The Topcon Group strives to fulfill its social responsibilities through promoting ESG activities of its core business and enhance its mid- to long-term corporate value.

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. 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.

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 procurement, 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.
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).

The Topcon Group has incorporated 10 principles*1 proposed by the UN GC into its core policies including the TOPCON WAY and its basic CSR policies since it participated in the UN GC in October 2007. The Group conducts various activities which embody the spirit of the UN GC to raise awareness.

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*2 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.

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*1 https://www.unglobalcompact.org/what-is-gc/mission/principles
We believe our very core business can contribute to the global environment since our core business is based on our philosophy of solving the societal challenges in healthcare, agriculture and infrastructure to enrich life and society. We do not make construction machines or farming machines, but we provide solutions to improve efficiency and productivity in construction and farm work. Our IT agriculture solutions contribute not only to stable production but also to protection of global environment through saving fuel, water, fertilizer, and pesticide with efficient operation of farm machines.

### Our initiatives in global environmental issues

1. **Global Warming**
   We put primary importance to global warming countermeasures, and strive to reduce CO₂ emissions from our bases both in Japan and abroad to promote initiatives leading to carbon-free society.

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. In August 2018, we have passed the audit for transition to ISO14001:2015 and maintained our certification.
Topcon’s Environmental Footprint Report (FY2018)

1. Mitigating Global Warming (CO₂ Emissions Reduction)
Considering global warming as top environmental priority, we sought to reduce our emissions to 5,212.4t-CO₂, equivalent to a 17% 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 44.0% to 3,502.5t-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 FY2018, we reduced our total emissions to 197.2 tons, exceeding our total emissions target of 220.9 tons.

3. Management of Chemical Substances (VOC Reduction)
We are working to reduce Volatile Organic Compounds (VOC) as part of the management of chemical substances. In FY2018, whereas our total emissions target was 3,800 kg, or 77.8% reduction below the FY2000 level, we reduced VOC usage to 2,865 kg (84.7% reduction), far exceeding our total emissions target.

We switched from solvent paint to water paint to effectively reduce VOC. In so doing, we succeeded in enhancing wear durability of coating film by 10 times or more. We balance environmental protection and product durability.

VOC (Volatile Organic Compounds)

Environmental Policy
We uphold the TOPCON WAY which embodies our philosophy of enriching society through solving societal challenges in healthcare, agriculture, and infrastructure. We strive to reduce environmental burden of our business activities based on the Topcon Global Code of Conduct. Moreover, we help reduce environmental impact through our products and services to aim for sustainable society.

1. We promote continued improvement of environmental management system to enhance environmental performance in our business activities. To this end, we prioritize our environmental efforts and set environmental goals and targets involving all employees including the top management.

2. We comply with applicable laws and regulations, acts, guidelines, agreements and other accepted requirements, and strictly manage and control them.

3. We strive to reduce environmental burden, conserve biodiversity, and prevent environmental pollution. To reduce environmental risks, we set the following goals:
   (1) We will offer environmentally friendly products and services considering our product lifecycle.
   (2) We will raise control levels of chemical substance and chemical substance contained in our products.
   (3) We focus on reduce waste emissions, and strive to enhance value of waste as recyclable waste.
   (4) We promote efforts to mitigate global warming, and strive to reduce greenhouse gas emissions.

4. We work to keep our premises and neighborhood clean and beautiful, and participate in our local community activities to live in harmony with our local communities.

5. We work to raise awareness of our employees through environmental education and PR activities, and enhance environmental conservation activities involving everyone in the office.

6. We give guidance and support to our affiliated companies to raise the awareness of the Topcon Group as a whole.
Societal Initiatives

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. 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 was selected as a constituent of the “MSCI Japan Empowering Women (WIN) Select Index”. The WIN is an index composed of companies that excel in gender diversity from among the constituents of the “MSCI Japan IMI Top 500 Index”. This index has been selected since July 2017 as one of the ESG indices for the passive investment of the Government Pension Investment Fund (GPIF).

