

The background of the entire page is a large, abstract graphic consisting of several overlapping, flowing, wavy lines. These lines are colored in a gradient from light blue on the left, through green and yellow in the center, to orange and red on the right. The lines have a soft, ethereal quality, giving the impression of smoke or liquid in motion.

# ***Creativity & Growth***

**ANNUAL REPORT 2014**  
For the year ended March 31, 2014

## 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, 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.

### 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 2014.

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## TOPCON'S BUSINESS FIELDS

The Topcon Group provides many attractive products based on our unparalleled optical and cutting-edge digital technologies.

### SMART INFRASTRUCTURE COMPANY

**Providing surveying instruments, Topcon's largest business since its establishment**

In the scene where a global demand for efficiency and labor saving surveying in construction, disaster prevention and building infrastructure is rising, we expand our business to provide new solutions that combine information and communication technology (ICT) with high-precision and highly productive products, incorporating laser and image processing technologies.

#### Surveying, construction, building

Combining high-precision positioning sensors and cloud computing to use more information technologies, we improve productivity to meet the needs for labor-saving at construction sites.



Direct Aiming Station DS Series

#### BIM\*

In the fields of maintenance and administration of construction and structures, we offer solutions to measurement of high-precision three-dimensional data and seamless data use.

\*BIM: Building Information Modeling



3D Laser Scanner GLS-2000

### POSITIONING COMPANY

**Growing global business with high-precision GNSS (GPS), machine automation, and cloud based management technology**

The global construction and agricultural industries are embracing technology from the Positioning Company to improve the way things are designed, built, grown and managed. Our integration of high-accuracy positioning, high-speed earth moving, and cloud-based information management creates higher productivity in existing markets and opens doors to new market segments.

#### IT construction

Topcon's machine control systems enable construction sites across the world to reduce processing time of various construction machines and significantly improve productivity.



IT Construction

#### IT agriculture

By applying Topcon GNSS technology to the global agricultural marketplace, the automation of agricultural machinery and the incorporation of information technology increase farm productivity while reducing input costs. From machine control for auto steering and seeding to plant health sensors and water conservation through precision land-forming—Topcon agricultural solutions increase yields while minimizing environmental impact.



Plant Nutrition Sensor CropSpec



## EYE CARE COMPANY

### The top global brand of ophthalmic medical instruments

In addition to machinery in examination and diagnosis use at ophthalmologist, we have expanded our expertise to the fields ranging from disease prevention and physical check-ups to treatment and prognosis management. We now offer systems for inspection, treatment, and ophthalmologist support, in addition to vision testing instruments for eyeglasses shops.

#### Ophthalmic instruments

We supply instruments for diagnosing, imaging and measuring all parts of eyes as well as Ophthalmic IT solutions all over the world.



Optical Coherence Tomography  
3D OCT 2000

Examination

Treatment

Ophthalmic  
Laser Photo-  
coagulator  
PASCAL®



Ophthalmic  
IT Solutions



IMAGEnet

#### Instruments for eyeglasses shops

We provide vision testing instruments and lens edgers used at eyeglasses shops. These products are highly regarded around the world.



Compu  
Vision  
CV-5000  
Series



## OTHER BUSINESSES

### Measurement equipment

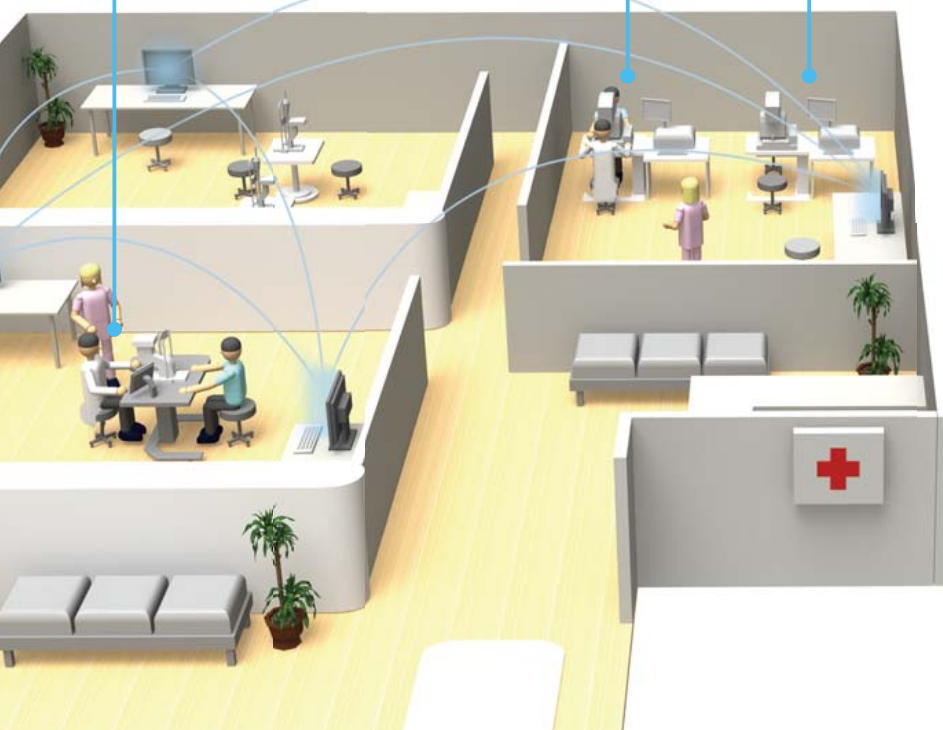
We supply domestic and overseas manufacturers with measurement equipment that is needed in evaluating the quality of optical products in the field of displays, cars, and lights, as well as defect inspection systems that are indispensable for manufacturing processes of electronic devices for smartphones, tablets, and others.



Luminance and Chromaticity  
Density Level Meters UA-10



Color IR Defect Inspection  
Equipment Vi-4204C-IR

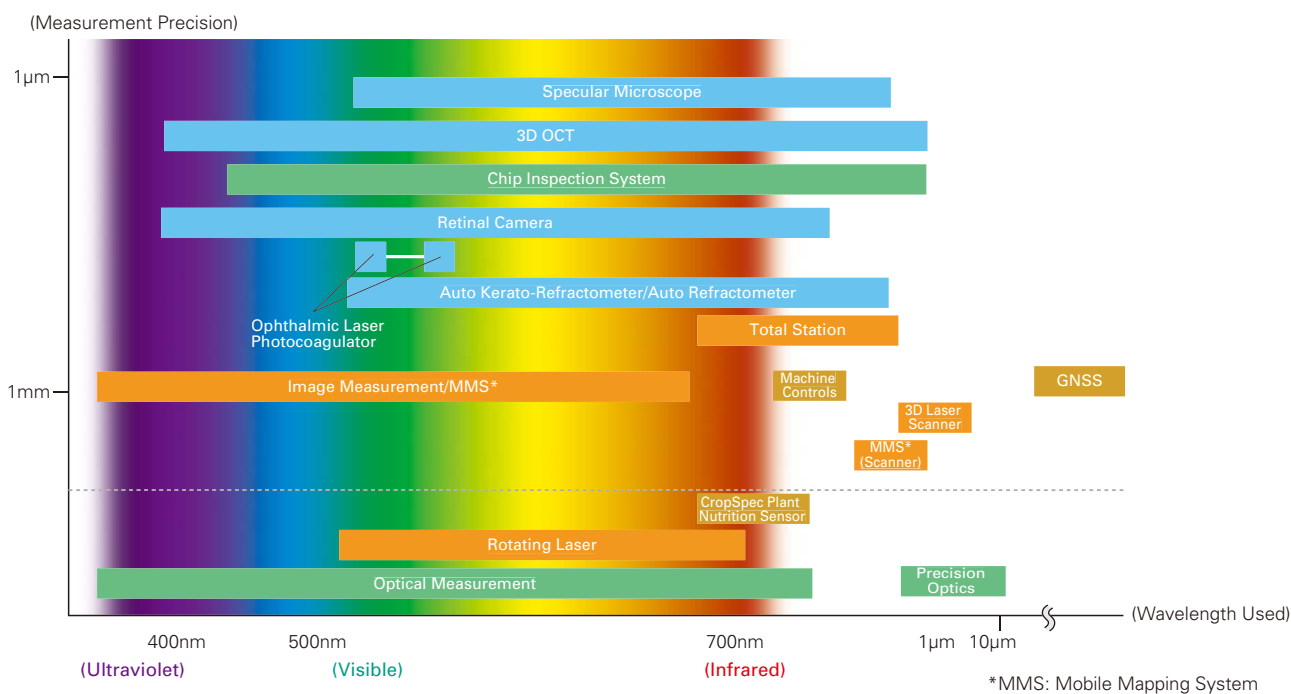


## TOPCON'S STRENGTH

The Topcon Group's strength lies in its optical technology, which spans a wide range of wavelengths. Leveraging this technological strength, we continue to launch the world's first and No. 1 products which are both unique and outstanding. The Group also boasts a global development and manufacturing network as well as a high overseas sales ratio.

### 1 A Wide Range of Wavelengths

Topcon possesses optical technology that spans a wide range of wavelengths from deep ultra violet to infrared ray and operates in each wavelength region.



### 2 A High Level of Globalization

With an overseas sales ratio of 76% in fiscal 2013, Topcon has highly globalized business operations.



Overseas sales ratio: **76%**



# 3 World's First and No. 1 Products

Leveraging its optical technology spanning a wide range of wavelengths, Topcon continues to launch the world's first and No. 1 products, which are both unique and outstanding.

## POSITIONING COMPANY

World's First



### Sitelink3D Enterprise

The integration of data, design, earthmoving machinery, and the people who manage it is at the core of our control and site management solutions. With Sitelink3D Enterprise, collaborative site management is constantly available throughout the production process. This unique combination of cloud and machine automation technology allows instant updating of plans, schedules, and job progress reporting.

World's No. 1



### 3D-MC² High-Speed Machine Control

The newly developed MC² inertial sensor overcomes the critical challenge to IT construction—speed—and achieves remarkable high precision while the dozer is running at high speed.

World's No. 1



### AGI-4 Receiver/Steering Controller

The AGI-4 enables agricultural auto steering in a single component. It has ability to steer many types of machinery, and has been adopted by OEM partners as factory installed optional equipment. Its FNSS and machine control function is integrated into a modular design, with unmatched ease-of-use. Combined Topcon components such as X14 or X30 displays, it adds functionality that strengthens the adoption of IT agriculture for farmers around the world.

## SMART INFRASTRUCTURE COMPANY

World's First



### Layout Navigator LN-100

Topcon developed this revolutionary layout tool by focusing on the layout work which occupies many phases of the construction process. The LN-100 is very easy to set up, and makes operation simple and intuitive using smartphone or tablet technology as a controller.

World's First



### Imaging Station IS

With a built-in digital camera, the Imaging Station IS displays images of the target in real time and enables one-man surveying through intuitive operation. Also equipped with an easy scanning function, the IS is a cutting-edge total station.

World's No. 1



### 3D Station NET05AXII

This 3D station can do everything from industrial measurement to monitoring deformation of structures with high precision and efficiency. It boasts measurement precision of 0.5 arc seconds for vertical and horizontal angles—the world's leading angle precision among existing total stations.

## EYE CARE COMPANY

World's First



### Optical Coherence Tomography 3D OCT Series

This instrument, which combines a retinal camera with optical coherence tomography, contributes to early detection and treatment of various ophthalmic diseases by capturing 3D as well as 2D cross-sectional images of the fundus.

World's First



### Ophthalmic Laser Photocoagulator PASCAL®

PASCAL, which burns the diseased part of the retina through multipoint laser irradiation, contributes to the treatment of diabetic retinopathy and retinal break, which causes retinal detachment.

World's No. 1



### Slit Lamp SL-D701/DC4

A slit lamp is the most basic equipment used in ophthalmology. Topcon contributes to the diagnosis of cornea disorders and dry eye syndrome by offering a broad range of slit lamps and high-resolution digital cameras.

# CONSOLIDATED FINANCIAL HIGHLIGHTS

Topcon Corporation and Consolidated Subsidiaries

	FY2009	FY2010	FY2011	FY2012	Millions of yen FY2013	Thousands of U.S. dollars FY2013
<b>Operating results</b>						
Net sales	¥ 94,862	¥ 102,470	¥ 98,834	¥ 97,345	¥ 116,685	\$ 1,133,750
Positioning Company						
(Positioning Business)	49,350	51,559	52,656	37,824	48,959	475,709
Smart Infrastructure Company				29,839	34,621	336,389
Eye Care Company (Eye Care Business)	31,561	30,946	32,598	31,073	38,736	376,378
Other Businesses (Finetech Business)	13,950	19,964	13,579	9,262	6,625	64,376
Elimination				(10,653)	(12,258)	(119,102)
Overseas sales	69,138	74,210	73,949	72,711	89,187	866,569
Operating income	1,405	1,799	2,080	5,214	11,730	113,980
Ordinary income	545	608	467	3,471	11,300	109,800
Net income (loss)	133	(1,288)	(3,686)	511	5,963	57,945
Capital expenditures	2,109	4,499	3,443	3,297	3,692	35,873
Depreciation and amortization	4,531	3,689	3,115	3,384	3,803	36,952
Amortization of goodwill	1,846	1,596	1,660	1,618	1,782	17,322
R&D expenditures	9,609	10,275	8,707	8,221	9,184	89,236
Free cash flows	1,112	(7,903)	(3,575)	1,862	4,599	44,692
<b>Financial position</b>						
Shareholders' equity	¥ 40,490	¥ 36,908	¥ 32,667	¥ 48,474	¥ 53,598	\$ 520,783
Total assets	125,539	124,816	120,777	129,503	135,818	1,319,648
Interest-bearing liabilities	51,501	55,300	58,882	50,629	47,733	463,789
<b>Per share data (¥, \$)</b>						
Earnings per share (EPS)	¥ 1.44	¥ (13.91)	¥ (39.80)	¥ 5.48	¥ 55.21	\$ 0.536
Net assets per share (BPS)	437.17	398.50	352.71	448.77	496.22	4.821
<b>Management indicators</b>						
Gross profit ratio (%)	42.4	40.1	38.6	44.0	47.7	
Operating income ratio (%)	1.5	1.8	2.1	5.4	10.1	
Net income ratio (%)	0.1	(1.3)	(3.7)	0.5	5.1	
Ratio of R&D expenditures to net sales (%)	10.1	10.0	8.8	8.4	7.9	
Overseas sales ratio (%)	72.9	72.4	74.8	74.7	76.4	
Return on assets (ROA) (%)	0.1	(1.0)	(3.0)	0.4	4.4	
Return on equity (ROE) (%)	0.3	(3.3)	(10.6)	1.3	11.7	
Return on invested capital (ROIC) (%)	1.1	1.3	1.6	3.8	7.9	
Price earnings ratio (PER) (times)	358.0	—	—	156.3	30.7	
Price book-value ratio (PBR) (times)	1.2	1.1	1.6	1.9	3.4	
Equity ratio (%)	32.3	29.6	27.0	37.4	39.5	
Total assets turnover ratio (times/year)	0.77	0.82	0.80	0.78	0.88	
D/E ratio (%)	127.2	149.8	180.3	104.4	89.1	
Dividend payout ratio (%)	277.0	—	—	109.4	18.1	

Notes: 1. For the sake of convenience, the US\$ is converted at a rate of ¥102.92/US\$ as of March 31, 2014. We referenced the Tokyo foreign exchange market rate.

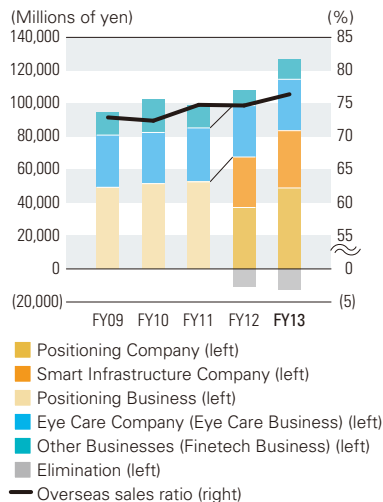
2. As of June 27, 2012, we have changed our organizational structure to three in-house companies. As a result, the former Positioning Business Unit was split into the Positioning Company and the Smart Infrastructure Company. Likewise, the former Eye Care Business Unit became Eye Care Company. The Finetech Business Unit was discontinued as of April 1, 2012.



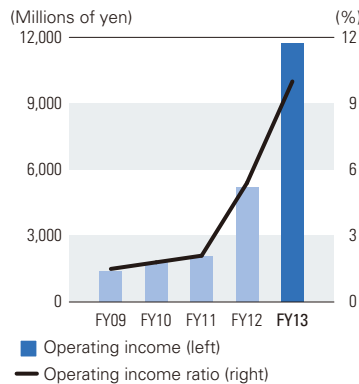
## FY2013 Financial Earnings Highlights

- Consolidated net sales in FY2013, ended March 31, 2014, rose 19.9% year on year to ¥116,685 million.
- Operating income soared 124.9% year on year to ¥11,730 million due to increased sales, reductions in COGS, and the favorable impact of exchange rates.
- Net income improved sharply to ¥5,963 million on a year-on-year upswing of ¥5,452 million despite recording an extraordinary loss on the valuation of investment securities and liquidation of subsidiaries and affiliates.

