

# Review of Operations

## Test and Measurement

Web

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As a leader in communications test and measurement solutions, Anritsu is expanding its business in test and measurement for 3G/LTE mobile handset development and manufacturing, and for communications infrastructure installation and maintenance. With our test and measurement solutions for electronic components for telecommunications and quality assurance solutions for communication networks, we contribute to the advancement of all network services, from core networks to metro networks and mobile backhaul.

### Test and Measurement Solutions in Communication Networks



## Business Areas

Anritsu's Test and Measurement segment provides test and measurement solutions in all areas from core networks to metro networks and mobile backhaul. Specifically, this business targets the network infrastructure market, which includes fiber optic networks and wireless base stations; the mobile market, including mobile phones and smartphones; and the electronics market, which includes car electronics and electronic components, devices and

equipment used in cloud computing and other applications. With a robust global development system and a global customer support system, Anritsu provides test and measurement solutions that meet current market requirements in Japan, the Americas, EMEA and Asia.

### Strategy for the Test and Measurement Business

#### 1. Expand the LTE- and 3G-related test and measurement business

- Expand test and measurement solutions for development of LTE handsets
- Respond to spread and expansion of LTE/3G smartphones
  - ▶ Expand solutions for handset manufacturing and for base station installation and maintenance
  - ▶ Expand service assurance business, which conducts network quality assurance

#### 2. Expand profitable business in the electronics and network infrastructure markets

- Win business by upgrading and expanding applications to meet customer needs  
(Solutions for development and manufacturing of telecommunication equipment and electronic components for telecommunications)
- Expand solutions for base station installation and maintenance to more countries and operators
- Improve and expand the service assurance business, which provides end-to-end quality assurance

#### Features and Global Market Share of the Test and Measurement Business (Anritsu estimates)

Test and Measurement for LTE Development

Share of about **50%**

Test and Measurement for 3G Development

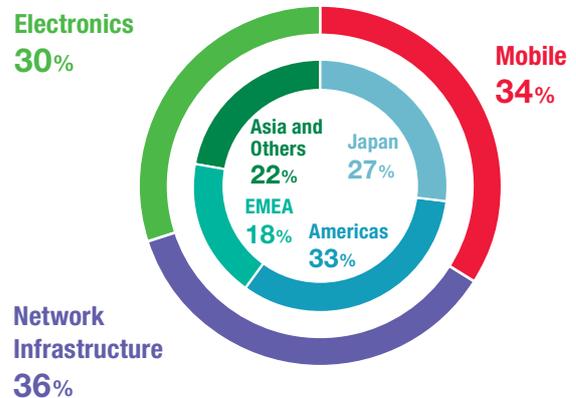
Share of about **70%**

Test and Measurement for Base Station Installation and Maintenance

Share of over **70%**

Covers all areas of telecommunications, from wireline to wireless. Now developing service assurance business.

#### Test and Measurement Sales by Region (inner circle) and by Sub-Segment (outer circle)



## Review of the Fiscal Year Ended March 31, 2011

In the fiscal year ended March 31, 2011, demand rose for measuring instruments for LTE research and development in the mobile market and for handset manufacturing primarily in Asia, where the smartphone market is expanding. In the communications infrastructure market, demand increased for test and measuring instruments used in installation and maintenance for improvement and expansion of base station infrastructure in North America and Asia. As a result, segment sales were ¥53,463 million, a 10.8 percent increase from the previous fiscal year.

Operating income was ¥5,051 million, a 124.3 percent increase from the previous fiscal year, as the mobile market gained traction and Anritsu managed investments and expenditures more efficiently. The Koriyama Business Office and Tohoku Anritsu Co., Ltd., which are manufacturing bases for the Test and Measurement business, were partly damaged by the Great East Japan Earthquake. However, all production lines were restored by the end of March 2011, and the impact on results for the fiscal year was limited.

## Operating Environment and Initiatives in the Fiscal Year Ending March 31, 2012

In the mobile phone market, the full-scale implementation of LTE services will drive growth in demand for conformance and interoperability testing between handsets and base stations or existing network services. Demand for measuring instruments used in manufacturing handsets, typified by increasingly faster, more multifunctional smartphones, is also expected to rise. Against this backdrop, Anritsu plans to step up research and development and other expenditures to respond technically to evolving LTE standards, and to meet the global increase in customer requests.

