




Topcon Report 2021

Integrated Report

 TOPCON

 **3DOCT-1Maestro2**
3D OPTICAL COHERENCE TOMOGRAPHY


TOPCON

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.



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 brandnew 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.



Table of Contents

01 TOPCON WAY

- 02 Contents
- 03 Societal challenges TOPCON is tackling and their solutions
- 05 At a Glance

07 Message from the CEO

11 Value Creation Story

- 11 Value Creation Process
- 13 89 Years of History and Venture Spirit
- 17 Highly Globalized
- 19 Advanced Technology
- 21 The Third Mid-term Business Plan
- 22 Growth Strategies for The Third Mid-term Business Plan

25 Business Overview

- 25 Business Overview by Segment
- 27 Positioning Company
- 28 Smart Infrastructure Business
- 29 Eye Care Business
- 30 Topic: Selected as "DX Stocks 2021" for two consecutive years

31 ESG at Topcon

- 33 Environmental Initiatives
- 35 Societal Initiatives
- 39 Corporate Governance Initiatives

47 Information

- 47 Consolidated Financial Highlights
- 49 Discussion and Analysis of Financial Results
- 53 Group List
- 54 Corporate Profile and Stock Information

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.

Societal challenges TOPCON is tackling and their solutions

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.

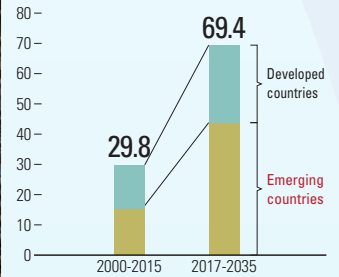
Fields

Tackling Societal Challenges



Shortage of Skilled Engineers Resulting from Globally Rising Infrastructure Demands

Increasing Demand for Infrastructure (Trillion Dollars)

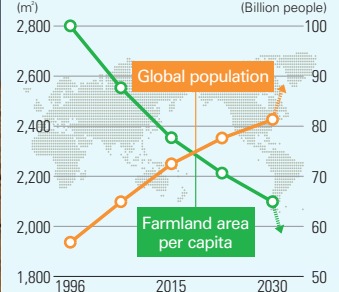


Sources: GWI, HIS Global Insight, ITF, Nation Stastics, McKinsey Global Institute analysis



Food Shortages Resulting from Global Population Growth

Global Population and Farmland Area per Capita

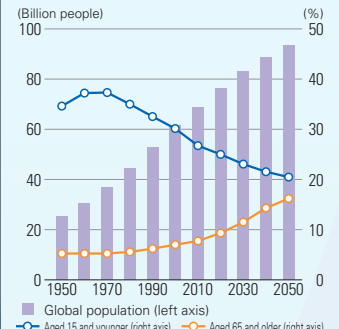


Source: Topcon's estimates based on documents by the Food and Agriculture Organization of the United Nations (FAO)



Increase in Eye Disease Resulting from Global Population Aging

Globally Aging Society



Source: United Nations 2019 Report

Corresponding
SDGs

Topcon's Solutions for Societal Challenges

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)

- ✓ Early Detection
- ✓ Improvement of Healthcare Efficiency

At a Glance

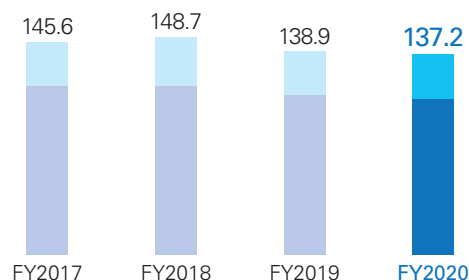
Net Sales



¥137.2 billion

Year-on-year 1.2% ↓

(Billion yen) ■ Overseas ■ Japan



Gross Profit



¥67.9 billion

Year-on-year 6.5% ↓

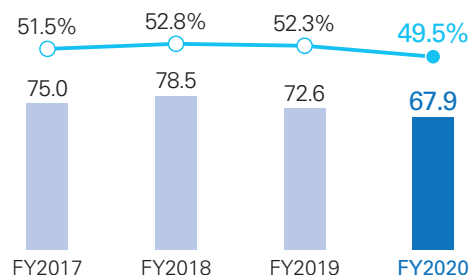
Gross Profit Ratio



49.5%

Year-on-year 2.8pt ↓

(Billion yen) ■ Gross Profit ● Gross Profit Ratio



Operating Income



¥6.6 billion

Year-on-year 22.5% ↑

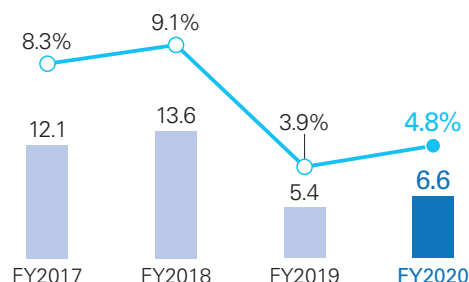
Operating Income Ratio



4.8%

Year-on-year 0.9pt ↑

(Billion yen) ■ Operating Income ● Operating Income Ratio



Net Income Attributable to Owners of the Parent



¥2.4 billion

Year-on-year 154.0% ↑

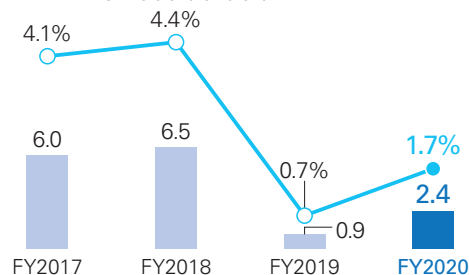
Net Income Ratio



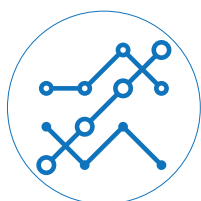
1.7%

Year-on-year 1.0pt ↑

(Billion yen) ■ Net Income Attributable to Owners of the Parent ● Net Income Ratio

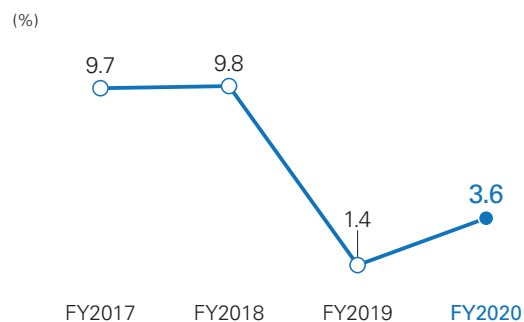


ROE



3.6%

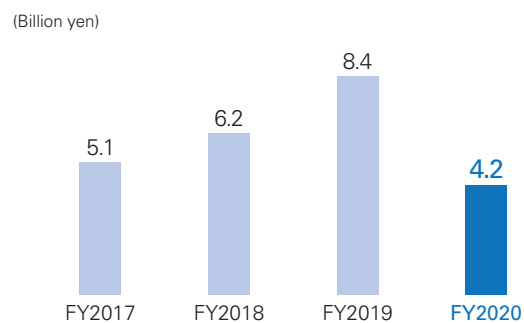
Year-on-year 2.2pt



Capital Expenditure



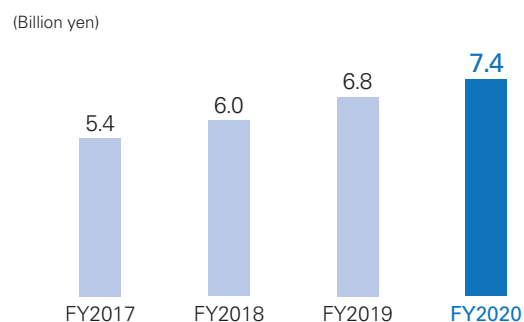
¥4.2 billion



Depreciation



¥7.4 billion



R&D

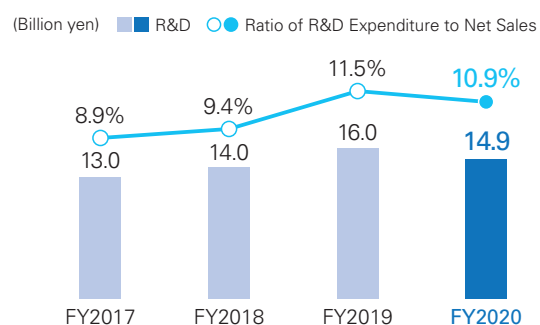


¥14.9 billion

Ratio of R&D Expenditure to Net Sales



10.9%



A Venture Company with 89 Years of Tradition

—The History and Future of Creating New Markets—

Satoshi Hirano President & CEO

We offer our heartfelt sympathy to all those who have been affected by COVID-19, and would also like to express Topcon's sincere gratitude to the healthcare professionals working on the front lines of treatment and vaccination.

The impact of the COVID-19 pandemic placed significant restrictions on our business activities all over the world in FY2020. However, as we see a clear recovery trend, we are ready to take bold steps again toward the future. President Satoshi Hirano discusses herein the current situation and future of Topcon, as well as the history and the detailed background of our business in the domains of healthcare, agriculture and infrastructure.

Topcon and the COVID-19 Pandemic

Q How has the COVID-19 pandemic affected Topcon's businesses?

Amid the stagnation of the global economy due to the spread of COVID-19, there is one thing I have become sure of: Our business is essential business (business that must be a part of people's day-to-day lives), and there are always strong needs for our business regardless of how favorable or severe the external environmental factors are.

When the COVID-19 pandemic began to rage, I felt a strong sense of urgency. Our business was not subject to a shutdown order because it is related to people's daily lives, such as food production and healthcare. However, restrictions on sales activities caused our order volume to drop. For a short period, our sales were down to about 50%

year-on-year, and our plant utilization rates declined as well.

However, we carried on with faith and confidence in our future. We are involved in eye care, farming, and construction, i.e., the fields of healthcare, agriculture, and infrastructure, which are needed by society no matter what conditions it faces.

Each division of our global Group implemented a variety of measures to continue the business without waiting for direction from upper management. I was very encouraged by the strength our employees displayed. As soon as society resumed its activities, our performance was immediately on a powerful recovery track. At that moment, I recognized that our business is essential, and we are responsible for business that is indispensable for people's day-to-day lives.

Although it was temporary, the impact of COVID-19 was severe, and it also affected our Mid-Term Business Plan. Therefore, we have extended our mid-term business plan by one year to FY2022. However, as I mentioned earlier,



society is in need of our business even under difficult circumstances. We will promote our businesses under the same policies thus far, with our unchanging management vision of: “Expand our businesses and solve the societal challenges within the growing market of healthcare, agriculture and infrastructure.”

Topcon's Growth Trajectory

Q Please tell us about the history of Topcon's growth from its founding to the present.

Topcon is a venture company with 89 years of tradition. We were founded in 1932 as Tokyo Kogaku Kikai Kabushikikaisha (Tokyo Optical Co., Ltd.), a manufacturer of surveying instruments, binoculars, cameras, and other goods for the army. After WWII, we transitioned to serving civilian demand and leveraged our knowledge in the optical

field to begin manufacturing instruments for examination and diagnosis in the ophthalmological field. We subsequently expanded into a global business through the export of surveying instruments and ophthalmic medical devices.

During this time, we arrived at a major turning point. Due to our overseas M&A strategy which we began pursuing in the 1990s, we became a solution provider in the fields of healthcare, agriculture and infrastructure.

At the time, the foundation of our business was the manufacture and sale of surveying instruments. When we were considering the expansion of this business domain into the field of civil engineering, we encountered a venture company located in California, the U.S., with a vision that surveying and construction in the civil engineering field would be digitized and automated. I was working in the U.S. at the time, and together with Raymond O'Connor, our current Senior Managing Executive Officer and President & CEO of Topcon Positioning Systems, Inc., we shared the vision that “This business has a bright future.” We convinced our headquarters in Japan to launch an automation business for construction machinery, which was something nobody had ever thought of at the time.

We subsequently grew this technology into a core solution in our current infrastructure business. It is contributing to the digitization and automation of construction processes which used to be mainly analog. Specifically, we made a dramatic improvement of productivity in the construction field by using 3D digital data to integrate the entire flow of construction processes from survey to design, construction, and inspection. Currently, the civil engineering and construction industries around the world are facing a shortage of skilled engineers to meet the demand for infrastructure. Amid this trend, we contribute to the society through automating construction machinery, like factory robots and also providing digitization and IT solutions to improve productivity. Our focus is to accomplish the precision of construction process to a level unachievable by human hands and eyes to create a world in which people can live at ease.

We established our Agriculture Business in 2006. We have been providing digitization and automation of farm operations in consideration of concerns over future food shortages due to global population growth. We obtained this solution by acquiring a venture company located in Australia, a leading country in the field of IT Agriculture. We are contributing to maximizing productivity by digitizing the analog activities that typically rely on farmers' accumulated skills in all processes from planning to planting/seeding, growing, and harvesting.

We also have an optical crop sensor solution, which applies the optical technology we have been developing since our founding, that analyzes the nitrogen content of agricultural products in real time. Simply by driving a tractor, the optical crop sensors detect the level of crop growth and

Message from the CEO

automatically spray the optimal levels of fertilizer and pesticides. Combining this solution with the automatic operation of farming machinery will result in the automation of farm operations. We will achieve digital transformation (DX) in agriculture by automating tractor operations which depend on skilled workers, while also digitally converting tasks that depend on farmers' experience and intuition into cumulative data of operations and harvesting.

In this way, we converted ourselves into a solutions provider that solves societal challenges in the respective fields of infrastructure and agriculture businesses. We have achieved this by pursuing globalization, being highly attuned to needs around the world, and maintaining the venture spirit we have had since our founding of continually tackling new challenges. Currently, overseas markets account for about 80% of our sales. Topcon will continue to solve societal challenges within healthcare, agriculture and infrastructure around the world by maintaining a global perspective, developing new technologies, and proactively pursuing M&As.

The Present and Future of Topcon

Q Which business fields do you expect to see growth going forward?

We are aiming to transform the healthcare field as we did in the fields of infrastructure and agriculture. The eyes are vital organs. It is said that 80% of the information humans perceive is through their eyes. However, regular eye examination is not widely adopted, and we are now facing the issue of increasing eye diseases resulting from global population aging. What we offer is a solution to this issue. One of the major products is our 3D Optical Coherence Tomography (3D OCT) which features fully automatic capture of tomographic images of the retina. This product eliminates complex mechanical operations by using a touch screen for all operations and can be used in facilities other than ophthalmologic clinics and hospitals. Overseas, neighborhood optical stores and drugstores are able to provide eye disease screening thanks to this function. This business can contribute to reducing the number of people who lose their eyesight. Additionally, in recent years, it has become possible to obtain more health information from the images of the fundus, in addition to eye diseases. The eyes are sometimes said to be the windows of the body. Going forward, we will contribute to maintaining the health of the whole body through eye screening.

Furthermore, digitization has not progressed much in the field of building construction while the size of its market is roughly double that of civil engineering. We believe that our solutions can contribute to this field as well. Specifically, our technologies can link the virtual digital world of design (BIM) with the (real,

analog world of) actual construction sites. Through this, we hope to achieve DX of the construction process, thereby advancing the automation of building construction process.

Q Developing new businesses requires investment. Can you tell us about the businesses that generate the source of these investments?

Our founding business of surveying instruments has supported our investments into DX in the construction and agricultural fields. Although the surveying instruments market is mature, demand will never go away because surveying instruments are, and will always be used at construction sites. As a top manufacturer in this market, we sell innovative products through a powerful sales and distribution network that extends throughout the global marketplace, and have maintained a high market share for over 30 years.

Meanwhile, our Eye Care Business has also supported our long history. Our main products are instruments for ophthalmic examination and diagnosis, and optometers for optical stores. We laid the foundation for our overseas sales and distribution locations in the U.S. and the Netherlands beginning in 1970, and since then we have focused on developing sales channels overseas. As a result, our optometry systems and instruments for ophthalmic examination and diagnosis are used in many countries and regions around the world today. Although this is also a mature market with stable growth, some of these products have made major contributions to our sales even after more than a decade since their launch, and we maintain a large market share.

We are a company that continuously pursues new innovation. This challenge has been made possible by our robust businesses with large shares in the global market such as surveying instruments, optometry systems and instruments for ophthalmic examination and diagnosis.

Carrying on Ism and SDGs

Q Please tell us about Topcon's SDG initiatives.

Sustainability initiatives, including the SDGs, are vital for a company's lasting prosperity. In our case, our healthcare, agriculture and infrastructure businesses are closely linked to social contributions including improvement of the global environment.

