

# 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 the Corporate Governance Structure

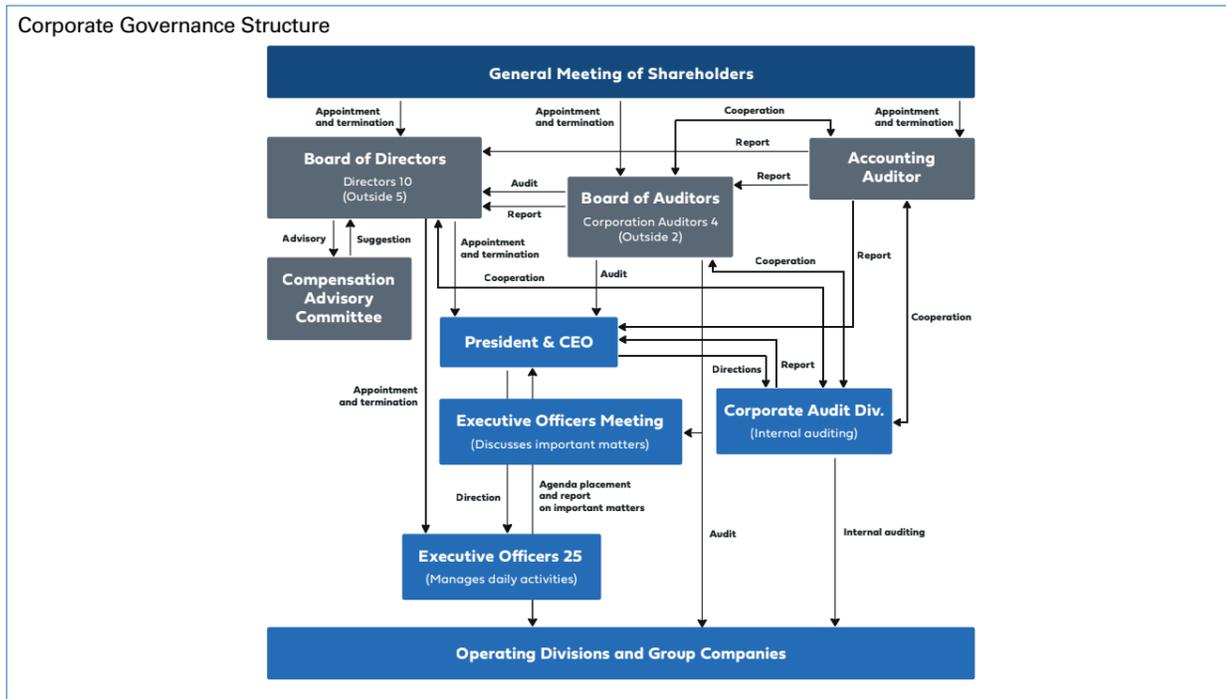
### Corporate Organization

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.

In addition, the Company has established the Nomination and Compensation Advisory Committee as an advisory body to the Board of Directors, which is chaired by an Independent Outside Director, and the majority of whose members are Independent Outside Officers.



### 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 ten Directors (including five Outside Directors).

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

### 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 four Corporate Auditors (including two Outside Corporate Auditors).
- Corporate Auditors with the appropriate experience and skills have been appointed.
- The Board of Corporate Auditors appoints Corporate Auditors with the knowledge of finance, accounting, and legal matters necessary to serve on the Board of Corporate Auditors, and in particular, appoints at least one Corporate Auditor with sufficient knowledge of accounting.

### Nomination and Compensation Advisory Committee

The Company has established the Nomination and Compensation Advisory Committee, which is independent of the Board of Directors, for the purpose of ensuring objectivity and transparency in the selection of candidates for President and Director and in the handling of compensation for Directors.

- The Nomination and 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), Yoshiharu Inaba (Independent Outside Director), Naoki Hidaka (Independent Outside Director)
- The Nomination and Compensation Advisory Committee makes proposals to the Board of Directors upon receiving consultation from the Board of Directors.

