

Review of Operations

Test and Measurement

We aim to capture the number-one global market share in next-generation mobile communications system LTE with our measuring instruments used in development, an Anritsu strength. In addition, we are looking to expand business in the 3G mobile area in China, which we expect to be a growth market.



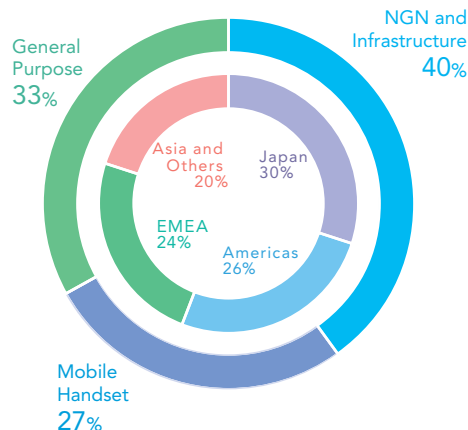
Business Trends and Review of the Year Ended March 31, 2009

Mobile phone-related investment is shifting from 3G and 3.5G to LTE (3.9G). In December 2008, Anritsu became the first company in the world to commercialize new measuring instruments for use in the research and development of LTE, responding flexibly to customer needs in a timely manner. Although this LTE-related demand is rising, segment sales were ¥57,449 million, a decrease of 21.0 percent from the previous fiscal year, as a result of a significant drop in sales of existing businesses. Despite initiatives under the Company's urgent management measures including fixed-cost reductions, this segment recorded an operating loss of ¥792 million, compared with operating income of ¥4,126 million in the previous fiscal year, due to the substantial decrease in segment sales.

Business Strategy and Outlook for the Year Ending March 31, 2010

Based on the ongoing challenging operating environment, Anritsu will focus on telecommunications markets where measurement demand is increasing. These include the measurement business for LTE, where full-fledged development will start, and business related to 3G mobile in China,

Test and Measurement Sales by Region (Inner circle) and by Sub-Segment (Outer circle)



where there are many subscribers.

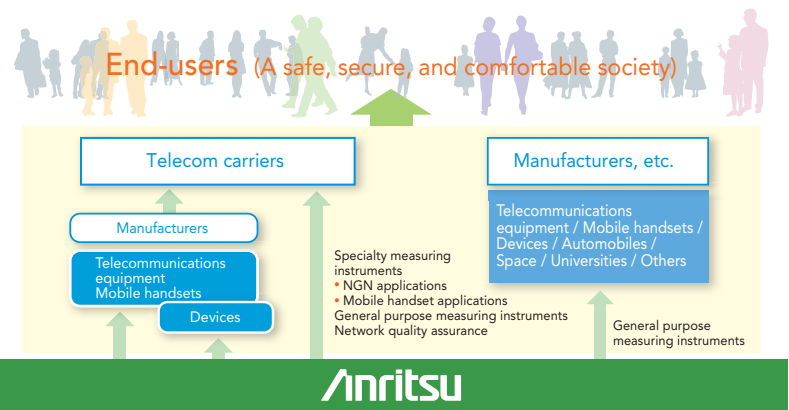
LTE is a next-generation wireless access technology that is spreading globally. Anritsu is focusing investment of resources throughout the Group on obtaining the top global market share in measurement solutions for LTE development in order to expand its business. At the same time, Anritsu will maintain and enhance the technological capabilities it has accumulated in 3G development and its relationships of trust with vendors in Japan and globally.

Full-fledged infrastructure upgrades for 3G mobile in all regions of China have started, and we expect mass production of mobile handsets to begin from the year ending March 31, 2011. Anritsu will secure the number-one market share in this area by expanding sales of handheld measuring instruments for use in base station installation and maintenance, which are indispensable to upgrading infrastructure. Moreover, we will provide timely solutions to customer needs associated with the roll-out of handsets that use the TD-SCDMA standard, which is being promoted in China.

Areas of Focus, Customers and Market Rank by Business Area (Anritsu estimates)

	NGN and infrastructure		Mobile handset			General purpose	
	R&D applications	Installation and maintenance applications	R&D applications	Production applications	Installation and maintenance applications	R&D applications	Production applications
Areas of focus	40Gb/s,100Gb/s Optical transmission Optical modulators NGMN (Next generation mobile network)	Wireless base stations Installation of optical fiber Network quality assurance	3G/3.5G applications LTE TD-SCDMA (China)	3G/3.5G mobile handsets TD-SCDMA mobile handsets (China)	Repair and maintenance of mobile handsets	Radio frequency (RF) devices (LTE, Bluetooth, Wi-MAX, car electronics, etc.) Digital broadcasting Etc.	
Customers	Telecom carriers Telecommunication equipment vendors	Telecom carriers Telecom network construction companies	Mobile handset vendors Chipset vendors	Mobile handset vendors	Telecom carriers Mobil handset vendors	Electronic device and component vendors Telecommunications equipment vendors Mobile handset vendors Car electronics Etc.	
Market rank (global)	OTN (optical transport networks) No. 2 market share	Handheld measuring instruments for wireless base stations Top market share (70-80 percent)	3G mobile R&D Top market share (60-70 percent)	Production of 3G mobile handsets No. 3 market share	Top market share in Japan	No. 3 market share for spectrum analyzers & signal generators	

Although we expect that sales in markets related to LTE and to 3G in China will expand, we project net sales of ¥51.0 billion, a year-on-year decrease of 11 percent, due to a general decrease in sales in other areas. We project operating income of ¥1.3 billion, an improvement of ¥2.1 billion, due to cost reductions from our streamlined organizational structure and other factors.



