



FY2022 Q2 Financial Results

October 28, 2022
TOPCON CORPORATION
President & CEO
Satoshi Hirano



Company
Profile
Movie

Topcon for Human Life

TOPCON CORPORATION

FY2022 Q2 Financial Results

October 28, 2022

Event Overview

Company	TOPCON CORPORATION	
Event Type	Presentation of Financial Results	
Event Name	FY2022 Q2 Financial Results	
Report Period	FY2022 Q2	
Date	October 28, 2022	
Time	3:30 – 4:20PM (Total time: 50 minutes; Presentation: 30 minutes; Q&A: 20 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.

FY2022 Q2 Financial Results

I . FY2022 Q2 Financial Results

II . FY2022 Full Year Plan

III . Summary

IV . Appendix



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Thank you very much for taking the time to attend today's briefing. I would like to begin my FY2022 Q2 presentation.

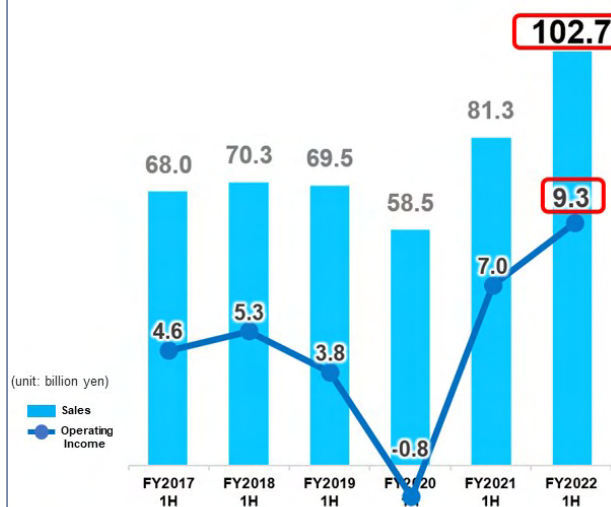
Today, I will report our financial results for FY2022 Q2, followed by our full year plan for FY2022 and a summary.

I . FY2022 Q2 Financial Results

I - 1. FY2022 Q2 Financial Results

I - 2. Overview of Each Business

FY2022 1H Overview



■ Substantial sales increase and income growth Record high sales and operating income

- Significant contribution from the growing businesses such as IT Construction and IT Agriculture
- Screening Business demonstrate a good performance
- More-than-expected impact from component shortages and component and logistics costs surge



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This is an overview of our results for FY2022 1H. We posted a significant increase in sales and operating income, both of which are record highs. Sales were 102.7 billion yen and operating income was 9.3 billion yen.

As a key point, growth businesses such as IT Construction and IT Agriculture contributed significantly to sales, and Screening Business in Eye Care Business continued to perform well. On the other hand, component shortages and the surge of component and logistics costs had a larger-than-expected impact on us. They all add to our results for 1H.

FY2022 1H Financial Results

Record high sales, income, and dividends

(unit: million yen)

	FY2021	FY2022		
	1H Actual	1H Actual	YoY	YoY%
Net Sales	81,251	102,715	21,464	+ 26%
Gross Profit (Gross Profit Ratio)	41,583 (51.2%)	53,515 (52.1%)	11,932	
SGA	34,602	44,179	9,576	
Operating Income (Operating Income Ratio)	6,980 (8.6%)	9,336 (9.1%)	2,355	+ 34%
Non-Operating Income (Expenses)	-695	92	787	
Ordinary Income	6,285	9,428	3,142	+ 50%
Extraordinary Income (Loss)	495	-426	-921	
Income Before Income Taxes and Minority Interests	6,781	9,002	2,221	
Net Income	3,883	6,032	2,148	+ 55%
Dividends	¥10	¥20	¥10	
Exchange Rate USD	¥110.18	¥133.46	¥23.28	
(Average) EUR	¥130.97	¥138.79	¥7.82	



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Here are the detailed figures for the results of FY2022 1H. Aside from net sales and operating income which I have discussed already, ordinary income and net income were up 150% to 9.4 billion yen and up 155% to 6.0 billion yen, respectively. We plan an interim dividend of 20 yen, which is no change from the initial plan, and an increase of 10 yen from the same period last year.

FY2022 1H Financial Results by Business

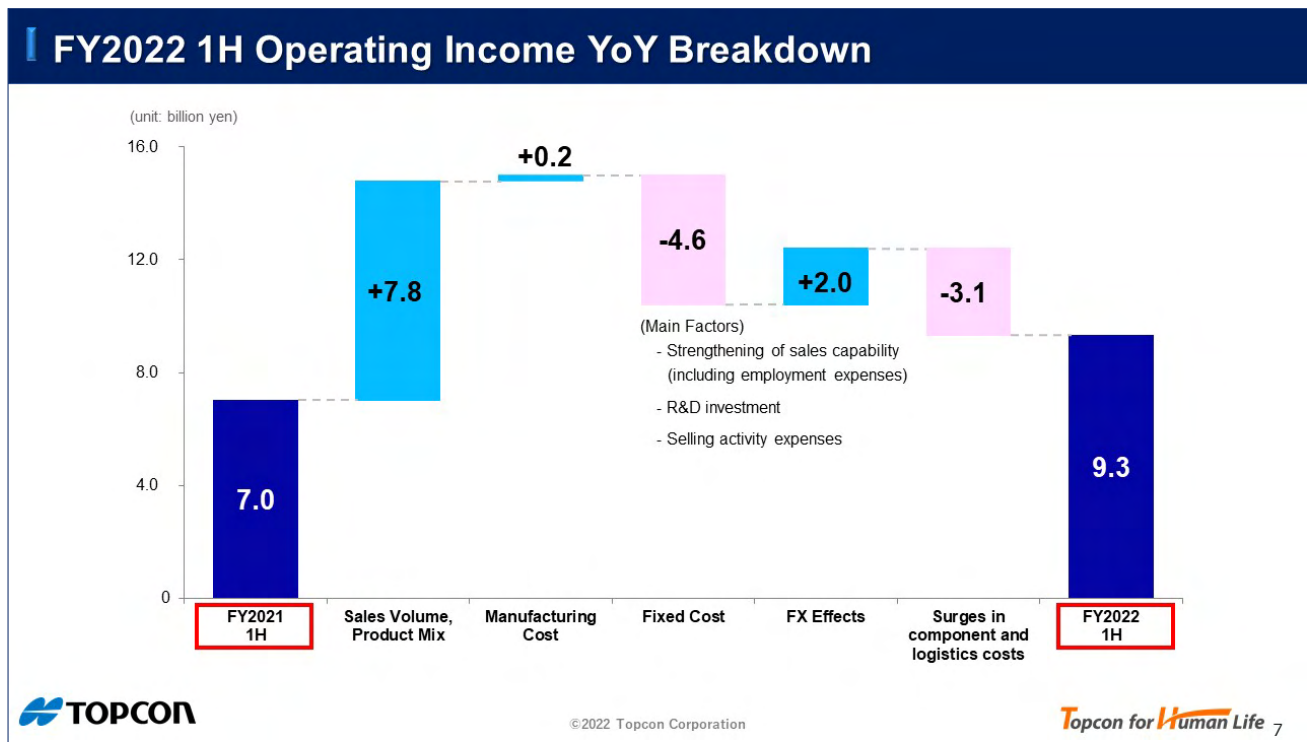
■ YoY sales growth for all business segments

