

TOPCON CORPORATION FY2024 Q1 Financial Results

Senior Managing Executive Officer
General Manager of Accounting and Finance Div.
Haruhiko Akiyama
July 30, 2024



Event Overview

Company	TOPCON CORPORATION
Event Type	Presentation of Financial Results
Event Name	FY2024 Q1 Financial Results
Report Period	FY2024 Q1
Date	July 30, 2024
Time	3:30-4:20 PM (Total: 50 minutes; Presentation: 20 minutes; Q&A: 30 minutes)
Event Format	Online (streamed)
Number of Speakers	2 Haruhiko Akiyama Director, Senior Managing Executive Officer, General Manager of Accounting & Finance Div. Takaaki Hirayama Executive Officer, General Manager of Corporate Communication Div.

Highlight of FY2024 Q1 Financial Results



FY24 Q1 Financial Results

Consolidated		Positioning Business		Eye Care Business	
Net Sales	¥51.4B YoY +3%	Net Sales	YoY	Net Sales	YoY
Operating Income	¥0.7B YoY -60%	Operating Income	YoY	Operating Income	YoY
Net sales were flat year on year, but profit decreased		Market conditions deteriorated from the original forecast, but fixed cost reductions due to structural reforms were in line with the plan		Sales are steady , but expenses for growth investment increased	

FY24 Full Year Outlook

Consolidated		Positioning Business		Eye Care Business	
Net Sales	¥230.0B YoY +6%	Net Sales	YoY	Net Sales	YoY
Operating Income	¥18.0B YoY +61%	Operating Income	YoY	Operating Income	YoY
No change from the initial plan		Stimulate demand through strategic new product launches and improve profitability through the effects of structural reforms		Accelerate the pace of revenue growth through Screening Business and new product launches Expect to increase profit despite continued investment	

Financial Highlights

FY24 Q1 Financial Results

Consolidated: Net sales were flat year on year, but profit decreased.

Positioning Business: Market conditions deteriorated from the original forecast, but fixed cost reductions due to structural reforms were in line with the plan.

Eye Care Business: Despite an increase in sales, profit decreased because expenses for growth investments increased (strengthening personnel and R&D for new business development).

FY24 Full Year Outlook

Consolidated: No change from the initial plan. Increase in sales and significant increase in profit are expected.

01 FY24 Q1 Financial Results

- Consolidated Financial Results
- Overview | Positioning Business
- Overview | Eye Care Business

02 FY24 Full Year Outlook

- Consolidated Full Year Outlook
- Outlook | Positioning Business
- Outlook | Eye Care Business

03 Topics

- Positioning Business | Supporting the Acceleration of the spread of i-Construction through the introduction of new products
- Eye Care Business | Alliance with TESSAN, a French startup for remote medical care
- External Evaluations

04 Appendix

- Financial Results
- Sales by Region
- Capital Expenditure, Depreciation and R&D / Forex Sensitivity

FY24 Q1 Financial Results

01

- Consolidated Financial Results
- Overview | Positioning Business
- Overview | Eye Care Business



Consolidated Financial Results



(Unit: billion yen)		FY2023 Q1 Actual	FY2024 Q1 Actual	YoY	%
Net Sales		49.7	51.4	+1.7	+3
Gross Profit		26.4	27.6	+1.2	+4
Gross Profit Ratio		53.1%	53.6%	+0.5pt	
SGA		24.7	26.9	+2.2	+9
Operating Income		1.7	0.7	-1.0	-60
Operating Income Ratio		3.5%	1.3%	-2.1pt	
Ordinary Income		1.8	-0.4	-2.2	
Extraordinary Losses		-1.4	-	+1.4	
Net Income		-0.2	-1.0	-0.8	
Exchange rate	USD	¥138.11	¥156.53	¥+18.42	
(Average)	EUR	¥150.35	¥168.37	¥+18.02	

