



# **REFORM AND ENHANCEMENT** of Business Structure

## **ANNUAL REPORT 2011**

For the year ended March 31, 2011

Topcon Corporation has established the TOPCON WAY, representing the company's most significant set of common values through the restructuring and integration of its Business Philosophy, Management Policy and Code of Business Conduct.

## —TOPCON WAY—

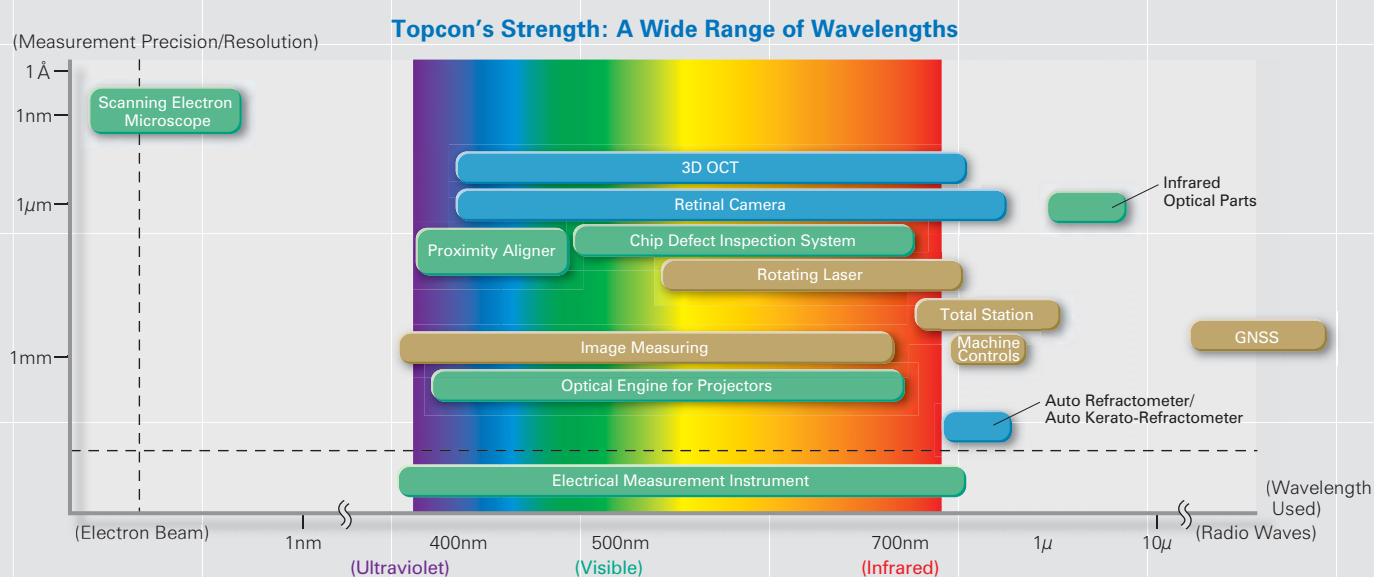
- Topcon studies the possibilities of “light,” creates new values toward the future, and contributes to build a rich human society.
- Topcon will maintain a proactive and responsive attitude by foreseeing any changes and place the utmost priority on compliance under all circumstances, thereby continually striving to be a trustworthy partner to all stakeholders.
- Topcon will do its utmost to improve quality in all stages from development and design to manufacturing, sales and service; supply products of the highest quality, and develop our customers' businesses.
- Topcon will build relationships of mutual trust and partnership with sales agents and other business partners, and mutually develop business through information sharing and close cooperation.
- Topcon will implement two-way communication with employees, and will respect diverse individualities, values, and the spirit of creation and innovation, and maximize the employees' skills.
- Topcon, as a member of the global and local community, will respect global standards concerning human rights, the environment, labor standards, and anti-corruption measures, and contribute to building sustainable markets.
- Topcon will appropriately disclose information to shareholders in a timely manner, work to build a relationship of trust with them, and continually strive to improve our corporate value.



## PROFILE

Ever since its establishment in 1932, the Topcon Group has maintained optical technology as its core technology, and has now merged this field with digital technology to develop a wide range of businesses. The Company's optical technology, spanning a wide range of wavelengths from electron beams to infrared rays, is our major strength. Furthermore, from early on we have sought customers from many regions and have thus cultivated markets in such areas as the United States and Europe. As a result, we are currently implementing a global management system with development, production and sales centers in countries throughout the world.

The Topcon Group aims to create new value and by extension contribute to mankind by differentiating itself from its rivals through the provision of the world's top as well as attractive products faster than anyone else.



Contents	Profile	History of Topcon	Our Three Business Fields	Consolidated Financial Highlights	To Our Stakeholders	Interview with the President
	01	02	04	06	08	10
Special Feature 1: Reform & Enhancement of Business Structure	Special Feature 2: Topcon's Technological Prowess	At a Glance	Positioning Business	Eye Care Business	Finetech Business	Global Network
14	18	20	22	24	26	28
CSR	Directors, Corporate Auditors and Executive Officers	Glossary	Financial Section	Corporate Profile	Stock Information	Japanese and Overseas Group Companies
30	33	34	35	47	47	48

### Items related to performance forecasts and future outlook

In this annual report, information regarding performance forecasts, strategies and future outlook is based on predictions drawn from information currently available. Accordingly, we would like you to be aware of the fact that our actual performance may deviate from the listed forecasts depending on conditions going forward. Unless stated otherwise, information contained in this annual report is drawn from that currently available as of August 2011.

## HISTORY OF TOPCON

Topcon was established in 1932, based on the surveying instruments division of K. Hattori & Co., Ltd. (currently Seiko Holdings Corporation). The Company changed its name from Tokyo Optical Co. Ltd. to Topcon Corporation in 1989. Today, the Company continues its activities as a general precision optical manufacturer mainly of surveying instruments and ophthalmic medical instruments.

### Founding and Business Base Establishment Phase

## 1932-

**Enter the optical industry as a first step**

### 1932

Establishment of Tokyo Optical Co., Ltd. Established based on the surveying instruments division of K. Hattori & Co., Ltd. after acquiring the lens manufacturing facilities of Katsuma Kogaku Kikai Co., Ltd. at the request of the Japanese Ministry of War.

### 1945

Concentrated mostly on the production of binoculars, which were largely exported to the United States, paving the way for the dominance of the U.S. market by Japanese binoculars. Moreover, the production of surveying instruments contributed to the reconstruction and development of Japan in the post-war era.

### 1951

Released Japan's first Refractometer, RM-1.

### 1960

Became an affiliate of Tokyo Shibaura Electric Co., Ltd. (currently Toshiba Corporation)



1947  
TOHKOH Transit  
3inch half



1951  
Refractometer  
RM-1

### Development Phase

## 1963-

**Leverage technological expertise to launch a series of hit products**

### 1963

Released Topcon RE Super, the world's first single-lens reflex camera, with a TTL full-aperture metering system.

### 1970

Established Topcon Europe N.V. (currently Topcon Europe B.V.) in the Netherlands.

Then established Topcon Instrument Corporation of America (currently Topcon Medical Systems, Inc.) in the United States.

### 1979

Established Topcon Singapore Pte. Ltd. in Singapore.

### 1981

Enjoyed increased profit from strong sales of the extremely popular refractometer RM-100 and the electric distance meter DM-C2.



1963  
Topcon RE Super



1979  
Electric Distance Meter  
DM-C2



1966  
Universal Measuring  
Microscope TUM



1979  
Non-Mydriatic  
Retinal Camera  
TRC-NW

### Growth Phase

## 1985-

**Undertake full-scale globalization**

### 1985

Made a ¥3.8 million public stock offering, the largest amount for the company at the time, in order to strengthen its managerial foundation by means of a capital increase at the market price.

### 1986

Established Topcon Optical (H.K.) Ltd., its first overseas local manufacturing base, in Hong Kong.

### 1989

Changed corporate name to Topcon Corporation.

### 1991

Entered the electron beam business.



1985  
Total Station GTS-3



1986  
Wafer Surface Particle  
Measuring System WM-3



1988  
Digital Image Filing System IMAGEnet

## Mature Phase

1994-

**Lay the groundwork  
for the current core businesses**

1994

**Entered the Machine Control (MC) Business.**

Established Topcon Laser Systems, Inc. (currently Topcon Positioning Systems, Inc.) and acquired a laser equipment manufacturer in the United States to enter the machine control field.

2000

**Entered the GPS-related Business.**

Acquired Javad Positioning Systems, Inc. in the United States and began developing precision GPS receivers and related system products, while merging the GPS-related business with conventional surveying instruments.

2001

Established Topcon Positioning Systems, Inc. and Topcon Medical Systems, Inc. in the United States as part of a plan to improve overseas business.

2004

**Improved Production in China.**

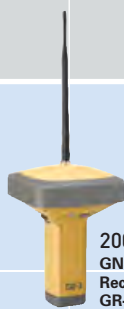
Established Topcon (Beijing) Opto-Electronics Corp., a surveying instruments manufacturing company, to further accelerate the surveying instruments business in China.



1998  
3D Machine Control System  
3D-MC LPS



2003  
Proximity Aligner for LCD Color Filters  
TME-1780S



2006  
GNSS  
Receiver  
GR-3



2006  
3D Optical Coherence  
Tomography 3D OCT-1000

## Transformation Phase

2008-

**Reform the business structure  
in the aftermath of the Lehman Shock**

2008

**Pursued Business Merger with Sokkia.**

Conducted a takeover bid for shares of Sokkia Co., Ltd. and made it a subsidiary to enhance competitiveness of the Positioning Business in the global market.

2009

Established Topcon 3D Inspection Laboratories, Inc., a 3D inspection technology development/design company, in Canada, and entered into the 3D metrology system and cutting-edge substrate inspection business.

2010

Established Topcon Medical Laser Systems, Inc. by acquiring the retina and glaucoma business of OptiMedica (U.S.A.), and entered the therapeutic laser market.

2011

Established the "TOPCON WAY."



2008  
3D Laser  
Scanner  
GLS-1000



2010  
Ophthalmic Laser  
Photocoagulator PASCAL



2010  
Robotic Total  
Station QS



2010  
Substrate 3D Inspection System  
SB-Z500



## OUR THREE BUSINESS FIELDS

The Topcon Group provides many attractive, world-leading products in three business fields centering on our unparalleled optical and cutting-edge digital technologies.

### 1

## POSITIONING BUSINESS

### A top three surveying instruments manufacturer

The Positioning Business is Topcon's largest business segment, mainly providing measurement instruments primarily for measuring positions, distances and angles. In recent years, we have been expanding our business domain to include applications for high-precision 3D position information through the integration of our core technologies, which we have cultivated since our establishment, leveraging our machine control, image processing, GPS and other advanced technologies.

#### Surveying/GIS/Measurement

The 3D Station NET05 offers the world's highest 0.5" angle measurement accuracy (as of August 2011) as a total station. It provides highly accurate and efficient measurements in areas ranging from industrial measurement to monitoring applications. Furthermore, we are the frontrunner and always lead the world in such areas as the launch of a survey-grade GNSS receiver that tracks both GPS of the U.S. and GLONASS of Russia.



3D Station  
NET05AX



Dual-Frequency GNSS  
Receiver HiPer II



#### Construction

Our machine control systems significantly improve the production efficiency of construction sites through the control of machines by reproducing design data exactly.



Machine Control  
3D-MC Millimeter  
GPS



#### Precision Agriculture

By applying machine control technology for construction to the agricultural field, we are making possible the automation of agricultural machines and the incorporation of ICT into their operation. Agricultural machines equipped with CropSpec sensors allow farm operators in real time to monitor crop conditions and manage the amount of fertilizer desirable for plant growth.



Plant Nutrition Sensor  
CropSpec



#### Mobile Measurement

By simply mounting our sensor unit on a vehicle and driving, you can collect surrounding 3D positional information and 360 degree images and create 3D virtual space using our world's first image processing technology.



Mobile Mapping System  
IP-S2 Lite





## 2

## EYE CARE BUSINESS

**The largest manufacturer of ophthalmic instruments in the industry**

We provide ophthalmic diagnostic and treatment instruments, and ophthalmic digital image filing systems primarily for ophthalmology departments in hospitals, and optometric vision testing instruments for eyeglasses shops. Furthermore, recently we have been focusing on systems solutions, the development of advanced ophthalmic medical instruments and diabetic screening tools and other preventative medical devices.

**Ophthalmic Instruments**

All over the world, we supply diagnostic instruments that enable the observation and capture images of all parts of the eye, including the cornea, the crystalline lens and the retina. In particular, we maintain the top global market share for retinal imaging diagnostic equipment, including retinal cameras and OCT, as well as digital image filing systems.



Optical Coherence Tomography  
3D OCT Series

**World's First**

We are expanding our business to include not only diagnostic instruments but also treatment instruments, most notably retinal laser photocoagulators and operation microscopes.



Ophthalmic Laser  
Photocoagulator  
PASCAL

**World's First**

**Optometric Instruments**

We provide all types of vision testing equipment used at eyeglasses shops. Topcon's auto refractometer, which gauges the refractive power of the eye, and vision tester, a device for measuring vision, and other such equipment are highly regarded not only in Japan but around the globe.



Auto Kerato-Refractometer  
KR-1



## 3

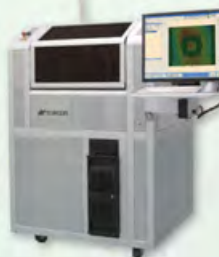
## FINETECH BUSINESS

**Topcon has the highest market share in optical measurement instruments**

We primarily provide semiconductor inspection systems and flat panel display (FPD) equipment. In addition to optical measurement instruments that are essential for the evaluation of image quality of displays, such as color quality and brightness, we also supply optical engines for projectors and optical devices for new-generation DVD media, etc.

**Semiconductors**

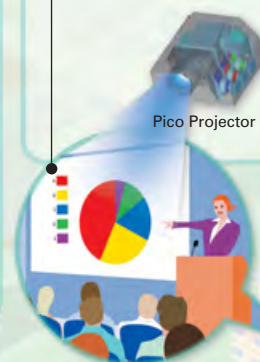
We supply a wide range of inspection systems for cutting-edge semiconductor devices used in digital consumer electronics. Furthermore, the use of our optical technology, our forte, enables automatic high-speed, high-precision inspection in place of traditional visual inspection.



Substrate 3D Inspection  
System SB-Z500

**Optical Devices**

We develop and offer optical units for high-quality projectors used in presentations. Moreover, we provide the optical units considered to be the core parts of digital copying machines to major copier manufacturers throughout the world.



Pico Projector

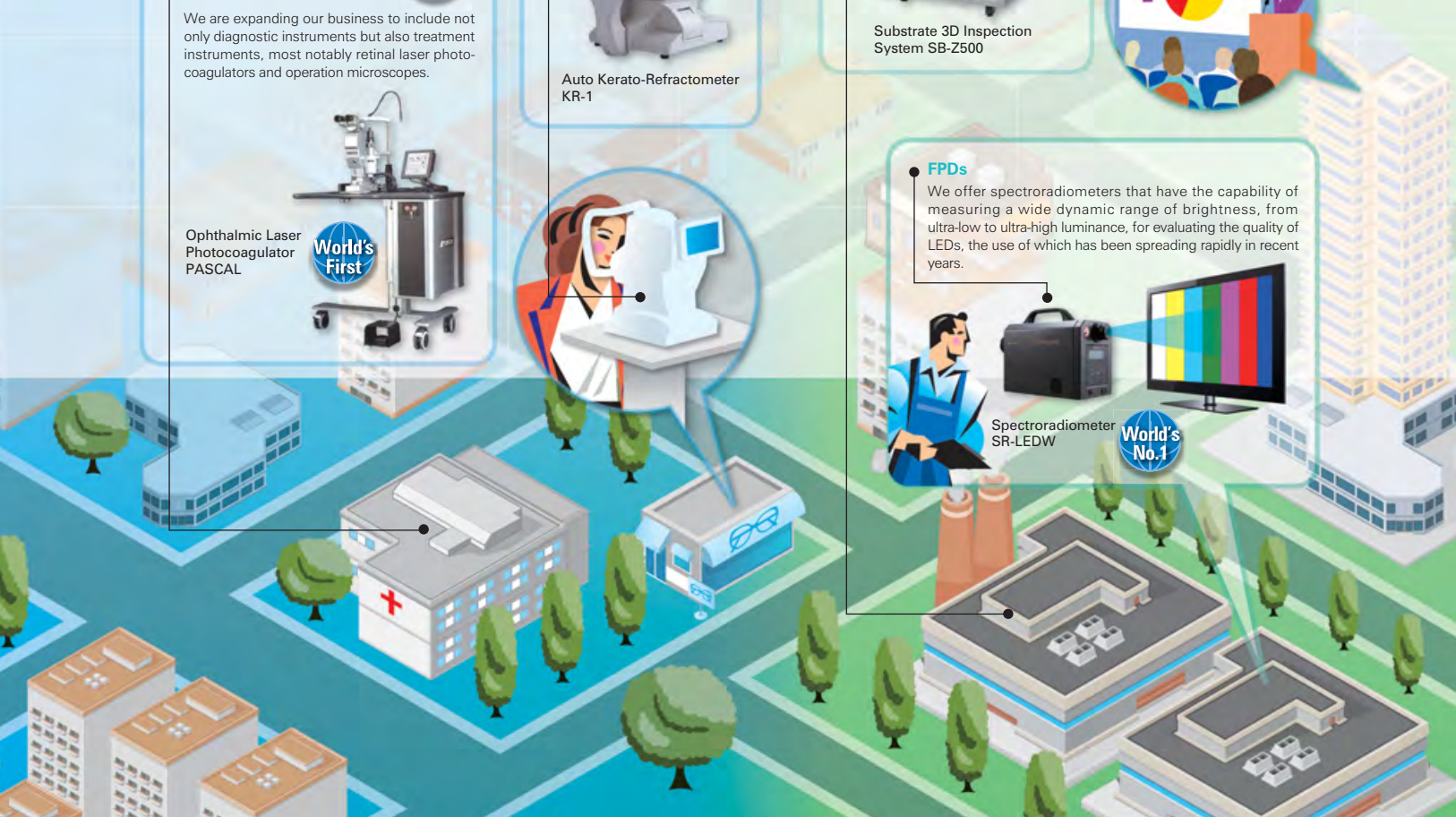
**FPDs**

We offer spectroradiometers that have the capability of measuring a wide dynamic range of brightness, from ultra-low to ultra-high luminance, for evaluating the quality of LEDs, the use of which has been spreading rapidly in recent years.



