Annual Report 2006

For the year ended March 31, 2006

BUILDING 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

Forward-Looking Statements

All information contained in this annual report which pertains to the current plans, estimates, strategies and beliefs of Anritsu Corporation (hereafter "Anritsu") that is not historical fact shall be considered forward-looking statements of future business results or other forward-looking projections pertinent to the business of Anritsu. Implicit in reliance on these and all future projections is the unavoidable risk, caused by the existence of uncertainties about future events, that any and all suggested projections may not come to pass. Forward-looking statements include but are not limited to those using words such as "believe," "expect," "plans," "strategy," "prospects," "estimate," "project," "anticipate," "may" or "might" and words of similar meaning in connection with a discussion of future operations or financial performance. Actual business results are the outcome of a number of unknown variables and may substantially differ from the figures projected herein.

Readers also should not place reliance on any obligation of Anritsu to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Anritsu disclaims any such obligation.

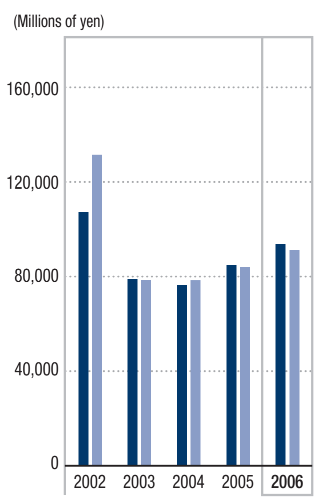
Financial Highlights

ANRITSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31

	Millions of yen			Change (%)	Thousands of U.S. dollars (Note 1)
	2006	2005	2004	2006/2005	2006
For the year:					
Net sales	¥ 91,262	¥ 84,040	¥ 78,396	8.6%	$ 776,830
Operating income	4,549	4,862	1,808	(6.4)	38,721
Net income	563	1,280	1,101	(56.0)	4,792
Depreciation and amortization	3,453	3,400	4,257	1.6	29,392
Capital expenditures	2,699	1,870	1,530	44.3	22,974
R&D expenses	12,509	10,515	9,887	19.0	106,478
At year-end:					
Total assets	¥152,390	¥142,111	¥148,353	7.2%	$1,297,157
Total shareholders' equity	60,971	60,309	60,012	1.1	518,991
		Yen		Change (%)	U.S. dollars (Note 1)
Per share:					
Net income (Note 2)					
Basic	¥ 3.76	¥ 9.31	¥ 8.38	(59.6)%	$ 0.03
Diluted	3.39	8.22	7.77	(58.8)	0.03
Cash dividends	7.00	7.00	4.50	—	0.06

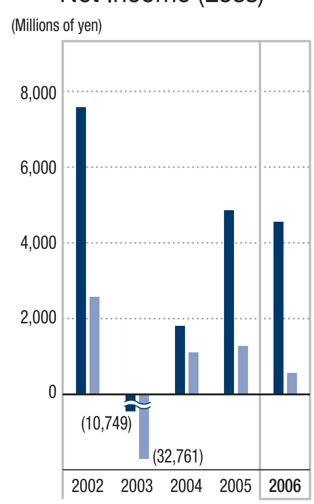
Notes: 1. The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥117.48 to U.S. $1.00, the approximate exchange rate on March 31, 2006.
2. The computations of basic net income per share are based on the weighted average number of shares outstanding 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.

Orders/Net Sales



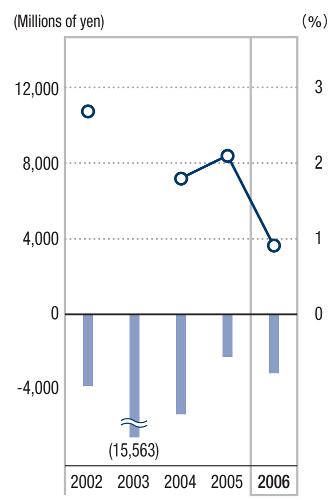
Orders
Net Sales

Operating Income (Loss)/ Net Income (Loss)



Operating Income (Loss)
Net Income (Loss)

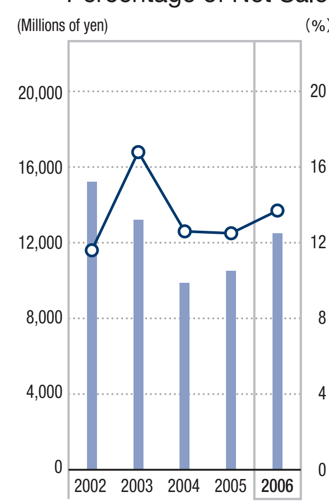
ACE/ROE



ACE (Left scale)
Anritsu Capital-cost Evaluation (Operating Income after Tax – Capital Cost)
ROE (Right scale)

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

R&D Expenses/ Percentage of Net Sales



R&D Expenses (Left scale)
Percentage of Net Sales (Right scale)

Anritsu at a Glance

Anritsu's Core Business: Test and Measurement

Wireless Test and Measurement

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 RF/Microwave Test and Measurement

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.

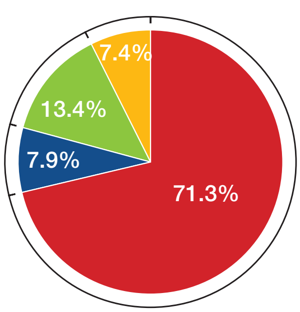
IP Network Test and Measurement

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

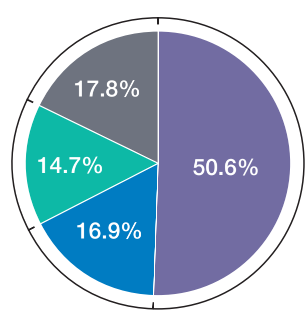
Anritsu supports the advent of next generation networks through the convergence and integration of multiple networks by providing solutions to improve End-to-End network performance and service quality and raise network administration efficiency.

Net Sales by Industry Segment
(Year ended March 31, 2006)



- Test and Measurement
- Information and Communications
- Industrial Automation
- Services and Others

Net Sales by Market
(Year ended March 31, 2006)

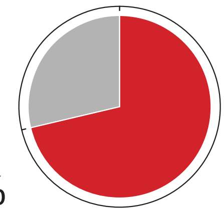


- Japan
- Americas
- Europe
- Asia and Others

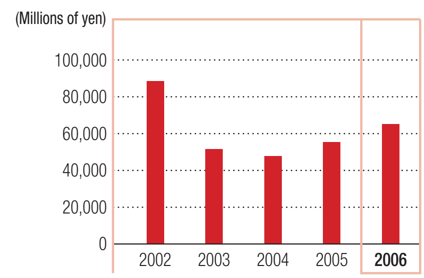
Test and Measurement

Percentage of Net Sales

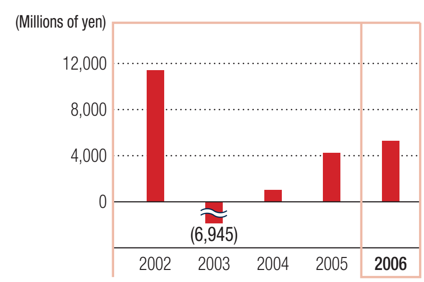
71.3%



Net Sales



Operating Income (Loss)



Business Overview

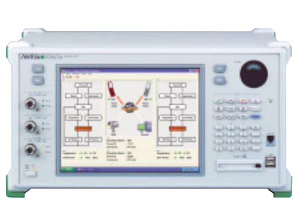
Anritsu focuses on four fields and conducts business globally in its core Test and Measurement business:

① Wireless test and measurement
② General purpose RF/microwave test and measurement
③ IP network test and measurement
④ Service assurance

Major Product

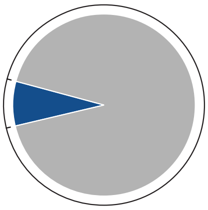
MD8470A Signalling Tester for Mobile Handset Software Development

MD8470A Signalling Tester is a measuring instrument for development that permits testing of voice calling, contents download, video calling and other mobile handset application functions using a single unit.



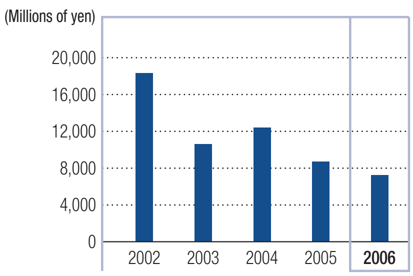
Information and Communications

Percentage of Net Sales

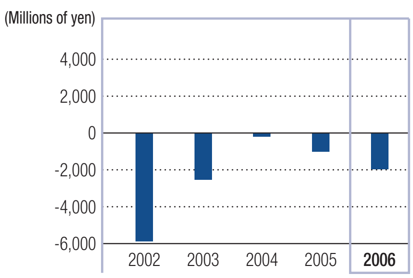


7.9%

Net Sales



Operating Loss



Business Overview

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, video surveillance systems and video traffic smoothing systems.

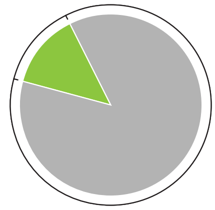
Major Product

Bandwidth Controller PureFlow® GS1

This original Anritsu product is a bandwidth controller that has a high-precision bandwidth control engine and a flexible packet grouping function. It maintains communication quality for backbone systems and significantly increases the efficiency of bandwidth use.

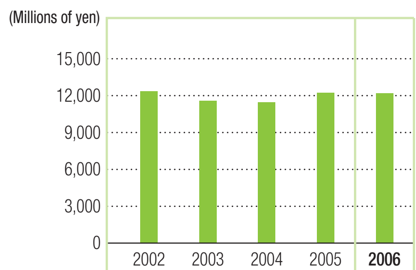
Industrial Automation

Percentage of Net Sales

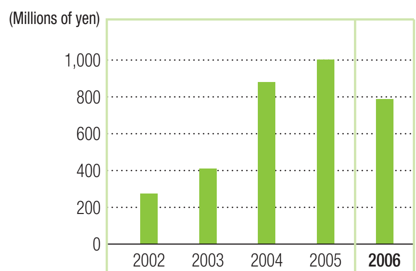


13.4%

Net Sales



Operating Income



Business Overview

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

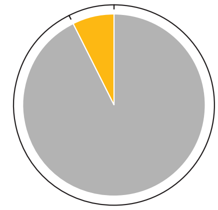
Major Product

KD7405AW X-ray Inspection System

This equipment not only inspects for alien materials other than metals, it also can simultaneously check for chipped, broken and other irregularly shaped products, and uses measurement of relative mass to check for quantity irregularities such as underweight products.

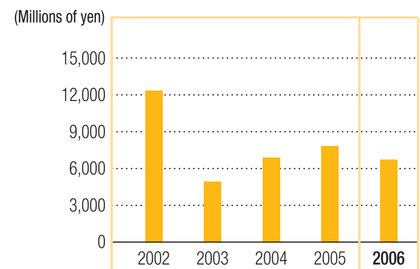
Services and Others

Percentage of Net Sales

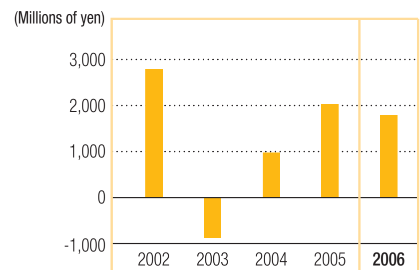


7.4%

Net Sales



Operating Income (Loss)



Business Overview

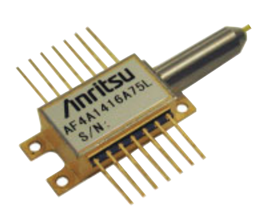
In addition to its main areas of business, Anritsu is active in the device business, the precision measurement business and environment-related businesses, as well as distribution, employee welfare services, property rental and other businesses.

This business includes a special project team that works to create new businesses using an in-house venture organization.

Major Product

AF4A1416A75L Optical Device

This is part of the AF4 series of laser diodes that are optimal as a pumping light source for Raman amplifiers and EDFA, which are promising as core components of next-generation optical communications.



In its Test and Measurement business, which aims to be a global market leader in telecommunications measurement solutions, the Anritsu Group is preparing for the coming next generation network (NGN) age, where mobile communications networks and wireline networks will converge. As we reinforce our core businesses and restructure other businesses, the synergy generated with the recently added Anritsu A/S will further solidify our "profitable growth" strategy.

Hiromichi Toda
President

In the year ended March 31, 2006, healthy growth in sales of the Test and Measurement business and the acquisition of NetTest A/S (now Anritsu A/S) led to net sales of ¥91,262 million, an 8.6 percent increase compared with the previous fiscal year. However, operating income dropped 6.4 percent to ¥4,549 million, largely because of expanded losses in the Information and Communications business. Please discuss the main environmental factors that affected results in the past fiscal year, and what measures Anritsu implemented.

The past year was Anritsu's 110th anniversary and my first year as president of the Company, making it a momentous year for Anritsu and a significant one for me. In October 2005 we held a private show, TECHNO PLAZA 2005, in Tokyo and Osaka to commemorate the Company's 110th year in business, which allowed us to reaffirm our position as a company that has grown with the history of electronics. The event also gave us a good opportunity to remind our customers about the Anritsu Group's business fields.

• Review of the Test and Measurement Business

Mark Evans became general manager of the Test and Measurement business in 2005, and has strengthened the worldwide business operations he presides over. The benefits from this became apparent, and solid demand continued for measuring instruments used in development of third generation (3G) and 3.5G mobile communications services by mobile phone handset manufacturers in Japan and overseas. In addition, demand for handheld measuring instruments for installation and maintenance of mobile phone base stations was strong worldwide, particularly in the North American market. As a result, sales in this business increased 17.9 percent and operating income climbed 24.9 percent.

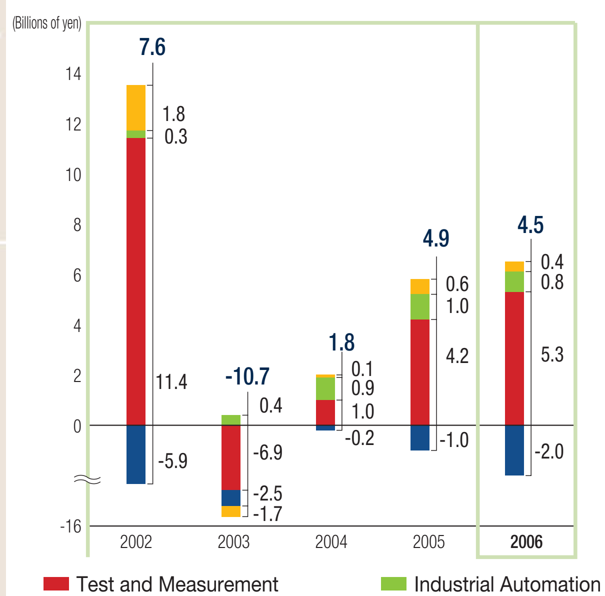
In the history of Anritsu's globalization, the acquisition of U.S. measuring instrument manufacturer Wiltron Company in 1990 was a major step, but more time was required to create synergy between Anritsu's domestic and overseas operations. In the last several years, however, we have responded to the challenge by building up the expertise and fostering the human resources needed to develop as a true global company.

Because of this experience, our integration with NetTest A/S (now Anritsu A/S), a medium-sized manufacturer of measuring instruments based in Denmark, is progressing smoothly at a faster pace. We made this acquisition in August 2005 for the purpose of entering the service assurance business, which supports the improvement of network performance and service quality with a view to the construction of the coming next generation network (NGN) society. This will allow us to establish "service assurance" as a fourth pillar of the Test and Measurement business, in addition to wireless test and measurement, which includes testers for mobile phone handset development, manufacturing and maintenance, and testers for wireless infrastructure installation and maintenance; general purpose RF/microwave test and measurement, including testers for development and manufacturing of wireless equipment and electronic components; and IP network test and measurement, including testers for the development and manufacture of optical, digital and IP communication devices.

• Review of the Information and Communications Business

The operating loss in the Information and Communications business increased substantially in the past fiscal year due to the trend toward smaller long-term budgets of government agencies, the main customer segment of this business, and our delay in developing private-sector markets. There was a time when this business created one of

Operating Income (Loss) by Business Segment



Note: Figures for Services and Others include eliminations or corporate.

Anritsu's eras through the development and manufacture of radio equipment for marine vessels, public telephones, telemeter systems and other products. As the infrastructure of society has shifted to optical and digital technology, the routers, switches and other telecommunication devices for which we invested in development because we expected them to be key products, as well as the telecommunication systems that use them, have not shown the results we expected. Because the market for network-related equipment is expected to be large, though highly competitive, and because we had invested in the launch of this business with high expectations for it, we were slow to make cutbacks for business restructuring. Consequently, rather than taking our previous approach of trying to improve profitability by dealing with individual issues, we have made drastic management structure reforms by shifting to a profit structure that is focused more clearly on business areas with good growth potential. By March 2006, we had already begun reducing fixed costs through personnel downsizing and other measures. In April, we made a fresh start based on carefully examined break-even sales, under an organization in which resources are optimized for the scale of this business. In July, we separated the Information and Communications business and transferred it to a wholly owned subsidiary, Anritsu Technics Co., Ltd. (now Anritsu Networks Co., Ltd.). This move is aimed at promoting the independent viability of this business and speeding up decision making in order to make the Information and Communications business profitable.

• Review of the Industrial Automation Business

This business, which is operated by Anritsu Industrial Solutions Co., Ltd., a wholly owned subsidiary of Anritsu, has a leading position in the field of metal detectors and X-ray inspection systems capable of high-speed, high-accuracy detection of foreign substances such as metal and bone fragments introduced in the food production process. With the trend of rising food safety needs in recent years, this business has been stable, with operating margins in the 6 percent range even as sales have been virtually flat.

A focus in this business going forward will be expanding sales of new products that can not only detect foreign materials but also measure the shape, mass and quantity of detected objects. We will also aggressively develop our overseas business infrastructure to expand sales in overseas markets.

Please summarize the new three-year business plan that started in the fiscal year beginning April 2006.

