



Mid-term Business Plan 2025

May 12, 2023

Infrastructure

Agriculture

Healthcare

TOPCON CORPORATION
President and CEO
Takashi Eto



TOPCON CORPORATION

Mid-term Business Plan 2025


May 12, 2023

Event Overview

Company	TOPCON CORPORATION	
Event Type	Presentation of Financial Results, Presentation of Mid-term Business Plan	
Event Name	FY2022 Financial Results, Mid-term Business Plan 2025	
Report Period	FY2022	
Date	May 12, 2023	
Time	3:30-4:40 PM (Total time: 70 minutes; Presentation: 50 minutes; Q&A: 20 minutes)	
Venue	Sapia Tower 5F 1-7-12 Marunouchi, Chiyoda-ku, Tokyo (On-site only)	
Number of Speakers	4	
	Satoshi Hirano	Representative Director, Chairman of the Board of Directors
	Takashi Eto	Representative Director, President & CEO
	Haruhiko Akiyama	Director, Senior Managing Executive Officer, General Manager of Accounting & Finance Div.
	Takaaki Hirayama	Executive Officer, General Manager of Corporate Communication Div.

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.





**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
2022 April	Head of Corporate Planning Division
	Executive Vice President and General Manager, Quality Assurance Division
2023 April	President and CEO

Hello, everyone. I'm Takashi Eto from Topcon Corporation. I would like to explain the new mid-term business plan we have formulated.

First, I would like to briefly introduce myself. I am from Fukuoka prefecture and joined Topcon at the Fukuoka office in 1990. In my previous job, I had been working for a construction company as a site supervisor and managed construction sites.

After joining Topcon, I worked mainly in Positioning Business sales department. I have worked in domestic sales planning for GNSS and the reform of new businesses in i-Construction in Japan. I was also involved in the acquisition of Sokkia Co.,Ltd. and I was general manager of the planning department in Positioning Business. In Eye Care Business, I worked on the reorganizing of the sales network and have recently been involved in quality reform in the Quality Assurance Department.

I have been appointed to be the 17th president of the company, succeeding Mr. Hirano. I believe I am the first president of our company to come from a sales background. I feel both honored and humbled, I will dedicate all my strength to fulfill my responsibility

Our company has been working to solve societal challenges through our customers. To become a company that is needed and indispensable to our customers, we will continue to propose new solutions with a spirit of taking on challenges in closer locations to our customers, and we will strive to promote ESG management through our business.

Contents



I . Topcon's Future Direction

II . Mid-term Business Plan 2025



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I will explain two points today: Topcon's future direction and Mid-term Business Plan 2025.



I . Topcon's Future Direction

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

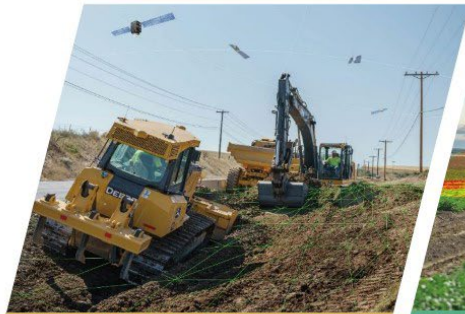
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I will explain the following four directions that Topcon is focused on, 1. vision, 2. Business Growth Potential, 3. Topcon's Growth Trajectory and Future, and 4. Long-term Goal.



1. Vision

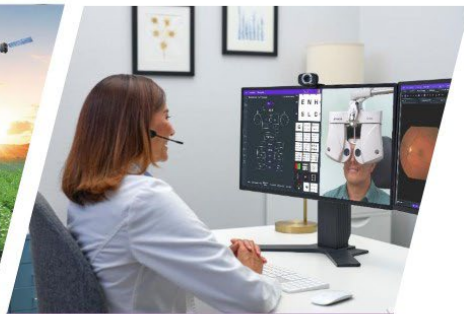
Expand our businesses and **solve the societal challenges** within the growing market of Healthcare, Agriculture and Infrastructure



Infrastructure



Agriculture



Healthcare

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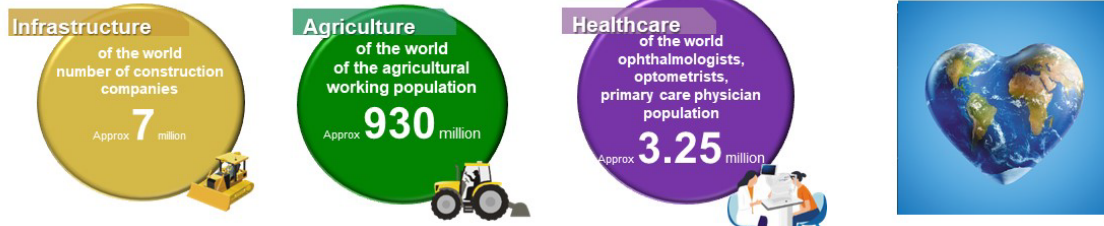
We will keep our management vision, "Expand our businesses and solve the societal challenges withing the growing market of Healthcare, Agriculture and Infrastructure."

2. Business Growth Potential

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

- 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**

World Population Estimate 2022 Version
<https://www.un.org/en/development/desa/pop/press/2022/04/44737/>



Markets for Healthcare, Agriculture and Infrastructure will continue to expand



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I would like to explain the growth potential of the business. The global population reached 8.0 billion in 2022 and it is expected to increase to 9.7 billion by 2050. In addition, the percentage of people aged 65 and over is expected to increase from 10% in 2022 to 16% in 2050.

While demand for infrastructure will inevitably increase due to population growth, there is a chronic shortage of construction labor, ophthalmologists and optometrists. Moreover, there is also a global need to strengthen social infrastructure and for stable food production in response to climate change.

