acceleration Continue to create the next growth business
	<ul style="list-style-type: none"> Develop products and solutions with an emphasize on customers and markets Get advanced hardware to the de facto standard 	<ul style="list-style-type: none"> Maximizing efficiency of the Positioning Business Improving the profitability of the Eye Care Increasing production capacity and advancing production efficiency 	<ul style="list-style-type: none"> Continuing investment focused on growth areas (R&D, M&A) Strengthened foundation to accelerate development/deployment of Digital Transformation

FY23 Progress situation	Positioning Business	Reforming to a business division system, Development closer to customers	Promotion of One POB Highlight	Expansion of solutions for building construction
	Eye Care Business	Developing solutions with advanced hardware at its core Highlight	Structural Reforms - SGA reduction Highlight	Strategic M&A to acquire technology Highlight
	Production		Structural Reforms - Profitability improvement Highlight	Screening Business blossoming, further ahead Highlight
	Corporate		Beginning plant construction toward increased production capacity	Production automation and digitalization to improve production efficiency
			Liquidation of unprofitable businesses	



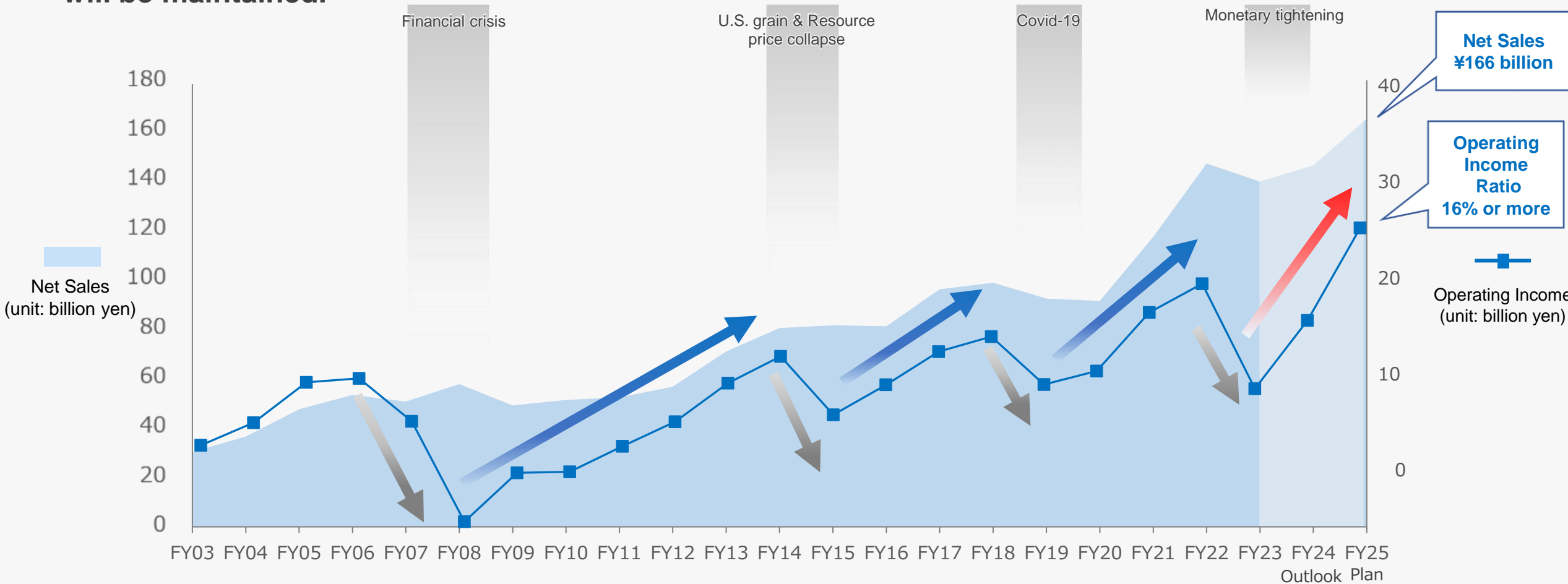
■ Developing Advanced Hardware and Solutions Based on "measurement technology" and "spirit of manufacturing"



【Positioning Business】 Trajectory of Sustainable Growth



- Although affected ahead of the economic recession, **sustaining growth over the long term** due to strong performance growth during the economic recovery phase.
- Expectations of a U.S. interest rate cut are receding, but the Mid-Term Business Plan target (FY25) will be maintained.





■ Key measures have been implemented in FY23 to transform to lean organizational structure/processes

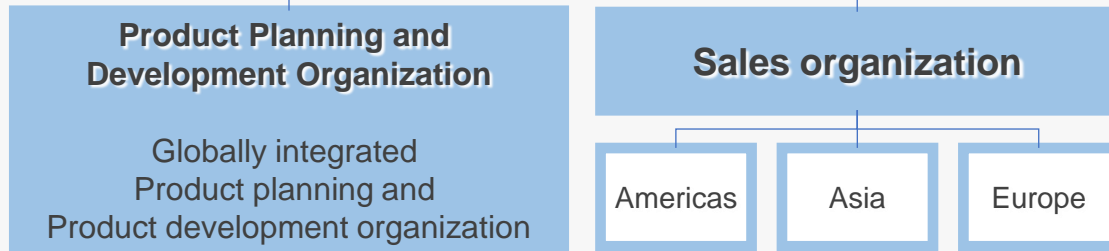


Executive VP
Raymond O'Connor
POB
Positioning
Business



New appointment

Senior Executive Officer
Tetsuya Morita



Reallocation and process reform of planning and development organizations

- ✓ Appointment of executive officer skilled in reform from outside the company
- ✓ Review development priorities as POB and formulate product development plan map
- ✓ Strengthened development project management system

Improvement of efficiency of sales organization

- ✓ Integration into a global tri-polar structure
- ✓ Europe: Reorganization of sales offices and distribution centers
- ✓ North America and Asia: Review and streamline sales organization