For example, automation technology by IT Construction shortens the operating time of construction machinery by approximately 30%. If we multiply this by the total number of



construction machines with our systems installed, we calculate a reduction in CO₂ emissions by about 600,000 tons per year worldwide. Similarly with farming machinery, our Auto Steering System shortens operating time by approximately 20%, and we calculate a reduction in CO₂ emissions by about 500,000 tons per year worldwide.

Furthermore, I believe that there is an even greater potential in the healthcare field. The fundus of the eye is the only part of the body where the blood flow can be observed directly. For this reason, AI developers around the world are analyzing images of the fundus and working on the early detection of various diseases. The developments aim to realize reducing immense medical costs while providing a higher quality of life (QoL) to people around the world. Our instruments are a good match for AI image analysis because they can capture stable images with high resolution, and I expect that we can make a large contribution to progress in this area.

We are heading into an era in which companies that focus on solving societal challenges will be chosen by all stakeholders. We will continue to contribute to society through our businesses themselves.

Q In closing, do you have a message for our shareholders and investors?

Topcon is a company that has always been focusing on the future. When I was working on the launch of an

unprecedented project to automate civil engineering construction in the U.S., I was asked by the headquarters in Tokyo: “Can we really commercialize this business?” However, when we called over the executive team of the time to the U.S. and showed them machinery operating automatically, they all supported the project. They said, “This is how civil engineering worksites will change in the future,” and “We should go ahead even if it may take some time to recoup our investment!” I believe that this Topcon principle, namely the corporate culture of “A venture company with traditions,” will always remain unchanged. We have also continued to invest in the Eye Care Business since I assumed the position of President, and we are finally beginning to see the returns from our Screening Business.

When you dive into a blue ocean market, there are no maps drawn by someone else. It takes time to not only develop a new business but also to popularize it. This is exactly why I would like our shareholders and investors to dream about the future with us. Last year, we were faced with the unprecedented crisis of the COVID-19 pandemic. When the impact of COVID-19 was at its worst, one of the shareholders supporting us for many years told us, “My expectations are for growth over the long term rather than short term performance.” It really made me happy.

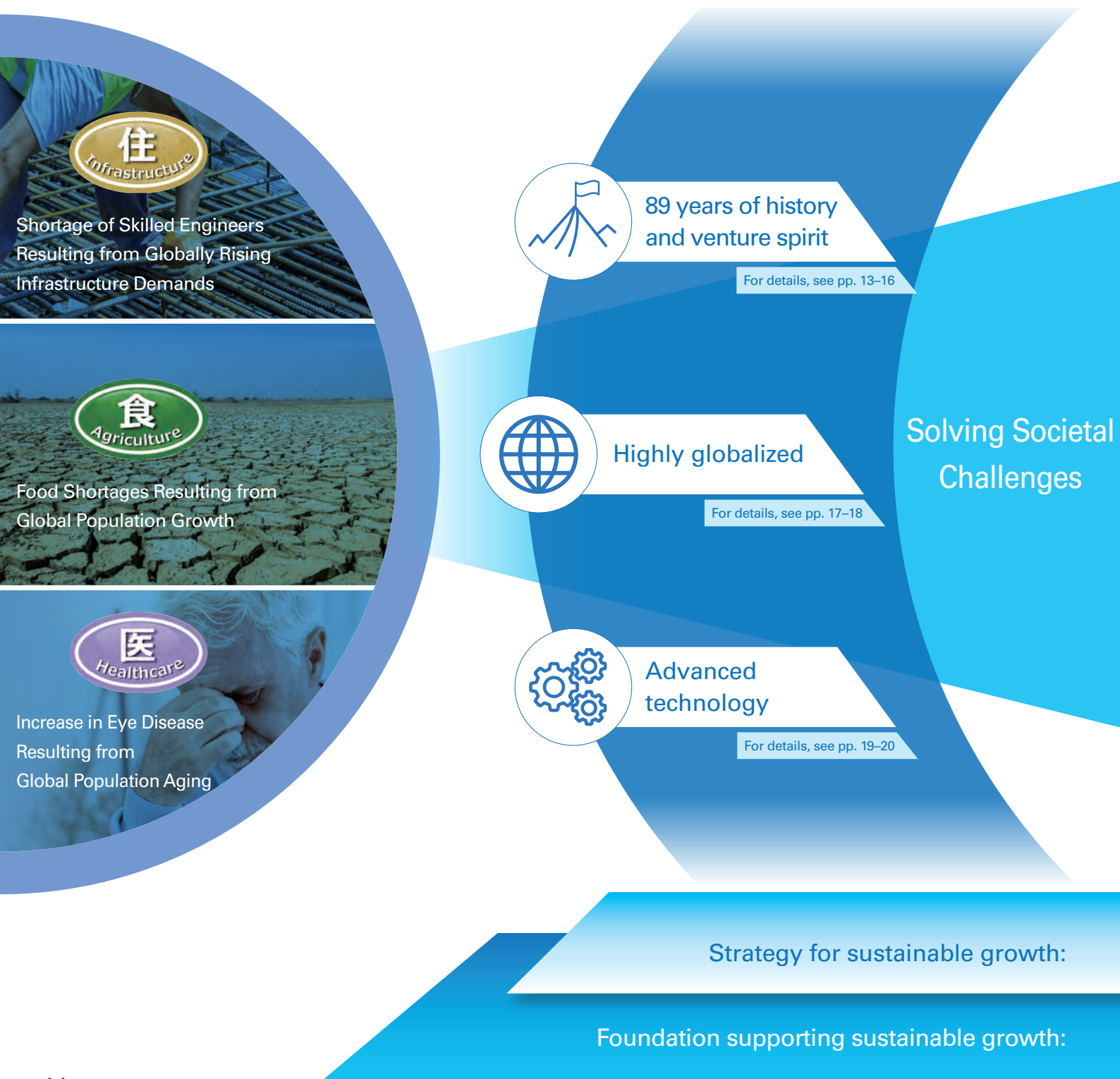
Like the stakeholders who have built the history of Topcon until today, I would like to share the exciting dream of bringing health, happiness and prosperity to people around the world.

Value Creation Process

Topcon is committed to leveraging its management resources/strengths to realize its Corporate Identity of: Topcon contributes to enrich human life by solving the societal challenges within healthcare, agriculture and infrastructure. Topcon will also contribute to the creation of a sustainable society with a focus on ESG responses.

Societal Challenges

Management Resources/Strengths



A Sustainable Society

Topcon's solutions

For details, see pp. 22–24



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

Management Vision

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

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



Automation of farm operations through Auto Steering System of farming machinery and central management of data

Contribution to ESG

Environment (pp. 33–34)

Governance (pp. 39–46)

Society (pp. 35–38)

The Third Mid-term Business Plan

TOPCON WAY

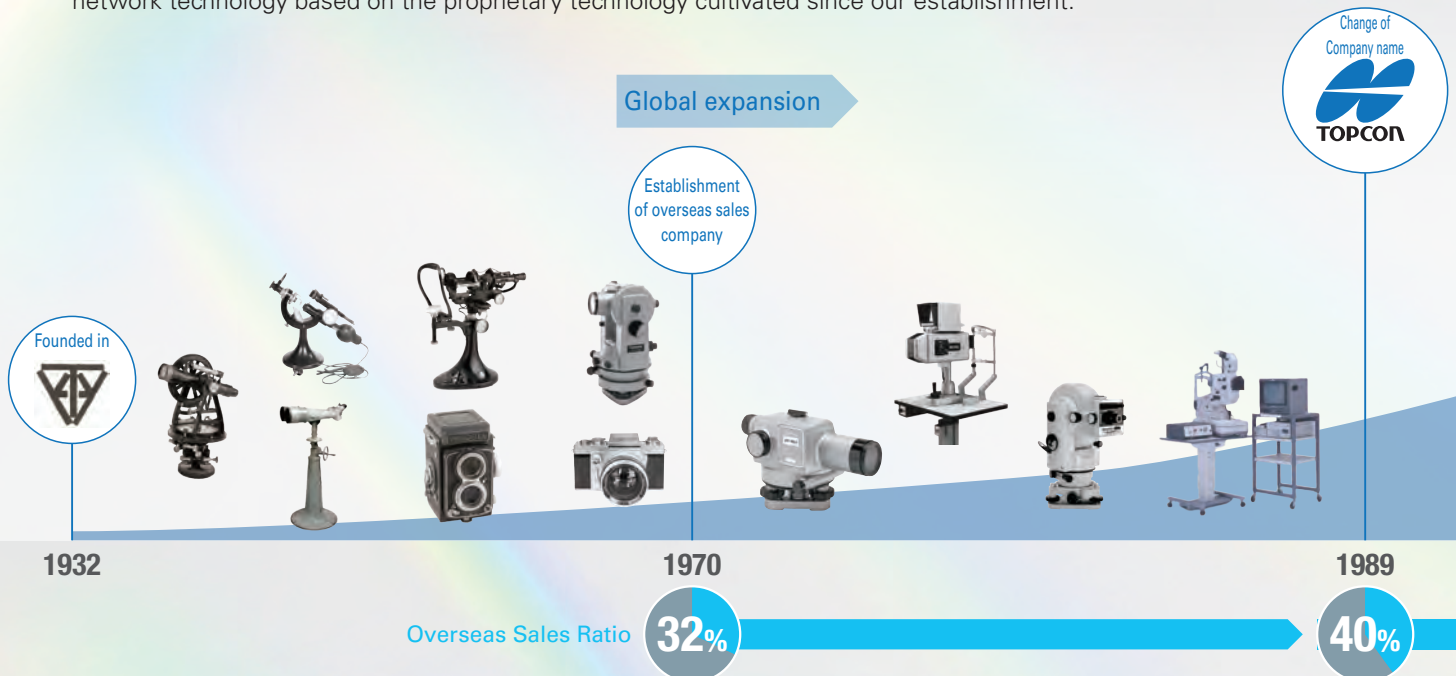
89 Years of History and Venture Spirit **1**

An 89 years-old venture company with entrepreneurial spirit who used to be a pioneer of optical equipment in Japan becoming a solution provider in healthcare, agriculture and infrastructure in the world

In September 1932, Tokyo Kogaku Kikai Kabushikikaisha (Tokyo Optical Co., Ltd.) was established with the aim of domestically producing surveying instruments for the Army Ministry, based on the surveying instruments division of K. Hattori & Co., Ltd (currently SEIKO HOLDINGS CORPORATION).

In 1970, we established an overseas sales company in the United States and the Netherlands, which built a foundation for subsequent global expansion.

Since the 1990s, through overseas M&As and alliances, we have expanded our business into new fields such as automatic control technology for construction machinery, precision GNSS, and IT agriculture. We are working to solve the societal challenges in healthcare, agriculture and infrastructure through DX solutions, which make full use of IoT and network technology based on the proprietary technology cultivated since our establishment.



Founded in 1932



A pioneer in optical equipment made in Japan

In 1932, Tokyo Kogaku Kikai Kabushikikaisha (Tokyo Optical Co., Ltd.) was established with the aim of domestically producing surveying instruments for the Army Ministry. Initially, the company produced surveying instruments, binoculars and cameras, as well as sniper scopes used mainly by the Army.

After the war, the company focused on manufacturing binoculars and exported them primarily to the United States. In addition, the company produced surveying instruments and contributed to the nation's postwar reconstruction and development. In 1947, the company started medical device business.

Overseas expansion: 1970-

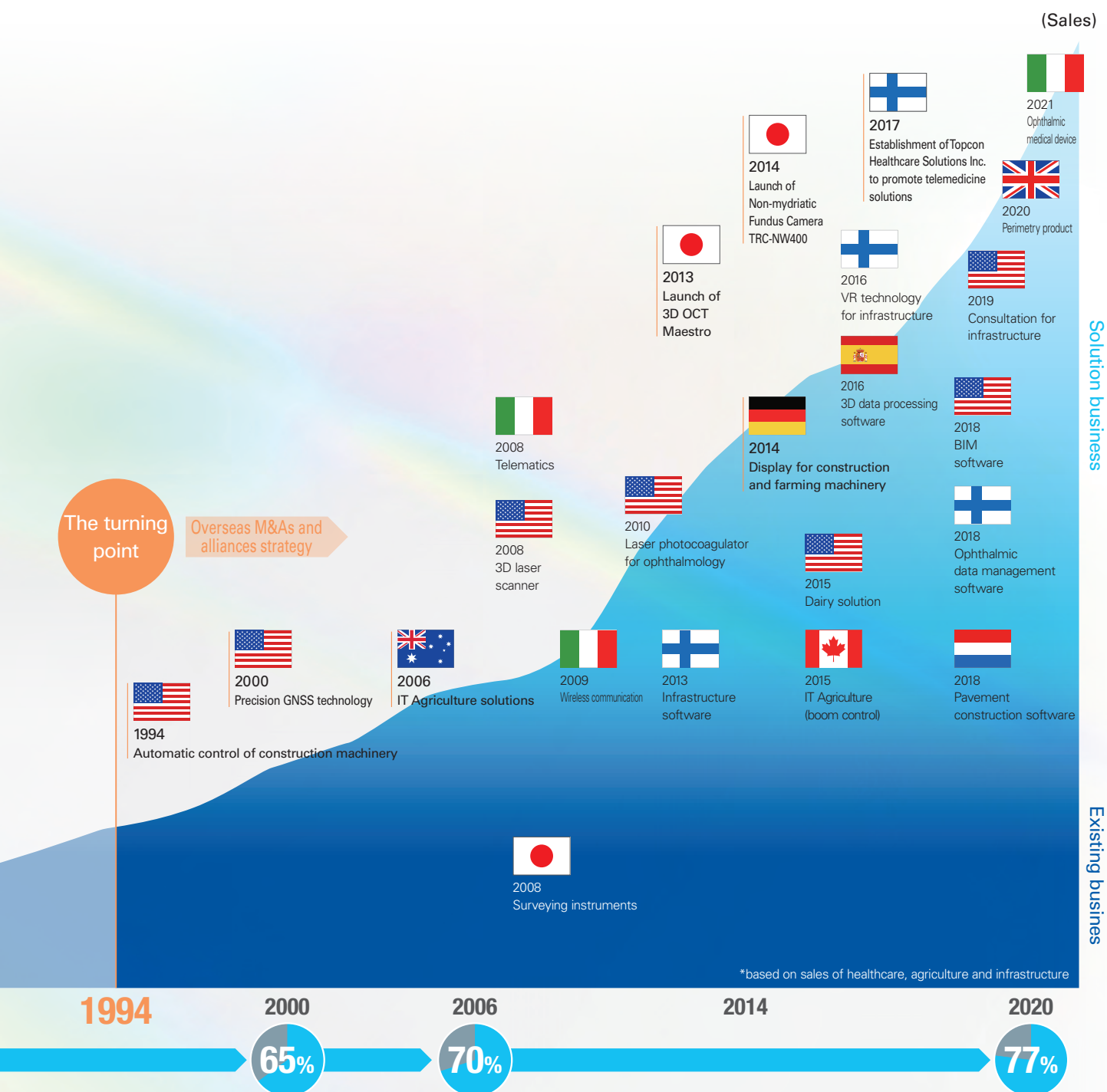


Numerous hit products using optomechatronics technology

In 1970, we established two overseas sales companies in the United States and the Netherlands, followed by establishment of overseas manufacturing subsidiary in Hong Kong in 1986, which built a foundation for subsequent global expansion.

In the 1970s and 1980s, we evolved optomechatronics technology by combining mechanical and electrical technologies with our proprietary optical technology. We have established a solid position as a comprehensive precision optical equipment manufacturer by producing industry leading surveying instruments and vision testers.

In 1989, the company name was changed to Topcon Corporation.



Evolving to a solution provider: 1994-



Expanding through overseas M&A and new business development

In the 1990s, through aggressive overseas M&As and alliances, we obtained new technologies such as automatic machine control (the United States in 1994), precision GNSS (the United States in 2000), and IT agriculture solutions (Australia in 2006).

In 2006, we developed the world's first 3D OCT combining OCT and fundus camera. We launched fully automatic 3D OCT and non-mydratric fundus camera in 2013 and 2014, respectively.

We have transformed our business model to being solution-driven through M&As and alliances and new business development.

Acceleration of global investment

Since 2014, we have further accelerated our global investments, and have conducted M&As and alliances with more than 35 companies in Japan and overseas. From 2014 to 2015, we expanded our IT agriculture business through M&As and alliances. Furthermore, through our Eye care IoT business (the United States) and the acquisition of an IoT system development company (Finland), we have created an eye disease screening business.

