

FY2023 Q2 Financial Results

October 27, 2023



Infrastructure



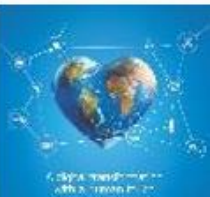
Agriculture



Healthcare

TOPCON CORPORATION

President & CEO
Takashi Eto





FY2023 Q2 Financial Results Briefing

- 1. FY2023 Q2 Financial Results**
- 2. FY2023 Full Year Plan**
- 3. Summary**
- 4. Appendix**

Highlight of FY2023 Q2 Financial Results



■ 1H Results

Sales increase and Profit decrease

Net Sales **104.5 Billion yen**
YoY +2%

Operating Income **3.8 Billion yen**
YoY -59%

Positioning Business

YoY

Net Sales



Operating Income



Net sales was lower than the plan.
Profit decreased due to unable to absorb increased expenses.

Eye Care Business

YoY

Net Sales  (Record High)

Operating Income



Strong sales for the major optical chain stores.
Profit decreased due to increased expenses by upfront investment.

■ Full Year Plan

Revision of Initial Plan

Revised Plan

Net Sales **215.0 Billion yen**
vs Plan +7.0 B yen

Operating Income **13.0 Billion yen**
vs Plan – 6.0 B yen

Positioning Business

YoY

Net Sales



Operating Income



The difficult business environment in the U.S. and Europe remains unchanged, focusing on fixed cost reduction by accelerating structural reforms.

Eye Care Business

YoY

Net Sales  (Record High)

Operating Income



Expecting a record high sales for the sales to the major optical chain stores and the new product effects. Maintain the original planned target with improving profitability.

1. FY2023 Q2 Financial Results

- **Financial Results**

- Overview of Each Business

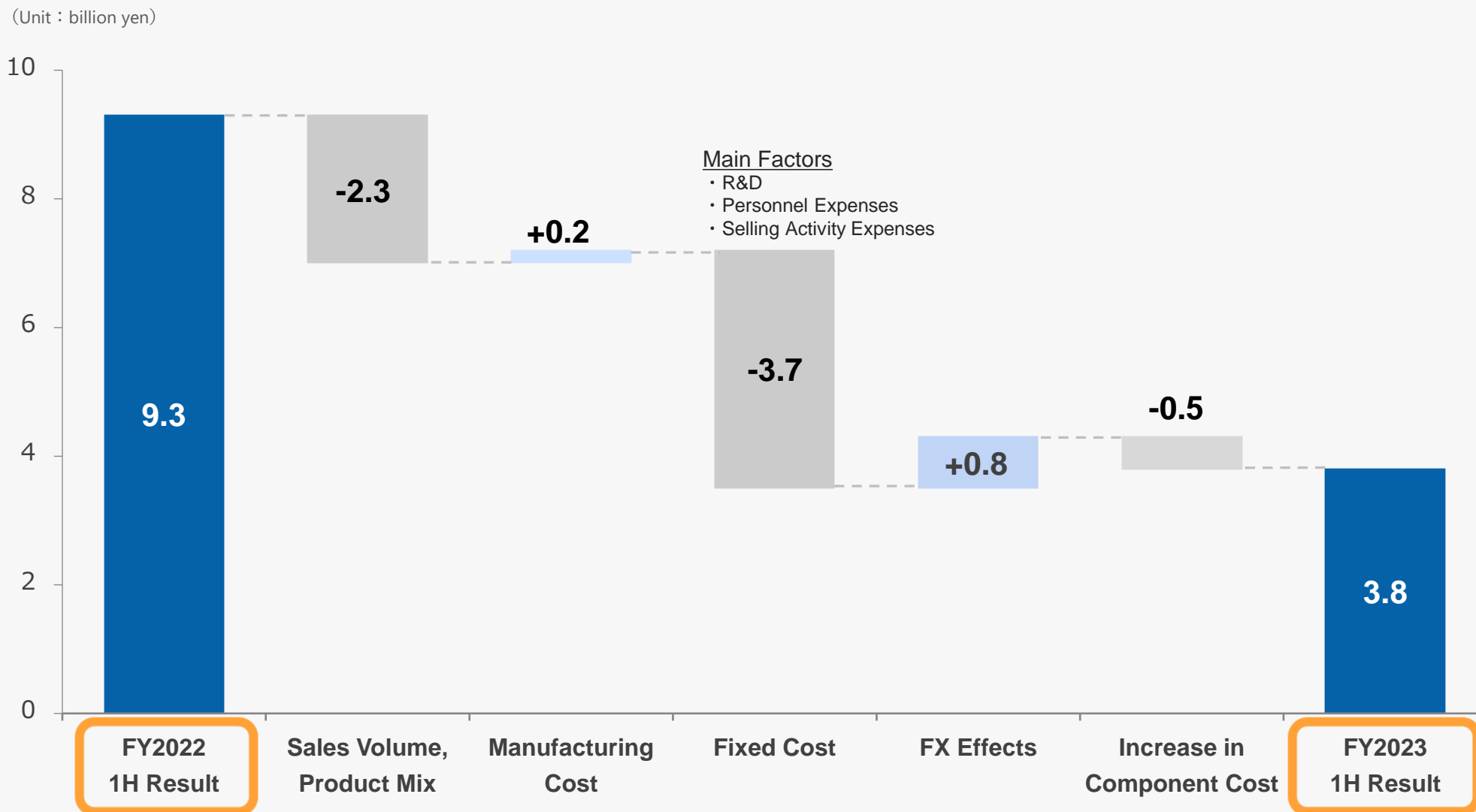
FY2023 1H Financial Results



■ Sales increase and profit decrease

(Unit : billion yen)	FY2022 1H Actual	FY2023 1H Actual	YoY	%
Net Sales	102.7	104.5	+1.8	+2%
Gross Profit	53.5	55.0	+1.5	+3%
Gross Profit Ratio	52.1%	52.6%	+0.5pt	
SGA	44.2	51.2	+7.0	+16%
Operating Income	9.3	3.8	-5.5	-59%
Operating Income Ratio	9.1%	3.7%	-5.4pt	
Ordinary Income	9.4	3.4	-6.0	-64%
Extraordinary Losses	-0.4	-1.4	-1.0	
Net income	6.0	0.6	-5.4	-90%
Exchange Rate (Average)	USD	¥133.46	¥141.31	+ ¥7.85
	EUR	¥138.79	¥153.51	+ ¥14.72

FY2023 1H Operating Income YoY Breakdown



1. FY2023 Q2 Financial Results

- Financial Results

- **Overview of Each Business**

Overview of Each Business 【Positioning Business】



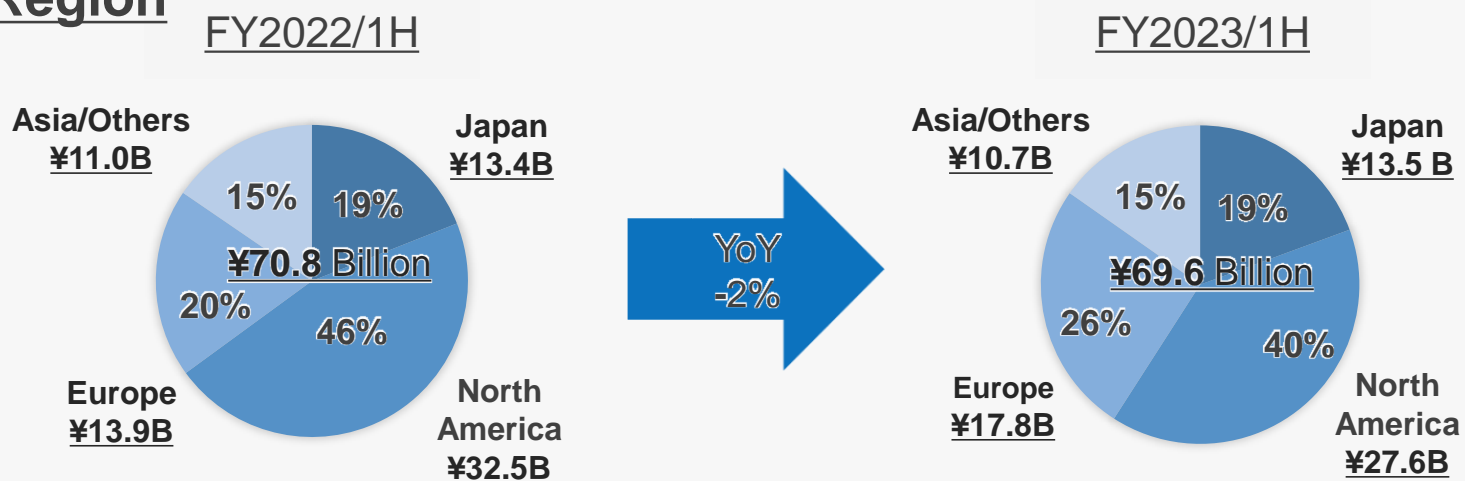
- Net sales was lower than the plan, profit decreased due to unable to absorb increased expenses.

✓ Sales and Profit

(Unit : billion yen)

		FY2022	FY2023	YoY	%
		1H Actual	1H Actual		
Positioning Business	Net Sales	70.8	69.6	-1.2	-2%
	Operating Income	10.2	4.9	-5.4	-53%
	Operating Income Ratio	14.5%	7.0%	-7.5pt	-
Exchange Rate (Average)	USD	¥133.46	¥141.31	+ ¥7.85	
	EUR	¥138.79	¥153.51	+¥14.72	

✓ Sales by Region





■ Review of Financial Results

Overall

- ✓ Sluggish sales due to the slowing housing construction market in North America and the prolonged impact of holding off on purchases under economic uncertainty
- ✓ Reactionary decline in special large demand in the previous Q2
- ✓ Increase in expenses for mainly R&D and personnel expenses

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 sales were stagnant due to the prolonged impact of holding off on purchases.
- ✓ IT Agriculture: OEM sales remained steady, while aftermarket sales declined due to decreasing grain prices and rising interest rates.
- ✓ Demand for both ICT Construction and IT Agriculture remained firm in Japan for the spread of automation.

Surveying and laser products

- ✓ Hold off on purchases due to the stagnant housing construction market in North America and economic uncertainty
- ✓ Japan is steady, Asia continues recovery trend.

