



# FY2023 Financial Results

May 10, 2024

**TOPCON CORPORATION**

President and CEO  
**Takashi Eto**

Infrastructure

Agriculture

Healthcare



## Event Overview

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<b>Company</b>	TOPCON CORPORATION
<b>Event Type</b>	Presentation of Financial Results
<b>Event Name</b>	FY2023 Financial Results
<b>Report Period</b>	FY2023
<b>Date</b>	May 10, 2024
<b>Time</b>	3:30-4:20 PM (Total: 50 minutes; Presentation: 25 minutes; Q&A: 25 minutes)
<b>Event Format</b>	Online (streamed)
<b>Number of Speakers</b>	3 Takashi Eto Representative Director, President and CEO Haruhiko Akiyama Director, Senior Managing Executive Officer, General Manager of Accounting & Finance Div. Takaaki Hirayama Executive Officer, Corporate Planning & Digital Business Operation Div. of Corporate Communication Dept.



## **FY2023 Financial Results Briefing**

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

Hello. This is Eto from Topcon Corporation.

Thank you very much for taking time out of your busy schedule to watch the FY2023 financial results briefing.

Today, I would like to explain three main points.

- FY2023 Financial Results
- FY2024 Full Year Outlook
- Progress in Mid-Term Business Plan 2025

## Highlight of FY2023 Financial Results



### ■ FY23 Financial Results

<u>Sales flat and Profit decrease</u>	
Net Sales	<b>216.5 Billion yen</b> YoY 0%
Operating Income	<b>11.2 Billion yen</b> YoY -43%

<u>Positioning Business</u>	
	YoY
Net Sales	↓
Operating Income	↓
Net Sales were lower than the previous year, and profit decreased though SGA control.	

<u>Eye Care Business</u>	
	YoY
Net Sales	↑ (Record High)
Operating Income	↑ (Record High)
Record High for both net sales and profit Steadily improving operating income ratio	

### ■ FY24 Full Year Outlook

<u>Significant increase in sales and profit</u>	
Net Sales	<b>230.0 Billion yen</b> YoY +6%
Operating Income	<b>18.0 Billion yen</b> YoY +61%

<u>Structural reforms effect realized, upfront investment blossoming</u>	
<u>Positioning Business</u>	
With the effect of structural reforms, reducing SGA	
	YoY
Net Sales	↑
Operating Income	↑
<u>Eye Care Business</u>	
Expecting increase in sales and profit though continued investment	
	YoY
Net Sales	↑
Operating Income	↑

<u>Signed partnership agreement strategically with Microsoft Corp.</u>	
Realizing innovation in the U.S. healthcare industry "Healthcare from the eye".	

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First, let me explain the highlight of the financial results.

In FY2023 financial result, consolidated net sales were 216.5 billion yen, unchanged from the previous year, and operating income was 11.2 billion yen, down 43 percent from the previous year.

In Positioning Business, the business environment did not improve, especially in the U.S. and Europe, and net sales fell below the previous year. Although we were focusing on controlling SGA, it took time for the effects of our efforts to materialize, and operating income also declined.

On the other hand, in Eye Care Business, we achieved a significant increase in both net sales and profit. As a consequence, we posted record highs thanks to upfront investments blossoming and the strength of Eye Care Business, which is less susceptible to the effects of economic fluctuations.

Regarding the full-year plan for FY2024, we project consolidated net sales of 230 billion yen and operating income of 18 billion yen. We expect both sales and income to increase in both Positioning Business and Eye Care Business.

As we will explain later, we plan to reach a level of sales in Eye Care Business that is close to the target for the final year of the Mid-term Business plan.

We have one major topic to report. We are pleased to announce that Eye Care Business has signed a partnership agreement strategically with Microsoft Corp. regarding our business in the U.S. This was disclosed in a news release on our website yesterday.

The plan is to further expand the business based on our screening business as "Healthcare from the eye," in which we have continued our upfront investments.

I will explain the details later.



# 1. FY2023 Financial Results

- Consolidated Financial Results
- Overview of Each Business

I will explain the FY2023 financial results.

## FY2023 Financial Results



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

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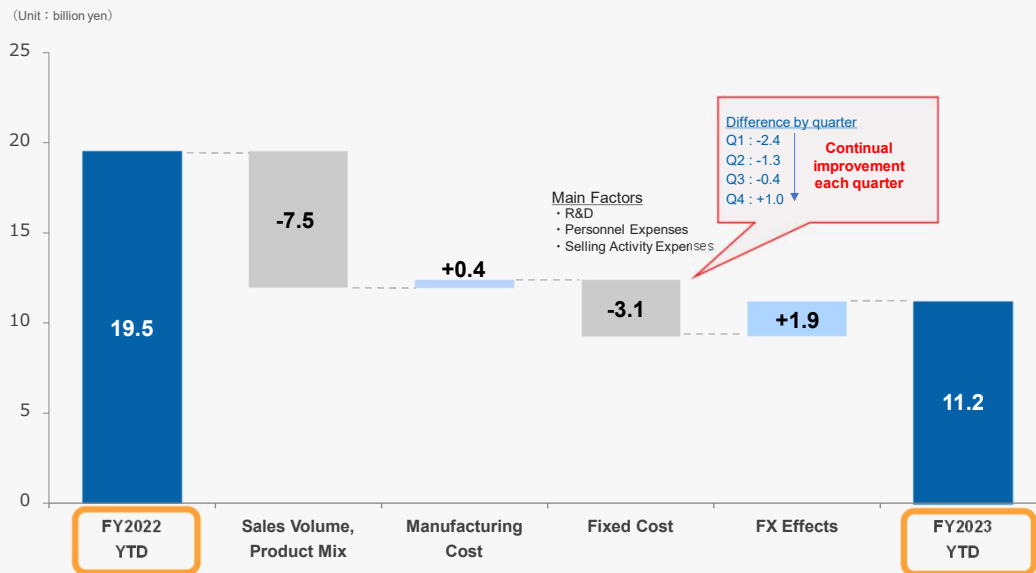
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Consolidated net sales and operating income are as reported in the highlights.

