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## Notice of Convocation of the Ordinary General Meeting of Shareholders for the 123rd Business Term



### Date and Time

July 28 (Tuesday), 2016 at 9:00a.m.

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



### Place

Headquarters of the Company

Voting deadline by mail or the Internet

June 27(Monday) , 2016 until 5:00 pm

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# Topcon for Human Life

Global company to address the challenges of society

Social issues : Increase of eye disease associated with aging



Solution : Early detection of diseases and medical efficiency improvement by medical efficiency improvement



The business fields we regard as core are “prevention and treatment with a foundation in eye examinations and diagnosis,” “IT construction and IT precision agriculture with GNSS (GPS) technology as a foundation,” and “civil engineering and social infrastructure operation and maintenance with a foundation in surveying instruments.” Our business fields can be compared to the basic elements of human life—clothing, food, and shelter—and reconceived as “healthcare,” “agriculture,” and “infrastructure.” We will remain a company that grows in step with society, always changing with the times, as a contributor to people’s lives through our products and services.



Social issues : Lack of skilled workers due to the increase in infrastructure demand



Solution : Solution of the labor shortage caused by IT construction

Social issues : Food shortages due to population growth



Solution : Improvement of productivity and quality by IT Agriculture solutions





## To Our Shareholders

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

Environment surrounding the Company is, collapse of grain prices, decline of crude oil such as resource prices, and the economic slowdown in emerging countries is now a very difficult situation in the cause. Under such circumstances, we implemented various measures to address the changes in the market. However, the pace of change is due to higher than our forecast. As a result, net sales was 130.7 billion yen (YoY + 1.7%) and operating income was 8.8 billion yen (YoY - 45.1%).

We will focus its upcoming The Second Mid-Term Business Plan (FY2016-FY2018) , under the slogan "Topcon for Human Life," we will expand business by resolving social issues in the growth markets of "Healthcare", "Agriculture", and "Infrastructure".

We look forward to your continued support and encouragement.



President & CEO

Satoshi Hirano



(Securities Code: 7732)  
June 7, 2016

**To Shareholders with Voting Rights:**

Satoshi Hirano  
President and CEO  
75-1 Hasunuma-cho,  
Itabashi-ku, Tokyo, Japan

**Notice of Convocation of the Ordinary General Meeting of Shareholders  
for the 123rd Business Term**

Dear Shareholders:

You are cordially invited to attend the 123rd Ordinary General Meeting of Shareholders of TOPCON CORPORATION (the “Company”). The meeting will be held for the purposes described below.

If you are unable to attend the meeting, you can exercise your voting rights in writing or via the Internet. Please review the Reference Documents for the General Meeting of Shareholders (described hereinafter), and exercise your voting rights by 5:00 p.m. on Monday, June 27, 2016 Japan standard time.

**1. Date and Time:** Tuesday, June 28, 2016 at 10:00 a.m. Japan time

**2. Place:** Head Office of the Company,  
75-1 Hasunuma-cho, Itabashi-ku, Tokyo, Japan

**3. Meeting Agenda:**

**Matters to be reported:** The Company’s Business Report, Consolidated Financial Statements and Non-consolidated Financial Statements for the 123rd Fiscal Year (from April 1, 2015 to March 31, 2016) and results of audits by the Accounting Auditor and the Board of Corporate Auditors of the Consolidated Financial Statements

**Proposals to be resolved:**

**Proposal No. 1:** Election of Nine (9) Directors

**Proposal No. 2:** Election of Two (2) Corporate Auditors

**Proposal No. 3:** Election of One (1) Substitute Corporate Auditor

**4. Internet Disclosure of Information to be Recorded or Disclosed in Consolidated Financial Statements or Non-consolidated Financial Statements:**

Notes to Consolidated Financial Statements and Notes to Non-consolidated Financial Statements required to be attached to this Notice of the 123rd Ordinary General Meeting of Shareholders can be found on the Company’s website (<http://www.topcon.co.jp/invest>) pursuant to applicable laws and regulations and Article 17 of the Articles of Incorporation, and are therefore not included in the attached documents.

Furthermore, the Consolidated Financial Statements and Non-consolidated Financial Statements audited by the Accounting Auditor and Corporate Auditors in creating their respective audit reports include the aforementioned Notes to Consolidated Financial Statements and Notes to

Non-consolidated Financial Statements in addition to those stated in these Reference Documents for the General Meeting of Shareholders.

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- For those attending, please submit the enclosed Voting Rights Exercise Form at the reception desk of the venue on the day of the meeting. Shareholders are requested to bring this Notice with them to help save resources.
  - Any corrections made to the Reference Documents for the General Meeting of Shareholders, the Business Report, the Consolidated Financial Statements, and the Non-consolidated Financial Statements shall be posted on the Company's website (<http://www.topcon.co.jp/invest>).
  - The Company will no longer send a notice of the resolutions of the General Meeting of Shareholders. The results of this General Meeting of Shareholders will be posted on the Company's website mentioned above.

# Reference Documents for the General Meeting of Shareholders

## Proposals and References

### Proposal No. 1: Election of Nine (9) Directors

The terms of office of all nine (9) Directors will expire at the conclusion of this Ordinary General Meeting of Shareholders. Accordingly, the election of nine (9) Directors is proposed.

The candidates are as follows:

No.		Name	Age	Position	Attendance at Board of Directors' meetings
1	Re-appointment	Satoshi Hirano	58	President & CEO	100% (18/18)
2	Re-appointment	Makoto Iwasaki	60	Director, Senior Managing Executive Officer	100% (18/18)
3	Re-appointment	Takashi Eto	56	Director, Managing Executive Officer	100% (14/14)
4	Re-appointment	Yasufumi Fukuma	58	Director, Executive Officer	100% (18/18)
5	Re-appointment	Haruhiko Akiyama	53	Director, Executive Officer	100% (14/14)
6	Re-appointment	Hiroshi Taguchi	59	Director, Executive Officer	100% (14/14)
7	New appointment	Takayuki Yamazaki	49	Executive Officer	
8	Re-appointment Outside Director Independent Director	Kazuyuki Matsumoto	70	-	94% (17/18)
9	Re-appointment Outside Director Independent Director	Akira Sudo	61	-	94% (17/18)

(Notes)

1. The age of each candidate for Director is the full age at the conclusion of this Ordinary General Meeting of Shareholders.
2. No material conflict of interest exists between the Company and any of the candidates for Directors.
3. The election of Mr. Takashi Eto, Mr. Haruhiko Akiyama and Mr. Hiroshi Taguchi was approved at the 122nd Ordinary General Meeting of Shareholders held on June 25, 2015. Thus, the number of Board of Directors' meetings indicated for them is different from that for other Directors.

No.	Name (Date of birth)	Past experience, positions, responsibilities, and significant concurrent positions		Number of shares of the Company held
1	[Re-appointment]  Satoshi Hirano (December 12, 1957) Age: 58	April 1982 April 1996 July 2001  June 2007 June 2010  June 2012 June 2013	Joined the Company Executive Vice President, Topcon Laser Systems, Inc. Senior Executive Vice President, Topcon Positioning Systems, Inc. Executive Officer Director, Executive Officer General Manager, Positioning Business Unit Director, Managing Executive Officer Representative Director, President & CEO (to present)	20,400
	No. of years served as Director: 6 Attendance at Board of Directors' meetings: 100% (18/18)	[Reasons for selection as a candidate for Director] Mr. Satoshi Hirano served as a Director for six years and as President & CEO for three years. He is fulfilling his role in decision-making on important matters of the Group's management and oversight of business execution. The Company judges that he is the ideal person to lead management of the Company in its pursuit of sustainable growth and thus has selected him as a candidate for Director.		
2	[Re-appointment]  Makoto Iwasaki (August 10, 1955) Age: 60	April 1979 June 2000  June 2010 June 2011 June 2012 April 2014  June 2014 June 2015 April 2016	Joined the Company General Manager, Parts Plant, Production & Environment Group Executive Officer General Manager, Quality & Production Group General Manager, Production Group General Senior Manager, General Administration & Legal Div. (to present) Director, Executive Officer Director, Managing Executive Officer Director, Senior Managing Executive Officer (to present) General Manager of Production Div. (to present)	5,400
	No. of years served as Director: 2 Attendance at Board of Directors' meetings: 100% (18/18)	[Reasons for selection as a candidate for Director] Through many years of involvement in manufacturing and administrative operations, Mr. Makoto Iwasaki has gained a wealth of experience and a track record of achievements. Applying his expertise, he is striving to enhance the corporate value of the entire Group. In view of his experience and expertise, the Company expects him to contribute to strengthening the functions of the Board of Directors and has selected him as a candidate for Director.		

