2011

Annual Report

Strategic Focus on Innovation

ANRITSU CORPORATION
www.anritsu.com/ir

IR

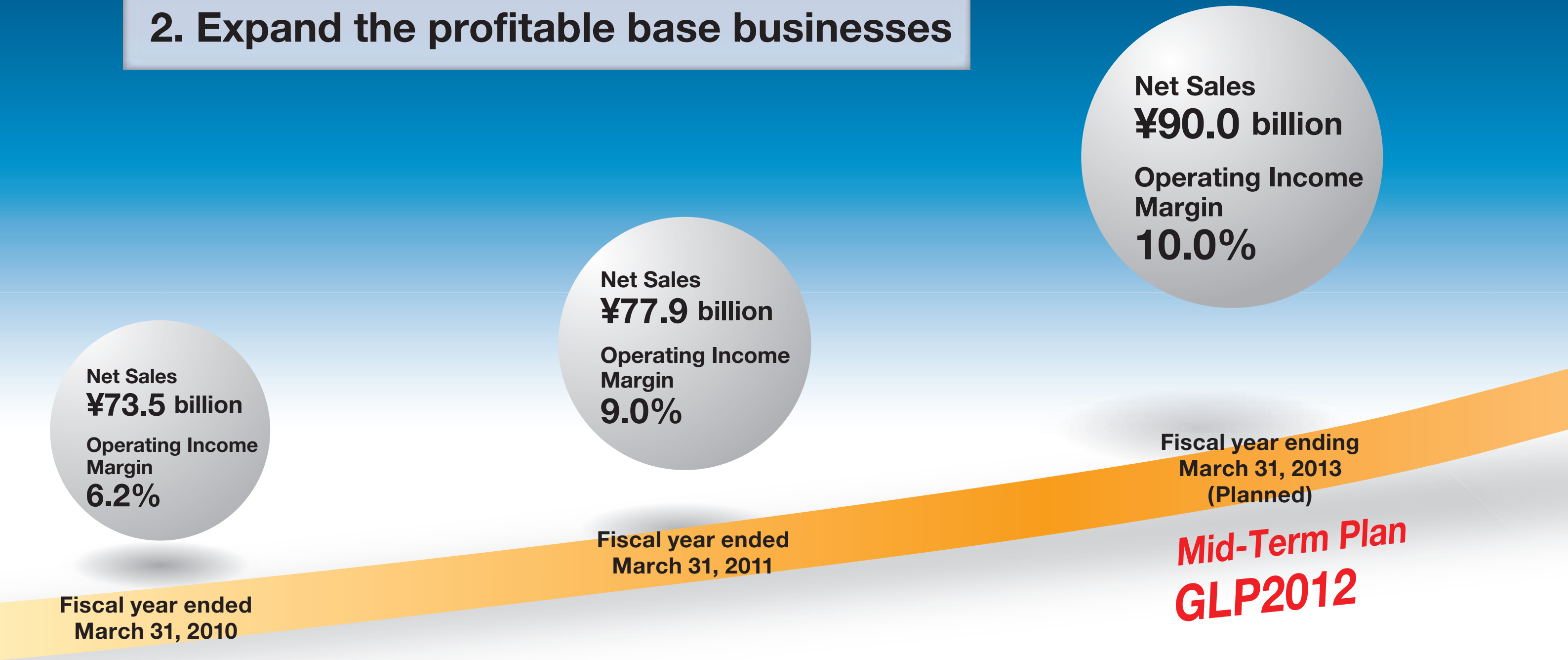
Investor Relations

Anritsu's Growth Strategy

Achieve continuous profitable growth through

Outline of the Mid-Term Plan

1. Increase profit in growing businesses
2. Expand the profitable base businesses



Test and Measurement 70%	Increase profit in growing businesses 30%	LTE	Research and development
		40Gbit/s / 100Gbit/s	Research and development
	Expand the profitable base businesses 70%	Telecommunications components	Development and manufacturing
		Telecommunications infrastructure	Installation and maintenance
		Smartphones and base stations	Manufacturing
Industrial Automation, Information and Communications, Others 30%	Expand the profitable base businesses	Food, pharmaceuticals, cosmetics	Alien material detection and weight inspection
		Communications infrastructure systems, video monitoring, optical devices for data transmission	

global innovation

Core Test and Measurement Business

Conformance and interoperability testing systems for handset development

Test and measurement systems for wireless base station installation and maintenance

Measuring instruments for handset manufacturing

Since the fiscal year ended March 31, 2010, the annual report is produced in PDF and e-book 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.

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", "forecast", "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. Factors which may affect the actual business results include but are not limited to the economic situation in the geographic areas in which Anritsu conducts business, including but not limited to, Japan, Americas, Asia, and Europe, changes in actual demand for Anritsu products and services, increases or decreases in the competitive nature of markets in which Anritsu sells products or buys supplies, changing aptitudes at providing services, and exchange rates.

You 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.

The Anritsu Group Business is Woven into Everyday Life.

Bringing greater convenience and comfort to peo

Mobile phones

Verifying the operations of mobile phones

Terrestrial digital broadcasting

Checking broadcast areas

Car electronics

Verifying the operations of car navigation systems and ETC

Financial network system

Quality assurance for key communications

Anritsu Provides Solutions

Measuring, monitoring and support
Anritsu supports everyday life and
including information communication,
and image monitoring for a safer,

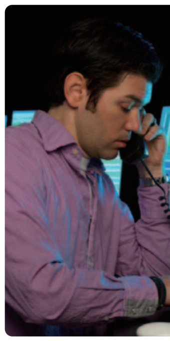
Supporting infrastruc

Mobile phone base stations

Checking base station service areas

Optical fiber

Locating optical fiber line breakage



Communicat

Network mo
quality

ple's lives.

Information appliances

Testing internal PC board soldering

Making your life safe.

Community

Confirming safety through interactive communications

Food

Detecting contamination by foreign substances

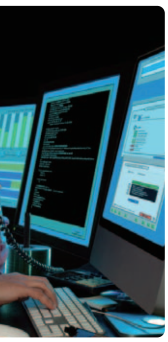
Pharmaceutical products

Testing the shape and mass of pharmaceuticals

for a Safe and Secure Society

ing···
business in a variety of areas,
food processing, pharmaceuticals,
more secure and comfortable society.

tures for everyday life.



ion networks

nitoring and assurance

Remote monitoring

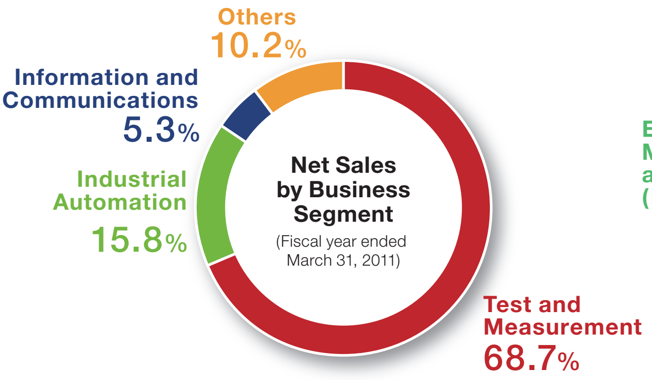
Video monitoring of traffic, rivers and disaster areas

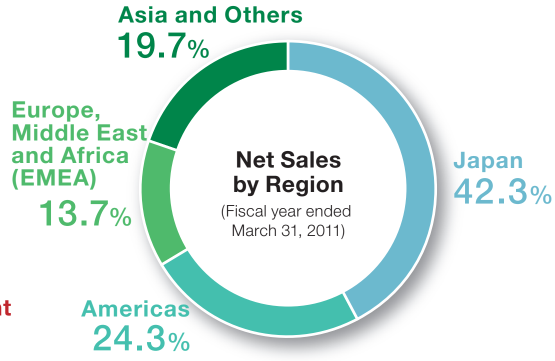
Data centers

Realizing higher speed communication facilities

Anritsu at a Glance

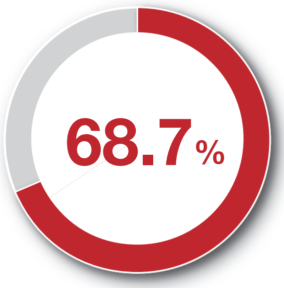
Web Please visit our website for additional details.

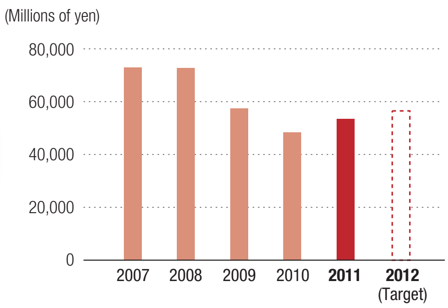


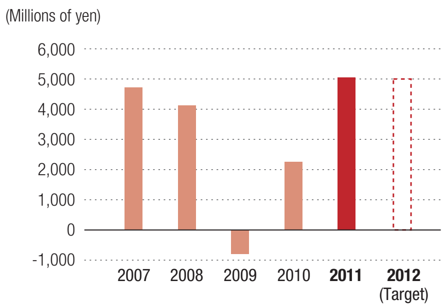


Percentage of Net Sales	Net Sales	Operating Income (Loss)

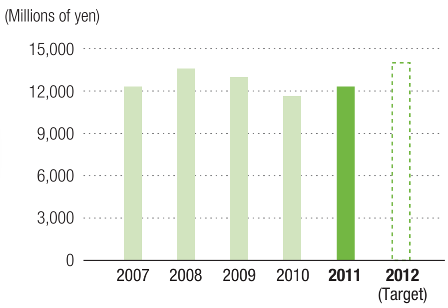
Test and Measurement

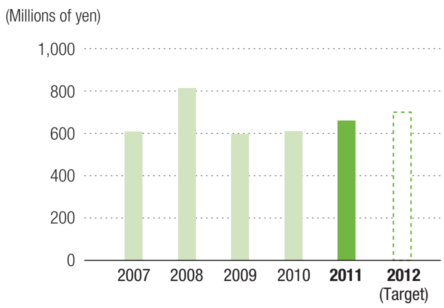




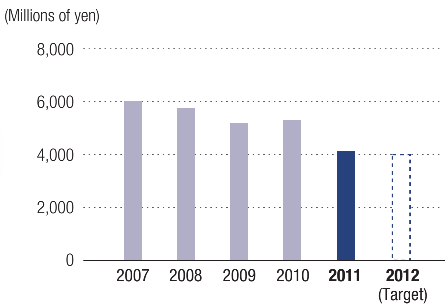


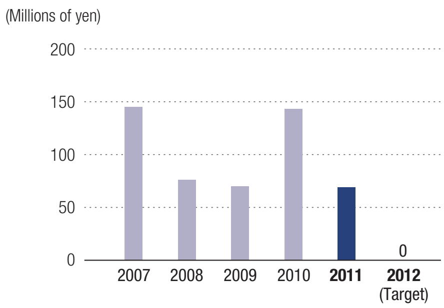
Industrial Automation



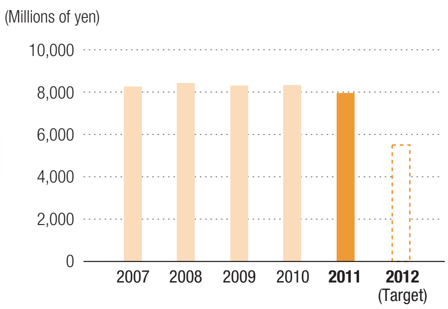


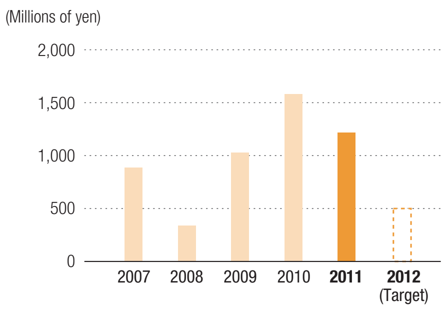
Information and Communications



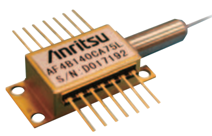


Others





Notes: 1. Figures for Others include eliminations and corporate.
2. The classification of the precision measurement business was changed from Others to Industrial Automation as of April 2011.

Market Trends	Customers and Solutions	Strengths	Main Products
Test and Measurement **Mobile Phone Market** ● Commercialization of LTE ● Commitments to deploy LTE: 166 telecom carriers ● Global growth of smartphones **Network Infrastructure Market** ● Strengthening and upgrading of mobile backhaul to address shortage of transmission capacity ● Acceleration and capacity expansion with 40Gbit/s and 100Gbit/s backbone networks ● Rising demand for network quality assurance **Electronics Market** ● Expanded production of electronic components for car electronics, digital household appliances, etc. ● Base station expansion	**Customers** ● Chipset manufacturers, mobile phone handset manufacturers, IT-related service providers and telecom carriers **Solutions** ● Measurement for mobile phone handset development, conformance and production use **Customers** ● Telecom carriers, telecom network construction companies and telecommunications equipment manufacturers **Solutions** ● Optical, digital and IP measurement ● Base station measurement ● Service assurance **Customers** ● Electronic components manufacturers, telecommunications equipment manufacturers, etc. **Solutions** ● General purpose measurement (signal generators, spectrum analyzers, etc.)	● Approximately 50% global market share for measuring instruments for LTE development ● Conformance testing, interoperability testing ● Global customer support ● 70-80% global market share for handheld measuring instruments for base stations ● Wireless and wireline test and measurement technologies ● Wireline and wireless test and measurement technologies ● Meets customer requirements by expanding product lineup and applications	 MT8820C Radio Communication Analyzer (supporting LTE)  MT822x Base Station Analyzer (supporting LTE)
Industrial Automation ● Japan Stable demand for quality control inspections ● 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** ● Food, pharmaceutical and cosmetics manufacturers **Solutions** ● Quality control inspection equipment for food, pharmaceuticals and cosmetics (X-ray inspection systems for detecting alien materials, check-weighers, etc.)	● High-precision X-ray analysis technologies ● Signal and image processing technologies ● Overseas production at Thai Plant	 X-ray inspection systems
Information and Communications ● Stable demand for video monitoring for rivers, dams and public facilities ● Rising demand for disaster prevention and disaster communications ● Growth of IP network traffic	**Customers** ● Government offices, municipal governments, private sector (financial institutions, etc.) **Solutions** ● Systems related to upgrading public infrastructure ● Bandwidth controllers for enhancing network quality	● Business collaboration with system integrators and trading companies ● Provides one-stop video monitoring solutions	 PureFlow® Series bandwidth controllers
Services and Others ● Increased demand for optical devices used in network infrastructure	**Customers** ● Electrical equipment manufacturers, telecommunications equipment manufacturers, etc. **Solutions** ● Optical devices, ultra-high-speed devices, etc.	● Technologies to produce sophisticated devices ● Monolithic microwave integrated circuit (MMIC) technologies	 Laser diodes

11-Year Summary of Selected Financial Data

ANRITSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31

	2001	2002	2003	2004
For the year:				
Net sales	¥159,056	¥131,578	¥ 78,554	¥ 78,396
Cost of sales	98,112	85,694	58,036	54,249
Gross profit	60,944	45,884	20,518	24,147
Selling, general and administrative expenses	37,110	38,298	31,267	22,339
Operating income (loss)	23,834	7,586	(10,749)	1,808
Net income (loss)	9,635	2,567	(32,761)	1,101
Net cash provided by (used in) operating activities	5,106	172	(18,022)	5,953
Net cash provided by (used in) investing activities	(4,847)	(9,540)	3,698	4,421
Net cash provided by (used in) financing activities	71	24,355	(8,418)	8,568
Free cash flow	258	(9,368)	(14,324)	10,373
Depreciation and amortization	5,328	6,522	5,829	4,257
Capital expenditures	8,308	9,677	2,868	1,530
R&D expenses	15,385	15,222	13,222	9,887
At year-end:				
Total assets	¥207,544	¥198,780	¥144,131	¥148,353
Net assets	—	—	—	—
Interest-bearing debt	45,038	73,179	63,164	70,033

	2001	2002	2003	2004
Per share:				
Net income (loss)				
Basic (Note 2)	¥ 75.70	¥ 20.10	¥ (256.90)	¥ 8.38
Diluted (Note 2)	68.02	18.81	—	7.77
Cash dividends	12.00	9.00	—	4.50
Total net assets	732.94	737.78	467.21	470.28
Key financial indicators:				
Operating income margin	15.0	5.8	(13.7)	2.3
Return on equity	10.7	2.7	—	1.8
Anritsu Capital-cost Evaluation (Note 3) (Millions of yen / thousands of U.S. dollars)	11,146	(3,770)	(15,563)	(5,283)
Return on assets	5.1	1.3	—	0.8
Ratio of net assets to total assets	45.2	47.4	41.4	40.5
Net debt-to-equity ratio (times) (Note 4)	—	—	0.62	0.58
Interest coverage ratio (times) (Note 5)	23.8	6.5	—	1.7
Dividend payout ratio (Note 6)	15.9	44.8	—	53.7
Dividends on equity (Note 7)	1.6	1.2	—	1.0

Notes:
1. The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥83.15 to U.S. $1.00, the approximate exchange rate on March 31, 2011.
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 2009, 2008 and 2003 is 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 - Stock acquisition right)
5. Interest coverage ratio: (Operating income + Interest and dividends income) / Interest expenses
6. Dividend payout ratio: Total cash dividends / Net income
7. Dividends on equity: Total cash dividends / Net assets

