Strategic Focus on Innovation

While net sales decreased during the fiscal year ended March 31, 2010, operating income increased substantially and Anritsu returned to net profitability. During the fiscal year ending March 31, 2011 and beyond, we will work to strengthen our finances based on our new operating structure and deploy the knowledge and ideas of all employees of the Anritsu Group to achieve continuous profitable growth.

Aspirations as the New Group CEO

Q: You were promoted to Group CEO in April 2010 after serving as Chief Financial and Corporate Officer for many years. What are your aspirations as the new Group CEO?

A: I intend to strengthen our finances and promote innovation throughout the Anritsu Group.

I have been involved in Anritsu's management since becoming a director eight years ago. During this time, we experienced the collapse of the IT bubble and an unprecedented global financial crisis. These dramatic changes have felt like a roller coaster ride. The slump in the information and communications industry has slowly sapped our operating strength.

However, Anritsu has steadily generated success from ongoing management innovation initiatives that began in 2008, and returned to net profitability during the fiscal year ended March 31, 2010. My responsibility is to deepen our initiatives in order to build an operating and financial base that allows us to generate stable earnings even if the external environment changes suddenly.

Innovation is part of our management vision and the core of our initiatives. Since becoming Group CEO, I have taken several opportunities to communicate the importance of innovation to employees. Innovation often refers to technological innovation, but in essence it refers to the process of creative destruction. We need to move beyond technology-centered thinking. For example, we need to look at how we can contribute to resolving social issues, such as by reducing energy consumption and eliminating the digital divide, because initiatives such as these will drive our next phase of growth.

The Anritsu Group will work to meet the expectations of stakeholders, such as by further strengthening profitability and growth through unified innovation.

Hirokazu Hashimoto
Group CEO

April 1973: Joined Anritsu and entered the Test & Measurement Division
June 2002: Director, General Manager of the Accounting and Control Department and Executive Officer
June 2006: Executive Vice President
June 2007: Representative Director
April 2010: Group CEO

Operating Environment and Performance in the Fiscal Year Ended March 31, 2010

Q: Net sales decreased in the fiscal year ended March 31, 2010, but Anritsu met the targets it set at the start of the year and returned to net profitability. What was the main factor behind this result?

A: We increased operating income by reducing fixed costs and operating expenses.

In the operating environment during the fiscal year ended March 31, 2010, demand for measuring equipment for LTE[1] development and for installation of base stations for third-generation (3G) mobile phone service in China was solid. Overall, however, customers tended to restrain capital expenditures.

Given these circumstances, the Anritsu Group devoted all of its capabilities first and foremost to generating earnings despite the challenging business environment. In addition to implementing urgent management measures to reduce fixed costs, we moved to meet our targets by promoting comprehensive enhancement of SCM[2] in our core Test and Measurement business. Moreover, we worked to increase profitability and competitiveness by restructuring our sales organization in Japan and employing KPI[3] to strengthen management. We also introduced a succession of new products in growth areas in working to benefit from customer demand.

As a result, operating income increased 406.3 percent year on year to ¥4,583 million, well above our initial target for the fiscal year of ¥2,200 million. I am grateful to all Group employees, who came to terms with these sometimes painful management reforms and ensured their successful implementation. Income taxes increased because we reversed deferred tax assets, resulting in net income of ¥385 million, compared with net loss of ¥3,541 million for the previous fiscal year. Thus we returned to net profitability, and expect to resume dividend payments in the fiscal year ending March 31, 2011.

Notes: 1. LTE (Long-Term Evolution): Currently undergoing standardization, LTE is a wireless communications protocol that evolved from 3.5G.
2. SCM (Supply Chain Management): Comprehensive management from receipt of orders and material procurement to inventory management and product delivery.
3. KPI (Key Performance Indicators): For details, please refer to page 10.

Operating Environment by Region in the Test and Measurement Business

(Fiscal year ended March 31, 2010)

Region	Operating Environment
All Regions	● Restraint of capital expenditures continued. ● Investment in LTE development began among global chipset and handset vendors.
Japan	● Customers in the electronics market made cautious capital expenditures. ● Demand is expected to recover from the second half of 2010.
Americas	● Demand for measuring instruments for construction and maintenance of wireless infrastructure began to recover in the third quarter of 2009.
EMEA	● Overall, customers continued to restrain capital investment.
Asia and Others	● Demand was firm for measuring instruments to enhance and expand national telecommunications infrastructure.

