

To Our Shareholders

Akira Shiomi,
Chairman of the Board
(left)

Hiromichi Toda,
President
(right)



In the year ended March 31, 2005, the Anritsu Group launched a new growth strategy, expanded the overseas markets for its core Test and Measurement business and worked to establish a base for new businesses. As a result, Anritsu improved its profit structure and increased sales in the Test and Measurement business, thereby significantly increasing operating income.

Initiatives and Results for the Year Ended March 31, 2005

In the year ended March 31, 2005 as Anritsu worked to improve results by solidifying the recovery begun in the previous fiscal year and setting the Company on track for long-term profitable growth.

As part of its proactive global strategy for the core Test and Measurement business, Anritsu reorganized its sales and business operations on a global scale and established the Strategic Marketing Division and Globalization Center. Moreover, Anritsu established technical support centers at its headquarters and in China to enhance its ability to respond to customer needs.

At the same time, the Company promoted a strategy for profitable growth by strengthening quality improvement activities and providing high-value-added products as an “Intelligent Solution Creator” that increases customer value, by reducing costs through supply chain management (SCM) and production innovations, and by ensuring efficient outlays for research and development.

As a result of these measures, consolidated net sales increased 7.2 percent year-on-year to ¥84,040 million, supported by growth in sales in the Test and Measurement business. Operating income increased by 168.9 percent year-on-year to ¥4,862 million, and the operat-

ing income margin also improved substantially to 5.8 percent from 2.3 percent in the previous fiscal year, due in part to improvements in the Company's profit structure. Net income totaled ¥1,280 million, an increase of 16.3% over the previous fiscal year, and Anritsu increased cash dividends to ¥7.00 per share, compared to ¥4.50 per share in the previous fiscal year.

New Management Structure

At the Annual Meeting of Shareholders held on June 23, 2005, Akira Shiomi was appointed to the position of Representative Director and Chairman of the Board, and Hiromichi Toda was appointed to the position of President. Mr. Toda has contributed to the growth of Anritsu's Test and Measurement business, particularly in the area of measuring instruments for mobile communications, and will use his experience to further increase the Anritsu Group's corporate value as President. While executing the duties of Representative Director, Mr. Shiomi will work in his role as Chairman of the Board to enhance the Anritsu Group's corporate social responsibility (CSR) activities from the viewpoint of strengthening corporate governance.

Future Issues and Initiatives

In the year ending March 31, 2006, Anritsu will implement measures to firmly establish its strategy for profitable growth, making the period key to revitalizing Anritsu for its next step forward.

In the core Test and Measurement business, Anritsu will work to become a leader in the market for measuring instruments for telecommunications by seizing growth opportunities in the European, U.S. and Chinese markets for third-generation (3G) mobile communications services and bolstering its broad offering of products and support services for development, production and maintenance.

In addition to making focused investments in the mobile communications equipment business, where the Company has a competitive position, Anritsu will increase profitability in the Information and Communications business by developing its video distribution solutions business in the private-sector market, and will initiate special projects through in-house ventures to establish cornerstones for businesses that will become new sources of earnings.

Furthermore, Anritsu will promote cash flow-oriented management in such ways as reducing inventories and cutting costs and expenses, and will work to increase corporate value by fortifying its management foundation for revitalization and development through corporate social responsibility activities and strengthened business risk management structure.

Anritsu appreciates your continued support and guidance.

July 2005

Akira Shiomi *Hiromichi Toda*

Akira Shiomi
Chairman of the Board

Hiromichi Toda
President