Editorial Policy: About the Disclosure of Our CSR-Related Information

Since 2006, the TOPCON Group has been making efforts to convey its CSR information to all of the stakeholders. This volume seven of our CSR report features how our group had worked on a solution to the Great East Japan Earthquake.

As a participant in the UN Global Compact (GC), the TOPCON Group is required to present an annual “Communication on Progress (COP)” report, in which a company describes how it deals with the 10 Principles of the GC (e.g. human rights, labor, the environment, and anti-corruption, as mentioned on page 17). The CSR Report 2012 is actually designed to serve as a COP report.

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**Joining Forces with Our Stakeholders**

Topcon will appropriately disclose information to shareholders in a timely manner, work to build a relationship of trust with them, and continually strive to improve our corporate value.

As it is indicated in “TOPCON WAY” and Code of Business Conduct, the TOPCON Group makes every effort to cultivate a relationship of trust with our stockholders and other stakeholders by disclosing appropriate and timely information in accordance with laws and regulations stipulated by the stock exchange.

- In April 2012, the Management Vision, Management Policy and Business Conduct Guidelines were integrated and streamlined into the “TOPCON WAY”, a newly-defined fundamental principle of the TOPCON Group.

  ![Image](http://www.topcon.co.jp/en/corporate/philosophy/ ("TOPCON WAY")

- The Social and Environmental Activities (CSR) page contains the PDF file of this and previous CSR reports, as well as additional environment-related information not covered in the CSR report, and our Business Conduct Guidelines and CSR Policy.

  ![Image](http://global.topcon.com/csr/ (CSR)

- Environmental Impact of the TOPCON GROUP

  ![Image](http://global.topcon.com/csr/code/index.html (TOPCON Code of Business Conduct)

- The Investor Relations page provides information about stocks and financial performance. R website award that TOPCON has received and so on.

  ![Image](http://global.topcon.com/invest/ (Intructor Relations)

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**Financial Information**

**Consolidated Sales**

<table>
<thead>
<tr>
<th>(100 million yen)</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>1,108</td>
<td>1,126</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PBU</td>
<td>509</td>
<td>589</td>
<td>549</td>
<td>515</td>
<td>526</td>
</tr>
<tr>
<td>EBU</td>
<td>599</td>
<td>558</td>
<td>577</td>
<td>555</td>
<td>559</td>
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**Operating Income, Net Income**

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<thead>
<tr>
<th>(100 million yen)</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
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<tr>
<td>Total</td>
<td>77</td>
<td>14</td>
<td>17</td>
<td>20</td>
<td>36</td>
</tr>
<tr>
<td>PBU</td>
<td>60</td>
<td>11</td>
<td>16</td>
<td>19</td>
<td>25</td>
</tr>
<tr>
<td>EBU</td>
<td>17</td>
<td>3</td>
<td>7</td>
<td>8</td>
<td>11</td>
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**Sales by Region**

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<th>(100 million yen)</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia and Oceania</td>
<td>94</td>
<td>101</td>
<td>105</td>
<td>110</td>
<td>116</td>
</tr>
<tr>
<td>Japan</td>
<td>96</td>
<td>100</td>
<td>105</td>
<td>110</td>
<td>116</td>
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<tr>
<td>North America</td>
<td>116</td>
<td>120</td>
<td>125</td>
<td>130</td>
<td>135</td>
</tr>
</tbody>
</table>

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**Company Overview**

- **Corporate name**: TOPCON CORPORATION
- **Established**: September 1, 1932
- **Location of the head office**: 75-1, Hatanuma-cho, Itabashi-ku, Tokyo
- **President**: Norio Uchida, President
- **Capital**: 10,297 million yen (as of March 31, 2012)

**Topcon Group**

- **Europe**: 18 companies (629 employees)
- **Asia and Oceania**: 14 companies (230 employees)
- **Japan**: 4 companies (871 employees)
- **North America**: 9 companies (782 employees)
Message from Top Management

Thanks to your continued cooperation, the TOPCON Group will celebrate the 80th anniversary in 2012. Sincerely, I would like to thank all of you - those who have business relations with us in the international and local communities - for the trust and support provided to us. We aim to achieve profitable sustainable growth on the basis of the “TOPCON WAY” - established as a management vision shared by all the group companies and through a further reformation in the business constitution and corporate culture. In addition, our intention will cover years of contribution to the human society by searching for the possibilities of light, which covers a wide range of wavelengths from X-ray to radio wave (that is, the core technology of our group) and by creating new values through what we call the “TM-1 (Time to Market No.1)” products, namely that is to resolve the customers’ needs which have not yet being solved.

We will also try to keep being trusted by all of our stakeholders by having the spirit of innovation (which foresees any changes in advance and takes them in advance) and by complying with laws and regulations, as well as social norms and ethics.

The TOPCON Group will improve its corporate values by delivering products with the best possible quality; helping the customers with corporate growth; achieving mutual prosperity with the business partners in terms of mutual trust and linkage; building a company in which its employees take pride; contributing to construct a sustainable market through harmonious coexistence with the international and local communities; and disclosing suitable information to its stockholders and investors on a timely basis.

Regarding relationships with international and local communities, we will assent to the principles of the UN Global Compact, in which we have participated since 2007, and make a contribution to the sustainable growth of a sound international market.

The TOPCON Group’s aim is to remain a constant market creator in each business region by depicting clear growth stories for businesses, nurturing people capable of implementing such stories, and expanding the businesses continuously with these people.

To take another step, the TOPCON Group will endeavor to raise the corporate value, aim to become "a truly global and a truly excellent company”, and propel its speedup management.