No.	Name (Date of birth)	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
3	<p>[Re-appointment]</p> <p>Takashi Eto (February 18, 1960) Age: 56</p> <p>No. of years served as Director: 1 Attendance at Board of Directors' meetings: 100% (14/14)</p>	<p>April 1990    Joined the Company</p> <p>June 2007    Director and President, Topcon Sales Corporation</p> <p>July 2009    Senior Manager, Global Business Planning Dept., Positioning Business Unit</p> <p>June 2013    Executive Officer Vice President, Smart Infrastructure Company</p> <p>April 2014    Deputy General Manager, Eye Care Company</p> <p>April 2015    General Manager, Eye Care Company</p> <p>June 2015    Director, Executive Officer</p> <p>April 2016    Director, Managing Executive Officer (to present) General Manager of Sales &amp; Marketing Div. (to present)</p> <p>[Reasons for selection as a candidate for Director] Mr. Takashi Eto has served as Representative Director of a Group company. Since he became an Executive Officer in 2013, he has gained a wealth of experience and a track record of achievements in business in Japan and overseas. In view of his experience and expertise, the Company expects him to contribute to strengthening the functions of the Board of Directors and thus has selected him as a candidate for Director.</p>	8,000



No.	Name (Date of birth)	Past experience, positions, responsibilities, and significant concurrent positions		Number of shares of the Company held
4	[Re-appointment] Yasufumi Fukuma (February 13, 1958) Age: 58	April 1981 April 2007	Joined the Company General Manager, Topcon Advanced Biomedical Imaging Laboratory, Topcon Medical Systems, Inc. (US) Executive Officer	10,000
	June 2011 June 2013 April 2014 April 2015	Director, Executive Officer (to present) President, Eye Care Company General Manager, Eye Care Company General Manager, Research & Development Div. (to present)		
	No. of years served as Director: 3 Attendance at Board of Directors' meetings: 100% (18/18)	[Reasons for selection as a candidate for Director] Through many years of involvement in technology development and technology management both in Japan and overseas, Mr. Yasufumi Fukuma has gained deep insight and a track record of achievements. He currently serves as General Manager of Research & Development Division. In view of his experience and expertise, the Company expects him to contribute to strengthening the functions of the Board of Directors and thus has selected him as a candidate for Director.		
5	[Re-appointment] Haruhiko Akiyama (February 25, 1963) Age: 53	April 1986 June 1993 June 2005 April 2014	Joined the Company Topcon America Corp. General Manager, Finance Group, General Administration & Accounting Group Deputy General Manager, General Accounting & Finance Div.	4,200
	June 2014 April 2015 June 2015 April 2016	Executive Officer Deputy General Manager, General Accounting & Finance Div. Director, Executive Officer (to present) General Manager, General Accounting & Finance Div. General Manager of Accounting & Finance Div. (to present)		
	No. of years served as Director: 1 Attendance at Board of Directors' meetings: 100% (14/14)	[Reasons for selection as a candidate for Director] Mr. Haruhiko Akiyama has many years of experience in accounting and finance in Japan and overseas and has in-depth knowledge in the accounting and finance field. In view of his experience and expertise, the Company expects him to contribute to strengthening the functions of the Board of Directors and thus has selected him as a candidate for Director.		
6	[Re-appointment] Hiroshi Taguchi (June 9, 1957) Age: 59	April 1981 Nov. 1997 June 2005	Joined Tokyo Shibaura Electric Co., Ltd. (currently Toshiba Corporation) Director, Hangzhi Machinery & Electronics Co., Ltd. Group Manager, Corporate Procurement Group, Toshiba Corporation	2,400
	April 2009 Oct. 2012 June 2013 April 2014	Joined Toshiba Mobile Display Co., Ltd. Joined the Company Executive Officer General Manager, Quality Assurance Dept., General Manager, Procurement Dept.		
	No. of years served as Director: 1 Attendance at Board of Directors' meetings: 100% (14/14)	April 2015 June 2015 April 2016	General Manager, General Production Div. Director, Executive Officer (to present) General Manager of Procurement Div. (to present)	
		[Reasons for selection as a candidate for Director] Through many years of involvement in manufacturing and procurement operations both in Japan and overseas, Mr. Hiroshi Taguchi has gained a wealth of experience and a track record of achievements. In view of his experience and expertise, the Company expects him to contribute to strengthening the functions of the Board of Directors and thus has selected him as a candidate for Director.		

No.	Name (Date of birth)	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
7	[New appointment]  Takayuki Yamazaki (August 10, 1966) Age: 49	<p>April 1989      Joined the Company</p> <p>Oct. 2003      Topcon Positioning Systems, Inc.</p> <p>Oct. 2006      Senior Vice President, Topcon Positioning Systems, Inc.</p> <p>June 2012      Senior Manager, Corporate Planning Dept., Corporate Strategy Div.</p> <p>April 2014      Executive Senior Manager, Corporate Planning Dept.</p> <p>June 2014      Executive Officer (to present)</p> <p>                    General Manager of Corporate Planning Div. (to present)</p>	3,700
		<p>[Reasons for selection as a candidate for Director]</p> <p>Mr. Takayuki Yamazaki has been involved in planning and administrative operations both in Japan and overseas for many years. Rooted in his deep insight and track record of achievements, he has qualities suitable for a member of the management team. In view of the excellent managerial skills he acquired as the General Manager of the Corporate Planning Div., the Company has selected him as a candidate for Director.</p>	
8	[Re-appointment]  Kazuyuki Matsumoto (September 21, 1945)  (Outside Director) (Independent Director)	<p>April 1970      Joined Teijin Seiki Co., Ltd. (currently Nabtesco Corporation)</p> <p>June 2000      Executive Officer, Teijin Seiki Co., Ltd.</p> <p>June 2001      Director, Teijin Seiki Co., Ltd.</p> <p>Sept. 2003      Executive Officer, Nabtesco Corporation</p> <p>June 2004      Director of the Board, Corporate Officer, Nabtesco Corporation</p> <p>                    Deputy General Manager, Technology and R&amp;D Div. (in charge of technological development), Nabtesco Corporation</p> <p>June 2005      Representative Director, President &amp; CEO, Nabtesco Corporation</p> <p>June 2011      Director &amp; Chairman, Nabtesco Corporation</p> <p>June 2013      Outside Director (to present)</p> <p>(Other significant posts)</p> <p>Outside Director, Kitz Corporation</p>	-
	No. of years served as Outside Director: 3 Attendance at Board of Directors' meetings: 94% (17/18)	<p>[Reasons for selection as a candidate for Outside Director]</p> <p>Mr. Kazuyuki Matsumoto has a wealth of experience and profound insight concerning corporate management gained through his many years of service at Nabtesco Corporation. He has been providing suggestions about the Company's corporate strategy and all aspects of management including global management. The Company expects him to continue to contribute to enhancement of management transparency and soundness and strengthening of corporate governance. He is therefore considered to be an exemplary candidate for Outside Director and is proposed for the position again.</p>	

No.	Name (Date of birth)	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
9	[Re-appointment]  Akira Sudo (September 11, 1951)  (Outside Director) (Independent Director)	April 1980    Joined Tokyo Shibaura Electric Co., Ltd. (currently Toshiba Corporation) June 2007    Chief Technology Executive, Power Systems Company, Toshiba Corporation June 2008    Executive Officer, Corporate Vice President, Toshiba Corp. (Director, Corporate Research & Development Center) June 2010    Executive Officer, Corporate Senior Vice President, Toshiba Corporation (Director, Corporate Research & Development Center) June 2011    Executive Officer, Corporate Executive Vice President, Toshiba Corporation June 2013    Director, Representative Executive Officer, Corporate Senior Executive Vice President, Toshiba Corporation June 2014    Senior Adviser, Toshiba Corporation (to present) Outside Director (to present) (Other significant posts) Senior Adviser, Toshiba Corporation	-
	No. of years served as Outside Director: 2 Attendance at Board of Directors' meetings: 94% (17/18)	[Reasons for selection as a candidate for Outside Director] Mr. Akira Sudo has a wealth of experience and profound insight concerning corporate management, especially in the R&D field, gained through his many years of service at Toshiba Corporation. He has been providing suggestions on all aspects of technology, including the Company's technology development. The Company expects him to continue to contribute to enhancement of management transparency and soundness and strengthening of corporate governance. He is therefore considered to be an exemplary candidate for Outside Director and is proposed for the position.	