### 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.

## Corporate Governance Initiatives

- 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.

### Evaluations of the Effectiveness of the Board of Directors

Once a year, the Company conducts a questionnaire survey of each Director and Corporate Auditor regarding the matters including composition and operation of the Board of Directors, and based on the results, the Board of Directors analyzes and evaluates the effectiveness of the Board of Directors as a whole.

In FY2021, the Board of Directors, at its meeting held in May 2022, assessed the effectiveness of the Board of Directors as a whole.

On the other hand, there were some opinions regarding strengthening the decision-making and supervisory functions of the Board of Directors.

We will continue to make further improvements to enhance the effectiveness of the Board of Directors as a whole.

In addition, the Board of Directors has determined that the said compensation is in line with the policy on compensation for Directors, as the Nomination and 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.

### 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 Nomination and Compensation Advisory Committee. For restricted stock compensation, the specific number of shares 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 Nomination and 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.

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 ¥10,699 million and ROE of 14.0%. As for cumulative results for the Third Mid-term Business Plan, consolidated profit attributable to owners of the parent was ¥14,011 million, and average ROE was 6.3%.

#### (3) Restricted Stock Compensation Plan

- The Company grants restricted stocks to Directors (excluding Outside Directors) with the aim of providing an incentive to sustainably increase the Company's corporate value and to promote further shared value with shareholders. The number of restricted stocks allotted to each Director is decided based on rank. Such restricted stocks are issued by resolution of the Board of Directors on the condition that monetary compensation claims equivalent to the amount to be paid to Directors to whom the restricted stocks are allotted are offset against the amount to be paid for such restricted stocks.

#### <Overview of the Restricted Stock Compensation Plan>

The total annual amount of monetary compensation claims to be paid to Directors (excluding Outside Directors; hereinafter referred to as the "Eligible Directors"), in accordance with the Restricted Stock Compensation Plan, shall be set at ¥200 million or less (the amount does not include employee salaries of Directors who concurrently serve as employees), and the total annual number of shares of the Company's common stock to be issued or disposed of by the Company shall be set at 100,000 shares or less (provided, however, that if the Company performs a split of the Company's common stock (including the allotment of the Company's common stock without contribution) or a consolidation of the Company's common stock, the total number of shares shall be adjusted to the reasonable extent according to the ratio of the stock split or stock consolidation, on or after the effective date of the stock split or stock consolidation).

The Eligible Directors shall pay all the monetary compensation claims to be provided by the Company, in accordance with the Restricted Stock Compensation Plan, in the form of property contributed in kind, and shall, in return, receive shares of the Company's common stock that shall be issued or disposed of by the Company. The amount to be paid in per share shall be determined by the Board of directors based on the closing price of the Company's common stock at the Tokyo Stock Exchange on the business day immediately before each date of resolution by the Board of Directors (if there is no trading on such date, the closing price on the closest preceding trading day) within the extent that the amount will not be particularly advantageous to the Eligible Directors who subscribe such common stock. The specific timing for provision thereof and the allocation to each Eligible Director shall be determined by the Board of Directors after deliberation by the Nomination and Compensation Advisory Committee.

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)	427	200	190	36	6
Corporate Auditors (excluding Outside Corporate Auditors)	37	37	—	—	2
Outside Officers	77	77	—	—	7

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 128th Annual General Meeting of Shareholders held on June 25, 2021, is included in the number of Corporate Auditors (excluding Outside Corporate Auditors).

Additionally, the issuance or disposal of the Company's common stock (hereinafter referred to as the "Shares") in accordance with the Restricted Stock Compensation Plan shall be subject to the conclusion of an agreement on allotment of restricted stocks between the Company and each Eligible Director that includes (1) the prohibition on the transfer to a third party, creation of a security interest in, or otherwise disposing of the Shares allotted during a certain period (hereinafter referred to as the "Restriction Period"), and (2) the automatic acquisition of the Shares by the Company without contribution, if certain events occur. The Shares are expected to be managed in a dedicated account opened by the Eligible Directors at a securities company during the Restriction Period, to prevent the Shares from being transferred, created a security interest on, or otherwise disposed of.