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							Thousands of U.S. dollars (Note 1)
Millions of yen							
2005	2006	2007	2008	2009	2010	**2011**	**2011**
¥ 84,040	¥ 91,262	¥ 99,446	¥100,486	¥ 83,940	¥ 73,548	**¥77,853**	**$ 936,296**
53,666	55,205	55,787	56,474	52,005	42,708	**43,033**	**517,535**
30,374	36,057	43,659	44,012	31,935	30,840	**34,820**	**418,761**
25,512	31,508	37,300	38,656	31,030	26,257	**27,826**	**334,648**
4,862	4,549	6,359	5,356	905	4,583	**6,994**	**84,113**
1,280	563	1,376	(3,901)	(3,541)	385	**3,069**	**36,909**
9,277	5,929	2,488	6,251	6,916	7,970	**9,229**	**110,992**
(1,046)	(10,945)	420	(2,373)	(1,326)	(499)	**(1,432)**	**(17,222)**
(9,872)	1,761	(13,974)	(6,625)	(3,848)	387	**(6,050)**	**(72,760)**
8,231	(5,015)	2,909	3,878	5,590	7,471	**7,797**	**93,770**
3,400	3,453	3,600	3,373	3,100	2,980	**¥ 2,589**	**31,137**
1,870	2,699	2,319	2,791	2,236	1,135	**1,550**	**18,641**
10,515	12,509	14,072	14,115	11,704	9,388	**9,381**	**112,820**
¥142,111	¥152,359	¥140,395	¥124,917	¥100,983	¥101,188	**¥99,249**	**$1,193,614**
—	60,940	61,619	52,845	37,525	37,674	**39,906**	**479,928**
61,384	65,590	53,033	47,010	43,606	42,275	**36,839**	**443,043**
Yen							U.S. dollars
¥ 9.31	¥ 3.76	¥ 10.79	¥ (30.60)	¥ (27.78)	¥ 3.02	**¥ 24.09**	**$ 0.29**
8.22	3.39	9.72	—	—	2.77	**22.08**	**0.27**
7.00	7.00	7.00	7.00	3.50	—	**7.00**	**0.08**
472.16	477.51	483.25	414.16	294.29	295.49	**313.09**	**3.77**
% except where noted							
5.8	5.0	6.4	5.3	1.1	6.2	**9.0**	
2.1	0.9	2.2	—	—	1.0	**7.9**	
(2,230)	(3,121)	(1,397)	(750)	(4,937)	(2,972)	**1,908**	**22,946**
0.9	0.4	0.9	—	—	0.4	**3.1**	
42.4	40.0	43.9	42.3	37.1	37.2	**40.2**	
0.46	0.57	0.54	0.57	0.67	0.43	**0.22**	
5.3	4.3	5.5	6.5	1.6	7.4	**10.0**	
75.2	186.2	64.9	—	—	—	**29.1**	
1.5	1.5	1.5	1.6	1.0	—	**2.3**	

To Our Stakeholders

On behalf on Anritsu, I would like to extend our deepest condolences to those affected by the Great East Japan Earthquake that occurred on March 11, 2011, and our prayers for a swift recovery.

The earthquake damaged our Koriyama Business Office and some production facilities at manufacturing subsidiary Tohoku Anritsu Co., Ltd. Fortunately, no Group employees were hurt, and all Group manufacturing activities were restored during March 2011. Since the earthquake, the Anritsu Group has been providing material support to the people affected by the disaster, and has also been leveraging its management resources to contribute to the restoration and reconstruction of communications infrastructure.

During the fiscal year ended March 31, 2011, which was the first year of Mid-Term Plan GLP2012, mobile broadband continued to progress and full-scale LTE- and smartphone-related investment increased business opportunities. The Anritsu Group worked to further expand sales by providing new measuring solutions in conjunction with the rising sophistication and multifunctionality of information and telecommunication services. With a view to enhancing management efficiency, we also moved to increase earnings with management based on key performance indicators. As a result, the Anritsu Group increased both sales and earnings despite the appreciation of the yen. Income before income taxes and net income for the fiscal year ended March 31, 2011 reached the highest levels since the information technology (IT) bubble burst 10 years ago. Anritsu was therefore able to restore dividends, and paid cash dividends of ¥7.00 per share for the fiscal year, which included an interim cash dividend of ¥2.00 per share.

In the fiscal year ending March 31, 2012, elements of uncertainty such as concerns about a slowdown in the global economy and the impact of the Great East Japan Earthquake are multiplying. However, the Anritsu Group will rigorously manage risk in working to enhance its finances. In our core Test and Measurement business, we will respond to trends in the globally developing telecommunications market by strengthening our customer service and support system while working to expand business. In the Industrial Automation business, we will concentrate on business in North America, Asia and elsewhere overseas.

The entire Anritsu Group is innovating. Through measures for management innovation and business emergence, we aim to achieve our management vision. As we do so, we are counting on the continued support of our shareholders.

July 2011

H. Hashimoto

Hirokazu Hashimoto
Group CEO

An Interview with Group CEO Hirokazu Hashimoto

Strategic Focus on Innovation

The Anritsu Group reformed its earnings structure during the fiscal year ended March 31, 2011 and significantly increased income.

We will promote the "Good in five key areas" concept, "solidarity and symbiosis," and further innovation to contribute to the realization of a sustainable society.

Environment and Results for the Fiscal Year Ended March 31, 2011

In the fiscal year ended March 31, 2011, the first year of Mid-Term Plan GLP2012, the Anritsu Group achieved its numerical targets and increased sales and earnings. Please discuss the operating environment in Japan and overseas, and provide an overview of results.

The Test and Measurement business primarily drove results during the fiscal year ended March 31, 2011. In the target communications test and measurement market, the development of the new LTE communication standard for mobile phones and the growing popularity of smartphones resulted in steady progress worldwide in the mobile broadband market, which supported steady performance.

Major telecom carriers in Japan and the United States initiated commercial LTE service in December 2010. Major global telecom carriers advanced standards for the start of commercial LTE service from 2011, and measurement demand for development was steady at chipset and handset vendors. At the same time, test and measurement demand increased in the handset manufacturing market because unit production volume continued to expand centered on smartphones.

In the network infrastructure market, mobile phone service demand expanded in China, which has the world's largest mobile phone subscriber base. Mobile backhaul upgrades and other steps to accommodate base station installation and high-capacity communications progressed. Related test and measurement demand was therefore solid.

In the market for the electronics that support communication services, test and measurement demand for electronic components and modules for developing new applications was in line with our plans.

Outside of the Test and Measurement business, the Industrial Automation business performed steadily overseas due to expanded food inspection demand, primarily in Asia and North America, while the market in Japan was stable. The public sector accounts for a high proportion of sales in the Information and Communications business, which moved to expand in the private-sector market due to the challenging conditions created by reduced public investment.

In this operating environment, each business segment worked to expand sales by aggressively launching new products to meet the demands of global customers. At the same time, the Anritsu Group worked to improve and enhance operating efficiency by upgrading its sales organization in Japan and overseas, and by conducting management based on key performance indicators.

Consequently, the core Test and Measurement business significantly increased sales. Progress in improving our earnings structure by managing expenses resulted in strong gains in operating income and net income.

Operating Environment by Region in the Test and Measurement Business

(Fiscal year ended March 31, 2011)

Region	Operating Environment
All Regions	● Test and measurement equipment demand for LTE development was steady. ● Smartphone manufacturing equipment demand expanded substantially.
Japan	● Major telecom carriers initiated commercial LTE service in December 2010. ● Customers continued to restrain capital investment in some areas.
Americas	● Major telecom carriers initiated commercial LTE service in December 2010. ● Investment in wireless network upgrades and base station construction and maintenance was steady.
EMEA	● Demand recovered slowly despite restrained capital investment in certain sectors due to instability in the European financial system.
Asia and Others	● The mobile handset manufacturing sector in Asia expanded. ● Telecommunications infrastructure upgrades were firm.

Summary of Results for the Fiscal Year Ended March 31, 2011

(Millions of yen)

	2010	2011	Increase (Decrease)	Percentage Change
Orders	¥76,117	**¥80,282**	¥4,165	5.5%
Net sales	73,548	**77,853**	4,305	5.9
Operating income	4,583	**6,994**	2,411	52.6
Income before income taxes	3,913	**4,238**	325	8.3
Net income	385	**3,069**	2,684	697.0
Free cash flow	7,471	**7,797**	326	4.4

Progress of Mid-Term Plan GLP2012

GLP2012 targets an operating margin of 10 percent in the fiscal year ending March 31, 2013. Please explain the core Test and Measurement business's successes in implementing GLP2012 during the fiscal year ended March 31, 2011, and its tasks ahead.

We achieved our main targets for the fiscal year ended March 31, 2011, the first year of our three-year plan. Most important, we raised our operating income margin from 5 percent at the beginning of the plan to 9 percent. One of our tasks was to improve sensitivity to profit, which I believe we are steadily accomplishing. We also achieved return on equity (ROE) of 7.9 percent. In terms of Anritsu Capital-cost Evaluation (ACE), our proprietary indicator of the economic value we add above the cost of invested capital, the Mid-Term Plan got off to a good start as we achieved the highest profitability since the telecom bubble burst in the fiscal year ended March 31, 2001.

The core Test and Measurement business drove our solid performance. In particular, the key growth drivers of our Mid-Term Plan are:

1) LTE telecom standard R&D business; and
2) Handset manufacturing business, centered on 3G smartphones.

In both these areas, we believe that we can exercise our strengths and succeed by building close customer relationships and by providing test and measurement solutions that are aligned with market trends.

For example, conformance and interoperability testing is needed in R&D to commercialize LTE handsets. Anritsu was first in the industry to obtain conformance test system approval from the Global Certification Forum (GCF), and we quickly launched products to meet customer needs. Also, the smartphone manufacturing market is growing because third-generation (3G) mobile phone service is gaining traction around the world. Anritsu provides a wide array of test and measurement products for telecom standards ranging from 2G to LTE that competitively meet customer needs.

In telecom infrastructure-related markets, sales of handheld test and measurement equipment were steady for applications in the installation and maintenance of wireless base stations, a market in which Anritsu has an approximately 70 percent global share. Moreover, orders in Europe and Latin America supported steady growth in the service assurance business, which involves service quality monitoring and assurance solutions.

At the same time, we generated steady business expansion through new product launches in electronics markets such as electronic components, but I am not yet satisfied. We will continue to get closer to customers, enhance our product lineup and strengthen service to steadily expand the electronics sub-segment as a base business. Global price competition is intense in the optical and digital telecommunication test and measurement business. We will adjust manufacturing from the design stage to manufacturing processes in working to improve profitability.

Web **Please visit our website for additional details.**

Mid-Term Plan GLP2012 and Anritsu120

Anritsu120 Vision for the Company's 120th Anniversary

Achieve operating income margin of 10% or more in all business segments

GLP2012 Milestone of Anritsu120 — Mid-Term Plan through FY ending March 31, 2013

Achieve consolidated operating income margin of 10% by reinforcing the Test and Measurement business

	Net sales	Operating income margin	ROE	ACE*
FY ending March 31, 2015	¥100.0 billion	12%	12%	¥4.0 billion
FY ending March 31, 2013	¥90.0 billion	10%	10%	¥2.0 billion
FY ended March 31, 2011 (First year of plan)	¥77.9 billion	9.0%	7.9%	¥1.9 billion

* ACE (Anritsu Capital-cost Evaluation): Net operating profit after tax - Invested capital cost

Innovation

"We made progress in transforming our earnings structure."

Achieving the Targets of GLP2012

Anritsu must deal with an increasing number of elements of uncertainty during the fiscal year ending March 31, 2012, including the impact of the Great East Japan Earthquake and the strong yen. What are Anritsu's core policies for achieving the targets of GLP2012?

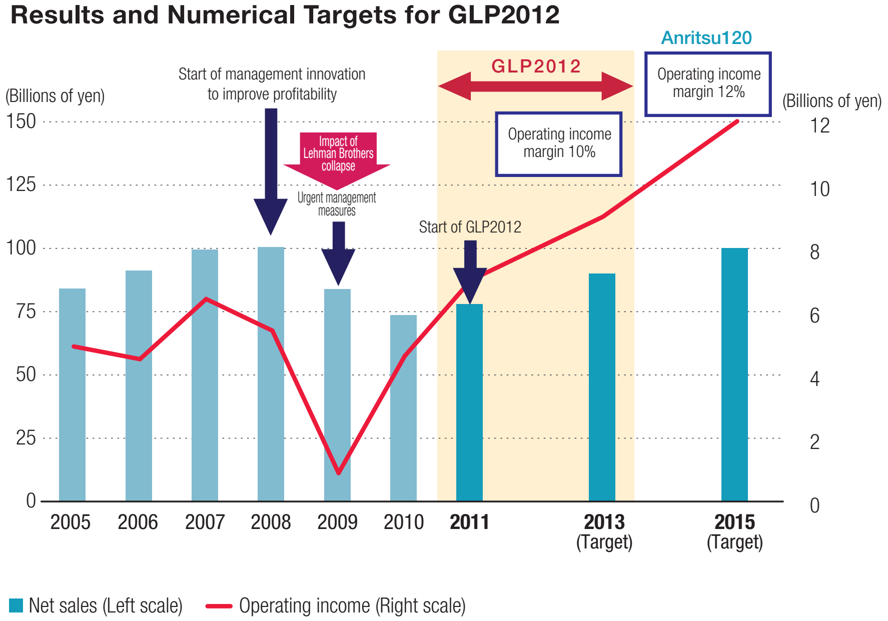
During the fiscal year ending March 31, 2012, the Anritsu Group will face a number of uncertain conditions including the status of restoration of supply chains impacted by the Great East Japan Earthquake, measures to deal with electricity constraints, and revised capital investment plans among Japanese corporations.

In the Test and Measurement business, we will balance sales among the four regions of Japan, the United States, EMEA and Asia to minimize the risk that changes in the operating environment in any given region will have an immediate and pronounced effect on the business as a whole. The LTE and other mobile markets are expected to continue expanding worldwide, factors including the investment required by the increasing volume of data transmission from smartphones and other devices are driving the network infrastructure market, and electronics markets are forecast to grow steadily over the medium-to-long term. In these and other markets, we will work to achieve the targets of GLP2012 by enhancing our global customer support organization and launching products that quickly and accurately meet needs. We also expect that demand will increase in our service assurance business because the need for network quality is rising as telecommunication services become faster and more diverse, so we will also expand this business globally.

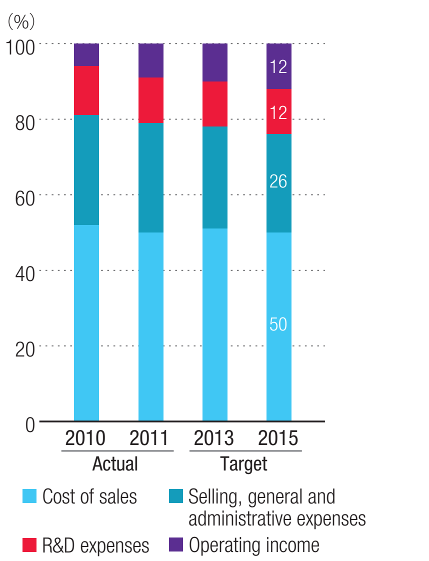
At the same time, we will need to carefully monitor foreign exchange trends. We expect competition with foreign manufacturers to intensify, so we will further innovate our cost structure. Concurrently, we will continue to focus on cash flow because it is central to management.

Our performance in the first year of GLP2012 led us to revise our targets upward. However, we have much to do in achieving our goals. We are still in the early stages of cultivation of the next generation of managers and the emergence of the new businesses that will become core operations. The Anritsu Group will work in concert with the aim of achieving the Anritsu120 vision for the fiscal year ending March 31, 2015 in order to make the earnings structure of the Anritsu Group more resilient.

Results and Numerical Targets for GLP2012



Cost Structure Plan



Note: Cost of sales and selling, general and administrative expenses exclude R&D expenses.

Promoting CSR Management

What will be the Anritsu Group's focus as an enterprise that contributes to a sustainable future for the Earth?

Since becoming Group CEO, I have advocated the "Good in five key areas" concept to build stakeholder relationships that embody the Anritsu corporate philosophy of sincerity, harmony and enthusiasm. We seek harmony with sellers, employees, consumers, society and nature (environmental protection), and want to be a company that conducts itself with integrity.

Our customers, suppliers, transportation providers and employees worked as one to quickly restore production lines damaged by the unprecedented earthquake at the end of the fiscal year ended March 31, 2011. The spirit of symbiosis with all stakeholders we felt in doing so reaffirmed the need for solidarity in resolving challenges. Aiming to expand this circle of solidarity and symbiosis, the Anritsu Group must energetically embrace the theme of symbiosis with other companies, between people and nature, and between society and nature.

Post-earthquake reconstruction has joined our response to global warming and resolution of the digital divide as one of the many tasks in which the Anritsu Group is engaged. We will deepen our relationship with society through our businesses in taking on the challenges we face.

Web Please visit our website for additional details.

Innovation

"For Anritsu, the 'Good in five key areas' concept and 'solidarity and symbiosis' are the foundation of our ability to contribute to society through our businesses."

Corporate Governance

Anritsu started a new officer structure with three outside directors from the current fiscal year. What efforts is Anritsu making to ensure corporate governance?