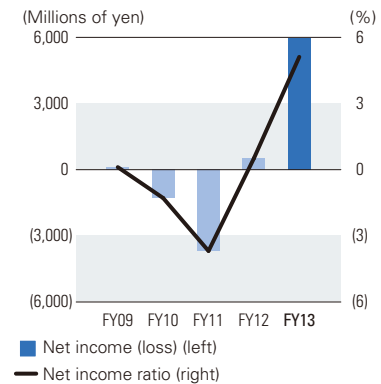
### Net Sales and Overseas Sales Ratio



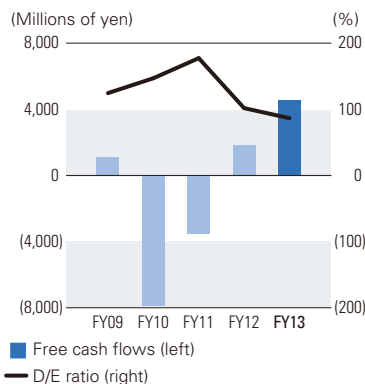
### Operating Income and Operating Income Ratio



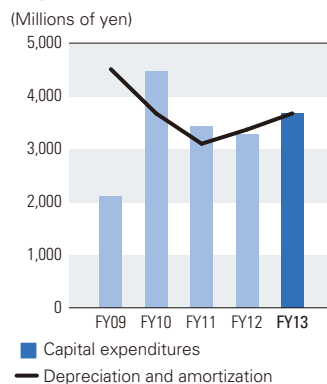
### Net Income (Loss) and Net Income Ratio



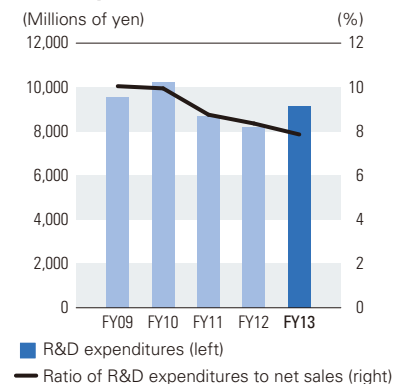
### Free Cash Flows and D/E Ratio



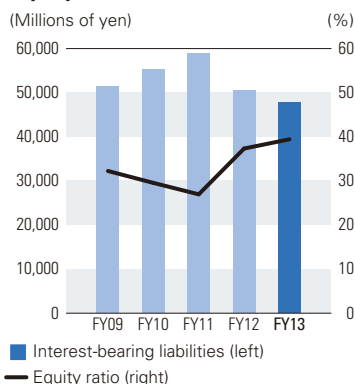
### Capital Expenditures and Depreciation and Amortization



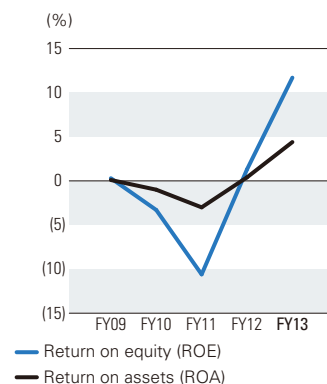
### R&D Expenditures and Ratio of R&D Expenditures to Net Sales



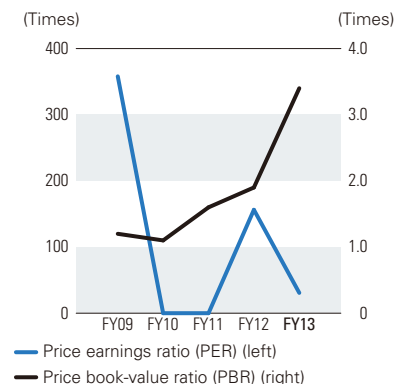
### Interest-Bearing Liabilities and Equity Ratio



### ROE and ROA



### PER and PBR



## TO OUR STAKEHOLDERS

**With our preparation for growth complete,  
we are ready to propel Topcon to become an excellent,  
top-ranked global company**

### Fiscal 2013 Results

In fiscal 2013, which ended March 31, 2014, the Japanese economy continued to recover steadily due to public demand stimulated by governmental economic measures and improvement of the export environment aided by the weak yen. While the European economy is deteriorating due to the prolonged fiscal concerns, the U.S. economy is recovering, mainly as a result of domestic demand. The economies of emerging countries, including China, are slowing down as a trend, although the situation varies from country to country.

In this environment, the Topcon Group has aimed to realize profitable and sustainable growth by shifting its focus to a growth strategy and accelerating new business development with creative ideas, since the business restructuring measures that we have implemented since the Lehman Shock have produced results.

To achieve such growth, we have been implementing our three basic strategies—(i) enhancing new businesses and strengthening our core business, (ii) launching products with disruptive technologies, and (iii) capitalizing on the full value of global human resources—under the slogan of “Creativity & Growth.”

As a result, our consolidated net sales grew by 20% year on year to ¥116,685 million in fiscal 2013. By company and region, net sales of the Smart Infrastructure Company increased mainly owing to growth in Japan and China, while those of the Positioning Company and the Eye Care Company expanded mainly thanks to growth in the United States and Europe.

On the profit side, all profit indicators improved considerably as a result of the increased net sales and the effects of cost reduction and exchange rate movements. Operating income expanded 125% year on year to ¥11,730 million and ordinary income grew 225% to ¥11.3 billion. Net income increased by ¥5,452 million to ¥5,963 million.

### Strategic Direction of Mid-Term Business Plan 2016 and Topcon's Future Vision

We have steadily reaped benefits from the basic policy of aiming to become an excellent, top-ranked global company by realizing profitable and sustainable growth through creativity under the Mid-Term Business Plan 2015, as well as measures based on the policy. Under the Mid-Term Business Plan 2016, which starts in fiscal 2014, we will continue to embrace the group-wide slogan of “Creativity & Growth” and focus our efforts on accelerating our growth strategy.

We will remain committed to the three basic strategies for growth: (i) enhancing new businesses and strengthening our core business, (ii) launching products with disruptive technologies, and (iii) capitalizing on the full value of global human resources.

First, regarding the strategy of “enhancing new businesses and strengthening our core business,” we will allocate ¥34.5 billion to research and development over the next three years, aiming to achieve business growth on a group-wide basis through active investment. We will strengthen our competitiveness by setting targets for the ratio of new businesses in the final year of the Mid-Term Business Plan (fiscal 2016) with regard to the whole of the

# *Creativity & G*

Topcon Group and each of the three in-house companies. The target is set at 51% for the whole of the group, 60% for the Positioning Company, 50% for the Smart Infrastructure Company, and 38% for the Eye Care Company.

Next, regarding the strategy of “launching products with disruptive technologies,” we will accelerate the development of products incorporating unique and disruptive innovations based on creative ideas that disrupt the existing order of the market. In particular, we will focus our efforts on strategic products that can serve as the core of new businesses. Over the next three years, we aim to launch 45 such new models.

Finally, as for the strategy of “capitalizing on the full value of global human resources,” we make thorough efforts to put the right person in the right job without regard to nationality.

The Topcon Group is now well prepared to achieve further growth and move on to a higher stage. We will keep moving forward and will do our utmost to achieve the goal of becoming an excellent, top-ranked global company.

Lastly, to our stakeholders, I appreciate your continued support and encouragement.

August 2014

Satoshi Hirano  
*President & CEO*



**rowth**





## INTERVIEW WITH THE PRESIDENT

### Q1 Please sum up the fiscal 2013 results.

**A1** With effects from our Reform Project and progress in new business development, we have recorded the highest income in the past five years.



In fiscal 2013, ended in March 2014, our sales rose to a record high and all business indicators exceeded our forecasts due to the results of our Reform Project and the steady progress in new business development. Consequently, our operating income rose to the highest level in the past five years.

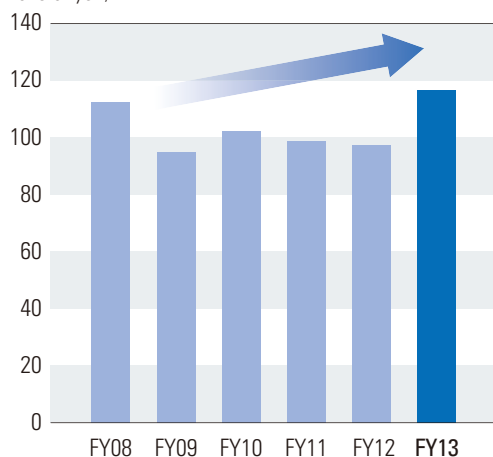
First, as a result of cost-reduction efforts and the launch of new products, the gross profit ratio improved by 3.7 percentage points from the previous year to 47.7%. In addition, operating income increased 125% year on year, boosting the operating income ratio to 10.1%.

Moreover, the launch of products that act as growth drivers brought benefits. Based on its superior technology and “Monozukuri” ability, Topcon places emphasis on the development of creative, unique products with disruptive technologies. In the current fiscal year, the Positioning Company launched OEM models for construction and agricultural machinery makers, while the Smart Infrastructure Company launched the world’s first BIM\* products. The Eye Care Company launched 3D OCT-1 Maestro and other products. Each company increased its profits.

\*BIM: Building Information Modeling

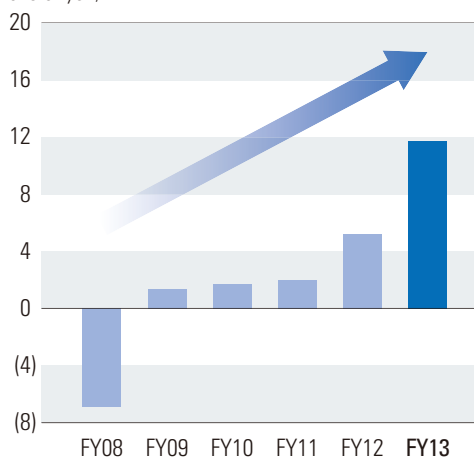
#### Net Sales

(Billions of yen)



#### Operating Income (Loss)

(Billions of yen)



## Q2 Please describe activities and goals under the Mid-Term Business Plan 2016.

**A2** We will accelerate our growth strategy, aiming to achieve a compound annual growth rate (CAGR) of 12%.



Under the Mid-Term Business Plan 2016, we aim to achieve net sales of ¥162 billion (CAGR of 12%) and operating income of ¥27 billion (CAGR of 32%). As for ROE, one of our management indicators, we aim to achieve an ROE of 15% in fiscal 2014 and of 20% in fiscal 2015 under the plan. By company, the Positioning Company aims for net sales of ¥74 billion (CAGR of 15%) and operating income of ¥11.5 billion (CAGR of 37%) three years later, in fiscal 2016, which ends in March 2017. The Smart Infrastructure Company aims to generate net sales of ¥46 billion (CAGR of 10%) and operating income of ¥8.5 billion (CAGR of 18%), while the Eye Care Company aims for net sales of ¥50.5 billion (CAGR of 9%) and operating income of ¥8.5 billion (CAGR of 29%).

As indicated above, all of the companies will need to accelerate their growth strategy in order to achieve growth of around 10% in net sales and around 20% in operating income.

As for each company's growth strategy, the Positioning Company will focus its efforts on IT construction business in the construction sector, which is growing mainly in advanced countries, and IT agriculture in the agricultural sector. It aims to expand the market as well as the presence of the Topcon Group by introducing World No. 1 models in these sectors and by growing its OEM business targeting construction and agricultural machinery makers.

The Smart Infrastructure Company will focus its efforts on smart sensing of aging infrastructure and BIM business. We will seek to increase profits by leading the growth of markets through the introduction of new products with disruptive technologies and by providing products that bring significant value to the maintenance and management of social infrastructures in these two sectors.

The Eye Care Company will enhance its businesses in the field of preventive medicine and treatment based on its strength in examination/diagnostic products. In particular, we will develop and expand new markets, including the market for prognostic management and screening, by using 3D OCT-1 Maestro, which features simple operation for everyone, as our core product.

As for financial strategy, we will continue to promote improvement of the financial condition and allocate investments and loans toward growth areas at the same time. As a benchmark for the improvement of the financial condition, we aim to increase the total asset turnover ratio to 1 or higher in fiscal 2015 and later. On the other hand, we plan to make investments and loans totaling around ¥20 billion over the three-year period as an investment for future growth. We will raise our capital efficiency and profitability while continuing to improve the asset efficiency and to make investments for future growth.

## Q3 What are the forecasts for the fiscal 2014 results?

A3 We will maintain high growth rates—more than 10% for net sales and more than 20% for operating income—for the second consecutive year.



As for the economic environment that forms the basis of the earnings forecast for fiscal 2014, despite a decline in consumer sentiment resulting from the consumption tax hike, we expect that economic growth will continue in Japan, supported by the effects of economic measures and an increase in exports. Abroad, while emerging economies will stay somewhat sluggish, as exemplified by the continuing slowdown of the Chinese economy, we expect that the United States and other advanced countries will attain steady growth. All in all, we expect that the global economy will maintain moderate growth. As for foreign exchange rates, which significantly affect Topcon's results, we forecast the dollar to be at ¥100 and the euro to be at ¥135, which are similar to the levels in fiscal 2013.

In this environment, the Topcon Group will continue to focus its efforts on growth strategy, aiming to further accelerate the strategy. As in the previous fiscal year, we have adopted "Creativity & Growth" as our motto for doing so. In particular, we will concentrate on new sectors that require new technologies and products.

In an example of major activities conducted by individual companies, the Positioning Company is moving into a new stage of four-dimensional control, which adds time control to the three-dimensional machine control, the current mainstay, with regard to IT construction business based on GNSS (GPS). In the field of IT agriculture as well, we will develop related products incorporating time control so as to enable timely, profitable harvesting in light of the crop growth condition and demand forecast.

The Smart Infrastructure Company will develop diagnosis systems that help reduce costs and make visible risks associated with, and enable speedier inspection of, aged infrastructures, such as roads, bridges, sewage and water works, and river facilities that are more than 50 years old.

The Eye Care Company will help to curb overall medical care costs by enabling early detection of three major eye diseases, diabetic retinopathy, age-related macular degeneration, and glaucoma, by using 3D OCT, in order to cope with increases in cases of these diseases due to the aging of society around the world. In addition, the Eye Care Company will advance into new markets by developing new products in the screening market and in the field of prognostic management.

By promoting the development of new fields and strengthening core businesses at the same time, we aim to generate net sales of ¥130 billion, up 11.4% year on year, operating income of ¥16 billion, up 36.4%, and net income of ¥8.3 billion, up 39.2% in fiscal 2014.



## Q4 What is your shareholder return policy?

**A4** We place priority on dividend payments and increase dividends in line with the growth in consolidated earnings.



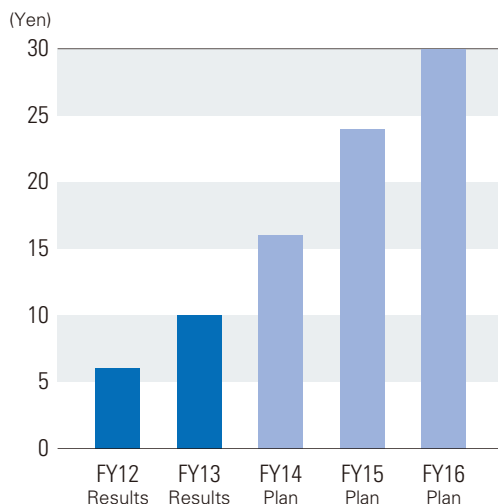
We place priority on dividend payments to return profits to shareholders. Our basic policy is to steadily increase the dividend payment amount in line with the growth in consolidated earnings.

For fiscal 2013, we paid a full-year dividend of ¥10 per share, including an interim dividend of ¥5 and a year-end dividend of ¥5, based on this basic policy because our consolidated results in the year grew significantly year on year and exceeded the forecasts.

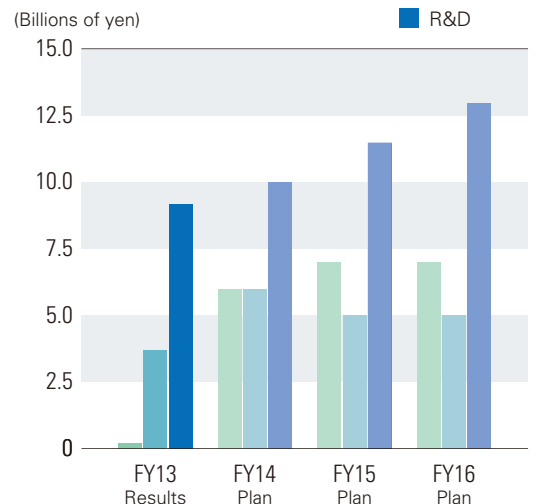
For fiscal 2014, we plan to pay a full-year dividend of ¥16 per share, including an interim dividend of ¥8 and a year-end dividend of ¥8, in line with the basic policy regarding the distribution of profits that places priority on linking dividend payments to consolidated results, because our earnings are expected to continue to improve.

As for investment, which is a way of using retained earnings, we intend to make investments and loans totaling around ¥20 billion for future growth under our plan for the next three years. Specifically, we plan to allocate investments to such growth areas as agriculture, BIM, infrastructure diagnosis, and physical checkup as well as to the establishment of a sales network intended to expand sales in emerging markets and software, solutions, and cloud businesses.

**Dividends per Share**



**Investment Plan**



## SPECIAL FEATURE: MID-TERM BUSINESS PLAN 2016

# Aim to be an excellent, top-ranked global company

## Creativity & Growth

The Topcon Group aims to become an excellent, top-ranked global company by realizing profitable and sustainable growth through creativity.

Topcon is proceeding with a mid-term business plan on a rolling basis, reviewing the plan each year, in order to successfully implement both activities intended to improve its business results each year and measures adopted from the mid-term perspective amid the drastic changes in the market environment and the uncertainty over the future outlook of the global economy.