It is projected that the world's myopic population will grow from 2.6 billion today to 3.4 billion in 2030, constituting approximately 40% of the population. It is also believed that 2.2 billion people are visually impaired. There are approximately 7 million construction companies around the world, approximately 930 million agricultural workers, and approximately 3.3 million ophthalmologists, optometrists, and primary care physicians. These are our target users and markets.

These markets will only increase as long as people continue to live their lives. With ever increasing demand for digitalization, efficiency, labor reduction, and energy conservation, we can say that our business potential will keep further increasing.



Until recently, Topcon operated under a one-time hardware business model. However, since 2000, we have transformed to a consultative business model through the proposal of new concepts using the latest hardware. We have continued to develop this business model by improving productivity and quality through digitalization and automation.

Currently, we are looking for a model for managing and sharing data using the cloud, and we are trying to enable its further evolution. In the future, we will continue to seek sustainable growth by proposing new business models utilizing each type of data and continue to develop products exploring the field of data analysis.

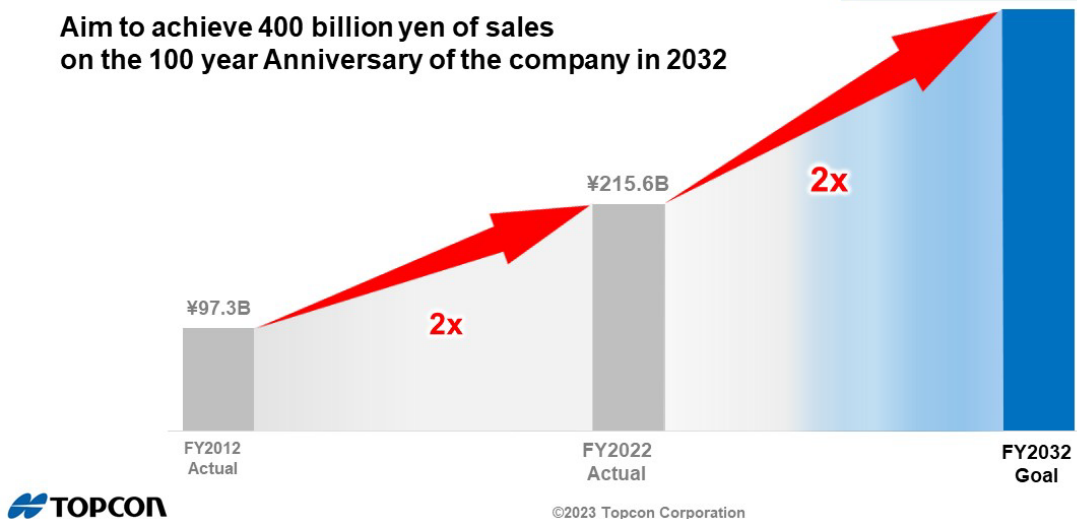


4. Long-Term Goal

- 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**



We have decided to set out a long-term vision of net sales of 400 billion yen on the 100-year anniversary of our founding in 2032. In the 80 years since our founding, Topcon has achieved sales of approximately 100 billion yen. We have doubled to approximately 200 billion yen in the 10 years from 2012 to 2022. Over the next 10 years, we aim to double sales to 400 billion yen.

Our infrastructure, agriculture and healthcare business domains will inevitably grow. We aim to achieve sales of 400 billion yen and continue to grow sustainably with a venture spirit.



Ⅱ . Mid-term Business Plan 2025

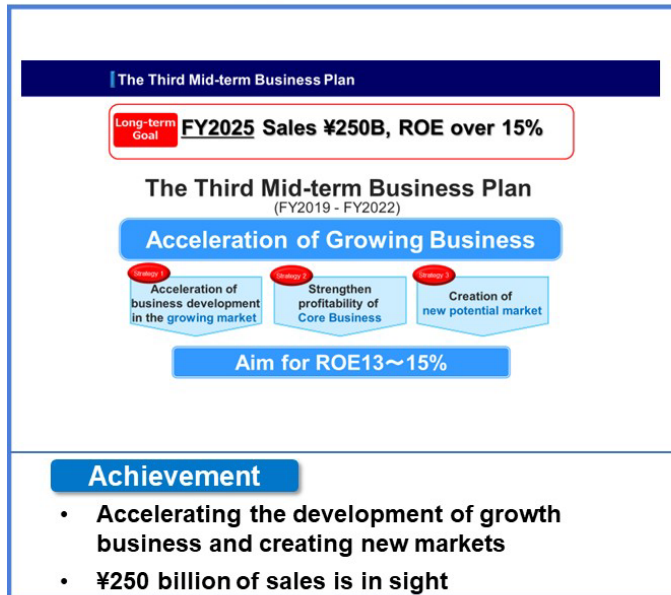
- 1. Mapping of Mid-term Business Plan 2025**
- 2. FY2025 Financial Targets**
- 3. Basic Policy**
- 4. Management Target (KPI)**
- 5. Growth Strategy by Business**
- 6. Summary**

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Now let me explain Mid-term Business Plan 2025.



1. Mapping of Mid-term Business Plan 2025



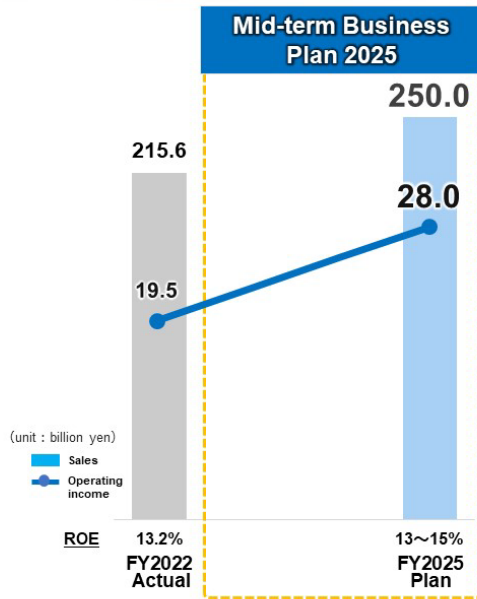
- Remaining Issues for Mid-term Business Plan 2025**
- Further sustainable sales growth
 - Improving and maintaining profitability

Mid-term Business Plan 2025 is the initial step toward our long-term vision for 2032. As Mr. Hirano mentioned earlier, we successfully achieved the plan for the final fiscal year of the Third Mid-term Business Plan. During the formulation of the Third Mid-term Business Plan, we had set a long-term vision aiming for sales of 250 billion yen in 2025. The vision is coming into sight thanks to the achievement of the previous mid-term business plan.

