Strategic Focus on Innovation

Annual Report 2010

ANRITSU CORPORATION

Anritsu

Anritsu presents investor relations (IR)-related information in this annual report and on various pages of its website.

Differentiation of the Website and Annual Report Content

The Company discloses detailed information on IR activities on its website, including basic information such as business results and share price, information for individual investors such as business contents and research and development, and coverage of corporate social responsibility (CSR) activities.

On the other hand, the annual report focuses on Anritsu's management and business strategies by top management, with the objective of promoting a deeper understanding of the Company among shareholders and investors. In addition, to keep the report compact and readable, information available on the website is only duplicated if necessary.

From the fiscal year ended March 31, 2010, the annual report will be produced in PDF format only, instead of the printed format as in the past. Moreover, it contains links to appropriate pages of the website and other features that emphasize connectivity with the website.

Web marks in the annual report indicate items for which further details can be found on the website.

Sections Available on the Website Only

Information in the Annual Report until 2009	Website Pages Where Information is Available
Research and Development	Web Research and Development
Corporate Social Responsibility	Web CSR Information

Sections Included on the Website and in the Annual Report (PDF only)

Corporate Governance (Overview)	Web Corporate Governance (Details)

Clicking on the Web mark will open the applicable website page.

Contents

Forward-Looking Statements

All information contained in this annual report which pertains to the current plans, estimates, strategies and beliefs of Anritsu Corporation (hereafter "Anritsu") that is not historical fact shall be considered forward-looking statements of future business results or other forward-looking projections pertinent to the business of Anritsu. Implicit in reliance on these and all future projections is the unavoidable risk, caused by the existence of uncertainties about future events, that any and all suggested projections may not come to pass. Forward-looking statements include but are not limited to those using words such as "believe," "expect," "plans," "strategy," "prospects," "estimate," "project," "anticipate," "may" or "might" and words of similar meaning in connection with a discussion of future operations or financial performance. Actual business results are the outcome of a number of unknown variables and may substantially differ from the figures projected herein.

Readers also should not place reliance on any obligation of Anritsu to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Anritsu disclaims any such obligation.

Supporting a Safe, Secure and Comfortable Global Society with Measurement Technologies and Innovation

Anritsu uses its foundation of development bases in Japan, the United States and Europe and a global customer support system to provide measurement technologies that support the realization of comfortable communication environments in the continually evolving field of information networks.

Anritsu's measuring instruments are used in the development, manufacture and maintenance of a variety of communication systems that are essential to daily life, such as mobile phones, the Internet, car electronics and intelligent home appliances. We also employ measurement technologies in network bandwidth controllers and remote monitoring systems for places such as public facilities and other locations.

In addition, as worldwide demand for food safety and security increases, we are developing our quality assurance business globally, centered on our X-ray inspection systems that detect microscopic contaminants with high precision and inspect for irregularities in shape or quantity deficiencies.

The solutions that Anritsu has developed over its 110-year history are closely related to the realization of comfortable lives for people. We believe our purpose is to contribute to creating a safe, secure and comfortable society.

Going forward, Anritsu will further increase corporate value and meet everyone's expectations by providing and applying measurement technologies that are the source of various solutions.

Anritsu's Potential for Investors

Expanding Business Opportunities as Mobile Broadband Develops

Long Term Evolution (LTE), the next-generation mobile communications protocol with transmission speeds equivalent to optical fiber is expected to be introduced in many regions around the world. The diffusion of LTE will necessitate increases in network capacity. As a result, demand for measuring instruments is expected to increase. Anritsu will provide a broad range of measurement solutions from wireline to wireless.

Expanding Base Business with the Diffusion of 3G Mobile Phones in Emerging Countries

3G mobile phone use will become more widespread in populous countries such as China. Anritsu will provide measurement solutions for use in mobile handset manufacturing and upgraded telecommunications infrastructure in the future.

Anritsu Supports Society through Measurement Technologies.

Anritsu is a company that measures telecommunication equipment and systems. It also contributes to society though protective technologies such as network system monitoring and food inspection that incorporates measurement technologies.

Measuring Mobile Phones

Demand for test and measurement of mobile phones is growing with the development of LTE, global production of 3G mobile handsets and the development and manufacture of the TD-SCDMA communication system that China is promoting. Anritsu's specialty is providing test and measurement solutions for mobile phones.

Applications: Research, development and manufacture of mobile phones and chipsets

Measuring Wireless Base Stations

The manufacture of wireless base stations and the upgrading and expansion of wireless infrastructure has progressed in tandem with the dissemination of mobile phones. Anritsu provides test and measurement solutions for the development, manufacture, installation and maintenance of wireless base stations.

Applications: Wireless infrastructure construction and maintenance

Measuring Backbone Networks

Demand has increased for expansion and acceleration of mobile backhaul* and core networks in conjunction with the increase in volume of traffic on communication networks. Anritsu provides test and measurement solutions for upgrading communication networks from devices to telecommunications infrastructure.

Applications: Ultra-high-speed optical and digital communication equipment; research, development and manufacture of devices

*Mobile backhaul: Mobile access networks that contain numerous base stations.

Protecting Network Systems

Demand for network traffic flow smoothing and new disaster prevention solutions is rising with requirements for more stringent public infrastructure security and enhanced disaster prevention-related systems. Anritsu provides traffic flow smoothing devices and disaster communication systems.

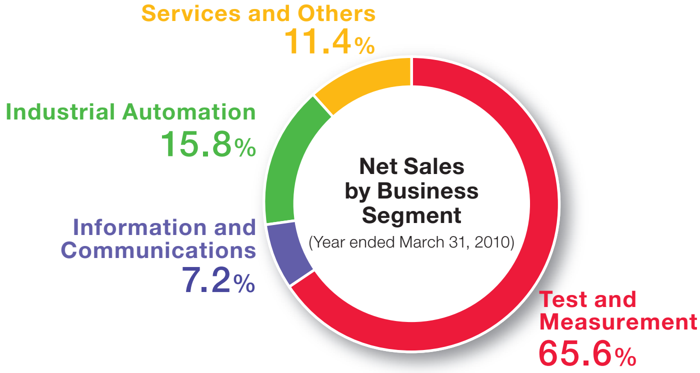
Applications: Control of video and audio distribution to ensure smooth packet transmission; disaster prevention and disaster-reduction

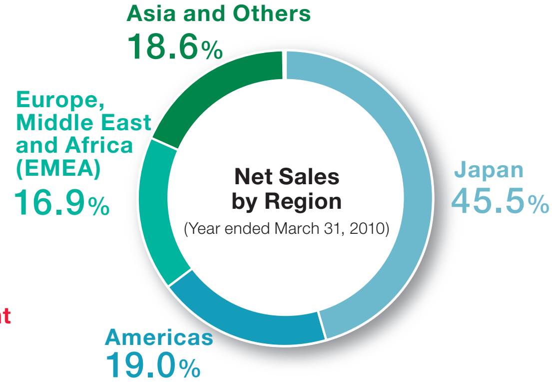
Ensuring Food Safety

Consumers are increasingly demanding about the safety and security of food products. Anritsu provides inspection solutions from food checkweighers to systems that detect alien materials such as plastic or metals.

Applications: Detection of minute alien materials on production lines for food and other products

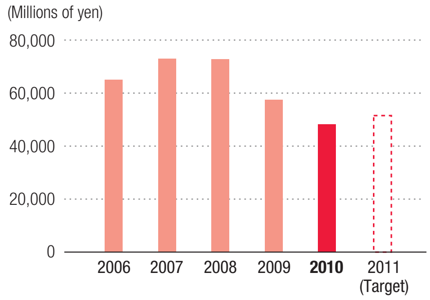
Anritsu at a Glance

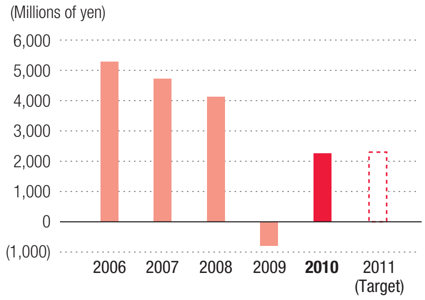




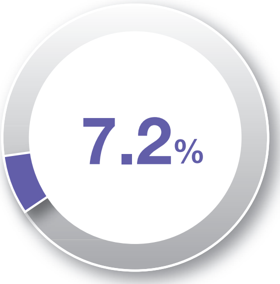
Percentage of Net Sales	Net Sales	Operating Income (Loss)

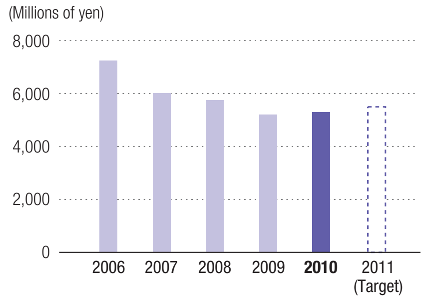
Test and Measurement

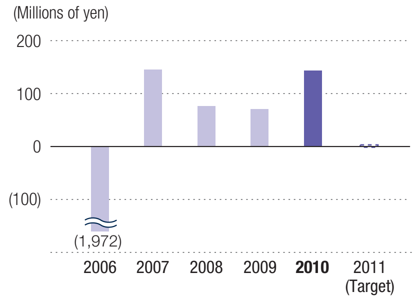




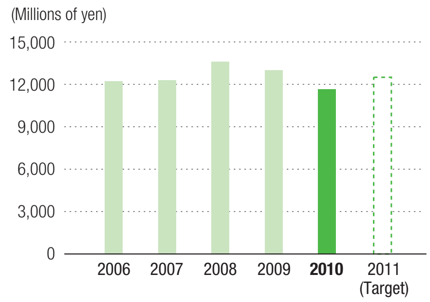
Information and Communications

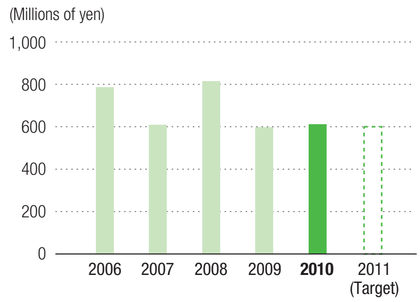




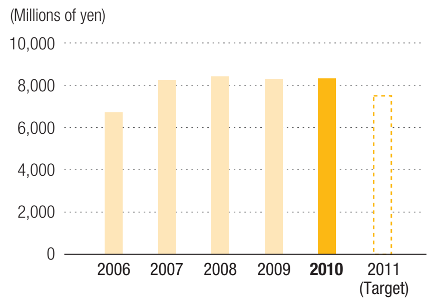


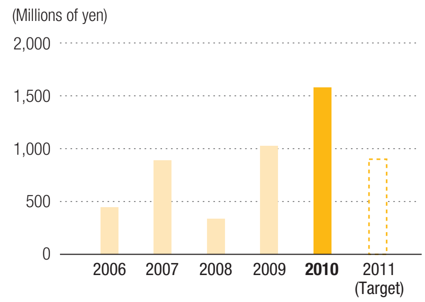
Industrial Automation





Services and Others





Note: Figures for Services and Others include eliminations or corporate.

Test and Measurement

Mobile Phone Market

Market Trends

- Commercialization of LTE (2010 in Japan and the United States)
- Commitments to deploy LTE: 80 telecom carriers in 33 countries
- Global expansion of 3G mobile phone use in BRICs, etc.

Customers and Solutions

Customers

- Chipset manufacturers, mobile phone handset manufacturers, IT-related service providers and telecom carriers

Solutions

- Measurement for mobile phone handset development, certification use and production use

Strengths

- 60-70% global market share for measuring instruments for use in 3G mobile phone development
- Wireless measurement and protocol analysis technologies
- Conformance testing, interoperability testing

Network Infrastructure Market

Market Trends

- Continued demand for base station installation
- Strengthening and upgrading of mobile backhaul to address shortage of transmission capacity
- Acceleration and capacity expansion with 40Gbit/s and 100Gbit/s backbone networks

Customers and Solutions

Customers

- Telecom carriers, telecom network construction companies and telecommunications equipment manufacturers

Solutions

- Optical, digital and IP measurement
- Base station measurement
- Network quality assurance

Strengths

- 70-80% global market share for handheld measuring instruments for base stations
- Wireless and wireline test and measurement technologies
- Ultra-high-speed signal measurement technologies

Electronics Market

Market Trends

- Expanded production of wireless modules and electronic components for telecommunications for cloud computing, smart grids, car electronics, digital household appliances, etc.

Customers and Solutions

Customers

- Electronic components manufacturers, telecommunications equipment manufacturers, etc.

Solutions

- General purpose measurement (signal generators, spectrum analyzers, etc.)

Strengths

- Wireline and wireless test and measurement technologies
- Meets customer requirements by expanding product lineup and applications

Main Products

LTE-capable MD8430A Signaling Tester

LTE-capable MT822x Base Station Analyzer

Information and Communications

Market Trends

- Demand for video monitoring for rivers, dams and public facilities
- Demand for disaster prevention and disaster communications
- Growth of IP network traffic

Customers and Solutions

Customers

- Government offices, municipal governments, private sector (financial institutions, etc.)

Solutions

- Systems related to upgrading public infrastructure and bandwidth controllers for enhancing network quality

Strengths

- Business collaboration with system integrators and trading companies
- Provides one-stop video monitoring solutions

Main Products

PureFlow® Series bandwidth controllers

Industrial Automation

Market Trends

- Japan
  Continued demand for quality control inspections for food, etc.
- Overseas
  (Asia)
  Increased demand for weight inspection for food and pharmaceuticals
  (Europe and the Americas)
  Heightened demand for detection of alien materials in food

Customers and Solutions

Customers

- Food, pharmaceutical and cosmetics manufacturers

Solutions

- Quality control inspection equipment for food, pharmaceuticals and cosmetics (X-ray inspection systems for detecting alien materials, checkweighers, etc.)

Strengths

- High-precision X-ray analysis technologies
- Signal and image processing technologies

Main Products

X-ray inspection systems

Services and Others

Market Trends

- Increased demand for optical devices used in network infrastructure
- Increased demand for quality control inspection for high-density packaging

Customers and Solutions

Customers

- Electrical equipment manufacturers, telecommunications equipment manufacturers, etc.

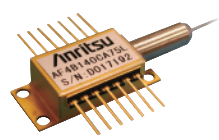
Solutions

- Optical devices, ultra-high-speed devices, solder paste inspection systems, etc.

Strengths

- Technologies to produce sophisticated devices
- Monolithic microwave integrated circuit (MMIC) technologies
- Micro-shape measurement technologies
- Signal and image processing technologies

Main Products



Laser diodes

11-Year Summary of Selected Financial Data

ANRITSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31

	2000	2001	2002	2003
For the year:				
Net sales	¥115,068	¥159,056	¥131,578	¥ 78,554
Cost of sales	78,960	98,112	85,694	58,036
Gross profit	36,108	60,944	45,884	20,518
Selling, general and administrative expenses	30,832	37,110	38,298	31,267
Operating income (loss)	5,276	23,834	7,586	(10,749)
Net income (loss)	399	9,635	2,567	(32,761)
Net cash provided by (used in) operating activities	7,989	5,106	172	(18,022)
Net cash provided by (used in) investing activities	(301)	(4,847)	(9,540)	3,698
Net cash provided by (used in) financing activities	(6,287)	71	24,355	(8,418)
Free cash flow	7,688	258	(9,368)	(14,324)
Depreciation and amortization	5,139	5,328	6,522	5,829
Capital expenditures	5,320	8,308	9,677	2,868
R&D expenses	12,532	15,385	15,222	13,222
At year-end:				
Total assets	¥170,601	¥207,544	¥198,780	¥144,131
Net assets	—	—	—	—
Interest-bearing debt	44,027	45,038	73,179	63,164
Per share:				
Net income (loss)				
Basic (Note 2)	¥ 3.15	¥ 75.70	¥ 20.10	¥ (256.90)
Diluted (Note 2)	—	68.02	18.81	—
Cash dividends	4.50	12.00	9.00	—
Total net assets	676.71	732.94	737.78	467.21
Key financial indicators:				
Operating income margin	4.6	15.0	5.8	(13.7)
Return on equity	0.5	10.7	2.7	—
Anritsu Capital-cost Evaluation (Note 3) (Millions of yen / thousands of U.S. dollars)	(1,862)	11,146	(3,770)	(15,563)
Return on assets	0.2	5.1	1.3	—
Ratio of net assets to total assets	50.2	45.2	47.4	41.4
Net debt-to-equity ratio (times) (Note 4)	—	—	—	0.62
Interest coverage ratio (times)	4.7	23.8	6.5	—
Dividend payout ratio (Note 5)	142.9	15.9	44.8	—
Dividends on equity (Note 6)	0.7	1.6	1.2	—

Notes:
1. The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥93.05 to U.S. $1.00, the approximate exchange rate on March 31, 2010.
2. The computations of basic net income (loss) per share are based on the weighted average number of shares outstanding during the relevant year. Diluted net income per share for 2000 is not presented since the result of the computation was anti-dilutive, and that for 2009, 2008 and 2003 are not presented due to net loss. Diluted net income per share is computed based on the average number of shares of common stock and contingent issuances of common stock from convertible bonds or warrants.
3. Anritsu Capital-cost Evaluation: Net operating profit after tax - Invested capital cost
4. Net debt-to-equity ratio: (Interest-bearing debt - cash and cash equivalents) / (Net assets - Reservation rights on common stock)
5. Dividend payout ratio: Total cash dividends / Net income
6. Dividends on equity: Total cash dividends / Net assets

Millions of yen							Thousands of U.S. dollars (Note 1)
2004	2005	2006	2007	2008	2009	2010	2010
¥ 78,396	¥ 84,040	¥ 91,262	¥ 99,446	¥100,486	¥ 83,940	¥ 73,548	$ 790,414
54,249	53,666	55,205	55,787	56,474	52,005	42,708	458,979
24,147	30,374	36,057	43,659	44,012	31,935	30,840	331,435
22,339	25,512	31,508	37,300	38,656	31,030	26,257	282,182
1,808	4,862	4,549	6,359	5,356	905	4,583	49,253
1,101	1,280	563	1,376	(3,901)	(3,541)	385	4,138
5,953	9,277	5,929	2,488	6,251	6,916	7,970	85,653
4,421	(1,046)	(10,945)	420	(2,373)	(1,326)	(499)	(5,363)
8,568	(9,872)	1,761	(13,974)	(6,625)	(3,848)	387	4,159
10,373	8,231	(5,015)	2,909	3,878	5,590	7,471	80,290
4,257	3,400	3,453	3,600	3,373	3,100	2,980	32,026
1,530	1,870	2,699	2,319	2,791	2,236	1,135	12,198
9,887	10,515	12,509	14,072	14,115	11,704	9,388	100,882
¥148,353	¥142,111	¥152,359	¥140,395	¥124,917	¥100,983	¥101,188	$1,087,458
—	—	60,940	61,619	52,845	37,525	37,674	404,878
70,033	61,384	65,590	53,033	47,010	43,606	42,275	454,326
Yen							U.S. dollars
¥ 8.38	¥ 9.31	¥ 3.76	¥ 10.79	¥ (30.60)	¥ (27.78)	¥ 3.02	$ 0.03
7.77	8.22	3.39	9.72	—	—	2.77	0.03
4.50	7.00	7.00	7.00	7.00	3.50	—	—
470.28	472.16	477.51	483.25	414.16	294.29	295.49	3.18
% except where noted							
2.3	5.8	5.0	6.4	5.3	1.1	6.2	
1.8	2.1	0.9	2.2	—	—	1.0	
(5,283)	(2,230)	(3,121)	(1,397)	(750)	(4,937)	(2,972)	(31,940)
0.8	0.9	0.4	0.9	—	—	0.4	
40.5	42.4	40.0	43.9	42.3	37.1	37.2	
0.58	0.46	0.57	0.54	0.57	0.67	0.43	
1.7	5.3	4.3	5.5	6.5	1.6	7.4	
53.7	75.2	186.2	64.9	—	—	—	
1.0	1.5	1.5	1.5	1.6	1.0	—	

Strategic Focus on Innovation

While net sales decreased during the fiscal year ended March 31, 2010, operating income increased substantially and Anritsu returned to net profitability. During the fiscal year ending March 31, 2011 and beyond, we will work to strengthen our finances based on our new operating structure and deploy the knowledge and ideas of all employees of the Anritsu Group to achieve continuous profitable growth.

Aspirations as the New Group CEO

Q: You were promoted to Group CEO in April 2010 after serving as Chief Financial and Corporate Officer for many years. What are your aspirations as the new Group CEO?

A: I intend to strengthen our finances and promote innovation throughout the Anritsu Group.

I have been involved in Anritsu's management since becoming a director eight years ago. During this time, we experienced the collapse of the IT bubble and an unprecedented global financial crisis. These dramatic changes have felt like a roller coaster ride. The slump in the information and communications industry has slowly sapped our operating strength.

However, Anritsu has steadily generated success from ongoing management innovation initiatives that began in 2008, and returned to net profitability during the fiscal year ended March 31, 2010. My responsibility is to deepen our initiatives in order to build an operating and financial base that allows us to generate stable earnings even if the external environment changes suddenly.

Innovation is part of our management vision and the core of our initiatives. Since becoming Group CEO, I have taken several opportunities to communicate the importance of innovation to employees. Innovation often refers to technological innovation, but in essence it refers to the process of creative destruction. We need to move beyond technology-centered thinking. For example, we need to look at how we can contribute to resolving social issues, such as by reducing energy consumption and eliminating the digital divide, because initiatives such as these will drive our next phase of growth.

The Anritsu Group will work to meet the expectations of stakeholders, such as by further strengthening profitability and growth through unified innovation.

