Notes to Consolidated Financial Statements

ANRITSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2009, 2008 and 2007

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in "the Financial Instruments 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.

Prior to the year ended March 31, 2009, the accounts of overseas subsidiaries were based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. As discussed in Note 2, the accounts of overseas subsidiaries for the year ended March 31, 2009 are prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for the specified six items as applicable. The accompanying consolidated financial statements have been restructured and translated into English 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 Financial Instruments 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, 2009, which was ¥98.23 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. CHANGES IN ACCOUNTING POLICIES

Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

On March 17, 2006, the Accounting Standards Board of Japan issued ASBJ Practical Issues Task Force No.18 "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" ("PITF No. 18"). PITF No. 18 requires that accounting policies and procedures applied by a parent company and its subsidiaries to similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements. PITF No. 18, however, as a tentative measure, allows a parent company to prepare consolidated financial statements using foreign subsidiaries' financial statements prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles. In this case, adjustments for the following six items are required in the consolidation process so that their impacts on net income are accounted for in accordance with Japanese GAAP unless the impact is not material.

(a) Goodwill not subjected to amortization
(b) Actuarial gains and losses of defined benefit plans recognized outside profit or loss
(c) Capitalized expenditures for research and development activities
(d) Fair value measurement of investment properties, and revaluation of property, plant and equipment, and intangible assets
(e) Retrospective treatment of a change in accounting policies
(f) Accounting for net income attributable to minority interests

As a result of adopting PITF No. 18, effective April 1, 2008, retained earnings at April 1, 2008 was decreased by ¥10,291 million ($104,764 thousand).

New accounting standard for inventories

On July 5, 2006, the Accounting Standards Board of Japan issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories." As permitted under the superseded accounting standard, the Company and consolidated domestic subsidiaries previously stated inventories at cost (unless market value of inventories declined significantly and not deemed recoverable, in such cases costs were reduced to recoverable amounts). The new accounting standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net realizable value, which is defined as selling price less additional estimated manufacturing costs and estimated direct selling expenses. Replacement cost may be used in place of the net realizable value, if appropriate. As a result of this adoption, gross profit and operating income decreased by ¥885 million ($9,009 thousand), and income before income taxes decreased by ¥1,530 million ($15,576 thousand) for the year ended March 31, 2009.

Change in depreciation method

As of the current fiscal year the Company and its domestic consolidated subsidiaries have changed the depreciation method for tangible fixed assets acquired on or after April 1, 2007 based on the revised Corporation Tax Law in accordance with revisions to that law ((Partial Amendment to the Income Tax Law, March 30, 2007, Law No. 6) and (Partial Amendment to the Corporation Tax Enforcement Ordinance, March 30, 2007, Ordinance No. 83)).

As a result, gross profit and operating income decreased by ¥74 million and ¥86 million, respectively, and loss before income taxes increased by ¥86 million, in comparison with the figures derived using the conventional accounting method for the year ended March 31, 2008.

New accounting standards for lease transactions as lessee

Prior to April 1, 2008, the Company and consolidated domestic subsidiaries accounted for finance leases which did not transfer ownership of the leased property to the lessee as operating leases with disclosure of certain "as if capitalized" information in a note to the consolidated financial statements.

On March 31, 2007, the Accounting Standards Board of Japan issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions" and ASBJ Guidance No. 16, "Guidance on Accounting Standard for Lease Transactions." The new accounting standards require that all finance leasing transactions should be capitalized.

Effective April 1, 2008, the Company and consolidated domestic subsidiaries adopted the new accounting standards for finance leases commencing after March 31, 2008 and capitalized assets used under such leases, except for certain immaterial or short-term finance leases, which are accounted for as operating leases.

The adoption of accounting method had no impact on the consolidated statements of operations for the year ended March 31, 2009.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The consolidated financial statements include the accounts of Anritsu Corporation (the "Company") and all its subsidiaries (43 subsidiaries in 2009 and 2008, and 45 subsidiaries in 2007). 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.