We formulated Mid-term Business Plan 2025 with the objective of achieving the sustainable growth of sales and improving and maintaining profitability in light of the review of the Third Mid-term Business Plan.



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

Our FY2025 financial targets are sales of 250 billion yen, operating income of 28 billion yen, and ROE in the range of 13 to 15%.

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



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To achieve sustainable growth and our financial targets, we have established three basic policy pillars as a key point of our Mid-term Business Plan 2025: Deepening Customer Orientation, Reforming the Foundation, and DX Acceleration.

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



I will explain each of the basic policy. First is "Deepening Customer Orientation." We have expanded business by offering unique solutions using leading-edge hardware and software combinations based on our core measurement technologies.

Whether our clients work in construction, agriculture or ophthalmology, they all work closely with their country or region. We engage in marketing activities and provide support to our clients through our global sales network, while also presenting new solutions to them.

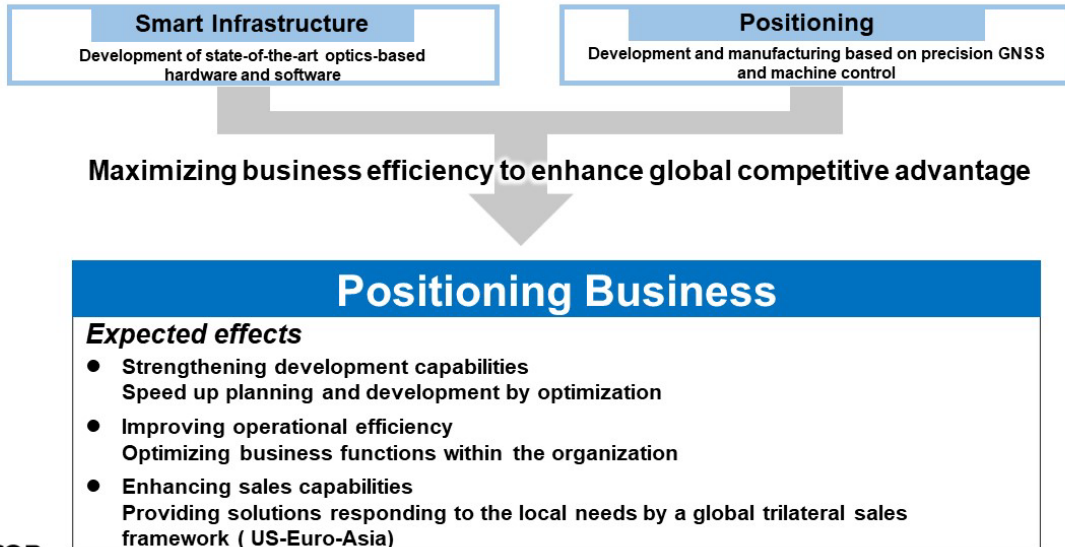
We believe that if we can listen to the needs of each client and provide products and software that meet their needs, this will lead to further growth of our business. The idea of "Think Globally and Act Locally" applies in the industries for both Positioning Business and Eye Care Business. We believe that "Deepening Customer Orientation" is extremely important for future growth of our business.

3. Basic Policy

Reforming the Foundation



■ Maximizing the Efficiency of Positioning Operations



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Next, we will introduce "Reforming the Foundation" by "maximizing the efficiency of operations in Positioning Business." To date, we have been divided into two segments, Smart Infrastructure Business and Positioning Company, but from now on we would like to consolidate these segments into one as Positioning Business to promote efficiency.

We will optimize our operations from a holistic perspective by merging product development and development functions to achieve greater synergy while taking advantage of the technological strengths each has developed. Furthermore, we will work to strengthen our sales and support capabilities so that we have the ability to adapt and tailor our solutions to accommodate the specific requirements of customers in different regions under a global trilateral sales framework (the U.S., Europe and Asia) .

From FY2023, there will be two business segments: Positioning Business and Eye Care Business. We will also strive to disclose and explain information in ways that are easier for our stakeholders to understand.



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



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One more point in "Reforming the Foundation" is "boosting production capacity and improving production efficiency." It can be said that production capacity is an important factor supporting growth. Therefore, we are planning to strengthen key plants and increase production capacity. We are planning to invest approximately 10 billion yen in the expansion of a new display plant for the construction and agricultural machinery in Germany, as well as Eye Care and Positioning plant in Topcon Yamagata during Mid-term Business Plan 2025.

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



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Next is about DX Acceleration. One of the characteristics of our company is that it has a stable core business. It has expanded sales by adding growth businesses that provide DX solutions to customers on top of its core business. We will continue to promote them.

To date, we have created new DX solutions, such as “automation of construction process,” “automation of farm operations,” and “creating a system for eye disease screening.” We will continue to develop and popularize DX solutions with new concepts.

3. Basic Policy

Reforming the Foundation

DX Acceleration



- 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



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Next, we will discuss strengthening our foundation for DX Acceleration.

Development, production, sales, and staffing capabilities form the foundation for the successful promotion of DX initiatives.

Our company is currently engaged in product development at 30 bases around the world, with 16 production bases and 66 sales bases promoting its corporate activities around the world. To utilize these bases efficiently and effectively, it will be important to create a structure that utilizes IT and other digital technologies. In addition to developing and deploying DX solutions for our customers, we will also actively pursue DX within our company.