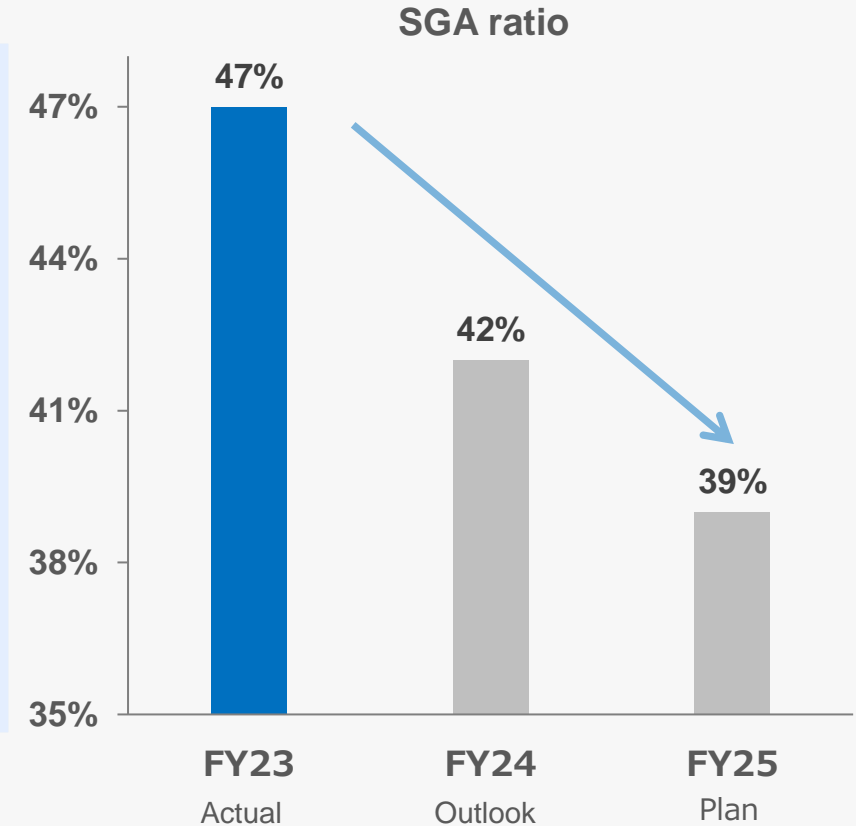


■ Improving SGA Ratio to 39% in FY25 due to SGA Cost Reduction

FY24

Due to the effect of structural reforms, SGA ratio to 42%

SGA cost reduction measures	
Sales Organizational Reduction <ul style="list-style-type: none"> Significant headcount reduction (over 150), mainly in Europe and the U.S. Review and consolidation of investment ratio in subsidiaries 	<ul style="list-style-type: none"> FY23 completed Further promotion in FY24
Cost Reduction <ul style="list-style-type: none"> Continued reduction of selling expenses, etc. Partial development cost reduction (low priority development items) 	<ul style="list-style-type: none"> Further promotion in FY24 Further promotion in FY24
Facility Winding Down and Business Withdrawals <ul style="list-style-type: none"> Major downsizing of Moscow office in preparation for complete withdrawal Sale of operation management system business for construction and mining equipment, Australia 	<ul style="list-style-type: none"> FY23 completed FY23 completed



FY25

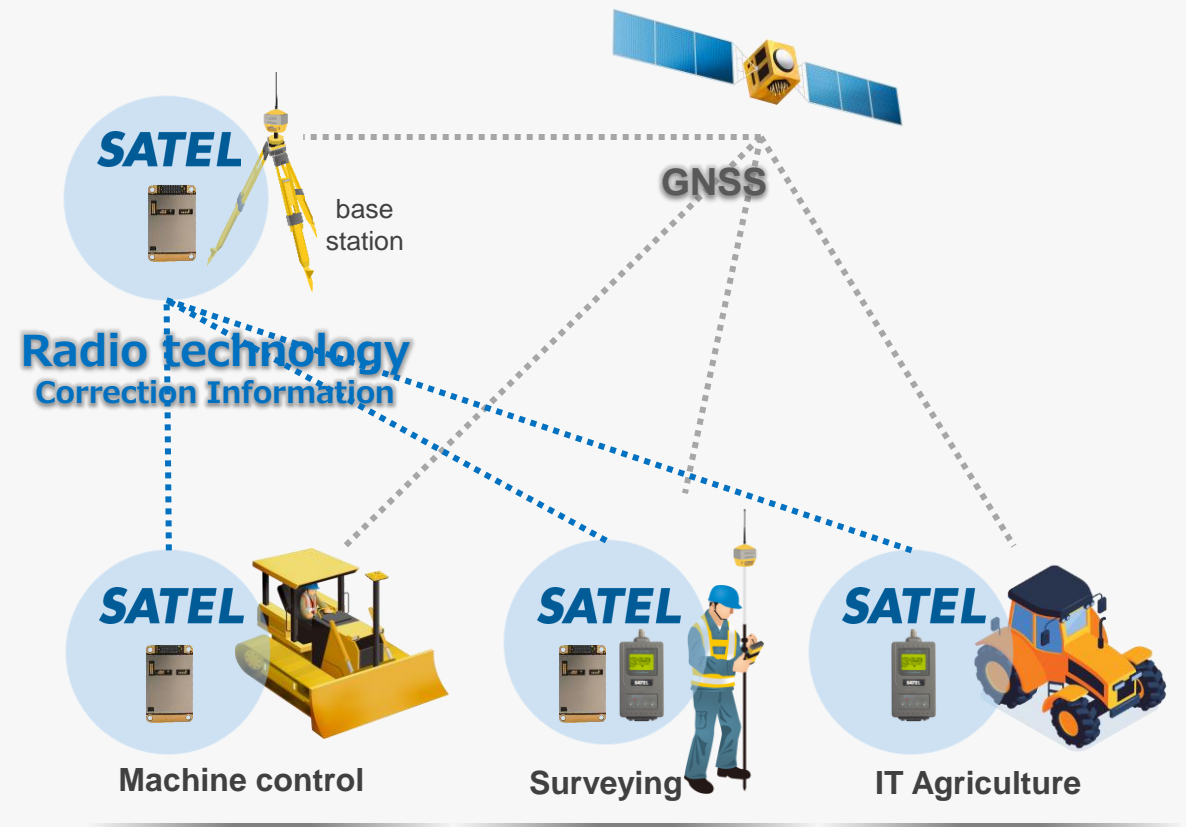
Continuing to reduce SGA cost by further promoting “One POB”, and SGA ratio to 39%



- Acquired Satel, A Company with Strengths in Radio Technology, and Made It a Subsidiary
- Enclosed Radio Technology Indispensable for ICT in Construction, Agriculture, and Surveying

SATEL

- One of the few global suppliers
Stable and continuous supply of parts
- Align with global regulatory standards
Track record of compliance with regulations and certifications worldwide
- Highest technology level in the industry
Long distance communication technology (80 km)

