



FY2021 Financial Results

May 12, 2022
TOPCON CORPORATION
President & CEO
Satoshi Hirano



Company
Profile
Movie

Topcon for Human Life

TOPCON CORPORATION

FY2021 Financial Results

May 12, 2022

Event Overview

Company	TOPCON CORPORATION	
Event Type	Presentation of Financial Results	
Event Name	FY2021 Financial Results	
Report Period	FY2021	
Date	May 12, 2022	
Time	3:30 – 4:30 PM (Total time: 60 minutes; Presentation: 35 minutes; Q&A: 25 minutes)	
Event Format	Online (streamed)	
Number of Speakers	3	
	Satoshi Hirano	Representative Director, President & CEO
	Haruhiko Akiyama	Director, Managing Executive Officer, General Manager of Accounting & Finance Div.
	Takaaki Hirayama	Executive Officer, General Manager of Corporate Communication Div.

I . FY2021 Financial Results

I -1. FY2021 Financial Results

I -2. Overview of Each Business



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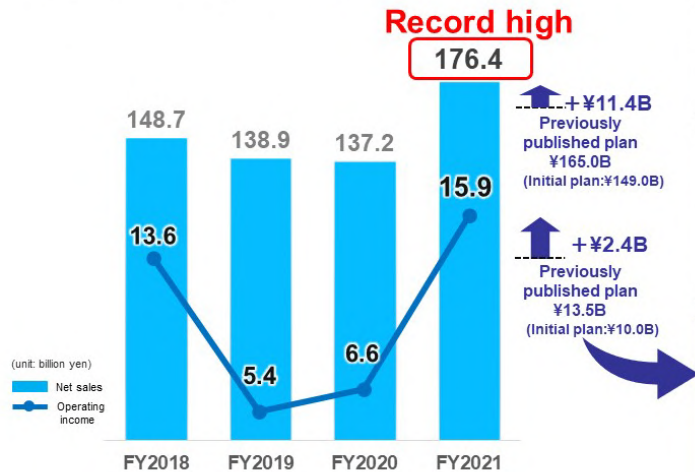
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Thank you very much for taking time to attend today's briefing. I would like to begin my FY2021 presentation.

Today, I will report our financial results for FY2021, followed by our full year plan for FY2022 and a summary.

FY2021 Overview

- Significant increase in sales and profit, big upswing from previously published plan



	YoY
- Net Sales	129%
- Operating Income	241%

	Previous year	Actual	YoY
- ROE	3.6%	14.0%	+10.4%
- Dividends	¥10	¥36	+¥26

Factors of the upswing from the previously published plan

- ✓ Captured stronger-than-expected demand
- ✓ Reduced component shortage effects to smaller-than-expected because of concerted efforts by the engineering, procurement, and manufacturing



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First, this is an overview of our results for FY2021. We achieved significant YoY increases in sales and operating income and a big upswing from the previously published forecast. It is extremely favorable. We revised the projected sales of 149.0 billion yen and operating income of 10.0 billion yen announced a year ago upward twice, in Q2 and Q3. Then, we made big jump from the forecast published in Q3 to 176.4 billion yen of sales and 15.9 billion yen of operating income.

With regard to the ROE, we are pleased to say it has significantly improved from 3.6% to 14.0%.

The dividend has been raised to 36 yen from the initially planned 20 yen. Compared to the previous fiscal year, the dividend has increased 26 yen, which is a proud achievement. Please note that this dividend amount is yet to be officially determined.

Now, I would like to briefly explain the factors for the upswing. We enjoyed demand that was more robust than expected. During the past year, there have been a variety of things that have negatively impacted us, such as component shortages and logistics cost surge problems. We have been taking company-wide engineering, procurement, and manufacturing measures to address these issues.

In terms of manufacturing specifically, for products containing components that were not available, we swiftly changed the design to accommodate the available substitutes. On the sales side, through the efforts to prioritize the products that could be manufactured, we achieved a significant improvement in performance.

FY2021 Overview

Financial Highlights

	FY2019	FY2020	FY2021
Cash-generating capability			
Operating Cash Flow	¥7.9B	¥19.4B	¥20.5B
Financial soundness/ Investment capacity			
D/E Ratio	0.91	0.76	0.52
Asset efficiency			
Total Assets Turnover	0.86	0.83	1.00
Capital efficiency			
ROE	1.4%	3.6%	14.0%
Shareholder return			
Dividends / Payout Ratio	¥24 / 271%	¥10 / 44%	¥36 / 35%



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Here is another overview in terms of financial highlights. We have listed only the key indicators.

We have generated record high operating cash flows of 20.5 billion yen. As I mentioned earlier, ROE is 14.0% and there are record high dividends of 36 yen. The D/E ratio and the total assets turnover were 0.52 and 1.00, respectively.

FY2021 Results

(unit: million yen)					
	FY2020	FY2021			
	Actual	Actual	YoY	%	Plan <small>* Announced on January 28</small>
Net Sales	137,247	176,421	39,174	+29%	165,000
Gross Profit (Gross Profit Ratio)	67,895 (49.5%)	90,093 (51.1%)	22,198		
SGA	61,301	74,178	12,877		
Operating Income (Operating Income Ratio)	6,593 (4.8%)	15,914 (9.0%)	9,320	+141%	13,500 (8.2%)
Non-Operating Income (Expenses)	-1,006	-1,094	-88		
Ordinary Income	5,587	14,820	9,232	+165%	11,500
Extraordinary Income (Loss)	-667	-174	492		
Income Before Income Taxes and Minority Interests	4,919	14,645	9,725		
Net Income	2,376	10,699	8,323	+350%	7,000
ROE	3.6%	14.0%			10%
Dividends	¥10	¥36			¥25 <small>* Released on March 14</small>
Payout Ratio	44%	35%			
Exchange Rate	USD	¥106.17	¥112.86	¥6.69	(Q4 Assumption) ¥108
(Average)	EUR	¥123.73	¥131.01	¥7.28	¥128

Here are the detailed figures for the result of FY2021.

I would like to highlight that both ordinary income and net income increased significantly, +165% to 14.8 billion yen and +350% to 10.7 billion yen, respectively.

