Annual Report 2007
For the year ended March 31, 2007

GROWING VALUE IN NEXT GENERATION NETWORKS

Anritsu

Profile

To contribute to the development of the ubiquitous network society, Anritsu will provide solutions in the fields of electronics, information networks and measurement to the mobile and Internet, industrial electronics, security and environmental measurement markets by utilizing "Original & High Level" technologies.

Anritsu will work to become an "Intelligent Solution Creator" that contributes to the development of the ubiquitous network society by creating better solutions in cooperation with its customers and partners. These efforts will, in turn, lead to improved customer value and new demand.

Company Philosophy

Anritsu, with sincerity, harmony, and enthusiasm, will contribute to creating an affluent ubiquitous network society by providing "Original & High Level" products and services.

Company Vision

To be a shining light by contributing to the development of the global network society.

To be a Global Market Leader by realizing Market-Driven and Customer-Focused strategies.

Company Commitment

- High return for shareholders
- Win-win relationships with customers
- Employees who are proud of Anritsu
- Contribution to society as a good citizen

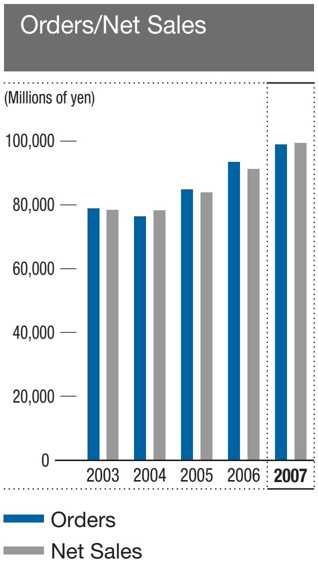
Contents

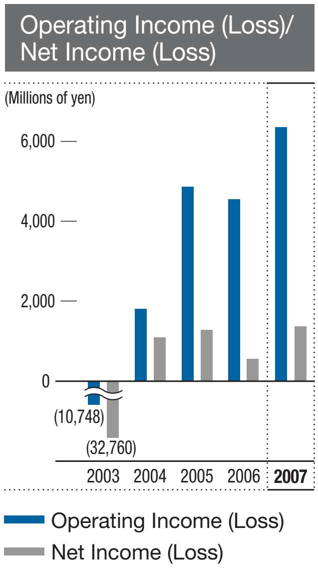
Financial Highlights

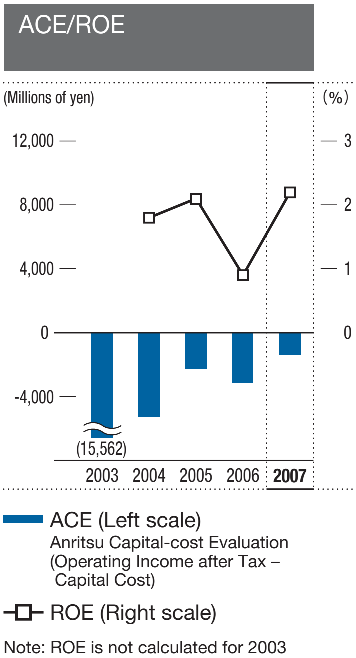
ANRITSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31

	Millions of yen			Change (%)	Thousands of U.S. dollars (Note 1)
	2007	2006	2005	2007/2006	2007
For the year:					
Net sales	¥ 99,446	¥ 91,262	¥ 84,040	9.0%	$ 842,120
Operating income	6,359	4,549	4,862	39.8	53,849
Net income	1,376	563	1,280	144.4	11,652
Depreciation and amortization	3,600	3,453	3,400	4.2	30,485
Capital expenditures	2,319	2,699	1,870	(14.1)	19,638
R&D expenses	14,072	12,509	10,515	12.5	119,163
At year-end:					
Total assets	¥140,395	¥152,359	¥142,111	(7.9)%	$1,188,881
Total net assets	61,619	60,940	—	1.1	521,798
	Yen			Change (%)	U.S. dollars (Note 1)
Per share:					
Net income (Note 2)					
Basic	¥ 10.79	¥ 3.76	¥ 9.31	187.0%	$ 0.09
Diluted	9.72	3.39	8.22	186.7	0.08
Cash dividends	7.00	7.00	7.00	—	0.06

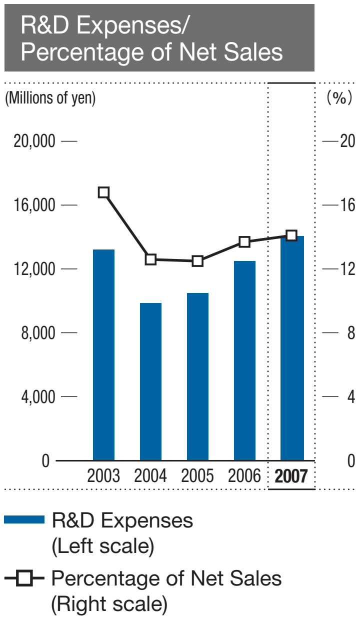
Notes: 1. The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥118.09 to U.S. $1.00, the approximate exchange rate on March 31, 2007.
2. The computations of basic net income per share are based on the weighted average number of shares outstanding during the relevant year. 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.







Note: ROE is not calculated for 2003 due to net loss.



Anritsu at a Glance

Anritsu's Core Business:

Test and Measurement

Wireless

Addressing continuing advances in mobile telephones and mobile telephone services, Anritsu will use wireless measuring technology, protocol analysis and global customer support to supply markets around the world with measuring instruments and systems optimized for mobile telephone networks.

General Purpose

Anritsu provides a broad array of test and measurement solutions to the field of electronics, including for the design, production and evaluation of communication equipment related to communication networks and the electronic devices used in other electronic equipment.

Optical, Digital and IP

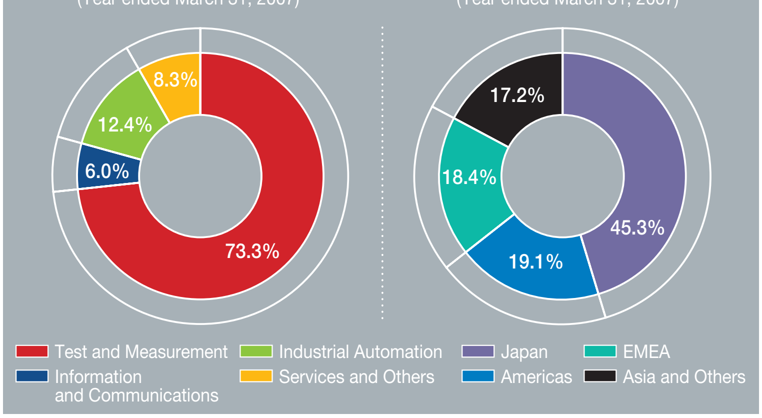
Based on advanced IP analysis technologies and ultra-high-speed digital technology, Anritsu will integrate optical and mobile technologies developed over many years to provide solutions optimized for IP networks, in which the shift to broadband is accelerating.

Service Assurance

Anritsu supports the advent of next generation networks through the convergence and integration of multiple networks by providing solutions to improve End-to-End network performance and service quality and raise network administration efficiency.

Net Sales by Business Segment
(Year ended March 31, 2007)

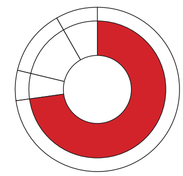
Net Sales by Region
(Year ended March 31, 2007)



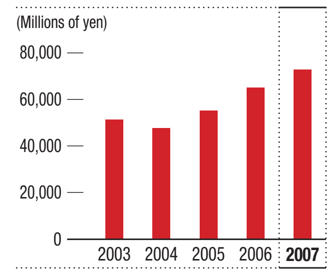
Test and Measurement

Percentage of Net Sales

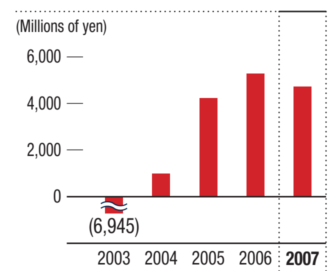
73.3%



Net Sales



Operating Income (Loss)



Business Overview

Anritsu focuses on four fields and conducts business globally in its core Test and Measurement business:

1. Wireless
2. General Purpose
3. Optical, Digital and IP
4. Service Assurance

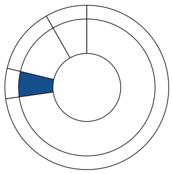
Major Product

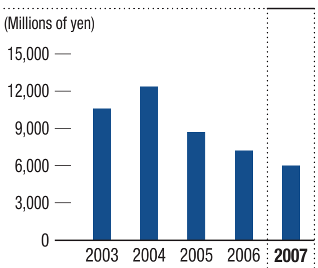
MP1800A Signal Quality Analyzer

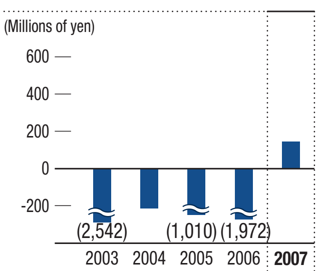
This measuring instrument evaluates the waveform of pattern signals and tests the transmission quality of equipment. It improves the efficiency of the entire process from research and development to manufacturing and verification of modules and devices for ultra-high-speed transmission.

Information and Communications

6.0%







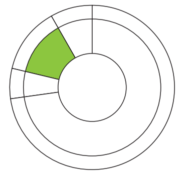
In the system solution business, Anritsu will expand beyond its core government and municipal customers to telecommunications companies and other private-sector customers. We are also strengthening our presence in areas such as facility surveillance and video security systems and bandwidth controllers.

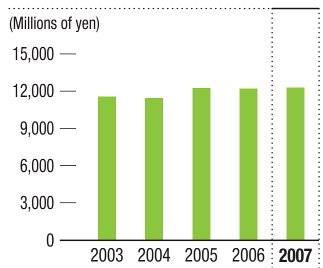
PureFlow® GS1 Bandwidth Control Equipment

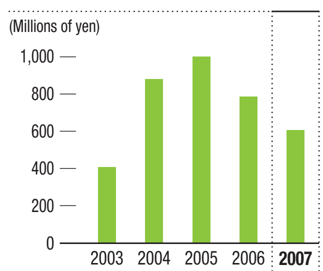
The PureFlow® GS1 prevents packet loss by smoothing the flow of traffic over IP networks with a high degree of accuracy. It contributes to network communication quality and more efficient use of bandwidth.

Industrial Automation

12.4%







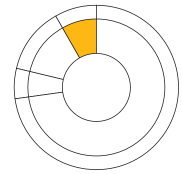
Anritsu employs many years of experience in developing weight measurement, magnetic, X-ray and other technologies to provide new solutions for alien material inspection and weight management for food, pharmaceutical and cosmetic products. In addition, Anritsu is strengthening operations in overseas markets, including China and other Asian countries, Europe and the United States.

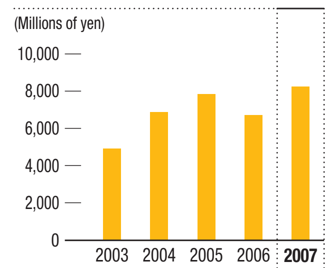
KD7405AW X-ray Inspection System

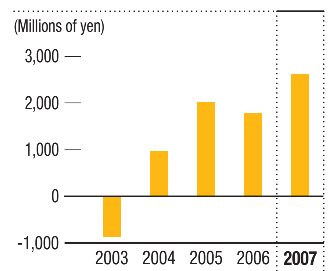
Used mainly in food production lines, this alien material inspection system delivers the highest level of performance in the industry. It inspects the shape of products to detect chips, breaks and other irregularities while using mass conversion to simultaneously check for underweight or missing items.

Services and Others

8.3%







In addition to its main areas of business, Anritsu is active in the device business, precision measurement business and environment-related businesses, as well as distribution, employee welfare services, property rental and other businesses.

MK5400 Series Solder Paste Inspection System

This system provides 3-D measurement of the volume of printed solder paste in the electronic component surface mounting process, and checks for solder bridges and other irregularities with ultra-high speed and high accuracy.

Interview with President Hiromichi Toda

In the first year of our Mid-term Business Plan, Anritsu Global LP 2008 (GLP08), we achieved significant increases in net sales and income by conducting a range of measures including sweeping management structure reforms in the Information and Communications business and strengthening the global sales operations of the Test and Measurement and Industrial Automation businesses. Looking forward, we intend to expand sales and raise the operating margin with high-value-added products, and quickly achieve operating profitability in the service assurance field in order to achieve GLP08 objectives.

Hiromichi Toda
President

In the year ended March 31, 2007, net sales increased 9.0 percent compared with the previous fiscal year to ¥99,445 million and operating income increased 39.8 percent to ¥6,358 million. This clearly indicates steady progress in achieving profitable growth. How would you rate Anritsu's performance?

The first year of the Mid-term Business Plan was a year of challenges. While building a foundation for the shift to next-generation networks (NGN), which will support profitable growth in the future, we worked to meet near-term numerical targets. We are facing a variety of management issues, so I cannot say I was completely satisfied, but I do feel that the significant growth in sales and income was the result of Group-wide efforts during the past year.

One of our most notable accomplishments during the year was achieving operating profitability (operating income of ¥145 million) in the Information and Communications business. After six consecutive years of losses in this business, including an operating loss of ¥2.0 billion in the year ended March 31, 2006, sweeping management reforms, including spinning the business off as a separate company, finally returned it to profitability. It was by no means an easy task, and I am thankful for the hard work of those who made it possible.

In our mainstay Test and Measurement business, we attained higher sales and profits in the wireless field, which has become a core business, and successfully launched measuring instruments for high-speed communications equipment and related devices that we had been developing to expand our NGN-related business. However, the high-speed communications market is limited at present, and capturing increasing demand in the future will require additional functions. Accordingly, we are redoubling development efforts aimed at full-scale earnings growth.

In the service assurance field, which Anritsu entered in 2005 when we acquired the former NetTest A/S (now Anritsu A/S) to develop as a cornerstone of our NGN operations, we posted a loss that exceeded the gains in other Test and Measurement operations due to delays in aligning the company with Anritsu's business model. Consequently, while overall sales in the Test and Measurement business increased, operating income decreased slightly. We have therefore made improving profitability in the service assurance field a key management priority, and will focus our efforts on transforming it into an unmistakably Anritsu-style enterprise.

The Industrial Automation business faced a year of challenges, including restrained capital investment in the food products industry caused by rising crude oil prices and increased manufacturing costs resulting from high prices for metals used as raw materials. Sales were essentially unchanged from the previous fiscal year, while income decreased slightly. As we cannot expect any significant growth in the maturing domestic food products market, our task in the future will be to expand this business overseas.

In GLP08, you set three fundamental policies – globally provide quick service and support that exceed customer expectations; strengthen core businesses with prioritized allocation of resources; and build new businesses that reflect emerging market trends. What have you done in these areas, and what new developments and issues lie ahead?

Regarding our first policy, the provision of global service and support, domestic sales declined slightly year-on-year due in part to slowing investment in third-generation mobile communications (3G) in Japan. Meanwhile, sales in Europe, the Middle East and Africa (EMEA), the Americas and Asia all increased significantly. The overseas sales ratio reached 54 percent on a consolidated basis. This is not simply because overseas markets are more active. Rather, it is the result of our conscious measures to expand overseas sales. The domestic/overseas market ratio is roughly 1 to 5 in our Test and Measurement business and about 3 to 7 in the Industrial Automation business. At the same time, while Anritsu has a large share of the domestic market, its share outside of Japan is relatively small. In other words, we are able to achieve greater growth by enhancing sales and support in overseas markets. Naturally, we are maintaining efficiency by aligning our efforts with product strategies and local market trends and focusing on priority regions and business domains.

Initiatives during the year ended March 31, 2007 included expanding support for the activities of sales representatives in the growing markets of Southern and Eastern Europe, Russia, the Middle East and Africa by establishing a central sales company for measuring instruments, Anritsu EMEA Ltd., in the United Kingdom. We also opened new offices in Spain and the United Arab Emirates to offer locally based sales support. In India, enhancements of our liaison office enabled it to provide services such as software upgrades, repair and calibration. India, particularly Bangalore, where Anritsu Pte. Ltd. India Branch Office is located, has become a global center for software development, including mobile phone software. Requests have come from head offices of European and U.S. mobile phone manufacturers to expand local support for our measuring instruments there. I visited Bangalore in May 2007. The visible progress since my previous visit only a year earlier left a vivid impression of India's growing importance. In the year ending March 31, 2008, Anritsu plans to strengthen its efforts throughout the Asia-Pacific region. Initiatives will include establishing India, Southeast Asia and Oceania as a separate area from China in order to build a sales and support framework that more closely matches regional characteristics.

Staff at the India Branch Office are working to improve their skills in order to provide full technical support.

We are also moving ahead in Latin America, where investment in communication networks and electronics manufacturing is expanding at the same pace as in Asia. In April 2007, our central sales company for this region began operating in Mexico. Together with our Brazilian subsidiary, the new company will conduct finely tuned sales activities for this mainly Spanish- and Portuguese-speaking business region.

In this way, we are conducting global development of the Test and Measurement business by continuously implementing measures tailored to market conditions, with a focus on markets expected to grow significantly in the future. In the year ended March 31, 2007, overseas sales accounted for more than 60 percent of sales of the Test and Measurement business. We expect this to grow to 70 percent in the medium term.

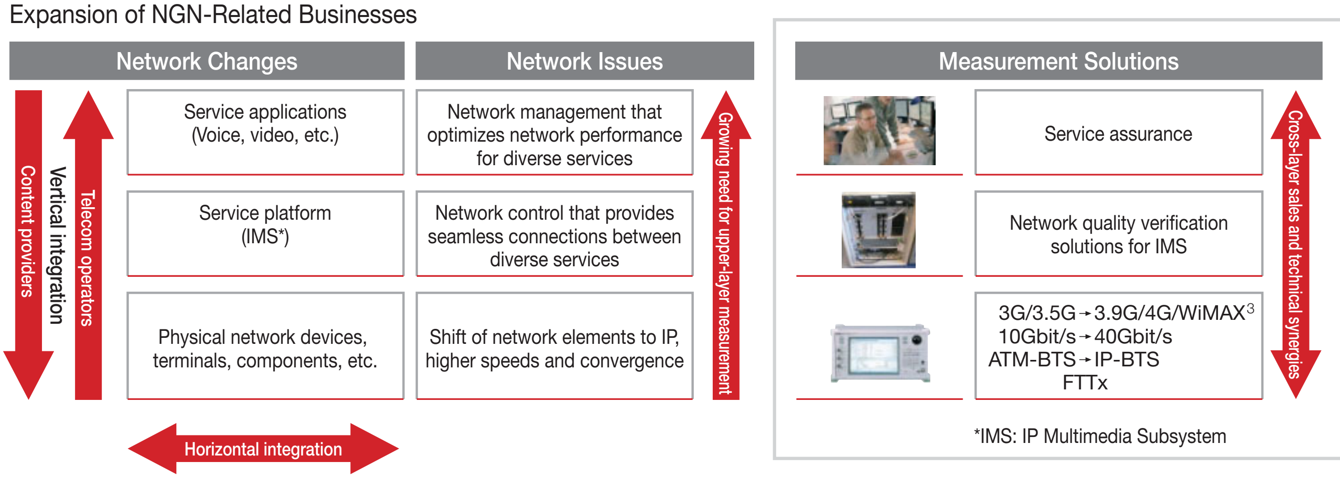
In the Industrial Automation business, expanding our share of overseas markets is the key to growth because the domestic food market is approaching maturity. We are seeing steady results from our efforts to expand our sales and support network and strengthen local marketing capabilities, such as the establishment of subsidiaries in the United Kingdom and the United States three years ago. Anritsu will leverage its world-class inspection systems to continue expanding this business in the future through full-scale participation in Europe and other booming markets.

Our second policy is prioritizing allocation of resources. The communications industry is undergoing a global shift to NGN. Based on internet protocol (IP), NGN employs relatively inexpensive systems to deliver diverse content at prices corresponding to service quality. The aim of NGN is to facilitate business that satisfies both subscribers and service providers. Over the next several years, networks will have to change to accommodate a rapid rise in traffic and support service interconnectivity. A mechanism and framework must also be developed to assure that the quality of each service conforms to the contracted level. This will not be an entirely easy process. Based on a policy of helping raise the value of NGN while increasing value for the entire Anritsu Group, we have been working under the slogan "Growing Value in Next-Generation Networks" to strengthen our Test and Measurement business in order to support the communications industry as it shifts to NGN.