Hirokazu Hashimoto
Group CEO

April 1973: Joined Anritsu and entered the Test & Measurement Division
June 2002: Director, General Manager of the Accounting and Control Department and Executive Officer
June 2006: Executive Vice President
June 2007: Representative Director
April 2010: Group CEO

Operating Environment and Performance in the Fiscal Year Ended March 31, 2010

Q: Net sales decreased in the fiscal year ended March 31, 2010, but Anritsu met the targets it set at the start of the year and returned to net profitability. What was the main factor behind this result?

A: We increased operating income by reducing fixed costs and operating expenses.

In the operating environment during the fiscal year ended March 31, 2010, demand for measuring equipment for LTE[1] development and for installation of base stations for third-generation (3G) mobile phone service in China was solid. Overall, however, customers tended to restrain capital expenditures.

Given these circumstances, the Anritsu Group devoted all of its capabilities first and foremost to generating earnings despite the challenging business environment. In addition to implementing urgent management measures to reduce fixed costs, we moved to meet our targets by promoting comprehensive enhancement of SCM[2] in our core Test and Measurement business. Moreover, we worked to increase profitability and competitiveness by restructuring our sales organization in Japan and employing KPI[3] to strengthen management. We also introduced a succession of new products in growth areas in working to benefit from customer demand.

As a result, operating income increased 406.3 percent year on year to ¥4,583 million, well above our initial target for the fiscal year of ¥2,200 million. I am grateful to all Group employees, who came to terms with these sometimes painful management reforms and ensured their successful implementation. Income taxes increased because we reversed deferred tax assets, resulting in net income of ¥385 million, compared with net loss of ¥3,541 million for the previous fiscal year. Thus we returned to net profitability, and expect to resume dividend payments in the fiscal year ending March 31, 2011.

Notes: 1. LTE (Long-Term Evolution): Currently undergoing standardization, LTE is a wireless communications protocol that evolved from 3.5G.
2. SCM (Supply Chain Management): Comprehensive management from receipt of orders and material procurement to inventory management and product delivery.
3. KPI (Key Performance Indicators): For details, please refer to page 10.

Operating Environment by Region in the Test and Measurement Business

(Fiscal year ended March 31, 2010)

Region	Operating Environment
All Regions	● Restraint of capital expenditures continued. ● Investment in LTE development began among global chipset and handset vendors.
Japan	● Customers in the electronics market made cautious capital expenditures. ● Demand is expected to recover from the second half of 2010.
Americas	● Demand for measuring instruments for construction and maintenance of wireless infrastructure began to recover in the third quarter of 2009.
EMEA	● Overall, customers continued to restrain capital investment.
Asia and Others	● Demand was firm for measuring instruments to enhance and expand national telecommunications infrastructure.

Summary of Results for the Fiscal Year Ended March 31, 2010

(Millions of yen)

	2009	2010	Increase (Decrease)	Percentage change
Orders	¥81,470	¥76,117	¥ (5,354)	(7)%
Net sales	83,940	73,548	(10,392)	(12)
Operating income (loss)	905	4,583	3,678	406
Income (loss) before income taxes	(2,236)	3,913	6,149	—
Net income (loss)	(3,541)	385	3,926	—
Free cash flow	5,590	7,471	1,881	34

Initiatives during the Fiscal Year Ended March 31, 2010 and Overview of the New Mid-Term Plan GLP2012

Q: During the fiscal year ended March 31, 2010, Anritsu followed its medium-term direction of becoming a strong global company that consistently generates earnings. What did Anritsu achieve through measures implemented during the past year, and what are the main points of the new Mid-Term Plan GLP2012 that began in the fiscal year ending March 31, 2011?

A: We are aiming for an operating margin of 10 percent and return on equity (ROE) of 10 percent.

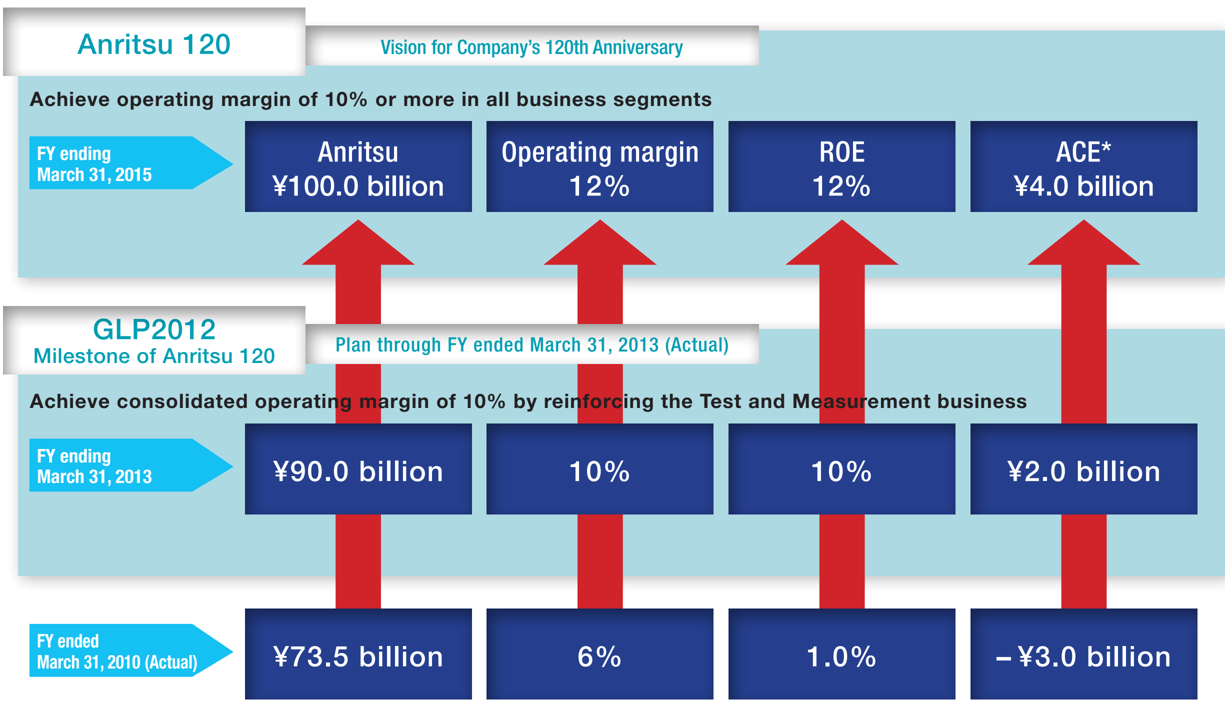
Anritsu successfully promoted business process reform under Management Innovation 2008, which began in January 2008. Building on those successes, we focused on stabilizing our finances, and moved to reduce fixed costs under the urgent management measures we implemented following the collapse of Lehman Brothers. In particular, we introduced KPI to guide us in raising investment efficiency and strengthening our finances, and they have been firmly established over the last two years. By meticulously monitoring our progress, we initiated a shift to a highly profit-oriented earnings structure. As a result, although sales decreased in the Test and Measurement business during the fiscal year ended March 31, 2010, operating income totaled ¥2,252 million compared with operating loss of ¥792 million for the fiscal year ended March 31, 2009.

A detailed explanation of the new Mid-Term Plan GLP2012 begins on page 12. This plan is a milestone we set for realizing Anritsu 120, our vision for the Company's 120th anniversary five years from now.

We forecast annual growth of 3 percent in the test and measurement market, which is our core market. However, with LTE-related business driving growth, we are planning on a growth rate of 6 to 8 percent in our Test and Measurement business. We are setting and monitoring KPI for each of our businesses in order to improve return on investment. The assiduous use of KPI and business process innovation will further raise our focus on earnings. Our aim is an operating margin of 10 percent for the fiscal year ending March 31, 2013. This target is predicated on our ability to implement simple management techniques that allow us to flexibly and rapidly deal with changes in our operating environment, so we have clarified roles and responsibilities by reforming our Group execution system. Executive Vice President and Representative Director Kenji Tanaka will exercise control over the core Test and Measurement business as president.

We will concentrate the knowledge and ideas of all Anritsu employees and use business process innovation to create added value, acquire growth drivers and provide services and solutions that exceed customer expectations. By doing so, we will achieve continuous profitable growth with the aim of increasing corporate value. We intend to effect a striking transformation of our earnings structure by Anritsu's 120th anniversary in the fiscal year ending March 31, 2015.

The New Mid-Term Plan GLP2012



Promoting CSR Management and Strengthening Corporate Governance

Q: Anritsu's management policy includes contributing as a good corporate citizen to the creation of a society that is friendly to people and the Earth. What does this involve? Also, what will Anritsu's corporate governance system be like under the new management organization?

A: We will promote our "Good in five key areas" concept and work to strengthen management supervision.

The Anritsu Group philosophy embraces sincerity, harmony and enthusiasm. This philosophy constantly guides our actions and expresses our values as a corporation. In its spirit, we clarify our relationship with our stakeholders. We do not simply benefit buyers and sellers. We want our transactions to help make society happy. We created our "Good in five key areas" concept by adding two areas – employees and the natural environment – to the "Good in three key areas" concept of the famed Omi merchants of Japan's Edo period, who based their business on benefitting sellers, consumers and society. We will achieve continuous profitable growth while contributing to the development of a safe and secure global society through our products and services and by working to be a company that contributes to a sustainable future for the Earth.

We have further enhanced the management supervision functions of our corporate governance system by engaging a second outside director, Yasushi Hosoda, in addition to Akira Kiyota. Mr. Hosoda began his career at Sony Corporation, followed by stints as president of Sony Pictures Entertainment, Inc. and president and chairman of SKY Perfect Communications Inc. He has a wealth of international business experience, and we look forward to his valuable advice for achieving continuous profitable growth.

The "Good in five key areas" concept

Shareholder Returns

Q: During the fiscal year ended March 31, 2010, Anritsu emphasized stable finances and did not pay dividends. Going forward, what is Anritsu's policy for shareholder returns?

A: We plan to resume dividends by paying annual dividends of ¥4.00 per share.

Our basic policy for paying dividends from surplus funds is to increase the ratio of dividends on consolidated equity (DOE) to reflect the level of net income while taking into general account factors such as the operating environment and the outlook for results.

During the fiscal year ended March 31, 2010, we disappointed our shareholders because we did not pay interim or year-end dividends. The main reason was challenging financial conditions that made it necessary for us to concentrate on repaying interest-bearing debt and enhancing liquidity. Our policy is to use internal capital resources to make capital investments and pay for research and development to respond to rapid advances in technology and changes in market structure.

For the fiscal year ending March 31, 2011, we forecast that net income will increase 289.5 percent year on year to ¥1,500 million, and plan to resume dividends by paying ¥4.00 per share, including an interim dividend of ¥2.00 per share.

The Anritsu Group is working toward innovative management that synthesizes the knowledge of all employees. We are counting on the continued support and guidance of our shareholders.

Hirokazu Hashimoto
Group CEO

The Anritsu Group formulated its Mid-Term Plan GLP2012 in April 2010 for the three years ending March 31, 2013 to achieve continuous profitable growth, and will further transform its earnings structure for greater profitability.

Outline of the Mid-Term Plan

1 Increase Profit in Growing Businesses

2 Expand the Profitable Base Businesses

Create customer value and acquire growth drivers

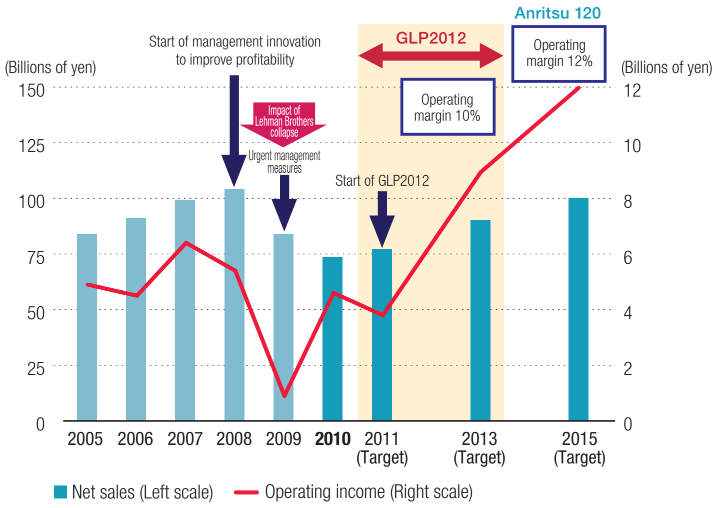
LTE-related businesses 3G business in emerging countries Business with new IT-related companies Other	Expand sales

Move to raise efficiency by further globalizing areas such as development and manufacturing

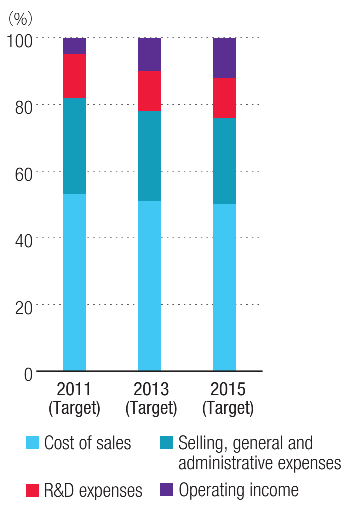
Manage targets using development ROI,[1] CPO,[2] CPS[3] and other indicators Offshore development, overseas production and other methods	Given slow sales growth, hold down growth in fixed costs

Notes: 1. R&D return on investment: Gross profit / R&D expenses
2. Cost per order: Selling expenses / Orders received
3. Cost per sale: Selling expenses / Sales

Results and Numerical Targets for GLP2012



Cost Structure Plan



Strategy for the Test and Measurement Business

Secure a Leading Position in the LTE Measurement Business

Anritsu has an approximately 70 percent global share of the market for measuring instruments used in development in the third-generation (3G) mobile phone test and measurement business. We continue to build on strong relationships using means such as sharing development roadmaps with global chipset and handset vendors.

Customers are responding enthusiastically to Anritsu's efforts in the development of LTE, the communications protocol for next-generation mobile phones. For example, Anritsu quickly introduced base station simulators, and was first in the industry to obtain conformance test system approval from the Global Certification Forum (GCF). Moreover, in addition to demand for measurement of base stations, demand is emerging for test and measurement of mobile backhaul connections between base stations with the move toward higher speed and capacity. Aiming to secure a leading position in LTE measurement as it did for 3G, Anritsu provides timely, optimum LTE measurement solutions to customers including global handset vendors and telecom carriers.

In China, the TD-SCDMA communications platform for 3G mobile phones is gaining momentum. Anritsu has established solid relationships with of the telecom carrier China Mobile Limited. We aim to build strong relationships as the only vendor that provides measurement solutions ranging from TD-SCDMA to TD-LTE.

Kenji Tanaka
Representative Director,
Executive Vice President,
Measurement Group President

Expanding Base Businesses in the Electronics Market

In addition to dedicated measuring instruments for mobile phone-related applications, Anritsu provides general purpose measuring instruments including signal analyzers and signal generators. General purpose measuring instruments are a broad-based business because they are used for a wide array of applications in addition to mobile phones, including base station development and manufacturing, development and manufacturing of telecommunications components and modules, automobiles, home appliances, and smart grids. The electronics market has a pronounced need for general purpose measuring instruments. The environment is intensely competitive, but Anritsu is taking on the challenge of raising profitability in ways such as expanding its range of applications that meet customer needs and strengthening customer support.

Organizationally, we assiduously employ KPI management by deploying executive officers for each business process and work to raise business efficiency and strengthen competitiveness. Anritsu is using its strengths and undertaking business process innovation with the aim of expanding business with global customers, responding to new customer needs, and enhancing the profitability of the base businesses that are the foundation of operations while working to achieve the targets of its mid-term plan.

Overall Strategy for the Test and Measurement Business

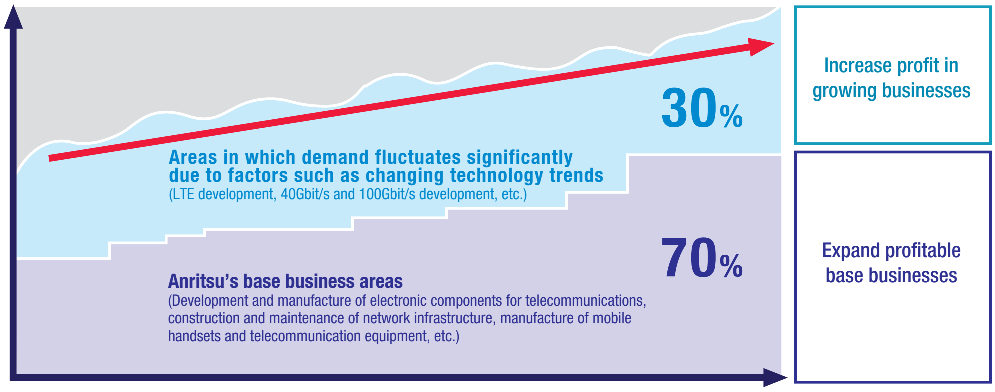
1 Expand the LTE- and 3G-related Test and Measurement Business (Maintain Leading Position)

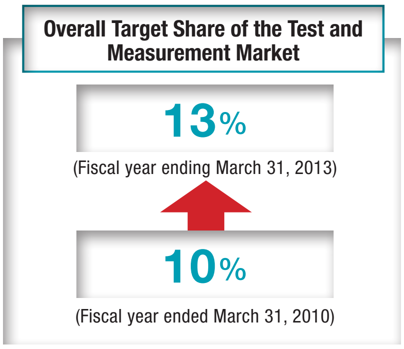
2 Expand Profitable Business in the Electronics and Network Infrastructure Markets

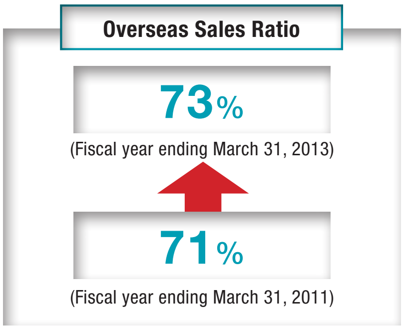
3 Establish Business in New Growth Areas

The test and measurement market's annual growth rate is about 3 percent. However, Anritsu plans for sales to grow at a rate of 6 to 8 percent in its Test and Measurement business because it will accurately determine growth drivers in businesses such as LTE, and 3G in emerging countries. To do so, we must not only capture demand in the development test and measurement market, a leading-edge arena in which we have historically experienced significant fluctuations in demand as a result of changing technology trends. We must also expand business in areas in which demand is relatively stable, including test and measurement for manufacturing, construction and maintenance. Anritsu aims to expand its operations by maintaining a fixed proportion of business in the areas in which demand changes rapidly and the areas in which demand is relatively stable.

Business Growth Model







Test and Measurement Demand and Initiatives in the Telecommunications Market

<table>
<tr><th>Area</th><th>LTE</th><th>3G
(China, smartphones, etc.)</th><th>Other telecommunications-related</th></tr>
<tr><td rowspan="3">Mobile</td><td>Demand
● Increase in test and measurement demand for chipset and handset development
● Full-fledged demand for solutions for conformance and interoperability testing
● Emergence of test and measurement demand for manufacturing</td><td>Demand
● Full-fledged test and measurement demand for development and conformance testing for TD-SCDMA (3G in China)
● Expansion in test and measurement solutions for the new players in markets such as smart phones from IT-related companies</td><td rowspan="3">—</td></tr>
<tr><td colspan="2">Initiatives
① Use close relationships with customers built during 3G to develop LTE products while sharing development roadmaps
② Build and expand business from carriers to testing houses, handsets and chipsets</td></tr>
<tr><td>Performance
● Delivered more than ¥2 billion in measuring instruments for use in development to major Japanese telecom carrier NTT DoCoMo and three handset vendors with which it is conducting joint development</td><td>Performance
● Received an order for a conformance test system for handsets using the TD-SCDMA standard from major Chinese telecom carrier China Mobile</td></tr>
<tr><td>Network Infrastructure</td><td colspan="2">Demand
● Expansion in demand for test and measurement solutions for wireless base stations for LTE and 3G, which is growing in emerging countries
● Demand for test and measurement solutions due to move to optical fiber for mobile backhaul to respond to growing volume of network traffic
● Full-fledged demand for test and measurement solutions for 40Gbit/s and 100Gbit/s that can handle increasing speed and capacity of core networks

Initiatives
① Extend 70% share of handheld measuring instruments for installation and maintenance of wireless base stations to countries worldwide

Performance
● Major U.S. telecom carrier Verizon Wireless selected Anritsu's BTS Master handheld base station analyzer for LTE base station installation and maintenance</td><td>Demand
● Demand for network quality monitoring in Central and South America

Performance
● Anritsu received large service assurance orders from major Latin American telecom carriers</td></tr>
<tr><td>Electronics</td><td colspan="3">Demand
● Expansion of test and measurement solutions business for the development and manufacture of base stations, telecommunications equipment, modules and devices
● Acquisition and expansion of business through stronger customer support
● Greater demand for measurement in areas expected to grow such as cloud computing, smart grids and car electronics

Initiatives
① Launch new products such as the MS2830A Signal Analyzer, the MS9740A Optical Spectrum Analyzer and the MP2100A BERTWave Series. Acquire business by expanding the range of solutions that meet customer needs.

Performance
● Anritsu spectrum analyzers chosen as the measurement solution for U.S. government-related wireless infrastructure</td></tr>
</table>

LTE Demand Trends and Test and Measurement Solutions

2010	2015	2020		Anritsu's Initiatives

Chipset and Handset Vendors

- ★ Chipset development
- ★ Handset development
- ★ Conformance testing and interoperability testing: Inventory-driven businesses that deal with changes and proliferation of standards
- Development for mass production — Mass production

Signalling testers

Conformance test systems

Radio communication analyzers

Anritsu's Initiatives

- Use of Anritsu products for mobile handset and base station certification conformance testing among leading chipset vendors supports business expansion among handset vendors that use the chipsets.