Summary of Results for the Fiscal Year Ended March 31, 2010

(Millions of yen)

	2009	**2010**	Increase (Decrease)	Percentage change
Orders	¥81,470	**¥76,117**	¥ (5,354)	(7)%
Net sales	83,940	**73,548**	(10,392)	(12)
Operating income (loss)	905	**4,583**	3,678	406
Income (loss) before income taxes	(2,236)	**3,913**	6,149	—
Net income (loss)	(3,541)	**385**	3,926	—
Free cash flow	5,590	**7,471**	1,881	34

Initiatives during the Fiscal Year Ended March 31, 2010 and Overview of the New Mid-Term Plan GLP2012

Q: During the fiscal year ended March 31, 2010, Anritsu followed its medium-term direction of becoming a strong global company that consistently generates earnings. What did Anritsu achieve through measures implemented during the past year, and what are the main points of the new Mid-Term Plan GLP2012 that began in the fiscal year ending March 31, 2011?

A: We are aiming for an operating margin of 10 percent and return on equity (ROE) of 10 percent.

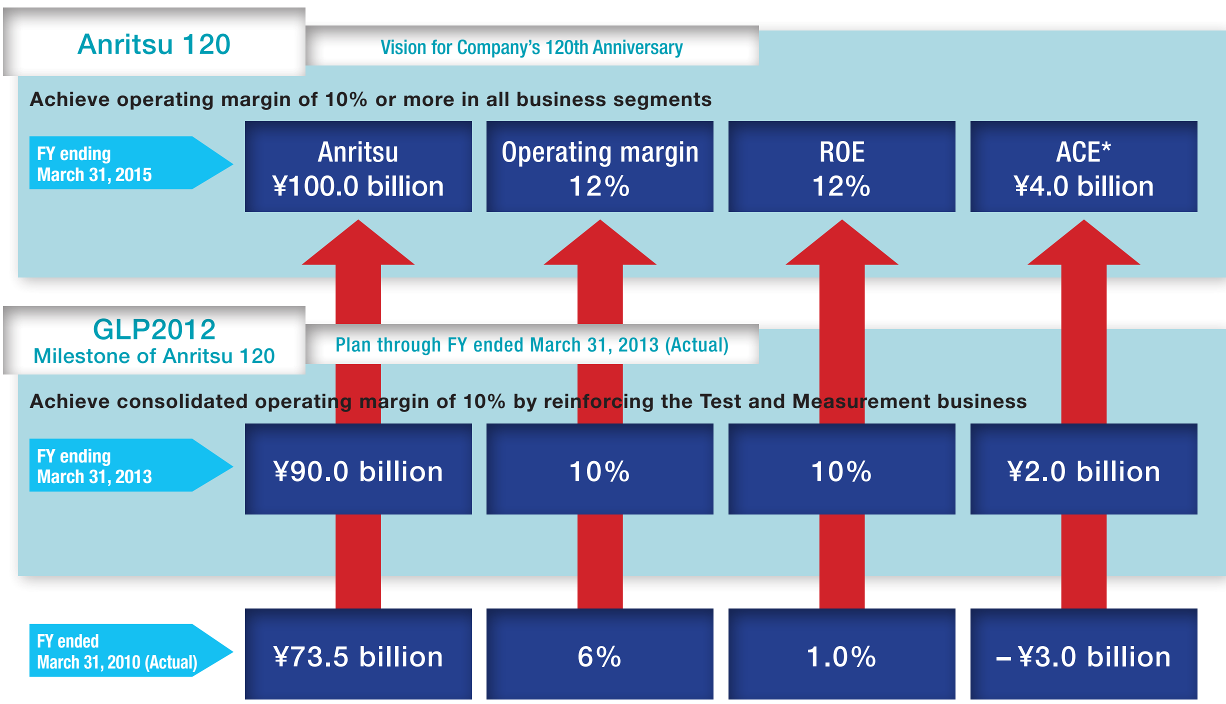
Anritsu successfully promoted business process reform under Management Innovation 2008, which began in January 2008. Building on those successes, we focused on stabilizing our finances, and moved to reduce fixed costs under the urgent management measures we implemented following the collapse of Lehman Brothers. In particular, we introduced KPI to guide us in raising investment efficiency and strengthening our finances, and they have been firmly established over the last two years. By meticulously monitoring our progress, we initiated a shift to a highly profit-oriented earnings structure. As a result, although sales decreased in the Test and Measurement business during the fiscal year ended March 31, 2010, operating income totaled ¥2,252 million compared with operating loss of ¥792 million for the fiscal year ended March 31, 2009.

