

TOPCON CORPORATION FY2024 Q3 Financial Results

President & CEO
Takashi Eto

January 30, 2025



Event Overview

Company	TOPCON CORPORATION
Event Type	Presentation of Financial Results
Event Name	FY2024 Q3 Financial Results
Report Period	FY2024 Q3
Date	January 30, 2025
Time	3:30-4:20 PM (Total: 50 minutes; Presentation: 20 minutes; Q&A: 30 minutes)
Event Format	Online (streamed)
Number of Speakers	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, Vice General Manager, Corporate Planning & Digital Business Operation Div.

Financial Results: Key Points and Outlook



Consolidated

- The full-year outlook for FY24 was revised downward, as the downturn in the Positioning Business was sharper than anticipated
- Unshakable confidence in the prospects for medium- to long-term profit growth was maintained with growth scenarios and structural reforms in the two businesses

Positioning Business

- The impact of restraint on investment was greater than expected, reflecting the uncertainty of policies by the incoming U.S. administration and the market downturn
- Sustainable growth despite being affected by the impact of the economic cycle; sought to enhance profitability and achieve stabilization through structural reforms

Eye Care Business

- The FY24 full-year outlook remains unchanged from the initial plan, with a record high expected
- Given the strength of the Screening Business, sales growth was accelerated through expansion to shared care
- Drove business efficiency and profitability improvements through structural reforms

Key Points and Outlook to be Shared Today

Consolidated

- Full-year outlook for FY2024 revised downward due to sharper than anticipated downturn in the Positioning Business
- Unshakable confidence in the prospects for medium- to long-term profit growth was maintained with growth scenarios and structural reforms in the Positioning Business and Eye Care Business

Positioning Business

- The impact of restraint on investment was greater than expected, reflecting the uncertainty of policies by the incoming U.S. administration and the market downturn
- Sustainable growth despite being affected by the impact of the economic cycle; sought to enhance profitability and achieve stabilization through structural reforms

Eye Care Business

- FY2024 full-year outlook unchanged from initial plan, with record high net sales and operating income expected
- Given the strength of the Screening Business, sales growth was accelerated through expansion to shared care
- Drove business efficiency and profitability improvements through structural reforms

Highlights



● FY24 Q3 YTD Financial Results

Consolidated	Positioning Business	Eye Care Business
<p>Net Sales ¥153.5B YoY -2%</p> <p>Operating Income ¥0.8B YoY -88%</p>	<p>YoY</p> <p>Net Sales </p> <p>Operating Income </p> <p>Profit decreased despite a reduction in fixed costs achieved through structural reforms, given a sharper decrease in sales amid the ongoing slump in demand</p>	<p>YoY</p> <p>Net Sales </p> <p>Operating Income </p> <p>Despite steady sales, profit declined temporarily due to an increase in allocations for growth investment</p>

● FY24 Full Year Outlook

Consolidated Revised plan	Positioning Business	Eye Care Business
<p>Net Sales ¥211.0B YoY -3%</p> <p>Operating Income ¥7.0B YoY -38%</p>	<p>YoY</p> <p>Net Sales </p> <p>Operating Income </p> <p>The external environment will remain challenging, accelerate structural reforms</p>	<p>YoY</p> <p>Net Sales </p> <p>Operating Income </p> <p>Expect record highs in both net sales and operating income, with the increase in expenses absorbed</p>

Highlights

Top of the slide shows Q3 YTD results for FY2024

- Consolidated: Decline in sales and profit
- Positioning Business: Profit decreased despite a reduction in fixed costs achieved through structural reforms, given a sharper decrease in sales amid the ongoing slump in demand
- Eye Care Business: Despite steady sales, profit declined temporarily due to an increase in allocations for growth investment

Bottom of the slide shows full-year outlook for FY2024

- Consolidated: Revisions made to previously announced figures, net sales revised to ¥211.0B, operating income revised to ¥7.0B
- Positioning Business: External environment will remain challenging, structural reforms will be accelerated
- Eye Care Business: Expect record highs in net sales and operating income, with an increase in expenses for growth investment absorbed

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

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- Outlook | Positioning Business
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03 Progress of Each Business

- Positioning Business | Business Featuring Cyclicity
- Positioning Business | New Product Releases
- Eye Care Business | Further Accelerating Initiatives in the Growth Phase
- Eye Care Business | Accelerating Expansion from Screening to Shared Care

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

FY24 Q3 Financial Results

01

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



Consolidated Financial Results



(Unit: billion yen)	FY2023 Q3 YTD Actual	FY2024 Q3 YTD Actual	YoY	%
Net Sales	156.9	153.5	-3.3	-2%
Gross Profit	83.2	80.9	-2.3	-3%
Gross Profit Ratio	53.1%	52.7%	-0.4pt	
SGA	76.7	80.1	+3.4	+4%
Operating Income	6.5	0.8	-5.7	-88%
Operating Income Ratio	4.1%	0.5%	-3.6pt	
Ordinary Income	4.6	-2.1	-6.7	-
Extraordinary Losses	-3.3	-0.4	+2.9	-
Net Income	0.4	-2.9	-3.2	-
Exchange rate (Average)				
USD	¥142.76	¥152.87	+¥10.11	
EUR	¥155.19	¥164.91	+¥9.72	

