

TOPCON CORPORATION

Accelerating growth strategy through MBO

**Strengthening the business foundation
through partnership with KKR and JICC**

March 28, 2025



Accelerating growth strategy through MBO

Overview



Resolution by the Board of Directors

At today's Board of Directors meeting, we decided to support the tender offer as part of a management buyout and recommend the shareholders tender their shares.

Significance of This Transaction

By going private, we will secure a stable management environment and accelerate bold growth investments.

Long-Term Vision

We will leverage Japanese manufacturing excellence, accelerate the deployment of solutions globally, and aim for further growth.

Strategic Partnership

We will form a partnership with KKR and JICC, which have a deep understanding of our business and share our vision. Under strong collaboration, CEO Takashi Eto will continue to lead overall management.

Advantages for Shareholders

We will offer our shareholders an opportunity to sell Topcon shares at an attractive premium that exceeds comparable transactions.

Contents of the Board Resolution

Overview of Transaction



On March 28, 2025, our Board of Directors decided to support the tender offer by TK Corporation as part of the proposed MBO, as well as the capital participation by KKR Japan and JIC Capital, and to recommend that our shareholders and stock acquisition rights holders tender their shares in the offer.

| | | | | | | | | | |
|---|---|-------------------------------------|----------|---|-------------------------------------|----------|--------------------------------|-------------------------------------|----------|
| Tender Offeror | TK Cooperation (100% owned by a fund indirectly managed by Kohlberg Kravis Roberts & Co. L.P. (KKR)) | | | | | | | | |
| Tender Offer Period | 21 business days in principle (Aim to launch the tender offer by the end of July 2025) | | | | | | | | |
| Tender Offer Price | <ul style="list-style-type: none"> Common Stock: ¥3,300 per share 7th Stock Acquisition Rights: ¥193,400 per unit 3,300 yen per American Depositary Share represented by an American Depositary Receipt | | | | | | | | |
| Premium | Reference date: December 9, 2024, the day before the first speculative reports | Closing price on the reference date | :87.87% | Reference date: March 26, 2025, the day before the second speculative reports | Closing price on the reference date | : 11.11% | Reference date: March 27, 2025 | Closing price on the reference date | : 3.45% |
| | | 1-month average | :107.94% | | 1-month average | : 14.90% | | 1-month average | : 14.15% |
| | | 3-month average | :110.59% | | 3-month average | : 15.99% | | 3-month average | : 15.79% |
| | | 6-month average | :105.22% | | 6-month average | : 43.10% | | 6-month average | : 42.30% |
| Lower Limit of Shares to Be Purchased | 52,861,561 shares (representing 50.10% ownership) ※1 | | | | | | | | |
| Upper Limit on shares to be purchased | No upper limit | | | | | | | | |
| Tender Offer Proceeds | ¥348,189,920,100 (Borrowing from financial institutions and using our own capital) | | | | | | | | |
| Tender Offer Agent (planned) | Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., Mitsubishi UFJ eSmart Securities Co., LTD. (sub-agent) | | | | | | | | |
| Planned Capital Participation After the Tender Offer | <ul style="list-style-type: none"> JIC Capital Inc. (“JICC”) will subscribe for shares in TK Holdings Corporation (the parent company of the tender offeror) after the tender offer, investing in that company (through Class A and Class B preferred shares with voting rights, ¥95 billion). Our President & CEO, Takashi Eto, after tendering his shares and receiving proceeds, plans to reinvest a portion of that amount into the parent company of the tender offeror. | | | | | | | | |
| Others | Following the successful tender offer, squeeze-out procedures are expected to lead to the company’s delisting and becoming a wholly owned subsidiary of the tender offeror. | | | | | | | | |

※1 This is the percentage calculated against 105,512,097 shares, which is obtained by subtracting the number of treasury shares as of December 31, 2024 (2,970,545 shares) from the total number of shares issued on the same date (108,382,642 shares), and then adding the number of shares (100,000 shares) corresponding to the remaining stock acquisition rights (1,000 rights).



Securing a Stable Management Environment Through Privatization and Accelerating Bold Growth Investments

Business Challenges

- **Enhance corporate value by executing a long-term strategy that includes bold upfront investments.**
 - Proactive investment in new solution businesses within the Eye Care Business
 - Strategic initiatives for the next leap forward in the Positioning Business
- **Transform into an organizational structure that can further develop Topcon's unique strengths.**

Maximize synergy between Japan's manufacturing and fast-moving solution businesses in overseas markets such as the U.S. with an optimal organizational structure and governance.
- **The return and time-horizon demands of shareholders in a publicly listed company are incompatible with executing a long-term strategy that may entail short-term profit declines.**



Privatization

- **Stable management environment that enables long-term strategic execution.**
 - We will continue long-term management with partners (KKR, JICC) who deeply understand our business and share our vision.
 - Takashi Eto will continue as CEO, leading overall management and accelerating the strategies for each business.



