

Mid-Term Business Plan 2013

(FY2011 to FY2013)

June 3, 2011

TOPCON CORPORATION

President: Takashi Yokokura

Topcon Corporation has established the TOPCON WAY representing the company's most significant set of common values through the restructuring and integration of its Business Philosophy, Management Policy and Code of Business Conduct.

TOPCON WAY

- Topcon studies the possibilities of "light," creates new values toward the future, and contributes to build a rich human society.
- Topcon will maintain a proactive and responsive attitude by foreseeing any changes and place the utmost priority on compliance under all circumstances, thereby continually striving to be a trustworthy partner to all stakeholders.
- Topcon will do its utmost to improve quality in all stages from development and design to manufacturing, sales and service; supply products of the highest quality, and develop our customers' businesses.
- Topcon will build relationships of mutual trust and partnership with sales agents and other business partners, and mutually develop business through information sharing and close cooperation.
- Topcon will implement two-way communication with employees, and will respect diverse individualities, values, and the spirit of creation and innovation, and maximize the employees' skills.
- Topcon, as a member of the global and local community, will respect global standards concerning human rights, the environment, labor standards, and anti-corruption measures, and contribute to building sustainable markets.
- Topcon will appropriately disclose information to shareholders in a timely manner, work to build a relationship of trust with them, and continually strive to improve our corporate value.



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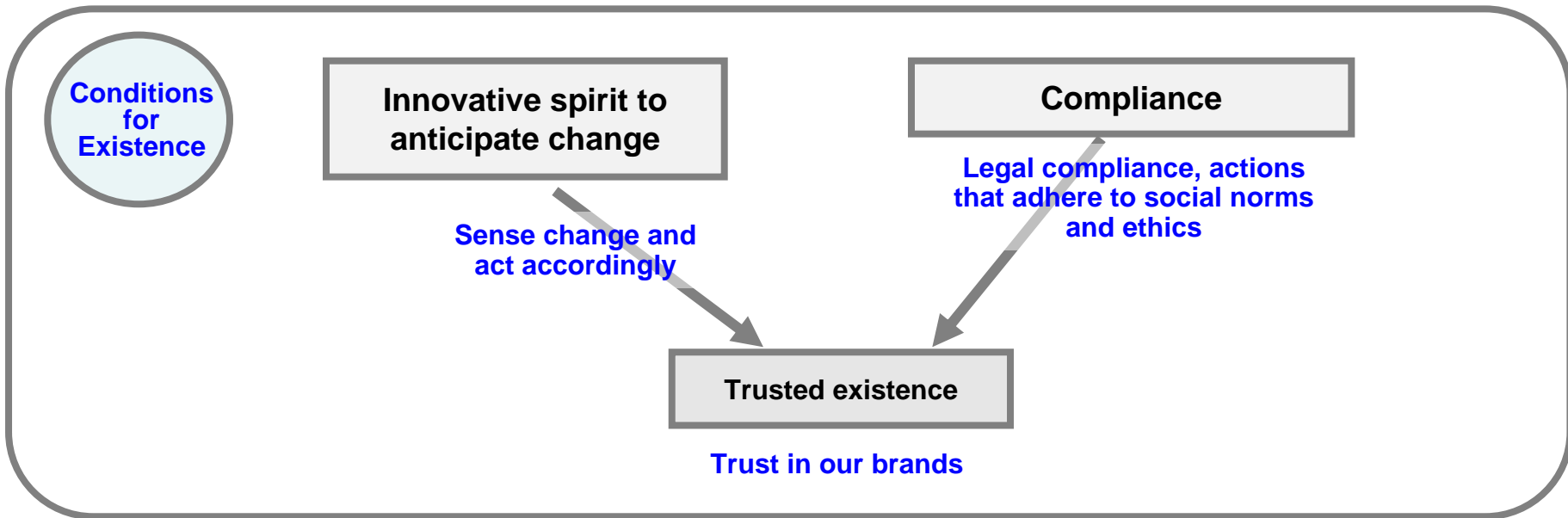
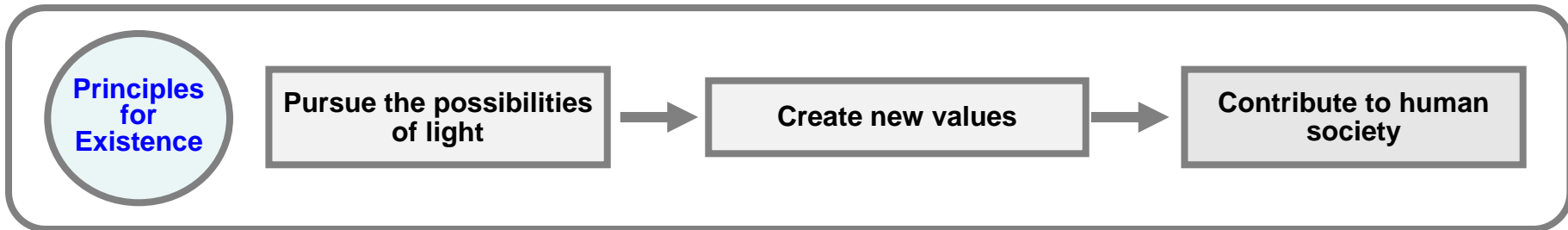
VI CSR Management

I TOPCON WAY

**Creating the Future
Common Values of the Topcon Group**

Principles & Conditions for Topcon's Existence

TOPCON WAY



II Mid-Term Business Plan Background

Mid-Term Business Plan Background

Reflecting on the Past

Currency Exchange Impact

The strengthening of the yen has sharply affected both sales and operating income.

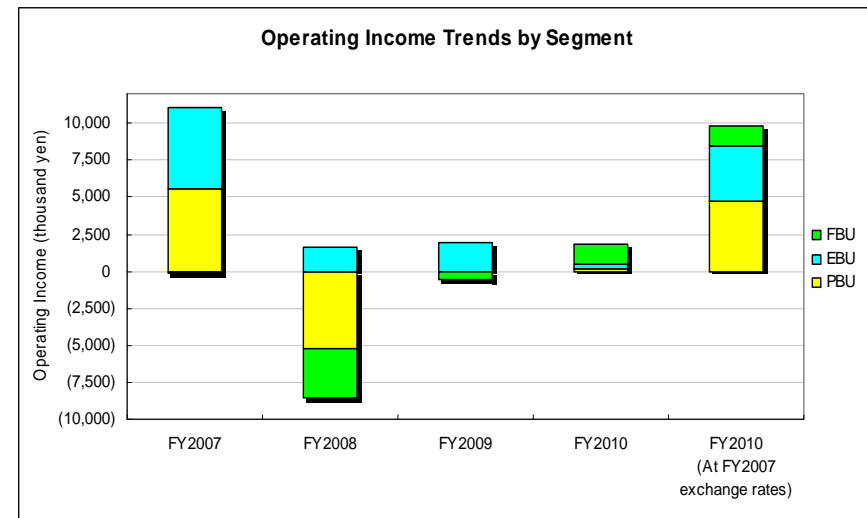
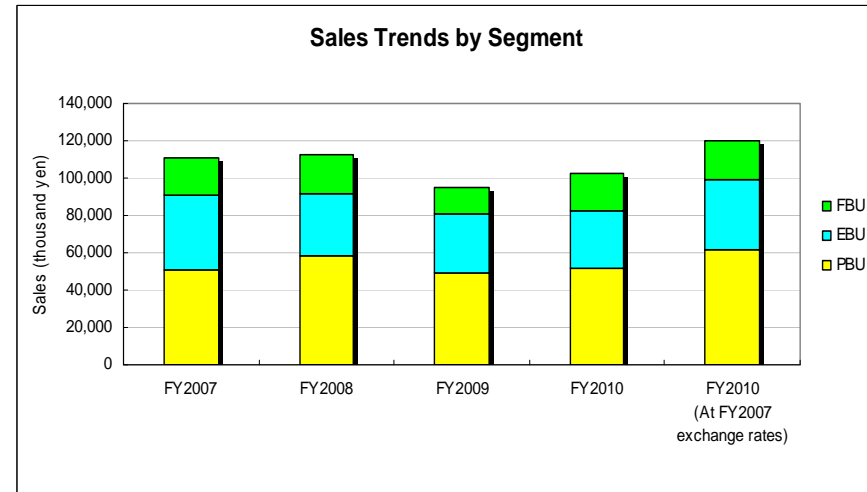
Recalculating FY2010 earnings at FY2007 exchange rates leads to the following results:

(Unit: hundred million yen)

FY2010 FY2010 (at FY2007 exchange rates)

Sales 1,025 → **1,200 (+175)**

Operating Income 18 → **100 (+ 82)**



Exchange Rate	US\$	¥100.19	¥98.23	¥93.04	¥85.82	¥100.19
	Euro	¥158.19	¥129.84	¥130.62	¥113.56	¥158.19
	Conversion	FY End	FY End	FY End Avg.	FY End Avg.	FY End

Mid-Term Business Plan Background

Main Product Volumes (vs. FY2007)

Demand weakened in FY2008 due to the influence of the Lehman Shock, but volumes later recovered to FY2007 levels.

*Retinal cameras rapidly expand in FY2008 on exceptional demand from Polaroid.

Selling Prices Decline

Establishing a management structure that is unaffected by the external environment is an urgent task

Rolling Out of Mid-Term Business Plan

Country, Region

Focus on Newly Emerging Countries
Focus on Regions Exhibiting Recovery

Segment, Field

Focus on New Businesses/New Fields
Foster Growth Businesses

Product

Launch Differentiated Products and Low-cost Products
Sustainable Growth

Development

Establish Optimized Production Systems
Diversify Forex Risk
Introduce Low-Cost Products

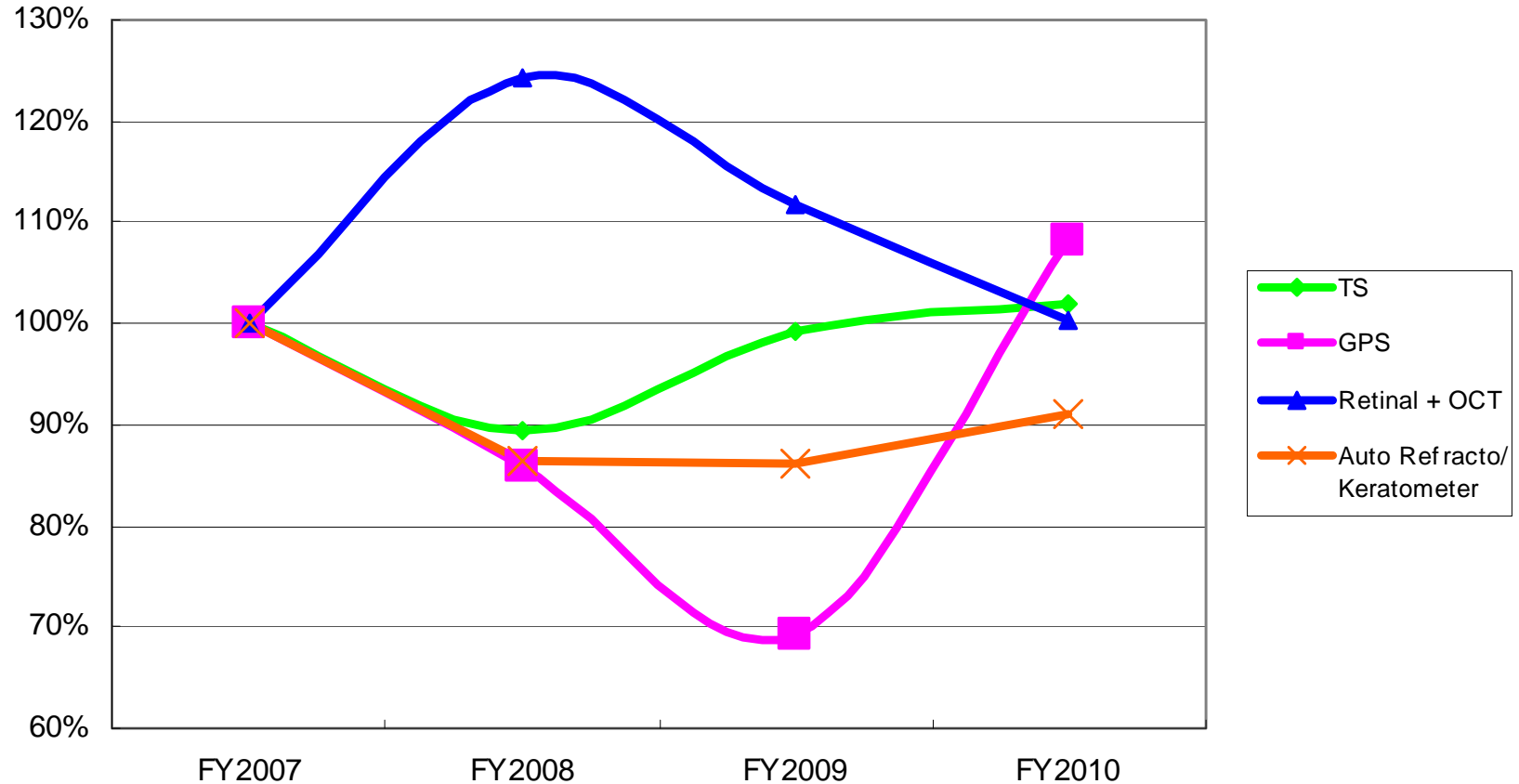
Procurement

Strengthen Optimized Procurement System
Cost Reductions

Business Restructuring

Mid-Term Business Plan Background

Unit Sales of Major Products (FY2007 has a value of 100)





III Mid-Term Business Plan Group Organization

Financial Targets (Consolidated)

(million yen)

← Mid-Term Business Plan 2013 →

[Consolidated]	2009	2010	2011	2012	2013
Net Sales	94,862	102,470	100,000	110,000	120,000
Operating Income (OP ratio)	1,405 (1.5%)	1,799 (1.8%)	3,000 (3.0%)	8,000 (7.3%)	12,000 (10.0%)
Ordinary Income	545	608	1,700	6,800	11,000
Net Income (loss)	133	(1,288)	800	4,400	7,000
ROE	0.3%	(3.3%)	2.2%	11.6%	16.4%
Total Assets Turnover Ratio (times/year)	0.77	0.82	0.83	0.92	1.00
Dividends per Share (yen)	4 yen	4 yen	4 yen	10 yen	16 yen
Dividend Payout	277.0%	-%	46.3%	21.0%	21.2%

*Our earnings forecasts during FY2011 to FY2013 assume exchange rates of ¥80/US\$ and ¥110/Euro.