In the network infrastructure market, demand will continue for measuring instruments for installation and maintenance to upgrade and expand mobile backhaul. Anritsu will work to expand its global market share with

a focus on handheld measuring instruments, Anritsu's strength. For core and metro networks, Anritsu will provide optimal test and measurement solutions to respond to the move toward high speed and high capacity.

In the electronics market, Anritsu will aim for business expansion by enhancing and expanding general purpose measuring instruments that use its base technologies and by expanding applications for modules and electronic components for telecommunications, which will be needed in all areas of communication networks.

Anritsu will also focus on increasing earnings in the Test and Measurement segment by optimizing the supply chain from development to production, sales and customer support.

## Measures to Achieve the Mid-Term Plan GLP2012

In GLP2012, the Mid-Term Plan initiated in April 2010, Anritsu is aiming for net sales of ¥61.0 billion and an operating income margin of 10 percent in the Test and Measurement segment in the fiscal year ending March 31, 2013. In the telecommunications market, business opportunities are growing for Anritsu's Test and Measurement business with advances in mobile broadband. Demand is increasing for development of LTE, the next-generation high-speed communication standard, as an environment that enables comfortable use of services; upgrading and expansion of telecommunication networks such as mobile backhaul;

and network quality assurance. Anritsu intends to expand this business by accurately recognizing such opportunities to provide solutions tailored to customer needs and strengthen customer support from development to manufacturing, installation and maintenance, and network quality assurance. Moreover, Anritsu will work toward achievement of GLP2012 by improving and enhancing operating efficiency in business processes while promoting KPI management to solidify the foundation for a stronger profit structure.

## Trends in the Telecommunications Industry and the Direction of Anritsu's Test and Measurement Business



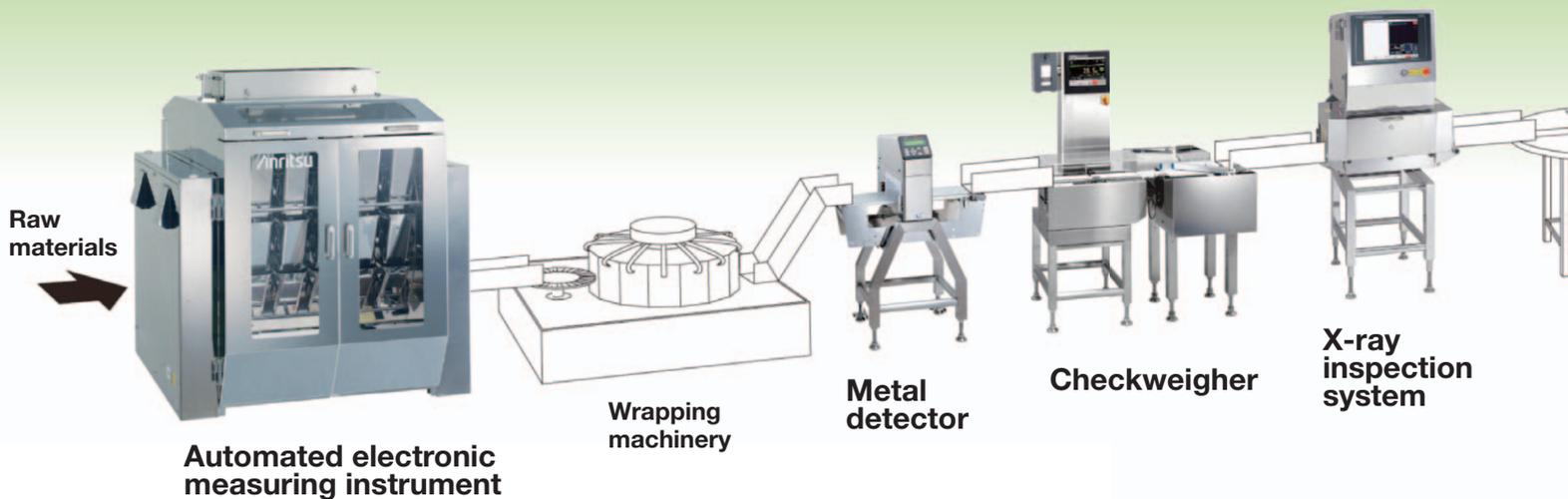
**Kenji Tanaka**  
Representative Director,  
Executive Vice President,  
Measurement Group President