Topcon’s Equal Opportunity Efforts in Fiscal 2018

- A female Director has served.
- A female Executive Officer has served.
- Eight women in management positions.
- Female employees make up 16.3%

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.
1 America
The positioning company sponsored “Day in the Park” that has been held annually by the Taylor Family Foundation which supports many charities. The much donations collected have helped support disadvantaged children and young people in the medium to long term.

2 Netherland
Topcon Europe Positioning B.V. donated the 3D excavator machine control system X53 to SOMA, a training school for construction machine operators, which enables the students to learn the latest technology.

3 England
Topcon Positioning (Great Britain) Ltd. offered its surveying instruments to Camborne School of Mines for a two-day field test conducted by the school. Despite the students’ little experience, they could conduct surveys and analyze data, and felt usability of our products.

4 Germany
Topcon Electronics GmbH & Co.KG donated 1,500 Euros to Kinderschutzbund Rheingau, a child protection society. Our donations help healthy development of children and young people and give children and young people equal opportunities in education.

5 Singapore
Topcon Singapore Medical Pte. Ltd. has sponsored various events and programs including the World Diabetes Day and the Lion World Sight Day in Singapore.
intermediaries such as agents are working on behalf of the Topcon Group, rules have been established to prohibit employees 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 in Japan and 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 Group 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.

**Other donations**

- Topcon France Medical S.A.S. donated 8,600 Euros to Les Yeux du Monde which supports Cambodia.
- Shanghai Topcon-Sokkia Technology & Trading Co., Ltd. donated 100 thousand Yuan to expand the lineup of surveying instruments at Henan College of Surveying and Mapping.
- Topcon Instruments (Thailand) Co., Ltd. donated 3,000 Thai Baht to Phrabat Nampu Temple to save orphans.
Corporate Governance Initiatives

Outline of Corporate Governance

1. 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 the 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.

2. Outline of 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.

2. Board of Directors
i) 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 Group from an independent and objective standpoint.
• The Board of Directors makes decisions on matters provided for in laws and regulations and the Articles of Incorporation as well as on important matters relating to business management. The Board of Directors has adopted the “Executive Officer System” as a business execution system based on its decision making, and delegates day-to-day business execution to Executive Officers.
Officers are appointed by a resolution of the Board of Directors, taking into account their level of knowledge and experience as required in the business field of the Company.

- The Board of Directors has established a system to respond to cases where a Corporate Auditor or the Accounting Auditor discovers misconduct and requests appropriate measures, or identifies any inadequacies or problems.
- The Board of Directors conducts an analysis and assessment of its overall effectiveness and disclose a summary of the results thereof.

**ii) 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 at least two Independent Outside Directors who express their opinions from an independent and objective standpoint at the meetings of the Board of Directors.
- The Board of Directors is composed of Directors with different backgrounds in terms of expertise and experiences, and maintains the proper number of Directors so that the Board of Directors can effectively exercise its decision-making and supervisory functions.

**iii) 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.

*Reports to the Board of Directors, the Board of Corporate Auditors, and President & CEO in a timely manner if any significant issue is discovered.

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**Corporate Governance Structure (As of June 26, 2019)**

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<tr>
<th>General Meeting of Shareholders</th>
<th>Board of Directors</th>
<th>Board of Auditors</th>
<th>Accounting Auditor</th>
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<td>Directors 9 (Outside 3)</td>
<td>Corporate Auditors 4 (Outside 2)</td>
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<td>Appointment and termination</td>
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<td>Report</td>
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<td>Advisory Suggestion</td>
<td>Audit</td>
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<td>Approval for appointment and termination</td>
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<td>Executive Officers 24 (Manages daily activities)</td>
<td>Report</td>
<td>Report</td>
<td>Report</td>
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</tbody>
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**Corporate Audit Div. (Internal auditing)**

