The Topcon Group has pledged its support for the principles of the United Nations Global Compact (UN GC) from its inception. Guided by the spirit of the UN GC, the Company is committed to engaging in activities that will help ensure profitable growth. In particular, we are working to expand our business through resolving societal challenges in the growth markets of “Healthcare,” “Agriculture,” and “Infrastructure.” We pride ourselves in making a significant contribution to the Sustainable Development Goals (SDGs) while resolving such social issues.

Topcon has put in place a basic policy for CSR that underpins all of its CSR-related activities. The Company also puts forward annual action plans based on this policy. In addition to providing products that help address societal issues, we attach considerable importance to promoting communication with stakeholders and contributing to society through our business activities.

Based on a corporate philosophy of “coexistence,” we are committed to global environmental solutions, CSR activities that contribute to society, optimal corporate governance structure and systems, and compliance with all legal and regulatory requirements as well as social norms.

Basic Policy for CSR

1. TOPCON will position CSR activities as the cornerstone of business and make CSR efforts based on action plan in order to build, share and implement the values and standards suitable for global enterprise.

2. TOPCON will, within our sphere of influence, follow and implement global rules and regulations regarding Human Rights, Labor Standards, Environment and/or Anti-Corruption as set forth in the UN Global Compact.

3. TOPCON will make active social contributions through development, production, sales and services of useful products.

4. TOPCON will promote environmental management through creating and providing environmentally-conscious business processes, products, and services.

5. Every officer and employee at TOPCON will strive to perform CSR activities when doing his/her daily work and to instill him/her with sense of CSR both within the TOPCON Group and globally.

6. TOPCON will earn the understanding and trust of all stakeholders of TOPCON Group through proactively providing information.
In promoting ESG activities, the Topcon Group attaches great importance to communications with the Group’s stakeholders, conducts checks and evaluations of the performance of individual activities every fiscal year, and draws on these evaluation results for the activities of the following fiscal year and beyond. In addition, we place priority on international frameworks such as UN GC and SDGs and engage in ESG activities expected of a global company.

### Relationship with Stakeholders

Based on the basic policy for CSR, the Topcon Group offers products and services that will help address societal issues. At the same time, we attach great importance to communications with the Group’s 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 every fiscal year and draws on these evaluation results to set goals for the activities of the following fiscal year.

For customer satisfaction, our mission is to improve product quality and respond swiftly to customer complaints. In this regard, we conduct risk analyses and strengthen design reviews which, in turn, contributes to compliance with development schedule and quality improvement. We also pledge to conduct fair transactions with our clients such as through clarifying material procurement policies.

For our employees, we strive to raise their satisfaction level while improving their work environment. We aim to create a comfortable, highly satisfactory workplace environment through raising awareness of health and safety and enhancing diversity and other efforts.

We contribute mainly to environmental aspects for sales agents and other business partners, national and local governments, global and local communities, as well as NPOs and citizen groups. In addition to providing environmentally-conscious and resource-saving products as well as products and services useful for improving medical care, health and life, we seek to reduce our environmental footprint in our development, production and sales processes and make environmental contributions asked for by these stakeholders.

We also seek to communicate with shareholders and investors by strengthening information dissemination and maintaining external evaluations.

Our website is our primary channel for disclosing information on our communications with all stakeholders. We also use various other means such as IR public relations, local events, exhibitions, academic conferences, and publications to disclose information and communicate with stakeholders in a multifaceted and multilayered manner.

In addition to the Integration Reports and our websites, TOPCON Group utilizes various channels of communication, as described above.
UN GC and SDGs

The Topcon Group, with its sales outside Japan accounting for nearly 80%, is actively involved in international frameworks such as the United Nations Global Compact (UN GC) and the Sustainable Development Goals (SDGs).

Since joining the UN GC in October 2007, the Topcon Group has established the TOPCON WAY as well as a basic policy for CSR. At the same time, we have named “Topconian” to describe efforts aimed at incorporating the 10 principles of the UN GC into our strategies, initiatives and systems. Moving forward, we are engaging in a wide range of awareness-raising activities to put the principles of the UN GC into practice.

