



 **TOPCON**

# Topcon Report 2020

(Integrated Report)



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.



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### Editorial Policy

As stated in our Corporate Identity, Topcon contributes to enrich human life by solving the societal challenges within healthcare, agriculture and infrastructure. Based on this identity, Topcon strives to contribute to the development of society and conservation of the global environment, through its unique products and services. In FY2016, we began publishing the Integrated Report, "Topcon Report" in order to inform the public regarding our initiatives to continuously increase Topcon's corporate value over the long term. The Topcon Report centers on information that has a significant impact on our corporate value. It uses as references the disclosure framework of the International Integrated Reporting Council (IIRC), as well as the Guidance for Collaborative Value Creation of the Ministry of Economy, Trade and Industry.



### Note on performance forecasts and outlook statements

All plans, strategies, future performance forecasts, and outlooks presented in this report are based on information currently available to the Company. Our actual performance may deviate from these statements if conditions change in the future.



# Value Creation at Topcon

Topcon is committed to sustainably increasing its corporate value, based on the Corporate Identity stated in the TOPCON WAY: Topcon contributes to enrich human life by solving the societal challenges within healthcare, agriculture and infrastructure.

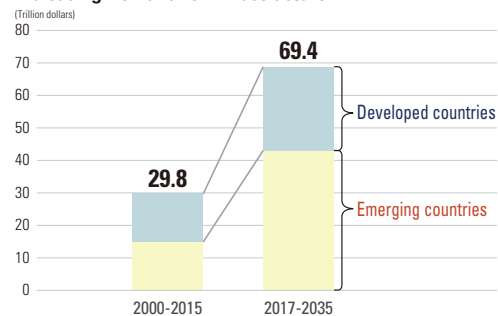
## Fields

## Tackling Societal Challenges



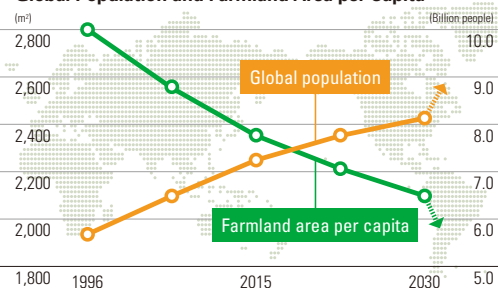
### Shortage of Skilled Engineers Resulting from Globally Rising Infrastructure Demands

Increasing Demand for Infrastructure



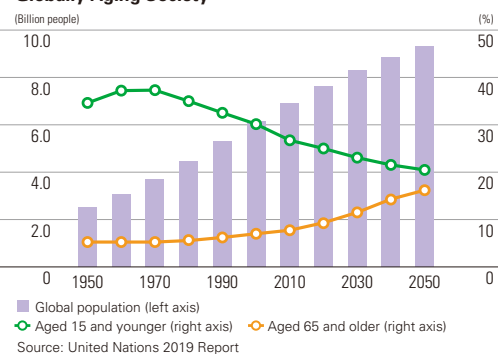
### Food Shortages Resulting from Global Population Growth

Global Population and Farmland Area per Capita



### Increase in Eye Disease Resulting from Global Population Aging

Globally Aging Society





## Topcon's Solutions for Societal Challenges

Corresponding SDGs

### Automation of Construction Process (IT Construction)



**Higher Precision  
Solution to Labor Shortages  
Productivity and  
Quality Improvement**



### Automation of Farm Operations (IT Agriculture)



**Higher Precision &  
Laborsaving  
Productivity and  
Quality Improvement**



### Creating a System for Eye Disease Screening (IoT Medical Network)



**Screening  
Early Detection  
Prognosis Management  
Improvement of  
Healthcare Efficiency**



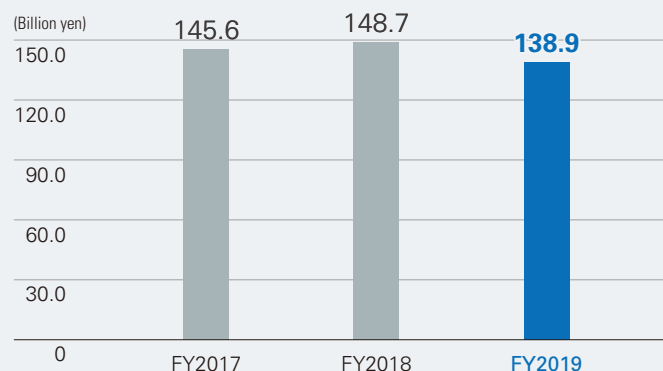
# Topcon in Numbers

## Net Sales



**¥138.9 billion**

Year-on-year 6.6% ↘

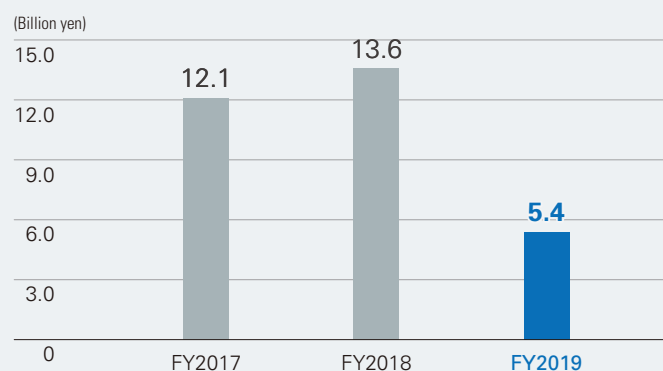


## Operating Income



**¥5.4 billion**

Year-on-year 60.4% ↘

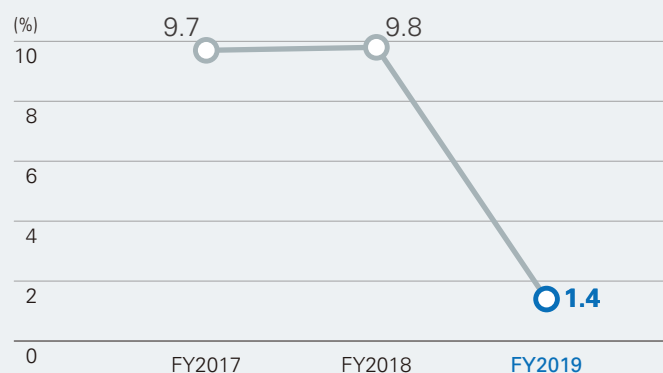


## ROE



**1.4%**

Year-on-year 8.4 points ↘



## Capital Expenditures



**¥8.4 billion**

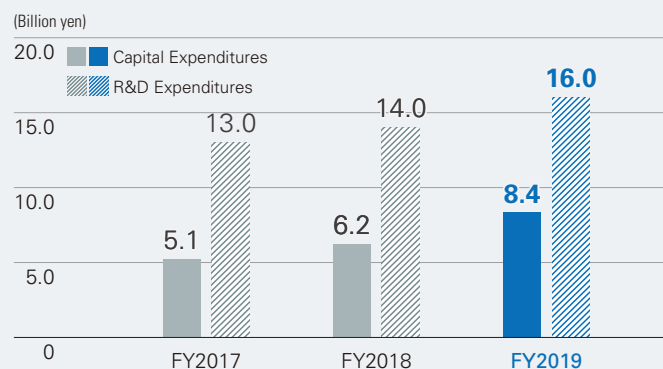
Year-on-year 34.7% ↗

## R&D Expenditures



**¥16.0 billion**

Year-on-year 14.0% ↗



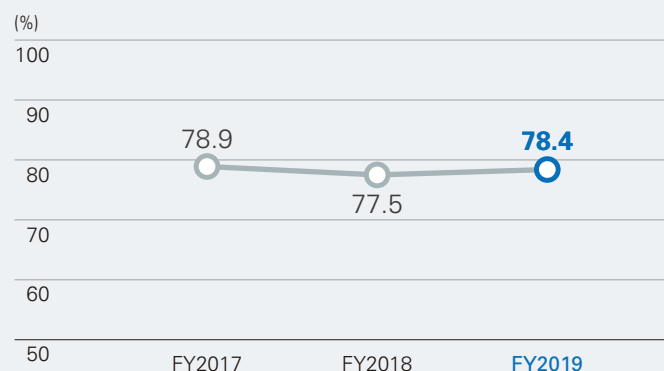


## Overseas Sales Ratio



# 78.4%

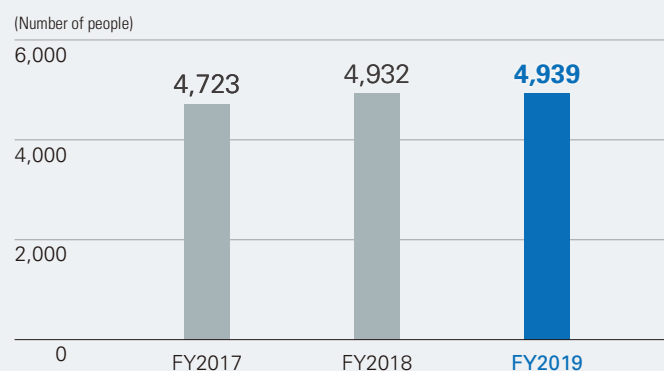
Year-on-year 0.9 points



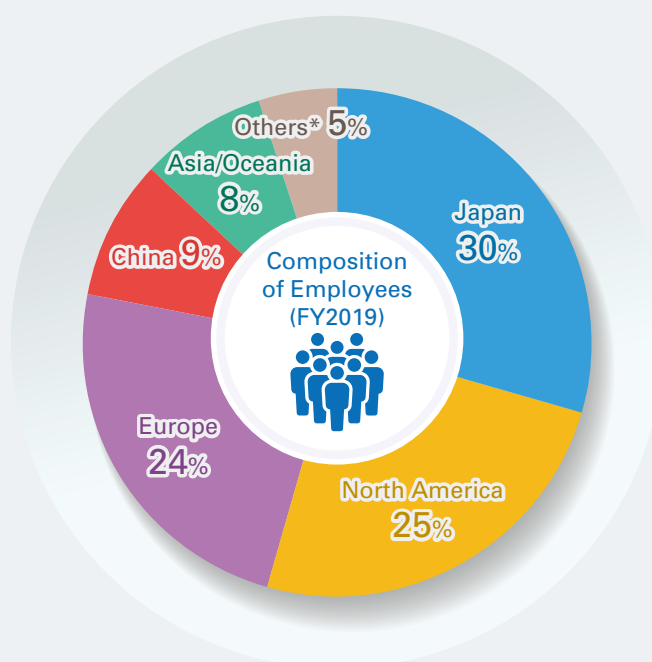
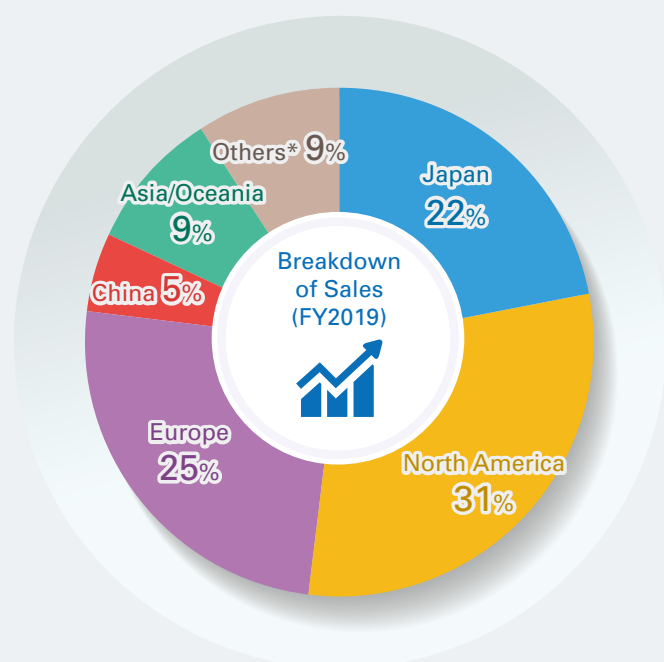
## Number of Employees



# 4,939



## Highly Globalized



\* The "Others" category includes Central and South America, Middle East, Russia, and Africa, etc.

## To Our Stakeholders

# We strive to sustainably improve our corporate value by solving the societal challenges within healthcare, agriculture and infrastructure.

We are committed to sustainably increasing its corporate value, based on its Corporate Identity: Topcon contributes to enrich human life by solving the societal challenges within healthcare, agriculture and infrastructure.

In healthcare, we will address the increase in eye disease resulting from global population aging by enhancing eye screening for early detection of diseases and improving medical efficiency.

In agriculture, we will address food shortages resulting from global population growth by enhancing the automation of farm operations to improve productivity and quality.

In infrastructure, we will address the shortage of skilled engineers resulting from globally rising infrastructure demands by enhancing the automation of construction process to improve productivity and quality.

In April 2019, Topcon launched its third mid-term business plan, with the aim of accelerating the promotion of our growth businesses. The management vision laid out in this plan—"Expand our businesses and solve the societal challenges within the growing market of healthcare, agriculture and infrastructure"—remains unchanged amid the COVID-19 pandemic. We will continue to carry out growth scenarios in the mid-term business plan, and work to improve our corporate value by meeting the new societal needs of social distancing and economic recovery.

In healthcare, we will expand our eye disease Screening Business by the involvement of primary care physicians, optical stores, and drugstores. In addition to sales of hardware such as our 3D OCT and fundus cameras, we

offer medical network solutions through the software and IoT platform developed by our U.S. subsidiary. We are also meeting the new need for social distancing to prevent the spread of COVID-19, through remote technologies using our full automatic screening equipment.

In agriculture, given the solid demand as an essential business, we will continue our initiatives to automate farm operations. To this end, we will boost our OEM sales with a focus on markets in the U.S. and Europe, while using the cloud platform to centrally manage the data necessary to maximize farming productivity, and offering highly added value services thorough a subscription model. Even in Japan, which faces a severe shortage of farmers, we will accelerate the adoption of IT Agriculture, while at the same time growing our business with an eye toward expansion to Asia, which is an untapped market for the Company.

In infrastructure, we will work to automate construction process, while expanding our paving maintenance business and developing the BIM market. Because it is an essential business, infrastructure construction is still continuing amid the COVID-19 pandemic, and we will boost our sales of IT Construction, with a focus on markets in the U.S. and Europe. In Japan, we will expand our lineup of products utilizing ICT and 3D data in order to further expand the adoption of "i-Construction," which is being promoted by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT).

We appreciate your continued support.





A stylized, handwritten signature in black ink, consisting of a large 'S' and 'H' followed by a horizontal line.

**Satoshi Hirano**  
President & CEO

# The Third Mid-term Business Plan

(FY2019–FY2021)

Management  
Vision

**Expand our businesses and solve the societal challenges within the growing market of healthcare, agriculture and infrastructure**

Amid the COVID-19 pandemic,

- ▷ Vision is intact, whilst the timeline is inevitable to change
- ▷ Tailwind for our growth scenario

New  
Keywords

Corresponding  
to Social  
Distancing

Essential  
Business

Economic  
Restoration



## Growth Scenarios



# Infrastructure

The shortage of skilled engineers due to global demand for infrastructure continues to be a societal challenge. Accordingly, we believe that the impact of the COVID-19 pandemic on the construction industry will be more limited than in other industries. We anticipate that the expected increase in infrastructure investment to stimulate economic restoration will provide a boost to the automation of construction process through automation technology by IT Construction, which is one of our growth scenarios.