In the past, our Mid-term Business Plan was based on a three-year rolling plan that we reviewed each year. However, the significance of the rolling plan tended to be overemphasized, which diluted our commitment to numerical targets. For the new Mid-term Business Plan, which targets the year ending March 2009, we are promoting awareness in the company that the original targets are baselines that must be reached.

In this plan, we have set our target vision of Anritsu as "a company that contributes to the realization of a safe, secure and comfortable society." This ties in with the philosophy of the Japanese government's "u-Japan" initiative, which aims to realize a ubiquitous network society by 2010, and is based on the Anritsu Group's wish to contribute toward the realization of the ubiquitous network society in the field of information and communications. The Anritsu Group is also fulfilling the mission of protecting food safety through its Industrial Automation business. We have incorporated these as objectives that symbolically define the Anritsu Group's corporate activities. As for management indicators in the new Mid-term Business Plan, we will steadily implement our profitable growth strategy with net sales of ¥120 billion, operating income of ¥12.5 billion, Anritsu Capital-cost Evaluation (ACE)[1] of ¥5 billion, and return on equity of 10% as targets for the year ending March 2009.

To achieve these targets, we have set three fundamental policies:

- Globally provide quick service and support that exceeds customer expectations;
- Strengthen core businesses with prioritized allocation of resources; and
- Build new businesses that reflect emerging market trends.

(Note 1) Anritsu Capital-cost Evaluation (ACE) :
Operating income after tax - Cost of capital

1) Globally provide quick service and support that exceeds customer expectations

Since the time of our former President Akira Shiomi, Anritsu has adopted the "Intelligent Solution Creator" business model. We originate all of our ideas by asking what the customer is looking for. Based on what the customer expects and the problem they want us to solve, we anticipate what we need to do to exceed the customer's wishes and then provide solutions. This is the fundamental concept of the "Intelligent Solution Creator" model. We intend to strengthen this system globally.

To strengthen our global operations, in April 2006 we established Anritsu EMEA Limited, a central sales company in the United Kingdom, which will build a cost-effective sales organization and support development of the Test and Measurement business in Europe, the Middle East and Africa.

2) Strengthen core businesses with prioritized allocation of resources

Anritsu's strength is offering measuring instruments involved in information and communication in various layers, including simulations ranging from measurement of the physical layers to application layers. The instruments cover the diverse devices under test (DUTs) that make up communication networks, from communication systems to terminals, modules and electronic components. We are also adding the service assurance business, centered on Anritsu A/S, in which we provide solutions to assure the communication quality of networks. We intend to focus on these as our core businesses.

These fields are very broad, and systems are becoming ever more complex. This means that unless we carefully identify the parts of these fields in which we can fully exercise Anritsu's strengths, and concentrate our resources accordingly, we will have difficulty creating solutions that consistently exceed customer expectations. However, by maintaining a customer-focused attitude and acting from a global perspective, I believe we can offer solutions that will surely exceed the expectations of customers.

After I took office as president, I said that my vision of the core business supporting Anritsu is to be the best in the world in test and measurement solutions that assure the quality of the elements (devices, equipment and systems) that will make up the NGN, and the services provided using it. In measuring instrument solutions for development of 3G/3.5G mobile phones, we have captured the global number-one position by actively participating from the formulation stage of global standards and building relationships with customers. I want Anritsu to draw on this experience to also attain the global number-one position in the NGN, in which the communication network infrastructure will be integrated by IP. We will focus the awareness of the entire company on achieving this goal.

3) Build new businesses that reflect emerging market trends

In the past, there was a time when we were called "Anritsu, The Leader of Optical Technologies." Later, when core networks were changing to high-speed digital technology, Anritsu was proud to consistently deliver cutting-edge solutions. During the last several years, as mobile phone systems shifted from 2G to 3G, we have provided solutions with a focus on 3G mobile phones. Now we are mobilizing Anritsu's technological capabilities for the next stage. Realizing the NGN vision I mentioned earlier will require testing of the equipment and components to be used. While this is the area of greatest strength for the Anritsu Group, we must respond to the increasing sophistication of IP and

Anritsu began its new Mid-Term Business Plan at the start of fiscal 2006. Our goal is to be a company that contributes to the realization of a safe, secure and comfortable society. We will work toward achieving the goals of this medium-term business plan by steadily implementing our strategies for profitable growth.

high-speed digital technology. In the service assurance business, we want to expand the business domain from real-time monitoring systems to management of subscriber satisfaction with communication service quality, and offer solutions positioned as Service Quality Management (SQM).

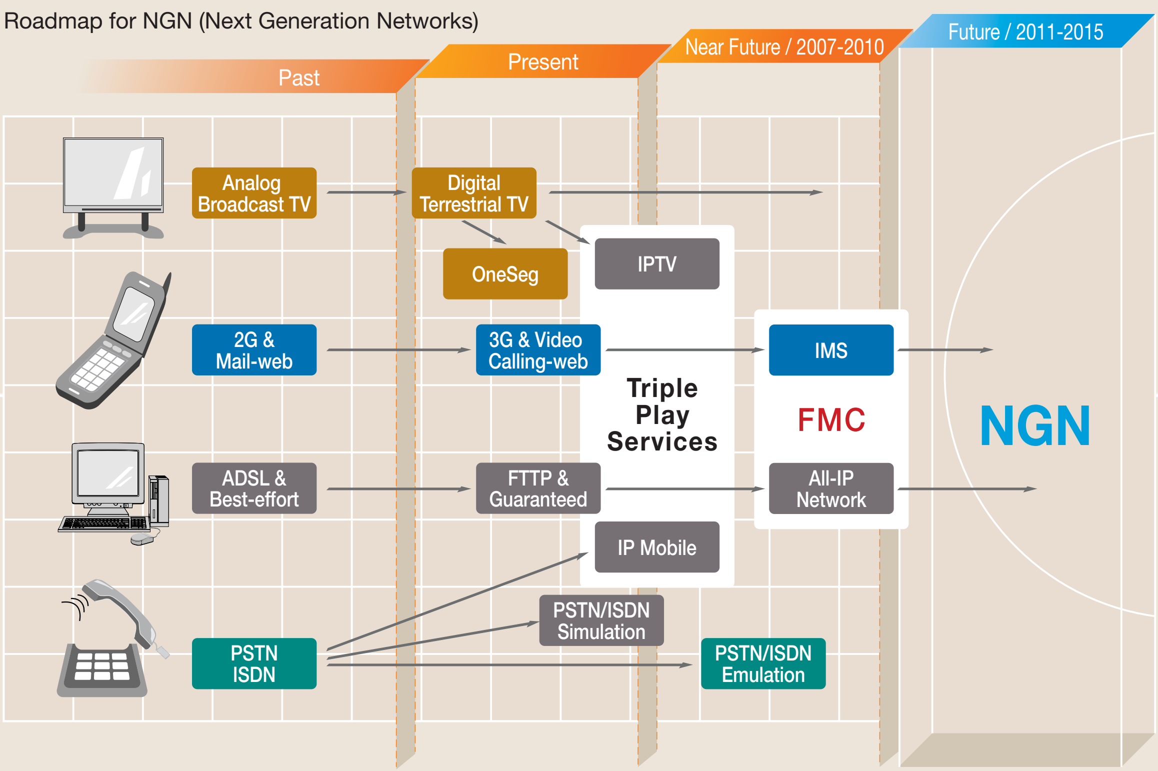
To lay the foundation for these growth drivers of the next fiscal year, we established the Technology Center in April 2006 to coordinate basic research with the businesses of the future, and to shape a system that will strongly back up promotion of more strategic research and development. With the Technology Center and the development departments of business divisions working in close cooperation to fulfill their respective roles, we expect to create many solutions that target the NGN. In addition, we established the Incubation Department in the Core Technology R&D Center to promote new business projects already under way and to clarify the process of linking the results obtained in basic research to real businesses. Our objective is to encourage research and development that is always conscious of how R&D will lead to new businesses.

In areas that are not directly linked to the Information and Communications business, we can leverage our optical and telecommunications technologies to offer unique solutions that other companies cannot match. If these solutions can play a part in realizing a safe, secure and comfortable society, then we naturally should implement them, and we will constantly look for the seeds of new businesses.

Anritsu A/S, which was added to consolidation in October 2005, had an operating loss in the past fiscal year due to forward investment to improve the organizational framework for the company's integration and to shore up its business foundation. Please discuss the scenario in which this company will contribute to profits by creating synergy.

We finished integrating business divisions and sales organizations and reducing overlapping functions by March 2006 as planned. This fiscal year, as phase two of the integration process, we will share and apportion the development roadmap and efficiently allocate engineering and manufacturing resources. Specifically, we will restructure optical and digital measuring instrument manufacturing operations in the United States and concentrate these functions at Tohoku Anritsu Co., Ltd., a subsidiary in Japan. For optical

Roadmap for NGN (Next Generation Networks)



ADSL: Asynchronous Digital Subscriber Line / FMC: Fixed Mobile Convergence / FTTP: Fiber To-The-Premises / IMS: IP Multimedia Subsystem / ISDN: Integrated Services Digital Network / PTSN: Public Telephone Switched Network and digital related marketing functions, we will further enhance cooperation with our IP Network Measurement Division in Japan, and work to expand our presence in North America, the world's largest market.

Anritsu has high-speed digital, optical, RF/microwave, mobile communications protocol, IP and other technologies, and its strength lies in testing and measurement that extends from components used mainly in telecommunications systems to equipment. At the same time, Anritsu A/S is strong in quality assurance technology for entire networks. By combining these technologies, we will be able to offer total solutions for the systems, services and operations that will form the NGN that is expected to develop in the years ahead. Anritsu A/S will still post a loss in the first half of this fiscal year, due in part to expenses from integration work and investment to expand solution functions. However, excluding straight-line amortization of goodwill, we expect it to turn profitable during the second half.

Approval of 3G licenses in China is still behind schedule. What is the status of Anritsu's activities in the 3G market in China?

We have already made progress such as commercializing a signalling tester for TD-SCDMA[2] development, which has created many expectations from the Chinese side as well. To achieve the government's goal of providing 3G services by the time the 2008 Beijing Olympics are held, the infrastructure will need to be in place in the near future. Signs of the launch are gradually starting to appear. Anritsu also has high technological capabilities for W-CDMA and CDMA2000, and we will work to build our brand so that Anritsu will be recognized as a 3G leader in China, which is known as "the world's factory."

(Note 2) TD-SCDMA: An international 3G standard developed by China

Please describe Anritsu's main tasks and performance outlook for the year ending March 2007.

This year, we will advance development of test and measurement solutions that support digital wireless convergence for the NGN. First, we will retain our global number-one position in 3G and 3.5G development solutions and conformance test systems that support standards including HSDPA[3], HSUPA[4] and TD-SCDMA.

Next, in the field of wireless communications, new technologies and demand other than 3G are emerging one after

another, such as UWB[5] and WiMAX[6]. Anritsu will also contribute to cutting-edge technology in the area of measuring instrument solutions for mobile WiMAX development.

Another key area is digital broadcasting. Anritsu will provide test and measurement solutions for infrastructure that support DVB-T/H[7], a digital terrestrial broadcasting standard in use in more than a dozen countries, primarily in Europe. In January 2006, we commercialized the world's first handheld tester that includes signal analysis functions for DVB-T/H digital terrestrial broadcasting and spectrum analyzer functions, and can make the necessary measurements for checking reception and performing maintenance on broadcasting equipment.

We plan to establish seamless measurement technology centered on IP technology in these integrated fields of 3G/3.5G, WiMAX and digital broadcasting.

In addition, as part of our efforts for the NGN, we will develop measurement solutions for all-IP broadband and high-speed core networks. Currently, the maximum data speed of core networks is 10Gbps, but with the spread of broadband service, core network capacity will also have to expand, and speeds up to 40Gbps are being planned. We are working on developing measurement equipment compatible with this 40Gbps speed.

As these examples indicate, we are strengthening R&D for the continuing growth of the Test and Measurement business. By doing this, while eliminating the losses in the Information and Communications business, we are determined to steadily build the foundation for profitable growth.

For the year ending March 2007, we project net sales of ¥98.0 billion (a 7.4 percent increase year-on-year) and operating income of ¥6.5 billion (a 42.9 percent increase). We will work toward these as the first step toward our baseline figures for the year ending March 2009, the target of the new Mid-term Business Plan.

(Note 3) HSDPA (High Speed Downlink Packet Access): A standard that enables faster data transmission speeds in 3G mobile phone system W-CDMA downlink. The improved version of the 3G system, called 3.5G, has a transmission speed more than five times faster.

(Note 4) HSUPA (High Speed Uplink Packet Access): A standard that enables faster data transmission speeds in W-CDMA and HSDPA uplink

(Note 5) UWB (Ultra Wideband): A system for short-range, high-speed data transmission using ultra-wideband, low-power radio waves at microwave frequencies

(Note 6) WiMAX (Worldwide Interoperability for Microwave access): A standard for high-speed wireless networks that cover an area the size of a city. It is promising as an alternative to popular wireline broadband access technologies such as ADSL and optical cable.

(Note 7) DVB-T/H: A digital terrestrial broadcasting format used in Europe and elsewhere. DVB-T (Terrestrial) is for fixed reception, and DVB-H (Handheld) is for mobile terminals.

Anritsu has an active CSR program that includes participation in the recently announced UN Global Compact[8]. Please discuss the company's planned CSR activities and corporate governance.

Last year we expanded the breadth of our environmental report to a CSR report that covers the philosophies and activities related to the Anritsu Group's CSR activities. The Action Plan and other initiatives described in the report are updated yearly, and it is important that they are really of use to society. Certainly we contribute through our main business. But for our employees, for example, who constitute an important stakeholder group, we need to take further steps to create an employee-friendly workplace, such as studying support measures that address social issues like the low birth rate.

As for corporate governance, we started inviting outside directors last year. I feel that they have been extremely helpful because they point out various issues in Board meetings from a perspective that is completely different from that of company insiders, and we have learned a lot from them. They also bring objective viewpoints to corporate governance.

In April this year, we established the Internal Control Improvement Center to expedite improvement of internal controls. While management has gained a greater degree of freedom with the enactment of the new Corporation Law, there are also demands for stronger internal control systems. Of course, we will meet the legal requirements that are being planned, such as Japan's corporate reform law, which will obligate listed companies to evaluate and audit their internal controls for financial reporting. In addition, we will work to increase the level of transparency and clarity of business processes by making improvements to the efficiency of internal operations and legal compliance issues that we become aware of in the course of analyzing and evaluating current processes.

(Note 8) Global Compact: Advocated by the United Nations, the Global Compact is a group of organizations that support 10 principles concerning human rights, labor, the environment and anti-corruption.

Cash dividends per share for the fiscal year totaled ¥7.00, the same as in the previous fiscal year. What is your basic line of thinking as to how to return profits to shareholders through achievement of the new Mid-term Business Plan?

Our basic policy for shareholder returns is to make dividend payments based on the condition of consolidated net income, while also considering factors such as the business environment, the outlook for results in the next term, and the consolidated payout ratio.

In the past fiscal year, net income was ¥563 million. As a result of our comeback in the fourth quarter, we were able to avoid a loss, but given the level of profit, the dividend for the period reflects our decision to meet our shareholders' expectations to the fullest extent possible.

Our proposition is to reinforce the Company's strengths and raise Anritsu's corporate value through execution of the new Mid-term Business Plan, and thereby increase operating income.

The next three years up to March 2009 will be a crucial period for the Anritsu Group, and we are determined to steadily implement our profitable growth strategy. I hope that our shareholders will take notice of the medium-term vision that the Anritsu Group is pursuing, and respond with their continuing support.

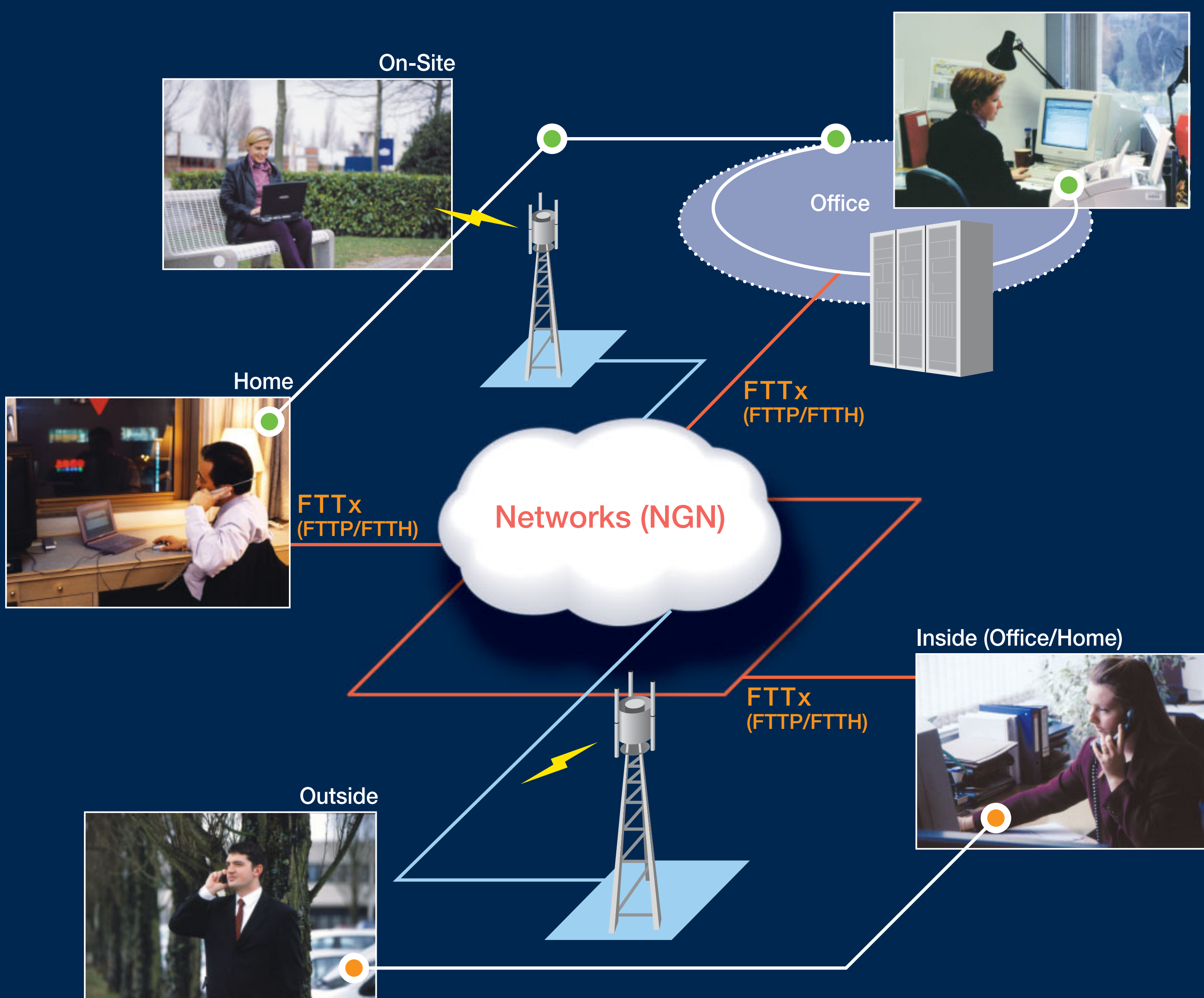
July 2006

Hiromichi Toda

Hiromichi Toda
President

BUILDING
NEXT GENERATION NETWORKS

The Anritsu Group will employ its technological strengths to deliver an array of solutions as IP-based fixed mobile convergence drives next generation networks (NGN).