Spectroradiometer  
SR-LEDW

**World's No.1**



## CONSOLIDATED FINANCIAL HIGHLIGHTS

Topcon Corporation and Consolidated Subsidiaries

	Millions of yen					Thousands of U.S. dollars
	2007/3	2008/3	2009/3	2010/3	2011/3	2011/3
<b>Operating results</b>						
Net sales	¥ 110,490	¥ 110,818	¥ 112,666	¥ 94,862	¥ 102,470	\$ 1,232,358
Positioning Business	53,631	50,928	58,031	49,350	51,559	620,077
Eye Care Business	38,464	39,828	33,503	31,561	30,946	372,178
Finetech Business	18,394	20,061	21,131	13,950	19,964	240,102
Overseas	80,575	81,027	83,684	69,138	74,210	892,487
Operating income (loss)	15,276	10,975	(6,944)	1,405	1,799	21,646
Ordinary income (loss)	14,233	9,205	(9,326)	545	608	7,320
Net income (loss)	8,549	7,736	(9,992)	133	(1,288)	(15,499)
Capital expenditures	3,012	2,893	2,620	2,109	4,499	54,107
Depreciation and amortization	3,287	3,746	6,448	6,378	5,286	63,581
R&D expenditures	9,424	10,178	11,589	9,609	10,275	123,573
Free cash flows	1,019	(16,185)	(6,991)	1,112	(7,903)	(95,051)
<b>Financial position</b>						
Shareholders' equity	¥ 54,689	¥ 56,082	¥ 39,801	¥ 40,490	¥ 36,908	\$ 443,880
Total assets	99,859	139,362	119,702	125,539	124,816	1,501,099
Interest-bearing liabilities	14,068	43,329	49,706	51,501	55,300	665,069
<b>Per share data (¥, \$)</b>						
Earnings per share (EPS)	¥ 92.30	¥ 83.52	¥ (107.89)	¥ 1.44	¥ (13.91)	\$ (0.167)
Net assets per share (BPS)	590.45	605.49	429.72	437.17	398.50	4.793
<b>Management indicators</b>						
Operating income ratio (%)	13.8	9.9	(6.2)	1.5	1.8	
Net income ratio (%)	7.7	7.0	(8.9)	0.1	(1.3)	
Ratio of R&D expenditures to net sales (%)	8.5	9.2	10.3	10.1	10.0	
Overseas net sales ratio (%)	72.9	73.1	74.3	72.9	72.4	
Return on assets (ROA) (%)	9.0	6.5	7.7	0.1	(1.0)	
Return on equity (ROE) (%)	16.7	14.0	(20.8)	0.3	(3.3)	
Price earnings ratio (PER) (times)	19.5	9.4	—	358.0	—	
Price book-value ratio (PBR) (times)	3.0	1.3	0.9	1.2	1.1	
Equity ratio (%)	54.8	40.2	33.2	32.3	29.6	
Total assets turnover ratio (times/year)	1.17	0.93	0.87	0.77	0.82	
D/E ratio (%)	25.7	77.3	124.9	127.2	149.8	
Dividend payout ratio	21.7	19.2	—	277.0	—	

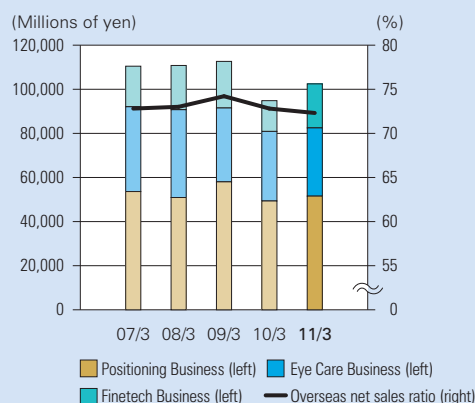
Note: For the sake of convenience, the US\$ is converted at a rate of ¥83.15/US\$ as of March 31, 2011.



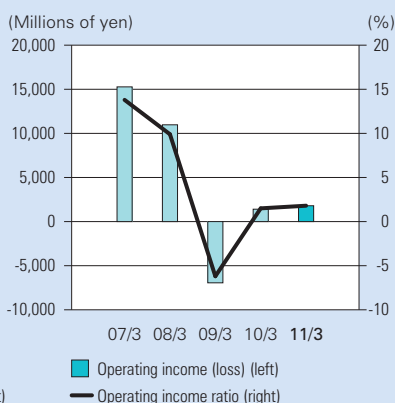
## FY2010 Financial Earnings Highlights

- Consolidated net sales in FY2010, ended March 31, 2011, rose 8.0% year on year to ¥102,470 million.
- Operating income surged 28.1% year on year to ¥1,799 million.
- The Company recorded a net loss of ¥1,288 million owing to the incurrence of an extraordinary loss.

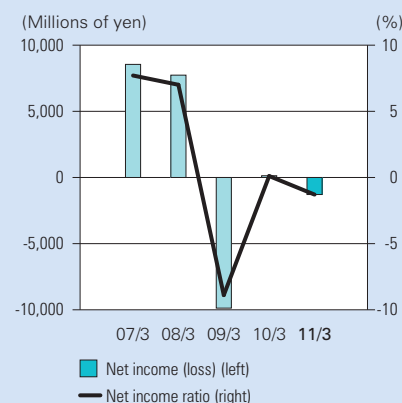
### NET SALES AND OVERSEAS NET SALES RATIO



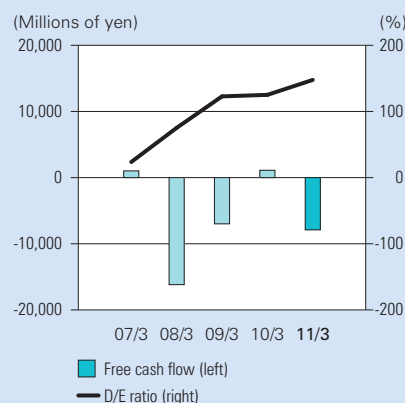
### OPERATING INCOME (LOSS) AND OPERATING INCOME RATIO



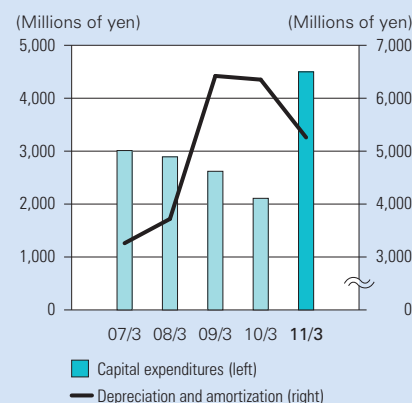
### NET INCOME (LOSS) AND NET INCOME RATIO



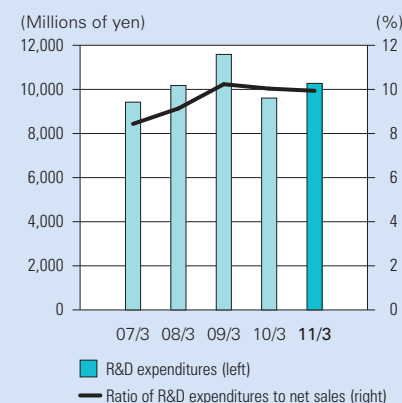
### FREE CASH FLOWS AND D/E RATIO



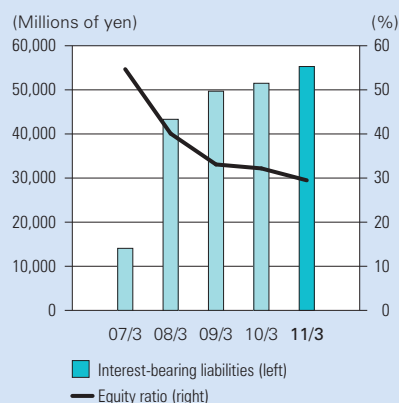
### CAPITAL EXPENDITURES AND DEPRECIATION AND AMORTIZATION



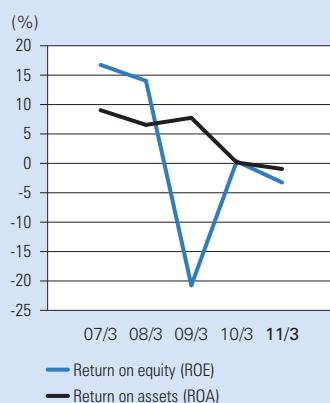
### R&D EXPENDITURES AND RATIO OF R&D EXPENDITURES TO NET SALES



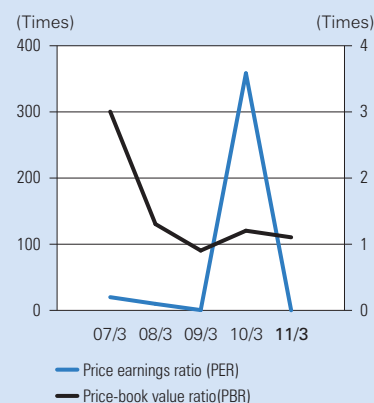
### INTEREST-BEARING LIABILITIES AND EQUITY RATIO



### ROE AND ROA



### PER AND PBR



## TO OUR STAKEHOLDERS

# Realizing profitable and sustainable growth to be a truly global and a truly excellent company

### GREETINGS

It was my special honor and privilege to begin my term as the new president of Topcon on June 24, 2011. First of all, I would like to express our heartfelt condolences to everyone affected by the Great East Japan Earthquake and our prayers for a rapid recovery.

Topcon's consolidated earnings results for fiscal 2010, ended March 31, 2011, saw growth in both sales and profit as the positive effects of cost reductions and sales volume growth in the United States, China, and other areas overcame the negative impacts of yen appreciation and increased fixed costs. Net sales rose 8.0% year on year to ¥102,470 million and operating income increased 28.1% to ¥1,799 million. The Company distributed a full-year cash dividend of ¥4 per share in the fiscal year under review.

### MID-TERM BUSINESS PLAN 2013

With an increasing global business, more than 70% of the Topcon Group's sales are outside Japan, but the external environment of recent years, including foreign exchange rates, continues to have a great impact on our performance. Consequently, we have been advancing the reform project since the previous fiscal year. In fiscal 2011, we have formulated the Mid-Term Business Plan 2013 and will undertake the reform project under the Mid-Term Action Plan, which indicates the direction of the Business Plan, clearly demonstrating our intent to establish a robust corporate structure. From now on, under the renewed management structure, we will focus our efforts on quickly establishing a stable revenue base and sound financial position following the slogan of "Reform & Enhancement" to create a stronger corporate structure that is resilient to the external business environment.

One of the key strategies in our reform project specified in the Action Plan is to reduce overall costs. This strategy includes reducing the cost of goods sold by enhancing VA/CD (value analysis/cost down) efforts and strengthening overseas procurement, optimizing the workforce by adjusting headcount on a global basis and consolidating/integrating production bases, and promoting business process reforms by introducing an ERP (enterprise resource planning) system. Through such steps, we aim to save a total of ¥10 billion by reducing the cost of goods sold and fixed costs.

## REALIZING PROFITABLE AND SUSTAINABLE GROWTH

The reduction of cost of goods sold and fixed costs is the key strategy of the ongoing reform project, and by accelerating it we will generate profits and healthy cash flows that will keep us one step ahead of our competitors. We will also advance reform of our corporate culture in accordance with the TOPCON WAY established in April 2011. In these ways, we will achieve profitable and sustainable growth.

We are also continuing our tireless pursuit of technology with renewed efforts to revitalize the inherent DNA of “Technology-driven Topcon,” and to further reinforce the TM-1 (Time to Market No. 1) activities. In addition, we are working to raise our level of *monozukuri* (superb manufacturing)—the most fundamental element in the manufacturing industry—to the highest level in the world to achieve our objective of becoming a leading company that is truly global and a truly excellent company with worldwide competitive strength.

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

August 2011



NORIO UCHIDA  
President



## INTERVIEW WITH THE PRESIDENT

Q 1

**How was the Topcon Group's performance for fiscal 2010?**

A 1

**Topcon Group posted increases in both sales and profits, with consolidated net sales reaching ¥102.4 billion and an operating income of ¥1.7 billion. However, it also became clear during the year that our performance tends to fluctuate in response to external conditions.**

### FISCAL 2010 RESULTS

In fiscal 2010, ended March 31, 2011, net sales increased 8.0% year on year to ¥102,470 million, supported by expanded sales overseas. Operating income rose 28.1% to ¥1,799 million, primarily due to increased sales volume. Meanwhile, extraordinary losses associated with the liquidation of affiliated companies led to a ¥1,288 million net loss for the year.

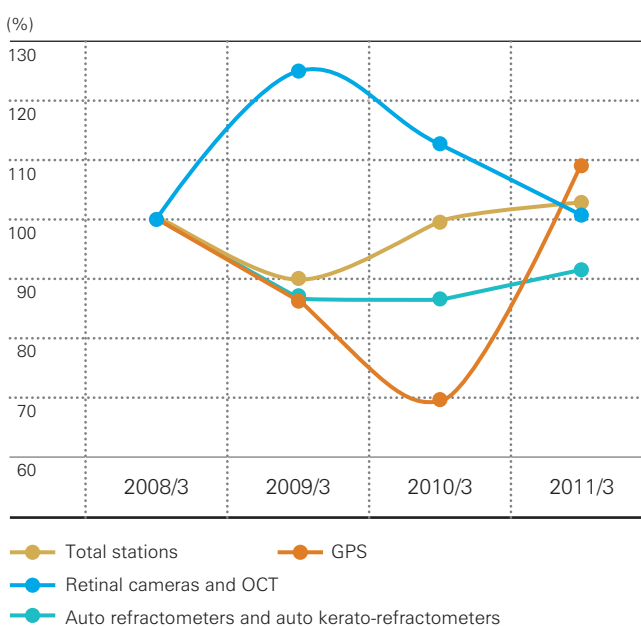
While yen appreciation affected the year's sales results, the impact was more than overcome by strong sales in the Positioning Business in the United States and the Finetech Business in China as well as in Japan. Operating income rose due to increased income from expanded sales volume, and this increase more than offset such factors as the effects of yen appreciation, increased expenses associated with measures to fortify development capabilities and the sales network.

### ISSUES GOING FORWARD

Although we were able to generate improved results in fiscal 2010, our results have been significantly influenced in recent years by external conditions, such as foreign exchange rates. It is plain to see how the foreign exchange rates have affected our performance when we calculate the fiscal 2010 results using the fiscal 2007 exchange rate. Adopting the fiscal 2007 rate of 99.90 yen to the U.S. dollar, our consolidated net sales for the year would have

reached a record-high ¥120.0 billion. In addition, comparing unit sales of our total stations, GPS products, retinal cameras, 3D OCT (optical coherence tomography) systems and other core products to fiscal 2007 levels also indicates a clear recovery in demand. In response, we are accelerating the business restructuring commenced in the previous fiscal year as part of our efforts to establish a more robust corporate structure.

**UNIT SALES OF MAJOR PRODUCTS** (2008/3 has a value of 100)







Q2

## What are the basic concepts of the Mid-Term Business Plan 2013?

A2

The basic concepts are to progress with radical reform project and to fortify our business structure. The plan sets fiscal 2013 targets of ¥120 billion in net sales and ¥12 billion in operating income.

The Mid-Term Business Plan 2013, under the slogan of “Reform & Enhancement” of our business structure, focuses on establishing a stable revenue base and strong financial position. The plan sets fiscal 2013 targets for net sales of ¥120.0 billion, operating income of ¥12.0 billion, and net income of ¥7.0 billion.

### REFORM PROJECT

Our strategies for cutting overall costs will include specific measures to reduce the cost of goods sold through VA/CD (value analysis/cost down), lower the ratio of SG&A expenses to sales, generate cash flow, reform our business processes by introducing ERP (enterprise resource planning), and to promote selection and concentration of businesses.

### FORTIFYING THE BUSINESS STRUCTURE

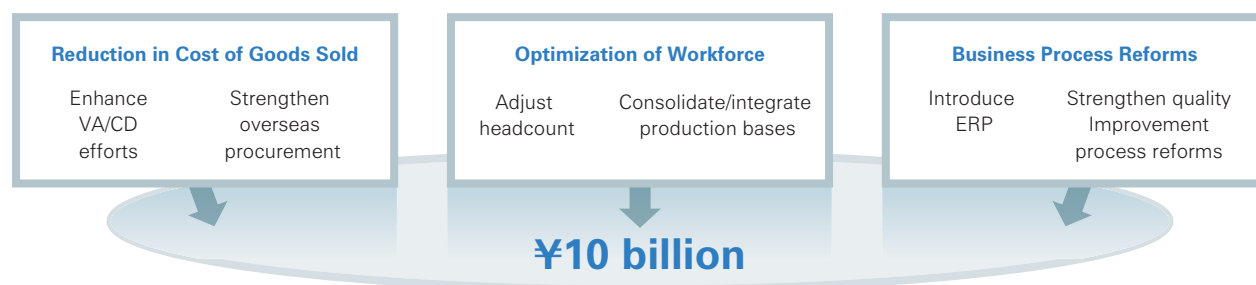
We are fortifying our business structure by revitalizing the inherent DNA of “Technology-driven Topcon,” pursuing the world’s highest level of *monozukuri* (superb manufacturing), and using our core technologies to produce TM-1 (Time to Market No. 1) products.

In the Positioning Business, we are fortifying our businesses in precision agriculture, mobile measurement equipment, and other emerging fields and further advancing the integration of Sokkia. In the Eye Care Business, we are broadening our business domain into the fields of treatment and prevention and are accelerating the expansion of the IT solutions business. In the Finetech Business, we intend to concentrate on operating in fields with strong profit-making potential and modifying the business portfolio.

(Please refer to “Mid-Term Business Plan 2013” on pages 14–17 for further details.)

### CORPORATE STRUCTURAL REFORMS

#### Overall Cost Reduction Strategy





Q3

### What are your results outlook and dividend plan for fiscal 2011?

A3

**In fiscal 2011, we expect net sales to be at roughly the same level as the previous year, while operating income should increase significantly. We plan to distribute dividends of ¥4 per share for the year.**

### FISCAL 2011 OUTLOOK

We forecast consolidated net sales declining 2.4% year on year to ¥100.0 billion owing to the unlikelihood of a full-fledged recovery in global markets and anticipation that the Great East Japan Earthquake will continue to have an impact on production activity and on our domestic customers. At the same time, we expect substantial improvement on the earnings side with the reform project bringing about an increase in earnings of approximately ¥5.1 billion. As a result, we forecast an increase in operating income of 66.8% year on year to ¥3.0 billion, ordinary income of ¥1.7 billion and net income of ¥800 million.

Our specific strategies in fiscal 2011 will focus on lowering fixed costs, cutting the cost of goods sold, and improving cash flow, all of which are part of our business restructuring.

By business segment, in the Positioning Business we

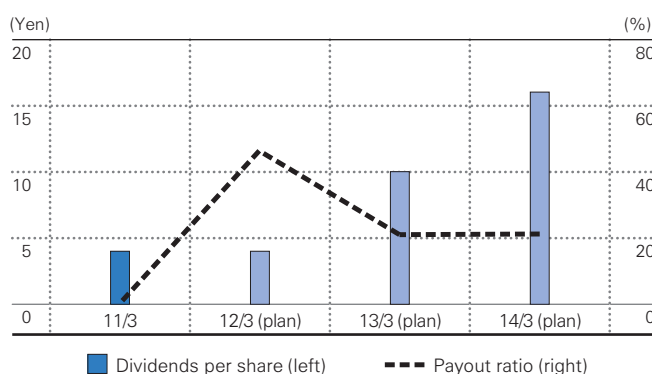
will concentrate on introducing and promoting sales of products where we can leverage synergies of the integration with Sokkia and on fortifying our operations in the precision agriculture and mobile measurement equipment business fields. In the Eye Care Business, we are aiming to expand sales of OCT (optical coherence tomography) systems for the screening market and to fortify our presence in the IT solutions and treatment fields. In the Finetech Business, we will focus efforts on key business areas, such as LED and semiconductor packaging.

### SHAREHOLDER RETURN

We plan to distribute a full-year cash dividend of ¥4 per share in the fiscal 2011 period. The Topcon Group places high priority on returning profits to shareholders through the distribution of dividends, which reflects the Group's earnings growth, aiming for a payout ratio of 20% or higher. In fiscal 2010, although temporary expenses associated with the liquidation of affiliated companies ultimately led us to record a net loss for the term, we remained fully committed to sustaining a stable dividend and maintained the ¥4 per share full-year dividend level from the previous fiscal year. In fiscal 2011, we expect to repeat the current full-year dividend payment level.

