

The Third Mid-term Business Plan (FY2019 - FY2021)

April 26, 2019
TOPCON CORPORATION
President & CEO
Satoshi Hirano



The Third Mid-term Business Plan **(FY2019 - FY2021)**

- I . Topcon's Future Direction**
- II . The Second Mid-term Business Plan Review**
- III. The Third Mid-term Business Plan**
- IV. Growth strategy by Business**

I . Topcon's Future Direction

Topcon's Future Direction

Vision

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

Long-term Goal

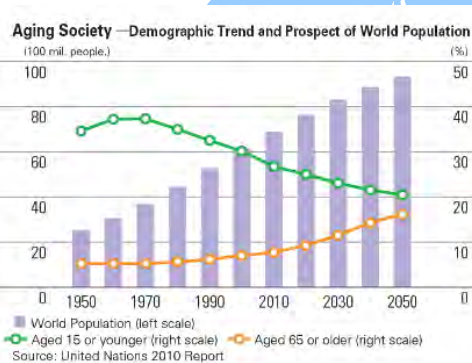
FY2025 Sales ¥250B, ROE over 15%



Societal challenges to be addressed by Topcon



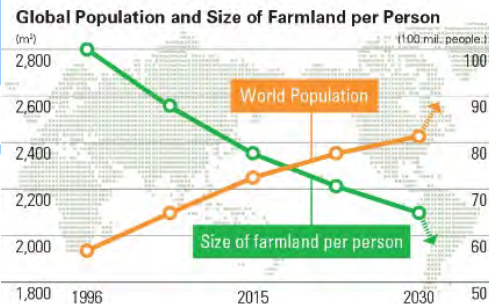
Global Ageing Population



Increasing Eye Disease



Global Population Increase

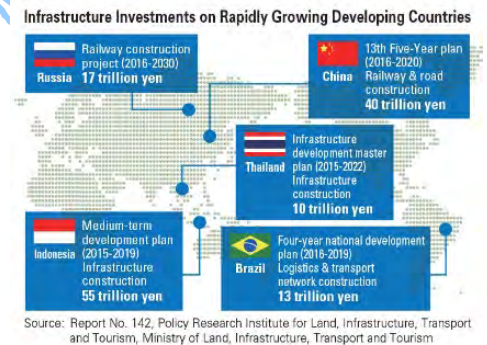


Source: Topcon's estimates based on Food and Agriculture Organization of the United Nations (FAO)

Food Shortage



Global Demand on Infrastructure



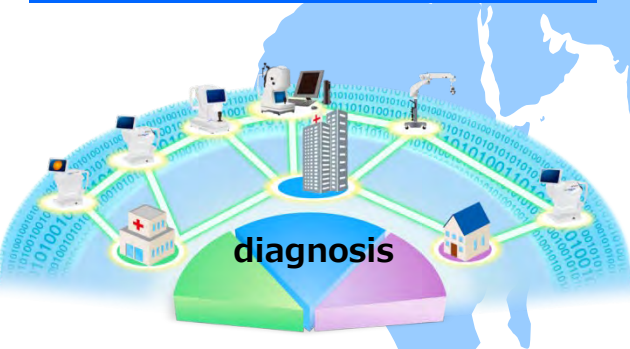
Engineer Shortage

Ruiz-Nunez, Zichao "Infrastructure Investment Demands in Emerging Markets and Developing Economies"

