

2013

Annual Report

Continuous Growth with Sustainable Superior Profits

ANRITSU CORPORATION
www.anritsu.com/ir



IR

Investor Relations

Anritsu

Profile

Anritsu's business expansion has occurred chiefly in the continuously evolving information and communication fields.

The Company's flagship measuring instrument business provides products and services indispensable for development and quality assurance operations associated with diverse communications systems, services, and applications. Leveraging solutions expertise accumulated through more than 110 years of operations, the Company is facilitating various services, including mobile handset-based Internet access and music downloads, video conferencing and transmissions, and digital broadcasting.

In addition, Anritsu technologies have been incorporated into a range of products in other fields, such as IP network equipment, inspection equipment for food and pharmaceutical products, and precision measuring instruments for electronic components (i.e., mobile phones and digital cameras). Anritsu will continue to contribute to the realization of a safe, secure, and comfortable society.

Anritsu provides solutions for a safe and secure society

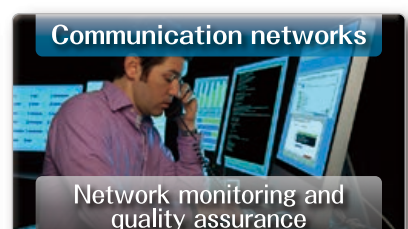
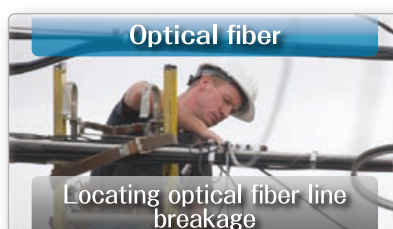
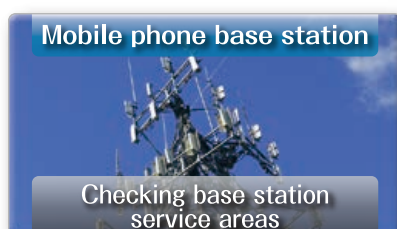
— Measurement solutions for mobile broadband services —



— Various solutions for everyday life in food safety, disaster monitoring and ophthalmic examinations —



— Measurement solutions for secure broadband networks —



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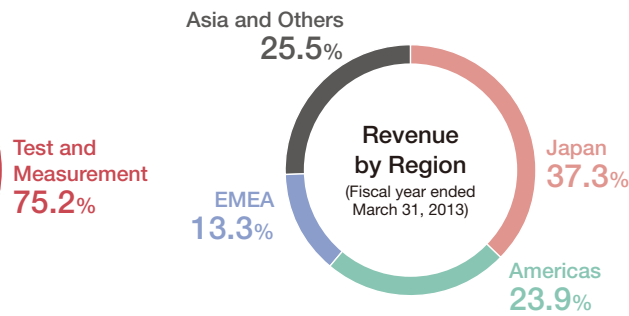
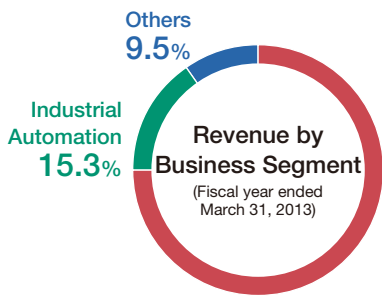
Forward-Looking Statements

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, the 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.

Anritsu at a Glance

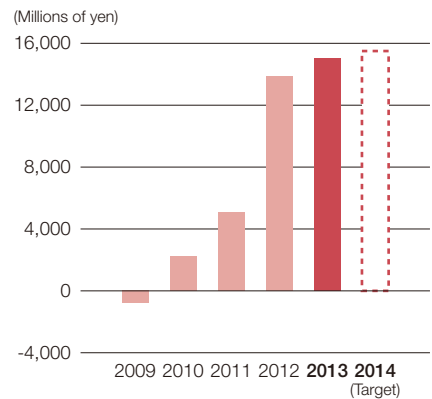
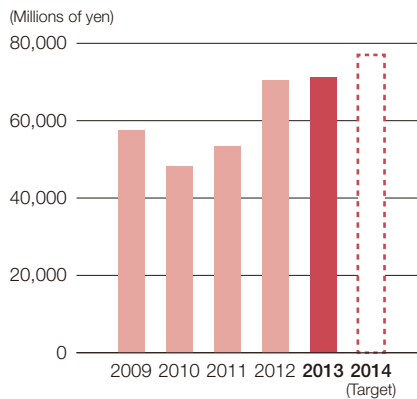
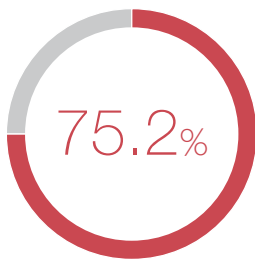


Percentage of Revenue

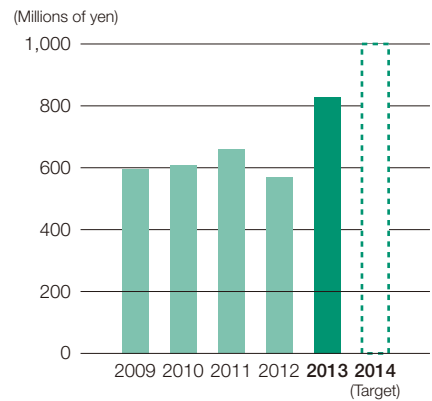
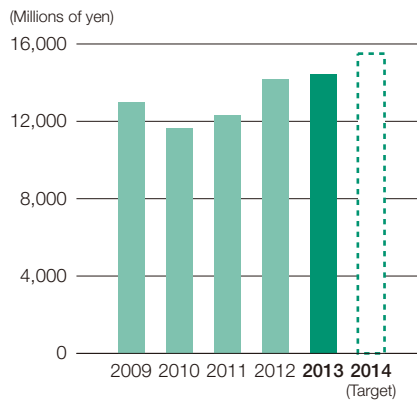
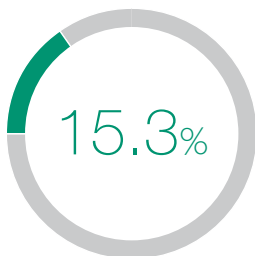
Revenue

Operating Profit (Loss)

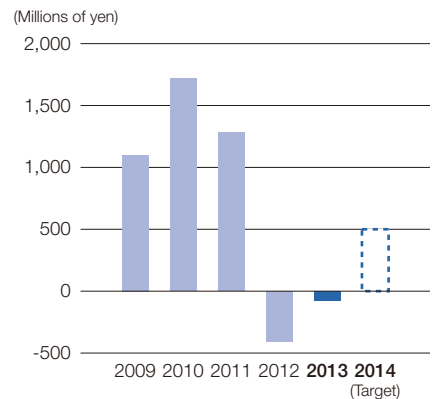
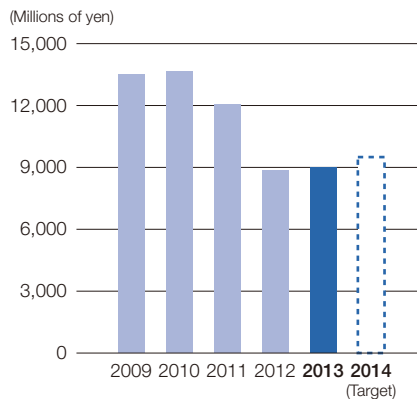
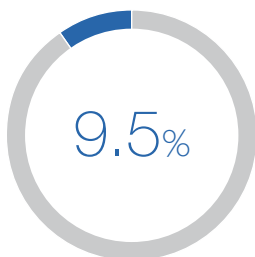
Test and Measurement



Industrial Automation



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 from the fiscal year ended March 31, 2012.

3. Beginning the fiscal year ending March 31, 2013, the Information and Communications business is included in the Others segment.

4. The results for the fiscal year ending March 31, 2013 is calculated based on International Financial Reporting Standards (IFRS).

Sectors and Solutions

Mobile Phone

- R&D related to mobile telecommunications standards, such as LTE, LTE Advanced, etc.
- R&D related to telecommunications chipsets (communications semiconductors incorporated in smartphones, etc.)
- R&D and manufacturing of such mobile communications terminals as smartphones and tablets

Network Infrastructure Market

- R&D related to optical/digital telecommunications
- R&D and manufacturing of telecom equipment
- Construction/maintenance of optical fiber telecom networks
- Construction/maintenance of wireless base stations
- Network quality assurance (failure monitoring)

Electronics Market

General-purpose measurement for a wide array of fields

- Development and manufacturing of telecommunications-related electronic components
- Development and manufacturing of telecommunications equipment
- Development and manufacturing of wireless base stations
- R&D and manufacturing of products related to digital household appliances and car electronics, etc.
- And more...

Customers

- Smartphone/tablet manufacturers
- EMS (electronics manufacturing service)
- Chipset manufacturers
- IT-related service providers
- Telecom carriers
- And more...

- Telecom operators
- Telecom network construction companies
- Telecom equipment manufacturers
- And more...

- Electronic device/component manufacturers
- Telecommunications equipment manufacturers
- Mobile handset manufacturers
- Electronic equipment manufacturers
- And more...

Main Products



MD8475A Signaling tester
(base station simulator)



MS2720T Spectrum Analyzer
(used for base station construction and maintenance)



MG3710A
Vector signal generator

- Contaminant detection, weighing, checkweighing of food products (agricultural and marine produce, meats, processed foods, etc.)
- Contaminant detection, shape inspection, checkweighing, etc., of pharmaceuticals/cosmetics (tablets, capsules, liquid pharmaceuticals, adhesive skin patches, etc.)
- Quality inspection of electronic component mounting (mobile phones, liquid crystal panels, etc.)

- Food manufacturers (agricultural products, seafood processing, meat processing, confectioneries, frozen foods, etc.)
- Pharmaceuticals and cosmetics manufacturers
- Electronic equipment manufacturers
- And more...



X-ray inspection systems

Information and Communications

- Monitoring and control systems related to such public infrastructure as rivers, water supply facilities, etc.
- Bandwidth controllers for high-quality networks, such as those for financial systems, video distribution, etc.

- Public sector (central and local government units)
- Financial institutions
- Video distribution companies
- And more...

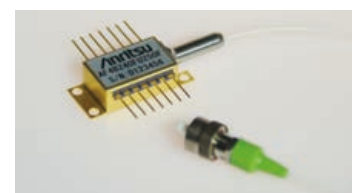
Devices

- Optical/ultra-high-speed devices for optical communications networks and telecommunications equipment

- Electrical equipment manufacturers
- Telecommunications equipment manufacturers
- And more...



PureFlow® Series bandwidth controllers



Laser diodes

11-Year Summary of Selected Financial Data

ANRITSU CORPORATION AND CONSOLIDATED SUBSIDIARIES Years ended March 31

← Japanese

	2003	2004	2005	2006	2007	2008	2009
For the year:							
Net sales	78,554	78,396	84,040	91,262	99,446	100,486	83,940
Cost of sales	58,036	54,249	53,666	55,205	55,787	56,474	52,005
Gross profit	20,518	24,147	30,374	36,057	43,659	44,012	31,935
Selling, general and administrative expenses	31,267	22,339	25,512	31,508	37,300	38,656	31,030
Operating income (loss)	(10,749)	1,808	4,862	4,549	6,359	5,356	905
Net income (loss)	(32,761)	1,101	1,280	563	1,376	(3,901)	(3,541)
Net cash provided by (used in) operating activities	(18,022)	5,953	9,277	5,929	2,488	6,251	6,916
Net cash provided by (used in) investing activities	3,698	4,421	(1,046)	(10,945)	420	(2,373)	(1,326)
Net cash provided by (used in) financing activities	(8,418)	8,568	(9,872)	1,761	(13,974)	(6,625)	(3,848)
Free cash flow	(14,324)	10,373	8,231	(5,015)	2,909	3,878	5,590
Depreciation and amortization	5,829	4,257	3,400	3,453	3,600	3,373	3,100
Capital expenditures	2,868	1,530	1,870	2,699	2,319	2,791	2,236
R&D expenses	13,222	9,887	10,515	12,509	14,072	14,115	11,704
At year-end:							
Total assets	144,131	148,353	142,111	152,389	140,395	124,917	100,983
Net assets	—	—	—	60,940	61,619	52,845	37,525
Interest-bearing debt	63,164	70,033	61,384	65,590	53,033	47,010	43,606
Per share:							
Net income (loss)							
Basic* ²	(256.90)	8.38	9.31	3.76	10.79	(30.60)	(27.78)
Diluted* ²	—	7.77	8.22	3.39	9.72	—	—
Cash dividends	—	4.50	7.00	7.00	7.00	7.00	3.50
Total net assets	467.21	470.28	472.16	477.51	483.25	414.16	294.29
Key financial indicators:							
Operating income margin (%)	(13.7)	2.3	5.8	5.0	6.4	5.3	1.1
Return on equity (%) ^{*1}	—	1.8	2.1	0.9	2.2	—	—
Anritsu Capital-cost Evaluation* ²	(15,563)	(5,283)	(2,230)	(3,121)	(1,397)	(750)	(4,937)
Return on assets (%) ^{*3}	—	0.8	0.9	0.4	0.9	—	—
Ratio of net assets to total assets (%)	41.4	40.5	42.4	40.0	43.9	42.3	37.1
Net debt-to-equity ratio (times) ^{*4}	0.62	0.58	0.46	0.57	0.54	0.57	0.67
Interest coverage ratio (times) ^{*5}	—	1.7	5.3	4.3	5.5	6.5	1.6
Dividend payout ratio (%)	—	53.7	75.2	186.2	64.9	—	—
Dividends on equity (%) ^{*6}	—	1.0	1.5	1.5	1.5	1.6	1.0

*1 The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥94.01 to U.S. \$1.00, the approximate exchange rate on March 31, 2013.

*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

Generally Accepted Accounting Principles ("J-GAAP")

Millions of yen		
2010	2011	2012
73,548	77,853	93,587
42,708	43,033	49,385
30,840	34,820	44,202
26,257	27,826	29,787
4,583	6,994	14,415
385	3,069	10,180
7,970	9,229	15,872
(499)	(1,432)	(1,964)
387	(6,050)	(2,204)
7,471	7,797	13,908
2,980	2,589	2,555
1,135	1,550	3,165
9,388	9,381	10,013
101,188	99,249	113,069
37,674	39,906	54,863
42,275	36,839	30,336

Yen

3.02	24.09	79.39
2.77	22.08	71.01
—	7.00	15.00
295.49	313.09	399.56

6.2	9.0	15.4
1.0	7.9	21.5
(2,972)	1,908	9,195
0.4	3.1	9.0
37.2	40.2	48.5
0.43	0.22	—
7.4	10.0	28.1
—	29.1	18.9
—	2.3	4.2

International Financial Reporting Standards (IFRS) →

	Millions of yen		Thousands of U.S. dollars*1
	2012	2013	2013
For the year:			
Revenue	93,623	94,685	1,007,180
Cost of sales	44,398	43,688	464,716
Gross profit	49,225	50,997	542,464
Other revenue and expenses	35,224	35,196	374,386
Operating profit	14,000	15,801	168,078
Profit from continuing operations	7,973	13,942	148,303
Net cash flows from (used in) operating activities	16,143	11,771	125,210
Net cash flows from (used in) investing activities	(2,175)	(5,031)	(53,515)
Net cash flows from (used in) financing activities	(2,264)	(10,036)	(106,755)
Free cash flow	13,968	6,740	
Depreciation and amortization	2,469	2,562	27,252
Capital expenditures	3,200	4,562	48,527
R&D expenses	9,842	10,315	109,722
At year-end:			
Total assets	111,287	115,089	1,224,221
Total equity	46,818	64,534	686,459
Interest-bearing debt	30,113	19,417	206,542

Yen U.S. dollars

	Yen	U.S. dollars
Earnings per share:		
Basic earnings per share	62.17	98.79
Diluted earnings per share	56.33	97.41
Cash dividends	15.00	20.00
Equity attributable to owners of parent	341.43	450.32

	Yen	U.S. dollars
Key financial indicators:		
Operating income margin (%)	15.0	16.7
Return on equity (%) ^{*1}	19.5	25.1
Anritsu Capital-cost Evaluation ^{*2}	5,163	9,495
Return on assets (%) ^{*3}	7.2	12.1
Ratio of net assets to total assets (%)	42.1	56.1
Net debt-to-equity ratio (times) ^{*4}	—	—
Interest coverage ratio (times) ^{*5}	20.8	34.5
Dividend payout ratio (%)	24.1	20.2
Dividends on equity (%) ^{*6}	4.9	5.1

The Anritsu Group has adopted IFRS since the fiscal year ended March 31, 2013 and prepared consolidated financial statements in conformity with IFRS.

Continuous Growth with Sustainable Superior Profits

Strong Performance in the Fiscal Year under Review

Q The Anritsu Group's performance surged during the fiscal year under review (ended March 31, 2013), as it did the previous fiscal year. Please explain the factors that enabled such a performance and give us your appraisal of the Group's performance?

A In line with our original plans for the fiscal year under review, we were able to increase the Group's consolidated revenue, to ¥94.7 billion, up 1.1% from the level in the previous fiscal year. Given that we were able to realize a year-on-year rise of more than 30% during the previous fiscal year, sustaining our revenue growth was a challenging objective. The most important factor that enabled us to attain our revenue target was the ability of our mainstay Test and Measurement business to accurately respond to demand trends in the growth-driving mobile communications field. Regarding profitability, we recorded a robust performance in the highly profitable mobile communications field, and our successful efforts to make appropriate investments and thoroughly manage expenses have boosted operating profit, to ¥15.8 billion, up 12.9% from the previous fiscal year. This performance is a concrete manifestation of our achievements with respect to both offensive and defensive strategies.