Strengths
Test and measurement for 3G development and certification: 70% global share

EMS (Handset Manufacturing)

- Development for mass production — Mass production

Radio communication analyzers

Anritsu's Initiatives

- Use good relationships with customers of measuring instruments for development to popularize and expand sales of measuring instruments for EMS.
- Strengthen support for production lines to acquire share in new facilities.

Base Station Vendors

- Development of devices and modules
- Base station development
- Development for mass production — Mass production
- ★ Installation and maintenance

Signal analyzers

Signal generators

Base station analyzers
Area testers

Anritsu's Initiatives

- Anritsu will expand business based on its competitive advantage that maintains its large share of the market for measuring instruments for installation and maintenance, and by maintaining and enhancing good relationships with customers.
- In test and measurement solutions for development and manufacturing, Anritsu will expand market share by introducing new general purpose measuring instruments and expanding applications while flexibly responding to customer needs.

Strengths
Test and measurement for installation and maintenance: 70% global share

Telecom Carriers (Wireless)

- ★ Conformance testing and interoperability testing: Inventory-driven businesses that deal with changes and proliferation of standards
- ★ Construction and maintenance

Interoperability test systems

Base station analyzers
Area testers

Anritsu's Initiatives

- Use of Anritsu products among major carriers for key interoperability testing of interconnectivity between mobile handsets and base stations using various communications standards supports test and measurement business expansion among vendors that supply handsets.
- Anritsu will expand business based on its competitive advantage that maintains its large share of the market for measuring instruments for construction and maintenance, and by maintaining and enhancing good relationships with customers.

Strengths
Interconnectivity test solutions (70% share of global market for 3G mobile)
Measuring instruments for construction and maintenance: 70% global share

Telecommunications Equipment Vendors (40Gbit/s and 100Gbit/s Wireline)

- Device and module development
- Development of 40Gbit/s and 100Gbit/s telecommunications equipment
- Mass production
- Construction and maintenance

40G SDH/SONET Analyzer

40G Jitter Analyzer

BERTWave Optical Spectrum Analyzer

Access Master
Network Master

Anritsu's Initiatives

- Introduce specialized optical and high-speed digital measuring instruments targeting the manufacturing market, and provide customer support to establish 40Gbit/s and 100Gbit/s business.

Telecom Carriers (Wireline)

- Optical fiber construction and maintenance
- 40Gbit/s and 100Gbit/s construction and maintenance

Access Master

Network Master

Anritsu's Initiatives

- Raise measuring precision and functionality and price competitiveness to increase share and improve profitability.

2010	2015	2020

★Areas in which Anritsu is strong

Strategy for the Information and Communications Business

1. Expand business related to disaster prevention through cooperation and joint product development with partners
Build disaster communication systems business

2. Generate earnings by expanding business related to the financial and telecom carrier markets
Expand and improve the profitability of businesses such as bandwidth controllers

Target Sales for Disaster Communication Systems and Others

¥1.0 billion
(Fiscal year ending March 31, 2013)

Strategy for the Industrial Automation Business

1. Expand business in the ASEAN, Chinese and Indian markets
- Strengthen the organization in Thailand
- Introduce low-cost metal detectors and checkweighers
- Expand share in the market for processed food products destined for Japan
- Deepen presence in the consumer food markets of India and Southeast Asian countries

2. Develop new quality assurance solutions for the food and cosmetics markets

Overseas Sales Ratio

33%
(Fiscal year ending March 31, 2013)

29%
(Fiscal year ended March 31, 2010)

Financial Strategy

With the aim of increasing corporate value, Anritsu will work to strengthen its financial base and achieve a ratio of net assets to total assets of 50 percent and a debt-to-equity ratio of 0.5 times from 2015. Anritsu will work constantly to quickly achieve continuous profitable growth, improve profit-orientation, and effectively manage working capital.

Basic Policy

Maximize corporate value ⟷ **Strengthen financial base**

- Continuous profitable growth
- Improve profit-orientation
- Effectively manage working capital

Debt-to-Equity Ratio

0.5 times

1.12 times
(As of March 31, 2010)

Ratio of Net Assets to Total Assets

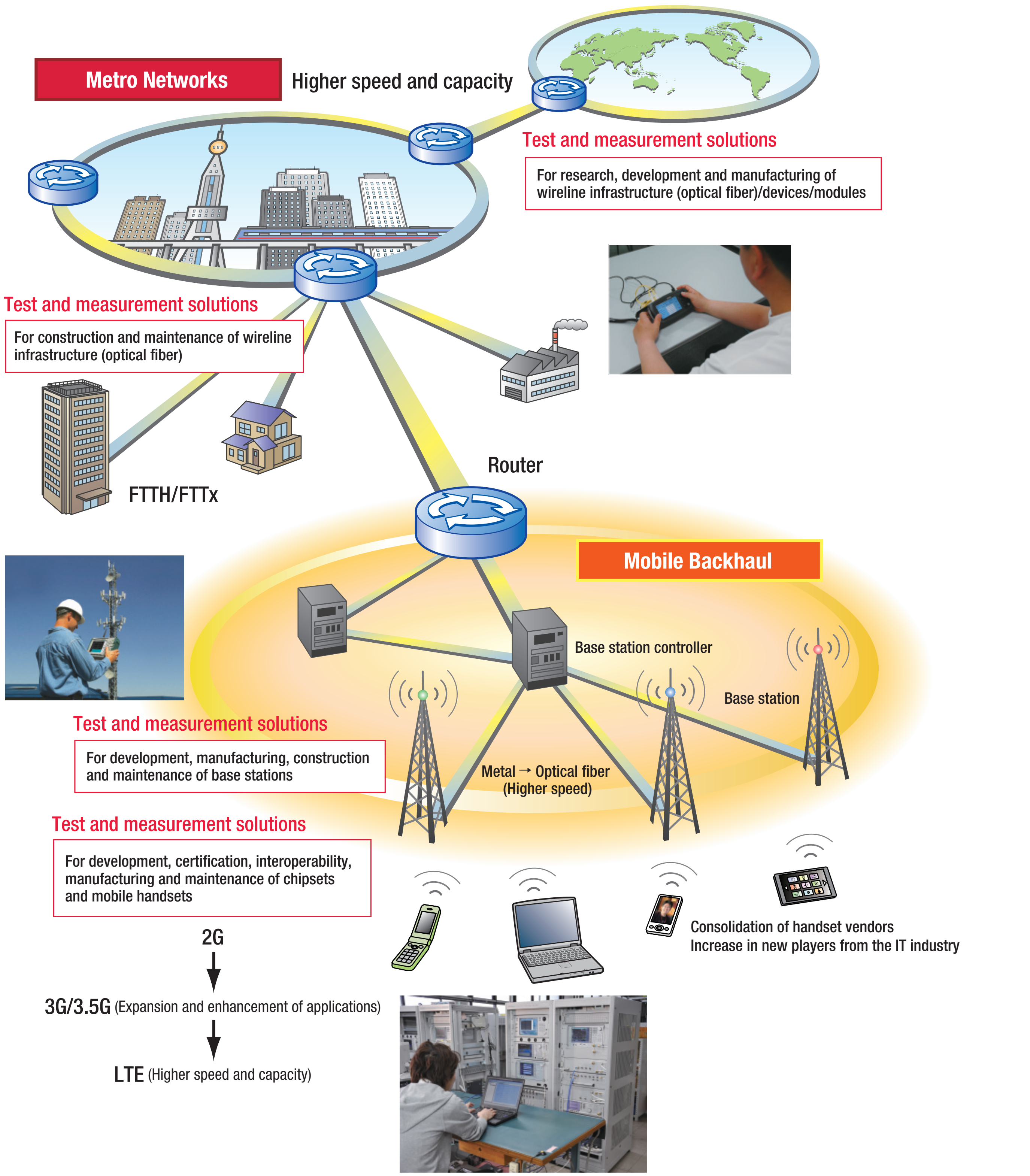
50%

37%
(As of March 31, 2010)

Test and Measurement

We are aiming for the number-one share of the market for measuring instruments used in development – an Anritsu strength – to support the commercialization of LTE, the next-generation mobile communication system. In addition, we are working to expand earnings from general purpose measuring instruments with a focus on the broad-based electronics market.

Test and Measurement Solutions in Communication Networks



Business Areas and Review of the Fiscal Year Ended March 31, 2010

The Test and Measurement segment broadly covers the telecommunications market, providing measuring devices for both wireless and wireline devices. It encompasses technologies that are essential to daily life, including mobile phones, fiber optic communications and backbone networks, and contributes to the development of a safe, secure and comfortable global society.

In the year ended March 31, 2010, demand for development of LTE base stations and mobile handsets emerged, and signs of a recovery in demand appeared in the North American market, centered on wireless infrastructure. However, customers continued to restrain or postpone investments, primarily in Japan. As a result, segment sales were ¥48,271 million, a 16.0 percent decrease from the previous fiscal year. Operating income was ¥2,252 million, a turnaround from the ¥792 million operating loss in the previous fiscal year, reflecting Anritsu's ongoing cost-cutting efforts in addition to the reduction of fixed costs with the urgent management measures.

Business Strategy and Outlook for the Fiscal Year Ending March 31, 2011

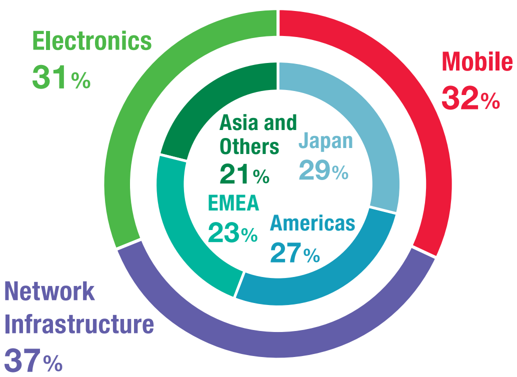
In this segment, Anritsu plans to expand business by focusing resources on test and measurement solutions for LTE, an area where sustained growth is expected. Growth in the LTE sector will be driven not only by development and manufacturing of mobile handsets, but also increasing demand for manufacturing, installation and maintenance of base stations, as well as for technologies that enable higher speed and capacity in mobile backhaul. Anritsu offers both wireline and wireless test and measurement solutions, and thus has business opportunities across the field of telecommunications. In the fiscal year ending March 31, 2011, we will focus on obtaining and expanding business in a wide range of areas, including application development for handset vendors operating globally, handset conformance and interoperability testing for telecom carriers and other customers, and base station manufacturing and installation applications.

In 3G/3.5G, we will work to obtain business related to manufacturing applications for smartphones and other mobile handsets, as well as 3G in China (particularly TD-SCDMA). We also plan to steadily capitalize on demand for test and measurement solutions to upgrade and expand wireless and wireline infrastructure.

In the electronics market, Anritsu's measuring instruments, which account for about 30 percent of sales in the Test and Measurement segment, are used in the development and manufacturing of base stations and electronic components for communication devices. We will focus on increasing sales of new products introduced at the end of 2009, expanding and enhancing applications, customer support and optimizing sales channels.

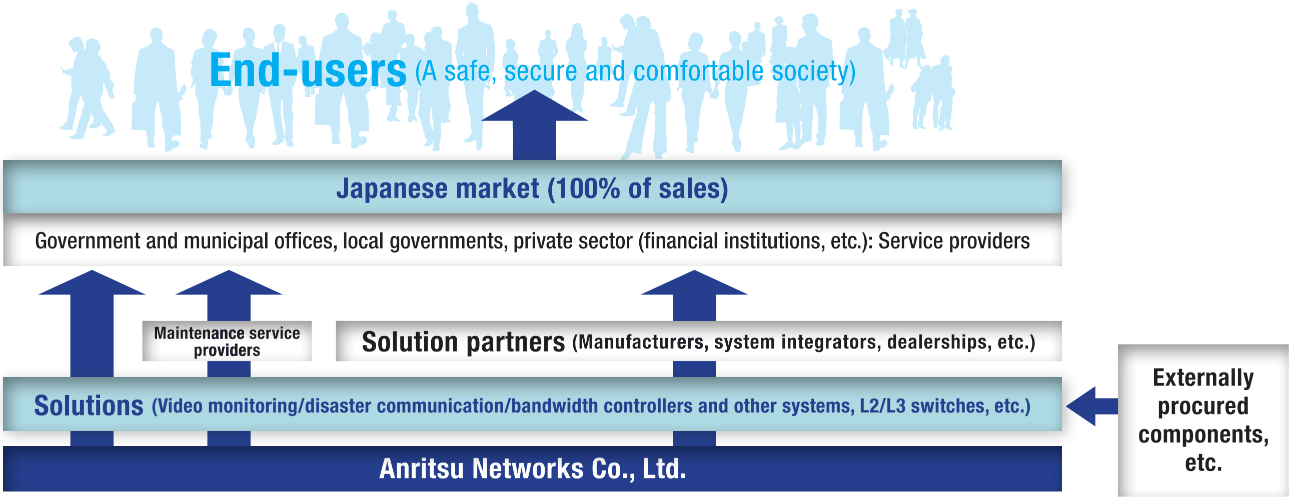
For the fiscal year ending March 31, 2011, we expect this segment to generate sales of ¥51,500 million, a 6.7 percent increase year on year. Segment operating income is expected to increase 2.1 percent to ¥2,300 million despite an increase in expenses associated with the termination of the urgent management measures.

Test and Measurement Sales by Region (inner circle) and by Sub-Segment (outer circle)



Information and Communications

This segment provides high-quality solutions using IP network technologies, an Anritsu Group strength, and is also focusing on building stronger ties with business partners to expand business in the private-sector market.



Business Areas and Review of the Fiscal Year Ended March 31, 2010

The Information and Communications segment provides disaster prevention and IP infrastructure solutions to Japanese government and municipal offices. For customers in the private-sector market, mainly financial institutions and telecom carriers, it provides telecommunication equipment that supports network system infrastructure based on IP network technology, an area of strength for the Anritsu Group. This includes bandwidth controllers for upgrading telecommunications infrastructure by helping maintain quality of service in IP networks.

In the fiscal year ended March 31, 2010, revision of investment plans and intensified competition affected some areas of business for the public sector. However, sales of bandwidth controllers, primarily for networks of financial institutions, were solid. As a result, segment sales increased 2.0 percent year on year to ¥5,307 million. Segment operating income rose 101.8 percent to ¥143 million due to an improved product mix and expense reductions.

Business Strategy and Outlook for the Fiscal Year Ending March 31, 2011

In this segment, Anritsu will work to expand business by accurately understanding the needs of the public- and private-sector markets to provide high-quality solutions based on IP network technologies, and by collaborating with system integrators and strengthening partnerships in sales channels. In the disaster communication systems business, we will focus on fortifying sales promotion resources to quickly get this business off the ground, as well as on reducing costs.

For the fiscal year ending March 31, 2011, we expect segment sales to rise 3.6 percent year on year to ¥5,500 million as a result of business expansion in the private-sector market. Operating income is expected to be ¥0 million, compared with ¥143 million in the previous fiscal year because of the reversal of some expense reductions made in the previous fiscal year.

New Product Profile

PureFlow® FS10-CATV CHASER

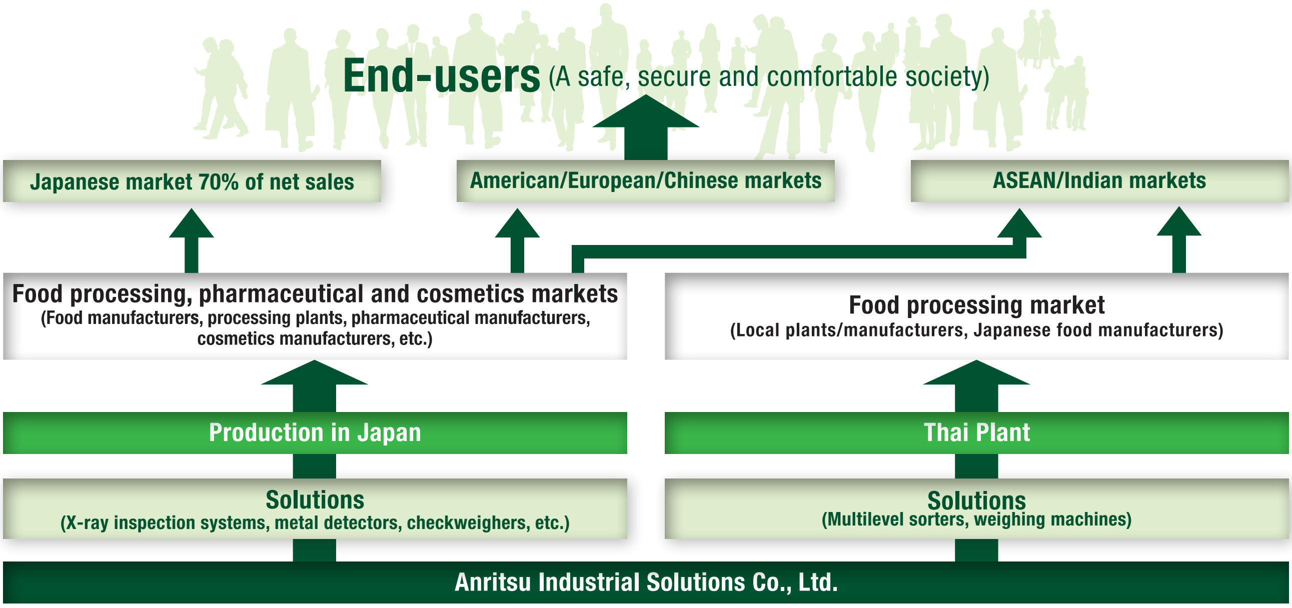
An extension of our bandwidth controller lineup, the PureFlow® FS10-CATV CHASER is an effective bandwidth control tool for cable TV companies.

TOPICS

In collaboration with Sumisho Computer Systems Corporation, Anritsu has sold 3,000 units of its PureFlow® GS1 Series high-precision bandwidth controllers to 500 companies in Japan.

Industrial Automation

In the Industrial Automation segment, we are working to expand business by promoting a product strategy of higher added value and differentiation, optimizing supply chain management and accelerating overseas expansion. At the same time, we are focusing on enhancing cost-cutting initiatives to increase profitability.



Business Areas and Review of the Fiscal Year Ended March 31, 2010

The Industrial Automation segment provides production management and quality assurance systems to the food, pharmaceutical and cosmetics industries. It develops, manufactures and sells checkweighers (sorting machines that precisely weigh items on high-speed conveyors in food production lines), automated combination weighers and inspection systems (inspection equipment that detects and removes metal, stones and other alien materials in food products with high precision). These core products have been adopted in Japan and around the world and are highly regarded in the market.

In the fiscal year ended March 31, 2010, signs of a recovery in demand appeared in Asia, but investment in inspection equipment by domestic food manufacturers, the segment's core market, was weak. As a result, segment sales decreased 10.3 percent compared with the previous fiscal year to ¥11,641 million. Operating income increased 2.3 percent to ¥610 million due to reduction of operating expenses and other factors.

Business Strategy and Outlook for the Year Ending March 31, 2011

In this segment, Anritsu will focus on increasing profitability by strengthening cost-reduction initiatives in addition to enhancing quality. We will also continue promoting our product strategy of high added value and differentiation and optimizing the supply chain, including the Thai Plant.

For the fiscal year ending March 31, 2011, we expect segment sales to increase 7.4 percent year on year to ¥12,500 million due to stronger overseas business. Operating income is expected to decrease 1.7 percent to ¥600 million because of the reversal of some expense reductions made in the previous fiscal year.

New Product Profile

Checkweigher Autochecker SV Series

Autochecker SV Series checkweighers enhance our lineup with products featuring high-sensitivity metal detectors with superior detection consistency. They provide strong support for customers' quality management.

Corporate Governance

Web For details, please click here to see our website.

Responding to changes in the operating environment in a flexible and speedy manner, improving competitiveness as a global company and continuously enhancing corporate value are priority management issues for Anritsu. To address them, we are working to build an environment and structure in which corporate governance can function effectively.

Over the medium term, Anritsu is working to strengthen corporate governance from the following perspectives.

1. **Greater management transparency**
2. **Appropriate and timely disclosure of information**
3. **Stronger check and balance functions**
4. **Stronger management supervision**

Going forward, we will continue to fulfill our corporate mission with sincerity, harmony and enthusiasm as stated in the Anritsu Group's philosophy, by implementing necessary measures appropriate for the Company to build a corporate culture that respects the rights and interests of all stakeholders, including shareholders, customers and employees, and maintain and strengthen internal systems.

Anritsu's Corporate Governance System

Anritsu is a company with a board of corporate auditors. Its corporate governance system centers on the Board of Directors and Board of Corporate Auditors. Anritsu has also introduced an executive officer system with the aim of promoting prompt execution of duties.

As Anritsu is a highly specialized manufacturer it is important for decision makers to have a feel for the factory floor. Moreover, because Company's business is not widely dispersed, Anritsu believes that a Board of Directors primarily consisting of internal directors is effective. In addition, Anritsu currently uses an auditing system with corporate auditors including outside corporate auditors because it has judged that such a system is effective in monitoring management functions.

