

# FY2023 Q3 Financial Results

January 29, 2024

Infrastructure

Agriculture

Healthcare

**TOPCON CORPORATION**

President and CEO  
**Takashi Eto**





## FY2023 Q3 Financial Results Briefing

1. **FY2023 Q3 Financial Results**
2. **FY2023 Full Year Plan**
3. **Scenario for achieving Mid-Term Business Plan 2025**
4. **Appendix**

# Highlight of FY2023 Q3 Financial Results





## ■ Q3 YTD

### Sales flat and Profit decrease

Net Sales **156.9 Billion yen**  
YoY 0%



Operating Income **6.5 Billion yen**  
YoY -53%

### Positioning Business

YoY  
Net Sales   
Operating Income 

Net sales were lower than the plan.  
Profit decreased due to the inability to absorb increased SGA.

### Eye Care Business

YoY  
Net Sales  **(Record High)**  
Operating Income  **(Record High)**

Continued Strong Performance in both Screening and Core business.  
Record High for net sales and profit

## ■ Full Year Plan



### Maintain sales and operating income plan

Net Sales **215.0 Billion yen**  
YoY 0%



Operating Income **13.0 Billion yen**  
YoY -33%

### Advance structural reforms focusing on Positioning Business

Positioning Business  
Assuming the continuation of a challenging business environment, implementing advance structural reforms

YoY  
Net Sales   
Operating Income 

Eye Care Business  
Expecting a record high sales  
Launch sales organization reform.

YoY  
Net Sales   
Operating Income 

### Downward revision of net income Maintain dividend forecast

Net Income **3.0 Billion yen**  
(Plan as of Oct 27<sup>th</sup> : 4.5 Billion yen)

- The additional expense posting of structural reform cost for the growing future business, the net income is revised downward.
- Maintain dividend forecast based on confidence in sustainable growth

# 1. FY2023 Q3 Financial Results

- Financial Results
- Overview of Each Business

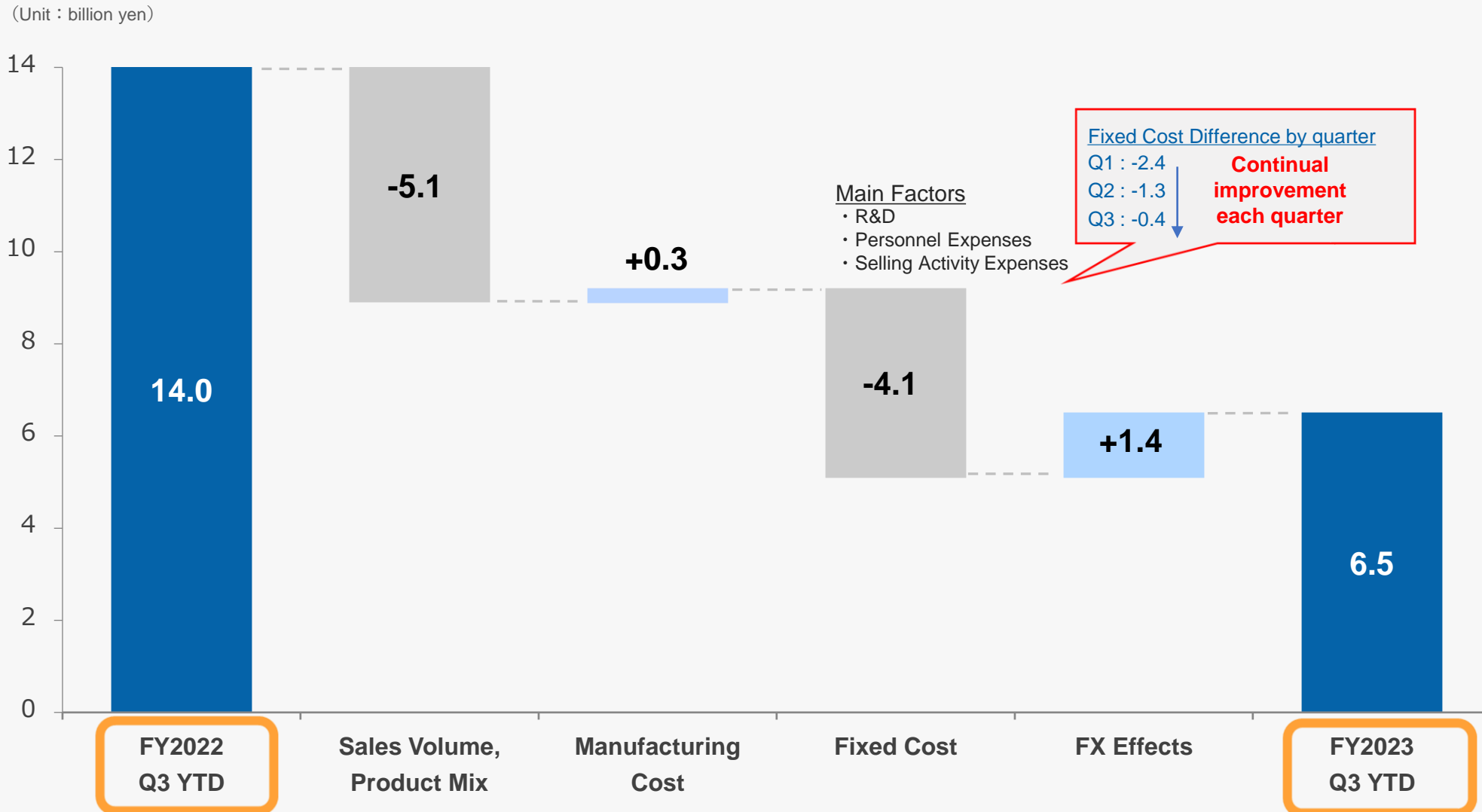
# FY2023 Q3 Financial Results



(Unit : billion yen)	FY2022 Q3 YTD	FY2023 Q3 YTD	YoY	%
Net Sales	156.8	156.9	+0.1	+0%
Gross Profit	81.5	83.2	+1.8	+2%
Gross Profit Ratio	52.0%	53.1%	+1.1pt	
SGA	67.5	76.7	+9.2	+14%
Operating Income	14.0	6.5	-7.5	-53%
Operating Income Ratio	8.9%	4.1%	-4.8pt	
Ordinary Income	12.6	4.6	-8.0	-63%
Extraordinary Losses	-0.5	-3.3	-2.9	-624%
Net income	7.9	0.4	-7.5	-96%
Exchange Rate (Average)	USD ¥135.40	¥142.76	+ ¥7.36	
	EUR ¥140.42	¥155.19	+ ¥14.77	

Including litigation costs (-3.3 billion yen)

# FY2023 Q3 Operating Income YoY Breakdown



# 1. FY2023 Q3 Financial Results

- Financial Results
- Overview of Each Business

# Overview of Each Business [Positioning Business]



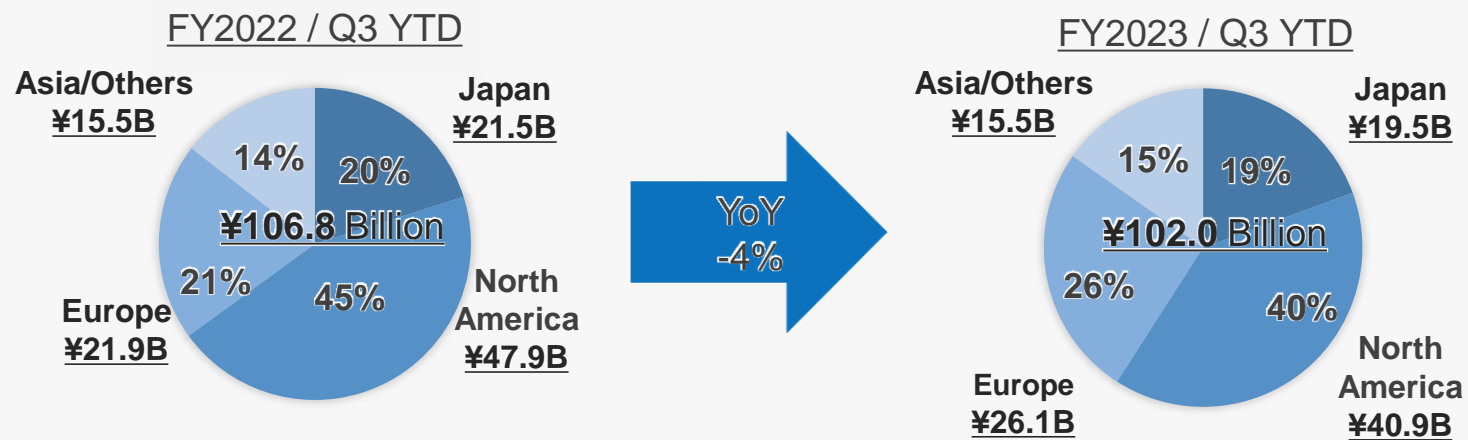
■ Net sales were lower than the plan, profit decreased due to the inability to absorb increased SGA.

## ✓ Sales and Profit

(Unit : billion yen)

		FY2022	FY2023	YoY	%
		Q3 YTD	Q3 YTD		
	Net Sales	106.8	102.0	-4.8	-4%
Positioning Business	Operating Income	14.3	5.9	-8.4	-59%
	Operating Income Ratio	13.4%	5.8%	-7.6pt	-
Exchange Rate	USD	¥135.40	¥142.76	+ ¥7.36	
(Average)	EUR	¥140.42	¥155.19	+ ¥14.77	

## ✓ Sales by Region







## ■ Review of Financial Results

### **Overall**

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- ✓ Sluggish sales due to the stagnant housing construction market in North America and the prolonged impact of holding off on purchases under economic uncertainty
- ✓ Reactionary decline in special large demand in the previous year
- ✓ Continue the focus on reducing SGA

### **ICT Construction・IT Agriculture**

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- ✓ ICT Construction: OEM sales remained stable except for a reactionary decline in special large demand in the previous year, while aftermarket sales were stagnant due to the prolonged impact of holding off on purchases.
- ✓ IT Agriculture: OEM sales remained steady, but aftermarket sales declined due to decreasing grain prices and remaining at high interest rates
- ✓ Demand for both ICT Construction and IT Agriculture remained firm in Japan for the spread of automation.