Proprietary technologies are an Anritsu strength that we are leveraging in developing and providing optical and digital measuring instruments for communications equipment and devices that support the development of high-speed networks. Having developed measuring instruments for fixed-mobile convergence (FMC)[1] compatible mobile phones, which are the next stage beyond third-generation (3G) models, we are now developing measuring instruments and testing systems for next-generation mobile communications systems. Anticipating a growing need for quality assurance solutions for end-to-end services, we entered the service assurance field through the acquisition of a company in Denmark with unique product offerings. We are working to meet customer requirements more consistently in various ways, including establishing a sales team dedicated to serving major telecom operators who lead the way in technological innovation, and narrowing the range of customer and development targets.

The Test and Measurement business is not the only operation involved in NGN. The Information and Communications business, which achieved operating profitability in the year ended March 31, 2007, also sees NGN as a growth area. We are collaborating with system integrators to provide small, portable bandwidth control equipment incorporating original Anritsu technologies for IP-based corporate intranets.

Expansion of NGN-Related Businesses



The field of wireless test and measurement will continue to be one of Anritsu's core businesses. In 2007, global leaders in the mobile phone industry will shift their development focus from 3G and 3.5 generation (3.5G) mobile communications to Long-Term Evolution (LTE)[2], a next-generation communications protocol. As the world's leading provider of measurement solutions, the Anritsu Group will develop and launch LTE-compatible measuring instruments. Anritsu continues to achieve steady growth in the core area of handheld measuring instruments for base station field testing by regularly adding to its product lineup.

Our third policy is building new businesses that reflect emerging market trends. For over 20 years, Anritsu has been using its proprietary laser-based precision shape measurement technologies for various applications, including instruments for measuring the outer diameter of fiber optic cables. With the increasing density of printed circuit boards for computers, mobile phones, digital cameras and other electronic devices in recent years, controlling solder volume and print positioning of solder in circuit printing has become a critical issue. In response, Anritsu developed a solder paste inspector for this market. In the year ended March 31, 2007, Anritsu exceeded its projections in the precision measuring instruments business by forming a new sales alliance.

We see future potential in fields related to development and manufacturing of wireless modules for such applications as automobiles, home appliances and computers, as well as in fields related to high-speed interface development. We will apply our existing wireless measurement, high-speed digital measurement and other proprietary technologies to provide measuring instruments in these general purpose measurement fields.

Anritsu has been expanding its operations vertically to reflect the shift in capital investment from physical elements to services – in other words, from demand for measuring instruments for hardware to software solutions such as service assurance. However, to establish a business structure that mitigates the impact of fluctuations in capital investment in communications, I believe it is also important to expand our operations horizontally in fields other than communications.

(Note 1) Fixed-Mobile Convergence: Communication services that fuse wireline and mobile communications in ways such as enabling the use of a mobile phone as a wireless handset for a fixed-line phone.
(Note 2) Long-Term Evolution: Currently undergoing standardization, LTE is a communications protocol that evolved from 3.5G.
(Note 3) WiMAX (Worldwide Interoperability for Microwave Access): A standard for high-speed wireless access networks. WiMAX holds promise for providing wireless high-speed data transmission equal to that of wireline broadband access technologies such as ADSL and fiber optic cable.

What market trends do you foresee in the year ending March 31, 2008, and what are Anritsu's objectives?

As I have already mentioned, customer preparations for the shift to NGN will continue, as will increases in network speed and the fusion of mobile and fixed-line phone services. Amid such market trends, we anticipate increasing demand for measuring instruments for NGN, as well as for service assurance for networks incorporating IP phones in addition to mobile phones. In the field of wireless measurement, we project a continuing increase in the number of 3G and 3.5G mobile phone subscribers in Europe, resulting in continued launches of new mobile phone models by European and American manufacturers. In China, trial services using the TD-SCDMA protocol will begin in 10 cities. Although still at the trial stage, we expect handset shipments to be in the area of several million. In Japan, development will shift from 3.5G mobile phones to LTE. Overall, Anritsu believes demand will be firm for measuring instruments used in the development and manufacture of handsets, as well as for measuring instruments used in the installation and maintenance of base stations. In addition, opportunities in the general purpose measuring instruments business will increase as the use of wireless technologies for applications such as home appliances, computers and automobiles gains momentum.

In markets served by the Information and Communications business, Anritsu anticipates firm demand backed by disaster prevention-related capital investment and expansion of IP-based corporate intranets. We project that demand for the inspection equipment of Anritsu's Industrial Automation business will remain unchanged in the domestic food products industry. On the other hand, we foresee greater opportunities for this business in overseas markets such as Europe, where our presence has been relatively limited until recently.

Meanwhile, competition is intensifying as markets grow. Moreover, we foresee greater pressure from customers to lower prices in fields such as 3G mobile phones, which have moved from development to commercial scale production. Given this market environment, for the year ending March 31, 2008, Anritsu projects net sales of ¥103.5 billion, a year-on-year increase of 4 percent, and operating income of ¥7.0 billion, an increase of 10 percent. Our management focus is more on improving profitability than on expanding net sales.

Please explain the measures Anritsu is taking to achieve its numerical targets, and the business structure you envision.

Among key profitability improvement measures for the year ending March 31, 2008, the most important is to quickly achieve profitability in the service assurance field. It is a growing market, so our basic strategies are to expand orders and sales to absorb development costs. However, we will not achieve results by conducting haphazard sales promotions aimed at many customers or development activities lacking a clear focus. Therefore, in the latter half of 2006, we developed a sales organization to exclusively serve major telecom operators and concentrated sales efforts on major customers in the EMEA region. We expect to see the results of these efforts in the year ending March 31, 2008. We have also been improving development efficiency by strategically organizing projects. A review of the organization in line with long-term sales projections resulted in personnel reductions that led to a 10 percent decrease in fixed costs. Strong resolve in implementing measures such as these has resulted in solid improvement in profits.

The service assurance field, however, is a new market. We are fully aware of the risks we face, including rapid changes in the market environment and intense competition from new entrants. The service assurance business operates primarily in Europe, centered on our subsidiary in Denmark. We will work to ensure that improvements are implemented more successfully by first enhancing governance at the head office. In the medium term, we intend to build service assurance into a highly profitable business with limited development outlays. To do this, we will develop horizontally, offering service assurance solutions already being provided to major customers in the EMEA region in other regions as well.

Our second profitability improvement measure is to raise profit margins by quickly expanding sales of products with high added value. In the year ended March 31, 2007, Anritsu launched new models of measuring instruments as NGN-related solutions. However, they have not yet generated widespread demand due to limited basic functions. We plan to rapidly expand orders by adding functions currently under development.

As these two measures indicate, the ideal business structure for Anritsu combines the provision of distinctive, high-value-added products with highly efficient development. It is a structure that we have nurtured and carried on through successive generations under the catchphrase “Original & High-level.” Research and development expenses currently exceed 14 percent of net sales. This is not high for the measuring instruments industry, but it is a large investment. Therefore, we are considering three approaches to ensure more efficient development.

The first is to review development processes in order to improve results with a small number of people. Including subsidiaries, Anritsu currently has seven business divisions, each with a different level of development efficiency. By using efficient divisions as models for process improvements, I believe we can improve overall efficiency. It is also an absolute must for dealing with the serious shortage of engineers.

The second approach is to establish a framework for quickly developing the technological assets of our Core Technology R&D Center, which coordinates basic research, into products. In addition, to encourage interchange between domestic and overseas divisions and the R&D Center, in April 2006 we established the Incubation Department in the R&D Center to study ways to commercialize our proprietary technological assets. We are currently awaiting the results of several promising products under development.

The third approach is to curb software development expenses, which have been increasingly proportionally on an annual basis. As with hardware, we will promote sharing and the creation of platform software, and will increase our use of external resources both in Japan and overseas.

Please explain how Anritsu has been working to achieve sustainable growth and raise corporate value.

The Anritsu Group believes that honest business practices lead to sustainable growth and higher corporate value, and we will continue to actively conduct corporate social responsibility (CSR) activities. Anritsu intends to go beyond what it considers to be its primary CSR activity – contributing to the realization of a safe, secure, and comfortable society through its products and services – to review the activities of the entire Group in all areas of corporate social responsibility, including compliance, corporate governance, the environment, human rights and risk management.

Doing so will lead to further improvement of the Group's business activities.

By attaining its desired future form through these ongoing CSR activities, Anritsu will raise its value for customers, shareholders, employees and all other stakeholders, which by extension will contribute to achieving the Mid-term Business Plan. Naturally, as a global corporation we will conduct such activities on a Group-wide basis. One example is Anritsu's participation in the Global Compact, which is advocated by the United Nations.

What is Anritsu's shareholder return policy?

Anritsu considers the return of profits to shareholders a management priority. Our basic policy for paying dividends is to increase the ratio of dividends on consolidated equity (DOE) to reflect the level of income during the consolidated period while taking into account factors such as the operating environment and the outlook for results in the next fiscal year.

Anritsu paid a year-end dividend of ¥3.50 per share. Accordingly, total dividends for the fiscal year were ¥7.00 per share, including an interim dividend of ¥3.50 per share. For the fiscal year ending March 31, 2008, Anritsu also plans to pay dividends totaling ¥7.00 per share, including an interim dividend of ¥3.50 per share. Maintaining this as the minimum level, we will work to increase returns in the future.

The advent of NGN is an excellent opportunity for Anritsu to fully leverage its accumulated assets, both tangible and intangible. In doing so, we will work toward achieving our numerical targets of net sales of ¥120.0 billion and operating income of ¥12.5 billion in the year ending March 31, 2009, the final year of GLP08. For the year ended March 31, 2007, the Anritsu Group's overseas sales ratio was already well above 50 percent, and we have accumulated experience in dealing with globalization. Anritsu Group companies around the world are working to raise corporate value by implementing our profitable growth strategy.

We are counting on the continuing support of all our shareholders.

July 2007

Hiromichi Toda

Hiromichi Toda
President

Review of Operations

Test and Measurement

The Test and Measurement segment is introducing cutting-edge measurement solutions to build next-generation networks (NGN), which are advancing globally. This segment is also further strengthening its mainstay wireless test and measurement solutions, and will continue to be a profit platform that drives the growth of the Anritsu Group.

Business Trends and Review of the Year Ended March 31, 2007

In the telecommunications market, Anritsu's core business area, the spread of IPTV[4] and other broadband services is fueling expansion of demand for test and measurement equipment for NGN construction, including construction of optical access networks and ultra-high-speed, large-capacity core networks. The worldwide increase in mobile phone service subscribers and expansion of base station networks is also generating strong demand for test and measurement equipment.

In the year ended March 31, 2007, Anritsu received large-scale orders for handheld measuring instruments for base stations from North American telecom operators and expanded sales of measuring instruments for 3G and 3.5G mobile phone development in North America and Europe. In addition, Anritsu capitalized on NGN-related investment with its newly launched instruments for ultra-high-speed communications equipment and devices and instruments for construction of optical access networks.

As a result of this growth in demand, as well as the full-year contribution of consolidated subsidiary Anritsu A/S, which Anritsu acquired in August 2005, sales of the Test and Measurement segment increased 11.9 percent year-on-year to ¥72,882 million. However, a delay in orders of the service assurance sub-segment resulted in a 10.8 percent decrease in operating income to ¥4,717 million.

(Note 4) IPTV: A television broadcasting service using IP networks

Profitable Growth Strategy of the Test and Measurement Segment

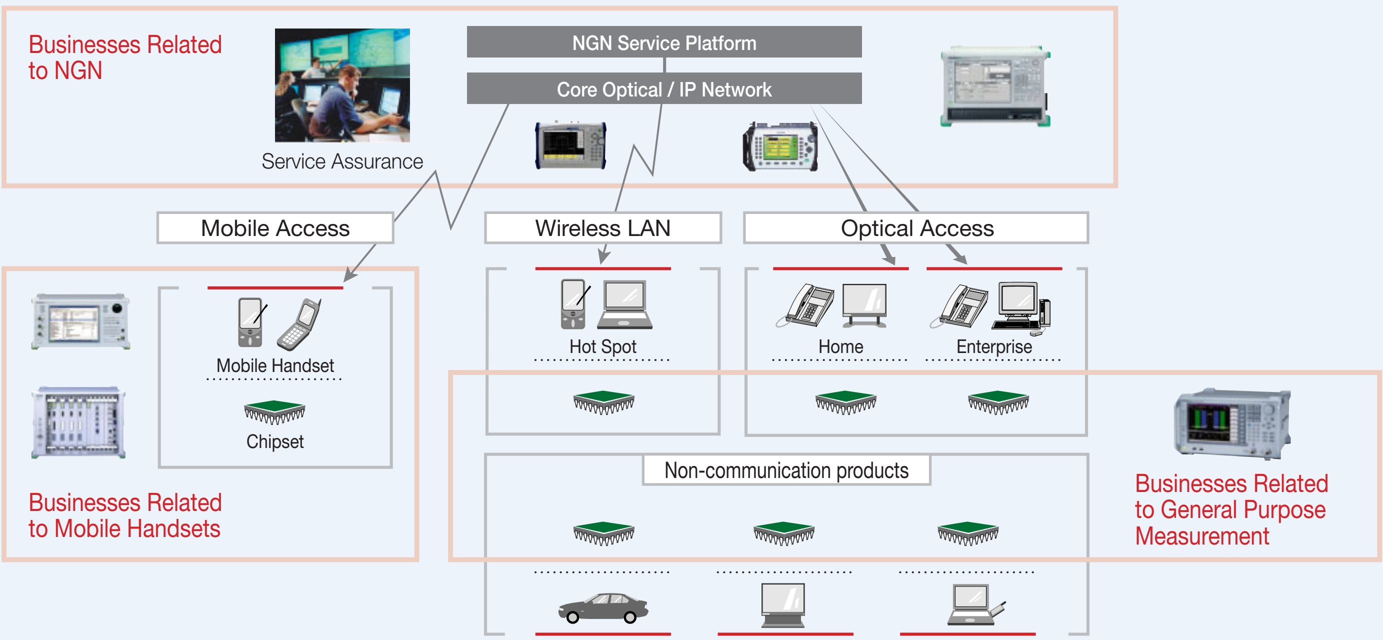
The Test and Measurement business has four sub-segments: wireless; general purpose; optical, digital and IP; and service assurance. To achieve the objectives of the mid-term business plan, this business will conduct its activities with a focus on the three market sectors shown in the chart on the right. Particularly in the NGN-related sector, where diverse technologies are required, Anritsu will build strong competitiveness by offering comprehensive test and measurement solutions that extend across sub-segments. In the mobile phone handset sector, Anritsu will continue to participate in formulation of next-generation communications standards with its world-class technological capabilities. In addition, Anritsu will apply its accumulated test and measurement technologies in general purpose measurement areas such as information appliances and car electronics to create a stable business structure.

NGN-Related Sector

In the field of instruments needed in development and manufacturing of telecommunications equipment and devices, the advance of broadband service is creating requirements for core networks with an ultrahigh speed of 40Gbit/s. The cutting-edge technology necessary to develop test and measurement equipment in this field forms a high barrier to entry. Anritsu is deploying its ultrahigh-speed digital measurement technology and optical measurement technology to bring to market test and measurement equipment that offers world-class performance, as well as to differentiate its products by continuously enhancing their functions. To meet demand for construction of diverse broadband access networks such as fiber optic communications, 3G, 3.5G, WiMAX and digital broadcasting, Anritsu also has a wide array of high-performance handheld measuring instruments that take advantage of Anritsu's excellent miniature packaging technology. With these high-value-added products, Anritsu maintains a top-tier market share worldwide, and intends to expand earnings further by meeting growing demand through its global sales network.

Service assurance to measure the quality of network service is a new growth area in the telecommunications industry, which is moving to create a rate structure based on service quality. Anritsu offers flexible and user-friendly advanced network monitoring systems, primarily to major telecom operators in Europe.

Three Priority Business Fields of Anritsu's Profitable Growth Strategy in the Test and Measurement Business



Enhanced sales teams specializing in the telecom operators in each region will contribute to Anritsu's efforts to expand sales and improve profits.

Mobile Phone Handset Sector

Anritsu provides measuring instruments utilizing the technologies it has accumulated from its close relationships with leading customers, along with global customer support. As a result, Anritsu's measuring instruments for development of 3G and 3.5G handsets and chipsets have established a position as the de facto standard. Anritsu will steadily capture opportunities from the ongoing solid investment in 3G and 3.5G related development in Europe and the United States, while also focusing on new product development for next-generation mobile communications systems such as WiMAX and LTE. By embracing these cutting-edge technologies, Anritsu intends to maintain its leading industry position in the mobile phone handset sector and expand this high-value-added business.

General Purpose Measurement Sector

Anritsu has high-frequency measurement technologies for microwave and millimeter wave communications. In addition to applying them in its core business area of telecommunications measuring instruments, Anritsu is also applying these technologies, together with wide range of digital wireless technologies such as wireless LAN, Bluetooth®[5] and digital broadcasting, in general purpose measuring instruments used in development and manufacturing of diverse electronic components and modules. Customers for general purpose measuring instruments also include car electronics and information appliance manufacturers, which have different investment cycles from the telecommunications market. Expanding business in these markets will therefore help to stabilize the Test and Measurement business.

(Note 5) Bluetooth®: A short-range wireless communication technology used for interconnection of mobile devices and other devices within several meters.

Outlook for the Year Ending March 31, 2008

Anritsu will conduct research and development more closely with major customers in the mobile phone handset-related and general purpose measurement business areas, with a focus on NGN-related business, to continue introducing high-value-added products that match market needs. In addition, Anritsu will work to expand its business globally by strengthening sales in markets with high growth potential such as Latin America and Asia. In the area of service assurance, Anritsu will focus on expanding sales and implementing profitability improvement measures including reduction of fixed costs. As a result, for the fiscal year ending March 31, 2008, Anritsu projects segment sales of ¥76.5 billion (a year-on-year increase of 5.0 percent) and operating income of ¥5.3 billion (a year-on-year increase of 12.3 percent) for the Test and Measurement business.

Information and Communications

Anritsu's Information and Communication business will contribute to NGN development by providing unique solutions that leverage the Anritsu Group's strengths in IP network technology.

Business Trends and Review of the Year Ended March 31, 2007

In the public-sector market, which accounts for approximately 70 percent of this segment's sales, demand increased for public information systems such as video monitoring and telemetry systems for rivers and other locations, particularly to improve the infrastructure for disaster prevention. In the private-sector market, attention focused on bandwidth control equipment that works to ensure quality of service in IP networks.

In the year ended March 31, 2007, Anritsu made sweeping structural reforms in this business, including reducing fixed costs by reforming the employment structure, concentrating resources in areas with high profitability and spinning the business off as a separate company to clarify management responsibility. As a result, sales of the business in its previous form fell sharply, decreasing 17.0 percent year-on-year to ¥6,010 million. However, the business achieved operating income of ¥145 million, an improvement of ¥2,118 million from the previous fiscal year, indicating the success of Anritsu's efforts to reduce fixed costs and other expenses through streamlining.

Profitable Growth Strategy of the Information and Communications Business

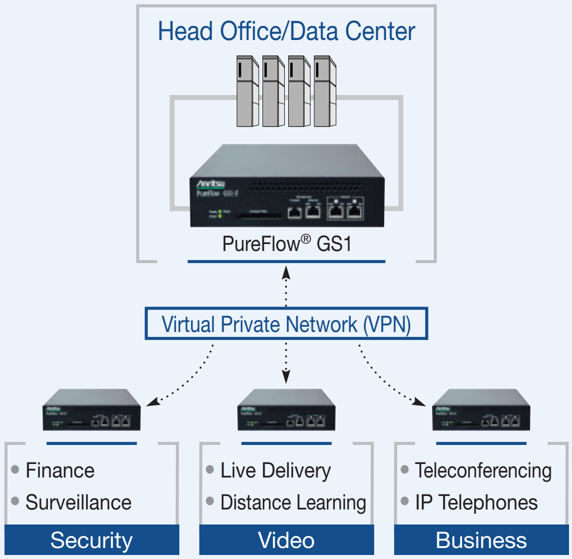
This business will concentrate on further improving profitability by focusing on video monitoring and transmission systems, IP access devices and bandwidth control equipment, which utilize the technologies it has accumulated to date.

For the public sector, the Information and Communications business will secure sales and profits by tapping demand for disaster prevention infrastructure. For the private sector, the business will expand sales of bandwidth control equipment, particularly for enterprise IP networks, through measures including collaboration with system integrators. These initiatives will steadily grow sales and profits to build the Information and Communications business into one of the Anritsu Group's core businesses.