(unit: million yen)

		FY2021	FY2022		
		1H Actual	1H Actual	YoY	YoY%
Net Sales	Positioning	45,279	59,895	14,615	+32%
	Smart Infrastructure	18,973	20,773	1,800	+9%
	Eye Care	25,252	31,492	6,239	+25%
	Others	600	588	-12	
	Elimination	-8,854	-10,033	-1,179	
	Total	81,251	102,715	21,464	+26%
Operating Income (Operating Income Ratio)	Positioning	5,442 (12.0%)	7,590 (12.7%)	2,148	+40%
	Smart Infrastructure	3,242 (17.1%)	2,652 (12.8%)	-589	-18%
	Eye Care	515 (2.0%)	1,487 (4.7%)	972	+189%
	Others	-162	-204	-42	
	Elimination	-2,057	-2,190	-133	
	Total	6,980 (8.6%)	9,336 (9.1%)	2,355	+34%

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I will discuss results by business segment later.



Next is a YoY analysis of changes in operating income for 1H. We have finished at an operating income of 9.3 billion yen, compared to 7.0 billion yen in the same period last year.

Regarding the breakdown, the sales volume/product mix and manufacturing cost reduction contributed +7.8 billion yen and +0.2 billion yen, respectively. Fixed costs including the strengthening of sales capabilities, R&D investment, and selling activity expenses totaled - 4.6 billion yen. FX effects were favorable at +2.0 billion yen. On the other hand, we were affected by larger-than-expected surges in component and logistics costs which totaled -3.1 billion yen.

I . FY2022 Q2 Financial Results

I - 1. FY2022 Q2 Financial Results

I - 2. Overview of Each Business



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Will explain our results by business segment next.

Overview of Each Business

Positioning

Record high sales and operating income

(unit: million yen)

	FY2021	FY2022		
	1H Actual	1H Actual	YoY	%
Net Sales	45,279	59,895	14,615	+32%
Operating Income (Operating Income Ratio)	5,442 (12.0%)	7,590 (12.7%)	2,148	+40%
Exchange Rate (Average)	USD	¥110.18	¥23.28	
	EUR	¥130.97	¥7.82	

Review of Financial Results

Overall

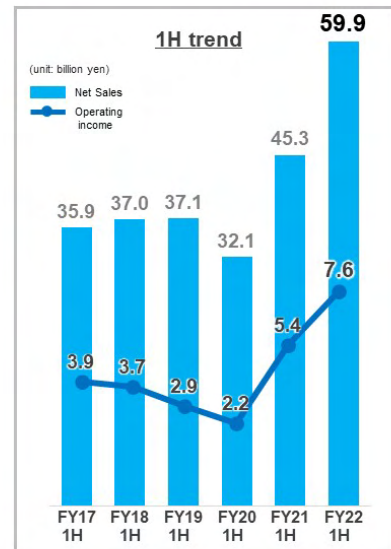
- Significant sales and operating income growth YoY by capturing strong demand mainly in the North America despite component shortages
- Surge of component and logistics costs become prominent

IT Construction and IT Agriculture

- Continued growth in sales for both aftermarket and OEM

Surveying and laser products

- Sales slowdown due to component shortages, while the demand continue to be healthy



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First is Positioning Business. Net sales increased 32% to 59.9 billion yen, and operating income increased 40% to 7.6 billion yen.

In general, the impact of rising component and logistics costs became prominent, and component shortages made the shipment of some products impossible. On the other hand, strong demand, particularly in North America, resulted in higher sales and profits.

Net sales of IT Construction and IT Agriculture, the core business of this segment, were strong for both aftermarket and OEM. In addition, the demand for conventional surveying and laser equipment was also strong, but sales slowed due to shipments being held back by component shortages.

Overview of Each Business

Smart Infrastructure

Record high sales

(unit: million yen)

	FY2021	FY2022		
	1H Actual	1H Actual	YoY	%
Net Sales	18,973	20,773	1,800	+9%
Operating Income (Operating Income Ratio)	3,242 (17.1%)	2,652 (12.8%)	-589	-18%
Exchange Rate	USD	¥110.18	¥133.46	¥23.28
Rate (Average)	EUR	¥130.97	¥138.79	¥7.82

Review of Financial Results

Overall

- Significant sales growth in Japan, continued recovery trend in Asia and the Middle East
- Decline in production for surveying instruments due to component shortages

IT Construction and IT Agriculture in Japan

- Healthy sales growth for KUI-NAVI SHOVEL (ICT Machine Guidance System) and Auto Steering System for IT Agriculture

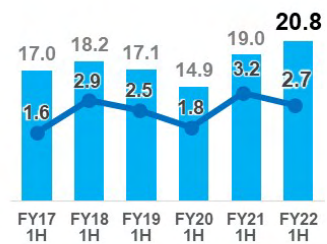
Growth Investments

- Steady progress of upfront investments for building construction DX business and market development in Asia for IT Construction and IT Agriculture business

1H trend

(unit: billion yen)

Net Sales
Operating Income



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Next is Smart Infrastructure Business. Net sales rose 9% to a record high of 20.8 billion yen, and operating income fell 18% to 2.7 billion yen. In terms of operating income, as I have been discussing since the fiscal 2021 financial results briefing in May, we are seeing the impact of the upfront investments in two areas, DX solutions for the building construction market and the development of IT Construction and IT Agriculture in Asia.

Overall, domestic sales were strong, and sales in Asia and the Middle East, which have emerged from the pandemic, are on a recovery track. The shortage of components in this business is similar to that in Positioning Business which was mentioned earlier. In addition, KUI-NAVI SHOVEL, an ICT automated construction system for small- and medium-sized construction equipment, is becoming a core product, and domestic sales of it and the Auto Steering System for agricultural equipment for IT Agriculture were extremely strong.