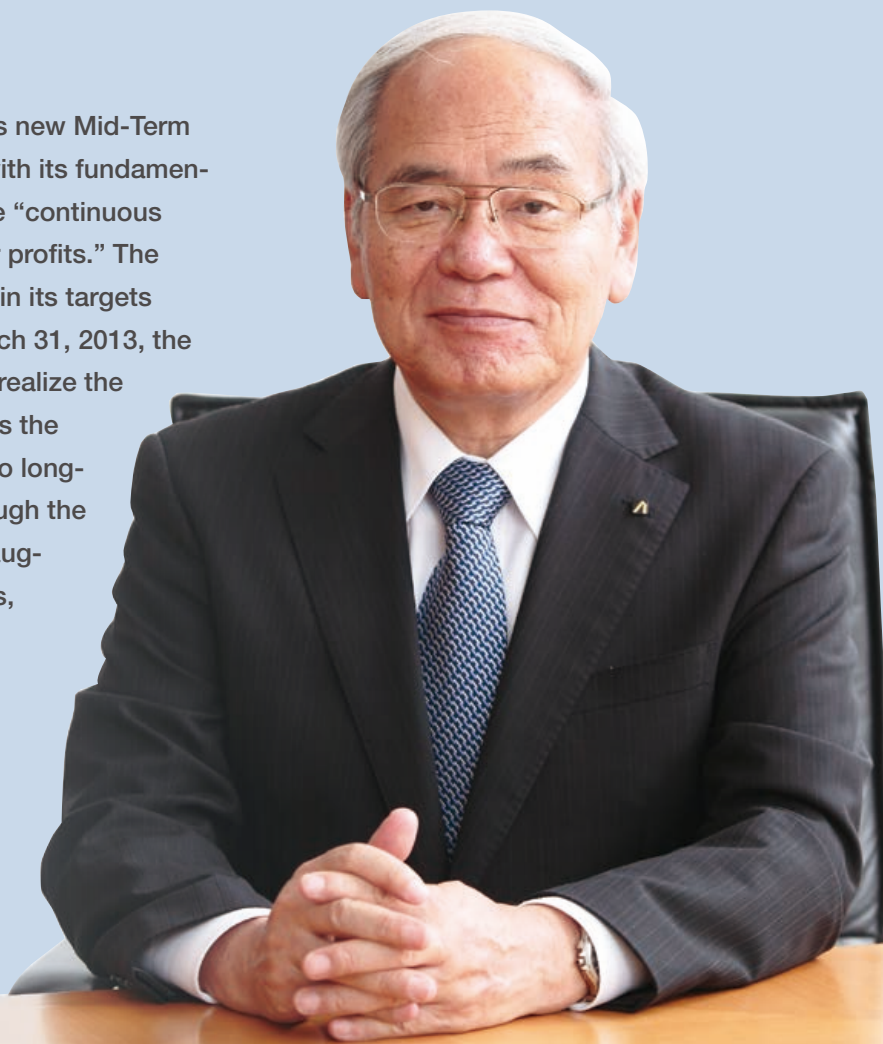
In the Industrial Automation business, we sustained robust performance in Japan and overseas with the focus primarily on products for food-related industries. We also made progress in building the foundation for our key strategy of overseas business expansion.

We began various new initiatives during the fiscal year under review in accordance with GLP2014, our Mid-Term Business Plan for the three fiscal years through March 31, 2015. We have gotten off to a good

The Anritsu Group has drafted its new Mid-Term Business Plan GLP2014 in line with its fundamental strategy of seeking to achieve “continuous growth with sustainable superior profits.” The Group was able to smoothly attain its targets during the fiscal year ended March 31, 2013, the first year of GLP2014. Aiming to realize the objectives of GLP2014, as well as the Anritsu 2020 Vision, a medium- to long-term strategy for the period through the year 2020, the Anritsu Group is augmenting its strategic investments, which are designed to promote sustained corporate growth and generate additional increases in corporate value for the foreseeable future.

Hirokazu Hashimoto

Group CEO



start by smoothly attaining all the targets for the plan's first year, but our efforts during the current fiscal year—the second of the three fiscal years covered by the plan—will be particularly important. While encouraged by the sentiment expressed in the proverb “What starts well ends well,” we are also repeatedly emphasizing in our intra-Group communications the message that “When things start well, you must remain vigilant until the end, maintaining a steady and stern eye on reality, and working to provide what is lacking. If you do so, you will come closer to your goal.” We are seeking to ensure that everyone in the Anritsu Group recognizes the truth of this message and shares a common commitment to implementing our strategies in line with the spirit of that message. In light of the dynamic changes under way in global markets, it is extremely important for us to maintain a good understanding of our customers' needs so that we are always in a position to supply optimal solutions going forward.

Special Strengths That Enable Anritsu to Overcome Competitive Challenges

Q Please explain the specifics of growth drivers in the Test and Measurement business. What are the special characteristics from which Anritsu derives its competitive strengths?

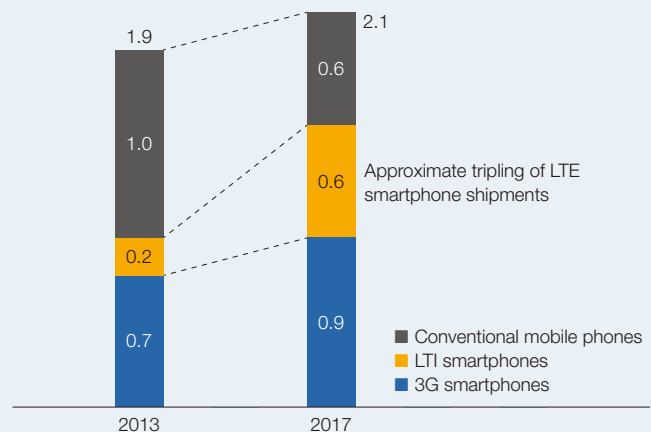
A In our Test and Measurement business, the growth driver factors are the increasingly widespread use of smartphones, tablets, and other mobile terminals and the associated rapid development of mobile broadband services. In the mobile communications market, the world's major telecom operators have begun offering commercial services based on the LTE, the communications standard, and are moving ahead with plans for the introduction of LTE Advanced systems with broader area coverage.

Sustained demand for measuring instruments is expected in connection with operators' capital investments as well as the development of smartphone chipsets. We are also anticipating expansion in demand for measuring instruments used for manufacturing smartphones and tablet terminals, whose demand is growing.

To make the most of these growth drivers, Anritsu is comprehensively assessing needs associated with supply chains, including major telecom operators, chipset makers, smartphone vendors, and other customers; consolidating needs-related information; and providing optimal solutions to customers who expand business operations globally.

Our mobile test and measurement business projects do not end when products are delivered to customers. Since the 3rd Generation Partnership Project (3GPP) is constantly updating standards for 3G, LTE, and other communications systems, we must work in concert with our customers to move ahead with technology development projects based on medium-term perspectives to realize competitive advantages. One special characteristic of the Test and Measurement business is that support must still be provided to customers for their continuous development operations, even after products are delivered to them. In line with development road maps drafted by customers, we are developing measuring instrument solutions that meet customers' emerging needs. Our posture is that, "After undertaking a job, we are committed to ensuring that our customers' needs are satisfied over the long term." It is by firmly maintaining this posture that we can build relationships of trust that put us in a position where we can share leading-edge technology development road maps with customers.

Mobile Phone/Smartphone Shipment Volume
(Billion units)



Sources: Anritsu estimates based on data from IDC and Gartner

Anritsu's Unique "ACE" Benchmark

Q Could you explain the kind of measures the Group is taking to strengthen its structural profitability, in terms of Anritsu's fundamental strategy of seeking to achieve business expansion characterized by "continuous growth with sustainable superior profits"?

A During the fiscal year under review, Anritsu achieved a 1.1% year-on-year increase in revenue while boosting its operating profit to ¥15.8 billion, up 12.9% from the previous year. Profit was improved by a large margin and achieved a new record high ¥13.9 billion, a year-on-year increase of 74.9%. This reflects our reevaluation of the degree to which we can leverage the profitability of our core businesses. It also reflects the great effectiveness of our measures to accumulate deferred tax assets.

I instituted the fundamental strategy of seeking "continuous growth with sustainable superior profits" upon becoming President in 2010. The Group's 2020 Vision for business development over the decade beginning from 2010 set the goal of becoming a "global market leader" and stipulated that "building a world-class, strong, profit-generation platform" was one of the keys to achieving this goal. The vision also specified the key performance indicators (KPIs) to be used in determining whether returns on investments were sufficient for creating a resiliently strong, profit-generation platform and emphasized the importance

of employing common KPIs throughout the Group. We have been working to reform and upgrade our systems for producing high-added value by ensuring that each Group employee is aware of such productivity indices as the ratio of capital costs to cash generated by business development investments and the value of production generated by each yen of expenses. The most comprehensive of our KPIs is our Anritsu Capital-cost Evaluation (ACE)

benchmark of net operating profit after tax minus invested capital cost. By ensuring that each business division uses ACE as a key evaluation indicator for determining how much added value can be generated by invested capital, we will continue working to improve the Group's overall profitability going forward.

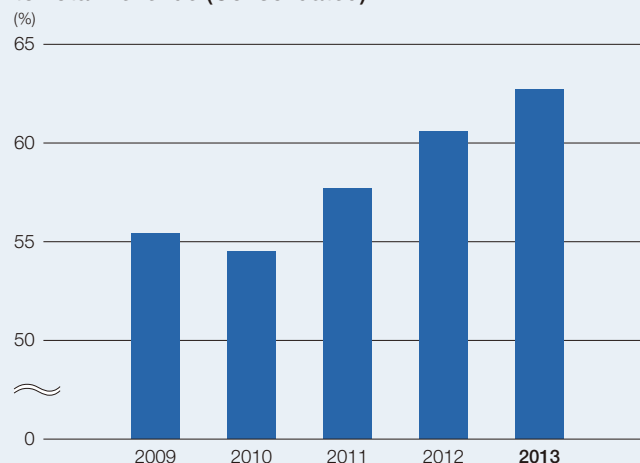


Growing Importance of Overseas Markets

Q Please explain your expectations regarding your business environment and performance during the current fiscal year (ending March 31, 2014) and your fundamental business development plans for the year.

A I anticipate that the mobile test and measurement business will continue to be the main axis of our operations during the current fiscal year. Major trends regarding markets and customers are expected to include the growth of investment in LTE Advanced systems, the start of TDD-LTE service in China, manufacturing trends associated with the expansion of the smartphone market and its increasingly intense competition, and the strengthening of IT enterprises' mobile communications businesses. Based on our accurate understanding of these trends, we will be working to increase the depth of our business relationships with existing customers, and we also consider it important to build relationships with new customers. To these ends, we will be making the requisite development and marketing investments while also expanding our strategic investments designed to strengthen our support systems for customers engaged in global business development. Through these measures, we will be working to establish superior competitive power and build a foundation capable of generating major benefits in the future. I believe that these are the principal themes of our operations during the current fiscal year. Although investments entail risks, we will be appropriately controlling the risks by making judgments regarding the priority of

Share of Overseas Revenue to Total Revenue (Consolidated)



investment projects while employing KPIs that emphasize investment returns, and we will strive to realize returns on investments in an expeditious manner.

In the Industrial Automation business, our tasks for the current fiscal year include the implementation of measures to leverage our position as a market leader in Japan to maintain a stable profit structure, and, at the same time, we will be seeking to expand our business in the overseas markets that are experiencing growth. To achieve these goals, we will be creating overseas marketing and support systems and taking steps to augment our overseas manufacturing capabilities to promote the strengthening of our competitive power stemming from our local production systems for meeting local needs. Besides augmenting the production of our plant in Thailand, we have established a plant in Shanghai, where we expect will play a key role in meeting needs within China's huge and growing market. We are aiming to increase the profit generated by our business in emerging country markets with considerable growth potential by gathering precise information on customer needs throughout the world, bolstering our capabilities regarding speedy manufacturing operations, and forging close cooperation with and support for customers.

Based on these business policies, we are planning to increase our consolidated revenue, to ¥102.0 billion, up 7.7% from the previous year, and increase our operating profit, to ¥17.0 billion, up 7.6%. We are forecasting a 17.5% year-on-year decrease in profit, to ¥11.5 billion, but it should be noted that this reflects our anticipation that the tax expense reduction benefits achieved through the accumulation of deferred tax assets during the year under review (ended March 31, 2013) will diminish in the current fiscal year and cause our effective tax rate to rise to approximately 30%. We expect to continue making steady progress toward attaining our GLP2014 targets.

Mid-Term Business Plan GLP2014: The First-Year Review

International Financial Reporting Standards (IFRS)		GLP2014 (¥ billion)			
Indicators		FY2012 (GLP first year)	FY2012 (Actual)	FY2013 (Plan)	FY2014 (GLP Plan)
Revenue		¥94.5	¥94.7	¥102.0	¥110.0
Operating Profit		¥15.5	¥15.8	¥ 17.0	¥ 19.0
Profit		¥10.0	¥13.9*1	¥ 11.5	¥ 13.0
ROE		20%	25%	17%	≥20%*2
ACE*3		¥ 7.0	¥ 9.4	¥ 7.5	¥ 9.0
Test & Measurement	Revenue	¥70.0	¥71.2	¥ 77.0	¥ 80.0
	Operating Profit	¥14.0	¥15.0	¥ 15.5	¥ 16.0
Industrial Automation	Revenue	¥15.0	¥14.4	¥ 15.5	¥ 18.0
	Operating Profit	¥ 1.0	¥ 0.8	¥ 1.0	¥ 1.5

*1 Tax expenses decreased as a result of a review of the collectability of deferred tax assets.

*2 In view of the realization of targets for strengthening the Company's capital base ahead of schedule, the fiscal 2014 ROE target has been revised to 17%.

*3 ACE (Anritsu Capital-cost Evaluation): Operating profit after tax - Capital cost

New Businesses in Response to Changes in the Operating Environment

Q Could you explain Anritsu's longer-term projects and strategies for the interval between the attainment of Mid-Term Business Plan GLP2014 targets and the realization of the 2020 Vision?

A During the period since we drafted GLP2014, we have become even more firmly convinced that the principal medium- to long-term growth driver for the Test and Measurement business will be the progressive expansion of mobile broadband services. On the other hand, rather than being restricted to smartphones, tablets, and other mobile terminals for person-to-person (P2P) and person-to-machine (P2M) links, the scope of growth locomotives is expected to extend to such fields as machine-to-machine (M2M) systems and cloud services via data centers, thereby making mobile communications a major component of social infrastructure. Moreover, we also see the possibility of difficult-to-predict paradigm shifts occurring in the period through 2020 that will lead to the creation of totally new types of communications terminals and services.

Anritsu's mission is to conscientiously monitor these kinds of changes, continually provide optimal solutions related to the changes, and thereby make a sustained contribution to societal progress. Software-based measuring solutions will play a central role in supporting the shift from LTE to LTE Advanced and toward additional progress in mobile communications technologies further onward and the development of diverse new services. We expect that our efforts to strengthen our development and marketing capabilities so that we can innovate in ways that anticipate changes in market and customer requirements through the continual creation of high-value-added measuring applications will be a powerful driving force behind our corporate development over the medium- to long-term future.

Moreover, rather than restricting itself to the mobile communications field, Anritsu is one of only a few measuring instrument manufacturers in the world that can supply a comprehensive range of communications-related solutions for fields including network infrastructure and electronics. While continuously strengthening our capabilities with respect to leading-edge mobile communications technologies, we anticipate that expansion in the high-speed, high-volume optical backbone network/infrastructure field and mobile broadband service field will lead to a development of diverse wireless communications modules for digital household appliance, automotive, and other applications. We plan to expand our business scale and enhance our profit-generation power by upgrading our capabilities for providing measuring solutions for manufacturing applications associated with innumerable new kinds of electronics products. By leveraging our operational axis in the mobile communications field, we intend to establish competitive power that will grow in strength in a diverse range of additional fields, thereby building a solid business base that will enable us to be a global market leader.

Regarding the Industrial Automation business, we expect that the global trend of rising and broadening awareness of food security and safety issues will facilitate the success of our business expansion projects. Expanding overseas operations will be the key to our future business growth in this field. By promoting the creation of local production systems for meeting local needs and by strengthening our relationships with global customers over the medium-to-long term, we are aiming to boost the share of our overseas revenue in this field from the current level of 30% to 50%. Regarding profitability, we will be seeking to achieve an operating profit ratio of 12%, as we become a global top player in this field over the medium term. We will be striving to attain this target through continuous efforts to reduce our cost of sales and devise innovative manufacturing methods. Given the unparalleled intensity of environmental changes in the Test and Measurement business, we will continue working on strengthening our Industrial Automation operations—a business characterized by relatively stable profitability that we, therefore, consider to be an indispensable element of our Group's business portfolio.

Our 2020 Vision also calls for us to create new businesses by emerging business. In the belief that establishing new business-creation systems is the first step toward achieving this objective, we set up a project team to address this task during the fiscal year under review. We are seeking to identify unmet needs and wants that we can address as a means of establishing additional types of operations that we can foster into new business pillars by 2020, with the aim of combining technological creativity with marketing innovation. We are intensifying our efforts in this regard as we strive to engineer an optimal portfolio of Group businesses.

Increasing Management Efficiency to Elevate Shareholder Value

Q Please explain Anritsu's policies regarding capital strategies and shareholder returns. What is behind the Group's discontinuation of takeover defense measures and voluntary adoption of International Financial Reporting Standards (IFRS)?

A GLP2014 includes the financial soundness enhancement targets of increasing the ratio of equity capital to a level of 60% or higher, and reducing our interest-bearing debt ratio to 0.3 or lower. In addition, we are employing our unique ACE benchmark along with ROE as important management indicators in connection with efforts to increase our capital efficiency. We are achieving a steady increase in those management indicators by progressively enhancing the profitability of our core businesses and working to optimize our cash flow management.

Against the backdrop of the robust improvement of our business performance, we have been able to bolster our capital adequacy more quickly than originally planned. This was due to such factors as a complete and ahead-of-schedule conversion of our Euro-denominated convertible bond issue (¥10 billion) slated to mature in September 2015 and a shift of our foreign currency translation adjustment values into positive figures in connection with the correction of the yen's excessive appreciation. Therefore, we have amended our ROE target to be attained by March 31, 2015, from 20% to 17%. With respect to the capital efficiency ratio, we have set our ROE spread (ROE - cost of shareholders' equity) target—representing the profit ratio expected by shareholders and investors—at 10% or greater, and we are sustaining our efforts to increase the profitability of our core business operations. Our medium- to long-term ROE target is 20% or above.

Regarding shareholder returns, our fundamental policy stipulates that profits are to be distributed in accordance with consolidated performance. Our system for achieving this policy sets a target range for the ratio of the total amount of dividends to equity attributable to owners of the parent (DOE) in accordance with the level of consolidated profit for the fiscal year and distributes the surplus to shareholders based on consideration of the Company's overall situation with respect to the objective of increasing corporate value. The system is designed to give due consideration to the need for R&D programs and capital investments that enable responses to rapid technological advances and changes in market structures as well as due consideration to the corporate value increases achievable through investments for the upgrading of support services. We intend to employ this system to increase shareholder returns in line with the Company's performance.

We changed the number of shares constituting one unit from 1,000 to 100 as of April 1, 2013. The aim is to create a favorable investment environment, increasing the liquidity of Anritsu shares and broadening the Company's investor base.

As a related measure, the Board of Directors decided to discontinue Anritsu's Countermeasures to Large-Scale Purchase of the Company's Shares (Takeover Defense Measures), which expired after the Ordinary General Meeting of Shareholders in June 2013. This decision was made with the objectives of facilitating a sustained rise in corporate value and augmenting shareholder returns. It also reflects Anritsu's determination to step up its efforts to engage in a dialog with shareholders and investors as a means of promoting an appropriate understanding of the Company's corporate value.

