

TOPCON CORPORATION

FY2024 Q2 Financial Results

President & CEO
Takashi Eto

October 30, 2024



Highlight of FY2024 Q2 Financial Results





● FY24 1H Financial Results

Consolidated

Net Sales	¥105.5B YoY +1%
Operating Income	¥3.0B YoY -22%



Net sales were flat year on year, but profit decreased

Positioning Business

	YoY
Net Sales	
Operating Income	

Sales decreased due to slowdown in the agricultural machinery market, and profit decreased despite **the reduction of fixed costs as planned through structural reforms**

Eye Care Business

	YoY
Net Sales	
Operating Income	



Sales were steady and profit increased despite increase in expenses for growth investment

● FY24 Full Year Outlook

Consolidated **Revised plan**



Net Sales	¥220.0B YoY +2%
Operating Income	¥12.0B YoY +7%

Positioning Business

	YoY
Net Sales	
Operating Income	

Despite a decline in sales of IT Agriculture, **expect profits increase due to structural reforms**

Eye Care Business

	YoY
Net Sales	
Operating Income	

No change from the initial plan
Expect record high in both net sales and operating income

01 FY24 Q2 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 | Progress of Structural Reforms
- Positioning Business | Launch of Strategic Product for the IT Agricultural Market
- Eye Care Business | Progress toward "Healthcare from the Eye"

04 Summary

- Q2 Financial Results Summary

05 Appendix

- Financial Results
- Sales by Region
- Capital Expenditure, Depreciation and R&D / Forex Sensitivity
- TOPCON REPORT 2024 has been issued

FY24 Q2 Financial Results

01

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

Consolidated Financial Results



(Unit: billion yen)	FY2023 1H Actual	FY2024 1H Actual	YoY	%
Net Sales	104.5	105.5	+1.0	+1%
Gross Profit	55.0	56.0	+1.0	+2%
Gross Profit Ratio	52.6%	53.1%	+0.5pt	
SGA	51.2	53.1	+1.9	+4%
Operating Income	3.8	3.0	-0.8	-22%
Operating Income Ratio	3.7%	2.8%	-0.8pt	
Ordinary Income	3.4	0.4	-3.0	-89%
Extraordinary Losses	-1.4	-	+1.4	-
Net Income	0.6	0.1	-0.5	-90%
Exchange rate	USD	¥141.31	¥152.30	+¥10.99
(Average)	EUR	¥153.51	¥165.46	+¥11.95

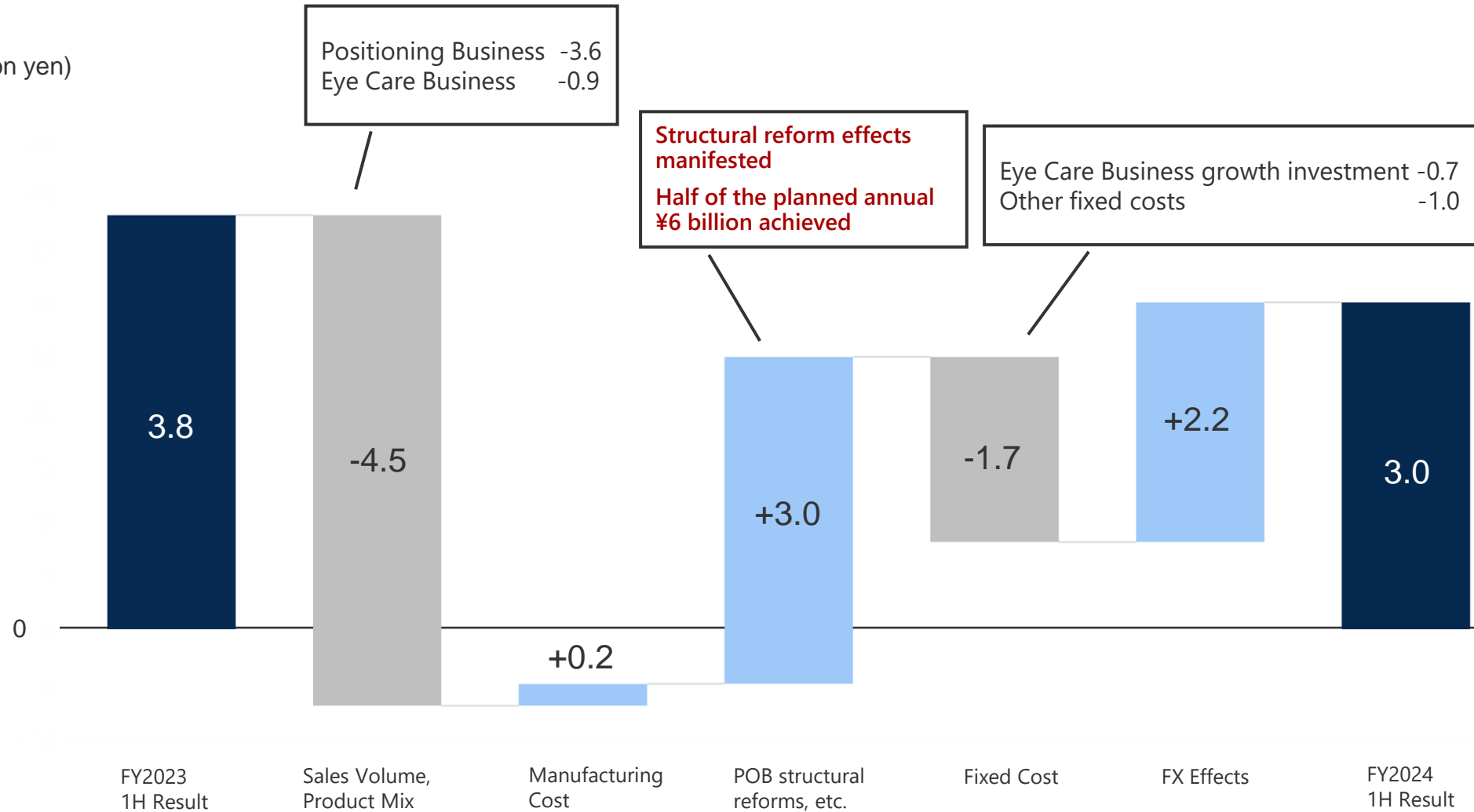
YoY comparisons
excluding FX effects
-¥5.4B (-5%)

YoY comparisons
excluding FX effects
-¥1.4B (-3%)



Operating Income YoY Breakdown

(Unit: billion yen)





Overview | Positioning Business

- Sales decreased due to slowdown in the agricultural machinery market, and profit decreased despite **the reduction of fixed costs as planned through structural reforms**

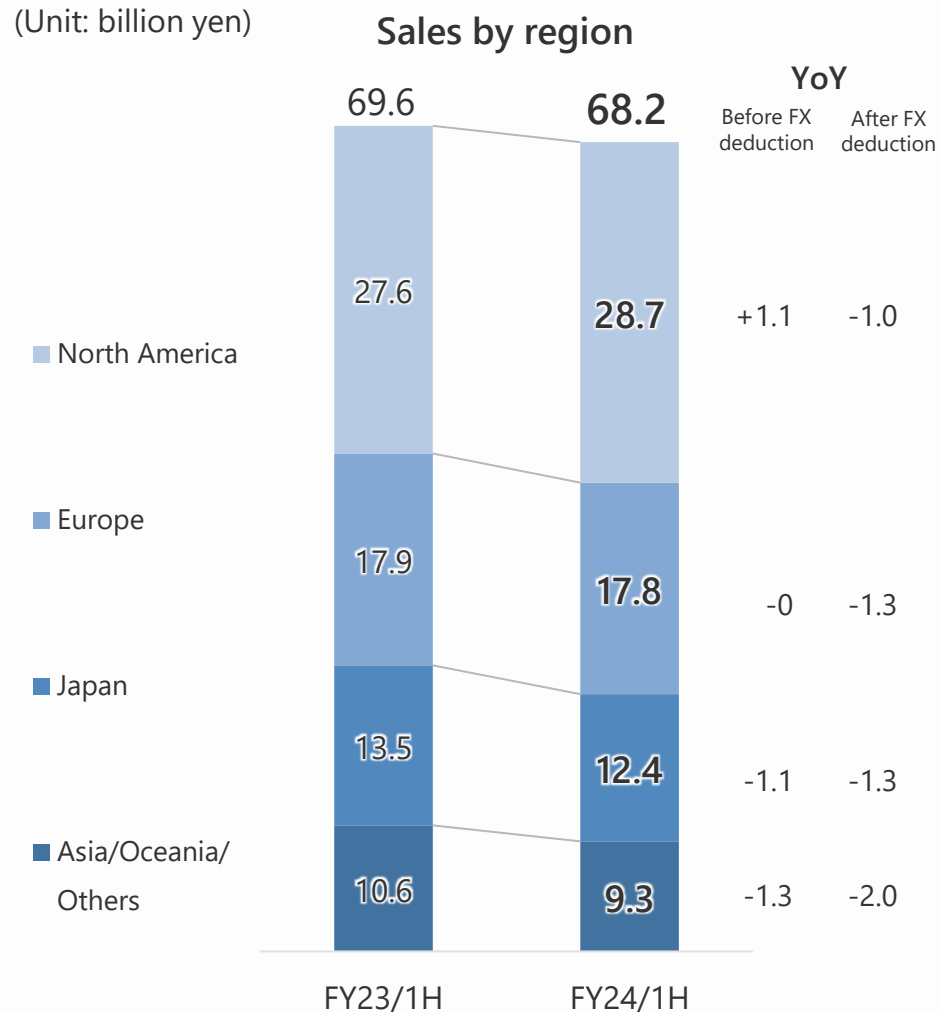
(Unit: billion yen)		FY2023 1H Actual	FY2024 1H Actual	YoY	%
Net Sales		69.6	68.2	-1.4	-2%
Operating Income		4.9	4.1	-0.8	-17%
Operating Income Ratio		7.0%	6.0%	-1.0pt	
Exchange rate (Average)	USD	¥141.31	¥152.30	+¥10.99	
	EUR	¥153.51	¥165.46	+¥11.95	

