

3rd Quarter of FY2009 Financial Results Q&A Summary

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

A: Customers still continue to curtail their capital investments. Compared with the orders in FY2007, they are still at low levels, and therefore we are yet to be convinced of a recovery of orders.

Q: What are the situation and your forecast of the measuring instruments for LTE?

A: Sales of measuring instruments for LTE development turned out as planned. We have won orders from chipset and handset vendors in Europe, the US and Korea. Going forward, we expect that inquiries from vendors outside Japan will increase.
In FY2010, when LTE is to be commercialized, we anticipate that the development of chipsets and handsets will gain momentum. Although we expect to see more demand in FY2010 than FY2009, it will likely take some time for LTE to penetrate into the consumer market; therefore we cannot anticipate a rapid increase in demand for measuring instruments.

Q: The semiconductor market and the component market are on a path to recovery. Do you anticipate a recovery in sales of general purpose measuring instruments?

A: Demand for general purpose measuring instruments increases at times when production facilities are to be expanded. While production volume in the electronic components industry is recovering, the industry is unlikely to be in the position of expanding its current production facilities. We think we will be unlikely to see sales recovery throughout the first half of FY2010. However, we have actively launched new products and hence we believe that the business is expected to pick up to a certain extent, when the level of capital investments recovers.

Q: The general purpose T&M business faces tough competition. What is your plan to take the market share?

A: We believe that we will be able to increase our market share by differentiating products (e.g. lower-priced, middle-range measuring instruments, specific functions, etc.) and strengthening support systems. Particularly, we believe that we have a geographical advantage over competitors with regard to the Japanese and Asian markets.
From the beginning of the third quarter to January 2010, we have launched a series of new products aiming to capture the market, including middle-range spectrum analyzers, high-speed optical spectrum analyzers and software options for individual telecommunication standards.

Q: What are the status of orders for new products and their sales?

A: LTE-related measuring instruments are steadily growing. In addition, there are robust demands for measuring instruments supporting TD-SCDMA. Optical spectrum analyzers and high-speed signal quality analyzers launched in the second half of FY2009 made a good start with many inquiries coming in, reflecting the increase in communication speed and the growing needs for signal quality measurement.

Q: The Japanese market appears to be challenging. What is your outlook for FY2010?

A: It is said that the speed of recovery in the Japanese market is slower than global peers, and local customers continue reduced capital investments. Japanese manufactures are shifting their production bases from Japan to other Asian countries. Therefore, we need to further develop our business in the Asian markets while closely monitoring and capitalizing on changes in customers and the market.

Q: What is the outlook for the fourth quarter and FY2010?

A: Although customers continue to reduce capital investments, the business performance for the first three quarters of FY2009 is in accordance with the initial plan. While there are some uncertainties such as the risks of economic downturn and sharp exchange rate fluctuations, we believe the performance for the fourth quarter of FY2009 will turn out as originally projected. Regarding the operating income, we have left the forecast unchanged, taking into account the downside risk in each segment. The outlook for FY2010 is not yet clear at this point since we have not created the company's budget plan. We are aiming to increase our market share in the areas such as LTE and Chinese 3G, where the growth in demand for measuring instruments is expected. In the existing businesses, our customers still continue to curtail their capital investments. In the second half of FY2010, we hope to see them resume active capital investments, and to enjoy resultant increase in demand for measuring instruments.