

**T O P C O N**

**TOPCON CORPORATION**

**75-1 Hasunuma-cho Itabashi-ku Tokyo**

**174-8580 Japan**

**Tel: +81-3-3558-2536**

**Fax: +81-3-3558-9141**

---

**Notice by TOPCON Regarding the Basic Agreement of a Combination with SOKKIA**

**On March 16, 2007, the Board of Directors of TOPCON CORPORATION (the “Company”) has agreed upon a basic agreement of a combination between the Company and Sokkia Company Limited (“Sokkia”).**

**The combination is expected to be in the form of the Company acquiring the shares of the Sokkia and the Sokkia becoming a subsidiary of Company.**

**This combination is subject to obtaining a clearance from the Japan Fair Trade Commission regarding Anti-trust regulations. The details of this combination will be disclosed after a response is obtained from the Fair Trade Commission and the combination is formally decided.**

**The objective and outline of this combination and the outlines of the Company and Sokkia are as follows.**

**1. The Objective and Outline of this Combination**

**The Company is in the business of manufacturing and selling surveying instruments, ophthalmic & medical instruments, industrial instruments and optical devices. Total assets (consolidated) for the fiscal year ending March 2006 is 89.3 billion yen, sales (consolidated) is 102.7 billion yen. From fiscal year ending March 2004, the Company has recorded historical high sales for the past consecutive 3 years. Surveying instruments comprises sales (consolidated) of 47.8 billion yen and is the Company’s largest business segment with 46% of total sales (consolidated). The Company, as a full**

line manufacturer of surveying instruments, is a global company competing with the top 2 companies in the US and Europe. In order to increase sales in the US and Europe utilizing its global network, the Company is investing in research capabilities in advanced technology in the US and Russia in order to improve its technology advantage to support its full lineup in surveying instruments in GPS, machine control systems, total stations and lasers. In the mid-term business plan starting in the fiscal year 2006, the Company is targeting sales (consolidated) in surveying instruments of 75 billion yen and to establish its position as a leading global surveying instruments manufacturer.

Sokkia is in the business of manufacturing and selling surveying instruments and measuring equipment. Total assets (consolidated) for the fiscal year ending March 2006 is 26.8 billion yen, total sales (consolidated) is 22 billion yen. Sokkia was established in 1920 and has maintained the tradition of excellence in manufacturing as a Japanese company, pursuing the technology of measurement. They have supplied high value added and high quality surveying instruments to address the needs of their users and regional requirements. Their main product is the total station which measures positioning by measuring angles and distances. Sokkia manufactures and sells GPS equipment through a joint venture with an overseas firm. With their current mid-term business plan, they are strengthening their corporate base and pursuing growth by improving their profit structure. By implementing measures to evolve from mainly selling hardware to providing solutions, they are targeting sales (consolidated) of 30 billion yen for the fiscal year ending March 2008.

However, the market environment for the two companies is highly competitive. The leading manufacturers in the US and Europe are active in M&A on a global scale. There are also the emerging Chinese manufacturers that are penetrating the global markets with their low cost basis. The Company and Sokkia are expected to compete intensively in the global surveying instruments market with the US and European manufacturers which possess technology, brand and financial strength as well as with the emerging Chinese manufacturers which are accelerating their advancement in technology but still have a low cost basis. With the intensified competition in the surveying instruments market, if the Company and Sokkia were to continue business independently, it will not be easy to maintain their current market presence. Furthermore, with their limitation in investment in R&D, there is concern that they may lag behind the leading manufacturers in US, Europe and Asia.

With this understanding of the situation, rather than the two companies pursuing independently their business expansion, by a combination of the two companies and utilizing each others advanced technology and skilled human resources, the two companies will be able to expand their potential as a full line surveying instruments manufacturer and compete on an equal basis into the future with the leading US, European and Asian manufacturers. The two companies also believe that this combination will lead to maximizing enterprise and equity value. Both companies firmly believe that the combination is with their best partner and that this combination is the best alternative not only for the shareholders of the two companies but for all stakeholders including the customers and employees.

The Company and Sokkia have studied the combination and both companies have reached a basic agreement on the combination. We will respect each others historical background and by utilizing our respective resources, we will increase customer satisfaction in our products in order to become “a surveying and measurement instruments entity that is competitive globally”. Through this combination, the employment conditions of the two companies will also be integrated but care will be taken in order not to put to a disadvantage the employees of the two companies. The name of Sokkia is planned to be changed to “SOKKIA TOPCON” but the “SOKKIA” brand will be continued for the interim period.