FY2021 Financial Results by Business

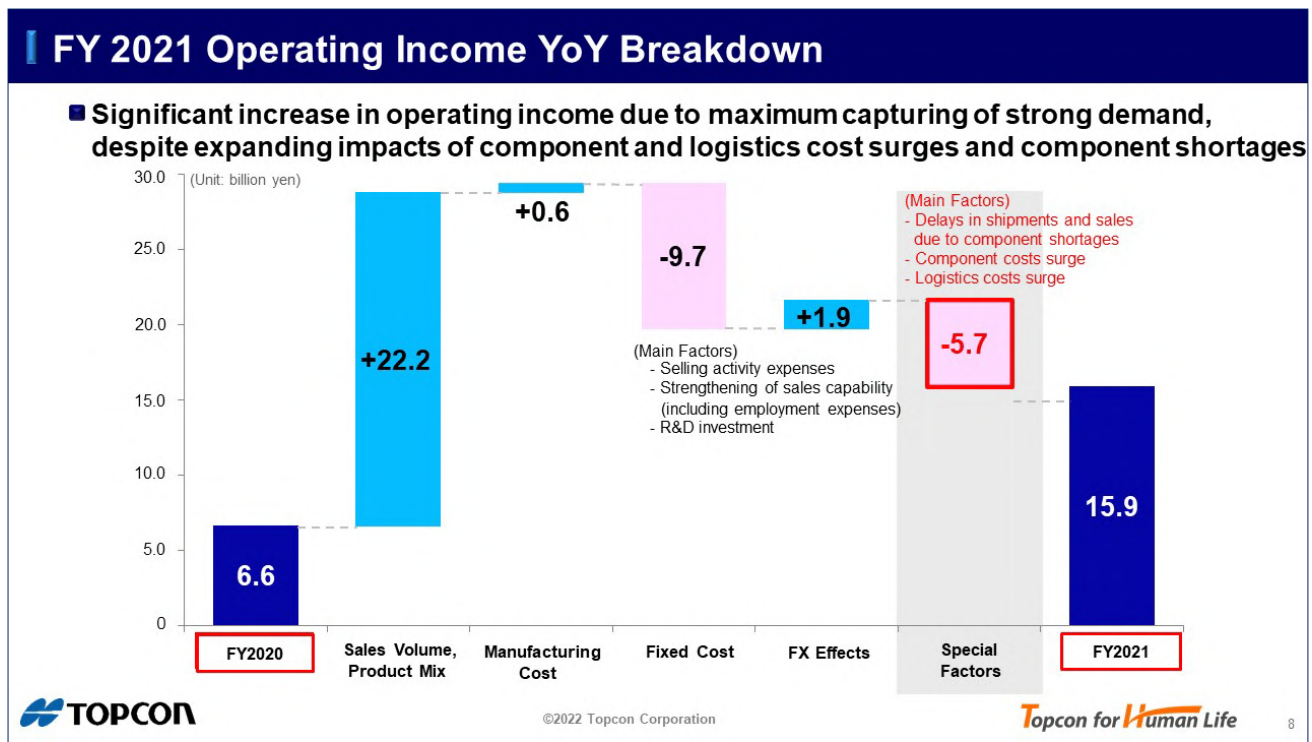
- Record high sales for all business segments, significant increase in sales and profit

(unit: million yen)

		FY2020	FY2021			
		Actual	Actual	YoY	YoY%	Plan ※ Announced on January 28
Net Sales	Positioning	71,416	96,692	25,276	+35%	91,000
	Smart Infrastructure	33,982	39,040	5,058	+15%	37,000
	Eye Care	44,251	57,352	13,101	+30%	54,000
	Others	1,165	1,184	18		1,000
	Elimination	-13,568	-17,848	-4,280		-18,000
	Total	137,247	176,421	39,174	+29%	165,000
Operating Income (Operating Income Ratio)	Positioning	6,064 (8.5%)	11,548 (11.9%)	5,484	+91%	10,500 (11.5%)
	Smart Infrastructure	4,972 (14.6%)	5,821 (14.9%)	849	+17%	5,000 (13.5%)
	Eye Care	122 (0.3%)	3,203 (5.6%)	3,081	+2,525%	2,500 (4.6%)
	Others	-536	-365	170		-300
	Elimination	-4,028	-4,293	-265		-4,200
	Total	6,593 (4.8%)	15,914 (9.0%)	9,320	+141%	13,500 (8.2%)

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We posted record high sales as well as significant increases in sales and operating income for all business segments. What I would like to emphasize here is Eye Care Business, in which operating income increased to 26 times the previous fiscal year. Although the upfront investments have been squeezing profits, we have started enjoying the payback period.



Next is a YoY analysis of changes in operating income for the full year. Operating income for the previous fiscal year was 6.6 billion yen.

Sales volume/product mix contributed a positive 22.2 billion yen.

Manufacturing costs accounted for positive 0.6 billion yen. Please note that a rise in costs such as the cost of components are included in special factors.

Fixed costs accounted for negative 9.7 billion yen. In FY2020, business trips, advertising activities, exhibitions, and other activities were restricted due to the COVID-19 pandemic. Then, the costs for these activities increased in FY2021 as business activities resumed.

FX effects were favorable with positive 1.9 billion yen.

In addition, special factors account for negative 5.7 billion yen including delays in shipments and sales due to component shortages and surging component and logistics costs.

As a result, we have finished at an operating income of 15.9 billion yen of for FY2021.

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I -1. FY2021 Financial Results

I -2. Overview of Each Business



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I will now discuss our results by business segment.

Overview of Each Business

Positioning

Record high sales and operating income

		(unit: million yen)			
		FY2020	FY2021		
		Actual	Actual	YoY	%
					Plan * Announced on January 28
Net Sales		71,416	96,692	25,276	+35%
Operating Income (Operating Income Ratio)		6,064 (8.5%)	11,548 (11.9%)	5,484	+91%
Exchange Rate (Average)	USD	¥106.17	¥112.86	¥6.69	
	EUR	¥123.73	¥131.01	¥7.28	

Review of Financial Results

Overall

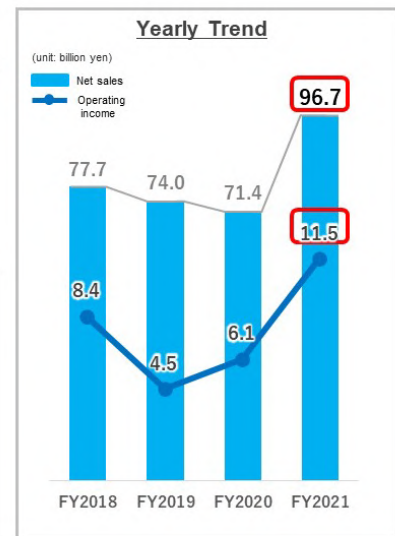
- Significant increase in sales and profit capturing strong demand driven by active housing and infrastructure investment in the U.S. and Europe
- Reduced the impact of component shortages by demonstrating company-wide maneuverability while the effects of component and logistics costs surge increase

IT Construction and IT Agriculture

- Continuing strong sales for both aftermarket and OEM

Surveying and laser products

- Strong sales thanks to continued booming housing construction market



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First is Positioning Company. Net sales and operating income reached a record high of 96.7 billion yen and 11.5 billion yen, respectively.

As you can see, we captured the strong demand driven by active housing and infrastructure investment in the U.S. and Europe. Both sales and income significantly increased.

As I said when discussing company-wide measures as a response to the component shortages on the FY2021 overview slide, all of the engineering, procurement, manufacturing, and sales divisions have cooperated to succeed in minimizing the impact. However, the component shortages and the surges of component and logistic costs continue to persist.

IT Construction sales continue to be strong for both aftermarket and OEMs. Sales of surveying and laser products were also strong thanks to a continuously booming housing construction market.