YoY comparisons excluding
FX effects
-¥5.6B (-8%)

Overview by Region | Positioning Business



(Unit: billion yen)



North America

- ✓ IT Construction is on a **recovery trend mainly in the aftermarket*** mainly due to stabilization of market inventories and demand for infrastructure, etc.
- ✓ The impact of restrained investment due to decline in grain prices continues in IT Agriculture

Europe

- ✓ The impact of restrained investment due to decline in grain prices continues in IT Agriculture

Japan

- ✓ IT Construction is **steady, particularly for "Kui-Navi Shovel"**
- ✓ Sales of surveying instruments decreased due to the delay in the release of new products and the impact of inventory adjustments in the market

Asia/Oceania

- ✓ In China, sales of surveying instruments decreased
- ✓ In Oceania, sales of IT Construction and surveying instruments/lasers decreased

*Aftermarket: sales of retrofit systems for IT Construction and IT Agriculture

Overview | Eye Care Business



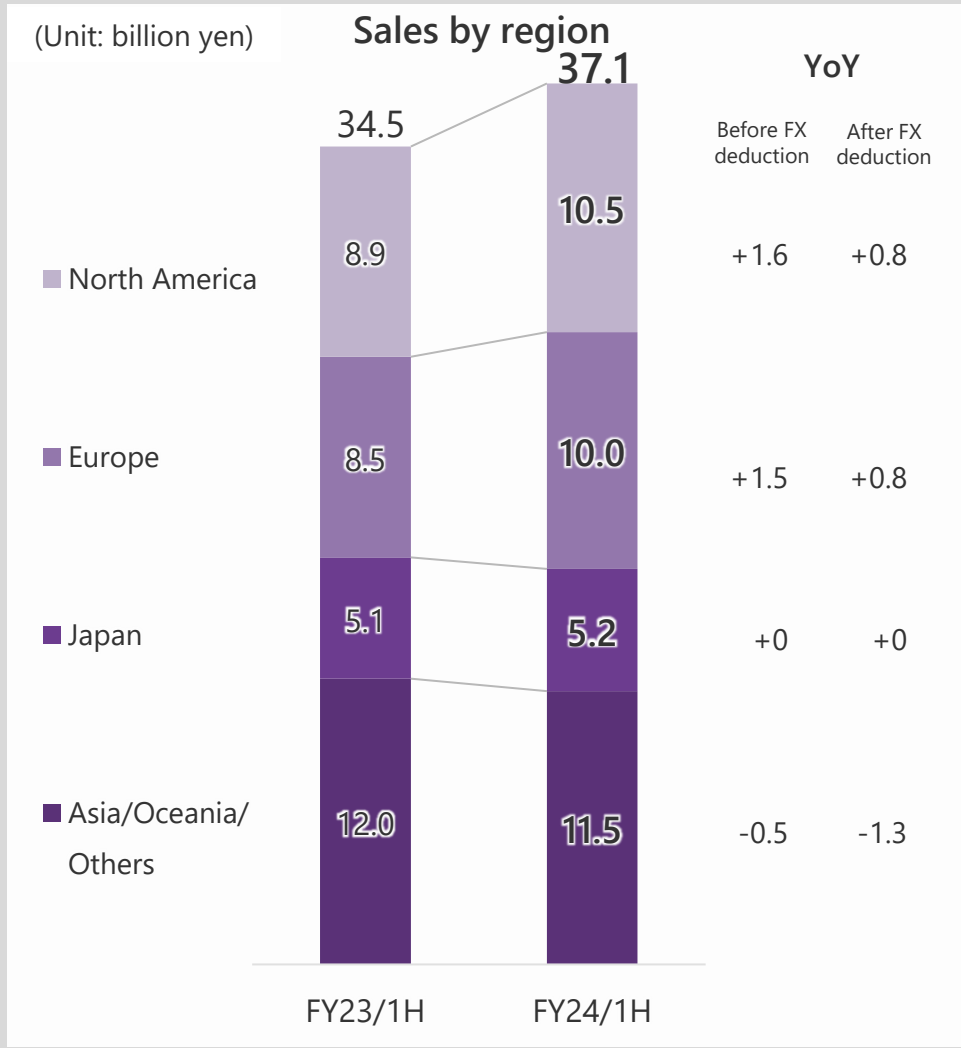
- **Sales were steady and profit increased** despite increase in expenses for growth investment

(Unit: billion yen)		FY2023 1H Actual	FY2024 1H Actual	YoY	%
Net Sales		34.5	37.1	+2.7	+8%
Operating Income		1.3	1.4	+0.1	+9%
Operating Income Ratio		3.7%	3.7%	0pt	-
Exchange rate (Average)	USD	¥141.31	¥152.30	+¥10.99	
	EUR	¥153.51	¥165.46	+¥11.95	

YoY comparisons excluding
FX effects
+¥0.4B (+1%)



Overview by Region | Eye Care Business



North America

- ✓ **Solid sales continued**, mainly to major optical chain stores
- ✓ **Renewed the management team in North America, established a direct sales structure, and strengthened the business for ophthalmologists**

Europe

- ✓ Although there are regional differences, **steady sales continued**, including for major eyeglass chain stores
- ✓ **Strong sales** of fundus cameras, including large tender wins

Asia/Oceania

- ✓ In China, sales have fallen significantly due to fewer tenders because of anti-corruption campaigns and worsening hospital management caused by delays and reductions in insurance reimbursement
- ✓ In India and Asia excluding China, **sales increased** owing to 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

- Downward revision: Positioning Business is lagging behind in its recovery. Eye Care Business remains unchanged from the initial forecast.

Reasons for revision

- ✓ IT Agriculture is not expected to improve market conditions such as grain prices in Europe and the U.S.
- ✓ The sales of surveying instruments were affected by the delay of new products and the 1H adjustment of domestic inventories in the market
- ✓ Structural reforms are progressing as planned

Measures (focus in FY2024 2H)

- ✓ Creating demand by launching strategic new products in IT Agriculture and strengthening sales networks in Europe and the U.S.
- ✓ From Q3 onward, planning to release four new models of surveying instruments
- ✓ Reinforcing cost control in line with declining sales

Revised plan

(Unit: billion yen)	Previous plan (as of July 30)	Revised plan (as of Oct. 30)	Comparison	FY2023 Actual
Net Sales	230.0	220.0	-10.0	216.5
Operating Income	18.0	12.0	-6.0	11.2
Ordinary Income	15.5	8.0	-7.5	8.9
Net Income	9.5	4.5	-5.0	4.9
ROE	9%	4%	-5pt	5%
Dividend	¥42	¥42	0	¥42
Dividend payout ratio	47%	98%	+51pt	90%
Exchange rate	USD	¥145.00	¥145.00	¥144.40
(Average)	EUR	¥155.00	¥155.00	¥156.80

Assumption rate of Q2 onward

Assumption rate of Q3 onward

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Consolidated Full Year Outlook | Sales by Business

- Revised initial forecast, focusing on surveying and laser products, and IT Agriculture

➔ Positive YoY change
➔ Same level
➔ Negative YoY change
 Changes from the initial forecast

Segment	Solution	Main Market ^{*2}	FY2023		FY2024		Reference: Initial forecast	
			1H	2H	1H	2H(Plan)	1H	2H
POB (Positioning Business)	Surveying and laser products	Surveying & Construction	➔	➔	➔	➔	➔	➔
	IT Construction ^{*1}	OEM	➔	➔	➔	➔	➔	➔
		Aftermarket	➔	➔	➔	➔	➔	➔
	IT Agriculture ^{*1}	OEM	➔	➔	➔	➔	➔	➔
		Aftermarket	➔	➔	➔	➔	➔	➔
	ECB (Eye Care Business)	Optometry and diagnostic equipment	Medical institutions/major optical chain stores/drugstores	➔		➔	➔	➔
Screening and other services		Medical institutions/major optical chain stores/drugstores	➔		➔	➔	➔	