In fiscal 2013, which ended in March 2014, we achieved record net sales, increased the operating income ratio to 10%, and significantly increased net income thanks to the steady economic recovery in Japan and the improvement of the export environment due to the weak yen. We believe that the results represent the steady achievements made by our efforts to enhance new businesses with

creative ideas as well as improvement of the external environment conditions.

Therefore, under the Mid-Term Business Plan 2016, which runs through March 2017, we aim to achieve net sales of ¥162 billion, operating income of ¥27 billion, and net income of ¥15.5 billion in fiscal 2016, the final year of the plan, on the assumption that sustainable growth will continue based on the results of fiscal 2013. As for our shareholder return, we plan to pay a full-year dividend of ¥30 per share. As for ROE, a profitability indicator, we aim to achieve an ROE of 20% starting in fiscal 2015.

We will continue to aim to become an excellent, top-ranked global company by realizing profitable and sustainable growth through creativity.

### Financial Targets (Consolidated)

(Millions of yen)

		Mid-Term Plan 2016			
[Consolidated]	FY2013	FY2014	FY2015	FY2016	
Net Sales	116,685	130,000	145,000	162,000	
Operating Income (Operating income ratio)	11,730 (10.1%)	16,000 (12.3%)	22,000 (15.2%)	27,000 (16.7%)	
Ordinary Income	11,300	14,500	20,500	25,500	
Net Income	5,963	8,300	12,800	15,500	
ROE	11.7%	15%	20%	20%	
ROIC	7.9%	11%	15%	17%	
Dividends per Share (yen)	10	16	24	30	
Dividend Payout Ratio	18.1%	20%	20%	20%	
Assumed Exchange Rate	US\$ (yen)	100.00	100	100	100
	EUR (yen)	134.01	135	135	135

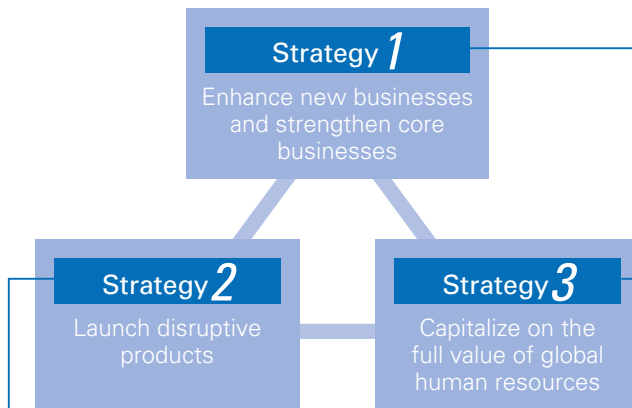
Point

Achieve  
the **20%**  
target  
in March 2016

## Three strategies

Under the Mid-Term Business Plan 2016, we will uphold the basic policy of "aiming to become an excellent, top-ranked global company by realizing profitable and sustainable growth through creativity" and will further accelerate our growth strategy.

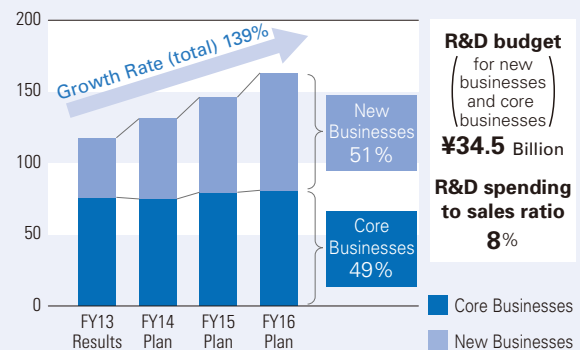
To that end, we will continue to implement our three basic strategies: "enhancing new businesses and strengthening our core business," "launching products with disruptive technologies," and "capitalizing on the full value of global human resources." We will make sure to achieve an ROE of 20% in fiscal 2015, which ends in March 2016, by strengthening profitability by enhancing new businesses and launching products with disruptive technologies.



### Strategy 1 Enhance new businesses and strengthen core businesses

In particular, we will further enhance new businesses based on products with disruptive technologies that take advantage of Topcon's technological prowess. We will promote the development of new products by investing ¥34.5 billion in research and development during the current mid-term business plan, aiming to increase the ratio of sales of new businesses to overall net sales in fiscal 2016 to 51% from 36% in fiscal 2013.

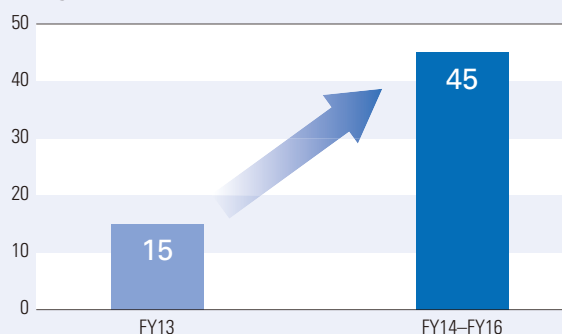
Net Sales (Billions of yen)



### Strategy 2 Launch disruptive products

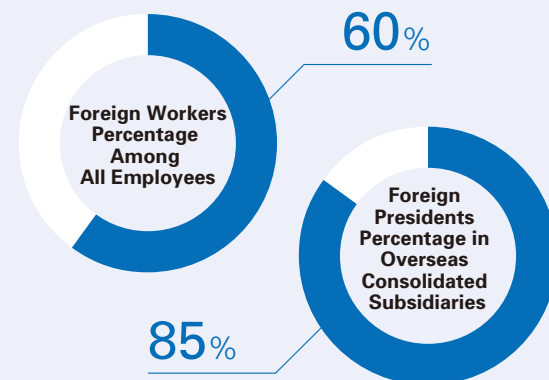
As a key strategy to achieve future growth, Topcon will focus its efforts on the development of products with disruptive technologies which incorporate creative, unique, disruptive innovations and which shake up conventional thinking of the industry and market based on our Monozukuri ability. Over the three fiscal years from fiscal 2014, we aim to launch 45 models with disruptive technologies (compared with 15 models launched in fiscal 2013).

Strategic Products



### Strategy 3 Capitalize on the full value of global human resources (develop a global management system)

Overseas sales account for around 76% of the Topcon Group's overall sales and non-Japanese employees account for 60% of the group-wide workforce. As we have made progress in globalization of our sales and workforce, we will now strive to globalize management. Already, one of the leaders of the three in-house companies is an American. Aiming to be an excellent, top-ranked global company, the Topcon Group will continue to put the right person in the right job without regard to nationality.





## BUSINESS STRATEGIES BY COMPANY

# Creativity & Growth

Topcon has introduced an internal-company system which is comprised of three companies: the Positioning Company, the Smart Infrastructure Company, and the Eye Care Company. It provides each company with enhanced authority by giving the presidents of the companies discretionary authority, thereby enabling swift decision-making.

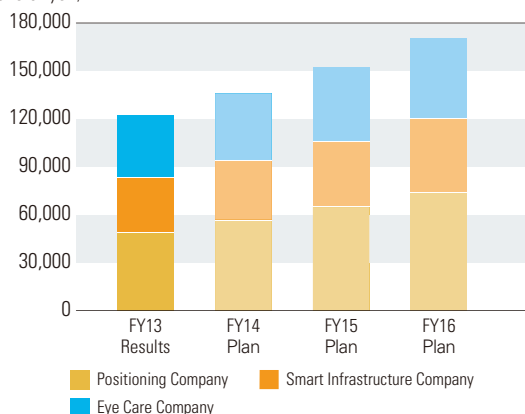
Under the Mid-Term Business Plan 2016, each of the three in-house companies is advancing into new fields

where they can each exercise their strengths. The companies will also focus on the competitiveness of their core business, based on the group-wide strategy of launching products with disruptive technology and enhancing both new and core businesses.

Over the next three years, each of the three companies aims to achieve growth of around 10% in net sales and of around 20% in operating income.

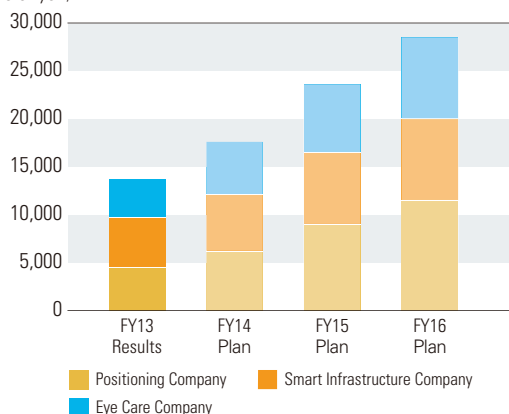
### Sales Plans of Each Company

(Millions of yen)



### Operating Income Plans of Each Company

(Millions of yen)



## Positioning Company

Utilizing GNSS (GPS) as a core technology for rapid expansion in IT construction and IT agriculture

### New Business

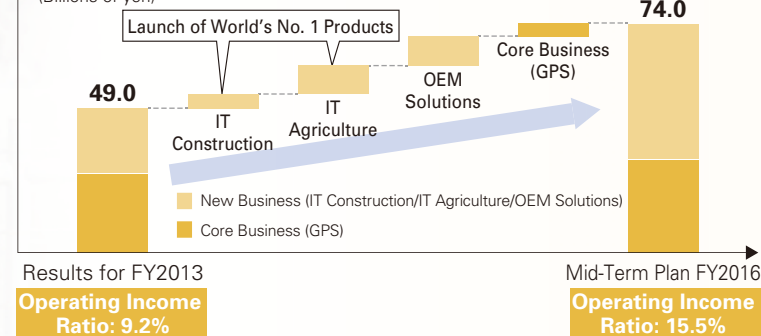
- IT construction business
- IT agriculture business

### Core Business

- Strengthening GNSS (GPS) business

### Breakdown of Sales Growth

(Billions of yen)



## Smart Infrastructure Company

Enhance new businesses with a strong basis of surveying instruments



### New Business

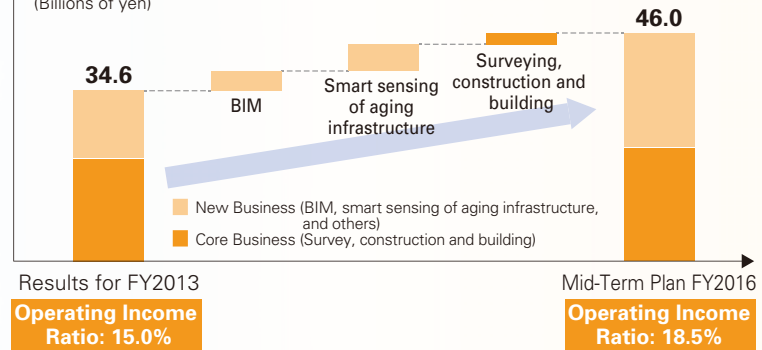
- BIM
- Smart sensing of aging infrastructure

### Core Business

- Surveying, construction and building sectors

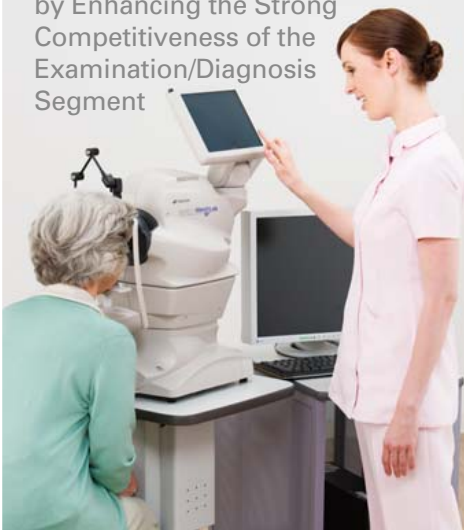
### Breakdown of Sales Growth

(Billions of yen)



## Eye Care Company

Strengthening the Preventive Medicine and Treatment Segment by Enhancing the Strong Competitiveness of the Examination/Diagnosis Segment



### New Business

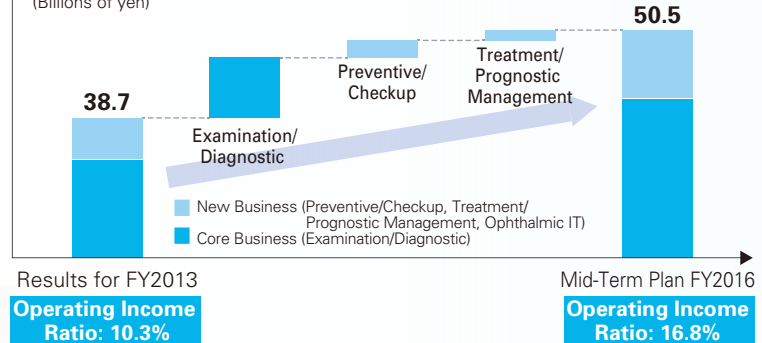
- Field of preventive medicine/physical checkups
- Field of treatment/prognostic management
- Field of ophthalmic IT

### Core Business

- Strengthening the competitiveness of our examination/diagnostic products

### Breakdown of Sales Growth

(Billions of yen)



## AT A GLANCE

(For the year ended March 31, 2014)

### Fields

### Major Products

### Market Conditions

#### Positioning Company



- IT construction
- IT agriculture

- GNSS (GPS) receivers
- Machine control systems
- Precision agriculture systems
- IT site management solutions

- Business performance recovered steadily in the United States, but the effects of the fiscal crisis lingered in Europe.
- While there were signs of recovery in China, the pace of growth in Southeast Asia slowed down due to the effects of exchange rate fluctuations.
- Business performance was robust in the fields of IT agriculture and the field of civil engineering, where OEM business performed well.

#### Smart Infrastructure Company



- Surveying/Construction/Building
- 3D Measurement/Monitoring
- BIM

- Total stations (Motorized Robotic Total Stations, Imaging Stations)
- Mobile mapping system
- 3D laser scanners
- Data collectors
- Theodolites
- Levels/Digital levels
- Self-Leveling Construction Lasers
- Pipe lasers
- Asset management system (Cloud-based total station management system)

- Business performance recovered steadily in the United States, but the effects of the fiscal crisis lingered in Europe.
- While there were signs of recovery in China, the pace of growth in Southeast Asia slowed down due to the effects of exchange rate fluctuations.
- Business performance remained flat in the surveying field as a result of exchange rate fluctuations in emerging countries.
- Business performance was robust in the field of measurement.

#### Eye Care Company



- Preventive Medicine Checkups
- Examination
- Diagnosis
- Treatment

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

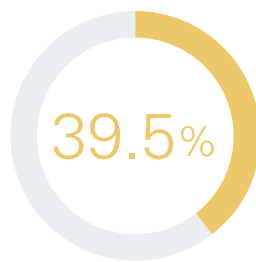
- The U.S. economy started to show signs of moderate recovery in the second half of the year.
- In Europe, the effects of the fiscal crisis lingered.
- In Japan, although there was a last-minute surge in demand before the consumption tax hike, demand generally remained flat.
- In China, the growth slowed down, while in India and Southeast Asia, sluggish consumption had significant effects as a result of the depreciation of local currencies against the dollar.

## Strengths/Strategies

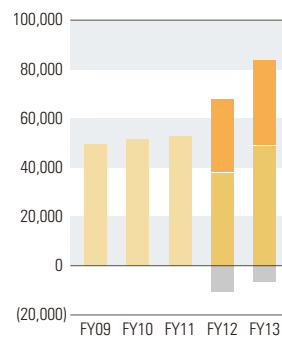
**Strengths** We are supplying products and systems using high-precision GNSS (GPS) positioning technology in the fields of GNSS (GPS) surveying, IT construction and IT agriculture on a global scale.

**Strategies** We will achieve rapid growth in new business fields with GNSS (GPS) as the core technology. At the same time, we will increase global market share by launching strategic products and targeting the Asia and Latin American markets.

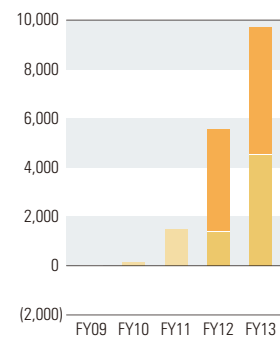
## Sales Composition Ratio (%)



## Net Sales (Millions of yen)

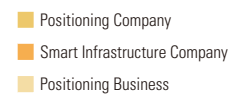
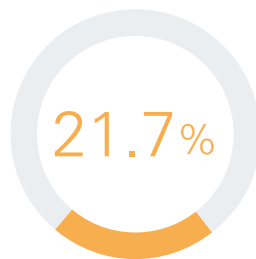


## Operating Income (Millions of yen)



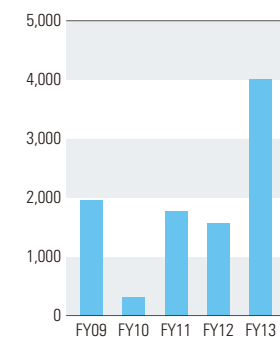
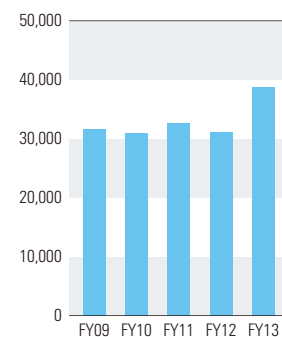
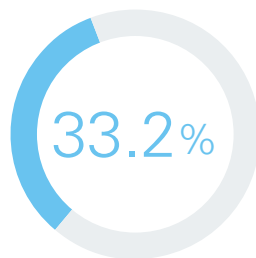
**Strengths** We are utilizing in various areas precise position data, acquired by combining optical technologies developed since our founding and cutting-edge technologies that include lasers and image processing.

