

TOPCON Corporate Governance Guidelines

Chapter 1 General Provisions

1. Purpose and basic approach to corporate governance

TOPCON CORPORATION (hereinafter referred to as the “Company”) has established the TOPCON Corporate Governance Guidelines (hereinafter referred to as the “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, 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 in its aim to achieve effective corporate governance.

2. Establishment, revision and abolishment

The Guidelines shall be established, revised, and abolished by the resolution of the Board of Directors.

Chapter 2 Relationships with Stakeholders

1. Relationships with shareholders, etc.

(1) Securing the rights of shareholders

The Company shall disclose information to shareholders in a timely and appropriate manner, work to build a relationship of trust with them, and endeavors to achieve sustainable growth of the Group and the medium- to long-term enhancement of its corporate value, while creating an environment in which shareholders can exercise their rights and the substantive equality of shareholders is ensured. The Company respects the fundamental rights of shareholders as well as prohibits the provision of special benefits to any shareholder, and thereby substantively ensures the rights of all shareholders including minority shareholders and non-Japanese shareholders.

(2) General Meeting of Shareholders

Given that the General Meeting of Shareholders functions as a decision-making body as well as a forum for communication between Directors and Corporate Auditors of the Company and its shareholders, the Company develops the following environment to ensure the exercise of shareholders’ rights, including voting rights.

- The Company endeavors to appropriately schedule the date of the General Meeting of Shareholders with due consideration for ensuring sufficient time for shareholders to exercise their voting rights,

and convenience for shareholders to attend the General Meeting of Shareholders.

- The Company sends the notice of convocation no later than three weeks prior to the date of the General Meeting of Shareholders.
- The Company posts the notice of convocation on its website prior to sending it by mail.
- The Company develops an environment in which shareholders can effectively exercise their voting rights through the use of the electronic voting platform and the posting of an English translation of the notice of convocation along with related reference materials on its website, among other means.
- The Board of Directors accepts, in good faith, the results of the shareholders' exercise of voting rights at the General Meeting of Shareholders, and analyzes the results of the proposals, both approvals and disapprovals, while considering the appropriate response to such results, including dialogue with shareholders.

(3) Constructive dialogue with shareholders

The Company endeavors to achieve the sustainable growth and medium- to long-term enhancement of the corporate value of the Group through constructive dialogue with the shareholders. To promote constructive dialogue with shareholders, the Company separately establishes the basic policies on dialogue with shareholders, engages in constructive dialogue with the shareholders in accordance with such basic policies, and publishes the Group's medium- to long-term management policies and financial position, etc., in a fair, prompt, and accurate manner.

(4) Basic capital policy

For the sustainable growth and medium- to long-term enhancement of corporate value as well as shareholder value, the Company endeavors to secure its financial base, while working to establish an appropriate balance between equity capital efficiency and shareholder returns, etc. The Company delivers shareholder returns taking into account investments in future businesses and the reinforcement of shareholders' equity.

(5) Policy on cross-shareholdings

- The Company holds shares as cross-shareholdings in order to maintain or reinforce the stable procurement or business transactions necessary for conducting business activities. The shareholding is reviewed, including sale of such shares, by the Board of Directors periodically, taking into account of the medium- to long term financial rationale of such holding inclusive of the status of the business transactions. The Company holds the shares as cross-shareholdings only if it judges that the holding of such shares will contribute to the medium- to long-term enhancement of corporate value of the Group.
- In the exercise of voting rights pertaining to cross-shareholdings, the Company shall determine

whether to vote for or against each proposal on the agenda by comprehensively evaluating whether the cross-shareholdings contributes to the medium- to long-term enhancement of the corporate value of the Group.

(6) Defense measures against takeovers

- The Company does not adopt defense measures against takeovers.
- If the Company's shares become subject of a takeover bid, the Board of Directors shall request the tender offeror or others to explain the measures to achieve the Company's sustainable growth and medium- to long-term enhancement of its corporate value.

(7) Prevention of related party transactions

- Competing transactions and conflict-of-interest transactions between the Company and the Company's Directors (or the entities substantively controlled by the Company's Directors) require deliberation and approval at the meeting of the Board of Directors of the Company.
- Related party transactions shall be disclosed in accordance with the Companies Act, the Financial Instruments and Exchange Act, and other applicable laws and regulations, as well as regulations provided for by financial instruments exchanges.

2. Relationships with employees

The Group values communication with employees, and aims to be a company where individuals with diverse personalities and values, regardless of nationality, race or gender, can maximize their skills and play important roles with a spirit of creativity and innovation.

- To achieve the aforementioned objectives, the Group disseminates and implements the Topcon Global Code of Conduct, the Group's common guidelines for conduct, and promotes compliance with laws and regulations.
- The Group encourages employees to provide information and reports to ensure the early discovery of any act that violates, or is likely to violate, laws and regulations, internal regulations, and the Topcon Global Code of Conduct.
- The Group shall keep the identification of those who provide such information and the contents of the information in confidence, in accordance with laws and regulations as well as internal regulations, etc., and shall ensure that they do not suffer any unfair treatment.

3. Relationships with customers

The Group makes efforts to improve customer satisfaction by identifying the potential needs of customers, anticipating changes that are likely to occur, responding to customers' needs, and providing leading-edge, high-quality, and safe products and services to solve the challenges facing society.

4. Relationships with business partners

The Group respects relationships of mutual trust and partnerships with distributors and agents, suppliers, and other business partners, and mutually develops business through information sharing and close cooperation.

5. Relationship with society

The Group promotes CSR activities, including solving social problems through businesses, helping to protect the global environment, and engaging in social contribution activities, and thereby fulfills the trust of all of our stakeholders and continues to pursue the creation of a better society.