(Notes)

- No material conflict of interest exists between the Company and any of the candidates for Directors.
- Messrs. Kazuyuki Matsumoto and Akira Sudo are candidates for Outside Director. Messrs. Kazuyuki Matsumoto and Akira Sudo satisfy the requirements set forth by the Tokyo Stock Exchange for Independent Directors, and are registered as Independent Directors at the said Exchange.
- The period of office for Mr. Kazuyuki Matsumoto as an Outside Director shall be three years after the conclusion of this Meeting. The period of office for Mr. Akira Sudo as an Outside Director shall be two years after the conclusion of this Meeting.
- Matters concerning inappropriate execution of business of a company where a candidate for Outside Director served as a director or a corporate auditor in the past five years  
At Toshiba Corporation where Mr. Akira Sudo served as a Director, a Representative Executive Officer, and a Corporate Senior Executive Vice President until June 2014, inappropriate accounting treatment was identified. Toshiba Corporation corrected its securities reports, quarterly business reports, financial reports, and quarterly financial reports for the past five years. Toshiba shares have been designated as "securities on alert."
- Limited Liability Contracts with Outside Directors:  
In order to be able to secure capable people as Outside Directors, the Company's Articles of Incorporation allow the Company to conclude a contract pursuant to Article 427, Paragraph 1 of the Companies Act (limited liability contract) with Outside Directors. The Company has concluded limited liability contracts with Mr. Kazuyuki Matsumoto and Mr. Akira Sudo. If re-appointment of Mr. Kazuyuki Matsumoto and Mr. Akira Sudo is approved at this Meeting, the Company intends to renew the contracts with them. The limitation of liability for damages set out in the limited liability contract is the minimum limitation prescribed by laws and regulations.
- The number of shares held by each of the candidates for Director is as of March 31, 2016.

## Proposal No. 2: Election of Two (2) Corporate Auditors

Corporate Auditors Mr. Haruhiko Kobayashi and Mr. Hiroshi Wakabayashi will resign at the conclusion of this Ordinary General Meeting of Shareholders. Accordingly, the election of two (2) Corporate Auditors is proposed to fill their posts.

The candidates are as stated below.

The Board of Corporate Auditors has already given its approval for the submission of this proposal.

No.	Name (Date of birth)	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
1	[New appointment]  Hiroshi Sakai (July 14, 1958) Age: 57	<p>April 1983    Joined the Company</p> <p>July 2005    President, Topcon Europe Positioning B.V.</p> <p>Aug. 2008    General Manager, International &amp; Marketing Dept.-1, Positioning Business Unit</p> <p>Oct. 2012    Deputy General Manager, Eye Care Company</p> <p>June 2013    Executive Officer (to present)</p> <p>                Vice President, Eye Care Company</p> <p>April 2014    Vice General Manager, Smart Infrastructure Company</p> <p>April 2015    General Manager, Corporate Audit Div. (to present)</p> <p>[Reasons for selection as a candidate for Corporate Auditor] Mr. Hiroshi Sakai gained experience and knowledge through his involvement in management of an overseas subsidiary, and his service as a vice president of a business and the head of an internal audit division. He is therefore considered to be an exemplary candidate for Corporate Auditor and is proposed for the position.</p>	2,300
2	[New appointment]  Keiji Taketani (July 8, 1956) Age: 59  (Outside Corporate Auditor) (Independent Auditor)	<p>April 1980    Joined Sony Corporation</p> <p>Aug. 1990    Sony International (Singapore) Pte. Ltd.</p> <p>Aug. 1995    Acting General Manager, Planning &amp; Control Dept., Display Company, Sony Corporation</p> <p>April 2006    General Manager, Corporate Internal Control Review Office, Sony Corporation</p> <p>June 2010    Audit &amp; Supervisory Board Member, Sony Semiconductor Corporation Sept. 2015 Senior Advisor, Risk &amp; Control Dept., Sony Corporation (to present) (scheduled to retire in June 2016)</p> <p>[Reasons for selection as a candidate for Corporate Auditor] Mr. Keiji Taketani gained in-depth knowledge of finance and accounting and other aspects of corporate management through his involvement in administration for many years and his service as a corporate auditor of a subsidiary of Sony Corporation. He is therefore considered to be an exemplary candidate for Outside Corporate Auditor and expected to appropriately perform duties in auditing of the Company and is proposed for the position.</p>	-

(Notes)

- No material conflict of interest exists between the Company and any of the candidates for Corporate Auditor.
- The terms of office of the Corporate Auditors to be elected at this General Meeting of Shareholders will be until the expiration of the terms of office of the retiring Corporate Auditors.
- Mr. Keiji Taketani is a candidate for Outside Corporate Auditor. Mr. Keiji Taketani satisfies the requirements set forth by the Tokyo Stock Exchange for Independent Directors, and is registered as an Independent Auditor at the said Exchange.
- Limited liability contracts with Outside Corporate Auditors  
In order to have Outside Corporate Auditors fulfill their roles, the Company's Articles of Incorporation allow the Company to conclude contracts with Outside Corporate Auditors that apply a certain limit to their liabilities to the Company. If Mr. Keiji Taketani is appointed as an Outside Corporate Auditor, the Company intends to conclude a limited liability contract with him. The limitation of liability for damages set out in the limited liability contract is the minimum limitation prescribed by laws and regulations.
- The number of shares held by each of the candidates for Corporate Auditor is as of March 31, 2016.
- The age of each candidate for Corporate Auditor is the full age at the conclusion of this Ordinary General Meeting of Shareholders.

### Proposal No. 3: Election of One (1) Substitute Corporate Auditor

To prepare for any situation in which the number of Corporate Auditors falls below the number prescribed by laws and regulations, the appointment of one (1) Substitute Corporate Auditor is proposed as the substitute for Outside Corporate Auditor.

The Board of Corporate Auditors has already given its approval for the submission of this proposal.

The candidate is as follows:

Name (Date of birth)	Past experience and significant concurrent positions		Number of shares of the Company held
Takeshi Kadota (April 18, 1947) Age: 69	July 1971	Joined Mitsubishi Corporation	-
	April 2003	General Manager, Finance & Business Development Div., Mitsubishi Corporation	
	April 2007	Representative Director and President, Kadota & Co., Inc. (to present)	
	June 2007	Corporate Auditor to The Hachijuni Bank, Ltd. (to present)	
	Sept. 2009	Representative Director, Institute of Corporate Governance, Japan (to present)	
	Dec. 2012	Independent Director, Financial Products Group Co., Ltd. (to present)	
	[Reasons for selection as a candidate for Outside Corporate Auditor]Mr. Takeshi Kadota has gained great experience and wisdom in business administration, finance and accounting. He is therefore proposed as a candidate for Substitute Corporate Auditor and he is considered to be an ideal candidate to be an Outside Substitute Corporate Auditor.		

(Notes)

1. No material conflict of interest exists between the Company and the above candidate for Substitute Corporate Auditor.
2. The term of office for the candidate for Substitute Corporate Auditor, Mr. Takeshi Kadota, appointed at the previous Ordinary General Meeting of Shareholders, will expire at the time of commencement of this Ordinary General Meeting of Shareholders. As such, the approval of his appointment as a Substitute Corporate Auditor at this Meeting is requested.
3. Mr. Takeshi Kadota is a candidate for Substitute Corporate Auditor. He satisfies all the requirements to be an Independent Director as prescribed by the Tokyo Stock Exchange.
4. Limited Liability Agreement with the Outside Corporate Auditor:  
In order to have Outside Corporate Auditors fulfill their roles, the Company's Articles of Incorporation allow the Company to conclude contracts with Outside Corporate Auditors that apply a certain limit to their liabilities for damages to the Company. If Mr. Takeshi Kadota is appointed as an Outside Corporate Auditor, the Company intends to conclude the same contract with him. The limitation of liability for damages set out in the said contract will be the minimum limitation prescribed by laws and regulations.
5. The age of the candidate for Substitute Corporate Auditor is the full age at the conclusion of this Ordinary General Meeting of Shareholders.

End

## 1. Matters Concerning the Current Status of the Topcon Group

### (1) Progress and Results of Operations

The economic environment in fiscal 2015, ended March 31, 2016, was mixed. The United States experienced moderate economic expansion fueled mainly by consumer spending, and the European economy showed a modest recovery supported by higher internal demand. On the other hand, the risk posed by an economic slowdown in China and other emerging-market countries increased, leading to a heightened sense of caution about future prospects. Although the trend of the Japanese economy was that of modest recovery, supported by the policies of the Japanese government and the Bank of Japan, the economic recovery lost momentum in view of slowing growth in China from the turn of the year, sharp yen appreciation, and falling crude oil prices.

In this economic environment, the Topcon Group pressed forward with measures to transform its corporate culture in line with the values articulated in the TOPCON WAY while striving to expand businesses in growth markets and realize profitable, sustained growth through creative thinking under the slogan “Creativity & Growth.”

In fiscal 2015, the Topcon Group’s consolidated net sales increased 1.7% year on year to ¥130,735 million as a result primarily of higher sales in the United States, Europe, and Asia and the impact of foreign exchange rates. In terms of profits, the Group implemented various profit recovery measures in response to changes in market conditions, such as workforce reduction in North America and Europe and other cost-cutting measures, the launch of strategic products, product cost reductions, and a shift toward sales of high-value-added products. Nevertheless, market changes resulting from factors such as prolonged stagnation in the IT agriculture market and the economic slowdown overseas exceeded expectations, and expenses for product development aimed at expanding the Group’s business domains and investment to strengthen backbone systems increased. As a result, operating income decreased 45.1% year on year to 8,803 million yen, ordinary income decreased 50.5% to 7,366 million yen, and profit attributable to owners of the parent decreased 51.6% to 4,197 million yen.

