



FY2023 Q2 Financial Results

October 27, 2023

TOPCON CORPORATION

President & CEO
Takashi Eto

Infrastructure

Agriculture

Healthcare



TOPCON CORPORATION

FY2023 Q2 Financial Results

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Event Overview

Company	TOPCON CORPORATION
Event Type	Presentation of Financial Results
Event Name	FY2023 Q2 Financial Results
Report Period	FY2023 Q2
Date	October 27, 2023
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Number of Speakers	3 Takashi Eto Representative Director, President & CEO Haruhiko Akiyama Director, Senior Managing Executive Officer, General Manager of Accounting & Finance Div. Takaaki Hirayama Executive Officer, General Manager of Corporate Communication Div.



FY2023 Q2 Financial Results Briefing

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

Hello. This is Eto from Topcon Corporation. Thank you very much for taking the time out of your busy schedule to attend this FY2023 Q2 financial results briefing. Today, I will explain our FY2023 Q2 financial results and the full year plan.

Highlight of FY2023 Q2 Financial Results

1H Results


Sales increase and Profit decrease


Net Sales **104.5 B**illion yen
YoY +2%

Operating Income **3.8 B**illion 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 B**illion yen
vs Plan +7.0 B yen

Operating Income **13.0 B**illion 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.

First, let me explain the highlights of the FY2023 Q2 financial results. In 1H, net sales were 104.5 billion yen, up 2% YoY. However, operating income was 3.8 billion yen, down 59% YoY. Net sales increased but income decreased.

In Positioning Business, both net sales and operating income decreased YoY. In Eye Care Business, net sales were at a record high, but operating income decreased slightly.

Based on these results, we revised our full year plan. The revised plan is sales of 215 billion yen and operating income of 13 billion yen. The details will be explained in the following slides.

1. FY2023 Q2 Financial Results

- Financial Results
- Overview of Each Business

I will first explain our FY2023 Q2 financial results.

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	USD	¥133.46	¥141.31	+¥7.85
(Average)	EUR	¥138.79	¥153.51	+¥14.72



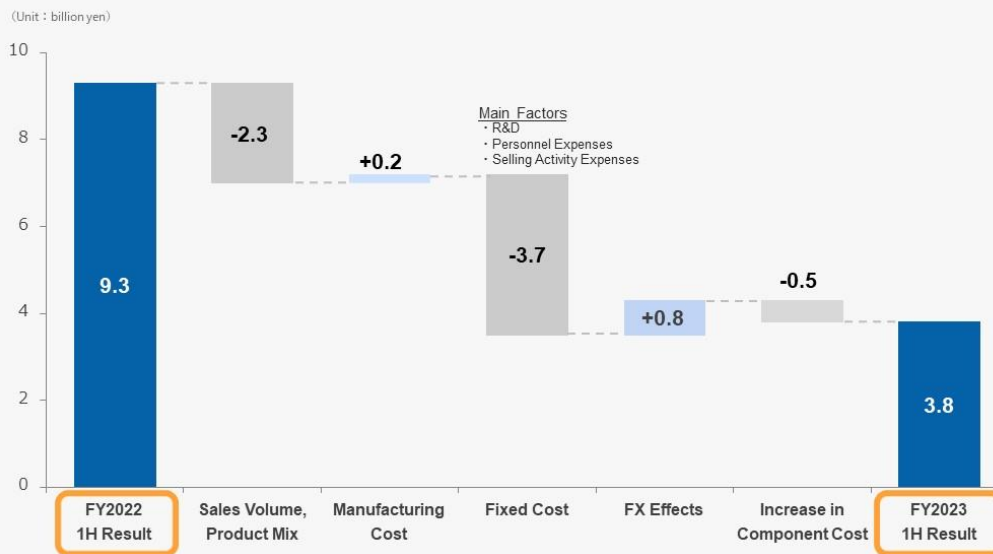
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5

Net sales for 1H were 104.5 billion yen, an increase of 2% YoY, resulting in an increase of 1.8 billion yen in sales. Operating income was 3.8 billion yen, a decrease of 5.5 billion yen from the previous year.

Accordingly, ordinary income was 3.4 billion yen, a decrease of 6.0 billion yen from the previous year, resulting in net income of 0.6 billion yen.

FY 2023 1H Operating Income YoY Breakdown



Next is a YoY analysis of the change in operating income. The chart explains the difference between the 3.8 billion yen in FY2023 1H and the 9.3 billion yen in FY2022 1H. The main factors were a 2.3 billion yen decrease in “Sales Volume, Product Mix” and a 3.7 billion yen decrease due to an increase in “Fixed Cost.”

