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## Notice of Convocation of the Ordinary General Meeting of Shareholders for the 125th Business Term



### Date and Time

June 27 (Wednesday), 2018 at 10:00a.m.

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



### Place

Headquarters of the Company

Voting deadline by mail or the Internet

June 26(Tuesday) , 2018 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.

## 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.





## To Our Shareholders

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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



**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 125th Business Term**

Dear Shareholders:

You are cordially invited to attend the 125th 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 26, 2018 Japan standard time.

**1. Date and Time:** Wednesday, June 27, 2018 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 125th Fiscal Year (from April 1, 2017 to March 31, 2018) 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 One (1) Corporate Auditor
- Proposal No. 3:** Election of One (1) Substitute Corporate Auditor
- Proposal No. 4:** Revision of Amount of Remuneration 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 Nine (9) Directors

The terms of office of all eight (8) Directors will expire at the conclusion of this Ordinary General Meeting of Shareholders. Accordingly, the election of nine (9) Directors is proposed, increasing the number of Outside Directors by one (1), in order to strengthen the management oversight function.

The candidates are as follows:

No.		Name	Position at the Company
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
9	New appointment Outside Director Independent Director	Naoko Yamazaki	

No.	Name (Date of birth)	Career summary, positions and responsibilities at the Company and significant concurrent positions		Number of shares of the Company held
1	[Re-appointment]  Satoshi Hirano (December 12, 1957)	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)	27,116
	No. of years served as Director: 8 years	[Reasons for selection as a candidate for Director] Serving as President & CEO, Mr. Satoshi Hirano is appropriately overseeing management. Since assuming office in his current position in June 2013, he has been displaying strong leadership in management. By spearheading the Company's initiatives to solve the social challenges within healthcare, agriculture and infrastructure, he is driving sustainable growth of the Group. 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.		
2	[Re-appointment]  Makoto Iwasaki (August 10, 1955)	April 1979 June 2000  June 2010 June 2011 April 2014  June 2014 June 2015 April 2016 April 2017  April 2018	Joined the Company General Manager, Parts Plant, Production & Environment Group Executive Officer General Manager, Quality & Production Group General Senior Manager, General Administration & Legal Div. Director, Executive Officer Director, Managing Executive Officer Director, Senior Managing Executive Officer Representative Director, Senior Managing Executive Officer (to present) General Manager of Manufacturing Div. (to present) General Manager of General Administration & Legal Div. (to present)	10,714
	No. of years served as Director: 4 years	[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 Manager of Manufacturing Div., and General Manager of General Administration & Legal Div., while appropriately overseeing management, he is mainly engaged in formulation and implementation of production strategy including production reform and in promotion of management 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.		

No.	Name (Date of birth)	Career summary, positions and responsibilities at the Company and significant concurrent positions	Number of shares of the Company held
3	<p>[Re-appointment]</p> <p>Takashi Eto (February 18, 1960)</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.</p> <p>April 2018      General Manager of Smart Infrastructure Business Div. (to present) General Manager of Corporate Planning Div. (to present)</p>	12,641
	No. of years served as Director: 3 years	<p>[Reasons for selection as a candidate for Director]</p> <p>Through many years of involvement in sales &amp; marketing and business planning, Mr. Takashi Eto has achieved outstanding results in terms of sales and profit growth through sales &amp; marketing reform and business reform. Currently serving as Director, Managing Executive Officer, General Manager of Smart Infrastructure Business Div., and General Manager of Corporate Planning Div., while appropriately overseeing management, he is mainly engaged in formulation and implementation of business strategy including business reform and in promotion 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.</p>	

