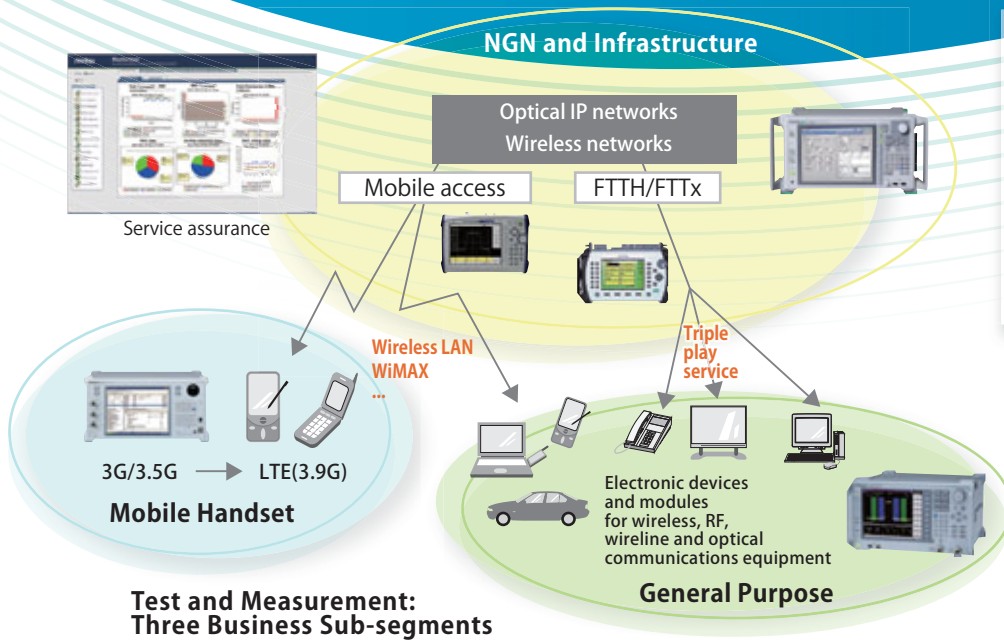


# Review of Operations

## Test and Measurement

The Test and Measurement segment offers cutting-edge wireline, wireless, and quality of service (QoS) solutions for globally expanding next-generation networks (NGN) and next-generation mobile telecommunication systems. It is also further strengthening the general purpose measurement business to ensure a foundation for profitability.



### Segment Changes

Anritsu formerly divided the Test and Measurement segment into four sub-segments: Wireless Test and Measurement; Optical, Digital and IP Test and Measurement; General Purpose Test and Measurement; and Service Assurance. Starting from the year ended March 2008, this segment is classified into the three market areas shown to the left.

#### NGN and Infrastructure:

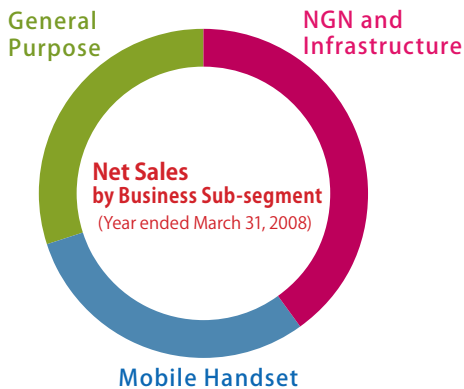
Infrastructure-related business of the former wireless sub-segment + optical, digital and IP + service assurance

#### Mobile Handset:

Mobile handset business of the former wireless sub-segment

#### General Purpose:

Former general purpose sub-segment



### Business Trends and Review of the Year Ended March 31, 2008

In the telecom network market, the shift to ultra-high speed and large capacity is advancing for core networks due to the spread of both fixed-line and mobile broadband services such as IPTV.<sup>1</sup> In addition, access network construction, network quality improvements and various other initiatives for NGN construction are accelerating globally. However, business reorganizations and alliances in this area in response to intensifying competition are making customer trends less clear. In the second half of the year ended March 31, 2008, telecom operators and telecom equipment manufacturers restrained capital investment due to concerns about economic slowdown.