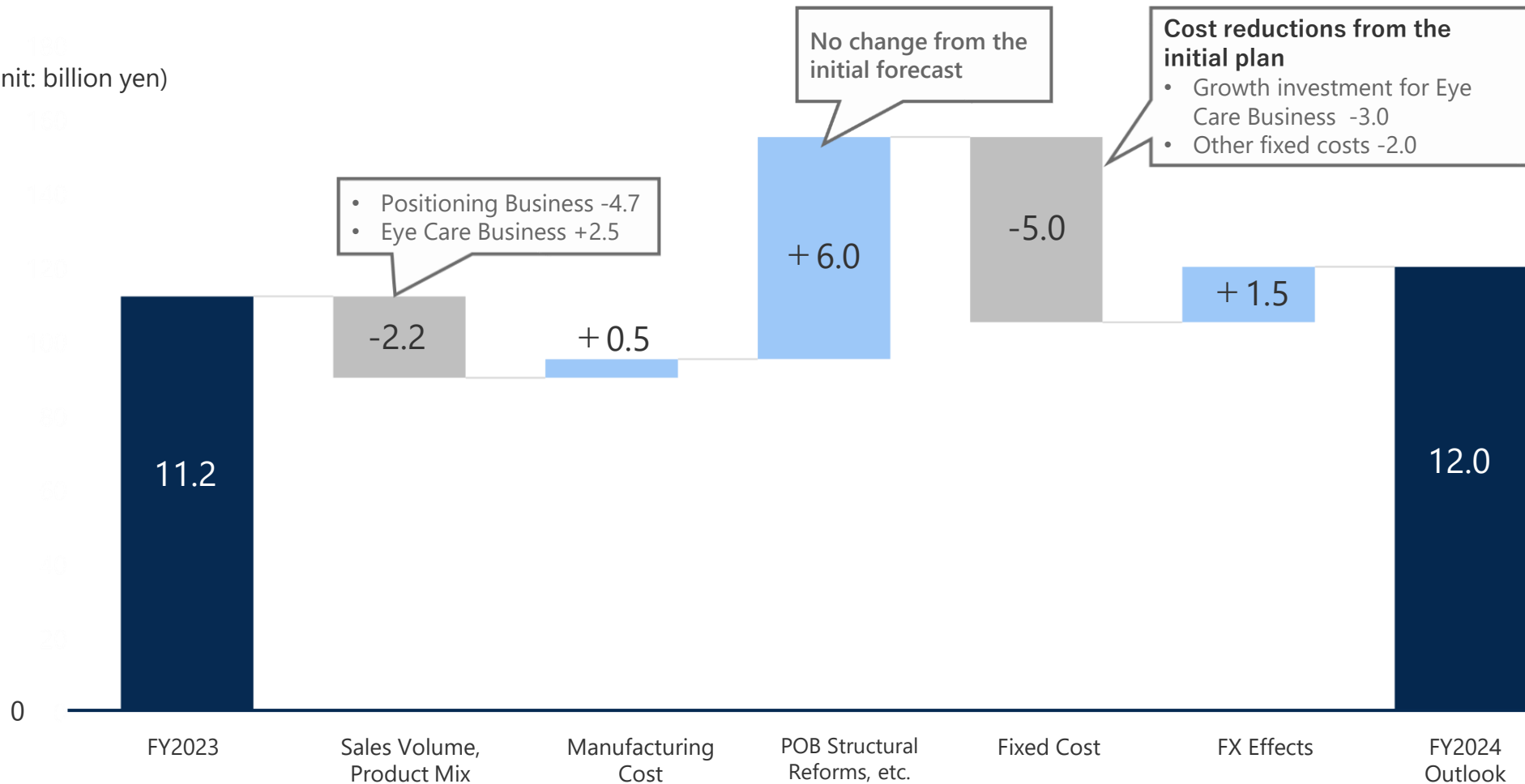
*1 Comparison on a dollar basis

*2 OEM : Sold to construction machinery manufacturers and agricultural machinery manufacturers
 Aftermarket: sales of retrofit systems for IT Construction and IT Agriculture



Operating Income YoY Breakdown

(Unit: billion yen)



Difference from the initial forecast (previous plan)

	-9.0	±0	±0	+1.5	+1.5	-6.0
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Outlook | Positioning Business

- Sales and operating income plans revised downward due to slower-than-expected slowdown in agricultural machinery market
- Expect **profit increase secured through structural reform**

(Unit: billion yen)	Previous plan (as of July 30)	Revised plan (as of Oct. 30)	Comparison	FY2023 Actual
Net Sales	147.0	137.0	-10.0	140.4
Operating Income	16.5	10.0	-6.5	9.1
Operating Income Ratio	11.2%	7.3%	-3.9pt	6.5%
Exchange rate (Average)				
USD	¥145.00	¥145.00		¥144.40
EUR	¥155.00	¥155.00		¥156.80

Assumption rate of Q2 onward

Assumption rate of Q3 onward



Outlook | Eye Care Business

- **No change from the initial plan**
- **Expect record high in both net sales and operating income**

(Unit: billion yen)	Previous plan (as of July 30)	Revised plan (as of Oct. 30)	Comparison	FY2023 Actual
Net Sales	82.0	82.0	-	75.2
Operating Income	7.5	7.5	-	6.7
Operating Income Ratio	9.1%	9.1%	-	8.9%
Exchange rate	USD	¥145.00	¥145.00	¥144.40
(Average)	EUR	¥155.00	¥155.00	¥156.80

Assumption rate of Q2 onward

Assumption rate of Q3 onward

Topics

03

- Positioning Business | Progress of Structural Reforms
- Positioning Business | Launch of Strategic Product for IT Agricultural Market
- Eye Care Business | Progress toward "Healthcare from the Eye"



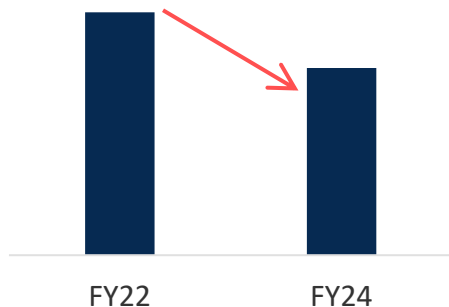
- Appropriate organizational structure in Europe and the U.S.

- Streamlining the sales company organizations in Japan in charge of Asia region

- Accelerating the introduction of new products by reforming product planning and development organizations

✓ Completed personnel optimization, especially in Europe and the U.S.

Reduction of over 250 Employees
 ※ Net reduction including workforce increase of about 80 employees from the acquisition of Satel



✓ New CEO appointed (Sep. 2024)
 Continuing to focus on structural reforms

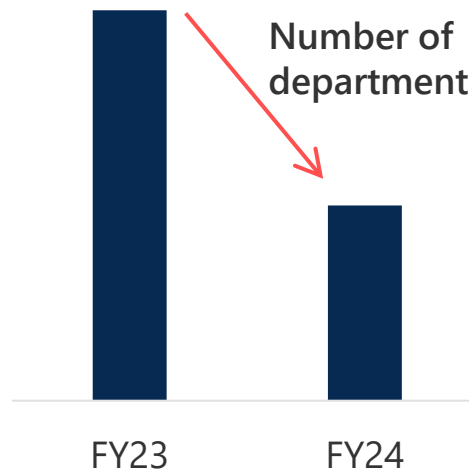


Ivan Di Federico
 (President of Topcon Positioning Systems)

Since joining the company in 2005, he has worked with former CEO Ray O'Connor to drive the growth of the Positioning Business through strategy and innovation

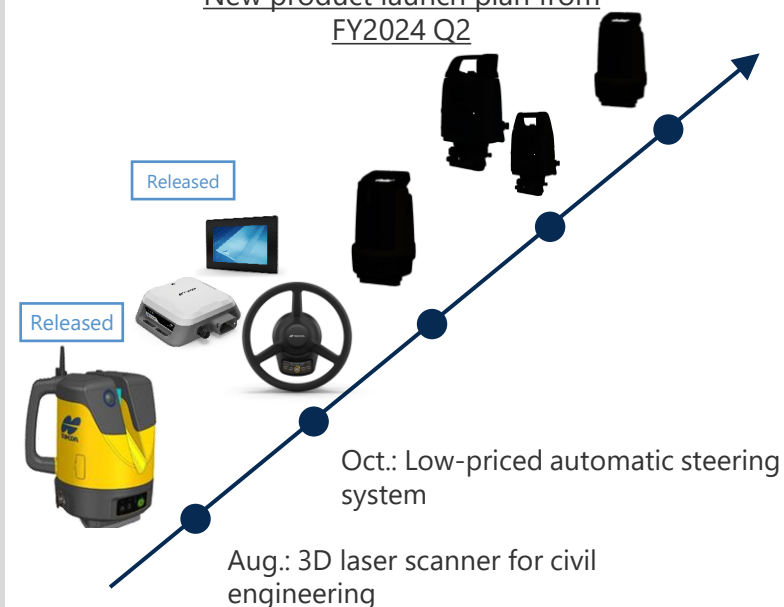
✓ Eliminating the hierarchical structure by reviewing the sales structure

