



Annual Report 2007

Year ended March 31, 2007

Consolidated Financial Highlights

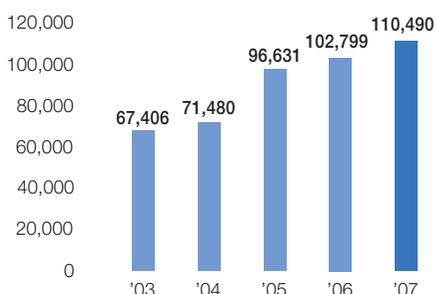
TOPCON and Consolidated Subsidiaries
Years ended March 31

	Millions of yen			Thousands of U.S. dollars	
	2004	2005	2006	2007	2007
Net sales	¥ 71,480	¥ 96,631	¥ 102,799	¥ 110,490	\$ 935,964
Income before extraordinary items	3,184	6,267	11,503	14,233	120,572
Net income	2,303	4,278	6,781	8,549	72,419
Total assets	74,704	83,758	89,379	99,859	845,906
Net assets	31,077	35,413	47,780	55,181	467,441

Note: The U.S. dollar amounts in this report represent translations of the Japanese yen amounts at the rate of ¥118.05 = US\$1, the approximate rate of exchange on March 31, 2007.

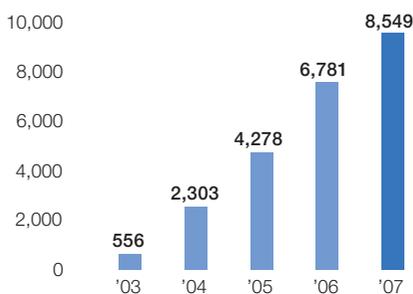
► Net Sales

Years ended March 31
(Millions of Yen)



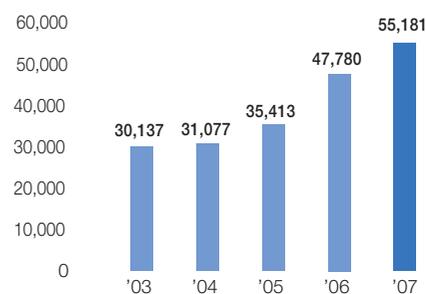
► Net Income

Years ended March 31
(Millions of Yen)



► Net Assets

Years ended March 31
(Millions of Yen)



Contents

Topcon at a Glance	1	Consolidated Financial Statements	11
A Message from the President	2	Non-Consolidated Financial Statements	14
Interview with President Yokokura	4	Board of Directors, Corporate Auditors, and Executive Officers / Organization	16
Topics	6	Corporate Data / TOPCON Group Companies	17
Major Products	7		
Financial Review	8		

Commemorating Our 75th Anniversary



On September 1, 2007, TOPCON CORPORATION will commemorate its 75th anniversary. Established in 1932 as Tokyo Optical Co., Ltd., the Company manufactured surveying instruments, binoculars and cameras. In the ensuing years, TOPCON continued to manufacture and sell various optical devices including positioning systems and ophthalmic and medical instruments, combining digital technology with its core optical technology. Together with these leading-edge products, TOPCON has cultivated one of the few advanced optical technologies in the world that can accommodate a wide range of wavelengths from electron beams to infrared rays.

In recent years, overseas sales have topped 70% of the Company's overall sales. The TOPCON Group has also seen increases in both sales and profit for the fourth consecutive year, attributable to its efforts in accelerating business globalization from development through sales as well as to improving overall productivity including material procurement and distribution.

Under its motto of "Time to Market No. 1" (TM-1), TOPCON will continue its efforts to halve the lead times of all of its business processes while promoting information sharing and management with rapid response in pursuit of becoming a truly excellent global company.

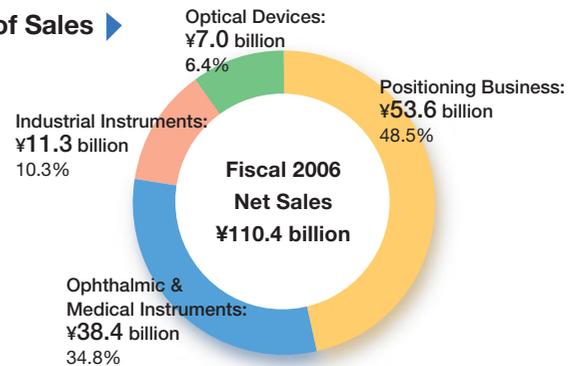
Cautionary Statements with Respect to Forward-Looking Statements

Statements made in this annual report with respect to plans, strategies, and future performance that are not historical fact are forward-looking statements. TOPCON cautions that a number of factors could cause actual results to differ materially from those discussed in the forward-looking statements.

TOPCON: Staying Ahead of Change

TOPCON CORPORATION's priorities are to create new opportunities through entry into growth markets and businesses and the nurturing of next-generation businesses as well as to strengthen Group operations by reforming the corporate culture and improving cash flow.

Composition of Sales ▶



▶ Topcon at a Glance

Positioning Business

Although the U.S. economy decelerated in the second half of fiscal 2007, particularly in the housing sector, sales of positioning systems including GPS and 3D machine control systems were robust, while sales of non-prism total stations remained strong both in Japan and overseas. As a result, net sales in the Positioning Business rose 12.2% from the previous fiscal year to ¥53,631 million.

Operating income, however, increased more modestly by 4.4% year-on-year to ¥10,227 million. This was attributable to anticipatory R&D expenditures and human resource development costs for reinforcing sales channels, technological strength and product competitiveness with the aim of further business expansion.



GNSS Receiver (GR-3)

Ophthalmic & Medical Instruments

During the fiscal year under review, sales of the IMAGEnet digital imaging systems for eye specialists were strong in overseas markets, as were inspection devices that connect to IMAGEnet and non-mydiatric retinal cameras for diabetic screening. In the domestic market, sales of products for eyeglasses shops and system products for eye specialists remained solid. In addition, TOPCON's new 3D Optical Coherence Tomographer and Auto Vision Tester for optometry instruments sold well both in Japan and overseas, contributing to a 20.7% increase in net sales to ¥38,464 million. Operating income also jumped 84.9% year-on-year to ¥5,786 million owing to the implementation of cost-reducing measures in addition to the strong sales as mentioned.



3D Optical Coherence Tomographer (3D OCT-1000)

Industrial Instruments

In contrast with the high growth in the semiconductor product market, the market for the segment's mainstay semiconductor-related inspection devices was sluggish.

Consequently, year-on-year sales in Industrial Instruments declined 12.2% to ¥11,313 million, while operating income dropped 79.0% to ¥188 million.



