Financial Highlights

Topcon Corporation and Consolidated Subsidiaries

Unit: million yen

	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3	2021/3	**2022/3**
Operating results										
Net sales	97,345	116,685	128,569	130,735	128,387	145,558	148,688	138,916	137,247	**176,421**
Positioning Company	37,824	48,959	58,672	61,977	60,602	74,945	77,722	73,989	71,416	**96,692**
Smart Infrastructure Business	29,839	34,621	33,909	32,989	33,091	36,626	36,744	33,398	33,982	**39,040**
Eye Care Business	31,073	38,736	41,240	43,834	43,148	46,515	47,713	44,758	44,251	**57,352**
Other Businesses	9,262	6,625	6,558	4,997	3,708	2,493	1,698	1,319	1,165	**1,184**
Elimination	(10,653)	(12,258)	(11,812)	(13,063)	(12,163)	(15,023)	(15,190)	(14,549)	(13,568)	**(17,848)**
Overseas sales	72,711	89,187	97,568	102,794	98,937	114,847	115,299	108,878	106,041	**142,438**
Operating income	5,214	11,730	16,041	8,803	9,551	12,073	13,596	5,381	6,593	**15,914**
Positioning Company	1,413	4,514	6,652	2,385	5,596	8,018	8,358	4,537	6,064	**11,548**
Smart Infrastructure Business	4,126	5,201	5,965	3,909	3,939	5,102	6,393	5,027	4,972	**5,821**
Eye Care Business	1,563	4,003	5,093	4,850	2,598	2,038	2,896	136	122	**3,203**
Other Businesses	(269)	(205)	163	196	10	88	(65)	(144)	(536)	**(365)**
Elimination	(1,618)	(1,782)	(1,833)	(2,538)	(2,593)	(3,173)	(3,986)	(4,175)	(4,028)	**(4,293)**
Ordinary income	3,471	11,300	14,880	7,366	7,622	10,674	11,497	2,895	5,587	**14,820**
Profit attributable to owners of the parent	511	5,963	8,670	4,197	4,395	6,028	6,548	935	2,376	**10,699**
Capital expenditures	3,297	3,692	5,070	5,203	4,438	5,138	6,234	8,399	4,206	**5,279**
Depreciation	3,384	3,803	3,732	4,715	4,660	5,408	5,983	6,757	7,416	**7,763**
Amortization of goodwill	1,618	1,782	1,833	2,546	2,451	2,651	2,145	1,999	1,858	**1,912**
R&D expenditures	8,221	9,184	10,677	11,329	10,411	12,964	14,014	15,979	14,916	**16,180**
Free cash flows	1,862	4,599	7,951	(23,121)	13,238	5,488	7,844	1,137	10,213	**10,748**
Financial position										
Shareholders' equity	48,474	53,598	63,460	58,311	59,716	65,173	69,037	63,100	69,351	**83,491**
Total assets	129,503	135,818	143,181	166,542	158,280	160,747	160,288	161,721	168,210	**184,983**
Interest-bearing liabilities	50,629	47,733	44,014	70,442	58,640	53,286	48,554	57,372	52,987	**43,362**

Unit: yen

	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3	2021/3	**2022/3**
Per share data										
Earnings per share (EPS)	5.48	55.21	80.27	38.97	41.46	56.87	61.76	8.87	22.59	**101.71**
Net assets per share (BPS)	448.77	496.22	587.52	550.04	563.30	614.78	651.11	600.03	659.31	**793.57**

	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3	2021/3	**2022/3**
Management indicators										
Gross profit ratio (%)	44.0	47.7	51.5	50.2	51.1	51.5	52.8	52.3	49.5	**51.1**
Operating income ratio (%)	5.4	10.1	12.5	6.7	7.4	8.3	9.1	3.9	4.8	**9.0**
Net income ratio (%)	0.5	5.1	6.7	3.2	3.4	4.1	4.4	0.7	1.7	**6.1**
Ratio of R&D expenditures to net sales (%)	8.4	7.9	8.3	8.7	8.1	8.9	9.4	11.5	10.9	**9.2**
Overseas sales ratio (%)	74.7	76.4	75.9	78.6	77.1	78.9	77.5	78.4	77.3	**80.7**
Return on assets (ROA) (%)	0.4	4.4	6.1	2.7	2.7	3.8	4.1	0.6	1.4	**5.8**
Return on equity (ROE) (%)	1.3	11.7	14.8	6.9	7.4	9.7	9.8	1.4	3.6	**14.0**
Price earnings ratio (PER) (times)	156.3	30.7	36.7	38.1	48.0	36.5	21.1	90.4	59.4	**15.4**
Price book-value ratio (PBR) (times)	1.9	3.4	5.0	2.7	3.5	3.4	2.0	1.3	2.0	**2.0**
Equity ratio (%)	37.4	39.5	44.3	35.0	37.7	40.5	43.1	39.0	41.2	**45.1**
Total assets turnover ratio (times/year)	0.78	0.88	0.92	0.84	0.79	0.91	0.93	0.86	0.83	**1.00**
D/E ratio (%)	104.4	89.1	69.3	120.8	98.1	81.8	70.3	90.9	76.4	**51.9**
Dividend payout ratio (%)	109.4	18.1	19.9	61.6	38.6	35.2	38.9	270.7	44.3	**35.4**

Note: Amounts in parentheses represent negative figures/amounts.