#### Compensation composition ratio

- Compensation for Directors (excluding Outside Directors) consists of fixed compensation and performance-linked compensation. The ratio of performance-linked compensation and restricted stock compensation to the total amount of compensation is designed to be a maximum of approximately 60% on average for each rank, in order to boost the motivation and morale of Directors toward higher performance and to enhance corporate value and shareholder value over the medium to long term.

#### 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). In addition, at the same General Meeting of Shareholders, a resolution was also made to introduce a compensation system for granting restricted stock to the Company's Directors (excluding Outside Directors). The total annual amount of such compensation shall be set at ¥200 million or less, in addition to the amount of compensation mentioned above.

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).

# Compliance/Risk Management

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 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.

## 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.

## 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.

### Conducting export control audits

We conduct annual internal audit on all departments involved in export. Then, measures for improvement which was requested during audit are discussed with departments audited for one to three months after audit to correct nonconformities at an early stage. The next year's audit conducts follow-up to check if such measures are carried out on a continuous basis. It also checks for missing items and inadvertent errors such as in administration procedures in the entire process.

In addition, domestic and overseas group companies are audited according to an annual plan to strengthen global export control system.

Since FY2012, we have started field audit of overseas group companies jointly with in-house lawyers of a U.S. group company specialized in U.S. laws.

### Providing export control educations

To raise employees' awareness about compliance, we provide training sessions for employees. We put some thought in training materials to make them easy to understand for employees. Furthermore, we provide mandate training for employees who will be assigned to overseas companies to raise their awareness of their leadership role in administrating export control in a region where they will work in order to "enhance a global export control system."

### Developing export control specialists

To improve expertise of employees engaged in export control, Topcon Group recommends them to take a "certification exam on export control" held by the Center of Information on Security Trade Control (CISTEC).

### Periodically holding export control promotion meetings

To share information on global trends and situations of export control in Topcon Group, we periodically hold export control promotion meetings to raise the awareness of employees within the group. To thoroughly practice export control in line with these changes, the information is shared and fed back internally.

### Regions requiring special control

Topcon Group designates six countries/areas including Iran, Iraq, Cuba, Syria, North Korea, and Crimea Region of Ukraine which are subject to special regulations under the Foreign Exchange and Foreign Trade Act of Japan and relevant U.S. laws as "regions requiring special control" and applies the most stringent procedures for screening for trade and administration in the Topcon export control program.

## Anti Corruption

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

personal benefits or profits in connection to their work or position.

### We Prohibit Improper Payments

The Topcon Group will not offer or give bribes, or any other improper interests, in violation with laws, regulations, and/or sound customs of trade.

You must understand that bribes not only to government officials, but also to employees in private enterprises are prohibited in certain countries, and You must understand and comply with all applicable laws and regulations of the country or region in which You are involved in business.

### What Is A Bribe?

In this Code, the term "Bribe" means anything of value offered or given for the purpose of gaining improper commercial interests, or in consideration of such improper interests and offered or given to the following persons:

- government officials, foreign government officials (including employees of state-owned enterprises and international organizations, also including ex-officials);
- politicians, candidates of politician, political parties and employees thereof;
- customers (legal or natural persons).

A bribe does not have to be cash. It can include rewards, entertainment, gifts, donations, gratuities and any other type of benefits. Even items of minimal value may constitute a wrongful bribe.

When using an intermediary (such as agent) in Our business, We must ensure that they will not engage in the corrupt practices designated above, and also clearly agree in advance on scope of the services as well as on the amount of compensation, and ensure that these conditions are reasonable.