Overview of Each Business

Eye Care

Record high sales

(unit: million yen)

	FY2021	FY2022		
	1H Actual	1H Actual	YoY	%
Net Sales	25,252	31,492	6,239	+25%
Operating Income (Operating Income Ratio)	515 (2.0%)	1,487 (4.7%)	972	+189%
Exchange Rate (Average)	USD	¥110.18	¥23.28	
	EUR	¥130.97	¥7.82	

Review of Financial Results

Overall

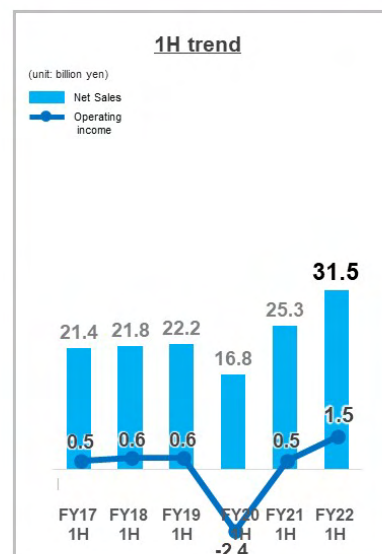
- Significant sales and income growth YoY thanks to healthy growth in the U.S. and Europe despite component shortages
- Sales slowdown in China due to zero-COVID policy
- Surge of component and logistics costs become prominent

Screening Business

- Continuing strong sales especially for Maestro and NW400

Digital Optometry Systems

- Strong sales to major optical chain stores in the U.S. and Europe



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In Eye Care Business, net sales went up 25% year on year to 31.5 billion yen, and operating income was up 189% year on year to 1.5 billion yen, both significant increases in sales and profits.

Despite the impact of the component shortages, net sales and income increased thanks to the strong sales in the U.S. and Europe. As for China, unfortunately the impact from the zero-COVID policy was significant, and sales slowed. The business was also impacted rising component and logistics costs.

Screening Business, which we are focused on, continues to enjoy strong sales, particularly for the Maestro 3D-OCT and the TRC-NW 400 fundus camera. Sales of digital optometry systems, which we started to focus on two years ago, are also strong for optical chain stores, mainly in Europe and the United States.

Ⅱ . FY2022 Full Year Plan

Ⅱ -1. FY2022 Full Year Plan

Ⅱ -2. Topics of Each Business



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Let me explain the full year plan.

FY2022 Full Year Plan

■ Upward revision Net sales 200 billion yen

Outlook for the macro environment

- Looming recession risk caused by an inflation surge and monetary tightening around the globe
- Growing geopolitical risks such as the Russia-Ukraine war
- Continued impacts of component shortages and price hikes
- Prolonged impacts of the zero-COVID policy in China

Based on the robust demand for growing businesses area, meanwhile the macro environment outlook is more uncertain as noted above, and revision of assumed exchange rate in the second half, we revised the full year plan as below

Revised Plan

	Previous Plan (As of July 26)	Revised Plan (As of October 28)	Change	FY2021 Actual	Change
Net Sales	¥190.0B	¥200.0B	+5%	¥176.4B	+13%
Operating Income	¥18.0B	¥19.0B	+6%	¥15.9B	+19%
Ordinary Income	¥17.0B	¥18.0B	+6%	¥14.8B	+21%
Net Income	¥12.0B	¥12.5B	+4%	¥10.7B	+17%
Dividends	¥40	¥42	¥2	¥36	¥6



Exchange rate assumption of 2H : \$1=¥130/€1=¥135
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There are four items related to the macro environment, all of which are events of concern that could have some negative effects. On the other hand, based on the strong performance in the first half of the year, the fact has been that our business has not been particularly adversely affected by market conditions at the moment, and changing our foreign exchange assumptions for the second half of the year to 130 yen for the dollar and 135 yen for the euro leads us to revise our full-year plan upward.

With net sales of 200.0 billion yen, operating income of 19.0 billion yen, ordinary income of 18.0 billion yen, and net income of 12.5 billion yen, we will pay a dividend of 42 yen per share, an increase of 6 yen from the previous fiscal year, and an increase of 2 yen from the previous announcement.

FY2022 Full Year Plan

(Unit: million yen)

	FY2021		FY2022				*Announced on July 26, 2022
	1H Actual	Full Year Actual	1H Actual	Full Year Actual	YoY (%)	Full Year Plan*	
Net Sales	81,251	176,421	102,715	200,000	+13%	190,000	
Operating Income (Operating Income Ratio)	6,980 (8.6%)	15,914 (9.0%)	9,336 (9.1%)	19,000 (9.5%)	+19%	18,000 (9.5%)	
Ordinary Income	6,285	14,820	9,428	18,000	+21%	17,000	
Net Income	3,883	10,699	6,032	12,500	+17%	12,000	
ROE		14.0%		14%		14%	
Dividends	¥10	¥36	¥20	¥42	¥6	¥40	
Exchange Rate	USD	¥110.18	¥112.86	¥133.46	¥130.00	¥120	
(Average)	EUR	¥130.97	¥131.01	¥138.79	¥135.00	¥130	



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I won't go into this slide.

FY2022 Full Year Plan by Business

(Unit: million yen)

		FY2021		FY2022				* Announced on July 26, 2022
		1H Actual	Full Year Actual	1H Actual	Full Year Plan	YoY (%)	* Full Year Plan	
Net Sales	Positioning	45,279	96,692	59,895	113,000	+17%	106,000	
	Smart Infrastructure	18,973	39,040	20,773	43,000	+10%	42,000	
	Eye Care	25,252	57,352	31,492	65,000	+13%	62,000	
	Others	600	1,184	588	1,000		1,000	
	Elimination	-8,854	-17,848	-10,033	-22,000		-21,000	
	Total	81,251	176,421	102,715	200,000	+13%	190,000	
Operating Income (Operating Income Ratio)	Positioning	5,442 (12.0%)	11,548 (11.9%)	7,590 (12.7%)	13,500 (11.9%)	+17%	13,000 (12.3%)	
	Smart Infrastructure	3,242 (17.1%)	5,821 (14.9%)	2,652 (12.8%)	5,500 (12.8%)	-6%	5,000 (11.9%)	
	Eye Care	515 (2.0%)	3,203 (5.6%)	1,487 (4.7%)	5,000 (7.7%)	+56%	4,500 (7.3%)	
	Others	-162	-365	-204	-400		-300	
	Elimination	-2,057	-4,293	-2,190	-4,600		-4,200	
	Total	6,980 (8.6%)	15,914 (9.0%)	9,336 (9.1%)	19,000 (9.5%)	+19%	18,000 (9.5%)	



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Likewise, I'll skip this explanation.