**Strategies** By making innovations, increase our presence as a manufacturer and promote profitable and sustainable business growth. We also aim to be the world's leading manufacturer by building global business structure integrating manufacturing, sales and engineering.



**Strengths** We will provide total healthcare solutions through our expanded product lineup, ranging from examination and diagnostic systems (hardware), which leverage optomechatronic technology, to image processing software.

**Strategies** We are expanding our business domains from our core focus on the examination and diagnostic equipment fields to include preventive medicine/physical checkups and treatment. In addition, we will strive to generate stable profits on a worldwide basis.



Note: As of June 27, 2012, we have changed our organizational structure to three in-house companies. As a result, the former Positioning Business Unit was split into the Positioning Company and the Smart Infrastructure Company. Likewise, the former Eye Care Business Unit became the Eye Care Company.



# POSITIONING COMPANY

## Your Productivity. Our Technology.

We will expand sales of products and systems using high-precision GNSS (GPS) positioning technology in the fields of GNSS (GPS) surveying, IT construction, and IT agriculture on a global scale.



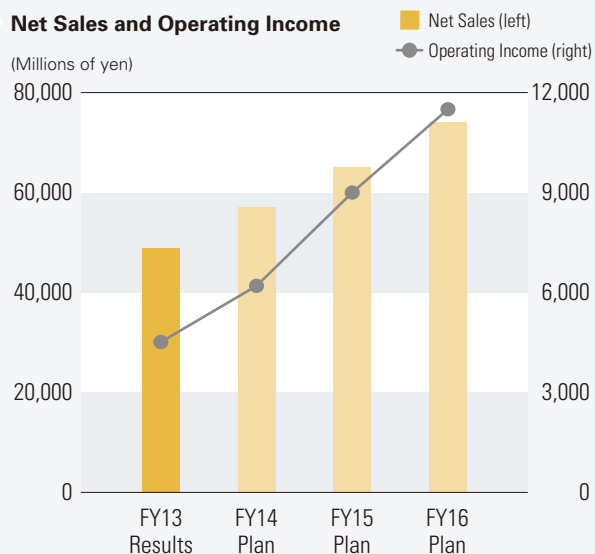
We will utilize GNSS (GPS) as a core technology for rapid expansion in IT construction and IT agriculture.



Senior Managing  
Executive Officer  
General Manager,  
Positioning Company  
**Raymond O'Connor**

### Net Sales and Operating Income

(Millions of yen)





### FY2013 Financial Results

Net sales grew 29.4% year on year to ¥48,959 million due to robust sales in the United States and Europe. Operating income came to ¥4,514 million, up 219.4% year on year, thanks to the increased net sales and the effects of reduced cost.

By region, the steady recovery in the United States helped to grow the OEM business in particular.

By business field, business performance was robust in the field of IT agriculture and IT construction, particularly in the field of civil engineering, where OEM business performed well.

### Performance Outlook

Regarding future business conditions, although post-earthquake recovery demand is expected to continue in Japan is likely to slow down. Demand is expected to remain robust in the United States, and start recovering in Europe. In emerging countries, we foresee that growth will continue despite concerns about exchange rate fluctuations.

Under these circumstances, the Positioning Company will focus on the fields of IT construction and IT agriculture, where future market growth is anticipated, with GNSS (GPS) as the core technology.

First, in the field of IT construction, we will provide systems and solutions not available from other companies. By implementing four-dimensional IT site management, adding time control to the conventional three-dimensional control, problems of labor shortage, productivity and efficiency can be solved in construction projects. In this field, we will expand OEM business for construction machinery makers and realize potential demand by developing OEM products for existing construction machinery and exploring the pre-installed market.

Moreover, in the field of IT agriculture, we will provide solutions with increased use of IT to address the problem of global food shortage from the rapid global population growth. As the arable land per capita continue to shrink, Topcon continues to provide products that improve productivity and crop quality that go above and beyond simple tasks such as automatic fertilization, crop growth diagnosis and crop quality control. As with IT construction, we will expand OEM business for agricultural machinery makers.

As a result of these measures, we forecast net sales of ¥57,000 million (up 16% year on year) and operating income of 6,200 million (up 37% year on year) for fiscal 2014.

### topic

#### Development of Site Management System Sitelink 3D: Real-Time Central Management of Projects

Sitelink 3D is a construction/building site management system that links the site with the office in real time via a cloud server. In addition to enabling two-way data communications between the site and the office, Sitelink 3D makes it possible to keep track of the operational status of heavy machinery in real time and output necessary management data at any time.

Real time tracking of the operational status of heavy machinery as well as construction progress makes it possible to maximize machine utilization. Sitelink 3D eliminates the need for management staff to visit the site to explain changes in job files and designs or check construction progress, achieving productivity improvement throughout the entire process of construction.

Moreover, Sitelink 3D realizes real-time central management of an entire project, including not only management of on-site work but also scheduling management based on the results and plans, the operational status of construction machinery, vehicle information, and the construction progress. As a result, we expect that Sitelink 3D can serve as a powerful site management tool for users seeking to optimize design and site management as well as cost reduction.



REAL-TIME 3D MANAGEMENT  
Sitelink 3D

# SMART INFRASTRUCTURE COMPANY



## Change the World

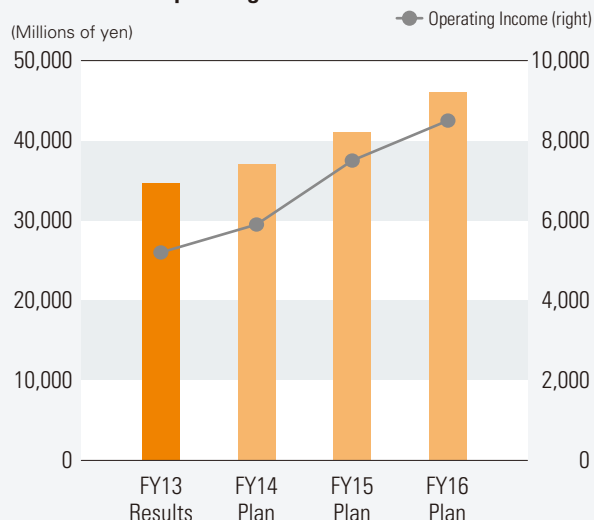
We will provide world leading, highly innovative positioning products by incorporating the most advanced technologies, such as leading-edge technology in GNSS (GPS), laser, and image analysis based on the optical technology Topcon has fostered since its beginnings.

We will enhance new businesses with a strong basis of surveying instruments.



Director,  
Managing Executive Officer  
General Manager,  
Smart Infrastructure Company  
**Shigeyuki Sawaguchi**

### Net Sales and Operating Income



### FY2013 Financial Results

Net sales came to ¥34,621 million, up 16.0% year on year, due to the business growth in Japan and China. Operating income increased 26.1% year on year to ¥5,201 million because of the increased net sales, among other factors.

By region, business performance recovered steadily in the United States, but the effects of the fiscal crisis lingered in Europe. While there were signs of recovery in China, the pace of growth in Southeast Asia slowed down due to the effects of exchange rate fluctuations.

By business field, business performance remained flat in the surveying field as a result of exchange rate fluctuations in emerging countries, but it was robust in the field of measurement.

### Performance Outlook

As for the future outlook, we expect that business performance will gradually enter a growth phase due to construction investments related to the 2020 Olympic Games in Tokyo and the magnetic levitated train project. In the United States, demand is expected to remain robust, while in Europe, demand is expected to recover. In emerging countries, we forecast continued growth despite concerns about exchange rate fluctuations.

By business field, demand is projected to remain flat in the field of surveying, but it is expected to grow in the field

of measurement, as it did in the previous year. We anticipate demand for high value-added products to continue to grow in emerging countries.

In these circumstances, the Smart Infrastructure Company aims to be a global leader through innovation and far-reaching business expansion in new business fields, with surveying instruments as the basis.

In fiscal 2014, the Smart Infrastructure Company will implement the following priority measures:

- 1) Introduce advanced sensors and cloud solutions to the construction process in the BIM\* field.
- 2) Launch disruptive innovation products specialized for construction, provide users with cloud-based services to automate the survey, construction and building fields to reduce costs.
- 3) Introduce disruptive technologies in the field of construction BIM\*.
- 4) Introduce a high speed diagnostic system to detect infrastructure and structural degradation.

As a result of these measures, we forecast net sales of ¥37,000 million (up 7% year on year) and operating income of ¥5,900 million (up 13% year on year) for fiscal 2014.

\*BIM: Building Information Modeling

### topic

#### Launch of Layout Navigator "LN-100": Intuitive and Simple Layout Guidance

"LN-100," a new layout navigator, increases the efficiency of layout work, which accounts for a significant portion of surveying work at construction and building sites, and enables anybody to quickly perform the layout process alone.

After the power is turned on, the instrument automatically starts leveling itself, eliminating the need for a cumbersome leveling process using foot screws. There are only three operational buttons on the instrument itself, with detailed operational instructions to be given via an Android terminal. We have also developed a simple software program which can be used by anybody and which makes it possible to transfer measured coordinate data through email and a cloud server.

As it is unnecessary to assign any personnel to man the instrument itself, a single surveyor can perform the work. Thorough pursuit of usability has led to such functions as automatic tracking, which ensures quick restarting of tracking based on an algorithm when the target is lost during the layout process. Topcon positions LN-100 as a product that brings disruptive innovation to the fields of construction and building through the efficiency improvement of surveying work.



Layout Navigator  
LN-100

# EYE CARE COMPANY

## CONNECTING VISIONS™

The vision of the Topcon Eye Care Company is to support satisfaction and happiness by connecting visions of people in society (healthy and fulfilling lives), visions of healthcare professionals (provision of advanced and effective medical care), and visions of eyeglasses shops (provision of advanced and effective medical care and eyeglasses that satisfy customers' needs).

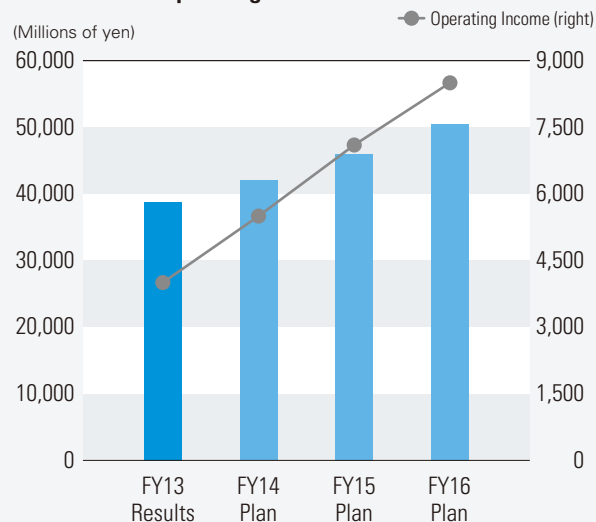


With our strong foundation in examination and diagnosis, we will focus to reinforce our strength in preventive medicine and treatment segments.



*Director,  
Executive Officer  
General Manager,  
Eye Care Company*  
**Yasufumi Fukuma**

### Net Sales and Operating Income





## FY2013 Financial Results

Net sales came to ¥38,736 million, up 24.7% year on year, due to robust sales in the United States, Europe, and Asia. Operating income expanded 156.0% year on year to ¥4,003 million due to the increased net sales and the effects of reduced cost.

By region, the U.S. economy started to show signs of moderate recovery in the second half of the year, while in Europe, the effects of the fiscal crisis lingered. In Japan, although there was a last-minute surge in demand before the consumption tax hike, demand generally remained flat. In China, the growth slowed down. In India and Southeast Asia, the effects of sluggish consumption increased as a result of the depreciation of local currencies against the dollar.

By business field, in the ophthalmic field, demand for low-end OCT grew mainly in Japan and Europe. In the eyeglass field, the trend of price reduction intensified, mainly among chain stores. In markets related to diabetes, glaucoma, and screening, demand expanded, mainly in emerging countries.

## Performance Outlook

As for future regional business outlooks, in Europe, moderate economic recovery is expected to continue, but the increasingly tense situation in Ukraine has become a cause for concern. In the United States, market recovery is expected to continue, while in Japan, demand is expected to remain robust, mainly among general practitioners. In Asia, we expect the market to recover due to an increase in hospitals in China. In India and Southeast Asia, we are pinning hopes on an increase in capital investment associated with economic growth.

By business field, demand is expected to grow in the ophthalmic field against the backdrop of the aging of society. In the eyeglass field, demand is expected to remain flat in Japan. In overseas markets, demand is expected to continue growing in the optometry market. In markets related to diabetes, glaucoma, and screening, we project that demand will continue growing in emerging countries.

In these circumstances, the Eye Care Company will implement the following four priority measures in fiscal 2014:

- 1) Utilize fully automatic operation OCT to expand screening business.
- 2) In the field of treatment/prognosis management, create synergy effects by combining laser treatment instruments and retinal imaging devices.
- 3) In the ophthalmic IT field, realize the world's first smart prognosis management using the cloud system.
- 4) In the examination/diagnosis field, develop disruptive innovative products that make it possible to detect various diseases by examining the fundus.

In addition, we have established "T-GREAT," an organization that aims to strengthen the preparedness for the tightening of regulations on medical instruments around the world, such as the increasingly rigorous screening by the U.S. Food and Drug Administration.

As a result of these activities, we forecast net sales of ¥42,000 million (up 8% year on year) and operating income of ¥5,500 million (up 37% year on year) for fiscal 2014.

## topic

### Growth of 3D OCT-1 Maestro, 3D Optical Coherence Tomography: Development of New Testing Styles

Needs for ophthalmic diagnosis are growing due to such factors as the aging of society and an increase in the number of patients suffering from three major ophthalmic diseases, including diabetic retinopathy, around the world. 3D optical coherence tomography (OCT) used for ophthalmic diagnosis provides cross-sectional images of the eye (anterior eye and fundus) and measurement results. Regarding instruments like this, it is necessary to improve the operability so as to reduce the time needed to capture images and enable even people unfamiliar with operating the machine to easily capture images.

The 3D OCT-1 Maestro series is epoch-making equipment that meets these two requirements, reducing the time needed to capture images and

improving the operability. The key to this achievement is its automatic alignment function. This function reduces the image-capturing time and makes it possible for anybody to operate OCT. The adoption of a rotatable touch screen, which allows the screen to be positioned across a range of angles, enhances usability by enabling use in various situations and providing greater freedom in installation locations.

One year after its launch, 3D OCT-1 Maestro is recording rapid sales growth, as it has captured the expanding needs for ophthalmic diagnosis.

World's First



3D Optical Coherence Tomography  
3D OCT-1 Maestro



# 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, GNSS (GPS)-related instruments, and ophthalmic medical instruments.

## 1932~

### Founding and Business Base Establishment Phase

#### 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

## 1963~

### Development Phase

#### 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

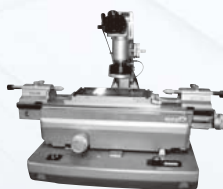
Established Topcon Singapore Pte. Ltd. in Singapore.

### 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



1966  
Universal Measuring  
Microscope TUM



1979  
Electric Distance  
Meter DM-C2



1979  
Non-Mydriatic  
Retinal Camera TRC-NW

## 1985~

### Growth Phase

#### 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  
Electronic  
Total Station  
GTS-3 series



1988  
Digital Image Filing  
System IMAGENet



1993  
Auto-Tracking  
Total Station  
AP-L1

1994~

## Mature Phase

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 GNSS (GPS)-related Business.**

Acquired Javad Positioning Systems, Inc. in the United States and began  
developing precision GNSS receivers and related system products,  
while merging the GNSS (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 Development  
Corporation, 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-1750S



2006  
Optical Coherence  
Tomography 3D OCT-1000



2006  
GNSS Receiver  
GR-3

2008~

## Transformation Phase

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.

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."

2012

Discontinued the Finetech Business Unit as of April 1 and changed organizational  
structure into three in-house companies as of June 27.



2008  
3D Laser Scanner  
GLS-1000



2009  
Mobile Survey System  
IP-S2



2009  
Plant Nutrition Sensor  
CropSpec



2010  
Ophthalmic Laser  
Photocoagulator  
PASCAL



2013  
Optical Coherence  
Tomography  
3D OCT-1 Maestro



2014  
Layout Navigator  
LN-100

## GLOBAL NETWORK

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.



### Topcon Positioning Systems, Inc.

Develops and manufactures GNSS instruments, machine control systems, and supporting software solutions. Software for surveying and mapping is developed at its Ohio and Calgary offices.



### Topcon Medical Laser Systems, Inc.

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



### Tierra S.p.A.

### Topcon InfoMobility S.r.l. GEOPRO s.r.l.

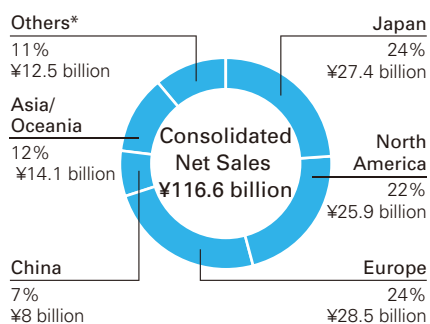
GNSS-related software and telematics-related development



### Topcon Medical Systems, Inc.

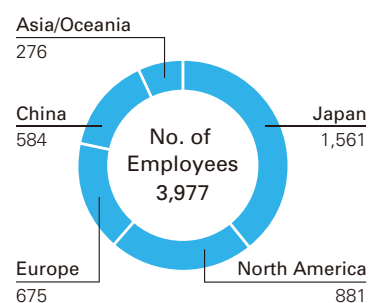
Develops and manufactures eye care products, and develops network solutions for the image filing systems IMAGEnet, EMR, and EyeRoute (a web-based network system).