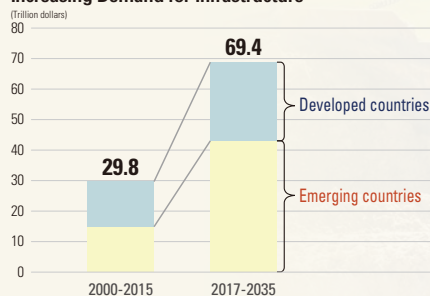


## Societal Challenge

■ Increasing demand for infrastructure

■ Shortage of skilled engineers

Increasing Demand for Infrastructure



## Solution

Automation of construction process through robotization of construction machinery and central management of workflows

Productivity improvement  
Solution to labor shortages

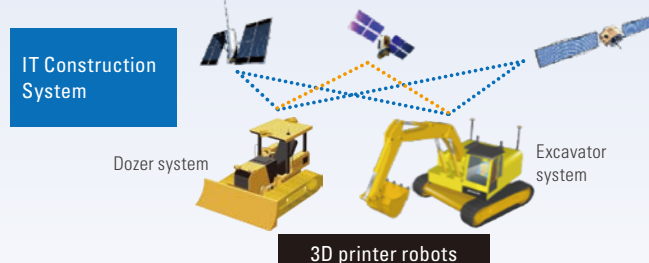


## Realization

### Proprietary Topcon technologies

#### 1 IT Construction Technology

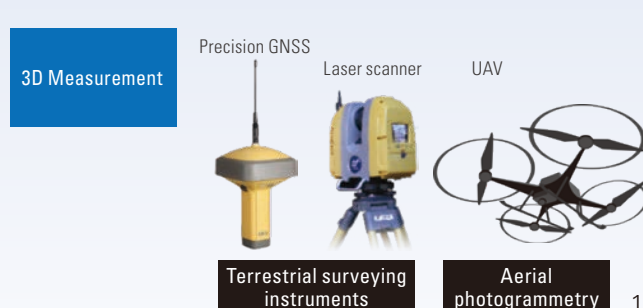
Automation technology by IT Construction using precision GNSS technology\*



\* GNSS stands for "Global Navigation Satellite System," and is an umbrella term encompassing all global satellite positioning systems, including GPS (U.S.), GLONASS (Russia), Galileo (Europe), BeiDou (China), and QZSS (quasi-zenith satellite system; Japan).

#### 2 3D Measurement Technology

Sensor digitization that allows central management of construction site workflow





# Agriculture

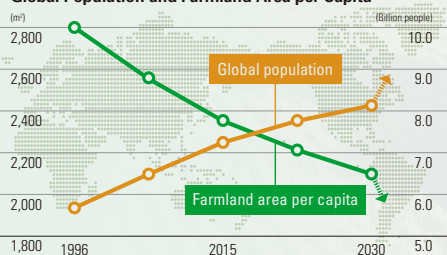
Food shortages due to growth in the worldwide population and declining numbers of skilled workers due to an aging population continue to be societal challenges. Even amid the COVID-19 pandemic, there is solid demand as an essential business. In addition, border lockdowns to combat the spread of COVID-19 are also causing labor shortages, which we anticipate will boost the automation of farm operations by IT Agriculture.

## Societal Challenge

■ Global population growth  
■ Less farmland area per capita

■ Food shortages  
■ Shortages of skilled workers

Global Population and Farmland Area per Capita



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

## Solution

**Automation of Farm Operations**  
through Auto Steering of farming machinery and  
central management of data

**Productivity and  
quality improvement**



## Realization

### Proprietary Topcon technologies

#### 1 IT Agriculture Technology

Auto Steering System for farming machinery using precision GNSS technology

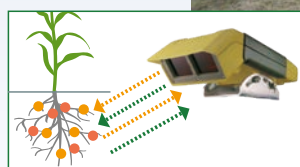
Auto Steering  
System for  
farming  
machinery



#### 2 Optical Sensor Technology

Digitization using crop monitoring and yield sensors

Laser-type  
crop sensor





## Growth Scenarios



# Healthcare

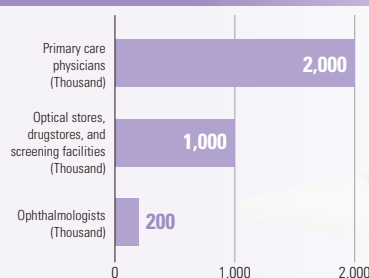
The increasing cases of eye disease due to aging of the global population remains unchanged as a societal challenge amid the COVID-19 pandemic. Accordingly, we will continue to focus on identifying demand for eye disease screening. In addition, we will also meet the new demand to support social distancing with remote technologies, utilizing the fully automated functionality that is a strength of Topcon's optical medical devices.



## Societal Challenge

- Increase in eye disease due to aging of the global population
- Global shortage of ophthalmologists
- Soaring medical costs

- Soaring rates of eye disease
- Shortage of ophthalmologists to treat 350 million people\*<sup>1</sup> with the three major eye diseases\*<sup>2</sup>



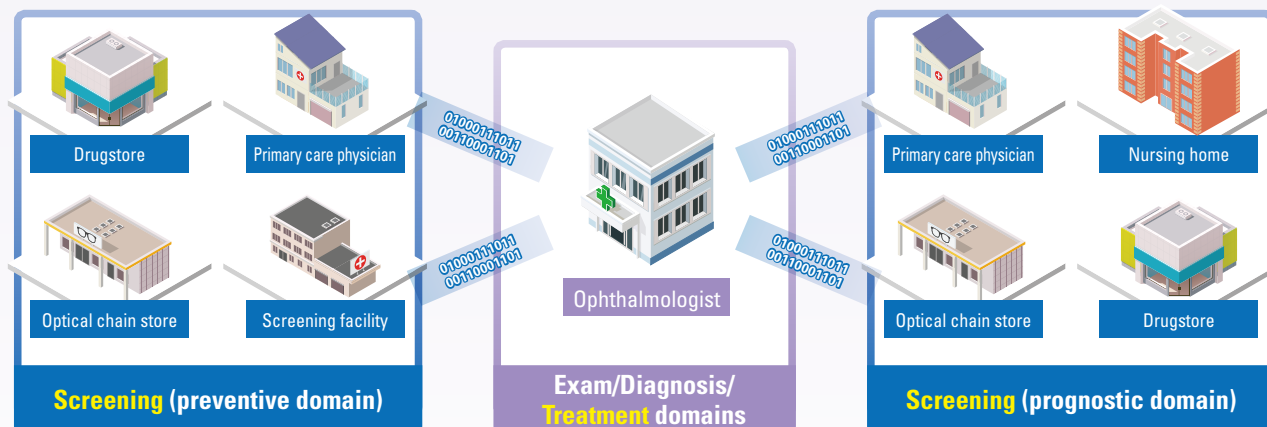
\*1 Source: United Nations 2010 Report

\*2 The three major eye diseases: diabetic retinopathy, AMD (Age-related Macular Degeneration), and glaucoma

## Solution

**Creation of eye disease screening**  
By the involvement of primary care physicians, optical stores, drugstores, etc.

**Early detection and treatment**  
**Healthcare efficiency improvement**



## Realization

### Proprietary Topcon technologies

#### Full automatic screening equipment: Easy to operate with less expertise

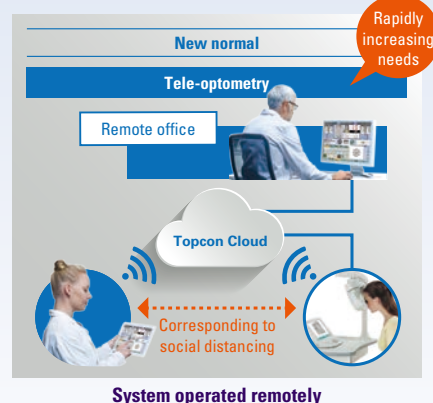
##### 3D OCT Maestro

- Full automatic 3D OCT and color fundus photography
- Reporting feature indicating the possibility of three major eye diseases



##### Fundus Camera TRC-NW400

- Full automatic fundus photography
- Early detection of eye disease



# Business Overview (For the year ended March 31, 2020)

Topcon operates businesses in three segments: Positioning, Smart Infrastructure, and Eye Care.

## POSITIONING COMPANY



### Business Domains

- Surveying
- Civil Engineering
- Construction/Building
- Agriculture

### Major Products Manufactured by the Segment

- IT Construction System
- IT Agriculture System
- GNSS Receiver for Surveying
- Construction Site Management Software
- Surveying & Civil Engineering Software

Sales Ratio (%)

49.5%

## SMART INFRASTRUCTURE BUSINESS



### Business Domains

- Surveying
- Civil Engineering
- Construction/Building
- Agriculture

### Major Products Manufactured by the Segment

- Total Station
- 3D Laser Scanner
- Laser Instruments
- 3D Mobile Mapping System
- Surveying & Civil Engineering Software
- Software for 3D Point Cloud Data Management/Modeling

Sales Ratio (%)

17.5%

## EYE CARE BUSINESS



### Business Domains

- Examination/Diagnosis/Treatment for ophthalmology
- Screening (Preventive/Prognostic)
- Phoropter for Optical Stores

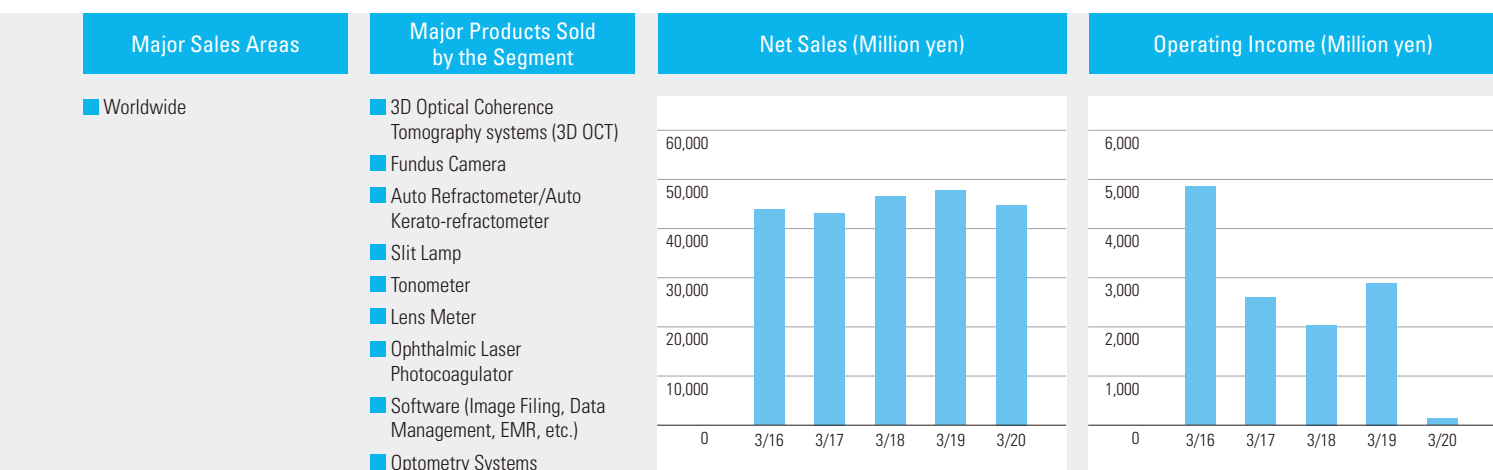
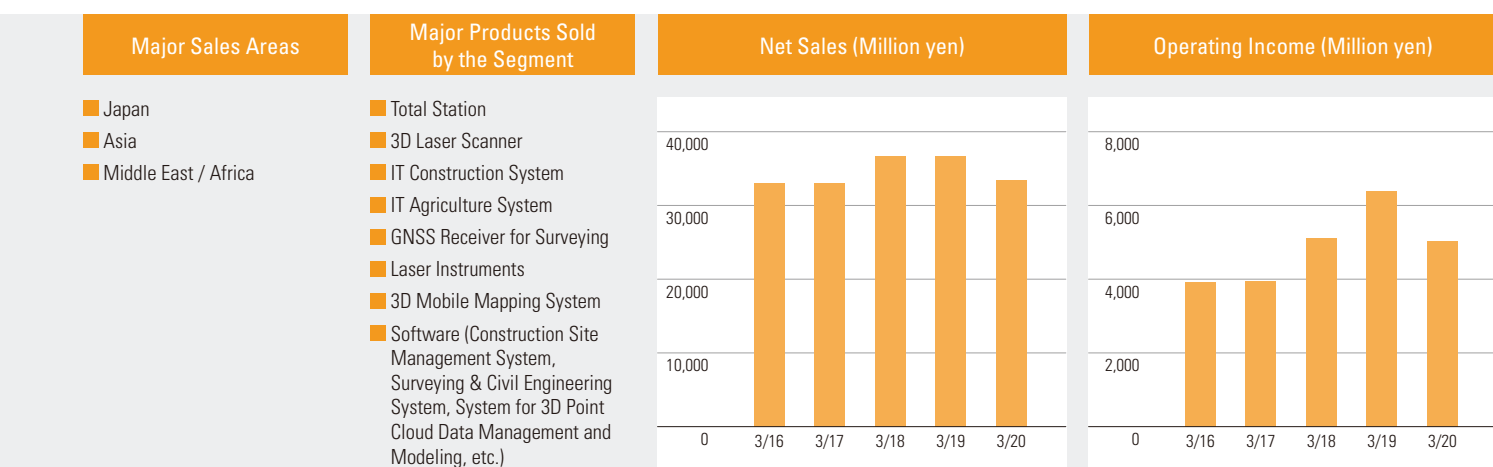
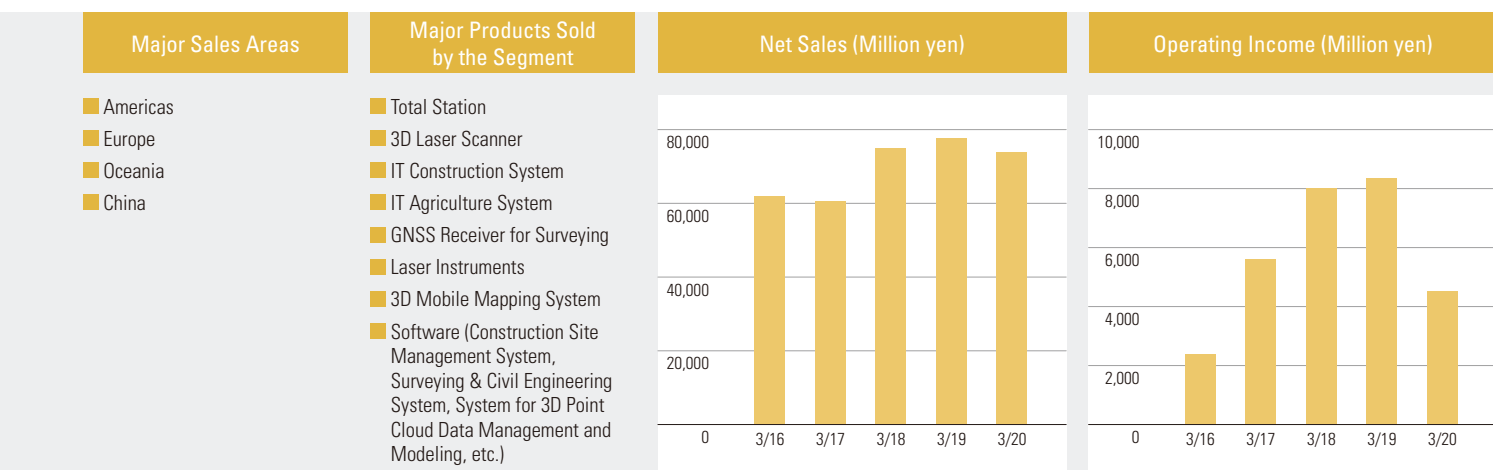
### Major Products Manufactured by the Segment

- 3D Optical Coherence Tomography (3D OCT)
- Fundus Camera
- Auto Refractometer/ Auto Kerato-refractometer
- Slit Lamp
- Tonometer
- Lens Meter
- Ophthalmic Laser Photocoagulator
- Software (Image Filing, Data Management, EMR, etc.)
- Optometry Systems

Sales Ratio (%)

32.0%

\* Sales ratio is for net sales to external customers.





