

Mid-term Business Plan 2025

May 12, 2023



Infrastructure



Agriculture



Healthcare

TOPCON CORPORATION
President and CEO
Takashi Eto



Top Message

With being customer-centric and a spirit of challenge, striving to be “a company needed by stakeholders”, and we will focus on ESG management through our business.

Topcon for
Human Life



**President and CEO
Takashi Eto**

Biography

- | | |
|------------|---|
| 1990 April | Joined the company, Fukuoka sales office |
| 2007 July | President, Topcon Sales, Inc. |
| 2015 April | Head of Eye Care Company |
| 2018 April | Head of Smart Infrastructure Business Division
Head of Corporate Planning Division |
| 2022 April | Executive Vice President and General Manager,
Quality Assurance Division |
| 2023 April | President and CEO |







I . Topcon's Future Direction

II . Mid-term Business Plan 2025

A heart-shaped Earth globe is centered in the background of the slide. The globe shows the continents of North and South America on the left and Africa and Europe on the right, with blue oceans and white clouds. The background is a solid light blue color.

I . Topcon's Future Direction

- 1. Vision**
- 2. Business Growth Potential**
- 3. Topcon's Growth Trajectory and Future**
- 4. Long-term Goal**



1. Vision

Expand our businesses and **solve the societal challenges** within the growing market of Healthcare, Agriculture and Infrastructure



Infrastructure



Agriculture



Healthcare

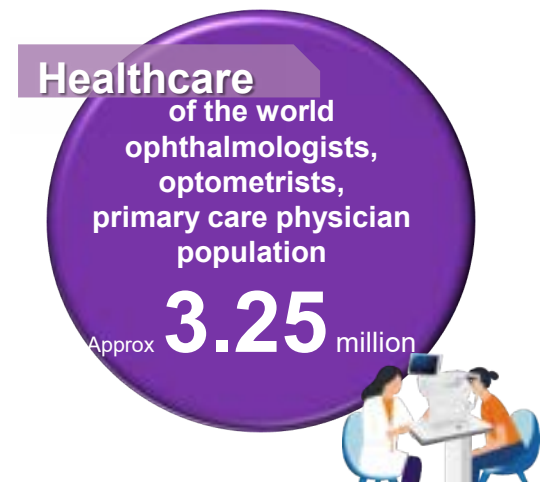
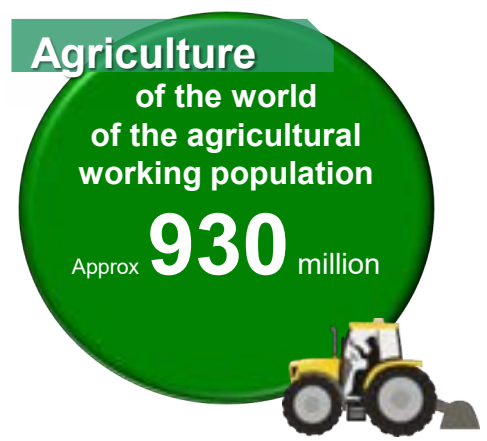
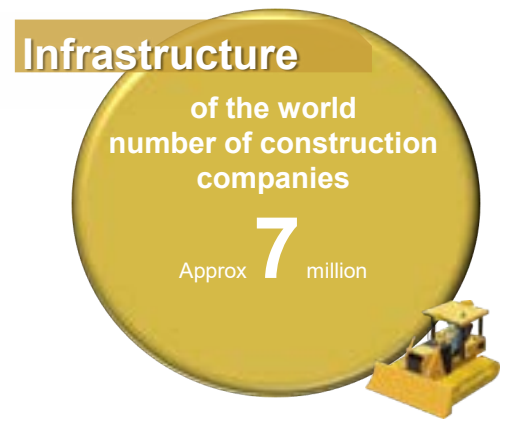


2. Business Growth Potential

- Global Trends:
 - ① Global Population Growth and Aging
 - ② Climate Change from Global Warming

World Population Estimate 2022 Version
<https://www.un.org/en/news/press/info/44737/>

- ① The world population reached **8Billion** in 2022, rising to **9.7Billion** in 2050, and the percentage of people over 65 is expected to rise from **10%** (2022) to **16%** (2050)
- ② Global **climate change** from global warming requires the **strengthening of social infrastructure** and **stable food production**



Markets for Healthcare, Agriculture and Infrastructure will continue to expand



3. Topcon's Growth Trajectory and Future

- Proposing new and unique DX solutions that customers are unaware of
- Continues to offer solutions with innovative imagination along with ever-evolving technology



"Automation of construction process"

Robotization of construction machinery

Site management system

"Automation of farm Operations"

Robotization of agricultural machinery

Agriculture management system

"Creating a system for eye disease screening"

Auto optometry equipment

Data Management system

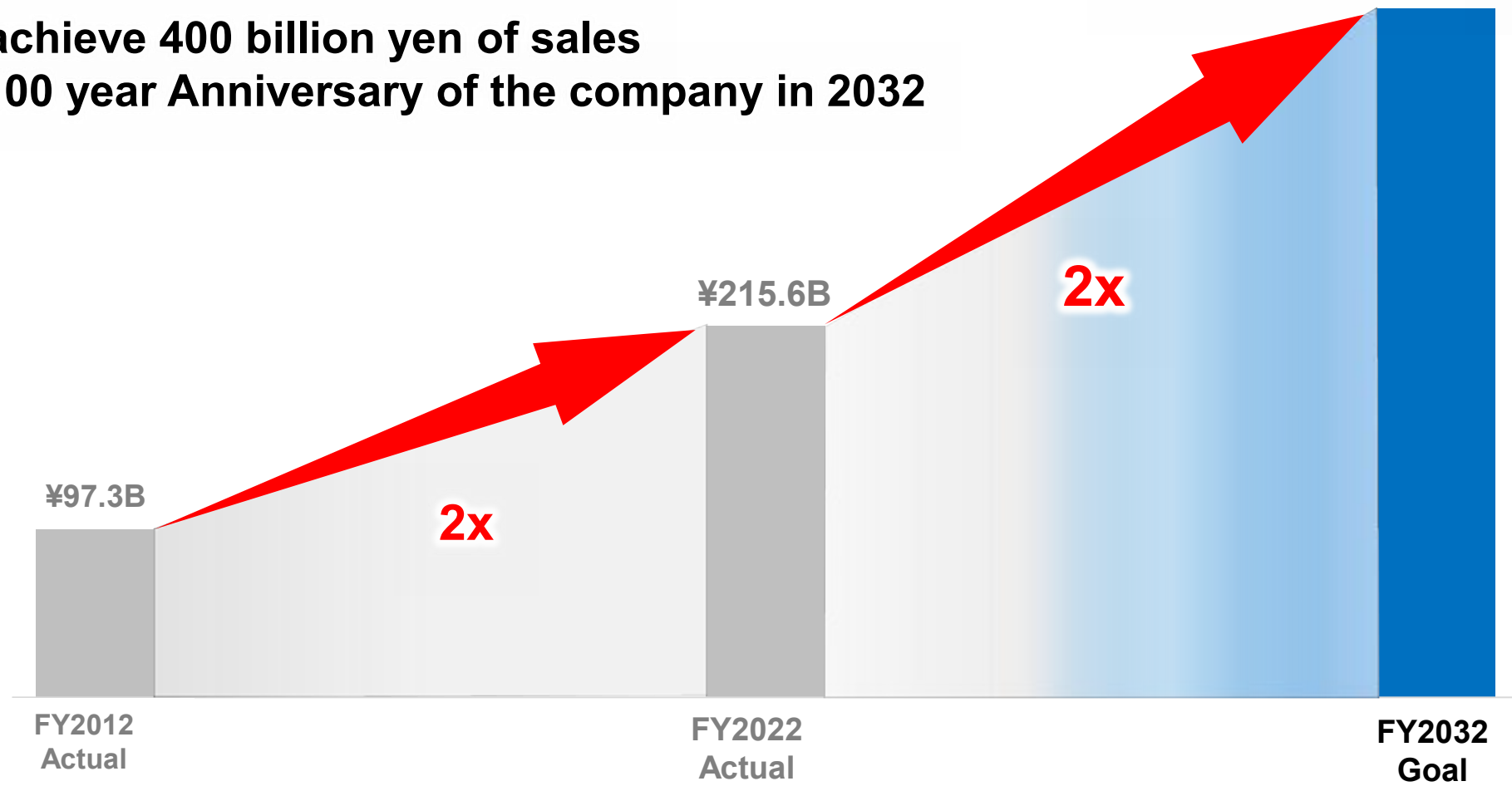


4. Long-Term Goal

- Taking on the challenge of a sustainably growing 100 year venture

Aim to achieve 400 billion yen of sales on the 100 year Anniversary of the company in 2032

Challenge 2032
Net Sales ¥400B



A heart-shaped Earth globe is centered in the background of the slide. The globe shows the continents of North and South America on the left and Africa and Europe on the right, set against a blue sky background. The text is overlaid on the globe.