No.	Name (Date of birth)	Career summary, positions and responsibilities at the Company and significant concurrent positions		Number of shares of the Company held
4	[Re-appointment] Yasufumi Fukuma (February 13, 1958)	<p>April 1981      Joined the Company</p> <p>April 2007      General Manager, Topcon Advanced Biomedical Imaging Laboratory, Topcon Medical Systems, Inc. (US)</p> <p>Executive Officer</p> <p>June 2011      Director, Executive Officer</p> <p>June 2013      President, Eye Care Company</p> <p>April 2014      General Manager, Eye Care Company</p> <p>April 2015      General Manager, Research &amp; Development Div.</p> <p>April 2017      Director, Managing Executive Officer (to present)</p> <p>April 2018      General Manager of R&amp;D Div. (to present)</p>		11,510
	No. of years served as Director: 5 years	<p>[Reasons for selection as a candidate for Director]</p> <p>Through many years of involvement in R&amp;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 R&amp;D Div., while appropriately overseeing management, he is mainly engaged in formulation and implementation of R&amp;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.</p>		
5	[Re-appointment] Haruhiko Akiyama (February 25, 1963)	<p>April 1986      Joined the Company</p> <p>June 2005      General Manager, Finance Group, General Administration &amp; Accounting Group</p> <p>April 2014      Deputy General Manager, General Accounting &amp; Finance Div.</p> <p>June 2014      Executive Officer</p> <p>April 2015      Deputy General Manager, General Accounting &amp; Finance Div.</p> <p>June 2015      Director, Executive Officer (to present)</p> <p>General Manager, General Accounting &amp; Finance Div.</p> <p>April 2016      General Manager of Accounting &amp; Finance Div. (to present)</p>		10,299
	No. of years served as Director: 3 years	<p>[Reasons for selection as a candidate for Director]</p> <p>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 &amp; 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.</p>		
6	[Re-appointment] Takayuki Yamazaki (August 10, 1966)	<p>April 1989      Joined the Company</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</p> <p>General Manager of Corporate Planning Div.</p> <p>June 2016      Director, Executive Officer (to present)</p> <p>April 2018      General Manager of Product Development Div. (to present)</p>		8,602
	No. of years served as Director: 2 years	<p>[Reasons for selection as a candidate for Director]</p> <p>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 Product Development Div., while appropriately overseeing management, he is mainly engaged in formulation and implementation of product development 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.</p>		



No.	Name (Date of birth)	Career summary, positions and responsibilities at the Company 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 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, the Company (to present) Outside Director, Kitz Corporation (to present)</p> <p>(Significant concurrent positions) Outside Director, Kitz Corporation</p>	5,000
	No. of years served as Outside Director: 5 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 and give advice so that the Company, which operates globally and has advanced technology, will achieve sustainable enhancement of corporate value.</p>	

No.	Name (Date of birth)	Career summary, positions and responsibilities at the Company 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 &amp; Development Center)</p> <p>June 2010      Executive Officer, Corporate Senior Vice President, Toshiba Corporation (Director, Corporate Research &amp; 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</p> <p>June 2017      Fellow, Toshiba Corporation (to present)</p> <p>May 2018      Science and Technology Advisor to Cabinet Office (to present)</p> <p>(Significant concurrent positions) Fellow, Toshiba Corporation Science and Technology Advisor to Cabinet Office</p>	-
	No. of years served as Outside Director: 4 years	<p>[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&amp;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 and give advice so that the Company, which operates globally and has advanced technology, will achieve sustainable enhancement of corporate value.</p>	

No.	Name (Date of birth)	Career summary, positions and responsibilities at the Company and significant concurrent positions	Number of shares of the Company held
9	<p>[New appointment]</p> <p>Naoko Yamazaki (December 27, 1970)</p> <p>(Outside Director) (Independent Director)</p>	<p>April 1996 Joined the National Space Development Agency of Japan (currently Japan Aerospace Exploration Agency (JAXA))</p> <p>September 2001 Certified as International Space Station (ISS) onboard astronaut</p> <p>May 2004 Acquired certification for Flight Engineer, Soyuz Spacecraft</p> <p>February 2006 Acquired certification for Mission Specialist, Space Shuttle</p> <p>April 2010 Crew Member of Space Shuttle Discovery as Mission Specialist, participated in Construction and Supply for ISS</p> <p>August 2011 Retired from JAXA</p> <p>September 2011 Honorary Chairperson, the National Soroban Education Association (to present)</p> <p>April 2012 Visiting Professor, Ritsumeikan University (to present)</p> <p>July 2012 Member, Committee on National Space Policy, Cabinet Office (to present)</p> <p>May 2013 Visiting Professor, Joshibi University of Art and Design (to present)</p> <p>July 2015 President, Japanese Rocket Society (to present) and Chairperson of Sorajo Committee (to present)</p> <p>December 2015 Advisory Board Member, International Robot Competition Executive Committee (to present)</p> <p>January 2016 Specialist Member, Council on Science Technology and Academics (Marine Resource Development Subcommittee)</p> <p>March 2016 Outside Director, Nabtesco Corporation (to present)</p> <p>July 2016 Member, the Long-term Global Warming Countermeasures Platform, Ministry of Economy, Trade and Industry</p> <p>November 2016 Ambassador, WINDS (Women's Initiative in Developing STEM Career), Ministry of Foreign Affairs of Japan</p> <p>September 2017 Outside Director, Ootorun Co., Ltd. (to present)</p> <p>(Significant concurrent positions)</p> <p>Member, Committee on National Space Policy, Cabinet Office</p> <p>Outside Director, Nabtesco Corporation</p> <p>Outside Director, Ootorun Co., Ltd.</p>	-
	No. of years served as Director: -	<p>[Reasons for selection as a candidate for Outside Director]</p> <p>Although Ms. Naoko Yamazaki has no experience of involvement in corporate management other than serving as an Outside Director, she has a wealth of experience and profound insight about the science and technology field and risk management. She has been engaged in cutting-edge aerospace engineering. As an astronaut, she was a crewmember of Space Shuttle Discovery as Mission Specialist and participated in construction and supply for ISS and has experience in conducting crisis management in the harsh, resource-limited environment of spacecraft. Therefore, the Company has selected her as a new candidate for Outside Director in the expectation that she will oversee management and give advice so that the Company, which operates globally and has advanced technology related to space such as GPS, 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, Mr. Akira Sudo, and Ms. Naoko Yamazaki are candidates for Outside Director. The Company has designated Mr. Kazuyuki Matsumoto and Mr. Akira Sudo 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. If appointment of Ms. Naoko Yamazaki is approved, the Company intends to designate her as Independent Director as defined by the Tokyo Stock Exchange and submit a notification to the said exchange.