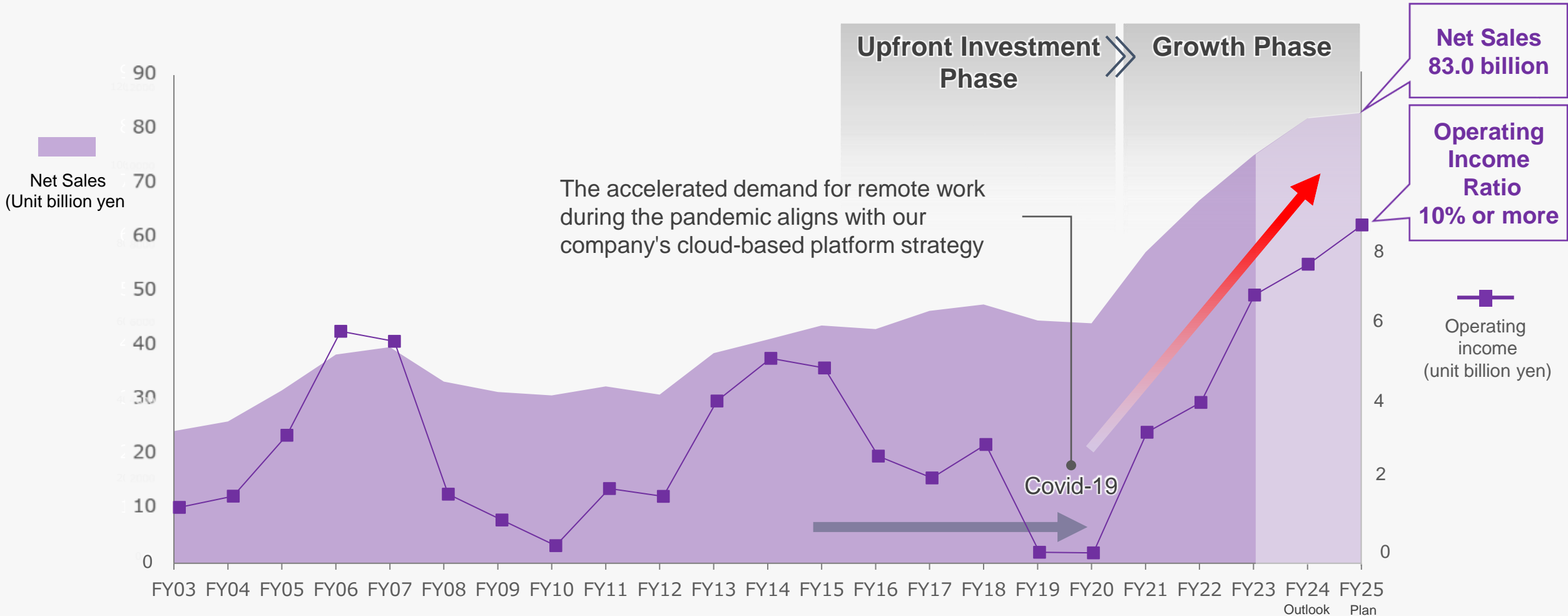


Press release: <https://www.topconpositioning.com/articles/topcon-acquires-finnish-industrial-radio-solutions-manufacturer->

Eye Care Business | Blossoming in Upfront Investment



■ Upfront Investments in Screening Business Blossoming; Profit Growth Expected on Ongoing Investments





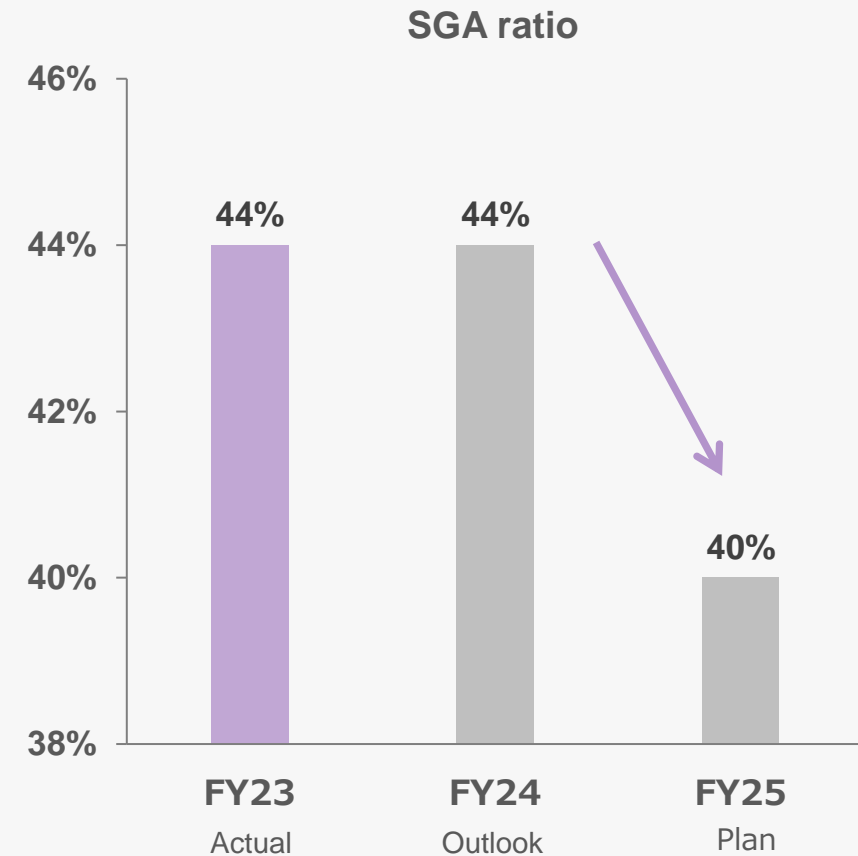
■ Achieving SGA to Sales Ratio of 40% through FY25 Sales Plan and SGA Cost Control

■ Organizational Optimization

- ✓ Consolidated North American organization (Completed April 2024)
- ✓ Organizational and operational reform of sales offices in North America, Asia, and Japan

■ Increase efficiency and speed up product planning and development

- ✓ Strengthen collaboration among global development sites
- ✓ Planning and development process reform and streamlining of pharmaceutical affairs processes
- ✓ Increase development efficiency with IT





Towards the Realization of Innovation in the U.S. Healthcare Industry "Healthcare from the eye".



Microsoft Headquarters (Seattle, USA, May 8, 2024)

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“
Topcon Healthcare Inc announces a partnership with Microsoft Corporation to deliver AI-powered **‘healthcare from the eye’** solutions to improve healthcare access, cost, and quality.
”

Topcon Healthcare Inc. Partners with Microsoft to Deliver AI-powered ‘Healthcare from the Eye’ Through a Connected Healthcare Platform

May 9, 2024 | Topcon News

Share on:



OAKLAND, NJ - Topcon Healthcare Inc. (THI) announces a partnership with Microsoft Corporation to deliver AI-powered ‘Healthcare from the Eye’ solutions to improve healthcare access, cost, and quality. A cloud-based connected network of healthcare providers using the Nuance Precision Imaging Network and the THI Harmony platform will empower patients and healthcare providers to participate in pre-screening for systemic and neurological disease via a robotic, rapid, and non-invasive eye scan. “We are committed to making healthcare accessible and affordable through pre-screening using ophthalmology - leveraging the eye for insights into

(Press release dated May 9, 2024)



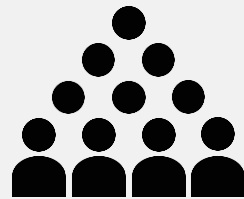
- Huge Potential Market for Preventive Medicine in the U.S.
- Accelerating Digital Transformation in the Healthcare Industry through "Healthcare from the eye" at a Low Price



Huge potential market



Healthcare Costs
4.5 trillion dollars
per year

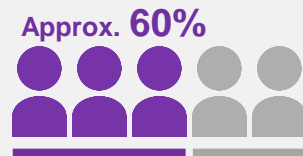


Number of chronically ill patients
150 million¹
Diabetes, heart disease, neurological disease, cancer, eye disease, etc.

Eye exam opportunities can be utilized for medical checkups



Percentage of those who **have not seen a doctor** in 5 years or more²



Percentage of those who **have an eye exam** every year³

Healthcare from the eye

Medical checkups for systemic diseases through the eyes by utilizing AI, etc.※



※ Developed by an external AI company, FDA approval required



- Possible to checkup with a routine eye exam
- Early detection significantly reduces medical costs
- Non-invasive and low price, reducing patient burden

Conventional exam cost
Total \$3000/person

- diabetes mellitus | Blood test
- diabetic retinopathy | Fundus Examination
- circulatory disease | Blood test, etc.
- neurological disorder | MRI/PET, etc.
- eye disease | OCT/Perimeter