### We Do Not Demand or Accept Gifts and Entertainment as Business Inducements

Employees must not demand or accept any personal benefits in connection with his/her job.

However, receiving gifts and entertainment from customers, suppliers or contractors is permissible only if it is inexpensive in value and customary in nature and is consistent with applicable laws, regulations and sound customs of trade and only if it would not affect a particular business decision of the Topcon Group.

Any gifts or entertainment which are excessive or seem unreasonable must be refused.

### We Do Not Accept Money Laundering and Participate to the Financing of Terrorism

The Topcon Group is firmly committed to full compliance with applicable anti-money laundering and counter terrorism laws and regulations. We conduct business only with reputable third parties who engage in legitimate business activities. This applies as well to our relations with trading partners such as suppliers, vendors and others sub-contractors.

Employees must not participate in any activity aimed at laundering money or financing terrorism. In addition, you

must not provide an assistance to any person or organization trying to benefit from the proceeds of a criminal act or illegal activity or controlling funds invested for the benefit of a terrorist organization.

## Whistle Blowing System

Topcon has established a whistleblower hotline (Topcon Whistleblower System) in accordance with the Whistleblower Protection Act, which is available to directors and employees of Topcon and our domestic group company. The contact points are offered internally and externally (the contact points are independent of the Topcon Group), and reports can be made under real names, anonymously or semi-anonymously. The system also covers reports of bribery, corruption, discrimination, human rights, and harassment.

In addition, to ensure that whistleblowers are NOT treated unfairly, Topcon has put in place thorough measures such as "confidentiality and prohibition of retaliatory actions" to protect whistleblowers. Moreover, the content of the report is promptly reported to the corporate auditors followed by the results of the investigation in a timely manner. In terms of significant risk issues, the responses are reported to the Board of Directors as well. This system is operated to assure that the whistleblower system functions more effectively.

## Personal Information

Topcon Corporation ("Topcon") will continue to seek to respect and protect each customer's personal data. Topcon will implement following Personal Data Protection Policy in its business activities.

### Basic Policy

Topcon strictly observes the Personal Data and other relevant laws and regulations.

When Topcon obtains personal data from customers, in case without any individual explanation, Topcon uses personal data with the aim of providing the information of the products and services of Topcon or of its affiliated company, etc for the customer and also of showing new or useful information.

Topcon may provide and confide data to third parties with a view to analyzing or processing, feeding back, etc for our customer. The information will be handled appropriately in all these processes in accordance with the business activities and scale of Topcon.

Topcon takes rational safety measures against the risk of personal data in cases like unauthorized access and disclosure to personal data or the loss, destruction, alternation, etc.

Topcon has established management system relating to personal data protection and strives to continuously improve.

Topcon responds appropriately to questions, complaints and consultations regarding personal data from customers.

## 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 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 those who are difficult to replace when using certain special materials in its production activities. In addition, various factors could disrupt the global supply chain, resulting in a shortage of parts and materials. The Group will take various measures in procurement, design, and manufacturing to minimize the impact. However, in the event that the impact is prolonged before the situation is resolved, that may result in soaring purchase prices 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.

### ■ Risks Related to Climate Change Issues

In order to curb worsening global warming, the Group has two initiatives to reduce the environmental impact: “reducing environmental impact through products,” indicating promotion of energy and resource conservation through the use of our products, and “responding to climate change” to save energy and reduce greenhouse gas emissions in our business activities. In order to contribute to the realization of a sustainable society, we are committed to corporate social-responsibility management in the economic aspects of our business activities as well as in social and environmental aspects. However, if environment-related laws, regulations, and taxation systems are significantly strengthened and appropriate measures cannot be taken, that 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 COVID-19

Although the situation regarding COVID-19 varies by region, a recovery trend in business performance from the pandemic has become evident, especially in the manufacturing industry. The Group expects the same situation to continue going forward. The Group has secured the capabilities to raise funds to meet its business and

working capital needs in order to strengthen its sustainability as a company and to grow its business after COVID-19 is contained. In addition, we have established a system to prevent the spread of infectious diseases. In preparation, we are fully implementing measures to minimize the impact, such as encouraging Group employees to refrain from unnecessary outings or trips and to use remote meetings. 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.