Topcon 2.0

Achieving Greater Global Growth, while Leveraging Japan's Manufacturing Excellence

- Through partnership with KKR and JICC, we will be able to continue bold, upfront investments and accelerate growth.
 - We will sustain appropriate investments in creating new businesses that will become future growth drivers, as well as in research and development of new technologies.
 - We will plan and execute maximum business growth in each business segment.

Topcon 2.0

Japan's Manufacturing

Centered on hardware product development and manufacturing, based on optical technologies.

Expanding Solutions in the U.S.

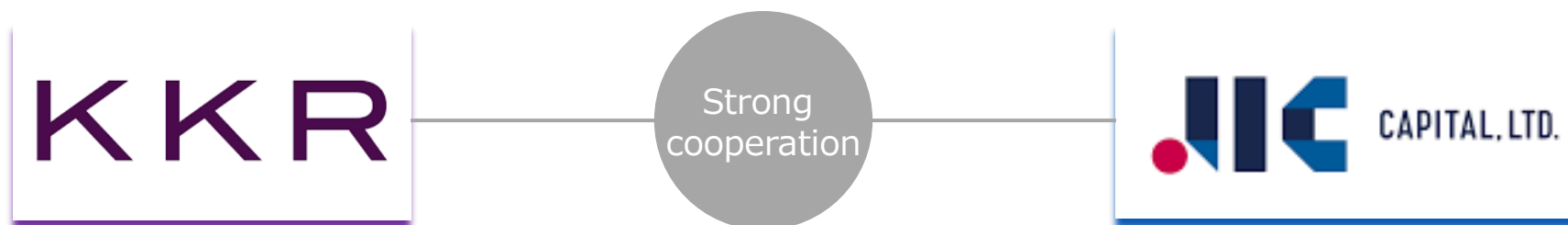
Rapid introduction and expansion of solutions in the fast-evolving U.S. market.

Maximize synergy



Building the Optimal Partnership and Team to Achieve Our Vision

- KKR and JICC have a deep understanding of our business and share our vision. KKR, JICC, and our management team will work in strong collaboration.
- With the support of KKR and JICC, we will advance the business in full alignment with our management team.



KKR is a global investment fund with significant investment experience in areas such as eye care and the industrial sector worldwide.

- With extensive expertise and networks in overseas market expansion, KKR will strongly support our further growth
- In the Eye Care business, we expect to broaden sales channels through collaborations with major eye care retail and ophthalmology clinic chains invested in by KKR.
- Leveraging its extensive investing experience in the industrial sector in Europe and the U.S., KKR will enhance the value of our Positioning business.

JICC contributes to the creation of new industries and the strengthening of international competitiveness and therefore provide support in recognition of its policy significance.

- JICC strongly supports the global business development centered around Japan's manufacturing strength, which we are striving to achieve.
- By providing long-term and neutral funding, JICC seeks to share risks from a medium- to long-term perspective.
- JICC serves as a supplement to private-sector businesses, including quantitative and credit supplementation for private equity financing.
- JICC is also a reliable partner in protecting and nurturing the space and defense industries, which are designated as core sectors under Japan's Foreign Exchange and Foreign Trade Act.

※KKR: One of the world's leading diversified asset management firms. The holding company, KKR & Co. Inc. (Kohlberg Kravis Roberts & Co.), is listed on the New York Stock Exchange

※JIC Capital, Ltd (JICC): A fund management company established as a wholly owned subsidiary of the Japan Investment Corporation (JIC)