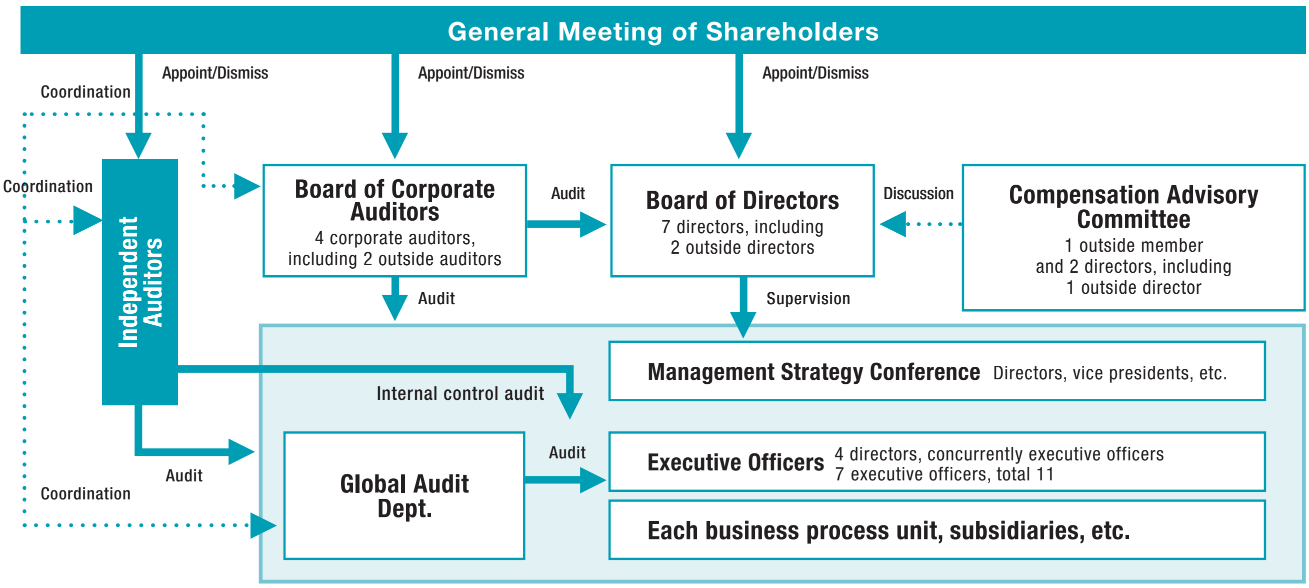
Anritsu's current management system consists of 7 directors including 2 outside directors, 4 corporate auditors including 2 outside corporate auditors and 11 executive officers including 4 who serve concurrently as directors. The Company's Articles of Incorporation stipulate a maximum of 10 directors.

Anritsu's execution and supervision structure is shown in the chart below.

Assessment by External Organizations

Anritsu's corporate governance efforts are evaluated highly by external organizations. In the 8th JCGIndex of 2009 by the Japan Corporate Governance Research Institute, Inc., Anritsu placed 23rd among 214 companies listed on the First Section of the Tokyo Stock Exchange that responded.

Corporate Governance System



Directors, Corporate Auditors and Executive Officers (As of June 24, 2010)

Directors

Hirokazu Hashimoto
Representative Director, President

1973 Joined the Company
2007 Representative Director
2010 Representative Director, President

Kenji Tanaka
Representative Director

1974 Joined the Company
2009 Director
2010 Representative Director

Hiromichi Toda
Director, Chairman of the Board

1971 Joined the Company
2005 Representative Director, President
2010 Director, Chairman of the Board

Shigehisa Yamaguchi
Director

1975 Joined the Company
2003 Director

Yasuyuki Oguma
Director

1974 Joined the Company
2009 Director

Akira Kiyota
Director (Outside Director)
(Chairman of the Board,
Daiwa Securities Group Inc.)

2005 Director

Yasushi Hosoda
Director (Outside Director)
(Advisor of Apex Corporation)

2010 Director

Corporate Auditors

Kohei Ono
Full-time Corporate Auditor

1970 Joined the Company
2009 Full-time Corporate Auditor

Goro Saito
Full-time Corporate Auditor

1970 Joined the Company
2007 Full-time Corporate Auditor

Sukeaki Tatsuoka
Outside Corporate Auditor
(Professor, Gakushuin University,
Graduate School of Law)

2007 Outside Corporate Auditor

Tokuo Yamamoto
Outside Corporate Auditor
(General Manager of Affiliate Company
Division of NEC Corporation)

2010 Outside Corporate Auditor

*Concurrently serving as director

Executive Officers

Hirokazu Hashimoto*
President
Group CEO

Kenji Tanaka*
Executive Vice President
Measurement Group President,
General Manager of Marketing Div.

Shigehisa Yamaguchi*
Senior Vice President
Chief Business Planning Officer,
General Manager of Management Strategy Center,
Corporate Communication Dept., Legal Dept.,
Network Sales Div., Service Assurance Div.

Frank Tiernan
Senior Vice President
Measurement Group Vice President,
President of Anritsu U.S. Holding, Inc. (U.S.A.),
President of Anritsu Company (U.S.A.)

Yasuyuki Oguma*
Vice President
Chief Technology Officer, Chief Information Officer,
Chief Environmental Officer,
Senior Manager of Environmental Promotion Center,
Global Audit Dept., Security Trade Control Dept.,
Management Information System Dept.,
Intellectual Property Dept.

Junkichi Shirono
Vice President
Chief SCM Strategy Officer,
General Manager of Koriyama Business Office,
General Manager of SCM Center

Toshihiko Takahashi
Vice President
Chief R&D Officer,
General Manager of R&D Group

Toshisumi Taniai
Vice President
Chief Human Resource and Administration Officer,
Senior Manager of Human Resource and
Administration Dept.

Nobuo Funahashi
Vice President
Chief Japan Sales Officer,
General Manager of Measurement Solution Sales Div.

Osamu Nagata
Vice President
Chief Global Sales Officer,
General Manager of APAC Sales Center,
Global Sales Administration Dept.,
Americas Sales Center,
EMEA Sales Center, T&M Export Sales Dept.

Akifumi Kubota
Vice President
Chief Financial Officer,
Senior Manager of Accounting and Control Dept.

Changes in the Scope of Consolidation

During the fiscal year ended March 31, 2010, the Anritsu Group liquidated two consolidated subsidiaries, Anritsu Instruments S.A.S. and NetTest Pte Ltd. As a result, the Anritsu Group comprised 41 consolidated subsidiaries at the end of the fiscal year.

Sales and Income

In the field of communication networks, construction of integrated wireline and wireless network environments and the shift to broadband networks has led to the development of numerous diverse services using these networks in recent years. The development of new technologies and services has precipitated a wave of change in new demand that is spurring business restructuring and mergers and acquisitions among existing companies while expanding new markets for smartphones and cloud computing, creating new markets and giving rise to new market players. In the context of these trends, in the field of mobile communications, major telecom carriers in Japan, the United States and other countries have announced that in 2010 they will begin launching commercial services based on Long Term Evolution (LTE), which will become a worldwide platform for next-generation mobile phones, and full-fledged investment in the development of LTE has begun. In China, which has the world's largest mobile phone subscriber base, infrastructure is being upgraded for the expansion of third-generation (3G) mobile services.

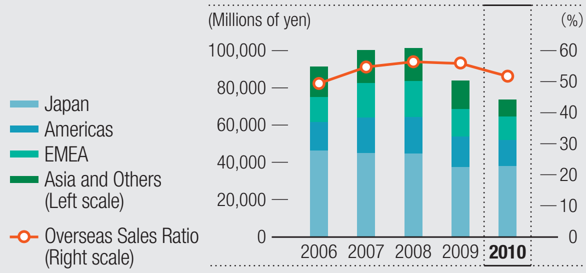
With many new opportunities to expand business, the Anritsu Group continued to work energetically to achieve its management targets. In the core Test and Measurement segment, Anritsu took measures to improve profitability and enhance competitiveness. Organizational reforms included further consolidation and improvement of its production operations and reorganization of its sales organization in Japan. Anritsu also worked to capitalize on customer demand by launching a succession of new products, including measuring instruments for LTE development and new general purpose products.

Anritsu worked to increase earnings, but customers generally continued to curtail capital investment. Consequently, for the fiscal year ended March 31, 2010 orders decreased 6.6 percent compared with the previous fiscal year to ¥76,117 million, and net sales decreased 12.4 percent to ¥73,548 million. However, operating income increased 406.3 percent to ¥4,583 million, and income before income taxes totaled ¥3,913 million, compared with loss before income taxes of ¥2,236 million for the previous fiscal year. The improvement in income before income taxes reflected in part the effect of group-wide reductions in operating expenses, including reductions of fixed costs from the implementation of urgent management measures. Provision for income taxes net of deferrals increased substantially year on year because of a reversal in deferred tax assets, resulting in net income of ¥385 million, compared with net loss of ¥3,541 million for the previous fiscal year.

Net Sales

For the fiscal year ended March 31, 2010, net sales decreased ¥10,392 million, or 12.4 percent, year on year to ¥73,548 million.

Net Sales by Region and Overseas Sales Ratio



Note: The former Europe segment has been changed to EMEA from the year ended March 31, 2007. In addition, Middle East and Africa, which had been part of the Asia and Others segment, are now included in the EMEA segment.

A primary factor was a decrease of ¥9,178 million in the Test and Measurement segment sales due to lower demand.

For the fiscal year ended March 31, 2010, overseas sales decreased 13.8 percent year on year to ¥40,058 million, and the ratio of overseas sales to net sales decreased 0.9 percentage points to 54.5 percent from 55.4 percent. Sales decreased in each region. Signs of improved demand emerged in the North American market, but customers generally continued to curtail and postpone capital investment. In Asia, the Test and Measurement business benefited from rising demand for LTE base stations and mobile handset development, as well as firm demand for construction and maintenance linked to communication infrastructure upgrades and expansion. Sales in Japan decreased 10.6 percent year on year to ¥33,490 million. Sales of measuring instruments for LTE base station and mobile handset development were firm, as were sales in the Information and Communications segment. However, reduced capital expenditures among customers impacted non-LTE sales in the Test and Measurement segment and sales in the Industrial Automation segment, which were solid in the previous fiscal year.

Cost of Sales and Gross Profit

Cost of sales decreased ¥9,297 million, or 17.9 percent, compared with the previous fiscal year to ¥42,708 million, and the ratio of cost of sales to net sales decreased 3.9 percentage points to 58.1 percent. Reflecting activities to improve profitability, gross profit only decreased ¥1,095 million, or 3.4 percent, compared with the previous fiscal year to ¥30,840 million. The ratio of gross profit to net sales increased 3.9 percentage points to 41.9 percent.

Selling, General and Administrative (SG&A) Expenses and Operating Income

SG&A expenses decreased 15.4 percent year on year to ¥26,257 million as a result of the Anritsu Group's ongoing and meticulous efforts to reduce fixed costs.

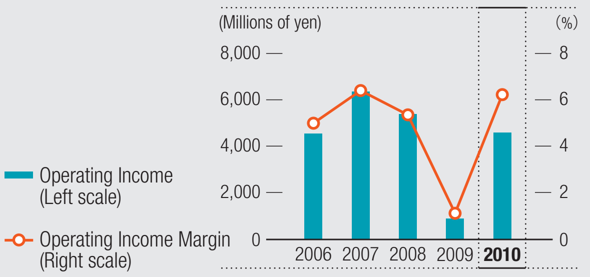
Research and development expenses, which are included in cost of sales and SG&A expenses, decreased 19.8 percent compared with the previous fiscal year to ¥9,388 million. The ratio of research and development expenses to net sales decreased 1.1 percentage points to 12.8 percent. As a result of the above, operating income increased ¥3,678 million, or 406.3 percent, year on year to ¥4,583 million. The ratio of operating income to net sales, or operating margin, increased 5.1 percentage points to 6.2 percent.

SG&A Expenses

(Millions of yen)

	2010	2009	Change
Salaries and bonuses	**¥9,332**	¥11,659	(20.0)%
Advertising	**836**	1,184	(29.4)
Pensions	**1,934**	1,310	47.6
Travel and transportation	**1,541**	1,572	(2.0)
Depreciation	**703**	810	(13.2)
Testing research	**4,738**	5,700	(16.9)

Operating Income and Operating Income Margin



Other Income (Expenses), Income before Income Taxes, and Net Income

Other expenses, net totaled ¥670 million, a decrease of ¥2,471 million from ¥3,141 million for the previous fiscal year. While gain on revision of retirement benefit plan totaling ¥1,202 million in the previous fiscal year did not recur, gain on sales of property, plant and equipment totaled ¥158 million, gain on sales of investment securities totaled ¥140 million and gain on retirement by purchase of bonds totaled ¥62 million. Moreover, loss on devaluation of inventories totaling ¥1,358 million and business structure improvement expenses totaling ¥2,214 million in the previous fiscal year did not recur.

As a result of the above, income before income taxes totaled ¥3,913 million, compared with loss before income taxes of ¥2,236 million for the previous fiscal year. Net income totaled ¥385 million, compared with net loss of ¥3,541 million for the previous fiscal year. Net income per share totaled ¥3.02, compared with net loss per share of ¥27.78 for the previous fiscal year.

Costs, Expenses and Income as a Percentage of Net Sales

	2010	2009	2008
Net sales	**100.0%**	100.0%	100.0%
Cost of sales	**58.1**	62.0	56.2
Gross profit	**41.9**	38.0	43.8
SG&A expenses	**35.7**	37.0	38.5
R&D expenses	**12.8**	13.9	14.0
Net income	**0.5**	—	—

Shareholder Return Policies

Dividend Policy

Anritsu considers the return of profits to shareholders a management priority. Its basic policy for paying dividends from surplus funds is to increase the ratio of dividends on consolidated equity (DOE) to reflect the level of income during the consolidated period while taking into general account factors such as the operating environment and the outlook for results in the current fiscal year and beyond. The Anritsu Group will use internal capital resources to make capital investments and conduct research and development to respond to rapid advances in technology and changes in market structure.

Cash Dividends per Share

Based on the above policy, Anritsu regrettably decided not to pay an interim or a year-end cash dividend. Anritsu plans to resume dividends in the fiscal year ending March 31, 2011 by paying an interim cash dividend of ¥2.00 per share and a year-end cash dividend of ¥2.00 per share, for total cash dividends of ¥4.00 per share for the fiscal year.

Business Segments

The Anritsu Group classifies operations into the segments of Test and Measurement, Information and Communications, Industrial Automation, and Services and Others.

Test and Measurement

During the fiscal year ended March 31, 2010, demand emerged for measuring instruments for the development of base stations and handsets for LTE, which will become a worldwide platform for next-generation mobile phones. Meanwhile, demand in North American markets showed signs of recovering. However, overall demand was weak, mainly in Japan, because customers continued to curtail and postpone capital investment.

Consequently, segment sales decreased 16.0 percent compared with the previous fiscal year to ¥48,271 million. Operating income was ¥2,252 million, compared with operating loss of ¥792 million in the previous fiscal year.

The Test and Measurement segment accounts for approximately 66 percent of Anritsu Group net sales, and is divided into three sub-segments: Mobile, Network Infrastructure and Electronics.

1. Mobile

The Mobile sub-segment includes measuring instruments for mobile phone acceptance testing by mobile phone service operators, and for design, production, function and performance verification, and maintenance of mobile phone handsets by manufacturers of mobile phones, IC chipsets and relevant components. Demand in this sub-segment tends to be influenced by factors including technological innovations in mobile phone services, the degree of diffusion, and the number of new subscribers, new mobile phone models and mobile phones shipped.

Amid the accelerating popularity of broadband services for mobile phones, LTE services are expected to begin globally. As a result, full-scale development has begun for IC chipsets and mobile handsets supporting LTE, the 3.9 generation (3.9G) technology, and demand for related measuring equipment is expanding as a result. Anritsu worked to increase orders by promptly launching new products for use in research and development of LTE handsets. Further, Anritsu is working to enhance its portfolio of solutions for the LTE handset market and to maintain and expand market share by optimally employing the technologies gained in this process to continue developing and launching competitive products to meet expected demand for conformance testing (to confirm interconnectivity) and measuring equipment for manufacturing LTE handsets.

In addition, the handset manufacturing market is expected to pick up due to the expansion of commercial 3G services in China, which has the world's largest number of mobile phone subscribers. Anritsu will work to further expand business by providing competitive products such as measuring equipment for manufacturing 3G handsets, including TD-SCDMA, to accurately meet this demand.

2. Network Infrastructure

The Network Infrastructure sub-segment includes network construction, maintenance, monitoring and service quality assurance solutions for wireline and wireless service providers, and solutions for communication equipment manufacturers in areas including design, production and testing.

In this sub-segment, broadband network services are becoming increasingly popular. Consequently, new services such as cloud computing are now being offered in addition to broadband services including music and video download and IPTV. Furthermore, internet access via mobile phones is growing rapidly as flat-rate data services for mobile phones expand. As a result, demand for higher-speed networks is rising with increasing data traffic. At the same time, there is demand to curb ever-growing electricity consumption as an environmental measure.

In the field of network infrastructure, with the start of full-scale construction of 40Gbit/s networks that can handle the rapid increase in high-speed traffic and optical networks aimed at reducing energy consumption, as well as full-fledged research and development for 100Gbit/s network equipment, demand for related measuring equipment is increasing. The Network Infrastructure sub-segment is working to expand and stabilize business by providing comprehensive solutions from constructing and monitoring communications infrastructure to ensuring service quality in addition to research and development solutions for telecommunications equipment.

3. Electronics

The Electronics sub-segment includes measuring instruments widely used in the electronics industry, particularly for design, production and evaluation of electronic devices used in telecommunications network-related communications equipment and other electronic equipment. Demand in this sub-segment tends to be impacted by the scale of production of electronic components and products used in telecommunications equipment, automobiles and intelligent home appliances.

Anritsu launched spectrum analyzers, network analyzers and other new products in this field, where medium-to-long-term growth is expected. Sales of handheld measuring instruments incorporating compact, high-density packaging and energy-saving technologies, an Anritsu strength, are also solid. Anritsu will work to further expand business in this sub-segment by offering a wider range of applications for these markets and enhancing its lineup of general-purpose measuring equipment.

Information and Communications

During the fiscal year ended March 31, 2010, while there were delays in the progress of projects for government and municipal offices, demand was solid for bandwidth controllers, primarily for the networks of financial institutions. Consequently, segment sales increased 2.0 percent compared with the previous fiscal year to ¥5,307 million. Operating income increased ¥72 million year on year to ¥143 million.

The Information and Communications business accounts for about 7 percent of the Anritsu Group's net sales. It is easily influenced by the budgets of the national and local governments because a high proportion of its sales are for delivery to the government market. In addition, because of the connection with customers' budget implementation periods, approximately 50 percent or more of its sales tend to be concentrated in the fourth quarter.

In the government market, investment in safety- and security-related disaster prevention and IP infrastructure development continues despite reviews of the necessity of public works projects. In the private-sector market, demand is increasing for bandwidth controllers and other communication infrastructure enhancements in order to maintain Quality of Service (QoS) for financial institutions and telecom carriers.

The Anritsu Group will expand business by addressing this demand with high-quality solutions based on IP network technologies, an Anritsu Group strength, while further promoting business cooperation with system integrators.

The Information and Communications business is conducted by Anritsu Networks Co., Ltd., a wholly owned subsidiary of the Company.

Industrial Automation

During the fiscal year ended March 31, 2010, investment in inspection systems by food manufacturers in the core market of Japan was weak. In overseas markets, however, demand in Asia showed signs of recovery. As a result, segment sales decreased 10.3 percent compared with the previous fiscal year to ¥11,641 million. Operating income increased 2.3 percent to ¥610 million due to operating cost reductions.

The Industrial Automation business accounts for about 16 percent of the Anritsu Group's net sales. Since approximately 85 percent of segment sales are made to food manufacturers, this segment is substantially influenced by economic growth rates and changes in consumer spending levels due to their impact on food manufacturers' business results.

Core products include highly precise checkweighers for high-speed food processing lines, as well as X-ray and other inspection systems that detect and remove metal fragments, stones and other alien materials in the food processing process with high precision. Anritsu's products have been adopted in Japan and around the world and are highly regarded in the market. In addition, although capital investment was weak in Japan, investment aimed at expanding market share in Asia, the United States and Europe resulted in an overseas sales ratio of approximately 30 percent.

Demand for quality control inspection solutions is expected to remain firm overall due to continuing high interest among food manufacturers. However, there are grounds for concern, including curtailed capital investment by food manufacturers in Japan against a background of uncertainty about the future of the economy, a decrease in market prices and a decline in cost competitiveness in overseas markets due to the strong yen. Anritsu will address these issues by developing high-value products and high-quality services for quality assurance, and optimize its supply chain including overseas production in order to expand the business and increase profitability.

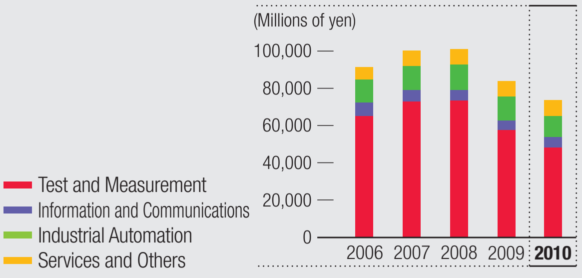
The Industrial Automation business is conducted by Anritsu Industrial Solutions Co., Ltd., a wholly owned subsidiary of the Company.

Services and Others

During the fiscal year ended March 31, 2010, sales were weak in the precision measurement business due to a drop in demand. In the device business, demand was firm in the optical communications market in Japan and overseas. As a result, segment sales increased 0.2 percent compared with the previous fiscal year to ¥8,329 million. Operating income increased 12.7 percent compared with the previous fiscal year to ¥2,249 million.

The precision measurement business is conducted as Anritsu Precision Co., Ltd., a wholly owned subsidiary of the Company.