Ⅱ . FY2022 Full Year Plan

Ⅱ -1. FY2022 Full Year Plan

Ⅱ -2. Topics of Each Business



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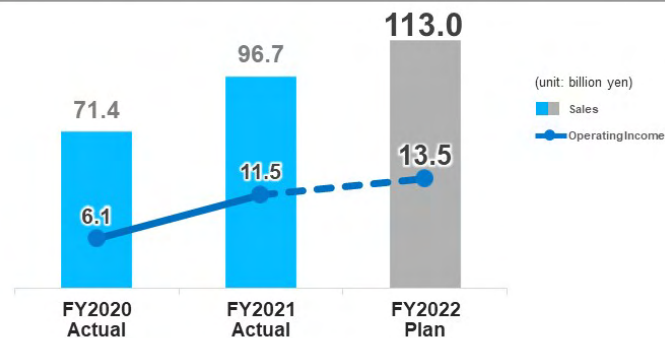
I will explain the topics of each business.

Business Outlook

- Infrastructure related construction projects are increasing while the U.S. housing construction market is weakened due to rate hike
- Increasing demand for labor saving solutions due to chronic labor shortage in construction and agriculture industries in the U.S. and Europe

Strategic Plans

- Aggressively pursue new business opportunities leveraging the US infrastructure investment and jobs act
- BAUMA2022, the world's largest construction machinery exhibition, resumed



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In terms of Positioning Business, the housing construction market in the U.S. is slowing due to the monetary tightening, while infrastructure-related construction is on the rise. In addition, the shortage of human resources in the construction and agricultural industries in the U.S. and Europe has greatly increased the potential need for labor reduction.

Based on these business conditions, we project net sales and profits will increase to 113.0 billion yen and 13.5 billion yen, respectively, for the full year. Our strategic plans are discussed on the next slide.

Aggressively pursue new business opportunities leveraging the US infrastructure investment and jobs act

Positioning

■ Capturing the growing demand for infrastructure-related construction

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

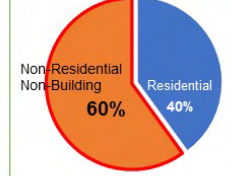
- ✓ Budget size: More than 1.2 trillion USD
- ✓ Increase of public investments is expected for 8 years

Major investment areas

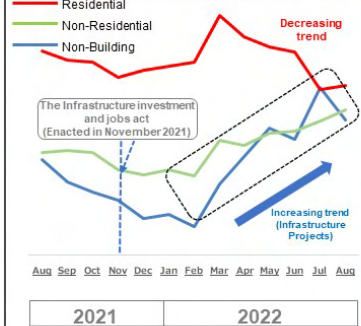
- Repair and reconstruction of roads and bridges
- Railway modernization
- Expansion of public transportation
- Development of airports and ports

Source: <https://www.congress.gov/bills/117/house-passed/house-bill/3554/text>

Breakdown of U.S. construction investment



Trends of Construction Projects in the U.S.



Various projects

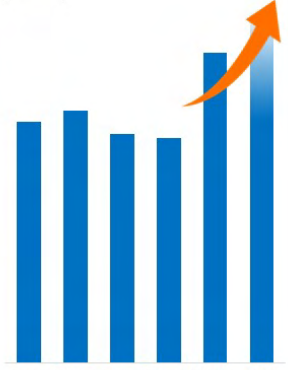


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Sales of IT Construction

(Amount)



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The first plan I would like to mention is pursuing new business opportunities related to infrastructure investments in the U.S. The Infrastructure Investment and Jobs Act, passed in November 2021, has a total budget of more than \$1.2 trillion, and we expect to see an increase in public works over 8 years. Investments in roads, railways, public transportation, and airports are directly linked to our business. The pie chart on this slide shows the breakdown of U.S. construction investment, with "non-residential construction investment" in orange representing infrastructure investment.

The line graph in the center of the slide shows data from the Dodge Index. It says that housing starts are indeed trending downward due to the monetary tightening. On the other hand, the number of infrastructure investments in the U.S. has been rising steadily. I think we can say that demand here is supporting our solid sales.

The bar graph on the right side shows the sales of IT Construction. We expect significant growth in FY2021 and 2022.

BAUMA2022, the world's largest construction machinery exhibition, resumed

Positioning

- BAUMA2022 held every three years is back after postponement due to COVID-19 pandemic

BAUMA2022 held in Europe

Venue	: Munich, Germany
Schedule	: October 24-30, 2022
Projected number of participants	: 600,000 or more (previous record: 620,000)
Number of exhibitors	: More than 3,000 companies from 58 countries



Our Booth (Indoor Exhibition Hall)

Outdoor exhibition hall

- ✓ The venue is packed with large crowd of visitors
- ✓ Order bookings and sales leads exceed last time



Having the confidence of the momentum of construction market despite of global inflation

Showcasing our unique solutions in growing construction sectors

Solutions for resurfacing work



Reparing cycles with Topcon Ecosystem

MC Mobile for small to mid sized construction equipment



Spreading more ICT machinery

DX for building construction



Creating new markets with DX

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Next, I will explain the construction machinery exhibition. BAUMA 2022, the world's largest construction machinery exhibition, is being held again in Munich, Germany. This event is held every three years, usually in April. It was postponed due to the COVID-19 pandemic and is being held from October 24th to 30th. I want to share the vibrancy of the exhibition and the construction market.

Last time there were 620,000 participants, and it is believed that there will be more than 600,000 people this time as well. This is four times the size of The Consumer Electronics Show (CES) in Las Vegas, which attracts about 150,000 to 170,000 people.

As you can see, the construction machinery market is tremendous, and we are in a good position to conduct business operations smoothly amid favorable market conditions.

Only about 10% of construction machinery manufacturers had IT Construction equipment at BAUMA nine years ago, but this time almost every manufacturer has IT Construction equipment. We are seeing greater penetration in exhibitions.

I Strategic Plans

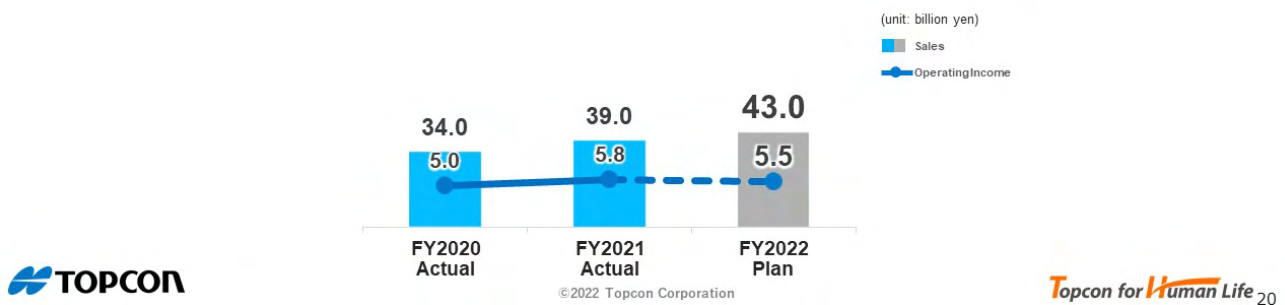
Smart Infrastructure

Business Outlook

- Solid momentum in domestic IT construction and IT agriculture business, and growing demand for automation due to lack of operators/successors
- Asia: Full-swing recovery in demands from the COVID-19