Under these conditions, demand was firm for measuring instruments for use in 3G and 3.5G mobile handset manufacturing in Japan and Asia, and for use in base station installation and maintenance in the United States. However, sales declined as demand for use in research and development in Japan and Europe subsided. In addition, NGN-related business and general purpose measuring instruments did not contribute to sales as expected due to the time needed to launch new products and customer restraint in capital investment.

The Group was able to increase sales in the Service Assurance business as it continued its Tier 1 strategy (an approach focusing on major telecom operators), yielding orders from major operators, especially in Europe.

As a result, segment sales were ¥72,717 million, a decrease of 0.2 percent compared with the previous fiscal year. This represents 72.4 percent of net sales for the entire Anritsu Group.

Despite the earnings improvement in the Service Assurance business, operating income was ¥4,126 million, a decrease of 12.5 percent, due to a delay in sales from new products expected to cover decreased profitability from measuring instruments for mobile handsets.

Note 1: IPTV: A television broadcasting service using IP networks.

## Business Strategy and Outlook for the Year Ending March 31, 2009

Anritsu expects that the operating environment will remain severe for the Test and Measurement segment in the year ending March 31, 2009, due to factors including restrained capital investment resulting from concerns about recession in the industrialized countries. As a result, Anritsu projects segment sales of ¥71.5 billion (a year-on-year decrease of 1.7 percent) and operating income of ¥3.0 billion (a 27.3 percent decrease).<sup>2</sup> During the year, Anritsu will work to solidify the foundation for future profitability improvement by steadily implementing Management Innovation 2008. Anritsu will offer products and solutions that meet market needs by expanding sales of new products and continuing to grow the Service Assurance business in the NGN and Infrastructure sub-segment, bringing to market measuring instruments for use in Long-Term Evolution (LTE) development in the Mobile Handset sub-segment, and expanding applications in the General Purpose sub-segment.

Note 2: Operating income is expected to decrease because loss on devaluation of inventories, which was formerly reported as an other expense, is included in cost of sales as of the year ending March 31, 2009.

## NGN and Infrastructure

Anritsu anticipates future growth in the NGN and Infrastructure field from solutions for telecom equipment makers' development and production, as well as in network construction, maintenance and service assurance for wireline and wireless telecom operators.

### Broadband IP Network Measurement

The spread of music and video downloading, IPTV and similar services for consumers, as well as the expansion of broadband connectivity for enterprise applications, is increasing data traffic. With the start of full-scale construction of 40Gbps ultra-high-speed networks and research and development for 100Gbps backbone network equipment, demand for related measuring equipment is expected to increase. The cutting-edge technology necessary to develop test and measurement equipment in this field forms a high barrier to entry. However, Anritsu is working to bring to market in a timely manner its ultra-high-speed digital measurement technology and optical measurement technology. In addition, NGN construction through IP networks is progressing worldwide, and Anritsu anticipates demand for optical digital and IP measuring equipment due to the growth of this market.

Anritsu also has assembled a wide array of handheld measuring instruments that take advantage of its excellent compact and high-density packaging technology and energy-saving technology to meet demand for construction of diverse broadband access networks such as fiber

Note 3: WiMAX (Worldwide Interoperability for Microwave Access): A standard for high-speed wireless access networks. WiMAX holds promise for providing wireless high-speed data transmission equal to that of wireline broadband access technologies such as ADSL and fiber optic cable.

optic communications, 3G, 3.5G, WiMAX<sup>3</sup> and digital broadcasting, and to increase profitability by responding to a wide range of customer requests.

### Service Assurance

In the Service Assurance business, which monitors networks and analyzes service quality, high demand growth can be expected from telecom operators looking to create billing management based on service quality. Anritsu offers advanced network monitoring systems, focusing on major telecom operators. Enhanced sales teams specializing in the telecom operators not only in Europe but around the world will contribute to Anritsu's efforts to expand sales and profits.



### MT9083A ACCESS Master

A field measuring instrument that can offer in one machine and on the spot the measurement functions required for optical fiber installation and maintenance, including optical pulse testing, optical loss testing, visible light source testing and IP testing.



## Mobile Handset

In the mobile handset field, Anritsu offers measuring instruments with world-class added value for manufacturers of IC chips for use in mobile phones and for mobile phone manufacturers' research and development and production.