Overview of Each Business 【Eye Care Business】



Strong sales for major optical chain stores, record high sales

✓ Sales and Profit

		FY2022	FY2023	YoY	%
(Unit : billion yen)		1H Actual	1H Actual		
Eye Care Business	Net Sales	31.5	34.5	+3.0	+9%
	Operating Income	1.5	1.3	-0.2	-15%
	Operating Income Ratio	4.7%	3.7%	-1.0pt	-
Exchange Rate (Average)	USD	¥133.46	¥141.31	+ ¥7.85	
	EUR	¥138.79	¥153.51	+¥14.72	

✓ Sales by Region





■ Review of Financial Results

Overall

- ✓ Sales increase from stable capex appetites at major optical chain stores
- ✓ China is on a recovery trend, but sales has been sluggish since Q2 due to the impact of the anti-corruption campaign.
- ✓ Continue upfront investment to promote shared care

Screening business

- ✓ Steadily expanding installation of the screening equipment for the major optical chain stores
- ✓ A new fundus camera, NW500 is good reputation for both screening and ophthalmology, and sales continue to exceed the plan

Optometry and diagnostic equipment

- ✓ Sales for major optical chain stores continues and increases by leveraging the strength of Screening Business.

2. FY2023 Full Year Plan

- Full year Plan

- Future Business Outlook and Strategic Plans



■ Downward revision

✓ Assumptions for Revision of Full Year Plan

- Positioning Business The difficult business environment in the U.S. and Europe remains unchanged
Focusing on fixed cost reduction by accelerating structural reforms.
- Eye Care Business Expecting a record high sales for the sales to the major optical chain stores and the new product effects.
Continuing to invest in developing next-generation businesses, in maintaining the original planned target with improving profitability
- FX Rate assumptions Revision of foreign exchange assumptions: US\$ =140 yen, Euro = 150 yen

✓ Revised Plan

	Previous Plan (As of July 26)	Revised Plan (As of October 27)	YoY	Excluding Foreign Exchange -2%	FY2022 Actual
Net Sales	¥208.0B	¥215.0B	+3%		¥215.6B
Operating Income	¥19.0B	¥13.0B	-32%		¥19.5B
Ordinary Income	¥17.0B	¥11.0B	-35%		¥17.8 B
Net Income	¥11.0B	¥4.5B	-59%		¥11.8B
Dividends	¥42	¥42	-		¥42
Dividend Payout Ratio	40%	98%	+58pt		37%

Exchange rate assumption of 2H: US\$= 140 yen / EUR=150 yen

FY2023 Full Year Plan by Business



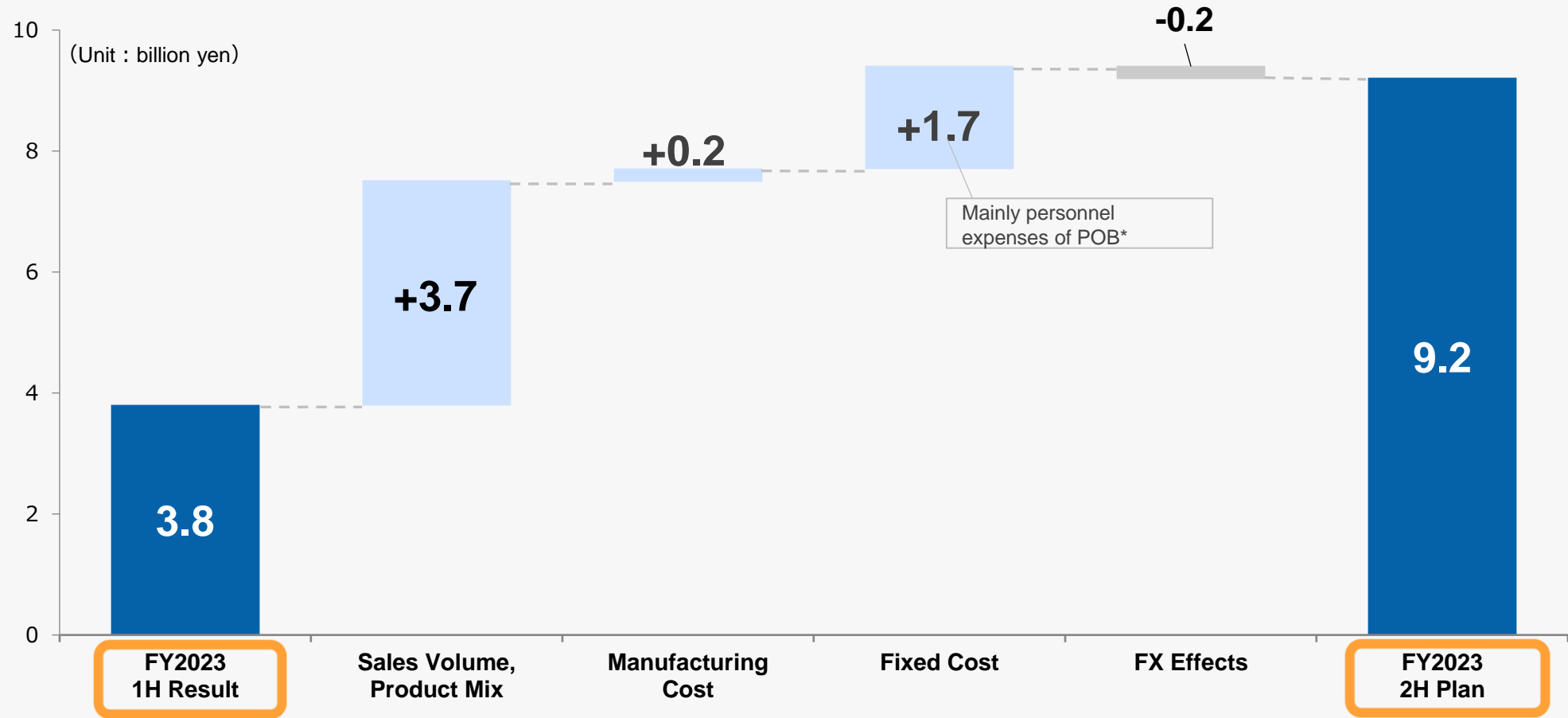
(Unit : billion yen)		Previous Plan (As of July 26)	Revised Plan (As of October 27)		YoY	FY2022 Actual
Positioning Business	Net Sales	137.0	139.0	+1%	Excluding Foreign Exchange -4%	147.7
	Operating Income	18.5	12.5	-32%		20.5
	Operating Income Ratio	13.5%	9.0%	-4.5pt		13.9%
Eye Care Business	Net Sales	70.0	75.0	+7%		66.9
	Operating Income	5.0	5.0	-		4.0
	Operating Income Ratio	7.1%	6.7%	-0.4pt		5.9%

Exchange rate assumption of 2H: US\$= 140 yen / EUR=150 yen

FY2023 Operating Income Improvement



- Strive to significantly improve operating income in the second half by increasing sales and reducing fixed costs



*POB: Positioning Business

2. FY2023 Full Year Plan

- Full year Plan

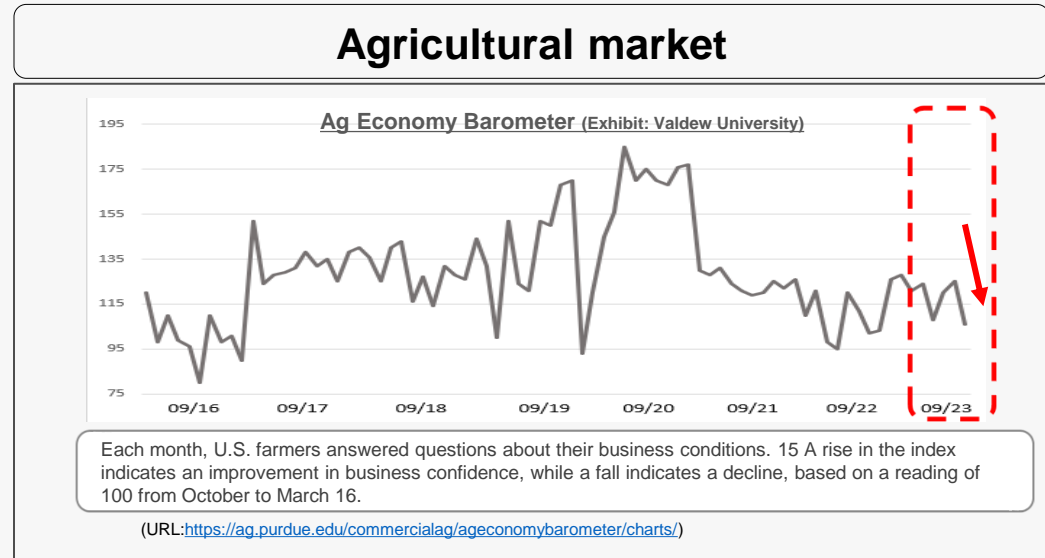
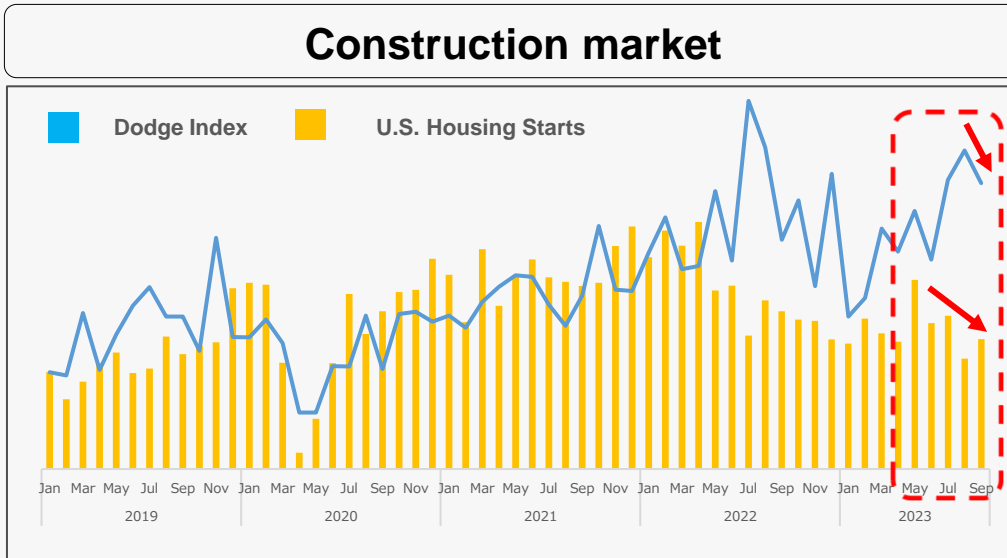
- **Future Business Outlook and Strategic Plans**

Future Business Outlook and Strategic Plans [Positioning Business]