## **2. Summary of SOKKIA**

- (1) Corporate Name: Sokkia Company, Limited**
- (2) Business:**
  - (i) Manufacture, repair and distribution of surveying instruments, measuring instruments, precision measuring instruments, and medical instruments;**
  - (ii) Manufacture, distribution and repair of measuring instruments, office machinery, special equipment and machinery, and electronic equipment and machinery;**
  - (iii) Development of the equipment, etc. mentioned in each of the above items; and development, manufacture, repair and distribution of the components and accessories of each product;**
  - (iv) Development, manufacture, repair and distribution of system devices and components, based on the technology mentioned in each of the above items;**
  - (v) Geologic research, and training for location surveys and techniques for location**

- surveys;
- (vi) Research and development, manufacture, distribution and technique training regarding software concerning the operation mentioned in each of the above items;
  - (vii) Press proof of measuring instruments, etc., including inspection and adjustment thereof;
  - (viii) Sale, lease and management of real estate; and
  - (ix) Any and all other business incidental to each of the above items.

(3) Establishment Date: April 16, 1920

(4) Location: 260-63, Hase, Atsugi-City, Kanagawa

(5) Title and Name of Representative: Hitoshi Ito, President

(6) Capital Amount: 5,896 million yen (as of September 30, 2006)

(7) Major Shareholders and Shareholding Ratio (as of September 30, 2006):

Japan Recovery Fund II (General Partner: Phoenix Capital Co., Ltd.)	20.12 %
Sumitomo Mitsui Banking Corporation	4.87 %
UBOC U.S.A. (Standing proxy: The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	4.72 %
Japan Securities Finance Co., Ltd.	4.44 %
The Master Trust Bank of Japan, Ltd. (Trust Account)	3.52 %
Japan Trustee Services Bank, Ltd. (Trust Account)	3.28 %
BNP Paribas Securities Services, Luxembourg JASDEC Securities (Standing proxy: Tokyo Branch, The Hongkong and Shanghai Banking Co., Ltd.)	2.83 %
MITSUI LIFE INSURANCE COMPANY LIMITED (Standing proxy: Japan Trustee Services Bank, Ltd.)	2.69 %
Association of SOKKIA's Customers for holding SOKKIA shares	1.97 %
Matsui Securities Co., Ltd. (Operation Account)	1.65 %

(8) Relationships between the Company and SOKKIA, etc.

(i) Capital Relationship: The Company holds 1000 shares of Sockkia

- (ii) **Personal Relationship:** N/A
- (iii) **Transaction Relationship:** N/A
- (iv) **Related Party:** SOKKIA is not a related party of a listed company.

## II. Summary of the Company

1. **Corporate Name:** TOPCON CORPORATION

2. **Main Business:**

- (i) **Manufacture, sale, purchase, lease, rental, export and import of optical instruments, measuring instruments, ophthalmic and medical instruments, electronic instruments, eyeglasses, other precision instruments, and components, related accessories and related software, etc.;**
- (ii) **Management of the business necessary for accomplishing the purposes set forth in the preceding item, and investments and financing therefor; and**
- (iii) **Any and all other business incidental or related to each of the above items.**

3. **Establishment Date:** September 1, 1932

4. **Location:** 75-1 Hasunuma-cho, Itabashi-ku, Tokyo

5. **Title and Name of Representative:** Takashi Yokokura, President

6. **Capital Amount:** 10,297 million yen (as of September 30, 2006)

7. **Major Shareholders and Shareholding Ratio (as of September 30, 2006):**

<b>TOSHIBA CORPORATION</b>	<b>35.14 %</b>
<b>The Bear Stearns Companies Inc.</b> (Standing proxy: Tokyo Branch, Citibank, N. A.)	<b>9.90 %</b>
<b>The Master Trust Bank of Japan, Ltd. (Trust Account)</b>	<b>8.24 %</b>
<b>The Dai-ichi Mutual Life Insurance Company</b> (Standing proxy: Trust & Custody Services Bank, Ltd.)	<b>4.36 %</b>
<b>Goldman Sachs International</b> (Standing proxy: Tokyo Branch, Goldman Sachs Japan Co., Ltd.)	<b>3.26 %</b>
<b>Mitsui Sumitomo Insurance Company, Limited</b>	<b>2.59 %</b>
<b>The Bank of New York, Treaty JASDEC Account</b>	<b>1.83 %</b>

**(Standing proxy: Custody Business Office, The Bank of Tokyo-Mitsubishi UFJ, Ltd.)**

**Japan Trustee Services Bank, Ltd. (Trust Account) 1.68 %**

**Sumitomo Mitsui Banking Corporation 1.58 %**

**The Bank of Tokyo-Mitsubishi UFJ, Ltd. 1.51 %**

**8. Relationships, etc. between the Company and Sokkia**

- (i) Capital Relationship: The Company holds 1000 shares of Sokkia.**
- (ii) Personal Relationship: N/A**
- (iii) Transaction Relationship: N/A**

**END**