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# TOPCON REPORT 2017

(Integrated Report)



# Topcon for Human Life

In the fields of healthcare, agriculture and infrastructure, the basic foundations of people lives, Topcon exists as a company that offers solutions that are beneficial to humanity that continues to grow with society.



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### 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, please be aware that our actual performance may deviate from the forecasts contained herein depending on conditions going forward.



住  
Infrastructure



## Societal Challenges

Global Ageing Population

Increasing Eye Disease

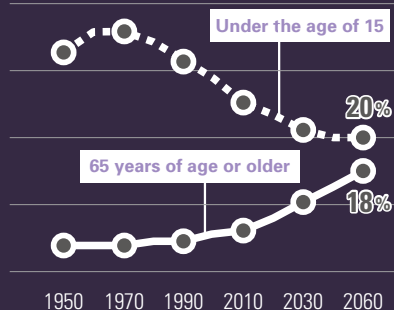
## Solution

IoT Medical Network

OCT+EMR

Expand Business Domains  
Remote Medical Care System

Global Aging Population



Source: United Nations Report

Enhancing its existing examination, diagnosis, and treatment businesses, Topcon is expanding into screening and prognostic management fields while actively promoting remote medical care systems through the use of 3D OCT and IT solutions.





## Goals

Early detection of eye diseases  
Medical efficiency improvement





# Agriculture

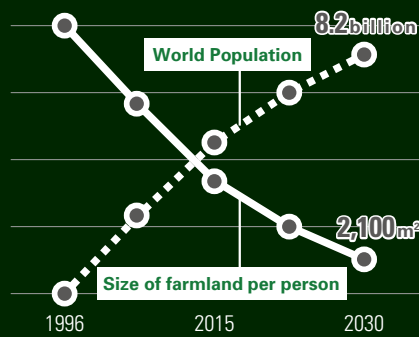
## Societal Challenges

Global Population Increase

Food Shortage

## Solution

Global Population and Size of Farmland per Person



Source: Topcon estimated based on Food and Agriculture Organization of the United Nations (FAO)

IT Agriculture

## Farming automation

High-Precision  
Labor Saving

Topcon is helping to improve the productivity and precision of agriculture by promoting the use of its GPS receiver auto-steering system in tractors. At the same time, the Company is expanding its business domain by adding weighing and machine control information to positioning data.

## Goals

# Improvement of productivity Improvement of quality







# Infrastructure

## Societal Challenges

Global Demand on Infrastructure

Engineer Shortage

## Solution

IT Construction

## IT Construction domain expansion

Experts Unrequired  
High-Precision

Topcon is facilitating the use of construction machinery as 3D printers by promoting the installation of its GPS receiver IT automated control system and inputting onsite 3D design data. This in turn is lifting the precision of construction irrespective of the proficiency levels of operators.

### Infrastructure Investment on Rapidly Growing Developing Countries



China

12th Five-Year plan (2016-2020)  
Transportation network 34 trillion yen/year



Thailand

Major Infrastructure projects by 2022  
Transport infrastructure 5.8 trillion yen



India

12th Five-Year plan (2012-2017)  
Infrastructure development 100 trillion yen



Indonesia

National Medium Term Development Plan (2015-2019)  
Infrastructure demand 55 trillion yen



Japan

Tokyo 2020 Olympic 10 trillion yen  
Maglev train 9 trillion yen

Source: Bank of Japan, Nikkei Inc.



Goals

# Solution to labor shortage



## To Our Stakeholders

# TOPCON WAY



Under current business situation such that it is always required to demonstrate its all-round ability, it redefined and clarified its common values transcending nationalities and individual companies in order to exert its strengths such as global scale and diversity, and to build a self-supporting organizational culture.

Every employee conducts TOPCON WAY, and Topcon group will step in brand-new direction for centennial through which it does not only conduct its strategies to strengthen the profitability by foreseeing changes of business environment, but also enhance its capability with the mindset of TOPCON WAY.

### Corporate Identity

Topcon contributes to enrich human life by solving the societal challenges within healthcare, agriculture and infrastructure.

### Management Policy

Topcon focuses on leading-edge technology to provide new value through innovation and manufacturing.

Topcon respects diversity and acts as a global company.

Topcon places the utmost priority on compliance and continues to be a trustworthy partner to all stakeholders.

***Topcon for Human Life***



I would like to take this occasion to express particular thanks for the support of our shareholders. We will strive to realize sustainable corporate value improvement based on the philosophy of Topcon contributes to enrich human life by solving the societal challenges within healthcare, agriculture and infrastructure.

In healthcare, we will address the increase in eye disease resulting from global population aging by working to enhance IoT medical network solutions to improve early detection of diseases and increasing medical efficiency.

In agriculture, we will address food shortages resulting from global population growth by enhancing our IT agriculture solutions to improve productivity and quality.

For infrastructure, we will enhance IT construction solutions to respond to engineering labor shortages caused by increasing global infrastructure demand.

I would like to take this occasion to express particular thanks for the support of our shareholders.



**Satoshi Hirano**  
*President & CEO*



# Consolidated Financial Highlights

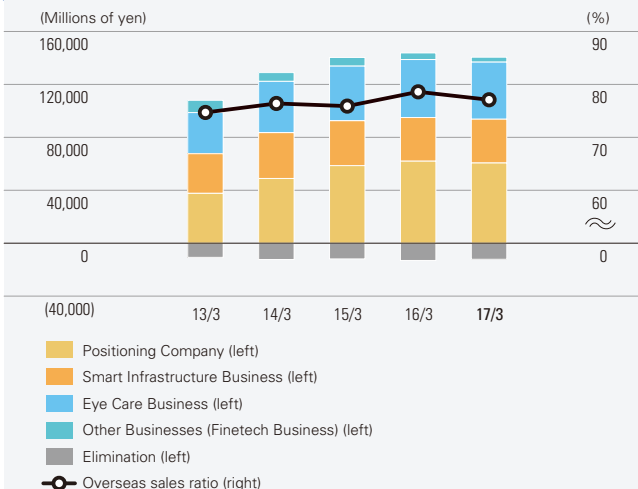
Topcon Corporation and Consolidated Subsidiaries

	Millions of yen				Thousands of U.S. dollars	
	2013/3	2014/3	2015/3	2016/3	2017/3	2017/3
<b>Operating results</b>						
Net sales	¥ 97,345	¥116,685	¥128,569	¥130,735	<b>¥128,387</b>	<b>\$ 1,152,693</b>
Positioning Company	37,824	48,959	58,672	61,977	<b>60,602</b>	<b>544,101</b>
Smart Infrastructure Business	29,839	34,621	33,909	32,989	<b>33,091</b>	<b>297,100</b>
Eye Care Business	31,073	38,736	41,240	43,834	<b>43,148</b>	<b>387,395</b>
Other Businesses (Finetech Business)	9,262	6,625	6,558	4,997	<b>3,708</b>	<b>33,291</b>
Elimination	(10,653)	(12,258)	(11,812)	(13,063)	<b>(12,163)</b>	<b>(109,203)</b>
Overseas sales	72,711	89,187	97,568	102,794	<b>98,937</b>	<b>888,283</b>
Operating income	5,214	11,730	16,041	8,803	<b>9,551</b>	<b>85,751</b>
Ordinary income	3,471	11,300	14,880	7,366	<b>7,622</b>	<b>68,432</b>
Profit attributable to owners of the parent	511	5,963	8,670	4,197	<b>4,395</b>	<b>39,460</b>
Capital expenditures	3,297	3,692	5,070	5,203	<b>4,438</b>	<b>39,846</b>
Depreciation and amortization	3,384	3,803	3,732	4,715	<b>4,660</b>	<b>41,839</b>
Amortization of goodwill	1,618	1,782	1,833	2,546	<b>2,451</b>	<b>22,006</b>
R&D expenditures	8,221	9,184	10,677	11,329	<b>10,411</b>	<b>93,473</b>
Free cash flows	1,862	4,599	7,951	(23,121)	<b>13,238</b>	<b>118,854</b>
<b>Financial position</b>						
Shareholders' equity	¥ 48,474	¥ 53,598	¥ 63,460	¥ 58,311	<b>¥ 59,716</b>	<b>\$ 536,147</b>
Total assets	129,503	135,818	143,181	166,542	<b>158,280</b>	<b>1,421,081</b>
Interest-bearing liabilities	50,629	47,733	44,014	70,442	<b>58,610</b>	<b>526,486</b>
<b>Per share data (¥, \$)</b>						
Earnings per share (EPS)	¥ 5.48	¥ 55.21	¥ 80.27	¥ 38.97	<b>¥ 41.46</b>	<b>\$ 0.37</b>
Net assets per share (BPS)	448.77	496.22	587.52	550.04	<b>563.30</b>	<b>5.06</b>
<b>Management indicators</b>						
Gross profit ratio (%)	44.0	47.7	51.5	50.2	<b>51.1</b>	
Operating income ratio (%)	5.4	10.1	12.5	6.7	<b>7.4</b>	
Net income ratio (%)	0.5	5.1	6.7	3.2	<b>3.4</b>	
Ratio of R&D expenditures to net sales (%)	8.4	7.9	8.3	8.7	<b>8.1</b>	
Overseas sales ratio (%)	74.7	76.4	75.9	78.6	<b>77.1</b>	
Return on assets (ROA) (%)	0.4	4.4	6.1	2.7	<b>2.7</b>	
Return on equity (ROE) (%)	1.3	11.7	14.8	6.9	<b>7.4</b>	
Return on invested capital (ROIC) (%)	3.8	7.9	10.9	5.4	<b>5.5</b>	
Price earnings ratio (PER) (times)	156.3	30.7	36.7	38.1	<b>48.0</b>	
Price book-value ratio (PBR) (times)	1.9	3.4	5.0	2.7	<b>3.4</b>	
Equity ratio (%)	37.4	39.5	44.3	35.0	<b>37.7</b>	
Total assets turnover ratio (times/year)	0.78	0.88	0.92	0.84	<b>0.79</b>	
D/E ratio (%)	104.4	89.1	69.3	120.8	<b>98.1</b>	
Dividend payout ratio (%)	109.4	18.1	19.9	61.6	<b>38.6</b>	