However, we project rapid recovery in net income to ¥4.4 billion in fiscal 2012 and ¥7.0 billion in fiscal 2013, and are accordingly aiming to raise full-year dividend payments to ¥10 and ¥16, respectively. Over the medium and long term, we intend to maintain a consistent dividend level based on our target of a 20% payout ratio.

#### DIVIDENDS PER SHARE, PAYOUT RATIO



Q 4

**How did the Great East Japan Earthquake impact the Topcon Group, and what is the Group doing to support the reconstruction efforts?**

A 4

**The damage to the Group's plants and facilities was minor.**

**The Group is supporting the reconstruction efforts by supplying mobile surveying/mapping systems to inspect the stricken areas.**

We were fortunate that no Topcon Group employees or their family members were directly affected by the Great East Japan Earthquake on March 11. Group companies in the Tohoku region, Topcon Yamagata, Optonex, Fukushima Sokkia, and other affiliates suspended operations immediately after the disaster but resumed operations, having found no significant damage to their facilities. All of these companies are currently operating as normal.

Regarding our efforts to support reconstruction, we have provided or lent out GPS-based surveying systems and other equipment free of charge through government channels, because we recognized how essential our products would be in the reconstruction of the affected areas.

One of the devices we provided, the Mobile Surveying/Mapping System, incorporates all of our latest positioning technology. Simply by mounting various sensors on the top of a vehicle and then driving along the streets, the revolutionary system records highly accurate three-dimensional position data and 360° image data of the surrounding landscape, as well as digital scanning data of land and buildings along the route. The data can also be combined with digital maps, aerial photographs, or other data on the computer, facilitating comparison of pre- and post-disaster topography. We have supplied equipment

and other services to the Geospatial Information Authority of Japan to assist in data collection for the cities, towns and villages of Iwate and Miyagi prefectures.

Going forward, accurate data on actual current conditions will be essential to expediting the formulation of concrete plans for reconstruction of the stricken area. The Topcon Group will continue to play an active role in cooperating with central and local government groups to support the reconstruction and restoration of the affected areas.



Measurement using the Mobile Mapping System IP-S2 Lite

## SPECIAL FEATURE 1

## REFORM &amp; ENHANCEMENT OF BUSINESS STRUCTURE

**We will focus on the early establishment of a stable revenue base and sound financial position and strive, through reforms, to create an even stronger corporate structure that is resilient to the external business environment.**

Our Group has steadily progressed with the globalization of our business, and our overseas sales currently account for more than 70% of total sales. In recent years, however, our earnings results have continued to be significantly impacted by foreign exchange rates and other external factors.

Under these circumstances, we have formulated the Mid-Term Business Plan 2013, which focuses on business restructuring, as part of efforts to establish a more robust corporate structure.

**FINANCIAL TARGETS (Consolidated)** (Millions of yen)

Consolidated	Mid-Term Business Plan 2013				
	2010/3	2011/3	2012/3	2013/3	2014/3
Net Sales	94,862	102,470	100,000	110,000	<b>120,000</b>
Operating Income	1,405	1,799	3,000	8,000	<b>12,000</b>
Operating Income Ratio	1.5%	1.8%	3.0%	7.3%	<b>10.0%</b>
Ordinary Income	545	608	1,700	6,800	<b>11,000</b>
Net Income (Loss)	133	(1,288)	800	4,400	<b>7,000</b>
ROE	0.3%	(3.3%)	2.2%	11.6%	<b>16.4%</b>
Total Assets Turnover Ratio (times/year)	0.77	0.82	0.83	0.92	<b>1.00</b>
Dividend per Share (yen)	4	4	4	10	<b>16</b>
Dividend Payout Ratio	277.0%	—%	46.3%	21.0%	<b>21.2%</b>

Note: Our earnings forecasts for FY2011-2013 assume exchange rates of ¥80/US\$ and ¥110/Euro.

In the current Mid-Term Business Plan 2013, we aim for the early establishment of a stable revenue base and sound financial position under the renewed management structure, as we advance our business restructuring, following the slogan of “Reform & Enhancement.” To this end, we will implement the Mid-Term Action Plan, in which we have set out specific initiatives, while steadily pushing ahead with our business fortification strategies intended to foster businesses that will become future revenue sources.

In fiscal 2013, ending March 31, 2014, the final year of the plan, we will target net sales of ¥120,000 million, operating income of ¥12,000 million, and net income of ¥7,000 million.

As for shareholder returns, the Topcon Group places a high priority on dividend payouts and targets a consolidated payout ratio of 20%. In line with this policy, we plan to distribute a full-year cash dividend of ¥16 per share in fiscal 2013, with a consolidated payout ratio of 21.2%.



## MID-TERM ACTION PLAN

**In the Mid-Term Action Plan, we will reform and enhance our business structure in accordance with the TOPCON WAY to establish a corporate structure that is unaffected by the external business environment.**

### REFORM PROJECT

As part of our reform project, we will implement an overall cost reduction strategy, centered on the following three measures: (1) Reduction in the cost of goods sold; (2) Optimization of our workforce; and (3) Generation of free cash flow. Through these measures, we aim to generate a total cost reduction effect of approximately ¥10,000 million over the next three years.



**1**

#### REDUCTION IN COST OF GOODS SOLD

We are reducing the cost of goods sold by enhancing value analysis and cost reduction efforts, and expanding overseas procurement. In particular, we will switch our procurement of goods from domestic sources, on which we have depended to address such issues as quality assurance, to their overseas counterparts through a review of designs and other initiatives. As a result, we expect to raise our overseas procurement ratio of 11% in fiscal 2010 to 30% in fiscal 2013.

**2**

#### OPTIMIZATION OF THE WORKFORCE

We will reassign and reduce the Group's workforce. Although we have already scaled down our workforce, going forward we will work to reduce fixed

costs while reviewing our distribution of personnel in Japan and abroad. At the same time, we are thinking to consolidate our production bases in Japan.

**3**

#### GENERATION OF FREE CASH FLOW

The Topcon Group aims to generate cash flow through the continuous attainment of profit targets and pursuit of an optimal SCM (supply chain management) model. We will also enhance our management of accounts receivable and inventories, which should significantly improve cash flow. In these ways, we will generate stable free cash flow as outlined in the Mid-Term Business Plan 2013.

## ENHANCEMENT OF THE BUSINESS STRUCTURE

### ~Reinforcement Strategies by Segment~

We will show the world our identity as “Technology-driven Topcon,” which we have inherited through the years as a result of our tireless pursuit of technology. We will also further reinforce our TM-1 (Time to Market No. 1) activities and challenge ourselves to reach the world’s highest level of *monozukuri* (superb manufacturing), by pursuing *monozukuri*, which is the starting point in the manufacturing industry.

In the Positioning Business, we implement measures based on the themes of new market development, focusing on places such as Asia, the Middle East and Africa, and new business expansion. At the same time, we will take advantage of the synergies generated through our integration with Sokkia, which we purchased in 2008. Through these measures, we will aim to achieve net sales of ¥62,000 million and operating income of ¥6,000 million in fiscal 2013, as compared with net sales of ¥51,559 million and operating income of ¥130 million in fiscal 2010.

In the Eye Care Business, we are working to provide optimal solutions in areas ranging from early detection to treatment, by expanding our business domain to include the field of preventive medical checkups, such as screening tests for diabetes, and the field of surgical instruments,

in addition to the conventional eye examination and diagnosis fields. We anticipate worldwide growth of the preventive medical checkup market. Therefore, considering the potential contribution to earnings from these operations, we are targeting net sales of ¥37,000 million and operating income of ¥4,000 million in fiscal 2013, compared with net sales of ¥30,946 million and operating income of ¥307 million in fiscal 2010.

Regarding the Finetech Business, we will carry out rigorous business selection and focus efforts and concentrate on our profitable priority fields. Accordingly, we forecast net sales of ¥21,000 million and operating income of ¥2,000 million in fiscal 2013, compared with net sales of ¥19,964 million and operating income of ¥1,362 million in fiscal 2010.

### POSITIONING BUSINESS

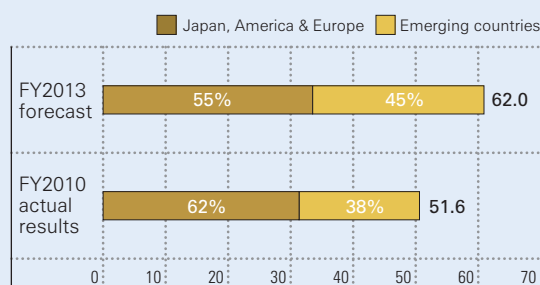
We will continue to launch products which meet user needs in the surveying and construction fields, our core operations in this segment. In the precision agriculture and measurement fields, we will create new markets and work to grow those markets through technological innovations. With respect to sales in fiscal 2013, we forecast a 270% and 120% upsurge in growth in the mobile measurement and 3D measurement markets, respectively.

Furthermore, we will work to raise our sales ratio in emerging countries from 38% to 45% in fiscal 2013.

**Construction market** We are working to expand and enhance our distributor network and strengthen our partnerships with construction equipment manufacturers, with the aim to standardize ICT-aided construction technologies in the future. In addition, we will strengthen our approach to the new user segment through the launch of products targeted at low-end markets.

**Precision agriculture market** The rise in demand for incorporating ICT into agriculture is gaining momentum amid the pressing need to increase crop yields per unit area owing to the decline in cultivated acreage per capita due to the population growth. We will introduce to global

SALES TRENDS BY REGION (Billions of yen)



market unique products that integrate our cutting-edge, proprietary technologies, and work to achieve their widespread adoption.

**Mobile measurement and 3D measurement markets** The need for 3D spatial information is increasing in various fields. We will provide products developed by advancing and integrating our proprietary technologies, such as mobile mapping systems and 3D laser scanners, thereby broadening our customer segments, creating new services and generating fresh demand. Our products are playing an active role in on-site surveys and recovery activities of the Great East Japan Earthquake.

## EYE CARE BUSINESS

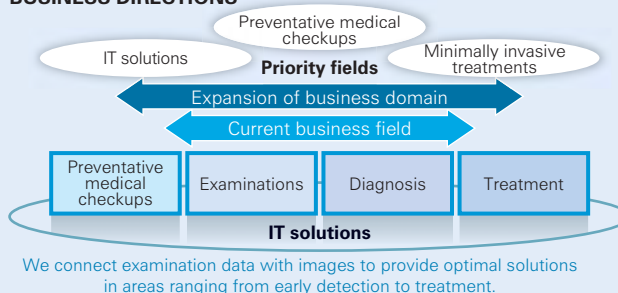
We will broaden our business domain to include the preventative medical checkup and treatment fields. Among others, we expect sales of the 3D OCT, a mainstay product, to double in fiscal 2013. As for the treatment field, we project sales growth of roughly 60% in fiscal 2013 owing to the launch of our next-generation laser equipment.

**OCT** Our current product range meets the needs of large hospitals as well as private clinics, ophthalmologists and optometrists. In the future, we will work to develop affordable models and cultivate emerging markets as well as the medical checkup market.

**Treatment** We will strive to increase our market share by differentiating our products from those of our competitors through the release of next-generation retinal pattern lasers. Moreover, we will provide optimal solutions in areas ranging from early detection to treatment through system integration with retinal imaging devices.

**IT solutions** We will undertake the creation of a new

### BUSINESS DIRECTIONS



business model that includes the provision of system solutions to centralize the management of various data and images from ophthalmic diagnostic and eye examination instruments that conform to global medical IT standards and the development of a remote diagnostic system using cloud computing.

**Expansion of sales in emerging countries** We will lay the groundwork for expanding sales in emerging countries by accelerating production in China of low-end products such as eye examination instruments. At the same time, we will strive to increase our market share in emerging countries for screening-related products on which we had not previously focused.

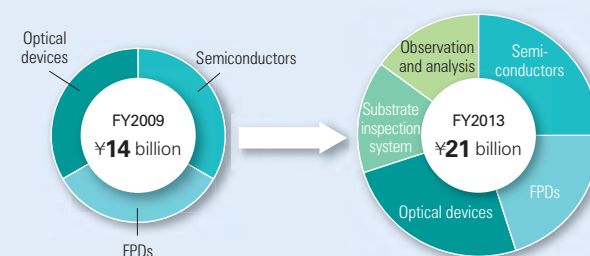
## FINETECH BUSINESS

We will work to bolster our LED, substrate (semiconductor package) and touch panel operations, designating these as priority business fields. We forecast a 200% jump in sales of our substrate-related equipment and a 220% upsurge in sales of our small hybrid scope SEMs in our new observation and analysis business field in fiscal 2013.

**Substrates** We will make efforts to expand sales of our Substrate 3D Inspection System, which inspects substrates (a type of semiconductor package) automatically using 3D technology. We will develop a system that is equipped with a new type of high-precision sensor and undertake sales promotion of this product by strengthening our coordination with major trading houses engaged in the electronic machinery field. We will also launch new products for projection steppers in fiscal 2011.

**LEDs/touch panels** We will work to expand our operation for inspection systems for LEDs, which are gaining traction for applications for liquid crystal display (LCD) monitor backlights as well as light sources for illumination. Furthermore, we will boost sales of proximity

### CONTINUAL REASSESSMENT OF OUR BUSINESS PORTFOLIO



aligners for touch panels in response to the growth in demand for smartphones and tablet terminals.

**Observation and analysis/projectors** We plan to commence sales in North America of our small hybrid scope SEM (scanning electron microscope), which is the world's first such product that enables simultaneous observation by combining the advantages of both the optical microscope and SEM. We will work to expand sales of this product in the North American market. In addition, we will also focus on pico projectors, as demand for these projectors is expected to surge in tandem with the growing popularity of smartphones and tablet terminals. We have already received orders from several large clients, and will work to further boost sales through the early establishment of a mass production system.

## SPECIAL FEATURE 2

TOPCON'S  
TECHNOLOGICAL  
PROWESSTopcon GNSS technology boasts  
millimeter precision

Topcon contributes to gains in operational efficiency in various areas through its exclusive GNSS (Global Navigation Satellite Systems) technology, which boasts millimeter precision.

## WHAT IS GPS?

GPS is the abbreviation for "Global Positioning System," a satellite positioning system launched by the United States for military purposes. Roughly 30 GPS satellites are deployed approximately 20,000 kilometers into the sky, and GNSS technology is able to track their signals to determine individual positions on the earth. Similar systems such as Russia's GLONASS, the European Union's Galileo and China's Compass are currently running or are in the testing and deployment stage, while Japan's QZSS (Quasi-Zenith Satellite System) is planning to come on-stream.

Some receivers allow for the combined usage of these multiple satellite systems. They are now being increasingly referred to by their generic name, Global Navigation Satellite Systems, (hereinafter referred to as GNSS, which includes GPS).

## TOPCON GNSS TECHNOLOGY

Although the precision of general GNSS receivers, namely car navigation systems, etc., is at the 10-meter level, Topcon GNSS receivers realize precision at the millimeter or centimeter level, which is adequate for surveying and construction work due to the employment of the following advanced technologies.

- Technology which tracks signals unintended for the general public
- Technology with multipath (congestion) control
- Technology which takes advantage of the carrier phase itself
- Technology which implements interferometric positioning with receivers at reference stations

Topcon receivers were the first to enable the tracking and multiple signals from satellites of not only the United States' GPS, but also the Russian GLONASS systems. Topcon GNSS technology is constantly being enhanced to also track EU's Galileo, and any other satellite constellations, including QZSS when it is deployed. Through the use of additional satellite constellations, Topcon receivers allow for reliable positioning even in environments where there are an insufficient number of satellites, such as mountainous areas and areas between tall buildings, if only a single constellation was used. In addition, Topcon has developed Millimeter GPS™ products, which enhance the vertical accuracy, a GNSS weakness, by combining GNSS with laser technologies, and offers the world's highest precision GNSS surveying system.







## POSITIONING BUSINESS ACTIVITIES

Let us now turn to the types of markets in the positioning business, in which Topcon GNSS technology is flourishing.

## Surveying

GNSS technology enables high-precision and high-efficiency surveying. GNSS surveying determines the distance and direction between two points through the simultaneous reception of radio waves at those two points transmitted from the same satellite and analysis of relevant observational data. Accordingly, the system makes it possible to survey long distances without a line of sight between the two points as long as radio waves from the same satellite are able to be tracked at those two points. Topcon contributes to high-precision and high-efficiency surveying through its production and sales of GR-3 and various other GNSS receivers.

## Construction

In the construction field, GNSS is used as a machine control system sensor. The use of GNSS technology to manage position information can increase productivity at construction job sites by enabling the automation of dozers, motor graders, excavators, and paving equipment. This is referred to as 3D machine control and allows direct operation of the equipment from the engineering plan data.

Moreover, with Topcon exclusive 3D Squared Technology, lower precision machines such as dozers are able to grade with the precision that rivals a motor grader, and motor graders are able to grade with high precision at high speeds that have not been possible in the past.

## Mobile measurement

In the mobile measurement field, we are pursuing global expansion for Topcon IP-S2 and IP-S2 Lite, which capture and accumulate various types of data by simply having various types of sensors mounted on a vehicle and driving.

Planners, engineers, and surveyors can carry out their tasks without being at the site as the integration of coordinate, digital imaging and scanning data tracked from GNSS receivers enables the capture of on-site geographic information. This high-quality data, including 360 degree video, geographic, and 3D position information helps improve communities, save lives when disasters occur, and improve public safety in general. IP-S2 and IP-S2 Lite applications are versatile and expected to grow even further going forward.

## Precision agriculture

The application of GNSS and machine control technology increases the efficiency of agricultural work. Topcon's precision agriculture products allow farmers to precisely control the minute details of seeding, spraying and harvesting to maximize yields and effectively extend growing cycles. Moreover, they dramatically reduce operating costs by allowing farmers more efficient use of their machinery and reducing the amounts of fertilizer, water and pesticides needed. This also greatly improves environmental quality as pesticide and chemical overspray and run-off is virtually eliminated.

## AT A GLANCE

Fields

Major Products

Market Conditions

### POSITIONING BUSINESS



- Surveying/GIS/Measurement
- Construction
- Precision Agriculture
- Mobile Measurement

- Survey-grade GNSS receivers
- Total stations
- Optical surveying instruments
- Machine control systems
- Construction laser instruments
- Precision agriculture systems
- Mobile surveying/mapping systems
- 3D laser scanners

- Huge impact of the strong yen
- Gradual recovery in the American and European markets
- Expanding markets in emerging countries
- Gradual recovery in the construction market
- Steady growth in the precision agriculture and measurement markets

### EYE CARE BUSINESS



- Preventative Medical Checkups
- Examination
- Diagnosis
- Treatment

- 3D optical coherence tomography systems
- Retinal cameras
- Ophthalmic digital image filing systems
- Auto refractometers/Auto kerato-refractometers
- Slit lamps
- Computerized tonometers
- Lens edgers
- Lens meters
- Ophthalmic laser photocoagulators

- Stagnating capital investment in America and Europe
- Expanding medical checkup market in Japan
- In Asia, steady growth in the Chinese market, and an expanding market in India
- Curbed capital investment in the ophthalmic field, resulting in fewer projects
- Sluggish capital investment in the optometric equipment marketplace, leading to competition in low-priced and differentiated products
- Expanding screening market

### FINETECH BUSINESS



- Semiconductors
- FPDs
- Optical Devices
- Observation and Analysis

- Semiconductor equipment
- Substrate equipment
- FPD equipment
- Electron microscopes
- 3D image measurements
- Optical units

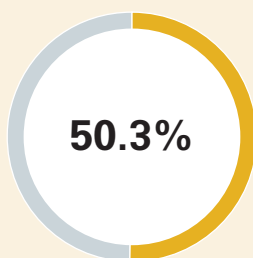
- Resumption of capital investment in the electronics sector
- Brisk demand for smartphones and tablet terminals
- Continued strong demand for green devices (LEDs, Power-ICs) and solid state drives
- Accelerated penetration of LED backlights for LCDs
- Proliferation of touch panel-equipped products

## Strengths/Strategies

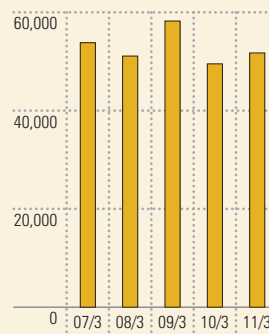
**Strengths** We are utilizing in various areas precise 3D position data, acquired by combining the optical technologies developed since our founding and cutting-edge technologies that include GPS positioning, lasers, and image processing.