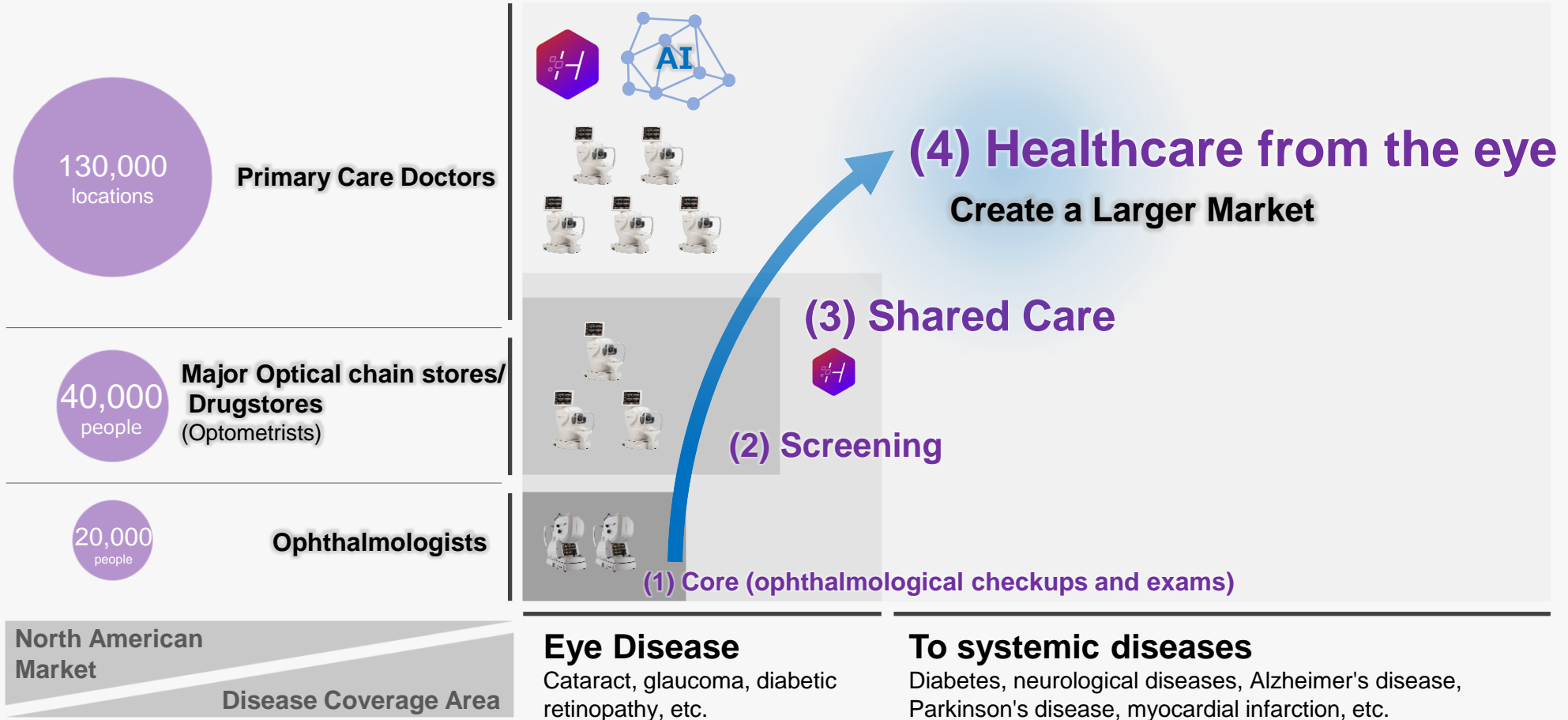
"Healthcare from the eye"
Medical checkup fee
\$100/person

[Source.]

1. <https://www.cms.gov/data-research/statistics-trends-and-reports/national-health-expenditure-data/historical#:~:text=The%20data%20are%20presented%20by,spending%20accounted%20for%202017.3%20percent>
 2. <https://www.onlinedoctor.com/nearly-1-in-5-americans-havent-seen-a-doctor-in-over-five-years/>
 3. <https://www.visionmonday.com/business/article/the-vision-council-releases-consumer-insights-q1-2022-report/#:~:text=Eye%20Exams%3A%2059%20percent%20of,they%20bought%20their%20eyewear%20online>



- Strategically Promote Business to Realize “Healthcare from the eye”
- Accelerate Development of Solutions for Primary Care Doctors and Expand Disease Areas by Utilizing AI, etc.*



*FDA approval required



- Signed Partnership Agreement Strategically with Microsoft Corp. to Accelerate Strategic Development
- Accelerate Development of “Healthcare from the eye”



Fully-automatic ophthalmic examination devices suitable for Screening

AI/Cloud Infrastructure/Security

Customer base of Major Optical Chain Store

Client base of Primary Care Doctors



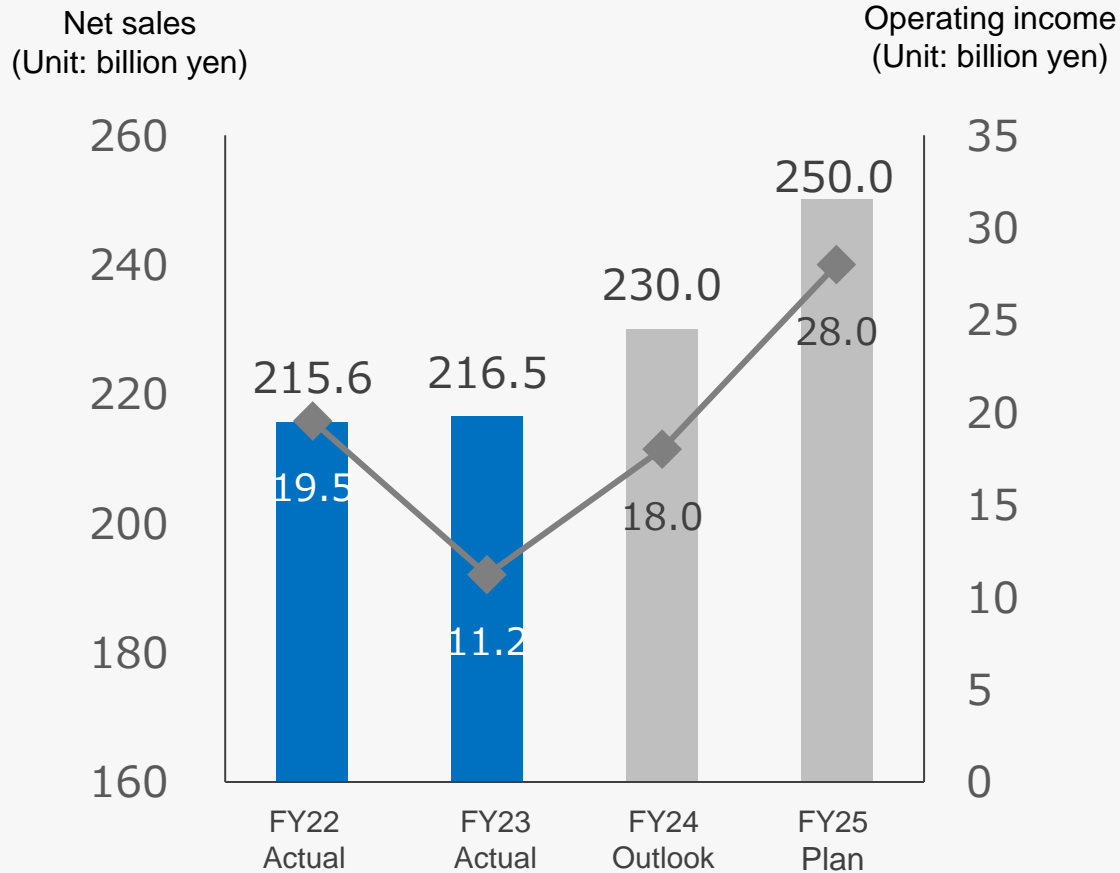
Harmony
Screening data management platform,
Connectivity with AI auto-diagnostics