Smartphones and tablets offering an abundance of applications and services are quickly spreading worldwide. Data transmission capacity is also increasing rapidly. Mobile communications are being utilized in a wide range of fields, including electronic administration, medical care, education, transportation, disaster prevention and the environment, through numerous devices – not only human-to-human but also human-to-machine, machine-to-machine and cloud computing via data centers. The high speed and increasing data transmission capacity of access terminals are spurring the need for expansion of mobile backhaul and core networks of wireless base stations and other infrastructure. Enhancement of access terminals and communication networks is occurring simultaneously not just in developed countries but in many other countries and regions. We believe that the growth of mobile broadband services will continue globally.

Current wireless communications have spread globally, and encompass various systems including WiFi, WiMAX and Bluetooth in addition to mobile phone systems such as GSM, W-CDMA and CDMA. As more services using wireless communications are developed, these wireless standards are used in many devices, including mobile phones, tablets, car electronics, household appliances and smart grids. Devices that include multiple communications standards on one chip are also appearing.

Anritsu offers test and measurement solutions supporting every communications platform from wireline to wireless across the spectrum of development, manufacturing and maintenance. We are also focusing on the service assurance business, which involves end-to-end quality assurance to improve the quality of diverse broadband services, and hope to contribute to the advancement of mobile broadband.





## Industrial Automation

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In the Industrial Automation segment, we are working to expand business by promoting a product strategy of higher added value and differentiation, optimizing supply chain management and accelerating overseas expansion. At the same time, we are focusing on enhancing cost-cutting initiatives to increase profitability.

### Business Areas

The Industrial Automation segment provides production management and quality assurance systems for the food, pharmaceutical and cosmetics industries. Its main products include X-ray inspection systems, metal detectors and checkweighers that perform high-speed, accurate weighing on production lines. Products for the food industry account for 85 percent of this segment's business. Consequently, its

business operations are stable, as this is a market with relatively little change in demand due to economic trends.

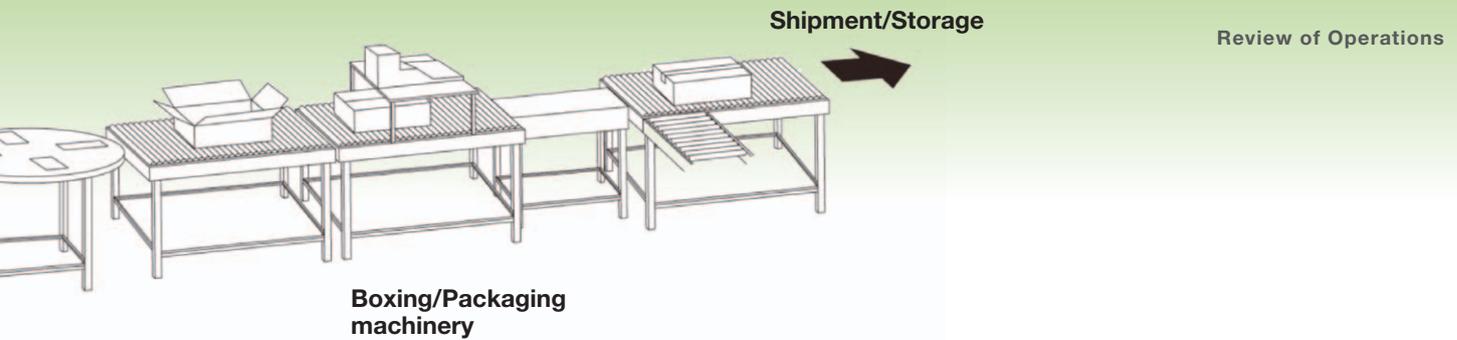
Geographically, the Japanese market accounts for 70 percent of business. However, overseas business is expanding, reflecting food safety consciousness in newly industrialized countries and rising demand for high-precision quality inspection in the American and European markets.

