

FY2009 Financial Results Q&A Summary

Q: What is the reason for the major improvement in the operating income of the T&M business?

Our cuts to fixed costs and changes to our product mix were large factors. We also reduced costs through streamlining using KPI management, including development ROI and CPS (cost per sales). In terms of products, we had increased sales of products with high profit margins, such as LTE measuring instruments, which are in full-scale development now.

Q: What is the current situation of the LTE business, and the outlook for FY2010?

In FY2009, demand was strong in and outside Japan for MD8430, a measuring instrument for chipset development, and went according to plan.

In the second half of 2010, Verizon Wireless will commercialize LTE in the US, and NTT DOCOMO will in Japan; in addition, more than 60 other telecom carriers will roll out LTE commercially. Demand will increase in FY2010, especially outside Japan, and we expect demand for the Master series for wireless infrastructure and terminal authentication systems.

We expect data terminals will be brought to market in 2010, and voice terminals in 2011, and we forecast rising demand for measuring instruments for terminal development and manufacturing in the second half of FY2010.

We expect 20% of Test&Measurement sales for LTE in FY2012.

Q: What is the current situation of the Chinese 3G business, and the outlook for FY2010?

China Mobile has about 7 million TD-SCDMA subscribers, and its base stations cover 238 cities. In 2011, the number of 3G subscribers will reach 150 million, including those subscribing to other standards.

In the Chinese 3G business, there is demand for handheld measuring instruments for base-station installation, and measuring instruments for handset development and manufacturing. In FY2009, progress was as planned, primarily with HH for base stations. However, demand in the T&M business for manufacturing did not rise according to expectations.

We will view trends in demand for measuring instruments for handset development and manufacturing in FY2010 cautiously.

Q: Increased demand for video image distribution and the like is causing shortfalls in communication capacity in North America and elsewhere. What is the status of building/expanding communications infrastructure, and what are the business opportunities?

It is becoming necessary to increase the communication capacity of the backbone networks, and we can expect higher speeds, to 40G, 100G. At this time, telecom carriers are not increasing their capital investment much, but it will eventually become a business opportunity for Anritsu. We can also expect an increase in demand for optical measuring instrument for laying fiber cables.

Q: What was the performance of Service Assurance, and the outlook for FY2010?

This business currently accounts for about 10% of our net sales from T&M. We achieved a profit, excluding goodwill.

Q: Why will the operating income for the T&M business for FY2010 be the same as FY2009?

Although there will be a rebound of fixed costs in FY2010, we will achieve the same level of operating income as FY2009 by increasing net sales and changing our product mix.

Q: What is Anritsu's awareness of the market climate?

A: Our corporate customers are currently cautious about capital investment. There is, however, strong investment in the LTE market. Investment into the installation and expansion of communications infrastructure and the like are also recovering gradually, and we can expect demand for T&M in emerging countries moving forward. The business climate in the electronic components market has turned around for the better, and moving forward, we can expect capital investment in measuring instruments. Overall, we forecast that the harsh business climate will continue into the first half of 2010, but subsequently capital investment will recover, and demand for measuring instruments will increase. We can expect demand for measuring instruments as markets pick up moving forward, including cloud computing, car electronics, digital home appliances, and the smart grid.

Q: What are the market trends for 3G?

A: We cannot expect much from measuring instruments for R&D. As for measuring instruments for manufacturing, customers want measuring instruments with functionality to measure LTE in addition to 3G. It is difficult to estimate the size of the market and other factors for 3G alone.