Sales by Business Segment



Geographical Segments

Japan

In the domestic Test and Measurement segment, demand emerged for measuring instruments for the development of base stations and handsets for LTE, which will become a worldwide platform for next-generation mobile phones. Generally, however, customers continued to curtail and postpone capital investment. In the Information and Communications segment, there were delays in the progress of projects for government and municipal offices, but demand was solid for bandwidth controllers, primarily for the networks of financial institutions. In the Industrial Automation segment, capital investment in inspection equipment by Japanese food manufacturers was weak, but signs of recovery in demand emerged in the overseas market of Asia. In the Services and Others segment, demand dropped in the precision measurement business, but in the device business, demand was firm in the domestic optical communications market.

As a result, sales in Japan decreased 11.8 percent year on year to ¥37,959 million. Supported by factors including operating cost reductions, operating income increased substantially to ¥3,006 million from ¥37 million for the previous fiscal year.

Americas

In the Test and Measurement segment, demand emerged for LTE mobile handset development and signs of improved demand appeared in the North American market, centered on construction and maintenance of wireless infrastructure.

However, sales in the Americas decreased 14.9 percent year on year to ¥13,999 million, and operating income decreased 32.5 percent to ¥1,805 million.

Europe

In the Test and Measurement segment, demand emerged for LTE base station and mobile handset development, and performance of the service assurance business was relatively solid. Generally, however, customers continued to curtail and postpone capital investment.

As a result, sales in Europe decreased 15.2 percent year on year to ¥12,661 million. Supported by operating cost reductions, operating loss decreased to ¥535 million from ¥2,098 million for the previous fiscal year.

Asia and Others

In the Test and Measurement segment, the market was generally firm as Anritsu benefited from demand for LTE base stations and mobile handset development, as well as demand for construction and maintenance linked to communication infrastructure upgrades and expansion.

As a result, sales decreased 6.1 percent year on year to ¥8,929 million, but operating income increased ¥240 million compared with the previous fiscal year to ¥360 million.

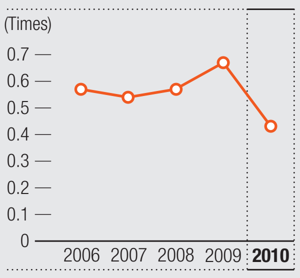
Liquidity and Financial Condition

Fund Procurement and Liquidity Management

The Anritsu Group's funding requirements consist primarily of working capital such as material purchase costs and operating expenses incurred in product manufacturing, sales and marketing, as well as capital investment funds and research and development expenses. Anritsu supplements internal capital resources by directly and indirectly procuring funds from external sources to secure sufficient liquidity. Moreover, the Anritsu Group secured stable financing by establishing a committed ¥15,000 million line of credit in April 2008 that will be available until March 2011. While preparing for unforeseen domestic and overseas financial risks in a dramatically changing market environment, the Anritsu Group will swiftly and flexibly meet its capital requirements for working capital, repayment of long-term borrowings and business growth.

In the year ended March 31, 2010, Anritsu continued to reduce interest-bearing debt. Total interest-bearing debt as of March 31, 2010 decreased ¥1,331 million from a year earlier to ¥42,275 million. As a result, the net debt-to-equity ratio[1] decreased to 0.43 times from 0.67 times at the previous fiscal year-end and the debt-to-equity ratio[2] decreased to 1.12 times from 1.16 times at the previous fiscal year-end.

Net Debt-to-Equity Ratio



The Company will use increased cash flow generated by improvements in Anritsu Capital-cost Evaluation[3] and asset turnover as well as enhanced capital efficiency resulting from measures including an internal Group cash management system to make further reductions in interest-bearing debt, improve the net debt-to-equity ratio, enhance shareholders' equity and fortify its financial structure.

At the end of March 2010, Rating and Investment Information, Inc. (R&I) rated Anritsu's short-term debt a-2, and its long-term debt BBB. Anritsu will continue working to enhance its financial stability in order to improve its debt rating.

Note 1: Net debt-to-equity ratio: (Interest-bearing debt - cash and cash equivalents) / (Net assets - Reservation rights on common stock)
Note 2: Debt-to-equity ratio: Interest-bearing debt / (Net assets - Reservation rights on common stock)
Note 3: Anritsu Capital-cost Evaluation (ACE): Net operating profit after tax - Invested capital cost

Cash Flow

Cash and cash equivalents as of March 31, 2010 increased ¥7,732 million from the end of the previous fiscal year to ¥26,270 million. Free cash flow, defined as the sum of net cash provided by operating activities and net cash provided by or used in investing activities, increased to ¥7,471 million from ¥5,590 million for the previous fiscal year.

Net cash provided by operating activities totaled ¥7,970 million, compared with ¥6,916 million in the previous fiscal year. Income before income taxes was the primary source of cash. In addition, Anritsu improved the efficiency of working capital in ways such as reducing inventories. Depreciation and amortization was ¥2,972 million, a decrease of ¥209 million compared with the previous fiscal year.

Net cash used in investing activities was ¥499 million, compared with ¥1,326 million in the previous fiscal year. Acquisition of property, plant and equipment were a primary use of cash, while proceeds from sales of marketable securities and investment securities were a primary source of cash. Acquisition of property, plant and equipment decreased ¥751 million compared with the previous fiscal year to ¥1,161 million.

Net cash provided by financing activities was ¥387 million. In the previous fiscal year, financing activities used net cash totaling ¥3,848 million. Principal factors included repayment of ¥7,000 million in long-term debt and ¥12,000 million in proceeds from long-term debt through a syndicated loan. In addition, Anritsu repurchased at par value and retired ¥7,976 million of the ¥15,000 million in bonds with subscription rights to shares that are scheduled for redemption in September 2010.

Assets, Liabilities and Net Assets

As of March 31, 2010, total assets increased ¥205 million, or 0.2 percent, from a year earlier to ¥101,188 million. Current assets increased ¥5,463 million, or 8.8 percent, from a year earlier to ¥67,749 million due to an increase in cash.

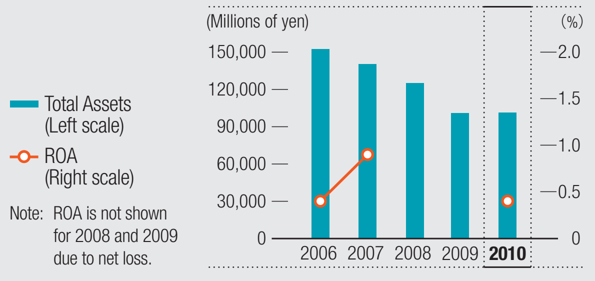
The inventory turnover ratio decreased to 5.5 times from 5.7 times for the previous fiscal year. One of the Anritsu Group's near-term objectives is to increase the inventory turnover ratio to 6.0 times.

Property, plant and equipment net of accumulated depreciation decreased ¥1,870 million, or 8.9 percent, from a year earlier to ¥19,117 million. Among other reasons, Anritsu continued to curtail capital investment.

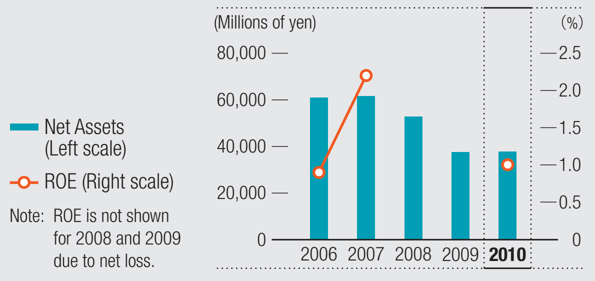
As of March 31, 2010, total liabilities increased ¥56 million, or 0.1 percent, from a year earlier to ¥63,514 million. Current liabilities decreased as a result of repayment of short-term borrowings. Long-term liabilities rose marginally because of an increase in lease obligation. The pending repayment of unsecured bonds with stock acquisition rights in September 2010 shifted long-term liabilities to current liabilities. Anritsu repurchased and retired ¥7,976 million of these bonds during the past fiscal year. The current ratio was 243.6 percent, compared with 222.0 percent a year earlier. Working capital totaled ¥39,935 million as of March 31, 2010, compared with ¥34,224 million a year earlier. Total interest-bearing debt decreased ¥1,331 million from a year earlier to ¥42,275 million.

Net assets increased ¥149 million, or 0.4 percent, from a year earlier to ¥37,674 million. The ratio of net assets to total assets was 37.2 percent, compared with 37.1 percent a year earlier.

Total Assets and ROA



Net Assets and ROE



Capital Expenditures

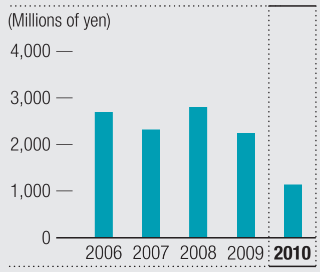
For the fiscal year ended March 31, 2010, capital expenditures decreased 49.2 percent compared with the previous fiscal year to ¥1,135 million. The Anritsu Group is concentrating resources in fields related to the quality and high performance of evolving communication networks, including the integration of wireline and wireless communications, increasing network speed and the development of next-generation networks using IP networks. During the fiscal year ended March 31, 2010, the Anritsu Group concentrated capital expenditures in the core Test and Measurement segment with the primary objectives of enhancing its research and development environment and rationalizing its production network.

Overview of Capital Expenditures

(Millions of yen)

	2010	Change
Test and Measurement	¥ 844	60.6%
Information and Communications	48	84.5
Industrial Automation	132	81.3
Services and Others	111	20.6
Sub-total	1,135	50.8
Eliminations or corporate	—	—
Total	¥1,135	50.8%

Capital Expenditures



Research and Development

The Anritsu Group conducts research and development under the Group corporate philosophy of developing Original & High Level products that contribute to the realization of an affluent ubiquitous network society. The Anritsu Group is promoting new product research and development with a focus on leading-edge technology fields including IP networks and mobile communication systems.

An overview of research and development expenditures in the year ended March 31, 2010 follows below.

(Millions of yen)

	2010	Ratio to Segment Sales
Test and Measurement	¥6,967	14.4%
Information and Communications	381	7.2
Industrial Automation	902	7.7
Services and Others	234	2.8
Basic Research	903	—
Total	¥9,388	12.8%

Note: The "Total" line shows the ratio to net sales.

The results of research and development in each business segment are outlined below.

Segment	Model	Product	Application	Contribution
Test and Measurement	ME7873L ME7832L	FR conformance test system Protocol conformance test system	Verification testing of LTE handsets and signal transmission and reception between handset and base station	Contributes to smooth commercialization of LTE service and improvement of service quality
	MS272xB MT8222A MT8221B	Compact spectrum analyzer Base station analyzer	Measurement during installation and maintenance of LTE base stations and repeaters	Meets demand for base station measurement during LTE diffusion period
	MS2830A	Signal analyzer	Measurement during production of digital wireless products and electronic components	Reduces production cost of components for LTE and other digital wireless applications, and contributes to reduction of CO_2 emissions
	MS9740A	Optical spectrum analyzer	Evaluation of various optical characteristics of active optical devices	Reduces production cost of active optical devices for LTE and broadband, and contributes to higher productivity
Information and Communications	Disaster communication systems		Two-way communication systems for use during disasters	Contributes to rapid response during disasters in ways such as transmitting data and confirming safety
Industrial Automation	Development of highly sensitive detection systems KD7447DW X-ray inspection systems Super Mepoli III metal detection systems SV series checkweighers		Higher-sensitivity quality inspection for food safety and security	Suitable for various applications including large products and packaging. Contributes to rigorous, wide-ranging quality control

Management Objectives and Indicators

Anritsu emphasizes consolidated cash flow with the aim of maximizing corporate value. Moreover, Anritsu evaluates performance in each of its businesses using ACE, a proprietary indicator for assessing value added to invested capital.

In April 2010, Anritsu initiated the Mid-Term Plan GLP2012 for the three years ending March 31, 2013 to achieve continuous profitable growth. Anritsu is aiming to be a highly profitable company with net sales of ¥90,000 million, an operating margin of 10 percent, and ROE of 10 percent by the fiscal year ending March 31, 2013.

Outlook and Management Issues for the Year Ending March 31, 2011

For the fiscal year ending March 31, 2011, the global economy is expected to continue gradually recovering as the economies of emerging countries expand and business confidence improves in developed countries. In the Japanese market, an uptrend in capital investment among Anritsu's customers is expected as their results improve. However, factors that will require careful attention include intensifying price competition resulting from changing market structures, as well as foreign exchange rate trends.

In this market environment, the Anritsu Group will deploy the following measures.

In the core Test and Measurement segment, Anritsu will focus on enhancing its lineup of competitive measurement instruments for the emerging 3.9G LTE handset market and for the electronics market, which is expected to grow over the medium-to-long term. The Company will also work to develop demand for service assurance and other offerings in emerging countries. Anritsu will continue to promote the launch of new products that match market needs by getting closer to customers in ways such as sharing development road maps with key customers in order to strengthen its product planning ability. The Company will also work to expand business and increase profitability by increasing management efficiency through the promotion of enhancements to the operational framework.

In the Information and Communications segment, Anritsu will work to expand business by boosting the competitiveness of its IP network solutions and strengthening cooperation with system integrators.

In the Industrial Automation segment, Anritsu will strengthen cost-cutting to improve profitability, while aiming to expand business by promoting a product strategy of higher added value and differentiation and further accelerating business development in overseas markets, such as beginning full-scale overseas production.

Steady implementation of these strategies requires Anritsu to appropriately manage and reduce risks and transform them from impediments into a source of competitive advantage. For this reason, Anritsu will work to achieve its management targets by improving its risk management system through further strengthening of established ties among Group companies in Japan and overseas via upgrades to the internal control system.

The Anritsu Group seeks to increase corporate value through sincere corporate activities, and proactively carries out its corporate social responsibility (CSR) program. While Anritsu believes that its most important CSR activities involve contributing to the creation of a safe, secure society through its products and services, it is also reviewing Anritsu Group activities in CSR areas including compliance, corporate governance, environmental protection, human rights and risk management as a means of further improving its management infrastructure.

Anritsu aims to be a company that contributes to creating an affluent, safe and secure global society as it works to steadily expand its operations and improve its financial structure.

Based on the above, in the core Test and Measurement segment, Anritsu anticipates continuing firm demand in markets related to 3.9G LTE mobile communication systems, as well as increased sales due to contributions from new products centered on the electronics market. Therefore, as of April 27, 2010, Anritsu projects that net sales will increase 4.7 percent year on year overall to ¥77,000 million.

Anritsu forecasts that various factors projected to contribute to operating income will be insufficient to offset increased personnel costs and other expenses associated with the termination of some of the urgent management measures formulated and implemented in January 2009. Anritsu therefore projects that operating income will decrease 17.1 percent year on year to ¥3,800 million. In addition, the Company projects that net income will increase 289.5 percent year on year to ¥1,500 million.

Risk Information

The following are among the operational and management issues presented in this annual report that have the potential to materially affect investor decisions. Forward-looking statements reflect the Anritsu Group's judgment as of March 31, 2010.

(1) Inherent Risks in the Anritsu Group's Technology and Marketing Strategies

The Anritsu Group works to deploy its well-developed technological capabilities to quickly provide leading-edge products and services that offer value to customers. However, the rapid pace of technological innovation in the Anritsu Group's core information and communication markets and the Anritsu Group's ability to deliver products and services to meet the needs and wants of customers are factors that have the potential to exert a material impact on the Anritsu Group's results.

(2) Market Fluctuation Risk

External factors including changes in the economy or market conditions and technological innovation affect the profitability of product lines the Group develops and have the potential to exert a significant material impact on the Anritsu Group's results.

The Test and Measurement segment derives a large percentage of its sales from the telecommunications market, and changes in capital investment among telecom carriers, telecommunications equipment manufacturers and related electronic component manufacturers may affect results in this segment. The telecommunications industry is curtailing capital investment while introducing new technologies to support rapid expansion in data traffic, and is also promoting shared network use and open networks to raise the efficiency of service development. Moreover, demand for mobile communications measuring instruments, the cornerstone of earnings for the Anritsu Group, is affected by such factors as technological innovation in mobile phone services, penetration rate, the number of subscribers and changes in mobile handset replacement rate. In addition, Anritsu's earnings are affected by changes in development techniques in areas such as mobile handset software and platform creation, and also by intensified price competition for measuring instruments for production of mobile phones.

In the Information and Communications segment, price competition is influenced by economic trends and technological innovation. In addition, because this business has a particularly high proportion of sales to government entities, the scale and status of implementation of government and municipal budgets for disaster prevention and IP networks may exert a material impact on its performance.

In the Industrial Automation segment, sales to food manufacturers constitute about 85 percent of sales. Economic growth rates, consumer spending and raw material price trends have the potential to impact performance, capital investment and other issues among food manufacturers and materially influence this segment's performance.

(3) Global Business Development Risks

The Anritsu Group markets its products globally, and conducts business in the Americas, Europe, Asia and elsewhere. In particular, the overseas sales ratio for the Test and Measurement business is about 70 percent, and many customers likewise operate on a global scale. As a result, economic trends in countries worldwide, international conditions and progress in the Anritsu Group's global strategy have the potential to exert a material impact on earnings. In addition, global-scale mergers, acquisitions and realignment in the telecommunications industry are changing the competitive landscape. Significant changes in capital investment resulting from this trend have the potential to exert a material impact on the Anritsu Group's operating results.

(4) Foreign Exchange Risk

The Anritsu Group's sales outside Japan account for 54.5 percent of consolidated net sales. The Anritsu Group hedges foreign exchange risk using instruments including forward foreign exchange contracts for foreign exchange transactions that occur upon collection of accounts receivable and other events. However, rapid changes in foreign exchange rates have the potential to exert a material impact on the Anritsu Group's performance.

(5) Long-term Inventory Obsolescence Risk

The Anritsu Group works to provide products and services that precisely meet customer needs and wants. However, particularly in the test and measuring instruments market, product lines are subject to rapid changes in technology, which can easily result in obsolescence of products and parts, and cause inventory held for long periods to lose value. These factors have the potential to exert a material impact on the Anritsu Group's financial condition.

(6) Risk of Impairment of Goodwill

As of March 31, 2010, the balance sheets of the Anritsu Group included goodwill resulting from the acquisition of an overseas company in order to expand the scope of business of the Test and Measurement segment. The impact on earnings of the Test and Measurement business from changes in the global economy and markets, intensifying competition and other factors has the potential to cause the Group to recognize impairment of goodwill.

Consolidated Balance Sheets

ANRITSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	**2010**
Assets			
Current assets:			
Cash (Notes 5 and 6)	**¥ 26,270**	¥ 18,538	**$ 282,321**
Notes and accounts receivable — trade (Note 6)	**21,012**	20,428	**225,814**
Allowance for doubtful accounts	**(253)**	(344)	**(2,719)**
Inventories (Note 8)	**13,471**	14,729	**144,772**
Deferred tax assets (Note 12)	**6,289**	7,542	**67,587**
Other current assets	**960**	1,393	**10,317**
Total current assets	**67,749**	62,286	**728,092**
Property, plant and equipment:			
Land (Note 9)	**4,334**	4,380	**46,577**
Buildings and structures (Note 9)	**44,910**	45,005	**482,644**
Machinery and equipment	**22,822**	23,305	**245,266**
Construction in progress	**1**	1	**11**
	72,067	72,691	**774,498**
Accumulated depreciation	**(52,950)**	(51,704)	**(569,049)**
Net property, plant and equipment	**19,117**	20,987	**205,449**
Investments and other assets:			
Investment securities (Notes 6 and 7)	**906**	1,448	**9,737**
Goodwill, net of amortization	**2,883**	3,523	**30,983**
Long-term prepaid expense	**8,064**	8,319	**86,663**
Deferred tax assets (Note 12)	**1,313**	2,985	**14,111**
Other assets	**1,158**	1,470	**12,444**
Allowance for doubtful accounts	**(2)**	(35)	**(21)**
Total investments and other assets	**14,322**	17,710	**153,917**
Total assets	**¥101,188**	¥100,983	**$1,087,458**

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	**2010**
Liabilities and net assets			
Current liabilities:			
Short-term borrowings (Notes 6 and 10)	**¥ 3,751**	¥ 3,802	**$ 40,312**
Long-term debt due within one year (Notes 6 and 10)	**7,424**	7,800	**79,785**
Notes and accounts payable — trade (Note 6)	**5,297**	5,020	**56,926**
Accrued liabilities	**3,510**	5,082	**37,722**
Accrued expenses	**2,274**	1,360	**24,438**
Income taxes payable	**1,059**	890	**11,381**
Other current liabilities (Note 6)	**4,499**	4,108	**48,351**
Total current liabilities	**27,814**	28,062	**298,915**
Long-term liabilities:			
Long-term debt (Notes 6 and 10)	**31,100**	32,004	**334,229**
Lease obligation (Note 6)	**1,659**	396	**17,829**
Employees' severance and retirement benefits (Note 15)	**1,687**	1,631	**18,130**
Severance and retirement benefits for directors and corporate auditors (Note 15)	**16**	20	**172**
Deferred tax liabilities (Note 12)	**599**	660	**6,437**
Other long-term liabilities	**639**	685	**6,868**
Total long-term liabilities	**35,700**	35,396	**383,665**
Commitments and contingent liabilities (Note 17)			
Net assets (Note 16)**:**			
Common stock, no par value			
Authorized — 400,000,000 shares			
Issued — 128,037,848 shares in 2010 and 2009	**14,050**	14,050	**150,994**
Capital surplus	**23,000**	23,000	**247,179**
Retained earnings	**7,979**	7,594	**85,750**
Treasury stock, at cost	**(836)**	(833)	**(8,984)**
Net unrealized holding gain or loss on securities	**138**	259	**1,482**
Deferred gain or loss on hedged transactions	**(29)**	(21)	**(312)**
Foreign currency translation adjustments	**(6,648)**	(6,544)	**(71,446)**
Stock acquisition rights	**20**	20	**215**
Total net assets	**37,674**	37,525	**404,878**
Total liabilities and net assets	**¥101,188**	¥100,983	**$1,087,458**

Consolidated Statements of Operations

ANRITSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2010, 2009 and 2008

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2010	2009	2008	2010
Net sales (Note 19)	**¥73,548**	¥83,940	¥100,486	**$790,414**
Cost of sales (Note 19)	**42,708**	52,005	56,474	**458,979**
Gross profit	**30,840**	31,935	44,012	**331,435**
Selling, general and administrative expenses (Note 19)	**26,257**	31,030	38,656	**282,182**
Operating income (Note 19)	**4,583**	905	5,356	**49,253**
Other income (expenses):				
Interest and dividends income	**98**	211	293	**1,053**
Interest expenses	**(631)**	(707)	(888)	**(6,781)**
Foreign exchange gain (loss)	**(320)**	(266)	(259)	**(3,439)**
Loss on disposal of inventories	**—**	—	(2,427)	**—**
Loss on devaluation of inventories	**—**	(1,358)	(3,221)	**—**
Loss on disposal of property, plant and equipment	**(17)**	(58)	(127)	**(183)**
Gain on sales of property, plant and equipment	**158**	2	74	**1,698**
Gain on sales of investment securities	**140**	5	—	**1,505**
Loss on devaluation of investment securities	**(17)**	(170)	(30)	**(183)**
Management innovation implementation expenses	**—**	—	(1,156)	**—**
Gain on revision of retirement benefit plan	**—**	1,202	—	**—**
Compensation income for expropriation	**—**	99	—	**—**
Gain on reversal of subscription rights to shares	**—**	35	—	**—**
Business structure improvement expenses	**—**	(2,214)	—	**—**
Gain on retirement by purchase of bonds	**62**	—	—	**666**
Other, net	**(143)**	78	(772)	**(1,536)**
	(670)	(3,141)	(8,513)	**(7,200)**
Income (loss) before income taxes	**3,913**	(2,236)	(3,157)	**42,053**
Provision for income taxes (Note 12):				
Current	**728**	1,176	436	**7,824**
Deferred	**2,800**	129	308	**30,091**
	3,528	1,305	744	**37,915**
Net income (loss)	**¥ 385**	¥ (3,541)	¥ (3,901)	**$ 4,138**

	Yen			U.S. dollars
	2010	2009	2008	2010
Amount per share of common stock:				
Net income (loss):				
Basic	**¥3.02**	¥(27.78)	¥(30.60)	**$0.03**
Diluted	**2.77**	—	—	**0.03**
Cash dividends applicable to the year	**—**	3.50	7.00	**—**

See accompanying notes.