Investment 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

Prior to April 1, 2008, inventories of the Company and consolidated subsidiaries were stated at cost determined principally using the specific identification method (unless market value of inventories declines significantly and is not expected to recover to cost, in such cases costs are reduced to net realizable values). As discussed in Note 2, effective April 1, 2008, the Company and consolidated domestic subsidiaries adopted the new accounting standard for measurement of inventories and stated the inventories at the lower of cost or net realizable values.

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.

The Company and consolidated domestic subsidiaries depreciate buildings acquired after March 31, 1998 using the straight-line method and the other property, plant and equipment using the declining-balance method at rates based on the useful lives of the assets. Consolidated foreign subsidiaries compute depreciation principally using the straight-line method over the estimated useful lives.

Property, plant and equipment used under finance lease arrangements are capitalized and depreciated over the estimated useful lives or the lease terms of the respective assets.

Goodwill

Goodwill and negative goodwill is 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 Anritsu A/S is amortized over a nine-year period.

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 lease transactions as lessee

Finance leases, except for certain immaterial or short-term leases, are capitalized and depreciated over the estimated useful lives or lease terms, as applicable.

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.

Accrued bonuses to directors and corporate auditors

Accrued bonuses are stated at an estimated amount of the bonuses to be paid to directors and corporate auditors, based on their services for the current fiscal period.

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

Severance and retirement benefits

As of April 1, 2008, the Company and its consolidated domestic subsidiaries had 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.

On March 1, 2009, the tax-qualified post-employment benefit plan was terminated and a part of the pension plan was transferred to a defined contribution plan. So as of March 31, 2009, the Company and its domestic consolidated subsidiaries have three types of pension plan for employees, i.e., a lump-sum payment plan, a cash-balance pension plan (market interest reflecting type) and a defined distribution plan. Under the lump-sum payment plan and cash-balance pension plan, all eligible employees are entitled to benefits based on the level of wages and salaries at the time of retirement or termination, length of service and certain other factors. The Company has adopted a trust fund for pension payments.

Allowance and expenses for the lump-sum payment plan and cash-balance pension plan 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, 2009 and 2008 were 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.

As a result of the transfer to defined contribution plan, ¥1,202 million gain on revision of retirement benefit plan was recognized, according to "Guidance on Accounting for Transfer between Retirement Benefit Plans" (ASBJ Guidance No. 1).

Income taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of operations. 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 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 operations 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.

Financial covenants

A syndicated loan (¥7,000 million) of the Company's long-term debts includes financial covenants whose summary is as follows;

(1) On a consolidated basis, borrower will maintain net assets, excluding Deferred gain or loss on hedged transactions and Reservation rights on common stock, not less than ¥46,200 million at the end of each financial year and each financial half year. But deducted amount of net assets by "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ PITF No. 18) is added to the balance of net assets.

(2) On a stand alone basis, borrower will maintain net assets, excluding Deferred gain or loss on hedged transactions and Reservation rights on common stock, not less than ¥53,300 million at the end of each financial year and each financial half year.

(3) On a consolidated basis, borrower shall not suffer from any operating losses in more than two consecutive fiscal years.

(4) On a stand alone basis, borrower shall not suffer from any operating losses in more than two consecutive fiscal years.

(5) Borrower's long-term, unsecured debt rating from Rating and Investment Information, Inc., shall not fall below "BBB-".

Reclassification and restatement

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

4. ADDITIONAL INFORMATION

Effective in the year ended March 31, 2009, the Company and consolidated domestic subsidiaries shortened the useful lives of machinery and equipment based on the reassessment of the useful lives in light of the change in the Corporation Tax Code of Japan. The change had no significant impact on the consolidated statements of operations for the year ended March 31, 2009.