Measurement Solutions for Digital Wireless Communications

Anritsu provides measurement solutions to support the emerging wireless network, including mobile phones, mobile communications infrastructure, wireless LANs, WiMAX and digital broadcasting.

Communications services have progressed day by day from voice communications to the introduction of the Internet and e-mail, and still further to include music and video delivery over networks. As a result, daily life has become richer. Today, content is provided not only via wireline broadband services such as xDSL and FTTx[9], but also through mobile terminals employing digital wireless communications technology. Fixed mobile convergence (FMC) services that seamlessly fuse wireline terminals and mobile terminals are beginning to appear. Anritsu is contributing to the development of communications services with leading-edge wireless technologies.

(Note 9) FTTx (Fiber-To-The-x): High-speed internet access technology achieved through direct fiber optic connections to homes, apartment buildings, offices and other spaces

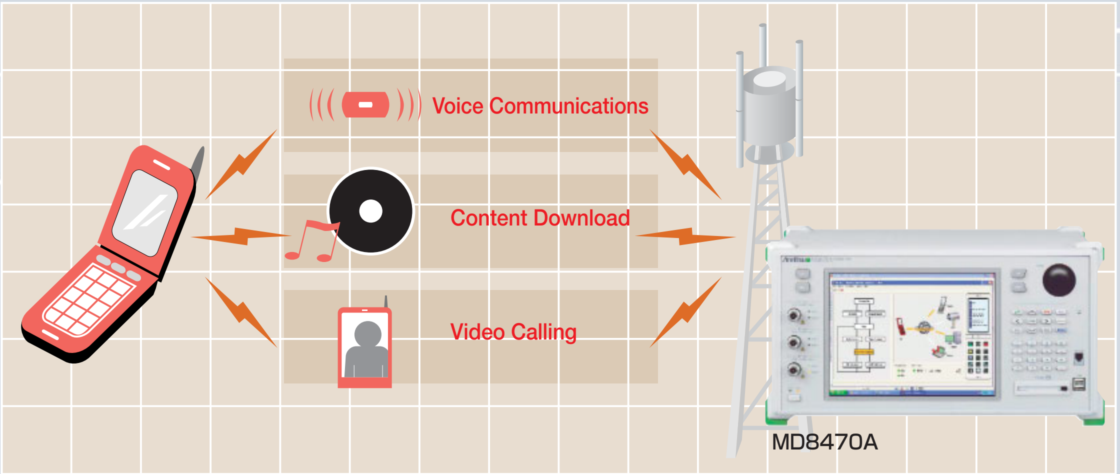
Contributing to Third-Generation Mobile Phones

Third-generation mobile communications (3G) standards such as W-CDMA and CDMA2000 were developed to provide high speed transfer of large amounts of data at a low cost. The number of 3G subscribers is growing globally. In particular, the number of W-CDMA subscribers tripled during 2005[10]. Currently, W-CDMA is evolving into High Speed Downlink Packet Access (HSDPA), or 3.5-generation (3.5G) services offering high-speed packet transmission. Already offered in parts of the United States, Europe and South Korea and scheduled to debut in Japan during 2006, 3.5G is expanding globally. Anritsu makes 3.5G development and testing more efficient by providing measuring instruments that fully support HSDPA mobile phone standards.

Communications service providers are competing to deliver content with even greater appeal to subscribers by using more advanced technologies. This is driving efforts by manufacturers to develop new chipsets and mobile phones and increasing prospects for Anritsu, which possesses the world's most advanced technologies in this field. For example, we offer a base station simulator as a single device that tests a range of mobile phone applications including voice communications, content download and video calling (see diagram below).

In China, which has the largest number of mobile phone

MD8470A Simulation Image Diagram



subscribers in the world, full-scale development of the third 3G standard, TD-SCDMA, is under way. Anritsu was among the first companies to pursue joint development with a Chinese research organization and is currently selling products that contribute to developing TD-SCDMA mobile phone handsets.

The global diffusion of 3G/3.5G has begun to drive demand not just for mobile phone development but also for measuring instruments used in mobile phone handset production. Anritsu offers scalable products to cover all communications standards, from second-generation standards such as GSM to 3.5G. We also help improve manufacturer productivity by offering a measuring instrument that can test two handsets simultaneously.

(Note 10) Source: Subscriber statistics from the GSM World website of the GSM Association

Contributing to Base Stations, Repeaters and Other Mobile Communications Infrastructure

Anritsu is the industry's leading provider of measurement solutions not only for mobile phone handsets, but for base stations, repeaters and other mobile communications infrastructure as well. By creating smaller, handheld measuring instruments, we contribute to improving the efficiency of base station installation and maintenance while maintaining quality. For example, our battery-operated Site Master, which is used to test the quality of base station cables and antennas, and Spectrum Master, which is used to analyze the signals from transmission equipment and study signal environments at specific sites, are about 10 times lighter than conventional desktop models weighing around 20 kilograms, yet offer the same high performance. Also, in installing and maintaining base stations, transmission signals must be analyzed because communications standards differ depending on the telecommunications carrier. Anritsu responds to such needs and provides its customers with strong support by developing handheld base station testers that incorporate leading edge technologies acquired in designing measuring instruments for mobile phone handset development.

Contributing to Wireless LANs, WiMAX and Digital Broadcasting

Anritsu's wireless measurement solutions are not limited to mobile phone networks. Two other digital wireless communications media currently share the spotlight: the wireless LAN and its more advanced version, WiMAX. Anritsu provides signal analysis solutions for WiMAX modules, including vector signal generators and signal analyzers.

Leveraging its accumulated technologies in mobile communications, Anritsu also provides solutions for digital broadcasting. In 2006, OneSeg terrestrial digital broadcasting for mobile phones was launched commercially in Japan. Preparations are proceeding toward full-scale commercialization of terrestrial digital broadcasting for mobile phones in Europe in 2007. Anritsu offers an unparalleled lineup of handheld digital broadcast field analyzers to meet anticipated needs in Japan and Europe, and is working to expand this area of business.

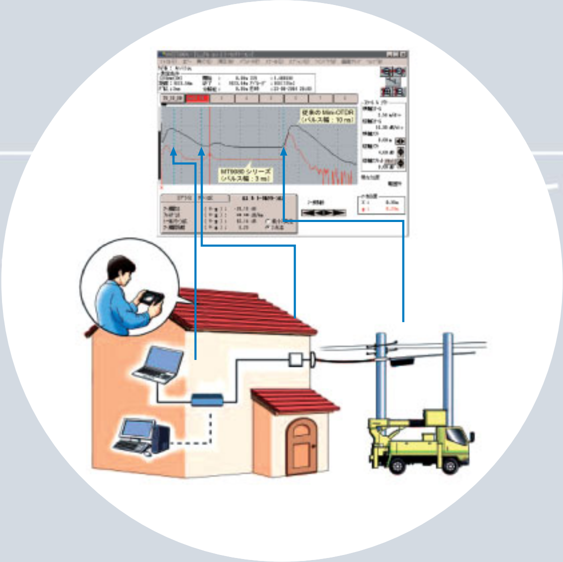
Measurement Solutions for All-IP Networks

Communications networks, which serve as social infrastructure, are becoming increasingly based on internet protocol (IP). Anritsu is responding by providing measurement solutions for IP communications equipment and network quality.

Telecommunications carriers have made significant strides toward establishing next generation networks (NGN), which will make backbone communications networks all-IP. This signals the start of a revolutionary shift from the circuit-switched telephone network that has been developed over the last 100 years. Anritsu is helping to make society safer and more secure through the test and measurement of fiber-optic cables, routers and transmitters that compose this new communications network, and the measurement of network quality.

Access Networks

In the area of access networks, communications bandwidth has expanded in conjunction with an annual increase of more than 30 percent[11] in the number of broadband subscribers and the expansion of triple play services that combine voice, data and video. With the advent of high-definition video, the adoption of fiber-optic cables for access networks will expand beyond telecommunications carriers to include cable television companies and other service providers as well. Anritsu offers ACCESS Master, a handheld measuring instrument with fiber-optic fault detection and IP connection testing functions necessary for installing and testing fiber-optic cables. In this way, we help improve the quality of fiber-optic networks around the world and spread broadband.



With telecommunications carriers beginning to offer “grand slam” services that combine triple play and mobile phone services, mobile phone networks will rapidly become IP-based. We are responding to such developments as well by generating new measurement solutions that combine the experience and knowledge we have cultivated in our wireless test and measurement and IP network test and measurement businesses.

Metro and Core Networks

Traffic on metro and core networks is expanding rapidly[12] with the expansion of triple play. Further increases in traffic are expected due to peer-to-peer (P2P) software, which is representative of file-sharing software. Telecommunications carriers will continue to increase bandwidth and speed to support this growth in traffic.

Voice, video and other mission-critical traffic, in which data loss and delay could have a serious impact, is also on the rise. In order to provide high-quality services, new demand has arisen for service assurance covering communication band, transmission delay and other parameters.

Our leading-edge measurement solutions combine telecommunications and high-speed digital transmission technologies to support network infrastructure quality while expanding our business.

(Note 11) Source: OECD statistics for average annual rate of growth (2001-2005)

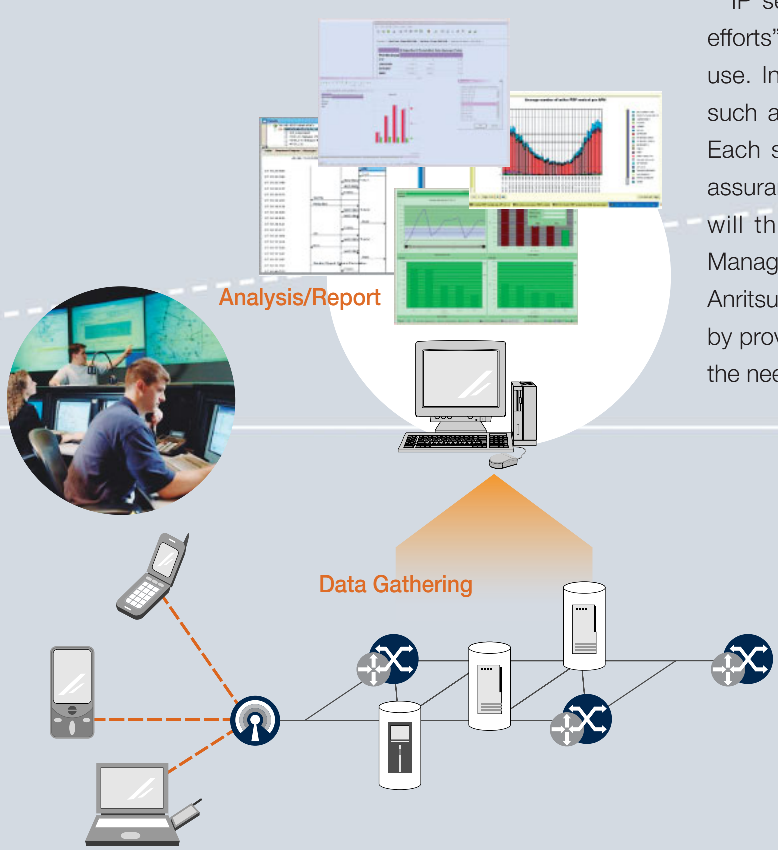
(Note 12) According to statistics prepared by Japan’s leading Internet exchange JPIX, traffic on metro and core networks increased by a factor of approximately 30 over the five years from 2001 to 2005.

Expanding the Service Assurance Business

In addition to network fault monitoring, Anritsu will provide a diverse range of service quality management (SQM) solutions that help make society safe, secure and comfortable.

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. As a result, more specialized knowledge is required to maintain and manage service quality. Anritsu entered the service assurance business with the 2005 acquisition of the former NetTest A/S (now Anritsu A/S).

Network Monitoring Services



Network Monitoring

Until now, telecommunications services have been provided through dedicated networks such as the telephone system. Soon, however, triple play and grand slam services will be provided through single NGNs. This will increase the social and economic impact of network faults. As a leading supplier of data traffic monitoring and analysis services, Anritsu will continue working to provide optimum monitoring solutions for communications networks, which serve as social infrastructure.

Responding to All-IP

IP services have traditionally been provided on a “best efforts” basis with TCP/IP controls configured to achieve fair use. In the near future, however, mission-critical services such as triple play video and voice will also be IP-based. Each service will require its own communications quality assurance. Telecommunications carriers around the world will therefore need to conduct SQM (Service Quality Management) tailored to specific customers and services. Anritsu will help make society safe, secure and comfortable by providing leading-edge SQM and other solutions to meet the needs of the all-IP era.

Research and Development and Intellectual Property

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

Research and Development Activities

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

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

Research and Development Structure

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

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

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

Standardization Activities

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

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

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

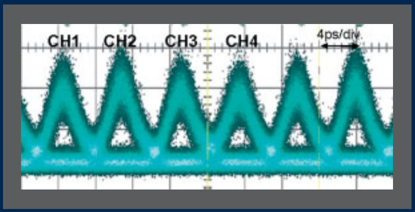
Focus on Intellectual Property Strategy

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

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

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

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



160Gbps waveform after transmission over 500 km

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

*1Gbps=1 billion bits per second

The Anritsu Group works to increase its corporate value by delivering solutions as an "Intelligent Solution Creator," with its core expertise in providing "Original & High Level" products and services with sincerity, harmony and enthusiasm. By doing so, we strive to be a company whose growth and development is desired by society.

CSR Promotion Structure

Anritsu established the CSR Promotion Committee in November 2004. The president chairs the committee and top management leads CSR promotion efforts. In addition, the CSR Promotion Center was organized to promote unification of various divisional activities. In conducting its activities, the CSR Promotion Center cooperates closely with the Legal Department, which promotes compliance, and the Internal Control Improvement Center, which promotes internal controls. The CSR Promotion Center also serves as a contact for dialogue with the general public in regard to Anritsu's CSR activities.

CSR is not something that can be fulfilled by a single division or organization; it can only succeed with the cooperation of all divisions and companies within the Anritsu Group. To conduct activities effectively, the CSR Promotion Center acts as a central office and enlists the cooperation of Group companies, primarily the divisions at Anritsu in charge of each area of CSR, including customer service/quality control, human rights, philanthropic activities and other functions.

CSR Activities in Anritsu's Main Businesses

The Anritsu Group conducts business in a diverse range of fields, from measuring instruments, information and communication devices and network service quality assurance solutions supporting the development of telecommunication networks that serve as communication platforms, to precision measuring instruments for electronic components and inspection systems for food and pharmaceuticals. 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. 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. In the area of environmental preservation, the Anritsu Group's development and manufacturing bases around the world collaborate in developing eco-products that have a minimal environmental impact.

Anritsu Provides Tohoku University with Instruments to be Used in Underground Radar for Removal of Antipersonnel Mines.

In 2002, together with the Tohoku University Center for Northeast Asian Studies, Anritsu participated in Research and Development for Supporting Humanitarian Demining of Antipersonnel Mines led by the Japan Science and Technology Agency. Anritsu has since contributed to the creation of a mine detector combining underground radar with a metal detector, which detects mines much more efficiently and accurately than conventional metal detectors, by providing a vector network analyzer that has proven results in measuring high-performance and high-frequency characteristics of telecommunication circuits and devices. This illustrates how Anritsu seeks to balance its business activities and social responsibilities by helping to resolve social issues.

Development of a Global Environmental Management System

Sales outside Japan have become a growing portion of Anritsu's sales in recent years, and accounted for about half of total sales in the year ended March 31, 2006.

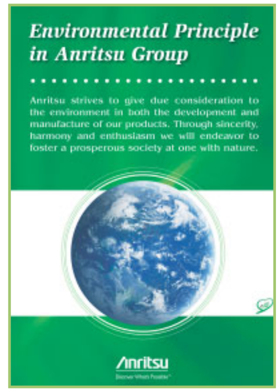
Anritsu also has development and manufacturing bases in several countries such as the United States, England, Denmark, France, and expects sales outside Japan to expand even further with the Company's globalization.

Given this situation, implementing environmental management globally is a critical management task.

As the first step in addressing this issue, Anritsu began with the spread and circulation of the Anritsu Group's Environmental Principle by holding its first Global Environmental Management Meeting in fall 2005. In this first meeting, we reconfirmed the Principle, and agreed to display a poster of the Principle at the Anritsu Group's development bases outside Japan.

In addition, we set up the Global WEEE[15] Meeting and Global RoHS[16] Meeting under the Global Environmental Management Meeting for the purpose of responding to European Union directives. These units are promoting global responses to the Waste of Electrical and Electronic Equipment (WEEE) directive concerning recovery and recycling of discarded products, which was enacted in August 2005, and the Restriction of the use of certain Hazardous Substances (RoHS) directive restricting the hazardous substance content in products, which was enacted in summer 2006. Currently, the RoHS directive does not apply to measuring instruments and checkweighers, the major products of the Anritsu Group. However, we consider it our corporate social responsibility not to use hazardous substances in our products. It is one of our major environment management priorities to promote on a global basis the development of products which are free from hazardous substances.