Outlook for the Year Ending March 31, 2008

The business will aggressively develop private-sector demand through efforts such as strengthening its competitiveness in IP network solutions and enhancing collaborative relationships with system integrators.

For the year ending March 31, 2008, Anritsu expects this business to achieve sales of ¥6.5 billion, an 8.1 percent increase year-on-year. However, while operating income is expected to remain in the black, Anritsu projects that it will decrease 31.4 percent year-on-year to ¥0.1 billion due to investment in new product development to strengthen the operating base, and in improvement of customer support.



Industrial Automation

The Industrial Automation segment is strengthening its global presence to solidify its growth trajectory, and aims to be a stable source of profits for the Anritsu Group.

Business Trends and Review of the Year Ended March 31, 2007

This segment's products — checkweighers, X-ray inspection systems and metal detectors — are used in production and inspection in the food industry, which accounts for 80 percent of sales, as well as pharmaceuticals, cosmetics and other products. Concerns about food safety and reliability are increasing around the world, fueling strong demand for Anritsu's products, which are capable of high-precision, high-speed detection of metal and plastic fragments and other alien materials mixed in during the production process.

In the first half of the fiscal year, orders decreased because investment in inspection equipment in the food industry was restrained due to the effects of rising crude oil prices. In the second half, new products with enhanced functions were introduced, food manufacturers' willingness to invest rebounded, and orders for checkweighers in Asia increased. As a result, segment sales increased 0.8 percent year-on-year to ¥12,295 million. However, the product cost ratio worsened because improvements in production efficiency did not fully absorb the effect of higher prices of stainless steel and other metal raw materials. Consequently, operating income decreased ¥179 million compared with the previous fiscal year to ¥608 million.

Profitable Growth Strategy of the Industrial Automation Segment

In 2006, the Danish Meat Association held a competition for X-ray inspection systems that recognized Anritsu's X-ray detection system as having the best performance. This recognition was an important step in building our position in Europe, the world's largest food inspection market. With steady economic development in Europe spurring brisk investment in food inspection equipment, business inquiries have increased rapidly. While maintaining its high market share in Japan, Anritsu plans to reinforce its competitive advantage in Asia and make a full-fledged entry into the European and North American markets, with the aim of further expanding its overseas sales ratio, which was approximately 25 percent in the year ended March 31, 2007. Moreover, ongoing production innovations and increases in operating efficiency are aimed at improving the operating margin.

KD7405AW X-ray Inspection System

Outlook for the Year Ending March 31, 2008

In the Industrial Automation business, Anritsu will improve profits by shifting its product mix to higher value added products, and intends to expand business by aggressively increasing its presence in overseas markets. In the year ending March 31, 2008, Anritsu projects segment sales of ¥12.5 billion, an increase of 1.7 percent year-on-year, and operating income of ¥0.7 billion, an increase of 15.1 percent.

Research and Development

Anritsu pursues advanced next-generation technologies, so research and development plays a critical role as the source of its competitive edge. Solid technological capabilities and close relationships with key customers have made Anritsu a world leader. Anritsu will continue to create high-value-added solutions and promote profitable growth through the strategic use of engineering resources.

Network Performance Tester

Anritsu's research and development provides key devices to business divisions.

Research and Development Structure

Anritsu's research and development structure consists of head office operations, departments in globally-distributed business divisions, and Anritsu Engineering Co., Ltd. which is in charge of software development. While fulfilling their respective roles, research and development operations are strengthening interdepartmental cooperation to create solutions that set Anritsu apart from the competition.

Basic and Applied Research

The Technology Center controls research and development. By aligning new business development with basic research, this structure promotes a strategic approach to research and development. Specifically, it keeps Anritsu apprised of medium-to-long-term technological trends while maintaining an awareness of technological trends in the telecommunications field as it shifts to NGN by actively participating in academic associations and international standardization organizations such as the International Telecommunications Union (ITU). In addition, Anritsu leverages its participation in cutting-edge technological development led by governmental and research organizations to strengthen optical and high frequency device technologies and digital signal processing technologies for communications measurement. Moreover, development departments in each business division share basic research and product development plans, thereby building a mechanism to offer products with key devices and technologies, the source of distinctiveness.

Product Development

Anritsu's business divisions are distributed globally by product line. Development departments for wireless measurement, IP, optical and digital test and measurement, telecommunications, industrial automation and other fields are located in Japan; development departments for general purpose measuring instruments, a field in which Anritsu has strengths in high frequency technologies, are based in the United States; and those focused on the service assurance measuring instrument field are located in Europe. Each business division achieves differentiation through high customer satisfaction and elemental technologies by creating close cooperative relationships with key customers, reflecting market needs in products and utilizing the research results of the Technology Center. In addition, the business divisions generate globally-viable high-value-added solutions by sharing their respective product development plans. Moreover, by combining the technologies of various business divisions to create unique products, Anritsu stays ahead of the competition.

ACCESS Master

Joint development between Japan and the U.S. resulted in a compact measuring instrument that offers high performance and ease of use. The product contributes to more efficient fiber optic construction and maintenance around the world.

Utilizing Outside Resources

Anritsu is changing its research and development structure to increase its emphasis on software, as the focus of measurement technology is switching from hardware to software in line with conversion to NGN and the increasing sophistication of mobile phones. The company considers the efficient and low-cost development of such software an important business strategy, and will promote development management that includes the effective utilization of outside resources from a global perspective.

Corporate Governance

Anritsu strives to continuously raise corporate value as its highest management priority. As a global corporation, Anritsu is working to upgrade its decision-making system for flexible and speedy response to changes in the operating environment and to create an environment and framework in which corporate governance can function effectively.

Board of Directors

Anritsu has a corporate governance structure centered on the Board of Directors and Board of Corporate Auditors, and in 2000 introduced an executive officer system.

With the introduction of the executive officer system, the Board of Directors streamlined its structure to energize discussion. As a rule, the Board of Directors meets once a month to discuss matters for resolution and reports, as well as holding free discussions of medium-to-long-term management issues.

The Compensation Advisory Committee is an advisory body to the Board of Directors. The majority of its members are from outside the company, thus bringing objectivity to the compensation system and specific evaluations of directors, executive officers and senior corporate staff.

In 2005, Anritsu welcomed Akira Kiyota, an individual with extensive management experience, as an outside director to enhance opinion from outside the company, including receiving advice on the formulation of the Mid-Term Business Plan.

Management Strategy Conference

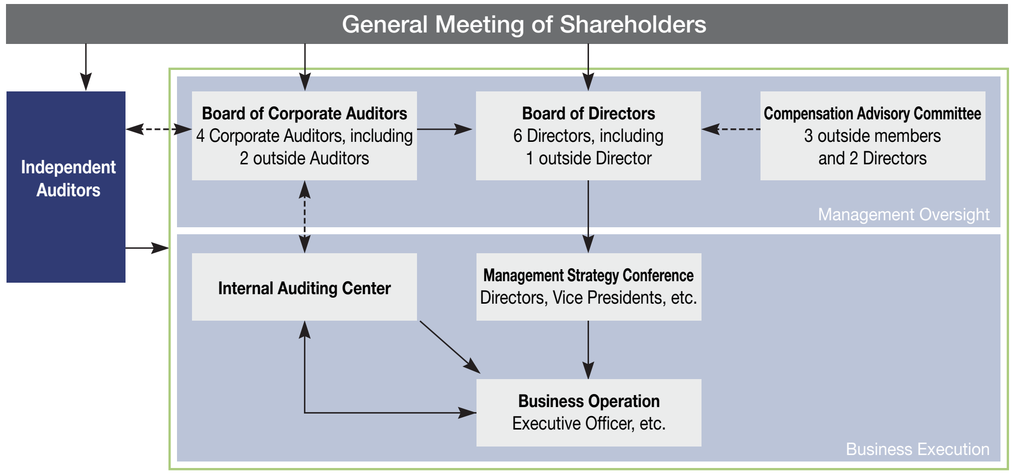
Important matters related to business execution are deliberated upon and resolved at the Management Strategy Conference, in which executive officers with relevant interests participate, and the results of the decisions made are shared with senior management. Matters to be resolved at Board of Directors meetings are discussed in advance in the Management Strategy Conference to enhance the deliberation. The Management Strategy Conference is held once or twice each month.

Audit System

Anritsu has appointed four corporate auditors.

The full-time corporate auditors attend Board of Directors meetings and the Management Strategy Conference, actively participate in important internal meetings and conduct audits in accordance with audit policies determined by the Board of Corporate Auditors.

The outside corporate auditors are Sukeaki Tatsuoka, for-



merly a judge and currently a lawyer and university professor; and Yasuo Matoi, who has extensive management experience as well as insight in the areas of taxation and accounting. Their auditing is based on a high level of expertise.

Upgrading the Internal Control System

To comprehensively understand and evaluate business risks affecting corporate growth and achievement of related management targets, and to manage such risks throughout the organization, Anritsu established the Internal Control Improvement Center in April 2006 to expedite the upgrading of its internal control system and is carrying out activities to strengthen the system.

Selected members have been promoting documentation of important business processes, including at overseas group companies. Looking forward, the Center will ensure the accuracy and reliability of financial reports through evaluations of control effectiveness and through audits conducted by the independent auditors. The Center will also further upgrade overall internal control through activities to improve legal compliance and the efficiency of internal affairs as recognized from analysis and evaluation of current processes.

Export control is an extremely important theme in Anritsu's compliance, as all of the Anritsu Groups products and technologies are subject to Catch-All Controls[6]. Risks related to export control are growing as export quantity increases to all regions of the world.

Anritsu has long been developing its export control system. In addition to the daily monitoring system of the Security Trade Control Department and related departments at subsidiaries, Anritsu has established the Global Export Control Committee (GECC), upgrading global export control system, among other efforts, as it actively works for smooth operations and ongoing improvement of processes.

In addition, Anritsu's active contributions in related fields include representing Japan as a company with excellent export control and lecturing at seminars held in February 2007 in Thailand and the Philippines for local industry by the Ministry of Economy, Trade and Industry and the Center for Information on Security Trade Control (CISTEC).

(Note 6) The Catch-All Controls are export control regulations, the scope of application of which was expanded in 2002 to prevent the proliferation of weapons of mass destruction. The controls consist of predefined procedures that must be taken to export products.

Assessment by External Organizations

Anritsu's corporate governance efforts are also evaluated by external organizations. The Company placed 14th among 312 companies on the Tokyo Stock Exchange First Section that submitted responses to the 5th JCGR Index Survey in 2006, conducted by the Japan Corporate Governance Research Institute, Inc. (JCGR).

Moreover, since November 2006 the Company has been included in the corporate governance fund (68 companies as of May 2007) set up by the Pension Fund Association. This fund invests in companies chosen for their excellent governance.

Adoption of Countermeasures to Attempted Large-scale Purchases of Company Stock (Anti-takeover Defense Measures)

To ensure and improve corporate value and the common interests of our shareholders, Anritsu adopted the Countermeasures to Attempted Large-scale Purchases of Company Stock (Anti-takeover Defense Measures) by resolution of its General Meeting of Shareholders in June 2007.

In the event of an attempted large-scale purchase aimed at 20 percent or greater ownership of Anritsu shares or other securities, in order to ensure necessary and sufficient information and time for our shareholders to make appropriate judgments, the Anti-takeover Defense Measures require observance of Large-scale Purchase Rules set by the Board of Directors. These rules concern ensuring the provision of information regarding the large-scale purchase and time for the Board of Directors to evaluate and consider it.

In the event a large-scale purchaser should appear, an independent committee made up of outside directors, outside auditors and outside committee members will conduct evaluation and discussion. If the independent committee decides that the large-scale purchaser is not observing the Large-scale Purchase Rules, the Board of Directors, respecting the opinion of the independent committee to the maximum extent possible, may as necessary issue stock acquisition rights by the method of gratuitous allotment as a countermeasure. In addition to establishing the aforementioned independent committee and guaranteeing fairness and rationality through the advice of outside experts and other means, the Anti-takeover Defense Measures create a mechanism to reject the arbitrary decisions of the Board of Directors.

Directors, Corporate Auditors and Executive Officers (As of July 1, 2007)

Back row	Mark Evans	Kohei Ono	Shigehisa Yamaguchi
Front row	Hirokazu Hashimoto	Hiromichi Toda	Akira Kiyota

Directors

Representative Director, President
Hiromichi Toda

Representative Director
Hirokazu Hashimoto

Director
Mark Evans

Director
Kohei Ono

Director
Shigehisa Yamaguchi

Director (Outside Director)
Akira Kiyota
Deputy Chairman of the Board, Daiwa Securities Group Inc., and Chairman of the Institute & Director, Daiwa Institute of Research Ltd.

Corporate Auditors

Full-time Corporate Auditors
Koji Shoji

Goro Saito

Outside Corporate Auditors
Sukeaki Tatsuoka

Yasuo Matoi

Executive Officers

*Concurrently serving as Board Member

President
Hiromichi Toda*

Executive Vice Presidents

Chief Financial and Administrative Officer, Senior Manager of Internal Control Improvement Center, In charge of Accounting and Control Dept., CSR Promotion Center, Legal Dept., Security Trade Control Dept. and Corporate Communication Dept.
Hirokazu Hashimoto*

General Manager of Measurement Business Group
Mark Evans*

Senior Vice Presidents

Chief Technology Officer, General Manager of Technology Center, In charge of IT Strategy Dept. and Precision Measurement Business Promotion Div.
Kohei Ono*

Chief Sales Officer, General Manager of Sales Business Group, General Manager of 3rd Sales Div., Assistant General Manager of Measurement Business Group, In charge of IP Network Business Promotion Div.
Tetsuji Kofuji

General Manager of Global Business Div.
Shigehisa Yamaguchi*

Vice Presidents

Senior Manager of Human Resource Development Dept., In charge of Administration Dept. and Internal Auditing Center
Shoichi Shimamura

President of Anritsu Company (U.S.A.)
Frank Tiernan

President of Anritsu A/S (Denmark)
Yasuyuki Oguma

General Manager of Wireless Measurement Div.
Kenji Tanaka

Chief Manufacturing Officer, Senior Manager of Environmental Promotion Center, Senior Manager of Procurement Dept., In charge of Manufacturing Process Dept.
Koichiro Takahashi

General Manager of Corporate Strategy Center
Toshihiro Kashiwagi

General Manager of IP Network Measurement Div.
Takanori Sumi

Corporate Social Responsibility (CSR)

The Anritsu Group's philosophy is to create corporate value with sincerity, harmony, and enthusiasm by providing "original & high level" solutions as a company from which society can expect growth and development.

CSR Activities

Anritsu's president serves as the chief of the CSR Promotion Committee, established as a group-wide organization to lead CSR activities, addressing critical objectives and resolving specific issues regarding CSR. The committee also promotes activities by enlisting the cooperation of those in charge of each area of CSR at Anritsu, including customer service/quality control, human rights, philanthropic activities and other functions and of participating members from Group companies.

To fulfill its corporate social responsibilities, the Anritsu Group believes its primary duty is to contribute to society in various ways through its main businesses by delivering products and services that satisfy the functionality, performance and environmental expectations of customers and society. Anritsu is also working to globally expand product assessment methods to grow overseas development of eco-products, an area led by Japanese operations.

In recent years, we have also focused on applying our original technologies to social contribution activities. For example, we cooperated in the development of a laser gas detector that instantly detects methane even from a remote location, and in Tohoku University's land mine detection radar project.

Assessment by External Organizations

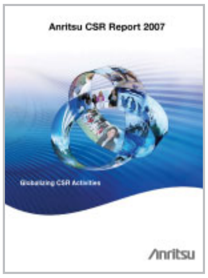
To promote investor understanding of company activities, Anritsu's communication activities include information disclosure and dialogue. In addition to business results, Anritsu's website provides materials used in IR activities and easy-to-read technical guides. The site has been chosen for the "Award for Excellence in Internet Investor Relations" issued by Daiwa Investor Relations Co., Ltd. for the sixth consecutive year.

In addition, Anritsu was listed on the Morningstar SRI Index of Morningstar Japan K.K. in April 2007.

The CSR Report

The Anritsu Group publishes a CSR Report to promote understanding of its CSR activities. The report introduces these activities from various perspectives, such as the environment, human rights, labor and contribution to local communities, as well as Anritsu's relationship with stakeholders.

The CSR Report can also be found on the Company's web site: http://www.anritsu.co.jp/E/corp



Financial Section

11-YEAR SUMMARY OF SELECTED FINANCIAL DATA

ANRITSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31

	2007	2006	2005	2004
For the year:				
Net sales	**¥ 99,446**	¥ 91,262	¥ 84,040	¥ 78,396
Cost of sales	**55,787**	55,205	53,666	54,249
Gross profit	**43,659**	36,057	30,374	24,147
Selling, general and administrative expenses	**37,300**	31,508	25,512	22,339
Operating income (loss)	**6,359**	4,549	4,862	1,808
Net income (loss)	**1,376**	563	1,280	1,101
Depreciation and amortization	**3,600**	3,453	3,400	4,257
Capital expenditures	**2,319**	2,699	1,870	1,530
R&D expenses	**14,072**	12,509	10,515	9,887
At year-end:				
Total assets	**¥140,395**	¥152,359	¥142,111	¥148,353
Net assets	**61,619**	60,940	—	—
Interest-bearing debt	**53,033**	65,590	61,384	70,033

	2007	2006	2005	2004
Per share:				
Net income (loss)				
Basic	**¥ 10.79**	¥ 3.76	¥ 9.31	¥ 8.38
Diluted (Note 2)	**9.72**	3.39	8.22	7.77
Cash dividends	**7.00**	7.00	7.00	4.50
Total net assets	**483.25**	477.51	472.16	470.28
Key financial indicators:				
Operating income margin (%)	**6.4**	5.0	5.8	2.3
Return on equity (%)	**2.2**	0.9	2.1	1.8
Anritsu Capital-cost Evaluation (Note 3) (Millions of yen / thousands of U.S. dollars)	**(1,397)**	(3,121)	(2,230)	(5,283)
Return on assets (%)	**0.9**	0.4	0.9	0.8
Interest coverage ratio (times)	**5.5**	4.3	5.3	1.7
Dividend payout ratio (%) (Note 4)	**64.9**	186.2	75.2	53.7
Dividends on equity (%) (Note 5)	**1.4**	1.5	1.5	1.0

Notes: 1. The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥118.09 to U.S. $1.00, the approximate exchange rate on March 31, 2007.
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 2000 is not presented since the result of the computation was anti-dilutive, and that for 2003 and 1999 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 introduced Anritsu Capital-cost Evaluation, an evaluation indicator, in the year ended March 31, 1999.
4. Dividend payout ratio: Total cash dividends / Net income
5. Dividends on equity: Total cash dividends / Net assets

	Millions of yen							Thousands of U.S. dollars (Note 1)
	2003	2002	2001	2000	1999	1998	1997	2007
	¥ 78,554	¥131,578	¥159,056	¥115,068	¥113,268	¥128,946	¥124,487	**$ 842,120**
	58,036	85,694	98,112	78,960	78,173	87,766	85,988	**472,410**
	20,518	45,884	60,944	36,108	35,095	41,180	38,499	**369,710**
	31,267	38,298	37,110	30,832	31,910	34,262	28,813	**315,861**
	(10,749)	7,586	23,834	5,276	3,185	6,918	9,686	**53,849**
	(32,761)	2,567	9,635	399	(725)	5,144	3,065	**11,652**
	5,829	6,522	5,328	5,139	5,410	5,137	4,888	**30,485**
	2,868	9,677	8,308	5,320	6,944	7,615	5,484	**19,638**
	13,222	15,222	15,385	12,532	10,949	10,779	10,406	**119,163**
	¥144,131	¥198,780	¥207,544	¥170,601	¥170,127	¥168,288	¥160,141	**$1,188,881**
	—	—	—	—	—	—	—	**521,798**
	63,164	73,179	45,038	44,027	51,121	41,058	36,842	**449,090**

	Yen							U.S. dollars
	¥ (256.90)	¥ 20.10	¥ 75.70	¥ 3.15	¥ (5.73)	¥ 40.67	¥ 24.85	**$ 0.09**
	—	18.81	68.02	—	—	36.74	22.24	**0.08**
	—	9.00	12.00	4.50	9.00	9.00	9.00	**0.06**
	467.21	737.78	732.94	676.71	678.49	677.59	646.51	**4.09**

	% except where noted							
	(13.7)	5.8	15.0	4.6	2.8	5.4	6.9	**6.4**
	—	2.7	10.7	0.5	—	6.1	4.0	**2.2**
	(15,563)	(3,770)	11,146	(1,862)	(3,794)	—	—	**(11,830)**
	—	1.3	5.1	0.2	—	3.1	2.0	**0.9**
	—	6.5	23.8	4.7	3.1	6.5	6.1	**5.5**
	—	44.8	15.9	142.9	—	22.1	36.2	**64.9**
	—	1.2	1.6	0.7	1.3	1.4	1.5	**1.4**

Management's Discussion and Analysis

Changes in the Scope of Consolidation

During the fiscal year ended March 31, 2007, the Anritsu Group established two companies, Anritsu EMEA Ltd. in the United Kingdom and Anritsu Company S.A. de C.V. in Mexico, and added them to the scope of consolidation. The Anritsu Group also liquidated two companies, NetTest (Pty) Ltd. and NetTest (China) Co., Ltd. As a result, the Anritsu Group comprised 45 consolidated subsidiaries at the end of the fiscal year, unchanged from a year earlier.