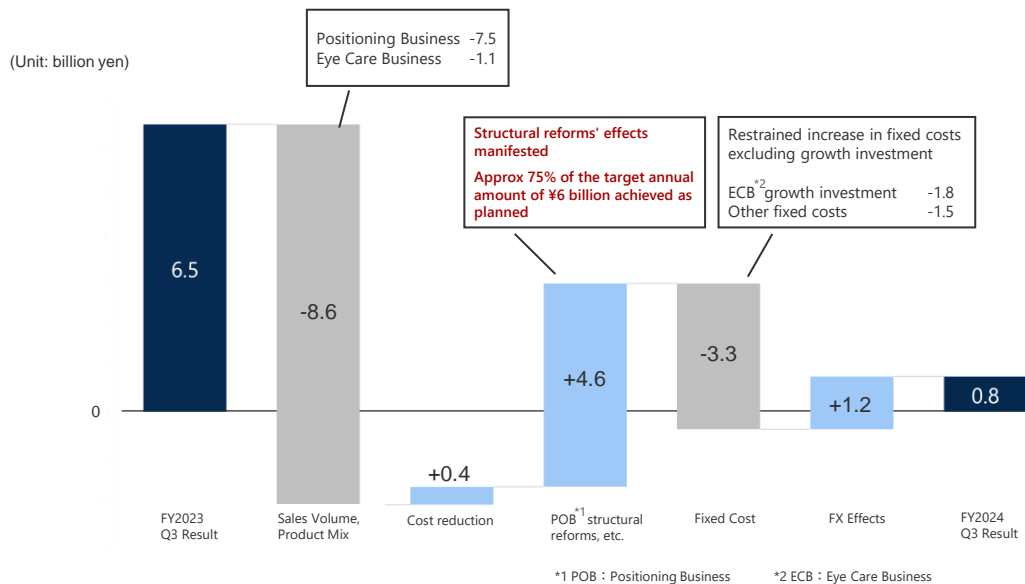
YoY comparisons excluding FX effects
 -¥11.7B (-7%)

YoY comparisons excluding FX effects
 -¥0.9B (-1%)

Consolidated Financial Results

- Net sales of ¥153.5B (-2%), decline in sales excluding FX effects from weaker yen
- SG&A expenses increased YoY, but were controlled and showed a decline when FX effects were excluded
- Operating income is explained in detail on the next page
- Non-operating expenses were negatively impacted by loss on valuation of securities, FX losses and interest payments, etc.
- Japanese yen weakened against both US dollar and Euro by around ¥10

Consolidated | Operating Income YoY Breakdown



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YoY Breakdown of Operating Income

Starting from the FY2023 Q3 YTD operating income of ¥6.5B,

- Effects of change in sales volume and product mix: -¥8.6B (including - ¥7.5B in Positioning Business and -¥1.1B in Eye Care Business)
- Effects of cost reductions: +¥0.4B
- Effects of structural reforms in Positioning Business: ¥4.6B, proceeding as planned on pace with approx. 75% progress to the annual ¥6.0B target
- Fixed cost effects: held to -¥3.3B
- FX effects: +¥1.2B effect due to weakening yen

Total operating income for FY2024 Q3 YTD was ¥0.8B

Overview | Positioning Business



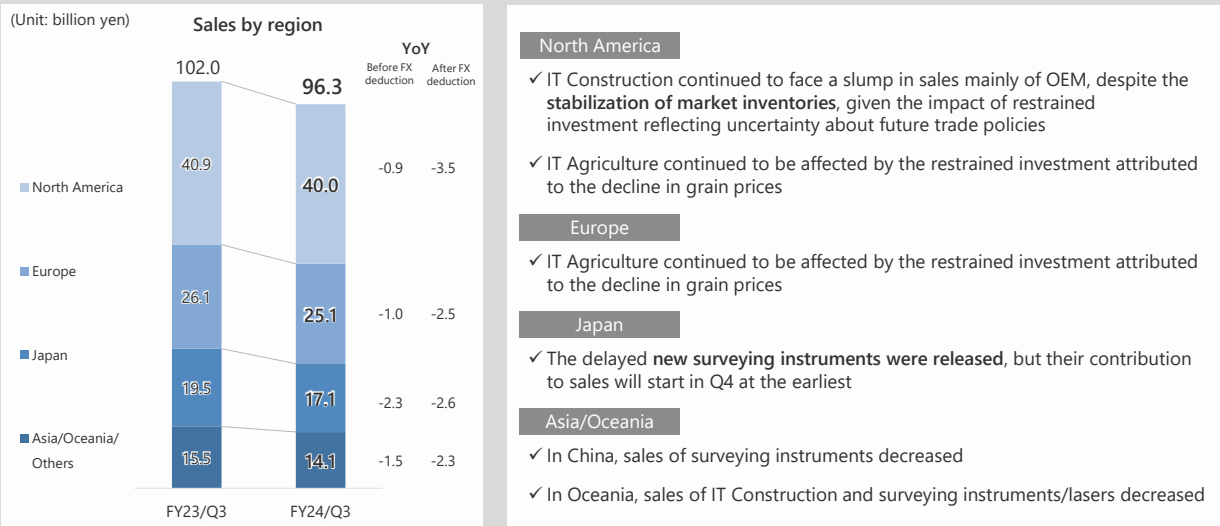
- Profit decreased despite a reduction in fixed costs achieved through structural reforms, given a sharper decrease in sales amid the ongoing slump in demand