Global Environmental Management Meeting



Poster for environmental principle

(Note 15) WEEE: A directive for the recycling of discarded electrical and electronic products.

(Note 16) RoHS: A directive restricting the use of specified hazardous substances in electronic and electrical equipment.

THE GLOBAL COMPACT

Support for the Global Compact

In March 2006, the Anritsu Group's CSR activities advanced as Anritsu supported the universal principles of the Global Compact (GC) of the United Nations to more firmly establish and develop the Anritsu Group's CSR activities. The concept and philosophy of the GC match the concepts of the Anritsu Group Charter of Corporate Behavior. The GC also serves as a world forum for dealing with the various issues in the international community caused by globalization, and offers a place to exchange ideas and put them into practice. For these reasons, Anritsu decided to participate in the GC. By participating in the GC, exchanging information with other GC participants, and conducting activities as a GC member, we will advance our vision of the future for all of the Anritsu Group and pursue CSR activities from a more universal perspective.

Anritsu's highest management priority is continuously raising its corporate value by responding flexibly and quickly to changes in the operating environment in order to heighten its competitiveness as a global enterprise. To achieve this goal, Anritsu is working to create an environment and framework to ensure effective corporate governance.

Corporate Governance Structure

Anritsu has a corporate governance structure centered on the Board of Directors and Board of Corporate Auditors. Anritsu introduced an executive officer system in 2000 to clearly separate the functions and responsibilities of the directors and executive officers. Important matters concerning business execution are discussed and decided at the Management Strategy Conference, which clarifies the process of sharing information on decisions. Matters to be discussed and resolved at Board of Directors meetings are debated in advance in the Management Strategy Conference to enhance the discussion. The Management Strategy Conference is held once or twice each month.

The Board of Directors reviews quarterly status reports from executive officers on the divisions they are in charge of, and takes other measures to enhance the Board's oversight function. Five of the 14 executive officers serve concurrently as directors.

To strengthen checks and balances, the Internal Auditing Department performs internal audits of operations. In addition, Anritsu strengthens compliance and auditing by assigning auditing functions to departments and committees as needed. For example, the Security Trade Control Department handles routine monitoring of export control.

Compensation Advisory Committee

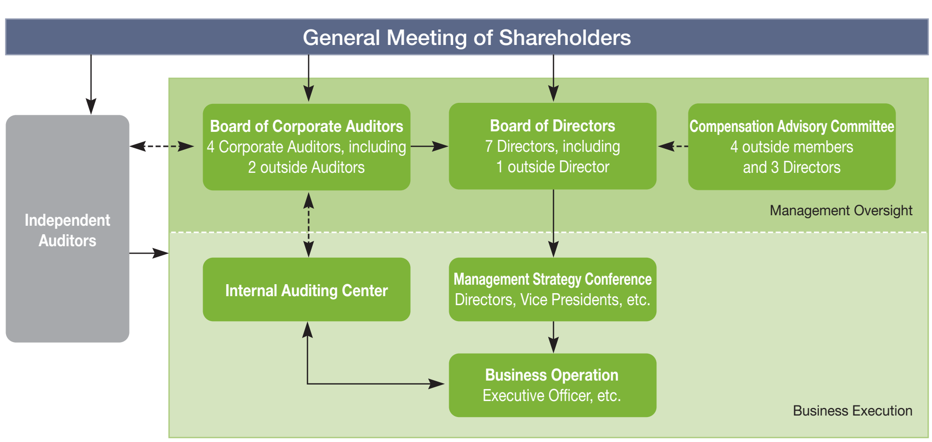
To ensure transparency, the Compensation Advisory Committee, an advisory body to the Board of Directors, meets once a year to discuss compensation of directors, executive officers and senior corporate staff.

Compensation for the seven directors in the year ended March 31, 2006 totaled ¥122 million. The three directors who are also employees of the Company received additional employee compensation totaling ¥38 million. In addition to these amounts, bonuses to directors totaling ¥30 million were paid as an appropriation of profits for the year ended March 31, 2006.

Development of the Internal Control System

Development of an internal control system is essential for the growth of a company and for comprehensively understanding and evaluating business risks and managing them throughout the organization. Anritsu is taking measures to strengthen its internal control system based on COSO-ERM[17], an advanced framework for business risk management. To expedite these measures, Anritsu established the Internal Control Improvement Center in April 2006. In addition, at its May 2006 meeting, the Board of Directors resolved to adopt the Policy for the Development of Internal Control Systems. In this way, Anritsu will respond to the so-called Japanese version of the corporate reform law while continuously improving work processes to raise its corporate value.

(Note 17) COSO-ERM: An internal control framework issued by the U.S.-based organization COSO in 2003. ERM is an abbreviation of Enterprise Risk Management.



Directors, Corporate Auditors and Executive Officers

As of June 28, 2006

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

Directors

Representative Director, Chairman of the Board
Akira Shiomi

Representative Director, President
Hiromichi Toda

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 Auditor
Hideo Sekine

Full-time Corporate Auditor
Koji Shoji

Outside Corporate Auditor
Yasuyuki Shibata

Outside Corporate Auditor
Kenji Seo

Executive Officers

*Concurrently serving as Board Member

President
Hiromichi Toda*

Executive Deputy Presidents

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

General Manager of Measurement Business Group
Mark Evans*

Senior Vice Presidents

General Manager of Technology Center, Chief technology officer, In charge of IT Strategy Dept., Precision Measurement Business Promotion Division
Kohei Ono*

General Manager of Sales Business Group, General Manager of T&M Sales Division, Assistant General Manager of Measurement Business Group, Chief sales officer
Tetsuji Kofuji

Vice Presidents

General Manager of Networks Sales Division, Chief of all information and communication business, In charge of IP Network Business Promotion Division, System Solution Division
Goro Saito

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

General Manager of Global Business Division
Shigehisa Yamaguchi*

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

President of Anritsu A/S (Denmark)
Yasuyuki Oguma

General Manager of Wireless Measurement Division
Kenji Tanaka

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

General Manager of Corporate Strategy Center
Toshihiro Kashiwagi

General Manager of IP Network Measurement Division
Takanori Sumi

11-YEAR SUMMARY OF SELECTED FINANCIAL DATA

ANRITSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31

	2006	2005	2004	2003
For the year:				
Net sales	**¥ 91,262**	¥ 84,040	¥ 78,396	¥ 78,554
Cost of sales	**55,205**	53,666	54,249	58,036
Gross profit	**36,057**	30,374	24,147	20,518
Selling, general and administrative expenses	**31,508**	25,512	22,339	31,267
Operating income (loss)	**4,549**	4,862	1,808	(10,749)
Net income (loss)	**563**	1,280	1,101	(32,761)
Depreciation and amortization	**3,453**	3,400	4,257	5,829
Capital expenditures	**2,699**	1,870	1,530	2,868
R&D expenses	**12,509**	10,515	9,887	13,222
At year-end:				
Total assets	**¥152,390**	¥142,111	¥148,353	¥144,131
Total shareholders' equity	**60,971**	60,309	60,012	59,618
Interest-bearing debt	**65,590**	61,384	70,033	63,164

	2006	2005	2004	2003
Per share:				
Net income (loss)				
Basic	**¥ 3.76**	¥ 9.31	¥ 8.38	¥ (256.90)
Diluted (Note 2)	**3.39**	8.22	7.77	—
Cash dividends	**7.00**	7.00	4.50	—
Total shareholders' equity	**477.51**	472.16	470.28	467.21
Key financial indicators:				
Operating income margin (%)	**5.0**	5.8	2.3	(13.7)
Return on equity (%)	**0.9**	2.1	1.8	—
Anritsu Capital-cost Evaluation (Note 3) (Millions of yen / thousands of U.S. dollars)	**(3,121)**	(2,230)	(5,283)	(15,563)
Return on assets (%)	**0.4**	0.9	0.8	—
Interest coverage ratio (times)	**4.3**	5.3	1.7	—
Dividend payout ratio (%) (Note 4)	**—**	68.6	45.3	—
Dividends on equity (%)	**—**	1.5	0.8	—

Notes: 1. The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥117.48 to U.S. $1.00, the approximate exchange rate on March 31, 2006.
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 (Non-consolidated)

	Millions of yen						Thousands of U.S. dollars (Note 1)
2002	2001	2000	1999	1998	1997	1996	**2006**
¥131,578	¥159,056	¥115,068	¥113,268	¥128,946	¥124,487	¥ 99,804	**$ 776,830**
85,694	98,112	78,960	78,173	87,766	85,988	70,647	**469,910**
45,884	60,944	36,108	35,095	41,180	38,499	29,157	**306,920**
38,298	37,110	30,832	31,910	34,262	28,813	22,869	**268,199**
7,586	23,834	5,276	3,185	6,918	9,686	6,288	**38,721**
2,567	9,635	399	(725)	5,144	3,065	3,030	**4,792**
6,522	5,328	5,139	5,410	5,137	4,888	4,105	**29,392**
9,677	8,308	5,320	6,944	7,615	5,484	3,871	**22,974**
15,222	15,385	12,532	10,949	10,779	10,406	8,242	**106,478**
¥198,780	¥207,544	¥170,601	¥170,127	¥168,288	¥160,141	¥144,059	**$1,297,157**
94,171	93,743	85,678	85,904	85,789	81,555	71,307	**518,991**
73,179	45,038	44,027	51,121	41,058	36,842	32,445	**558,308**
	Yen						U.S. dollars
¥ 20.10	¥ 75.70	¥ 3.15	¥ (5.73)	¥ 40.67	¥ 24.85	¥ 25.60	**$ 0.03**
18.81	68.02	—	—	36.74	22.24	23.77	**0.03**
9.00	12.00	4.50	9.00	9.00	9.00	8.50	**0.06**
737.78	732.94	676.71	678.49	677.59	646.51	601.84	**4.06**
	% except where noted						
5.8	15.0	4.6	2.8	5.4	6.9	6.3	**5.0**
2.7	10.7	0.5	—	6.1	4.0	4.3	**0.9**
(3,770)	11,146	(1,862)	(3,794)	—	—	—	**(26,566)**
1.3	5.1	0.2	—	3.1	2.0	2.1	**0.4**
6.5	23.8	4.7	3.1	6.5	6.1	3.6	**4.3**
44.8	15.9	142.7	—	22.1	36.2	33.2	**—**
1.2	1.7	0.7	1.3	1.4	1.5	1.4	**—**

Management's Discussion and Analysis

Anritsu deploys its "Original & High Level" communications, information, test and measurement, optical, sensor and other technologies and products cultivated over more than 110 years to expand and achieve progress in the business fields of Test and Measurement, Information and Communications, and Industrial Automation as an "Intelligent Solution Creator" that provides optimal solutions with high customer value, and thereby contributes to the realization of a safe, secure and comfortable society.

Changes in the Scope of Consolidation

During the fiscal year ended March 31, 2006, Anritsu added 15 companies to the scope of consolidation, resulting in 45 consolidated subsidiaries. The 15 companies added were Anritsu A/S, a test and measurement equipment manufacturer in Denmark, and its subsidiaries. The Anritsu Group acquired the shares of Anritsu A/S at the end of the first half of the fiscal year, and changed its fiscal year end to March 31 from December 31. Six months of Anritsu A/S's operations are therefore included in the Anritsu Group's consolidated statements of income for the year ended March 31, 2006.

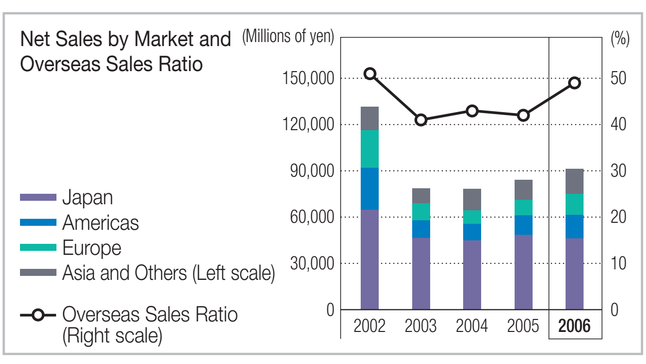
Sales and Income

For the fiscal year ended March 31, 2006, consolidated net sales increased 8.6 percent year-on-year to ¥91,262 million. Although sales in the Information and Communications segment decreased a substantial 17.0 percent compared with the previous fiscal year, overall Group net sales increased due to factors including the acquisition of NetTest A/S and a 17.9 percent year-on-year increase in sales in the core Test and Measurement segment. Operating income decreased 6.4 percent, or ¥313 million, year-on-year to ¥4,549 million. Operating income increased in the Test and Measurement segment because improvement in the cost of sales compensated for expenses associated with infrastructure improvements to bring the Anritsu Group closer to customers and the cost of acquiring and integrating NetTest A/S. The Information and Communication segment's operating loss increased, which caused operating income, income before income taxes and net income to decrease compared to the previous fiscal year.

Net Sales

For the fiscal year ended March 31, 2006, net sales increased 8.6 percent, or ¥7,222 million, year-on-year to ¥91,262 million. Primary factors supporting the increase included the acquisition of NetTest A/S, and year-on-year increases in both orders and sales in the Anritsu Group's core Test and Measurement segment.

By market, domestic sales decreased 5.1 percent year-on-year to ¥46,155 million, mainly as a result of the decrease in sales in the Information and Communications segment. Overseas sales increased 27.4 percent year-on-year to ¥45,107 million as a result of sales growth in each of the regions of the Americas, Europe and Asia. Overseas sales increased to 49.4 percent of net sales, up 7.3 percentage points from 42.1 percent for the previous fiscal year.



Cost of Sales and Gross Profit

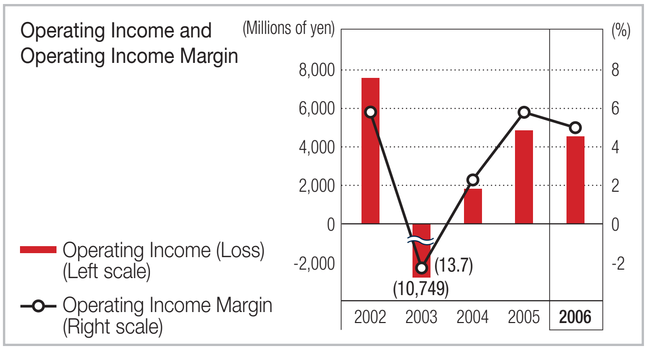
Cost of sales increased 2.9 percent, or ¥1,539 million, compared with the previous fiscal year to ¥55,205 million. Cost of sales decreased to 60.5 percent of net sales from 63.9 percent in the previous fiscal year. The decrease was the result of successful efforts to further reduce cost of sales through supply chain management (SCM) and manufacturing innovations that continued from the previous fiscal year. Gross profit increased 18.7 percent compared to the previous fiscal year to ¥36,057 million. The ratio of gross profit to net sales improved 3.4 percentage points to 39.5 percent.

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

SG&A expenses increased 23.5 percent compared with the previous fiscal year to ¥31,508 million as a result of higher testing research expenses and other factors due to the increase in net sales. Research and development expenses, which are included in general and administrative expenses and production expenses, increased 19.0 percent year-on-year to ¥12,509 million, and increased to 13.7 percent of net sales compared to 12.5 percent for the previous fiscal year. While results in the core Test and Measurement segment drove overall Group performance, the Information and Communications segment's operating loss increased. As a result, operating income decreased 6.4 percent, or ¥313 million, year-on-year to ¥4,549 million. Operating income represented 5.0 percent of net sales, compared to 5.8 percent for the previous fiscal year.

SG&A Expenses (Millions of yen)

	2006	2005	Change (%)
Salaries and bonuses	11,441	9,682	18.2
Advertising	1,844	1,390	32.6
Pensions	782	920	(15.0)
Travel and transportation	1,752	1,531	14.4
Depreciation	626	516	21.3
Testing research	5,603	3,938	42.3



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

Other expenses, net totaled ¥2,521 million, compared to ¥2,784 million for the previous fiscal year. Foreign exchange gain totaled ¥551 million, compared to a foreign exchange loss of ¥88 million for the previous fiscal year. The Anritsu Group also generated gain on sales of investment securities totaling ¥1,648 million. However, loss on devaluation of inventories increased ¥382 million over the previous fiscal year to ¥1,566 million. The Anritsu Group also incurred expenses totaling ¥1,023 million in connection with the restructuring of the Information and Communications segment.

As a result of the above, income before income taxes decreased 2.4 percent, or ¥50 million, year-on-year to ¥2,028 million. Net income decreased 56.0 percent, or ¥717 million, year-on-year to ¥563 million. Basic net income per share decreased to ¥3.76 from ¥9.31 for the previous fiscal year.

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 shareholders' equity.

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, 2006, unchanged from the previous fiscal year despite continued challenging conditions.

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.

Industry 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, 2006, demand remained firm for measuring instruments for use in third-generation mobile communications (3G) services and 3.5G service development by mobile phone handset manufacturers in Japan and overseas. In addition, demand for handheld measuring instruments for use in installation and maintenance of base stations was favorable in the Americas and other markets worldwide. In Asian markets, demand for measuring equipment for mobile phone handset manufacturing showed signs of recovery toward the end of the period. As a result, sales and profits increased substantially, centered on measuring instruments for the mobile communications market. However, the integration process following the consolidation of Anritsu A/S starting in October 2005 and investment in further strengthening its business resulted in an operating loss for this subsidiary. Consequently, overall segment sales increased 17.9 percent compared with the previous fiscal year to ¥65,113 million. Operating income increased 24.9 percent compared with the previous fiscal year to ¥5,290 million.