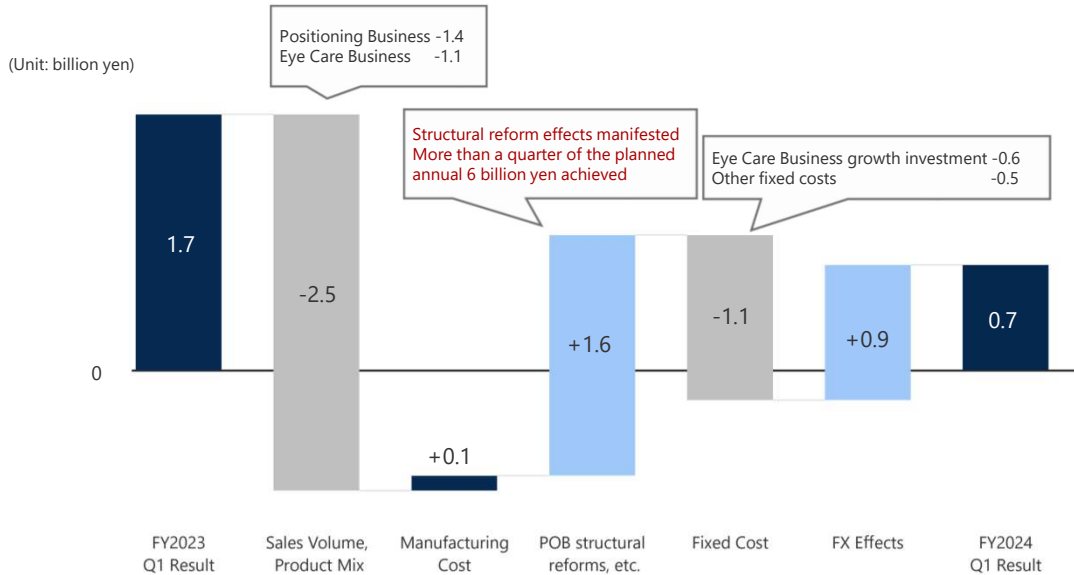
*YoY -¥3.5B
excluding FX effects

Consolidated Financial Results

- Net sales: 51.4 billion yen (+3%). However, if the FX effects the yen's depreciation are excluded, net sales decreased.
- Operating income decreased due to an increase in SG&A expenses. SG&A expenses decreased by several hundred million yen excluding the effect of FX rates.

The decrease in ordinary income was due to FX rates. FX gains were recorded in the same quarter of the previous year.

Operating Income YoY Breakdown



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Operating Income YoY Breakdown

Factors behind the 1.0 billion yen decrease in profit from FY2023 Q1 results (1.7 billion yen)

Sales Volume, Product Mix effect: -2.5 billion yen. Of this, -1.4 billion yen in Positioning Business and -1.1 billion yen in Eye Care Business

Manufacturing Cost effect: +0.1 billion yen

Effect of POB structural reforms, etc.: 1.6 billion yen, more than a quarter of the planned annual 6 billion yen

Fixed Cost effect: -1.1 billion yen. Growth investment in Eye Care Business: -0.6 billion yen, other fixed costs: -0.5 billion yen

FX impact (effect): +0.9 billion yen due to the yen's depreciation

In total, the FY2024 Q1 Results are 0.7 billion yen

Overview | Positioning Business



- Market conditions deteriorated from the original forecast, but **fixed cost reductions due to structural reforms were in line with the initial plan**

(Unit: billion yen)		FY2023 Q1 Actual	FY2024 Q1 Actual	YoY	%
Net Sales		32.9	33.8	+0.9	+3
Operating Income		1.8	1.9	+0.1	+6
Operating Income Ratio		5.4%	5.6%	+0.2pt	
Exchange rate (Average)	USD	¥138.11	¥156.53	¥+18.42	
	EUR	¥150.35	¥168.37	¥+18.02	

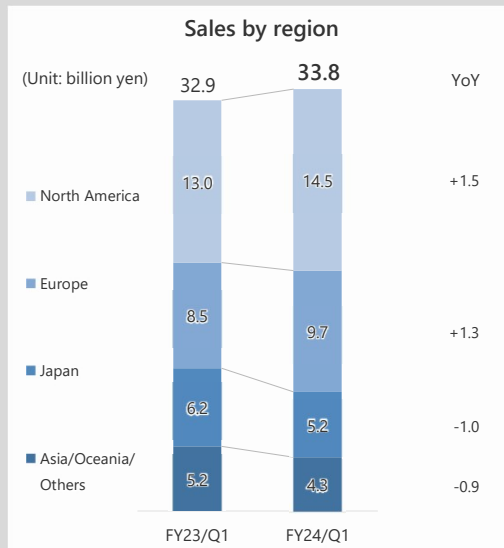
*YoY -¥2.7B excluding FX effects

Overview of the Positioning Business

Market conditions (mainly IT Agriculture-related) deteriorated from initial expectations.

Net sales were 33.8 billion yen, up 0.9 billion yen YoY, but down 2.7 billion yen excluding the effect of FX.

Operating income increased by 0.1 billion yen to 1.9 billion yen as fixed cost reductions due to structural reforms were in line with the plan.