NUANCE
Interactive AI Healthcare Solution
U.S. penetration rate: 77%

Transforming the Healthcare Industry in the U.S. through Digitalization

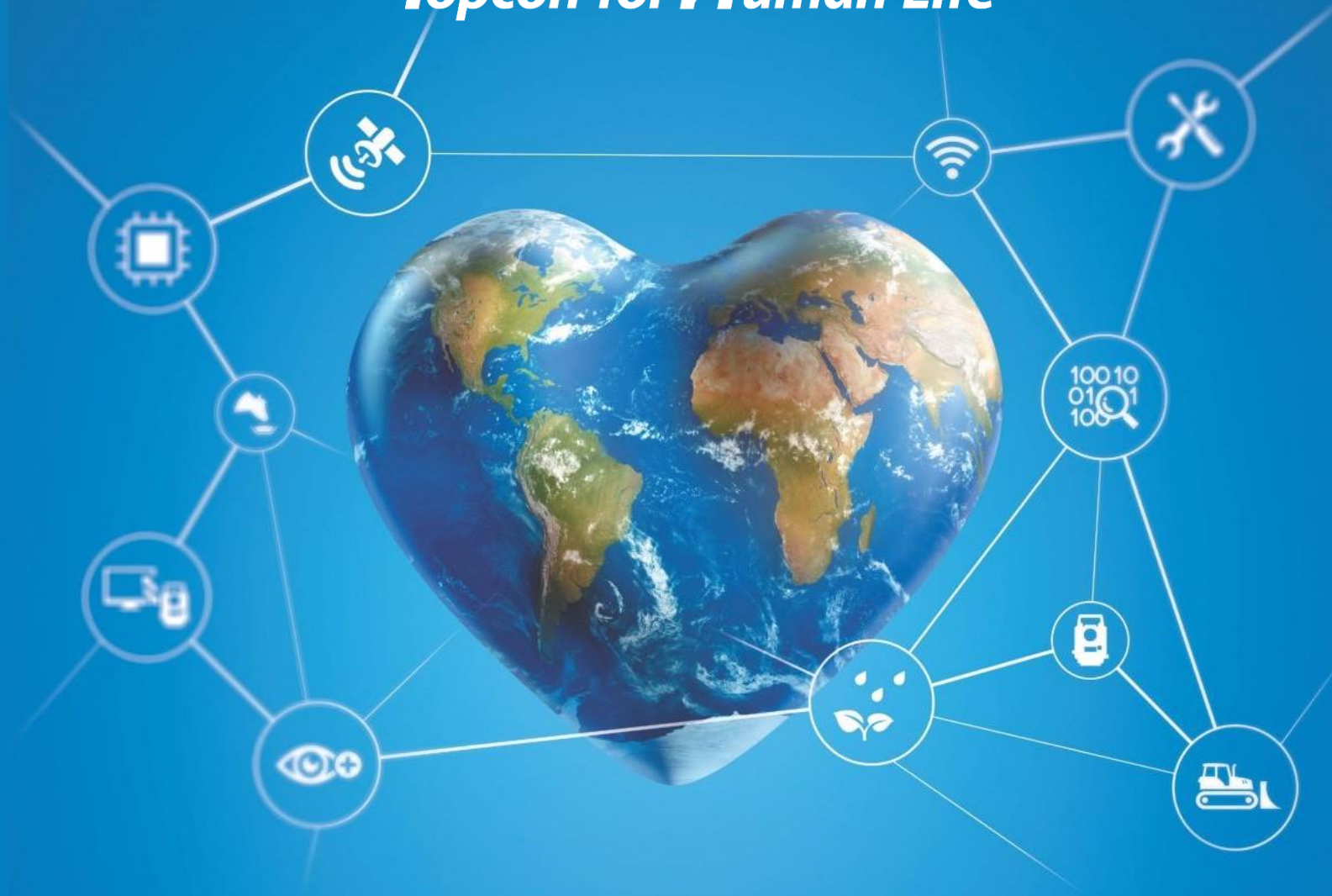
Outlook for Mid-Term Business Plan 2025



- **Societal Challenges**
Unchanging demand for Labor Shortage, Global Aging, Infrastructure Resilience, Disaster Recovery, etc.
- **Positioning Business**
Uncertainty remains about business conditions, such as receding expectations for monetary easing, but confidence in sustained acceleration of growth.
- **Eye Care Business**
Record high sales and profit as upfront investment in solutions business blossoms. Accelerating growth.
- **Structural Reforms**
Responding to the current economic situation and strengthen our resilience to make further strides by reducing costs through structural reforms.