This segment accounts for 71.3 percent of the Anritsu Group's consolidated net sales. It consists primarily of: (1) the field of mobile communications measuring instruments for design, production, inspection, adjustment, and maintenance of telecommunications carriers that provide mobile communications services and manufacturers of mobile phones, chip sets and other related electronic components and base stations; (2) the field of IP network communications measuring instruments for design, production, inspection, adjustment and maintenance and service quality assurance of network service providers of fixed telecommunication networks and communications equipment manufacturers; (3) the field of general purpose measuring instruments widely used in the electronics industry, particularly for design, production and evaluation of electronic devices used in telecommunication network-related communications equipment and other electronic equipment; and (4) the service assurance business, which the Anritsu Group entered through the purchase of NetTest A/S (now Anritsu A/S). Based on a core of protocol analysis technologies for VoIP* and mobile communications, the service assurance business is building a solid position in the field of wireless network monitoring. The service assurance business provides its customers, which are major telecommunications operators in Europe and North America, with solutions that improve network performance and service and enhance management and operating cost performance.

Wireline and wireless communication networks are converging because of the progress of the ubiquitous network society, which is driving demand for more sophisticated and integrated technology, services and mobile phones. As a result, the wide range of high-level applications in the test and measurement field is also expanding.

In the core mobile communications measuring instrument field, Anritsu's products for 3G and 3.5G services are strongly competitive. However, demand in this field tends to be influenced by technological innovations and the prevalence rate of mobile communications service, as well as by the number of new subscribers, the number of new mobile phone models and the number of mobile phones shipped. During the year ended March 31, 2006, investment for development and commercial production by Japanese mobile phone manufacturers leveled out with the approach of full-scale diffusion of 3G services originally inaugurated by NTT DoCoMo, Inc. in October 2001. However, demand continued to increase for measuring instruments used to develop 3.5G services, which commenced in the United States in 2005 and are planned to be introduced in Japan in 2006, and for measuring instruments used to develop application software for mobile phones. In Europe, all major operators have introduced 3G services at the same time, so the pace of diffusion among subscribers continues to be subdued, but demand for the conformance testing required to certify the ability of interconnection expanded. In China, which has the largest number of subscribers in the world and is the largest global production source for mobile phones, granting of licenses for 3G services is behind schedule. Consequently, demand for measuring instruments for 3G services has been significantly delayed. Despite these various regional developments, global demand grew for compact and handheld measuring instruments for mobile base station maintenance, a strong product area for Anritsu. Overall, mobile communications measuring equipment continues to strongly support earnings.

In the field of IP network communications equipment, where the shift to broadband is spreading from long-distance networks to mid-range and subscriber networks, the Anritsu Group secured the leading global position in measuring equipment for installation and maintenance of optical digital networks with the addition of the existing product line of the former NetTest A/S. Anritsu will work to improve earnings by moving forward with integration plans that generate synergies in all processes, including marketing, development, manufacturing and sales.

In the general purpose measuring instruments field, sales were strong as investment related to digital terrestrial broadcasting in Japan neared its peak and capital investment by electronic component manufacturers increased due to the recovery of the digital home appliance market. Anritsu A/S, which handles the service assurance business, recorded a loss due to expenses arising from factors including investments to integrate its functions and resources with those of the Anritsu Group after its acquisition and to expand its solutions function.

As a result, the Anritsu Group's sales and income for the year ended March 31, 2006 increased overall due to an increase in sales of measuring equipment for the mobile communications market and the result of efforts to get closer to customers in overseas markets. Of note, the consolidation of Anritsu A/S had the effect of increasing sales and decreasing income. The Anritsu Group aims to be a global market leader in its core business of measuring instruments by continuing to make necessary investments in world markets to enhance its ability to respond to customers and provide solutions that create value for them.

Information and Communications

The Information and Communications segment accounts for 7.9 percent of the Anritsu Group's consolidated net sales. It is easily influenced by the budgets of the national and local governments because a high proportion of segment sales result from delivery to the government market. In addition, nearly 55 percent of sales tend to be concentrated in the fourth quarter, reflecting the influence of budget execution among government entities. During the year ended March 31, 2006, competition intensified for public works projects, which lowered the level of contract prices. As a result, sales in the government market decreased. In addition, private-sector sales did not grow due to factors such as the weakness of the Anritsu brand in bandwidth control equipment for IP networks. Consequently, operating loss in this segment widened significantly from the previous fiscal year. Segment sales decreased 17.0 percent to ¥7,239 million. Segment operating loss totaled ¥1,972 million compared to ¥1,010 million for the previous fiscal year.

Anritsu has been working to reform the management structure of this underperforming business. Fundamental reforms include (1) review of business and market structures, including reorganization of unprofitable businesses; (2) reform of the employment structure to reduce the number of employees in line with the scale of business; and (3) establishing the business as a separate company to promote its independent viability. During the year ending March 31, 2007, Anritsu is implementing aggressive measures to create the base for this segment to return to profitability, and is further reforming its revenue structure. Based on fundamental reforms that establish an organization with resources optimized in line with the scale of business, the Information and Communications business will move away from dependence on the government market by expanding demand in the private sector as a measure to improve its earnings structure. Moreover, this business will work to increase sales by changing its product mix, including expansion of sales of video distribution solutions, and expanding sales channels.

Industrial Automation

During the year ended March 31, 2006, capital investment in the food industry was flat because of higher packaging and distribution costs resulting from the rise in crude oil prices. Segment sales decreased 0.3 percent compared to the previous fiscal year to ¥12,198 million. Operating income decreased 21.4 percent year-on-year to

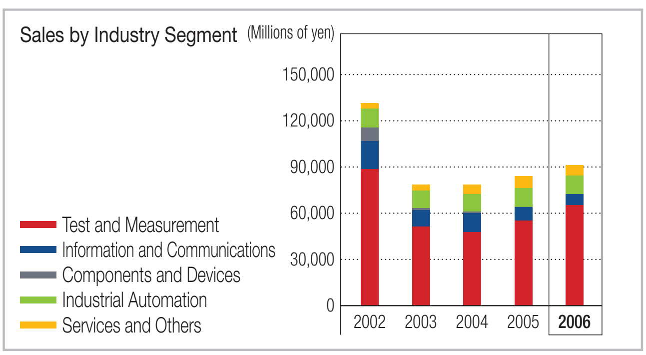
¥787 million, primarily because of development investments to enhance the functions of X-ray inspection systems and investments for expansion in overseas markets.

The Industrial Automation segment accounts for 13.4 percent of the Anritsu Group's consolidated net sales. Sales to food manufacturers account for 80 percent or more of segment sales. This business segment is therefore influenced by the effect of economic growth and consumer spending levels on food manufacturers. The Anritsu Group's highly competitive metal detectors and X-ray inspection systems have achieved leading market share due to their high speed and high precision in detecting metal fragments and other alien materials in food processing. Strong concern about the bovine spongiform encephalopathy (BSE) problem is representative of rising demand for food safety in recent years. While segment sales were essentially unchanged compared with the previous fiscal year, the operating profit margin remained stable in the 6 percent range. Overseas sales account for 20 percent of segment sales, and Anritsu is working aggressively to increase overseas sales by leveraging its strengths in the field of inspection systems and enhancing its overseas business development organization. Anritsu will continue to invest in overseas expansion with the aim of using its subsidiary in China, its subsidiaries established in the previous fiscal year in the United States and the United Kingdom, and its representative office in Thailand as bases to increase market share in each region. These new sales bases function independently of the Test and Measurement business.

Services and Others

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

During the year ended March 31, 2006, segment sales decreased 14.3 percent compared to the previous fiscal year to ¥6,712 million, primarily because the precision measurement business, which carries out quality inspections in the electronic component mounting process and liquid crystal display manufacturing process, was weaker compared to the previous fiscal year. Segment operating income decreased 11.6 percent compared to the previous fiscal year to ¥1,788 million.



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

Geographical Segments

Japan

In the Test and Measurement segment, demand increased for measuring instruments for 3G mobile phone application software development and measuring instruments for 3.5G development. Demand was also firm for measuring instruments for terrestrial digital broadcasting and general purpose measuring instruments for manufacturers of electronic components. However, demand decreased for measuring instruments for use in mass-production of mobile phone handsets. In the Information and Communications segment, intensified competition in the market for public information systems for the government market resulted in a significant decrease in sales, and sales of video distribution solutions to Internet service providers in the private sector did not increase. Consequently, the operating loss in this segment increased substantially. In the other segments, sales decreased year-on-year in the precision measurement business, which carries out quality inspections in the electronic component mounting process and liquid crystal display manufacturing process. As a result, sales in Japan decreased 6.2 percent year-on-year to ¥50,371 million, and operating income increased 2.5 percent year-on-year to ¥3,702 million.

Americas

In North America and elsewhere in the Americas, demand increased substantially for handheld measuring instruments for wireless infrastructure (base station) installation and maintenance and for specific communication standards. In addition, demand was also pronounced for general purpose measuring instruments in the electronics manufacturing industry and among government-related customers. As a result, sales in the Americas increased 26.6 percent year-on-year to ¥17,288 million, and operating income increased 55.4 percent year-on-year to ¥2,187 million.

Europe

In Europe, demand was firm for measuring instruments used in the installation of infrastructure for 3G mobile phones. In addition, demand increased for measuring instruments used for conformance test systems for 3G handsets and for 3.5G development. However, higher expenses for developing 3G and 3.5G measuring instruments caused operating losses to increase. Results for the year ended March 31, 2006 include six months of the results of Anritsu A/S, which recorded a net loss because of expenses in connection with its integration into the Anritsu Group and investment to further strengthen its business base in businesses including service assurance. As a result, sales in Europe increased 39.3 percent year-on-year to ¥14,077 million. Operating loss increased substantially to ¥2,001 million from ¥185 million for the previous fiscal year.

Asia and Others

In Asia, continued moderate growth in the number of subscribers for 3G service in Europe and delay of the issue of 3G licenses in China delayed growth in demand for measuring instruments for mass-production of 3G handsets. However, demand recovered for measuring instruments used in mass-production of 2G (Second generation: GSM) handsets. In addition, demand was firm for handheld measuring instruments used in the installation and maintenance of wireless infrastructure (base stations). As a result, sales increased 44.2 percent year-on-year to ¥9,526 million, and operating income increased 87.9 percent year-on-year to ¥434 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 secures sufficient capital from internal capital resources or by directly and indirectly procuring funds from external sources. The Anritsu Group required significant capital during the year ended March 31, 2006 to acquire and make additional investments in NetTest A/S. However, net cash provided by operations represented 6.5 percent of net sales, and as a result of this ability to generate cash, cash and cash equivalents as of March 31, 2006 totaled ¥30,870 million. This was approximately 4.1 times average monthly net sales. In addition, in March 2005 the Anritsu Group established a committed ¥15,000 million line of credit effective until March 2008, thus securing stable long-term liquidity. Management believes that preparing against domestic and overseas financial uncertainty is important in an operating environment characterized by significant change, and seeks to maintain ready, flexible access to working capital and capital to fund business growth and repay debt consistently over the three years beginning with 2006.

During the year ended March 31, 2006, the Anritsu Group committed to long-term loans overseas to fund the capital requirements of its sales subsidiary in Europe and Anritsu A/S, and also assumed the debt of NetTest A/S. As a result, the net debt-to-equity ratio (see Note 18 below) increased substantially to 0.57 times as of March 31, 2006 from 0.46 times a year earlier. Looking forward, the Anritsu Group will work to strengthen its financial structure by increasing ACE (net operating income after tax less a charge for the cost of capital), improving asset turnover and implementing other strategies to generate cash while enhancing capital efficiency through means such as its internal cash management system to reduce interest-bearing debt and improve the net debt-to-equity ratio.

As of March 31, 2006, Rating and Investment Information, Inc., a Japanese credit rating agency, rated Anritsu's short-term debt a-2 and its long-term debt BBB. The rating on Anritsu's long-term debt was lowered from A- to BBB in December 2002, but this has not had any material effect on fund procurement. Anritsu is working to restore its A-rating by improving the stability of its financial structure through means such as enhancing shareholders' equity, reducing interest-bearing debt and increasing its ability to generate cash.

For the year ended March 31, 2006, loss on devaluation of inventories and loss on disposal of inventories totaled ¥1,621 million, and the Anritsu Group incurred expenses of ¥621 million in reforming the management structure of the Information and Communications business. The Anritsu Group operates at the leading edge of telecommunications technology, and is therefore subject to the risk that technological innovation and advances in service will render inventory held for long periods obsolete. The Anritsu Group mitigates this risk by recognizing devaluation of products and work in process over set time periods. The Anritsu Group is working to manage inventory even more efficiently through manufacturing innovation and through supply chain management. Inventory turnover, defined as net sales divided by inventories at the balance sheet date, was 3.7 times for the year ended March 31, 2006, and the Anritsu Group's goal is to raise inventory turnover to 5.0 times.

The acquisition of NetTest A/S incurred goodwill totaling ¥5,848 million in the six months ended September 30, 2005. Anritsu intends to amortize this amount using the straight-line method over nine years. Goodwill resulting from the acquisition of NetTest A/S as of March 31, 2006 totaled ¥5,445 million.

Note 18. Net debt-to-equity ratio: (interest-bearing debt – cash and cash equivalents)/shareholders' equity

Cash Flow

Cash and cash equivalents as of March 31, 2006 decreased ¥2,874 million from a year earlier to ¥30,870 million. The main factor in this change was Anritsu's acquisition of NetTest A/S (now Anritsu A/S).

Free cash flow, the sum of net cash provided by operating activities and net cash used in or provided by investing activities, was negative ¥5,016 million, compared with positive ¥8,231 million in the previous fiscal year.

Net cash provided by operating activities totaled ¥5,929 million, compared to ¥9,277 million for the previous fiscal year. The main factors for the year-on-year decrease were an increase in working capital at Anritsu A/S, and increased expenditures for items including corporate taxes at U.S. and other subsidiaries. Depreciation and amortization totaled ¥3,630 million, a decrease of ¥124 million compared with the previous fiscal year.

Net cash used in investing activities totaled ¥10,945 million compared to ¥1,046 million for the previous fiscal year. The year-on-year increase was mainly the result of the use of cash totaling ¥7,948 million to acquire and make additional investments in Anritsu A/S. Acquisition of property, plant and equipment totaled ¥2,448 million, an increase of ¥1,110 million compared with the previous fiscal year.

Net cash provided by financing activities totaled ¥1,761 million. In the previous fiscal year, financing activities used net cash totaling ¥9,872 million. The year-on-year change resulted mainly because the Anritsu Group borrowed long-term funds overseas. Payment of cash dividends offset the cash provided by debt financing.

Assets, Liabilities and Shareholders' Equity

As of March 31, 2006, total assets increased 7.2 percent, or ¥10,279 million, from a year earlier to ¥152,390 million. Current assets increased 4.3 percent, or ¥3,942 million, from a year earlier to ¥96,063 million. While cash decreased ¥7,673 million, notes and accounts receivable — trade increased ¥5,434 million as a result of the increase in net sales, and marketable securities increased ¥5,703 million. Inventory turnover improved to 3.7 times from 3.4 times for the previous fiscal year.

Property, plant and equipment decreased 2.8 percent, or ¥692 million, from a year earlier to ¥24,467 million.

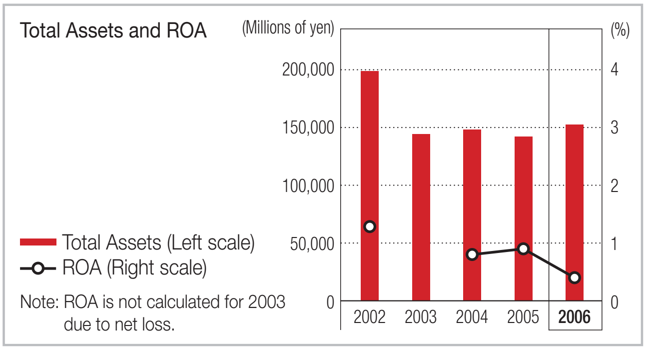
Investments and other assets increased 28.3 percent from a year earlier, or ¥7,029 million, to ¥31,860 million. The primary factor in this year-on-year increase was an increase of ¥6,292 million in goodwill, net of amortization, which consisted mainly of goodwill totaling ¥5,445 million resulting from the acquisition of NetTest A/S.

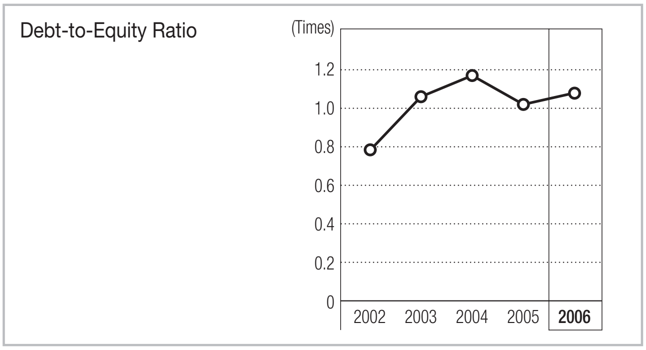
As of March 31, 2006, total liabilities increased 11.8 percent, or ¥9,617 million, from a year earlier to ¥91,419 million. Current liabilities increased 99.4 percent, or ¥23,913 million, from a year earlier to ¥47,976 million, primarily because of the shift of ¥14,793 million in convertible bonds from long-term debt to long-term debt due within one year, and an increase of ¥4,149 million in short-term borrowings to fund capital requirements. In addition, notes and accounts payable — trade increased ¥2,036 million to ¥9,341 million as a result of the increase in net sales. The current ratio was 200.2 percent, compared to 382.8 percent a year earlier.

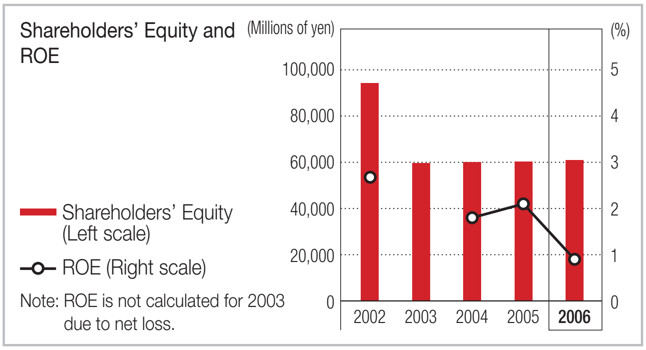
Long-term debt decreased ¥14,736 million from a year earlier to ¥40,207 million due to the pending repayment of convertible bonds discussed above. Total interest-bearing debt increased ¥4,206 million from a year earlier to ¥65,590 million. Working capital totaled ¥48,087 million as of March 31, 2006, compared to ¥68,058 million a year earlier.