Sales were in line with the announced figures, but operating income was a dismal 5.2%. As reported in the previous financial results announcement, net income for the period was 4.9 billion yen due to additional structural reform-related expenses such as special severance payments in the fourth quarter.

While we will continue to strengthen our business foundation and invest in growth areas, we have also decided to maintain the dividend at last year's 42 yen, taking into account the extraordinary circumstances of the loss of profit due to one-time expenses incurred during FY2024.

## FY2023 Operating Income YoY Breakdown



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This slide shows a breakdown of the YoY change in operating income. I will explain the difference between the 19.5 billion yen of FY2022 and the 11.2 billion yen of FY2023 results.

The main reasons for the change are negative 7.5 billion yen in sales volume and the product mix and negative 3.1 billion yen due to increased fixed costs.

The increase in fixed costs will consist of increases in R&D, personnel expenses and selling activity expenses.

We have attempted to improve fixed cost by controlling increases from the same period of the previous year in every quarter, as indicated by the note in the graph.

FX effects were a factor that added 1.9 billion yen to the total, but the negative factors were more significant, resulting in a final result of 11.2 billion yen.



# 1. FY2023 Financial Results

- Consolidated Financial Results
- Overview of Each Business

I will give an overview of each business.



## Overview of Each Business [Positioning Business]

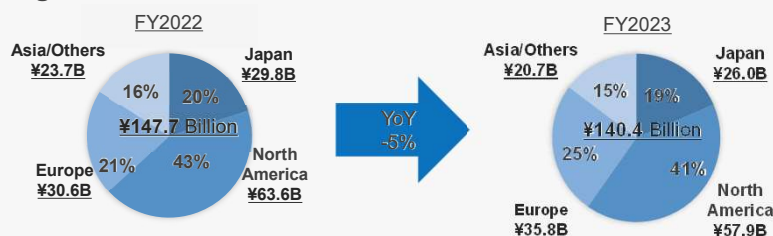


■ Net Sales were lower than the previous year, and profit decreased though SGA control.

### ✓ Sales and Profit

		FY2022	FY2023			Plan*
(Unit : billion yen)		Actual	Actual	YoY	%	*Announced on January 29
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 (Average)						
	USD	¥134.95	¥144.40	¥+9.45		
	EUR	¥141.24	¥156.80	¥+15.56		

### ✓ Sales by Region



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First, I would like to explain Positioning Business.

While the business environment remains difficult, especially in the U.S. and Europe, sales were boosted by a foreign exchange rate tailwind and the landings were slightly higher than the previously announced figures.

On the other hand, it took time for operating income to reflect the SGA cost reductions, resulting in a significant decrease in profit compared to the previous year.

The difference between announced and actual operating income is explained on the next page.

In the sales composition by region shown in the pie chart, the results for all regions except Europe were negative in terms of both actual sales and composition ratio when compared with FY2022, which is a severe result.

You can see how North America in particular has struggled.

## Overview of Each Business [Positioning Business]

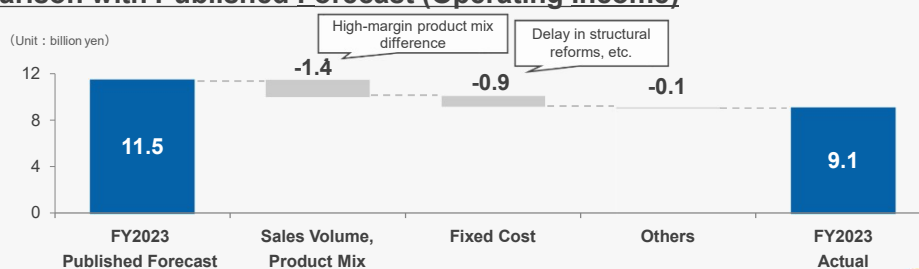


■ Net Sales were lower than the previous year, and profit decreased though SGA control.

### ✓ Sales and Profit

		FY2022	FY2023	YoY	%	Plan*
(Unit : billion yen)		Actual	Actual			*Announced on January 29
Positioning Business	Net Sales	147.7	140.4	-7.3	-5%	138.0
	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)



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Next, I will explain the reasons for the difference between the announced and actual operating income of Positioning Business.

Landings were 9.1 billion yen, compared to the announced 11.5 billion yen.

A decrease of 1.4 billion yen in sales volume and the product mix were mainly due to the composition difference caused by the decrease in sales of high-margin Japanese products for Europe and the U.S. In addition, fixed costs were a negative factor, increasing by 0.9 billion yen. This is due to the fact that fixed costs could not be fully reduced due to some delays in structural reforms in Europe and the U.S. Also, the unplanned recording of expenses for intangible assets related to mergers and acquisitions resulted in an overall figure that was 2.4 billion yen less than the announced figure.

## Overview of Each Business [Positioning Business]



### ■ 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.

This slide gives an overview of Positioning Business.

There have been no major changes from the explanation given at the time of the announcement of the third quarter financial results, but domestic sales grew sluggishly in the second half of the fiscal year.

The analysis attributes this to a combination of factors, including a decrease in IT agriculture subsidies and a temporary surveying instrument inventory adjustment.

We will provide more details later in the report, with a heatmap showing sales increase and decrease trends by business segment for each of the major markets.