Overview of Each Business

Smart Infrastructure

Record high sales, robust operating income

(unit: million yen)

	FY2020	FY2021			
	Actual	Actual	YoY	%	Plan ※ Announced on Jan. 28
Net Sales	33,982	39,040	5,058	+15%	37,000
Operating Income (Operating Income Ratio)	4,972 (14.6%)	5,821 (14.9%)	849	+17%	5,000 (13.5%)
Exchange Rate (Average)	USD ¥106.17 EUR ¥123.73	¥112.86 ¥131.01	¥6.69 ¥7.28		

Review of Financial Results

Overall

- Solid sales in Japan, significant sales surpassed in the U.S. and Europe, recovery trend in Asia
- Enhancing growth investment in start-up building construction DX (Digital Transformation)
- Reduced the impact of component shortages by demonstrating company-wide maneuverability while the effects of component costs surge increase

Surveying instruments

- Strong sales for total stations

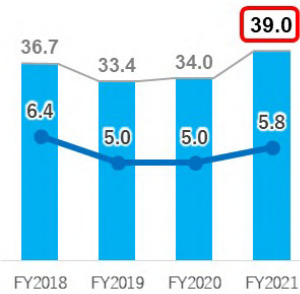
IT Construction and IT Agriculture

- The orders are very strong thanks to new products effect while some sales slip to the next fiscal year due to the component shortages

Yearly Trend

(unit: billion yen)

Net sales
Operating income



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We achieved record high sales in Smart Infrastructure Business. Operating income was robust with a significantly high profit margin which was 14.6% and 14.9% in FY2021 and FY2022, respectively. Net sales were 39 billion yen and operating income was 5.8 billion yen.

Let me talk about a factor analysis. Sales in Japan were steady while sales in the U.S. and Europe increased significantly, and sales in Asia recovered. I will explain the business in Asia later. We are also accelerating growth investments for the development of the construction market with our DX solution. We are responding to the component shortage by being maneuverable company-wide.

As for surveying instruments, sales of our company's core product total stations were strong.

IT Construction and IT Agriculture are specialized in Japan, and orders were extremely strong due to the effect of new products. However, some sales delayed to the next fiscal year due to the component shortages, unfortunately.

Overview of Each Business

Eye Care

Record high sales, significant increase in operating income

		(unit: million yen)			
		FY2020	FY2021		
		Actual	Actual	YoY	%
					Plan ※ Announced on Jan. 28
Net Sales		44,251	57,352	13,101	+30%
Operating Income (Operating Income Ratio)		122 (0.3%)	3,203 (5.6%)	3,081	+2,525%
Exchange Rate (Average)	USD	¥106.17	¥112.86	¥6.69	
	EUR	¥123.73	¥131.01	¥7.28	

Review of Financial Results

Overall

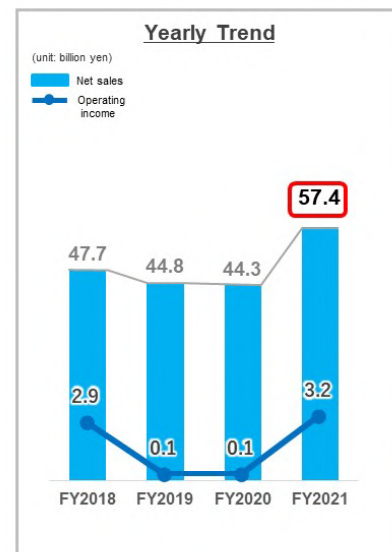
- Sharp increase in profit thanks to strong sales in the U.S., Europe, and China
- Reduced the impact of component shortages by demonstrating company-wide maneuverability while the effects of component and logistics costs surge increase

Screening Business

- Strong sales in major markets as steady progress of the investment effect
 - Maestro : Large orders from multiple major optical chain store in the U.S. and Europe
 - TRC-NW 400 : Strong demands for hospitals and screening centers in China
- Active collaboration in the AI diagnosis field

Digital Optometry System

- Sales to major chain stores in Europe and the U.S. continue to be strong at a record high pace



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In terms of Eye Care Business, net sales reached a record high and profits increased significantly. Sales and operating income grew +30% and +2,525% YoY, respectively.

Net sales were 57.4 billion yen and operating income was 3.2 billion yen. Although we were negatively impacted by the COVID-19 pandemic, and our upfront investments squeezed profits in fiscal 2019 and 2020, we have moved from the upfront investment phase to the payback phase as the results of FY2021 show.

I will explain the factor analysis. Sales to Europe, the United States and China were very strong. As in the case of other businesses, we responded to the component shortage by being maneuverable company-wide.

The Screening Business is an area in which we have been specifically focusing on. Sales in major markets were strong as the upfront investment has started to be paid off steadily. Sales of OCT Maestro and the TRC-NW 400 fundus camera continued to be strong.

In addition, sales of digital optometry systems, a field where we are taking on new challenges, were also very strong.

Ⅱ . FY2022 Full Year Plan

Ⅱ -1. Progress of the Third Mid-term Business Plan

Ⅱ -2. FY2022 Full Year Plan

Ⅱ -3. Strategic Plans for Each Business



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I will now explain the full year plan for FY2022.

Progress of the Third Mid-term Business Plan

Message on FY2020 Presentation Material (May 11, 2021)

- Proved our strength as an Essential Business amid COVID-19 pandemic
- Vision is intact
- Timeline is inevitable to change
- ⇒ **Timeline is extended for another one year (originally three-year plan) while the financial targets remain unchanged**

FY2021 Results

- Proved our strength as an Essential Business amid prolonged COVID-19 pandemic
- Has returned to originally planned growing trend
- Increasing unexpected effects of component and logistics costs surge and component shortages
- Implemented measures to the best extent such as securing component, design changes, and price revisions

**Given the external environment getting opaquer and more unpredictable,
Aim to achieve the financial targets (Mid-term Business Plan)
extended by one year**



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FY2022 is the final year of the Third Mid-term Business Plan. FY2021 was originally the final year of the Third Mid-term Business Plan. However, we announced that the three-year Mid-term Business Plan would be extended one year and that the content of the management plan would remain unchanged when we disclosed the FY2020 results in the wake of the COVID-19 pandemic.

As a result, we have strong confidence that we have returned to the growth path as originally planned in FY2021.

There are some negative factors which were not anticipated at the beginning of FY2021, such as the component shortages and the surging cost of logistics. However, I believe that the Third Mid-term Business Plan is progressing as expected.

Although the external environment has become more uncertain than ever, I would like to tell you that we are certainly in a position to challenge ourselves to achieve the numerical targets we have extended for one year.

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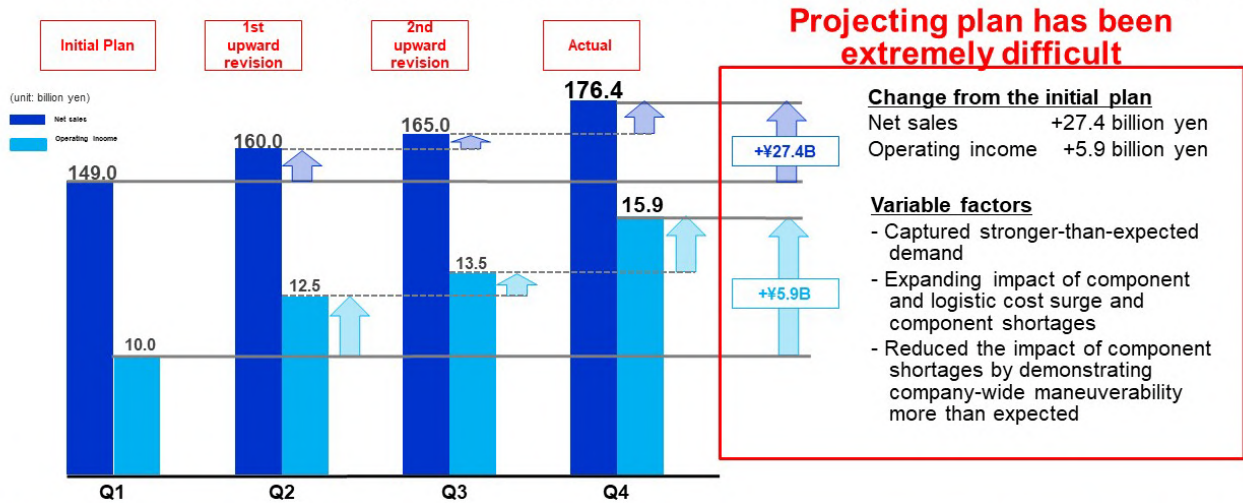
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Next, I will explain the full year plan for FY2022.