Regarding “Fixed cost,” there was an increase in R&D expenses, personnel expenses, and selling activity expenses. The increase due to the impact of foreign exchange rates was 0.8 billion yen, but there were significant negative factors, producing a final result of 3.8 billion yen.

1. FY2023 Q2 Financial Results

- Financial Results
- **Overview of Each Business**

I will now explain our results by business segment.

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

		FY2022	FY2023	YoY	%
(Unit : billion yen)		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	USD	¥133.46	¥141.31	+ ¥7.85	
(Average)	EUR	¥138.79	¥153.51	+¥14.72	

✓ Sales by Region



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8

In terms of Positioning Business, net sales were lower than the plan, and we were unable to absorb the increased expenses, resulting in a decrease in profit. Net sales were 69.6 billion yen and operating income was 4.9 billion yen, a decrease of 5.4 billion yen from the previous year.

A YoY comparison of net sales in 1H shows that the decrease in sales in North America had an impact on the overall result.



■ 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.



Let me talk about the review of the financial results. First, the slowdown in the housing construction market in North America had a major impact. In addition, sales were sluggish due to the prolonged impact of customers holding off of purchases under economic uncertainty. There was also a reactionary decline in special large demand that had a significant impact. Expenses increased, mainly R&D and personnel expenses, resulting in a decrease in profit.

I would like to talk about the ICT Construction and IT Agriculture fields, which are growing businesses in our company. Regarding ICT Construction, OEM sales remained stable except for a reactionary decline in special demand in the previous year. On the other hand, aftermarket sales were stagnant due to the prolonged impact of customers holding off on purchases. There was a similar trend in IT Agriculture. OEM sales remained steady, but aftermarket sales declined due to decreasing grain prices and rising interest rates.

In surveying and laser products, overall sales declined due to the stagnant housing construction market in North America and economic uncertainty. Japan and Asia remained steady.

Overview of Each Business 【Eye Care Business】



■ Strong sales for major optical chain stores, record high sales

✓ Sales and Profit

		FY2022	FY2023	YoY	%
		1H Actual	1H Actual		
<i>(Unit : billion yen)</i>					
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



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10

In terms of Eye Care Business, sales for major optical chain stores were strong. Sales reached a record high of 34.5 billion yen. Operating income was 1.3 billion yen, a decrease of 0.2 billion yen and 15% YoY.

A YoY comparison of net sales in 1H shows a significant increase in Asia and other regions. In North America, net sales are slightly negative compared to last year. Sales for major optical chain stores are very strong, but sales to small and medium-sized optical stores seem to have been affected by interest rates.



■ 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.

Let me talk about the review of the financial results. Regarding the overall current state of Eye Care Business, sales have been increasing due to the stable capex appetites of major optical chain stores. Sales in China in Q1 were strong but sales have been sluggish since Q2 due to the impact of the anti-corruption campaign.

Let me talk about our growing Screening Business. The installation of screening equipment for major optical chain stores has been steadily expanding.

We are also continuing to increase sales of optometry and diagnostic equipment for major optical chain stores by leveraging the strength of the Screening Business.

2. FY2023 Full Year Plan

- Full year Plan
- Future Business Outlook and Strategic Plans

Next, I will explain our full year plan.

FY2023 Full Year Plan



■ 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



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13

As I mentioned at the outset about revision of our full year plan, we have revised our full year plan downward. An assumption for the revision of our full year plan was that, in Positioning Business, we expect the difficult business environment and the environment in the US and Europe to remain unchanged. In this environment, we will accelerate structural reforms and focus on reducing fixed costs, including personnel costs.

In Eye Care Business, we expect the record high sales to continue, given the expanding sales to major optical chain stores. We will continue to invest in the development of next generation businesses, but we will maintain our annual profit plan by improving profitability.

In addition, we will change our foreign exchange assumption to 140 yen to the US dollar and 150 yen to the EUR in 2H.

Accordingly, the revised plan sales figure is 215 billion yen. Sales will increase compared to the previous plan, but excluding the impact of foreign exchange, sales will decrease by 2%, so this is a real downward revision.

We plan to achieve an operating income of 13 billion yen, an ordinary income of 11 billion yen, and a net income of 4.5 billion yen. There will be no change in dividends.