Anritsu provides measuring instruments utilizing the technologies it has accumulated from its close relationships with leading customers, along with global customer support. As a result, Anritsu's measuring instruments for development of 3G and 3.5G handsets and chipsets have established a position as the de facto standard.

In the second half of the year ending March 31, 2009, full-scale development of handsets supporting Long-Term Evolution (LTE), the 3.9 generation (3.9G) technology, is expected to begin as the current 3.5G development has almost completely matured. Anritsu's investment in measuring instruments for use in LTE handset development has already secured demand from leading-edge customers and will maintain the field as a pillar of profitability.

### MD8470A Signalling Tester

A base station simulator used in the development and inspection of mobile handsets that combines testing functions for voice calling, video calling, short message services (SMS), content downloading and other applications in one unit.



## General Purpose

The General Purpose sub-segment offers measuring instruments widely used in the electronics industry, particularly for design, production and evaluation of electronic devices used for telecommunication equipment and other electronic equipment.

Demand in this sub-segment is expected to grow steadily due to the increasing use of electronic components in automobiles as well as communications and advances in intelligent home appliances. Anritsu has RF measurement technologies for microwave and millimeter wave communications. In addition to applying them in its core business area of telecommunications measuring instruments, Anritsu is also applying these technologies, together with a wide range of digital wireless technologies such as wireless LAN and digital broadcasting, in general purpose measuring instruments used in development and manufacturing of diverse electronic components and modules. Sales of handheld general purpose measuring instruments incorporating compact, high-density packaging and energy-saving technologies, an Anritsu strength, are growing steadily around the world, including the United States. Anritsu will offer a wider range of applications for these markets, which have different investment cycles from the telecommunications market. Expanding general purpose measuring instruments business in these markets will therefore help to stabilize Test and Measurement segment profitability.



Anritsu's handheld measuring instruments provide radio-wave monitoring at NFL stadiums.

### MS269x Series Signal Analyzers

A signal measuring instrument series based on a high-performance spectrum analyzer with superior absolute amplitude accuracy, modulation accuracy and analysis bandwidth.



## Information and Communications

The Information and Communications segment, in collaboration with system integrators, participates in the disaster prevention market for local governments by leveraging its IP network technologies, an area of strength for the Anritsu Group. The business is also developing private-sector demand, focusing on bandwidth control equipment for maintaining quality of service (QoS).

### Business Trends and Review of the Year Ended March 31, 2008

The Information and Communications segment focuses on offering social infrastructure solutions to government and municipal offices in Japan. Although domestic public works spending is declining overall, investment related to disaster prevention and IP infrastructure continues to increase. In the private-sector market, demand is emerging for bandwidth control equipment to prevent network quality degradation due to growing traffic resulting from expansion of video distribution and other services.

For the fiscal year ended March 31, 2008, segment sales decreased 4.4 percent year on year to ¥5,749 million because private-sector demand could not compensate for the marked restraint in capital investment by government and municipal offices. Although Anritsu worked to reduce cost ratios for existing products, operating income decreased 48 percent year-on-year to ¥76 million due to investment to develop disaster mitigation solutions, the next new area for this business.

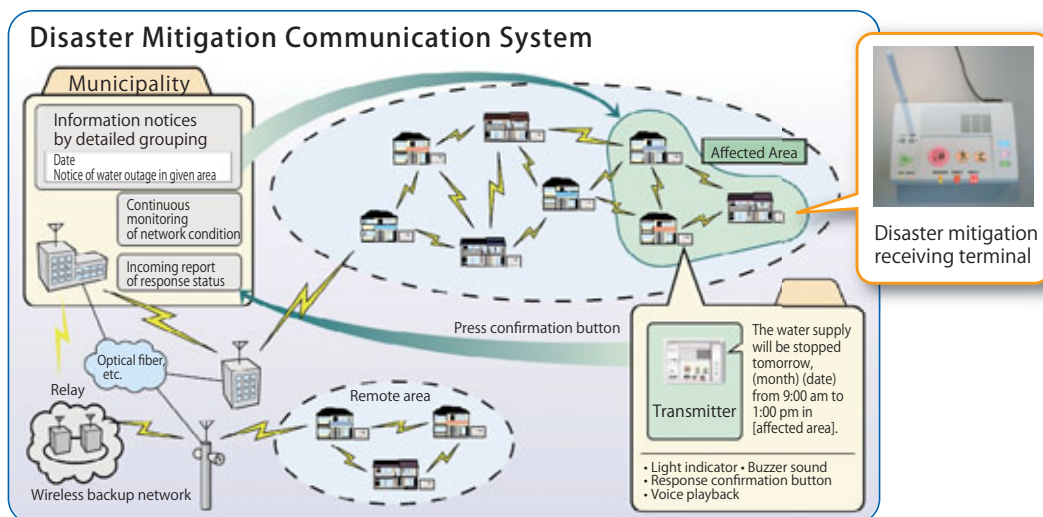
### Business Strategy and Outlook for the Year Ending March 31, 2009

