

Message from the Group CEO

The Anritsu Group is working in unison to create a profitable growth model to restore profitability in the fiscal year ending March 2010 and beyond.



Hiromichi Toda
Group CEO

For the fiscal year ended March 31, 2009, orders decreased 19.7 percent compared with the previous fiscal year to ¥81,470 million, and net sales decreased 16.5 percent to ¥83,940 million. Operating income decreased 83.1 percent compared with the previous fiscal year to ¥905 million, due to a decrease in sales of the Test and Measurement business and the impact of the strong yen, as well as a change in the accounting standard for inventories. Net loss totaled ¥3,541 million, compared with net loss of ¥3,901 million in the previous fiscal year. The net loss is partly a result of business structure improvement expenses including special retirement benefits incurred through the implementation of urgent management measures, as well as a special charge in the first year of applying the lower of cost or market method to inventories.

The economic environment changed dramatically during the fiscal year due to a downturn in the real economy stemming from turmoil in financial markets. Conditions turned especially severe in the second half as the global economy fell into recession following the collapse of Lehman Brothers.

In Anritsu's core business, test and measurement instruments for telecommunications, demand decreased in Japan for measuring instruments used in research and development of 3G and 3.5G services and in manufacturing of mobile handsets. Overseas, demand was firm in the first half for measuring instruments used in production of 3G handsets in Asia and for handheld measuring instruments used in updating infrastructure in North America. However, capital investment was notably curtailed from the second half, leading to decreased demand in every region, including Japan, and every business segment.

As the drop in demand continued, Anritsu rapidly implemented urgent management measures in January that were based on headcount reductions and the consolidation of production operations in the Test and Measurement segment in Japan and overseas. These measures were completed by March 2009. In addition, Anritsu's unified efforts since January 2008 to strengthen competitiveness and increase profitability under Management Innovation 2008, especially in the Test and Measurement business, are showing steady results. With these measures, we are changing to a robust operating structure with profits that are highly responsive to sales increases, which I believe will lead to a return to profitability from the current fiscal year ending March 31, 2010. Rather than ease up on our management innovations, we will improve businesses with low profitability and steadily grasp business opportunities in markets where we expect growth, including LTE (3.9G) measurement and 3G-related measurement in China, in our drive to build a profitable growth model.

Note 1. CRM:
(Customer Relationship Management)

A management technique that places importance on building relationships with customers to improve customer satisfaction

Note 2. SCM:
(Supply Chain Management)

Comprehensive management from receipt of orders and material procurement to inventory management and product delivery.

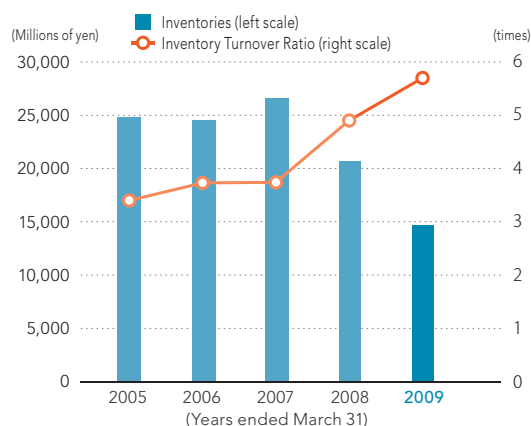
Management Innovation 2008 and Urgent Management Measures: Results and Challenges

In response to rapid change in the operating environment, we have advanced Management Innovation 2008 and our urgent management measures to shape our earnings structure for greater profitability.

Amid rapid technological innovation and intensifying global competition, Anritsu has been working continuously on Management Innovation 2008 since launching it in January 2008 to strengthen competitiveness and improve profitability. We drew up Management Innovation 2008 to strengthen the Test and Measurement business, primarily in Japan, based on our projection that results for the year ending March 2009 would fall well short of the targets of net sales of ¥120 billion and operating income of ¥12.5 billion in our three-year Mid-Term Business Plan, Anritsu Global LP 2008. Specifically, we have reorganized test and measurement operations in Japan into four organizations by business process: Sales and CRM,¹ R&D, SCM,² and Corporate. To promote greater efficiency, we have set clear targets for each business process, including improving the ratios of cost of sales to orders and of cost of sales to net sales in Sales and CRM and promoting more efficient investment in development in R&D.