North America

- ✓ ICT Construction was **showing signs of recovery** mainly in the **aftermarket***1 due to stabilization of market inventories and demand for infrastructure, etc.
- ✓ IT Agriculture sales decreased as lower grain prices curbed investment

Europe

- ✓ IT Agriculture sales decreased as lower grain prices curbed investment
- ✓ **New consolidation** of the acquired Satel*2 **contributed to sales increase**

Japan

- ✓ **ICT Construction was steady**, particularly for "Kui-Navi shovel"
- ✓ IT Agriculture continued to be impacted by the loss of subsidy effects, etc.
- ✓ Sales of Surveying instruments temporarily decreased owing to inventory adjustments in the market

*1 Aftermarket: sold to distributors of construction and agricultural machinery, etc.
*2 Satel has been consolidated since June 2023

Overview of Positioning Business

(Previously, we explained the situation in each region based on products and solutions. From this presentation forward, the explanation will be based on regions)

North America: 14.5 billion yen (+1.5 billion yen YoY)

Europe: 9.7 billion yen (+1.3 billion yen YoY)

Japan: 5.2 billion yen (-1.0 billion yen YoY)

Asia/Oceania/Others: 4.3 billion yen (-0.9 billion yen YoY)

Main reasons for the increase/decrease in each region

North America: ICT Construction was showing signs of a recovery mainly in the aftermarket due to the stabilization of market inventories (distributors' inventories) and infrastructure demand. On the other hand, IT Agriculture sales decreased as lower grain prices curbed investment.

Europe: IT Agriculture sales decreased as lower grain prices curbed investment. The new consolidation of the acquired Satel contributed to increased sales (consolidated from June 2023).

Japan: ICT Construction is steady, particularly for Kui-Navi shovel. IT Agriculture continues to be impacted by the loss of subsidies, etc. Sales of Surveying instruments temporarily decreased owing to inventory adjustments in the market.

Overview | Eye Care Business



- **Sales are steady**, but expenses for growth investment (Strengthening personnel and R&D for new business development) increased

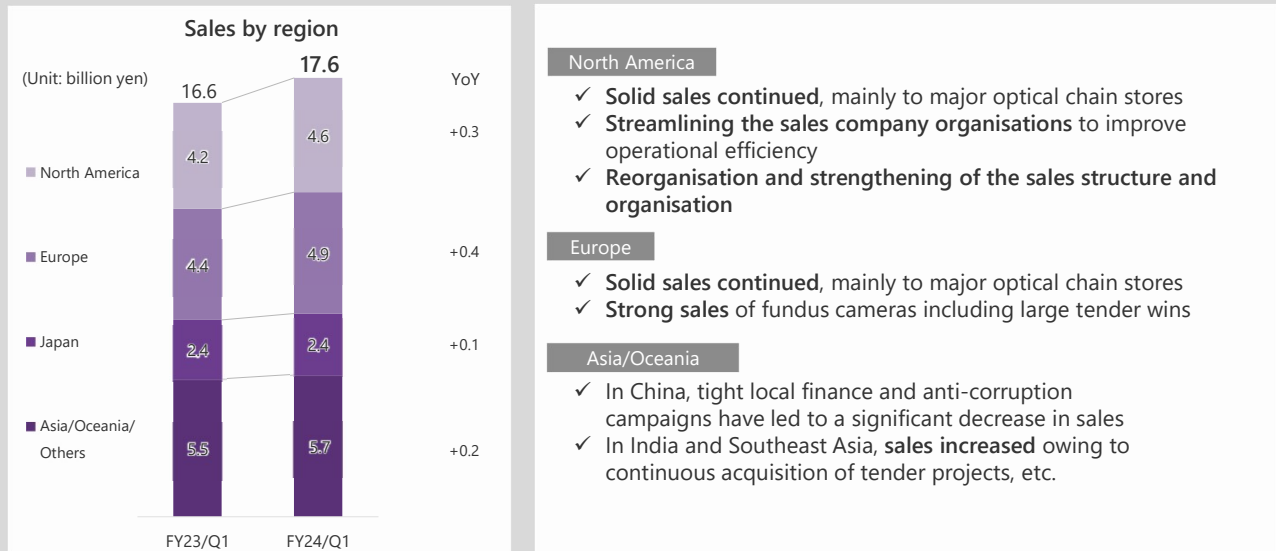
(Unit: billion yen)		FY2023 Q1 Actual	FY2024 Q1 Actual	YoY	%
Net Sales		16.6	17.6	+1.0	+6
Operating Income		1.1	0	-1.0	-
Operating Income Ratio		6.4%	0.1%	-6.3pt	
Exchange rate (Average)	USD	¥138.11	¥156.53	¥+18.42	
	EUR	¥150.35	¥168.37	¥+18.02	

*YoY -¥0.6B excluding FX effects

Eye Care Business

Sales were 17.6 billion yen, up 1.0 billion yen YoY, but down 0.6 billion yen excluding the effect of FX, mainly due to a decline of sales in China.