3. 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.
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. If appointment of Ms. Naoko Yamazaki is approved, the Company intends to conclude a contract of the same nature with her.

**Proposal No. 2: Election of One (1) Corporate Auditor**

Corporate Auditor Mr. Hiroyuki Nakamura will resign at the conclusion of this Ordinary General Meeting of Shareholders. Accordingly, the election of one (1) Corporate Auditor is proposed as his successor.

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)	Career summary and positions at the Company		Number of shares of the Company held
[New appointment]  Akinori Mitake (January 29, 1961)	April 1984	Joined Sökkisha Co., Ltd. (currently Sökkia Topcon Co., Ltd.)	759
	April 1997	Vice President, Sökkia Corporation (U.S.A.)	
	April 2004	Accounting Manager, Sökkia Co., Ltd. (currently Sökkia Topcon Co., Ltd.)	
	June 2011	Chief Specialist, Finance Group	
		General Manager, Finance Div., Sökkia Topcon Co., Ltd.	
	April 2015	Auditing Dept., Corporate Audit Div.	
	April 2016	General Manager, Topcon (Beijing) Opto-Electronics Development Corporation	
	April 2017	Auditing Dept., Corporate Audit Div. (to present)	
[Reasons for selection as a candidate for Corporate Auditor] Mr. Akinori Mitake has many years of experience in finance and accounting and served as General Manager of a subsidiary in China. In recent years he has been engaged in corporate auditing. He has a wealth of experience and profound insight concerning finance and accounting and business administration. Therefore, the Company judges that he is capable of appropriately fulfilling duties as a Corporate Auditor of the Company, and thus selected him as a new candidate for Corporate Auditor.			

**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. 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)	Career summary 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 &amp; Business Development Div., Mitsubishi Corporation</p> <p>April 2007      Representative Director and President, Kadota &amp; Co., Inc. (to present)</p> <p>June 2007      Corporate Auditor to The Hachijuni Bank, Ltd. (to present)</p> <p>September 2009      Representative Director, Institute of Corporate Governance, Japan (to present)</p> <p>December 2012      Independent Director, Financial Products Group Co., Ltd. (to present)</p> <p>(Significant concurrent positions) Representative Director and President, Kadota &amp; Co., Inc. Corporate Auditor to The Hachijuni Bank, Ltd. Representative Director, Institute of Corporate Governance, Japan Independent Director, Financial Products Group Co., Ltd.</p>	-
<p>[Reasons for selection as a candidate for Outside Corporate Auditor] 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 Mr. Takeshi Kadota.
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. 4: Revision of Amount of Remuneration to Directors**

It was approved at the 124th Ordinary General Meeting of Shareholders held on June 28, 2017 that the total amount of remuneration to Directors shall be up to a maximum of 700 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 400 million yen) and this has been unchanged up to the present. In order to strengthen the management oversight function, we are planning to increase the number of outside directors and to prepare for further enhancement of the Board of Directors in the future under the policy of strengthening the Board of Directors. Accordingly, it is proposed to revise the total amount of remuneration to Directors to be up to a maximum of 800 million yen a year (consisting of a fixed portion of up to 400 million yen (including up to 100 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 nine Directors (including three Outside Directors), if Proposal No.1 is approved as proposed.

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

### **(1) Progress and Results of Operations**

The economic environment in fiscal 2017, ended March 31, 2018, was as follows. 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.

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 2017 was as follows.

