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Notice of Convocation of the Ordinary General Meeting of Shareholders for the 124th Business Term



Date and Time

July 28 (Wednesday), 2017 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(Tuesday) , 2017 until 5:15 pm

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TOPCON WAY

Corporate Identity

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

Corporate Identity

Topcon focuses on leading-edge technology to provide new value through innovation and manufacturing.

Topcon respects diversity and acts as a global company.

Topcon places the utmost priority on compliance and continues to be a trustworthy partner to all stakeholders.



We revised the “TOPCON WAY” established in April 2011 and implemented a new “TOPCON WAY” on January 1, 2017.

The new “TOPCON WAY” has been reconstructed by 7 traditional items. We changed the “Corporate Identity” to a simple and memorable expression and compiled “Management Policy” compactly into three items. By expressing it in plain form, all employees have understood this philosophy so that they can act concretely.

To Our Shareholders

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

We will strive to realize sustainable corporate value improvement based on the philosophy of Topcon contributes to enrich human life by solving the societal challenges within healthcare, agriculture and infrastructure.

In healthcare, we will address the increase in eye disease resulting from global population aging by working to enhance IoT medical network solutions to improve early detection of diseases and increasing medical efficiency. In agriculture, we will address food shortages resulting from global population growth by enhancing our IT agriculture solutions to improve productivity and quality. For infrastructure, we will enhance IT construction solutions to respond to engineering labor shortages caused by increasing global infrastructure demand.

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



President & CEO Satoshi Hirano



Topcon for Human Life

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 124th Business Term**

Dear Shareholders:

You are cordially invited to attend the 124th 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 by electromagnetic means (via the Internet etc.). Please review the Reference Documents for the General Meeting of Shareholders (described hereinafter), and exercise your voting rights by 5:15 p.m. on Tuesday, June 27, 2017 Japan standard time.

1. Date and Time: Wednesday, June 28, 2017 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 124th Fiscal Year (from April 1, 2016 to March 31, 2017) 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 Eight (8) Directors
- Proposal No. 2:** Election of One (1) Substitute Corporate Auditor
- Proposal No. 3:** Revision of Amount of Remuneration to Directors
- Proposal No. 4:** Issuance of Subscription Rights to Shares as Stock Options to Directors

Notes concerning General Meeting of Shareholders

- Of the documents required to be attached to this Notice of Convocation, the Notes to Consolidated Financial Statements, which are part of the Consolidated Financial Statements, and the Notes to Non-consolidated Financial Statements, which are part of the Non-consolidated Financial Statements, have been posted on the Company’s website (<http://www.topcon.co.jp/invest>) pursuant to applicable laws and regulations and the Articles of Incorporation, and are therefore not included in the attached documents. The attached documents of this Notice and the above-mentioned statements posted on the Company’s website have been audited by the Accounting Auditor and Corporate Auditors in preparing their respective audit reports.
- 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>).

Reference Documents for the General Meeting of Shareholders

Proposals and References

Proposal No. 1: Election of Eight (8) Directors

The terms of office of all Directors will expire at the conclusion of this Ordinary General Meeting of Shareholders. Accordingly, the election of eight (8) Directors is proposed.

The candidates are as follows:

No.		Name	Position
1	Re-appointment	Satoshi Hirano	President & CEO
2	Re-appointment	Makoto Iwasaki	Representative Director, Senior Managing Executive Officer
3	Re-appointment	Takashi Eto	Director, Managing Executive Officer
4	Re-appointment	Yasufumi Fukuma	Director, Managing Executive Officer
5	Re-appointment	Haruhiko Akiyama	Director, Executive Officer
6	Re-appointment	Takayuki Yamazaki	Director, Executive Officer
7	Re-appointment Outside Director Independent Director	Kazuyuki Matsumoto	Director
8	Re-appointment Outside Director Independent Director	Akira Sudo	Director

No.	Name (Date of birth)	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
1	<p>[Re-appointment]</p> <p>Satoshi Hirano (December 12, 1957)</p> <p>No. of years served as Director: 7 years</p>	<p>April 1982 Joined the Company</p> <p>April 1996 Executive Vice President, Topcon Laser Systems, Inc.</p> <p>July 2001 Senior Executive Vice President, Topcon Positioning Systems, Inc.</p> <p>June 2007 Executive Officer</p> <p>June 2010 Director, Executive Officer</p> <p> General Manager, Positioning Business Unit</p> <p>June 2012 Director, Managing Executive Officer</p> <p>June 2013 Representative Director, President & CEO (to present)</p> <p>[Reasons for selection as a candidate for Director] Through many years of involvement in international business and business planning, Mr. Satoshi Hirano has achieved outstanding results in terms of business growth. Currently serving as President & CEO, while appropriately overseeing management, he is displaying strong leadership in management and spearheading realization of the Group's vision. Therefore, the Company judges that he is the ideal person to achieve sustainable enhancement of corporate value and thus has selected him as a candidate for Director.</p>	25,316
2	<p>[Re-appointment]</p> <p>Makoto Iwasaki (August 10, 1955)</p> <p>No. of years served as Director: 3 years</p>	<p>April 1979 Joined the Company</p> <p>June 2000 General Manager, Parts Plant, Production & Environment Group</p> <p>June 2010 Executive Officer</p> <p>June 2011 General Manager, Quality & Production Group</p> <p>June 2012 General Manager, Production Group</p> <p>April 2014 General Senior Manager, General Administration & Legal Div. (to present)</p> <p>June 2014 Director, Executive Officer</p> <p>June 2015 Director, Managing Executive Officer</p> <p>April 2016 Director, Senior Managing Executive Officer</p> <p> General Manager of Production Div. (to present)</p> <p>April 2017 Representative Director, Senior Managing Executive Officer (to present)</p> <p>[Reasons for selection as a candidate for Director] Through many years of involvement in production and production technology, Mr. Makoto Iwasaki has achieved outstanding results in terms of improvement of profitability through production reform. Currently serving as Representative Director, Senior Managing Executive Officer, General Senior Manager of General Administration & Legal Div. and General Manager of Production Div., while appropriately overseeing management, he is mainly engaged in formulation and implementation of production strategy including promotion of management reform and production reform. Therefore, the Company judges that he is the ideal person to achieve sustainable enhancement of corporate value and thus has selected him as a candidate for Director.</p>	9,959