Strategic Plans

- Facilitating the spread of IT Construction in Japan with "KUI-NAVI SHOVEL"
- Domestic IT Agriculture: Cultivating the small-to-mid sized IT farm machinery market



Next is Smart Infrastructure Business. We project sales will increase to 43.0 billion yen and operating income will remain flat due to solid demand in the domestic construction and agriculture sectors, increasing demand for automation due to a shortage of workers, and a full-scale recovery from the COVID-19 pandemic in Asia. As I mentioned earlier, profits are expected to decline due to the impact of the upfront investment, but this does not mean that gross margins will deteriorate.

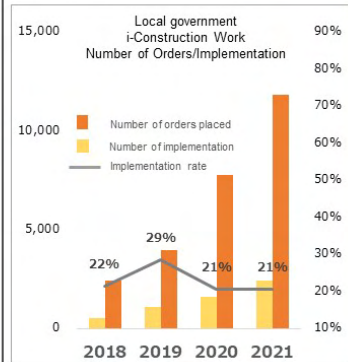
Facilitating the spread of IT Construction in Japan with “KUI-NAVI SHOVEL”

Smart Infrastructure

Encouraging the spread of i-Construction in local region

i-Construction Implementation Status and Issues

- ✓ Six years after launching of i-Construction in Japan, the number of orders steadily increase even in small construction sites
- ✓ However, implementation rate stay lower level



Initiatives to spread IT Construction to small-scale construction sites

Factors that make IT Construction machinery difficult to spread

- ✓ Mainly for large-scale construction sites (for large construction machinery)
- ✓ Requires certain expertise in installation/setup
- ✓ Requires certain expertise in GNSS (GPS) technology

Promoting KUI-NAVI SHOVEL!

Features of KUI-NAVI SHOVEL to ease of deployment

- ✓ Affordable system suitable for small construction sites (for small size construction machinery)
- ✓ Easy to set up
- ✓ KUI-NAVI, widely used on-site, uses as a sensor, thus no GNSS (GPS) expertise required



Sales of KUI-NAVI SHOVEL (Units)



*i-Construction is a registered trademark of the National Institute of Land and Infrastructure Management, MLIT, Japan.

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I will explain how we will facilitate the spread of IT Construction in Japan. The Ministry of Land, Infrastructure, Transport and Tourism commenced i-Construction in 2016. As shown in the graph on the left side of the slide, the number of orders placed for i-Construction shown in dark orange is growing steadily, which is a very good trend. However, the implementation rate shown in gray is stagnant, while the number of implementations shown in yellow is growing.

The reason for this is that it is difficult to use IT Construction machinery in small to medium-sized construction sites. Traditional IT Construction machinery is mainly built for large-scale construction, and requires expertise to set up, as well as GNSS (GPS) expertise. Although these are not very difficult obstacles to overcome, they have become a bottleneck, especially for small- to medium-sized construction sites.

The solution we introduced in FY2020 is KUI-NAVI SHOVEL. Inexpensive and easy to set up, it requires no GPS expertise.

We aim to accelerate the spread of IT Construction machinery by increasing the number of implementations by introducing this product. As you can see in the graph on the right of the slide, sales have grown considerably in FY2021 and 2022. We have high expectations for this strategic product.

Domestic IT Agriculture: Cultivating small-to-mid sized IT farm machinery market

Smart Infrastructure

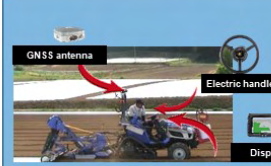
■ Substantial sales growth after launching a new simplified auto steering systems

Topcon IT Agriculture Systems Lineup



- < Features >
- ✓ For large size tractors
 - ✓ Use on large farms
 - ✓ Full featured

Auto steering system for Small-to-mid size tractor Released in November 2021



- < Features >
- ✓ For small-to-mid size tractors, affordable system
 - ✓ For small-to-mid size farms
 - ✓ Limited functionality (Auto steering only)

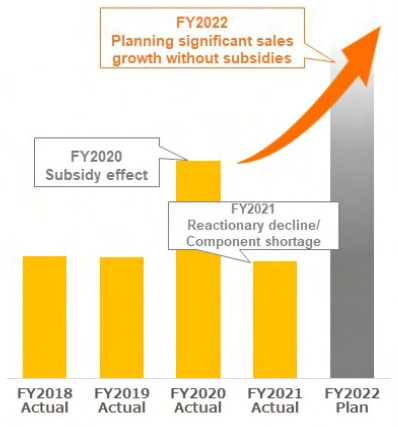
An Image of Tractor Market Size (Units)

Conventional target market
Large size farm machinery
(Mainly in Hokkaido)

Untapped market
Small-to-mid size farm machinery
(Outside of Hokkaido)

Targeting Here

Sales of Auto Steering System (units)



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The next topic is IT Agriculture in Japan. We have discussed in earlier presentations that it was very lively from FY2019 to 2020. Although there was a reactionary decline due to the effect of subsidies and a component shortage in FY2021, we plan to grow significantly this fiscal year.

The reason for this is that recently there has been a certain amount of demand even without subsidies. Previously, IT Agriculture was used on large-scale farms. To give you an idea of this spread in limited markets, think about large farms such as wheat farms in Hokkaido that use large tractors.

As an initiative, we have been introducing small and inexpensive systems that can be equipped on small to medium-sized tractors and rice transplanters in Honshu and Kyushu, and have expanded sales from Hokkaido to the south. This initiative launched in November 2021 and has been very well received. It is growing considerably in FY2022.

We believe that both the KUI-NAVI SHOVEL mentioned earlier and Japan's success story in IT Agriculture has the ability to expand globally. We are very focused on the Asian market, leveraging the KUI-NAVI SHOVEL and the inexpensive version of the IT Agriculture system.