Shareholders' equity increased ¥662 million from a year earlier to ¥60,971 million. The ratio of shareholders' equity to total assets was 40.0 percent, compared to 42.4 percent a year earlier. The debt-to equity ratio (see Note 19 below) was 1.08 times, compared to 1.02 times a year earlier.

Note 19: Debt-to-equity ratio: Interest-bearing debt/shareholders' equity







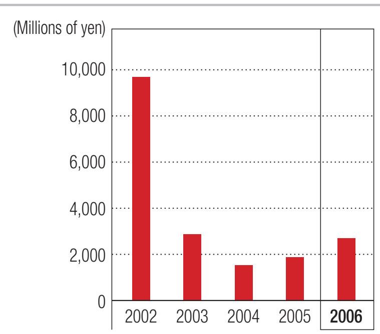
Capital Expenditures

For the fiscal year ended March 31, 2006, capital expenditures increased 44.3 percent compared with the previous fiscal year to ¥2,699 million. The Anritsu Group is emphasizing investment of management 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 development of next generation networks. During the year ended March 31, 2006, the Anritsu Group concentrated capital expenditures in the core test and measurement business 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)

	2006	Change (%)
Test and Measurement	¥1,889	55.7%
Information and Communications	241	28.3
Industrial Automation	144	(21.2)
Services and Others	388	109.4
Sub-total	2,662	50.5
Eliminations or corporate	37	(63.4)
Total	¥2,699	44.3%

Capital Expenditures



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, 2006 follows below.

(Millions of yen)

	2006	Ratio to Segment Sales (%)
Test and Measurement	¥ 9,214	14.2%
Information and Communications	489	6.7
Industrial Automation	1,017	8.3
Services and Others	341	5.1
Basic research	1,448	—
Total	¥12,509	13.7%

Note: The total is compared to net sales.

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

1. Test and Measurement
Enhanced Application Testing Functions for the MD8470A Signalling Tester

3G service is in a global growth phase, and its increasing use is expanding a diverse array of services such as the delivery of various types of content. Moreover, competition to acquire subscribers is intensifying in countries where mobile communications are more advanced, which is increasing the importance of differentiation through attractive services and handsets. Amid these conditions, the number of applications available in mobile phones continues to proliferate, which has made greater development and testing efficiency a key issue among mobile phone manufacturers. Anritsu therefore worked to increase development efficiency for the growing number of mobile phone applications by enhancing the testing functions of the MD8470A Signalling Tester. Use of the MD8470A enables easy setting and operation of required network performance simulations for application testing. Contents download, video calling and multimedia messaging service (MMS) are becoming common worldwide, and the MD8470A enables functional testing of these applications with a single unit. In the future, Anritsu will strengthen the functions of the MD8470A by expanding the communication systems with which it is compatible to contribute to further efficiency gains in the development of applications for mobile phones.

2. Information and Communications
Development of a Mobile Video Distribution System that Uses FOMA (3G Service by NTT DoCoMo) Video Calling Functions

Anritsu has developed a mobile video distribution system that enables collection of video information at locations where cameras are not installed and on-site video viewing. It distributes video and sound shot with a mobile phone camera via a disaster prevention videoconferencing system, and allows mobile phone users to freely select and view MPEG2 video distributed via IP networks. The collection of information at disaster sites using this system supports rapid recovery efforts.

3. Industrial Automation
Development of X-ray Inspection Systems

Concern about food safety has increased, and quality control is becoming even more stringent in food production processes. Assuring the quality of food has become a major issue not only among large food processing companies, but also among medium-sized regional food processing companies. Anritsu Industrial Solutions Co., Ltd. has been responding to these social trends and contributing to its customers' quality control programs by delivering and supplying metal detectors that use advanced magnetic sensing technology to provide industry-leading metal contaminant detection, and by developing X-ray inspection systems that use original X-ray technology and image processing technology.

The recently developed KD7400 X-ray inspection system is based on a preceding series that earned customer praise. It raises contaminant sensing to a higher level, detects cracked and defective processed foods and features enhanced network connectivity, thus offering multiple functions for handling an array of sensing conditions. It also offers significantly improved cost performance compared to conventional models, and can be used for line quality monitoring by a greater number of customers.

Management Objectives and Indicators

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

For the year ended March 31, 2006, consolidated ACE was negative ¥3,121 million, compared to negative ¥2,230 million in the previous fiscal year due to factors including an increase in capital invested in the acquisition of NetTest A/S (now Anritsu A/S). ROE was 0.9 percent, compared to 2.1 percent in the previous fiscal year, and free cash flow was negative ¥5,016 million, compared to ¥8,231 million in the previous fiscal year.

For the year ending March 31, 2007, Anritsu will strengthen its global business strategy to expand sales and steadily improve its earnings structure. In addition, Anritsu will implement programs to improve its ability to generate cash while working to raise its corporate value and achieve positive ACE. Anritsu aims to be a highly profitable company with a consolidated operating margin of 10 percent or higher by March 31, 2009.

Outlook and Management Issues for the Year to March 31, 2007

In the fiscal year ending March 31, 2007, economic recovery is expected to continue in Japan. Overseas, favorable economic conditions are projected for the United States and Europe as well as China and other Asian countries. However, the Anritsu Group's operating environment is expected to remain unpredictable due to the adverse impact of high crude oil prices on the global economy and other concerns including: (1) trends in exchange and market interest rates; (2) a possible slowdown in consumer spending and capital investment in the United States, which has been the growth engine of the global economy; and (3) delays in issuing 3G licenses in China and price declines caused by intensifying competition in the Anritsu Group's businesses.

Anritsu will deal with this environment by implementing measures that enhance the execution of its strategies for profitable growth.

In the core Test and Measurement business, Anritsu will work to achieve the Company’s medium- to long-term objective of becoming the global market leader in telecommunications measuring solutions. To do so, Anritsu plans to strengthen core businesses and promote a business organization that anticipates the integration of wireline and wireless networks while making further progress with integration measures that generate synergy with newly added Anritsu A/S and improve profitability. On April 1, 2006, Anritsu established a central sales company in the United Kingdom that will cover Europe, the Middle East and Africa (the EMEA region), with the aim of reinforcing its sales structure and improving organizational efficiency. Through this company, Anritsu will establish a structure to expand sales in the EMEA region by undertaking measures such as restructuring European sales subsidiaries and implementing task-sharing of back-office functions. In addition, by reinforcing and strengthening the marketing and technical support organization, Anritsu will become closer to its customers and implement its “Intelligent Solution Creator” business model aimed at flexibly adapting to market changes and increasing customer value.

In the Information and Communications business, Anritsu will boost its competitiveness in video distribution solutions and implement business structure reforms such as strengthening business in the IP access market. In addition, Anritsu will work to significantly improve profitability by following through with fundamental reforms that include establishing this business as a separate company to unify resources and streamlining the employment structure.

Furthermore, Anritsu will promote cash flow-oriented management in ways such as reducing inventories and cutting costs and expenses. Anritsu will also work to strengthen its management foundation and enhance corporate value by further developing corporate social responsibility activities and strengthening its business risk management structure and internal control systems.

Based on the above, for the year ending March 31, 2007 as of April 26, 2006, Anritsu projects that net sales will increase 7.4 percent year-on-year to ¥98,000 million, operating income will increase 42.9 percent year-on-year to ¥6,500 million, and net income will increase 344.1 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 judgement as of March 31, 2006.

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 operating results of the Anritsu Group.

In the Test and Measurement business, economic conditions and consumption trends in countries worldwide influence changes in capital investment among telecommunications companies, 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 adding 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 value 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 business has a high proportion of sales to government entities, and government and municipal budgets 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 intensive business with the objective of improving its ability to be close to its customers in the Americas, Europe, Asia and elsewhere. In particular, the overseas sales ratio for the Test and Measurement business is 63 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 are trends in capital investment by carriers and telecommunications equipment manufacturers in the Chinese market, which is growing markedly as a global production source. In addition, timing of business authorization and diffusion trends of third-generation mobile communications services in China, where there are already nearly 400 million subscribers, have the potential to materially influence the operating results of the Anritsu Group, which is deploying its strengths in this field.

Foreign Exchange Risk

The Anritsu Group’s sales outside Japan account for 49 percent of consolidated net sales. The Anritsu Group hedges foreign exchange risk using instruments including forward foreign exchange contracts for foreign exchange transactions that occur upon collection of accounts receivable and other events, and currency swaps for loans to overseas subsidiaries. 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 measuring instruments market, product lines are subject to rapid change in technology, which can easily result in product obsolescence and cause inventory held for long periods to lose value. These factors have the potential to exert a material impact on the Anritsu Group’s financial condition.

Financial Condition Risk

In March 2003, Anritsu concluded an agreement for a syndicated loan (loan amount as of March 31, 2006 was ¥8.4 billion; see note 20 below) that was funded by several financial institutions. A financial covenant as outlined below was added to this syndicated loan agreement in the past fiscal year, under which the lenders may call the loan should any of the following occur:

1. If the Anritsu Group’s long-term credit rating drops to BB+ or lower, the equivalent of two ranks lower than the current BBB rating;
2. If consolidated shareholders’ equity falls below ¥46.1 billion (shareholders’ equity as of March 31, 2006 was ¥60.9 billion);
3. If the Anritsu Group records an operating loss for two consecutive fiscal years.

Note 20: Syndicated loan: a method of procuring funds in which multiple financial institutions cooperate in a syndicate to meet large-scale fund procurement needs. The loan extended is structured as a single contractual obligation.

Consolidated Balance Sheets

ANRITSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	2006
ASSETS			
Current assets:			
Cash	**¥ 24,172**	¥ 31,845	**$ 205,754**
Marketable securities (Note 4)	**7,603**	1,900	**64,717**
Notes and accounts receivable — trade	**28,813**	23,379	**245,259**
Allowance for doubtful accounts	**(516)**	(326)	**(4,392)**
Inventories (Note 5)	**24,467**	24,811	**208,265**
Deferred tax assets (Note 8)	**8,750**	8,492	**74,481**
Other current assets	**2,774**	2,020	**23,614**
Total current assets	**96,063**	92,121	**817,698**
Property, plant and equipment:			
Land	**4,553**	4,516	**38,756**
Buildings and structures	**44,686**	43,938	**380,371**
Machinery and equipment	**31,538**	31,308	**268,453**
Construction in progress	**—**	82	**—**
	80,777	79,844	**687,580**
Accumulated depreciation	**(56,310)**	(54,685)	**(479,316)**
Net property, plant and equipment	**24,467**	25,159	**208,264**
Investments and other assets:			
Investment securities (Note 4)	**2,560**	4,091	**21,791**
Goodwill, net of amortization	**15,245**	8,953	**129,767**
Long-term prepaid expense	**7,581**	8,625	**64,530**
Deferred tax assets (Note 8)	**1,386**	1,415	**11,798**
Other assets	**5,161**	1,804	**43,930**
Allowance for doubtful accounts	**(73)**	(57)	**(621)**
Total investments and other assets	**31,860**	24,831	**271,195**
Total assets	**¥152,390**	¥142,111	**$1,297,157**

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	2006
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term borrowings (Note 6)	**¥ 7,990**	¥ 5,031	**$ 68,012**
Long-term debt due within one year (Note 6)	**17,393**	1,410	**148,051**
Notes and accounts payable — trade	**9,341**	7,305	**79,511**
Accrued liabilities	**6,143**	3,712	**52,290**
Accrued expenses	**2,470**	2,400	**21,025**
Income taxes payable	**391**	946	**3,328**
Other current liabilities	**4,248**	3,259	**36,160**
Total current liabilities	**47,976**	24,063	**408,377**
Long-term liabilities:			
Long-term debt (Note 6)	**40,207**	54,943	**342,245**
Employees' severance and retirement benefits (Note 11)	**1,765**	1,551	**15,024**
Severance and retirement benefits for directors and corporate auditors	**90**	90	**766**
Accrued bonuses	**36**	126	**306**
Deferred tax liabilities (Note 8)	**694**	584	**5,907**
Other long-term liabilities	**651**	445	**5,541**
Total long-term liabilities	**43,443**	57,739	**369,789**
Commitments and contingent liabilities (Note 13)			
Minority interests	**—**	—	**—**
Shareholders' equity (Note 12)**:**			
Common stock, no par value			
Authorized — 400,000,000 shares			
Issued — 128,037,848 shares in 2006 and 2005	**14,050**	14,050	**119,595**
Additional paid-in capital	**23,000**	23,000	**195,778**
Retained earnings	**26,654**	27,414	**226,881**
Net unrealized holding gains on securities	**708**	822	**6,027**
Foreign currency translation adjustments	**(2,636)**	(4,188)	**(22,438)**
Treasury stock, at cost	**(805)**	(789)	**(6,852)**
Total shareholders' equity	**60,971**	60,309	**518,991**
Total liabilities and shareholders' equity	**¥152,390**	¥142,111	**$1,297,157**

Consolidated Statements of Income

ANRITSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2006, 2005 and 2004

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2006	2005	2004	2006
Net sales (Note 15)	**¥91,262**	¥84,040	¥78,396	**$776,830**
Cost of sales (Note 15)	**55,205**	53,666	54,249	**469,910**
Gross profit	**36,057**	30,374	24,147	**306,920**
Selling, general and administrative expenses (Note 15)	**31,508**	25,512	22,339	**268,199**
Operating income (Note 15)	**4,549**	4,862	1,808	**38,721**
Other income (expenses):				
Interest and dividends income	**104**	86	148	**885**
Interest expenses	**(980)**	(939)	(1,139)	**(8,342)**
Foreign exchange gain (loss)	**551**	(88)	(642)	**4,690**
Amortization of bond issue costs	**(16)**	(16)	(56)	**(136)**
Gain on sales of investment securities	**1,648**	2	950	**14,028**
Loss on disposal of inventories	**(55)**	(295)	(1,285)	**(468)**
Loss on devaluation of inventories	**(1,566)**	(1,184)	(4,224)	**(13,330)**
Loss on disposal of fixed assets	**(159)**	(101)	(267)	**(1,353)**
Gain on sales of property, plant and equipment	**154**	548	4,857	**1,311**
Loss on disposal of software	**—**	(356)	(564)	**—**
Gain from transfer of retirement benefits	**—**	—	2,573	**—**
Loss on devaluation of investment securities	**(332)**	(159)	(2)	**(2,826)**
Special premium payment on the separation from pension fund	**(44)**	—	—	**(375)**
Restructuring expense	**(1,023)**	—	—	**(8,708)**
Other, net	**(803)**	(282)	(285)	**(6,834)**
	(2,521)	(2,784)	64	**(21,458)**
Income before income taxes	**2,028**	2,078	1,872	**17,263**
Provision for income taxes (Note 8):				
Current	**1,343**	691	944	**11,432**
Deferred	**122**	107	(173)	**1,039**
	563	1,280	1,101	**4,792**
Minority interests	**—**	0	0	**—**
Net income	**¥ 563**	¥ 1,280	¥ 1,101	**$ 4,792**

	Yen			U.S. dollars (Note 1)
	2006	2005	2004	2006
Amount per share of common stock:				
Net income:				
Basic	**¥3.76**	¥9.31	¥8.38	**$0.03**
Diluted	**3.39**	8.22	7.77	**0.03**
Cash dividends applicable to the year	**7.00**	7.00	4.50	**0.06**

Consolidated Statements of Shareholders' Equity

ANRITSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2006, 2005 and 2004

				Millions of yen			
	Number of shares issued	Common stock	Additional paid-in capital	Retained earnings	Net unrealized holding gains (losses) on securities	Foreign currency translation adjustments	Treasury stock, at cost
Balance at March 31, 2003	128,018,848	¥14,043	¥22,993	¥26,099	¥ 24	¥(2,780)	¥(761)
Net income	—	—	—	1,101	—	—	—
Net unrealized holding gain on securities	—	—	—	—	977	—	—
Adjustments from translation of foreign currency financial statements	—	—	—	—	—	(1,660)	—
Treasury stock	—	—	—	—	—	—	(12)
Bonuses to directors and corporate auditors	—	—	—	(11)	—	—	—
Loss on sale of the treasury stock	—	—	—	(1)	—	—	—
Balance at March 31, 2004	128,018,848	14,043	22,993	27,188	1,001	(4,440)	(773)
Net income	—	—	—	1,280	—	—	—
Net unrealized holding gain on securities	—	—	—	—	(179)	—	—
Adjustments from translation of foreign currency financial statements	—	—	—	—	—	252	—
Treasury stock	—	—	—	—	—	—	(16)
Cash dividends paid	—	—	—	(1,020)	—	—	—
Bonuses to directors and corporate auditors	—	—	—	(32)	—	—	—
Loss on sale of the treasury stock	—	—	—	(2)	—	—	—
Exercise of stock option	19,000	7	7	—	—	—	—
Balance at March 31, 2005	128,037,848	14,050	23,000	27,414	822	(4,188)	(789)
Net income	—	—	—	**563**	—	—	—
Net unrealized holding gain on securities	—	—	—	—	**(114)**	—	—
Adjustments from translation of foreign currency financial statements	—	—	—	—	—	**1,552**	—
Treasury stock	—	—	—	—	—	—	**(16)**
Cash dividends paid	—	—	—	**(956)**	—	—	—
Bonuses to directors and corporate auditors	—	—	—	**(92)**	—	—	—
Loss on sale of the treasury stock	—	—	—	**(0)**	—	—	—
Decrease by accounting change in foreign subsidiary	—	—	—	**(275)**	—	—	—
Balance at March 31, 2006	**128,037,848**	**¥14,050**	**¥23,000**	**¥26,654**	**¥ 708**	**¥(2,636)**	**¥(805)**