An overview of segment information by business category follows.

#### **Smart Infrastructure Company**

##### **Principal Products**

Total stations (robotic total stations, motor drive total stations, manual total stations, total stations for industrial measurement, imaging stations), Layout Navigator, Millimeter GPS, 3D mobile mapping systems, 3D laser scanners, data collectors, theodolites, digital levels, levels, rotating lasers, pipe lasers

Sales decreased 2.7% to 32,989 million yen year on year on lower sales in Japan resulting from a temporary lull in earthquake reconstruction demand and other factors, despite growth in Asia. Operating income decreased 34.5% to 3,909 million yen as a result of the impact of an increase in R&D expenses for new product launches and expenses for the launch of a new backbone system.

#### **Positioning Company**

##### **Principal Products**

GNSS (GPS + GLONASS + GALILEO) receivers for surveying, GNSS receivers for GIS, GNSS reference station systems, machine control systems for civil engineering, machine control systems for precision agriculture, asset management system

Sales increased 5.6% year on year to 61,977 million yen, mainly due to the addition of sales of newly acquired companies in the United States and Europe. Operating income decreased 64.1% to 2,385 million yen as a result of factors including stagnation in the IT agriculture market caused by falling grain prices in agricultural markets, the impact of falling resource prices in the United States and Australia, and an increase in R&D expenditures in new business domains.

#### **Eye Care Company**

##### **Principal Products**

3D optical coherence tomography systems (3D OCT), retinal cameras, non-mydratic retinal cameras, ophthalmic laser photocoagulators, non-contact tonometers, slit lamps, operation microscopes, specular microscopes, IMAGEnet ophthalmic examination data filing system, IMAGEnet electronic ophthalmic



medical record system, wavefront analyzers, vision testers, auto refractometers, auto kerato-refractometers, lens meters, refraction testing systems

Net sales increased 6.3% year on year to 43,834 million yen on growth in the United States, Asia, and Japan. Operating income decreased 4.8% year on year to 4,850 million yen due to the impact of factors such as an increase in expenses for the launch of a new backbone system, despite the contribution from strong sales of highly profitable products.

## **(2) Issues to Be Addressed**

In the Mid-term Business Plan formulated in fiscal 2016, under the slogan “Topcon for Human Life,” the Company has set the vision “Expand our businesses and resolve the social issues in the growing healthcare, agriculture, and infrastructure markets,” and is accelerating implementation of growth strategies.

In healthcare, in order to address an increase in eye diseases in line with population aging worldwide, Topcon will strive to enrich IoT medical network solutions to enable early detection of diseases and enhance medical efficiency. In agriculture, in order to address food shortages brought about by the growing world population, Topcon will strive to enrich IT agriculture solutions so as to enhance productivity and quality of agriculture. In infrastructure, in order to address shortages of engineers brought about by increasing global demand for infrastructure, Topcon will strive to enrich ICT construction solutions so as to compensate for labor shortages at construction sites.

### **Mid-term basic policy**

The Second Mid-term Business Plan covers the period from fiscal 2016 to fiscal 2018. Our policy is to accelerate the growth strategy and enter a new stage.

### **Mid-term basic strategies**

1. Strengthen the management structure to enable agile responsiveness to change.
2. Focus on launching disruptive strategic products to expand business in growth markets.
3. Vitalize the organization by actively utilizing global personnel.
4. Strengthen cost competitiveness by implementing product cost reduction activities consistent with quality.
5. Create a subscription business model in addition to the conventional one-time purchase business model

## **(3) Capital Investment**

Total capital expenditures for the Topcon Group amounted to 5,203 million yen in fiscal 2015. By business segment, capital expenditures were 1,725 million yen for the Smart Infrastructure Company, 2,133 million yen for the Positioning Company, and 1,157 million yen for the Eye Care Company.

## **(4) R&D**

The Topcon Group’s R&D expenditure amounted to 11,329 million yen in fiscal 2015. The Group is conducting vigorous R&D. The Company’s R&D unit and technology departments and technology departments of subsidiaries in the United States and Europe are engaged in R&D.

## **(5) Financing**

The Company made an acquisition in order to enrich the IT agricultural business. For this acquisition, the Company issued unsecured bonds in July 2015 and raised 20 billion yen.

## **(6) Significant business Combinations**

Subsidiary Topcon Positioning Systems, Inc. acquired all shares of Digi-Star Investments, Inc. as of April 20, 2015.

## (7) Financial Position and Earnings

	119th term FY2011	120th term FY2012	121st term FY2013	122nd term FY2014	123rd term FY2015
Net sales (Millions of yen)	98,384	97,345	116,685	128,569	130,735
Operating income (Millions of yen)	2,080	5,214	11,730	16,041	8,803
Operating income ratio (%)	2.1	5.4	10.1	12.5	6.7
Ordinary income (Millions of yen)	467	3,471	11,300	14,880	7,366
Profit (loss) attributable to owners of parent (Millions of yen)	(3,686)	511	5,963	8,670	4,197
Profit (loss) attributable to owners of parent per share (yen)	(39.80)	5.48	55.21	80.27	38.97
Total assets (Millions of yen)	120,777	129,503	135,818	143,181	166,542
Net assets (Millions of yen)	33,064	49,022	54,328	64,610	61,143
Shareholders' equity ratio (%)	27.0	37.4	39.5	44.3	35.0
Shareholders' equity per share (yen)	352.71	448.77	496.22	587.52	550.04
Return on equity (ROE) (%)	(10.6)	1.3	11.7	14.8	6.9

Note: Profit (loss) attributable to owners of parent per share is calculated based on the number of shares corresponding to the average number of shares issued and outstanding during the period from which the average number of shares of treasury stock during the period is deducted.

**(8) Parent Company and Significant Subsidiaries**

1) Relationship with the parent company

Not applicable

2) Significant subsidiaries

Company name	Capital	Percentage of voting rights (%)	Principal business
Sokkia Topcon Co., Ltd.	JPY400 million	100.0%	Manufacturing and sales of products of Smart Infrastructure Company
Topcon Yamagata Co., Ltd.	JPY371 million	100.0%	Manufacturing and sales of products of Eye Care Company
Optonexus Co., Ltd.	JPY263 million	100.0%	Manufacturing and sales of products of Smart Infrastructure Company and Eye Care Company
Topcon Sokkia Positioning Japan Co., Ltd.	JPY269 million	100.0%	Sales of products of Smart Infrastructure Company
Topcon Medical Japan Co., Ltd.	JPY100 million	100.0%	Sales of products of Eye Care Company
Topcon Vision Care Japan Co., Ltd.	JPY100 million	90.0%	Sales of products of Eye Care Company
Topcon Service Co., Ltd.	JPY57 million	100.0%	After-sales service for products of Smart Infrastructure Company and Eye Care Company
Topcon Technohouse Corporation	JPY55 million	100.0%	Sales and after-sales service for precision metering products
Topcon Positioning Systems, Inc.	USD138,905 thousand	100.0% [100.0%]	Manufacturing and sales of products of Positioning Company
Topcon Medical Systems, Inc.	US\$16,094 thousand	100.0% [100.0%]	Sales of products of Eye Care Company
Topcon Medical Laser Systems, Inc.	USD10,000 thousand	100.0% [100.0%]	Manufacturing and sales of products of Eye Care Company
Topcon Europe Positioning B.V.	EUR18 thousand	100.0% [100.0%]	Sales of products of Positioning Company
Topcon Europe Medical B.V.	EUR 18 thousand	100.0% [100.0%]	Sales of products of Eye Care Company
Topcon Singapore Positioning Pte. Ltd.	USD3,000 thousand	100.0% [100.0%]	Sales of products of Smart Infrastructure Company
Topcon Singapore Medical Pte. Ltd.	USD4,000 thousand	100.0% [100.0%]	Sales of products of Eye Care Company
Topcon(Beijing)Opto-Electronics Development Corporation	CNY53,340 thousand	75.0%	Manufacturing and sales of products of Smart Infrastructure Company
Topcon Optical(Dongguan) Technology Ltd.	USD12,000 thousand	90.0% [90.0%]	Manufacturing and sales of products of Smart Infrastructure Company, Eye Care Company, and optical devices

Notes: 1. The Company has 75 consolidated subsidiaries including the significant subsidiaries listed above.

2. Indicated in square brackets in the "Percentage of voting rights" column is the percentage of voting rights indirectly held by the Company.