## Business Overview




# POSITIONING COMPANY



**Net Sales** **74.0 billion yen**  (down 4.8% year-on-year)

**Operating Income** **4.5 billion yen**  (down 45.7% year-on-year)

## FY2019 Financial Results

In the Positioning Company, sales to the aftermarket remained robust, while OEM sales of IT Construction declined. However, the impact of the COVID-19 pandemic struck in the fourth quarter, which is the busiest time of the year, and major restrictions were placed on sales activities and shipments, especially in the U.S. and Europe. Amid such difficult business environment, we provided our products and services to construction and agriculture customers whose operations could not

be suspended, and assigned top priority to fulfilling their demands. Despite these efforts, net sales declined from the previous fiscal year by 4.8% to ¥73,989 million. While we worked to reduce selling, general and administrative expenses in the midst of declining sales, operating income decreased by 45.7% year-on-year to ¥4,537 million, due to the impact of upfront investments, including research and development expenses.

## Growth Strategy under the Third Mid-term Business Plan

In IT Construction, we launched an automated excavator system as a new strategic product. In addition, we are also expanding our repaving business targeting the maintenance of aging roads in developed countries, and rolling out our subscription business.

We believe there are major untapped markets for IT Construction in emerging countries and small-scale OEM. We will develop these markets by strengthening our sales capabilities through alliances and expanding our sales network through M&As.

As with IT Construction, we will develop untapped markets for IT Agriculture in emerging countries and small-scale OEM. In addition, we are also proceeding a subscription business using a cloud-based IoT solution that we developed under our second mid-term business plan.

Despite the uncertain business climate imposed by the COVID-19 pandemic, IT Agriculture, IT Construction, and infrastructure are all essential businesses that solve societal challenges and have strong demand in society. We therefore expect that demand will continue to grow.




# SMART INFRASTRUCTURE BUSINESS



**Net Sales** **33.4 billion yen** ▼ (down 9.1% year-on-year)

**Operating Income** **5.0 billion yen** ▼ (down 21.4% year-on-year)

## FY2019 Financial Results

In the Smart Infrastructure Business, demand has been slow to recover due to the U.S.-China trade friction as well as general elections in Southeast Asia, which caused sales to decline, especially in Asia. In addition, the Business was impacted by the COVID-19 pandemic in the fourth quarter. Furthermore, although demand in Japan was robust up to the third quarter, net sales decreased year-on-year by 9.1% to ¥33,398 million,

despite certain improvements achieved through efforts to fulfill customer demand and secure sales, amid the voluntary restraints on movement that were imposed to prevent the further spread of COVID-19. Operating income decreased by 21.4% year-on-year to ¥5,027 million as a result of the decline in net sales, in spite of the improvements obtained by reducing expenses.

## Growth Strategy under the Third Mid-term Business Plan

In the Japanese domestic market, i-Construction is being used not only in construction projects managed directly by the national government, but also in local government projects as well. We anticipate that the market will continue to grow, and will strive to expand our businesses through solutions, including IT Construction and 3D measurement.

In IT Agriculture, the proportion of machines equipped with the Auto Steering System is increasing in Japan each year. We have expanded our market share by proposing products that facilitate shared use, and are striving to expand sales in Asia by leveraging our successes in Japan.

We also believe that automation is needed in the

building field. In 2018, we acquired ClearEdge3D, Inc., which owns innovative technology in the construction BIM field. In 2019, we formed a strategic partnership in Japan with Autodesk, Inc., which offers construction and civil engineering software globally. We have launched initiatives to integrate our 3D measurement equipment with these companies' software, in order to eliminate waste in construction process and greatly improve productivity.

Despite the uncertain business climate imposed by the COVID-19 pandemic, IT Agriculture, IT Construction, and infrastructure are all essential businesses that solve societal challenges and have strong demand in society. We therefore expect that demand will continue to grow.



## Business Overview

# EYE CARE BUSINESS



**Net Sales** **44.8 billion yen** (down 6.2% year-on-year)

**Operating Income** **0.1 billion yen** (down 95.3% year-on-year)

## FY2019 Financial Results

In the Eye Care Business, sales had been steadily increasing, after making upfront investments to reinforce sales mainly in the Screening Business and the rapidly growing Chinese market. However, the COVID-19 pandemic had a substantial impact on business from the fourth quarter, and business activities slowed down in our key market of China, due to the lockdowns following the Chinese New Year. Subsequently, sales and deliveries to medical institutions worldwide became

difficult, while the number of business opportunities for optical stores shrank rapidly as demand decreased worldwide and investments were temporarily postponed. As a result, net sales decreased by 6.2% year-on-year to ¥44,758 million. Operating income decreased by 95.3% year-on-year to ¥136 million due to the impact of decreased sales, as well as the effects of foreign exchange, and upfront investments in the Screening Business and the business expansion in China.

## Growth Strategy under the Third Mid-term Business Plan

We will focus on expanding our business, while identifying the Screening Business and our business in China as our two main growth businesses.

With regard to the Screening Business, we established a development subsidiary in the U.S., and actively recruited from outside the Company. The subsidiary is developing proprietary software to support optical chain stores and primary care physicians, in order to enable them, non-ophthalmologists, to conduct eye screening. We will work to expand our Screening Business with solutions that bundle this software with our full automatic screening equipment that requires less expertise to operate, 3D OCT Maestro and the TRC-NW400.

In addition, although China has the world's largest number of diabetic patients, it also has a shortage of ophthalmologists. We expect strong demand for Screening in this country, and will work to expand our business through partnerships with major medical examination groups and AI development companies.

Despite the uncertain business climate imposed by the COVID-19 pandemic, the Eye Care business domain solves societal challenges and has strong demand in society. We therefore expect that demand will continue to grow. We are also meeting the new need for social distancing to prevent the spread of COVID-19, through remote technologies using our full automatic equipment.



## TOPICS

# Ministry of Economy, Trade and Industry and Tokyo Stock Exchange Select Topcon as one of the “Digital Transformation Stocks (DX Stocks) 2020” (Announced August 25, 2020)

Recently, there has been a global trend toward “digital transformation (DX)”: building on digital technologies such as AI, IoT, and big data to fundamentally transform business models, and create new growth and competitive strengths. Starting this year, the Ministry of Economy, Trade and Industry and Tokyo Stock Exchange have begun selecting companies that are striving to make massive improvements for productivity, transform existing businesses, or create new businesses utilizing DX as “Digital Transformation Stocks (DX Stocks).” They selected 35 companies having the highest overall scores, among the roughly 3,700 Japanese companies listed on the Tokyo Stock Exchange (First Section, Second Section, Mothers, and JASDAQ).

With our Corporate Identity of “Topcon contributes to enrich human life by solving the societal challenges within healthcare, agriculture, and infrastructure,” we are striving to solve societal challenges in healthcare, agriculture, and infrastructure through DX solutions.



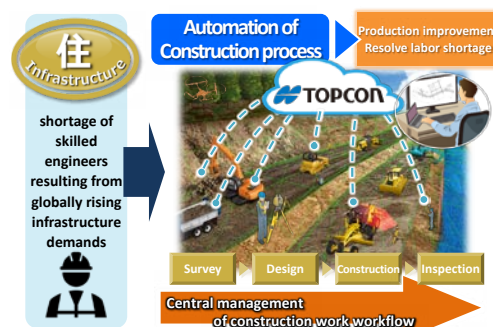
DX銘柄2020  
Digital Transformation

**High rating for commitment to solving societal challenges in healthcare, agriculture, and infrastructure, “Creating a system for eye disease Screening” “Automation of farm operations” “Automation of construction process”!!**

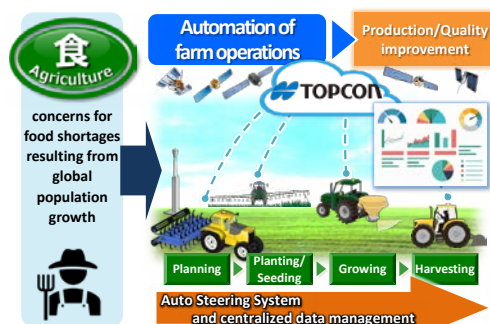
In this selection, Topcon was rated highly for its business model and growth strategy of creating new value in the business domains of healthcare, agriculture, and infrastructure, and for its comprehensive initiatives to support this creation through global organizational reforms, human resource management, and development of the IT environment.



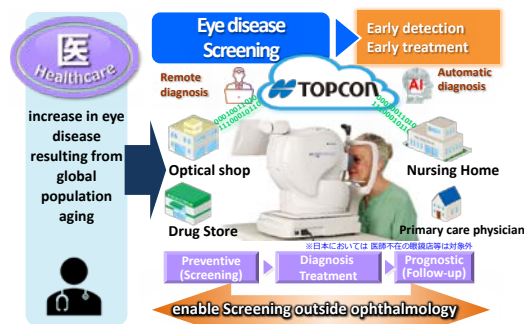
<b>Societal challenge in infrastructure</b>	Shortage of skilled engineers resulting from globally rising infrastructure demands
<b>DX solution</b>	Centralization of workflow by “Automation of construction process”



<b>Societal challenge in agriculture</b>	Concerns for food shortages resulting from global population growth
<b>DX solution</b>	Centralized management of the agricultural cycle by “Automation of farm operations”



<b>Societal challenge in healthcare</b>	Increase in eye disease resulting from global population aging
<b>DX solution</b>	Creating a system for eye disease Screening



## DX: Digital Transformation

A status in which a company responds to significant changes in its business environment by using data and digital technology to establish a competitive advantage based on transformation of its products, services, or business model, as well as innovating its operations, organization, processes, or corporate culture in accordance with the needs of its customers and society.

News Release by the Ministry of Economy, Trade and Industry Announcing DX Stocks: [https://www.meti.go.jp/english/press/2020/0825\\_004.html](https://www.meti.go.jp/english/press/2020/0825_004.html)

## Topcon's ESG

# ESG

The Topcon Group strives to fulfill its social responsibilities by promoting ESG activities through its core businesses, and to enhance its medium- to long-term corporate value.

The Group endorses the principles of the United Nations Global Compact (UNGC), and continues to strive to achieve profitable growth based on its spirit. We are working to expand our businesses and solve the societal challenges within the growing market of healthcare, agriculture and infrastructure. We pride ourselves in making a significant contribution to the Sustainable Development Goals (SDGs), while resolving these societal issues.

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

We are also committed to global environmental solutions, CSR activities that contribute to society, optimal corporate governance structures, and compliance with all legal and regulatory requirements.





### Basic Policy for CSR

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



# Topcon's ESG

When implementing ESG activities, the Topcon Group focuses on communications with the Group's stakeholders, conducts checks and evaluations of the performance of individual activities each fiscal year, and draws on the results of these evaluations to guide the activities in the following fiscal year and beyond. Moreover, the Group prioritizes international frameworks such as the UNGC and SDGs, and engages in the ESG activities that are expected of a global company.

## Relationship with Stakeholders

The Topcon Group offers products and services that address societal issues, based on its basic policy for CSR. At the same time, the Group attaches great importance to communications with its 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 each fiscal year, and draws on the results of these evaluations to set goals for the activities for each shareholder in the following fiscal year.

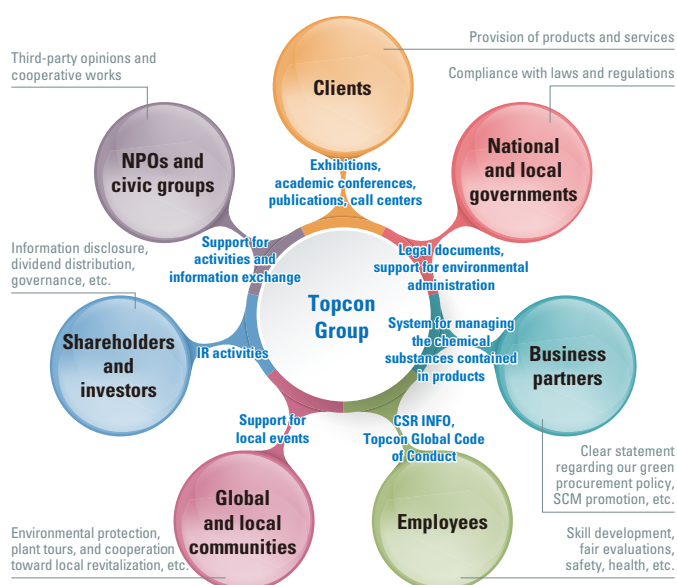
Regarding customer satisfaction, we focus on improving the quality of our products and services, and responding promptly to customer complaints. To this end, we conduct risk analyses and strengthen our design reviews, which in turn, contributes to compliance with development schedules and quality improvement. We also pledge to conduct fair transactions with our clients, through means such as clarifying material procurement policies.

We strive to raise the satisfaction level of our employees while improving their work environment. We aim to create a comfortable, highly satisfactory workplace environment by raising awareness of safety and health, and enhancing efforts such as diversity.

In addition, we are making contributions to our business partners, national and local governments, global and local communities, and NPOs and civic groups, primarily with regard to the environment. In addition to providing environmentally-conscious and resource-saving products, we also offer products and services that are useful for improving medical care, health, and the lives of people. In so doing, we seek to reduce our environmental footprint in our procurement, development, production, and sales processes, and make environmental contributions that are sought by these stakeholders.

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

Our website is our primary channel for disclosing information in our communications with all stakeholders. In addition, we also utilize various other means, such as IR, local events, exhibitions, academic conferences, and publications, in order to disclose information and communicate with stakeholders, in a multifaceted and multilayered manner.



**The Topcon Group utilizes various channels of communication, as described above, in addition to the Integration Report (Topcon Report) and its website.**

Environmental  
Initiatives

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Corporate Governance  
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## UNGC and SDGs

While sales outside of Japan account for nearly 80% of the Topcon Group's sales, the group, as a global company, is actively involved in international frameworks, such as the United Nations Global Compact (UNGC) and the Sustainable Development Goals (SDGs).



Since joining the UNGC in October 2007, the Topcon Group has incorporated the 10 principles\*<sup>1</sup> proposed by the UNGC into its core policies and systems, including both the TOPCON WAY and its basic policy for CSR. The Group conducts various activities which embody and put in practice the spirit of the UNGC, with the aim of raising awareness.

Furthermore, the Group is committed to taking actions with respect to the SDGs adopted at the UN

Summit in 2015. Companies are encouraged to participate in the SDGs to work toward the 17 goals\*<sup>2</sup> that are applied to all countries, including developed countries, which include reducing poverty and inequality, ensuring sustainable consumption and production, and combating climate change. Topcon is working to address priority issues, with this international backdrop in mind.

Given the many overlaps that exist between the SDGs and our social contributions, particularly in our core businesses of "healthcare", "agriculture", and "infrastructure", we strive to adapt to the SDGs by resolving the respective issues through 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.

## Tackling Societal Challenges



Increase in Eye Disease  
Resulting from Global  
Population Aging



Food Shortages Resulting from  
Global Population Growth

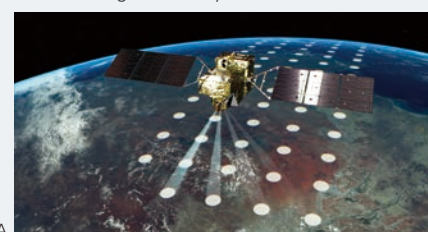


Shortage of Skilled Engineers  
Resulting from Globally Rising  
Infrastructure Demands

13  
CLIMATE  
ACTION

## Topcon technology onboard a greenhouse gas observation satellite

Topcon technology has been adopted in an optical system unit that functions as the eye of a greenhouse gas observation satellite. The satellite is equipped with five of these optical units, which support the observation of a wide area with high-accuracy.



©JAXA



# Environmental Initiatives

The Topcon Group believes that its core businesses, which is based on our Corporate Identity of “contribute to enrich human life by solving the societal challenges within healthcare, agriculture and infrastructure,” can also contribute to the global environment. Although Topcon is not a manufacturer of construction or farming machinery, we provide IT solutions that realize improved efficiency and productivity in construction process and farm operations. Our IT agriculture solutions contribute not only to stable production, but also to protection of the global environment by saving fuel, water, fertilizer, and pesticides through the efficient operation of farming machinery.

## The Initiatives of the Topcon Group in Response to Global Environmental Issues

### 1. Mitigating Global Warming

We put highest priority on global warming countermeasures, and strive to reduce CO<sub>2</sub> emissions from our bases both in Japan and abroad, in order to promote initiatives that lead to a carbon-free society.