Furthermore, the Topcon Group is committed to taking actions for the SDGs adopted at the UN Summit in 2015. Companies are encouraged to participate in the SDGs to work toward the 17 goals of reducing poverty and inequality, ensuring sustainable consumption and production, and combating climate change. With this international backdrop in mind, Topcon is taking initiatives through clarifying the priority issues.

Given many overlaps between the SDGs and our social contributions, particularly in our core “healthcare,” “agriculture,” and “infrastructure,” businesses, we strive to adapt them to the SDGs through resolving the respective issues in our core businesses.

In addition, Topcon was selected as a constituent of the MSCI Japan ESG Select Leaders Index which consists of companies selected from the MSCI Japan IMI Top 500 Index for high Environmental, Social and Governance (ESG) performance. In July 2017, the Index was selected by the Government Pension Investment Fund (GPIF) as one of the ESG indices for passive investment tracking.

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**Corporate Identity**

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

**Contributing Societal Challenges**

- **Increase in Eye Disease Resulting from Global Population Aging**
- **Food Shortages Resulting from Global Population Growth**
- **Global Infrastructure Demand in order to Solve Labor Shortages at Construction Sites**
As a corporate group expanding globally, the Topcon Group believes that it is essential to address global environmental issues and strengthen environmental management.

**Topcon Group Environmental Vision 2020**

As a corporate group providing products globally, the Topcon Group works toward sustainable society, upholding “Topcon Group Environmental Vision 2020” to fulfill its social responsibility in environmental protection.

1. **Mitigating Global Warming**

The Topcon Group regards global warming as the most important environmental problem and aims to reduce its CO₂ emissions from its sites in Japan by 25% by the end of fiscal 2020 below the fiscal 1990 level, and within the same framework, we work to reduce CO₂ emissions at its overseas sites.

2. **Contribution through Products**

We strive to reduce energy use and conserve resources so as to further reduce our environmental impact across the product lifecycle. We also work with our customers to offer products, technologies, and services that help mitigate global warming, make effective use of natural resources, and conserve biodiversity. Moreover, as part of our manufacturing-based corporate culture, we endeavor to recycle and make effective use of waste products from our corporate activities such as R&D, manufacturing, and marketing.

**Environmental Management System: ISO14001-related Initiatives**

The Topcon Group has acquired ISO14001 certification, an international standard for environmental management systems, particularly among manufacturing-related companies. This year, we have passed the audit for transition to ISO14001:2015 and maintained our certification.
Topcon’s Environmental Footprint Report (FY2017)

1. Mitigating Global Warming (CO₂ Emissions Reduction)
Considering global warming as top environmental priority, we sought to reduce our emissions to 5,275.2t-CO₂, equivalent to a 16% emissions reduction below the benchmark emissions, that is, three-year average for FY2005-FY2007, stipulated by an ordinance of the Tokyo Metropolitan Government. As a result, we reduced our emissions by 43.0% to 3,576.6t-CO₂. We also seek to reduce our CO₂ emissions accordingly at our overseas bases.

2. Effective Use of Resources (Total Emissions Reduction)
To make effective use of the Earth’s limited resources, we strive to reduce our total emissions based on zero emission initiative. In FY2017, we reduced our total emissions to 220.9 tons, exceeding our total emissions target of 226.7 tons.

3. Management of Chemical Substances (VOC Reduction)
We are working to reduce VOC as part of the management of chemical substances. In FY2017, whereas our total emissions target was 4,150 kg, or 77.8% reduction below the FY2000 level, we reduced VOC usage to 2,727 kg (85.4% reduction), far exceeding our total emissions target.

Adverse Environmental Effects of Global Warming
Atmospheric warming has become an environmental problem on a global scale. Over the past century, the average air temperature has risen 0.74°C (1.33°F), causing fears that sea level rise and extreme weather could adversely affect our lives and the ecosystem.

Using an Artificial Satellite to Measure Greenhouse Gases
Global warming is considered to be caused by greenhouse gases. To combat global warming, we must grasp the present state. The Japanese government is making an effort to measure greenhouse gases on a global scale with an observation satellite.