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)</p> <p>No. of years served as Director: 2 years</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 & Marketing Div. (to present)</p> <p>[Reasons for selection as a candidate for Director] Through many years of involvement in sales & marketing and business planning, Mr. Takashi Eto has achieved outstanding results in terms of sales and profit growth through sales & marketing reform and business reform. Currently serving as Director, Managing Executive Officer, and General Manager of Sales & Marketing Div., while appropriately overseeing management, he is mainly engaged in formulation and implementation of sales & marketing strategy including promotion of sales & marketing reform. Therefore, the Company judges that he is the ideal person to achieve sustainable enhancement of corporate value and thus has selected him as a candidate for Director.</p>	12,330

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)	April 1981 April 2007	Joined the Company General Manager, Topcon Advanced Biomedical Imaging Laboratory, Topcon Medical Systems, Inc. (US) Executive Officer	10,910
	June 2011 June 2013 April 2014 April 2015 April 2017	Director, Executive Officer President, Eye Care Company General Manager, Eye Care Company General Manager, Research & Development Div. (to present) Director, Managing Executive Officer (to present)		
	No. of years served as Director: 4 years	[Reasons for selection as a candidate for Director] Through many years of involvement in R&D, Mr. Yasufumi Fukuma has achieved outstanding results in terms of development of fundamental technology and products. Currently serving as Director, Managing Executive Officer, and General Manager of Research & Development Div., while appropriately overseeing management, he is mainly engaged in formulation and implementation of R&D strategy. Therefore, the Company judges that he is the ideal person to achieve sustainable enhancement of corporate value and thus has selected him as a candidate for Director.		
5	[Re-appointment] Haruhiko Akiyama (February 25, 1963)	April 1986 June 2005	Joined the Company General Manager, Finance Group, General Administration & Accounting Group	9,100
	April 2014 June 2014 April 2015 June 2015 April 2016	Deputy General Manager, General Accounting & Finance Div. 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: 2 years	[Reasons for selection as a candidate for Director] Through many years of involvement in finance and accounting, Mr. Haruhiko Akiyama has achieved outstanding results in terms of improvement of finance and accounting. Currently serving as Director, Executive Officer, and General Manager of Accounting & Finance Div., while appropriately overseeing management, he is mainly engaged in formulation and implementation of financial strategy. Therefore, the Company judges that he is the ideal person to achieve sustainable enhancement of corporate value and thus has selected him as a candidate for Director.		
6	[Re-appointment] Takayuki Yamazaki (August 10, 1966)	April 1989 Oct. 2006 June 2012	Joined the Company Senior Vice President, Topcon Positioning Systems, Inc. Senior Manager, Corporate Planning Dept., Corporate Strategy Div.	7,847
	April 2014 June 2014 June 2016	Executive Senior Manager, Corporate Planning Dept. Executive Officer General Manager of Corporate Planning Div. (to present) Director, Executive Officer (to present)		
	No. of years served as Director: 1 year	[Reasons for selection as a candidate for Director] Through many years of involvement in international business, Mr. Takayuki Yamazaki has achieved outstanding results in terms of growth of international business. Currently serving as Director, Executive Officer, and General Manager of Corporate Planning Div., while appropriately overseeing management, he is mainly engaged in implementation of growth strategy. Therefore, the Company judges that he is the ideal person to achieve sustainable enhancement of corporate value 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	<p>[Re-appointment]</p> <p>Kazuyuki Matsumoto (September 21, 1945)</p> <p>(Outside Director) (Independent Director)</p>	<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&D Div. (in charge of technological development), Nabtesco Corporation</p> <p>June 2005 Representative Director, President & CEO, Nabtesco Corporation</p> <p>June 2011 Director & Chairman, Nabtesco Corporation</p> <p>June 2013 Outside Director, the Company (to present)</p> <p>Outside Director, Kitz Corporation (to present)</p> <p>(Other significant posts)</p> <p>Outside Director, Kitz Corporation</p>	5,000
	No. of years served as Outside Director: 4 years	<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 in senior management of a company operating globally. He has been appropriately overseeing management as an Outside Director. Therefore, the Company has selected him as a candidate for Outside Director in the expectation that he will continue to oversee management so that the Company will achieve sustainable enhancement of corporate value.</p>	