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%
Profitability	Operating Income	¥19.5B	¥28.0B	CAGR 13%
	Operating Income Ratio	9.1%	11.2%	+2.1pt
Capital efficiency	ROE	13.2%	13~15%	-0.2~+1.8pt
Exchange Rate (Average)	USD	¥134.95	¥130.00	-¥4.95
	EUR	¥141.24	¥135.00	-¥6.24

Next is our management targets.

Here are the management targets we would like to achieve in 2025. We plan net sales 16% increase to 250 billion yen, operating income 43% increase to 28 billion yen, and ROE of 13 to 15%.



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

This slide shows financial target by business. We plan Positioning Business sales to grow 12% to 166 billion yen and its operating margin to be at least 16%. We plan Eye Care Business sales to grow 24% to 83 billion yen and its operating margin to be at least 10%.



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%	

Let me touch upon investment plans and shareholder returns. The previous mid-term business plan was for 4 years, so a simple comparison is not possible. The figures here are for the 3 years from FY2020.

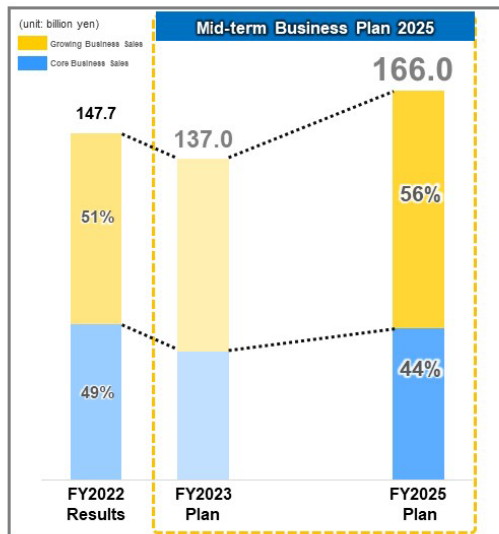
During Mid-term Business Plan 2025, we plan to have an operating cash flow of 60 billion yen, to invest 40 billion yen in growth, and to spend 65 billion yen on research and development. We also would like to maintain a payout ratio of at least 35%.

During the previous mid-term business plan, the amount of growth investments was small due to COVID-19, but in Mid-term Business Plan 2025, we plan approximately 40 billion yen on M&A.

5. Growth Strategy by Business



■ Growing business and Core business



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Focusing Areas

Growing Business
FY25 vs FY22
CAGR 8%

IT Construction

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

IT Agriculture

- Continue to strength of OEM business

Building Construction DX business

- Unique proprietary solution for improving productivity of building construction

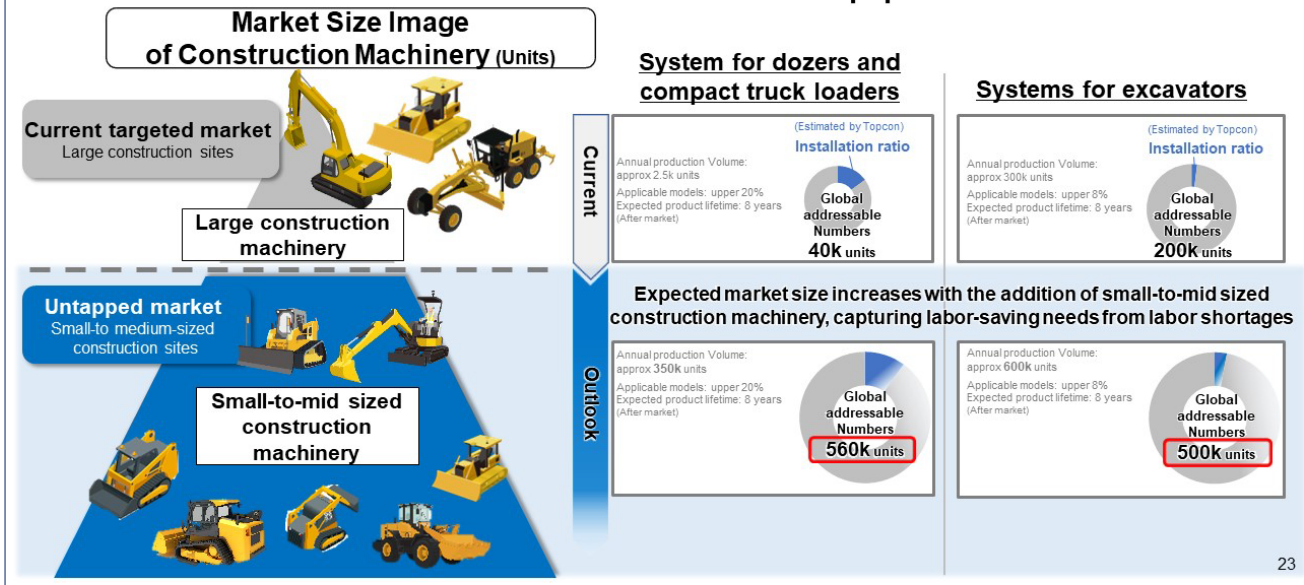
Survey/Laser

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

Let me explain growth strategy by business. I will talk about the Positioning Business as one business. We will maintain our focus on IT Construction and IT agriculture, as we have done previously. Additionally, we will intensify our efforts in building construction DX and ICT Road pavement, which have been areas we have engaged in for several years. By doing so, our goal is to ensure that growth businesses are approximately 60% of total sales by 2025.

5. Growth Strategy by Business

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



In IT Construction, we plan to expand and promote the business for small-to-mid sized machinery in addition to the conventional large construction machinery business. The digitalization of small-to-mid sized machinery is an important point in the promotion of the digitalization of the construction industry moving forward, and we will focus on it through both, aftermarket and OEM.