Background of the Implementation of Transaction & Review Structure



Background

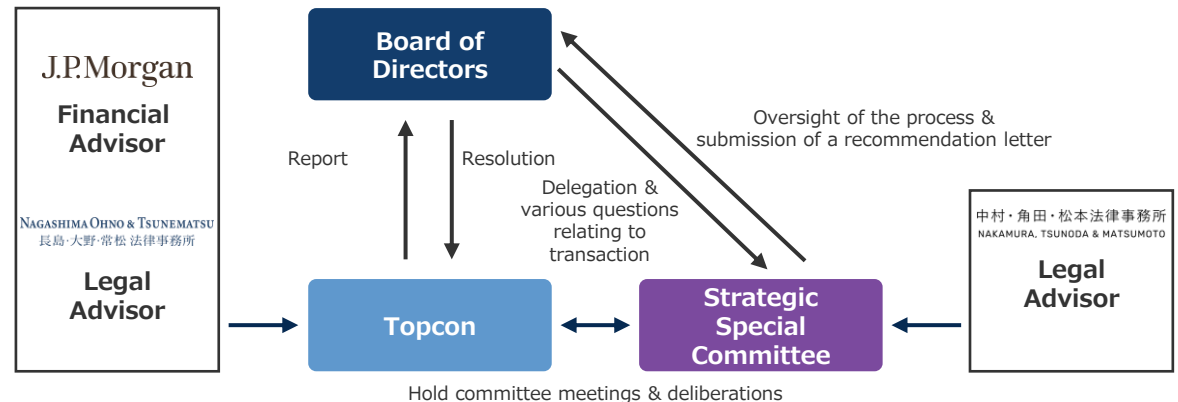
| | | |
|------|-----|--|
| 2024 | Jul | <ul style="list-style-type: none"> To consider going private for the purpose of achieving further growth and enhancing corporate value—specifically, an MBO premised on continuous leadership by Takashi Eto—the company established a Strategic Special Committee composed of five external directors. |
| | Aug | <ul style="list-style-type: none"> We began the bidding process to participate in a privatization transaction. |
| | Sep | <ul style="list-style-type: none"> We received a non-binding proposal from KKR. |
| | Nov | <ul style="list-style-type: none"> After continuous discussions, we received an updated non-binding proposal from KKR. |
| 2025 | Jan | <ul style="list-style-type: none"> We received another updated non-binding proposal from KKR. We initiated due diligence, including interviews with our management regarding business strategy. |
| | Feb | <ul style="list-style-type: none"> We received the final proposal from KKR. |
| | Mar | <ul style="list-style-type: none"> Upon comprehensively comparing and examining the contents of the final proposal, we granted KKR exclusive negotiation rights. We agreed with KKR to proceed with the transaction at a tender offer price of 3,300 yen per share of our stock. We entered into an agreement on the principal terms of a shareholders' agreement between KKR and JICC. |

Ensuring Fairness of the Process

In light of potential conflicts of interest posed by carrying out this tender offer as part of an MBO, and to ensure fairness and eliminate arbitrariness in the decision-making process, the following measures were taken:

1. Receipt and review of proposals from multiple potential buyers
2. Obtain evaluation reports on share value and fairness opinions from an independent valuation firm
3. Established an independent Strategic Special Committee within the company and obtained its written recommendation
4. Set a lower tender offer threshold that satisfies the majority-of-the-minority condition
5. Retained independent legal advisors for both the company and the Strategic Special Committee
6. Approval by directors who have no conflict of interest at the company and no objections by all corporate auditors
7. Ensure sufficient time before the start of the tender offer to preserve opportunities for other potential acquirers to make offers
8. Ensure that no coercive elements arise

Review Structure for This Transaction





Benefits Provided by Transaction

- We will provide our shareholders with an opportunity to sell shares at a premium exceeding the levels offered in comparable transactions.

It will be possible to sell your shares at a share price that is about **88% higher** compared to the share price before the first speculative news report and about **11% higher** compared to the share price before the second speculative news report and about **3% higher** than the most recent stock price.

| | | | | | |
|--|--|---|---|-----------------------------------|--|
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Notably, among 74 domestic MBO transactions following the announcement of the Fair M&A Guidelines on June 28, 2019, the median premium is 42.0%, 44.2%, 45.8%, and 47.3%, respectively. The premium on the stock price before the first speculative media report is well above these levels.

The Board of Directors resolved to support the tender offer and to recommend tendering.

- We received a recommendation from our Strategy Special Committee—composed of five external directors independent of both the tender offeror and our company—stating that it is appropriate to support and recommend the tender offer.
- Based on the approval of the nine directors (excluding Takashi Eto) except for one, who have no conflict of interest, and no objections raised by all four corporate auditors, the Board of Directors resolved to support the tender offer and recommend that shareholders tender.

Transaction Terms with Share Price Premium

Board Resolution Through Fair Procedures



The MBO schedule will be shared once details are confirmed

- The start of the tender offer is currently scheduled for around the end of July 2025.
- However, as of now, it is difficult to precisely predict the time required for various procedures and responses from domestic and overseas competition authorities, etc.