- Auditing
- Directions
- Report
- Cooperation

**Operating Divisions and Group Companies**

- Audit
- Directions
- Report
- Cooperation
3. Board of Corporate Auditors
   i) 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 strives for the common interests of shareholders.
   • The Board of Corporate Auditors of the Company consists of four Corporate Auditors (including two Outside Corporate Auditors).
   • To ensure transparency and fairness, at least half of the Board of Corporate Auditors shall be Independent Outside Corporate Auditors. All Corporate Auditors shall have appropriate experiences and competence as well as the necessary knowledge of financial, accounting, and legal affairs. In particular, at least one Corporate Auditor with sufficient knowledge of financial and accounting affairs shall be appointed.
   • The Board of Corporate Auditors collaborates with Outside Directors and the internal audit department.

   ii) Relationships with the Accounting Auditor and the 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 through formulating assessment and appointment standards of the Accounting Auditor.
   • The Board of Corporate Auditors has established a system to respond to cases where the Accounting Auditor or the 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 in guaranteeing 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, the Company has established a Compensation Advisory Committee which is independent of the Board of Directors.
   • The Compensation Advisory Committee consists of three members, the President and CEO, an Independent Outside Director, and an Independent Outside Auditor.
   • 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 consisting of five members 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 the President and CEO in a timely manner if a significant issue arises.
   • The Corporate Audit Division collaborates with Corporate Auditors and the Accounting Auditor.
   • With respect to 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
   i) 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 of the Group.
   • Directors, as members of the Board of Directors, supervise the execution of business operations by Executive Directors and Executive Officers.
   • Directors collect sufficient information to execute their duties, while requesting explanations on various matters, proactively expressing opinions and holding open and constructive discussions at the Board of Directors’ meetings.
   • Directors proactively collect information for appropriately fulfilling their roles and responsibilities, and if necessary, seek the advice of external experts at the expense of the Company.
• Directors set aside time to fulfill their roles and responsibilities in the Company, limiting outside executive jobs to a reasonable extent when concurrently serving as outside executives.
• As an executive incentive for Directors (excluding Outside Directors), the Company offers compensation linked to its medium- to long-term business performance towards the Group’s sustained growth and enhancement of its corporate value.

ii) Corporate Auditors
Corporate Auditors recognize their fiduciary responsibility to shareholders and execute their duties as Corporate Auditors, ensuring corporate soundness towards the sustained 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 Board of Directors’ meetings; 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 made by the Board of Directors and the status of the development and implementation of internal control systems.
• Corporate Auditors proactively collect information necessary for audits through attending the Company’s important meetings, and give appropriate feedback to Directors as needed.
• 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.
• Corporate Auditors set aside time to fulfill their roles and responsibilities in the Company, limiting outside executive jobs to a reasonable extent when concurrently serving as outside executives.

iii) Independent Outside Directors and Independent Outside Corporate Auditors
Independent Outside Directors and Independent Outside Corporate Auditors supervise the execution of business operations, provide advice for the Group’s sustained growth and medium- to long-term enhancement of corporate value, and manage conflicts of interest, while reflecting the opinions of stakeholders including minority shareholders to the Board of Directors.
• The company has three Independent Outside Directors and two Independent Outside Corporate Auditors.
• Independent Outside Directors share information regarding matters related to the business and corporate governance of the Group and exchange opinions with each Director, Executive Officer, and Corporate Auditor.
• The Company appoints the Outside Directors and Outside Corporate Auditors who meet the criteria for independence specified by Financial Instruments and Exchange Act.
• Independent Outside Directors and Independent Outside Corporate Auditors work to exchange information and share perspectives based on an independent and objective standpoint through holding regular meetings.

iv) Support System for Directors and Corporate Auditors
The Company has established effective and sufficient support system for Directors and Corporate Auditors to fulfill their roles and responsibilities.
• The Company runs the meetings of the Board of Directors to enable sufficient discussion at the Board meetings as follows:
  1) The company prepares annual schedule of the Board meetings and annual plan of the matters for discussion.
  2) The company sets aside time for sufficient discussion at the Board meetings.
  3) The company distributes materials on matters for discussion of the Board meetings well in advance.
  4) Other than the above, the company provides information that Directors need for decision making and information that Corporate Auditors need when necessary.
• The Company appoints an assistant to assist in duties and other activities of Corporate Auditors as needed to provide the Company information that Corporate Auditors need and coordinate in-company collaboration.
• The Company provides information when Outside Directors and Outside Corporate Auditors request information necessary for execution of their duties.
• We secure a budget necessary for execution of the duties by Directors and Corporate Auditors.