One initiative that has had particular success is reducing inventories. Through measures including improving SCM

Inventories and Inventory Turnover Ratio



Management Measures Implemented During the Year Ended March 31, 2009, and Medium-Term Direction

Outline of Management Innovation 2008

(Started January 2008)

Reconstruction of profitable growth strategy responding to global competition

Higher Profitability

Stronger Competitiveness

- Improve return on R&D investment
- Reduce costs and increase inventory turnover
- Discontinue low-profit product lines
- Strengthen marketing to promote customer value focus
- Raise efficiency of business processes and organization, and rationalize business bases
- Optimize human resource allocation

Urgent management measures

(January 2009 to March 2009)

Aim to increase profitability for the year ending March 31, 2010 and beyond

Employment structure reforms

Personnel costs

- Headcount reductions in Japan and overseas
- Non-renewal of contracts with non-regular employees
- Reduction

Stabilize

processes, reducing inventories of demonstration models held by the sales division and addressing unprofitable product lines, we reduced inventories by ¥5.9 billion from a year earlier to ¥14.7 billion, improving the turnover ratio to 5.7 times.

In addition, we are realizing cost reductions for the year ending March 31, 2010 and beyond by increasing efficiency and streamlining through revisions to the Test and Measurement segment's production operations, closure of production facilities at a French subsidiary and integration of the production planning and manufacturing engineering technology divisions of Anritsu with manufacturing subsidiary Tohoku Anritsu Co., Ltd.

Customers notably curtailed and postponed capital investment due to the sharp economic downturn that followed the collapse of Lehman Brothers. In these circumstances, in January 2009 Anritsu made the difficult decision to stake its ongoing survival from the year ending March 2010 on setting and implementing urgent management measures, centered on employment structure reforms. Based on the various measures implemented under

Management Innovation 2008, the entire Anritsu Group is acting with a sense of urgency to increase profitability. The reforms brought considerable pain, but I was able to share my understanding of the situation with employees by explaining the environment that Anritsu is facing, and we completed the employment reforms in the three months ended March 2009. By reducing fixed costs through these measures we brought the breakeven point to ¥72.5 billion, thus making operating income much more responsive to increases in net sales. The entire Anritsu Group will work to return to profitability from the year ending March 31, 2010.

I believe that the economy and market environment will remain unpredictable. The many uncertainties present a high degree of risk for the premises underpinning medium-term numerical plans. Therefore, in the year ending March 31, 2010 we will place top priority on achieving our earnings targets based on our medium-term direction.

Note 3. **ROI:**
(Return on investment)

Gross profit / development investment cost

Note 4. **SPS:**
(Selling expenses per sale)

Total selling expenses / net sales

Note 5. **CPO:**
(Cost per order)

Sales companies' selling expenses / orders received

Reduce management indicators:

• R&D: Development ROI³

• Sales and CRM: SPS⁴ and CPO⁵

Improve inventory turnover ratio: 5.7 times

(previous fiscal year: 4.9 times)

Organize business bases: Close Test and Measurement

segment production facilities in France and integrate Anritsu's and Tohoku Anritsu's SCM divisions.

Reduction: Reduce the number of regular employees by 250

Compensation: Reduce compensation paid to directors; reduce salaries and bonuses

Work sharing: two holidays per month

Medium-Term Direction

Vision

Become a strong global Anritsu that consistently generates profits

Growth Drivers

Test and Measurement

LTE (global)
3G (China)
NGN (global)

Information and Communications

Disaster prevention
Information security
Social infrastructure improvement

Industrial Automation

Food safety and security
Globalization

Services and Others

Optical broadband
Flat-panel displays
High-density packaging and quality

Operating margin 10%

ROE 10%

Energize

Outlook for the Year Ending March 31, 2010 and Medium-Term Direction

We will take further steps to stabilize our financial structure by capturing demand related to future telecommunication standards LTE and 3G in China.

Test and Measurement

In the test and measurement market for the year ending March 31, 2010, we expect new demand from areas such as full-fledged development of LTE⁶, a next-generation mobile phone system that will become a global standard, as well as 3G in China and upgrades of telecommunications infrastructure in emerging markets. However, we also foresee challenging conditions continuing for other existing businesses due to restrained capital investment by customers. We expect that sales of existing businesses will decrease 30 percent overall compared with the previous

year in the first half and will remain at about the same level as the previous year in the second. We therefore estimate sales for the full fiscal year to decrease 11 percent to ¥51.0 billion.

1) LTE

Handset and chipset⁷ vendors are beginning development in response to the scheduled beginning of commercial LTE services in 2010 by companies including NTT DoCoMo in Japan and Verizon Wireless in the United States. LTE will spread globally as telecom carriers commercialize it starting in 2010.