FY 2023 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



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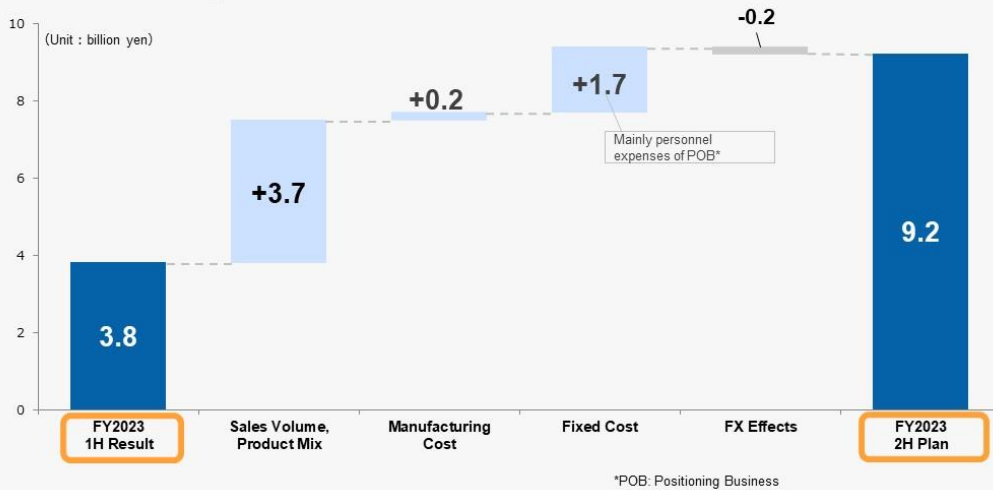
14

Next is the full year plan by business segment. In Positioning Business, net sales were 139 billion yen and operating income was 12.5 billion yen. We believe that sales for 2H will be as planned, but we assume that we will not be able to recover the negative portion of operating income for 1H.

In Eye Care Business, sales will remain unchanged at the record high of 75 billion yen and operating income at 5 billion yen as originally planned.

FY2023 Operating Income Improvement

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



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15

Next is a YoY analysis of the change in operating income for 2H. From the results for 1H, “Sales Volume, Product Mix” is up 3.7 billion yen and “Manufacturing Cost” is up 0.2 billion yen we have already started to reduce fixed costs, mainly personnel expenses and SGA for POB, and plan to reduce them by 1.7 billion yen.

Based on the above, we expect operating income to be 9.2 billion yen in 2H.

2. FY2023 Full Year Plan

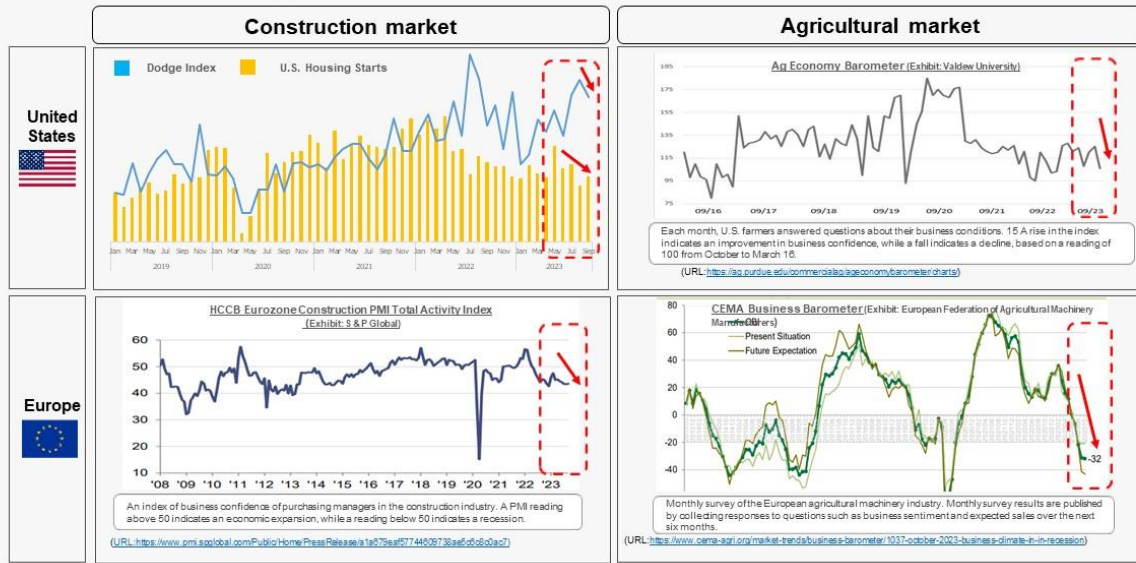
- Full year Plan
- **Future Business Outlook and Strategic Plans**

Next, I will explain our 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



17

These are the future business outlook and strategic plans of Positioning Business. Positioning Business is greatly affected by market conditions in the U.S. and Europe. The graphs on the slide show the current conditions in the construction and agricultural markets.