In-Tray Chip Defects Inspection System (Vi-3200)

Optical Devices

In Optical Devices, the business of optical units for rear projectors, which were manufactured and sold in China, ended in the fiscal year under review. Meanwhile, expanding the markets for end products such as DVD players and front projectors were slower than expected. As a result, sales in Optical Devices fell 30.9% to ¥7,080 million. Reflecting the decline in net sales, the segment recorded an operating loss of ¥926 million, compared to the loss of ¥757 million in the previous fiscal year.



Optical Engine for Projectors

A Message from the President



I am pleased to report on the TOPCON Group's operating environment and business results for fiscal 2006, ended March 31, 2007.

In the first half of fiscal 2006, the U.S. economy was expected to decelerate due to inflationary pressure resulting from high crude oil prices, and concerns over rising interest rates. Despite these projections, the U.S. economy remained strong as crude oil prices peaked and capital expenditure and individual investment remained solid. In the second half of fiscal 2006, however, the U.S. economy decelerated, particularly in the housing sector, contributing to stagnant economic growth. Meanwhile, the European economy showed a growth both in domestic and foreign demand, and the Chinese economy remained strong as projected at the beginning of fiscal 2006. Despite lingering domestic issues, the Japanese economy stayed on course, propelled by brisk exports thanks to the impact of the weak yen and increased capital expenditure.

Under these conditions, and with the overall goal of becoming a truly excellent global company, the TOPCON Group promoted information sharing and management with rapid response in order to achieve "sustainable growth and profit." Furthermore, TOPCON has been aggressively implementing reforms of operation processes and halving production lead times as part of its "Time to Market No. 1" (TM-1) activities that aim to bring leading global products to market ahead of competitors. In its productivity improvement activities, TOPCON pursued business efficiencies in procurement and distribution processes. In human resources, a key area for business growth, TOPCON engaged in nurturing human resources with a global perspective and hiring local staff.

As a result of these efforts, the Group's consolidated net sales climbed 7.5% year on year to ¥110,490 million. This was attributable to robust sales overseas in the Company's mainstay Positioning Business, and strong sales both in Japan and overseas in Ophthalmic & Medical

Instruments, offsetting considerable sales decrease in both Industrial Instruments and Optical Devices. Operating income rose 16.9% to ¥15,276 million due to favorable sales of the Positioning Business's GPS-based positioning systems and machine control systems, for which TOPCON maintains a significant competitive advantage, and technologically advanced system products in Ophthalmic & Medical Instruments. Income before income taxes increased 23.7% year on year to ¥14,233 million on the back of increased operating income and an improvement in non-operating profit and loss, resulting from a decrease in interest expenses in line with lower consolidated interest-bearing liabilities. Net income grew 26.1% from the previous fiscal year to ¥8,549 million.

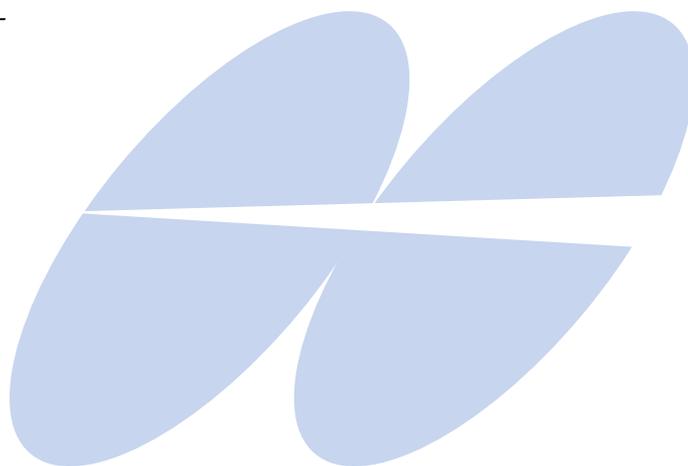
From the perspective of returning profits to shareholders, TOPCON paid an interim cash dividend of ¥10 per share (on par with the previous fiscal year). For the fiscal year-end, the Company decided to pay a cash dividend of ¥10 per share (¥20 per share in fiscal 2005), for a full-year cash dividend of ¥20 per share (¥30 per share for the previous full fiscal year). On April 1, 2006, TOPCON conducted a two-for-one stock split, and consequently, each cash dividend payment actually increased ¥10 per share (fiscal 2005: ¥30 per share; fiscal 2006: ¥40 per share).

In closing, I would like to thank all shareholders for their support and ask for their continued understanding as we strive to achieve our goals.

June 2007



Takashi Yokokura
President





Interview with President Yokokura

Q₁

What do you think are the main factors underlying the increases in both sales and profit in fiscal 2006?

A

Of course, numerous factors are behind our favorable results over the past several years, but I mainly attribute this success to management that responded rapidly through information sharing, which we have striven to realize since Koji Suzuki was president. With the aim to continue delivering global No. 1 products ahead of competing companies, TOPCON formulated its slogan of "Time to Market No. 1," and has been making Group-wide efforts to improve the quality of business processes, restructure its business to reduce lead times, reinforce marketing and technical development ability, and revamp its cost structure to reduce costs. These constant endeavors have brought favorable results in recent years. In order to continue business expansion, we are hiring local staff and nurturing human resources with a global perspective while implementing a clear business development plan. In this way, we are developing a corporate structure that can quickly respond to future business expansion.

Q₂

How do you view the overseas sales ratio surpassing 70%?

A

The ratio of overseas sales to net sales in fiscal 2006 was approximately 73%, which I believe reflects one of the TOPCON Group's strengths. Breaking down sales by region, Japan, North America and Europe each account for approximately 25%, so sales are fairly equally balanced. The upshot of this is our overall sales are not seriously impacted by economic fluctuations in one specific region. Turning to growth, on top of strong sales in Europe and Asia, sales in Latin America and the Middle East increased in fiscal 2006. With this momentum, we will make further efforts for global business development by optimally arranging our development, production and sales bases.

Q₃

Could you explain the Company's business strategies in each segment?

A

Employing the concept of "Revolutionary changes in civil engineering," our Positioning Business will strive for expansion in the IT field with GPS and machine control (MC) products. We have launched the Integrated GPS Receiver, the first G3 technology that can operate with the three different satellite systems used in the United States, EU and Russia. The Company has advanced development across a wide range of areas including surveying, civil engineering, agriculture and mining. We have also established a joint venture company with Sauer-Danfoss Inc., a major U.S. manufacturer of hydraulic and electronic control devices for construction machinery, with the aim of offering MC devices to numerous construction machinery companies around the world. In addition, we acquired the Australian company KEE Technologies Pty Ltd. in order to expand the use of MC products in the agricultural sector, which is expected to grow. In the Positioning business, TOPCON aims to attain the leading position in the industry by maintaining high growth through its enhanced global business promotion structure.