No.	Name (Date of birth)	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
8	<p>[Re-appointment]</p> <p>Akira Sudo (September 11, 1951)</p> <p>(Outside Director) (Independent Director)</p>	<p>April 1980 Joined Tokyo Shibaura Electric Co., Ltd. (currently Toshiba Corporation)</p> <p>June 2007 Chief Technology Executive, Power Systems Company, Toshiba Corporation</p> <p>June 2008 Executive Officer, Corporate Vice President, Toshiba Corp. (Director, Corporate Research & Development Center)</p> <p>June 2010 Executive Officer, Corporate Senior Vice President, Toshiba Corporation (Director, Corporate Research & Development Center)</p> <p>June 2011 Executive Officer, Corporate Executive Vice President, Toshiba Corporation</p> <p>June 2013 Director, Representative Executive Officer, Corporate Senior Executive Vice President, Toshiba Corporation</p> <p>June 2014 Executive Adviser, Toshiba Corporation Outside Director (to present)</p> <p>June 2016 Senior Fellow, Toshiba Corporation (to present) (Other significant posts) Senior Fellow, Toshiba Corporation</p>	-
	No. of years served as Outside Director: 3 years	<p>[Reasons for selection as a candidate for Outside Director]</p> <p>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 a company operating globally. He has been appropriately overseeing management as an Outside Director. Therefore, the Company has selected him as a candidate for Outside Director in the expectation that he will continue to oversee management so that the Company will achieve sustainable enhancement of corporate value.</p>	

(Notes)

1. No material conflict of interest exists between the Company and any of the candidates for Directors.
2. Mr. Kazuyuki Matsumoto and Mr. Akira Sudo are candidates for Outside Director. The Company has designated them as Independent Directors as defined by the Tokyo Stock Exchange and submitted notifications to the said exchange. If their re-appointment as Outside Directors is approved, the Company intends to continue their designation as Independent Directors.
3. 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 under supervision (examination).”
4. Pursuant to provisions of Article 427, Paragraph 1 of the Companies Act and the Articles of Incorporation, the Company has concluded contracts with Mr. Kazuyuki Matsumoto and Mr. Akira Sudo that limit their liability for damages caused by their negligence in performing their duties to the amount prescribed by laws and regulations. If their re-appointment is approved, the Company intends to renew the contracts with them.
5. The number of shares held by each of the candidates for Director is as of March 31, 2017.

Proposal No. 2: 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.

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) (Outside Director)	<p>July 1971 Joined Mitsubishi Corporation</p> <p>April 2003 General Manager, Finance & Business Development Div., Mitsubishi Corporation</p> <p>April 2007 Representative Director and President, Kadota & Co., Inc. (to present)</p> <p>June 2007 Corporate Auditor to The Hachijuni Bank, Ltd. (to present)</p> <p>Sept. 2009 Representative Director, Institute of Corporate Governance, Japan (to present)</p> <p>Dec. 2012 Independent Director, Financial Products Group Co., Ltd. (to present)</p> <p>(Other significant posts)</p> <p>Representative Director and President, Kadota & Co., Inc.</p> <p>Corporate Auditor to The Hachijuni Bank, Ltd.</p> <p>Representative Director, Institute of Corporate Governance, Japan</p> <p>Independent Director, Financial Products Group Co., Ltd.</p>	-
<p>[Reasons for selection as a candidate for Outside Corporate Auditor]</p> <p>Mr. Takeshi Kadota has a wealth of experience and profound insight concerning business administration, finance and accounting, gained through his many years of service at a company operating globally. Therefore, the Company judges that he is capable of appropriately fulfilling duties as an Outside Corporate Auditor of the company, and thus selected him as a candidate for Substitute Corporate Auditor.</p>		

(Notes)

1. No material conflict of interest exists between the Company and the above candidate for Substitute Corporate Auditor.
2. 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.
3. If Mr. Takeshi Kadota is appointed as an Outside Corporate Auditor, pursuant to provisions of Article 427, Paragraph 1 of the Companies Act and the Articles of Incorporation, the Company intends to conclude a contract with him that limits his liability for damages caused by his negligence in performing his duties to the amount prescribed by laws and regulations.

Proposal No. 3: Revision of Amount of Remuneration to Directors

It was approved at the 120th Ordinary General Meeting of Shareholders held on June 26, 2013 that the total amount of remuneration to Directors shall be up to a maximum of 500 million yen a year (consisting of a fixed portion of up to 300 million yen and a performance-linked portion calculated based on certain indicators for a given fiscal year of up to 200 million yen) and this has been unchanged up to the present. Taking into consideration various factors, such as the subsequent economic circumstances and the contemplated introduction of the stock option plans proposed below, the Company proposes to revise the total amount of remuneration to Directors to be up to a maximum of 700 million yen a year (consisting of a fixed portion of up to 300 million yen (including up to 30 million yen for Outside Directors) and a performance-linked portion calculated based on certain indicators for a given fiscal year of up to 400 million yen).

The amount of remuneration to Directors shall not include any employee salaries payable to Directors who are also employees, as in the past.

Additionally, the number of Directors to be subject to this proposal will be eight Directors (including two Outside Directors), if Proposal No.1 is approved as proposed.

Proposal No. 4: Issuance of Subscription Rights to Shares as Stock Options to Directors

In order to further enhance the Directors' motivation and morale to improve the Company's performance, the Company proposes to allot subscription rights to shares (hereinafter referred to as "Subscription Rights to Shares" as stock options to Directors (excluding Outside Directors).

It is proposed that Subscription Rights to Shares be issued by the resolution of the Board of Directors to the Directors to whom Subscription Rights to Shares are allotted as described below, provided that the compensation receivables in the amount equal to the amount to be paid in are offset against the amount to be paid in for Subscription Rights to Shares. Furthermore, it is proposed that the Company continue to grant Directors (excluding Outside Directors) with the same subscription rights to shares as the Subscription Rights to Shares proposed here for the same purpose from the next fiscal year onward.

(1) Total number of subscription rights to shares

The maximum total number of subscription rights to shares to be allotted within one year from the date of the Ordinary General Meeting of Shareholders pertaining to each fiscal year shall be 1,000.