### ■ Risks Related to the Situation in Ukraine

The Group is taking careful measures to minimize the impact of its business activities in the region (Russia and Ukraine) amid an uncertain outlook by comprehensively identifying possible risks. However, should the impact on the global economy increase due to tighter sanctions against Russia and other factors, that may cause a slowdown in demand and adversely impact the Group’s logistics, procurement of materials, and production, 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.

## Interview with an Outside Director

### Topcon's Management and Future as Seen from a prominent business executive with a Global Perspective



**Kazuyuki Matsumoto**  
Outside Director

Kazuyuki Matsumoto was born in Hiroshima Prefecture in 1945. In 1970, he joined Teijin Seiki Co., Ltd. (currently Nabtesco Corporation). He became a Director of Teijin Seiki Co., Ltd. in 2001. He was appointed Corporate Officer of Nabtesco Corporation in 2003, Representative Director, President & CEO in 2005, and Director & Chairman in 2011. He became an Outside Director of Kitz Corporation (his current position) in 2013 and assumed his current position of Director at Topcon.

Kazuyuki Matsumoto is in his 10th year since being appointed as Topcon's first Outside Director in 2013. He has many years of experience in manufacturing and is a former President of Nabtesco Corporation, which operates globally and possesses cutting-edge technology. We asked Mr. Matsumoto about Topcon's governance, management, and future.

#### Governance with Active Discussion without Restraint

Topcon's Board of Directors currently consists of five internal Directors and five Outside Directors, which I believe is well-balanced in terms of governance. Nine years ago, I was the only Outside Director, and the Board of Directors at that time seemed to be overly formal. However, each of the five Outside Directors has unique experiences in areas such as manufacturing and business, so questions at the current meetings of the Board of Directors are asked from various perspectives and lively discussions take place.

What is important for me as an Outside Director is, first of all, my role to restrain the top management from getting out of control, although I am not worried by that. Topcon's Board of Directors provides an environment in which it is easy to express opinions. While there is mutual trust and respect, opinions that "this isn't right" are honestly expressed without any restraint. I feel that we have a good governance structure with a group of members who are constantly striving to improve our corporate value.

#### A Step Forward with a Focus on Both Hardware and Software

Topcon is working on DX (digital transformation) globally in the three fields of healthcare, agriculture and infrastructure. Although it has been said that this is the software age, Topcon is not neglecting hardware (products). Recognizing that hardware is our base, Topcon is developing a business that produces services by adding software on top of hardware. While some of our competitors have their focus on software, Topcon has successfully combined hardware and software to enhance its product strength as a solution. Another strength of Topcon is that it is vendor neutral (not dependent on a specific manufacturer or sales network). Being vendor neutral means that we must always be one step ahead of our vendors. I feel that our strength lies in the

fact that we are steadily taking on this task with a challenging and venture spirit.

Once again, I feel that Topcon has a very high level of willingness to take on challenges. President Hirano has been communicating his management stance as "a venture company with 90 years of tradition." I believe that all our employees have come to understand this. The design thinking approach, in which employees go out to customers, see and hear for themselves, and enhance their ability to make proposals, has been well implemented. If we can successfully test hypotheses and launch new products one after another at the current pace, we will be unrivaled in the future.

#### Business Itself is Directly Contributing to SDGs/ Look Forward to the Medium to Long Term Future

Topcon's goal of automation follows the workflow of each of the three domains of healthcare, agriculture and infrastructure. For example, in the case of agriculture, Topcon is involved in the entire workflow of tilling the soil (planning), planting seeds (seeding), providing water and fertilizer without excess or deficiency (growing), and harvesting, and not just a partial digitization, automation and networking of farming process, but their entire process. This is Topcon's unrivaled strength as a business model.