The development of tools that are capable of digitalizing the existing objects will play an important role in the promotion of digitalization efforts. We will also focus on development of digital tools, including 3D measurement equipment, represented by LN-150 layout navigator.

In our target market, as shown in the pie chart on the slide, adding small-to-mid sized construction machinery such as systems for dozers and compact truck (wheel) loaders and systems for excavators will greatly increase the potential market size and show that there is enormous room for the spread of IT Construction equipment.

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>



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Next is the business in the road sector of IT Construction. Our company's involvement in IT Construction originated with roadwork, where we have seen greater mechanization compared to other construction sectors. Since the 1990s, our company has been providing sensor-based products for controlling heavy machinery, including motor graders, dozers, and asphalt pavers for the road construction industry.

Roads are like arteries for humans and are an important part of infrastructure in every country. There is a total of approximately 64 million kilometers of roads around the world, which is enough to wrap 1,600 times around the earth.

In addition to new construction for ICT road pavement, road resurfacing is also our target, as asphalt roads are always repaired and resurfaced every few years.

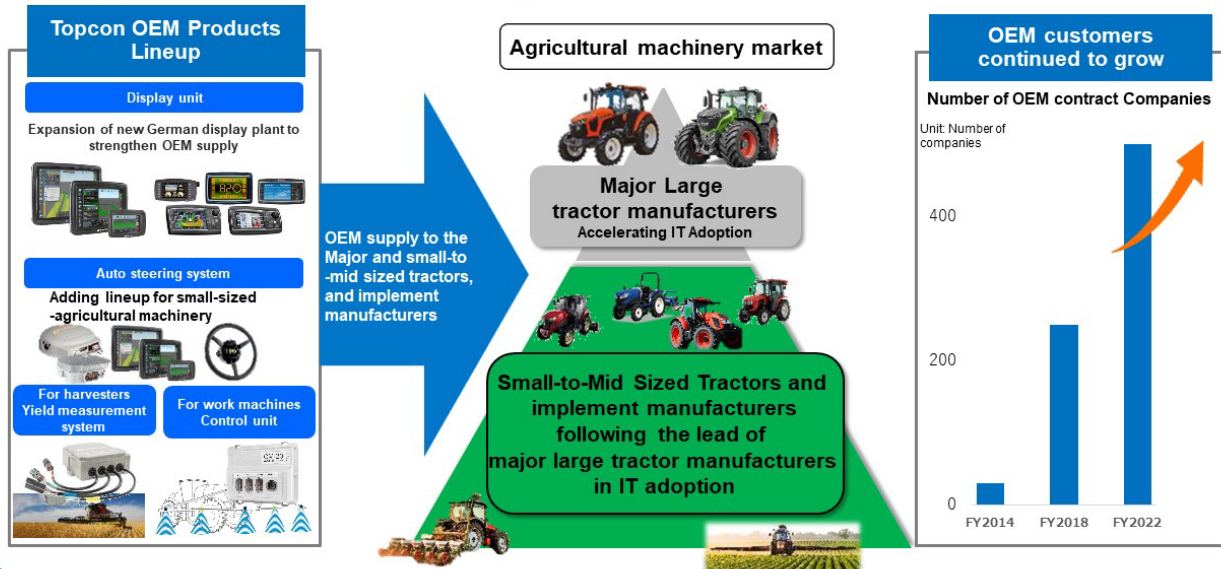
Looking at road construction, the introduction of IT Construction reduces the cost of fuel used by heavy machinery and also optimizes the amount of asphalt used. By promoting our company's digital ICT system on road construction sites around the world, we believe we can contribute to increased efficiency, labor reduction and energy conservation in the road construction industry.

5. Growth Strategy by Business

Positioning Business



■ IT Agriculture: Continue to Strengthen of OEM Business



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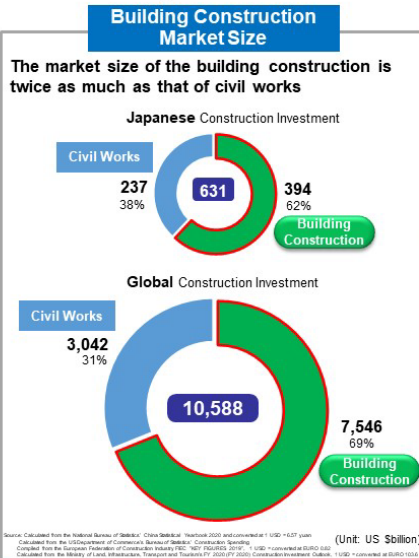
Let me discuss IT agriculture. Similar to our activities in IT Construction, in IT agriculture, we will accelerate the adoption of auto steering systems for small-to-mid sized tractors and focus on both the OEM and aftermarket businesses.

In terms of OEM business, major tractor manufacturers are accelerating in-house production of IT, and small-to-mid sized tractors manufacturers are following suit. Taking advantage of our vendor neutral position, we plan to continue the OEM business not only for major tractor manufacturers but also small-to-mid sized tractor manufacturers leveraging our extensive OEM product lineup, and to further increase the number of OEM contracts.