FY2022 Full Year Plan

■ Review of FY2021

Significant upswing from the initial plan as of the beginning of this fiscal year



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Before discussing the full year plan for FY2022, I would like to first review FY2021. As announced earlier today, net sales and operating income significantly exceeded our plans, even following the first and second upward revisions of the figures that were announced at the beginning of the fiscal year.

Specifically, sales and operating income increased sharply from the initial plan by 27.4 billion yen of sales and 5.9 billion yen of operating income, respectively. As you can see, it has been extremely difficult to create the full year projection.

Although we benefitted from stronger-than-expected demand, we have confronted variables such as the increasing impact of component and logistics cost surge and component shortages.

As a countermeasure, we made every effort to reduce the negative impact of these variables by changing designs, revising prices, and ensuring multi-route procurement of missing components. As a result, we were able to generate strong sales and income for FY2021. However, we would like to share that, honestly, it was extremely challenging to create the projection.

FY2022 Full Year Plan

■ Strong demand is expected to continue while more growing concerns compared to last fiscal year

- Prolonged supply chain issue(component shortages and logistic confusion, such as cost surge, etc..) - Growing concern
- Uncertainty due to Ukraine situation
- Worsening effects of tighter sanctions against Russia on world economy (Soaring energy, material and commodities prices)
- Covid-19 variants' resurgence and stagnation of Chinese economy
- Concern of further tightening monetary policy due to accelerating inflation in the U.S.



**Given the increasing uncertainty as above,
projecting the plan for this fiscal year as below**

	FY2021 Actual	FY2022 Actual	FY2022 Third Mid-term Business Plan
Net sales	¥176.4B	¥190.0B	¥180.0B
Operating Income	¥159.0B	¥18.0B	¥20.0B
Ordinary Income	¥14.8B	¥17.0B	-
Net Income	¥10.7B	¥12.0B	-

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In FY2022, we expect our concerns to grow compared to the previous fiscal year, while we also expect strong demand to continue. There are more elements than you can see on the slide, and the supply chain issue is expected to be prolonged.

We are facing the Ukraine situation and the worsening impact of tighter sanctions against Russia. Moreover, there is the impact of the emergence of new COVID-19 variants, such as the lockdown in Shanghai.

In addition, the situation is very difficult to predict due to rising inflation and the acceleration of monetary tightening in the U.S.

Given the above concerns, we are creating forecasts while considering the ongoing strong demand.

The plan is as follows: net sales of 190.0 billion yen, operating income of 18.0 billion yen, ordinary income of 17.0 billion yen, and net income of 12.0 billion yen. The net sales figure I have just showed is greater than in the Third Mid-term Business Plan. In terms of the operating income, although it is 10% short of the plan, we would say that the achievement of the plan is coming into sight.

FY2022 Full Year 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 (Average)				
USD	¥112.86	¥120.00	¥7.14	¥110.00
EUR	¥131.01	¥130.00	-¥1.01	¥125.00



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Here are the detailed figures. We're projecting an ROE of 14%, similar to FY2021, and dividends of 40 yen, an increase of 4 yen. We assume the exchange rate of 120 yen to the US dollar and 130 yen to the EUR.

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



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We project increases in sales for each business segment. We are expecting operating income in Smart Infrastructure Business to decline due to an investment increase. I will explain this in detail later.

Ⅱ . FY2022 Full Year Plan

Ⅱ -1. Progress of the Third Mid-term Business Plan

Ⅱ -2. FY2022 Full Year Plan

Ⅱ -3. Strategic Plans for Each Business



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Let me explain the strategic plans for each business.

Strategic Plans

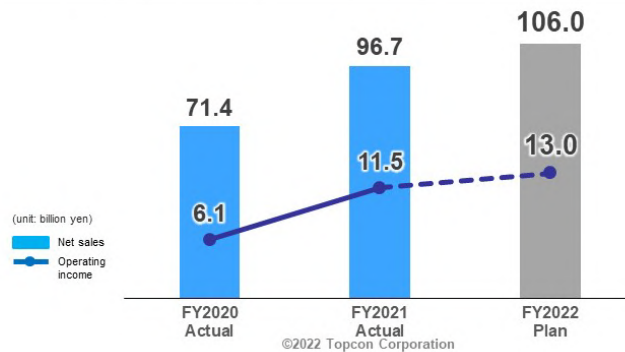
Positioning

Business Outlook

- Expecting increase of infrastructure demand while there is concern of negative impact on housing construction due to rising interest rates
- Despite benefit from high crop price increase, uncertainty is increasing due to increase fuel and fertilizer cost for agricultural machinery
- Increase of productivity improvement demand due to labor shortage and fuel cost increase

Strategic Plans

- IT Construction : Expanding the base range by new products for small to medium sized construction machinery
- Capturing new business opportunities from increasing infrastructure investments