### Strategy for the Industrial Automation Business

#### 1. Expand business in the ASEAN, Chinese and Indian markets

- Strengthen the organization in Thailand
- Introduce low-cost metal detectors and checkweighers
- Expand share in the market for processed food products destined for Japan
- Deepen presence in the domestic consumer food markets of India and Southeast Asian countries

#### 2. Develop new quality assurance solutions for the food and cosmetics markets



## Review of the Fiscal Year Ended March 31, 2011

In the fiscal year ended March 31, 2011, no growth was seen in investment by food manufacturers in the Japanese market. However, orders for X-ray inspection systems and checkweighers were solid in overseas markets, primarily Asia and North America. As a result,

segment sales increased 5.9 percent compared with the previous fiscal year to ¥12,326 million, and operating income increased 8.0 percent to ¥659 million. Earnings continued to increase steadily as the effects of ongoing cost reductions began to appear.

## Operating Environment and Initiatives in the Fiscal Year Ending March 31, 2012

To expand business in overseas markets, where growth is expected, Anritsu will introduce high-value-added products such as an X-ray inspection system that utilizes new technology to significantly improve detection accuracy. We will also expand local production and sales organizations, with a focus on our

Thai subsidiary, as we aim to increase our global market share. In addition, the precision measurement business has been integrated into this segment from the fiscal year ending March 31, 2012. We will use synergy from the integration in areas such as sensor technology to promote development of new solutions.

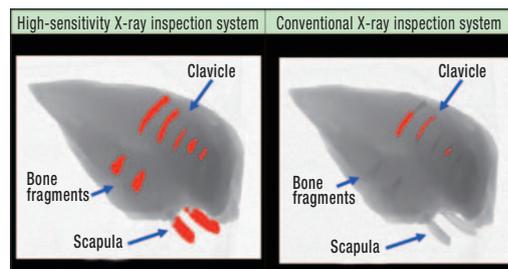
## Measures to Achieve the Mid-Term Plan GLP2012

Our targets for this segment in GLP2012 are sales of ¥14.5 billion and operating income of ¥1.1 billion in the fiscal year ending March 31, 2013. Key priorities are expanding overseas business mainly in the Asian market (overseas sales target 33 percent) and developing new quality assurance solutions for the food and cosmetics markets. Fulfilling customer requests locally, including local design, production and support, will be important to expand business further

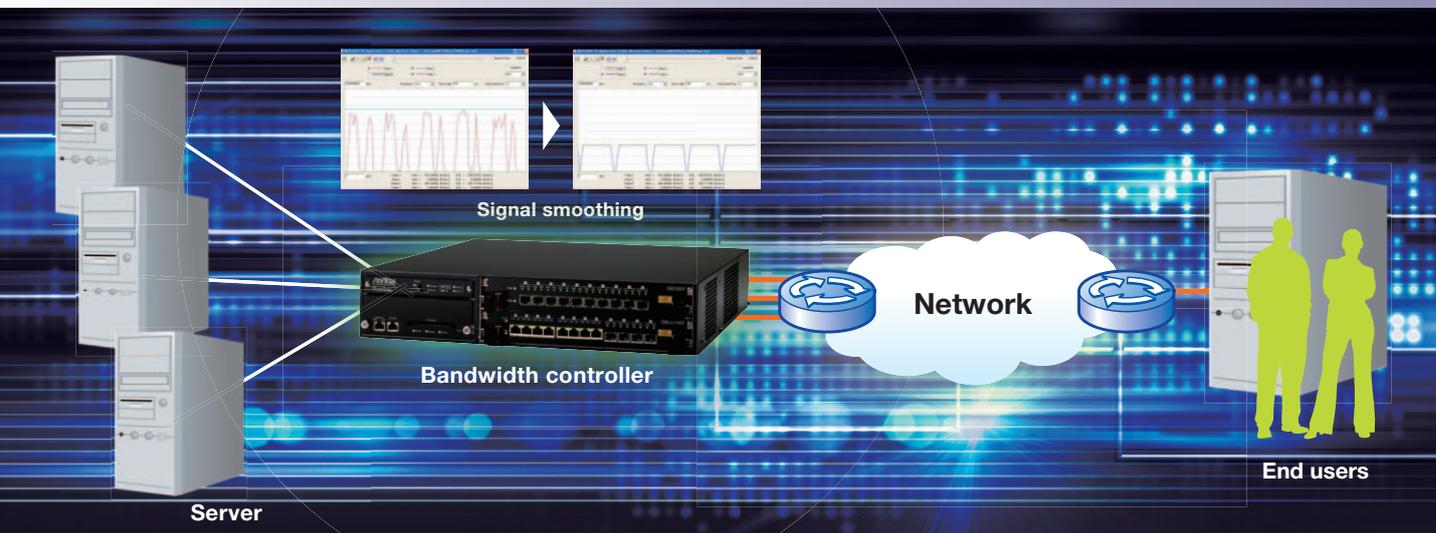
overseas. To achieve our targets, we will increase earnings by raising our responsiveness to customer needs and accelerate overseas business development while continuing to reduce costs and optimize the supply chain. Moreover, we will leverage synergy with the precision measurement business to develop new solutions and expand business by deepening our presence in existing markets and uncovering new ones.