Financial Targets (by Segment)

(million yen)

← Mid-Term Business Plan 2013 →

[Consolidated]		2009	2010	2011	2012	2013
Net Sales	Positioning	49,350	51,559	51,000	56,000	62,000
	Eye Care	31,561	30,946	32,000	35,000	37,000
	Finetech	13,950	19,964	17,000	19,000	21,000
	Total	94,862	102,470	100,000	110,000	120,000
Operating Income	Positioning	6	130	1,300	4,000	6,000
	Eye Care	1,963	307	1,500	3,000	4,000
	Finetech	(564)	1,362	200	1,000	2,000
	Total	1,405	1,799	3,000	8,000	12,000

Resource Allocation Plan

(million yen)

← Mid-Term Business Plan 2013 →

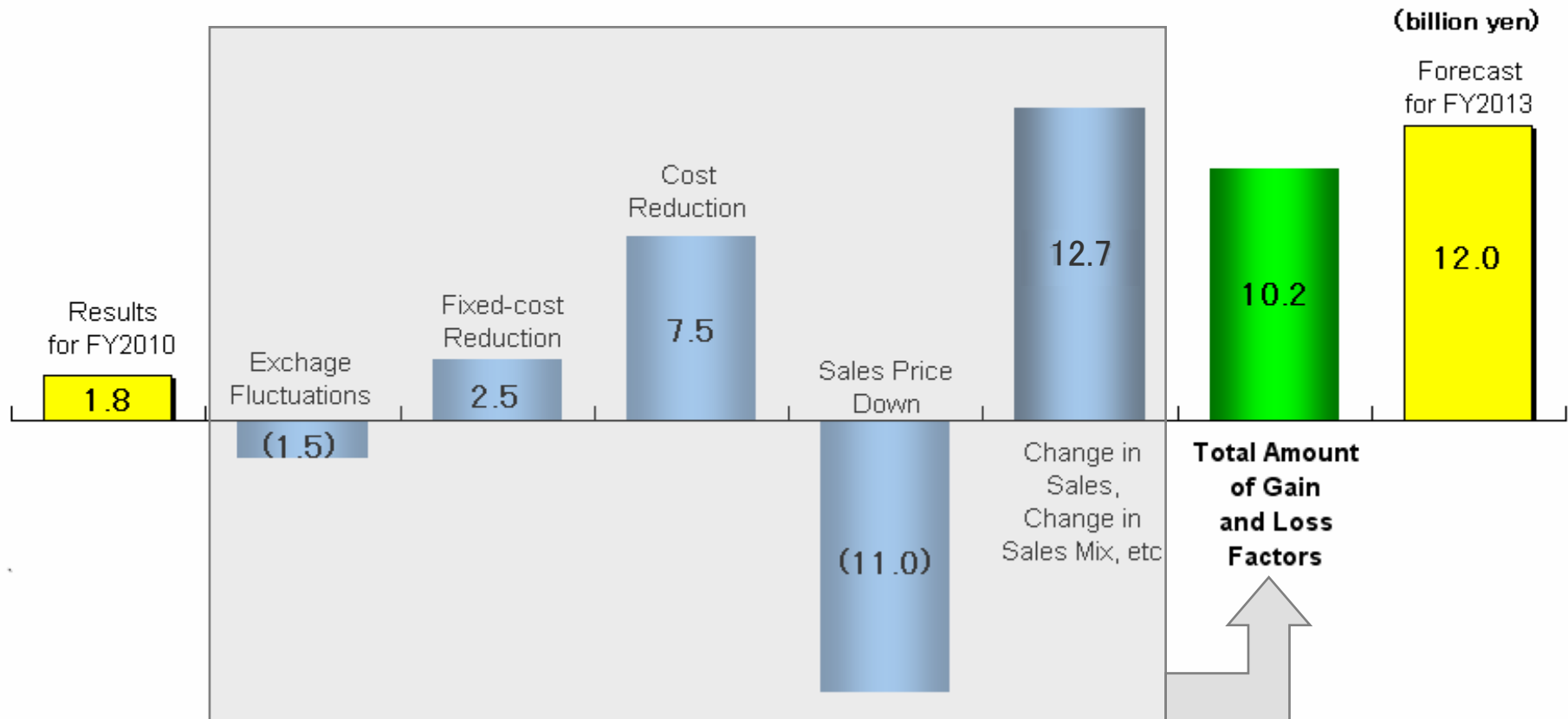
[Consolidated]	2009	2010	2011	2012	2013
CAPEX	2,109	4,499	5,000	3,300	3,000
(Depreciation)	(3,992)	(3,008)	(3,200)	(3,800)	(4,000)
R&D (R&D to Sales Ratio)	9,609 (10.1%)	10,275 (10.0%)	9,500 (9.5%)	9,900 (9.0%)	10,300 (8.6%)
Investment/ Financing	2,519	5,302	3,000	3,000	5,000

Forecast of Gain and Loss in Operating Income (YoY)

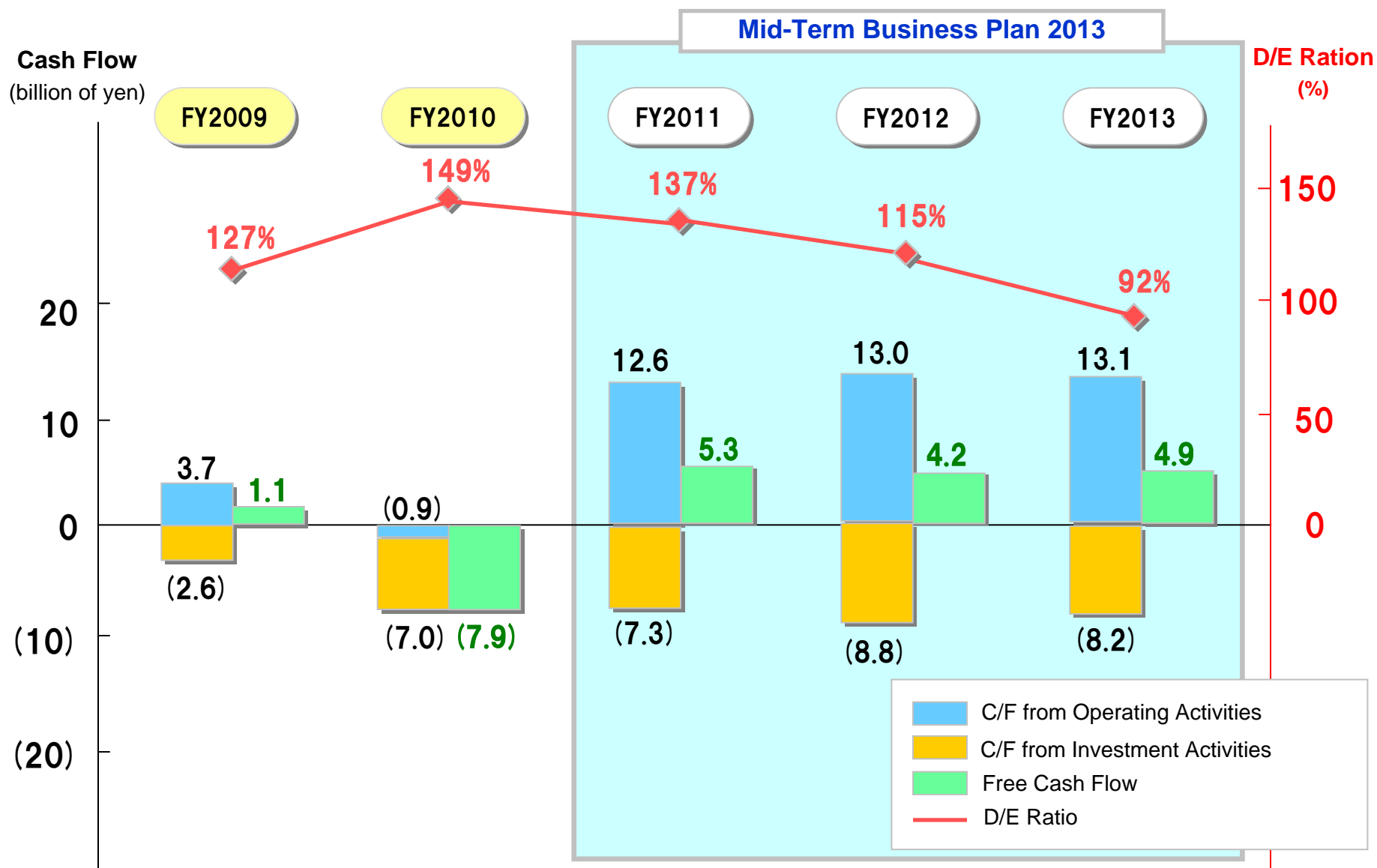
[Consolidated]