GOSAT-2 (Greenhouse gases Observing SATellite) measures the density of greenhouse gases in the earth’s atmosphere.

Onboard GOSAT-2 are optical system units manufactured by Topcon. They measure clouds and other aerosols, enabling more accurate measurements of the density of greenhouse gases. It is hoped that the data obtained will be used to devise ways to combat global warming and to evaluate their effectiveness, thereby maintaining comfortable living environment into the future for people around the world.

Topcon Technology Onboard the Observation Satellite for Measuring Greenhouse Gases
[Wide-angle, High-resolution Optical System]
The optical system units, which function as the eyes of the observation satellite for measuring greenhouse gases, incorporate Topcon’s technology. The satellite is fitted with a total of five of these optical system units, enabling highly accurate observation of conditions over a wide area.
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, 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, color, religion, sex, national origin, age, veteran status, physical or mental disability, sexual orientation, gender identity or other attributes protected by law. Our commitment to a safe and secure work environment means that we will not tolerate workplace violence or threats of violence. Prohibited conduct includes not only physical violence or abuse, but also abusive, intimidating or disorderly conduct and abusive or threatening language. Moreover, we will not use 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 employed workers. In Japan, we have the Topcon Labor Union and the Topcon Group Labor Union Council for affiliated group manufacturers. In our efforts to enhance communication, Topcon holds regular labor-management gatherings and councils where we explain the company’s business condition to the Topcon Labor Union.

Diversity

• Policy of Respecting Diversity
The Topcon Group values communication with employees so that its employees with different personalities and values can make the most of their capabilities and thrive with creativity and innovative spirit regardless of nationality, race or gender. To this end, we disseminate and implement the Topcon Global Code of Conduct, action guideline for all Topcon Group employees, and ensure compliance with applicable laws and regulations.

• Promoting Active Involvement of Women in the Workplace
The Topcon Group is a company with overseas sales accounting for about 80%, non-Japanese around 70% of its entire workforce, and a global business network with some 87 companies. Accordingly, we have hired the right people from highly diverse pool of talent for the right jobs from a global perspective. To create a workplace culture conducive to leveraging the resources of diverse workforce, we consider it essential to provide a setting where women can display their
competence as they pursue the career path that suits each one of them. We support career development of women in the workplace as follows.

First, we arrange an environment where women can thrive more regardless of their line of work to create a support system to build continuous careers. Second, we create opportunities for female employees to work overseas. In recent years, three young female employees have taken on overseas assignments. By granting opportunities to ambitious individuals regardless of gender or age, we provide a setting where our female staff can develop a global mindset.

[Topcon’s Equal Opportunity Efforts]

• A female Executive Officer has served since April 2018.
• A female Outside Director has served since June 2018.
• Female employees make up 14.8% and seven women in management positions as of March 2018.
• Our target ratio of female new hires is 30% or more.

• Labor Practices
The Topcon Group thinks ensuring safety and health is essential to avoid workplace accidents and enable our employees to perform at their best. With this in mind, the Group has adopted necessary safety measures for buildings and facilities and established work standards that prioritize employee safety and health. Recognizing that safety comes first, employees are to comply with laws, regulations, and internal company rules on safety and health.

We have established a crisis response system for unforeseen events to ensure the safety of employees on business trips and overseas assignments as well as their families regardless of country or region, and we are working to establish and strengthen safety measures mainly to prevent incidents and accidents.

• Providing Flexible Working Arrangements
Topcon supports “Work Style Reform” to balance work and private life while boosting labor productivity. As part of such efforts, we have established various support programs for childbirth and childrearing.

Our Maternity Work Exemption program allows a pregnant employee or employee who gave birth within the past year to take leave for the time necessary for her medical examinations and others at the direction of a physician or obstetric nurse. In addition, when a male employee’s spouse gives birth, the employee may take a Spousal Maternity Leave of three days. These programs show how we make having children easier for employees and their families.

As for childrearing, a female employee raising a baby under a year old may use the Childcare Break Program to take two 30-minute breaks every workday in addition to normal break time. A female employee can also take Child Care Leave until the last day of the month in which her child reaches two years of age. We also offer Child Nursing Leave allowing an employee raising an elementary school child to take five days off a year for each child, and ten days a year for two or more such children. These programs help working parents raise their children and arrange flexible working.

