

*Topcon for Human Life*

A digital transformation  
with a human touch



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*Topcon for Human Life*

# To Our Stakeholders



## Topcon aims to become a company that customers need with our advanced DX solutions.

Our corporate philosophy is Topcon contributes to enrich human life by solving the societal challenges within healthcare, agriculture and infrastructure.

Since our founding, we have developed our business globally, focusing on surveying instruments and ophthalmic medical devices, leveraging our strengths in precision optics and optomechatronics technology.

In 1994, we came up with a new concept of “automating the construction process,” which no one had thought of at that time, and created a new business market and potential demands.

This was a turning point, and we promoted mergers and acquisitions of various overseas technology venture companies and distribution companies, integrating our unique technology and ideas and transforming into a solution provider for the “healthcare, agriculture, and construction industries.”

Our customers are professionals with specialized knowledge. With a “Think Globally, Act Locally” mindset, we try to explore their needs, listen to their opinions, and propose new unique DX solutions they don’t even think of to contribute to creating a prosperous society globally.

This is the “TOPCON WAY” that we aim for.

Going forward, with a customer-oriented, field-oriented approach and a spirit of challenge, we will continue to strive for “the company that is needed” by stakeholders and promote ESG (environmental, social, and governance) management through our business.

A digital transformation with a human touch.

## A digital transformation with a human touch

Topcon perceives it as its purpose to leverage digital transformation (DX) to provide unique solutions to societal challenges in the areas of healthcare, agriculture and infrastructure, which are essential for people around the world to live better lives. Pivoting on “leading-edge hardware” that captures potential customer needs, it has promoted the use of software technologies acquired through overseas M&A (mergers and acquisitions) and other activities, as well as digitalization and automation. Through integration with IoT networking technologies where all things are connected to the network, it has created new DX solutions to transform customers’ approach to work itself, across fields including construction, agriculture, and eye care.

Topcon’s strength lies in its dual-pronged approach to business growth, driven by leading-edge hardware products as well as services in our solutions business. In addition to the core optical and sensing technologies developed since its founding, Topcon integrates applied technologies such as image processing, machine learning, automation, and remote operation to provide a diverse range of DX solutions in the areas of healthcare, agriculture and infrastructure.

In this Integrated Report, Topcon hopes to clarify its significance of existence and social mission, convey its vision for corporate value to achieve a sustainable society and sustainable growth for the Topcon Group, and communicate Topcon’s “value creation process” with a sense of plot and in an accessible way to all stakeholders.



## TOPCON selected for the fourth consecutive year as a Digital Transformation Stock (DX stock), and first time chosen for the DX Grand Prix!

Topcon Corporation (Headquarters: Itabashi, Tokyo; President and CEO: Takashi Eto) has been selected for the DX Grand Prix 2023 in the Digital Transformation Stock (DX Stock) designated by the METI (Ministry of Economy, Trade, and Industry) and the Tokyo Stock Exchange.

DX Stocks are selected for each industry category, targeting companies listed on the Tokyo Stock Exchange that have established internal systems to promote DX that contributes to improving corporate value. These companies fundamentally transform their business models based on digital technologies and aim to achieve new growth and enhance their competitiveness through digital transformation.

Topcon has been selected for four consecutive years since 2020, and this year was chosen as a “DX Grand Prix company,” an award for being a leading company in the selected stocks.



**DX Grand Prix  
2023**



# TOPCON WAY

Under current business situation such that it is always required to demonstrate its all-round ability, it redefined and clarified its common values transcending nationalities and individual companies in order to exert its strengths such as global scale and diversity, and to build a self-supporting organizational culture. Every employee conducts TOPCON WAY, and Topcon group will step in brandnew direction for centennial through which it does not only conduct its strategies to strengthen the profitability by foreseeing changes of business environment, but also enhance its capability with the mindset of TOPCON WAY.

**Corporate Identity**

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

**Management Policy**

Topcon focuses on leading-edge technology to provide new value through innovation and manufacturing.

Topcon respects diversity and acts as a global company.

Topcon places the utmost priority on compliance and continues to be a trustworthy partner to all stakeholders.

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**Editorial Policy**

As stated in our Corporate Identity, Topcon contributes to enrich human life by solving the societal challenges within healthcare, agriculture and infrastructure. Based on this identity, Topcon strives to contribute to the development of society and conservation of the global environment, through its unique products and services. In FY2016, we began publishing the Integrated Report, "Topcon Report" in order to inform the public regarding our initiatives to continuously increase Topcon's corporate value over the long term. The Topcon Report centers on information that has a significant impact on our corporate value. It uses as references the disclosure framework of the International Integrated Reporting Council (IIRC), as well as the Guidance for Collaborative Value Creation of the Ministry of Economy, Trade and Industry.

**Guidance for Collaborative Value Creation**



**Note on performance forecasts and outlook statements**

All plans, strategies, future performance forecasts, and outlooks presented in this report are based on information currently available to the Company. Our actual performance may deviate from these statements if conditions change in the future.



# Societal issues around the world



If eye disease is found earlier,  
people might not go blind.



If food production is more stable,  
people might not suffer from hunger.



If there are safer bridges, families might be  
able to attend hospitals and schools.

At least 2.2 billion people have a vision impairment globally.

Over 800 million people are affected by hunger globally.

Globally, almost 1 billion people don't have  
safe access to health care or education.

Let's focus on what is happening in the world.  
Look around and imagine someone in trouble.

# This is the future Topcon is aiming for



A world where everyone can live  
a comfortable life with healthy eyes.



A world where everyone can benefit from  
robust and stable food production.



A world where everyone can live safely in  
an environment with good infrastructure.



Look at what's going on in the world and  
imagine everyone happy.

We can make that happen with our innovation  
and technology.

Topcon has that in mind.



# Topcon's digital transformation

That's why Topcon continues to solve societal challenges in healthcare, agriculture, and infrastructure with our leading-edge digital transformation solutions to help people around the world live better lives.

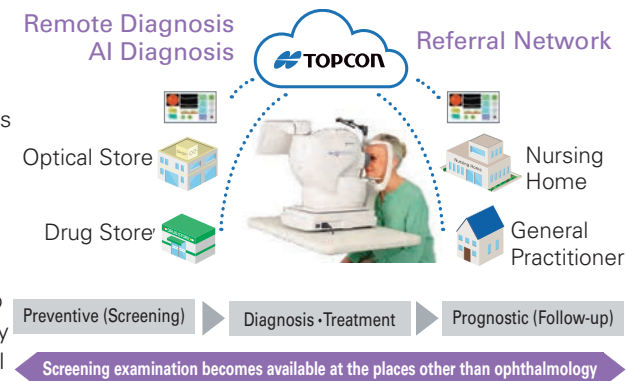
## Societal challenges



## DX solution

### Creating a system for eye disease screening

Contribute to the early detection/early treatment of eye diseases and improvement of medical efficiency by making fundus photography available in settings that people frequent, such as general practitioners and optical stores, thereby utilizing cloud-type IoT platforms to enable remote diagnosis by specialist physicians and AI diagnosis.



## Case Study Report of Issue Solving

### Australia

#### Contributing to the prevention of blindness among the Aboriginal people; supporting remote eye care

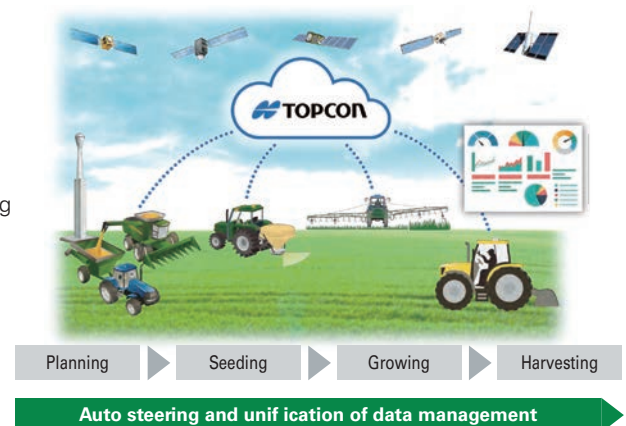
The rate of blindness among Australia's Aboriginal people is about three times that of non-indigenous people. Of these cases, it is said that 90% could have been prevented\*. Topcon, assenting to an NGO that offer remote diagnosis services in Western Australia to promote the early detection/early treatment of eye diseases and prevent blindness, provided fully-automatic medical devices and remote care platforms. By installing Topcon devices on the NGO's mobile vision van to support remote check-ups and having expert ophthalmologists perform remote diagnosis by reviewing data via the cloud, Topcon supported real-time remote eye care in remote indigenous communities. By supporting the remote medical system using Topcon's systems, we are contributing to the early detection/early treatment of serious eye diseases such as diabetic retinopathy.

\*The Fred Hollows Foundation  
<https://www.hollows.org/au/what-we-do/indigenous-australia/aboriginal-and-torres-strait-islander-eye-health>



### Automation of farm operations

Unified management of all data of the agricultural management cycle (planning, seeding, growing and harvesting). Through performing agricultural tasks combining auto-steering systems and growth sensors based on those data, Topcon will contribute to the improvement of productivity and quality of agriculture.



### Ireland

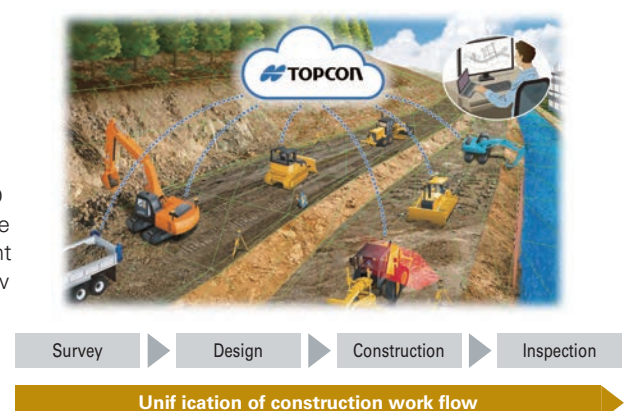
#### Contributing to "green" agriculture in harmony with the environment "Visualize" the level of growth to increase potato production

With the aim of environmentally friendly and sustainable agriculture, a large-scale potato farm in Ireland was searching for a method of farming that could reduce chemicals such as pesticides while maintaining productivity. They used Topcon's laser-type growth sensors to research the correlation of changes in soil caused by the amount of fertilizers and pesticides and the growth level of potatoes, and succeeded in eliminating excessive use of chemicals. In addition, their crop yield increased in areas that were considered to be difficult soil by enabling the optimization of fertilizer use. They also contributed to the reduction of CO<sub>2</sub> by using Topcon's auto-steering system. With our systems, Topcon will contribute to a "green agriculture" that enables improved productivity and reduced environmental burden.



### Automation of the Construction Process

We are identifying work progress, operation status of construction machinery and material control on a real-time basis by connecting data from the IT construction system and 3D measurement devices to the office. Unifying management of the construction workflow of measurement, design, construction and inspection contributes to improving productivity and resolving labor shortages.



### Rwanda

#### Contributing to creating access to healthcare, education and employment by building bridges for communities that risk isolation

To improve the lives of people in areas where access to healthcare, education and employment is insufficient due to a lack of bridges, Topcon has provided measurement devices and software to a U.S.-based NPO with the aim of "eradicating poverty caused by isolation by connecting communities with bridges worldwide." By sharing on-site measurement data with the engineering team in a remote location, the construction process can be made more efficient, productivity and quality can be improved, and bridge construction in emerging countries can be supported. Topcon will continue to support this project and contribute to the bridging of communities.






# Topcon's Overview

## Main Products and Solutions


住

Topcon's proprietary technologies which realize to enhance the automation of construction process


IT Construction



3D Measurement Equipment




Real-time Construction Management System




食

Topcon's proprietary technologies which realize to enhance the automation of farm operations


Auto Steering System for Agricultural Machines



Laser-type Crop Sensor




Agriculture Management System




医

Topcon's proprietary technologies which realize to create a system for eye screening

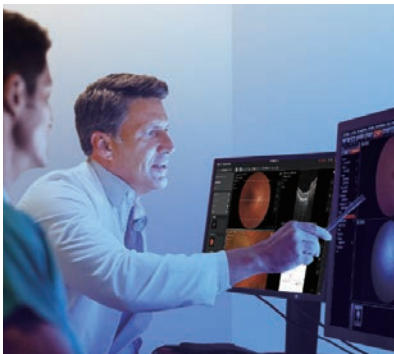
Fully Automatic Screening Equipment



Tele-optometry System

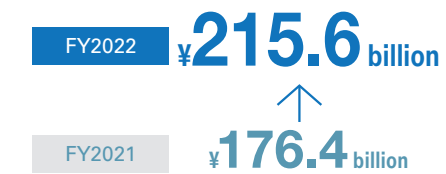


Data Management System



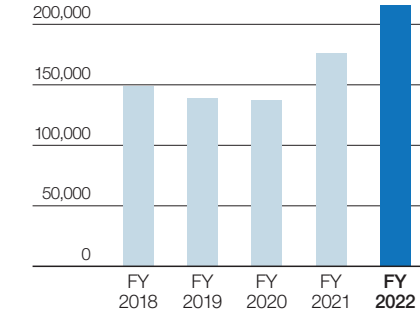
## At a Glance

### Net Sales



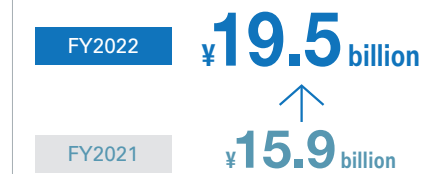
#### Net Sales

(Million yen)



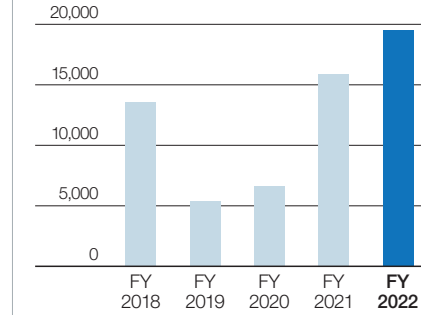
Net sales in FY2022 reached a record high, driven by growth businesses such as IT Construction, IT Agriculture and Screening Business.

### Operating Income



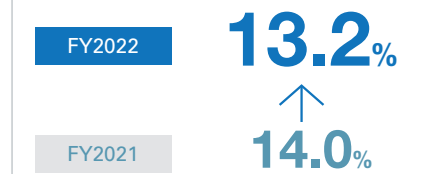
#### Operating Income

(Million yen)



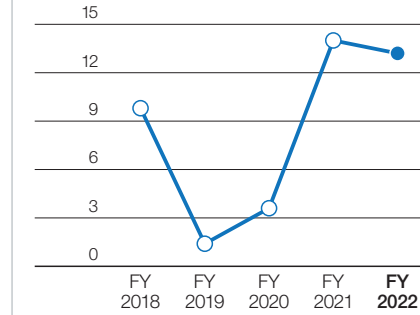
Operating income for FY2022 was ¥19.5 billion, a record high, as Topcon's combined strength mitigated the impact of components shortages and higher component and logistics costs.

### ROE



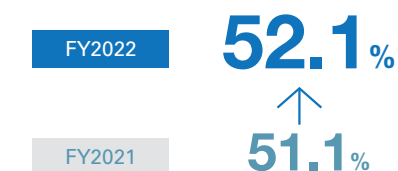
#### ROE

(%)

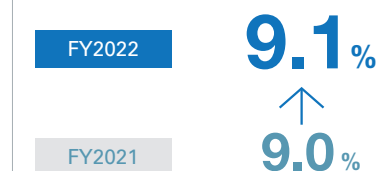


ROE for FY2022 was 13.2%, achieving the range (13–15%) outlined in the Third Mid-term Business Plan.

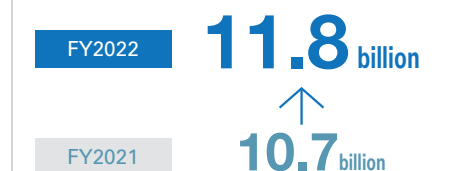
### Gross Profit



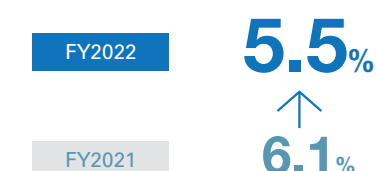
### Operating Income Ratio



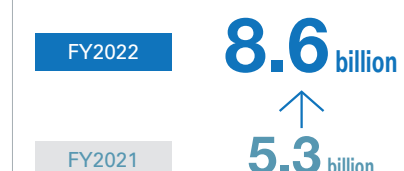
### Net Income Attributable to Owners of the Parent



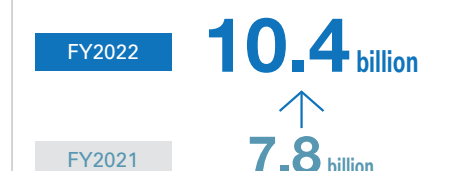
### Net Income Ratio



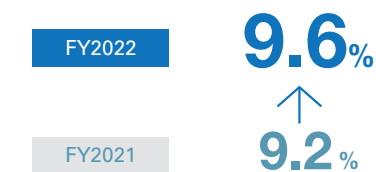
### Capital Expenditure



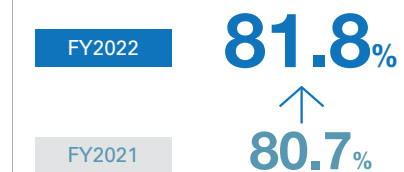
### Depreciation



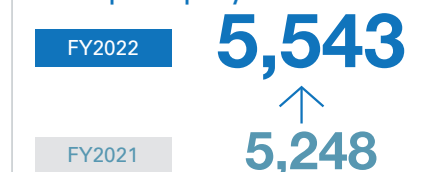
### Ratio of R&D Expenditure to Net Sales



### Overseas Sales Ratio



### Number of Group Employees





# Message from the CEO

## Deepening Customer Orientation for a New Leap Forward To Sustainable Corporate Growth

Takashi Eto, who was appointed President on April 1, 2023, talks about measures to achieve sustainable growth, the long-term vision and the Mid-term Business Plan 2025, announced in May, 2023.

### Q Please tell us about your career so far and your aspirations for the future.

My name is Takashi Eto, and it was my honor to be appointed the 17th President of Topcon Corporation on April 1, 2023. Topcon celebrated its 90th anniversary last year, and we will continue to strive with venture spirits to achieve a new leap forward as we approach our 100th anniversary. I look forward to your support in this endeavor.