### Sales by Region: FY2013



\* The "Others" in the sales by region chart includes Latin America, Middle East, Russia, Africa etc.

### Number of Employees by Region



(As of March 31, 2014)

### America

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	●	▲
TPS Columbus Office/U.S.A.	P		
TPS Kansas Office/U.S.A.	P		
TPS Calgary Office/Canada	P		
Topcon Canada Inc./Canada	E		
TOPCON BRASIL EQUIPAMENTOS MÉDICOS			
E DE POSICIONAMENTO LTDA./Brazil	P	E	▲

Research & Development	Positioning Company
Manufacture	Smart Infrastructure Company
Sales & Marketing	Eye Care Company
	Others

**Topcon Europe Medical B.V.**

Develops and manufactures differentiated products targeted for Europe, also engages in development of the eye care system.

**Topcon (Beijing) Opto-Electronics Development Corporation****Topcon Optical (Dongguan) Technology Ltd.**

Develops and manufactures Smart Infrastructure products in Beijing. Dongguan factory makes parts for Smart Infrastructure and Eye Care products.

**Topcon Corporation**

Topcon's headquarters comprehensively oversees the development and manufacturing of all business sectors. Sokkia Topcon manufactures total stations. Topcon Yamagata manufactures Eye Care products. Optonexus manufactures optical devices.

**Topcon Positioning Systems (Australia) Pty Ltd.****Topcon HK(BD) Ltd.**

Makes parts for DPPC products and optical engine for pico-projector

**Topcon Precision Agriculture Pty Ltd.**

Develops and manufactures precision agriculture products, as well as machine control software development.

**Topcon Technology Center**

Develops GNSS receivers, antennas, radios, and software.

**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 GmbH, Lasertechnik, Vermessungs- und Baugeräte/Germany	P ▲
Topcon S.A.R.L./France	P E ▲
Topcon España, S.A./Spain	E ▲
Topcon Positioning Spain, S.L./Spain	P ▲
Topcon Positioning Canarias, S.L./Spain	P ▲
Topcon Positioning Portugal, L.D.A./Portugal	P ▲
Topcon Scandinavia A.B./Sweden	E ▲
Topcon (Great Britain) Ltd./U.K.	P E ▲
Topcon Polska Sp. Zo.o./Poland	E ▲
Tierra S.p.A./Italy	P ▲
Topcon InfoMobility S.r.l./Italy	P ▲
GEOTOP s.r.l./Italy	P ▲
GEOPRO 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	S ▲
Topcon Singapore Medical Pte. Ltd./Singapore	E ▲
Sokkia Singapore Positioning Sales Pte. Ltd./Singapore	S ▲
Topcon Instruments (Malaysia) Sdn. Bhd./Malaysia	S E ▲
Topcon Instruments (Thailand) Co., Ltd./Thailand	S E ▲
Topcon Sokkia India Pvt. Ltd./India	S ▲
Sokkia Korea Co., Ltd./Korea	S ▲
Topcon Optical (H.K.) Ltd./China	S E ▲
Topcon (Beijing) Opto-Electronics Development Corporation/China *	S E ▲
*Exclusively focused on eye care product sales	
Shanghai Topcon-Sokkia Technology and Trading Co., Ltd.	P ▲
Topcon Optical (Dongguan) Technology Ltd./China	S E ▲
Topcon HK(BD) Ltd./Bangladesh	P ▲
Topcon Precision Agriculture Pty Ltd./Australia	P ▲
Topcon Positioning Systems (Australia) Pty Ltd./Australia	P ▲
Topcon Positioning Middle East and Africa FZE/UAE	S ▲
Topcon Corporation Dubai Office/UAE	E ▲
Topcon Corporation Beirut Office/Lebanon	E ▲

**Japan**

Topcon Corporation	P S E ▲
Sokkia Topcon Co., Ltd.	S ▲
Topcon Sokkia Positioning Japan Co., Ltd.	P S ▲
Topcon Medical Japan Co., Ltd.	E ▲
Topcon Vision Care Japan Co., Ltd.	E ▲
Topcon Technohouse Corporation	P ▲
Topcon Yamagata Co., Ltd.	S E ▲
Optonexus Co., Ltd.	S E ▲



## CORPORATE GOVERNANCE

Topcon pursues sustained growth in its corporate value and a greater degree of soundness and transparency of its management. The Company achieves this by enhancing its corporate governance, which includes not only thorough implementation of compliance, but also doing business in good faith with respect for corporate ethics, in addition to strengthening risk management.

### Corporate Governance

Topcon is a Company with Board of Auditors, and Topcon's Board of Auditors consists of four members (two of which are outside corporate auditors) that examine decision-making and business execution by directors. The Board of Directors consists of eight members of directors (two of which are outside directors), and the meeting of the Board of Directors is held once per month (and on other occasions as needed) to deliberate on and report regular agenda items related to management policies, laws, articles of incorporation, or other important matters related to the management of Topcon. Through these actions, the Board of Directors could strengthen supervisory functions. Topcon has adopted the Executive Officer System. By entrusting day-to-day execution to executive officers, Topcon has separated the supervision by directors or Board of Directors and the operations by executive officers. This system allows for prompt and appropriate response to rapid changes in the business environment. As a rule, the Executive Officers Meeting is held once a week. Agenda items in the Executive Officers Meeting include analyses of the business environment, discussions of mid-term business plans and budgets, information sharing on budget-versus-actual execution and other data, discussions of important corporate decisions, thoroughness of compliance activities in adopting key points, and discussions on a variety of other matters to ensure the fairness and transparency of management decisions.

Topcon has established Corporate Audit Division which

serves as the internal audit department under the direction of the President. This Corporate Audit Division is a part of a system which ensures legal compliance, as well as the appropriateness and efficiency of business performance.

### Outside Directors and Corporate Auditors

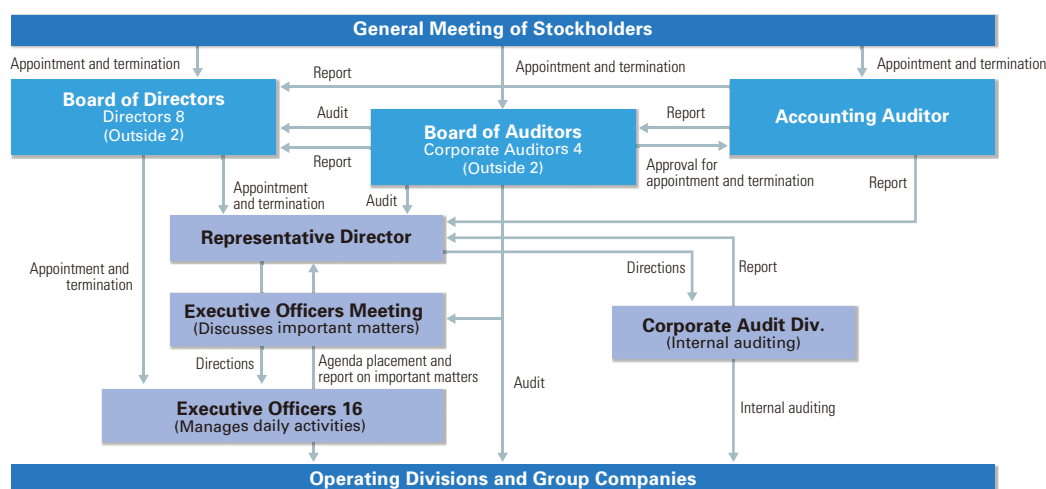
Topcon has two outside directors and two outside corporate auditors.

The purpose of appointment of the outside director is to directly obtain external opinions and enhance the monitoring and supervision of the Board of Directors. Auditing by the outside corporate auditors is a key function to fortify independent supervision of management. Also, given the importance of the outside director in monitoring and supervising management and outside corporate auditors in monitoring, Topcon makes best effort to appoint outside directors and outside corporate auditors who have detailed knowledge about all facets of corporate management and of Topcon's businesses, and are entirely independent.

Mr. Akira Sudo is Topcon's outside director who also serves as an executive advisor for Toshiba Corporation, which is a major shareholder in Topcon. Mr. Chikahiro Yokota is Topcon's outside corporate auditor who also serves as an advisor for Toshiba Corporation.

Topcon has satisfied the independent executive requirements recommended by the Tokyo Stock Exchange Inc. (TSE) for at least one outside director and one outside corporate auditor, and we have notified the TSE of such satisfaction.

**Corporate Governance Structure** (As of June 26, 2014)





## Directors and Corporate Auditors Compensation

Each maximum annual compensation for directors and corporate auditors is established, as follows, in a resolution by 120th Ordinary General Meeting of Shareholders held on June 26, 2013.

The maximum annual compensation for directors is ¥500 million (the maximum fixed portion is ¥300 million and the maximum performance-linked portion calculated on the basis of prescribed benchmarks for the relevant fiscal year is ¥200 million), which does not include employee compensation for a directors who also serve as employees. Among the ¥500 million, the maximum fixed annual compensation for an outside director is ¥30 million.

On the other hand, the maximum annual compensation for corporate auditors is ¥100 million.

Compensation for directors (excluding outside directors) as of March 31, 2014, consists of basic pay and performance-linked compensation. Basic pay is based on standards of each classification of director, while performance-linked compensation is based on standards by calculating on the basis of prescribed benchmarks for the relevant fiscal year.

Compensation for outside directors and corporate auditors (including outside corporate auditors) consists only of basic pay.

Based on these standards, directors' compensation is determined by approval of the Board of Directors, and

3. As of March 31, 2014, the maximum annual compensation for directors was limited to ¥500 million (the maximum fixed portion was ¥300 million and the maximum performance-linked portion calculated on the basis of prescribed benchmarks for the relevant fiscal year was ¥200 million), which does not include employee compensation for directors who also serve as employees, as established in a resolution by the 120th Ordinary General Meeting of Shareholders held on June 26, 2013. Among the ¥500 million, the maximum fixed annual compensation for an outside director was limited to ¥30 million.
4. As of March 31, 2014, the maximum annual compensation for corporate auditors was limited to ¥100 million, as established in a resolution by the 120th Ordinary General Meeting of Shareholders held on June 26, 2013.

corporate auditors' compensation is determined by negotiations among corporate auditors.

Total compensation of directors and corporate auditors for the fiscal year ended March 2014 was as shown below.

## Risk Compliance

Topcon has established Basic Rules for Risk and Compliance and has appointed individuals responsible for risk management, whereby Topcon has established systems capable for responding to any Topcon Group risks in a timely and appropriate manner.

In addition to the ordinary organizational channels, Topcon has also introduced the Internal Reporting System (whistle blower system) to enable direct notification of risk-related information from the person who identified the risk, whereby Topcon could quickly discover risk information and a swiftly and appropriately respond to the risk incident, as well as help to raise awareness of risk management among directors and employees in Topcon and its subsidiaries. The Internal Reporting System is administered by the Corporate Audit Division.

Topcon has established the Basic Regulation on Personal Information Protection concerning protection of private information, and the Basic Regulation on Information Security regarding confidential information and associated regulations thereof and seeks to keep employees of Topcon and subsidiaries fully informed of these regulations. These regulations provide for the protection of such information itself as well as make directors or employees in Topcon respond in timely and appropriate manners if risk arises related to such information.

Classification	Total Compensation (Millions of yen)	Compensation by Position (Millions of yen)		Number of Individuals
		Basic Compensation	Executive bonuses	
Directors (excluding outside directors)	123	96	27	8
Corporate Auditors (excluding outside corporate auditors)	36	36	—	3
Outside Officers	11	11	—	3

Notes: 1. As of March 31, 2014, Topcon had 5 directors, 2 corporate auditors, and 3 outside officers (1 outside director and 2 outside corporate auditors).  
2. In addition to the compensation presented above, ¥38 million in compensation (including bonuses) was paid to directors who also served as Topcon's employees.

## Message from the Outside Director

With society increasingly asking more of corporate governance systems over the past few years, the responsibilities of outside directors are substantial given the importance attached to management transparency. Topcon's three large businesses, the Positioning Company, the Smart Infrastructure Company, and the Eye Care Company, are in fields with promising growth prospects. In order to ensure they grow as planned and deliver maximum profits, the Group will likely need to take multiple steps in the years ahead. When gauging whether such measures are sensible in view of external conditions, I will rationally assess them and furnish advice and suggestions based on a diverse range of information and knowledge I have acquired in the course of my career, as well as technology trends. While communicating with Topcon's directors, officers, and employees by exchanging information with them, I will strive to identify issues that go unnoticed inside the Company and take appropriate actions to solve them.



Director (Outside Director)  
**Akira Sudo**

April	1980	Joined Tokyo Shibaura Electric Co., Ltd. (Currently Toshiba Corporation)
April	2008	General Manager, Power and Industrial Systems Research and Development Center, Power Systems Company
April	2008	Executive Officer, Corporate Vice President
June	2010	Executive Officer, Corporate Senior Vice President
June	2011	Executive Officer, Corporate Executive Vice President
June	2013	Director, Representative Executive Officer, Corporate Senior Executive Vice President
June	2014	Executive Adviser, Toshiba Corporation (to present)
June	2014	Director (Outside Director) (to present)

## 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 Nations Global Compact. The Group's common policies and the organization structure are established to support these CSR activities.

### Basic Policy for CSR

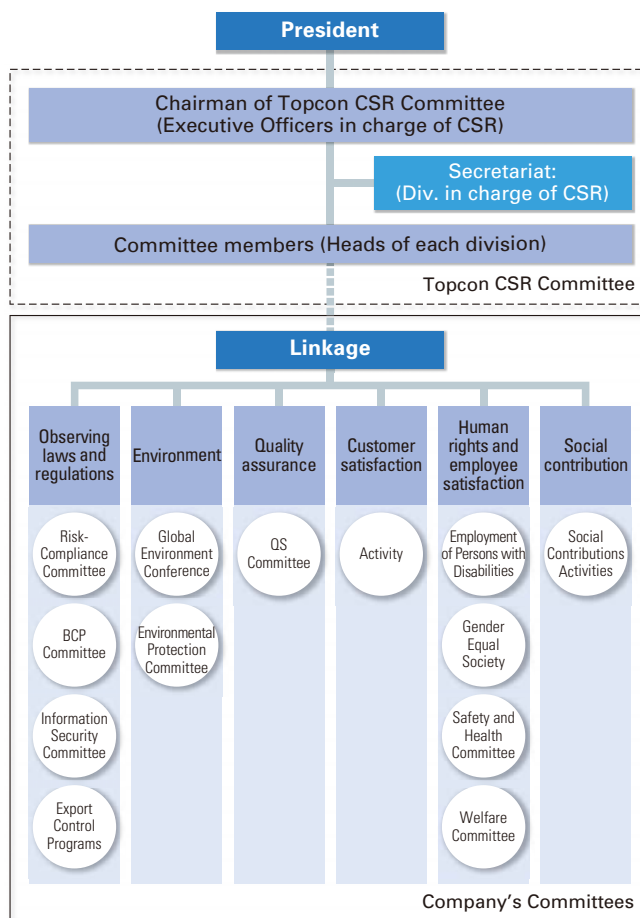
Topcon defines the basic policies for carrying out CSR activities that conform to the UN Global Compact, in which Topcon has participated since October 2007.

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 with 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 earn the trust 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



## The measures and targets of our CSR

The role of the TOPCON CSR Committee is to review and evaluate year-by-year achievements regarding our CSR activities, and to set goals and plans for the next year. In fiscal 2013, we particularly focused on the BCP, employment of people with disabilities, and environmental auditing of group companies.