Human Resource Development

The Topcon Group provides employees and other personnel with fair and equitable opportunities to grow through independent learning, and strives to foster a workplace culture conducive to make the most of their qualities. We provide these personnel with opportunities for self-improvement so they can perform duties commensurate with their assigned areas, responsibilities and authority, while improving their skills both at and outside of work.

Nurturing “Topconian” is Topcon Group’s strategic human resource theme to realize its management vision. Topconians has three qualities: 1) Seek to develop and maintain a high level of expertise, utilizing their expertise to generate business success and profits.; 2) Act with universal values including thinking globally and respecting cultural diversity.; and 3) Team player making the most out of collaboration.
Maintaining and Strengthening Global Export Control System

With overseas sales accounting for about 80% of the group-wide sales, the Topcon Group has the objective of “Maintaining and Strengthening Global Export Control System.” If our export control compliance were lax, the company would be subject to penalties such as an export ban due to violations of applicable laws and regulations. In the worst-case scenario, this could threaten our existence as a corporation. As a global company, the Topcon Group is strictly held responsible for “maintaining international peace and security.” To maintain and bolster the global system of export controls, we will focus on the following five activities: 1) Conducting internal audits; 2) Educating employees on export control; 3) Fostering experts in export control; 4) Holding regular meetings of export control promotion council; and 5) Designating regions that need special control and strictly overseeing the regions.

Anti-corruption

The Topcon Group stipulates that employees shall not give bribes or inappropriate benefits or profits that violate laws, regulations or sound business practices. The Group’s employees recognize that not only public-sector officials and employees but also employees at private-sector companies are prohibited from giving bribery depending on the countries involved, and we require our employees to understand the contents of laws and regulations in countries and regions related to their work and comply with them.

The Group defines bribery as offering something valuable to such parties as identified below, either as a way to receive inappropriate benefits or profits in business activities or in exchange for providing such inappropriate benefits or profits.

Bribery is not limited to monetary payments but can include business entertainment, receptions, gifts, donations, gratuities or other forms of benefits regardless of the monetary value involved. In cases where active intermediaries such as agents are working on behalf of the Topcon Group, rules have been established to prohibit employees

CSR Activities 2018

1  USA
Topcon Positioning Group sponsored the Corporate Sponsored Senior Projects Program (CSSPP) at the University of California, Santa Cruz. We worked with students to develop technology that would allow one to program a bulldozer to travel to a construction site on its own and perform excavation work.

2  USA
Employees of Topcon Positioning Systems, Inc. and Topcon Medical Laser Systems, Inc. participated in the 13th Bras for the Cause, a walk to support breast cancer patients. The event is run by Tri-Valley SOCKs (Stepping Out for Cancer Kures), an organization that provides financial assistance to organizations involved in treating breast cancer. Through joining the walk, Topcon Group participants raised contributions in the form of money and recycled items, which were then donated to breast cancer support groups.

3  Ireland
Topcon Europe Positioning B.V. invited the charity Childhood Cancer Ireland to join the company’s booth at the National Ploughing Show to raise money and hand out flyers with information. They also used social media to help raise awareness about childhood cancer over the three days.

4  Australia
Topcon Precision Agriculture Pty. Ltd. worked with students from TAFE, a college in Adelaide, to help them develop a Solar Articulated Vehicle (SAV) for the World Solar Challenge.

5  Singapore
Topcon Singapore Medical Pte. Ltd. has supported various events and programs held throughout Singapore as a sponsor. National Eyecare Day (Singapore Optometrist Association)
and others from coercing agents to commit any of the aforementioned deeds and to clearly determine in advance a reasonable set of boundaries for the services and compensation of intermediaries such as agents.

Internal Reporting System (Hotline)

Since establishing an internal reporting system with a hotline in 2006, Topcon has worked to identify risks and compliance issues (i.e., known or suspected conduct that violates laws, regulations, or internal rules or that runs counter to social norms) at an early stage and take corrective actions against them. Apart from information that comes through regular routes internally, the system enables tippers to directly contact the division responsible, the Corporate Audit Division.