(2) Number of shares to be issued upon exercise of subscription rights to shares

100 shares of common stock of the Company for each subscription right to shares

In the event of any share split or reverse share split concerning common stock or any other event for which it is necessary to adjust the number of shares to be granted, adjustments deemed necessary by the Company shall be made.

(3) Price to be paid in

The fair value computed by the Black Scholes model for each subscription right to shares

However, in accordance with the provisions of Paragraph 2, Article 246 of the Companies Act, payment in cash shall be offset by the compensation receivables from the Company held by the persons to whom subscription rights to shares are allotted.

(4) Value of property to be contributed upon exercise of each subscription right to shares

One yen per share to be issued upon exercise of subscription rights to new shares multiplied by the number of shares to be allotted.

(5) Exercise period

The exercise period starts on the date in which one year has passed from the date of allotment of the subscription rights to shares and ends on the date in which 10 years have passed from the date of allotment of the subscription rights to shares.

(6) Transfer restriction

Acquisition of subscription rights to shares by transfer shall require approval of the Board of Directors.

(7) Conditions for exercise of subscription rights to shares

In order to exercise subscription rights to shares, all the conditions below must be satisfied. Other conditions for exercise shall be determined by the Company's Board of Directors.

- 1) The person remains for at least one year in the position he/she had on the date of allotment of subscription rights to shares or in a position equal or superior to that position. (Notwithstanding the foregoing, if the term of office of the person expires at the conclusion of the Ordinary General

Meeting of Shareholders to be held within one year from the date of allotment of subscription rights to shares, the person remains in office until the expiration of the said term of office.)

- 2) There is no fact that subjects the person to disciplinary action pursuant to the Company's employment rules and the Company recognizes that the person is not in breach of any internal rules specified by the Company or contracts entered into with the Company.
 - 3) If the person to whom subscription rights to shares were allotted dies, his/her spouse (if the person had no spouse, the oldest of his/her legal heirs) or a person certified by the Company shall exercise the subscription rights to shares in accordance with the procedure specified by the Company within three months from the date of death of the person to whom subscription rights to shares were allotted.
- (8) Circumstances that permit the Company's acquisition of subscription rights to shares and conditions for acquisition

In addition to a case specified by the Company's Board of Directors, the Company shall have the right to acquire the subscription rights to shares free of charge, on a date set by the Board of Directors in the following cases; as for case 1), financial results described in 1) occur after the subscription rights to shares are approved by the Board of Directors, and any time after cases described in 2) to 4) may occur.

- 1) The Company records a consolidated net loss for the fiscal year in which the date of allotment of subscription rights to shares falls.
- 2) The Company's Board of Directors deems it necessary in light of reorganization, restructuring, etc. of the Company.
- 3) A fact arose that subjects the person to disciplinary action pursuant to the Company's employment rules or the Company recognizes that the person violated the Company's internal rules specified by the Company or contracts entered into with the Company.
- 4) The person was discharged from the Company.

(Reference)

Following the conclusion of this General Meeting of Shareholders, the Company plans to issue subscription rights to shares (100 shares of common stock of the Company to be issued for each subscription right to shares) similar to the above Subscription Rights to Shares to allot them to Executive Officers and employees of the Company and to persons contracted by the Company by the resolution of the Board of Directors of the Company. The maximum total number of subscription rights to shares to be allotted within one year from the date of the Ordinary General Meeting of Shareholders pertaining to each fiscal year will be 3,000.

1. Matters Concerning the Current Status of the Topcon Group

(1) Progress and Results of Operations

The economic environment in fiscal 2016, ended March 31, 2017, was mixed. In the United States, the private sector and personal consumption were firm. The European economy showed recovery in exports and domestic demand. In Japan, personal consumption, public demand, and exports were on a moderate recovery track. On the other hand, certain emerging economies remained sluggish. In light of such factors as the political trends in the United States and Europe, economic prospects remained uncertain.

In this economic environment, the Topcon Group has established a corporate identity—"Topcon contributes to enrichment of human life by solving the societal challenges within healthcare, agriculture and infrastructure."—and worked to achieve sustainable enhancement of corporate value.

In this context, the Group's consolidated performance in fiscal 2016 was as follows.

In fiscal 2016, the Topcon Group's consolidated net sales were ¥128,387 million, a decrease of 1.8% year on year due to the effect of currency translation adjustments. (The exchange rate for the U.S. dollar was ¥11.1 lower and that for Euro was ¥13.0 lower.) However, sales volumes increased in various regions and net sales were 6.4% higher excluding the impact of foreign exchange rates.

Operating income was ¥9,551 million, reflecting higher sales volumes and the impact of measures to reduce costs and fixed expenses. The year-on-year increase of operating income was 8.5% including the impact of foreign exchange rates and 37.0% excluding the impact of foreign exchange rates. As a result, ordinary income was 7,622 million yen, an increase of 3.5% year on year (or an increase of 39.7% excluding the impact of exchange rates), and profit attributable to owners of the parent was 4,395 million yen, an increase of 4.7% (or an increase of 50.9% excluding the impact of exchange rates).

An overview of segment information by business category follows. (Sales includes internal sales achieved through the transactions among business segments.)

Smart Infrastructure Business

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

Although i-Construction sales increased in Japan and sales expanded in China and other Asian countries, sales decreased in other regions. As a result, sales were ¥33,091 million (a 0.3% increase year on year, or a 6.1% increase excluding the impact of exchange rates), and operating income was ¥3,939 million (a 0.8% increase year on year, or a 16.0% increase excluding the impact of exchange rates)

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 were ¥60,602 million (a 2.2% decrease year on year, or a 7.9% increase excluding the impact of exchange rates) because of expanded sales of IT construction systems. Thanks to the impact of new products and the effect of cost reductions and lower fixed costs, operating income was ¥5,596 million (a 134.6% increase year on year, or a 157.8% increase excluding the impact of exchange rates).

