



Topcon Report 2019

(Integrated Report)

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

Contents

02 Topcon's Value Creation

04 Topcon in Numbers

06 To Our Stakeholders

08 Mid-term Business Plan

16 Business Overview

24 Topcon's ESG

44 Consolidated Financial Highlights

46 Fiscal 2018 Management's Discussion and Analysis

50 Subsidiaries and Associated Companies

51 Corporate Profile and Stock Information

Note 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 if conditions change in the future.



See page 10 for details.

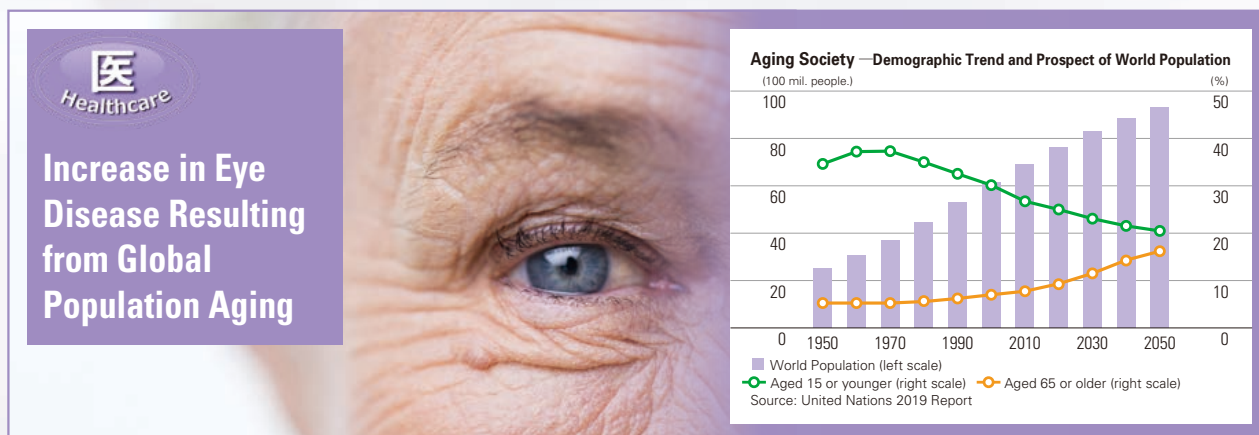
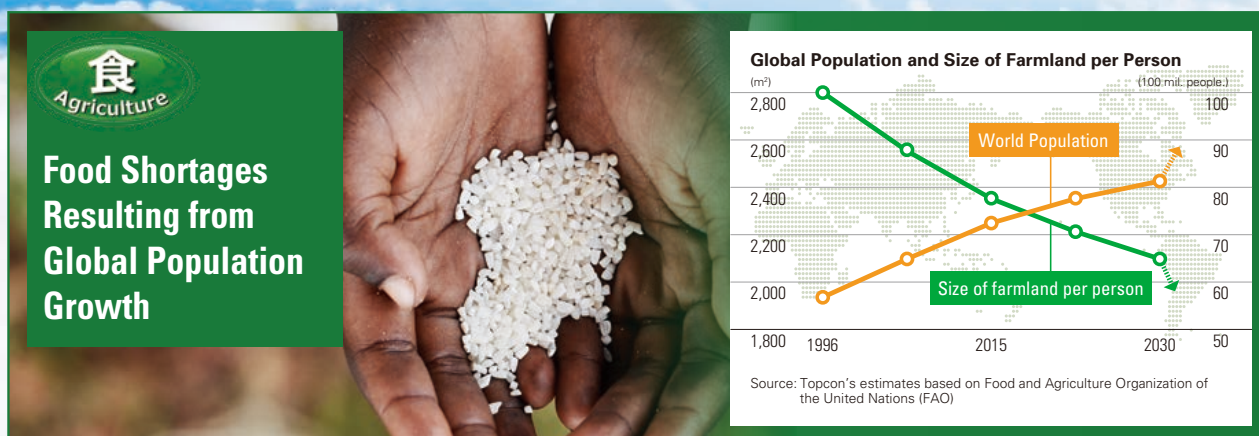
See page 12 for details.

See page 14 for details.

Topcon's Value Creation

Topcon endeavors to improve sustainable corporate value by following the corporate philosophy embodied in the TOPCON WAY: "Topcon contributes to enrich human life by solving the societal challenges within healthcare, agriculture and infrastructure."

Contributing Societal Challenges



Topcon's Solution for the Existing Societal Challenges

Automation Construction Works (IT Construction)

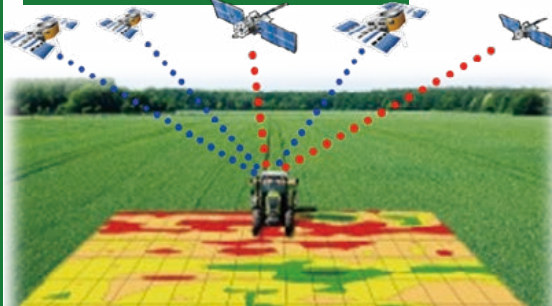


**High-Precision
Solutions to Labor
Shortage and
Improvement of
Productivity &
Quality**

Infrastructure



Automation of Farm Works (IT Agriculture)



**High-Precision
Solutions, Labor
Saving, Improvement
of Productivity &
Quality**

Agriculture



Creation of Eye Disease Screening (IoT Medical Network)



Physical Checkup

**Early Detection of
Eye Diseases**

Prognostic Management

**Medical Efficiency
Improvement**

Healthcare



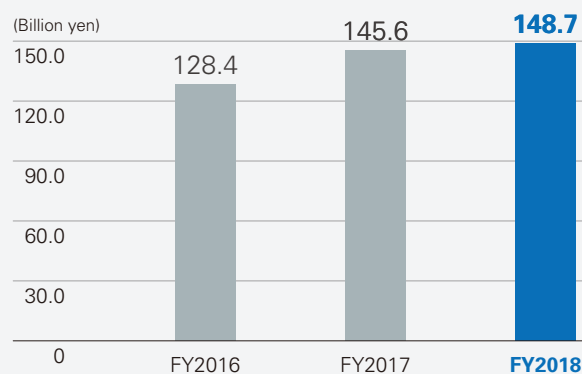
Topcon in Numbers

Net Sales



¥148.7
billion

year-on-year 2.1%

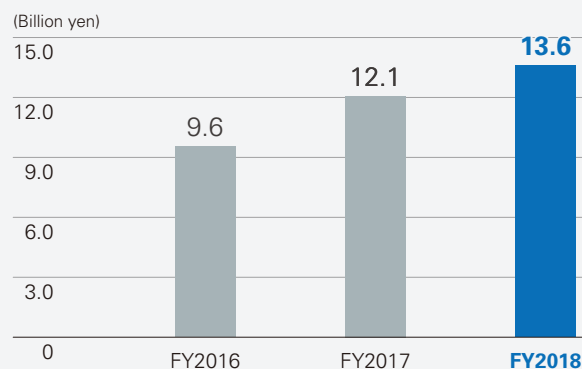


Operating Income



¥13.6
billion

year-on-year 12.6%

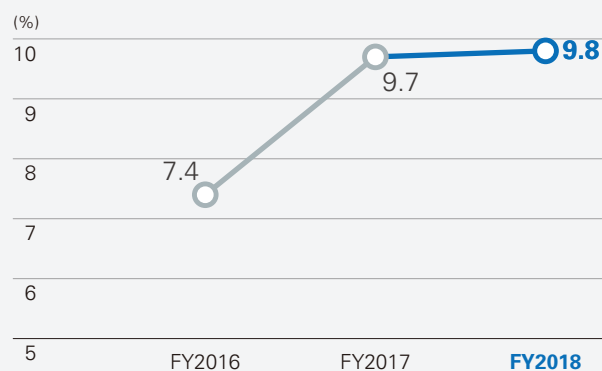


ROE



9.8%

year-on-year 0.1%



Capital Expenditures



¥6.2billion

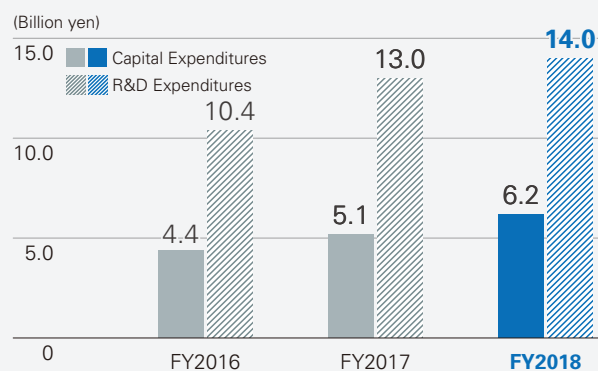
year-on-year 21.3%

R&D Expenditures



¥14.0billion

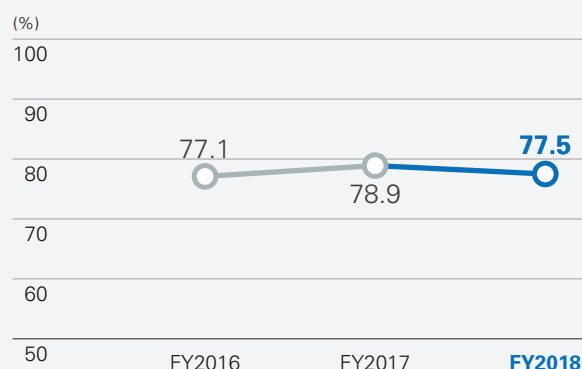
year-on-year 8.1%



Overseas Sales Ratio



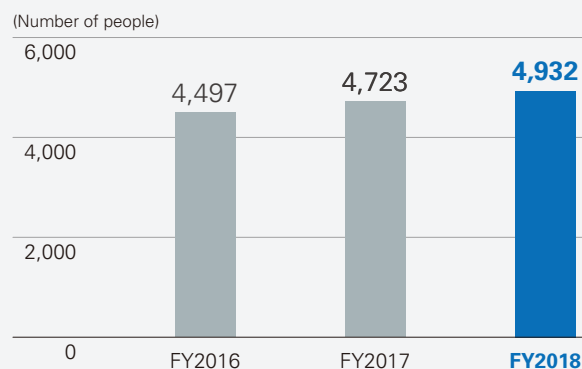
77.5%
year-on-year 1.4%



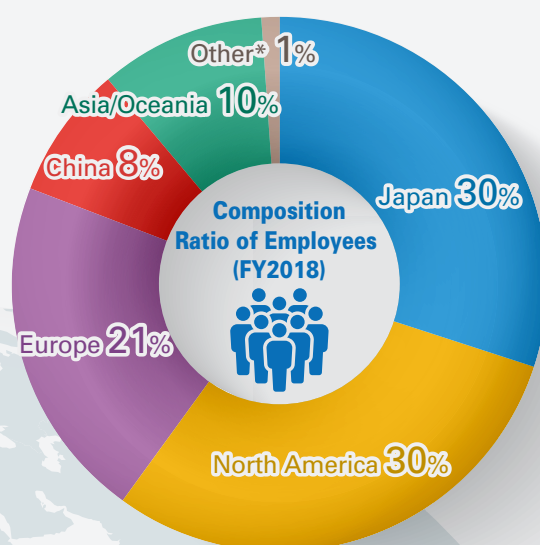
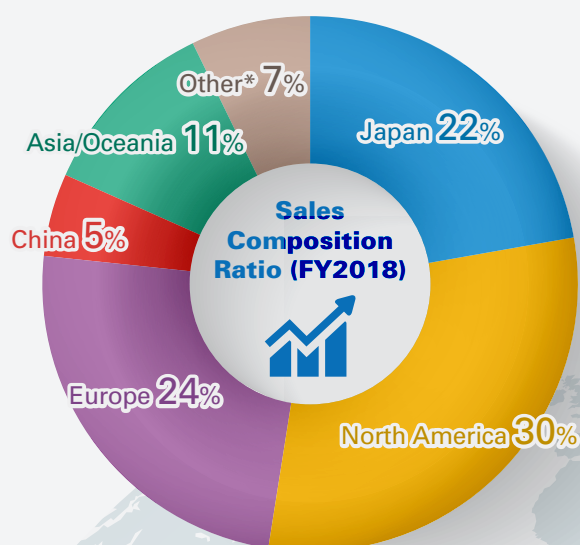
Number of Employees



4,932



High Globality



*Other includes Latin America, Middle East, Russia and Africa.

To our stakeholders

We strive to solve societal challenges in healthcare, agriculture and infrastructure to improve sustainable corporate value.

I would like to take this occasion to express my sincere appreciation for your support as always. We strive to ensure sustainable growth of corporate value based on the Topcon's philosophy of solving the societal challenges in healthcare, agriculture and infrastructure to enrich human life.

In healthcare, we will address the increase of eye diseases resulting from global population ageing through enhancement of IoT medical network solutions. That will contribute for early detection of eye diseases and to improve efficiency of healthcare service.

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

As for infrastructure, we will promote the spread of IT construction solutions to cope with the shortage of expert engineers, meanwhile global demands on infrastructure continue to increase.

Based on the philosophy of solving the societal challenges in healthcare, agriculture and infrastructure through our businesses, we have promoted our second three-year mid-term business plan since FY 2016. In the plan, we have advanced three strategies: Strengthening the Management Structure; Advancement of the Growing Business; and Creation of a Subscription Business Model. We advanced our growth businesses like IT construction, IT agriculture, and screening business for eye examinations. As a result, we posted a record sales of 148.7 billion yen and achieved increased operating income of 13.6 billion yen with ROE of 9.8% for the fiscal year ending March 2019.

Building upon the achievements of the second mid-term business plan, we started to implement the third mid-term business plan from April 2019 with acceleration of growth strategy in mind. In this plan, we will further advance growth businesses in the process of realizing long-term vision of 250 billion yen sales and ROE of 15% or more by the fiscal year ending March 2026. In the shorter term, we will strive for sales of 180 billion yen, operating income of 20 billion yen, and ROE of 13 to 15% for fiscal year ending March 2022.

In healthcare, we aim to expand screening business for eye diseases by cultivating new customers such as primary care doctors, optical stores, and drugstores. We will not only sell hardware like our 3D OCT and retinal camera but also provide medical network solutions using software or IoT platform developed by our subsidiary in the U.S. In the meantime, we also focus on the Chinese market since China has the largest population of diabetes and we expect increasing demand for screening for diabetic retinopathy.

In agriculture, we aim for automation of agriculture with IT. We strengthen sales for OEM in European and American markets. We also provide the solutions that help to optimize productivity of farm works by materializing unification of farming data and new value-added data service with subscription-based model. In Japan, we try to accelerate the spread of IT agriculture because of serious shortage of farmers. At the same time, we aim to expand IT agricultural business in untapped markets in Asia.

*i-Construction is a registered trademark of National Institute for Land and Infrastructure Management under the Ministry of Land, Infrastructure, Transport, and Tourism, Japan.

In infrastructure, we focus to expand pavement maintenance business on top of conventional IT construction for earth-moving works, and develop BIM market. In European and American markets, we will expand OEM partners and strengthen sales for aftermarket to boost sales of overall business of IT construction. In Japan, we continue to promote i-Construction* by utilizing Topcon's ICT solutions and 3D data technology.

We consider strategic investment essential to bring the mid-term business plan into a reality. We will make growth investments like M&A as well as R&D investments in advanced technology.

We will set targets for year-on-year gains for the fiscal year ending March 2020: net sales (up 4% to 154 billion yen), operating income (up 7% to 14.5 billion yen), ordinary income (up 9% to 12.5 billion yen), and profit attributable to shareholders of parent company (up 22% to 8 billion yen). We plan to raise the annual dividend by 4 yen to 28 yen.

We appreciate your continued support.



Satoshi Hirano
President & CEO



The Third Mid-term Business Plan

The Start of the Third Mid-term Business Plan

Expand our business by solving societal challenges in the growth markets of healthcare, agriculture, and infrastructure.

We have started the third mid-term business plan for three-year period ending FY2021. As we met almost all of our goals for the second mid-term business plan, we accelerate our growth business in the third mid-term plan.

We aim for sales of 180 billion yen for the last FY 2021. Our long-term goal is sales of 250 billion yen and ROE of 15% or more.