As shown in the yellow bar graph in the upper left corner, “U.S. Housing Starts” has decreased, and Positioning Business is significantly affected by this indicator.

As shown by these indicators, we plan our business on the assumption that momentum in both the construction and agricultural markets in the U.S. and Europe is declining due to difficult macroeconomic conditions.

Sources of graphs in the slide:

Ag Economy Barometer:

<https://ag.purdue.edu/commercialag/ageconomybarometer/charts/>

HCCB Eurozone Construction PMI Total Activity Index:

<https://www.pmi.spglobal.com/Public/Home/PressRelease/a1a679eaf57744609738ae5c6c8c0ac7>

CEMA Business Barometer:

<https://www.cema-agri.org/market-trends/business-barometer/1037-october-2023-business-climate-in-in-recession>

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



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18

Although the business environment is difficult in the short term, the societal challenges are unchanged. In particular, societal challenges such as the shortage of labor and skilled professionals, initiatives to reduce environmental impact, and the “2024 issue” * in Japan, which are listed on the slide, remain unchanged. Addressing the focus points listed on the slide, the Mid-term Business Plan remains unchanged and the FY2025 target is maintained.

*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



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19

Let me explain the strategic plans. First, the "Expansion of sales by proposing DX (Digital Transformation) solutions by leveraging the advantage of innovative hardware."

As you can see in the graph at the bottom left, sales of "Kui-Navi" are growing significantly. At first, "Kui-Navi" was used only for surveying. And then "Kui-Navi Shovel" began being used as a sensor in the civil engineering field. "Kui-Navi Shovel" has been on the market since 2022 and is very popular.

We have also started sales of solutions using "Kui-Navi" in the building construction field and will focus on expanding sales in the building construction field by combining it with smartphone-compatible applications. In this way, we will use "Kui-Navi" to expand our business area.

Future Business Outlook and Strategic Plans [Positioning Business]

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



Compact Track Loader Systems

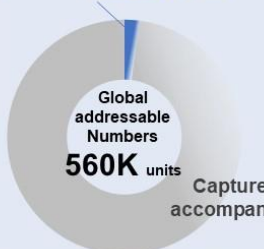


Develop a huge potential market with the completion of the full product lineup,

System for dozers and compact truck loaders

(Estimated by Topcon)

Installation ratio

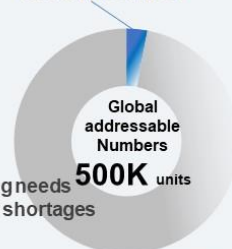


Annual production volume: approx. 350K units
Applicable models: upper 20%
Expected product lifetime: 8 years (After market)

Systems for excavators

(Estimated by Topcon)

Installation number



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

Capture labor-saving needs accompanied by labor shortages



Mini-excavator Systems



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20

Let me explain the expansion of MC-Mobile sales, an inexpensive ICT construction system.

The compact track-loader-compatible product lineup for small and medium-size construction machines, which are mostly used in North America, includes a survey system using “Kui-Navi”, a GNSS-compatible system, and a Laser-compatible system. The product lineup also supports mini excavators.

With a full lineup of MC-Mobile inexpensive ICT construction systems, we are working to develop a huge potential market for small and medium-sized construction machines and expand sales.

Future Business Outlook and Strategic Plans [Positioning Business]



■ 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



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21

Next is IT Agriculture. There are many major events going on in the market right now, and our company remains the only independent global technology provider.

For example, the automated steering systems market includes over 14 million tractors currently in operation. The potential of IT Agriculture market is huge, even compared to the 500,000 construction machines, showed in the previous slide.

About IT Agriculture in the future, the auto steering system and also the system that automatically controls the agricultural working machinery of the tractor's rear side of the will be very important. Our company has an advantage in this part of the product lineup, so we will further enhance our sales activities by taking advantage of the vendor neutral we have been developing and focusing on developing the huge potential market.

Progress on Mid-Term Business plan [Positioning Business]



■ Maximizing business efficiency through "One POB"

Restatement	Positioning Business
	<p><i>Expected Effects</i></p> <ul style="list-style-type: none"> ● 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)

<p>Progress Enhancing Sales Capabilities</p> <p>In April 2023, Regional sales companies and territories in charge completed</p> <table border="1" style="width: 100%; text-align: center;"> <tr> <td style="width: 33%;">TEP *2 (EMEA)</td> <td style="width: 33%;">TPA *2 (Japan, China, Asia)</td> <td style="width: 33%;">TPS *2 (North and Central America, Oceania)</td> </tr> </table> <p>Expected Effects: Increasing sales through sales strategies, products and solutions that match local needs</p>	TEP *2 (EMEA)	TPA *2 (Japan, China, Asia)	TPS *2 (North and Central America, Oceania)	<p>Strengthening development capabilities / Improving operational efficiency</p> <p>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</p>  <p>Expected Effects: Reduction of costs through more efficient development of new products</p>
TEP *2 (EMEA)	TPA *2 (Japan, China, Asia)	TPS *2 (North and Central America, Oceania)		

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

Promote further structural reforms



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22

This is a progress report on “Maximizing business efficiency through ‘One POB’”, which was stated in our Mid-term Business Plan.