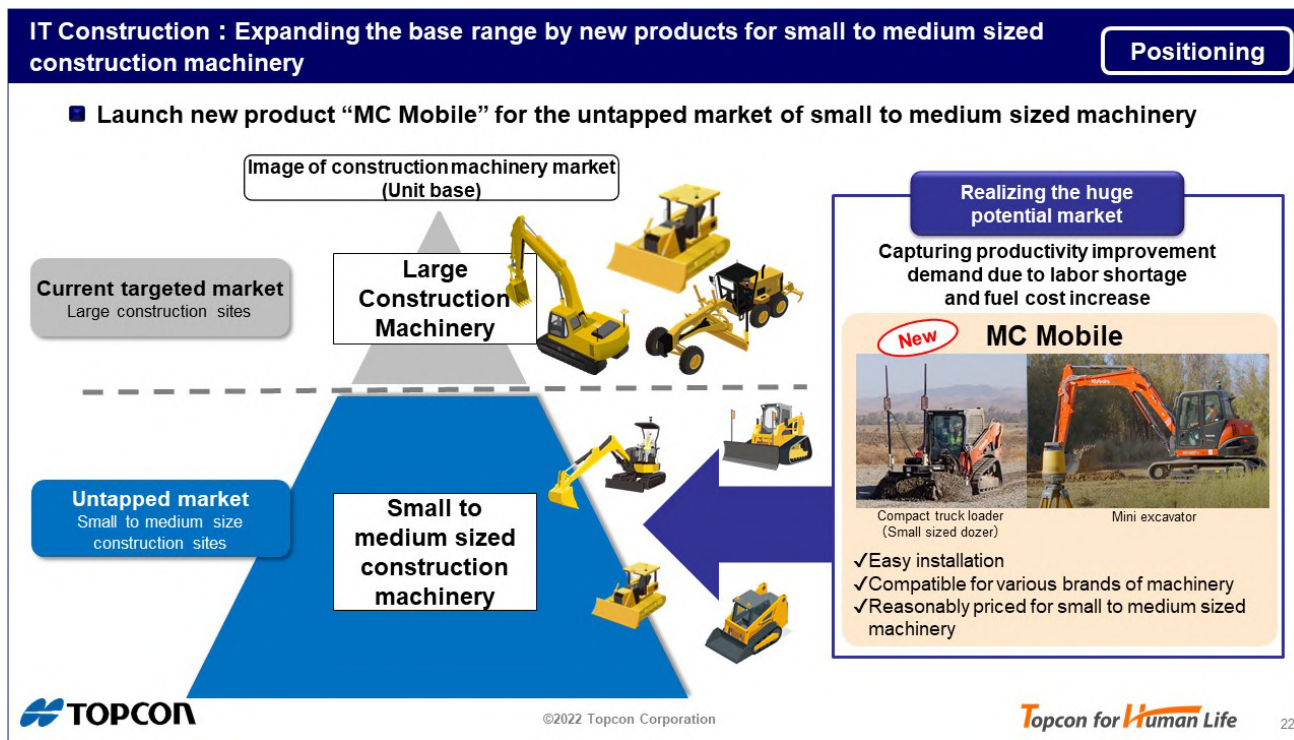


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As for Positioning Company, we are expecting infrastructure demand to increase while there is a concern that rising interest rates will negatively impact housing construction. Despite a benefit from high crop prices, uncertainty is growing due to an increase fuel and fertilizer costs for agricultural machinery.

On the other hand, thanks to increased productivity improvement demand due to the labor shortage and fuel cost increase, we're projecting net sales of 106.0 billion yen and operating income of 13.0 billion yen, increases of 110% and 113% YoY, respectively.



One of the strategic plans is related to IT Construction. We aim to expanding the base range through new products for small to medium-sized construction machinery. The number of construction machines produced is larger for small to medium-sized machinery, just like the image of a pyramid shown in the slide.

Our current target market is mainly large construction machinery such as excavators, bulldozers, and motor graders. The U.S, Europe, Japan, and Oceania are our main focusing competitive market, and our percent penetration in these regions is still estimated at a little over 10%. There is no doubt that these are growing markets.

In addition, markets in China, Asia, the Middle East, and South America, other than the U.S, Europe, Japan, and Oceania, are largely untapped and have room for further growth.

At the same time, there is a growing need for the automation of small to medium-sized construction machinery while demand for the improvement of productivity is increasing due to labor shortages and fuel cost increases.

To meet these needs, we are releasing compact and reasonably priced products that can be installed on small to medium-sized construction machinery. These strategic products are expected to contribute to our growth in FY2022 and onward.

Capture new business opportunities from increasing infrastructure investments

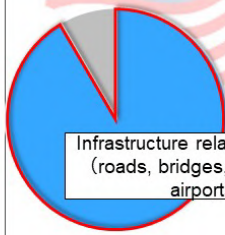
Positioning

■ Aggressively capturing new demands

The Infrastructure investment and jobs act
(Enacted in November 2021)

Budget size : More than 1.2 trillion USD

- ✓ Infrastructure related investment consists 90%
- ✓ Increase of public investments is expected for 8 years



Infrastructure related : 1,098 billion USD
(roads, bridges, rail loads, waterworks,
airports and etc.)

Reference: <https://www.congress.gov/bills/117/congress/house-bill/2684/text>
<https://www.grassley.senate.gov/news/news-releases/myths-and-facts-infrastructure-investment-and-jobs-act>

IT Construction contributes for
**productivity improvements and
labor savings**



Photos of IT Construction at various construction sites



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In the U.S, it has been announced that a total of \$1.2 trillion in infrastructure investment is planned as an economic stimulus package, most of which will be spent on public investments. Since we are widely involved in infrastructure-related investments, such as the construction of airports, highways, and the monitoring of railways, we aim to capture new business opportunities.

Strategic Plans

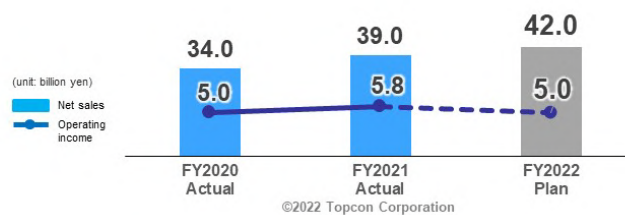
Smart Infrastructure

Business Outlook

- Japan: Strong demand in construction and agriculture continues while automation needs are increasing due to a shortage of workers
- Asia: Economic activities are revitalized thanks to the recovery from COVID-19 pandemic

Strategic Plans

- Accelerating penetration by strategic products
Domestic IT Construction and IT Agriculture: Continue to focus on small to medium sized construction sites and medium sized farmers
- Accelerating growth investments for further business expansion
Market development in Asia for IT Construction and IT Agriculture
Development of construction market by our DX (Digital Transformation) solution



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Next is Smart Infrastructure Business.

Similar to the other major markets such as the U.S and Europe, strong demand in construction and agriculture is continuing in Japan while the need for automation is increasing due to a shortage of workers.

In addition, economic activities have finally started to recover in Asian markets, which had been sluggish due to the COVID-19 pandemic over the past two years. We are promoting our activities in earnest to capture demand in this market.

While net sales are expected to increase 108% YoY to 42.0 billion yen, operating income is to decrease by 14% to 5.0 billion yen due to the acceleration of growth investments for the expansion of business.

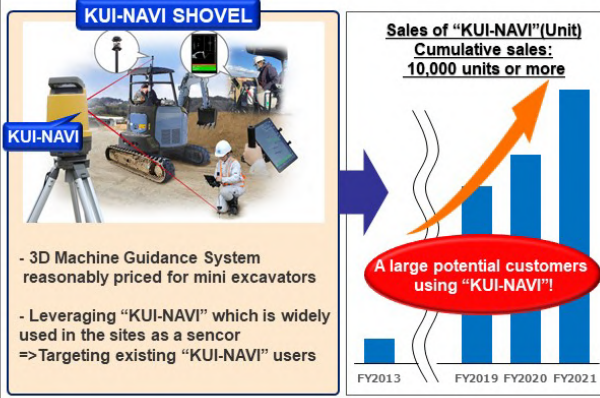
Accelerating market penetration by strategic products

Smart Infrastructure

- Domestic IT Construction and IT Agriculture: Continue to focus on small to medium sized construction sites and medium sized farmers' market

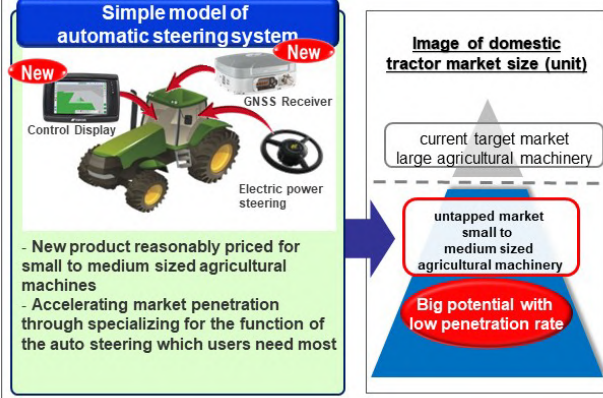
IT Construction

- ✓ ICT Machine Guidance System "KUI-NAVI SHOVEL"
- Accelerating market penetration to small to medium sized construction machinery market



IT agriculture

- ✓ Simple model of Auto steering system
- Accelerating market penetration to small to medium sized agricultural machinery markets



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We will expand the IT Construction and IT Agriculture businesses into small to medium-sized construction sites and medium-sized farmers' market by introducing strategic products. In the field of IT Construction, in 2013 we released the KUI-NAVI system focused on the small to medium-sized construction sites market. Sales of the product are increasing at a considerable pace, and more than 10,000 units have been sold. The product is clearly functionally differentiated and has significant competitive advantages.