Review of the Second Mid-term Business Plan

Our slogan of the second mid-term business plan was “Accelerating Growth Strategies to a New Stage”. The slogan was supported by three strategies: 1) Strengthening the Management Structure; 2) Advancement of the Growing Business; 3) Creation of a Subscription Business Model. Positioning and Smart Infrastructure achieved Strategy 1) and 2), but Eye Care did not. Nevertheless, Eye Care got a good response or sign for future growth. As for Strategy 3), subscription models were created in all of our business areas, and we plan to monetize them in the third mid-term business plan.

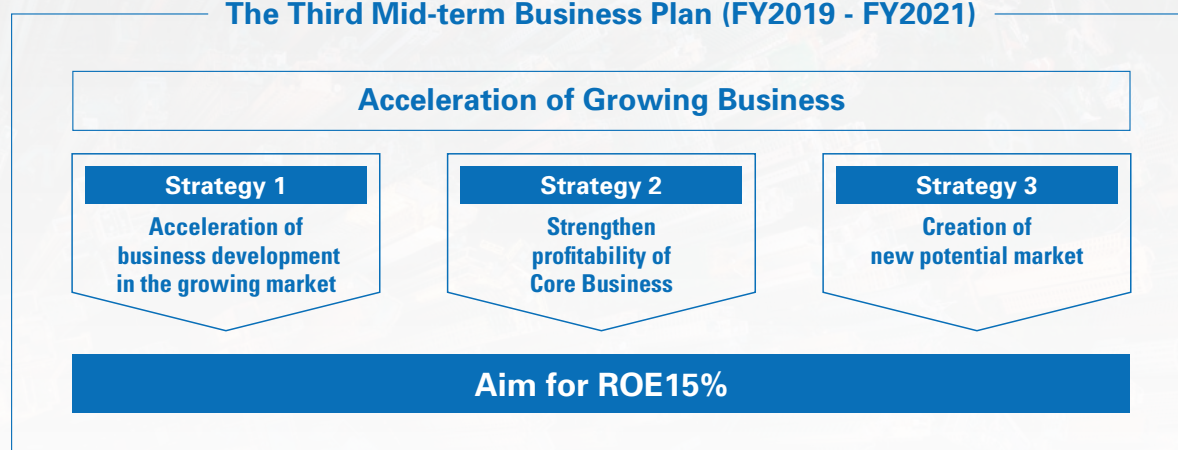
In general, we steadily carried out growth strategies in line with our plan, and entered into a new stage.

The Second Mid-term Business Plan Review Summary



With our long-term target of 250 billion-yen sales and more-than-15% ROE for FY 2025 in mind, we put up a slogan of “further acceleration of our growing business” for the third mid-term business plan from FY 2019 through FY 2021. This plan is supported by three strategies: 1) acceleration of business development in the growing markets; 2) strengthening the profitability of core business; 3) creation of new potential market. We aim for ROE of 15% through implementing these strategies.

The Third Mid-term Business Plan (FY2019 - FY2021)

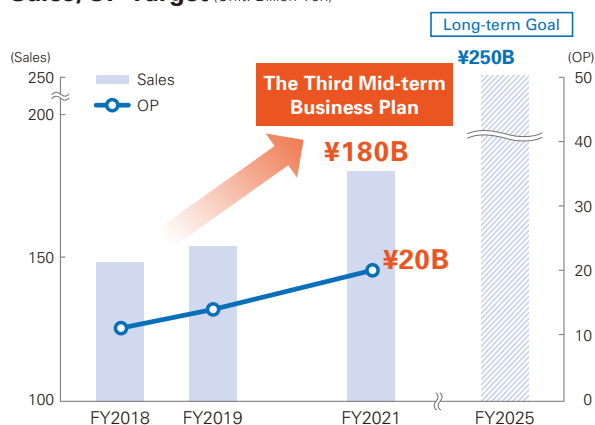


Through employing the above three basic strategies in healthcare, agriculture, and infrastructure, we aim for the target figures shown below in the third mid-term business plan.

FY2021 Financial target (KPI)

- 1 Sales: ¥180B,**
CAGR (average annual growth rate) 6.6%
- 2 OP: ¥20B,**
CAGR (average annual growth rate) 13.7%
- 3 ROE (Return on Equity): Aim for 15%**

Sales/OP Target (Unit: Billion Yen)



Investment Plan

We continue strategic growth investment to meet the above target figures. Our planned target figures for the third mid-term plan are capital investment of 20 billion yen, growth investment of 40 billion yen, and R&D expenses of 50 billion yen.

	The Second Mid-term Business Plan	The Third Mid-term Business Plan
	FY16-18 total	FY19-21 total
CAPEX	¥15.9B	¥20.0B
Growth Investments (M&A, etc.)	¥6.3B	¥40.0B
R&D	¥37.4B	¥50.0B

The Third Mid-term Business Plan



Infrastructure

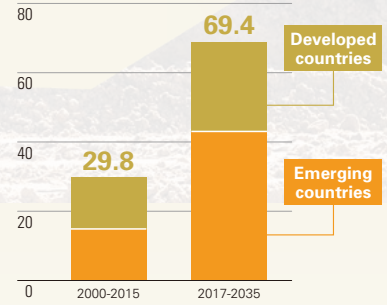
We address the issue of shortage of skilled engineers increased global demand for infrastructure by robotizing construction machinery and unification of construction workflow with 3D data.

Societal Challenge

■ Increasing demand for Infrastructure

■ Shortage of skilled engineers

(unit: trillion dollar)



Source: GWI, HIS Global Insight, ITF, nation statistics, McKinsey Global Institute analysis

Solution

Automation of construction

by robotization of construction machinery and unification of construction workflow with 3D data

Productivity improvement
Elimination of labor shortage



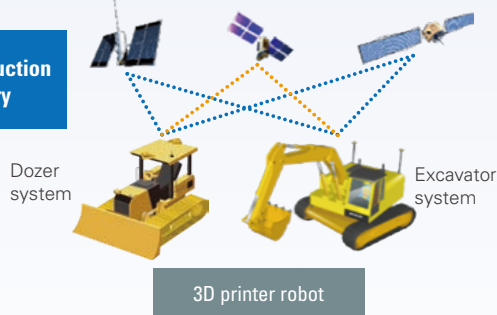
Realization

Topcon's unique technology

1 IT Construction technology

Machine Control System utilizing precision GNSS technology

IT Construction Machinery



2 3D Measurement technology

Sensor digitization which realize unification of workflow

3D Measurement





Growth Scenario

1 Development of untapped market

There are still many unexplored area for IT construction business. For instance, in existing OEMs, we will further expand the number of ICT models, in addition to develop small-scale OEMs, also develop untapped markets in emerging countries.

2 Advancing subscription business in real time job site management

Based on the subscription business model created in the second mid-term plan period, we will monetize it in the third mid-term plan. We provide real-time visibility of construction project and assets. This is useful tool for project manage to effectively manage over job progress.

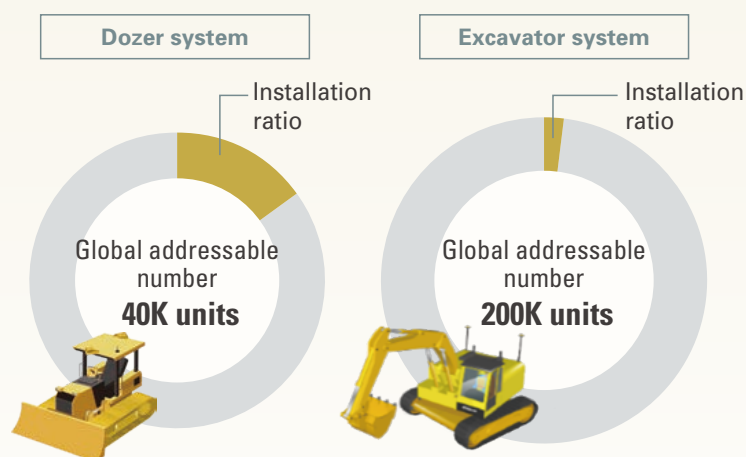
3 Expand road maintenance solution business

In developed countries, measures against road deterioration are becoming a serious issue. Last year, we acquired a Dutch company, ThunderBuild, who has a technology for managing entire road paving workflow that allows automated asphalt paving and resurfacing. By streamlining and labor-saving, this maintenance business is expected to enable cost-cuts by 30%.

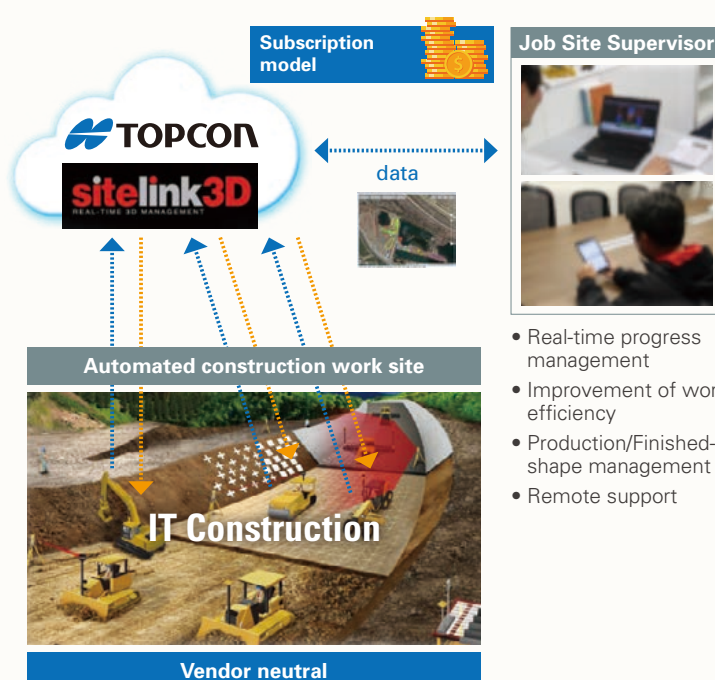
4 BIM market development

Last year, we acquired ClearEdge3D, and obtained software that connects 3D point cloud data to CAD drawings seamlessly. For example, "Verity" is a software that cross-checks the blueprint against actual 3D data, which is capable of finishing the work in just three days, 1/15 of the conventional work method that takes nine weeks. We will utilize these "game-changer" tools to Promote the BIM business.

Market size estimation (FY2018)



Utilization of Subscription model for IT construction solution



The Third Mid-term Business Plan



Agriculture

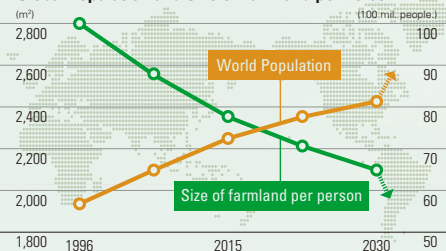
To tackle global food shortage and skilled farmers, we strive to enhance productivity and quality through automatic steering of farm machinery and unification of various farm data.

Societal Challenge

- Global population increase
- Decreasing size of farmland per person

- Food shortage
- Shortage of skilled farmers

Global Population and Size of Farmland per Person



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

Solution

Automation of agriculture

by automation of steering and unification of various farm data management

Improvement of productivity and quality



Realization

Topcon's unique technology

1 IT Agriculture machinery

Auto-steering system utilizing precision GNSS technology

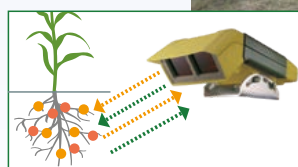
Auto-Steering system for farm machinery



2 Optical Sensor technology

Digitization by crop monitoring sensor and yield sensor

Laser-type crop sensor





Growth Scenario

1 Further strengthening of OEM business

With the development of small-sized OEMs, the number of our OEM customers has increased eight times over the last four years, but there still remains untapped markets, and in order to accelerate our endeavor, we continue to explore new strategic alliances partners in OEM.

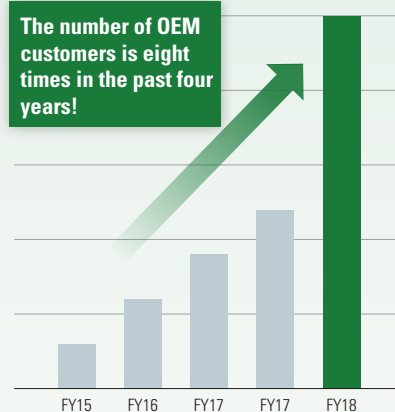
2 Business expansion in Japan and market development in Asia

While IT agriculture is booming in Japan, it is still unfamiliar in Asian countries. Auto-steering has spread mainly in large-scale farms in Europe and the U.S. so far, but we will propose a new work method suited to Asian market to develop Asian market and expand sales in Asian market.

3 Initiation of IoT platform business

We have promoted the digital transformation of agriculture mainly around hardware using optical sensor technology and automation technology using high precision GNSS, but with recent progress in R&D by academic-industrial alliance, farm data management utilizing the IoT platform becoming a crucial issue. We will offer the solution that enable data obtained from hardware to be uniformly managed with cloud-based software. For example, we will provide various services to improve productivity and quality of farm works such as farm data analysis for the optimum fertilizer application planning. We provide this kind of service with subscription model.

The number of OEM customers is eight times in the past four years!



The Third Mid-term Business Plan



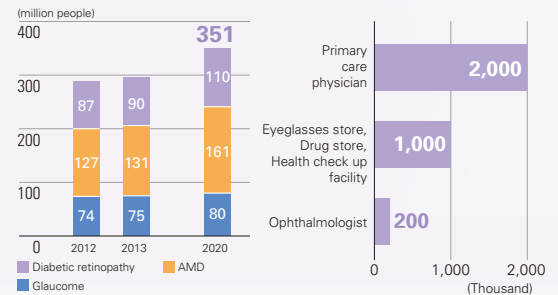
Healthcare

To tackle shortage of ophthalmologists while increasing eye diseases caused by global ageing, we strive to create a screening business for eye disease utilizing primary doctors, optical chain stores, and drugstores to realize early detection and early treatment.

Societal Challenge

- Lack of number of Ophthalmologist
- Increase of eye diseases
- Rising medical cost

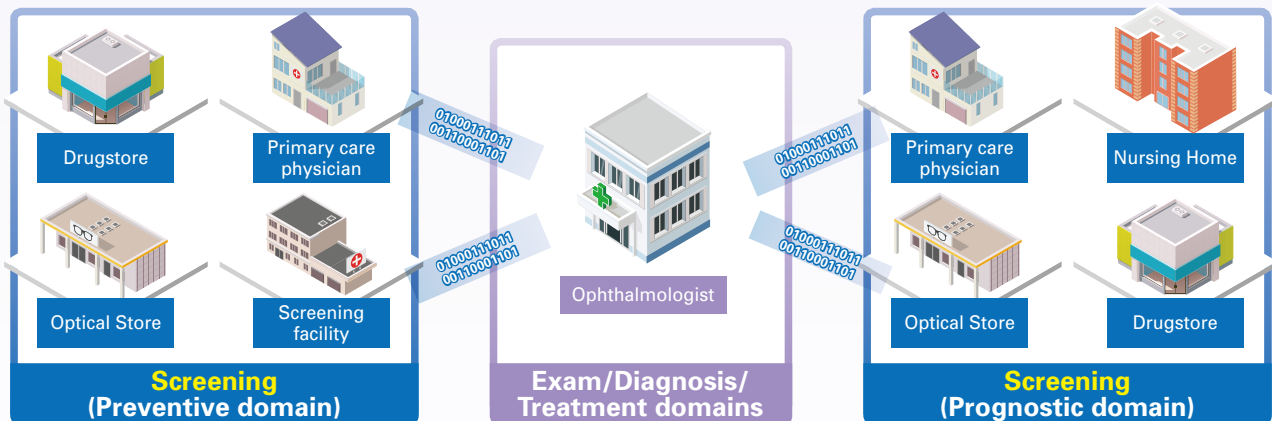
■ Difficulty of corresponding to rapidly increasing eye diseases (351 million people)



Solution

Creation of Eye disease screening
by Primary care physicians, Optical chain stores, Drugstores, etc.

**Early detection
Early treatment
Medical efficiency improvement**



Realization

Topcon's unique technology

Full automatic Screening equipment : Easy operation with less expertise

3D OCT Maestro

- Fully automatic OCT and color fundus photography
- Reporting function indicating possibility of 3 major eye disease



TRC-NW400

- Fully automatic color fundus photography
- Early detection of 3 major eye diseases





Growth Scenario

1 Utilization of Software Development Subsidiary in the U.S.

In 2018, a new software subsidiary, Topcon Healthcare Solutions (THS), was established in the U.S. It is now staffed with over 120 employees, also have two branch office in Europe and Asia, working to build a medical network solution.