v) Training Policy for Directors and Corporate Auditors
The Company provides information and knowledge on business activities necessary for Directors and Corporate Auditors to fulfill their roles and responsibilities appropriately as follows:
• When Directors or Corporate Auditors are newly appointed, the Company provides training on laws and regulations related to the business of the Group and the Group’s corporate governance, and continues to provide such training even after their assuming office.
• In addition to the above, when Outside Directors or Outside Corporate Auditors are newly appointed, the Company provides the information regarding the Group’s
Corporate Governance Initiatives

3 Background for adopting the current Corporate Governance structure
The Company appoints more than one Outside Directors and get an outside perspective to enhance supervisory function. The Company also appoints Corporate Auditors (including Outside Corporate Auditors), the Board of Auditors, and Accounting Auditor. All of them conduct the Company’s audit in collaboration with Corporate Audit Division (internal audit department) to make the most of their supervisory function.

4 Other matters related to Corporate Governance
1. Development status of Internal Control System
i) System to ensure that execution of duties by Directors and employees conforms to the laws and regulations as well as the Articles of Incorporation
1) The Company sets corporate value common to the Topcon Group called the TOPCON WAY and its specific action guideline called the Topcon Global Code of Conduct, and make directors, executive officers, and all other employees aware of the importance of the Code of Conduct on all occasions including a company anniversary and keeps them informed about the Code of Conduct through daily educational activities.
2) The Board of Directors decides on significant matters for the Company and the Group Company as a whole. The Company appoints Outside Directors to maintain and strengthen supervisory function related to the execution of the Directors’ duties.
3) The Company strives to put whistle-blowing System into effective use to detect and deal with a problem related to Corporate Governance appropriately.
4) The Company has established the Corporate Audit Division which reports directly to the President as internal audit department to validate the propriety and effectiveness of internal management system including compliance. Also, the Company maintains a system that facilitates the timely reporting of any significant matters to the President and the Board of Directors.
5) The company works to ensure transparency through visualization of business execution status, create a system to guarantee timely and appropriate disclosure of the Company’s important information, and review business processes.
6) The Company ensures that duties of directors and employees are executed in compliance with laws and regulations. In particular, the Company has established internal regulations and management system in line with the Antimonopoly Act, Export Control Regulations, and Insider Trading Regulations as well as protection of personal or confidential information and environmental protection.
7) The Company sets a guideline for exclusion of Anti-social Forces, which is specified in the Topcon Global Code of Conduct, and works to ensures company-wide observance of the guideline.

ii) System for storage and management of information on execution of duties by Directors
1) The Company stores and manages important documents including minutes and related materials and requests for approval of the Board of Directors’ meetings and the Board of Executive Officers’ meetings, in accordance with laws and the Articles of Incorporation, the Board of Directors regulations, the Board of Executive Officers regulations, the Group Governance regulations, Basic Rules for Information Security, and Rules for Document handling and Storage. (Since the Company adopts Executive Officer System, information on execution of duties as specified herein includes information on not only Directors but also Executive Officers.)
2) The Company has established a system which enable Directors, Corporate Auditors, the Accounting Auditor, and employees appointed by them to examine important documents as needed.

iii) Risk management regulations against loss and other preparedness
1) The Company sets basic regulations on risk management and compliance and appoint risk managers to deal with any risks which may arise in the Company and the Group companies in timely and appropriate manner.
2) The Company has introduced whistle-blowing system which allows whistle-blower to report directly, not through ordinary organizational structure. This contributes to prompt and proper response to a risk that has occurred. Also, the Company works to raise awareness of risk management among all executives and employees of the Group Companies as well. The Corporate Audit Division which serves as internal audit department takes charge of whistle-blowing system.
3) The Company has established basic policy and its subordinate policies on both personal information protection and information security about handling of confidential information. The Company works to ensure company-wide observance of these policies.

iv) System to ensure efficient execution of Directors’ duties
1) To strengthen the supervisory function of the Board of Directors, the Board members attend monthly and extraordinary meetings to discuss basic management
policy and matters specified in laws and regulations and the Articles of Incorporation as well as other important matters relating to business management after receiving reports on such matters.