**(9) Principal Offices (as of March 31, 2016)****1) The Company**

Head Office	Itabashi-ku, Tokyo
Plant	Itabashi-ku, Tokyo

**2) Subsidiaries**

Japan	Sokkia Topcon Co., Ltd. (Itabashi-ku, Tokyo)
	Topcon Yamagata Co., Ltd. (Yamagata-shi, Yamagata Prefecture)
	Optonexus Co., Ltd. (Tamura-shi, Fukushima Prefecture)
	Topcon Sokkia Positioning Japan Co., Ltd. (Itabashi-ku, Tokyo)
	Topcon Medical Japan Co., Ltd. (Itabashi-ku, Tokyo)
	Topcon Vision Care Japan Co., Ltd. (Itabashi-ku, Tokyo)
	Topcon Service Co., Ltd. (Itabashi-ku, Tokyo)
	Topcon Technohouse Corporation (Itabashi-ku, Tokyo)
Overseas	Topcon Positioning Systems, Inc. (California, U.S.A.)
	Topcon Medical Systems, Inc. (New Jersey, U.S.A.)
	Topcon Medical Laser Systems, Inc. (California, U.S.A.)
	Topcon Europe Positioning B.V. (Capelle, Netherlands)
	Topcon Europe Medical B.V. (Capelle, Netherlands)
	Topcon Singapore Positioning Pte. Ltd. (Singapore)
	Topcon Singapore Medical Pte. Ltd. (Singapore)
	Topcon (Beijing) Opto-Electronics Development Corporation (Beijing, China)
	Topcon Optical (Dongguan) Technology Ltd. (Guangdong Province, China)

**(10) Employees (as of March 31, 2016)**

Business category	Number of employees	Increase (Decrease) from the previous fiscal year-end
Smart Infrastructure Company	1,070	+10
Positioning Company	1,691	+261
Eye Care Company	1,378	+105
Other	320	-65
Total	4,459	+311

Note: The number of employees indicated above does not include the number of employees seconded to companies outside the Group, part-time workers, contracted workers, and temporary staff.

**(11) Principal Lenders and (as of March 31, 2016)**

Lender	Outstanding borrowings
Sumitomo Mitsui Banking Corporation	14,346 million yen
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	11,564 million yen
Mizuho Bank, Ltd.	10,709 million yen

## 2. Status of Shares (as of March 31, 2016)

(1) Number of Shares Authorized	160,000,000 shares
(2) Number of Shares Issued	108,085,842 shares
	(including 2,073,172 shares of treasury stock)
(3) Number of Shareholders	21,489

### (4) Major Shareholders

Shareholder name	Number of shares held (shares)	Percentage of shares held
STATE STREET BANK AND TRUST COMPANY	10,322,220	9.7%
Japan Trustee Services Bank, Ltd. (Trust Account)	7,239,100	6.8%
THE BANK OF NEW YORK 133522	6,031,104	5.7%
Japan Trustee Services Bank, Ltd. (Trust Account 9)	5,239,000	4.9%
TAIYO FUND, L.P.	5,203,700	4.9%
The Dai-ichi Life Insurance Company, Limited	4,350,000	4.1%
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,195,300	3.0%
STATE STREET BANK AND TRUST COMPANY 505019	2,821,689	2.7%
TAIYO HANEI FUND, L.P.	2,713,200	2.6%
JP MORGAN CHASE BANK 380055	2,651,800	2.5%

Note: Percentages of shares held are calculated excluding 2,073,172 shares of treasury stock.

## 3. Matters Concerning the Subscription Rights to Shares

Not applicable



## 4. Matters Concerning Officers

### (1) Directors and Corporate Auditors

Positions	Name	Responsibilities and significant concurrent positions	
		(as of March 31, 2016)	(as of April 1, 2016)
Representative Director, President & CEO	Satoshi Hirano	*President & CEO	(Unchanged)
Director	Shigeyuki Sawaguchi	*President of Smart Infrastructure Company	*General Manager of Quality Assurance Div.
Director	Makoto Iwasaki	*General Manager of General Administration & Legal Div.	*General Manager of Production Div. *General Manager of General Administration & Legal Div.
Director	Yasufumi Fukuma	*General Manager of Research & Development Div.	(Unchanged)
Director	Hiroshi Taguchi	*General Manager of General Production Div.	*General Manager of Procurement Div.
Director	Takashi Eto	*General Manager of Eye Care Company	*General Manager of Sales & Marketing Div.
Director	Haruhiko Akiyama	*General Manager of General Accounting & Finance Div.	*General Manager of Accounting & Finance Div.
Director	Kazuyuki Matsumoto	Outside Director, Kitz Corporation	(Unchanged)
Director	Akira Sudo	Executive Adviser, Toshiba Corporation	(Unchanged)
Corporate Auditor (full time)	Haruhiko Kobayashi		
Corporate Auditor (full time)	Hiroyuki Nakamura		
Corporate Auditor	Hiroshi Wakabayashi		
Corporate Auditor	Tatsuya Kuroyanagi	Senior Adviser, Kadota & Co., Inc.	(Unchanged)

- Notes: 1. Directors Mr. Kazuyuki Matsumoto and Mr. Akira Sudo are Outside Directors.  
2. Corporate Auditors Mr. Hiroshi Wakabayashi and Mr. Tatsuya Kuroyanagi are Outside Corporate Auditors.  
3. The Company conducted a reorganization as of April 1, 2016 and statuses after the reorganization are also presented for “Responsibilities and significant concurrent positions.”  
4. The Company applies an executive officer system. Under the column “Responsibilities and significant concurrent positions,” responsibilities marked with \* are duties as an executive officer entrusted to each person.  
5. The Company has designated Directors Mr. Kazuyuki Matsumoto and Mr. Akira Sudo and Corporate Auditors Mr. Hiroshi Wakabayashi and Mr. Tatsuya Kuroyanagi as Independent Directors/Auditors as defined by the Tokyo Stock Exchange and submitted notifications to the said exchange.  
6. Corporate Auditors Mr. Hiroshi Wakabayashi and Mr. Tatsuya Kuroyanagi have in-depth knowledge of finance and accounting based on extensive experience in corporate finance and accounting and extensive experience in the finance industry, respectively.

### (2) Directors and Corporate Auditors Retired during Fiscal 2015

Name	Date of retirement	Reason for retirement	Positions, responsibilities, and significant concurrent positions at the time of retirement
Takayuki Ogawa	June 25, 2015	Expiration of term of office	Director and *General Manager of General Accounting & Finance Div.
Shinji Iwasaki	June 25, 2015	Expiration of term of office	Director and *Assistant to President
Ikuo Kobayashi	June 25, 2015	Expiration of term of office	Corporate Auditor
Chikahiro Yokota	June 25, 2015	Expiration of term of office	Corporate Auditor Adviser, Toshiba Corporation

Note: The Company applies an executive officer system. Under the column “Positions, responsibilities and significant concurrent positions at the time of retirement,” responsibilities marked with \* are duties as an executive officer entrusted to each person.

### (3) Outside Directors/Auditors

Position	Name	Attendance	Main activities
Outside Director	Kazuyuki Matsumoto	[Board of Directors' meetings] 17/18 (94%)	Attended Board of Directors' meetings and, based on abundant experience and knowledge about corporate management, provided opinions about the Group's overall management, as necessary, for deliberation of proposals.
Outside Director	Akira Sudo	[Board of Directors' meetings] 17/18 (94%)	Attended Board of Directors' meetings and provided appropriate advice and various suggestions for Board of Directors' meetings' decision-making particularly about R&D and product development from an expert viewpoint.
Outside Corporate Auditor	Hiroshi Wakabayashi	[Board of Directors' meetings] 14/14 (100%) [Board of Corporate Auditors' meetings] 12/12 (100%)	Attended Board of Directors' meetings and other important internal meetings and provided opinions necessary for deliberation of proposals based on his in-depth knowledge of corporate finance and accounting.
Outside Corporate Auditor	Tatsuya Kuroyanagi	[Board of Directors' meetings] 18/18 (100%) [Board of Corporate Auditors' meetings] 15/15 (100%)	Attended Board of Directors' meetings and other important internal meetings and provided various opinions based on his knowledge and insight cultivated mainly in the financial industry.

- Notes: 1. Mr. Kazuyuki Matsumoto is an Outside Director of Kitz Corporation. There are no significant transactions between the Company and Kitz Corporation.  
2. Mr. Akira Sudo is an Executive Adviser of Toshiba Corporation. There are no significant transactions between the Company and Toshiba Corporation.  
3. Mr. Tatsuya Kuroyanagi is a Senior Adviser, Kadota & Co., Inc. There are no significant transactions between the Company and Kadota & Co., Inc.  
4. In accordance with Article 427, Paragraph 1 of the Companies Act and provisions of the Articles of Incorporation, the Company has concluded a contract with each of the Outside Directors and the Outside Corporate Auditors, whereby liability is limited as set forth in Article 425, Paragraph 1 of the Act. The limitation of liability for damages set out in the limited liability contract is the minimum limitation prescribed by laws and regulations.  
5. The election of Mr. Hiroshi Wakabayashi as Outside Director was approved at the 122nd Ordinary General Meeting of Shareholders. Thus, the number of Board of Directors' meetings indicated for him is different from that for other Directors/Corporate Auditors.