Sales and Income

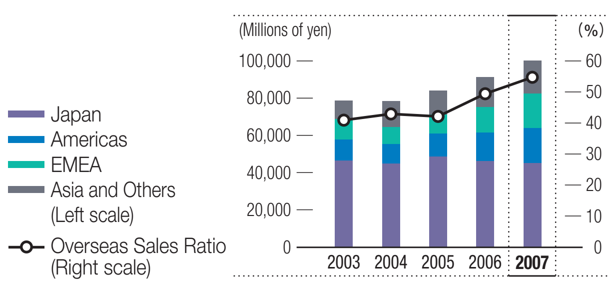
In the telecommunications and electronic equipment industries, competition in the market is increasing in terms of both function and price, but due to factors including an increase in exports and the effect of a weaker yen, sales were generally strong. In the Anritsu Group's core business field of measuring instruments for telecommunications, business opportunities are increasing overall, with a continuing trend toward worldwide expansion in mobile phone handset sales, base station installation and optical broadband access. In these conditions, the Anritsu Group formulated and is working aggressively to achieve its Mid-term Business Plan, Anritsu Global LP 2008, which ends on March 31, 2009.

As a result, net sales increased 9.0 percent compared with the previous fiscal year to ¥99,446 million. Sales increased substantially in the core Test and Measurement segment, centered on overseas operations. Sales also increased in the Services and Others segment. Operating income increased 39.8 percent compared with the previous fiscal year to ¥6,359 million. The Information and Communications segment returned to profitability after several years of operating losses, and operating income increased in the Services and Others segment. Net income increased a substantial 144.4 percent compared with the previous fiscal year to ¥1,376 million.

Net Sales

For the fiscal year ended March 31, 2007, net sales increased 9.0 percent, or ¥8,184 million, year-on-year to ¥99,446 million. Factors included a substantial increase of 11.9 percent in sales in the core Test and Measurement segment, centered on overseas sales, and the full-year contribution of consolidated subsidiary Anritsu A/S, which the Anritsu Group acquired in the previous fiscal year.

Net Sales by Region and Overseas Sales Ratio



Note: The former Europe segment has been changed to EMEA from the year ended March 31, 2007. In addition, Middle East and Africa, which had been part of the Asia and Others segment, are now included in the EMEA segment.

Overseas sales increased 20.6 percent compared with the previous fiscal year to ¥54,392 million. By region, sales in the Americas increased 23.4 percent compared with the previous fiscal year. Factors included substantial growth in orders in the Test and Measurement segment in the North American market for handheld measuring instruments for mobile base station installation and maintenance. In Europe, the Middle East and Africa (EMEA), sales increased 29.3 percent compared with the previous fiscal year due to factors including the inclusion of sales of Anritsu A/S. The ratio of overseas sales to net sales increased 5.3 percentage points year-on-year to 54.7 percent from 49.4 percent. Domestic sales decreased 2.4 percent compared with the previous fiscal year to ¥45,054 million due to factors including lower sales of measuring instruments for mobile communications as the third-generation investment cycle is coming to an end.

Cost of Sales and Gross Profit

Cost of sales increased 1.1 percent, or ¥582 million, compared with the previous fiscal year to ¥55,787 million. However, cost of sales decreased to 56.1 percent of net sales from 60.5 percent in the previous fiscal year as a result of the Anritsu Group's efforts to assiduously implement supply chain management (SCM) that continued from the previous fiscal year and programs to reduce expenses such as material costs and fixed costs. Gross profit increased 21.1 percent compared with the previous fiscal year to ¥43,659 million, and the ratio of gross profit to net sales increased 4.4 percentage points to 43.9 percent.

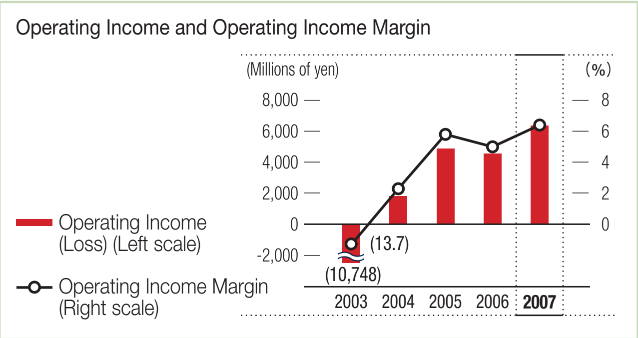
Selling, General and Administrative (SG&A) Expenses and Operating Income

SG&A expenses increased 18.4 percent compared to the previous fiscal year to ¥37,300 million. Factors included increased expenses to enhance the Anritsu Group's overseas sales organization and expand sales, as well as the inclusion of full-year personnel and research and development expenses at subsidiary Anritsu A/S. Research and development expenses, which are included in cost of sales and SG&A expenses, increased 12.5 percent compared with the previous fiscal year to ¥14,072 million. The ratio of research and development expenses to net sales increased 0.5 percentage points to 14.2 percent.

Operating income increased 39.8 percent, or ¥1,810 million, year-on-year to ¥6,359 million. Factors included the return to profitability in the Information and Communications segment after several years of operating losses, and increased operating income in the Services and Others segment. The ratio of operating income to net sales increased 1.4 percentage points to 6.4 percent.

SG&A Expenses (Millions of yen)

	2007	2006	Change (%)
Salaries and Bonuses	**¥13,216**	¥11,441	**15.5%**
Advertising	**1,800**	1,844	**(2.4)**
Pensions	**775**	782	**(1.1)**
Travel and Transportation	**2,038**	1,752	**16.3**
Depreciation	**863**	626	**37.9**
Testing Research	**7,277**	5,603	**29.9**



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

Other expenses, net totaled ¥3,258 million, compared to ¥2,521 million for the previous fiscal year. Factors included foreign exchange loss totaling ¥465 million, compared to a foreign exchange gain of ¥551 million for the previous fiscal year. Loss on devaluation of inventories, however, decreased ¥454 million compared with the previous fiscal year. Gain on sales of investment securities totaled ¥1 million, compared to ¥1,648 million for the previous fiscal year. The Anritsu Group also incurred a special allowance for retirement totaling ¥332 million as a result of integrating U.S. production operations into facilities in Japan and restructuring at Anritsu A/S. Moreover, loss on disposal of inventories totaled ¥542 million, compared to ¥55 million for the previous fiscal year. Restructuring expense totaling ¥1,032 million in the previous fiscal year for restructuring the Information and Communications segment did not recur.

As a result of the above, income before income taxes increased 53.0 percent, or ¥1,073 million, year-on-year to ¥3,101 million. Net income increased 144.4 percent, or ¥813 million, year-on-year to ¥1,376 million. Basic net income per share increased to ¥10.79 from ¥3.76 for the previous fiscal year.

Costs, Expenses and Income as a Percentage of Net Sales (%)

	2007	2006	2005
Net Sales	**100.0%**	100.0%	100.0%
Cost of Sales	**56.1**	60.5	63.9
Gross Profit	**43.9**	39.5	36.1
SG&A Expenses	**37.5**	34.5	30.4
Operating Income	**6.4**	5.0	5.8
R&D Expenses	**14.2**	13.7	12.5
Net Income	**1.4**	0.6	1.5

Shareholder Return Policies

Dividend Policy

Distributing returns to shareholders is one of Anritsu's management priorities. Based on consolidated net income, Anritsu distributes profits taking into account various factors, including the operating environment, the outlook for the coming fiscal year and the ratio of dividends to consolidated net assets.

Cash Dividends per Share

Based on the above policy, Anritsu maintained cash dividends at ¥7.00 per share for the fiscal year ended March 31, 2007, unchanged from the previous fiscal year. The Anritsu Group will use internal capital resources to make capital investments and conduct research and development to respond to rapid advances in technology and changes in market structure.

Business Segments

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

Test and Measurement

During the year ended March 31, 2007, sales grew significantly in all regions due to factors including large-scale orders in the U.S. market for handheld measuring instruments for use in the installation and maintenance of base stations for mobile communications. Overseas, demand remained firm for measuring instruments for use in third-generation mobile communications services (3G) and 3.5G development, while in Japan demand began to show a recovery in the latter half of the fourth quarter.

Orders for newly launched measuring instruments for ultra-high-speed communications also expanded steadily. Moreover, making Anritsu A/S (formerly NetTest) a subsidiary upon its purchase in August 2005 increased revenue on a year-on-year basis with its inclusion in the scope of consolidation. As a result of these and other factors, segment sales increased 11.9 percent compared with the previous fiscal year to ¥72,883 million. Despite increased income from growth in sales of handheld measuring instruments and other products, a decrease in profits due to a delay in orders of the Service Assurance sub-segment resulted in a 10.8 percent decrease in operating income compared with the previous fiscal year to ¥4,718 million.

The Test and Measurement segment, which accounts for approximately 70 percent of the Anritsu Group's net sales, is divided into the following four sub-segments.

1) Wireless Test and Measurement

Wireless Test and Measurement includes measuring instruments for design, production, testing, and maintenance applications for telecom operators that provide mobile communications services and manufacturers of mobile phones, IC chipsets and other related electronic components and base stations.

Demand in this field tends to be influenced by technological innovations in mobile phone services, the degree of diffusion, and the number of new subscribers, new mobile phone models and mobile phones shipped, as well as network improvement plans including the installation of base stations. Among communications protocols, requirements for measuring instruments used to develop 3.5G mobile phones is expected to continue increasing. In Japan, 3G service development and investments in production have already peaked, but demand for a wide variety of wireless devices including Bluetooth® and WLAN is expected to rise. In Europe, the number of 3G service subscribers has begun to increase, and demand expanded for conformance testing, which is required to certify interconnection capability. In China, home of the largest number of subscribers in the world and the largest global production source for mobile phones, full-scale trials for commercialization have begun for the original TD-SCDMA standard, but price competition is intensifying. Throughout the world, demand expanded significantly for compact measuring instruments for base station installation and maintenance, a strong product area for Anritsu. However, investment trends for operators in the next fiscal year are uncertain.

Faced with these regional differences in investment trends and service development, Anritsu will continue making efficient investments in development to offer a broader lineup of products that accurately reflect changes in market and customer demands.

2) Optical, Digital and IP Test and Measurement

Optical, Digital and IP Test and Measurement includes measuring instruments for design, production, testing, maintenance and service quality assurance for applications of wireline network service providers and communications equipment manufacturers.

With the start of full-scale trials of next-generation networks (NGN) by major telecom operators in Japan, the United States and Europe, Anritsu was able to secure orders from large communications equipment vendors for measuring instruments for 40Gbit/s and other ultra-high-speed communications. In the future, Anritsu anticipates the production of devices for installing commercial networks and the establishment of a market for network maintenance.

Around the world, installation of fiber-optic cable is progressing for the shift to broadband by subscriber networks. The Anritsu Group's lineup of measuring instruments for construction and maintenance of optical digital network holds the top share of the global market, and plans to further expand this business in the future include launching new products developed jointly by business divisions in Japan and a team in the United States (from the former NetTest A/S Group).

3) General Purpose Test and Measurement

General Purpose Test and Measurement includes measuring instruments widely used in the electronics industry, particularly for design, production and evaluation of electronic devices used in telecommunications network-related communications equipment and other electronic equipment.

Sales in this sub-segment are strong in Japan as a result of expansion of electronic component production due to the spread of OneSeg broadcasting and advances in intelligent home appliances. Sales of handheld measuring instruments incorporating compact, high-density packaging and energy-saving technologies, an Anritsu strength, are also growing steadily around the world, including the United States.

The market for general purpose measuring instruments is expected to grow steadily in the future due to the increasing use of electronic components in automobiles as well as communications and advances in intelligent home appliances. Accordingly, Anritsu will work to further expand the business in this sub-segment by enhancing its lineup of network analyzers and spectrum analyzers.

4) Service Assurance

Based on a core of protocol analysis technologies for VoIP and mobile communications, the Service Assurance sub-segment provides major telecom operators and other customers in Europe and North America with solutions that improve network performance and service and enhance management and operating cost efficiency.

In the telecommunications service market, subscriber services such as triple play are becoming more diverse. At the same time, networks that formerly offered separate services are converging at an escalating rate. With the IP-based integration of wireline and wireless communication networks for the NGN era, service assurance to maintain and manage service quality has become a key issue for all telecom operators.

This sub-segment was added to the Anritsu Group as a result of the August 2005 acquisition and addition of the former NetTest A/S (now Anritsu A/S). In the year ended March 31, 2007, Anritsu worked to reinforce functions that satisfy customer demands and improve project management, based on a Tier 1 strategy targeting major telecom operators in each region. However, development and orders have been slower than expected, and the Anritsu Group is working to generate earnings from its initial investment.

In the year ending March 31, 2008, Anritsu intends to work for early achievement of operating profitability in this sub-segment by promoting its Tier 1 strategy, enhancing the competitiveness of MasterClaw network monitoring solutions, a core product line, and implementing management structure reforms including business process revisions and streamlining.

Information and Communications

In the year ended March 31, 2007, sales of the former business segment declined as a result of its divesture as a separate company and progress in selecting and concentrating businesses, including liquidation of unprofitable businesses. However, sales of new network bandwidth control equipment grew steadily as cooperation with system integrators and other factors increased market penetration. As a result, overall segment sales declined 17.0 percent to ¥6,011 million. Operating income was ¥146 million, compared to an operating loss of ¥1,972 million for the previous fiscal year. This return to profitability was the result of factors including reduction of fixed costs and other expenses due to streamlining.

The Information and Communications segment accounts for 6 percent of the Anritsu Group's net sales. It is easily influenced by the budgets of the national and local governments because a high proportion of its sales are for delivery to the government market. In addition, because they occur in synch with budget implementation periods, approximately 50 percent of sales tend to be concentrated in the fourth quarter.

In the government market, although overall spending for public works is declining, the amount spent for disaster prevention and IP infrastructure development is increasing and demand for public information systems is rising. In the video distribution market, demand has increased for bandwidth control equipment for maintaining Quality of Service (QoS). In the year ended March 31, 2007, the Information and Communications segment accurately responded to these business opportunities. Anritsu has successfully rebuilt the business, which had been unprofitable for many years. It achieved operating profitability as planned at the start of the fiscal year through divestiture and reestablishment as a separate company and the implementation of business selection and concentration.

Looking forward, the Anritsu Group will fortify its profit structure by providing high-quality solutions based on its IP network technologies, an area of strength, while promoting its model of business cooperation with system integrators.

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

Industrial Automation

Orders were weak in the first half as a result of constraints on capital investment in inspection equipment in the food products industry due to increased packaging and distribution costs caused by the rise in crude oil prices. However, due to the effect of subsequent investment in X-ray inspection equipment with significantly enhanced functions compared with existing systems, increased inclination among food manufacturers to make capital investments, growth in imports and other factors, sales were ¥12,295 million, a slight increase of 0.8 percent compared with the previous fiscal year. However, as a result of a worsening product cost ratio caused by the high price of metals used as raw materials, operating income decreased 22.7 percent compared with the previous fiscal year to ¥608 million.

The Industrial Automation business accounts for 12 percent of the Anritsu Group's net sales. Since more than 80 percent of segment sales are made to food manufacturers, this segment is influenced by the effect that the economic growth rate and changes in consumer spending levels have on food manufacturers. Its core products, metal detectors and X-ray inspection systems, have achieved the leading share in the market for inspection systems due to their high speed and high precision in detecting metal fragments and other alien materials in the food processing process. Promoting investment aimed at expanding market share in Asia, the United States and Europe resulted in an increase in the overseas sales ratio to about 25 percent.

Inquiries about the Anritsu Group's quality control inspection systems have been increasing because of food safety and security incidents in Japan and overseas. At the same time, Anritsu is working to strengthen the price competitiveness of this business segment by sharing and standardizing basic units and reducing costs to deal with intensifying competition caused by rising metal raw material costs, new market entrants and other factors.

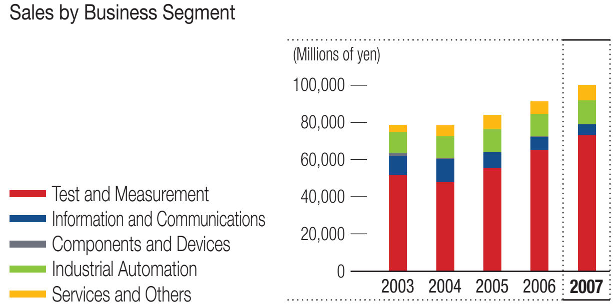
The Industrial Automation business is conducted as Anritsu Industrial Solutions Co., Ltd., a wholly owned subsidiary of the Company.

Services and Others

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

In the year ended March 31, 2007, sales increased 23.0 percent compared with the previous fiscal year to ¥8,257 million and operating income increased 47.3 percent year-on-year to ¥2,634 million, due to stronger year-on-year performance of the devices business, including devices for optical communications equipment, as well as the solid performance of sensors used in manufacturing devices for flat panel displays and 3D solder paste inspectors in the precision measuring instruments business, supported by increased capital investment in the intelligent home appliance industry.

Sales by Business Segment



Note: From the year ended March 31, 2005, "Components and Devices" is included as part of "Services and Others."

Geographical Segments

Japan

In the domestic test and measurement business, base station installation and maintenance resulting from the implementation of phone number portability generated demand for measuring instruments for mobile communications. However, overall sales were flat because investment in 3G neared the end of its cycle and investment in 3.5G was not as strong as expected. Overseas demand was robust, centered on measuring instruments used for development of 3.5 G (HSDPA and HSUPA). Moreover, construction of the infrastructure for NGN has begun, which supported a steady increase in sales of measuring instruments for core networks and fiber-optic networks, including measuring instruments for testing devices and equipment and for use in the field. In the information and communications business, competition continued to intensify in the government market for public information systems. However, the Anritsu Group has improved earnings in the government market by restructuring this business, which along with strong product sales to the private sector has resulted in a return to profitability in this business. In the services and others business, the other devices and precision measurement businesses essentially performed according to plan.

As a result, sales in Japan decreased 0.9 percent year-on-year to ¥49,903 million, and operating income increased 39.4 percent year-on-year to ¥5,163 million.

Americas

Sales in the Test and Measurement segment increased significantly due to factors including large orders in the North American market for handheld measuring instruments for installation and maintenance of base stations for mobile communications. Demand in Asia and other regions supported steady growth in sales of handheld measuring instruments used for installation and maintenance of wireless infrastructure such as base stations. Moreover, government demand for general purpose measuring instruments was strong in North America, and sales of measuring instruments for wireless applications such as Bluetooth® and wireless local area networks (LAN) were solid.

As a result, sales in the Americas increased 19.4 percent year-on-year to ¥20,646 million, and operating income increased 86.2 percent year-on-year to ¥4,073 million.

Europe

In the Test and Measurement segment, demand was firm for measuring instruments used for conformance test systems for 3G handsets and for 3.5G development. The Anritsu Group entered the service assurance business in the second half of the previous fiscal year, but is not yet generating earnings because of proactive investments to further strengthen the operating foundation of this business in addition to delays in process integration and in orders from the target customer group of major telecom operators. As a result, while sales in Europe increased 26.7 percent year-on-year to ¥17,839 million, operating loss increased substantially to ¥3,005 million from ¥2,001 million for the previous fiscal year.

Asia and Others

In the Test and Measurement segment, demand recovered for measuring instruments for mobile communications used in mass-production of second-generation (2G) handsets and of 3G handsets for the European and North American markets. Demand remained solid for handheld measuring instruments for construction and maintenance of wireless infrastructure such as base stations. Moreover, demand was firm for measuring instruments used in the construction and maintenance of fiber-optic networks. In the industrial automation business, demand was strong in Southeast Asia for specialized checkweighers.

As a result, sales increased 16.1 percent year-on-year to ¥11,058 million, and operating income increased 32.3 percent year-on-year to ¥574 million.

