

FY2022 Q1 Financial Results



July 26, 2022

TOPCON CORPORATION

Director and Managing Executive Officer, CFO
General Manager of Accounting and Finance Div.

Haruhiko Akiyama



Company
Profile
Movie

FY2022 Q1 Financial Results Briefing

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III . Topics

IV . Summary

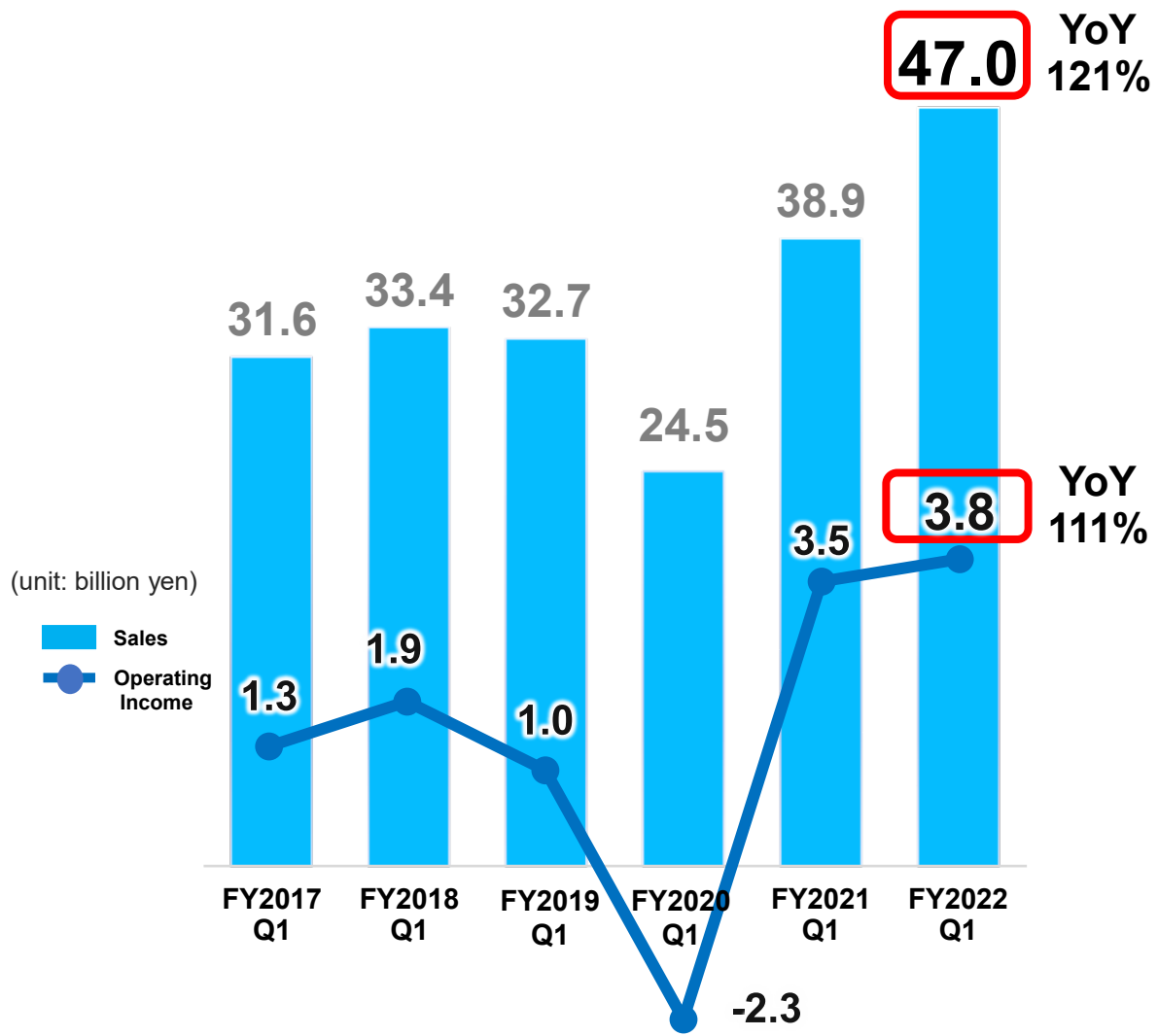
V . Appendix

I . FY2022 Q1 Financial Results

I - 1. FY2022 Q1 Financial Results

I - 2. Overview of Each Business

FY2022 Q1 Overview



■ Increase in sales and operating income Both are record high of Q1

- Robust demand continues mainly in Europe and the U.S.
- Materializing impacts of component and logistics cost surges and component shortages (Insignificant in Q1 last year)
- Increase in profit beyond pre-COVID-19 level

FY2022 Q1 Financial Results

Record high sales and income of Q1

(unit: million yen)

	FY2021	FY2022		
	Q1 Actual	Q1 Actual	YoY	YoY%
Net Sales	38,898	47,018	8,120	+ 21%
Gross Profit (Gross Profit Ratio)	20,331 (52.3%)	24,831 (52.8%)	4,500	
SGA	16,872	20,997	4,124	
Operating Income (Operating Income Ratio)	3,458 (8.9%)	3,834 (8.2%)	375	+ 11%
Non-Operating Income (Expenses)	-250	158	409	
Ordinary Income	3,208	3,993	784	+ 24%
Extraordinary Income (Loss)	0	0	0	
Income Before Income Taxes and Minority Interests	3,208	3,993	784	
Net Income	1,823	2,790	967	+ 53%
Exchange Rate	USD	¥110.00	¥129.04	¥19.04
(Average)	EUR	¥131.78	¥138.24	¥6.46

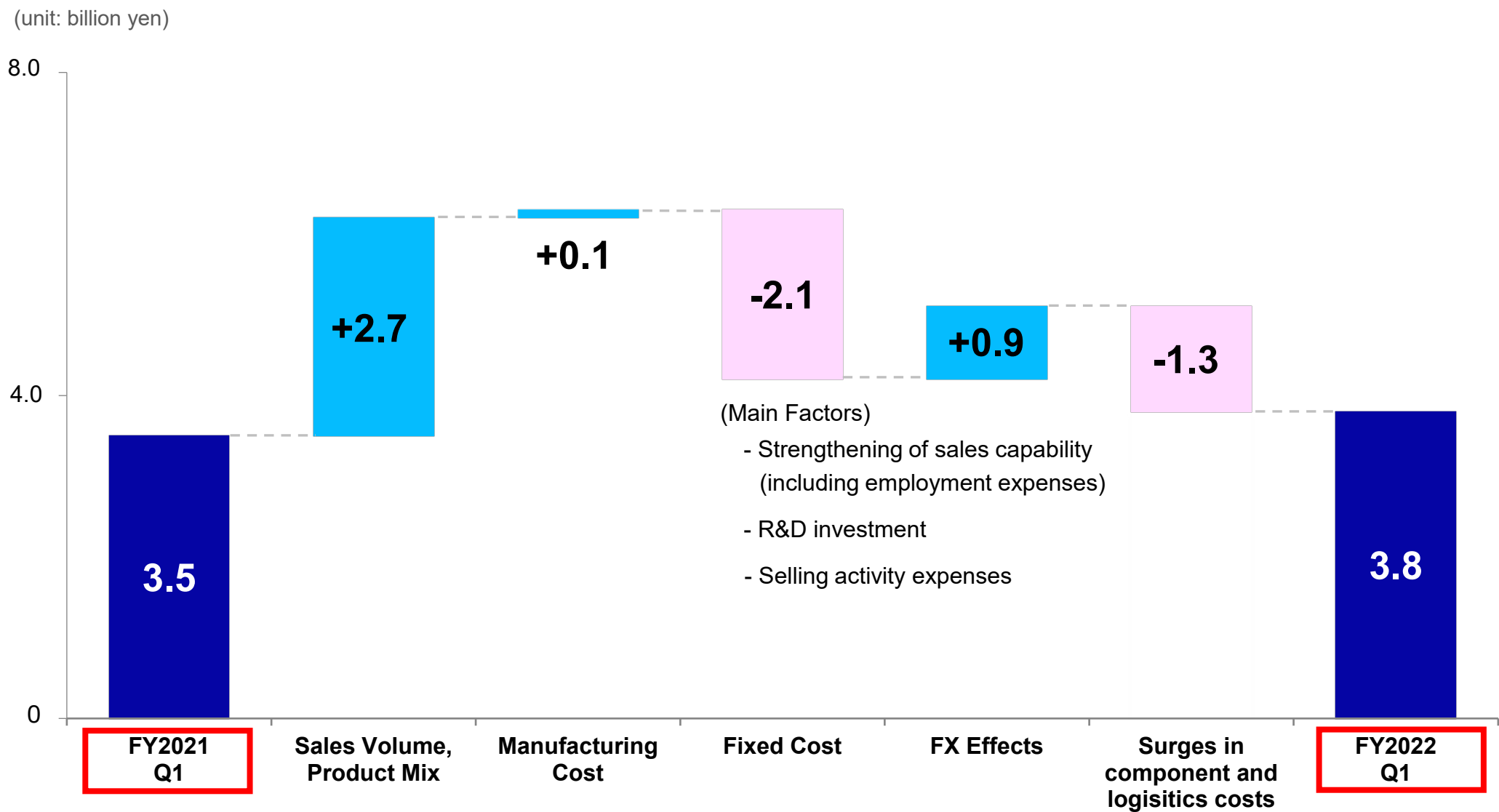
FY2022 Q1 Financial Results by Business

■ Increase in sales for all business segments

(unit: million yen)