Ⅱ. Mid-term Business Plan 2025

- 1. Mapping of Mid-term Business Plan 2025**
- 2. FY2025 Financial Targets**
- 3. Basic Policy**
- 4. Management Target (KPI)**
- 5. Growth Strategy by Business**
- 6. Summary**



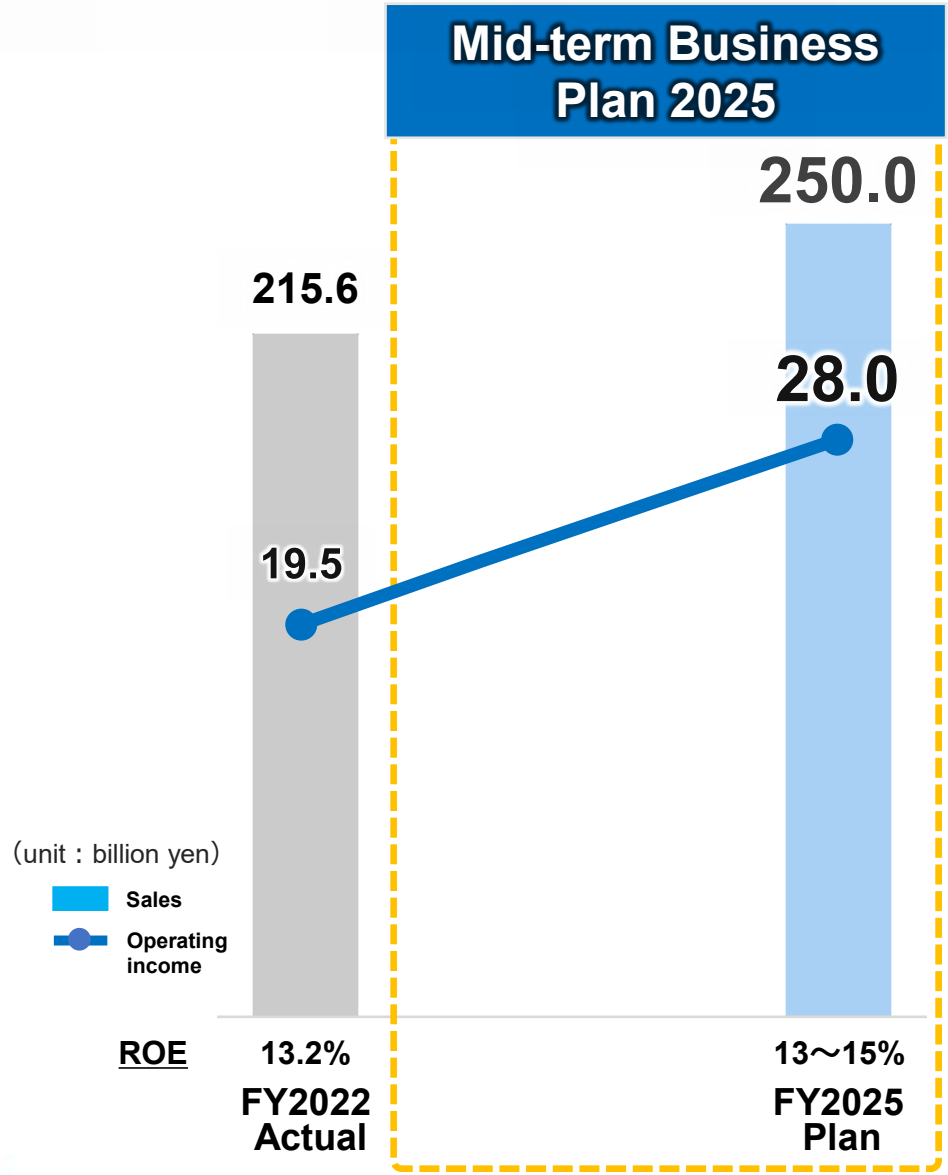
1. Mapping of Mid-term Business Plan 2025



- Remaining Issues for Mid-term Business Plan 2025**
- Further sustainable sales growth
 - Improving and maintaining profitability



2. FY2025 Financial Targets



	FY2022 Actual	FY2025 Plan	vs FY2022
Net Sales	¥215.6B	¥250.0B	CAGR 5%
Operating Income	¥19.5B	¥28.0B	CAGR 13%
Operating Income Ratio	9.1%	11.2%	+2.1pt
ROE	13.2%	13~15%	-0.2~ +1.8pt



3. Basic Policy

**Challenging to sustainably growing
100 year venture**

**Deepening Customer
Orientation**

▶ to Remain a Company in Need

- Develop products and solutions with an emphasize on customers and markets
- Get advanced hardware to the de facto standard

Reforming the Foundation

▶ Establish an efficient organization

- Maximizing efficiency of the Positioning Business
- Improving the profitability of the Eye Care
- Increasing production capacity and advancing production efficiency

DX Acceleration

▶ Continue to create the next growth business

- Continuing investment focused on growth areas (R&D, M&A)
- Strengthened foundation to accelerate evelopment/ deployment of Digital Transformation

Three pillars of sustainable growth



3. Basic Policy

Deepening customer orientation

- Further growth by developing solutions to meet various customer needs

Think Globally

Continue to create unique solutions by Leading-Edge Hardware based on core technology of "Measurement" + Software

Act Locally

Develop customized solutions closer to customers by leveraging our global sales network and Strengthen collaboration with local software companies



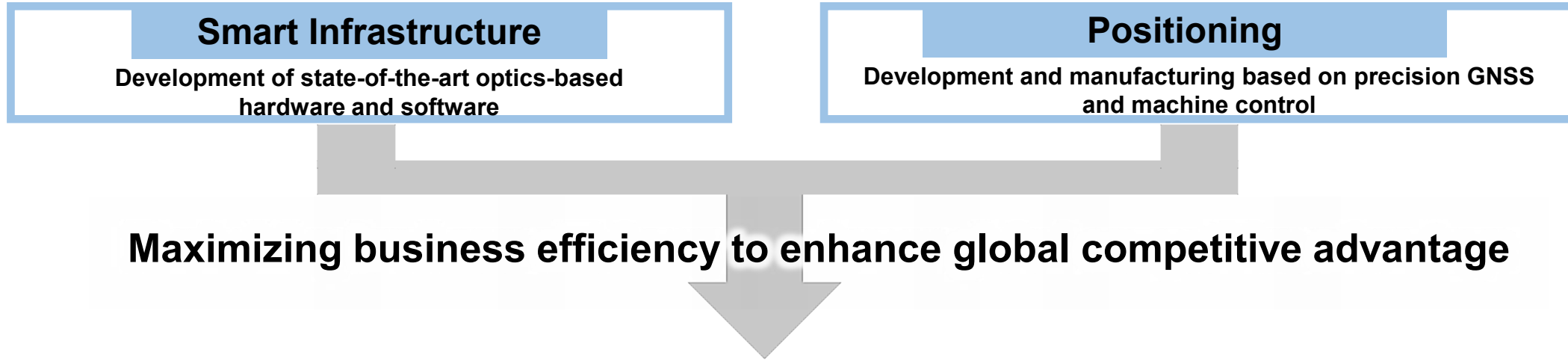
Significant Room for market development





3. Basic Policy

■ Maximizing the Efficiency of Positioning Operations



Positioning Business

- Expected effects***
- **Strengthening development capabilities**
Speed up planning and development by optimization
 - **Improving operational efficiency**
Optimizing business functions within the organization
 - **Enhancing sales capabilities**
Providing solutions responding to the local needs by a global trilateral sales framework (US-Euro-Asia)



Reforming the Foundation

3. Basic Policy

■ Boosting production capacity and improving production efficiency

- To increase production capacity to support business expansion and to improve production efficiency through digitalization and automation, investing the worth of **10 billion yen**
- Optimizing global procurement