Anritsu has positioned LTE as a pillar of its growth. By sharing development road maps with leading global telecommunications equipment vendors, with whom we built close relationships during 3G mobile phone development, in December 2008 we became the first company to introduce a signalling tester for LTE development, the MD8430A. We won approximately ¥2.0 billion in orders for this product in the fourth quarter of the year

Note 6. LTE (Long Term Evolution)

Currently undergoing standardization, LTE is a wireless communications protocol that evolved from 3.5G.

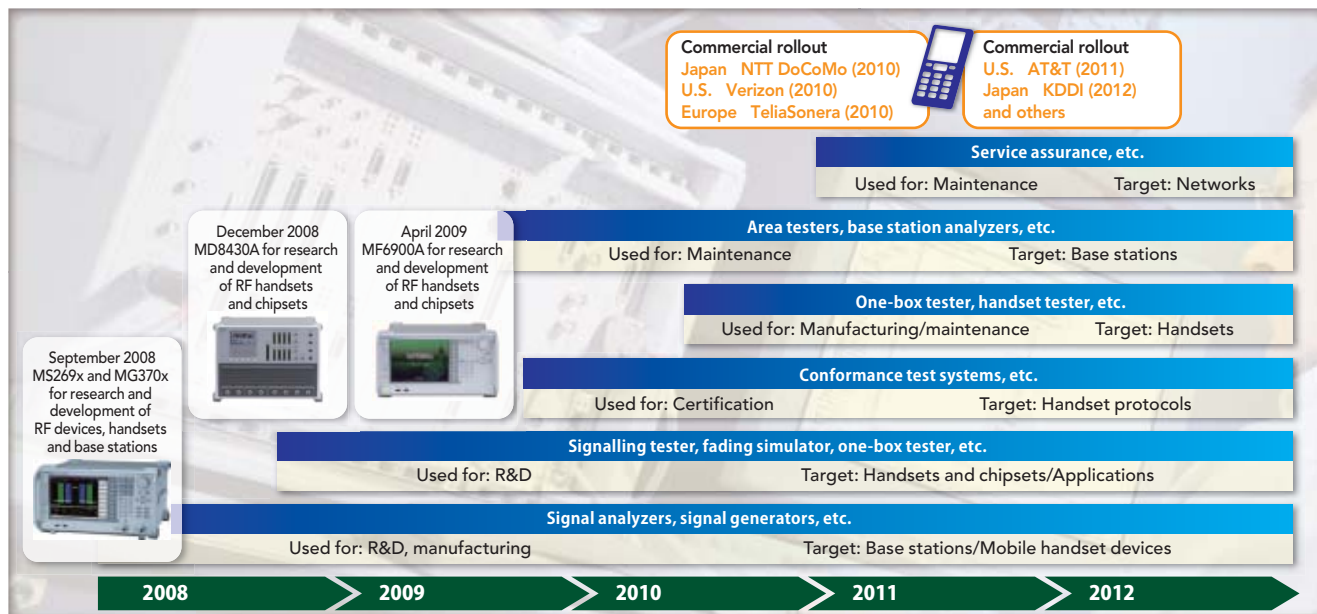
For details, please refer to the "Measurement Technologies" section.