		FY2021	FY2022		
		Q1 Actual	Q1 Actual	YoY	YoY%
Net Sales	Positioning	22,645	27,314	4,669	+21%
	Smart Infrastructure	8,700	9,862	1,162	+13%
	Eye Care	11,398	14,051	2,653	+23%
	Others	275	261	-14	
	Elimination	-4,122	-4,470	-347	
	Total	38,898	47,018	8,120	+21%
Operating Income (Operating Income Ratio)	Positioning	3,061 (13.5%)	2,864 (10.5%)	-196	-6%
	Smart Infrastructure	1,287 (14.8%)	1,607 (16.3%)	320	+25%
	Eye Care	233 (2.1%)	559 (4.0%)	325	+139%
	Others	-89	-104	-15	
	Elimination	-1,034	-1,093	-59	
	Total	3,458 (8.9%)	3,834 (8.2%)	375	+11%

FY2022 Q1 Operating Income YoY Breakdown



I . FY2022 Q1 Financial Results

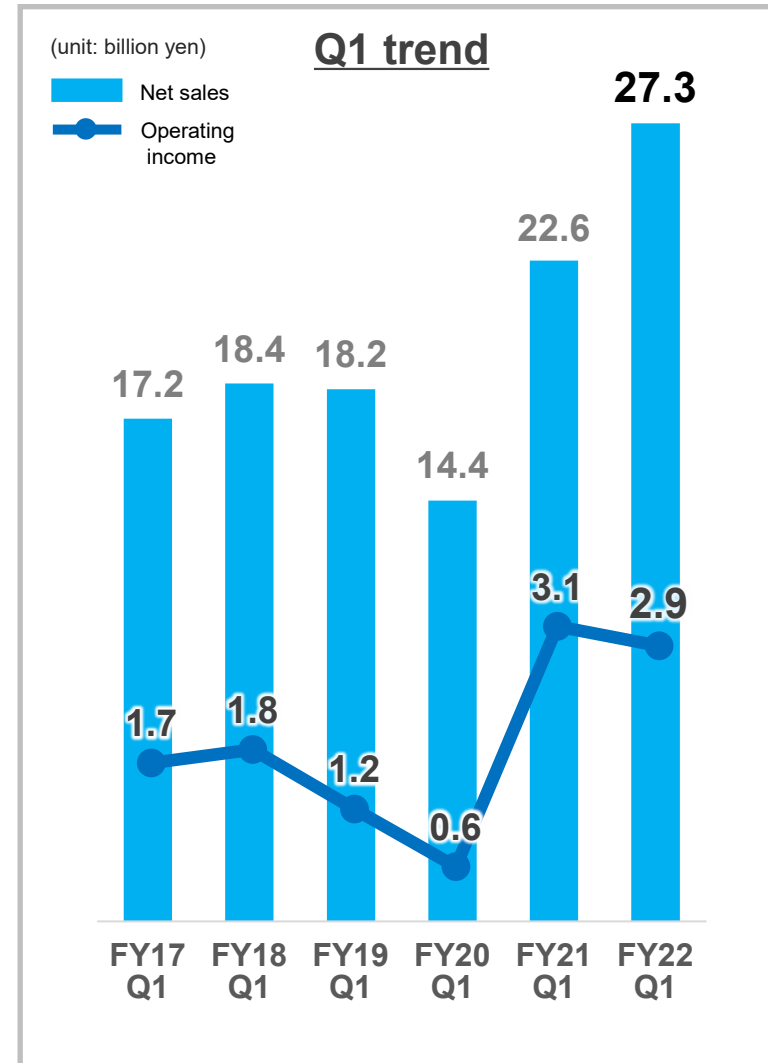
I - 1. FY2022 Q1 Financial Results

I - 2. Overview of Each Business

Record high Q1 sales, meanwhile decline in operating income

(unit: million yen)

	FY2021	FY2022		
	Q1 Actual	Q1 Actual	YoY	%
Net Sales	22,645	27,314	4,669	+21%
Operating Income (Operating Income Ratio)	3,061 (13.5%)	2,864 (10.5%)	-196	-6%
Exchange Rate (Average)	USD	¥110.00	¥129.04	¥19.04
	EUR	¥131.78	¥138.24	¥6.46



Review of Financial Results

Overall

- Increase in sales thanks to robust demand continue in the U.S. and Europe despite worsened shipping delays due to component shortages
- Materializing impact of component and logistics costs surge
- Increase in operating income beyond pre-COVID-19 level

IT Construction and IT Agriculture

- Continuing strong sales for both aftermarket and OEM

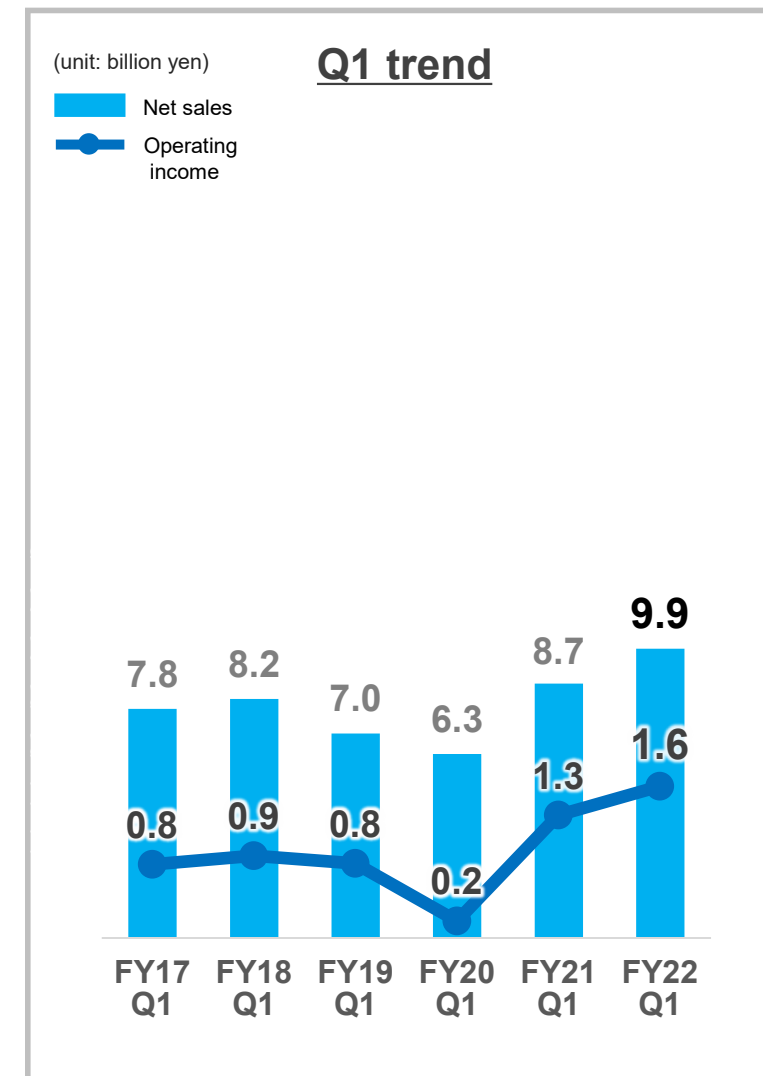
Surveying and laser products

- Maintaining high level of sales despite impact of component shortages

Record high Q1 sales and operating income

(unit: million yen)