		FY2023 Q3 YTD Actual	FY2024 Q3 YTD Actual	YoY	%
(Unit: billion yen)					
Net Sales		102.0	96.3	-5.7	-6%
Operating Income		5.9	2.1	-3.8	-64%
Operating Income Ratio		5.8%	2.2%	-3.6pt	
Exchange rate (Average)					
	USD	¥142.76	¥152.87	+¥10.11	
	EUR	¥155.19	¥164.91	+¥9.72	

YoY comparisons excluding FX effects
 -¥11.0B (-11%)

Overview of the Positioning Business

- Slump in demand continued longer than expected, with net sales declining ¥5.7B YoY to ¥96.3B
- Reductions to fixed costs through structural reforms went to plan, but could not cover the drop in net sales, with operating income falling ¥3.8B YoY to ¥2.1B
- Excluding FX effects net sales declined ¥11.0B



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Overview of the Positioning Business by Region

Net sales decline in all regions before and after excluding FX deduction

Main factors for change in each region were:

- North America: In IT Construction, despite the stabilization of market inventories, uncertainty about future trade policies with the new administration restrained investment, and sales decline particularly in OEM. IT Agriculture continued to be impacted by restrained investment due to falling grain prices, and sales declined
- Europe: Mirroring North America, IT Agriculture continued to be impacted by restrained investment due to falling grain prices, and sales declined
- Japan: Delayed new surveying instruments were released, but their contribution to sales will be from Q4 at the earliest
- Asia/Oceania: Sales of surveying instruments in China declined, and in Oceania sales of IT Construction and surveying instruments/lasers decreased

Overview | Eye Care Business



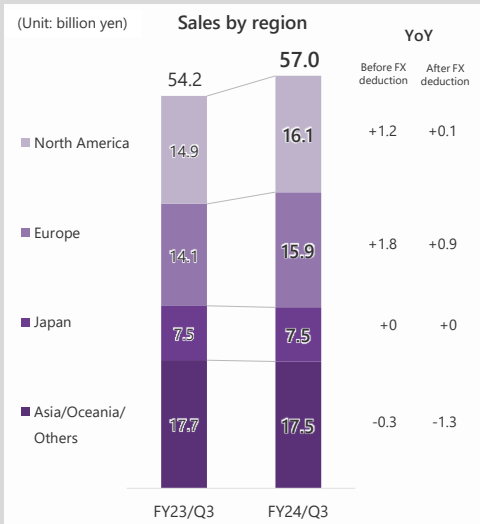
- Despite steady sales, profit declined temporarily due to an increase in allocations for growth investment

	FY2023 Q3 YTD Actual	FY2024 Q3 YTD Actual	YoY	%
(Unit: billion yen)				
Net Sales	54.2	57.0	+2.8	+5%
Operating Income	4.2	2.6	-1.6	-39%
Operating Income Ratio	7.7%	4.5%	-3.2pt	
Exchange rate (Average)				
USD	¥142.76	¥152.87	+¥10.11	
EUR	¥155.19	¥164.91	+¥9.72	

YoY comparisons excluding FX effects
 -¥0.3B (-0%)

Overview of the Eye Care Business

- Net sales increased ¥2.8B YoY to ¥57.0B. excluding FX effects, net sales declined ¥0.3B, but some sales being delayed into Q4 had an impact
- Expenses for growth investment increased, with operating income declining ¥1.6B YoY to ¥2.6B



North America

- ✓ Sales were strong, mainly to major optical chain stores, although the recording of some sales was delayed into Q4
- ✓ Business for ophthalmologists was expanded with the effects of the establishment of a direct sales system

Europe

- ✓ Although there are regional differences, steady sales continued, mainly due to sales to major optical chain stores and large tender wins

Asia/Oceania

- ✓ In China, sales decreased significantly due to fewer tenders reflecting anti-corruption campaigns and the worsening of hospital management caused by delays and reductions in insurance reimbursement
- ✓ In India and Asia excluding China, sales increased mainly due to the continuous tender wins

Overview of the Eye Care Business by Region

Main factors for change in each region were:

- North America: Strong sales continued, mainly to major optical chain stores, but the recording of some sales was delayed into Q4. Business for ophthalmologists was expanded with the effects of the establishment of a direct sales system.
- Europe: Although there are regional differences, steady sales continued, mainly due to sales to major optical chain stores and large tender wins
- Asia/Oceania: In China, sales continued to decreased significantly due to fewer tenders reflecting anti-corruption campaigns and the worsening of hospital management caused by delays and reductions in insurance reimbursement. In India and Asia excluding China, sales increased mainly due to the continuous tender wins

