

Mid-term Business Plan 2025

May 12, 2023

TOPCON CORPORATION
President and CEO
Takashi Eto

Infrastructure

Agriculture

Healthcare

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.



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

President and CEO
Takashi Eto

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Ⅰ. Topcon's Future Direction

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

World Population Estimate 2022 Version
https://www.unic.or.jp/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**

Infrastructure
of the world
number of construction companies
Approx **7** million

Agriculture
of the world
of the agricultural working population
Approx **930** million

Healthcare
of the world
ophthalmologists, optometrists, primary care physician population
Approx **3.25** million



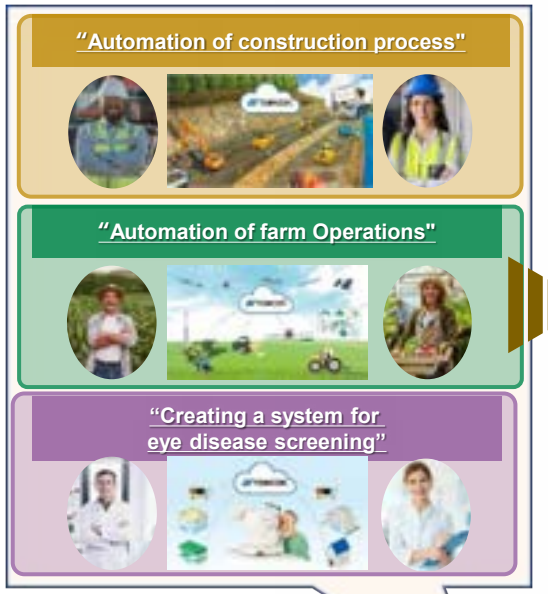
Markets for Healthcare, Agriculture and Infrastructure will continue to expand

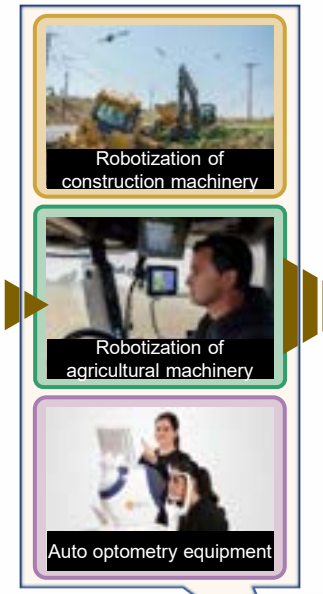
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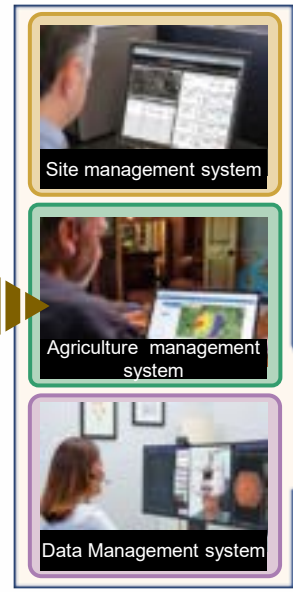
3. Topcon's Growth Trajectory and Future

■ Proposing new and unique DX solutions that customers are unaware of

Continues to offer solutions with innovative imagination along with ever-evolving technology