**Strategies** We are cultivating significantly growing markets in emerging countries while working to expand our business into new fields, ranging from surveying to machine control, 3D measurement and precision agriculture.

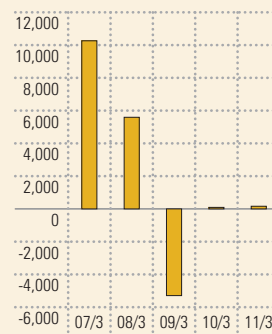
## Sales Composition Ratio (%)



## Net Sales (Millions of yen)

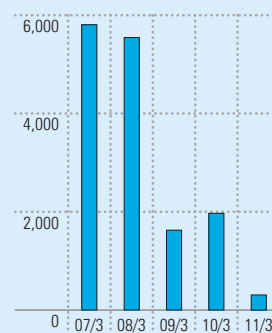
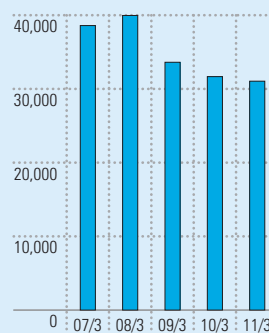
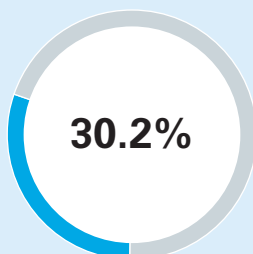


## Operating Income (Millions of yen)



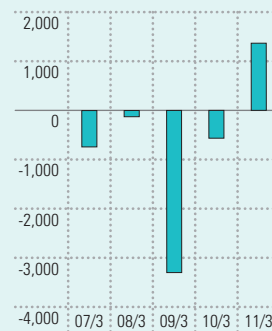
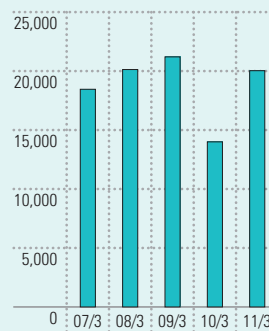
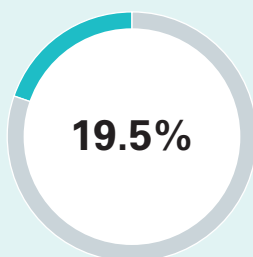
**Strengths** We will provide total health-care solutions through our expanded product lineup, ranging from examination and diagnostic systems (hardware), which take advantage of optomechatronic technology, to image processing software.

**Strategies** We are broadening our business domain, which covers the examination and diagnostic equipment fields, our core operations, to include preventative medical checkups and treatment. Furthermore, we are developing products in affordable price ranges and cultivating markets in emerging countries.



**Strengths** We offer products featuring a wide range of wavelengths, ranging from electron beam to infrared, according to our customers' needs.

**Strategies** We will work to bolster our LED, substrate (semiconductor package) and touch panel operations, designating these potentially profitable, high-growth fields as priority businesses.





# POSITIONING BUSINESS

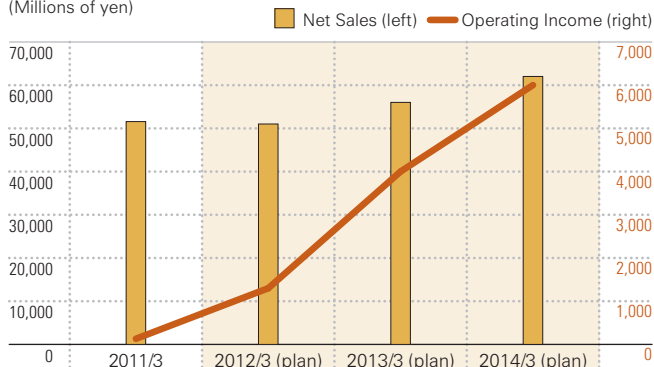
## Change the World

We are globally developing our positioning systems, which are continually leading and changing the world.



### NET SALES AND OPERATING INCOME

(Millions of yen)



### FY2010 FINANCIAL RESULTS AND PERFORMANCE OUTLOOK

#### FY2010 Financial Results

In fiscal 2010, ended March 31, 2011, net sales in the Positioning Business came to ¥51,559 million, up 4.5% year on year. This rise is attributable to the overall market expansion, particularly in the United States, and contributions from increased sales in unconventional, new fields, such as precision agriculture and mobile surveying/mapping systems. These positive factors offset the impact of the rapid appreciation of the yen. Moreover, operating income improved to ¥130 million (up ¥123 million year on year) owing to increased net sales in addition to the impact of reductions in cost of goods sold and other costs.

As for the U.S. market, sales of our machine control systems and other core products rose from the previous fiscal year, thanks to the recovery (albeit a moderate one) in construction demand following the bottoming out of the country's sluggish market, an incipient sign of an economic upturn. Sales of precision agriculture products also increased, mainly in the U.S. market, via both our own sales networks and the OEM supply channel, amid growing demand. Meanwhile, in Japan, Europe and other industrialized countries, demand picked up, although more moderately than in the United States. However, these markets led others in the expansion of sales in such new fields as mobile mapping and 3D measurement.

We have also steadily increased sales in the growing markets of emerging countries. Aiming to further expand sales and acquire market share as well as strengthen our business operations in these markets, in fiscal 2010 we established new companies in China, the UAE, and India. Together with our existing sales companies, we worked not only to market our optical surveying systems and other conventional products, but also made efforts to stimulate new demand for our machine control and other high value-added products.

#### Performance Outlook

In fiscal 2011, ending March 31, 2012, we forecast a slight decrease in net sales to ¥51,000 million (representing a year-





We will broaden our business areas and continue to grow in the global market through our expansion into fields ranging from surveying to civil engineering, construction and architecture, as well as the measurement and precision agriculture fields by evolving and developing our core technologies and fusing these with new ones.

**SATOSHI HIRANO**

*Director, Executive Officer  
General Manager, Positioning Business Unit*

on-year decline of 1.1%). Our projection is mainly based on our forecast of a sustained weakness in the economic recoveries in industrialized countries in fiscal 2011 and inevitable adjustments of our production and development schedules due to the repercussions from the Great East Japan Earthquake, which are likely to offset the impact of the anticipated growth in demand in emerging countries. However, we forecast a rapid recovery in operating income to ¥1,300 million (a 10-fold year-on-year upsurge) through efforts to accelerate company-wide business restructuring and the reduction of cost of goods sold and other costs extending from the previous fiscal year.

Furthermore, we will focus on generating synergies from Sokkia's business integration, which commenced three years ago. Specifically, we aim to expand our earnings through the improvement of operational efficiency and the reduction of cost of goods sold by releasing new products that use our common components and platforms.

Regarding our new growing businesses, in the precision agriculture field, we will work on stimulating demand worldwide, including in emerging countries, and achieve market penetration through the further promotion of OEM supply. As for our 3D measurement and mobile mapping business, we will make efforts to expand our operations through various initiatives including alliances.

With respect to emerging markets, we will strive to

further expand sales and capture additional market share. We will not only expand sales of our optical surveying systems and other conventional products, but also boost sales of high value-added products such as machine control systems and those for 3D measurement applications, centering on our new Chinese, UAE-based Middle Eastern and Indian companies established in 2010. To this end, we will cultivate sales personnel at our companies and distributors, and thereby promote the expansion of our operations and the creation of markets for our new businesses.

## TOPICS

### Launched high-speed "3D-MC<sup>2</sup>" machine control system



Topcon launched the "3D-MC<sup>2</sup>" (3D-MC Squared) machine control system for construction work, which allows dozers to deliver smooth grading even at high speeds.



The 3D-MC<sup>2</sup> has dramatically improved the high-speed grading accuracy of 3D machine control systems through the use of its newly-developed MC<sup>2</sup> sensors. The sensor combines its built-in accelerometer and gyro sensor with GPS positioning data, allowing for high-accuracy control, which enables the minute control of dozer blades as designed.

The system shortens work periods by reducing inefficiencies from repeated earth moving, thereby improving work productivity as well as leading to lower fuel expenses and CO<sub>2</sub> emissions.

Topcon will contribute to the promotion of ICT-aided construction, which is aimed at enabling high-efficiency and high-precision operations during construction processes, through the provision of innovative products and systems.

## REGIONAL AND MARKET TRENDS

	2011/3	2012/3	2014/3
<b>By Region</b>			
America	→	→	→
Europe	→	→	→
Japan	→	→	→
Growing Countries	→	→	→
<b>By Market</b>			
Construction	→	→	→
Precision Agriculture	→	→	→
Surveying/GIS	→	→	→
3D Measurement	→	→	→

# EYE CARE BUSINESS

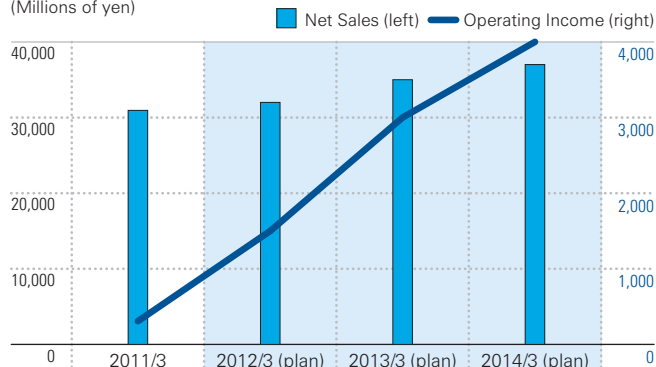
## CONNECTING VISIONS™

We provide optimal solutions in areas ranging from early detection to treatment, and are expanding our business fields to include the preventative medical checkup market.



### NET SALES AND OPERATING INCOME

(Millions of yen)



## FY2010 FINANCIAL RESULTS AND PERFORMANCE OUTLOOK

### FY2010 Financial Results

In fiscal 2010, ended March 31, 2011, net sales in the Eye Care Business came to ¥30,946 million, down 1.9% year on year. Operating income totaled ¥307 million (down ¥1,656 million year on year) due to such factors as decreased net sales and the impact of exchange rates.

Looking at sales conditions by region, sales in Japan remained firm due to the increased sales of our screening-related products for diagnosing diabetes and glaucoma, reflecting increased awareness of preventative medicine. In addition, sales in the Asian region, especially in China and India, continued to expand. However, sales in Europe and America were generally sluggish as hospitals and other facilities continued to curb capital investment following the Lehman shock.

In the optometric market, our sales, which had hit bottom following a protracted slump, are headed toward a recovery primarily in emerging countries.

In the ophthalmic field, we aim to provide optimal solutions in all areas ranging from early detection to treatment by expanding our business fields to include preventative medical checkups and treatment, in addition to our conventional mainstay eye exam equipment and diagnostic instruments. To this end, we purchased the operations for the PASCAL (PAttern SCAN Laser) photocoagulator, designed to treat retinal diseases and glaucoma, from the U.S.-based OptiMedica Corporation in fiscal 2010, marking our full-scale entry into the ophthalmic treatment market.

### Performance Outlook

For fiscal 2011, ending March 31, 2012, we forecast net sales of ¥32,000 million (up 3.4% year on year) and operating income of ¥1,500 million (up 388.6% year on year). Our projections are based on forecasts of continued firm sales in Japan, sustained sales growth in China, India and other Asian countries, and a moderate sales recovery in Europe and America.



We will provide optimal solutions in areas ranging from early detection to treatment through the expansion of our business fields to encompass not only our existing examination and diagnostic fields but also the preventative medical checkup and treatment fields.

#### HIROSHI FUKUZAWA

*Director, Senior Managing Executive Officer  
General Manager, Eye Care Business Unit*

In fiscal 2011, we will implement priority measures to (1) enhance our optical coherence tomography (OCT) product lineup, (2) reinforce and expand our business in the treatment instruments field, (3) ensure that our products and services conform to global medical IT standards and develop our remote medical systems using cloud computing, and (4) expand sales in emerging economies, etc.

First of all, regarding our 3D OCT product line, we will work to increase earnings by expanding our product lineup, including high-end products for large hospitals and laboratories and products for the U.S. market, as well as developing affordable models for the medical checkup and screening markets and emerging economies.

Secondly, with respect to the treatment field, we will work to offer more variations of our PASCAL retinal photocoagulators, which are minimally invasive and allow for shortened treatment durations. We will also strive to increase sales of the system by emphasizing its ability to lighten the burden on physicians and patients alike.

Moreover, we will switch production of some of our

products from Japan to China to meet the needs of the medical checkup, screening and other low-end markets, which are growing primarily in emerging countries. Going forward, we will gradually expand our lineup and promptly respond to the demand in fast-growing, emerging markets.

#### T O P I C S

##### Acquired assets of a U.S. ophthalmic laser photocoagulator manufacturer and set up a subsidiary (in August 2010)

Topcon acquired the retina and glaucoma treatment laser photocoagulator business from OPTIMEDICA, which develops, manufactures and sells ophthalmic laser photocoagulators. Furthermore, it established U.S.-based Topcon Medical Laser Systems, Inc. (TMLS) to manage the operations.

OPTIMEDICA was founded in the United States in 2004.

The Company's PASCAL photocoagulator is minimally invasive, and enables the shortening of treatment durations through the use of proprietary multi-spot, simultaneous laser pulse technology. It has therefore earned high marks from and the trust of both patients and physicians.

Topcon acquired the sales and distribution rights for the PASCAL photocoagulator in Japan and Europe in 2008, and has since built a track record in sales of the product. The Company purchased the above-mentioned technological assets and made its full-scale entry into the therapeutic device market in response to an expected increase in treatment for diabetic retinopathy, age-related macular degeneration, glaucoma, retinal detachment and other ocular fundus-related diseases accompanying the aging of the population.



#### REGIONAL AND MARKET TRENDS

	2011/3	2012/3	2014/3
<b>By Region</b>			
Europe	→	→	↗
America	→	→	↗
Japan	↗	↗	↗
Asia	↗	↗	↗
<b>By Market</b>			
Ophthalmology	→	↗	↗
Optometry	→	→	→
Preventative Medical Checkup	↗	↗	↗



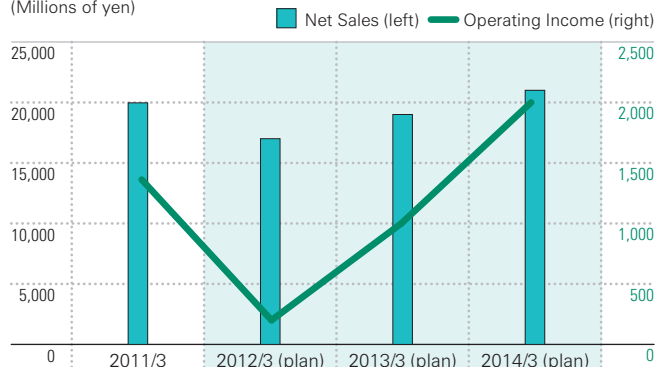
# FINETECH BUSINESS

We are developing the Finetech Business by focusing on LEDs, substrates (semiconductor packages), touch panels and other growth markets.



## NET SALES AND OPERATING INCOME

(Millions of yen)



## FY2010 FINANCIAL RESULTS AND PERFORMANCE OUTLOOK

### FY2010 Financial Results

In fiscal 2010, ended March 31, 2011, net sales in the Finetech Business surged 43.1% year on year to ¥19,964 million. This is largely attributable to the growing use of LED backlights for liquid crystal displays (LCDs) and the sharp increase in sales of proximity aligners for touch panels, luminance meters and chip defect inspection equipment due to the rapid expansion of the demand for smartphones and other tablet terminals.

Operating income totaled ¥1,362 million (up ¥1,927 million year on year) as a result of the impact of increased net sales.

In our Finetech Business, we conduct continual reassessments of our business portfolio, giving priority to securing profits. Specifically, we are suspending the development of new products with low profitability and low growth potential, and scaling down or withdrawing from such businesses.

Meanwhile, regarding the segment's four main business areas of semiconductors, substrates (semiconductor packages), FPDs and optical devices, we are focusing on potentially profitable, high-growth markets such as semiconductors, substrates and FPD touch panels. For such priority fields, we are promoting new product development, and expanding our overseas sales, production and R&D bases, as well as advancing other measures to strengthen this business.

### Performance Outlook

In fiscal 2011, ending March 31, 2012, we forecast a decrease in net sales of ¥17.0 billion (representing a year-on-year decline of 14.8%). This is primarily due to a projected slowdown in demand in the semiconductor and FPD fields, which were brisk in the first half of the previous fiscal year. Operating income is expected to fall sharply to ¥200 million (a year-on-year decline of 85.3%) owing to decreased net sales.



We are continuously reassessing our business portfolio, and will push forward with new product development and other measures to strengthen business, particularly in business fields related to LEDs, substrates (semiconductor packages), touch panels and other potentially high-growth and highly profitable markets.

**KANJI IKEGAYA**

*Executive Officer  
General Manager, Finetech Business Unit*

Amid a severe market environment in fiscal 2011, we plan to gear up for the recovery of demand in the Finetech Business through the continued cultivation of our four main business areas. Specifically, we will push forward with the development of highly competitive products in coordination with the Canada-based Topcon 3D Inspection Laboratories Inc. and other overseas R&D centers. As for production and sales, we will shift such operations from Japan to other locations in Asia to strengthen our competitiveness.

In addition, regarding our new products, we plan to expand sales of palm-sized pico projectors. We believe we can expect a rapid expansion of the market for this product in line with the growth in sales of smartphones and other tablet terminals.

Furthermore, a new field we are working to develop in addition to our four main business areas is the observation and analysis field. By leveraging our strength as an optical manufacturer, we developed a new hybrid scope SEM (scan-

ning electron microscope), which combines the advantages of both the optical microscope and SEM, and launched it in the North American market in June. We intend to develop this product as a mainstay in the observation and analysis field by fiscal 2013, ending March 31, 2014.

## T O P I C S

**Launched (in June 2010) the Spectroradiometer (SR-LEDW), which is capable of measuring a wide dynamic range from ultra-high to ultra-low luminance**

Topcon released the Spectroradiometer (SR-LEDW), which can measure a wide range of luminance, from ultra-low luminance which controls black image representation in FPDs, to ultra-high luminance indispensable for analyzing LED quality.



The Spectroradiometer plays a vital role in testing LED quality during the development and manufacturing processes of LCD TVs equipped with LED backlights and LED chip modules. In these processes, a spectroradiometer capable of inspecting a vast number of LEDs in a short period of time is needed.

The newly launched SR-LEDW has made it possible to measure a broad range of luminance levels while at the same time reducing measuring time with its new auto mode, which automatically sets the optimum measuring conditions.