### **Surveying and laser products**

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- ✓ Hold off on purchases due to the stagnant housing construction market in North America and economic uncertainty
- ✓ Japan is steady, Asia continues recovery trend.

# Overview of Each Business [Eye Care Business]

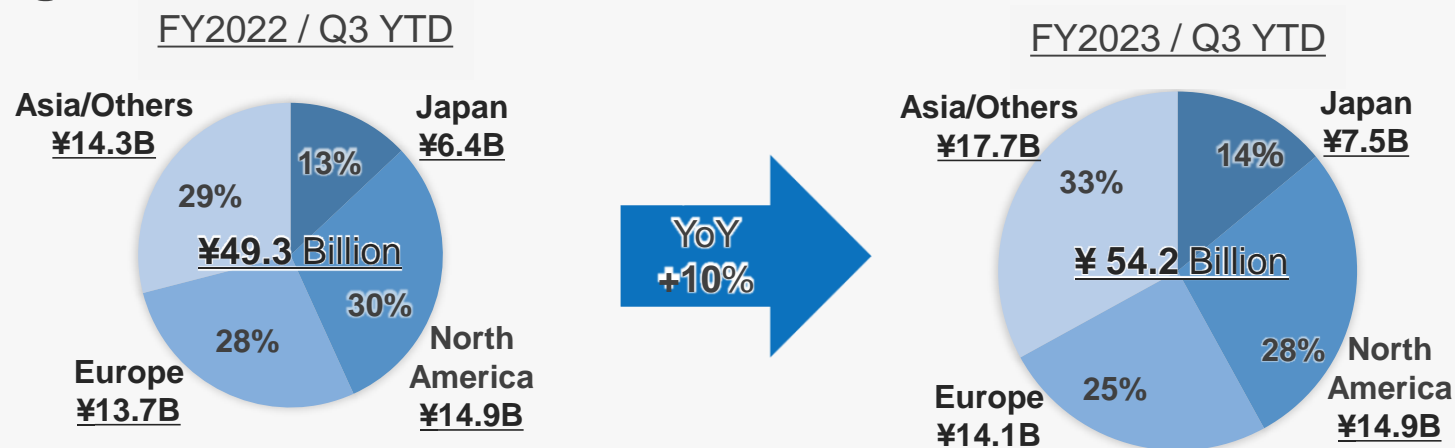


- Continued Strong Performance in both Screening and Core business, **Record High** for net sales and profit

## ✓ Sales and Profit

(Unit : billion yen)		FY2022	FY2023	YoY	%
		Q3 YTD	Q3 YTD		
Eye Care Business	Net Sales	49.3	<b>54.2</b>	+4.9	+10%
	Operating Income	3.3	<b>4.2</b>	+0.9	+26%
	Operating Income Ratio	6.8%	7.7%	1.0pt	
Exchange Rate (Average)	USD	¥135.40	¥142.76	+ ¥7.36	
	EUR	¥140.42	¥155.19	+ ¥14.77	

## ✓ Sales by Region





## ■ Review of Financial Results

### **Overall**

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- ✓ Major optical chain stores in the U.S. and Europe continue stable capex investment, while small to mid sized optical stores tend to hold off purchases due to remaining at high interest rates
- ✓ In China, higher sales were driven by growth in sales to private hospitals, despite the ongoing impact of the anti-corruption campaign
- ✓ Profits increased as SG&A expenses were kept under control while maintaining investment in the growth of Shared Care Services

### **Screening Business**

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- ✓ Steady growth in sales of screening equipment to major optician chain stores
- ✓ A new fundus camera, NW500 is good reputation for both screening and ophthalmology, and sales continue to exceed the plan

### **Optometry and diagnostic equipment**

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- ✓ Continued expansion of sales to major optician chain stores by leveraging the strengths of the Screening Business



## 2. FY2023 Full Year Plan



- Implementing structural reforms ahead of schedule in Q4, revising current net profit downwards due to the additional recording of related expenses
- Maintaining Dividend forecast

✓ **Assumptions for Full Year Plan**

- Maintain Net Sales and Operating Income plans despite a challenging business environment forecast due to remaining at high U.S. interest rates and a heightening of geopolitical risks
- Accelerate the implementation of the structural reforms outlined in the Mid-Term Business plan, focusing on the Positioning business, in response to address the unexpected downturn in the market conditions
- Maintain Dividend outlook based on projections of sustainable business growth and the effects of structural reforms for the next fiscal year

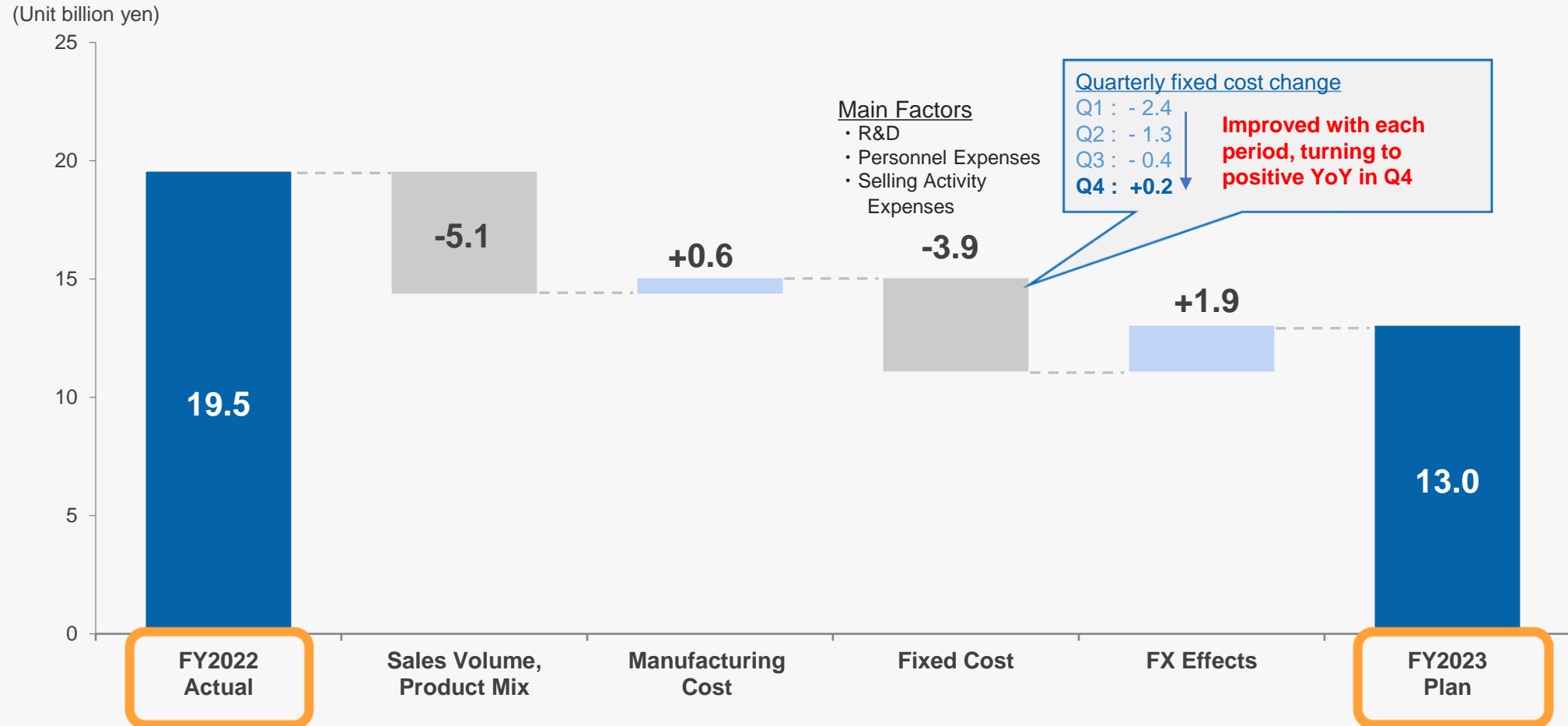
✓ <b>Revised Plan</b>	Previous Plan	Revised Plan		FY2022
	(As of October 27)	(As of January 29)	Change	Actual
Net Sales	¥215.0B	<b>¥215.0B</b>	-	¥215.6B
Operating Income	¥13.0B	<b>¥13.0B</b>	-	¥19.5B
Ordinary Income	¥11.0B	<b>¥11.0B</b>	-	¥17.8B
Net Income	¥4.5B	<b>¥3.0B</b>	-1.5 B	¥11.8B
Dividends	¥42	<b>¥42</b>	-	¥42
Dividend Payout Ratio	98%	<b>147%</b>	+49pt	37%

Exchange rate assumption of Q4: US\$= 140 yen / EUR=150 yen

# FY2023 Full Year Plan Operating Income YoY Breakdown



- Accelerate the implementation of the structural reforms outlined in the Mid-Term Business plan, focusing reduction of fixed cost



