

FY2008 Financial Results Q&A Summary

[Q&A for the Test and Measurement Business — LTE]

Q1: What is your outlook for the market of LTE, a next-generation mobile communications system, for FY2009?

A: We received an order of approximately 2 billion yen for measuring instruments specifically for LTE in the 4Q of FY2008. We expect to book part of this order intake as sales for FY2009 and hope to achieve total sales of around 4 billion during FY2009. In the run-up to the launch of the commercial service of the technology in 2010, we anticipate to have a variety of profit opportunities from now on. We aim to become the industry's top supplier able to offer total solution services ahead of the competition, through the provision of measuring instruments not only for LTE but for general purposes in the manufacturing industries, for the construction and maintenance of wireless infrastructures, etc.

Q2: From the viewpoint of investment feasibility, do you think that you are approaching the time to reap the return of the LTE investment?

A: LTE is a cutting edge technology so we need to continue to invest in it. Our measuring instruments for research and development enjoy high margins and we can expect the accumulation of profit.

[Q&A for the Test and Measurement Business — 3G in China]

Q3: What is your outlook for the third-generation mobile phone (3G) market in China?

A: The market size is expected to grow further by approximately 5 billion yen, primarily driven by the network construction and maintenance service sectors. We entered the Chinese market 20 years ago, since when we have conducted business to this day. Currently, we have more than 10 business bases across the country and a service center in Shanghai. With the aid of strong connections with the China Academy of Telecommunication Research, a government institution for telecommunications, as well as local telecommunications carriers and manufacturers, we seek to capture more than 2 billion yen sales. Although we have not yet produced a clear forecast of the early demand for the mobile phone handset based on a TD-SCDMA system, a China-specific standard, we are taking the lead in the market of measuring instruments used for TD-SCDMA handset development and production and keep close watch on its development as a new profit opportunity.

[Q&A for the Test and Measurement Business — Service Assurance]

Q4: What is the current situation of the Service Assurance (SA) business?

A: The SA business has been highly appreciated among telecommunications carriers particularly in Europe and the Middle East, delivering satisfactory results for the company. However, the business has suffered from a series of postponements and freezes of large projects since the onset of the financial crisis in the autumn of 2008. Entrance into other geographical areas has not fared as well as expected and the business continues to post an operating loss. Consequently, we are planning to press ahead of massive restructuring with an eye to boosting its operating earnings, excluding a goodwill depreciation charge, for FY2009 to reach the break-even point.

[Q&A about projections for FY2009]

Q5: What are the risk factors against the company's return to profitability?

A: Current order intake is on track according to our projection, but we view that there is a serious downside risk to the performance of the Test and Measurement business. Earnings performance of companies like us which deal with industrial goods tend to lag behind the trend of demand for and production of consumer goods, therefore we anticipate that the current difficult situation will continue through the first half of FY2009. However, cost control efforts under the "Management Innovation 2008" initiative and the effect of reduced fixed-costs, one of the steps incorporated in our urgent management measures, have apparently bolstered up our business structure. As a result, even if the full-year net sales drop to 72.5 billion yen, we believe that we can maintain our operating profit at the break-even point.

Q6: What are your earnings forecasts for each business area in the Test and Measurement business?

A: Our Test and Measurement business consists of "NGN & Infrastructure", "Mobile Handset" and "General Purpose" areas, with approximate proportions of their sales to overall sales as 40%, 30% and 30%, respectively. Compared with FY2007, sales for FY2008 fell by approximately 25% in NGN & Infrastructure, 20% in Mobile Handset and 15% in General Purpose area. We predict that the tough business conditions will persist during FY2009 and their sales are expected to decrease by 15% to 20%, 5% to 10% and 10% to 15%, respectively, compared with FY2008.

[Q&A for Other Issues]

Q7: What are your projections of the level of free cash flow and debt?

A: We had a total free cash flow of 5.5 billion yen at the end of the previous fiscal year. We aim to gain a similar level of that amount for FY2009. The repayment of 7 billion yen interest-bearing debt due in September 2009 is expected to be rolled over.

Q8: What is your current funding situation?

A: We have no major concerns about working capital.

Q9: Your research and development (R&D) cost for FY2008 decreased significantly. What is your R&D policy from FY2009 onward?

A: We need to evaluate the return on investment over a long-term period. Economic feasibility of developments is one of our important management benchmarks; therefore we control a single year's development investment cost on the basis of its proportion to gross profit on sales. Within the limit of allocated capital, we determine the priority of development projects and thoroughly manage our investment portfolio.