The Eye Care Business (formerly Ophthalmic & Medical Instruments) adopts the business

philosophy of “Contributing to eye health.” TOPCON is offering ophthalmic and medical instruments in four fields covering retinae, refraction, cataracts and glaucoma, concentrating on the retinae field, which has the largest market. Recently, ophthalmic treatment has emphasized earlier detection and treatment, as it is increasingly important to detect symptoms at an early stage to provide adequate treatment for diabetic retinopathy, age-related macular degeneration (AMD) and glaucoma, all of which pose a high risk of blindness. In this context, we will strive to develop powerful products in the field. Turning to advanced medical devices, we will aim for further business expansion by aggressively launching 3D OCT, which has earned a favorable reputation since its release in 2006. To sum up our strategy in the Eye Care business, we will make every effort to become a leading company in the ophthalmic and glasses industry by concentrating on digital imaging systems for the retinae field and improving our position in the advanced ophthalmic treatment field.

The Finetech business (formerly Industrial Instruments and Optical Devices) introduced the concept of “supporting digital society with precision optical technology.” Employing electron beam and precision optical technologies in growing fields, we will focus on businesses related to optical parts for new-generation DVD players, which will soon be commercialized on a full scale, optical engines for projectors, as well as semiconductor inspection equipment. By clearly defining businesses, we will shift to a profit-oriented model as early as possible through improving our cost structure.

Q4 | Could you elaborate on TOPCON’s challenges for sustainable growth?

A

Reinforcing our earning power is crucial, and in order to realize this, we need to further enhance ROE, create cash flow by reducing total assets and improving the sales to total assets ratio.

Depending on the achievement of these goals, we will make aggressive investment to create and expand new business opportunities while stabilizing our financial structure. Through these endeavors, we will aim to return profits to shareholders. I want to stress, however, that we do not single-mindedly pursue profit; we pay serious attention to legal compliance and ethical standards, and strengthen our corporate governance activities to better communicate with all stakeholders including shareholders. These activities are part of our goal to become a truly excellent global company. We ask all of our shareholders for their continued support and understanding.



Topics

Positioning Business

Preempting Concern for Future Food Shortage TOPCON Precision Agriculture System

In the context of the growing global population, urbanization of arable land, and desertification due to environmental changes, the acreage per capita of cultivated land is expected to decrease by approximately 30% from the current level by 2030. Amid concerns of tight food supply conditions around the world, new "precision agriculture" has come under the spotlight for its ability to improve crop yields per acreage.

Precision agriculture is a technological approach to obtaining every aspect of changes in arable land and crop growth as digital data that are correlated with the land's coordinates. This information is processed and then put to practical use in daily farming. The market for precision agriculture is expected to keep expanding in the future. With the aim of full-scale participation in this growing market, in October 2006 TOPCON acquired KEE Technologies Pty Ltd., an Australian pioneer in precision agriculture as well as a manufacturer of agricultural equipment control systems, through Topcon Positioning Systems, Inc. in the United States. Starting from this acquisition, TOPCON will undertake business in precision agriculture by combining its proven GPS and machine control technologies in construction market and KEE's expertise in this field.

TOPCON Precision Agriculture System is a total solution system that utilizes position information of GPS throughout the entire farming process from plowing, sowing, fertilizing to harvesting by controlling various equipment. In addition to improving productivity and efficiency, the system can realize reducing environmental burden such as overmuch fertilizers and pesticides or CO₂ emissions resulting from fuel consumption of machines. Furthermore, the system can record and manage the work performed, so such visible traceability of growing process contributes to food safety of our life.

TOPCON's Positioning Business Unit will continue developing products with unique functions to improve productivity and efficiency for our customers' benefits.



Eye Care Business

Creating Stylish Interiors for Shops with a Sophisticated and Compact Design: The Topcon Compu Vision CV-5000 Computerized Vision Tester

As eyeglasses shops become more diversified, opticians are remodeling store décors to be more stylish and sophisticated. Responding to opticians' requests for products that should be "more stylish," "easy to use and user-friendly," and "can be used as a promotional tool for customers who purchase glasses," TOPCON developed and released the Compu Vision CV-5000 Computerized Vision Tester.

Compared with conventional models, the new Compu Vision CV-5000 is approximately half the size, features a sophisticated design, and lens switching is 1.5 times faster on its measuring head. In addition to these features, a standard accessory of the Compu Vision CV-5000 is the KB-50 controller, equipped with a 10.4-inch, high-vision color LCD panel. Furthermore, the controller's LCD is touch-sensitive, enabling eye charts to be switched by a simple touch. In response to requests from opticians with sophisticated store décors, TOPCON also offers a wireless data communication unit as an optional device (available only in Japan as of June 2007). This wireless unit has succeeded in making the conventional RS-232C cable from auto refractometers unnecessary.

The KB-50 controller provides easy operation while simply and clearly displaying eye conditions (near-sightedness, far-sightedness or astigmatic vision). Its features allow opticians to use the machine as a tool for customer service. The Compu Vision CV-5000 is particularly useful in an aging society for providing opticians with a means to give customers detailed explanations of the advantages of bifocal lenses. Explaining such details with visual tools provides customers with a deeper understanding of the benefits of high-quality glasses so that they can make better choices. TOPCON will continue its efforts in the Eye Care Business in order to meet opticians' needs as well as to provide devices that consumers deem useful for selecting glasses.



Finetech Business

Awarded the Grand Prize for the 17th Advanced Display of the Year in 2007 Spectroradiometer SR-UL1 for Ultra Low Luminance

According to the Japan Electronics and Information Technology Industries Association (JEITA), LCD and plasma flat panel televisions are becoming larger and feature higher definition. With sales volume topping six million units in 2006 and expected to reach eight million units in 2007, the flat panel display (FPD) market continues to expand. Prices for panels, however, are falling due to intensifying competition between FPD makers. FPD makers are striving to secure market share by improving color quality and developing unique definition panels-development activities that require luminance measurement devices.

The Group company TOPCON Technohouse Corporation engages in the manufacture and sale of optical measurement devices necessary for FPD quality control. The company's luminance measurement devices have been adopted by major FPD makers, which are focusing on improving display contrast in particular, and therefore, are requesting measurement devices that can check low luminance (black-level luminance) more accurately. In order to meet such demand, TOPCON Technohouse developed the spectroradiometer SR-UL1 for ultra-low luminance and introduced it to the market.

Thanks to spectrometric measurement systems, the SR-UL1 offers high accuracy in absolute figures. As it also offers high-speed measurement, the SR-UL1 is highly regarded among FPD makers, and received the Grand Prize in the Test, Repair and Measurement category of the 2007 Advanced Display of the Year at the 17th FINETECH JAPAN held in April 2007. By providing technologies to test ultra-low luminance through its optical technology and improving light-receiving sensors, TOPCON Technohouse has made an outstanding contribution to the industry's development. TOPCON's Finetech Business will continue its efforts to support digital society with its precision optical technology.