	FY2021	FY2022		
	Q1 Actual	Q1 Actual	YoY	%
Net Sales	8,700	9,862	1,161	+13%
Operating Income (Operating Income Ratio)	1,287 (14.8%)	1,607 (16.3%)	320	+25%
Exchange Rate (Average)	USD	¥110.00	¥129.04	¥19.04
	EUR	¥131.78	¥138.24	¥6.46



Review of Financial Results

Overall

- Solid sales in Japan, recovery trend in Southeast Asia and India
- Materializing impact of component shortages and cost surge

Surveying instruments

- Continued strong demand for total stations

IT Construction and IT Agriculture

- Strong order rate continues for machine guidance system suitable for small to mid-size construction machinery and newly released autosteering system for agricultural machinery while shipping delays become chronic due to component shortages

Record high Q1 sales

(unit: million yen)

	FY2021	FY2022		
	Q1 Actual	Q1 Actual	YoY	%
Net Sales	11,398	14,051	2,653	+23%
Operating Income (Operating Income Ratio)	233 (2.1%)	559 (4.0%)	325	+139%
Exchange Rate USD	¥110.00	¥129.04	¥19.04	
Exchange Rate EUR (Average)	¥131.78	¥138.24	¥6.46	

Review of Financial Results

Overall

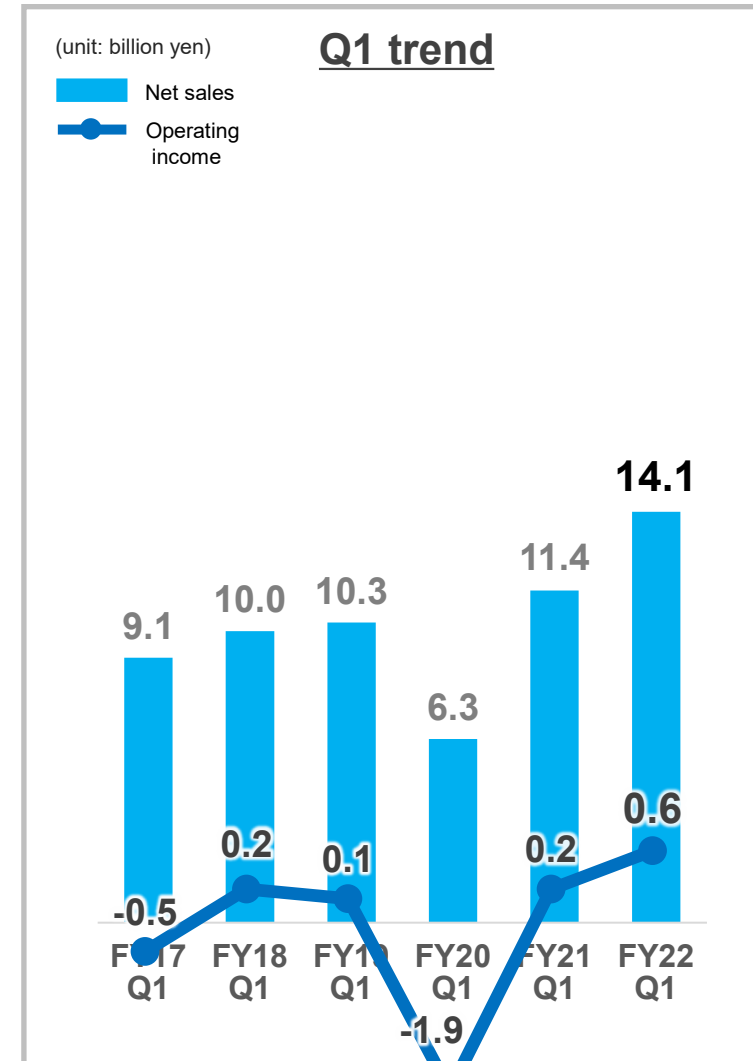
- Significant sales increase thanks to strong sales in the U.S. and Europe despite worsened shipping delays due to component shortages
- Materializing impact of component and logistics costs surge
- Temporary sales drop in China due to lockdown in Shanghai

Screening Business

- Continuing strong sales to major optical chain stores in the U.S. and Europe, especially for Maestro and NW400

Digital Optometry Systems

- Constant robust sales to major optical chain stores in the U.S. and Europe



II . FY2022 Full Year Plan

FY2022 Full Year Plan

■ No change from the initial plan

(Unit: million yen)

	FY2021	FY2022			
		Actual	Plan	YoY	Third Mid-term Business Plan
Net Sales	176,421	190,000	+8%	180,000	
Operating Income (Operating Income Ratio)	15,914 (9.0%)	18,000 (9.5%)	+13%	20,000 (11.1%)	
Ordinary Income	14,820	17,000	+15%	-	
Net Income	10,699	12,000	+12%	-	
ROE	14.0%	14%		13~15%	
Dividends	¥36	¥40	+¥4	-	
Payout Ratio	35%	35%		Over 35%	
Exchange Rate	USD	¥112.86	*¥120.00	¥7.14	¥110.00
(Average)	EUR	¥131.01	*¥130.00	-¥1.01	¥125.00

* Q2 onward

FY2022 Full Year Plan by Business

(Unit: million yen)

		FY2021	FY2022		
		Actual	Plan	YoY	Third Mid-term Business Plan
Net Sales	Positioning	96,692	106,000	+10%	93,000
	Smart Infrastructure	39,040	42,000	+8%	43,000
	Eye Care	57,352	62,000	+8%	62,000
	Others	1,184	1,000		1,000
	Elimination	-17,848	-21,000		-19,000
	Total	176,421	190,000	+8%	180,000
Operating Income (Operating Income Ratio)	Positioning	11,548 (11.9%)	13,000 (12.3%)	+13%	-
	Smart Infrastructure	5,821 (14.9%)	5,000 (11.9%)	-14%	-
	Eye Care	3,203 (5.6%)	4,500 (7.3%)	+40%	-
	Others	-365	-300		-
	Elimination	-4,293	-4,200		-
	Total	15,914 (9.0%)	18,000 (9.5%)	+13%	20,000

III. Topics

Capture demand for road pavement construction and maintenance driven by increasing public infrastructure investment in the U.S.

Positioning

The Infrastructure Investment and Jobs Act (Enacted in November 2021)

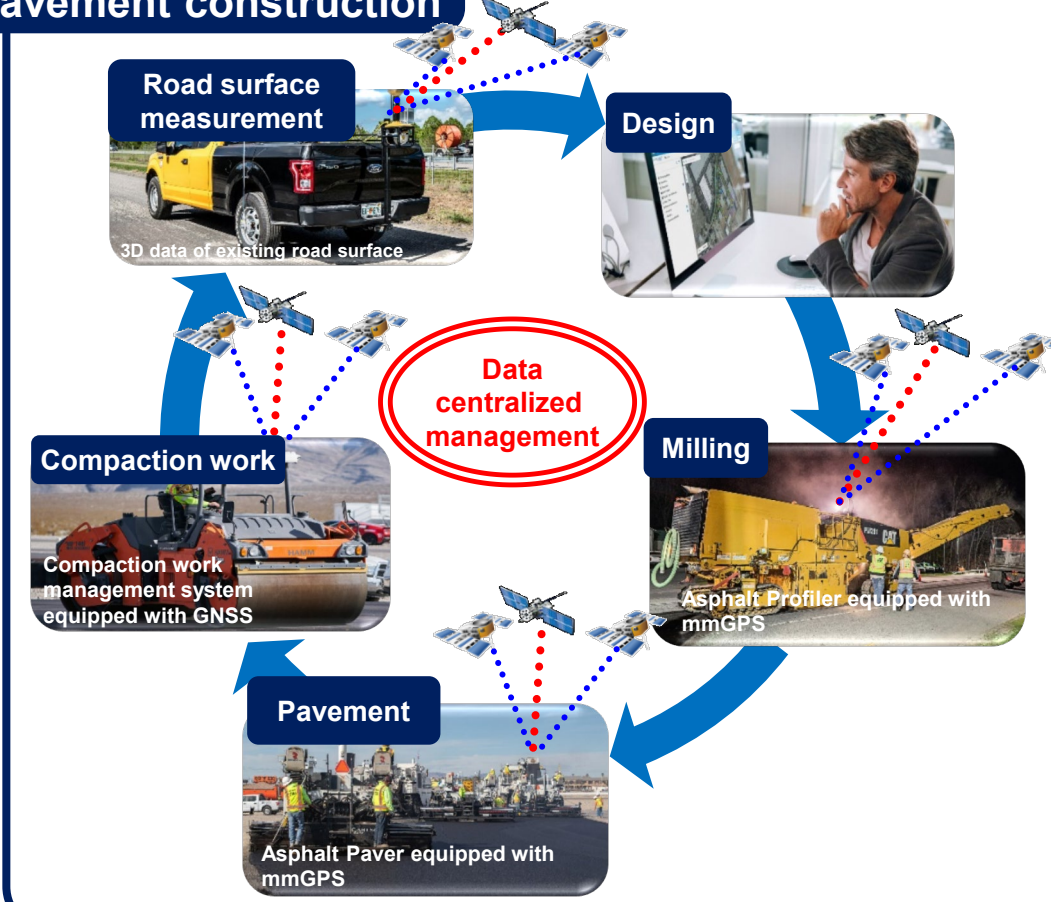
- ✓ Infrastructure Related budget size : Approximately \$1.1 trillion in total
- ✓ Expected to increase of public works over 8 years