The Anritsu Group will continue working to provide social infrastructure solutions in cooperation with major system integrators. Specifically, we are currently developing receiving terminals as part of the collaboration with NTT DATA Corporation on a disaster mitigation communication system,\* as announced in 2007, and plan field trials during the fiscal year ending March 31, 2009.

The business will carry out development and sales promotions activities focusing on video monitoring and distribution systems, IP access devices and bandwidth control equipment, which utilize its accumulated technologies, and will work to improve earnings while continuously reducing the cost ratio.

For the year ending March 31, 2009, Anritsu expects this business to achieve sales of ¥6,000 million, a 4.4 percent increase year on year, and operating income of ¥100 million, a 30.8 percent increase.

\*Note: Disaster Mitigation Communication System: A two-way communication system that transmits emergency information and confirms safety when a disaster occurs.



## Industrial Automation

The Industrial Automation segment is progressing in its strategy to increase the added value of its products and differentiate them, and is striving to grow the business by accelerating expansion in overseas markets. At the same time, it is working to further strengthen cost reduction initiatives and improve profitability.

### Business Trends and Review of the Year Ended March 31, 2008

This segment's main products—checkweighers, X-ray inspection systems and metal detectors—are used in production and inspection equipment for the food industry, which accounts for 80 percent of sales, as well as in the pharmaceutical, cosmetics and other industries. Its core products, metal detectors and X-ray inspection systems, have achieved leading shares in the market for inspection systems due to their high speed and high precision in detecting metal fragments and other alien materials during food processing.

For the past several years, global awareness of food safety and security has been growing, and overseas inquiries about the Anritsu Group's quality control inspection equipment have been rising from regions including the Americas, Europe and Asia. At the same time, in addition to the rise in the procurement cost of metal materials such as stainless steel, the Group must deal with new concerns including restrained capital investment by domestic food manufacturers due to the rising cost of flour and other food ingredients and packaging materials.

As a result of factors including increased global demand for quality control inspection equipment, segment sales were ¥13,595 million, an increase of 10.6 percent compared with the previous fiscal year. Operating income was ¥814 million, an increase of 34.0 percent, due to successful cost reduction measures to offset rising prices of metal materials. The Anritsu Group made investments and strengthened sales activities to expand its market share in Asia, the Americas and Europe, resulting in an overseas sales ratio of approximately 30 percent.



#### X-ray Inspection System KD7405AW

This alien material inspection system inspects the shape of products to detect chips, breaks and other irregularities while using mass conversion to simultaneously check for missing items.



#### New Thai Production Facility

In addition to cutting Anritsu's manufacturing and distribution costs, this factory improves the supply chain in the ASEAN market.

### Business Strategy and Outlook for the Year Ending March 31, 2009

This segment will continue striving for stable growth by strengthening overseas expansion. The Group aims to further increase the overseas sales ratio going forward through full-fledged entry into the European and North American markets, focused on X-ray inspection systems, while maintaining its high domestic market share. In addition, the Group established a new production facility in Thailand to improve its supply chain in the ASEAN markets, where demand is vigorous. We aim to expand in ASEAN countries while reducing production and distribution costs. Further, as an ongoing initiative we will strengthen the price competitiveness of this business segment by sharing and standardizing basic units and reducing costs.

Anritsu projects that for the fiscal year ending March 31, 2009, segment sales will increase 6.7 percent year on year to ¥14,500 million and operating income will increase 22.7 percent to ¥1,000 million.