(codes are based on gain and loss)

(**FY2010** → **FY2013**)
 Actual Results → Forecast



Consolidated Cash Flows



The background of the slide features a faded, grayscale image of several chess pieces, including a king, queen, and pawns, arranged on a chessboard. The pieces are slightly out of focus, creating a sense of depth and strategy.

IV Mid-Term Action Plan

Corporate Structural Reforms

Overall Cost Reduction Strategy

Reduction in Cost of Goods Sold

- Enhance VA/CD efforts
- Strengthen overseas procurement

Optimization of workforce

- Adjust headcount
- Consolidate/integrate production bases

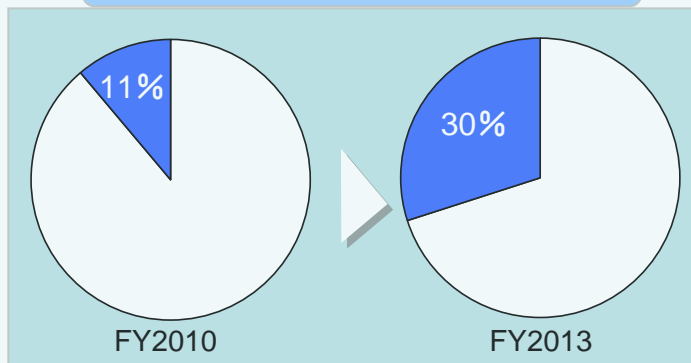
Business Process Reforms

- Introduce ERP
- Strengthen quality improvement process reforms

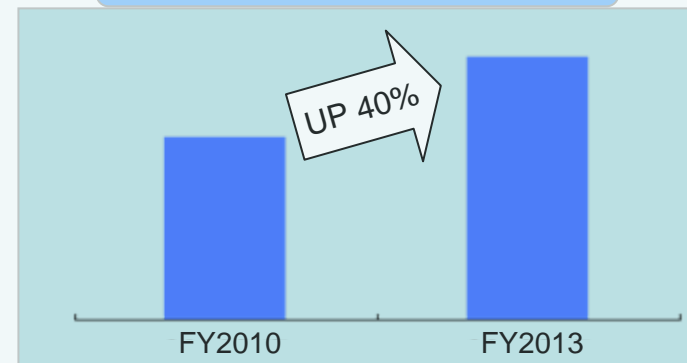
Reduction Target

¥10 Billion

Overseas Procurement Ratio

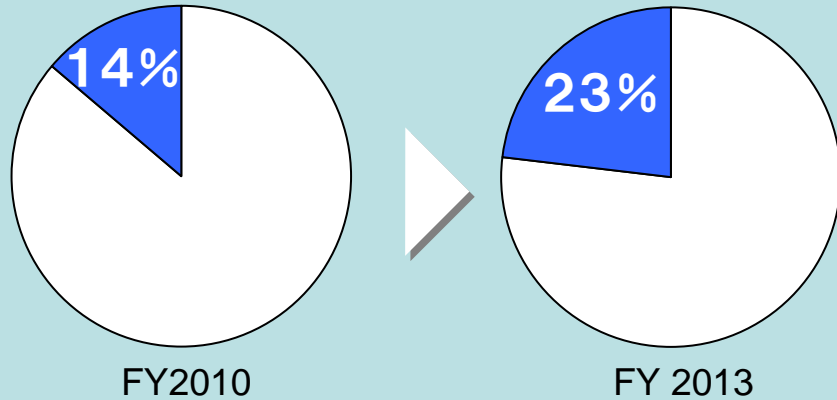


Production Efficiency

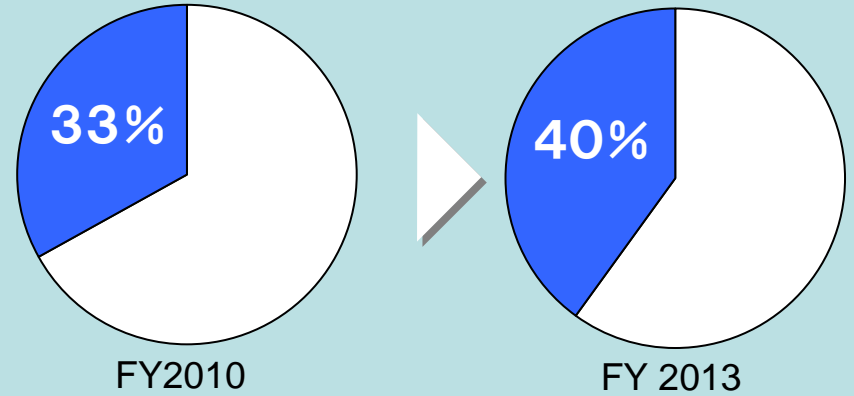


Mid-Term Action Plan

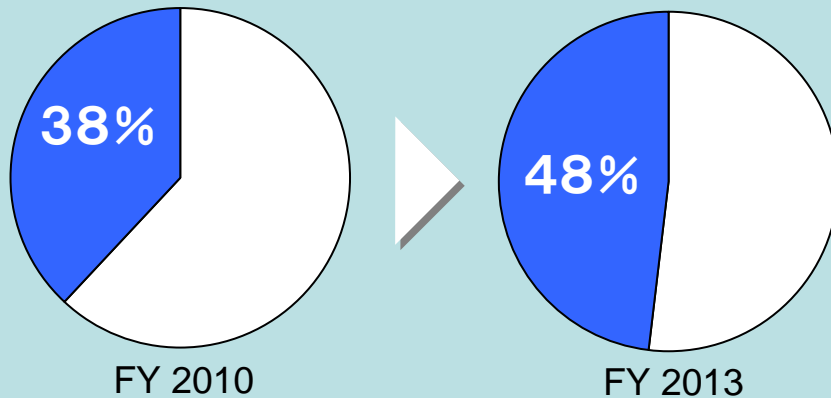
New Field Sales Ratio



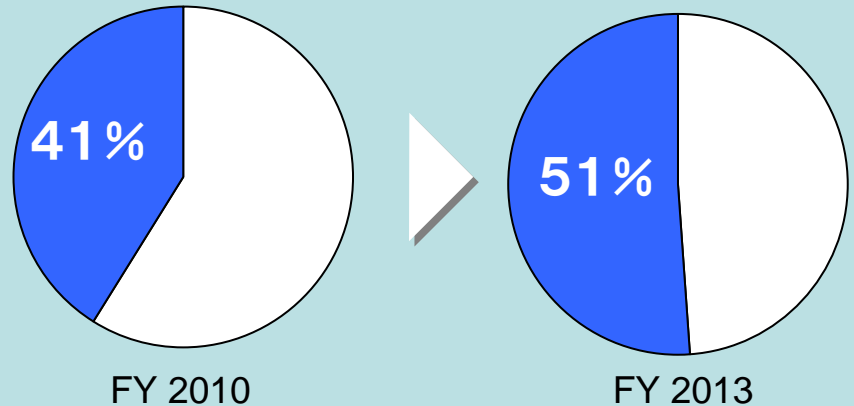
Emerging Country Sales Ratio



Overseas Production Ratio



New Product Sales Ratio





V Growth Strategies by Segment^T



Change Your World



by Region

● America
● Europe
● Japan
● Growing Countries

FY10 FY11 FY13

《Overview of FY2010》

- ▶ Huge impact of the strong yen
- ▶ Markets in America and Europe gradually improved toward the end of the fiscal year
- ▶ Markets in emerging countries expanded