Examples of public works



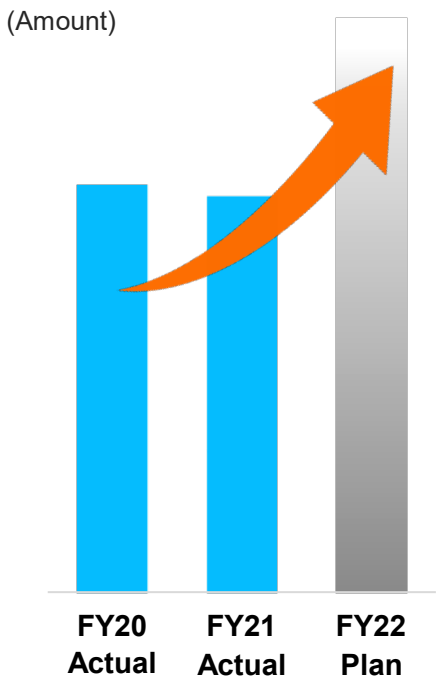
Topcon's strengths: Automation of pavement construction

Our solution covers all phases of pavement construction works



Expectations for future sales contribution

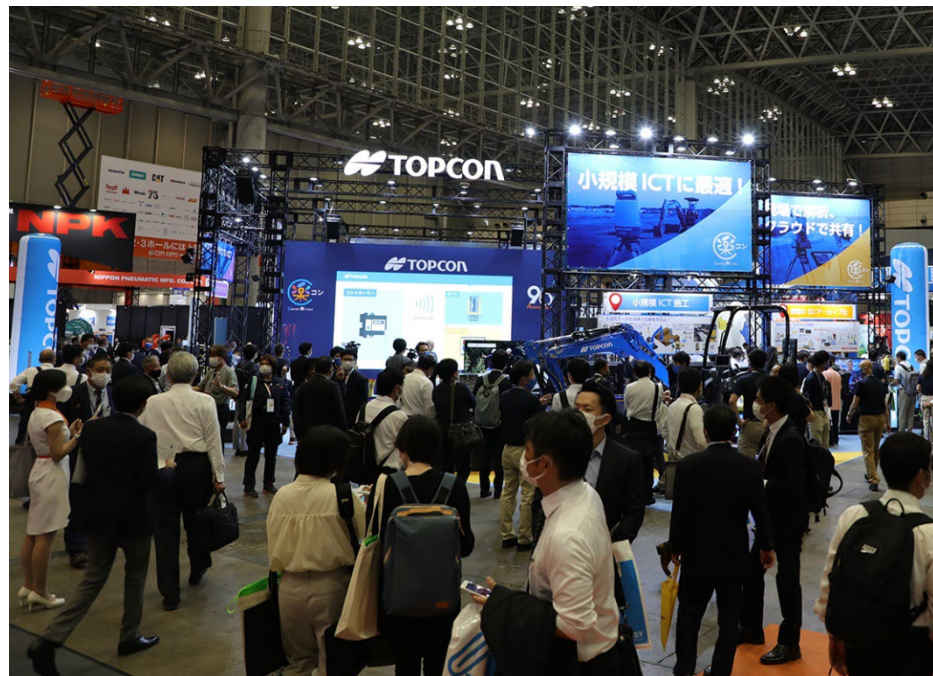
Sales of pavement construction



- Great success of the tie-up exhibition at the Construction & Survey Productivity Improvement Exhibition (CSPI-EXPO)

The 4th CSPI-EXPO 2022

Venue	:MAKUHARI MESSE
Schedule	:May 25-27, 2022
Number of visitors	:More than 40,000



Topcon Booth

“KUI-NAVI SHOVEL*” with strong sales
Multiple construction equipment manufacturers and rental companies showcased at their own booths

* ICT Machine Guidance System



Bringing great synergies from the VISIA acquisition*

Business expansion due to VISIA's product development capability and our global sales network

Post-acquisition progress

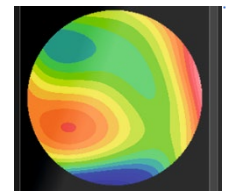
- Expanding sales to major optical chain stores in the U.S. and Europe
- Strengthening the global development structure (collaboration between Italian and Japanese engineers)
- Increasing production capacity (expanded manufacturing space in May 2022)



Strengths in the development and manufacturing of anterior segment examination devices