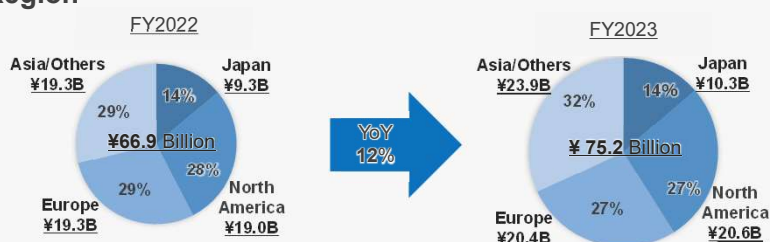
## Overview of Each Business [Eye Care Business]



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

✓ Sales and Profit		FY2022	FY2023	YoY	%	Plan*
(Unit : billion yen)		Actual	Actual			*Announced on January 29
Eye Care Business	Net Sales	66.9	<b>75.2</b>	+8.3	12%	76.0
	Operating Income	4.0	<b>6.7</b>	+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



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Next is Eye Care Business.

In Eye Care Business, upfront investments blossomed, and as reported in the highlights, and both net sales and profit reached record highs.

Operating income, which had been an issue, is also improving due to the growth of sales and structural reforms, and we are making steady progress toward the achievement of the Mid-term Business Plan goal of an operating income ratio of 10% or higher.

The sales composition by region is shown below, and sales increased in all regions.

## Overview of Each Business [Eye Care Business]



### ■ 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.

This slide gives an overview of Eye Care Business.

The Eye Care Business has also not changed significantly from the trend through the third quarter. Although there was some impact from high interest rates in the U.S., overall, business for major optical chain stores in Europe and the U.S. remained strong.

By product, the new fundus camera NW500 is performing very well. The old model NW400 also continues to sell well in tenders and other markets, and its sales are much higher than planned, leading to the growth of the business.

Leveraging the strength of its screening business, the company is also expanding sales of its foundation business products to major optical chain stores, including digital optometry equipment.

The heat map that will be displayed later will provide more details about this.



## 2. FY2024 Full Year Outlook

Next, I will explain the FY2024 full year outlook.

## FY2024 Full Year Outlook



### ■ Significant Increase in Sales and Profit. Maintaining Dividends.

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

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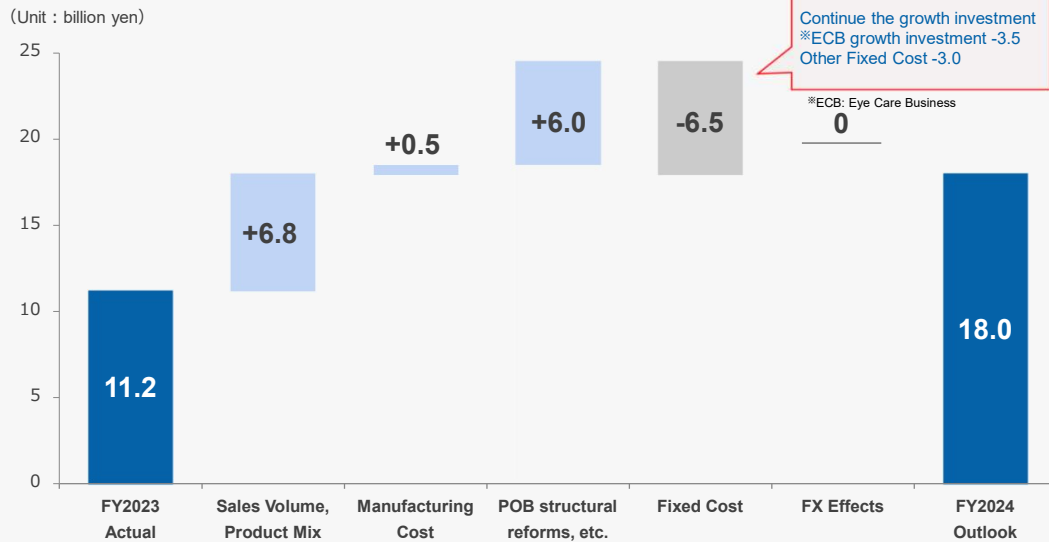
Consolidated net sales for FY2024 will be 230 billion yen, a 6% increase over year, and operating income, ordinary income and net income are expected to increase significantly. The business-specific situation that this outlook is based on is explained on the next slide.

With profit recovering, ROE is expected to be 9%.

We also plan to continue to pay a dividend of 42 yen, the same as last year, as we are confident in the sustainable growth of our business.

## 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.



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This slide breaks down the YoY change in operating income in our FY2024 outlook.

We expect revenue to grow 6.8 billion yen due to the expansion of growing businesses and 6.0 billion yen due to structural reforms and cost reductions in Positioning Businesses.



## FY2024 Full Year Outlook 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	<b>147.0</b>	+6.6	<ul style="list-style-type: none"> <li>• Despite an uncertain business environment, a reversal is expected with the introduction of new products.</li> <li>• Reducing SGA and improving operating income due to the effects of structural reforms.</li> </ul>
	Operating Income	9.1	<b>16.5</b>	+7.4	
	Operating Income Ratio	6.5%	11.2%	4.7pt	
Eye Care Business	Net Sales	75.2	<b>82.0</b>	+6.8	<ul style="list-style-type: none"> <li>• Expanding Growing business such as Screening Business.</li> <li>• Increasing operating income despite continued investment.</li> </ul>
	Operating Income	6.7	<b>7.5</b>	+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	

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This is the full year outlook by business.

In Positioning Business, although uncertainties remain, such as receding expectations of monetary easing in the US, we expect a significant increase in profit as a result of the reduction of SG&A expenses which is the result of structural reforms that will be realized. The operating income ratio is also expected to recover to 11.2%.

The sales of the Eye Care Business are expected to increase, mainly driven by Screening Business for major optical chain stores in Europe and the U.S., and its operating income is expected to increase despite continued growth investment, including in human capital, for new businesses.

One point I would like to emphasize regarding this plan is that we plan to achieve sales of 82 billion yen in Eye Care Business, which, if realized, will already bring us close to the 83 billion yen target in the final year of the Mid-Term Business Plan.