Items	Key Goals and Plans for FY2013	Key Achievements in FY2013	*	Key Goals and Plans for FY2014
Corporate Governance	<ul style="list-style-type: none"> <li>Disseminating the Corporate Governance Principles (Continued)</li> <li>Holding seminars on the Corporate Governance Principles and CSR education program</li> <li>Ratification of TOPCON Code of Business Conduct in domestic group companies.</li> </ul>	<ul style="list-style-type: none"> <li>Provided training for managers according to plan</li> <li>Adopted in domestic group companies according to plan</li> <li>Adopted in domestic group companies as planned</li> </ul>	○	<ul style="list-style-type: none"> <li>Disseminating the Corporate Governance Principles (Continued)</li> <li>Holding seminars on the Corporate Governance Principles and CSR education program</li> <li>Disseminate the group governance</li> </ul>
Risk Compliance	<ul style="list-style-type: none"> <li>Reviewing the BCP according to the changes in social conditions</li> <li>Employment rate of persons with disabilities: 2.0% (complying with legal requirements)</li> <li>Holding topic-by-topic compliance seminars</li> </ul>	<ul style="list-style-type: none"> <li>Reviewed BCP on the assumption that earthquake may occur beneath the company sites</li> <li>Increased stockpiles of emergency supplies (food, beverage, portable toilets, blankets, etc.) and provided satellite phones</li> <li>Employment rate of persons with disabilities: 1.83% (short by a person)</li> <li>Held topic-by-topic compliance seminars with updated materials including training at overseas group companies as planned</li> </ul>	△	<ul style="list-style-type: none"> <li>Promote BCP in group companies</li> <li>Review and expand emergency stockpiles</li> <li>Employment rate of persons with disabilities: 2.0% (complying with legal requirements)</li> <li>Holding topic-by-topic compliance seminars (Continued)</li> </ul>
Responsibilities to Customers	<ul style="list-style-type: none"> <li>Developing and releasing new products through promotion of TM-1activities</li> <li>Improving pre-verification capabilities in upper stream and preventing quality problems</li> <li>Improving the total quality assurance system across group companies</li> <li>Promoting prompt feedback of customer information</li> </ul>	<ul style="list-style-type: none"> <li>Conducted risk analysis and enhanced design review to shorten development times and improve quality</li> <li>Promoted awareness of prioritizing the quality through the Technology/Quality Month and other quality forums</li> <li>Speeded up the feedback of quality information between group companies on a global basis</li> </ul>	○	<ul style="list-style-type: none"> <li>Enhance design review to improve quality of new products</li> <li>Enhance change-point control to improve product quality</li> <li>Enhance the internal audit system to strengthen an ability to identify true cause</li> <li>Promote to consolidate customer complaints information between group companies on a global basis</li> </ul>
Responsibilities to Business Partners	<ul style="list-style-type: none"> <li>Revising green procurement standards to ensure that suppliers appropriately manage chemical substances</li> </ul>	<ul style="list-style-type: none"> <li>Revised the Green Procurement Standard. Added items on prohibited minerals</li> </ul>	○	<ul style="list-style-type: none"> <li>Ensure a new guideline is communicated to and understood by suppliers</li> </ul>
Responsibilities to Employees	<ul style="list-style-type: none"> <li>Measures for reducing metabolic syndrome cases</li> <li>Continuing no-smoking programs</li> <li>Strengthening cooperation in safety and health matters within group companies and improving management levels</li> <li>Continual improvement of the personnel system</li> </ul>	<ul style="list-style-type: none"> <li>Conducted measures for reducing metabolic syndrome cases as planned</li> <li>Promoted non-smoking campaign. Percentage of smokers: 27.1% (101.5% as compared to FY2012)</li> <li>Disseminated the important items related to health and safety</li> <li>Established a new personnel system and a human resources vision</li> </ul>	○	<ul style="list-style-type: none"> <li>Conduct more effective measures to promote health</li> <li>Review measures to further reduce smokers</li> <li>Further improve work environment</li> <li>Conduct Topconian training in group companies around the world</li> </ul>
Responsibilities to International and Local Communities	<ul style="list-style-type: none"> <li>Providing environmentally conscious and resource-saving products, and products and services useful for improving medical care, health care and life in general</li> <li>International volunteer assistance</li> <li>Assisting of medical and academic institutes (product donation and sponsor seminars)</li> </ul>	<ul style="list-style-type: none"> <li>Provided products that would help address social issues (Energy saving, Reduce environmental impact, Aging problem etc.)</li> <li>Conducted as planned</li> <li>Conducted as planned</li> </ul>	○	<ul style="list-style-type: none"> <li>Providing environmentally conscious and resource-saving products, and products and services useful for improving medical care, health care and life in general (Continued)</li> <li>Make suggestions for new volunteer activities and carry out them</li> <li>Offer more effective assistance to medical and academic institutes</li> </ul>
Enforcing Environment Management System	<ul style="list-style-type: none"> <li>Further implementation of continuous audit</li> </ul>	<ul style="list-style-type: none"> <li>Conducted the downment-based audit at 6 group companies with facility and many employees</li> </ul>	○	<ul style="list-style-type: none"> <li>Consider the implementation of field audit</li> </ul>
Providing Environmentally Conscious Products and Services	<ul style="list-style-type: none"> <li>Further improvement of providing environmentally conscious products</li> </ul>	<ul style="list-style-type: none"> <li>Provided environmentally conscious products 93.6% of sales (Target achievement)</li> </ul>	○	<ul style="list-style-type: none"> <li>Achieve a higher level than that in FY2013</li> </ul>
Establishing Environmentally Conscious Business Processes	<ul style="list-style-type: none"> <li>Implementation of measures against global warming (Reduction in CO<sub>2</sub> emissions) 6.5% reduction from the previous year (to comply with Tokyo metropolitan ordinance)</li> <li>Effective use of resources Continuing zero-emission efforts (Less than the previous fiscal year)</li> <li>Management of chemical substances Strengthening central management (Using less chemical substances than the previous year)</li> </ul>	<ul style="list-style-type: none"> <li>28.1% reduction (51% as compared to the base year)</li> <li>Continuing zero-emission efforts (Decrease in emissions; 49%)</li> <li>Use of organic solvents: 10% reduction (1,625kg)</li> </ul>	○	<ul style="list-style-type: none"> <li>Implementation of measures against global warming (Reduction in CO<sub>2</sub> emissions) 12.0% reduction from the previous year (to comply with Tokyo metropolitan ordinance)</li> <li>Effective use of resources Continuing zero-emission efforts (Less than the previous fiscal year)</li> <li>Hold the amount of use below the level of FY2013 targets</li> </ul>
Promoting Environmental Communication	<ul style="list-style-type: none"> <li>Strengthening of cooperation with governmental authorities and local residents</li> </ul>	<ul style="list-style-type: none"> <li>Carried out community cooperation activities according to plan</li> </ul>	○	<ul style="list-style-type: none"> <li>Strengthening of cooperation with governmental authorities and local residents (Continued)</li> </ul>
Responsibilities to Shareholders and Investors	<ul style="list-style-type: none"> <li>Providing information to shareholders and investors</li> <li>Maintaining external evaluations and increasing analyst coverage</li> </ul>	<ul style="list-style-type: none"> <li>Improved in Web content</li> <li>Maintained the number of analyst coverage (3 coverage)</li> </ul>	○	<ul style="list-style-type: none"> <li>Strengthen of providing information to stockholders and investors</li> <li>Maintaining external evaluations and increasing analyst coverage</li> </ul>
Communication	<ul style="list-style-type: none"> <li>Issuing TOPCON GROUP CSR Report</li> <li>Issuing the CSR information (CSR INFO-LINK)</li> <li>Reviewing the working groups to join</li> <li>Posting corporate information on the website in a timely fashion</li> <li>Social contribution activities in collaboration with NPOs</li> </ul>	<ul style="list-style-type: none"> <li>Posted to the web site in June (Japanese-English)</li> <li>Published as appropriate</li> <li>Participated in the GC-JN working group</li> <li>Disclosed corporate information in a timely fashion</li> <li>Cooperated with NPOs specialized in social contributions</li> </ul>	○	<ul style="list-style-type: none"> <li>Issuing TOPCON GROUP CSR Report on planned</li> <li>Strengthening of information dissemination by reviewing the contents of the issue content</li> <li>Conduct benchmark activities through participation in working groups</li> <li>Posting corporate information on the website in a timely fashion (continued)</li> <li>Promote more effective social contribution activities including review of partners</li> </ul>

\* Legend in the Self-Assessment column: Of the three marks used, basically, ○ means "the target is 100% met"; △ means "the target is partly not met, or there is room for improvement"; and × means "the target is not met."

■ For more detailed information on the Topcon Group's CSV (Creating Shared Value) activities, environmental conservation etc., please refer to our CSR Report.

<http://global.topcon.com/csr/>

## DIRECTORS, CORPORATE AUDITORS AND EXECUTIVE OFFICERS



(Back row, from left) Kazuyuki Matsumoto Yasufumi Fukuma Shinji Iwasaki Makoto Iwasaki Akira Sudo  
(Front row, from left) Takayuki Ogawa Satoshi Hirano Shigeyuki Sawaguchi

### Directors

*President & CEO*

**Satoshi Hirano**

*Director, Senior Managing Executive Officer*

**Takayuki Ogawa**

*Director, Managing Executive Officer*

**Shigeyuki Sawaguchi**

*Director, Executive Officer*

**Shinji Iwasaki**

**Yasufumi Fukuma**

**Makoto Iwasaki**

*Director (Outside Director)*

**Kazuyuki Matsumoto**

**Akira Sudo**

### Corporate Auditors

*Corporate Auditor*

**Haruhiko Kobayashi**

**Ikuo Kobayashi**

*Corporate Auditor (Outside Corporate Auditor)*

**Chikahiro Yokota**

**Tatsuya Kuroyanagi**

### Executive Officers

*Senior Managing Executive Officer*

**Raymond O'Connor**

*Executive Officer*

**Shuji Ichimaru**

**Masayuki Momiuchi**

**Kanji Ikegaya**

**HiroYuki Nakamura**

**Hiroshi Taguchi**

**Hiroshi Sakai**

**Takashi Eto**

**Haruhiko Akiyama**

**Takayuki Yamazaki**



# FINANCIAL SECTION

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# CONSOLIDATED TEN-YEAR SUMMARY

Topcon Corporation and Consolidated Subsidiaries

	FY2004	FY2005	FY2006	FY2007
<b>Operating results</b>				
Net sales	¥ 96,631	¥ 102,799	¥ 110,490	¥ 110,818
Smart Infrastructure Company (Positioning Business)	36,652	47,804	53,631	50,928
Positioning Company				
Eye Care Company (Eye Care Business)	26,145	31,864	38,464	39,828
Other Businesses (Finetech Business)	33,832	23,129	18,394	20,061
Elimination				
Overseas sales	66,895	72,262	80,575	81,027
Cost of sales	63,514	58,915	59,650	61,948
Gross profit	33,116	43,883	50,839	48,869
Selling, general and administrative expenses	25,967	30,818	35,563	37,894
Operating income (loss)	7,149	13,065	15,276	10,975
Ordinary income (loss)	6,267	11,503	14,233	9,205
Net income (loss)	4,278	6,781	8,549	7,736
Capital expenditures	3,402	2,753	3,012	2,893
Depreciation and amortization	2,619	2,813	3,018	3,478
Amortization of goodwill	—	268	268	268
R&D expenditures	5,956	7,713	9,424	10,178
Free cash flows	4,357	2,431	1,019	(16,185)
Net cash provided by (used in) operating activities	7,809	6,869	6,708	6,904
Net cash provided by (used in) investing activities	(3,452)	(4,437)	(5,689)	(23,090)
Net cash provided by (used in) financing activities	1,352	(8,276)	(1,123)	23,761
<b>Financial position</b>				
Shareholders' equity	¥ 35,413	¥ 47,780	¥ 54,689	¥ 56,082
Total assets	83,758	89,379	99,859	139,362
Interest-bearing liabilities	18,927	12,350	14,068	43,329
<b>Per share data (¥, \$)</b>				
Stock price (end of term)	¥ 930	¥ 2,200	¥ 1,800	¥ 785
Earnings per share (EPS)	48.03	73.44	92.30	83.52
Net assets per share (BPS)	396.09	515.85	590.45	605.49
<b>Management indicators</b>				
Gross profit ratio (%)	34.3	42.7	46.0	44.1
Operating income ratio (%)	7.4	12.7	13.8	9.9
Net income ratio (%)	4.4	6.6	7.7	7.0
Ratio of R&D expenditures to net sales (%)	6.2	7.5	8.5	9.2
Overseas sales ratio (%)	69.2	70.3	72.9	73.1
Return on assets (ROA) (%)	5.4	7.8	9.0	6.5
Return on equity (ROE) (%)	12.9	16.3	16.7	14.0
Return on invested capital (ROIC) (%)	8.6	14.3	14.8	7.3
Price earnings ratio (PER) (times)	19.4	30.0	19.5	9.4
Price book-value ratio (PBR) (times)	2.3	4.3	3.0	1.3
Equity ratio (%)	42.3	53.5	54.8	40.2
Total assets turnover ratio (times/year)	1.22	1.19	1.17	0.93
D/E ratio (%)	53.4	25.8	25.7	77.3
Dividend payout ratio (%)	10.4	20.4	21.7	19.2
Fixed assets turnover ratio (times/year)	3.98	3.76	3.58	2.71
Inventory turnover ratio (times/year)	6.61	6.70	6.13	4.78
Current ratio (%)	187.4	205.1	181.7	146.0
Interest coverage ratio (times)	10.9	8.5	9.7	6.3

Notes: 1. For the sake of convenience, the US\$ is converted at a rate of ¥102.92/US\$ as of March 31, 2014. We referenced the Tokyo foreign exchange market rate.

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.

3. As of June 27, 2012, we have changed our organizational structure to three in-house companies. As a result, the former Positioning Business Unit was split into the Smart Infrastructure Company and the Positioning Company. Likewise, the former Eye Care Business Unit became Eye Care Company. The Finetech Business Unit was discontinued as of April 1, 2012.

					Millions of yen	Thousands of U.S. dollars
FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2013
¥ 112,666	¥ 94,862	¥ 102,470	¥ 98,834	¥ 97,345	¥ 116,685	\$ 1,133,750
58,031	49,350	51,559	52,656	29,839	34,621	336,389
33,503	31,561	30,946	32,598	37,824	48,959	475,709
21,131	13,950	19,964	13,579	31,073	38,736	376,378
				9,262	6,625	64,376
				(10,653)	(12,258)	(119,102)
83,684	69,138	74,210	73,949	72,711	89,187	866,569
73,661	54,636	61,408	60,716	54,517	61,034	593,024
39,004	40,226	41,061	38,118	42,828	55,651	540,726
45,949	38,821	39,261	36,037	37,613	43,920	426,746
(6,944)	1,405	1,799	2,080	5,214	11,730	113,980
(9,326)	545	608	467	3,471	11,300	109,800
(9,992)	133	(1,288)	(3,686)	511	5,963	57,945
2,620	2,109	4,499	3,443	3,297	3,692	35,873
4,619	4,531	3,689	3,115	3,384	3,803	36,952
1,828	1,846	1,596	1,660	1,618	1,782	17,322
11,589	9,609	10,275	8,707	8,221	9,184	89,236
(6,991)	1,112	(7,903)	(3,575)	1,862	4,599	44,692
(1,267)	3,755	(934)	47	3,474	8,132	79,018
(5,724)	(2,643)	(6,969)	(3,622)	(1,611)	(3,532)	(34,325)
5,667	1,468	4,761	3,467	976	(6,877)	(66,823)
¥ 39,801	¥ 40,490	¥ 36,908	¥ 32,667	¥ 48,474	¥ 53,598	\$ 520,783
119,702	125,539	124,816	120,777	129,503	135,818	1,319,648
49,706	51,501	55,300	58,882	50,629	47,733	463,789
¥ 382	¥ 517	¥ 440	¥ 550	¥ 857	¥ 1,692	\$ 16.44
(107.89)	1.44	(13.91)	(39.80)	5.48	55.21	0.536
429.72	437.17	398.50	352.71	448.77	496.22	4.821
34.6	42.4	40.1	38.6	44.0	47.7	
(6.2)	1.5	1.8	2.1	5.4	10.1	
(8.9)	0.1	(1.3)	(3.7)	0.5	5.1	
10.3	10.1	10.0	8.8	8.4	7.9	
74.3	72.9	72.4	74.8	74.7	76.4	
(7.7)	0.1	(1.0)	(3.0)	0.4	4.4	
(20.8)	0.3	(3.3)	(10.6)	1.3	11.7	
(5.2)	1.1	1.3	1.6	3.8	7.9	
—	358.0	—	—	156.3	30.7	
0.9	1.2	1.1	1.6	1.9	3.4	
33.2	32.3	29.6	27.0	37.4	39.5	
0.87	0.77	0.82	0.80	0.78	0.88	
124.9	127.2	149.8	180.3	104.4	89.1	
—	277.0	—	—	109.4	18.1	
2.38	2.18	2.39	2.30	2.35	2.92	
4.63	4.19	4.28	4.23	4.06	4.18	
197.4	177.4	157.1	141.2	163.0	192.7	
—	2.9	—	—	3.0	8.1	

# FISCAL 2013 MANAGEMENT'S DISCUSSION AND ANALYSIS

## Summary

In fiscal 2013, ended March 31, 2014, we achieved a substantial expansion in net sales thanks to sales growth mainly in developed countries and foreign exchange market developments. We also attained a sharp rise in income as in the previous year.



Director, Senior Managing  
Executive Officer  
General Manager,  
General Accounting &  
Finance Div.  
**Takayuki Ogawa**

## Market Environment

In fiscal 2013, ended March 31, 2014, economic conditions in Europe worsened due to prolonged fiscal insecurity, while the United States, though affected by the European conditions, achieved an economic recovery led by domestic demand. China and other emerging economies generally slowed down, although their conditions varied.

The Japanese economy continued a smooth recovery, driven mainly by public demand through government economic measures and an export improvement through the yen's depreciation.

Under these economic conditions, the Topcon Group pivoted from structural reform to growth strategy under the slogan of "Creativity & Growth" and embarked on measures to improve our corporate climate in line with the TOPCON WAY in order to accelerate the exploration of new businesses through unique ideas and realize profitable, sustainable growth.

## Consolidated Results

In fiscal 2013, net sales expanded by 19.9% year on year to ¥116,685 million due mainly to sales growth in Japan, the United States, and Europe, as well as the impact of foreign exchange rate changes.

The net sales growth, cost reduction effects, foreign exchange rate changes and other factors allowed operating income to increase by 124.9% year on year to ¥11,730 million and ordinary income to rise by 225.5% year on year to ¥11,300 million. As a result, net income expanded by ¥5,452 million year on year to ¥5,963 million, indicating a substantial improvement from the previous fiscal year.

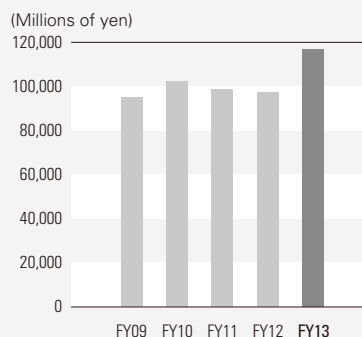
## Segment Information

The Positioning Company recorded net sales of ¥48,959 million, up 29.4% year on year, due to firm growth in Europe and the United States. Due primarily to the net sales growth and reduced costs of goods, operating income grew by 219.4% year on year to ¥4,514 million.