Number of departments halved



✓ Completed strengthening planning and development management system in Japan

New product launch plan from FY2024 Q2





- Launch a low-priced Auto Steering System for mid- to small-sized agricultural machinery
- Take a foothold in the aftermarket to target the mid- to small-sized tractor market and to strengthen sales with a view to OEM development

Auto Steering System: Value Line Model

Electric Steering Wheel



GNSS receiver

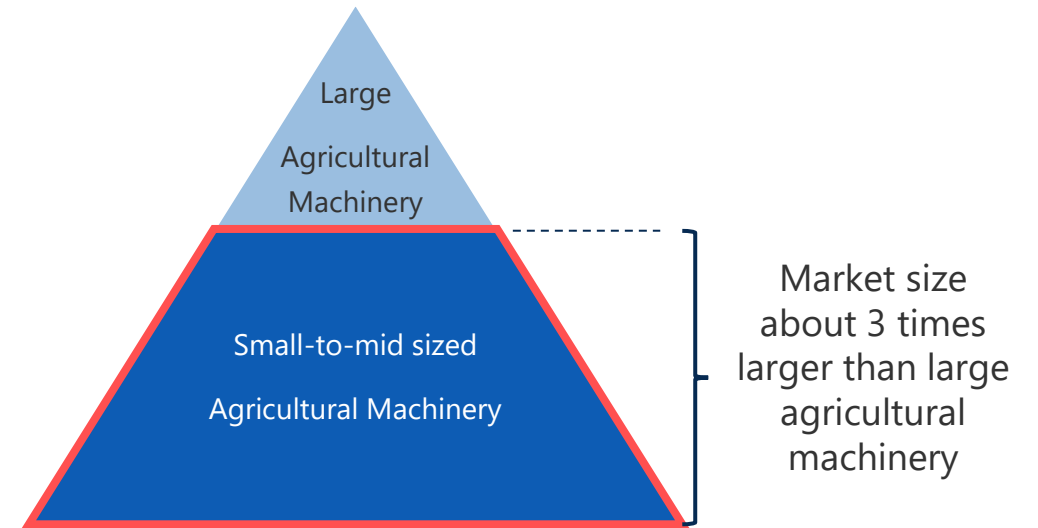


Display



Market size of agricultural machinery*

Main markets (the U.S. and Europe): About 500,000 units/year



※ As of 2023, market size (The company's research: Large defined as engine power of 75 kW and above; Small-to mid sized defined as engine power below 75 kW)



- Towards the realization of “Healthcare from the Eye”

Eye Care Business | Blossoming of Screening Business, Further Ahead [2/3]. Highlight

- 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.*

130,000
locations
Primary Care Doctors

40,000
people
**Major Optical chain stores/
Drugstores
(Optometrists)**

20,000
people
Ophthalmologists

North American
Market
Disease Coverage Area

(4) Healthcare from the eye
Create a Larger Market

(3) Shared Care

(2) Screening

(1) Core (ophthalmological checkups and exams)

Eye Disease

Cataract, glaucoma, diabetic retinopathy, etc.

To systemic diseases

Diabetes, neurological diseases, Alzheimer's disease, Parkinson's disease, myocardial infarction, etc.

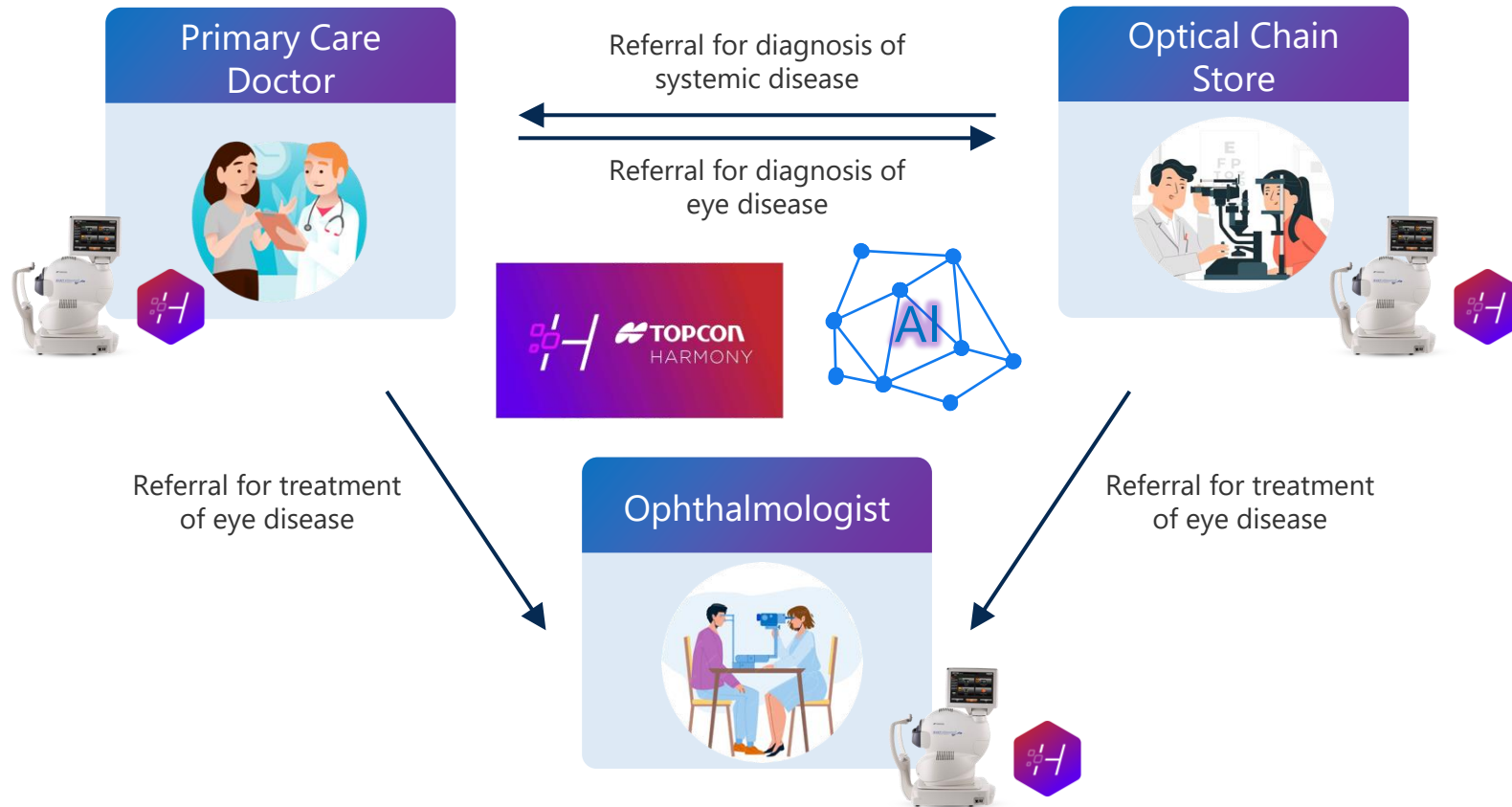
※FDA approval required

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- Early detection of systemic diseases through a screening ecosystem involving primary care doctors, optical chain stores, and ophthalmologists
- Using AI diagnosis, it is possible to perform health checks by non-specialists. Primary care doctors, optical chain stores, and ophthalmologist - all benefit from this arrangement
- Early detection of diseases and early treatment through referrals can significantly reduce the burden on patients and medical costs



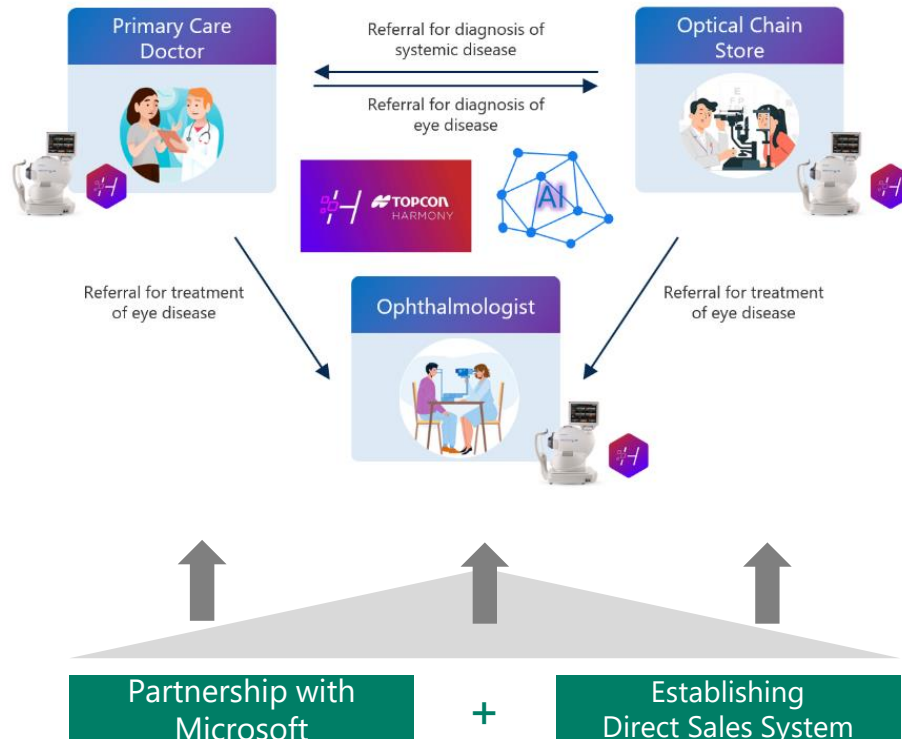
*FDA approval required
 *In Japan, optical stores without a doctor are not covered.