Consolidated Statements of Changes in Net Assets

ANRITSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2010, 2009 and 2008

		Millions of yen								
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain or loss on securities	Deferred gain or loss on hedged transactions	Foreign currency translation adjustments	Stock acquisition rights	Total
Balance at March 31, 2007	128,037,848	¥14,050	¥23,000	¥ 27,117	¥(825)	¥ 706	¥ (1)	¥(2,442)	¥ 14	¥ 61,619
Cash dividends paid	—	—	—	(892)	—	—	—	—	—	(892)
Net income (loss)	—	—	—	(3,901)	—	—	—	—	—	(3,901)
Purchases of treasury stock	—	—	—	—	(10)	—	—	—	—	(10)
Disposal of treasury stock	—	—	—	(1)	3	—	—	—	—	2
Net changes during the year	—	—	—	—	—	—	—	—	40	40
Net unrealized holding gain or loss on securities	—	—	—	—	—	(522)	—	—	—	(522)
Deferred gain or loss on hedged transactions	—	—	—	—	—	—	(22)	—	—	(22)
Adjustments from translation of foreign currency financial statements	—	—	—	—	—	—	—	(3,469)	—	(3,469)
Balance at March 31, 2008	128,037,848	¥14,050	¥23,000	¥ 22,323	¥(832)	¥ 184	¥(23)	¥(5,911)	¥ 54	¥ 52,845
Cash dividends paid	—	—	—	(892)	—	—	—	—	—	(892)
Net income (loss)	—	—	—	(3,541)	—	—	—	—	—	(3,541)
Purchases of treasury stock	—	—	—	—	(8)	—	—	—	—	(8)
Disposal of treasury stock	—	—	—	(5)	7	—	—	—	—	2
Net changes during the year	—	—	—	—	—	—	—	—	(34)	(34)
Net unrealized holding gain or loss on securities	—	—	—	—	—	75	—	—	—	75
Deferred gain or loss on hedged transactions	—	—	—	—	—	—	2	—	—	2
Adjustments from translation of foreign currency financial statements	—	—	—	—	—	—	—	(633)	—	(633)
Effect of unification of accounting policies applied to foreign subsidiaries	—	—	—	(10,291)	—	—	—	—	—	(10,291)
Balance at March 31, 2009	128,037,848	¥14,050	¥23,000	¥ 7,594	¥(833)	¥ 259	¥(21)	¥(6,544)	¥ 20	¥ 37,525
Net income (loss)	**—**	**—**	**—**	**385**	**—**	**—**	**—**	**—**	**—**	**385**
Purchases of treasury stock	**—**	**—**	**—**	**—**	**(4)**	**—**	**—**	**—**	**—**	**(4)**
Disposal of treasury stock	**—**	**—**	**—**	**(0)**	**1**	**—**	**—**	**—**	**—**	**1**
Net unrealized holding gain or loss on securities	**—**	**—**	**—**	**—**	**—**	**(121)**	**—**	**—**	**—**	**(121)**
Deferred gain or loss on hedged transactions	**—**	**—**	**—**	**—**	**—**	**—**	**(8)**	**—**	**—**	**(8)**
Adjustments from translation of foreign currency financial statements	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(104)**	**—**	**(104)**
Balance at March 31, 2010	**128,037,848**	**¥14,050**	**¥23,000**	**¥ 7,979**	**¥(836)**	**¥ 138**	**¥(29)**	**¥(6,648)**	**¥ 20**	**¥ 37,674**

		Thousands of U.S. dollars (Note 1)								
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain or loss on securities	Deferred gain or loss on hedged transactions	Foreign currency translation adjustments	Stock acquisition rights	Total
Balance at March 31, 2009	128,037,848	$150,994	$247,179	$81,612	$(8,952)	$2,783	$(226)	$(70,327)	$215	$403,278
Net income (loss)	**—**	**—**	**—**	**4,138**	**—**	**—**	**—**	**—**	**—**	**4,138**
Purchases of treasury stock	**—**	**—**	**—**	**—**	**(43)**	**—**	**—**	**—**	**—**	**(43)**
Disposal of treasury stock	**—**	**—**	**—**	**(0)**	**11**	**—**	**—**	**—**	**—**	**11**
Net unrealized holding gain or loss on securities	**—**	**—**	**—**	**—**	**—**	**(1,301)**	**—**	**—**	**—**	**(1,301)**
Deferred gain or loss on hedged transactions	**—**	**—**	**—**	**—**	**—**	**—**	**(86)**	**—**	**—**	**(86)**
Adjustments from translation of foreign currency financial statements	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(1,119)**	**—**	**(1,119)**
Balance at March 31, 2010	**128,037,848**	**$150,994**	**$247,179**	**$85,750**	**$(8,984)**	**$1,482**	**$(312)**	**$(71,446)**	**$215**	**$404,878**

See accompanying notes.

Consolidated Statements of Cash Flows

ANRITSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2010, 2009 and 2008

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2010	2009	2008	**2010**
Cash flows from operating activities				
Net income (loss)	**¥ 385**	¥ (3,541)	¥ (3,901)	**$ 4,138**
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	**2,972**	3,181	3,348	**31,940**
Amortization expense of goodwill	**641**	641	641	**6,889**
Gain on sales of investment securities	**(140)**	(5)	—	**(1,505)**
Gain on sales of property, plant and equipment	**(158)**	(2)	(74)	**(1,698)**
Loss on devaluation of investment securities	**17**	170	30	**183**
Deferred income taxes	**2,800**	129	308	**30,091**
Other — net	**(79)**	(16)	(112)	**(849)**
Changes in assets and liabilities:				
Notes and accounts receivable — trade	**(928)**	5,812	(1,590)	**(9,973)**
Inventories	**1,001**	5,635	4,962	**10,758**
Other current assets	**113**	(191)	335	**1,214**
Notes and accounts payable — trade	**471**	(1,225)	1,035	**5,062**
Income taxes payable and receivable	**683**	135	(290)	**7,340**
Provision for retirement benefits	**306**	(946)	1	**3,289**
Other current liabilities	**(541)**	(2,339)	(549)	**(5,814)**
Other — net	**427**	(522)	2,107	**4,588**
Net cash provided by operating activities	**7,970**	6,916	6,251	**85,653**
Cash flows from investing activities				
Purchases of marketable securities and investment securities	**(5)**	(3)	(3)	**(54)**
Proceeds from sales of marketable securities and investment securities	**500**	5	—	**5,373**
Acquisition of property, plant and equipment	**(1,161)**	(1,912)	(2,438)	**(12,477)**
Proceeds from sales of property, plant and equipment	**206**	34	133	**2,214**
Net decrease in long-term loans receivable	**(15)**	(14)	(2)	**(161)**
Other — net	**(24)**	564	(63)	**(258)**
Net cash used in investing activities	**(499)**	(1,326)	(2,373)	**(5,363)**
Cash flows from financing activities				
Proceeds from long-term debt	**21,735**	—	7,640	**233,584**
Payment of long-term debt	**(15,035)**	(975)	(8,120)	**(161,580)**
Proceeds from issue of bonds	**—**	—	10,000	**—**
Redemption of bonds	**—**	—	(15,000)	**—**
Payment for retirement by purchase of bonds	**(7,914)**	—	—	**(85,051)**
Proceeds from sale and leaseback transaction	**1,985**	—	—	**21,333**
Net increase (decrease) in short-term borrowings	**26**	(1,791)	(244)	**279**
Payments on acquisition of treasury stock	**(4)**	(8)	(10)	**(43)**
Cash dividends paid	**—**	(892)	(892)	**—**
Other — net	**(406)**	(182)	1	**(4,363)**
Net cash provided by (used in) financing activities	**387**	(3,848)	(6,625)	**4,159**
Effect of exchange rate changes on cash and cash equivalents	**(126)**	111	(515)	**(1,354)**
Net increase (decrease) in cash	**7,732**	1,853	(3,262)	**83,095**
Cash and cash equivalents at beginning of year	**18,538**	16,685	19,947	**199,226**
Cash and cash equivalents at end of year (Note 5)	**¥ 26,270**	¥18,538	¥ 16,685	**$ 282,321**
Supplemental information of cash flows:				
Cash paid during the year for:				
Interest	**¥ 627**	¥ 707	¥ 1,008	**$ 6,738**
Income taxes	**(425)**	(1,137)	(879)	**(4,567)**
Cash received during the year for:				
Income taxes	**380**	97	153	**4,084**

See accompanying notes.

Notes to Consolidated Financial Statements

ANRITSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2010, 2009 and 2008

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Anritsu Corporation (the "Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in "the Financial Instruments and Exchange Law" and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

Prior to the year ended March 31, 2009, the accounts of overseas subsidiaries were based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. As discussed in Note 2, the accounts of overseas subsidiaries for the year ended March 31, 2009 and thereafter are prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for the specified six items as applicable. The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2010, which was ¥93.05 to U.S.$1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. CHANGES IN ACCOUNTING POLICIES

Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

On March 17, 2006, the Accounting Standards Board of Japan issued ASBJ Practical Issues Task Force No. 18 "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" ("PITF No. 18"). PITF No. 18 requires that accounting policies and procedures applied by a parent company and its subsidiaries to similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements. PITF No. 18, however, as a tentative measure, allows a parent company to prepare consolidated financial statements using foreign subsidiaries' financial statements prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles. In this case, adjustments for the following six items are required in the consolidation process so that their impacts on net income are accounted for in accordance with Japanese GAAP unless the impact is not material.

(a) Goodwill not subjected to amortization
(b) Actuarial gains and losses of defined benefit plans recognized outside profit or loss
(c) Capitalized expenditures for research and development activities
(d) Fair value measurement of investment properties, and revaluation of property, plant and equipment, and intangible assets
(e) Retrospective treatment of a change in accounting policies
(f) Accounting for net income attributable to minority interests

As a result of adopting PITF No. 18, from April 1, 2008, retained earnings at April 1, 2008 was decreased by ¥10,291 million.

New accounting standard for inventories

On July 5, 2006, the Accounting Standards Board of Japan issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories." As permitted under the superseded accounting standard, the Company and its consolidated domestic subsidiaries previously stated inventories at cost (unless market value of inventories declined significantly and not deemed recoverable, in such cases costs were reduced to recoverable amounts). The new accounting standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net realizable value, which is defined as selling price less additional estimated manufacturing costs and estimated direct selling expenses. Replacement cost may be used in place of the net realizable value, if appropriate. As a result of this adoption, gross profit and operating income decreased by ¥885 million, and income before income taxes decreased by ¥1,530 million for the year ended March 31, 2009.

Change in depreciation method

On April 1, 2007, the Company and its domestic consolidated subsidiaries changed the depreciation method for tangible fixed assets acquired on or after April 1, 2007 based on the revised Corporation Tax Law in accordance with revisions to that law ((Partial Amendment to the Income Tax Law, March 30, 2007, Law No. 6) and (Partial Amendment to the Corporation Tax Enforcement Ordinance, March 30, 2007, Ordinance No. 83)). As a result, gross profit and operating income decreased by ¥74 million and ¥86 million, respectively, and loss before income taxes increased by ¥86 million, in comparison with the figures derived using the conventional accounting method for the year ended March 31, 2008.

New accounting standards for lease transactions as lessee

Prior to April 1, 2008, the Company and its consolidated domestic subsidiaries accounted for finance leases which did not transfer ownership of the leased property to the lessee as operating leases with disclosure of certain "as if capitalized" information in a note to the consolidated financial statements.

On March 31, 2007, the Accounting Standards Board of Japan issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions" and ASBJ Guidance No. 16, "Guidance on Accounting Standard for Lease Transactions." The new accounting standards require that all finance leasing transactions should be capitalized.

Effective from the year ended March 31, 2009, the Company and its consolidated domestic subsidiaries adopted the new accounting standards for finance leases commencing after March 31, 2008 and capitalized assets used under such leases, except for certain immaterial or short-term finance leases, which are accounted for as operating leases.

The adoption of the new standards had no impact on the consolidated statements of operations for the year ended March 31, 2009.

Application of "Partial Amendments to Accounting Standard for Retirement Benefit (Part 3)

Effective from the year ended March 31, 2010, the Company and its consolidated domestic subsidiaries adopted "Partial Amendments to Accounting standard for Retirement Benefit (Part 3)" (ASBJ Statement No. 19 dated July 31, 2008).

The adoption of the new standards had no impact on the consolidated financial statements for the year ended March 31, 2010.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The consolidated financial statements include the accounts of the Company and all its subsidiaries (41 subsidiaries in 2010, and 43 subsidiaries in 2009 and 2008). There are no minority interests in the balance sheet because all consolidated subsidiaries are wholly owned by the Company. Intercompany account balances and transactions have been eliminated.

Investment in a significant affiliated company is accounted for by the equity method.

Investment in the other affiliated Company is stated at cost, because the income or losses of the Company is not significant for the Company's equity.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries.

Statements of cash flows

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

Securities

The Company and its consolidated subsidiaries (the "Companies") assessed the intent of holding each security and classified those securities as (a) securities held for trading purposes ("trading securities"), (b) debt securities intended to be held to maturity ("held-to-maturity debt securities"), (c) equity securities issued by subsidiaries and affiliated companies, and (d) all other securities that are not classified in any of the above categories ("available-for-sale securities").

No trading securities and held-to-maturity debt securities have been owned by the Companies. Equity securities issued by subsidiaries have been eliminated upon consolidation. Equity security issued by an affiliated company is stated at cost as described in "Consolidation." Available-for-sale securities with fair market value are stated at fair market value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of the net assets. Realized gain on sale of such securities is computed using the moving-average cost.

Debt securities with no fair market value are stated at the amortized cost, net of the amount considered uncollectible. Other securities with no fair market value are stated at the moving-average cost.

If the market value of equity securities issued by an affiliated company, and available-for-sale securities, declines significantly, such securities are stated at fair market value and the difference between fair market value and the carrying amount is recognized as loss in the period of the decline.

If the fair market value of equity securities issued by an affiliated company is not readily available, such securities should be written down to net asset value in the event net asset value significantly declines. Unrealized losses on these securities are reported in the consolidated statement of income.

Inventories

Prior to April 1, 2008, inventories of the Company and consolidated subsidiaries were stated at cost determined principally using the specific identification method (unless market value of inventories declines significantly and is not expected to recover to cost, in such cases costs are reduced to net realizable values). As discussed in Note 2, effective April 1, 2008, the Company and consolidated domestic subsidiaries adopted the new accounting standard for measurement of inventories and stated the inventories at the lower of cost or net realizable values.

Allowance for doubtful accounts

Allowance for doubtful accounts is provided principally for amounts sufficient to cover possible losses on collection. It consists of the estimated uncollectible amount with respect to specific items, and possible losses on collection computed by applying a percentage based on collection experience to the remaining items.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost. The Company and consolidated domestic subsidiaries depreciate buildings acquired after March 31, 1998 using the straight-line method and the other property, plant and equipment using the declining-balance method at rates based on the useful lives of the assets. Consolidated foreign subsidiaries compute depreciation principally using the straight-line method over the estimated useful lives.

Property, plant and equipment used under finance lease arrangements are capitalized and depreciated over the estimated useful lives or the lease terms of the respective assets.

Goodwill

Goodwill and negative goodwill is amortized by the straight-line method over the estimated recovery periods not exceeding a twenty-year period of the respective investments.

Goodwill arising from the acquisition of Anritsu A/S is amortized over a nine-year period.

Software costs

Software costs, which are included in other assets, are amortized based on the straight-line method over their estimated useful lives (five years).

Accounting for lease transactions as lessee

Finance leases, except for certain immaterial or short-term leases, are capitalized and depreciated over the estimated useful lives or lease terms, as applicable.

Accrued bonuses

The Company accrued the estimated amounts of bonuses for managers based on estimated amounts to be paid at the end of each evaluation period.

Accrued bonuses to directors and corporate auditors

Accrued bonuses are stated at an estimated amount of the bonuses to be paid to directors and corporate auditors, based on their services for the current fiscal period.

The accounting standard requires that directors' bonuses be accounted for as an expense of the accounting period in which such bonuses were accrued.

Severance and retirement benefits

As of April 1, 2008, the Company and its consolidated domestic subsidiaries had three types of pension plans for employees, i.e., lump-sum payment plan, cash-balance pension plan (market interest reflecting type) and tax-qualified post-employment benefit plan.

On March 1, 2009, the tax-qualified post-employment benefit plan was terminated and a part of the pension plan was transferred to a defined contribution plan. So from March 31, 2009, the Company and its domestic consolidated subsidiaries have three types of pension plan for employees, i.e., a lump-sum payment plan, a cash-balance pension plan (market interest reflecting type) and a defined contribution plan. Under the lump-sum payment plan and cash-balance pension plan, all eligible employees are entitled to benefits based on the level of wages and salaries at the time of retirement or termination, length of service and certain other factors. The Company has adopted a trust fund for pension payments.

Allowance and expenses for the lump-sum payment plan and cash-balance pension plan are determined based on the amount actuarially calculated using certain assumptions.

Prior service cost is recognized as expense as incurred. Actuarial gains and losses are also recognized as expense using the straight-line method over a certain period (primarily 13 years) within the estimated average remaining service life commencing from the succeeding period.

The Board of Directors and corporate auditors of the Company made a resolution in June 2004, that severance and retirement benefits for directors and corporate auditors would not be paid thereafter. The balance of severance and retirement benefits for directors and corporate auditors as of March 31, 2010 and 2009 were for directors and corporate auditors who provided services before the resolution. Previously, severance and retirement benefits for directors and corporate auditors were recorded at the amount that would be required if all directors and corporate auditors retired at each balance sheet date.

Severance and retirement benefits for directors and corporate auditors of the consolidated domestic subsidiaries were recorded at the amount that would be required if all directors and corporate auditors retired at each balance sheet date.

As a result of the transfer to defined contribution plan, ¥1,202 million gain on revision of retirement benefit plan was recognized for the year ended March 31, 2009, according to "Guidance on Accounting for Transfer between Retirement Benefit Plans" (ASBJ Guidance No. 1).

Income taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company and its domestic subsidiaries have adopted consolidated tax system since April 1, 2005.

Derivative transactions and hedge accounting

The accounting standard for financial instruments requires companies to state derivative financial instruments at fair value and to recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies defer recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized.

However, in cases where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, forward foreign exchange contracts and hedged items are accounted for in the following manner:

1. If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,

1-(a) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the consolidated statements of operations in the period which includes the inception date, and

1-(b) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.

2. If a forward foreign exchange contract is executed to hedge a future transaction denominated in foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.

Also, if interest rate swap contracts are used as hedge and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract is executed.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

Translation of foreign currency

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rate prevailing on the balance sheet date, and the resulting gains and losses are charged to income.

Translation of foreign currency financial statements

The assets and liabilities are translated into Japanese yen at the year-end rate and the revenues and expenses are translated at the monthly average rate of the respective year. The resulting foreign currency translation adjustments are reflected as a separate component of the net assets in the consolidated balance sheets.

Amounts per share of common stock

The computations of basic net income per share are based on the weighted average number of shares outstanding during the respective year.