《Forecast for FY2011-2013》

- ✓ Uptrend in America and Europe
- ✓ Increasing demands for disaster recovery efforts coexist with downside risks in Japan
- ✓ Steady growth in the Growing Countries

❖ by Market

● Construction
● Precision Ag
● Surveying/GIS
● 3D Measurement

FY10 FY11 FY13

《Overview of FY2010》

- ▶ Gradual recovery in construction market
- ▶ Steady growth in Precision Ag and Measurement markets

《Forecast for FY2011-2013》

- ✓ Recovering construction segment leads the market
- ✓ Precision Ag and Measurement are in steady growth
- ✓ Utilization of Information Technology increases in the Growing Countries

■ **Effect of Sokkia Integration**

Improve Operation Efficiency

■ **Construction**

Leading ICT in Civil Engineering, Construction and Architecture

■ **Precision Agriculture**

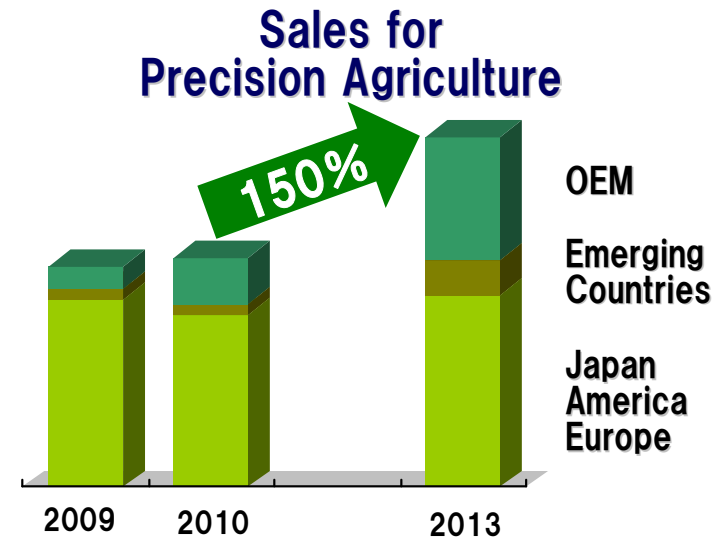
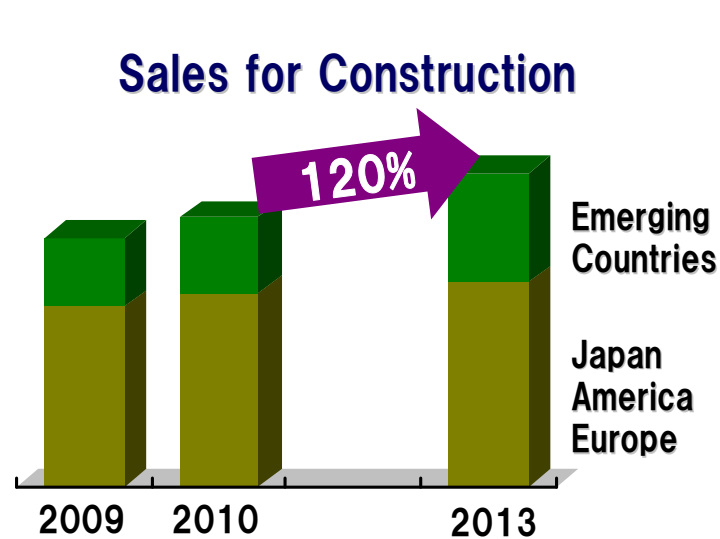
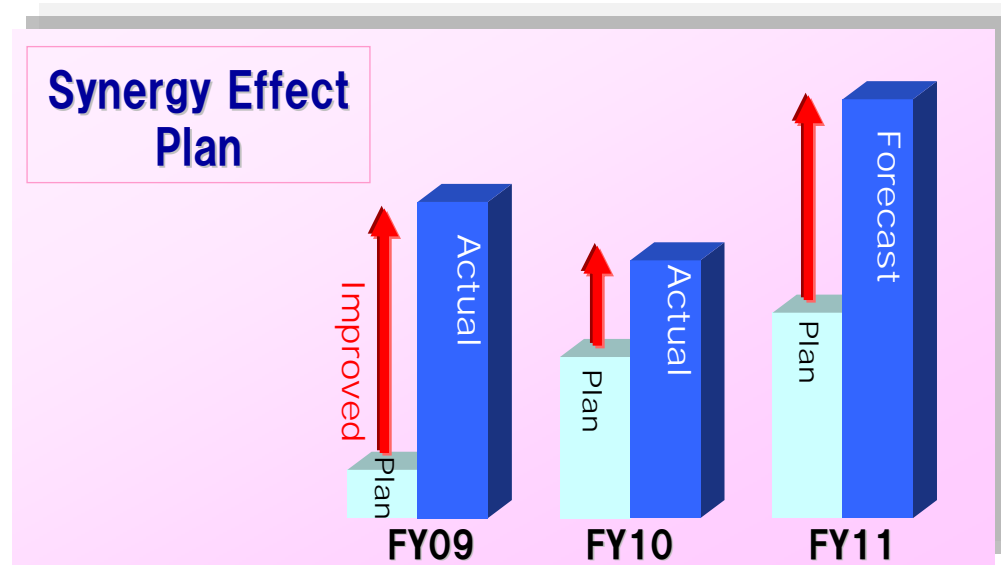
“Agricultural Revolution” through Technological Innovation