Major Products

Positioning Business

Measure level, height, plumb and slope

Electronic Digital Level, Auto Level, Tilting Level, Rotating Laser, Pipe Lasers

Measure angle

Digital Theodolite, Laser Theodolite

Measure and control position of constructing machine

Millimeter GPS, Machine Control System, Machine Mounted Laser Receiver, 3-Dimensional Machine Control (3D-MC) System

Measure 3D position

Electronic Total Station, GPS+ Receiver, DGPS Receiver, Field Controller, Image Measurement System

Eye Care Business

Ophthalmic system

Digital Imaging System

Pretesting instruments

PSF Analyzer, Bino Vision Analyzer, Wave Front Analyzer, Auto Refractometer, Auto Kerato-Refractometer, Non Contact Type Tonometer, Specular

Microscope, Ophthalmometer

Ophthalmic diagnostic instruments

Retinal Camera, Slit Lamp

Ophthalmic treatment instruments

Operation Microscope, Laser Photocoagulator

Examination instruments for optical shop

Chart Projector

Lens measuring instruments for optical shop

Lensmeter, EZ Meter

Lens edging machine for optical shop

Lens Edger

Finetech Business

Industrial instruments group

Semiconductor Field

Electron Beam Products, Optical Inspection System, Chip Defects Inspection Systems

FPD Field

Optical Measurement Instruments, Aligners

Optical devices group

Optical Devices

Optical Parts for New-generation DVD Drivers, Optical Engines for Projectors
High Precision Optical Parts

The TOPCON Group has conducted business across four business segments comprising: the Positioning Business; Ophthalmic & Medical Instruments; Industrial Instruments, and; Optical Devices. Effective April 1, 2007, TOPCON completed a reorganization of its activities and has categorized its business into three segments comprising: the Positioning business, which handles positioning instruments; the Eye Care Business, which includes Ophthalmic and Medical Instruments, and; the Finetech Business, which was formed through the integration of Industrial Instruments and Optical Devices.

Financial Review

Sales and Income

In fiscal 2006, ended at March 31, 2007, consolidated sales decreased considerably in both Industrial Instruments and Optical Devices compared with the previous fiscal year. However, sales in the Company's core the Positioning Business remained strong overseas, while sales were robust both in Japan and overseas in Ophthalmic & Medical Instruments. As a result, net sales rose 7.5% year on year to ¥110,490 million.

Operating income increased 16.9% to ¥15,276 million, due to significant sales growth of GPS-based positioning systems and machine control systems, which are market-leading products, and ophthalmic and medical system products that use cutting-edge technology. Income before extraordinary items climbed 23.7% from the previous fiscal year to ¥14,233 million, reflecting the increase in operating income as well as a decrease in interest payments in line with lower consolidated interest-bearing liabilities. Finally, net income totaled ¥8,549 million, an increase of 26.1%.

During the fiscal year under review, sales in the Japan market significantly increased for system products for eye specialists and products for eyeglasses shops in Ophthalmic & Medical Instruments. As for the Positioning Business and Optical Devices, sales are solid. Sales declined, however, in Industrial Instruments due to lower sales of chip defect inspection equipment. As a result, domestic sales climbed 5.7% year on year to ¥60,374 million. Operating income rose 20.7% to ¥6,849 million, reflecting increased sales in Ophthalmic & Medical Instruments and reduced procurement costs.

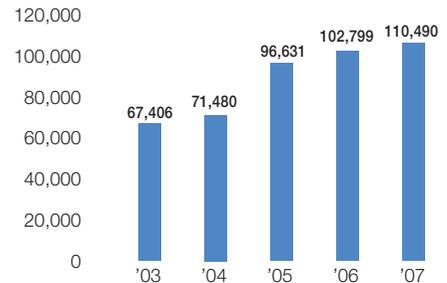
In North America, the weakening economy, particularly in the housing sector, in the second half of fiscal 2006 negatively affected sales of positioning instruments. However, sales grew for GPS-based positioning systems, 3D machine control systems, non-prism total stations and Ophthalmic & Medical Instruments' IMAGEnet digital imaging systems for use in remote medicine. As a result, sales in North America rose 10.8% to ¥38,896 million. Despite this sales increase, operating income edged down 2.5% to ¥6,329 million, due to increased anticipatory investment for reinforcing sales channels and R&D activities.

In Europe, the Company implemented activities to reinforce and expand businesses through restructuring sales channels. Efforts paid off, as sales were robust for GPS-based positioning systems and 3D machine control systems in the Positioning Business, as well as non-mydratric retinal cameras and digital slit lamps for use in diabetic screening in Ophthalmic & Medical Instruments. As a result, sales in Europe surged 29.2% to ¥27,338 million. Operating income grew at a lower rate of 15.1% to ¥1,510 million, due to prior payment of costs for sales channel expansion.

In China, sales of total stations under the Green Label brand, manufactured and sold by Topcon (Beijing) Opto-Electronics Corporation, contributed to sales growth in the Positioning Business. In Optical Devices, however, sales decreased greatly compared to the previous fiscal year for optical units for projectors, which are manufactured and sold by Topcon Optical (Dongguan) Technology

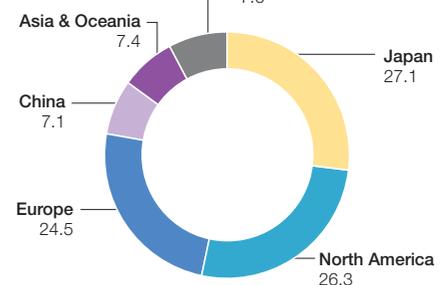
Net Sales

Years ended March 31
(Millions of Yen)



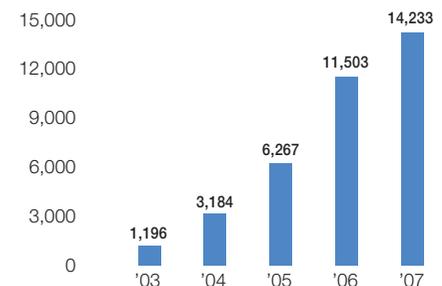
Sales by Region

Years ended March 31
(%)



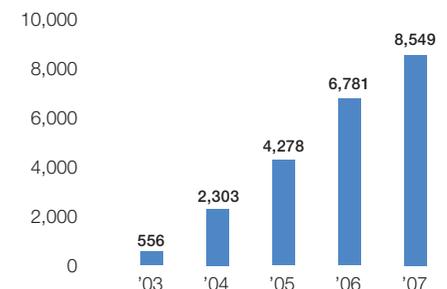
Income before Extraordinary Items

Years ended March 31
(Millions of Yen)



Net Income

Years ended March 31
(Millions of Yen)



Ltd. Taken together, sales in China fell 30.4% year on year to ¥7,614 million. Despite efforts to improve productivity, the Company recorded a ¥261 million operating loss compared to a loss of ¥69 million in the previous fiscal year, owing to the decline in sales.