Topcon's solution for the societal challenges



Creation of eye
disease screening



Prevention

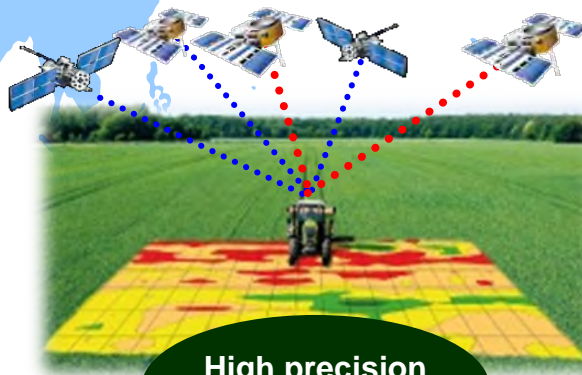
Early detection
of diseases

Prognosis

Medical efficiency
improvement



Automation of
farm works



High precision
/Labor saving

Production/Quality
improvement



Automation of
construction works

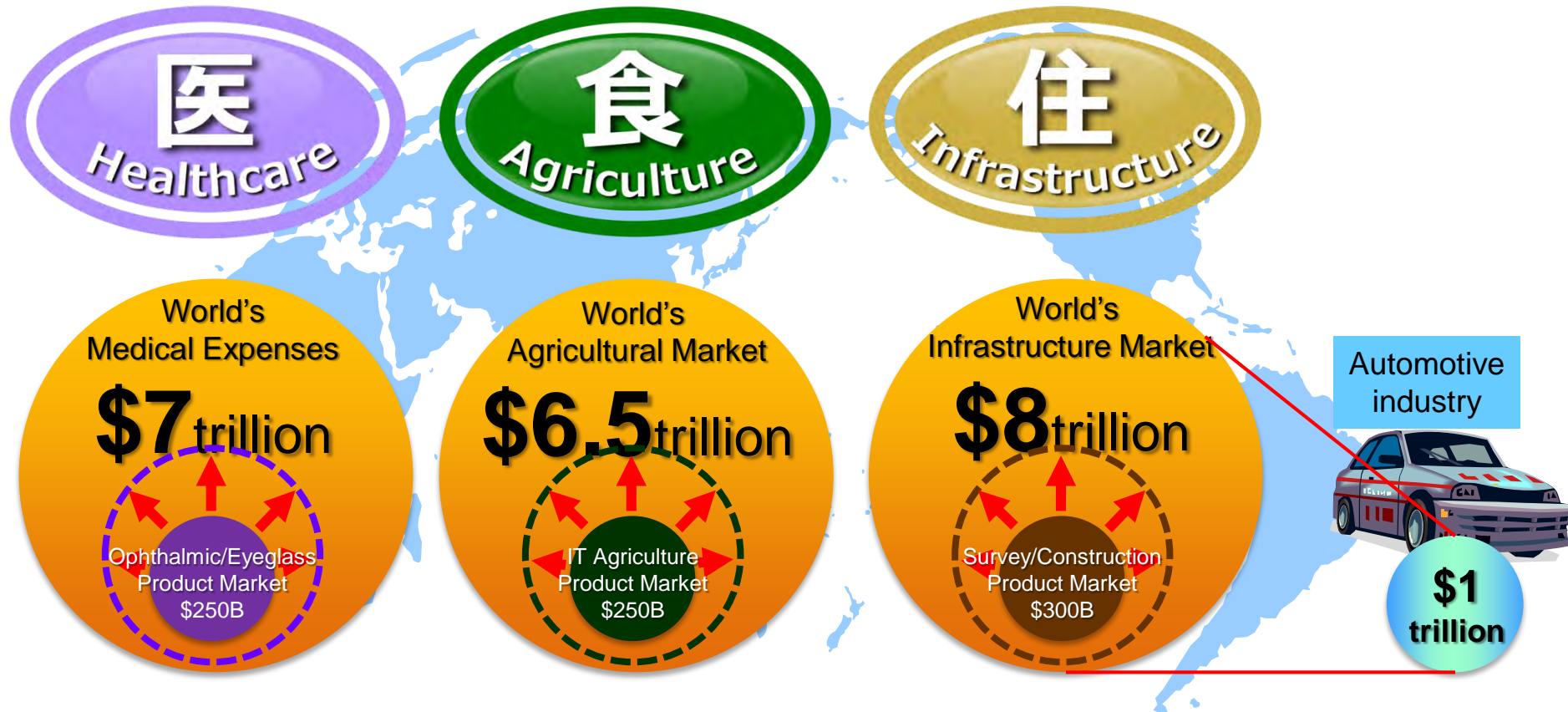


High skilled worker
unnecessary
/High-precision

Solution to labor
shortage

Topcon's Future Direction

Although Healthcare, Agriculture and Infrastructure are **major industries**, they are **way behind in automating the process and adopting IT!**



II . The Second Mid-term Business Plan Review

The Second Mid-term Business Plan

(FY2016 - FY2018)