Cash dividends per share represent the cash dividends declared applicable to the respective year including dividends paid after the end of the year.

Reclassification and restatement

Certain prior year amounts have been reclassified to conform to the current year presentation.

4. ADDITIONAL INFORMATION

Effective in the year ended March 31, 2009, the Company and its consolidated domestic subsidiaries shortened the useful lives of machinery and equipment based on the reassessment of the useful lives in light of the change in the Corporation Tax Code of Japan. The change had no significant impact on the consolidated statements of operations for the year ended March 31, 2009.

Pursuant to an amendment to the Corporation Tax Law, after having fully depreciated tangible fixed assets acquired on and before March 31, 2007 up to 5% of the acquisition cost, based on the prior Corporation Tax Law, the Company and its domestic consolidated subsidiaries have depreciated the difference between 5% of the acquisition cost and the memorandum price, using a straight-line method over 5 years and expensed as “Depreciation and amortization.” The straight-line depreciation starts from the following year, when the book value of tangible assets acquired on or before March 31, 2007 reaches 5% of the acquisition cost.

As a result, gross profit and operating income for the year ended March 31, 2008 decreased by ¥178 million and ¥196 million, respectively, and loss before income taxes increased by ¥196 million each in comparison with the figures derived using the conventional depreciation method.

5. CASH AND CASH EQUIVALENTS

There is no difference between cash on the consolidated balance sheet and cash and cash equivalents on the consolidated statements of cash flows at March 31, 2010 and 2009.

6. FINANCIAL INSTRUMENTS

1. Current status of financial instruments

(1) Group policy for financial instruments

The policy of the Company and its consolidated subsidiaries (the “Companies”) is to put money in low risk financial instruments only, and to fund through bank loans and bond issues. The Companies use derivatives to hedge foreign exchange risk associated with receivables and payables from transactions denominated in foreign currencies and interest rate risk fluctuations associated with borrowings. The Companies do not use derivatives for speculative or highly leveraged transactions.

(2) Financial instruments, associated risks and the risk management system

Notes and accounts receivable expose the “Companies” to customer’s credit risk. Sales and sales management divisions manage the risk associated with these receivables by regularly monitoring the financial conditions of major customers in accordance with credit control rule. The divisions also check settlement dates and account balances of each customer and try to identify and mitigate collection risk sooner when the financial condition of the customer became worse. Consolidated subsidiaries of the Company apply the same credit control rule.

Receivables denominated in foreign currencies expose the Companies to foreign exchange risk. In principle, the Company and certain consolidated subsidiaries use forward foreign exchange contracts to hedge foreign exchange risk on a currency-by-currency basis.

Short-term investments and investment securities, which consist primarily of held-to-maturity debt securities and shares in companies with which the Company and its consolidated subsidiaries have business relationship, expose the Companies to market risk. Held-to-maturity relationship securities expose the Companies to very low risk because internal fund management rules require to hold debt securities with high credit ratings only. In addition, the Companies regularly monitor the market prices of shares in companies with which they have business relationship and the financial condition of the issuers, and accordingly keep reviewing the status of their holdings.

Almost all notes and accounts payable are due within one year. Part of notes and accounts payable is associated with imports of raw materials and is denominated in foreign currencies, which exposes the Companies to foreign exchange risk.

The Companies primarily fund working capital requirement by loans, bonds and finance lease transactions. Certain loans expose the Companies to interest rate risk. In order to minimize the interest rate risk and to fix the interest rate, the Companies enter into derivative transactions of interest rate swap as measures of hedging.

The Companies enter into derivative transactions of forward foreign exchange contracts to hedge the foreign exchange risk associated with monetary receivables denominated in foreign currencies and interest rate swaps to hedge interest rate risk associated with loans.

Payables, loans and bonds expose the Companies to liquidity risk. The Companies manage this risk by way of having funding plan, updating operating capital requirements and maintaining sufficient liquidity.

(3) Supplemental information on the fair value of financial instruments

The contractual amounts of the transactions discussed in Note 13, DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS are not an indicator of the market risk associated with derivatives.

2. Fair value of financial instruments

Book value and fair value of financial instruments and differences between them as of March 31, 2010 are as follows. Note 2 below provides information on financial instruments that are not included in the table because of the difficulty of determining their fair value.

	Millions of yen		
At March 31, 2010	Book value	Fair value	Difference
(1) Cash	**¥26,270**	**¥26,270**	**¥ —**
(2) Notes and accounts receivable–trade	**21,012**	**21,012**	**—**
(3) Investment securities Available-for-sale securities	**637**	**637**	**—**
(4) Notes and accounts payable–trade	**(5,297)**	**(5,297)**	**—**
(5) Short-term borrowings	**(3,751)**	**(3,751)**	**—**
(6) Bonds and bonds with stock acquisition rights convertible into common stock (including due within one year)	**(17,024)**	**(16,401)**	**(623)**
(7) Long-term debt (including due within one year)	**(21,500)**	**(21,493)**	**(7)**
(8) Lease obligation (including due within one year)	**(2,209)**	**(2,203)**	**(6)**
(9) Derivatives	**(44)**	**(44)**	**—**

	Thousands of U.S. dollars		
At March 31, 2010	Book value	Fair value	Difference
(1) Cash	**$282,321**	**$282,321**	**$ —**
(2) Notes and accounts receivable–trade	**225,814**	**225,814**	**—**
(3) Investment securities Available-for-sale securities	**6,846**	**6,846**	**—**
(4) Notes and accounts payable–trade	**(56,926)**	**(56,926)**	**—**
(5) Short-term borrowings	**(40,312)**	**(40,312)**	**—**
(6) Bonds and bonds with stock acquisition rights convertible into common stock (including due within one year)	**(182,955)**	**(176,260)**	**(6,695)**
(7) Long-term debt (including due within one year)	**(231,059)**	**(230,983)**	**(76)**
(8) Lease obligation (including due within one year)	**(23,740)**	**(23,675)**	**(65)**
(9) Derivatives	**(473)**	**(473)**	**—**

* Figures shown in parentheses are liability items.

Note 1: Methods for computing the estimated fair value of financial instruments, securities and derivative transactions

(1) Cash and (2) Notes and accounts receivable—trade

Book value is used for the fair value of these items because these are settled in a short period and the book value can be deemed as fair value.

(3) Investment securities—Available-for-sale-securities

The fair value of these investments is the price at stock market and the price at bond market or quoted by financial institutions for bonds. See Note 7, SECURITIES for information on marketable securities by holding purposes.

(4) Notes and accounts payable—trade and (5) Short-term borrowings

Book value is used for the fair value of these items because these are settled in a short period and the book value can be deemed as fair value.

(6) Bonds and bonds with stock acquisition rights convertible into common stock (including due within one year

The fair value of these items is the market price or quoted by financial institutions.

(7) Long-term debt and (8) Lease obligation (both including due within one year)

The fair values of these items are derived using discount rates based on the rates of borrowing or leasing currently available to the Company for debt and lease obligations including interest portion.

(9) Derivatives

Note 13, DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS provides information on derivatives.

Note 2: Financial instruments with no readily available fair value at March 31, 2010 are as follows:

At March 31, 2010	Millions of yen
Non-listed equity securities	¥111
	¥111

At March 31, 2010	Thousands of U.S. dollars
Non-listed equity securities	$1,193
	$1,193

Note 3: The annual maturities of monetary receivables at March 31, 2010 are as follows:

At March 31, 2010	Millions of yen
Cash	¥26,270
Notes and accounts receivable-trade	21,012
	¥47,282

At March 31, 2010	Thousands of U.S. dollars
Cash	$282,321
Notes and accounts receivable-trade	225,814
	$508,135

Note 4: See Note 10, SHORT-TERM BORROWINGS AND LONG-TERM DEBT for the annual maturities of long-term debt at March 31, 2010.

Effective from the year ended March 31, 2010, the Company adopted “the Accounting Standard for Financial Instruments” (ASBJ Statement No. 10 dated March 10, 2008) and “Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19 dated March 10, 2008).

7. SECURITIES

The following tables summarize acquisition costs and book values of securities of which fair values are available as of March 31, 2010 and 2009:

	Millions of yen		
At March 31, 2010	Acquisition cost	Book value	Difference
Available-for-sale securities:			
Equity securities	¥440	¥637	¥197
	¥440	¥637	¥197

	Thousands of U.S. dollars		
At March 31, 2010	Acquisition cost	Book value	Difference
Available-for-sale securities:			
Equity securities	$4,729	$6,846	$2,117
	$4,729	$6,846	$2,117

	Millions of yen		
At March 31, 2009	Acquisition cost	Book value	Difference
Available-for-sale securities:			
Equity securities	¥797	¥1,109	¥312
	¥797	¥1,109	¥312

The following table summarizes book values of securities of which fair values are not available as of March 31, 2010 and 2009:

	Millions of yen
At March 31, 2010	Book value
Available-for-sale securities:	
Non-listed equity securities	¥111
	¥111

	Thousands of U.S. dollars
At March 31, 2010	Book value
Available-for-sale securities:	
Non-listed equity securities	$1,193
	$1,193

	Millions of yen
At March 31, 2009	Book value
Available-for-sale securities:	
Non-listed equity securities	¥144
	¥144

Total sales of available-for-sale securities for the year ended March 31, 2010 amounted to ¥500 million ($5,373 thousand) and the net gains amounted to ¥140 million ($1,505 thousand).

Total sales of available-for-sale securities for the year ended March 31, 2009 amounted to ¥5 million and the net gains amounted to ¥5 million.

8. INVENTORIES

Inventories at March 31, 2010 and 2009, consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Finished goods	¥ 5,049	¥ 6,030	$ 54,261
Raw materials and supplies	4,617	5,024	49,618
Work in process	3,805	3,675	40,893
	¥13,471	¥14,729	$144,772

9. RENTAL AND OTHER REAL ESTATE ASSETS

The Company and certain consolidated subsidiaries own rental commercial facilities and other properties in Kanagawa Prefecture, Tokyo Metropolis and other area. Net rent income in the year ended March 31, 2010 totaled ¥839 million. Rent income is included in net sales and rent expense is primarily included in operating expenses and other expenses.

Book value of the rental property, etc., changes during the year and fair value are as follows.

Year ended March 31, 2010	Millions of yen
Book value as of March 31, 2009	**¥ 3,308**
Decrease	**(129)**
Book value as of March 31, 2010	**3,179**
Fair value as of March 31, 2010	**18,005**

Year ended March 31, 2010	Thousands of U.S. dollars
Book value as of March 31, 2009	**$ 35,551**
Decrease	**(1,386)**
Book value as of March 31, 2010	**34,164**
Fair value as of March 31, 2010	**193,498**

Notes 1. Book value is net of acquisition cost and accumulated depreciation.
2. Decrease is the amount of depreciation for the period.
3. Fair value is calculated by the Company based on primarily real estate appraisal standards and including adjustments using indices, etc.

Effective from the year ended March 31, 2010, the Company adopted “Accounting Standard for Disclosures about Fair Value of Investment and Rental Property” (ASBJ Statement No. 20 dated November 28, 2008) and the “Guidance on Accounting standard for Disclosures about Fair value of Investment and Rental property (ASBJ Guidance No. 23 dated November 28, 2008).

10. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings consisted principally of bank loans. Short-term bank loans at March 31, 2010 and 2009, are represented by overdrafts, generally maturing within six months. Weighted-average interest rate of short-term bank loans at March 31, 2010 is 1.6%.

Long-term debt at March 31, 2010 and 2009, consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
No interest unsecured bonds with stock acquisition rights convertible into common stock at ¥1,070 ($11) per share due in 2010	**¥ 7,024**	¥15,000	**$ 75,486**
1.87% unsecured bonds due 2012	**10,000**	10,000	**107,469**
Unsecured bank loans due in 2010 through 2014 (Weighted-average interest rate of 1.7% as of March 31, 2010)	**21,500**	14,804	**231,059**
Total	**38,524**	39,804	**414,014**
Less current portion	**(7,424)**	(7,800)	**(79,785)**
	¥31,100	¥32,004	**$334,229**

At March 31, 2010, the number of common stock assumable upon full conversion of outstanding convertible bonds and exercise of outstanding warrants is 11,393 thousand shares.

The annual maturities of long-term debt at March 31, 2010, are as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2011	¥ 7,424	$ 79,785
2012	400	4,299
2013	25,100	269,747
2014	600	6,448
2015	5,000	53,735
2016	—	—
Thereafter	—	—

11. STOCK OPTION PLAN

The Company has the following stock option plans in accordance with the Japanese Corporation Law (the "Law") as of March 31, 2010 and 2009:

Year ended March 31, 2010 **Date of resolution**	**2007 Plan** **June 27, 2007**
Grantees	Company's directors, certain employees and subsidiaries' directors
Type of stock	Common stock
Number of shares granted	213,000
Exercise price	¥566
Exercisable period	August 14, 2009 - August 13, 2012

	2007 Plan
Non-vested (number of shares)	
Outstanding at the beginning of the year	213,000
Granted during the year	—
Forfeited during the year	—
Vested during the year	213,000
Outstanding at the end of the year	—
Vested (number of shares)	
Outstanding at the beginning of the year	—
Vested during the year	213,000
Exercised during the year	—
Forfeited during the year	—
Outstanding at the end of the year	213,000
Weighted-average market price per share at the date of exercise	—
Fair value per share at the date of grant	¥92

Year ended March 31, 2009 **Date of resolution**	**2007 Plan** **June 27, 2007**
Grantees	Company's directors, certain employees and subsidiaries' directors
Type of stock	Common stock
Number of shares granted	213,000
Exercise price	¥566
Exercisable period	August 14, 2009 - August 13, 2012

	2007 Plan	**2006 Plan**
Non-vested (number of shares)		
Outstanding at the beginning of the year	213,000	229,000
Granted during the year	—	—
Forfeited during the year	—	229,000
Vested during the year	—	—
Outstanding at the end of the year	213,000	—
Vested (number of shares)		
Outstanding at the beginning of the year	—	—
Vested during the year	—	—
Exercised during the year	—	—
Forfeited during the year	—	—
Outstanding at the end of the year	—	—
Weighted-average market price per share at the date of exercise	—	—
Fair value per share at the date of grant	¥92	¥151

12. INCOME TAXES

The Companies are subject to several taxes based on income, which are corporate tax, inhabitants taxes and enterprise tax. The aggregate normal effective tax rate on income before income taxes in Japan is approximately 41% for the years ended March 31, 2010, 2009 and 2008.

Significant components of deferred tax assets and liabilities as of March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Deferred tax assets:			
Inventories	¥ 11,538	¥ 11,802	$ 123,998
Net operating loss carried forward	2,515	4,309	27,028
Software	1,685	2,176	18,109
Accrued expenses	979	569	10,521
Investment securities on affiliated companies	3,486	2,667	37,464
Investment securities	564	640	6,061
Research and development expenses	419	527	4,503
Others	810	1,230	8,705
Subtotal deferred tax assets	21,996	23,920	236,389
Valuation allowance	(13,743)	(12,681)	(147,695)
Total deferred tax assets	8,253	11,239	88,694
Deferred tax liabilities:			
Retirement benefits	1,194	1,318	12,832
Net unrealized holding gains on securities	58	54	623
Subtotal deferred tax liabilities	1,252	1,372	13,455
Net deferred tax assets	¥ 7,001	¥ 9,867	$ 75,239

The following table summarizes significant differences between the normal effective tax rate and the Companies' effective tax rate for financial statement purposes for the year ended March 31, 2010.

	2010
Normal effective tax rate	41%
Increase in valuation allowance for temporary differences	75
Decrease of valuation allowance for net-operating loss carried forward	(15)
Permanent differences of the Company and its consolidated subsidiaries	(15)
Inhabitants tax per capita	4
Difference in the amount of tax estimation	3
Others	(3)
The Companies' effective tax rate	90%

Difference between the normal effective tax rate and the Companies' effective tax rate is not presented due to loss before income taxes for the year ended March 31, 2009.

13. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS

The Companies utilize derivative financial instruments such as foreign currency forward contracts, and interest rate swap contracts to reduce foreign exchange risk and interest rate risk on assets and liabilities. The Companies do not hold or issue derivative financial instruments for trading purposes.

The Companies are exposed to credit risk in the event of nonperformance by counterparties to derivative financial instruments but such risk is considered minor because of the high credit rating of the counterparties.

The Companies enter into foreign currency forward contracts, generally maturing within one year, as hedges for existing assets and liabilities denominated in foreign currencies (principally U.S. dollar and EURO) arising from operations. And also the Companies enter into interest rate swap contracts to manage their interest rate exposures. Interest rate swaps effectively convert certain floating rate debt to fixed rate debt.

The derivative transactions are executed and managed by the Company's Accounting Department in accordance with the established policies and within the specified limit on the amounts of derivative transactions allowed. The Manager of the Accounting Department reports information on derivative transactions to the Officer in charge of the Accounting Department on a semi-annual basis.

The following tables summarize derivative contracts not qualified for hedge accounting as of March 31, 2010 and 2009:

Currency Instruments

	Millions of yen				Thousands of U.S. dollars			
	Contract amount, etc.				Contract amount, etc.			
At March 31, 2010	Total	Due over one year	Fair value	Valuation gain (loss)	Total	Due over one year	Fair value	Valuation gain (loss)
Forward exchange contract								
Selling contract								
Euro	**¥ 590**	**—**	**¥ 0**	**¥ 0**	**$ 6,341**	**—**	**$ 0**	**$ 0**
U.S. Dollar	**553**	**—**	**5**	**5**	**5,943**	**—**	**54**	**54**
Yen	**406**	**—**	**16**	**16**	**4,363**	**—**	**172**	**172**
Other	**541**	**—**	**(16)**	**(16)**	**5,814**	**—**	**(172)**	**(172)**
	¥2,090	**—**	**¥ 5**	**¥ 5**	**$22,461**	**—**	**$ 54**	**$ 54**

	Millions of yen			
	Contract amount, etc.			
At March 31, 2009	Total	Due over one year	Fair value	Valuation gain (loss)
Forward exchange contract				
Selling contract				
Euro	¥ 664	—	¥ 34	¥ 34
U.S. Dollar	972	—	(31)	(31)
Yen	600	—	3	3
Other	561	—	(23)	(23)
	¥2,797	—	¥(17)	¥(17)

The following tables summarize derivative contracts qualified for hedge accounting as of March 31, 2010:

Currency Instruments

	Millions of yen			Thousands of U.S. dollars		
	Contract amount, etc.			Contract amount, etc.		
At March 31, 2010	Total	Due over one year	Fair value	Total	Due over one year	Fair value
Forward exchange contract						
Selling contract						
Euro	**¥1,432**	**—**	**¥(38)**	**$15,390**	**—**	**$ (408)**
U.S. Dollar	**93**	**—**	**4**	**999**	**—**	**43**
	¥1,525	**—**	**¥(34)**	**$16,389**	**—**	**$ (365)**

Interest Instruments

	Millions of yen			Thousands of U.S. dollars		
	Contract amount, etc.			Contract amount, etc.		
At March 31, 2010	Total	Due over one year	Fair value	Total	Due over one year	Fair value
Interest rate swaps						
Pay fixed / Receive floating	**¥2,000**	**¥2,000**	**¥(49)**	**$21,494**	**$21,494**	**$(527)**
	¥2,000	**¥2,000**	**¥(49)**	**$21,494**	**$21,494**	**$(527)**

14. RELATED PARTY TRANSACTION

During the years ended March 31, 2010 and 2009, the Company had no important transaction with NEC Corporation which owned 22.01% of the shares of the Company.

The Company has no outstanding balance of receivable due from NEC Corporation as of March 31, 2010 and 2009.

15. SEVERANCE AND RETIREMENT BENEFITS

Allowance and expenses for employees' severance and retirement benefits are determined based on the amounts obtained by actuarial calculations.

Allowance for severance and retirement benefits included in the liability section of the consolidated balance sheet as of March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Projected benefit obligation	¥ 27,719	¥ 28,373	$ 297,894
Unrecognized actuarial differences	(10,840)	(13,983)	(116,497)
Less fair value of pension assets	(23,238)	(21,054)	(249,737)
Allowance for employees' severance and pension benefits	(6,359)	(6,664)	(68,340)
Prepaid pension expense	8,046	8,295	86,470
Allowance for directors' severance and pension benefits	16	20	172
	¥ 1,703	¥ 1,651	$ 18,302

Included in the consolidated statements of operations for the years ended March 31, 2010 and 2009 is severance and retirement benefit expense comprising the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Service costs-benefits earned during the year	¥ 842	¥ 826	$ 9,049
Interest cost on projected benefit obligation	667	740	7,168
Expected return on plan assets	(556)	(686)	(5,975)
Amortization of actuarial gains or losses	1,800	1,438	19,344
Amortization of prior service cost	—	(1,282)	—
Severance and pension benefit expense	¥ 2,753	¥ 1,036	$29,586

For the years ended March 31, 2010 and 2009, the discount rate and the rate of expected return on plan assets used by the Company are 2.5% and 3.0%, respectively. The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years. Actuarial gains or losses are recognized as income or expense using the straight-line method over primarily 13 years from the succeeding period.

16. NET ASSETS

Under the Law and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

In cases where dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve.

Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets. Additional paid-in capital and legal earnings reserve may not be distributed as dividends. However, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law.

17. COMMITMENTS AND CONTINGENT LIABILITIES

(1) Assets used under capitalized finance leases

As discussed in Note 2, the Company and consolidated domestic subsidiaries adopted the new accounting standards for lease. Capitalized property, plant and equipment and fixed assets used under finance lease arrangement for the year ended March 31, 2009 are classified as machinery and equipment and other assets.

Lease expenses under non-capitalized finance leases for the year ended March 31, 2008 aggregated approximately ¥174 million.