A detailed explanation of the new Mid-Term Plan GLP2012 begins on page 12. This plan is a milestone we set for realizing Anritsu 120, our vision for the Company's 120th anniversary five years from now.

We forecast annual growth of 3 percent in the test and measurement market, which is our core market. However, with LTE-related business driving growth, we are planning on a growth rate of 6 to 8 percent in our Test and Measurement business. We are setting and monitoring KPI for each of our businesses in order to improve return on investment. The assiduous use of KPI and business process innovation will further raise our focus on earnings. Our aim is an operating margin of 10 percent for the fiscal year ending March 31, 2013. This target is predicated on our ability to implement simple management techniques that allow us to flexibly and rapidly deal with changes in our operating environment, so we have clarified roles and responsibilities by reforming our Group execution system. Executive Vice President and Representative Director Kenji Tanaka will exercise control over the core Test and Measurement business as president.

We will concentrate the knowledge and ideas of all Anritsu employees and use business process innovation to create added value, acquire growth drivers and provide services and solutions that exceed customer expectations. By doing so, we will achieve continuous profitable growth with the aim of increasing corporate value. We intend to effect a striking transformation of our earnings structure by Anritsu's 120th anniversary in the fiscal year ending March 31, 2015.

The New Mid-Term Plan GLP2012



Promoting CSR Management and Strengthening Corporate Governance

Q: Anritsu's management policy includes contributing as a good corporate citizen to the creation of a society that is friendly to people and the Earth. What does this involve? Also, what will Anritsu's corporate governance system be like under the new management organization?

A: We will promote our "Good in five key areas" concept and work to strengthen management supervision.

The Anritsu Group philosophy embraces sincerity, harmony and enthusiasm. This philosophy constantly guides our actions and expresses our values as a corporation. In its spirit, we clarify our relationship with our stakeholders. We do not simply benefit buyers and sellers. We want our transactions to help make society happy. We created our "Good in five key areas" concept by adding two areas – employees and the natural environment – to the "Good in three key areas" concept of the famed Omi merchants of Japan's Edo period, who based their business on benefitting sellers, consumers and society. We will achieve continuous profitable growth while contributing to the development of a safe and secure global society through our products and services and by working to be a company that contributes to a sustainable future for the Earth.

We have further enhanced the management supervision functions of our corporate governance system by engaging a second outside director, Yasushi Hosoda, in addition to Akira Kiyota. Mr. Hosoda began his career at Sony Corporation, followed by stints as president of Sony Pictures Entertainment, Inc. and president and chairman of SKY Perfect Communications Inc. He has a wealth of international business experience, and we look forward to his valuable advice for achieving continuous profitable growth.

The "Good in five key areas" concept

Shareholder Returns

Q: During the fiscal year ended March 31, 2010, Anritsu emphasized stable finances and did not pay dividends. Going forward, what is Anritsu's policy for shareholder returns?

A: We plan to resume dividends by paying annual dividends of ¥4.00 per share.

Our basic policy for paying dividends from surplus funds is to increase the ratio of dividends on consolidated equity (DOE) to reflect the level of net income while taking into general account factors such as the operating environment and the outlook for results.

During the fiscal year ended March 31, 2010, we disappointed our shareholders because we did not pay interim or year-end dividends. The main reason was challenging financial conditions that made it necessary for us to concentrate on repaying interest-bearing debt and enhancing liquidity. Our policy is to use internal capital resources to make capital investments and pay for research and development to respond to rapid advances in technology and changes in market structure.

For the fiscal year ending March 31, 2011, we forecast that net income will increase 289.5 percent year on year to ¥1,500 million, and plan to resume dividends by paying ¥4.00 per share, including an interim dividend of ¥2.00 per share.

The Anritsu Group is working toward innovative management that synthesizes the knowledge of all employees. We are counting on the continued support and guidance of our shareholders.

Hirokazu Hashimoto
Group CEO