We have voluntarily adopted the International Financial Reporting Standards (IFRS) beginning from the fiscal year under review. Employing IFRS has brought various benefits, including the unification of accounting standards for the Group's operations in various locations throughout the world and the simplification of comparisons with global competitor companies. The standards are also expected to facilitate fund procurement operations in overseas markets that may be undertaken in the future. We view adoption of IFRS as a measure that helps to prepare a solid foundation for realizing increases in corporate value as a global market leader.

A Company with a Long History That Is Looking Ahead to the Future

Q Could you explain your personal ideas on corporate management?

A How has Anritsu managed to sustain its operations during the more than 110 years since the Company's founding—I am constantly thinking about the significance of the ability of corporate organizations to survive and prosper. I have learned some important lessons by persistently asking how companies maintain their viability and vitality, and I plan to put those lessons to good use in Anritsu's management going forward.

If you examine companies throughout the world that have been able to sustain dividend increases for more than 25 years, you will find three common characteristics—they have globally known brands, they are constantly working to improve their revenue structures and business portfolios and increasing their corporate value, and they have superior business models that pull in profits.

The existence and special characteristics of such model companies provide helpful guidance toward the answers that I am seeking. This is because “2020 Vision” is focused on “Considering changes in the environment as a revolutionary era, as a leading-edge brand trusted by customers around the world, providing unique Anritsu customer value, and thereby building a world-class, strong, high-value-added corporate constitution.

Maintaining its fundamental strategy of seeking to achieve “continuous growth with sustainable superior profits,” Anritsu is implementing the GLP2014 plan with the goal of making its period an important and clear-cut milestone of progress toward the realization of the 2020 Vision. In this way, the Company will continue doing its utmost to bolster the confidence of its shareholders and other stakeholders and live up to their expectations going forward.



Review of Operations

Test and Measurement

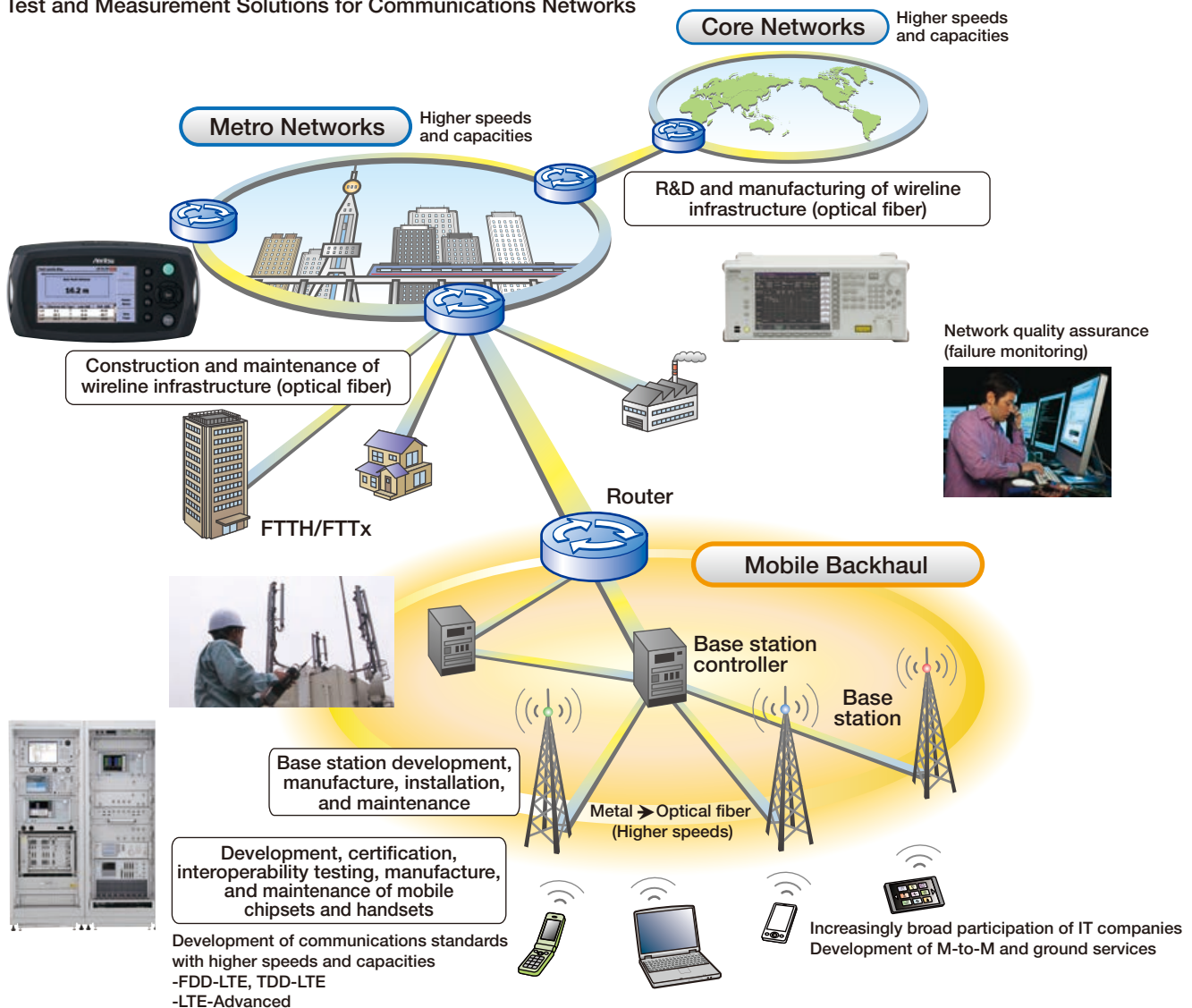
Anritsu is heightening its competitive power by strengthening its support for development programs and other customer operations, as it responds to business growth opportunities associated with the acceleration in the development of LTE, the increasingly widespread use of 3G/LTE smartphones, and the broadening of mobile broadband services as social infrastructure. In these ways, we are earning customers' trust as a global market leader.

Business Areas

Anritsu is expanding its Test and Measurement business in the mobile market related to smartphones and other handsets, the network infrastructure market related to wireless base stations and optical communications networks, and the electronics market related to items such as communications equipment and electronic communications components for a

diverse range of equipment. We are contributing to progression of mobile broadband services, with technologies that cover the entire scope of both wireless and wireline communications, strong development/customer support systems extending throughout the world, and an array of leading-edge measurement solutions tailored to market needs.

Test and Measurement Solutions for Communications Networks



Special Characteristics of the Mobile Test and Measurement Business

A growth driver for the Test and Measurement business, the mobile test and measurement business falls into two fields: R&D and manufacturing, each of which has distinctive characteristics.

R&D Field

Sharing R&D road maps with customers and providing test and measurement solutions on a time-to-market (TTM) basis

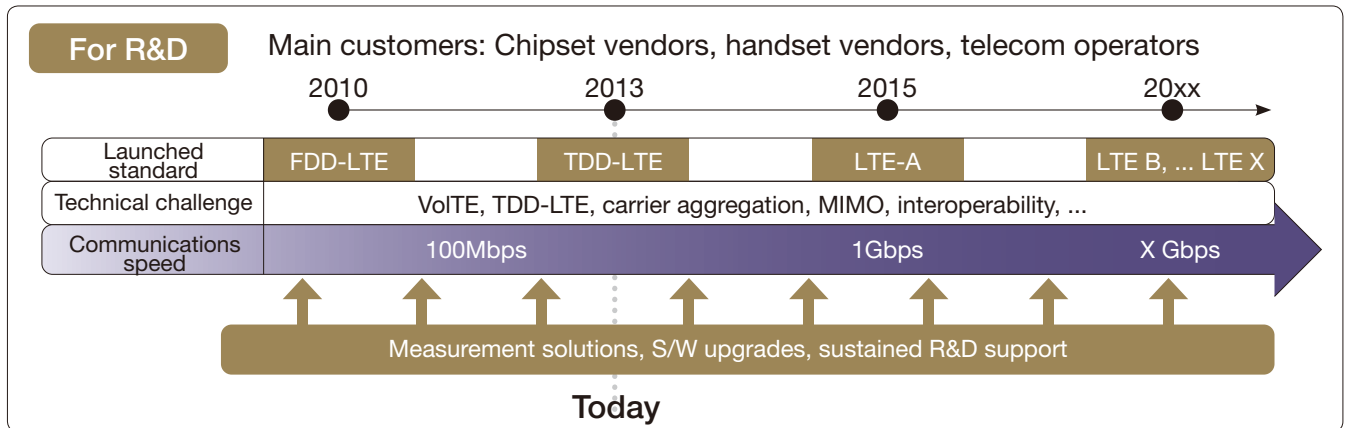
- We build relationships of trust with customers over the long term and respond in an accurate and timely manner to requests for development work and support.

Stock business that follows up beyond the introduction of equipment/systems

- We provide software upgrades in line with updates to communications standards, and we support customers' development environments.

Necessity of technological power related to a full range of communications methods, including those involving leading-edge technologies as well as those involving conventional technologies

- The commercialization of new communications methods entails measures for ensuring mutual compatibility with conventional methods.



Manufacturing Field

Expansion of customers' manufacturing power and progress in communications technology acting as demand triggers

- Constructing new plants and augmenting manufacturing lines, shifting from 2G lines to 3G/LTE lines, etc.

Sustained business stemming from responses to renovation demand/upgrade demand

- Building a stable business foundation by means of the expansion of the installed base

Capabilities for upgrading customers' productivity, in addition to quality, price, and timely deliveries, as a key competitive factor

- Providing development support by working in close cooperation with customers to conduct troubleshooting, optimizing manufacturing operations based on the characteristics of existing manufacturing lines, etc.

For production

Main customers: Handset vendors, module/component vendors, EMS

Solutions: Specialized one-box testers



Two-port (simultaneous measurement of 2 devices) testers for 2G/3G/LTE



Four-port (simultaneous measurement of 4 devices) testers for 2G/3G/LTE & SRW (short-range wireless)

Demand triggers

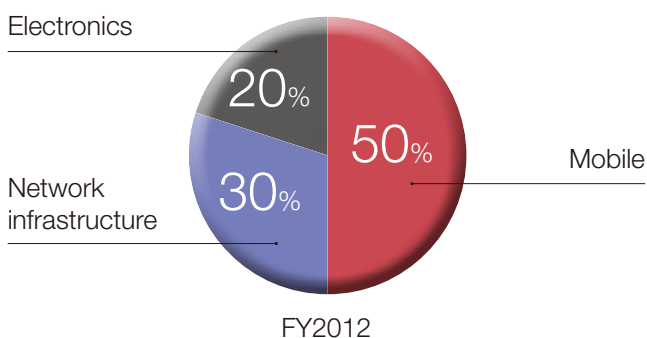
1. Manufacturing line changeovers: 2G → 3G/LTE (FDDs, TDDs)
2. Manufacturing capacity expansions
3. Productivity/efficiency upgrades
4. Test process integration: 3G/LTE & SRW (W-LANs, Bluetooth, etc.)
5. Emergence of new players

■ Review of the Fiscal Year Ended March 31, 2013

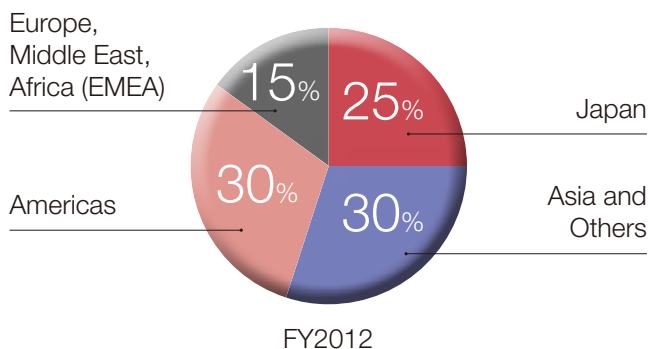
The fiscal year under review saw robust conditions in the mobile market. The trend reflected concentrated efforts for LTE development and investments in manufacturing by Japanese handset vendors during the first half of the year. Throughout the year, there was strong demand for measuring instruments related to handset manufacturing, particularly in Asia, and for measuring instruments related to LTE R&D, particularly in North America. Positive conditions were maintained in the network infrastructure market owing to the expansion and strengthening of base station networks,

particularly in Japan and North America. Investments related to frequency restructuring were another positive factor. The electronics market was slack, as the global economic downturn caused customers to curb their investments. As a result of all these factors, segment revenue increased 1.0% compared with the previous fiscal year, to ¥71,232 million. Operating profit grew to ¥15,048 million, up 8.7%. The Company maintained an operating profit ratio of 21% or higher even while making investments in development programs and support system expansion and upgrading programs designed to promote future business expansion.

Test and Measurement Revenue by Sub-Segment



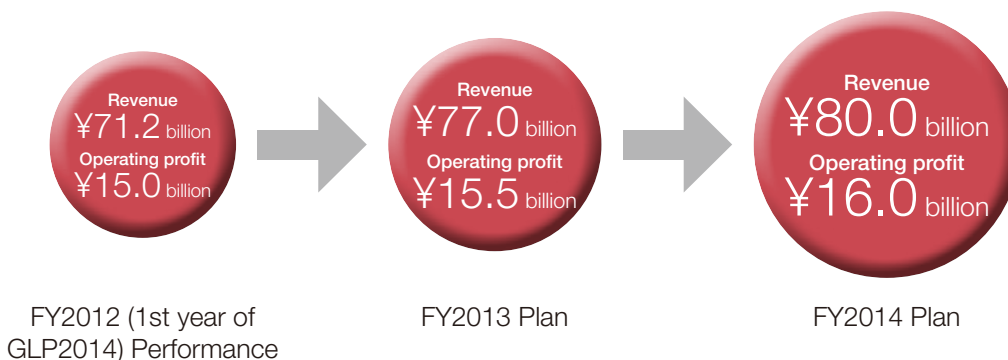
Test and Measurement Revenue by Region





■ Operating Environment and Initiatives under Mid-Term Business Plan GLP2014

The Mid-Term Business Plan GLP2014 has set the mid-to-long term growth target of 7% or higher in revenue while maintaining an operating profit margin of 20% or higher. For the fiscal year ending March 31, 2015, the plan calls for recording ¥80.0 billion in revenue along with an operating profit margin amounting to 20% or higher of that revenue figure. In the fiscal year under review, the first year of GLP2014, Anritsu successfully attained the targets of ¥70.0 billion in

revenue and ¥14.0 billion in operating profit. On the other hand, diverse changes have emerged in the operating environment since the time GLP2014 was drafted. During the current fiscal year, the Company intends to respond to those changes and step up its investments and other initiatives aimed at promoting business expansion over the mid-to-long term while expanding its business operations in a manner that enables the successful attainment of targets for the second year of GLP2014.



Business Environment and Measures for Attaining GLP2014 Targets

	Environment	Measures for Attaining Targets
Test and Measurement Business	<ul style="list-style-type: none"> Acceleration of LTE Development Full-scale development of TDD-LTE, LTE Advanced Continued expansion of 3G/LTE smartphone manufacturing Expansion of Mobile Communications in Social Infrastructure Shift to mobile communications by IT companies, etc. 	<ul style="list-style-type: none"> Stepped-Up Development Investment in Mobile Field Response to acceleration of LTE development Launch of optimal solutions for smartphone development environment Strengthening of Global Support System Strengthening of global account support Recruitment of new/potential customers
		 <p>Tester for smartphone application development</p>  <p>Universal wireless test-set (Compatible with 3G/LTE/Wi-Fi/Bluetooth, etc.)</p>

One of the changes in the operating environment is the acceleration of LTE development. The bulk of demand associated with the FDD-LTE method, which is being promoted mainly in Japan, North America, and South Korea, is shifting from basic development-related demand to standards conformance testing- and operator acceptance testing-related demand. In addition, the development of TDD-LTE method

systems that are expected to begin entering service in China during 2013 is gathering momentum. R&D work related to the relatively sophisticated form of LTE, the LTE Advanced, is beginning, and there is a trend toward an increase in demand associated with diverse R&D trends related to LTE Advanced as well as to peripheral technologies.

Mobile R&D Segment Business Opportunities

	Platform (Core) Development	Standard Conformance Testing	Operator Acceptance Testing	Smartphone Application Development
Applications	Communications standard development Chipset development	RF Standard conformance testing Interconnection testing	Telecom carrier certification testing	Application development Handset operation verification
Main customers	Chipset vendors Handset vendors	Chipset vendors Handset vendors Telecom operators	Telecom operators Test house	Handset vendors Application developers
Main themes	<ul style="list-style-type: none"> FDD-LTE, TDD-LTE VoLTE (Voice over LTE) LTE Advanced-related technology (carrier aggregation, etc.) MIMO (Multi Input Multi Output) Chipset integration for G/LTE & SRW (Short-range wireless) 			<ul style="list-style-type: none"> Data-throughput increase Reduced power consumption, etc.
Market trends/ Business opportunities	Firmly maintain No. 1 position	Firmly maintain No. 1 position Market expansion Upgrade position	Market expansion Upgrade position	Market expansion Upgrade position

Moreover, the application of mobile technologies is becoming increasingly broad, encompassing not only smartphones and tablet handsets but also social infrastructure elements. This trend has been accompanied by the entrance of a growing number of IT-related companies into the mobile field, which is presenting a growing number of opportunities for business expansion.

In response to these trends, Anritsu is augmenting its development investments centered on the mobile field as well as its investments aimed at strengthening its global support systems. The aim is to build solid relationships with

customers and thereby intensifying its efforts to realize business expansion over the mid-to-long term.

A look at individual geographic regions, however, reveals a progressive deceleration in the Japanese mobile market beginning from the second half of the fiscal year under review. As for the mobile field, Anritsu is anticipating that robust conditions in the North American and Asian markets during the current fiscal year will offset the deceleration in the Japanese market. Moreover, the Company is targeting an expansion of business in the electronics field while focusing principally on the electronic component field, in which Japanese companies are particularly strong.

Industrial Automation

Anritsu's Industrial Automation segment is seeking to maintain its position in the stable Japanese market while building marketing systems in preparation for expanding overseas business as a key growth driver. At the same time, the Company is strengthening local manufacturing systems overseas as a means of establishing local production systems for meeting local needs. In this way, it is striving to bolster its competitive power and improve its profitability.