## 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) ※1	Core	Surveying and laser products	Surveying & Construction	⇔	↘	⇔	↗
		ICT Construction	OEM※2	↗※5	↘	↘	⇔
	Growing		Aftermarket※3	↘	↘	⇔	↗
			OEM※4	↗	↘	⇔	↗
		IT Agriculture	Aftermarket※3	↘	↘	⇔	↗
ECB (Eye Care Business)	Core	Optometry and diagnostic equipment	↗		↗		
	Growing	Screening and other services	↗		↗		

※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)

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This slide has been newly prepared to help you better understand the situation of each business.

The following heat map shows the trend of the increase or decrease of sales by business in each of our major markets.

YoY increases are indicated by up arrows, YoY flat sales are indicated by horizontal arrows, and YoY decreases are indicated by down arrows.

First, I would like to explain our outlook for Positioning Business in FY2024, using the growing business as an example.

ICT Construction is mainly divided into OEM for construction machinery manufacturers and aftermarket for distributors.

Sales to OEMs, which are 30% of ICT Construction sales, are expected to decline in the first half of FY2024, but they are expected to be on par with the same period of the previous year in the second half.

The aftermarket, which accounts for the remaining 70%, is expected to remain largely unchanged from FY2023 in the first half of the year, with a recovery expected in the second half.

Similarly, IT agriculture sales are broken down into two categories: OEM, mainly to agricultural machinery manufacturers, and aftermarket, mainly to distributors.

Sales to OEMs, which are 70% of IT agriculture sales, are expected to be flat YoY in the first half of FY2024, but they are expected to grow in the second half. There is a similar trend in aftermarket sales, which is the remaining 30%.

As you can see, we are presenting Eye Care Business on a fiscal year basis. We expect both growing and core businesses to perform well.

To summarize the overall outlook for FY2024, we expect sales to weaken slightly in the first half of the year and recover in the second half.



### 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

Now, I would like to report on the progress of Mid-Term Business Plan 2025.

# 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

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

FY23 Progress situation	Positioning Business	<ul style="list-style-type: none"> <li>Reforming to a business division system, Development closer to customers</li> </ul>	<ul style="list-style-type: none"> <li>Promotion of One POB <span style="background-color: red; color: white; padding: 2px;">Highlight</span></li> <li>Structural Reforms - SGA reduction <span style="background-color: red; color: white; padding: 2px;">Highlight</span></li> </ul>	<ul style="list-style-type: none"> <li>Expansion of solutions for building construction</li> <li>Strategic M&amp;A to acquire technology <span style="background-color: red; color: white; padding: 2px;">Highlight</span></li> </ul>
	Eye Care Business	<ul style="list-style-type: none"> <li>Developing solutions with advanced hardware at its core <span style="background-color: red; color: white; padding: 2px;">Highlight</span></li> </ul>	<ul style="list-style-type: none"> <li>Structural Reforms - Profitability improvement <span style="background-color: red; color: white; padding: 2px;">Highlight</span></li> </ul>	<ul style="list-style-type: none"> <li>Screening Business blossoming, further ahead <span style="background-color: red; color: white; padding: 2px;">Highlight</span></li> </ul>
	Production		<ul style="list-style-type: none"> <li>Beginning plant construction toward increased production capacity</li> </ul>	<ul style="list-style-type: none"> <li>Production automation and digitalization to improve production efficiency</li> </ul>
	Corporate		<ul style="list-style-type: none"> <li>Liquidation of unprofitable businesses</li> </ul>	

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As explained in Mid-Term Business Plan 2025, we are promoting our business based on three basic policies: Deepening Customer Orientation, Reforming the foundation, and DX Acceleration.

The progress in FY2023 is shown from the middle of the slide down, divided into Positioning Business, Eye Care Business, Production and Corporate.

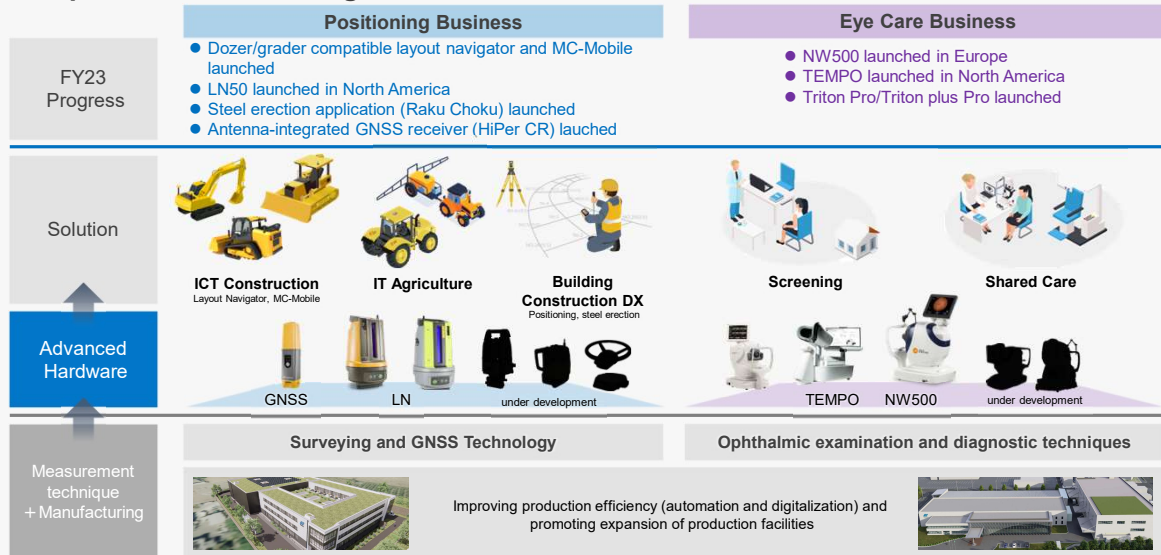
Today, we will focus on six of the eleven highlighted items.