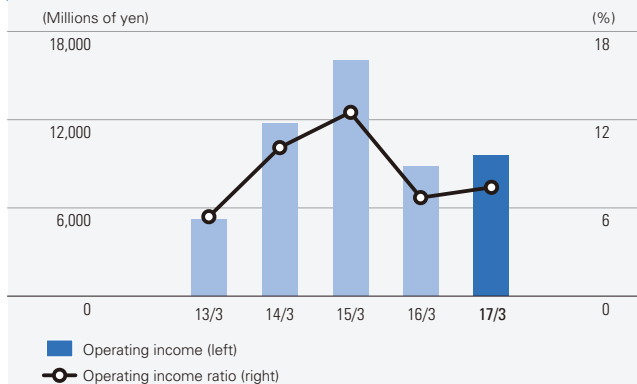
Notes: 1. For the sake of convenience, the US\$ is converted at a rate of ¥111.38/US\$ as of March 31, 2017. We referenced the Tokyo foreign exchange market rate.

2. Data in parentheses represent negative figures/amounts.

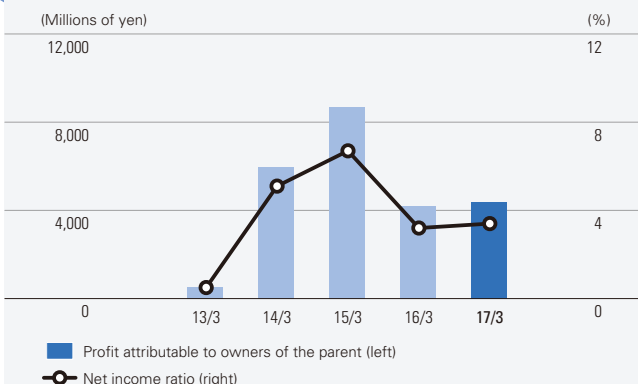
### Net Sales and Overseas Sales Ratio



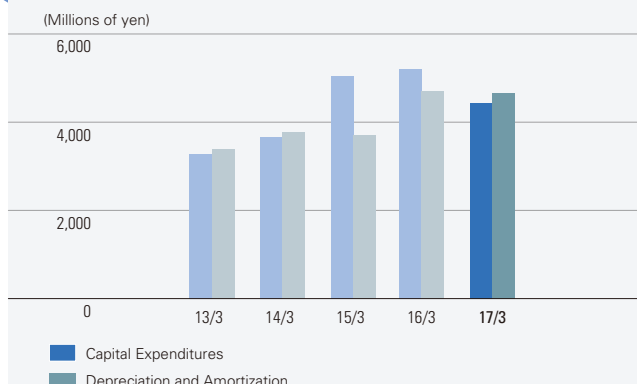
### Operating Income and Operating Income Ratio



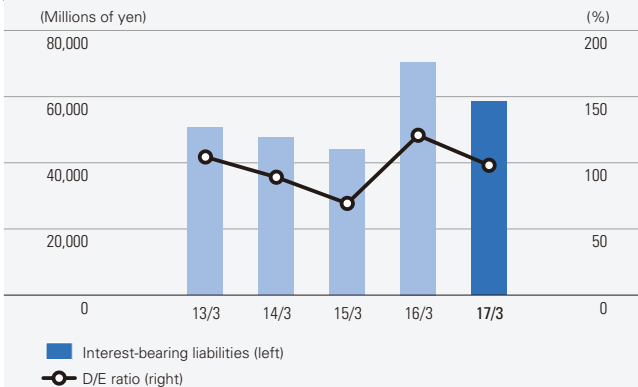
### Profit Attributable to Owners of the Parent and Net Income Ratio



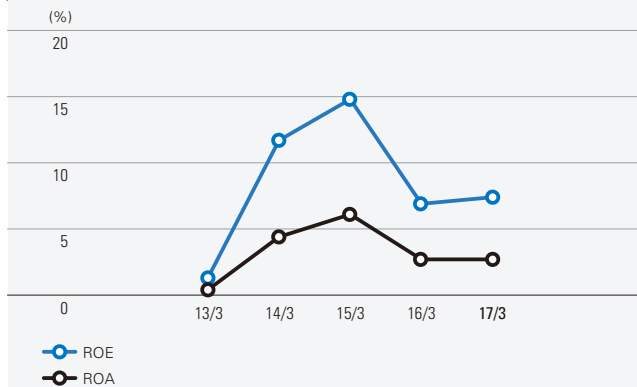
### Capital Expenditures and Depreciation and Amortization



### Interest-Bearing Liabilities and D/E Ratio



### ROE and ROA



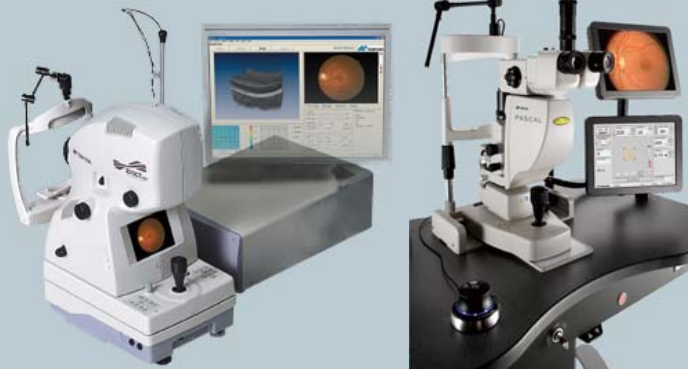


## Topics

In the fields of healthcare, agriculture and infrastructure, the basic foundations of people's lives, Topcon is endeavoring to contribute to society through its business activities and undertaking a host of initiatives aimed at growth in each field.



### Healthcare



### Agriculture



### Infrastructure



Topcon held the 1st International Swept Source OCT and Angiography Conference in Madrid, Spain in February 2017.

This conference focused on the Company's mainstay Swept Source OCT and Angiography products and was attended by over 400 prestigious doctors from 48 countries. In addition to a keynote speech by the world-renowned Dr. Richard Spaide, the conference also comprised poster sessions and presentations by more than 60 physicians as well as discussions on cutting-edge technologies and clinical research by leading researchers from around the world.

Topcon will continue to provide innovative solutions in the eye disease field in a bid to contribute to society through its business activities in the health care domain.

Held an international conference on advanced OCT.



## Established Topcon Agriculture as a Global Headquarters in the Agriculture Field



Topcon newly established Topcon Agriculture to oversee the Group's activities in the IT agriculture field in November 2016.

Each of the various departmental functions, including development, sales and marketing, production, and management, of Topcon's four IT agriculture-related companies have been reorganized and integrated into the newly established company. This has helped to eliminate any waste attributable to duplication while at the same time increasing business efficiency and maximizing synergy effects. As a result, the Positioning Company has taken the preparatory steps to ensure rapid growth when the IT agriculture market, which currently remains stagnant, recovers.

Beginning with the acquisition of K E E Technologies Pty. Ltd. of Australia in 2006, Topcon has undertaken the successive purchase of Digi-Star of the U.S., NORAC of Canada, and Wachendorff of Germany as a part of efforts to expand in the agriculture field. As the issue of food shortages continues to increase with the growth in the world's population, the Topcon Group is working to provide solutions that will help automate operations in both the agriculture and dairy fields and to bolster its future contributions to the global community.



Amid the rapid growth in i-Construction activities that employ advanced engineers in a variety of areas including the drone and automatic control construction machinery fields, the market is experiencing a marked shortage of capable technical expertise. Recognizing this current dilemma, Topcon is vigorously working to reinforce its engineer training and support structure and systems.

Beginning with the establishment of its first training center in 2014, the Company opened a further two facilities during fiscal 2016. Moreover, plans are in place to open another center in the Kanto area during fiscal 2017. This will help fill a void in the Company's training network. Through this network, Topcon will provide details and comprehensive training.