In fiscal 2017, the Topcon Group’s consolidated net sales were ¥145,558 million, an increase of 13.4% year on year mainly owing to increases in Japan, the United States, Europe, and the Asia/Oceania region.

Reflecting higher sales, operating income was ¥12,073 million, an increase of 26.4% year on year, and ordinary income was 10,674 million yen, an increase of 40.0% year on year. As a result, profit attributable to owners of the parent was 6,028 million yen, an increase of 37.2% year on year.

An overview of segment information by business category follows. (Sales include 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

Owing to growth of i-Construction-related sales and IT agriculture sales in Japan, sales were ¥36,626 million, a 10.7% increase year on year, and operating income was ¥5,102 million, a 29.5% increase year on year.

#### **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 ¥74,945 million, a 23.7% increase year on year because of robust growth of sales of IT construction systems and IT agriculture. Operating income was ¥8,018 million, a 43.3% increase year on year.

#### **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 ¥46,515 million, a 7.8% increase year on year. Operating income was ¥2,038 million, a 21.6% decrease year on year owing to an increase in expenses due to upfront investment and sluggish sales in the European region.

## **(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

**(3) Capital Investment**

Total capital expenditures for the Topcon Group amounted to 5,138 million yen in fiscal 2017. By business segment, capital expenditures were 1,105 million yen for the Smart Infrastructure Business, 2,550 million yen for the Positioning Company, and 1,279 million yen for the Eye Care Business.

**(4) R&D**

The Topcon Group's R&D expenditure amounted to 12,964 million yen in fiscal 2017. 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

	121st term FY2013	122nd term FY2014	123rd term FY2015	124th term FY2016	125th term FY2017
Net sales (Millions of yen)	116,685	128,569	130,735	128,387	145,558
Operating income (Millions of yen)	11,730	16,041	8,803	9,551	12,073
Operating income ratio (%)	10.1	12.5	6.7	7.4	8.3
Ordinary income (Millions of yen)	11,300	14,880	7,366	7,622	10,674
Profit attributable to owners of parent (Millions of yen)	5,963	8,670	4,197	4,395	6,028
Profit attributable to owners of parent per share (yen)	55.21	80.27	38.97	41.46	56.87
Total assets (Millions of yen)	135,818	143,181	166,542	158,280	160,751
Net assets (Millions of yen)	54,328	64,610	61,143	63,313	68,336
Shareholders' equity ratio (%)	39.5	44.3	35.0	37.7	40.5
Shareholders' equity per share (yen)	496.22	587.52	550.04	563.30	614.78
Return on equity (ROE) (%)	11.7	14.8	6.9	7.4	9.7

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 (as of March 31, 2018)**

1) Relationship with the parent company

Not applicable

2) Significant subsidiaries

Company name	Capital	Percentage of voting rights (%)	Principal business
Sokkia Topcon Co., Ltd.	JPY100 million	100.0%	Manufacturing and sales of Smart Infrastructure products
Topcon Yamagata Co., Ltd.	JPY371 million	100.0%	Manufacturing and sales of Smart Infrastructure and Eye Care products
Optonexus Co., Ltd.	JPY100 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.	USD16,094 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.	EUR18 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
Topcon Singapore Positioning Pte. Ltd.	USD3,000 thousand	100.0% [100.0%]	Sales of Smart Infrastructure and Positioning products

Notes: 1. The Company has 77 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, 2018)**

## 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 Optical (Dongguan) Technology Ltd. (Guangdong Province, China)
	Topcon Singapore Positioning Pte. Ltd. (Singapore)

**(10) Employees (as of March 31, 2018)**

Business category	Number of employees	Increase (Decrease) from the previous fiscal year-end
Smart Infrastructure Business	963	+1
Positioning Company	1,878	+205
Eye Care Business	1,641	+100
Other	241	-80
Total	4,723	+226

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, 2018)**

Lender	Outstanding borrowings
Sumitomo Mitsui Banking Corporation	9,200 million yen
Mizuho Bank, Ltd.	6,824 million yen
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	6,187 million yen

Note: The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its trade name to MUFG Bank, Ltd. on April 1, 2018.