Accelerating Growth Strategy to a New Stage

Strategy 1

**Strengthening
the Management
Structure**

Strategy 2

**Advancement of
the Growing Business**

Strategy 3

**Creation of a
Subscription
Business Model**

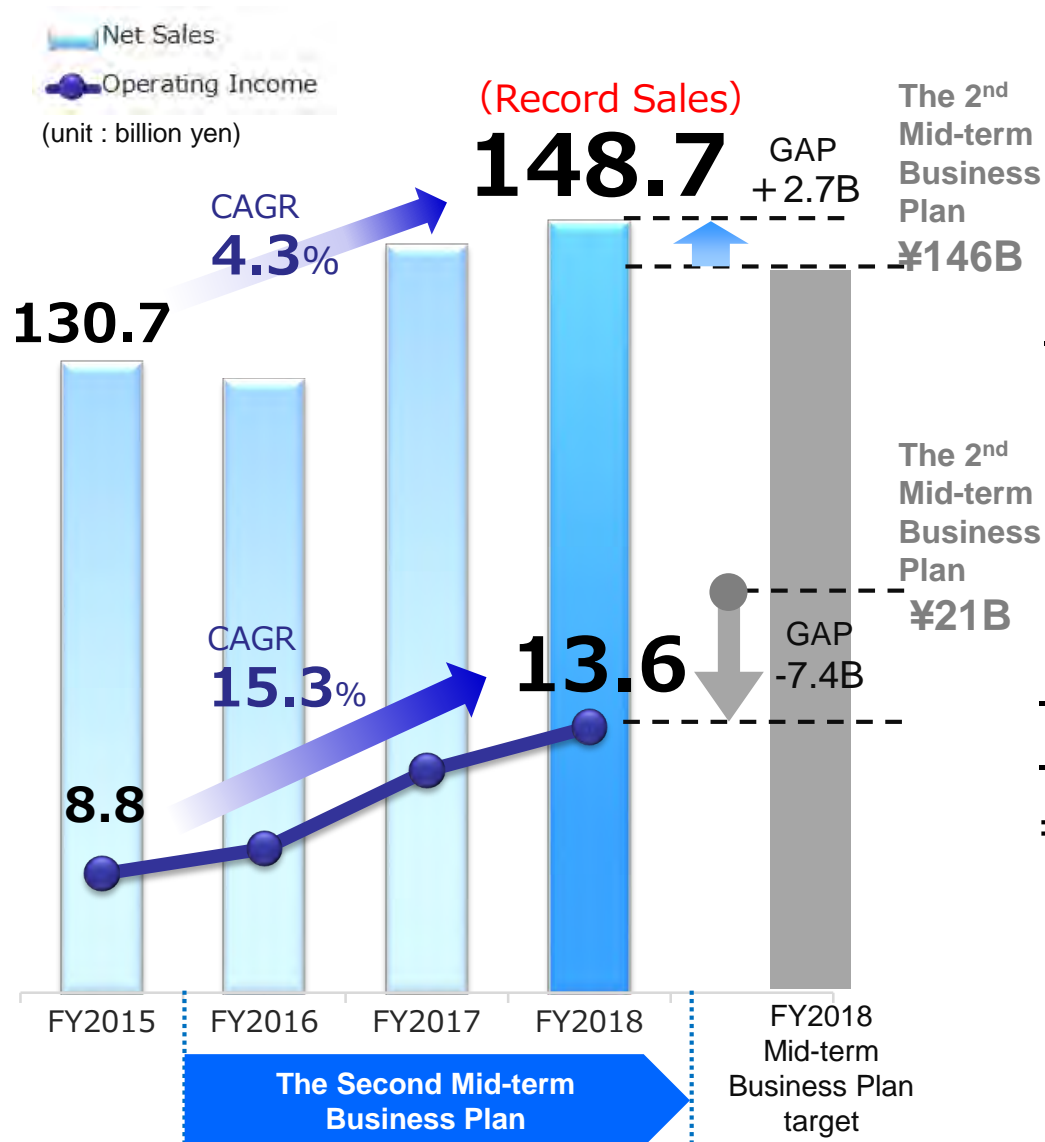
Aim for ROE20%!

The Second Mid-term Business Plan Review

Strategy 1
Strengthening
the Management
Structure

Strategy 2
Advancement of
the Growing Business

Strategy 3
Creation of a
Subscription
Business Model



Net Sales

- Achieved the sales goal as planned according to growth strategy!

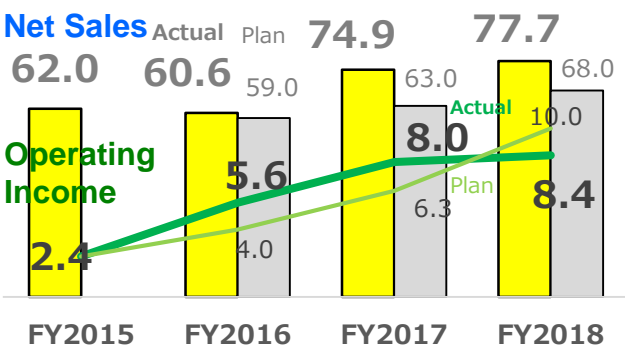
Operating Income

- Achieved significant profit growth
- Not reached Second Mid-term plan
⇒ Prioritized the strategic investment

The Second Mid-term Business Plan Review



(unit:billion yen)



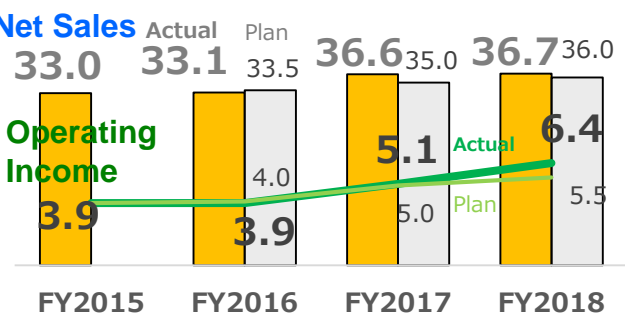
Positioning

Net Sales

- Significant revenue growth
- Achieved Mid-term plan

Operating Income

- Significant OP growth
- Achieved cumulative 3 year total in spite of temporal market stagnation in FY18