Business Areas

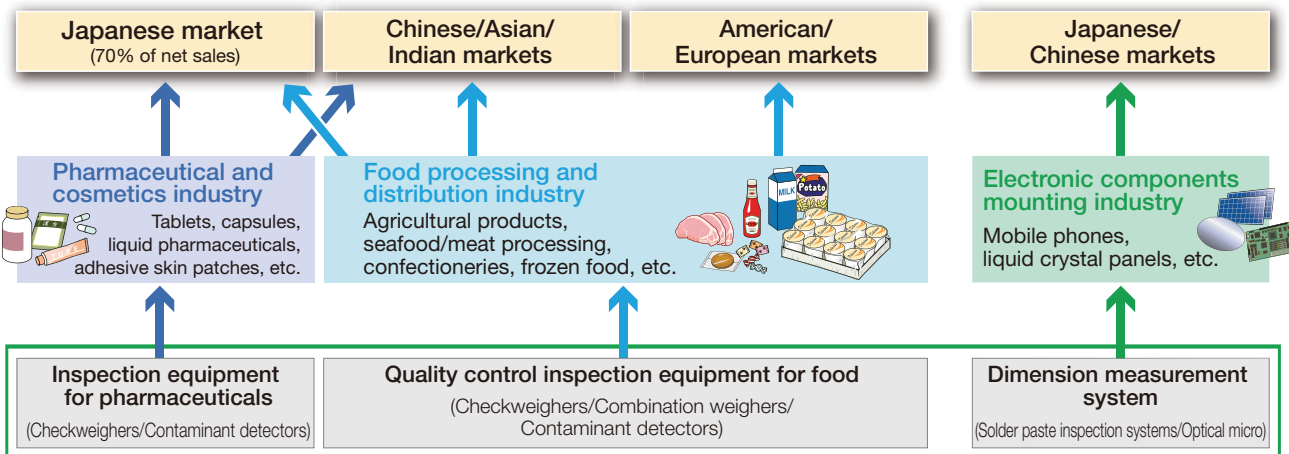
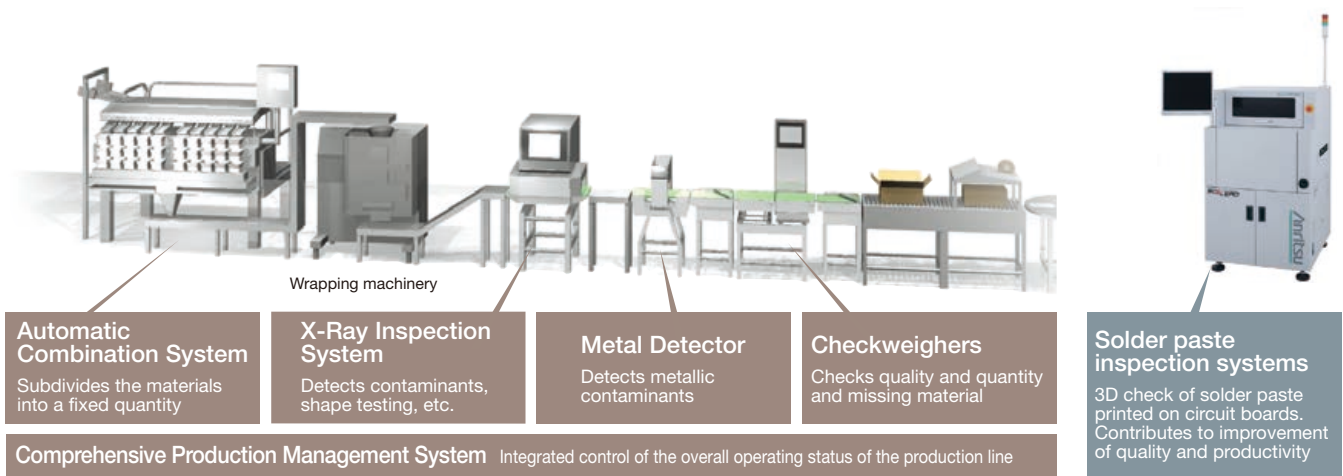
The Industrial Automation segment provides production management and quality assurance systems for the food, pharmaceutical, and cosmetics industries. Its main products include X-ray inspection systems and metal detectors that detect alien materials in food and checkweighers that perform high-speed, accurate weighing on production lines. Products for the food industry account for approximately 70% of this

segment's business. Consequently, its business operations are stable. This is a market with relatively little change in demand due to economic trends.

Geographically, the Japanese market accounts for 70% of business. However, the segment is stepping up its efforts to expand business overseas where growth is expected, particularly in Asia and North America.

Production line for food, pharmaceuticals, etc.

Mounting line for electronic components, etc.



■ Review of the Fiscal Year Ended March 31, 2013

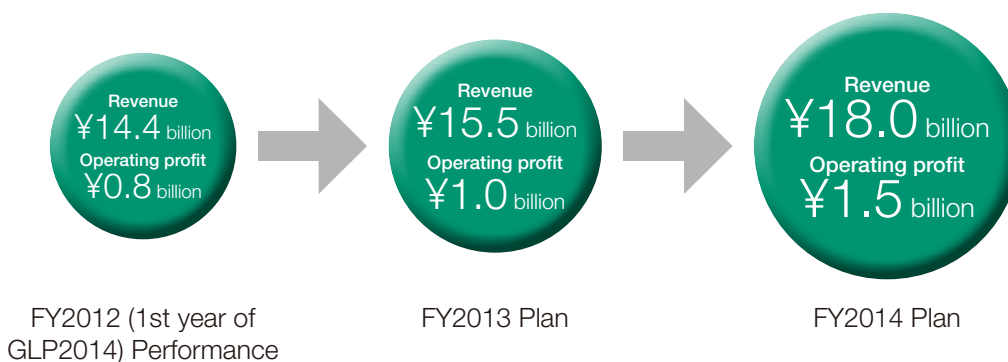
During the fiscal year under review, continued robust demand for food-related quality inspection applications in Japan and overseas markets enabled Anritsu to record segment revenue of ¥14,439 million, up 1.7% from the previous fiscal year. The segment's operating profit surged to ¥829 million, up 45.4%, reflecting the Company's efforts to increase the efficiency of its investment and expense management.

Overseas revenue accounted for approximately 30% of segment sales, as in the previous fiscal year, but the Company moved ahead with the preparation of a foundation for the expansion of overseas business going forward by measures such as the creation of local supply chains, particularly in Asia.



■ Operating Environment and Initiatives under the Mid-Term Business Plan GLP2014

Anritsu has set the mid- to long-term growth target of annual revenue growth in the segment of 7% or higher while maintaining an operating profit margin of 12% or higher.

For the fiscal year ending March 31, 2015, the plan calls for recording ¥18.0 billion in revenue and ¥1.5 billion in operating profit. In the fiscal year under review, the first year of GLP2014, Anritsu was, in general, able to successfully attain the targets of ¥15.0 billion in revenue and ¥1.0 billion in operating profit. The Company moved ahead with the creation of local production systems for meeting local needs, including manufacturing, marketing, and support systems, in accordance with the goal of expanding overseas business positioned as a key strategic objective within GLP2014. Besides augmenting production at the Company's Thai plant, which is playing a central role in this strategy, the Company established a plant in Shanghai (which began operating in July 2013) that is positioned to meet the needs in the Chinese market, which is projected to grow enormously. Anritsu is ramping up its efforts to optimize its supply chains in ways that meet local customers' diverse needs, including those related to quality, cost, and delivery schedules, and thereby progressively achieving business expansion and profitability enhancement.



Business Environment and Measures for Attaining GLP2014 Targets

	Business Environment	Measures for Attaining Targets
Industrial Automation	<ul style="list-style-type: none"> ■ Stable demand in the Japanese market ■ Increase in meat-testing demand in North America ■ Expansion of food-testing market in Asia/ Emerging economies 	<ul style="list-style-type: none"> ■ Strengthen relationships with global customers ■ Promote local production systems for meeting local needs <ul style="list-style-type: none"> • Augment manufacturing at plant in Thailand • Establish plant in China (Shanghai)
		 <p>Thai plant</p>  <p>Shanghai plant</p>



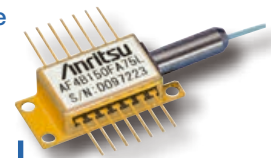
Others

Business Areas

The Others segment mainly covers the information and communications business. This business supplies such products as remote monitoring systems for applications that include waterworks and rivers, as well as bandwidth controllers that support highly reliable networks for companies such as financial institutions and video distributors, and the device business, which supplies optical and ultra-high-speed devices that are indispensable to the telecommunications equipment that makes up high-speed, high-capacity networks. The segment also includes businesses such as logistics and welfare services.

Telecommunications equipment that supports the functions of high-speed, high-capacity networks
Optical and ultra-high-speed devices

We provide key devices indispensable for long-distance, high-capacity communications networks.



Remote monitoring and control of water supply facilities, etc.

Remote monitoring and control system

Our systems are used for the monitoring and control of water supply and sewage facilities and the compilation of rainfall and other weather-related information as well as water-level and other river-related information.



Ensuring highly reliable communications for banks and other companies

Bandwidth controller

We are helping enhance the reliability of important communications networks for which stability and certainty are crucial, such as networks transmitting information related to corporate transactions.



Review of the Fiscal Year Ended March 31, 2013

During the fiscal year under review, steadily emerging benefits from structural reforms implemented on information and communications business management and stable demand for the offerings of the device business enabled Anritsu to record segment revenue of ¥9,014 million, up 1.7% from the previous fiscal year. Although the profitability of information and communications business improved, the impact of impairment charges with respect to property, plant and equipment caused the segment to record an operating loss of ¥77 million (compared with a ¥411 million operating loss, including adjustment and consolidated items, in the previous fiscal year).

Initiatives under the Mid-Term Business Plan GLP2014

Anritsu's mid-term plan calls for the Others segment to record ¥12.0 billion in revenue and ¥1.5 billion in operating profit.

The information and communications business is seeking to enhance its profitability by pursuing further benefits from structural reforms to management while concurrently striving to develop new business, including the expansion of overseas operations, and otherwise step up measures aimed at achieving business growth.

The device business is endeavoring to expand its operations by promoting the development of optical/ultra-high-speed devices for which demand is expected to increase in step with the development of mobile broadband services while also pioneering non-communications markets associated with optical device technology applications.

Supply Chain Management (SCM)

As a means of achieving its target of “continuous growth with sustainable superior profit,” the Anritsu Group is striving to globally optimize all its supply chain stages from procurement through manufacturing and distribution operations.



KPI-Based Reforms for Upgrading Profit-Generation Capabilities

The manufacturing for Anritsu's mainstay Test and Measurement business operations is carried out at the Group's domestic plant in Koriyama City, Fukushima Prefecture. Some of the production is also handled by Group companies based in the United States and Denmark. Manufacturing for Industrial Automation business operations is carried out at the Group's domestic plant in Atsugi City, Kanagawa Prefecture, as well as at plants in Thailand and China (Shanghai). Anritsu is augmenting its overseas production capabilities in accordance with the “local production for local consumption” concept, as it prepares for further expansion of its overseas business operations going forward.

Anritsu is employing principal Key Performance Indicators (KPIs) for four items—cost reductions, quality, delivery schedules, and inventories—as tools for use in connection with the sustained operational reform programs it is implementing in collaboration with partner companies as well as relevant Group units. The aim is to employ SCM methods that contribute to the upgrading of profit-generation capabilities.

With respect to cost reductions, Anritsu is working to rationalize its materials and component procurement systems through measures that include global procurement programs. The Company is also promoting the outsourcing of production of some of its products. Regarding quality, the Company's SCM units are working to heighten the reliability of procured materials and components, as well as to collaborate with development departments in efforts to improve design quality. In connection with delivery schedules and inventories, our SCM units are engaged in activities to reform manufacturing with the aim of shrinking manufacturing lead time periods. The units are also arranging close cooperation among marketing and manufacturing departments to increase the precision of manufacturing plans and promoting optimal inventory levels.

Anritsu has prepared a business continuity plan (BCP) along with associated systems for enabling the Head Office to sustain its coordination of manufacturing bases and maintain procurement, distribution, and other operations during times when the Company is facing challenges due to disasters.

Inauguration of Koriyama 2nd Business Office

In preparation for meeting the growing demand for Test and Measurement business over the mid-to-long term, Anritsu has constructed a second plant (Koriyama 2nd Business Office) in Koriyama City, Fukushima Prefecture, which began operation in July 2013. The new plant is responsible for automated printed circuit board (PCB) component loading processes that had previously been a bottleneck with respect to programs to expand manufacturing capacity. The plant has increased the Group's capacity for those processes by 50%. The previous Koriyama plant (Koriyama Business Office and Tohoku Anritsu Co., Ltd.) is now specializing in product assembly processes. The two Koriyama plants with their clearly separated roles are working together as the Anritsu Group's “mother plant” with the mission of promoting the optimization of manufacturing operations going forward.

R&D

The Anritsu Group considers the pursuit of “Original & High-level” technologies to be the fundamental source of its competitive strength. By operating a global R&D organization and proactively participating in standardization programs, Anritsu is positioning itself to generate leading-edge technologies and use those technologies to develop new kinds of customer solutions, and the Group is also strategically working to leverage its intellectual property as an additional means of strengthening its competitive power.

Global R&D Organization

Anritsu operates development bases in Japan, the United States, and Europe, and roughly half of the development staff associated with the Group’s mainstay Test and Measurement business is registered at overseas bases. These development bases employ the proprietary technologies of each business unit to develop products, and the Group is working to increase the efficiency of software development operations by

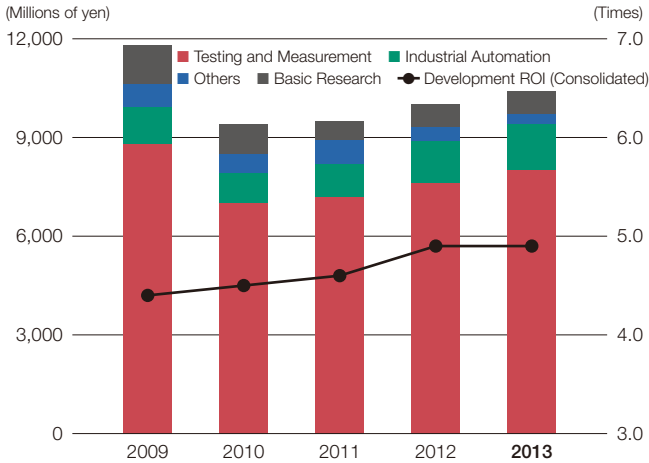
making greater use of outsourcing in the Eastern Europe and Asian regions. Moreover, by promoting extremely close global cooperation among marketing and development units, we are successfully developing and providing solutions that emphasize time-to-market (TTM) considerations and are tailored to customers’ needs.

Basic Policy on R&D Investments

The communications industry is characterized by rapid technological progress, and the number of Anritsu’s R&D themes in the mobile test and measurement field is increasing at an accelerating rate of speed. Under the circumstances, the Group is working to increase investment efficiency by using R&D investment management methods based on KPIs that emphasize returns on investment.

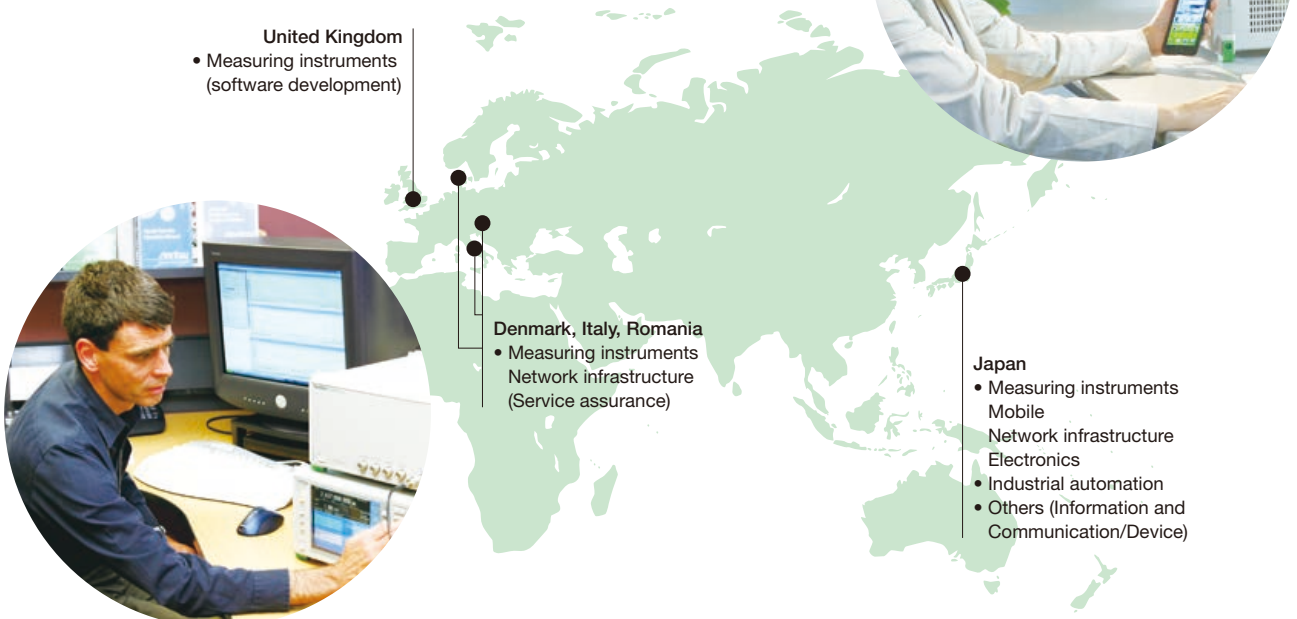
Specifically, our KPI target index for R&D investments is a R&D ROI (gross profit/R&D investment value) of 4.0 or higher, and each individual development project proposal must comply with this judgment standard.

R&D Expenses by Business Segment



As a percentage of revenue	Japanese GAAP				IFRS
	2009	2010	2011	2012	2013
	13.9%	12.8%	12.0%	10.7%	10.9%

Global R&D Network



■ Participation in Standardization Programs

Participation in standardization programs is an important element of Anritsu's R&D programs. We are proactively contributing to the creation of new communications-related standards by taking part in such programs as the Third Generation Partnership Project (3GPP), the Global Certification Forum (GCF), and the International Telecommunication Union-Telecommunication (ITU-T) Standardization Sector. Because the world's leading information and communications companies are members of the various standardization entities, our proactive activities related to the establishment of new standards have enabled us to build strong ties with customers and thereby obtain important information and feedback related to technologies and product development. We are making the most of those benefits in our efforts to launch solutions with outstanding competitive power in a timely manner.

■ Intellectual Property Strategy

Obtaining and leveraging leading-edge technologies is the key to realizing superior competitiveness in Anritsu's business fields, and we, therefore, emphasize intellectual property strategy as an extremely important element of our business strategy. Our intellectual property departments cooperate closely with development departments with the goal of globally making effective use of intellectual property rights associated with our R&D program results, and we are working to optimize our intellectual property portfolio through efforts to harmonize our business strategies and technology strategies. Concurrently with our proactive measures for utilizing

intellectual property as a means of strengthening the competitiveness of our products, we are also stepping up our information gathering and analysis programs and other activities aimed at improving our response capabilities against intellectual property-related risks.