Anterior segment



Corneal shape analysis

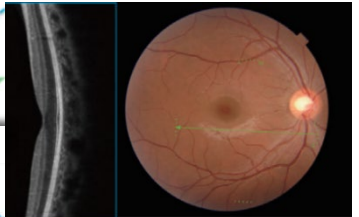


Strengths in development and manufacturing of fundus imaging devices

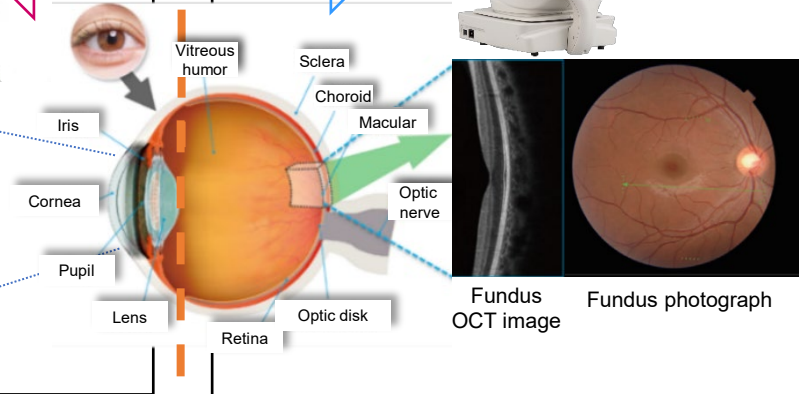


3D OCT-1 Maestro

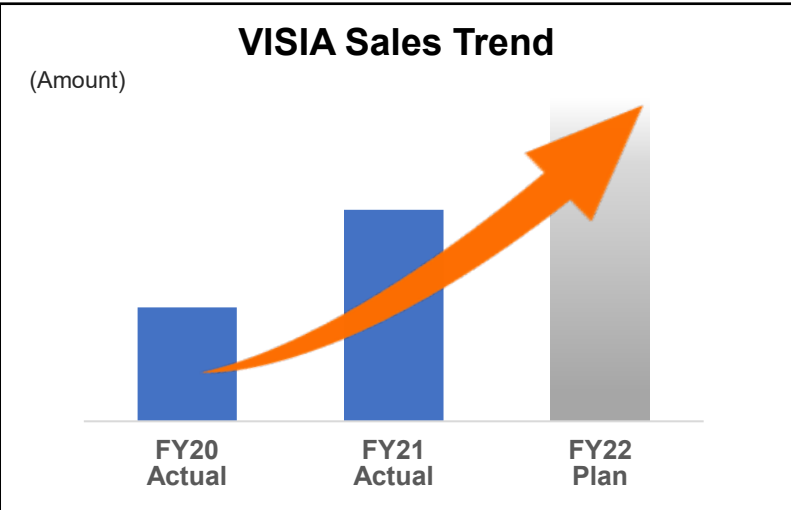
Posterior segment



Fundus OCT image Fundus photograph



*VISIA Imaging (Italy), acquired in July 2021



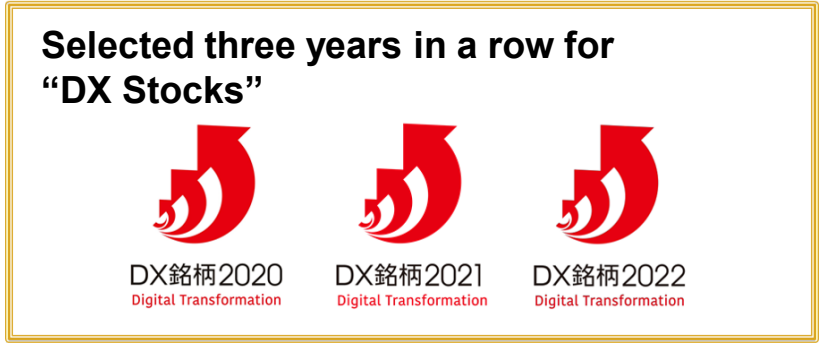
Accelerating Digital Transformation



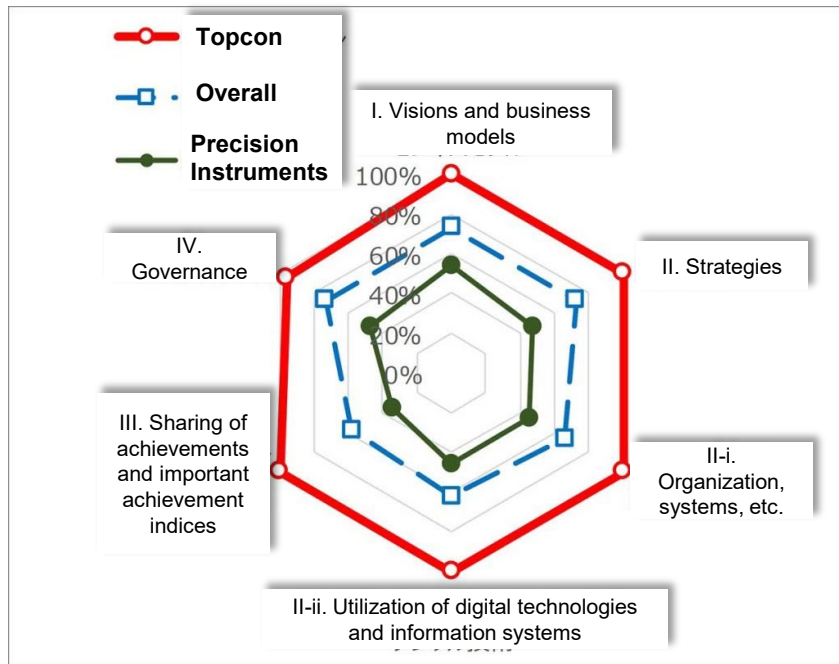
Selected as “DX Stocks 2022” by METI for three consecutive years !

(Announced on 7th of June)

Solving the societal challenges within healthcare, agriculture, and infrastructure through DX solutions is highly acclaimed!!



Out of approx. 3,700 listed companies in Japan, 33 with the highest overall rating were selected as DX stocks



Our overall rating (Source: METI presentation material)

Awards Ceremony for “DX Stocks 2022”

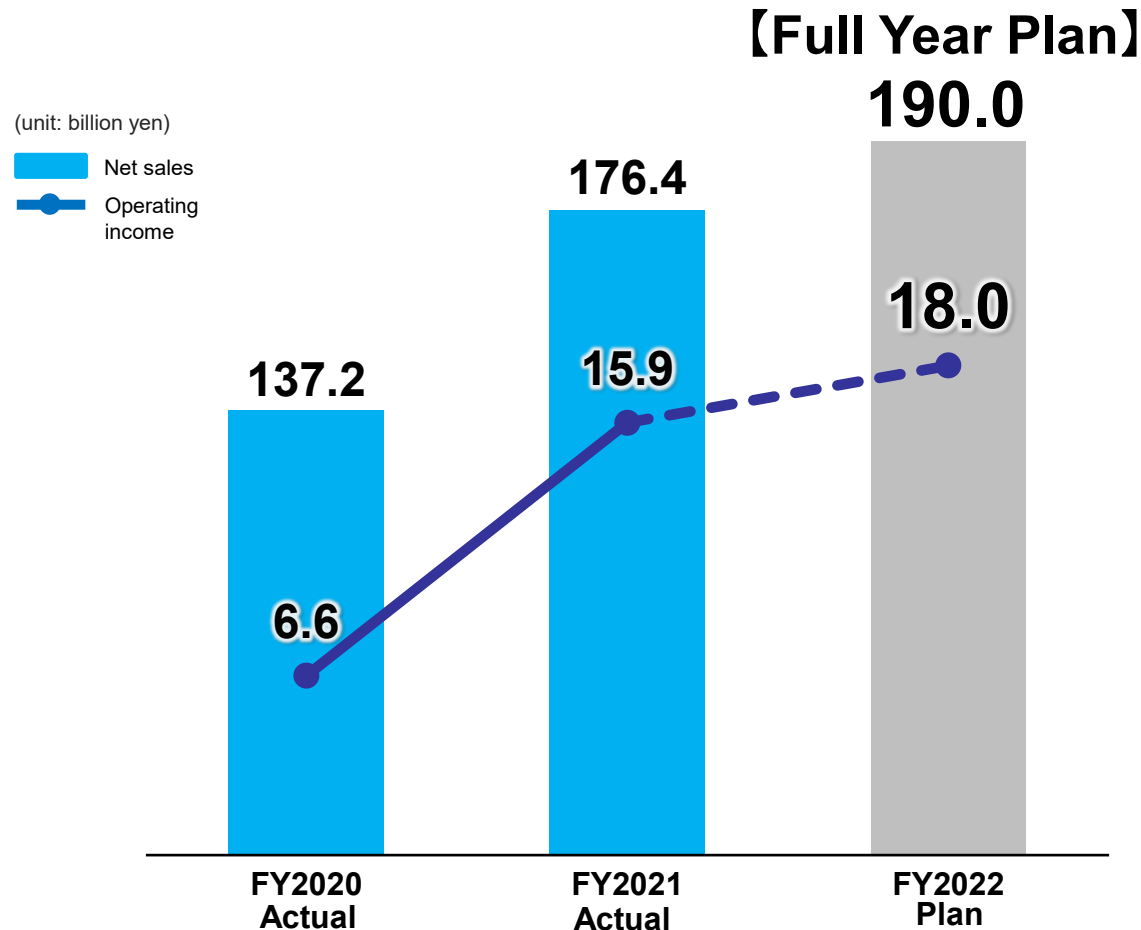


(A hall at the second floor at Tokyo Stock Exchange)

IV. Summary

Summary

■ Sales, Operating Income, and Dividends will be Record High



Capture the strong demand fully despite increasing uncertainty

	Plan	YoY
Net sales	¥190.0B	+8%
Operating Income	¥18.0B	+13%
Ordinary Income	¥17.0B	+15%
Net Income	¥12.0B	+12%
Dividends	¥40	+¥4

Exchange Rate	USD	FY2020 Actual	FY2021 Actual	FY2022 Plan
	USD	¥106.17	¥112.86	¥120.00
(Average)	EUR	¥123.73	¥131.01	¥130.00