FY24 Full Year Outlook

02

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



Consolidated Full Year Outlook



Assumptions for full year outlook

Positioning Business

- IT Construction was more susceptible than before to restrained investment with the generation of a gap with the Company's outlook, which reflected the uncertainty over the policies of the new U.S. administration
- IT Agriculture is expected to see prolonged restraint on investment amid falling grain prices

Eye Care Business

- No change from the initial forecast

Structural reforms

- In order to improve the profit structure further, additional structural reforms* are planned to be instituted, mainly in the Positioning Business

*Scheduled to be recorded as an extraordinary loss

Downward revision | Revised plan

(Unit: billion yen)	Previous (as of Oct. 30)	Current (as of Jan. 30)	Comparison	FY2023 Actual
Net Sales	220.0	211.0	-9.0	216.5
Operating Income	12.0	7.0	-5.0	11.2
Ordinary Income	8.0	3.5	-4.5	8.9
Net Income	4.5	0	-4.5	4.9
ROE	4%	0%	-4pt	5%
Dividend	¥42	¥42	¥0	¥42
Exchange rate (Average)				
USD	¥145.00	¥145.00		¥144.40
EUR	¥155.00	¥155.00		¥156.80

Assumed rate from Q3

Assumed rate in Q4

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Consolidated Outlook

Assumptions for the Outlook

Positioning Business

- IT Construction was more susceptible than before to restrained investment with the generation of a gap with the Company's outlook, which reflected the uncertainty over the policies of the new U.S. administration
- IT Agriculture is expected to see prolonged restraint on investment amid falling grain prices

Eye Care Business

- No change from the initial forecast

Structural reforms

- In order to improve the profit structure further, additional structural reforms are planned to be instituted, mainly in the Positioning Business

Newly announced figures following downward revision

- Net sales: ¥211.0B (-¥9.0B)
- Operating income: ¥7.0B (-¥5.0B)
- Ordinary income: ¥3.5B (-¥4.5B)
- Net income: ¥0.0B (-¥4.5B) Extraordinary loss anticipated due to implementation of additional structural reforms
- Dividend: maintained at ¥42

Consolidated Full Year Outlook | Sales by Business

- Revised the forecast on surveying/laser products and the aftermarket in the Positioning Business

➡ Positive YoY change
➡ Same level
➡ Negative YoY change
 Changes from the forecast in Q2



Segment	Solution	Main Market ^{*2}	FY2024		Reference: Forecast in Q2	
			1H	2H(Plan)	1H	2H
POB (Positioning Business)	Surveying and laser products	Surveying & Construction	➡	➡ 	➡	➡
		OEM	➡	➡	➡	➡
	IT Construction ^{*1}	Aftermarket	➡	➡ 	➡	➡
		OEM	➡	➡	➡	➡
	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

Outlook for Net Sales by Business

For each main market, the YoY comparison of net sales by business is indicated with arrows and color shading
 Changes from the forecast as of Q2 are bordered in red

The changes occurred in:

- ① Surveying and laser products
- ② IT Construction aftermarket
- ③ IT Agriculture aftermarket

Outlook | Positioning Business



- The external environment will remain challenging, accelerate structural reforms

(Unit: billion yen)	Previous (as of Oct. 30)	Current (as of Jan. 30)	Comparison	FY2023 Actual
Net Sales	137.0	128.0	-9.0	140.4
Operating Income	10.0	5.0	-5.0	9.1
Operating Income Ratio	7.3%	3.9%	-3.4pt	6.5%
Exchange rate	USD	¥145.00	¥145.00	¥144.40
(Average)	EUR	¥155.00	¥155.00	¥156.80

Assumed rate from Q3

Assumed rate in Q4

Outlook for the Positioning Business

- The external environment will remain challenging overall, with projected net sales and operating income revised downward by ¥9.0B and ¥5.0B respectively
- Structural reforms will be accelerated with the aim of improving profitability

Outlook | Eye Care Business



- No change from the initial plan
- Expect record highs in both net sales and operating income, with the increase in expenses absorbed

(Unit: billion yen)	Previous (as of Oct. 30)	Current (as of Jan. 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

Assumed rate from Q3

Assumed rate in Q4

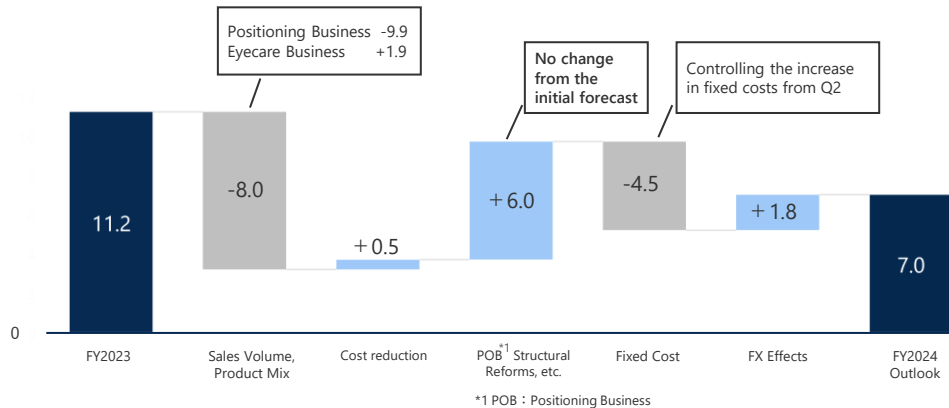
Outlook for the Eye Care Business

- No change from the initial plan
- Increased expenses for growth investment will be absorbed, with net sales and operating income both set to reach record highs