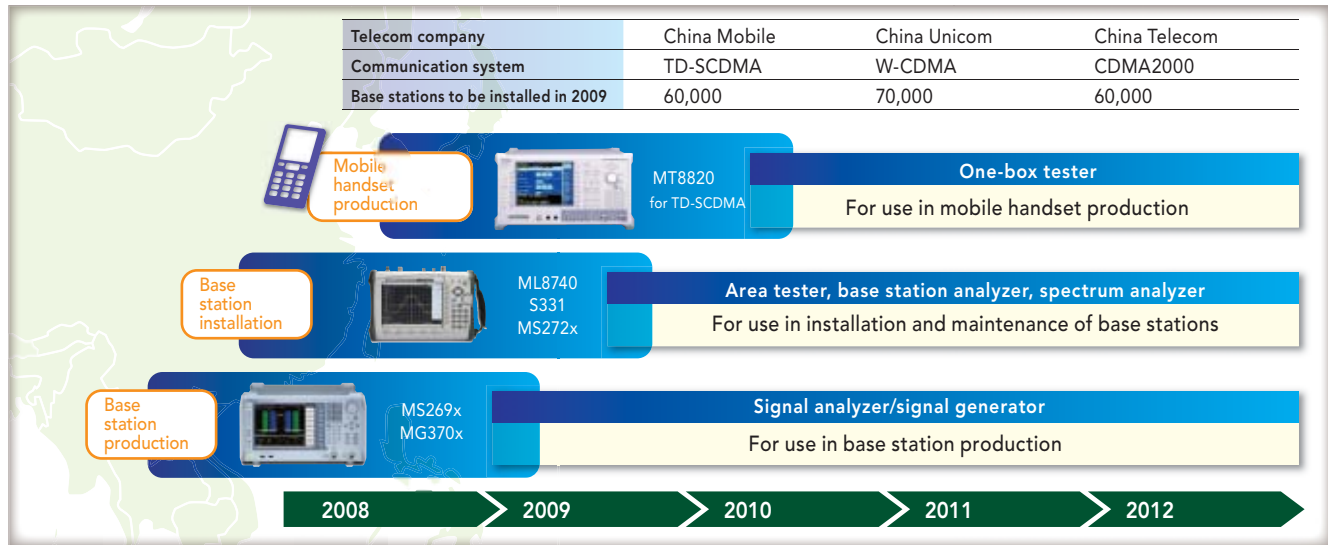
Note 7. Chipsets:

Sets that group together peripheral circuitry in mobile handsets and computers, such as CPUs, on multiple LSI chips.

Development of Measurement Solutions for LTE



Roadmap for 3G Mobile in China



ended March 31, 2009. We will continue to roll out measurement solutions including handset conformance test systems, measuring instruments for handset production, and measuring instruments used in the construction and maintenance of wireless infrastructure in line with customers' TTM,⁸ as we aim to be a top supplier.

2) 3G in China

Anritsu has developed its business in China for over 20 years, and now has business bases and service centers in more than 10 locations. China has approximately 650 million mobile phone subscribers, making it the world's largest cell phone market. In January 2009, the Chinese government issued 3G licenses to three mobile phone companies, China Mobile Limited, China Unicom Ltd. and China Telecom Corp. Amid growing demand for network construction, mobile phone production and maintenance in anticipation of the proliferation of 3G mobile phones, we expect new investment in test and measurement equipment on the order of ¥5.0 billion during the year ending March 31, 2010 as base station installation and other infrastructure upgrades begin. Anritsu is responding to demand from telecom carriers

and equipment vendors with a focus on hand-held measuring instruments, where the Company holds the top global market share.

China Mobile, which has the world's largest subscriber base, has adopted the TD-SCDMA standard, which China is promoting. The company is concentrating on upgrading infrastructure in the year ending March 31, 2010, including the installation of 60,000 base stations, to prepare for handset proliferation. Anritsu is leading competitors in the development of measuring instruments for TD-SCDMA development and production to provide products in a timely manner when demand begins.

Information and Communications

Anritsu provides social infrastructure system solutions such as video distribution and remote monitoring systems to Japanese government entities. The operating environment remains challenging as a result of the steady downward trend in public works spending. For the year ending March 31, 2010, we will secure profit by concentrating not only on business with government entities but also on increasing disaster communication system applications in cooper-

Note 8. TTM:
Time-to-market

ation with system integrators and expanding the private-sector market for bandwidth controllers for network quality assurance.

Industrial Automation

Anritsu provides quality control solutions for alien material detection, shape inspection and weighing, primarily to the food industry, which accounts for 80 percent of sales. The Japanese food market is mature, but we expect stable capital investment from sources including the renewal of production lines. We also expect growth in overseas demand for detection of alien materials in order to enhance food safety and security. For the year ending March 31, 2010, we will strengthen our position in the Japanese market by expanding our lineup of X-ray inspection systems and grow overseas sales.

The market environment for each business is extremely challenging, and we anticipate capital investment to generally remain constrained. Based on the initiatives of each sub-segment and the results of the urgent management measures implemented in the fourth quarter of the year ended March 31, 2009, Anritsu projects net sales for the year ending March 31, 2010 will decrease 9.5 percent compared with the previous fiscal year to ¥76.0 billion, operating income will increase 143.1 percent to ¥2.2 billion and net income will be ¥0.5 billion, compared with net loss of ¥3.5 billion in the previous fiscal year.

Medium-Term Direction

The entire Anritsu Group is striving to stabilize its financial structure by increasing profitability. We have already succeeded in bringing the Information and Communications segment into the black and generating stable profit in the Industrial Automation segment.