I have previously worked as a site foreman for a construction company, where I was engaged in hands-on management. After joining Topcon in 1990, I gained experience mainly in the sales and business planning divisions of the positioning business, where I was involved in developing new businesses. I also worked on the reorganization of the sales network in the healthcare business, and until last year, I was engaged in quality reform in the quality division.

At Topcon, our Corporate Identity is to “contribute to enrich human life by solving the societal challenges within healthcare, agriculture and infrastructure,” and we develop businesses globally in the areas of healthcare, agriculture (farming) and infrastructure (construction). The almost three decades since I joined have also been a period of transformation for Topcon, as it transitioned to a solution proposal-based company. I was involved in this process of growth from the front line of sales.

Our transformation into a solution provider was triggered by our M&A activities in the early 1990s, targeting overseas technological venture companies. Through approximately 40 acquisitions and alliances over the following years, we were able to integrate the precision optical technologies we had developed throughout our history with GNSS technology and hydraulic control technology to establish our machine control technology, creating the new concept of the automation of construction process. In the agricultural field, we created new solutions to achieve the automation of farm operations using auto-steering technology and optical growth sensors. In the healthcare field, we expanded from our examination and diagnostic instrument business targeting ophthalmology and hospitals to the global development of an eye disease screening system.

Today, we have grown into a global company, with 82% of our net sales overseas and Non-Japanese employees

composing 72% of our workforce.

Over the last 30 years, we have grown our sales by approximately four times. A major driving force behind this growth has been the creation of DX solutions in the fields of healthcare, agriculture and infrastructure.

We have uncovered latent needs, which even our customers cannot imagine, created new markets and grown our businesses globally in the essential business fields of healthcare, agriculture and construction, vital for people to live better lives. From the front line of sales, I have been involved in the introduction of i-Construction in Japan and have participated in this initiative and Topcon's challenges.

Since my appointment as President, our Corporate Identity — to “contribute to enrich human life by solving the societal challenges within healthcare, agriculture and infrastructure” — remains unchanged under the Mid-term Business Plan announced in May this year, but I believe in the importance of more thoroughly pursuing a customer-centric, field-oriented approach to achieve the further promotion of DX solutions.

Our customers are professionals with specialized knowledge. For us to propose new solutions to our customers, and for them to accept these proposals, it is of the utmost importance that we understand their situation first-hand. Different customers face different challenges and demand different products. By continuing to propose solutions tailored to the region and the customer in the spirit of “Think Global, Act Local,” I hope that we can grow into a company that is indispensable for our stakeholders.

### Q How do you view the business environment?

An issue common to all our business areas of healthcare, agriculture and infrastructure is the increasing and aging of the global population (the proportion of people aged 65 and over). Climate change associated with global warming in recent years will also significantly affect our business environment.

We have organized the social issues and our initiatives in each business area as our value creation process. I believe that Topcon's significance of existence lies in creating livable environments where the world's population, anticipated to rise to 9.7 billion by 2050, can coexist, ensuring a safe and secure



**Takashi Eto**

President and Chief Executive Officer



Message from the CEO

food supply, and minimizing the risk of eye disease, an inevitable consequence of the aging population.

The reality is that despite the essential nature of the healthcare, agriculture and infrastructure markets, they lag behind other industries in terms of the shift to IT and automation. It is precisely because IT and automation have not yet taken hold that we hope to achieve a digital transformation in these markets through the introduction of our solutions, including digitalization, automation, and network technologies, to boost and accelerate the transformation of these industries.

The healthcare, agriculture and infrastructure markets where we operate our businesses are faced with various social issues, and there are ever-increasing demands related to digitalization, efficiency improvements, labor saving, and energy conservation to resolve these issues. The potential to expand our businesses is growing ever larger.

**Q** Please tell us about the Mid-term Business Plan 2025 and the Long-term Goal.

The Mid-term Business Plan 2025, announced in May this year, is a new three-year plan to succeed the Third Mid-term Business Plan covering the period from 2019 to 2022. Under the previous Mid-term Business Plan, we extended the initial plan by one year due to the impact of the COVID-19 pandemic. Overall, the growth strategies we set forth at the inception of the plan successfully produced results. We exceeded our financial targets in terms of sales and were more-or-less right on target in terms of operating income.

Long-term Goal

Under the current Mid-term Business Plan 2025, we will not only accelerate the growth of businesses already on track under our previous Mid-term Business Plan but also focus on enhancing and maintaining profitability. In the Mid-term Business Plan 2025, we also establish the Long-term Goal of achieving net sales of ¥400 billion by 2032, the year of Topcon's 100th anniversary. Our net sales first reached approximately ¥100 billion in 2012, when we marked 80 years since our foundation. We went on to double this figure over the subsequent decade, growing our net sales to approximately ¥200 billion in 2022. Over the coming decade, we aim to redouble this figure to achieve net sales of ¥400 billion by 2032.

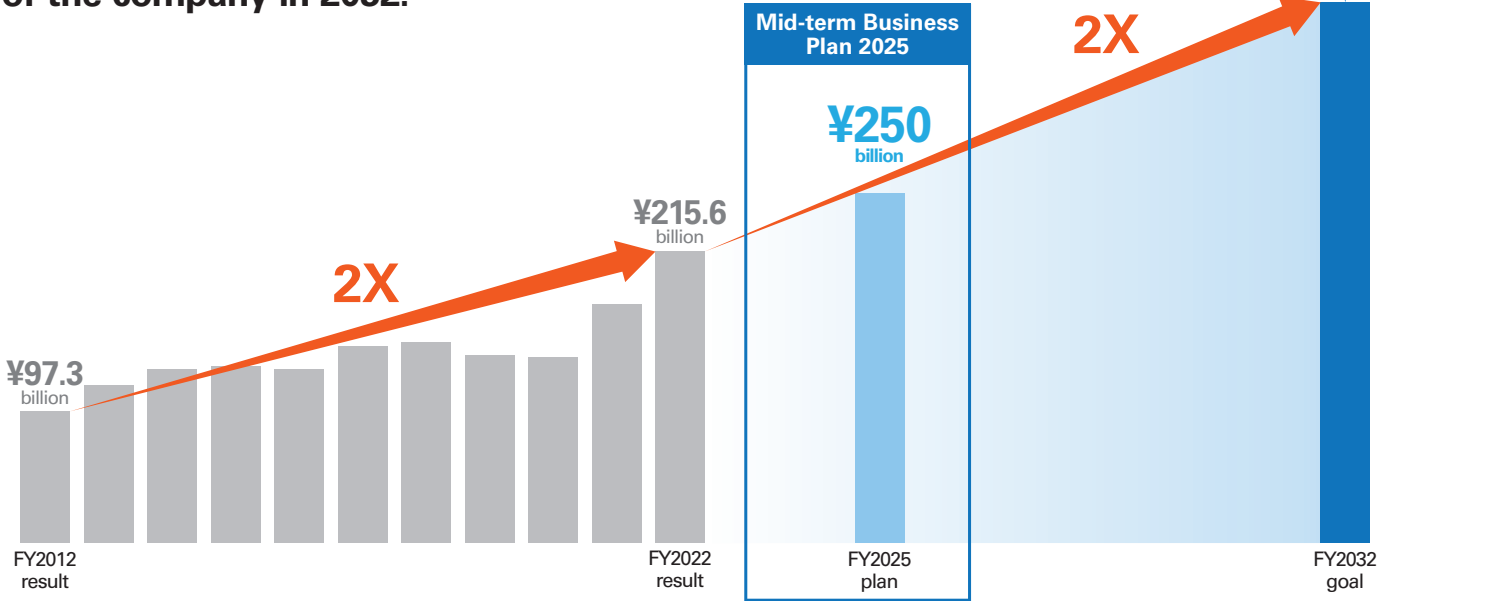
Basic Policy

Under this Long-term Goal, we have established three pillars of our basic policy as we strive to be a sustainably growing 100-year venture: "deepening customer orientation," "reforming the foundation," and "DX acceleration."

**1** Deepening Customer Orientation

In terms of deepening customer orientation, first of all, we have so far progressively expanded our businesses by leveraging our core "measurement" technologies to develop unique,

Mid-term Business Plan 2025 and Long-term Goal  
Aim to achieve net sales of ¥400 billion on the 100 year Anniversary of the company in 2032.



leading-edge products and combining hardware and software to provide unique solutions to our customers. All of our customers, whether in construction, agriculture, ophthalmology, hospitals, or optical stores, are engaged in their work in close association with their own national and local communities. We sell products to these customers, support them, and propose new solutions to them through our network of locations around the world.

I firmly believe that if we listen closely to the needs of each of our customers and provide them with solutions to meet their respective needs, this will lead to further growth. This is the "Think Global, Act Local" approach. I regard the deepening of customer orientation as the key point in future corporate growth.

**2** Reforming the Foundation

In terms of reforming the foundation, we will focus on maximizing the efficiency of operations in our core Positioning Business. Until now, we divided the business into two segments, Smart Infrastructure Business and Positioning company, and going forward, however, we will integrate these into one segment as the Positioning Business to achieve greater business efficiency. We will fuse the respective product planning and development functions and engage in overall business optimization to maximize synergies while making the most of the technological strengths developed by each segment. In addition, we aim to strengthen our sales and support capabilities to make it possible to flexibly provide solutions and support to meet the needs of customers in each country through our tri-

lateral sales framework of U.S.-Europe-Asia. From the current fiscal year, we have restructured the business segments into the Positioning Business and the Eye Care Business. We will endeavor to provide more user-friendly disclosures and briefings for all our stakeholders.

We are also engaged in the important theme of boosting production capacity and improving production efficiency. We plan to boost production capacity at our core factories, aiming for further increasing our production capabilities to support sustainable business growth. Under the Mid-term Business Plan 2025, we plan to invest around ¥10 billion in initiatives such as the construction of an additional factory at Topcon Yamagata, our mother factory for eye care and positioning products, and the relocation and expansion of our German factory producing displays for agricultural and construction machinery.

**3** DX Acceleration

Next, regarding DX acceleration, we have expanded our businesses by building on our stable business base with the creation of growth businesses pivoting on DX solutions. So far, we have generated new DX solutions such as the automation of construction process, the automation of farm operations, and creating a system for eye disease screening. We hope to continue to create DX solutions with new concepts to further grow our businesses.

Development, production, and sales capabilities, as well as the capabilities of our staff, are vital to support DX acceleration. We pursue our business activities globally. We are currently engaged in product development at 30 locations, pro-



duction at 16 locations, and sales at 66 locations around the world. It is crucial that we use IT to create systems to efficiently and effectively utilize these locations. In addition to developing and expanding DX solutions for our customers, we are also actively engaged in internal DX.

Through the implementation of these measures, we hope to achieve net sales of ¥250 billion and operating income of ¥28 billion in FY2025, the final year of the plan.

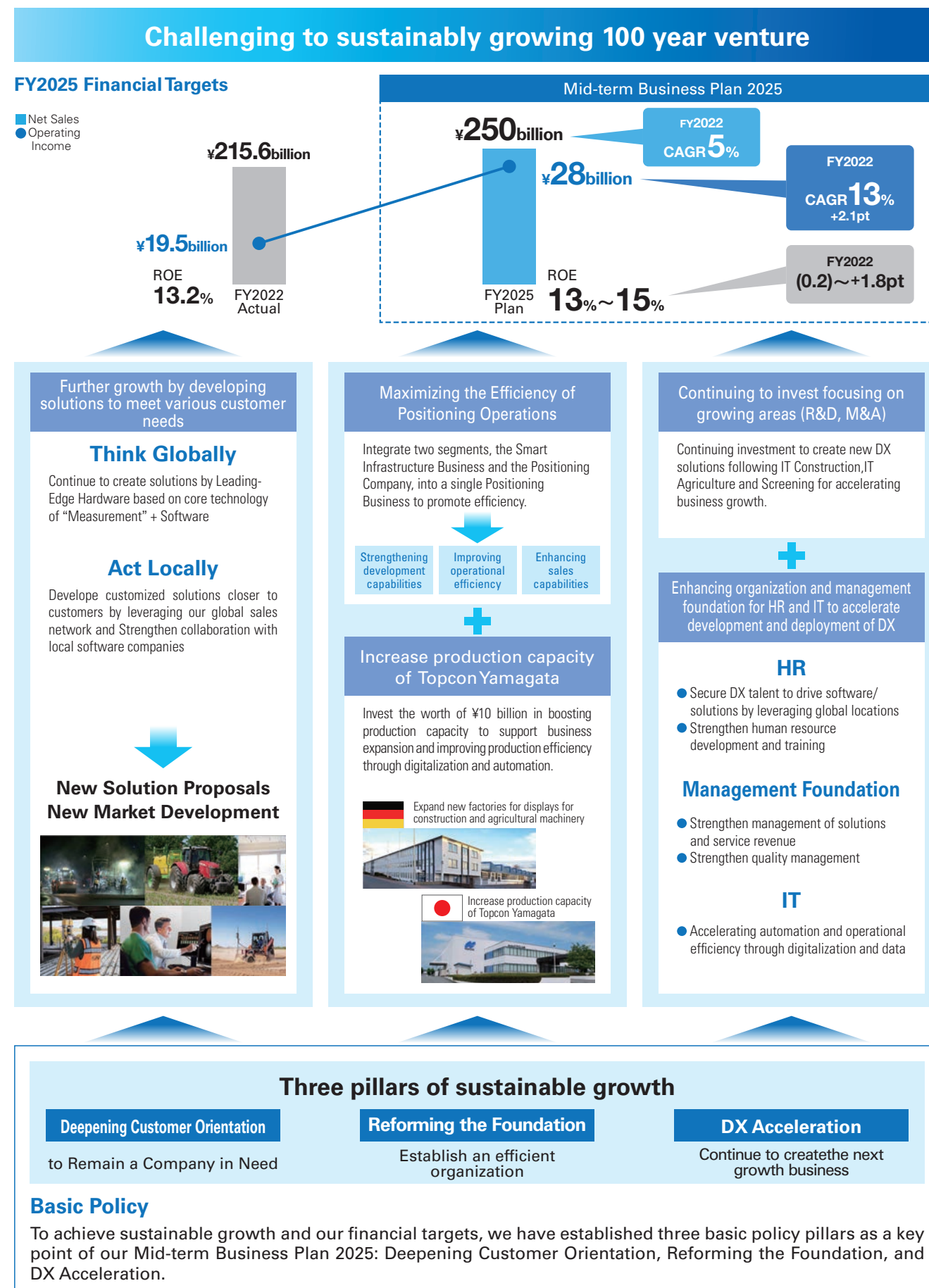
(Please refer to "Strategies by Business" on pages 17 to 20 for details of initiatives in each business)

**Q** Lastly, please explain your views on sustainability.

We recognize the fact that, in recent times, it is becoming difficult for companies to achieve sustainable growth unless they are able to contribute to all their stakeholders and especially to society. In this environment, we will make even more extensive use of our global coverage and diversity to practice ESG management based on the TOPCON WAY, the Group's common values, which transcend nationalities. Through these efforts, we aim to achieve a sustainable society, contributing to enrich human life by solving the societal challenges within healthcare, agriculture and infrastructure, which are also our business areas. We firmly believe that the resolution of these social challenges is directly linked to the expansion of our businesses, and will enable our businesses to grow sustainably into the future.



# Mid-term Business Plan 2025

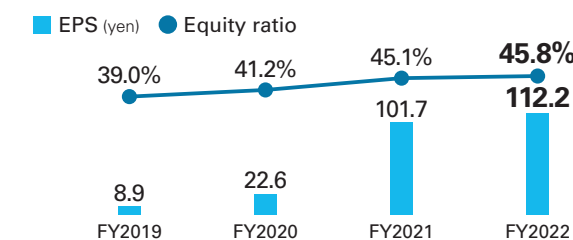


# Financial Strategy



## Review of the Previous Mid-term Business Plan

Under the Third Mid-term Business Plan (FY2019–2022), despite a massive business impact from the COVID-19 pandemic and geopolitical issues, our strategies aimed at promoting and accelerating growth business produced results, enabling us to achieve sales exceeding the plan and operating income roughly on par with the planned level. We were also able to substantially improve our financial KPIs and strengthen our financial base for future investment in growth.



## Mid-term Business Plan 2025

Under the Mid-term Business Plan 2025, launched in the current fiscal year, we have established management targets for FY2025 including net sales of ¥250 billion and operating income of ¥28 billion. At the same time, we have identified "improving and maintaining profitability" as a key issue. To achieve this, we will boost management efficiency by integrating the former Positioning Company and Smart Infrastructure Business into a single Positioning Business to further strengthen the business base. In the Eye Care Business, which suffered a slump in revenue due to the impact of COVID-19 and upfront investments in growth, we aim to improve profitability through a combination of various measures.

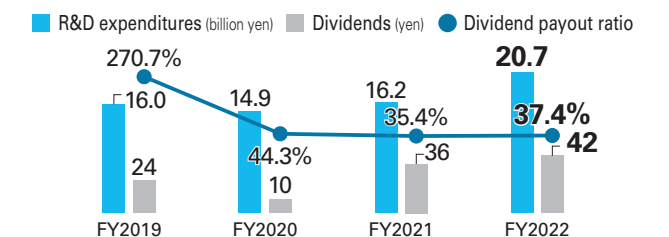
Our basic approach to financial measures under the Mid-term Business Plan 2025 is shown below.

## Capital Allocation

We operate growth businesses, and it is our policy to prioritize the allocation of capital to investment in growth, aiming to accelerate our numerous growth themes to further strengthen these businesses. Specifically, we will continue to invest in research and development. In addition to accelerating growth in our core businesses of IT Construction, IT Agriculture and Screening, we plan to continue to allocate approximately 9–10% of net sales to R&D expenditures for the continued creation of new businesses that make maximum use of new ideas and DX.

In addition, under the Mid-term Business Plan 2025, we have established a budget of ¥40 billion for growth investment, centered on M&A to enhance and expand new business fields.

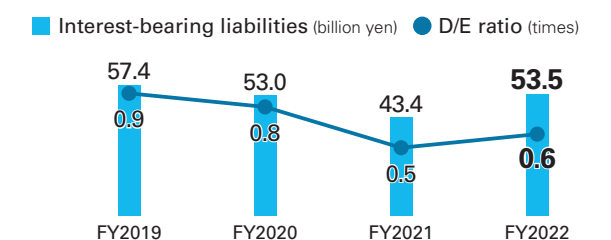
Even as we actively invest, however, we are also maintaining a balance with shareholder returns. We have established a basic policy of continuing dividends with a payout ratio of at least 35%.