# FY2023 Full Year Plan by Business



(Unit: billion yen)		Previous Plan	Revised Plan		Overview
		(As of October 27)	(As of January 29)	Change	
Positioning Business	Net Sales	139.0	<b>138.0</b>	-1.0	<ul style="list-style-type: none"> <li>• Business environment expected to remain challenging</li> <li>• Impact of the SGA reduction on profits will be limited in FY2023 and is expected to be a positive contribution thereafter</li> </ul>
	Operating Income	12.5	<b>11.5</b>	-1.0	
	Operating Income Ratio	9.0%	8.3%		
Eye Care Business	Net Sales	75.0	<b>76.0</b>	+1.0	<ul style="list-style-type: none"> <li>• Sales are expected to remain favorable</li> <li>• Continued management and control SGA</li> </ul>
	Operating Income	5.0	<b>6.0</b>	+1.0	
	Operating Income Ratio	6.7%	7.9%		

Exchange rate assumption of Q4: US\$= 140 yen / EUR=150 yen

### 3. Scenario for achieving Mid-Term Business Plan 2025

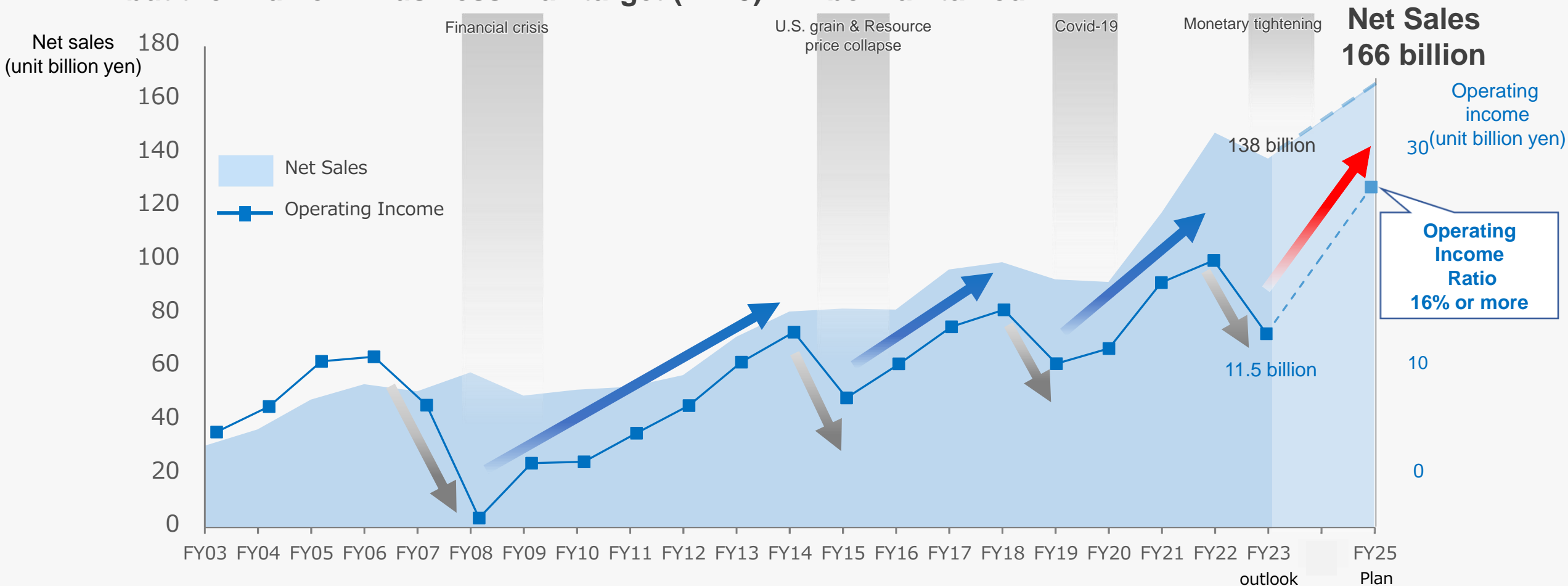
- **Positioning Business: Trajectory of Sustainable Growth**
- Eye Care Business: Blossoming in Upfront Investment
- Structural Reforms
- Mid-Term Business Plan 2025 Outlook



# 【Positioning Business】Trajectory of Sustainable Growth



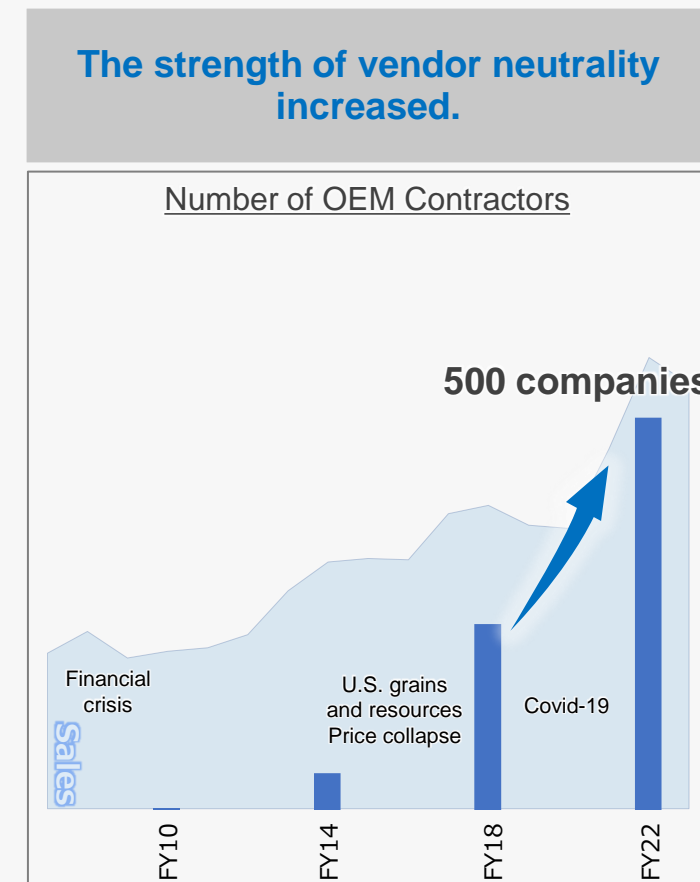
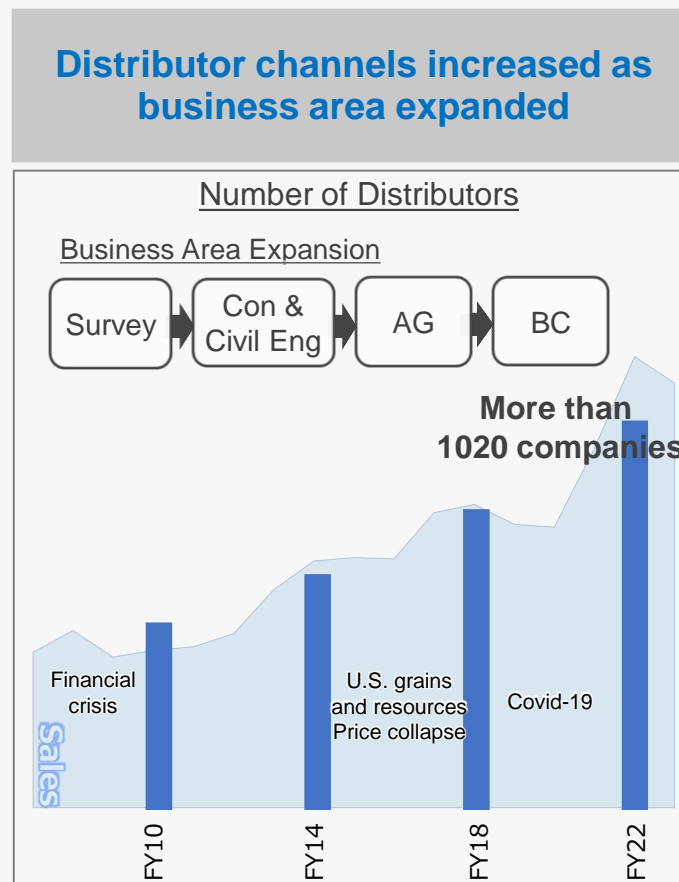
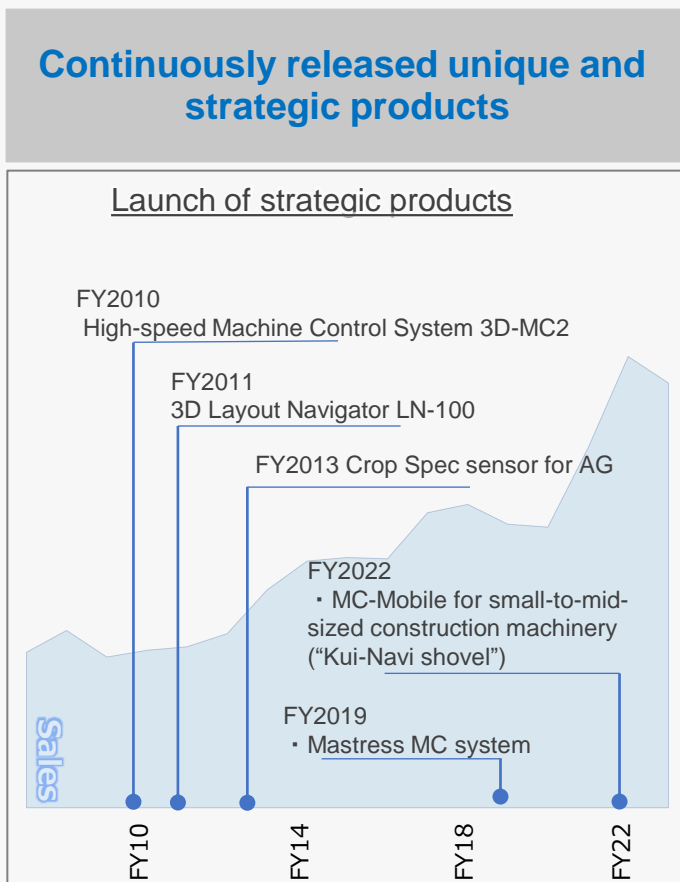
- Although affected ahead of the economic recession, **achieves strong performance growth during the economic recovery phase, resulting in sustainable growth.**
- FY23 outlook is temporarily stagnant due to the impact of the high interest rate in the U.S., but the **Mid-Term Business Plan target (FY25) will be maintained.**



# 【Positioning Business】Trajectory of Sustainable Growth



- Increase growth potential by expanding the business foundation
- Through the implementation of various strategies such as product, sales network, and OEM business, will break through the wave of the economic cycle and achieve long-term business growth.