TOPCON CORPORATION
President

CSR Mind

Basic policy for CSR

1. TOPCON will locate CSR activities in the center of business and work on it intentionally in order to build, share and implement the sense of values and standards suitable for global standards.

2. TOPCON will, to the extent of our influence, support and implement the rules and regulations that globally approved and supporting Human Rights, Labor Standards, Environment, and Anti-Corruption as declared in THE GLOBAL COMPACT.

3. TOPCON will make a social contribution voluntarily and actively through developments, production, sales and services of useful products.

4. TOPCON will promote an environmental management through the creation of environmentally-conscious business processes and through providing with environmentally-conscious products and services.

5. TOPCON will strive to establish CSR activities in every office and employee’s daily work and to introduce and establish them within global TOPCON group companies.

6. TOPCON will acquire understanding and confidence of all the stakeholders of TOPCON group companies by providing with information actively.

Relationship between stakeholders and the TOPCON GROUP

Building the basic policy for CSR, the TOPCON Group offers products and services that will help address social challenges.

At the same time, the TOPCON Group attaches great importance to communications with its stakeholders and endeavors to make social contributions through its business activities.

Structure of Promoting CSR

03

TOPCON Group Corporate Social Responsibility Report 2012

04

http://global.topcon.com/about/philosophy/ (“TOPCON WAY”)

The “TOPCON WAY” defines a set of values, decision-making criteria and overriding principles that all executives and employees of the TOPCON Group share beyond the national and corporate boundaries.

Clause 1 defines the principle of our existence; Clause 2 clarifies the prerequisite for our existence; and Clauses 3 to 7 declare our relationships with our stakeholders.

The word “light” in Clause 1 refers to a wide range of technologies in the area of radio waves, infrared rays, visible light, ultraviolet rays and X-rays.
### The measure and target of CSR

The TOPCON CSR Committee reviews and evaluates our own activities year-by-year and sets goals and plans for the next year. Fiscal 2011 saw a variety of activities, a review of the TOPCON WAY, a review of the Business Continuity Plan (BCP) which focused on a continuing supply, or the measures to reduce the in-house smoking rate.

