

1st Half of FY2009 Financial Results Q&A Summary

*Results in Q2

Q: Please explain the factors behind the differences between the first half of FY2008 and actual results for the first half of FY2009 (decreased sales and improved profits).

A: Sales of general-purpose measuring instruments within T&M business have been slower than anticipated as customers in the electronic component market, etc. continue to cut back on their capital investments. As a result, actual sales were below the same period of the previous year of 44.4 billion yen.

With regard to income, we sought to reduce fixed costs and improve operational efficiency through Urgent Management Measures and Management Innovation 2008, which have produced greater effects than anticipated. A weaker-than-expected yen against the dollar (our expectation was \$1 = 90 yen) also contributed to profits, generating several hundred million yen of income.

Q: Do you think orders are on an upward trend?

A: As a characteristic of our business, orders and sales are generally high in second and fourth quarters. In our existing businesses, customers still continue to curtail their capital investments, and therefore we are yet to be convinced of a recovery of orders. However, we see a relatively solid growth of orders in new markets such as Chinese 3G and LTE as well as areas with increased demand, including smartphones.

Q: Why was the operating income of T&M business for the second quarter of FY2009 significantly higher than the forecast?

A: Sales of the second quarter include those that were not booked in the first quarter due to a slower pace of sales. Therefore, we suggest that the business performance should be evaluated by its first half results rather than individual quarterly results. In the first half of FY2009, the reduction in fixed-costs made a significant contribution to operating income.

Q: Why did the Service & Others segment have higher operating income?

A: The first half of FY2009 saw a strong performance in the optical device business, buoyed by, among others, the demand from the video distribution business helped by the popularization of broadband in Japan, demand associated with the transition to FTTH in Japan, and demand associated with the establishment of Chinese domestic networks. Also, loss of Precision Measurement business was smaller than expected.

Q: The Japanese business environment appears to be recovering. What do you think about it?

A: The Japanese business climate was extremely difficult in the first quarter; the second quarter witnessed the implementation of businesses that had not progressed well during the first quarter. In our opinion, the Japanese market is not on a recovery track yet and the business environment remains severe.

Q: Do you think Asia and other regions are on the way to recovery?

A: We see somewhat positive signs in the business conditions of these regions, including a stable demand for measuring instruments associated with telecommunications infrastructure and a recovery trend in capital investments in the food inspection market.

*Test and Measurement Business

<LTE>

Q: What are the current status and future prospects of LTE?

A: This business is making progress as originally scheduled with continuous inquiries coming from Japan, the US and Europe. We expect to see growing demand for measuring instruments for development and manufacturing in this area for the next few years. Demand for conformance test systems is picking up, apart from the existing demand for the measuring instruments for development that are already marketed, such as signaling testers and fading simulators. By sharing road maps with the customers such as telecommunications operators, mobile handset vendors and chipset vendors, we intend to provide timely solutions that can come up to their expectations. As LTE handsets will serve as an access terminal in the fully IP-based networks, we can anticipate opportunities to extend our business in the areas of test and measurement, quality control and service in the telecommunications network market.

<3G in China>

Q: What are the current status and future prospects of 3G in China?

A: 3G licenses were granted to the three Chinese telecommunications carriers in January 2009, and the bidding procedure started in March 2009 for contracts of infrastructure development projects, which are scheduled to commence in each of some 200 cities by the end of 2009. Successful bidders are mainly base station vendors, whose investment in measuring instruments, however, is somewhat delayed. China with some 700 million mobile phone subscribers is the largest national market in the world, where we can expect demand for measuring instruments for the development of TD-SCMA, which is China's chosen technology, and for the full-scale commercialization of 3G in the near future. We are going to develop business opportunities to get ourselves involved in the infrastructure development, as well as the development and manufacturing of mobile handsets by maintaining close relationship with customers.

<General Purpose>

Q: What are the current status and future prospects of the general-purpose T&M business?

A: This area of business is currently stagnating due to severely restrained capital investment on the side of customers. In the medium-to-long-term perspective, we regard this business potentially as one of our stable sources of income, as general-purpose measuring instruments are used in a range of different market sectors, including telecommunications device and equipment, digital consumer electronics, car electronics, and environmental/energy-related areas. We intend to stabilize as well as expand this business by providing solutions that fit customer needs, extending product line-up while enhancing and developing distribution channels.

<Service Assurance>

Q: What are the current status and future prospects of the Service Assurance business?

A: Our objective for FY2009 is to achieve break-even excluding goodwill, and the business is presently making progress almost as originally projected. In the immediate future, we wish to build up profitable business structures mainly in the EMEA region. In the medium-to-long-term perspective, we believe the service assurance market will expand as greater emphasis will be given to the quality of networks. We will endeavor to develop quality monitoring businesses in each region, effectively utilizing the relationship with existing customers, and our proprietary technologies at hand.

*Outlook for full year of FY2009

Q: What is the reason behind your revision of the full-year forecasts (lower sales, higher operating income and unchanged net income)?

A: We revised operating income upward, after consideration of the actual result in the first half and a forecasted drop of operating income due to a drop in sales in the second half. We expect that sales in Japan will decline in the second half of FY2009 as the severe business environment is expected to continue throughout the period. On the other hand, we anticipate higher foreign exchange losses and higher taxes than originally anticipated, and therefore we leave the initially announced net income forecast unchanged.

In the first half of FY2009, the reduction in fixed-costs made a significant contribution to operating income. However, overall cost will increase in the second half as a result of higher fixed costs due to increased loads. The second half will have a different profit structure from that of the first quarter.

Q: What are the risks to achieving the full-year forecast and how will you cope with the risks? Also, what are the requisite conditions and themes for the actual results to exceed the forecast?

A: There is still a risk of a double dip. We have already implemented most of the measures currently available. We will flexibly cope with the risk by carefully analyzing the trend in the economy and customers' capital investments. To capture upside potential, several conditions must be met, including the growth of demand associated with the LTE development, development and manufacture of Chinese 3G mobile handsets and smartphone manufacturing, as well as rebound in the general purpose T&M business driven by a recovery of customers' capital investments. Currently, we cautiously expect these events to arise.

Q: With the formation of the new Democratic Party of Japan's administration, how much impact of the central and local governments' budget freeze and cutbacks on the performance of the Information & Communications business do you anticipate?

A: The level of each local government's budget execution has begun to differ, and there still remain some uncertainties and we cannot determine the degree of impact yet. Currently, we believe that we are able to achieve the announced forecast.

*Others

Q: Exchange rate?

A: H1(actual) US\$1 = JPY95
H2(forecast) US\$1 = JPY90