The reasoning behind these endeavors rests in the requirements of Japan's Ministry of Land, Infrastructure, Transport and Tourism for companies receiving orders of public works to introduce i-Construction. This requirement will become mandatory for all public works projects by 2020. Looking ahead, Topcon will strive to develop engineers who are fully versed in the use of i-Construction while at the same time promoting its widespread use.

## Endeavoring to resolve the shortage of i-Construction engineers.



# At a Glance

(For the year ended March 31, 2017)

## POSITIONING COMPANY

### Fields

- IT construction
- Precision agriculture

### Major Products

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

### Strengths/Strategies

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

**Strategies** Positioning advances in GPS at the heart of our activities, we will lead the market in IT construction by harnessing the strengths of innovative technologies not found in other companies. We will also expand our share in new IT agricultural fields by generating synergy effects through M&As.

Sales Ratio (%)

44.3%

## SMART INFRASTRUCTURE BUSINESS

### Fields

- Surveying/Construction/Building
- 3D measurement/monitoring
- BIM

### Major Products

- Total stations (motorized robotic total stations, imaging stations)
- Mobile mapping systems
- 3D laser scanners
- Data collectors
- Theodolites
- Levels/digital levels
- Self-leveling construction lasers
- Pipe lasers
- Asset management system (cloud-based total station management system)

### Strengths/Strategies

**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** We will work diligently to strengthen core businesses and cultivate high-value-added growth businesses. At the same time, we will build a global manufacturing, sales, and engineering structure and work toward securing the top position within the industry.

Sales Ratio (%)

19.5%

## EYE CARE BUSINESS

### Fields

- Preventive medicine checkups
- Examination
- Diagnosis
- Treatment

### Major Products

- 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

### Strengths/Strategies

**Strengths** We will provide total health-care 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 the core fields of examination, diagnostic, and treatment to include physical checkups, screening, and prognostic management. In addition, we will make every effort to generate stable profits on a worldwide basis.

Sales Ratio (%)

33.4%



# POSITIONING COMPANY



## FY2016 Financial Results

The Positioning Company witnessed growth in IT construction systems and reported net sales of 60,602 million yen in the fiscal year under review. While a 2.2% decrease compared with the previous fiscal year, net sales in this segment climbed 7.9% year on year after excluding the impact of movements in foreign currency exchange rates.

From a profit perspective, operating income came in at 5,596 million yen. This largely reflected contributions from new products and successful efforts to reduce the cost of goods sold as well as fixed costs. POC operating income saw a substantial upswing compared with the previous fiscal year climbing 134.6% year on year and 157.8% after excluding the impact of movements in foreign currency exchange rates.

Drawing on its platform of advanced global navigation satellite system (GNSS), machine control (MC), inertial measurement unit (IMU) application, precision agricultural, land survey application, and web/cloud-computing technologies, the Positioning Company engages in research and development activities through a worldwide network of 16 bases to provide a wide range of products and services to a variety of business fields. In the fiscal year under review, R&D expenditures in the Positioning Company totaled 6,175 million yen.

## Prospects for the Future

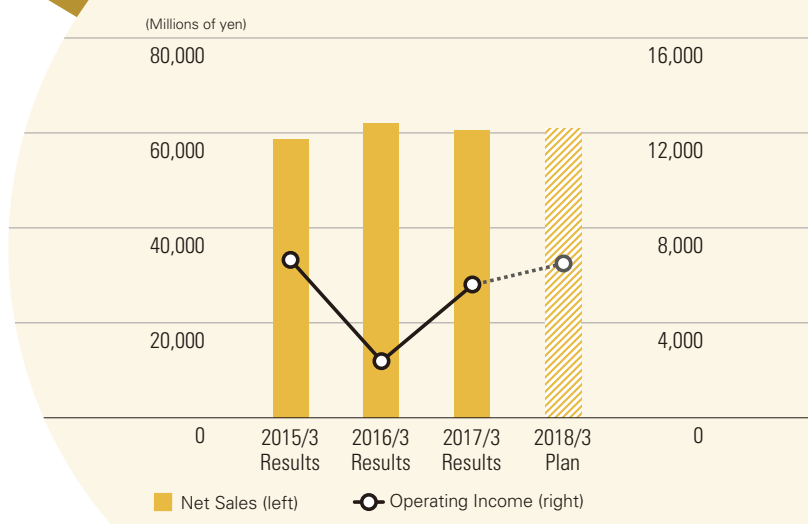
Demand is on a recovery path across the Positioning Company as a whole. In addition to an active pickup in IT construction-related demand in Japan, IT agriculture demand is also showing signs of continued growth on a year-on-year quarterly basis.

Against the backdrop of this operating environment, plans are in place to boost sales through two distinct strategies in the IT construction field. The Positioning Company plans to expand sales through the positive application of differentiating technologies and an increase in OEM partners. In specific terms, the Positioning Company will focus on marketing is Mastless MC System that eliminates the traditional need to attach a mast to bulldozers after purchase. Not only does the Mastless MC System eliminate the need to attach a mast, it also resolves the troubles associated with attachment cables, and is easy to install. The Positioning Company its Mastless MC System in the aftermarket for used machinery. Moreover, and through negotiations during construction machinery exhibitions, successful steps have been

taken to secure a threefold increase in OEM partners. Over a three-year period, the Positioning Company has established relationships with various manufacturers with the total number of OEM partners reaching 30. In this manner, steps are being taken to link the diversification of sales contacts to an increase in sales.

Turning to the IT agriculture field, the Positioning Company will prepare for a market recovery by reorganizing the structure of the four companies under its umbrella acquired through M&A and building a new global platform. Each of the four companies will be integrated to form the new company, Topcon Agriculture, headquartered in Italy. By integrating the overall organization and human resources of the Positioning Company group, positive strides are being taken across a wide range of areas including the reduction costs, strengthening of the governance function, and maximization of synergy effects. Moving forward, every effort is being made to ensure an immediate and full-fledged expansion of sales once the market recovers.

## Net Sales and Operating Income



# SMART INFRASTRUCTURE BUSINESS



## FY2016 Financial Results

The Smart Infrastructure Business recorded net sales of 33,091 million yen, an increase of 0.3% compared with the previous fiscal year. Despite a downturn in certain areas, this slight increase was largely attributable to i-Construction sales growth and an upswing in sales in China and Asia. After excluding the impact of movements in foreign currency exchange rates, net sales climbed 6.1% year on year.

On the earnings front, operating income came in at 3,939 million yen. This was 0.8% higher than the previous fiscal year and up 16.0% after excluding the impact of movements in foreign currency exchange rates.

The Smart Infrastructure Business will continue to hone its R&D activities in a bid to further advance and increase the functionality of its technologies while at the same time improving its product development capabilities. Every effort is being made to introduce to the market products that offer unparalleled added value ahead of the competition. Energies are also being directed to the research and development of new technologies together with associated IT applications. In the fiscal year under review, total R&D expenditure by the Smart Infrastructure Business came to 1,625 million yen.

## Prospects for the Future

An initiative spearheaded by Japan's Ministry of Land, Infrastructure, Transport and Tourism, i-Construction momentum is gathering pace. This is helping to energize the market for i-Construction-related products in the Smart Infrastructure Business. At the same time, trends in new total station sales remain firm. Turning to overseas business activities, the Indian market, which is exhibiting robust economic growth from a regional perspective, continues to witness strong sales.

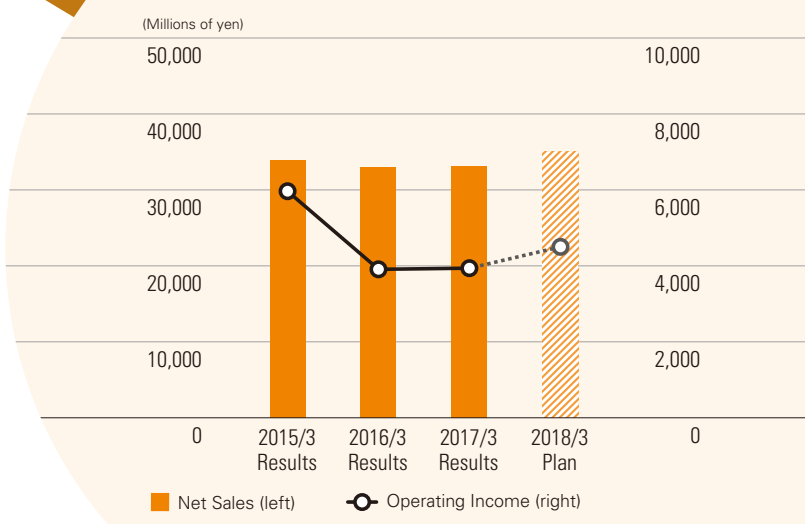
Under these conditions, the Smart Infrastructure Business will realize growth by expanding sales of i-Construction-related products as well as new total stations.

