

Review of Operations

Test and Measurement

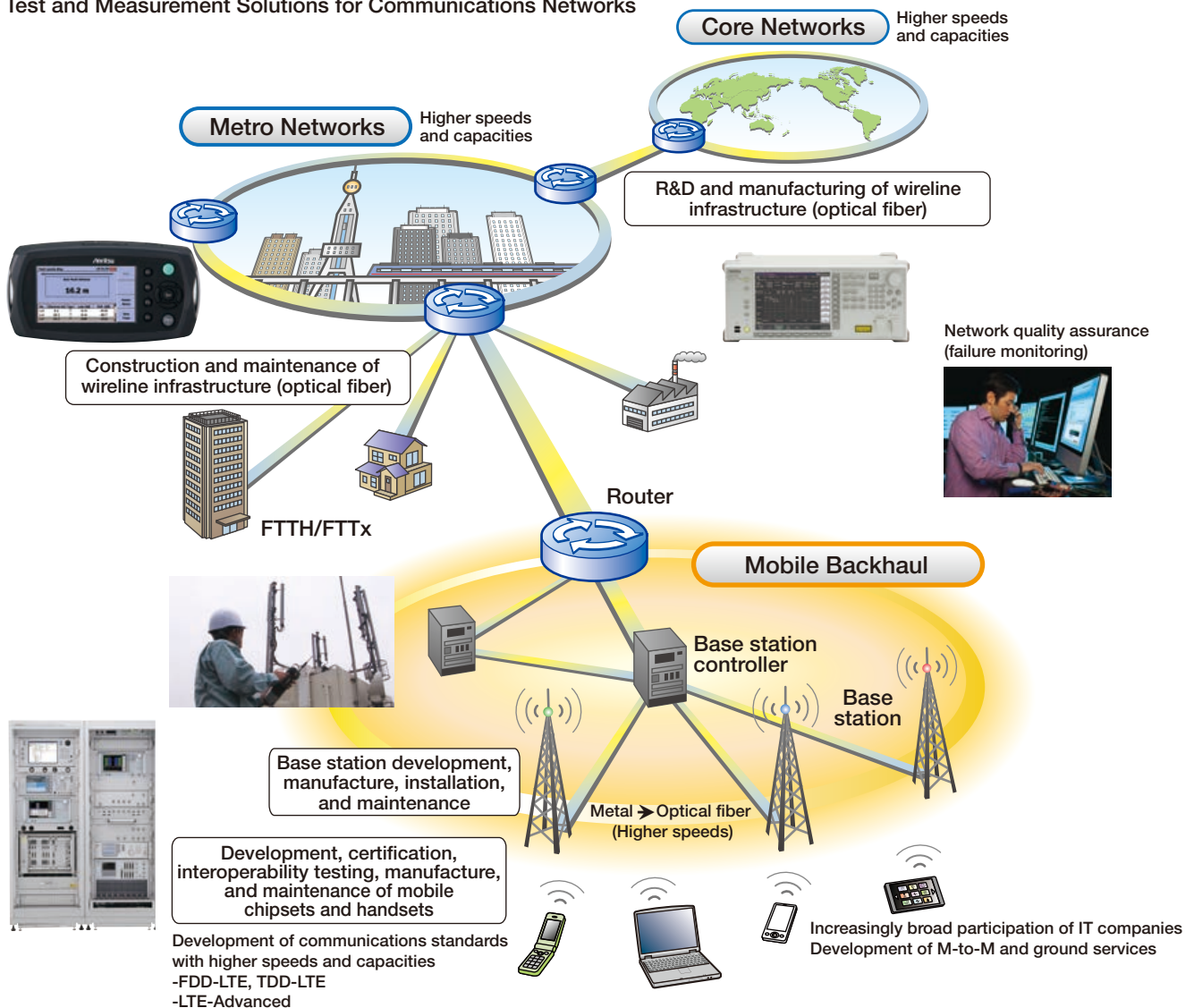
Anritsu is heightening its competitive power by strengthening its support for development programs and other customer operations, as it responds to business growth opportunities associated with the acceleration in the development of LTE, the increasingly widespread use of 3G/LTE smartphones, and the broadening of mobile broadband services as social infrastructure. In these ways, we are earning customers' trust as a global market leader.