2 Sales expansion of fully automatic screening equipment

We aim to double the sales of fully automatic screening equipment (Maestro and NW400). To this end, we take positive approach to build new customer bases including major optical chain stores and drugstores.

3 Utilization of subscription model

Among the software developed by THS, there are some software solution suit for the subscription model. For example, a system that allows optical chain stores, primary care physicians and drugstores to send the image data to the reading center to be remotely diagnosis as a subscription service per screening. In addition, there is the alternate service that offers AI diagnosis at charge per screening as well.

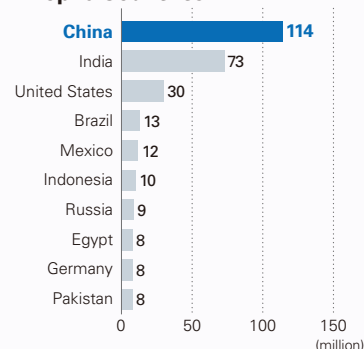
4 Business expansion in China

-Creation of Screening Business in the world's largest diabetes market-

Diabetic retinopathy is a complicating symptom developed by around 30-40% of diabetic patients, which leads to the risk of losing eyesight. Currently, it is said that 1 in 4 working-age adults in the world are diabetic, and China in particular has the largest number of diabetic patients. The number of diabetic patients in China is an astounding 114 million, followed by India and the U.S. (these three countries cover 51% of all diabetic patients).

While China has the largest number of diabetic patients, there are only 2.8 ophthalmologists for every 100,000 people. The number of ophthalmologists is too small compared to the size of the market, and demand for screening will inevitably increase. Topcon (Beijing) Medical Technology established in 2018 will lead our full-scale business deployment in China.

■ Number of Diabetes Top10 Countries



Source : Diabetes Atlas 8th Edition

■ Ophthalmologists per 100,000 population

■ United States: 15.7



■ Japan: 11.2



■ China: 2.8



Source : MarketScope 2018

What is "eye disease screening"?

Rapidly increasing eye disease while lack of ophthalmologists necessitates, eye examination by those other than ophthalmologists for early detection and early treatment. Topcon has utilized fully automatic screening equipment that can be operated by those other than expert ophthalmologists and aimed to expand the business through eye examination in optical stores and drugstores. We will aim to further expand the eye examination environment, and strive to expand the screening business.

Business Overview

(For the year ending March 31, 2019)

Topcon operates in three business segments, Positioning, Smart Infrastructure, and Eye Care

POSITIONING COMPANY

住
Infrastructure

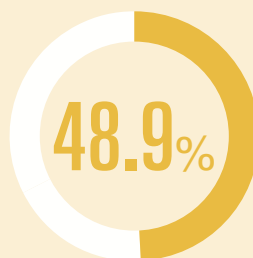
食
Agriculture



P18

Sales Ratio

Major Sales Area



- Americas
- Europe
- Oceania

SMART INFRASTRUCTURE BUSINESS

住
Infrastructure

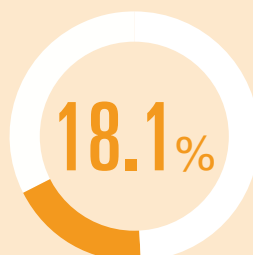
食
Agriculture



P20

Sales Ratio

Major Sales Area



- Japan
- Asia
- China
- Middle East/Africa

EYE CARE BUSINESS

医
Healthcare



P22

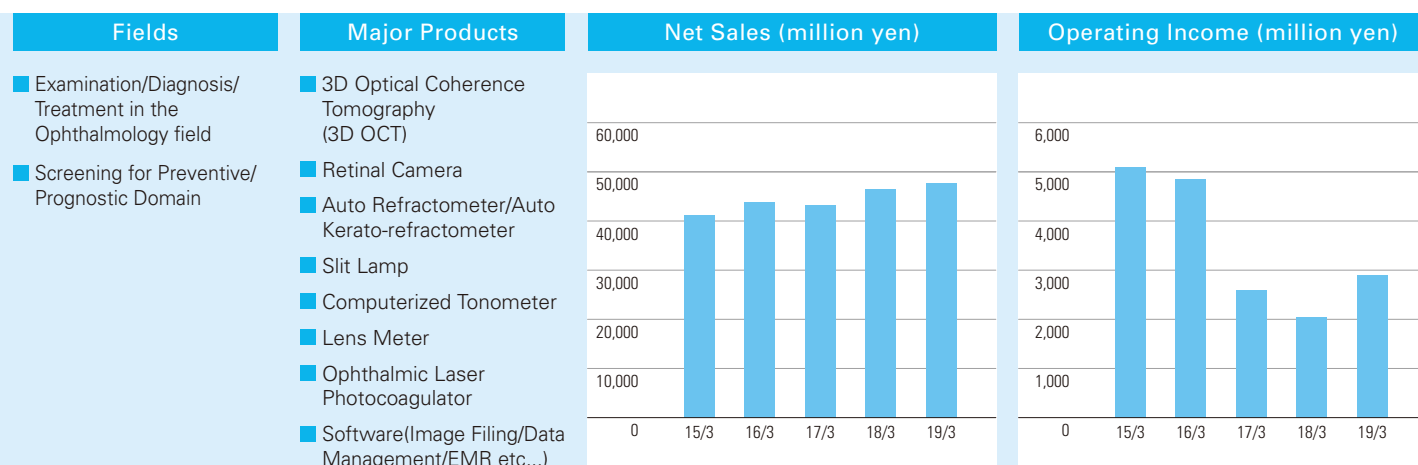
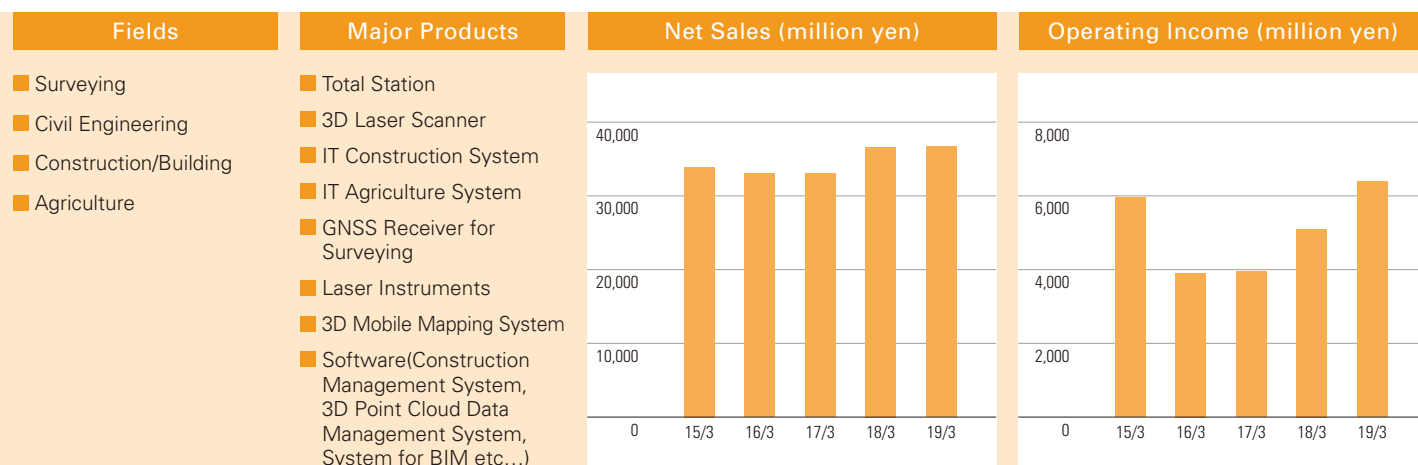
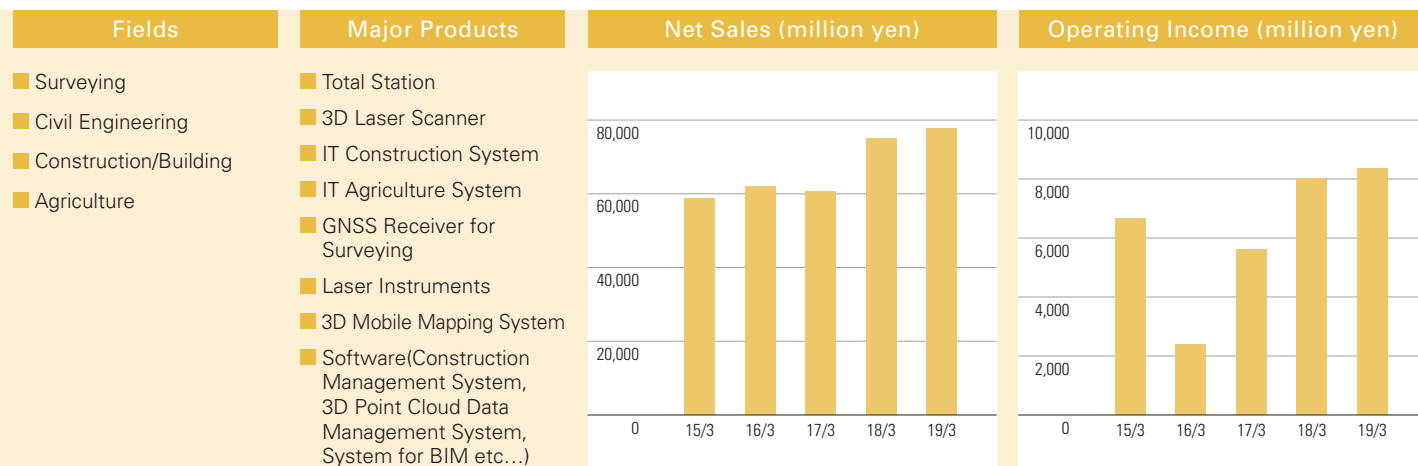
Sales Ratio

Major Sales Area



- All of the World

*Sales ratio figures are calculated based on sales to external customers.



■ Business Overview



POSITIONING COMPANY



Net Sales **77.7** billion yen  (up 3.7% year-on-year)

Operating Income **8.4** billion yen  (up 4.2% year-on-year)



■ FY2018 Financial Results

Sales at the Positioning business came in at ¥77,722 million, up 3.7% from a year earlier thanks to solid growth in IT construction system sales. Operating income rose 4.2% year on year to ¥8,358 million as an increase in sales offset the cost of upfront investment made for future growth.

During this fiscal year, our main market, the United States, experienced a slowdown in the second to third quarters, but it recovered somewhat in the fourth quarter, and in the end we managed to post increases in revenue as well as profit.

As for IT construction, OEM business performed solidly throughout the year although uncertainty over the US construction market remained. The business targeting the aftermarket also struggled to grow as the launch of new strategic products was delayed from the initially planned date. For IT agriculture, the US agriculture market slowed down due to the trade dispute between the US and China, increasing unpredictability of the market.

The fiscal year to March 2019 was the last year for our second mid-term business plan and IT construction and IT agriculture grew substantially. We managed to expand the OEM business under the IT construction through utilizing our differentiating technology. Also in IT agriculture, our businesses expanded further thanks to more focus on the aftermarket and more OEM partners. These steps led to substantial growth in revenue and profit during the three years of our mid-term business plan.

■ Outlook on business environment beyond March 2020

We are convinced that IT automation will progress in the construction and agricultural sectors in the mid to long term. However, for the short term, we remain cautious because of concerns about a slowdown of the global economy and increasing uncertainty.

■ Growth strategy under the third mid-term business plan

We think emerging countries and small-sized OEM still have a large untapped market and offer opportunities for our IT construction. We aim to cultivate these markets through strengthening sales capabilities via alliances and expanding sales network via mergers and acquisitions.

We launched automated excavator systems as a new strategic product. We are also pushing for the expansion of repaving business to capture the needs of aging roads maintenance in the advanced countries. We are also rolling out the subscription business.

As for IT agriculture, similar to IT construction, we aim to venture into emerging markets and small-sized OEM. Furthermore, we are eyeing on the rollout of the subscription business and planning for an official release of cloud-type IoT solution, which had been developed under the second mid-term business plan.





SMART INFRASTRUCTURE BUSINESS



Net Sales **36.7** billion yen  (up 0.3% year-on-year)

Operating Income **6.4** billion yen  (up 25.3% year-on-year)



■ FY2018 Financial Results

Sales for Smart Infrastructure Business were ¥36,744 million, up 0.3% from a year ago, due to sales growth in our main product Total Station. Operating income surged 25.3% year on year to ¥6,393 million thanks mainly to cost reduction.

Japan's domestic sales increased on the back of growing demand for i-Construction, but a slowdown in China and other Asian markets compromised the strong domestic performance, resulting in a flat sales growth. However, operating income rose quite a bit despite the flat sales as manufacturing cost was reduced in Total Station in the infrastructure business. We think this shows that efficiency of management is steadily improving.

Looking at the second mid-term business plan, Japan experienced the wave of ICT revolution, which supported the steady growth of IT construction and IT agriculture. As a result, we achieved a more-than-expected revenue growth and substantial profit growth. Furthermore, we managed to improve profitability in existing businesses as we took on steps to boost efficiency of management.

■ Outlook on business environment beyond March 2020

The use of 3D measurement data and IT construction machinery is expected to further grow in the Japanese domestic market, buoyed by i-Construction and the government's policy to enhance the nation's resilience against natural disasters. Moreover, IT agriculture in the Japanese market will continue to grow while investment in infrastructure is expected in China as the Chinese government boosts the economy.

■ Growth strategy under the third mid-term business plan

In the domestic market, i-Construction is directly managed by the central government, and there have been more cases where local governments apply i-Construction. The market is expected to grow further. We aim to expand our solution business such as IT construction and 3D measurement to take advantage of this trend.

As for IT agriculture, more and more auto-steering systems have been installed in the Japanese domestic market as we have introduced easy-to-use products and gained more market share. We aim to repeat this success in other Asian countries and plan to boost sales.

Furthermore, we will put more focus on IoT business based on our widely-sold Total Station. To be more specific, we plan to expand the subscription business through utilizing cloud-type system and telematics function loaded in Total Station to offer such services as operation support, monitoring the status of equipment, maintenance control, and management of operation status.

*i-Construction is a registered trademark of National Institute for Land and Infrastructure Management, MLIT, Japan






EYE CARE BUSINESS



Net Sales **47.7** billion yen  (up 2.6% year-on-year)

Operating Income **2.9** billion yen  (up 42.1% year-on-year)



FY2018 Financial Results

Sales for Eye Care business rose 2.6% from a year ago to ¥47,713 million as sales in Japan and Asia Oceania expanded. The increased sales and other factors helped operating income to come in at ¥2,896 million, jumping 42.1% from the previous year. Upfront investment in the screening business had forced us to post a lower profit in the last two terms in a row but this time, we were able to mark a profit increase for the first time in three terms.

This was due to a rise in sales of our main product 3D OCT Maestro and improving performance of the screening business which had required upfront costs, contributing to the revenue. Operating income ratio, however, still remained at a single digit as the business has not generated enough sales to cover the upfront costs yet.

Under the second mid-term business plan which end in the fiscal year 2018 to March 2019, revenue as well as profit expanded thanks to growth in our main product 3D OCT. However, they were lower-than-expected growths as the launch of strategic products delayed. As for the screening business, overseas optical chain stores adopted 3D OCT Maestro for the first time and screening service for eye examination using AI started in the United States. We gained confidence in getting the business off the ground.

Outlook on business environment beyond March 2020

Needs for eye exam services which lead to early detection of eye diseases are growing on the back of aging population and the shortage of ophthalmologists. As such, we see the screening business as a growth market.

Growth strategy under the third mid-term business plan

We plan to focus on the expansion of the screening business and China business, both regarded as two main growth areas.

As for screening, we have set up a subsidiary and aggressively hired people externally to develop software which will support those who are not ophthalmologists like opticians or primary care doctors, to do screening tests. We aim to grow the screening business through bundling this software with fully automatic screening machines, 3D OCT Maestro and TRC-NW400, which are all easy-to-use for anyone with no specialized knowledge.

Also, China has the world's largest number of diabetics while the country also faces the shortage of ophthalmologists. Demand for screening, therefore, is expected to be quite high in China, and we plan to expand the business through building partnerships with major medical examination groups and AI development companies.



■ Topcon's ESG

ESG

The Topcon Group strives to fulfill its social responsibilities through promoting ESG activities of its core business and enhance its mid- to long-term corporate value.