■ Major R&D Achievements during the Fiscal Year

During the fiscal year under review, in the Test and Measurement business, Anritsu developed solutions related to Long-Term Evolution (LTE) and LTE Advanced systems, upgraded its measurement technologies for use in connection with ultra-high-speed networks developed to cope with data traffic growth, augmented its general-purpose measurement applications, and launched such new products as the MT8870A Universal Wireless Test Set, an all-in-one platform for integrated measurements related to 3G/LTE, Wi-Fi, and other wireless communications standards. In Industrial Automation business, Anritsu responded to the global expansion of demand for food inspection systems by undertaking R&D programs related to food quality assurance equipment tailored to the special needs associated with diverse ethnicity and food cultures. The Company's efforts to use ultra-sensitive metal detector technologies to provide easy-to-employ food hygiene management processes led to the commercialization of the New Metal Detectors (Super Mepoli IV) Series.



MT8870A Universal Wireless Test Set



Corporate Governance

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

■ Basic Philosophy

1. Greater management transparency
2. Appropriate and timely disclosure of information
3. Stronger management supervision
4. Management resources development

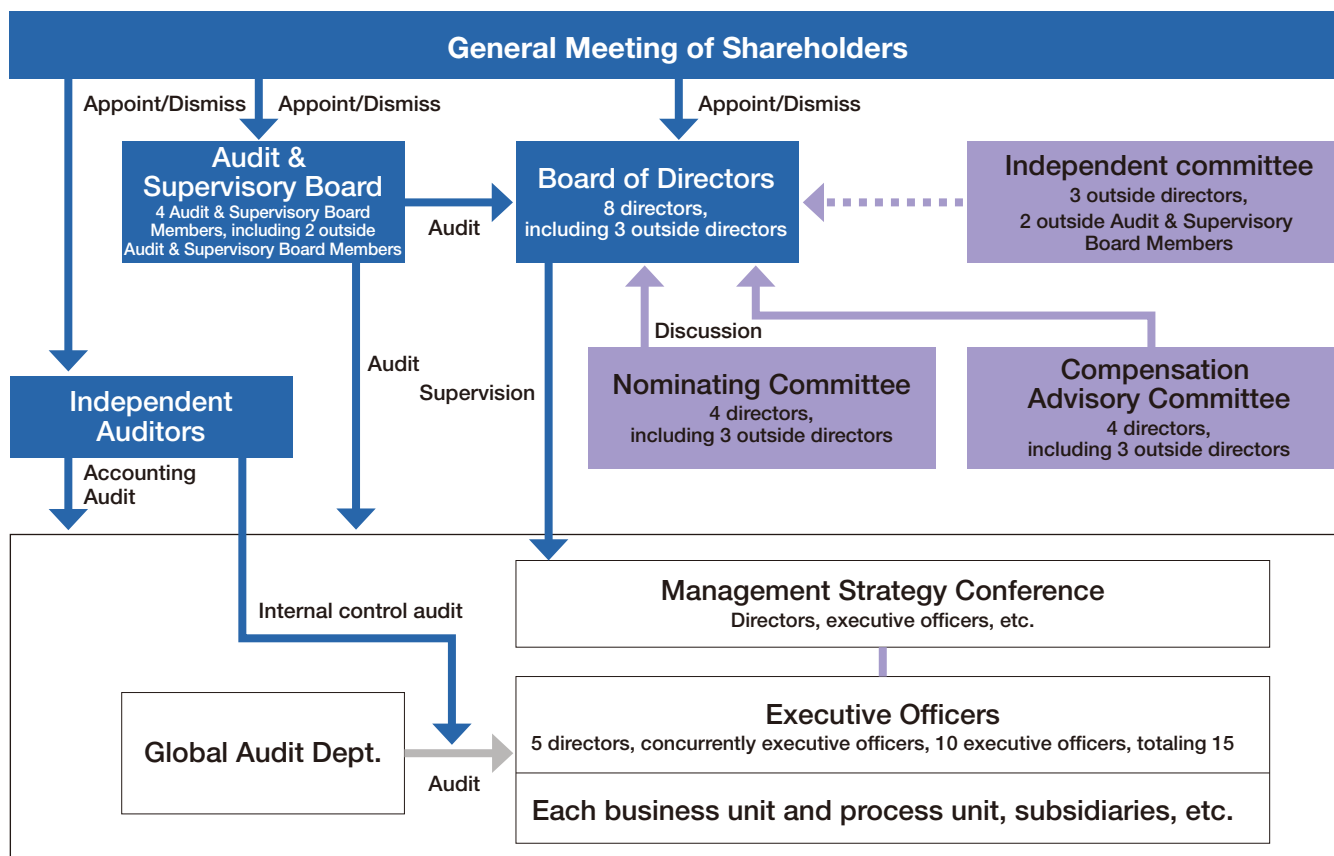
We will continue to fulfill our corporate mission with sincerity, harmony, and enthusiasm as stated in the Anritsu Group's corporate philosophy, by implementing measures needed for the Company to build a corporate culture that respects the rights and interests of all stakeholders, including shareholders,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

■ Anritsu's Corporate Governance System

Anritsu is a company with an Audit & Supervisory Board. Its corporate governance system centers on the Board of Directors and the Audit & Supervisory Board. Anritsu has also introduced an executive officer system. The aim of this system is to promote the prompt execution of duties.

Anritsu's current management structure consists of 8 directors (including 3 outside directors), 4 Audit & Supervisory Board Members (including 2 outside Audit & Supervisory Board Members), and 15 executive officers (including 5 who serve concurrently as Directors). As part of its measures for strengthening corporate governance systems, Anritsu moved in June 2011 to increase the number of its outside directors to three, and these outside directors have promoted management activities based on an understanding of external perspectives while also further strengthening supervisory

Corporate Governance System



functions over operational execution activities. Anritsu's Audit & Supervisory Board Members include two outside Audit & Supervisory Board Members, all of whom are independent from the Company in terms of not having a relationship of interest with the Company.

Anritsu appoints outside directors who have extensive professional experience and knowledge, as well as exceptional insight. The Company expects to draw on the Directors' advice based on their outside perspectives in areas such as management issues. The Company also believes that this will enhance objectivity and fairness in the decision-making process at Board of Directors' meetings and will facilitate an increase in management transparency.

In addition, to further clarify director's managerial responsibilities in each fiscal year and build management systems capable of flexibly and quickly responding to changes in the operating environment, Anritsu shortened the terms of its directors from two years to one year as of June 2013.

Anritsu has established the Nominating Committee as an advisory body to the Board of Directors in addition to the Compensation Advisory Committee. The Nominating Committee provides advice and recommendations on regarding the appointment and removal of directors, programs to foster the development of managerial human resources, and other programs in order to increase the transparency, objectivity, and fairness of management.

Activities of Outside Directors and Corporate Auditors

Name	Title	Number of Board Meetings Attended	Activities
Yasushi Hosoda	Outside Director	12/13	Makes remarks based on his experience as a manager with strong insight primarily on global business
Michikazu Aoi	Outside Director	12/13	Makes remarks from his perspective as a university professor with extensive knowledge and strong insight primarily related to management Chairman of the Nominating Committee
Takaya Seki	Outside Director	13/13	Makes remarks based on his extensive knowledge and strong insight primarily as a corporate governance specialist. Chairman of the Compensation Advisory Committee
Nobuyoshi Tanaka	Outside Audit & Supervisory Board Member	13/13 9/9	Makes remarks from a legal standpoint as an attorney who has primarily judicial experience
Kunihiro Kamiya	Outside Audit & Supervisory Board Member	13/13 9/9	Makes remarks based on his extensive experience as a manager and from a financial and accounting perspective

Note: Number of Board meetings attended: The first line shows attendance at the Board of Directors' meetings, and the second line at the Audit & Supervisory Board meetings. Number of meetings attended/Number of meetings held

■ Internal Control System and Compliance

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

With respect to internal auditing, the Global Audit Department conducts operational audits of each business department and business process, and it also provides guidance and assistance to Group companies throughout the world. This department also exchanges information and opinions with the independent auditors regarding audits by the Audit & Supervisory Board Members to enhance the quality and efficiency of both parties' audits, in addition to supporting the Company's judgment on the appropriateness of the method and results.

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 compliance risk, (3) environmental protection risk, (4) product and service quality risk, (5) trade 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 Audit & Supervisory Board. For disaster risk, the Anritsu Group conducts regular crisis management activities, including gathering risk information and establishing disaster prevention systems. In addition, the Anritsu Group has created a disaster response framework, including a disaster recovery plan to enable a fast, appropriate response when a disaster occurs.

<Compliance>

The director in charge of compliance presides over 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, and 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.

<Investor Relations>

Anritsu is working to bolster its investor relations (IR) programs with the objectives of disseminating accurate corporate information in a timely manner and also proactively promoting dialogs with shareholders and investors. Besides

the quarterly performance reports presented by its top managers, the Company is expanding its domestic and overseas IR communications programs—including roughly 500 meetings per year with individual institutional investors, plant study tour programs, and overseas IR programs—and it is putting feedback obtained from stakeholders to good use in the context of management reform initiatives. We are also sustaining our efforts to help individual investors deepen their understanding of Anritsu by expanding the scope of IR information featured on our website as well as by organizing investor briefings and distributing questionnaires to shareholders and investors.

<Discontinuation of Takeover Defense Measures>

At a meeting held in April 2013, Anritsu's Board of Directors decided not to extend the term of the Company's Countermeasures to Large-Scale Purchase of the Company's Shares (Takeover Defense Measures), which expired in June 2013.

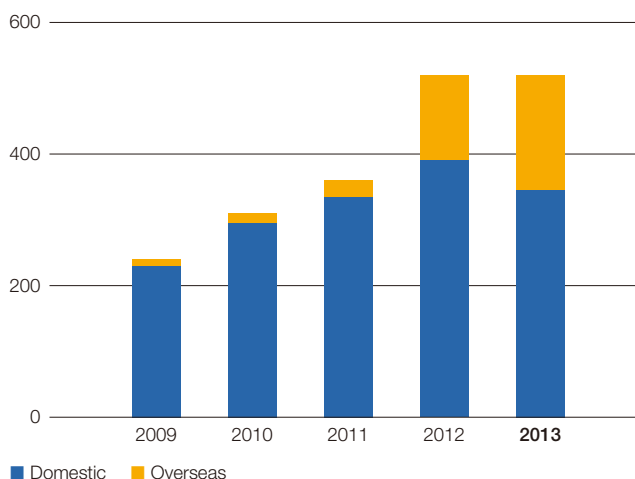
This decision reflects our judgment that, at this point in time, we should give top priority to realizing the 2020 Vision and Mid-Term Plan GLP2014 objectives, promote a rise in corporate value by means of sustained efforts to create and strengthen corporate governance systems, augment shareholder returns, and move further ahead in our dialog with shareholders and investors so that we can ensure that shareholders and investors fully understand the Company's management policies and are positioned to properly evaluate Anritsu's corporate value.

Going forward, Anritsu will continue to make its utmost efforts to sustain and increase its corporate value and the benefits accruing to its shareholders.



Corporate performance explanation briefing

Growth in the Number of IR Meetings



Directors, Audit & Supervisory Board Members, and Executive Officers

■ 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
2010 Representative Director
2012 Representative Director, Senior Executive Vice President



Fumihiko Tsukasa
Director
1974 Joined the Company
2012 Senior Vice President [incumbent]
2012 Director



Toshisumi Taniai
Director
1981 Joined the Company
2009 Vice President [incumbent]
2011 Director



Akifumi Kubota
Director
1983 Joined the Company
2010 Vice President [incumbent]
2013 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

■ Audit & Supervisory Board Members

Shigehisa Yamaguchi
Full-time Corporate Auditor
1975 Joined the Company
2011 Full-time Corporate Auditor

Tomoyuki Kikukawa
Full-time Corporate Auditor
1979 Joined the Company
2013 Full-time Corporate Auditor

Nobuyoshi Tanaka
Outside Corporate Auditor
(Civil Affairs Mediation Committee, Tokyo District Court)
2011 Outside Corporate Auditor

Kunihiko Kamiya
Outside Corporate Auditor
2011 Outside Corporate Auditor

■ Executive Officers

Hirokazu Hashimoto*
President
Group CEO

Kenji Tanaka*
Senior Executive Vice President
Measurement Business Group President

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

Fumihiko Tsukasa*
Senior Vice President
Industrial Solution Business Group President

Junkichi Shirono
Senior Vice President
Chief Environmental and Quality Officer,
Chief Technology Officer,
General Manager of Technology Management Center

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

Toshisumi Taniai*
Vice President
Chief Business Planning Officer, Chief Corporate Officer,
Chief Compliance Officer,
General Manager of Management Strategy Center

Nobuo Funahashi
Vice President
Information & Communication Group President

Osamu Nagata
Vice President
Chief Global Sales Officer, General Manager
of APAC Sales Center

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

Tetsuo Kawabe
Vice President
Chief Risk Management Officer,
Chief Information Officer

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

Yasunobu Hashimoto
Vice President
Chief Japan Sales Officer,
General Manager of Measurement Solution Sales Div.

Tsukasa Hattori
Vice President
Chief SCM Officer, General Manager
of Koriyama Business Office,
General Manager of SCM Center

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

*Concurrently serving as director

Corporate Social Responsibility

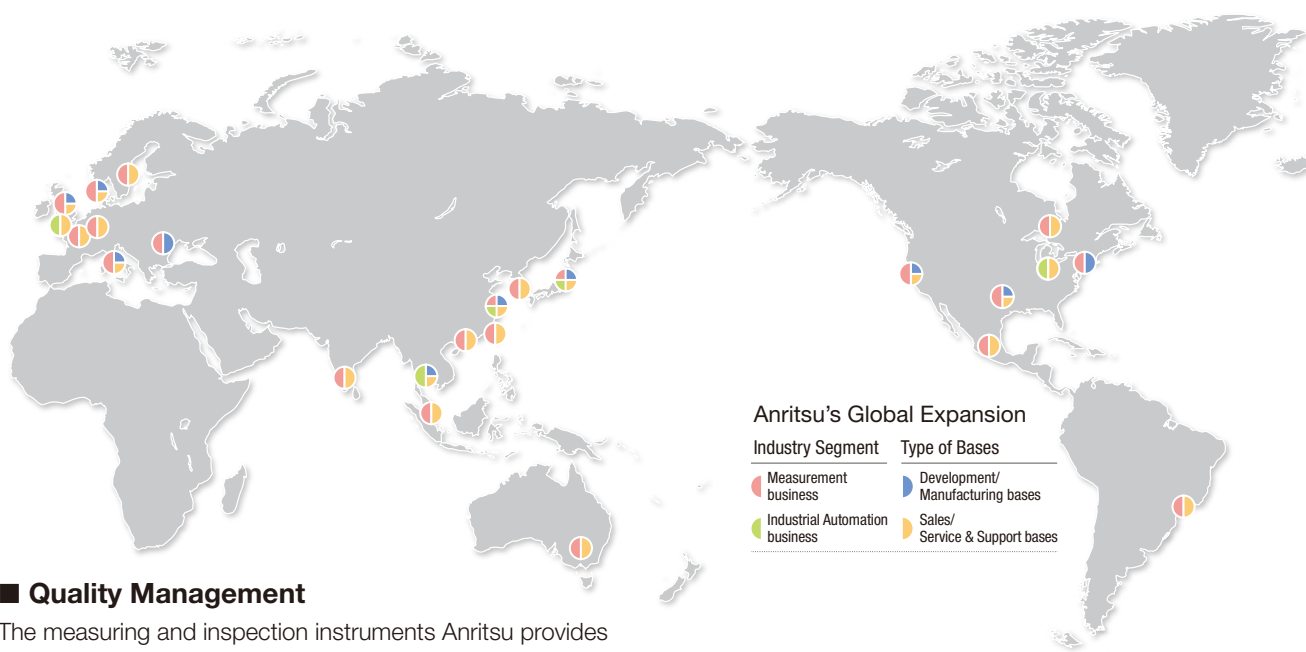
Anritsu is developing its corporate social responsibility (CSR) activities by operating in line with the fundamental principles articulated in its Management Philosophy, Management Vision, and Management Policy; by embracing the core values the United Nations Global Compact is seeking to promote some of the Group's global companies; and by adhering to the Anritsu Group Charter of Corporate Behavior, which specifies concrete values and behavioral guidelines.

Contributing to the Creation of Safe, Secure, and Comfortable Societies

■ Global Support Service

Through its global support service program, Anritsu employs 24 product service centers in 16 countries to provide customers throughout the world with maintenance and calibration services, as well as other diverse technical support services.

To ensure that customers throughout the world receive services of equally high quality, we implement customer satisfaction surveys in each country and make use of customer feedback to plan programs aimed at further enhancing service quality.



■ Quality Management

The measuring and inspection instruments Anritsu provides can be considered as “mother machines” with respect to customers' quality management systems. It is, therefore, crucial to ensure that we provide customers with products of consistently high quality. Employing a quality assurance system based on the international ISO9001 quality management standard, we have developed global integrated systems for ensuring high quality in all operations, including product design and development as well as manufacturing, servicing, and maintenance operations. We also make sustained efforts to further improve our quality assurance system by means of plan-do-check-act (PDCA) cycle programs.



Building a Solid Foundation for Operations as a Global Market Leader

■ CSR Procurement

Anritsu has drafted CSR Guidelines and is moving ahead with the promotion of CSR procurement based on those guidelines, in the belief that concerted collaboration with suppliers and other business partners is a prerequisite for attaining the

objective of realizing CSR procurement throughout its supply chains. We are also supporting the CSR promotion activities of our business partners by sharing information required for responding to various kinds of laws and regulations, including those designed to protect the natural environment. Anritsu has

expressed its approval of the intent of final rules issued in 2012 of governing the conflict mineral-related requirements of Section 1502 of the United States' Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. The Company is currently working to ensure the rules are rigorously applied by all companies in its supply chain.

■ Strengthening BCP Provisions in the Areas of SCM and IT

Anritsu aims to strengthen its business continuity plan (BCP) to prepare for the potential impact of disasters on its principal facilities in Japan, particularly the Koriyama Business Office and facilities of Tohoku Anritsu Co., Ltd. The Company has drafted clear-cut guidelines for disaster response measures; has created a supply chain visualization database, including data on business partners facilities; and taken measures to provide Anritsu Group units with shared access to that database. Regarding IT, we have worked since fiscal 2011 to concentrate important servers within our Osaka data center. Going forward, we will continue making preparations to quickly restore our business operations following the incidence of disasters as well as to support the recoveries of our business partners.