Business Areas

Anritsu is expanding its Test and Measurement business in the mobile market related to smartphones and other handsets, the network infrastructure market related to wireless base stations and optical communications networks, and the electronics market related to items such as communications equipment and electronic communications components for a

diverse range of equipment. We are contributing to progression of mobile broadband services, with technologies that cover the entire scope of both wireless and wireline communications, strong development/customer support systems extending throughout the world, and an array of leading-edge measurement solutions tailored to market needs.

Test and Measurement Solutions for Communications Networks



Special Characteristics of the Mobile Test and Measurement Business

A growth driver for the Test and Measurement business, the mobile test and measurement business falls into two fields: R&D and manufacturing, each of which has distinctive characteristics.

R&D Field

Sharing R&D road maps with customers and providing test and measurement solutions on a time-to-market (TTM) basis

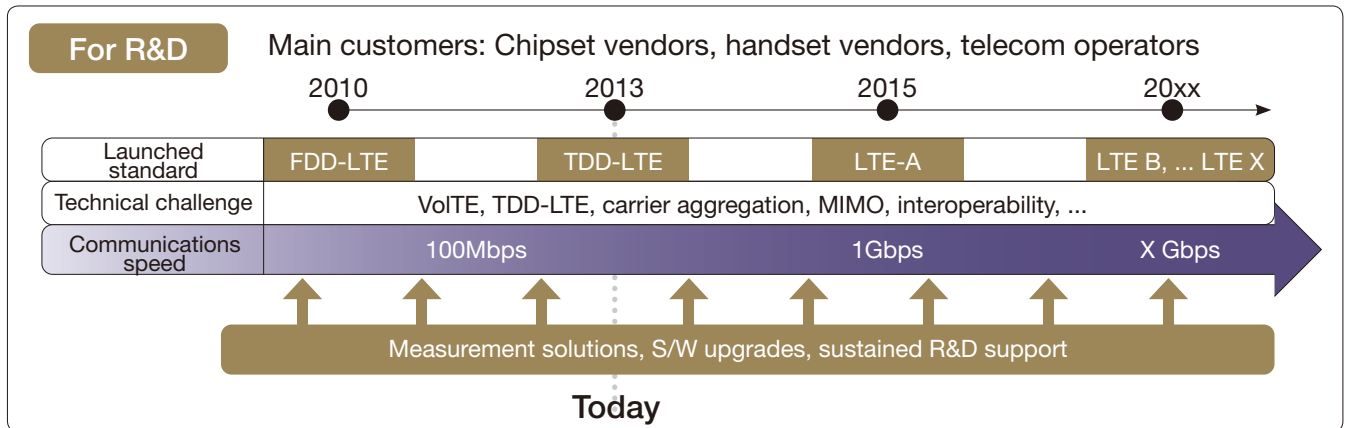
- We build relationships of trust with customers over the long term and respond in an accurate and timely manner to requests for development work and support.

Stock business that follows up beyond the introduction of equipment/systems

- We provide software upgrades in line with updates to communications standards, and we support customers' development environments.

Necessity of technological power related to a full range of communications methods, including those involving leading-edge technologies as well as those involving conventional technologies

- The commercialization of new communications methods entails measures for ensuring mutual compatibility with conventional methods.



Manufacturing Field

Expansion of customers' manufacturing power and progress in communications technology acting as demand triggers

- Constructing new plants and augmenting manufacturing lines, shifting from 2G lines to 3G/LTE lines, etc.