TOPCON

Our company's current Position

Leveraged the cloud **of Business Data Management and Sharing**

Improving Work Efficiency by using **Real World Data**

Proactive Response for Issues based on the **Analysing Data**

Productivity and Quality Improvement by **Digitization and Automationa**

Making New Concepts **to Create New Markets**

Our Proprietry Leading-Edge **Hardware**

Creating new business models, Striving for sustainable Growth

Net Sales

FY2022

FY2032

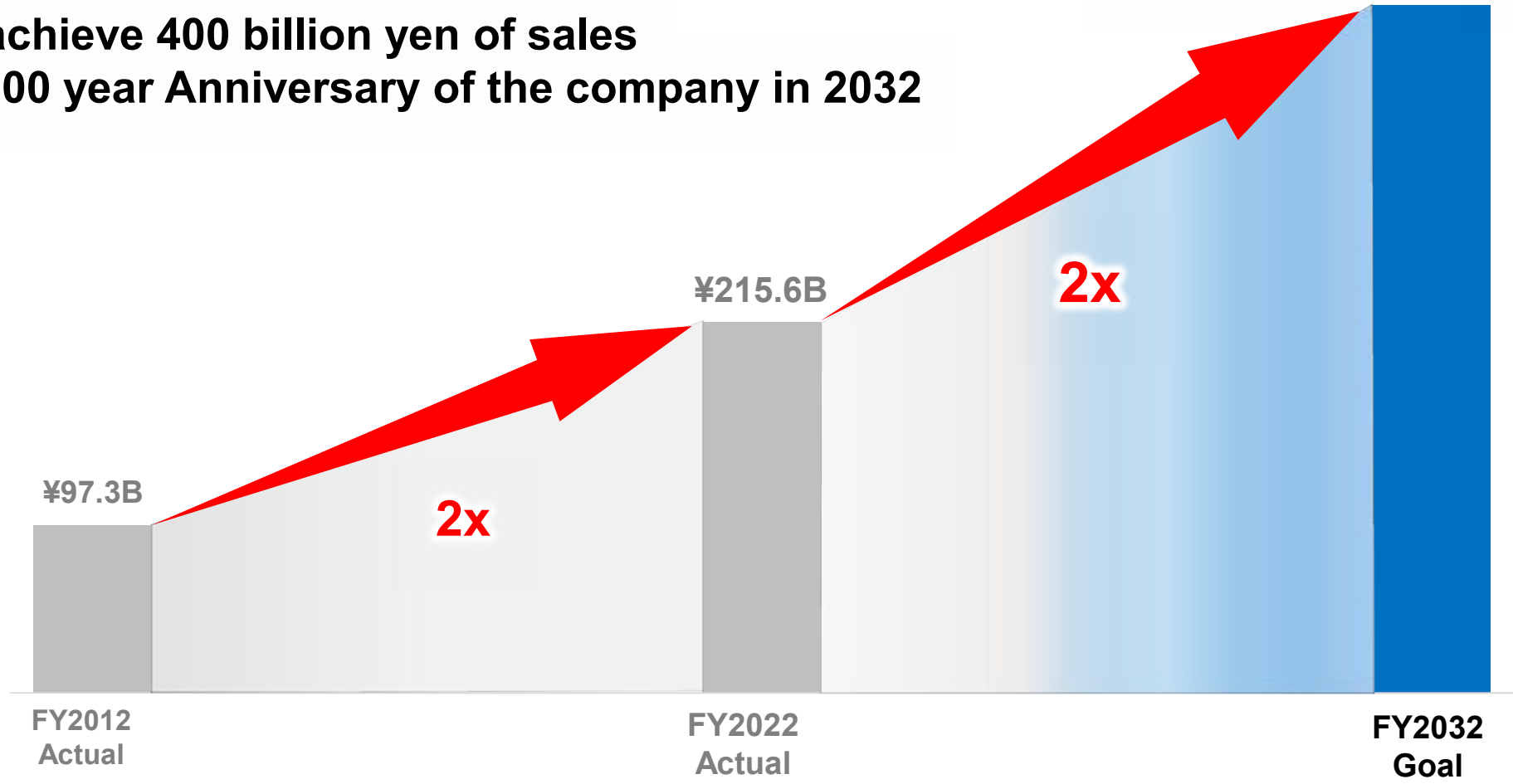
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4. Long-Term Goal

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

Challenge 2032
Net Sales ¥400B

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



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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



Achievement

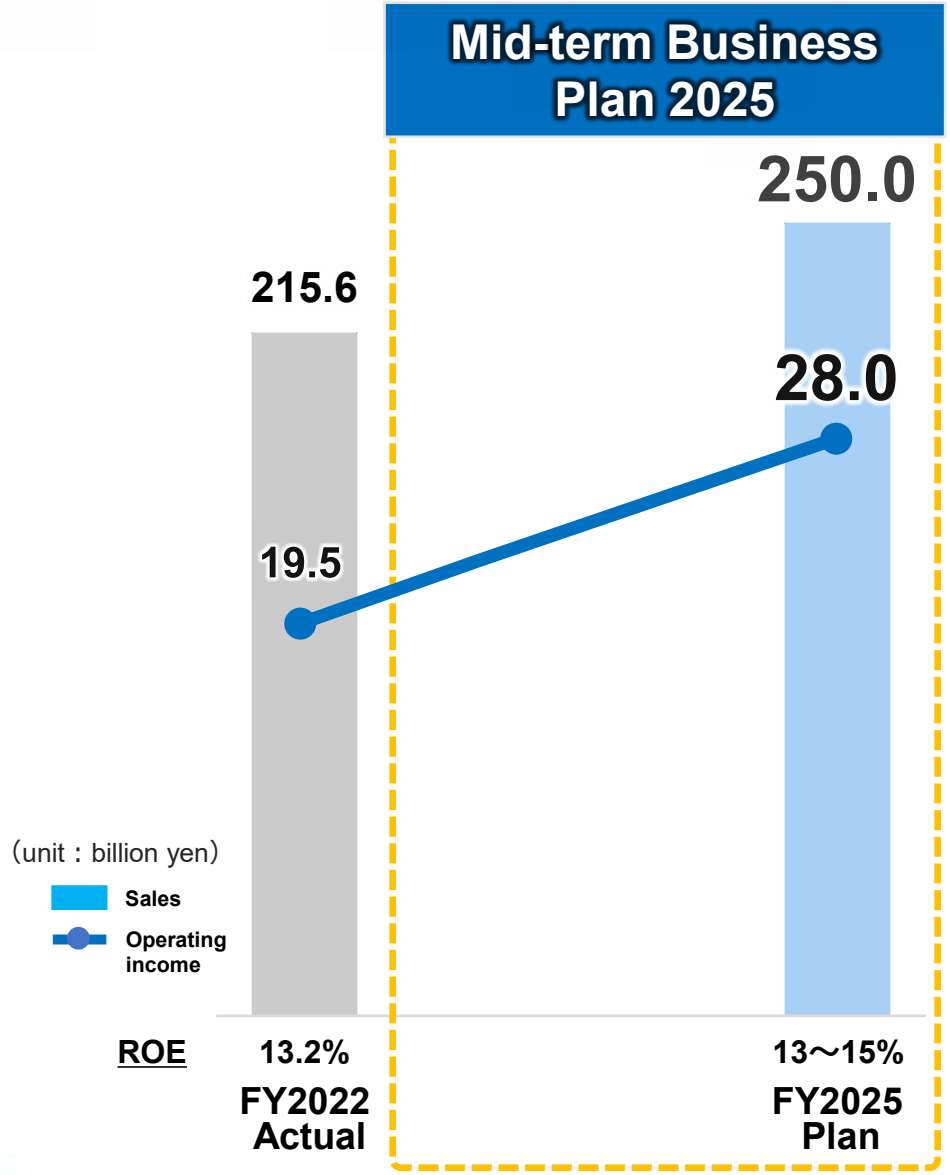
- Accelerating the development of growth business and creating new markets
- ¥250 billion of sales is in sight