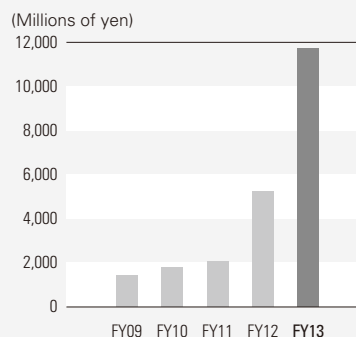
The Smart Infrastructure Company posted net sales of ¥34,621 million, up 16.0% year on year, due to growth in Japan and China. Operating income increased by 26.1% year on year to ¥5,201 million as a result of the net sales growth and other factors.

The Eye Care Company expanded net sales by 24.7% year on year to ¥38,736 million as a result of firm growth in Europe, the United States, and Asia. Operating income soared by 156.0% year on year to ¥4,003 million due primarily to the net sales growth and reduced costs of goods.

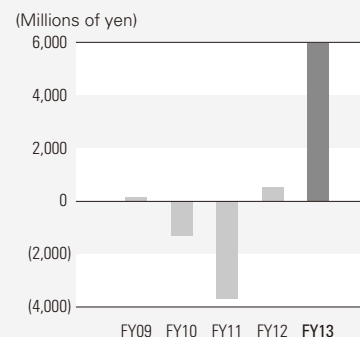
### Net Sales



### Operating Income



### Net Income (Loss)



## Financial Position

### Assets

As of March 31, 2014, total assets stood at ¥135,818 million, an increase of ¥6,314 million from the end of the previous fiscal year.

1. Current assets: Current assets amounted to ¥96,391 million, an increase of ¥7,280 million from the previous fiscal year-end, due primarily to growth in notes and accounts receivable-trade and inventories.
2. Noncurrent assets: Noncurrent assets amounted to ¥39,426 million, a decrease of ¥965 million from the previous fiscal year-end, due mainly to a decline in goodwill.

### Liabilities

As of March 31, 2014, total liabilities amounted to ¥81,489 million, an increase of ¥1,009 million from a year earlier.

1. Current liabilities: Current liabilities amounted to ¥50,010 million, a decline of ¥4,651 million from the previous year-end, due primarily to a drop in short-term loans.
2. Noncurrent liabilities: Noncurrent liabilities amounted to ¥31,478 million, an increase of ¥5,660 million from the previous year-end, due mainly to a rise in long-term loans.

### Net Assets

As of March 31, 2014, total net assets amounted to ¥54,328 million, an increase of ¥5,305 million from the previous fiscal year-end, due primarily to increases in retained earnings and foreign currency translation adjustment, despite a decline in accumulated retirement benefit adjustment and other items.

### Cash Flows

Cash and cash equivalents (hereinafter referred to as “net cash”) at the fiscal year-end stood at ¥15,029 million, a decrease of ¥1,854 million from the end of the previous fiscal year, due to a decline in net cash resulting primarily from spending on the acquisition of noncurrent assets and on the repayment of loans.

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

Net cash provided by operating activities in fiscal 2013 amounted to ¥8,132 million, compared with ¥3,474 million in the previous fiscal year. This was due primarily to proceeds from ¥10,552 million in income before income taxes and minority interests, ¥3,803 million in depreciation and amortization, and ¥1,782 million in amortization of goodwill, as well as an increase of ¥1,923 million in notes and accounts receivable—trade and ¥2,374 million in income taxes paid.

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

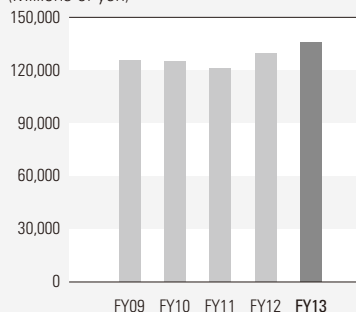
Net cash used in investing activities in fiscal 2013 totaled ¥3,532 million, compared with ¥1,611 million in the previous fiscal year. The primary elements of this were ¥2,201 million used for the purchase of property, plant and equipment, and ¥1,879 million used for the purchase of intangible assets.

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

Net cash used in financing activities in fiscal 2013 amounted to ¥6,877 million, compared with ¥976 million in net cash provided in the previous fiscal year. This was attributable primarily to ¥8,019 million in proceeds from long-term loans payable, a net decrease of ¥1,608 million in short-term loans payable and ¥12,003 million in repayment of long-term loans payable.

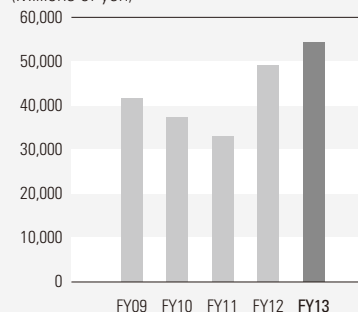
### Total Assets

(Millions of yen)



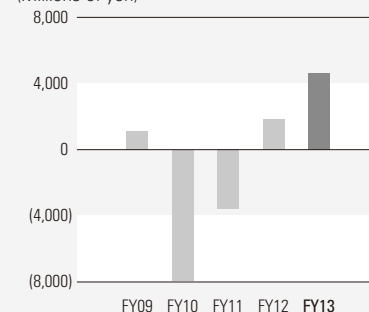
### Net Assets

(Millions of yen)



### Free Cash Flows

(Millions of yen)





### Capital Expenditures

Total capital expenditures for the Topcon Group amounted to ¥3,692 million in fiscal 2013. By business segment, total capital expenditures were ¥776 million for the Positioning Company, ¥1,600 million for the Smart Infrastructure Company, and ¥1,195 million for the Eye Care Company. The main objectives of these expenditures were to introduce ERP, to advance research and development, to enhance production systems, to improve operating efficiency, and to replace molds and other item.

### Dividend Policy

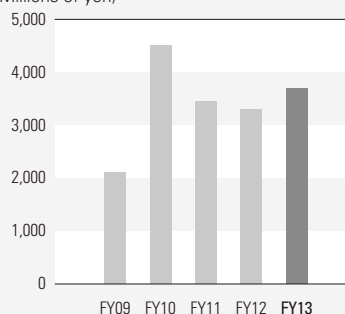
We place priority on dividend payments to return profits to shareholders. Our basic policy regarding the distribution of profits to shareholders is to steadily increase the dividend payment amount in line with the growth in consolidated earnings.

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 the record date for the year-end dividend of March 31 and for interim dividend of September 30 each year, as well as allowing for the payment of dividends besides the above with the record date to be determined.

In fiscal 2013, ended March 31, 2014, the Company's consolidated results improved significantly compared with the previous fiscal year and met our consolidated performance targets of the year published on January 31, 2014. As a result, in addition to paying an interim dividend of ¥5 per share as planned (compared with a ¥2 per share interim dividend in fiscal 2012), the Company paid a year-end dividend of ¥5 per share (compared with a ¥4 per share year-end dividend in fiscal 2012), bringing the full-year dividend payment to ¥10 per share (compared with the full-year dividend payment of ¥6 per share in fiscal 2012).

### Capital Expenditures

(Millions of yen)



### 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 (hereinafter "the Group") conducts business in three companies: the Positioning Company, Smart Infrastructure Company and Eye Care Company. Demand for the Group's products is influenced by the trends in each of the markets in which the companies conduct business (the construction, ophthalmic, and 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 company. 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 business results and financial position 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. Fixed Assets

The Group maintains property, plant and equipment and intangible assets, such as goodwill assumed with corporate acquisitions. Decreases in the asset value of these noncurrent assets due to declining profitability, falling market prices, and other factors could lead to impairment losses or loss on sale at the time of sale. Such conditions

may impact the business results and financial position of the Group.

### 8. 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.

### 9. 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.

### 10. 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.

### 11. Laws and Regulations

Some of the products that the Group manufactures for Eye Care Company 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.

### 12. 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.

### 13. Seasonality

Our sales and profits tend disproportionately weighted towards the fourth quarter.

# CONSOLIDATED FINANCIAL STATEMENTS

## Consolidated Balance Sheets

Topcon Corporation and Consolidated Subsidiaries  
As of March 31, 2013 and March 31, 2014

	Millions of yen		Thousands of U.S. dollars
	FY2012	FY2013	FY2013
<b>Assets</b>			
<b>Current assets</b>			
Cash and deposits	¥ 17,213	¥ 15,187	\$ 147,571
Notes and accounts receivable—trade	36,912	41,875	406,870
Merchandise and finished goods	16,051	18,237	177,205
Work in process	4,279	4,195	40,764
Raw materials and supplies	6,033	6,988	67,901
Deferred tax assets	5,616	5,932	57,640
Other	4,473	5,383	52,308
Allowance for doubtful accounts	(1,469)	(1,409)	(13,692)
<b>Total current assets</b>	89,110	96,391	936,567
<b>Noncurrent assets</b>			
Property, plant and equipment			
Buildings and structures, net	5,198	5,075	49,319
Machinery, equipment and vehicles, net	1,993	1,839	17,871
Land	1,767	1,696	16,479
Construction in progress	179	176	1,712
Other, net	2,138	2,401	23,332
Total property, plant and equipment	11,277	11,188	108,713
Intangible assets			
Goodwill	9,650	8,319	80,836
Other	9,241	9,812	95,342
Total intangible assets	18,892	18,132	176,178
Investments and other assets			
Investment securities	3,345	3,164	30,751
Long-term loans receivable	800	810	7,876
Net defined benefit asset	—	2,021	19,645
Deferred tax assets	3,160	2,656	25,811
Other	2,997	1,530	14,871
Allowance for doubtful accounts	(80)	(78)	(763)
Total investments and other assets	10,222	10,105	98,191
<b>Total noncurrent assets</b>	40,392	39,426	383,082
<b>Total assets</b>	¥ 129,503	¥ 135,818	\$ 1,319,648

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 ¥102.92/US\$ as of March 31, 2014 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
	FY2012	FY2013	FY2013
<b>Liabilities</b>			
<b>Current liabilities</b>			
Notes and accounts payable—trade	¥ 9,903	¥ 11,107	\$ 107,927
Short-term loans payable	31,627	25,044	243,336
Accrued expenses	6,399	6,844	66,507
Income taxes payable	1,172	2,378	23,113
Provision for product warranties	584	797	7,751
Other	4,975	3,837	37,286
<b>Total current liabilities</b>	54,662	50,010	485,920
<b>Noncurrent liabilities</b>			
Long-term loans payable	19,002	22,689	220,453
Deferred tax liabilities	4	29	290
Provision for retirement benefits	5,331	—	—
Provision for directors' retirement benefits	35	39	384
Net defined benefit liability	—	7,292	70,857
Other	1,444	1,427	13,872
<b>Total noncurrent liabilities</b>	25,818	31,478	305,857
<b>Total liabilities</b>	80,480	81,489	791,777
<b>Net assets</b>			
<b>Shareholders' equity</b>			
Capital stock	16,638	16,638	161,663
Capital surplus	21,051	20,950	203,561
Retained earnings	12,843	17,804	172,998
Treasury stock	(57)	(58)	(565)
<b>Total shareholders' equity</b>	50,476	55,335	537,657
<b>Accumulated other comprehensive income</b>			
Valuation difference on available-for-sale securities	298	468	4,556
Deferred gains or losses on hedges	10	(47)	(466)
Foreign currency translation adjustment	(2,310)	(712)	(6,918)
Remeasurements of defined benefit plans	—	(1,445)	(14,046)
<b>Total accumulated other comprehensive income</b>	(2,002)	(1,736)	(16,874)
<b>Minority interests</b>	548	729	7,088
<b>Total net assets</b>	49,022	54,328	527,871
<b>Total liabilities and net assets</b>	¥ 129,503	¥ 135,818	\$ 1,319,648



## Consolidated Statements of Income

Topcon Corporation and Consolidated Subsidiaries  
For the fiscal years ended March 31, 2013 and March 31, 2014

	Millions of yen		Thousands of U.S. dollars
	FY2012	FY2013	FY2013
Net sales	¥ 97,345	¥ 116,685	\$ 1,133,750
Cost of sales	54,517	61,034	593,024
Gross profit	42,828	55,651	540,726
Selling, general & administrative expenses	37,613	43,920	426,746
Operating income	5,214	11,730	113,980
Non-operating income			
Interest income	78	75	730
Dividends income	39	37	367
Equity in earnings of affiliates	—	50	489
Foreign exchange gains	—	381	3,705
Other	305	434	4,222
Total non-operating income	423	979	9,514
Non-operating expenses			
Interest expenses	1,160	1,021	9,930
Equity in losses of affiliates	56	—	—
Foreign exchange losses	552	—	—
Other	396	387	3,764
Total non-operating expenses	2,166	1,409	13,694
Ordinary income	3,471	11,300	109,800
Extraordinary income			
Gain on sales of land	180	—	—
Total extraordinary income	180	—	—
Extraordinary loss			
Loss on valuation of investment securities	584	485	4,719
Lump sum withdrawal contribution to employees' pension fund	—	131	1,280
Loss on liquidation of subsidiaries and affiliates	—	104	1,016
Impairment loss	—	25	252
Office transfer expenses	441	—	—
Loss on transfer of business	335	—	—
Loss on cancellation of office transfer	209	—	—
Loss on sales of land	54	—	—
Total extraordinary losses	1,624	747	7,267
Income before income taxes and minority interests	2,027	10,552	102,534
Income taxes—current	995	3,444	33,468
Income taxes—deferred	535	929	9,035
Total income taxes	1,531	4,374	42,503
Income before minority interests	496	6,178	60,030
Minority interests in income (loss)	(15)	214	2,085
Net income	¥ 511	¥ 5,963	\$ 57,945

## Consolidated Statements of Comprehensive Income

Topcon Corporation and Consolidated Subsidiaries  
For the fiscal years ended March 31, 2013 and March 31, 2014

	Millions of yen		Thousands of U.S. dollars
	FY2012	FY2013	FY2013
Income before minority interests	¥ 496	¥ 6,178	\$ 60,030
Other comprehensive income			
Valuation difference on available-for-sale securities	544	170	1,656
Deferred gains or losses on hedges	11	(58)	(564)
Foreign currency translation adjustment	2,462	1,641	15,945
Share of other comprehensive income of associates accounted for using equity method	64	10	101
Total other comprehensive income	3,082	1,763	17,138
Comprehensive income	3,579	7,942	77,168
Comprehensive income attributable to:			
Owners of the parent	3,512	7,674	74,570
Minority interests	66	267	2,598

## Consolidated Statements of Changes in Net Assets

Topcon Corporation and Consolidated Subsidiaries  
For the fiscal years ended March 31, 2013 and March 31, 2014

	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	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of fiscal 2012	¥ 10,297	¥ 14,711	¥ 12,717	¥ (56)	¥ 37,669	¥ (246)	¥ (0)	¥ (4,755)	¥ —	¥ (5,002)	¥ 397	¥ 33,064
Changes of items during the period												
Issuance of new shares	6,340	6,340			12,680							12,680
Dividends from surplus			(370)		(370)							(370)
Net income			511		511							511
Purchase of treasury stock				(0)	(0)							(0)
Other			(15)		(15)							(15)
Net change of items other than shareholders' equity						544	11	2,445	—	3,000	151	3,152
Total changes of items during the period	6,340	6,340	125	(0)	12,806	544	11	2,445	—	3,000	151	15,958
Balance at the end of fiscal 2012	¥ 16,638	¥ 21,051	¥ 12,843	¥ (57)	¥ 50,476	¥ 298	¥ 10	¥ (2,310)	¥ —	¥ (2,002)	¥ 548	¥ 49,022
Changes of items during the period												
Dividends from surplus			(972)		(972)							(972)
Net income			5,963		5,963							5,963
Purchase of treasury stock				(1)	(1)							(1)
Changes in foreign subsidiaries' and affiliated companies' interests in their subsidiaries		(101)			(101)							(101)
Other			(29)		(29)							(29)
Net change of items other than shareholders' equity						170	(58)	1,598	(1,445)	265	180	446
Total changes of items during the period	—	(101)	4,961	(1)	4,859	170	(58)	1,598	(1,445)	265	180	5,305
Balance at the end of fiscal 2013	¥ 16,638	¥ 20,950	¥ 17,804	¥ (58)	¥ 55,335	¥ 468	¥ (47)	¥ (712)	¥ (1,445)	¥ (1,736)	¥ 729	¥ 54,328

	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	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the end of fiscal 2012	\$ 161,663	\$ 204,543	\$ 124,790	\$ (555)	\$ 490,441	\$ 2,900	\$ 98	\$ (22,450)	\$ —	\$ (19,453)	\$ 5,331	\$ 476,319
Changes of items during the period												
Dividends from surplus			(9,446)		(9,446)							(9,446)
Net income			57,945		57,945							57,945
Purchase of treasury stock				(10)	(10)							(10)
Changes in foreign subsidiaries' and affiliated companies' interests in their subsidiaries		(983)			(983)							(983)
Other			(291)		(291)							(291)
Net change of items other than shareholders' equity						1,656	(564)	15,532	(14,046)	2,579	1,757	4,336
Total changes of items during the period	—	(983)	48,209	(10)	47,216	1,656	(564)	15,532	(14,046)	2,579	1,757	51,552
Balance at the end of fiscal 2013	\$ 161,663	\$ 203,561	\$ 172,998	\$ (565)	\$ 537,657	\$ 4,556	\$ (466)	\$ (6,918)	\$ (14,046)	\$ (16,874)	\$ 7,088	\$ 527,871