Expanding new plants for displays for construction and agricultural machinery



Increase production capacity of Topcon Yamagata



IT infrastructure development



Implementing automation of the manufacturing process





3. Basic Policy

DX Acceleration

- Continuing to invest focusing on growing areas (R&D, M&A)

Continuing investment to create new DX solutions following IT Construction, IT Agriculture and Screening for accelerating business growth





Reforming the Foundation

DX Acceleration

3. Basic Policy

- Enhancing organization and management foundation for HR and IT to accelerate development and deployment of DX

Maximize the potential of global resources throughout the entire development, production, sales, and service process, in pursuit of greater synergy

Global Organizations



HR

Management Foundation

IT

- Secure DX talent to drive software/ solutions by leveraging global locations
- Strengthen human resource development and training

- Strengthen management of solutions and service revenue
- Strengthen quality management

- Accelerating automation and operational efficiency through digitalization and data



4. Management Target (KPI)

■ Net Sales/Profit (Consolidated)・ROE

		FY2022 Actual	FY2025 Plan	vs FY2022
Growth potential	Net Sales	¥215.6B	¥250.0B	CAGR 5%
	Operating Income	¥19.5B	¥28.0B	CAGR 13%
Profitability	Operating Income Ratio	9.1%	11.2%	+2.1pt
	ROE	13.2%	13~15%	-0.2~+1.8pt
Capital efficiency	Exchange Rate (Average)			
	USD	¥134.95	¥130.00	-¥4.95
	EUR	¥141.24	¥135.00	-¥6.24



4. Management Target (KPI)

■ Financial Target by Business (Consolidated)

		FY2022 Actual	FY2025 Plan	vs FY2022
Positioning Business	Net Sales	¥147.7B	¥166.0B	CAGR 4%
	Operating Income Ratio	13.9%	Over 16%	Over +2.1pt
Eye Care	Net Sales	¥66.9B	¥83.0B	CAGR 7%
	Operating Income Ratio	5.9%	Over 10%	Over +4.1pt
Exchange Rate (Average)	USD	¥134.95	¥130.00	-¥4.95
	EUR	¥141.24	¥135.00	-¥6.24



4. Management Target (KPI)

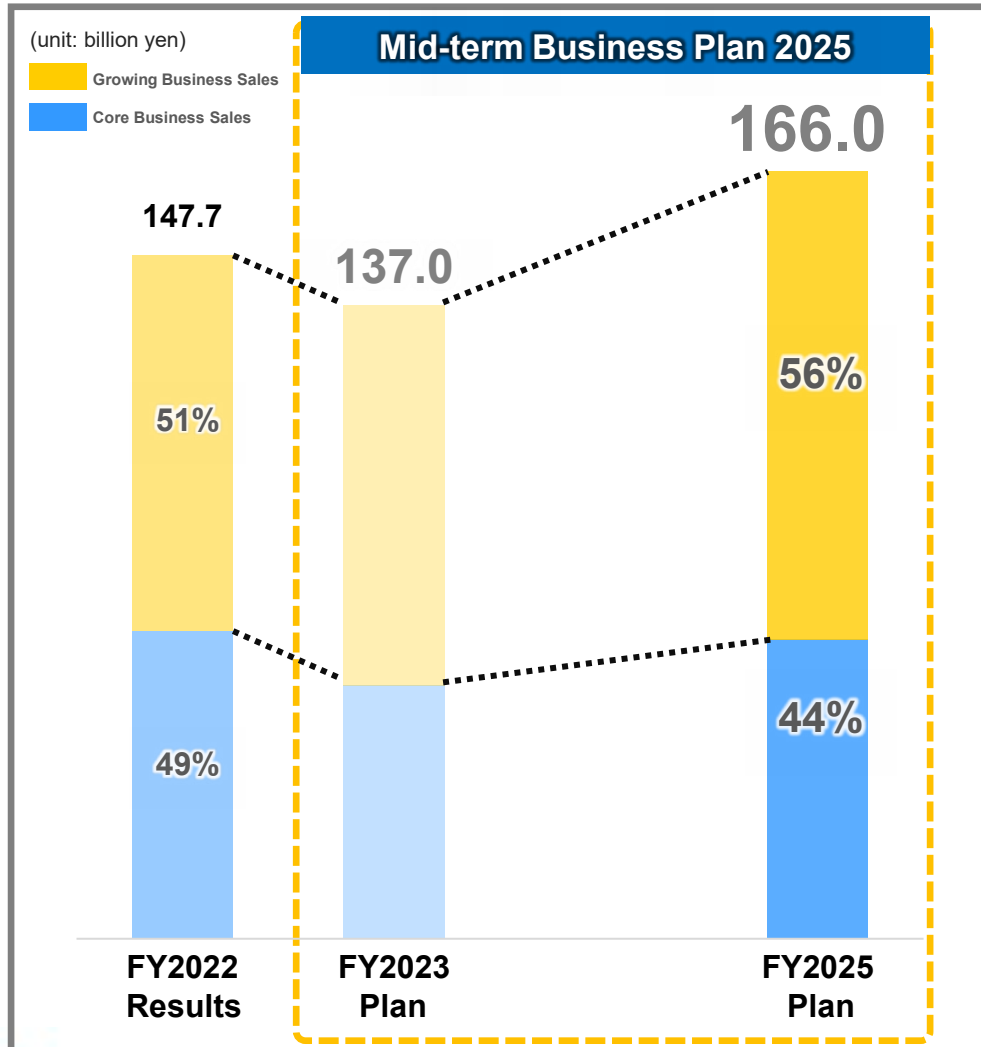
■ Investment plan and Shareholder return

	FY2020-2022 Total	FY2023-2025 Total	vs FY2020-FY2022
Operating Cash Flow	¥49.8B	¥60.0B	+¥10.2B
Growth Investments (M&A, etc.)	¥7.3B	¥40.0B	+¥32.7B
R&D	¥51.8B	¥65.0B	+¥13.2B
Payout Ratio	37% (FY2022)	Over 35%	



5. Growth Strategy by Business

■ Growing business and Core business



Focusing Areas

Growing Business FY25 vs FY22 CAGR 8%

IT Construction **Growing Business**

- Cultivate huge potential market with solutions for small-to-mid-sized construction machinery
- Strengthen business in road paving (ICT Road pavement)

IT Agriculture **Growing Business**

- Continue to strength of OEM business

Building Construction DX business **Growing Business**

- Unique proprietary solution for improving productivity of building construction

Survey/Laser **Core Business**

- Strengthen sales network under global trilateral sales framework
- Continuing to provide new products and costmized solutions to each regions



5. Growth Strategy by Business

Positioning Business

- **ICT Construction: Exploring a huge potential market with solutions for small-to-mid sized construction equipment**

Market Size Image of Construction Machinery (Units)

Current targeted market
Large construction sites

Large construction machinery

Untapped market
Small-to medium-sized construction sites

Small-to-mid sized construction machinery

System for dozers and compact truck loaders

Current

(Estimated by Topcon)
Installation ratio

Annual production Volume: approx 2.5k units
Applicable models: upper 20%
Expected product lifetime: 8 years (After market)

Global addressable Numbers
40k units

Outlook

Expected market size increases with the addition of small-to-mid sized construction machinery, capturing labor-saving needs from labor shortages

Annual production Volume: approx **350k units**
Applicable models: upper 20%
Expected product lifetime: 8 years (After market)

Global addressable Numbers
560k units

Systems for excavators

(Estimated by Topcon)
Installation ratio

Annual production Volume: approx 300k units
Applicable models: upper 8%
Expected product lifetime: 8 years (After market)

Global addressable Numbers
200k units

Annual production Volume: approx **600k units**
Applicable models: upper 8%
Expected product lifetime: 8 years (After market)

Global addressable Numbers
500k units



5. Growth Strategy by Business

Positioning Business

ICT construction: Strengthening business in the road pavement (ICT road pavement)