Remaining Issues for Mid-term Business Plan 2025

- Further sustainable sales growth
- Improving and maintaining profitability

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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

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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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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

Develope 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

Reforming the Foundation

■ Maximizing the Efficiency of Positioning Operations

Smart Infrastructure

Development of state-of-the-art optics-based hardware and software

Positioning

Development and manufacturing based on precision GNSS and machine control

Maximizing business efficiency to enhance global competitive advantage

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)

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3. Basic Policy

Reforming the Foundation

■ 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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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



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

Development
30 bases
Development framework to leverage our strength

Production
16 bases
Sharing the spirit of manufacturing with the world

Sales
66 bases
Covering the entire world

Management Foundation

H R

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

IT

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

- Accelerating automation and operational efficiency through digitalization and data

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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

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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

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4. Management Target (KPI)

■ Investment plan and Shareholder return

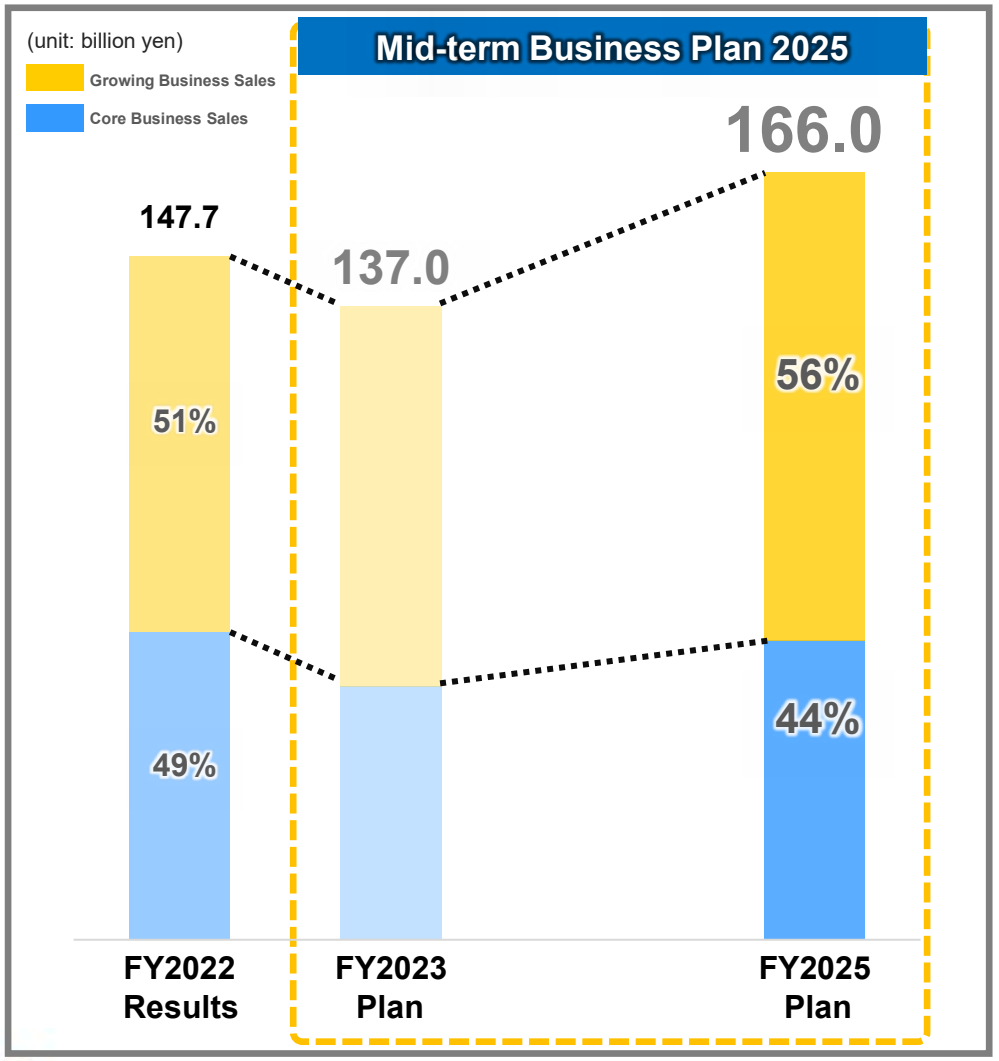
	FY2020-2022 Total	**FY2023-2025 Total**	vs FY2020-FY2022
Operating Cash Flow	¥49.8B	**¥60.0B**	+¥10.2B
Growth Investments (M&A, etc.)	¥7.3B	**¥40.0B**	+¥32.7B
R&D	¥51.8B	**¥65.0B**	+¥13.2B
Payout Ratio	37% (FY2022)	**Over 35%**	