■ Fostering the Development of Global Human Resources

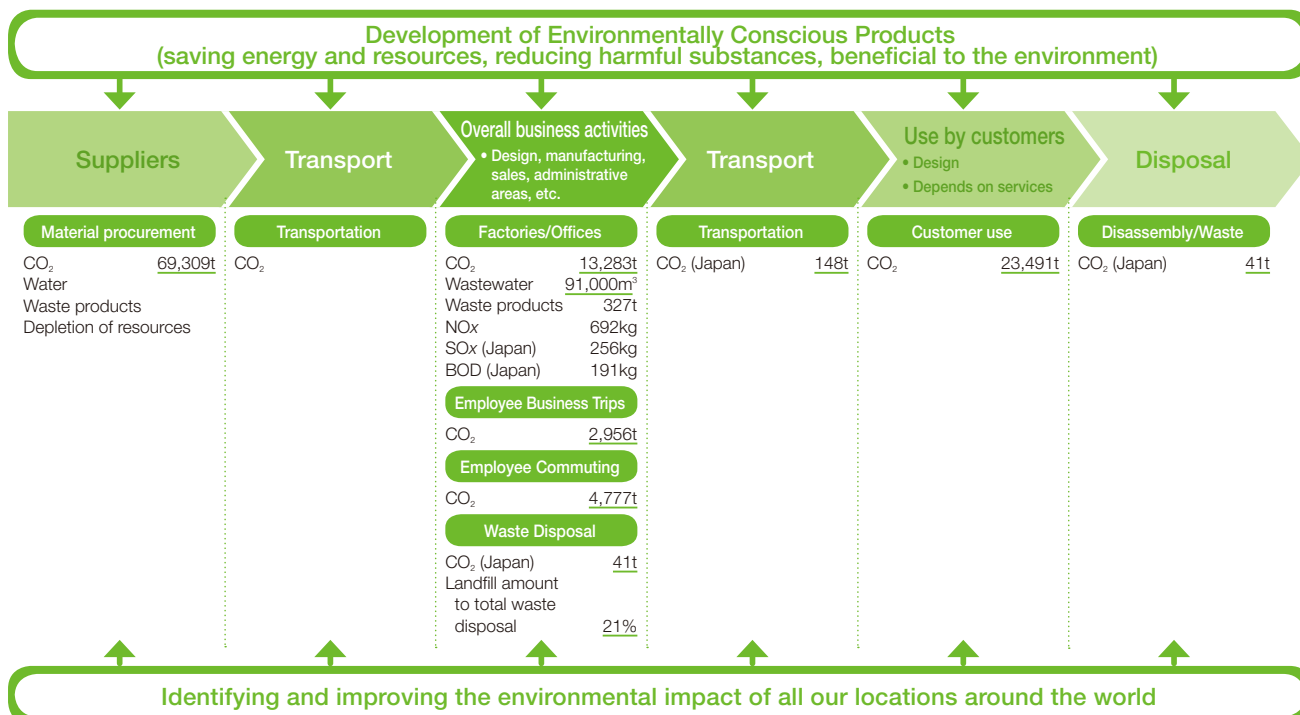
Each year, Anritsu organizes a global training program that enables sales engineers responsible for measuring instrument operations at overseas bases to gather together, exchange information, such as information on measuring instrument market trends, customer trends, and Anritsu strategies, and participate in educational classes and hands-on training exercises. Besides upgrading sales engineers' knowledge and skills, we are striving to use this program to promote exchanges between overseas and domestic staff in ways that foster the development of the global employees who will be responsible for the expansion of overseas operations going forward.

Promoting Protection of the Global Environment

■ Global Environmental Management Based on "Life-Cycle Thinking"

In accordance with its objective of promoting global environmental management, Anritsu is aiming comprehensively to

reduce its environmental impact by developing products that are environmentally friendly at each product life-cycle stage as well as by evaluating and improving the environmental impact performance of each base in its global network.



Notes: 1. In the diagram above, quantitative data is provided only for items for which environmental impact has been identified to date.
2. Figures are calculated in accordance with the "Basic guidelines on calculating greenhouse gas emissions in the supply chain."
3. Underlined figures indicate that the scope of data collected for these items was expanded from fiscal 2011. For detailed information, please refer to website at: <http://www.anritsu.com/en-us/About-Anritsu/Environment/index.aspx>

Management's Discussion and Analysis

The Anritsu Group has adopted IFRS since the fiscal year ended March 31, 2013 and prepared consolidated financial statements in conformity with IFRS in fiscal 2012 and 2013.

Changes in the Scope of Consolidation

During the fiscal year ended March 31, 2013, the Anritsu Group added newly established AT Techmac Co., Ltd., Anritsu India Private Ltd., and Anritsu Industrial Solutions (Shanghai) Co., Ltd., to its scope of consolidation. As a result, the Anritsu Group comprised 40 consolidated subsidiaries at the end of the fiscal year.

Revenue and Profit

In the communications network field, the shift to broadband is generating diverse services, including video transmission and cloud computing services. This trend has been accompanied in the mobile communications field by rapid growth in the popularity of smartphones, tablets, and other mobile terminals that can use a wide variety of services and applications. The resulting surge in data traffic over mobile networks is boosting demand for high-capacity and high-speed communications systems. In response, the world's major telecom operators and telecom handset and equipment vendors have maintained a high level of development investment associated with the accelerated rollout of commercial services based on the LTE (Long-Term Evolution) communications standard, which enables dramatically increased transmission speed, and associated with advances in data offloading by means of public wireless LANs and other methods. Mobile services are also expanding in emerging countries, accompanied by active measures to establish base stations and other elements of communications infrastructure.

Amid this operating environment, the Anritsu Group continued working to create a solid foundation for business expansion through such measures as strengthening its capabilities for providing customer solutions, expanding its lineup of products and services, and bolstering its customer support systems.

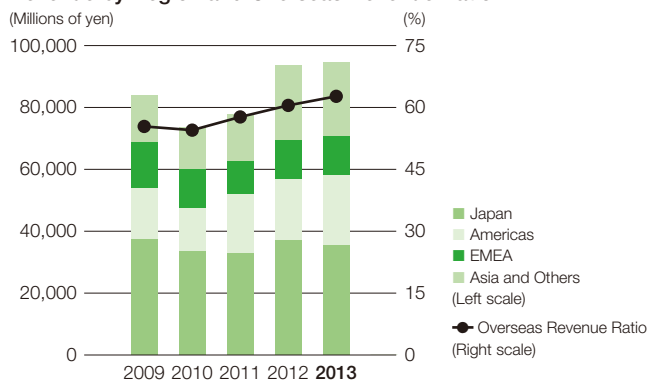
During the fiscal year under review, the Test and Measurement segment maintained robust performance owing to the continued high level of demand for measuring instruments for the mobile market. As a result, the Group recorded ¥96,037 million in orders, up 6.3% from the previous fiscal year; ¥94,685 million in revenue, up 1.1%; ¥15,801 million in operating profit, up 12.9%; and ¥16,226 million in profit before taxes, up 23.9%. Profit amounted to ¥13,942 million, up 74.9%, reflecting a revised evaluation of recoverable deferred income tax assets, and profit attributable to owners of the parent company totaled ¥13,950 million, up 75.0%. Note that the financial figures for the fiscal year under review are presented based on International Financial Reporting Standards (IFRS) and that figures for the previous fiscal year that were presented based on Japanese Generally Accepted Accounting Principles (J-GAAP) in the previous fiscal year have been restated to conform to IFRS.

Revenue

During the fiscal year under review, revenue increased ¥1,062 million, or 1.1%, from the previous fiscal year, to ¥94,685 million. The principal factor was a 1.0% rise in revenue of the core Test and Measurement segment, to ¥71,232 million, due to robust demand for testing and measuring instruments in the LTE-related R&D market as well as in the smartphone manufacturing market.

By geographic region, revenue grew in the Americas due to active investments in LTE-related R&D programs along with an increase in demand for testing and measuring instruments related to the construction of communications networks and maintenance programs. Revenue in Asia continued to be robust as a result of demand for testing and measuring instruments related to smartphone manufacturing. Revenue in Europe, the Middle East, and Africa (EMEA) were maintained at roughly the same level as in the previous year despite severe economic conditions. In Japan, investments related to LTE smartphones and wireless networks were concentrated in the first half of the fiscal year. There was a trend toward curbing the overall level of capital investment during the latter half. As a result, overseas revenue excluding revenue in Japan accounted for 62.7% of revenue for the fiscal year under review.

Revenue by Region and Overseas Revenue Ratio



Cost of Sales and Gross Profit

Cost of sales decreased ¥710 million, or 1.6%, compared with the previous fiscal year, to ¥43,688 million, and the ratio of cost of sales to revenue decreased 1.3 percentage points, to 46.1%. Gross profit grew ¥1,772 million, or 3.6%, to ¥50,997 million, reflecting the sustained implementation of measures aimed at improving profitability. The ratio of gross profit to revenue increased 1.3 percentage points, to 53.9%.

Selling, General and Administrative (SG&A) Expenses, Research and Development Expense, and Operating Profit

SG&A expenses increased 5.3% year on year, to ¥24,295 million.

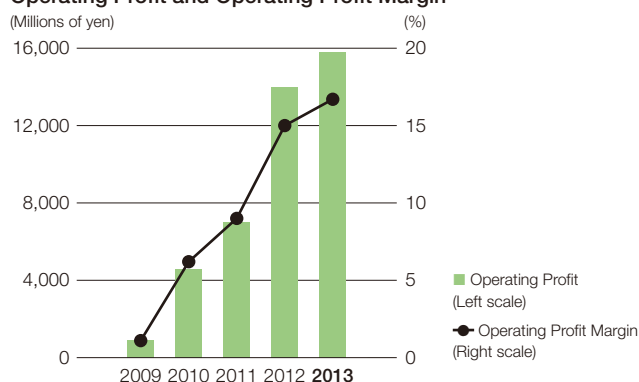
Research and development expense, which are included in general and administrative expenses and manufacturing expenses, grew 5.3% year on year, to ¥10,148 million, and was equivalent to 10.7% of revenue. As a result of the above, operating profit was lifted by ¥1,801 million, or 12.9%, to ¥15,801 million.

The ratio of operating profit to revenue, or the operating profit margin, rose 1.7 percentage points, to 16.7%.

SG&A Expenses

Year ended March 31	Millions of yen		Change (%)
	2013	2012	
Salaries and bonuses	¥15,988	¥15,323	4.3
Travel and transportation	1,565	1,478	5.9
Advertising	1,513	1,106	36.8
Depreciation	621	513	21.1
Other	4,608	4,645	-0.8

Operating Profit and Operating Profit Margin



Financial Income (Costs), Profit before Taxes, and Profit

Finance costs totaled ¥876 million, compared with ¥1,034 million in the previous fiscal year.

As a result of the above, profit before taxes increased ¥3,132 million, or 23.9%, from the previous fiscal year, to ¥16,226 million, and profit grew ¥5,969 million, or 74.9%, to ¥13,942 million. Comprehensive income rose ¥9,247 million, to ¥16,357 million, and basic earnings per share totaled ¥98.79, up ¥36.62.

Cost of Sales, Expenses, and Profit as a Percentage of Revenue

Year ended March 31	%		
	2013	2012	2011
Revenue	100.0	100.0	100.0
Cost of sales	46.1	47.4	55.3
Gross profit	53.9	52.6	44.7
SG&A expenses	25.7	24.6	35.7
R&D expense	10.7	10.3	12.0
Profit	14.7	8.5	3.9

Shareholder Return Policies

Dividend Policy

Anritsu's basic policy for the return of profits to shareholders is to allocate profits in line with consolidated performance. A target range for the ratio of the total amount of dividends to equity attributable to owners of parent (DOE) is set in line with the level of consolidated profit. Dividends are allocated from retained earnings based on a consideration of the objective of increasing corporate value and a comprehensive range of other factors.

The Anritsu Group has a policy of using internal capital resources to fund R&D programs and capital investments and bolster support services with the objective of responding to rapid advances in technology and changes in market structure.

Cash Dividends per Share

Anritsu paid cash dividends of ¥20.00 per share applicable to the fiscal year under review, which included an interim cash dividend of ¥7.50 per share, based on its dividend policy and with the objective of responding to the sustained support of its shareholders. For the fiscal year ending March 31, 2014, Anritsu plans to pay dividends of ¥20.00 per share, which are expected to include an interim dividend of ¥10.00 per share.

Business Segments

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

Test and Measurement

This segment develops, manufactures, and sells diverse communications- and general-use measuring instruments, measuring systems, and service-assurance packages to telecom operators, manufacturers of related equipment, and maintenance and installation companies.

During the fiscal year under review, investment in LTE-related R&D was sustained, particularly in North America, and demand for measuring instruments used in connection with the installation and maintenance of communications networks increased. In Asia, demand for measuring instruments used in the manufacture of smartphones was generally firm. Consequently, segment revenue increased 1.0% from the previous fiscal year, to ¥71,232 million, and operating profit rose 8.7%, to ¥15,049 million.

The Test and Measurement business, which accounts for approximately 75% of the Anritsu Group's revenue, is divided into three sub-segments: Mobile, Network Infrastructure, and Electronics.

1. Mobile

The Mobile sub-segment includes measuring instruments for mobile phone acceptance testing by mobile phone service operators, and for design, production, function and performance verification, and maintenance of mobile phone handsets by manufacturers of mobile phones, IC chipsets, and relevant components.

Demand in this sub-segment tends to be influenced by factors that include the nature of technological innovations in mobile phone services, the degree of diffusion of such services, the number of new subscribers to such services, the number of new mobile phone models launched, and the number of mobile phones shipped.

Amid the dramatic expansion in mobile broadband services for smartphones, tablets, and other mobile terminals, services based on the LTE high-speed communications standard are being rolled out globally. As a result, the full-scale commercial development of IC chipsets and mobile handsets supporting LTE has begun, and demand for related measuring instruments is expanding. The Anritsu Group is working to bolster its portfolio of solutions for the LTE handset market and the further-evolved LTE Advanced handset market, as well as to maintain and expand its associated market positions by continuing to develop and launch competitive products to meet demand for test and measurement systems that perform protocol conformance testing and interoperability testing, as well as for measuring instruments that are used in connection with the manufacture of mobile devices. Another important trend is the expanding use of third-generation (3G) commercial services and ongoing introduction of LTE commercial services in emerging countries such as China and India, which are becoming growing markets due to their role as production centers that supply mobile terminals to the world market. Anritsu is working to further expand its business by providing competitive products, such as measuring instruments for manufacturing applications.

2. Network Infrastructure

The Network Infrastructure sub-segment includes network construction, maintenance, monitoring, and service quality assurance solutions for wireline and wireless service providers as well as solutions for communications equipment manufacturer needs in areas including design, production, testing, and installation. In this sub-segment, the increasing popularity of broadband network services has spurred the development of music and video distribution services as well as cloud computing services. Moreover, rapid growth in Internet access via mobile phones is boosting data traffic along with demand for higher-speed networks.

In the field of network infrastructure, the full-scale construction of 40Gbps networks that can handle the rapid increase in high-speed traffic as well as full-fledged R&D for 100Gbps network equipment are under way. Additionally, demand for the installation of base stations and mobile backhaul equipment is increasing to meet surging demand for data communications driven by the popularization of smartphones, tablets, and other mobile terminals. As a result, demand for related measuring instruments is also increasing. In service assurance, the development of new network-based services is projected to increase demand for solutions that ensure the quality of those services.

The Network Infrastructure sub-segment is working to expand business in these fields by providing solutions for communications equipment-related R&D as well as comprehensive solutions for processes ranging from communications infrastructure construction and monitoring through service quality assurance processes.

3. Electronics

The Electronics sub-segment includes measuring instruments widely used in the electronics industry, particularly for the 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, intelligent home appliances, and automobiles.

The expansion of mobile broadband services is driving growth in demand associated with the development and manufacturing of wireless modules for a broad array of applications. Anritsu is working to further expand business in this sub-segment by offering a wider range of applications for the electronics market and enhancing its lineup of general-purpose measuring instruments.

Industrial Automation

This business develops, manufactures, and sells production management and quality management systems for the food, pharmaceutical, and cosmetics industries, including high-speed, highly precise automated checkweighers, electronic automated weigh machines, and foreign material detection devices, and it also provides quality assurance solutions for high-precision electronic component mounting lines along with other products and services.

During the fiscal year under review, demand centered on checkweighers and foreign material detection devices continued to be firm both in Japan and overseas. As a result, segment revenue increased 1.7% from the previous fiscal year, to ¥14,439 million, and operating profit surged 45.4%, to ¥829 million.

This segment accounts for about 15% of the Anritsu Group's revenue. Since approximately 70% of the segment revenue is made to food manufacturers, segment performance 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 food processing operations with a high level of precision. The Anritsu Group's products are in increasingly widespread use 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 revenue ratio of approximately 30%.

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, the Anritsu Group is developing and delivering integrated quality control inspection solutions and seeking to optimize its supply chain through measures that include those to undertake overseas manufacturing operations with the goals of achieving business expansion and enhanced profitability.

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

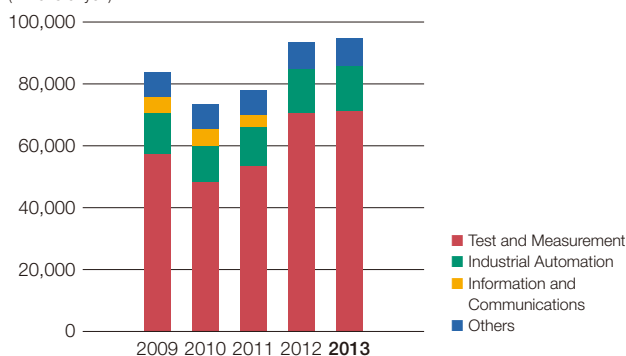
Others

The Others segment comprises information and communication devices, logistics, welfare services, real estate leasing, and other businesses. The information and communications business was previously a separate business segment but has been included in the Others segment beginning from the fiscal year under review.

During the fiscal year under review, the device business emphasized efforts to develop optical devices for high-speed communications systems while the information and communications business strove to generate benefits from a business restructuring program it began implementing from the previous fiscal year. As a result, segment revenue increased 1.7% from the previous fiscal year, to ¥9,014 million, and operating profit surged 145.7%, to ¥651 million.

Revenue by Business Segment

(Millions of yen)



Liquidity and Financial Condition

Fund Procurement and Liquidity Management

The Anritsu Group's funding requirements are primarily for working capital to cover such costs and expenses as materials purchasing costs and an operating expense associated with product manufacturing and marketing operations, for capital investment funds, and for research and development expense. The Group secures sufficient funding to meet these requirements from retained earnings, bank borrowings, and capital markets. In addition, the Anritsu Group secured stable financing in March 2011 by renewing a committed ¥15.0 billion line of credit that will be available until March 2014. Going forward, the Anritsu Group will prepare for unforeseen financial risks in Japan and overseas amid a dramatically changing market environment while swiftly and flexibly taking measures to meet its funding needs associated with working capital, the repayment of long-term borrowings, and the promotion of business growth.