In specific terms, energies will be directed toward providing solutions to the shortage of engineers in i-Construction-related markets, an issue that continues to impact the industry as a whole. In this manner, every effort will be made to capitalize on the shift from an introductory phase to a period of widespread application. Peripheral to these activities is the ongoing development of training centers. Sparked by the establishment of the first center in Shirakawa, Fukushima Prefecture in

September 2014, detailed training is now being conducted across a network of three centers with the opening of facilities in Kobe in June 2016 and Kita-Kyushu in December 2016. As ongoing training needs continue to mount, another facility will be opened in the Kanto area during fiscal 2017. In this manner, particular weight is being placed in training engineers. At the same time, the Smart Infrastructure Business will develop new products that help increase i-Construction operating efficiency in the drone, 3D scanner, 3D mapping, and other fields.

As far as new total stations are concerned, the Smart Infrastructure Business will expand sales of products that boast the world's smallest, lightest, and fastest features. These products will contribute to the leveling out of platforms. With a common platform, the number of models has been reduced from 300 to 30. Linking the upswing in volumes with reduced costs attributable to the use of a common model, the Smart Infrastructure Business will work to increase earnings.

## Net Sales and Operating Income



# EYE CARE BUSINESS



## FY2016 Financial Results

The Eye Care Business recorded net sales of 43,148 million yen on the back of the growth in sales of 3D optical coherence tomography (3D OCT) systems mainly in the United States. Despite this growth, net sales decreased 1.6% compared with the previous fiscal year. On the other hand, net sales increased 6.7% year on year after excluding the impact of movements in foreign currency exchange rates.

Operating income was 2,598 million yen, a decrease of 46.4% compared with the previous fiscal year and a decline of 14.7% after excluding the impact of movements in foreign currency exchange rates. This largely reflected such factors as the increase in R&D expenditures as well as intensified price competition in Europe.

The Eye Care Business is committed to promoting and maintaining the health of people's eyes and in particular to improving the quality of vision. To this end, energies are directed toward the research and development of examination, diagnosis, and treatment equipment and instruments as well as related IT applications targeting ophthalmologists and eyeglass stores. R&D expenditures by the Eye Care Business totaled 2,425 million yen in the fiscal year under review.

## Prospects for the Future

Looking at each business environment by region, conditions in North America, where the Group has commenced 3D OCT Maestro sales, are robust. Buoyed by such trends as growing demand for eye examinations also in China, sales of phoropters and OCTs are firm. Adopting an even longer-term view, the number of patients suffering from any one of the three major eye diseases is projected to expand in light of the upswing and aging of the world's population.

Under these circumstances, the Eye Care Business will push forward four core themes for the foreseeable future. First, steps will be taken to expand 3D OCT sales. In addition to promoting the appeal of the Group's distinctive 3D OCT Maestro through eye glass exhibitions in the United States, the world's largest market, the Eye Care Business will increase sales of its swept source (SS) OCT Triton series, which employs advanced SS OCT technology.

As far as the Triton series is concerned, keynote speeches by world-renowned experts at international conferences held by the Eye Care Business are expected to not only highlight the appeal of the products, but also help boost sales.

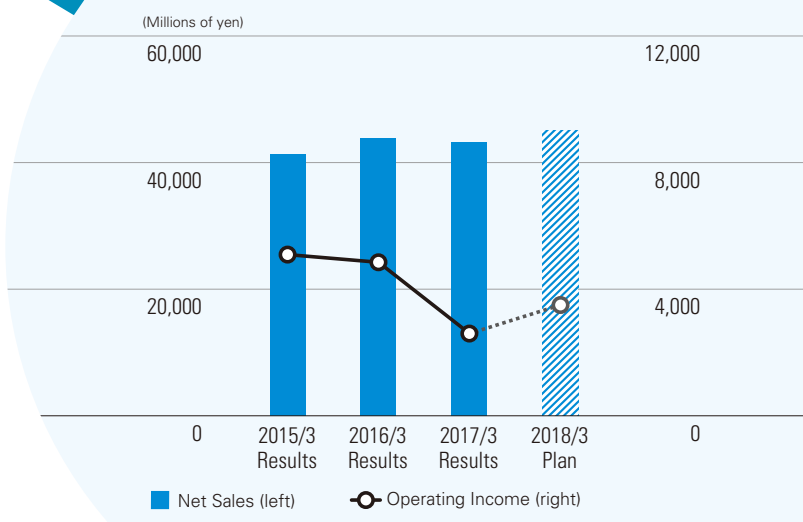
Second, efforts will be made to reduce the costs of main products.

Among various initiatives, the Eye Care Business will promote the use of common platforms, reduce processing costs through the conversion of molds, expand overseas procurement, and automate the quality inspection process. The goal is to ensure that the increase in sales quantity will lead to an increase in earnings.

Third, and in the area of electrical medical records (EMR) for ophthalmology, the new Topcon Healthcare IT Solutions organization was established in the United States in April 2017. Considerable weight is being placed on recruiting specialists in related fields. Every effort is being made to quickly generate related business earnings by strengthening both the organizational and human resource aspects of the business.

As the last of the Eye Care Business's four core theme, successful steps were taken to acquire a local sale agent in the high-growth Indian market. As a member of the Topcon Group, energies will be directed toward bolstering sales and marketing capabilities with a view to securing profit growth.

## Net Sales and Operating Income





Topcon has pledged its support for the principles of the United Nations (UN) Global Compact. Guided by the spirit of this Global Compact, the Company is committed to engaging in activities that will help ensure profitable growth. Currently, we are placing particular emphasis on initiatives that are consistent with the slogan “Topcon for Human Life,” and are working diligently to expand our business by resolving social issues in the growth markets of “Healthcare,” “Agriculture,” and “Infrastructure.”

Topcon has put in place a CSR policy that underpins all of its CSR-related activities. In carrying out specific measures that provide the foundation for its efforts, the Company also puts forward action plans that reflect the principles of this policy on an annual basis. In addition to providing products that help address social issues, we attach considerable importance on promoting communication with stakeholders and business activities that contribute to society.

Based on a corporate philosophy that is grounded in the principle of “coexistence,” we are committed to pursuing global environmental solutions, engaging in CSR activities

that contribute to society, establishing an optimal corporate governance structure and systems, and ensuring strict compliance with all statutory and regulatory requirements as well as social norms.

## Human Rights

The TOPCON WAY stipulates that the Topcon Group will respect diversity and act as a member of the global and local community.

We also respect global standards concerning human rights, the environment, labor standards, and anti-corruption measures, and contribute to the building of sustainable markets. For human rights, we view providing our employees with fair opportunities in employment and work assignments as a principle we seek to uphold. We do not tolerate discrimination in the workplace and require employees to properly handle personal information in performing their work activities.

## Labor Standards

The TOPCON WAY stipulates that the Topcon Group will respect global labor standards and act as a global company.

We thus aim to enable our employees to learn on their own initiative and grow in a safe working environment. Moreover, at the same time we unify the Group behind common values toward the realization of our management vision, we regard human resources that contribute to creating value for the Group as “Topconians” and strive to nurture “Topconians” in their development.

## Environment

As a corporate Group expanding globally with a range of eco-conscious products, the Topcon Group thinks supporting such an approach requires bolstering its environmental management systems.

On this basis, we work to reduce emissions of greenhouse gases such as CO<sub>2</sub>, atmospheric pollutants, and water pollutants by building operational processes that take environmental considerations into account.

## Anti-corruption Measures

As an initiative to combat corruption as stipulated in Principle 10 of the United Nation Global Compact, the Topcon Group prohibits giving out bribes or inappropriate profits in any form that violate laws, regulations or sound business practices. In addition, we prohibit employees from accepting inappropriate personal benefits or profits in connection to their work or position.

### Activities that Reflect the Principles of the UN Global Compact

Details of the Global Compact were first announced by the United Nations Secretary-General Kofi Annan in an address to the World Economic Forum held in Davos, Switzerland in January 1999 and officially launched in July 2000. The Global Compact asks companies around the world to embrace, support, and enact the 10 principles universally established in each of the four human rights, labor standards, the environment, and anti-corruption fields.

Since assenting to the purpose and purport of the UN Global Compact in October 2007, the Topcon Group has established the TOPCON WAY as well as a basic CSR policy. At the same time, we have coined the term “Topconian” to describe efforts aimed at incorporating the spirit of the 10 principles of the UN Global Compact into the strategies, initiatives and systems that form the backbone of the Group’s operations. Moving forward, we are engaging in a wide range of activities and raising our level of awareness to ensure that the spirit of the UN Global Compact is put into practice.



Network Japan  
WE SUPPORT

## CSR Activities 2017

### 1 Revision of TOPCON WAY

We have revised the "TOPCON WAY," which is positioned as the highest priority values to be incorporated into the business activities of everyone working in the Topcon Group. For the new TOPCON WAY, we reconstructed seven traditional items, changed Corporate Identity to a simple and memorable expression and concisely summarized Management Policy in three items. Deployed not only in Japanese but also in multilingual form, we implemented consolidation activities to instill the TOPCON WAY in our employees.

