SpecialFeature 1

The Financial Strategy of Management Innovation 2008

Management Innovation 2008 is a reconstruction of our profitable growth strategy and comprises measures to bolster competitiveness and improve profitability. In this first feature article of the Annual Report, Chief Financial and Corporate Officer Hirokazu Hashimoto explains the initiatives of Management Innovation 2008 from a financial standpoint. In the second feature, officers will explain the newly organized business processes they manage.

Anritsu has reconstructed its profitable growth strategy through business process innovation and will steadily capture earnings opportunities to increase corporate value.

1. Reconstructing Strategies for Profitable Growth

The Anritsu Group's profitable growth strategy, which forms its basic management policy, is focused on balancing profits generated by current growth businesses with investment in future growth while raising corporate value. Although sales have grown continuously over the five years through March 2008, the operating margin has remained at 6 percent or lower.

During that time, the business units leading the Company in profitability were high-value-added product lines focused on the mobile communications market. Anritsu also aggressively invested in areas including an acquisition in August 2005 to enter the service assurance business, which assures network quality and which we expected to grow with progress in development of next-generation networks. In addition to the Test and Measurement segment, we also invested in such areas as the Industrial Automation segment, particularly in overseas markets, and in joint development of disaster mitigation solutions with a major system integrator in the Information and Communications segment, to prepare for our next leap forward. Although these investments have yielded results, we recognize that these are not yet sufficient nor emerging rapidly enough to meet shareholder and investor expectations.

2. Converting Business Change Risk to a Competitive Advantage

One theme in reconstructing Anritsu's strategies for profitable growth is improving the strength and stability of the Company's earnings structure. Leveraging our position as a market leader in the advanced communications network field, we are building an optimum business portfolio that incorporates more stable earnings sources. The rapid development of information and communications technologies is expanding business opportunities in leading-edge markets, but this also presents the risk of large fluctuations in business results. Management Innovation 2008 will change the Anritsu Group to a management structure with low earnings volatility risk, while aiming to establish and implement a business strategy that continually expands returns on investment and to optimize management of Group resources.

3. Innovating Business Processes

The second theme is reform of management structures that are not attaining adequate return on investment. To this end, we have implemented Key Performance Indicators (KPIs) and are thoroughly monitoring their progress in order to accelerate returns.

The business process targets and KPIs under the reorganization accompanying Management Innovation 2008 are as follows.

(1) Marketing

Anritsu will leverage its strengths in reorganizing its business portfolio into Strategic Business Units (SBUs) geared to market changes. We will take advantage of the special characteristics of individual SBUs to create a profitable overall structure.

(2) R&D

We will do away with the framework we have had, which was limited to manufacturing divisions, and create a structure that brings together R&D resources from Japan, the United States and Europe for the timely development of differentiated, high-quality products. We will work to improve return factors (RF) and net present value (NPV), which are investment decision criteria, as well as development ROI (gross profit / development investment cost), an investment efficiency

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Representative Director and
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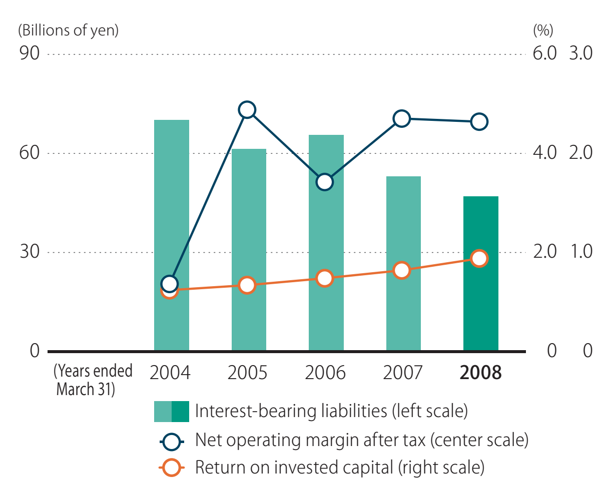
Chief Financial and Corporate Officer

Interest-bearing Liabilities and ACE Improvement Drivers



indicator, for individual accounting periods. Development ROI will be one condition used to determine total investment scale, and a general indicator for determining development project investment priority and the development portfolio for the fiscal year.

(3) Supply Chain Management

Ongoing improvement in supply chain management (SCM) is a major source of Company profits and cash flow. In particular, we have linked product design to sales policies and are promoting comprehensive cost reductions in component procurement and the manufacturing system to counteract factors including severe price competition in the maintenance market and falling prices for general purpose measuring instruments.

For the fiscal year ended March 31, 2008, we recorded a significant loss on the disposal of inventory due to the elimination of unprofitable product lines, but going forward we will rigorously manage product life cycles and will implement competitiveness evaluations in a timely manner based on clear product line withdrawal standards. Further, a new accounting standard for loss on devaluation of inventories, the lower of cost or market method, went into effect on April 1, 2008. As a result, we expect the cost of sales ratio to increase around 1.0-1.5 percent. We will work to reduce this and improve the cost of sales ratio through cost reduction activities and inventory management improvement.

(4) Sales and Management

Going forward, Anritsu will work to raise the efficiency of its sales operations by thoroughly managing cost of sales through both cost per order (sales companies' selling expenses / orders received) and selling expenses per sale (total selling expenses / net sales). Further, the Corporate division will streamline and simplify the organizational structure by absorbing the management department that had been part of the Test and Measurement segment, and will eliminate or improve the productivity of businesses that do not add value based on analysis of performance evaluations.

4. Increasing Corporate Value with ACE Drivers

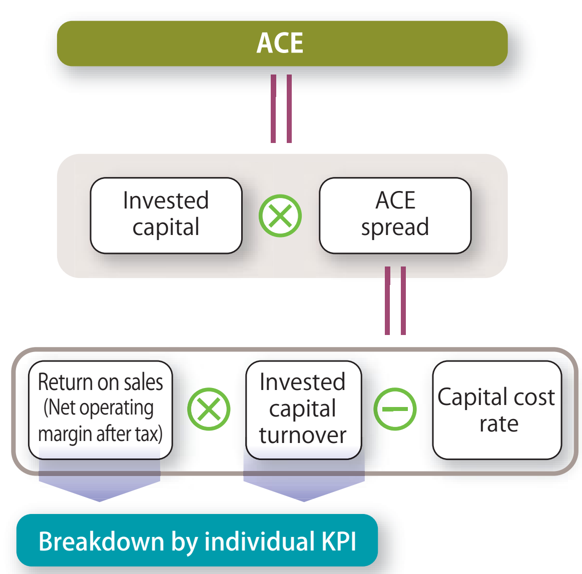
Anritsu positions improving ACE (Anritsu Capital-cost Evaluation), an indicator of corporate value, as a key management target.

We plan to make this improvement by increasing the after-tax operating margin and the invested capital turnover ratio. The factors driving ACE further break down as KPIs for individual business processes. We will work to improve profitability in core businesses by using the KPIs to innovate business processes.

Key themes in improving ACE from financial management will be reducing interest-bearing debt and increasing generation of cash flow to provide resources for that debt reduction. In addition to innovating business processes, we will work to maximize cash flow by efficiently using invested capital, especially working capital.

Anritsu will manage company-wide operations with a focus on generating cash flow to put ACE into the black, thus further increasing corporate value.

ACE (Anritsu Capital-cost Evaluation) Components



ACE: Invested capital × (Return on sales [Net operating margin after tax] × Invested capital turnover – Weighted-average capital cost rate)