## 2. Status of Shares (as of March 31, 2018)

(1) Number of Shares Authorized	160,000,000 shares
(2) Number of Shares Issued	108,085,842 shares
	(including 2,074,037 shares of treasury stock)
(3) Number of Shareholders	11,654

### (4) Major Shareholders

Shareholder name	Number of shares held (shares)	Percentage of shares held
Japan Trustee Services Bank, Ltd. (Trust Account)	11,343,300	10.70%
STATE STREET BANK AND TRUST COMPANY	9,278,315	8.75%
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,669,300	4.40%
The Dai-ichi Life Insurance Company, Limited	4,350,000	4.10%
JPMC OPPENHEIMER JASDEC LENDING ACCOUNT	3,298,800	3.11%
THE BANK OF NEW YORK 133524	2,818,400	2.65%
GOVERNMENT OF NORWAY	2,432,300	2.29%
SAJAP	2,369,200	2.23%
JP MORGAN CHASE BANK 380055	2,115,000	1.99%
Japan Trustee Services Bank, Ltd. (Trust Account 5)	2,051,800	1.93%

Note: Percentages of shares held are calculated excluding 2,074,037 shares of treasury stock.

## 3. Matters Concerning the Subscription Rights to Shares

Status of subscription rights to shares held by the Company's Directors as of March 31, 2018, which were issued as compensation for their execution of duties

Name	Topcon Corporation Series 1 Subscription Rights to Shares
Date of resolution on issue	June 28, 2017
Eligible persons	Directors (excluding Outside Directors)
Number of subscription rights to shares	200
Class and number of shares to be issued upon exercise of subscription rights to shares	20,000 shares of common stock (100 shares for each subscription right to shares)
Value of property to be contributed upon exercise of each subscription right to shares	One yen per share
Exercise period	From July 13, 2018 to July 13, 2028
Number of holders of subscription rights to shares (Directors (excluding Outside Directors))	6

## 4. Matters Concerning Officers

### (1) Directors and Corporate Auditors (as of March 31, 2018)

Positions	Name	Responsibilities and significant concurrent positions
Representative Director, President & CEO	Satoshi Hirano	President & CEO
Representative Director	Makoto Iwasaki	General Manager of Production Div. General Manager of General Administration & Legal Div. General Manager of Procurement 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	Takayuki Yamazaki	General Manager of Corporate Planning Div.
Director	Kazuyuki Matsumoto	Outside Director, Kitz Corporation
Director	Akira Sudo	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	Outside Corporate Auditor, Ekitan & Co., Ltd.

- Notes:
1. Directors Mr. Kazuyuki Matsumoto and Mr. Akira Sudo are Outside Directors.
  2. Corporate Auditors Mr. Tatsuya Kuroyanagi and Mr. Keiji Taketani are Outside Corporate Auditors.
  3. 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.
  4. 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.
  5. Director Mr. Hiroshi Taguchi retired from the position of Director at the conclusion of the 124th Ordinary General Meeting of Shareholders held on June 28, 2017 upon expiration of his term of office.

## (2) Outside Directors/Auditors

Position	Name	Attendance	Main activities
Outside Director	Kazuyuki Matsumoto	[Board of Directors' meetings] 14/14	Provided opinions as necessary, mainly based on a wealth of experience and profound insight concerning corporate management.
	Akira Sudo	[Board of Directors' meetings] 14/14	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] 14/14 [Board of Corporate Auditors' meetings] 14/14	Provided opinions as necessary, mainly based on a wealth of experience and profound insight concerning finance.
	Keiji Taketani	[Board of Directors' meetings] 14/14 [Board of Corporate Auditors' meetings] 14/14	Provided opinions as necessary, mainly based on a wealth of experience and profound insight concerning business administration.

- Notes:
1. Although Director Mr. Kazuyuki Matsumoto is an Outside Director of Kitz Corporation, no special relationship exists between the Company and Kitz Corporation.
  2. Although Director Mr. Akira Sudo is a Fellow of Toshiba Corporation, no special relationship exists between the Company and Toshiba Corporation.
  3. Although Corporate Auditor Mr. Tatsuya Kuroyanagi is a Senior Advisor of Kadota & Co., Inc., no special relationship exists between the Company and Kadota & Co., Inc.
  4. Although Corporate Auditor Mr. Keiji Taketani is an Outside Corporate Auditor of Ekitan & Co., Ltd., no special relationship exists between the Company and Ekitan & Co., Ltd.
  5. Pursuant to provisions of Article 427, Paragraph 1 of the Companies Act and the Articles of Incorporation, the Company has concluded a contract with each of the Outside Directors and the Outside Corporate Auditors that limit their liability for damages caused by their negligence in performing their duties to the amount prescribed by laws and regulations.

## (3) Compensation for Directors and Corporate Auditors

Classification	Number of individuals	Amount of compensation
Directors	9	290 million yen (including 2 Outside Directors: 17 million yen)
Corporate Auditors	4	54 million yen (including 2 Outside Corporate Auditors: 16 million yen)

Note: A Director who retired at the conclusion of the 124th Ordinary General Meeting of Shareholders held on June 28, 2017 is included in the above table.

