

Interview with an Outside Director



The Future of Topcon through the Eyes of a Legend of the Manufacturing Industry

Yoshiharu Inaba Chairman (Representative Director) of FANUC CORPORATION, and Outside Director of TOPCON CORPORATION

Yoshiharu Inaba was born in 1948 in Ibaraki Prefecture. He graduated from the Department of Mechanical Engineering, School of Engineering, Tokyo Institute of Technology in 1973, and after working for Isuzu Motors, he joined FANUC in 1983. He created numerical control (NC) devices that improved the precision of machine tools and is still involved to this day in the development of a large number of industrial robots with an exceptionally large share of the global market. He became Senior Executive Vice President (Representative Director) at FANUC in 2001, President and CEO (Representative Director) in 2003, followed by Chairman and CEO in 2016, and then assumed his current position as Chairman (Representative Director) in 2019. In 2020, he assumed his current position of Outside Director at Topcon.

FANUC CORPORATION
It is a pioneering company in CNC of machine tools (Factory Automation) market. In the field of FA, it has high market share of more than 50% in both global and domestic markets. It has net sales of ¥551.3 billion and operating income of ¥112.5 billion (for the fiscal year ended March 31, 2021).

In June 2020, a person hailed around the world as a legend in the development of industrial robots assumed an Outside Director at Topcon, namely Yoshiharu Inaba (Chairman of the Japan Machine Tool Builders' Association and a Doctor of Engineering) who concurrently serves as Chairman (Representative Director) of FANUC. What are his views on Topcon's governance? We spoke with him on various matters including his reasons for accepting the offer from Topcon's President Hirano to become an Outside Director.

Topcon is Going to Change the State of the World's Future

I am so excited to think about the various roles I will play at Topcon.

For example, in the field of machine tools which is a strength of FANUC, our customers insist strongly not to stop production lines. All machines are destined to fail eventually. That is exactly why it is important to put in place a system that notifies an administrator before a machine fails and enables the machine to be repaired immediately when it does. At FANUC, I have worked for many years with automobile manufacturers and other corporate customers that operate high-volume production lines. For this reason, I believe I can foresee what the customers who use Topcon

products will require, and give advice on how to incorporate that into corporate governance.

Furthermore, I also think that I can assist Topcon in creating its future vision. For example, rather than only focusing on Japan, President Hirano and the rest of Topcon's top management are always sensitive to global trends when they make decisions. In order to discern what will happen in the world, it is important to bring together people who are knowledgeable about various fields and hold active discussions. At Topcon's Board of Directors meetings, all Directors, including Outside Directors, speak up freely and actively and hold constructive discussions. FANUC's Board

of Directors meetings also have an open atmosphere, but I feel that Topcon's are even more open. I would like to join that team and express a wide range of views.

One thing I have realized after participating in Board of Directors meetings is that Topcon is a very passionate company. Firstly, President Hirano and the rest of the top management are enthusiastic. Their passion is also evident in Topcon's corporate governance. I think that Topcon is very good at aggressively acquiring various venture companies, including those overseas, and building synergy with them while respecting their cultures. Rather than being controlling, they build a trust relationship and create a shared dream for the future together; this cannot be done without passionate leadership and appropriate governance. Topcon also partners and builds relationships with various manufacturers of construction and agricultural machinery and medical devices, and implements the latest technologies into the society. This

is also impossible to achieve without trusted partnership that both parties can express their ideal vision on occasion, and hold strong empathetic bond each other.

Moreover, the passion of the top management lights fires in the hearts of the employees as well. One example is lens polishing. Although Topcon is receiving attention for its automation and mechanization technologies, the lenses used in its high-precision optical devices are made with the finest craftsmanship. A high level of optical technology is indispensable for surveying instruments and ophthalmic medical instruments, where Topcon has built up global large market share as its core businesses. One of these is the aspherical lens used in fundus cameras. If these lenses are not polished accurately to the sub-micron level, it's unable to capture accurate fundus images. This precise lens processing technology is imbued with the passion of the manufacturing staff.

The Innovation of Technology Draws Similar Shapes

I became an Outside Director at Topcon because FANUC and Topcon have overlapping histories. I believe it is well known that NC devices and industrial robots that FANUC invented have automated various factories around the world. Similarly, agriculture, building construction, civil engineering and healthcare worksites where Topcon operates businesses will become rapidly IT-oriented and automated going forward.

This is because the basic technology and concepts are the same. Various machine tools stand on "How to input and output." When parts are being made, the first step is to create a design using CAD and feed its data into a machine tool, and then measure the dimensions of the material to be processed. These are the "inputs." Next, the machine cuts or grinds the material precisely according to how it is programmed. This is the "output." This is the same as what Topcon is achieving in the fields of healthcare, agriculture and infrastructure. In the construction field, construction machinery will operate automatically if the design data is pre-loaded into the machinery, and GNSS and precision sensors are used to ascertain the topography shape while at the same time the position of the machinery is measured. In the case of machine tools, before numerical control became available, people would make parts by using general-purpose lathes to cut and grind materials by rule of thumb and checked dimensions with the caliper. Today, the machine tool cuts and grinds while measuring the dimensions precisely, and the finished part is removed by a robot.

Similar thing will happen not only for construction work process but also for agriculture job cycle. Combining Topcon's control technologies with existing tractor technologies will streamline entire farm job cycle such as planting, growing, and harvesting.

I think the history of humanity is at the same time also a history of tools. Iron plows and hoes dramatically improved the productivity of agriculture, and with population growth, increasing the number of people who were involved in work other than food production, and giving rise to various civilizations in each nation of the world. Similarly, the adoption of numerical control and industrial robots at factories around the world made consumer electronics, automobiles, and other goods widely used in the world. Throughout the history of technology, the evolutions of different technologies have traced similar paths. Even before President Hirano asked me to become an Outside Director, I was confident that automation and laborsaving would be realized in the fields of agriculture, civil engineering and building construction, and that the quality of these fields would also improve. That is exactly why I was very interested in President Hirano's offer.

Topcon is definitely a company that its shareholders can also trust. As with FANUC, I believe that Topcon will become a leading company that will dramatically drive the evolutions in the fields of healthcare, agriculture and infrastructure.