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5. Growth Strategy by Business

Positioning 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

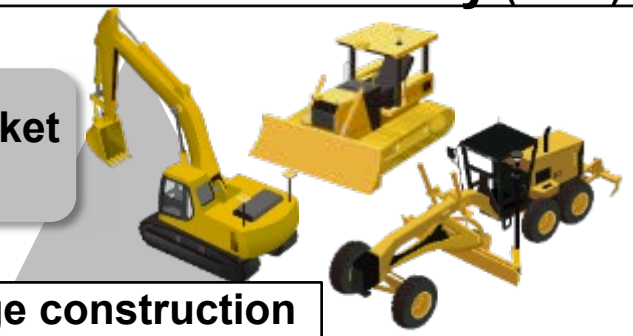
- Strengthen sales network under global trilateral sales framework
- Continuing to provide new products and costmized solutions to each regions

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5. Growth Strategy by 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

Current

Outlook

System for dozers and compact truck loaders

Current

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

(Estimated by Topcon)
Installation ratio



Global addressable Numbers
40k units

Systems for excavators

Current

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

(Estimated by Topcon)
Installation ratio

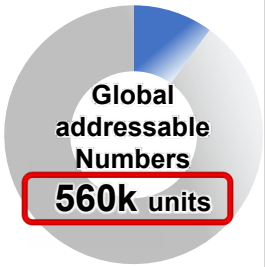


Global addressable Numbers
200k units

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

Outlook

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



Global addressable Numbers
560k units

Outlook

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

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

Total global road length: approx 64M km*

***1,600 times around the globe**

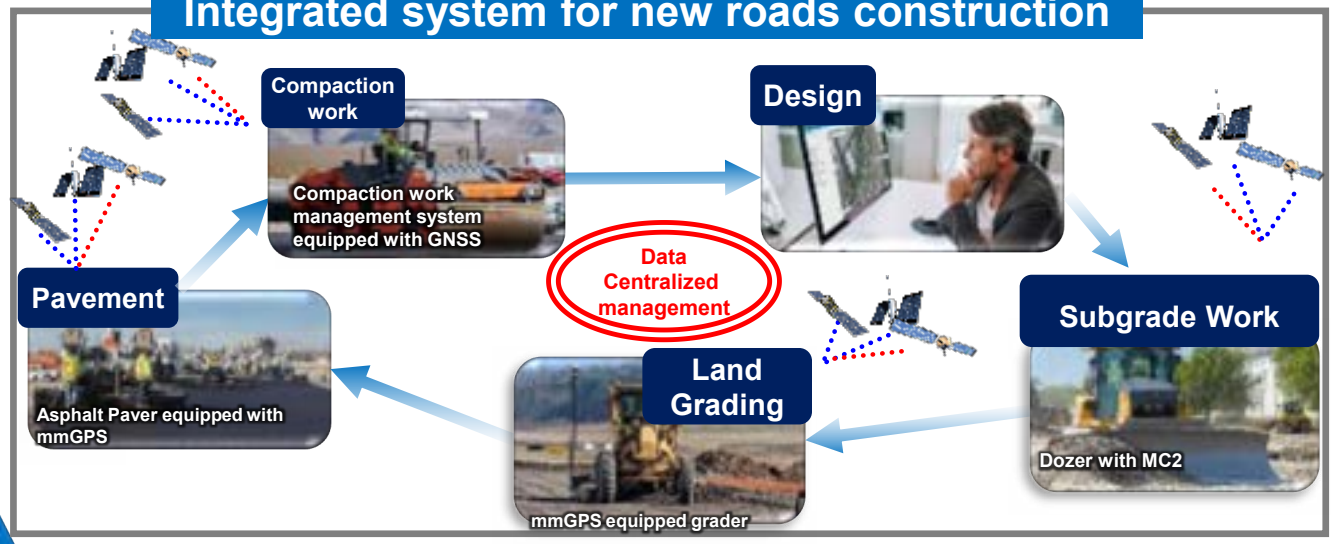
■ Road length in major countries around the world