<table>
<thead>
<tr>
<th>Items</th>
<th>Key Goals and Plans for FY2011</th>
<th>Key Achievements in FY2011</th>
<th>No.</th>
<th>Key Goals and Plans for FY2012</th>
<th>Comparison with CSR Ten Principles</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Corporate Governance</strong></td>
<td>• Disseminating the Corporate Governance Principles and the “TOPCON WAY”</td>
<td>• Disseminated (5th year)</td>
<td>1</td>
<td>• Disseminating the Corporate Governance Principles.</td>
<td>Principle 1 to 10</td>
</tr>
<tr>
<td></td>
<td>• Holding seminars on the Corporate Governance Principles and CSR</td>
<td>• Held the seminars</td>
<td>2</td>
<td>• Holding seminars on the Corporate Governance Principles and CSR education program</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Disseminating the TOPCON Code of Business Conduct across the TOPCON Group</td>
<td>• Disseminated</td>
<td>3</td>
<td>• Disseminating the TOPCON Code of Business Conduct within the TOPCON Group</td>
<td></td>
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<tr>
<td><strong>Risk Compliance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td>• Revising the BCP (Continued)</td>
<td>• Revising the BCP</td>
<td></td>
<td></td>
<td>Principle 1, 6</td>
</tr>
<tr>
<td></td>
<td>• Clarifying and implementing the BCP, based on expected stormwater power drainage</td>
<td>• Clarifying and implementing the BCP, based on expected stormwater power drainage</td>
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<td></td>
<td>• Compliance with the statutory employment rate for persons with disabilities</td>
<td>• Employment rate of persons with disabilities</td>
<td></td>
<td>• Improvement of employment rate for persons with disabilities</td>
<td>Principle 1</td>
</tr>
<tr>
<td></td>
<td>• Reviewing the content of continuing Risk Compliance seminars</td>
<td>• Held seminars according to plan</td>
<td></td>
<td>• Reviewing the contents and continuing the Risk Compliance seminars</td>
<td></td>
</tr>
<tr>
<td><strong>Responsibilities to Customers</strong></td>
<td>• Developing and releasing new products through promotion of ISO 14001 activities (Continued)</td>
<td>• Developed and released new products</td>
<td></td>
<td>• Developing and releasing new products through promotion of ISO / activities (Continued)</td>
<td>Principle 1</td>
</tr>
<tr>
<td></td>
<td>• Improving the total quality assurance system across group companies (Continued)</td>
<td>• Improved the total quality assurance system</td>
<td></td>
<td>• Improving the total quality assurance system across group companies (Continued)</td>
<td>Principle 3</td>
</tr>
<tr>
<td></td>
<td>• Conducting the Technology-Technology innovation project to shorten development times and improve quality</td>
<td>• Conducted</td>
<td></td>
<td>• Conducting the Technology-Technology innovation project to shorten development times and improve quality</td>
<td>Principle 3</td>
</tr>
<tr>
<td></td>
<td>• Promoting prompt feedback of customer information (Continued)</td>
<td>• Conducted</td>
<td></td>
<td>• Promoting prompt feedback of customer information (Continued)</td>
<td>Principle 3</td>
</tr>
<tr>
<td><strong>Responsibilities to Business Partners</strong></td>
<td>• Further extending applications of the RoHS compliance assurance system to overseas suppliers and partners (Supplement suppliers)</td>
<td>• Conducted as planned</td>
<td></td>
<td>• Further extending applications of the RoHS compliance assurance system to overseas suppliers (Supplement suppliers)</td>
<td>Principle 3</td>
</tr>
<tr>
<td></td>
<td>• Conducting measures for reducing metallic syndrome cases as planned (Continued)</td>
<td>• Conducted</td>
<td></td>
<td>• Conducting measures for reducing metallic syndrome cases as planned (Continued)</td>
<td>Principle 3</td>
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<tr>
<td><strong>Responsibilities to Employees</strong></td>
<td>• Providing environmental consciousness and resource-saving products, and products and services for improving medical care, health care and life in general (Continued)</td>
<td>• Provided products that would help address social issues (reconstruction of the areas affected by the Great East Japan Earthquake, population aging, resource depletion).</td>
<td></td>
<td>• Providing products that would help address social issues (reconstruction of the areas affected by the Great East Japan Earthquake, population aging, resource depletion).</td>
<td>Principle 4, 5</td>
</tr>
<tr>
<td></td>
<td>• Conducting management and advisory institutes (product donation and sponsor activity (Continued))</td>
<td>• Conducted</td>
<td></td>
<td>• Conducting management and advisory institutes (Continued)</td>
<td></td>
</tr>
<tr>
<td><strong>Environmental Management and Systems</strong></td>
<td>• Environmental auditing: 11 companies</td>
<td>• Conducted</td>
<td></td>
<td>• Environmental auditing: 11 companies</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Increasing the number of companies to be audited Environmental auditing: 13 companies (Continued)</td>
<td>• Conducted</td>
<td></td>
<td>• Increasing the number of companies to be audited Environmental auditing: 13 companies (Continued)</td>
<td></td>
</tr>
<tr>
<td><strong>Sustainable Products and Services</strong></td>
<td>• Providing environmentally conscious products</td>
<td>• Provided environmentally conscious products</td>
<td></td>
<td>• Providing environmentally conscious products</td>
<td>Principle 4, 5</td>
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<tr>
<td></td>
<td>Over 54% of sales</td>
<td>Over 54% of sales</td>
<td></td>
<td>Over 54% of sales</td>
<td></td>
</tr>
<tr>
<td><strong>Establishing Environmental Conscious Business Practices</strong></td>
<td>• Implementation of measures against global warming (Reduction in CO2 emissions)</td>
<td>• 5.5% reduction from the previous year (to comply with Tokyo metropolitan ordinance)</td>
<td></td>
<td>• 24.2% reduction from the previous year (to comply with Tokyo metropolitan ordinance) (Target achieved)</td>
<td>Principle 1, 7, 8, 9</td>
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<tr>
<td></td>
<td>• Effective use of resources (Continued)</td>
<td>• Continuing zero-emission efforts (less than the previous year)</td>
<td></td>
<td>• Continuing zero-emission efforts (less than the previous year) (5th year)</td>
<td>Principle 4</td>
</tr>
<tr>
<td></td>
<td>• Management of chemical substances</td>
<td>• Management of chemical substances</td>
<td></td>
<td>• Management of chemical substances</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Strengthening of cooperation with administration and local residents</td>
<td>• Strengthening of cooperation with administration and local residents</td>
<td></td>
<td>• Strengthening of cooperation with administration and local residents</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Providing information to stockholders and investors</td>
<td>• Provided</td>
<td></td>
<td>• Providing information to stockholders and investors</td>
<td>Principle 1</td>
</tr>
<tr>
<td></td>
<td>• Maintaining external evaluations and increasing analyst coverage</td>
<td>• Maintaining external evaluations and increasing analyst coverage</td>
<td></td>
<td>• Maintaining external evaluations and increasing analyst coverage</td>
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<td><strong>Communication</strong></td>
<td></td>
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<td></td>
<td>• Issuing TOPCON Group CSR Report (Continued)</td>
<td>• Issued</td>
<td></td>
<td>• Issuing the CSR Information (CSR IPR-OHCD) (Continued)</td>
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<td>• Issuing the CSR Information (CSR IPR-OHCD) (Continued)</td>
<td>• Issued</td>
<td></td>
<td>• Issuing the CSR Information (CSR IPR-OHCD) (Continued)</td>
<td></td>
</tr>
</tbody>
</table>

Legend in the Self-Assessment column: Of the three marks used, basically, ○ means “the target is 100% met”; □ means “the target is partly met, or there is room for improvement”; and △ means “the target is not met.”

**General Overview of CSR Activities in 2011**

- **During fiscal 2011**, the effect of the Great East Japan Earthquake forced us to take measures against power saving and review our production system. However, at the same time, we conducted a variety of activities under the newly-introduced slogan of the TOPCON WAY.
  - Overall, we managed to achieve the targets fully, except that we had to give the failing “△” to those “not achieved” items in some areas. These include the employment rate for the physically-handicapped people in the Risk Compliance, as well as the environmental auditing for group companies and the unification and expansion of ISO certification. During fiscal 2012, we would like to focus on these items in addition to the re-setting of targets.

**“TOPCON WAY”**

In April 2011, the TOPCON Group established the “TOPCON WAY” as a newly-defined fundamental principle by integrating and rearranging the conventional Management Vision, Management Policy, and Business Conduct Guidelines. The purpose is to allow each employee in the group to implement the TOPCON WAY concept so that they can obtain understanding and trust of all stakeholders. **“TOPCON WAY” is posted on page 3**
Meeting Responsibility for Earthquake Countermeasures

Reconstruction of the affected area and the Topcon products

For one year since the occurrence of the Great East Japan Earthquake last year, the Tohoku region has seen steady efforts of recovery and reconstruction through the infrastructure improvement. Products from our Positioning Business Unit play a major role in the civil engineering work of roads, railways, rivers, and harbors, as well as the maintenance of reference point surveying or the restoration of land boundaries. These efforts of infrastructure improvement are expected to achieve as early reconstruction as possible in the earthquake-affected areas, along with the proactive approach in location survey, computerization, mobile mapping, and many other aspects.