The Spectroradiometer is used as a standard instrument for measuring luminance and chromaticity levels by not only leading FPD manufacturers but also companies in various other industries.

## REGIONAL AND MARKET TRENDS

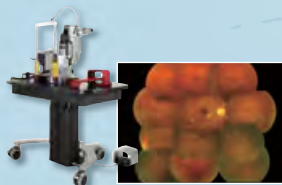
	2011/3	2012/3	2014/3
<b>By Region</b>			
North America	→	→	→
Europe	→	→	→
Japan	→	→	→
Emerging Countries	→	→	→
<b>By Market</b>			
Semiconductor	→	→	→
FPD	→	→	→
Optical Devices	→	→	→



## GLOBAL NETWORK

**Topcon Positioning Systems, Inc.**

Develops and manufactures GNSS and MC products, also develops software for surveying equipment at its Ohio, Calgary and Olathe offices.

**Topcon Medical Laser Systems, Inc.**

Develops and manufactures laser photocoagulation systems for treatment of the eye.

**Topcon 3D Inspection Laboratories, Inc.**

Develops 3D inspection systems for semiconductor wafer or substrate packages.

**Topcon Medical Systems, Inc.**

Manufactures eye care products, and develops network solutions for the image filing systems IMAGEnet, EMR, and EyeRoute (a web-based network system).

Topcon boasts an effective development and manufacturing network that utilizes outstanding human and other resources worldwide to grasp the needs of various customers throughout the world to which we promptly respond. In addition, Topcon is globally expanding its sales centers and conducts sales and provides services based on the needs of each particular locale.

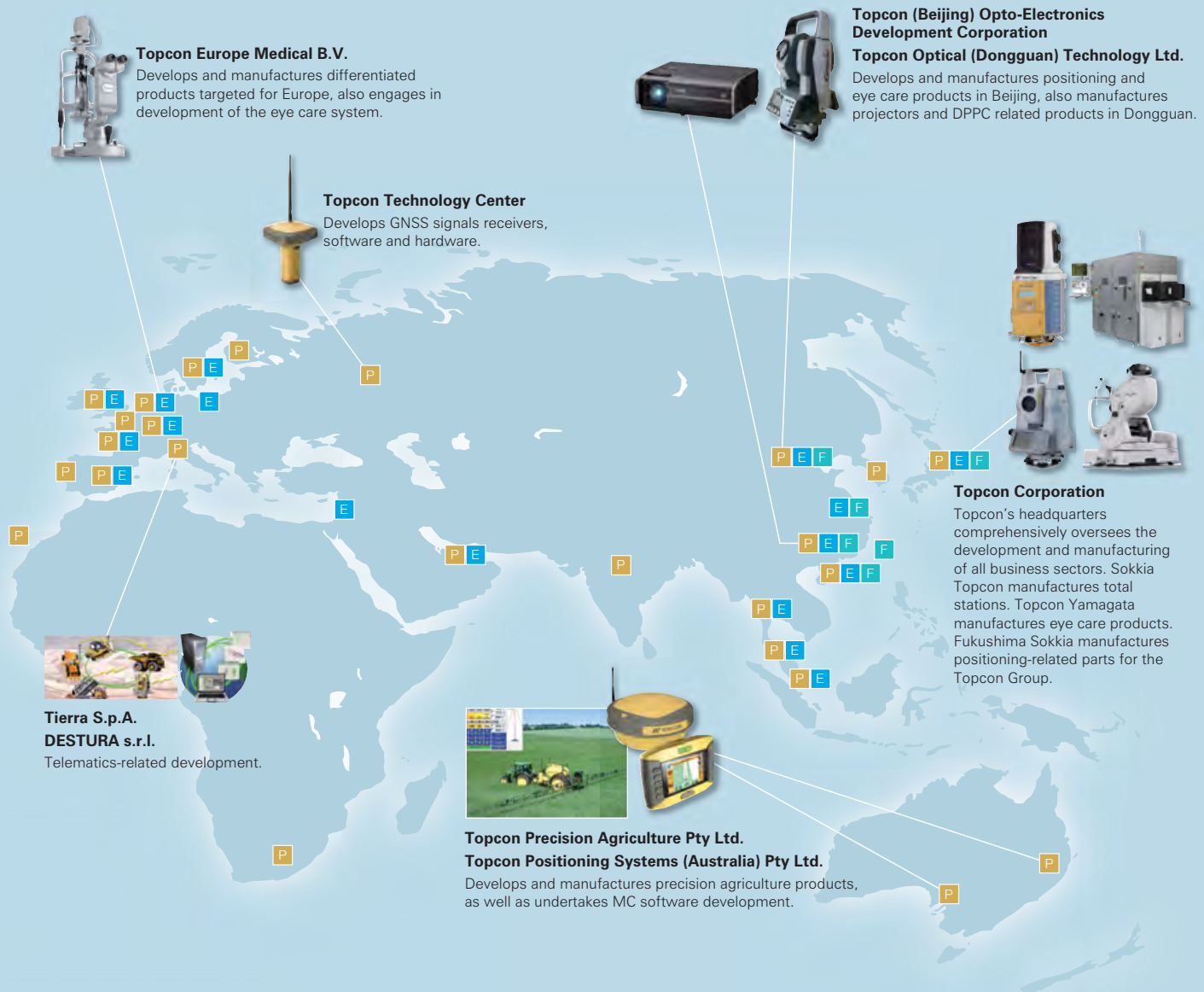
## NORTH AMERICA

- Research & Development
- Manufacture
- ▲ Sales & Marketing
- P Positioning Business
- E Eye Care Business
- F Finetech Business

Topcon Positioning Systems, Inc./U.S.A. P ■ ● ▲  
 Topcon Medical Systems, Inc./U.S.A. E ■ ● ▲  
 Topcon Medical Laser Systems, Inc./U.S.A. E ■ ● ▲  
 Cacioppe Communications Companies, Inc./U.S.A. P ▲  
 TPS Columbus Office/U.S.A. P ■  
 TPS Olathe Office/U.S.A. P ■  
 TPS Kansas Office/U.S.A. P ▲  
 TPS Calgary Office/Canada P ■  
 Topcon Canada Inc./Canada E ▲  
 Topcon 3D Inspection Laboratories, Inc./Canada F ■

## EUROPE/AFRICA

Topcon Europe Positioning B.V./The Netherlands P ▲  
 Topcon Europe Medical B.V./The Netherlands E ■ ▲  
 Topcon Deutschland G.m.b.H./Germany P E ▲  
 IBS Lasertechnik G.m.b.H./Germany P ▲  
 Topcon S.A.R.L./France P E ▲  
 Topcon España, S.A./Spain E ▲  
 InlandGEO S.L./Spain P ▲  
 InlandGEO Canarias, S.L./Spain P ▲  
 InlandGEO L.D.A./Portugal P ▲  
 Topcon Scandinavia A.B./Sweden P E ▲  
 Topcon (Great Britain) Ltd./U.K. P E ▲  
 Topcon Polska Sp. Zo.o./Poland E ▲  
 Tierra S.p.A./Italy P ■ ● ▲  
 DESTURA s.r.l./Italy P ■ ● ▲  
 GEOTOP s.r.l./Italy P ▲  
 Sokkia N.V./Belgium P ▲  
 DynaRoad Oy/Finland P ■ ▲  
 Topcon Technology Center/Russia P ■  
 KEE Technologies Africa (Pty) Ltd./South Africa P ▲



## ASIA/OCEANIA/MIDDLE EAST

Topcon Singapore Positioning Sales Pte. Ltd./Singapore P ▲  
 Topcon Singapore Medical Pte. Ltd./Singapore E ▲  
 Sokkia Singapore Positioning Sales Pte. Ltd./Singapore P ▲  
 Topcon Instruments (Malaysia) Sdn. Bhd./Malaysia P E ▲  
 Topcon Instruments (Thailand) Co., Ltd./Thailand P E ▲  
 Topcon Sokkia India Pvt. Ltd./India P ▲  
 Sokkia Korea Co., Ltd./Korea P ▲  
 Topcon Optical (H.K.) Ltd./China P E F ▲  
 Topcon (Beijing) Opto-Electronics Development Corporation/China P E F ▲  
 Topcon Optical (Dongguan) Technology Ltd./China P E F ▲  
 \*Sales of Finetech products only  
 Topcon Corporation Beijing Office/China E F ▲  
 Topcon Corporation Shanghai Office/China E F ▲  
 Topcon Semiconductor Taiwan Office/China F ▲  
 Topcon Precision Agriculture Pty Ltd./Australia P ▲  
 Topcon Positioning Systems (Australia) Pty Ltd./Australia P ▲  
 Topcon Positioning Middle East and Africa FZE/UAE P ▲  
 Topcon Corporation Dubai Office/UAE E ▲  
 Topcon Corporation Beirut Office/Lebanon E ▲

## JAPAN

Topcon Corporation P E F ▲  
 Sokkia Topcon Co., Ltd. P ▲  
 Topcon Sales Corporation P ▲  
 Topcon Medical Japan Co., Ltd. E ▲  
 Sokkia Sales Co., Ltd. P ▲  
 Topcon Technohouse Corporation F ▲  
 Sapporo Topcon Sales Co., Ltd. P ▲  
 Topcon Yamagata Co., Ltd. P E F ▲  
 Optonexus Co., Ltd. P E F ▲  
 Fukushima Sokkia Co., Ltd. P ▲  
 NGR Inc. F ▲

## CSR

The Topcon Group promotes the CSR activities based on the TOPCON WAY, the Group's highest common values, and its Code of Business Conduct. These are also in compliance with the ten principles of the United Nation's Global Compact. The Group's common policies and the organization structure are established to support these CSR activities.

### BASIC POLICY FOR CSR

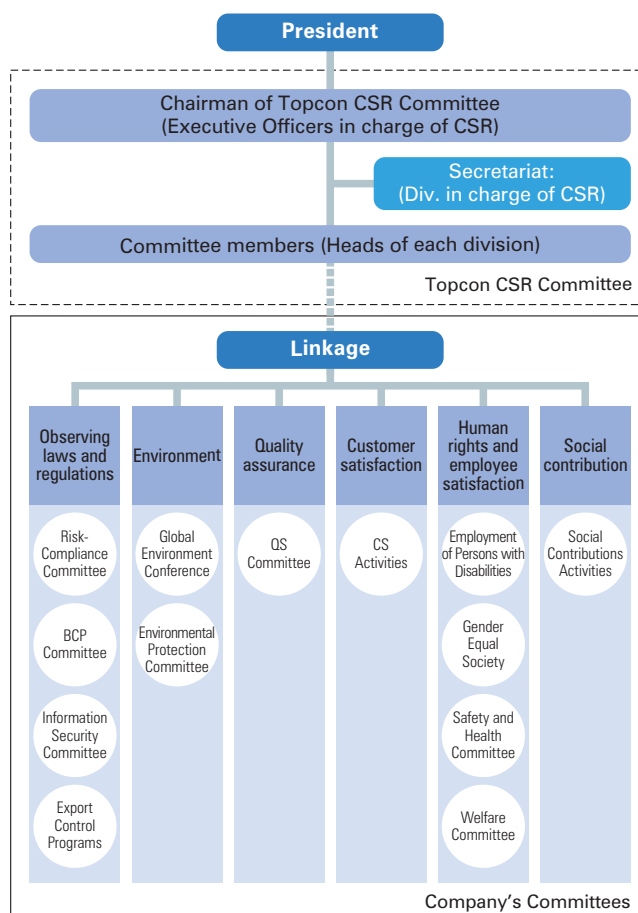
Topcon defines the basic policies for carrying out CSR activities that conform to the UN Global Compact, in which Topcon has participated since October 2007.

1. Topcon will locate CSR activities in the center of business and work on it intentionally in order to build, share and implement the sense of values and standards suitable for global enterprise.
2. Topcon will, to the extent of our influence, support and implement the rules and regulations that are globally approved regarding Human Rights, Labor Standards, Environment and/or Anti-Corruption as declared in the Global Compact.
3. Topcon will make a social contribution voluntarily and actively through developments, production, sales and services of useful products.
4. Topcon will promote an environmental management through the creation of environmentally-conscious business process and through providing environmentally-conscious products and services.
5. Topcon will strive to establish CSR activities in every officer and employee's daily work and to infiltrate and establish them within global Topcon Group companies.
6. Topcon will acquire understanding and confidence of all the stakeholders of Topcon Group companies by providing with information actively.

### STRUCTURE FOR PROMOTING CSR

Topcon's CSR activities are conducted in line with the policies decided by the Topcon CSR Committee, headed by an executive officer in charge of CSR, and are implemented globally throughout the Topcon Group with the collaboration of CSR-related business divisions and committees, which include the Risk Compliance Committee, the Business Continuity Planning (BCP) Committee, and the Quality & Safety (QS) Committee.

#### STRUCTURE FOR PROMOTING CSR (As of July 1, 2011)



## CORPORATE GOVERNANCE

Topcon utilizes an executive officer system for the execution of daily business operations. The Company separates the supervisory function of the directors and the Board of Directors from the business execution function of the executive directors to maintain a system enabling a timely and appropriate response to rapid changes in the business environment. The Board of Directors convenes monthly (and as otherwise necessary) to deliberate basic management policies, items required by laws and regulations or articles of incorporation, and important matters concerning other management issues as well as to receive reports, with the aim of fortifying the supervisory functions.

Directors, auditors, and executive officers attend Executive Officers Meetings, which are held weekly in principle, to discuss a wide range of topics, as well as analyze the business environment, deliberate medium-term business plans, budgets, and other items, share business execution status reports and other information, deliberate important decision-making items for the Company, and ensure thorough compliance (legal compliance) activities, thereby ensuring the fairness and transparency of management decisions.

Moreover, the Company maintains a Corporate Audit Division, an internal auditing organization directly overseen by the President to ensure legal, appropriate, and effective business execution. The Company endeavors to ensure comprehensive audits based on a mutually cooperative effort and efficient auditing system for accounting audits and business audits by the Corporate Auditors and the

Board of Auditors, and accounting audits by the accounting auditors, and internal audits by the Corporate Audit Division.

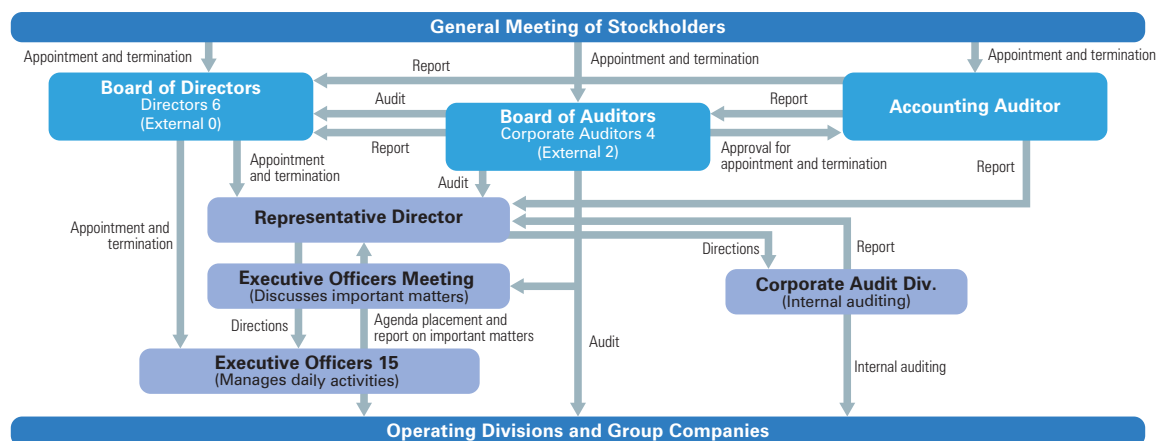
## RISK COMPLIANCE

Topcon has established Basic Rules for Risk Compliance and has created a risk management structure, which includes the designation of crisis management representatives, to enable a timely and appropriate response for each risk situation that arises for the Company and its subsidiaries.

In addition to the ordinary organizational channels, the Company has also introduced the Internal Reporting System to enable direct notification of risk-related information from the person who identified the risk, which contributes to the quick discovery of risk information and a rapid and appropriate response to the risk incident, as well as helping to raise awareness of risk management among directors and employees at the Company and its subsidiaries. The Internal Reporting System is administered by the Corporate Audit Division, an internal auditing organization.

The Company has established the Basic Regulation for Personal Data Protection concerning protection of private information and the Basic Regulation for Information Security regarding confidential information and associated regulations thereof and seeks to keep employees of the Company and subsidiaries fully informed of these regulations. Such regulations provide for the protection of the information itself while also enabling a timely and appropriate response in the event that risk arises related to the information.

### CORPORATE GOVERNANCE STRUCTURE (As of June 24, 2011)



## CSR INITIATIVES AND TARGETS

The Topcon CSR Committee reviews year-by-year achievements regarding our CSR activities, and sets goals and plans for the next year. In fiscal 2010, Topcon carried out a wide range of activities, including a formulation of the Corporate Governance Principles and the “TOPCON WAY,” a review of the business continuity plan (BCP), health promotion for employees and so on.