NGN and Infrastructure

Anritsu is working to expand and stabilize its business by offering not only solutions for the research and development of telecommunications equipment, but also solutions in telecommunications infrastructure ranging from installation and monitoring to service quality assurance.

1) Optical, Digital and IP Measurement

The proliferation of music and video downloading, IPTV¹ 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

40Gbit/s ultra-high-speed networks and research and development for 100Gbit/s 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. Anritsu is working to bring measuring instruments to market in a timely manner while boosting product competitiveness and differentiation by applying its technologies in areas such as ultra-high-speed digital measurement, optical measurement and IP measurement.

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





CMA5000 field-use measurement system, which was used to support video distribution of the F1 Grand Prix 2008 held in Spain and Hungary.



2) Installation and Maintenance of Network Infrastructure

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 installation and maintenance of diverse broadband access networks such as fiber optic communications, 3G, 3.5G, WiMAX² and digital broadcasting, and to increase profitability by responding to a wide range of customer requests. In the year ending March 2010, base stations for 3G mobile phones will be built on a large scale in China, representing a major business opportunity for Anritsu.

3) 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 will work to increase profits in the fiscal year ending March 2010 by expanding Service Assurance sales activities, centered on the EMEA region. We have positioned this as a strategic business because of its growth potential, and plan to expand it into a future pillar of the Group.

Note 2. **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.

Note 3. **3GPP:**

A project that considers and draws up specifications to standardize 3G systems.

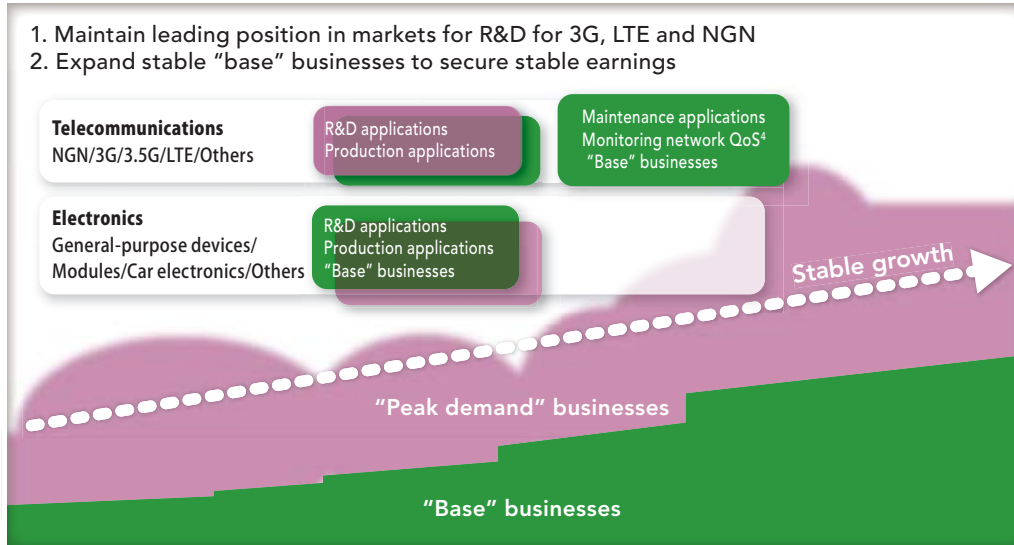
Mobile Handset

Anritsu will maintain the number-one global market share in growth driver LTE by quickly meeting demand for development-use measuring instruments and providing solutions that respond to customer needs. In addition, we are prepared for the start of new demand for the development and production of 3G handsets in China.

Anritsu expects that LTE services will begin throughout the world from 2010 in order to offer fiber-optic-quality broadband services for mobile phones. Through 3GPP,³ which is promoting standardization of LTE protocols, Anritsu is actively involved in standardization work and is forming close relationships with customers by providing measurement solutions for 3G mobile handsets. We will share development road maps with customers while accurately assessing demand for measuring equipment for LTE, where full-scale development is starting. We will use this understanding to bring to market in a timely manner measuring instruments for development that respond to customer needs.

In China, which is a huge market for 3G mobile phones, three major telecom operators were each issued a license in January 2009 for one of three different 3G standards: TD-SCDMA, W-CDMA and CDMA2000. Anritsu has many measurement solutions for all the standards used in China, and particularly the government-promoted TD-SCDMA used by China Mobile Limited. We are preparing for the start of new demand from China Mobile, which has the world's largest subscriber base, while maintaining our competitive edge.

Test and Measurement “Peak Demand” and “Base” Businesses



Note 4. QoS (Quality of Service)

Technologies that control network transmission quality in order to ensure service quality.



General Purpose

Anritsu provides measuring equipment widely used in the electronics industry, including telecommunications equipment and other electronic equipment. In order to generate stable earnings, Anritsu is aiming to increase market share by providing applications that meet customer needs.

Even though the short-term outlook for this sub-segment is unclear due to fluctuations in development demand and production volumes in telecommunications equipment and electronic components for automobiles and intelligent home appliances, over the long term we expect it to be a stable business with a large market.

Anritsu aims to capture stable demand by developing products that leverage its strengths in high-frequency testing and measurement technologies, as well as strengthening its line of handheld measuring instruments that incorporate compact, high-density packaging and energy-saving technologies. Anritsu will stabilize Test and Measurement business earnings by offering a wider range of applications for general purpose measuring instruments and

expanding operations in general purpose measurement, which has a different investment cycle than the telecommunications market. In addition, we will increase market share by expanding indirect sales channels, including distributors.

In the Test and Measurement business, Anritsu will aim for stable growth by expanding “base” businesses such as measurement for manufacturing of telecommunications equipment and mobile handsets, installation and maintenance, and network monitoring, in addition to businesses that have peak demand, such as measurement for 3G handsets and LTE-related development.