Consolidated | Operating Income YoY Breakdown



(Unit: billion yen)



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YoY Breakdown of Consolidated Outlook for Operating Income

Starting from the FY2023 operating income of ¥11.2B,

- Effects of change in sales volume and product mix: -¥8.0B due to decline in Positioning Business sales
- Effects of cost reductions: +¥0.5B
- Effects of structural reforms in Positioning Business: No change from initial forecast. Anticipating annual profit contribution of ¥6.0B
- Fixed costs effects: held to -¥4.5B from the -¥5.0B forecast made in Q2
- FX effects: +¥1.8B Effects from weakening yen to continue

Total forecast operating income for FY2024: ¥7.0B

Most of change from the forecast made in Q2 was due to downward revision of the sales outlook

Progress of Each Business

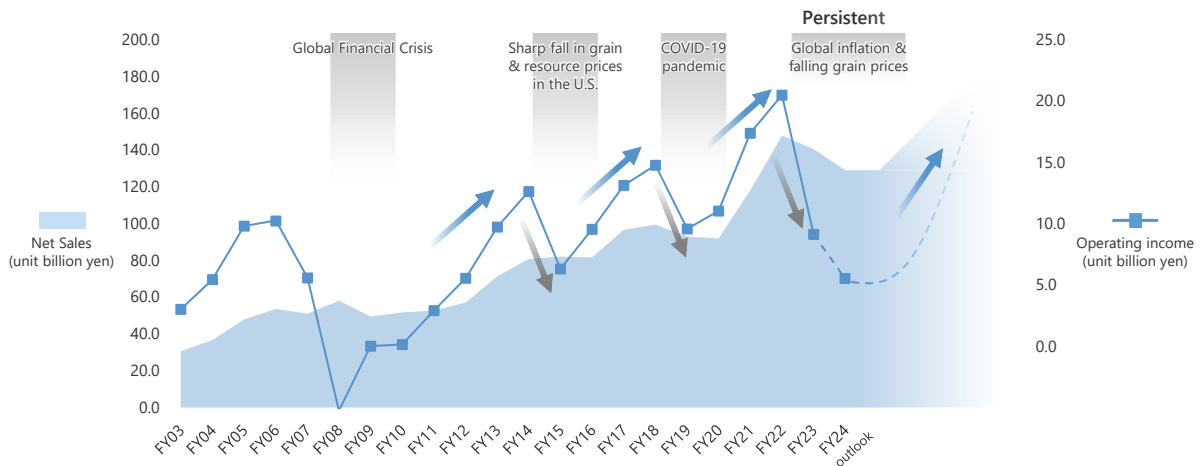
03

- Positioning Business | Business Featuring Cyclicality
- Positioning Business | New Product Releases
- Eye Care Business | Further Accelerating Initiatives in the Growth Phase
- Eye Care Business | Accelerating Expansion from Screening to Shared Care



Positioning Business | Business Featuring Cyclicity

- Impacts of global inflation and falling grain prices remained longer than expected
- Attempted to enhance profitability and achieve stabilization through sustainable growth and structural reforms, despite being affected by the impact of the economic cycle



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Progress of the Positioning Business is shown as an area graph for net sales and a line graph for operating income.

- Positioning Business has cyclical business features
- Impacts of global inflation and falling grain prices remained longer than expected
- Sustainable growth has been achieved despite the impact of the economic cycle. Efforts are being made to enhance profitability and achieve stabilization through structural reforms



Positioning Business | New Product Releases

- New products were released with effects of the strengthening of the planning and development management system in Japan

Top seller, covering surveying to IT Construction
Layout Navigator “Kui-Navi”

Released the LN-160, which features a stronger power supply system and expanded measurable range

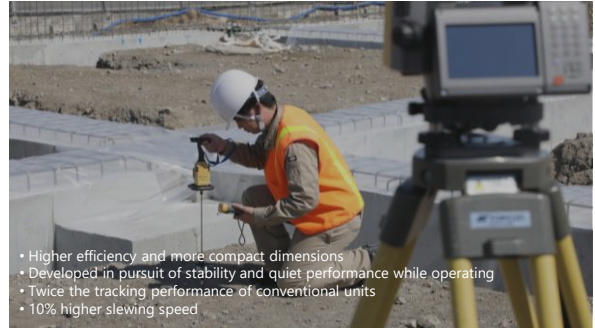


- Longer battery life
- Expanded measurable range

2024 Dec.2 (<https://www.topcon.co.jp/news/15022/>)

The quickest, smallest, and lightest in the world
Robotic Total Station

Released the GT-1500/700 series,
which incorporate the Silky Drive® technology



- Higher efficiency and more compact dimensions
- Developed in pursuit of stability and quiet performance while operating
- Twice the tracking performance of conventional units
- 10% higher slewing speed