Liquidity and Financial Condition

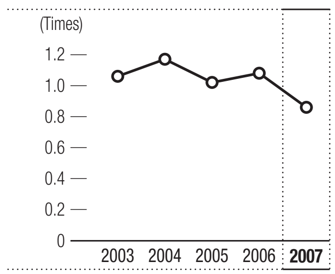
Fund Procurement and Liquidity Management

The Anritsu Group's capital requirements consist primarily of working capital for purchases of materials and other operating expenses incurred in manufacturing and selling products, and funds for capital investment and research and development expenditures. Anritsu supplements internal capital resources by directly and indirectly procuring funds from external sources to secure sufficient liquidity. Moreover, in March 2005 the Anritsu Group secured stable financing by establishing a committed ¥15,000 million line of credit effective until March 2008. Looking forward, while preparing for unforeseeable financial conditions in a dramatically changing market environment in Japan and overseas, the Anritsu Group will swiftly and flexibly meet its capital requirements for working capital, regular repayment of long-term borrowings and business growth.

In the year ended March 31, 2007, Anritsu proactively reduced interest-bearing debt amid rising market rates in Japan and overseas. As a result, the balance of interest-bearing debt decreased ¥12,556 million from a year earlier to ¥53,033 million. The net debt-to-equity ratio[7] was 0.54 times, compared with 0.57 times at the previous fiscal year-end. The debt-to-equity ratio[8] was 0.86 times, compared with 1.08 times at the previous fiscal year-end. The Company will use increased cash flow generated by improvements in Anritsu Capital-cost Evaluation (ACE)[9] and asset turnover as well as enhanced capital efficiency resulting from measures including an internal Group cash management system to make further reductions in interest-bearing debt, improve the net debt-to-equity ratio, enhance net assets and fortify its financial structure. At the end of March 2007, Rating and Investment Information, Inc. rated Anritsu's short-term debt a-2, and its long-term debt BBB. The Company's long-term rating was lowered from A- to BBB in December 2002, but this has not had any material effect on fund procurement. To restore its A- rating, Anritsu will continue taking measures to improve its financial stability.

(Note 7): Net debt-to-equity ratio: (Interest-bearing debt – Cash and cash equivalents)/Net assets
(Note 8): Debt-to-equity ratio: Interest-bearing debt/Net assets
(Note 9): Anritsu Capital-cost Evaluation (ACE): Net operating income after tax less a charge for the cost of capital

Debt-to-Equity Ratio



Cash Flow

Cash and cash equivalents as of March 31, 2007 decreased ¥10,923 million from the end of the previous fiscal year to ¥19,947 million. Main factors included a decrease in interest-bearing debt due to the redemption at maturity of convertible bonds.

Free cash flow, the sum of cash flows from operating activities and cash flows from investing activities, was positive ¥2,908 million, compared with negative ¥5,016 million in the previous fiscal year.

Net cash provided by operating activities totaled ¥2,488 million, compared with ¥5,929 million in the previous fiscal year. Main factors were increases in orders and sales and an increase in inventories associated with the launch of new products. In addition, income taxes payable increased as a result of the strong performance of U.S. subsidiaries. Depreciation and amortization was ¥3,670 million, an increase of ¥40 million compared with the previous fiscal year.

Net cash provided by investing activities was ¥420 million. In the previous fiscal year, investing activities used net cash of ¥10,945 million. This year-on-year change primarily reflected the absence of payments for acquisition of newly consolidated subsidiaries in the previous fiscal year in connection with the acquisition of Anritsu A/S. Acquisition of property, plant and equipment totaled ¥2,219 million, a decrease of ¥229 million compared with the previous fiscal year.

Net cash used in financing activities was ¥13,975 million. In the previous fiscal year, financing activities provided net cash of ¥1,761 million. This was mainly the result of the redemption at maturity of the fourth series of unsecured convertible bonds totaling ¥14,793 million and progress by overseas subsidiaries in repaying borrowings from local banks. Factors providing cash included the procurement of ¥7,000 million through long-term borrowings to prepare for the repayment of a syndicated loan that matured in April 2007.

Assets, Liabilities and Net Assets

As of March 31, 2007, total assets decreased 7.9 percent, or ¥11,964 million, from a year earlier to ¥140,395 million. Current assets decreased 11.1 percent, or ¥10,666 million, from a year earlier to ¥85,392 million. Primary factors included a decrease of ¥5,224 million in cash and a decrease of ¥6,604 million in marketable securities.

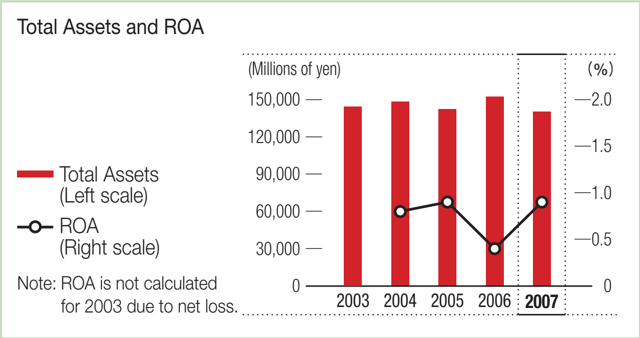
The inventory turnover ratio improved to 3.9 times from 3.7 times for the previous fiscal year. One of the Anritsu Group's objectives is to increase the inventory turnover ratio to 5.0 times.

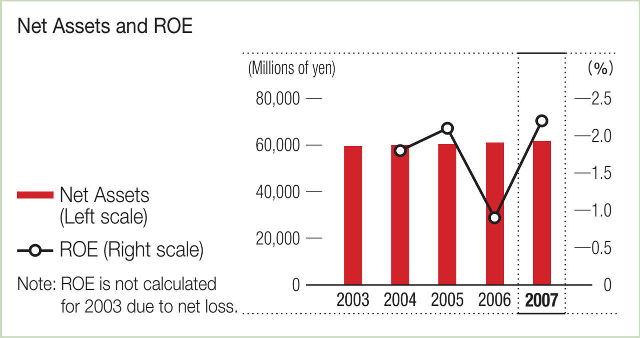
Property, plant and equipment net of accumulated depreciation decreased 4.1 percent, or ¥1,008 million, from a year earlier to ¥23,459 million. Investments and other assets were essentially unchanged.

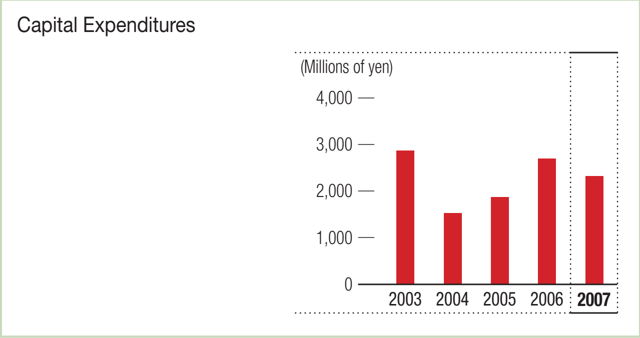
As of March 31, 2007, total liabilities decreased 13.8 percent, or ¥12,643 million, from a year earlier to ¥78,776 million. Current liabilities increased ¥3,110 million from a year earlier to ¥51,086 million. Short-term borrowings decreased 17.6 percent from a year earlier to ¥6,582 million, and long-term debt due within one year decreased 59.8 percent from a year earlier to ¥7,000 million. The current portion of bonds totaled ¥15,000 million, and was the primary factor in the increase in current liabilities from a year earlier. The current ratio was 167.2 percent, compared to 200.2 percent a year earlier.

Long-term debt decreased ¥15,756 million from a year earlier to ¥24,451 million as ¥15,000 million in bonds pending repayment shifted from long-term debt to long-term debt due within one year. Total interest-bearing debt decreased ¥12,556 million from a year earlier to ¥53,033 million. Working capital totaled ¥34,306 million as of March 31, 2007, compared to ¥48,082 million a year earlier.

Net assets increased ¥679 million from a year earlier to ¥61,619 million. The ratio of net assets to total assets was 43.9 percent, compared to 40.0 percent a year earlier.







Capital Expenditures

For the fiscal year ended March 31, 2007, capital expenditures decreased 14.1 percent compared with the previous fiscal year to ¥2,319 million. The Anritsu Group is concentrating resources in fields related to the ongoing evolution of communication network quality and high performance, including expansion of triple play services, the integration of wireline and wireless communication networks, and the development of next-generation networks. During the year ended March 31, 2007, the Anritsu Group concentrated capital expenditures in the core Test and Measurement segment with the primary objectives of enhancing its research and development environment and improving its business processes to support its strategies for profitable growth.

Overview of Capital Expenditures (Millions of yen)

	2007	Change (%)
Test and Measurement	¥1,700	(10.0)%
Information and Communications	118	(51.0)
Industrial Automation	167	16.0
Services and Others	279	(28.1)
Sub-total	2,264	(15.0)
Eliminations or corporate	55	48.6
Total	¥2,319	(14.1)%

Research and Development

The Anritsu Group conducts research and development under the Group corporate philosophy of developing “Original & High Level” products that contribute to the realization of an affluent ubiquitous network society. The Anritsu Group is promoting new product research and development with a focus on leading-edge technology fields including IP networks and mobile communication systems.

An overview of research and development expenditures in the year ended March 31, 2007 follows below.

(Millions of yen)

	2007	Ratio to Segment Sales (%)
Test and Measurement	¥10,574	14.5%
Information and Communications	204	3.4
Industrial Automation	1,057	8.6
Services and Others	398	4.8
Basic Research	1,839	—
Total	¥14,072	14.2%

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

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

1. Test and Measurement

1) Enhanced Functions for the MD1230B Data Quality Analyzer: Development of the MU120131A & MU120132A

The volume of data that networks handle has increased dramatically with the spread of high-speed Internet and rich content encompassing video and voice data. Communication infrastructure systems such as fiber-to-the-home (FTTH) are changing from broadband passive optical network (B-PON) systems that employ 10/100Mbit/s Ethernet to Ethernet passive optical network (E-PON) systems for 1Gbit/s Ethernet. Anritsu has developed new modules for the MD1230B data quality analyzer and is delivering more efficient E-PON evaluation solutions and low-cost multiport equipment test solutions.

2) Development of the MT9082A & MT9083A Access Master

Anritsu has been providing compact, multifunctional Access Master products to handle fiber-optic-cable installation and maintenance needs brought on by the full-scale advent of FTTH. Anritsu has developed and launched the MT9082A to meet market needs for enhanced functionality, and the MT9083A, which meets North American operability requirements.

3) Development of the Mobile WiMAX IQproducer Software for the MG3700A Vector Signal Generator

Anritsu has developed MX370105A Mobile WiMAX IQproducer PC software for use with the MG3700A vector signal generator. It allows parameters to be set to generate wave form patterns that conform with the specifications for Mobile WiMAX, a next-generation communication protocol now gaining attention. This software offers superb flexibility in allocating Mobile WiMAX resources and is easy to operate. Moreover, it contributes to improved development efficiency because it also enables multiple input, multiple output (MIMO) wave form pattern generation for evaluating MIMO downlink signal reception (base station to handset signal transmission).

2. Information and Communications
Development of Monitoring Manager and Config Manager for PureFlow® GS1

The PureFlow® GS1 series of traffic shapers is an original Anritsu lineup of bandwidth controllers featuring a high-precision bandwidth control engine and a flexible packet grouping function. The demand for the PureFlow® GS1 series has increased primarily in the enterprise market among companies in businesses including finance, manufacturing and logistics, driven by the recent shift to broadband and more sophisticated network use. Amid this rising demand, the use of PureFlow® GS1 to control bandwidth at a single center is evolving into its use as a bandwidth controller at all bases throughout the network. Anritsu has responded by developing Monitoring Manager and Config Manager for PureFlow® GS1 as integrated trend analysis and management solutions.

3. Industrial Automation
Development of Large-scale Metal Detector

Concern about food safety has increased, and quality control is becoming even more stringent in food production processes. The scope of application of alien material inspection has therefore expanded from post-packaging shipping processes to encompass raw material processing. The of large-scale metal detectors offers a significantly higher level of metal detection sensitivity by using Anritsu's original simultaneous dual-frequency magnetic field detection method and. Offering easy on-site operation and a full lineup of enhanced support functions, the Super Mepoli III DUW series contributes to improved quality inspection during raw material processing.

Management Objectives and Indicators

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

During the year ended March 31, 2007, Anritsu deployed capital in areas such as new product development related to NGN, including service assurance. Consolidated ACE was negative ¥1,397 million, compared to negative ¥3,121 million for the previous fiscal year. Consolidated ROE was 2.2 percent, compared to 0.9 percent for the previous fiscal year. Consolidated free cash flow was ¥2,908 million, compared to negative ¥5,016 million for the previous fiscal year.

By the year ending March 31, 2009, Anritsu aims to be a high earnings-oriented company, with consolidated ACE of ¥5 billion and a consolidated operating margin of 10 percent or higher.

Outlook and Management Issues for the Year Ending March 31, 2008

In the fiscal year ending March 31, 2008, the global economy is expected to remain firm, but matters such as the instability indicated by the interlinked worldwide drop in stock prices, slowing growth of corporate profits in the United States and worsening business confidence in Japan will require attention. While dealing with these conditions, the Anritsu Group will deploy its next set of measures toward achieving the Mid-Term Business Plan.

In the Test and Measurement segment, Anritsu will actively invest in research and development and reorganize businesses in anticipation of the integration of wireline and wireless networks with the advent of the NGN era. Toward that end, Anritsu will work to generate synergy between the Service Assurance sub-segment and other sub-segments in the Test and Measurement segment while reforming the management structure to improve profitability. In sales, Anritsu will continue its efforts from the previous fiscal year to expand sales channels and introduce a new system for back-office functions. In addition, Anritsu will work to get closer to customers by sharing development road maps with key customers in order to promote the launch of new products that match market needs.

In the Information and Communications segment, Anritsu will aggressively cultivate private-sector markets by boosting the competitiveness of its IP network solutions and strengthening relationships with system integrators. In addition, it will work to fortify its management foundation.

In the Industrial Automation segment, Anritsu aims to expand by promoting a product strategy of higher added value and differentiation while aggressively expanding into overseas markets.

Steady implementation of these strategies requires appropriately managing and reducing risks and transforming them from impediments into a source of competitive advantage. For this reason, Anritsu will strive to achieve its management targets by making ongoing improvements to the risk management system that incorporate upgrades to the internal control system, which the Anritsu Group is currently devoted to promoting.

The Anritsu Group believes that honest business practices enhance corporate value, and will continue to actively conduct corporate social responsibility (CSR) activities. Anritsu intends to go beyond what it considers to be its primary CSR activity – contributing to the realization of a safe, secure, and comfortable society through its products and services – to review the activities of the entire Group in all areas of corporate social responsibility, including compliance, corporate governance, the environment, human rights and risk management. Doing so will lead to further improvement of the Group's management infrastructure.

Based on the above, as of April 25, 2007, for the year ending March 31, 2008 Anritsu projects that net sales will increase 4.1 percent year-on-year to ¥103,500 million, operating income will increase 10.1 percent year-on-year to ¥7,000 million, and net income will increase 81.7 percent year-on-year to ¥2,500 million.

Risk Information

The following are among the operational and management issues presented in this annual report that have the potential to materially affect investor decisions. Forward-looking statements reflect the Anritsu Group's judgment as of March 31, 2007.

Risk Associated with the Anritsu Group's Technology and Marketing Strategy

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

Amid advances in mobile phone and internet protocol (IP) technologies, an especially important point is the ability to provide customers with timely solutions based on an accurate understanding of trends in service and research and development investment for triple play services incorporating voice, video and Internet, as well as Fixed Mobile Convergence (FMC) and NGN.

Market Fluctuation Risk

External factors including changes in economic and market conditions and technological innovation have the potential to exert a material impact on the Anritsu Group's product lines and performance.

In the Test and Measurement segment, economic conditions and consumption trends in countries worldwide influence changes in capital investment among telecom operators, telecommunications equipment manufacturers and electronic component manufacturers. In addition, the increasing sophistication and complexity of telecommunications services represented by triple play services, FMC and NGN are accelerating integration and reorganization in the telecommunications industry, which is lending uncertainty to investment trends. Moreover, demand for mobile communications measuring instruments, the cornerstone of earnings for the Anritsu Group, is affected by such factors as the number of subscribers, rate of adoption of and technological innovation in mobile phone services, and earnings are also affected by the Company's response to factors such as changes in the food chain, as seen in areas such as System on Chip for mobile phones, and intensified price competition for measuring instruments for commercial scale production of mobile phones.

The Information and Communications segment has a high proportion of sales to government entities, and the scale and status of implementation of government and municipal budgets for disaster prevention and IP networks may exert a material impact on its performance.

In the Industrial Automation business, sales to food manufacturers constitute 80 percent of sales. Economic growth rates, consumer spending and raw material price trends have the potential to impact performance, capital investment and other issues among food manufacturers and materially influence Anritsu's results.

Global Business Development Risks

The Anritsu Group markets its products globally, and conducts business in the Americas, Europe, Asia and elsewhere. In particular, the overseas sales ratio for the Test and Measurement segment is 68 percent, and many customers likewise operate on a global scale. As a result, economic trends in countries worldwide, international conditions and progress in the Anritsu Group's global strategy have the potential to exert a material impact on earnings. Of particular importance is the expected increase in mergers and acquisitions among operators and telecommunications equipment manufacturers doing business globally amid the worldwide acceleration of the integration of information and communications and of FMC. Significant changes in capital investment resulting from this trend have the potential to exert a material impact on the Anritsu Group's operating results.

Foreign Exchange Risk

The Anritsu Group's sales outside Japan account for 54.7 percent of consolidated net sales. The Anritsu Group hedges foreign exchange risk using instruments including forward foreign exchange contracts for foreign currency transactions that occur upon collection of accounts receivable and other events. However, rapid changes in foreign exchange rates have the potential to exert a material impact on the Anritsu Group's performance.

Long-term Inventory Obsolescence Risk

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

Risk of Loss from Goodwill

As of March 31, 2007, the Anritsu Group recorded ¥14,651 million in goodwill resulting from the acquisition of an overseas company for the purpose of expanding the territory of the Test and Measurement segment. The impact on earnings of the Test and Measurement segment from changes in the global economy and markets, intensifying competition and other factors has the potential to cause the Group to recognize a loss from goodwill.