In the fiscal year ending March 31, 2012 the Anritsu Group added a third outside director, which means three out of eight, or more than one-third, of the members of the Board of Directors are independent outside directors, while five are internal directors. In conjunction with the two outside corporate auditors, the Anritsu Group has five independent officers from outside the company, the same number as its internal directors. As a result, audits by the Board of Corporate Auditors coupled with mechanisms to enhance the system of internal controls have strengthened supervision of the Board of Directors and mechanisms to enhance management transparency.

However, the Anritsu Group needs to ensure that the Board of Directors executes substantive management and does not simply engage in prerequisite formalities. With this in mind, the five outside officers include one with experience in corporate management, an authority on business administration with a global perspective, a specialist in finance and corporate governance, an opinion leader in accounting audits and the duties of corporate auditors, and a legal expert. Their knowledge differs from that of the internal directors and executive officers, which I expect to contribute to the framework for the Anritsu Group to increase corporate value.

Web Please visit our website for additional details.

Fiscal Policy and Shareholder Returns

The Anritsu Group's capital requirements, including the need to deal with unforeseen contingencies, are likely to increase. Please discuss the Group's fiscal policy and stance regarding shareholder returns.

During the fiscal year ended March 31, 2011, the Anritsu Group redeemed ¥7.0 billion in bonds with stock acquisition rights and issued ¥10.0 billion in euro-denominated convertible bonds with subscription rights to shares due in 2015 in order to enhance capital and fund growth.

The Anritsu Group primarily requires funds for working capital, capital investments and R&D expenditures. We will prioritize investment to generate growth in our businesses in moving quickly and flexibly to meet these requirements.

In the fiscal year ended March 31, 2011, Anritsu's largest shareholder, NEC Corporation, sold 19,200 thousand shares of stock (15.1 percent of voting rights) that it had held in an employee retirement benefit trust account as a means of expanding the Anritsu Group's shareholder base. Consequently, while remaining a major shareholder, NEC reduced its ownership of the Anritsu Group from 22.01 percent to 6.88 percent. Regardless of the scale of NEC's investment, the Anritsu Group will continue to maintain a strong relationship with NEC as a business partner.

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. Anritsu paid cash dividends of ¥7.00 per share for the fiscal year ended March 31, 2011, which included an interim cash dividend of ¥2.00 per share.

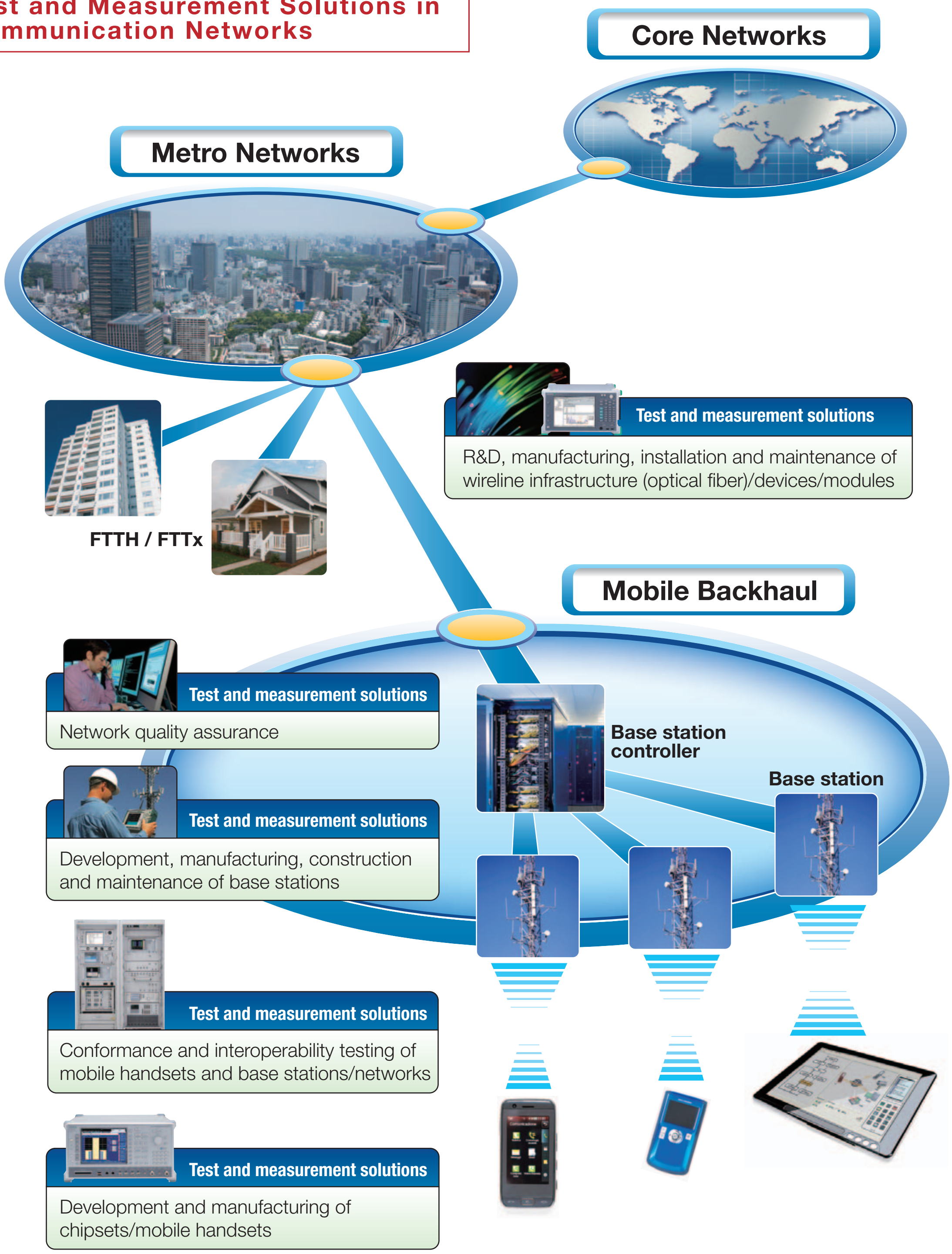
In March 2011, the Anritsu Group celebrated the 80th anniversary of its founding as Anritsu Electric Co., Ltd. In 2015, we will celebrate the 120th anniversary of the establishment of Sekisan-sha, a company that manufactured Morse code signaling equipment to which the Anritsu Group traces its roots. Throughout its long history, the Anritsu Group has maintained an unbroken strand of corporate DNA that has been passed to subsequent generations. We intend to use it to achieve continuous profitable growth.

Test and Measurement

Web Please visit our website for additional details.

As a leader in communications test and measurement solutions, Anritsu is expanding its business in test and measurement for 3G/LTE mobile handset development and manufacturing, and for communications infrastructure installation and maintenance. With our test and measurement solutions for electronic components for telecommunications and quality assurance solutions for communication networks, we contribute to the advancement of all network services, from core networks to metro networks and mobile backhaul.

Test and Measurement Solutions in Communication Networks



Business Areas

Anritsu's Test and Measurement segment provides test and measurement solutions in all areas from core networks to metro networks and mobile backhaul. Specifically, this business targets the network infrastructure market, which includes fiber optic networks and wireless base stations; the mobile market, including mobile phones and smartphones; and the electronics market, which includes car electronics and electronic components, devices and equipment used in cloud computing and other applications. With a robust global development system and a global customer support system, Anritsu provides test and measurement solutions that meet current market requirements in Japan, the Americas, EMEA and Asia.

Strategy for the Test and Measurement Business

1. Expand the LTE- and 3G-related test and measurement business

- Expand test and measurement solutions for development of LTE handsets
- Respond to spread and expansion of LTE/3G smartphones
  - Expand solutions for handset manufacturing and for base station installation and maintenance
  - Expand service assurance business, which conducts network quality assurance

2. Expand profitable business in the electronics and network infrastructure markets

- Win business by upgrading and expanding applications to meet customer needs
  (Solutions for development and manufacturing of telecommunication equipment and electronic components for telecommunications)
- Expand solutions for base station installation and maintenance to more countries and operators
- Improve and expand the service assurance business, which provides end-to-end quality assurance

Features and Global Market Share of the Test and Measurement Business (Anritsu estimates)

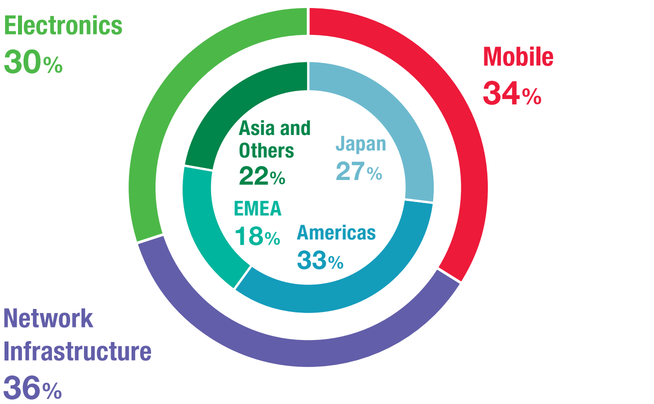
Test and Measurement for LTE Development
Share of about 50%

Test and Measurement for 3G Development
Share of about 70%

Test and Measurement for Base Station Installation and Maintenance
Share of over 70%

Covers all areas of telecommunications, from wireline to wireless. Now developing service assurance business.

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



Review of the Fiscal Year Ended March 31, 2011

In the fiscal year ended March 31, 2011, demand rose for measuring instruments for LTE research and development in the mobile market and for handset manufacturing primarily in Asia, where the smartphone market is expanding. In the communications infrastructure market, demand increased for test and measuring instruments used in installation and maintenance for improvement and expansion of base station infrastructure in North America and Asia. As a result, segment sales were ¥53,463 million, a 10.8 percent increase from the previous fiscal year. Operating income was ¥5,051 million, a 124.3 percent increase from the previous fiscal year, as the mobile market gained traction and Anritsu managed investments and expenditures more efficiently. The Koriyama Business Office and Tohoku Anritsu Co., Ltd., which are manufacturing bases for the Test and Measurement business, were partly damaged by the Great East Japan Earthquake. However, all production lines were restored by the end of March 2011, and the impact on results for the fiscal year was limited.

Operating Environment and Initiatives in the Fiscal Year Ending March 31, 2012

In the mobile phone market, the full-scale implementation of LTE services will drive growth in demand for conformance and interoperability testing between handsets and base stations or existing network services. Demand for measuring instruments used in manufacturing handsets, typified by increasingly faster, more multifunctional smartphones, is also expected to rise. Against this backdrop, Anritsu plans to step up research and development and other expenditures to respond technically to evolving LTE standards, and to meet the global increase in customer requests.

In the network infrastructure market, demand will continue for measuring instruments for installation and maintenance to upgrade and expand mobile backhaul. Anritsu will work to expand its global market share with a focus on handheld measuring instruments, Anritsu's strength. For core and metro networks, Anritsu will provide optimal test and measurement solutions to respond to the move toward high speed and high capacity.

In the electronics market, Anritsu will aim for business expansion by enhancing and expanding general purpose measuring instruments that use its base technologies and by expanding applications for modules and electronic components for telecommunications, which will be needed in all areas of communication networks.

Anritsu will also focus on increasing earnings in the Test and Measurement segment by optimizing the supply chain from development to production, sales and customer support.

Measures to Achieve the Mid-Term Plan GLP2012

In GLP2012, the Mid-Term Plan initiated in April 2010, Anritsu is aiming for net sales of ¥61.0 billion and an operating income margin of 10 percent in the Test and Measurement segment in the fiscal year ending March 31, 2013. In the telecommunications market, business opportunities are growing for Anritsu's Test and Measurement business with advances in mobile broadband. Demand is increasing for development of LTE, the next-generation high-speed communication standard, as an environment that enables comfortable use of services; upgrading and expansion of telecommunication networks such as mobile backhaul; and network quality assurance. Anritsu intends to expand this business by accurately recognizing such opportunities to provide solutions tailored to customer needs and strengthen customer support from development to manufacturing, installation and maintenance, and network quality assurance. Moreover, Anritsu will work toward achievement of GLP2012 by improving and enhancing operating efficiency in business processes while promoting KPI management to solidify the foundation for a stronger profit structure.

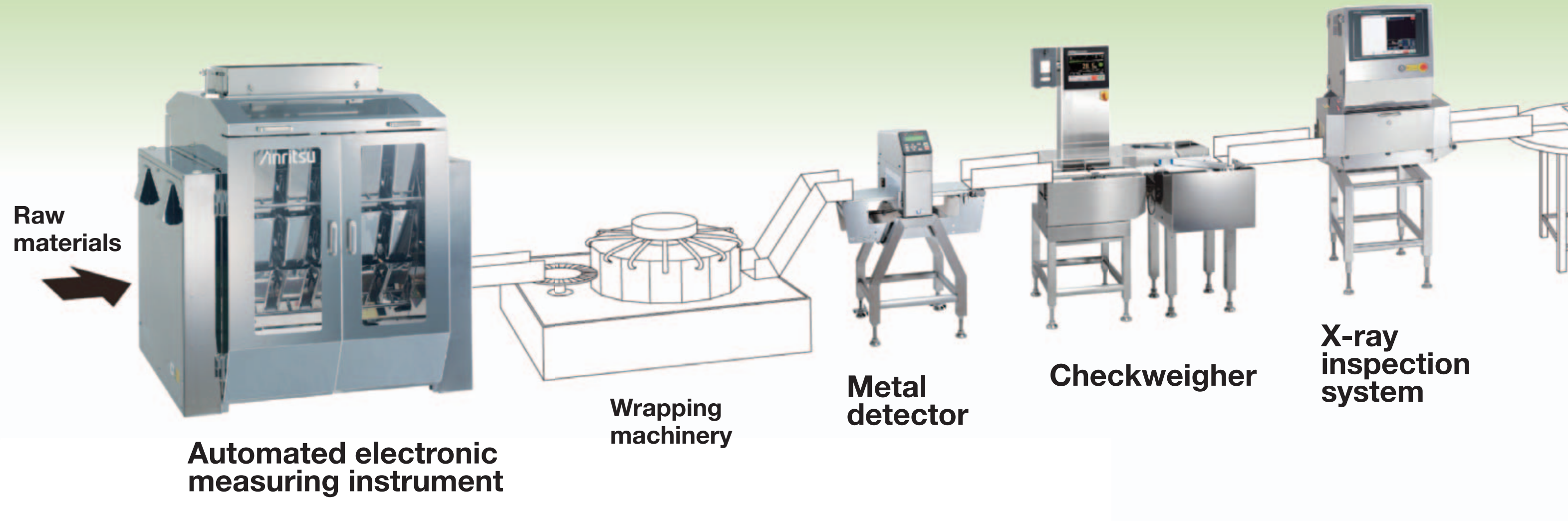
Trends in the Telecommunications Industry and the Direction of Anritsu's Test and Measurement Business

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

Smartphones and tablets offering an abundance of applications and services are quickly spreading worldwide. Data transmission capacity is also increasing rapidly. Mobile communications are being utilized in a wide range of fields, including electronic administration, medical care, education, transportation, disaster prevention and the environment, through numerous devices – not only human-to-human but also human-to-machine, machine-to-machine and cloud computing via data centers. The high speed and increasing data transmission capacity of access terminals are spurring the need for expansion of mobile backhaul and core networks of wireless base stations and other infrastructure. Enhancement of access terminals and communication networks is occurring simultaneously not just in developed countries but in many other countries and regions. We believe that the growth of mobile broadband services will continue globally.

Current wireless communications have spread globally, and encompass various systems including WiFi, WiMAX and Bluetooth in addition to mobile phone systems such as GSM, W-CDMA and CDMA. As more services using wireless communications are developed, these wireless standards are used in many devices, including mobile phones, tablets, car electronics, household appliances and smart grids. Devices that include multiple communications standards on one chip are also appearing.

Anritsu offers test and measurement solutions supporting every communications platform from wireline to wireless across the spectrum of development, manufacturing and maintenance. We are also focusing on the service assurance business, which involves end-to-end quality assurance to improve the quality of diverse broadband services, and hope to contribute to the advancement of mobile broadband.



Industrial Automation

Web Please visit our website for additional details.

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

The Industrial Automation segment provides production management and quality assurance systems for the food, pharmaceutical and cosmetics industries. Its main products include X-ray inspection systems, metal detectors and checkweighers that perform high-speed, accurate weighing on production lines. Products for the food industry account for 85 percent of this segment's business. Consequently, its business operations are stable, as this is a market with relatively little change in demand due to economic trends.

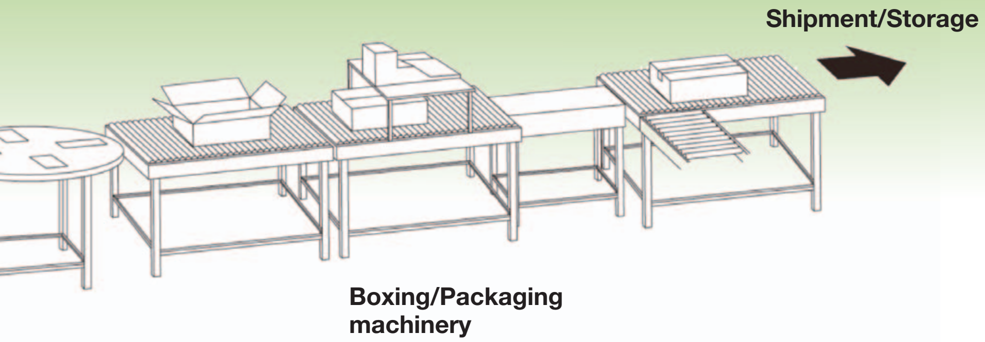
Geographically, the Japanese market accounts for 70 percent of business. However, overseas business is expanding, reflecting food safety consciousness in newly industrialized countries and rising demand for high-precision quality inspection in the American and European markets.