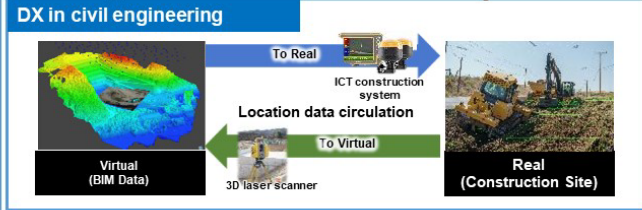
5. Growth Strategy by Business



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

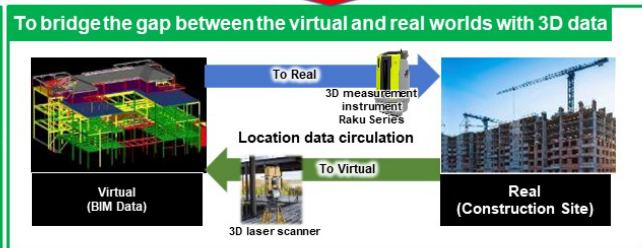


Civil engineering
(ICT construction)



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

Building Construction



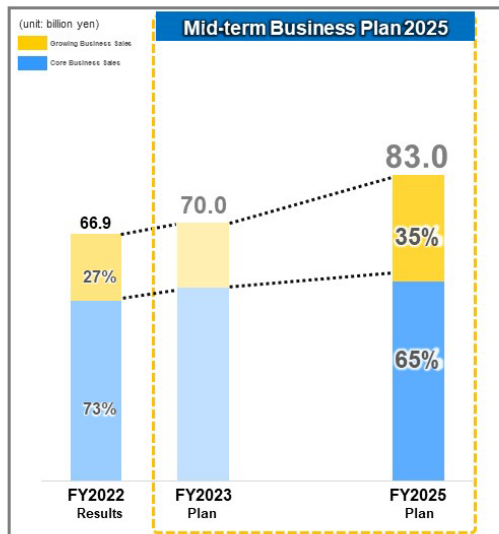
Our goal is to transform the building construction DX business, initiated during the previous mid-term business plan, into the growing business during the Mid-term Business Plan 2025. Currently, the building construction market is roughly 70% of the overall construction market. While digitalization has made significant progress in the virtual realm, with technologies like CAD and BIM, the digitalization of the real-world aspects of the construction site remains an underdeveloped area, despite it being essential.

In addition to the DX solutions that our company has cultivated in civil engineering work, we will leverage our strength of doing business in the vicinity of building sites by selling surveying equipment, and develop solutions that can bridge the real and virtual environments of the building site. This is an area where we have high expectations for future growth.

5. Growth Strategy by Business



■ Growing business and core business



Focusing Areas

Growing Business FY25 vs FY22 CAGR 17%

Expansion of Screening Business

- Expansion of sales of Maestro/fundus cameras

Promotion of shared care

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

Dissemination of remote optometry

- Increase in software solutions

Medical examination and optometry equipment

- 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

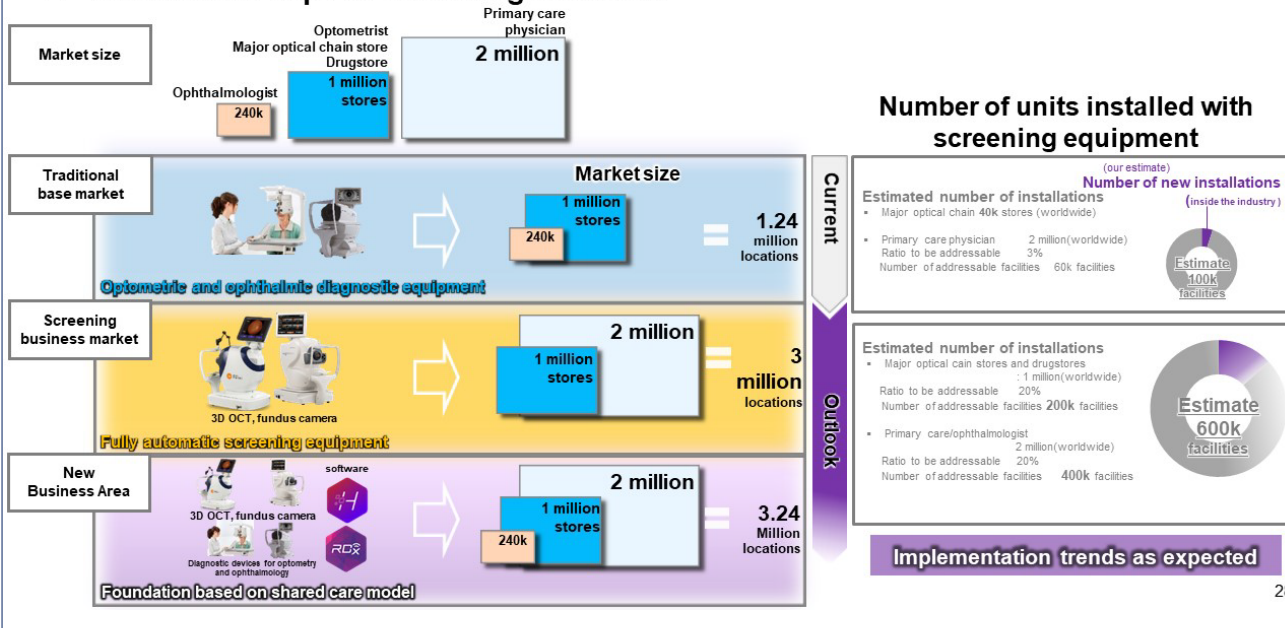
Next is Eye Care Business.

Despite the challenging circumstances of COVID-19, Eye Care Business has demonstrated consistent growth over the past five years. During Mid-term Business Plan 2025, we are determined to accelerate our DX initiatives. To achieve this, we will focus on expanding our Screening Business, promoting shared care, and the spread of tele-optometry as key areas of growth. We have set a target for these Growing Businesses, aiming to make them more than 30% of total sales by 2025.

5. Growth Strategy by Business



Continue to expand Screening Business



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We have been strategically investing in Screening Business since 2017. Despite the challenges posed by the COVID-19 pandemic, the screening market has continued to grow steadily. In recent years, our screening equipment has been significantly adopted by various non-ophthalmic facilities, including major optical chain stores. As we expected, screening market has been in the trend of expanding steadily.

