

3rd Quarter of FY2011 Financial Results Q&A Summary

[Business status]

Q: In the T&M business, what are factors for a sharp rise in operating margin from Q2 to Q3 and reasons behind expectations of a decrease in operating margin from Q3 to Q4?

The rise in operating margin for Q3 reflects better product mix and regional sales mix. The quarter saw strong demand for measuring instruments from the mobile phone handset manufacturing business principally in Asia, along with some demand for high value-added

A: measuring instruments associated with the necessary systems for LTE development and the launch of production lines for LTE in the Japanese market. However, we project that there will be more costs, particularly R&D and SG&A costs in Q4 compared to Q3 and this should weigh down our profits.

Q: Please inform us of T&M business trend by regions.

Our business in Japan has been increased from Q2 to Q3, and also remained strong in Asia. Percentages of sales of the regions against total T&M business (Q2 19 billion yen, Q3 16.8

A: billion yen) are as follows:

Japan: Q2 25% → Q3 30%

Asia: Q2 35% → Q3 30%

Q: Do you still have regular business with the Asian Tier 1 vendor from which you received an order in H1?

A: We received an order for a large project from the vendor in H1. Afterwards, we have continued to do business with the client on small-sized projects.

Q: What is the current business climate for TD-SCDMA and TD-LTE in the Chinese market?

A: TD-SCDMA is a China-specific 3G standard. We have addressed the development of products compatible with the technology ahead of competition and now regularly conduct business in the market. TD-LTE is a global based communication standard. We are aware that there is emerging demand for measuring instruments derived from investment developments by telecommunications carriers and mobile terminal manufacturers and that our competitors have entered the market.

Q: There have been frequent communication troubles as a result of increasing numbers of smartphones. Do you see this as a business opportunity, for example, carriers are under pressure to make fresh capital investment with an eye to improve their capacity?

A: Although we need to study the details of these problems, we believe that this situation provides a business opportunity if the network needs enhancement.

[Outlook for next fiscal term, Long-term Plan]

Q: What is your view of the outlook for next fiscal term?

A: We are expecting that the market will grow, due in large part to an increase in the volume of smartphone shipments; but it is difficult to predict the amount of capital expenditure by telecommunications carriers and mobile terminal manufacturers. Currently, we are beginning to draw up the budget for the coming fiscal year.

Q: What is the formulation policy for the new Long-term Plan?

A: We will formulate the plan with the main objectives to be the global market leader, and to build a World Class profitable business structure.

[Others]

Q: What is the difference between the current business situation and that of March 2001, when the company posted consolidated sales of 159 billion yen and net profit of 9.6 billion yen?

Our business for the year March 2001, dubbed the IT bubble period, was virtually driven by a single market, which is robust capital investment in the optical communication facilities in

A: North America.

However, the present demand for measuring instruments reflects general consumers' requirements for mobile terminals, thus it is spread worldwide. This is the difference.