In Asia and Oceania, sales in both the Positioning Business and Ophthalmic & Medical Instruments remained strong. In pursuit of more efficient business development in the Oceania region, the Company divided the sales subsidiary, Topcon Australia Pty. Ltd., into two businesses. Its Positioning Business was moved to the U.S. subsidiary Topcon Positioning Systems, Inc., and Ophthalmic & Medical Instruments was changed to operations under the direction of Head Office. In the fiscal year under review, sales in Asia and Oceania declined 12.6% to ¥3,592 million, while operating income fell 88.3% to ¥63 million due to the business restructuring above.

Overseas sales (sales to overseas customers) rose 11.5% from the previous fiscal year to ¥80,575 million. As a result, the ratio of overseas sales to net sales reached 72.9%, an increase of 2.6 percentage points.

Cash Flows

Consolidated cash and cash equivalents (hereafter referred to as “cash”) at the end of the fiscal year under review grew ¥67 million to ¥9,000 million. Major cash outflows were capital expenditure, payment for purchase of investment securities, payment for acquisition of newly consolidated subsidiaries, income taxes paid, and an increase in dividends paid. This was more than offset by cash inflows, mainly comprised of income before income taxes.

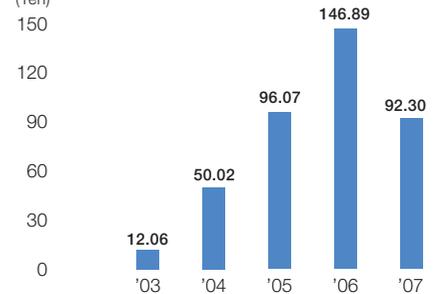
Net cash provided by operating activities was ¥6,708 million, compared to ¥6,869 million in the previous fiscal year. Primary components were ¥14,233 million in income before income taxes and ¥5,203 million in income tax paid.

Net cash used in investing activities was ¥5,689 million, up from ¥4,437 million in the previous fiscal year. The use of funds was mainly attributable to payment for acquisition of property, plant and equipment of ¥2,375 million, purchase of investment securities of ¥970 million and payment for acquisition of newly consolidated subsidiaries of ¥1,868 million.

Net cash used in financing activities amounted to ¥1,123 million, down from ¥8,276 million in the previous fiscal year. The main component was dividends paid of ¥1,848 million.

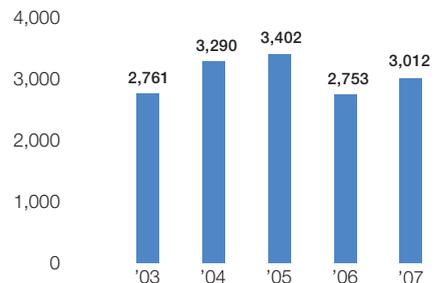
Net Income per Share

Years ended March 31
(Yen)



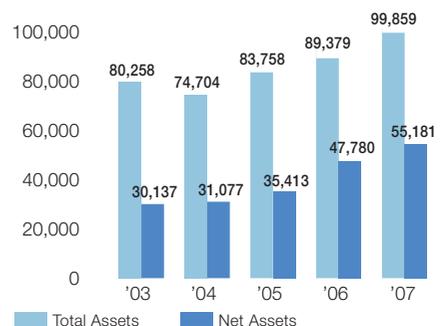
Capital Expenditure

Years ended March 31
(Millions of Yen)



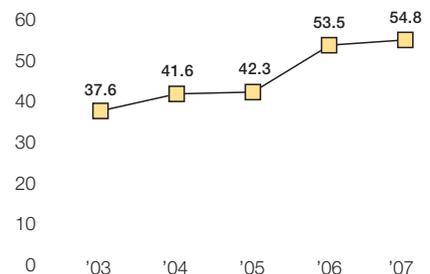
Total Assets and Net Assets

Years ended March 31
(Millions of Yen)



Equity Ratio

As of March 31
(%)



Assets, Liabilities and Net Assets

Assets

Total assets as of March 31, 2007 stood at ¥99,859 million, a ¥10,479 million increase compared with the end of the previous fiscal year.

Current Assets

Current assets totaled ¥68,210 million, up ¥8,901 million from the end of the previous fiscal year. This increase was mainly attributable to increased inventories due to increased purchase of materials and parts in line with the expansion of sales and orders received.

Fixed Assets

As of the end of the fiscal year under review, fixed assets stood at ¥31,648 million, up ¥1,577 million year on year. This result was mainly due to an increase in intangible assets payment for acquisition of newly consolidated subsidiaries.

Liabilities

Total liabilities as of March 31, 2007 amounted ¥44,677 million, an increase of ¥3,467 million compared with the corresponding period of the previous fiscal year.

Current Liabilities

Current liabilities amounted to ¥37,542 million, up ¥8,624 million. Main components included a transfer of the current portion of long-term bank loans to short-term bank loans, an increase in short-term bank loans due to short-term fund procurement, as well as increase in notes and accounts payable, trade due to purchase of materials and parts in line with sales and orders expansion.

Long-Term Liabilities

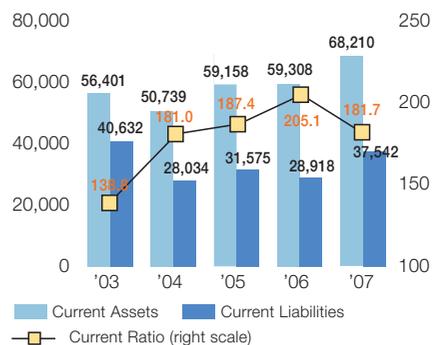
Long-term bank loans declined ¥5,156 million year on year to ¥7,135 million, due to the transfer of current portion of long-term bank loans to short-term bank loans and the reversal of accrued employees retirement benefits.

NET ASSETS

Total net assets stood at ¥55,181 million at the end of the fiscal year under review, reflecting an increase in retained earnings owing to increased net income.