Items	Key Goals and Plans for FY2010	Key Achievements in FY2010	*	Key Goals and Plans for FY2011
Corporate Governance	• Implementation of corporate governance & CSR seminars	• Formulated the Corporate Governance Principles • Formulated the “TOPCON WAY” • Updated in-house training programs and held seminars for new managers	○	• Disseminating the Corporate Governance Principles and the “TOPCON WAY” • Holding seminars on the Corporate Governance Principles and CSR
	• Issuing a reference leaflet on Topcon Code of Business Conduct and disseminating it throughout the Topcon Group	• Issued a reference leaflet on Topcon Code of Business Conduct and posted it on the bulletin board of the in-house database		• Disseminating the reference leaflet on Topcon Code of Business Conduct across the Topcon Group
Risk Compliance	• Reviewing the BCP and holding BCP training	• Took measures regarding the Great East Japan Earthquake and reviewed the BCP action plan (Conducted an earthquake emergency drill and drew up anti-flu checklist)	○	• Reviewing the BCP (Continued) • Drawing up and implementing the BCP, based on expected summertime power shortage
	• Holding Risk-Compliance seminars	• Held Risk-Compliance seminars and improved content of the in-house Risk-Compliance bulletin board • Formulated basic regulations on public relations management and regulations on prevention of bribery of domestic and foreign public officials, etc.		• Compliance with the statutory employment rate for persons with disabilities • Reviewing the content of and continuing Risk-Compliance seminars
	• Holding topic-by-topic compliance seminars (Continued)	• Held seminars for all qualified		• Held seminars for all qualified
Responsibilities to Customers	• Developing and releasing new products through promotion of TM-1 activities (Continued)	• Conducted Technology/Quality innovation project to shorten development times and improve quality	○	• Developing and releasing new products through promotion of TM-1 activities (Continued)
	• Improving the total quality assurance system across group companies	• Conducted quality-first drives by declaring Technology/Quality Month and holding quality forums		• Improving the total quality assurance system across group companies (Continued)
	• Improving pre-verification capabilities in upper stream and prevention of quality problems	• Held process improvement seminars for engineering departments		• Improving pre-verification capabilities in upper stream and prevention of quality problems (Continued)
	• Promoting prompt feedback of customer information	• Promoted speedup in the feedback of quality information from call centers and group companies		• Promoting prompt feedback of customer information (Continued)
Responsibilities to Business Partners	• Extending applications of the RoHS compliance assurance system to overseas suppliers	• Conducted as planned 4 companies (2 companies in 2010A and 2010B each)	○	• Further extending applications of the RoHS compliance assurance system to overseas suppliers(4 suppliers)
Responsibilities to Employees	• Improving physical and mental checkup items and implementation of preventive measures (restricts working hours, etc.) based on their results	• Gave interviews with industrial medical advisors after checkups and restricted working hours	○	• Measures for reducing metabolic syndrome cases (special health maintenance guidance, in-house plans)
	• Implementation of no-smoking programs (smoking cessation support)	• 46 employees quit smoking as a result of no-smoking/smoking-cessation promotion (Smoking rate decreased from 33% to 30%)		• Continuing no-smoking programs (Target smoking rate=28%)
	• Implementation of management training programs on safety assurance obligations	• Conducted as part of training for new managers		• Strengthening cooperation in safety and health matters with group companies and improving management levels
	• Drawing up a Basic Policy on Human Resource Development	• Collated existing related policies and re-declared a human resource development policy to group companies		• Continual improvement of the personnel system
Responsibilities to International and Local Communities	• Providing environmentally conscious and resource-saving products, and products and services useful for improving medical care, health care and life in general (Continued)	• Provided products that would help address social issues (global warming, population aging, resource depletion)	○	• Continued
	• International volunteer assistance	• Conducted as planned		• Continued
	• Assisting of medical and academic institutes (product donation and sponsor seminars) (Continued)	• Conducted as planned		• Continued
Enforcing Environment Management System	• Increasing the number of companies to be audited Environmental auditing: 10 group companies	• Increased the number of companies to be audited Environmental auditing: 11 group companies	○	• Continuing environmental auditing Environmental auditing: 11 companies Integrating and extending ISO certification
Providing Environmentally Conscious Products and Services	• Providing environmentally conscious products Over 60% of sales	• Provided environmentally conscious products Over 64% of sales	○	• Providing environmentally conscious products Over 64% of sales
Establishing Environmentally Conscience Business Processes	• Implementation of measures against global warming (Reduction in CO <sub>2</sub> emissions) Total emissions relative to 1990 (per unit of sales): 25% reduction (less than 9.06)	• Implemented measures against global warming (Reduction in CO <sub>2</sub> emissions) Total emissions relative to 1990 (per unit of sales): 19.5% reduction (9.73)	△	• Implementation of measures against global warming (Reduction in CO <sub>2</sub> emissions) 5.5% reduction from the previous year (to comply with Tokyo metropolitan ordinance)
	• “Effective use of resources Total waste volume relative to 2000 (per unit of sales): 20% reduction (less than 1.108)”	• Effective use of resources Total waste volume relative to 2000 (per unit of sales): 33% reduction (0.852)		• Effective use of resources Continuing zero-emission efforts (Less than the previous year)
	• Management of chemical substances Use of organic solvents: 72.5% reduction (less than 3,275 kg)	• Management of chemical substances Use of organic solvents: 75.6% reduction (2,910 kg)		• Management of chemical substances “Strengthening central management (Using less chemical substances than the previous year)”
Promoting Environmental Communication	• Strengthening of cooperation with administration and local residents	• Strengthened cooperation with administration and local residents Assisted with public projects and cooperated with civic groups	○	• Strengthening of cooperation with administration and local residents
Responsibilities to Stockholders and Investors	• Providing information to stockholders and investors • Maintaining external evaluations and increasing analyst coverage	• Improved Web content • Increased analyst coverage by two firms	○	• Providing information to stockholders and investors • Maintaining external evaluations and increasing analyst coverage
Communication	• Issuing Topcon Group CSR Report (Continued)	• Issued Topcon Group CSR Report	○	• Issuing Topcon Group CSR Report (Continued)
	• Issuing group media of CSR (CSR INFO-LINK) (Continued)	• Continued publications		• Issuing group media of CSR (CSR INFO-LINK) (Continued)
	• Participating in the GC-JN working group (CSR Report, etc.)	• Participated in the GC-JN working group CSR Report, in-house GC awareness-raising working group, etc.		• Participating in the GC-JN working group (CSR Report, etc.)
	• Posting corporate information on the website in a timely fashion	• Posted corporate information in a timely fashion		• Posting corporate information on the website in a timely fashion
	• Social contribution activities in collaboration with NPOs	• Cooperated with NPOs specialized in social contributions and labor issues		• Social contribution activities in collaboration with NPOs

\*Legend in the “Self-Assessment” column: ○ 100% met △ Partly not met, or there is room for improvement.

■For more detailed information on the Group’s CSR activities, please refer to the Topcon Group CSR Report. <http://global.topcon.com/csr/>



## DIRECTORS, CORPORATE AUDITORS AND EXECUTIVE OFFICERS



Shinji Iwasaki

Satoshi Hirano

Hiroshi Fukuzawa

Norio Uchida

Takayuki Ogawa

Hiroshi Koizumi

### DIRECTORS

*President*

**Norio Uchida**

*Director, Senior Managing Executive Officer*

**Hiroshi Fukuzawa**

*Director, Managing Executive Officer*

**Takayuki Ogawa**

*Directors, Executive Officers*

**Satoshi Hirano**

**Hiroshi Koizumi**

**Shinji Iwasaki**

### CORPORATE AUDITORS

*Full-time Auditors*

**Mamoru Takahashi**

**Ikuo Kobayashi**

*External Auditors*

**Chikahiro Yokota**

**Tatsuya Kuroyanagi**

### EXECUTIVE OFFICERS

*Managing Executive Officer*

**Raymond O'Connor**

*Executive Officers*

**Shuji Ichimaru**

**Makoto Iwasaki**

**Masayuki Momiuchi**

**Zou Xi Guang**

**Shigeyuki Sawaguchi**

**Haruhiko Kobayashi**

**Kanji Ikegaya**

**Hiroyuki Nakamura**

**Yasufumi Fukuma**

## GLOSSARY

### THE POSITIONING BUSINESS

#### Total Station

A total station is an instrument that measures angles and distances with extremely high precision. The accuracy of its resolution is at the 1 arc-second level in terms of angles (1 arc-second=1/1,296,000 degree). A total station has the capacity to measure at a distance of several kilometers with accuracy of approximately 2mm. Although high-precision measuring requires the use of prismatic targets, many newer total stations can measure objects directly without a prism. Additionally, high-end total stations can automatically sense and track a moving prism while transmitting measurement information to a remote user. These instruments are called robotic total stations. The latest innovation is the addition of digital imaging and scanning capabilities to allow recording of spatial data for future measuring and other purposes.



Robotic Total Station  
QS

Imaging Station  
IS

#### 3D Measurement

Our 3D measurement technology can calculate the 3D position of an object in a single measurement, unlike traditional methods in which horizontal and vertical measurements are conducted separately. Compared with surface information obtained by connecting points, much higher-density 3D surfaces can be captured by employing a 3D laser scanner capable of acquiring a large volume of points combined with image measurement technology. Creating a real 3D model helps provide various advantages such as allowing users to not only see images clearly but also to view any given cross-sectional profile and improve the accuracy of volume calculations.



3D Laser Scanner  
GLS-1500

### THE EYE CARE BUSINESS

#### Mydriasis/Non-Mydriasis

Mydriasis is a condition in which the pupils are dilated (open). In order to sufficiently diagnose the fundus (the back of the eye), mydriatic drops are used to enlarge the pupils because the larger they are, the easier it is to examine all parts of the fundus. In contrast, non-mydriasis is a condition where it is not necessary to dilate pupils with mydriatic drops.

#### Retinal Camera

A retinal camera is an instrument for photographing and recording images from the back of the eye (the fundus), such as the retina. The ocular fundus is the only part of the body where the microcirculation can be observed directly and therefore helps in the detection of not only ophthalmic diseases but also internal diseases, such as changes in microcirculation stemming from high blood pressure and atherosclerosis, and retinopathy, a complication of diabetes. Furthermore, there are two types of retinal cameras: mydriatic and non-mydriatic cameras. The mydriatic camera can photograph even the surrounding areas clearly owing to the use of mydriatic drops. In contrast, a flash must be used when capturing images with a non-mydriatic camera. Compared with mydriatic retinal cameras, non-mydriatic cameras require less time for examination and photographing of the fundus, and put a lighter burden on the patient, and for these reasons are used by physicians and during medical check-ups.



Mydriatic Retinal Camera  
TRC-50DX



Non-Mydriatic Retinal Camera  
TRC-NW300

#### 3D OCT (Optical Coherence Tomography)

The 3D OCT is a diagnostic instrument that combines a retinal camera with Optical Coherence Tomography (OCT), which produces a 3D image of an object based on information from reflected light, employing infrared light. This instrument provides 3D cross-sectional images of retinal and other layers as well as fundus photography. The 3D OCT enables the early detection and diagnosis of three major ophthalmic diseases, namely "age-related macular degeneration," "diabetic retinopathy" and "glaucoma," which are increasing in industrialized countries.

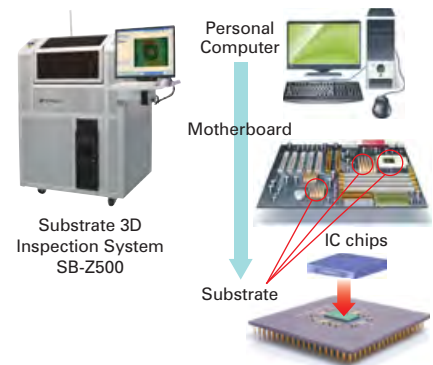


3D OCT-2000

### THE FINETECH BUSINESS

#### Substrate

A substrate refers to the semiconductor package substrate that serves as the base for semiconductor chips. In the printed-wiring substrate field as a whole, there is a growing demand toward miniaturization of wiring patterns and substrates in tandem with efforts to downsize and generate high-function and high-performance electronic products. The Topcon substrate 3D inspection system enables high-precision inspection of the height and positioning of substrate bumps (bump electrodes with a diameter of roughly a couple dozen to a few hundred microns for outward connections) in submicron units and 100% inspection with high-speed scanning.



#### FPD (Flat Panel Display)

FPD is a flat panel display, and it refers to liquid crystal, plasma, organic electro-luminescence, field emission and other displays. It has replaced conventional cathode-ray tubes. Topcon manufactures proximity aligners (the TME series) for LCDs and the optical measurement instruments that are essential for evaluating display image quality (color and brightness).



Proximity Aligner  
TME series



Spectroradiometer  
SR-LEDW

\* Please refer to "Topcon's Technological Prowess" (pages 18–19) regarding explanations of the terms "GPS (GNSS)," "precision agriculture" and "mobile measurement."

# FINANCIAL SECTION

<b>Contents</b>	Consolidated Ten-year Summary	Fiscal 2010 Management's Discussion and Analysis	Consolidated Balance Sheets
	36	38	42
Consolidated Statements of Income	Consolidated Statements of Comprehensive Income	Consolidated Statements of Changes in Net Assets	Consolidated Statements of Cash Flows
44	45	45	46

## CONSOLIDATED TEN-YEAR SUMMARY

Topcon Corporation and Consolidated Subsidiaries

	2002/3	2003/3	2004/3	2005/3	
<b>Operating results</b>					
Net Sales	¥ 69,526	¥ 67,406	¥ 71,480	¥ 96,631	
Positioning Business	31,070	28,226	30,518	36,652	
Eye Care Business	23,132	23,958	24,365	26,145	
Finetech Business	15,324	15,221	16,596	33,832	
Overseas	45,636	43,607	46,589	66,895	
Cost of sales	44,427	41,573	44,272	63,514	
Gross profit	25,099	25,833	27,207	33,116	
Selling, general and administrative expenses	22,975	23,100	23,040	25,967	
Operating income (loss)	2,123	2,732	4,167	7,149	
Ordinary income (loss)	417	1,196	3,184	6,267	
Net income (loss)	(3,505)	556	2,303	4,278	
Capital expenditures	3,552	2,761	3,290	3,402	
Depreciation and amortization	2,893	2,528	2,487	2,619	
R&D expenditures	4,273	5,173	5,356	5,956	
Free cash flows	2,602	7,236	3,096	4,357	
Net cash provided by (used in) operating activities	5,513	8,899	6,090	7,809	
Net cash provided by (used in) investing activities	(2,911)	(1,663)	(2,994)	(3,452)	
Net cash provided by (used in) financing activities	(3,971)	(3,964)	(9,122)	1,352	
<b>Financial position</b>					
Shareholders' equity	¥ 30,642	¥ 30,137	¥ 31,077	¥ 35,413	
Total assets	87,444	80,258	74,704	83,758	
Interest-bearing liabilities	33,922	29,809	19,998	18,927	
<b>Per share data (¥, \$)</b>					
Stock price (end of term)	¥ 151	¥ 143	¥ 632	¥ 930	
Earnings per share (EPS)	(37.82)	6.03	25.01	48.03	
Net assets per share (BPS)	330.62	329.08	348.93	396.09	
<b>Management indicators</b>					
Operating income ratio (%)	3.1	4.1	5.8	7.4	
Net income ratio (%)	(5.0)	0.8	3.2	4.4	
Ratio of R&D expenditures to net sales (%)	6.1	7.7	7.5	6.2	
Overseas net sales ratio (%)	65.7	64.7	65.2	69.2	
Return on assets (ROA) (%)	3.8	0.7	3.0	5.4	
Return on equity (ROE) (%)	(11.0)	1.8	7.5	12.9	
Price earnings ratio (PER) (times)	—	23.7	25.3	19.4	
Price book-value ratio (PBR) (times)	0.5	0.4	1.8	2.3	
Equity ratio (%)	35.0	37.6	41.6	42.3	
Total assets turnover ratio (times/year)	0.76	0.80	0.92	1.22	
D/E ratio (%)	110.7	98.8	64.4	53.4	
Dividend payout ratio (%)	—	24.9	10.0	10.4	
Fixed assets turnover ratio (times/year)	2.55	2.64	2.99	3.98	
Inventory turnover ratio (times/year)	3.50	4.00	4.84	6.61	
Current ratio (%)	146.5	138.8	181.0	187.4	
Interest coverage ratio (times)	3.3	7.7	8.2	10.9	

Notes: 1. For the sake of convenience, the US\$ is converted at a rate of ¥83.15/US\$ as of March 31, 2011.

2. On April 1, 2006, shares were split into 2 shares per 1 common share and the per share data prior to 2005 has been modified, incorporating the values after the split.

Millions of yen						Thousands of U.S. dollars
	2006/3	2007/3	2008/3	2009/3	2010/3	2011/3
	¥ 102,799	¥ 110,490	¥ 110,818	¥ 112,666	¥ 94,862	¥ 102,470
	47,804	53,631	50,928	58,031	49,350	51,559
	31,864	38,464	39,828	33,503	31,561	30,946
	23,129	18,394	20,061	21,131	13,950	19,964
	72,262	80,575	81,027	83,684	69,138	74,210
	58,915	59,650	61,948	73,661	54,636	61,408
	43,883	50,839	48,869	39,004	40,226	41,061
	30,818	35,563	37,894	45,949	38,821	39,261
	13,065	15,276	10,975	(6,944)	1,405	1,799
	11,503	14,233	9,205	(9,326)	545	608
	6,781	8,549	7,736	(9,992)	133	(1,288)
	2,753	3,012	2,893	2,620	2,109	4,499
	3,081	3,287	3,746	6,448	6,378	5,286
	7,713	9,424	10,178	11,589	9,609	10,275
	2,431	1,019	(16,185)	(6,991)	1,112	(7,903)
	6,869	6,708	6,904	(1,267)	3,755	(934)
	(4,437)	(5,689)	(23,090)	(5,724)	(2,643)	(6,969)
	(8,276)	(1,123)	23,761	5,667	1,468	4,761
	¥ 47,780	¥ 54,689	¥ 56,082	¥ 39,801	¥ 40,490	¥ 36,908
	89,379	99,859	139,362	119,702	125,539	124,816
	12,350	14,068	43,329	49,706	51,501	55,300
	¥ 2,200	¥ 1,800	¥ 785	¥ 382	¥ 517	¥ 440
	73.44	92.30	83.52	(107.89)	1.44	(13.91)
	515.85	590.45	605.49	429.72	437.17	398.50
	12.7	13.8	9.9	(6.2)	1.5	1.8
	6.6	7.7	7.0	(8.9)	0.1	(1.3)
	7.5	8.5	9.2	10.3	10.1	10.0
	70.3	72.9	73.1	74.3	72.9	72.4
	7.8	9.0	6.5	7.7	0.1	(1.0)
	16.3	16.7	14.0	(20.8)	0.3	(3.3)
	30.0	19.5	9.4	—	358.0	—
	4.3	3.0	1.3	0.9	1.2	1.1
	53.5	54.8	40.2	33.2	32.3	29.6
	1.19	1.17	0.93	0.87	0.77	0.82
	25.8	25.7	77.3	124.9	127.2	149.8
	20.4	21.7	19.2	—	277.0	—
	3.76	3.58	2.71	2.38	2.18	2.39
	6.70	6.13	4.78	4.63	4.19	4.28
	205.1	181.7	146.0	197.4	177.4	157.1
	8.5	9.7	6.3	—	2.9	—



## FISCAL 2010 MANAGEMENT'S DISCUSSION AND ANALYSIS

### MARKET ENVIRONMENT

The economic environment in fiscal 2010, ended March 31, 2011, included an improvement in United States business conditions, from extremely severe conditions into a recovery mode, while the harsh business conditions persisted in Europe. At the same time, although conditions varied for each country, China and other emerging economies generally showed an expansionary trend. In Japan, corporate earnings and business conditions were beginning to show signs of recovery until the outlook turned unpredictable following the Great East Japan Earthquake.

Despite these economic conditions, the Topcon Group views the current period of change as a golden opportunity for leveraging the Group's comprehensive strengths and making a new start toward "profitable and sustainable growth." With this as our goal, we have been advancing reforms to create a corporate structure and a corporate culture that can serve as the foundation for implementing our growth strategies.

### CONSOLIDATED RESULTS

In fiscal 2010, net sales were strong in the United States, particularly in the Positioning Business, as well as in Japan and China, notably for the Finetech Business, although the exchange rate had a stronger negative impact on net sales than in the previous fiscal year. The result was a 8.0% year-on-year increase in net sales, to ¥102,470 million.

Although earnings were affected by the strong yen as well as increased spending to strengthen our development capabilities and fortify our sales network, the increase in net sales generated a 28.1% year-on-year rise in operating income, to ¥1,799 million, and an 11.7% year-on-year increase in ordinary income, to ¥608 million.

The Company posted a net loss of ¥1,288 million, due in part to a loss recorded from the liquidation of subsidiaries and affiliates.

### SEGMENT INFORMATION

In the Positioning Business, net sales rose 4.5% year on year, to ¥51,559 million, as the growth in demand in the U.S. market more than offset the impact of the strong yen. The improved earnings accompanying the rise in net sales boosted operating income to ¥130 million, an increase of ¥123 million over the previous fiscal year.

In the Eye Care Business, net sales fell 1.9% year on year, to ¥30,946 million, largely due to the impact of the strong yen. The business secured operating income of ¥307 million for the year, but the decrease in net sales, increased development expenses, and other factors resulted in a ¥1,656 million decline in operating income from the previous fiscal year.

In the Finetech Business, net sales grew 43.1% year on year, to ¥19,964 million, supported by substantial increases in sales of projectors, proximity aligners, and chip defect inspection systems. The sharp rise in net sales resulted in operating income of ¥1,362 million, an increase of ¥1,927 million from the previous fiscal year.