	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

Integrated system for new roads construction



Resurfacing Ecosystem

Cost reduction of 30% by saving building materials, labor saving and shortening construction period



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5. Growth Strategy by Business

Positioning Business

■ IT Agriculture: Continue to Strengthen of OEM Business

Topcon OEM Products Lineup

Display unit

Expansion of new German display plant to strengthen OEM supply



Auto steering system

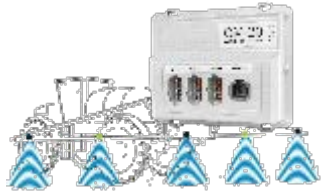
Adding lineup for small-sized -agricultural machinery



For harvesters Yield measurement system



For work machines Control unit



OEM supply to the Major and small-to -mid sized tractors, and implement manufacturers

Agricultural machinery market



Major Large tractor manufacturers
Accelerating IT Adoption



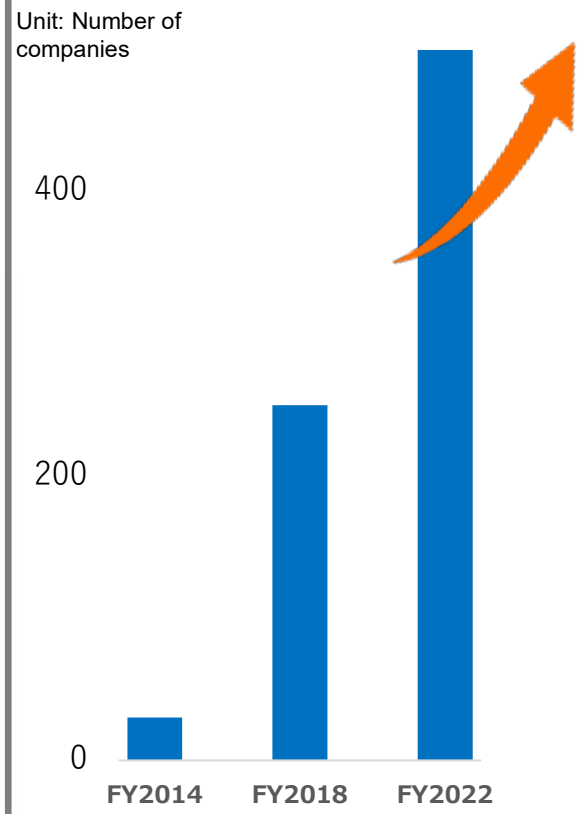
Small-to-Mid Sized Tractors and implement manufacturers following the lead of major large tractor manufacturers in IT adoption





OEM customers continued to grow

Number of OEM contract Companies



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5. Growth Strategy by Business