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 domestic consumer food markets of India and Southeast Asian countries

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



Review of the Fiscal Year Ended March 31, 2011

In the fiscal year ended March 31, 2011, no growth was seen in investment by food manufacturers in the Japanese market. However, orders for X-ray inspection systems and checkweighers were solid in overseas markets, primarily Asia and North America. As a result, segment sales increased 5.9 percent compared with the previous fiscal year to ¥12,326 million, and operating income increased 8.0 percent to ¥659 million. Earnings continued to increase steadily as the effects of ongoing cost reductions began to appear.

Operating Environment and Initiatives in the Fiscal Year Ending March 31, 2012

To expand business in overseas markets, where growth is expected, Anritsu will introduce high-value-added products such as an X-ray inspection system that utilizes new technology to significantly improve detection accuracy. We will also expand local production and sales organizations, with a focus on our Thai subsidiary, as we aim to increase our global market share. In addition, the precision measurement business has been integrated into this segment from the fiscal year ending March 31, 2012. We will use synergy from the integration in areas such as sensor technology to promote development of new solutions.

Measures to Achieve the Mid-Term Plan GLP2012

Our targets for this segment in GLP2012 are sales of ¥14.5 billion and operating income of ¥1.1 billion in the fiscal year ending March 31, 2013. Key priorities are expanding overseas business mainly in the Asian market (overseas sales target 33 percent) and developing new quality assurance solutions for the food and cosmetics markets. Fulfilling customer requests locally, including local design, production and support, will be important to expand business further overseas. To achieve our targets, we will increase earnings by raising our responsiveness to customer needs and accelerate overseas business development while continuing to reduce costs and optimize the supply chain. Moreover, we will leverage synergy with the precision measurement business to develop new solutions and expand business by deepening our presence in existing markets and uncovering new ones.

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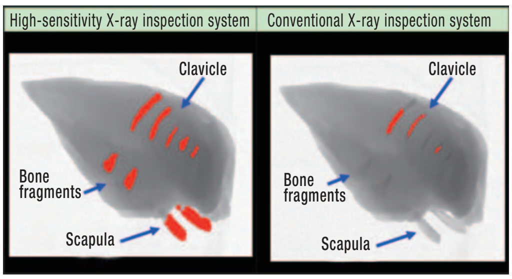
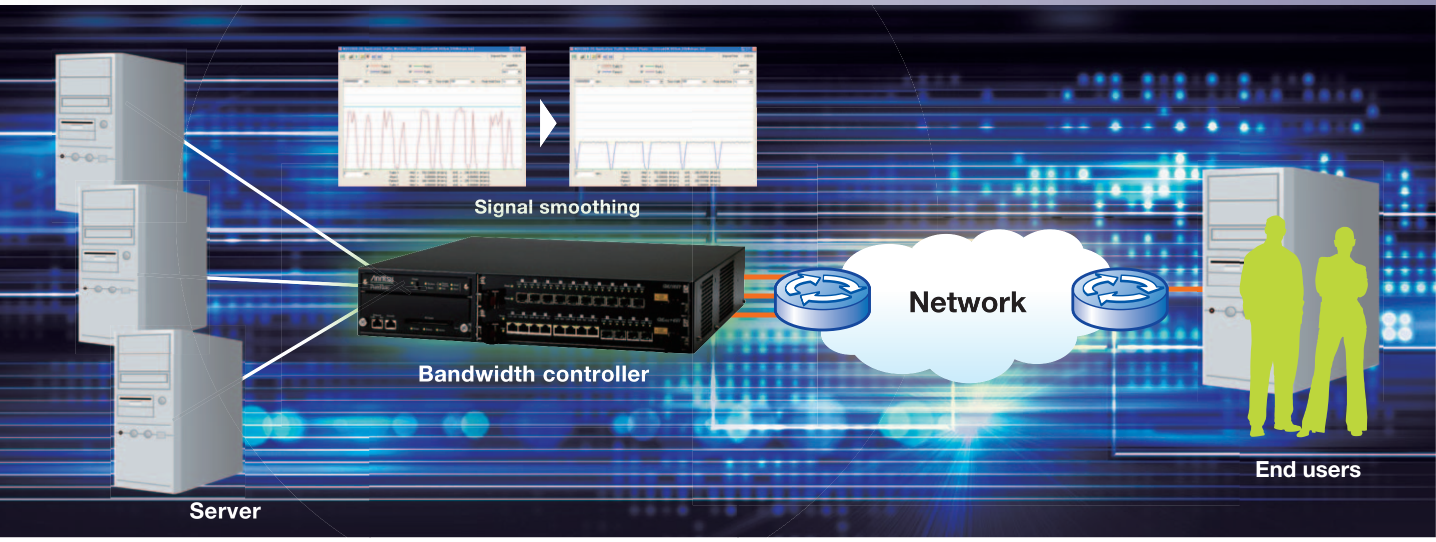


High-sensitivity X-ray inspection system with dual energy sensor



Information and Communications

Web Please visit our website for additional details.

This segment works to develop markets by enhancing its lineup of high-quality solutions using IP network technology and building stronger ties with business partners. It also aims to improve earnings by strengthening its competitiveness with improvements in quality, cost and delivery.

Business Areas

The Information and Communications segment operates in the public- and private-sector markets. It provides disaster prevention and IP infrastructure solutions to Japanese government and municipal offices, including the Ministry of Land, Infrastructure, Transport and Tourism. For customers in the private-sector market, mainly financial institutions and telecom carriers, it provides telecommunication equipment that supports backbone networks based on IP network technology. This includes bandwidth controllers for upgrading telecommunications infrastructure by helping maintain quality of service in IP networks.

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 network-related business in the financial and telecom carrier markets

- Expand and improve the profitability of businesses such as bandwidth controllers

Review of the Fiscal Year Ended March 31, 2011

In the fiscal year ended March 31, 2011, demand for bandwidth controllers was solid, primarily for networks of financial institutions. However, reduced public works investment led to delays and partial freezes of projects for the public sector. As a result, segment sales decreased 22.4 percent from the previous fiscal year to ¥4,118 million and operating income decreased 51.7 percent to ¥69 million.

In disaster communication systems, business with local governments in collaboration with system integrators is gaining momentum. We expect interest in safety and security to increase further, and will augment proposals and sales promotion of solutions that use these systems.

Operating Environment and Initiatives in the Fiscal Year Ending March 31, 2012

With cutbacks in investment in the public-sector market, the severe operating environment is forecast to continue. On the other hand, in the private-sector market, a further increase in demand is projected for bandwidth controllers among financial institutions and telecom carriers to ensure quality of service (QoS) in high-speed networks.

Accordingly, Anritsu will continue to focus on the private-sector market. Specifically, we will further promote collaboration with system integrators to expand sales of bandwidth controllers. We will also overhaul supply chain management to improve our profit structure.

Measures to Achieve the Mid-Term Plan GLP2012

In the Mid-Term Plan GLP2012, targets for this segment are net sales of ¥6.0 billion and operating income of ¥0.5 billion in the fiscal year ending March 31, 2013. The key priority is further developing the private-sector market to expand business and improve earnings. In developing the private-sector market, we must provide the sophisticated, complex applications that customers require. Therefore, we will strengthen our lineup of mainstay bandwidth controllers, enhance our existing relationships with system integrators and work to build alliances with new partners in order to expand business. Furthermore, in the field of video monitoring, we will provide new solutions based on IP telemetry systems and multi-screen systems, a new product. To promote these initiatives, we are making structural improvements, including the establishment of the New Market Development Department at the start of the current fiscal year. To improve this segment's earnings structure, we will work to achieve the operating margin target by strengthening product competitiveness right from the development stage in terms of quality, cost and delivery.

Product Profile

Bandwidth Controller PureFlow® GS1 Series

Adopted in backbone networks of major financial institutions.

Delivers the quality of service (QoS) that financial institutions need and also helps reduce costs for customers.

Corporate Governance

Web Please visit our website for additional details.

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.

Basic Philosophy

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 building a corporate culture that respects the rights and interests of all stakeholders, including shareholders, customers and employees, and by maintaining and strengthening internal systems.

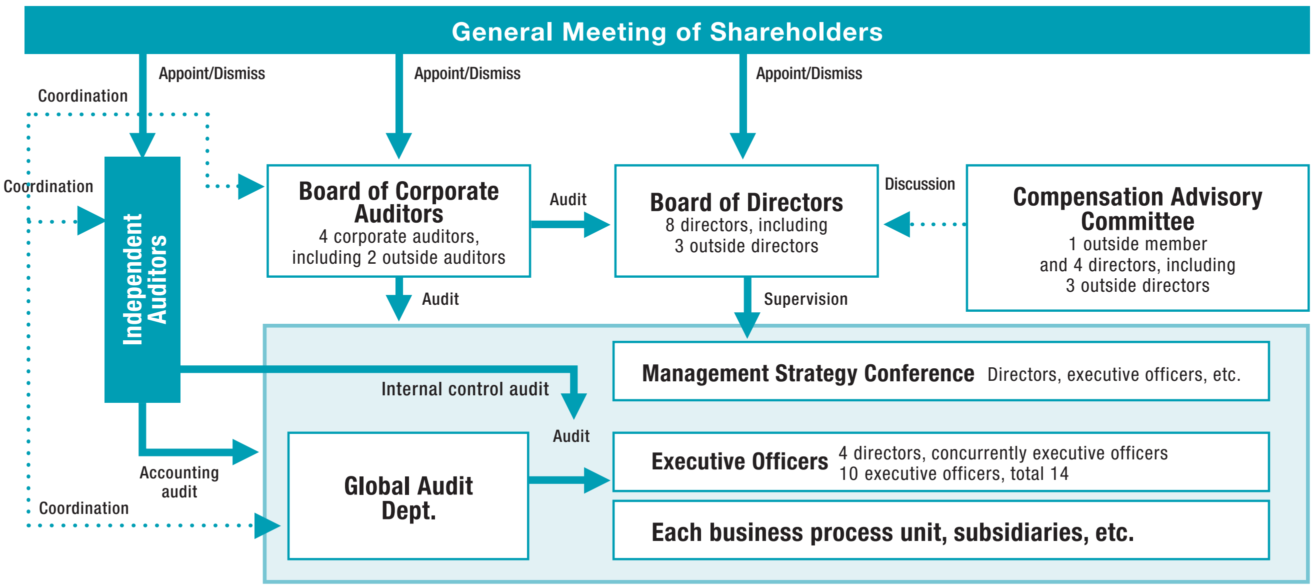
Anritsu's Corporate Governance System

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.

The Company's current management structure consists of 8 directors (including 3 outside directors), 4 corporate auditors (including 2 outside corporate auditors) and 14 executive officers (including 4 who also serve as directors). As part of measures to enhance corporate governance, Anritsu increased the number of outside directors to bring outside perspectives into the Company's management and further strengthen oversight of business execution. After the close of the 85th Ordinary General Meeting of Shareholders held on June 28, 2011, the Company had three outside directors. None of the outside officers, including the two outside corporate auditors, has any personal, equity or business relationships or other vested interests with the Company.

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

Corporate Governance System



Anritsu has appointed a corporate manager with extensive experience in global business, a university professor and a corporate governance specialist as outside directors with the expectation of utilizing their advice from an outside perspective in areas such as dealing with management issues. The Company believes that this will increase objectivity and fairness in decision-making in Board of Directors' meetings and contribute to further ensuring management transparency.

Internal Control System

Anritsu is taking measures to strengthen its internal control system in order to exhaustively determine and assess impediments (business risks) to the Company's growth and achievement of management targets and conduct company-wide management.

To link the improved internal control system to higher corporate value, Anritsu is conducting activities with a focus on raising awareness as an organization and fostering its corporate culture.

Risk Management

Recognizing that its key risks are (1) risks related to management decision-making and business execution, (2) legal risk, (3) environmental protection risk, (4) product and service quality risk, (5) export control risk, (6) information security risk, and (7) disaster risk, Anritsu clearly identifies who is responsible for risk management for each type of risk. These managers conduct analytical evaluations of risks, deliberate with the Management Strategy Conference when necessary, and report to the Board of Directors. If an event occurs with the potential to have a significant impact on the Company's operations, pursuant to basic risk management rules the president of the Company calls a meeting of those concerned to grasp the situation and take countermeasures, and reports promptly to the Board of Directors and Board of Corporate Auditors.

Compliance

The director in charge of compliance oversees the Anritsu Group's compliance activities to promote sound corporate activities that adhere to ethics and laws. Day-to-day activities are carried out by each department under the leadership of the department manager, with the support of the Corporate Ethics Committee and other committees. Specific measures include extending the Anritsu Group Code of Conduct to subsidiaries, including overseas subsidiaries. We issue case study sheets with commentary and points to consider regarding specific issues, conduct training by employee level and educational programs through compliance events. In addition, Anritsu has established a Help Line and other measures to prevent internal violations of ethics and laws.

Directors, Corporate Auditors and Executive Officers

(As of June 28, 2011)

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

Junkichi Shirono

Director

1978 Joined the Company
2009 Executive Officer [incumbent]
2011 Director

Toshisumi Taniai

Director

1981 Joined the Company
2009 Executive Officer [incumbent]
2011 Director

Yasushi Hosoda

Director (Outside Director)

(Visiting Professor, Kanazawa Institute of Technology)

2010 Director

Michikazu Aoi

Director (Outside Director)

(Professor, Meiji University Graduate School of Global Business)

2011 Director

Takaya Seki

Director (Outside Director)

(Representative Director, Corporate Practice Partners, Inc.)

2011 Director

Corporate Auditors

Kohei Ono

Full-time Corporate Auditor

1970 Joined the Company
2009 Full-time Corporate Auditor

Shigehisa Yamaguchi

Full-time Corporate Auditor

1975 Joined the Company
2011 Full-time Corporate Auditor

Nobuyoshi Tanaka

Outside Corporate Auditor

(Civil Affairs Mediation Committee, Tokyo District Court)

2011 Outside Corporate Auditor

Kunihiro Kamiya

Outside Corporate Auditor

2011 Outside Corporate Auditor

*Concurrently serving as director

Executive Officers

Hirokazu Hashimoto*

President
Group CEO

Kenji Tanaka*

Executive Vice President
Measurement Group President,
Global Operation Center, Measurement Solution Sales 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.)

Junkichi Shirono*

Vice President
Chief Marketing Officer, General Manager of Marketing Div.

Toshihiko Takahashi

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

Toshisumi Taniai*

Vice President
Chief Corporate Officer, Chief Compliance Officer,
Chief Environmental Officer, Legal Dept., Human Resource and Administration Dept., Environment Promotion Dept.

Nobuo Funahashi

Vice President
Information & Communication Group President,
Network Sales Div.

Osamu Nagata

Vice President
Chief Global Sales Officer, General Manager of APAC Sales Center, 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.,
Real Estate Administration Dept.

Koichiro Takahashi

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

Fumihiro Tsukasa

Vice President
Industrial Solution Business Group President,
Precision Measuring Equipment Sales Dept.

Tomoyuki Kikugawa

Vice President
Chief Technology Officer, Chief Risk Management Officer, Global Audit Dept., Trade Control Dept.,
Intellectual Property Dept., Device Sales Dept.

Tetsuo Kawabe

Vice President
Chief Business Planning Officer,
Chief Information Officer,
General Manager of Management Strategy Center,
Corporate Communication Dept.,
Management Information System Dept.

Gerald Ostheimer

Vice President
Chief Service Assurance Business Officer,
CEO & President of Anritsu A/S (Denmark),
Managing Director of Anritsu EMEA Ltd. (U.K.),
Service Assurance Div.

Corporate Social Responsibility (CSR)

Approach to CSR Activities

Web Please visit our website for additional details.

Anritsu is promoting CSR activities by implementing the basic principles of its company philosophy, vision and policy; by respecting the Global Compact that Anritsu upholds as a global enterprise; and by adhering to the Anritsu Group Charter of Corporate Behavior that sets out concrete values and behavioral guidelines.

Specifically, Anritsu has set "CSR Goals," a medium-to-long-term plan to better clarify and give shape to the direction of CSR activities.

CSR Goals of Anritsu

Goal 1	Contributing to Build a Safe, Secure, and Comfortable Society
Goal 2	Maintaining Harmony with the Global Socio-Economy
Goal 3	Promoting Global Environmental Protection
Goal 4	Promoting Communications

Overview of CSR Activities

Using Life Cycle Assessments to Reduce the Environmental Burden

Anritsu implements life cycle assessments to evaluate CO_2 emissions at each stage of a product's life cycle, from manufacturing to distribution, use by the customer and recycling, in order to understand the emission profile of each product. This information is then reflected in development of environmentally friendly products. Products developed have been certified as Eco Products and Excellent Eco Products based on our own standards, details of which are on our website. We will continue to provide environmentally conscious products.

Excellent Eco Product
Radio communication analyzer

Support for the Region Affected by the Great East Japan Earthquake

The Anritsu Group is working to provide both moral and material support to the victims of the disaster, focusing on support activities related to our core business and local restoration and reconstruction activities.