Con & Civil Eng : Construction & Civil Engineering / AG : Agriculture / BC : Building Construction

### 3. Scenario for achieving Mid-Term Business Plan 2025

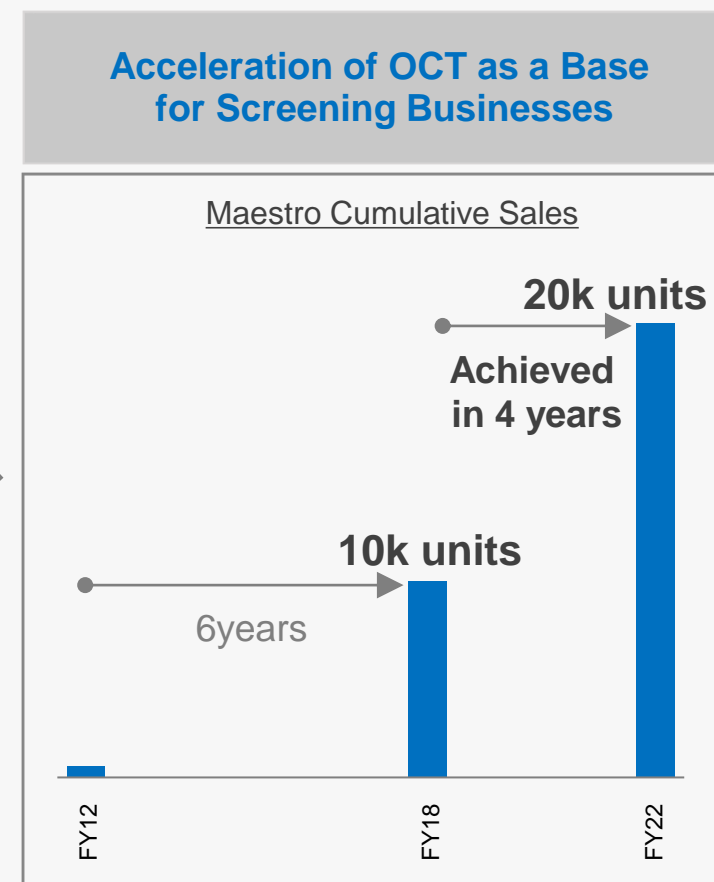
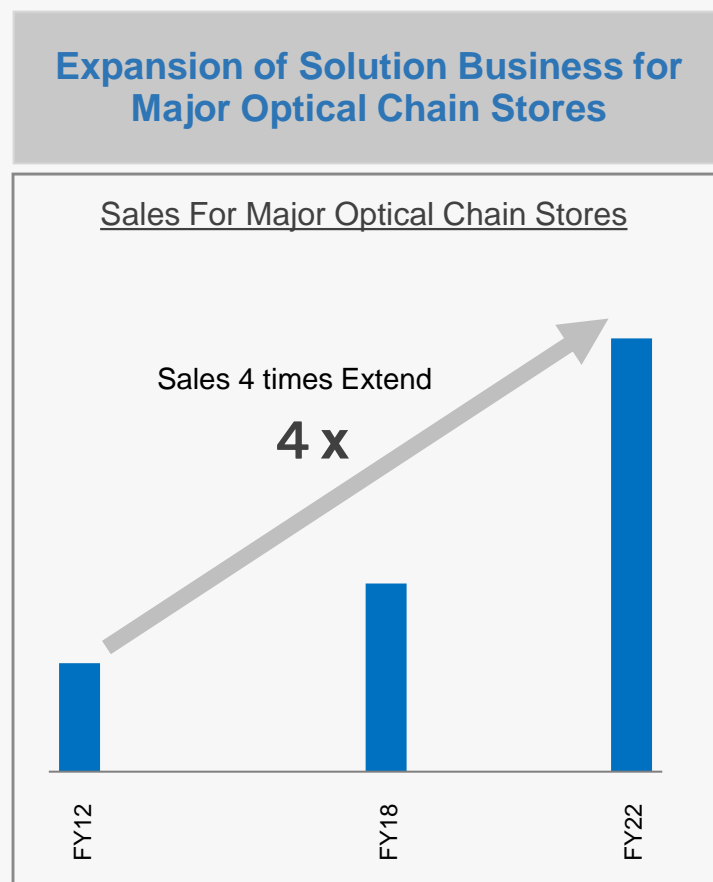
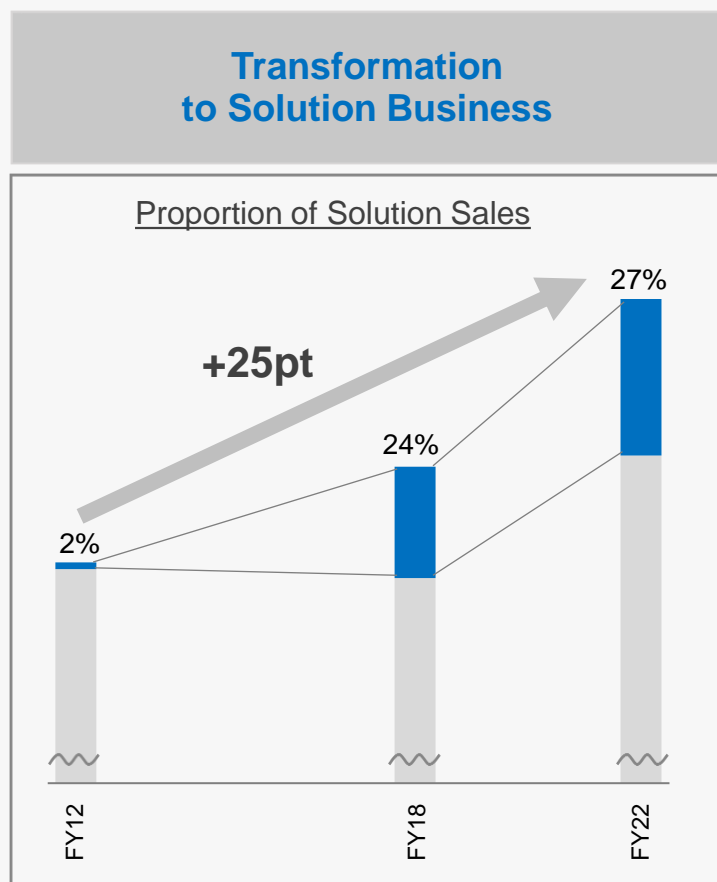
- Positioning Business: Trajectory of Sustainable Growth
- **Eye Care Business: Blossoming in Upfront Investment**
- Structural Reforms
- Mid-Term Business Plan 2025 Outlook



# 【Eye Care Business】Blossoming in Upfront Investment



- Scenario to growth phase is unchanged.
- Expansion of the Screening Business Base through the deployment of solution business



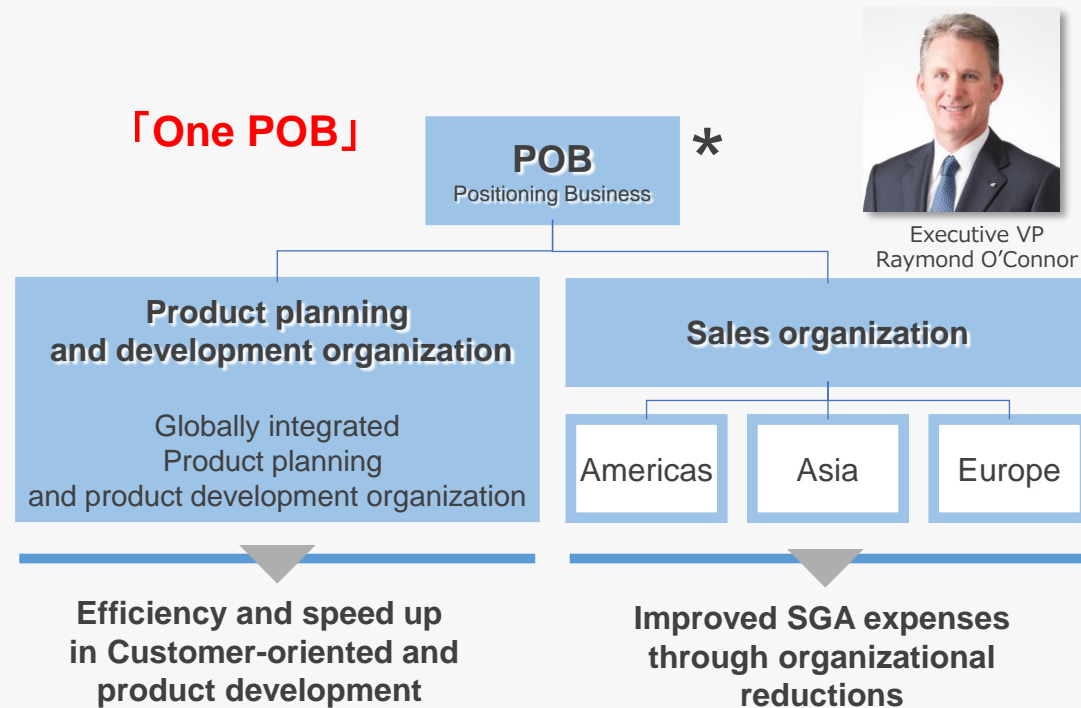
### 3. Scenario for achieving Mid-Term Business Plan 2025

- Positioning Business: Trajectory of Sustainable Growth
- Eye Care Business: Blossoming in Upfront Investment
- **Structural Reforms**
- Mid-Term Business Plan 2025 Outlook

# Structural Reforms: Organizational Reform and Fixed Cost Reduction



- Positioning Business: Promoting **One POB (Business Integration)**, building a lean organizational structure while maintaining sustainable growth
- Eye Care Business: **Strengthening Profitability through business model transformation** to solutions business and sales organizational reform



\* Raymond O'Connor as General Manager of POB: One of the founders of the positioning business, building the growth business (ICT construction and IT agriculture) from scratch, and is the biggest contributor to Topcon's business expansion. In 2013, he was inducted into the AEM (Association of Equipment Manufacturer) Hall of Fame.