Strategic Plans

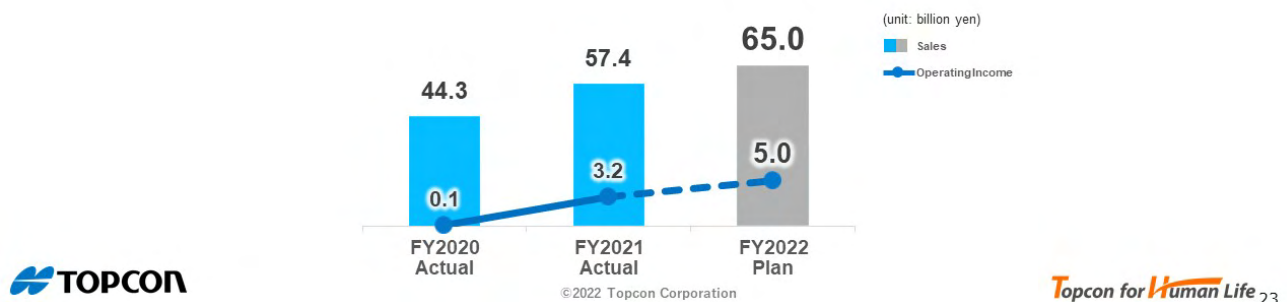
Eye Care

Business Outlook

- Continued capex appetites at major optical chain stores in the U.S. and Europe, with a particular focus on screening
- Continuous increase of chronic eye disease due to global aging and growing number of diabetes patient

Strategic Plans

- Launch of a new strategic product to boost Screening Business
- AAO 2022, the world's largest American Academy of Ophthalmology, was held



Finally, the strategic plans for Eye Care Business. In terms of the business outlook, major optical chain stores in the U.S. and Europe continue to have an appetite for capex, and they are particularly focused on screening. In addition, the increase of chronic eye disease due to the aging of the global population continues, as does the growing number of diabetes patient. It is unlikely that the situation will be resolved in the near future.

Based on these business conditions, we project net sales and operating income will increase significantly to 65.0 billion yen and 5.0 billion yen, respectively. Our strategic plans are discussed on the next slide.

Launch of a new strategic product to boost Screening Business

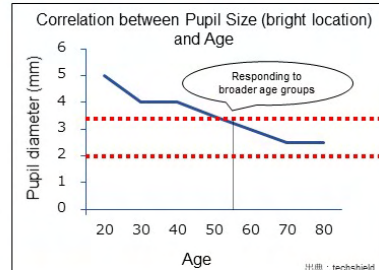
Eye Care

■ Launched NW 500, full-auto fundus camera with enhanced functions suitable for screening

- Responding to an aging population!
- Useable at any location!



Suitable for a wide range of age groups, including elderly people with small pupils



Minimum pupil diameter that can be captured

Existing product 3.3 mm

New product 2 mm²

Pupil diameter image diagram



Enable to capture images in bright location such as optical shops and drugstores^{*3}



^{*1} Product name: NON-MYDIATIC RETINAL CAMERA NW 500
^{*2} Verified with model eyes
^{*3} Verified at 623 lux location

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I will explain one strategic plan concerning the significant Screening Business. We launched the NW500 full-auto fundus camera with enhanced functions suitable for screening. Its key features are its usefulness to an aging population and its usability in any location.

Humans' pupils contract in bright light. The graph in the center of the slide shows the correlation between pupil size and age in a bright location. The horizontal axis is age, and the vertical axis shows pupil diameter, so you can see that pupils gradually become smaller as they age.

The previous model, NW400, is able to capture a pupil size of about 3.3 millimeters at minimum. If a person's pupils are smaller than this, it is difficult to capture images in bright location.

In this case, you can capture images using the NW400 in a dark location. However, to meet the potential demand for screening, it is very important to be able to capture images in a bright location, such as optical stores or drug stores, rather than in a dark location.

To that end, the NW500 has been upgraded to capture a minimum pupil size of up to 2 millimeters. Consequently, it is useful for a wider age group, including elderly people, even in bright locations. In Screening Business, it is very important to be able to capture images of anyone anywhere, and we would like to target this point.

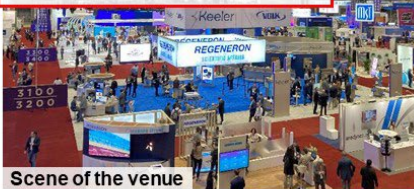
AAO 2022, World's Largest American Academy of Ophthalmology, was held

Eye Care

- Full-scale physical event held for the first time in three years after the pandemic

American Academy of Ophthalmology (AAO)

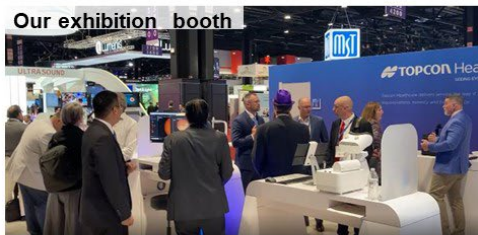
Venue: Chicago, USA
Dates: September 30-October 3, 2022



Scene of the venue



Scene of a conference



Our exhibition booth



AMERICAN ACADEMY™
OF OPHTHALMOLOGY

**Significant
increase in
participants
15,000
(9,000 last year)**

**Orders received
130% YoY**



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I mentioned BAUMA earlier when talking about Positioning Company. The American Academy of Ophthalmology (AAO) conference is a very large exhibition for ophthalmology. It is one of the largest exhibitions in the world and it was held full-scale for the first time in three years.

The last two years have been smaller-scale events held online due to the COVID-19 pandemic. Here are some photos of the lively event venue.

The number of participants nearly doubled from last year to 15,000, and the orders that we received also increased significantly.

III. Summary



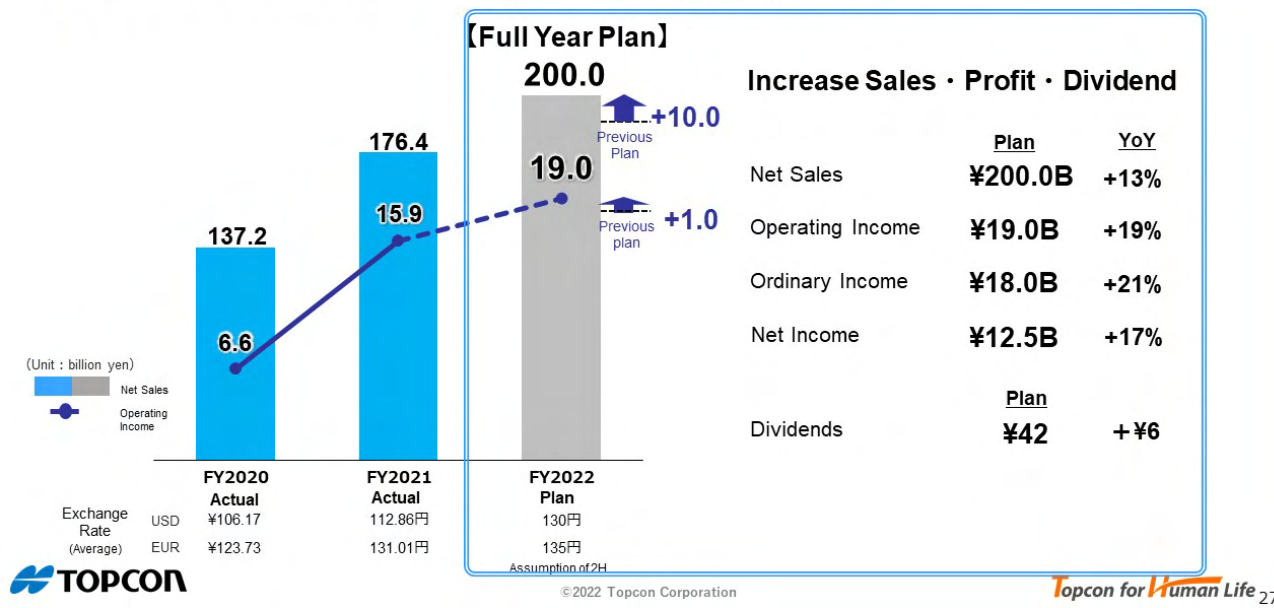
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In closing, I will summarize today's presentation.