(1) Communications Infrastructure Restoration Support
Loans of measuring instruments, fault diagnosis

(2) Local Restoration and Reconstruction Support
Monetary donations
Japan Platform, Central Community Chest of Japan, Red Cross associations of various countries, City of Koriyama

Donations of stationery
Donations to elementary and middle school students evacuated in Koriyama

Loans of disaster reconstruction support equipment

Financial Section
Management's Discussion and Analysis

Changes in the Scope of Consolidation

During the fiscal year ended March 31, 2011, the Anritsu Group added newly established Anritsu Solutions S.R.L. to the scope of consolidation and liquidated five consolidated subsidiaries, NetTest Equipment España S.A., Photonetics Ltd., NetTest Ltd., NetTest (UK) Ltd. and NetTest GmbH. As a result, the Anritsu Group comprised 37 consolidated subsidiaries at the end of the fiscal year.

Sales and Income

In the field of communication networks, the shift to broadband is giving rise to numerous diverse services, including video distribution services and cloud computing. In the field of mobile communications, major telecom operators in the United States and Japan launched commercial services in December 2010 based on Long Term Evolution (LTE), a next-generation communications standard that enables dramatic increases in the transmission speed of mobile handsets. Major telecom operators elsewhere in the world are also stepping up development investment in LTE as they prepare to roll out commercial services from 2011 onward. Infrastructure is being upgraded to meet growing demand for mobile phone service in China, which already has the world's largest mobile phone subscriber base, as well as in India and other emerging countries.

Amid such expanding business opportunities, the Anritsu Group focused on expanding sales by aggressively bringing new products to the market. At the same time, the Group overhauled its domestic and overseas sales operations to improve profitability and strengthened management of costs and investment using key performance indicators (KPI). Other measures to fortify future competitiveness included establishing a development base in Romania.

For the fiscal year ended March 31, 2011, demand was firm, centered on measuring instruments for the mobile phone market in the core Test and Measurement segment. Orders increased 5.5 percent compared with the previous fiscal year to ¥80,282 million, net sales increased 5.9 percent to ¥77,853 million and operating income increased 52.6 percent to ¥6,994 million. Income before income taxes increased 8.3 percent to ¥4,238 million after foreign exchange loss of ¥769 million and impairment loss on goodwill of ¥987 million, and net income increased 697.0 percent to ¥3,069 million.

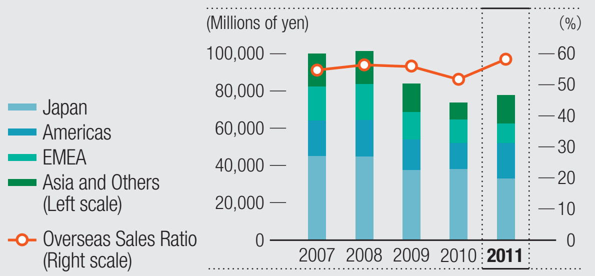
The Great East Japan Earthquake caused damage to certain production and other facilities at Tohoku Anritsu Co., Ltd., a manufacturing subsidiary of Anritsu. However, there was no personal harm to Anritsu Group employees, and all production lines were restored and resumed production within the fiscal year. Therefore, the impact on results for the period was limited.

Net Sales

For the fiscal year ended March 31, 2011, net sales increased ¥4,305 million, or 5.9 percent, year on year to ¥77,853 million. The principal factor was a 10.8 percent increase in sales of the core Test and Measurement segment to ¥53,463 million, owing to 1) the strong performance of solutions for use in manufacturing of mobile handsets capable of handling all of the 3G, 3.5G and LTE communication systems and 2) orders from leading operators and vendors in North America and Asia reflecting the rise in LTE-related demand.

By geographic region, sales in the Americas increased due to steady investment in wireless network upgrades and base station installation and maintenance, as well as expansion of development applications for mobile broadband, including LTE. Sales in Asia recovered steadily in both the Test and Measurement and Industrial Automation segments. Sales in Japan, however, remained weak, and were below the level of the previous fiscal year. As a result, overseas sales accounted for 57.7 percent of total net sales in the fiscal year ended March 31, 2011.

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.

Cost of Sales and Gross Profit

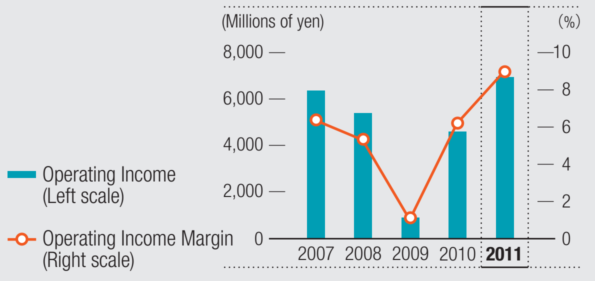
Cost of sales increased ¥325 million, or 0.8 percent, compared with the previous fiscal year to ¥43,033 million, and the ratio of cost of sales to net sales decreased 2.8 percentage points to 55.3 percent. Reflecting activities to improve profitability, gross profit increased ¥3,980 million, or 12.9 percent, compared with the previous fiscal year to ¥34,820 million. The ratio of gross profit to net sales increased 2.8 percentage points to 44.7 percent.

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

SG&A expenses increased 6.0 percent year on year to ¥27,826 million. This was due to an increase in personnel expenses, which the Anritsu Group has taken measures to hold down in the past several years. The Group continued its ongoing efforts to reduce fixed costs and to strengthen management of costs and investments using key performance indicators (KPI).

Research and development expenses, which are included in general and administrative expenses and manufacturing expenses, were ¥9,381 million, essentially unchanged compared with the previous fiscal year, and were equivalent to 12.0 percent of net sales. As a result of the above, operating income increased ¥2,411 million, or 52.6 percent, year on year to ¥6,994 million. The ratio of operating income to net sales, or the operating income margin, increased 2.8 percentage points to 9.0 percent.

Operating Income and Operating Income Margin



SG&A Expenses (Millions of yen)

	2011	2010	Change
Salaries and bonuses	¥10,061	¥9,332	(7.8)%
Pensions	1,644	1,934	(15.0)
Advertising	902	836	7.8
Travel and transportation	1,330	1,541	(13.7)
Depreciation	609	703	(13.4)
Testing research	4,935	4,738	4.1

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

Other expenses, net totaled ¥2,756 million, compared with ¥670 million for the previous fiscal year. In addition to a foreign exchange loss of ¥769 million due to the strengthening of the yen, the Anritsu Group recorded an impairment loss on goodwill of ¥987 million related to the acquisition of NetTest Pte. Ltd., loss on devaluation of investment securities of ¥78 million, and loss on adjustment for changes of accounting standard for asset retirement obligations of ¥68 million. Consequently, other expenses, net increased ¥2,086 million compared with the previous fiscal year.

As a result of the above, income before income taxes increased ¥325 million, or 8.3 percent, compared with the previous fiscal year to ¥4,238 million. Net income increased ¥2,684 million, or 697.0 percent, to ¥3,069 million.

Net income per share totaled ¥24.09, an increase of ¥21.07 compared with the previous fiscal year.

Costs, Expenses and Income as a Percentage of Net Sales

	2011	2010	2009
Net sales	100.0%	100.0%	100.0%
Cost of sales	55.3	58.1	62.0
Gross profit	44.7	41.9	38.0
SG&A expenses	35.7	35.7	37.0
R&D expenses	12.0	12.8	13.9
Net income	3.9	0.5	(4.2)

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 account general 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 decided to pay cash dividends totaling ¥7.00 per share for the fiscal year ended March 31, 2011, including an interim dividend of ¥2.00 per share, to reward shareholders for their support.

Business Segments

The Anritsu Group classifies operations into the segments of Test and Measurement, Industrial Automation, Information and Communications, and Others. Segment sales are sales to outside customers only.

Test and Measurement

This business develops, manufactures and sells measuring instruments and systems for a variety of communications applications, including IP network and mobile communications, RF/microwave and millimeter wave communications, and service assurance, to telecom operators, manufacturers of related equipment, and maintenance and installation companies around the world.

During the fiscal year ended March 31, 2011, demand emerged for the manufacturing and installation of base stations and development of handsets for LTE, the next-generation communications standard. Demand for manufacturing of multifunctional mobile handsets also increased. By region, customers continued to curtail or postpone capital investments, mainly in Japan, but demand for measuring instruments was firm in the North American and Asian markets. As a result, segment sales increased 10.8 percent compared with the previous fiscal year to ¥53,463 million. Operating income increased 124.3 percent to ¥5,051 million.

The Test and Measurement business, which accounts for approximately 69 percent of the Anritsu Group's net sales, is divided into the following three sub-segments.

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 dramatic expansion in mobile broadband services for smartphones as well as conventional mobile phones, services based on LTE, the next-generation communications standard, are expected to begin globally. As a result, full-scale development has begun for IC chipsets and mobile handsets supporting LTE, and demand for related measuring equipment is expanding as a result. Anritsu launched new products for use in research and development of LTE handsets. Further, the Company is working to enhance its portfolio of solutions for the LTE handset market and to maintain and expand market position 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 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 of TD-SCDMA and other 3G handsets and TD-LTE, which is scheduled for introduction, 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 manufacturer needs in areas including design, production and testing.

In this sub-segment, with the increasing popularity of broadband network services, in addition to broadband services such as music and video download and IPTV, new services such as cloud computing are now being offered. Further, 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.

In the field of network infrastructure, with the start of full-scale construction of 40Gbps networks that can handle the rapid increase in high-speed traffic, as well as full-fledged research and development for 100Gbps network equipment, demand for related measuring equipment is increasing. Additionally, demand for installation of base stations and mobile backhaul equipment, as well as related measuring equipment, is increasing to meet surging demand for data communications driven by the popularization of multifunctional mobile devices such as smartphones and tablets.

In service assurance, increased demand is anticipated for solutions that ensure service quality due to the development of new services using networks as platforms. At the same time, demand for professional services is expected in this market due to the shortage of network engineers.

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 RF and microwave measuring instruments, spectrum 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 the business in this sub-segment by offering a wider range of applications for these markets and enhancing its lineup of general-purpose measuring equipment.

Industrial Automation

This business develops, manufactures and sells precision, high-speed industrial machinery, including auto checkweighers, automatic combination weighers and metal detectors for production management and quality management systems in the food, pharmaceutical and cosmetics industries.

During the fiscal year ended March 31, 2011, conditions were firm overall, with demand in Asia showing signs of recovery. As a result, segment sales increased 5.9 percent compared with the previous fiscal year to ¥12,326 million. Operating income increased 8.0 percent to ¥659 million.

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 the impact of economic growth rates and changes in consumer spending levels 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, continuous 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, particularly in emerging countries, as interest among food manufacturers remains high. To meet this demand, Anritsu will recombine its internal resources to develop and deliver integrated quality control inspection solutions, and will 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.

Information and Communications

This business carries out development, manufacturing and sale of video monitoring systems, telemeters and other public works information systems for delivery to Japanese government and municipal offices, including the Ministry of Land, Infrastructure, Transport and Tourism, and video distribution solutions and network bandwidth control equipment for Internet service providers and other customers.

During the fiscal year ended March 31, 2011, demand was firm for bandwidth controllers, primarily for the networks of financial institutions, but there were delays and partial freezes in projects for government and municipal offices. As a result, segment sales decreased 22.4 percent compared with the previous fiscal year to ¥4,118 million. Operating income decreased 51.7 percent to ¥69 million.

The Information and Communications business accounts for about 5 percent of 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 60 percent or more of its sales tend to be concentrated in the fourth quarter.

In the government market, the trend of cutbacks in investment is forecast to continue. In the private-sector market, however, demand is projected to increase further for bandwidth controllers in order to maintain Quality of Service (QoS) for the increasingly sophisticated networks of financial institutions and telecom operators.

In these conditions, the Anritsu Group will continue to focus on the private-sector market. Specifically, the Anritsu Group will further promote business cooperation with system integrators to expand sales of bandwidth controllers. The Group will also aim to improve its profit structure by making a thorough review of supply chain management.

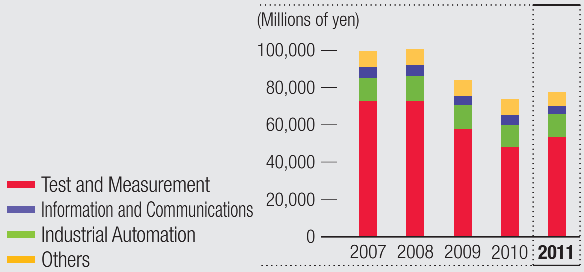
The Information and Communications business is conducted by Anritsu Networks Co., Ltd., a wholly owned subsidiary of the Company.

Others

The Others segment comprises devices, precision measurement, logistics, welfare services, real estate leasing and other businesses.

During the fiscal year ended March 31, 2011, in the device business, demand was firm in the optical communications market in Japan and overseas, but reached the end of a cycle in the second half of the period. In the precision measurement business, demand was weak overall despite signs of recovery in some sectors. As a result, segment sales decreased 4.6 percent compared with the previous fiscal year to ¥7,946 million. Operating income decreased 26.5 percent to ¥1,653 million.

Sales by Business Segment

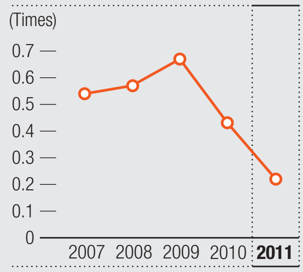


Liquidity and Financial Condition

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. In the year ended March 31, 2011, the Anritsu Group secured stable financing by renewing a committed ¥15,000 million line of credit that will be available until March 2014. 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.

Net Debt-to-Equity Ratio



In the year ended March 31, 2011, Anritsu continued to reduce interest-bearing debt. Total interest-bearing debt as of March 31, 2011 decreased ¥5,436 million from a year earlier to ¥36,839 million. As a result, the net debt-to-equity ratio[1] decreased to 0.22 times from 0.43 times at the previous fiscal year-end and the debt-to-equity ratio[2] decreased to 0.92 times from 1.12 times at the previous fiscal year-end.

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-to-equity ratio, enhance shareholders' equity and fortify its financial structure.

At the end of March 2011, 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 (hereafter, "net cash") as of March 31, 2011 increased ¥1,724 million from the end of the previous fiscal year to ¥27,994 million.

Free cash flow, the sum of cash flows from operating activities and cash flows from investing activities, was ¥7,797 million, compared with ¥7,471 million in the previous fiscal year.

Net cash provided by operating activities was ¥9,229 million (in the previous fiscal year, operating activities provided net cash of ¥7,970 million). The primary factor, in addition to recording income before income taxes, was the collection of receivables recorded in the previous consolidated fiscal year. Depreciation and amortization was ¥2,591 million, a decrease of ¥381 million compared with the previous fiscal year.

Net cash used in investing activities was ¥1,432 million, compared with ¥499 million in the previous fiscal year. This was mainly due to acquisition of property, plant and equipment of ¥1,185 million. In the previous fiscal year, Anritsu booked proceeds from sales of marketable securities and investment securities.

Net cash used in financing activities was ¥6,050 million. In the previous fiscal year, financing activities provided net cash of ¥387 million. Although the Anritsu Group issued ¥10,000 million in euro-denominated convertible bonds with subscription rights to shares due in 2015, the primary factors were the redemption of ¥7,024 million in bonds with subscription rights to shares and repayment of loans.

Assets, Liabilities and Net Assets

As of March 31, 2011, total assets decreased ¥1,939 million, or 0.2 percent, from a year earlier to ¥99,249 million. Current assets increased ¥1,924 million, or 2.8 percent, from a year earlier to ¥69,673 million due to an increase in cash.

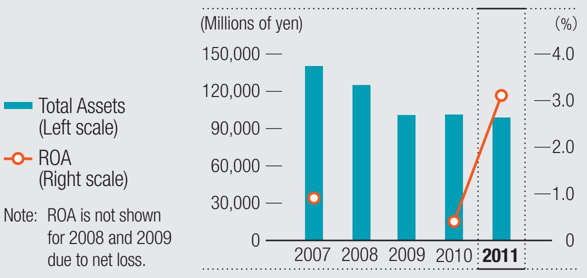
The inventory turnover ratio decreased to 4.9 times from 5.5 times for the previous fiscal year. One of the Anritsu Group's near-term objectives is to increase the inventory turnover ratio to 6.0 times.

Property, plant and equipment net of accumulated depreciation decreased ¥1,464 million, or 7.7 percent, from a year earlier to ¥17,653 million. Factors included impairment of goodwill.

As of March 31, 2011, total liabilities decreased ¥4,171 million, or 6.6 percent, from a year earlier to ¥59,343 million. Current liabilities decreased ¥7,410 million, or 26.6 percent, to ¥20,404 million as a result of the redemption of ¥7,024 million in bonds with stock acquisition rights and repayment of loans. Anritsu repaid bank loans, but also issued ¥10,000 million in bonds with stock acquisition rights. As a result, long-term liabilities increased ¥3,239 million, or 9.1 percent, compared with the previous fiscal year to ¥38,939 million. The current ratio was 341.5 percent, compared with 243.6 percent a year earlier. Working capital totaled ¥49,269 million as of March 31, 2011, compared with ¥39,935 million a year earlier. Total interest-bearing debt decreased ¥5,436 million from a year earlier to ¥36,839 million.