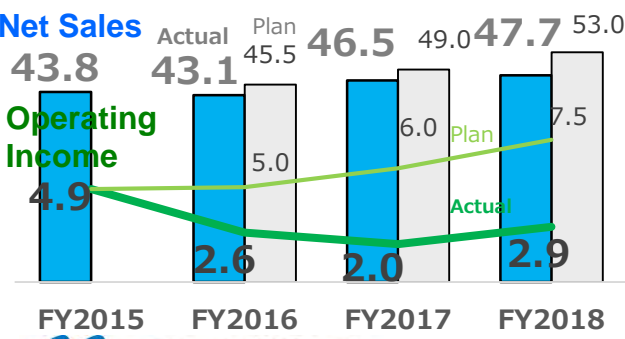
Smart Infrastructure

Net Sales

- Revenue increase
- Achieved Mid-term plan

Operating Income

- Significant OP growth
- Improvement of profitability
- Achieved Mid-term plan



Eye Care

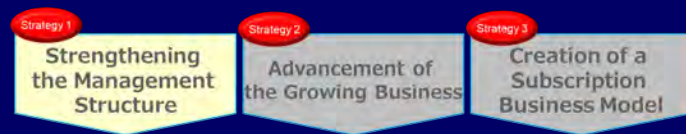
Net Sales

- Revenue increase
- Growth of 3D OCT sales
- Not reached Mid-term plan

Operating Income

- Not reached Mid-term plan: Strategic upfront investment
- Confidence in Screening Business

The Second Mid-term Business Plan Review



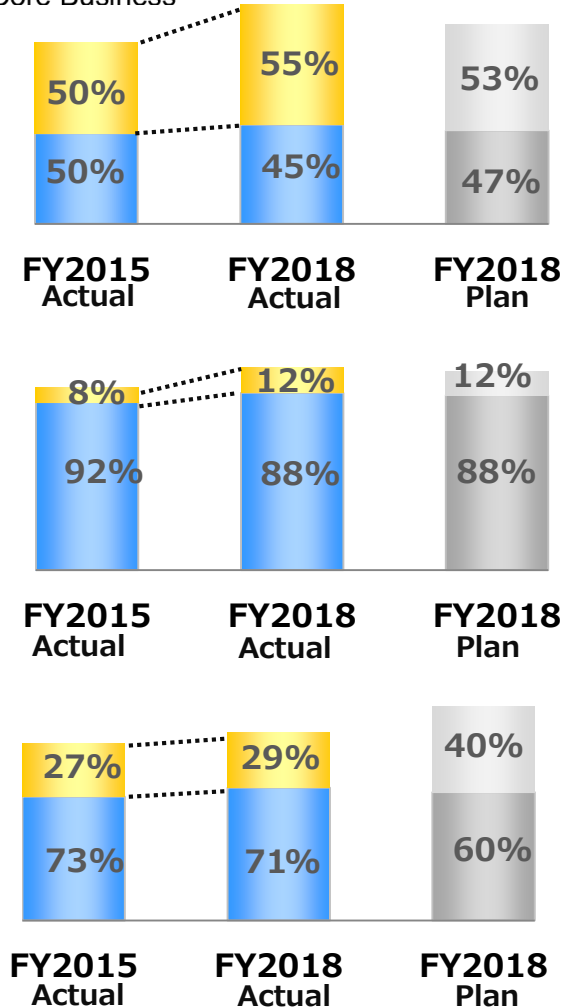
	The First Mid-term Business Plan		The Second Mid-term Business Plan	
	Actual		Actual	Plan
Management efficiency	FY2013-15		FY2016-18	FY2016-18
Effect of improving operating income over 3 year period	¥4.3B		¥5.5B	¥6.0B
Cash Flow				
Operating CF over a 3 year period	¥29.4B		¥47.2B	¥52.0B
Capital efficiency	FY2015		FY2018	FY2018
ROE	6.9%		9.8%	15%
Shareholder Return	The Second Mid-term Business Plan			
Dividend/Payout Ratio	FY2016	FY2017	FY2018	FY2018
	¥16/39%	¥20/35%	¥24/39%	¥24/39%