The Topcon Group has pledged its support for the principles of the United Nations Global Compact (UN GC) from its inception. Guided by the spirit of the UN GC, the Company is committed to engaging in activities that will help ensure profitable growth. We are working to expand our business through resolving societal challenges in the growth markets of "Health-care," "Agriculture," and "Infrastructure." We pride ourselves in making a significant contribution to the Sustainable Development Goals (SDGs) while resolving such social issues.

Topcon has put in place a basic policy for CSR that underpins all of its CSR-related activities. The Company also puts forward annual action plans based on this policy. In addition to providing products that help address societal issues, we attach considerable importance to promoting communication with stakeholders and contributing to society through our business activities.

We are committed to global environmental solutions, CSR activities that contribute to society, optimal corporate governance structure and systems, and compliance with all legal and regulatory requirements as well as social norms.

Basic Policy for CSR

- 1** TOPCON will position CSR activities as the cornerstone of business and make CSR efforts based on action plan in order to build, share and implement the values and standards suitable for global enterprise.
- 2** TOPCON will, within our sphere of influence, follow and implement global rules and regulations regarding Human Rights, Labor Standards, Environment and/or Anti-Corruption as set forth in the UN Global Compact.
- 3** TOPCON will make active social contributions through development, production, sales and services of useful products.
- 4** TOPCON will promote environmental management through creating and providing environmentally-conscious business processes, products, and services.
- 5** Every officer and employee at TOPCON will strive to perform CSR activities when doing his/her daily work and to instill him/her with sense of CSR both within the TOPCON Group and globally.
- 6** TOPCON will earn the understanding and trust of all stakeholders of TOPCON Group through proactively providing information.

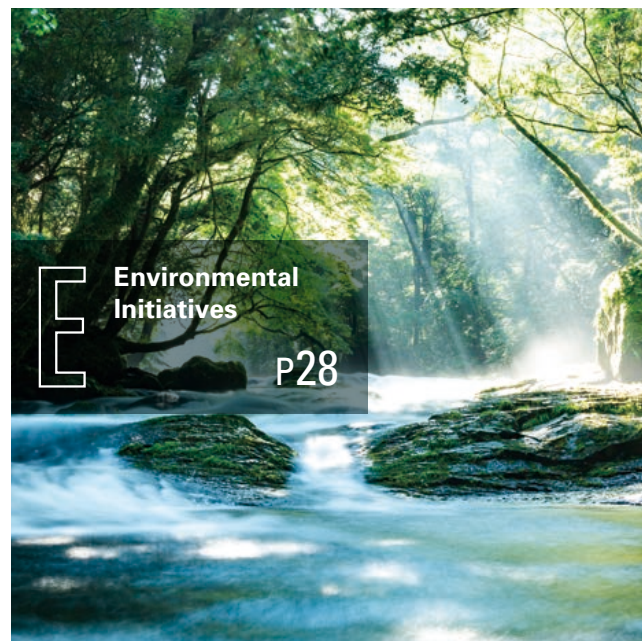




Topcon's ESG

Topcon's ESG

In promoting ESG activities, the Topcon Group attaches great importance to communications with the Group's stakeholders, conducts checks and evaluations of the performance of individual activities every fiscal year, and draws on these evaluation results for the activities of the following fiscal year and beyond. In addition, we place priority on international frameworks such as UN GC and SDGs and engage in ESG activities expected of a global company.



Relationship with Stakeholders

Based on the basic policy for CSR, the Topcon Group offers products and services that will help address societal issues. At the same time, we attach great importance to communications with the Group's diverse stakeholders and endeavors to make social contributions through its business activities.

The Group conducts checks and evaluations of the performance of its ESG activities every fiscal year and draws on these evaluation results to set goals for the activities of the following fiscal year.

For customer satisfaction, our mission is to improve product quality and respond swiftly to customer com-

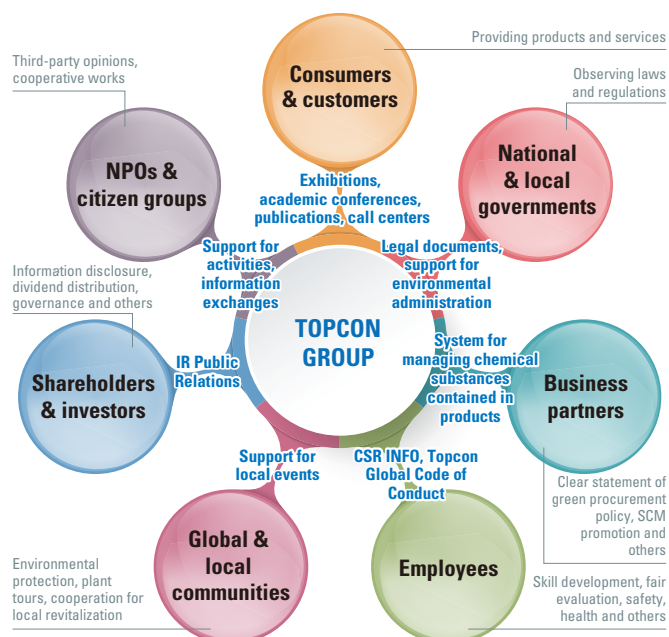
plaints. In this regard, we conduct risk analyses and strengthen design reviews which, in turn, contributes to compliance with development schedule and quality improvement. We also pledge to conduct fair transactions with our clients such as through clarifying material procurement policies.

For our employees, we strive to raise their satisfaction level while improving their work environment. We aim to create a comfortable, highly satisfactory workplace environment through raising awareness of health and safety and enhancing diversity and other efforts.

We contribute mainly to environmental aspects for sales agents and other business partners, national and local governments, global and local communities, as well as NPOs and citizen groups. In addition to providing environmentally-conscious and resource-saving products as well as products and services useful for improving medical care, health and life, we seek to reduce our environmental footprint in our procurement, development, production and sales processes and make environmental contributions asked for by these stakeholders.

We also seek to communicate with shareholders and investors by strengthening information dissemination and maintaining external evaluations.

Our website is our primary channel for disclosing information on our communications with all stakeholders. We also use various other means such as IR public relations, local events, exhibitions, academic conferences, and publications to disclose information and communicate with stakeholders in a multifaceted and multilayered manner.



In addition to the Integration Reports and our websites, TOPCON Group utilizes various channels of communication, as described above.



UN GC and SDGs

The Topcon Group, with its sales outside Japan accounting for nearly 80%, is actively involved in international frameworks such as the United Nations Global Compact (UN GC) and the Sustainable Development Goals (SDGs).

The Topcon Group has incorporated 10 principles*¹⁾ proposed by the UN GC into its core policies including the TOPCON WAY and its basic CSR policies since it participated in the UN GC in October 2007. The Group conducts various activities which embody the spirit of the UN GC to raise awareness.

Furthermore, the Topcon Group is committed to taking actions for the SDGs adopted at the UN Summit



in 2015. Companies are encouraged to participate in the SDGs to work toward the 17 goals*²⁾ of reducing poverty and inequality, ensuring sustainable consumption and production, and combating climate change. With this international backdrop in mind, Topcon is taking initiatives through clarifying the priority issues.

Given many overlaps between the SDGs and our social contributions, particularly in our core “healthcare,” “agriculture,” and “infrastructure,” businesses, we strive to adapt them to the SDGs through resolving the respective issues in our core businesses.

*1 <https://www.unglobalcompact.org/what-is-gc/mission/principles>

*2 <https://www.mofa.go.jp/policy/oda/sdgs/index.html>

Corporate Identity

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

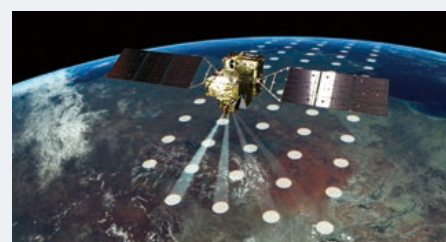
Contributing Societal Challenges

医 Healthcare	食 Agriculture	住 Infrastructure
Increase in Eye Disease Resulting from Global Population Aging	Food Shortages Resulting from Global Population Growth	Global Infrastructure Demand in order to Solve Labor Shortages at Construction Sites
3 GOOD HEALTH AND WELL-BEING 	2 ZERO HUNGER 	11 SUSTAINABLE CITIES AND COMMUNITIES



Topcon technology onboard the greenhouse gas observation satellite

Topcon technology is applied in the optical system unit that is functioning as the eye of the greenhouse gas observation satellite. The satellite is equipped with five optical units that support the performance of observing a wide area with high accuracy.



©JAXA

■ Environmental Initiatives

E S G

Environmental Initiatives

We believe our very core business can contribute to the global environment since our core business is based on our philosophy of solving the societal challenges in healthcare, agriculture and infrastructure to enrich life and society. We do not make construction machines or farming machines, but we provide solutions to improve efficiency and productivity in construction and farm work. Our IT agriculture solutions contribute not only to stable production but also to protection of global environment through saving fuel, water, fertilizer, and pesticide with efficient operation of farm machines.

■ Our initiatives in global environmental issues

1. Global Warming

We put primary importance to global warming counter-measures, and strive to reduce CO₂ emissions from our bases both in Japan and abroad to promote initiatives leading to carbon-free society.

2. Contribution through Products

We strive to reduce energy use and conserve resources so as to further reduce our environmental impact across the product lifecycle. We also work with our customers to offer products, technologies, and services that help mitigate global warming, make effective use of natural resources, and conserve biodiversity. Moreover, as part of our manufacturing-based corporate culture, we

endeavor to recycle and make effective use of waste products from our corporate activities such as R&D, manufacturing, and marketing.

■ Environmental Management System: ISO14001-related Initiatives

The Topcon Group has acquired ISO14001 certification, an international standard for environmental management systems, particularly among manufacturing-related companies. In August 2018, we have passed the audit for transition to ISO14001:2015 and maintained our certification.

■ Topcon's Environmental Footprint Report (FY2018)

1. Mitigating Global Warming (CO₂ Emissions Reduction)

Considering global warming as top environmental priority, we sought to reduce our emissions to 5,212.4t-CO₂, equivalent to a 17% emissions reduction below the benchmark emissions, that is, three-year average for FY2005-FY2007, stipulated by an ordinance of the Tokyo Metropolitan Government. As a result, we reduced our emissions by 44.0% to 3,502.5t-CO₂. We also seek to reduce our CO₂ emissions accordingly at our overseas bases.

2. Effective Use of Resources (Total Emissions Reduction)

To make effective use of the Earth's limited resources, we strive to reduce our total emissions based on zero emission initiative. In FY2018, we reduced our total emissions to 197.2 tons, exceeding our total emissions target of 220.9 tons.

3. Management of Chemical Substances (VOC Reduction)

We are working to reduce Volatile Organic Compounds (VOC) as part of the management of chemical substances. In FY2018, whereas our total emissions target was 3,800 kg, or 77.8% reduction below the FY2000 level, we reduced VOC usage to 2,865 kg (84.7% reduction), far exceeding our total emissions target.

We switched from solvent paint to water paint to effectively reduce VOC. In so doing, we succeeded in enhancing wear durability of coating film by 10 times or more. We balance environmental protection and product durability.

*VOC (Volatile Organic Compounds)

Environmental Policy

We uphold the TOPCON WAY which embodies our philosophy of enriching society through solving societal challenges in healthcare, agriculture, and infrastructure. We strive to reduce environmental burden of our business activities based on the Topcon Global Code of Conduct. Moreover, we help reduce environmental impact through our products and services to aim for sustainable society.

1. We promote continued improvement of environmental management system to enhance environmental performance in our business activities. To this end, we prioritize our environmental efforts and set environmental goals and targets involving all employees including the top management.
2. We comply with applicable laws and regulations, acts, guidelines, agreements and other accepted requirements, and strictly manage and control them.
3. We strive to reduce environmental burden, conserve biodiversity, and prevent environmental pollution. To reduce environmental risks, we set the following goals:
 - (1) We will offer environmentally friendly products and services considering our product lifecycle.
 - (2) We will raise control levels of chemical substance and chemical substance contained in our products.
 - (3) We focus on reduce waste emissions, and strive to enhance value of waste as recyclable waste.
 - (4) We promote efforts to mitigate global warming, and strive to reduce greenhouse gas emissions.
4. We work to keep our premises and neighborhood clean and beautiful, and participate in our local community activities to live in harmony with our local communities.
5. We work to raise awareness of our employees through environmental education and PR activities, and enhance environmental conservation activities involving everyone in the office.
6. We give guidance and support to our affiliated companies to raise the awareness of the Topcon Group as a whole.

Societal Initiatives

ESG



Societal Initiatives

Valuing People (Respect for Human Rights)

The Topcon Group has a global diverse workforce with a wide variety of backgrounds, origins, experiences and cultures. We respect diverse values, fundamental human rights, individual personalities and characters in light of human dignity, and seek to maintain a workplace where every individual is respected.

We are committed to providing equal opportunity in employment and business. We will not tolerate unlawful discrimination in the workplace, and ensure that all employees, job applicants, customers and suppliers are treated equally and respectfully regardless of race, color, religion, sex, national origin, age, veteran status, physical or mental disability, sexual orientation, gender identity or other attributes protected by law. Our commitment to a safe and secure work environment means that we will not tolerate workplace violence or threats of violence. Prohibited conduct includes not only physical violence or abuse, but also abusive, intimidating or disorderly conduct and abusive or threatening language. Moreover, we will not use child labor or forced labor.

The Topcon Group considers a direct exchange of views between labor and management as critical for

protecting the rights of employed workers. In Japan, we have the Topcon Labor Union and the Topcon Group Labor Union Council for affiliated group manufacturers. In our efforts to enhance communication, Topcon holds regular labor-management gatherings and councils where we explain the company's business condition to the Topcon Labor Union.

Diversity

Policy of Respecting Diversity

The Topcon Group values communication with employees so that its employees with different personalities and values can make the most of their capabilities and thrive with creativity and innovative spirit regardless of nationality, race or gender. To this end, we disseminate and implement the Topcon Global Code of Conduct, action guideline for all Topcon Group employees, and ensure compliance with applicable laws and regulations.

Promoting Active Involvement of Women in the Workplace

The Topcon Group is a company with overseas sales accounting for about 80%, non-Japanese around 70% of its entire workforce, and a global business network

with some 87 companies. Accordingly, we have hired the right people from highly diverse pool of talent for the right jobs from a global perspective. To create a workplace culture conducive to leveraging the resources of diverse workforce, we consider it essential to provide a setting where women can display their competence as they pursue the career path that suits each one of them. We support career development of women in the workplace as follows.

First, we arrange an environment where women can thrive more regardless of their line of work to create a support system to build continuous careers. Second, we create opportunities for female employees to work overseas. By granting opportunities to ambitious individuals regardless of gender or age, we provide a setting where our female staff can develop a global mindset.

Topcon was selected as a constituent of the “MSCI Japan Empowering Women (WIN) Select Index”. The WIN is an index composed of companies that excel in gender diversity from among the constituents of the “MSCI Japan IMI Top 500 Index”. This index has been selected since July 2017 as one of the ESG indices for the passive investment of the Government Pension Investment Fund (GPIF).

Topcon's Equal Opportunity Efforts in Fiscal 2018

- A female Director has served.
- A female Executive Officer has served.
- Eight women in management positions.
- Female employees make up 16.3%

■ Labor Practices

The Topcon Group thinks ensuring safety and health is essential to avoid workplace accidents and enable our employees to perform at their best. With this in mind, the Group has adopted necessary safety measures for buildings and facilities and established work standards that prioritize employee safety and health. Recognizing that safety comes first, employees are to comply with laws, regulations, and internal company rules on safety and health.

We have established a crisis response system for unforeseen events to ensure the safety of employees on business trips and overseas assignments as well as their families regardless of country or region, and we

are working to establish and strengthen safety measures mainly to prevent incidents and accidents.

■ Providing Flexible Working Arrangements

Topcon supports “Work Style Reform” to balance work and private life while boosting labor productivity. As part of such efforts, we have established various support programs for childbirth and childrearing.

Our Maternity Work Exemption program allows a pregnant employee or employee who gave birth within the past year to take leave for the time necessary for her medical examinations and others at the direction of a physician or obstetric nurse. In addition, when a male employee's spouse gives birth, the employee may take a Spousal Maternity Leave of three days. These programs show how we make having children easier for employees and their families.