Operating income decreased by 1.0 billion yen to 0 billion yen due to increased expenses for growth investment, such as the reinforcement of personnel and R&D for new business development.



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Sales of Eye Care Business by Region

(As with the Positioning Business, we previously explained the status of each region based on products and solutions. From this presentation onward, the explanation will be based on regions)

North America: 4.6 billion yen (+0.3 billion yen YoY)

Europe: 4.9 billion yen (+0.4 billion yen YoY)

Japan: 2.4 billion yen (+0.1 billion yen YoY)

Asia and Oceania: 5.7 billion yen (+0.2 billion yen YoY)

Main reasons for the increase/decrease in each region

North America: Solid sales continued, mainly to major optical chain stores. While streamlining the sales company, the sales organization was reorganized and reinforced.

Europe: Sales continued to be strong, mainly to major optical chain stores. Sales of fundus cameras were strong, including the acquisition of large orders.

Asia & Oceania: Sales in China declined sharply due to tight local government finances and anti-corruption campaigns. Sales in India and Southeast Asia increased due to the continuous acquisition of tender projects, etc.

FY24 Full Year Outlook

02

- Consolidated Full Year Outlook
- Outlook | Positioning Business
- Outlook | Eye Care Business

Consolidated Full Year Outlook



- No change from the initial plan

(Unit: billion yen)	FY2023 Actual	FY2024 Outlook	YoY	%
Net sales	216.5	230.0	+13.5	+6
Operating income	11.2	18.0	+6.8	+61
Ordinary income	8.9	15.5	+6.6	+75
Net income	4.9	9.5	+4.6	+92
ROE	5%	9%	+4pt	
Dividend	¥42	¥42	0	0
Dividend payout ratio	90%	47%	-43pt	
Exchange rate	USD	¥144.40	¥145.00	
(Average)	EUR	¥156.80	¥155.00	

Assumption rate of
Q2 onward

Consolidated

No change from the outlook at the beginning of the period (no change from sales to dividends)

The following pages detail the outlook for each business segment.

Outlook | Positioning Business



- Stimulate demand through **strategic new product launches** and **improve profitability through the effects of structural reforms**

(Unit: billion yen)	FY2023 Actual	FY2024 Outlook	YoY	%
Net sales	140.4	147.0	+6.6	+5
Operating income	9.1	16.5	+7.4	+81
Operating Income Rate	6.5%	11.2%	+4.7pt	
Exchange rate (Average)	USD	¥144.40	¥145.00	
	EUR	¥156.80	¥155.00	

Assumption rate of
Q2 onward

No change in the outlook for the Positioning Business

It is expected that sales will increase due to strategic new product launches in and after Q2 stimulating demand.

It is expected that profitability will improve due to the effects of structural reforms

Outlook | Eye Care Business



- **Accelerate the pace of revenue growth** through Screening Business and new product launches
Expect to increase profit despite continued investment

(Unit: billion yen)		FY2023 Actual	FY2024 Outlook	YoY	%
Net sales		75.2	82.0	+6.8	+9
Operating income		6.7	7.5	+0.8	+12
Operating Income Rate		8.9%	9.1%	+0.2pt	
Exchange rate (Average)	USD	¥144.40	¥145.00		
	EUR	¥156.80	¥155.00		

Assumption rate of
Q2 onward

No change in the outlook for the Eye Care Business

The strong Screening Business and new product launches will accelerate the growth of revenue.

Operating income is expected to increase despite continued investment in growth, but expenses are expected to increase due to higher sales.