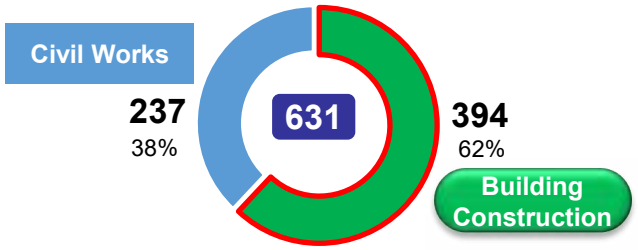
Positioning Business

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

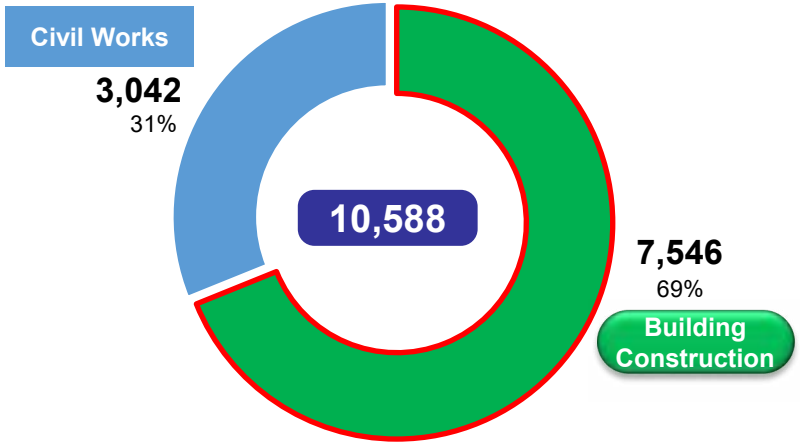
Building Construction Market Size

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

Japanese Construction Investment



Global Construction Investment

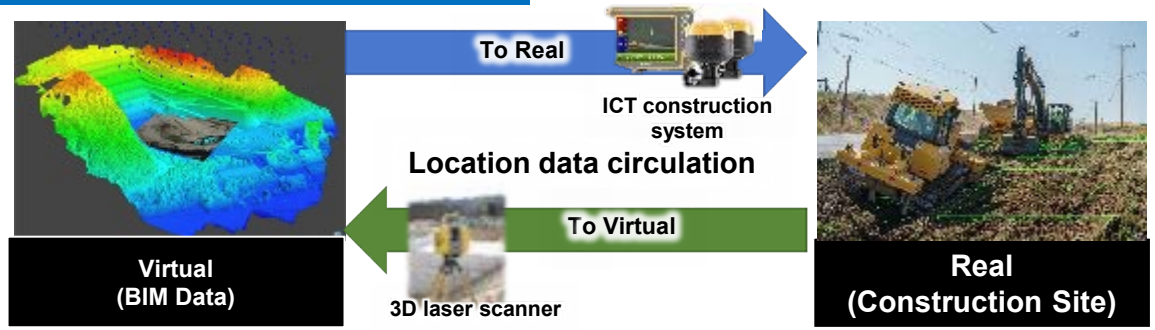


Source: Calculated from the National Bureau of Statistics' China Statistical Yearbook 2020 and converted at 1 USD = 6.57 yuan
Calculated from the US Department of Commerce's Bureau of Statistics' Construction Spending
Compiled from the European Federation of Construction Industry FIEC "KEY FIGURES 2019", 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

(Unit: US $billion)

Civil engineering (ICT construction)