### 2. Contributions through Products

We strive to reduce energy use and conserve resources, in order to further reduce our environmental impact throughout the product lifecycle. In addition, we also endeavor to offer products, technologies, and services that help to mitigate global warming, make effective use of natural resources, and conserve biodiversity, in collaboration with our customers. 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, which is an international standard for environmental management systems, particularly among manufacturing-related companies. The Group passed the transition audit for to ISO14001:2015 in August 2018, and maintained its certification.

# Environment



## Topcon's Environmental Footprint Report (FY2019)

### 1. Mitigating Global Warming (CO<sub>2</sub> Emissions Reduction)

Considering global warming as a top environmental priority, we sought to reduce our emissions to 5,024.0t-CO<sub>2</sub>, which is equivalent to a 20% reduction in emissions below the benchmark (three-year average for FY2005 to FY2007) stipulated by an ordinance of the Tokyo Metropolitan Government. As a result, we reduced our emissions by 47.0%, to 3,332.0t-CO<sub>2</sub>. We are also working to reduce our CO<sub>2</sub> emissions at overseas business bases, in accordance with this approach.

### 2. Effective Use of Resources (Total Emissions Reduction)

We strive to reduce our total emissions based on a zero-emission initiative, in order to make effective use of the Earth's limited resources. In FY2019, the total emissions were 230.3 tons, which exceeded the total

emissions target of 220.0 tons due to a higher-than-planned disposal of waste. We will make thorough efforts to control emissions, in order to achieve our target values.

### 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 FY2019, whereas our total emissions target was 3,300 kg, which represents an 82.4% reduction below our FY2000 level, we were able to reduce VOC usage to 2,525 kg (86.5% reduction).

In addition, we also switched from solvent paint to water paint to effectively reduce VOCs. In so doing, we succeeded in enhancing the wear durability of coating film by more than tenfold, thus achieving both environmental protection and product durability.

## Environmental Policy

We uphold the TOPCON WAY, which embodies our Corporate Identity of "contribute to enrich human life by solving the societal challenges within healthcare, agriculture and infrastructure." We strive to reduce the environmental footprint of our business activities based on the Topcon Global Code of Conduct. Furthermore, we contribute to reductions in the environmental footprint through our products and services, with the aim of realizing a sustainable society.

1. We promote the continued improvement of our environmental management system, in order to enhance the environmental performance of our business activities. To this end, we consider our environmental efforts as one of our important management tasks, 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 apply strict management and control.
3. We strive to reduce our environmental footprint, conserve biodiversity, and prevent environmental pollution. We have set the following goals to reduce environmental risks.
  - (1) We will offer environmentally friendly products and services, with our product lifecycle in consideration.
  - (2) We will increase the level of control of chemical substances and the chemical substances contained in our products.
  - (3) We will focus on reducing waste emissions, and strive to enhance the value of waste as a recyclable resource.
  - (4) We will promote efforts to mitigate global warming, and strive to reduce greenhouse gas emissions.
4. We strive to keep our premises and neighborhood clean and beautiful, and actively participate in local community activities, in order to exist in harmony with the local community.
5. We raise the awareness of our employees through the enhancement of environmental education and PR activities, and improve environmental conservation activities, with the participation of all employees.
6. We provide systematic and active guidance and support to subsidiaries and affiliates, in order to raise the awareness of the Topcon Group as a whole.

## Societal Initiatives

# Social

### 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, and 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, religion, sex, nationality, age, physical or mental disability, sexual orientation, or other attributes. Our commitment to a safe and secure work environment means that we will not tolerate workplace violence or threats. Prohibited conduct includes not only physical violence or abuse, but also abusive, intimidating, or disorderly conduct and threatening language. Moreover, we will not allow for using 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 workers. In Japan, we have both the Topcon Labor Union and the Topcon Group Labor Union Council for affiliated group manufacturers. Topcon holds regular labor-management gatherings and councils, where we explain the Company's business conditions to the Topcon Labor Union, in an effort to enhance communication.

### Diversity

#### Policy of Respecting Diversity

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

#### Promoting the Active Participation of Women in the Workplace

The Topcon Group is a company with overseas sales accounting for roughly 80% of sales, and non-Japanese employees accounting for roughly 70% of the total workforce, and the Group possesses a global business network with bases in 26 countries. Accordingly, we have hired the right people from a highly diverse pool

of talent, for the right jobs from a global perspective. To create a workplace culture that is conducive to leveraging the resources of a diverse workforce, we place great importance on creating an environment in which women are able to fully exercise their individuality and abilities, and realize their own careers.

In terms of specific measures, we aim to create a support system that enables women to build continuous, long-term careers, by providing an environment where women can play even more active roles, regardless of their line of work. In addition, we also create opportunities for female employees to work overseas. By granting opportunities to ambitious individuals regardless of sex or age, we provide a setting in which our female staff can develop a global mindset.

Topcon has been listed 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. Since July 2017, this index has been selected as one of the ESG indices for passive investments by the Government Pension Investment Fund (GPIF).

#### Results of Specific Initiatives by Topcon

(As of March 2020)

- 1 female Director      ■ 1 female Executive Officer
- 11 women in management positions
- 17.0% of the workforce is female employees

#### Labor Practices

The Topcon Group views ensuring safety and health as essential to enabling its employees to perform at their best and avoiding workplace accidents. The Group has adopted the necessary safety measures for buildings and facilities, and established work standards that prioritize employee safety and health based on this policy. Recognizing that safety comes first, employees are required to comply with laws, regulations, and internal company rules regarding 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 that of their families, regardless of country or region. We are working to establish and strengthen safety measures with the primary aim of preventing incidents and accidents.

#### Providing Flexible Working Arrangements

Topcon supports Work Style Reform to help employees

achieve a balance between work and private life, while boosting labor productivity. We have established a variety of support programs for childbirth and childrearing, as part of these efforts.

Our Maternity Work Exemption Program allows a pregnant employee or employee who has given birth within the past year to take leave for the time necessary for medical examinations at the direction of a physician or obstetric nurse. In addition, when the spouse of a male employee gives birth, that employee may take a spousal maternity leave of three days. Through these programs, we have developed a system that supports our employees and their families who are having children.

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 the normal break time. There is also a Child Care Leave available until the end of the month in which the child reaches the age of two. In addition, we have expanded programs that allow employees to flexibly choose their work styles, including a Short-time, Short-day Work Program. We also offer a Child Nursing Leave Program that allows an employee raising an elementary school child or younger to take five days off per year for a single child, and ten days off per year for two or more such children. These programs help working parents raise their children and arrange flexible work styles.

#### 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 that is conducive to making the most of their qualities. We provide employees and other personnel with opportunities for self-improvement, to enable them to perform duties that are commensurate with their assigned areas, responsibilities, and authority, while improving their skills both in and outside of work.

The development of Topconians is Topcon Group's strategic human resource theme to realize its management vision. A Topconian possesses three qualities: 1) seeks to develop and maintain a high level of expertise, while utilizing their expertise to generate profits; 2) acts with universal values, including thinking globally and respecting cultural diversity; and 3) is a team player who makes the most of collaboration. We hold lectures and training regularly in order to further the development of such human resources.



## Maintaining and Strengthening the Global Export Control System

As overseas sales account for roughly 80% of the sales and our business is globalized, the Topcon Group has the objective of maintaining and strengthening its global export control system. If our export control compliance were to become lax, the Company could be subject to penalties such as an export ban, due to violations of export control laws and regulations. In the worst-case scenario, this could threaten our existence as a corporation. As a leading global company, the Topcon Group is held strictly responsible for maintaining international peace and security. To maintain and strengthen the global export control system, we are focusing on the following five activities: 1) conducting internal audits; 2) educating employees regarding export control (including e-learning); 3) fostering experts in export control; 4) holding regular meetings of the compliance promotion council; and, 5) designating regions requiring special control, and strictly overseeing such regions.

## Prevention of Corruption

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

The Group defines bribery as offering something valuable to third parties such as public-sector officials, either as a way to receive inappropriate benefits in business activities, or in exchange for providing such inappropriate benefits.

Bribery is not limited to monetary payments, but can include business entertainment, gifts, donations, gratuities, or other forms of benefit, regardless of the monetary value involved. In cases where active intermediaries such as agents are working on behalf of the Topcon Group, rules have been established to prohibit

## Report on CSR Activities

### 1 Netherlands

Topcon Europe Medical B.V. employees volunteered to join a Red Cross COVID-19 support team, in order to assist in the delivery of COVID-19 tests to hospitals and doctors.

### 2 Italy

Topcon Agriculture S.p.A. provided the students of the International School of Turin with equipment for an IT Agriculture system. The students developed a smart greenhouse concept powered by microbial fuel cell and water, and the project won a competition in New York City in 2019.

### 3 Belgium

Topcon Positioning Belgium held a training event for MAGNET Field, a field application that covers everything from surveying to civil engineering. Many people attended the event and learned how easy it is to use the MAGNET Field application, which has a wide range of functions.

### 4 UAE

The engineering department and marketing team of Topcon Positioning Middle East and Africa FZE (TPMA) provided academic support to 8th and 9th grade students at Fairgreen International School in Dubai. The students were given practical sessions on the use of total stations and GNSS, based on basic calculation methods in construction.



## Societal Initiatives

employees and others from coercing agents to commit any of the aforementioned actions, and to clearly determine in advance a reasonable set of boundaries regarding the services and compensation of such intermediaries.

### Internal Reporting System

Since establishing an internal reporting system in 2006, Topcon has worked to identify risks and compliance issues (such as known or suspected conduct that violates laws, regulations, or internal rules, or that runs counter to social norms) at an early stage, and to take corrective actions against them. The system enables whistleblowers to contact the Corporate Audit Division directly, as the responsible division, apart from the normal internal routes for information in the organizational structure.

The Corporate Audit Division takes prompt and appropriate actions to discover and address the involved risks at an early stage, in response to any information that is directly reported. We are working to promote compliance management on a Group-wide basis by expanding

the adoption of the system every year, including the establishment of such systems at Group companies in Japan and overseas.

### Personal Information

The Topcon Group has established a basic policy for protecting personal information, and carefully handles and strives to protect personal information obtained in the course of its business activities. In this context, personal information refers to information that employees handle during work regarding customers, executives and staff of suppliers, job applicants, employees, or other individuals, which makes a specific individual identifiable by referring to such information. Our employees collect, manage, and use personal information properly and fairly, in compliance with all applicable laws and regulations regarding the protection of personal information, in countries and regions where the Topcon Group engages in business.

#### 5 Singapore

Topcon Singapore Positioning Pte. Ltd. participated in an ICT career forum at a university in Cambodia. The company also conducted recruitment activities through the forum, including introducing students to surveying work and technology for engineers.

#### 6 Singapore

Topcon Singapore Medical Pte. Ltd. continuously supports and sponsors a variety of free eye screening events and programs for corporate organizations.

#### 7 Malaysia

Topcon Instruments (Malaysia) Sdn. Bhd. provided free eye examinations for the elderly. A location was set up inside a mosque, where people who had finished their prayers lined up to receive eye examinations.

#### 8 China

Topcon Optical (Dongguan) Technology Ltd. held a seminar on health for employees. Doctors from the Third People's Hospital of Dongguan City were invited to attend the seminar, where the participants learned a wide range of health-related knowledge, including first aid, cardiac compression skills, and lifestyle improvements to prevent illness.

### Other donations and support activities

- Topcon France Medical S.A.S. donated EUR 7,500 to Les Yeux du Monde, which supports Cambodia.
- Topcon Singapore Medical Pte. Ltd. donated SGD 5,000 to a charity event in support of THE EYE BALL 2019.
- Topcon (Great Britain) Medical Ltd. distributed GBP 50 vouchers to all employees, and invited them to a company-sponsored Christmas event.



# Corporate Governance Initiatives

# Governance

## 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 the corporate value of the Topcon Group (hereinafter, referred to as the "Group"), comprising the Company and its affiliates. The Guidelines are based on the TOPCON WAY, which forms a set of fundamental values, evaluation standards, and basic principles of conduct that are to be shared by directors, executives, and all other employees of the Group to achieve effective corporate governance.

### 2 Outline of the 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 the Corporate Audit Division (internal audit department) mutually discuss audit plans and policies, and work in mutual cooperation by regularly sharing information throughout the fiscal year, in order to increase the efficiency and effectiveness of the work of the Corporate Auditors.

#### 2. Board of Directors

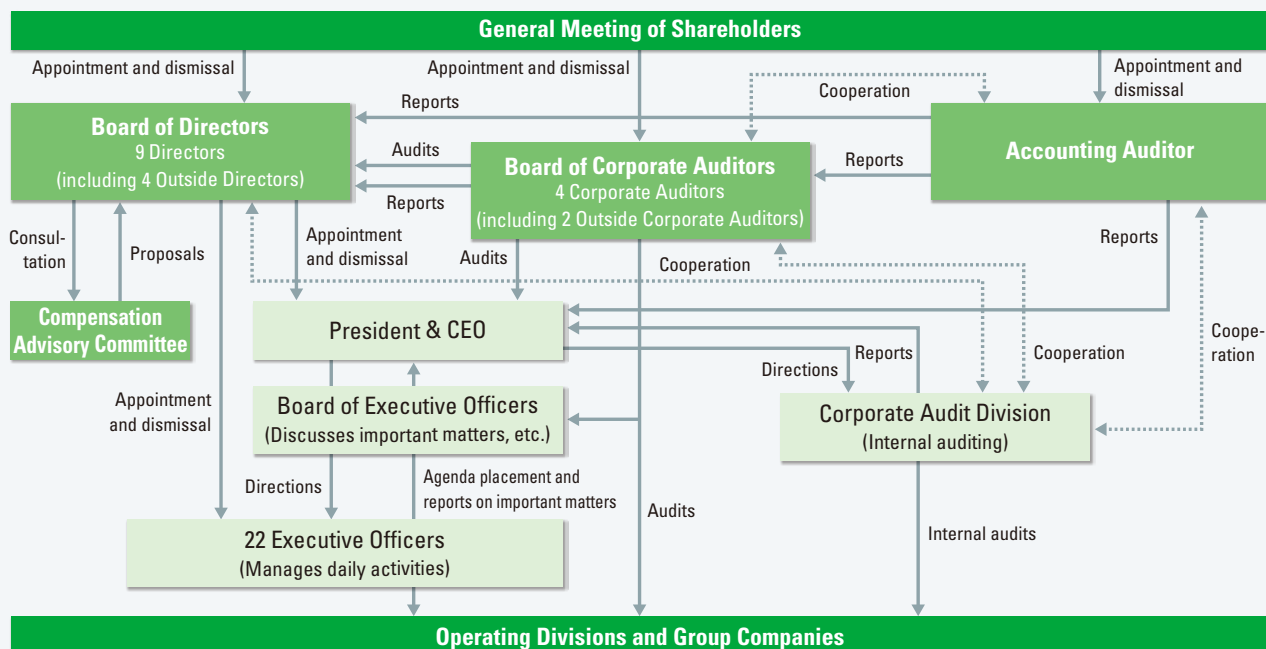
##### i) Roles and responsibilities of the Board of Directors

The Board of Directors recognizes its fiduciary responsibility to the shareholders, towards the sustainable growth and medium- to long-term enhancement of the 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, ensuring transparency in management, and fulfills its responsibilities towards all stakeholders of the Group.

- To fulfill the above-stated responsibilities, the Board of Directors conducts assessments of performance, appropriate development and implementation of the internal control system and the risk management system, and 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 Officers are appointed by a resolution of the Board of Directors, taking into account their



### Corporate Governance Structure (As of June 25, 2020)



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

level of knowledge and experience required by the business domains of the Group.

- 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 the overall effectiveness of the Board of Directors, and discloses a summary of the results.

#### ii) Composition of the Board of Directors

- The Board of Directors of the Company comprises nine Directors (including four Outside Directors).
- The Company ensures that there is a system in place 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 an appropriate number of Directors to ensure that the Board of Directors can effectively exercise its decision-making and supervisory functions.