## Fund Raising Capacity

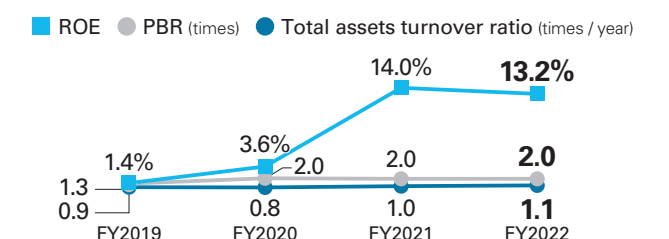
We focus on the D / E ratio as an indicator of financial soundness. Over the past four years, the D / E ratio has been gradually improving and stood at 0.6 times as of the end of the previous fiscal year. We regard a ratio of 1.0 or less as sufficient, while maintaining a credit rating of "A-" from R&I, and we believe we have ample additional borrowing capacity. In addition, we raised ¥20 billion through the issue of corporate bonds at the start of the current fiscal year, and have also secured sufficient credit limits (commitment lines) for bank borrowings.

We intend to fund individual M&A activities using funds from operating cash flow, and we will select the optimal financing method each time, including borrowings if necessary. We have also established structures to flexibly respond to any dramatic changes in the environment, in addition to securing the funds for growth investment.



## Cost of Capital

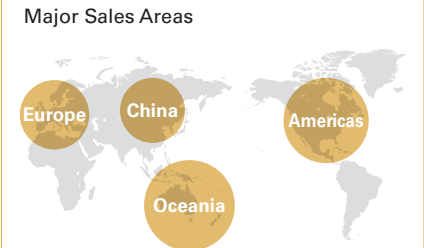
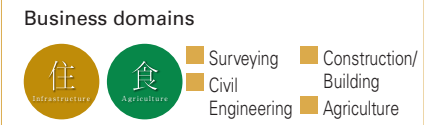
We have established ROE of 13–15% as a KPI under the Mid-term Business Plan 2025. We are working to strengthen management with an awareness of the cost of capital, while focusing not only on profitability but also on capital efficiency and the optimal capital structure. When implementing M&A and business investments, we will make investment decisions based on investment payback plans incorporating individual risks and ample consideration to avoid any damage to capital. We will also focus on engaging in active dialogue with capital markets through IR activities to achieve management with an awareness of both the cost of capital and the share price.



Strategies by Business

Until FY2022, Topcon engaged in businesses across three segments: Positioning Company, Smart Infrastructure Business, and Eye Care Business. (From FY2023, these were reorganized into two segments: Positioning Business and Eye Care Business)

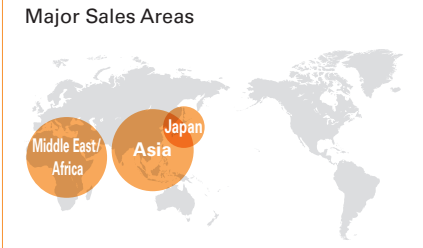
POSITIONING COMPANY



- Major Products Sold by the Segment
- Total Station
  - 3D Laser Scanner
  - IT Construction System
  - IT Agriculture System
  - GNSS Receiver for Surveying
  - Laser Instruments
  - 3D Mobile Mapping System
  - Software (Construction Site Management System, Surveying & Civil Engineering System, System for 3D Point Cloud Data Management and Modeling, etc.)

- Major Products Manufactured by the Segment
- Products and software based on core technology of GNSS receiver
- IT Construction System
  - IT Agriculture System
  - GNSS Receiver for Surveying
  - Construction Site Management Software
  - Surveying & Civil Engineering Software

SMART INFRASTRUCTURE BUSINESS



- Major Products Sold by the Segment
- Total Station
  - 3D Laser Scanner
  - IT Construction System
  - IT Agriculture System
  - GNSS Receiver for Surveying
  - Laser Instruments
  - 3D Mobile Mapping System
  - Software (Construction Site Management System, Surveying & Civil Engineering System, System for 3D Point Cloud Data Management and Modeling, etc.)

- Major Products Manufactured by the Segment
- Optical products including surveying instruments and software
- Total Station
  - 3D Laser Scanner
  - Laser Instruments
  - 3D Mobile Mapping System
  - Surveying & Civil Engineering Software
  - Software for 3D Point Cloud Data Management/Modeling

EYE CARE BUSINESS



- Business domains
- 
- Examination/Diagnosis/Treatment for ophthalmology
  - Screening (Preventive/Prognostic)
  - Phoropter for Optical Stores



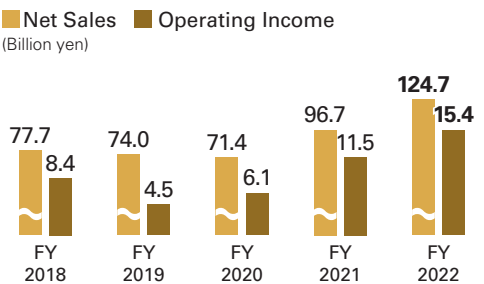
- Major Products Manufactured and Sold by the Segment
- 3D Optical Coherence Tomography systems (3D OCT)
  - Fundus Camera
  - Auto Refractometer/ Auto Kerato-refractometer
  - Slit Lamp
  - Tonometer
  - Lens Meter
  - Ophthalmic Laser Photocoagulator
  - Software (Image Filing, Data Management, EMR, etc.)
  - Optometry Systems



FY2022 Financial Results

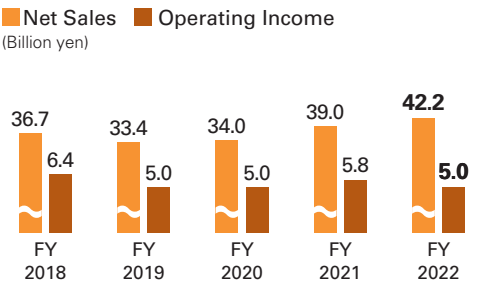
Positioning Company

In Positioning Company, net sales increased by 29.0% year on year to ¥124,731 million, as the Group captured non-housing-related robust demand, even as the effects of a slowdown in housing investment became apparent in North America, the main market for this segment, amid the continuing impact of shipping delays due to the shortage of parts and materials. Operating income increased by 33.6% year on year to ¥15,427 million, driven mainly by the rise in sales, although the business continued to be affected by soaring parts, materials, and logistics costs.

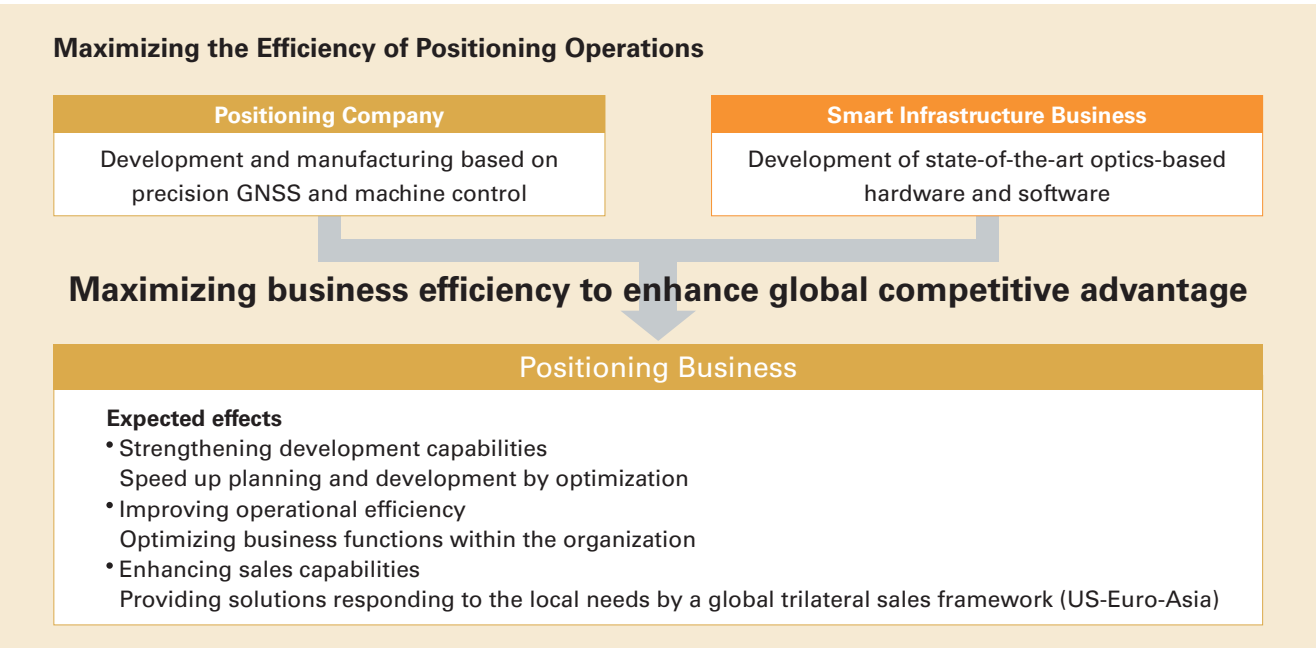


Smart Infrastructure Business

In Smart Infrastructure Business, net sales increased by 8.0% year on year to ¥42,163 million, driven by firm domestic sales and sales growth to countries in Asia and the Middle East, despite the impact of shipping delays due to the shortage of parts and materials. Operating income decreased by 13.5% year on year to ¥5,037 million due to the effect of upfront investments in new business fields, as well as the continued impact of a decline in production of surveying instruments associated with the shortage of parts and materials and elevated parts and materials costs.



Integrated into the Positioning Business in FY2023



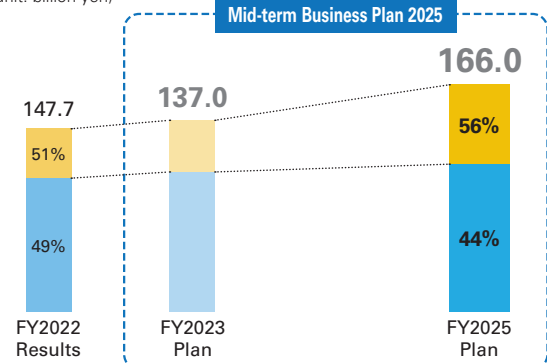


## Strategies by Business

## Mid-term Business Plan 2025 Growth Strategy

■ Growing Business Sales ■ Core Business Sales

(unit: billion yen)



## IT Construction

Regarding IT construction machinery, in addition to our existing business targeting large construction machinery, we plan to expand and promote business for small and medium-sized construction machinery, which boasts an extremely large potential market scale. The digitalization of small and medium-sized construction machinery is key for the promotion of digitalization across the construction industry, and we will focus on both aftermarket sales and OEM supply.

The development of tools capable of digitalizing the present condition of objects is also a key point in the promotion of digitalization. We will therefore also focus on the development of digital tools such as those exemplified by our 3D measurement device and the LN-150 Layout Navigator.

In addition, we will concentrate on road paving in our IT Construction businesses. It is no exaggeration to say that our history of machine control began with roadworks. The mechanization of roadworks progressed some time ago. Since the 1990s, we have provided the road construction industry with control products using sensors for heavy machinery such as motorized graders, bulldozers, and asphalt finishers.

Roads, the arteries of human life, serve as important infrastructure in each country. There are approximately 64 million kilometers of road worldwide: enough to circle 1,600 times around the Earth.

Asphalt roads require repair and resurfacing every few years, and our IT road pavement systems target not only new roadworks but also repair works.

Incorporating IT construction into roadworks leads not only to the reduction of the fuel costs for running heavy machinery but also to the merit of optimizing the quantity of asphalt used. By spreading and promoting Topcon's digital IT systems to roadworks sites around the world, we believe we can also contribute to greater efficiency, labor saving, and energy conservation in the road construction industry.

Focusing Areas

Growing Business

FY2025 vs FY2022 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

## IT Agriculture

As in the case of IT construction machinery, we will focus on accelerating the spread of our Auto Steering System for small and medium-sized farm machinery, OEM supply, and aftermarket sales in the IT Agriculture business as well.

For OEM supply, major tractor manufacturers are accelerating IT adoption, with small and medium-sized farm machinery makers tending to follow their lead. We will leverage the strength of our vendor-neutral products to continue OEM supply to large, medium, and small-sized tractor manufacturers and agricultural equipment manufacturers with our extensive lineup of OEM products, further boosting the number of OEM contract companies.

## Building Construction DX Business

Our Building Construction DX Business was newly established during the period of the previous Mid-term Business Plan. We will develop it into a growth business under the Mid-term Business Plan 2025. The scale of the building construction market is approximately 2.5 times as large as the civil engineering and construction market. Digitalization in the virtual domain is extremely advanced in this market, with tools such as CAD and BIM. Meanwhile, real-world digitalization on construction sites, although required, is hardly at an advanced stage.

In addition to the DX solutions we have developed in civil engineering works, we have already developed our businesses in proximity to construction sites through the sale of surveying instruments. We will utilize these strengths to develop solutions that bridge between real construction sites and the virtual domain.



Product description webpage for LN-150 Layout Navigator

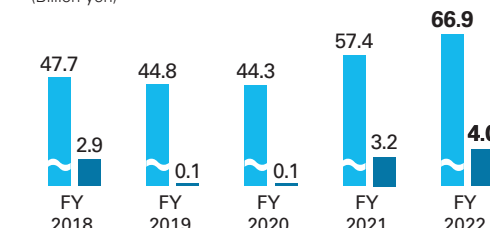
## EYE CARE BUSINESS



## FY2022 Financial Results

In the Eye Care Business, net sales increased by 16.6% year on year to ¥66,899 million mainly thanks to the continuation of a high level of sales of flagship screening equipment and digital optometry equipment, mainly in Europe and the U.S., as well as sales growth to Asia (excluding China), despite the prolonged impact of shipping delays due to the shortage of parts and materials and zero-COVID policies in China. Operating income increased by 23.9% year on year to ¥3,968 million, driven mainly by the rise in net sales and the depreciation of the yen, although the business was affected by upfront investment, in addition to soaring parts, materials, and logistics costs.

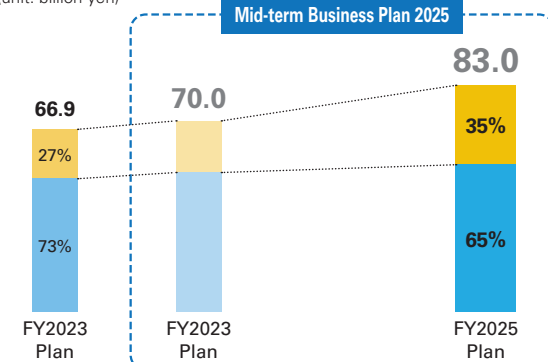
■ Net Sales ■ Operating Income  
(Billion yen)



## Mid-term Business Plan 2025 Growth Strategy

■ Growing Business Sales ■ Core Business Sales

(unit: billion yen)



Focusing Areas

Growing Business

FY2025 vs FY2022 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

Growing 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

Core Business

- Operating profit margin of 10% or more in FY2025

## Screening Business

(For details, please refer to pages 15 to 16 of the financial results announcement for FY2019 Q1)

We have continued to invest in the Screening Business since 2017. In these few years, our screening equipment has been adopted in large quantities by major optical chain stores and other facilities in addition to ophthalmology clinics, and the screening market is undergoing a steady expansion, just as we had anticipated.

The 3D-OCT Maestro, one of our leading products, is used not only for the early detection of eye disease but also for applications such as regular follow-up examinations of lesions associated with the increase in diabetes and other lifestyle diseases, and it is expected to see a further expansion in applications.

## Shared Care

(For details, please refer to page 28 of the materials on the Mid-term Business Plan 2025)

We believe that, in the future, a data evaluation market will be formulated that enables the sharing of a diverse range of data, not just on eye disease but also on conditions such as diabetes, dementia, and heart disease. We will expand our business domain into the new shared care field using eye screening data. We already sell many of our unique hardware products such as the screening device 3D-OCT Maestro to opticians and major optical chain stores, in addition to ophthalmology clinics.

Moreover, an increasing number of users have also adopted the data platform-related software we develop, and together with screening devices, we believe that this software will form the foundation for our future shared care business.

Going forward, the sharing of diagnostic data through the data platform will enable physical examination data to be shared beyond ophthalmology, and we believe this will contribute greatly to improving the efficiency of prevention and recuperation management, the organization of databases, and the provision of optimal healthcare to each patient.

By promoting shared care with an eye not only on further expanding sales opportunities for our screening equipment but also on the creation of a new data platform business, we will continue to make investments, specifically targeting this field.

## Strengthening Profitability

Under the previous Mid-term Business Plan, we succeeded in substantially growing net sales as a result of up-front investments. We also undertook structural reforms including the restructuring of our organization in Europe. Under the Mid-term Business Plan 2025, we will further accelerate these efforts, aiming to raise the operating income ratio, currently in the single digits, to 10% or greater in 2025.



# Value Creation Process

Topcon is committed to leveraging its management resources/strengths to realize its Corporate Identity, described as: Topcon contributes to enrich human life by solving the societal challenges within healthcare, agriculture and infrastructure. Topcon will also contribute to the creation of a sustainable society with a focus on ESG initiatives.





# Topcon's Manufacturing Craftsmanship » Advanced Technology

## Creating new values through combining technologies

Since the company's foundation, Topcon's core technologies are optics and sensing technology. Topcon has continually evolved its unique core technologies by aggressively incorporating peripheral and applied technology according to the time and needs. Furthermore, we have acquired high-end technology through M&A and Alliances of more than 35 tech ventures. By combining them with our core technology, unique products and solutions that no one ever imagined have been created. This is how the company has stimulated potential customer demand and opened up the blue ocean market.

In addition to R&D and product development, we have worked on strengthening intellectual property, production and manufacturing technology, and technology management systems, establishing the solutions that can offer and respond to future global needs.

In order to solve societal challenges in "healthcare, agriculture and infrastructure," we will continue to work on developing solutions through digital transformation with a human touch.



Technology contributing to the field of "healthcare"  
**Creating a system for eye disease screening**  
 Helping people live a healthy, comfortable life

By applying our original optical design and interference measurement, the 3D structure of the posterior part of the eye is visualized in vivo. In addition, by combining the profound knowledge of ophthalmological optics and real-time image processing technology, the complicated fundus imaging process can be fully automated, enabling a simple and unified fundus measurement.