Topcon for *Human Life*

世界を丸く。



尖ったDXで、

DX銘柄
3年連続受賞

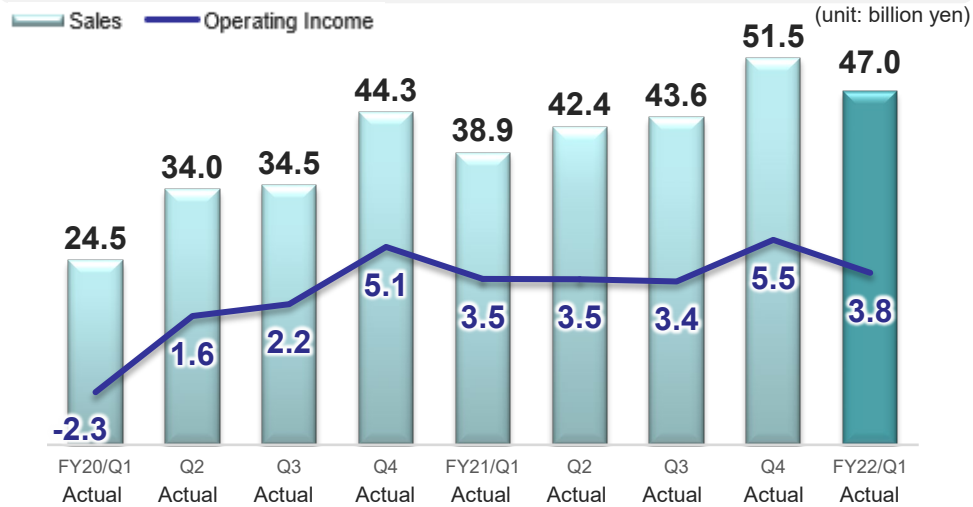


DX銘柄2022
Digital Transformation

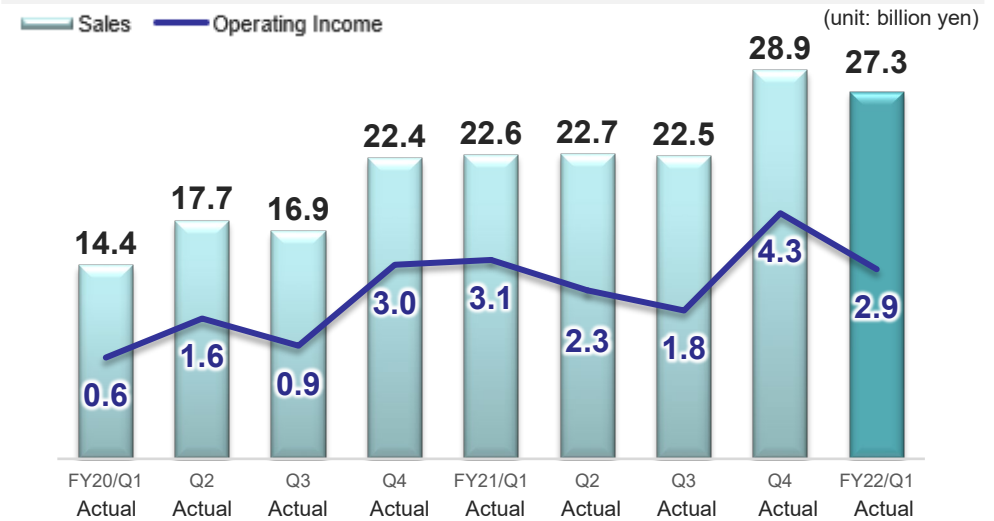
V. Appendix

Financial Results (Quarterly)

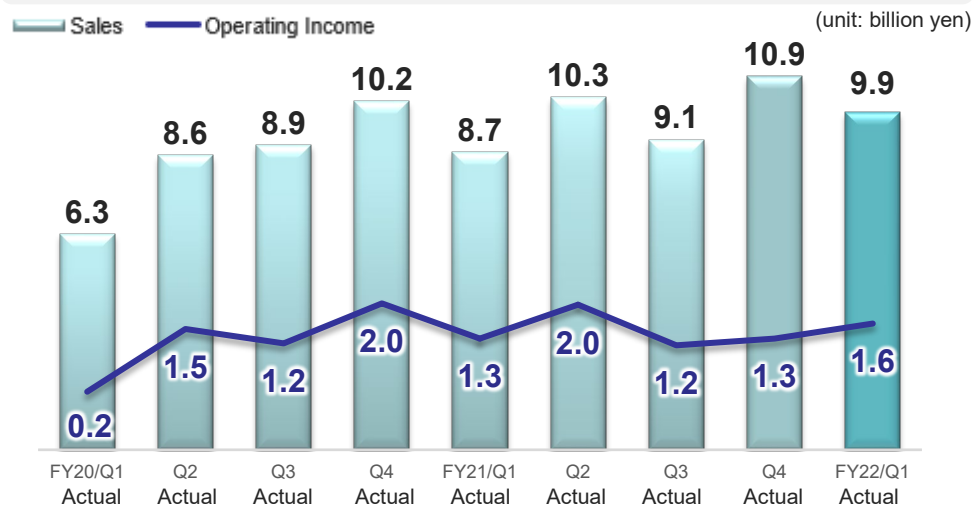
Consolidated



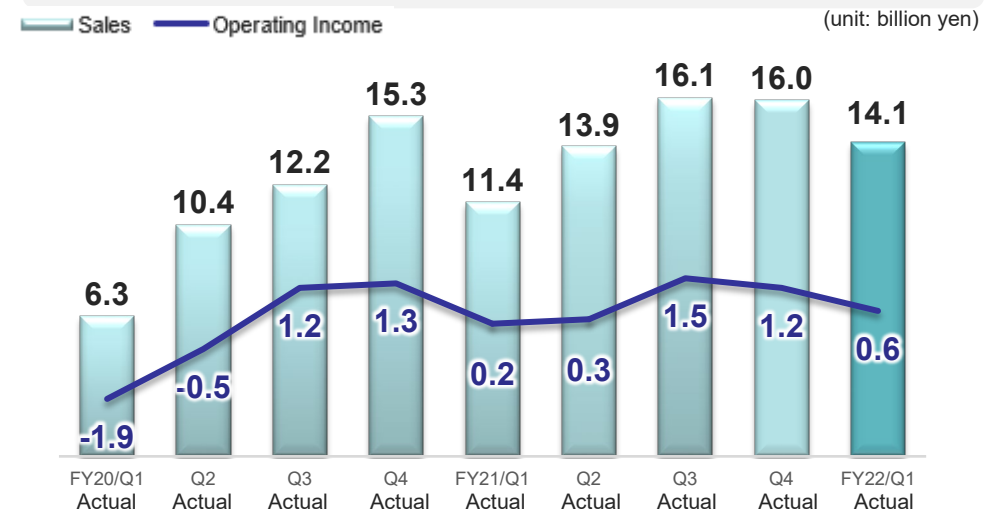
Positioning



Smart Infrastructure



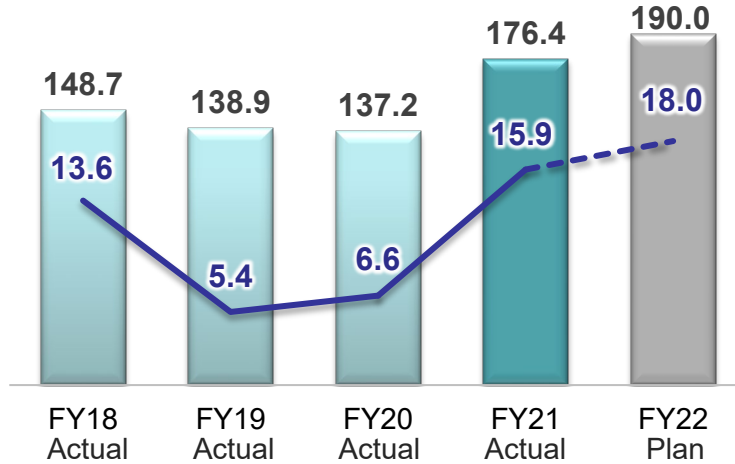
Eye Care



Financial Results and Plan (Annually)

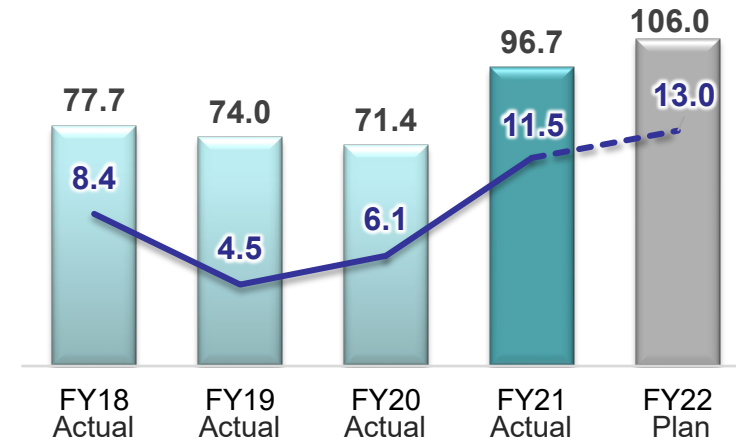
Consolidated

— Sales — Operating Income (unit: billion yen)