Pursuant to an amendment to the Corporation Tax Law, after having fully depreciated tangible fixed assets acquired on and before March 31, 2007 up to 5% of the acquisition cost, based on the prior Corporation Tax Law, the Company and its domestic consolidated subsidiaries have depreciated the difference between 5% of the acquisition cost and the memorandum price, using a straight-line method over 5 years and expensed as "Depreciation and amortization." The straight-line depreciation starts from the next year, when the book value of tangible assets acquired on and before March 31, 2007 reaches 5% of the acquisition cost.

As a result, gross profit and operating income decreased by ¥178 million and ¥196 million, respectively, and loss before income taxes increased by ¥196 million each in comparison with the figures derived using the conventional depreciation method, for the year ended March 31, 2008.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Cash	**¥18,538**	¥17,385	**$188,720**
Time deposits due over three months	**—**	(700)	**—**
	¥18,538	¥16,685	**$188,720**

6. SECURITIES

The following tables summarize acquisition costs and book values of securities with fair value as of March 31, 2009 and 2008:

	Millions of yen		
Year ended March 31, 2009	Acquisition cost	Book value	Difference
Available-for-sale securities:			
Securities with fair value exceeding book value:			
Equity securities	**¥797**	**¥1,109**	**¥312**
	¥797	**¥1,109**	**¥312**

	Thousands of U.S. dollars		
Year ended March 31, 2009	Acquisition cost	Book value	Difference
Available-for-sale securities:			
Securities with fair value exceeding book value:			
Equity securities	**$8,114**	**$11,290**	**$3,176**
	$8,114	**$11,290**	**$3,176**

	Millions of yen		
Year ended March 31, 2008	Acquisition cost	Book value	Difference
Available-for-sale securities:			
Securities with fair value exceeding book value:			
Equity securities	¥911	¥1,153	¥242
	¥911	¥1,153	¥24

The following tables summarize book values of securities without fair value as of March 31, 2009 and 2008

	Millions of yen
Year ended March 31, 2009	Book value
Available-for-sale securities:	
Non-listed equity securities	**¥144**
	¥144

	Thousands of U.S. dollars
Year ended March 31, 2009	Book value
Available-for-sale securities:	
Non-listed equity securities	**$1,466**
	$1,466

	Millions of yen
Year ended March 31, 2008	Book value
Available-for-sale securities:	
Non-listed equity securities	¥214
	¥214

Total sales of available-for-sale securities in the year ended March 31, 2009, amounted to ¥5 million ($51 thousand) and the net gains amounted to ¥5 million ($51 thousand).

No sales of available-for-sale securities in the year ended March 31, 2008.

7. INVENTORIES

Inventories at March 31, 2009 and 2008, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Finished goods	**¥ 6,030**	¥ 9,019	**$ 61,387**
Raw materials	**5,024**	6,430	**51,145**
Work in process	**3,675**	5,203	**37,412**
	¥14,729	¥20,652	**$149,944**

8. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings consisted principally of bank loans. Short-term bank loans at March 31, 2009 and 2008, were represented by overdrafts, generally matured in the period up to six months. The annual interest rates of short-term bank loans ranged from 1.05% to 6.66% at March 31, 2009 and 2008.

Long-term debt at March 31, 2009 and 2008, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
0.0% unsecured bonds with stock acquisition rights convertible into common stock at ¥1,070 ($11) per share due 2010	**¥15,000**	¥15,000	**$152,703**
1.87% unsecured bonds due 2012	**10,000**	10,000	**101,802**
Unsecured bank loans due to 2009 at interest rates ranging from 3.5% to 6.1%	**—**	997	**—**
Unsecured bank loans due to 2010 and 2013 at interest rates ranging from 0.9% to 4.0%	**7,804**	7,805	**79,446**
Unsecured bank loans due to 2009 at interest rates ranging from 1.49% to 1.51%	**7,000**	7,000	**71,261**
Total	**39,804**	40,802	**405,212**
Less current portion	**(7,800)**	(68)	**(79,405)**
	¥32,004	¥40,734	**$325,807**

At March 31, 2009, 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, 2009, are as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2010	¥ 7,800	$ 79,405
2011	15,004	152,744
2012	—	—
2013	17,000	173,063
2014	—	—
2015	—	—
Thereafter	—	—