### 2 Livermore Innovation Fair

Topcon Positioning Systems, Inc. took part in the first Livermore Innovation Fair, an event at which a wide range of fields, including science and technology as well as the arts, were displayed and introduced. At our booth, we showcased products and provided visitors with hands-on experience of operating miniature construction machinery (radio-controlled kit models). Many families came to visit and deepened their interest in our products.

### 3 Workshop in Dundalk Institute of Technology

Topcon Ireland held a total station workshop at the Dundalk Institute of Technology. In the workshop, we instructed civil engineering and construction engineering students in how to use a total station and, among other activities, provided them with hands-on experience of surveying.

### 4 Eye Event and Program

At an event held in the capital city, Kuala Lumpur, Topcon Instruments (Malaysia) Sdn. Bhd. gave free eye examinations and handed out spectacles for no charge to people from poor families.

### 5 Contributing to Society through Donations

- Topcon Deutschland Positioning GmbH donated 3,000 euros to DKMS, an organization that supports patients suffering from cancer of the blood.
- Topcon Instruments (Thailand) Co., Ltd. donated 40,000 baht and supplied food aid to Phayathai Babies Home, an organization that supports orphans.

### 6 Technical Support Seminar for Surveying Instruments Held

Topcon Instruments (Thailand) Co., Ltd. held a seminar and offered technical guidance, including on how to operate surveying instruments, at Buriram Rajabhat University.

### 7 Participation in Environmental Impact Reduction Program Activities

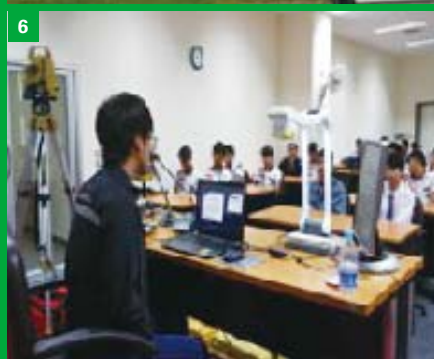
Topcon Positioning Middle East and Africa FZE sent members of staff to a variety of workshops and meetings held at the Dubai Airport Freezone Authority (DAFZA) and other areas. At the seminar at DAFZA, attendees learned about efforts to reduce environmental impact, such as reducing emissions.

### 8 Lions World Sight Day

Topcon Singapore Medical Pte. Ltd. has been carrying out support activities as a sponsor of a variety of events and programs held all over the country. At the Lions World Sight Day event, to which Senior Minister of State, Ministry of Transport & Ministry of Health Dr. Lam Pin Min was invited, visitors experienced a screening test with Topcon ophthalmic examination instruments.

### 9 Mental Healthcare Seminar Held

Topcon Optical (Dongguan) Technology Ltd. held a mental health seminar to improve its employees' awareness of physical and mental health. Through the seminar, employees were able to deepen their knowledge of health management as well as of health and safety.



# Corporate Governance

The Topcon Group is managed sincerely in a way that respects corporate ethics by improving and bolstering corporate governance, adopting a comprehensive approach to compliance, and reinforcing risk management. Through the promotion of such systems and approaches, we enhance management transparency and impartiality, and translate these into sustainable growth, increases in corporate value over the medium and long term, and the securing of further trust from our stakeholders.

To realize an approach to corporate governance that facilitates rapid decision-making, we established Topcon Corporate Governance guidelines on November 25, 2015 and posted them to our website.

## Our Basic Approach to Corporate Governance

A company is a social institution. It is more than merely an economic entity pursuing profits through free competition. We understand that a company must be of service to society.

This is why we, the Topcon Group, believe that in addition to maintaining management soundness and transparency, corporate governance must also properly promote business efficiency. As a company, we work to fulfill our social responsibilities to all our stakeholders, keeping in mind that management decisions affect them.

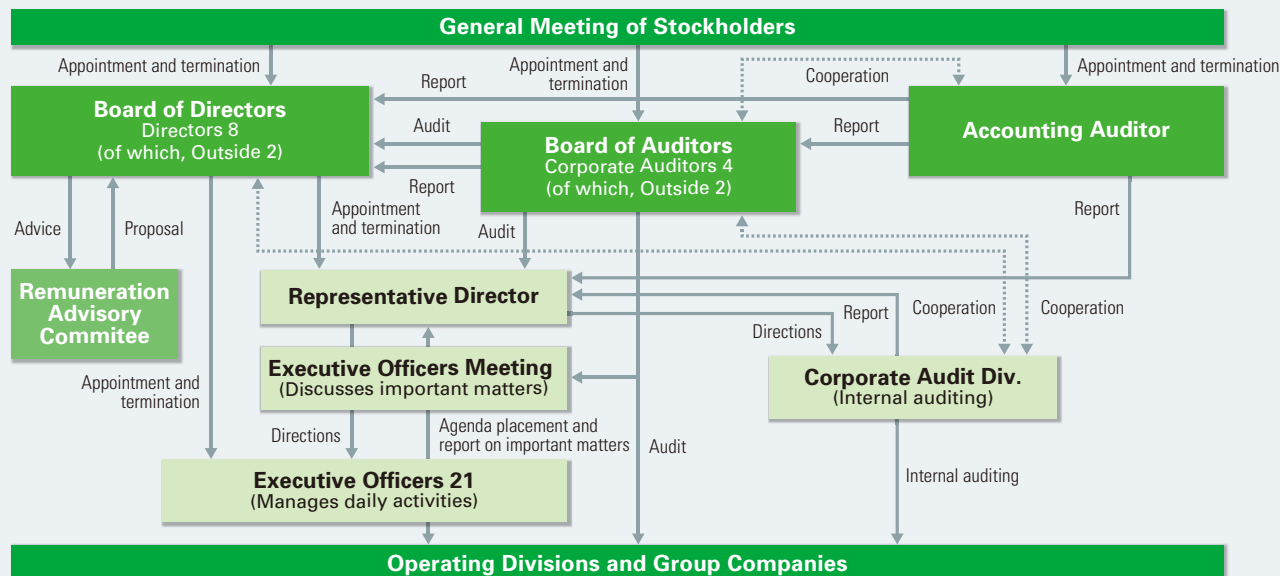
Topcon revised the “TOPCON WAY,” which had been established in April 2011, and implemented a new TOPCON WAY on January 1, 2017. For the new TOPCON WAY,

we reconstructed seven traditional items, changed the Corporate Identity to a simple and memorable expression and concisely summarized Management Policy in three items. Each and every person in the Group practices the TOPCON WAY and, in addition to being in the position to continue gaining the empathy and trust of all stakeholders, is looking ahead to the 100th anniversary of the Company’s foundation. Not only executing measures designed to strengthen profitability in anticipation of changes in the business environment, we are aiming to make even greater strides by improving the quality of management.

## Corporate Governance Structure

The Board of Auditors consists of four members (two

**Corporate Governance Structure** (As of June 28, 2017)





of which are outside corporate auditors) that examine decision-making and business execution by directors. Meanwhile, the Board of Directors is comprised of eight members (two of which are outside directors). The Board of Directors meets regularly once a month and extraordinary meetings are convened if necessary. The outside directors and outside corporate auditors remain independent of management and maintain a neutral stance.

Topcon has adopted the Executive Officer System of management. By entrusting day-to-day execution to executive officers, the company has separated the supervisory function of directors and the Board of Directors and the business execution function of executive officers. This system allows for the appropriate and timely response to rapid changes in the business environment.

As a general rule, the Executive Officers Meeting (attended by corporate auditors and executive officers) is held weekly. Meeting agenda items include analyses of the business environment, discussions of mid-term business plans and budgets, information sharing on progress versus budget and other data, deliberation on important corporate decisions, thoroughness in attaining the purpose of compliance activities, and discussions on a variety of other matters to ensure the fairness and transparency of management decisions.

In our corporate governance system, relevant information and knowledge relating to our business activities must be provided to directors and corporate auditors so they can properly perform their roles and fulfill their duties. We provide them with orientation training on corporate governance and laws and regulations relating to the Group's businesses when they join, and offer them ongoing training thereafter as they continue on in their roles.

Moreover, we explain our Group businesses and organizational structure to outside directors and outside corporate auditors when they join the Board of Directors or the Board of Auditors, respectively, and we continue to provide them with the information they need regarding the Group's business strategy and challenges and issues it must address.

## Systems for Internal Controls

The Topcon Group has put into place the following basic policies for establishing systems for the following internal controls.

### 1. System to Ensure Directors and Employees Execute Duties in Compliance with Laws and Articles of Incorporation

2. System for Preserving and Managing Information Related to Director Duty Execution
3. Rules and Systems for Managing Risk of Losses
4. System to Ensure Efficient Execution of Director Duties
5. System for Ensuring Appropriate Business Conduct at the Parent and Group Companies
7. Matters related to Independence from Directors for Employees Assigned to Assist Corporate Auditors
8. System for Directors/Employees to Report to Corporate Auditors, and Other Reports for Corporate Auditors
9. System to Ensure Practicality of Corporate Auditor Audits

## Director and Corporate Auditor Compensation

Compensation for Topcon directors, excluding outside directors, consists of base salary and performance-linked compensation. Base salary reflects standards that have been established for the function and rank of director, while performance-linked compensation is determined based on prescribed benchmarks for the relevant fiscal year.