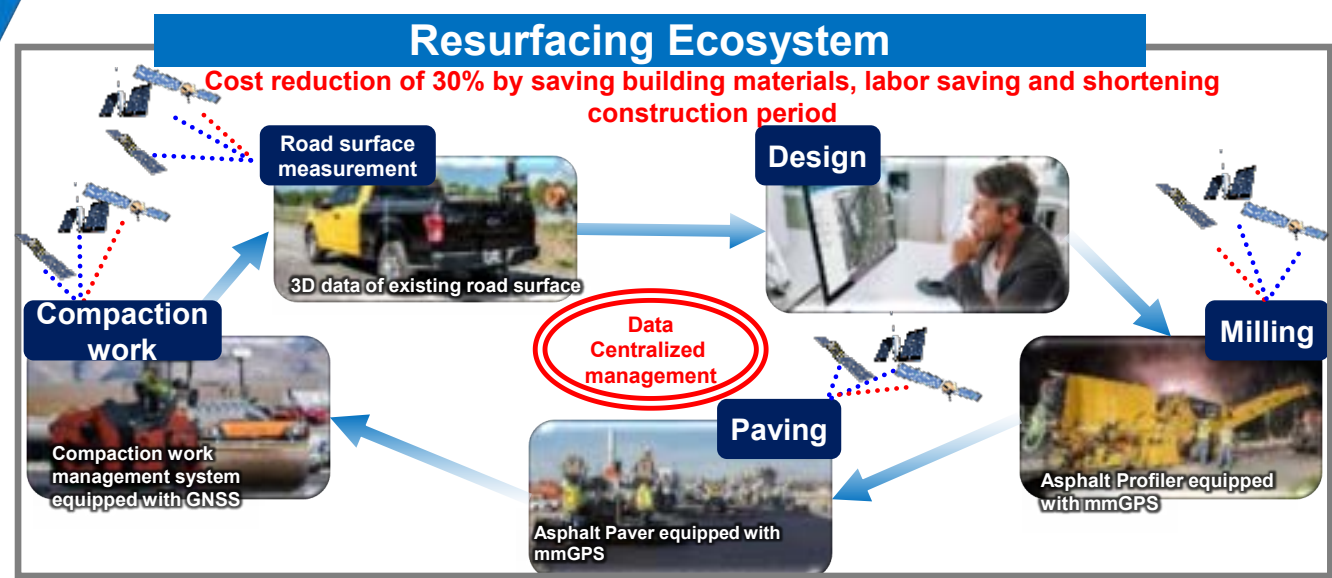
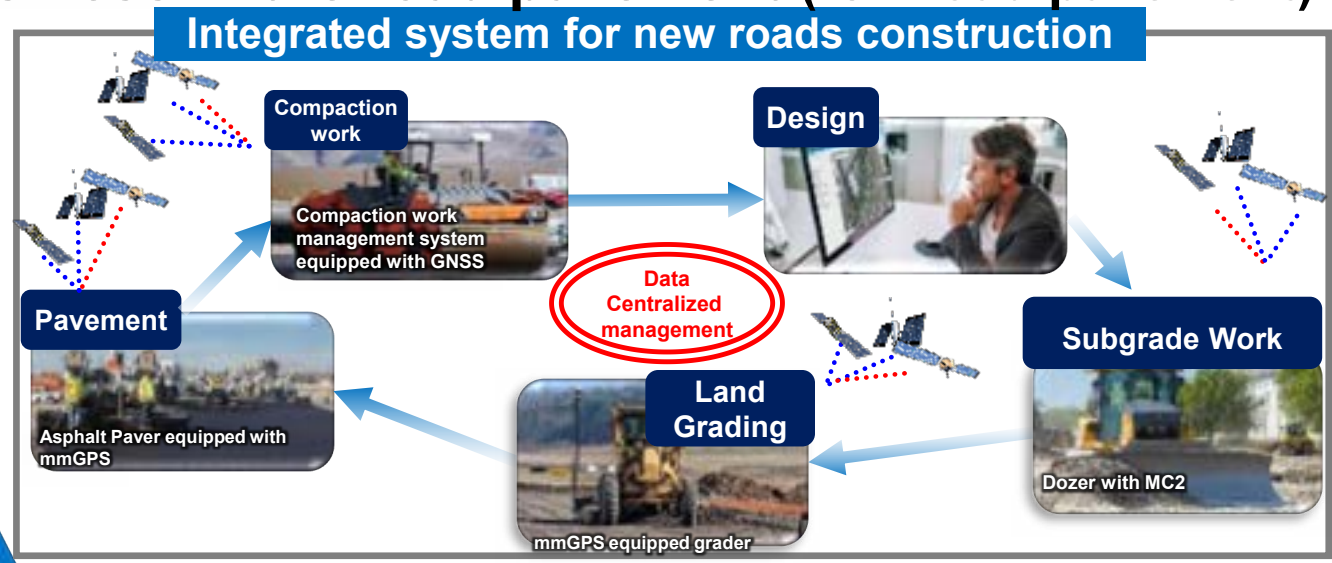
Total global road length: approx **64M km**
 *1,600 times around the globe

Road length in major countries around the world

	Country name	Total extension distance (km)	Year surveyed
1	United States	6,586,610	2012
2	India	6,371,847	2021
3	China	5,200,000	2020
4	Brazil	2,000,000	2018
5	Russia	1,283,387	2012
6	Japan	1,218,772	2015
7	France	1,053,215	2011
8	Canada	1,042,300	2011
9	Australia	873,573	2015
10	South Africa	750,000	2016

New construction projects mainly in emerging countries, and demand for repair and resurfacing projects in developed countries continues to increase

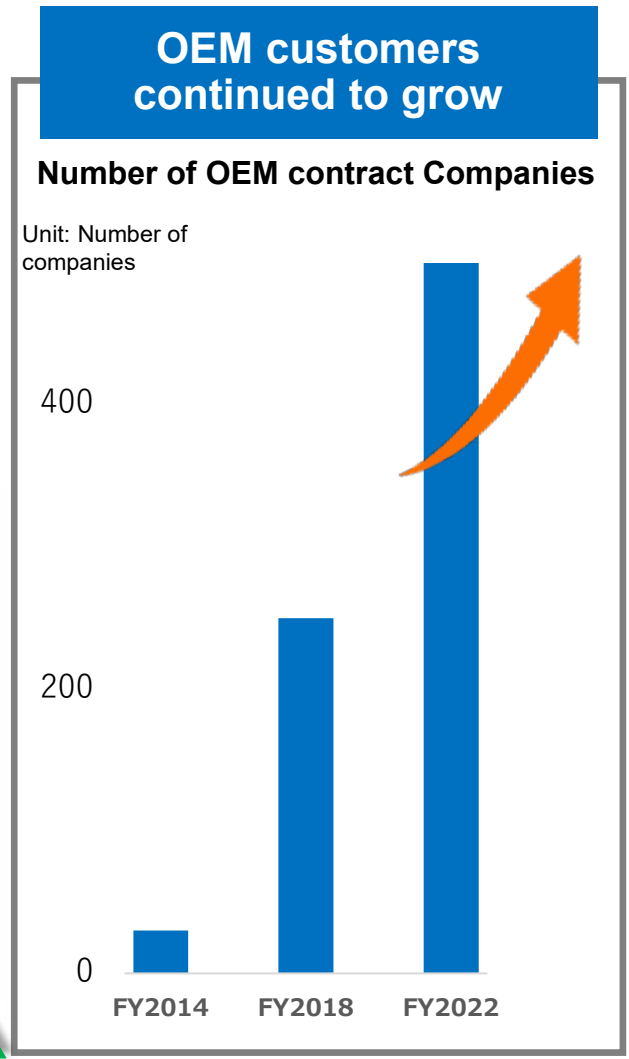
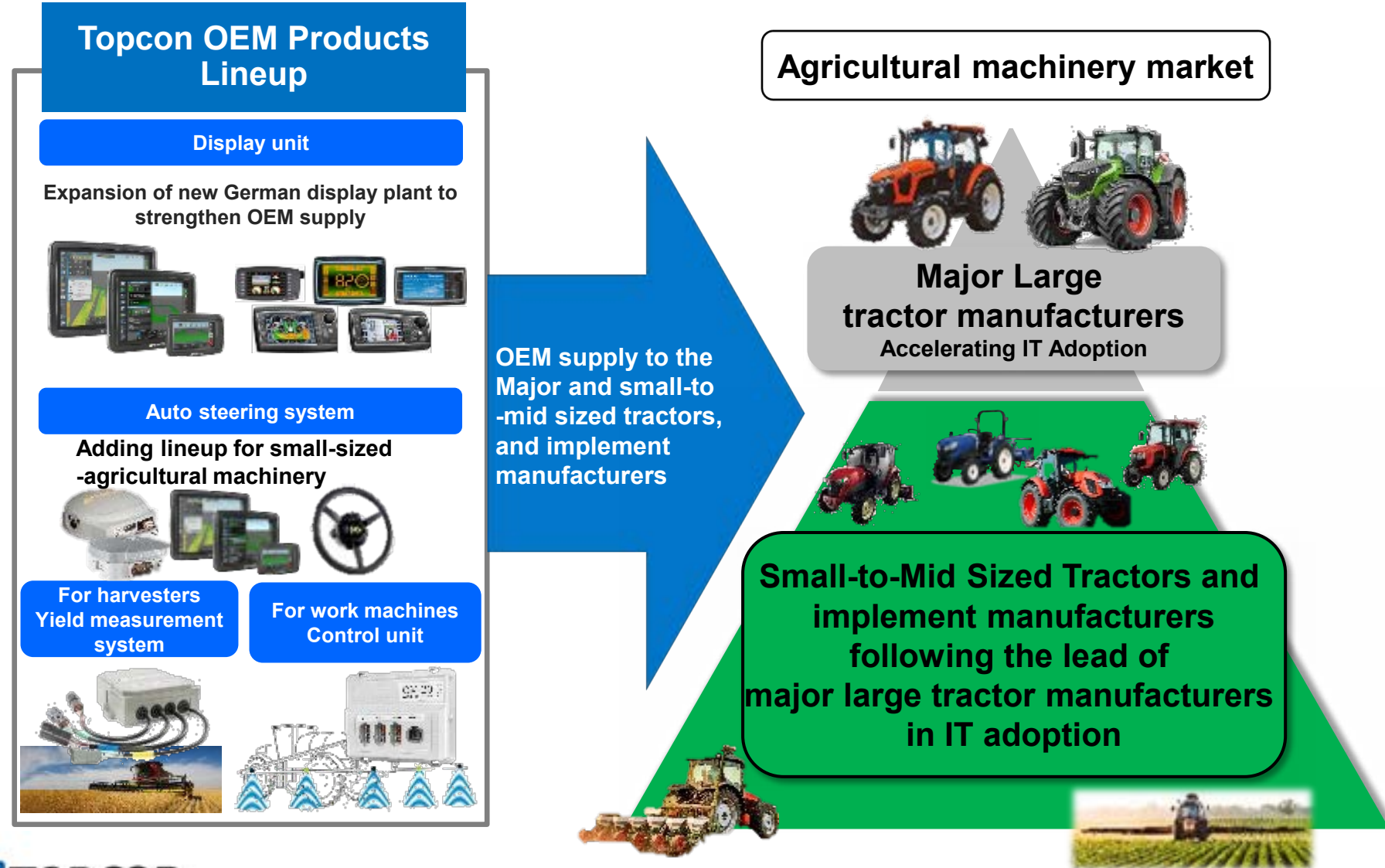
* From CIA.gov THE WORLD FACTBOOK
<https://www.cia.gov/the-world-factbook/field/roadways/country-comparison>