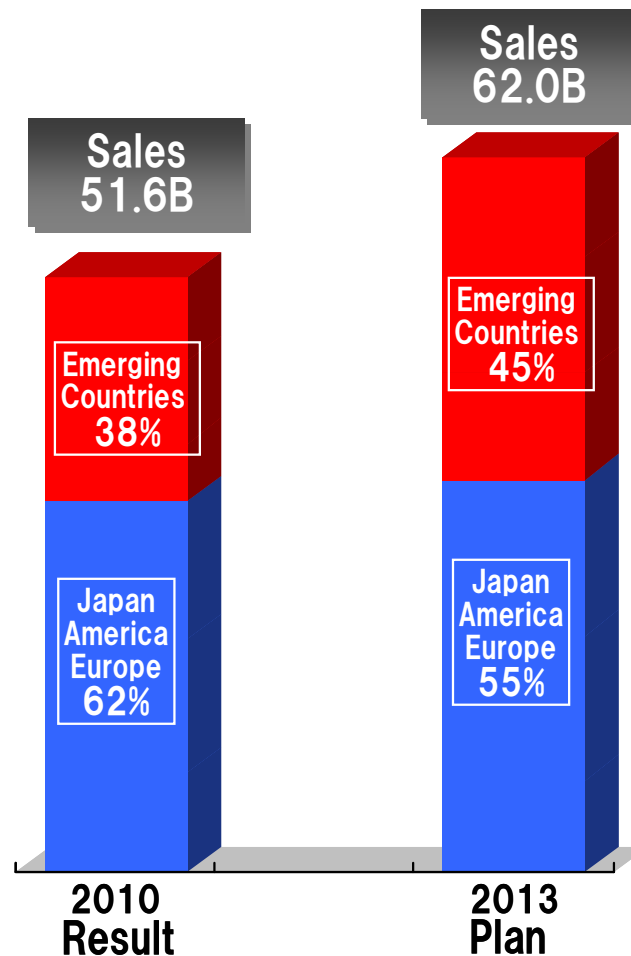
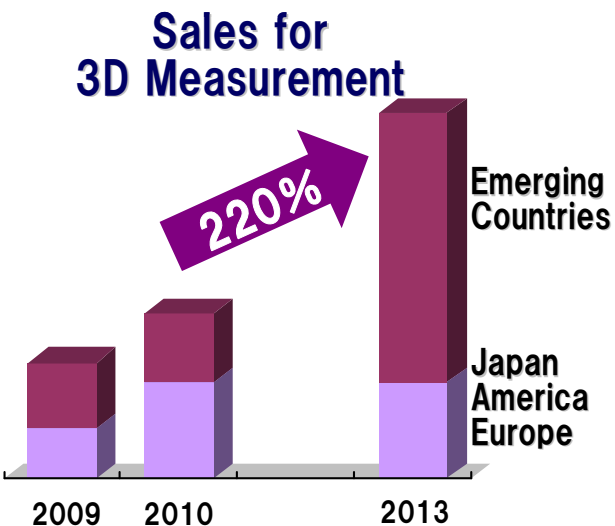
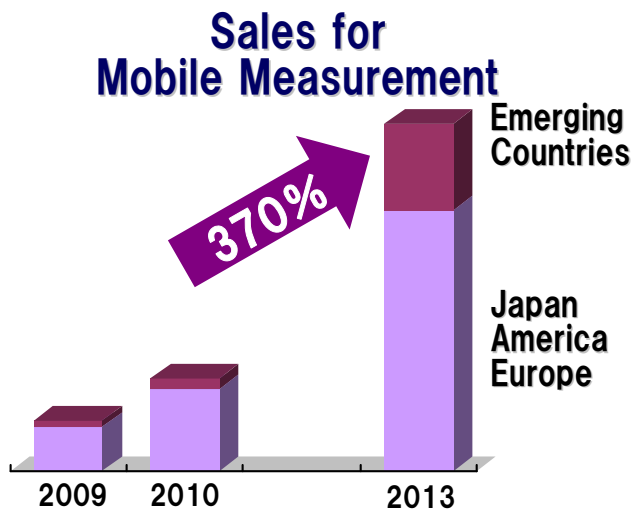
■ **Measurement**

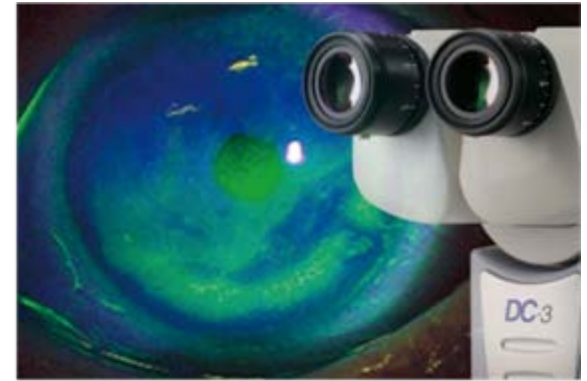
Maximum Efficiency for Measurement Works
through Technological Innovation

■ **Expansion into Emerging Markets (Asia, Middle East, Africa)**

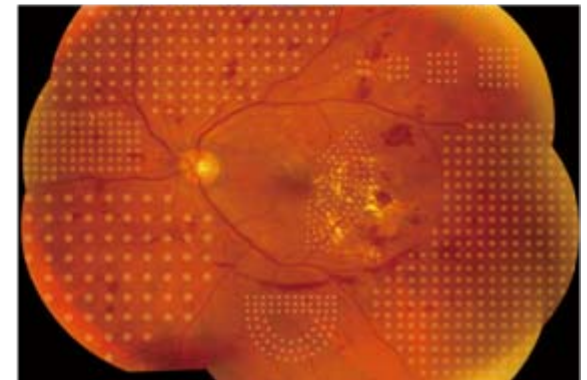
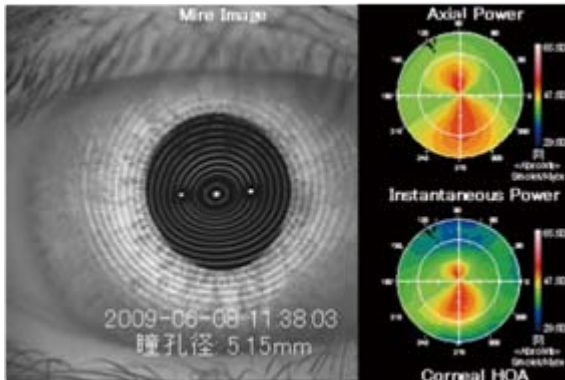
Improve/Expand Newly Established Subsidiaries







For Healthy Eyes Around the World - Connecting Visions -



by Region

	FY10	FY11	FY13
● Europe	→	→	→
● America	→	→	→
● Japan	→	→	→
● Asia	→	→	→

《Overview of FY2010》

- ▶ Capital investment in America and Europe stagnated
- ▶ Medical checkup market expanded in Japan
- ▶ China showed steady growth, and Indian market expanded

《Forecast for FY2011-2013》

- ✓ Markets in America and Europe will recover gradually
- ✓ Japan's market will remain firm, led by private MDs
- ✓ Asian market will be in recovery mode, led by continuing growth in China and India

by Market

	FY10	FY11	FY13
● Ophthalmology	→	→	→
● Optometry	↘	→	→
● Medical Checkup	→	→	→

《Overview of FY2010》

- ▶ Ophthalmic capital investment eased; projects decreased
- ▶ Optometric capital investment stagnated; competition shifted to low-price/differentiated products
- ▶ Medical checkup market expanded

《Forecast for FY2011-2013》

- ✓ Capital investment and inquiries in ophthalmic market will increase
- ✓ Intensified competition in the optometry market to provide low-cost/differentiated products for chains
- ✓ Expansion of screening market on increased awareness of preventative medicine



Preventive
Medical Checkup

IT Solutions

Minimally Invasive
Treatment

Expansion of Business Field

Current Business Field

Preventive
Medical Checkup

Examination

Diagnosis

Treatment

IT Solutions

We connect examination data with images to provide optimal solutions, from early detection to minimally invasive treatment

■ OCT

- Enhance product lineup for private clinic and optometrist market
- Launch affordable models for the medical checkup market/emerging markets
- Create synergies through system integration with surgical instruments

■ Treatment

- Launch next-generation retinal pattern lasers
- System integration with retinal imaging device

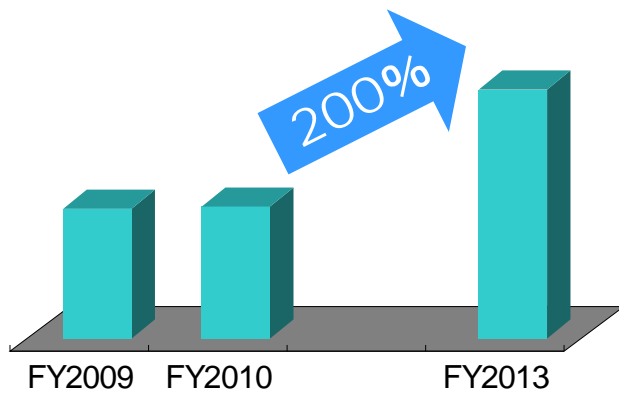
■ IT Solutions

- Meet global healthcare IT standards
- Adopt cloud computing ⇒ Build up reading-centers as a business model