Supporting Reconstruction through Individual Products

Using IP-52 Lite to Draw Maps for Earthquake-Affected Areas

Our mobile mapping system, called the IP-52 Lite, made a contribution to the Geographical Survey Institute when it wanted to understand the situation of the earthquake-affected areas. The IP-52 Lite has a built-in 360-degree camera, which makes it possible to shoot the situation of affected areas and interlock planar maps with the resulting motion data. The result is a detailed map for affected areas, making it possible to measure the height, width, and other dimensions of the target object, which are unattainable from conventional aerial photos.

For any area having data from the Google Street View, it is also possible to make a detailed comparison with respect to the pre-disaster situation. Take a look at this map for affected areas, which helps you understand the situation of affected areas, because choosing any location on the PC screen makes it possible to see the situation of the particular location in the form of motion images. Motion data is interlocked with the GIS at the back of map information, which enables easy creation of a database for the situation of affected areas. It is also possible to manage changes in a temporal sequence by dividing the situation of affected areas into the layers of individual images.

The Geographical Survey Institute conducts damage analysis by, for example, making effective use of the function that measures the height of a tsunami wave by connecting any dots on a map.

Three-Dimension Machine Control System Capable of Handling Dozer-Based Soil Volume Reduction with High Speed and Accuracy

Our three-dimensional machine control system for dozers finishes the construction site as designed. As a system of ICI-added construction, it enhances efficiency of construction at the field of civil engineering work and has actually received high acclaim from its users. By putting this system to practical use, we aimed at establishing an efficient method of reducing the volume of soil containing radioactive matter on the agricultural land and ground (by effectively sorting the contaminated soil). In December 2011, a demonstration experiment was thus started with a leading manufacturer of construction machinery. By peeling off the burden of contaminated soil to a certain amount of thickness, the experiment checks for an efficient segregation to demonstrate that the system is capable of efficiently reducing the volume of contaminated soil. This is a system that removes the surface of contaminated soil by a certain amount of thickness by automatically controlling the blade of the dozer, interlocking the dozer’s position information obtained by the MITS/S or GNSS, and the current data on the current agricultural land or ground. Our original inertia sensor enables a working dozer to scrape the surface of soil to a target thickness, with the result that it is possible to avoid discharging too much contaminated soil for which the method of disposal has not yet been determined. The ability to computerize and record any working loca-

tions prevents duplicated working and leads to a reduction in the entire construction schedule. No operations relying on experience are required, so that even non-skilled operators can engage, and a greater number of operators can be procured. This, in turn, helps increase the number of tasks; therefore, it is possible to accelerate the process of segregation of contaminated soil while limiting the cost required.

Currently, these soil-volume reduction systems are being marketed mostly by the companies renting out construction machines mainly in Fukushima prefecture. Plans call for supplying 40 units of the system by the end of this year.

There is an increasingly growing demand for establishing an efficient method of removing soil that contains radioactive material through an effort of disseminating this system.

Supporting Affected Areas in the Form of Power Saving

In consideration of the summertime power condition, we introduced the daylight saving time scheme and made all-out power saving and other efforts. The result was an 18% reduction as compared with the maximum power value at the same period of last year. The same applies to winter time. In terms of power interchange, we joined forces with the jurisdiction of Tohoku Electric Power Co., Inc. including affected areas. The result was the target 10% reduction as compared with the same period of last year.

Through an effort to disseminate this system, the Positioning Business Unit intends to give support to the recovery and reconstruction of affected areas.
Disseminating Corporate Governance

In view of the fast globalization and corporate scandals in recent years and based on our Corporate Governance Principles (established in 2011), the TOPOCN Group is making efforts to improve and consolidate our Corporate Governance and get the concept across.

Last year, we held seminars for executives regarding the Corporate Governance and helped reinforce the consciousness of corporate governance and business ethics. One outside auditor was selected to meet the "Independent Executive" requirement stipulated by the Tokyo Stock Exchange. The purpose was to improve the effectiveness of business management and the clarity of decision making through meetings of the board of directors. Here is another achievement: We gave an advance briefing of agenda to auditors so that they can fulfill their duties smoothly at the meetings of the board of directors. Another consideration was to adjust the date of a meeting so that they can attend all of such meetings. The attendance rate of all auditors has thus reached 100% when it comes to all of the regular and special meetings of the board of directors.

For global expansion in the future, we would like to aim at increasing our corporate values endurably and raising the soundness and clarity of management. Specifically, plans call for building and operating an internal control system so that we will be evaluated as a highly reliable company by all the stakeholders. Plans also call for disseminating the Corporate Governance Principles among the entire of the TOPON Group.

The Corporate Governance Principles (excerpted)

1. Definition of Corporate Governance

TOPOCN’s definition of “Corporate governance” is a corporate system in which: 1) the board of directors elected by shareholders manage the internal organization of the company and oversee the management of business operations, 2) the board of directors supervises the management business practices that exercise performance management resources, and 3) the board of management supervises and monitors corporate business practices. All TOPOCN activities are performed in compliance with the principles which include: (a) promoting the management of business through the board of directors, (b) improving management efficiency and, 3) improving effectiveness of services and products. (c) Corporate Governance is a system that ensures there is an adequate balance between conflicting interests of stakeholders, so that the company will strive to achieve the maximum value for all of its stakeholders.