Sustained business stemming from responses to renovation demand/upgrade demand

- Building a stable business foundation by means of the expansion of the installed base

Capabilities for upgrading customers' productivity, in addition to quality, price, and timely deliveries, as a key competitive factor

- Providing development support by working in close cooperation with customers to conduct troubleshooting, optimizing manufacturing operations based on the characteristics of existing manufacturing lines, etc.

For production

Main customers: Handset vendors, module/component vendors, EMS

Solutions: Specialized one-box testers



Two-port (simultaneous measurement of 2 devices) testers for 2G/3G/LTE



Four-port (simultaneous measurement of 4 devices) testers for 2G/3G/LTE & SRW (short-range wireless)

Demand triggers

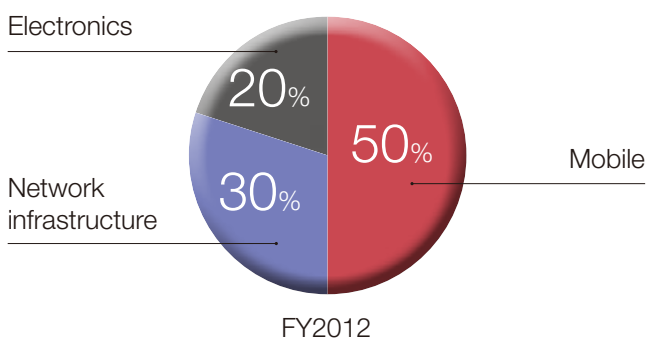
1. Manufacturing line changeovers: 2G → 3G/LTE (FDDs, TDDs)
2. Manufacturing capacity expansions
3. Productivity/efficiency upgrades
4. Test process integration: 3G/LTE & SRW (W-LANs, Bluetooth, etc.)
5. Emergence of new players

■ Review of the Fiscal Year Ended March 31, 2013

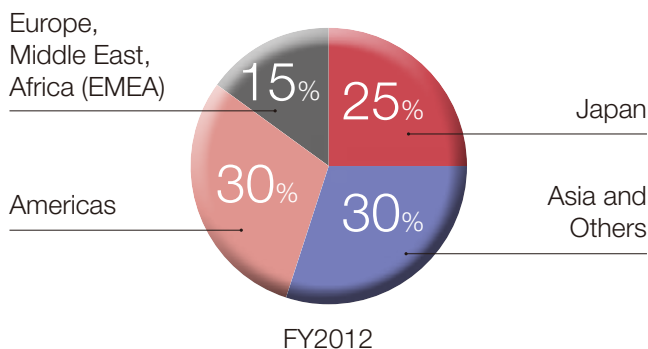
The fiscal year under review saw robust conditions in the mobile market. The trend reflected concentrated efforts for LTE development and investments in manufacturing by Japanese handset vendors during the first half of the year. Throughout the year, there was strong demand for measuring instruments related to handset manufacturing, particularly in Asia, and for measuring instruments related to LTE R&D, particularly in North America. Positive conditions were maintained in the network infrastructure market owing to the expansion and strengthening of base station networks,

particularly in Japan and North America. Investments related to frequency restructuring were another positive factor. The electronics market was slack, as the global economic downturn caused customers to curb their investments. As a result of all these factors, segment revenue increased 1.0% compared with the previous fiscal year, to ¥71,232 million. Operating profit grew to ¥15,048 million, up 8.7%. The Company maintained an operating profit ratio of 21% or higher even while making investments in development programs and support system expansion and upgrading programs designed to promote future business expansion.