# Structural Reforms: Organizational Reform and Fixed Cost Reduction



- Achievement of FY25 sales plan and reduction of SG&A expenses ratio by 7% or more

## Fixed Cost Reduction Items

### Organizational Reduction

- ✓ Positioning Business: Workforce Reduction
- ✓ Eye Care Business: Operational Reform / Workforce Reduction

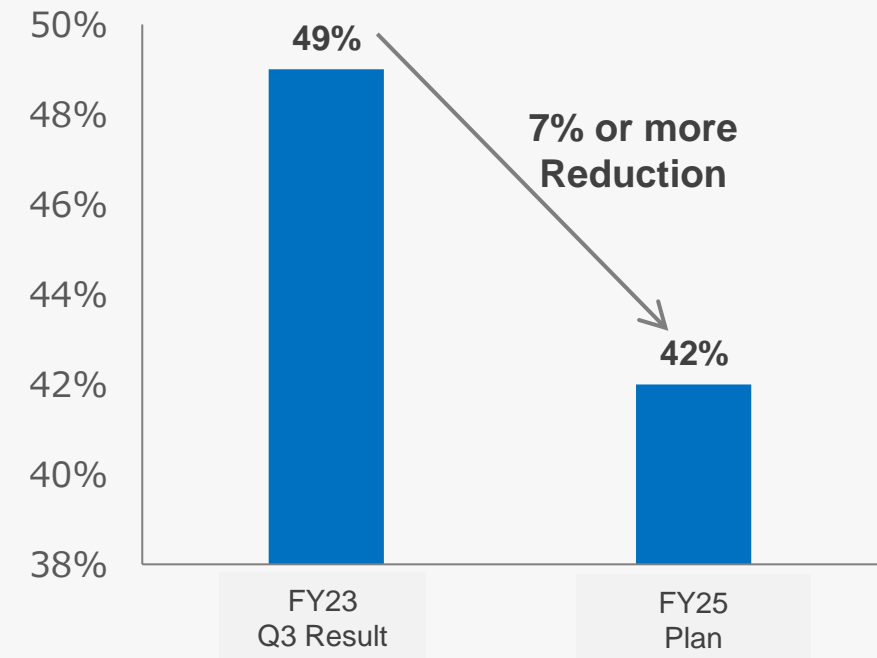
### Efficiency and Speed Up of Product Planning and Development

- ✓ Positioning Business: Realignment of technical organizations globally and reform of the development process
- ✓ Eye Care Business: Strengthening of global planning & development base collaboration, rationalization of development and regulatory processes
- ✓ Increase in development efficiency through IT digital utilization

### Facility Winding Down and Business Withdrawals

- ✓ Winding Down of Moscow Office (Workforce Reduction)
- ✓ Divestiture of certain low-profitable business

## SG&A Ratio





# Structural Reforms: Improving Production Efficiency



- In line with Mid-Term Business Plan 2025, focusing on the investment in our main factories.
- In addition to **improving production efficiency by 20%** through automation, preparing for business expansion by **increasing production capacity by 50%** at both factories in addition to increasing production facilities.



Main Domestic Factory

➔ Expansion of the Third Factories



Improvement of production efficiency

**+20%**

- ✓ Automation
- ✓ Digitization
- ✓ Concurrent Engineering
- ✓ Repositioning the Functions of Each Production Site  
(Ex: the factory in headquarters shifted its manufacturing functions to prototype development functions.)



Increase production facilities

**+20%**

**50% increase in production capacity**



Display Factory for Construction and Agricultural Machinery

➔ Construction of a New Factory



improvement of production efficiency

**+20%**

- ✓ Automation
- ✓ Digitization



Increase production facilities

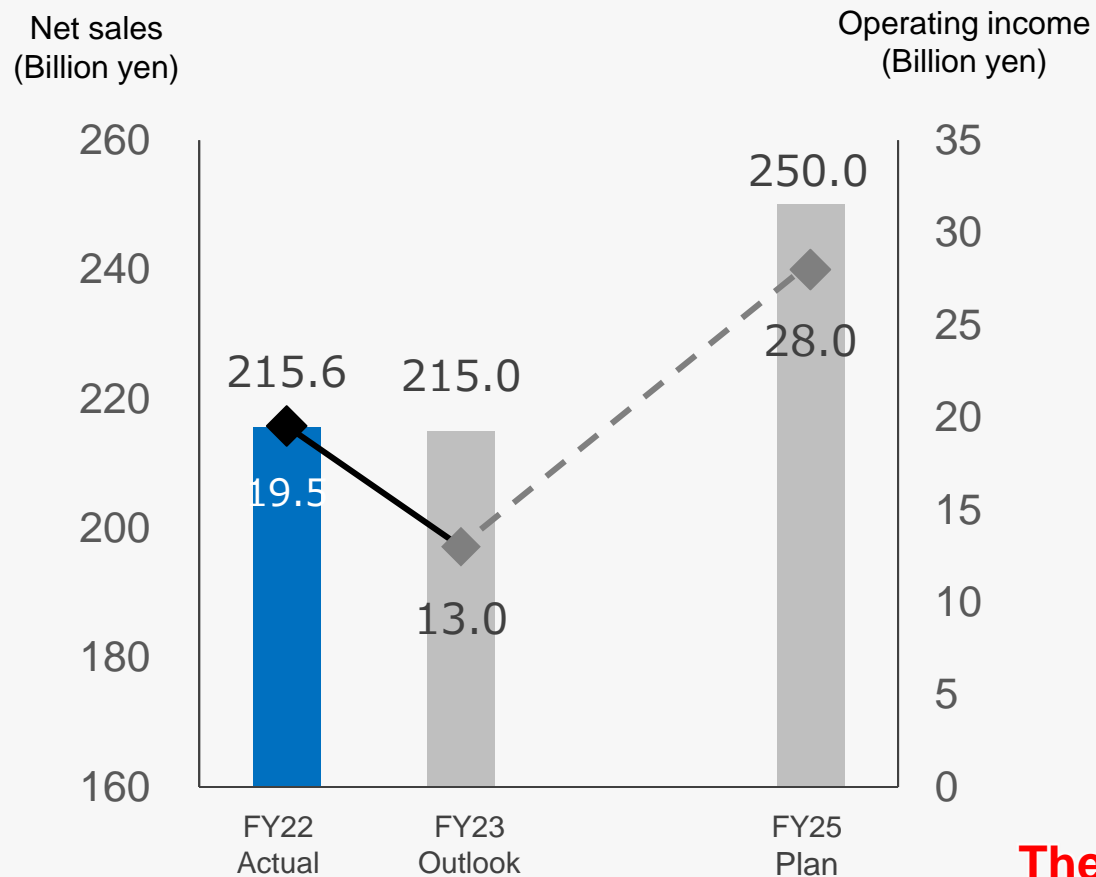
**+20%**

**50% increase in production capacity**

### 3. Scenario for achieving Mid-Term Business Plan 2025

- Positioning Business: Trajectory of Sustainable Growth
- Eye Care Business: Blossoming in Upfront Investment
- Structural Reforms
- **Mid-Term Business Plan 2025 Outlook**