2. Basic ideas on Corporate Governance

1. TOPOCN aims to build effective relationship with shareholders. We believe that the value of shareholders are the most important factor to TOPOCN’s success. We also believe that a strong and stable relationship between shareholders and the management is the foundation for the long-term development of TOPOCN.

2. TOPOCN’s goal is to ensure that all employees understand the company’s values and mission, and act in accordance with the values and mission. By promoting a culture of excellence, TOPOCN aims to create a work environment that is conducive to the development of each employee.

3. TOPOCN is committed to providing a safe and healthy work environment for all employees. TOPOCN also recognizes its responsibility to the community and environment, and works to ensure that its operations are conducted in an environmentally friendly manner.

4. Mission of the Company Organizations (Dotted)

http://global.topon.com/invest/strategy/governance/Corporate Governance

Addressing Risk-Compliance issues

From the spirit of innovation for taking changes in advance and the concept of values of top priority on compliance, the TOPOCN Group takes it for granted to observe laws and regulations and also endeavors to take appropriate action in all other social and ethical standards. Last year saw an effort to enhance and update the information listed in the Risk-Compliance Bulletin Board of the in-house database, as well as a continuous supply of a compliance-oriented seminars (risk-compliance education based on the Q&A form) to enhance the compliance consciousness of employees of the TOPON Group. After reviewing the contents of programs, we also conducted two forms of training: “risk compliance education for the post of managers” and “compliance education for new employees.” The TOPON Group’s head office and Japanese domestic subsidiaries were given another type of training, “compliance education for sales people,” targeted to the post of sales under the senior staff member (excluding the post of management).

After the lectures of the “compliance education for sales people” seminar, the participants were given a test of comprehension and encouraged to improve the level of compliance knowledge and understanding required for the post of sales. Information regarding the corporate officers was registered with the Japan Security Dealers Association for the purpose of preventing insider trading more actively as well as preventing (and reducing the risk of) unexpected unfair trading regarding stock transactions.

Whistleblower hotline

The TOPOCN Group established a Whistleblower hotline in 2006 to detect (and correct) any risk compliance information as early as possible. The information can be defined as information regarding any action prohibited by the laws and in-house regulations, an action against the conventional wisdom, or an action implying such uncertainty. Apart from a route by way of the office organization, this system enables direct reporting to the responsible department (Corporate Audit Division) by means of e-mails or phone calls. In fiscal 2011, the Whistleblower hotline involved three cases of consulting. In fact, the group’s seven major companies each have a similar system, making it possible to work together to promote compliance management.

Internal Auditing of TOPON Group

Field auditing is conducted at TOPON head office and its domestic group members, and a total of 36 companies in and outside of Japan conduct an "internal control self-evaluation" using a checklist.

When conducting internal auditing, we focused on how much progress had been made to improve the situation. Based on the result of examination in the previous year, we defined the scope of evaluation and also checked the degree of progress of new activities, such as the Business Structure Reform which is currently in process. As a result, the overall score for the establishment of internal controls was 90%, two points up from the last fiscal year.

Those group companies requiring improvement were given a list of improvement items. They are undergoing specific guidance to improve their internal controls. In the future as well, monitoring will be continued to build a better environment of internal control for the TOPON Group.

Other Risk Countermeeasures (Large-Scale Measures against Earthquakes)

Reviewing the Business Continuity Plan (BCP)

After the earthquake disaster, the TOPOCN Group failed to obtain some of the electronic parts required, which affected our product production. Therefore, we ensured the availability of parts inventory, the understanding of a bigger picture of supply chain, and the securement of alternative production bases, among other things.

Earthquake-Resistant Measures

On the day of earthquake disaster, the TOPON managed to allow all the employees to evacuate their buildings by means of in-house broadcasting at the timing when the main tremor came to a halt. Many store fixtures fell and were found here and there on the passageways and in the factory so that they might have caused injuries or have obstructed evacuation attempts. After the earthquake disaster, therefore, we checked the situation of earthquake-resistant construction for store fixtures. Those fixtures for which such construction had not yet been performed were classified into three grades. Earthquake-resistant construction was actually carried out for the fixtures with the top degree of risk in the office or on the passageways. Those fixtures classified under the other two grades have since undergone such construction sequentially.

Conducting Various Disaster Drills

In addition to the fire and disaster drills stipulated by the Fire Defense Law, our training includes other emergency drills, including first-aid seminars and drills for setting up an emergency task force.

A scene of first-aid seminars

Exercises for setting up an emergency task force
Information Security and Personal Data Protection

The TOPCON and its domestic group companies have established a system of information security management shared by all group companies and are endeavoring to maintain and improve it through plan-do-check-act (PDCA) cycles.

- The TOPCON and eight of its group companies based in Japan held regular seminars for all their employees to raise the awareness of and compliance with information security and personal data protection. The participation rate was nearly 100%.
- In the TOPCON and its domestic group companies, in-house auditors conducted internal audits of the selected departments for the purpose of maintaining and improving their levels of information security management.

Technical Measures for Information Security

The TOPCON Group implements technical measures for information security so that the utilization and protection of information can be balanced.

Internet-Based Security Diagnosis

Recent years have seen an increasing number of cyber attacks to government organs and major companies. In view of this trend, we received security diagnosis by information security specialists on a system that connects the Internet with the domestic TOPCON Group network. The diagnosis has revealed that our system is at a suitable security level.

Quality Improvement Activities

We are conducting quality improvement activities so that our customers can use all of TOPCON products at their ease. In fiscal 2011, we made efforts to strengthen the quality of the product development process through the following activities:

- **Integrating synchronized product quality improvement processes.** In particular, the "TOPCON Technology/Quality Month" in November included the holding of in-house events to raise technology improvement and quality-first awareness.