In response to any information reported directly, the Corporate Audit Division takes prompt and appropriate actions to discover and address the risks involved at an early stage. Every year we pave the way to expand adoption of the system among Group companies with nine Group companies in Japan and 24 overseas now having systems in place modeled on the parent’s. On this basis, we promote compliance management across the Group.

Personal Data

The Topcon has established a basic policy for protecting personal data, carefully handles personal data obtained in the course of its business activities, and strives to protect it. Personal data here refers to information that employees handle during work and that enables them to identify a particular individual using such information concerning customers, executives at suppliers, job applicants, employees, or other individuals. We will collect, manage and use Personal Data properly and fairly in compliance with all applicable laws and regulations regarding protection of Personal Information in countries or regions where the Topcon Group does business.

6 Malaysia
Topcon Instruments (Malaysia) Sdn. Bhd. lent out ophthalmic equipment and sent employees to support the Free Eye Screening event organized by Ranu Eye Specialist on World Sight Day.

7 GB & Ireland
As part of its ongoing efforts to help improve skills throughout the construction industry, Topcon Positioning (Great Britain) Ltd. donated a sophisticated system comprising the latest surveying equipment used in the industry including a Hiper SR Network GNSS receiver, data collector and integrated MAGNET Field software package.

8 Germany
Topcon Electronics GmbH & Co.KG donated 1,500 euros to Zukunft schenken, a charity that supports children in poor households. The contribution will help educate children and give them a future.

9 China
To improve awareness of the physical and mental health of employees, Topcon Optical (Dongguan) Technology Ltd. invited a clinical psychologist to hold a mental health seminar. Through the seminar, employees gained deeper knowledge about health management as well as industrial safety and health.

Others (Assistance through Donations and Endowments)
- Topcon Agriculture Americas, LLC donated USD 2,300 to the local Future Farmers of America through Fort Atkinson High School.
- Topcon Singapore Medical Pte. Ltd. supported an event, The Eye Ball 2017, by donating SDG 5,000.
- Topcon Instruments (Thailand) Co., Ltd. donated THB 39,500 to a food bank.
Basic Approach to Corporate Governance

Topcon has established the TOPCON Corporate Governance Guidelines in pursuit of the sustainable growth and medium- to long-term enhancement of corporate value of the Topcon Group (hereinafter referred to as the “Group”), comprising the Company and its affiliated companies, based on TOPCON WAY that forms a set of the fundamental values, evaluation standards, and basic principles of conduct to be shared by directors, corporate auditors, officers and employees of the Group to achieve effective corporate governance.

Corporate Governance Structure

1. Corporate Organization

Topcon has adopted the corporate structure of a “company with a Board of Corporate Auditors” under the Companies Act. The Board of Corporate Auditors and Corporate Audit Division (internal audit department) discuss each of their audit plans and policies and others in advance. They work in mutual cooperation by regularly sharing information throughout the fiscal year to increase the efficiency and effectiveness of the operations of the Corporate Auditors.

The Company appoints multiple outside directors and directly incorporates external viewpoints into management in order to enhance the supervisory function. In addition, we have corporate auditors (including outside ones), a Board of Auditors, and an accounting auditor—all of whom conduct audits in collaboration with the Corporate Audit Division responsible for internal audits. We have adopted this system based on our judgment that the management oversight function is performed effectively.

2. Board of Directors

1) Roles and Responsibilities of the Board of Directors

The Board of Directors recognizes its fiduciary responsibility to shareholders towards the sustainable growth and medium- to long-term enhancement of 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” and “ensuring transparency in management”, as well as to fulfill its responsibilities towards all stakeholders in the management of the Group.

- To fulfill the responsibilities as stated above, the Board of Directors conducts the assessment of the performance, appropriate development and implementation of internal control systems and risk management system, as well as the supervision of the overall business management of the Company 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 as required in the relevant business field of the Company.

- The Board of Directors establishes 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.