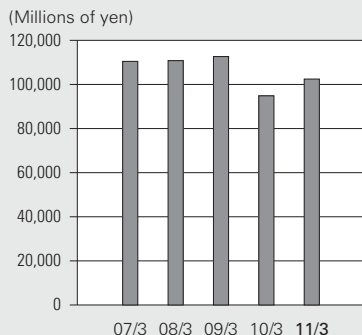
### FINANCIAL POSITION

#### Assets

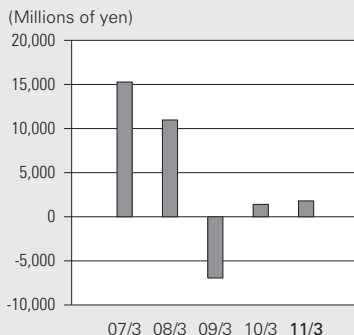
As of March 31, 2011, total assets stood at ¥124,816 million, a decline of ¥723 million from a year earlier.

1. Current assets: Current assets amounted to ¥81,571 million, a decline of ¥1,576 million from the previous fiscal year-end, due primarily to a decrease in cash and deposits associated with the purchase of business assets.

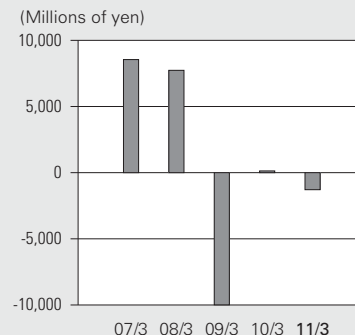
NET SALES



OPERATING INCOME



NET INCOME



2. Noncurrent assets: Noncurrent assets amounted to ¥43,245 million, an increase of ¥853 million from the previous fiscal year-end, due mainly to a rise in intangible assets accompanying the purchase of business assets.

### Liabilities

As of March 31, 2011, total liabilities amounted to ¥87,577 million, an increase of ¥3,727 million from a year earlier.

1. Current liabilities: Current liabilities amounted to ¥51,910 million, up ¥5,040 million from the previous fiscal year-end, due primarily to an increase in short-term loans payable.
2. Noncurrent liabilities: Noncurrent liabilities amounted to ¥35,667 million, down ¥1,313 million from the end of the previous fiscal year due mainly to a decrease in long-term loans payable following reclassification because their due dates had fallen within one year.

### Net Assets

As of March 31, 2011, total net assets amounted to ¥37,238 million, a decline of ¥4,450 million, due primarily to the decline in foreign currency translation adjustment from the stronger yen and the decrease in retained earnings arising from the net loss for the fiscal year under review.

### Cash Flows

Cash and cash equivalents (hereafter referred to as "net cash") at the fiscal year-end stood at ¥13,770 million, a decrease of ¥3,439 million from the end of the previous fiscal year. The decline was primarily due to a decrease in net cash resulting from payments for the transfer of business,

which exceeded factors increasing net cash, such as increases in long-term loans payable and proceeds from the transfer of business.

### Net Cash Provided by (Used in) Operating Activities

Net cash used in operating activities amounted to ¥934 million, compared to ¥3,755 million provided by operating activities in the previous fiscal year. While cash increased due to proceeds from a ¥12 million loss before income taxes and minority interests after addition of the adjustment for depreciation and amortization of ¥5,286 million, this increase was more than offset by a number of cash decreasing factors including a ¥3,741 million increase in inventories, a ¥1,973 million increase in notes and accounts receivable-trade, and a ¥420 million decrease in accrued expenses.

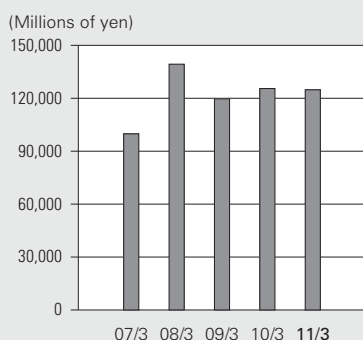
### Net Cash Provided by (Used in) Investing Activities

Net cash used in investing activities totaled ¥6,969 million, compared to ¥2,643 million used in investing activities in the previous fiscal year. The primary factor was ¥5,141 million in payments for the transfer of business.

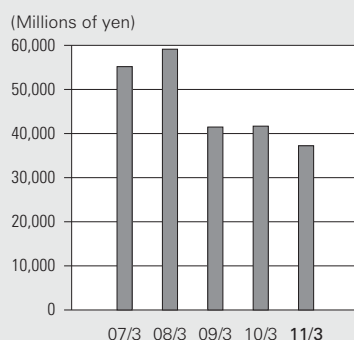
### Net Cash Provided by (Used in) Financing Activities

Net cash provided by financing activities amounted to ¥4,761 million, compared to net cash of ¥1,468 million provided by financing activities in the previous fiscal year. While cash declined due to a ¥13,615 million repayment of long-term loans payable, this significant increase was attributable to an increase in long-term loans payable totaling ¥15,000 million and a ¥4,109 million net increase in short-term loans payable.

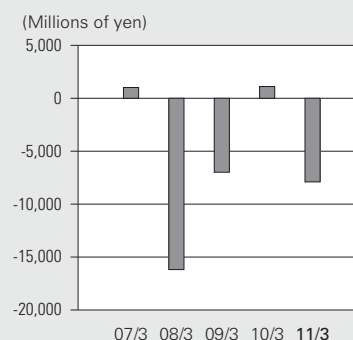
**TOTAL ASSETS**



**NET ASSETS**



**FREE CASH FLOWS**



### Capital Expenditures

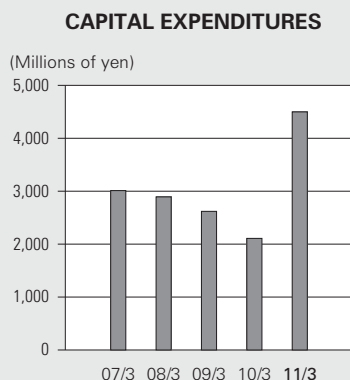
Total capital expenditures for the Topcon Group amounted to ¥4,499 million in fiscal 2010. By business segment, capital expenditures for the Positioning Business was ¥2,112 million, for the Eye Care Business, ¥1,662 million, and for the Finetech Business, ¥725 million. Expenditures objectives were primarily to introduce ERP, advance research and development, enhance production systems, improve operating efficiency, and renew molds and other items.

### Dividend Policy

We place priority on dividend payments to return profit to shareholders. Our basic policy regarding the distribution of profits to shareholders is to steadily increase the dividend payment amount in line with the growth in consolidated earnings.

Regarding dividend payments, we make payments twice yearly, in principle, as an interim dividend and year-end dividend. Our Articles of Incorporation allow for the payment of dividends by resolution of the Board of Directors, without requiring the resolution of the General Meeting of Shareholders, and provide for a record date for the year-end dividend of March 31 and for the interim dividend of September 30 each year, as well as allowing for the payment of dividends with the record date to be determined.

In fiscal 2010, management decided to maintain a consistent dividend payment level despite the low level of consolidated earnings and distributed an interim dividend payment of ¥2 per share (compared with the ¥2 per share interim dividend payment in fiscal 2009) and year-end dividend payment of ¥2 per share (compared with the ¥2 per share year-end dividend payment in fiscal 2009) for a full-year dividend of ¥4 per share (compared with a full-year dividend payment of ¥4 per share in fiscal 2009).



### BUSINESS RISKS

Business risks related to business conditions, financial status, and other factors that may potentially have significant influence on investor decisions include the following.

#### 1. Economic Conditions Affecting Product Demand

The Topcon Group conducts business in three segments: the Positioning Business, the Eye Care Business, and the Finetech Business. Demand for the Group's products is influenced by the trends in each of the markets in which the segments conduct business (the construction, ophthalmic, and semiconductor markets, etc.). A significant fluctuation in one or more of these markets may thus impact the business results and financial position of the Group.

The Group maintains a high ratio of overseas sales, selling products in Japan as well as around the world, including the United States, Europe, China and other Asian countries. Therefore, economic conditions in these countries may also impact the business results and financial position of the Group.

#### 2. Overseas Business Development

The Group conducts a wide range of business activities overseas, including exporting products and undertaking local production at overseas sites. Accordingly, a deterioration in overseas political or economic conditions, foreign trade or foreign currency restrictions, revisions to laws and regulations or taxation systems, worsening public security, or the occurrence of terrorist actions, war, or natural disasters may obstruct business activities overseas and impact the business results and financial position of the Group.

#### 3. Intensifying Competition (Price and Non-price Competition)

Competitors supplying products that are similar to the Group's products are present in each business segment. The Group strives to achieve early introduction of new products to the market, develop new technologies, reduce costs, and other activities to create a competitive advantage for the Group. However, delayed development of new products, protracted development of new technologies, sharp rises in raw material costs, and other factors may weaken the Group's growth potential or profitability, and thus may impact the business results and financial position of the Group.

#### **4. Fluctuations in Interest Rates, Foreign Exchange Rates, or Other Conditions in Financial Markets**

The Group maintains a high ratio of overseas sales in its total consolidated sales. Since this presents exposure to foreign exchange rate fluctuation risk, the Group uses forward exchange contracts to maintain an appropriate level of foreign exchange hedging within the scope of actual demand. Despite these precautions, severe fluctuations in foreign exchange markets may impact the business results and financial position of the Group. The Group also borrows funds from financial institutions, which presents exposure to interest rate fluctuation risk. Changes in financial market conditions could lead to sharp rises in interest rates. Such fluctuations could raise the level of the Group's interest rate payments, which may impact the business results and financial position of the Group.

#### **5. Fund Procurement**

The Group procures the necessary funds by taking out loans from financial institutions. Deteriorating conditions in the financial markets or in the Group's operating performance could prevent the Group from continuing existing loans or taking out new loans. Such conditions may impact the financial status and operating performance of the Group.

The Group also enters into syndicated loan contracts with financial institutions that require the Group to commit to a financial covenant\*. In the event that the Group should fail to meet any conditions of the covenant and fail to obtain agreement from a significant number of lenders that they will not exercise the right of forfeiture of the benefit of time, then the Group would forfeit the benefit of time with respect to all of the obligations associated with the syndicated loan contracts. Such an event may impact the business results and financial position of the Group.

\* Syndicated loan financial covenants (summary)

1. At the end of each fiscal year, the net asset amount minus the foreign currency translation adjustment recorded in the consolidated balance sheets must be higher than 75% of the net asset amounts recorded in the consolidated balance sheets for fiscal year 2009.
2. At the end of each fiscal year, the consolidated statements of income must not show an operating loss for two consecutive terms.

#### **6. New Business Strategies**

The Group diligently considers initiatives for new businesses for the future growth of the Group. However, new businesses necessarily present various uncertainties. Failing to develop such businesses according to plan may impact the business results and financial position of the Group.

#### **7. Procurement of Materials and Other Items**

The manufacturing activities of the Group in some cases require the use of special materials for which suppliers are very limited, or for which it would be difficult to change suppliers. Delays or disruptions in supply of such materials could lead to a rise in purchase costs and production delays, which may impact the business results and financial position of the Group.

#### **8. Product Quality Issues**

The Group puts every effort into quality control to maintain an optimal quality according to the features of its products. However, it is virtually impossible to eliminate the possibility that unforeseen conditions could cause quality issues that result in a product recall, litigation, or other action. Such an event may impact the business results and financial position of the Group.

#### **9. Intellectual Property Rights**

The Group utilizes a wide range of intellectual property rights in its research and recognizes these rights are the property of the Group or are being used under a legal licensing agreement. However, the possibility exists that a third party may file an infringement litigation concerning intellectual property rights against the Group. In the event a dispute over intellectual property rights occurs, it may impact the business results and financial position of the Group.

#### **10. Laws and Regulations**

Some of the products that the Group manufactures for the Eye Care Business are medical devices subject to the Pharmaceuticals Affairs Act in Japan and laws and regulations concerning medical devices in the various countries in which the Group conducts business. Changes in regulations may impact the business results and financial position of the Group.

#### **11. Natural Disasters and Accidents**

Unforeseen natural disasters or man-made disasters, including earthquakes, acts of terrorism, wars, and epidemics that occur in regions where the Group conducts business, can cause human casualty, property damage, suspension of business activities to the Group. Such an event may impact the business results and financial position of the Group.

## CONSOLIDATED BALANCE SHEETS

Topcon Corporation and Consolidated Subsidiaries  
As of March 31, 2010 and 2011

	Millions of yen		Thousands of U.S. dollars
	2010/3	2011/3	2011/3
<b>Assets</b>			
<b>Current assets</b>			
Cash and deposits	¥ 17,373	¥ 13,927	\$ 167,498
Notes and accounts receivable-trade	36,034	35,542	427,449
Merchandise and finished goods	14,029	12,759	153,456
Work in process	4,372	7,187	86,441
Raw materials and supplies	4,364	5,198	62,520
Deferred tax assets	4,073	4,519	54,351
Other	4,371	3,823	45,984
Allowance for doubtful accounts	(1,471)	(1,387)	(16,689)
<b>Total current assets</b>	83,147	81,571	981,013
<b>Noncurrent assets</b>			
Property, plant and equipment			
Building and structures, net	6,118	5,516	66,348
Machinery, equipment and vehicles, net	3,402	2,741	32,967
Land	3,309	2,957	35,565
Construction in progress	464	185	2,232
Other	2,247	2,053	24,701
Total property, plant and equipment	15,542	13,455	161,816
Intangible assets			
Goodwill	13,140	11,261	135,441
Other	2,335	5,934	71,369
Total intangible assets	15,475	17,196	206,811
Investments and other assets			
Investment securities	5,107	4,686	56,366
Long-term loans receivable	487	1,452	17,470
Deferred tax assets	4,093	3,836	46,142
Other	1,885	2,745	33,013
Allowance for doubtful accounts	(200)	(127)	(1,535)
Total investments and other assets	11,373	12,593	151,458
<b>Total noncurrent assets</b>	42,391	43,245	520,085
<b>Total assets</b>	¥ 125,539	¥ 124,816	\$ 1,501,099

Note: We prepare and present our consolidated financial statements based on the Japanese yen. In addition, we indicate U.S. dollar amounts based on an exchange rate of ¥83.15/US\$ as of March 31, 2011 for our readers' convenience. It should be added that this conversion rate does not indicate that the yen-denominated figures presented in these consolidated financial statements can be converted at the same rate.



	Millions of yen		Thousands of U.S. dollars
	2010/3	2011/3	2011/3
<b>Liabilities</b>			
<b>Current liabilities</b>			
Notes and accounts payable-trade	¥ 13,614	¥ 13,536	\$ 162,796
Short-term loans payable	22,869	28,223	339,423
Accrued expenses	5,834	5,283	63,543
Income taxes payable	1,227	1,194	14,371
Provision for product warranties	759	708	8,522
Other	2,563	2,963	35,638
<b>Total current liabilities</b>	46,869	51,910	624,295
<b>Noncurrent liabilities</b>			
Long-term loans payable	28,632	27,077	325,646
Deferred tax liabilities	584	353	4,250
Provision for retirement benefits	7,063	6,937	83,434
Provision for directors' retirement benefits	57	59	717
Other	643	1,239	14,907
<b>Total noncurrent liabilities</b>	36,980	35,667	428,955
<b>Total liabilities</b>	83,850	87,577	1,053,251
<b>Net assets</b>			
<b>Shareholders' equity</b>			
Capital stock	10,297	10,297	123,848
Capital surplus	14,711	14,711	176,923
Retained earnings	18,461	16,799	202,034
Treasury stock	(56)	(56)	(682)
<b>Total shareholders' equity</b>	43,414	41,751	502,124
<b>Accumulated other comprehensive income</b>			
Valuation difference on available-for-sale securities	289	(299)	(3,603)
Deferred gains or losses on hedges	(5)	2	31
Foreign currency translation adjustment	(3,207)	(4,545)	(54,672)
<b>Total accumulated other comprehensive income</b>	(2,923)	(4,843)	(58,244)
<b>Minority interests</b>	1,198	329	3,967
<b>Total net assets</b>	41,689	37,238	447,847
<b>Total liabilities and net assets</b>	¥ 125,539	¥ 124,816	\$ 1,501,099

## CONSOLIDATED STATEMENTS OF INCOME

Topcon Corporation and Consolidated Subsidiaries  
For the fiscal years ended March 31, 2010 and 2011

	Millions of yen		Thousands of U.S. dollars
	2010/3	2011/3	2011/3
Net sales	¥ 94,862	¥ 102,470	\$ 1,232,358
Cost of sales	54,636	61,408	738,531
Gross Profit	40,226	41,061	493,827
Selling, general & administrative expenses	38,821	39,261	472,180
Operating Income	1,405	1,799	21,646
Non-operating income			
Interest income	70	68	826
Dividends income	194	54	651
Equity in earning of affiliates	—	59	710
Other	647	628	7,559
Total non-operating income	911	810	9,748
Non-operating expenses			
Interest expenses	1,308	1,207	14,522
Equity in losses of affiliates	122	—	—
Foreign exchange losses	16	431	5,194
Other	324	362	4,356
Total non-operating expenses	1,771	2,001	24,073
Ordinary income	545	608	7,320
Extraordinary income			
Gain on sales of land	1,327	—	—
Reversal of allowance for doubtful accounts	783	—	—
Total extraordinary income	2,111	—	—
Extraordinary loss			
Loss on transfer of business	—	281	3,386
Loss on liquidation of subsidiaries and affiliates	496	198	2,383
Loss on sales of investment securities	—	69	838
Loss on valuation of investment securities	53	43	527
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	28	338
Loss on disposal of building	53	—	—
Total extraordinary losses	603	621	7,473
Income (loss) before income taxes and minority interests	2,053	(12)	(152)
Income taxes-current	770	1,013	12,185
Income taxes-deferred	1,227	96	1,159
Total income taxes	1,997	1,109	13,345
Loss before minority interests	—	(1,122)	(13,498)
Minority interests in income (loss)	(78)	166	2,000
Net income (loss)	¥ 133	¥ (1,288)	\$ (15,499)

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Topcon Corporation and Consolidated Subsidiaries  
For the fiscal years ended March 31, 2010 and 2011

	Millions of yen		Thousands of U.S. dollars
	2010/3	2011/3	2011/3
Income (loss) before minority interests	¥ —	¥ (1,122)	\$ (13,498)
Other comprehensive income			
Valuation difference on available-for-sales securities	—	(589)	(7,090)
Deferred gains or losses on hedges	—	8	102
Foreign currency translation adjustments	—	(1,117)	(13,443)
Comprehensive income of affiliates accounted for by the equity method attributable to the Company	—	0	4
Total other comprehensive income	—	(1,698)	(20,427)
Comprehensive income	—	(2,820)	(33,925)
Comprehensive income attributable to:			
Shareholders of the Company	—	(3,207)	(38,580)
Minority shareholders	—	387	4,654

## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Topcon Corporation and Consolidated Subsidiaries  
For the fiscal years ended March 31, 2010 and 2011