# Solution development with advanced hardware at its core

Highlight



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



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First, I will collectively explain the progress in solution development in Positioning Business and Eye Care Business.

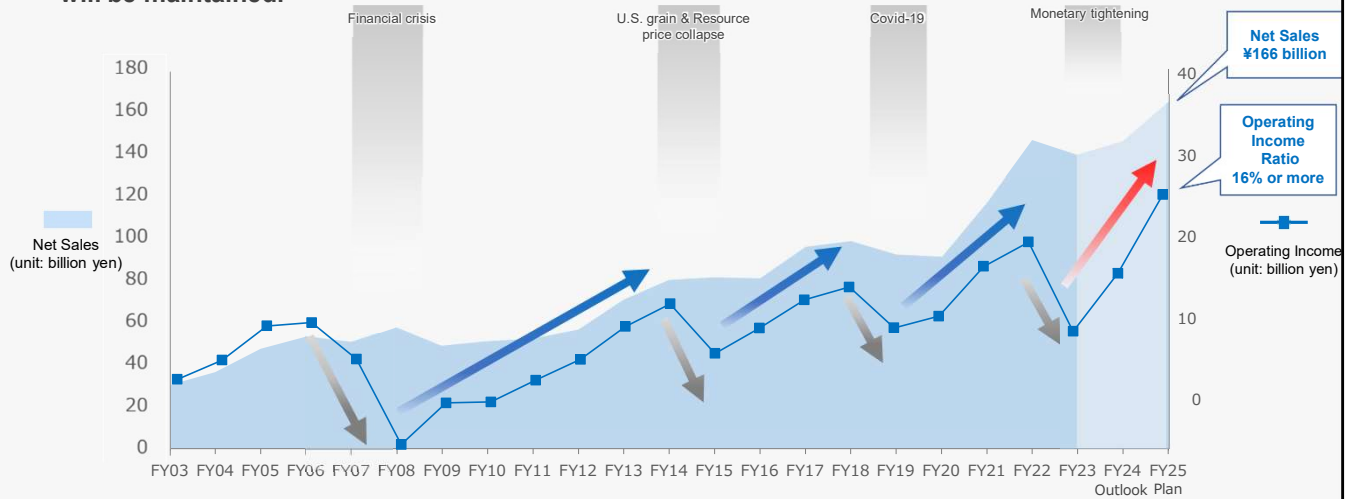
Our policy is to innovate by developing advanced hardware based on our core strengths in "measurement technology" and "spirit of manufacturing" and developing solutions with this as our core.

In Positioning Business, we launched the LN, also known as Kui-Navi, a surveying instrument compatible with bulldozers and graders, the LN50 in North America, an application for construction (Raku Choku), and an antenna-integrated GNSS receiver (HiPer CR).

In Eye Care Business, we launched NW500 in Europe, new perimeter TEMPO and OCT Triton Pro in North America.

## [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.



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This slide shows the long-term growth of net sales and operating income in Positioning Business, as well as the targets up to the final year of the Mid-Term Business Plan 2025. The graph also shows the four previous recessionary periods as gray bands.

As explained in our previous quarterly results, the performance of Positioning Business was affected prior to the economic recession, but we have achieved high performance growth in each of the economic recovery phases and have continued to grow sustainably over the long term.

Although our performance in FY2023 was temporarily stagnant due to the strong impact of the increase in the interest rate in the U.S., we will maintain our position as the driving force behind our solutions business. We will maintain our targets for the final year of the Mid-Term Business Plan 2025 based on past performance.



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



■ **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

I will explain the progress in the promotion of One POB in Positioning Business.

Under the leadership of Mr. Raymond O'Connor, One POB's General Manager, the measures are being implemented successfully.

As one of the main measures, we are promoting the reallocation and reform of the processes of the planning and development organizations. First, we hired Mr. Tetsuya Morita, who has many years of experience and achievements in this area, from outside the company to be a key person strongly supporting the promotion of One POB.

Under this structure, we have formulated a product development plan map, reviewed our development priorities as POB, and strengthened our development project management system.

We are also working to improve the efficiency of our sales organization. First, we have completed the integration into a global tri-polar structure.

In Europe, we reorganized sales offices and distribution centers, and in North America and Asia, we reviewed and streamlined the 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%

**Sales Organizational Reduction**

- Significant headcount reduction (over 150), mainly in Europe and the U.S. | FY23 completed
- Review and consolidation of investment ratio in subsidiaries | Further promotion in FY24

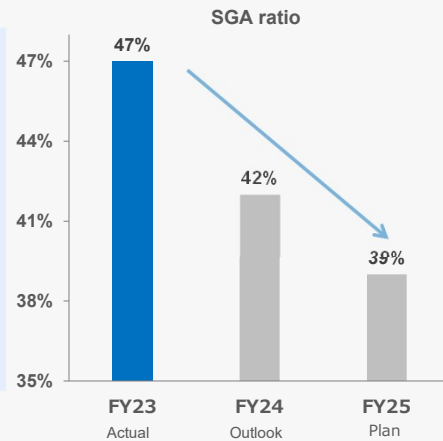
**Cost Reduction**

- Continued reduction of selling expenses, etc. | Further promotion in FY24
- Partial development cost reduction (low priority development items) | Further promotion in FY24

**Facility Winding Down and Business Withdrawals**

- Major downsizing of Moscow office in preparation for complete withdrawal | FY23 completed
- Sale of operation management system business for construction and mining equipment, Australia | FY23 completed

SGA cost reduction measures



**FY25**

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

This slide shows our future outlook for SGA reduction in the Positioning Business.

First, in FY2024, we expect to be able to reap the effects of structural reforms and improve the SGA ratio to 42%.