2) Composition of the Board of Directors
- The Board of Directors of the Company consists of nine directors (including three outside directors).
- The Company ensures the system to supervise the operation of the Company by appointing more than one Independent Outside Director 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 who have different backgrounds in terms of expertise and experience, and maintains the proper number of Directors so that the Board of Directors can effectively exercise its decision-making and supervisory functions.
- If any Outside Director holds concurrent positions, such as an officer (as defined in the Companies Act) at another company, the Company shall limit the scope of holding such concurrent positions to the extent that the Outside Director can secure the time necessary to appropriately fulfill his or her roles and responsibilities at the Company.
- The Board of Directors conducts an analysis and assessment of its overall effectiveness and discloses a summary of the results thereof.

3) Internal Control Systems
To ensure smooth business operations under appropriate control, the Board of Directors sets forth basic policies regarding the development of internal control systems, and supervises the establishment of the Group’s structure and the status of implementation thereof to ensure compliance, appropriate financial reporting, and risk management.

- The Company has established the Corporate Audit Division as an internal audit department to validate the appropriateness and effectiveness of internal management systems, and maintains a system that facilitates the timely reporting of any significant matters to the Board of Directors.
- The Company has established the Basic Rules for Risk
and Compliance for the development of 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.

- The competing transactions of Directors, transactions between Directors and the Company, and transactions that involve conflicts of interest of both parties shall be matters to be approved by the Board of Directors.

3. Board of Corporate Auditors

1) Roles and Responsibilities of the Board of Corporate Auditors

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

- The Board of Corporate Auditors of the Company consists of 4 Corporate Auditors (including 2 Outside Corporate Auditors).
- To ensure transparency and fairness, at least half of the Board of Corporate Auditors shall be Independent Outside Corporate Auditors. In addition, at least one Corporate Auditor who has knowledge of financial and accounting affairs shall be appointed.
- If any Outside Corporate Auditor holds concurrent positions, such as an officer (as defined in the Companies Act) at another company, the Company shall limit the scope of holding such concurrent positions to the extent that the Outside Corporate Auditor can secure the time necessary to appropriately fulfill his or her roles and responsibilities at the Company.
- The Board of Corporate Auditors collaborates with Outside Directors and the internal audit department.

Corporate Auditors proactively collect information necessary for audits by attending important meetings of the Company and provide opinions in an appropriate manner on related matters to Directors as necessary.

2) Relationships with the Accounting Auditor and Internal Audit Department

The Board of Corporate Auditors has established a system to conduct sufficient and appropriate audits in collaboration with the Accounting Auditor and the internal audit department.

- The Board of Corporate Auditors evaluates the independence and expertise of the Accounting Auditor by formulating assessment and appointment standards of the Accounting Auditor for the purpose of appropriate selection and assessment.
- The Board of Corporate Auditors establishes a system to respond to cases where the Accounting Auditor or internal audit department discovers misconduct and requests appropriate measures, or identifies any inadequacies or problems.

4. Accounting Auditor

The Accounting Auditor assumes an important role to secure the reliability of the financial information of the Group and bears responsibility for shareholders and investors.

- The Accounting Auditor ensures a system under which he/she can conduct appropriate audits in collaboration with the Board of Corporate Auditors.
- The Accounting Auditor ensures independence and expertise.
- The Accounting Auditor complies with quality control standards for audits to properly conduct accounting audits.

5. Compensation Advisory Committee

To ensure objectivity and transparency in relation to the handling of director’s compensation, we have established an independent Compensation Advisory Committee which falls under the Board of Directors. The Compensation Advisory Committee provides recommendations to the Board of Directors when it receives requests for advice from the Board of Directors.

6. Internal Audit Department and Others

The Company has established the Corporate Audit Division, which consists of six people, as an internal audit department to validate the appropriateness and effectiveness of internal management systems as follows:

- The Corporate Audit Division aims to contribute to enhancing 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 Corporate Audit Division validates the appropriateness and effectiveness of internal management systems such as compliance, and reports to the Board of Directors, the Board of Corporate Auditors, and Representative Director in a timely manner if a significant issue arises.
- The Corporate Audit Division conducts group company audits in collaboration with Corporate Auditors and the Accounting Auditor to ensure the appropriate business conduct of the entire Group.
• With respect to whistleblowing, the Corporate Audit Division shall contribute to the early discovery of risk information and respond to whistleblower complaints in a swift and appropriate manner.