Leveraging this successful product, we launched KUI-NAVI SHOVEL last year which uses KUI-NAVI sensors. It has significantly strong reputation. We are focusing on this product to facilitate IT Construction using small excavators.

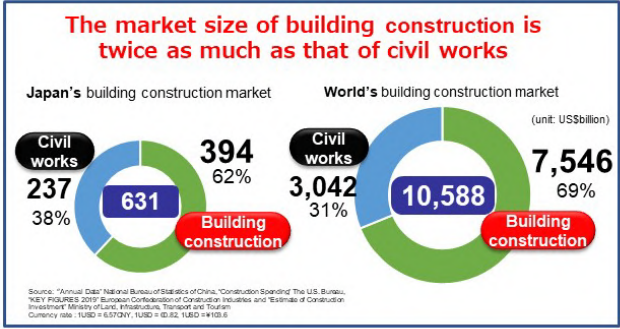
As explained earlier in the IT Construction in Positioning Company topic on page 22, the scope of IT Agriculture will also expand beyond large machinery to small to medium-sized machinery. Demand for automation is growing rapidly, and we will capture this demand and increase penetration into the small to medium-sized agricultural machinery market through the launch of new products that are simple and reasonably priced, with specialized autosteering features.

Smart Infrastructure

*DX : Digital Transformation

Development of construction market by our DX* solution

- ✓ Strengthening the organization by recruiting talented resource
- ✓ Expanding Product Line for the new markets
- ✓ New business development for distribution and partnership, Strengthening alliance



These growth investments will temporarily squeeze the profits of Smart Infrastructure Business a little bit.

Strategic Plans

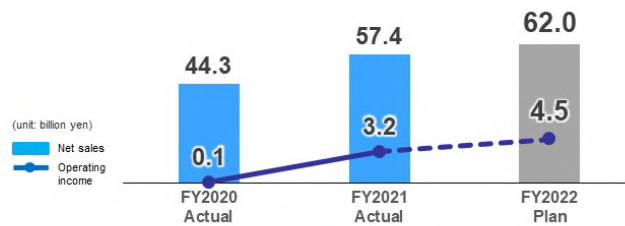
Eye Care

Business Outlook

- Stable capital investment of major optical chain store in the US and Europe will continue, focusing on the investment relating to healthcare
- Patient of chronic eye disorder will increase due to worldwide aging population and growth of diabetes

Strategic Plans

- Further expansion of screening business
The focused screening business has blossomed and entering a recovery phase of the upfront investment
- Tele-optometry business expansion
Capturing Tele-optometry needs, based on the growth of digital optometry system



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Finally, the strategic plans for Eye Care Business.

Concerning the business outlook, major optical chain stores in the U.S and Europe are expected to continue their steady capital investment. They focus on healthcare-related investments. In light of the environment in which that number of patients with chronic eye disorders will continue to increase due to the aging of the global population and the increase of people with diabetes, we're projecting net sales of 62.0 billion yen and operating income of 4.5 billion yen, 108% YoY and 140% YoY, respectively. We are entering the phase where we will be paid back for the upfront investment.

Further expansion of Screening Business

Eye Care

- The focused screening business has blossomed and entering a recovery phase of the upfront investment

Maestro2^{*2}



- Driving large orders from major optical chain stores in U.S. and Europe^{*1}

NW400^{*3}



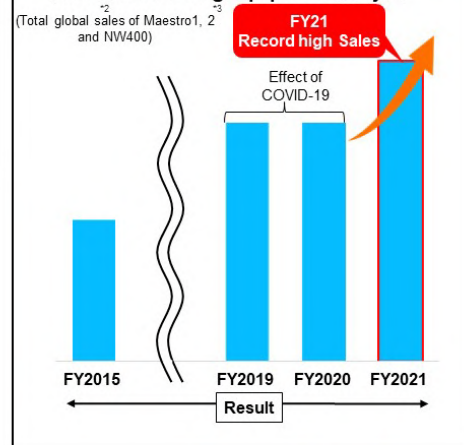
- China
- Started local manufacturing (Jan. 2022) to and applying the bid by domestic production
- Continuing sales by collaborating with major medical and health care group and AI development companies

Driving the large orders from the major optical chain stores in the U.S.^{*1}

^{*1} Diagnostic support services at reading centers, offered in the U.S. only as of now
^{*2} Product name: 3D OPTICAL COHERENCE TOMOGRAPHY 3D OCT-1 (Type: Maestro2)
^{*3} Product name: NON-MYDRIATIC RETINAL CAMERA TRC-NW400

Growth Trend of Screening Business

Sales of Screening Equipment (Q'ty)



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The Screening Business that has been our focus on has blossomed, and we have entered the phase where we will be paid back for the upfront investment. The graph on the right shows sales of our major pieces of screening equipment, the 3D OCT Maestro2 and the NW400 fundus camera. Sales began in FY2015, but did not grow in FY2020 due to COVID-19. Then, sales increased sharply in FY2021. We believe that the business has finally flourished.

Regarding Maestro, we will continue to focus on the U.S and Europe markets. Of course, we will target other countries as well, but first, we would like to expand the business through large-scale orders from major optical chain stores in the U.S and Europe.

Regarding NW400, we have seen a sharp increasing sales in China. Recently, China has started to impose import restrictions. Although the NW 400 is not regulated as of now, we started production in China in January this year considering the possibility that it could become regulated in the future. We combine hybrid production in Japan and China to apply to bids (which will probably require domestic production) in China. We are also working to increase sales in collaboration with a major medical and healthcare group and AI development companies.

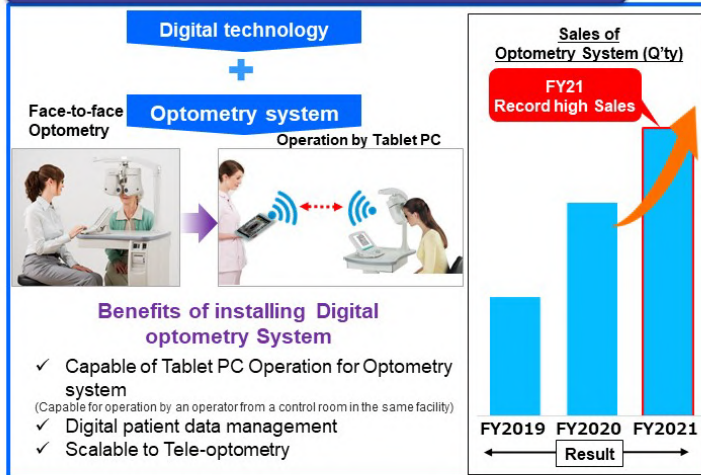
We will continue to promote NW400 to get the large-scale orders from major optical chain stores in the U.S.