Compensation for outside directors and corporate auditors (including outside corporate auditors) consists only of a base salary.

In accordance with these standards, the Board of Directors approves director compensation, while compensation for corporate auditors is determined in consultation with corporate auditors.

Classification	Total Compensation (Millions of yen)	Compensation by Position (Millions of yen)		Number of Individuals
		Basic Compensation	Executive Bonuses	
Directors (excluding outside directors)	152	130	22	8
Corporate Auditors (excluding outside corporate auditors)	37	37	—	3
Outside Officers	30	30	—	5

Notes: 1. As of March 31, 2017, Topcon had seven directors, two corporate auditors, and four outside officers (two outside directors and two outside corporate auditors).

2. As of March 31, 2017, the maximum compensation levels for directors was ¥700 million as resolved at the 124th Ordinary General Meeting of Shareholders held on June 28, 2017, with maximums for the fixed portion of ¥300 million and the performance-linked portion of ¥400 million as determined based on prescribed benchmarks for the relevant fiscal year. This total does not include employee compensation for directors who also serve as employees. The maximum total fixed annual compensation for an outside director is ¥30 million.

3. As of March 31, 2017, the maximum compensation level for corporate auditors was ¥100 million as resolved at the 120th Ordinary General Meeting of Shareholders held on June 26, 2013.

### Outside Directors and Corporate Auditors

Topcon has two outside directors and two outside corporate auditors, which all meet the criteria established by the Tokyo Stock Exchange for “independent directors.” Outside directors are appointed to directly provide external perspectives to management and strengthen the monitoring and supervision functions carried out by the Board of Directors.

The audit function performed by outside corporate auditors plays a key role in fortifying independent supervision of management. Also, given the importance of the management supervisory functions of outside directors and outside corporate auditors, we aim to select outside directors and outside corporate auditors that have a comprehensive view of corporate management and Topcon’s businesses, and that are entirely independent.

Mr. Kazuyuki Matsumoto has extensive experience and gained wide-ranging knowledge while serving for many years as a corporate executive at Nabtesco Corporation, and we believe he can contribute to upholding and enhancing management transparency and soundness and reinforcing corporate governance, so we regard him as highly qualified to serve as an outside director. We have also welcomed his suggestions concerning overall management such as those for our management strategy and global management approach.

Mr. Akira Sudo served for many years as a corporate executive at Toshiba Corporation and brings, in particular, a deep and broad range of experience and knowledge regarding R&D, and we believe he can contribute to upholding and enhancing management transparency and soundness and reinforcing corporate governance, so we regard him as highly qualified to serve as an outside director. We have also welcomed his suggestions concerning our overall approach to engineering and technology, especially with regards to R&D.

### Risk Compliance

Topcon has established Basic Rules for Risk and Compliance and put in place a framework that designates individuals responsible for risk management, enabling swift and appropriate responses to all risks that arise for Topcon and the Group. Significant risks are addressed in the Risk-Compliance Committee.

The Company trains and educates its employees about the Topcon Global Code of Conduct, human rights, harassment, workplace safety, environmental issues, export management, information security and other matters related to risk and compliance, maximizing corporate value, and minimizing risk.

### Accounting Auditors

Topcon has appointed Ernst & Young ShinNihon LLC as its accounting auditor. The accounting auditor works in close collaboration with the Board of Auditors and corporate auditors. The three parties hold preliminary and reciprocal discussions to confer about audit planning and audit implementation policy, exchanging information on the progress of audits during the fiscal year, and informing each other of audit results when drafting the audit reports.

(Millions of yen)

Accounting Auditor’s compensation in fiscal 2016	74
Total amount of cash and other material benefits payable to Accounting Auditor by the Company and its subsidiaries	74

### Promoting Active Participation in General Meetings of Shareholders and Smooth Exercise of Voting Rights

Topcon promotes active participation in its General Meetings of Shareholders by distributing the notice of convocation for ordinary general meetings of shareholders three weeks ahead of the meeting and selecting meeting dates that avoid conflicting with the meetings of other companies.

The Company seeks to promote an environment that encourages shareholders to exercise their voting rights by enabling voting via the Internet on a dedicated web site.

### Information Disclosure

Topcon conducts its IR activities with the objective of deepening understanding of the Company so all shareholders and investors will form an accurate evaluation of its value. The Company thus makes every effort to respond in good faith in accordance with a policy of proactive and continuous information disclosure that is implemented fairly, swiftly, and accurately.

### Strengthening Global Export Control System

Exports to several countries are subject to strict controls under relevant Japanese and U.S. laws. If our export control compliance were lax, this could result in situations that threaten the basis of our existence as a corporation. In the worst case, the company would be subject to penalties such as an export ban due to violations of applicable laws and regulations. For this reason, as a global company, the Topcon Group is committed to activities related to maintaining and bolstering the global system of export controls.

# Directors, Corporate Auditors and Executive Officers

## Directors



*Representative Director  
President & CEO*  
**Satoshi Hirano**



*Representative Director  
Senior Managing Executive Officer*  
**Makoto Iwasaki**



*Director and  
Managing Executive Officer*  
**Takashi Eto**



*Director and  
Managing Executive Officer*  
**Yasufumi Fukuma**



*Director and Executive Officer*  
**Haruhiko Akiyama**



*Director and Executive Officer*  
**Takayuki Yamazaki**



*Director (Outside Director)*  
**Kazuyuki Matsumoto**



*Director (Outside Director)*  
**Akira Sudo**

## Corporate Auditors



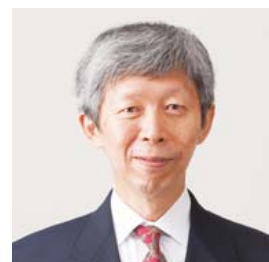
*Corporate Auditor*  
**Hiroshi Sakai**



*Corporate Auditor*  
**Hiroyuki Nakamura**



*Outside Corporate Auditor*  
**Tatsuya Kuroyanagi**



*Outside Corporate Auditor*  
**Keiji Taketani**

## Executive Officers

**Raymond O'Connor**

**Masami Tsukada**

**Kaoru Kumagai**

**Makoto Omori**

**Shigehiro Ogino**

**Masahiro Naka**

**Takaaki Hirayama**

**Nobuyuki Ryu**

**David Alan Mudrick**

**Ivan Di Federico**

**Eric Franken**

**Hitoshi Sadachika**

**Hiroyuki Nishizawa**

**Kinpui Chan**

**Shokyu Nakamura**



# Fiscal 2016 Management's Discussion and Analysis

## Market Environment

In fiscal 2016, ended March 31, 2017, global economic conditions were mixed. In the United States, corporate sector activity and personal consumption were firm. The European economy showed signs of a recovery in exports and domestic demand. In Japan, personal consumption, public demand, exports, and other activities continued along a moderate recovery path. In contrast, conditions throughout certain emerging economies remained sluggish. Taking into consideration these factors including political trends in the United States and Europe, uncertainty continues to plague future economic prospects.

Against the backdrop of this economic environment, the Topcon Group put in place the corporate identity –“Topcon contributes to the enrichment of human life by solving the societal challenges within healthcare, agriculture and infrastructure”– and worked diligently to ensure the sustainable enhancement of its corporate value.

## Consolidated Results

In fiscal 2016, the Topcon Group's consolidated net sales were 128,387 million yen, a decrease of 1.8% compared with the previous fiscal year. This decrease largely reflected the effects of converting sales denominated in foreign currencies and the strong yen (the yen appreciated 11.1 yen against the U.S. dollar and 13.0 yen against the euro). Looking at volumes in each region, sales increased year on year. In real terms, consolidated net sales climbed 6.4% after excluding the impact of movements in foreign currency exchange rates.