				Thousands of U.S. dollars			
	Number of shares issued	Common stock	Additional paid-in capital	Retained earnings	Net unrealized holding gains (losses) on securities	Foreign currency translation adjustments	Treasury stock, at cost
Balance at March 31, 2005	128,037,848	$119,595	$195,778	$233,350	$6,997	$(35,649)	$(6,716)
Net income	—	—	—	**4,792**	—	—	—
Net unrealized holding gain on securities	—	—	—	—	**(970)**	—	—
Adjustments from translation of foreign currency financial statements	—	—	—	—	—	**13,211**	—
Treasury stock	—	—	—	—	—	—	**(136)**
Cash dividends paid	—	—	—	**(8,138)**	—	—	—
Bonuses to directors and corporate auditors	—	—	—	**(780)**	—	—	—
Loss on sale of the treasury stock	—	—	—	**(2)**	—	—	—
Decrease by accounting change in foreign subsidiary	—	—	—	**(2,343)**	—	—	—
Balance at March 31, 2006	**128,037,848**	**$119,595**	**$195,778**	**$226,881**	**$6,027**	**$(22,438)**	**$(6,852)**

Consolidated Statements of Cash Flows

ANRITSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2006, 2005 and 2004

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2006	2005	2004	**2006**
Cash flows from operating activities:				
Net income	**¥ 563**	¥ 1,280	¥ 1,101	**$ 4,792**
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortization	**3,630**	3,754	4,421	**30,899**
Amortization expense of goodwill	**325**	—	—	**2,766**
Gain on sales of investment securities	**(1,648)**	(2)	(950)	**(14,028)**
Gain on sales of property, plant and equipment	**(208)**	(548)	(4,899)	**(1,771)**
Loss on devaluation of investment securities	**332**	159	2	**2,826**
Deferred income taxes	**122**	108	(173)	**1,038**
Other — net	**(471)**	538	634	**(4,009)**
Changes in assets and liabilities:				
Notes and accounts receivable — trade	**(1,625)**	1,024	(2,390)	**(13,832)**
Inventories	**2,271**	1,274	8,682	**19,331**
Other current assets	**(1,069)**	(707)	649	**(9,099)**
Notes and accounts payable — trade	**111**	(990)	518	**945**
Income taxes payable and receivable	**(180)**	(46)	906	**(1,532)**
Provision for retirement benefits	**1,173**	970	(1,149)	**9,985**
Other current liabilities	**3,808**	2,145	(2,148)	**32,414**
Other — net	**(1,205)**	318	749	**(10,257)**
Net cash provided by operating activities	**5,929**	9,277	5,953	**50,468**
Cash flows from investing activities:				
Purchases of marketable securities and investment securities	**(4)**	(3)	(939)	**(34)**
Proceeds from sales of marketable securities and investment securities	**33**	3	1,015	**281**
Acquisition of property, plant and equipment	**(2,448)**	(1,338)	(1,305)	**(20,838)**
Proceeds from sales of property, plant and equipment	**725**	576	5,694	**6,171**
Payments for acquisition of newly consolidated subsidiaries	**(7,948)**	—	—	**(67,654)**
Net decrease in long-term loans receivable	**2**	5	14	**17**
Other — net	**(1,305)**	(289)	(58)	**(11,108)**
Net cash provided by (used in) investing activities	**(10,945)**	(1,046)	4,421	**(93,165)**
Cash flows from financing activities:				
Proceeds from long-term debt	**3,094**	—	1,200	**26,336**
Payment of long-term debt	**(1,967)**	(8,497)	(1,696)	**(16,743)**
Proceeds from issue of bonds	**—**	—	15,000	**—**
Redemption of bonds	**—**	—	(5,000)	**—**
Net increase (decrease) in short-term borrowings	**1,606**	(350)	(873)	**13,670**
Payments on acquisition of treasury stock	**(17)**	(21)	(15)	**(145)**
Cash dividends paid	**(956)**	(1,020)	—	**(8,138)**
Other — net	**1**	16	(48)	**9**
Net cash provided by (used in) financing activities	**1,761**	(9,872)	8,568	**14,989**
Effect of exchange rate changes on cash and cash equivalents	**381**	155	(549)	**3,243**
Net increase (decrease) in cash	**(2,874)**	(1,486)	18,393	**(24,465)**
Increase in cash due to addition of consolidated subsidiaries	**—**	—	10	**—**
Cash at beginning of year	**33,744**	35,230	16,827	**287,232**
Cash at end of year (Note 3)	**¥30,870**	¥33,744	¥35,230	**$262,767**
Supplemental information of cash flows:				
Cash paid during the year for:				
Interest	**¥ 1,066**	¥ 942	¥ 1,141	**$ 9,074**
Income taxes	**(1,773)**	(924)	(1,570)	**(15,092)**
Cash received during the year for:				
Income taxes	**252**	186	1,531	**2,145**

Notes to Consolidated Financial Statements

ANRITSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2006, 2005 and 2004

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 some expanded descriptions and the inclusion of consolidated statements of shareholders' equity) 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. Some 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.

Effective from the year ended March 31, 2006, the Company and its domestic subsidiaries adopted the new accounting standard for impairment of fixed assets ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council on August 9, 2002) and the implementation guidance for the accounting standard for impairment of fixed assets (the Financial Accounting Standard Implementation Guidance No. 6 issued by the Accounting Standards Board of Japan on October 31, 2003). There is no impact on profit due to adoption of this standard.

The translation of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2006, which was ¥117.48 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 2006, 30 subsidiaries in 2005 and 28 subsidiaries in 2004). With regard to Anritsu A/S (former NetTest) and its 15 subsidiaries, the Company acquired Anritsu A/S's stock constructively in the end of 1st half of fiscal year 2005, and their operating results for 6 months, from October 1, 2005 to March 31, 2006 were consolidated. 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, including the portion attributable to minority shareholders, 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 shareholders' equity. 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

Effective the year ended March 31, 2006, the Company changed its method of accounting for differences between the cost and the underlying net equity at fair value of investments in a consolidated subsidiary ("Goodwill") to amortizing this amount by the straight-line method over the estimated recovery periods not exceeding twenty-year period of the respective investments. The Company, in prior year, amortized Goodwill by the straight-line method five-year period.

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

The effect of this change was to increase operating income and income before income taxes by ¥259 million (US$2,205 thousand) for the year ended 31, 2006.

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.

Bonuses to directors and corporate auditors

Bonuses to directors and corporate auditors, which are subject to shareholders' approval at the annual shareholders' meeting, are accounted for as an appropriation of retained earnings.

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 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, 2006 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.

Bond issuance costs

Bond issuance costs are amortized equally for three years in accordance with the provisions of the Commercial Code of Japan.

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 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 statement 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.

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 shareholders' equity 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.

Reclassifications

Certain reclassifications of previously reported amounts have been made to conform with current classifications.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at March 31, 2006 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
Cash	¥24,172	$205,754
Time deposits with maturities not exceeding three months	6,698	57,013
	¥30,870	$262,767

Assets and liabilities of the newly consolidated subsidiary, Anritsu A/S, by acquisition of shares, related acquisition cost and net payment for acquisition of shares are as follows:

	Millions of yen	Thousands of U.S. dollars
	2006	2006
Current assets	¥ 5,050	$ 42,986
Fixed assets	3,086	26,268
Consolidation differences	5,846	49,761
Current liabilities	(4,053)	(34,499)
Long-term liabilities	(1,237)	(10,529)
Acquisition cost of shares	8,692	73,987
Cash and cash equivalents of the acquired company	(744)	(6,333)
Net payment for acquisition of newly consolidated subsidiary	¥ 7,948	$ 67,654

4. SECURITIES

The following tables summarize acquisition costs and book values of securities with fair value as of March 31, 2006 and 2005:

	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

	Thousands of U.S. dollars		
Year ended March 31, 2006	Acquisition cost	Book value	Difference
Available-for-sale securities:			
Securities with fair value exceeding book value:			
Equity securities	$ 7,712	$17,867	$10,155
Corporate bonds	7,703	7,703	0
	$15,415	$25,570	$10,155

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

	Thousands of U.S. dollars
	Book value
Available-for-sale securities:	
Non-listed equity securities	$ 2,520
Commercial paper	57,014
	$59,534

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	—	—	—

	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	$ 7,703	$—	$—	$—
Others	57,014	—	—	—

Total sales of available-for-sale securities in the year ended March 31, 2006, amounted to ¥17,678 million ($150,477 thousand) and the net gains amounted to ¥1,650 million ($14,045 thousand).

Year ended March 31, 2005	Millions of yen Acquisition cost	Book value	Difference
Available-for-sale securities:			
Securities with fair value exceeding book value:			
Equity securities	¥1,224	¥2,607	¥1,383
Corporate bonds	918	920	2
	¥2,142	¥3,527	¥1,385

The following table summarizes book values of securities without fair value as of March 31, 2005:

	Millions of yen Book value
Available-for-sale securities:	
Non-listed equity securities	¥ 559
Commercial paper	1,900
	¥2,459

Maturities of available-for-sale securities at March 31, 2005 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	¥ —	¥920	¥—	¥—
Others	1,900	—	—	—

Total sales of available-for-sale securities in the year ended March 31, 2005, amounted to ¥10,754 million and the net gains amounted to ¥3 million.

5. INVENTORIES

Inventories at March 31, 2006 and 2005, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Finished goods	**¥ 7,789**	¥ 6,944	**$ 66,301**
Raw materials and supplies	**8,698**	9,662	**74,038**
Work in process	**7,980**	8,205	**67,926**
	¥24,467	¥24,811	**$208,265**

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings consisted principally of bank loans. Short-term bank loans at March 31, 2006 and 2005 were represented by overdrafts, generally matured in the period up to six months. The annual interest rates of short-term bank loans ranged from 0.85% to 5.98% at March 31, 2006 and 2005.

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

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
1.85% unsecured bonds due 2008	**¥ 15,000**	¥15,000	**$ 127,681**
0.65% unsecured convertible bonds convertible into common stock at ¥1,476 ($13) per share due 2006	**14,793**	14,793	**125,919**
0.0% unsecured bonds with stock acquisition rights convertible into common stock at ¥1,070 ($9) per share due 2010	**15,000**	15,000	**127,681**
Unsecured bank loans due to 2009 at interest rates ranging from 5.5% to 5.6%	**3,207**	—	**27,298**
Unsecured bank loans due to 2006 and 2007 at interest rates ranging from 1.7% to 1.8%	**9,600**	11,000	**81,716**
Other long-term obligations	**—**	560	**—**
Total	**57,600**	56,353	**490,295**
Less current portion	**(17,393)**	(1,410)	**(148,051)**
	¥ 40,207	¥54,943	**$ 342,244**

On May 25, 2001 the Company issued ¥2,160 million of bonds with 5,000 detachable warrants. One warrant entitles the holder to subscribe ¥400 thousand for shares of common stock of the Company at ¥2,500 per share. Upon issuance of the bonds, Anritsu Company bought all of these bonds with warrants and distributed the warrants to the employees of Anritsu Company as part of their remuneration at fair market value. At March 31, 2006, 5,000 warrants were outstanding and will expire on November 30, 2006.

At March 31, 2006, the number of common stock issuable upon full conversion of outstanding convertible bonds and exercise of outstanding warrants was 24,105 thousand shares.

The annual maturities of long-term debt at March 31, 2006, are as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2007	¥ 17,393	$ 148,051
2008	22,000	187,266
2009	3,207	27,297
2010	—	—
2011	15,000	127,681
2012	—	—
Thereafter	—	—

7. STOCK OPTION PLAN

(1) At the annual meeting of shareholders held on June 26, 2001, the Company's directors and certain employees were granted options in the amount of 290,000 shares to purchase a maximum of 10,000 common shares of the Company, per individual. The option exercise price is ¥2,131 per share. The option is exercisable between July 1, 2003 and June 30, 2006.

(2) Pursuant to the resolution at the annual meeting of shareholders held on June 25, 2002, the Company's directors, certain employees and subsidiaries' directors were granted options in the amount of 309,000 shares to purchase a maximum of 20,000 common shares of the Company, per individual. The option exercise price is ¥707 per share. The option is exercisable between July 1, 2004 and June 30, 2007.

(3) At the annual meeting of shareholders held on June 25, 2004, the Company's directors, certain employees, subsidiaries' directors, and subsidiaries' employees were granted options in the amount of 210,000 shares to purchase a maximum of 20,000 common shares of the Company, per individual. The option exercise price is ¥718 per share. The option is exercisable between July 1, 2006 and June 30, 2009.

(4) At the annual meeting of shareholders held on June 23, 2005, the Company's directors, certain employees, subsidiaries' directors, and subsidiaries' employees were granted options in the amount of not more than 204,000 to purchase a maximum of 204 common of the Company, per individual, the option exercise price is ¥700 per share. The option is exercisable between July 1, 2007 and June 30, 2010.

(5) At the annual meeting of shareholders held on June 28, 2006, it was decided that options be granted to the Company's directors, certain employees, subsidiaries' directors, and subsidiaries' employees in the amount of not more than 200,000 shares in total. The subscription price per share of the rights will be determined at 1.05 of average market quotation of the shares of the Company at the month that precedes the month in which the subscription right is granted. The option is exercisable within 2 years after grant date to 5 years after grant date.

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, 2006 and 2005 and approximately 42% for the year ended March 31, 2004.

Significant components of deferred tax assets and liabilities as of March 31, 2006 and 2005, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Deferred tax assets:			
Net operating loss carried forward	**¥ 8,647**	¥ 7,743	**$ 73,604**
Inventories	**8,763**	8,351	**74,591**
Software	**2,527**	2,031	**21,510**
Accrued expenses	**971**	928	**8,265**
Investment securities	**586**	857	**4,988**
Others	**1,446**	1,091	**12,308**
Subtotal deferred tax assets	**22,940**	21,001	**195,266**
Valuation allowance	**(12,123)**	(9,776)	**(103,192)**
Total deferred tax assets	**10,817**	11,225	**92,074**
Deferred tax liabilities:			
Retirement benefits	**779**	1,355	**6,631**
Net unrealized holding gains on securities	**485**	562	**4,128**
Others	**177**	—	**1,507**
Subtotal deferred tax liabilities	**1,441**	1,917	**12,266**
Net deferred tax assets	**¥ 9,376**	¥ 9,308	**$ 79,808**

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 year ended March 31, 2006 and 2005

	2006	2005
Normal effective tax rate	**41%**	41%
Increase (Decrease) in valuation allowance for temporary differences	**54**	(28)
Increase (Decrease) of valuation allowance for net-operating loss carried forward	**(51)**	3
Permanent differences of the Company and its consolidated subsidiaries	**16**	0
Taxes nonrelated to taxable income such as taxation on per capita basis	**8**	6
Difference in the effective tax rate for consolidated subsidiaries	**7**	—
Difference in the amount of tax estimation	**(4)**	11
Others	**1**	5
The Company's effective tax rate	**72%**	38%

9. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS

The Companies utilize derivative financial instruments such as foreign currency forward contracts, currency swap 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. The Company also utilize currency swap contracts as hedges for existing intercompany monetary assets and liabilities in foreign currencies. 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, 2006, 2005 and 2004.

The Companies did not have any foreign currency option transactions at the balance sheet date.

10. RELATED PARTY TRANSACTION

During the year ended March 31, 2006 and 2005, the Company had no important transaction with NEC Corporation.

The Company has no outstanding balance of receivable due from NEC Corporation as of March 31, 2006 and 2005.

The Company sold investment securities to NEC Corporation during the year ended March 31 2004, which owned 21.67% of the shares of the Company at March 31, 2004. The proceed for the sales was ¥1,001 million and the Company recognized gain of ¥947 million from these transactions.

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, 2006 and 2005 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Projected benefit obligation	¥ 31,836	¥ 31,017	$ 270,991
Unrecognized actuarial differences	(6,054)	(13,752)	(51,532)
Less fair value of pension assets	(31,580)	(24,235)	(268,812)
Allowance for employees' severance and pension benefits	(5,798)	(6,970)	(49,353)
Prepaid pension expense	7,563	8,521	64,377
Allowance for directors' severance and pension benefits	90	90	766
	¥ 1,855	¥ 1,641	$ 15,790

Included in the consolidated statement of income for the years ended March 31, 2006 and 2005 was severance and pension benefit expense comprising the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Service costs-benefits earned during the year	¥ 865	¥ 852	$ 7,363
Interest cost on projected benefit obligation	741	749	6,307
Expected return on plan assets	(591)	(560)	(5,031)
Amortization of actuarial gains or losses	1,611	1,681	13,713
Amortization of prior service cost	—	(124)	—
Severance and pension benefit expense	¥2,626	¥2,598	$22,352

For the years ended March 31, 2006 and 2005, 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. SHAREHOLDERS' EQUITY

Under the Japanese laws and regulations, the entire amount of payment for new shares is required to be designated as common stock, although, generally, 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.

Japanese Company Law ("the Law") became effective on May 1, 2006, and, at the same time, the Japanese Commercial Code ("the Code") was repealed.

Under the Code, companies were required to set aside an amount equal to at least 10% 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 Law, in cases when dividends are paid, an amount equal to 10% of the dividends or the excess of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve, whichever is the smaller, must be set aside as additional paid-in-capital or legal earnings reserve. Under the Code, additional paid-in-capital and legal earnings reserve were available for distribution by the resolution of the shareholders' meeting as long as the total amount of legal earnings reserve and additional paid-in-capital remained equal to or exceeded 25% of common stock. Under the Law, even when the total amount of additional paid-in-capital and legal earnings reserve is less than 25% of common stock, additional paid-in-capital and legal earnings reserve may be available for dividends if there are sufficient distributable surplus.

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 may be capitalized by a resolution of the Board of Directors. Under the Law, both of those appropriations require a resolution of the shareholders' meeting. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

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 Japanese laws and regulations.

At the annual meeting of shareholders held on June 28, 2006, the shareholders resolved cash dividends and directors' and corporate auditors' bonuses amounting to ¥383 million (US$3,260 thousand) and ¥30 million (US$255 thousand), respectively. Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2006. Such appropriations will be recognized in the period when they are resolved.

