

1st Quarter of FY2009 Financial Results Q&A Summary

LTE

Q: What is the latest status of LTE market and what is the trend of demand for measuring instruments?

A: In Japan, demand for measuring instruments used for the development of LTE mobile handsets started to pick up from the fourth quarter of FY2008. Meanwhile development of chip sets and handsets are getting started globally, towards the commercialization of LTE in 2010 in Japan, Europe and the US. As the demand for measuring instruments is expected to increase towards the second half of FY2009, we are actively talking with customers especially in Europe who have partnership with us through 3G business.

3G in China

Q: What about T&M business associated with 3G in China?

A: 3G Licenses were granted to the three Chinese telecommunications carriers in January 2009 and the bidding procedure for measuring instruments associated with the infrastructure development started in March. While 60,000 base stations building by each carrier is scheduled this year, handheld measuring instruments business is just slowly picking up at the moment.

Q: When do you expect the demand from the mobile handset manufacturers to emerge? And how big it would be?

A: We think that manufacturing of W-CDMA and CDMA2000 mobile handsets can be supported by the conventional equipment held by the vendors for the time being, and therefore new demand for measuring instruments can hardly be expected. For TD-SCDMA promoted by China Mobile on the other hand, demand for measuring instruments could pick up in the second half onward, as few vendors have relevant equipment. We also see some global handset vendors are coming in TD-SCDMA handset market. We have a good position for these opportunities as we have wide product range for TD-SCDMA to support these customers.

Smartphone

Q: What are the current status and future prospects of T&M business associated with smartphones?

A: Demand is on the rise for the market of smartphones such as BlackBerry and iPhone in the US and Europe. Smartphone vendors who are new to the mobile phone business at all for us are generating additional demands for measuring instruments. We also expect net book PC market which makes active development and production for wireless module. We shall keep up our active marketing effort in this area which is anticipated to expand further in the future.

Results in Q1

Q: Were there any discrepancies between the actual performance and the internal projection? And what caused such discrepancies if any?

A: Performance for the first quarter of FY2009 proved to be within the scope of our assumptions indeed, despite demands for general purpose measuring instruments are stagnating in Japan. We are anticipating an increase in demand for measuring instruments associated with China 3G and LTE from the second quarter onward, thus working hard to acquire businesses in these areas. Performances in other segments than T&M were also as projected.

Q: What caused improvement of operating income of EMEA region?

A: It improved 660 million yen compared with the same period of the previous fiscal year. It comes from restructuring in the region.

Q: What is the current situation of the Service Assurance business?

A: We have implemented restructuring to secure operating income at the FY2008's sales level. Performance of the first quarter including order-intake was in line with our projections.

Fixed Costs Reduction

Q: Fixed costs reduction in T&M segment is likely to have had the biggest positive impact. How big was it?

A: Anritsu on a consolidated basis achieved fixed costs reduction of approximately 7 billion yen, the majority of which came from the operations associated with T&M business. Q1 performance reflected the cost reduction as scheduled.

The Japanese Market

Q: How will be the performance of Q2 of the Japanese market?

A: In the Japanese market, sales of general purpose measuring instruments are declining as customers tighten their investment. Meanwhile demand for measuring instruments for 3G mobile handsets is stagnating as they are currently being replaced by those for LTE development.

Q: Is the recent commercialization of WiMAX in Japan likely to have any implication for Anritsu business?

A: UQ Communications started commercial WiMAX service in Japan, the scope of which, however, is limited to a few urban areas at the moment. Commercialization of WiMAX is being going on globally and we have been supplying general purpose measuring instruments in this area, for the development and manufacturing of electronic components and telecommunications equipment. Although we are closely watching the development of WiMAX business in Japan as it will be expanded for the next few years, at present we are not convinced that it will grow as big as LTE.