The Second Mid-term Business Plan Review



Advancement of the Growing Business

■ Growing Business
■ Core Business



Positioning

Achieved

Advanced Growing Business

● IT Construction

Expansion of OEM Business by differentiated technology

● IT Agriculture

Further expansion of after market and OEM

Smart Infrastructure

Achieved

The "IT wave" came to Japan

● i-Construction

Opened 4 training centers nationwide to facilitate the spread of i-Construction in Japan

● IT Agriculture in Japan

Took a lead to develop the market by promoting Auto Steering System (after market)

Eye Care

Confidence on Launch of Screening Business

● Screening Business

- Foreign optical chain store deployed the Maestro
- Initiated autonomous AI diagnosis (for D.R.) in the US
- Established software development subsidiary in the US
- Launched new IoT platform

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

The Second Mid-term Business Plan Review

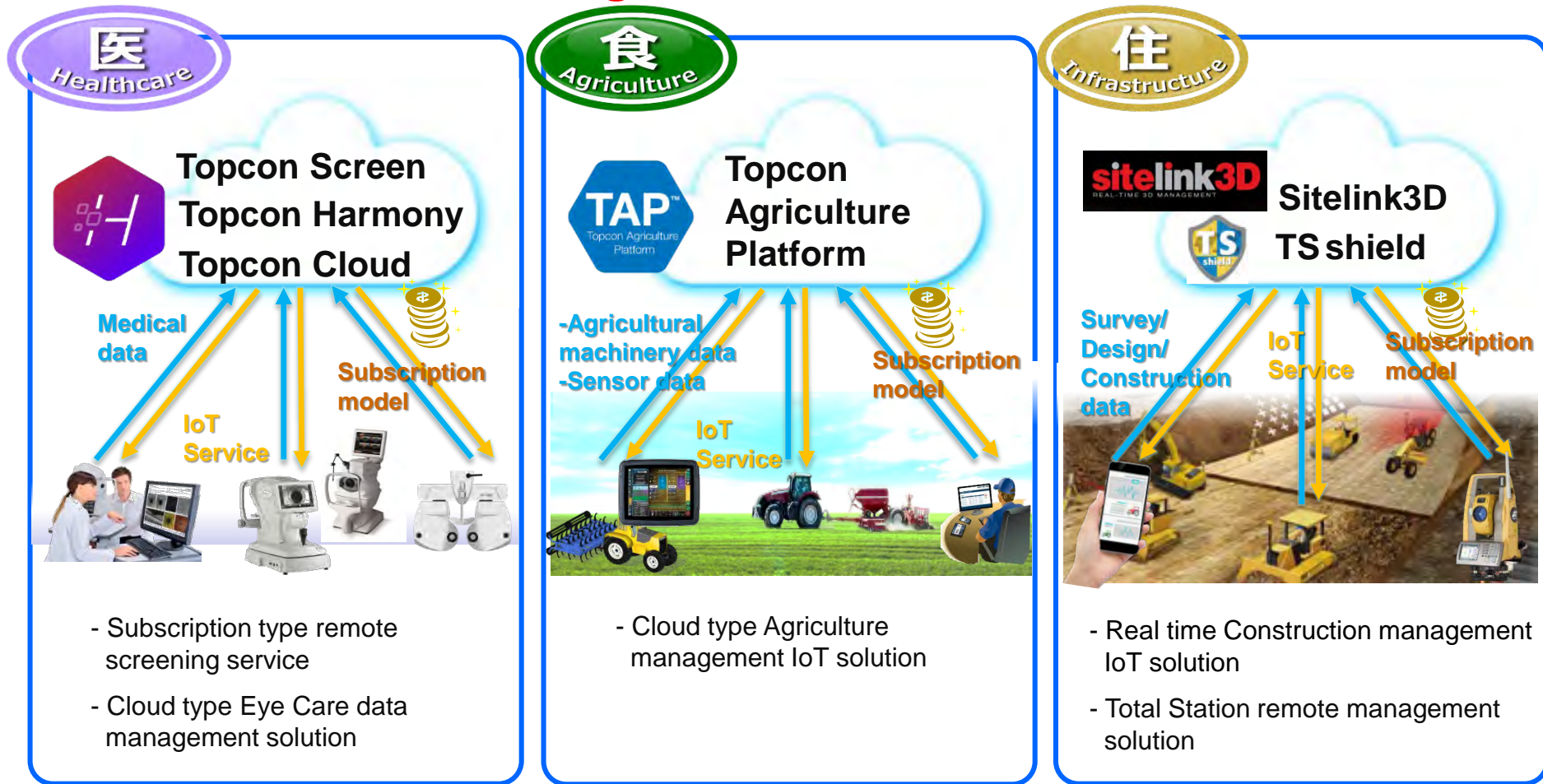
Strategy 1
Strengthening
the Management
Structure