We are addressing the societal challenges within healthcare, agriculture and infrastructure using DX solutions, by fusing leading-edge IoT and AI technologies.

89 Years of History and Venture Spirit **2**

Chronicle of New Business Creation



Creation of the IT Construction Business

Acquisition of a Venture Company with Automated Control Technology for Construction Machinery

Topcon has acquired Advanced Grade Technology, Inc., an American company which possesses the technology to automatically control the hydraulics of dozers, motor graders, and other construction machinery and perform construction and civil engineering work in accordance with data surveyed in advance. This has expanded our business field into construction in addition to surveying for construction sites.



Topcon Acquires a Company with Cutting-edge Precision GNSS Technology

Topcon has acquired Javad Positioning Systems, Inc., an American company with a development center in Moscow, Russia, and possessing a cutting-edge technology for precision GNSS (Global Navigation Satellite System) which obtains highly precise positional information by combining data from multiple satellite positioning systems. By combining it with the surveying technologies based on optical technologies we own since our founding and the automated control technology for construction machinery we acquired in 1994, we have become possible to provide solutions to realize the automation of construction process.



1994

2000

2006



Entering the IT Agriculture Business

Topcon Acquires an Enterprise with IT Agriculture Technology

Topcon has acquired KEE Technologies Pty Ltd. (currently Topcon Precision Agriculture Pty Ltd.), an Australian company which has a wealth of applications and expertise in the IT Agriculture field. We have achieved full entry into the IT Agriculture business by integrating its technology with our precision GNSS technology.





Creation of the Screening Business

Launch of the Fully Automatic OCT 3D OCT-1 Maestro / Fully Automatic Fundus Camera TRC-NW400



These products are fully automatic screening systems leveraging Topcon's proprietary technologies and are suited for use outside of ophthalmic hospitals. They enable the novel use of screenings outside of ophthalmic hospitals (excluding Japan) for early detection of eye diseases. Taking advantage of this feature, we have created a new business where screenings can be conducted for the early detection of eye diseases in places other than ophthalmic hospitals.

Maestro is the product name for our 3D OCT (Optical Coherence Tomography). The Maestro can be operated easily with a single touch, and provides speedy automated image capture, freedom of measurement positioning and automatic measurement of each eye. This device can obtain detailed information of the body in the depth orientation by using optical interference for biomedical measurement. Similarly, the NW400 is a non-mydratic fundus camera that can also be operated easily with a single touch and provides speedy automated image capture, freedom of measurement positioning and automatic measurement of each eye.

Established a Subsidiary in the U.S. to Enhance the Screening Business

With the aim of expanding the ophthalmic disease screening business, Topcon Healthcare Solutions, Inc. was established in the United States to develop and promote new business models (including billing), and specialized software and IoT platforms for efficient use of 3D OCT, fundus cameras, etc. in facilities other than ophthalmology.



2013

2014

2015

2017

Topcon Acquires Enterprises with Key Technologies for Expanding IT Agriculture Business



In 2014, Topcon acquired Wachendorff Elektronik GmbH (currently Topcon Electronics GmbH & Co. KG), a German company which develops and manufactures highly environment resistant displays demanded in agriculture. In 2015, we acquired Digi-Star Investments, Inc. (currently Topcon Positioning Systems, Inc.), an American company which manufactures, develops, and markets fertilization/feed volume analysis and management equipment systems for agriculture and dairy farming. Furthermore, NORAC Systems International Inc. (currently Topcon Agriculture Canada, Inc.), a Canadian company which is a pioneer in the development of ultrasound sensing and boom control technologies for IT Agriculture. Through these acquisitions, we have become able to offer solutions meeting a wide range of farming business needs.

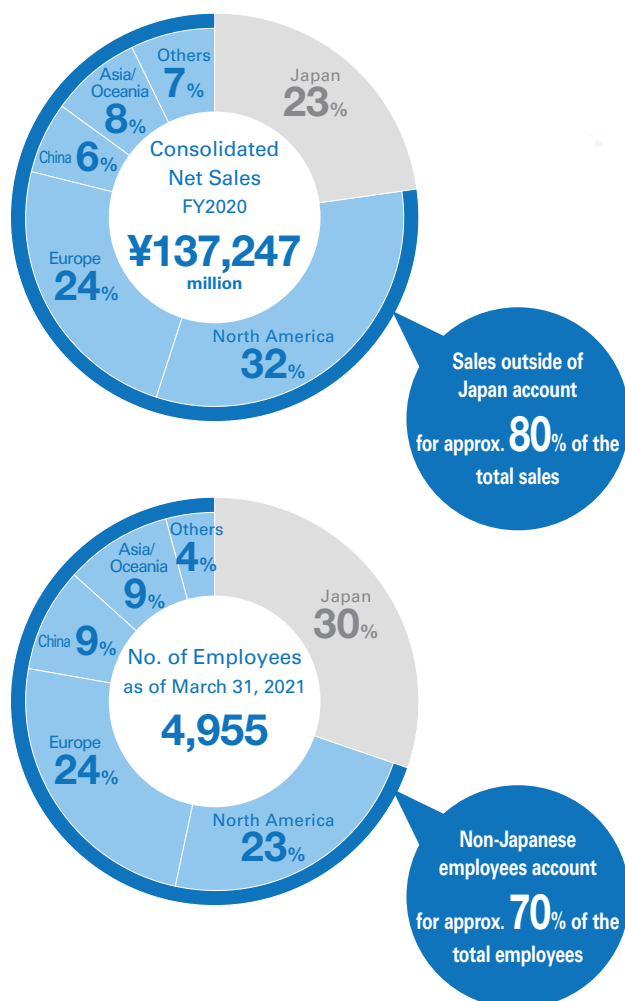
Highly Globalized

Topcon is active worldwide

We were a forerunner of overseas expansion. Sales companies in the U.S. and Europe have more than a half century of history. Currently we have 65 sales bases in 29 countries around the world. Thanks to such global development, Topcon products are delivered to 198 countries and regions.

We have acquired various technologies through aggressive M&As and alliances to address societal challenges since the 1990s. Today, there are 28 development bases in 11 countries. In addition, we are operating 13 production bases in 8 countries. We are highly globalized with 77% of sales generated outside of Japan and 70% of employees are non-Japanese.

We will continue to take on the task of solving societal challenges within healthcare, agriculture and infrastructure through the unification of global development, production, and sales systems.



The U.S.



Development and manufacturing of GNSS and IT Construction-related products



The U.S.



Development of tele-optometry system and OCT-related hardware and software



The U.S.



Development of software for creating 3D models



The U.S.



Development and manufacturing of systems for IT Agriculture





Advanced Technology

Providing new value based on optical technology

We have been introducing game-changing products in the field of surveying and ophthalmic instruments for 89 years since its foundation.

Since the mid-1990s, various M&As and alliances with overseas companies have taken place to acquire various technologies. We provide leading-edge and unique products and solutions such as automation of construction process, automation of farm operations, and eye disease screening in familiar places other than ophthalmology (offered in countries excluding Japan) through the integration of proprietary developed technologies and newly acquired ones. We are highly acclaimed with advanced technologies.

In order to achieve our mission to solve societal challenges in healthcare, agriculture and infrastructure, we will continue to push the envelope and develop disruptive technology.

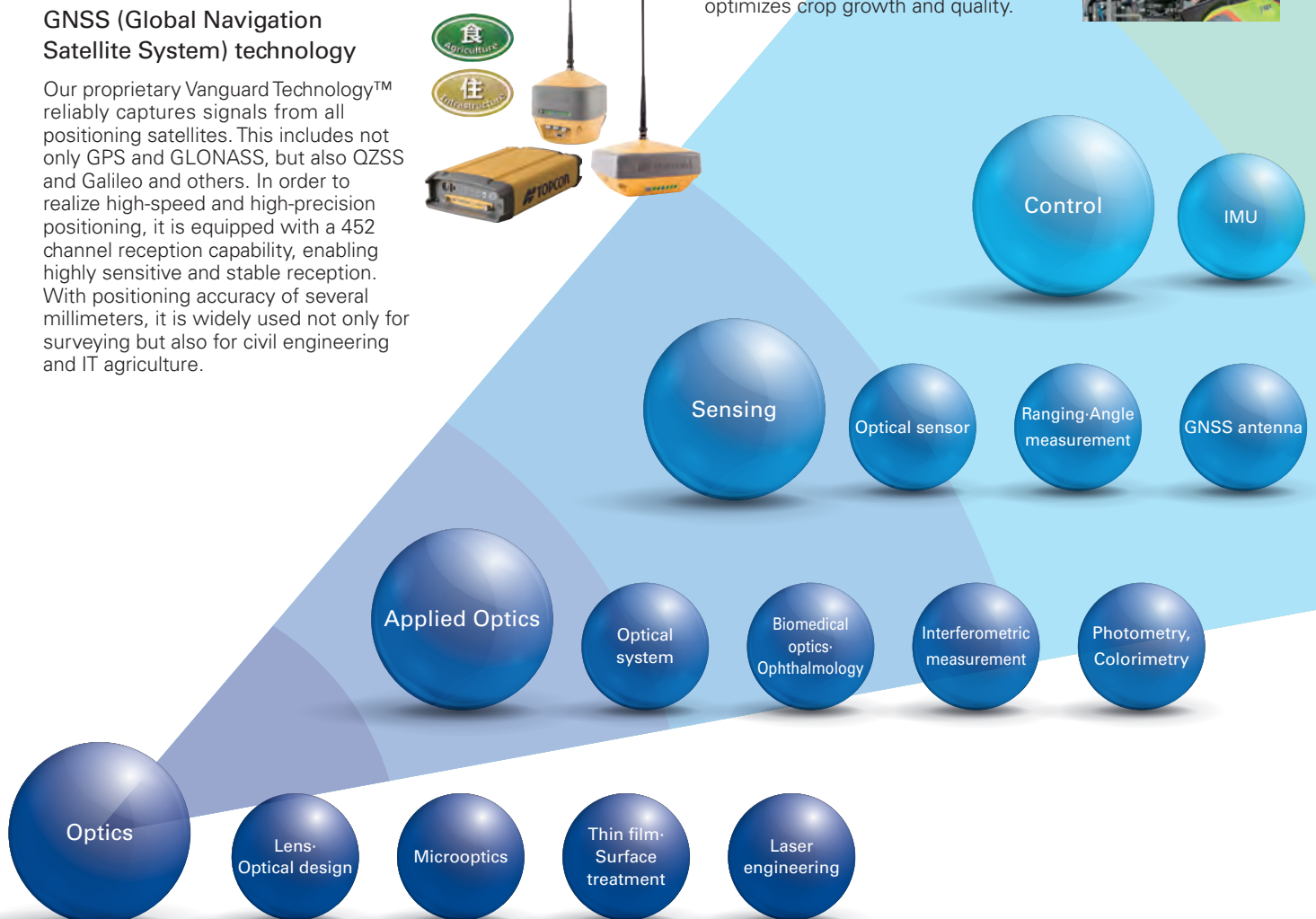
GNSS (Global Navigation Satellite System) technology

Our proprietary Vanguard Technology™ reliably captures signals from all positioning satellites. This includes not only GPS and GLONASS, but also QZSS and Galileo and others. In order to realize high-speed and high-precision positioning, it is equipped with a 452 channel reception capability, enabling highly sensitive and stable reception. With positioning accuracy of several millimeters, it is widely used not only for surveying but also for civil engineering and IT agriculture.



Optical sensing/ Applied optics

The distance measurement technology used in surveying instruments realizes accurate measurement to the millimeter, by precisely measuring the time of the laser beam transmitted back and forth to an object. This technology provides highly accurate 3D position measurement. In addition, the noncontact measurement of crop growth using spectroscopic technology controls the amount of fertilizer applied in real time. This technology is a driving force of IT Agriculture which optimizes crop growth and quality.



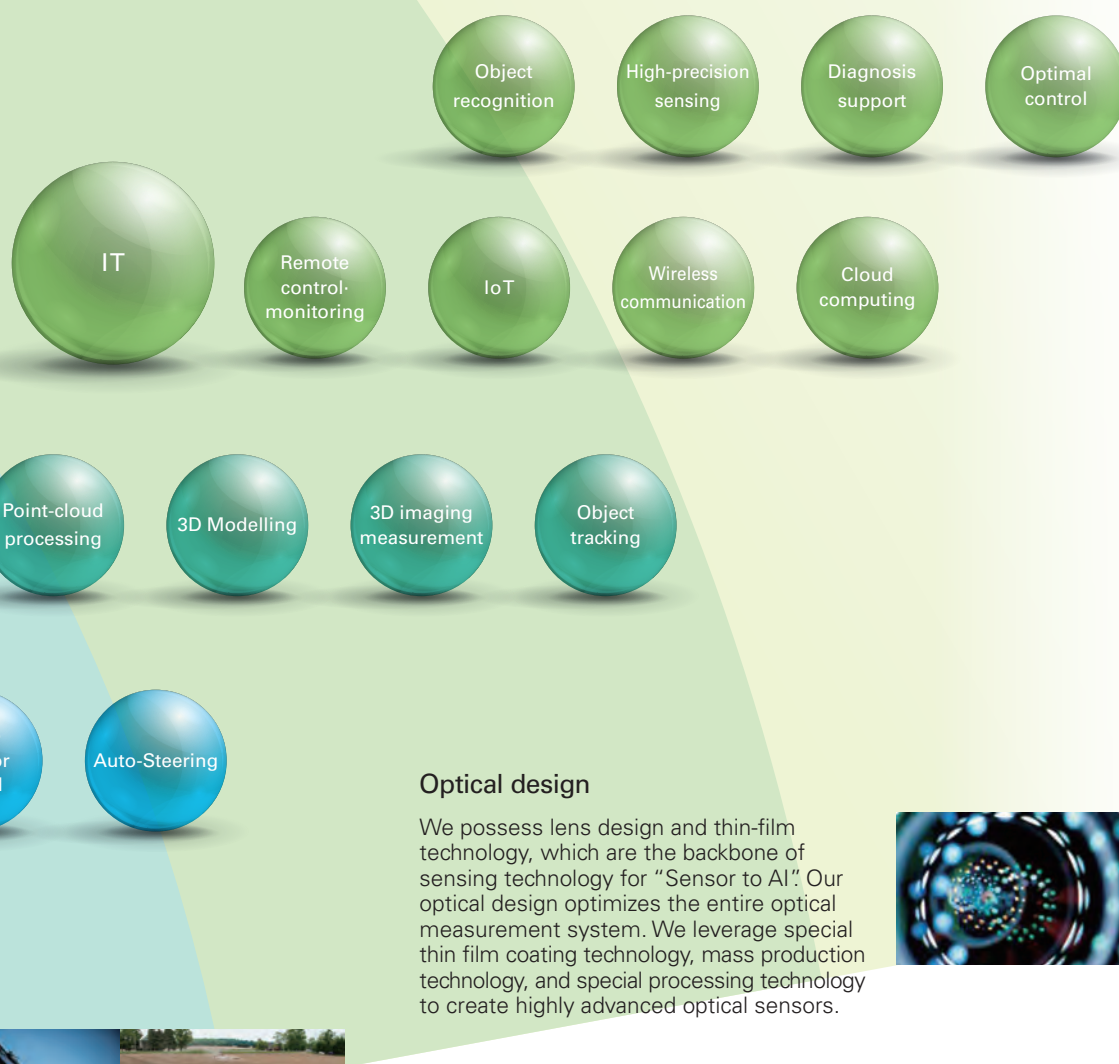


New value creation "Sensor to AI"

While AI, or artificial intelligence, is attracting worldwide attention, we are developing technology based on integrating high-performance sensors with AI. Using our core optical technology, the high-performance sensor suppresses noise and fluctuations in real world data, enabling stable and highly accurate information collection. The ability to develop "Sensors and AI" as a single unit is unique to Topcon.



learn more



Optical design

We possess lens design and thin-film technology, which are the backbone of sensing technology for "Sensor to AI". Our optical design optimizes the entire optical measurement system. We leverage special thin film coating technology, mass production technology, and special processing technology to create highly advanced optical sensors.



Control technology



Combining high-precision 3D position measurement technology and precision hydraulic control technology enables automatic control of construction machine blades and buckets to match 3D design data. In the field of IT agriculture, the combination of location information and electric steering makes it possible for farming machinery to run automatically, and greatly increases the efficiency of farm operations.

