11-Year Summary of Selected Financial Data

ANRITSU CORPORATION AND CONSOLIDATED SUBSIDIARIES Years ended March 31

← Japanese Generally

	2004	2005	2006	2007	2008	2009	2010
For the year:							
Net sales	78,396	84,040	91,262	99,446	100,486	83,940	73,548
Cost of sales	54,249	53,666	55,205	55,787	56,474	52,005	42,708
Gross profit	24,147	30,374	36,057	43,659	44,012	31,935	30,840
Selling, general and administrative expenses	22,339	25,512	31,508	37,300	38,656	31,030	26,257
Operating income	1,808	4,862	4,549	6,359	5,356	905	4,583
Net income (loss)	1,101	1,280	563	1,376	(3,901)	(3,541)	385
Net cash provided by (used in) operating activities	5,953	9,277	5,929	2,488	6,251	6,916	7,970
Net cash provided by (used in) investing activities	4,421	(1,046)	(10,945)	420	(2,373)	(1,326)	(499)
Net cash provided by (used in) financing activities	8,568	(9,872)	1,761	(13,974)	(6,625)	(3,848)	387
Free cash flow	10,373	8,231	(5,015)	2,909	3,878	5,590	7,471
Depreciation and amortization	4,257	3,400	3,453	3,600	3,373	3,100	2,980
Capital expenditures	1,530	1,870	2,699	2,319	2,791	2,236	1,135
R&D expense	9,887	10,515	12,509	14,072	14,115	11,704	9,388
At year-end:							
Total assets	148,353	142,111	152,389	140,395	124,917	100,983	101,188
Net assets	—	—	60,940	61,619	52,845	37,525	37,674
Cash and cash equivalents	35,230	33,744	30,870	19,947	16,685	18,538	26,270
Interest-bearing debt	70,033	61,384	65,590	53,033	47,010	43,606	42,275

	2004	2005	2006	2007	2008	2009	2010
Per share:							
Net income (loss)							
Basic*2	8.38	9.31	3.76	10.79	(30.60)	(27.78)	3.02
Diluted*2	7.77	8.22	3.39	9.72	—	—	2.77
Cash dividends	4.50	7.00	7.00	7.00	7.00	3.50	—
Total net assets	470.28	472.16	477.51	483.25	414.16	294.29	295.49
Key financial indicators:							
Operating income margin (%)	2.3	5.8	5.0	6.4	5.3	1.1	6.2
Return on equity (%)*2	1.8	2.1	0.9	2.2	—	—	1.0
Anritsu Capital-cost Evaluation*3	(5,283)	(2,230)	(3,121)	(1,397)	(750)	(4,937)	(2,972)
Return on assets (%)*4	0.8	0.9	0.4	0.9	—	—	0.4
Ratio of net assets to total assets (%)	40.5	42.4	40.0	43.9	42.3	37.1	37.2
Net debt-to-equity ratio (times)*5	0.58	0.46	0.57	0.54	0.57	0.67	0.43
Interest coverage ratio (times)*6	1.7	5.3	4.3	5.5	6.5	1.6	7.4
Dividend payout ratio (%)	53.7	75.2	186.2	64.9	—	—	—
Dividends on equity (%)*7	1.0	1.5	1.5	1.5	1.6	1.0	—

*1 The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥102.88 to U.S. $1.00, the approximate exchange rate on March 31, 2014.
*2 Return on equity: Net income / (Net assets - Stock acquisition rights)
*3 Anritsu Capital-cost Evaluation: Net operating profit after tax - Invested capital cost
*4 Return on assets: Net income / Total assets
*5 Net debt-to-equity ratio: (Interest-bearing debt - cash and cash equivalents) / (Net assets - Stock acquisition rights)
*6 Interest coverage ratio: (Operating income + Interest and dividends income) / Interest expenses
*7 Dividends on equity: Total cash dividends / Net assets

Accepted Accounting Principles ("J-GAAP")

	Millions of yen	
	2011	2012
	77,853	93,587
	43,033	49,385
	34,820	44,202
	27,826	29,787
	6,994	14,415
	3,069	10,180
	9,229	15,872
	(1,432)	(1,964)
	(6,050)	(2,204)
	7,797	13,908
	2,589	2,555
	1,550	3,165
	9,381	10,013
	99,249	113,069
	39,906	54,863
	27,994	39,596
	36,839	30,336
		Yen
	24.09	79.39
	22.08	71.01
	7.00	15.00
	313.09	399.56
	9.0	15.4
	7.9	21.5
	1,908	9,195
	3.1	9.0
	40.2	48.5
	0.22	—
	10.0	28.1
	29.1	18.9
	2.3	4.2