Technology contributing to the field of "agriculture"  
**Automation of farm operations**  
 Helping feed a growing world

By applying the laser spectrometry technology and the auto-steering system of agricultural machinery using GNSS (global navigation satellite system) antenna technology, a non-contact sensor that measures the growth status of crops has been developed. Then, agricultural data can be easily managed by combining these solutions, enabling the maximization of yield and product quality improvement.



Technology contributing to the field of "infrastructure"  
**Automation of construction process**  
 Helping build a strong, sustainable future

By combining 3D position measurement technology with IMU (inertial measurement unit) and hydraulic control technology, a high speed and high accurate automated construction system has been established in IT construction. In addition, by using the remote monitoring system with IoT devices, it enables streamlined work at the construction site, improving the efficiency and management of daily processes at the remote office.

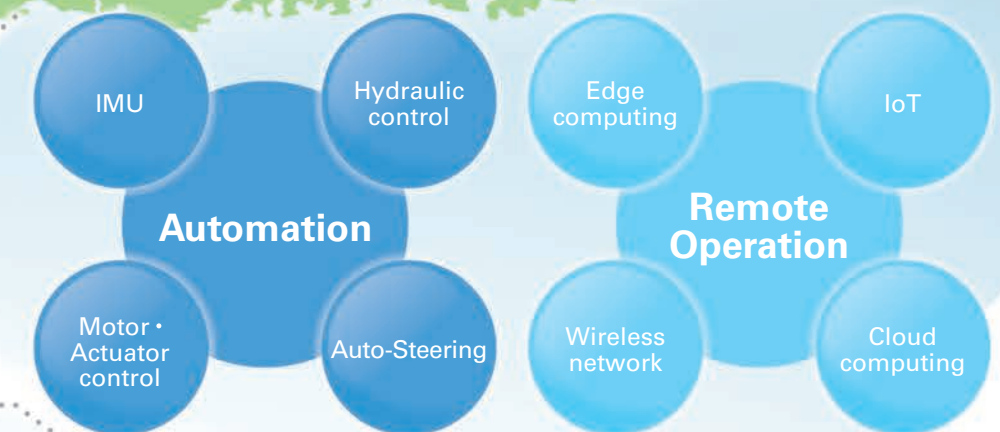


Applied technology



## Advanced technology

M&A Technology fusion  
 Technology Fusion

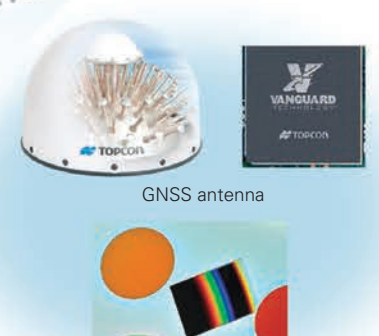
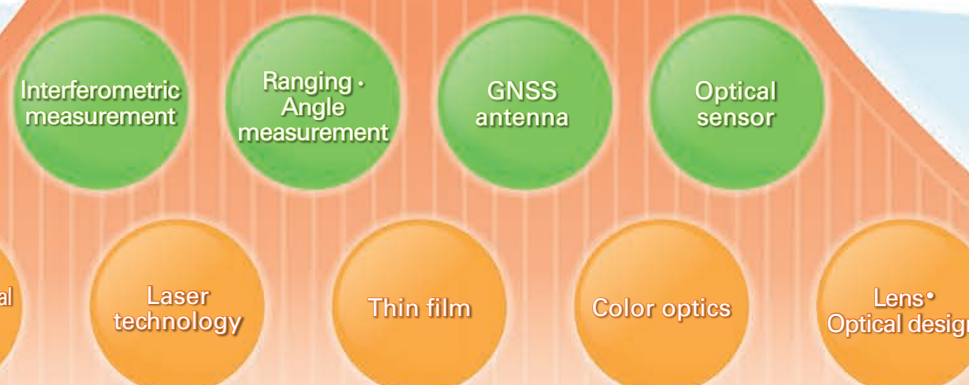
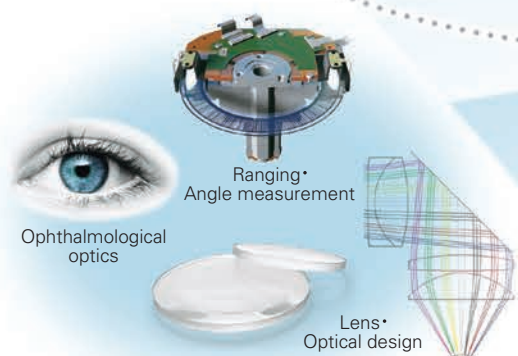


Core technology

Sensing technology

Core technology

Optical technology



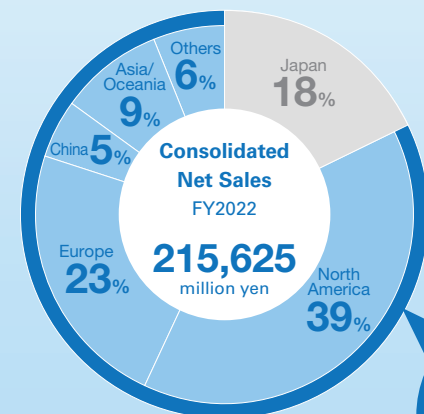


# Topcon's Manufacturing Craftsmanship » Highly Globalized

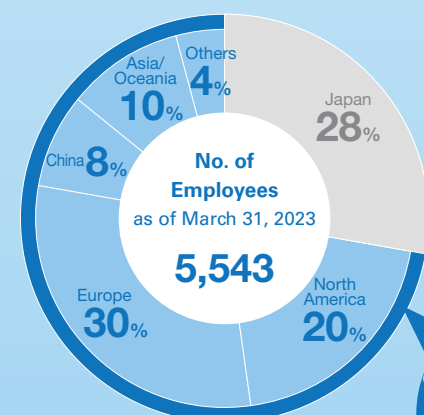
## Solving societal challenges in healthcare, agriculture, and infrastructure with diverse colleagues around the world.

The Topcon Group has grown its business by adding companies worldwide with leading-edge technologies through M&As and combining them with existing technologies to create new value. Currently, we have production, development and sales bases in 30 countries and regions around the world, 80% of our sales are from overseas markets, and 70% of our employees are non-Japanese. We will resolve societal challenges related to healthcare, agriculture, and infrastructure by leveraging our global capabilities and collaborating with diverse colleagues around the globe.

learn more



Sales outside of Japan account for approx. **82%** of the total sales



Non-Japanese employees account for approx. **72%** of the total employees



Development and manufacturing of GNSS and IT Construction-related products



Development of telehealth, remote examination system and OCT-related hardware and software



Development of ophthalmic data management systems



Telematics-related development



Comprehensive development and manufacturing in all business domains



Development of software for IT Construction



Development of software for IT Agriculture



Development of software for creating 3D models



Development and manufacturing of systems for IT Agriculture



Development of 3D Mass Data Visualization Software



Development and manufacturing of ophthalmic medical devices and software



**Development 30** bases  
Development framework to leverage our strengths

**Sales 66** bases  
Covering the entire world

**Production 16** bases  
Sharing the spirit of manufacturing (MONOZUKURI Spirit) with the world

\*As of March, 2023



# Sustainability

As a corporate group that provides products to global markets, the Topcon Group aims to contribute to achieving the SDGs while also realizing sustainable growth based on its Corporate Identity to “contribute to enrich human life by solving the societal challenges within healthcare, agriculture and infrastructure.” To achieve this, we have established a management vision targeting 2030 in each of the environmental (E), social (S), and governance (G) fields, and by practicing ESG management, we will further boost corporate value.

## Sustainability-related Governance Structure

In July 2022, we established the Sustainability Committee, chaired by the President & CEO. This committee deliberates various issues relating to sustainability and ESG of the Group. The committee is an advisory body to the Board of Directors. Under the direction of the Board of Directors and in cooperation with the TOPCON Global CSR Committee and the TOPCON CSR Committee, it reports and makes recommendations to the Board of Directors at least twice a year.

The Group has established the Rules for Risk and Compliance to control business risk. Material risk events are addressed by the Risk and Compliance Committee and sustainability risk is managed in a similar way.

## Relationships with stakeholders

The Topcon Group offers products and services that address societal issues, based on its basic policy for CSR. At the same time, the Group attaches great importance to communications with its diverse stakeholders, and endeavors to make social contributions through its business activities.

The Group conducts checks and evaluations of the performance of its ESG activities each fiscal year, and draws on the results of these evaluations to set goals for the activities for each shareholder in the following fiscal year.

Our website is our primary channel for disclosing information in our communications with all stakeholders. In addition, we also utilize various other means, such as IR, local events, exhibitions, academic conferences, and publications, in order to disclose information and communicate with stakeholders, in a multifaceted and multilayered manner.

## Communication with various stakeholders





## Topcon Group ESG Vision

### Topcon Group Environmental Vision 2030

As a corporate group that provides products to global markets, the Topcon Group aims to further enhance its corporate value by solving the societal challenges within healthcare, agriculture and infrastructure to enrich human life, and at the same time, tackling the two goals of reducing environmental impact through products and responding to climate change as below.

#### 1 Reducing Environmental Impact through Products

We promote energy and resource conservation by further reducing the environmental impact of our products. We also work with our customers to offer products, technologies and services that contribute to the prevention of global warming, the effective use of resources, and the conservation of biodiversity. Furthermore, in our manufacturing-oriented environment, we endeavor to recycle and effectively use waste products generated from our business activities, including procurement, development, manufacturing, sales and services.

#### 2 Responding to Climate Change

The Topcon Group regards response to climate change as the most important environmental protection task, and is striving to increase the use of renewable energy power. We seek to reduce greenhouse gas emissions from our business activities in Japan by 40% by the end of fiscal 2030 compared to the fiscal 2013 level.

In accordance with this policy, we strive to reduce greenhouse gas emissions and increase the use of renewable energy power at overseas sites.

### Topcon Group Social Vision 2030

Based on the TOPCON WAY, the Topcon Group aims to realize the creation of social value by contributing to society. As society's values continue to diversify, we will promote efforts to realize a sustainable society through our business activities.

#### 1 Creation of Social Value

We contribute to solving social issues by creating new social value through the provision of original products based on technological innovations, productivity improvements based on DX solutions, and innovative services. Furthermore, we aim to coexist with local communities to realize affluent lifestyles for people.

#### 2 Creating an organization that can co-create with diverse values

We develop and strengthen human resources that enable our workers to maximize their abilities and realize change by respecting the values of each individual and fostering an organizational culture that allows for diverse and flexible work styles.

#### 3 Respect for human rights

We respect diverse values, fundamental human rights, and individual personalities and characters in light of human dignity, and realize a society free of discrimination through a deep understanding of human rights not only in our own company but also in our supply chain.

### Topcon Group Governance Vision 2030

The TOPCON Group strives to improve the soundness and transparency of its management based on the TOPCON WAY, which is a basic principle of values, judgments, and actions to be shared by our officers and employees. We believe this will lead to achieve sustainable growth and medium- to long-term enhancement of corporate values.

#### 1 Corporate Governance

The highest priority in corporate governance is to increase management transparency, strengthen supervisory functions, accelerate decision-making, and ensure compliance. We aim to enhance corporate value by promoting the strengthening and enhancement of our corporate governance system.

#### 2 Compliance and Risk Management

In conducting our business activities, we shall act in accordance with the Topcon Global Code of Conduct, which was established from the perspective of complying with laws, regulations, and internal rules, and acting in accordance with social ethics and other relevant standards. Furthermore, we strengthen our risk management system to ensure timely and appropriate response to any risks that may occur in the course of our business activities.

## Materiality

Ever since it was founded in 1932, the Topcon Group has engaged in solving societal challenges in the areas of healthcare, agriculture and infrastructure, which are essential for people's lives. We have now newly identified six Material Issues (key challenges) based on the concept of practicing contribution to a sustainable society and environment together with sustainable economic growth through our business activities.

When identifying these Material Issues, we have not only verified their consistency with our ESG Management Vision but also with the Sustainable Development Goals (SDGs) established by the United Nations. We have selected eight goals out of the 17 SDGs that are especially related to the Topcon Group's key challenges (Material Issues).

Each of our Material Issues (key challenges) and eight goals have been identified based on the discussion by the Global CSR Committee, which consists of members across the organizations in the Topcon Group, and opinions of the Sustainability Committee, which includes independent outside directors, and have been reported to and decided by the Board of Directors.

We will proceed to set specific KPIs and steadily promote our efforts, aiming to generate corporate value while simultaneously bringing value to the society and environment that surround us, and build connections to enable our stakeholders to relate to and participate in these efforts.





# Environmental Initiatives

The Topcon Group believes that its core businesses, which is based on our Corporate Identity of “contribute to enrich human life by solving the societal challenges within healthcare, agriculture and infrastructure,” can also contribute to the global environment. Although Topcon is not a manufacturer of construction or farming machinery, we provide IT solutions that realize improved efficiency and productivity in construction process and farm operations. Our IT agriculture solutions contribute not only to stable production, but also to protection of the global environment by saving fuel, water, fertilizer, and pesticides through the efficient operation of farming machinery.

## Environmental Policy for Topcon and its domestic affiliated companies

We uphold theTOPCON WAY, which embodies our Corporate Identity of “contribute to enrich human life by solving the societal challenges within healthcare, agriculture and infrastructure.” We strive to reduce the environmental footprint of our business activities based on the Topcon Global Code of Conduct. Furthermore, we contribute to reductions in the environmental footprint through our products and services, with the aim of realizing a sustainable society.

- 1

We promote the continued improvement of our environmental management system, in order to enhance the environmental performance of our business activities. To this end, we consider our environmental efforts as one of our important management tasks, and set environmental goals and targets involving all employees, including the top management.
- 2

We comply with applicable laws and regulations, acts, guidelines, agreements, and other accepted requirements, and apply strict management and control.
- 3

We strive to reduce our environmental footprint, conserve biodiversity, and prevent environmental pollution. We have set the following goals to reduce environmental risks.

(1)

We will offer environmentally friendly products and services, with our product lifecycle in consideration.

(2)

We will increase the level of control of chemical substances and the chemical substances contained in our products.
- (3)

We will focus on reducing waste emissions, and strive to enhance the value of waste as a recyclable resource.
- (4)

We will promote efforts to mitigate global warming, and strive to reduce greenhouse gas emissions.
- 4

We strive to keep our premises and neighborhood clean and beautiful, and actively participate in local community activities, in order to exist in harmony with the local community.
- 5

We raise the awareness of our employees through the enhancement of environmental education and PR activities, and improve environmental conservation activities, with the participation of all employees.
- 6

We provide systematic and active guidance and support to subsidiaries and affiliates, in order to raise the awareness of the Topcon Group as a whole.

## Responding to Climate Change

At the Topcon Group, we regard climate change as a top global environmental priority and strive to reduce the greenhouse gas emissions from our business activities. Starting from the current fiscal year, we began to measure the Scope 1, 2 and 3 emissions from our production activities in Japan. We promote electricity conservation and the shift to renewable energy and seek to reduce our greenhouse gas emissions by 40% compared to the FY2013 level by the end of FY2030.

Greenhouse gas emissions (t-CO<sub>2</sub>)

	FY2021	FY2022
Scope 1	232	172
Scope 2	7,812	4,209
Scope 3*	—	223,876
Total	8,044	228,257

### [Calculation method and scope]

FY2022 results at production bases in Japan (Headquarters, Topcon Yamagata, and Topcon Optonexus)  
Scope 1: Calculated using the coefficients indicated in the Act on Promotion of Global Warming Countermeasures  
Scope 2: Calculated using the coefficients provided by each electricity company (market standard)  
\*Scope 3: Emissions from categories 1, 2, 3, 4, 5, 6, 7 and 8

## Water Resource Initiatives

Topcon Group uses a large amount of water in the lens manufacturing process, one of our core technologies, and the metal processing process. Since water generated in each manufacturing process contains organic and inorganic substances, we strictly control and properly treat wastewater to keep it below the standard values for hazardous substances specified in the Water Pollution Control Law before discharging it to not adversely affect the ecosystem and people's lives. We will continue to monitor water risks at each of our business sites and strive to ensure the appropriate use of water resources by promoting water conservation and reducing water consumption.

We investigated water risk for all manufacturing sites (Total 16) of Topcon Group using Aqueduct\*. One site operates in an area with high risk (Aqueduct Overall Water Risk: High). However, we do not use any water in the manufacturing process at the site. There is no site in an extremely high-risk area (Aqueduct Overall Water Risk: Extremely High).

Aqueduct: An online tool developed by WRI (World Resources Institute) to evaluate water risk

Water discharge from production bases in Japan (m³)

	FY2021	FY2022
Head quarter	18,867	22,382
Topcon Yamagata	4,452	4,794
Topcon Optonexus	20,341	19,508
Grand Total	43,660	46,684

## Topcon’s Environmental Footprint Report

### Effective Use of Resources

We strive to reduce our total emissions based on a zero-emission initiative, in order to make effective use of the Earth’s limited resources.

### Management of Chemical substances (VOC Reduction)

We are working to reduce volatile organic compounds (VOC) as apt of the management of chemical substances. We also switched from solvent paint to water paint to effectively reduce VOCs. The wear durability of conventional waterbased paints tends to be lower than those of solvent paints. However, the developed water-based paints have wear durability equal to or better than those of solvent paints and are compative with both environmental conservation and product durability.

(kg)	FY2021	FY2022
VOC	21,092	23,217
Waste	307,907	480,206

### Legal compliance and reports on complaints in FY2022

In 2022, there were no violations of environment-related laws and no customer complaints, and no incidents.

## Environmental Management System: ISO14001-related Initiatives

The Topcon Group has acquired ISO14001 certification, which is an international standard for environmental management systems, particularly among manufacturing related companies. The Group passed the transition audit for to ISO14001:2015 in August 2018, and maintains its certification.

Names of the organizations with the integrated certification	
1	TOPCON CORPORATION
2	TOPCON TECHNOHOUSE CORPORATION
3	TOPCON POSITIONING ASIA CO., LTD.
4	TOPCON SOKKIA POSITIONING JAPAN CO.,LTD.
5	TOPCON MEDICAL JAPAN CO., LTD.
6	TOPCON ESSILOR JAPAN, CO., LTD.
7	TOPCON G.S. CORPORATION
8	TOPCON YAMAGATA CO., LTD. (Head Quarter and factory)
9	TOPCON YAMAGATA CO., LTD. (West factory)
10	TOPCON YAMAGATA CO., LTD. (Shirakawa factory)
11	TOPCON OPTONEXUS CO., LTD.