In the area of enhancing sales capabilities, we have completed the reformation of the sales companies and territories in charge and established a framework to increase sales through sales strategies, products and solutions that match local needs.

In addition, regarding strengthening development capabilities and improving operational efficiency, we are strengthening and driving collaboration in engineering and planning. In November this year, we completed a new evaluation center adjacent to the Livermore office in the United States, and will further reduce costs through the more efficient development of new products and 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



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23

Let me explain the future business outlook and the strategic plans in Eye Care Business. The societal challenges in Eye Care Business, such as the aging of the global population and the increase of eye diseases due to lifestyle changes, remain the same. We will take advantage of the growing need for screening, expand Screening Business and remote optometry and to expand into Shared Care.



■ Expansion of Screening Business



*1 Non-mydratric fundus camera
NW500
*1 Product Name: "NON-MYDRATIC 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

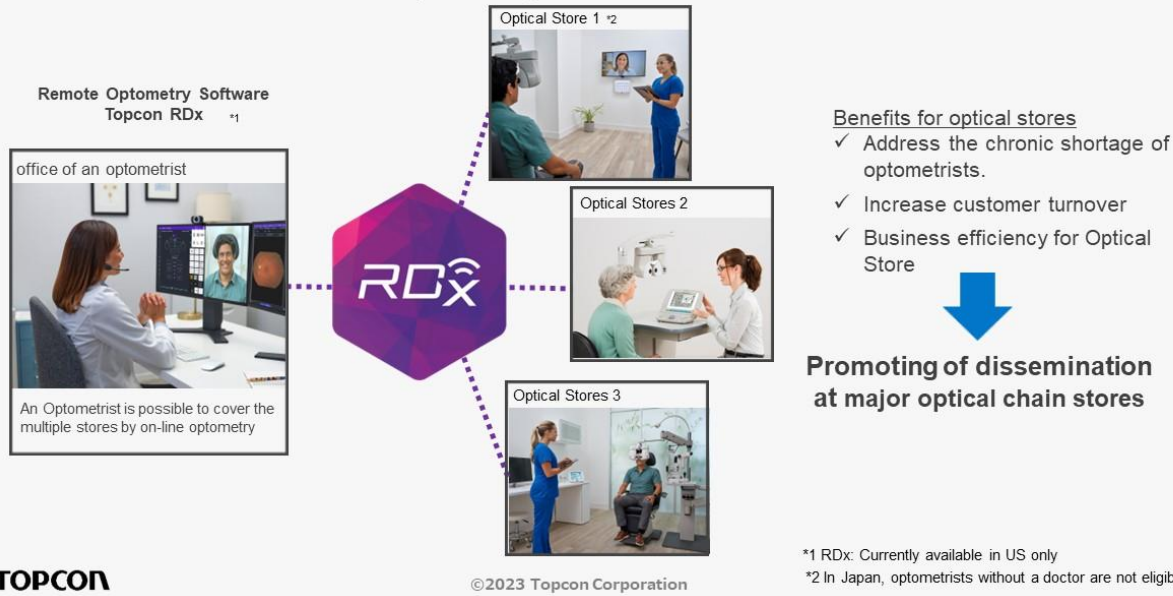
*2 MDR = Medical Device Regulation
European Medical Device Regulations effective May 2021

Next, I will explain the expansion of Screening Business. “NW500,” a non-mydratric fundus camera launched last year, is very popular in the U.S. and Asia.

In September, we received MDR (Medical Device Regulation) approval in Europe. Since we will launch the “NW500” in November, we look forward to further accelerating sales expansion mainly for the major optical chain stores.



■ Dissemination of remote optometry



I will explain the promotion of remote optometry. Topcon RDx, a remote optometry software that is part of the upfront investment, is becoming more popular.

Demand for remote optometry has increased mainly in the United States due to the COVID-19 pandemic. This system allows one optometrist to remotely diagnose patients at multiple optical stores in different locations.

It is popular with major optical chain stores, and it is being introduced to major optical chain stores to address the chronic shortage of optometrists, increase customer turnover, and improve the efficiency of optical stores.