5. Growth Strategy by Business

IT Agriculture: Continue to Strengthen of OEM Business





5. Growth Strategy by Business

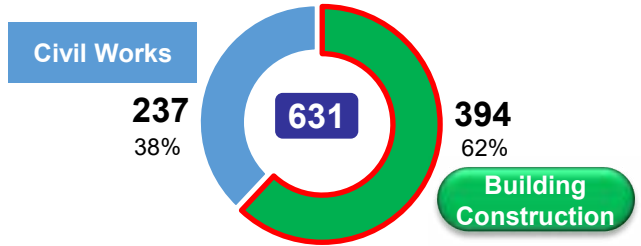
Positioning Business

■ Building Construction DX Business: Proprietary solution to Increase Building Construction Productivity

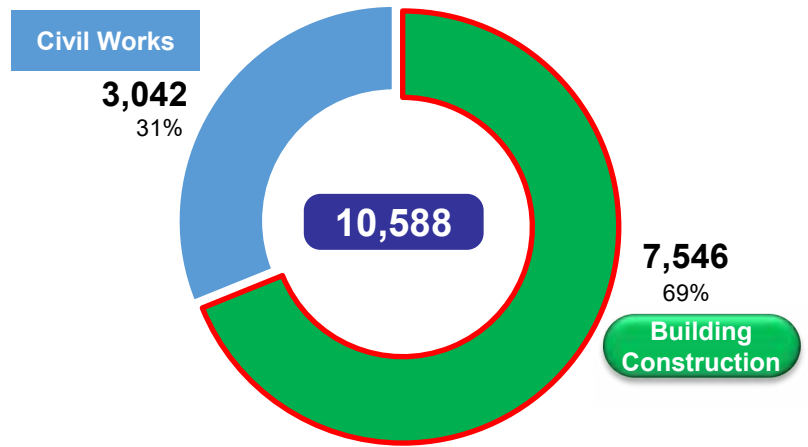
Building Construction Market Size

The market size of the building construction is twice as much as that of civil works

Japanese Construction Investment

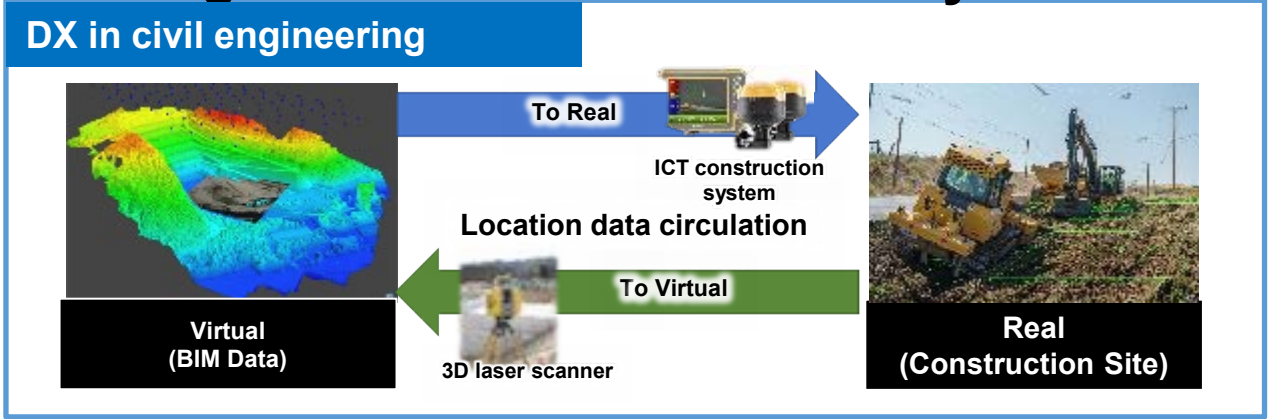


Global Construction Investment



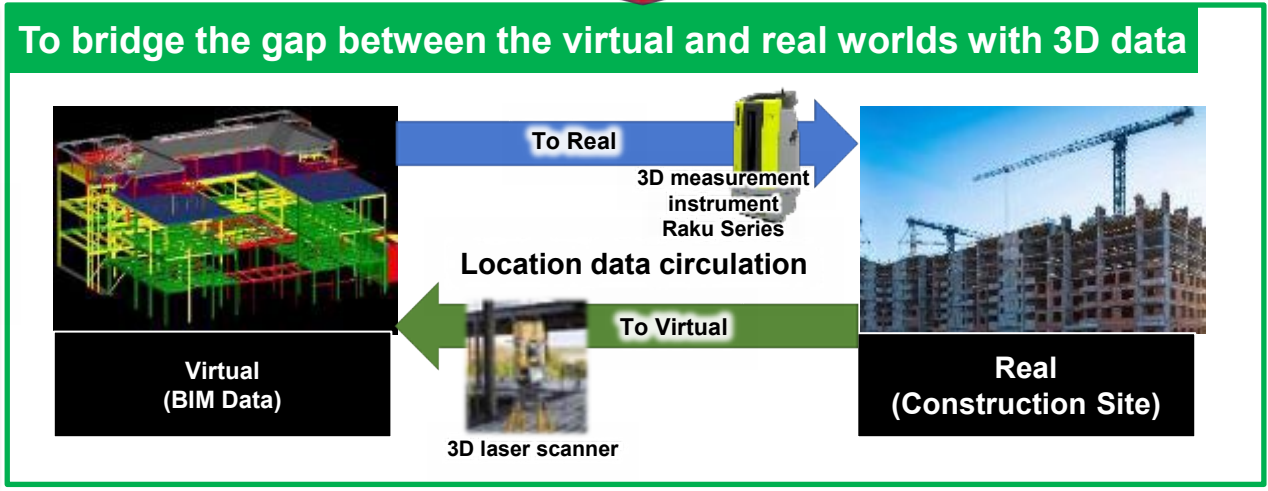
Source: Calculated from the National Bureau of Statistics' China Statistical Yearbook 2020 and converted at 1 USD = 6.57 yuan (Unit: US \$billion)
Calculated from the US Department of Commerce's Bureau of Economic Analysis' Construction Spending
Compiled from the European Federation of Construction Industry FIEC "KEY FIGURES 2019", 1 USD = converted at EURO 0.82
Calculated from the Ministry of Land, Infrastructure, Transport and Tourism's FY 2020 (FY 2020) Construction Investment Outlook, 1 USD = converted at EURO 103.6

