

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

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

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

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 outline of TOPCON is as follows.

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

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

TOPCON is in the business of manufacturing and selling surveying instruments, medical equipment, industrial equipment 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, TOPCON has recorded historical high sales for the past consecutive 3 years. Surveying instruments comprises sales (consolidated) of 47.8 billion yen and is TOPCON’s largest business segment with 46% of total sales (consolidated). TOPCON, 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, TOPCON 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, total stations and lasers. In the mid-term business plan starting in the fiscal year 2006, TOPCON is targeting sales (consolidated) in surveying instruments of 75 billion yen and to establish its position as a leading global surveying instruments manufacturer.

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 TOPCON 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 TOPCON 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 TOPCON have studied the combination and both companies have reached a basic agreement on the combination. The two companies will respect each others historical background and by utilizing our respective resources, the two companies 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 the Company is planned to be changed to "SOKKIA TOPCON" but the "SOKKIA" brand will be continued for the interim period.

## 2. TOPCON - Company Outline

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 therefore; 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):

TOSHIBA CORPORATION	35.14 %
The Bear Stearns Companies Inc.	9.90 %
(Standing proxy: Tokyo Branch, Citibank, N. A.)	
The Master Trust Bank of Japan, Ltd. (Trust Account)	8.24 %
The Dai-ichi Mutual Life Insurance Company	4.36 %
(Standing proxy: Trust & Custody Services Bank, Ltd.)	

- Goldman Sachs International 3.26 %  
(Standing proxy: Tokyo Branch, Goldman Sachs Japan Co., Ltd.)
  - Mitsui Sumitomo Insurance Company, Limited 2.59 %
  - The Bank of New York, Treaty JASDEC Account 1.83 %  
(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 TOPCON
- (i) Capital Relationship: TOPCON holds 1000 shares of the Company.
  - (ii) Personal Relationship: N/A
  - (iii) Transaction Relationship: N/A

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