

1st Half of FY2008 Financial Results Q&A Summary

Q1: Selling, general and administrative expenses has shown a significant decrease over the corresponding period of FY2007. What were the factors for this? Are you expecting improved results like this in the second half of FY2008 as well?

A: We recognize that the results from Management Innovation 2008, which we have been working on since the second half of FY2007, are the contributing factors, besides foreign exchange difference. Management Innovation 2008 aims to reinforce the profitable business structure by developing hot selling products and reducing various expenses. Development of successful products is expected to be facilitated by thorough implementation of SBU (Strategic Business Unit) management. Expense reduction efforts have been carried out by R&D, SCM(Supply Chain Management), and other divisions, each of them formulating KPIs (Key Performance Indicators) to tackle cost-cutting. So we think that the improvement in expenses has been driven by such efforts. The effects are taken into consideration in developing our forecasts for the second half, but we are still determined to keep a tight rein on our costs and continue to build a more profitable business structure.

Q2: The volume of orders received by the Test and Measurement segment made a gradual recovery. What were the factors behind this?

A: Orders in Test and Measurement segment were on the downward trend for the past four consecutive quarters after they had reached the peak in the second quarter of FY2007. However, declining orders hit the bottom and upturned in the second quarter of FY2008. We received steady orders of handheld products for installation and maintenance of base stations in the United States, as well as orders of measuring instruments for handset production in China; however, the order volume was still far low in terms of comparison to our past performances.

Q3: What are current situations of the market of measuring instruments for mobile phone handsets and what is your outlook for the second half?

A: Although the growth rates of mobile phone handsets produced have been slowing down, the transition from the 2G GSM system to the 3G/3.5G W-CDMA/HSPA systems, where Anritsu can exercise its strength, is accelerating and the ratio of 3G/3.5G compatible handsets to all mobile phone handsets produced is on the increase. Although the production figure appears to have already peaked when we only see the number of handsets produced in Japan, worldwide investment in 3G/3.5G-related business such as production and maintenance is expected to continue. We also expect demand from LTE (Long Term Evolution) development in the second half. However, slowdown of economy deriving from the financial crisis remains to be a cause of concern, and we should carefully observe the impacts on the real economy.

Q4: Please provide an explanation on the start-up of LTE.

A: Standardization of LTE is underway as the next generation of mobile communication systems. Major mobile operators of the world have announced that they will deploy LTE. In Japan, mobile operators and handset manufacturers are on full-fledged research and development for LTE in anticipation of commercialization in 2010. We will make the most of our leading position in measuring instruments for 3G/3.5G development, and focus on offering timely solutions for LTE.