## Supply Chain Initiatives

### Green Procurement Activities

As part of the environmental protection activity process, recognizing our responsibility to maintain the health of the global environment as an irreplaceable asset for future generations, we at Topcon Corporation are engaging in environmental activities in close cooperation with our suppliers.

As one of our efforts, we are promoting the supply of products and services with 1 minimal environmental impacts. For this purpose, the concept of green procurement is essential.

We aim at procuring the parts, materials, units, products, secondary materials, etc. (hereinafter delivered items) with low environmental loads by promoting the business activities, being aware of the environmental loads and risks.

 [Green Procurement Guidelines ▶](https://global.topcon.com/about/procurement/green-03/)  
<https://global.topcon.com/about/procurement/green-03/>

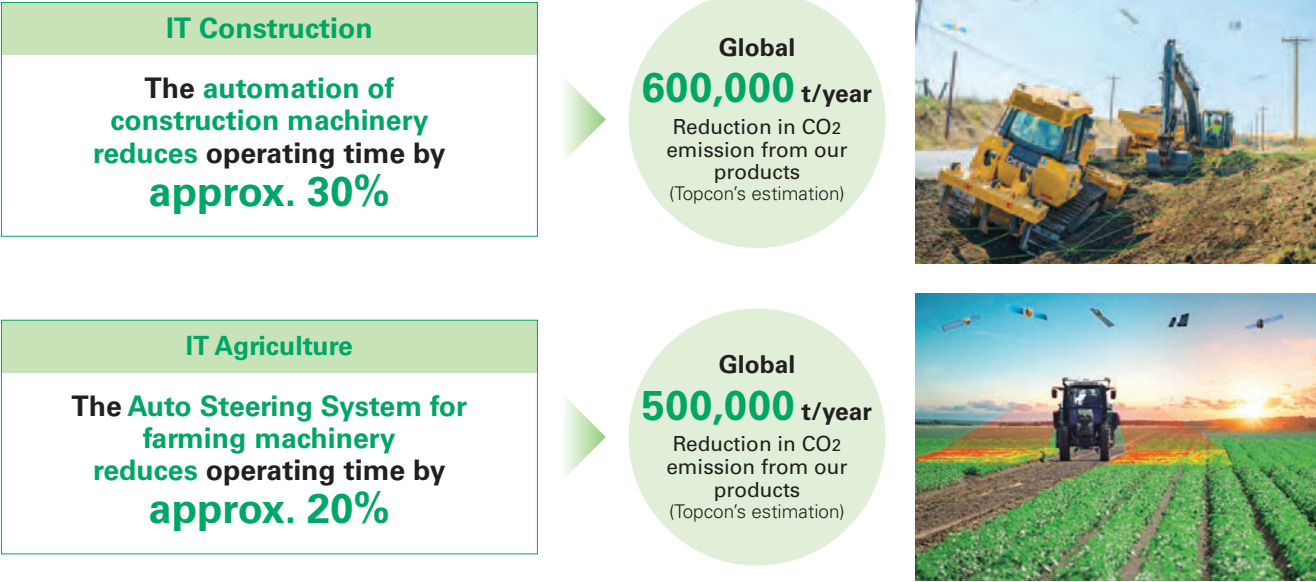


Environmental Initiatives

Contribution to environmental issues through our businesses

Reducing CO2 Emissions through the Automation of Construction and Farming Machinery

Increasing the efficiency of on-site work through automation systems for construction machinery and farming machinery can curb fuel consumption and reduce CO2 emissions. The spread of automation systems is expected to result in further reductions in CO2 emissions.



Contribution to Greenhouse Gas Monitoring

Ibuki 2 was launched on October 29, 2018 as a successor to GOSAT Ibuki, the world's first dedicated greenhouse gas observation satellite.

Aiming to contribute to the targets agreed upon in the 2015 Paris Agreement (Temperature rises below 2°C, virtually zero emissions of greenhouse gases), Ibuki 2 will use 2 types of sensors, a greenhouse gas sensor type 2 and a cloud/aerosol sensor type 2, to observe the concentrations of greenhouse gases and PM 2.5 on the earth.

Our company supplies the optical units mounted on the Cloud and Aerosol Sensor Type 2, and contributes to observations of clouds and aerosols to correct observed data of greenhouse gas concentrations, and estimates of PM 2.5 concentration and black carbon content. Ibuki 2 is expected to contribute to international efforts to reduce greenhouse gas emissions because it can accurately measure greenhouse gas emissions in each country.

\*The name "Ibuki" was chosen from the public offering and it means a "breath". The name well represents the activity of Ibuki as it observes the absorption and emission of CO<sub>2</sub>, which is a breath of the earth.

Developing Environmentally Friendly Products

At least 99% of the products we manufacture are environmentally friendly products.\* We have been engaged in developing environmentally friendly products since 2001. In addition to reducing environmental impact throughout the manufacture and sale of these products, we endeavor to recycle and effectively use the waste generated at each stage of the process.

\*Environmentally friendly products: All products whose life cycle, including product planning, material research, manufacturing, distribution, use, disposal and recycling are environmentally conscious



Societal Initiatives

The Topcon Group, as a global company, respects human rights and diversity through the development of Topconians (our human resources who share the Group's values and contribute to value creation). We will diligently work together with various stakeholders to create an affluent society.

Valuing People (Respect for Human Rights)

The Topcon Group has a global, diverse workforce with a wide variety of backgrounds, origins, experiences, and cultures. We respect diverse values, fundamental human rights, and individual personalities and characters in light of human dignity, and seek to maintain a workplace where every individual is respected.

We are committed to providing equal opportunity in employment and business. We will not tolerate unlawful discrimination in the workplace, and ensure that all employees, job applicants, customers, and suppliers are treated equally and respectfully, regardless of race, religion, sex, nationality, age, physical or mental disability, sexual orientation, or other attributes. Our commitment to a safe and secure work environment means that we will not tolerate workplace violence or threats. Prohibited conduct includes not only physical violence or abuse, but also abusive, intimidating, or disorderly conduct and threatening language. Moreover, we will not allow for using child labor or forced labor.

The Topcon Group considers a direct exchange of views between labor and management as critical for protecting the rights of workers. In Japan, we have both the Topcon Labor Union and the Topcon Group Labor Union Council for affiliated group manufacturers. Topcon holds regular labor management gatherings and councils, where we explain the Company's business conditions to the Topcon Labor Union, in an effort to enhance communication.

Diversity

Ensuring Diversity

The Topcon Group is a global corporate group with approximately 80% of its net sales in overseas markets, and develops businesses in 30 countries and regions worldwide. Likewise, approximately 70% of our employees are non-Japanese, hailing from the United States, Europe, China, Asia, Oceania, and elsewhere, and we recruit a richly diverse range of human re-

sources with a global perspective.

We also recruit the mid-career personnel needed for our growth strategies throughout the year, based on the needs of each division, and progressively appoint them as executive officers and managers. In this way, the Topcon Group provides environments and systems where diverse human resources can play active roles regardless of factors such as nationality and race. Therefore, we have not set independent and measurable targets for the promotion of foreigners and mid-career recruits to management positions.

Initiatives for Achieving a Workplace Culture that Fosters Individuals

At the Topcon Group, we aim to achieve a workplace culture that enables all members of our richly diverse workforce to make the maximum use of their qualities. We therefore place great importance on creating environments responding to diversity where our employees can fully demonstrate their individuality and abilities and realize their own ideal careers.

Promoting the Active Participation of Women in the Workplace

We aim to create a support system that enables women to build continuous, long-term careers, by providing an environment where women can play even more active roles, regardless of their line of work.

In addition, we are creating opportunities for female employees to work overseas. By granting opportunities to ambitious individuals regardless of sex or age, we provide a setting in which they can develop into human resources with a global mindset.

We have established a goal of "at least 30% women among all graduate recruits" as an initiative to promote the active participation of women in the workplace. Over the last three years, we have achieved the ratio of female graduate recruits of 30.1%.

Providing Flexible Working Arrangements

Topcon supports Work Style Reform to help employees achieve a balance between work and private life, while boosting labor productivity. We have established a variety of

Percentage of female workers in management positions, percentage of male workers taking child care leave

Reporting company		Percentage of female workers in management positions (Note 1)	percentage of female employees	Difference of wages between men and women (Note 1)			Percentage of male workers taking child care leave (Note 2)
				All workers	Regular workers	Part-time and fixed-term workers	
Consolidated subsidiaries	TOPCON CORPORATION	7%	19%	77%	76%	76%	35%
	TOPCON YAMAGATA CO., LTD.	0%	—	80%	80%	100%	—
	TOPCON OPTONEXUS CO., LTD.	5%	—	74%	77%	99%	—
	TOPCON SOKKIA POSITIONING JAPAN CO., LTD.	0%	—	81%	78%	114%	—
	TOPCON MEDICAL JAPAN CO., LTD.	0%	—	68%	71%	68%	—
Consolidated		18%	27%				

Notes: 1) Calculated based on the provisions of the "Act on the Promotion of Women's Active Engagement in Professional Life" (Act No. 64 of 2015).  
2) Calculated the percentage of child care leave taken under Article 71-4, Item (i) of the "Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Ordinance of the Ministry of Labor No. 25 of 1991), based on the provisions of the "Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Act No. 76 of 1991).







# Corporate Governance Initiatives

Topcon has established the TOPCON Corporate Governance Guidelines, in pursuit of the sustainable growth and medium- to long-term enhancement of the corporate value of the Topcon Group (hereinafter, referred to as the “Group”), comprising the Company and its affiliates.

The Guidelines are based on the TOPCON WAY, which forms a set of fundamental values, evaluation standards, and basic principles of conduct that are to be shared by directors, executives, and all other employees of the Group to achieve effective corporate governance.

## Outline of the corporate governance structure

### Corporate organization

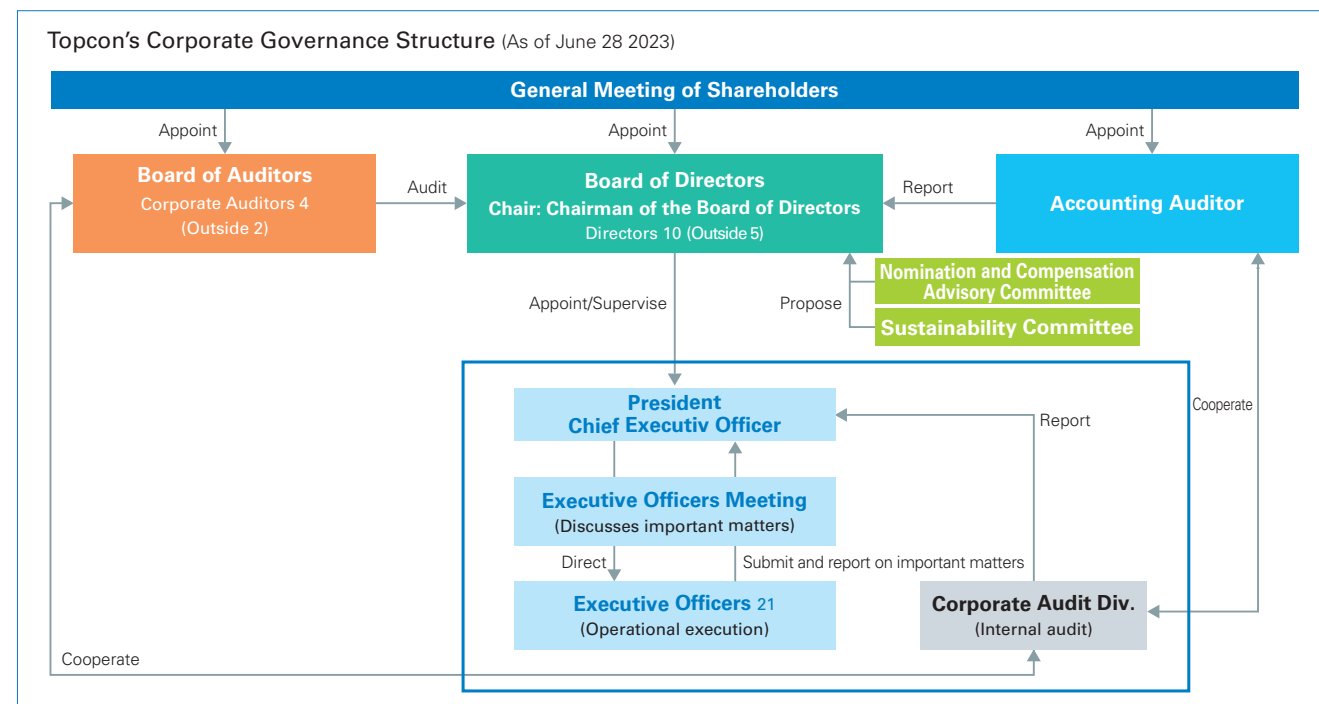
The Company has adopted the corporate structure of a Company with a Board of Corporate Auditors under the Companies Act.

The Board of Directors appoints at least two Independent Outside Directors to enhance supervisory functions by incorporating outside opinions into management.

The Board of Corporate Auditors and the Corporate Audit Division (internal audit department) mutually discuss audit

plans and policies in advance, and work in mutual cooperation by regularly sharing information throughout the fiscal year, in order to increase the efficiency and effectiveness of the work of the Corporate Auditors.

In addition, the Company has established the Nomination and Compensation Advisory Committee as an advisory body to the Board of Directors, which is chaired by an Independent Outside Director, and the majority of whose members are Independent Outside Officers.



### Board of Directors

#### Roles and responsibilities of the Board of Directors

The Board of Directors recognizes its fiduciary responsibility to the shareholders, towards the sustainable growth and medium- to long-term enhancement of the corporate value of the Group. Based on such recognition, the Board of Directors works to achieve improved management efficiency, in addition to maintaining management soundness, ensuring transparency in management, and fulfills its responsibilities towards all stakeholders of the Group.

- To fulfill the above-stated responsibilities, the Board of Directors conducts assessments of performance, appropriate development and implementation of the internal control system and the risk management system, and supervision of the overall business management of the Group, from an independent and objective standpoint.

- The Board of Directors makes decisions on matters provided for in laws and regulations, and the Articles of Incorporation, as well as on important matters relating to business management. The Board of Directors has adopted the Executive Officer System as a business execution system based on its decision making, and delegates day-to-day business execution to Executive Officers. Executive Officers are appointed by a resolution of the Board of Directors, taking into account their level of knowledge and experience required by the business domains of the Group.
- The Board of Directors has established a system to respond to cases where a Corporate Auditor or the Accounting Auditor discovers misconduct and requests appropriate measures, or identifies any inadequacies or problems.
- The Board of Directors conducts an analysis and assessment of the overall effectiveness of the Board of Directors, and discloses a summary of the results.

### Composition of the Board of Directors

- The Board of Directors of the Company comprises ten Directors (including five Outside Directors). (Members of the Board)  
Satoshi Hirano (Chairman of the Board, Representative Director, Chairman), Takashi Eto (Representative Director, President & CEO), Haruhiko Akiyama (Director), Takayuki Yamazaki (Director), Kaoru Kumagai (Director), Akira Sudo (Outside Director), Naoko Yamazaki (Outside Director), Yoshiharu Inaba (Outside Director), Naoki Hidaka (Outside Director), Katsuhiko Teramoto (Outside Director)
- The Company ensures that there is a system in place to supervise the operation of the Company by appointing at least two Independent Outside Directors, who express their opinions from an independent and objective standpoint at the meetings of the Board of Directors.
- The Board of Directors is composed of Directors with different backgrounds in terms of expertise and experiences, and maintains an appropriate number of Directors to ensure that the Board of Directors can effectively exercise its decision-making and supervisory functions.

### Board of Corporate Auditors

#### Roles and responsibilities of the Board of Corporate Auditors

The Board of Corporate Auditors recognizes its fiduciary responsibility to the shareholders, towards the sustainable growth and medium- to long-term enhancement of the corporate value of the Group. Based on this recognition, the Board of Corporate Auditors ensures corporate soundness and strives for the common interests of the shareholders.

- The Board of Corporate Auditors collaborates with Outside Directors and the internal audit department.

### Composition of the Board of Corporate Auditors

- At least half of the Board of Corporate Auditors shall be Independent Outside Corporate Auditors, in order to ensure transparency and fairness.
- The Board of Corporate Auditors of the Company consists of four Corporate Auditors (including two Outside Corporate Auditors). (Members of the Board)  
Shokyu Nakamura (Chairman, full-time Corporate Auditor), Nobuyuki Ryu (full-time Corporate Auditor), Keiji Taketani (Outside Corporate Auditor), Kiyoshi Suzuki (Outside Corporate Auditor)
- Corporate Auditors with the appropriate experience and skills have been appointed.
- The Board of Corporate Auditors appoints Corporate Auditors with the knowledge of finance, accounting, and legal matters necessary to serve on the Board of Corporate Auditors, and in particular, appoints at least one Corporate Auditor with sufficient knowledge of finance and accounting.

### Nomination and Compensation Advisory Committee

The Company has established the Nomination and Compensation Advisory Committee, which is independent of the Board of Directors, for the purpose of ensuring objectivity and transparency in the selection of candidates for Chairman, President and Director and in the handling of compensation for Directors.

- The Nomination and Compensation Advisory Committee is chaired by an Independent Outside Director, and the majority of the committee members are Independent Outside Officers. (Members of the Committee)  
Yoshiharu Inaba (Chairman, Independent Outside Director), Satoshi Hirano (Representative Director, Chairman), Takashi Eto (Representative Director, President & CEO), Akira Sudo (Independent Outside Director), Naoki Hidaka (Independent Outside Director)
- As specific considerations, the Nomination and Compensation Advisory Committee, upon receiving consultation from the Board of Directors, makes considerations about selection of candidates for Directors, policies for determin-

ing compensation for individual Directors, amounts of compensation for individual Directors, and the number of shares of restricted stock to be granted to individual Directors and makes proposals to the Board of Directors.

### Directors and Corporate Auditors

Directors recognize their fiduciary responsibility to the shareholders, and execute their duties as Directors towards the sustainable growth and medium- to long-term enhancement of the corporate value of the Group.

- Directors, as members of the Board of Directors, supervise the execution of business operations by Executive Directors and Executive Officers.
- Directors collect sufficient information to execute their duties, while requesting explanations on various matters, proactively expressing opinions, and holding open and constructive discussions at the Board of Directors' meetings.
- Directors proactively collect information to appropriately fulfill their roles and responsibilities, and if necessary, seek the advice of external experts at the expense of the Company.
- Directors set aside time to appropriately fulfill their roles and responsibilities in the Company, by limiting outside executive jobs to a reasonable extent when concurrently serving as executives at other companies.
- As an incentive for Directors (excluding Outside Directors), the Company offers compensation linked to business performance and restricted stock compensation, towards the Group's sustainable growth and enhancement of the corporate value of the Group over the medium- to long-term.