2025 Jan.14 (<https://www.topcon.co.jp/news/15155/>)

Positioning Business | New Product Releases

As shown in the Q2 results briefing, effects from strengthening the planning and development management system in Japan have appeared, and new surveying instruments were released

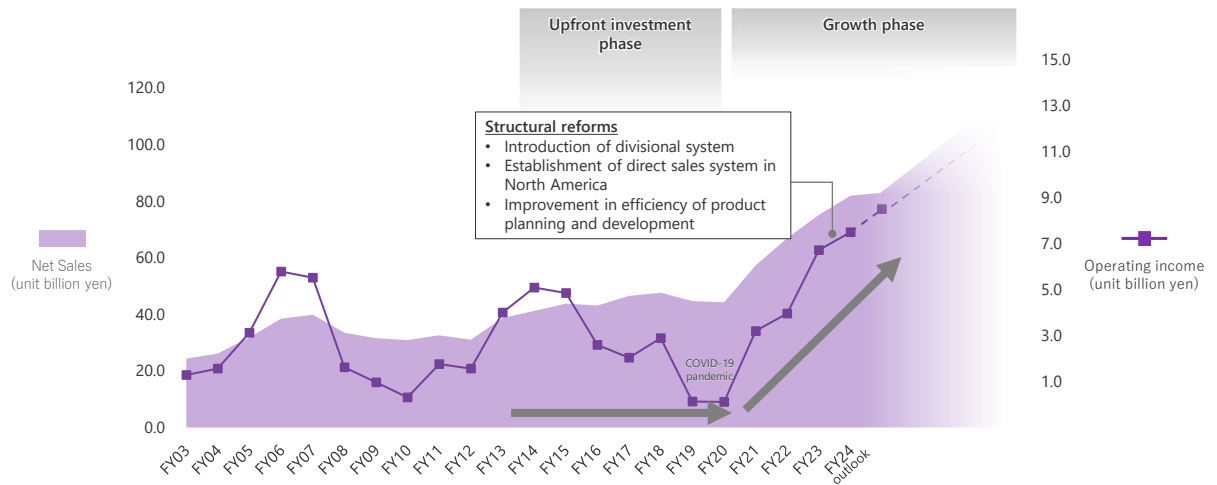
Specifically,

- In December the new model LN-160 of the top-selling Kui-Navi layout navigator that covers surveying to IT construction was released
- In January, the GT-1500/700 series motor driven total station was released. It is among the quickest, smallest and lightest models of its kind in the world

Eyecare Business | Further Accelerating Initiatives in the Growth Phase



- Blossoming of the solution business and expansion from screening to shared care
- Improving business efficiency and profitability through structural reforms



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As with the Positioning Business, progress of the Eye Care Business is shown as an area graph for net sales and a line graph for operating income.

- Eye Care Business is experiencing the blossoming of the solution business and expansion from screening to shared care. Efforts are directed at further acceleration of the growth phase
- The large swings in operating income relative to sales trends are concerning. Improving business efficiency and profitability through structural reforms

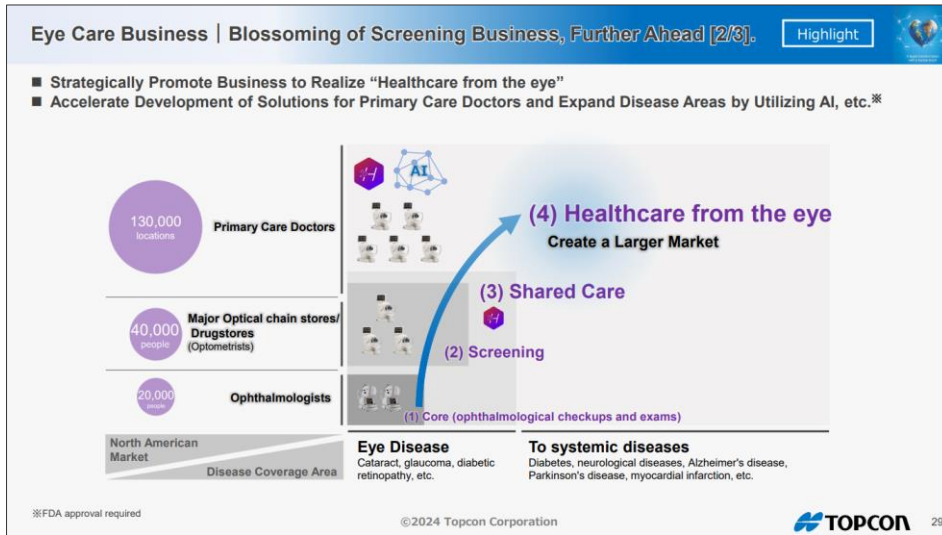
Specific reforms include introduction of a divisional system, establishment of a direct sales system for North America, and improvement in efficiency of product planning and development



Eye Care Business | FY23 Full-Year Financial Results Material (Repost)