Expansion of Tele-optometry Business

Eye Care

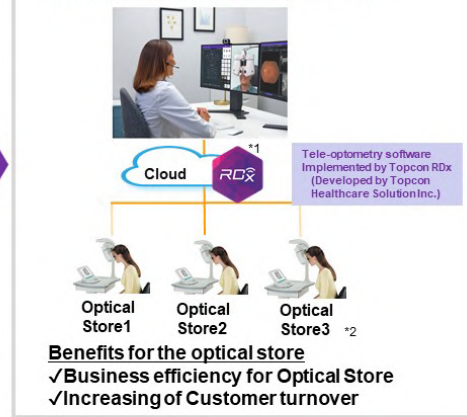
- Consistent capturing Tele-optometry needs, based on the growth of digital optometry system

Strong Sales of Digital Optometry System



Expansion and promote of Tele-optometry

An Optometrist is possible to cover the multiple stores by on-line optometry



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We will also expand our tele-optometry business. Based on the growth of digital optometry systems, we will consistently capture needs for tele-optometry. Sales of optometry systems are shown in the bar graph on the left side, under the title “strong sales of digital optometry systems.” Despite the COVID-19 pandemic, sales grew significantly in each fiscal year since FY2019.

Originally, eye examinations were conducted face to face. We provided digital optometry systems in a timely manner during the COVID-19 pandemic and provided digitalized operations using tablets to enable social distancing. Thanks to this functionality, sales increased significantly even during the COVID-19 pandemic.

It was introduced for social distancing during the COVID-19 pandemic. More importantly, the digital optometry system makes remote diagnosis possible. Our next focus is tele-optometry.

By remotely controlling the optometry system (in a separate location) via the cloud instead of a tablet controlling in the same facility, a single optometrist can handle the optometry data of multiple optical stores, making optometry extremely efficient.

There is a growing need for tele-optometry, particularly in the U.S and Europe. Sales of our digital optometry systems are increasing sharply. The increased number of systems on the market will be the foundation for the expansion of tele-optometry sales. We will focus on tele-optometry specifically during this fiscal year.

III. Summary



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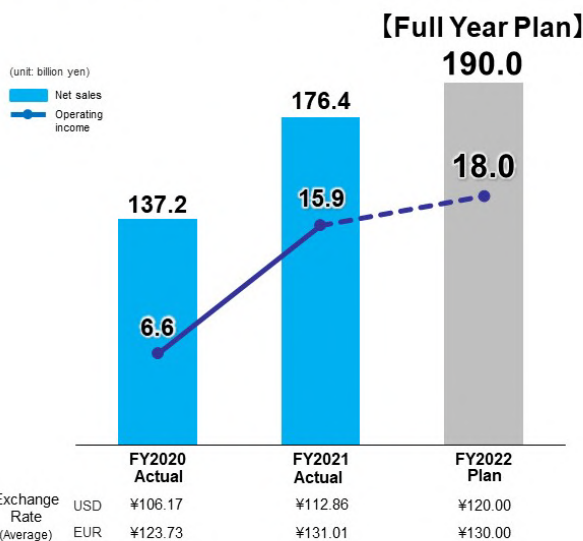
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In closing, I will summarize today's presentation.

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



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We aim to achieve record high sales, operating income, and dividends. Net sales will be 190.0 billion yen and operating income is 18.0 billion yen. While uncertainty continues to increase, we will achieve these figures by fully capturing the robust demand. Ordinary income will be 17.0 billion yen, net income will be 12.0 billion yen, and dividends will be 40 yen, an increase of 4 yen. The exchange rate is assumed to be 120 yen to the dollar and 130 yen to the euro.

Question and Answers

<Common subjects>

Q. Could you tell us your analysis of the [changes in operating income for FY2022?](#)

A. We expect sales volume and product mix increase by 6 to 7 billion yen, FX effects and reduction of manufacturing costs will be around positive 2 billion yen in total, fixed costs will increase by 4 to 5 billion yen, and special factors will be a negative 2 to 3 billion yen.

Q. I feel the [economy is weakening](#) as inflation progresses, and uncertainty is growing in FY2022. What kinds of things do you expect will [negatively impact your business?](#)

A. As I mentioned, uncertainty is definitely growing. However, our sales figures themselves haven't suffer from it yet. In terms of our biggest business segment, Positioning Company, we can expect the increase of investment in infrastructure in the U.S to positively impact us. Major concerns are the surging logistics costs and component shortages.

Q. Regarding the [backlog](#), during the previous financial results briefing you told us that there was a large backlog because your production could not keep up with demand. How big was the backlog as of the end of FY2021, and how much will that contribute to FY2022 performance?

A. Since our company's business model is based on prospective production, there is usually little backlog. However, due to the component shortages, there was a certain backlog as of the end of FY2021. The outlook for FY2022 is based on the assumption that there will be a similar backlog at the end of FY2022.

Q. [Logistics costs and component prices continue to soar](#). Could you elaborate on the price pass-through situation? To what extent is it included in the plan for FY2022?

A. We have already revised the prices in all businesses, particularly for competitively differentiated products. The revised prices, which were raised in FY2021, will be maintained, and further increases will be considered in some cases. Component prices are very expensive, and logistics costs are rising extremely.

Q. I believe that the products of Smart Infrastructure Business and Eye Care Business are mainly produced in Japan and shipped overseas. Is the [weak yen](#) benefitting you?

A. The weak yen is positive. Please see the figures on page 38 of the presentation materials.

<Positioning Company>

Q. I believe that a GNSS development team is based in Russia. Could you let us know the current situation and its impact on future business performance?

A. We investigated whether it is in conflict with the economic sanctions against Russia. We found that there are NO conflicts, so we continue to operate.

Q. You're projecting 10% sales growth for FY2022. How much growth are you planning in terms of local currency?

A. Excluding the impact of foreign exchange rates, each segment is expected to grow approximately 5%.

<Eye Care Business>

Q. Sales are growing. I would like to know how much the screening and digital optometry system sales mentioned in the presentation contribute to this growth.

A. Their contribution is big. At present, sales related to screening and digital optometry systems account for roughly half of the entire Eye Care Business.