13. COMMITMENTS AND CONTINGENT LIABILITIES

The Companies 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, 2006, were as follows:

	Millions of yen	Thousands of U.S. dollars
Within one year	¥ 900	$ 7,661
After one year	1,785	15,194
	¥2,685	$22,855

Lease expenses under non-capitalized finance leases for the years ended March 31, 2006, 2005 and 2004 aggregated approximately ¥221 million ($1,881 thousand), ¥244 million and ¥244 million, respectively.

Contingent liabilities at March 31, 2006 were as follows:

	Millions of yen	Thousands of U.S. dollars
Loan guarantees and items of a similar nature		
Employees	¥1,163	$9,900

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, 2006, 2005 and 2004 were ¥12,509 million (US$106,478 thousand), ¥10,515 million and ¥9,887 million, respectively.

15. SEGMENT INFORMATION

Information by industry segment for the years ended March 31, 2006, 2005 and 2004 is as follows:

Millions of yen

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**	**¥25,796**	**¥152,390**
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

Year ended March 31, 2004	Test and Measurement	Information and Communications	Components and Devices	Industrial Automation	Services and Others	Total	Eliminations or corporate	Consolidated
Net sales:								
Outside customers	¥47,675	¥12,389	¥ 921	¥11,445	¥ 5,966	¥ 78,396	¥ —	¥ 78,396
Inter-segment	209	16	194	16	2,990	3,425	(3,425)	—
Total	47,884	12,405	1,115	11,461	8,956	81,821	(3,425)	78,396
Operating expenses	46,881	12,620	2,510	10,579	6,589	79,179	(2,591)	76,588
Operating income (loss)	¥ 1,003	¥ (215)	¥ (1,395)	¥ 882	¥ 2,367	¥ 2,642	¥ (834)	¥ 1,808
Identifiable assets	¥68,743	¥17,334	¥ 6,598	¥10,975	¥12,708	¥116,358	¥31,995	¥148,353
Depreciation and amortization	2,355	397	719	67	407	3,945	312	4,257
Capital expenditures	985	85	19	215	109	1,413	117	1,530

Year ended March 31, 2006	Test and Measurement	Information and Communications	Industrial Automation	Services and Others	Total	Eliminations or corporate	Consolidated
	Thousands of U.S. dollars						
Net sales:							
Outside customers	**$554,248**	**$ 61,619**	**$103,830**	**$ 57,133**	**$ 776,830**	**$ —**	**$ 776,830**
Inter-segment	**145**	**170**	**460**	**28,575**	**29,350**	**(29,350)**	**—**
Total	**554,393**	**61,789**	**104,290**	**85,708**	**806,180**	**(29,350)**	**776,830**
Operating expenses	**509,363**	**78,575**	**97,591**	**70,489**	**756,018**	**(17,909)**	**738,109**
Operating income (loss)	**$ 45,030**	**$(16,786)**	**$ 6,699**	**$ 15,219**	**$ 50,162**	**$ (11,441)**	**$ 38,721**
Identifiable assets	**$770,446**	**$ 97,693**	**$ 87,913**	**$121,527**	**$1,077,579**	**$219,578**	**$1,297,157**
Depreciation and amortization	**16,496**	**2,494**	**1,047**	**8,163**	**28,200**	**1,192**	**29,392**
Capital expenditures	**16,079**	**2,051**	**1,226**	**3,303**	**22,659**	**315**	**22,974**

The components and devices business, which was previously a separate segment, is included in "Services and Others" segment starting from the year ended March 31, 2005. This is because of reorganization of the devices business, i.e., the Company reorganized the devices business as Optical Devices R&D Center, for purposes of providing optical devices and its base technology to Anritsu products and basic research. This change of segmentation is to reflect the business of Anritsu Group more properly.

As a result of this change, net sales and operating expenses increased by ¥1,183 million and ¥1,571 million respectively, and operating income decreased by ¥388 million in "Services and Others" segment.

The amounts of identifiable assets, depreciation and capital expenditures for the devices business included in "Services and Others" segment were ¥5,190 million, ¥545 million and ¥39 million respectively, for the year ended March 31, 2005.

Information by geographic area for the years ended March 31, 2006, 2005 and 2004 is as follows:

	Japan	Americas	Europe	Asia and Others	Total	Eliminations or corporate	Consolidated
	Millions of yen						
Year ended March 31, 2006							
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**	**¥(26,166)**	**¥152,390**
Year ended March 31, 2005							
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
Year ended March 31, 2004							
Net sales:							
Outside customers	¥ 50,836	¥11,469	¥ 8,911	¥7,180	¥ 78,396	¥ —	¥ 78,396
Inter-segment	9,477	5,162	1,155	562	16,356	(16,356)	—
Total	60,313	16,631	10,066	7,742	94,752	(16,356)	78,396
Operating expenses	58,441	16,322	10,521	7,493	92,777	(16,189)	76,588
Operating income (loss)	¥ 1,872	¥ 309	¥ (455)	¥ 249	¥ 1,975	¥ (167)	¥ 1,808
Identifiable assets	¥109,942	¥33,081	¥ 6,399	¥2,978	¥152,400	¥ (4,047)	¥148,353

				Thousands of U.S. dollars			
Year ended March 31, 2006	Japan	Americas	Europe	Asia and Others	Total	Eliminations or corporate	Consolidated
Net sales:							
Outside customers	$ 428,762	$147,157	$119,825	$81,086	$ 776,830	$ —	$ 776,830
Inter-segment	96,357	65,867	17,356	4,154	183,734	(183,734)	—
Total	525,119	213,024	137,181	85,240	960,564	(183,734)	776,830
Operating expenses	493,608	194,408	154,213	81,546	923,775	(185,666)	738,109
Operating income (loss)	$ 31,511	$ 18,616	$ (17,032)	$ 3,694	$ 36,789	$ 1,932	$ 38,721
Identifiable assets	$1,014,122	$320,948	$138,338	$46,476	$1,519,884	$(222,727)	$1,297,157

Overseas sales for the years ended March 31, 2006, 2005 and 2004 were as follows:

		Millions of yen		
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				
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%
Year ended March 31, 2004				
Overseas sales	¥ 10,720	¥ 9,033	¥ 13,857	¥ 33,610
Consolidated net sales	—	—	—	78,396
Percentage of consolidated net sales	13.7%	11.5%	17.7%	42.9%

		Thousands of U.S dollars		
Year ended March 31, 2006	Americas	Europe	Asia and Others	Total
Overseas sales	$131,205	$114,658	$138,092	$383,955
Consolidated net sales	—	—	—	776,830
Percentage of consolidated net sales	16.9%	14.8%	17.7%	49.4%

16. FINANCIAL INFORMATION OF THE COMPANY

The following summarizes the non-consolidated financial position of the Company at March 31, 2006 and 2005, and the results of operations for each of the three years in the period ended March 31, 2006.

Non-Consolidated Balance Sheets (Supplementary information)

	Millions of yen		Thousands of U.S. dollars
ASSETS	2006	2005	2006
Current assets:			
Cash	**¥ 17,477**	¥ 28,528	**$ 148,766**
Notes and accounts receivable—trade	**19,240**	17,760	**163,773**
Allowance for doubtful accounts	**(259)**	(225)	**(2,205)**
Marketable securities	**7,604**	1,900	**64,726**
Inventories	**15,135**	16,415	**128,830**
Deferred tax assets—current	**6,741**	6,748	**57,380**
Other current assets	**6,150**	1,206	**52,349**
Total current assets	**72,088**	72,332	**613,619**
Property, plant and equipment:			
Land	**493**	493	**4,196**
Buildings and structures	**24,352**	23,706	**207,286**
Machinery and equipment	**13,865**	14,627	**118,020**
Accumulated depreciation	**(28,653)**	(28,764)	**(243,897)**
Net property, plant and equipment	**10,057**	10,062	**85,605**
Investments and other assets:			
Investment securities	**43,081**	35,947	**366,709**
Long-term loans receivable	**11,114**	16,959	**94,603**
Deferred tax assets—non-current	**—**	404	**—**
Other assets	**8,507**	9,200	**72,413**
Allowance for doubtful accounts	**(53)**	(78)	**(451)**
Total investments and other assets	**62,649**	62,432	**533,274**
Total assets	**¥144,794**	¥144,826	**$1,232,498**

	Millions of yen		Thousands of U.S. dollars
LIABILITIES AND SHAREHOLDERS' EQUITY	2006	2005	2006
Current liabilities:			
Short-term borrowings	**¥ 870**	¥ 870	**$ 7,406**
Long-term debt due within one year	**18,193**	1,400	**154,860**
Notes and accounts payable—trade	**7,193**	6,697	**61,227**
Accrued liabilities	**4,243**	4,033	**36,117**
Accrued expenses	**1,184**	1,249	**10,078**
Income taxes payable	**122**	164	**1,038**
Other current liabilities	**6,144**	4,030	**52,298**
Total current liabilities	**37,949**	18,443	**323,024**
Long-term liabilities:			
Long-term debt	**37,000**	55,193	**314,947**
Retirement benefits for directors and corporate auditors	**70**	78	**596**
Deferred tax liabilities—non current	**97**	—	**826**
Other long-term liabilities	**280**	416	**2,383**
Total long-term liabilities	**37,447**	55,687	**318,752**
Shareholders' equity:			
Common stock	**14,050**	14,050	**119,595**
Additional paid-in capital	**23,000**	23,000	**195,778**
Legal reserve	**2,468**	2,468	**21,008**
Retained earnings	**29,989**	31,156	**255,269**
Net unrealized holding gains on securities	**696**	811	**5,924**
Treasury stock, at cost	**(805)**	(789)	**(6,852)**
Total shareholders' equity	**69,398**	70,696	**590,722**
Total liabilities and shareholders' equity	**¥144,794**	¥144,826	**$1,232,498**

Non-Consolidated Statements of Operations (Supplementary information)

	Millions of yen			Thousands of U.S. dollars
	2006	2005	2004	2006
Net sales	**¥48,288**	¥49,669	¥47,503	**$411,032**
Cost of sales	**35,563**	36,638	37,875	**302,715**
Gross profit	**12,725**	13,031	9,628	**108,317**
Selling, general and administrative expenses	**11,631**	11,138	9,420	**99,004**
Operating income	**1,094**	1,893	208	**9,313**
Other income (expenses):				
Interest and dividends income	**814**	1,161	773	**6,929**
Interest expenses	**(567)**	(586)	(757)	**(4,826)**
Foreign exchange gain (loss)	**67**	83	(332)	**570**
Loss on disposal of inventories	**—**	(216)	(1,243)	**—**
Gain on sale of head office building and TODA plant	**—**	—	4,857	**—**
Gain on sales of property, plant and equipment	**—**	162	—	**—**
Gain on sales of investment securities	**1,648**	2	950	**14,028**
Loss on devaluation of investment securities	**(332)**	(159)	(2)	**(2,826)**
Gain from transfer of retirement benefits plan	**—**	—	2,165	**—**
Loss on devaluation of inventories	**(1,467)**	(1,175)	(4,042)	**(12,487)**
Restructuring expense	**(814)**	—	—	**(6,929)**
Loss on disposal of fixed assets	**—**	—	(564)	**—**
Other, net	**(530)**	(4)	(367)	**(4,512)**
	(1,181)	(732)	1,438	**(10,053)**
Income (loss) before income taxes	**(87)**	1,161	1,646	**(740)**
Provision for income taxes:				
Current	**(501)**	3	112	**(4,265)**
Deferred	**585**	(142)	267	**4,980**
Net income (loss)	**¥ (171)**	¥ 1,300	¥ 1,267	**$ (1,455)**

Report of Independent Public Accountants

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, 2006 and 2005, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended March 31, 2006, 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, 2006 and 2005, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2006, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements. Effective the year ended March 31, 2006, Anritsu Corporation changed the method of amortization of goodwill.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2006 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 28, 2006

Major Subsidiaries

As of July 25, 2006

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$15,131thousand	100*
Anritsu Instruments Company	U.S.A.	Manufacture, marketing and maintenance 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 569thousand	100*

Asia & Pacific		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 4,966 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*

Europe		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 Limited	U.K.	Manufacture of measuring and other instruments	£20 thousand	100*
Anritsu EMEA Limited	U.K.	Marketing and maintenance of measuring and other instruments	£1,500 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*
NetTest S.A.S	France	Manufacture, marketing and maintenance 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, marketing and maintenance of measuring and other instruments	EURO 150 thousand	100*
Anritsu Aktiebolag	Sweden	Marketing and maintenance of measuring and other instruments	SEK 800 thousand	100*

* Indicates indirect ownership

Investor Information

As of March 31, 2006

Head Office: ANRITSU CORPORATION
5-1-1 Onna, Atsugi-shi, Kanagawa,
243-8555 Japan
Tel: +81 46 223 1111
E-mail: investors@zy.anritsu.co.jp
URL: http://www.anritsu.co.jp

Established: March 1931

Paid-in Capital: ¥14.0 billion

Number of Employees: 4,052 (Consolidated)
1,197 (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

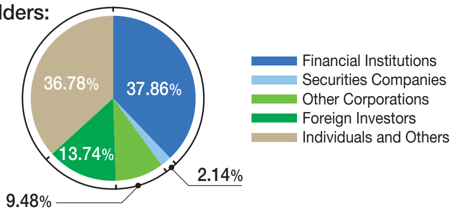
Number of Shareholders: 17,637

Rating: Rating and Investment Information, Inc.
Long-Term BBB
Short-Term a-2

Authorized Shares: 400,000,000

Issued Shares: 128,037,848

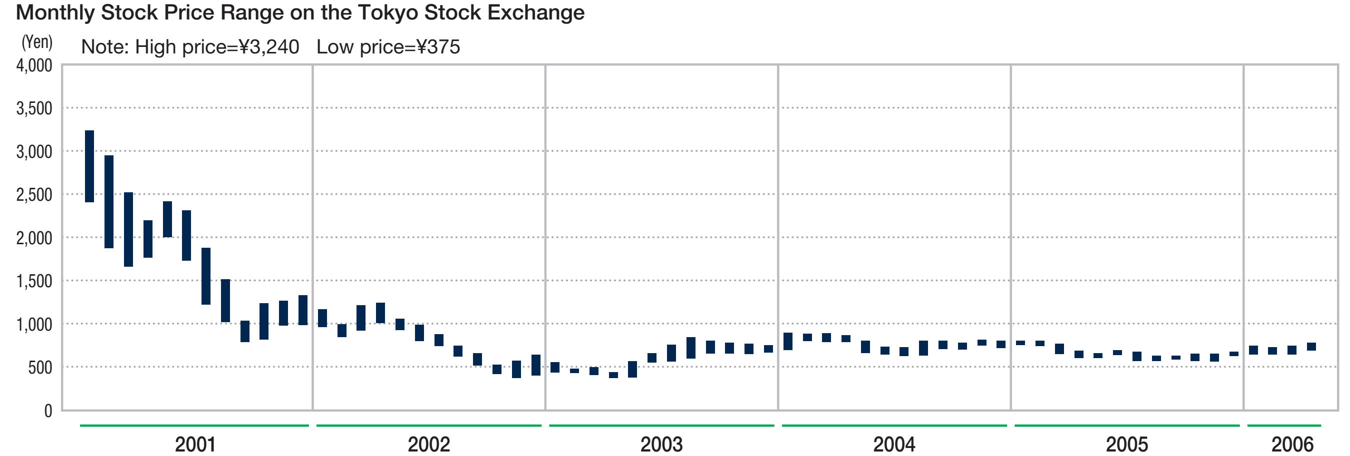
Breakdown of Shareholders:



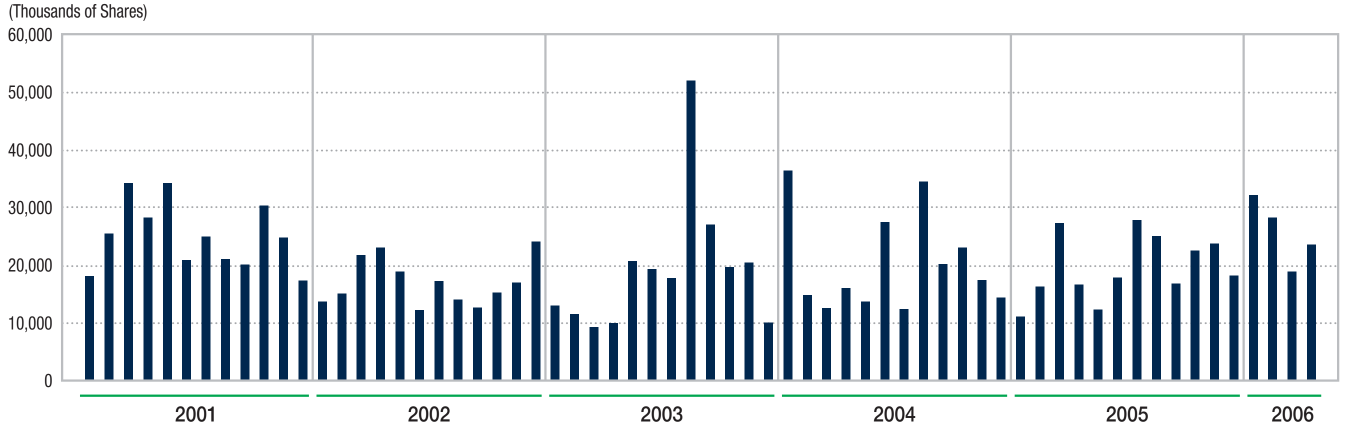
Major Shareholders:

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
Japan Trustee Services Bank, Ltd. (Trust Account)	5,454	4.26
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,945	3.86
Mitsui Sumitomo Insurance Co., Ltd.	2,964	2.32
Morgan Stanley and Company International Limited	2,760	2.16
Japan Trustee Services Bank, Ltd. (The Sumitomo Trust & Banking Co., Ltd. Retirement Benefit Trust Account)	2,500	1.95
Sumitomo Life Insurance Company	2,314	1.81
Goldman Sachs and Company Regular Account	2,162	1.69
Japan Securities Finances Co., Ltd.	1,882	1.47

Monthly Stock Price Range on the Tokyo Stock Exchange



Monthly Trading Volume



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