2) The company has established a system to ensure sufficient and substantial discussion as well as prompt decision-making at the Board of Directors: the Board of Directors delegates day-to-day business execution to Executive Officers. Also, the Board of Executive Officers discusses and decides matters on important business execution within the President’s decision-making authority based on company regulations.

3) All duties are executed in line with proper procedures stipulated in the Board of Directors regulations, the Board of Executive Officer regulations, the Group Governance regulations, and the business organization regulations.

v) System to ensure propriety of business in a corporate group composed of the said stock company and its parent company and subsidiaries

1) All executives and employees of the Topcon Group in each region and country share the Group’s common values and criteria embodied in the TOPCON WAY across national and corporate borders. To raise awareness of legal compliance, the Company and its Group adopt and enforce the Topcon Global Code of Conduct.

2) The Company has established Group Governance Regulations for the Company and its Group Companies to define and ensure decision-making standards and matters to be reported. Furthermore, the Company has set up a forum for reporting business execution status several times during the fiscal year to share information within the Group and raise awareness of legal compliance in the Group Companies.

3) To ensure propriety of business, Corporate Audit Division, or internal audit department of the Company, audits the Group Companies as well in collaboration with audits by Corporate Auditors and the Accounting Auditor.

4) To ensure reliability and propriety of financial reporting, the Company and its Group Companies have improved the environment of internal control and established the operational system in line with provisions in the Financial Instruments and Exchange Act while continuously evaluating effectiveness of internal control system to take necessary corrective actions.

vi) Matters on employees who are asked to assist in the duties of Corporate Auditors

In response to a request from Corporate Auditors, employees who belong to Corporate Audit Division assist in the duties of Corporate Auditors as needed.

vii) Matters on independence of the above employees from Directors

Directors and Executive Officers shall not be involved in the duties of the above employees. Transfers of the said employees are decided after consultations with the Board of Corporate Auditors.

viii) System to report to Corporate Auditors from Directors and employees; other system to report to Corporate Auditors

1) To audit decision-making process, Corporate Auditors attend important company meetings including the Board of Directors’ meetings and the Board of Executive Officers’ meetings, and collect information from minutes of meeting and other materials.

2) The Company ensures that Corporate Auditors hear reports of business status from each department in charge of execution of operation in the Company during the fiscal year, and visit the Group Companies to audit their business status.

3) Other than those above, Corporate Auditors can request business status reports from Directors, Executive Officers, and employees of the Company and the Group Companies whenever necessary.

4) To enhance cooperation and efficiency, Corporate Audit Division reports internal audit status and the audit results to Corporate Auditors.

ix) System to ensure effective audits by Corporate Auditors

1) The Board of Directors ensures that Corporate Auditors can sufficiently audit Directors’ execution of duties through attending important company meetings including the Board of Directors’ meetings and the Board of Executive Officers’ meetings, and regularly auditing business execution status of the Company and its Group Companies, and appointing employees who assist in the duties of Corporate Auditors.

2) The Company has set up a forum for opinion exchange between Corporate Auditors and Directors to properly reflect the opinions of Corporate Auditors in business judgment.

3) The Company has set up a forum for exchange of information and opinions between Corporate Auditors and the Accounting Auditor.

2. Outline of Liability Limitation Agreements

Pursuant to Article 427, Paragraph 1 of the Companies act, and the Articles of Incorporation, the Company has concluded agreements with each Outside Director and Outside Auditor to limit the amount of liability owed to the company in respect of any negligence, breach of duty to the minimum liability amount stipulated in the Companies act.
3. Number of Directors
The Company’s Article of Incorporation sets the number of Directors at 17 or less.