Summary

■ Upward revision Record high net sales and profit



We have revised our forecast upward, and project net sales of 200.0 billion yen, operating income of 19.0 billion yen, ordinary income of 18.0 billion yen, net income of 12.5 billion yen and dividends of 42 yen, an increase of 6 yen from the previous fiscal year.

Questions and Answers

<Common subjects>

Q. What is your assessment of the current gross margin?

A. The increase of the component costs, the markup, and the FX effects are among the factors that impact the gross margin, but it appears that the first two effects offset each other and the gross margin is improved by the FX effects.

Q. Regarding the component shortages, while you are saying that it was severe in the first half of the fiscal year, the guidance figures have actually been revised upward. Can we assume that the second half is likely to be similar, or do we expect the second half to be even tougher?

A. Things won't change. Although events that are more severe than expected may occur in the future, we will continue to work to achieve or exceed the plan, including efforts such as design changes.

Q. What is the impact of foreign exchange on first-half sales?

A. In terms of first-half results, the approximate figure is about 10.0 billion yen.

Q. What are the numbers in the new operating income breakdown for the full year?

A. We expect sales volume and product mix to be positive by 7.0-8.0 billion yen, fixed costs to be negative by 5.0-6.0 billion yen, FX effects and manufacturing cost reduction to be about 4.0 billion yen combined, and component and logistics costs to be negative by 3.0-4.0 billion yen.

Q. Based on your new full year plan, you assume the operating income of Positioning Company will decline in 2H. Is it safe to assume that of the three segments, this is the one you view most conservatively?

A. You can look at it that way.

<Positioning Company>

Q. In Q2 alone, sales were unprecedentedly high, but how should we look at the second half of the fiscal year, including the impact of macro factors?

A. Based on the order situation, it is not bad. The housing sector is weak but the infrastructure sector is strong, so it does not look bad for the time being. On the other hand, global inflation, monetary tightening, geopolitical risks, component shortages and the impact of the zero-COVID policy in China have increased uncertainty. As such, we make the plan based on conservative assumptions.

Q. What would sales growth have been without the impact of exchange rates and the price increases?

A. Excluding the effects of those factors, revenue was up by double digits.

Q. Should we also pay attention to the risk of cancellations in a situation with heightened uncertainty?

A. Usually there are not many cancellations, but we have never had such a large backlog of orders in the past, so we can't deny there is a risk of cancellations.

Q. Looking at the next three years, what will be the technological advantage when it comes to the automation of construction and agricultural machinery? Is there the risk that major construction and agricultural equipment manufacturers will begin in-house production?

A. The robotization of construction and agricultural machinery is still at its dawn, and our company's business can grow even if construction and agricultural machinery manufacturers move toward in-house production. In the long run, I think the major construction equipment manufacturers will eventually go in-house. But robotic construction machines need survey data to operate. They can't take the whole market because they need surveying skills, including post-construction inspections. For agriculture, the hurdle for in-house production is lower because the precision required is relatively low. However, when considering smart agriculture, the measurement techniques that we excel at, such as sensing growing conditions, are required in many situations. I think our company is going to be in a position to collaborate with them.

<Eye care business>

Q. Is there a risk of a slowdown optical chain stores' capital spending if a recession occurs?

A. The current situation is good. The feeling that we get from them is not that the economy is slowing down.

Q. You mentioned the NW500, but the current model, the NW400, is 8 years old. Can we expect renewal demand?

A. We expect it. The capabilities of the NW 500 are better, so I'm looking forward to additional demand as well.

IV. Appendix

Financial Results (Quarterly)

Consolidated



Positioning



Smart Infrastructure



Eye Care



Financial Results (Semiannually)

Consolidated



Positioning



Smart Infrastructure



Eye Care



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Financial Results and Plan (Annually)

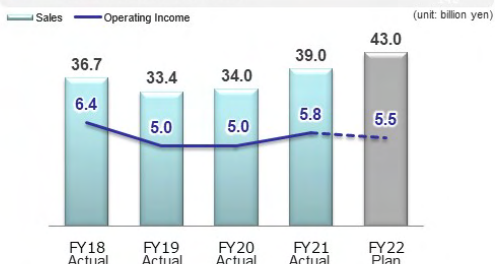
Consolidated



Positioning



Smart Infrastructure



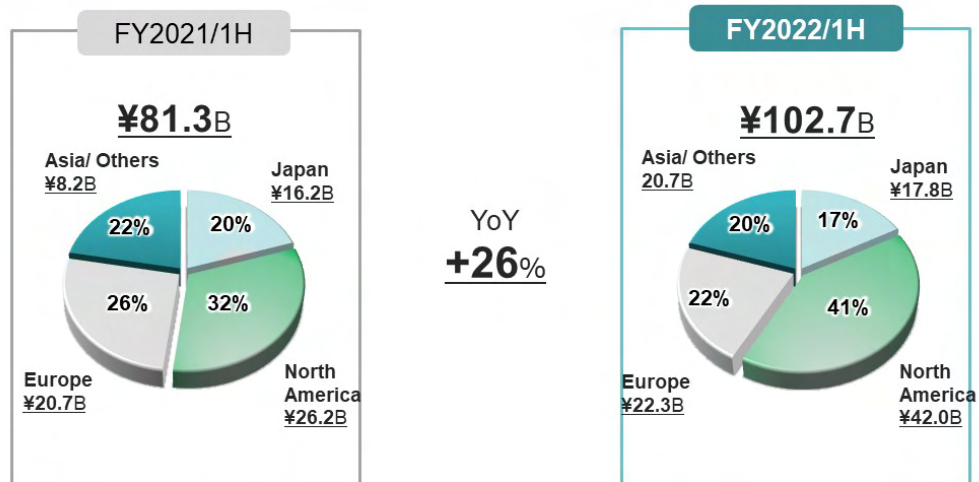
Eye Care



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Sales by region

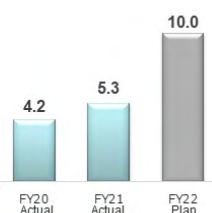


Capital Expenditure and R&D / Forex Sensitivity

■ Projections

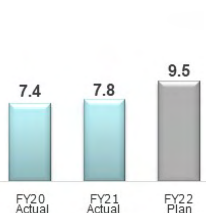
Capital Expenditure

(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

Topcon Report 2022 (integrated report) published

- Published integrated report with enhanced non-financial information content in October (Japanese version is published in August)
- Website: <https://global.topcon.com/invest/library/integration/>