Thorough examination of 3D fundus



3D OCT (Optical Coherence Tomography) is the culmination of optical sensing, optometry, and image processing technologies, and we were the first in the world to bring this to market. In addition to conventional fundus camera functions, we have developed a new technology that instantly reflects the microscopic 3D structure of the fundus, opening a new era in ophthalmic examination and diagnosis. Some of the models can capture high-resolution images of not only the retina but also the vitreous body and choroid, and is widely used for research on the degree of disease progression and disease mechanism.



The Third Mid-term Business Plan

Vision

Expand our businesses and solve the societal challenges within the growing market of Healthcare, Agriculture and Infrastructure

The Third Mid-term Business Plan

Acceleration of Growing Business

Strategy 1

Acceleration of business development in the growing market

Strategy 2

Strengthen profitability of Core Business

Strategy 3

Creation of new potential market

FY2020 Results

Proved our strength as an Essential Business

Vision is intact

Timeline is inevitable to change

Revision of the timeline in consideration of FY2020 results

Our vision stated at the Third Mid-term Business Plan is intact. We think that we proved our strength as an Essential Business in FY2020. However, we acknowledge that COVID-19 pandemic had a significant negative impact on short term, and the effect on timeline is inevitable. Therefore, we extend the period of the Third Mid-term Business Plan for one year and pursue it to the same financial target.

FY2019~FY2021

The Third Mid-term Business Plan

FY2022

Timeline is extended for another one year

Growth Strategies for The Third Mid-term Business Plan

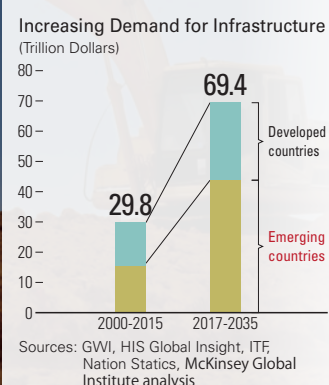
住 Infrastructure

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

Societal Challenge

Increasing demand for infrastructure

Shortage of skilled engineers

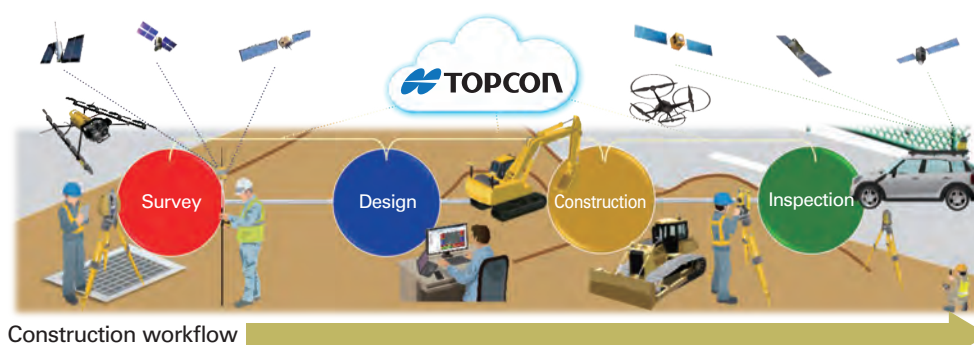


Solution

Automation of construction process

through robotization of construction machinery and central management of workflows

- High precision
- Solution to labor shortages
- Productivity and quality improvement



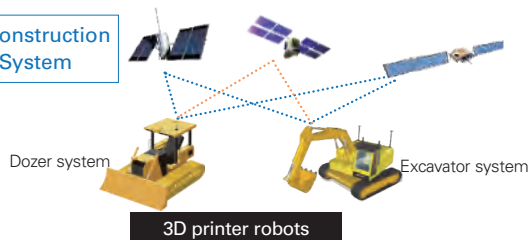
Realization

Proprietary Topcon technologies

1 IT Construction Technology

Automation technology by IT Construction using precision GNSS technology*

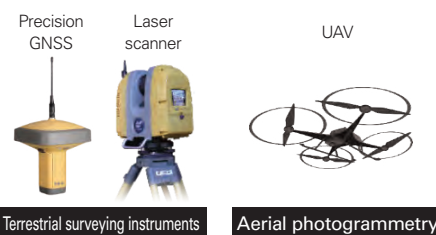
IT Construction System



2 3D Measurement Technology

Sensor digitization that allows central management of construction site workflow

3D Measurement



* 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).

Growth Strategies for The Third Mid-term Business Plan



Agriculture

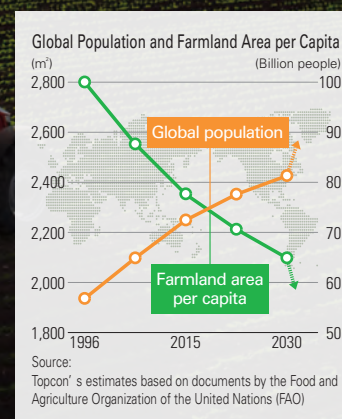
We address food shortages resulting from global population growth by enhancing the automation of farm operations to improve productivity and quality.



Societal Challenge

- Global population growth
- Less farmland area per capita

- Food shortages
- Shortages of skilled workers



Solution

Automation of Farm Operations

through Auto Steering of farming machinery and central management of data

- High precision
- Labor saving
- Productivity and quality improvement



Realization

Proprietary Topcon technologies

1 IT Agriculture Technology

Auto Steering System for farming machinery using precision GNSS technology

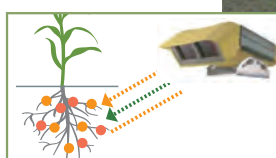
Auto Steering System for farming machinery



2 Optical Sensor Technology

Digitization using crop monitoring and yield sensors

Laser-type crop sensor





Healthcare

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

3 GOOD HEALTH AND WELL-BEING

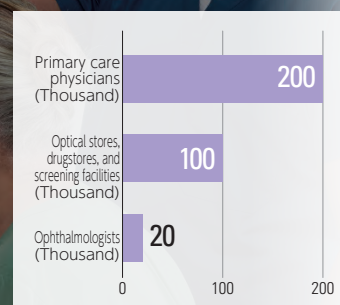


Societal Challenge

- Increase in eye disease resulting from global population aging
- Global shortage of ophthalmologists
- Soaring medical costs

- Soaring rates of eye disease

Shortage of ophthalmologists to treat 350 million people*1 with the three major eye diseases*2



*1 Source: United Nations 2010 Report

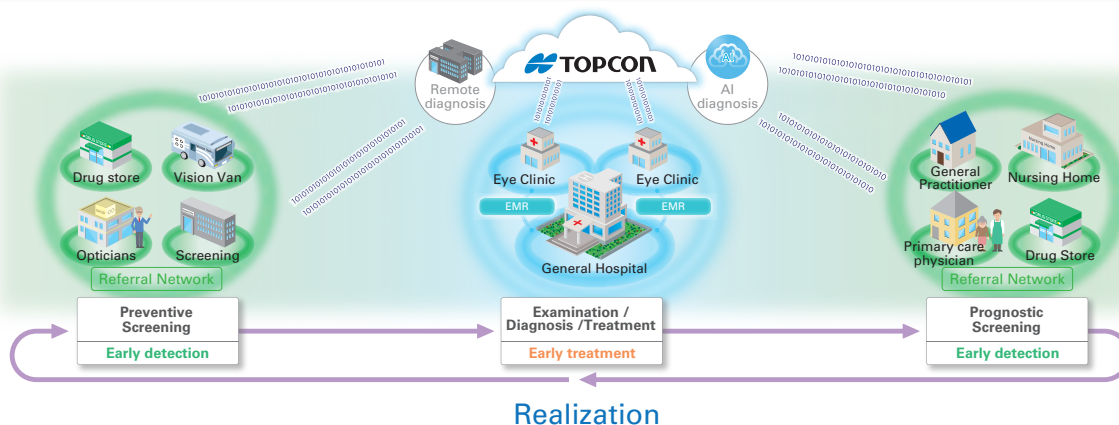
*2 The three major eye diseases: diabetic retinopathy, AMD (Age-related Macular Degeneration), and glaucoma

Solution

Creation of eye disease screening

By the involvement of primary care physicians, optical stores, drugstores, etc.

- Early detection and treatment
- Healthcare efficiency improvement



Proprietary Topcon technologies

Fully automatic screening equipment:

Fully automatic function with one-touch operation

3D OCT-1 Maestro

- Fully automatic 3D OCT and color fundus photography
- Reporting feature assisting the diagnosis of three major eye diseases



Fundus Camera TRC-NW400

- Fully automatic fundus photography
- Useful for the diagnosis of eye diseases



New normal Tele-optometry

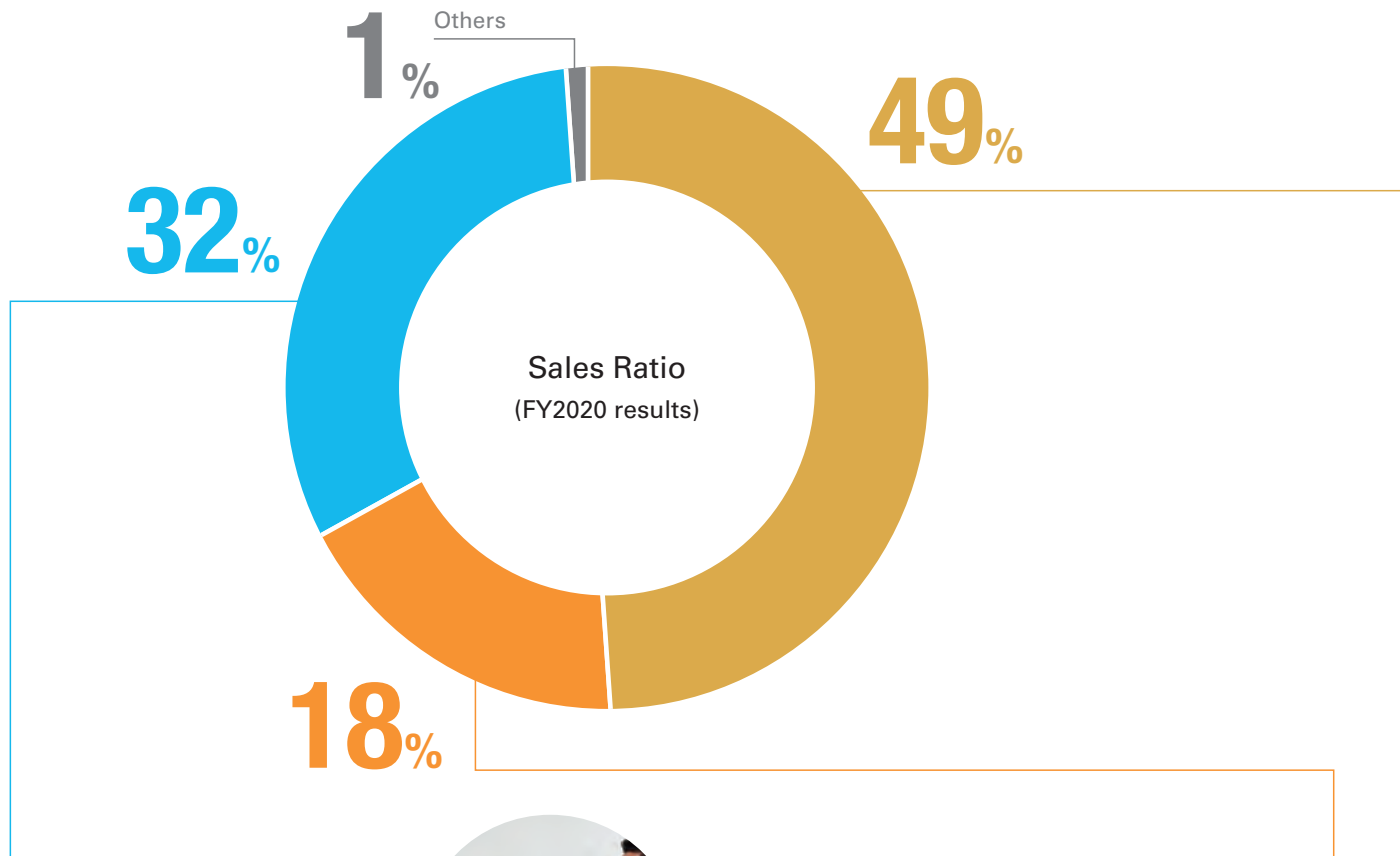


System operated remotely

* Applicable product: Topcon RDx (provided by Topcon Healthcare Solutions Inc.) – Currently available in the U.S. only

Business Overview

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



EYE CARE BUSINESS



Business domains

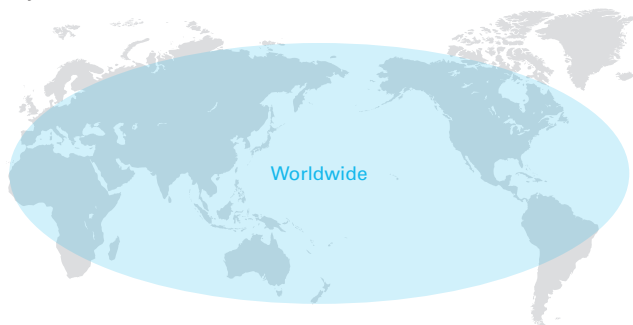


- Examination/Diagnosis/Treatment for ophthalmology
- Screening (Preventive/Prognostic)
- Phoropter for Optical Stores

Corresponding SDGs



Major Sales Areas



Major Products Manufactured and Sold by the Segment

- 3D Optical Coherence Tomography systems (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

POSITIONING COMPANY



Business domains



- Surveying
- Civil Engineering

Corresponding SDGs



- Construction/Building
- Agriculture

Major Sales Areas



Major Products Manufactured by the Segment

Products and software based on core technology of GNSS receiver

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

Major Products Sold by the Segment

- Total Station
- 3D Laser Scanner
- IT Construction System
- IT Agriculture System
- GNSS Receiver for Surveying
- Laser Instruments
- 3D Mobile Mapping System
- Software (Construction Site Management System, Surveying & Civil Engineering System, System for 3D Point Cloud Data Management and Modeling, etc.)

SMART INFRASTRUCTURE BUSINESS



Business domains



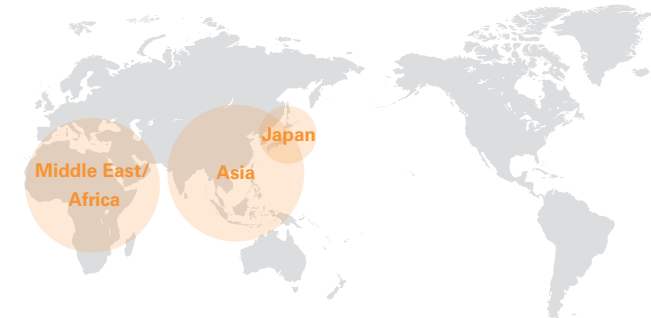
- Surveying
- Civil Engineering

Corresponding SDGs



- Construction/Building
- Agriculture

Major Sales Areas



Major Products Manufactured by the Segment

Optical products including surveying instruments and software

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

Major Products Sold by the Segment

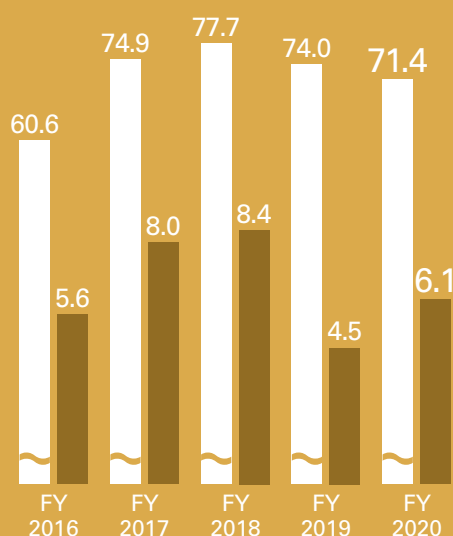
- Total Station
- 3D Laser Scanner
- IT Construction System
- IT Agriculture System
- GNSS Receiver for Surveying
- Laser Instruments
- 3D Mobile Mapping System
- Software (Construction Site Management System, Surveying & Civil Engineering System, System for 3D Point Cloud Data Management and Modeling, etc.)

POSITIONING COMPANY

Net Sales: **¥71.4 billion**
(down 3.5% year-on-year)

Operating Income: **¥6.1 billion**
(up 33.6% year-on-year)

■ Net Sales ■ Operating Income
(Billion yen)



FY2020 Financial Results

Although the Positioning Company was affected by lockdowns mainly in Europe and North America in the first quarter, sales remained strong against a backdrop of robust demand as an essential business. In the construction field, the U.S. housing construction market recovered rapidly, which pushed up sales of laser products. IT Construction was also on a recovery trend, and aftermarket sales increased in IT Agriculture. As a result, net sales decreased by 3.5% year-on-year to ¥71,416 million. Operating income increased by a substantial 33.6% year-on-year to ¥6,064 million, due mainly to a reduction in selling, general and administrative expenses.