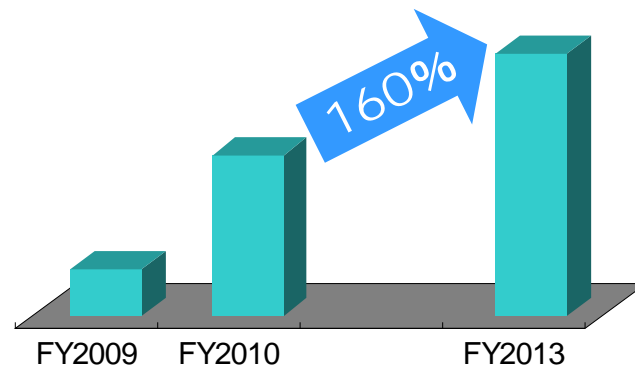
■ Expansion of Sales in Emerging Countries

- Facilitate manufacturing operation in China
- Expand share of medical check up market

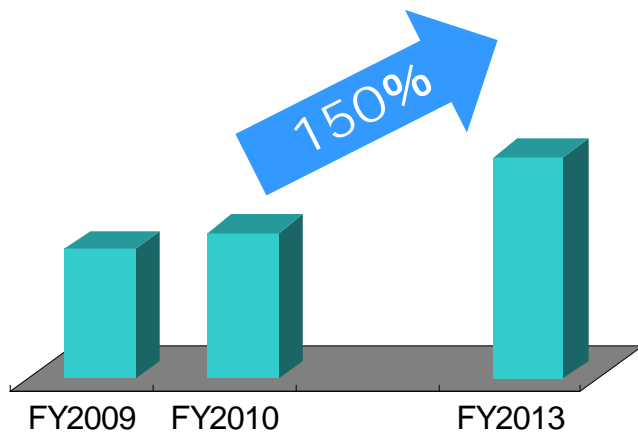
OCT Sales



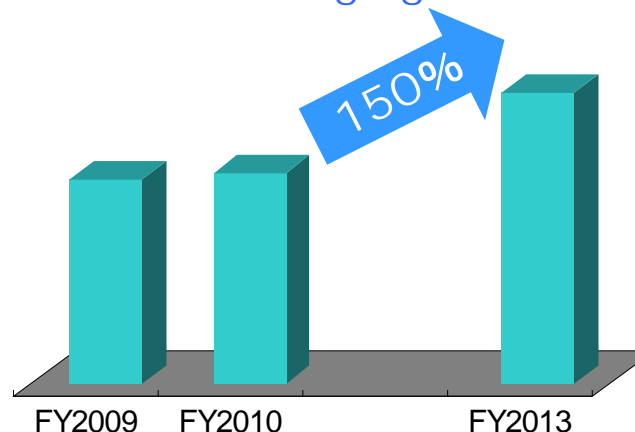
Treatment Sales —with OR Microscope—

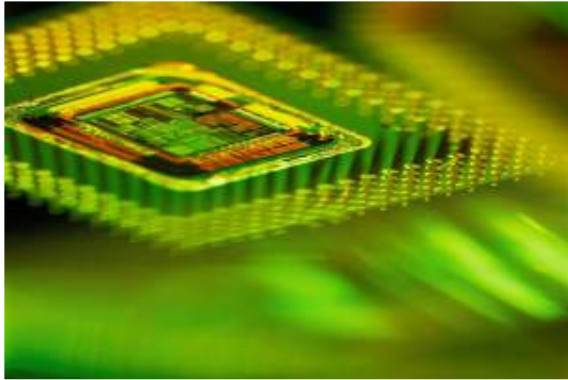


IT Solution Sales



Sales for Emerging countries





Focus on “Growing Fields” with Optics and Electron Beams



by Region

FY10 FY11 FY13

● North America	➡	➡	➡
● Europe	➡	➡	➡
● Japan	➡	➡	➡
● Asia	➡	➡	➡

《Overview of FY2010》

- ▶ Resumption of investments in electronic makers
- ▶ The rise in smart phone and tablet PC markets

《Forecast for FY2011-2013》

- ✓ Demands for electronic devices increase in developing countries
- ✓ Significant loss from continuing high yen is forecasted

by Market

FY10 FY11 FY13

● Semiconductor	➡	➡	➡
● FPD	➡	➡	➡
● Optical Devices	➡	➡	➡

《Overview of FY2010》

- ▶ Green devices (LED, Power-IC) and SSD has remained strong
- ▶ Demand for mobile device will lead semiconductor industry
- ▶ Penetration of LED backlights for LCD has been accelerated
- ▶ Products embedded touch screen has become widespread

《Forecast for FY2011-2013》

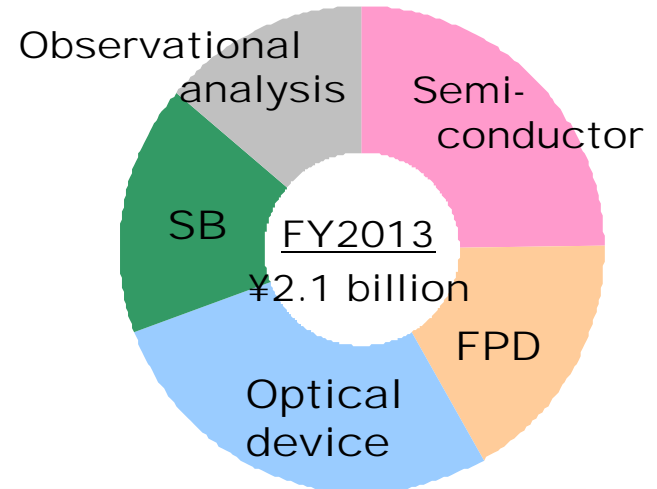
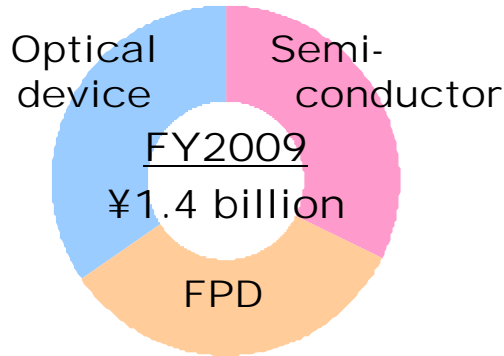
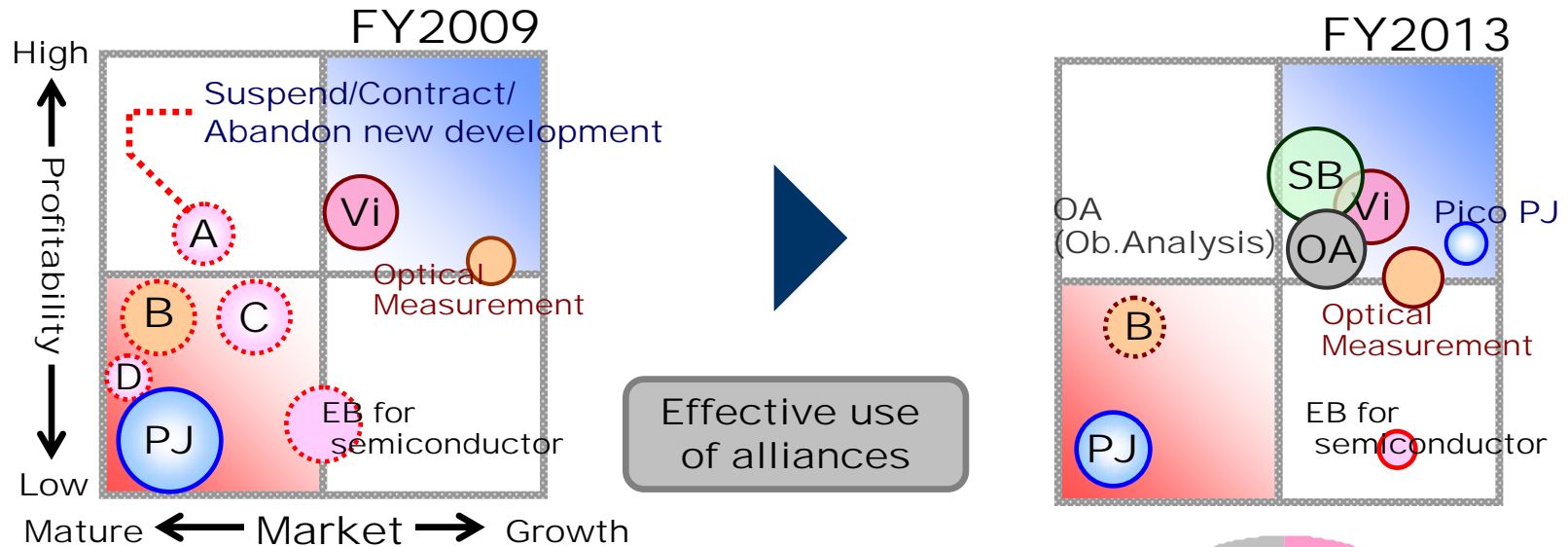
- ✓ Investment in facilities for SEMI will peak out in 2012.Q3
- ✓ Rapid expansion of tablet and smart phone market
- ✓ Investment in facilities for high precision LCD will increase
- ✓ Contraction in optical disk market