Civil engineering
(ICT construction)



Deployment DX solutions developed through civil work in the field of building construction

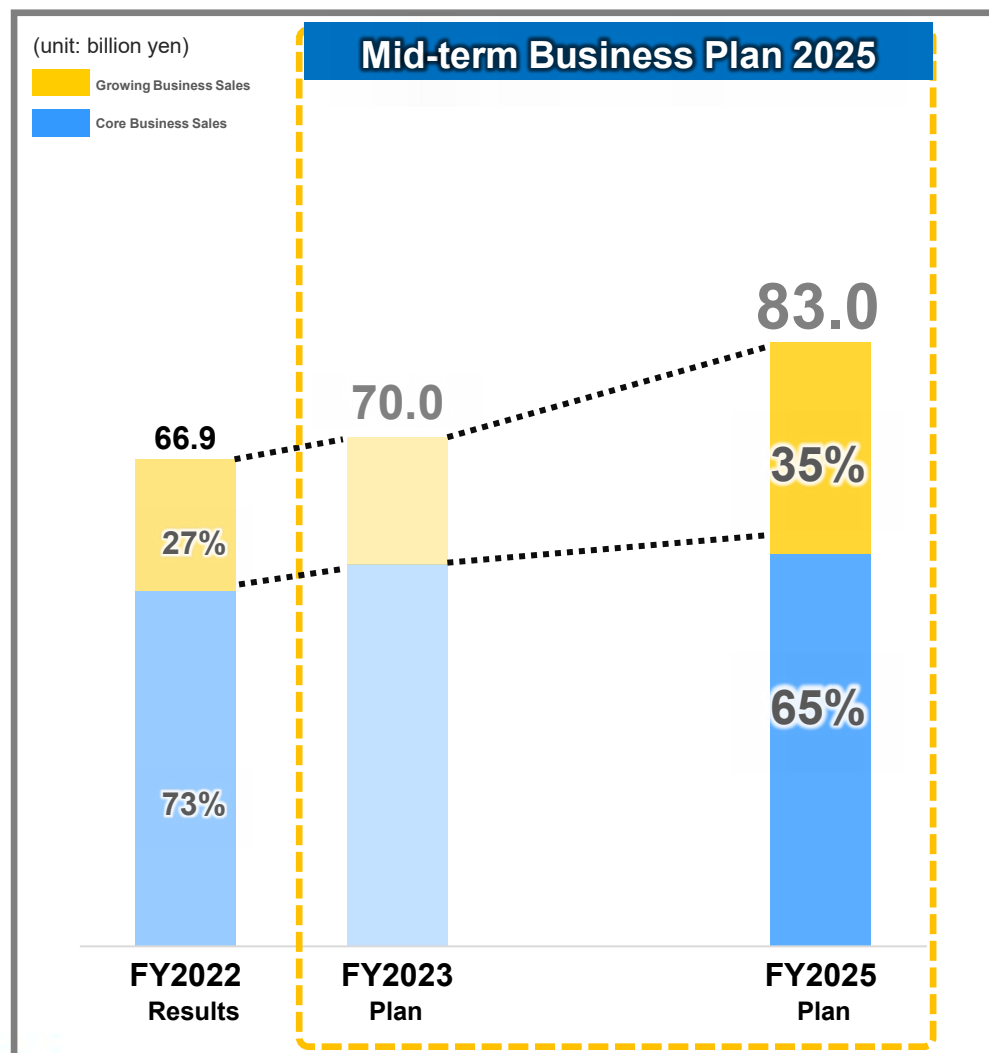
Building Construction





5. Growth Strategy by Business

■ Growing business and core business



Focusing Areas

Growing Business FY25 vs FY22 CAGR 17%

Expansion of Screening Business **Growing Business**

- Expansion of sales of Maestro/fundus cameras

Promotion of shared care **Growing Business**

- Launch of a shared care model in the U.S.

Dissemination of remote optometry **Growing Business**

- Increase in software solutions

Medical examination and optometry equipment **Core Business**

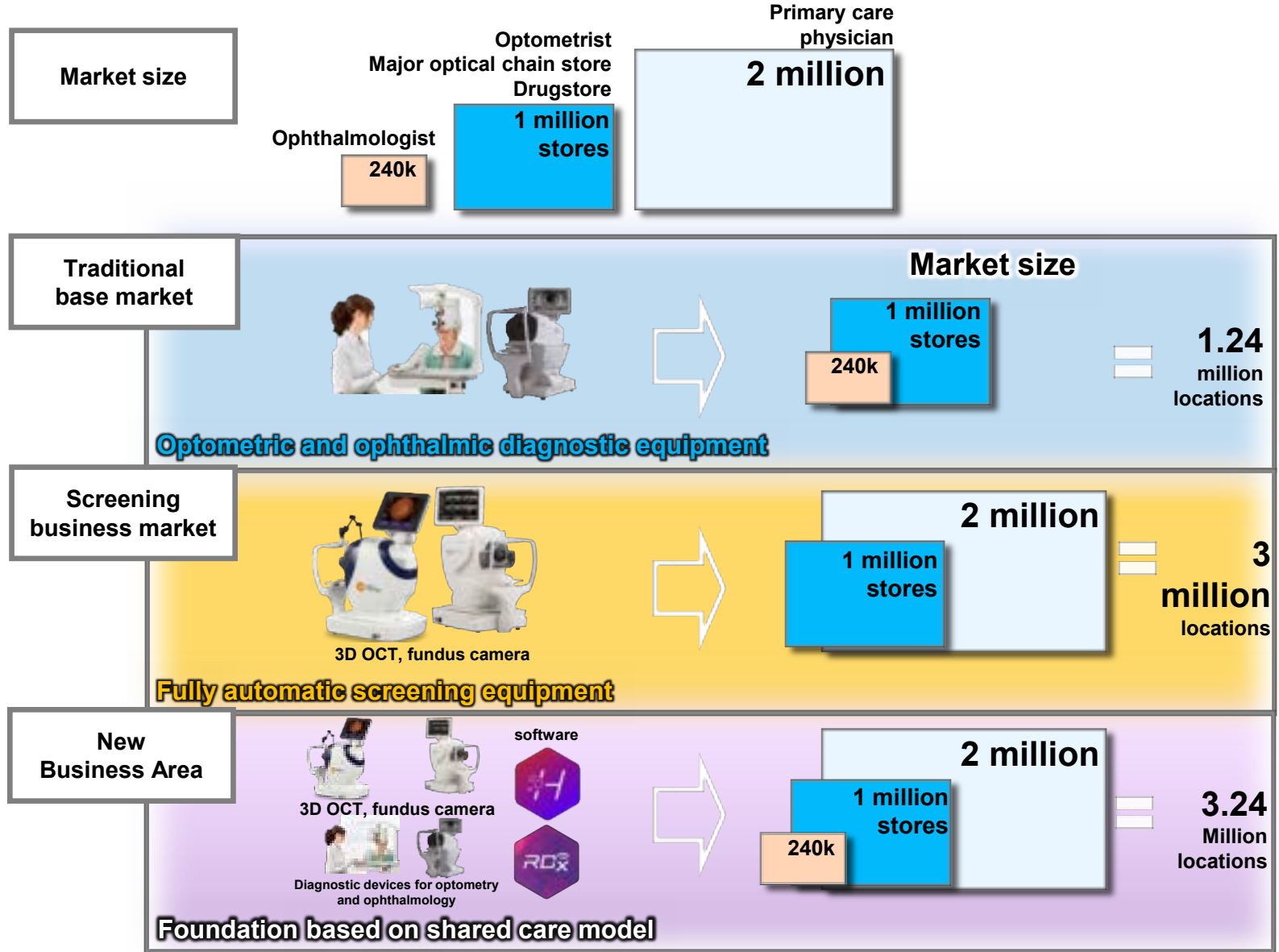
- Leveraging the strength of Screening Business, increasing the sales mainly for major optical chain stores in the U.S. and Europe