As for childrearing, a female employee raising a baby under a year old may use the Childcare Break Program to take two 30-minute breaks every workday in addition to normal break time. A female employee can also take Child Care Leave until the last day of the month in which her child reaches two years of age. We also offer Child Nursing Leave allowing an employee raising an elementary school child to take five days off a year for each child, and ten days a year for two or more such children. These programs help working parents raise their children and arrange flexible working.

■ Human Resource Development

The Topcon Group provides employees and other personnel with fair and equitable opportunities to grow through independent learning, and strives to foster a workplace culture conducive to make the most of their qualities. We provide these personnel with opportunities for self-improvement so they can perform duties commensurate with their assigned areas, responsibilities and authority, while improving their skills both at and outside of work.

Nurturing “Topconian” is Topcon Group's strategic human resource theme to realize its management vision. Topconians has three qualities: 1) Seek to develop and maintain a high level of expertise, utilizing their expertise to generate business success and profits.; 2) Act with universal values including thinking globally and respecting cultural diversity.; and 3) Team player making the most out of collaboration.

Societal Initiatives

ESG

Maintaining and Strengthening Global Export Control System

With overseas sales accounting for about 80% of the group-wide sales, the Topcon Group has the objective of "Maintaining and Strengthening Global Export Control

System." If our export control compliance were lax, the company would be subject to penalties such as an export ban due to violations of applicable laws and regulations. In the worst-case scenario, this could threaten our existence as a corporation. As a global company, the Topcon Group is strictly held responsible for "maintaining international peace and security." To maintain and bolster the global system of export controls, we will focus on the following five activities: 1) Conducting internal audits; 2) Educating employees on export control; 3) Fostering experts in export control; 4) Holding regular meetings of export control promotion council; and 5) Designating regions that need special control and strictly overseeing the regions.

Anti-corruption

The Topcon Group stipulates that employees shall not give bribes or inappropriate benefits or profits that violate laws, regulations or sound business practices. The Group's employees recognize that not only public-sector officials and employees but also employees at private-sector companies are prohibited from giving bribery depending on the countries involved, and we require our employees to understand the contents of laws and regulations in countries and regions related to their work and comply with them.

The Group defines bribery as offering something valuable to such parties as identified below, either as a way to receive inappropriate benefits or profits in business activities or in exchange for providing such inappropriate benefits or profits.

Bribery is not limited to monetary payments but can include business entertainment, receptions, gifts, donations, gratuities or other forms of benefits regardless of the monetary value involved. In cases where active

CSR Activities 2019

1 America

The positioning company sponsored "Day in the Park" that has been held annually by the Taylor Family Foundation which supports many charities. The much donations collected have helped support disadvantaged children and young people in the medium to long term.

2 Netherland

Topcon Europe Positioning B.V. donated the 3D excavator machine control system X53 to SOMA, a training school for construction machine operators, which enables the students to learn the latest technology.

3 England

Topcon Positioning (Great Britain) Ltd. offered its surveying instruments to Camborne School of Mines for a two-day

field test conducted by the school. Despite the students' little experience, they could conduct surveys and analyze data, and felt usability of our products.

4 Germany

Topcon Electronics GmbH & Co.KG donated 1,500 Euros to Kinderschutzbund Rheingau, a child protection society. Our donations help healthy development of children and young people and give children and young people equal opportunities in education.

5 Singapore

Topcon Singapore Medical Pte. Ltd. has sponsored various events and programs including the World Diabetes Day and the Lion World Sight Day in Singapore.



intermediaries such as agents are working on behalf of the Topcon Group, rules have been established to prohibit employees and others from coercing agents to commit any of the aforementioned deeds and to clearly determine in advance a reasonable set of boundaries for the services and compensation of intermediaries such as agents.

Internal Reporting System (Hotline)

Since establishing an internal reporting system with a hotline in 2006, Topcon has worked to identify risks and compliance issues (i.e., known or suspected conduct that violates laws, regulations, or internal rules or that runs counter to social norms) at an early stage and take corrective actions against them. Apart from information that comes through regular routes internally, the system enables tippers to directly contact the division responsible, the Corporate Audit Division.

In response to any information reported directly, the Corporate Audit Division takes prompt and appropriate

actions to discover and address the risks involved at an early stage. Every year we pave the way to expand adoption of the system among Group companies in Japan and overseas now having systems in place modeled on the parent's. On this basis, we promote compliance management across the Group.

Personal Data

The Topcon Group has established a basic policy for protecting personal data, carefully handles personal data obtained in the course of its business activities, and strives to protect it. Personal data here refers to information that employees handle during work and that enables them to identify a particular individual using such information concerning customers, executives at suppliers, job applicants, employees, or other individuals. We will collect, manage and use Personal Data properly and fairly in compliance with all applicable laws and regulations regarding protection of Personal Information in countries or regions where the Topcon Group does business.

6 Malaysia

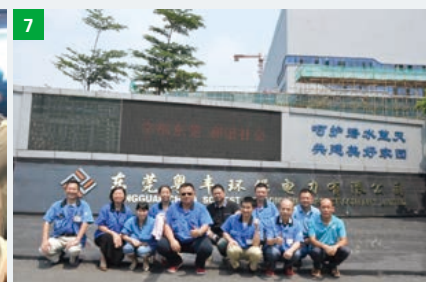
Topcon Instruments (Malaysia) Sdn. Bhd. lent out its ophthalmic equipment and sent employees to support the Free Eye Screening event on the World Sight Day.

7 China

Topcon Optical (Dongguan) Technology Ltd. conducted a tour of waste treatment facility to raise environmental awareness. Waste treatment is a big social problem in China. We support our local employees' environmental initiatives through letting them learn a series of processes of properly treated waste being converted to electric energy. We will offer more learning opportunities in the future.

Other donations

- Topcon France Medical S.A.S. donated 8,600 Euros to Les Yeux du Monde which supports Cambodia.
- Shanghai Topcon-Sokkia Technology & Trading Co., Ltd. donated 100 thousand Yuan to expand the lineup of surveying instruments at Henan College of Surveying and Mapping.
- Topcon Instruments (Thailand) Co., Ltd. donated 3,000 Thai Baht to Phrabat Nampu Temple to save orphans.



■ Corporate Governance Initiatives

E S G

G Corporate Governance Initiatives

Outline of Corporate Governance

1 Basic Approach to Corporate Governance

Topcon has established the TOPCON Corporate Governance Guidelines in pursuit of the sustainable growth and medium- to long-term enhancement of corporate value of the Topcon Group (hereinafter referred to as the “Group”), comprising the Company and its affiliated companies, based on the TOPCON WAY that forms a set of the fundamental values, evaluation standards, and basic principles of conduct to be shared by directors, corporate auditors, officers and employees of the Group to achieve effective corporate governance.

2 Outline of Corporate Governance Structure

1. Corporate organization

Topcon has adopted the corporate structure of a “company with a Board of Corporate Auditors” under the Companies Act. The Board of Corporate Auditors and Corporate Audit Division (internal audit department) discuss each of their audit plans and policies and others in advance. They work in mutual cooperation by regularly sharing information throughout the fiscal year to increase the efficiency and effectiveness of the operations of the Corporate Auditors.

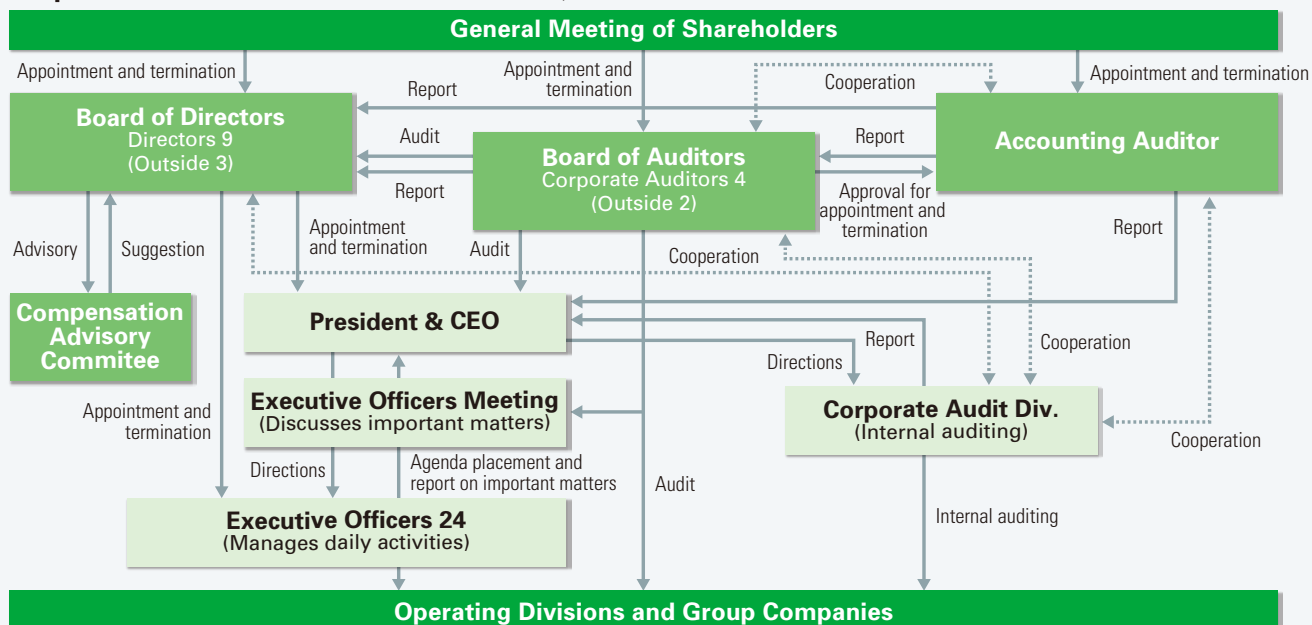
2. Board of Directors

i) Roles and responsibilities of the Board of Directors

The Board of Directors recognizes its fiduciary responsibility to shareholders towards the sustainable growth and medium- to long-term enhancement of corporate value of the Group. Based on such recognition, the Board of Directors works to achieve “improved management efficiency” in addition to “maintaining management soundness” and “ensuring transparency in management”, as well as to fulfill its responsibilities towards all stakeholders in the management of the Group.

- To fulfill the responsibilities as stated above, the Board of Directors conducts the assessment of the performance, appropriate development and implementation of internal control systems and risk management system, as well as the supervision of the overall business management of the Group from an independent and objective standpoint.
- The Board of Directors makes decisions on matters provided for in laws and regulations and the Articles of Incorporation as well as on important matters relating to business management. The Board of Directors has adopted the “Executive Officer System” as a business execution system based on its decision making, and delegates day-to-day business execution to Executive Officers. Executive

Corporate Governance Structure (As of June 26, 2019)



*Reports to the Board of Directors, the Board of Corporate Auditors, and President & CEO in a timely manner if any significant issue is discovered.

Officers are appointed by a resolution of the Board of Directors, taking into account their level of knowledge and experience as required in the business field of the Company.

- The Board of Directors has established a system to respond to cases where a Corporate Auditor or the Accounting Auditor discovers misconduct and requests appropriate measures, or identifies any inadequacies or problems.
- The Board of Directors conducts an analysis and assessment of its overall effectiveness and disclose a summary of the results thereof.

ii) Composition of the Board of Directors

- The Board of Directors of the Company consists of nine Directors (including three Outside Directors).
- The Company ensures the system to supervise the operation of the Company by appointing at least two Independent Outside Directors who express their opinions from an independent and objective standpoint at the meetings of the Board of Directors.
- The Board of Directors is composed of Directors with different backgrounds in terms of expertise and experiences, and maintains the proper number of Directors so that the Board of Directors can effectively exercise its decision-making and supervisory functions.

iii) Internal control systems

To ensure smooth business operations under appropriate control, the Board of Directors sets forth basic policies regarding the development of internal control systems, and supervises the establishment of the Group's structure and the status of implementation thereof to ensure compliance, appropriate financial reporting, and risk management.

- The Company has established the Corporate Audit Division as an internal audit department to validate the appropriateness and effectiveness of internal management systems, and maintains a system that facilitates the timely reporting of any significant matters to the Board of Directors.
- The Company has established the Basic Rules for Risk and Compliance for the development of a risk management system capable of responding to any risk that arises within the Group in a timely and appropriate manner depending on the nature of the risk.
- The competing transactions of Directors, transactions between Directors and the Company, and transactions that involve conflicts of interest of both parties shall be matters to be approved by the Board of Directors.

■ Corporate Governance Initiatives

E S G

3. Board of Corporate Auditors

i) Roles and responsibilities of the Board of Corporate Auditors

The Board of Corporate Auditors recognizes its fiduciary responsibility to shareholders towards the sustainable growth and medium- to long-term enhancement of corporate value. Based on such recognition, the Board of Corporate Auditors ensures corporate soundness and strives for the common interests of shareholders.

- The Board of Corporate Auditors of the Company consists of four Corporate Auditors (including two Outside Corporate Auditors).
- To ensure transparency and fairness, at least half of the Board of Corporate Auditors shall be Independent Outside Corporate Auditors. All Corporate Auditors shall have appropriate experiences and competence as well as the necessary knowledge of financial, accounting, and legal affairs. In particular, at least one Corporate Auditor with sufficient knowledge of financial and accounting affairs shall be appointed.
- The Board of Corporate Auditors collaborates with Outside Directors and the internal audit department.

ii) Relationships with the Accounting Auditor and the internal audit department

The Board of Corporate Auditors has established a system to conduct sufficient and appropriate audits in collaboration with the Accounting Auditor and the internal audit department.

- The Board of Corporate Auditors evaluates the independence and expertise of the Accounting Auditor through formulating assessment and appointment standards of the Accounting Auditor.
- The Board of Corporate Auditors has established a system to respond to cases where the Accounting Auditor or the internal audit department discovers misconduct and requests appropriate measures, or identifies any inadequacies or problems.

4. Accounting Auditor

The Accounting Auditor assumes an important role in guaranteeing the reliability of the financial information of the Group and bears responsibility for shareholders and investors.

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

5. Compensation Advisory Committee

To ensure objectivity and transparency in relation to the handling of director's compensation, the Company has established a Compensation Advisory Committee which is independent of the Board of Directors.

- The Compensation Advisory Committee consists of three members, the President and CEO, an Independent Outside Director, and an Independent Outside Auditor.
- The Compensation Advisory Committee provides recommendations to the Board of Directors when it receives requests for advice from the Board of Directors.

6. Internal audit department and others

The Company has established the Corporate Audit Division consisting of five members as an internal audit department to validate the appropriateness and effectiveness of internal management systems as follows:

- The Corporate Audit Division aims to contribute to enhancing the corporate governance and risk management of the Group. The Corporate Audit Division is responsible for the internal audit process, and develops a system under which the Corporate Audit Division validates the appropriateness and effectiveness of internal management systems such as compliance, and reports to the Board of Directors, the Board of Corporate Auditors, and the President and CEO in a timely manner if a significant issue arises.
- The Corporate Audit Division collaborates with Corporate Auditors and the Accounting Auditor.
- With respect to whistleblowing, the Corporate Audit Division shall contribute to the early discovery of risk information and respond to whistleblower complaints in a swift and appropriate manner.

7. Directors and Corporate Auditors

i) Directors

Directors recognize their fiduciary responsibility to shareholders and execute their duties as Directors towards the sustainable growth and medium- to long-term enhancement of corporate value of the Group.

- Directors, as members of the Board of Directors, supervise the execution of business operations by Executive Directors and Executive Officers.
- Directors collect sufficient information to execute their duties, while requesting explanations on various matters, proactively expressing opinions and holding open and constructive discussions at the Board of Directors' meetings.
- Directors proactively collect information for appropriately fulfilling their roles and responsibilities, and if necessary, seek the advice of external experts at the expense of the Company.

- Directors set aside time to fulfill their roles and responsibilities in the Company, limiting outside executive jobs to a reasonable extent when concurrently serving as outside executives.
- As an executive incentive for Directors (excluding Outside Directors), the Company offers compensation linked to its medium- to long-term business performance towards the Group's sustained growth and enhancement of its corporate value.

ii) Corporate Auditors

Corporate Auditors recognize their fiduciary responsibility to shareholders and execute their duties as Corporate Auditors, ensuring corporate soundness towards the sustained growth and medium- to long-term enhancement of corporate value.