We will accomplish this by Sales Organization Reduction, Cost Reduction and Facility Winding Down and Business Withdrawals.

In the final year of the Mid-Term Business Plan, we plan to improve the SGA ratio to 39% by continuing to reduce SGA cost.

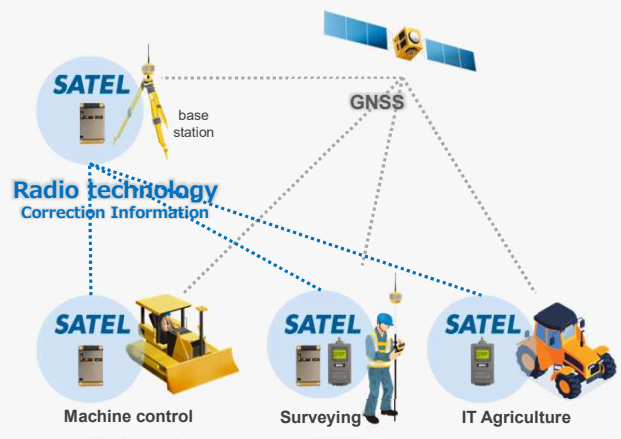




- Acquired Satel, A Company with Strengths in Radio Technology, and Made It a Subsidiary
- Enclosed Radio Technology Indispensable for ICT in Construction, Agriculture, and Surveying

**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->

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This slide provides an overview of the status of strategic M&A in Positioning Business.

In June 2023, we acquired Satel, a company with strengths in radio technology, and made it a subsidiary.

A Satel's technology is an indispensable radio technology for ICT in construction /surveying / agriculture. Over the years, the company has built a solid track record and position in the industry.

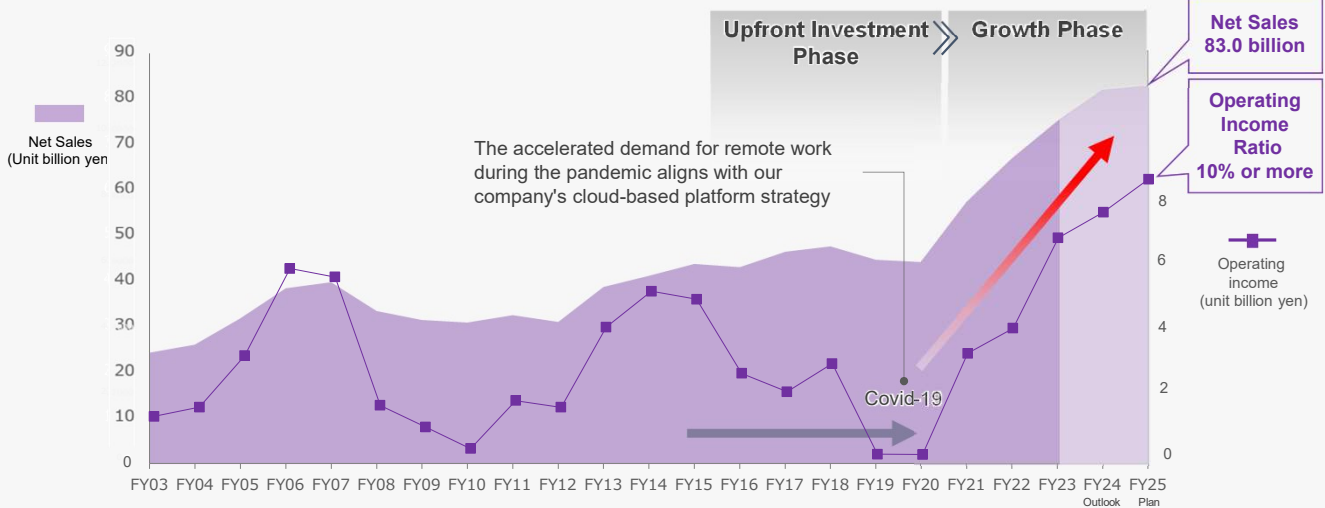
We are pleased to announce that we have been able to secure a valuable technology. By incorporating Satel's global supplier status and technical capabilities into its products, we will accelerate the digital transformation of our solutions.

Press Releases:

<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



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**TOPCON**

25

For Eye Care Business, we will first present the long-term growth of net sales and operating income, as well as the targets for the final year of the Mid-Term Business Plan 2025.

As explained in the previous quarterly results, Eye Care Business has continued to make upfront investments in Screening Business in recent years.

During this period, we continued to invest upfront even though the business environment was difficult due to the COVID-19 pandemic.

At present, we believe that the upfront investment in Screening Business has blossomed, and we are finally entering the growth phase.

As a result of the upfront investment, Screening Business is rapidly expanding, especially at major optical chain stores in Europe and US, in combination with the fact that the social environment during the COVID-19 pandemic has encouraged the spread of remote optometry solutions.

In FY2023, we achieved record high net sales and operating income. We expect profit to continue to grow as we continue to invest in the future and improve profitability as we move toward the final year of the Mid-Term Business Plan 2025.



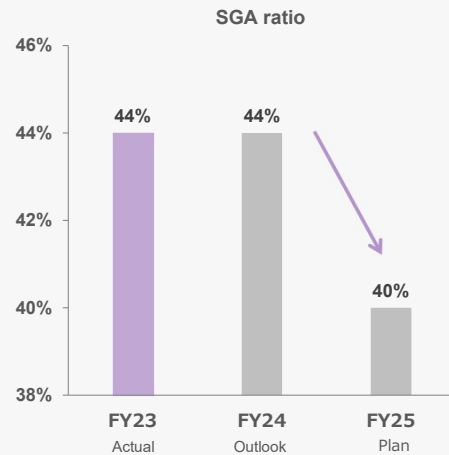
■ Achieving SGA to Sales Ratio of 40% through FY25 Sales Plan and SGA Cost Control

**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



This slide describes the progress in the improvement of profitability in Eye Care Business.