9. STOCK OPTION PLAN

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

	2007 Plan
Date of resolution	June 27, 2007
Grantees	Company's directors, certain employees and subsidiaries' directors
Type of stock	Common stock
Number of shares granted	213,000
Exercise price	¥566
Exercisable period	August 14, 2009 -August 13, 2012

	2007 Plan	2006 Plan
Non-vested (number of shares)		
Outstanding at the beginning of the year	213,000	229,000
Granted during the year	—	—
Forfeited during the year	—	229,000
Vested during the year	—	—
Outstanding at the end of the year	213,000	—
Vested (number of shares)		
Outstanding at the beginning of the year	—	—
Vested during the year	—	—
Exercised during the year	—	—
Forfeited during the year	—	—
Outstanding at the end of the year	—	—
Weighted-average market price	—	—
Fair evaluated price	¥92	¥151

10. INCOME TAXES

The Company and its domestic subsidiaries 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, 2009, 2008 and 2007.

Significant components of deferred tax assets and liabilities as of March 31, 2009 and 2008, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Deferred tax assets:			
Inventories	**¥ 11,802**	¥ 11,220	**$ 120,147**
Net operating loss carried forward	**4,309**	5,836	**43,866**
Software	**2,176**	2,387	**22,152**
Accrued expenses	**569**	997	**5,793**
Investment securities on affiliated companies	**2,667**	689	**27,151**
Investment securities	**640**	571	**6,515**
Research and development expenses	**527**	508	**5,365**
Others	**1,230**	699	**12,521**
Subtotal deferred tax assets	**23,920**	22,907	**243,510**
Valuation allowance	**(12,681)**	(11,630)	**(129,095)**
Total deferred tax assets	**11,239**	11,277	**114,415**
Deferred tax liabilities:			
Retirement benefits	**1,318**	951	**13,417**
Net unrealized holding gains on securities	**54**	59	**550**
Others	**—**	279	**—**
Subtotal deferred tax liabilities	**1,372**	1,289	**13,967**
Net deferred tax assets	**¥ 9,867**	¥ 9,988	**$ 100,448**

Difference between the normal effective tax rate and the Companies' effective tax rate is not presented due to loss before income taxes for the years ended March 31, 2009 and 2008.

11. 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 rates 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.

12. RELATED PARTY TRANSACTION

During the years ended March 31, 2009 and 2008, the Company had no important transaction with NEC Corporation which owned 22.00% of the shares of the Company.

The Company has no outstanding balance of receivable due from NEC Corporation as of March 31, 2009 and 2008.

13. 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, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Projected benefit obligation	**¥ 28,373**	¥ 31,478	**$ 288,843**
Unrecognized actuarial differences	**(13,983)**	(10,660)	**(142,350)**
Less fair value of pension assets	**(21,054)**	(26,535)	**(214,334)**
Allowance for employees' severance and pension benefits	**(6,664)**	(5,717)	**(67,841)**
Prepaid pension expense	**8,295**	7,583	**84,445**
Allowance for directors' severance and pension benefits	**20**	33	**203**
	¥ 1,651	¥ 1,899	**$ 16,807**

Included in the consolidated statements of operations for the years ended March 31, 2009 and 2008 was severance and pension benefit expense comprising the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Service costs-benefits earned during the year	**¥ 826**	¥ 835	**$ 8,409**
Interest cost on projected benefit obligation	**740**	744	**7,533**
Expected return on plan assets	**(686)**	(758)	**(6,984)**
Amortization of actuarial gains or losses	**1,438**	995	**14,639**
Amortization of prior service cost	**(1,282)**	—	**(13,050)**
Severance and pension benefit expense	**¥ 1,036**	¥1,816	**$10,547**

For the years ended March 31, 2009 and 2008, 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.

14. NET ASSETS

Under the Japanese Corporation Law ("the Law") 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.