● Stepped-up Business Restructuring

- Continual reassessment of business portfolio
- Early entry into new markets through alliances with leading companies

● Focusing on main business

- Focusing on main business related to LED, semiconductor packages and touch screen
- Expanding sales, production and R&D sites in overseas



Continual reassessment of business portfolio

■ Substrate

- 3D Bump Inspection System
- Projection Stepper

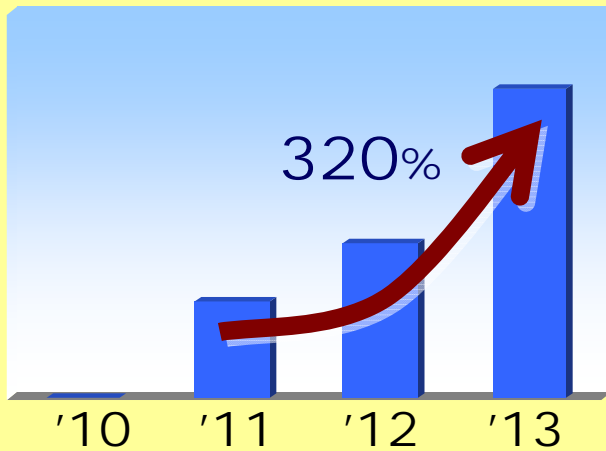
■ LED / Touch Screen

- Optical Measurement for LED
- Chip Defect Inspection System for LED

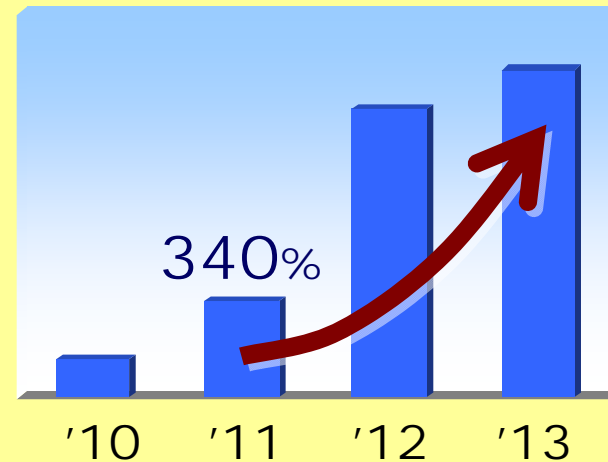
■ SEM / Projector

- Hybrid scope SEM
- Pico-Projector

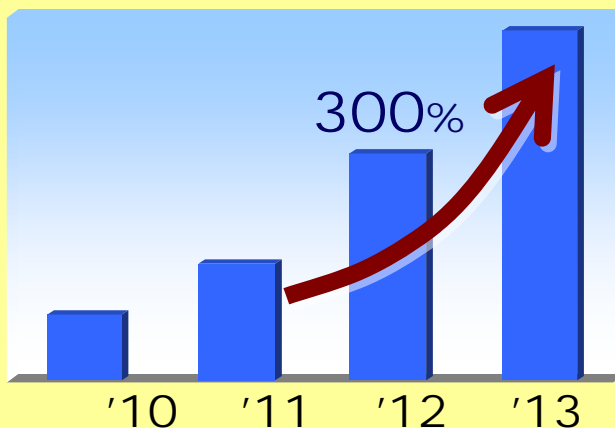
Hybrid Scope SEM Sales Plan



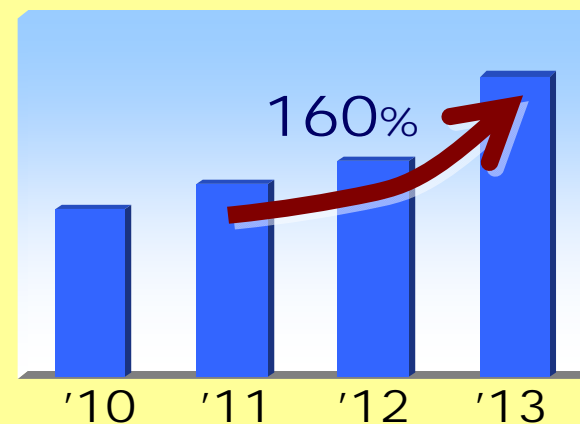
Pico-PJ Sales Plan



Substrate-Related Equipment Sales Plan



LED-Related Equipment Sales Plan



VI CSR Management

CSR Management Promotion: Initiatives Against Global Warming

Product-Based CO₂ Reduction Activities

Reduce Product
Energy Consumption
20% +

Push sales of environmentally conscious products
to more than 60% of total

FY2020 Vision
▲25% Reduction

Energy Savings
By Products

Contribute to the Environment
where Products are Used

Contribute to the Mfg.
Process of Eco-Products

Energy Savings in
the Mfg. Process

Energy-efficient
design through
functional integration,
such as LED light



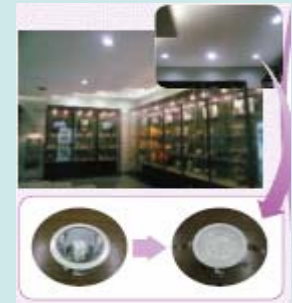
Automation/
energy conservation
in construction/
agricultural work sites



Quality inspection
of LCD displays,
photovoltaic, etc. in
the manufacturing process



Promote production
facility/process efficiency;
incorporate next-gen. LED
lighting and other
highly efficient devices



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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