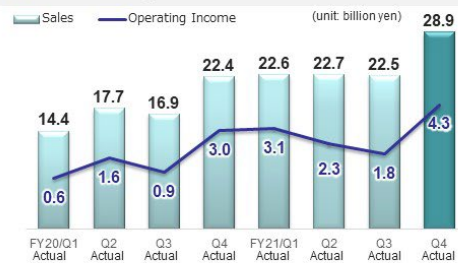
V. Appendix

Financial Results (Quarterly)

Consolidated



Positioning



Smart Infrastructure



Eye Care

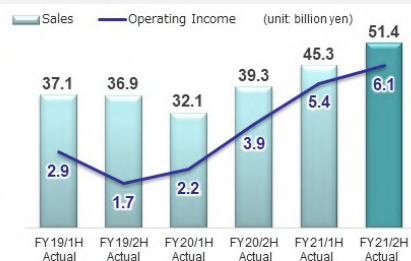


Financial Results (Semiannually)

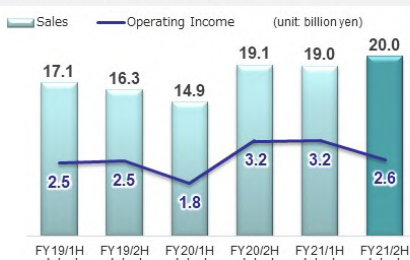
Consolidated



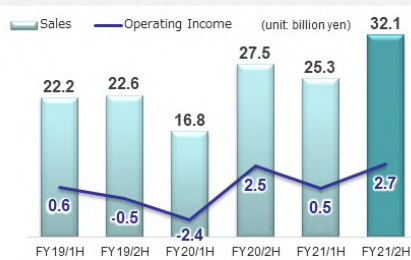
Positioning



Smart Infrastructure



Eye Care



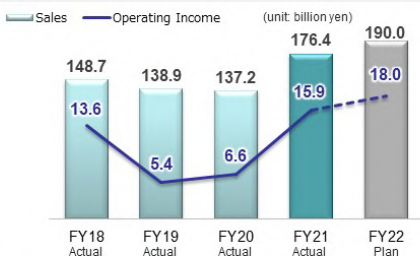
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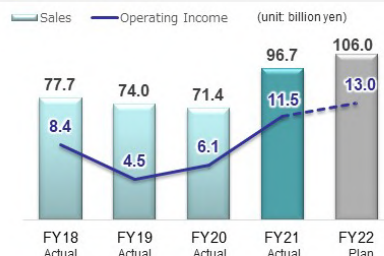
36

Financial Results and Plan (Annually)

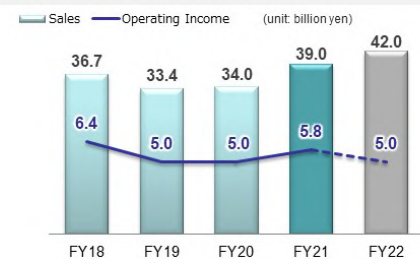
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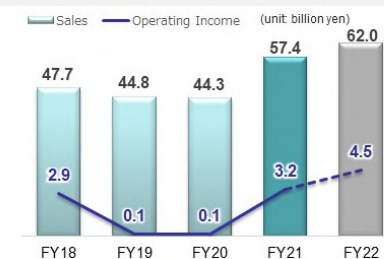
Positioning



Smart Infrastructure



Eye Care

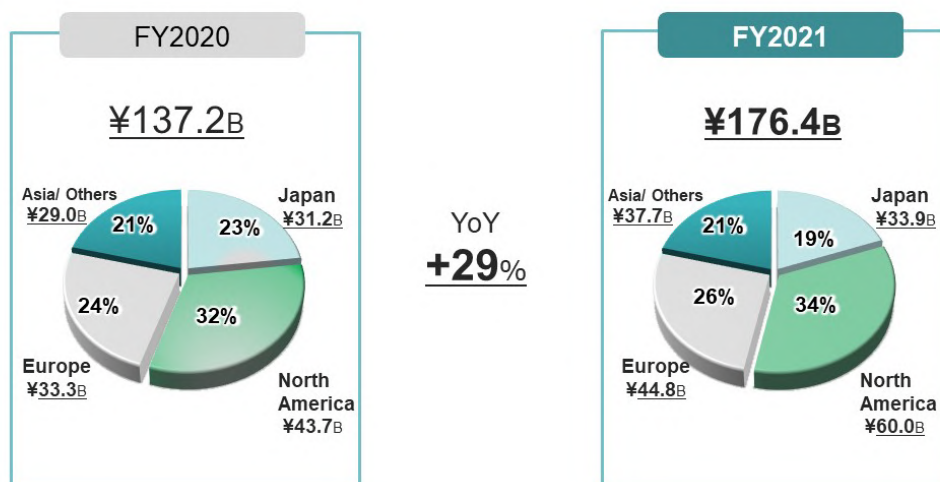


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Sales by region

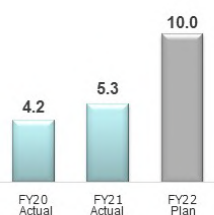


Capital Expenditure and R&D / Forex Sensitivity

■ Projections

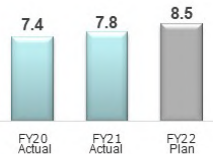
Capital Expenditure

(unit: billion yen)



Depreciation*

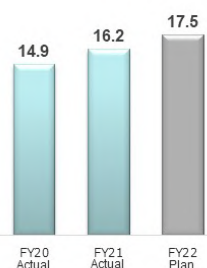
(unit: billion yen)



*Excluding Goodwill Amortization

R&D

(unit: billion yen)



■ Forex Sensitivity (impact by ¥1 change)

USD : Operating Income ¥0.15B - ¥0.2B

EUR : Operating Income ¥0.07B - ¥0.1B

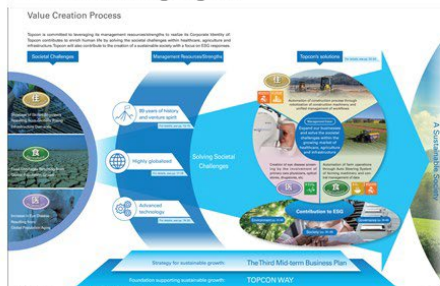
■Website: <https://global.topcon.com/invest/library/integration/>

Non-Financial Information

Please refer to Topcon Report 2021 (Integrated Report)

Content

- Topcon Way
- Message from the CEO
- Value Creation Story
- Business Overview
- Selected as “DX Stocks” for two consecutive years
- ESG at Topcon
- Financial Highlights



**A Venture Company with
89 Years of Tradition**

—The History and Future of Creating New Markets—

Representative Director,
President and CEO
Satoshi Hirano

- Growth Trajectory
- The Present and Future
- Carrying on Isms and SDGs



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

Outside Director
Yoshiharu Inaba
(Fanuc Corporation, Chairman
and Representative Director)

- Topcon's Governance
- Similarity with Fanuc



■ Website: <https://global.topcon.com/invest/library/integration/>
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Non-Financial Information

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

Sustainability

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



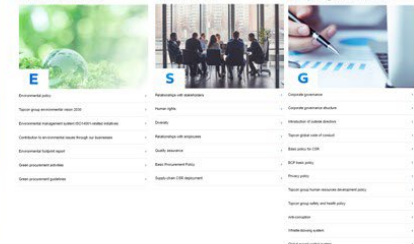
- Environmental initiatives



- Societal initiatives



- Corporate governance initiatives



■ Website: <https://global.topcon.com/sustainability/sdgs/>
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■Website: <https://global.topcon.com/sustainability/>



IT Agriculture

食
Agriculture

9 INDUSTRY INNOVATION AND INFRASTRUCTURE

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

¹³ Source: AEM "The Environmental Benefits of Precision Agriculture in the United States" (2020)

***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.

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



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