In cases where 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.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. However, 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.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law.

15. COMMITMENTS AND CONTINGENT LIABILITIES

(1) Assets used under capitalized finance leases

As discussed in Note 2, the Company and consolidated domestic subsidiaries adopted the new accounting standards for lease. Capitalized property, plant and equipment and fixed assets used under finance lease arrangement for the year ended March 31, 2009 are classified into Machinery and Equipment and Other assets.

Lease expenses under non-capitalized finance leases for the years ended March 31, 2008 and 2007 aggregated approximately ¥174 million and ¥210 million, respectively.

(2) Contingent liabilities at March 31, 2009 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2009	2009
Loan guarantees and items of a similar nature		
Employees	**¥796**	**$8,103**

16. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses are charged to income as incurred.

The amounts charged to income for the years ended March 31, 2009, 2008 and 2007 were ¥11,704 million ($119,149 thousand), ¥14,115 million and ¥14,072 million, respectively.

17. SEGMENT INFORMATION

Information by **industry segment** for the years ended March 31, 2009, 2008 and 2007 is as follows:

	Millions of yen						
Year ended March 31, 2009	Test and Measurement	Information and Communications	Industrial Automation	Services and Others	Total	Eliminations or corporate	Consolidated
Net sales:							
Outside customers	**¥57,449**	**¥5,201**	**¥12,981**	**¥ 8,309**	**¥83,940**	**¥ —**	**¥ 83,940**
Inter-segment	**165**	**0**	**20**	**2,821**	**3,006**	**(3,006)**	**—**
Total	**57,614**	**5,201**	**13,001**	**11,130**	**86,946**	**(3,006)**	**83,940**
Operating expenses	**58,406**	**5,130**	**12,404**	**9,135**	**85,075**	**(2,040)**	**83,035**
Operating income (loss)	**¥ (792)**	**¥ 71**	**¥ 597**	**¥ 1,995**	**¥ 1,871**	**¥ (966)**	**¥ 905**
Identifiable assets	**¥63,580**	**¥6,847**	**¥10,309**	**¥15,016**	**¥95,752**	**¥ 5,231**	**¥100,983**
Depreciation and amortization	**2,053**	**85**	**205**	**597**	**2,940**	**160**	**3,100**
Capital expenditures	**1,391**	**56**	**162**	**544**	**2,153**	**83**	**2,236**

Year ended March 31, 2008	Test and Measurement	Information and Communications	Industrial Automation	Services and Others	Total	Eliminations or corporate	Consolidated
Net sales:							
Outside customers	¥72,718	¥5,749	¥13,596	¥ 8,423	¥100,486	¥ —	¥100,486
Inter-segment	176	5	35	3,241	3,457	(3,457)	—
Total	72,894	5,754	13,631	11,664	103,943	(3,457)	100,486
Operating expenses	68,768	5,678	12,816	9,738	97,000	(1,870)	95,130
Operating income (loss)	¥ 4,126	¥ 76	¥ 815	¥ 1,926	¥ 6,943	¥ (1,587)	¥ 5,356
Identifiable assets	¥80,561	¥7,551	¥10,565	¥16,480	¥115,157	¥ 9,760	¥124,917
Depreciation and amortization	2,242	99	176	628	3,145	228	3,373
Capital expenditures	2,162	83	192	285	2,722	69	2,791

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 (loss)	¥ 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