From a profit perspective, operating income came in at 9,551 million yen. This was 8.5% higher than the previous fiscal year even after including the impact of movements in foreign currency exchange rates. This growth in operating income was in line with the upswing in sales volumes and also reflected such factors as successful steps to reduce costs and fixed expenses. Excluding the impact of movements in foreign currency exchange rates, operating income rose 37.0% in real terms compared with the previous fiscal year. Ordinary income

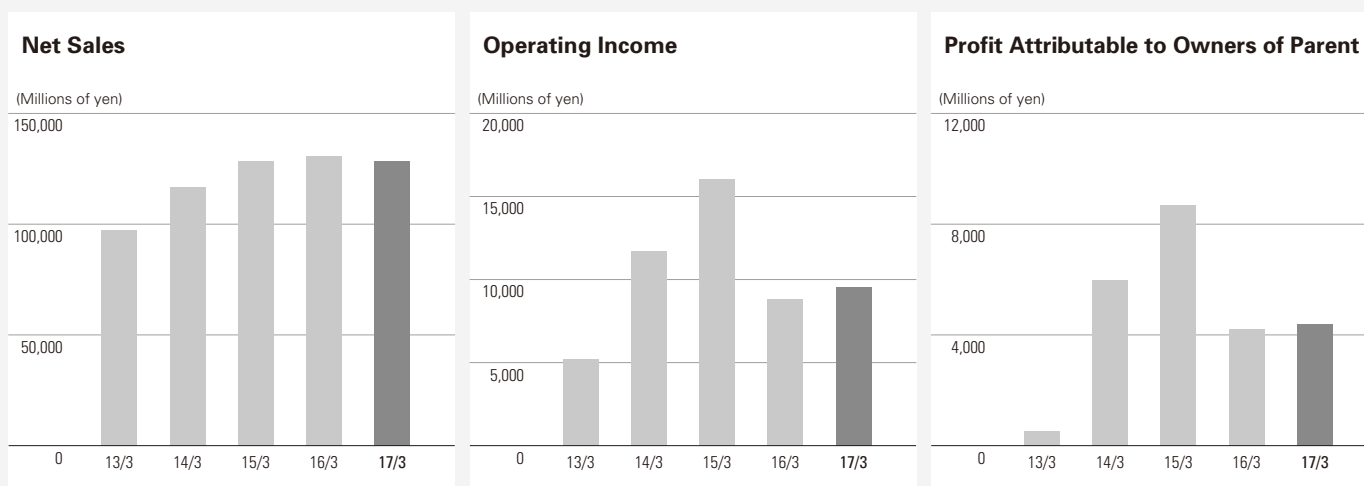
was 7,622 million yen, an increase of 3.5% year on year (or 39.7% after excluding the impact of movements in foreign currency exchange rates). Profit attributable to owners of the parent totaled 4,395 million yen, up 4.7% (or 50.9% after excluding the impact of movements in foreign currency exchange rates).

## Segment Information

The Positioning Company witnessed growth in IT construction systems and reported net sales of 60,602 million yen in the fiscal year under review. While a 2.2% decrease compared with the previous fiscal year, net sales in this segment climbed 7.9% year on year after excluding the impact of movements in foreign currency exchange rates. On the earnings front, operating income came in at 5,596 million yen. This largely reflected contributions from new products and successful efforts to reduce the cost of goods sold as well as fixed costs. POC operating income saw a substantial upswing compared with the previous fiscal year climbing 134.6% year on year and 157.8% after excluding the impact of movements in foreign currency exchange rates.

The Smart Infrastructure Business recorded net sales of 33,091 million yen, an increase of 0.3% year on year. Despite a downturn in certain areas, this slight increase was largely attributable to i-Construction sales growth and an upswing in sales in China and Asia. After excluding the impact of movements in foreign currency exchange rates, net sales climbed 6.1% year on year. Operating income came in at 3,939 million yen. This was 0.8% higher than the previous fiscal year and up 16.0% after excluding the impact of movements in foreign currency exchange rates.

The Eye Care Business recorded net sales of 43,148 million yen on the back of the growth in sales of 3D optical coherence tomography (3D OCT) systems mainly in the United States. Despite this growth, net sales decreased 1.6% compared with the previous fiscal year. On the other hand, net sales increased 6.7% year on year after excluding the impact of movements in foreign currency exchange rates. Operating income was 2,598 million yen, a decrease of 46.4% compared with the previous



fiscal year and a decline of 14.7% after excluding the impact of movements in foreign currency exchange rates. This largely reflected such factors as the increase in R&D expenditures as well as intensified price competition in Europe.

## Financial Position

### Assets

As of March 31, 2017, total assets stood at 158,280 million yen, a decrease of 8,262 million yen compared with the end of the previous fiscal year.

1. Current assets: Current assets came to 99,089 million yen, a decrease of 8,573 million yen compared with the previous fiscal year-end. This was primarily due to the decreases in notes and accounts receivable-trade and inventories.
2. Non-current assets: Non-current assets amounted to 59,190 million yen, up 311 million yen compared with the end of the previous fiscal year. While intangible assets declined, this was mainly the result of increases in property, plant and equipment as well as investments and other assets.

### Liabilities

As of March 31, 2017, total liabilities stood at 94,966 million yen, down 10,432 million yen compared with the end of the previous fiscal year.

1. Current liabilities: Current liabilities amounted to 42,153 million yen, down 7,475 million yen compared with the previous fiscal year-end. This largely reflected the decrease in short-term loans payable.
2. Non-current liabilities: Non-current liabilities came to 52,813 million yen, down 2,957 million yen year on year owing mainly to the decline in long-term loans payable.

### Net Assets

As of March 31, 2017, total net assets stood at 63,313 million yen, an increase of 2,169 million yen compared with March 31, 2016. This was primarily due to the increase in retained earnings.

## Cash Flows

As of March 31, 2017, cash and cash equivalents (hereinafter referred to as "net cash") stood at 14,703 million yen, down 795 million yen compared with the end of the previous fiscal year. Despite an increase in net cash provided by operating activities owing mainly to decreases in in notes and accounts receivable-trade and inventories, this downturn in net cash largely is the result of purchases of property, plant and equipment as well as the repayment of loans payable.

### Net Cash Provided by Operating Activities

In fiscal 2016, net cash provided by operating activities came to 18,192 million yen, up from 4,180 million yen in the previous fiscal year. This was primarily due to such inflows as higher profit before income taxes as well as decreases in in notes and accounts receivable-trade and inventories.

### Net Cash Used in Investing Activities

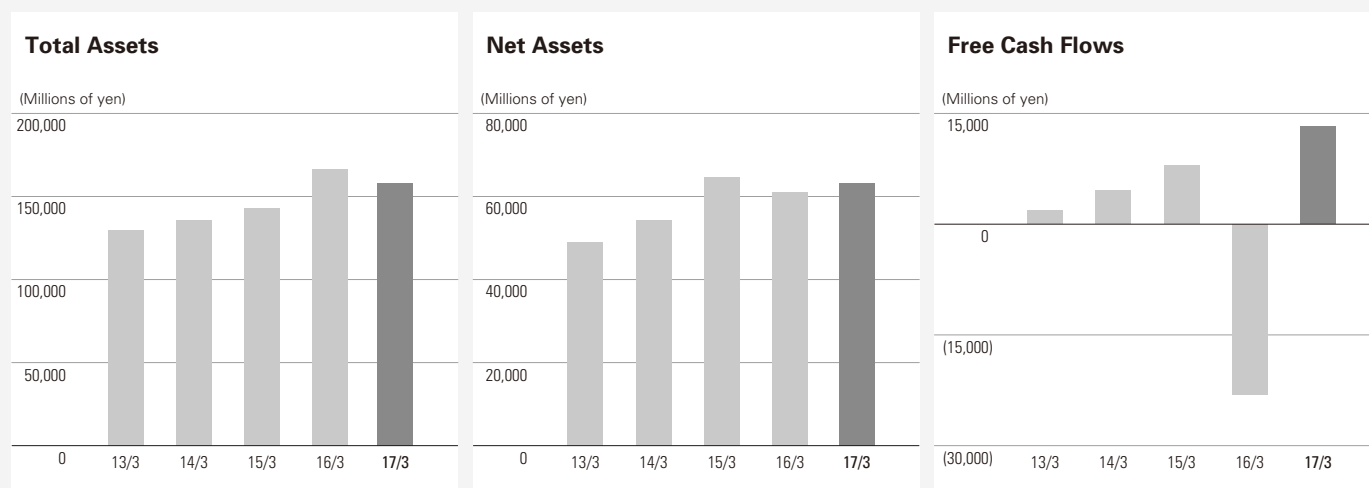
In fiscal 2016, net cash used in investing activities amounted to 4,954 million yen, down from 27,301 million yen in the previous fiscal year. This largely reflected major cash outflows attributable to the purchase of shares of subsidiaries resulting in a change in the scope of consolidation of 869 million yen and the purchase of property, plant and equipment of 3,881 million yen.

### Net Cash Used in Financing Activities

In fiscal 2016, net cash used in financing activities totaled 13,807 million yen compared with net cash provided by financing activities of 22,889 million yen in the previous fiscal year. This turnaround was for the most part attributable to the net decrease in short-term loans payable and repayments of long-term loans payable collectively totaling 10,820 million yen.