Enable by our screening equipment + platform + AI



- Establishing direct sales system in North America, promoting business vision to optical chain stores and ophthalmologists
- Highly praised by ophthalmologists at the largest U.S. ophthalmology conference (American Academy of Ophthalmology (AAO))

Sales Force Enhancement



Conferences and Exhibitions

AAO 2024 Annual Meeting
for Ophthalmologists– Chicago, October 2024



Vision Expo West 2024 Exhibitions for Optometrists
–Las Vegas, September 2024





- Acquired certification from the U.S. FDA for Maestro 2’s OCT-Angiography (August 2024)
→ Accelerate the spread of our screening equipment in North America

Solutions Deployment

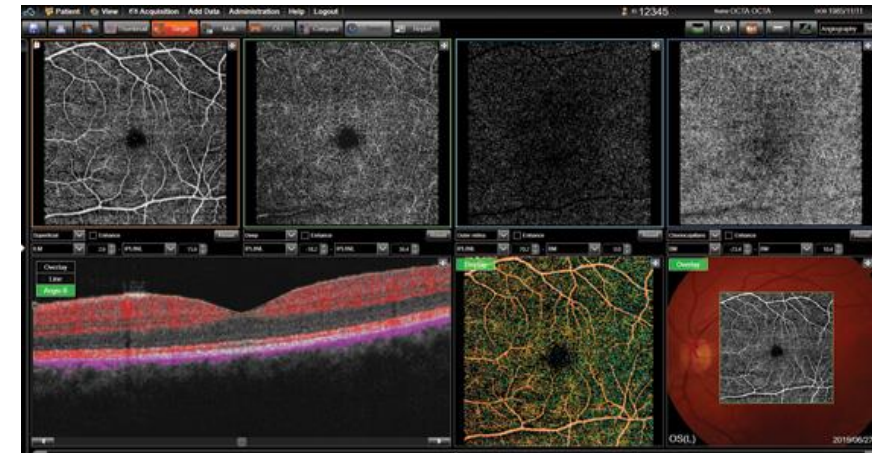
FDA certification in the U.S.

- The first and only fully automatic system in the U.S. equipped with the OCT-Angiography



What is the OCT-Angiography?

- A non-invasive test that can visualize blood vessels without injecting a drug
- Reducing the burden on patients and contributing to early detection of diseases



Expand the user bases, including optical chain stores and ophthalmologists

Summary

04

- FY2024 Q2 Financial Results Summary



FY2024 Q2 Financial Results Summary

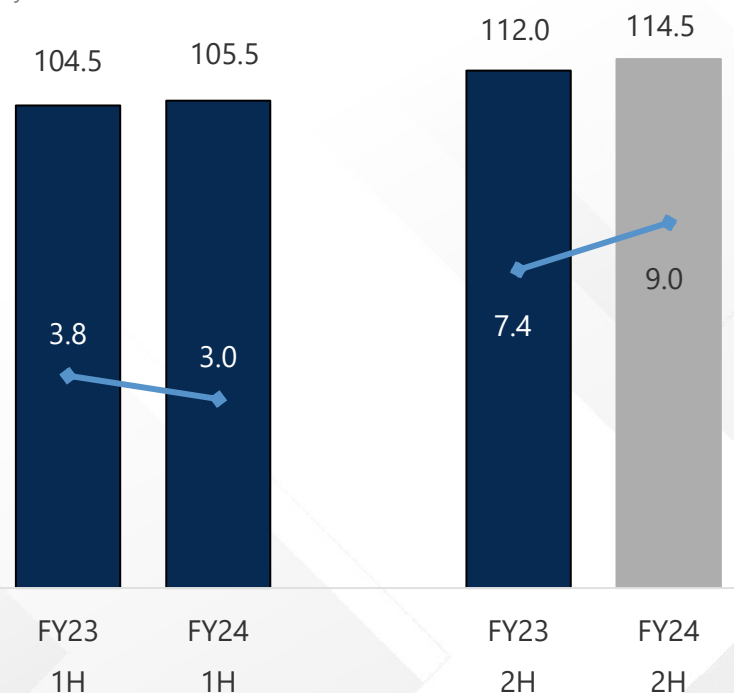


Consolidated (Full Year)

Net Sales **¥220.0B** YoY +2%

Operating Income **¥12.0B** YoY+7%

Net Sales 
 Operating income 
 (Unit: billion yen)



Downward revision of the full-year outlook

- ✓ Unable to make up for the low level of performance in 1H while expecting an increase in sales and profit in 2H

Positioning Business

- ✓ Expected an increase in profit by boosting sales through introduction of new products, etc. and working to reduce costs through structural reforms despite the expectation of difficult business environment, mainly in IT agriculture

Eye Care Business

- ✓ Profitability improved as planned while continuing to invest in growth businesses



A digital transformation
with a human touch

Appendix

05

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

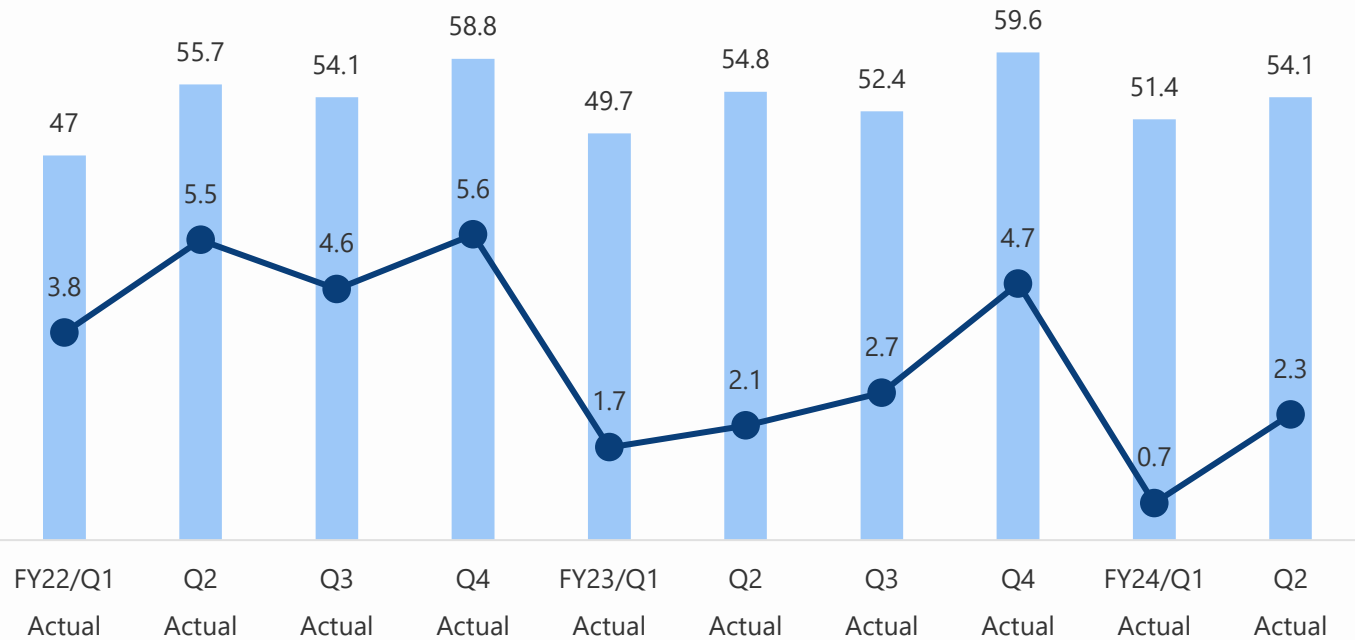
Financial Results | Consolidated



Quarterly

(Unit: billion yen)