4. Resolution requirements for appointment of Directors
The Company’s Article of Incorporation stipulates that when shareholders holding at least 1/3(one third) of the votes of the shareholders with voting rights are present, the resolution shall be passed by a majority of voting rights holders.

The resolution for appointment of Directors shall not be conducted by cumulative voting.

5. Matters for which the Board of Directors may pass a resolution even if such matters usually need a resolution at a General Meeting of Shareholders
i) Purchase of treasury stock
To execute flexible capital policy, the Article of Incorporation stipulates that treasury stock, or its own shares, may be purchased after a resolution passed by the Board of Directors pursuant to the Article 165, Paragraph 2 of the Companies act.

ii) Dividend of surplus and other matters
To return profits to shareholders quickly, the Article of Incorporation stipulates that the Company decides matters including dividend of surplus specified in Article 459, Paragraph 1 of the Companies act not by a resolution at a General Meeting of Shareholders but by a resolution of the Board of Directors unless otherwise specified in laws and regulations.

6. When matters for a resolution of the Board of Directors may not be decided at a General Meeting of Shareholders
To return profit to shareholders quickly, the Article of Incorporation stipulates that the Company decides matters including dividend of surplus specified in Article 459, Paragraph 1 of the Companies act not by a resolution of a General Meeting of Shareholders but by a resolution of the Board of Directors unless otherwise specified in laws and regulations.

7. Requirement for a special resolution at a General Meeting of shareholders
To ensure quorum for a special resolution is reached, the Article of Incorporation stipulates that a special resolution at a General Meeting of Shareholders pursuant to Article 309, paragraph 2 of the Companies act must be passed by at least 2/3(two thirds) of the votes of the shareholders present at the meeting where the shareholders holding at least 1/3(one third) of the votes of the shareholders with voting rights are present.

Status of Accounting Audit

a. Name of Audit Corporation
Ernst & Young ShinNihon LLC

b. Certified Public Accountants(CPA) who executed audit services
Employees who executed audit services with designated limited liability:
Hiroaki Kosugi, Shigehiro Koshihara, and Ryogo Ichikawa

c. Assistants to the above audit services
Eleven Certified Public Accountants, 12 CPA exam passers and others qualified, and 14 others

d. Selection policy of Audit Corporation and reasons for the selection
The Company’s Board of Corporate Auditors has formulated evaluation and selection criteria for the accounting auditor. Specifically, the Board of Corporate Auditors evaluates the matters specified in the above criteria after collecting information on independence, expertise, auditing
system, and grounds for disqualification of the Accounting Auditor as well as status of audit performed and audit quality. Then, the Board deemed appropriate the independence, expertise, auditing system, status of audit performed, and audit quality of the above Accounting Auditor, hearing the opinions of Business Management Division about appointment of accounting auditor, and judged reappointment of the above Accounting Auditor as appropriate.

The Company’s Board of Corporate Auditors decides on a proposed resolution for removal or no reappointment of the Accounting Auditor to be submitted to a General Meeting of Shareholders when duties are not duly executed by the Accounting Auditor or when necessary.

In addition to the above, if the Accounting Auditor falls under any of Article 340, Paragraph 1 of the Companies act, the Accounting Auditor is dismissed by the unanimous consent of all corporate auditors. In this case, a Corporate Auditor appointed by the Board of Corporate Auditors must report such fact and the reason for dismissal to the first shareholders meeting called after the dismissal.

e. Evaluation of Audit Corporation by Corporate Auditors and the Board of Corporate Auditors

The Company’s Board of Corporate Auditors has formulated evaluation and selection criteria for the Accounting Auditor based on criteria stipulated in the Practical Guidelines for Corporate Auditors on Evaluation and Selection Criteria for the Accounting Auditor set by Japan Audit and Supervisory Board Members Association. Then, Corporate Auditors discuss and evaluate the matters specified in the above criteria, and this time judged reappointment of the above Accounting Auditor as appropriate.