7. Directors and Corporate Auditors

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

• 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 meetings of the Board of Directors.
• Directors proactively collect information for appropriately fulfilling their roles and responsibilities, and if necessary, seek the advice of external experts at the expense of the Company.
• As an executive incentive for Directors (excluding Outside Directors), the Company adopts a compensation system linked to its medium- to long-term business performance, with a view to sustained improvement in the Group’s business performance as well as the medium- to long-term enhancement of its corporate value.

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

• In accordance with 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 meetings of the Board of Directors; receiving reports from Directors on the status of their execution of duties; receiving materials and information on related matters; and collaborating with the internal audit department and the Accounting Auditor.
• Corporate Auditors audit the decision making by the Board of Directors and the status of the development and implementation of internal control systems.
• Corporate Auditors proactively collect information for appropriately fulfilling their roles and responsibilities, and if necessary, seek the advice of external experts at the expense of the Company.

Independent Outside Directors and Independent Outside Corporate Auditors
The company has three independent outside directors and two 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 medium- to long-term enhancement of corporate value, and manage conflicts of interest, while conveying the opinions of stakeholders including minority shareholders to the Board of Directors.

• 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 the Outside Directors and Outside Corporate Auditors who meet the criteria for independence specified by financial instruments exchanges.
• Independent Outside Directors and Independent Outside Corporate Auditors work to exchange information and share perspectives based on an independent and objective standpoint by holding of regular meetings.

Training Policy for Directors
The Company provides information and knowledge on business activities necessary for Directors and Corporate Auditors to fulfill their roles and responsibilities appropriately in accordance with the following provisions.

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

Accounting Auditors

Topcon has appointed Ernst & Young ShinNihon LLC as its accounting auditor. The accounting auditor works in close collaboration with the Board of Auditors and corporate auditors. The three parties hold preliminary discussions on audit planning and audit implementation policy, exchanging information on the progress of audits during the fiscal year, and informing one another of audit results when drafting the audit reports.

Compensation for Directors and Corporate Auditors

Compensation for Topcon directors, excluding outside directors, consists of base salary and performance-linked compensation. Base salary reflects standards that have been established for the function and rank of director, while performance-linked compensation is determined based on prescribed benchmarks for the relevant fiscal year.

Compensation for outside directors and corporate auditors (including outside corporate auditors) consists only of a base salary.

In accordance with these standards, the Board of Directors determines director compensation based on its resolution, while compensation for corporate auditors is determined in consultation with corporate auditors.

Total compensation of directors and corporate auditors for the fiscal year ending March 2018 is shown below.

<table>
<thead>
<tr>
<th>Classification</th>
<th>Total Compensation (Million yen)</th>
<th>Compensation by Position (Million yen)</th>
<th>Number of Individuals</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td>Basic Compensation</td>
<td>Stock Option</td>
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<tr>
<td>Directors (excluding outside directors)</td>
<td>273</td>
<td>179</td>
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<tr>
<td>Corporate Auditors (excluding outside corporate auditors)</td>
<td>38</td>
<td>38</td>
<td>–</td>
</tr>
<tr>
<td>Outside Officers</td>
<td>33</td>
<td>33</td>
<td>–</td>
</tr>
</tbody>
</table>

Notes:
1. As of March 31, 2018, Topcon had six directors, two corporate auditors, and four outside officers (two outside directors and two outside corporate auditors).
2. As of March 31, 2018, the maximum compensation levels for directors was ¥700 million as resolved at the 124th Ordinary General Meeting of Shareholders held on June 28, 2017, with maximums for the fixed portion of ¥300 million and the performance-linked portion of ¥400 million as determined based on prescribed benchmarks for the relevant fiscal year. The maximum total fixed annual compensation for an outside director is ¥30 million.
3. As of March 31, 2018, the maximum compensation level for corporate auditors was ¥100 million as resolved at the 120th Ordinary General Meeting of Shareholders held on June 26, 2013.