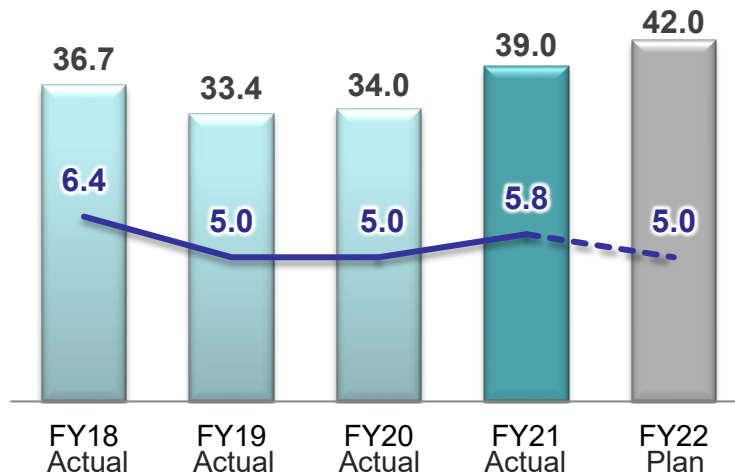
Positioning

— Sales — Operating Income (unit: billion yen)



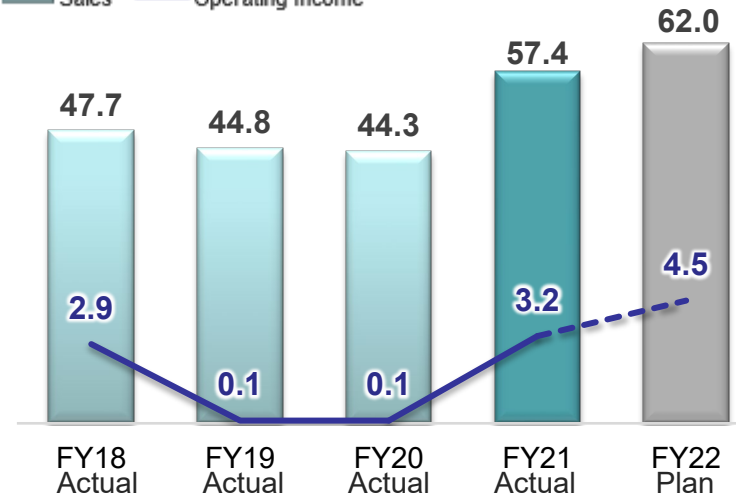
Smart Infrastructure

— Sales — Operating Income (unit: billion yen)

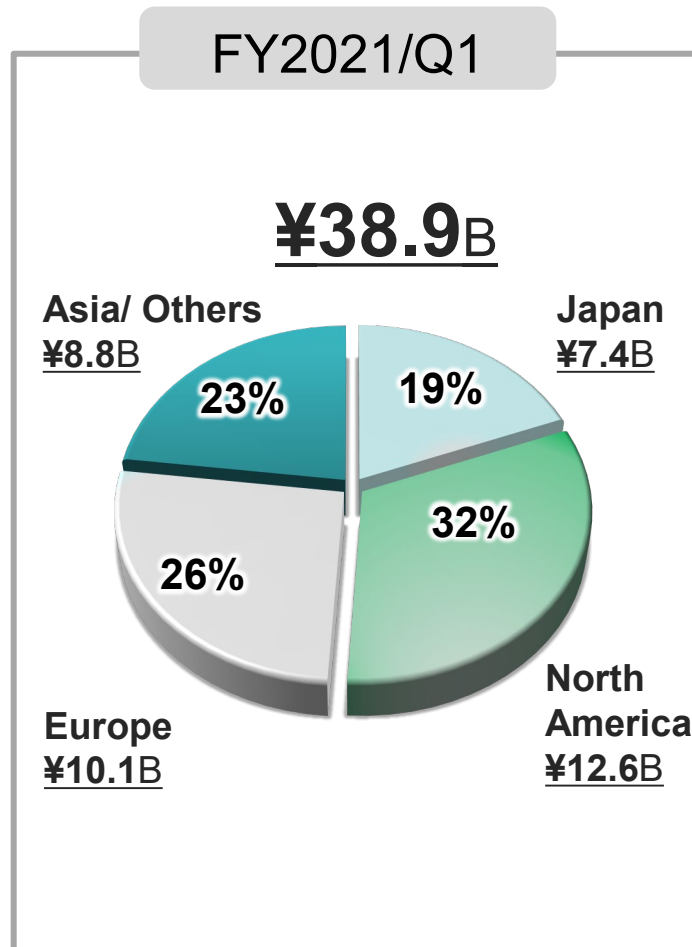


Eye Care

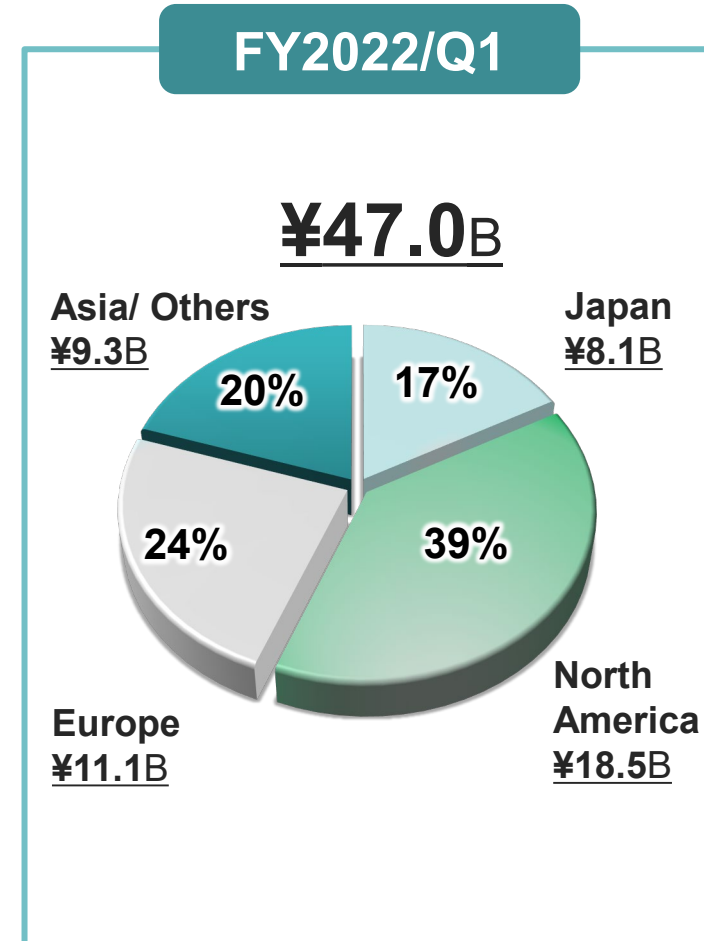
— Sales — Operating Income (unit: billion yen)