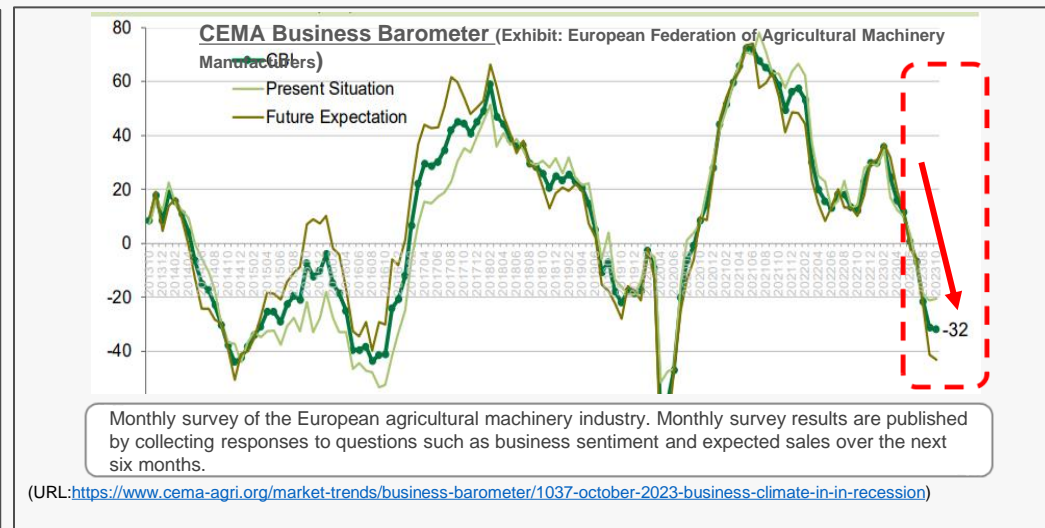
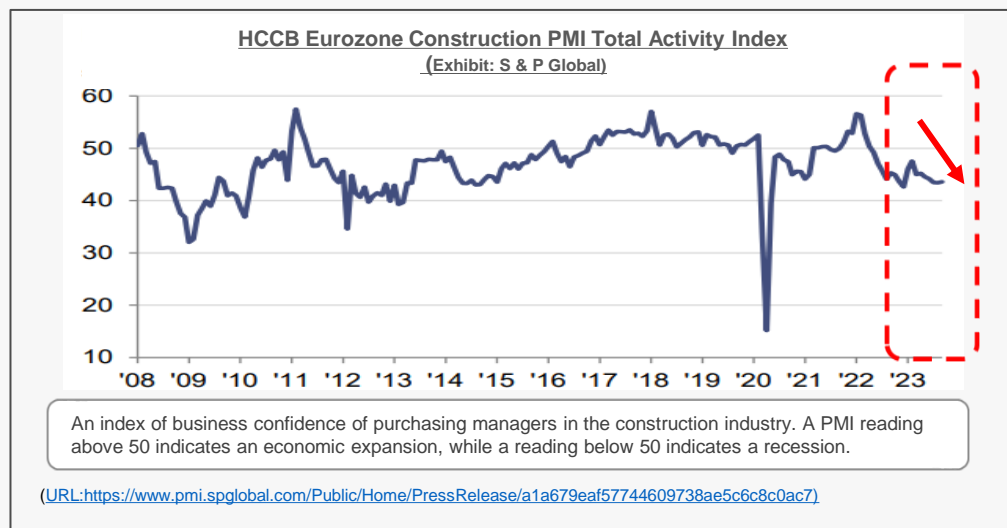


- Momentum is on the Decline due to difficult Macro condition for the both construction and agricultural markets in U.S. and Europe

United States



Europe



Future Business Outlook and Strategic Plans 【Positioning Business】



- The short-term business environment is difficult, Societal challenges are unchanged. No change from FY2025 target.

Societal challenges

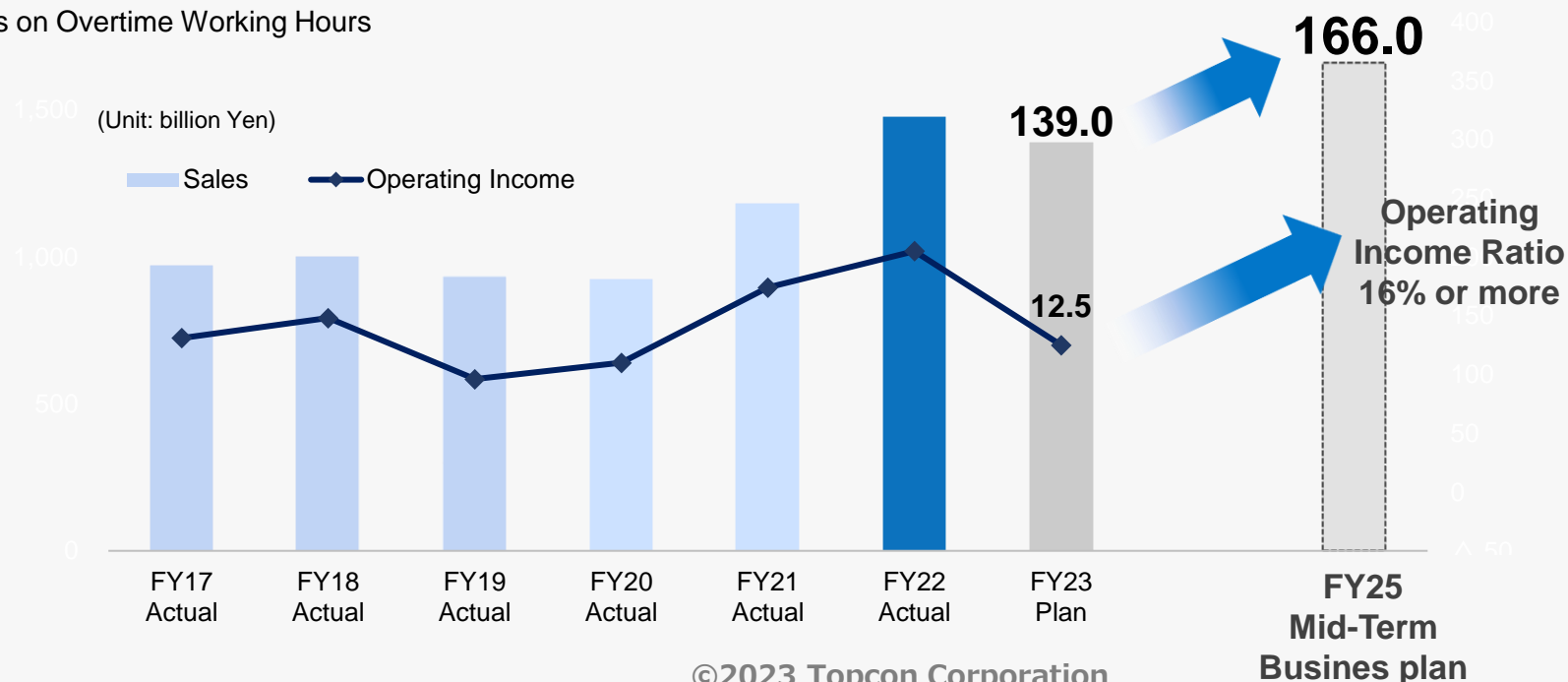
- ✓ Chronic shortage of labor and skilled workers
- ✓ Initiatives to reduce environmental impact
- ✓ 2024 Issues (Japan)*
- ✓ Demand for infrastructure resilience and restoration from natural disasters.



Focus

- ✓ Expansion of the sales by proposing DX solution by leveraging the advantage of innovative hardware.
- ✓ Expansion of the sales for MC-Mobile, a low-cost ICT construction system
- ✓ IT Agriculture, developing a huge potential market by leveraging the company advantages

*Restrictions on Overtime Working Hours



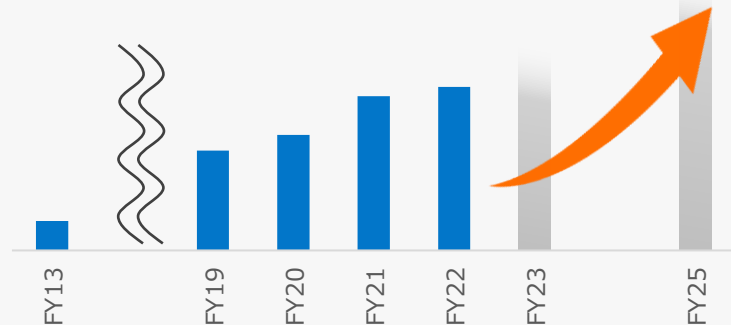
Future Business Outlook and Strategic Plans [Positioning Business]



- Expansion of the sales by proposing DX solution by leveraging the advantage of innovative hardware.



Sales Trend of Kui-Navi(LN Series) (Unit)
Cumulative Sales 20,000 Units or More



Further sales
increase
through
expansion of
business area



Expansion of the sales for MC-Mobile, a low-cost ICT construction system



Compact Track Loader Systems



Develop a huge potential market with the completion of the full product lineup,

System for dozers and compact truck loaders

Systems for excavators

(Estimated by Topcon)

Installation ratio

(Estimated by Topcon)

Installation number

Global addressable Numbers
560K units

Global addressable Numbers
500K units

Capture labor-saving needs accompanied by labor shortages

Annual production volume: approx **350K** units
Applicable models: upper 20%
Expected product lifetime: 8 years (After market)

Annual production volume: approx **620K** units
Applicable models: upper 10%
Expected product lifetime: 8 years (After market)