### (4) Compensation for Directors and Corporate Auditors

Classification	Number of individuals	Amount of compensation
Directors	11	137 million yen (including 2 Outside Directors: 14 million yen)
Corporate Auditors	6	57 million yen (including 3 Outside Corporate Auditors: 19 million yen)

Note: In addition to the compensation amounts presented above, the Company paid salaries (including bonuses) amounting to 72 million yen to directors who also served as employees.

## 5. Accounting Auditor

(1) **Accounting Auditor's Name:** Ernst & Young ShinNihon LLC

### (2) Amount of Remuneration

	Amount paid
1) Amount of remuneration etc. for fiscal 2015	73 million yen

2) Total amount of cash and other material benefits payable to the Accounting Auditor by the Company and its subsidiaries	112 million yen
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Notes: 1. The Company's Board of Corporate Auditors obtained necessary information and reports from Directors, the internal organizations concerned, and the Accounting Auditor and reviewed the Accounting Auditor's audit plan, the status of performance of duties of accounting audit, and the basis for calculation of remuneration estimates. As a result of deliberation, the Board of Corporate Auditors judged them to be appropriate and gave approval for the amount of remuneration of the Accounting Auditor.

2. Under the audit agreement between the Company and its Accounting Auditor, remuneration for audits based on the Company Act and that for audits based on the Financial Instruments and Exchange Act are not distinguished. Accordingly, the amount shown in 1) above includes the amount of remuneration for audits based on the Financial Instruments and Exchange Act.

3. The Company's overseas subsidiaries are audited by audit firms (including individuals who have equivalent foreign qualifications) other than the Company's Accounting Auditor.

4. The Company pays fees to the Accounting Auditor for its services (non-audit services) other than those defined in Paragraph 1, Article 2 of the Certified Public Accountants Act. These services include consultation and advisory for establishment of internal controls for the introduction of a new mission-critical system, consultation and advisory for establishment of the Group's accounting policy, and preparation of a comfort letter for issuance of bonds.

### **(3) Policy on Decision of Dismissal and Refusal of Reappointment of the Accounting Auditor**

If any matter arises that makes it difficult for the Accounting Auditor to perform its duties, or if it is deemed necessary, the Company's Board of Corporate Auditors determines the content of a proposal to be submitted to a General Meeting of Shareholders concerning dismissal or non-reappointment of the Accounting Auditor.

In addition to the above, when it is considered that the Accounting Auditor falls under any of the items stipulated in Article 340, Paragraph 1 of the Companies Act, the Board of Corporate Auditors may dismiss the Accounting Auditor upon the consent of all the Corporate Auditors. In such case, a Corporate Auditor selected by the Board of Corporate Auditors will report the dismissal of the Accounting Auditor and the reasons for dismissal at the first General Meeting of Shareholders convened after such dismissal.

### **(4) Disciplinary Action against the Accounting Auditor in the Past Two Years**

On December 22, 2015, the Financial Services Agency announced a disciplinary action on the Company's Accounting Auditor under which Company's Accounting Auditor was suspended from accepting new engagements for three months (from January 1, 2016, to March 31, 2016).

## 6. Company's Structure and Policies

### **Systems for Ensuring Compliance of Performance of Duties by Directors with Laws and Regulations and the Articles of Incorporation and Other Systems for Ensuring the Appropriateness of Operations**

The Company has determined "Systems for ensuring the appropriateness of operations" stipulated by the Companies Act and the Enforcement Regulations of the Companies Act by the resolution of the Board of Directors. Details are as follows:

1. System to ensure that the performance of director and employee duties is in compliance with the law and company articles of incorporation
  - 1) Establish the TOPCON WAY as a representation of values common throughout the Topcon Group and the Topcon Global Code of Conduct to outline a specific code of conduct for the Topcon Group. At Topcon, use the company anniversary and other occasions as opportunities for top management to reaffirm the importance of these values and the code of conduct with every director and employee within the Topcon Group. Also work continuously to promote awareness through daily educational activities.
  - 2) Important matters that could impact Topcon or the Topcon Group overall shall be determined by the Board of Directors. Elect outside directors to maintain and strengthen a supervisory function related to the execution of duties by directors.
  - 3) Utilize an Internal Reporting System to uncover issues quickly and work to enhance timely and appropriate responses.
  - 4) Establish a Corporate Audit Division that will serve as an internal audit department under direction directly of the president. Validate the appropriateness and efficacy of compliance and other internal management systems. Establish a system to ensure that reports are made in a timely manner to the president and Board of Directors if a major issue is discovered.
  - 5) Through the business process reform, establish the system to promote high level of transparency in operations and ensure timely and appropriate disclosure of important company information.
  - 6) Reinforce the recognition that legal compliance is vitally important during the execution of duties. In particular, create separate internal rules and management systems to strengthen compliance with respect to the Anti-Monopoly Act, export restrictions, insider trading restrictions, the protection of private/sensitive information, and environmental protection.
  - 7) Outline guidelines in the Topcon Global Code of Conduct related to preventing relationships with antisocial forces and reinforce the refusal to be involved in the business activities of antisocial forces on a company-wide level.
2. System for Preserving and Managing Information related to Directors' Execution of Duties
  - 1) Minutes, documents, approval forms, and other important materials related to Board of Directors and executive officers meetings are preserved and maintained based on laws and regulations, the Articles of Incorporation and internal company rules. The internal company rules include "Regulations of the Board of Directors", "Executive Officers Regulations", "Group Governance Rules", "Basic Regulation on Information Security", "Document handling official regulations" and "Documents preservation standard (rules)".  
(This includes executive officers meeting information, as the Company has adopted the executive officer system)
  - 2) Establish a system that enables directors, corporate auditors, the accounting auditor and employees designated by them to access important documents, as necessary.
3. Rules and Systems for Managing Risk of Loss
  - 1) Establish Basic Rules for Risk and Compliance, appoint individuals responsible for risk management, and establish a system capable of responding to any Topcon and Topcon Group risks in a timely and appropriate manner.
  - 2) Establish an Internal Reporting System that allows a person who discovers a risk to report it directly without having to go through the normal chain of command. This will contribute to the early discovery of risk information and assist in the rapid and appropriate response to situations as well as increase risk management awareness among all directors and employees, including at group companies. It should be noted that the "Internal Reporting System" is under the jurisdiction of the "Corporate Audit Division," which is an internal audit department.

- 3) Topcon has established the Basic Regulations on Personal Information Protection concerning protection of private information, and the Basic Regulations on Information Security regarding confidential information and associated regulations thereof and seeks to keep employees of Topcon and subsidiaries fully informed of these regulations.
4. System to Ensure the Efficient Execution of Director Duties
    - 1) The Board of Directors meets once per month (and on other occasions as needed) to deliberate on issues and receive reports about regular agenda items related to management policies, laws, articles of incorporation, or other important matters related to the management of the Company, practicing and strengthening the supervisory function over the Company.
    - 2) Day-to-day execution is entrusted to executive officers. The Executive Officer Committee shall be established to deliberate on important business execution issues within the scope of the decision-making authority of the president based on the internal rules and make decisions, in order to ensure sufficient and substantive discussion by the Board of Directors and swift decision-making.
    - 3) Business shall be executed in accordance with appropriate procedures defined in the internal rules, including "Regulations of the Board of Directors", "Executive Officers Regulations", "Group Governance Rules", and "Business Organization Regulations".
  5. System for Ensuring the Appropriate Activities of the Corporate Group, Comprising the Company, Parent Companies, and Subsidiaries
    - 1) The application of the TOPCON WAY as values common throughout the Topcon Group enables the company to transcend national and company borders and ensure that Topcon directors and employees in every country and region share the same values and judgment standards throughout the group. Disseminate the Topcon Global Code of Conduct as a detailed code of conduct to ensure adoption by group companies as well as the Company and establish an awareness of legal compliance.
    - 2) Establish Group Governance Rules applicable to Topcon and group companies and clearly set decision-making standards and matters for reporting. Make these rules known and throughout the year hold several opportunities for business execution status reporting. Share information within the Topcon Group and provide instruction to group companies aimed at improving compliance awareness.
    - 3) The Corporate Audit Division, which is the Topcon internal audit department, shall coordinate with corporate auditors and accounting auditors in their respective audits as well as participate in group company audits to ensure the appropriate conduct of Topcon Group business.
    - 4) To ensure reliability and appropriateness of financial reporting, the Company and Group companies shall design internal controls and establish a structure for operation of internal controls in accordance with the Financial Products and Exchange Act. The Company and Group companies also evaluate the effectiveness of internal control systems on a continuous basis and remediate them, as necessary.
  6. Matters related to Employees Asked to Assist Corporate Auditors
 

In response to a request by corporate auditors, employees assigned to the Corporate Audit Division may be asked to assist corporate auditors in their responsibilities.
  7. Matters related to Employee Independence from Directors
 

The duties of the Corporate Audit Division shall not be subject to influence by directors or executive officers. The assignment of the Corporate Audit Division employees shall be determined beforehand in discussions with the board of corporate auditors.
  8. System for directors/employees to report to corporate auditors and other systems for reports to corporate auditors
    - 1) To ensure audits of the decision-making process, establish a system for corporate auditors to have access to information by attending board of director meetings, executive officers meetings, or other important internal meetings, or by reading meeting minutes or other records/materials.
    - 2) Establish a system that allows the corporate auditor to receive reports throughout the year from various executive divisions within the Company regarding business status or visit group companies to conduct audits of business status.
    - 3) Corporate auditors may, as deemed necessary, require operational reports from the Company and/or subsidiary directors, executive officers, or employees.
    - 4) For corporate auditors, the Corporate Audit Division reports the status concerning internal audits and audit results and seeks cooperation and enhancement of efficiency.