### Corporate Auditors

Corporate Auditors recognize their fiduciary responsibility to the shareholders and execute their duties as Corporate Auditors, thereby ensuring corporate soundness towards the sustainable growth and medium- to long-term enhancement of the corporate value of the Group.

- In accordance with the policies and assigned duties set forth by the Board of Corporate Auditors, Corporate Auditors conduct audits on the status of the execution of duties by the Directors and Executive Officers of the Company, through the following activities: attending important meetings of the Company, including the Board of Directors' meetings; receiving reports from Directors on the status of the execution of their duties; receiving materials and information on related matters; and, collaborating with the internal audit department and the Accounting Auditor.
- Corporate Auditors audit the decisions made by the Board of Directors, and the status of development and implementation of the internal control system.
- Corporate Auditors proactively collect the information necessary for audits through such as attending the Company's important meetings, and give appropriate feedback to Directors, as needed.
- Corporate Auditors proactively collect the information for appropriately fulfilling their roles and responsibilities, and if necessary, seek the advice of external experts at the expense of the Company.
- Corporate Auditors set aside time to appropriately fulfill their roles and responsibilities in the Company, by limiting outside executive jobs to a reasonable extent when concurrently serving as executives at other companies.

### Independent Outside Directors and Independent Outside Corporate Auditors

Independent Outside Directors and Independent Outside Corporate Auditors supervise the execution of business operations, provide advice for the sustainable growth and the medium- to long-term enhancement of the corporate value of the Group, and manage conflicts of interest, while ensuring that the opinions of stakeholders, including minority shareholders, are reflected in the Board of Directors.



Corporate Governance Initiatives

- The Company has five Independent Outside Directors and two Independent Outside Corporate Auditors.
- Independent Outside Directors share information regarding matters related to the business and corporate governance of the Group, and exchange opinions with each Director, Executive Officer, and Corporate Auditor.
- The Company appoints Outside Directors and Outside Corporate Auditors who meet the criteria for independence set forth by the Financial Instruments Exchange.
- Independent Outside Directors and Independent Outside Corporate Auditors strive to exchange information and share perspectives based on an independent and objective standpoint, by holding regular meetings and other occasions.

Support system for Directors and Corporate Auditors

The Company has established an effective and sufficient support system for Directors and Corporate Auditors, to assist them in fulfilling their roles and responsibilities, as described below.

- The Company runs the meetings of the Board of Directors to enable sufficient discussion at Board meetings, as follows.
  - 1) The Company prepares an annual schedule of the Board of Directors’ meetings and an annual plan of the matters for discussion.
  - 2) The Company sets aside time for sufficient discussion at the Board of Directors’ meetings.
  - 3) The Company distributes materials on matters for discussion of the Board of Directors’ meetings, well in advance.
  - 4) In addition to the above, the Company provides information that the Directors need for decision making and information that the Corporate Auditors need to execute their duties, as necessary.
- The Company appoints an assistant to help in the duties and other activities of the Corporate Auditors, as necessary, in order to provide the corporate information that the Corporate Auditors need, and to coordinate in-company collaboration.
- The Company proactively provides information when Outside Directors and Outside Corporate Auditors request information necessary for the execution of their duties.
- The Company secures the budget necessary for the execution of duties by Directors and Corporate Auditors.

Training policy for Directors and Corporate Auditors

The Company provides information and knowledge on business activities necessary for Directors and Corporate Auditors to fulfill their roles and responsibilities appropriately, as follows.

- When Directors or Corporate Auditors are newly appointed, the Company provides training on laws and regulations related to the business of the Group and corporate governance, and continues to provide such training even after they have assumed office.
- In addition to the above, when Outside Directors or Outside Corporate Auditors are newly appointed, the Company provides information regarding the Group’s business and overall organization, as well as necessary information on an ongoing basis regarding the Group’s business strategies and issues to be addressed, even after they have assumed office.

Outline of liability limitation contract

Pursuant to provisions of Article 427, Paragraph 1 of the Companies Act and the Articles of Incorporation, the Company has concluded contracts with each Outside Director and each Outside Corporate Auditor that limit their liability for damages caused by their negligence in performing their duties to the amount prescribed by laws and regulations.

Evaluations of the Effectiveness of the Board of Directors

Once a year, the Company conducts a questionnaire survey of each Director and Corporate Auditor regarding the matters including composition and operation of the Board of Directors, and based on the results, the Board of Directors analyzes and evaluates the effectiveness of the Board of Directors as a whole.

In FY2022, the Board of Directors, at its meeting held in May 2023, assessed that the effectiveness of the Board of Directors as a whole was secured, due to improvements made to enable fuller deliberation at the Board of Directors meetings and continuing improvements in other evaluation items. On the other hand, there were some opinions and suggestions aimed at fuller and deeper discussions by the Board of Directors.

In FY2023, we will continue to endeavor to enhance the effectiveness of the Board of Directors and strengthen governance based on these opinions and suggestions.

Policy on determining details of individual compensation for Directors

Compensation for Directors (excluding Outside Directors) consists of fixed compensation and performance-linked compensation (short-term performance-linked compensation and medium-term performance-linked compensation), and restricted stock compensation. Outside Directors and Corporate Auditors receive only fixed compensation.

The Company has established the Nomination and Compensation Advisory Committee in order to ensure objectivity and transparency in relation to the handling of compensation for Directors. The Committee is chaired by an Independent Outside Director, and the majority of its members are Independent Outside Officers. The Committee makes proposals to the Board of Directors upon receiving consultation from the Board of Directors. The policy on compensation for Directors is determined by a resolution of the Board of Directors based on the discussions and proposals of the Nomination and Compensation Advisory Committee.

The amount of compensation for each individual Director is determined within the total amount of compensation for Directors determined by the resolution of a General Meeting of Shareholders, in accordance with the policy on compensation for Directors based on the discussions and proposals at the Nomination and Compensation Advisory Committee. For restricted stock compensation, the specific number of shares is determined by a resolution of the Board of Directors. For other compensation, the Board of Directors delegates determination of the specific amounts to the Representative Director, President & CEO (Takashi Eto), considering factors such as that the Representative Director, President & CEO has a full view of the Company’s overall performance, and the procedures required to have discussions with and obtain proposals from the Nomination and Compensation Advisory Committee in advance. The Representative Director, President & CEO determines the specific amounts of other compensation in accordance with the delegation. In addition, the Board of Directors has determined that the said compensation is in line with the policy on compensation for Directors, as the Nomination and Compensation Advisory Committee has conducted in advance a multifaceted review of the compensation for Directors, including the assessment of its consistency with the policy on compensation for Directors.

The amount of compensation for each Corporate Auditor is determined by discussions among the Corporate Audi-

tors, and is set within the amount of compensation for Corporate Auditors determined by a resolution of the General Meeting of Shareholders.

(1) Fixed compensation

- Fixed compensation for Directors (excluding Outside Directors) is determined according to rank, and is paid monthly.
- Fixed compensation for Outside Directors is determined based on consideration of their roles and other factors, and is paid monthly.

(2) Performance-linked compensation

- Performance-linked compensation for Directors (excluding Outside Directors) is calculated based on prescribed benchmarks for the relevant fiscal year. The indicators used for performance-linked compensation for Directors include consolidated profit attributable to owners of parent and ROE, in order to boost the motivation and morale of Directors toward higher performance and to ensure the identity of interest between Directors and the shareholders.
- Short-term performance-linked compensation is calculated based on the results of the current fiscal year. Medium-term performance-linked compensation is calculated based on the cumulative results during the period of the mid-term business plan. Each compensation is paid after the end of the period to which it applies.
- The results of indicators serving as the basis of performance-linked compensation for the current fiscal year are as follows: consolidated profit attributable to owners of parent of ¥11,806 million and ROE of 13.2%. As for cumulative results for the Third Mid-Term Business Plan, consolidated profit attributable to owners of parent was ¥24,882 million, and average ROE was 10.3%.

(3) Restricted stock compensation plan

- The Company grants restricted stocks to Directors (excluding Outside Directors) with the aim of providing an incentive to sustainably increase the Company’s corporate value and to promote further shared value with shareholders. The number of restricted stocks allotted to each Director is decided based on rank. Such restricted stocks are issued by resolution of the Board of Directors on the condition that monetary compensation claims equivalent to the amount to be paid to Directors to whom the restricted stocks are allotted are offset against the amount to be paid for such restricted stocks. At the 129th Ordinary General Meeting of Shareholders held on June 28, 2022, the Company made a resolution that it would adopt the restricted stock compensation plan, in place of the previous stock compensation type stock option plan. The outline of this restricted stock compensation plan is as follows:

Total amount of compensation by category of officers and by type of compensation, and number of officers receiving such compensation

Classification	Total amount of compensation (Millions of yen)	Total amount of each form of compensation (Millions of yen)			Number of eligible officers	
		Fixed eligible officers compensation	Performance-linked compensation	Non-monetary compensation		
			Short-term and medium-term			
Directors (excluding Outside Directors)	513	205	249	58	5	
Outside Directors	65	65	—	—	5	
Corporate Auditors (excluding Outside Corporate Auditors)	37	37	—	—	2	
Outside Corporate Auditors	19	19	—	—	3	

Notes: 1) Non-monetary compensation is the amount of expenses accrued during the fiscal year for the share acquisition rights granted as stock options and the amount of expenses recorded as restricted stock compensation during the current fiscal year.  
2) One Corporate Auditor, who retired at the conclusion of the 129th Ordinary General Meeting of Shareholders held on June 28, 2022, is included in the number of Outside Officers.

<Overview of the restricted stock compensation plan>

The total annual amount of monetary compensation claims to be paid to Directors (excluding Outside Directors; hereinafter referred to as the “Eligible Directors”), in accordance with the Restricted Stock Compensation Plan, shall be set at ¥200 million or less (the amount does not include employee salaries of Directors who concurrently serve as employees), and the total annual number of shares of the Company’s common shares to be issued or disposed of by the Company shall be set at 100,000 shares or less (provided, however, that if the Company performs a split of the Company’s common shares (including the allotment of the Company’s common shares without contribution) or a consolidation of the Company’s common shares, the total number of shares shall be adjusted to the reasonable extent according to the ratio of the stock split or stock consolidation, on or after the effective date of the stock split or stock consolidation).

The Eligible Directors shall pay all the monetary compensation claims to be provided by the Company, in accordance with the Restricted Stock Compensation Plan, in the form of property contributed in kind, and shall, in return, receive the Company’s common shares that shall be issued or disposed of by the Company. The amount to be paid in per share shall be determined by the Board of Directors based on the closing price of the Company’s common shares at the Tokyo Stock Exchange on the business day immediately before each date of resolution by the Board of Directors (if there is no trading on such date, the closing price on the closest preceding trading day) within the extent that the amount will not be particularly advantageous to the Eligible Directors who subscribe such common shares. The specific timing for provision thereof and the allocation to each Eligible Director shall be determined by the Board of Directors after deliberation by the Nomination and Compensation Advisory Committee.

Additionally, the issuance or disposal of the Company’s common shares (hereinafter referred to as the “Shares”) in accordance with the Restricted Stock Compensation Plan shall be subject to the conclusion of an agreement on allotment of restricted stocks between the Company and each Eligible Director that includes (i) the prohibition on the transfer to a third party, creation of a security interest in, or otherwise disposing of the Shares allotted during a certain period (hereinafter referred to as the “Restriction Period”), and (ii) the automatic acquisition of the Shares by the Company without contribution, if certain events occur. The Shares are expected to be managed in a dedicated account opened by the Eligible Directors at a securities company during the Restriction Period, to prevent the Shares from being transferred, created a security interest on, or otherwise disposed of.

(4) Compensation composition ratio

- Compensation for Directors (excluding Outside Directors) consists of fixed compensation, performance-linked compensation, and restricted stock compensation. The ratio of performance-linked compensation and restricted stock compensation to the total amount of compensation is designed to be a maximum of approximately 60% on average for each rank, in order to boost the motivation and morale of Directors toward higher performance and to enhance corporate value and shareholder value over the medium to long term.



# Compliance / Risk Management

To ensure smooth business operations under appropriate controls, the Board of Directors sets forth basic policies regarding the development of the internal control system, and supervises the establishment of the Group's structure and its operational status in terms of compliance, ensuring appropriate financial reporting, and risk management.

The Company has established the Basic Rules for Risk and Compliance, for a risk management system capable of responding to any risk that arises within the Group in a timely and appropriate manner, depending on the nature of the risk.

## Basic Views

The most important thing for Topcon Group, a global company made up of diverse nationalities and cultures, is that each and every employee makes decisions and acts fairly, honestly, and appropriately based on common values and decision-making principles.

Therefore, we established "TOPCON WAY", which sets out the highest values of the Group that transcend national borders and company boundaries, we professed our management philosophy of contribution to the creation of prosperous society by solving social issues related to "healthcare, agriculture and infrastructure", and we declared that we put the highest priority on compliance and continue to be trusted by all stakeholders.

We established the Topcon Global Code of Conduct, which sets out the principles of conduct expected of Topcon Group's employees, so that all directors and employees around the world can fully understand the Topcon Group's management philosophy, vision and values, and can act with a high sense of ethics. We are working actively to ensure that the Topcon Global Code of Conduct be well learned by every director and employee.

## Specific Initiatives

Topcon continuously implements various training and awareness activities for directors and employees to increase compliance awareness and to foster a compliance mindset.

For example, for all directors and employees of the Group, we conduct a comprehensive compliance and governance training which cover essential topics such as bribery, insider trading, privacy, competition laws and regulations, and has achieved high participation rate.

For domestic Group companies, we conduct trainings on export control, information security, personal information protection, subcontract law and medical compliance, while for overseas companies, legal teams in each main office overseas provide trainings in the respective jurisdictions.

## Anti Corruption

As an initiative to combat corruption as stipulated in Principle 10 of the United Nation Global Compact, the Topcon Group prohibits giving out bribes or inappropriate profits in any form that violate laws, regulations or sound business practices. In addition, we prohibit employees from accepting inappropriate personal benefits or profits in connection to their work or position.

## We Prohibit Improper Payments

The Topcon Group will not offer or give bribes, or any other improper interests, in violation with laws, regulations, and/or sound customs of trade.

You must understand that bribes not only to government officials, but also to employees in private enterprises are prohibited in certain countries, and You must understand and comply with all applicable laws and regulations of the country or region in which You are involved in business.

### What Is A Bribe?

In this Code, the term "Bribe" means anything of value offered or given for the purpose of gaining improper commercial interests, or in consideration of such improper interests and offered or given to the following persons:

- government officials, foreign government officials (including employees of state-owned enterprises and international organizations, also including ex-officials);
- politicians, candidates of politician, political parties and employees thereof;
- customers (legal or natural persons).

A bribe does not have to be cash. It can include rewards, entertainment, gifts, donations, gratuities and any other type of benefits. Even items of minimal value may constitute a wrongful bribe.

When using an intermediary (such as agent) in Our business, We must ensure that they will not engage in the corrupt practices designated above, and also clearly agree in advance on scope of the services as well as on the amount of compensation, and ensure that these conditions are reasonable.

## We Do Not Demand or Accept Gifts and Entertainment as Business Inducements

Employees must not demand or accept any personal benefits in connection with his/her job.

However, receiving gifts and entertainment from customers, suppliers or contractors is permissible only if it is inexpensive in value and customary in nature and is consistent with applicable laws, regulations and sound customs of trade and only if it would not affect a particular business decision of the Topcon Group.

Any gifts or entertainment which are excessive or seem unreasonable must be refused.

## We Do Not Accept Money Laundering and Participate to the Financing of Terrorism

The Topcon Group is firmly committed to full compliance with applicable anti-money laundering and counter terrorism laws

and regulations. We conduct business only with reputable third parties who engage in legitimate business activities.

This applies as well to our relations with trading partners such as suppliers, vendors and others sub-contractors.

Employees are prohibited from participating in any activity aimed at laundering money or financing terrorism, from benefiting from the proceeds of a criminal act or illegal activity, and from providing assistance to any person or organization controlling funds invested for the benefit of a terrorist organization.

## Strengthening Global Export Control System

Exports to several countries are subject to strict controls under relevant Japanese and U.S. laws. If our export control compliance were lax, this could result in situations that threaten the basis of our existence as a corporation. In the worst case, the company would be subject to penalties such as an export ban due to violations of applicable laws and regulations. For this reason, as a global company, the Topcon Group is committed to activities related to maintaining and bolstering the global system of export controls.

## Conducting export control audits

We conduct annual internal audit on all departments involved in export. Then, measures for improvement which was requested during audit are discussed with departments audited for one to three months after audit to correct non-conformities at an early stage. The next year's audit conducts follow-up to check if such measures are carried out on a continuous basis. It also checks for missing items and inadvertent errors such as in administration procedures in the entire process.

## Providing export control education

At the Topcon Group, we provide export control education annually for all officers and employees in the Group to raise awareness about compliance. We also provide separate education as necessary for employees engaged in export control. In addition, to improve the expertise of employees engaged in export control, we recommend that they take a "certification exam on export control" held by the Center of Information on Security Trade Control (CISTEC).

We are also working to raise the overall base level of awareness of the Group companies through measures such as the provision of export control education for local staff each time we implement audits.

## Regions requiring special control

Topcon Group designates nine countries/areas including Iran, Iraq, Cuba, Syria, Russia, Belarus, North Korea, the Crimea Region of Ukraine, and regions of Ukraine controlled by pro-Russian groups (including the self-proclaimed Donetsk People's Republic and the self-proclaimed Luhansk People's Republic), which are subject to special regulations under the Foreign Exchange and Foreign Trade Act of Japan and relevant U.S. laws, as "regions requiring special control" and applies stringent procedures for trade screening and administration. (As of January 2023)

## Personal Information

Topcon Corporation ("Topcon") will continue to seek to respect and protect each customer's personal data. Topcon will implement following Personal Data Protection Policy in its business activities.

## Basic Policy

Topcon strictly observes the Personal Data and other relevant laws and regulations.

When Topcon obtains personal data from customers, in case without any individual explanation, Topcon uses personal data with the aim of providing the information of the products and services of Topcon or of its affiliated company, etc for the customer and also of showing new or useful information.

Topcon may provide and confide data to third parties with a view to analyzing or processing, feeding back, etc for our customer. The information will be handled appropriately in all these processes in accordance with the business activities and scale of Topcon.