First, we are working on organizational optimization. The North American organization, including the sales company (TMS)<sup>1</sup> and the software development site (THS),<sup>2</sup> were consolidated into a single company. We are also working on the organizational and operational reform of our sales offices, in North America, Asia and Japan.

Meanwhile, we are continuously implementing measures in terms of increasing the efficiency and speeding up product planning and development.

We are currently strengthening collaboration among global development sites, reforming the planning and development process and streamlining the pharmaceutical affairs process, and increasing development efficiency with IT.

As shown in the graph on the right side of the slide, by implementing these measures, we plan to improve the SG&A ratio to 40% toward the final year of the Mid-Term Business Plan 2025.

1. TMS: Topcon Medical Systems, Inc.

2. THS: Topcon Healthcare Solutions, Inc.



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



Microsoft Headquarters (Seattle, the U.S., 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.”



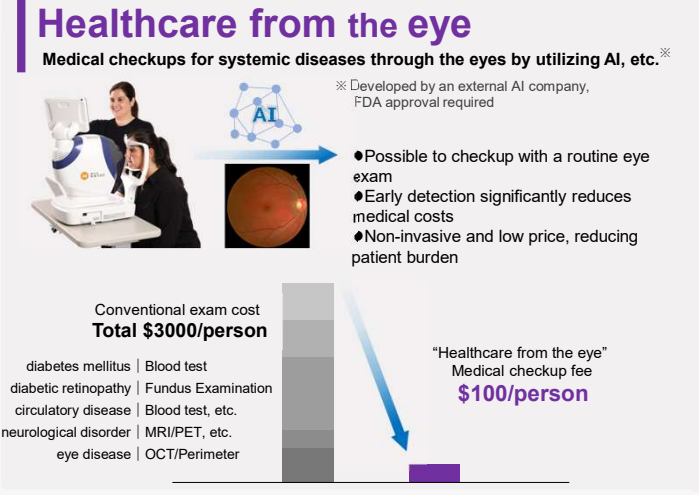
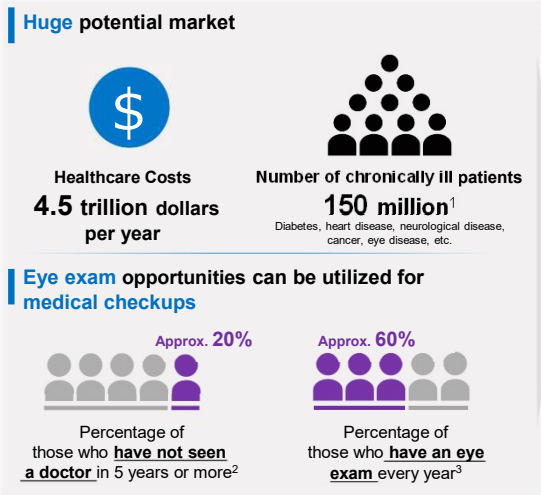
(Press release dated May 9, 2024)



As announced in our May 9 press release, we are pleased to announce that we have signed partnership with Microsoft Corp. strategically to innovate in the healthcare industry. These slides are excerpts from the press release and photos of us and Microsoft officials at Microsoft's headquarters in Seattle, the U.S. The three following slides explain our future business development, including the background behind the press release.



- 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



[Source.]  
 1. <https://www.cms.gov/data-research/statistics-trends-and-reports/national-health-expenditure-data/historical#:~:text=The%20data%20are%20presented%20by%20spending%20accounted%20for%2017.3%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>

This slide outlines the demand in preventive medicine in the U.S. and the innovations that we are pursuing.

First, as shown on the left side of the slide, the U.S. health care costs are the largest among developed countries, reportedly amounting to \$4.5 trillion annually. In addition, more than 60% of the U.S. adult population, or 150 million people, suffer from some form of chronic disease such as diabetes, heart disease or neurological disease.

The high cost of medical care may be one factor, but a very high percentage of people have not seen a doctor for many years or are unable to, which creates a vicious cycle that delays the early detection of disease. Thus, it can be said that there is a large potential demand for preventive medicine in the U.S.

On the other hand, eye exams at optical stores and drugstores are familiar to many people. In fact, data show that more than 60% of people receive annual exams. Therefore, if eye examinations could be used to diagnose other diseases, such as diabetes, it would solve a major problem in the U.S. healthcare.

As shown on the right side of the slide, we are developing our Screening Business with an eye toward healthcare from the eye, i.e., checking for systemic diseases by examining the eyes utilizing AI and other methods as a business development that goes beyond the screening business.

Because it is easy to check for systemic diseases through routine eye exams, many people can benefit from early detection of diseases, which, in turn, could significantly reduce overall healthcare costs.

In addition, since eye examinations are non-invasive, they are expected to reduce the physical and psychological burden on the patient. Furthermore, because they are offered at a low price, it is expected that they will lower the economic burden on the patient.

In fact, our estimate is that we expect to be able to offer an inspection which would currently cost \$3,000 at a cost of only \$100.

[Source.]