Mini-excavator Systems

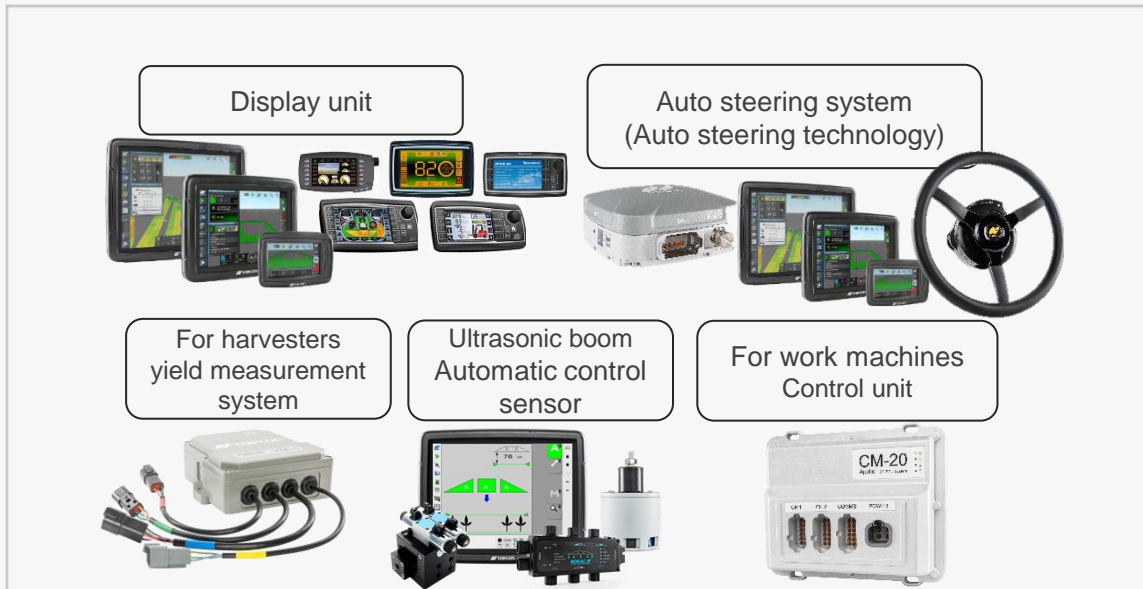




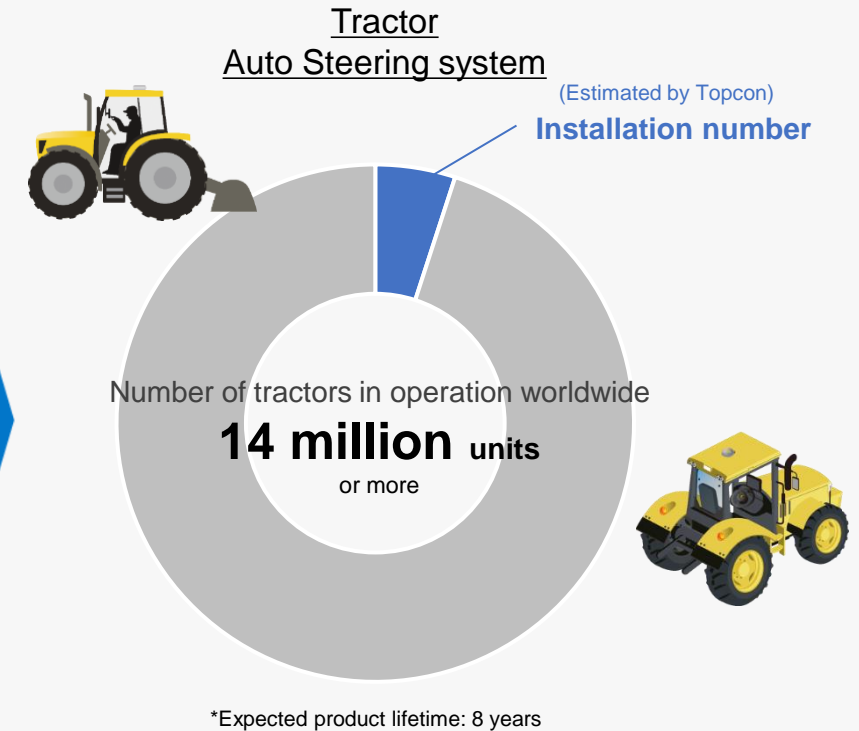
■ IT Agriculture, Developing huge potential markets by leveraging the company advantages

Topcon's Strengths

- ✓ Only independent global technology provider
- ✓ Vendor neutral (Applicable for all brands of agricultural machinery)
- ✓ Extensive product lineup



Huge Potential Market



Progress on Mid-Term Business plan 【Positioning Business】



■ Maximizing business efficiency through "One POB"

Restatement

Positioning Business

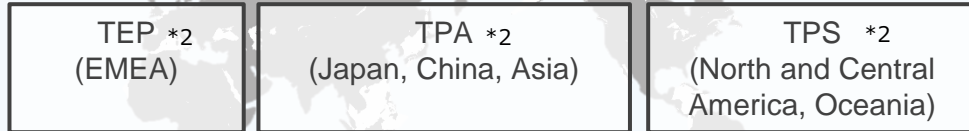
Expected Effects

- Strengthening development capabilities : Speed up planning and development by optimization
- Improving operational efficiency : Optimizing business functions within the organization
- Enhancing sales capabilities : Providing solutions responding to the local needs by a global trilateral sales framework (US-Euro-Asia)

Progress

Enhancing Sales Capabilities

In April 2023, Regional sales companies and territories in charge completed



Expected Effects: Increasing sales through sales strategies, products and solutions that match local needs

Strengthening development capabilities / Improving operational efficiency

New Evaluation Center completed in November, strengthening and driving collaboration in technology and planning

Site area: Approx. 24 hectares (5 times the current level)
Adjacent to Livermore office



Expected Effects: Reduction of costs through more efficient development of new products

*2 TPS : Topcon Positioning Systems, Inc
TEP : Topcon Europe Positioning, Inc
TPA : Topcon Positioning Asia

Promote further structural reforms

Future Business Outlook and Strategic Plans 【Eye Care Business】



- Societal challenges remain the same. Take advantage of the growing need for medical checkups (screening) and expand into shared care.

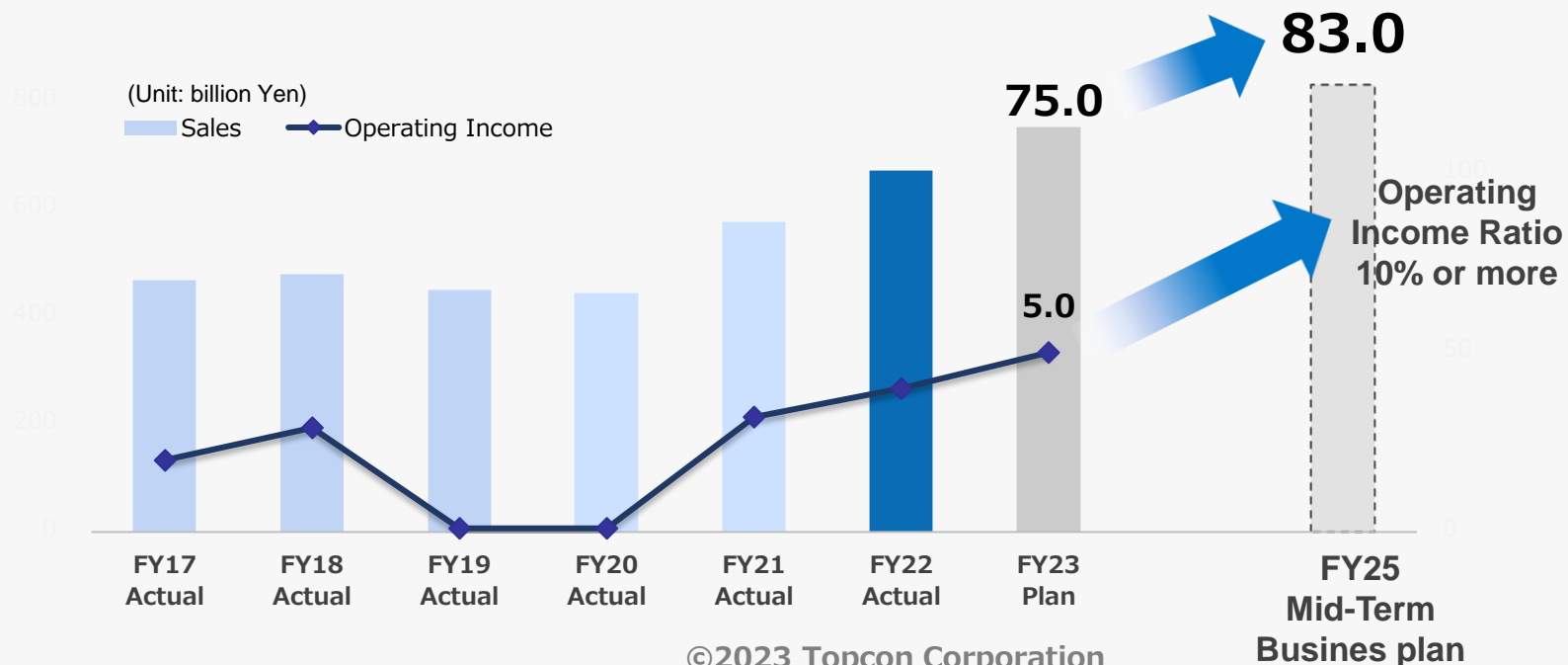
Societal Challenges

- ✓ Global Aging
- ✓ Increase of eye disease due to lifestyle changes
- ✓ Chronic shortage of ophthalmologists and optometrists
- ✓ Growing need for more efficient management at optical chain stores



Strategic Plans

- ✓ Expansion of Screening Business
- ✓ Dissemination of remote optometry
- ✓ Expansion into Shared Care via data platform software, providing solutions for ophthalmologists





■ Expansion of Screening Business



*1 Non-mydratric fundus camera
NW500

*1 Product Name: "NON-MYDRIATIC RETINAL CAMERA NW 500"

^{*2}
Received MDR approval in Europe (September 2023)

Approved under the stricter European Medical Device Regulations.

Launch NW500 in Europe (in November) ,
highly rated in the U.S. and Japan



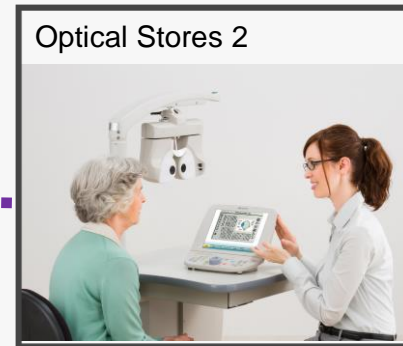
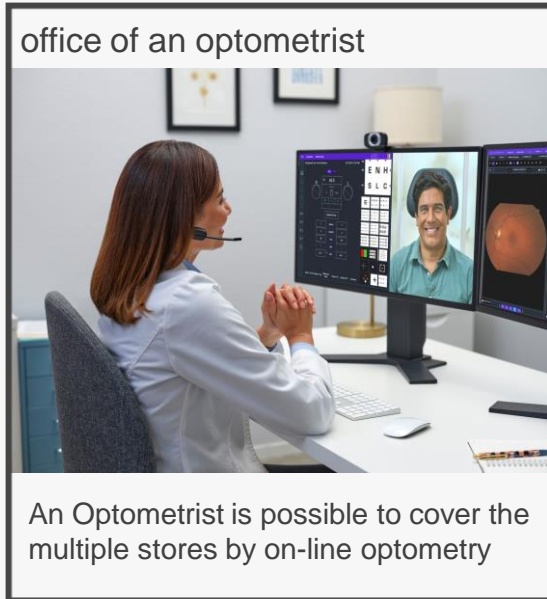
**Accelerating sales expansion mainly
to major optical chain stores**

*2 MDR = Medical Device Regulation
European Medical Device Regulations effective May 2021



■ Dissemination of remote optometry

Remote Optometry Software
Topcon RDx *1



Benefits for optical stores

- ✓ Address the chronic shortage of optometrists.
- ✓ Increase customer turnover
- ✓ Business efficiency for Optical Store



Promoting of dissemination at major optical chain stores

*1 RDx: Currently available in US only

*2 In Japan, optometrists without a doctor are not eligible. 25

Future Business Outlook and Strategic Plans [Eye Care Business]



■ Expansion into Shared Care via data platform software ,providing solutions for ophthalmologists.