Strengthening the profitability of Eye Care

- Operating profit margin of 10% or more in FY2025

5. Growth Strategy by Business

Continue to expand Screening Business



Number of units installed with screening equipment

Current

(our estimate) **Number of new installations (inside the industry)**

Estimated number of installations

- Major optical chain 40k stores (worldwide)
- Primary care physician 2 million(worldwide)
Ratio to be addressable 3%
Number of addressable facilities 60k facilities

Estimate 100k facilities

Outlook

Estimated number of installations

- Major optical chain stores and drugstores : 1 million(worldwide)
Ratio to be addressable 20%
Number of addressable facilities 200k facilities
- Primary care/ophthalmologist 2 million(worldwide)
Ratio to be addressable 20%
Number of addressable facilities 400k facilities

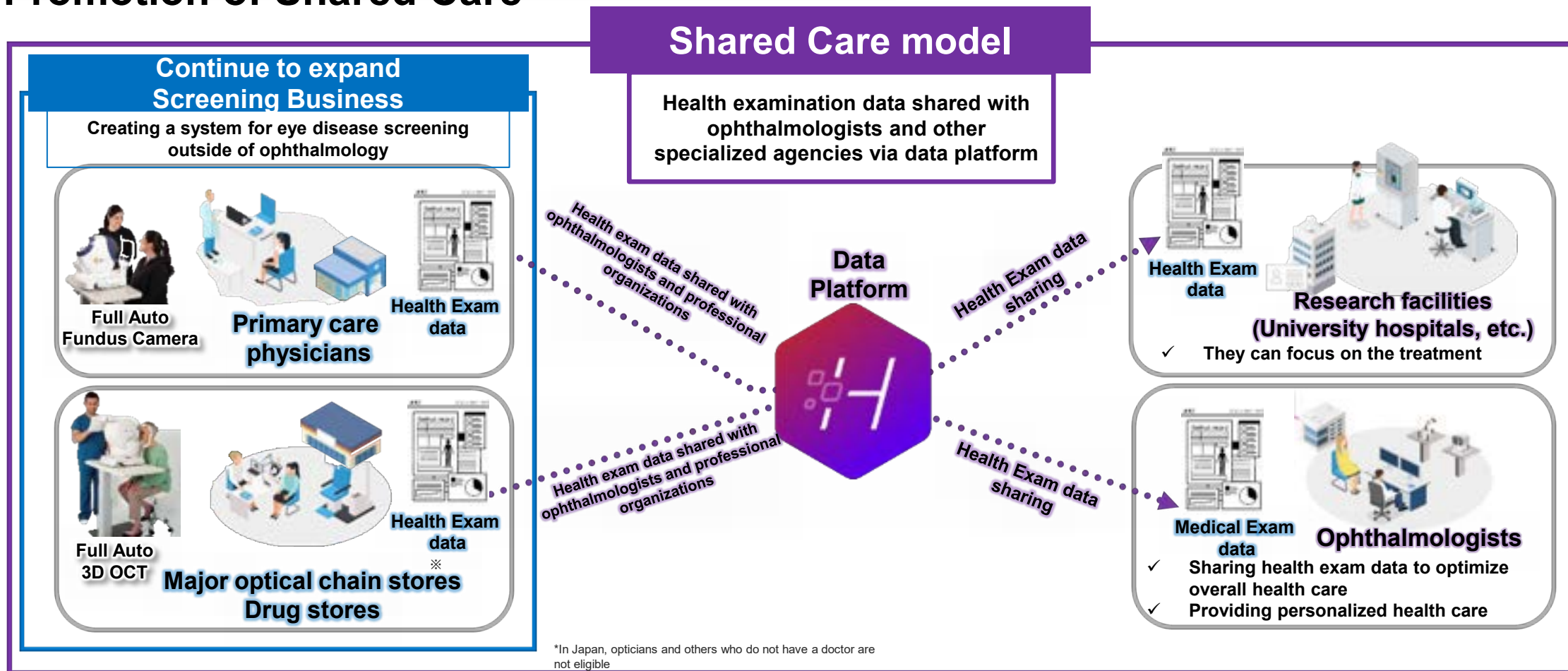
Estimate 600k facilities

Implementation trends as expected



5. Growth Strategy by Business

■ Promotion of Shared Care



*In Japan, opticians and others who do not have a doctor are not eligible



5. Growth Strategy by Business

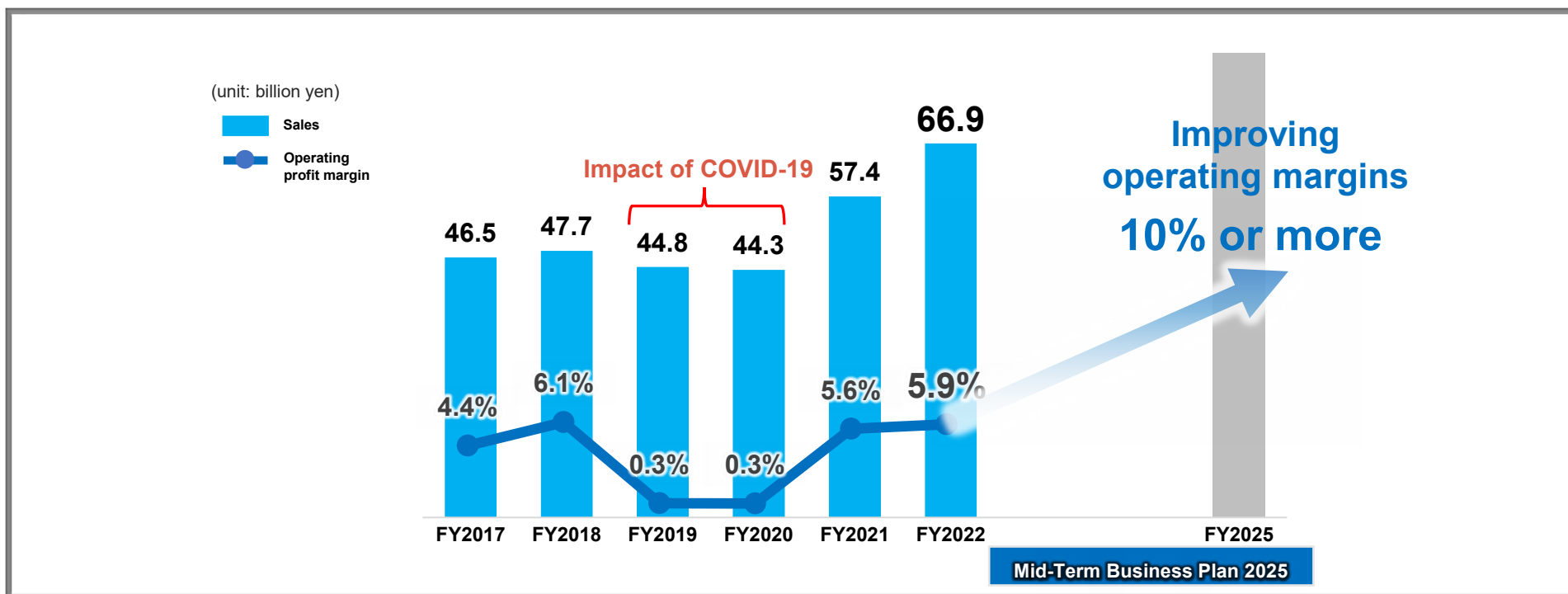
Strengthening the profitability of Eye Care

Issues: Initiatives in The Third Mid-term Business Plan

- Upfront investment in solution development
- Reforming inefficient organizational structures
- Improving some low-profit areas

Focused items to enhance profitability

- Continuing sales growth
- Improving business efficiency
- Expanding DX solutions





6. Summary

■ Mid-Term Business Plan 2025

Achieving sustainable sales growth and improving and maintaining profitability

■ FY23 outlook

Solid demand and labor saving needs continue while taking into account global recession risks and the impact of yen appreciation