Topics

03

- Positioning Business | Supporting the acceleration of the spread of i-Construction through the introduction of new products
- Eye Care Business | Alliance with TESSAN, a French startup for remote medical care
- External Evaluations

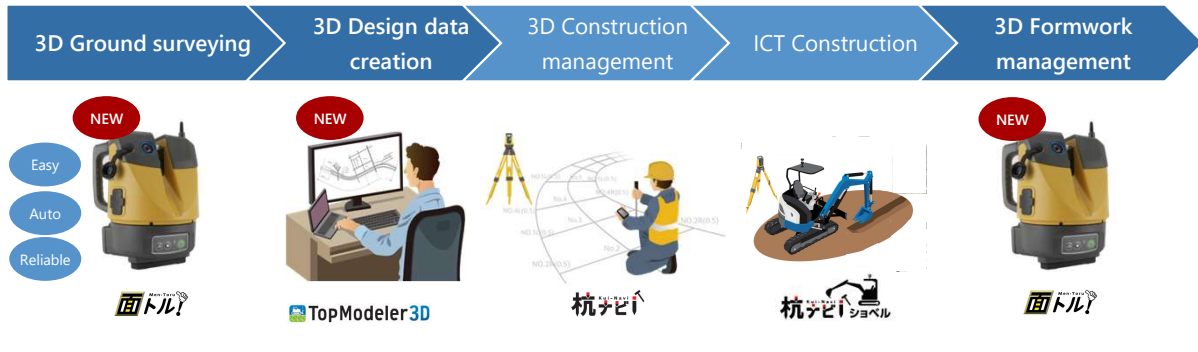
03 | Topics | Positioning Business

Supporting the acceleration of the spread of i-Construction through the introduction of new products



- Support for in-house production of 3D data acquisition and creation, a bottleneck in the spread of i-Construction*
- Released an easy-to-operate, low-cost 3D laser scanner “Men-Toru” and 3D design data conversion software “TopModeler 3D”

■ Construction process in i-Construction



*In the past, some work was outsourced by construction companies to external specialist contractors

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Positioning Business Topics

Supporting the acceleration of i-Construction through the introduction of new products

We will support the in-house production of 3D data acquisition and the creation of 3D data, which has been a bottleneck in the spread of i-Construction.

We released Men-Toru, an easy-to-operate, low-cost 3D laser scanner based on our “Measurement Technology”, and TopModeler 3D, which is 3D design data conversion software.

In the past, the 3D ground surveying, 3D design data creation and 3D formwork management processes for the introduction of new products were outsourced to outside specialists.

Our products enable the centralized management of the construction process.

Alliance with TESSAN, a French startup for remote medical care

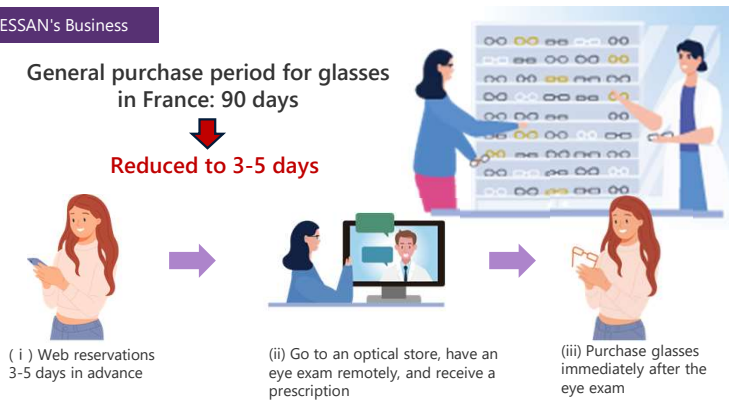


- Lack of Ophthalmologists in France causing long wait times for eyeglass prescriptions
- Promoting efficiency through remote medical examinations using our fully-automated testing equipment
- Currently, the service is mainly offered in France, but will be expanded to other European countries

TESSAN's Business

General purchase period for glasses in France: 90 days

Reduced to 3-5 days



Previously, clients had to wait 90 days or more to see an ophthalmologist and get a prescription. By using TESSAN's services, clients can purchase glasses with a 3-5 day advance reservation

Our fully-automated testing equipment

Completes testing in approximately 10 minutes



Introduction started in optical stores in France

Topcon's fully-automated inspection equipment is used to perform eye exams in approximately 10 minutes at the TESSAN remote medical care station

Eye Care Business Topics

Alliance with TESSAN, a French startup for remote medical care

In France, glasses are made after a customer visits an ophthalmologist and gets a prescription. There is a shortage of ophthalmologists, and the waiting time for eyeglass prescriptions is long. It takes more than 90 days to purchase eyeglasses.

A startup for remote medical care, TESSAN offers a solution to shorten this period.

- Increased efficiency by utilizing our fully-automated inspection equipment.
- Reduced eyeglass purchase time to 3-5 days.

Currently, the service is being offered mainly in France, but will be expanded to other European countries.