Eye Care Business

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

Because of increased sales of OCT (optical coherence tomography) systems mainly in the United States, sales were ¥43,148 million (a 1.6% decrease year on year, or a 6.7% increase excluding the impact of exchange rates). Operating income was ¥2,598 million (a 46.4% decrease year on year, or a 14.7% decrease excluding the impact of exchange rates) owing to increased R&D expenditure and intensified price competition in Europe.

(2) Issues to Be Addressed

In accordance with the management philosophy, “to contribute to enrichment of human life by solving the societal challenges within healthcare, agriculture and infrastructure,” the Company is striving to achieve sustainable enhancement of corporate value.

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 so as 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 increasing the quality of agriculture. In infrastructure, in order to address shortages of engineers brought about by rising global demand for infrastructure, Topcon will strive to enrich ICT construction solutions so as to compensate for labor shortages at construction sites.

In fiscal 2016, the Company had set a three year Mid-term Business Plan, in which fiscal 2016 was the initial year and has worked towards solving the issues addressed above.

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

* we are seeing progress as planned overall, with regard to the Second Mid-term Business Plan, in which fiscal 2016 was the initial year.

The Company revised TOPCON WAY established in April 2011 and issued the new TOPCON WAY on January 1, 2017. In the new TOPCON WAY, the seven items in the previous TOPCON WAY are reorganized into “Corporate Identity” with a simple, easy-to-remember statement and a threefold “Management Policy.” A simple style is used to facilitate employees’ understanding of the Company’s philosophy so that their actions are in accordance with it.

TOPCON WAY

-Corporate Identity-

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

-Management Policy-

Topcon focuses on leading-edge technology to provide new value through innovation and manufacturing.

Topcon respects diversity and acts as a global company.

Topcon places the utmost priority on compliance and continues to be a trustworthy partner to all stakeholders.

(3) Capital Investment

Total capital expenditures for the Topcon Group amounted to 4,438 million yen in fiscal 2016. By business segment, capital expenditures were 1,608 million yen for the Smart Infrastructure Business, 1,751 million yen for the Positioning Company, and 976 million yen for the Eye Care Business.

(4) R&D

The Topcon Group's R&D expenditure amounted to 10,411 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

Not applicable

(6) Significant business Combinations

Not applicable

(7) Financial Position and Earnings

	120th term FY2012	121st term FY2013	122nd term FY2014	123rd term FY2015	124th term FY2016
Net sales (Millions of yen)	97,345	116,685	128,569	130,735	128,387
Operating income (Millions of yen)	5,214	11,730	16,041	8,803	9,551
Operating income ratio (%)	5.4	10.1	12.5	6.7	7.4
Ordinary income (Millions of yen)	3,471	11,300	14,880	7,366	7,622
Profit attributable to owners of parent (Millions of yen)	511	5,963	8,670	4,197	4,395
Profit attributable to owners of parent per share (yen)	5.48	55.21	80.27	38.97	41.46
Total assets (Millions of yen)	129,503	135,818	143,181	166,542	158,280
Net assets (Millions of yen)	49,022	54,328	64,610	61,143	63,313
Shareholders' equity ratio (%)	37.4	39.5	44.3	35.0	37.7
Shareholders' equity per share (yen)	448.77	496.22	587.52	550.04	563.30
Return on equity (ROE) (%)	1.3	11.7	14.8	6.9	7.4

Note: Profit 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 Smart Infrastructure products
Topcon Yamagata Co., Ltd.	JPY371 million	100.0%	Manufacturing and sales of Eye Care products
Optonexus Co., Ltd.	JPY263 million	100.0%	Manufacturing and sales of Smart Infrastructure and Eye Care products
Topcon Sokkia Positioning Japan Co., Ltd.	JPY269 million	100.0%	Sales of Smart Infrastructure and Positioning products
Topcon Medical Japan Co., Ltd.	JPY100 million	100.0%	Sales of Eye Care products
Topcon Positioning Systems, Inc.	USD138,905 thousand	100.0% [100.0%]	Manufacturing and sales of Positioning products and sales of Smart Infrastructure products
Topcon Medical Systems, Inc.	US\$16,094 thousand	100.0% [100.0%]	Sales of Eye Care products
Topcon Europe Positioning B.V.	EUR18 thousand	100.0% [100.0%]	Sales of Smart Infrastructure and Positioning products
Topcon Europe Medical B.V.	EUR 18 thousand	100.0% [100.0%]	Sales of Eye Care products
Topcon Singapore Positioning Pte. Ltd.	USD3,000 thousand	100.0% [100.0%]	Sales of Smart Infrastructure and Positioning products
Topcon Singapore Medical Pte. Ltd.	USD4,000 thousand	100.0% [100.0%]	Sales of Eye Care products
Topcon Optical(Dongguan) Technology Ltd.	USD12,000 thousand	90.0% [90.0%]	Manufacturing and sales of Smart Infrastructure and Eye Care products and optical devices

Notes: 1. The Company has 73 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, 2017)**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)
Overseas	Topcon Positioning Systems, Inc. (California, U.S.A.)
	Topcon Medical Systems, Inc. (New Jersey, 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 Optical (Dongguan) Technology Ltd. (Guangdong Province, China)

(10) Employees (as of March 31, 2017)