Expected Transaction Schedule

28th March

End of July

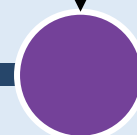
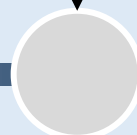
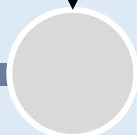
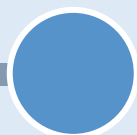
Board resolution and public announcement (advance notice) of the tender offer

Aim for the commencement of the tender offer by KKR

Completion of the tender offer

Start of tender offer settlement

Effective date of squeeze-out



Necessary procedures and responses under domestic and overseas competition laws and laws related to foreign direct investment

Investment by JICC

Delisting

CEO Eto's re-investment

Appendix



KKR

- KKR is a leading global investment firm founded in 1976, with assets under management of approximately \$638 billion (approximately 96 trillion JPY) as of December 31, 2024. The holding company KKR & Co. Inc. was listed on the New York Stock Exchange in 2010.
- KKR has positioned Asia, including Japan, as a key strategic region, and in 2021, it raised approximately \$15 billion (approximately 2.3 trillion yen) for KKR Asian Fund IV, which is one of the largest private equity funds in Asia. Its Tokyo office was established in 2006 and is operated by a team with a global and diverse background that is well-versed in Japanese business practices and has a leading track record in large-scale domestic deals.
- KKR has a strong track record of investing globally in the eye care and industrial sectors, and we believe that it can strongly support Topcon's growth in overseas markets through its knowledge and network.

Main investment achievements in Japan

- FUJISOFT INCORPORATED (2024)
- Bushu Pharmaceuticals Ltd. (2023)
- LOGISTEED, Ltd. (formerly Hitachi Transport System, Ltd.) (2022)
- KJR Management Corporation (formerly Mitsubishi Corporation UBS Realty Inc.) (2022)
- Yayoi Co., Ltd. (2022)
- Seiyu Co., Ltd. (2021)
- KOKUSAI ELECTRIC Corporation (2018)

Main investment achievements in the eye care sector

- nexeye (2024, The Netherlands)
- Medical Saigon Group (2023, Vietnam)
- Digital Diagnostics (2022, USA)
- Lenskart (2021, India)
- National Vision (2014, USA)

Main investment achievements in the industrial sector

- OHB (2024, Germany)
- GeoStabilization International (2018, USA)

Appendix

Overview of JICC



JIC Capital (JICC) is a fund management company established as a 100% subsidiary of Japan Investment Corporation (JIC). JIC Capital aims to supply risk capital for creating new industries toward “Society 5.0”, promoting business reorganizations to strengthen international competitiveness, and building next-generation social infrastructure through the promotion of digital transformation (DX).

| | |
|--------------------------|--|
| Company Name | JIC Capital, Ltd. : JICC |
| Established | September 2020 |
| Shareholder | Japan Investment Corporation: JIC |
| Purpose of Establishment | To achieve JIC’s mission, JIC takes the lead in forming private equity funds that focus on business reorganization and growth capital investments. |
| Business Overview | Equity investments and consulting related to equity investments. |

Enhance Japan’s industrial competitiveness for the sustainable development of the Japanese economy

Source: <https://www.jiccapital.co.jp/en/>



Positioning Business



- 3D Measurement (Surveying)
- ICT construction
- IT Agriculture
- Construction DX

- Applying our surveying technologies cultivated since our founding, we have realized ICT automated construction that enables automatic control of construction machinery. In addition, by connecting construction machinery and 3D measurement data via an IoT network and monitoring work progress, machine operation status, and resource management in real time, we promote DX in construction. Through centralized management of the entire construction workflow—from surveying and design to execution and inspection—we contribute to improved productivity and the alleviation of labor shortages at construction sites.
- We also centrally manage every piece of data in the farming cycle (planning, sowing, cultivation, harvesting). Drawing on these data in combination with automated steering systems for agricultural machinery and growth sensors, we advance the DX of farming operations to help enhance both productivity and quality.

Eye Care Business



- Ophthalmic examination and diagnostic equipment
- Screening
- Shared care
- “Healthcare from the Eye”

- Based on the technologies we have accumulated over many years in the manufacture and sale of devices for examination, diagnosis, and treatment in the field of ophthalmology, we developed our own fully automated fundus examination device. Furthermore, by providing remote diagnosis and AI diagnostic solutions through a cloud-based IoT platform, we are creating an environment where eye screenings can be conducted at familiar locations other than ophthalmology clinics, such as eyewear shops and family doctors’ offices. Together with advances in AI algorithms that can detect signs not only of eye diseases but also of systemic conditions from the eye, we are promoting “Healthcare from the Eye”(*)—contributing to the early detection and early treatment of diseases and helping improve medical efficiency.

※FDA approval is required. In Japan, eyewear shops, etc. without a physician on site are excluded.

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Space / Defense Business



- Space
- Defense

- Leveraging our core optical technology, Topcon delivers products ranging from defense- and space-related optical products to device products. We manage everything from design to manufacturing in-house, handling a diverse array of products—from individual lenses to large-scale systems.
- In the space sector, since the 1980s, we have been supplying optical units such as optical components and devices for Japan-made satellites. By combining the robustness to withstand the harsh conditions of space with high precision, we have contributed to Japan’s space development.

Overview of Our Business | Topcon's Manufacturing



Source: Integrated Report "Topcon Report 2024" <https://global.topcon.com/invest/library/integration/>