Test and Measurement Revenue by Sub-Segment



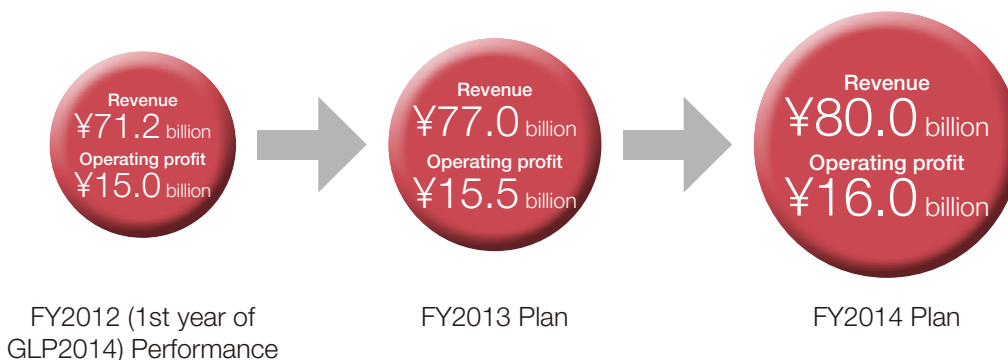
Test and Measurement Revenue by Region





■ Operating Environment and Initiatives under Mid-Term Business Plan GLP2014

The Mid-Term Business Plan GLP2014 has set the mid-to-long term growth target of 7% or higher in revenue while maintaining an operating profit margin of 20% or higher. For the fiscal year ending March 31, 2015, the plan calls for recording ¥80.0 billion in revenue along with an operating profit margin amounting to 20% or higher of that revenue figure. In the fiscal year under review, the first year of GLP2014, Anritsu successfully attained the targets of ¥70.0 billion in

revenue and ¥14.0 billion in operating profit. On the other hand, diverse changes have emerged in the operating environment since the time GLP2014 was drafted. During the current fiscal year, the Company intends to respond to those changes and step up its investments and other initiatives aimed at promoting business expansion over the mid-to-long term while expanding its business operations in a manner that enables the successful attainment of targets for the second year of GLP2014.



Business Environment and Measures for Attaining GLP2014 Targets

	Environment	Measures for Attaining Targets
Test and Measurement Business	<ul style="list-style-type: none"> Acceleration of LTE Development Full-scale development of TDD-LTE, LTE Advanced Continued expansion of 3G/LTE smartphone manufacturing Expansion of Mobile Communications in Social Infrastructure Shift to mobile communications by IT companies, etc. 	<ul style="list-style-type: none"> Stepped-Up Development Investment in Mobile Field Response to acceleration of LTE development Launch of optimal solutions for smartphone development environment Strengthening of Global Support System Strengthening of global account support Recruitment of new/potential customers
		 <p>Tester for smartphone application development</p>  <p>Universal wireless test-set (Compatible with 3G/LTE/Wi-Fi/Bluetooth, etc.)</p>

One of the changes in the operating environment is the acceleration of LTE development. The bulk of demand associated with the FDD-LTE method, which is being promoted mainly in Japan, North America, and South Korea, is shifting from basic development-related demand to standards conformance testing- and operator acceptance testing-related demand. In addition, the development of TDD-LTE method

systems that are expected to begin entering service in China during 2013 is gathering momentum. R&D work related to the relatively sophisticated form of LTE, the LTE Advanced, is beginning, and there is a trend toward an increase in demand associated with diverse R&D trends related to LTE Advanced as well as to peripheral technologies.

Mobile R&D Segment Business Opportunities

	Platform (Core) Development	Standard Conformance Testing	Operator Acceptance Testing	Smartphone Application Development
Applications	Communications standard development Chipset development	RF Standard conformance testing Interconnection testing	Telecom carrier certification testing	Application development Handset operation verification
Main customers	Chipset vendors Handset vendors	Chipset vendors Handset vendors Telecom operators	Telecom operators Test house	Handset vendors Application developers
Main themes	<ul style="list-style-type: none"> FDD-LTE, TDD-LTE VoLTE (Voice over LTE) LTE Advanced-related technology (carrier aggregation, etc.) MIMO (Multi Input Multi Output) Chipset integration for G/LTE & SRW (Short-range wireless) 			<ul style="list-style-type: none"> Data-throughput increase Reduced power consumption, etc.
Market trends/ Business opportunities	Firmly maintain No. 1 position	Firmly maintain No. 1 position Market expansion Upgrade position	Market expansion Upgrade position	Market expansion Upgrade position

Moreover, the application of mobile technologies is becoming increasingly broad, encompassing not only smartphones and tablet handsets but also social infrastructure elements. This trend has been accompanied by the entrance of a growing number of IT-related companies into the mobile field, which is presenting a growing number of opportunities for business expansion.