### Capital Expenditures

Total capital expenditures for the Topcon Group amounted to 4,438 million yen in fiscal 2016. By business segment, total capital expenditures were 1,608 million yen for the Smart



## Fiscal 2016 Management's Discussion and Analysis

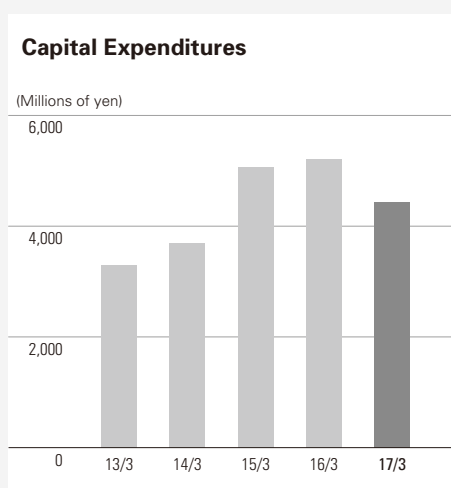
Infrastructure Business, 1,751 million yen for the Positioning Company, and 976 million yen for the Eye Care Business. The main objectives of these expenditures were to push forward ERP, to advance research and development, to enhance production systems, to improve operating efficiency, and to replace models and other items.

### Dividend Policy

Topcon places priority on the payment of dividends in an effort to return profits to shareholders. The Company's basic policy regarding the distribution of profits to shareholders is to ensure the continuous and stable payment of dividends in line with growth in consolidated earnings.

In principle, Topcon makes dividend payments twice a year as an interim and year-end dividend. The Company's Articles of Incorporation allow for the payment of dividends by resolution of the Board of Directors, without requiring a resolution of the General Meeting of Shareholders, and provide the record date for the year-end dividend as March 31 and for the interim dividend as September 30 each year, as well as allowing for the payment of dividends besides the above with the record date to be determined.

The Company achieved its consolidated earnings forecasts for the fiscal year under review announced on January 31, 2017. As a result, in addition to paying an interim dividend of 8 yen per share as planned (compared with the 12 yen per share interim dividend in fiscal 2015), Topcon paid a year-end dividend of 8 yen per share (compared with the 12 yen per share interim dividend in fiscal 2015), bringing the full-year dividend payment to 16 yen per share (compared with the 24 yen per share interim dividend in fiscal 2015). As far as the application of internal reserves is concerned, the Company intends to effectively use available funds for the proactive development of its business in the future including research and development as well as capital expenditures.



### 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 (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 for 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, the issuance of bonds, and other means. There is a possibility that the continuation of a loan or the receipt of new loans may not be possible due to factors such as a decline in financial markets or our operating results.

Furthermore, the lowering of the Group credit rating by a rating institution could constrain fund procurement and/or result in increased costs related to fund procurement. Such events may impact the business results and financial position of the Group.

#### **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. Corporate Acquisitions**

The Group strives to build systems that can foster optimal business forms in response to business characteristics, and at times takes steps such as corporate acquisitions to expand operations. Nonetheless, such actions can affect the Group's business results and financial position if sharp changes in the market and competitive environment cause the acquired businesses to fail to perform according to plan or management resources cannot be put to effective use.

#### **8. 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.

#### **9. 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.

#### **10. 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.

#### **11. 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 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.

#### **12. 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 or the inability to secure the necessary approvals and authorization in various countries in a timely manner for business activities may impact the business results and financial position of the Group.

#### **13. 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 casualties, property damage, suspension of business activities to the Group. Such an event may impact the business results and financial position of the Group.

#### **14. Seasonality**

Our sales and profits tend to be disproportionately weighted toward the fourth quarter.

# Japanese and Overseas Group Companies

(As of March 31, 2017)

## Asia/Oceania/Middle East

- Topcon Singapore Holdings Pte. Ltd.
- Topcon Singapore Medical Pte. Ltd.
- Topcon Singapore Positioning Pte. Ltd.
- Topcon Singapore Positioning Sales Pte. Ltd.
- Sokkia Singapore Positioning Sales Pte. Ltd.
- Topcon Instruments (Malaysia) Sdn. Bhd.
- Topcon Instruments (Thailand) Co., Ltd.
- Topcon Sokkia India Pvt. Ltd.
- Mehra Eyetech Pvt. Ltd.
- Topcon Optical (H.K.) Ltd.
- Topcon (Beijing) Opto-Electronics Development Corporation
- Topcon Optical (Dongguan) Technology Ltd.
- Shanghai Topcon-Sokkia Technology and Trading Co., Ltd.
- Sokkia Korea Co., Ltd.
- TPS Australia Holdings Pty Ltd.
- Topcon Precision Agriculture Pty Ltd.
- Topcon Positioning Systems (Australia) Pty Ltd.
- Topcon Precision Agriculture Africa (Pty) Ltd.
- Topcon HK (BD) Ltd.
- Topcon Positioning Middle East and Africa FZE

## Japan

- Sokkia Topcon Co., Ltd.
- Topcon Yamagata Co., Ltd.
- Optonex Co., Ltd.
- Topcon Sokkia Positioning Japan Co., Ltd.
- Topcon Medical Japan Co., Ltd.
- Topcon Service Co., Ltd.
- Topcon Technohouse Corporation

## Europe/Africa

- Topcon Europe B.V.
- Topcon Europe Positioning B.V.
- Topcon Europe Medical B.V.
- Topcon Agriculture S.p.A.
- Topcon Deutschland Positioning GmbH
- Topcon Deutschland Medical GmbH
- Topcon S.A.R.L.
- Topcon España, S.A.
- Topcon Scandinavia A.B.
- Topcon (Great Britain) Ltd.
- Topcon Polska Sp. z o.o.
- Sokkia N.V.
- TIERRA S.P.A.
- Mirage Technologies S.L.
- Topcon Positioning Italy s.r.l.
- GEOPRO s.r.l.
- Topcon Electronics GmbH & Co. KG
- ifa systems AG
- Topcon Precision Ag Europe S.L.
- Topcon Positioning Spain, S.L.
- Topcon Positioning Portugal, L.D.A.
- Topcon Positioning Canarias, S.L.
- DynaRoad Oy

## North America

- Topcon America Corporation
- Topcon Positioning Systems, Inc.
- Cacioppe Communications Companies, Inc.
- Bunce Industries, LLC
- Topcon Agriculture Americas, LLC
- Topcon Agriculture Canada, Inc.
- Productivity Products and Services Inc.
- Topcon Medical Systems, Inc.
- Topcon Canada Inc.
- Topcon Medical Laser Systems, Inc.
- TOPCON BRASIL EQUIPAMENTOS MÉDICOS E DE POSICIONAMENTO LTDA.

# Corporate Profile and Stock Information

(As of March 31, 2017)

## Corporate Profile

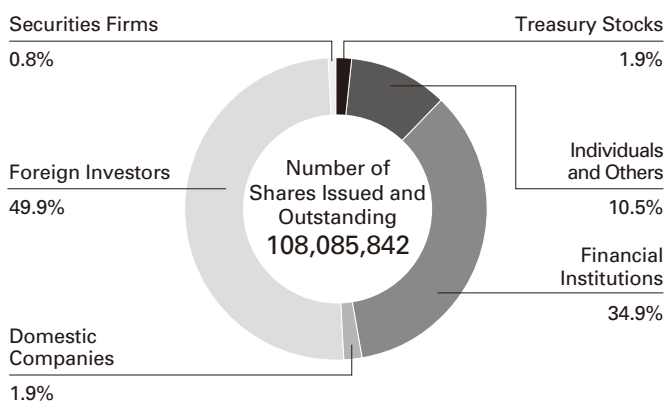
Corporate Name	TOPCON CORPORATION
Headquarters	75-1, Hasunuma-cho, Itabashi-ku, Tokyo 174-8580 Japan
Established	September 1, 1932
Paid in Capital	¥16,638 million
Business Outline	<b>Positioning</b> (GNSS, Machine control systems, Precision agriculture) <b>Smart Infrastructure</b> (Surveying instruments, 3D measurement, Monitoring, BIM) <b>Eye Care</b> (Ophthalmic instruments, Ophthalmologic network systems, Optometric instruments)
Topcon Group	7 (Domestic) 66 (Overseas)
Employees	4,497 (Consolidated) 704 (Non-consolidated)
Number of Authorized Shares	160,000,000
Number of Shares Issued and Outstanding	108,085,842
Number of Shareholders	14,610
Stock Exchange Listings	First Section, Tokyo Stock Exchange
Securities Code	7732
Number of Shares per unit	100
Transfer Agent for Common Stock	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo
Ordinary General Meeting of Shareholders	June

## Major Shareholders (As of March 31, 2017)

\* 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 (%)
STATE STREET BANK AND TRUST COMPANY	108,157	10.01
Japan Trustee Services Bank, Ltd. (Trust Account)	90,668	8.39
The Master Trust Bank of Japan, Ltd. (Trust Account)	54,962	5.09
The Dai-ichi Life Insurance Co., Ltd.	43,500	4.02
JPMC OPPENHEIMER JASDEC LENDING ACCOUNT	32,988	3.05
Japan Trustee Services Bank, Ltd. (Trust Account 9)	27,489	2.54
THE CHASE MANHATTAN BANK 385036	26,633	2.46
JP MORGAN CHASE BANK 380055	26,490	2.45
SAJAP	21,172	1.96
THE BANK OF NEW YORK 133524	20,753	1.92

## Breakdown by Type of Shareholders



## Share Price and Trading Volume