Consolidated Balance Sheets

ANRITSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
ASSETS			
Current assets:			
Cash	**¥ 18,948**	¥ 24,172	**$ 160,454**
Marketable securities (Note 4)	**999**	7,603	**8,460**
Notes and accounts receivable — trade	**28,113**	28,813	**238,064**
Allowance for doubtful accounts	**(488)**	(516)	**(4,132)**
Inventories (Note 5)	**26,600**	24,467	**225,252**
Deferred tax assets (Note 8)	**9,324**	8,750	**78,955**
Other current assets	**1,896**	2,769	**16,056**
Total current assets	**85,392**	96,058	**723,109**
Property, plant and equipment:			
Land	**4,558**	4,553	**38,598**
Buildings and structures	**44,924**	44,686	**380,422**
Machinery and equipment	**30,497**	31,538	**258,252**
Construction in progress	**34**	—	**288**
	80,013	80,777	**677,560**
Accumulated depreciation	**(56,554)**	(56,310)	**(478,906)**
Net property, plant and equipment	**23,459**	24,467	**198,654**
Investments and other assets:			
Investment securities (Note 4)	**2,285**	2,560	**19,350**
Goodwill, net of amortization	**14,651**	15,245	**124,066**
Long-term prepaid expense	**7,490**	7,581	**63,426**
Deferred tax assets (Note 8)	**1,703**	1,386	**14,421**
Other assets	**5,444**	5,135	**46,100**
Allowance for doubtful accounts	**(29)**	(73)	**(245)**
Total investments and other assets	**31,544**	31,834	**267,118**
Total assets	**¥140,395**	¥152,359	**$1,188,881**

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term borrowings (Note 6)	**¥ 6,582**	¥ 7,990	**$ 55,737**
Long-term debt due within one year (Note 6)	**7,000**	17,393	**59,277**
Notes and accounts payable — trade	**7,477**	9,341	**63,316**
Current portion of bonds	**15,000**	—	**127,022**
Accrued liabilities	**6,199**	6,143	**52,494**
Accrued expenses	**2,401**	2,470	**20,332**
Income taxes payable	**1,275**	391	**10,797**
Other current liabilities	**5,152**	4,248	**43,627**
Total current liabilities	**51,086**	47,976	**432,602**
Long-term liabilities:			
Long-term debt (Note 6)	**24,451**	40,207	**207,054**
Employees' severance and retirement benefits (Note 11)	**1,741**	1,765	**14,743**
Severance and retirement benefits for directors and corporate auditors	**81**	90	**686**
Accrued bonuses	**48**	36	**406**
Deferred tax liabilities (Note 8)	**755**	694	**6,393**
Other long-term liabilities	**614**	651	**5,199**
Total long-term liabilities	**27,690**	43,443	**234,481**
Commitments and contingent liabilities (Note 13)			
Net assets (Note 12)**:**			
Common stock, no par value			
Authorized — 400,000,000 shares			
Issued — 128,037,848 shares in 2007 and 2006	**14,050**	14,050	**118,977**
Additional paid-in capital	**23,000**	23,000	**194,767**
Retained earnings	**27,117**	26,654	**229,630**
Treasury stock, at cost	**(825)**	(805)	**(6,986)**
Net unrealized holding gains on securities	**706**	708	**5,978**
Deferred gain or loss on hedged transactions	**(1)**	(31)	**(8)**
Foreign currency translation adjustments	**(2,442)**	(2,636)	**(20,679)**
Reservation rights on common stock	**14**	—	**119**
Total net assets	**61,619**	60,940	**521,798**
Total liabilities and net assets	**¥140,395**	¥152,359	**$1,188,881**

Consolidated Statements of Income

ANRITSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2007, 2006 and 2005

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2007	2006	2005	2007
Net sales (Note 15)	**¥99,446**	¥91,262	¥84,040	**$842,120**
Cost of sales (Note 15)	**55,787**	55,205	53,666	**472,410**
Gross profit	**43,659**	36,057	30,374	**369,710**
Selling, general and administrative expenses (Note 15)	**37,300**	31,508	25,512	**315,861**
Operating income (Note 15)	**6,359**	4,549	4,862	**53,849**
Other income (expenses):				
Interest and dividends income	**434**	104	86	**3,675**
Interest expenses	**(1,235)**	(980)	(939)	**(10,458)**
Foreign exchange gain (loss)	**(465)**	551	(88)	**(3,938)**
Amortization of bond issue costs	**—**	(16)	(16)	**—**
Gain on liquidation of subsidiary	**167**	—	—	**1,414**
Gain on expiration of warrants	**160**	—	—	**1,355**
Gain on sales of investment securities	**1**	1,648	2	**8**
Loss on disposal of inventories	**(542)**	(55)	(295)	**(4,590)**
Loss on devaluation of inventories	**(1,112)**	(1,566)	(1,184)	**(9,417)**
Loss on disposal of fixed assets	**(122)**	(159)	(101)	**(1,033)**
Gain on sales of property, plant and equipment	**199**	154	548	**1,685**
Loss on disposal of software	**—**	—	(356)	**—**
Loss on devaluation of investment securities	**(40)**	(332)	(159)	**(339)**
Special premium payment on the separation from pension fund	**—**	(44)	—	**—**
Restructuring expense	**—**	(1,023)	—	**—**
Special allowance for retirement	**(332)**	—	—	**(2,810)**
Other, net	**(371)**	(803)	(282)	**(3,141)**
	(3,258)	(2,521)	(2,784)	**(27,589)**
Income before income taxes	**3,101**	2,028	2,078	**26,260**
Provision for income taxes (Note 8):				
Current	**2,216**	1,343	691	**18,765**
Deferred	**(491)**	122	107	**(4,157)**
	1,376	563	1,280	**11,652**
Minority interests	**—**	—	0	**—**
Net income	**¥ 1,376**	¥ 563	¥ 1,280	**$ 11,652**

	Yen			U.S. dollars (Note 1)
	2007	2006	2005	2007
Amount per share of common stock:				
Net income:				
Basic	**¥10.79**	¥3.76	¥9.31	**$0.09**
Diluted	**9.72**	3.39	8.22	**0.08**
Cash dividends applicable to the year	**7.00**	7.00	7.00	**0.06**

Consolidated Statements of Changes in Net Assets

ANRITSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2007, 2006 and 2005

		Millions of yen								
	Number of shares issued	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Net unrealized holding gains (losses) on securities	Deferred gain or loss on hedged transactions	Foreign currency translation adjustments	Reservation rights on common stock	Total
Balance at March 31, 2004	128,018,848	¥14,043	¥22,993	¥27,188	¥(773)	¥1,001	¥(52)	¥(4,440)	¥—	¥59,960
Cash dividends paid	—	—	—	(1,020)	—	—	—	—	—	(1,020)
Bonuses to directors and corporate auditors	—	—	—	(32)	—	—	—	—	—	(32)
Net income	—	—	—	1,280	—	—	—	—	—	1,280
Purchases of treasury stock	—	—	—	—	(21)	—	—	—	—	(21)
Disposition of treasury stock	—	—	—	—	5	—	—	—	—	5
Net unrealized holding gain on securities	—	—	—	—	—	(179)	—	—	—	(179)
Deferred gain or loss on hedged transactions	—	—	—	—	—	—	(29)	—	—	(29)
Adjustments from translation of foreign currency financial statements	—	—	—	—	—	—	—	252	—	252
Loss on sale of the treasury stock	—	—	—	(2)	—	—	—	—	—	(2)
Exercise of stock option	19,000	7	7	—	—	—	—	—	—	14
Balance at March 31, 2005	128,037,848	¥14,050	¥23,000	¥27,414	¥(789)	¥ 822	¥(81)	¥(4,188)	¥—	¥60,228
Cash dividends paid	—	—	—	(956)	—	—	—	—	—	(956)
Bonuses to directors and corporate auditors	—	—	—	(92)	—	—	—	—	—	(92)
Net income	—	—	—	563	—	—	—	—	—	563
Purchases of treasury stock	—	—	—	—	(17)	—	—	—	—	(17)
Disposition of treasury stock	—	—	—	—	1	—	—	—	—	1
Net unrealized holding gain on securities	—	—	—	—	—	(114)	—	—	—	(114)
Deferred gain or loss on hedged transactions	—	—	—	—	—	—	50	—	—	50
Adjustments from translation of foreign currency financial statements	—	—	—	—	—	—	—	1,552	—	1,552
Loss on sale of the treasury stock	—	—	—	(0)	—	—	—	—	—	(0)
Decrease by accounting change in foreign subsidiary	—	—	—	(275)	—	—	—	—	—	(275)
Balance at March 31, 2006	128,037,848	¥14,050	¥23,000	¥26,654	¥(805)	¥ 708	¥(31)	¥(2,636)	¥—	¥60,940
Cash dividends paid	—	—	—	**(829)**	—	—	—	—	—	**(829)**
Bonuses to directors and corporate auditors	—	—	—	**(83)**	—	—	—	—	—	**(83)**
Net income	—	—	—	**1,376**	—	—	—	—	—	**1,376**
Purchases of treasury stock	—	—	—	—	**(21)**	—	—	—	—	**(21)**
Disposition of treasury stock	—	—	—	—	**1**	—	—	—	—	**1**
Net changes during the year	—	—	—	—	—	—	—	—	**14**	**14**
Net unrealized holding gain on securities	—	—	—	—	—	**(2)**	—	—	—	**(2)**
Deferred gain or loss on hedged transactions	—	—	—	—	—	—	**30**	—	—	**30**
Adjustments from translation of foreign currency financial statements	—	—	—	—	—	—	—	**194**	—	**194**
Loss on sale of the treasury stock	—	—	—	**(1)**	—	—	—	—	—	**(1)**
Balance at March 31, 2007	**128,037,848**	**¥14,050**	**¥23,000**	**¥27,117**	**¥(825)**	**¥ 706**	**¥ (1)**	**¥(2,442)**	**¥14**	**¥61,619**

		Thousands of U.S. dollars (Note 1)								
	Number of shares issued	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Net unrealized holding gains (losses) on securities	Deferred gain or loss on hedged transactions	Foreign currency translation adjustments	Reservation rights on common stock	Total
Balance at March 31, 2006	128,037,848	$118,977	$194,767	$225,709	$(6,816)	$5,995	$(263)	$(22,321)	$ —	$516,048
Cash dividends paid	—	—	—	**(7,020)**	—	—	—	—	—	**(7,020)**
Bonuses to directors and corporate auditors	—	—	—	**(703)**	—	—	—	—	—	**(703)**
Net income	—	—	—	**11,652**	—	—	—	—	—	**11,652**
Purchases of treasury stock	—	—	—	—	**(178)**	—	—	—	—	**(178)**
Disposition of treasury stock	—	—	—	—	**8**	—	—	—	—	**8**
Net changes during the year	—	—	—	—	—	—	—	—	**119**	**119**
Net unrealized holding gain on securities	—	—	—	—	—	**(17)**	—	—	—	**(17)**
Deferred gain or loss on hedged transactions	—	—	—	—	—	—	**255**	—	—	**255**
Adjustments from translation of foreign currency financial statements	—	—	—	—	—	—	—	**1,642**	—	**1,642**
Loss on sale of the treasury stock	—	—	—	**(8)**	—	—	—	—	—	**(8)**
Balance at March 31, 2007	**128,037,848**	**$118,977**	**$194,767**	**$229,630**	**$(6,986)**	**$5,978**	**$ (8)**	**$(20,679)**	**$119**	**$521,798**

Consolidated Statements of Cash Flows

ANRITSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2007, 2006 and 2005

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2007	2006	2005	2007
Cash flows from operating activities				
Net income	**¥ 1,376**	¥ 563	¥ 1,280	**$ 11,652**
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortization	**3,670**	3,630	3,754	**31,078**
Amortization expense of goodwill	**641**	325	—	**5,428**
Gain on sales of investment securities	**(1)**	(1,648)	(2)	**(8)**
Gain on sales of property, plant and equipment	**(199)**	(208)	(548)	**(1,685)**
Loss on devaluation of investment securities	**40**	332	159	**339**
Deferred income taxes	**(491)**	122	108	**(4,158)**
Other — net	**(279)**	(471)	538	**(2,363)**
Changes in assets and liabilities:				
Notes and accounts receivable — trade	**1,218**	(1,625)	1,024	**10,314**
Inventories	**(1,790)**	2,271	1,274	**(15,158)**
Other current assets	**1,389**	(1,069)	(707)	**11,762**
Notes and accounts payable — trade	**(1,853)**	111	(990)	**(15,691)**
Income taxes payable and receivable	**629**	(180)	(46)	**5,326**
Provision for retirement benefits	**79**	1,173	970	**669**
Other current liabilities	**310**	3,808	2,145	**2,625**
Other — net	**(2,251)**	(1,205)	318	**(19,061)**
Net cash provided by operating activities	**2,488**	5,929	9,277	**21,069**
Cash flows from investing activities				
Purchases of marketable securities and investment securities	**(10)**	(4)	(3)	**(85)**
Proceeds from sales of marketable securities and investment securities	**2,854**	33	3	**24,168**
Acquisition of property, plant and equipment	**(2,219)**	(2,448)	(1,338)	**(18,791)**
Proceeds from sales of property, plant and equipment	**321**	725	576	**2,718**
Payments for acquisition of newly consolidated subsidiaries	**—**	(7,948)	—	**0**
Net decrease in long-term loans receivable	**0**	2	5	**0**
Other — net	**(526)**	(1,305)	(289)	**(4,453)**
Net cash provided by (used in) investing activities	**420**	(10,945)	(1,046)	**3,557**
Cash flows from financing activities				
Proceeds from long-term debt	**7,800**	3,094	—	**66,051**
Payment of long-term debt	**(4,168)**	(1,967)	(8,497)	**(35,295)**
Redemption of bonds	**(14,793)**	—	—	**(125,269)**
Net increase (decrease) in short-term borrowings	**(1,965)**	1,606	(350)	**(16,640)**
Payments on acquisition of treasury stock	**(21)**	(17)	(21)	**(178)**
Cash dividends paid	**(829)**	(956)	(1,020)	**(7,020)**
Other — net	**1**	1	16	**9**
Net cash provided by (used in) financing activities	**(13,975)**	1,761	(9,872)	**(118,342)**
Effect of exchange rate changes on cash and cash equivalents	**144**	381	155	**1,219**
Net decrease in cash	**(10,923)**	(2,874)	(1,486)	**(92,497)**
Cash at beginning of year	**30,870**	33,744	35,230	**261,411**
Cash at end of year (Note 3)	**¥ 19,947**	¥ 30,870	¥33,744	**$ 168,914**
Supplemental information of cash flows:				
Cash paid during the year for:				
Interest	**¥ 1,291**	¥ 1,066	¥ 942	**$ 10,932**
Income taxes	**(1,943)**	(1,773)	(924)	**(16,454)**
Cash received during the year for:				
Income taxes	**355**	252	186	**3,006**

Notes to Consolidated Financial Statements

ANRITSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2007, 2006 and 2005

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English (with certain expanded disclosure and the inclusion of the consolidated statements of changes in net assets for 2006) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2007, which was ¥118.09 to U.S. $1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The consolidated financial statements include the accounts of Anritsu Corporation (the "Company") and all its subsidiaries (45 subsidiaries in 2007, 45 subsidiaries in 2006, and 30 subsidiaries in 2005). There are no minority interests in the balance sheet because all consolidated subsidiaries are wholly owned by the Company. Intercompany account balances and transactions have been eliminated.

Investments in a significant affiliated company is accounted for by the equity method.

Investment in the other affiliated company is stated at cost, because the income or losses of the company is not significant for the Company's equity.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries.

Statements of cash flows

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

Securities

The Company and its consolidated subsidiaries (the "Companies") assessed the intent of holding each security and classified those securities as (a) securities held for trading purposes (hereafter, "trading securities"), (b) debt securities intended to be held to maturity (hereafter, "held-to-maturity debt securities"), (c) equity securities issued by subsidiaries and affiliated companies, and (d) all other securities that are not classified in any of the above categories (hereafter, "available-for-sale securities").

No trading securities and held-to-maturity debt securities have been owned by the Companies. Equity securities issued by subsidiaries have been eliminated upon consolidation. Equity security issued by an affiliated company is stated at cost as described in "Consolidation." Available-for-sale securities with fair market value are stated at fair market value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of the net assets. Realized gain on sale of such securities is computed using the moving-average cost.

Debt securities with no fair market value are stated at the amortized cost, net of the amount considered uncollectible. Other securities with no fair market value are stated at the moving-average cost.

If the market value of equity securities issued by an affiliated company, and available-for-sale securities, declines significantly, such securities are stated at fair market value and the difference between fair market value and the carrying amount is recognized as loss in the period of the decline.

If the fair market value of equity securities issued by an affiliated company is not readily available, such securities should be written down to net asset value in the event net asset value significantly declines. Unrealized losses on these securities are reported in the consolidated statement of income.

Inventories

Inventories are stated at cost determined principally by the specific identification method.

Allowance for doubtful accounts

Allowance for doubtful accounts is provided principally for amounts sufficient to cover possible losses on collection. It consists of the estimated uncollectible amount with respect to specific items, and possible losses on collection computed by applying a percentage based on collection experience to the remaining items.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost.

Depreciation is computed principally using the declining-balance method over their estimated useful lives except for buildings acquired after March 31, 1998, which are depreciated based on the straight-line method.

Goodwill

Goodwill and negative goodwill are amortized by the straight-line method over the estimated recovery periods not exceeding a twenty-year period of the respective investments.

Goodwill arising from the acquisition of NetTest (current Anritsu A/S) is amortized over a nine-year period.

Goodwill, the excess of purchase price over the fair value of Wiltron Company (current Anritsu Company) purchased by Anritsu U.S. Holding, Inc. in February 1990, is assessed for impairment based on fair value in accordance with the provisions of Statement of Financial Accounting Standards No. 142 issued by the Financial Accounting Standards Board of the U.S.

Software costs

Software costs, which are included in other assets, are amortized based on the straight-line method over their estimated useful lives (five years).

Accounting for leases

Financial leases, except for those leases under which the ownership of the leased assets is considered to be transferred to the lessee, are accounted for in the same manner as operating leases.

Accrued bonuses to directors and corporate auditors

Effective from the year ended March 31, 2007, the Companies adopted the new accounting standard, "Accounting Standard for Directors' Bonus" (Statement No. 4 issued by the Accounting Standards Board of Japan on November 29, 2005), (collectively, the "New Accounting Standards").

The new accounting standard requires that directors' bonuses be accounted for as an expense of the accounting period in which such bonuses were accrued.

The adoption of the New Accounting Standards had no significant impact on the consolidated statements of income for the year ended March 31, 2007.

Severance and retirement benefits

The Company and its consolidated domestic subsidiaries have three types of pension plans for employees, i.e., lump-sum payment plan, cash-balance pension plan (market interest reflecting type) and tax-qualified post-employment benefit plan, under which all eligible employees are entitled to benefits based on the level of wages and salaries at the time of retirement of termination, length of service and certain other factors. The Company has adopted a trust fund for pension payments.

Allowance and expenses for severance and pension benefits are determined based on the amount actuarially calculated using certain assumptions.

Prior service cost is recognized as expense as incurred. Actuarial gains and losses are also recognized as expense using the straight-line method over a certain period (primarily 13 years) within the estimated average remaining service life commencing from the succeeding period.

The Board of Directors and corporate auditors of the Company made a resolution in June 2004, that severance and retirement benefits for directors and corporate auditors would not be paid thereafter. The balance of severance and retirement benefits for directors and corporate auditors as of March 31, 2007 was for directors and corporate auditors who had been in service since before the resolution. Previously, severance and retirement benefits for directors and corporate auditors were recorded at the amount that would be required if all directors and corporate auditors retired at each balance sheet date.

Severance and retirement benefits for directors and corporate auditors of the consolidated domestic subsidiaries were recorded at the amount that would be required if all directors and corporate auditors retired at each balance sheet date.

Accrued bonuses

The Company accrued the estimated amounts of bonuses for managers based on estimated amounts to be paid at the end of each evaluation period.

Income taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company and its domestic subsidiaries have adopted a consolidated tax system since April 1, 2005.

Derivative transactions and hedge accounting

The accounting standard for financial instruments requires companies to state derivative financial instruments at fair value and to recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies defer recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized.

However, in cases where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, forward foreign exchange contracts and hedged items are accounted for in the following manner:

1. If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,

1-(a) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the consolidated statements of income in the period which includes the inception date, and

1-(b) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.

2. If a forward foreign exchange contract is executed to hedge a future transaction denominated in foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.

Also, if interest rate swap contracts are used as hedge and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

Translation of foreign currency

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rate prevailing on the balance sheet date, and the resulting gains and losses are charged to income.

Translation of foreign currency financial statements

The assets and liabilities are translated into Japanese yen at the year-end rate and the revenues and expenses are translated at the monthly average rate of the relevant year. The resulting foreign currency translation adjustments are reflected as a separate component of the net assets in the consolidated balance sheets.

Amounts per share of common stock

The computations of basic net income per share are based on the weighted average number of shares outstanding during the relevant year.

Cash dividends per share represent the cash dividends declared applicable to the respective year including dividends paid after the end of the year.

Accounting standard for stock options

Effective from the year ended March 31, 2007, the Companies adopted the new accounting standard, "Accounting Standard for Stock-Based Compensation" (Statement No. 8 issued by the Accounting Standards Board of Japan on December 27, 2005) and the implementation guidance for the accounting standard for statement of Stock-Based compensation (the Financial Accounting Standard Implementation Guidance No. 11 issued by the Accounting Standards Board of Japan on May 31, 2006), (collectively, the "Additional New Accounting Standards").

The adoption of the New Accounting Standards had no significant impact on the consolidated statements of income for the years ended March 31, 2007.

Accounting standard for presentation of net assets in the balance sheet

Effective from the year ended March 31, 2007, the Companies adopted the new accounting standard, "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Statement No. 5 issued by the Accounting Standards Board of Japan on December 9, 2005), and the implementation guidance for the accounting standard for presentation of net assets in the balance sheet (the Financial Accounting Standard Implementation Guidance No. 8 issued by the Accounting Standards Board of Japan on December 9, 2005), (collectively, the "New Accounting Standards").

Under the New Accounting Standards, the balance sheet comprises three sections, which are the assets, liabilities and net assets sections. Previously, the balance sheet comprised the assets, liabilities, and the shareholders' equity sections.

Under the New Accounting Standards, the following items are presented differently compared to the previous presentation. The net assets section includes unrealized gains (losses) on hedging derivatives, net of taxes. Under the previous presentation rules, companies were required to present unrealized gains (losses) on hedging derivatives in the assets or liabilities section without considering the related income tax effects. Reservation rights on common stock are required to be included in the net assets section under the New Accounting Standards. Under the previous presentation rules, companies were required to present reservation rights on common stock in the current liabilities section.