The business model that Topcon is implementing is an advanced approach that no one has ever thought of. Although the rate of automation (robotization) in construction and agriculture is still low, even globally, productivity and quality must be improved as a common issue worldwide due to the current aging population and a shortage of skilled workers. There is also a shortage of ophthalmologists in the world, so the development of a solution that allows fundus screening without a skilled physician is a great breakthrough. The data obtained from fundus screening is also expected to create new business opportunities. I believe that Topcon's outstanding business model of solving social issues in the fields of healthcare, agriculture and infrastructure through digitalization,

automation, and the networked centralized management of processes has the potential to continue to evolve and expand on a global scale.

It is also worth mentioning that Topcon's business itself is making a significant contribution to the SDGs. The more widespread the solutions are, the more they will contribute to the SDGs, such as reducing CO<sub>2</sub> emissions by the labor and time saving from the automation of construction process and farm operations and contributing to people's quality of life through the creation of a system for eye disease screening. Rather than aiming for the SDGs, I also feel that deepening our own business naturally led to social contributions. This may be a rare case in which leveraging one's own strengths is linked to the SDGs.

I hope that all stakeholders will watch Topcon's medium- and long-term development and see the growth of Topcon as it is. Topcon's business is now in the process of becoming a large global business. Even in the age of VUCA, we are making steady progress. We are enjoying this. As the business itself grows very large, we will continue to lead the way while working as hard as we can. That is the kind of company I want Topcon to be and I believe Topcon will continue to be.

# Management Structure

## Directors

 <p><b>Satoshi Hirano</b> Representative Director, President &amp; CEO</p> <p>December 12, 1957 No. of years served as Director: 12 years</p>	 <p><b>Takashi Eto</b> Representative Director Executive Vice President General Manager, Quality Assurance Div.</p> <p>February 18, 1960 No. of years served as Director: 7 years</p>
 <p><b>Haruhiko Akiyama</b> Director Managing Executive Officer General Manager, Accounting &amp; Finance Div. General Manager, Custom Products Business Promotion Div.</p> <p>February 25, 1963 No. of years served as Director: 7 years</p>	 <p><b>Takayuki Yamazaki</b> Director Managing Executive Officer General Manager, Manufacturing Div. General Manager, POC-SIB Joint Business Development Div.</p> <p>August 10, 1966 No. of years served as Director: 6 years</p>
 <p><b>Kaoru Kumagai</b> Director Managing Executive Officer General Manager, Research &amp; Development Div.</p> <p>February 9, 1961 No. of years served as Director: 1 year</p>	 <p><b>Kazuyuki Matsumoto</b> Director (Outside Director)</p> <p>September 21, 1945 No. of years served as Outside Director: 9 years</p>
 <p><b>Akira Sudo</b> Director (Outside Director)</p> <p>September 11, 1951 No. of years served as Outside Director: 8 years</p>	 <p><b>Naoko Yamazaki</b> Director (Outside Director)</p> <p>December 27, 1970 No. of years served as Outside Director: 4 years</p>
 <p><b>Yoshiharu Inaba</b> Director (Outside Director)</p> <p>July 23, 1948 No. of years served as Outside Director: 2 years</p>	 <p><b>Naoki Hidaka</b> Director (Outside Director)</p> <p>May 16, 1953 Outside Director: —</p>

## Corporate Auditors

 <p><b>Shokyu Nakamura</b> Corporate Auditor</p> <p>March 26, 1961 No. of years served as Corporate Auditors : 3 years</p>	 <p><b>Nobuyuki Ryu</b> Corporate Auditor</p> <p>April 29, 1961 No. of years served as Corporate Auditors : 2 years</p>
 <p><b>Keiji Taketani</b> Corporate Auditor</p> <p>July 8, 1956 No. of years served as Corporate Auditors : 6 years</p>	 <p><b>Kiyoshi Suzuki</b> Corporate Auditor</p> <p>February 18, 1959 No. of years served as Corporate Auditors : 1 year</p>