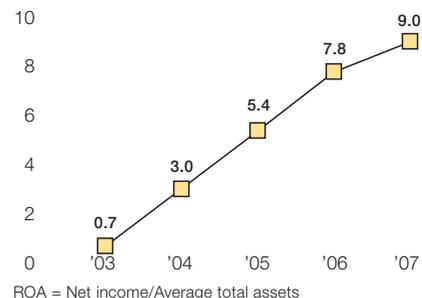
Current Ratio

As of March 31
(Millions of Yen) (%)



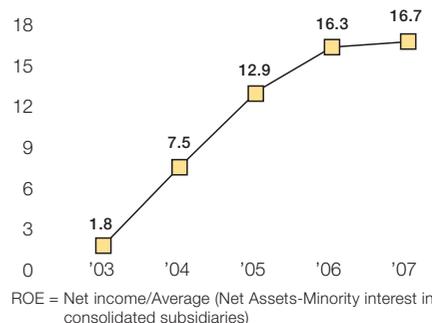
ROA

Years ended March 31
(%)



ROE

Years ended March 31
(%)



Consolidated Balance Sheets

TOPCON CORPORATION and Consolidated Subsidiaries
As of March 31, 2006 and 2007

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
ASSETS			
Current assets:			
Cash and time deposits	¥ 8,991	¥ 9,068	\$ 76,821
Notes and accounts receivable, trade	29,241	31,447	266,393
Inventories	15,873	20,187	171,006
Deferred tax assets	4,221	4,491	38,045
Other current assets	979	3,015	25,545
Total	59,308	68,210	577,810
Fixed assets:			
Property, plant and equipment	13,975	14,076	119,242
Intangible assets	4,458	6,326	53,590
Investment securities	8,212	8,286	70,192
Deferred tax assets	1,253	1,492	12,642
Other assets	2,170	1,467	12,430
Total	30,071	31,648	268,096
Total assets	¥89,379	¥99,859	\$845,906
LIABILITIES AND NET ASSETS			
Liabilities:			
Current liabilities:			
Notes and accounts payable, trade	¥11,279	¥13,086	\$110,854
Short-term bank loans	7,750	13,962	118,275
Accrued income and other taxes	2,414	2,695	22,836
Other current liabilities	7,474	7,797	66,054
Total	28,918	37,542	318,020
Long-term liabilities:			
Long-term bank loans	4,600	106	901
Deferred tax liabilities	397	384	3,253
Accrued pension and severance costs	7,056	6,441	54,569
Other liabilities	238	203	1,721
Total	12,291	7,135	60,444
Total liabilities	41,210	44,677	378,465
Minority interest in consolidated subsidiaries	388		
Shareholders' equity:			
Common stock	10,297		
Capital surplus	14,711		
Retained earnings	19,065		
Unrealized gains on securities	3,241		
Foreign currency translation adjustment	513		
Treasury stock	(49)		
Total	47,780		
NET ASSETS			
Shareholders' equity:			
Common stock		10,297	87,234
Capital surplus		14,711	124,619
Retained earnings		25,759	218,210
Treasury stock		(51)	(439)
Total		50,717	429,623
Valuation and translation adjustments:			
Unrealized gains on securities		2,800	23,719
Deferred gains or losses on hedges		(5)	(46)
Foreign currency translation adjustment		1,178	9,980
Total		3,972	33,653
Minority interest in consolidated subsidiaries		491	4,165
Total net assets		55,181	467,441
Total	¥89,379	¥99,859	\$845,906

Consolidated Statements of Income

TOPCON CORPORATION and Consolidated Subsidiaries
For the fiscal years ended March 31, 2006 and 2007

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Net sales	¥102,799	¥110,490	\$935,964
Cost of sales	58,915	59,650	505,299
Gross profit	43,883	50,839	430,665
Operating expenses	30,818	35,563	301,259
Operating income	13,065	15,276	129,406
Other expenses	1,561	1,042	8,834
Income before extraordinary items	11,503	14,233	120,572
Income before income taxes	11,503	14,233	120,572
Income taxes	5,178	5,418	45,903
Income taxes-deferred	(527)	131	1,110
Minority interest in consolidated subsidiaries	72	134	1,141
Net income	¥ 6,781	¥ 8,549	\$ 72,419

12

TOPCON Annual Report 2007

Consolidated Statements of Changes in Net Assets

TOPCON CORPORATION and Consolidated Subsidiaries
For the fiscal years ended March 31, 2007

	Millions of yen										
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholder's equity	Unrealized gains on securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total valuation and translation adjustments	Minority interest in consolidated subsidiaries	Total net assets
Balance at March 31, 2006	¥10,297	¥14,711	¥19,065	¥(49)	¥44,025	¥3,241		¥ 513	¥3,754	¥388	¥48,169
Dividends			(1,852)		(1,852)						(1,852)
Net income			8,549		8,549						8,549
Purchase of treasury stock ..				(2)	(2)						(2)
Bonuses to directors			(2)		(2)						(2)
Other changes						(441)	(5)	664	218	102	320
Balance at March 31, 2007	¥10,297	¥14,711	¥25,759	¥(51)	¥50,717	¥2,800	¥(5)	¥1,178	¥3,972	¥491	¥55,181

	Thousands of U.S. dollars										
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholder's equity	Unrealized gains on securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total valuation and translation adjustments	Minority interest in consolidated subsidiaries	Total net assets
Balance at March 31, 2006	\$87,234	\$124,619	\$161,508	\$(417)	\$372,943	\$27,459		\$4,347	\$31,806	\$3,294	\$408,044
Dividends			(15,692)		(15,692)						(15,692)
Net income			72,419		72,419						72,419
Purchase of treasury stock ..				(22)	(22)						(22)
Bonuses to directors			(24)		(24)						(24)
Other changes						(3,740)	(46)	5,633	1,847	871	2,718
Balance at March 31, 2007	\$87,234	\$124,619	\$218,210	\$(439)	\$429,623	\$23,719	\$(46)	\$9,980	\$33,653	\$4,165	\$467,441

Consolidated Statements of Cash Flows

TOPCON CORPORATION and Consolidated Subsidiaries
For the fiscal years ended March 31, 2006 and 2007