#### 9. System to Ensure Practicality of Corporate Auditor Audits

- 1) The Board of Directors shall exercise consideration to allow unhindered performance of audit activities, allowing corporate auditors to attend Board of Directors' meetings, executive officers meetings, or other important internal meetings (including such meetings at subsidiaries). The Board of Directors shall ensure opportunities for corporate auditors to audit business execution of the Company, including group companies, including the appointment of staff to assist in audit duties.
- 2) Corporate auditors and directors shall establish regular opportunities to exchange opinions, ensuring that the input of corporate auditors is appropriately reflected in management decisions.
- 3) A forum for exchange of information and opinions shall be established for corporate auditors and the accounting auditor.

### (2) Status of Operation of Systems for Ensuring the Appropriateness of Operations

#### 1. Performance of duties by directors

The Board of Directors met 18 times. At the meetings, the Board of Directors deliberated and made decisions on important matters concerning the Group's management and oversaw performance of duties by directors and employees.

#### 2. Compliance with laws and regulations and risk management

In order to enhance awareness of the Group's employees about the importance of legal compliance and risk management, the Company offered governance and compliance education (e-learning) and information security education and strove to instill the TOPCON WAY, which articulate the shared values of the Topcon Group, and the Topcon Global Code of Conduct, which consists of action guidelines for implementing the TOPCON WAY.

The Corporate Audit Division, which is the internal audit department, evaluated appropriateness and effectiveness of internal control systems, including compliance.

The Company regularly conducts activities to raise awareness of employees about the Internal Reporting Systems for early detection of risks and swift and appropriate response.

#### 3. Ensuring reliability and appropriateness of financial reporting

To ensure reliability and appropriateness of financial reporting, the Company evaluated effectiveness of internal controls in fiscal 2015.

#### 4. Performance of duties by corporate auditors

The Board of Corporate Auditors met 15 times. At the meetings, the Board of Corporate Auditors reported, discussed, and made decisions on important matters concerning auditing. Corporate auditors conduct audits of Group companies, attend meetings of the Board of Directors and other important meetings, and periodically exchange information with the Representative Director, the accounting auditor, and the Corporate Audit Division and thereby audit performance of duties by directors.

### (3) Dividend Policy

The Company places emphasis on dividend payments to return profits to shareholders. Our basic policy regarding the distribution of profits to shareholders is to steadily increase the dividend payment amount in line with growth in consolidated earnings.

Regarding dividend payments, we make payments twice yearly, in principle, as an interim dividend and year-end dividend. Our Articles of Incorporation allow for the payment of dividends by resolution of the Board of Directors, without requiring a resolution of the General Meeting of Shareholders, and provide the record date for the year-end dividend as March 31 and for interim dividend as September 30 each year, as well as allowing for the payment of dividends besides the above with the record date to be determined.

For fiscal 2015, the Company's consolidated earnings decreased compared with the previous fiscal year. However, as planned, in addition to paying an interim dividend of 12 yen per share (compared with an interim dividend of 8 yen per share for fiscal 2014), the Company paid a year-end dividend of 12 yen per share (compared with a year-end dividend of 8 yen per share for fiscal 2014), bringing the full-year dividend payment to 24 yen per share (compared with the full-year dividend of 16 yen per share for fiscal 2014).

The Company intends to use internal reserve effectively for R&D investment and capital investment for vigorous business development for the future.

## 7. Other Significant Matters concerning the Company's Status

Not applicable



## Consolidated Financial Statements

**Consolidated Balance Sheet**  
(As of March 31, 2016)

(Millions of yen)

	FY2015	FY2014 (Reference)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	16,186	16,507
Notes and accounts receivable – trade	42,484	43,210
Merchandise and finished goods	23,867	19,646
Work in process	1,539	4,286
Raw materials and supplies	10,595	6,695
Deferred tax assets	6,299	6,107
Other	8,189	5,821
Allowance for doubtful accounts	(1,499)	(1,328)
<b>Total current assets</b>	<b>107,663</b>	<b>100,946</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	4,904	4,755
Machinery, equipment and vehicles, net	2,120	2,226
Land	2,530	1,888
Construction in progress	227	458
Other, net	3,481	2,831
<b>Total property, plant and equipment</b>	<b>13,265</b>	<b>12,159</b>
<b>Intangible assets</b>		
Goodwill	17,501	8,555
Software	10,083	8,024
Other	11,051	4,500
<b>Total intangible assets</b>	<b>38,636</b>	<b>21,081</b>
<b>Investments and other assets</b>		
Investment securities	2,721	3,820
Long-term loans receivable	178	824
Net defined benefit asset	—	554
Deferred tax assets	2,813	2,306
Other	1,335	1,567
Allowance for doubtful accounts	(71)	(79)
<b>Total investments and other assets</b>	<b>6,976</b>	<b>8,994</b>
<b>Total non-current assets</b>	<b>58,879</b>	<b>42,235</b>
<b>Total assets</b>	<b>166,542</b>	<b>143,181</b>

	FY2015	FY2014 (Reference)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable – trade	11,066	12,034
Short-term loans payable	23,754	30,105
Lease obligations	759	156
Accrued expenses	6,264	7,876
Income taxes payable	1,204	2,518
Deferred tax liabilities	568	26
Provision for product warranties	894	832
Other	5,116	4,242
<b>Total current liabilities</b>	<b>49,628</b>	<b>57,794</b>
<b>Non-current liabilities</b>		
Bonds payable	20,000	—
Long-term loans payable	20,387	13,908
Lease obligations	5,540	185
Deferred tax liabilities	2,311	20
Provision for directors' retirement benefits	47	48
Net defined benefit liability	6,805	5,481
Other	676	1,130
<b>Total non-current liabilities</b>	<b>55,770</b>	<b>20,775</b>
<b>Total liabilities</b>	<b>105,399</b>	<b>78,570</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	16,638	16,638
Capital surplus	20,950	20,950
Retained earnings	27,066	25,030
Treasury shares	(2,088)	(60)
<b>Total shareholders' equity</b>	<b>62,566</b>	<b>62,558</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	294	763
Deferred gains or losses on hedges	12	(163)
Foreign currency translation adjustment	(2,251)	1,341
Remeasurements of defined benefit plans	(2,310)	(1,040)
<b>Total accumulated other comprehensive income</b>	<b>(4,255)</b>	<b>901</b>
<b>Non-controlling interests</b>	<b>2,832</b>	<b>1,150</b>
<b>Total net assets</b>	<b>61,143</b>	<b>64,610</b>
<b>Total liabilities and net assets</b>	<b>166,542</b>	<b>143,181</b>

**Consolidated Statement of Income**  
(From April 1, 2015 to March 31, 2016)

(Millions of yen)

	FY2015	FY2014 (Reference)
<b>Net sales</b>	<b>130,735</b>	<b>128,569</b>
<b>Cost of sales</b>	<b>65,093</b>	<b>62,299</b>
<b>Gross profit</b>	<b>65,642</b>	<b>66,269</b>
<b>Selling, general and administrative expenses</b>	<b>56,839</b>	<b>50,227</b>
<b>Operating income</b>	<b>8,803</b>	<b>16,041</b>
<b>Non-operating income</b>		
Interest income	94	81
Dividend income	69	41
Foreign exchange gains	—	349
Other	284	247
<b>Total non-operating income</b>	<b>448</b>	<b>720</b>
<b>Non-operating expenses</b>		
Interest expenses	948	875
Share of loss of entities accounted for using equity method	63	37
Worker-on-loan expenses	—	345
Foreign exchange losses	506	—
Other	367	622
<b>Total non-operating expenses</b>	<b>1,885</b>	<b>1,881</b>
<b>Ordinary income</b>	<b>7,366</b>	<b>14,880</b>
<b>Extraordinary income</b>		
Gain on sales of investment securities	357	—
Gain on sales of land	192	—
<b>Total extraordinary income</b>	<b>549</b>	<b>—</b>
<b>Extraordinary losses</b>		
Loss on valuation of investment securities	335	—
Special retirement expenses	150	—
Loss on retirement of property, plant and equipment	73	—
Loss on transfer of business	47	—
Free repair expense	—	861
Impairment loss	—	591
Loss on business withdrawal	—	413
<b>Total extraordinary losses</b>	<b>607</b>	<b>1,865</b>
<b>Profit before income taxes</b>	<b>7,307</b>	<b>13,014</b>
<b>Income taxes - current</b>	<b>2,814</b>	<b>4,145</b>
<b>Income taxes - deferred</b>	<b>79</b>	<b>13</b>
<b>Profit</b>	<b>4,413</b>	<b>8,855</b>
<b>Profit attributable to non-controlling interests</b>	<b>216</b>	<b>184</b>
<b>Profit attributable to owners of parent</b>	<b>4,197</b>	<b>8,670</b>