Topcon takes rational safety measures against the risk of personal data in cases like unauthorized access and disclosure to personal data or the loss, destruction, alternation, etc.

Topcon has established management system relating to personal data protection and strives to continuously improve.

Topcon responds appropriately to questions, complaints and consultations regarding personal data from customers.

## Internal Audit Department, and Others

The Company has established the Corporate Audit Division consisting of seven members as an internal audit department.

The Corporate Audit Division validates the appropriateness and effectiveness of the internal management systems, as described below.

- The Corporate Audit Division aims to contribute to the enhancement of the corporate governance and risk management of the Group. The Corporate Audit Division is responsible for the internal audit process, and develops a system under which the Division validates the appropriateness and effectiveness of the internal management system, including compliance, and reports to the Board of Directors, the Board of Corporate Auditors, and the President & CEO in a timely manner, if a significant issue arises.
- The Corporate Audit Division collaborates with Corporate Auditors and the Accounting Auditor.
- With respect to internal reports, the Corporate Audit Division contributes to the early discovery of risk information, and respond to whistleblower complaints in a prompt and appropriate manner.



Compliance Risk Management

Whistle Blowing System

Topcon has established a whistleblower hotline (Topcon Whistleblower System) in accordance with the Whistleblower Protection Act, which is available to directors and employees of Topcon and our domestic group company. The contact points are offered internally and externally (the contact points are independent of the Topcon Group), and reports can be made under real names, anonymously or semi-anonymously.

The system also covers reports of bribery, corruption, discrimination, human rights, and harassment.

In addition, to ensure that whistleblowers are NOT treated unfairly, Topcon has put in place thorough measures such as “confidentiality and prohibition of retaliatory actions” to protect whistleblowers. Moreover, the content of the report is promptly reported to the corporate auditors followed by the results of the investigation in a timely manner. In terms of significant risk issues, the responses are reported to the Board of Directors as well. This system is operated to ensure that the whistleblower system functions more effectively.

Business risks

Business risks relating to business conditions, financial status, and other matters that may potentially have a significant impact on investor decisions include the following.

Economic conditions relating to product demand

The Topcon Group (hereinafter “the Group”) is primarily engaged in three businesses, namely the Smart Infrastructure Business, the Positioning Company, and the Eye Care Business. Product demand is impacted by trends in the markets to which the respective business segments belong (construction and civil engineering, agriculture, and ophthalmic/eyeglass markets), and should any major fluctuation occur in these markets, it may impact the financial position and business results of the Group.

Moreover, given the Group’s high ratio of overseas sales and its extensive marketing areas around the world, which include the U.S., Europe, Asia, and China, as well as Japan, the economic conditions in these areas may impact the financial position and business results of the Group.

Overseas business development

The Group is engaged in a wide range of overseas activities, including the export of its products and overseas production. Hence, the deterioration of political and economic conditions overseas, trade and currency restrictions, reforms of laws and tax systems, a deterioration of public security, conflicts and terrorism, wars, and natural disasters may impede the Group’s overseas activities, and impact the financial position and business results of the Group.

Intensifying competition (price and non-price competition)

The Group faces competition in the form of the supply of similar products by competitors, in each of its businesses. To maintain its competitive edge, the Group promotes the

early market launch of new products, the development of new technologies, and cost reductions, among other efforts. However, should delays occur in new product development, the development of new technologies takes longer than expected, or the price of raw materials soars, it may impair the Group’s growth potential and profitability, and impact the financial position and business results of the Group.

Fluctuations in interest rates, foreign exchange rates, and other conditions in the financial markets

The Group maintains a high ratio of overseas sales in its total consolidated net sales. Since this presents exposure to exchange-rate fluctuation risk, the Group uses forward exchange contracts to maintain an appropriate level of exchange hedge within the scope of demand. Despite these precautions, volatility in exchange rates may impact the business results and financial position of the Group. The Group also borrows funds from financial institutions, which presents exposure to interest-rate fluctuation risk. Changes in financial market conditions could lead to sharp rises in interest rates. Such fluctuations could increase the Group’s interest payments, which may impact the business results and financial position of the Group.

Fund procurement

The Group raises its necessary funds through borrowings from financial institutions, bond issues, and other means. Going forward, the Group may encounter situations in which loans cannot be continued or new loans cannot be taken out, due to a deterioration of the financial markets, poor business performance, and other reasons. Moreover, the Group’s fund procurement could become restricted or fund-raising costs could rise in the event that the Group’s credit rating by the rating agencies is downgraded. Should such a situation occur, it may impact the financial position and business results of the Group.

New business strategies

The Group considers initiatives for new businesses to ensure future growth, as appropriate. However, new businesses involve numerous uncertainties, and in the event that they are not achieved as planned, it may impact the financial position and business results of the Group.

Corporate acquisitions

The Group strives to build a system that can foster optimal business forms suited for business characteristics, and at times takes steps such as corporate acquisitions to expand operations. Nonetheless, such actions can affect the Group’s business results and financial position if sharp changes in the market and competitive environment cause the acquired businesses to underperform or management resources cannot be put to effective use.

Fixed assets

The Group holds tangible fixed assets and intangible fixed assets such as goodwill through corporate acquisitions. Should the value of these assets decrease due to a decline

in profitability, fall in market prices, or other factors, it will lead to impairment losses or incurring of loss on sales at the time of disposal, which may impact the financial position and business results of the Group.

Procurement of materials and other items

The Group needs to rely on a limited number of suppliers or those who are difficult to replace when using certain special materials in its production activities. In addition, various factors could disrupt the global supply chain, resulting in a shortage or soaring prices of parts and materials. The Group will take various measures in procurement, design, and manufacturing to minimize the impact. However, in the event that the impact is prolonged before the situation is resolved, that may result in soaring prices of parts and materials and delays of production and potentially impact the financial position and business results of the Group.

Quality issues

The Group makes a concerted effort into quality control to ensure optimal quality, in line with the attributes of each product. However, it is virtually impossible to eliminate quality issues completely due to unforeseen circumstances, which could lead to recalls, litigation, and other actions, and such a situation may impact the financial position and business results of the Group.

Intellectual property rights

The Group utilizes various intellectual property rights in its research and development activities, and recognizes these rights as the Group’s proprietary rights or rights under legal licensing agreements. However, the Group may unwittingly become the subject of litigation due to infringements of intellectual property rights by third parties. Should a dispute regarding intellectual property rights occur, it may impact the financial position and business results of the Group.

Laws and regulations

The Group operates businesses overseas, which are subject to legal regulations in relevant countries and regions. Also, certain products in the Eye Care Business are subject to the laws and regulations relating to medical devices of the countries in which the Group operates. We are working to constantly obtain information to take appropriate measures. However, should import and export of the Company’s products be restricted due to changes in these laws and regulations, or the Group fails to obtain the approvals and authorizations necessary to conduct business in the relevant countries in a timely manner, it may impact the financial position and business results of the Group.

Risks related to climate change issues

In order to curb worsening global warming, the Group has two initiatives to reduce the environmental impact: “reducing environmental impact through products,” indicating promotion of energy and resource conservation through the use of our products, and “responding to climate change” to save energy and reduce greenhouse gas emissions in our

business activities. In order to contribute to the realization of a sustainable society, we are committed to corporate social-responsibility management in the economic aspects of our business activities as well as in social and environmental aspects. However, if environment-related laws, regulations, and taxation systems are significantly strengthened and appropriate measures cannot be taken, that may impact the financial position and business results of the Group.

Natural disaster and accidents

Should any unforeseen disaster such as fires, earthquakes, terrorism, wars, pandemics, or epidemics occur in the areas in which the Group conducts its business, the Group will take such measures as securing the capabilities to raise funds to meet its capital needs or minimizing the impact of a pandemic. However, it could result in human casualties and property damage, as well as suspension of business activities, and may impact the financial position and business results of the Group.

Risks related to the situation in Ukraine

The Group is taking careful measures to minimize the impact of its business activities in the region (Russia and Ukraine) amid an uncertain outlook by comprehensively identifying possible risks. However, should the impact on the global economy increase due to tighter sanctions against Russia and other factors, that may cause a slowdown in demand and adversely impact the Group’s logistics, procurement of materials, and production, which, in turn, may impact the financial position and business results of the Group.

Information security

The Group has improved and built information systems for each of the manufacturing, sales, R&D and other activities as an infrastructure for business promotion. To prepare for failures of these systems (equipment malfunctions, power failures, etc.) and prevent unauthorized access and information leaks, the Group is taking such measures as ensuring the thorough application of security policies, providing education to all employees, reinforcing system backups, and preventing confidential information from leaking out. However, should an unexpected, large-scale system failure or cyberattack occur, that may impact the financial position and business results of the Group.

Seasonality

The Group’s performance tends to be weighted toward the fourth quarter.



Management Structure

Directors



**Satoshi Hirano**  
Representative Director,  
Chairman  
  
December 12, 1957  
No. of years served as  
Director: 13 years



**Takashi Eto**  
Representative Director,  
President & CEO  
  
February 18, 1960  
No. of years served as  
Director: 8 years



**Haruhiko Akiyama**  
Director  
Senior Managing Executive  
Officer  
General Manager,  
Accounting & Finance Div.  
General Manager,  
Custom Products Business  
Promotion Div.  
February 25, 1963  
No. of years served as  
Director: 8 years



**Takayuki Yamazaki**  
Director  
Senior Managing Executive  
Officer  
Executive Vice President,  
Chief Business Integration  
Officer, Topcon Positioning  
Systems, Inc.  
August 10, 1966  
No. of years served as  
Director: 7 years



**Kaoru Kumagai**  
Director  
Managing Executive Officer  
General Manager,  
Research & Development Div.  
  
February 9, 1961  
No. of years served as  
Director: 2 year



**Akira Sudo**  
Director  
(Outside Director)  
  
September 11, 1951  
No. of years served as  
Outside Director: 9 years



**Naoko Yamazaki**  
Director  
(Outside Director)  
  
December 27, 1970  
No. of years served as  
Outside Director: 5 years



**Yoshiharu Inaba**  
Director  
(Outside Director)  
  
July 23, 1948  
No. of years served as  
Outside Director: 3 years




**Naoki Hidaka**  
Director  
(Outside Director)  
  
May 16, 1953  
Outside Director: 1 year




**Katsuhiko Teramoto**  
Director  
(Outside Director)  
  
December 13, 1955  
No. of years served as  
Outside Director: New appointment


Corporate Auditors




**Shokyū Nakamura**  
Corporate Auditor  
  
March 26, 1961  
No. of years served as  
Corporate Auditors: 4 years



**Nobuyuki Ryu**  
Corporate Auditor  
  
April 29, 1961  
No. of years served as  
Corporate Auditors: 3 years




**Keiji Taketani**  
Corporate Auditor  
  
July 8, 1956  
No. of years served as  
Corporate Auditors: 7 years




**Kiyoshi Suzuki**  
Corporate Auditor  
  
February 18, 1959  
No. of years served as  
Corporate Auditors: 2 years


Executive Officers




**Raymond O'Connor**  
Executive Vice President, General  
Manager, Positioning Company  
(President & CEO, Topcon  
Positioning Systems, Inc.)




**Fumio Ohue**  
Senior Vice President, In charge  
of THINC (Topcon healthcare  
innovation center)




**David Alan Mudrick**  
Senior Executive Officer,  
President & CEO, Topcon  
America Corporation




**Ivan Di Federico**  
Senior Executive Officer,  
Executive Vice President, Chief  
Strategy Officer, Topcon  
Positioning Systems, Inc.




**Reiko Watanabe**  
Senior Executive Officer, General  
Manager, General Administration,  
Human Resource & Legal Div.




**Yoshikuni Ito**  
Senior Executive Officer, General  
Manager, Corporate Planning &  
Digital Business Operation Div.




**Tsuyoshi Yoshida**  
Executive Officer,  
General Manager, Smart  
Infrastructure Business Div.




**Hideyuki Takizawa**  
Executive Officer,  
General Manager,  
Eye Care Business Div.




**Takafumi Kira**  
Executive Officer,  
General Manager,  
Production Div.




**Shigehiro Ogino**  
Executive Officer,  
Vice General Manager,  
Eye Care Business Div.




**Takaaki Hirayama**  
Executive Officer,  
General Manager,  
Corporate Communication Div.




**Akifumi Baba**  
Executive Officer,  
President, Topcon  
Healthcare Solutions, Inc.




**Keijiro Asayama**  
Executive Officer,  
General Manager,  
Quality Assurance Div.




**Arata Kimura**  
Executive Officer,  
Vice General Manager,  
Smart Infrastructure Div.



**Cindy Hudson**  
Executive Officer,  
Executive Vice President,  
Engineering,  
Topcon Positioning Systems, Inc.



**Raymond Vallejo**  
Executive Officer,  
Executive Vice President,  
Chief Operations Officer,  
Topcon Positioning Systems, Inc.



**Murray Lodge**  
Executive Officer,  
Executive Vice President,  
General Manager,  
Positioning Solution Business Unit,  
Topcon Positioning Systems, Inc.

Skills Matrix (Expected skills after this Ordinary General Meeting of Shareholders)

	Name	Corporate Management Experience	Global Business	Technology/Manufacture- ing/Science	Business Strategy/ Marketing	Legal/Risk Management	Finance/ Accounting	ESG/Social Contribution
Director	Satoshi Hirano	●	●					●
	Takashi Eto	●	●		●			
	Haruhiko Akiyama		●			●	●	
	Takayuki Yamazaki		●	●	●			
	Kaoru Kumagai		●	●	●			
	Akira Sudo	Outside Director	●	●	●			
	Naoko Yamazaki	Outside Director	●	●				●
	Yoshiharu Inaba	Outside Director	●	●				
	Naoki Hidaka	Outside Director	●	●	●			
	Katsuhiko Teramoto	Outside Director	●	●	●			
Corporate Auditor	Shokyū Nakamura	●	●			●		
	Nobuyuki Ryu	●	●			●		
	Keiji Taketani	Outside Corporate Auditor	●			●	●	
	Kiyoshi Suzuki	Outside Corporate Auditor	●			●	●	

\* Three fields of expertise per each individual where he/she has strengths are marked with ●.



# Financial Highlights

Topcon Corporation and Consolidated Subsidiaries

	Unit: million yen									
	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3	2021/3	2022/3	2023/3
Operating results										
Net sales	116,685	128,569	130,735	128,387	145,558	148,688	138,916	137,247	176,421	215,625
Positioning Company	48,959	58,672	61,977	60,602	74,945	77,722	73,989	71,416	96,692	124,731
Smart Infrastructure Business	34,621	33,909	32,989	33,091	36,626	36,744	33,398	33,982	39,040	42,163
Eye Care Business	38,736	41,240	43,834	43,148	46,515	47,713	44,758	44,251	57,352	66,899
Other Businesses	6,625	6,558	4,997	3,708	2,493	1,698	1,319	1,165	1,184	1,335
Elimination	(12,258)	(11,812)	(13,063)	(12,163)	(15,023)	(15,190)	(14,549)	(13,568)	(17,848)	(19,505)
Overseas sales	89,187	97,568	102,794	98,937	114,847	115,299	108,878	106,041	142,438	176,353
Operating income	11,730	16,041	8,803	9,551	12,073	13,596	5,381	6,593	15,914	19,537
Positioning Company	4,514	6,652	2,385	5,596	8,018	8,358	4,537	6,064	11,548	15,427
Smart Infrastructure Business	5,201	5,965	3,909	3,939	5,102	6,393	5,027	4,972	5,821	5,037
Eye Care Business	4,003	5,093	4,850	2,598	2,038	2,896	136	122	3,203	3,968
Other Businesses	(205)	163	196	10	88	(65)	(144)	(536)	(365)	(344)
Elimination	(1,782)	(1,833)	(2,538)	(2,593)	(3,173)	(3,986)	(4,175)	(4,028)	(4,293)	(4,551)
Ordinary income	11,300	14,880	7,366	7,622	10,674	11,497	2,895	5,587	14,820	17,829
Profit attributable to owners of the parent	5,963	8,670	4,197	4,395	6,028	6,548	935	2,376	10,699	11,806
Capital expenditures	3,692	5,070	5,203	4,438	5,138	6,234	8,399	4,206	5,279	8,618
Depreciation	3,803	3,732	4,715	4,660	5,408	5,983	6,757	7,416	7,763	10,383
Amortization of goodwill	1,782	1,833	2,546	2,451	2,651	2,145	1,999	1,858	1,912	1,589
R&D expenditures	9,184	10,677	11,329	10,411	12,964	14,014	15,979	14,916	16,180	20,743
Free cash flows	4,599	7,951	(23,121)	13,238	5,488	7,844	1,137	10,213	10,748	(2,930)
Financial position										
Shareholders' equity	53,598	63,460	58,311	59,716	65,173	69,037	63,100	69,351	83,491	95,310
Total assets	135,818	143,181	166,542	158,280	160,747	160,288	161,721	168,210	184,983	207,890
Interest-bearing liabilities	47,733	44,014	70,442	58,640	53,286	48,554	57,372	52,987	43,362	53,485
Unit: yen										
Per share data										
Earnings per share (EPS)	55.21	80.27	38.97	41.46	56.87	61.76	8.87	22.59	101.71	112.16
Net assets per share (BPS)	496.22	587.52	550.04	563.30	614.78	651.11	600.03	659.31	793.57	905.17
Management indicators										
Gross profit ratio (%)	47.7	51.5	50.2	51.1	51.5	52.8	52.3	49.5	51.1	52.1
Operating income ratio (%)	10.1	12.5	6.7	7.4	8.3	9.1	3.9	4.8	9.0	9.1
Net income ratio (%)	5.1	6.7	3.2	3.4	4.1	4.4	0.7	1.7	6.1	5.5
Ratio of R&D expenditures to net sales (%)	7.9	8.3	8.7	8.1	8.9	9.4	11.5	10.9	9.2	9.6
Overseas sales ratio (%)	76.4	75.9	78.6	77.1	78.9	77.5	78.4	77.3	80.7	81.8
Return on assets (ROA) (%)	4.4	6.1	2.7	2.7	3.8	4.1	0.6	1.4	6.1	6.0
Return on equity (ROE) (%)	11.7	14.8	6.9	7.4	9.7	9.8	1.4	3.6	14.0	13.2
Price earnings ratio (PER) (times)	30.7	36.7	38.1	48.0	36.5	21.1	90.4	59.4	15.4	15.9
Price book-value ratio (PBR) (times)	3.4	5.0	2.7	3.5	3.4	2.0	1.3	2.0	2.0	2.0
Equity ratio (%)	39.5	44.3	35.0	37.7	40.5	43.1	39.0	41.2	45.1	45.8
Total assets turnover ratio (times/year)	0.88	0.92	0.84	0.79	0.91	0.93	0.86	0.83	1.00	1.10
D/E ratio (%)	89.1	69.3	120.8	98.1	81.8	70.3	90.9	76.4	51.9	56.1
Dividend payout ratio (%)	18.1	19.9	61.6	38.6	35.2	38.9	270.7	44.3	35.4	37.4

Note: Amounts in parentheses represent negative figures/amounts.