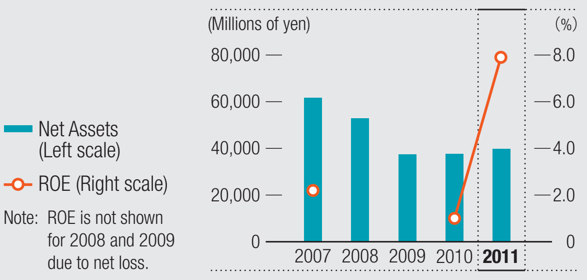
Net assets increased ¥2,232 million, or 5.9 percent, from a year earlier to ¥39,906 million. The ratio of net assets to total assets was 40.2 percent, compared with 37.2 percent a year earlier.

Total Assets and ROA



Note: ROA is not shown for 2008 and 2009 due to net loss.

Net Assets and ROE



Note: ROE is not shown for 2008 and 2009 due to net loss.

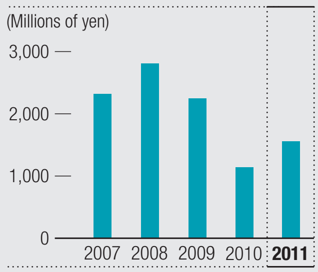
Capital Expenditures

For the fiscal year ended March 31, 2011, capital expenditures increased 36.6 percent compared with the previous fiscal year to ¥1,550 million. The Anritsu Group is concentrating resources in fields related to the quality and high performance of communication networks, which are evolving in ways such as integration of wireline and wireless communications, increasing network speed and higher capacity. During the fiscal year ended March 31, 2011, 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)

	2011	Change
Test and Measurement	¥1,099	30.2%
Industrial Automation	198	50.0
Information and Communications	37	(22.1)
Others	216	93.1
Total	1,550	36.6
Adjustment	—	—
Consolidated	¥1,550	36.6%

Capital Expenditures



Research and Development

The Anritsu Group develops original and high level products globally at its development bases in Japan, the United States and Europe to contribute to the realization of a safe, secure and affluent global society. The Test and Measurement business conducts development in a coordinated manner to increase the synergy of the mutually complementary technologies of Anritsu Corporation, Anritsu Company (U.S.), Anritsu Ltd. (U.K.), Anritsu A/S (Denmark), Anritsu Solutions S.r.l. (Italy) and Anritsu Solutions S.R.L. (Romania).

Research and development is conducted by Anritsu Industrial Solutions Co., Ltd. in the Industrial Automation business and Anritsu Networks Co., Ltd. in the Information and Communications business.

An overview of research and development expenditures in the year ended March 31, 2011 follows below.

(Millions of yen)

	2011	Ratio to Segment Sales
Test and Measurement	¥7,153	13.4%
Industrial Automation	993	8.1
Information and Communications	398	9.7
Services and Others	282	3.5
Basic Research	554	—
Total	¥9,381	12.0%

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

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

Business Segment	Model	Product	Application	Contribution
Test and Measurement	ME7834	Conformance test system/Mobile device test platform	LTE mobile terminal protocol conformance tests and carrier acceptance tests	Improves efficiency of development of commercial LTE mobile terminals
	MT8820C	LTE wireless device tester/Radio communication analyzer	Transmitter and receiver tests of 2G, 3G and LTE wireless devices	Contributes to development and mass production of commercial LTE mobile terminals
	MD1260A	40/100G Ethernet analyzer	Communication standard testing of high-speed optical networks	Improves efficiency of development and manufacturing of high-speed optical networks
Industrial Automation	KD74-h Series	High-sensitivity X-ray inspection system	Detection of low-contrast contaminants such as bone and plastics in processed foods and other products	New sensor enables detection with high sensitivity and high stability
Information and Communications	NC7100A	Multi-screen system	System monitoring, street advertising, etc. with a large screen that combines images from multiple projectors	Enables simple, low-cost creation of large-screen images for diverse applications

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 to achieve its management vision of continuous profitable growth. Anritsu made significant advances in the fiscal year ended March 31, 2011, the first year of the plan, and will continue to put its full effort into achieving the plan's objectives.

The principal numerical targets of GLP2012, and progress toward them, are as follows.

	2010 (Actual)	**2011 (Actual)**	2013 (Target)
ACE (Billions of yen)	¥(3.0)	**¥1.9**	¥2.0
ROE (%)	1.0%	**7.9%**	10.0%
Operating income to net sales (%)	6.2%	**9.0%**	10.0%

ACE (Anritsu Capital-cost Evaluation):
Net operating profit after tax - Invested capital cost

Outlook and Management Issues for the Year Ending March 31, 2012

In the outlook for the fiscal year ending March 31, 2012, there are many uncertainties, including revision of investment plans and measures to restrict electric power due to the effects of the Great East Japan Earthquake, which has been called Japan's greatest postwar crisis. In addition, careful attention remains necessary to factors including intensifying price competition, volatility in exchange rates and the impact of the rising price of crude oil.

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

In the core Test and Measurement segment, the Anritsu Group will roll out competitive products that meet needs for the mobile market including 3G/LTE, where continued expansion of demand is projected worldwide; the core network market, where investment will be needed due to increasing data transmission volume from smartphones and other devices; and the electronics market, which is expected to grow in the medium-to-long term.

The Anritsu Group will also work to develop new demand in the markets of emerging countries, such as for network infrastructure upgrades and service assurance. In addition, the Anritsu Group will work more closely with customers by sharing development road maps with customers and strengthening technical support, and will work to further increase profitability by raising management efficiency through the promotion of enhancements to the operational framework, such as expansion of indirect sales channels and the use of EMS.

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

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

Based on the above points, the performance forecast for the year ending March 31, 2012 (announced on April 27, 2011) is as follows.

In the Test and Measurement segment, Anritsu anticipates increased sales due to continuing firm demand in the mobile market and contributions from new products. However, with the impact of the stronger yen and a cyclical drop in demand for optical communication devices, the Anritsu Group projects total net sales of ¥80.0 billion, a 2.8 percent increase compared with the fiscal year ended March 31, 2011.

Although the Anritsu Group anticipates factors that will contribute to operating income, it projects increases in development expenses centered on LTE-related equipment and in costs associated with enhancement of overseas support operations. The Anritsu Group therefore forecasts operating income of ¥6.2 billion, an 11.4 percent decrease, and net income of ¥3.8 billion, a 23.8 percent increase.

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, 2011.

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

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

Because a high percentage of Test and Measurement segment sales are in the telecommunications market, capital investment trends among telecom operators, telecommunications equipment manufacturers and electronic component manufacturers have the potential to exert a material effect on business results. Telecom operators are progressively adopting technologies to handle rapid increases in data traffic even as they curtail capital investment. However, they are also increasingly adopting shared open network use in order to increase service development efficiency. Moreover, business results for the mobile communications measuring instrument field, the cornerstone of earnings for the Anritsu Group, are affected by changes in technological innovation in mobile phone services, the number of subscribers and the replacement ratio for mobile phones. Business results are also affected by factors such as changes in development methods as seen in the shift to mobile phone software platforms and response to intensifying price competition in measuring instruments used in handset production.

In the Industrial Automation business, 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 its performance.

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.

(3) Global Business Development Risks

The Anritsu Group markets its products globally, and conducts proactive business with the aim of being in closer contact with its customers in the Americas, Europe, Asia and elsewhere. In particular, the overseas sales ratio for the Test and Measurement business is about 74 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 trends that result have the potential to exert a material impact on the Anritsu Group's operating results.

(4) Foreign Exchange Risk

Anritsu Group's sales outside Japan account for 57.7 percent of consolidated net sales. 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 Anritsu Group's performance.

(5) Long-term Inventory Obsolescence Risk

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 change in technology, which can easily result in obsolescence of products and parts, and cause inventory held for long periods to lose its value. These factors have the potential to exert a material impact on Anritsu Group's financial condition.

6) Risk of Impairment Loss of Goodwill

As of March 31, 2011, the Anritsu Group recorded goodwill resulting from the acquisition of an overseas company for the purpose of expanding the territory of the Test and Measurement business. 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 a loss of goodwill.

7) Risk Related to Deferred Tax Assets

The Anritsu Group records future tax benefits as deferred tax assets. Calculation of deferred tax assets is based on projections that include estimates of future taxable income, and the actual benefit may differ from the projection. If the deferred tax assets based on the estimate of future taxable income are judged to be partially or wholly unrecoverable, these deferred tax assets are written down, which has the potential to exert a material impact on the Anritsu Group's financial condition and operating results.

8) Risk Related to Retirement Benefit Obligations

The Anritsu Group's employee retirement benefit expenses and liabilities are calculated based on the discount rate and other assumptions set in actuarial calculations, and on expected pension plan returns. However, presumptive changes in the discount rate or actuarial calculations that form the basis for calculating projected retirement benefit obligations could exert a material impact on the Anritsu Group's financial condition and operating results.

9) Effect of Revisions to Accounting Standards

The Anritsu Group prepares its financial statements based on generally accepted accounting standards and conducts appropriate financial disclosure. However, new application of or changes in accounting standards, the tax system or other systems in the future have the potential to exert a material impact on the Anritsu Group's operating results and financial condition.

10) Risk of Natural Disasters and Other Unexpected Events

The Anritsu Group carries out production and sales activities globally. Consequently, the occurrence of major earthquakes or other natural disaster, fire, war, acts of terrorism or violence could exert a material impact on the Anritsu Group's operating results and financial condition by disrupting the business activities of the Anritsu Group or its suppliers and customers due to damage to key facilities, or by causing political or economic instability.

Consolidated Balance Sheets

ANRITSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Assets			
Current assets:			
Cash (Notes 5 and 6)	¥27,994	¥ 26,270	$ 336,669
Notes and accounts receivable — trade (Note 6)	19,175	21,012	230,607
Allowance for doubtful accounts	(280)	(253)	(3,367)
Inventories (Note 8)	15,763	13,471	189,573
Deferred tax assets (Note 12)	5,813	6,289	69,910
Other current assets	1,208	960	14,528
Total current assets	69,673	67,749	837,920
Property, plant and equipment:			
Land (Note 9)	4,245	4,334	51,052
Buildings and structures (Note 9)	44,718	44,910	537,800
Machinery and equipment	21,406	22,822	257,438
Construction in progress	1	1	12
	70,370	72,067	846,302
Accumulated depreciation	(52,717)	(52,950)	(633,999)
Net property, plant and equipment	17,653	19,117	212,303
Investments and other assets:			
Investment securities (Notes 6 and 7)	806	906	9,693
Goodwill, net of amortization	1,256	2,883	15,105
Long-term prepaid expense	7,572	8,064	91,064
Deferred tax assets (Note 12)	1,271	1,313	15,286
Other assets	1,098	1,158	13,205
Allowance for doubtful accounts	(80)	(2)	(962)
Total investments and other assets	11,923	14,322	143,391
Total assets	¥99,249	¥101,188	$1,193,614

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Liabilities and net assets			
Current liabilities:			
Short-term borrowings (Notes 6 and 10)	¥ 1,839	¥ 3,751	$ 22,117
Long-term debt due within one year (Notes 6 and 10)	400	7,424	4,811
Notes and accounts payable — trade (Note 6)	6,147	5,297	73,927
Accrued liabilities	3,248	3,510	39,062
Accrued expenses	2,498	2,274	30,042
Income taxes payable	868	1,059	10,439
Other current liabilities (Note 6)	5,404	4,499	64,990
Total current liabilities	20,404	27,814	245,388
Long-term liabilities:			
Long-term debt (Notes 6 and 10)	34,600	31,100	416,115
Lease obligation (Note 6)	1,179	1,659	14,179
Employees' severance and retirement benefits (Note 15)	1,896	1,687	22,802
Severance and retirement benefits for directors and corporate auditors (Note 15)	20	16	241
Deferred tax liabilities (Note 12)	345	599	4,149
Other long-term liabilities	899	639	10,812
Total long-term liabilities	38,939	35,700	468,298
Commitments and contingent liabilities (Note 17)			
Net assets (Note 16)**:**			
Shareholders' equity			
Common stock, no par value			
Authorized — 400,000,000 shares			
Issued — 128,042,848 shares in 2011 and 128,037,848 shares in 2010	14,051	14,050	168,984
Capital surplus	23,002	23,000	276,633
Retained earnings	10,793	7,979	129,802
Treasury stock, at cost	(843)	(836)	(10,139)
Total shareholders' equity	47,003	44,193	565,280
Accumulated other comprehensive income			
Net unrealized holding gain or loss on securities	122	138	1,467
Deferred gain or loss on hedged transactions	(22)	(29)	(265)
Foreign currency translations adjustments	(7,208)	(6,648)	(86,686)
Total accumulated other comprehensive income	(7,108)	(6,539)	(85,484)
Stock acquisition right	11	20	132
Total net assets	39,906	37,674	479,928
Total liabilities and net assets	¥99,249	¥101,188	$1,193,614

Consolidated Statements of Operations

ANRITSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2011, 2010 and 2009

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2011	2010	2009	2011
Net sales (Note 20)	**¥77,853**	¥73,548	¥83,940	**$936,296**
Cost of sales (Note 20)	**43,033**	42,708	52,005	**517,535**
Gross profit	**34,820**	30,840	31,935	**418,761**
Selling, general and administrative expenses (Note 20)	**27,826**	26,257	31,030	**334,648**
Operating income (Note 20)	**6,994**	4,583	905	**84,113**
Other income (expenses):				
Interest and dividends income	**117**	98	211	**1,407**
Interest expenses	**(710)**	(631)	(707)	**(8,539)**
Foreign exchange gain (loss)	**(769)**	(320)	(266)	**(9,248)**
Loss on devaluation of inventories	**—**	—	(1,358)	**—**
Loss on disposal of property, plant and equipment	**(34)**	(17)	(58)	**(409)**
Gain on sales of property, plant and equipment	**14**	158	2	**168**
Gain on sales of investment securities	**—**	140	5	**—**
Loss on devaluation of investment securities	**(78)**	(17)	(170)	**(938)**
Gain on revision of retirement benefit plan	**—**	—	1,202	**—**
Compensation income for expropriation	**—**	—	99	**—**
Gain on reversal of stock acquisition right to shares	**8**	—	35	**96**
Business structure improvement expenses	**—**	—	(2,214)	**—**
Gain on retirement by purchase of bonds	**—**	62	—	**—**
Impairment loss on goodwill (Note 19)	**(987)**	—	—	**(11,870)**
Loss on adjustment for changes of accounting standard for asset retirement obligations	**(68)**	—	—	**(818)**
Other, net	**(249)**	(143)	78	**(2,994)**
	(2,756)	(670)	(3,141)	**(33,145)**
Income (loss) before income taxes	**4,238**	3,913	(2,236)	**50,968**
Provision for income taxes (Note 12):				
Current	**1,044**	728	1,176	**12,556**
Deferred	**125**	2,800	129	**1,503**
	1,169	3,528	1,305	**14,059**
Income before minority interests	**3,069**	385	(3,541)	**36,909**
Net income (loss)	**¥ 3,069**	¥ 385	¥ (3,541)	**$ 36,909**

	Yen			U.S. dollars
	2011	2010	2009	2011
Amount per share of common stock:				
Net income (loss):				
Basic	**¥24.09**	¥3.02	¥(27.78)	**$0.29**
Diluted	**22.08**	2.77	—	**0.27**
Cash dividends applicable to the year	**7.00**	—	3.50	**0.08**

See accompanying notes.

Consolidated Statements of Comprehensive Income

ANRITSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2011, 2010 and 2009

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	**2011**
Income before minority interests	**¥ 3,069**	¥ 385	¥ (3,541)	**$ 36,909**
Other comprehensive income:				
Valuation difference on available-for-sale securities	**(17)**	(120)	75	**(204)**
Deferred gain or loss on hedged transactions	**7**	(7)	1	**84**
Foreign currency translation adjustments	**(563)**	(120)	(630)	**(6,771)**
Share of other comprehensive income of associates accounted for using equity method	**3**	15	(2)	**36**
	(570)	(232)	(556)	**(6,855)**
Comprehensive income	**¥ 2,499**	¥ 153	¥ (4,097)	**$ 30,054**
Breakdown:				
Comprehensive income attributable to owners of the parent	**¥ 2,499**	¥ 153	¥ (4,097)	**$ 30,054**
Comprehensive income attributable to minority interests	**—**	—	—	**—**

Consolidated Statements of Changes in Net Assets

ANRITSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2011, 2010 and 2009

	Number of shares issued	Millions of yen								
		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, 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
Issuance of new shares	**5,000**	**1**	**2**	**–**	**–**	**–**	**–**	**–**	**–**	**3**
Cash dividends paid	**–**	**–**	**–**	**(255)**	**–**	**–**	**–**	**–**	**–**	**(255)**
Net income (loss)	**–**	**–**	**–**	**3,069**	**–**	**–**	**–**	**–**	**–**	**3,069**
Purchases of treasury stock	**–**	**–**	**–**	**–**	**(8)**	**–**	**–**	**–**	**–**	**(8)**
Disposal of treasury stock	**–**	**–**	**–**	**(0)**	**1**	**–**	**–**	**–**	**–**	**1**
Net changes of items other than shareholders' equity	**–**	**–**	**–**	**–**	**–**	**(16)**	**7**	**(560)**	**(9)**	**(578)**
Balance at March 31, 2011	**128,042,848**	**¥14,051**	**¥23,002**	**¥ 10,793**	**¥(843)**	**¥ 122**	**¥(22)**	**¥(7,208)**	**¥ 11**	**¥ 39,906**

	Number of shares issued	Thousands of U.S. dollars (Note 1)								
		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, 2010	128,037,848	$168,972	$276,609	$ 95,959	$(10,054)	$1,660	$(349)	$(79,951)	$ 241	$453,085
Issuance of new shares	**5,000**	**12**	**24**	**–**	**–**	**–**	**–**	**–**	**–**	**36**
Cash dividends paid	**–**	**–**	**–**	**(3,067)**	**–**	**–**	**–**	**–**	**–**	**(3,067)**
Net income (loss)	**–**	**–**	**–**	**36,909**	**–**	**–**	**–**	**–**	**–**	**36,909**
Purchases of treasury stock	**–**	**–**	**–**	**–**	**(96)**	**–**	**–**	**–**	**–**	**(96)**
Disposal of treasury stock	**–**	**–**	**–**	**(0)**	**12**	**–**	**–**	**–**	**–**	**12**
Net changes of items other than shareholders' equity	**–**	**–**	**–**	**–**	**–**	**(193)**	**84**	**(6,735)**	**(109)**	**(6,951)**
Balance at March 31, 2011	**128,042,848**	**$168,984**	**$276,633**	**$129,802**	**$(10,138)**	**$1,467**	**$(265)**	**$(86,687)**	**$ 132**	**$479,928**

See accompanying notes.