I hope you will understand that this remote optometry business, like Screening Business, is a blossoming business that we have invested in upfront.

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.



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



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26

This is about the expansion into Shared Care. We have been investing in the development of the “Harmony” data platform software shown in the center of the slide.

We plan to announce a new solution by combining software (Harmony) and hardware at American Academy of Ophthalmology (AAO) in November.

In this way, we propose solutions using a combination of software and hardware to standardize examination data. This is a new initiative to link ophthalmologists and screening areas. This is an area where we are still planting seeds as an upfront investment and are very hopeful to flourish the future.



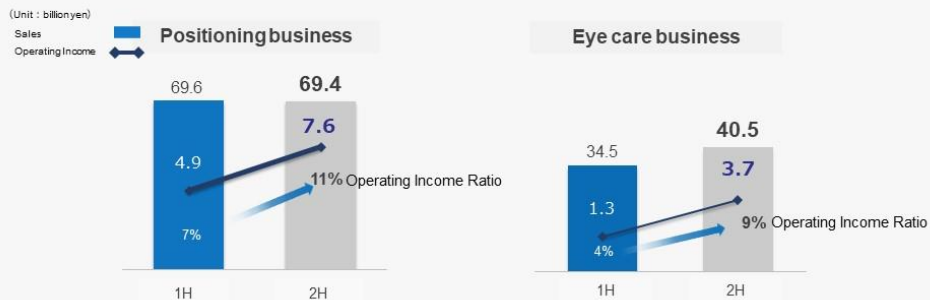
1. FY2023 Q2 Financial Results
2. FY2023 Full Year Plan
- 3. Summary**
4. Appendix

Finally, I will summarize FY2023 Q2 financial results.

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



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28

In 1H, sales increased compared to the previous year due in part to favorable foreign exchange rates, but operating income decreased, so we revised our full year plan.

In Positioning Business, although sales in 2H are flat from 1H, we will focus on reducing personnel expenses and SGA to improve operating profit.

In Eye Care Business, while continuing to increase sales and growth investments, we will improve profitability by reducing SGA, and we will not change the originally planned operating income target.

Our company will continue to improve its corporate value by a digital transformation with a human touch and solving customer problems while contributing to customers in the business areas it serves.

Question and Answers

<Common subjects>

Q. To what extent did 1H earnings fall below expectations?

A. Net sales were about 9 to 10 billion yen, lower than expected. Accordingly, operating income was down 5 to 6 billion yen.

Q. The initial plan stated that fixed costs would increase about 2 billion yen from the previous year. What is the current plan?

A. At the beginning of the fiscal year, we forecast an increase of 2 to 3 billion yen from the previous year. We explained that it will increase slightly from the initial forecast at the Q1 financial results. At the moment, we expect fixed costs to increase several hundred million yen over the 3 billion yen forecast.

Q. The inventory is increasing, did you adjust production in Q2? Also, how much production adjustment do you expect after Q3?

A. We adjusted production in Q2 in response to the decrease in sales in Q1, but inventory increased further in Q2 because the decrease in sales in North America was greater than expected. Taking into account the increase in sales in 2H, we expect a production adjustment of about 10% and plan to reduce inventory.

Q. Please explain your analysis of the increase/decrease in operating income from the previous year in the revised plan.

A. The 13 billion yen after this downward revision represents a decrease of 6.5 billion yen from 19.5 billion yen in FY22. We expect a decrease of 4.5 to 5 billion yen due to sales and Mix, a decrease of 3.5 to 4 billion due to increased fixed costs, a gain of 1 to 1.5 billion yen due to foreign exchange, and a gain of several hundred million yen due to reduced materials costs.

<Positioning Business>

Q. Are distributor inventories still at a higher level than usual?

A. Although distributor inventories remain high, they have improved compared to Q1. On the other hand, holding off purchases have been continued due to rising interest rates in the U.S..

Q. The initial plan explained the demand for infrastructure was stable while considering a decline in housing starts in North America. Does this downward revision of Positioning Business mean that demand for infrastructure, in addition to housing, is also affected by the higher interest rates?

A. I see the same situation of holding off purchases in both housing construction and infrastructure. The aftermarket is particularly affected by high interest rates. On the other hand, in the growth business field, sales of unique products such as MC-Mobile continue to be strong and stimulate new and replacement demand.

Q. Fixed costs increased significantly in 1H. Is the 1.7 billion yen reduction in 2H, mainly in Positioning Business, really feasible?

A. We have already started to reduce personnel costs, SGA expenses, etc.

<Eye Care Business>

Q. In Q2, there was both an increase in sales and a decrease in profit. To what extent does this include the upfront investment, and what are your future plans?