In response to these trends, Anritsu is augmenting its development investments centered on the mobile field as well as its investments aimed at strengthening its global support systems. The aim is to build solid relationships with

customers and thereby intensifying its efforts to realize business expansion over the mid-to-long term.

A look at individual geographic regions, however, reveals a progressive deceleration in the Japanese mobile market beginning from the second half of the fiscal year under review. As for the mobile field, Anritsu is anticipating that robust conditions in the North American and Asian markets during the current fiscal year will offset the deceleration in the Japanese market. Moreover, the Company is targeting an expansion of business in the electronics field while focusing principally on the electronic component field, in which Japanese companies are particularly strong.

Industrial Automation

Anritsu's Industrial Automation segment is seeking to maintain its position in the stable Japanese market while building marketing systems in preparation for expanding overseas business as a key growth driver. At the same time, the Company is strengthening local manufacturing systems overseas as a means of establishing local production systems for meeting local needs. In this way, it is striving to bolster its competitive power and improve its profitability.

Business Areas

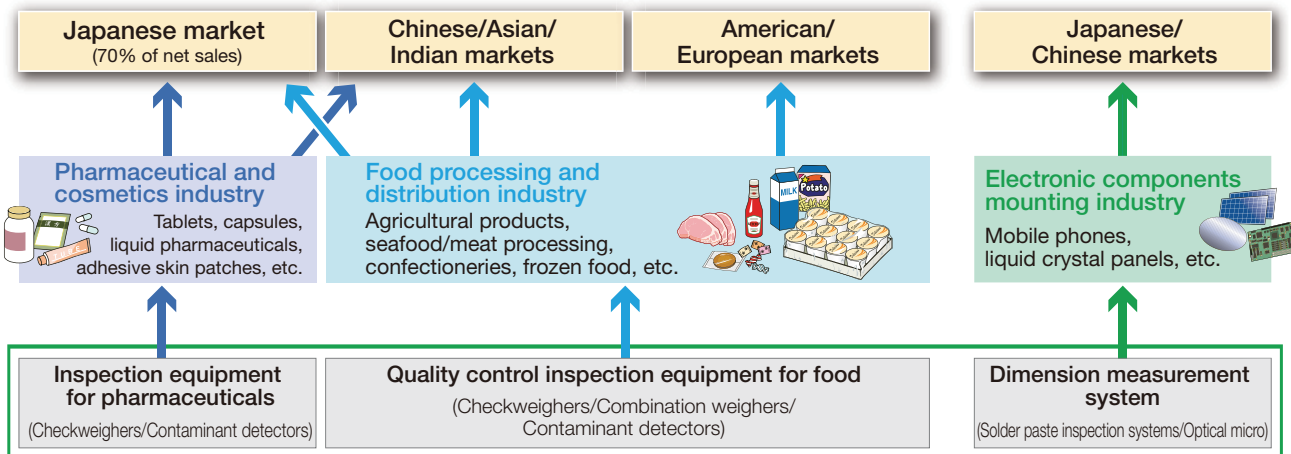
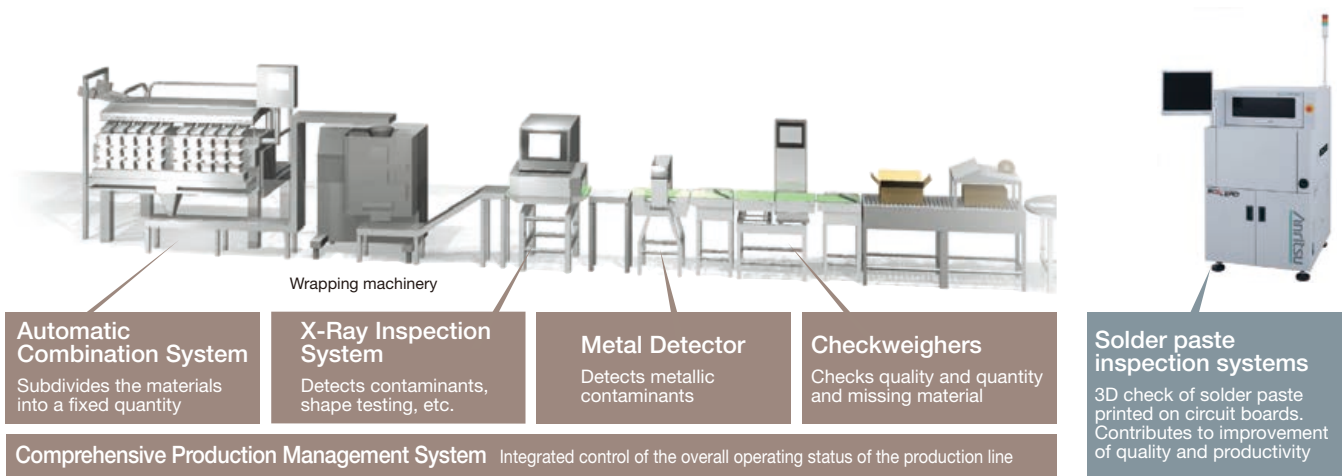
The Industrial Automation segment provides production management and quality assurance systems for the food, pharmaceutical, and cosmetics industries. Its main products include X-ray inspection systems and metal detectors that detect alien materials in food and checkweighers that perform high-speed, accurate weighing on production lines. Products for the food industry account for approximately 70% of this