Strategy 2
Advancement of
the Growing Business

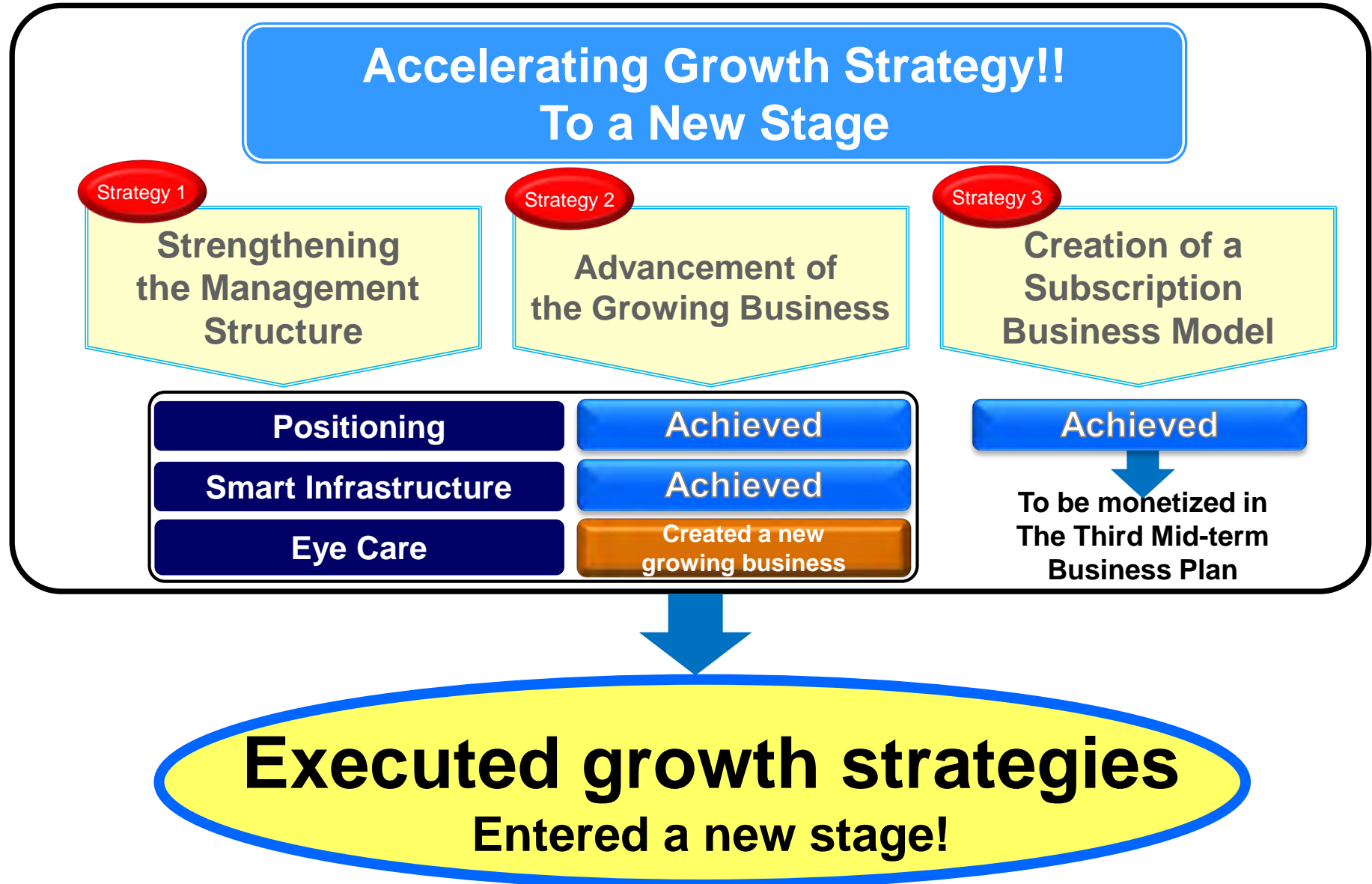
Strategy 3
Creation of a
Subscription
Business Model

Creation of a Subscription Business Model **Achieved**

**Built a Subscription Business platform in all segments,
Healthcare, Agriculture and Infrastructure!**



The Second Mid-term Business Plan Review Summary



Ⅲ. The Third Mid-term Business Plan

The Third Mid-term Business Plan

**Long-term
Goal**

FY2025 Sales ¥250B, ROE over 15%

The Third Mid-term Business Plan (FY2019 - FY2021)