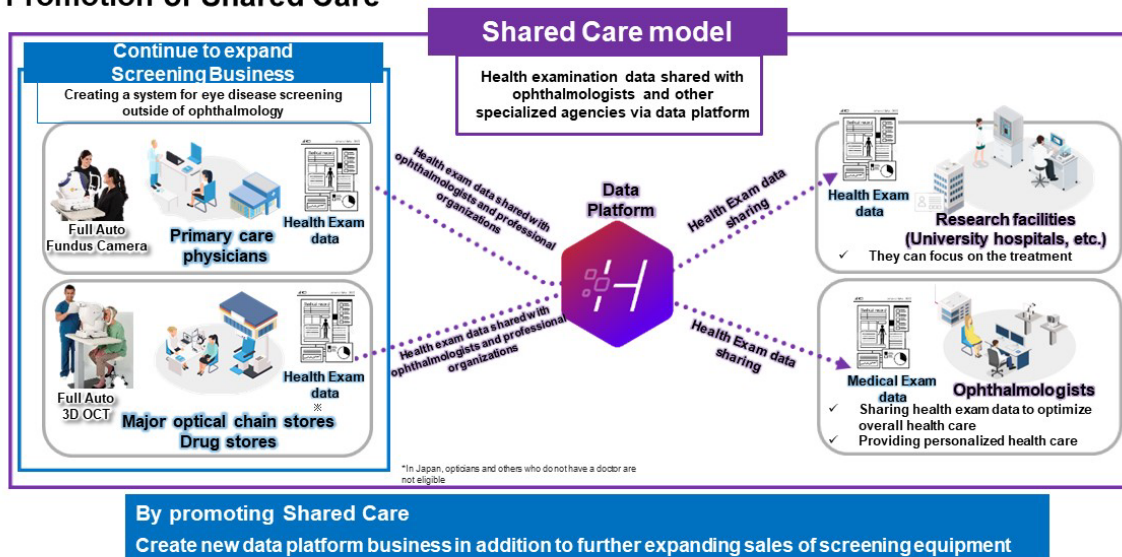
One of our core products, 3D-OCT Maestro, has the potential to not only facilitate the early detection of eye diseases but also enable the regular monitoring of lesions. This becomes increasingly crucial as the prevalence of adult-onset diseases such as diabetes continues to rise. We expect that it will be used in disease management as well.

In the future, various information obtained about eyes is expected to form a market for data evaluation that can be used not only for eye diseases, but also for diabetes, dementia, heart disease and other conditions. By leveraging this data, we aim to expand our business in the area of shared care.

5. Growth Strategy by Business



■ Promotion of Shared Care



Allow me to provide details of our shared care initiative. Our company has successfully introduced several distinctive hardware products, including the 3D-OCT Maestro as screening equipment, in non-ophthalmic facilities such as optical stores and major optical chain stores.

Furthermore, we have dedicated effort to the development of data platform software, which has been evaluated positively and adopted by users. This software is the foundation of our future shared care business.

Our vision for the future is to facilitate the sharing of health exam data on a data platform. This platform will enable ophthalmologists and also research institutions such as university hospitals to collaborate and share data. We believe that this initiative will contribute to enhance the efficiency of preventive measures and prognosis management, streamlining the organization of databases, and delivering optimal medical care tailored to the needs of each individual patient.

Through the promotion of shared care, we will continue specialized investment in this field with a view toward expanding sales opportunities for screening equipment and also creating new data platform businesses.

5. Growth Strategy by Business

Reforming the Foundation

Eye Care



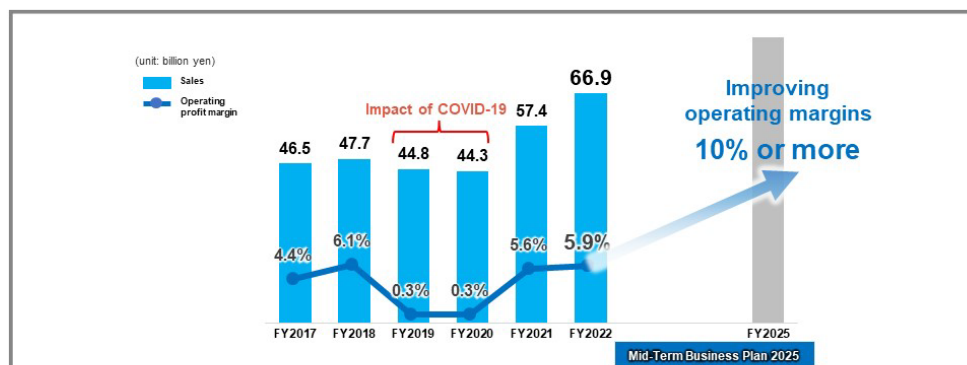
Strengthening the profitability of Eye Care

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



We believe that the most important point in our growth strategy for Eye Care is enhancing profitability as a fundamental aspect of Reforming the Foundation, alongside expanding the scale of our business.

During the previous mid-term business plan, we achieved notable sales growth through our upfront investment in Eye Care. Additionally, we implemented structural reforms such as the reorganization of our European operations. In Mid-term Business Plan 2025, we aim to further accelerate this positive trajectory and focus on enhancing the profitability of Eye Care Business.

While we have improved, our operating margin currently remains in the single digits. Our goal is to surpass the 10% mark by 2025. We have a specific plan for achieving this. First, we will introduce new products and expand sales of our products to drive the growth of revenue. Second, we will focus on increasing the efficiency of business, similar to the successful strategies implemented in Europe. Lastly, we will expand the sales of DX solutions, which will contribute to improving profitability.



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 EUR	¥134.95 ¥141.24	¥130.00 ¥135.00	-¥4.95 -¥6.24	¥130.00 ¥135.00	-¥4.95 -¥6.24



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Let me explain the key figures. Regarding Mid-term Business Plan 2025, as previously mentioned, our plan is to achieve sales of 250 billion yen, operating income of 28 billion yen, and ROE ranging between 13 and 15%. We plan to accomplish this by pursuing sustainable sales growth and improving and maintaining profitability.