### Fees paid to Audit Corporation

<table>
<thead>
<tr>
<th>Category</th>
<th>Previous Consolidated Fiscal Year</th>
<th>Current Consolidated Fiscal Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Compensation based on audit certification (Million yen)</td>
<td>Compensation based on non-audit duties (Million yen)</td>
</tr>
<tr>
<td></td>
<td>Compensation based on audit certification (Million yen)</td>
<td>Compensation based on non-audit duties (Million yen)</td>
</tr>
<tr>
<td>Reporting Company</td>
<td>118</td>
<td>–</td>
</tr>
<tr>
<td>Consolidated Subsidiary</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>118</td>
<td>85</td>
</tr>
</tbody>
</table>

b. Fees paid to the organization belonging to the same network as the CPA and other accountants who perform the Company’s audit (excluding a.)

Non-audit services at the Reporting Company and its consolidated subsidiaries include support and advisory services on tax affairs.

<table>
<thead>
<tr>
<th>Category</th>
<th>Previous Consolidated Fiscal Year</th>
<th>Current Consolidated Fiscal Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Compensation based on audit certification (Million yen)</td>
<td>Compensation based on non-audit duties (Million yen)</td>
</tr>
<tr>
<td></td>
<td>Compensation based on audit certification (Million yen)</td>
<td>Compensation based on non-audit duties (Million yen)</td>
</tr>
<tr>
<td>Reporting Company</td>
<td>–</td>
<td>9</td>
</tr>
<tr>
<td>Consolidated Subsidiary</td>
<td>243</td>
<td>143</td>
</tr>
<tr>
<td>Total</td>
<td>243</td>
<td>152</td>
</tr>
</tbody>
</table>

c. There is no other important fees based on Audit Certification.

d. Policy for determining audit fees

To determine the amount of audit fees paid to the Company’s Accounting Auditors, we estimate appropriate number of days and man-hour for audit in view of the Company’s scale, and business characteristics.

e. Background of the Board of Corporate Auditors’ agreement on compensation for the Accounting Auditor

After the Company’s Board of Corporate Auditors received necessary materials or reports from Directors, relevant internal departments, and the Accounting Auditor, the Board checked the details of the Accounting Auditor’s audit plan, status of the accounting audit, and basis for calculation of compensation estimates. The Board discussed all the above and judged them as appropriate, and has made agreement specified in Article 399, Paragraph 1 of the Companies act.
Corporate Governance Initiatives

Executive Compensation

1. Amounts of executive compensations or policy on determining their calculation method

To ensure objectivity and transparency on Directors’ compensations, the Company has established a Compensation Advisory Committee with an Outside Director as chair and majority of the committee members being Outside Executives. The Committee makes recommendations to the Board of Directors.

The amount of compensation of each Director is determined by a resolution of the Board of Directors, which is based on discussion and recommendation of the Compensation Advisory Committee in line with policy on Directors’ compensations determined by a resolution of the Board of Directors. Director’s compensation shall not exceed the total amount of Directors’ compensations determined by a resolution of a General Meeting of Shareholders. Also, the amount of compensation of each Corporate Auditor is determined through discussion among the Corporate Auditors. The amount shall not exceed the amount of Corporate Auditors’ compensations determined by a resolution of a General Meeting of Shareholders.

Compensation for Directors (excluding Outside Directors) consists of fixed compensation corresponding to function and rank and performance-linked compensation determined by prescribed benchmarks for the relevant fiscal year. Performance-linked compensation for Directors consists of compensation linked to short-term performance based on results for the fiscal year, compensation linked to mid-term performance based on cumulative results during the period of the mid-term business plan, and stock option to boost morale for long-term performance enhancement. Outside Directors and Corporate Auditors receive fixed compensation only.

To boost morale of Directors for higher performance and ensure identity of interest between Directors and shareholders, performance-linked compensation for Directors are calculated based on net income attributable to shareholders of the parent company and ROE. The results for the current fiscal year are as follows: net income attributable to shareholders of the parent company of ¥6.5 billion and ROE of 9.8%. As for cumulative results for the second mid-term business plan, net income attributable to shareholders of the parent company was ¥16.9 billion and average ROE was 9.0%.