## 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	118 million yen
2) Total amount of cash and other material benefits payable to the Accounting Auditor by the Company and its subsidiaries	118 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.



## 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 14 times. At the meetings, the Board of Directors deliberated, made decisions, and reported 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 2017.

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

The Board of Corporate Auditors met 14 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 2017, the Company achieved the consolidated performance forecast announced on January 30, 2018. Therefore, as planned, in addition to paying an interim dividend of 10 yen per share (compared with an interim dividend of 8 yen per share for fiscal 2016), the Company paid a year-end dividend of 10 yen per share (compared with a year-end dividend of 8 yen per share for fiscal 2016), bringing the full-year dividend payment to 20 yen per share (compared with the full-year dividend of 16 yen per share for fiscal 2016).

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, 2018)

(Millions of yen)

	FY2017	FY2016 (Reference)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	14,316	15,570
Notes and accounts receivable – trade	44,647	41,201
Merchandise and finished goods	19,019	19,988
Work in process	1,863	1,930
Raw materials and supplies	10,545	10,429
Deferred tax assets	5,941	5,399
Other	6,788	6,251
Allowance for doubtful accounts	(1,967)	(1,680)
<b>Total current assets</b>	<b>101,156</b>	<b>99,089</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	7,014	5,434
Machinery, equipment and vehicles, net	2,247	2,111
Land	2,592	2,631
Construction in progress	412	1,441
Other, net	3,633	3,509
<b>Total property, plant and equipment</b>	<b>15,900</b>	<b>15,129</b>
<b>Intangible assets</b>		
Goodwill	14,771	14,553
Software	8,627	7,630
Other	12,064	13,850
<b>Total intangible assets</b>	<b>35,464</b>	<b>36,035</b>
<b>Investments and other assets</b>		
Investment securities	5,031	3,371
Long-term loans receivable	204	305
Deferred tax assets	2,011	3,028
Other	1,025	1,428
Allowance for doubtful accounts	(43)	(107)
<b>Total investments and other assets</b>	<b>8,230</b>	<b>8,025</b>
<b>Total non-current assets</b>	<b>59,595</b>	<b>59,190</b>
<b>Total assets</b>	<b>160,751</b>	<b>158,280</b>

	FY2017	FY2016 (Reference)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable – trade	12,384	10,353
Short-term loans payable	17,776	16,296
Lease obligations	670	687
Accrued expenses	7,814	6,403
Income taxes payable	1,519	991
Deferred tax liabilities	25	624
Provision for product warranties	1,075	920
Other	6,603	5,876
<b>Total current liabilities</b>	<b>47,869</b>	<b>42,153</b>
<b>Non-current liabilities</b>		
Bonds payable	20,000	20,000
Long-term loans payable	10,449	16,725
Lease obligations	4,390	4,901
Deferred tax liabilities	2,920	2,807
Provision for directors' retirement benefits	48	43
Net defined benefit liability	5,883	6,743
Other	853	1,591
<b>Total non-current liabilities</b>	<b>44,545</b>	<b>52,813</b>
<b>Total liabilities</b>	<b>92,415</b>	<b>94,966</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	16,638	16,638
Capital surplus	20,799	20,950
Retained earnings	33,464	29,344
Treasury shares	(2,090)	(2,089)
<b>Total shareholders' equity</b>	<b>68,811</b>	<b>64,844</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	1,757	740
Deferred gains or losses on hedges	(7)	40
Foreign currency translation adjustment	(4,158)	(3,849)
Remeasurements of defined benefit plans	(1,228)	(2,059)
<b>Total accumulated other comprehensive income</b>	<b>(3,637)</b>	<b>(5,127)</b>
<b>Subscription rights to shares</b>	<b>29</b>	<b>-</b>
<b>Non-controlling interests</b>	<b>3,133</b>	<b>3,596</b>
<b>Total net assets</b>	<b>68,336</b>	<b>63,313</b>
<b>Total liabilities and net assets</b>	<b>160,751</b>	<b>158,280</b>

**Consolidated Statement of Income**  
(From April 1, 2017 to March 31, 2018)

(Millions of yen)