Making Quality Improvement Proposals

The TOPCON Group already has a system in which employees are encouraged to make proposals regarding the improvement of tasks witnessed in their daily lives. November was thus chosen as the month for reinforcing the proposal of quality improvement. As a result, we received a total of 88 proposals for quality improvement, a number more than double the average month, and they were actually utilized to improve our product quality.

Joint Activities with Procurement Partners

When determining our business partners, the TOPCON Group follows a comprehensive and objective evaluation procedure, involving the following aspects: the assuredness of quality, pricing, and delivery date, level of technology, stability of management, and consideration of the environment. Through transactions, we are making efforts to maintain and promote the trust relationships with our business partners.

Briefing a New Scheme

In April 2011, the conventional material department was reorganized as a new organization, called the Integrated Procurement Promotion Group. During the period from July 29 to August 10, a briefing session was held to explain the policy of the new scheme, partnership features, and new order policies, with the participation of 327 people from 274 companies. The briefing was attended by not only the heads of the TOPCON Group, but also affiliated companies including Topcon Yamagata and Sokkia Topcon.

Briefing the Business Policy

On October 31, 2011, we held a briefing session for our business policy for the purpose of helping our business partners understand our business more deeply from the viewpoint of procurement partners and give us cooperation when implementing the business policy. With the participation of 169 people from 106 companies, the session clarified the briefing of our business and procurement policies through our president, as well as the managers of individual business units.


http://www.topcon.co.jp/en/material/ (International Procurement)
Responsibilities to Employees

Personnel System

In April 2010, we drew up the TOCPON Group’s Human Resources Development Policy, which is to be shared by all the group companies, and declared a basic policy and the TOCPON Group respects employees’ uniqueness, value, creativity, and enterprising spirits to encourage them to show their best performance. To this end, the group has been endeavoring to establish personnel and HRD systems, to cultivate an un inhibited corporate culture, and to create a comfortable workplace environment where human rights are respected.

The TOCPON Group’s Human Resources Development Policy

1. The TOCPON Group provides opportunities for capacity building and self-realization to employees with various skills and character traits to help them exercise their qualities to the fullest, placing human resources as the most valuable assets.

2. The TOCPON Group fosters professionals and global human resources in a planned manner.

3. The TOCPON Group clearly defines desired employee characteristics (behavior traits and sense of values) and shares the recognition with all employees.

4. Each TOCPON Group company develops human resource development systems and specific plans suitable for its own business model and scale in accordance with the Human Resources Development Policy, and communicates them to all employees for implementation.

Giving Support to Various Ways of Working

While respecting the diversity of people as to their nationality, human race, religion, age, gender, and value, the TOCPON Group has worked on establishing and maintaining a personnel system that provides fair appreciation of and treatment to employees according to their abilities and performance.

In recent years, we have established various employment formats to support diversifying lifestyles of employees. In addition to a two-year childcare leave, we offer several leave systems to help employees to balance the work and home life or find a better work-life balance: a short-term work system, which is available until a child finishes the third grade at elementary school, and a child nursing leave system.

Additionally, we also consider it important not only to place the right people in the right jobs but also respect the eagerness and motivation of employees in order to make the best use of their creativity and professional expertise.

The TOCPON Group has been striving to create a workplace that makes employees feel proud and motivated. To this end, we have set up a free agent (FA) system and a job posting system, among other things. To help people with disabilities manifest their abilities, we have defined work assignments according to the degree of disability, made wheelchair-accessible rooms, and paid attention to their means of communication.

In fiscal 2011, people with disabilities accounted for 1.47% of the total workforce, a number below the statutory rate. By observing the statutory employment rate of disabled people (1.8%), therefore, the TOCPON Group continue to improve recruitment activities and employment environments, including those of the domestic group companies that have not met the statutory rate. (Companies with 56 or more regular workers are legally bound.)

Evaluational System

<table>
<thead>
<tr>
<th>Employee Category</th>
<th>Number of education</th>
<th>Contents of education</th>
</tr>
</thead>
<tbody>
<tr>
<td>New employee training</td>
<td>Mid-career training</td>
<td>Low-level manager training, new-manager training, etc.</td>
</tr>
<tr>
<td>By occupational qualification</td>
<td>Specialized training</td>
<td>In each department, such as engineer training, sales training and skill development training.</td>
</tr>
<tr>
<td>Self-development</td>
<td>Foreign languages, TOEIC tests, correspondence courses, license/qualification acquisition assistance, etc.</td>
<td></td>
</tr>
<tr>
<td>Risk-Compliance education</td>
<td>TOCPON Code of Business Conduct, human rights harassment, safety and health environment, export control, information security, etc.</td>
<td></td>
</tr>
</tbody>
</table>

Labor Union

TOCPON-Related Workers’ Cooperative

The workers’ cooperative was formed for the main purpose of encouraging the interchange between the labor unions (and labor unions) working for TOCPON manufacturing companies and improving the labor conditions of the entire related labor unions. Their day-to-day operations aim to maintain the employment conditions and to maintain and enhance the life stability and the real standard of living.

Name: TOCPON Group Labor Union Council
Representative: Executive Chairman, Akimoto Tazawa
Established: March 3, 1961
Member of organizations: TOCPON Labor Union

TOCPON-Related Workers’ Cooperative

Communications Between Labor Union and Company

• Labor-management gatherings
  Regularly held once a month to share information. The company reports on the business conditions and new topics, and the labor union in turn gives its opinions or suggestions.
  • Labor-management negotiations
    Held regularly once a month or when requested to exchange opinions on specific issues or for the labor union to make representations to the company.