During the fiscal year under review, the conversion into stock of convertible bonds with subscription rights to shares issued by the Company (the remaining balance of such bonds as of March 31, 2012 was ¥3.9 billion) and repayment of ordinary bonds and bank loans caused the Anritsu Group's interest-bearing debt (excluding lease payable) to fall to ¥19,418 million, from ¥30,113 million at the end of the previous fiscal year. At fiscal year-end, the debt-to-equity ratio (interest-bearing debt/equity capital) was 0.30, a substantial improvement compared with level of 0.64 at the end of the previous fiscal year. The inventory turnover ratio for the fiscal year under review, calculated as the ratio of revenue to inventories, was 6.1 times.

Going forward, the Anritsu Group intends to use increased cash flow generated by improvements in ACE (Anritsu Capital-cost Evaluation = net operating profit after tax - invested capital cost) and asset turnover as well as enhanced capital efficiency resulting from the operation of an internal Group cash management system and other measures to make additional progress in reducing interest-bearing debt, improving the debt-to-equity ratio, bolstering shareholders' equity, and fortifying its financial position.

As of March 31, 2013, Rating and Investment Information, Inc. (R&I) gave Anritsu's short-term and long-term debt the ratings of a-2 and BBB+, respectively. Going forward, Anritsu will continue working to enhance its financial stability and improve its debt rating.

Cash Flow

During the fiscal year under review, cash and cash equivalents (hereafter, "net cash") decreased ¥1,906 million from the level at the end of the previous fiscal year to ¥37,690 million. Free cash flow, the sum of cash flows from operating activities and cash flows from investing activities, was an inflow of ¥6,740 million, compared with an inflow of ¥13,968 million in the previous fiscal year.

Net cash provided by operating activities was ¥11,771 million, compared with ¥16,143 million in the previous fiscal year, and the main factor for this was the recording of profit before tax. Depreciation and amortization amounted to ¥2,836 million, up ¥42 million from the previous fiscal year.

Net cash used in investing activities was ¥5,031 million, compared with ¥2,175 million in the previous fiscal year. This was mainly due to the use of ¥4,479 million for the acquisition of property, plant and equipment.

Net cash used in financing activities was ¥10,036 million, compared with ¥2,264 million in the previous fiscal year. In addition to ¥2,446 million in dividends paid, this was mainly owing to ¥9,950 million in the redemption of straight bonds and ¥9,100 million in bank loan repayments, which was partially offset by ¥6,000 million in proceeds from the issue of straight bonds and ¥6,000 million in bank loan borrowing.

Assets, Liabilities, and Net Assets

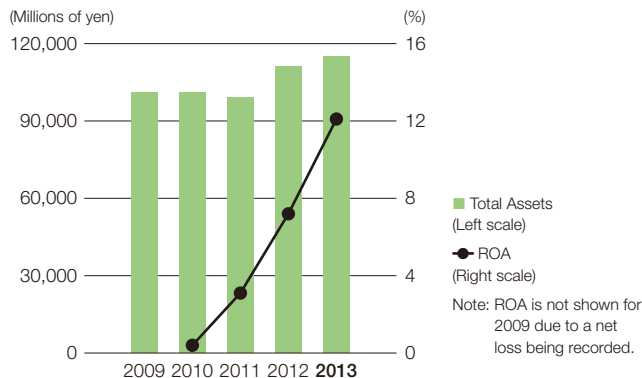
Total assets amounted to ¥115,089 million at the end of the fiscal year under review, up ¥3,802 million, or 3.4%, from the level at the end of the previous fiscal year. Current assets were up ¥1,001 million, or 1.3%, to ¥79,946 million, due to factors that included a decrease in cash and cash equivalents and an increase in inventories.

The inventory turnover ratio decreased to 5.9 times, from 6.3 times for the previous fiscal year. Total non-current assets increased ¥2,801 million, or 8.7%, from the end of the previous fiscal year, to ¥35,143 million.

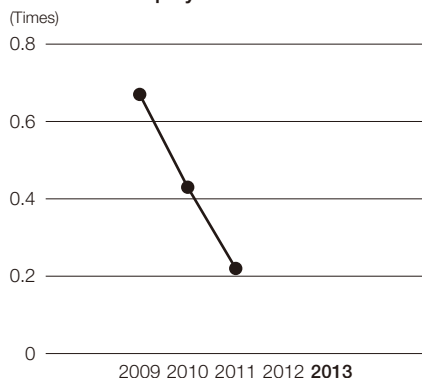
Total liabilities amounted to ¥50,555 million at the end of the fiscal year under review, down ¥13,914 million, or 21.6%, from the level at the end of the previous fiscal year. This was mainly owing to decreases in bonds and bank loans. The current ratio was 308.0%, compared with 179.0% at the end of the previous fiscal year. Working capital totaled ¥53,986 million, compared with ¥34,835 million at the end of the previous fiscal year. Total interest-bearing debt amounted to ¥19,418 million, down ¥10,695 million from the level at the end of the previous fiscal year.

Net assets were ¥64,534 million at the end of the fiscal year under review, up ¥17,716 million, or 37.8%, from the end of the previous fiscal year. The ratio of equity capital was 56.1%, compared with 42.1% at the end of the previous fiscal year.

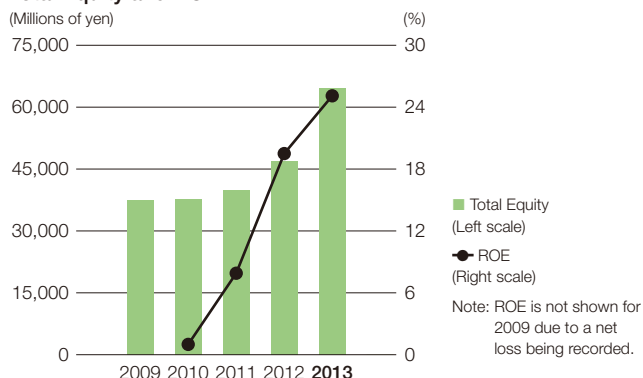
Total Assets and ROA



Net Debt-to-Equity Ratio



Total Equity and ROE



Capital Expenditures

The Anritsu Group is concentrating its resources in fields related to the quality and high performance of communications networks, which are evolving with respect to the integration of wire-line and wireless communications, the acceleration of network speeds, and increases in network capacities. During the fiscal year under review, the Anritsu Group concentrated its capital expenditures in its mainstay Test and Measurement segment, with the primary objectives of developing new products and reducing cost of sales as a means of coping with technological innovation and marketing competition. The figure for capital expenditures during the year includes ¥1,751 million for the acquisition of property, plant, and equipment, which included land purchased as the site for a new plant designed to bolster the Group's production capabilities.

The Test and Measurement segment implemented investments with the primary objectives of developing new products and reducing cost of sales as a means of coping with technological innovation and marketing competition. The segment acquired land to serve as the site of a new plant designed to bolster production capabilities.

The Industrial Automation segment implemented investments with the objectives of increasing the efficiency of manufacturing environments and installing information systems.

The Others segment implemented investments with the primary objective of preparing supportive environments for R&D programs related to fundamental technologies and new products.

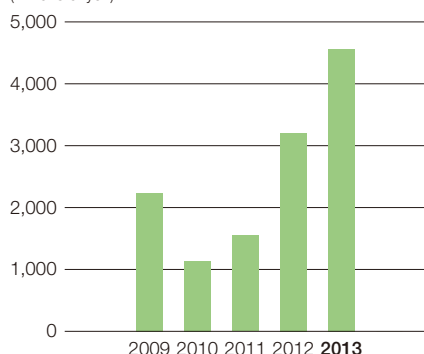
In addition, in view of plans for idling a portion of the Company's facilities attributed to the Other segments during the fiscal year under review and expectations that those facilities will not be used in the future, an impairment loss of ¥588 million was recorded in connection with the facilities.

Overview of Capital Expenditures

Year ended March 31	Millions of yen 2013	Change (%)
Test and Measurement	¥3,982	195.1
Industrial Automation	212	173.1
Subtotal	4,194	193.9
Others	369	35.5
Total	¥4,563	142.5

Capital Expenditures

(Millions of yen)



Research and Development

The Anritsu Group undertakes global R&D programs related to original and high-level products and services at its development bases in Japan, the United States, and Europe. The aim is to

contribute to the realization of a safe, secure, and affluent global society. The Test and Measurement segment is moving ahead with programs at U.S.-based Anritsu Company, U.K.-based Anritsu Ltd., Denmark-based Anritsu A/S, and Italy-based Anritsu Solutions S.r.l., which are coordinated with the goal of eliciting synergies through the mutual supplementation of the technologies of each company.

R&D programs for the Industrial Automation segment are implemented by Anritsu Industrial Solutions Co., Ltd. The information and communications business was previously a separate business segment but has been included in the Others segment since the fiscal year under review. Owing to the adoption of IFRS, a portion of the Group's R&D investments has been capitalized and stated as intangible assets. An overview of investment in research and development in the fiscal year under review, including development expenses stated as intangible assets, is shown below.

Year ended March 31	Millions of yen 2013	Change (%)
Test and Measurement	¥ 7,968	11.2
Industrial Automation	1,371	9.5
Others	265	2.9
Basic Research	711	—
Total	¥10,315	10.9

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

Business Segment	Model	Product	Application	Contribution
Test and Measurement	ML8761A	Handy area tester	LTE base station area radio signal quality evaluation in small rooms	Contributes to the optimization of signal quality in LTE service areas
	MP1800A	Signal quality analyzer	Diverse multichannel signal evaluation testing in connection with high-speed device development	Contributes to increase the quality of development and manufacturing operations for high-speed optical network equipment that responds to growth in data traffic
	MT8870A	Universal wireless test set	Mass production testing of smartphones compatible with such wireless standards as 3G/LTE, W-LAN, Bluetooth, and GPS	Contributes to increases in the efficiency of smartphone manufacturing operations
Industrial Automation	Super Mepoli IV Series	Metal detector	High-precision detection of metal contamination in processed foods, etc.	Contributes to food safety and security by facilitating quality assurance processes with respect to food manufacturing operations
Others	PureFlow GSX-XR	Traffic shaper	Control of network data traffic	Contributes to the prevention of important traffic and the protection of congestion in mission-critical networks
	NH Series	Remote monitoring and control device	Remote monitoring and control of waterworks and other facilities	Contributes to the monitoring of waterworks and environmental facilities and the creation of facility monitoring systems for use by railways, electric power companies, etc.

Management Objectives and Indicators

Anritsu aims to maximize its corporate value by managing its operations with a focus on cash flow. In addition, to evaluate the added value generated by invested capital, the Company uses an original metric, ACE (Anritsu Capital-cost Evaluation), to evaluate the performance of each of its businesses.

To realize its management vision of “continuous growth with sustainable superior profits,” the Anritsu Group has drafted ANRITSU 2020 VISION, which covers a 10-year period from 2010, and is implementing a milestone plan entitled the Mid-Term Business Plan GLP2014.

The principal numerical targets of the Mid-Term Business Plan GLP2014 and progress toward them are outlined below.

Year ended March 31	Billions of yen		
	2012 (Actual)	2013 (Actual)	2015 (Target)
Revenue	93.6	94.6	110.0
Operating profit	14.0	15.8	19.0
Profit	7.9	13.9	13.0
ACE	5.1	9.4	9.0
ROE (%)	19	25	17

Outlook and Management Issues for the Year Ending March 31, 2014

For the fiscal year ending March 31, 2014, the recovery in the U.S. economy is expected to sustain a gradual recovery in the Japanese economy as well as the global economy, despite persistent concerns about the potential for renewed crises from Europe’s government-sector debt problems and the rising level of other geopolitical risks. In addition, it will continue to be necessary to closely monitor exchange rate trends and the intensification of price competition.

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

In the core Test and Measurement segment, the Anritsu Group will continue to emphasize operations in the mobile, network infrastructure, and electronics markets. To ensure a superior competitive position in the mobile market, where demand is projected to continue expanding worldwide, the Group will work more closely with customers by sharing development road maps with them and strengthening the technical support it provides. In the network infrastructure market, the Group will focus on expanding sales by launching highly competitive new products designed to meet customer needs regarding core network markets, where investment will be needed due to increasing data traffic, as well as in such growing access network markets as the FTTH (Fiber To The Home) and base station markets. In the electronics market, which is expected to grow over the medium-to-long term, the Group will work to stimulate new demand by bolstering its product lineup and expanding its indirect sales channels in ways that increase its brand power. The Group will also work to build a global procurement system and strengthen its customer support services with the objectives of proactively

expanding its business activities and achieving further improvements in profitability.

In the Industrial Automation segment, the Anritsu Group aims to more deeply develop markets by strategically providing highly differentiated products that offer high levels of added value while concurrently expanding its business in the growth markets of Asia and emerging countries by employing global procurement systems and overseas production facilities to launch highly cost-competitive products.

The Anritsu Group is striving to strengthen its management base by improving internal decision-making processes. Beginning from the fiscal year under review, the Company has shifted from the use of Japanese GAAP to the use of IFRS with an eye to enhancing the international comparability of its financial data as a means of facilitating the diversification of its funding sources.

The Anritsu Group’s consolidated performance forecast for the current fiscal year ending March 31, 2014 is as follows. Based on projections of growth in overseas revenue of the Test and Measurement segment, the Group is aiming to record ¥77 billion in Test and Measurement segment revenue, up 8% from the previous fiscal year, and ¥15.5 billion in segment operating profit, corresponding to an operating profit ratio of 20%. As the Industrial Automation segment is also expected to achieve growth in overseas revenue, that segment is projected to increase its revenue 7% year on year, to ¥15.5 billion, and generate ¥1 billion in operating profit. As a result, the Group forecasts it will record revenue of ¥102 billion, up 8% from the previous fiscal year; operating profit of ¥17 billion, also up 8%; and profit of ¥11.5 billion.

Risk Information

The following lists operational and management issues presented in this annual report and that have the potential to materially affect investor decisions. Forward-looking statements reflect the Anritsu Group’s judgment as of March 31, 2013.

1. Inherent Risks in the Anritsu Group’s Technology and Marketing Strategies

The Anritsu Group works to leverage its powerful technological capabilities to promptly provide cutting-edge products and services that offer value to customers. Given the rapid pace of technological innovation in the Group’s core information and communications markets, however, there is a possibility that if the Group was unable to deliver products and services in a timely manner and was thereby unable to fully meet the needs and wants of customers, such a situation could have a material impact on the Group’s results.

2. Market Fluctuation Risk

External factors including changes in economic or market conditions as well as technological innovations 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 revenue are in the telecommunications market, capital investment trends among telecom operators, telecommunications equipment manufacturers, and electronic components 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 to increase service development efficiency.

Moreover, business results of the mobile communications measuring instrument field, the principal pillar of the Group's earnings, are affected by changes in technological innovation in mobile phone services, the spreading usage of these products, 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 the response to intensifying price competition in measuring instruments used in handset production.

In the Industrial Automation business, revenue to food manufacturers constitute about 70% of revenue. Trends regarding economic growth rates, consumer spending levels, and raw material prices influence food manufacturers' performance and capital investments as well as other aspects of food manufacturers' operations, which has the potential to materially impact the Group's performance.

3. Global Business Development Risks

The Anritsu Group markets its products globally, and is proactively engaged in business in the United States, Europe, Asia, and elsewhere with the goal of increasing the closeness of its relationships with customers. In particular, the overseas revenue ratio for the Test and Measurement business is about 74%, and many customers likewise operate on a global scale. As a result, economic trends in countries worldwide, international conditions, and the degree of progress in the implementation of the Group's global strategies have the potential to exert a material impact on earnings. In addition, global-scale mergers, acquisitions, and realignments in the telecommunications industry are changing the competitive landscape. If such developments were to bring about significant changes in trends with respect to the capital investment of the Group's customers, such changes have the potential to exert a material impact on the Group's operating results.

4. Foreign Exchange Risk

The Anritsu Group's revenue outside Japan accounts for 62.7% of consolidated revenue. The Group seeks to hedge foreign exchange risk by using such instruments as forward foreign exchange contracts for foreign exchange transactions that occur upon the collection of accounts receivable and other events. However, sudden changes in foreign exchange rates have the potential to exert a material impact on the Group's earnings and financial condition.

5. Long-Term Inventory Obsolescence Risk

The Anritsu Group works to provide products and services that precisely meet customer needs and wants. However, product lines, particularly in the test and measuring instruments market, are vulnerable to extremely rapid technological innovation, which can easily cause products and parts to become obsolescent and make inventory held for long periods lose its value. These factors have the potential to exert a material impact on the Group's financial condition.

6. 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 Group's financial condition and operating results.

7. Risk Related to Retirement Benefit Obligations

The employee retirement benefit expenses and liabilities of the Company and some of its subsidiaries are calculated based on discount rates and other assumptions within 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 Group's financial condition and operating results.

8. Effect of Revisions to Accounting Standards

The Anritsu Group prepares its financial statements based on Japanese GAAP through the fiscal year ended March 31, 2012, and has voluntarily shifted to the use of IFRS beginning from the fiscal year ended March 31, 2013. However, new applications 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 Group's operating results and financial condition.

9. 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 disasters, fires, wars, terrorist incidents, or acts of violence could exert a material impact on the Group's operating results and financial condition by disrupting the business activities of the Group, its suppliers, or customers due to damage to key facilities, or by causing political or economic instability.

Consolidated Statement of Financial Position

As of March 31

	Millions of yen		Thousands of U.S. dollars*
	2013	2012	2013
Assets			
Current assets:			
Cash and cash equivalents	¥ 37,690	¥ 39,596	\$ 400,915
Trade and other receivables	23,884	23,472	254,058
Other financial assets	23	11	245
Inventories	16,159	14,771	171,886
Income tax receivables	492	161	5,233
Other assets	1,698	934	18,062
Total current assets	79,946	78,945	850,399
Non-current assets:			
Property, plant and equipment	17,274	15,441	183,746
Goodwill and intangible assets	1,341	1,467	14,264
Investment property	2,330	2,498	24,785
Trade and other receivables	279	324	2,968
Other financial assets	1,786	1,386	18,998
Investments accounted for using equity method	238	173	2,532
Deferred tax assets	11,754	10,973	125,029
Other assets	141	80	1,500
Total non-current assets	35,143	32,342	373,822
Total	¥115,089	¥111,287	\$1,224,221
Liabilities and Equity			
Liabilities			
Current liabilities:			
Trade and other payables	¥ 8,190	¥ 9,280	\$ 87,118
Bonds and borrowings	2,472	20,820	26,295
Other financial liabilities	552	715	5,872
Income tax payables	1,997	1,794	21,242
Employee benefits	6,735	6,418	71,641
Provisions	326	359	3,468
Other liabilities	5,688	4,724	60,505
Total current liabilities	25,960	44,110	276,141
Non-current liabilities:			
Trade and other payables	380	363	4,042
Bonds and borrowings	16,946	9,293	180,257
Other financial liabilities	313	827	3,329
Employee benefits	5,586	8,998	59,419
Provisions	123	101	1,308
Deferred tax liabilities	687	120	7,308
Other liabilities	560	657	5,958
Total non-current liabilities	24,595	20,359	261,621
Total liabilities	50,555	64,469	537,762
Equity:			
Common stock	19,052	17,106	202,659
Additional paid-in capital	28,110	26,332	299,011
Retained earnings	23,155	12,090	246,304
Retained earnings (Cumulative translation differences at the IFRS transition date)	(7,208)	(7,208)	(76,673)
Total retained earnings	15,947	4,882	169,631
Treasury stock	(867)	(853)	(9,222)
Other components of equity	2,295	(649)	24,412
Total equity attributable to owners of parent	64,537	46,818	686,491
Non-controlling interests	(3)	—	(32)
Total equity	64,534	46,818	686,459
Total	¥115,089	¥111,287	\$1,224,221

* The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥94.01 to U.S. \$1.00, the approximate exchange rate on March 31, 2013.