The consolidated balance sheet as of March 31, 2006 has been restated to conform to the 2007 presentation. There were no effects on total assets or total liabilities from applying the New Accounting Standards to the balance sheet as of March 31, 2006.

The adoption of the New Accounting Standards had no impact on the consolidated statements of income for the years ended March 31, 2007 and 2006.

Accounting standard for statement of changes in net assets

Effective from the year ended March 31, 2007, the Companies adopted the new accounting standard, "Accounting Standard for Statements of Changes in Net Assets" (Statement No. 6 issued by the Accounting Standards Board of Japan on December 27, 2005), and the implementation guidance for the accounting standard for statements of changes in net assets (the Financial Accounting Standard Implementation Guidance No. 9 issued by the Accounting Standards Board of Japan on December 27, 2005), (collectively, the "Additional New Accounting Standards").

Accordingly, the Company prepared the statements of changes in net assets for the year ended March 31, 2007 in accordance with the Additional New Accounting Standards. Also, the Company voluntarily prepared the consolidated statements of changes in net assets for 2006 in accordance with the Additional New Accounting Standards. Previously, consolidated statements of shareholders' equity were prepared for the purpose of inclusion in the consolidated financial statements although such statements were not required under Japanese GAAP.

Reclassification and restatement

Certain prior year amounts have been reclassified to conform to the current year presentation.

Also, as described in Notes 2 Accounting Standard for Presentation of Net Assets in the Balance Sheet and Notes 2 Accounting Standard for Statements of Changes in Net Assets, the consolidated balance sheet for 2006 has been adapted to conform to new presentation rules of 2007. Also, in lieu of the consolidated statement of shareholders' equity for the year ended March 31, 2006, which was prepared on a voluntary basis for inclusion in the 2006 consolidated financial statements, the Company prepared the consolidated statement of changes in net assets for 2006 as well as for 2007.

These reclassifications had no impact on previously reported results of operations or retained earnings.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at March 31, 2007 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
Cash	**¥18,948**	**$160,454**
Time deposits with maturities not exceeding three months	**999**	**8,460**
	¥19,947	**$168,914**

4. SECURITIES

The following tables summarize acquisition costs and book values of securities with fair value as of March 31, 2007 and 2006:

	Millions of yen			Thousands of U.S. dollars		
Year ended March 31, 2007	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Available-for-sale securities:						
Securities with fair value exceeding book value:						
Equity securities	**¥909**	**¥1,809**	**¥900**	**$7,698**	**$15,319**	**$7,621**
	¥909	**¥1,809**	**¥900**	**$7,698**	**$15,319**	**$7,621**

The following table summarizes book values of securities without fair value as of March 31, 2007:

	Millions of yen	Thousands of U.S. dollars
	Book value	Book value
Available-for-sale securities:		
Non-listed equity securities	**¥ 284**	**$ 2,405**
Commercial paper	**999**	**8,460**
	¥1,283	**$10,865**

Maturities of available-for-sale securities at March 31, 2007 are as follows:

	Millions of yen			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Available-for-sale securities:				
Corporate bonds	**¥999**	**¥—**	**¥—**	**¥—**

	Thousands of U.S. dollars			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Available-for-sale securities:				
Corporate bonds	**$8,460**	**$—**	**$—**	**$—**

Total sales of available-for-sale securities in the year ended March 31, 2007, amounted to ¥16,603 million ($140,596 thousand) and the net gains amounted to ¥9 million ($76 thousand).

The following table summarizes acquisition costs and book values of securities with fair value as of March 31, 2006:

	Millions of yen		
Year ended March 31, 2006	Acquisition cost	Book value	Difference
Available-for-sale securities:			
Securities with fair value exceeding book value:			
Equity securities	¥ 906	¥2,099	¥1,193
Corporate bonds	905	905	0
	¥1,811	¥3,004	¥1,193

The following table summarizes book values of securities without fair value as of March 31, 2006:

	Millions of yen
	Book value
Available-for-sale securities:	
Non-listed equity securities	¥ 296
Commercial paper	6,698
	¥6,994

Maturities of available-for-sale securities at March 31, 2006 are as follows:

	Millions of yen			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Available-for-sale securities:				
Corporate bonds	¥ 905	¥—	¥—	¥—
Others	6,698	—	—	—

Total sales of available-for-sale securities in the year ended March 31, 2006, amounted to ¥17,678 million and the net gains amounted to ¥1,650 million.

5. INVENTORIES

Inventories at March 31, 2007 and 2006, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Finished goods	**¥ 9,487**	¥ 7,789	**$ 80,337**
Raw materials and supplies	**9,940**	8,698	**84,173**
Work in process	**7,173**	7,980	**60,742**
	¥26,600	¥24,467	**$225,252**

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings consisted principally of bank loans. Short-term bank loans at March 31, 2007 and 2006, were represented by overdrafts, generally matured in the period up to six months. The annual interest rates of short-term bank loans ranged from 1.31% to 6.31% at March 31, 2007 and 2006.

Long-term debt at March 31, 2007 and 2006, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
1.85% unsecured bonds due 2008	**¥ 15,000**	¥ 15,000	**$ 127,022**
0.65% unsecured convertible bonds convertible into common stock at ¥1,476 ($13) per share due 2006	**—**	14,793	**—**
0.0% unsecured bonds with stock acquisition rights convertible into common stock at ¥1,070 ($9) per share due 2010	**15,000**	15,000	**127,022**
Unsecured bank loans due to 2009 at interest rates ranging from 6.0% to 6.1%	**1,641**	3,207	**13,896**
Unsecured bank loans due to 2006 and 2007 at interest rates ranging from 1.7% to 1.8%	**7,000**	9,600	**59,277**
Unsecured bank loans due to 2009 and 2012 at interest rates ranging from 1.5% to 4.0%	**7,810**	—	**66,136**
Total	**46,451**	57,600	**393,353**
Less current portion	**(22,000)**	(17,393)	**(186,299)**
	¥ 24,451	¥ 40,207	**$ 207,054**

At March 31, 2007, the number of common stock issuable upon full conversion of outstanding convertible bonds and exercise of outstanding warrants was 14,019 thousand shares.

The annual maturities of long-term debt at March 31, 2007, are as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2008	¥22,000	$186,299
2009	1,641	13,897
2010	7,800	66,051
2011	—	—
2012	15,010	127,106
2013	—	—
Thereafter	—	—

7. STOCK OPTION PLAN

The Company had the following stock option plans in accordance with the Law:

	2006 Plan	2005 Plan	2002 Plan
Date of resolution	June 28, 2006	June 23, 2005	June 25, 2002
Grantees	Company's directors, certain employees and subsidiaries' directors	Company's directors, certain employees and subsidiaries' directors	Company's directors, certain employees and subsidiaries' directors
Type of stock	Common stock	Common stock	Common stock
Number of shares granted	229,000	204,000	309,000
Exercise price (yen)	¥624	¥700	¥707
Exercisable period	August 15, 2008 - August 14, 2011	July 1, 2007 - June 30, 2010	July 1, 2004 - June 30, 2007

	2006 Plan	2005 Plan	2002 Plan
Non-vested (number of shares)			
Outstanding at the beginning of the year	—	204,000	—
Granted during the year	229,000	—	—
Forfeited during the year	—	—	—
Vested during the year	—	—	—
Outstanding at the end of the year	229,000	204,000	—
Vested (number of shares)			
Outstanding at the beginning of the year	—	—	290,000
Vested during the year	—	—	—
Exercised during the year	—	—	—
Forfeited during the year	—	—	—
Outstanding at the end of the year	—	—	290,000
Weighted-average market price (yen)	—	—	—
Fair evaluated price (yen)	¥151	—	—

8. INCOME TAXES

The Companies are subject to several taxes based on income, which are corporate tax, inhabitants taxes and enterprise tax. The aggregate normal effective tax rate on income before income taxes in Japan was approximately 41% for the years ended March 31, 2007, 2006 and 2005.

Significant components of deferred tax assets and liabilities as of March 31, 2007 and 2006, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Deferred tax assets:			
Inventories	**¥ 9,928**	¥ 8,763	**$ 84,071**
Net operating loss carried forward	**7,102**	8,647	**60,141**
Software	**2,225**	2,527	**18,842**
Accrued expenses	**1,055**	971	**8,934**
Investment securities on affiliated companies	**689**	—	**5,835**
Investment securities	**590**	586	**4,996**
Others	**823**	1,446	**6,968**
Subtotal deferred tax assets	**22,412**	22,940	**189,787**
Valuation allowance	**(10,735)**	(12,123)	**(90,905)**
Total deferred tax assets	**11,677**	10,817	**98,882**
Deferred tax liabilities:			
Retirement benefits	**965**	779	**8,172**
Net unrealized holding gains on securities	**194**	485	**1,643**
Others	**308**	177	**2,608**
Subtotal deferred tax liabilities	**1,467**	1,441	**12,423**
Net deferred tax assets	**¥ 10,210**	¥ 9,376	**$ 86,459**

The following table summarizes significant differences between the normal effective tax rate and the Company's effective tax rate for financial statement purposes for the years ended March 31, 2007 and 2006.

	2007	2006
Normal effective tax rate	**41%**	41%
Decrease in valuation allowance for net-operating loss carried forward	**(42)**	(51)
Permanent differences of the Company and its consolidated subsidiaries	**35**	16
Difference in the amount of tax estimation	**18**	(4)
Difference in the effective tax rate for consolidated subsidiaries	**(11)**	7
Taxes nonrelated to taxable income such as taxation on a per capital basis	**11**	8
Increase in valuation allowance for temporary differences	**4**	54
Others	**0**	1
The Company's effective tax rate	**56%**	72%

9. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS

The Companies utilize derivative financial instruments such as foreign currency forward contracts, and interest rate swap contracts to reduce market risks of fluctuations in foreign currency exchange rates and interest rate on assets and liabilities. The Companies do not hold or issue derivative financial instruments for trading purposes.

The Companies are exposed to credit risk in the event of non-performance by counterparties to derivative financial instruments but such risk is considered minor because of the high credit rating of the counterparties.

The Companies enter into foreign currency forward contracts, generally maturing within one year, as hedges for existing assets and liabilities denominated in foreign currencies (principally U.S. dollar and EURO) arising from operations. And also the Companies enter into interest rate swap contracts to manage their interest rate exposures. Interest rate swaps effectively convert certain floating rate debt to fixed rate debt.

The derivative transactions are executed and managed by the Company's Accounting Department in accordance with the established policies and within the specified limit on the amounts of derivative transactions allowed. The Manager of the Accounting Department reports information on derivative transactions to the Officer in charge of the Accounting Department on a semi-annual basis.

The Companies evaluate hedge effectiveness semi-annually by comparing the cumulative changes in cash flows from or the changes in fair value of hedged items and the corresponding changes in the hedging derivative instruments.

There are no derivative transactions for which hedge accounting has not been applied as of March 31, 2007, 2006 and 2005. The Companies did not have any foreign currency option transactions at the balance sheet date.

10. RELATED PARTY TRANSACTION

During the years ended March 31, 2007 and 2006, the Company had no important transaction with NEC Corporation which owned 21.68% of the shares of the Company.

The Company has no outstanding balance of receivable due from NEC Corporation as of March 31, 2007 and 2006.

11. SEVERANCE AND PENSION BENEFITS

Allowance and expenses for employees' severance and pension benefits are determined based on the amounts obtained by actuarial calculations.

Allowance for severance and pension benefits included in the liability section of the consolidated balance sheet as of March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Projected benefit obligation	**¥ 31,343**	¥ 31,836	**$ 265,416**
Unrecognized actuarial differences	**(6,265)**	(6,054)	**(53,053)**
Less fair value of pension assets	**(30,798)**	(31,580)	**(260,801)**
Allowance for employees' severance and pension benefits	**(5,720)**	(5,798)	**(48,438)**
Prepaid pension expense	**7,461**	7,563	**63,181**
Allowance for directors' severance and pension benefits	**81**	90	**686**
	¥ 1,822	¥ 1,855	**$ 15,429**

Included in the consolidated statement of income for the years ended March 31, 2007 and 2006 was severance and pension benefit expense comprising the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Service costs-benefits earned during the year	**¥ 878**	¥ 865	**$ 7,435**
Interest cost on projected benefit obligation	**757**	741	**6,410**
Expected return on plan assets	**(699)**	(591)	**(5,919)**
Amortization of actuarial gains or losses	**810**	1,611	**6,859**
Amortization of prior service cost	**(302)**	—	**(2,557)**
Severance and pension benefit expense	**¥1,444**	¥2,626	**$12,228**

For the years ended March 31, 2007 and 2006, the discount rate and the rate of expected return on plan assets used by the Company were 2.5% and 3.0%, respectively. The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years. Actuarial gains or losses are recognized as income or expense using the straight-line method over primarily 13 years from the succeeding period.

12. NET ASSETS

As described in Note 2 Accounting Standard for Presentation of Net Assets in the Balance Sheet, net assets comprise four subsections, which are owners' equity, accumulated gains (losses) from valuation and translation adjustments, share subscription rights and minority interests.

The Japanese Corporate Law ("the Law") became effective on May 1, 2006, replacing the Japanese Commercial Code ("the Code"). The Law is generally applicable to events and transactions occurring after April 30, 2006 and for fiscal years ending after that date.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve must be set aside as additional paid-in-capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Code, companies were required to set aside an amount equal to at least 10% of the aggregate amount of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in capital equaled 25% of common stock.

Under the Code, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or could be capitalized by a resolution of the Board of Directors. Under the Law, both of these appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, on condition that the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock, they were available for distribution by resolution of the shareholders' meeting. Under the Law, all additional paid-in-capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

At the annual shareholders' meeting held on June 27, 2007, the shareholders approved cash dividends amounting to ¥446 million (US$3,776 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2007. Such appropriations are recognized in the period in which they are approved by the shareholders.

13. COMMITMENTS AND CONTINGENT LIABILITIES

The Company and certain of its subsidiaries had commitments payable under non-capitalized finance leases and future payments of rental expenses under non-cancellable operating leases at March 31, 2007, were as follows:

	Millions of yen	Thousands of U.S. dollars
	2007	2007
Within one year	**¥ 744**	**$ 6,300**
After one year	**1,458**	**12,347**
	¥2,202	**$18,647**

Lease expenses under non-capitalized finance leases for the years ended March 31, 2007, 2006 and 2005 aggregated approximately ¥210 million (US$1,778 thousand), ¥221 million and ¥244 million, respectively.

Contingent liabilities at March 31, 2007 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2007	2007
Loan guarantees and items of a similar nature:		
Employees	**¥1,171**	**$9,916**

14. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses are charged to income as incurred.

The amount charged to income for the years ended March 31, 2007, 2006 and 2005 were ¥14,072 million (US$119,163 thousand), ¥12,509 million and ¥10,515 million, respectively.

15. SEGMENT INFORMATION

Information by business segment for the years ended March 31, 2007, 2006 and 2005 is as follows:

	Millions of yen						
Year ended March 31, 2007	Test and Measurement	Information and Communications	Industrial Automation	Services and Others	Total	Eliminations or corporate	Consolidated
Net sales:							
Outside customers	**¥72,883**	**¥6,011**	**¥12,295**	**¥ 8,257**	**¥ 99,446**	**¥ —**	**¥ 99,446**
Inter-segment	**63**	**7**	**45**	**3,745**	**3,860**	**(3,860)**	**—**
Total	**72,946**	**6,018**	**12,340**	**12,002**	**103,306**	**(3,860)**	**99,446**
Operating expenses	**68,228**	**5,872**	**11,732**	**9,368**	**95,200**	**(2,113)**	**93,087**
Operating income	**¥ 4,718**	**¥ 146**	**¥ 608**	**¥ 2,634**	**¥ 8,106**	**¥ (1,747)**	**¥ 6,359**
Identifiable assets	**¥94,875**	**¥8,756**	**¥ 9,994**	**¥16,741**	**¥130,366**	**¥10,029**	**¥140,395**
Depreciation and amortization	**2,359**	**104**	**142**	**727**	**3,332**	**268**	**3,600**
Capital expenditures	**1,700**	**118**	**167**	**279**	**2,264**	**55**	**2,319**

Year ended March 31, 2006	Test and Measurement	Information and Communications	Industrial Automation	Services and Others	Total	Eliminations or corporate	Consolidated
Net sales:							
Outside customers	¥65,113	¥ 7,239	¥12,198	¥ 6,712	¥ 91,262	¥ —	¥ 91,262
Inter-segment	17	20	54	3,357	3,448	(3,448)	—
Total	65,130	7,259	12,252	10,069	94,710	(3,448)	91,262
Operating expenses	59,840	9,231	11,465	8,281	88,817	(2,104)	86,713
Operating income (loss)	¥ 5,290	¥ (1,972)	¥ 787	¥ 1,788	¥ 5,893	¥ (1,344)	¥ 4,549
Identifiable assets	¥90,512	¥11,477	¥10,328	¥14,277	¥126,594	¥25,765	¥152,359
Depreciation and amortization	1,938	293	123	959	3,313	140	3,453
Capital expenditures	1,889	241	144	388	2,662	37	2,699

Year ended March 31, 2005	Test and Measurement	Information and Communications	Industrial Automation	Services and Others	Total	Eliminations or corporate	Consolidated
Net sales:							
Outside customers	¥55,245	¥ 8,726	¥12,234	¥ 7,835	¥ 84,040	¥ —	¥ 84,040
Inter-segment	49	25	38	3,411	3,523	(3,523)	—
Total	55,294	8,751	12,272	11,246	87,563	(3,523)	84,040
Operating expenses	51,058	9,761	11,270	9,223	81,312	(2,134)	79,178
Operating income (loss)	¥ 4,236	¥ (1,010)	¥ 1,002	¥ 2,023	¥ 6,251	¥ (1,389)	¥ 4,862
Identifiable assets	¥66,710	¥14,077	¥10,362	¥16,722	¥107,871	¥34,240	¥142,111
Depreciation and amortization	1,750	308	97	971	3,126	274	3,400
Capital expenditures	1,213	188	182	185	1,768	102	1,870

	Thousands of U.S. dollars						
Year ended March 31, 2007	Test and Measurement	Information and Communications	Industrial Automation	Services and Others	Total	Eliminations or corporate	Consolidated
Net sales:							
Outside customers	$617,182	$50,902	$104,116	$ 69,920	$ 842,120	$ —	$ 842,120
Inter-segment	533	59	381	31,714	32,687	(32,687)	—
Total	617,715	50,961	104,497	101,634	874,807	(32,687)	842,120
Operating expenses	577,763	49,725	99,348	79,328	806,164	(17,893)	788,271
Operating income	$ 39,952	$ 1,236	$ 5,149	$ 22,306	$ 68,643	$(14,794)	$ 53,849
Identifiable assets	$803,413	$74,147	$ 84,630	$141,765	$1,103,955	$ 84,926	$1,188,881
Depreciation and amortization	19,976	881	1,202	6,156	28,215	2,270	30,485
Capital expenditures	14,396	999	1,414	2,363	19,172	466	19,638

Information by geographic area for the years ended March 31, 2007, 2006 and 2005 is as follows:

	Millions of yen						
Year ended March 31, 2007	Japan	Americas	Europe	Asia and Others	Total	Eliminations or corporate	Consolidated
Net sales:							
Outside customers	¥ 49,903	¥20,646	¥17,839	¥11,058	¥ 99,446	¥ —	¥ 99,446
Inter-segment	14,021	9,231	4,017	554	27,823	(27,823)	—
Total	63,924	29,877	21,856	11,612	127,269	(27,823)	99,446
Operating expenses	58,761	25,804	24,861	11,038	120,464	(27,377)	93,087
Operating income (loss)	¥ 5,163	¥ 4,073	¥ (3,005)	¥ 574	¥ 6,805	¥ (446)	¥ 6,359
Identifiable assets	¥123,331	¥37,732	¥17,755	¥ 5,698	¥184,516	¥(44,121)	¥140,395

Year ended March 31, 2006	Japan	Americas	Europe	Asia and Others	Total	Eliminations or corporate	Consolidated
Net sales:							
Outside customers	¥ 50,371	¥17,288	¥14,077	¥ 9,526	¥ 91,262	¥ —	¥ 91,262
Inter-segment	11,320	7,738	2,039	488	21,585	(21,585)	—
Total	61,691	25,026	16,116	10,014	112,847	(21,585)	91,262
Operating expenses	57,989	22,839	18,117	9,580	108,525	(21,812)	86,713
Operating income (loss)	¥ 3,702	¥ 2,187	¥ (2,001)	¥ 434	¥ 4,322	¥ 227	¥ 4,549
Identifiable assets	¥119,139	¥37,705	¥16,252	¥ 5,460	¥178,556	¥(26,135)	¥152,359