A. Fixed costs in Q2 increased by 1 to 1.5 billion yen YoY. We expect an increase in fixed costs such as personnel expenses due to upfront investments in Shared Care.

Q. In Q2, Operating income was particularly low. Is it possible for operating income to recover after Q3?

A. We expect sales to increase in 2H, and we expect an operating income of 5 billion yen per year will cover fixed costs.



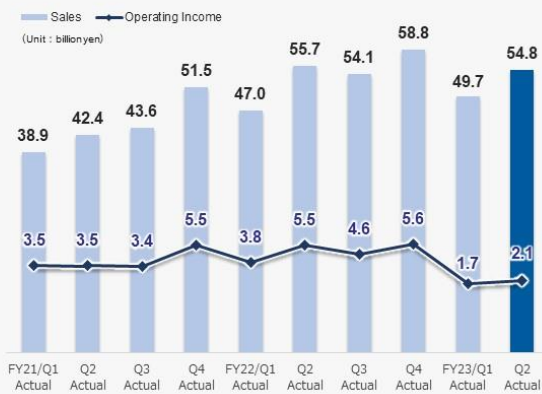
1. FY2023 Q2 Financial Results
2. FY2023 Full Year Plan
3. Summery
- 4. Appendix**

Financial Results



■ Consolidated

Quarterly



Annually



Financial Results



■ Positioning Business

Quarterly

— Sales — Operating Income
(Unit : billionyen)



Annually

— Sales — Operating Income
(Unit : billionyen)



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Financial Results



■ Eye Care Business

Quarterly

— Sales — Operating Income
(Unit : billionyen)



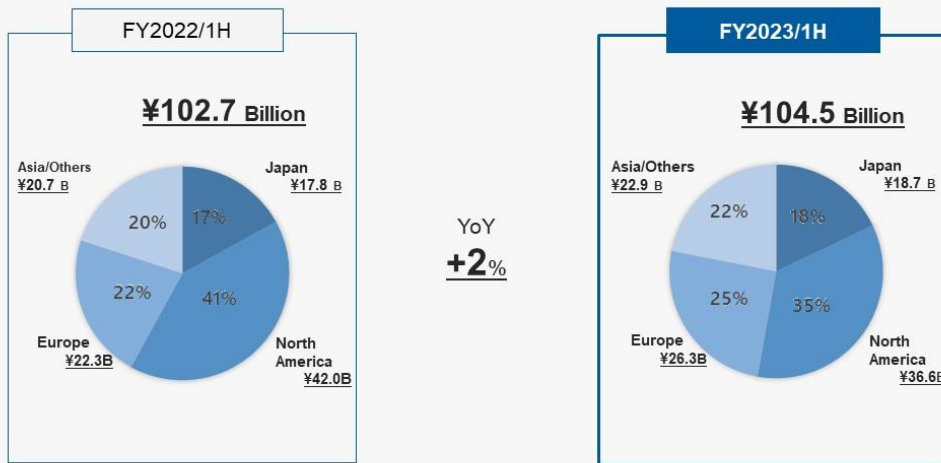
Annually

— Sales — Operating Income
(Unit : billionyen)



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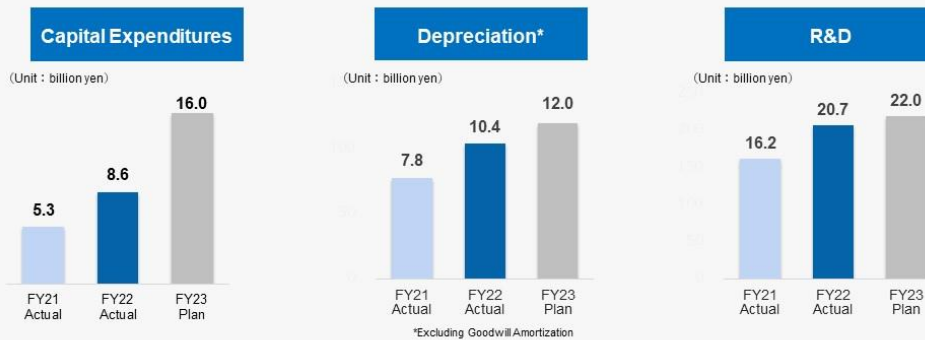
Sales by Region (Consolidated)



Capital Expenditure and R&D / Forex Sensitivity



Projections



Forex Sensitivity (impact by ¥1 change)

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

Topics

Development and Dissemination of Optical Coherence 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)