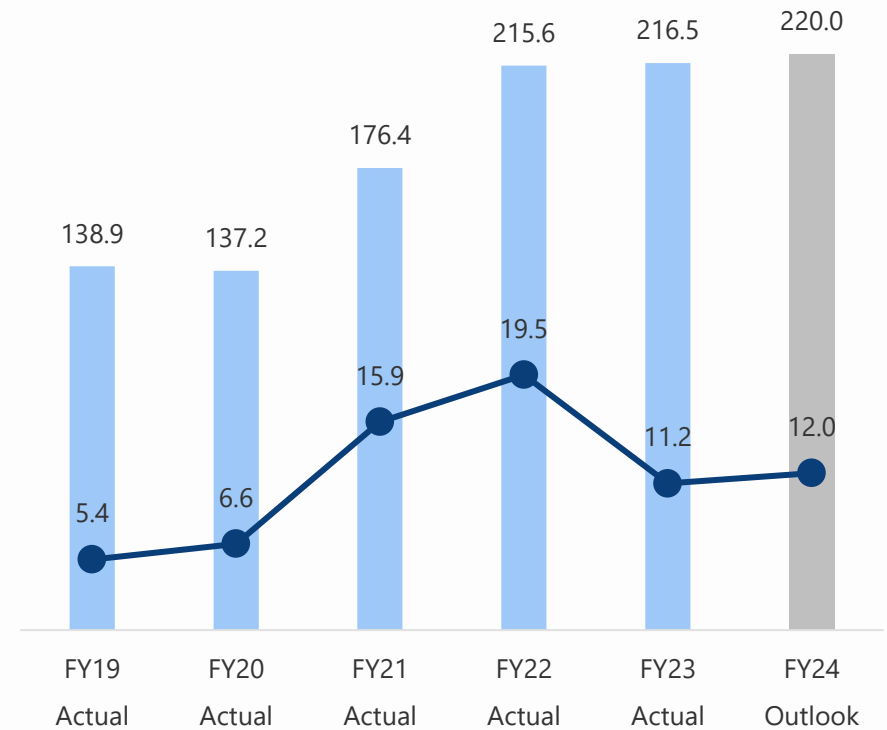
■ Sales ● Operating Income



Annual

(Unit: billion yen)

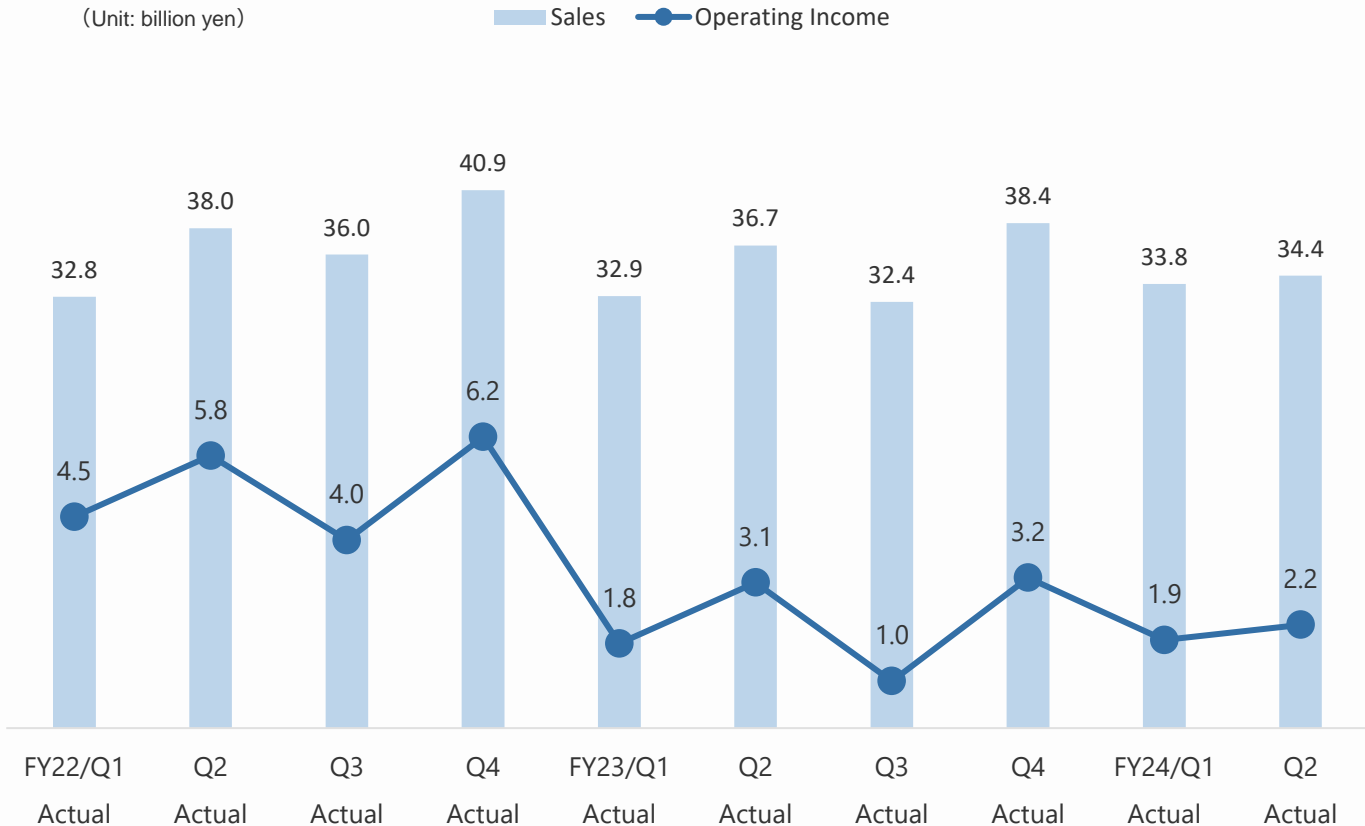
■ Sales ● Operating Income



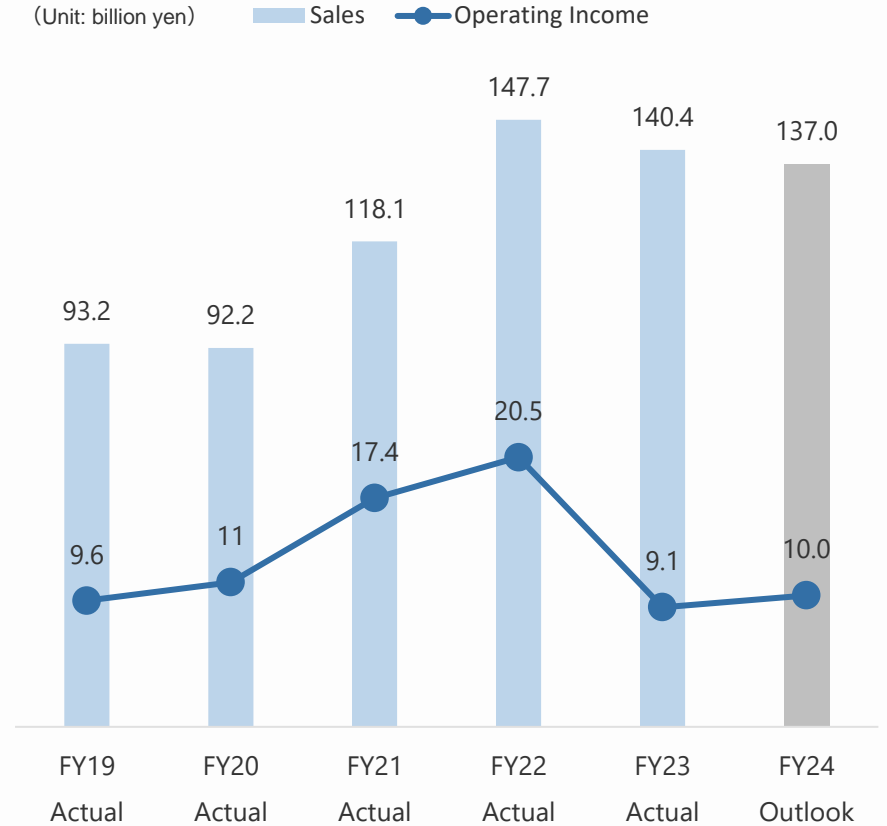
Financial Results | Positioning Business