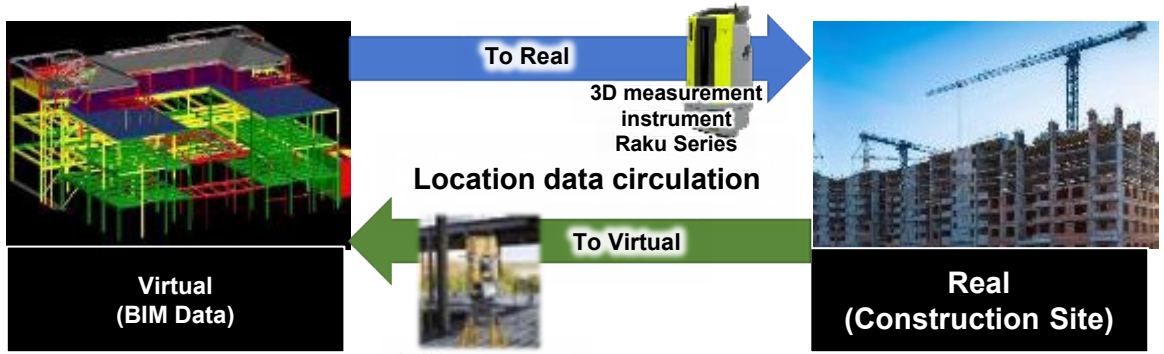
DX in civil engineering



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

Building Construction

To bridge the gap between the virtual and real worlds with 3D data

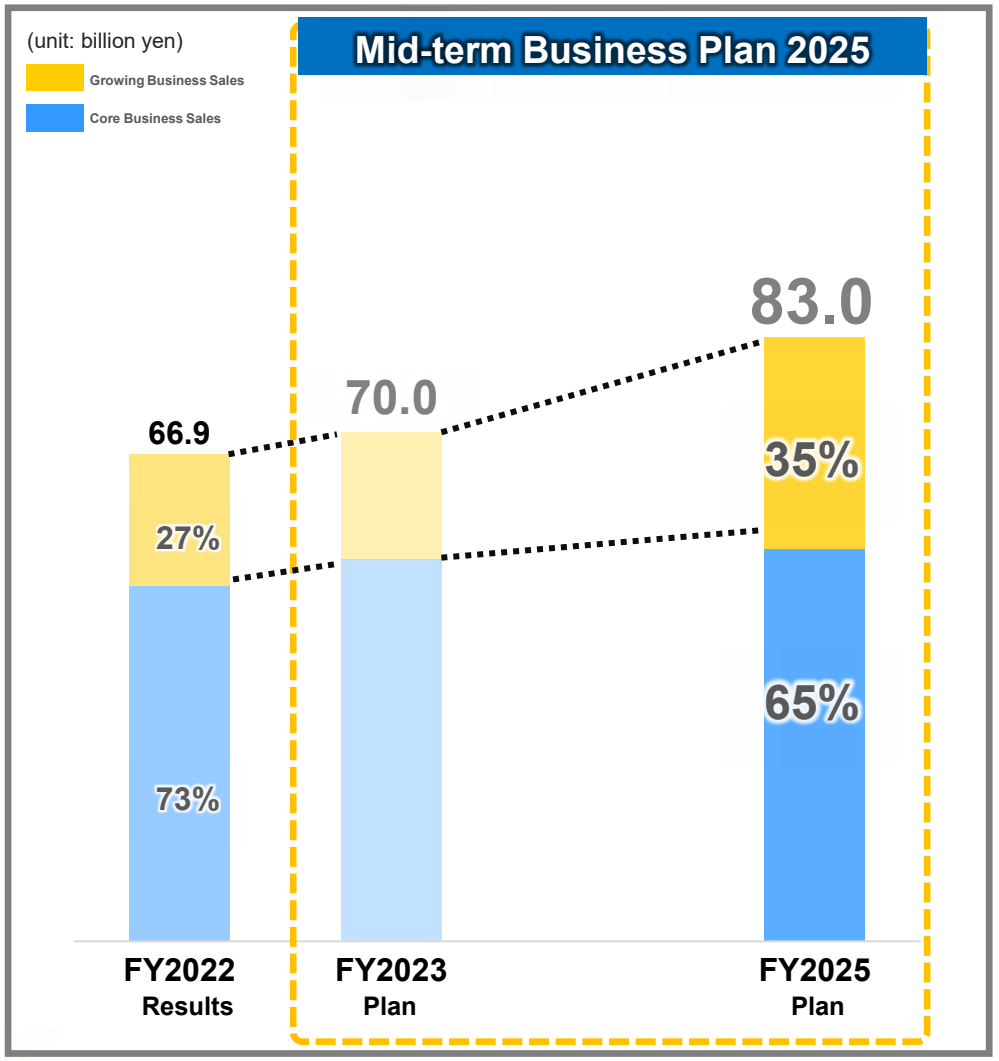


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5. Growth Strategy by Business

Eye Care

■ 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

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5. Growth Strategy by Business

■ Continue to expand Screening Business

Market size

Optometrist
Major optical chain store
Drugstore
1 million stores

Ophthalmologist
240k

Primary care physician
2 million

Traditional base market



Market size: 1 million stores + 240k = 1.24 million locations

Optometric and ophthalmic diagnostic equipment

Screening business market



3D OCT, fundus camera

Market size: 2 million = 1 million stores + 1 million stores = 3 million locations

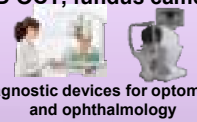
Fully automatic screening equipment

New Business Area



3D OCT, fundus camera

software



Diagnostic devices for optometry and ophthalmology

Market size: 2 million = 1 million stores + 240k = 3.24 Million locations

Foundation based on shared care model

Current

Outlook

Number of units installed with screening equipment

(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



Estimated number of installations

- Major optical cain 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



Implementation trends as expected

5. Growth Strategy by Business

■ Promotion of Shared Care

Shared Care model

Health examination data shared with ophthalmologists and other specialized agencies via data platform

Continue to expand Screening Business

Creating a system for eye disease screening outside of ophthalmology



Full Auto Fundus Camera



Primary care physicians



Health Exam data



Full Auto 3D OCT





Health Exam data ※

Major optical chain stores
Drug stores

Health exam data shared with ophthalmologists and professional organizations

Health exam data shared with ophthalmologists and professional organizations

Data Platform

Health Exam data sharing

Health Exam data sharing



Health Exam data



Research facilities
(University hospitals, etc.)

✓ They can focus on the treatment



Medical Exam data



Ophthalmologists

✓ Sharing health exam data to optimize overall health care

✓ Providing personalized health care

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

By promoting Shared Care

Create new data platform business in addition to further expanding sales of screening equipment

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5. Growth Strategy by Business

Reforming the Foundation

Eye Care

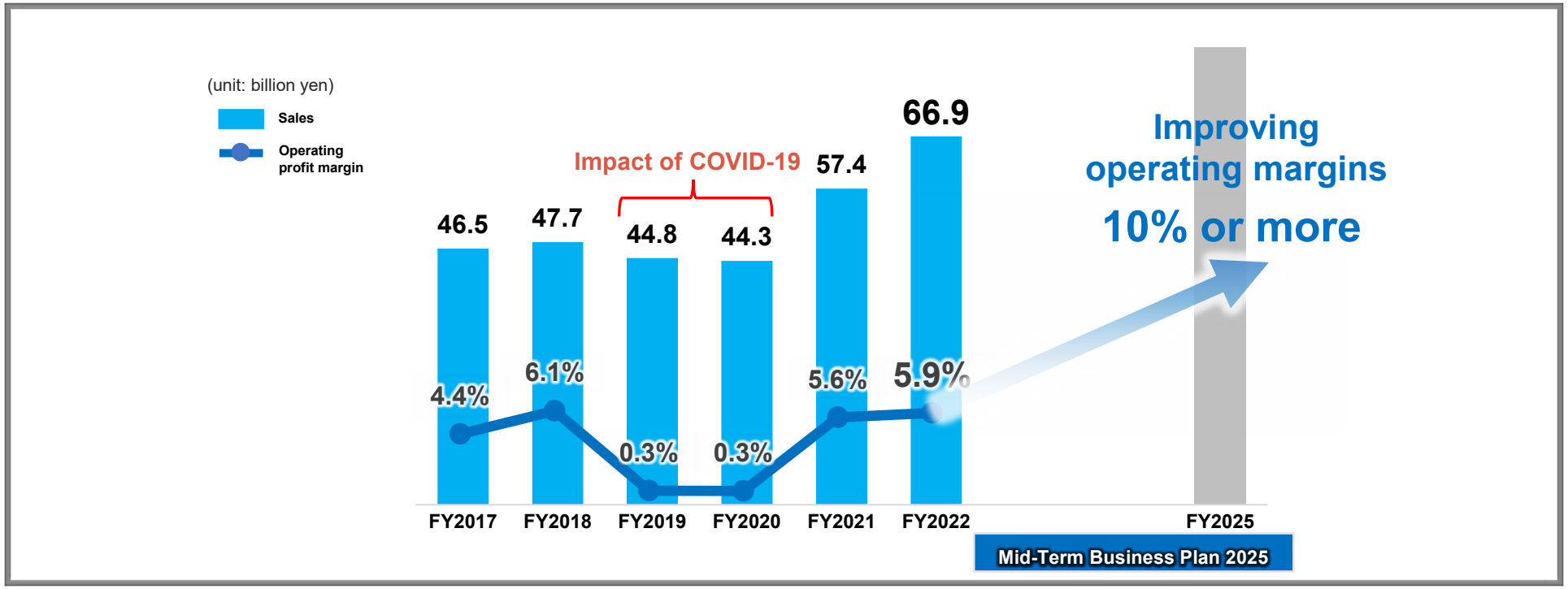
■ Strengthening the profitability of Eye Care

