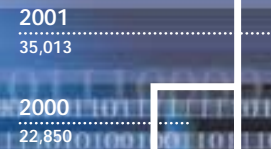


Electronic Measuring Instruments

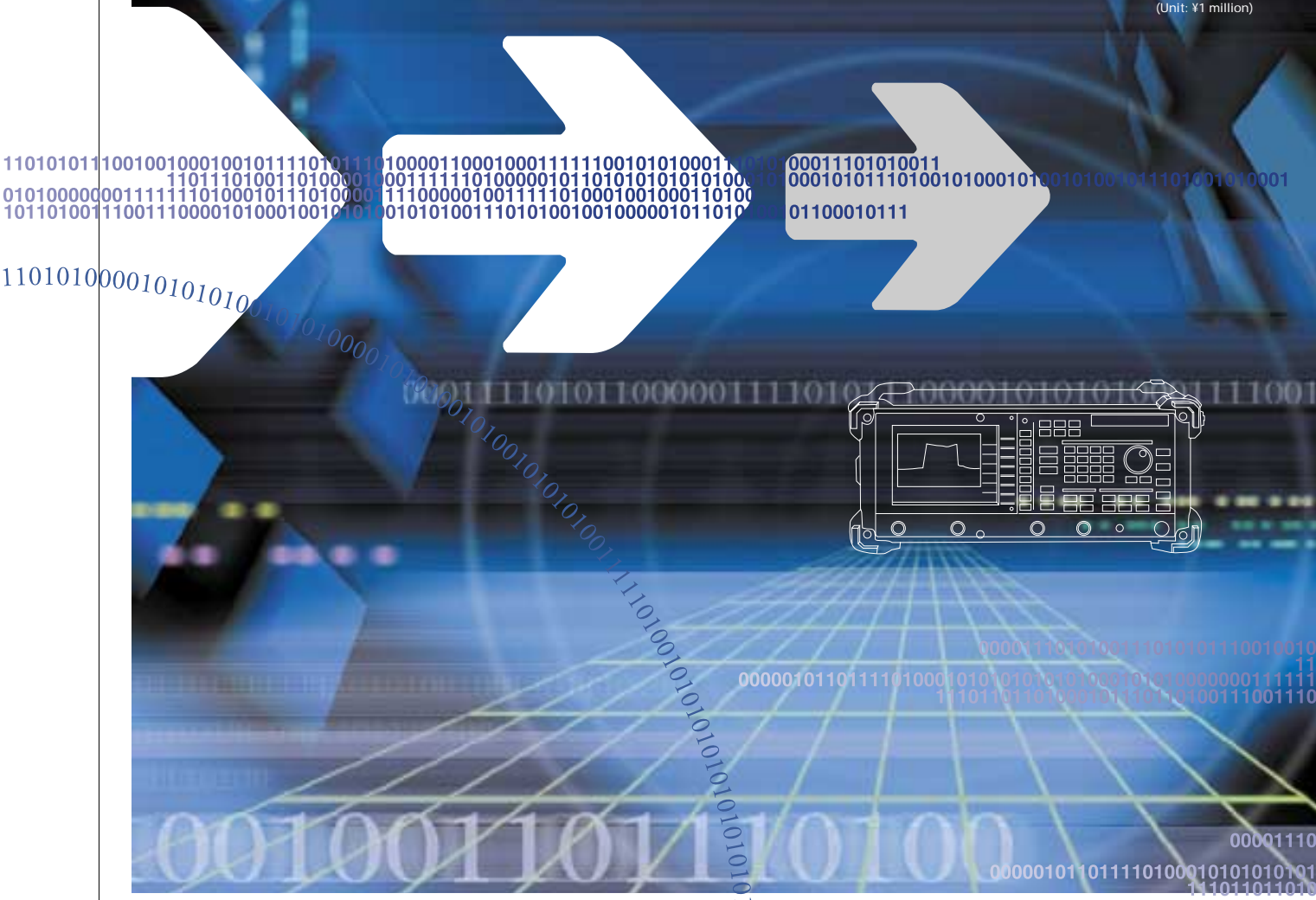
Providing Solutions for Everything from Optical Networks to Next-Generation Wireless Communications

As applications for the Internet and mobile phones continue to evolve, there are still plenty of reasons to remain optimistic about the long-term prospects of optical networks and wireless communications. At Advantest, we are focusing our resources on these markets to develop products that have global appeal and meet the test demands of a new generation of technologies.

Sales for the electronic measuring instruments business



(Unit: ¥1 million)



Dramatic Growth in Communications Paved the Way to Record Sales

Every day in every market around the world, increasingly powerful communication networks are continuing to emerge, enabling the creation of new services that bring added value to their users. In October 2001, NTT DoCoMo became the first company to offer third-generation wireless communications services, giving users the ability to enjoy sophisticated multimedia applications through their mobile phones. Similar services based on the same protocol, W-CDMA, are scheduled to begin both in Europe and South Korea. Capital investment in optical networks has enjoyed a similar boom, with the US leading the way in construction of network infrastructure and the adoption of DWDM, a broadband technology that allows multiple signals to travel on a single optic fiber. Over the long-term, we are confident that communication networks will continue this trend toward higher transmission speeds and capacities, spawning demand for new measuring instruments.

Thanks to this rush of new investment in wireless and fiber-optic telecommunications, in fiscal 2000 net sales of measuring instruments jumped up by 53.2% to ¥35 billion.

Unfortunately, starting from the beginning of 2001, there has been a steep drop off in these kinds of investments and visibility in regards to the short-term business outlook has been severely limited. Over the long-term, however, we believe that this market continues to hold great potential because of the need to strengthen the links between backbone and local area networks and the existence of untapped Asian markets such as China.

Optical Networks

Enabling Optical Networks with Products that Support Emerging Technologies

Net sales of measuring instruments for optical networks rose 106.6% over the previous year to an impressive ¥14.6 billion. Sales of our bit-error-rate test systems, optical network analyzers, optical spectrum analyzers, and wavelength meters were particularly strong. In addition, despite new entrants to the market for optical component testing, this market provided us with strong demand for optical power meters and other general purpose measuring instruments. To further develop this business, we will focus on strengthening our marketing and customer support network, and on developing products that accurately match the demands of the market.

Wireless Communications

Focus on Bluetooth and Protocols for 3G Wireless Communications

Advantest also enjoyed high growth for its sales of measuring instruments for wireless communications. Including sales of testing tools for radio frequency components, net sales for this business rose 26.6% to ¥11.8 billion. Much of this demand came from increased capital investment in preparation for IMT-2000 3G wireless communications. In particular, sales of our R3200 family of spectrum analyzers, which were widely used in the testing of W-CDMA mobile phones and base stations, were especially robust.

Advantest strongly believes in the long-term prospects of next-generation wireless communications. Building upon our spectrum analyzers for present-day wireless protocols such as GSM and PDC, we are working to drastically improve their function capabilities and thus increase our share of this market.

Another promising business is Bluetooth — the short-range radio protocol that will allow different devices to communicate with each other without having to physically connect. Capitalizing on our alliance with German test and measurement leader Rohde & Schwarz, we have begun sales of a high-frequency range, high-resolution spectrum analyzer for Bluetooth testing. In the future, we will continue to expand our product portfolio to meet the testing demands of next-generation wireless technologies.

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