## Executive Officers

 <p><b>Raymond O'Connor</b> Executive Vice President General Manager, Positioning Company President &amp; CEO, Topcon Positioning Systems, Inc.</p>	 <p><b>Fumio Ohue</b> Senior Managing Executive Officer General Manager, Eye Care Business Div.</p>	 <p><b>David Alan Mudrick</b> Senior Executive Officer President &amp; CEO, Topcon America Corporation</p>	 <p><b>Ivan Di Federico</b> Senior Executive Officer Chief Strategy Officer, Topcon Positioning Systems, Inc.</p>	 <p><b>Reiko Watanabe</b> Senior Executive Officer General Manager, General Administration &amp; Legal Div.</p>
 <p><b>Yoshikuni Ito</b> Senior Executive Officer General Manager, Corporate Planning &amp; Digital Business Operation Div.</p>	 <p><b>Shigehiro Ogino</b> Executive Officer Vice General Manager, Eye Care Business Div.</p>	 <p><b>Takaaki Hirayama</b> Executive Officer General Manager, Corporate Communication Div.</p>	 <p><b>Tsuyoshi Yoshida</b> Executive Officer General Manager, Smart Infrastructure Business Div</p>	 <p><b>Eric Franken</b> Executive Officer Eye Care Business, Global Operation</p>
 <p><b>Hiroyuki Nishizawa</b> Executive Officer General Manager, Corporate Audit Div.</p>	 <p><b>Yasuyuki Ninomiya</b> Executive Officer Vice General Manager, Manufacturing Div.</p>	 <p><b>Akifumi Baba</b> Executive Officer President, Topcon Healthcare Solutions, Inc.</p>	 <p><b>Keijiro Asayama</b> Executive Officer Vice General Manager, Research &amp; Development Div.</p>	 <p><b>Hideyuki Takizawa</b> Executive Officer Vice General Manager, Eye Care Business Div.</p>
 <p><b>Arata Kimura</b> Executive Officer Vice General Manager, Smart Infrastructure Div.</p>	 <p><b>Cindy Hudson</b> Executive Officer Executive Vice President, Engineering and Chief Information Officer, Topcon Positioning Systems, Inc.</p>	 <p><b>Raymond Vallejo</b> Executive Officer Executive Vice President, Chief Operations Officer, Topcon Positioning Systems, Inc.</p>	 <p><b>Takafumi Kira</b> Executive Officer Vice General Manager, Manufacturing Div. President, Topcon Yamagata Co., Ltd.</p>	

### Skills Matrix (Expected skills after this Ordinary General Meeting of Shareholders)

	Name	Corporate Management Experience	Global Business	Technology/ Manufacturing/Science	Business Strategy/ Marketing	Legal/Risk Management	Finance/ Accounting	ESG/Social Contribution
Director	Satoshi Hirano	●	●					●
	Takashi Eto	●	●		●			
	Haruhiko Akiyama		●			●	●	
	Takayuki Yamazaki		●	●	●			
	Kaoru Kumagai		●	●	●			
	Kazuyuki Matsumoto (Outside Director)	●	●	●				
	Akira Sudo (Outside Director)		●	●	●			
	Naoko Yamazaki (Outside Director)		●	●				●
	Yoshiharu Inaba (Outside Director)	●	●	●				
Naoki Hidaka (Outside Director)	●	●		●				
Corporate Auditor	Shokyu Nakamura	●	●			●		
	Nobuyuki Ryu	●	●			●		
	Keiji Taketani (Outside Corporate Auditor)		●			●	●	
	Kiyoshi Suzuki (Outside Corporate Auditor)		●			●	●	

\* Three fields of expertise per each individual where he/she has strengths are marked with ●.