Business category	Number of employees	Increase (Decrease) from the previous fiscal year-end
Smart Infrastructure Business	962	-108
Positioning Company	1,673	-18
Eye Care Business	1,541	+163
Other	321	+1
Total	4,497	+38

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, 2017)

Lender	Outstanding borrowings
Sumitomo Mitsui Banking Corporation	10,479 million yen
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	8,360 million yen
Mizuho Bank, Ltd.	7,556 million yen

2. Status of Shares (as of March 31, 2017)

(1) Number of Shares Authorized	160,000,000 shares
(2) Number of Shares Issued	108,085,842 shares
	(including 2,073,390 shares of treasury stock)
(3) Number of Shareholders	14,610

(4) Major Shareholders

Shareholder name	Number of shares held (shares)	Percentage of shares held
STATE STREET BANK AND TRUST COMPANY	10,815,720	10.2%
Japan Trustee Services Bank, Ltd. (Trust Account)	9,066,800	8.6%
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,496,200	5.2%
The Dai-ichi Life Insurance Company, Limited	4,350,000	4.1%
JPMC OPPENHEIMER JASDEC LENDING ACCOUNT	3,298,800	3.1%
Japan Trustee Services Bank, Ltd. (Trust Account 9)	2,748,900	2.6%
THE CHASE MANHATTAN BANK 385036	2,663,300	2.5%
JP MORGAN CHASE BANK 380055	2,649,000	2.5%
SAJAP	2,117,200	2.0%
THE BANK OF NEW YORK 133524	2,075,300	2.0%

Note: Percentages of shares held are calculated excluding 2,073,390 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
Representative Director, President & CEO	Satoshi Hirano	*President & CEO
Director	Makoto Iwasaki	*General Manager of General Administration & Legal Div. *General Manager of Production Div.
Director	Takashi Eto	*General Manager of Sales & Marketing Div.
Director	Yasufumi Fukuma	*General Manager of Research & Development Div.
Director	Haruhiko Akiyama	*General Manager of Accounting & Finance Div.
Director	Hiroshi Taguchi	*General Manager of Procurement Div.
Director	Takayuki Yamazaki	*General Manager of Corporate Planning Div.
Director	Kazuyuki Matsumoto	Outside Director, Kitz Corporation
Director	Akira Sudo	Senior Fellow, Toshiba Corporation
Corporate Auditor (full time)	Hiroshi Sakai	
Corporate Auditor (full time)	Hiroyuki Nakamura	
Corporate Auditor	Tatsuya Kuroyanagi	Senior Adviser, Kadota & Co., Inc.
Corporate Auditor	Keiji Taketani	

- Notes: 1. Director Mr. Makoto Iwasaki assumed the office of Representative Director on April 1, 2017.
2. 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.
3. Directors Mr. Kazuyuki Matsumoto and Mr. Akira Sudo are Outside Directors.
4. Corporate Auditors Mr. Tatsuya Kuroyanagi and Mr. Keiji Taketani are Outside Corporate Auditors.
5. The Company has designated Directors Mr. Kazuyuki Matsumoto and Mr. Akira Sudo and Corporate Auditors Mr. Tatsuya Kuroyanagi and Mr. Keiji Taketani as Independent Directors/Auditors as defined by the Tokyo Stock Exchange and submitted notifications to the said exchange.
6. Corporate Auditors Mr. Tatsuya Kuroyanagi and Mr. Keiji Taketani have in-depth knowledge of finance and accounting based on extensive experience in the finance industry and extensive experience in business administration, respectively.
7. Changes in Directors and Corporate Auditors during fiscal 2016 are as follows:
- 1) Election of Mr. Takayuki Yamazaki as Director and election of Mr. Hiroshi Sakai and Mr. Keiji Taketani as Corporate Auditors were approved at the 123rd Ordinary General Meeting of Shareholders held on June 28, 2016, and they assumed office.
 - 2) Director Mr. Shigeyuki Sawaguchi retired from the position of Director at the conclusion of the 123rd Ordinary General Meeting of Shareholders held on June 28, 2016 upon expiration of his term of office.
 - 3) Corporate Auditors Mr. Haruhiko Kobayashi and Mr. Hiroshi Wakabayashi resigned from their positions as Corporate Auditors at the conclusion of the 123rd Ordinary General Meeting of Shareholders held on June 28, 2016.

(2) Outside Directors/Auditors

Position	Name	Attendance	Main activities
Outside Director	Kazuyuki Matsumoto	[Board of Directors' meetings] 13/13	Provided opinions as necessary, mainly based on a wealth of experience and profound insight concerning corporate management.
	Akira Sudo	[Board of Directors' meetings] 13/13	Provided opinions as necessary, mainly based on a wealth of experience and profound insight concerning R&D.
Outside Corporate Auditor	Tatsuya Kuroyanagi	[Board of Directors' meetings] 13/13 [Board of Corporate Auditors' meetings] 15/15	Provided opinions as necessary, mainly based on a wealth of experience and profound insight concerning finance.
	Keiji Taketani	[Board of Directors' meetings] 10/10 [Board of Corporate Auditors' meetings] 11/11	Provided opinions as necessary, mainly based on a wealth of experience and profound insight concerning business administration.

- 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 a Senior Fellow 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 if in case they have failed to conduct their duties. 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. Keiji Taketani as Outside Director was approved at the 123rd Ordinary General Meeting of Shareholders held on June 28, 2016. Thus, the total number of times listed for his attendance is towards the Board of Directors' meetings and the Board of Corporate Auditors' meetings held after June 28, 2016.