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



Topcon Report 2022



A digital transformation
with a human touch



**A Venture
Company with
90 Years of
Tradition**
— The History and Future —
of
Creating New Markets—

President Satoshi Hirano in his 10th year in office, talks about the history and future of Topcon's challenges and its background, the Third Mid-term Business Plan, and Topcon's sustainability initiatives.

Satoshi Hirano, President and CEO

- The history and future of the Topcon's challenge
- Venture Spirit
- Sustainability Initiatives

Topcon for Human Life

Value Creation Process

Value creation is the sequence of business processes that deliver a company's business proposition to its customers. The value creation process is the sequence of business processes that deliver a company's business proposition to its customers. The value creation process is the sequence of business processes that deliver a company's business proposition to its customers.

Value Proposition

- 1. Identify the target market and its needs
- 2. Develop a value proposition that addresses the target market's needs
- 3. Create a business model that delivers the value proposition
- 4. Implement the business model
- 5. Monitor and evaluate the business model
- 6. Iterate and improve the business model

Channels

- 1. Identify the target market and its needs
- 2. Develop a value proposition that addresses the target market's needs
- 3. Create a business model that delivers the value proposition
- 4. Implement the business model
- 5. Monitor and evaluate the business model
- 6. Iterate and improve the business model

Customer Relationships

- 1. Identify the target market and its needs
- 2. Develop a value proposition that addresses the target market's needs
- 3. Create a business model that delivers the value proposition
- 4. Implement the business model
- 5. Monitor and evaluate the business model
- 6. Iterate and improve the business model

Revenue Streams

- 1. Identify the target market and its needs
- 2. Develop a value proposition that addresses the target market's needs
- 3. Create a business model that delivers the value proposition
- 4. Implement the business model
- 5. Monitor and evaluate the business model
- 6. Iterate and improve the business model

Cost Structure

- 1. Identify the target market and its needs
- 2. Develop a value proposition that addresses the target market's needs
- 3. Create a business model that delivers the value proposition
- 4. Implement the business model
- 5. Monitor and evaluate the business model
- 6. Iterate and improve the business model

Topcon's Management and Future as Seen from a prominent business

Outside Director
Kazuyuki Matsumoto
(Former Chairperson of the Board, Nabtesco Corporation)

- Governance with active discussion
- The business itself is SDGs

A portrait of Kazuyuki Matsumoto, an older man with grey hair, wearing a dark blue suit, white shirt, and a light blue striped tie. He is looking directly at the camera with a neutral expression. The background is a blurred indoor setting.

- ## Content
- | | |
|---------------------------|------------------------|
| ■ Top Message | ■ Sustainability |
| ■ Topcon's Value Creation | ■ Governance |
| ■ Strategies by Business | ■ Financial Highlights |



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Initiatives for SDGs: Contribution to CO2 emission reduction

Topcon's **automation technologies for construction and farming machinery itself** contribute to reduce environmental impact

IT Construction

By automating construction machinery,
operating time reduced by approximately 30% ^{*1}

Reduction in CO2
emission from
our products
(Topcon's estimation)

Global
600,000 tons/year ^{*2}

IT Agriculture

9 INTEGRATED 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**

*1: Source - Ministry of Land, Infrastructure, Transport and Tourism i-Construction promotion consortium
"Progress of i-Construction" (2019)
https://www.mlit.go.jp/infoc5/construction/infoc503_5_hiraku_siryo6.pdf

*2: Basis of calculation
Based on the numbers with multiplying the estimated annual CO₂ emissions per unit of construction machinery and the estimated reduction rate of working hours through the use of ICT, calculating the CO₂ emissions reduction multiplying the estimated number of ICT automated construction machinery in operation worldwide and the estimated share of our company.

*i-Construction is a registered trademark of Ministry of Land, Infrastructure, Transport and Tourism's National Institute for Land and Technology Policy

*3: Source: AEM "The Environmental Benefits of Precision Agriculture in the United States" (2020)
<https://www.aem.com/press/977839/why/wordpress/benefits-of-precision-agriculture>
 28: YB0C0282u74 link

***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.

**By leveraging the strength of vendor neutral strategy,
penetrate automation technology
for existing construction and farming machinery**

Expecting further CO2 reduction by spreading of the automation technologies



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■WIN News Release: <https://global.topcon.com/news/10159/>

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

■Nikkei SDGs News Release: <https://www.topcon.co.jp/sustainability/news/2573/> (only in Japanese language)

Non-Financial Information

External evaluation for our Sustainability

2022 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

MSCI Japan Empowering Women Index (WIN)

The index is constructed based on the gender diversity score which is calculated by the data on women's employment disclosures accordance with the Act on Promotion of Women's Participation and Advancement in the Workplace. Companies with high scores in each industry are selected.



■ News release : <https://global.topcon.com/news/10159/>



FTSE Blossom Japan Sector Relative Index

FTSE Blossom Japan Sector Relative Index

The index selects the companies who demonstrate strong environmental, social and governance (ESG) practices relative to their respective sectors.



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



The Third Nikkei SDG Management Survey

Three-and-a-half stars for two consecutive year in the annual survey of SDGs initiative by Nikkei



■ News release : <https://www.topcon.co.jp/sustainability/news/2573/> (only in Japanese language)



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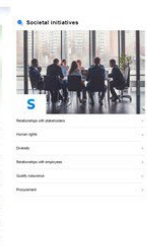
Non-Financial Information

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

Sustainability

Topcon for Human Life

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



Sustainability



Topcon's corporate identity is "Topcon contributes to enrich human life by solving the societal challenges within healthcare, agriculture and infrastructure".

Topcon operates businesses in the fields of healthcare, agriculture, and infrastructure, which are essential areas of life for people all over the world.



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

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



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