



LAMBDA OPTICALSYSTEMS SECURES STRATEGIC INVESTMENT FROM ITOCHU AND ITOCHU TECHNO-SCIENCE CORPORATION

Lambda OpticalSystems and ITOCHU TECHNO-SCIENCE Corporation (CTC) Announce Strategic Partnership

RESTON, VA, SEPTEMBER 27, 2005 – Lambda OpticalSystems, the leading provider of all-optical switching solutions, announced today that it has received a \$2 million strategic investment from ITOCHU Corporation and ITOCHU TECHNO-SCIENCE Corporation (CTC), two leading technology firms in Japan. Lambda also announced a strategic partnership agreement with CTC for sales, marketing, distribution and systems integration rights in Japan.

The investment will enable Lambda OpticalSystems to expand its product and market development activities in the US, Japan, and globally. The company is committed to providing affordable all-optical networking solutions to telecommunication service providers and government agencies that face growing demands for high-bandwidth services and advanced applications.

This investment follows a successful B1 round closed by the company in November 2004 and represents a significant milestone for Lambda OpticalSystems. Japan is by far one of the most important telecommunication markets in the world due its propensity to adopt new technology and its advanced requirements for bandwidth and applications. This strategic relationship with a local partner of ITOCHU's stature ideally positions Lambda OpticalSystems in the Japanese market. It is also a strong, market-based validation of the company's all-optical solution set.

"With this investment, ITOCHU and CTC have clearly shown their confidence in Lambda OpticalSystems' innovative all-optical solutions," said Irfan Ali, president and chief executive officer of Lambda OpticalSystems. "The investment also highlights their belief that Lambda's technology has significant market potential for telecommunication service providers and other networks in Japan and around the world. We feel fortunate to have ITOCHU and CTC as strategic partners."

"Our strategy as a company is to bring new growth opportunities to promising companies and to help them develop an Asian market strategy," said Takashi Kameda, Vice President of Venture Investment, ITOCHU Technology, Inc. (a subsidiary of ITOCHU Corporation). "Lambda OpticalSystems has a strong leadership team that has presided over the development of a truly unique solution set that can support current and future capacity and application needs. We expect this investment will assist them in their global expansion and further product development efforts."

CTC-Lambda Partnership

Lambda OpticalSystems also announced a strategic partnership with ITOCHU TECHNO-SCIENCE Corporation (CTC) in Japan to market, sell and support Lambda's LambdaNode and LambdaCreate products. CTC selected Lambda's products to complement its current product portfolio. The partnership is Lambda's first such agreement in Asia.

"CTC has chosen to partner with Lambda OpticalSystems because of its unique all-optical product set that will significantly enhance the infrastructure of Japanese carriers and enable them to provide



the high-bandwidth, high-availability applications in demand by their customers,” said Tohru Nakano, Executive Senior Vice President, ITOCHU TECHNO-SCIENCE Corporation (CTC).

“Partnerships with leading solutions providers around the globe are a key element of Lambda’s international growth strategy,” Ali said. “We believe strongly that the combination of our all-optical technology and CTC’s marketing and systems integration expertise will provide significant value to customers in the Japanese market.”

About ITOCHU Corporation

Founded in 1858 and headquartered in Tokyo, ITOCHU Corporation is one of the world’s leading diversified and comprehensive trading companies with approximately \$90 billion of annual total trading transactions and 2005 revenue in excess of \$18 billion. With over 150 offices in more than 80 countries, ITOCHU Corporation is engaged in a variety of businesses through over 650 subsidiaries and associated companies worldwide, including technology, telecommunications, multimedia, aerospace, textiles, machinery, energy, chemicals, forest products, food products, finance, real estate, insurance and logistics services. Through its Aerospace, Electronics and Multimedia division, ITOCHU Corporation actively promotes, cultivates, integrates and invests in new technologies and telecommunications businesses as a cornerstone of its future growth.

About CTC

Established in 1972, ITOCHU TECHNO-SCIENCE Corporation (CTC) provides advanced IT solutions to enhance enterprise computer systems. CTC supports such market segments as telecommunications, broadcasting, finance, distribution, manufacturing, education/government, medicine, pharmaceutical/chemicals, and textiles/apparel. CTC has formed partnerships with IT companies worldwide. These partnerships range from those with global multinational IT companies to those with highly focused venture businesses. CTC employs over 3,300 people, and reported fiscal year 2005 revenues exceeding \$2.1 Billion.

About Lambda OpticalSystems

Based in Reston, Virginia, Lambda OpticalSystems is committed to the development of next-generation all-optical solutions to transform transport networks. The company’s family of all-optical switches with integrated DWDM and GMPLS control plane lets telecommunications carriers, government agencies, and research and education networks deliver high-bandwidth services while maximizing network management efficiency and affordability. For more information, call 703-689-9500, ext.1006, or visit www.lambdaopticalsystems.com.

####

For more information, contact:

Rosanne Desmone
Mt. Vernon PR & Communications
703.799.8165
rdesmone@mtvernonpr.com