Year ended March 31, 2005	Japan	Americas	Europe	Asia and Others	Total	Eliminations or corporate	Consolidated
Net sales:							
Outside customers	¥ 53,678	¥13,651	¥10,104	¥6,607	¥ 84,040	¥ —	¥ 84,040
Inter-segment	9,463	5,956	1,936	409	17,764	(17,764)	—
Total	63,141	19,607	12,040	7,016	101,804	(17,764)	84,040
Operating expenses	59,529	18,200	12,225	6,785	96,739	(17,561)	79,178
Operating income (loss)	¥ 3,612	¥ 1,407	¥ (185)	¥ 231	¥ 5,065	¥ (203)	¥ 4,862
Identifiable assets	¥109,703	¥31,705	¥ 7,317	¥3,755	¥152,480	¥(10,369)	¥142,111

	Thousands of U.S. dollars						
Year ended March 31, 2007	Japan	Americas	Europe	Asia and Others	Total	Eliminations or corporate	Consolidated
Net sales:							
Outside customers	**$ 422,584**	**$174,833**	**$151,063**	**$93,640**	**$ 842,120**	**$ —**	**$ 842,120**
Inter-segment	**118,732**	**78,169**	**34,016**	**4,692**	**235,609**	**(235,609)**	**—**
Total	**541,316**	**253,002**	**185,079**	**98,332**	**1,077,729**	**(235,609)**	**842,120**
Operating expenses	**497,595**	**218,511**	**210,526**	**93,471**	**1,020,103**	**(231,832)**	**788,271**
Operating income (loss)	**$ 43,721**	**$ 34,491**	**$ (25,447)**	**$ 4,861**	**$ 57,626**	**$ (3,777)**	**$ 53,849**
Identifiable assets	**$1,044,381**	**$319,519**	**$150,351**	**$48,252**	**$1,562,503**	**$(373,622)**	**$1,188,881**

Overseas sales for the years ended March 31, 2007, 2006 and 2005 were as follows:

	Millions of yen			
Year ended March 31, 2007	Americas	EMEA	Asia and Others	Total
Overseas sales	**¥19,023**	**¥18,252**	**¥17,117**	**¥54,392**
Consolidated net sales	**—**	**—**	**—**	**99,446**
Percentage of consolidated net sales	**19.1%**	**18.4%**	**17.2%**	**54.7%**
Year ended March 31, 2006	Americas	Europe	Asia and Others	Total
Overseas sales	¥15,414	¥13,470	¥16,223	¥45,107
Consolidated net sales	—	—	—	91,262
Percentage of consolidated net sales	16.9%	14.8%	17.7%	49.4%
Year ended March 31, 2005	Americas	Europe	Asia and Others	Total
Overseas sales	¥12,392	¥10,065	¥12,939	¥35,396
Consolidated net sales	—	—	—	84,040
Percentage of consolidated net sales	14.7%	12.0%	15.4%	42.1%

	Thousands of U.S dollars			
Year ended March 31, 2007	Americas	EMEA	Asia and Others	Total
Overseas sales	**$161,089**	**$154,560**	**$144,949**	**$460,598**
Consolidated net sales	**—**	**—**	**—**	**842,120**
Percentage of consolidated net sales	**19.1%**	**18.4%**	**17.2%**	**54.7%**

The name of overseas sales of "Europe" is changed to "EMEA." And, the areas of the Middle East and Africa, which were previously included in the "Asia and Others" segment, are included in the "EMEA" segment from the year ended March 31, 2007. These changes are due to the unification of the business activities of the areas of the Middle East and Africa, based on a reorganization of foreign subsidiaries. As a result of this change, net sales of "EMEA" and "Asia and Others" for the year ended March 31, 2006 were ¥14,115 million and ¥15,578 million, respectively. If this reclassification is applied to the year ended March 31, 2005, sales of "EMEA" and "Asia and Others" were ¥10,621 million and ¥12,383 million, respectively.

16. FINANCIAL INFORMATION OF THE COMPANY

The following summarizes the non-consolidated financial position of the Company at March 31, 2007 and 2006, and the results of operations for each of the three years in the period ended March 31, 2007.

Non-Consolidated Balance Sheets (Supplementary information)	Millions of yen		Thousands of U.S. dollars
ASSETS	2007	2006	2007
Current assets:			
Cash	**¥ 11,999**	¥ 17,477	**$ 101,609**
Notes and accounts receivable—trade	**19,323**	19,240	**163,629**
Allowance for doubtful accounts	**(238)**	(259)	**(2,015)**
Marketable securities	**999**	7,604	**8,460**
Inventories	**15,897**	15,135	**134,618**
Deferred tax assets—current	**6,693**	6,741	**56,677**
Other current assets	**2,776**	6,145	**23,507**
Total current assets	**57,449**	72,083	**486,485**
Property, plant and equipment:			
Land	**493**	493	**4,175**
Buildings and structures	**24,599**	24,352	**208,307**
Machinery and equipment	**12,361**	13,865	**104,674**
Accumulated depreciation	**(27,942)**	(28,653)	**(236,616)**
Net property, plant and equipment	**9,511**	10,057	**80,540**
Investments and other assets:			
Investment securities	**53,724**	43,081	**454,941**
Long-term loans receivable	**7,545**	11,114	**63,892**
Deferred tax assets—non-current	**208**	—	**1,761**
Other assets	**7,829**	8,481	**66,298**
Allowance for doubtful accounts	**(10)**	(53)	**(85)**
Total investments and other assets	**69,296**	62,623	**586,807**
Total assets	**¥136,256**	¥144,763	**$1,153,832**

LIABILITIES AND NET ASSETS	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars 2007
Current liabilities:			
Short-term borrowings	**¥ 870**	¥ 870	**$ 7,367**
Long-term debt due within one year	**22,000**	18,193	**186,299**
Notes and accounts payable—trade	**8,096**	7,193	**68,558**
Accrued liabilities	**3,776**	4,243	**31,976**
Accrued expenses	**1,225**	1,184	**10,373**
Income taxes payable	**163**	122	**1,380**
Other current liabilities	**7,081**	6,144	**59,963**
Total current liabilities	**43,211**	37,949	**365,916**
Long-term liabilities:			
Long-term debt	**22,000**	37,000	**186,299**
Retirement benefits for directors and corporate auditors	**70**	70	**593**
Deferred tax liabilities—non-current	**—**	97	**—**
Other long-term liabilities	**255**	280	**2,159**
Total long-term liabilities	**22,325**	37,447	**189,051**
Net assets:			
Common stock	**14,050**	14,050	**118,977**
Additional paid-in capital	**23,000**	23,000	**194,767**
Legal reserve	**2,468**	2,468	**20,899**
Retained earnings	**31,325**	29,989	**265,263**
Net unrealized holding gains on securities	**689**	696	**5,834**
Deferred gain or loss on hedged transactions	**(1)**	(31)	**(8)**
Reservation rights on common stock	**14**	—	**119**
Treasury stock, at cost	**(825)**	(805)	**(6,986)**
Total net assets	**70,720**	69,367	**598,865**
Total liabilities and net assets	**¥136,256**	¥144,763	**$1,153,832**

Non-Consolidated Statements of Operations (Supplementary information)

	Millions of yen			Thousands of U.S. dollars
	2007	2006	2005	**2007**
Net sales	**¥50,193**	¥48,288	¥49,669	**$425,040**
Cost of sales	**35,502**	35,563	36,638	**300,635**
Gross profit	**14,691**	12,725	13,031	**124,405**
Selling, general and administrative expenses	**11,967**	11,631	11,138	**101,338**
Operating income	**2,724**	1,094	1,893	**23,067**
Other income (expenses):				
Interest and dividends income	**773**	814	1,161	**6,546**
Interest expenses	**(545)**	(567)	(586)	**(4,615)**
Foreign exchange gain (loss)	**(38)**	67	83	**(322)**
Loss on disposal of inventories	**—**	—	(216)	**—**
Gain on sales of property, plant and equipment	**—**	—	162	**—**
Gain on sales of investment securities	**1**	1,648	2	**8**
Loss on devaluation of investment securities	**(40)**	(332)	(159)	**(339)**
Gain on expiration of warrants	**160**	—	—	**1,355**
Loss on devaluation of inventories	**(1,249)**	(1,467)	(1,175)	**(10,577)**
Restructuring expense	**—**	(814)	—	**—**
Other, net	**73**	(530)	(4)	**619**
	(865)	(1,181)	(732)	**(7,325)**
Income (loss) before income taxes	**1,859**	(87)	1,161	**15,742**
Provision for income taxes:				
Current	**(390)**	(501)	3	**(3,303)**
Deferred	**54**	585	(142)	**457**
Net income (loss)	**¥ 2,195**	¥ (171)	¥ 1,300	**$ 18,588**

Independent Auditors' Report

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF ANRITSU CORPORATION:

We have audited the accompanying consolidated balance sheets of Anritsu Corporation and consolidated subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of income, changes in net assets and cash flows for each of the three years in the period ended March 31, 2007, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Anritsu Corporation and subsidiaries as of March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2007, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following:

(1) As discussed in Note 2 to the consolidated financial statements, effective April 1, 2006, Anritsu Company and consolidated domestic subsidiaries adopted new accounting standards for the presentation of net assets in the balance sheet.

(2) As discussed in Note 15 to the consolidated financial statements, the name of overseas sales of "Europe" is changed to "EMEA." And, the areas of the Middle East and Africa, which were previously included in the "Asia and Others" segment, are included in the "EMEA" segment from the year ended March 31, 2007. These changes are due to the unification of the business activities of the areas of the Middle East and Africa, based on a reorganization of foreign subsidiaries.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2007 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
June 27, 2007

Major Subsidiaries

As of July 1, 2007

Japan	Business Description	Paid-in Capital (Millions of yen)	Anritsu's Share of Voting Rights (%)
Anritsu Industrial Solutions Co., Ltd.	Manufacture and marketing of industrial automation equipment	1,350	100
Anritsu Networks Co., Ltd.	Manufacture, marketing and maintenance of information and communications equipment	355	100
Tohoku Anritsu Co., Ltd.	Manufacture of measuring instruments and information and communications equipment	250	100
Anritsu Customer Services Co., Ltd.	Calibration, repair and maintenance of measuring instruments	100	100
Anritsu Devices Co., Ltd.	Manufacture of optical devices	90	100
Anritsu Engineering Co., Ltd.	Development of software	40	100
Anritsu Kousan Co., Ltd.	Management of facilities, welfare services and production of catalogs and other materials	20	100
Anritsu Real Estate Co., Ltd.	Real estate leasing	20	100
Anritsu Techmac Co., Ltd.	Manufacture and marketing of processed products and unit assembly articles	10	100
Anritsu Pro Associe Co., Ltd.	Operation of shared services center	10	100

Americas		Business Description	Paid-in Capital	Anritsu's Share of Voting Rights (%)
Anritsu U.S. Holding, Inc.	U.S.A.	Holding company for overseas subsidiaries	US$9 thousand	100
Anritsu Company	U.S.A.	Manufacture, marketing and maintenance of measuring and other instruments	US$15,131 thousand	100*
Anritsu Instruments Company	U.S.A.	Manufacture of measuring and other instruments	US$2,900 thousand	100*
Anritsu Industrial Solutions USA Inc.	U.S.A.	Marketing and maintenance of industrial automation equipment	US$5 thousand	100*
Anritsu Electronics, Ltd.	Canada	Marketing and maintenance of measuring and other instruments	CA$100	100*
Anritsu Eletrônica Ltda.	Brazil	Marketing and maintenance of measuring and other instruments	BRL 569 thousand	100*
Anritsu Company S.A. de C.V.	Mexico	Marketing and maintenance of measuring and other instruments	MXN$50 thousand	100*

EMEA		Business Description	Paid-in Capital	Anritsu's Share of Voting Rights (%)
Anritsu A/S	Denmark	Manufacture, marketing and maintenance of measuring and other instruments	DKK 30 million	100
Anritsu EMEA Ltd.	U.K.	Marketing and maintenance of measuring and other instruments	£1,501 thousand	100
Anritsu Ltd.	U.K.	Manufacture of measuring and other instruments	£20 thousand	100*
Anritsu Industrial Solutions Europe Ltd.	U.K.	Marketing and maintenance of industrial automation equipment	£50 thousand	100*
Anritsu GmbH	Germany	Marketing and maintenance of measuring and other instruments	EURO 2,837 thousand	100*
Anritsu S.A.	France	Marketing and maintenance of measuring and other instruments	EURO 1,000 thousand	100*
Anritsu Instruments S.A.S.	France	Manufacture of measuring and other instruments	EURO 37 thousand	100*
Anritsu S.p.A.	Italy	Marketing and maintenance of measuring and other instruments	EURO 260 thousand	100*
Anritsu Solutions S.p.A.	Italy	Manufacture of measuring and other instruments	EURO 150 thousand	100*
Anritsu AB	Sweden	Marketing and maintenance of measuring and other instruments	SEK 800 thousand	100*

Asia & Others		Business Description	Paid-in Capital	Anritsu's Share of Voting Rights (%)
Anritsu Company Ltd.	China	Marketing and maintenance of measuring and other instruments	HKD 43,700 thousand	100
Anritsu Electronics (Shanghai) Co., Ltd.	China	Maintenance of measuring and other instruments	CNY 8,480 thousand	100*
Anritsu Industrial Solutions (Shanghai) Co., Ltd.	China	Marketing and maintenance of industrial automation equipment	US$250 thousand	100*
Anritsu Corporation, Ltd.	Korea	Marketing and maintenance of measuring and other instruments	KRW 1,450 million	100*
Anritsu Company, Inc.	Taiwan	Marketing and maintenance of measuring and other instruments	TWD 78 million	100*
Anritsu Pte. Ltd.	Singapore	Marketing and maintenance of measuring and other instruments	SGD 600 thousand	100*
Anritsu Pty. Ltd.	Australia	Marketing and maintenance of measuring and other instruments	A$820 thousand	100*

* Indicates indirect ownership.

Investor Information

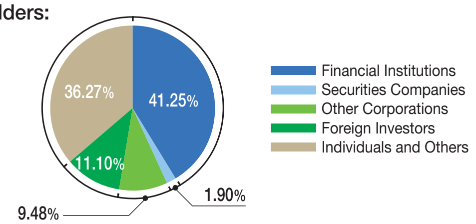
As of March 31, 2007

Head Office:	ANRITSU CORPORATION 5-1-1 Onna, Atsugi-shi, Kanagawa, 243-8555 Japan Tel: +81-46-223-1111 URL: http://www.anritsu.co.jp
Established:	March 1931
Paid-in Capital:	¥14.0 billion
Number of Employees:	3,990 (Consolidated) 1,114 (Non-consolidated)
Stock Listing:	Tokyo (Ticker Symbol No: 6754)
Transfer Agent:	The Sumitomo Trust & Banking Co., Ltd. 4-4, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8233 Japan
Number of Shareholders:	16,407
Rating:	Rating and Investment Information, Inc. Long-Term: BBB Short-Term: a-2

Authorized Shares: 400,000,000

Issued Shares: 128,037,848

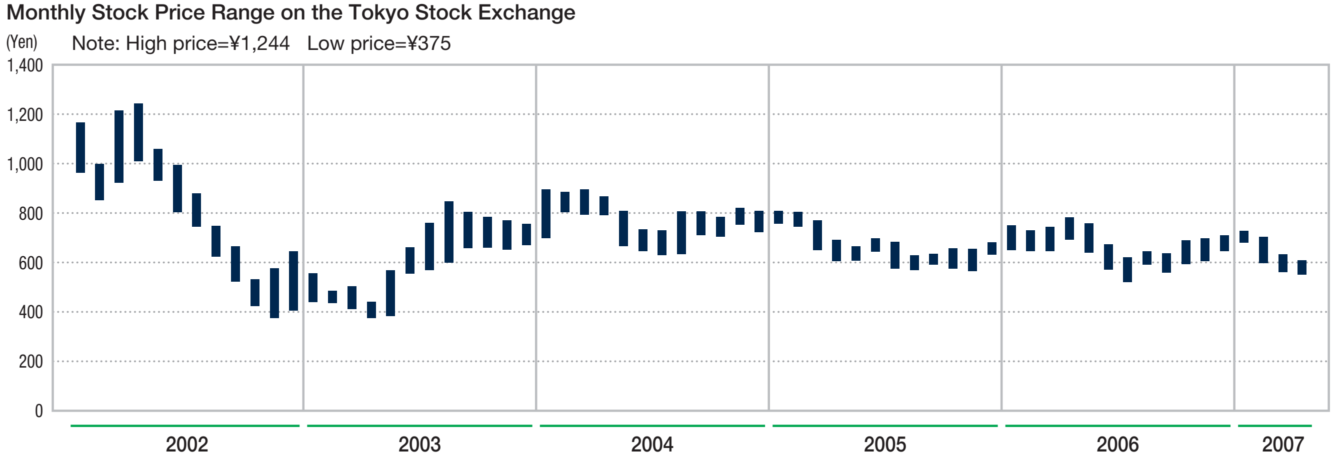
Breakdown of Shareholders:



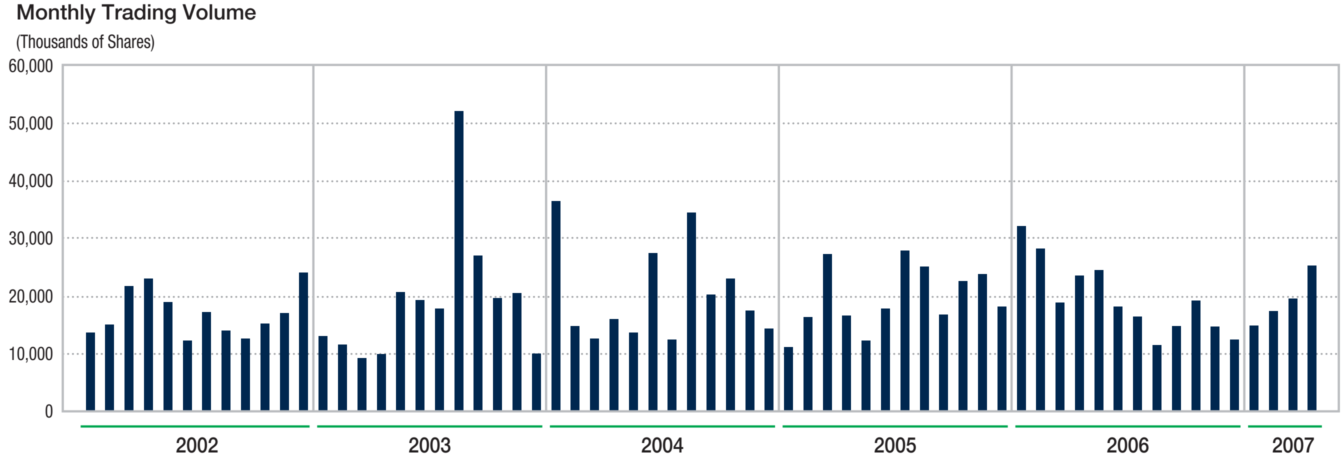
Major Shareholders:

Shareholder Name	Number of Shares (thousands)	Percentage of Total Shares Outstanding
Japan Trustee Services Bank, Ltd. (Trust Account from The Sumitomo Trust & Banking Co., Ltd., NEC Retirement Benefit Trust Account)	19,200	15.00
NEC Corporation	8,312	6.49
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,063	3.95
Japan Trustee Services Bank, Ltd. (Trust Account)	4,942	3.86
Mitsui Sumitomo Insurance Co., Ltd.	2,964	2.32
The Nomura Trust and Banking Co., Ltd. (Mutual Fund Account)	2,830	2.21
Japan Trustee Services Bank, Ltd. (The Sumitomo Trust & Banking Co., Ltd. Retirement Benefit Trust Account)	2,500	1.95
Morgan Stanley and Company International Limited	2,430	1.90
Sumitomo Life Insurance Company	2,314	1.81
HAYAT	1,560	1.22

Monthly Stock Price Range on the Tokyo Stock Exchange



Monthly Trading Volume



ANRITSU CORPORATION

5-1-1 Onna, Atsugi-shi, Kanagawa, 243-8555 Japan
TEL: +81-46-223-1111
http://www.anritsu.co.jp/E/

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