	FY2017	FY2016 (Reference)
<b>Net sales</b>	<b>145,558</b>	<b>128,387</b>
<b>Cost of sales</b>	<b>70,574</b>	<b>62,840</b>
<b>Gross profit</b>	<b>74,984</b>	<b>65,547</b>
<b>Selling, general and administrative expenses</b>	<b>62,910</b>	<b>55,996</b>
<b>Operating income</b>	<b>12,073</b>	<b>9,551</b>
<b>Non-operating income</b>		
Interest income	136	97
Dividend income	49	30
Other	258	208
<b>Total non-operating income</b>	<b>444</b>	<b>335</b>
<b>Non-operating expenses</b>		
Interest expenses	947	897
Share of loss of entities accounted for using equity method	117	221
Foreign exchange losses	214	746
Other	563	397
<b>Total non-operating expenses</b>	<b>1,842</b>	<b>2,263</b>
<b>Ordinary income</b>	<b>10,674</b>	<b>7,622</b>
<b>Extraordinary income</b>		
Gain on transfer of business	141	-
Gain on step acquisitions	91	-
Gain on sales of shares of subsidiaries and associates	-	204
<b>Total extraordinary income</b>	<b>233</b>	<b>204</b>
<b>Extraordinary losses</b>		
Impairment loss	1,128	
Business structure improvement expenses	304	
Loss on valuation of investment securities	268	
Office transfer expenses	-	116
Special retirement expenses	-	59
<b>Total extraordinary losses</b>	<b>1,702</b>	<b>175</b>
<b>Profit before income taxes</b>	<b>9,205</b>	<b>7,651</b>
<b>Income taxes - current</b>	<b>4,648</b>	<b>2,944</b>
<b>Income taxes - deferred</b>	<b>(1,068)</b>	<b>174</b>
<b>Profit</b>	<b>5,625</b>	<b>4,533</b>
<b>Profit attributable to non-controlling interests</b>	<b>(402)</b>	<b>138</b>
<b>Profit attributable to owners of parent</b>	<b>6,028</b>	<b>4,395</b>

**Consolidated Statement of Changes in Net Assets**  
(From April 1, 2017 to March 31, 2018)

(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	29,344	(2,089)	64,844
Changes of items during the period					
Dividends from surplus			(1,908)		(1,908)
Profit attributable to owners of parent			6,028		6,028
Purchase of treasury stock				(1)	(1)
Changes in foreign subsidiaries' and affiliated companies' interests in their subsidiaries		(151)			(151)
Other			(0)		(0)
Net changes of items other than shareholders' equity					
Total changes of items during the period	–	(151)	4,119	(1)	3,966
Balance at the end of current period	16,638	20,799	33,464	(2,090)	68,811

	Accumulated other comprehensive income					Subscription rights to shares	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	<del>40</del>	40	(3,849)	(2,059)	(5,127)	–	3,596	63,313
Changes of items during the period								
Dividends from surplus								
Profit attributable to owners of parent								
Purchase of treasury stock								
Changes in foreign subsidiaries' and affiliated companies' interests in their subsidiaries								
Other								
Net changes of items other than shareholders' equity	<del>107</del>	<del>(48)</del>	(309)	831	1,490	29	(463)	
Total changes of items during the period	<del>107</del>	<del>(48)</del>	(309)	831	1,490	29	(463)	
Balance at the end of current period	<del>157</del>	0	(4,158)	(1,228)	(3,637)	29	3,133	



Non-consolidated Financial Statements

**Non-consolidated Balance Sheet**  
(As of March 31, 2018)

(Millions of yen)

	FY2017	FY2016 (Reference)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	701	2,139
Notes receivable – trade	759	1,294
Accounts receivable – trade	14,852	14,854
Finished goods	3,992	5,013
Work in process	814	877
Raw materials and supplies	1,657	2,030
Advance payments - trade	-	25
Advance payments - other	199	213
Deferred tax assets	3,282	2,835
Short-term loans receivable	4,754	4,553
Accounts receivable - other	2,169	1,716
Other	157	357
Allowance for doubtful accounts	(75)	(2)
<b>Total current assets</b>	<b>33,267</b>	<b>35,911</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings	2,447	2,377
Structures	19	21
Machinery and equipment	325	371
Vehicles	0	0
Tools, furniture and fixtures	1,105	1,143
Land	236	236
Leased assets	100	91
Construction in progress	38	33
<b>Total property, plant and equipment</b>	<b>4,273</b>	<b>4,275</b>
<b>Intangible assets</b>		
Patent right	91	121
Leasehold right	57	57
Software	5,886	6,491
Other	765	328
<b>Total intangible assets</b>	<b>6,801</b>	<b>6,999</b>
<b>Investments and other assets</b>		
Investment securities	3,844	2,089
Shares of subsidiaries and associates	76,643	74,299
Investments in capital of subsidiaries and associates	907	907
Long-term loans receivable	3	3
Long-term prepaid expenses	896	1,267
Deferred tax assets	792	1,219
Other	303	236
Allowance for doubtful accounts	(6)	(7)
<b>Total investments and other assets</b>	<b>83,384</b>	<b>80,017</b>
<b>Total non-current assets</b>	<b>94,458</b>	<b>91,292</b>
<b>Total assets</b>	<b>127,725</b>	<b>127,203</b>