Acceleration of Growing Business

Strategy 1

Acceleration of
business development
in the **growing market**

Strategy 2

Strengthen
profitability of
Core Business

Strategy 3

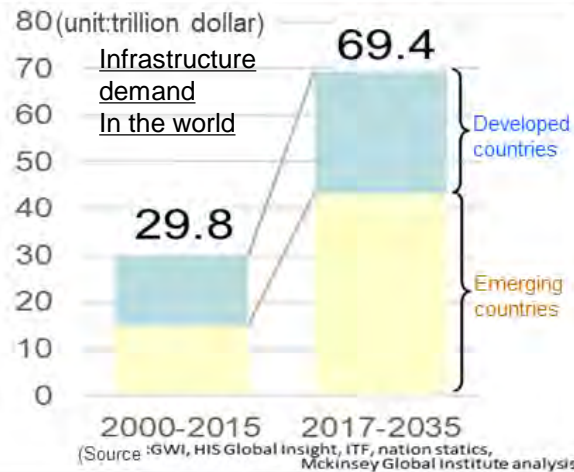
Creation of
new potential market

Aim for ROE15%

Societal Challenge

Shortage of skilled workers

Increasing demand for Infrastructure



Shortage of skilled worker in construction

Solution

Automation of construction

by robotization of construction machinery and unification of work flow

- Productivity improvement
- Elimination of labor shortage



Topcon's unique technology

① IT Construction technology

⇒ Machine Control System utilizing precision GNSS technology

② 3D Measurement technology

⇒ Sensor digitization which realize unification of work flow

IT Construction Machinery



Dozer system

3D printer robot



Excavator system

3D Measurement

Precision GNSS



Terrestrial Surveying Instruments



UAV

Aerial photogrammetry

Market size estimation

IT Construction machinery

Dozer system



- Annual Production volume : approx. 25K units per year
- Applicable model : upper 20%
- Expected product lifetime : 8 years (after market)

Excavator system

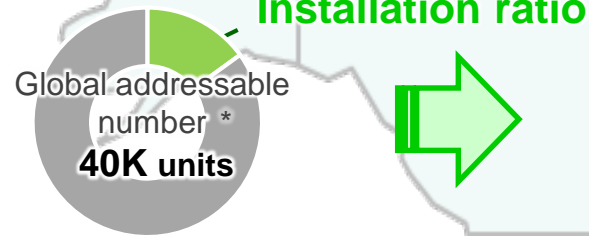


- Annual Production volume : approx. 300K units per year
- Applicable model : upper 8%
- Expected product lifetime : 8 years (after market)

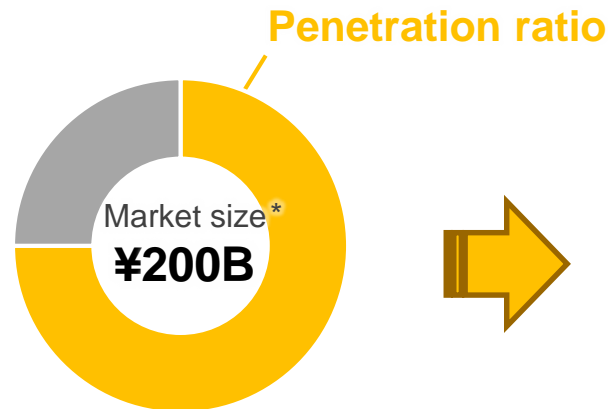
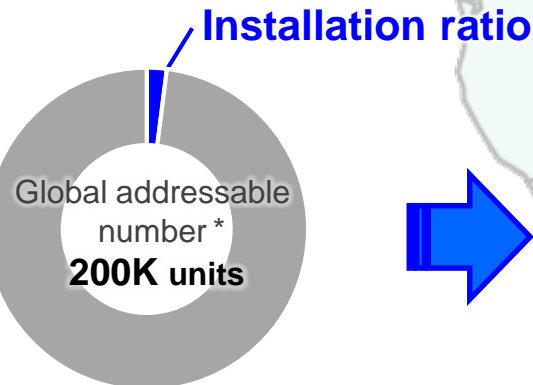
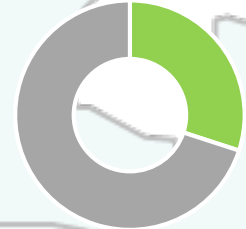
3D Measuring instruments



FY2018



FY2025

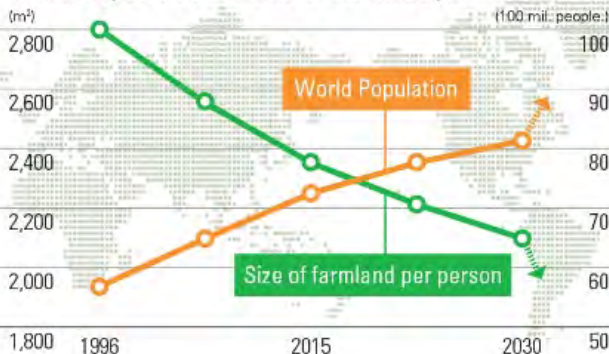


Societal Challenge

- Food Shortage
- Shortage of skilled workers

- Global population increase
- Decreasing size of farmland per person

Global Population and Size of Farmland per Person



Source: Topcon's estimates based on Food and Agriculture Organization of the United Nations (FAO)