# Outlook for Mid-Term Business Plan 2025

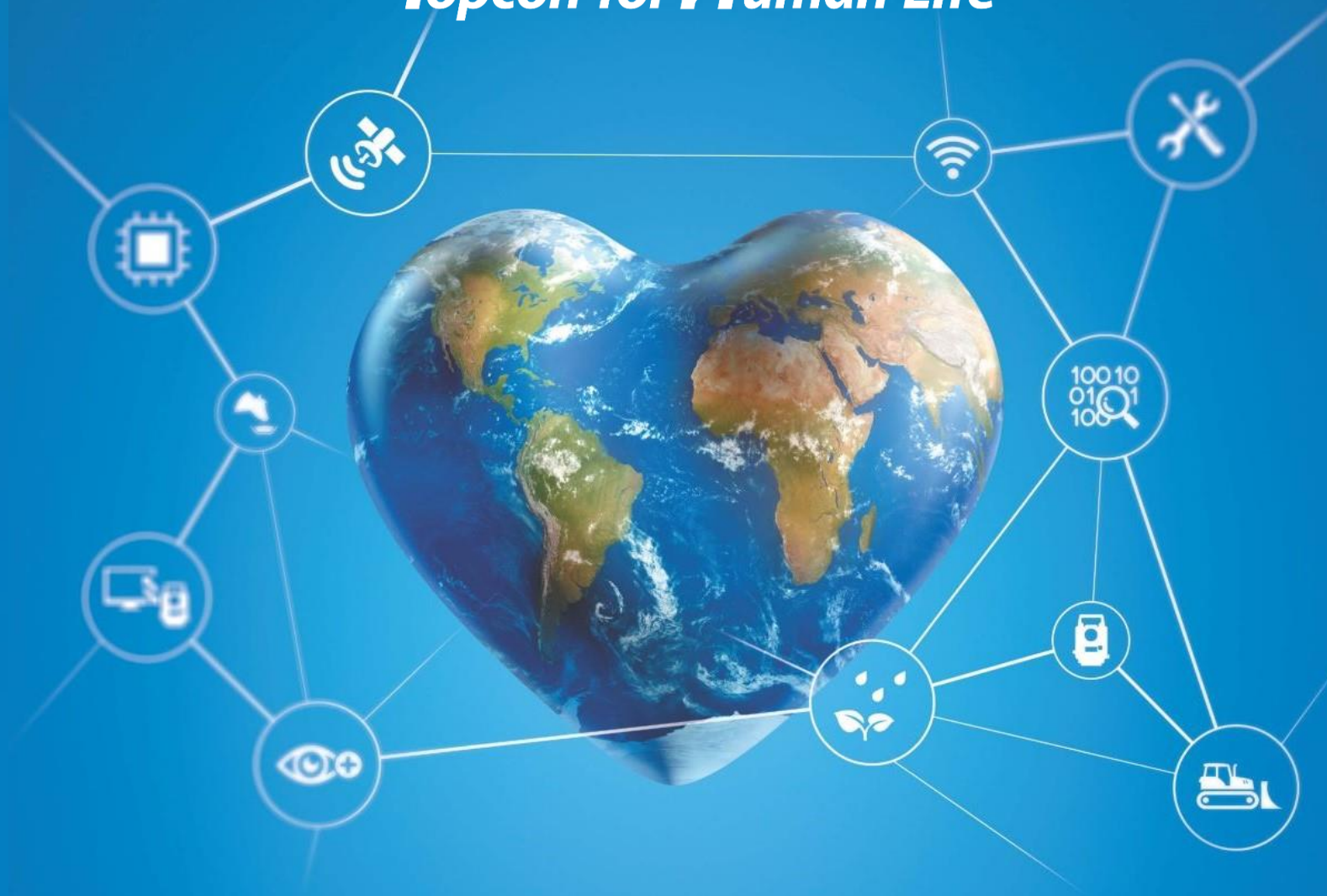


- **Societal Challenges**  
Unchanging Demand for Labor Shortage, Global Aging, Infrastructure Resilience, Disaster Recovery, etc.
- **Positioning Business**  
Due to the impact of the economic cycle, the business performance of FY23 has temporarily stagnated. Confident of sustained growth acceleration.
- **Eye Care Business**  
Upfront investment in the screening business has blossomed, with an outlook for record high sales in FY23, going into the growth phase.
- **Structural Reforms**  
Responding to the current economic situation and strengthen our resilience to make further strides by reducing costs through structural reforms.