- In accordance with policies and assigned duties set forth by the Board of Corporate Auditors, Corporate Auditors conduct audits on the status of the execution of duties by the Directors and Executive Officers of the Company, through the following activities: attending important meetings of the Company including the Board of Directors' meetings; receiving reports from Directors on the status of their execution of duties; receiving materials and information on related matters; and collaborating with the internal audit department and the Accounting Auditor.
- Corporate Auditors audit the decision made by the Board of Directors and the status of the development and implementation of internal control systems.
- Corporate Auditors proactively collect information necessary for audits through attending the Company's important meetings, and give appropriate feedback to Directors as needed.
- Corporate Auditors proactively collect information for appropriately fulfilling their roles and responsibilities, and if necessary, seek the advice of external experts at the expense of the Company.
- Corporate Auditors set aside time to fulfill their roles and responsibilities in the Company, limiting outside executive jobs to a reasonable extent when concurrently serving as outside executives.

iii) Independent Outside Directors and Independent Outside Corporate Auditors

Independent Outside Directors and Independent Outside Corporate Auditors supervise the execution of business operations, provide advice for the Group's sustained growth and medium- to long-term enhancement of corporate value, and manage conflicts of interest, while reflecting the opinions of stakeholders including minority shareholders to the Board of Directors.

- The company has three Independent Outside Directors and two Independent Outside Corporate Auditors.

- Independent Outside Directors share information regarding matters related to the business and corporate governance of the Group and exchange opinions with each Director, Executive Officer, and Corporate Auditor.
- The Company appoints the Outside Directors and Outside Corporate Auditors who meet the criteria for independence specified by Financial Instruments and Exchange Act.
- Independent Outside Directors and Independent Outside Corporate Auditors work to exchange information and share perspectives based on an independent and objective standpoint through holding regular meetings.

iv) Support System for Directors and Corporate Auditors

The Company has established effective and sufficient support system for Directors and Corporate Auditors to fulfill their roles and responsibilities.

- The Company runs the meetings of the Board of Directors to enable sufficient discussion at the Board meetings as follows:
 - 1) The company prepares annual schedule of the Board meetings and annual plan of the matters for discussion.
 - 2) The company sets aside time for sufficient discussion at the Board meetings.
 - 3) The company distributes materials on matters for discussion of the Board meetings well in advance.
 - 4) Other than the above, the company provides information that Directors need for decision making and information that Corporate Auditors need when necessary.
- The Company appoints an assistant to assist in duties and other activities of Corporate Auditors as needed to provide the Company information that Corporate Auditors need and coordinate in-company collaboration.
- The Company provides information when Outside Directors and Outside Corporate Auditors request information necessary for execution of their duties.
- We secure a budget necessary for execution of the duties by Directors and Corporate Auditors.

v) Training Policy for Directors and Corporate Auditors

The Company provides information and knowledge on business activities necessary for Directors and Corporate Auditors to fulfill their roles and responsibilities appropriately as follows:

- When Directors or Corporate Auditors are newly appointed, the Company provides training on laws and regulations related to the business of the Group and the Group's corporate governance, and continues to provide such training even after their assuming office.
- In addition to the above, when Outside Directors or Outside Corporate Auditors are newly appointed, the Company provides the information regarding the Group's

■ Corporate Governance Initiatives

E S G

business and overall organization as well as the necessary information on an ongoing basis regarding the Group's business strategies and issues even after their assuming office.

3 Background for adopting the current Corporate Governance structure

The Company appoints more than one Outside Directors and get an outside perspective to enhance supervisory function. The Company also appoints Corporate Auditors (including Outside Corporate Auditors), the Board of Auditors, and Accounting Auditor. All of them conduct the Company's audit in collaboration with Corporate Audit Division (internal audit department) to make the most of their supervisory function.

4 Other matters related to Corporate Governance

1. Development status of Internal Control System

i) System to ensure that execution of duties by Directors and employees conforms to the laws and regulations as well as the Articles of Incorporation

- 1) The Company sets corporate value common to the Topcon Group called the TOPCON WAY and its specific action guideline called the Topcon Global Code of Conduct, and make directors, executive officers, and all other employees aware of the importance of the Code of Conduct on all occasions including a company anniversary and keeps them informed about the Code of Conduct through daily educational activities.
- 2) The Board of Directors decides on significant matters for the Company and the Group Company as a whole. The Company appoints Outside Directors to maintain and strengthen supervisory function related to the execution of the Directors' duties.
- 3) The Company strives to put whistle-blowing System into effective use to detect and deal with a problem related to Corporate Governance appropriately.
- 4) The Company has established the Corporate Audit Division which reports directly to the President as internal audit department to validate the propriety and effectiveness of internal management system including compliance. Also, the Company maintains a system that facilitates the timely reporting of any significant matters to the President and the Board of Directors.
- 5) The company works to ensure transparency through visualization of business execution status, create a system to guarantee timely and appropriate disclosure of the Company's important information, and review business processes.
- 6) The Company ensures that duties of directors and employees are executed in compliance with laws and regulations. In particular, the Company has established internal regulations and management system in line with the

Antimonopoly Act, Export Control Regulations, and Insider Trading Regulations as well as protection of personal or confidential information and environmental protection.

- 7) The Company sets a guideline for exclusion of Anti-social Forces, which is specified in the Topcon Global Code of Conduct, and works to ensure company-wide observance of the guideline.

ii) System for storage and management of information on execution of duties by Directors

- 1) The Company stores and manages important documents including minutes and related materials and requests for approval of the Board of Directors' meetings and the Board of Executive Officers' meetings, in accordance with laws and the Articles of Incorporation, the Board of Directors regulations, the Board of Executive Officers regulations, the Group Governance regulations, Basic Rules for Information Security, and Rules for Document handling and Storage. (Since the Company adopts Executive Officer System, information on execution of duties as specified herein includes information on not only Directors but also Executive Officers.)
- 2) The Company has established a system which enable Directors, Corporate Auditors, the Accounting Auditor, and employees appointed by them to examine important documents as needed.

iii) Risk management regulations against loss and other preparedness

- 1) The Company sets basic regulations on risk management and compliance and appoint risk managers to deal with any risks which may arise in the Company and the Group companies in timely and appropriate manner.
- 2) The Company has introduced whistle-blowing system which allows whistle-blower to report directly, not through ordinary organizational structure. This contributes to prompt and proper response to a risk that has occurred. Also, the Company works to raise awareness of risk management among all executives and employees of the Group Companies as well. The Corporate Audit Division which serves as internal audit department takes charge of whistle-blowing system.
- 3) The Company has established basic policy and its subordinate policies on both personal information protection and information security about handling of confidential information. The Company works to ensure company-wide observance of these policies.

iv) System to ensure efficient execution of Directors' duties

- 1) To strengthen the supervisory function of the Board of Directors, the Board members attend monthly and extraordinary meetings to discuss basic management

policy and matters specified in laws and regulations and the Articles of Incorporation as well as other important matters relating to business management after receiving reports on such matters.

- 2) The company has established a system to ensure sufficient and substantial discussion as well as prompt decision-making at the Board of Directors: the Board of Directors delegates day-to-day business execution to Executive Officers. Also, the Board of Executive Officers discusses and decides matters on important business execution within the President's decision-making authority based on company regulations.
- 3) All duties are executed in line with proper procedures stipulated in the Board of Directors regulations, the Board of Executive Officer regulations, the Group Governance regulations, and the business organization regulations.

v) System to ensure propriety of business in a corporate group composed of the said stock company and its parent company and subsidiaries

- 1) All executives and employees of the Topcon Group in each region and country share the Group's common values and criteria embodied in the TOPCON WAY across national and corporate borders. To raise awareness of legal compliance, the Company and its Group adopt and enforce the Topcon Global Code of Conduct.
- 2) The Company has established Group Governance Regulations for the Company and its Group Companies to define and ensure decision-making standards and matters to be reported. Furthermore, the Company has set up a forum for reporting business execution status several times during the fiscal year to share information within the Group and raise awareness of legal compliance in the Group Companies.
- 3) To ensure propriety of business, Corporate Audit Division, or internal audit department of the Company, audits the Group Companies as well in collaboration with audits by Corporate Auditors and the Accounting Auditor.
- 4) To ensure reliability and propriety of financial reporting, the Company and its Group Companies have improved the environment of internal control and established the operational system in line with provisions in the Financial Instruments and Exchange Act while continuously evaluating effectiveness of internal control system to take necessary corrective actions.

vi) Matters on employees who are asked to assist in the duties of Corporate Auditors

In response to a request from Corporate Auditors, employees who belong to Corporate Audit Division assist in the duties of Corporate Auditors as needed.

vii) Matters on independence of the above employees from Directors

Directors and Executive Officers shall not be involved in the duties of the above employees. Transfers of the said employees are decided after consultations with the Board of Corporate Auditors.

viii) System to report to Corporate Auditors from Directors and employees; other system to report to Corporate Auditors

- 1) To audit decision-making process, Corporate Auditors attend important company meetings including the Board of Directors' meetings and the Board of Executive Officers' meetings, and collect information from minutes of meeting and other materials.
- 2) The Company ensures that Corporate Auditors hear reports of business status from each department in charge of execution of operation in the Company during the fiscal year, and visit the Group Companies to audit their business status.
- 3) Other than those above, Corporate Auditors can request business status reports from Directors, Executive Officers, and employees of the Company and the Group Companies whenever necessary.
- 4) To enhance cooperation and efficiency, Corporate Audit Division reports internal audit status and the audit results to Corporate Auditors.

ix) System to ensure effective audits by Corporate Auditors

- 1) The Board of Directors ensures that Corporate Auditors can sufficiently audit Directors' execution of duties through attending important company meetings including the Board of Directors' meetings and the Board of Executive Officers' meetings, and regularly auditing business execution status of the Company and its Group Companies, and appointing employees who assist in the duties of Corporate Auditors.
- 2) The Company has set up a forum for opinion exchange between Corporate Auditors and Directors to properly reflect the opinions of Corporate Auditors in business judgment.
- 3) The Company has set up a forum for exchange of information and opinions between Corporate Auditors and the Accounting Auditor.

2. Outline of Liability Limitation Agreements

Pursuant to Article 427, Paragraph 1 of the Companies act, and the Articles of Incorporation, the Company has concluded agreements with each Outside Director and Outside Auditor to limit the amount of liability owed to the company in respect of any negligence, breach of duty to the minimum liability amount stipulated in the Companies act.

■ Corporate Governance Initiatives

E S G

3. Number of Directors

The Company's Article of Incorporation sets the number of Directors at 17 or less.

4. Resolution requirements for appointment of Directors

The Company's Article of Incorporation stipulates that when shareholders holding at least 1/3(one third) of the votes of the shareholders with voting rights are present, the resolution shall be passed by a majority of voting rights holders.

The resolution for appointment of Directors shall not be conducted by cumulative voting.

5. Matters for which the Board of Directors may pass a resolution even if such matters usually need a resolution at a General Meeting of Shareholders

i) Purchase of treasury stock

To execute flexible capital policy, the Article of Incorporation stipulates that treasury stock, or its own shares, may be purchased after a resolution passed by the Board of Directors pursuant to the Article 165, Paragraph 2 of the Companies act.

ii) Dividend of surplus and other matters

To return profits to shareholders quickly, the Article of Incorporation stipulates that the Company decides matters including dividend of surplus specified in Article 459, Paragraph 1 of the Companies act not by a resolution at a General Meeting of Shareholders but by a resolution of the Board of Directors unless otherwise specified in laws and regulations.

6. When matters for a resolution of the Board of Directors may not be decided at a General Meeting of Shareholders

To return profit to shareholders quickly, the Article of Incorporation stipulates that the Company decides matters including dividend of surplus specified in Article 459, Paragraph 1 of the Companies act not by a resolution of a General Meeting of Shareholders but by a resolution of the Board of Directors unless otherwise specified in laws and regulations.

7. Requirement for a special resolution at a General Meeting of shareholders

To ensure quorum for a special resolution is reached, the Article of Incorporation stipulates that a special resolution at a General Meeting of Shareholders pursuant to Article 309, paragraph 2 of the Companies act must be passed by at least 2/3(two thirds) of the votes of the shareholders present at the meeting where the shareholders holding at least 1/3(one third) of the votes of the shareholders with voting rights are present.

Status of Accounting Audit

a. Name of Audit Corporation

Ernst & Young ShinNihon LLC

b. Certified Public Accountants(CPA) who executed audit services

Employees who executed audit services with designated limited liability:

Hiroaki Kosugi, Shigehiro Koshihara, and Ryogo Ichikawa

c. Assistants to the above audit services

Eleven Certified Public Accountants, 12 CPA exam passers and others qualified, and 14 others

d. Selection policy of Audit Corporation and reasons for the selection

The Company's Board of Corporate Auditors has formulated evaluation and selection criteria for the accounting auditor. Specifically, the Board of Corporate Auditors evaluates the matters specified in the above criteria after collecting information on independence, expertise, auditing

system, and grounds for disqualification of the Accounting Auditor as well as status of audit performed and audit quality. Then, the Board deemed appropriate the independence, expertise, auditing system, status of audit performed, and audit quality of the above Accounting Auditor, hearing the opinions of Business Management Division about appointment of accounting auditor, and judged reappointment of the above Accounting Auditor as appropriate.

The Company's Board of Corporate Auditors decides on a proposed resolution for removal or no reappointment of the Accounting Auditor to be submitted to a General Meeting of Shareholders when duties are not duly executed by the Accounting Auditor or when necessary.

In addition to the above, if the Accounting Auditor falls under any of Article 340, Paragraph 1 of the Companies act, the Accounting Auditor is dismissed by the unanimous

consent of all corporate auditors. In this case, a Corporate Auditor appointed by the Board of Corporate Auditors must report such fact and the reason for dismissal to the first shareholders meeting called after the dismissal.

e. Evaluation of Audit Corporation by Corporate Auditors and the Board of Corporate Auditors

The Company's Board of Corporate Auditors has formulated evaluation and selection criteria for the Accounting Auditor based on criteria stipulated in the Practical Guidelines for Corporate Auditors on Evaluation and Selection Criteria for the Accounting Auditor set by Japan Audit and Supervisory Board Members Association. Then, Corporate Auditors discuss and evaluate the matters specified in the above criteria, and this time judged reappointment of the above Accounting Auditor as appropriate.

Fees paid to Audit Corporation

a. Fees paid to the Certified Public Accountants and other accountants who perform the Company's audit

Category	Previous Consolidated Fiscal Year		Current Consolidated Fiscal Year	
	Compensation based on audit certification (Million yen)	Compensation based on non-audit duties (Million yen)	Compensation based on audit certification (Million yen)	Compensation based on non-audit duties (Million yen)
Reporting Company	118	—	85	—
Consolidated Subsidiary	—	—	—	—
Total	118	—	85	—

b. Fees paid to the organization belonging to the same network as the CPA and other accountants who perform the Company's audit (excluding a.)

Non-audit services at the Reporting Company and its consolidated subsidiaries include support and advisory services on tax affairs.

Category	Previous Consolidated Fiscal Year		Current Consolidated Fiscal Year	
	Compensation based on audit certification (Million yen)	Compensation based on non-audit duties (Million yen)	Compensation based on audit certification (Million yen)	Compensation based on non-audit duties (Million yen)
Reporting Company	—	9	—	11
Consolidated Subsidiary	243	143	280	169
Total	243	152	280	180

c. There is no other important fees based on Audit Certification.

d. Policy for determining audit fees

To determine the amount of audit fees paid to the Company's Accounting Auditors, we estimate appropriate number of days and man-hour for audit in view of the Company's scale, and business characteristics.

e. Background of the Board of Corporate Auditors' agreement on compensation for the Accounting Auditor

After the Company's Board of Corporate Auditors received necessary materials or reports from Directors, relevant internal departments, and the Accounting Auditor, the Board checked the details of the Accounting Auditor's audit plan, status of the accounting audit, and basis for calculation of compensation estimates. The Board discussed all the above and judged them as appropriate, and has made agreement specified in Article 399, Paragraph 1 of the Companies act.

Corporate Governance Initiatives

ESG

Executive Compensation

1 Amounts of executive compensations or policy on determining their calculation method

To ensure objectivity and transparency on Directors' compensations, the Company has established a Compensation Advisory Committee with an Outside Director as chair and majority of the committee members being Outside Executives. The Committee makes recommendations to the Board of Directors.