(2) Contingent liabilities at March 31, 2010 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2010	2010
Guarantee for employees' housing loans	¥613	$6,588

18. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses are charged to income as incurred.

The amounts charged to income for the years ended March 31, 2010, 2009 and 2008 are ¥9,388 million ($100,892 thousand), ¥11,704 million and ¥14,115 million, respectively.

19. SEGMENT INFORMATION

Information by **industry segment** for the years ended March 31, 2010, 2009 and 2008 is as follows:

	Millions of yen						
Year ended March 31, 2010	Test and Measurement	Information and Communications	Industrial Automation	Services and Others	Total	Eliminations or corporate	Consolidated
Net sales:							
Outside customers	¥48,271	¥5,307	¥11,641	¥ 8,329	¥73,548	¥ —	¥73,548
Inter-segment	136	126	12	2,648	2,922	(2,922)	—
Total	48,407	5,433	11,653	10,977	76,470	(2,922)	73,548
Operating expenses	46,155	5,290	11,043	8,728	71,216	(2,251)	68,965
Operating income (loss)	¥ 2,252	¥ 143	¥ 610	¥ 2,249	¥ 5,254	¥ (671)	¥ 4,583
Identifiable assets	¥52,605	¥6,501	¥10,732	¥15,453	¥85,291	¥15,897	¥101,188
Depreciation and amortization	1,930	110	163	745	2,948	32	2,980
Capital expenditures	844	48	132	111	1,135	0	1,135

Year ended March 31, 2009	Test and Measurement	Information and Communications	Industrial Automation	Services and Others	Total	Eliminations or corporate	Consolidated
Net sales:							
Outside customers	¥57,449	¥5,201	¥12,981	¥ 8,309	¥83,940	¥ —	¥ 83,940
Inter-segment	165	0	20	2,821	3,006	(3,006)	—
Total	57,614	5,201	13,001	11,130	86,946	(3,006)	83,940
Operating expenses	58,406	5,130	12,404	9,135	85,075	(2,040)	83,035
Operating income (loss)	¥ (792)	¥ 71	¥ 597	¥ 1,995	¥ 1,871	¥ (966)	¥ 905
Identifiable assets	¥63,580	¥6,847	¥10,309	¥15,016	¥95,752	¥ 5,231	¥100,983
Depreciation and amortization	2,053	85	205	597	2,940	160	3,100
Capital expenditures	1,391	56	162	544	2,153	83	2,236

Year ended March 31, 2008	Test and Measurement	Information and Communications	Industrial Automation	Services and Others	Total	Eliminations or corporate	Consolidated
Net sales:							
Outside customers	¥72,718	¥5,749	¥13,596	¥ 8,423	¥100,486	¥ —	¥100,486
Inter-segment	176	5	35	3,241	3,457	(3,457)	—
Total	72,894	5,754	13,631	11,664	103,943	(3,457)	100,486
Operating expenses	68,768	5,678	12,816	9,738	97,000	(1,870)	95,130
Operating income (loss)	¥ 4,126	¥ 76	¥ 815	¥ 1,926	¥ 6,943	¥ (1,587)	¥ 5,356
Identifiable assets	¥80,561	¥7,551	¥10,565	¥16,480	¥115,157	¥ 9,760	¥124,917
Depreciation and amortization	2,242	99	176	628	3,145	228	3,373
Capital expenditures	2,162	83	192	285	2,722	69	2,791

	Thousands of U.S. dollars						
Year ended March 31, 2010	Test and Measurement	Information and Communications	Industrial Automation	Services and Others	Total	Eliminations or corporate	Consolidated
Net sales:							
Outside customers	$518,764	$57,034	$125,105	$ 89,511	$790,414	$ —	$ 790,414
Inter-segment	1,462	1,354	129	28,457	31,402	(31,402)	—
Total	520,226	58,388	125,234	117,968	821,816	(31,402)	790,414
Operating expenses	496,024	56,851	118,678	93,799	765,352	(24,191)	741,161
Operating income (loss)	$ 24,202	$ 1,537	$ 6,556	$ 24,169	$ 56,464	$ (7,211)	$ 49,253
Identifiable assets	$565,341	$69,866	$115,336	$166,072	$916,615	$170,843	$1,087,458
Depreciation and amortization	20,742	1,182	1,752	8,006	31,682	344	32,026
Capital expenditures	9,070	516	1,419	1,193	12,198	0	12,198

Information by **geographic area** for the years ended March 31, 2010, 2009 and 2008 is as follows:

	Millions of yen						
Year ended March 31, 2010	Japan	Americas	Europe	Asia and Others	Total	Eliminations or corporate	Consolidated
Net sales:							
Outside customers	**¥37,959**	**¥13,999**	**¥12,661**	**¥8,929**	**¥73,548**	**¥ —**	**¥ 73,548**
Inter-segment	**11,527**	**6,428**	**1,440**	**398**	**19,793**	**(19,793)**	**—**
Total	**49,486**	**20,427**	**14,101**	**9,327**	**93,341**	**(19,793)**	**73,548**
Operating expenses	**46,480**	**18,622**	**14,636**	**8,967**	**88,705**	**(19,740)**	**68,965**
Operating income (loss)	**¥ 3,006**	**¥ 1,805**	**¥ (535)**	**¥ 360**	**¥ 4,636**	**¥ (53)**	**¥ 4,583**
Identifiable assets	**¥98,198**	**¥20,647**	**¥ 7,225**	**¥5,408**	**¥131,478**	**¥(30,290)**	**¥101,188**

Year ended March 31, 2009	Japan	Americas	Europe	Asia and Others	Total	Eliminations or corporate	Consolidated
Net sales:							
Outside customers	¥ 43,056	¥16,443	¥14,931	¥9,510	¥ 83,940	¥ —	¥ 83,940
Inter-segment	12,602	8,856	1,896	455	23,809	(23,809)	—
Total	55,658	25,299	16,827	9,965	107,749	(23,809)	83,940
Operating expenses	55,621	22,624	18,925	9,845	107,015	(23,980)	83,035
Operating income (loss)	¥ 37	¥ 2,675	¥ (2,098)	¥ 120	¥ 734	¥ 171	¥ 905
Identifiable assets	¥104,112	¥26,760	¥ 8,483	¥4,838	¥144,193	¥(43,210)	¥100,983

Year ended March 31, 2008	Japan	Americas	Europe	Asia and Others	Total	Eliminations or corporate	Consolidated
Net sales:							
Outside customers	¥ 50,167	¥20,438	¥19,267	¥10,614	¥100,486	¥ —	¥100,486
Inter-segment	14,811	9,633	4,859	618	29,921	(29,921)	—
Total	64,978	30,071	24,126	11,232	130,407	(29,921)	100,486
Operating expenses	62,481	26,600	26,051	10,794	125,926	(30,796)	95,130
Operating income (loss)	¥ 2,497	¥ 3,471	¥ (1,925)	¥ 438	¥ 4,481	¥ 875	¥ 5,356
Identifiable assets	¥111,007	¥33,696	¥15,204	¥ 4,993	¥164,900	¥(39,983)	¥124,917

	Thousands of U.S. dollars						
Year ended March 31, 2010	Japan	Americas	Europe	Asia and Others	Total	Eliminations or corporate	Consolidated
Net sales:							
Outside customers	**$ 407,942**	**$150,446**	**$136,066**	**$ 95,960**	**$ 790,414**	**$ —**	**$ 790,414**
Inter-segment	**123,880**	**69,081**	**15,476**	**4,277**	**212,714**	**(212,714)**	**—**
Total	**531,822**	**219,527**	**151,542**	**100,237**	**1,003,128**	**(212,714)**	**790,414**
Operating expenses	**499,517**	**200,129**	**157,292**	**96,367**	**953,305**	**(212,144)**	**741,161**
Operating income (loss)	**$ 32,305**	**$ 19,398**	**$ (5,750)**	**$ 3,870**	**$ 49,823**	**$ (570)**	**$ 49,253**
Identifiable assets	**$1,055,325**	**$221,891**	**$ 77,646**	**$ 58,120**	**$1,412,982**	**$(325,524)**	**$1,087,458**

Overseas sales for the years ended March 31, 2010, 2009 and 2008 are as follows:

	Millions of yen			
Year ended March 31, 2010	Americas	EMEA	Asia and Others	Total
Overseas sales	**¥13,967**	**¥12,463**	**¥13,628**	**¥40,058**
Consolidated net sales	**—**	**—**	**—**	**73,548**
Percentage of consolidated net sales	**19.0%**	**16.9%**	**18.6%**	**54.5%**
Year ended March 31, 2009	Americas	EMEA	Asia and Others	Total
Overseas sales	¥16,365	¥14,871	¥15,245	¥46,481
Consolidated net sales	—	—	—	83,940
Percentage of consolidated net sales	19.5%	17.7%	18.2%	55.4%
Year ended March 31, 2008	Americas	EMEA	Asia and Others	Total
Overseas sales	¥19,558	¥19,093	¥17,554	¥ 56,205
Consolidated net sales	—	—	—	100,486
Percentage of consolidated net sales	19.4%	19.0%	17.5%	55.9%

	Thousands of U.S. dollars			
Year ended March 31, 2010	Americas	EMEA	Asia and Others	Total
Overseas sales	**$150,102**	**$133,939**	**$146,459**	**$430,500**
Consolidated net sales	**—**	**—**	**—**	**790,414**
Percentage of consolidated net sales	**19.0%**	**16.9%**	**18.6%**	**54.5%**

Non-Consolidated Balance Sheets (Supplementary Information)

ANRITSU CORPORATION
March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Assets			
Current assets:			
Cash	¥ 20,883	¥ 8,142	$ 224,428
Notes and accounts receivable — trade	13,785	13,258	148,146
Allowance for doubtful accounts	(78)	(126)	(838)
Short-term loans receivable	—	600	—
Long-term loans receivable due within one year	—	1,250	—
Inventories	5,691	6,382	61,161
Deferred tax assets — current	4,698	6,032	50,489
Other current assets	1,612	8,724	17,323
Total current assets	46,591	44,262	500,709
Property, plant and equipment:			
Land	1,285	492	13,810
Building and structures	29,487	25,075	316,894
Machinery and equipment	7,895	6,994	84,847
Accumulated depreciation	(29,189)	(24,214)	(313,692)
Net property, plant and equipment	9,478	8,347	101,859
Investments and other assets:			
Investment securities	50,976	53,064	547,834
Long-term loans receivable	9,180	9,175	98,657
Deferred tax assets — non-current	—	1,393	—
Other assets	7,027	7,543	75,519
Allowance for doubtful accounts	(1)	(1)	(11)
Total investments and other assets	67,182	71,174	721,999
Total assets	¥123,251	¥123,783	$1,324,567

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	**2010**
Liabilities and Net Assets			
Current liabilities:			
Short-term borrowings	**¥ 1,190**	¥ 1,140	**$ 12,789**
Long-term debt due within one year	**7,424**	7,000	**79,785**
Notes and accounts payable — trade	**6,031**	6,334	**64,815**
Accrued liabilities	**2,485**	3,186	**26,706**
Accrued expenses	**948**	370	**10,188**
Income taxes payable	**57**	201	**613**
Other current liabilities	**10,914**	9,001	**117,291**
Total current liabilities	**29,049**	27,232	**312,187**
Long-term liabilities:			
Long-term debt	**30,500**	32,000	**327,781**
Retirement benefits for directors and corporate auditors	**10**	14	**107**
Deferred tax liabilities — non-current	**188**	—	**2,020**
Other long-term liabilities	**1,656**	285	**17,797**
Total long-term liabilities	**32,354**	32,299	**347,705**
Net assets:			
Common stock	**14,050**	14,050	**150,994**
Additional paid-in capital	**23,000**	23,000	**247,179**
Legal reserve	**2,468**	2,468	**26,523**
Retained earnings	**23,041**	25,312	**247,620**
Net unrealized holding gain or loss on securities	**134**	256	**1,440**
Deferred gain or loss on hedged transactions	**(29)**	(21)	**(312)**
Reservation rights on common stock	**20**	20	**215**
Treasury stock, at cost	**(836)**	(833)	**(8,984)**
Total net assets	**61,848**	64,252	**664,675**
Total liabilities and net assets	**¥123,251**	¥123,783	**$1,324,567**

Non-Consolidated Statements of Operations (Supplementary Information)

ANRITSU CORPORATION
Years ended March 31, 2010, 2009 and 2008

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2010	2009	2008	2010
Sales	**¥36,754**	¥41,230	¥49,648	**$394,992**
Cost of sales	**27,706**	32,382	36,813	**297,754**
Gross profit	**9,048**	8,848	12,835	**97,238**
Selling, general and administrative expenses	**7,283**	10,089	12,373	**78,270**
Operating income (loss)	**1,765**	(1,241)	462	**18,968**
Other income (expenses):				
Interest and dividends income	**652**	7,266	619	**7,007**
Interest expenses	**(559)**	(453)	(509)	**(6,008)**
Foreign exchange gain (loss)	**12**	(80)	(474)	**129**
Loss on disposal of inventories	**—**	—	(2,374)	**—**
Loss on devaluation of inventories	**—**	(1,290)	(2,458)	**—**
Gain on sales of property, plant and equipment	**149**	502	42	**1,601**
Gain on sales of investment securities	**140**	5	—	**1,505**
Loss on devaluation of investment securities	**(17)**	(52)	(30)	**(183)**
Loss on devaluation of stock of subsidiaries and affiliates	**(2,015)**	(4,986)	—	**(21,654)**
Management innovation implementation expenses	**—**	—	(44)	**—**
Reversal of bad debt reserve	**—**	—	113	**—**
Gain on revision of retirement benefit plan	**—**	786	—	**—**
Compensation income for expropriation	**—**	99	—	**—**
Gain on expiration of warrants	**—**	35	—	**—**
Business structure improvement expenses	**—**	(592)	—	**—**
Gain on retirement by purchase of bonds	**62**	—	—	**666**
Gain on extinguishment of tie-in shares	**47**	—	—	**505**
Other, net	**3**	6	(349)	**33**
	(1,526)	1,246	(5,464)	**(16,399)**
Income (loss) before income taxes	**239**	5	(5,002)	**2,569**
Provision for income taxes:				
Current	**(410)**	50	(409)	**(4,406)**
Deferred	**2,919**	(409)	(6)	**31,370**
Net income (loss)	**¥ (2,270)**	¥ 364	¥ (4,587)	**$ (24,395)**

To the Shareholders and Board of Directors of Anritsu Corporation:

We have audited the accompanying consolidated balance sheets of Anritsu Corporation and consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of operations, changes in net assets and cash flows for each of the three years in the period ended March 31, 2010, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Anritsu Corporation and subsidiaries as of March 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2010, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
June 24, 2010

Major Subsidiaries (As of March 31, 2010)

JAPAN	Principal Businesses	Paid-in Capital (Millions of yen)	Anritsu's Share of Voting Rights (%)
Anritsu Industrial Solutions Co., Ltd.	Manufacture, marketing and maintenance of industrial automation equipment	1,350	100
Anritsu Networks Co., Ltd.	Manufacture, marketing and maintenance of information and communications equipment	355	100
Tohoku Anritsu Co., Ltd.	Manufacture of measuring instruments and information and communications equipment	250	100
Anritsu Customer Services Co., Ltd.	Calibration, repair and maintenance of measuring instruments	325	100
Anritsu Devices Co., Ltd.	Development and manufacture of optical devices	90	100
Anritsu Precision Co., Ltd.	Development and manufacture of precision measuring instruments	80	100
Anritsu Engineering Co., Ltd.	Development of software	40	100
Anritsu Kousan Co., Ltd.	Management of facilities, welfare services and production of catalogs and other materials	20	100
Anritsu Real Estate Co., Ltd.	Real estate leasing	20	100
Anritsu Techmac Co., Ltd.	Manufacture and marketing of processed products and unit assembly articles	10	100
Anritsu Pro Associe Co., Ltd.	Operation of shared services center	10	100

Americas		Principal Businesses	Paid-in Capital	Anritsu's Share of Voting Rights (%)
Anritsu U.S. Holding, Inc.	U.S.A.	Holding company for overseas subsidiaries	US$9 thousand	100
Anritsu Company	U.S.A.	Development, manufacture, marketing and maintenance of measuring and other instruments	US$9,528thousand	100*
Anritsu Instruments Company	U.S.A.	Manufacture of measuring and other instruments	US$2,900 thousand	100*
Anritsu Industrial Solutions U.S.A. Inc.	U.S.A.	Marketing and maintenance of industrial automation equipment	US$5 thousand	100*
Anritsu Electronics, Ltd.	Canada	Marketing and maintenance of measuring and other instruments	CA$100	100*
Anritsu Eletrônica Ltda.	Brazil	Marketing and maintenance of measuring and other instruments	BRL 569 thousand	100*
Anritsu Company S.A. de C.V.	Mexico	Marketing and maintenance of measuring and other instruments	MXN$50 thousand	100*

EMEA		Principal Businesses	Paid-in Capital	Anritsu's Share of Voting Rights (%)
Anritsu A/S	Denmark	Development, manufacture, marketing and maintenance of service assurance system and measuring instruments	DKK 31 million	100
Anritsu EMEA Ltd.	U.K.	Marketing and maintenance of measuring and other instruments	£1,502 thousand	100
Anritsu Ltd.	U.K.	Development of measuring and other instrument	£128 thousand	100*
Anritsu Industrial Solutions Europe Ltd.	U.K.	Marketing and maintenance of industrial automation equipment	£50 thousand	100*
Anritsu GmbH	Germany	Marketing and maintenance of measuring and other instruments	EURO 2,837 thousand	100*
Anritsu S.A.	France	Marketing and maintenance of measuring and other instruments	EURO 1,000 thousand	100*
Anritsu S.p.A.	Italy	Marketing and maintenance of measuring and other instruments	EURO 260 thousand	100*
Anritsu Solutions S.p.A.	Italy	Development of measuring and other instruments	EURO 150 thousand	100*
Anritsu AB	Sweden	Marketing and maintenance of measuring and other instruments	SEK 800 thousand	100*

Asia & Others		Principal Businesses	Paid-in Capital	Anritsu's Share of Voting Rights (%)
Anritsu Company Ltd.	China	Marketing and maintenance of measuring and other instruments	HKD 43,700 thousand	100
Anritsu Electronics (Shanghai) Co., Ltd.	China	Maintenance of measuring and other instruments	CNY 8,480 thousand	100*
Anritsu Industrial Solutions (Shanghai) Co., Ltd.	China	Marketing and maintenance of industrial automation equipment	US$250 thousand	100*
Anritsu Corporation, Ltd.	Korea	Marketing and maintenance of measuring and other instruments	KRW 1,450 million	100*
Anritsu Company, Inc.	Taiwan	Marketing and maintenance of measuring and other instruments	TWD 78 million	100*
Anritsu Pte. Ltd.	Singapore	Marketing and maintenance of measuring and other instruments	SGD 600 thousand	100*
Anritsu Industrial Solutions (Thailand) Co., Ltd.	Thailand	Manufacture and maintenance of industrial automation equipment	THB 30 million	100*
Anritsu Pty. Ltd.	Australia	Marketing and maintenance of measuring and other instruments	A$820 thousand	100*

* Indicates indirect ownership.

Investor Information (As of March 31, 2010)

Head Office: ANRITSU CORPORATION
5-1-1 Onna, Atsugi-shi, Kanagawa,
243-8555 Japan
Tel: +81-46-223-1111
URL: http://www.anritsu.com

Established: March 1931

Paid-in Capital: ¥14.0 billion

Number of Employees: 3,589 (Consolidated)
831 (Non-consolidated)

Stock Listing: Tokyo (Ticker Symbol No: 6754)

Transfer Agent: The Sumitomo Trust & Banking Co., Ltd.
3-1, Yaesu 2-chome, Chuo-ku,
Tokyo 104-0028 Japan

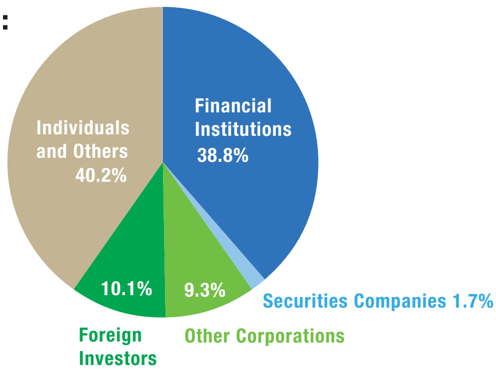
Number of Shareholders: 16,304

Rating: Rating and Investment Information, Inc.
Long-Term: BBB
Short-Term: a-2

Authorized Shares: 400,000,000

Issued Shares: 128,037,848

Breakdown of Shareholders:



Major Shareholders:

Shareholder Name	Number of Shares (Thousands)	Percentage of Total Shares Outstanding
Japan Trustee Services Bank, Ltd. (Trust Account from The Sumitomo Trust & Banking Co., Ltd., NEC Retirement Benefit Trust Account)	19,200	15.07
NEC Corporation	8,312	6.52
Japan Trustee Services Bank, Ltd. (Trust Account)	6,214	4.88
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,238	4.11
Mitsui Sumitomo Insurance Co., Ltd.	2,964	2.33
Japan Trustee Services Bank, Ltd. (The Sumitomo Trust & Banking Co., Ltd. Retirement Benefit Trust Account)	2,500	1.96
Sumitomo Life Insurance Company	2,314	1.82
CREDIT SUISSE SEC (EUROPE) LTD PB SEC INT NON-TR CLT	2,271	1.78
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	1,451	1.14
STATE STREET BANK AND TRUST COMPANY 505041	1,249	0.98

Note: Treasury stock (606,015 shares) is excluded from calculation of the percentage of total shares outstanding.

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