Revitalizing the General Meetings of Shareholders and Facilitating the Exercise of their Voting Rights

To revitalize the General Meeting of Stockholders, the Company distributes a notice of convocation three weeks before each ordinary general meeting of shareholders. When scheduling such meetings, we endeavor to avoid dates on which those of other companies are concentrated. To make it easier to exercise voting rights, we have provided a dedicated website to enable shareholders to exercise their voting rights via the Internet. Adopting an electronic voting platform in this way increases the convenience for institutional and other investors.

Information Disclosure

Topcon conducts its IR activities so that all shareholders and investors will better understand the Company to make an accurate evaluation of its value. The Company thus makes every effort to faithfully, proactively, and continuously disclose information about medium-to long-term management policy and business strategy, and financial position fairly and swiftly.

Specifically, we have hold a series of briefing sessions for individual investors at securities companies and the like. (We held 12 such sessions in fiscal 2017.) For institutional investors, we hold briefing meetings to explain our results four times a year, as well as other meetings as needed.

Executive Compensation in Fiscal 2017

<table>
<thead>
<tr>
<th>Classification</th>
<th>Total Compensation (Million yen)</th>
<th>Compensation by Position (Million yen)</th>
<th>Number of Individuals</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Basic Compensation</td>
<td>Stock Option</td>
</tr>
<tr>
<td>Directors (excluding outside directors)</td>
<td>273</td>
<td>179</td>
<td>29</td>
</tr>
<tr>
<td>Corporate Auditors (excluding outside corporate auditors)</td>
<td>38</td>
<td>38</td>
<td>–</td>
</tr>
<tr>
<td>Outside Officers</td>
<td>33</td>
<td>33</td>
<td>–</td>
</tr>
</tbody>
</table>

Notes: 1. As of March 31, 2018, Topcon had six directors, two corporate auditors, and four outside officers (two outside directors and two outside corporate auditors).
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Corporate Auditor Compensation in Fiscal 2017

| Accounting Auditor’s compensation in fiscal 2017 | 118 |
| Total amount of cash and other material benefits payable to Accounting Auditor by the Company and its subsidiaries | 118 |
Directors, Corporate Auditors and Executive Officers

**Directors**

- Satoshi Hirano  
  Representative Director,  
  President & CEO
- Makoto Iwasaki  
  Representative Director  
  Senior Managing Executive Officer
- Takashi Eto  
  Director  
  Managing Executive Officer
- Yasufumi Fukuma  
  Director  
  Managing Executive Officer
- Haruhiko Akiyama  
  Director  
  Executive Officer

- Takayuki Yamazaki  
  Director  
  Executive Officer
- Kazuyuki Matsumoto  
  Director  
  Outside Director
- Akira Sudo  
  Director  
  Outside Director
- Naoko Yamazaki  
  Director  
  Outside Director (new appointment)

**Corporate Auditors**

- Hiroshi Sakai  
  Corporate Auditor
- Akinori Mitake  
  Corporate Auditor  
  (new appointment)
- Tatsuya Kuroyanagi  
  Director  
  Outside Corporate Auditor
- Keiji Taketani  
  Director  
  Outside Corporate Auditor

**Executive Officers**

- Raymond O’Connor  
  Senior Managing Executive Officer
- Fumio Ohue  
  Managing Executive Officer
- Masami Tsukada  
  Executive Officer
- Kaoru Kumagai  
  Executive Officer
- Shigehiro Ogino  
  Executive Officer
- Takaaki Hiyayama  
  Executive Officer
- Nobuyuki Ryu  
  Executive Officer
- David Alan Mudrick  
  Executive Officer
- Ivan Di Federico  
  Executive Officer
- Eric Franken  
  Executive Officer
- Hitoshi Sadachika  
  Executive Officer
- Hiroyuki Nishizawa  
  Executive Officer
- Kinpui Chan  
  Executive Officer
- Shokyu Nakamura  
  Executive Officer
- Nobuo Ichiki  
  Executive Officer
- Reiko Watanabe  
  Executive Officer