The amount of compensation of each Director is determined by a resolution of the Board of Directors, which is based on discussion and recommendation of the Compensation Advisory Committee in line with policy on Directors' compensations determined by a resolution of the Board of Directors. Director's compensation shall not exceed the total amount of Directors' compensations determined by a resolution of a General Meeting of Shareholders. Also, the amount of compensation of each Corporate Auditor is determined through discussion among the Corporate Auditors. The amount shall not exceed the amount of Corporate Auditors' compensations determined by a resolution of a General Meeting of Shareholders.

Compensation for Directors (excluding Outside Directors) consists of fixed compensation corresponding to function and rank and performance-linked compensation determined by prescribed benchmarks for the relevant fiscal year. Performance-linked compensation for Directors consists of compensation linked to short-term performance based on results for the fiscal year, compensation linked to mid-term performance based on cumulative results during the period of the mid-term business plan, and stock option to boost morale for long-term performance enhancement. Outside Directors and Corporate Auditors receive fixed compensation only.

To boost morale of Directors for higher performance and ensure identity of interest between Directors and shareholders, performance-linked compensation for Directors are calculated based on net income attributable to shareholders of the parent company and ROE. The results for the current fiscal year are as follows: net income attributable to shareholders of the parent company of ¥6.5 billion and ROE of 9.8%. As for cumulative results for the second mid-term business plan, net income attributable to shareholders of the parent company was ¥16.9 billion and average ROE was 9.0%.

Compensation for the Company's Directors set by the Resolution at the 125th Annual General Meeting of Shareholders held on June 27, 2019 are as follows: total annual amount of up to ¥800 million consists of fixed compensation of ¥400 million or less and performance-linked compensation for the fiscal year of ¥400 million or less. Total annual compensation for the Outside Directors set by the Resolution is ¥100 million or less (fixed compensation only). The number of Directors at the time of the said Resolution was nine (including three Outside Directors).

Total annual compensation for the Company's Corporate Auditors is set at ¥100 million or less by the Resolution at the 120th Annual General Meeting of Shareholders held on June 26, 2013. The number of Corporate Auditors at the time of the said Resolution was four (including two Outside Corporate Auditors).

To determine the amount of compensation for Directors for the fiscal year, the Compensation Advisory Committee was held twice in June 2018 and May 2019, and the Board of Directors meeting was held in June 2018. The amount of compensation for Corporate Auditors from July 2018 are fixed by discussion by Corporate Auditors held in June 2018.

2 Total amount of compensation by category of officers and by type of compensation, and number of officers who receive such compensation

Category	Total Compensation (Million yen)	Compensation by Position (Million yen)			Number of Individuals
		Basic Compensation	Stock Option	Bonuses	
Directors (excluding outside directors)	312	178	134	—	6
Corporate Auditors(excluding outside corporate auditors)	32	32	—	—	3
Outside Officers	43	43	—	—	5

Notes 1. One Corporate Auditor, who retired at the conclusion of the 125th Annual General Meeting of Shareholders held on June 27, 2019, is counted in the number of Corporate Auditors (excluding Outside Auditors).

2. The total amount of compensation for Directors does not include the portion of employee's salary for Director who concurrently serve as employees.

3. The Company abolished Retirement Benefits for Officers at the conclusion of the 116th Annual General Meeting of Shareholders held on June 26, 2009.

3 Officer with total amount of compensation exceeding ¥100 million

Name	Officer category	Company	total amount (Million yen)	breakdown by type (Million yen)		
				fixed compensation	performance-linked compensation	Bonuses
Satoshi Hirano	Director	Topcon Corporation	126	78	48	—

Directors, Corporate Auditors and Executive Officers



Directors

1 Satoshi Hirano

Representative Director
President & CEO

4 Yasufumi Fukuma

Director
Managing Executive Officer

7 Kazuyuki Matsumoto

Director (Outside Director)

2 Makoto Iwasaki

Representative Director
Senior Managing Executive Officer

5 Haruhiko Akiyama

Director
Senior Executive Officer

8 Akira Sudo

Director (Outside Director)

3 Takashi Eto

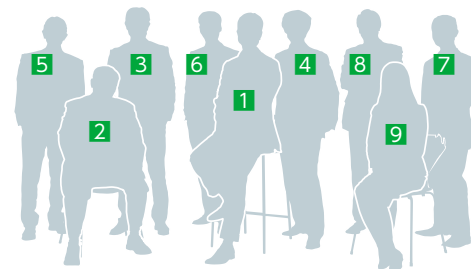
Director
Managing Executive Officer

6 Takayuki Yamazaki

Director
Senior Executive Officer

9 Naoko Yamazaki

Director (Outside Director)



Corporate Auditors

Shokyu Nakamura

Corporate Auditor

Akinori Mitake

Corporate Auditor

Tatsuya Kuroyanagi

Outside Corporate Auditor

Keiji Taketani

Outside Corporate Auditor

Executive Officers

Raymond O'Connor

Senior Managing Executive Officer

Takaaki Hirayama

Executive Officer

Hitoshi Sadachika

Executive Officer

Yasuyuki Ninomiya

Executive Officer

Fumio Ohue

Managing Executive Officer

Nobuyuki Ryu

Executive Officer

Hiroyuki Nishizawa

Executive Officer

Akifumi Baba

Executive Officer

Masami Tsukada

Senior Executive Officer

David Alan Mudrick

Executive Officer

Kinpui Chan

Executive Officer

Yoshikuni Ito

Executive Officer

Kaoru Kumagai

Executive Officer

Ivan Di Federico

Executive Officer

Nobuo Ichiki

Executive Officer

Shigehiro Ogino

Executive Officer

Eric Franken

Executive Officer

Reiko Watanabe

Executive Officer

Consolidated Financial Highlights

Topcon Corporation and Consolidated Subsidiaries

	2015/3	2016/3	2017/3	2018/3	Million yen 2019/3	Thousand U.S. dollars 2019/3
Operating results						
Net sales	¥128,569	¥130,735	¥128,387	¥145,558	¥148,688	\$ 1,341,465
Positioning Company	58,672	61,977	60,602	74,945	77,722	701,209
Smart Infrastructure Business	33,909	32,989	33,091	36,626	36,744	331,505
Eye Care Business	41,240	43,834	43,148	46,515	47,713	430,467
Other Businesses (Finetech Business)	6,558	4,997	3,708	2,493	1,698	15,319
Elimination	(11,812)	(13,063)	(12,163)	(15,023)	(15,190)	(137,044)
Overseas sales	97,568	102,794	98,937	114,847	115,299	1,040,229
Operating income	16,041	8,803	9,551	12,073	13,596	122,663
Ordinary income	14,880	7,366	7,622	10,674	11,497	103,726
Profit attributable to owners of the parent	8,670	4,197	4,395	6,028	6,548	59,076
Capital expenditures	5,070	5,203	4,438	5,138	6,234	56,243
Depreciation and amortization	3,732	4,715	4,660	5,408	5,983	53,979
Amortization of goodwill	1,833	2,546	2,451	2,651	2,145	19,352
R&D expenditures	10,677	11,329	10,411	12,964	14,014	126,435
Free cash flows	7,951	(23,121)	13,238	5,488	7,844	70,769

Financial position

Shareholders' equity	¥ 63,460	¥ 58,311	¥ 59,716	¥ 65,173	¥ 69,037	\$ 622,853
Total assets	143,181	166,542	158,280	160,747	160,288	1,446,121
Interest-bearing liabilities	44,014	70,442	58,640	53,286	48,554	438,055

Per share data (¥, \$)

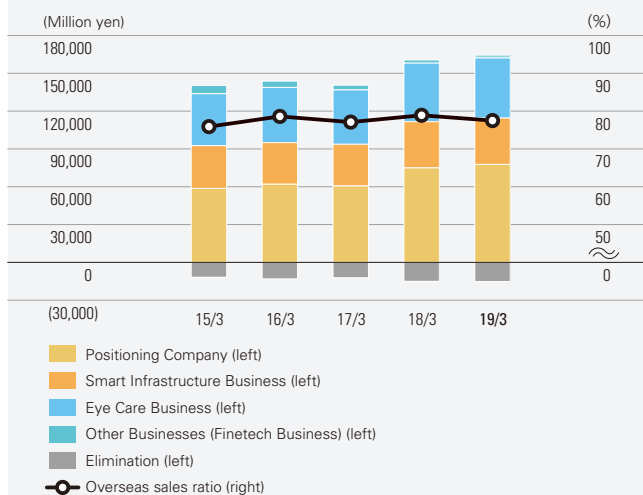
Earnings per share (EPS)	¥ 80.27	¥ 38.97	¥ 41.46	¥ 56.87	¥ 61.76	\$ 0.56
Net assets per share (BPS)	587.52	550.04	563.30	614.78	651.11	5.87

Management indicators

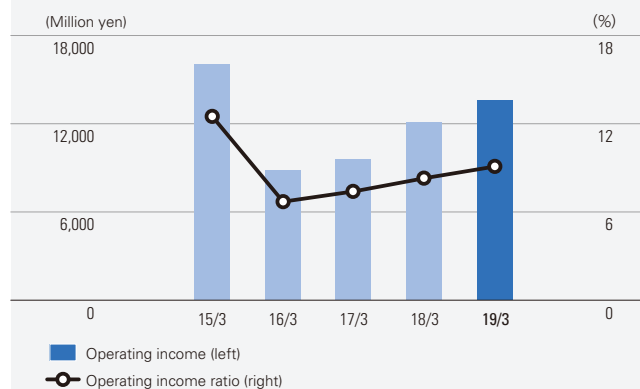
Gross profit ratio (%)	51.5	50.2	51.1	51.5	52.8
Operating income ratio (%)	12.5	6.7	7.4	8.3	9.1
Net income ratio (%)	6.7	3.2	3.4	4.1	4.4
Ratio of R&D expenditures to net sales (%)	8.3	8.7	8.1	8.9	9.4
Overseas sales ratio (%)	75.9	78.6	77.1	78.9	77.5
Return on assets (ROA) (%)	6.2	2.7	2.7	3.8	4.1
Return on equity (ROE) (%)	14.8	6.9	7.4	9.7	9.8
Price earnings ratio (PER) (times)	36.7	38.1	48.0	36.5	21.1
Price book-value ratio (PBR) (times)	5.0	2.7	3.5	3.4	2.0
Equity ratio (%)	44.3	35.0	37.7	40.5	43.1
Total assets turnover ratio (times/year)	0.92	0.84	0.79	0.91	0.93
D/E ratio (%)	69.3	120.8	98.1	81.8	70.3
Dividend payout ratio (%)	19.9	61.6	38.6	35.2	38.9

Notes: 1. For the sake of convenience, the US\$ is converted at a rate of ¥110.84/US\$ as of March 31, 2019. We referenced the Tokyo foreign exchange market rate.
2. Data in parentheses represent negative figures/amounts.

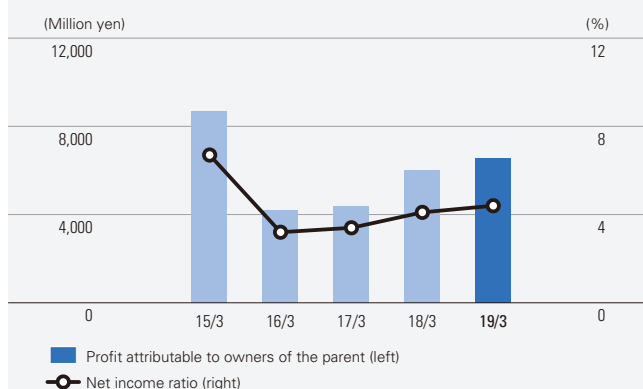
Net Sales and Overseas Sales Ratio



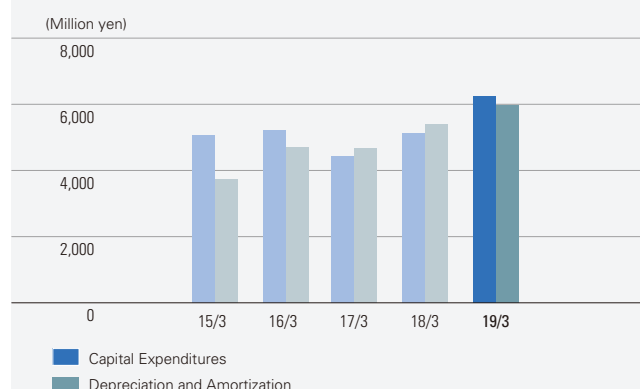
Operating Income and Operating Income Ratio



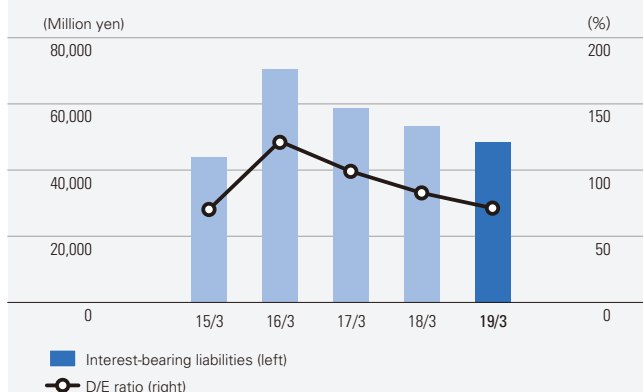
Profit Attributable to Owners of the Parent and Net Income Ratio



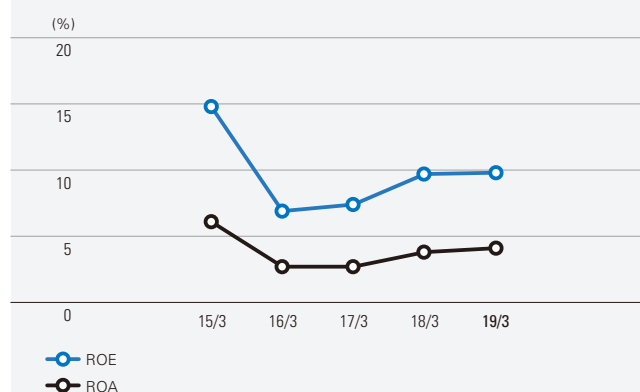
Capital Expenditures and Depreciation and Amortization



Interest-Bearing Liabilities and D/E Ratio



ROE and ROA



Fiscal 2018 Management's Discussion and Analysis

Market Environment

During the fiscal year to March 2019, uncertainty remained in the global economy due to the US and China trade conflict and political turmoil in the US and Europe. The US construction and agricultural sectors witnessed a slowdown in the market while in Japan, domestic demand and consumer consumption grew at a relatively solid pace. In this economic environment, the Topcon Group worked to ensure the sustainable enhancement of its corporate value, guided by its mission to enrich people's lives through solving societal challenges related to healthcare, agriculture, and infrastructure. In healthcare, we will strive to expand the screening business by utilizing fully automated screening machines to tackle the problem of increasing eye diseases as the world population ages. We will also aim for early detection and improvement of medical efficiency. In Agriculture, we will promote automation of agriculture by applying our IT agriculture solutions and optical sensing technology to improve productivity and quality. Demand for infrastructure is growing around the world and engineers are in short supply. To cope with this trend, we will push for automation of construction work through utilizing our IT construction technology and 3D measuring technology and strive to improve productivity and solve labor shortage at construction sites.

Consolidated Results

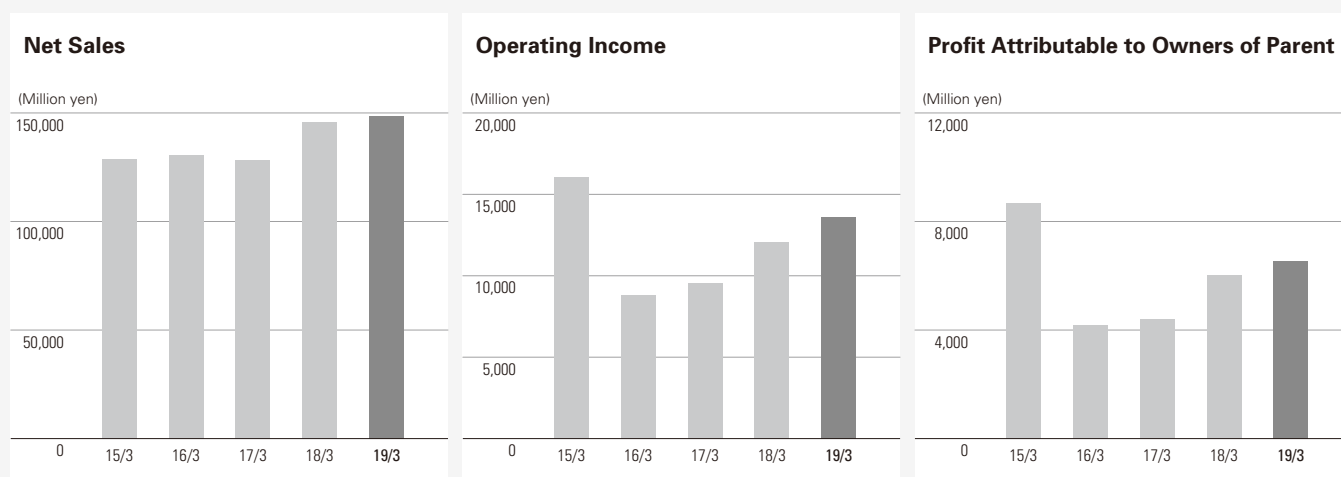
For the fiscal year to March 2019, consolidated sales rose 2.1% from the previous year to ¥148,688 million thanks to sales increases in Japan, North America and Europe. The rise in the sales helped push up profit and consolidated operating income was ¥13,596 million, up 12.6% from a year ago, and ordinary income at ¥11,497 million, rising 7.7% year on year. As a result, profit attributable to shareholders of the parent company grew 8.6% from a year earlier to ¥6,548 million as recording of deferred tax asset led to lower corporate tax and other things, offsetting the special loss booked during the fiscal year.