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Cash flows from operating activities:			
Income before income taxes	¥ 11,503	¥ 14,233	\$ 120,572
Depreciation and amortization	3,081	3,287	27,846
(Decrease) increase in allowance for doubtful accounts	54	(480)	(4,068)
Interest and dividend income	(176)	(215)	(1,825)
Interest expenses	830	691	5,861
Loss from disposal of property, plant and equipment	135	94	797
Profit on sale of property, plant and equipment	(34)	24	203
Equity in earnings of affiliated company	295	168	1,424
Decrease in reserve for retirement allowance	(348)	(614)	(5,205)
Decrease (increase) in trade receivables	(3,336)	(1,047)	(8,874)
Decrease (increase) in inventories	(610)	(3,147)	(26,665)
Decrease (increase) in uncollected balance	(193)	0	0
Decrease (increase) in prepaid expenses	0	(492)	(4,170)
Increase in trade payables	523	1,112	9,420
Increase in accrued expenses payable	445	510	4,327
Others	278	(1,757)	(14,887)
Total	12,448	12,366	104,756
Interest and dividends received by cash	194	234	1,988
Interest paid by cash	(805)	(688)	(5,834)
Income taxes paid	(4,969)	(5,203)	(44,080)
Net cash provided by operating activities	6,869	6,708	56,830
Cash flows from investing activities:			
Payment for time deposits	(57)	(86)	(729)
Proceeds from repayment of time deposits	444	76	644
Payment for acquisition of property, plant and equipment	(2,126)	(2,375)	(20,124)
Proceeds from sale of property, plant and equipment	211	97	826
Payment for acquisition of intangible assets	(1,606)	(541)	(4,588)
Payment for purchase of investment securities	(1,297)	(970)	(8,224)
Payment for acquisition of newly consolidated subsidiaries	0	(1,868)	(15,826)
Payment for long-term loan receivable	(270)	(162)	(1,373)
Proceeds from collection of long-term loan receivable	275	676	5,732
Others	(10)	(535)	(4,536)
Net cash used in investing activities	(4,437)	(5,689)	(48,197)
Cash flows from financing activities:			
Decrease in short-term bank loans	(5,509)	2,024	17,152
Proceeds from long-term bank loans	100	0	0
Repayment of long-term bank loans	(1,820)	(1,297)	(10,988)
Payment for redemption of bond	(400)	0	0
Proceeds from minority shareholders' payments.....	89	0	0
Purchase of treasury stock	(49)	(2)	(22)
Dividends paid	(685)	(1,848)	(15,659)
Others	—	—	—
Net cash used in financing activities	(8,276)	(1,123)	(9,518)
Effect of exchange rate changes on cash and cash equivalents	209	171	1,455
Net increase (decrease) in cash and cash equivalents	(5,635)	67	571
Cash and cash equivalents at beginning of year	14,568	8,932	75,670
Cash and cash equivalents at end of year	¥ 8,932	¥ 9,000	\$ 76,241

Non-Consolidated Balance Sheets

TOPCON CORPORATION
As of March 31, 2006 and 2007

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
ASSETS			
Current assets:			
Cash and time deposits	¥ 2,081	¥ 2,406	\$ 20,382
Notes and accounts receivable, trade	14,888	16,796	142,284
Inventories	6,036	7,942	67,279
Deferred tax assets	1,905	2,126	18,014
Short-term loan	6,945	8,292	70,249
Other current assets	2,554	2,970	25,159
Total	34,410	40,534	343,366
Fixed assets:			
Property, plant and equipment	6,425	6,441	54,570
Intangible assets	1,408	1,419	12,024
Investment securities	6,694	6,897	58,428
Investments of affiliated company	16,982	16,982	143,857
Deferred tax assets	656	979	8,298
Other assets	(44)	393	3,336
Total	32,123	33,114	280,513
Total assets	¥66,534	¥73,648	\$623,879
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities:			
Current liabilities:			
Notes and accounts payable, trade	¥ 7,822	¥ 8,902	\$ 75,414
Short-term bank loans	3,170	9,770	82,762
Accrued income and other taxes	1,347	1,697	14,383
Other current liabilities	3,952	3,970	33,637
Total	16,292	24,341	206,196
Long-term liabilities:			
Long-term bank loans	4,600	100	847
Accrued pension and severance costs	5,689	5,225	44,265
Other liabilities	188	113	962
Total	10,477	5,439	46,075
Total liabilities	26,770	29,780	252,271
Shareholders' equity:			
Common stock	10,297		
Capital surplus	14,711		
Legal reserve	571		
Retained earnings	11,033		
Unrealized gains on securities	3,198		
Treasury stock	(49)		
Total	39,763		
NET ASSETS			
Shareholders' equity:			
Common stock		10,297	87,234
Capital surplus		14,711	124,619
Legal reserve		571	4,845
Retained earnings		15,560	131,811
Treasury stock		(51)	(439)
Total		41,089	348,069
Valuation and translation adjustments:			
Unrealized gains on securities		2,778	23,539
Total		2,778	23,539
Total net assets		43,868	371,608
Total liabilities and net assets	¥66,534	¥73,648	\$623,879

Non-Consolidated Statements of Income

TOPCON CORPORATION

For the fiscal years ended March 31, 2006 and 2007

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Net sales	¥ 46,821	¥ 49,374	\$ 418,249
Cost of sales	32,831	34,111	288,956
Gross profit	13,989	15,263	129,293
Operating expenses	9,842	10,546	89,335
Operating income	4,146	4,717	39,958
Other income	1,088	2,032	17,221
Income before extraordinary items	5,235	6,749	57,179
Extraordinary loss (income)	(1,066)	(1,392)	(11,799)
Income before income taxes	6,301	8,142	68,978
Income taxes	1,479	2,020	17,111
Income taxes-deferred	(135)	(255)	(2,168)
Net income	¥ 4,957	¥ 6,378	\$ 54,035

Non-Consolidated Statements of Changes in Net Assets

TOPCON CORPORATION

For the fiscal years ended March 31, 2007

	Millions of yen							Total	
	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Treasury stock, at cost	Total shareholder's equity	Unrealized gains on securities	valuation and translation adjustments	Total net assets
Balance at March 31, 2006	¥ 10,297	¥ 14,711	¥ 571	¥ 11,033	¥ (49)	¥ 36,565	¥ 3,198	¥ 3,198	¥ 39,763
Dividends				(1,852)		(1,852)			(1,852)
Net income				6,378		6,378			6,378
Purchase of treasury stock					(2)	(2)			(2)
Bonuses to directors and corporate auditors.....									
Other changes							(419)	(419)	(419)
Balance at March 31, 2007 ...	¥ 10,297	¥ 14,711	¥ 571	¥ 15,560	¥ (51)	¥ 41,089	¥ 2,778	¥ 2,778	¥ 43,868

	Thousands of U.S. dollars							Total	
	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Treasury stock, at cost	Total shareholder's equity	Unrealized gains on securities	valuation and translation adjustments	Total net assets
Balance at March 31, 2006	\$ 87,234	\$ 124,619	\$ 4,845	\$ 93,468	\$(417)	\$ 309,749	\$ 27,091	\$ 27,091	\$ 336,840
Dividends				(15,692)		(15,692)			(15,692)
Net income				54,035		54,035			54,035
Purchase of treasury stock					(22)	(22)			(22)
Bonuses to directors and corporate auditors.....									
Other changes							(3,552)	(3,552)	(3,552)
Balance at March 31, 2007 ...	\$ 87,234	\$ 124,619	\$ 4,845	\$ 131,811	\$(439)	\$ 348,069	\$ 23,539	\$ 23,539	\$ 371,608

Board of Directors, Corporate Auditors, and Executive Officers

(As of June 30, 2007)