External Evaluations



- Selected as one of DX Platinum Companies 2024-2026 and a component of MSCI NIHONKABU ESG Select Leaders Index for its digital transformation and sustainability initiatives, respectively

New

Selected as one of DX Platinum Companies 2024-2026



DXプラチナ企業
2024-2026
Digital Transformation

In DX Stocks 2024 selected by The Ministry of Economy, Trade and Industry, the Tokyo Stock Exchange, and the Information-technology Promotion Agency, following last year's DX Grand Prix award, selected as one of **DX Platinum Companies 2024-2026**

Selection criteria

- Selected as a DX Stock for three consecutive years (achieved in 2021-2023)
- Selected as DX Grand Prix in the past (achieved in 2023)

New

Selected as a component of MSCI NIHONKABU ESG Select Leaders Index

2024 CONSTITUENT MSCI NIHONKABU ESG SELECT LEADERS INDEX

Selected as a component of the **MSCI NIHONKABU ESG Select Leaders Index**, which covers domestic stocks adopted by Japan's Government Pension Investment Fund (GPIF)

- The MSCI NIHONKABU ESG Select Leaders Index is an index constructed by selecting companies that excel in ESG evaluations provided by Morgan Stanley Capital International (MSCI) of the United States
- Topcon has already been selected as a component of the ESG index (*1, *2, *3) listed on the right, which cover domestic stocks adopted by the GPIF

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Major External Evaluations



FTSE Blossom Japan Sector Relative Index

*1 FTSE Blossom Japan Sector Relative Index



*2 S&P/JPX Carbon Efficient Index



*3 Morningstar Gender Diversity Index



External evaluations

Our commitment to digital transformation and sustainability initiatives has earned us recognition as one of the DX Platinum Companies for 2024-2026 and inclusion in the MSCI NIHONKABU ESG Select Leaders Index.

(Reference)

DX Stocks: The DX Stocks program selects companies listed on the Tokyo Stock Exchange that have established internal mechanisms to promote DX increasing corporate value and that have demonstrated outstanding achievements in the use of digital technology. The objective is to further promote DX by evaluating and widely disseminating information about model corporations to a wide range of stakeholders.

Companies selected as DX Stocks have not only introduced superior information systems and utilized data, but also continue to boldly take on the challenge of transforming their business model and management using digital technology.

In addition, to strongly encourage DX initiatives that contribute to strengthening the competitiveness of companies, the DX Grand Prix Companies were announced. Selected from among the DX Stocks companies, they are companies leading the digital age. Additionally, companies that continue their particularly outstanding efforts will be selected as DX Platinum Companies 2024-2026.

External Evaluations



- Selected as one of DX Platinum Companies 2024-2026 and a component of MSCI NIHONKABU ESG Select Leaders Index for its digital transformation and sustainability initiatives, respectively

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Major External Evaluations



FTSE Blossom Japan Sector Relative Index

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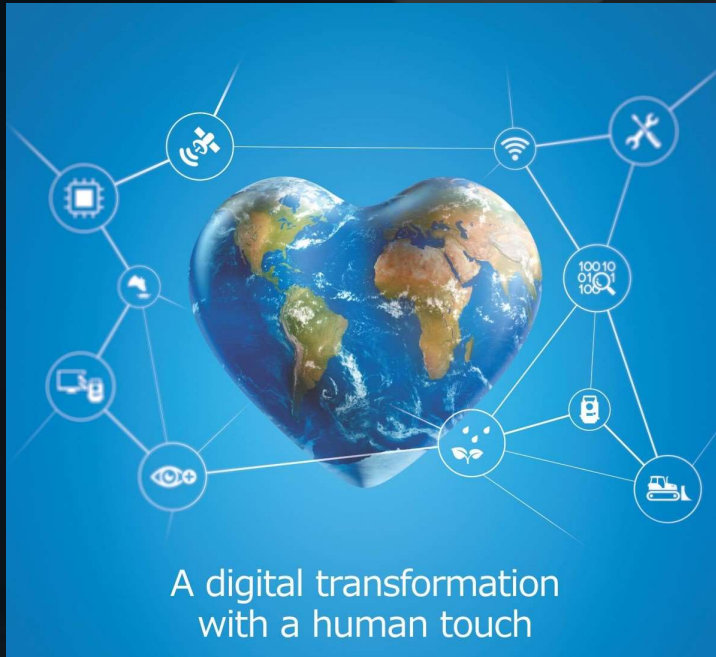
*2 S&P/JPX Carbon Efficient Index



*3 Morningstar Gender Diversity Index



MSCI NIHONKABU ESG Select Leaders Index: An index developed by US-based Morgan Stanley Capital International (MSCI) that selects companies highly rated in terms of ESG. It is one of six ESG indexes of domestic stocks used by Japan's Government Pension Investment Fund (GPIF).