#### iii) Internal control system

To ensure smooth business operations under appropriate controls, the Board of Directors sets forth basic policies regarding the development of the internal control system, and supervises the establishment of the Group's structure and its operational status in terms of compliance, ensuring 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 significant matters to the Board of Directors.
- The Company has established the Basic Rules for Risk and Compliance, for 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.
- Competing transactions of Directors, transactions between Directors and the Company, and transactions that involve conflicts of interest between the parties shall be matters to be approved by the Board of Directors.

### 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 the shareholders, towards the sustainable growth and medium- to long-term enhancement of the corporate value of the Group. Based on this recognition, the Board of Corporate Auditors ensures corporate soundness and strives for the common interests of the shareholders.

- The Board of Corporate Auditors collaborates with Outside Directors and the internal audit department.

#### ii) Composition of the Board of Corporate Auditors

- At least half of the Board of Corporate Auditors shall be Independent Outside Corporate Auditors, in order to ensure transparency and fairness.
- The Board of Corporate Auditors of the Company consists of four Corporate Auditors (including two Outside Corporate Auditors).
- Corporate Auditors with the appropriate experience and skills have been appointed.
- The Board of Corporate Auditors appoints Corporate Auditors with the knowledge of finance, accounting, and legal matters necessary to serve on the Board of Corporate Auditors, and in particular, appoints at least one Corporate Auditor with sufficient knowledge of accounting.

#### iii) 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 checks the independence and expertise of the Accounting Auditor, by formulating standards for the proper appointment and assessment 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 toward the shareholders and investors.

- A system has been secured under which the Accounting Auditor 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 ensure that accounting audits are conducted properly.

### 5. Compensation Advisory Committee

The Company has established a Compensation Advisory Committee that is independent of the Board of Directors, in order to ensure objectivity and transparency in relation to the handling of director compensation.

- The Compensation Advisory Committee is chaired by an Independent Outside Director, and the majority of the committee members are Independent Outside Officers.
- The Compensation Advisory Committee makes proposals to the Board of Directors upon receiving consultation 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. The Corporate Audit Division validates the appropriateness and effectiveness of the internal management systems, as described below.

- The Corporate Audit Division aims to contribute to the enhancement of 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 Division validates the appropriateness and effectiveness of the internal management system, including compliance, and reports to the Board of Directors, the Board of Corporate Auditors, and the President & 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 internal reports, the Corporate Audit Division contributes to the early discovery of risk information, and respond to whistleblower complaints in a prompt and appropriate manner.

### 7. Directors and Corporate Auditors

#### i) Directors

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

## Initiatives on Corporate Governance

matters, proactively expressing opinions, and holding open and constructive discussions at the Board of Directors' meetings.

- Directors proactively collect information to appropriately fulfill their roles and responsibilities, and if necessary, seek the advice of external experts at the expense of the Company.
- Directors set aside time to appropriately fulfill their roles and responsibilities in the Company, by limiting outside executive jobs to a reasonable extent when concurrently serving as executives at other companies.
- As an incentive for Directors (excluding Outside Directors), the Company offers compensation linked to its medium- to long-term business performance, towards the Group's sustainable growth and enhancement of the corporate value of the Group over the medium- to long-term.

### ii) Corporate Auditors

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

- In accordance with the 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 the execution of their duties; receiving materials and information on related matters; and, collaborating with the internal audit department and the Accounting Auditor.
- Corporate Auditors audit the decisions made by the Board of Directors, and the status of development and implementation of the internal control system.
- Corporate Auditors proactively collect the information necessary for audits through such as attending the Company's important meetings, and give appropriate feedback to Directors, as needed.
- Corporate Auditors proactively collect the 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 appropriately fulfill their roles and responsibilities in the Company, by limiting outside executive jobs to a reasonable extent when concurrently serving as executives at other companies.

### 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 sustainable growth and the medium- to long-term enhancement of the corporate value of the Group, and manage conflicts of interest, while ensuring that the opinions of stakeholders, including minority shareholders, are reflected in the Board of Directors.

- The Company has four 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 Outside Directors and Outside Corporate Auditors who meet the criteria for independence set forth by the Financial Instruments Exchange.
- Independent Outside Directors and Independent Outside Corporate Auditors strive to exchange information and share perspectives based on an independent and objective standpoint, by holding regular meetings and other occasions.

### iv) Support system for Directors and Corporate Auditors

The Company has established an effective and sufficient support system for Directors and Corporate Auditors, to assist them in fulfilling their roles and responsibilities, as described below.

- The Company runs the meetings of the Board of Directors to enable sufficient discussion at Board meetings, as follows.
  - 1) The Company prepares an annual schedule of the Board meetings and an 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) In addition to the above, the Company provides information that the Directors need for decision making and information that the Corporate Auditors need to execute their duties, as necessary.
- The Company appoints an assistant to help in the duties and other activities of the Corporate Auditors, as necessary, in order to provide the corporate information that the Corporate Auditors need, and to coordinate in-company collaboration.
- The Company proactively provides information when Outside Directors and Outside Corporate Auditors request information necessary for the execution of their duties.



- The Company secures the budget necessary for the execution of 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 corporate governance, and continues to provide such training even after they have assumed office.
- In addition to the above, when Outside Directors or Outside Corporate Auditors are newly appointed, the Company provides information regarding the Group's business and overall organization, as well as necessary information on an ongoing basis regarding the Group's business strategies and issues, even after they have assumed office.

### **3 Background for Adopting the Current Corporate Governance Structure**

The Company appoints multiple Independent Outside Directors and obtains outside perspectives to enhance the supervisory function. The Company also appoints Corporate Auditors (including Outside Corporate Auditors), the Board of Corporate Auditors, and an Accounting Auditor. All of these Auditors conduct the Company's audits in collaboration with the Corporate Audit Division (internal audit department), in order to make full use of their supervisory function.

### **4 Other Matters Related to Corporate Governance**

#### **1. Development Status of the Internal Control System**

##### **i) System to ensure that the execution of duties by Directors and employees conforms to laws and regulations, and the Articles of Incorporation**

- 1) The Company sets the TOPCON WAY as a corporate value common to the Topcon Group, as well as a specific action guideline referred to as the Topcon Global Code of Conduct. It makes Directors, executives, and all other employees aware of the importance on all occasions, including the company anniversary, and keeps them informed through daily educational activities.
- 2) The Board of Directors decides on significant matters for the Company and the Group as a whole. The Company appoints Outside Directors to maintain and strengthen the supervisory function related to the execution of the Directors' duties.

- 3) The Company strives to put the internal reporting system to effective use, in order to detect problems related to corporate governance at an early stage and deal with them in a timely and appropriate manner.
- 4) The Company has established the Corporate Audit Division, which reports directly to the President, as an internal audit department to validate the appropriateness and effectiveness of the internal management system, including compliance. In addition, 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 the status of business execution, create a system to guarantee the timely and appropriate disclosure of the Company's important information, and improve business processes.
- 6) The Company ensures that the duties of Directors and employees are executed in compliance with laws and regulations. In particular, the Company has established internal regulations and management systems in line with the Antimonopoly Act, export control regulations, and insider trading regulations, as well as the protection of personal or confidential information and environmental protection.
- 7) The Company sets a guideline for the 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 the storage and management of information on the execution of duties by Directors**

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

## Initiatives on Corporate Governance

### iii) Risk management regulations against loss and other systems

- 1) The Company has established the Basic Rules for Risk and Compliance, and appointed risk managers to deal with any risks which may arise in the Company and the Group companies, in a timely and appropriate manner.
- 2) The Company has introduced an internal reporting system which allows whistleblowers to report directly, apart from the normal internal routes for information in the organizational structure. This contributes to the early detection of risk information, as well as a prompt and proper response to any risk that has occurred. In addition, the Company works to raise awareness of risk management among Directors, executives and all other employees, of the Group companies. The Corporate Audit Division, which serves as the internal audit department, is in charge of the internal reporting system.
- 3) The Company has established the Basic Regulation on Personal Information Protection regarding the protection of personal information and the Basic Regulation on Information Security regarding the handling of confidential information, as well as their subordinate rules. The Company works to ensure Group-wide observance of these policies.

### iv) System to ensure efficient execution of the Directors' duties

- 1) To strengthen the supervisory function of the Board of Directors, the Board members attend monthly and extraordinary meetings to discuss the basic management policy, 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, and the Board of Directors delegates day-to-day business execution to Executive Officers. In addition, the Board of Executive Officers discusses and decides matters on important business execution within the President's decision-making authority, based on the internal rules.
- 3) All duties are executed in line with the proper procedures stipulated in the Board of Directors Regulations, the Board of Executive Officers Regulations, the Group Governance Regulations, and the Business Organization Regulations.

### v) System to ensure the appropriateness of business in a stock company and corporate group comprising a parent company and its subsidiaries

- 1) Directors, executives, and all other employees of the

Topcon Group in each region and country share the Group's common values and criteria, as embodied in the TOPCON WAY, across national and corporate borders. The Company and the Group adopt and enforce the Topcon Global Code of Conduct, in order to raise awareness of legal compliance.

- 2) The Company has established the 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 established forums for reporting the status of business execution several times during the fiscal year, to share information within the Group and raise awareness of legal compliance at the Group companies.
- 3) The Corporate Audit Division, which serves as the internal audit department of the Company, also audits the Group companies in collaboration with audits by Corporate Auditors and the Accounting Auditor, to ensure the appropriateness of business.
- 4) To ensure the reliability and appropriateness of financial reporting, the Company and its Group companies have established an internal control system and an operational system in line with the Financial Instruments and Exchange Act, while continuously evaluating the effectiveness of the internal control system and taking necessary corrective actions.

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

Employees who belong to the Corporate Audit Division assist with the duties of Corporate Auditors, as needed in response to requests from Corporate Auditors.

### vii) Matters related to the independence from Directors of employees who assist the Corporate Auditors in their duties

The work performed by employees of the Corporate Audit Division who assist the Corporate Auditors in their duties shall be exempt from the involvement of Directors and Executive Officers, and transfers of these employees shall be decided after consultation with the Board of Corporate Auditors.

### viii) System for Directors and employees to report to Corporate Auditors, and other systems for reporting to Corporate Auditors

- 1) The Company has established a system that Corporate Auditors attend important company meetings, including the Board of Directors' meetings and the Board of Executive Officers' meetings, and collect information from meeting minutes and other materials, in order to audit the decision-making process.

- 2) The Company ensures that Corporate Auditors receive reports on business status from each department in charge of operations in the Company during the fiscal year, and visit Group companies to audit their business status.
- 3) In addition to the above, Corporate Auditors can request business status reports from Directors, Executive Officers, and employees of the Company and Group companies, whenever necessary.
- 4) The Corporate Audit Division reports the status of internal audits and the audit results to Corporate Auditors, to enhance cooperation and efficiency.

#### **ix) Other Systems to ensure effective audits by Corporate Auditors**

- 1) The Board of Directors ensures that Corporate Auditors can sufficiently audit the execution of duties by Directors, by attending important company meetings, including the Board of Directors' meetings and the Board of Executive Officers' meetings, regularly auditing the status of business execution by the Company and its Group companies, and appointing employees to assist in the duties of Corporate Auditors.
- 2) The Company has set up regular forums for exchanging opinions between Corporate Auditors and Directors, to properly reflect the opinions of Corporate Auditors in business decisions.
- 3) The Company has set up forums for exchanging information and opinions between Corporate Auditors and the Accounting Auditor.

## **2. Outline of Liability Limitation Agreements**

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

## **3. Number of Directors**

The number of Directors is set at 17 or fewer in the Company's Articles of Incorporation.

## **4. Resolution Requirements for Appointment of Directors**

The Company's Articles of Incorporation stipulate that resolutions for the appointment of Directors require the attendance of at least one-third of the shareholders with voting rights, with approval based on the majority of those voting rights. The resolution for appointment of Directors shall not be based on cumulative voting.

## **5. Matters for which the Board of Directors May Pass a Resolution, even if Such Matters Usually Require a Resolution by a General Meeting of Shareholders**

### **i) Purchase of treasury stock**

To execute a flexible capital policy, the Articles of Incorporation stipulate that treasury stock may be purchased after a resolution passed by the Board of Directors, pursuant to Article 165, Paragraph 2 of the Companies Act.

### **ii) Dividend of surplus**

To return profits to the shareholders in a prompt and flexible manner, the Articles of Incorporation stipulate that the matters stipulated in each item of Article 459, Paragraph 1 of the Companies Act concerning dividend of surplus can be determined through a resolution of the Board of Directors without requiring a resolution of a General Meeting of Shareholders, unless separately stipulated by laws and regulations.

## **6. When Matters for a Resolution of the Board of Directors May Not be Decided by a General Meeting of Shareholders**

To return profits to the shareholders in a prompt and flexible manner, the Articles of Incorporation stipulate that the matters stipulated in each item of Article 459, Paragraph 1 of the Companies Act concerning dividend of surplus can be determined through a resolution of the Board of Directors without requiring a resolution of a General Meeting of Shareholders, unless separately stipulated by laws and regulations.

## **7. Requirements for Special Resolutions of the General Meeting of Shareholders**

To ensure that a quorum for a special resolution of the General Meeting of Shareholders is reached, the Articles of Incorporation stipulate that special resolutions of the General Meeting of Shareholders, as stipulated in Article 309, Paragraph 2 of the Companies Act, require the attendance of at least one-third of shareholders with voting rights, with approval based on at least two-thirds of those voting rights.

## **Status of Audits by Corporate Auditors**

### **1. Board of Corporate Auditors**

#### **i) Roles and responsibilities of the Board of Corporate Auditors**

The Board of Corporate Auditors recognizes its fiduciary responsibility to the shareholders, towards the sustainable growth and medium- to long-term enhancement of the



## Initiatives on Corporate Governance

corporate value of the Group. Based on this recognition, the Board of Corporate Auditors ensures corporate soundness and strives for the common interests of the shareholders.

- The Board of Corporate Auditors collaborates with Outside Directors and the internal audit department.

### ii) Composition of the Board of Corporate Auditors

- At least half of the Board of Corporate Auditors shall be Independent Outside Corporate Auditors, in order to ensure transparency and fairness.
- The Board of Corporate Auditors of the Company consists of four Corporate Auditors (including two Outside Corporate Auditors).
- Corporate Auditors with the appropriate experience and skills have been appointed.
- The Board of Corporate Auditors appoints Corporate Auditors with the knowledge of finance, accounting, and legal matters necessary to serve on the Board of Corporate Auditors, and in particular, appoints at least one Corporate Auditor with sufficient knowledge of accounting.

### iii) 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 checks the independence and expertise of the Accounting Auditor, by formulating standards for the proper assessment and appointment 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.

## 2. Corporate Auditors

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

- In accordance with the 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 the execution of their duties;

receiving materials and information on related matters; and, collaborating with the internal audit department and the Accounting Auditor.

- Corporate Auditors audit the decisions made by the Board of Directors, and the status of development and implementation of the internal control system.
- Corporate Auditors proactively collect the information necessary for audits through attending the Company's important meetings, and give appropriate feedback to Directors, as needed.
- Corporate Auditors proactively collect the 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 appropriately fulfill their roles and responsibilities in the Company, by limiting outside executive jobs to a reasonable extent when concurrently serving as executives at other companies.

## Status of Internal Audits

The Company has established the Corporate Audit Division consisting of five members as an internal audit department. The Corporate Audit Division validates the appropriateness and effectiveness of the internal management systems, as described below.

- The Corporate Audit Division aims to contribute to the enhancement of 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 Division validates the appropriateness and effectiveness of the internal management system, including compliance, and reports to the Board of Directors, the Board of Corporate Auditors, and the President & 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 internal reports, the Corporate Audit Division contributes to the early discovery of risk information, and respond to whistleblower complaints in a prompt and appropriate manner.

## Status of Accounting Audit

### a. Name of audit corporation

Ernst & Young ShinNihon LLC

### b. Consecutive auditing period

49 years (The actual consecutive auditing period may exceed this period, as it is significantly difficult to investigate.)

