Research and Development and Intellectual Property

Anritsu considers intellectual property, comprising research and development and its results, to be the source of the Anritsu Group's competitiveness. To contribute to the development of the ubiquitous network society, Anritsu will work to develop new technologies while strategically deploying its intellectual property.

Research and Development Activities

Anritsu pursues leading-edge technologies, so research and development plays a critical role in its business. In the year ended March 31, 2006, consolidated R&D expenses increased 19.0 percent or ¥2.0 billion year-on-year to ¥12.5 billion. This represents 14 percent of consolidated net sales.

Such strategic investment in research and development is the source of Anritsu's competitive edge. Approximately half of net sales for the fiscal year under review came from products that have been on the market for two years or less. Anritsu will continue to invest resources in research and development at a level consistent with consolidated net sales.

Research and Development Structure

Anritsu's research and development structure mainly consists of head office research and development operations and development departments in each business division.

In April 2006, head office research and development operations came under the control of the newly established Technology Center. By aligning new business development with basic research, this new structure promotes a more strategic approach to research and development. Collaborating closely with business divisions, each research and development department in the Technology Center incorporates Anritsu's core technologies in developing fundamental technologies that heighten the competitiveness of the Company's products.

Research and development in business divisions is distributed globally. Departments developing measuring instruments for mobile communications, IP, optical and digital measuring instruments, telecommunications equipment, industrial machinery and related fields are located in Atsugi City, Kanagawa Prefecture, Japan; departments specializing in the network monitoring business are located in Copenhagen, Denmark; and those working on general purpose measuring instruments with strengths in the area of high frequency technology are based in California in the United States. Business divisions have established a base for stable expansion of their businesses by surveying the market carefully, focusing on customer value and building a cooperative development structure that emphasizes close contact with customers.

Standardization Activities

As one of its key roles, the Technology Center is actively involved in standardization initiatives. Anritsu participates in forums promoting ITU-T[13], 3GPP[14] and next generation networks and other global standardization organizations. While contributing the results of its own basic research, Anritsu provides its business divisions with knowledge that it acquires by participating. The Technology Center's smooth provision of technological developments and knowledge to business divisions leads to product commercialization and further business development. By establishing a mechanism that ensures the ongoing repetition of this process, Anritsu has created a foundation that supports profitable growth.

(Note 13) ITU: Telecommunication Standardization Sector, a subsidiary organization of the International Telecommunication Union (ITU) in charge of standardization for telecommunications

(Note 14) The Third-Generation Partnership Project, a joint project for studying standardization of 3G (UMTS) mobile phone systems

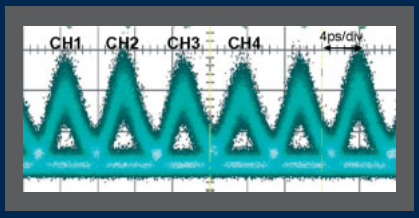
Focus on Intellectual Property Strategy

In business, intellectual property strategy is extremely important as a source of competitiveness and revenue.

Anritsu has established its Intellectual Property Policy and is working in other ways to spread awareness of intellectual property throughout the entire Group and ensure its employees are actively involved in creating intellectual property. The Intellectual Property Promotion Department is dedicated to developing intellectual property with strong competitive exclusivity that adds true value to the Company's asset portfolio. It achieves this by aligning business and technology strategies through close communication with management of business divisions and development leaders.

To reward employees appropriately for knowledge creation and encourage development efforts, Anritsu is building a compensation system for all domestic Group companies that provides compensation in conjunction with patent application, patent registration, licensing and sales results. In addition, the Company has established two awards: Patent Master, which takes into account the cumulative number of patents registered, and Inventor of the Year, which is based on the number of patent applications filed each year. Anritsu's compensation and award systems compare favorably with those of any other company in the industry.

Research and Development Achievements in the Fiscal Year Ended March 31, 2006



160Gbps waveform after transmission over 500 km

Developing an information and communications network based on high-speed, high-capacity networks is vital in creating the ubiquitous network society. Anritsu has been conducting research on evaluating waveforms of high-speed optical packet/burst switching, after being selected by the Japan Science and Technology Agency in 2004 to research and commercially develop this innovative technology. In December 2005, Anritsu successfully measured 160 gigabits per second (Gbps)* optical communications in a field trial exceeding 500km, thereby validating measurement technology necessary for developing ultra high-speed optical communications networks.

*1Gbps=1 billion bits per second