**The goals of Mid-Term Business Plan 2025 remain unchanged**

# Topcon for *Human Life*



A digital transformation  
with a human touch



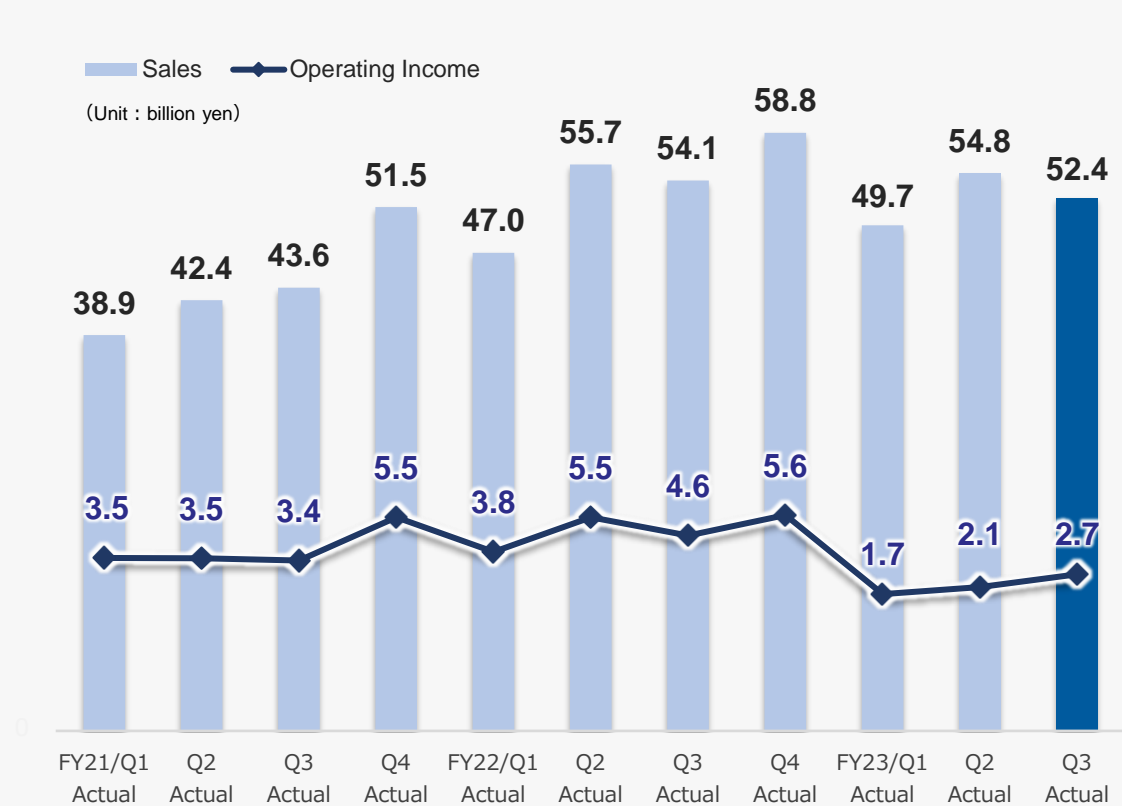
## 4. Appendix

# Financial Results

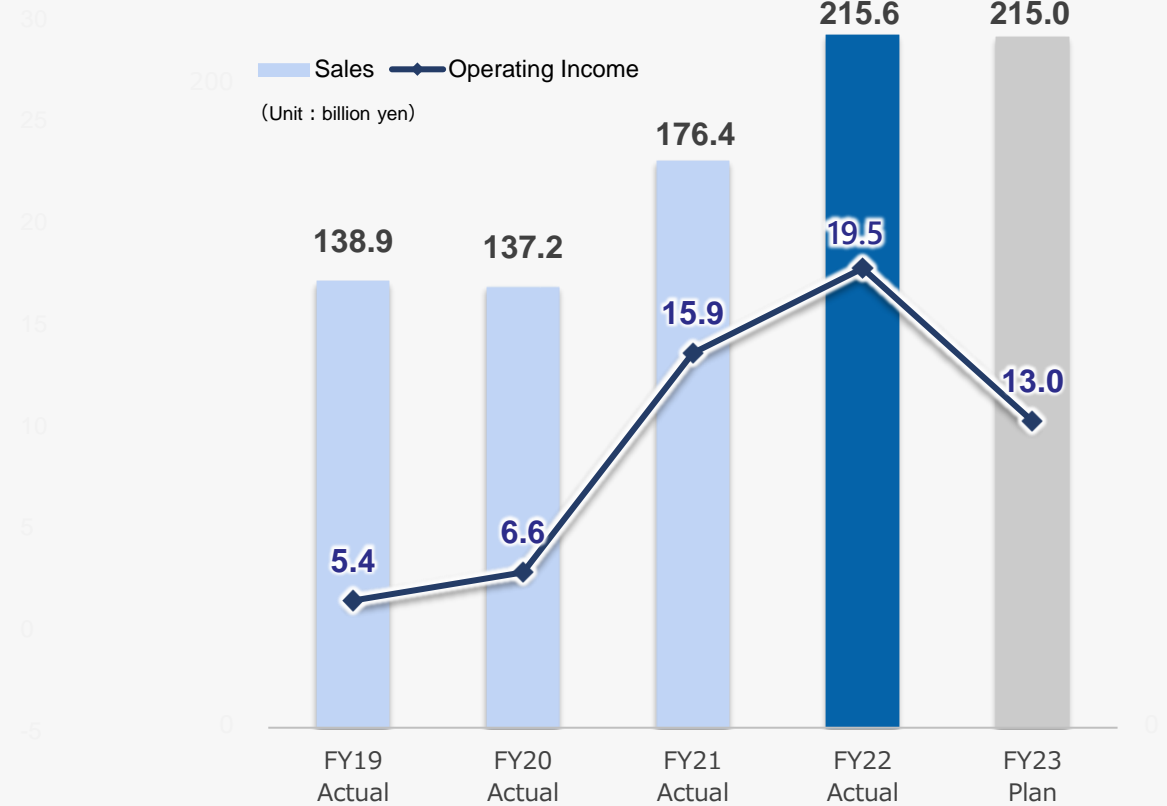


## Consolidated

### Quarterly



### Annually

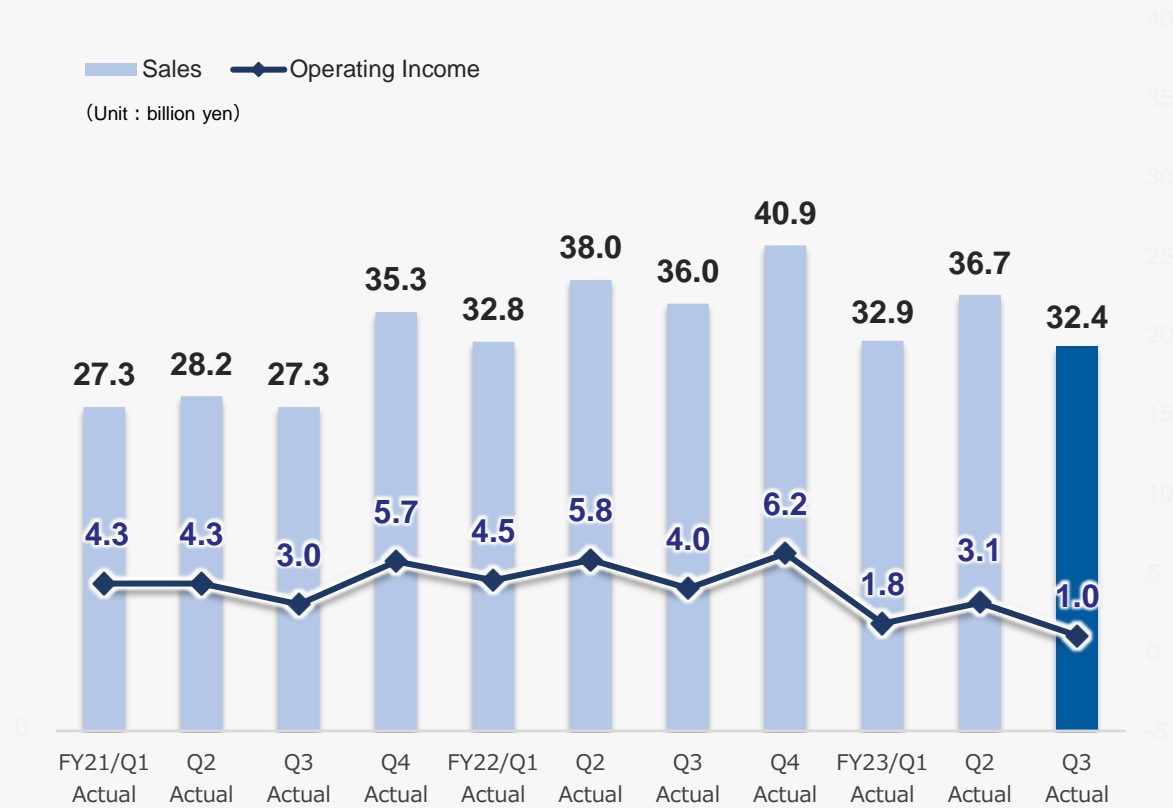


## ■ Positioning Business

### Quarterly

■ Sales ◆ Operating Income

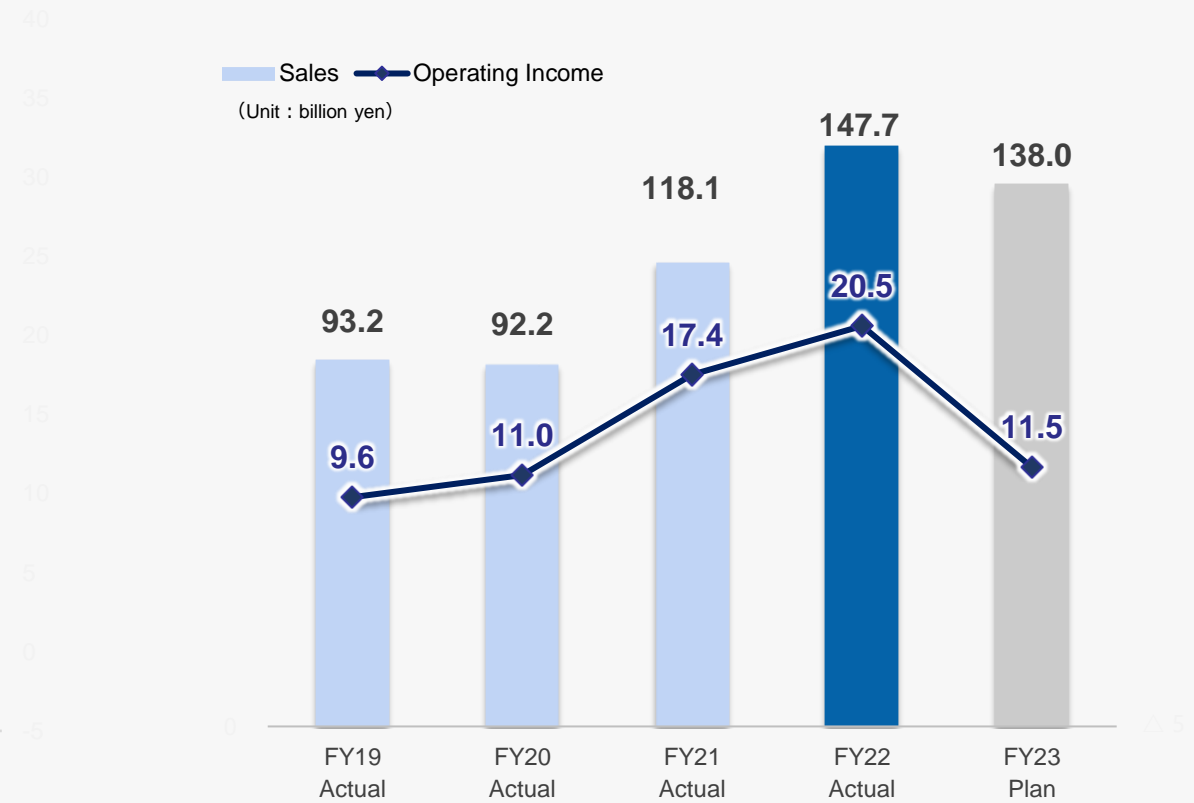
(Unit : billion yen)



### Annually

■ Sales ◆ Operating Income

(Unit : billion yen)