The goals of Mid-Term Business Plan 2025 remain unchanged

Topcon for *Human Life*



A digital transformation
with a human touch



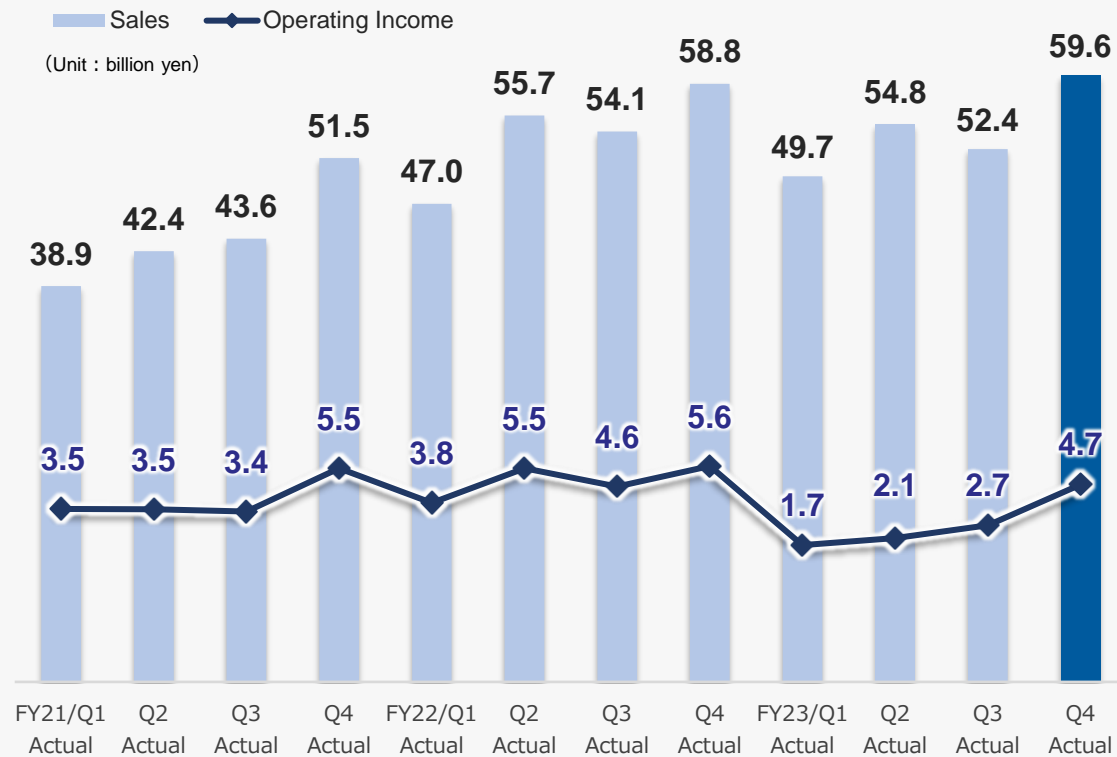
4. Appendix

Financial Results

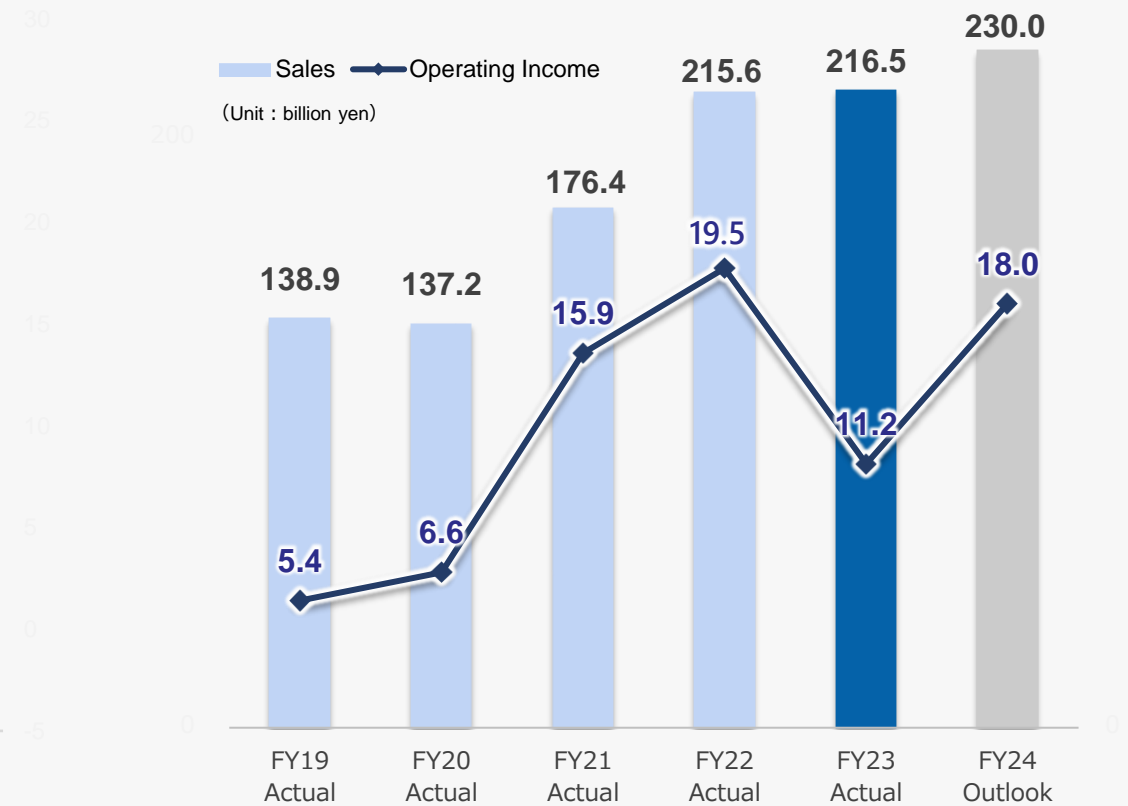


Consolidated

Quarterly



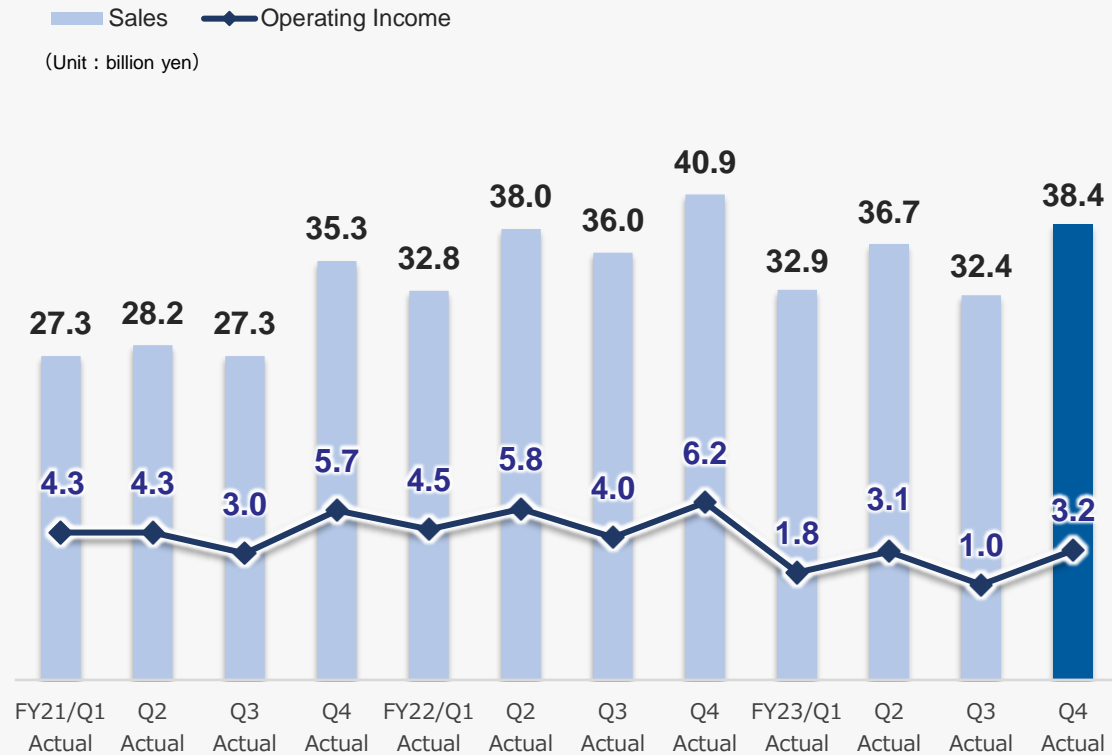
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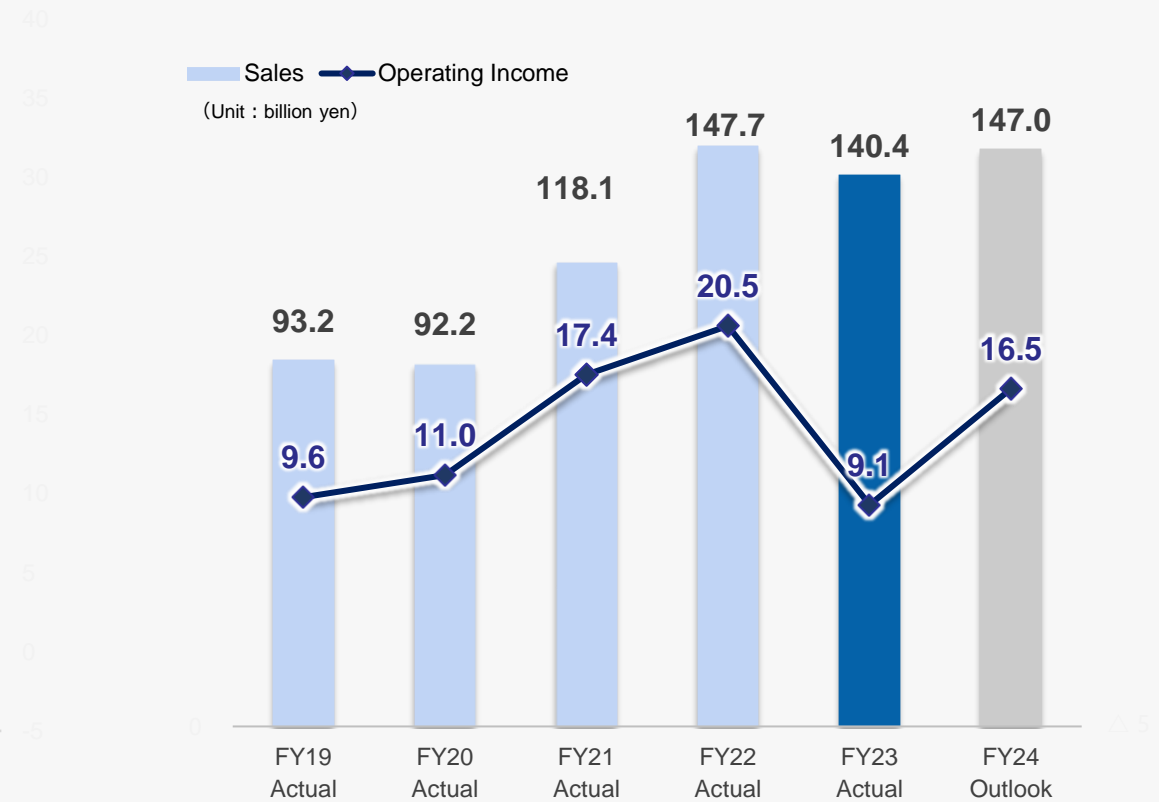