Segment Information

At the Positioning company, sales were up 3.7% from a year earlier to ¥77,722 million thanks mainly to solid growth of IT construction systems. This helped push up operating income to ¥8,358 million, up 4.2% year on year, despite costs increase due to upfront investments for future growth.

As for the Smart Infrastructure business, sales were ¥36,744 million, up 0.3% from the previous year, due to sales growth of our main product Total Station. Operating income surged 25.3% year on year to ¥6,393 million thanks partly to cost reductions.

The Eye Care business saw growth mainly in Japan and Asia Oceania and post a 2.6% year-on-year increase of ¥47,713 million in sales. Operating income came in at ¥2,896 million, jumping 42.1% from a year ago, thanks to the strong sales.



Financial Position

Assets

As of March 31, 2019, total assets stood at ¥160,288 million, down ¥459 million from a year earlier.

1. Current assets: Current assets rose ¥940 million year-on-year to ¥96,154 million at fiscal year-end. This was due mainly to an increase in accounts receivable despite decreases in inventories.
2. Non-current assets: Non-current assets declined ¥1,399 million to ¥64,133 million. This was due mainly to a decrease in intangible fixed assets while property, plant, and equipment and other tangible fixed assets increased.

Liabilities

As of March 31, 2019, total liabilities shrank by ¥3,271 million year on year to ¥89,139 million.

1. Current liabilities: Current liabilities were down ¥3,483 million to ¥44,360 million due mainly to a decline in short-term loans payable.
2. Non-current liabilities: Non-current liabilities rose ¥212 million to ¥44,779 million mainly because of debts associated with retirement benefits.

Net Assets

At fiscal year-end, total net assets stood at ¥71,148 million, up ¥2,812 million from a year earlier thanks to rises in retained earnings.

Cash Flows

As of March 31, 2019, cash and cash equivalents (hereinafter referred to as "net cash") stood at ¥12,935 million, up ¥236 million from a year earlier. Net cash

was up due mainly to increases in net income before income taxes despite the acquisition of property, plant, and equipment, as well as repayments of loans.

Net Cash Flow Provided by Operating Activities

In fiscal year 2018, net cash provided by operating activities rose ¥14,511 million, compared with the ¥14,541 million rise in fiscal 2017 due mainly to increases in profit before income taxes and accounts payable.

Net Cash Flow Used in Investing Activities

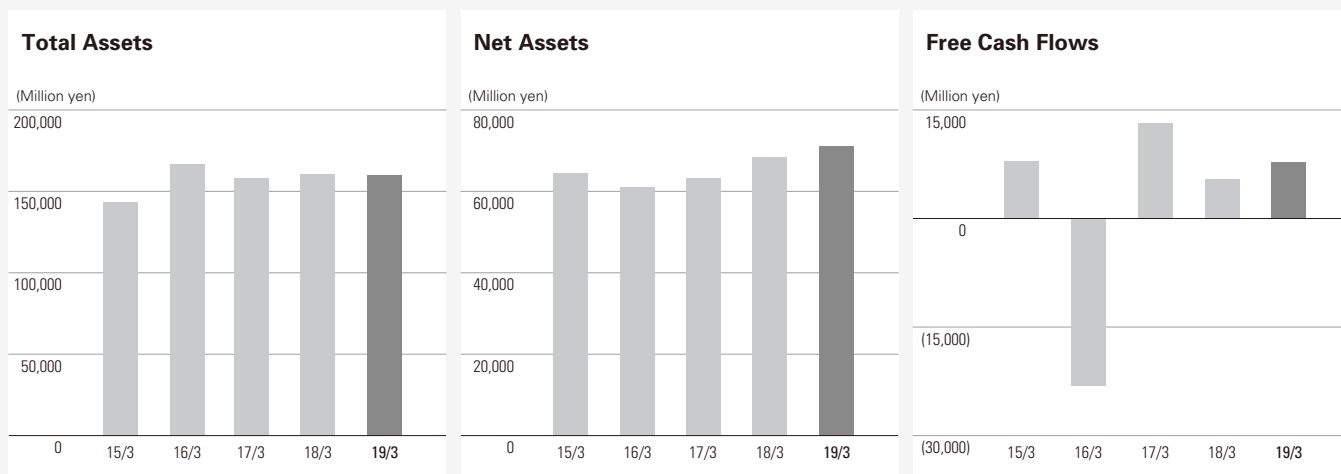
Net cash used in investing activities decreased ¥6,667 million, compared to a decrease of ¥9,053 million in the previous year. This was due mainly to ¥1,604 million in purchase of shares of subsidiaries and ¥5,739 million in purchase of tangible and intangible fixed assets.

Net Cash Flow Used in Financing Activities

Net cash used in financing activities decreased ¥7,797 million, compared with a decrease of ¥7,258 million in the previous year. This was due mainly to ¥4,695 million in repayments of loans.

Capital Expenditures

In fiscal year 2018, total capital expenditures for the Topcon Group amounted to ¥6,234 million. By business segment, ¥1,370 million was allocated to the Smart Infrastructure Business, ¥2,973 million to the Positioning Company, and ¥1,804 million to the Eye Care Business. The main objectives of these expenditures were to advance research and development, enhance production systems, improve operating efficiency, and replace product molds and other items.



■ Fiscal 2018 Management's Discussion and Analysis

Dividend Policy

Topcon places priority on the payment of dividends as a means of returning profits to shareholders. Our basic profit appropriation policy 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 in the form of interim and year-end dividends. The Company's Articles of Incorporation allow for the payment of dividends by resolution of the Board of Directors without 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. The Articles also allow for the payment of dividends at other times, with the record date to be determined. As for fiscal year 2018, consolidated earnings came in higher than the previous year's earnings and booked an increased profit. As a result, in addition to paying an interim dividend of ¥12.00 per share as planned (compared with the ¥10.00 interim dividend in fiscal 2017), Topcon paid a year-end dividend of ¥12.00 per share (compared with the ¥10.00 year-end dividend in fiscal 2017), bringing total full-year dividends to ¥24.00 per share (compared with ¥20.00 per share in fiscal 2017). The Company effectively uses internal reserves for the proactive development of its future business, including research and development as well as capital expenditures.

Business Risks

Business risks related to business conditions, financial status, and other factors that may have a potentially significant impact 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 where the companies conduct business (construction, ophthalmic and others). A significant changes/fluctuations in 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, restrictions on foreign trade or foreign currency, revisions to laws and regulations or taxation systems, worsening public security such as 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.

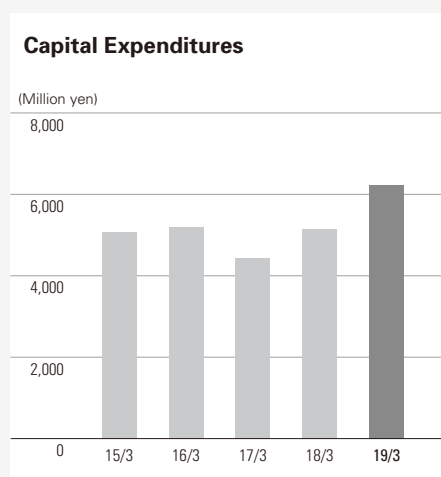
3. Intensifying Competition

(Price and Non-price Competition)

Competitors supplying products similar to the Group's products are present for each company. The Group works toward early introduction of new products to the market, development of new technologies, cost reduction to create a competitive advantage for the Group. However, delayed development of new products or new technologies, sharp rises in raw material costs and other factors may weaken the Group's growth potential or profitability, which 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 exchange-rate fluctuation risk, the Group uses forward exchange contracts to maintain an appropriate level



of exchange hedge within the scope of actual demand. Despite these precautions, volatility in exchange rates 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 increase the Group's interest payments, which may impact the business results and financial position of the Group.

5. Fund Procurement

The Group procures funds necessary for its operations by borrowing from financial institutions, issuing bonds and other means. In the event of worsening conditions in financial market or poor business performance, the Group may become unable to continue its loan arrangements or take out new loans. Furthermore, the lowering of the Group's credit rating by a rating agency could constrain fund procurement and/or result in increased fund-raising costs. Such events may impact the business results and financial position of the Group.

6. New Business Strategies

The Group considers initiatives for new businesses for the future growth of the Group as needed. However, new businesses entail 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 a system that can foster optimal business forms suited for 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 underperform 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 through corporate acquisitions. Decreases in the asset value of these non-current 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 all its efforts 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 that 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.

Subsidiaries and Associated Companies

(As of March 31, 2019)

Asia/Oceania/China

- 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 Eyetechn Pvt. Ltd.
- Topcon Optical (H.K.) Ltd.
- Topcon Optical (Dongguan) Technology Ltd.
- Shanghai Topcon-Sokkia Technology and Trading Co., Ltd.
- Sokkia Korea Co., Ltd.
- TPS Australia Holdings Pty Ltd.
- Topcon HK (BD) Ltd.
- Topcon (Beijing) Medical Technology Co., Ltd.
- Topcon Healthcare Solutions Asia Pacific Pte. Ltd.

Japan

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



Europe/Middle East/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 España, S.A.
- Topcon Scandinavia A.B.
- Topcon (Great Britain) Medical Ltd.
- Topcon Polska Sp. Zo.o.
- Tierra S.P.A.
- Mirage Technologies S.L.
- Topcon Positioning Belgium N.V.
- Topcon Positioning Italy s.r.l.
- Topcon Electronics GmbH & Co. KG
- Topcon Precision Ag Europe S.L.
- Topcon Technology Finland Oy
- Topcon Healthcare Solutions EMEA Oy
- ThunderBuild Group BV
- Topcon Positioning France S.A.S.
- Topcon Positioning (Great Britain) Ltd.
- Topcon France Medical S.A.S.
- Topcon Positioning Middle East and Africa FZE

North America

- Topcon America Corporation
- Topcon Positioning Systems, Inc.
- Cacioppe Communications Companies, Inc.
- Bunce Industries, LLC
- Topcon Agriculture Canada, Inc.
- Portland Precision Instrument & Repair Co.
- Productivity Products and Services Inc.
- ClearEdge3D, Inc.
- Topcon Medical Systems, Inc.
- Topcon Canada, Inc.
- Topcon Medical Laser Systems, Inc.
- Topcon Healthcare Solutions, Inc.

*24 other consolidated subsidiaries

Corporate Profile and Stock Information

(As of March 31, 2019)

Corporate Profile

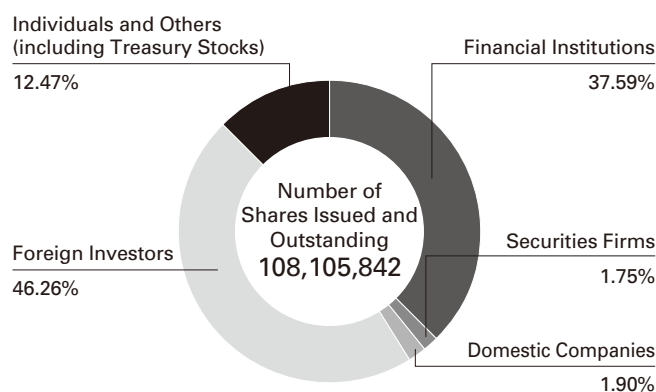
Corporate Name	TOPCON CORPORATION
Headquarters	75-1, Hasunuma-cho, Itabashi-ku, Tokyo 174-8580 Japan
Established	September 1, 1932
Paid in Capital	¥16,658 million
Business Outline	Positioning (GNSS, Machine control systems, IT agriculture) Smart Infrastructure (Surveying instruments, 3D measurement, Monitoring) Eye Care (Ophthalmic instruments, Ophthalmologic network systems, Optometric instruments)
Topcon Group	Consolidated subsidiaries 82 Equity method affiliate 11
Employees	4,932 (Consolidated) 683 (Non-consolidated)
Number of Authorized Shares	160,000,000
Number of Shares Issued and Outstanding	108,105,842
Number of Shareholders	15,741
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

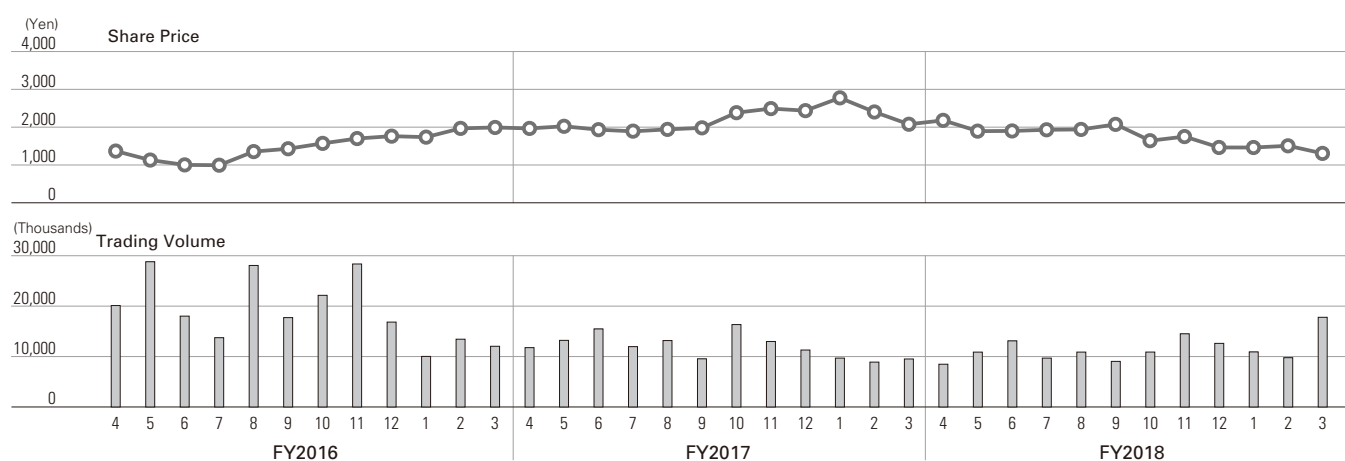
* Number of shares held are rounded down to the hundred and percentage of shares held are rounded down to the second decimal places.

Shareholder	Number of Shares Held (hundreds of shares)	Shareholding Ratio (%)
Japan Trustee Services Bank, Ltd. (trust account)	83,569	7.88%
SSBTC CLIENT OMNIBUS ACCOUNT	79,678	7.51%
The Master Trust Bank of Japan, Ltd. (trust account)	75,712	7.14%
The Dai-ichi Life Insurance Company, Limited	43,500	4.10%
THE BANK OF NEW YORK MELLON 140051	36,029	3.39%
JPMC OPPENHEIMER JASDEC LENDING ACCOUNT	32,988	3.11%
Japan Trustee Services Bank, Ltd. (trust account 9)	28,701	2.70%
Japan Trustee Services Bank, Ltd. (trust account 5)	21,058	1.98%
Trust & Custody Services Bank, Ltd., Inv. (security investment trust account)	20,718	1.95%
SAJAP	19,843	1.87%

Breakdown by Type of Shareholders



Share Price and Trading Volume



TOPCON CORPORATION

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

Corporate Communication Div.

TEL: +81-3-3558-2532 FAX: +81-3-3558-0705

URL: <https://www.topcon.co.jp/en/>