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



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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

(unit: million yen)

		FY2022 Actual	FY2023 Plan	vs FY2022	%	FY2025 Plan	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

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6. Summary

■ Financial Targets by business (Consolidated)

(unit: million yen)

		FY2022 Actual	FY2023 Plan	vs FY2022	%	FY2025 Plan	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

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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



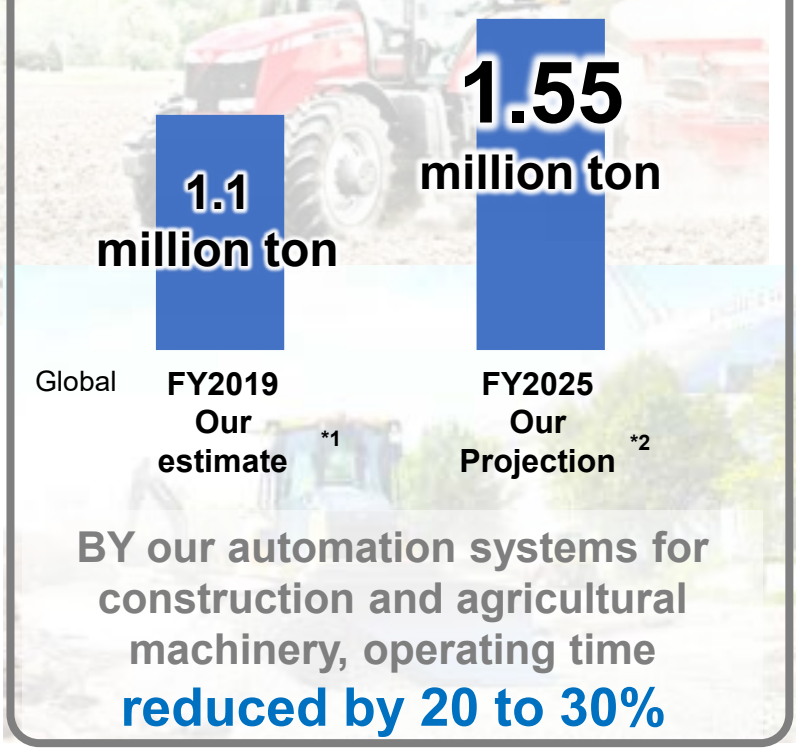
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Appendix

■ Social contribution through our DX solution

Automation systems for construction and agricultural machinery

Reduction in CO2 emission from our products

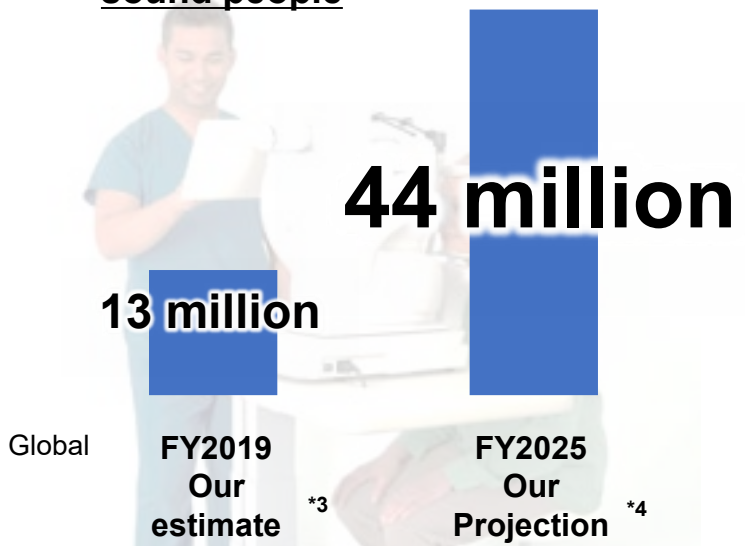


BY our automation systems for construction and agricultural machinery, operating time **reduced by 20 to 30%**

*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

Screening

Number of screenings for sound people



Contribute to early detection by installing the equipment to other than ophthalmologists

*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

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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/