Consolidated Statement of Comprehensive Income

Years Ended March 31

	Millions of yen		Thousands of U.S. dollars*
	2013	2012	2013
Continuing operations			
Revenue	¥94,685	¥93,623	\$1,007,180
Cost of sales	43,688	44,398	464,716
Gross profit	50,997	49,225	542,464
Other revenue and expenses			
Selling, general and administrative expenses	24,295	23,065	258,430
Research and development expense	10,148	9,640	107,946
Other income	311	109	3,308
Other expenses	1,064	2,629	11,318
Operating profit (loss)	15,801	14,000	168,078
Finance income	1,269	113	13,499
Finance costs	876	1,034	9,318
Share of profit (loss) of associates and joint ventures accounted for using equity method	32	15	340
Profit (loss) before tax	16,226	13,094	172,599
Income tax expense	2,284	5,121	24,295
Profit (loss) from continuing operations	13,942	7,973	148,303
Profit (loss)	13,942	7,973	148,303
Other comprehensive income			
Exchange differences on translation	2,536	(211)	26,976
Change of financial assets measured at fair value	410	(13)	4,361
Actuarial gain (loss) on defined benefit plans	(529)	(637)	(5,627)
Share of other comprehensive income of associates and joint ventures accounted for using equity method	(2)	(2)	(21)
Total of other comprehensive income	2,415	(863)	25,689
Comprehensive income	¥16,357	¥ 7,110	\$ 173,992
Profit (loss), attributable to:			
Owners of parent	¥13,950	¥ 7,973	\$ 148,388
Non-controlling interests	(8)	—	(85)
Total	¥13,942	¥ 7,973	\$ 148,303
Comprehensive income attributable to:			
Owners of parent	¥16,365	¥ 7,110	\$ 174,077
Non-controlling interests	(8)	—	(85)
Total	¥16,357	¥ 7,110	\$ 173,992
Earnings per share		Yen	U.S. dollars (Note 1)
Basic earnings per share	¥98.79	¥62.17	\$1.05
Diluted earnings per share	97.41	56.33	1.04

* The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥94.01 to U.S. \$1.00, the approximate exchange rate on March 31, 2013.

Consolidated Statement of Changes in Equity

Years Ended March 31

	Millions of yen		Thousands of U.S. dollars*
	2013	2012	2013
Equity attributable to owners of parent			
Common stock	¥17,106	¥14,051	\$181,959
Balance at the beginning of current period			
Changes of items during the period			
Stock options exercised	21	4	223
Conversion of debt to equity	1,925	3,051	20,477
Total changes of items during the period	1,946	3,055	20,700
Balance at the end of current period	19,052	17,106	202,659
Additional paid-in capital			
Balance at the beginning of current period	26,332	23,423	280,098
Changes of items during the period			
Stock options exercised	16	3	171
Conversion of debt to equity	1,808	2,842	19,232
Stock options granted	44	64	468
Stock options expired	(4)	—	(43)
Redemption of bonds with subscription rights to shares	(86)	—	(915)
Total changes of items during the period	1,778	2,909	18,913
Balance at the end of current period	28,110	26,332	299,011
Retained earnings			
Balance at the beginning of current period	4,882	(1,137)	51,931
Changes during the period			
Stock options expired	4	—	43
Redemption of bonds with subscription rights to shares	86	—	915
Dividends paid	(2,446)	(1,274)	(26,019)
Profit (loss)	13,950	7,973	148,388
Other comprehensive income	(529)	(637)	(5,627)
Transfer from other components of equity	0	(43)	0
Disposal of treasury stock	—	(0)	—
Total changes during the period	11,065	6,019	117,700
Balance at the end of current period	15,947	4,882	169,631
Treasury stock			
Balance at the beginning of current period	(853)	(843)	(9,073)
Changes during the period			
Purchase of treasury stock	(14)	(10)	(149)
Disposal of treasury stock	—	0	—
Total changes during the period	(14)	(10)	(149)
Balance at the end of current period	(867)	(853)	(9,222)

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	Millions of yen		Thousands of U.S. dollars*
	2013	2012	2013
Other components of equity			
Balance at the beginning of current period	¥ (649)	¥ (466)	\$ (6,904)
Changes during the period			
Other comprehensive income	2,944	(226)	31,316
Transfer to retained earnings	(0)	43	0
Total changes during the period	2,944	(183)	31,316
Balance at the end of current period	2,295	(649)	24,412
Total equity attributable to owners of parent			
Balance at the beginning of current period	46,818	35,028	498,011
Changes during the period			
Stock options exercised	37	7	394
Conversion of debt to equity	3,733	5,893	39,709
Stock options granted	44	64	468
Dividends paid	(2,446)	(1,274)	(26,019)
Profit (loss)	13,950	7,973	148,388
Other comprehensive income	2,415	(863)	25,689
Purchase of treasury stock	(14)	(10)	(149)
Disposal of treasury stock	—	0	—
Total changes during the period	17,719	11,790	188,480
Balance at the end of current period	64,537	46,818	686,491
Non-controlling interests			
Balance at the beginning of current period	—	—	—
Changes during the period			
Profit (loss)	(8)	—	(85)
Acquisition of subsidiary with non-controlling interests	5	—	53
Total changes during the period	(3)	—	(32)
Balance at the end of current period	(3)	—	(32)
Total equity			
Balance at the beginning of current period	46,818	35,028	498,011
Changes during the period			
Stock options exercised	37	7	394
Conversion of debt to equity	3,733	5,893	39,709
Stock options granted	44	64	468
Dividends paid	(2,446)	(1,274)	(26,019)
Profit (loss)	13,942	7,973	148,303
Other comprehensive income	2,415	(863)	25,689
Purchase of treasury stock	(14)	(10)	(149)
Disposal of treasury stock	—	0	—
Acquisition of subsidiary with non-controlling interests	5	—	53
Total changes during the period	17,716	11,790	188,448
Balance at the end of current period	64,534	46,818	686,459
Comprehensive income attributable to:			
Owners of parent	16,365	7,110	174,077
Non-controlling interests	(8)	—	(85)
Total	¥16,357	¥ 7,110	\$173,992

* The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥94.01 to U.S. \$1.00, the approximate exchange rate on March 31, 2013.

Consolidated Statement of Cash Flows

Years Ended March 31

	Millions of yen		Thousands of U.S. dollars*
	2013	2012	2013
Cash flows from (used in) operating activities			
Profit (Loss) before tax	¥16,226	¥13,094	\$172,599
Depreciation and amortization expense	2,836	2,794	30,167
Impairment loss	768	1,580	8,169
Interest and dividends income	(126)	(108)	(1,340)
Interest expenses	462	678	4,914
Loss (Gain) on disposal of property, plant and equipment	254	324	2,702
Decrease (Increase) in trade and other receivables	604	(5,101)	6,425
Decrease (Increase) in inventories	(588)	811	(6,255)
Increase (Decrease) in trade and other payables	(1,357)	(360)	(14,435)
Increase (Decrease) in employee benefits	(3,654)	691	(38,868)
Other, net	(1,263)	3,121	(13,435)
Sub Total	14,162	17,524	150,643
Interest received	94	80	1,000
Dividends received	33	27	351
Interest paid	(473)	(499)	(5,031)
Income taxes paid	(2,171)	(1,089)	(23,093)
Income taxes refund	126	101	1,340
Net cash flows from (used in) operating activities	11,771	16,143	125,210
Cash flows from (used in) investing activities			
Purchase of property, plant and equipment	(4,479)	(2,393)	(47,644)
Proceeds from sale of property, plant and equipment	5	712	53
Purchase of other financial assets	(5)	(4)	(53)
Proceeds from sale of other financial assets	1	11	11
Other, net	(553)	(501)	(5,882)
Net cash flows from (used in) investing activities	(5,031)	(2,175)	(53,515)
Cash flows from (used in) financing activities			
Proceeds from long-term borrowings	6,000	—	63,823
Repayments of long-term borrowings	(9,100)	(400)	(96,798)
Proceeds from issue of bonds	6,000	—	63,823
Redemption of bonds	(9,950)	—	(105,840)
Proceeds from issue of shares	37	—	394
Dividends paid	(2,446)	(1,274)	(26,019)
Other, net	(577)	(590)	(6,138)
Net cash flows from (used in) financing activities	(10,036)	(2,264)	(106,755)
Effect of exchange rate change on cash and cash equivalents	1,390	(102)	14,786
Net increase (decrease) in cash and cash equivalents	(1,906)	11,602	(20,274)
Cash and cash equivalents at beginning of period	39,596	27,994	421,189
Cash and cash equivalents at end of period	¥37,690	¥39,596	\$400,915

* The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥94.01 to U.S. \$1.00, the approximate exchange rate on March 31, 2013.

Glossary

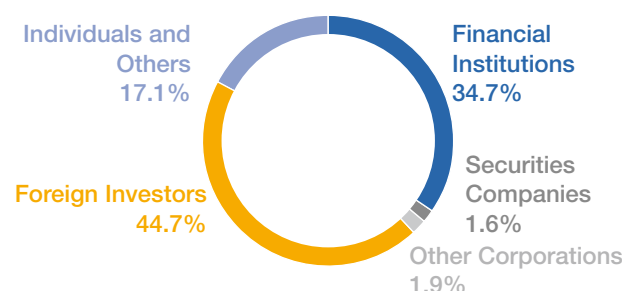
Term	Description
ACE (Anritsu Capital-cost Evaluation)	Net operating profit after tax minus invested capital cost. Anritsu's unique benchmark indicating economic value added above capital cost.
Bluetooth	A close-range wireless communication standard for digital devices. Allows voice and data communication within a range of several meters.
GCF (Global Certification Forum)	An association that sets operating standards for networks and certification testing standards for mobile terminals to ensure the global interoperability of terminals. GCF certified measurement systems and measurement items guarantee that test performance (measurement procedures and measurement accuracy) are in conformance with conditions required for certification testing for mobile terminals.
ITU-T (International Telecommunication Union-Telecommunication)	The unit of the International Telecommunication Union (ITU) that coordinates telecommunications 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: $\text{Gross profit} / \text{R\&D expenses}$ Cost per order: $\text{Selling expenses} / \text{Orders received}$ Cost per sale: $\text{Selling expenses} / \text{Sales}$
LTE	Long-Term Evolution. High-speed mobile communications service that enables data communication at 5 to 10 times the speed of the present third-generation mobile phone and telecommunications services. Particularly in Japan, the United States, South Korea, and certain other markets, telecommunications carriers are rolling out full-scale commercial LTE service.
FDD-LTE	A high-speed mobile communications system that employs Frequency-Division Duplexing (FDD) to separate a frequency band into transmission and reception portions to allow concurrent communication in both directions and realize downlink (from base stations to mobile terminals) speeds of 100 Mbps or more and uplink (from mobile terminals to base stations) speeds of 50 Mbps or higher.
TDD-LTE	A high-speed mobile communications system that employs Time Division Duplexing (TDD) to separate transmission signals and reception signals on the same frequency by short time intervals to enable alternate communication in both directions and realize downlink (from base stations to mobile terminals) speeds of 100 Mbps or more and uplink (from mobile terminals to base stations) speeds of 50 Mbps or higher.
LTE Advanced (LTE-A)	A fourth-generation (4G) mobile communication standard approved by the International Telecommunication Union (ITU). Its goal is to run even faster than LTE, which is becoming popular on a global scale, with a maximum standstill/low-speed of 1Gbps and high-speed of 100Mbps. The 3rd Generation Partnership Project (3GPP) is currently setting the international standard.
MIMO (Multiple-Input and Multiple-Output)	A wireless communication technology that uses multiple antennas at the transmitter and receiver to transmit and receive data at the same frequency axis. Capable of increasing communication speeds, this technology can also increase transmission/reception stability in environments with numerous obstacles, and it has therefore become a key LTE Advanced technology.
SRW (Short-Range Wireless)	Wireless communication performed over short distances of several 10s of meters or less. It includes such wireless communications methods as WiFi and Bluetooth.
VoLTE (Voice over LTE)	The system for transferring voice traffic over LTE. LTE smartphones currently use the 3G communications method for transferring voice traffic.
Wi-Fi	Wireless Fidelity. A brand name showing that interoperability of wireless LAN devices has been certified by the Wi-Fi Alliance.
3GPP (3rd Generation Partnership Project)	A project for developing third-generation (3G) mobile phone system standards that is currently developing international standards for LTE and LTE Advanced.
Conformance Testing/ Interoperability Testing	In regions employing 3GPP standards, this testing of the transmission/reception characteristics and performance of mobile terminals, the communications procedures of mobile terminals and base stations, and other items is designed to guarantee the interoperability of the base stations of telecom carriers and the mobile terminals of manufacturers.
Carrier Aggregation	Technology that enables the combination of multiple allotted frequencies to create a larger virtual bandwidth. The larger the bandwidth, the faster large volumes of data can be transmitted.
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.
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.

Investor Information

(As of March 31, 2013)

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:	¥19.1 billion
Number of Employees:	3,771 (Consolidated) 831 (Non-consolidated)
Stock Listing:	Tokyo (Ticker Symbol No: 6754)
Transfer Agent:	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo 100-8233, Japan
Number of Shareholders:	11,229
Rating:	Rating and Investment Information, Inc. Long-Term: BBB+ Short-Term: a-2
Authorized Shares:	400,000,000
Issued Shares:	143,956,194

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)	11,712	8.17
Japan Trustee Services Bank, Ltd. (Trust Account)	10,948	7.64
MSCO CUSTOMER SECURITIES	4,425	3.09
STATE STREET BANK AND TRUST COMPANY	4,396	3.07
NOMURA BANK (LUXEMBOURG) S.A. S/A NOMURA MULTI CURRENCY JAPAN STOCK LEADERS FUND	4,270	2.98
National Mutual Insurance Federation of Agricultural Cooperatives	2,744	1.91
Mitsui Sumitomo Insurance Company, Limited	2,668	1.86
Japan Trustee Services Bank, Ltd. (The Sumitomo Trust & Banking Co., Ltd. Retirement Benefit Trust Account)	2,500	1.74
Sumitomo Life Insurance Company	2,314	1.61
JP MORGAN CHASE BANK 385078	2,215	1.55

Note: Treasury stock (642,176 shares) is excluded from calculation of the percentage of total shares outstanding.

Major Subsidiaries (As of March 31, 2013)

Japan	Principal Businesses
Anritsu Industrial Solutions Co., Ltd.	Development, manufacture, marketing, and maintenance of industrial automation equipment
Tohoku Anritsu Co., Ltd.	Manufacture of measuring instruments and information and communications equipment
Anritsu Customer Services Co., Ltd.	Calibration, repair, and maintenance of measuring instruments
Anritsu Engineering Co., Ltd.	Development of software
Anritsu Networks Co., Ltd.	Manufacture, marketing, and maintenance of information and communications equipment
Anritsu Devices Co., Ltd.	Development and manufacture of optical devices
Anritsu Kousan Co., Ltd.	Management of facilities, welfare services, and production of catalogs and other materials
Anritsu Real Estate Co., Ltd.	Real estate leasing
Anritsu Pro Associe Co., Ltd.	Operation of shared services center
Anritsu Techmac Co., Ltd.	Manufacture and marketing of processed products and unit assembly articles

Americas	Principal Businesses
Anritsu U.S. Holding, Inc. (U.S.A.)	Holding company for overseas subsidiaries
Anritsu Company (U.S.A.)	Development, manufacture, marketing, and maintenance of measuring and other instruments
Anritsu Instruments Company (U.S.A.)	Manufacture of measuring and other instruments
Anritsu Industrial Solutions U.S.A. Inc. (U.S.A.)	Marketing and maintenance of industrial automation equipment
Anritsu Electronics, Ltd. (Canada)	Marketing and maintenance of measuring and other instruments
Anritsu Eletrônica Ltda. (Brazil)	Marketing and maintenance of measuring and other instruments
Anritsu Company S.A. de C.V. (Mexico)	Marketing and maintenance of measuring and other instruments

EMEA	Principal Businesses
Anritsu EMEA Ltd. (U.K.)	Marketing and maintenance of measuring and other instruments
Anritsu Ltd. (U.K.)	Development of measuring and other instruments
Anritsu Industrial Solutions Europe Ltd. (U.K.)	Marketing and maintenance of industrial automation equipment
Anritsu GmbH (Germany)	Marketing and maintenance of measuring and other instruments
Anritsu S.A. (France)	Marketing and maintenance of measuring and other instruments
Anritsu S.r.l. (Italy)	Marketing and maintenance of measuring and other instruments
Anritsu Solutions S.r.l. (Italy)	Development of measuring and other instruments
Anritsu A/S (Denmark)	Development, manufacture, marketing, and maintenance of service assurance system and measuring instruments
Anritsu AB (Sweden)	Marketing and maintenance of measuring and other instruments
Anritsu Solutions S.R.L. (Romania)	Development of measuring and other instruments

Asia & Others	Principal Businesses
Anritsu Company Ltd. (China)	Marketing and maintenance of measuring and other instruments
Anritsu Electronics (Shanghai) Co., Ltd. (China)	Maintenance of measuring and other instruments
Anritsu (China) Co., Ltd. (China)	Marketing and maintenance of measuring and other instruments
Anritsu Industrial Solutions (Shanghai) Co., Ltd. (China)	Marketing and maintenance of industrial automation equipment
Anritsu Company, Inc. (Taiwan)	Marketing and maintenance of measuring and other instruments
Anritsu Corporation, Ltd. (Korea)	Marketing and maintenance of measuring and other instruments
Anritsu Pte. Ltd. (Singapore)	Marketing and maintenance of measuring and other instruments
Anritsu India Private Ltd. (India)	Marketing and maintenance of measuring and other instruments
Anritsu Industrial Solutions (Thailand) Co., Ltd. (Thailand)	Manufacture and maintenance of industrial automation equipment
Anritsu Pty. Ltd. (Australia)	Marketing and maintenance of measuring and other instruments

Anritsu

Discover What's Possible™

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