■ Positioning Business

Quarterly

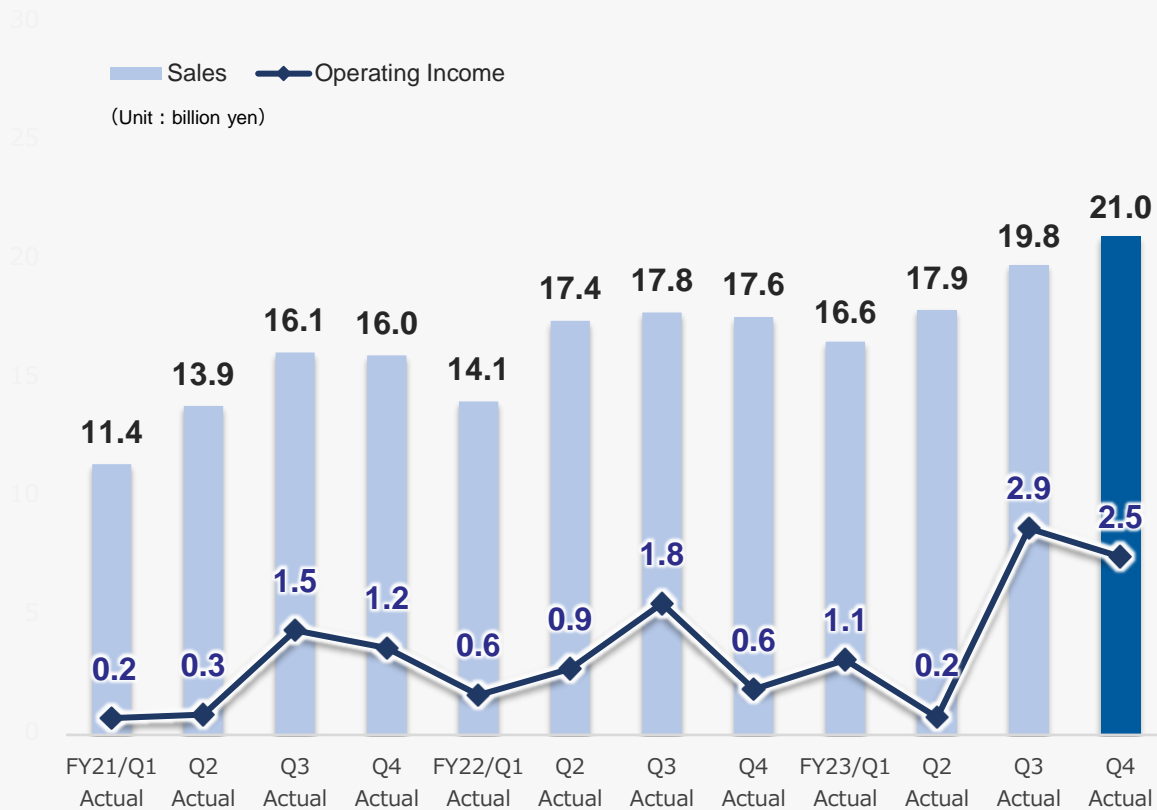


Annually

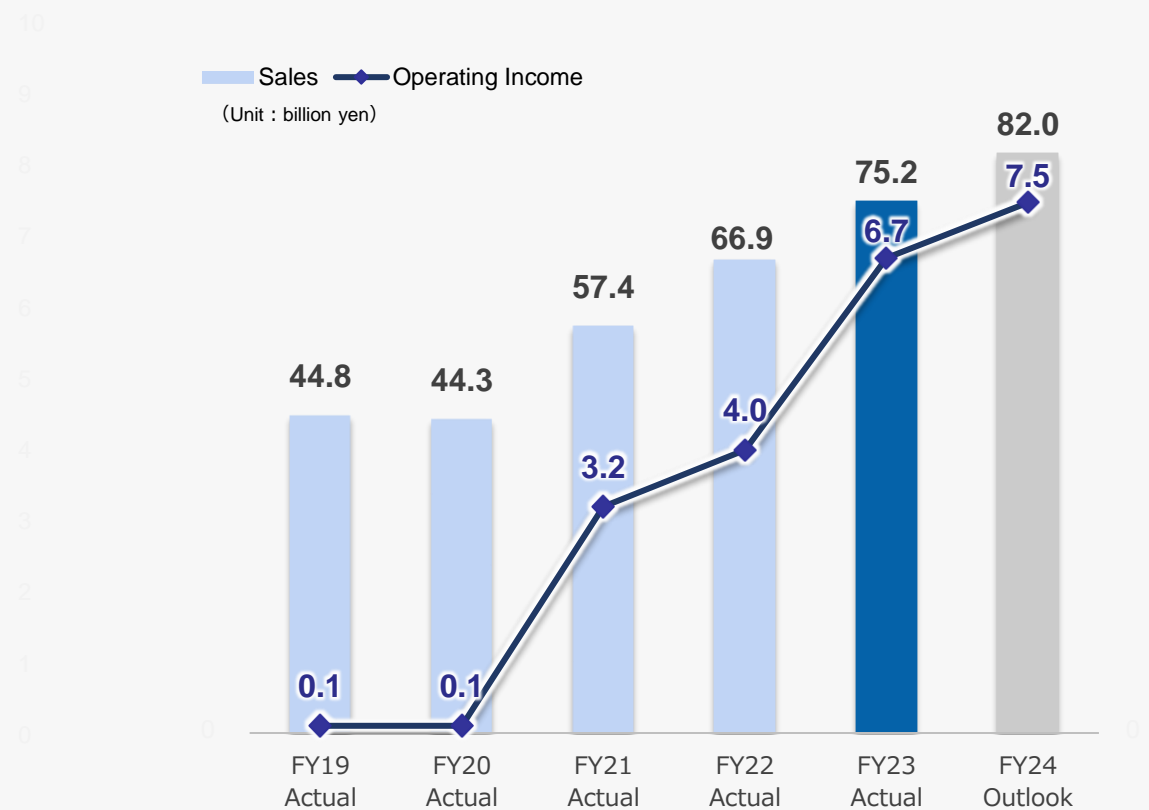


■ Eye Care Business

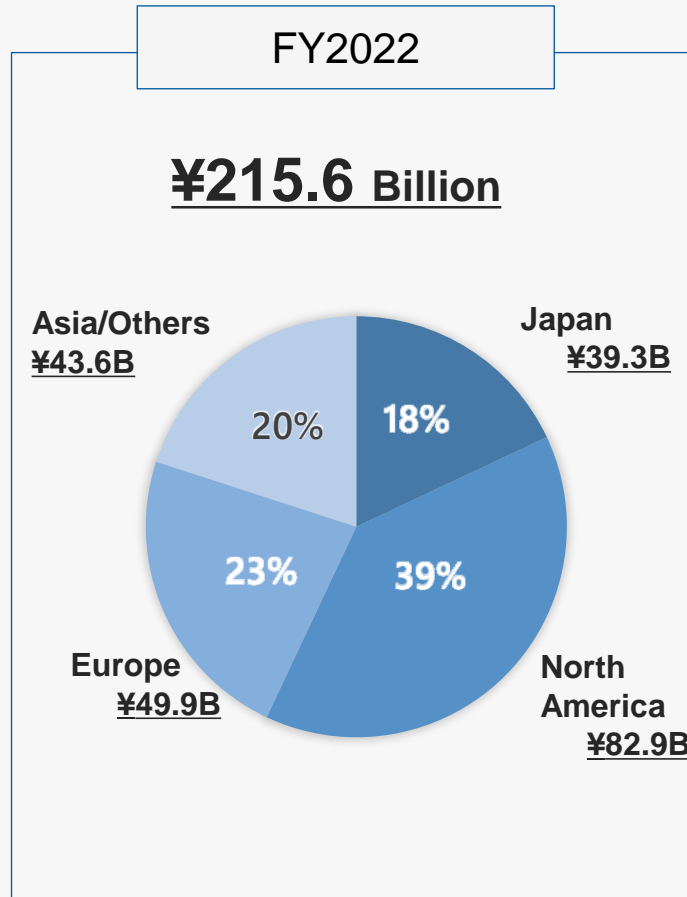
Quarterly



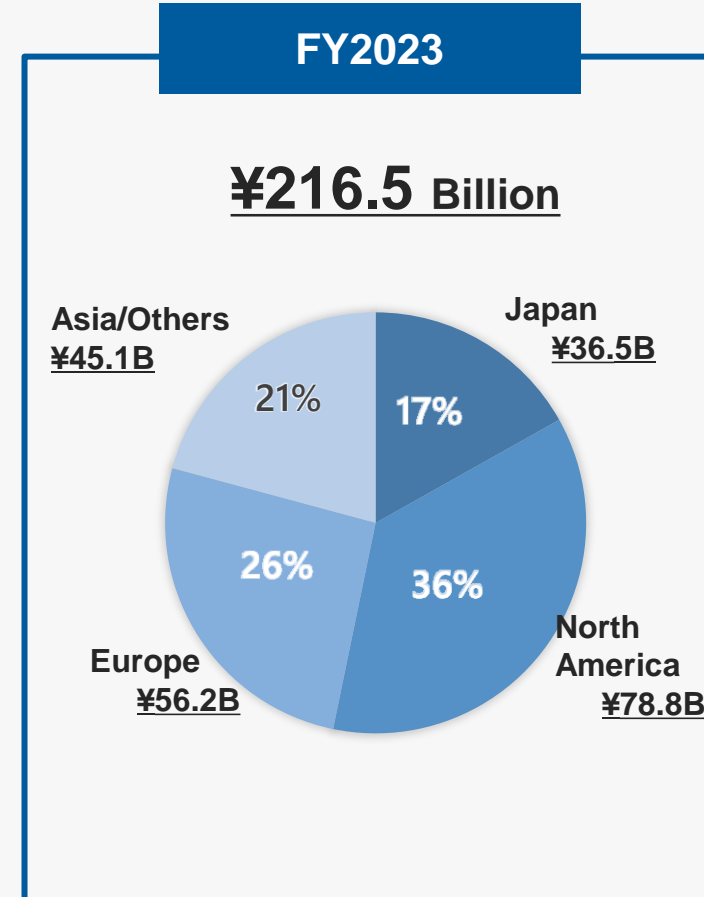
Annually



Sales by Region (Consolidated)



YoY
+0%

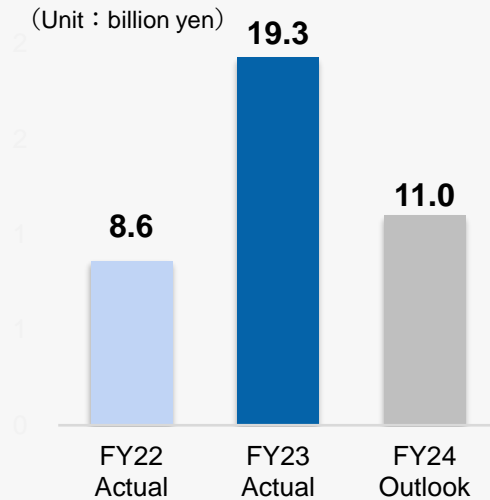


Capital Expenditure and R&D / Forex Sensitivity

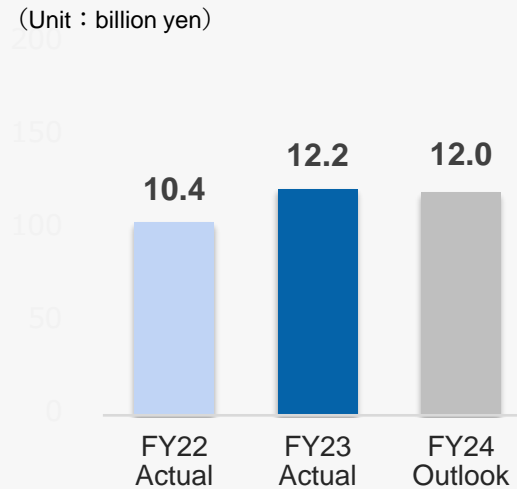


Projections

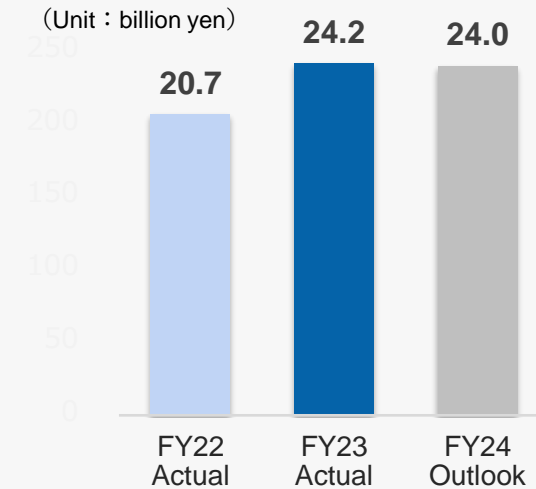
Capital Expenditures



Depreciation*



R&D



Forex Sensitivity (impact by ¥1 change)

	Operating Income
USD	¥0.15B~¥0.2B
EUR	¥0.07B~¥0.1B



Cautionary Note regarding Forward-Looking Statements

These materials contain forward-looking statements, including projections of future operating performance. Such statements are based on management's best judgment, given the materials available to them at the time these statements are made.

However, please be aware that actual performance may differ from projected figures owing to unexpected changes in the economic environment in which we operate, as well as to market fluctuations.

The original disclosure in Japanese was released on May 10, 2024 at 15:00(JST)

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