Topcon will implement two-way communication with employees, and will respect diverse individualities, values, and the spirit of creation and innovation, and maximize the employees’ skills.
Responsibilities to Employees

Measures for Smoking

Cigarette smoke, which contains numerous toxic chemicals, is a major cause of serious diseases. To help employees maintain and improve their health, the TOPCON Group drew up guidelines on workplace smoking in 2008 and has since promoted no-smoking and smoking cessation programs. TOPCON has put emphasis on these programs since they will lead to a reduction in medical expenses in the future.

Our actual performances were highly acclaimed by the Tokyo Bureau of Social Welfare and Public Health, and our approach to the anti-smoking measures was covered by their publication “Handbook for Worksite Measures for Preventing Passive Smoking.”

Health Promotion

- Emphasis is also put on health promotion in daily life. We hold various events designed to help employees to have fun and get healthy at the same time. Examples include a “Walking Campaign,” which encourages participants to walk 10,000 steps everyday for three months; a “Walking Event” (carried out in the Ueno and Asakusa areas), which lets employees bring out their family members; and a “Get Slim” challenge, which urges people with metabolic syndrome to go on a diet.

Health Care

The TOPCON Group has been grappling with health care for all employees so that they can stay healthy, happy, and full of life, and can bring out their potential abilities at work.

- To help improve the health of employees, TOPCON picks up those with high health risks after a regular physical checkup and have them have an interview with an industrial physician to get advice on improving their lifestyles.

This interview has shown good results as it inspired some people to receive early treatment. Also, depending on the result of a checkup, employees are removed from heavy-duty jobs or have their working hours limited not to increase their health risk any further.

- Together with Topcon Corporation’s health insurance association, we are actively carrying out the so-called specified health maintenance guidance advanced by the government. Lifestyle-related illnesses are chronic diseases that increase the risk of complications such as arterial sclerosis. The TOPCON Group has conducted the specified health maintenance guidance to help its employees improve their lifestyles.

To prevent health problems brought on by overwork, those who have worked more overtime hours than a certain limit are forced to have an interview with an industrial physician. If it has been determined as a result of the interview that working hours should be limited for the sake of health, work supervisors are directed to give due considerations.

- When it comes to the employees with mental health issues, the company asks the industrial physician to keep close contact with their doctors to share information.

Company is not concerned about a counsellee’s name nor the contents. Since employees can take expert advice from experienced counselors, this system helps them lesson their worry or mental distress. Fully publicizing the system has increased the number of counseling cases to 20 in 2010 and 31 in 2011.

Job Accidents

In fiscal 2011, the TOPCON Group encountered two cases of work-related disaster.

- Getting hurt in the eye because a part or parts jumped out while disassembling a “system desk” (not accompanied by lost worktime)

- Getting hurt on the finger while working with a cutter (not accompanied by lost worktime)
Environmental Impact of the TOPCON Group

- **CO₂ Emissions**
  - 2011: 556.8 Gg CO₂
  - 2010: 556.6 Gg CO₂
  - Percentage of reduction from 2010: 0.03%

- **Energy consumptions**
  - 2011: 2,470 MWh
  - 2010: 2,640 MWh
  - Decrease: 5%

- **Fossil fuel consumption (not oil conversion)**
  - 2011: 3,151 MWh
  - 2010: 3,324 MWh
  - Decrease: 5%

- **Waste emissions**
  - 2011: 2,946 t
  - 2010: 3,019 t
  - Decrease: 3%

- **Chemicals consumption**
  - 2011: 539 t
  - 2010: 594 t
  - Decrease: 10%

Environmental Burdens Caused by TOPCON (FY2011)

The TOPCON Group will disclose the balance between energy and materials caused by our corporate activities.

Events on the CSR Month

In fiscal 2009, we set June as the “CSR Month” and have since carried out awareness-raising programs targeting our employees, etc. The topic selected in fiscal 2011 was as follows: “Sharing the terms and goals of CSR management within the company.”

**Main Events**

- Publishing “TOPCON CSR Report 2011”
- Establishing TOPCON GROUP Environmental Vision 2020
- Providing a CSR and environment education program

TOPCON GROUP Environmental Vision 2020

To fulfill its social responsibility as a corporate group that offers products to the global market, the TOPCON Group has established its position concerning this important environmental issue and is announcing its Environmental Vision 2020, as follows.

**1. Preventing global warming**

The TOPCON Group, which regards global warming as the most important environmental issue, aims to reduce the amount of CO₂ emitted by all of its Japanese sites by 25% before the end of fiscal 2020, as compared with fiscal 1990. Overseas sites will endeavor to reduce the amount of CO₂ emissions by 5% accordingly.

**2. Contribution by Products**

We will promote efforts to reduce energy consumption and to conserve resources to reduce the environmental impact through the product lifecycle much more. We will work with our customers to offer products, technologies, and services that help prevent global warming, that make effective use of natural resources, and that conserve biodiversity. Also, in manufacturing, we will commit to recycling and using effectively the waste material produced from our corporate activities, including development, production and sales.