Sales by region

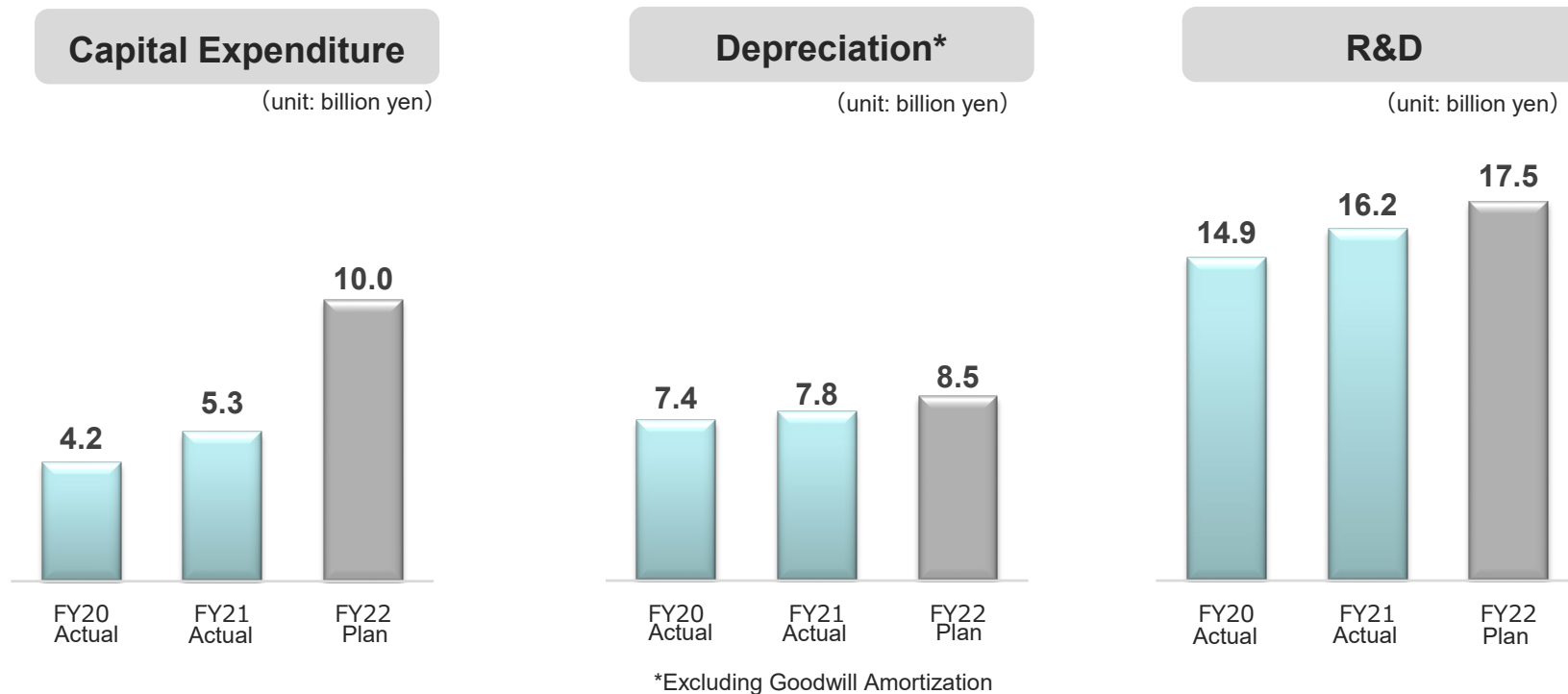


YoY
+21%



Capital Expenditure and R&D / Forex Sensitivity

■ Projections



■ Forex Sensitivity (impact by ¥1 change)

USD : Operating Income ¥0.15B - ¥0.2B


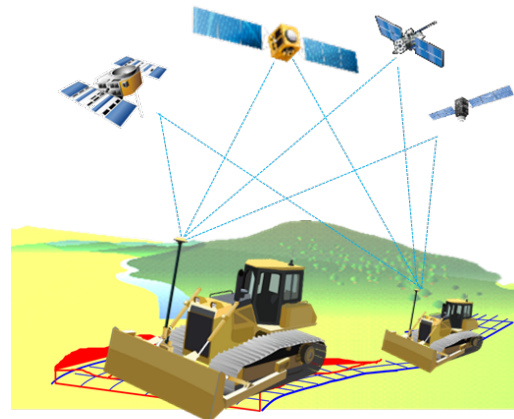
EUR : Operating Income ¥0.07B - ¥0.1B



Initiatives for SDGs: Contribution to CO2 emission reduction

Topcon's automation technologies for construction and farming machinery itself contribute to reduce environmental impact

IT Construction


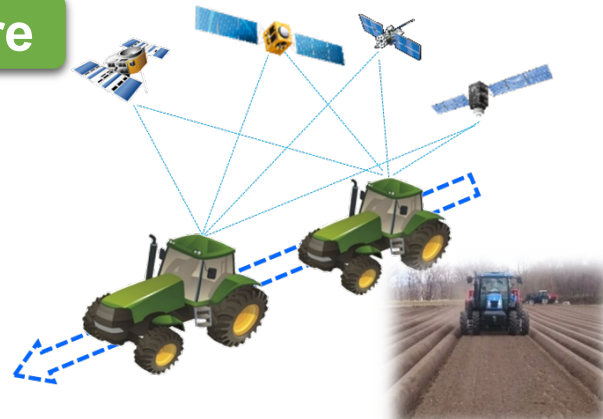



By automating construction machinery, operating time reduced by approximately 30% *1

Reduction in CO2 emission from our products (Topcon's estimation)

Global **600,000 tons/year** *2

IT Agriculture

By Auto Steering System for farming machinery, Operating time reduced by approximately 20% *3

Reduction in CO2 emission from our products (Topcon's estimation)

Global **500,000 tons/year** *4

By leveraging the strength of vendor neutral strategy, penetrate automation technology for existing construction and farming machinery



Expecting further CO2 reduction by spreading of the automation technologies

*1: Source - Ministry of Land, Infrastructure, Transport and Tourism i-Construction promotion consortium
"Progress of i-Construction" (2019)

https://www.mlit.go.jp/tec/i-construction/pdf/03.5_kikaku_siryou6.pdf

*2: Basis of calculation
Based on the numbers with multiplying the estimated annual CO2 emissions per unit of construction machinery and the estimated reduction rate of working hours through the use of ICT, calculating the CO2 emissions reduction multiplying the estimated number of ICT automated construction machinery in operation worldwide and the estimated share of our company.

*i-Construction is a registered trademark of Ministry of Land, Infrastructure, Transport and Tourism's National Institute for Land and Technology Policy.

*3: Source: AEM "The Environmental Benefits of Precision Agriculture in the United States" (2020)
<https://newsroom.aem.org/asset/977839/environmentalbenefitsofprecisionagriculture-2#.YBdQZR2Lc74.link>

*4: Basis of Calculation
Based on the numbers with multiplying the estimated annual CO2 emissions per unit of farming tractor and the estimated reduction rate of working hours through the use of Auto Steering System, calculating the CO2 emissions reduction multiplying the estimated number of tractors with Auto Steering System in operation worldwide and the estimated share of our company.

Non-Financial Information

External evaluation for our Sustainability

2022 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

MSCI Japan Empowering Women Index (WIN)

The index is constructed based on the gender diversity score which is calculated by the data on women's employment disclosures accordance with the Act on Promotion of Women's Participation and Advancement in the Workplace. Companies with high scores in each industry are selected.



■ News release : <https://global.topcon.com/news/10159/>



FTSE Blossom Japan Sector Relative Index

FTSE Blossom Japan Sector Relative Index

The index selects the companies who demonstrate strong environmental, social and governance (ESG) practices relative to their respective sectors.



■ News release : <https://global.topcon.com/news/9664/>



The Third Nikkei SDG Management Survey

Three-and-a-half stars for two consecutive year in the annual survey of SDGs initiative by Nikkei



■ News release : <https://www.topcon.co.jp/sustainability/news/2573/> (only in Japanese language)

Non-Financial Information

- Sustainability page on our website explaining the social issues we addressed and SDGs, etc.

Sustainability

Topcon for Human Life

Topcon Contributes to enrich human life by solving the societal challenges within healthcare, agriculture and infrastructure.



Environmental Initiatives	Societal Initiatives	Corporate governance Initiatives
<ul style="list-style-type: none"> Environmental policy Topcon group environmental vision 2030 Environmental management system ISO 14001-related initiatives Contribution to environmental issues through our businesses Environmental footprint report Green procurement activities Green procurement guidelines 	<ul style="list-style-type: none"> Relationships with stakeholders Human rights Diversity Relationships with employees Quality assurance Basic Procurement Policy Supply-chain CSR deployment 	<ul style="list-style-type: none"> Corporate governance Corporate governance structure Introduction of outside directors Topcon global code of conduct Basic policy for CSR BCP basic policy Privacy policy Topcon group human resources development policy Topcon group safety and health policy Anti-corruption Whistle-blowing system Global export control system

TOPCON & SDGs



Sustainability

- SDGs
- Environmental Initiatives
- Societal Initiatives
- Corporate governance Initiatives
- Social contribution activities
- News/Topics



Topcon's corporate identity is "Topcon contributes to enrich human life by solving the societal challenges within healthcare, agriculture and infrastructure".

Topcon operates businesses in the fields of healthcare, agriculture, and infrastructure, which are essential areas of life for people all over the world.

<p>Helping people live a healthy, comfortable life</p>	<p>Helping feed a growing world</p>	<p>Helping build a strong, sustainable future</p>
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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 26, 2022 at 15:00(UTC+9)

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