KD7416DWH



High-sensitivity X-ray inspection system with dual energy sensor



## Information and Communications

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This segment works to develop markets by enhancing its lineup of high-quality solutions using IP network technology and building stronger ties with business partners. It also aims to improve earnings by strengthening its competitiveness with improvements in quality, cost and delivery.

### Business Areas

The Information and Communications segment operates in the public- and private-sector markets. It provides disaster prevention and IP infrastructure solutions to Japanese government and municipal offices, including the Ministry of Land, Infrastructure, Transport and Tourism. For customers in the private-

sector market, mainly financial institutions and telecom carriers, it provides telecommunication equipment that supports backbone networks based on IP network technology. This includes bandwidth controllers for upgrading telecommunications infrastructure by helping maintain quality of service in IP networks.

### Strategy for the Information and Communications Business

1. **Expand business related to disaster prevention through cooperation and joint product development with partners**
  - Build disaster communication systems business
2. **Generate earnings by expanding network-related business in the financial and telecom carrier markets**
  - Expand and improve the profitability of businesses such as bandwidth controllers

### Review of the Fiscal Year Ended March 31, 2011

In the fiscal year ended March 31, 2011, demand for bandwidth controllers was solid, primarily for networks of financial institutions. However, reduced public works investment led to delays and partial freezes of projects for the public sector. As a result, segment sales decreased 22.4 percent from the previous fiscal year to ¥4,118 million and operating income decreased 51.7 percent to ¥69 million.

In disaster communication systems, business with local governments in collaboration with system integrators is gaining momentum. We expect interest in safety and security to increase further, and will augment proposals and sales promotion of solutions that use these systems.

## Operating Environment and Initiatives in the Fiscal Year Ending March 31, 2012

With cutbacks in investment in the public-sector market, the severe operating environment is forecast to continue. On the other hand, in the private-sector market, a further increase in demand is projected for bandwidth controllers among financial institutions and telecom carriers to ensure quality of service (QoS) in high-speed networks.

Accordingly, Anritsu will continue to focus on the private-sector market. Specifically, we will further promote collaboration with system integrators to expand sales of bandwidth controllers. We will also overhaul supply chain management to improve our profit structure.

## Measures to Achieve the Mid-Term Plan GLP2012

In the Mid-Term Plan GLP2012, targets for this segment are net sales of ¥6.0 billion and operating income of ¥0.5 billion in the fiscal year ending March 31, 2013. The key priority is further developing the private-sector market to expand business and improve earnings. In developing the private-sector market, we must provide the sophisticated, complex applications that customers require. Therefore, we will strengthen our lineup of mainstay bandwidth controllers, enhance our existing relationships with system integrators and work to build alliances with new partners in order to

expand business. Furthermore, in the field of video monitoring, we will provide new solutions based on IP telemetry systems and multi-screen systems, a new product. To promote these initiatives, we are making structural improvements, including the establishment of the New Market Development Department at the start of the current fiscal year. To improve this segment's earnings structure, we will work to achieve the operating margin target by strengthening product competitiveness right from the development stage in terms of quality, cost and delivery.

## Product Profile

### Bandwidth Controller PureFlow® GS1 Series

Adopted in backbone networks of major financial institutions.

Delivers the quality of service (QoS) that financial institutions need and also helps reduce costs for customers.