**The Ten Principles**

- **HUMAN RIGHTS**
  - Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and make sure that they are not complicit in human rights abuses.
  - Principle 2: Labour
  - Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; and the elimination of all forms of forced or compulsory labour;
  - Principle 4: Principle 5: The effective abolition of child labour and the elimination of discrimination in respect of employment and occupation.
  - Principle 7: Businesses are expected to support a precautionary approach to environmental challenges.
  - Principle 8: Undertake initiative 2 to promote greater environmental responsibility and encourage the development and diffusion of environmentally friendly technologies.
  - Principle 9: Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

**http://www.unglobalcompact.org/index.html (UN Global Compact)**
Coping with Burdens on the Environment

Energy-Saving Activity in China

By understanding the situation of in-house energy management and usage, Topcon Optical (Dongguan) Technology Ltd. (called “THCD” below), a group member in China, examines the issues affecting energy usage in order to enhance energy savings. In October 2010, the company started its “Clean Production” activity and has since advanced the activity on the basis of the policy of “saving energy, reducing consumption, preventing soil, and increasing efficiency.” In December 2011, as a result, it was highly acclaimed by divisions of Dongguan City: the computerization bureau, the science and technology bureau, and the environment bureau. It was also honored as follows: a Clean Production company in Dongguan City; an Energy Saving manufacturer in Dongguan City; and an advanced manufacturer in Shiling Town, Dongguan City.

In addition, the company is endeavoring to save energy by, for example, making effective use of the exhaust heat from air conditioners to heat water for dormitory showers and by spraying the factory roof with paint for heat dispersion.

ISO 14001 Audit

In the TOPCON Group, five companies (four Japanese and one Chinese) whose production processes have a large environmental impact and who have acquired ISO 14001 certification are screened each year by the certification authority.

<table>
<thead>
<tr>
<th>Approval Date</th>
<th>Certification organization</th>
<th>Latest audit date</th>
<th>Type of audit</th>
<th>Category “A” (major)</th>
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<td>1997.9.29</td>
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</tbody>
</table>

The THCD and OPTONEUS plants have expanded the scope of their certification.

Fact-Finding Survey

In the TOPCON Group, a total of 21 companies with high environmental burden have undergone fact-finding survey since 2007. The survey items include the amount of energy consumption, waste material, and chemical substances, among other things. We offer guidance to problem companies if they show a sudden increase in environmental burden, for example.

Environmental Auditing of Group Members

In addition to the above fact-finding survey, environmental audits are conducted to improve the group’s environment activities. Auditing is either on-site work or document-based work, depending on the situation.

In fiscal 2011, on-site auditing was conducted at one overseas company (THCD), revealing that the company’s management level had no problems in the audits of environmental management and compliance.

THCD is designated as a specific company under the energy saving law in China, because it is a major electricity consumer in Dongguan City. To cope with this situation, an in-house organization was formed and is actively promoting the energy and resource saving. An audit of field management revealed the need for early improvement for the effluent treatment facilities. However, the audit found an increase in management level improvement, as seen in the example in which the item of recommendation pointed out two years ago has been positively carried out.

Global Information

Volunteer Activities in Earthquake-Affected Areas

Topcon Positioning Systems, Inc., a group member in the United States, sent a total of 12 employees to Ishinomaki City, Miyagi Prefecture. They volunteered to remove rubble etc. in the areas destroyed by tsunami waves.

The company also gives support to the “Run for Japan 2012” event for giving assistance to earthquake-affected areas.

Supporting Employees Volunteer Activities

TMS carried out a Food Drive, which supports the volunteer activities of employees offering foodstuff and other things to poverty families and offers meals to several hundred of households.

Continued Cooperation to Ophthalmologic Examination

Topcon Medical Systems, Inc. ("TMS"), a group member in the United States, joined more than 15 years ago and has continuously engaged in the OneSight volunteer project hosted by Luxottica.

With a history of more 20 years, this is a charity work intended to offer ophthalmic examination and glasses for free to as many as thousands of disadvantaged children every year.

TMS donated two sets of optometry system equipment, which are to be mounted in a portable optometry vehicle that performs ophthalmic examination and spectacle processing for use in this particular project.

Ongoing Supporting to Poverty Areas

In line with the Chinese government’s policy of “assisting poverty areas and carrying out charity work,” THCD and Topcon Optical Technology Ltd. (Dongguan City), group members in China, donated roughly 55,000 yuan to poverty areas in the Guangdong Province.

In addition, THCD offered clothing, which is already unnecessary for themselves in the office, to people in poverty areas to survive the winter.

Here are some of the Topcon Group’s contribution activities to the local communities for their developments.

Ad supplies being collected

Portable Optometry Vehicle

Letter of acknowledgment

A scene of the Food Drive

Commendation from the city of Dongguan

Questionnaire (Chinese) Questionnaire (English)

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CSR Activity Report

Domestic Information
Support activities to local education and academic facilities

Support activities to local education and academic facilities are continuously conducted by the following companies: TOPCON, Topcon Yamaguchi, Optoneus, and Sokkia Topcon.

Providing experience learning to junior and high school students or giving an internship.
Accepting more than 20 students from 12 schools for the experience learning.

Support activities to local education and academic facilities are continuously conducted by the following companies: TOPCON, Topcon Yamaguchi, Optoneus, and Sokkia Topcon.

Providing Academic Support
The SOKKIA School, serving as a training facility, accepts college students for surveying. In fiscal 2011, more than 100 instructors and students were given the practical skill training with lent-out equipment, being taught the surveying calculation, and being helped to sum up the results.

Other Local Contribution Activities
The in-house compound was opened to community associations so as to serve as places for collecting "resource" garbage and allowing the break for festivals.

We also offer factory tours for a wide range of students from elementary school to college.

In Response to the Third-Party Opinion

This is the seventh volume of our CSR Reports. For the period from the initial publication, we have gone through a variety of efforts and I recognize that we have been successful with the result of activities performed in accordance with the 10 Principles of the OC.

In order to further reinforce our efforts, I would like to pay attention to the CA(Chart/Action) part of the "PDCA(Plan/Do/Check/Action cycle)" for activities, review them from a global viewpoint, look for answers from the activities conducted during this fiscal year, and inform you of the result in the next report.

TOPCON CSR Committee
Chairman Hiroyuki Nakamura