segment's business. Consequently, its business operations are stable. This is a market with relatively little change in demand due to economic trends.

Geographically, the Japanese market accounts for 70% of business. However, the segment is stepping up its efforts to expand business overseas where growth is expected, particularly in Asia and North America.

Production line for food, pharmaceuticals, etc.

Mounting line for electronic components, etc.



■ Review of the Fiscal Year Ended March 31, 2013

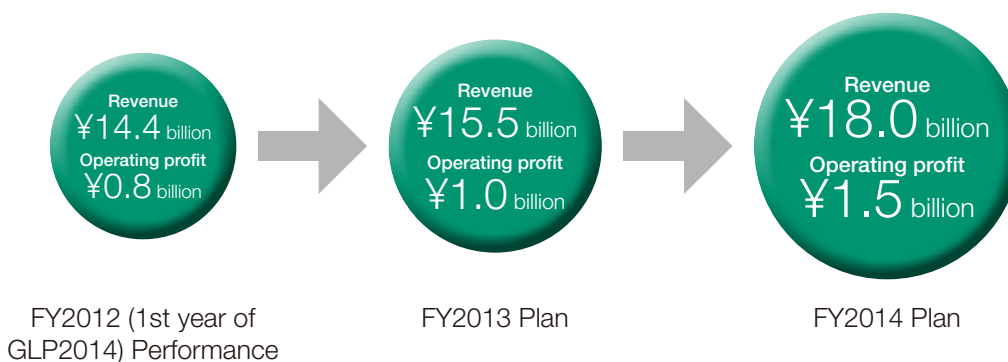
During the fiscal year under review, continued robust demand for food-related quality inspection applications in Japan and overseas markets enabled Anritsu to record segment revenue of ¥14,439 million, up 1.7% from the previous fiscal year. The segment's operating profit surged to ¥829 million, up 45.4%, reflecting the Company's efforts to increase the efficiency of its investment and expense management.

Overseas revenue accounted for approximately 30% of segment sales, as in the previous fiscal year, but the Company moved ahead with the preparation of a foundation for the expansion of overseas business going forward by measures such as the creation of local supply chains, particularly in Asia.



■ Operating Environment and Initiatives under the Mid-Term Business Plan GLP2014

Anritsu has set the mid- to long-term growth target of annual revenue growth in the segment of 7% or higher while maintaining an operating profit margin of 12% or higher.