### c. Certified Public Accountants (CPA) who executed audit services

Designated Engagement Partners, Certified Public Accountants:

Hiroaki Kosugi and Shigehiro Koshihara

### d. Assistants to the above audit services

15 Certified Public Accountants, 13 passers of the CPA exam and other qualified individuals, and 26 others

### e. Audit corporation selection policy 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 discusses and evaluates the matters specified in the above criteria after collecting information on independence, expertise, auditing system, and grounds for disqualification of the Accounting Auditor, if any, as well as the status of audit performance and audit quality. As a result, the Board has deemed the independence, expertise, auditing system, status of audit performed, and audit quality of the above Accounting Auditor to be appropriate, received the opinions of the Business Management Division regarding the appointment of the Accounting Auditor, and judged the reappointment of the above Accounting Auditor to be appropriate.

The Company's Board of Corporate Auditors decides on a proposed resolution for dismissal or non-reappointment of the Accounting Auditor to be submitted to the General Meeting of Shareholders, when duties are not duly executed by the Accounting Auditor or when necessary.

In addition to the above, the Board of Corporate Auditors will dismiss the Accounting Auditor with the consent of all of the Corporate Auditors, if the Accounting Auditor is found to fall under any of the items of Article 340, Paragraph 1 of the Companies Act. In such case, a Corporate Auditor selected by the Board of Corporate Auditors will report the fact that the Accounting Auditor was dismissed along with the reason for the dismissal, at the first General Meeting of Shareholders convened after the dismissal of the Accounting Auditor.

### f. Evaluation of the 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 the criteria stipulated in the Practical Guidelines for Corporate Auditors on Evaluation and Selection Criteria for the Accounting Auditor, established by the Japan Audit & Supervisory Board Members

Association. The Corporate Auditors have discussed and evaluated the matters specified in the above criteria, and the reappointment of the above Accounting Auditor has been judged to be appropriate.

## Details of Audit Fees

### a. Fees for the Certified Public Accountants and other accountants who performed the Company's audit

Category	Previous Consolidated Fiscal Year		Current Consolidated Fiscal Year	
	Fees for audit and certification services (Million yen)	Fees for non-audit services (Million yen)	Fees for audit and certification services (Million yen)	Fees for non-audit services (Million yen)
Reporting Company	85	—	85	—
Consolidated Subsidiary	—	—	—	—
Total	85	—	85	—

### b. Fees (excluding a.) for organizations that belong to the same network as the Certified Public Accountants and other accountants who performed the Company's audit

Non-audit services for the reporting company and its consolidated subsidiaries consist mainly of support and advisory services regarding tax affairs.

Category	Previous Consolidated Fiscal Year		Current Consolidated Fiscal Year	
	Fees for audit and certification services (Million yen)	Fees for non-audit services (Million yen)	Fees for audit and certification services (Million yen)	Fees for non-audit services (Million yen)
Reporting Company	—	11	—	20
Consolidated Subsidiary	280	169	357	36
Total	280	180	357	57

### c. Details of fees for other important audit and certification services

Not applicable.

### d. Policy for determining audit fees

We estimate the appropriate number of days and man-hours for audits in view of the Company's scale and business characteristics, in order to determine the amount of audit fees paid to the Company's Accounting Auditor.

### e. Reason the Board of Corporate Auditors agreed to the fees for the Accounting Auditor

After the Company's Board of Corporate Auditors received the necessary materials and reports from the Directors, relevant internal departments, and the Accounting Auditor,

## Initiatives on Corporate Governance

the Board checked the details of the Accounting Auditor's audit plan, status of the accounting audit, and basis for calculation of the fee estimates. The Board discussed all of the above and judged them to be appropriate, and has made agreement as specified in Article 399, Paragraph 1 of the Companies Act.

### Executive Compensation

#### 1 Amount of Executive Compensation or Policy on Determining the Associated Calculation Method

The Company has established a Compensation Advisory Committee, with an Outside Director as chair and a majority of the committee members comprising Outside Officers, in order to ensure objectivity and transparency with respect to compensation for Directors. The Compensation Advisory Committee makes proposals to the Board of Directors upon receiving consultation from the Board of Directors.

The amount of compensation for each Director is determined through a resolution by the Board of Directors, which is based on discussions and proposals by the Compensation Advisory Committee, in line with the policy on compensation for Directors determined by a resolution of the Board of Directors. Compensation for Directors shall not exceed the total amount of compensation for Directors determined by a resolution of a General Meeting of Shareholders. The amount of compensation of each Corporate Auditor is determined through discussions among the Corporate Auditors. The amount shall not exceed the amount of compensation for Corporate Auditors 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, along with 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 the results for the fiscal year, compensation linked to medium-term performance based on cumulative results during the period of the mid-term business plan, and stock options to boost morale toward the enhancement of long-term performance. Outside Directors and Corporate Auditors receive fixed compensation only.

Performance-linked compensation for Directors is calculated based on consolidated profit attributable to owners of the parent and ROE, in order to boost the morale of Directors toward higher performance, and to ensure the identity of interest between Directors and the shareholders. The results for the current fiscal year are as follows: profit attributable to owners of the parent of ¥0.9 billion and ROE of 1.4%. As for cumulative results for the third mid-term business plan, profit attributable to owners of the parent was ¥0.9 billion, while average ROE was 1.4%.

The compensation for the Company's Directors set by the resolution at the 125th Annual General Meeting of Shareholders held on June 27, 2018 is as follows: a total annual amount of up to ¥800 million, consisting of fixed compensation of ¥400 million or less and performance-linked compensation determined by prescribed benchmarks for the relevant fiscal year of ¥400 million or less. The 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 was 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).

#### 2 Total Amount of Compensation by Category of Officers and by Type of Compensation, and Number of Officers Receiving such Compensation

Category of Officers	Total Compensation (Million yen)	Compensation by Type (Million yen)			Number of Eligible Recipients (Persons)
		Fixed Compensation	Short- to Medium-term Performance-linked Compensation	Stock Options	
Directors (excluding Outside Directors)	253	217	0	35	6
Corporate Auditors (excluding Outside Corporate Auditors)	31	31	—	—	3
Outside Officers	46	46	—	—	5

Note One Corporate Auditor, who retired at the conclusion of the 126th Annual General Meeting of Shareholders held on June 26, 2019, is included in the number of Corporate Auditors (excluding Outside Corporate Auditors).



## Directors, Corporate Auditors, and Executive Officers



### Directors

#### 1 Satoshi Hirano

Representative Director  
President & CEO

#### 2 Makoto Iwasaki

Representative Director  
Senior Managing Executive Officer

#### 3 Takashi Eto

Director  
Managing Executive Officer

#### 4 Haruhiko Akiyama

Director  
Senior Executive Officer

#### 5 Takayuki Yamazaki

Director  
Senior Executive Officer

#### 6 Kazuyuki Matsumoto

Director (Outside Director)

#### 7 Akira Sudo

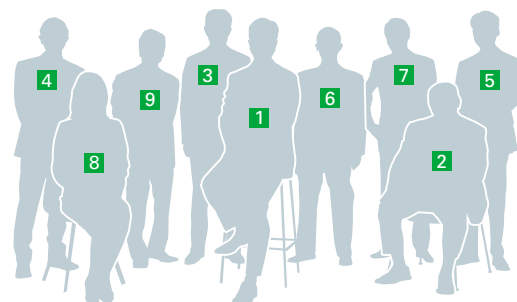
Director (Outside Director)

#### 8 Naoko Yamazaki

Director (Outside Director)

#### 9 Yoshiharu Inaba

Director (Outside Director)



### Corporate Auditors

#### Shokyu Nakamura

Corporate Auditor

#### Nobuyuki Ryu

Corporate Auditor

#### Tatsuya Kuroyanagi

Outside Corporate Auditor

#### Keiji Taketani

Outside Corporate Auditor

### Executive Officers

#### Raymond O'Connor

Senior Managing Executive Officer

#### Yasufumi Fukuma

Managing Executive Officer

#### Fumio Ohue

Managing Executive Officer

#### Masami Tsukada

Senior Executive Officer

#### Kaoru Kumagai

Senior Executive Officer

#### Shigehiro Ogino

Executive Officer

#### Takaaki Hirayama

Executive Officer

#### David Alan Mudrick

Executive Officer

#### Ivan Di Federico

Executive Officer

#### Eric Franken

Executive Officer

#### Hitoshi Sadachika

Executive Officer

#### Hiroyuki Nishizawa

Executive Officer

#### Kinpui Chan

Executive Officer

#### Reiko Watanabe

Executive Officer

#### Yasuyuki Ninomiya

Executive Officer

#### Akifumi Baba

Executive Officer

#### Yoshikuni Ito

Executive Officer

## Initiatives on Corporate Governance

### Introduction of Outside Directors

#### Kazuyuki Matsumoto

Outside Director (Independent Director)

Apr. 1970 Joined Teijin Seiki Co., Ltd.  
(currently Nabtesco Corporation)  
Jun. 2000 Executive Officer, Teijin Seiki Co., Ltd.  
Jun. 2001 Director, Teijin Seiki Co., Ltd.  
Sep. 2003 Executive Officer, Nabtesco Corporation  
Jun. 2004 Director, Executive Officer, Nabtesco Corporation  
Deputy General Manager, Technology and R&D  
Division (in charge of technological development),  
Nabtesco Corporation  
Jun. 2005 Representative Director, President & CEO,  
Nabtesco Corporation  
Jun. 2011 Director & Chairman, Nabtesco Corporation  
Jun. 2013 Outside Director, the Company (to present)  
Outside Director, KITZ Corporation (to present)



#### Reasons for Appointment

Kazuyuki Matsumoto has served for many years as a top executive of a company with global business operations and advanced technologies, and possesses a wealth of experience and insight into corporate management. He provides appropriate oversight of management as an Outside Director. Based on these factors, the Company has determined that his management oversight and advice are necessary for the sustainable improvement of our corporate value. Therefore, we have continued to appoint him as an Outside Director.

#### Akira Sudo

Outside Director (Independent Director)

Apr. 1980 Joined Tokyo Shibaura Electric Co., Ltd.  
(currently Toshiba Corporation)  
Jun. 2007 Chief Technology Executive, Power Systems  
Company, Toshiba Corporation  
Jun. 2008 Executive Officer, Corporate Vice President  
(Director, Corporate Research & Development  
Center), Toshiba Corporation  
Jun. 2010 Executive Officer, Corporate Senior Vice President  
(Director, Corporate Research & Development  
Center), Toshiba Corporation  
Jun. 2011 Executive Officer, Corporate Executive Vice President,  
Toshiba Corporation  
Jun. 2013 Director, Representative Executive Officer, Corporate  
Senior Executive Vice President, Toshiba Corporation  
Jun. 2014 Executive Adviser, Toshiba Corporation  
Jun. 2014 Outside Director, the Company (to present)  
Jun. 2016 Senior Fellow, Toshiba Corporation  
Jun. 2017 Fellow, Toshiba Corporation (to present)  
May 2018 Science and Technology Advisor to the Cabinet Office (to present)



#### Reasons for Appointment

Akira Sudo has been involved for many years in R&D at a company with global business operations and advanced technologies, and possesses a wealth of experience and insight particularly in the field of technology. He provides appropriate oversight of management as an Outside Director. Based on these factors, the Company has determined that his management oversight and advice are necessary for the sustainable improvement of our corporate value. Therefore, we have continued to appoint him as an Outside Director.

#### Naoko Yamazaki

Outside Director (Independent Director)

Apr. 1996 Joined the National Space Development Agency  
of Japan (currently Japan Aerospace Exploration  
Agency (JAXA)) (resigned in Aug. 2011)  
Apr. 2010 Crew Member of Space Shuttle Discovery as Mission  
Specialist, participated in Construction and Supply  
for the International Space Station (ISS)  
Sep. 2011 Honorary Chairperson, the National Soroban  
Education Association (to present)  
Apr. 2012 Visiting Professor, Ritsumeikan University (to present)  
Jul. 2012 Member, Committee on National Space Policy, the  
Cabinet Office (to present)  
May 2013 Visiting Professor, Joshibi University of Art and  
Design (to present)  
Jul. 2015 Director, Japanese Rocket Society (to present) and Chairperson of Sorajo Committee  
(to present)  
Dec. 2015 Advisory Board Member, International Robot Competition Executive Committee (to present)  
Mar. 2016 Outside Director, Nabtesco Corporation  
Sep. 2017 Outside Director, Optorun Co., Ltd. (to present)  
Jun. 2018 Outside Director, the Company (to present)  
Jul. 2018 Representative Director, Space Port Japan Association (to present)  
Jun. 2020 Outside Director, FANUC CORPORATION (to present)



#### Reasons for Appointment

Naoko Yamazaki has been involved in the field of cutting-edge aerospace engineering, and has a wealth of experience in crisis management as an astronaut in the harsh environment of space with limited resources, including serving aboard the Space Shuttle Discovery as a Mission Specialist, and engaging in the mission of construction and supply for ISS. She also possesses a wealth of experience and insight in the fields of science and technology and risk management, and has appropriately supervised management as an Outside Director. Based on these factors, the Company has determined that her management oversight and advice are necessary for the sustainable improvement of our corporate value, as a company that operates globally and possesses advanced space-related technologies such as GPS. Therefore, we have continued to appoint her as an Outside Director.

#### Yoshiharu Inaba

Outside Director (Independent Director)

Newly appointed

Apr. 1973 Joined Isuzu Motors Limited  
Sep. 1983 Joined FANUC CORPORATION  
Jun. 1989 Director, FANUC CORPORATION  
Jun. 1992 Senior Vice President (Director),  
FANUC CORPORATION  
Jun. 1995 Executive Vice President (Director),  
FANUC CORPORATION  
May 2001 Senior Executive Vice President  
(Representative Director),  
FANUC CORPORATION  
Jun. 2003 President and CEO (Representative Director),  
FANUC CORPORATION  
Jun. 2016 Chairman and CEO (Representative Director),  
FANUC CORPORATION  
Apr. 2019 Chairman (Representative Director), FANUC CORPORATION (to present)  
Jun. 2020 Outside Director, the Company (to present)



#### Reasons for Appointment

Yoshiharu Inaba has served for many years as a top executive of a company with global business operations and advanced technologies, and possesses a wealth of experience and insight into corporate management. FANUC CORPORATION is a pioneer in CNC equipment for machine tools (machine tool automation), a pioneer and world leader in the FA revolution, and a company with a high market share of more than 50% in Japan and abroad. Whereas the Company is a pioneer in the field of construction machinery automation (CNC), we expect that Mr. Inaba's accurate advice based on his knowledge and experience will help to promote the automation of construction process and farm operations. Therefore, we have newly appointed him as an Outside Director.