1. <https://www.cms.gov/data-research/statistics-trends-and-reports/national-health-expenditure-data/historical#:~:text=The%20data%20>

[0 are%20presented%20by, spending%20accounted%20for%2017.3%20percent](https://www.cms.gov/data-research/statistics-trends-and-reports/national-health-expenditure-data/historical#:~:text=The%20data%20)

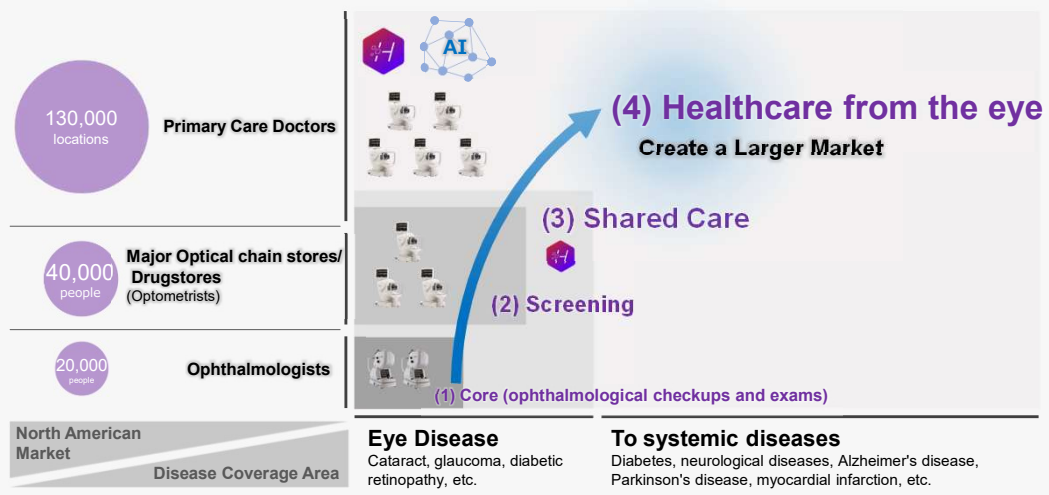
2. <https://www.onlinedoctor.com/nearly-1-in-5-americans-havent-seen-a-doctor-in-over-five-years/>

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](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

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Healthcare from the eye will be strategically promoted in the future. There are two major directions.

One is to accelerate the development of the business for primary care doctors. As mentioned earlier, as a result of our upfront investments, Screening Business has blossomed, especially the business for major optical chain stores. We intend to accelerate the spread and development of our solutions by strengthening our access to the 130,000 primary care doctors that exist throughout the U.S.

Another direction is to expand the range of diseases addressed. To date, we have focused on the development of screening technologies mainly in the area of eye diseases, but in the future, we will greatly expand the scope of our business to the detection of systemic diseases by examining the eyes. In particular, we plan to strengthen the development of health screening technologies for diabetes, heart disease and other diseases that a large number of people in the U.S. suffer from. The key to this is how we utilize digital technologies such as AI.





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



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

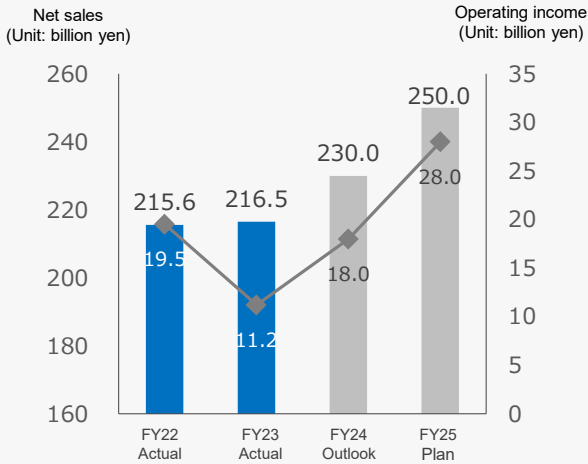
Our partnership with Microsoft was established because both companies share the same vision of the social value that will be created in the future by the healthcare model “Healthcare from the eye”. The partnership was made possible by the shared vision of both companies.

Microsoft possesses technological assets as a platform provider, including AI, cloud infrastructure and security, as well as a vast customer base of primary care doctors. Therefore, Microsoft will be a strong partner supporting the two strategies mentioned above: “Accelerate the Development of Solutions for Primary Care Doctors and Expand Disease Areas by Utilizing AI, etc.”.


On the other hand, we possess the technological ability to create fully automatic examination devices suitable for screening and a customer base of major optical chain stores as our strengths. We will continue to collaborate based on the strengths of both companies and maximize synergy to realize healthcare from the eye.



## 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**

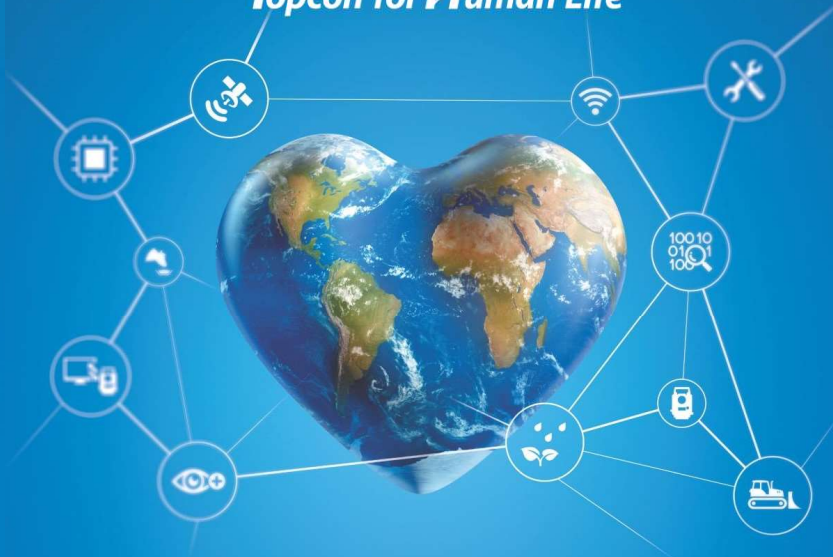
To conclude my presentation, I would like to reiterate that the goals of the Mid-Term Business Plan remain unchanged.

In addition to the growth of Positioning Business and Eye Care Businesses, which address social issues, we will improve profitability through structural reforms to achieve the outlook for FY2024 and the plan for 2025, as shown in the graph on the left.

This concludes my presentation.

Thank you very much for your time.

Topcon for *Human Life*



A digital transformation  
with a human touch