(3) Compensation for Directors and Corporate Auditors

Classification	Number of individuals	Amount of compensation
Directors	10	166 million yen (including 2 Outside Directors: 14 million yen)
Corporate Auditors	6	53 million yen (including 3 Outside Corporate Auditors: 16 million yen)

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 2016	74 million yen
2) Total amount of cash and other material benefits payable to the Accounting Auditor by the Company and its subsidiaries	74 million yen

- 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.

(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 13 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 covering the TOPCON WAY, which articulates the shared values of the Topcon Group, the Topcon Global Code of Conduct, which consists of action guidelines for implementing the TOPCON WAY, and the Group Governance Rules, which set decision-making standards and specify matters to be reported.

Minutes of meetings of the Board of Directors and other important materials are prepared and retained based on laws and regulations, the Articles of Incorporation, and internal company rules.

The Corporate Audit Division, which is the internal audit department, evaluated appropriateness and effectiveness of the Group's 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 2016.

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 2016, the Company achieved the consolidated performance forecast announced on January 31, 2017. Therefore, as planned, in addition to paying an interim dividend of 8 yen per share (compared with an interim dividend of 12 yen per share for fiscal 2015), the Company paid a year-end dividend of 8 yen per share (compared with a year-end dividend of 12 yen per share for fiscal 2015), bringing the full-year dividend payment to 16 yen per share (compared with the full-year dividend of 24 yen per share for fiscal 2015).

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, 2017)

	(Millions of yen)	
	FY2016	FY2015 (Reference)
Assets		
Current assets		
Cash and deposits	15,570	16,186
Notes and accounts receivable – trade	41,201	42,484
Merchandise and finished goods	19,988	23,867
Work in process	1,930	1,539
Raw materials and supplies	10,429	10,595
Deferred tax assets	5,399	6,299
Other	6,251	8,189
Allowance for doubtful accounts	(1,680)	(1,499)
Total current assets	99,089	107,663
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,434	4,904
Machinery, equipment and vehicles, net	2,111	2,120
Land	2,631	2,530
Construction in progress	1,441	227
Other, net	3,509	3,481
Total property, plant and equipment	15,129	13,265
Intangible assets		
Goodwill	14,553	17,501
Software	7,630	10,083
Other	13,850	11,051
Total intangible assets	36,035	38,636
Investments and other assets		
Investment securities	3,371	2,721
Long-term loans receivable	305	178
Deferred tax assets	3,028	2,813
Other	1,428	1,335
Allowance for doubtful accounts	(107)	(71)
Total investments and other assets	8,025	6,976
Total non-current assets	59,190	58,879
Total assets	158,280	166,542

	FY2016	FY2015 (Reference)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	10,353	11,066
Short-term loans payable	16,296	23,754
Lease obligations	687	759
Accrued expenses	6,403	6,264
Income taxes payable	991	1,204
Deferred tax liabilities	624	568
Provision for product warranties	920	894
Other	5,876	5,116
Total current liabilities	42,153	49,628
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	16,725	20,387
Lease obligations	4,901	5,540
Deferred tax liabilities	2,807	2,311
Provision for directors' retirement benefits	43	47
Net defined benefit liability	6,743	6,805
Other	1,591	676
Total non-current liabilities	52,813	55,770
Total liabilities	94,966	105,399
Net assets		
Shareholders' equity		
Capital stock	16,638	16,638
Capital surplus	20,950	20,950
Retained earnings	29,344	27,066
Treasury shares	△2,089	(2,088)
Total shareholders' equity	64,844	62,566
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	740	294
Deferred gains or losses on hedges	40	12
Foreign currency translation adjustment	(3,849)	(2,251)
Remeasurements of defined benefit plans	(2,059)	(2,310)
Total accumulated other comprehensive income	(5,127)	(4,255)
Non-controlling interests	3,596	2,832
Total net assets	63,313	61,143
Total liabilities and net assets	158,280	166,542

Consolidated Statement of Income
(From April 1, 2016 to March 31, 2017)

(Millions of yen)

	FY2016	FY2015 (Reference)
Net sales	128,387	130,735
Cost of sales	62,840	65,093
Gross profit	65,547	65,642
Selling, general and administrative expenses	55,996	56,839
Operating income	9,551	8,803
Non-operating income		
Interest income	97	94
Dividend income	30	69
Other	208	284
Total non-operating income	335	448
Non-operating expenses		
Interest expenses	897	948
Share of loss of entities accounted for using equity method	221	63
Foreign exchange losses	746	506
Other	397	367
Total non-operating expenses	2,263	1,885
Ordinary income	7,622	7,366
Extraordinary income		
Gain on sales of shares of subsidiaries and associates	204	-
Gain on sales of investment securities	-	357
Gain on sales of land	-	192
Total extraordinary income	204	549
Extraordinary losses		
Office transfer expenses	116	-
Special retirement expenses	59	150
Loss on valuation of investment securities	-	335
Loss on retirement of property, plant and equipment	-	73
Loss on transfer of business	-	47
Total extraordinary losses	175	607
Profit before income taxes	7,651	7,307
Income taxes - current	2,944	2,814
Income taxes - deferred	174	79
Profit	4,533	4,413
Profit attributable to non-controlling interests	138	216
Profit attributable to owners of parent	4,395	4,197

Consolidated Statement of Changes in Net Assets
(From April 1, 2016 to March 31, 2017)

(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	27,066	(2,088)	62,566
Changes of items during the period					
Dividends from surplus			(2,120)		(2,120)
Profit attributable to owners of parent			4,395		4,395
Purchase of treasury stock				(0)	(0)
Other			3		3
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	2,278	(0)	2,278
Balance at the end of current period	16,638	20,950	29,344	(2,089)	64,844