Outlook for Business Conditions in FY2021 and Beyond

We believe that demand will continue to grow in the construction and agriculture fields especially in the U.S. and Europe against the backdrop of strong housing and infrastructure investment and high level of grain prices. On the other hand, there are causes for concern, including rising prices of components and logistics costs, and the impact of semiconductor shortages on production and the resulting prolongation of lead times.

Growth Strategy under the Third Mid-term Business Plan

In IT Construction, we are steadily promoting development of demands for our strategic product, automated excavator system. 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 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 are developing untapped markets for IT Agriculture in emerging countries and small-scale OEM. We are also capturing new customers while improving our products in our subscription business using cloud-based IoT solutions.



SMART INFRASTRUCTURE BUSINESS

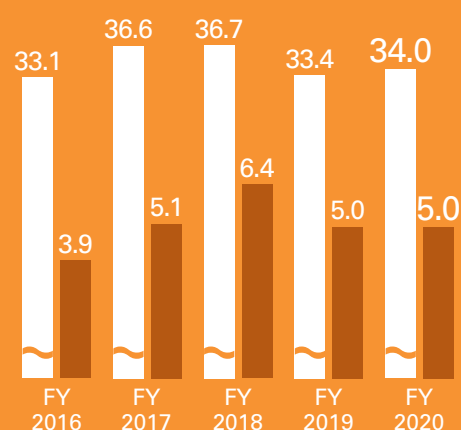
Net Sales:

¥34.0 billion
(up 1.7% year-on-year)

Operating Income:

¥5.0 billion
(down 1.1% year-on-year)

■ Net Sales ■ Operating Income
(Billion yen)



FY2020 Financial Results

Although the Smart Infrastructure Business was impacted by COVID-19 in the first quarter, sales saw an increase against the backdrop of robust demand as an essential business. In Japan, the impact of COVID-19 was limited, partly due to healthy demand resulting from the expansion of i-Construction projects and others as well as increased sales of IT Agriculture products owing to a subsidy program by the national government. Meanwhile, sales declined in parts of Asia, India and the Middle East due to the prolonged spread of COVID-19. As a result, net sales increased by 1.7% year-on-year to ¥33,982 million. Operating income was flat year-on-year at ¥4,972 million due in part to the impact of a temporary decline in plant operating rates in order to use up inventories from the end of the previous fiscal year, despite the increase in net sales and continued reductions in selling, general and administrative expenses.

Outlook for Business Conditions in FY2021 and Beyond

In Japan, the National Resilience policy is providing a tailwind for the continued increase in construction projects utilizing IT. We also expect progress in automation for IT Agriculture against the backdrop of a deep-rooted need for laborsaving. Meanwhile, the timing of the recovery in Southeast Asia is uncertain due to the spread of COVID-19 variants. Additionally, there are causes for concern, including rising prices of components and logistics costs, and the impact of semiconductor shortages on production and the resulting prolongation of lead times.

Growth Strategy under the Third Mid-term Business Plan

In the Japanese domestic market, i-Construction is being used increasingly not only in construction projects managed directly by the national government, but also in local government projects. Amid an anticipation of further growth in this market, we will strive to expand our business with solutions in IT Construction and 3D measurement. Through our epoch-making machine guidance system for small-sized excavators to easily adopt ICT feature launched in 2021, we will grow our business by expanding the scope of our markets from our conventional medium to large-sized excavators to small-sized excavators whose market is larger.

The market for IT Agriculture is growing amid the tailwind provided by increased demand for automation and certain government subsidies. We will continue to capture these needs through proactive sales strategies.

With regard to developing the BIM market, major construction companies are starting to utilize our products as they promote DX revolution at their construction sites. In order to fill in the gap between the virtual and the real, our 3D measurement equipment and software construct 3D data of worksites thereby saving labor and improving the quality and productivity of construction.

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

EYE CARE BUSINESS

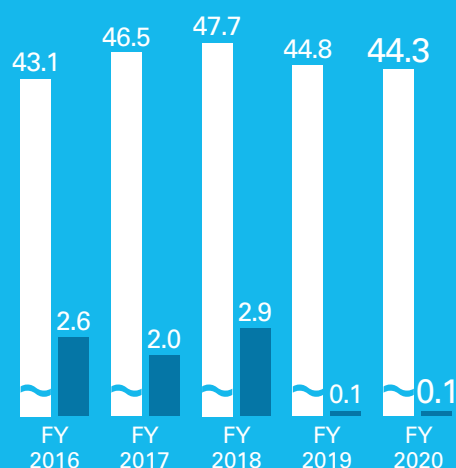
Net Sales:

¥**44.3** billion
(down 1.1% year-on-year)

Operating Income:

¥**0.1** billion
(down 10.5% year-on-year)

■ Net Sales ■ Operating Income
(Billion yen)



FY2020 Financial Results

In the Eye Care Business, demands dropped sharply as a result of lockdowns imposed due to COVID-19. However, demand has been on a recovery trend after bottoming out in April 2020. The market recovered rapidly from the third quarter onward due to vigorous demand for tele-optometry system that supports social distancing as well as the market recovery and the effects of reorganization of our sales network in China. As a result, net sales decreased by 1.1% year-on-year to ¥44,251 million. Although we worked to reduce fixed expenses, operating income decreased by 10.5% year-on-year to ¥122 million mainly due to the impact of a decline in net sales.

Outlook for Business Conditions in FY2021 and Beyond

We expect screening demand to grow strongly in the U.S. and Europe. The growth trend for the business in China is continuing despite some uncertainties. Meanwhile, the timing of the recovery in Southeast Asia is uncertain due to the spread of COVID-19 variants. Additionally, there are causes for concern, including rising prices of components and logistics costs, and the impact of semiconductor shortages on production and the resulting prolongation of lead times.

Growth Strategy under the Third Mid-term Business Plan

We have identified the Screening Business and our China Business as our two main growth businesses, and are focusing our efforts on expanding them.

With regard to the Screening Business, our development subsidiary in the U.S. has actively recruited from outside the Company. The subsidiary is developing proprietary software to support optical chain stores and primary care physicians to enable them, non-ophthalmologists, to conduct eye screenings. We will work to expand our Screening Business with solutions that bundle this software with 3D OCT-1 Maestro and TRC-NW4 0 0, our fully automatic screening equipment, that can be operated with a single touch. As many AI development companies enter the screening market and AI automatic diagnosis services using our products are expanding, we will work to expand sales of our products.

In our business in China, we will continue to capture vigorous demands by reinforcing our system for approaching customers such as large hospitals, exam chains, and optical stores through the reorganization of our sales network.

* Optical chain stores in Japan are not in the scope of our Screening Business.

Topcon is selected “Digital Transformation Stocks (DX Stocks) 2021” for two consecutive years by Ministry of Economy, Trade and Industry and Tokyo Stock Exchange

DX Stocks are designated for companies that establish internal structures to promote DX that leads to the improvement of corporate values, and aggressively continue to take on challenges to transform their management and the entire business model based on the premise of digital technology. Topcon was selected as one of the 28 domestic listed companies that scored highest in the overall rating of this year's assessment among approximately 3,700 domestic listed companies in the Tokyo Stock Exchange (First Section, Second Section, Mothers, JASDAQ). In the fields of healthcare, agriculture and infrastructure, our business model and growth strategy toward creating new value, and our comprehensive efforts to support it, such as global organizational reform, human resource management, and the development of the IT environment, were highly appreciated.

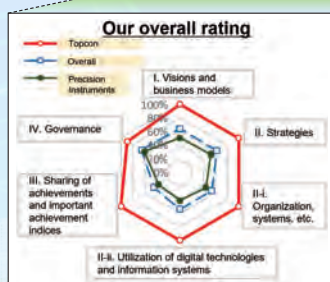
We have set a corporate identity of “contributes to enrich human life by solving the societal challenges within healthcare, agriculture and infrastructure”, and is promoting efforts to aim to solve societal challenges in each business field utilizing DX solutions.



Productivity and quality improvement in building construction work and cloud-based agricultural management IoT software solutions were highly acclaimed for 2021.



METI presentation material



1 DX solution to improve productivity and quality in building construction work

Although BIM has already been introduced and spread in the design stage of construction work, there is no solution to connect the three-dimensional digital model (virtual) created by BIM to the construction site (real). What is occurring is that construction works are carried out by printing out on two-dimensional paper drawings.

We develop software that links BIM data with sensing devices such as 3D digital surveying instruments and laser scanners. Then, we propose DX solutions that realize “automation of construction work”, and improve labor saving, construction quality and productivity by using BIM linkage solutions that bridge the gap between real and virtual.

2 Cloud-based agricultural management IoT software solution

We are promoting “automation of farm operations” by providing Auto Steering System for tractors, various crop growth and yield sensors, and software for fertilizer application design and dairy farming.

TAP (Topcon Agriculture Platform) is a software to propose further improvement of work efficiency by collecting and analyzing data, and the control of equipment related to the farming cycle in the cloud.

It is vendor-free and can be connected to any farming machinery and system, providing a DX solution that addresses food shortages resulting from global population growth.

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/press/2021/06/20210607003/20210607003.html> (Japanese only)

ESG at Topcon

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.





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^{*1} 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^{*2} 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>



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.

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.

FY2020 Highlights

CO₂ emission reduction through automation technology

IT Construction machinery

600 thousand t-CO₂ / year

Topcon Group Environmental Vision 2030

As a corporate group that provides products to global markets, the Topcon Group aims to further enhance its corporate value by solving the societal challenges within healthcare, agriculture and infrastructure to enrich human life, and at the same time, tackling the two goals of reducing environmental impact through products and responding to climate change as below.

1 Reducing Environmental Impact through Products

We promote energy and resource conservation by further reducing the environmental impact of our products. We also work with our customers to offer products, technologies and services that contribute to the prevention of global warming, the effective use of resources, and the conservation of biodiversity. Furthermore, in our manufacturing-oriented environment, we endeavor to recycle and effectively use waste products generated from our business activities, including procurement, development, manufacturing, sales and services.

2 Responding to Climate Change

The Topcon Group regards response to climate change as the most important environmental protection task, and is striving to increase the use of renewable energy power. We seek to reduce greenhouse gas emissions from our business activities in Japan by 40% by the end of fiscal 2030 compared to the fiscal 2013 level. In accordance with this policy, we strive to reduce greenhouse gas emissions and increase the use of renewable energy power at overseas sites.

Environmental Policy for Topcon and its domestic affiliated companies

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.

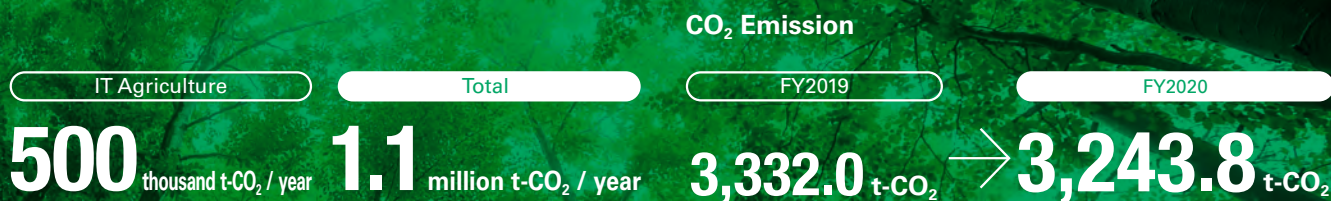
Environmental Management System:

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 maintains its certification.

Green Procurement Activities

As part of the environmental protection activity process, recognizing our responsibility to maintain the health of the global environment as an irreplaceable asset for future generations, we at Topcon Corporation are engaging in environmental activities in close cooperation with our suppliers.



As one of our efforts, we are promoting the supply of products and services with 1 minimal environmental impacts. For this purpose, the concept of green procurement is essential.

We aim at procuring the parts, materials, units, products, secondary materials, etc. (hereinafter delivered items) with low environmental loads by promoting the business activities, being aware of the environmental loads and risks.

Green Procurement Guidelines ▶

<https://global.topcon.com/about/procurement/green/green-03/>

Topcon's Environmental Footprint Report (FY2020)

1 Mitigating Global Warming (CO₂ Emissions Reduction)

Considering global warming as a top environmental priority, we sought to reduce our emissions to 4,710.0 t-CO₂, which is equivalent to a 25% 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 48.3%, to 3,243.8 t-CO₂. We are also working to reduce our CO₂ 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 FY2020, the total emissions were 242.7 tons, which exceeded the total emissions target of 230.0 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 FY2020, 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 1,556 kg (91.7% reduction).

In addition, we also switched from solvent paint to water paint to effectively reduce VOCs. The wear durability of conventional water-based paints tends to be lower than those of solvent paints. However, the developed water-based paints have wear durability equal to or better than those of solvent paints and are compatible with both environmental conservation and product durability.

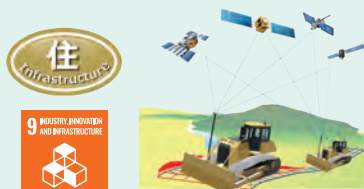


Initiatives for SDGs: Contribution to CO₂ emission reduction

Topcon's automation technologies for construction and farming machinery themselves contribute to reduce environmental impact

IT Construction

By automating construction machinery, operating time reduced by approximately 30% *1



Reduction in CO₂ emission from our products (Topcon's estimation) **Global 600,000 t-CO₂/ year *2**

IT Agriculture

By Auto Steering System for farming machinery, Operating time reduced by approximately 20% *3



Reduction in CO₂ emission from our products (Topcon's estimation) **Global 500,000 t-CO₂/ year *4**

By leveraging the strength of vendor neutral strategy, penetrate automation technology for existing construction and farming machinery

Expecting further CO₂ reduction by spreading of the automation technologies

*1: Source - Ministry of Land, Infrastructure, Transport and Tourism i-Construction promotion consortium "Progress of i-Construction" (2019)

https://www.mlit.go.jp/tec/construct/pdf/03.5_kikaku_siryoku6.pdf

*2: Basis of calculation

Based on the numbers with multiplying the estimated annual CO₂ emissions per unit of construction machinery and the estimated reduction rate of working hours through the use of ICT, calculating the CO₂ emissions reduction multiplying the estimated number of ICT automated construction machinery in operation worldwide and the estimated share of our company.

*3: Source: AEM "The Environmental Benefits of Precision Agriculture in the United States" (2020)

<https://newsroom.aem.org/asset/977839/environmentalbenefitsofprecisionagriculture-2#YBdQZR2Lc74.link>

*4: Basis of Calculation

Based on the numbers with multiplying the estimated annual CO₂ emissions per unit of farming tractor and the estimated reduction rate of working hours through the use of Auto Steering System, calculating the CO₂ emissions reduction multiplying the estimated number of tractors with Auto Steering System in operation worldwide and the estimated share of our company.

* i-Construction is a registered trademark of Ministry of Land, Infrastructure, Transport and Tourism's National Institute for Land and Technology Policy.

Societal Initiatives

The Topcon Group, as a global company, respects human rights and diversity through the development of Topconians (our human resources who share the Group's values and contribute to value creation). We will diligently work together with various stakeholders to create an affluent society.

FY2020 Highlights

Employees in Topcon Group

The
percentage
of female
employees

FY2019

FY2020

24% → 27%

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

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.

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. In addition, 8 out of 25 Executive Officers are

non-Japanese. The Group possesses a global business network with bases in 31 countries and regions. Accordingly, we have hired the right people from a highly diverse pool of talent, for the right jobs from a global perspective.

Promoting the Active Participation of Women in the Workplace

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.

As of the end of fiscal 2020, the proportion of female employees in the group is 27% (24% in fiscal 2019) in total, 15% (13%) in management. In headquarters, it is 17% (17%) as a whole, 8% (5%) in managerial positions. In addition, there are 1 female Director (out of 9) and 2 female Executive Officers (out of 25).

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



Managerial Employees in Topcon Group



Employees in the Head Office



Managerial Employees in the Head Office



reaches the age of two. In addition, we have expanded programs that allow employees to flexibly choose their work styles, including a Short-time, Shortday 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.

Ensuring the safety of group employees

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.

Strengthening Global Export Control System

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

- 1 Conducting export control audits
- 2 Providing export control educations
- 3 Developing export control specialists
- 4 Periodically holding export control promotion meetings
- 5 Regions requiring special control

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 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.