	Millions of yen										
	Shareholders' equity					Accumulated other comprehensive income				Minority interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at March 31, 2009	¥ 10,297	¥ 14,711	¥ 18,717	¥ (55)	¥ 43,671	¥ 2	¥ (58)	¥ (3,814)	¥ (3,870)	¥ 1,686	¥ 41,487
Changes of items during the period											
Dividends from surplus			(370)		(370)						(370)
Net income			133		133						133
Purchase of treasury stock				(0)	(0)						(0)
Other			(19)		(19)						(19)
Net change of items other than shareholders' equity						287	52	606	946	(487)	458
Total changes of items during the period	—	—	(256)	(0)	(256)	287	52	606	946	(487)	201
Balance at March 31, 2010	¥ 10,297	¥ 14,711	¥ 18,461	¥ (56)	¥ 43,414	¥ 289	¥ (5)	¥ (3,207)	¥ (2,923)	¥ 1,198	¥ 41,689
Changes of items during the period											
Dividends from surplus			(370)		(370)						(370)
Net loss			(1,288)		(1,288)						(1,288)
Purchase of treasury stock				(0)	(0)						(0)
Other			(3)		(3)						(3)
Net change of items other than shareholders' equity						(589)	8	(1,338)	(1,919)	(868)	(2,787)
Total changes of items during the period	—	—	(1,662)	(0)	(1,662)	(589)	8	(1,338)	(1,919)	(868)	(4,450)
Balance at March 31, 2011	¥ 10,297	¥ 14,711	¥ 16,799	¥ (56)	¥ 41,751	¥ (299)	¥ 2	¥ (4,545)	¥ (4,843)	¥ 329	¥ 37,238

Thousands of U.S. dollars											
	Shareholders' equity					Accumulated other comprehensive income				Minority interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at March 31, 2010	\$ 123,848	\$ 176,923	\$ 222,026	\$(679)	\$ 522,119	\$ 3,486	\$(70)	\$(38,579)	\$(35,163)	\$ 14,415	\$ 501,371
Changes of items during the period											
Dividends from surplus			(4,455)		(4,455)						(4,455)
Net income			(15,499)		(15,499)						(15,499)
Purchase of treasury stock				(2)	(2)						(2)
Other			(37)		(37)						(37)
Net change of items other than shareholders' equity						(7,090)	102	(16,092)	(23,080)	(10,448)	(33,529)
Total changes of items during the period	—	—	(19,991)	(2)	(19,994)	(7,090)	102	(16,092)	(23,080)	(10,448)	(53,523)
Balance at March 31, 2011	\$ 123,848	\$ 176,923	\$ 202,034	\$(682)	\$ 502,124	\$(3,603)	\$ 31	\$(54,672)	\$(58,244)	\$ 3,967	\$ 447,847

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Topcon Corporation and Consolidated Subsidiaries  
For the fiscal years ended March 31, 2010 and 2011

	Millions of yen		Thousands of U.S. dollars
	2010/3	2011/3	2011/3
<b>Net cash provided by (used in) operating activities</b>			
Income (loss) before income taxes and minority interests	¥ 2,053	¥ (12)	\$ (152)
Depreciation and amortization	6,378	5,286	63,581
Increase (decrease) in allowance for doubtful accounts	(960)	(54)	(649)
Interest and dividends income	(258)	(122)	(1,475)
Interest expenses	1,307	1,207	14,522
Loss on retirement of property, plant and equipment	403	173	2,086
Loss (gain) on sales of property, plant and equipment	(1,302)	(32)	(389)
Loss (gain) on valuation of investment securities	53	44	533
Loss (gain) on sales of investment securities	2	20	250
Equity in (earnings) losses of affiliates	122	(59)	(710)
Increase (decrease) in provision for retirement benefits	(574)	(125)	(1,510)
Decrease (increase) in notes and accounts receivable-trade	(7,625)	(1,973)	(23,739)
Decrease (increase) in inventories	(598)	(3,741)	(44,992)
Decrease (increase) in prepaid expenses	(463)	(135)	(1,623)
Increase (decrease) in notes and accounts payable-trade	4,163	1,769	21,281
Increase (decrease) in accrued expenses	(184)	(420)	(5,059)
Other, net	1,059	(993)	(11,946)
<b>Subtotal</b>	3,577	832	10,006
Interest and dividends income received	310	176	2,118
Interest expenses paid	(1,317)	(1,221)	(14,684)
Income taxes (paid) refund	1,185	(721)	(8,679)
<b>Net cash provided by (used in) operating activities</b>	3,755	(934)	(11,238)
<b>Net cash provided by (used in) investing activities</b>			
Payments into time deposits	(12)	(192)	(2,309)
Proceeds from withdrawal of time deposits	233	192	2,310
Purchase of property, plant and equipment	(2,591)	(1,899)	(22,849)
Proceeds from sales of property, plant and equipment	2,276	134	1,613
Purchase of intangible assets	(722)	(857)	(10,306)
Purchase of investment securities	(1,618)	(2)	(24)
Proceeds from sales of investment securities	34	206	2,479
Purchase of investments in subsidiaries resulting in change in scope of consolidation	0	—	—
Additional purchase of investments in subsidiaries	(127)	(159)	(1,916)
Proceeds from transfer of business	—	1,016	12,224
Payments for transfer of business	—	(5,141)	(61,829)
Payments of long-term loans receivable	(90)	(15)	(189)
Collection of long-term loans receivable	131	20	252
Other, net	(157)	(271)	(3,266)
<b>Net cash provided by (used in) investing activities</b>	(2,643)	(6,969)	(83,812)
<b>Net cash provided by (used in) financing activities</b>			
Net increase (decrease) in short-term loans payable	3,303	4,109	49,424
Proceeds from long-term loans payable	—	15,000	180,396
Repayment of long-term loans payable	(1,021)	(13,615)	(163,745)
Repayments of finance lease obligations	(249)	(177)	(2,138)
Purchase of treasury stock	(0)	(0)	(2)
Cash dividends paid	(373)	(370)	(4,455)
Cash dividends paid to minority shareholders	(190)	(184)	(2,219)
<b>Net cash provided by (used in) financing activities</b>	1,468	4,761	57,259
<b>Effect of exchange rate change on cash and cash equivalents</b>	(91)	(296)	(3,569)
<b>Net increase (decrease) in cash and cash equivalents</b>	2,489	(3,439)	(41,361)
<b>Cash and cash equivalents at beginning of period</b>	14,720	17,209	206,969
<b>Cash and cash equivalents at end of period</b>	¥ 17,209	¥ 13,770	\$ 165,607

## CORPORATE PROFILE AND STOCK INFORMATION

(As of March 31, 2011)

### CORPORATE PROFILE

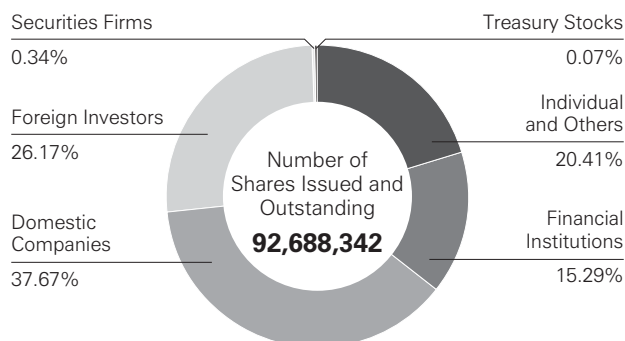
Corporate Name	TOPCON CORPORATION
Headquarters	75-1, Hasunuma-cho, Itabashi-ku, Tokyo 174-8580 Japan
Established	September 1, 1932
Paid in Capital	¥10,297 million
Business Outline	<b>Positioning Business</b> (Surveying instruments, GPS, Machine control system, 3D measurement, GIS, Precision agriculture, Mobile measurement) <b>Eye Care Business</b> (Ophthalmic examination instruments, Ophthalmic treatment instruments, Ophthalmic IT solutions, Optometric instruments) <b>Finetech Business</b> (Semiconductor equipment, FPD equipment, Optical devices)
Topcon Group	15 (Domestic) 54 (Overseas)
Employees	4,727 (Consolidated) 1,104 (Non-consolidated)
Number of Authorized Shares	160,000,000
Number of Shares Issued and Outstanding	92,688,342
Number of Shareholders	19,308
Stock Exchange Listings	Tokyo Stock Exchange
Securities Code	7732
Number of Shares per unit	100
Transfer Agent for common stock	The Chuo Mitsui Trust & Banking Co., Ltd. 33-1, Shiba 3-chome, Minato-ku, Tokyo, Japan
Ordinary General Meeting of Shareholders	June

### MAJOR SHAREHOLDERS

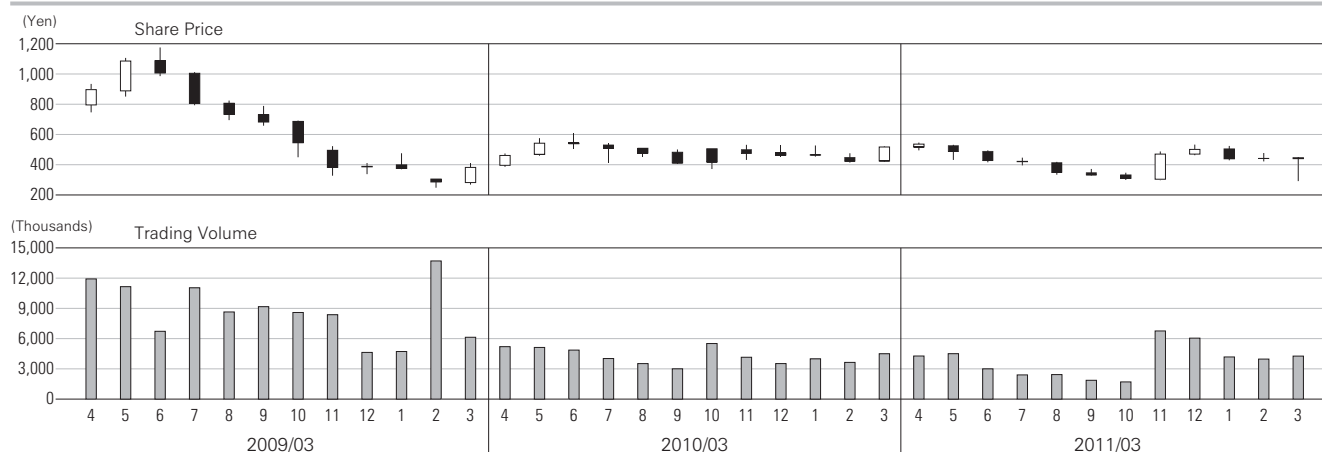
\* Number of shares held are rounded down to the hundred and percentage of shares held are rounded down to the second decimal places.

Shareholder	Number of shares held (Hundreds)	Percentage of total shares issued (%)
Toshiba Corporation	325,668	35.13
TAIYO FUND, L.P.	151,493	16.34
State Street Bank and Trust Company	44,527	4.80
The Dai-ichi Life Insurance Co., Ltd.	40,380	4.35
TAIYO BLUE PARTNERS, L.P.	15,339	1.65
Sumitomo Mitsui Banking Corporation	14,644	1.58
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	14,007	1.51
Mitsui Sumitomo Insurance Co., Ltd.	12,038	1.29
Japan Trustee Services Bank, Ltd. (Trust Account)	11,292	1.21
The Master Trust Bank of Japan, Ltd. (Trust Account)	9,921	1.07

### BREAKDOWN BY TYPE OF SHAREHOLDERS



### SHARE PRICE AND TRADING VOLUME





## JAPANESE AND OVERSEAS GROUP COMPANIES

(As of August 31, 2011)

	Country/Region	Core Businesses	Capital/Investment in Capital*	Percentage of Voting Rights
<b>JAPAN</b>				
Sokkia Topcon Co., Ltd.	Kanagawa	Production of positioning equipment	400 million	100.00
Topcon Sales Corporation	Tokyo	Sales of positioning equipment	269 million	100.00
Topcon Medical Japan Co., Ltd.	Tokyo	Sales of eye care equipment	100 million	100.00
Sokkia Sales Co., Ltd.	Tokyo	Sales of positioning equipment	20 million	100.00
Topcon Technohouse Corporation	Tokyo	Sales of finetech equipment	55 million	100.00
Sapporo Topcon Sales Co., Ltd.	Hokkaido	Sales of positioning equipment	20 million	40.00
Topcon Yamagata Co., Ltd.	Yamagata	Production of positioning, eye care and finetech equipment	371 million	100.00
Optonexus Co., Ltd.	Fukushima	Production of positioning, eye care and finetech equipment	263 million	100.00
Fukushima Sokkia Co., Ltd.	Fukushima	Production of positioning equipment	200 million	100.00
NGR Inc.	Tokyo	Development of finetech equipment	1,199 million	23.35
Topcon Service Co., Ltd.	Tokyo	After sales services for positioning and eye care equipment	57 million	100.00
Topcon G.S. Corporation	Tokyo	Overall services (product sales, cleaning, security, facilities, maintenance, etc.) for Topcon Group companies	20 million	100.00
<b>NORTH AMERICA</b>				
Topcon America Corporation	New Jersey, U.S.A.	Holding company of Topcon Positioning Systems, Inc. and Topcon Medical Systems, Inc., etc.	USD 85,000 thousand	100.00
Topcon Positioning Systems, Inc.	California, U.S.A.	Development, production and sales of positioning equipment	USD 58,905 thousand	100.00
Topcon Medical Systems, Inc.	New Jersey, U.S.A.	Development, production and sales of eye care equipment	USD 16,094 thousand	100.00
Topcon Medical Laser Systems, Inc.	California, U.S.A.	Development, production and sales of eye care equipment	USD 10,000 thousand	100.00
Cacioppe Communications Companies, Inc.	Michigan, U.S.A.	Sales of positioning equipment	USD 1 thousand	60.21
Sokkia Corporation	Kansas, U.S.A.	Sales of positioning equipment	USD 15,979 thousand	100.00
Topcon Canada Inc.	Quebec, Canada	Sales of eye care equipment	CAD 3,872 thousand	100.00
Topcon 3D Inspection Laboratories, Inc.	Quebec, Canada	Development of finetech equipment	USD 150 thousand	100.00
<b>EUROPE/AFRICA</b>				
Topcon Europe B.V.	Capelle, The Netherlands	Holding company of Topcon Europe Positioning B.V., and Topcon Europe Medical B.V., etc.	EUR 5,437 thousand	100.00
Topcon Europe Positioning B.V.	Capelle, The Netherlands	Sales of positioning equipment	EUR 18 thousand	100.00
Topcon Europe Medical B.V.	Capelle, The Netherlands	Development and sales of eye care equipment	EUR 18 thousand	100.00
Topcon Deutschland G.m.b.H.	Willich, Germany	Sales of positioning and eye care equipment	EUR 2,812 thousand	100.00
IBS Lasertechnik G.m.b.H.	Hamburg, Germany	Sales of positioning equipment	EUR 25 thousand	100.00
Topcon S.A.R.L.	Clichy Cedex, France	Sales of positioning and eye care equipment	EUR 1,372 thousand	100.00
Topcon España, S.A.	Barcelona, Spain	Sales of eye care equipment	EUR 961 thousand	100.00
Topcon Positioning Iberia, S.L.	Madrid, Spain	Holding company of InlandGEO S.L. and InlandGEO Canarias, S.L., etc.	USD 0 thousand	100.00
InlandGEO S.L.	Madrid, Spain	Sales of positioning equipment	USD 0 thousand	100.00
InlandGEO Canarias, S.L.	Santa Cruz de Tenerife, Spain	Sales of positioning equipment	USD 0 thousand	100.00
InlandGEO L.D.A.	Lavos, Portugal	Sales of positioning equipment	USD 0 thousand	100.00

\*Figures of less than one unit are rounded down.

	Country/Region	Core Businesses	Capital/Investment in Capital*	Percentage of Voting Rights
Topcon Scandinavia A.B.	Molndal, Sweden	Sales of positioning and eye care equipment	SEK 5,250 thousand	100.00
Topcon (Great Britain) Ltd.	Newbury, U.K.	Sales of positioning and eye care equipment	GBP 2,500 thousand	100.00
Topcon Polska Sp. Zo.o.	Warszawska, Poland	Sales of eye care equipment	PLN 1,330 thousand	100.00
Tierra S.p.A.	Torino, Italy	Development, production and sales of positioning equipment	USD 2 thousand	50.10
DESTURA s.r.l.	Modena, Italy	Development, production and sales of positioning equipment	EUR 60 thousand	30.00
GEOTOP s.r.l.	Ancona, Italy	Sales of positioning equipment	EUR 46 thousand	35.00
Sokkia B.V.	Capelle, The Netherlands	Sales of positioning equipment	EUR 10,373 thousand	100.00
Sokkia N.V.	Brussels, Belgium	Sales of positioning equipment	EUR 198 thousand	100.00
DynaRoad Oy	Helsinki, Finland	Development and sales of positioning equipment	EUR 14 thousand	50.00
KEE Technologies Africa (Pty) Ltd.	Johannesburg, South Africa	Sales of positioning equipment	ZAR 9 thousand	100.00

#### ASIA/OCEANIA/MIDDLE EAST

Topcon Singapore Holdings Pte. Ltd.	Alexandra Terrace, Singapore	Holding company of Topcon Singapore Positioning Pte. Ltd., and Topcon Singapore Medical Pte. Ltd.	USD 1,121 thousand	100.00
Topcon Singapore Positioning Pte. Ltd.	Alexandra Terrace, Singapore	Holding company of Topcon Singapore Positioning Sales Pte. Ltd., and Sokkia Singapore Positioning Sales Pte. Ltd.	USD 3,000 thousand	100.00
Topcon Singapore Positioning Sales Pte. Ltd.	Alexandra Terrace, Singapore	Sales of positioning equipment	USD 1,000 thousand	100.00
Topcon Singapore Medical Pte. Ltd.	Alexandra Terrace, Singapore	Sales of eye care equipment	USD 4,000 thousand	100.00
Sokkia Singapore Positioning Sales Pte. Ltd.	Alexandra Terrace, Singapore	Sales of positioning equipment	USD 1,000 thousand	100.00
Topcon Instruments (Malaysia) Sdn. Bhd.	Kuala Lumpur, Malaysia	Sales of positioning and eye care equipment	MYR 6,600 thousand	100.00
Topcon Instruments (Thailand) Co., Ltd.	Bangkok, Thailand	Sales of positioning and eye care equipment	THB 19,000 thousand	49.90
Topcon Sokkia India Pvt. Ltd.	Noida, India	Sales of positioning equipment	INR 7,500 thousand	100.00
Sokkia Korea Co., Ltd.	Seoul, Korea	Sales of positioning equipment	KRW 2,041,700 thousand	100.00
NGR Korea Inc.	Suwon, Korea	After sales services for finetech equipment	KRW 120,000 thousand	23.35
Topcon Optical (H.K.) Ltd.	Hong Kong, China	Sales of positioning, eye care and finetech equipment	HKD 24,251 thousand	100.00
Topcon (Beijing) Opto-Electronics Development Corporation	Beijing, China	Development, production and sales of positioning and eye care equipment	CNY 33,108 thousand	75.00
Topcon Optical (Dongguan) Technology Ltd.	Dongguan, China	Production of positioning, eye care and finetech equipment, sales of finetech equipment	USD 12,000 thousand	90.00
TPS Australia Holdings Pty Ltd.	South Australia, Australia	Holding company of Topcon Precision Agriculture Pty. Ltd., and Topcon Positioning Systems (Australia) Pty. Ltd.	USD 10,901 thousand	100.00
Topcon Precision Agriculture Pty Ltd.	South Australia, Australia	Development, production and sales of positioning equipment	USD 10,901 thousand	100.00
Topcon Positioning Systems (Australia) Pty Ltd.	Queensland, Australia	Development, production and sales of positioning equipment	USD 0 thousand	100.00
Topcon Positioning Middle East and Africa FZE	Dubai, UAE	Sales of positioning equipment	USD 1,089 thousand	100.00

## **TOPCON CORPORATION**

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

**Corporate Communication Dept. IR Affairs**

TEL: +81-3-3558-2532 FAX: +81-3-3558-9141

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



\*This report was printed with attention to minimizing environmental impact by using ink manufactured from vegetable oil.

Printed in Japan