**Consolidated Statement of Changes in Net Assets**  
(From April 1, 2015 to March 31, 2016)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	16,638	20,950	25,030	(60)	62,558
Changes of items during the period					
Dividends from surplus			(2,160)		(2,160)
Profit attributable to owners of parent			4,197		4,197
Purchase of treasury stock				(2,028)	(2,028)
Other			(1)		(1)
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	2,035	(2,028)	7
Balance at the end of current period	16,638	20,950	27,066	(2,088)	62,566

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit assets	Total accumulated other comprehensive income		
Balance at the beginning of current period	763	(163)	1,341	(1,040)	901	1,150	64,610
Changes of items during the period							
Dividends from surplus							(2,160)
Profit attributable to owners of parent							4,197
Purchase of treasury stock							(2,028)
Other							(1)
Net changes of items other than shareholders' equity	(468)	175	(3,593)	(1,269)	(5,156)	1,682	(3,474)
Total changes of items during the period	(468)	175	(3,593)	(1,269)	(5,156)	1,682	(3,467)
Balance at the end of current period	294	12	(2,251)	(2,310)	(4,255)	2,832	61,143

## Non-consolidated Financial Statements

**Non-consolidated Balance Sheet**  
(As of March 31, 2016)

(Millions of yen)

	FY2015	FY2014 (Reference)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	2,765	2,786
Notes receivable – trade	988	1,045
Accounts receivable – trade	14,125	18,995
Finished goods	8,187	3,204
Work in process	849	1,576
Raw materials and supplies	2,685	1,819
Advance payments - trade	28	25
Advance payments - other	185	159
Deferred tax assets	3,256	3,305
Short-term loans receivable	4,812	2,454
Accounts receivable - other	2,700	3,074
Other	331	314
Allowance for doubtful accounts	(2)	(5)
<b>Total current assets</b>	<b>40,914</b>	<b>38,755</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings	2,438	2,406
Structures	22	19
Machinery and equipment	390	392
Vehicles	0	0
Tools, furniture and fixtures	1,127	533
Land	236	236
Leased assets	94	133
Construction in progress	9	161
<b>Total property, plant and equipment</b>	<b>4,320</b>	<b>3,882</b>
<b>Intangible assets</b>		
Patent right	151	182
Leasehold right	57	57
Software	6,920	7,245
Other	395	0
<b>Total intangible assets</b>	<b>7,524</b>	<b>7,485</b>
<b>Investments and other assets</b>		
Investment securities	1,364	2,265
Shares of subsidiaries and associates	73,404	54,467
Investments in capital of subsidiaries and associates	907	907
Long-term loans receivable	7	2
Long-term prepaid expenses	1,697	1,757
Deferred tax assets	886	785
Other	224	222
Allowance for doubtful accounts	(7)	(7)
<b>Total investments and other assets</b>	<b>78,484</b>	<b>60,400</b>
<b>Total non-current assets</b>	<b>90,329</b>	<b>71,769</b>
<b>Total assets</b>	<b>131,244</b>	<b>110,525</b>

	FY2015	FY2014 (Reference)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes payable – trade	293	243
Accounts payable – trade	7,257	8,934
Short-term loans payable	20,412	26,394
Lease obligations	662	132
Accounts payable – other	204	605
Accrued expenses	3,166	3,413
Income taxes payable	537	579
Advances received	10	48
Deposits received	47	46
Provision for product warranties	560	537
Other	152	119
<b>Total current liabilities</b>	<b>33,307</b>	<b>41,055</b>
<b>Non-current liabilities</b>		
Bonds payable	20,000	—
Long-term loans payable	15,259	10,715
Lease obligations	5,532	157
Provision for retirement benefits	2,879	2,813
Other	7	16
<b>Total non-current liabilities</b>	<b>43,678</b>	<b>13,703</b>
<b>Total liabilities</b>	<b>76,985</b>	<b>54,758</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	<b>16,638</b>	<b>16,638</b>
Capital surplus		
Legal capital surplus	19,127	19,127
Other capital surplus	1,924	1,924
<b>Total capital surplus</b>	<b>21,051</b>	<b>21,051</b>
<b>Retained earnings</b>		
Legal retained earnings	571	571
Other retained earnings		
General reserve	14,082	14,082
Retained earnings brought forward	3,867	2,918
<b>Total other retained earnings</b>	<b>17,949</b>	<b>17,000</b>
<b>Total retained earnings</b>	<b>18,521</b>	<b>17,572</b>
Treasury shares	(2,088)	(60)
<b>Total shareholders' equity</b>	<b>54,122</b>	<b>55,201</b>
<b>Valuation and translation adjustments</b>		
Valuation difference on available-for-sale securities	136	565
<b>Total valuation and translation adjustments</b>	<b>136</b>	<b>565</b>
<b>Total net assets</b>	<b>54,259</b>	<b>55,766</b>
<b>Total liabilities and net assets</b>	<b>131,244</b>	<b>110,525</b>



**Non-consolidated Statement of Income**  
(From April 1, 2015 to March 31, 2016)

(Millions of yen)

	FY2015	FY2014 (Reference)
<b>Net sales</b>	<b>41,989</b>	<b>44,716</b>
<b>Cost of sales</b>	<b>32,566</b>	<b>33,027</b>
<b>Gross profit</b>	<b>9,423</b>	<b>11,688</b>
<b>Selling, general and administrative expenses</b>	<b>8,510</b>	<b>8,277</b>
<b>Operating income</b>	<b>913</b>	<b>3,411</b>
<b>Non-operating income</b>		
Interest and dividend income	3,189	1,488
Rent income	200	205
Foreign exchange gains	—	412
Other	227	176
<b>Total non-operating income</b>	<b>3,617</b>	<b>2,281</b>
<b>Non-operating expenses</b>		
Interest expenses	409	456
Interest on bonds	78	—
Bond issuance cost	111	—
Foreign exchange losses	344	—
Rent cost	126	132
Worker-on-loan expenses	—	345
Other	253	187
<b>Total non-operating expenses</b>	<b>1,323</b>	<b>1,121</b>
<b>Ordinary income</b>	<b>3,206</b>	<b>4,571</b>
<b>Extraordinary income</b>		
Gain on sales of investment securities	357	—
Gain on sales of land	192	—
<b>Total extraordinary income</b>	<b>549</b>	<b>—</b>
<b>Extraordinary losses</b>		
Loss on retirement of property, plant and equipment	73	—
Free repair expense	—	861
<b>Total extraordinary losses</b>	<b>73</b>	<b>861</b>
<b>Profit before income taxes</b>	<b>3,682</b>	<b>3,710</b>
<b>Income taxes - current</b>	<b>428</b>	<b>(9)</b>
<b>Income taxes - deferred</b>	<b>144</b>	<b>857</b>
<b>Profit</b>	<b>3,109</b>	<b>2,862</b>

**Non-consolidated Statement of Changes in Net Assets**  
(From April 1, 2015 to March 31, 2016)

(Millions of yen)

	Shareholders' equity			
	Capital stock	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balance at the beginning of current period	16,638	19,127	1,924	21,051
Changes of items during the period				
Dividends from surplus				
Profit				
Purchase of treasury stock				
Net changes of items other than shareholders' equity				
Total changes of items during the period	—	—	—	—
Balance at the end of current period	16,638	19,127	1,924	21,051

	Shareholders' equity					
	Retained earnings				Treasury shares	Total shareholders' equity
	Legal retained earnings	Other retained earnings		Total retained earnings		
		General reserve	Retained earnings brought forward			
Balance at the beginning of current period	571	14,082	2,918	17,572	(60)	55,201
Changes of items during the period						
Dividends from surplus			(2,160)	(2,160)		(2,160)
Profit			3,109	3,109		3,109
Purchase of treasury stock					(2,028)	(2,028)
Net changes of items other than shareholders' equity						
Total changes of items during the period			948	948	(2,028)	(1,079)
Balance at the end of current period	571	14,082	3,867	18,521	(2,088)	54,122

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at the beginning of current period	565	565	55,766
Changes of items during the period			
Dividends from surplus			(2,160)
Profit			3,109
Purchase of treasury stock			(2,028)
Net changes of items other than shareholders' equity	(428)	(428)	(428)
Total changes of items during the period	(428)	(428)	(1,507)
Balance at the end of current period	136	136	54,259