	FY2017	FY2016 (Reference)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes payable – trade	162	222
Accounts payable – trade	6,138	6,336
Short-term loans payable	22,135	22,509
Lease obligations	621	624
Accounts payable – other	235	193
Accrued expenses	3,036	2,819
Income taxes payable	669	80
Advances received	14	18
Deposits received	45	48
Provision for product warranties	706	594
Other	106	127
<b>Total current liabilities</b>	<b>33,872</b>	<b>33,576</b>
<b>Non-current liabilities</b>		
Bonds payable	20,000	20,000
Long-term loans payable	9,934	11,509
Lease obligations	4,374	4,898
Provision for retirement benefits	2,946	2,918
Other	5	5
<b>Total non-current liabilities</b>	<b>37,260</b>	<b>39,332</b>
<b>Total liabilities</b>	<b>71,133</b>	<b>72,909</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	4,786	3,479
<b>Total other retained earnings</b>	<b>18,868</b>	<b>17,561</b>
<b>Total retained earnings</b>	<b>19,440</b>	<b>18,133</b>
Treasury shares	(2,090)	(2,089)
<b>Total shareholders' equity</b>	<b>55,039</b>	<b>53,733</b>
<b>Valuation and translation adjustments</b>		
Valuation difference on available-for-sale securities	1,523	559
<b>Total valuation and translation adjustments</b>	<b>1,523</b>	<b>559</b>
<b>Subscription rights to shares</b>	<b>29</b>	<b>-</b>
<b>Total net assets</b>	<b>56,592</b>	<b>54,293</b>
<b>Total liabilities and net assets</b>	<b>127,725</b>	<b>127,203</b>

**Non-consolidated Statement of Income**  
(From April 1, 2017 to March 31, 2018)

(Millions of yen)

	FY2017	FY2016 (Reference)
<b>Net sales</b>	<b>44,894</b>	<b>42,420</b>
<b>Cost of sales</b>	<b>33,369</b>	<b>32,464</b>
<b>Gross profit</b>	<b>11,524</b>	<b>9,955</b>
<b>Selling, general and administrative expenses</b>	<b>10,689</b>	<b>9,796</b>
<b>Operating income</b>	<b>834</b>	<b>159</b>
<b>Non-operating income</b>		
Interest and dividend income	3,315	1,966
Rent income	178	199
Other	209	221
<b>Total non-operating income</b>	<b>3,703</b>	<b>2,387</b>
<b>Non-operating expenses</b>		
Interest expenses	280	337
Interest on bonds	115	115
Foreign exchange losses	404	414
Rent cost	80	102
Other	352	291
<b>Total non-operating expenses</b>	<b>1,233</b>	<b>1,261</b>
<b>Ordinary income</b>	<b>3,305</b>	<b>1,286</b>
<b>Extraordinary income</b>		
Gain on sales of shares of subsidiaries and associates	—	237
<b>Total extraordinary income</b>	<b>—</b>	<b>237</b>
<b>Extraordinary losses</b>		
Impairment loss	198	—
<b>Total extraordinary losses</b>	<b>198</b>	<b>—</b>
<b>Profit before income taxes</b>	<b>3,106</b>	<b>1,523</b>
<b>Income taxes - current</b>	<b>337</b>	<b>(110)</b>
<b>Income taxes - deferred</b>	<b>(445)</b>	<b>(98)</b>
<b>Profit</b>	<b>3,215</b>	<b>1,732</b>

**Non-consolidated Statement of Changes in Net Assets**  
(From April 1, 2017 to March 31, 2018)

(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	3,479	18,133	(2,089)	53,733
Changes of items during the period						
Dividends from surplus			(1,908)	(1,908)		(1,908)
Profit			3,215	3,215		3,215
Purchase of treasury stock					(1)	(1)
Net changes of items other than shareholders' equity						
Total changes of items during the period	—	—	1,307	1,307	(1)	1,305
Balance at the end of current period	571	14,082	4,786	19,440	(2,090)	55,039

	Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at the beginning of current period	559	559	—	54,293
Changes of items during the period				
Dividends from surplus				(1,908)
Profit				3,215
Purchase of treasury stock				(1)
Net changes of items other than shareholders' equity	963	963	29	993
Total changes of items during the period	963	963	29	2,299
Balance at the end of current period	1,523	1,523	29	56,592