# Discussion and Analysis of Financial Results

## Market Environment

In FY2022, the outlook for the economic environment remained uncertain due to factors such as a worldwide shortage of parts and materials, soaring parts, materials and logistics costs, the continuation of interest rate hikes to control inflation and the dramatic movements in foreign exchange rates that resulted from this, rising financial unrest, especially in Europe and the U.S., as well as the prolonged impact of Russia’s military invasion of Ukraine and zero-COVID policies in China.

In such an economic environment, the Group upheld its Corporate Identity of “Contributing to enrich human life by solving the societal challenges within healthcare, agriculture and infrastructure.” Under the slogan, “A digital transformation with a human touch,” we have been working to enhance our corporate value as a global company that provides DX solutions to various issues related to healthcare, agriculture and infrastructure in order to achieve a sustainable society.

As mentioned above, we will pursue our vision of expanding our businesses and solving the societal challenges within the growing markets of healthcare, agriculture and infrastructure and advance the development and spread of “DX solutions” to solve these societal challenges under the “Mid-Term Business Plan 2025.” (\*DX: Digital transformation that leads to new growth and enhanced competitiveness of corporations by realizing a business model that makes people’s lives better through utilizing evolving digital technologies)

Specifically, in the healthcare domain, one of our business fields, in order to cope with an increase in eye diseases resulting from global population aging and the shortage of ophthalmologists, we are promoting a DX solution of creating a system for eye disease screening by utilizing fully automatic screening equipment with primary care physicians, optical stores, and drugstores, to realize early detection and treatment of diseases and improved medical efficiency through promotion of shared care.

In the domain of agriculture, in order to respond to societal challenges such as food shortages due to global population growth, decreases in crop production and damage caused by global warming and extreme weather events, we will strive to promote DX solutions, which can be called the automation of farm operations, utilizing our IT farming machinery and optical sensor technology to improve productivity and quality in agriculture.

In the domain of infrastructure, in order to address the societal challenges such as a skilled worker shortage due to increasing global demand for infrastructure and intensifying and frequent disasters associated with a climate change, we are working to promote DX solutions, which can be called the automation of the construction process, utilizing our IT construction technology and 3D measurement technology to improve productivity at construction sites and alleviate the worker shortage.

As part of our commitment to the SDGs, our technologies to embody DX solutions to societal challenges, such as automation of construction machinery for IT construction

and the Auto Steering System for farming machinery for IT agriculture, are also contributing to the reduction of CO<sub>2</sub> emissions. Also, in the domain of healthcare, we are contributing to early detection and treatment of eye diseases through the expansion of screening.

### Consolidated Results

The Group’s consolidated net sales increased by 22.2% year on year to ¥215,625 million, driven by a steady increase in sales in IT construction, IT agriculture systems, and other growth businesses, and boosted by the effects of product price revisions and the depreciation of the yen. This was despite the impact of supply constraints and shipping delays due to the shortage of parts and materials. Mainly due to this increase in net sales, and despite the continuing effects of parts and materials shortages and soaring parts, materials and logistics costs, operating profit was ¥19,537 million, an increase of 22.8% year on year, and ordinary profit was ¥17,829 million, an increase of 20.3% year on year. As a result, profit attributable to owners of parent was ¥11,806 million, an increase of 10.3% year on year.

### Segment Information

In the Smart Infrastructure Business, net sales increased by 8.0% year on year to ¥42,163 million, driven by firm domestic sales and sales growth to countries in Asia and the Middle East, despite the impact of shipping delays due to the shortage of parts and materials. Operating profit decreased by 13.5% year on year to ¥5,037 million due to the effect of upfront investments in new business fields, as well as the continued impact of a decline in production of surveying instruments associated with the shortage of parts and materials and elevated parts and materials costs.

In the Positioning Company, net sales increased by 29.0% year on year to ¥124,731 million, as the Group captured non-housing-related robust demand, even as the effects of a slowdown in housing investment became apparent in North America, the main market for this segment, amid the continuing impact of shipping delays due to the shortage of parts and materials. Operating profit increased by 33.6% year on year to ¥15,427 million, driven mainly by the rise in sales, although the business continued to be affected by soaring parts, materials, and logistics costs.

In the Eye Care Business, net sales increased by 16.6% year on year to ¥66,899 million mainly thanks to the continuation of a high level of sales of flagship screening equipment and digital optometry equipment, mainly in Europe and the U.S., as well as sales growth to Asia (excluding China), despite the prolonged impact of shipping delays due to the shortage of parts and materials and zero-COVID policies in China. Operating profit increased by 23.9% year on year to ¥3,968 million, driven mainly by the rise in net sales and the depreciation of the yen, although the business was affected by upfront investment, in addition to soaring parts, materials, and logistics costs.

## Financial Position

### Assets

As of March 31, 2023, total assets stood at ¥207,890 million, an increase of ¥22,907 million from the end of the previous fiscal year.

#### Current assets

Current assets increased by ¥9,033 million from the end of the previous fiscal year to ¥123,074 million. This was mainly due to increases in trade receivables and inventories.

#### Non-current assets

Non-current assets increased by ¥13,873 million from the end of the previous fiscal year to ¥84,815 million. This was mainly due to an increase in property, plant and equipment resulting from the impact of application of the lease accounting standards in the U.S., etc.

### Liabilities

As of March 31, 2023, total liabilities stood at ¥110,850 million, an increase of ¥11,016 million from the end of the previous fiscal year.

#### Current liabilities

Current liabilities increased by ¥5,888 million from the end of the previous fiscal year to ¥67,282 million. This was mainly due to increases in trade payables and short-term borrowings, despite redemption of current portion of bonds payable.

#### Non-current liabilities

Non-current liabilities increased by ¥5,128 million from the end of the previous fiscal year to ¥43,567 million. This was mainly due to an increase in lease liabilities resulting from the impact of application of the lease accounting standards in the U.S., etc., despite decreases in long-term borrowings, etc.

### Net assets

As of March 31, 2023, total net assets stood at ¥97,040 million, an increase of ¥11,890 million from the end of the previous fiscal year. This was mainly due to increases in retained earnings and foreign currency translation adjustment.

As a result, equity ratio increased by 0.7% from the end of the previous fiscal year.

### Cash flows

As of March 31, 2023, cash and cash equivalents (hereinafter referred to as “net cash”) stood at ¥14,950 million, a decrease of ¥4,058 million from the end of the previous fiscal year. This was due to a decrease in net cash resulting primarily from an increase in inventories and purchases of fixed assets, despite an increase in net cash resulting primarily from an increase in profit before income taxes.

#### Cash flows from operating activities

During the fiscal year ended March 31, 2023, net cash provided by operating activities totaled ¥9,828 million, compared to ¥20,527 million provided in the previous fiscal year.

This was mainly due to an increase in net cash resulting primarily from an increase in profit before income taxes, despite a decrease in net cash resulting primarily from an increase in inventories.

#### Cash flows from investing activities

During the fiscal year ended March 31, 2023, net cash used in investing activities totaled ¥12,759 million, compared to ¥9,779 million used in the previous fiscal year.

This was mainly due to a decrease in net cash resulting primarily from purchases of fixed assets.

#### Cash flows from financing activities

During the fiscal year ended March 31, 2023, net cash used in financing activities totaled ¥1,937 million, compared to ¥13,606 million used in the previous fiscal year.

This was mainly due to a decrease in net cash resulting primarily from dividends paid.

### Capital Expenditures

During the current fiscal year, total capital expenditures for the Group amounted to ¥8,618 million.

Total capital expenditures by business segment comprised ¥1,526 million for the Smart Infrastructure Business, ¥4,137 million for the Positioning Company, and ¥2,838 million for the Eye Care Business. Capital expenditures were mainly for research and development, enhancement of production systems, improvement of business efficiency, and investments for the purpose of updating molds and other items.

### Dividend policy

The Company places priority on the appropriation of profit in line with the growth in consolidated business results as a means of returning profits to shareholders. The Company’s basic dividend policy is to ensure a continuous and stable payment of dividends.

As a basic policy, the Company makes dividend payments twice per year in the form of interim and year-end dividends. The Company’s Articles of Incorporation also allow for dividends to be determined by the resolution of the Board of Directors rather than by the General Meeting of Shareholders, and provide the record date for the year-end dividend as March 31, and for the interim dividend as September 30 of each year, as well as allowing for the payment of dividends of surplus by determining a separate record date.

As for the dividends of surplus for the fiscal year ended March 31, 2023, under the basic policy of making the appropriation of profits in line with the growth in consolidated business results, the Company distributed the interim dividend of ¥20.00 per share (¥10.00 for the interim dividend for the previous fiscal year) and the year-end dividend of ¥22.00 per share (¥26.00 for the year-end dividend for the previous fiscal year), bringing the total full-year dividends to ¥42.00 per share (compared to ¥36.00 per share in the previous fiscal year).

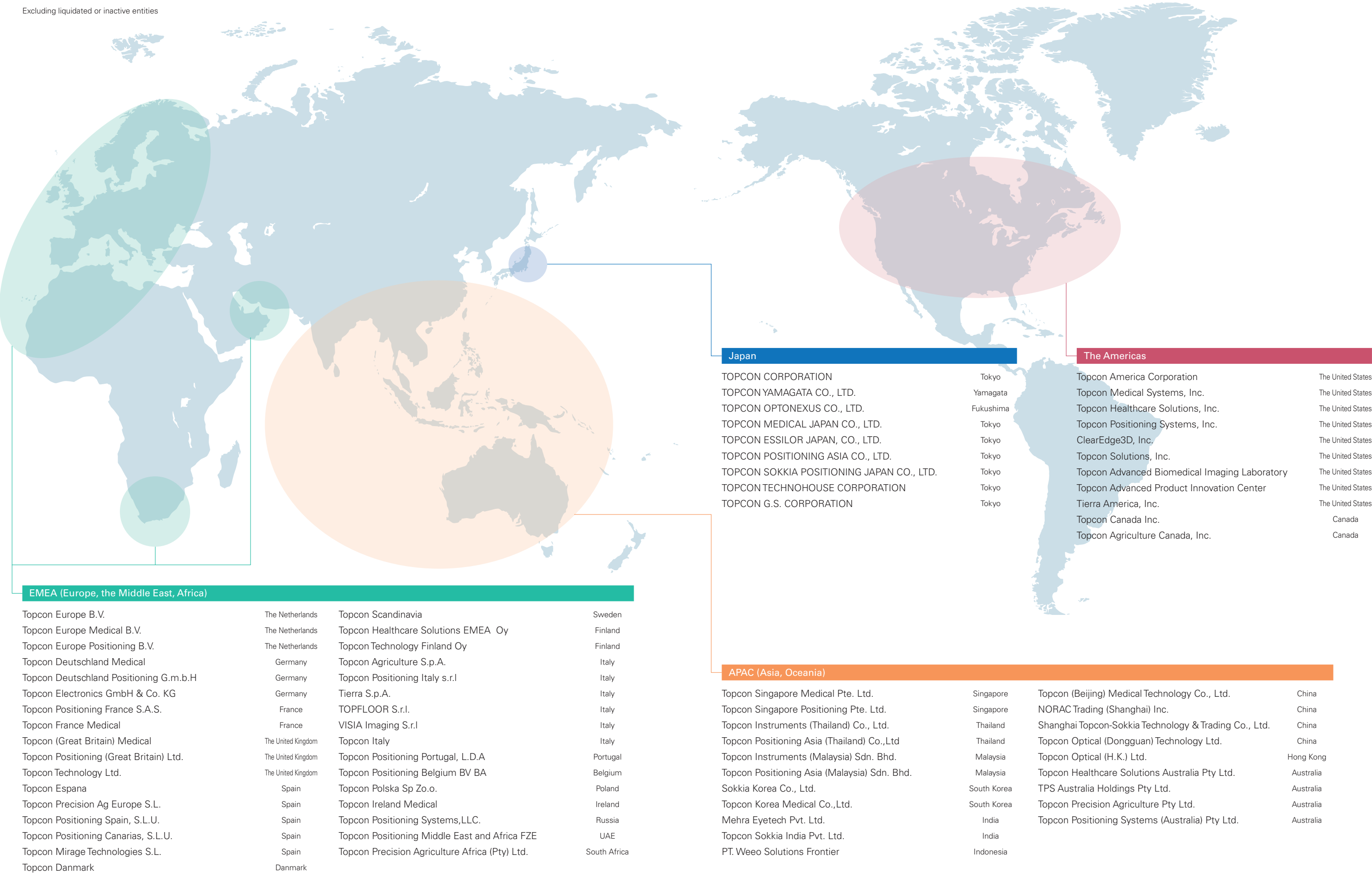
The Company intends to use effectively its internal reserves for the proactive development of its future businesses, including research and development as well as capital expenditures.



# Topcon Group List

As of today

Excluding liquidated or inactive entities





Corporate Profile and Stock Information

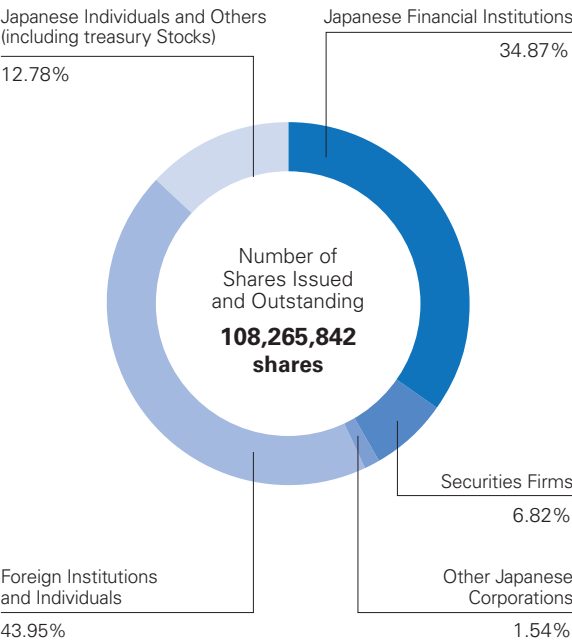
Number of Authorized Shares	160,000,000	Securities Code	7732
Number of Shares	108,265,842	Number of Shares Per Unit	100
Issued and Outstanding	(including 2,970,058 shares of treasury stock)	Transfer Agent for Common Stock	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo
Number of Shareholders	15,793	Ordinary General Meeting of Shareholders	June
Stock Exchange Listing	Prime Market, Tokyo Stock Exchange		

Major Shareholders (As of March 31, 2023)

Shareholder	Number of shares held	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	16,978,100	16.12
Custody Bank of Japan, Ltd. (Trust Account)	10,110,500	9.60
Morgan Stanley MUFG Securities Co., Ltd.	4,277,604	4.06
The Dai-ichi Life Insurance Company, Limited	4,038,000	3.83
THE BANK OF NEW YORK MELLON 140051	2,989,800	2.83
TAIYO FUND, L.P.	2,011,400	1.91
BNY GCM CLIENT ACCOUNT JPRD AC ISG(FE-AC)	1,969,731	1.87
THE BANK OF NEW YORK MELLON 140044	1,922,907	1.82
THE BANK OF NEW YORK MELLON 140042	1,611,263	1.53
Sumitomo Mitsui Banking Corporation	1,464,492	1.39

\* The Company's holding of treasury stock (2,970 thousand shares of the total number of issued shares) is not included in the above.  
\* Shareholding ratio is calculated by deducting the number of treasury stocks from total shares issued.

Breakdown by Type of Shareholders As of March 31, 2023



Corporate Profile (As of March 31, 2023)

Corporate Name	TOPCON CORPORATION	Paid-in Capital	¥16,780 million
Headquarters	75-1, Hasunuma-cho, Itabashi-ku, Tokyo 174-8580, Japan	Topcon Group	Consolidated subsidiaries 65 Equity method affiliates 9
Established	September 1, 1932	Employees	5,543 (consolidated) 718 (non-consolidated)

External Evaluations <https://www.topcon.co.jp/invest/awards/>

Inclusion in Index

**FTSE Blossom Japan Sector Relative Index**

**FTSE Russell**  
FTSE Blossom Japan Sector Relative Index

External evaluation of initiatives

**DXグランプリ2023 Digital Transformation**  
**DX Grand Prix 2023**  
Ministry of Economy, Trade and Industry  
Tokyo Stock Exchange  
**Selected as a DX Stock for four consecutive years**  
**Also chosen for the DX Grand Prix 2023**  
<https://global.topcon.com/news/11304/>

**THE ROBOT AWARD**  
Received an award for excellence in the Ninth Robot Awards program organized by the Ministry of Economy, Trade and Industry and others  
<https://www.topcon.co.jp/news/12655/> (in Japanese)

**2022 Nikkei Investor Relations Co., Ltd. All Markets Ranking in Japan**  
Selected as an AAA Website in All Markets Ranking, Nikkei IR's All Japanese Listed Companies' Website Ranking for FY2022  
[https://www.nikkei.co.jp/news/uploads/nkir\\_press\\_2022.pdf](https://www.nikkei.co.jp/news/uploads/nkir_press_2022.pdf) (in Japanese)

**Gomez IR Site Ranking 2022**  
Awarded a Silver Prize in the Gomez IR Site Overall Ranking for 2022  
<https://www.gomez.co.jp/ranking/ir/> (in Japanese)

**Selected for the Japanese Design Today 100**  
<https://www.topcon.co.jp/news/12655/> (in Japanese)

**Received the Minister of Economy, Trade and Industry Prize at the Sixth Japanese Medical Research and Development Awards**  
<https://www.topcon.co.jp/news/13145/> (in Japanese)

**Received an award in the 2023 World Intellectual Property Organization (WIPO) Awards Program**  
<https://www.topcon.co.jp/news/12676/> (in Japanese)

**LS-2000 3D laser scanner**

**Development and spread of Optical Coherence Tomography (OCT) contributing to the early detection of eye disease**

**Layout Navigator LN-100**

Share Prices and Trading Volume