Consolidated Statements of Cash Flows

ANRITSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
Year ended March 31, 2011, 2010 and 2009

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2011	2010	2009	**2011**
Cash flows from operating activities				
Net income (loss)	**¥ 3,069**	¥ 385	¥ (3,541)	**$ 36,909**
Adjustments to reconcile net income (loss) to net cash provided by operating activities				
Depreciation and amortization	**2,591**	2,972	3,181	**31,161**
Amortization expense of goodwill	**641**	641	641	**7,709**
Impairment loss on goodwill	**987**	—	—	**11,870**
Gain on sales of investment securities	**—**	(140)	(5)	**—**
Gain on sales of property, plant and equipment	**(14)**	(158)	(2)	**(168)**
Loss on devaluation of investment securities	**78**	17	170	**938**
Deferred income taxes	**125**	2,800	129	**1,503**
Other — net	**248**	(79)	(16)	**2,983**
Changes in assets and liabilities:				
Notes and accounts receivable — trade	**1,234**	(928)	5,812	**14,841**
Inventories	**(2,796)**	1,001	5,635	**(33,626)**
Other current assets	**(286)**	113	(191)	**(3,440)**
Notes and accounts payable — trade	**1,256**	471	(1,225)	**15,105**
Income taxes payable and receivable	**(20)**	683	135	**(241)**
Provision for retirement benefits	**690**	306	(946)	**8,298**
Other current liabilities	**767**	(541)	(2,339)	**9,224**
Other — net	**659**	427	(522)	**7,926**
Net cash provided by operating activities	**9,229**	7,970	6,916	**110,992**
Cash flows from investing activities				
Purchases of marketable securities and investment securities	**(4)**	(5)	(3)	**(48)**
Proceeds from sales of marketable securities and investment securities	**—**	500	5	**—**
Acquisition of property, plant and equipment	**(1,185)**	(1,161)	(1,912)	**(14,251)**
Proceeds from sales of property, plant and equipment	**23**	206	34	**277**
Net increase (decrease) in long-term loans receivable	**5**	(15)	(14)	**60**
Other — net	**(271)**	(24)	564	**(3,260)**
Net cash used in investing activities	**(1,432)**	(499)	(1,326)	**(17,222)**
Cash flows from financing activities				
Proceeds from long-term debt	**—**	21,735	—	**—**
Payment of long-term debt	**(6,400)**	(15,035)	(975)	**(76,969)**
Proceeds from issue of bonds	**10,000**	—	—	**120,265**
Redemption of bonds	**(7,024)**	—	—	**(84,474)**
Payment for retirement by purchase of bonds	**(102)**	(7,914)	—	**(1,227)**
Proceeds from sale and leaseback transaction	**—**	1,985	—	**—**
Proceeds from issuance of common stock	**3**	—	—	**36**
Net increase (decrease) in short-term borrowings	**(1,726)**	26	(1,791)	**(20,758)**
Payments on acquisition of treasury stock	**(7)**	(4)	(8)	**(84)**
Cash dividends paid	**(255)**	—	(892)	**(3,067)**
Other — net	**(539)**	(406)	(182)	**(6,482)**
Net cash provided by (used in) financing activities	**(6,050)**	387	(3,848)	**(72,760)**
Effect of exchange rate changes on cash and cash equivalents	**(23)**	(126)	111	**(276)**
Net increase (decrease) in cash	**1,724**	7,732	1,853	**20,734**
Cash and cash equivalents at beginning of year	**26,270**	18,538	16,685	**315,935**
Cash and cash equivalents at end of year (Note 5)	**¥ 27,994**	¥ 26,270	¥18,538	**$336,669**
Supplemental information of cash flows:				
Cash paid during the year for:				
Interest	**¥ (700)**	¥ (627)	¥ (707)	**$ (8,419)**
Income taxes	**(1,160)**	(425)	(1,137)	**(13,951)**
Cash received during the year for:				
Interest and dividend income	**119**	96	211	**1,431**
Income taxes	**98**	380	97	**1,179**

See accompanying notes.

Notes to Consolidated Financial Statements

ANRITSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2011, 2010 and 2009

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, 2011, which was ¥83.15 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.

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.

New accounting standard for asset retirement obligations

Effective from the year ended March 31, 2011, the Company and its consolidated subsidiaries adopted "Accounting Standards for Asset Retirement Obligations" (ASBJ Statement No.18 dated March 31, 2008) and "Guidance on Accounting Standards for Asset Retirement Obligations" (ASBJ Guidance No. 21 dated March 31, 2008).

As a result of this adoption, operating income decreased by ¥5 million ($60 thousand), income before income taxes decreased by ¥73 million ($878 thousand) for the year ended March 31, 2011 and other current liabilities increased by ¥0 million ($4 thousand) and other long-term liabilities increased by ¥119 million ($1,431 thousand).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The consolidated financial statements include the accounts of the Company and all its subsidiaries (37 subsidiaries in 2011, 41 subsidiaries in 2010, and 43 subsidiaries in 2009). 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 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, 2011 and 2010 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.

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 March 31, 2011, the Company adopted "Accounting Standard for Presentation of Comprehensive Income" (Accounting Standards Board of Japan ("ASBJ") Statement No. 25 on June 30, 2010) and "Revised Accounting Standards for Consolidated Financial Statements" (ASBJ Statement No. 22, revised on June 20, 2010).

As a result of the adoption of these standards, the Company has presented the consolidated statements of comprehensive income in the consolidated financial statements for the fiscal year ended March 31, 2011.

In addition, the Company has presented the consolidated statements of comprehensive income for the fiscal year ended March 31, 2010 and 2009 as well as that for the fiscal year ended March 31, 2011.

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, 2011 and 2010.

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, 2011 and 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, 2011	Book value	Fair value	Difference
Cash	**¥ 27,994**	**¥ 27,994**	**¥ —**
Notes and accounts receivable–trade	**19,175**	**19,175**	**—**
Investment securities Available-for-sale securities	**553**	**553**	**—**
Notes and accounts payable–trade	**(6,147)**	**(6,147)**	**—**
Short-term borrowings	**(1,839)**	**(1,839)**	**—**
Bonds and bonds with stock acquisition rights convertible into common stock (including due within one year)	**(19,900)**	**(21,359)**	**1,459**
Long-term debt (including due within one year)	**(15,100)**	**(15,270)**	**170**
Lease obligation (including due within one year)	**(1,705)**	**(1,723)**	**18**
Derivatives	**(65)**	**(65)**	**—**

	Thousands of U.S. dollars		
At March 31, 2011	Book value	Fair value	Difference
Cash	**$ 336,669**	**$ 336,669**	**$ —**
Notes and accounts receivable–trade	**230,607**	**230,607**	**—**
Investment securities Available-for-sale securities	**6,651**	**6,651**	**—**
Notes and accounts payable–trade	**(73,927)**	**(73,927)**	**—**
Short-term borrowings	**(22,117)**	**(22,117)**	**—**
Bonds and bonds with stock acquisition rights convertible into common stock (including due within one year)	**(239,327)**	**(256,873)**	**17,546**
Long-term debt (including due within one year)	**(181,600)**	**(183,644)**	**2,044**
Lease obligation (including due within one year)	**(20,505)**	**(20,722)**	**217**
Derivatives	**(782)**	**(782)**	**—**

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

* 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, 2011 and 2010 are as follows:

At March 31, 2011	Millions of yen
Non-listed equity securities	**¥ 87**
Stocks of subsidiaries and affiliates	**152**
Other	**15**
	¥254

At March 31, 2011	Thousands of U.S. dollars
Non-listed equity securities	**$1,046**
Stocks of subsidiaries and affiliates	**1,828**
Other	**181**
	$3,055

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

Note 3: The annual maturities of monetary receivables at March 31, 2011 and 2010 are as follows:

At March 31, 2011	Millions of yen
Cash	**¥27,994**
Notes and accounts receivable–trade	**19,175**
	¥47,169

At March 31, 2011	Thousands of U.S. dollars
Cash	**$336,669**
Notes and accounts receivable–trade	**230,607**
	$567,276

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

Note 4: See Note 10, SHORT-TERM BORROWINGS AND LONG-TERM DEBT for the annual maturities of long-term debt at March 31, 2011.

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, 2011 and 2010:

	Millions of yen		
At March 31, 2011	Acquisition cost	Book value	Difference
Available-for-sale securities:			
Equity securities	**¥366**	**¥553**	**¥187**
	¥366	**¥553**	**¥187**

	Thousands of U.S. dollars		
At March 31, 2011	Acquisition cost	Book value	Difference
Available-for-sale securities:			
Equity securities	**$4,402**	**$6,651**	**$2,249**
	$4,402	**$6,651**	**$2,249**

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

The following table summarizes book values of securities of which fair values are not available as of March 31, 2011 and 2010:

	Millions of yen
At March 31, 2011	Book value
Available-for-sale securities:	
Non-listed equity securities	**¥102**
	¥102

	Thousands of U.S. dollars
At March 31, 2011	Book value
Available-for-sale securities:	
Non-listed equity securities	**$1,227**
	$1,227

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

No sales of available-for-sale securities in the year ended March 31, 2011.

Total sales of available-for-sale securities in the year ended March 31, 2010, amounted to ¥500 million and the net gains amounted to ¥140 million.

Impairment loss of some investment securities were charged to other expense as "Loss on devaluation of investment securities" of ¥78 million ($938 thousand) in the year ended March 31, 2011.

8. INVENTORIES

Inventories at March 31, 2011 and 2010, consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Finished goods	**¥ 6,184**	¥ 5,049	**$ 74,372**
Work in process	**4,520**	3,805	**54,360**
Raw materials and supplies	**5,059**	4,617	**60,841**
	¥15,763	¥13,471	**$189,573**

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 years ended March 31, 2011 and 2010 totaled ¥767 million ($9,224 thousand) and ¥839 million, respectively. 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 years ended March 31, 2011 and 2010 and fair value are as follows.

Year ended March 31, 2011	Millions of yen
Book value as of March 31, 2010	¥ 3,179
Decrease	(123)
Book value as of March 31, 2011	3,056
Fair value as of March 31, 2011	17,070

Year ended March 31, 2011	Thousands of U.S. dollars
Book value as of March 31, 2010	$ 38,232
Decrease	(1,479)
Book value as of March 31, 2011	36,753
Fair value as of March 31, 2011	205,292

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

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, 2011 and 2010, are represented by overdrafts, generally maturing within six months. Weighted-average interest rate of short-term bank loans at March 31, 2011 is 1.1%.

Long-term debt at March 31, 2011 and 2010, consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
0.0% unsecured bonds with stock acquisition rights convertible into common stock at ¥1,070 per share due in 2010	¥ —	¥ 7,024	$ —
1.87% unsecured bonds due 2012	9,900	10,000	119,062
0.0% unsecured bonds with stock acquisition rights convertible into common stock at ¥629 ($8) per share due in 2015	10,000	—	120,265
Unsecured bank loans due in 2011 through 2014 (Weighted-average interest rate of 1.7% as of March 31, 2011)	15,100	21,500	181,599
Total	35,000	38,524	420,926
Less current portion	(400)	(7,424)	(4,811)
	¥34,600	¥31,100	$416,115

At March 31, 2011, the number of common stock assumable upon full conversion of outstanding convertible bonds and exercise of outstanding warrants was 11,590 thousand shares.

The annual maturities of long-term debt at March 31, 2011, are as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2012	¥ 400	$ 4,811
2013	19,000	228,503
2014	600	7,216
2015	5,000	60,132
2016	10,000	120,264
2017	—	—
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, 2011 and 2010:

Year ended March 31, 2011	**2007 Plan**
Date of resolution	**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	—
Granted during the year	—
Forfeited during the year	—
Vested during the year	—
Outstanding at the end of the year	—
Vested (number of shares)	
Outstanding at the beginning of the year	213,000
Vested during the year	—
Exercised during the year	5,000
Forfeited during the year	87,000
Outstanding at the end of the year	121,000
Weighted-average market price per share at the date of exercise	673
Fair evaluated price per share at the date of grant	¥92

Some cancellations of stock acquisition right were charged to other income as "Gain on reversal of stock acquisition right" of ¥8 million ($96 thousand) in the year ended March 31, 2011.

Year ended March 31, 2010	**2007 Plan**
Date of resolution	**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 evaluated price per share at the date of grant	¥92

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, 2011, 2010 and 2009.

Significant components of deferred tax assets and liabilities as of March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Deferred tax assets:			
Inventories	¥ 9,903	¥ 11,538	$ 119,098
Net operating loss carried forward	2,679	2,515	32,219
Software	1,477	1,685	17,763
Accrued expenses	1,050	979	12,628
Investment securities on affiliated companies	3,878	3,486	46,639
Investment securities	595	564	7,156
Research and development expenses	307	419	3,692
Others	1,060	810	12,747
Subtotal deferred tax assets	20,949	21,996	251,942
Valuation allowance	(13,249)	(13,743)	(159,338)
Total deferred tax assets	7,700	8,253	92,604
Deferred tax liabilities:			
Retirement benefits	902	1,194	10,848
Net unrealized holding gains on securities	64	58	770
Subtotal deferred tax liabilities	966	1,252	11,618
Net deferred tax assets	¥ 6,734	¥ 7,001	$ 80,986

The following table summarizes significant differences between the normal effective tax rate and the Companies' effective tax rate for financial statement purposes for the years ended March 31, 2011 and 2010.

	2011	2010
Normal effective tax rate	41%	41%
Increase (Decrease) in valuation allowance for temporary differences	(26)	75
Difference in the amount of tax estimation	10	3
Permanent differences of the Company and its consolidated subsidiaries	6	(15)
Tax credit	(5)	(2)
Increase (Decrease) of valuation allowance for net-operating loss carried forward	4	(15)
Inhabitants tax per capita	2	4
Others	(4)	(1)
The Company's effective tax rate	28%	90%

13. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS

The following tables summarize derivative contracts not qualified for hedge accounting as of March 31, 2011 and 2010:

Currency Instruments

	Millions of yen				Thousands of U.S. dollars			
	Contract amount, etc.				Contract amount, etc.			
At March 31, 2011	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	**¥1,728**	**—**	**¥(28)**	**¥(28)**	**$20,782**	**—**	**$(337)**	**$(337)**
Other	**1,000**	**—**	**(6)**	**(6)**	**12,026**	**—**	**(72)**	**(72)**
Buying contract								
Euro	**860**	**—**	**2**	**2**	**10,343**	**—**	**24**	**24**
Other	**493**	**—**	**3**	**3**	**5,929**	**—**	**36**	**36**
	—	**—**	**¥(29)**	**¥(29)**	**—**	**—**	**$(349)**	**$(349)**

	Millions of yen			
	Contract amount, etc.			
At March 31, 2010	Total	Due over one year	Fair value	Valuation gain (loss)
Forward exchange contract				
Selling contract				
Euro	¥ 590	—	¥ 0	¥ 0
U.S. Dollar	553	—	5	5
Yen	406	—	16	16
Other	541	—	(16)	(16)
	¥2,090	—	¥ 5	¥ 5

The following tables summarize derivative contracts qualified for hedge accounting as of March 31, 2011:

Currency Instruments

	Millions of yen			Thousands of U.S. dollars		
	Contract amount, etc.			Contract amount, etc.		
At March 31, 2011	Total	Due over one year	Fair value	Total	Due over one year	Fair value
Forward exchange contract						
Selling contract						
Euro	**¥ 542**	**—**	**¥(29)**	**$ 6,518**	**—**	**$(349)**
U.S. Dollar	**1,541**	**—**	**(8)**	**18,533**	**—**	**(96)**
	¥2,083	**—**	**¥(37)**	**$25,051**	**—**	**$(445)**

Interest Instruments

	Millions of yen			Thousands of U.S. dollars		
	Contract amount, etc.			Contract amount, etc.		
At March 31, 2011	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**	**¥(37)**	**$24,053**	**$24,053**	**$(445)**
	¥2,000	**¥2,000**	**¥(37)**	**$24,053**	**$24,053**	**$(445)**

14. RELATED PARTY TRANSACTION

During the years ended March 31, 2011 and 2010, the Company had no important transaction with related party.