Discussion and Analysis of Financial Results

Market Environment

In the economic environment during the fiscal year under review, conditions differed from country to country, although overall demand remained strong, especially in Europe and the U.S., where recovery from the COVID-19 pandemic was clear, while the impact of component shortages and tight logistics due to supply chain disruptions increased. In the latter half of the fiscal year, the economic environment continued to be unstable due to increased uncertainty caused by various factors, including the worsening situation in Ukraine and the impact of the spread of Omicron variant in China.

In such an economic environment, the Topcon Group upheld its Corporate Identity of "Contributing to enrich human life by solving the societal challenges within healthcare, agriculture and infrastructure." Under the slogan, "A digital transformation with a human touch," we have been working to enhance our corporate value as a global company that provides DX solutions to various issues related to healthcare, agriculture and infrastructure in order to achieve a sustainable society.

The Third Mid-term Business Plan, underway since FY2019, has been extended by one year to the end of FY2022, as the impact of the COVID-19 pandemic on the timeline cannot be avoided. However, the management vision of the Mid-Term Business Plan, defined as "Expand our businesses and solve the societal challenges within the growing market of healthcare, agriculture and infrastructure," and its growth scenario remain unchanged, and we continue to implement various measures.

In addition to the recent COVID-19 pandemic, various external environmental factors have emerged, including a global shortage of semiconductors and other component, rising logistics costs, and unstable social conditions. However, the Company's business domains of healthcare, agriculture and infrastructure (i.e., eye care, IT Agriculture, and IT Construction and infrastructure development), are all business domains where there are firm social needs and societal challenges to be solved as infrastructure. The strength of these essential businesses has been reaffirmed even in such a business environment.

Currently, in the execution of the Third Mid-term Business Plan, we are earnestly recovering from the impact on various measures due to restrictions on activities during the COVID-19 pandemic, and are moving forward with the development and rollout of DX solutions to solve societal challenges in the fields of healthcare, agriculture and infrastructure in order to achieve the goals of the Mid-term Business Plan.

Specifically, in the healthcare domain, one of our business fields, in order to cope with an increase in eye diseases due to a global-wide aging of societies and the shortage of ophthalmologists, we are promoting a DX solution of creating a system for eye disease screening by utilizing fully automatic screening equipment with primary care physicians, optical stores, and drugstores, to realize early detection and treatment of diseases and improved medical efficiency.

In the domain of agriculture, in order to respond to societal challenges such as food shortages due to global population growth, aging populations, and fewer skilled workers, we will strive to promote DX solutions, which can be called the automation of farm operations, utilizing our IT farming machinery and optical sensor technology to improve productivity and quality in agriculture.

In the domain of infrastructure, in order to address the societal challenges of a skilled worker shortage due to increasing global demand for infrastructure, we are working to promote DX solutions, which can be called the automation of the construction process, utilizing our IT Construction technology and 3D measurement technology to improve productivity at construction sites and alleviate the worker shortage.

As part of our commitment to the SDGs, our technologies to embody DX solutions to societal challenges, such as automation of construction machinery for IT Construction and the Auto Steering System for farming machinery for IT Agriculture, are also contributing to the reduction of CO_2 emissions. Because our products are vendor neutral and can be retrofitted to existing construction and farming machinery from various companies, further reductions can be expected as automation becomes more widespread in the future.

Consolidated Results

Net sales for FY2021 increased by 28.5% from the previous year to ¥176,421 million, despite the impact of supply chain disruptions, as a result of steadily capturing strong demand as an essential business as well as the success of various measures in procurement, design, and manufacturing. Mainly due to this increase in net sales, operating income increased by 141.4% year-on-year to ¥15,914 million. Ordinary income increased by 165.2% year-on-year to ¥14,820 million. As a result, profit attributable to owners of the parent increased by 350.3% year-on-year to ¥10,699 million.

Segment Information

Net sales of Positioning Company increased by 35.4% year-on-year to ¥96,692 million, despite the impact of material shortages, due to increased sales of IT Construction, the IT Agriculture, and surveying and laser products, capturing strong demand in the construction and agriculture markets in North America and Europe, our main markets. Operating income increased by 90.5% year-on-year to ¥11,548 million due to increased profits from higher net sales, despite the impact of higher component and logistics costs.

