

3rd Quarter of FY2008 Financial Results Q&A Summary

[Q&A Mainly for the Test and Measurement Business]

Q1: Orders received for the third quarter of FY2008 on a consolidated basis decreased about 34% compared to the same period of FY2007. What is the outlook for the fourth quarter and onwards?

A: Inquiries and orders for the LTE Signaling Tester released in December 2008 have been steady. Including orders that will be recorded as sales for FY2009, order intake during the fourth quarter is expected to be about the same level as in the corresponding period of FY2007. We expect our order backlogs at the beginning of FY2009 to be somewhat lower compared to the same time of FY2008.

Q2: Regarding production status, please advise the current rate of operation as well as the outlook for the fourth quarter.

A: It is fluctuating at between 65% and 70% of the planned value. To improve the rate, Tohoku Anritsu (manufacturing subsidiary) introduced a work sharing program in December 2008. In the fourth quarter, we expect the rate of operation to improve due to planned production increase to meet seasonal demand in the Japanese market and to fulfill sizable orders for LTE Signaling Testers.

Q3: Please explain the current status of the Service Assurance business and your plans to achieve profitability in this business.

A: The main market of this business is the EMEA (Europe, Middle East and Africa) region. Operators in EMEA area are cutting capital expenditure due to the economic crisis, and projects in Russia have also been frozen. Outside of the EMEA region, we are making sales efforts for a large project in Mexico.
We are planning to reform our business structure to cope with this changing business environment. We believe this reform will help us generate operating income before goodwill amortization in FY2009.

Q4: What is the assumed exchange rate and the projected impact that one yen change in the rate would have on your earnings?

A: The assumed exchange rate is 90 yen/dollar and 125 yen/euro. The combined impact of a one yen change in dollar/yen and euro/yen rates on the orders and sales for the fourth quarter of FY2008 is expected to be around 50 million yen. For the full FY2009, the impact of a one yen change in dollar/yen and euro/yen rates are expected to be around 70 million yen and 30 million yen, respectively.

Q5: The Obama Administration announced it will invest about 6 billion dollars in broadband deployment. How do you perceive that?

A: While we are expecting positive effects from the strengthening of telecommunication networks in US, at this point we cannot predict specific effects on the Test and Measurement business.

[Q&A for Other Businesses]

Q6: You mentioned optical devices business showed steady performance. Would you tell us which specific product categories are performing well?

A: The demand is high for pumping laser diodes built in optical amplifiers for video distribution networks. Since optical devices business accounts for only a small percentage of our business, its influence on the overall performance is small.

[Q&A for Management Measures]

Q7: Please explain the cost reduction effects of the urgent management measures.

A: The measures to be implemented this time are designed, first of all, to secure the target income for FY2008 announced on December 24, 2008. In addition, these are measures that keep FY2009 and beyond into perspective, not just temporary arrangements. Regarding net sales for FY2009, we expect growth from the new projects such as LTE projects and 3G business projects in China, but the downward trend in the existing businesses is expected to continue. With the urgent management measures, we aim to secure net income in the worst case, with net sales decreasing by 20% from the 100 billion yen forecasted at the beginning of FY2008.

[Q&A for Other Issues]

Q8: The Company reported deferred tax assets of more than 7 billion yen as of the end of FY2007. With the accounting audit becoming more stringent, will it become a risk factor?

A: We recognize that the audit is becoming stringent regarding the collectability of deferred tax assets. Although Anritsu has net deferred tax assets of 7.4 billion yen, we do not expect any risk of having to reverse them in the current FY2008.