The new solution will be announced at American Academy of Ophthalmology (AAO) next month.



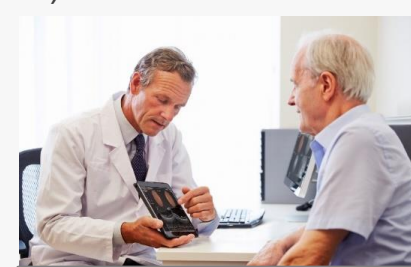
Visual acuity test



Eye examination with OCT



Eye examination with fundus camera



Medical interview



Treatment

Package with a variety of diagnostic and medical examination equipment on Topcon data platform



Harmony
Data platform software

Offering a variety of solutions for ophthalmologists

Supportive responses to various eye diseases are available, such as glaucoma, diabetic retinopathy, age-related macular degeneration, cataracts, high myopia, etc.

Health examination data shared with ophthalmologists via Topcon data platform by standardization of Examination Data by Topcon Devices

1. FY2023 Q2 Financial Results
2. FY2023 Full Year Plan
- 3. Summary**
4. Appendix

Summary of FY2023 Q2 Financial Results



- ✓ **Downward revision of Full Year Plan**
- ✓ **Positioning Business:** Despite the flat sales in second half, strategic plans on reducing personnel expenses and SGA to improve operating profit
- ✓ **Eye Care Business:** Increase sales, continuing growth investment, improving profitability by reducing SGA, to maintain original planned target

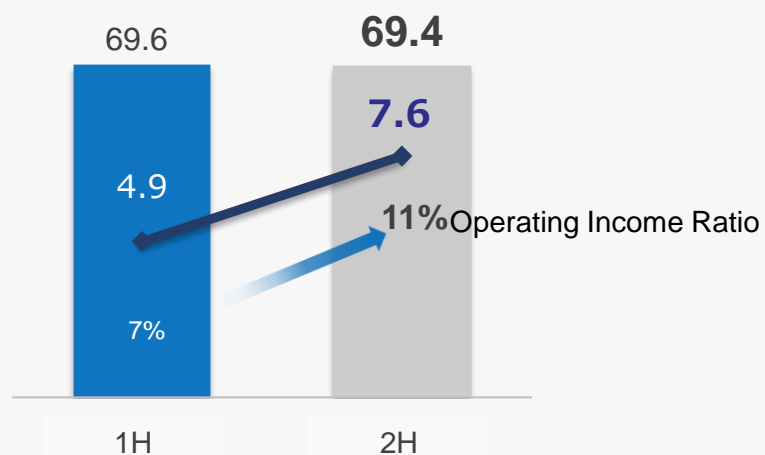
(Unit : billion yen)

Sales

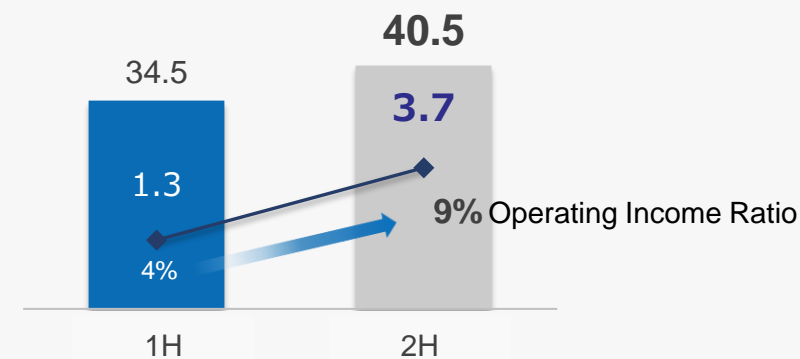
Operating Income



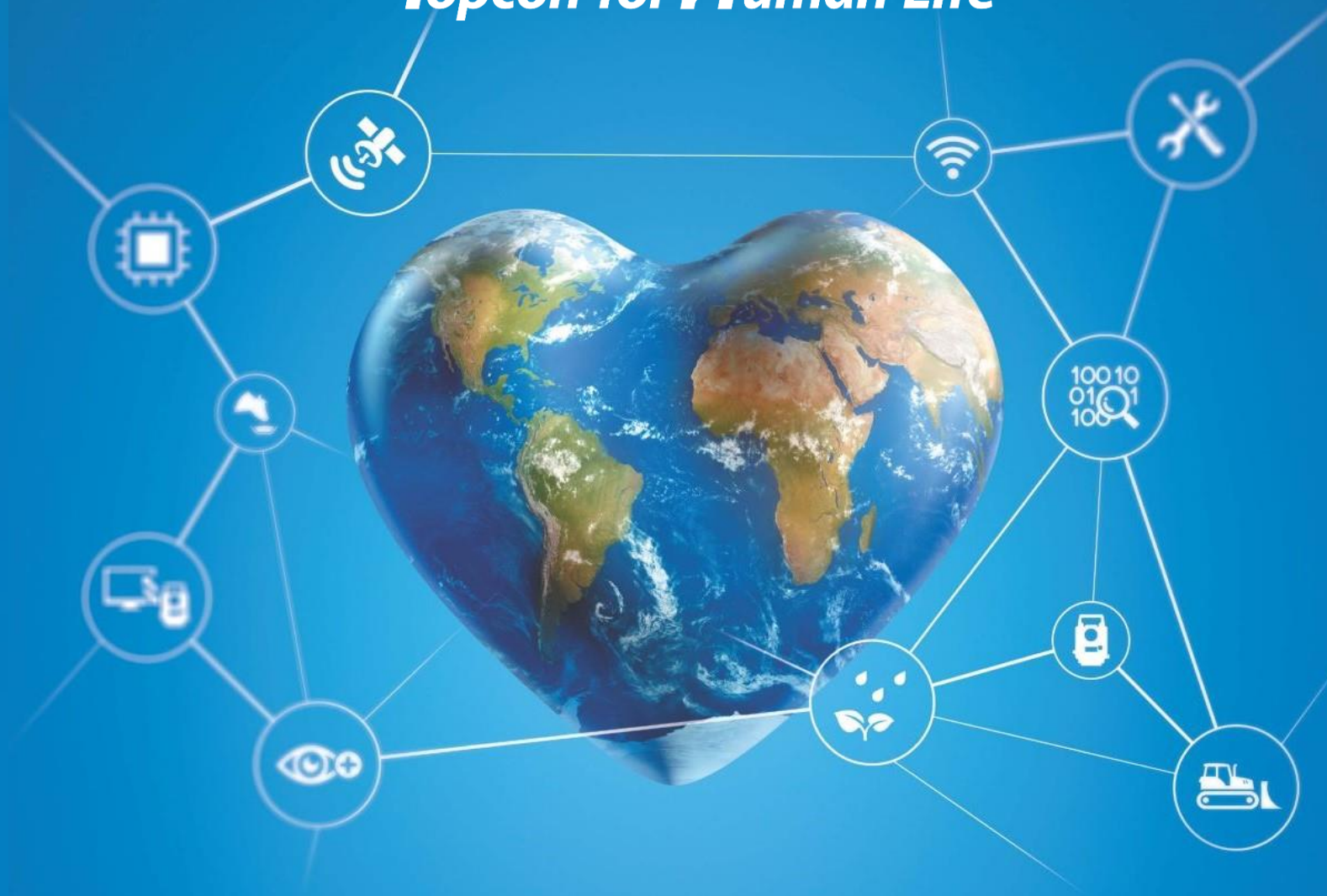
Positioning business



Eye care business



Topcon for *Human Life*



A digital transformation
with a human touch



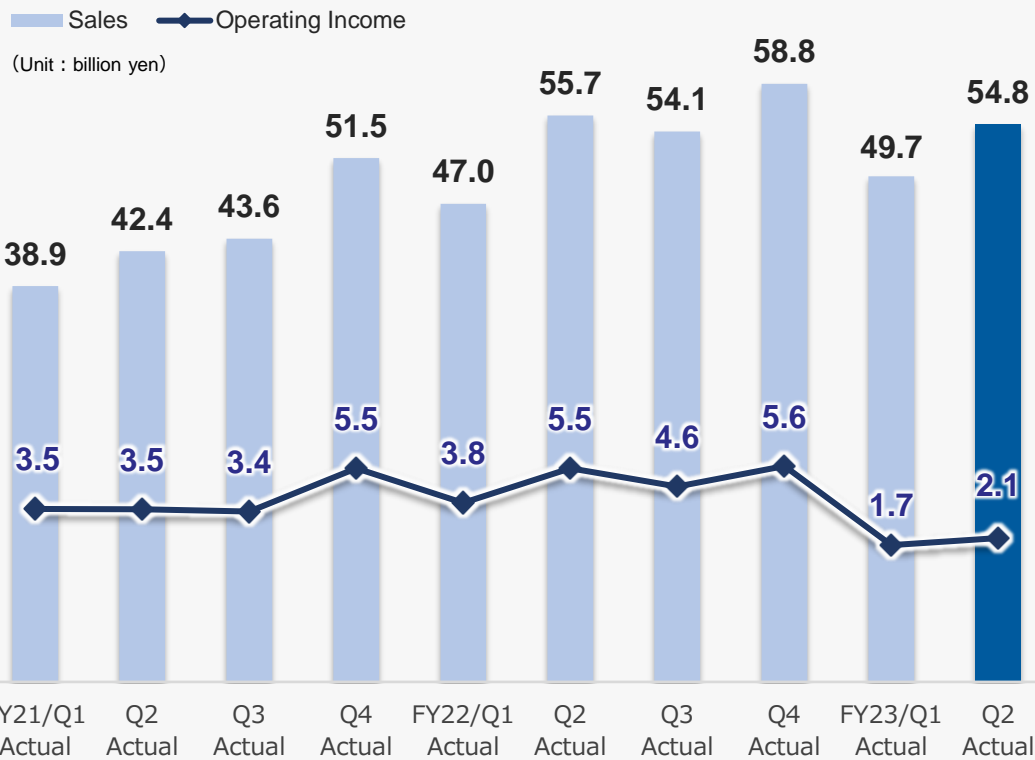
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Financial Results