Food shortage



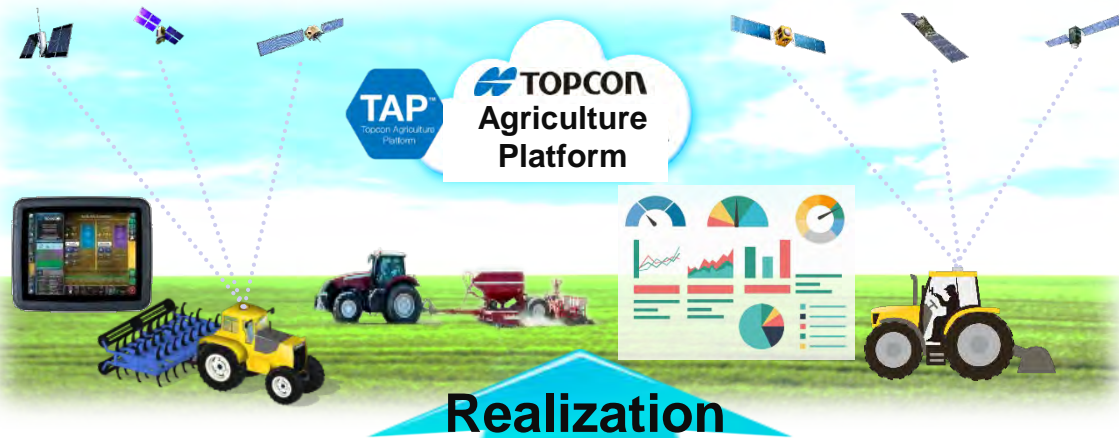
Population aging /
Decreasing of skilled worker

Solution

Automation of Agriculture

by automation of steering and unification of data management

Improvement of productivity and quality



Topcon's unique technology

① IT Agriculture machinery

⇒ Auto-steering system utilizing precision GNSS technology

② Optical Sensor technology

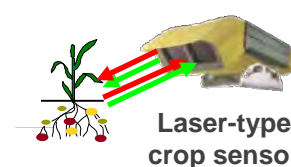
⇒ Digitization by crop monitoring sensor and yield sensor

IT Agriculture system

Auto-Steering system for farm machinery



Optical sensor technology



Market size estimation

IT Agriculture machinery

Auto-steering systems for tractor

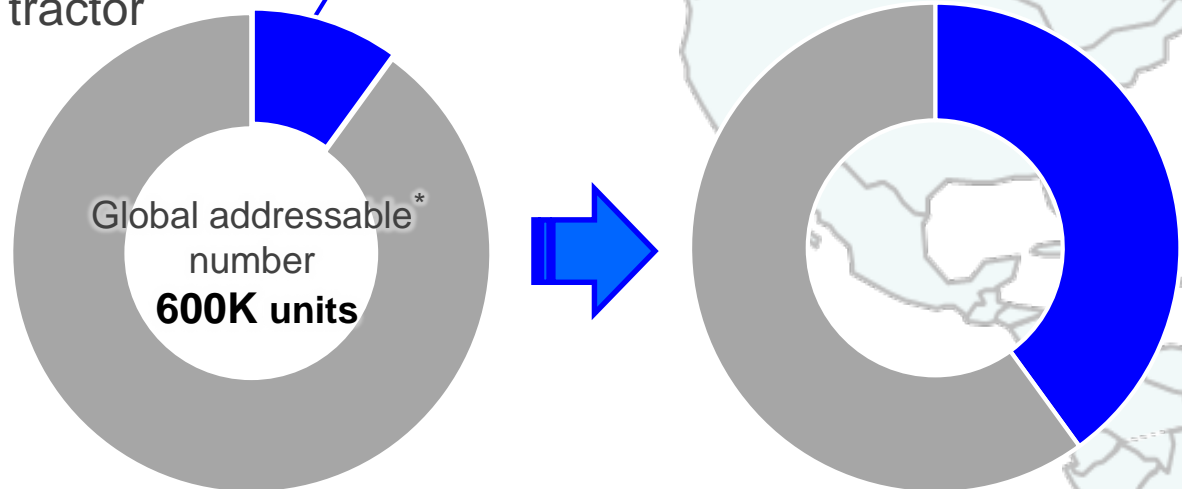


- Annual Production volume : approx. 1.5M units per year
- Applicable model : upper 5%
- Expected product lifetime : 8 years (after market)

FY2018

FY2025

Installation ratio



*Estimated by Topcon