Societal Initiatives

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.

Communication 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. Our website is our primary channel for disclosing information in our communications with 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.



Report on CSR Activities

Global

Each sales company in Topcon's Eye Care Business provided breath shields (transparent plates designed to prevent droplet infection during medical examinations) free of charge to help prevent the spread of COVID-19. The breath shields were donated to users of products such as slit lamps (a type of microscope that is used for observing the cornea and fundus, sometimes known as a stethoscope for the eye), who experience difficulties in practicing social distancing during medical examinations.



The U.S.

As part of its support for dairy farmers and people struggling with food insecurity due to the COVID-19 pandemic, Topcon Positioning Systems, Inc. donated one gallon of milk for every download of its TAP FEED app to a local food bank during Dairy Month in June.

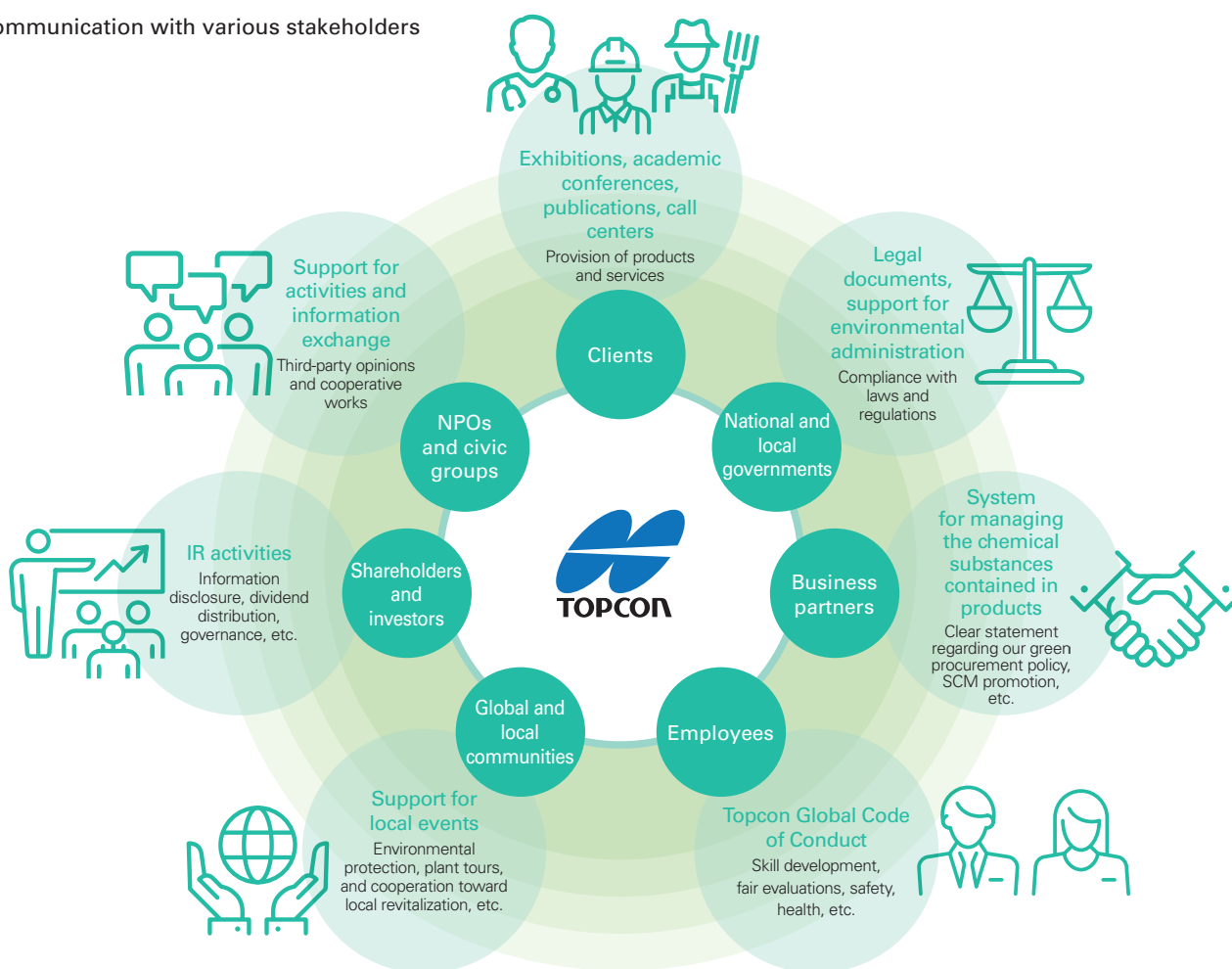


Rwanda

Topcon Positioning Systems, Inc. donated surveying equipment to be used in a bridge project being conducted in the East African country of Rwanda by Bridges to Prosperity, an American non-profit organization. The use of the latest surveying equipment enhanced work efficiency, allowing the NPO to build more bridges for isolated communities, thereby contributing to a safer and more secure society.

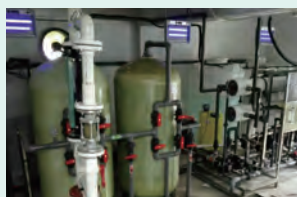


Communication with various stakeholders



China

Topcon Optical (Dongguan) Technology Ltd. conducted a major renovation of its wastewater treatment facility with the aim of protecting the environment. In order to reduce discharge risk, industrial water used in production, which is said to contain many impurities, is separated from water for domestic use for recycling.



India

Mehra Eyetech Pvt. Ltd. made donations to two eye care centers in India, Shraddha Eye Care Trust and Vijaya Medical & Educational Trust. The company provides continuing support for people's eye health through the donations.



Japan

During the Happy Holiday season each year, Topcon decorates its grounds with colorful lighting and opens the grounds up to local residents. In 2020, as a new initiative, the company handed out some sweets made at a facility for the disabled as gifts to visiting children.



Other support activities

- Topcon Electronics GmbH & Co. KG donated a total of EUR 11,500 to charitable causes such as child support organizations, poverty support organizations, and local communities.
- Topcon Europe Medical B.V. made a donation of EUR 1,300 to Fight for Sight, an organization that provides eye education and support for the visually impaired.
- Topcon Sokkia India Pvt. Ltd. donated a total of INR 2 million to the Prime Minister's National Relief Fund. The proceeds are used to provide support for the bereaved families of those who passed away in natural disasters and for people in poverty, helping them cover living expenses and medical expenses.

Corporate Governance Initiatives

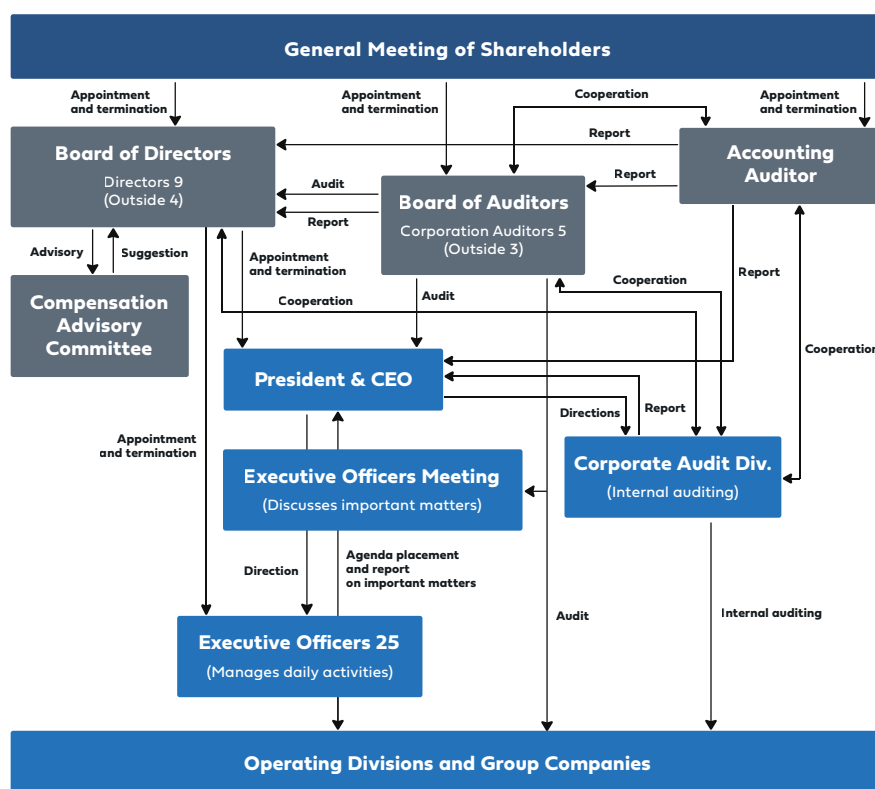
Topcon has established the TOPCON Corporate Governance Guidelines, in pursuit of the sustainable growth and medium- to long-term enhancement of the corporate value of the Topcon Group (hereinafter, referred to as the “Group”), comprising the Company and its affiliates. The Guidelines are based on the 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.

Outline of Corporate Governance

Outline of the Corporate Governance Structure

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.



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

Board of Directors

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 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.

Composition of the Board of Directors

- The Board of Directors of the Company comprises nine Directors (including four Outside Directors).
(Members of the Board of Directors)
Satoshi Hirano (Chairman, Representative Director), Takashi Eto (Representative Director), Haruhiko Akiyama (Director), Takayuki Yamazaki (Director), Kaoru Kumagai (Director), Kazuyuki Matsumoto (Outside Director), Ryo Sudo (Outside Director), Naoko Yamazaki (Outside Director), Yoshiharu Inaba (Outside Director)
- 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.

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.

■ Board of Corporate Auditors

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.

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 five Corporate Auditors (including three Outside Corporate Auditors).
(Members of the Board of Corporate Auditors)
Shokyu Nakamura (Chairman, Full-time Corporate Auditor), Nobuyuki Ryu (Full-time Corporate Auditor), Tatsuya Kuroyanagi (Corporate Outside Auditor), Kiyoshi Suzuki (Corporate Outside Auditor)
- 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.

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.

Corporate Governance Initiatives

■ 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.

■ 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. (Members of the Committee)
Kazuyuki Matsumoto (Chairman, Independent Outside Director), Satoshi Hirano (Representative Director, President & CEO), Tatsuya Kuroyanagi (Independent Outside Corporate Auditor)
- The Compensation Advisory Committee makes proposals to the Board of Directors upon receiving consultation from the Board of Directors.

■ Internal Audit Department, and Others

The Company has established the Corporate Audit Division consisting of seven 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.

■ Directors and Corporate Auditors

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 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.

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.

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 three 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.

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.

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.

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.

Executive Compensation

Policy on Determining Details of Individual Compensation for Directors

Compensation for Directors (excluding Outside Directors) consists of fixed compensation and performance-linked compensation (short-term performance-linked compensation, medium-term performance-linked compensation, and stock options). Outside Directors and Corporate Auditors receive only fixed compensation.

The Company has established a Compensation Advisory Committee in order to ensure objectivity and transparency in relation to the handling of compensation for Directors. The Committee is chaired by an Independent Outside Director, and the majority of its members are Independent Outside Officers. The Committee makes proposals to the Board of Directors upon receiving consultation from the Board of Directors. The policy on compensation for Directors is determined by a resolution of the Board of Directors based on the discussions and proposals of the Compensation Advisory Committee.

The amount of compensation for each individual Director is determined within the total amount of compensation for

Directors determined by the resolution of a General Meeting of Shareholders, in accordance with the policy on compensation for Directors based on the discussions at the Compensation Advisory Committee. For stock options, the specific amount is determined by a resolution of the Board of Directors. For other compensation, the Board of Directors delegates determination of the specific amounts to the President and Representative Director (Satoshi Hirano, CEO), considering factors such as that the President and Representative Director has a full view of the Company's overall performance, and the procedures required to have discussions with and obtain proposals from the Compensation Advisory Committee in advance. The President and Representative Director determines the specific amounts of other compensation in accordance with the delegation. In addition, the Board of Directors has determined that the said compensation is in line with the policy on compensation for Directors, as the Compensation Advisory Committee has conducted in advance a multifaceted review of the compensation for Directors, including the assessment of its consistency with the policy on compensation for Directors.

Corporate Governance Initiatives

The Compensation Advisory Committee held a meeting to determine the amounts of compensation for Directors for the current fiscal year in May 2021, and the Board of Directors held meetings in June 2020 and February 2021, respectively.

The amount of compensation for each Corporate Auditor is determined by discussions among the Corporate Auditors, and is set within the amount of compensation for Corporate Auditors determined by a resolution of the General Meeting of Shareholders.

■ Fixed compensation

- Fixed compensation for Directors (excluding Outside Directors) is determined according to rank, and is paid monthly.
- Fixed compensation for Outside Directors is determined based on consideration of their roles and other factors, and is paid monthly.

■ Performance-linked compensation

- Performance-linked compensation for Directors (excluding Outside Directors) is calculated based on prescribed benchmarks for the relevant fiscal year. The indicators used for performance-linked compensation for Directors include consolidated profit attributable to owners of the parent and ROE, in order to boost the motivation and morale of Directors toward higher performance and to ensure the identity of interest between Directors and the shareholders.
- Short-term performance-linked compensation is calculated based on the results of the current fiscal year. Medium-term performance-linked compensation is calculated based on the cumulative results during the period of the mid-term business plan. Each compensation is paid after the end of the period to which it applies.
- Stock acquisition rights are granted as stock options to Directors (excluding Outside Directors) in order to boost motivation and morale toward the enhancement of long-term performance. The number of stock acquisition rights to be allotted to each Director is determined according to rank. Stock acquisition rights are issued by a resolution of the Board of Directors, on the condition that the rights to request compensation of the Directors whom the stock acquisition rights are allocated to shall be offset against the paid-in amount for the stock acquisition rights by an amount equal to the paid-in amount. Details of the stock acquisition rights are as described in “(2) Status of Stock Acquisition Rights,

etc.” in “1. Status of Shares, etc.” on pages 23 to 28 of the Annual Securities Report (Japanese language only).

- The results of indicators serving as the basis of performance-linked compensation for the current fiscal year are as follows: consolidated profit attributable to owners of the parent of ¥2,376 million and ROE of 3.6%. As for cumulative results for the third mid-term business plan, consolidated profit attributable to owners of the parent was ¥3,311 million, and average ROE was 2.5%.

■ Compensation composition ratio

- Compensation for Directors (excluding Outside Directors) consists of fixed compensation and performance-linked compensation. The ratio of performance-linked compensation to the total amount of compensation is designed to be a maximum of approximately 60% on average for each rank, depending on the performance indicators, in order to boost the motivation and morale of Directors toward higher performance.

Matters concerning Resolutions of the General Meeting of Shareholders regarding Compensation of Directors and Corporate Auditors

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 as of the close of that Annual General Meeting of Shareholders was nine (including three Outside Directors). In addition, at the 124th Annual General Meeting of Shareholders held on June 28, 2017, a resolution was made to allot stock acquisition rights as stock options to the Company's Directors (excluding Outside Directors). The number of Directors as of the close of that Annual General Meeting of Shareholders was eight (including two 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 as of the close of that Annual General Meeting of Shareholders was four (including two Outside Corporate Auditors).

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	Non-monetary Compensation	
Directors (excluding Outside Directors)	281	193	66	21	6
Corporate Auditors (excluding Outside Corporate Auditors)	36	36	—	—	3
Outside Officers	60	60	—	◇	6

Notes: 1) Non-monetary compensation is the amount of expenses accrued during the fiscal year for the stock acquisition rights granted as stock options.

2) One Director, who retired at the conclusion of the 127th Annual General Meeting of Shareholders held on June 25, 2020, is included in the number of Corporate Auditors (excluding Outside Corporate Auditors).