I would like to explain our current outlook for FY2023. Our FY2023 projections include net sales of 208 billion yen, operating income of 19 billion yen, and net income of 11 billion yen. These figures are roughly the same level as the previous year, excluding the impact of foreign exchange rates. We are projecting that we will maintain a dividend of 42 yen, resulting in a payout ratio of 40%.

While we expect that demand driven by the pressing need to reduce labor will persist, our plan takes into account various factors including global inflation, financial instability in the U.S. and Europe and potential risks such as geopolitical issues and supply chain problems that could lead to a recession.



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	20,464	18,500	-1,964	-10%	Operating Income Ratio Over 16%	Over +2.1pt
	Operating Income Ratio	13.9%	13.5%	-0.4pt			
Eye Care	Net Sales	66,899	70,000	3,101	+5%	83,000	CAGR 7%
	Operating Income	3,968	5,000	1,032	+26%	Operating Income Ratio Over 10%	Over +4.1pt
	Operating Income Ratio	5.9%	7.1%	+1.2pt			
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



I would like to explain key figures for each business.

For FY2023, as I discussed on the previous page, we assume that the risk of a recession in the U.S. and Europe will affect our Positioning Business. In the business, we expect sales of 137 billion yen, down 7%, and operating income of 18.5 billion yen, down 10%, and we expect demand for surveying instruments, which is relatively vulnerable to an economic downturn, to decline.

On the other hand, Eye Care Business will focus on Growth Businesses such as Screening Business, and we expect the impact of the recession risks to be small. We forecast net sales of 70 billion yen, up 5%, and operating income of 5 billion yen, up 26%.

This concludes our explanation of Mid-term Business Plan 2025. Thank you for your time.

Question and Answers

(Includes a Q&A session on the presentation of the FY2022 Financial Results held at the same time)

<Common subjects>

Q. What are the numbers in the operating income breakdown for FY2023?

A. We expect sales volume and product mix to be positive by 2.0-3.0 billion yen, fixed costs to be negative 1.5-2.5 billion yen, FX effects to be negative 1.5 billion yen, cost reduction to be positive several hundred million yen, and the increase of component and logistics costs to be zero.

Q. What impact do you expect the price increase will have?

A. As we increased our prices earlier in FY2022, we expect that the YoY impact of the price increase will be limited in FY2023.

Q. What is the extent of the order backlog at the start of this fiscal year?

A. By the conclusion of the first half of FY2022, order backlogs reached their highest point and subsequently started to decline. However, a small backlog still remains. We expect the situation will normalize by the end of FY2023.

Q. The projected decline in operating profit for FY2022 is a modest 500 million yen. Considering this, wouldn't it have been necessary to use it as a guidance for profit reduction?

A. If we exclude the impact of foreign exchange, it would be nearly flat.

Q. What is your perspective on the macroeconomic assumptions in the current mid-term plan for FY2024 and beyond?

A. While forecasting the macro environment is challenging, the assumptions in the current mid-term business plan suggest the economy will start to recover in FY2024.

<Positioning Business>

Q. Why is the expected CAGR projected to be lower than in previous mid-term plan, which encompasses the period affected by the COVID-19?

A. The figure was high in FY2022 and is expected to decline in FY2023 due to the economic downturn. A CAGR of 5% from FY2022 to FY2025 should not be regarded as a low figure.

Q. What are your expectations regarding the business environment in both the infrastructure and residential sectors?

A. While there is no strict separation between infrastructure and housing, we expect a decrease in operating profit in former Smart Infrastructure Business, which primarily focuses on housing-related products, to below 4.0 billion yen in FY2023 compared to 5.0 billion yen in FY2022. On the other hand, performance in the infrastructure business, mainly conducted by former Positioning Company, is good, and we expect it to compensate for the decline.

Q. The former Positioning Company experienced high revenue levels in Q4, but the Positioning Business is expected to decline in FY2023. Is there a clear shift in the overall trend?

A. Shipments related to lasers, which are associated with housing demand, have declined. However, we expect continued growth in shipments related to infrastructure.

<Eye Care Business>

Q. What was the amount of the one-time cost incurred for Eye Care Business?

A. Please consider it to be in the range of 0.5 to 1.0 billion yen.

Appendix

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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

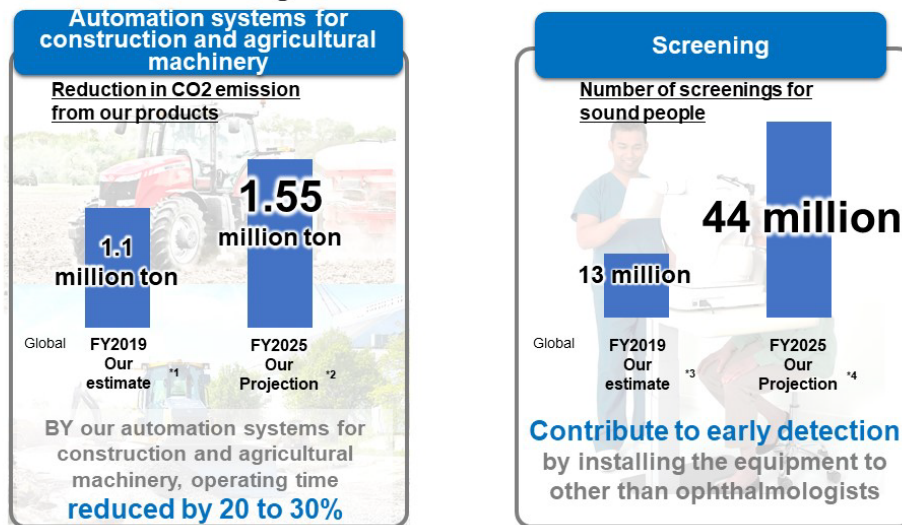


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Appendix



■ Social contribution through our DX solution



*1 For more detail, please go to our corporate site (URL: <https://global.topcon.com/sustainability/environment/oc2-emission#oc2>)
 *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