# Consolidated Statements of Cash Flows

Topcon Corporation and Consolidated Subsidiaries  
For the fiscal years ended March 31, 2013 and March 31, 2014

	Millions of yen		Thousands of U.S. dollars
	FY2012	FY2013	FY2013
<b>Net cash provided by (used in) operating activities</b>			
Income before income taxes and minority interests	¥ 2,027	¥ 10,552	\$ 102,534
Depreciation and amortization	3,384	3,803	36,952
Amortization of goodwill	1,618	1,782	17,322
Increase (decrease) in allowance for doubtful accounts	(435)	(251)	(2,448)
Interest and dividends income	(117)	(112)	(1,097)
Interest expenses	1,160	1,021	9,930
Loss on retirement of property, plant and equipment	282	135	1,315
Loss (gain) on sales of property, plant and equipment	(114)	(14)	(137)
Loss (gain) on valuation of investment securities	584	485	4,717
Equity in (earnings) losses of affiliates	56	(50)	(489)
Loss on liquidation of subsidiaries and affiliates	—	104	1,016
Lump sum withdrawal contribution to employees' pension fund	—	131	1,280
Loss (gain) on transfer of business	335	—	—
Office transfer expenses	441	—	—
Increase (decrease) in provision for retirement benefits	(471)	—	—
Decrease (increase) in net defined benefit asset	—	(390)	(3,793)
Increase (decrease) in net defined benefit liability	—	(197)	(1,923)
Decrease (increase) in notes and accounts receivable—trade	1,727	(1,923)	(18,691)
Decrease (increase) in inventories	(2,553)	(792)	(7,696)
Decrease (increase) in prepaid expenses	(147)	(370)	(3,597)
Increase (decrease) in notes and accounts payable—trade	(3,503)	(47)	(460)
Increase (decrease) in accrued expenses	882	(232)	(2,256)
Other, net	(67)	(2,270)	(22,058)
<b>Subtotal</b>	5,091	11,364	110,419
Interest and dividends income received	147	146	1,426
Interest expenses paid	(1,176)	(1,004)	(9,760)
Income taxes paid	(587)	(2,374)	(23,068)
<b>Net cash provided by (used in) operating activities</b>	3,474	8,132	79,018
<b>Net cash provided by (used in) investing activities</b>			
Payments into time deposits	(331)	(205)	(1,997)
Proceeds from withdrawal of time deposits	194	296	2,876
Purchase of property, plant and equipment	(1,778)	(2,201)	(21,390)
Proceeds from sales of property, plant and equipment	1,537	503	4,896
Purchase of intangible assets	(1,606)	(1,879)	(18,260)
Purchase of investment securities	(339)	(41)	(402)
Proceeds from sales of investment securities	—	60	590
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(36)	—	—
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	12	—	—
Additional purchase of investments in subsidiaries	(4)	(170)	(1,661)
Proceeds from sales of investments in subsidiaries	—	70	680
Proceeds from transfer of business	210	—	—
Payments of long-term loans receivable	(87)	(6)	(65)
Collection of long-term loans receivable	64	72	705
Other, net	554	(30)	(299)
<b>Net cash provided by (used in) investing activities</b>	(1,611)	(3,532)	(34,325)
<b>Net cash provided by (used in) financing activities</b>			
Net increase (decrease) in short-term loans payable	(10,388)	(1,608)	(15,626)
Proceeds from long-term loans payable	5,161	8,019	77,917
Repayment of long-term loans payable	(5,802)	(12,003)	(116,627)
Proceeds from issuance of common stock	12,680	—	—
Repayments of finance lease obligations	(285)	(301)	(2,933)
Purchase of treasury stock	(0)	(1)	(10)
Cash dividends paid	(370)	(967)	(9,404)
Proceeds from stock issuance to minority shareholders	67	—	—
Cash dividends paid to minority shareholders	(85)	(14)	(140)
<b>Net cash provided by (used in) financing activities</b>	976	(6,877)	(66,823)
<b>Effect of exchange rate change on cash and cash equivalents</b>	437	423	4,112
<b>Net increase (decrease) in cash and cash equivalents</b>	3,277	(1,854)	(18,019)
<b>Cash and cash equivalents at beginning of period</b>	13,606	16,883	164,047
<b>Cash and cash equivalents at end of period</b>	¥ 16,883	¥ 15,029	\$ 146,029

# CORPORATE PROFILE AND STOCK INFORMATION

(As of March 31, 2014)

## Corporate Profile

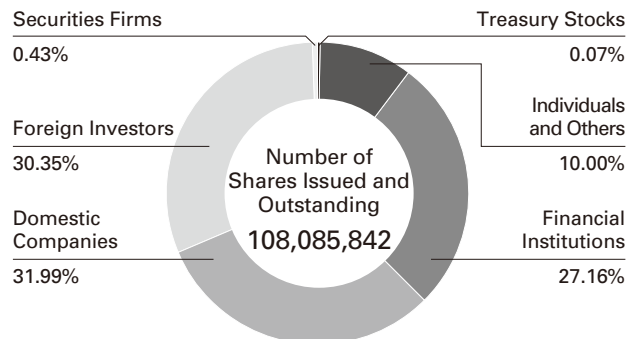
Corporate Name	TOPCON CORPORATION
Headquarters	75-1, Hasunuma-cho, Itabashi-ku, Tokyo 174-8580 Japan
Established	September 1, 1932
Paid in Capital	¥16,638 million
Business Outline	<b>Positioning</b> (GNSS (GPS), Machine control system, IT agriculture) <b>Smart Infrastructure</b> (Surveying instruments, 3D measurement, Mobile mapping system) <b>Eye Care</b> (Ophthalmic instruments, Optometric instruments)
Topcon Group	9 (Domestic) 58 (Overseas)
Employees	3,977 (Consolidated) 763 (Non-consolidated)
Number of Authorized Shares	160,000,000
Number of Shares Issued and Outstanding	108,085,842
Number of Shareholders	12,027
Stock Exchange Listings	First Section, Tokyo Stock Exchange
Securities Code	7732
Number of Shares per unit	100
Transfer Agent for common stock	Mitsubishi UFJ Trust and Banking Corporation 1-4-5, Marunouchi, Chiyoda-ku, Tokyo, Japan
Ordinary General Meeting of Shareholders	June

## Major Shareholders (As of March 31, 2014)

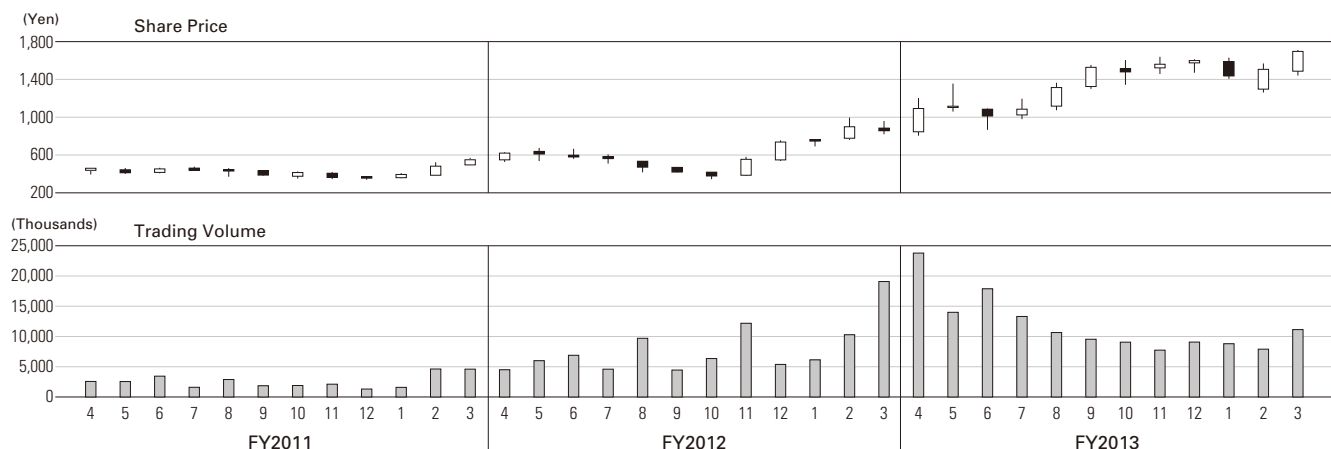
\* Number of shares held are rounded down to the hundred and percentage of shares held are rounded down to the second decimal places.

Shareholder	Number of shares held (Hundreds)	Percentage of total shares issued (%)
Toshiba Corporation	325,668	30.13
TAIYO FUND, L.P.	94,759	8.76
State Street Bank and Trust Company	58,038	5.36
The Master Trust Bank of Japan, Ltd. (Trust Account)	53,178	4.91
Japan Trustee Services Bank, Ltd. (Trust Account)	52,237	4.83
The Dai-ichi Life Insurance Co., Ltd.	40,380	3.73
Japan Trustee Services Bank, Ltd. (Trust Account 9)	29,060	2.68
The Chase Manhattan Bank NA London SL Omnibus Account	21,253	1.96
Trust & Custody Services Bank, Ltd.	16,968	1.56
Sumitomo Mitsui Banking Corporation	14,644	1.35

## Breakdown by Type of Shareholders



## Share Price and Trading Volume





# JAPANESE AND OVERSEAS GROUP COMPANIES

(As of March 31, 2014)

	Country/Region	Core Businesses	Capital/Investment in Capital*	Percentage of Voting Rights
<b>Japan</b>				
Sokkia Topcon Co., Ltd.	Tokyo	Production of smart infrastructure equipment	¥400 million	100.00
Topcon Sokkia Positioning Japan Co., Ltd.	Tokyo	Sales of smart infrastructure and positioning equipment	¥269 million	100.00
Topcon Medical Japan Co., Ltd.	Tokyo	Sales of eye care equipment	¥100 million	100.00
Topcon Vision Care Japan Co., Ltd.	Tokyo	Sales of eye care equipment	¥100 million	90.00
Topcon Technohouse Corporation	Tokyo	Development, production and sales of other equipment	¥55 million	100.00
Topcon Yamagata Co., Ltd.	Yamagata	Production of smart infrastructure, eye care and other equipment	¥371 million	100.00
Optonexus Co., Ltd.	Fukushima	Production of smart infrastructure, eye care and other equipment	¥263 million	100.00
Topcon Service Co., Ltd.	Tokyo	After sales services for smart infrastructure 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.	USD85,000 thousand	100.00
Topcon Positioning Systems, Inc.	California, U.S.A.	Development, production and sales of positioning equipment	USD58,905 thousand	100.00
Topcon Medical Systems, Inc.	New Jersey, U.S.A.	Development, production and sales of eye care equipment	USD16,094 thousand	100.00
Topcon Medical Laser Systems, Inc.	California, U.S.A.	Development, production and sales of eye care equipment	USD10,000 thousand	100.00
Cacioppe Communications Companies, Inc.	Michigan, U.S.A.	Sales of positioning equipment	USD1 thousand	100.00
Bunce Industries, LLC	Massachusetts, U.S.A.	Sales of positioning equipment	USD3,000 thousand	100.00
Bunce Shoring, LLC	Massachusetts, U.S.A.	Sales of positioning equipment	USD0 thousand	100.00
New England Positioning Systems, LLC	New Hampshire, U.S.A.	Sales of positioning equipment	USD0 thousand	100.00
New England Cornet, LLC	Massachusetts, U.S.A.	Sales of positioning equipment	USD0 thousand	100.00
Mid-Atlantic Positioning Systems, LLC	Maryland, U.S.A.	Sales of positioning equipment	USD0 thousand	100.00
Blackmore Distribution Companies, Inc.	Massachusetts, U.S.A.	Sales of positioning equipment	USD0 thousand	100.00
Topcon Canada Inc.	Quebec, Canada	Sales of eye care equipment	CAD3,872 thousand	100.00
TOPCON BRASIL EQUIPAMENTOS MÉDICOS E DE POSICIONAMENTO LTDA.	São Paulo, Brazil	Sales of positioning and eye care equipment	BRL10 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.	EUR5,437 thousand	100.00
Topcon Europe Positioning B.V.	Capelle, The Netherlands	Sales of positioning equipment	EUR18 thousand	100.00
Topcon Europe Medical B.V.	Capelle, The Netherlands	Development and sales of eye care equipment	EUR18 thousand	100.00
Topcon Deutschland G.m.b.H.	Willich, Germany	Sales of positioning and eye care equipment	EUR2,812 thousand	100.00
Ibs GmbH, Lasertechnik, Vermessungs- und Baugeräte	Hamburg, Germany	Sales of positioning equipment	EUR25 thousand	100.00
Topcon S.A.R.L.	Saint-Denis, Macon, France	Sales of positioning and eye care equipment	EUR1,372 thousand	100.00
Topcon España, S.A.	Barcelona, Spain	Sales of eye care equipment	EUR961 thousand	100.00
Topcon Positioning Iberia, S.L.	Madrid, Spain	Holding company of Topcon Positioning Spain, S.L. and Topcon Positioning Canarias, S.L., etc.	USD0 thousand	100.00
Topcon Positioning Spain, S.L.	Madrid, Spain	Sales of positioning equipment	USD0 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 Positioning Canarias, S.L.	Santa Cruz de Tenerife, Spain	Sales of positioning equipment	USD0 thousand	100.00
Topcon Positioning Portugal, L.D.A.	Lavos, Portugal	Sales of positioning equipment	USD0 thousand	100.00
Topcon Scandinavia A.B.	Molndal, Sweden	Sales of eye care equipment	SEK5,250 thousand	100.00
Topcon (Great Britain) Ltd.	Newbury, U.K.	Sales of positioning and eye care equipment	GBP2,500 thousand	100.00
Topcon Polska Sp. Zo.o.	Warszawska, Poland	Sales of eye care equipment	PLN1,330 thousand	100.00
Tierra S.p.A.	Torino, Italy	Development, production and sales of positioning equipment	USD2 thousand	50.10
Topcon InfoMobility S.r.l.	Modena, Italy	Development, production and sales of positioning equipment	EUR60 thousand	48.00
GEOTOP s.r.l.	Ancona, Italy	Sales of positioning equipment	EUR46 thousand	84.65
GEOPRO s.r.l.	Ancona, Italy	Development of positioning equipment	EUR10 thousand	51.00
Sokkia B.V.	Capelle, The Netherlands	Sales of positioning equipment	EUR10,373 thousand	100.00
Sokkia N.V.	Brussels, Belgium	Sales of positioning equipment	EUR198 thousand	100.00
DynaRoad Oy	Helsinki, Finland	Development and sales of positioning equipment	EUR14 thousand	50.00
KEE Technologies Africa (Pty) Ltd.	Johannesburg, South Africa	Sales of positioning equipment	ZAR9 thousand	100.00

#### Asia/Oceania/Middle East

Topcon Singapore Holdings Pte. Ltd.	Alexandra Terrace, Singapore	Holding company of Topcon Singapore Positioning Pte. Ltd. Pte. Ltd., and Topcon Singapore Medical Pte. Ltd.	USD1,121 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.	USD3,000 thousand	100.00
Topcon Singapore Positioning Sales Pte. Ltd.	Alexandra Terrace, Singapore	Sales of smart infrastructure equipment	USD1,000 thousand	100.00
Topcon Singapore Medical Pte. Ltd.	Alexandra Terrace, Singapore	Sales of eye care equipment	USD4,000 thousand	100.00
Sokkia Singapore Positioning Sales Pte. Ltd.	Alexandra Terrace, Singapore	Sales of smart infrastructure equipment	USD1,000 thousand	100.00
Topcon Instruments (Malaysia) Sdn. Bhd.	Kuala Lumpur, Malaysia	Sales of smart infrastructure Sdn. Bhd. and eye care equipment	MYR6,600 thousand	100.00
Topcon Instruments (Thailand) Co., Ltd.	Bangkok, Thailand	Sales of smart infrastructure and eye care equipment	THB19,000 thousand	49.00
Topcon Sokkia India Pvt. Ltd.	Noida, India	Sales of smart infrastructure equipment	INR7,500 thousand	100.00
Sokkia Korea Co., Ltd.	Seoul, Korea	Sales of smart infrastructure equipment	KRW2,041,700 thousand	100.00
Topcon Optical (H.K.) Ltd.	Hong Kong, China	Sales of smart infrastructure, eye care and other equipment	HKD24,251 thousand	100.00
Topcon (Beijing) Opto-Electronics Development Corporation	Beijing, China	Development, production and sales of smart infrastructure equipment Sales of eye care equipment	CNY33,108 thousand	75.00
Shanghai Topcon-Sokkia Technology and Trading Co., Ltd.	Shanghai, China	Sales of products from our Positioning Company. One of the Company's employees is concurrently a director	USD1 thousand	100.00
Topcon Optical (Dongguan) Technology Ltd.	Dongguan, China	Production and sales of smart infrastructure, eye care and other equipment	USD12,000 thousand	90.00
Topcon HK (BD) Ltd.	Chittagong, Bangladesh	Production of other equipment	HKD5,265 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.	USD10,901 thousand	100.00
Topcon Precision Agriculture Pty Ltd.	South Australia, Australia	Development, production and sales of Pty Ltd. positioning equipment	USD10,901 thousand	100.00
Topcon Positioning Systems (Australia) Pty Ltd.	Queensland, Australia	Development, production and sales of Pty Ltd. positioning equipment	USD0 thousand	100.00
Topcon Positioning Middle East and Africa FZE	Dubai, UAE	Sales of smart infrastructure equipment	USD1,089 thousand	100.00

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

Printed in Japan