	Thousands of U.S. dollars						
Year ended March 31, 2009	Test and Measurement	Information and Communications	Industrial Automation	Services and Others	Total	Eliminations or corporate	Consolidated
Net sales:							
Outside customers	**$584,842**	**$52,947**	**$132,149**	**$ 84,587**	**$854,525**	**$ —**	**$ 854,525**
Inter-segment	**1,679**	**0**	**204**	**28,719**	**30,602**	**(30,602)**	**—**
Total	**586,521**	**52,947**	**132,353**	**113,306**	**885,127**	**(30,602)**	**854,525**
Operating expenses	**594,584**	**52,224**	**126,275**	**92,997**	**866,080**	**(20,768)**	**845,312**
Operating income (loss)	**$ (8,063)**	**$ 723**	**$ 6,078**	**$ 20,309**	**$ 19,047**	**$ (9,834)**	**$ 9,213**
Identifiable assets	**$647,256**	**$69,704**	**$104,948**	**$152,866**	**$974,774**	**$ 53,252**	**$1,028,026**
Depreciation and amortization	**20,900**	**865**	**2,087**	**6,078**	**29,930**	**1,629**	**31,559**
Capital expenditures	**14,161**	**570**	**1,649**	**5,538**	**21,918**	**845**	**22,763**

Information by **geographic area** for the years ended March 31, 2009, 2008 and 2007 is as follows:

	Millions of yen						
Year ended March 31, 2009	Japan	Americas	Europe	Asia and Others	Total	Eliminations or corporate	Consolidated
Net sales:							
Outside customers	**¥ 43,056**	**¥16,443**	**¥14,931**	**¥9,510**	**¥ 83,940**	**¥ —**	**¥ 83,940**
Inter-segment	**12,602**	**8,856**	**1,896**	**455**	**23,809**	**(23,809)**	**—**
Total	**55,658**	**25,299**	**16,827**	**9,965**	**107,749**	**(23,809)**	**83,940**
Operating expenses	**55,621**	**22,624**	**18,925**	**9,845**	**107,015**	**(23,980)**	**83,035**
Operating income (loss)	**¥ 37**	**¥ 2,675**	**¥ (2,098)**	**¥ 120**	**¥ 734**	**¥ 171**	**¥ 905**
Identifiable assets	**¥104,112**	**¥26,760**	**¥ 8,483**	**¥4,838**	**¥144,193**	**¥(43,210)**	**¥100,983**

Year ended March 31, 2008	Japan	Americas	Europe	Asia and Others	Total	Eliminations or corporate	Consolidated
Net sales:							
Outside customers	¥ 50,167	¥20,438	¥19,267	¥10,614	¥100,486	¥ —	¥100,486
Inter-segment	14,811	9,633	4,859	618	29,921	(29,921)	—
Total	64,978	30,071	24,126	11,232	130,407	(29,921)	100,486
Operating expenses	62,481	26,600	26,051	10,794	125,926	(30,796)	95,130
Operating income (loss)	¥ 2,497	¥ 3,471	¥ (1,925)	¥ 438	¥ 4,481	¥ 875	¥ 5,356
Identifiable assets	¥111,007	¥33,696	¥15,204	¥ 4,993	¥164,900	¥(39,983)	¥124,917

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

	Thousands of U.S. dollars						
Year ended March 31, 2009	Japan	Americas	Europe	Asia and Others	Total	Eliminations or corporate	Consolidated
Net sales:							
Outside customers	**$ 438,318**	**$167,393**	**$152,000**	**$ 96,814**	**$ 854,525**	**$ —**	**$ 854,525**
Inter-segment	**128,291**	**90,156**	**19,302**	**4,631**	**242,380**	**(242,380)**	**—**
Total	**566,609**	**257,549**	**171,302**	**101,445**	**1,096,905**	**(242,380)**	**854,525**
Operating expenses	**566,232**	**230,317**	**192,660**	**100,224**	**1,089,433**	**(244,121)**	**845,312**
Operating income (loss)	**$ 377**	**$ 27,232**	**$ (21,358)**	**$ 1,221**	**$ 7,472**	**$ 1,741**	**$ 9,213**
Identifiable assets	**$1,059,880**	**$272,422**	**$ 86,358**	**$ 49,252**	**$1,467,912**	**$(439,886)**	**$1,028,026**

Overseas sales for the years ended March 31, 2009, 2008 and 2007 were as follows:

	Millions of yen			
Year ended March 31, 2009	Americas	EMEA	Asia and Others	Total
Overseas sales	**¥16,365**	**¥14,871**	**¥15,245**	**¥46,481**
Consolidated net sales	**—**	**—**	**—**	**83,940**
Percentage of consolidated net sales	**19.5%**	**17.7%**	**18.2%**	**55.4%**
Year ended March 31, 2008	Americas	EMEA	Asia and Others	Total
Overseas sales	¥19,558	¥19,093	¥17,554	¥ 56,205
Consolidated net sales	—	—	—	100,486
Percentage of consolidated net sales	19.4%	19.0%	17.5%	55.9%
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%

	Thousands of U.S dollars			
Year ended March 31, 2009	Americas	EMEA	Asia and Others	Total
Overseas sales	**$166,599**	**$151,390**	**$155,196**	**$473,185**
Consolidated net sales	**—**	**—**	**—**	**854,525**
Percentage of consolidated net sales	**19.5%**	**17.7%**	**18.2%**	**55.4%**

Non-Consolidated Balance Sheets (Supplementary Information)

ANRITSU CORPORATION
March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Assets			
Current assets:			
Cash	**¥ 8,142**	¥ 10,433	**$ 82,887**
Notes and accounts receivable — trade	**13,258**	17,064	**134,969**
Allowance for doubtful accounts	**(126)**	(163)	**(1,283)**
Short-term loans receivable	**600**	—	**6,108**
Long-term loans receivable due within one year	**1,250**	10	**12,725**
Inventories	**6,382**	10,904	**64,970**
Deferred tax assets — current	**6,032**	7,395	**61,407**
Other current assets	**8,724**	2,065	**88,813**
Total current assets	**44,262**	47,708	**450,596**
Property, plant and equipment:			
Land	**492**	492	**5,009**
Building and structures	**25,075**	24,981	**255,268**
Machinery and equipment	**6,994**	12,082	**71,200**
Accumulated depreciation	**(24,214)**	(28,445)	**(246,503)**
Net property, plant and equipment	**8,347**	9,110	**84,974**
Investments and other assets:			
Investment securities	**53,064**	54,183	**540,202**
Long-term loans receivable	**9,175**	7,015	**93,403**
Deferred tax assets — non-current	**1,393**	—	**14,181**
Other assets	**7,543**	7,096	**76,789**
Allowance for doubtful accounts	**(1)**	(2)	**(10)**
Total investments and other assets	**71,174**	68,292	**724,565**
Total assets	**¥123,783**	¥125,110	**$1,260,135**

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Liabilities and Net Assets			
Current liabilities:			
Short-term borrowings	**¥ 1,140**	¥ 1,040	**$ 11,605**
Long-term debt due within one year	**7,000**	—	**71,261**
Notes and accounts payable — trade	**6,334**	6,943	**64,481**
Accrued liabilities	**3,186**	4,024	**32,434**
Accrued expenses	**370**	1,013	**3,767**
Income taxes payable	**201**	68	**2,046**
Other current liabilities	**9,001**	7,667	**91,633**
Total current liabilities	**27,232**	20,755	**277,227**
Long-term liabilities:			
Long-term debt	**32,000**	39,000	**325,766**
Retirement benefits for directors and corporate auditors	**14**	19	**143**
Deferred tax liabilities — non-current	**—**	345	**—**
Other long-term liabilities	**285**	250	**2,901**
Total long-term liabilities	**32,299**	39,614	**328,810**
Net assets:			
Common stock	**14,050**	14,050	**143,032**
Additional paid-in capital	**23,000**	23,000	**234,144**
Legal reserve	**2,468**	2,468	**25,125**
Retained earnings	**25,312**	25,845	**257,681**
Net unrealized holding gains on securities	**256**	179	**2,606**
Deferred gain or loss on hedged transactions	**(21)**	(23)	**(214)**
Reservation rights on common stock	**20**	54	**204**
Treasury stock, at cost	**(833)**	(832)	**(8,480)**
Total net assets	**64,252**	64,741	**654,098**
Total liabilities and net assets	**¥123,783**	¥125,110	**$1,260,135**