3) One Corporate Auditor, who retired at the conclusion of the 127th Annual General Meeting of Shareholders held on June 25, 2020, 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 Takashi Eto
Representative Director
Senior Managing Executive Officer | 3 Haruhiko Akiyama
Director
Managing Executive Officer |
| 4 Takayuki Yamazaki
Director
Managing Executive Officer | 5 Kaoru Kumagai
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

- | | | |
|---|---|---|
| 10 Shokyū Nakamura
Corporate Auditor | 11 Nobuyuki Ryu
Corporate Auditor | 12 Tatsuya Kuroyanagi
Outside Corporate Auditor |
| 13 Keiji Taketani
Outside Corporate Auditor | 14 Kiyoshi Suzuki
Outside Corporate Auditor | |

Executive Officers

- | | | | | |
|--|---|---|---|---|
| Raymond O'Connor
Senior Managing Executive Officer | Fumio Ohue
Managing Executive Officer | David Alan Mudrick
Senior Executive Officer | Ivan Di Federico
Senior Executive Officer | Reiko Watanabe
Senior Executive Officer |
| Yoshikuni Ito
Senior Executive Officer | Shigehiro Ogino
Executive Officer | Takaaki Hirayama
Executive Officer | Eric Franken
Executive Officer | Hiroyuki Nishizawa
Executive Officer |
| Kinpui Chan
Executive Officer | Yasuyuki Ninomiya
Executive Officer | Akifumi Baba
Executive Officer | Keijiro Asayama
Executive Officer | Hideyuki Takizawa
Executive Officer |
| Arata Kimura
Executive Officer | Tsuyoshi Yoshida
Executive Officer | Jamie Williamson
Executive Officer | Cindy Hudson
Executive Officer | Raymond Vallejo
Executive Officer |

Interview with an Outside Director



The Future of Topcon through the Eyes of a Legend of the Manufacturing Industry

Yoshiharu Inaba Chairman (Representative Director) of FANUC CORPORATION, and Outside Director of TOPCON CORPORATION

Yoshiharu Inaba was born in 1948 in Ibaraki Prefecture. He graduated from the Department of Mechanical Engineering, School of Engineering, Tokyo Institute of Technology in 1973, and after working for Isuzu Motors, he joined FANUC in 1983. He created numerical control (NC) devices that improved the precision of machine tools and is still involved to this day in the development of a large number of industrial robots with an exceptionally large share of the global market. He became Senior Executive Vice President (Representative Director) at FANUC in 2001, President and CEO (Representative Director) in 2003, followed by Chairman and CEO in 2016, and then assumed his current position as Chairman (Representative Director) in 2019. In 2020, he assumed his current position of Outside Director at Topcon.

FANUC CORPORATION
It is a pioneering company in CNC of machine tools (Factory Automation) market. In the field of FA, it has high market share of more than 50% in both global and domestic markets. It has net sales of ¥551.3 billion and operating income of ¥112.5 billion (for the fiscal year ended March 31, 2021).

In June 2020, a person hailed around the world as a legend in the development of industrial robots assumed an Outside Director at Topcon, namely Yoshiharu Inaba (Chairman of the Japan Machine Tool Builders' Association and a Doctor of Engineering) who concurrently serves as Chairman (Representative Director) of FANUC. What are his views on Topcon's governance? We spoke with him on various matters including his reasons for accepting the offer from Topcon's President Hirano to become an Outside Director.

Topcon is Going to Change the State of the World's Future

I am so excited to think about the various roles I will play at Topcon.

For example, in the field of machine tools which is a strength of FANUC, our customers insist strongly not to stop production lines. All machines are destined to fail eventually. That is exactly why it is important to put in place a system that notifies an administrator before a machine fails and enables the machine to be repaired immediately when it does. At FANUC, I have worked for many years with automobile manufacturers and other corporate customers that operate high-volume production lines. For this reason, I believe I can foresee what the customers who use Topcon

products will require, and give advice on how to incorporate that into corporate governance.

Furthermore, I also think that I can assist Topcon in creating its future vision. For example, rather than only focusing on Japan, President Hirano and the rest of Topcon's top management are always sensitive to global trends when they make decisions. In order to discern what will happen in the world, it is important to bring together people who are knowledgeable about various fields and hold active discussions. At Topcon's Board of Directors meetings, all Directors, including Outside Directors, speak up freely and actively and hold constructive discussions. FANUC's Board

of Directors meetings also have an open atmosphere, but I feel that Topcon's are even more open. I would like to join that team and express a wide range of views.

One thing I have realized after participating in Board of Directors meetings is that Topcon is a very passionate company. Firstly, President Hirano and the rest of the top management are enthusiastic. Their passion is also evident in Topcon's corporate governance. I think that Topcon is very good at aggressively acquiring various venture companies, including those overseas, and building synergy with them while respecting their cultures. Rather than being controlling, they build a trust relationship and create a shared dream for the future together; this cannot be done without passionate leadership and appropriate governance. Topcon also partners and builds relationships with various manufacturers of construction and agricultural machinery and medical devices, and implements the latest technologies into the society. This

is also impossible to achieve without trusted partnership that both parties can express their ideal vision on occasion, and hold strong empathetic bond each other.

Moreover, the passion of the top management lights fires in the hearts of the employees as well. One example is lens polishing. Although Topcon is receiving attention for its automation and mechanization technologies, the lenses used in its high-precision optical devices are made with the finest craftsmanship. A high level of optical technology is indispensable for surveying instruments and ophthalmic medical instruments, where Topcon has built up global large market share as its core businesses. One of these is the aspherical lens used in fundus cameras. If these lenses are not polished accurately to the sub-micron level, it's unable to capture accurate fundus images. This precise lens processing technology is imbued with the passion of the manufacturing staff.

The Innovation of Technology Draws Similar Shapes

I became an Outside Director at Topcon because FANUC and Topcon have overlapping histories. I believe it is well known that NC devices and industrial robots that FANUC invented have automated various factories around the world. Similarly, agriculture, building construction, civil engineering and healthcare worksites where Topcon operates businesses will become rapidly IT-oriented and automated going forward.

This is because the basic technology and concepts are the same. Various machine tools stand on "How to input and output." When parts are being made, the first step is to create a design using CAD and feed its data into a machine tool, and then measure the dimensions of the material to be processed. These are the "inputs." Next, the machine cuts or grinds the material precisely according to how it is programmed. This is the "output." This is the same as what Topcon is achieving in the fields of healthcare, agriculture and infrastructure. In the construction field, construction machinery will operate automatically if the design data is pre-loaded into the machinery, and GNSS and precision sensors are used to ascertain the topography shape while at the same time the position of the machinery is measured. In the case of machine tools, before numerical control became available, people would make parts by using general-purpose lathes to cut and grind materials by rule of thumb and checked dimensions with the caliper. Today, the machine tool cuts and grinds while measuring the dimensions precisely, and the finished part is removed by a robot.

Similar thing will happen not only for construction work process but also for agriculture job cycle. Combining Topcon's control technologies with existing tractor technologies will streamline entire farm job cycle such as planting, growing, and harvesting.

I think the history of humanity is at the same time also a history of tools. Iron plows and hoes dramatically improved the productivity of agriculture, and with population growth, increasing the number of people who were involved in work other than food production, and giving rise to various civilizations in each nation of the world. Similarly, the adoption of numerical control and industrial robots at factories around the world made consumer electronics, automobiles, and other goods widely used in the world. Throughout the history of technology, the evolutions of different technologies have traced similar paths. Even before President Hirano asked me to become an Outside Director, I was confident that automation and laborsaving would be realized in the fields of agriculture, civil engineering and building construction, and that the quality of these fields would also improve. That is exactly why I was very interested in President Hirano's offer.

Topcon is definitely a company that its shareholders can also trust. As with FANUC, I believe that Topcon will become a leading company that will dramatically drive the evolutions in the fields of healthcare, agriculture and infrastructure.

Financial Highlights

Topcon Corporation and Consolidated Subsidiaries

	2012/3	2013/3	2014/3	2015/3
Operating results				
Net sales	98,834	97,345	116,685	128,569
Positioning Company	34,241	37,824	48,959	58,672
Smart Infrastructure Business	28,221	29,839	34,621	33,909
Eye Care Business	32,598	31,073	38,736	41,240
Other Businesses	13,579	9,262	6,625	6,558
Elimination	(9,806)	(10,653)	(12,258)	(11,812)
Overseas sales	73,949	72,711	89,187	97,568
Operating income	2,080	5,214	11,730	16,041
Ordinary income	467	3,471	11,300	14,880
Profit attributable to owners of the parent	(3,686)	511	5,963	8,670
Capital expenditures	3,443	3,297	3,692	5,070
Depreciation	3,115	3,384	3,803	3,732
Amortization of goodwill	1,660	1,618	1,782	1,833
R&D expenditures	8,707	8,221	9,184	10,677
Free cash flows	(3,575)	1,862	4,599	7,951

Financial position				
Shareholders' equity	32,667	48,474	53,598	63,460
Total assets	120,777	129,503	135,818	143,181
Interest-bearing liabilities	58,882	50,629	47,733	44,014

Per share data				
Earnings per share (EPS)	(39.80)	5.48	55.21	80.27
Net assets per share (BPS)	352.71	448.77	496.22	587.52

Management indicators				
Gross profit ratio (%)	38.6	44.0	47.7	51.5
Operating income ratio (%)	2.1	5.4	10.1	12.5
Net income ratio (%)	(3.7)	0.5	5.1	6.7
Ratio of R&D expenditures to net sales (%)	8.8	8.4	7.9	8.3
Overseas sales ratio (%)	74.8	74.7	76.4	75.9
Return on assets (ROA) (%)	(3.0)	0.4	4.4	6.1
Return on equity (ROE) (%)	(10.6)	1.3	11.7	14.8
Price earnings ratio (PER) (times)	—	156.3	30.7	36.7
Price book-value ratio (PBR) (times)	1.6	1.9	3.4	5.0
Equity ratio (%)	27.0	37.4	39.5	44.3
Total assets turnover ratio (times/year)	0.80	0.78	0.88	0.92
D/E ratio (%)	180.3	104.4	89.1	69.3
Dividend payout ratio (%)	—	109.4	18.1	19.9

Note: Amounts in parentheses represent negative figures/amounts.

Unit: million yen

2016/3	2017/3	2018/3	2019/3	2020/3	2021/3
130,735	128,387	145,558	148,688	138,916	137,247
61,977	60,602	74,945	77,722	73,989	71,416
32,989	33,091	36,626	36,744	33,398	33,982
43,834	43,148	46,515	47,713	44,758	44,251
4,997	3,708	2,493	1,698	1,319	1,165
(13,063)	(12,163)	(15,023)	(15,190)	(14,549)	(13,568)
102,794	98,937	114,847	115,299	108,878	106,041
8,803	9,551	12,073	13,596	5,381	6,593
7,366	7,622	10,674	11,497	2,895	5,587
4,197	4,395	6,028	6,548	935	2,376
5,203	4,438	5,138	6,234	8,399	4,206
4,715	4,660	5,408	5,983	6,757	7,416
2,546	2,451	2,651	2,145	1,999	1,858
11,329	10,411	12,964	14,014	15,979	14,916
(23,121)	13,238	5,488	7,844	1,137	10,213

58,311	59,716	65,173	69,037	63,100	69,351
166,542	158,280	160,747	160,288	161,721	168,210
70,442	58,640	53,286	48,554	57,372	52,987

Unit: yen

38.97	41.46	56.87	61.76	8.87	22.59
550.04	563.30	614.78	651.11	600.03	659.31

50.2	51.1	51.5	52.8	52.3	49.5
6.7	7.4	8.3	9.1	3.9	4.8
3.2	3.4	4.1	4.4	0.7	1.7
8.7	8.1	8.9	9.4	11.5	10.9
78.6	77.1	78.9	77.5	78.4	77.3
2.7	2.7	3.8	4.1	0.6	1.4
6.9	7.4	9.7	9.8	1.4	3.6
38.1	48.0	36.5	21.1	90.4	59.4
2.7	3.5	3.4	2.0	1.3	2.0
35.0	37.7	40.5	43.1	39.0	41.2
0.84	0.79	0.91	0.93	0.86	0.82
120.8	98.1	81.8	70.3	90.9	76.4
61.6	38.6	35.2	38.9	270.7	44.3

Discussion and Analysis of Financial Results

Market Environment

During the fiscal year ended March 31, 2021, global economic activities remained sluggish as certain regions went under lockdown, due to the impact of COVID-19 which emerged at the end of the previous fiscal year. For the latter half of the fiscal year, however, the situation began to pick up mainly in the manufacturing industry, despite disparities of recovery among the regions. Meanwhile, causes for concern proliferated, including the status of COVID-19 and U.S.-China friction, and the outlook of the global economy remains uncertain.

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.

The Company's business activities around the world became subject to restrictions, triggered by the COVID-19 pandemic, which emerged around the fourth quarter of the fiscal year ended March 31, 2020. Starting from the second quarter of the fiscal year ended March 31, 2021, the Company experienced swift recovery thanks to robust demand for its businesses as essential businesses, against the backdrop of economic restoration. Nevertheless, global movement restrictions are still in place as the COVID-19 pandemic has yet to be brought under control, and the economic climate remains unpredictable.

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, and the strengths of these business domains were recognized as essential businesses even amid the COVID-19 pandemic. Accordingly, while the impact on the timeline is inevitable, the third mid-term business plan, which is currently being implemented, will remain unchanged in terms of its management vision defined as “Expand our businesses and solve the societal challenges within the growing market of Healthcare, Agriculture and Infrastructure,” and its growth scenario.

In light of the delays in the progress of the mid-term business plan due to the COVID-19 pandemic, we have extended the timeline of the third mid-term business plan for one year until the fiscal year ending March 31, 2023. We will

continue to earnestly promote initiatives under the management vision whose strengths were reaffirmed even amid the COVID-19 pandemic.

Furthermore, continuous demand and business growth are expected in each of our business domains. In the Healthcare domain, new needs became evident which coincided with our solutions, including demands for tele-optometry corresponding to social distancing needs in response to the impact of COVID-19. Meanwhile, in the Agriculture and Infrastructure domains, we are beginning to see a boost from economic restoration demand in addition to our strengths as an essential business.

Consolidated Results

For the fiscal year ended March 31, 2021, consolidated sales declined by 1.2% from the previous year to ¥137,247 million. Net sales have been on a recovery trend since bottoming out in the first half of the first quarter in line with the resumption of economic activities around the world, and robust recovery as an essential business continued to the end of the fiscal year. In terms of profit, operating income increased by 22.5% year-on-year to ¥6,593 million, due to the reduction of fixed costs including various expenses and research and development expenses, as well as a recovery in net sales. Ordinary income increased by 93.0% year-on-year to ¥5,587 million, and profit attributable to owners of the parent increased by 154.0% year-on-year to ¥2,376 million.

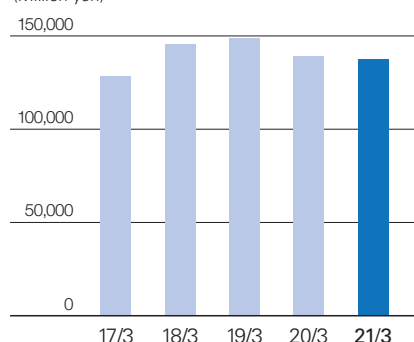
Segment Information

Although the Positioning Company was affected by lockdowns mainly in Europe and North America in the first quarter, sales remained strong against a backdrop of robust demand as an essential business. In the construction field, the U.S. housing construction market recovered rapidly, which pushed up sales of laser products. IT Construction was also on a recovery trend, and aftermarket sales increased in IT Agriculture. As a result, net sales decreased by 3.5% year-on-year to ¥71,416 million. Operating income increased by a substantial 33.6% year-on-year to ¥6,064 million, due mainly to a reduction in selling, general and administrative expenses.

Although the Smart Infrastructure Business was impacted by COVID-19 in the first quarter, sales saw an increase

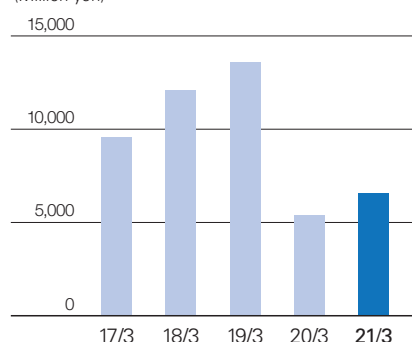
Net Sales

(Million yen)



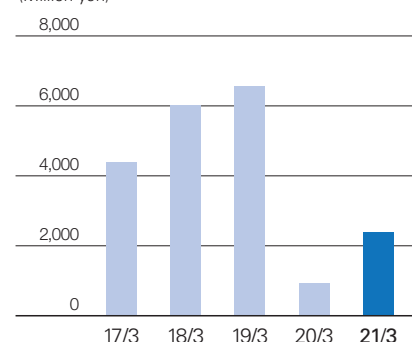
Operating Income

(Million yen)



Profit Attributable to Owners of the Parent

(Million yen)



against the backdrop of robust demand as an essential business. In Japan, the impact of COVID-19 was limited, partly due to healthy demand resulting from the expansion of i-Construction projects and others as well as increased sales of IT Agriculture products owing to a subsidy program by the national government. Meanwhile, sales declined in parts of Asia, India and the Middle East due to the prolonged spread of COVID-19. As a result, net sales increased by 1.7% year-on-year to ¥33,982 million. Operating income was flat year-on-year at ¥4,972 million due in part to the impact of a temporary decline in plant operating rates in order to use up inventories from the end of the previous fiscal year, despite the increase in net sales and continued reductions in selling, general and administrative expenses.

