

1st Quarter of FY2008 Financial Results Q&A Summary

[Q&A for the Test and Measurement Business]

Q1: You mentioned that orders for your Test and Measurement Business were less than you had anticipated. What is your future outlook for the business?

A: Taking account of post-3G technology, we are currently focusing on measuring instruments for the development of LTE (Long Term Evolution) as we anticipate increased demand for these instruments during the second half of FY2008, as well as stepping up the enhancement of the general-purpose area where we expect to see more demand from broader markets. We are aiming to further strengthen our handheld measuring instruments for the general-purpose area, in which we have the largest market share. Also, we are planning to launch new products to the market during the second half of FY2008 in an effort to expand sales of the area. With the mobile handset-related business, we are planning to launch new products for LTE to the market during the second half of FY2008. LTE is considered as the most promising technology for the next-generation mobile systems. Although the size of the demand from the development of mobile handsets supporting LTE may not reach the level of that of 3G when it was introduced, we are quite certain that it will provide us with another great opportunity.

Q2: There is also a tendency to support HSPA+ technology instead of LTE. How do you respond to this?

A: HSPA+ serves the needs of leading manufacturers outside Japan. We have already addressed the issue and can offer measuring instruments for the technology now. We are certain that LTE is still a favorite but we should be able to benefit from the effects of the expansion of the HSPA+ market as well.

Q3: Please explain the current conditions of the Service Assurance Business.

A: Performance of the Service Assurance Business has been almost the same as FY2007. The development of the Latin American market has not yet been successful. However, the business shows an upward trend in our main market, the EMEA (Europe Middle East and Africa) region. We have also identified some business opportunities in Russia and the Middle East. We are striving to grasp all these opportunities so that the business can be profitable for the full year.

Q4: In the last presentation of Q1, you mentioned that your new general-purpose measuring instruments did not match market needs. What is the situation afterwards?

A: As part of the Management Innovation 2008, which was implemented in April 2008, we have enhanced the Marketing division and our product planning capability. Meanwhile, we are taking note of differing features of our product lines. For example, handheld measuring instruments are low-priced, but we can anticipate large volume of sales; advanced measuring instruments, including those for LTE development, should be developed through close relationships with clients. Therefore, in order to promote the business in accordance with each product line's characteristics, we have introduced a matrix management model incorporating business strategies formulated by SBU (strategic business units), and cross-organizational operations through business processes. Through the above efforts, we aim to identify market needs correctly and capitalize on them for new product developments.

Q5: How does your company view the first quarter business results?

A: We already assumed that the first quarter of FY2008 would be a difficult

period at the time we were formulating the budget for FY2008. Growth of orders received by the Test and Measurement Business has been somewhat below our projections. However, in terms of income, we see some positive signs, as the effect from cost reduction measures started to kick in.

[Q&A for Other Issues]

Q6: Please provide an explanation for the inventory.

A: The inventory typically tends to increase during the first quarter, but it was well controlled in this first quarter of FY2008. The inventory for the Test and Measurement Business fell by 0.7 billion yen from the end of the previous quarter. As for the Industrial Automation, the inventory in the first quarter of FY2008 rose from the end of the last quarter but this is a temporary occurrence as the rise was due to an investment in preparation for the start-up of the new factory in Thailand. Within the Test and Measurement segment, the inventory is comprised of two inventory asset classifications: (1) demonstration instruments for new product promotional campaigns and (2) parts and products in progress. With regard to the inventory of demonstration instruments for promotional campaigns, the sales division is taking the initiative for a reduction in the inventory to its target level through the promotion of effective use of the demonstration units. Meanwhile, the inventory turnover ratio of parts and products in progress is more than 6 times, and we believe that it is on its way towards improving.