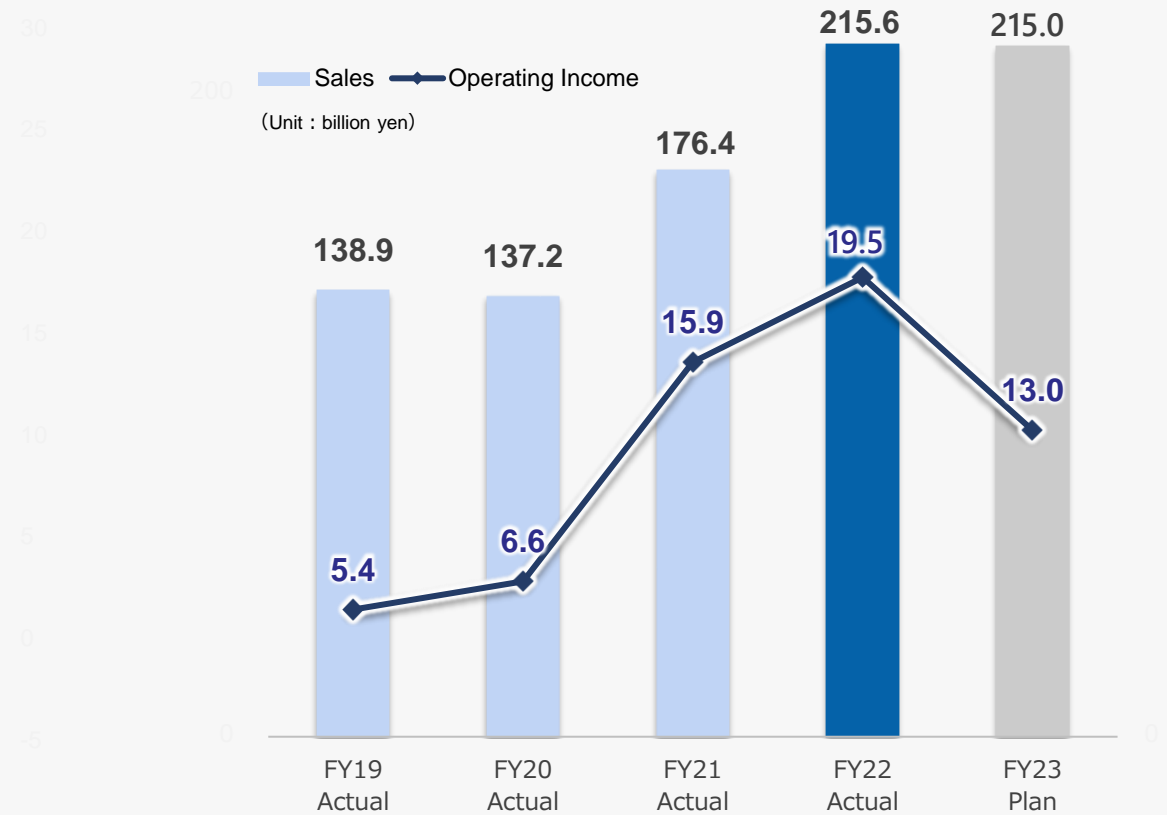


Consolidated

Quarterly



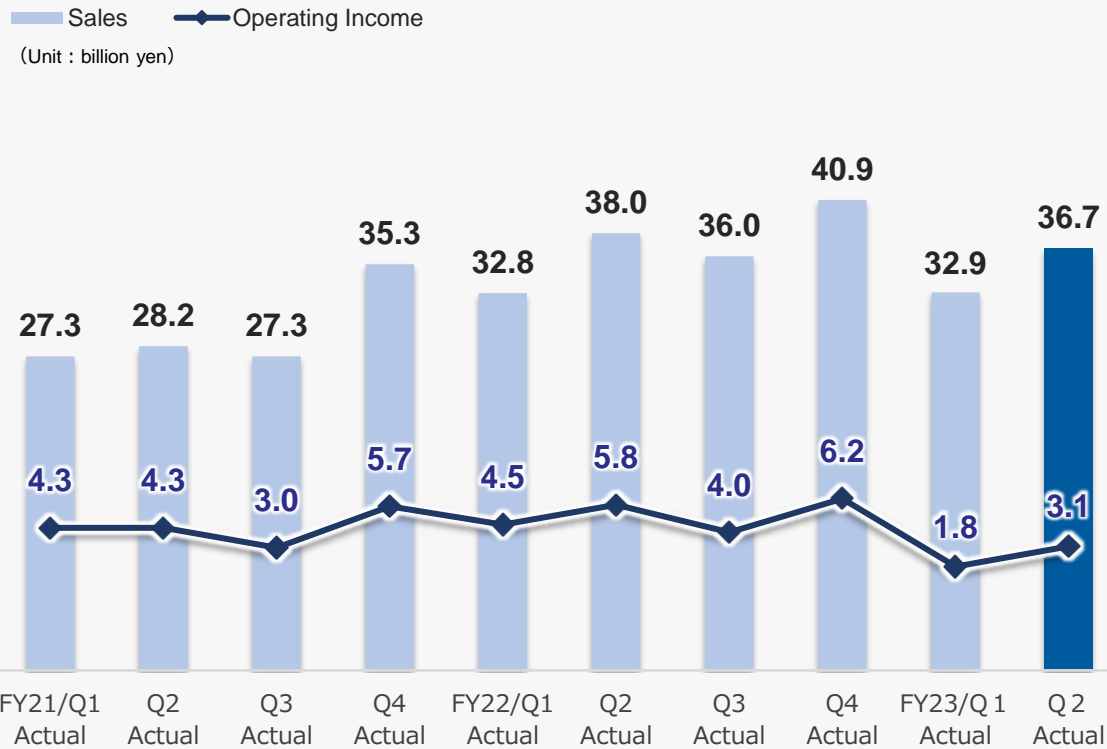
Annually



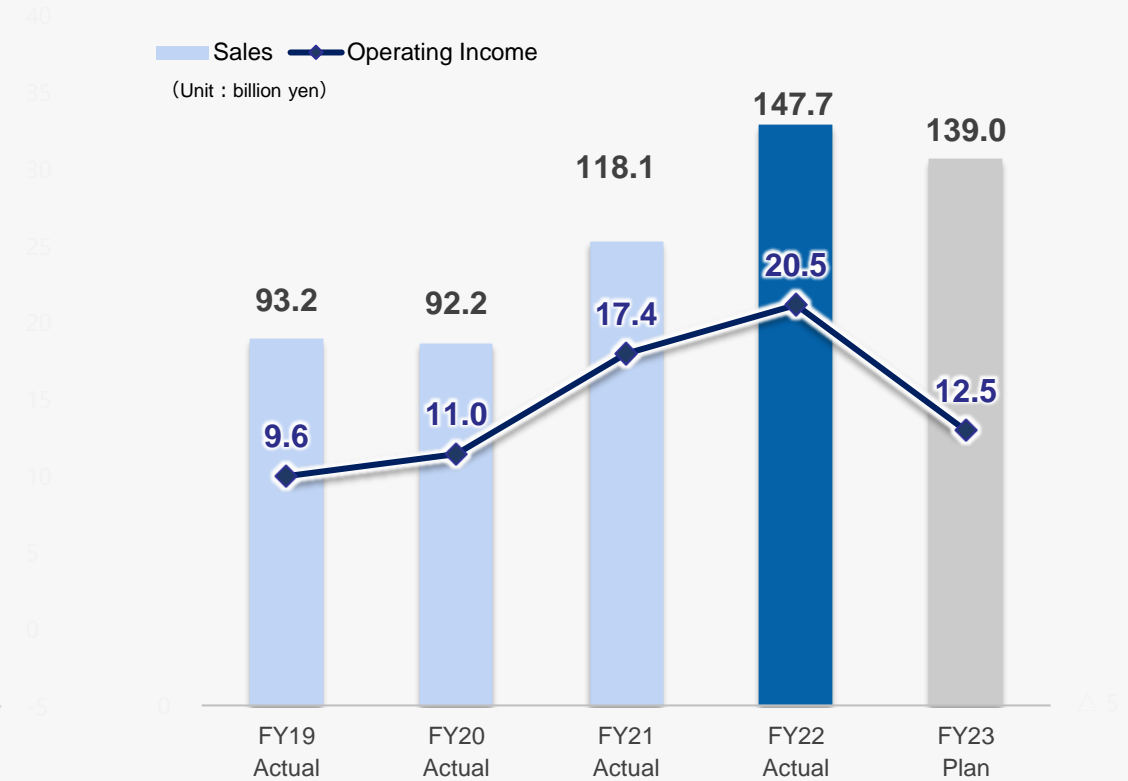


■ Positioning Business

Quarterly



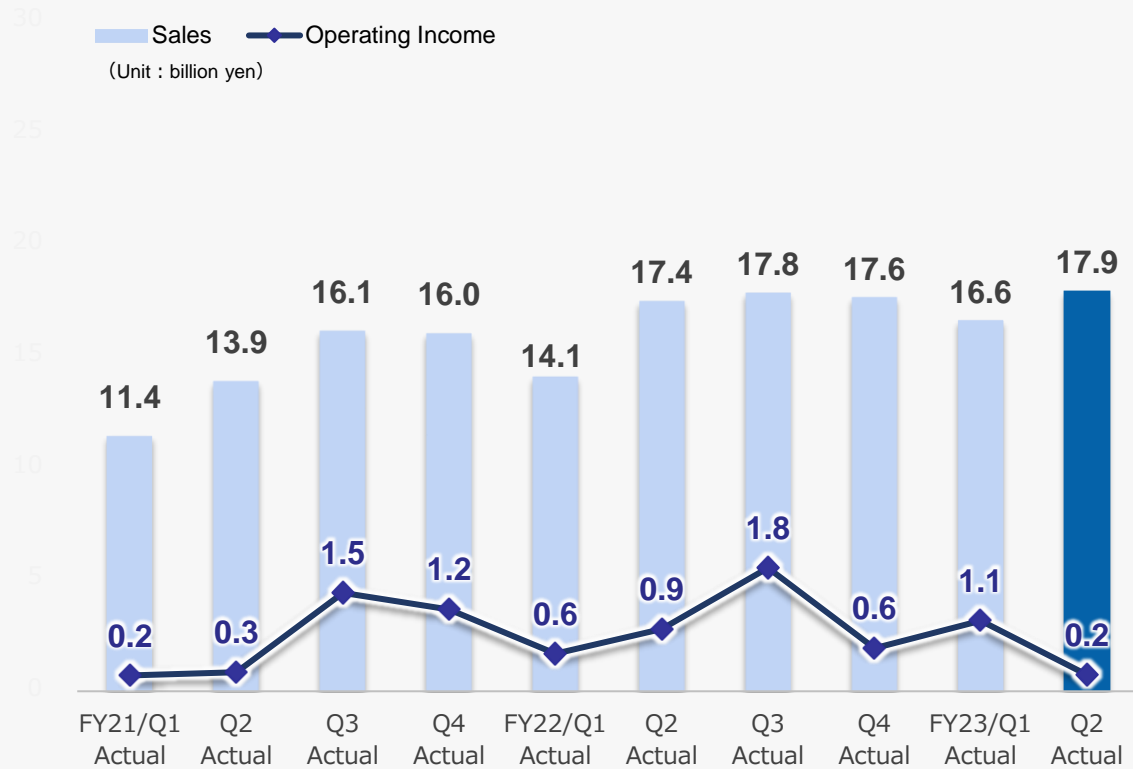
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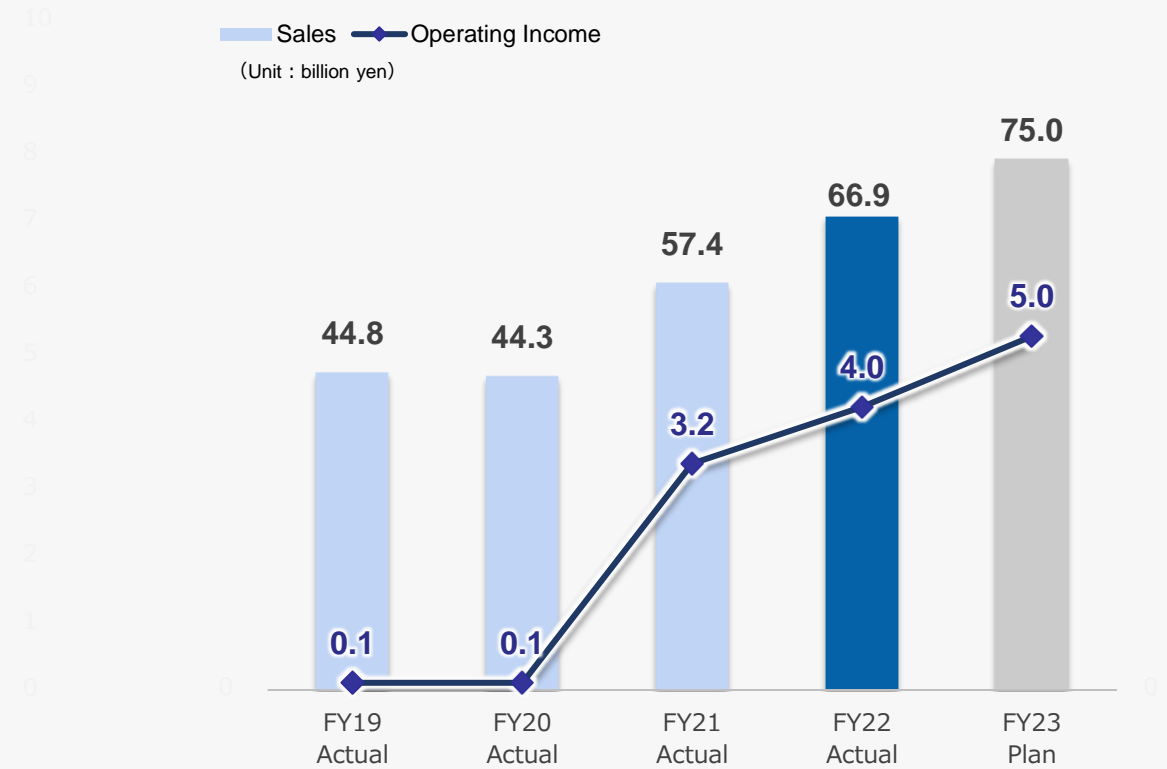


■ Eye Care Business

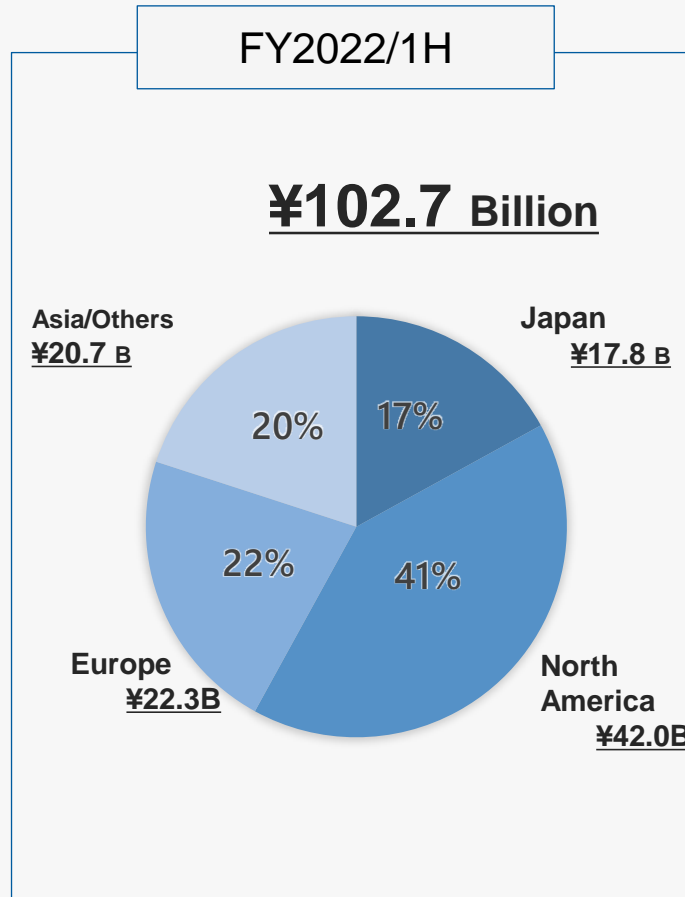
Quarterly