# Financial Highlights

Topcon Corporation and Consolidated Subsidiaries

	Million yen					Thousand U.S. dollars
	Mar/2016	Mar/2017	Mar/2018	Mar/2019	Mar/2020	Mar/2020
Operating results						
Net sales	¥130,735	¥128,387	¥145,558	¥148,688	¥138,916	\$1,276,451
Positioning Company	61,977	60,602	74,945	77,722	73,989	679,866
Smart Infrastructure Business	32,989	33,091	36,626	36,744	33,398	306,883
Eye Care Business	43,834	43,148	46,515	47,713	44,758	411,272
Other Businesses	4,997	3,708	2,493	1,698	1,319	12,122
Elimination	(13,063)	(12,163)	(15,023)	(15,190)	(14,549)	(133,694)
Overseas sales	102,794	98,937	114,847	115,299	108,878	1,000,439
Operating income	8,803	9,551	12,073	13,596	5,381	49,450
Ordinary income	7,366	7,622	10,674	11,497	2,895	26,603
Profit attributable to owners of the parent	4,197	4,395	6,028	6,548	935	8,595
Capital expenditures	5,203	4,438	5,138	6,234	8,399	77,176
Depreciation	4,715	4,660	5,408	5,983	6,757	62,092
Amortization of goodwill	2,546	2,451	2,651	2,145	1,999	18,373
R&D expenditures	11,329	10,411	12,964	14,014	15,979	146,827
Free cash flows	(23,121)	13,238	5,488	7,844	1,137	10,456

## Financial position

Shareholders' equity	¥ 58,311	¥ 59,716	¥ 65,173	¥ 69,037	<b>¥ 63,100</b>	<b>\$ 579,809</b>
Total assets	166,542	158,280	160,747	160,288	<b>161,721</b>	<b>1,486,001</b>
Interest-bearing liabilities	70,442	58,640	53,286	48,554	<b>57,372</b>	<b>527,178</b>

## Per share data (¥, \$)

Earnings per share (EPS)	¥ 38.97	¥ 41.46	¥ 56.87	¥ 61.76	<b>¥ 8.87</b>	<b>\$ 0.08</b>
Net assets per share (BPS)	550.04	563.30	614.78	651.11	<b>600.03</b>	<b>5.51</b>

## Management indicators

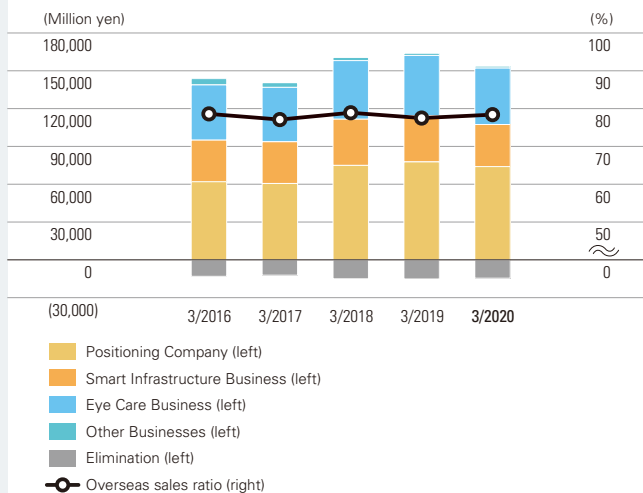
Gross profit ratio (%)	50.2	51.1	51.5	52.8	<b>52.3</b>
Operating income ratio (%)	6.7	7.4	8.3	9.1	<b>3.9</b>
Net income ratio (%)	3.2	3.4	4.1	4.4	<b>0.7</b>
Ratio of R&D expenditures to net sales (%)	8.7	8.1	8.9	9.4	<b>11.5</b>
Overseas sales ratio (%)	78.6	77.1	78.9	77.5	<b>78.4</b>
Return on assets (ROA) (%)	2.7	2.7	3.8	4.1	<b>0.6</b>
Return on equity (ROE) (%)	6.9	7.4	9.7	9.8	<b>1.4</b>
Price earnings ratio (PER) (times)	38.1	48.0	36.5	21.1	<b>90.4</b>
Price book-value ratio (PBR) (times)	2.7	3.5	3.4	2.0	<b>1.3</b>
Equity ratio (%)	35.0	37.7	40.5	43.1	<b>39.0</b>
Total assets turnover ratio (times/year)	0.84	0.79	0.91	0.93	<b>0.86</b>
D/E ratio (%)	120.8	98.1	81.8	70.3	<b>90.9</b>
Dividend payout ratio (%)	61.6	38.6	35.2	38.9	<b>270.7</b>

Notes:

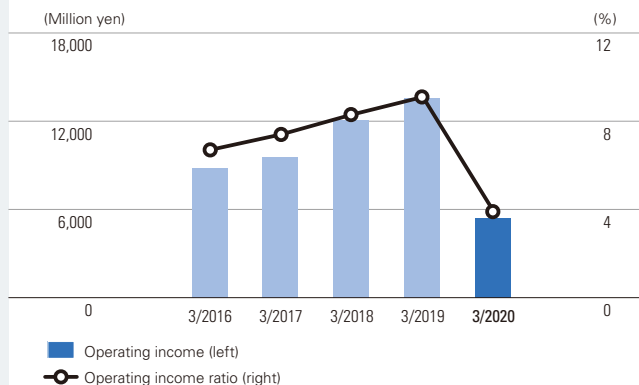
1. For the sake of convenience, US\$ has been converted at the prevailing rate of ¥108.83/US\$1, as of March 31, 2020 on the Tokyo foreign exchange market.
2. Amounts in parentheses represent negative figures/amounts.



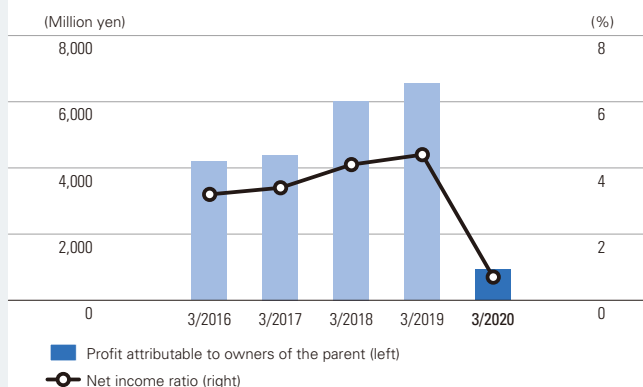
### Net Sales and Overseas Sales Ratio



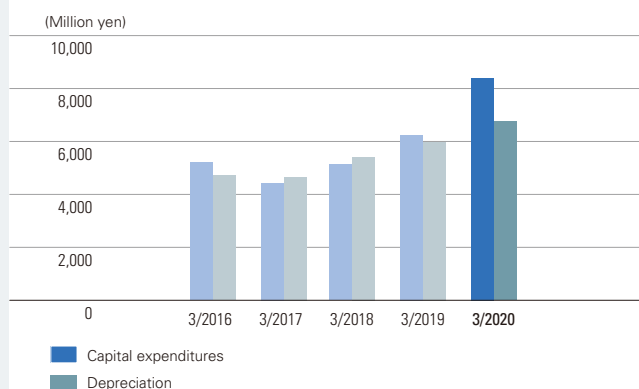
### Operating Income and Operating Income Ratio



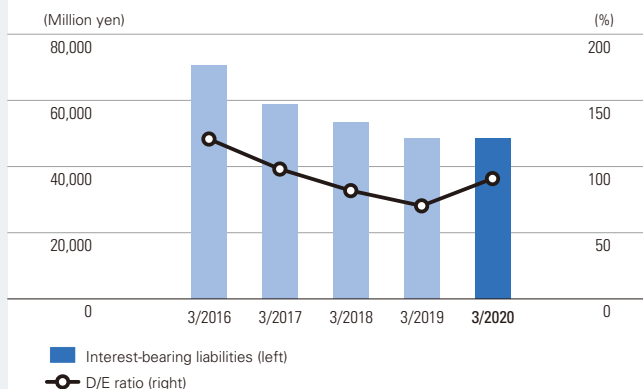
### Profit Attributable to Owners of the Parent and Net Income Ratio



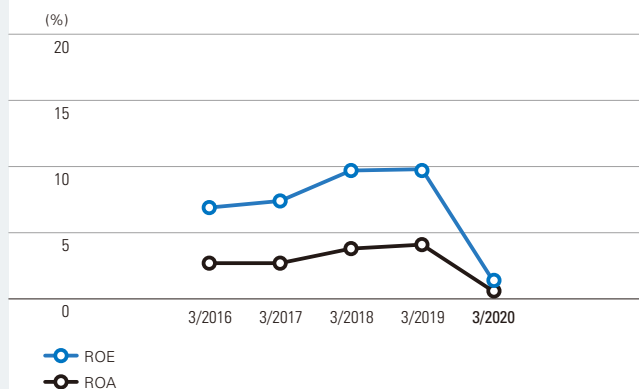
### Capital Expenditures and Depreciation



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



### ROE and ROA



# Discussion and Analysis of Financial Results

## Market Environment

During the fiscal year ended March 31, 2020, the global economy experienced a general slowdown due to the effects of prolonged U.S.-China trade friction, the sluggish growth of the Chinese economy, and Brexit, despite the steady growth of the U.S. economy, backed by strong consumption. Furthermore, in the fourth quarter, economies around the world were impacted by major effects due to lockdowns enforced as a result of the outbreak of COVID-19, and the Japanese economy also suffered the impact of voluntary restraints on movement.

In such an economic climate, the Topcon Group upheld its philosophy of "Contribute to enrich human life by solving the societal challenges within healthcare, agriculture and infrastructure," and worked to achieve a sustainable improvement of corporate value.

Since the fourth quarter of the fiscal year ended March 31, 2020, it has spread rapidly that not only the direct impact of the COVID-19 pandemic on business activities around the world but also concerns regarding the future of the global economic environment.

While the economic climate remains unpredictable, we believe that the scenario of the Third Mid-term Business Plan, which is currently being implemented, remains essentially unchanged, given that the Company's business domains of healthcare, agriculture, and infrastructure (i.e., Eye Care, IT Agriculture, IT Construction, and infrastructure development), all embrace the firm needs of society as infrastructure and societal challenges that need to be solved. While we flexibly address the challenges of the harsh business environment in the short term, we would expect continuous demand and business growth in each of our business domains after the containment of COVID-19.

Specifically, among the Company's business segments, in Healthcare, we will strive to expand the Screening Business by utilizing our full automatic screening equipment in response to the increase of ophthalmic diseases due to the aging of the global population, and aim for the early detection of diseases and improvement of medical efficiency. In Agriculture, we will promote the automation of farm operations by utilizing our IT Agriculture and optical sensor technologies to address food shortages resulting from the increase in the global population, and aim to improve the productivity

and quality of agriculture. In Infrastructure, we will promote the automation of construction process by utilizing our IT Construction technology and 3D Measurement technology to address the shortage of skilled engineers due to the increasing demand for infrastructure, and aim to improve productivity at construction sites and resolve labor shortages.

## Consolidated Results

For the fiscal year ended March 31, 2020, consolidated sales declined by 6.6% from the previous year to ¥138,916 million, reflecting a decrease in OEM sales of IT Construction and a delay in the recovery of demand for infrastructure in China and Asia, as well as the impact of the COVID-19 pandemic in the fourth quarter. In terms of profit, operating income decreased by 60.4% year-on-year to ¥5,381 million, while ordinary income decreased by 74.8% year-on-year to ¥2,895 million, due to a decline in net sales and the impact of upfront investments including research and development expenses, as well as the effects of foreign exchange. As a result, profit attributable to owners of the parent declined by 85.7% year-on-year to ¥935 million.

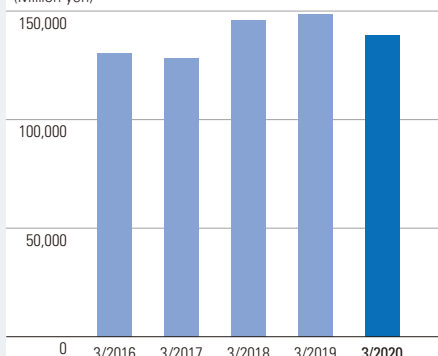
## Segment Information

In the Positioning Company, sales to the aftermarket remained robust, while OEM sales of IT Construction declined. However, the impact of the COVID-19 pandemic struck in the fourth quarter, which is the busiest time of the year, and major restrictions were placed on sales activities and shipments, especially in the U.S. and Europe. Amid such difficult business environment, we provided our products and services to construction and agriculture customers whose operations could not be suspended, and assigned top priority to fulfilling their demands. Despite these efforts, net sales declined year-on-year by 4.8% to ¥73,989 million. While we worked to reduce selling, general and administrative expenses in the midst of declining sales, operating income decreased by 45.7% year-on-year to ¥4,537 million, due to the impact of upfront investments, including research and development expenses.

In the Smart Infrastructure Business, demand has been slow to recover due to the U.S.-China trade friction as well as general elections, which caused sales to decline, especially in China and Asia. In addition, it was impacted by the

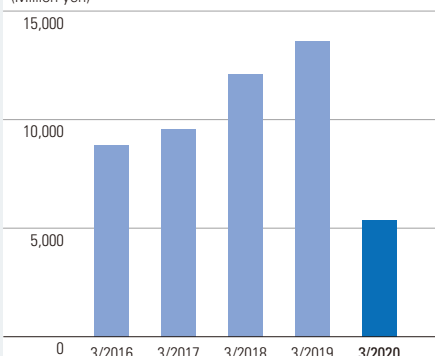
### Net Sales

(Million yen)



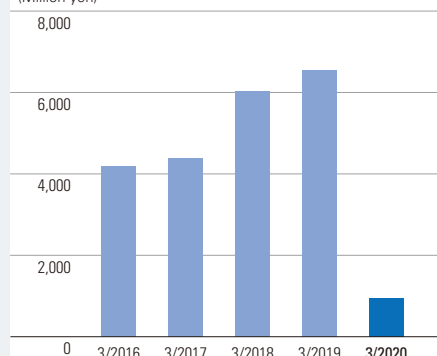
### Operating Income

(Million yen)



### Profit Attributable to Owners of the Parent

(Million yen)



COVID-19 pandemic in the fourth quarter. Furthermore, although demand in Japan was robust up to the third quarter, net sales decreased year-on-year by 9.1% to ¥33,398 million, despite certain improvements achieved through efforts to fulfill customer demand and secure sales, amid the voluntary restraints on movement that were imposed to prevent the further spread of COVID-19. Operating income decreased by 21.4% year-on-year to ¥5,027 million as a result of the decline in net sales, despite the improvements obtained by reducing expenses.

In the Eye Care Business, sales have been steadily increasing, after making upfront investments to reinforce sales mainly in the Screening Business and the rapidly growing Chinese market. However, the COVID-19 pandemic had a substantial impact on business from the fourth quarter, and business activities slowed down in our key market of China, due to the lockdowns following the Chinese New Year. Subsequently, sales and deliveries to medical institutions worldwide became difficult, while the number of business opportunities for optical stores shrank rapidly as demand decreased worldwide and investments were temporarily postponed. As a result, net sales decreased by 6.2% year-on-year to ¥44,758 million. Operating income decreased by 95.3% year-on-year to ¥136 million due to the impact of decreased sales, as well as the effects of foreign exchange, and upfront investments in the Screening Business and the business expansion in China.

## Financial Position

### Total Assets

As of March 31, 2020, total assets stood at ¥161,721 million, an increase of ¥1,433 million from the end of the previous fiscal year.

1. Current assets: Current assets increased by ¥2,374 million from the end of the previous fiscal year to ¥98,528 million. This was mainly due to increases in cash and deposits and inventories, despite a decrease in accounts receivable.
2. Non-current assets: Non-current assets decreased by ¥941 million from the end of the previous fiscal year to ¥63,192 million. This was mainly due to decreases in intangible fixed assets and investment securities, despite an increase in tangible fixed assets.

### Liabilities

As of March 31, 2020, total liabilities stood at ¥97,062 million, an increase of ¥7,922 million from the end of the previous fiscal year.

1. Current liabilities: Current liabilities increased by ¥24,006 million from the end of the previous fiscal year to ¥68,366 million. This was mainly due to increases in short-term borrowings and the current portion of bonds payable.
2. Non-current liabilities: Non-current liabilities decreased by ¥16,083 million from the end of the previous fiscal year to ¥28,695 million. This was mainly due to decreases in long-term borrowings and bonds payable.

### Net Assets

As of March 31, 2020, total net assets stood at ¥64,659 million, a decrease of ¥6,489 million from the end of the previous fiscal year. This was mainly due to decreases in retained earnings, treasury shares, and foreign currency translation adjustment.