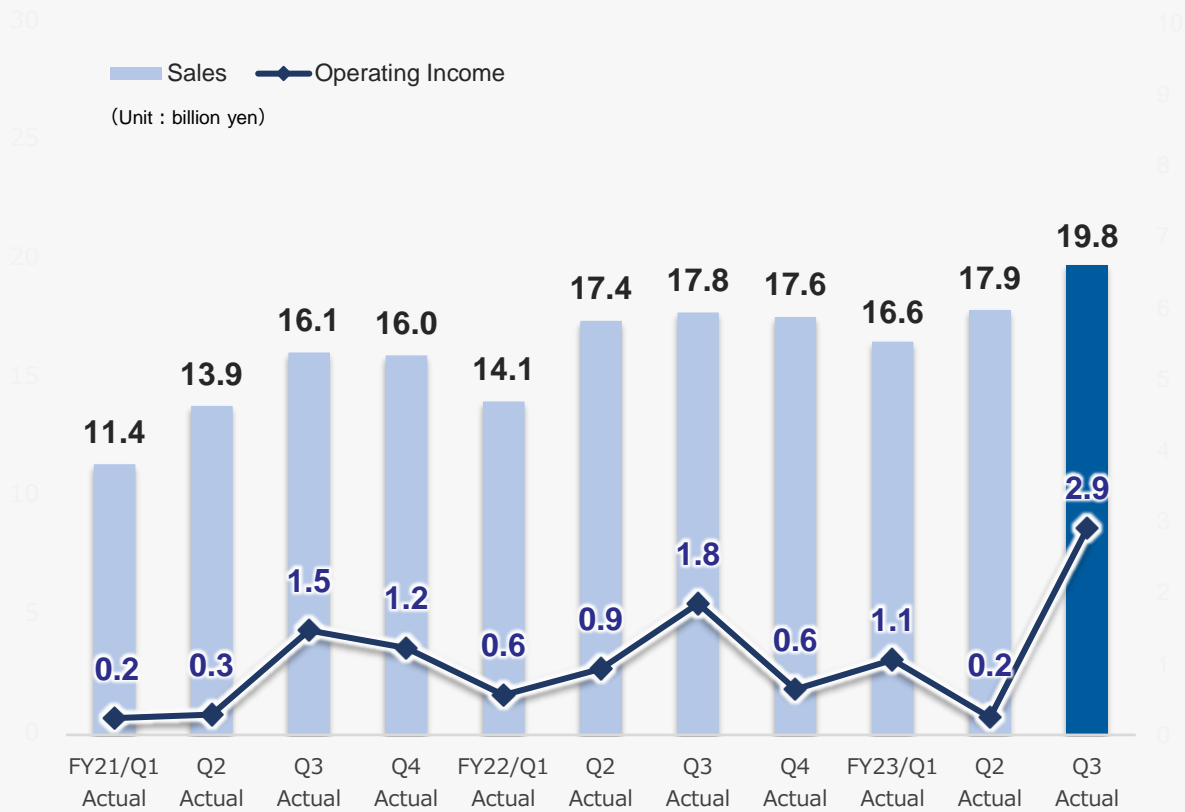




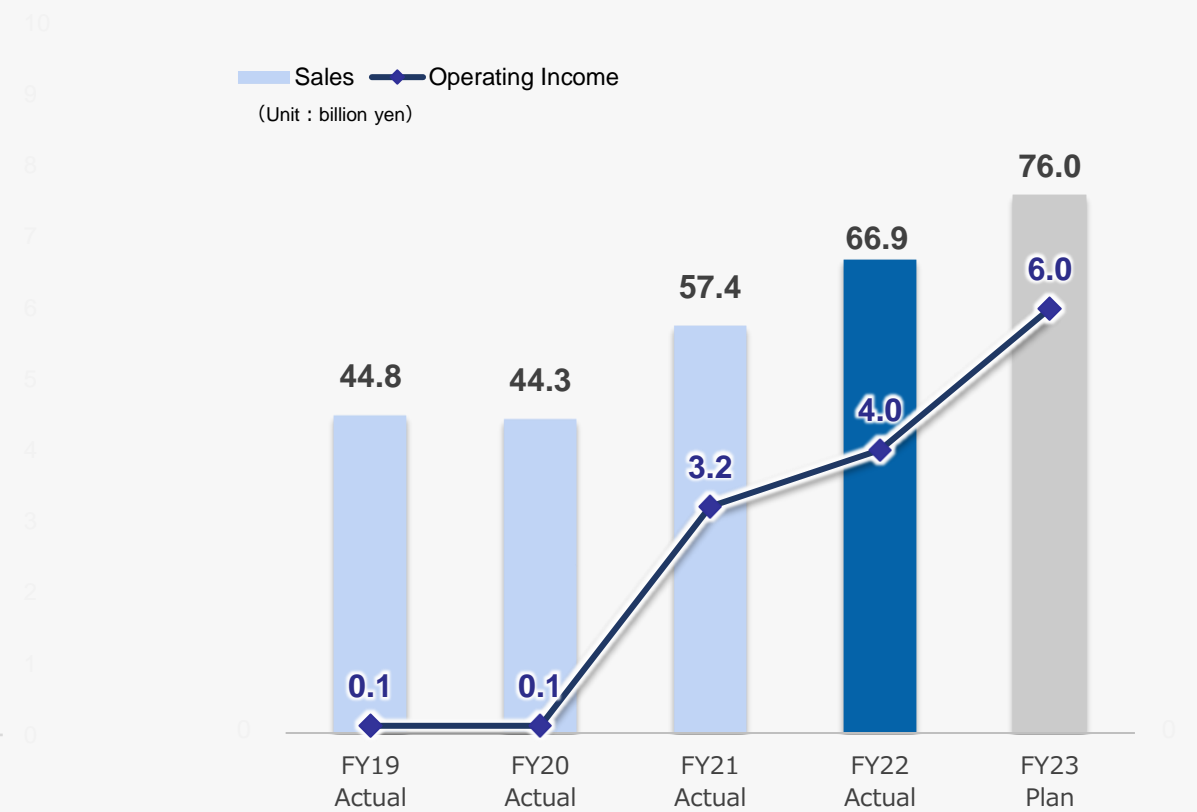


## ■ Eye Care Business

### Quarterly

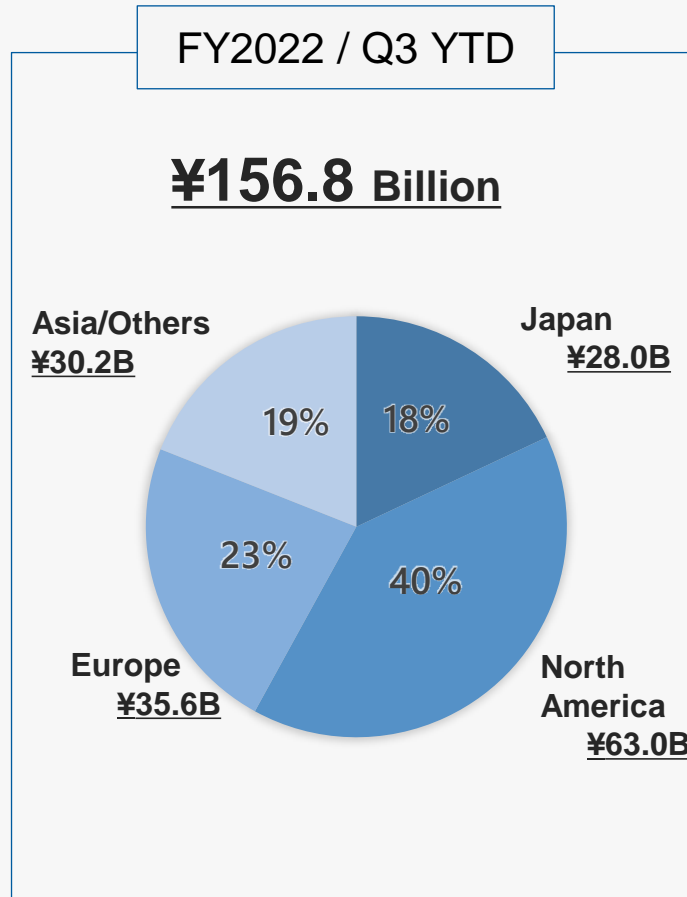


### Annually

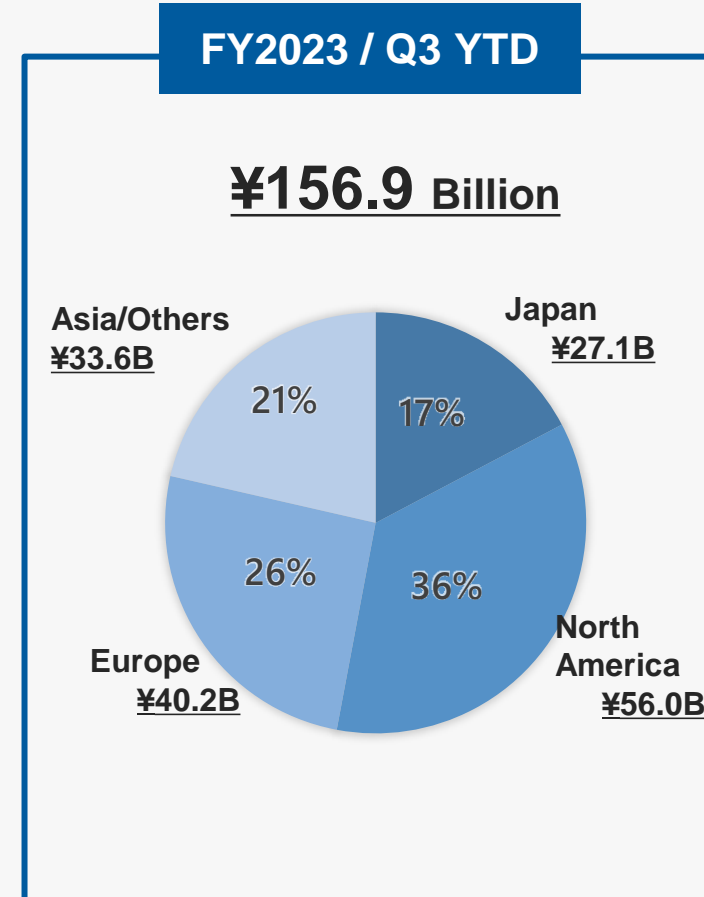




# Sales by Region (Consolidated)



YoY  
**+0%**

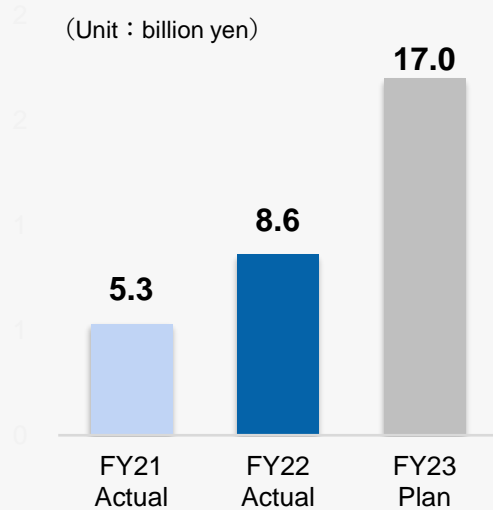


# Capital Expenditure and R&D / Forex Sensitivity

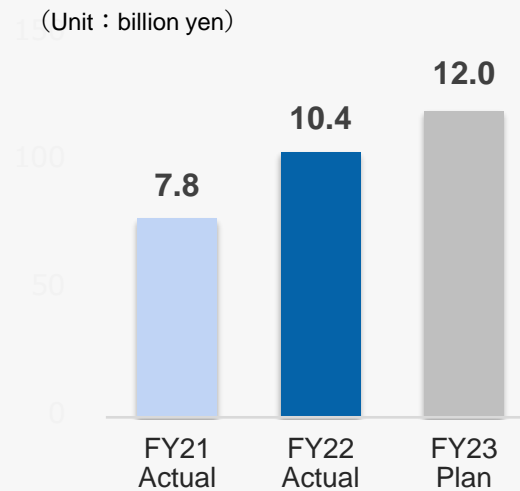


## Projections

### Capital Expenditures

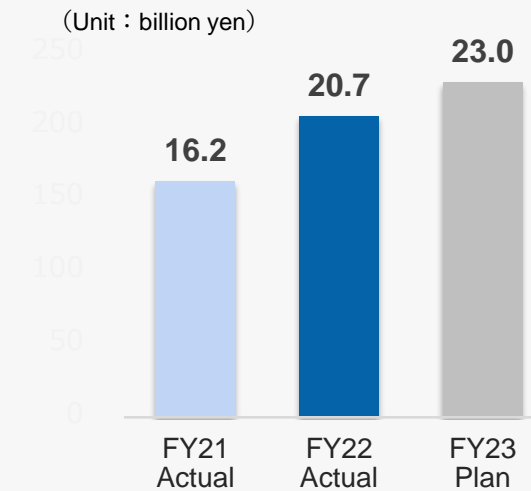


### Depreciation\*



\*Excluding Goodwill Amortization

### R&D



## 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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