Takashi Yokokura



Kazuo Okita



Fumio Ohtomo

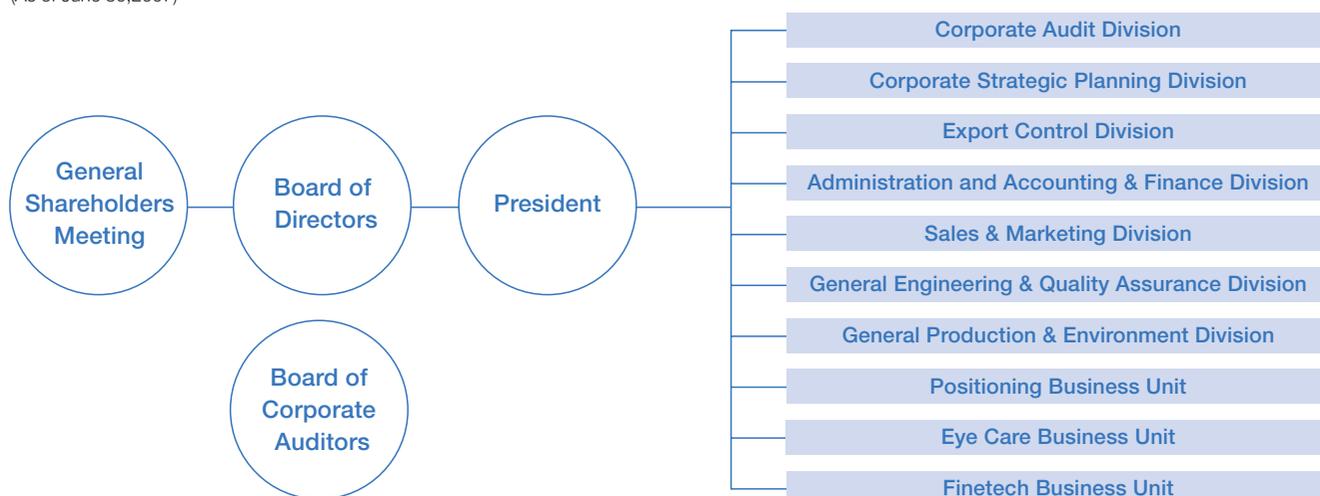


Norio Uchida

President	Takashi Yokokura		
Directors/Senior Managing Executive Officers	Kazuo Okita	Fumio Ohtomo	
Director/Managing Executive Officer	Norio Uchida		
Directors/Executive Officers	Akira Kamioka	Hiroshi Fukuzawa	Hikomasa Miyawaki
Corporate Auditors	Akira Ono Akinobu Kasami	Susumu Hokari	Kumio Fukuda
Advisor to the Board	Koji Suzuki		
Executive Officers	Junichi Daigo Toshio Ushiyama Shinji Iwasaki	Hiroshi Watanabe Kazunori Shoji Satoshi Hirano	Toru Tojo Hiroshi Koizumi

Organization

(As of June 30, 2007)



Corporate Data

(As of June 30,2007)

Head Office

75-1 Hasunuma-cho, Itabashi-ku,
Tokyo 174-8580, Japan
Phone: +81-3-3558-2536 FAX: +81-3-3558-9141
URL: <http://www.topcon.co.jp/eng/index.html>



Date of Establishment

September 1, 1932

Brand Name

TOPCON

Paid-in Capital

¥10,297 million (As of March 31, 2007)

Annual Turnover

¥49,374 million (Year ended March 31, 2007)

Fiscal Year-End

March 31

Number of Employees

1,132 (As of March 31, 2007)

Stock Listings

Tokyo Stock Exchange
Osaka Securities Exchange

Main Shareholder

Toshiba Corporation

TOPCON Group Companies

(As of June 30,2007)

JAPAN

Topcon Sales Corporation	Sales
Topcon Medical Japan Co., Ltd.	Sales
Topcon Technohouse Corporation	Technology/ Manufacturing/Sales/Service
Topcon Yamagata Co.,Ltd.	Manufacturing/Sales
Optonex Co., Ltd.	Manufacturing/Sales
Topcon Service Co., Ltd.	Repairing
Topcon Finance Co., Ltd.	Financing
Topcon G.S. Corporation	Service
Sapporo Topcon Sales Co., Ltd.	Sales
NanoGeometry Research Inc.	Technology/Manufacturing/Sales

NORTH AMERICA

Topcon America Corporation (U.S.A.)	Holding Company
Topcon Positioning Systems, Inc.(U.S.A.)	Technology/Manufacturing/Sales
TPS Other Markets, Inc.(U.S.A.)	Shell Company
Hayes Instruments Co., Inc.(U.S.A.)	Sales
TSD Integrated Controls, LLC (U.S.A.)	Manufacturing/Sales
Topcon Medical Systems, Inc.(U.S.A.)	Manufacturing/Sales
Topcon Canada, Inc.	Sales
ANKA Systems, Inc.(U.S.A.)	Manufacturing/Sales

EUROPE

Topcon Europe B.V. (The Netherlands)	Holding Company
Topcon Europe Positioning B.V. (The Netherlands)	Sales
Topcon Europe Medical B.V. (The Netherlands)	Sales
Topcon Deutschland G.m.b.H. (Germany)	Sales
Topcon S.A.R.L. (France)	Sales
Topcon España, S.A. (Spain)	Sales
Topcon Scandinavia A.B. (Sweden)	Sales
Topcon (Great Britain) Ltd. (U.K.)	Sales
Topcon Polska Sp Z.O.O.(Poland)	Sales

ASIA/OCEANIA/AFRICA

Topcon South Asia Pte. Ltd. (Singapore)	Sales
Topcon Instruments (Malaysia) Sdn. Bhd.	Sales
Topcon Instruments (Thailand) Co., Ltd.	Sales
Topcon Korea Corporation	Sales
Beijing Topcon Instrument Co., Ltd.	Sales
Topcon Optical (H.K.) Ltd.	Sales
Topcon (Beijing) Opto-Electronics Corporation	Manufacturing/Sales
Topcon Optical (Dongguan) Technology Ltd.	Manufacturing/Sales
TTH (Hong Kong) Co., Ltd.	Manufacturing/Sales
Tanaka Optics (Dongguan) Technology Co., Ltd.	Manufacturing/Sales
TPS Australia Holdings Pty Ltd.	Holding Company
KEE Technologies Pty Ltd.(Australia)	Manufacturing/Sales
Topcon Positioning Systems (Australia) Pty. Ltd.	Manufacturing/Sales
KEE Technologies Africa (Pty) Ltd.	Sales

TOPCON Corporation

75-1 Hasunuma-cho, Itabashi-ku, Tokyo 174-8580, Japan

Phone: +81-3-3558-2536

Fax: +81-3-3558-9141

<http://www.topcon.co.jp/>

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