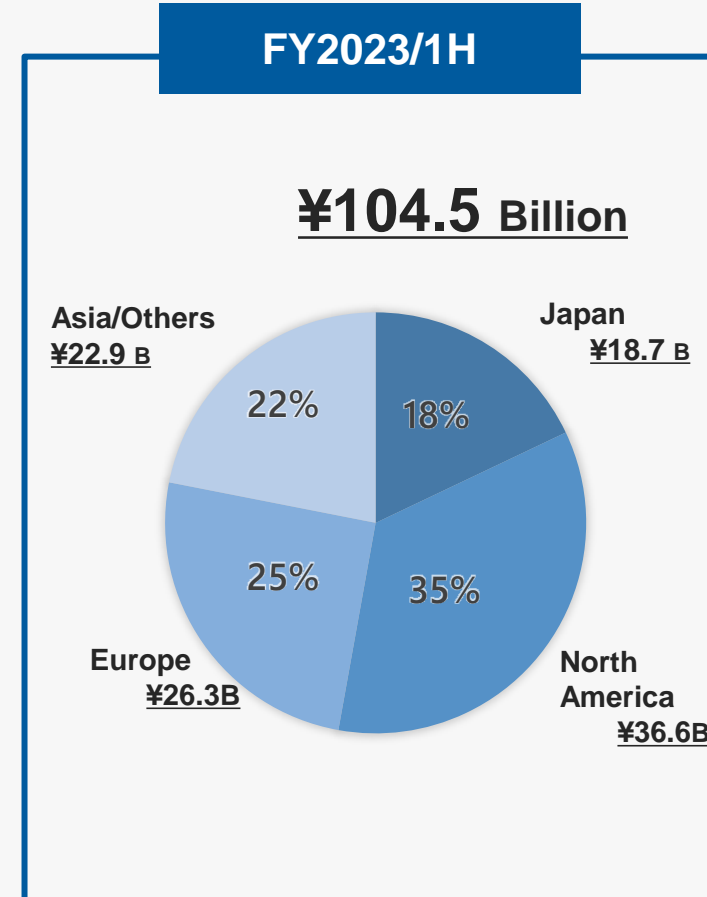
Annually



Sales by Region (Consolidated)



YoY
+2%

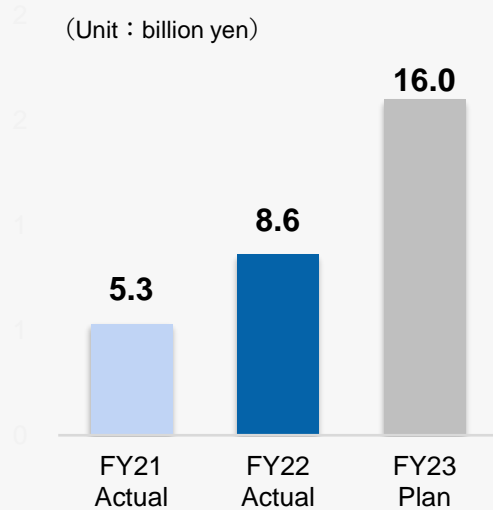


Capital Expenditure and R&D / Forex Sensitivity

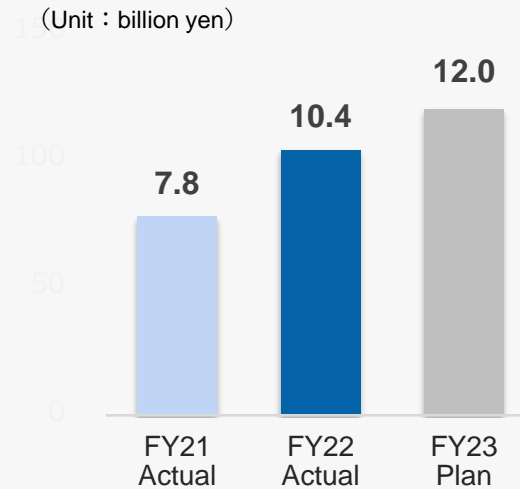


Projections

Capital Expenditures

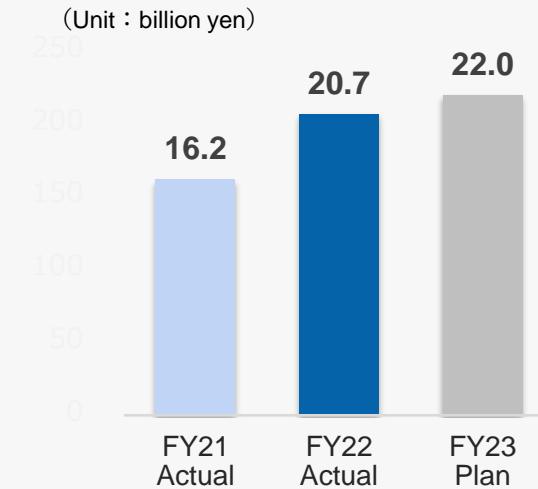


Depreciation*



*Excluding Goodwill Amortization

R&D



Forex Sensitivity (impact by ¥1 change)