	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	294	12	(2,251)	(2,310)	(4,255)	2,832	61,143
Changes of items during the period							
Dividends from surplus							(2,120)
Profit attributable to owners of parent							4,395
Purchase of treasury stock							(0)
Other							3
Net changes of items other than shareholders' equity	445	28	(1,597)	250	(872)	764	(108)
Total changes of items during the period	445	28	(1,597)	250	(872)	764	2,169
Balance at the end of current period	740	40	(3,849)	(2,059)	(5,127)	3,596	63,313

Non-consolidated Financial Statements

Non-consolidated Balance Sheet
(As of March 31, 2017)

(Millions of yen)

	FY2016	FY2015 (Reference)
Assets		
Current assets		
Cash and deposits	2,139	2,765
Notes receivable – trade	1,294	988
Accounts receivable – trade	14,854	14,125
Finished goods	5,013	8,187
Work in process	877	849
Raw materials and supplies	2,030	2,685
Advance payments - trade	25	28
Advance payments - other	213	185
Deferred tax assets	2,835	3,256
Short-term loans receivable	4,553	4,812
Accounts receivable - other	1,716	2,700
Other	357	331
Allowance for doubtful accounts	(2)	(2)
Total current assets	35,911	40,914
Non-current assets		
Property, plant and equipment		
Buildings	2,377	2,438
Structures	21	22
Machinery and equipment	371	390
Vehicles	0	0
Tools, furniture and fixtures	1,143	1,127
Land	236	236
Leased assets	91	94
Construction in progress	33	9
Total property, plant and equipment	4,275	4,320
Intangible assets		
Patent right	121	151
Leasehold right	57	57
Software	6,491	6,920
Other	328	395
Total intangible assets	6,999	7,524
Investments and other assets		
Investment securities	2,089	1,364
Shares of subsidiaries and associates	74,299	73,404
Investments in capital of subsidiaries and associates	907	907
Long-term loans receivable	3	7
Long-term prepaid expenses	1,267	1,697
Deferred tax assets	1,219	886
Other	236	224
Allowance for doubtful accounts	(7)	(7)
Total investments and other assets	80,017	78,484
Total non-current assets	91,292	90,329
Total assets	127,203	131,244

	FY2016	FY2015 (Reference)
Liabilities		
Current liabilities		
Notes payable – trade	222	293
Accounts payable – trade	6,336	7,257
Short-term loans payable	22,509	20,412
Lease obligations	624	662
Accounts payable – other	193	204
Accrued expenses	2,819	3,166
Income taxes payable	80	537
Advances received	18	10
Deposits received	48	47
Provision for product warranties	594	560
Other	127	152
Total current liabilities	33,576	33,307
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	11,509	15,259
Lease obligations	4,898	5,532
Provision for retirement benefits	2,918	2,879
Other	5	7
Total non-current liabilities	39,332	43,678
Total liabilities	72,909	76,985
Net assets		
Shareholders' equity		
Capital stock	16,638	16,638
Capital surplus		
Legal capital surplus	19,127	19,127
Other capital surplus	1,924	1,924
Total capital surplus	21,051	21,051
Retained earnings		
Legal retained earnings	571	571
Other retained earnings		
General reserve	14,082	14,082
Retained earnings brought forward	3,479	3,867
Total other retained earnings	17,561	17,949
Total retained earnings	18,133	18,521
Treasury shares	(2,089)	(2,088)
Total shareholders' equity	53,733	54,122
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	559	136
Total valuation and translation adjustments	559	136
Total net assets	54,293	54,259
Total liabilities and net assets	127,203	131,244

Non-consolidated Statement of Income
(From April 1, 2016 to March 31, 2017)

(Millions of yen)

	FY2016	FY2015 (Reference)
Net sales	42,420	41,989
Cost of sales	32,464	32,566
Gross profit	9,955	9,423
Selling, general and administrative expenses	9,796	8,510
Operating income	159	913
Non-operating income		
Interest and dividend income	1,966	3,189
Rent income	199	200
Other	221	227
Total non-operating income	2,387	3,617
Non-operating expenses		
Interest expenses	337	409
Interest on bonds	115	78
Bond issuance cost	—	111
Foreign exchange losses	414	344
Rent cost	102	126
Other	291	253
Total non-operating expenses	1,261	1,323
Ordinary income	1,286	3,206
Extraordinary income		
Gain on sales of shares of subsidiaries and associates	237	—
Gain on sales of investment securities	—	357
Gain on sales of land	—	192
Total extraordinary income	237	549
Extraordinary losses		
Loss on retirement of property, plant and equipment	—	73
Total extraordinary losses	—	73
Profit before income taxes	1,523	3,682
Income taxes - current	(110)	428
Income taxes - deferred	(98)	144
Profit	1,732	3,109

Non-consolidated Statement of Changes in Net Assets
(From April 1, 2016 to March 31, 2017)

(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	3,867	18,521	(2,088)	54,122
Changes of items during the period						
Dividends from surplus			(2,120)	(2,120)		(2,120)
Profit			1,732	1,732		1,732
Purchase of treasury stock					(0)	(0)
Net changes of items other than shareholders' equity						
Total changes of items during the period	—	—	(388)	(388)	(0)	(388)
Balance at the end of current period	571	14,082	3,479	18,133	(2,089)	53,733

	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	136	136	54,259
Changes of items during the period			
Dividends from surplus			(2,120)
Profit			1,732
Purchase of treasury stock			(0)
Net changes of items other than shareholders' equity	423	423	423
Total changes of items during the period	423	423	34
Balance at the end of current period	559	559	54,293