[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**

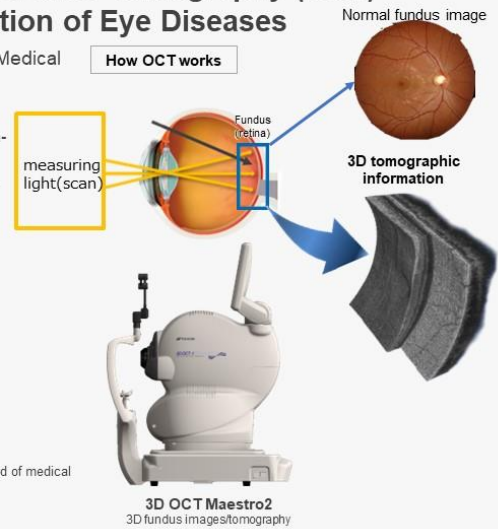


View of the award ceremony



Left: Mr. Nagamine, Right: President Endo, Takashi Eto

How OCT works



About the Japan Medical Research and Development Grand Prize

The Japan Medical Research and Development Grand Prize was launched in fiscal 1977 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/kenkouiryousuisin/amed/dai6/index.html>



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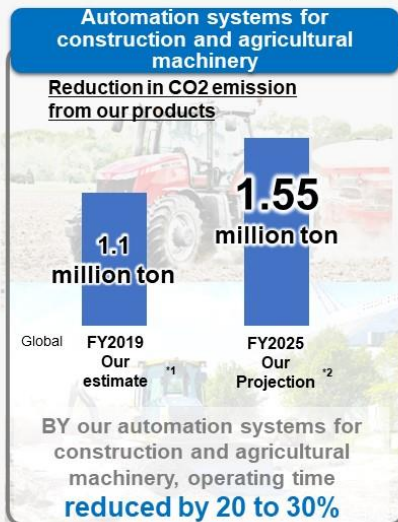
*1 OCT: Optical coherence tomography
*2 Quality of Vision: The ability to maintain clear vision

About the Japan Medical Research and Development Grand Prize:

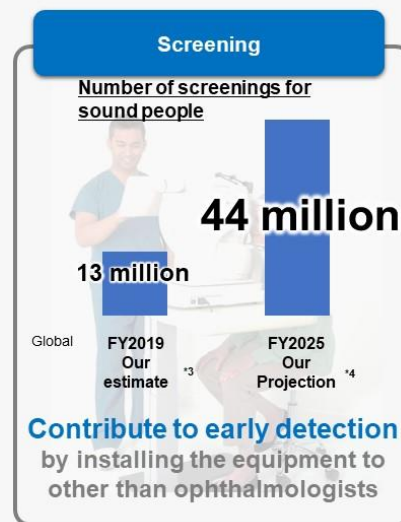
<https://www.kantei.go.jp/jp/singi/kenkouiryousuisin/amed/dai6/index.html>

Initiatives for SDGs

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



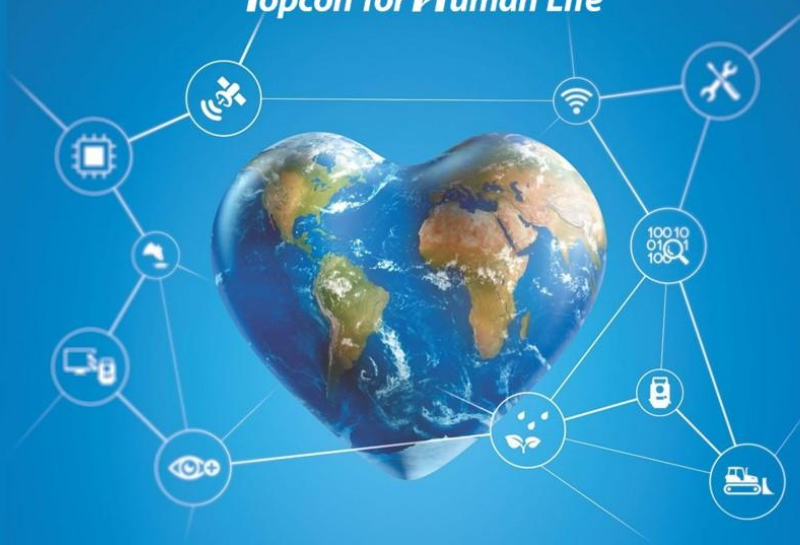
*3 Calculate based on number of screening equipment we sold in FY2019 and FY2020 and the average number of annual examinations per unit.
*4 Calculate based on number of screening equipment we sold between FY2020 and FY2022 and number of projected selling between FY2023 and FY2025



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Topcon for Human Life



A digital transformation
with a human touch