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, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Projected benefit obligation	¥ 27,361	¥ 27,719	$ 329,056
Unrecognized actuarial differences	(10,560)	(10,840)	(126,999)
Less fair value of pension assets	(22,468)	(23,238)	(270,211)
Allowance for employees' severance and pension benefits	(5,667)	(6,359)	(68,154)
Prepaid pension expense	7,563	8,046	90,956
Allowance for directors' severance and pension benefits	20	16	241
	¥ 1,916	¥ 1,703	$ 23,043

Included in the consolidated statements of operations for the years ended March 31, 2011 and 2010 is severance and retirement benefit expense comprising the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Service costs-benefits earned during the year	¥ 987	¥ 842	$11,870
Interest cost on projected benefit obligation	647	667	7,781
Expected return on plan assets	(600)	(556)	(7,216)
Amortization of actuarial gains or losses	1,692	1,800	20,349
Amortization of prior service cost	—	—	—
Severance and pension benefit expense	¥2,726	¥2,753	$32,784

For the years ended March 31, 2011 and 2010, 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

Contingent liabilities at March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Guarantee for the bonds issued by consolidated subsidiaries	¥1,306	¥2,782	$15,707
Guarantee for employees' housing loans	530	613	6,374
	¥1,836	¥3,395	$22,081

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, 2011, 2010 and 2009 are ¥9,381 million ($112,820 thousand), ¥9,388 million and ¥11,704 million, respectively.

19. IMPAIRMENT LOSS ON GOODWILL

Losses on impaired goodwill during the year ended March 31, 2011 are as follows:

Type: Goodwill (a part of goodwill of purchasing NetTest A/S)

Impairment losses: ¥987 million ($11,870 thousand)

Background leading to recognition of impairment loss on goodwill: After reviewing the initial plan, future cash flow is predicted to be below the initial expectation. Therefore, we have recognized an impairment loss on goodwill.

Calculation method for recoverable amount: The impairment loss is measured by the collectable amount based on the revised business plan.

20. SEGMENT INFORMATION

Information by **reportable segment** for the years ended March 31, 2011, 2010 and 2009 is as follows:

	Millions of yen						
	Reportable Segment						
Year ended March 31, 2011	Test and Measurement	Industrial Automation	Information and Communications	Others	Total	Adjustment	Consolidated
Net sales:							
Outside customers	**¥53,463**	**¥12,326**	**¥4,118**	**¥ 7,946**	**¥77,853**	**¥ —**	**¥77,853**
Inter-segment	**43**	**5**	**24**	**3,162**	**3,234**	**(3,234)**	**—**
Total	**53,506**	**12,331**	**4,142**	**11,108**	**81,087**	**(3,234)**	**77,853**
Operating income	**5,051**	**659**	**69**	**1,653**	**7,432**	**(438)**	**6,994**
Identifiable assets	**58,611**	**11,140**	**7,024**	**11,846**	**88,621**	**10,628**	**99,249**
Other items							
Depreciation and amortization	**1,861**	**183**	**88**	**457**	**2,589**	**—**	**2,589**
Amortization expense of goodwill	**641**	**—**	**—**	**—**	**641**	**—**	**641**
Impairment loss on goodwill	**987**	**—**	**—**	**—**	**987**	**—**	**987**
Increase in tangible fixed assets and intangible fixed assets	**1,099**	**198**	**37**	**216**	**1,550**	**—**	**1,550**

	Millions of yen						
	Reportable Segment						
Year ended March 31, 2010	Test and Measurement	Industrial Automation	Information and Communications	Others	Total	Adjustment	Consolidated
Net sales:							
Outside customers	¥48,271	¥11,641	¥5,307	¥ 8,329	¥73,548	¥ —	¥73,548
Inter-segment	136	12	126	2,648	2,922	(2,922)	—
Total	48,407	11,653	5,433	10,977	76,470	(2,922)	73,548
Operating income	2,252	610	143	2,249	5,254	(671)	4,583
Identifiable assets	52,605	10,732	6,501	15,453	85,291	15,897	101,188
Other items							
Depreciation and amortization	1,930	163	110	745	2,948	32	2,980
Amortization expense of goodwill	641	—	—	—	641	—	641
Increase in tangible fixed assets and intangible fixed assets	844	132	48	111	1,135	0	1,135

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

Year ended March 31, 2011	Thousands of U.S. dollars						
	Reportable Segment						
	Test and Measurement	Industrial Automation	Information and Communications	Others	Total	Adjustment	Consolidated
Net sales:							
Outside customers	$642,971	$148,238	$49,525	$ 95,562	$ 936,296	$ —	$ 936,296
Inter-segment	517	60	289	38,027	38,893	(38,893)	—
Total	643,488	148,298	49,814	133,589	975,189	(38,893)	936,296
Operating income	60,746	7,925	830	19,880	89,381	(5,268)	84,113
Identifiable assets	704,883	133,975	84,474	142,465	1,065,797	127,817	1,193,614
Other items							
Depreciation and amortization	22,381	2,201	1,058	5,497	31,137	—	31,137
Amortization expense of goodwill	7,709	—	—	—	7,709	—	7,709
Impairment loss on goodwill	11,870	—	—	—	11,870	—	11,870
Increase in tangible fixed assets and intangible fixed assets	13,217	2,381	445	2,598	18,641	—	18,641

Related information

Information by **geographic area** for the years ended March 31, 2011, 2010 and 2009 is as follows:

	Millions of yen				
Year ended March 31, 2011	Japan	Americas	EMEA	Asia and Others	Total
Net sales	¥32,952	¥18,947	¥10,630	¥15,324	¥77,853
Property, plant and equipment	14,805	2,286	393	169	17,653
Year ended March 31, 2010	Japan	Americas	EMEA	Asia and Others	Total
Net sales	¥33,490	¥13,967	¥12,463	¥13,628	¥73,548
Year ended March 31, 2009	Japan	Americas	EMEA	Asia and Others	Total
Net sales	¥37,460	¥16,365	¥14,871	¥15,244	¥83,940

	Thousands of U.S. dollars				
Year ended March 31, 2011	Japan	Americas	EMEA	Asia and Others	Total
Net sales	$396,296	$227,865	$127,841	$184,294	$936,296
Property, plant and equipment	178,052	27,492	4,726	2,033	212,303

Effective from the fiscal year ended March 31, 2011, the Company and its consolidated subsidiaries adopted "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17 dated March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20 dated March 21, 2008).

Information by reportable segment for the year ended March 31, 2010 conforms with the new accounting standard. Information by industry segment for the year ended March 31, 2009 still conforms with the previous accounting standard.

Non-Consolidated Balance Sheets (Supplementary Information)

ANRITSU CORPORATION
March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	**2011**
Assets			
Current assets:			
Cash	**¥ 18,756**	¥ 20,883	**$ 225,568**
Notes and accounts receivable — trade	**12,963**	13,785	**155,899**
Allowance for doubtful accounts	**(73)**	(78)	**(878)**
Inventories	**7,966**	5,691	**95,803**
Deferred tax assets	**4,190**	4,698	**50,391**
Other current assets	**1,794**	1,612	**21,575**
Total current assets	**45,596**	46,591	**548,358**
Property, plant and equipment:			
Land	**1,285**	1,285	**15,454**
Building and structures	**29,534**	29,487	**355,189**
Machinery and equipment	**7,791**	7,895	**93,698**
Accumulated depreciation	**(29,750)**	(29,189)	**(357,787)**
Net property, plant and equipment	**8,860**	9,478	**106,554**
Investments and other assets:			
Investment securities	**52,793**	50,976	**634,913**
Long-term loans receivable	**9,229**	9,180	**110,992**
Deferred tax assets	**15**	—	**180**
Other assets	**6,324**	7,027	**76,056**
Allowance for doubtful accounts	**(1)**	(1)	**(12)**
Total investments and other assets	**68,360**	67,182	**822,129**
Total assets	**¥122,816**	¥123,251	**$1,477,041**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	**2011**
Liabilities and net assets			
Current liabilities:			
Short-term borrowings	**¥ 1,439**	¥ 1,190	**$ 17,306**
Long-term debt due within one year	**400**	7,424	**4,811**
Notes and accounts payable — trade	**5,859**	6,031	**70,463**
Accrued liabilities	**3,579**	2,485	**43,043**
Accrued expenses	**1,017**	948	**12,231**
Income taxes payable	**63**	57	**758**
Other current liabilities	**12,531**	10,914	**150,702**
Total current liabilities	**24,888**	29,049	**299,314**
Long-term liabilities:			
Long-term debt	**34,000**	30,500	**408,900**
Retirement benefits for directors and corporate auditors	**10**	10	**120**
Deferred tax liabilities	**—**	188	**—**
Other long-term liabilities	**1,305**	1,656	**15,694**
Total long-term liabilities	**35,315**	32,354	**424,714**
Net assets:			
Common stock	**14,051**	14,050	**168,984**
Capital surplus	**23,002**	23,000	**276,633**
Legal reserve	**2,468**	2,468	**29,681**
Retained earnings	**23,826**	23,041	**286,542**
Treasury stock, at cost	**(843)**	(836)	**(10,137)**
Net unrealized holding gain or loss on securities	**120**	134	**1,443**
Deferred gain or loss on hedged transactions	**(22)**	(29)	**(265)**
Stock acquisition right	**11**	20	**132**
Total net assets	**62,613**	61,848	**753,013**
Total liabilities and net assets	**¥122,816**	¥123,251	**$1,477,041**

Non-Consolidated Statements of Operations (Supplementary Information)

ANRITSU CORPORATION
Years ended March 31, 2011, 2010 and 2009

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2011	2010	2009	**2011**
Sales	**¥39,108**	¥36,754	¥41,230	**$470,331**
Cost of sales	**28,802**	27,706	32,382	**346,386**
Gross profit	**10,306**	9,048	8,848	**123,945**
Selling, general and administrative expenses	**8,056**	7,283	10,089	**96,885**
Operating income (loss)	**2,250**	1,765	(1,241)	**27,060**
Other income (expenses):				
Interest and dividends income	**691**	652	7,266	**8,310**
Interest expenses	**(616)**	(559)	(453)	**(7,408)**
Foreign exchange gain (loss)	**(265)**	12	(80)	**(3,187)**
Loss on devaluation of inventories	**—**	—	(1,290)	**—**
Gain on sales of property, plant and equipment	**—**	149	502	**—**
Gain on sales of investment securities	**—**	140	5	**—**
Loss on devaluation of investment securities	**(78)**	(17)	(52)	**(938)**
Loss on devaluation of stock of subsidiaries and affiliates	**(964)**	(2,015)	(4,986)	**(11,594)**
Gain on revision of retirement benefit plan	**—**	—	786	**—**
Compensation income for expropriation	**—**	—	99	**—**
Gain on reversal of stock acquisition rights to shares	**8**	—	35	**96**
Business structure improvement expenses	**—**	—	(592)	**—**
Gain on retirement by purchase of bonds	**—**	62	—	**—**
Gain on extinguishment of tie-in shares	**—**	47	—	**—**
Loss on adjustment for changes of accounting standard for asset retirement obligations	**(33)**	—	—	**(397)**
Other, net	**(121)**	3	6	**(1,455)**
	(1,378)	(1,526)	1,246	**(16,573)**
Income before income taxes	**872**	239	5	**10,487**
Provision for income taxes:				
Current	**(460)**	(410)	50	**(5,533)**
Deferred	**292**	2,919	(409)	**3,512**
Net income (loss)	**¥ 1,040**	¥ (2,270)	¥ 364	**$ 12,508**

Independent Auditors' Report

To the Board of Directors of Anritsu Corporation:

We have audited the accompanying consolidated balance sheets of Anritsu Corporation and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of operations, comprehensive income, changes in net assets and cash flows for each of the three years in the period ended March 31, 2011, 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 financial position of Anritsu Corporation and subsidiaries as of March 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2011, 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, 2011 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 LLC

Tokyo, Japan
June 28, 2011

Glossary

ACE (Anritsu Capital-cost Evaluation)		Net operating profit after tax minus invested capital cost. Anritsu's unique benchmark indicating economic value added above capital cost.
Conformance Test System		A test system for testing handset conformance and interoperability. Verifies whether the sending and receiving characteristics and performance of LTE handsets, communication procedures between LTE handsets and base stations and other characteristics conform with 3GPP standards.
Disaster Communication System		A two-way communication system that links local governments and households to enable safety confirmation, etc., in the event of a disaster.
Dual Energy Sensor		A new high-sensitivity sensor capable of detecting low-contrast materials such as minute metallic particles and bone and plastic fragments, which were previously difficult to detect.
GCF (Global Certification Forum)		An organization that sets operating standards for networks and certification testing standards for mobile handsets to ensure the global interoperability of handsets.
Handset Conformance/Interoperability Test		A test to ensure interoperability between the base stations of telecom operators and mobile handsets of manufacturers in regions using 3GPP standards.
KPI (Key Performance Indicators)		Introduced as a measure to raise investment efficiency and strengthen operating fundamentals by setting performance indicators for each business process. R&D return on investment: Gross profit / R&D expenses Cost per order: Selling expenses / Orders received Cost per sale: Selling expenses / Sales
LTE (Long Term Evolution)		High-speed mobile communication service that enables data transmission at five to ten times the speed of current 3G mobile phone communication services. Full-scale commercial LTE services have been launched by some telecom operators in Japan, the United States and Europe.
Mobile Backhaul		Connects wireless base stations to core networks.
Mobile Broadband		High-speed, high-capacity mobile data transmission using smartphones, multifunction terminals or other mobile devices.
Multi-screen System		A large-screen display system that can create a single large-screen image using multiple projectors.
Precision Measurement Business		A business that develops and manufactures equipment for three-dimensional, high-speed, high-precision measurement of the condition (height, volume, area) of the printed solder paste on printed circuit boards. Integrated into the Industrial Automation segment in the fiscal year ended March 31, 2011.
Service Assurance		Solutions to assure the performance and service quality of telecom operators and service provider networks, and to raise the efficiency of network administration and operation.
Telemetry System		A system that obtains data by remote measurement from a location that is distant from the observed object.
Wireless Communication Systems	**Bluetooth**	A close-range wireless communication standard for digital devices. Allows voice and data communication within a range of several meters.
	CDMA	Code Division Multiple Access. A digital modulation system used in transmission systems of mobile phones, etc., it enables multiple users to efficiently access the same frequency band at the same time.
	GSM	Global System for Mobile Communications. Established as a uniform standard for mobile phones in Europe, it is the most widely used 2G mobile phone system worldwide.
	LTE	See above.
	W-CDMA	Wide Band Code Division Multiple Access. A 3G communication system. Enables real-time transmission of video and sound.
	Wi-Fi	Wireless Fidelity. A brand name showing that interoperability of wireless LAN devices has been certified by the Wi-Fi Alliance.
	WiMAX	A mobile broadband communication system that enables download speeds of up to 40Mbps.
3GPP (3rd Generation Partnership Project)		A standards body that studies and produces specifications for 3G telecommunication systems.

Major Subsidiaries (As of March 31, 2011)

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$9,528 thousand	100*
Anritsu Instruments Company	U.S.A.	Manufacture of measuring and other instruments	US$12,600 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 217 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 500 thousand	100*
Anritsu S.r.l.	Italy	Marketing and maintenance of measuring and other instruments	EURO 115 thousand	100*
Anritsu Solutions S.r.l.	Italy	Development of measuring and other instruments	EURO 115 thousand	100*
Anritsu Solutions S.R.L.	Romania	Development of measuring and other instruments	RON 100 thousand	100*
Anritsu AB	Sweden	Marketing and maintenance of measuring and other instruments	SEK 800 thousand	100*

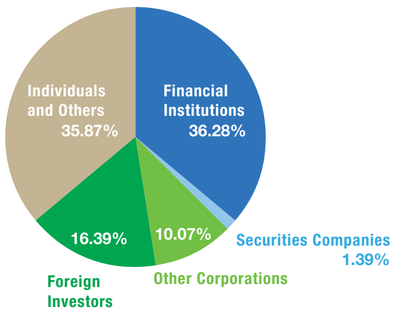
Asia & Others		Principal Businesses	Paid-in Capital	Anritsu's Share of Voting Rights (%)
Anritsu Company Ltd.	China	Marketing and maintenance of measuring and other instruments	HKD 43,700 thousand	100
Anritsu Electronics (Shanghai) Co., Ltd.	China	Maintenance of measuring and other instruments	CNY 8,480 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, 2011)

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:	3,614 (Consolidated) 825 (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:	16,573
Rating:	Rating and Investment Information, Inc. Long-Term: BBB Short-Term: a-2
Authorized Shares:	400,000,000
Issued Shares:	128,042,848

Breakdown of Shareholders:



Major Shareholders:

Shareholder Name	Number of Shares (Thousands)	Percentage of Total Shares Outstanding
The Master Trust Bank of Japan, Ltd. (Trust Account)	9,629	7.56
NEC Corporation	8,312	6.52
Japan Trustee Services Bank, Ltd. (Trust Account 9)	8,042	6.31
Japan Trustee Services Bank, Ltd. (Trust Account)	7,549	5.92
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
The Nomura Trust and Banking Co., Ltd. (Mutual Fund Account)	1,597	1.25
Trust & Custody Services Bank, Ltd. (Pension Specified Money Trust Account)	1,570	1.23
The Chase Manhattan Bank, N.A. London Secs Lending Omnibus Account	1,452	1.14

Note: Treasury stock (617,889 shares) is excluded from calculation of the percentage of total shares outstanding.

Discover What's Possible™

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Second Edition August 24, 2011