*DX: Digital Transformation

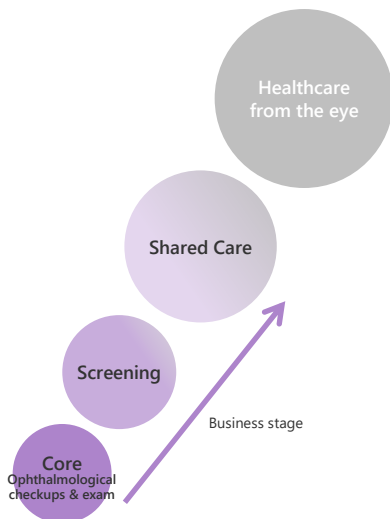
- Towards the realization of "Healthcare from the Eye"



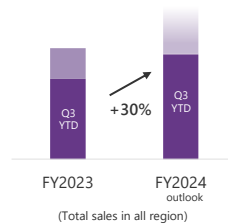
Reposting of material from FY2023 financial results, towards the realization of "Healthcare from the Eye"



- Further expansion of screening solutions and data platform

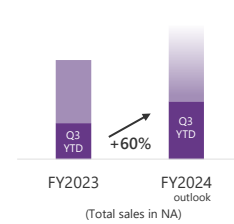
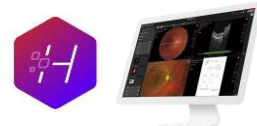


Screening equipment
Unit sales of Maestro•NW^{*1}



*1 One-touch, fully automatic easy-to operate OCT & Fundus camera Maestro and non-mydiatic fundus camera NW

Data platform
Sales revenue of IT solution^{*2}



*2 Total IT solutions including Harmony/RDx

Expansion of the Eye Care Business from screening to shared care is accelerating

- ① Figure on left (simplification of the previous page): Expansion of the business stage from a screening business to shared care is accelerating, targeting the realization of “Healthcare from the Eye”
- ② Figure in center: Sales of screening equipment is expanding, mainly in Europe and North America
- ③ Figure on right: The data platform will further expand adoption



Appendix

04

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

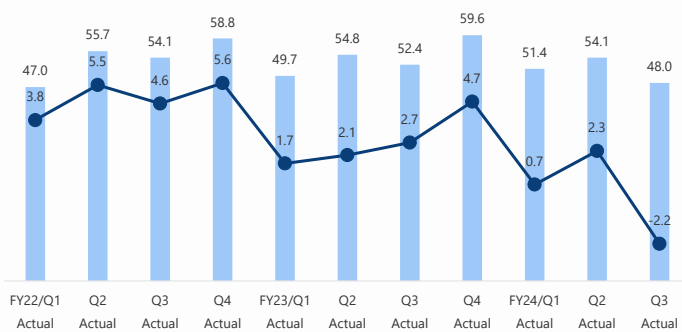
Financial Results | Consolidated



Quarterly

(Unit: billion yen)

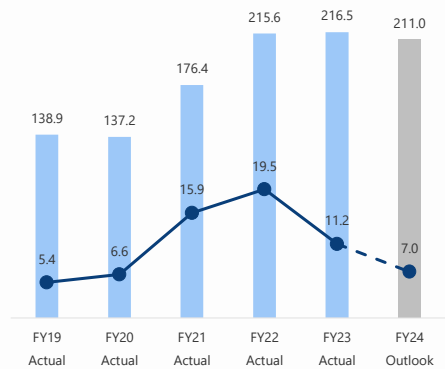
■ Sales ● Operating Income

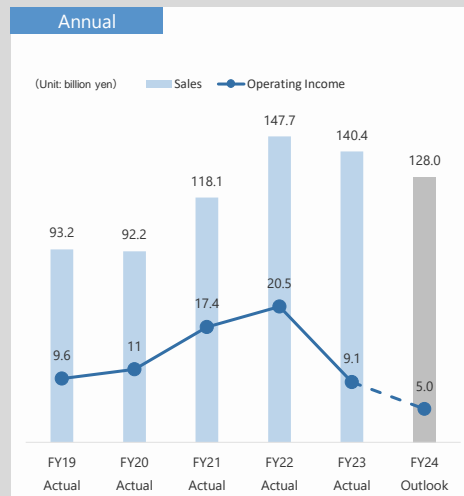
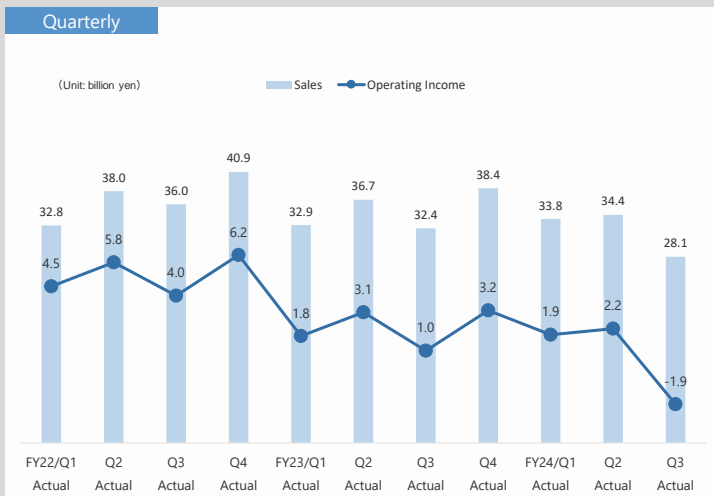