	FY2022 Actual	FY2023 Plan	vs FY2022	%	FY2025 Plan	(unit: million yen) vs FY2022
Net Sales	215,625	208,000	-7,625	-4%	250,000	CAGR 5%
Operating Income	19,537	19,000	-537	-3%	28,000	CAGR 13%
Operating Income Ratio	9.1%	9.1%	0.0pt		11.2%	+2.1pt
Ordinary Income	17,829	17,000	-829	-5%	-	-
Net Income	11,806	11,000	-806	-7%	-	-
ROE	13.2%	11%	-2.2pt		13~15%	-0.2~ + 1.8pt
Dividends	¥42	¥42	-	-	-	-
Payout Ratio	37%	40%	+3pt		Over 35%	-
Exchange Rate (Average)	USD	¥134.95	¥130.00	-¥4.95	¥130.00	-¥4.95
	EUR	¥141.24	¥135.00	-¥6.24	¥135.00	-¥6.24



6. Summary

Financial Targets by business (Consolidated)

		FY2022 Actual	FY2023 Plan	vs FY2022	%	FY2025 Plan	(unit: million yen) vs FY2022
Positioning Business	Net Sales	147,691	137,000	-10,691	-7%	166,000	CAGR 4%
	Operating Income Operating Income Ratio	20,464 13.9%	18,500 13.5%	-1,964 -0.4pt	-10%	Operating Income Ratio Over 16%	Over +2.1pt
Eye Care	Net Sales	66,899	70,000	3,101	+5%	83,000	CAGR 7%
	Operating Income Operating Income Ratio	3,968 5.9%	5,000 7.1%	1,032 +1.2pt	+26%	Operating Income Ratio Over 10%	Over +4.1pt
Exchange Rate (Average)	USD	¥134.95	¥130.00	-¥4.95		¥130.00	-¥4.95
	EUR	¥141.24	¥135.00	-¥6.24		¥135.00	-¥6.24



Appendix

Appendix



We implement ESG management by establishing objectives across the three fundamental components that constitute ESG "Environment, society and governance."

- Established Sustainability Committee to operate directly under the Board of Directors
- Identified six materialities and SDGs related to them

1. Providing Creative Products through Technological Innovation



2. Promoting and Accelerating DX Solutions



3. Respecting Human Rights



4. Coexistence with Local Communities



5. Reducing the impact on the Global Environment



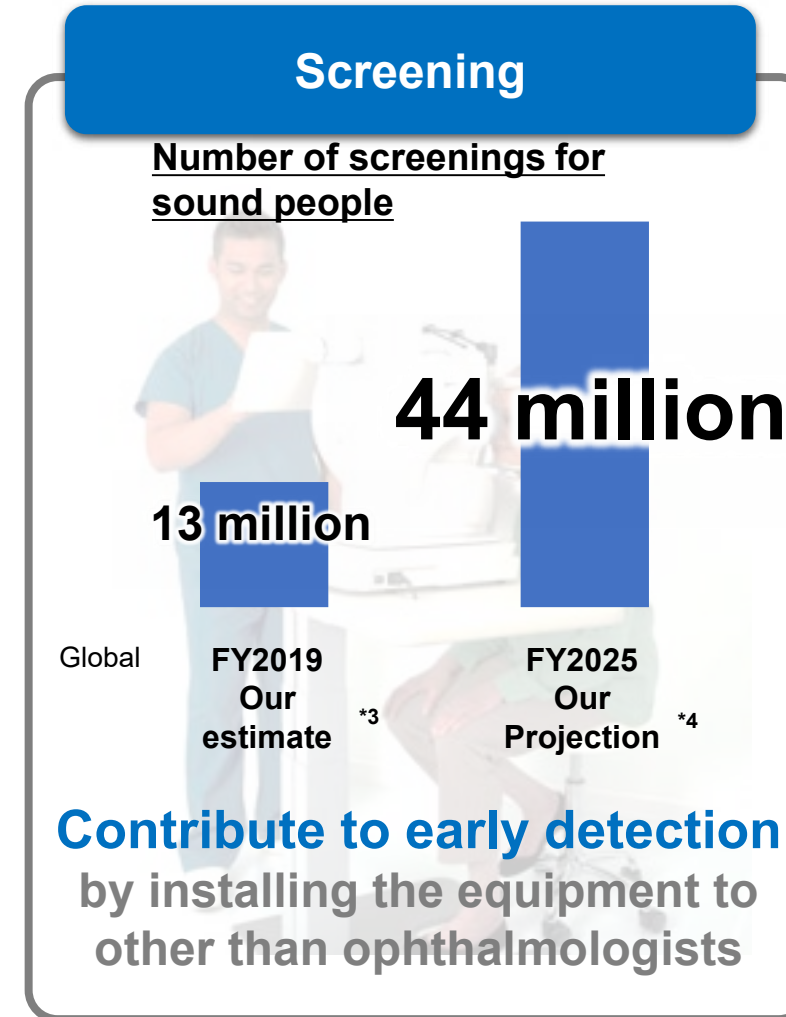
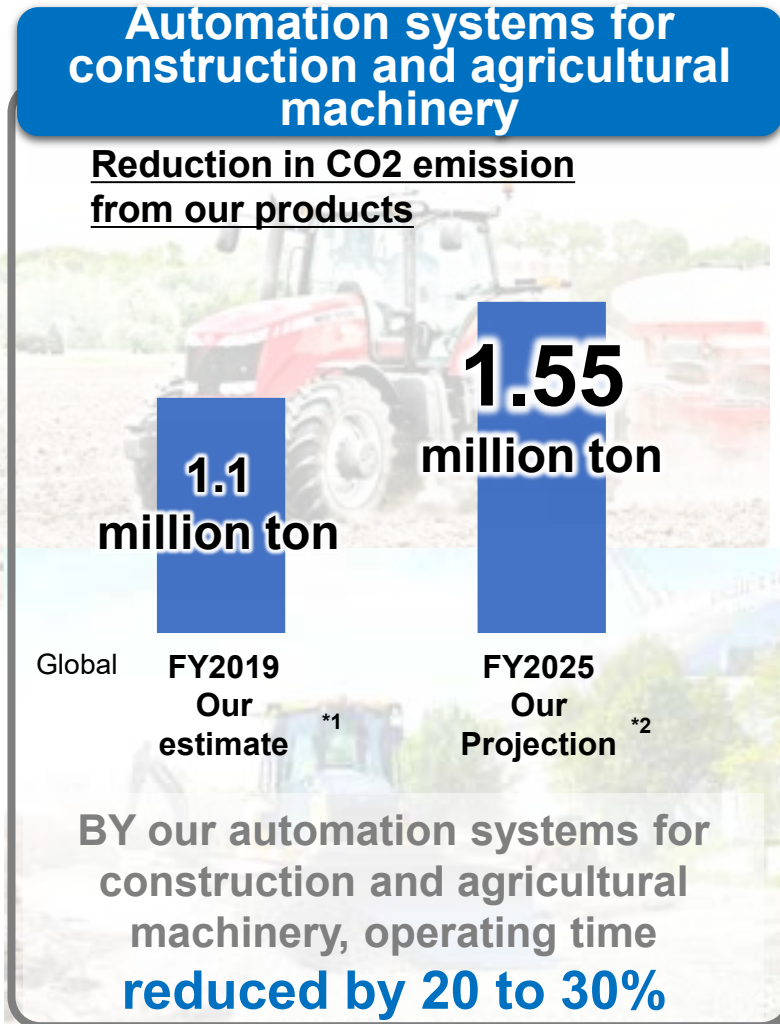
6. Being an Organization that Respects Individuality and Creates Together



Appendix



■ Social contribution through our DX solution



*1 For more detail, please go to our corporate site (URL:<https://global.topcon.com/sustainability/environment/co2-emission/#co2>)

*2 Calculated based on the number of units our plan to sell using the way the same as *1

*3 Calculate based on number of screening equipment we sold in FY2018 and FY2019 and the average number of annual examinations per unit.

*4 Calculate based on number of screening equipment we sold between FY2020 and FY2022 and number of projected selling between FY2023 and FY2025



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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Inquiries:

**Corporate Communication Div.
Corporate Communication Dept.
TOPCON CORPORATION
Tel: +81-3-3558-2532
E-mail: investor_info@topcon.co.jp
URL: <https://global.topcon.com/invest/>**