In Smart Infrastructure Business, net sales increased by 14.9% year-on-year to ¥39,040 million due to strong domestic sales, despite the impact of component shortages, as well as continued strong sales of surveying and laser equipment to the U.S. and Europe and a recovery in sales in Asia. Operating income increased by 17.1% year-on-year to ¥5,821 million due to increased profits from higher net sales, despite the impact of cost increase.

In Eye Care Business, net sales increased by 29.6% year-on-year to ¥57,352 million, mainly due to expanded sales of screening equipment in Europe, the U.S., and China, as well as steady sales of digital optometry systems to major optical chain stores in Europe and the U.S. Operating income increased by ¥3,081 million year-on-year to ¥3,203 million due to increased profits from higher net sales, despite the impact of higher component and logistics costs.

Financial Position

Total Assets

As of March 31, 2022, total assets stood at ¥184,983 million, an increase of ¥16,772 million from the end of the previous fiscal year.

Current assets

Current assets increased by ¥12,099 million from the end of the previous fiscal year to ¥114,041 million. This was mainly due to increases in accounts receivable and inventories.

Non-current assets

Non-current assets increased by ¥4,673 million from the end of the previous fiscal year to ¥70,942 million. This was mainly due to increases in tangible fixed assets and intangible fixed assets.

Liabilities

As of March 31, 2022, total liabilities stood at ¥99,833 million, an increase of ¥2,310 million from the end of the previous fiscal year.

Current liabilities

Current liabilities increased by ¥12,332 million from the end of the previous fiscal year to ¥61,394 million. This was mainly due to increases in trade payables and the current portion of bonds payable, despite a decrease in short-term borrowings.

Non-current liabilities

Non-current liabilities decreased by ¥10,021 million from the end of the previous fiscal year to ¥38,438 million. This was mainly due to decreases in bonds payable and long-term borrowings.

Net Assets

As of March 31, 2022, total net assets stood at ¥85,150 million, an increase of ¥14,462 million from the end of the previous fiscal year. This was mainly due to increases in retained earnings and foreign currency translation adjustment.

Cash Flows

As of March 31, 2022, cash and cash equivalents (hereinafter referred to as "net cash") stood at ¥19,009 million, a decrease of ¥1,437 million from the end of the previous fiscal year. This was due to a decrease in net cash resulting from acquisition of fixed assets and repayment of short-term borrowings, despite an increase in net cash resulting from an increase in profit before income taxes.

Net Cash Flow Provided by Operating Activities

During the fiscal year ended March 31, 2022, net cash provided by operating activities totaled ¥20,527 million, compared to ¥19,439 million in the previous fiscal year. This was mainly due to an increase in net cash resulting from an increase in profit before income taxes, despite a decrease in net cash resulting from an increase in inventories.

Net Cash Flow Used in Investing Activities

During the fiscal year ended March 31, 2022, net cash used in investing activities totaled ¥9,779 million, compared to ¥9,226 million in the previous fiscal year. This was mainly due to purchases of fixed assets and shares of subsidiaries.

Net Cash Flow Used in Financing Activities

During the fiscal year ended March 31, 2022, net cash used in financing activities totaled ¥13,606 million, compared to ¥6,195 million in the previous fiscal year. This was mainly due to repayment of borrowings and dividends paid.

Capital Expenditures

In the fiscal year ended March 31, 2022, total capital expenditures for the Topcon Group amounted to ¥5,279 million.

Capital expenditures by business segment comprised ¥1,141 million for the Smart Infrastructure Business, ¥2,649 million for the Positioning Company, and ¥1,420 million for the Eye Care Business. Capital expenditures were mainly for research and development, enhancement of production systems, improvement of business efficiency, and investments for the purpose of updating molds and other items.

Dividend Policy

Topcon places priority on the appropriation of profit in line with the growth in consolidated business results as a means of returning profits to shareholders. Topcon's basic dividend policy is to ensure a continuous and stable payment of dividends.

As a basic policy, Topcon makes dividend payments twice per year in the form of interim and year-end dividends. The Company's Articles of Incorporation also allow for dividends to be determined by the resolution of the Board of Directors rather than by the General Meeting of Shareholders, and provide the record date for the year-end dividend as March 31, and for the interim dividend as September 30 of each year, as well as allowing for the payment of dividends from surplus by determining a separate record date.

As for the dividends from surplus for the fiscal year ended March 31, 2022, the interim dividend was ¥10.00 per share as planned at the beginning of the year (no payment for interim dividend for the previous fiscal year). However, because we were able to post profit exceeding the plan, based on the basic policy to return profits to our shareholders, ¥26.00 per share (compared with ¥10.00 per share in the plan at the beginning of the year and ¥10.00 per share in the previous fiscal year) was paid for the year-end dividend, bringing the total full-year dividends to ¥36.00 per share (compared to ¥10.00 per share in the previous fiscal year).

The Company intends to use effectively its internal reserves for the proactive development of its future businesses, including research and development as well as capital expenditures.