For the fiscal year ending March 31, 2015, the plan calls for recording ¥18.0 billion in revenue and ¥1.5 billion in operating profit. In the fiscal year under review, the first year of GLP2014, Anritsu was, in general, able to successfully attain the targets of ¥15.0 billion in revenue and ¥1.0 billion in operating profit. The Company moved ahead with the creation of local production systems for meeting local needs, including manufacturing, marketing, and support systems, in accordance with the goal of expanding overseas business positioned as a key strategic objective within GLP2014. Besides augmenting production at the Company's Thai plant, which is playing a central role in this strategy, the Company established a plant in Shanghai (which began operating in July 2013) that is positioned to meet the needs in the Chinese market, which is projected to grow enormously. Anritsu is ramping up its efforts to optimize its supply chains in ways that meet local customers' diverse needs, including those related to quality, cost, and delivery schedules, and thereby progressively achieving business expansion and profitability enhancement.



Business Environment and Measures for Attaining GLP2014 Targets

	Business Environment	Measures for Attaining Targets
Industrial Automation	<ul style="list-style-type: none"> ■ Stable demand in the Japanese market ■ Increase in meat-testing demand in North America ■ Expansion of food-testing market in Asia/ Emerging economies 	<ul style="list-style-type: none"> ■ Strengthen relationships with global customers ■ Promote local production systems for meeting local needs <ul style="list-style-type: none"> • Augment manufacturing at plant in Thailand • Establish plant in China (Shanghai)
		 <p>Thai plant</p>  <p>Shanghai plant</p>



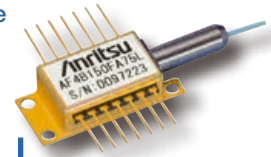
Others

Business Areas

The Others segment mainly covers the information and communications business. This business supplies such products as remote monitoring systems for applications that include waterworks and rivers, as well as bandwidth controllers that support highly reliable networks for companies such as financial institutions and video distributors, and the device business, which supplies optical and ultra-high-speed devices that are indispensable to the telecommunications equipment that makes up high-speed, high-capacity networks. The segment also includes businesses such as logistics and welfare services.

Telecommunications equipment that supports the functions of high-speed, high-capacity networks
Optical and ultra-high-speed devices

We provide key devices indispensable for long-distance, high-capacity communications networks.



Remote monitoring and control of water supply facilities, etc.

Remote monitoring and control system

Our systems are used for the monitoring and control of water supply and sewage facilities and the compilation of rainfall and other weather-related information as well as water-level and other river-related information.



Ensuring highly reliable communications for banks and other companies

Bandwidth controller

We are helping enhance the reliability of important communications networks for which stability and certainty are crucial, such as networks transmitting information related to corporate transactions.



Review of the Fiscal Year Ended March 31, 2013

During the fiscal year under review, steadily emerging benefits from structural reforms implemented on information and communications business management and stable demand for the offerings of the device business enabled Anritsu to record segment revenue of ¥9,014 million, up 1.7% from the previous fiscal year. Although the profitability of information and communications business improved, the impact of impairment charges with respect to property, plant and equipment caused the segment to record an operating loss of ¥77 million (compared with a ¥411 million operating loss, including adjustment and consolidated items, in the previous fiscal year).

Initiatives under the Mid-Term Business Plan GLP2014

Anritsu's mid-term plan calls for the Others segment to record ¥12.0 billion in revenue and ¥1.5 billion in operating profit.

The information and communications business is seeking to enhance its profitability by pursuing further benefits from structural reforms to management while concurrently striving to develop new business, including the expansion of overseas operations, and otherwise step up measures aimed at achieving business growth.

The device business is endeavoring to expand its operations by promoting the development of optical/ultra-high-speed devices for which demand is expected to increase in step with the development of mobile broadband services while also pioneering non-communications markets associated with optical device technology applications.