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

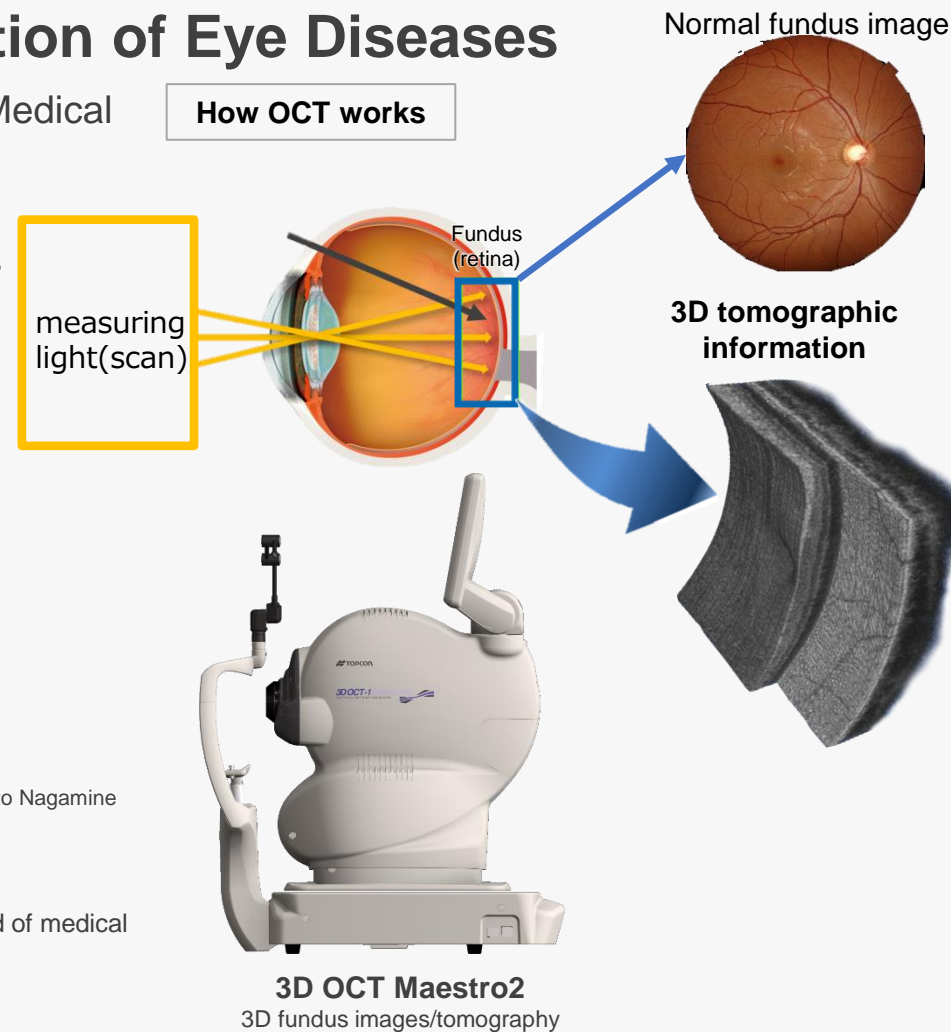
Development and Dissemination of Optical Coherence^{*1} Tomography (OCT) for Ophthalmology to Contribute to Early Detection of Eye Diseases

Winner of the Minister of Economy, Trade and Industry Award at the 6th Japan Medical Research and Development Grand Prize!! (August 2023)

How OCT works

[Award Points]

- ✓ In addition to fundus images, we have developed a medical examination device that enables **non-invasive imaging of 3D tomographic information**.
- ✓ Very useful diagnostic device for **early detection and disease management of glaucoma, etc.**
- ✓ **Rapid dissemination** to ophthalmology, contributing to the maintenance of **patient Quality of Vision^{*2}**



View of the award ceremony



Left: Parliamentary Vice-Minister of Economy, Trade and Industry Makoto Nagamine
Right: President and CEO Takashi Eto

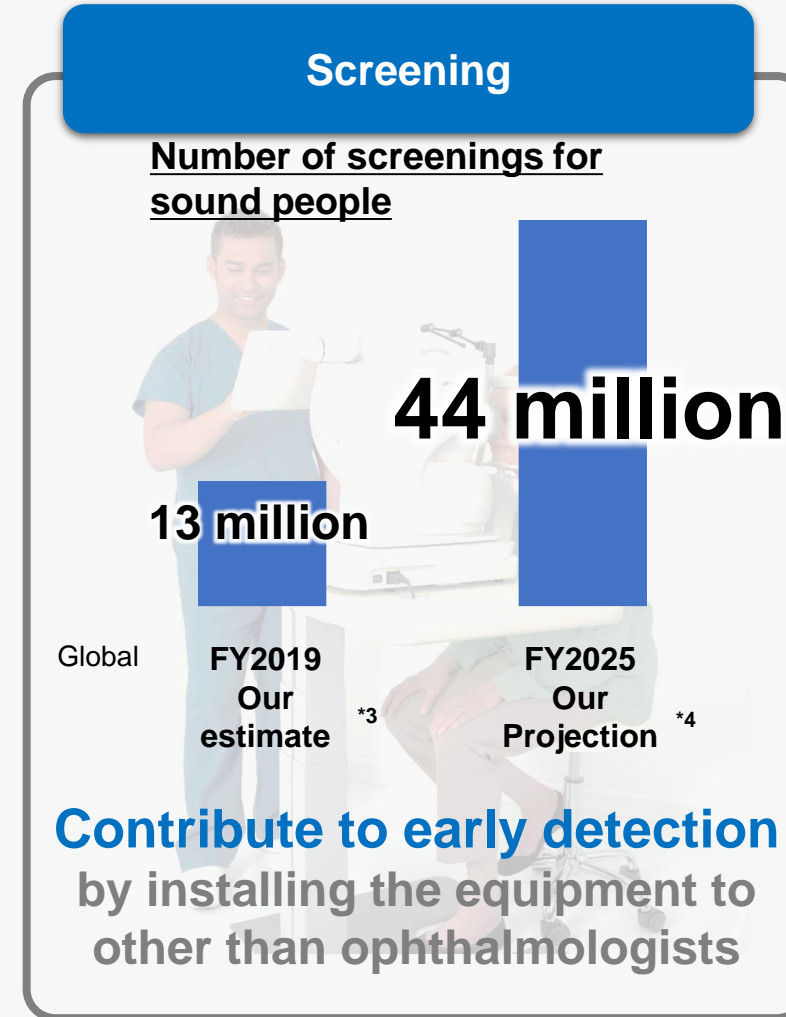
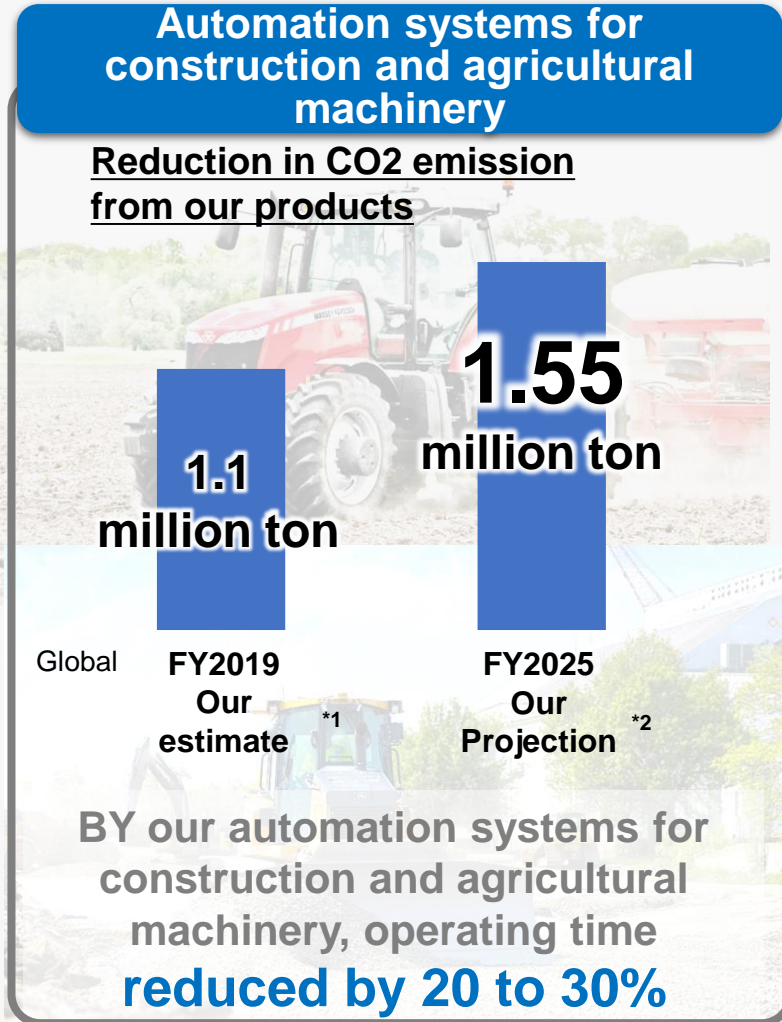
About the Japan Medical Research and Development Grand Prize

The Japan Medical Research and Development Grand Prize was launched in fiscal 2017 to recognize achievements in the field of medical research and development for the development of global healthcare.

See Overview <https://www.kantei.go.jp/jp/singi/kenkouiryou/suisin/amed/dai6/index.html>



■ Social contribution through our DX solution



^{*1} For more detail, please go to our corporate site (URL:<https://global.topcon.com/sustainability/environment/co2-emission/#co2>)

^{*2} Calculated based on the number of units our plan to sell using the way the same as ^{*1}

^{*3} Calculate based on number of screening equipment we sold in FY2018 and FY2019 and the average number of annual examinations per unit.

^{*4} Calculate based on number of screening equipment we sold between FY2020 and FY2022 and number of projected selling between FY2023 and FY2025



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 27, 2023 at 15:00(JST)

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