The Test and Measurement segment, which recorded an operating loss for the year

ended March 31, 2009, aims to return to profitability for the year ending March 31, 2010 through three strategies: 1) capture LTE-related demand globally, 2) capture demand for 3G-related measurement in China in the areas of infrastructure upgrades by telecom carriers and development and production by handset vendors, and 3) steadily expand stable "base" businesses with large markets, including general purpose measuring instruments for production, installation and maintenance, and the Service Assurance business.

In the General Purpose sub-segment, we will expand the product lineup and applications to provide solutions that meet customer demand in each segment. In the Service Assurance business, we expect ongoing capital investment from our telecom carrier customers around the world. Anritsu considers the Service Assurance business a pillar of the Test and Measurement segment, and implemented restructuring in the fourth quarter of the year ended March 31, 2009 to return it to profitability. For the year ending March 31, 2010, we will expand this business with a focus on Europe, the Middle East and Africa (EMEA).

Through these initiatives, we aim to increase both the consolidated operating margin and return on equity to 10 percent or more over the medium-to-long term.

Financial Strategy

By implementing Management Innovation 2008 and urgent management measures, we have restructured our organization to generate profits even if sales decline.

For the year ended March 31, 2009, net loss was ¥3.5 billion due to business structure improvement expenses and other costs. Further, investments and other assets at fiscal year-end decreased from a year earlier due to

an accounting change that resulted in the one-time amortization of goodwill at a U.S. subsidiary totaling ¥8.4 billion and R&D expenses at a Danish subsidiary totaling ¥1.9 billion that had previously been capitalized. Mainly as a result of these factors, retained earnings decreased approximately ¥14.7 billion. However, Anritsu continued to make progress in reducing interest-bearing debt, which decreased to ¥43.6 billion compared with ¥47.0 billion at the end of the previous fiscal year.

Through the implementation of Management Innovation 2008 and the urgent management measures in the year ended March 31, 2009, Anritsu has made a structural shift for current fiscal year so that the Company can be profitable even if net sales decrease. The Company will use increased cash flow generated by improvements in ACE⁹ 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,¹⁰ enhance shareholders' equity and fortify its financial structure.

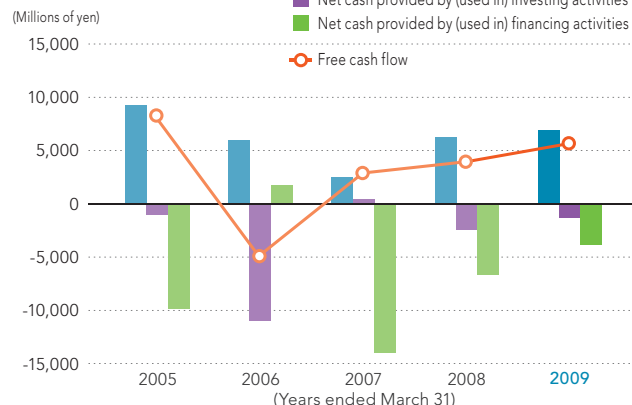
Shareholder Returns

I am confident that the Anritsu Group's unified efforts to increase earnings in the current fiscal year and beyond will lead to higher corporate value.

To return profits to shareholders, Anritsu's basic policy for paying dividends from surplus funds is to increase the ratio of dividends on consolidated equity (DOE) to reflect the level of income during the consolidated period while taking into general account factors such as the operating environment and the outlook for results.

Regrettably, in view of the net loss that resulted from the rapid deterioration of earnings,

Cash Flows



Anritsu decided not to pay a year-end dividend for the fiscal year ended March 31, 2009, and thus dividends for the fiscal year totaled ¥3.50 per share, consisting of an interim dividend of ¥3.50 per share. For the year ending March 31, 2010, we expect challenging conditions to persist, and in an uncertain financing environment we will prioritize a stable financial structure. Consequently, we do not plan to pay dividends for the fiscal year, and ask our shareholders for their understanding.

Although the challenging operating environment continues, the Anritsu Group will put all of its efforts into increasing profitability for the year ending March 31, 2010 and beyond, and I believe that this will lead to higher corporate value.

We are counting on the continuing support and guidance of our shareholders.

July 2009

Hiromichi Toda

Hiromichi Toda
Group CEO

Note 9. ACE:
(Anritsu Capital-cost Evaluation)
Net operating profit after tax -
Invested capital cost

Note 10. Net debt-to-equity ratio:
(Interest-bearing debt - Cash and cash equivalents)/Net assets