Annual

(Unit: billion yen)

■ Sales ● Operating Income





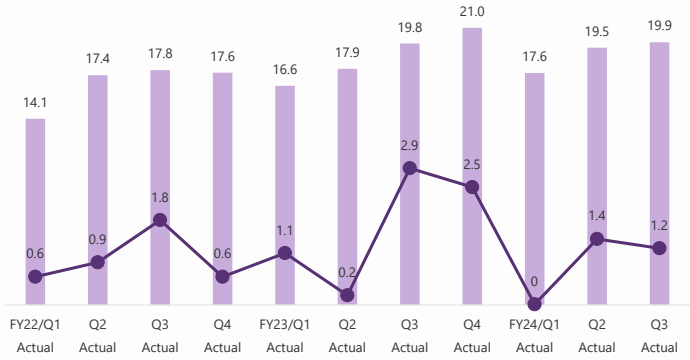
Financial Results | Eye Care Business



Quarterly

(Unit: billion yen)

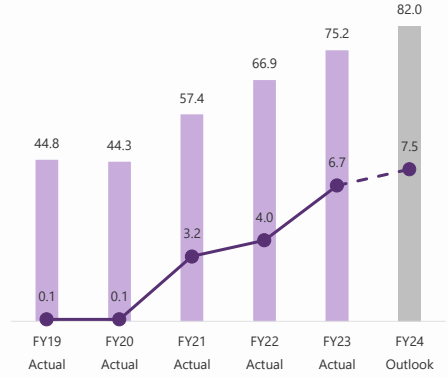
■ Sales ● Operating Income



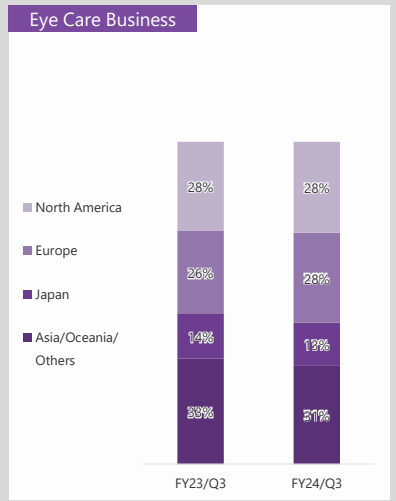
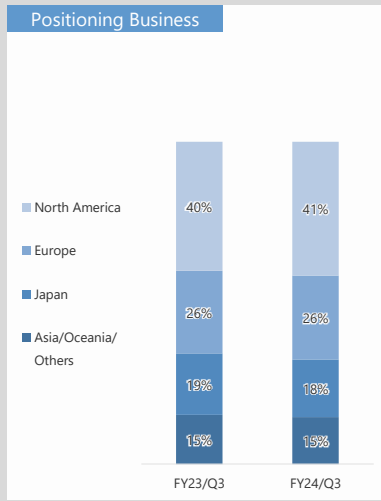
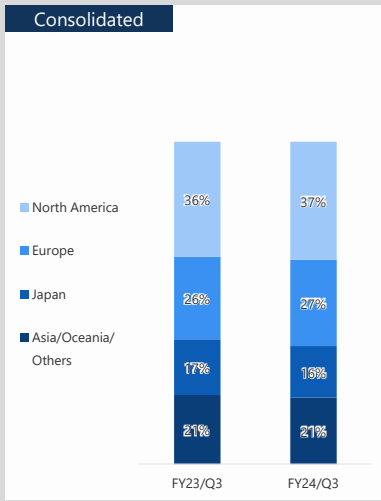
Annual

(Unit: billion yen)

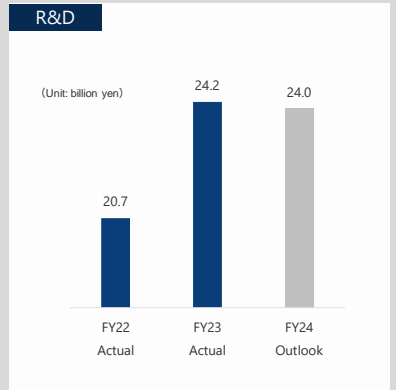
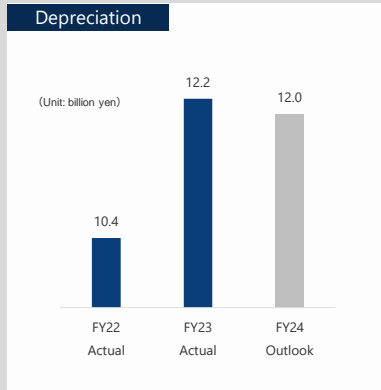
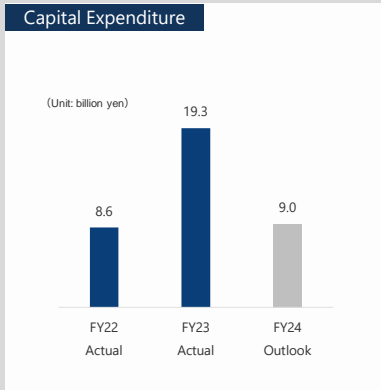
■ Sales ● Operating Income



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.

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