Quarterly



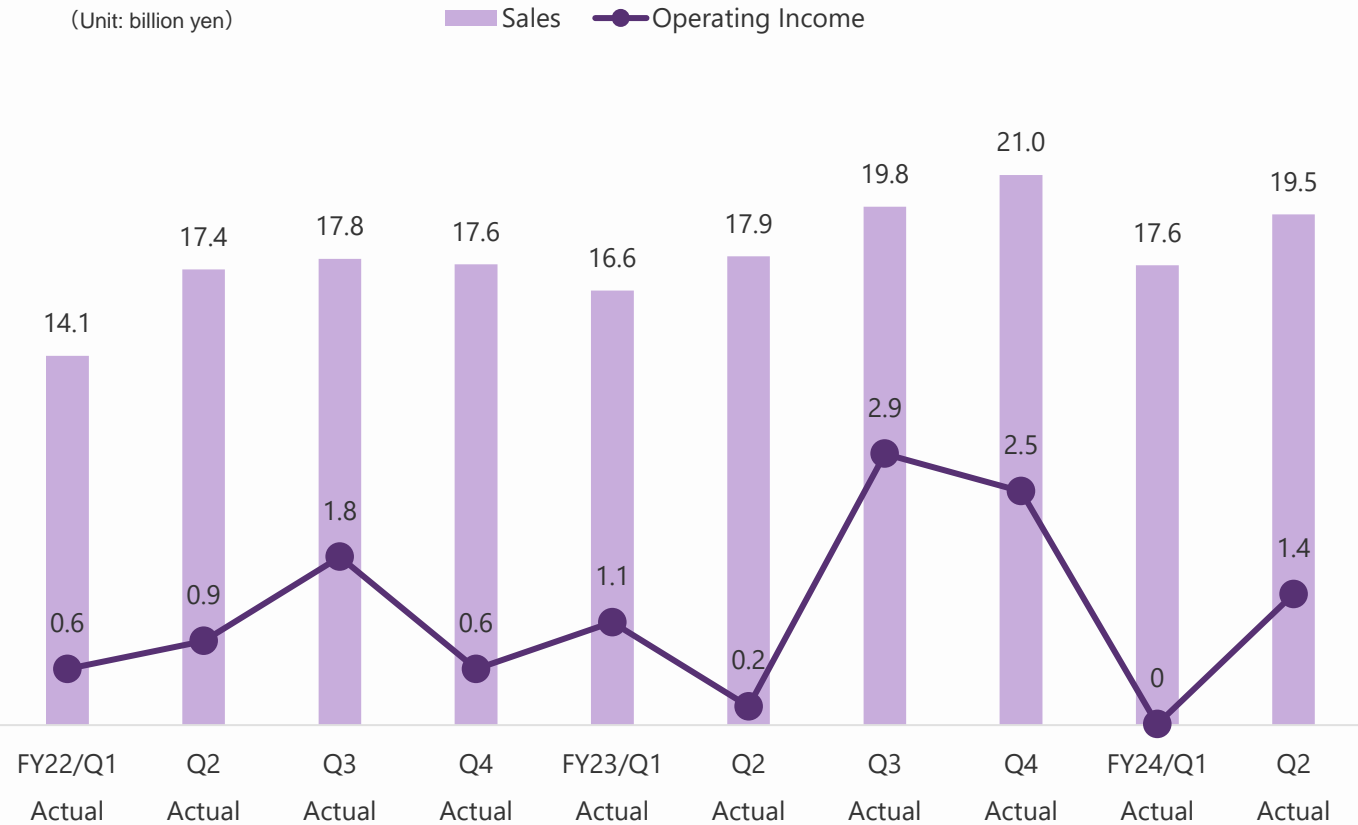
Annual



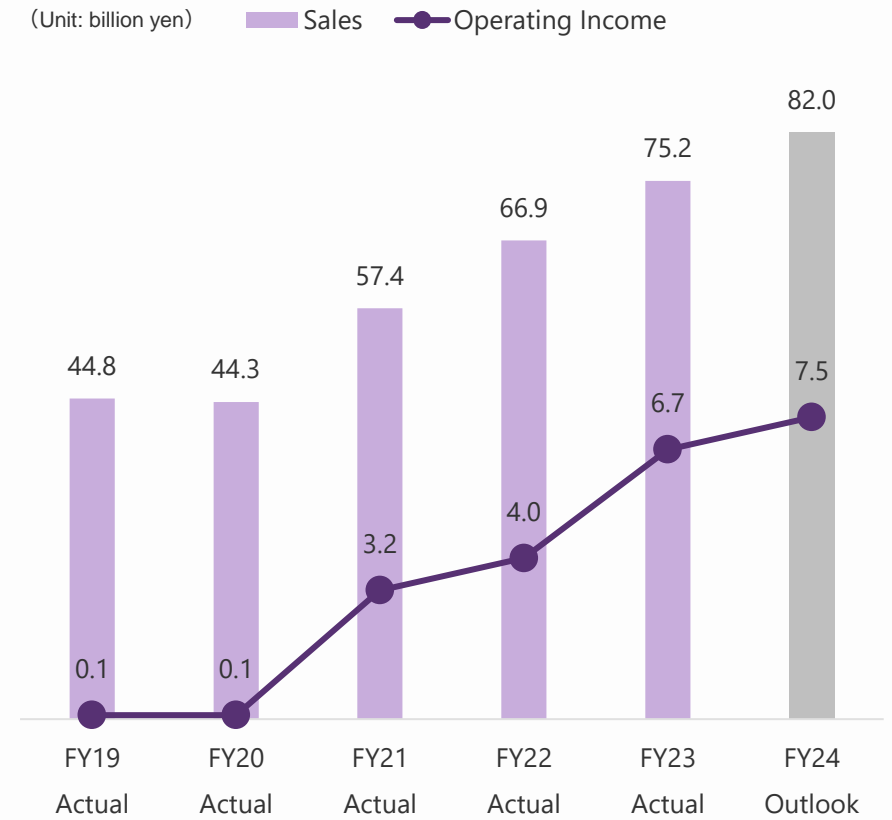


Financial Results | Eye Care Business

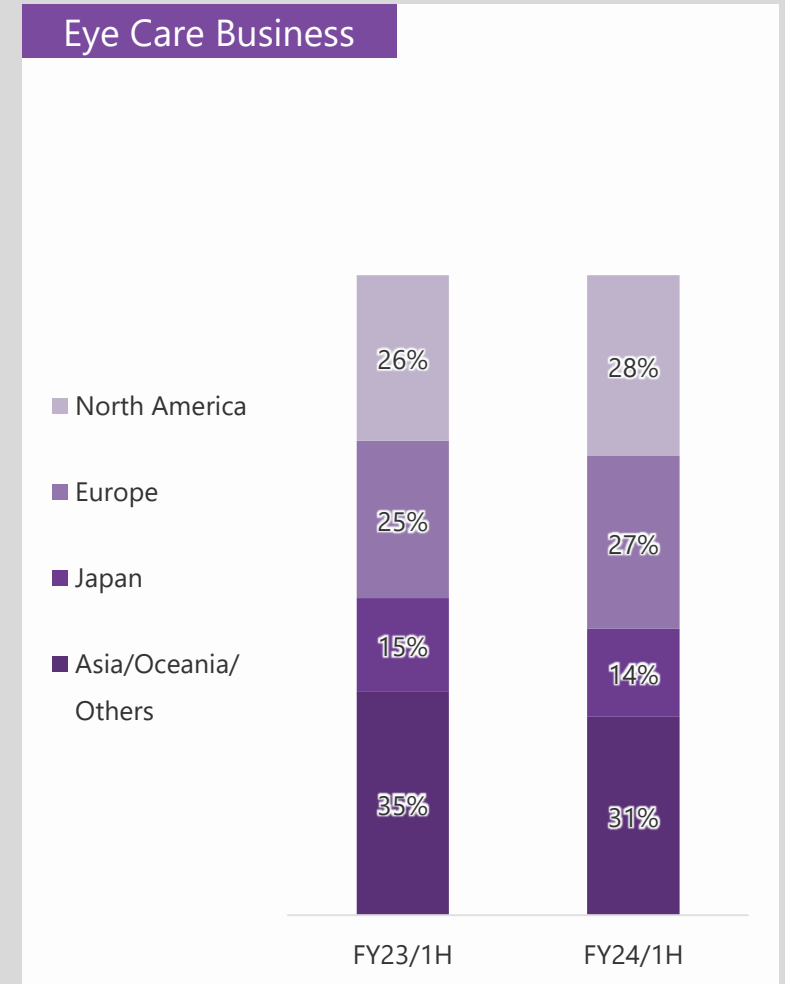
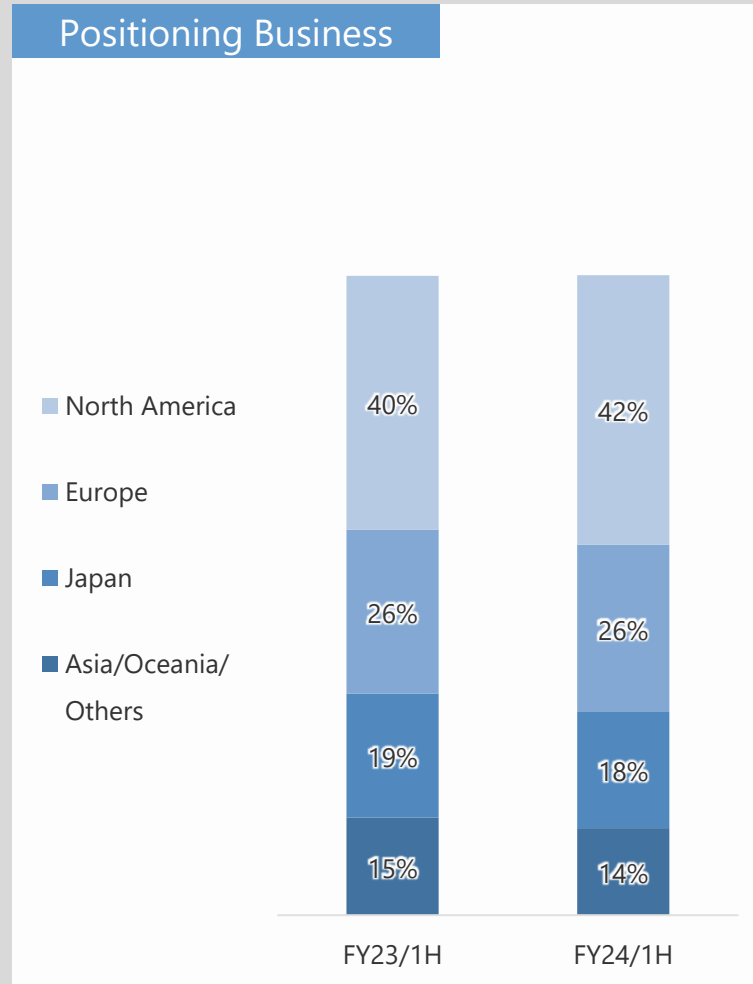
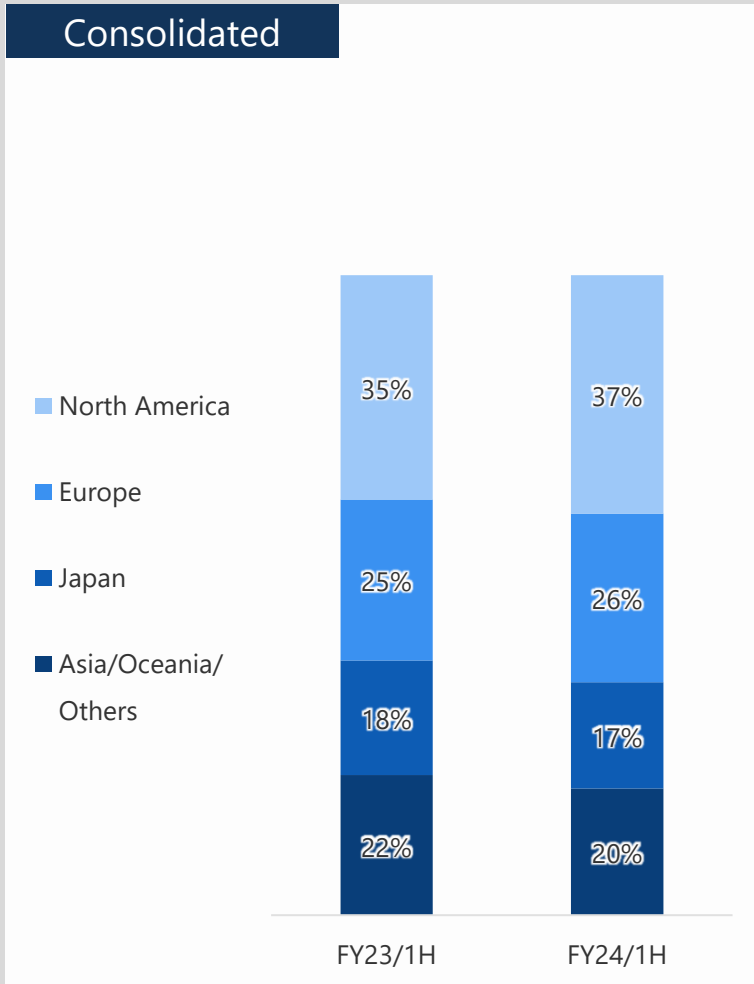
Quarterly