Chapter 3 Disclosure of Information

The Company appropriately conducts disclosure in accordance with laws and regulations. Other than disclosure pursuant to laws and regulations, the Group is committed to proactively disclose information on its medium- to long-term management policies and financial position, etc., in a fair, prompt, and accurate manner, in its efforts to provide all shareholders and investors with a better understanding of the Group as well as an opportunity to fairly evaluate the Group's value.

- The Company discloses information in a timely and appropriate manner, complying with the Companies Act, the Financial Instruments and Exchange Act, and other applicable laws and regulations, as well as regulations provided for by financial instruments exchanges.

Chapter 4 Corporate Governance Structure

1. Corporate organization

The Company has adopted the “company with a Board of Corporate Auditors” as its corporate structure under the Companies Act.

The Board of Corporate Auditors and Corporate Audit Division (internal audit department) discuss each of their audit plans and policies, etc., 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

(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, from an independent and objective standpoint, 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.
- 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 Group.
- 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.
- The Board of Directors conducts an analysis and assessment of its overall effectiveness and discloses a summary of the results thereof.

(2) Composition of the Board of 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.

(3) Internal control systems

In order 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, etc.
- 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 as well as works to contribute to the common interests of shareholders.

- To ensure transparency and fairness, at least half of the Board of Corporate Auditors shall be Independent Outside Corporate Auditors. In addition, Corporate Auditor who has knowledge of financial and accounting affairs shall be appointed. In particular, at least one Corporate Auditor who has sufficient knowledge of finance and accounting shall be appointed.
- The Board of Corporate Auditors collaborates with Outside Directors and the internal audit department.

(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 to shareholders and investors.

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

5. Compensation Advisory Committee

To ensure objectivity and transparency in relation to the handling of director compensation, etc., we have established an independent Competition Advisory Committee.

- The Competition Advisory Committee provides recommendations to the Board of Directors when it receives requests for advice from the Board of Directors.

6. Internal audit department, etc.

The Company has established the Corporate Audit Division 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 President & CEO in a timely manner if any significant issue is discovered.
- The Corporate Audit Division conducts group company audits in collaboration with Corporate Auditors and the Accounting Auditor.
- With respect to whistleblowing matters, the Corporate Audit Division shall contribute to the early discovery of risk information and conduct measures regarding the nature of the whistleblowing matter 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 and 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.
- If any 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.

- As an executive incentive for Directors (excluding Outside Directors), the Company adopts a compensation system that is 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, etc., 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, etc. 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 necessary for audits by attending important meetings of the Company and provide opinions in an appropriate manner on related matters to Directors, as necessary.
- 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.
- If any 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.

(3) Independent Outside Directors and Independent Outside Corporate Auditors

Independent Outside Directors and Independent Outside Corporate Auditors supervise the execution of business operations, provide advice for the sustainable growth and 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.

(4) Support system

The Company develops an effective and sufficient support system that enables Directors and Corporate Auditors, etc., to fulfill their roles and responsibilities, in accordance with the provisions stated in the subsequent paragraphs.

- The Company works to operate meetings of the Board of Directors as follows so as to have thorough discussions at the meetings.
 - (i) Preparing an annual schedule for meetings of the Board of Directors and making an annual plan for agenda items.
 - (ii) Setting an appropriate timetable for deliberation to allow for thorough discussions at meetings of the Board of Directors.
 - (iii) Distributing materials pertaining to planned agenda items for the meetings of the Board of Directors well in advance.
 - (iv) Regardless of the aforementioned, providing information necessary for the decision making of Directors, and for the execution of duties of Corporate Auditors at all times.
- The Company may appoint one or more assistants, as necessary, to assist the duties of Corporate Auditors and to support other activities of Corporate Auditors. Such assistance includes providing corporate information required by Corporate Auditors and arranging internal collaboration.
- When the Company receives a request from Outside Directors and Outside Corporate Auditors for the provision of information necessary for the execution of their duties, it proactively provides the relevant information.
- The Company secures certain budget that is deemed necessary for the execution of duties of Directors and Corporate Auditors.

(5) Training policies

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, on an ongoing basis, such training 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, etc., and also provides, on an ongoing basis, the necessary information regarding the Group's business strategies and issues to be addressed, etc., even after assuming office.

Established as of November 25, 2015

Revised as of July 28, 2017

Revised as of November 29, 2018

Exhibit 1

Basic Policy on Dialogue with Shareholders

(Person who dialogues with shareholders, etc.)

The officer in charge of investor relations (IR) (the “IR Officer”) supervises overall dialogue with shareholders, etc. (“shareholders”), at the Company, and makes every effort to realize constructive dialogue. Taking into consideration the requests and main interests of shareholders, to the extent reasonable, the IR Officer, the President & CEO, or persons appointed by the IR officer engage in dialogue with shareholders, etc.

(Internal system to support dialogue)

In order to contribute to constructive dialogue with shareholders, the Company establishes a system under which internal departments, such as IR, corporate planning, accounting and finance, administration, legal, and sales, organically collaborate by holding regular meetings or taking other measures.

(Measures to promote opportunities for dialogue)

In addition to the General Meeting of Shareholders and individual meetings, the Company makes efforts to promote constructive dialogue through various activities, including briefing sessions, taking into account the interests of shareholders from a medium- to long-term perspective.

(Providing feedback to internal departments)

The IR Officer regularly and timely reports the opinions, interests, and concerns, etc., of shareholders obtained through dialogue, to the Board of Directors and the management team. In addition, the IR department provides feedback to internal departments in a timely manner to share information.

(Management of insider information)

For the proper management of insider information in engaging in dialogue with shareholders, the Company is committed to thorough management of information in accordance with the rules on the management of material facts by officers and employees, etc.