### Cash Flows

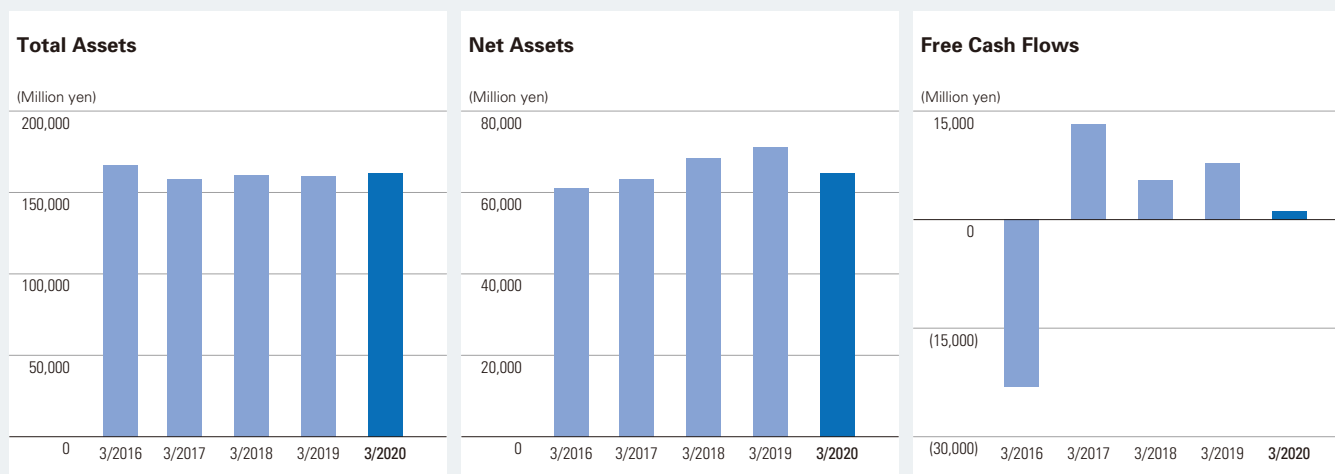
As of March 31, 2020, cash and cash equivalents (hereinafter referred to as "net cash") stood at ¥15,784 million, an increase of ¥2,848 million from the end of the previous fiscal year. This was mainly due to an increase in net cash resulting from a decrease in accounts receivable and an increase in short-term borrowings, despite a decrease in net cash resulting from an increase in inventories, the acquisition of non-current assets, and the purchase of treasury shares.

### (Net Cash Flow Provided by Operating Activities)

During the fiscal year ended March 31, 2020, net cash provided by operating activities totaled ¥7,944 million, compared to ¥14,511 in the previous fiscal year. This was mainly due to making a profit before income taxes and a decrease in accounts receivable, despite a decrease in net cash resulting from an increase in inventories.

### (Net Cash Flow Used in Investing Activities)

During the fiscal year ended March 31, 2020, net cash used in investing activities totaled ¥6,806 million, compared to ¥6,667 million in the previous fiscal year. This was mainly due to purchases of tangible fixed assets and intangible fixed assets.





## Discussion and Analysis of Financial Results

### (Net Cash Flow Provided by Financing Activities)

During the fiscal year ended March 31, 2020, net cash provided by financing activities totaled ¥1,995 million, compared to the ¥7,797 million used in financing activities in the previous fiscal year. This was mainly due to an increase in short-term borrowings, despite repayments of long-term borrowings, the purchase of treasury shares, and dividends paid.

### Capital Expenditures

In the fiscal year ended March 31, 2020, total capital expenditures for the Topcon Group amounted to ¥8,399 million.

Capital expenditures by business segment comprised ¥2,769 million for the Smart Infrastructure Business, ¥2,813 million for the Positioning Company, and ¥2,281 million for the Eye Care Business. Capital expenditures were mainly for research and development, enhancement of production systems, improvement of business efficiency, and replacement of product molds and other items.

### Dividend Policy

Topcon places priority on the payment of dividends as a means of returning profits to shareholders. Topcon's basic policy regarding the appropriation of profit is to ensure a continuous and stable payment of dividends in line with the growth in consolidated business results. As a basic policy, Topcon makes dividend payments twice per year in the form of interim and year-end dividends. The Company's Articles of Incorporation also allow for dividends to be determined by the resolution of the Board of Directors rather than by 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 of each year, as well as allowing for the payment of dividends from surplus by determining a separate record date.

As for the dividends from surplus for the fiscal year ended March 31, 2020, ¥14.00 yen per share was paid as interim dividends, as planned (compared with ¥12.00 per share interim dividend in the previous fiscal year). However, in light of the fact that consolidated business results for the current fiscal year fell below those of the previous fiscal year, and the need to reinforce our financial foundations amid the uncertainty surrounding the timing of containment of COVID-19, which was the main reason for the decline in earnings, as

well as the basic policy to return profits to our shareholders, ¥10.00 per share (compared with ¥12.00 per share in the previous fiscal year) was paid for the year-end dividend, bringing the total full-year dividends to ¥24.00 per share (compared to ¥24.00 per share in the previous fiscal year).

The Company effectively uses its internal reserves for the proactive development of its future businesses, including research and development as well as capital expenditures.

### Business Risks

Business risks relating to business conditions, financial status, and other matters that may potentially have a significant impact on investor decisions include the following.

#### 1. Economic Conditions Relating to Product Demand

The Topcon Group (hereinafter "the Group") is primarily engaged in three businesses, namely the Positioning Company, the Smart Infrastructure Business, and the Eye Care Business. Product demand is impacted by trends in the markets to which the respective business segments belong (construction and civil engineering, agriculture, and ophthalmic/eyeglass markets), and should any major fluctuation occur in these markets, it may impact the financial position and business results of the Group. Moreover, given the Group's high ratio of overseas sales and its extensive marketing areas around the world, which include the U.S., Europe, Asia, and China, as well as Japan, the economic conditions in these areas may impact the financial position and business results of the Group.

#### 2. Overseas Business Development

The Group is engaged in a wide range of overseas activities, including the export of its products and overseas production. Hence, the deterioration of political and economic conditions overseas, trade and currency restrictions, reforms of laws and tax systems, a deterioration of public security, conflicts and terrorism, wars, and natural disasters may impede the Group's overseas activities, and impact the financial position and business results of the Group.

#### 3. Intensifying Competition

##### (Price and Non-price Competition)

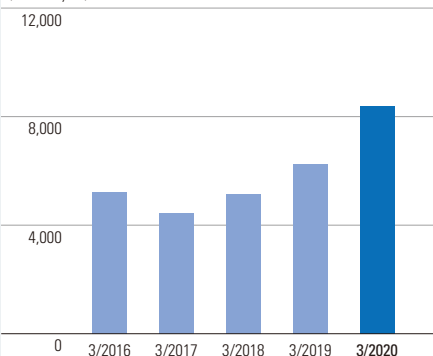
The Group faces competition in the form of the supply of similar products by competitors, in each of its businesses. To maintain its competitive edge, the Group promotes the early market launch of new products, the development of new technologies, and cost reductions, among other efforts. However, should delays occur in new product development, the development of new technologies takes longer than expected, or the price of raw materials soars, it may impair the Group's growth potential and profitability, and impact the financial position and business results of the Group.

#### 4. Fluctuations in Interest Rates, Foreign Exchange Rates, and Other Conditions in the 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 demand. Despite these

### Capital Expenditures

(Million yen)



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 raises its necessary funds through borrowings from financial institutions, bond issues, and other means. Going forward, the Group may encounter situations in which loans cannot be continued or new loans cannot be taken out, due to a deterioration of the financial markets, poor business performance, and other reasons. Moreover, the Group's fund procurement could become restricted or fund-raising costs could rise in the event that the Group's credit rating by the rating agencies is downgraded. Should such a situation occur, it may impact the financial position and business results of the Group.

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

The Group considers initiatives for new businesses to ensure future growth, as appropriate. However, new businesses involve numerous uncertainties, and in the event that they are not achieved as planned, it may impact the financial position and business results 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 holds tangible fixed assets and intangible fixed assets such as goodwill through corporate acquisitions. Should the value of these assets decrease due to a decline in profitability, fall in market prices, or other factors, it will lead to impairment losses or incurring of loss on sales at the time of disposal, which may impact the financial position and business results of the Group.

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

The Group needs to rely on a limited number of suppliers or suppliers who are difficult to replace, when using certain special materials in its production activities. Should delays and etc. of supplies occur, they may result in an increase in purchasing costs, and delays of production, and potentially impact the financial position and business results of the Group.

#### **10. Quality Issues**

The Group makes a concerted effort into quality control to ensure optimal quality, in line with the attributes of each product. However, it is virtually impossible to eliminate

quality issues completely due to unforeseen circumstances, which could lead to recalls, litigation, and other actions, and such a situation may impact the financial position and business results of the Group.

#### **11. Intellectual Property Rights**

The Group utilizes various intellectual property rights in its research and development activities, and recognizes these rights as the Group's proprietary rights or rights under legal licensing agreements. However, the Group may unwittingly become the subject of litigation due to infringements of intellectual property rights by third parties. Should a dispute regarding intellectual property rights occur, it may impact the financial position and business results of the Group.

#### **12. Laws and Regulations**

Among the Group's products, certain products in the Eye Care Business are regulated as medical devices by the Pharmaceutical Affairs Act of Japan, as well as the laws relating to medical devices of the countries in which the Group operates. Should these laws and regulations undergo changes, or the Group no longer be able to obtain the approvals and authorizations necessary to conduct business in a timely manner, it may impact the financial position and business results of the Group.

#### **13. Natural Disaster and Accidents**

Any unforeseen manmade or natural disasters such as fires, earthquakes, terrorism, wars, or epidemics, in the areas in which the Group conducts its business could result in human casualties and property damage, as well as suspension of business activities, and may impact the financial position and business results of the Group.

#### **(Risks Associated with the Spread of the COVID-19)**

In the fiscal year ended March 31, 2020, COVID-19 had a significant effect on the business activities and business results of the Group. To this day, lockdowns and voluntary restraint measures continue around the world, and associated constraints remain on the Group's business activities as a result. In response, the Group has been taking measures, including reinforcement of its corporate sustainability and improvement of its financing capabilities to ensure ample business funds (operating funds) looking ahead of business growth after COVID-19 is contained. However, should the pandemic continue in the long term, it may cause a slowdown in demand and adversely impact the Group's logistics, procurement of materials, production, and accounting estimates, which, in turn, may impact the financial position and business results of the Group.

#### **14. Seasonality**

The Group's performance tends to be weighted toward the fourth quarter.

# Global Offices

## California



### IT Construction / IT Agriculture



Development and manufacture of GNSS and IT Construction-related products

### Laser therapy devices



Development and manufacture of ophthalmic laser photocoagulators

## Oulu



### Ophthalmic IT (screening)



Development of ophthalmic data management systems

Infrastructure / Agriculture-related products  
Healthcare-related products

## Tokyo



### Optical surveying instruments / Laser instruments for surveying



### Ophthalmic medical devices

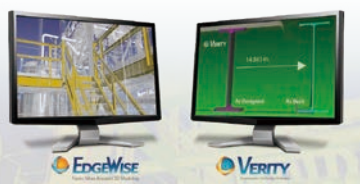


Comprehensive development and manufacture in all business domains

## Colorado



### Construction software



Development of software for creating 3D models

## Turin



### Telematics



Telematics-related development

## Wisconsin



### IT Agriculture



Development and manufacture of systems for IT Agriculture

## New Jersey



### OCT / Ophthalmic IT



Development of OCT-related hardware and software

## South Australia



### IT Agriculture



Development of software for IT Agriculture

## Moscow



### Precision GNSS



Development of GNSS-related products

## Queensland



### Software (IT Construction)



Development of software for IT Construction

### Development: 30 bases

Development framework to leverage our strengths (Japan, the U.S., Europe, and Australia)

### Production: 14 bases

Sharing the spirit of manufacturing (MONOZUKURI Spirit) with the world

### Sales: 70 bases

Covering the entire world including Africa



# Corporate Profile and Stock Information (As of March 31, 2020)

## Corporate Profile

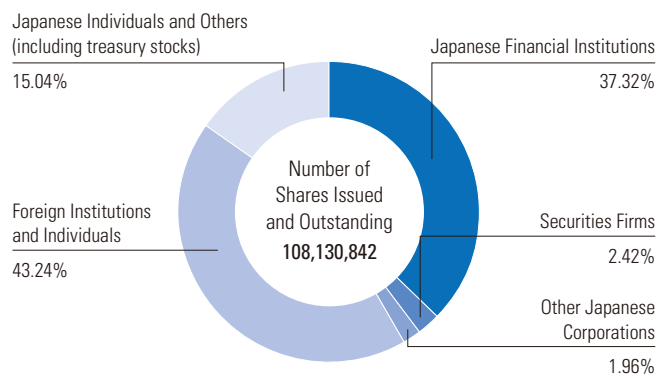
Corporate Name	TOPCON CORPORATION
Headquarters	75-1, Hasunuma-cho, Itabashi-ku, Tokyo 174-8580, Japan
Established	September 1, 1932
Paid-in Capital	¥16,680 million
Business Outline	Positioning (Precision GNSS, Machine Control Systems, IT Agriculture)  Smart Infrastructure (Surveying instruments, 3D measurement)  Eye Care (Instruments for ophthalmic examina- tion, diagnosis and therapy, Ophthal- mic network systems, Optometric instruments)
Topcon Group	Consolidated subsidiaries 70 Equity method affiliates 11
Employees	4,939 (consolidated) 701 (non-consolidated)
Number of Authorized Shares	160,000,000
Number of Shares Issued and Outstanding	108,130,842 (including 2,969,179 shares of treasury stock)
Number of Shareholders	16,726
Stock Exchange Listing	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

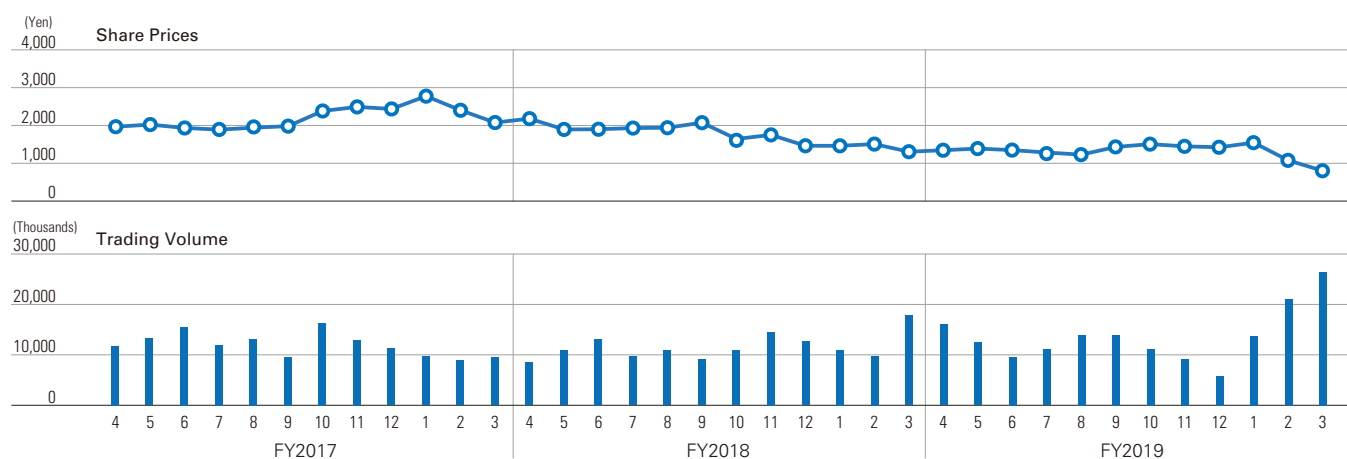
\*The number of shares held has been rounded down to the nearest hundred, and the shareholding ratio has been rounded down to the second decimal place.

Shareholder	Number of Shares Held (hundreds of shares)	Shareholding Ratio (%)
Japan Trustee Services Bank, Ltd. (trust account)	95,898	9.11%
The Master Trust Bank of Japan, Ltd. (trust account)	87,773	8.34%
The Dai-ichi Life Insurance Company, Limited	43,500	4.13%
THE BANK OF NEW YORK MELLON 140051	36,899	3.50%
J.P. MORGAN BANK LUXEMBOURG S.A. 381593	24,845	2.36%
TAIYO FUND, L.P.	24,419	2.32%
Japan Trustee Services Bank, Ltd. (trust account 5)	20,546	1.95%
JP MORGAN CHASE BANK 385151	18,917	1.79%
THE CHASE MANHATTAN BANK 385013	16,705	1.58%
SAJAP	16,458	1.56%

## Breakdown by Type of Shareholder (Shareholding Ratio)



## Share Prices and Trading Volume



## **TOPCON CORPORATION**

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**Corporate Communication Div.**

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