Compensation for the Company’s Directors set by the Resolution at the 125th Annual General Meeting of Shareholders held on June 27, 2019 are as follows: total annual amount of up to ¥800 million consists of fixed compensation of ¥400 million or less and performance-linked compensation for the fiscal year of ¥400 million or less. Total annual compensation for the Outside Directors set by the Resolution is ¥100 million or less (fixed compensation only). The number of Directors at the time of the said Resolution was nine (including three Outside Directors).

Total annual compensation for the Company’s Corporate Auditors is set at ¥100 million or less by the Resolution at the 120th Annual General Meeting of Shareholders held on June 26, 2013. The number of Corporate Auditors at the time of the said Resolution was four (including two Outside Corporate Auditors).

To determine the amount of compensation for Directors for the fiscal year, the Compensation Advisory Committee was held twice in June 2018 and May 2019, and the Board of Directors meeting was held in June 2018. The amount of compensation for Corporate Auditors from July 2018 are fixed by discussion by Corporate Auditors held in June 2018.

2. Total amount of compensation by category of officers and by type of compensation, and number of officers who receive such compensation

<table>
<thead>
<tr>
<th>Category</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>312</td>
<td>178</td>
<td>134</td>
</tr>
<tr>
<td>Corporate Auditors (excluding outside auditors)</td>
<td>32</td>
<td>32</td>
<td>–</td>
</tr>
<tr>
<td>Outside Officers</td>
<td>43</td>
<td>43</td>
<td>–</td>
</tr>
</tbody>
</table>

Notes
1. One Corporate Auditor, who retired at the conclusion of the 125th Annual General Meeting of Shareholders held on June 27, 2019, is counted in the number of Corporate Auditors (excluding Outside Auditors).
2. The total amount of compensation for Directors does not include the portion of employee’s salary for Director who concurrently serve as employees.

3. Officer with total amount of compensation exceeding ¥100 million

<table>
<thead>
<tr>
<th>Name</th>
<th>Officer category</th>
<th>Company</th>
<th>total amount (Million yen)</th>
<th>breakdown by type (Million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satoshi Hirano</td>
<td>Director</td>
<td>Topcon Corporation</td>
<td>126</td>
<td>Fixed compensation</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>78</td>
</tr>
</tbody>
</table>
Directors, Corporate Auditors and Executive Officers

**Directors**
1. Satoshi Hirano  
   Representative Director  
   President & CEO
2. Makoto Iwasaki  
   Representative Director  
   Senior Managing Executive Officer
3. Haruhiko Akiyama  
   Director  
   Senior Executive Officer
4. Yasufumi Fukuma  
   Director  
   Managing Executive Officer
5. Kazuyuki Matsumoto  
   Director (Outside Director)
6. Akira Sudo  
   Director (Outside Director)
7. Takayuki Yamazaki  
   Director  
   Senior Executive Officer
8. Naoko Yamazaki  
   Director (Outside Director)

**Corporate Auditors**
- Shokyu Nakamura  
  Corporate Auditor
- Akinori Mitake  
  Corporate Auditor
- Tatsuya Kuroyanagi  
  Outside Corporate Auditor
- Keiji Taketani  
  Outside Corporate Auditor

**Executive Officers**
- Raymond O’Connor  
  Senior Managing Executive Officer
- Takaaki Hirayama  
  Executive Officer
- Hitoshi Sadachika  
  Executive Officer
- Yasuyuki Ninomiya  
  Executive Officer
- Fumio Ohue  
  Managing Executive Officer
- Nobuyuki Ryu  
  Executive Officer
- Hiroyuki Nishizawa  
  Executive Officer
- Akifumi Baba  
  Executive Officer
- Masami Tsukada  
  Senior Executive Officer
- David Alan Mudrick  
  Executive Officer
- Kinpui Chan  
  Executive Officer
- Yoshikuni Ito  
  Executive Officer
- Kaoru Kumagai  
  Executive Officer
- Ivan Di Federico  
  Executive Officer
- Nobuo Ichiki  
  Executive Officer
- Shigehiro Ogino  
  Executive Officer
- Eric Franken  
  Executive Officer
- Reiko Watanabe  
  Executive Officer