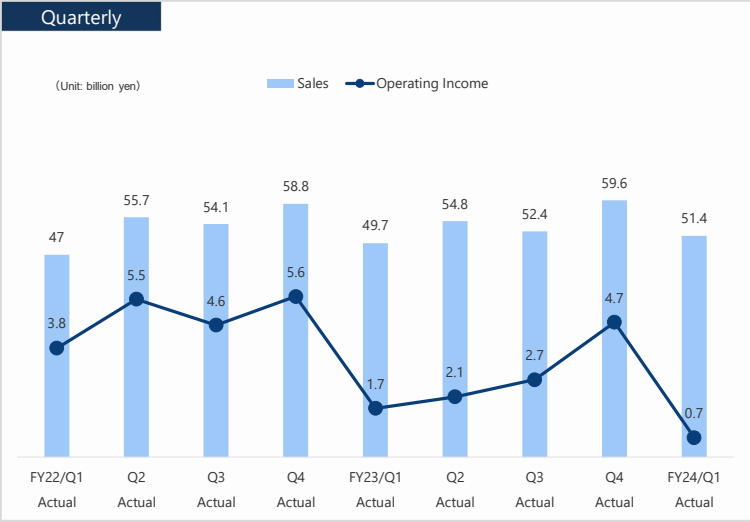


Appendix

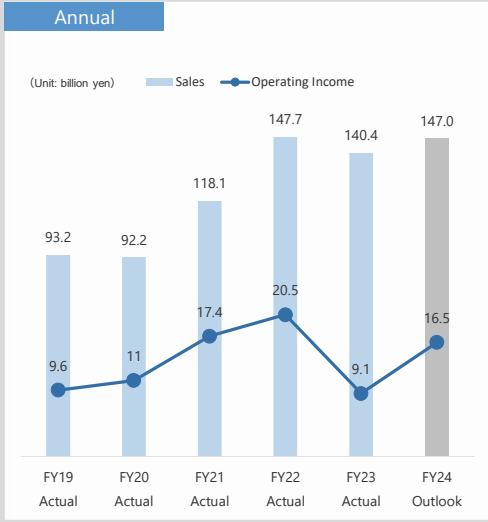
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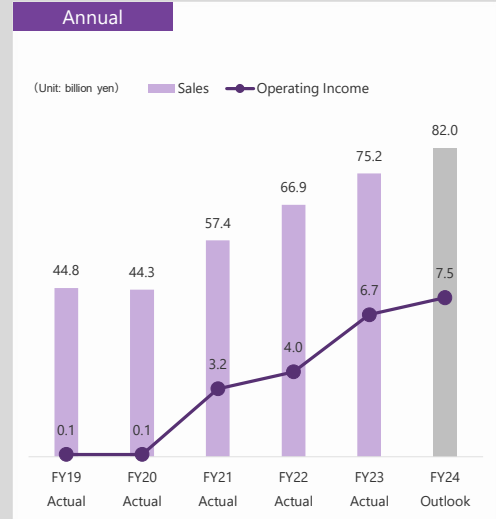
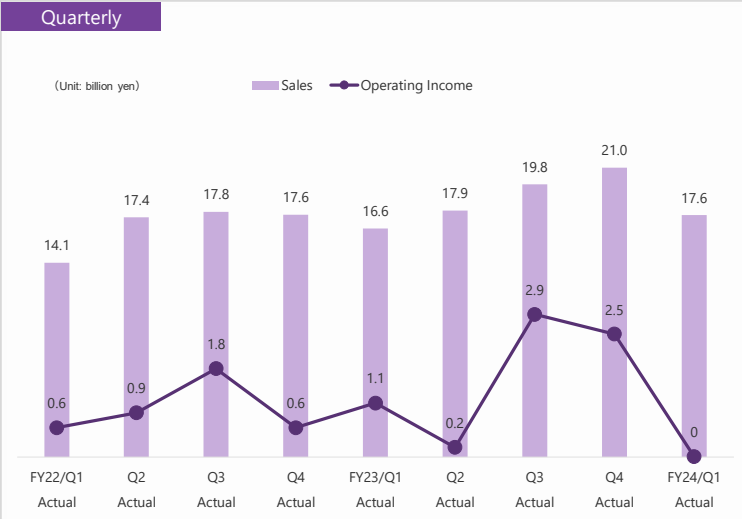
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Financial Results | Cosolidated