Annual



Sales by Region

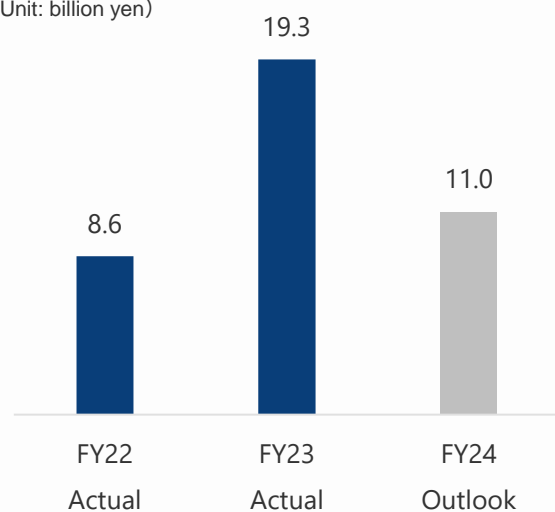




Capital Expenditure, Depreciation and R&D / Forex Sensitivity

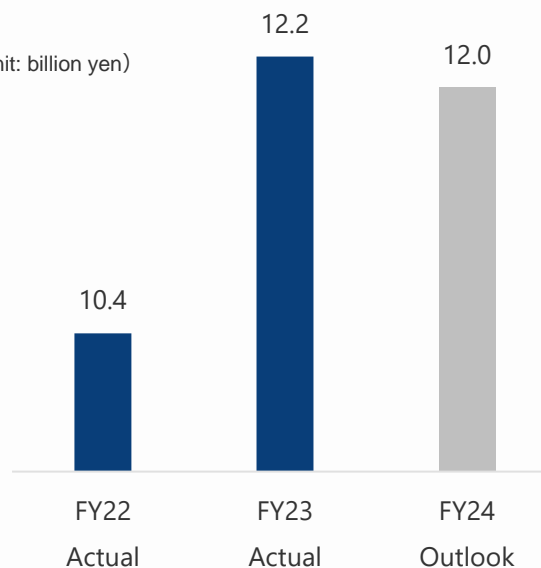
Capital Expenditure

(Unit: billion yen)



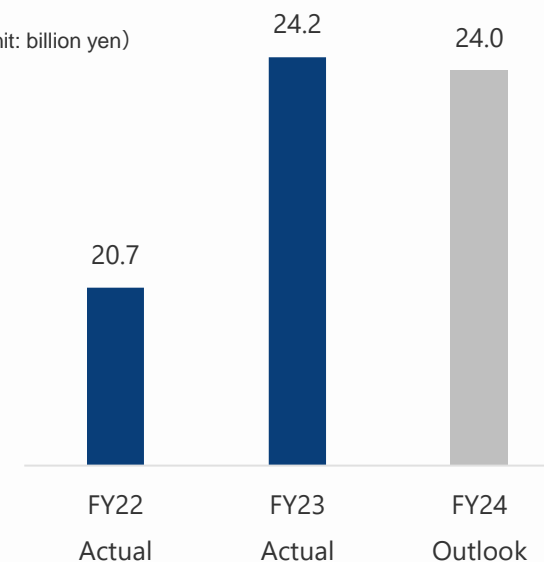
Depreciation

(Unit: billion yen)



R&D

(Unit: billion yen)



Forex Sensitivity

(impact by ¥1 change)

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

TOPCON REPORT 2024 has been issued



■ Cover Page



<https://global.topcon.com/invest/library/integration/>

■ Excerpt from the Value Creation Page



TOPCON REPORT 2024 has been issued



■ Excerpt from the Sustainability Page

■ Contribution to environmental issues through our businesses

Contributing to the achievement of greenhouse gas emissions reduction target through "Ibuki 2"

Topcon's optical units are mounted in Ibuki 2 (GOSAT-2, launched on October 29, 2018), a successor to Ibuki (GOSAT), the world's first dedicated greenhouse gas observation satellite. The GOSAT-2 satellite has been operational and remains in service at the present to observe the concentrations of greenhouse gases and PM 2.5 on the earth. In October 2023, We were presented with a testimonial by the Japan Aerospace Exploration Agency (JAXA) to commemorate the fifth anniversary of the start of GOSAT-2 operation.



Photo courtesy of JAXA: "JAXA Presents Testimonial Relating to Greenhouse Gases Observing SATellite-2 (GOSAT-2)"



Materiality

- Providing Creative Products through Technological Innovation



Web Link

Realizing community and environment friendly road construction

Topcon's construction site management solutions have been adopted for Norway's national highway improvement project. This is an important construction project that will substantially shorten existing routes and improve safety and convenience in terms of traffic. Further, the new highway project was required to consider the natural environment still remaining in many places around the proposed route, including the installation of dedicated road crossings for wildlife.

Our solutions addressed these complex conditions while also achieving a three-month reduction in construction time, a 20% reduction in the construction budget, and a reduction in CO2 emissions through more efficient construction work. We improved the efficiency of environmentally friendly construction work and contributed to regional development.



Materiality

- Promoting and Accelerating DX Solutions
- Reducing the Impact on the Global Environment



Web Link

Automating agriculture to reduce our impact on the environment

One of the challenges facing a large-scale potato farm in Ireland was the search for a method of farming that could reduce chemicals such as pesticides while maintaining productivity. The farm decided to use Topcon's lasertype growth sensors to perform on-going research and analysis of the soil. This revealed the correlation of changes in the soil caused by the amount of fertilizers and pesticides and the growth level of potatoes. In doing this, the farm succeeded in eliminating excessive use of chemicals. By optimizing fertilizer use, land that had previously been unsuitable for crop production now became possible to work, and the crop yield increased. The use of Topcon's auto-steering system also led to reductions in CO2.



Materiality

- Promoting and Accelerating DX Solutions
- Reducing the Impact on the Global Environment



Web Link

Contributing to the installation of foundations for solar panel facilities

In recent years, large-scale solar power facilities have been increasingly constructed in response to the expanded use of renewable energy as a measure against global warming. However, construction companies often experience inadequate coordinate values when installing solar panels. This can create challenges for them in work speed and cost. The use of Topcon's product has contributed to solving such challenges and increased positioning speed up to 10 times compared to conventional methods.



Materiality

- Reducing the Impact on the Global Environment

Cautionary Note regarding Forward-Looking Statements

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

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

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

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