In the Eye Care Business, demands dropped sharply as a result of lockdowns imposed due to COVID-19. However, demand has been on a recovery trend after bottoming out in April 2020. The market recovered rapidly from the third quarter onward due to vigorous demand for tele-optometry system that supports social distancing as well as the market recovery and the effects of reorganization of our sales network in China. As a result, net sales decreased by 1.1% year-on-year to ¥44,251 million. Although we worked to reduce fixed expenses, operating income decreased by 10.5% year-on-year to ¥122 million mainly due to the impact of a decline in net sales.

Financial Position

Total Assets

As of March 31, 2021, total assets stood at ¥168,210 million, an increase of ¥6,489 million from the end of the previous fiscal year.

Current assets

Current assets increased by ¥3,413 million from the end of the previous fiscal year to ¥101,942 million. This was mainly due to increases in cash and deposits and accounts receivable, despite a decrease in inventories.

Non-current assets

Non-current assets increased by ¥3,075 million from the end of the previous fiscal year to ¥66,268 million. This was mainly due to increases in tangible fixed assets and investment securities, despite a decrease in intangible fixed assets.

Liabilities

As of March 31, 2021, total liabilities stood at ¥97,522 million, an increase of ¥460 million from the end of the previous fiscal year.

Current liabilities

Current liabilities decreased by ¥19,304 million from the end of the previous fiscal year to ¥49,062 million. This was mainly due to decreases in short-term borrowings and the current portion of bonds payable.

Non-current liabilities

Non-current liabilities increased by ¥16,764 million from the end of the previous fiscal year to ¥48,460 million. This was mainly due to increase in bonds payable.

Net Assets

As of March 31, 2021, total net assets stood at ¥70,687 million, an increase of ¥6,028 million from the end of the previous fiscal year. This was mainly due to increase in retained earnings and foreign currency translation adjustment.

Cash Flows

As of March 31, 2021, cash and cash equivalents (hereinafter referred to as "net cash") stood at ¥20,446 million, an increase of ¥4,662 million from the end of the previous fiscal year. This was mainly due to an increase in net cash resulting from a decrease in inventories and issuance of corporate bonds, despite a decrease in net cash resulting from an increase in accounts receivable, acquisition of fixed assets and investment securities, and repayment of short-term borrowings.

Net Cash Flow Provided by Operating Activities

During the fiscal year ended March 31, 2021, net cash provided by operating activities totaled ¥19,439 million, compared to ¥7,944 in the previous fiscal year. This was mainly due to making a profit before income taxes and a decrease in inventories, despite a decrease in net cash resulting from an increase in accounts receivable.

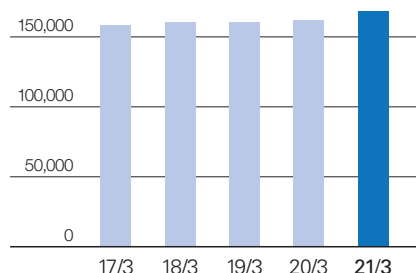
Net Cash Flow Used in Investing Activities

During the fiscal year ended March 31, 2021, net cash used in investing activities totaled ¥9,226 million, compared to ¥6,807 million in the previous fiscal year. This was mainly due to purchases of tangible fixed assets, intangible fixed assets, and investment securities.

Total Assets

(Million yen)

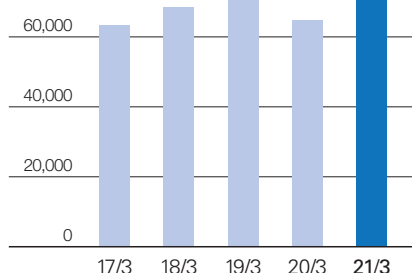
200,000



Net Assets

(Million yen)

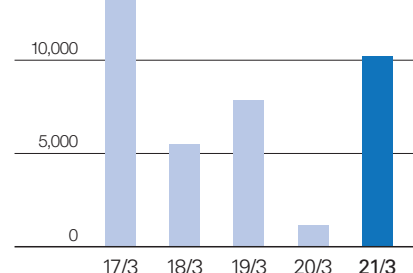
80,000



Free Cash Flows

(Million yen)

15,000



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

Discussion and Analysis of Financial Results

Net Cash Flow Provided by Financing Activities

During the fiscal year ended March 31, 2021, net cash used in financing activities totaled ¥6,195 million, compared to ¥1,995 million provided by financing activities in the previous fiscal year. This was mainly due to repayments of short- and long-term borrowings, redemption of corporate bonds, and dividends paid.

Capital Expenditures

In the fiscal year ended March 31, 2021, total capital expenditures for the Topcon Group amounted to ¥4,206 million.

Capital expenditures by business segment comprised ¥972 million for the Smart Infrastructure Business, ¥1,546 million for the Positioning Company, and ¥1,599 million for the Eye Care Business. Capital expenditures were mainly for research and development, enhancement of production systems, improvement of business efficiency, and investments for the purpose of updating 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, 2021, there was no payment for interim dividends as originally planned in light of negative impacts from COVID-19 pandemic (compared with ¥14.00 per share interim dividend in the previous fiscal year). However, because we were able to post profit exceeding the plan, based on the basic policy to return profits to our shareholders, ¥10.00 per share (compared with ¥5.00 per share in the original plan and ¥10.00 per share in the previous fiscal year) was paid for the

year-end dividend, bringing the total full-year dividends to ¥10.00 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.

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.

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.

Intensifying Competition (Price and Non-price Competition)

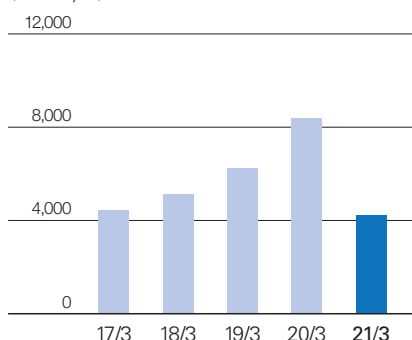
The Group faces competition in the form of the supply of similar products by competitors, in each of its businesses. To maintain its competitive edge, the Group promotes the early market launch of new products, the development of new technologies, and cost reductions, among other efforts. However, should 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.

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.

■ 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.

■ 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.

■ 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.

■ 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.

■ 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.

■ 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.

■ 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.

■ 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.

■ 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.

[\(Risks Associated with the Spread of the COVID-19\)](#)

Due to the spread of COVID-19, sales activities and shipments in each country were under major restrictions into the fiscal year ended March 31, 2021, and impacted the Group's business activities and financial results. However, the situation began to pick up mainly in the manufacturing industry through the latter half of the fiscal year, despite disparities of recovery among the regions. The Group expects similar recovery trends to continue going forward.

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.

■ Seasonality

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

Topcon Group List

As of July 31, 2021

Excluding liquidated or inactive entities

Japan	Prefecture
TOPCON CORPORATION	Tokyo
TOPCON YAMAGATA CO., LTD.	Yamagata
TOPCON OPTONEXUS CO., LTD.	Fukushima
TOPCON MEDICAL JAPAN CO., LTD.	Tokyo
TOPCON ESSILOR JAPAN, CO., LTD.	Tokyo
TOPCON POSITIONING ASIA CO., LTD.	Tokyo
TOPCON SOKKIA POSITIONING JAPAN CO., LTD.	Tokyo
TOPCON TECHNOHOUSE CORPORATION	Tokyo
TOPCON G.S. CORPORATION	Tokyo

The Americas	Country
Topcon America Corporation	The United States
Topcon Medical Systems, Inc.	The United States
Topcon Healthcare Solutions, Inc.	The United States
Topcon Positioning Systems, Inc.	The United States
ClearEdge3D, Inc.	The United States
Topcon Solutions, Inc.	The United States
iVolve Americas Inc.	The United States
Digital Construction Works, Inc.	The United States
Topcon Advanced Biomedical Imaging Laboratory	The United States
Topcon Advanced Product Innovation Center	The United States
Topcon Canada Inc.	Canada
Topcon Agriculture Canada, Inc.	Canada

APAC (Asia, Oceania)	Country
Topcon Singapore Holdings Pte. Ltd.	Singapore
Topcon Singapore Medical Pte. Ltd.	Singapore
Topcon Healthcare Solutions Asia Pacific Pte. Ltd.	Singapore
Topcon Singapore Positioning Pte. Ltd.	Singapore
Topcon Instruments (Thailand) Co., Ltd.	Thailand
Topcon Positioning Asia(Thailand) Co.,Ltd	Thailand
Topcon Instruments (Malaysia) Sdn. Bhd.	Malaysia
Topcon Positioning Asia(Malaysia) Sdn.Bhd.	Malaysia
Sokkia Korea Co., Ltd.	South Korea
Mehra Eyetech Pvt. Ltd.	India
Topcon Sokkia India Pvt. Ltd.	India
PT. Weeo Solutions Frontier	Indonesia
Topcon (Beijing) Medical Technology Co., Ltd.	China
NORAC Trading (Shanghai) Inc.	China
Shanghai Topcon-Sokkia Technology & Trading Co., Ltd.	China
Topcon Optical (Dongguan) Technology Ltd.	China
Topcon Optical (H.K.) Ltd.	Hong Kong
Topcon Healthcare Solutions Australia Pty Ltd.	Australia
TPS Australia Holdings Pty Ltd.	Australia
Topcon Precision Agriculture Pty Ltd.	Australia
Topcon Positioning Systems (Australia) Pty Ltd.	Australia
iVolve Holdings Pty. Ltd.	Australia
iVolve Pty. Ltd.	Australia
iVolve Technologies Pty. Ltd.	Australia

EMEA (Europe, the Middle East, Africa)	Country
Topcon Europe B.V.	The Netherlands
Topcon Europe Medical B.V.	The Netherlands
Topcon Europe Positioning B.V.	The Netherlands
Topcon Deutschland Medical G.m.b.H.	Germany
Topcon Deutschland Positioning G.m.b.H	Germany
Topcon Electronics GmbH & Co. KG	Germany
Topcon France Medical S.A.S.	France
Topcon Positioning France S.A.S.	France
Topcon (Great Britain) Medical Ltd.	The United Kingdom
Topcon Positioning (Great Britain) Ltd.	The United Kingdom
Topcon Technology Ltd.	The United Kingdom
Topcon Espana, S.A.	Spain
Topcon Precision Ag Europe S.L.	Spain
Topcon Positioning Spain, S.L.U.	Spain
Topcon Positioning Canarias, S.L.U.	Spain
Mirage Technologies S.L.U.	Spain
Topcon Scandinavia A.B.	Sweden
Topcon Healthcare Solutions EMEA Oy	Finland
Topcon Technology Finland Oy	Finland
Topcon Agriculture S.p.A.	Italy
Topcon Positioning Italy s.r.l	Italy
GEOPRO s.r.l.	Italy
Tierra S.p.A.	Italy
TOPFLOOR S.r.l.	Italy
VISIA Imaging S.r.l	Italy
Topcon Positioning Portugal, L.D.A	Portugal
Topcon Positioning Belgium BV BA	Belgium
Topcon Polska Sp Zo.o.	Poland
Topcon Positioning Systems,LLC.	Russia
Topcon Positioning Middle East and Africa FZE	UAE
Topcon Precision Agriculture Africa (Pty) Ltd.	South Africa

Corporate Profile and Stock Information

Corporate Profile

As of March 31, 2021

Corporate Name	TOPCON CORPORATION
Headquarters	75-1, Hasunuma-cho, Itabashi-ku, Tokyo 174-8580, Japan
Established	September 1, 1932
Paid-in Capital	¥16,697 million
Business Outline	Positioning (Precision GNSS, Machine Control Systems, IT Agriculture) Smart Infrastructure (Surveying instruments, 3D measurement) Eye Care (Instruments for ophthalmic examination, diagnosis and therapy, Ophthalmic network systems, Optometric instruments)
Topcon Group	Consolidated subsidiaries 67 Equity method affiliates 10
Employees	4,955 (consolidated) 654 (non-consolidated)
Number of Authorized Shares	160,000,000
Number of Shares	108,156,842
Issued and Outstanding	(including 2,969,391 shares of treasury stock)
Number of Shareholders	16,029
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

As of March 31, 2021

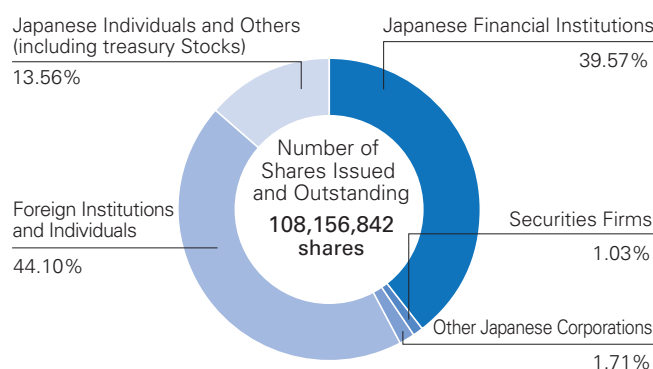
Shareholder	Number of shares held	Shareholding ratio (%)
Custody Bank of Japan, Ltd. (Trust Account)	10,447,900	9.93
The Master Trust Bank of Japan, Ltd. (Trust Account)	9,614,600	9.14
J.P. MORGAN BANK LUXEMBOURG S.A. 381593	4,694,300	4.46
The Dai-ichi Life Insurance Company, Limited	4,038,000	3.83
THE BANK OF NEW YORK MELLON 140051	3,365,800	3.19
STATE STREET BANK AND TRUST COMPANY 505103	3,039,717	2.88
Custody Bank of Japan, Ltd. (Trust Account 9)	2,644,000	2.51
Custody Bank of Japan, Ltd. (Trust Account 9)	2,597,500	2.46
TAIYO FUND, L.P.	2,543,100	2.41
THE CHASE MANHATTAN BANK 385013	2,364,000	2.24

* The Company's holding of treasury stock (2,969 thousand shares of the total number of issued shares) is not included in the above.

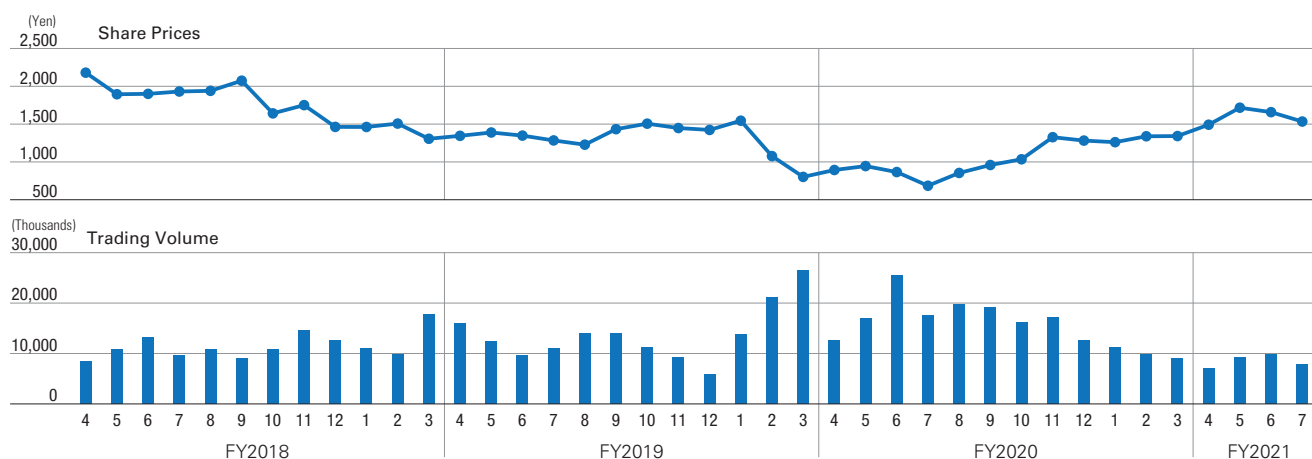
* Shareholding ratio is calculated by deducting the number of treasury stocks from total shares issued.

Breakdown by Type of Shareholders

As of March 31, 2021



Share Prices and Trading Volume



TOPCON CORPORATION

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

Corporate Communication Div.

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

URL: <https://global.topcon.com>