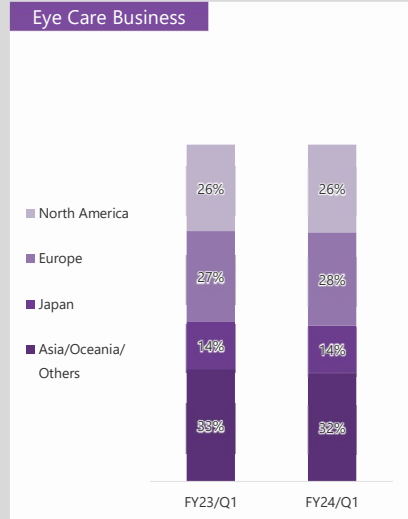
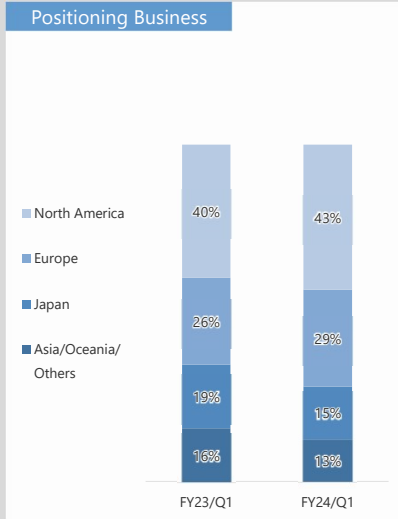
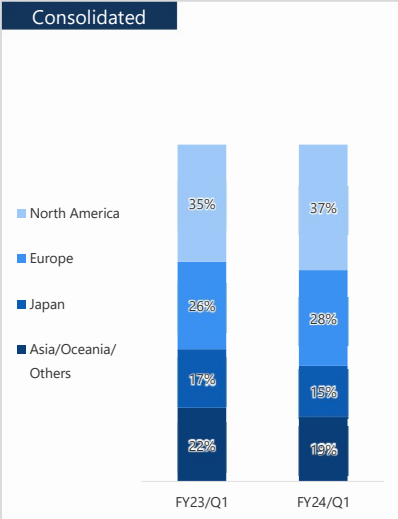


Financial Results | Positioning Business

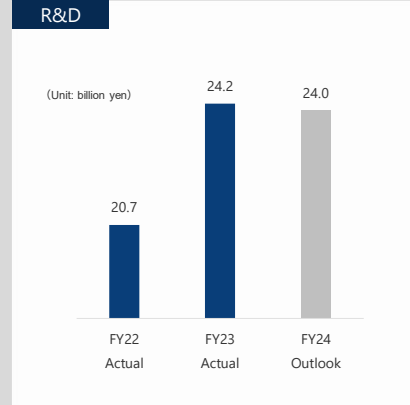
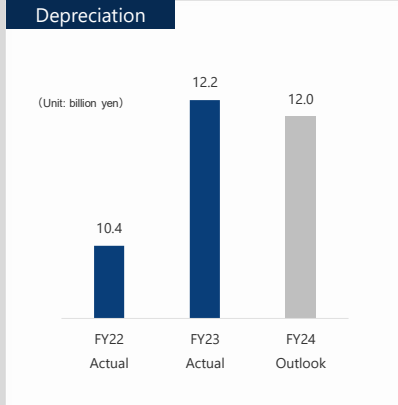
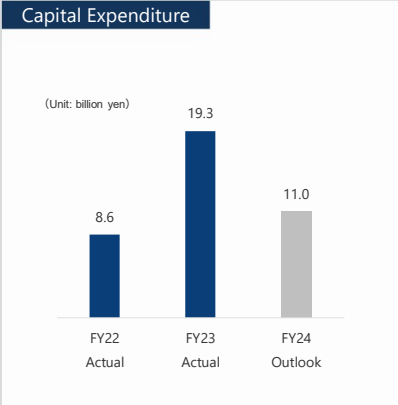




Sales by Region



Capital Expenditure, Depreciation and R&D / Forex Sensitivity



Forex Sensitivity (impact by ¥1 change)

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

Cautionary Note regarding Forward-Looking Statements

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

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

The original disclosure in Japanese was released on July 30, 2024 at 15:00(JST)

Inquiries	Corporate Planning & Digital Business Operation Div. Corporate Communication Dept. TOPCON CORPORATION Tel: +81-3-3558-2532 E-mail: investor_info@topcon.co.jp URL: https://global.topcon.com/invest/
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