

## To Our Stakeholders



On behalf of 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

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	<ul style="list-style-type: none"><li>Test and measurement equipment demand for LTE development was steady.</li><li>Smartphone manufacturing equipment demand expanded substantially.</li></ul>
Japan	<ul style="list-style-type: none"><li>Major telecom carriers initiated commercial LTE service in December 2010.</li><li>Customers continued to restrain capital investment in some areas.</li></ul>
Americas	<ul style="list-style-type: none"><li>Major telecom carriers initiated commercial LTE service in December 2010.</li><li>Investment in wireless network upgrades and base station construction and maintenance was steady.</li></ul>
EMEA	<ul style="list-style-type: none"><li>Demand recovered slowly despite restrained capital investment in certain sectors due to instability in the European financial system.</li></ul>
Asia and Others	<ul style="list-style-type: none"><li>The mobile handset manufacturing sector in Asia expanded.</li><li>Telecommunications infrastructure upgrades were firm.</li></ul>

### 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.

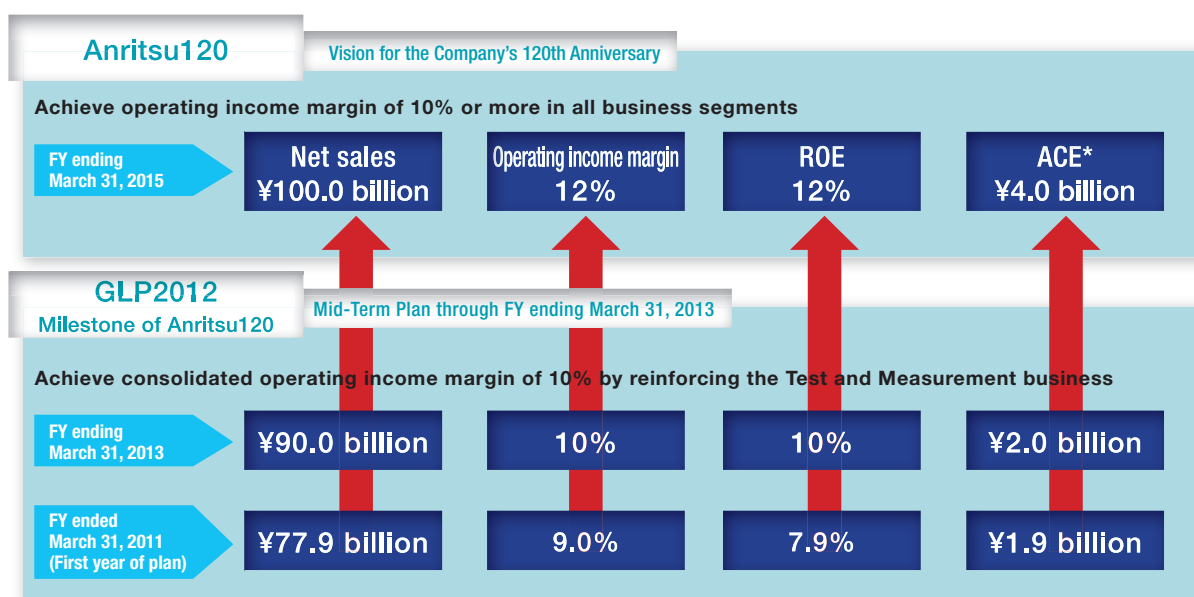
In telecom infrastructure-related markets, sales of handheld test and measurement equipment were steady for applications in the installation and maintenance of wireless base stations, a market in which Anritsu has an approximately 70 percent global share. Moreover, orders in Europe and Latin America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



\* 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

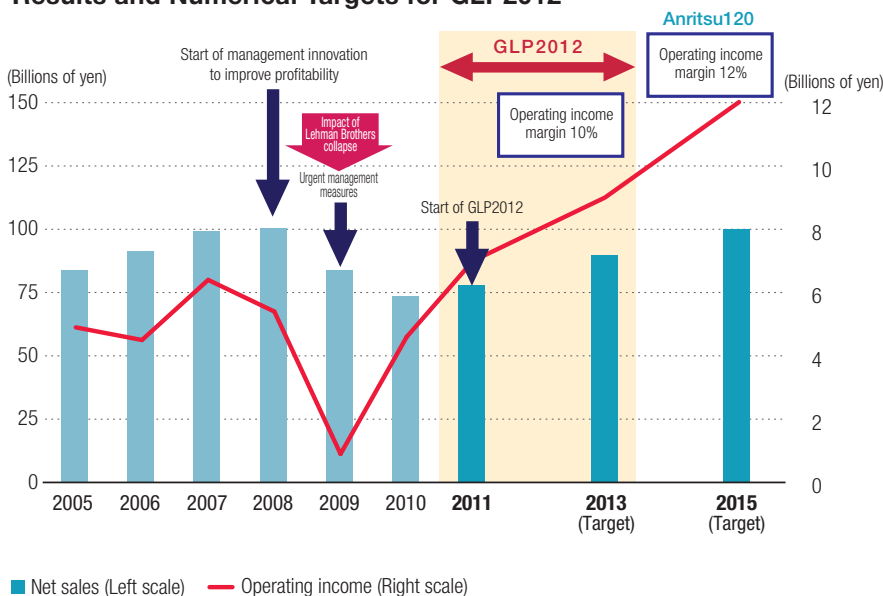
launching products that quickly and accurately meet needs.

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.

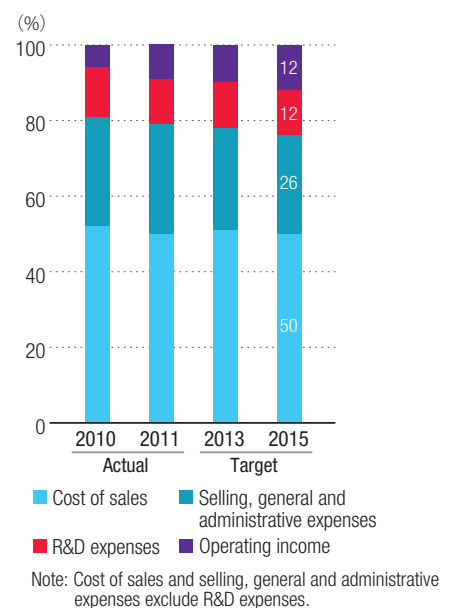
At the same time, we will need to carefully monitor foreign exchange trends. We expect competition with foreign manufacturers to intensify, so we will further innovate our cost structure. Concurrently, we will continue to focus on cash flow because it is central to management.

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





## 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.