International Financial Reporting Standards (IFRS) →

		Millions of yen		Thousands of U.S. dollars*1
	2012	2013	**2014**	**2014**
For the year:				
Revenue	93,623	94,685	**101,853**	**990,017**
Cost of sales	44,398	43,716	**46,898**	**455,851**
Gross profit	49,225	50,969	**54,955**	**534,166**
Other revenue and expenses	35,224	35,255	**40,833**	**396,895**
Operating profit	14,000	15,714	**14,123**	**137,277**
Profit from continuing operations	7,973	13,888	**9,319**	**90,581**
Net cash flows from (used in) operating activities	16,143	11,771	**13,793**	**134,069**
Net cash flows from (used in) investing activities	(2,175)	(5,031)	**(5,312)**	**(51,633)**
Net cash flows from (used in) financing activities	(2,264)	(10,036)	**(4,360)**	**(42,379)**
Free cash flow	13,968	6,740	**8,481**	**82,436**
Depreciation and amortization	2,469	2,562	**2,864**	**27,838**
Capital expenditures	3,200	4,563	**5,355**	**52,057**
R&D expense	9,842	10,323	**12,488**	**121,384**
At year-end:				
Total assets	111,287	115,095	**127,150**	**1,235,906**
Total equity	46,818	64,540	**74,897**	**728,004**
Cash and cash equivalents	39,596	37,690	**43,215**	**420,052**
Interest-bearing debt	30,113	19,417	**18,859**	**183,310**

			Yen	U.S. dollars
Earnings per share:				
Basic earnings per share	62.17	98.41	**64.93**	**0.63**
Diluted earnings per share	56.33	97.03	**64.89**	**0.63**
Cash dividends	15.00	20.00	**20.00**	**0.19**
Equity attributable to owners of parent	341.43	450.36	**522.54**	**5.08**
Key financial indicators:				
Operating profit margin (%)	15.0	16.6	**13.9**	
Return on equity (%)*2	19.5	25.0	**13.3**	
Anritsu Capital-cost Evaluation*3	5,163	9,495	**4,759**	**46.26**
Return on assets (%)*4	7.2	12.1	**7.3**	
Ratio of net assets to total assets (%)	42.1	56.1	**58.9**	
Net debt-to-equity ratio (times)*5	—	—	**—**	
Interest coverage ratio (times)*6	20.8	34.3	**52.6**	
Dividend payout ratio (%)	24.1	20.3	**30.8**	
Dividends on equity (%)*7	4.9	5.1	**4.1**	

Notes: 1. The Anritsu Group has adopted IFRS since the fiscal year ended March 31, 2013 and prepared consolidated financial statements in conformity with IFRS.
2. With amendment of IAS19, 2013 actual figures have been restated based on the revised accounting policies retrospectively.

Management's Discussion and Analysis

The Anritsu Group has adopted IFRS since the fiscal year ended March 31, 2013 and prepared consolidated financial statements in conformity with IFRS in fiscal 2012, 2013, and 2014.

Changes in the Scope of Consolidation

During the fiscal year ended March 31, 2014, Anritsu Techmac Co., Ltd. was excluded from the scope of consolidation, and, as a result, the Anritsu Group comprised 39 consolidated subsidiaries at the end of the fiscal year.

Revenue and Profit

In the field of communications networks, the shift to broadband is giving rise to diverse services, including video transmission services and cloud computing. As part of that trend, mobile broadband services for smartphones, tablets, and other mobile devices are expanding rapidly, and, as a result, data traffic over networks is increasing at a steep rate. In response, the world's major telecom operators and telecom handset and equipment vendors maintained a certain level of development investment with the acceleration of the rollout of commercial services based on LTE (Long-Term Evolution), a communications standard enabling dramatically increased transmission speed and advances in off-loading using public wireless LAN or other methods.

In addition, in the emerging countries, including China and India, the usage of third-generation (3G) commercial services is expanding, and TD-LTE commercial services are being introduced. The communications infrastructure, including base stations, is being upgraded aggressively, and, at the same time, the markets are developing as mobile device manufacturing centers. Research and development demand for high-speed, high-capacity communications continues to grow, and investment related to LTE-Advanced, a next-generation communications standard, is also expanding. On the other hand, there were big changes in market structure, such as the withdrawals of Japanese smartphone vendors from that business and reorganization of telecom operators and telecom handset and equipment vendors mainly in the United States and Europe.

Amid such a business environment, the Anritsu Group carried out such initiatives as strengthening its solutions, enhancing its product lineup, and improving its customer support capabilities.

During the fiscal year ended March 31, 2014, demand in the mobile communications market and the network infrastructure market in North America was strong. On the other hand, demand for measuring instruments for the mobile communications market in Japan was weak. As a result, orders increased 8.2% compared with the previous fiscal year, to ¥103,865 million, and revenue increased 7.6%, to ¥101,853 million. Operating profit decreased 10.1% compared with the previous fiscal year, to ¥14,123 million, and profit before tax decreased 11.8% compared with the previous fiscal year, to ¥14,240 million. Profit decreased 32.9% compared with the previous fiscal year, to ¥9,319 million, and profit attributable to owners of parent decreased 33.0% compared with the previous fiscal year, to ¥9,305 million.

Note that, due to an amendment of IAS 19, figures for the previous fiscal year has been restated based on the revised accounting policy retrospectively from this fiscal year.

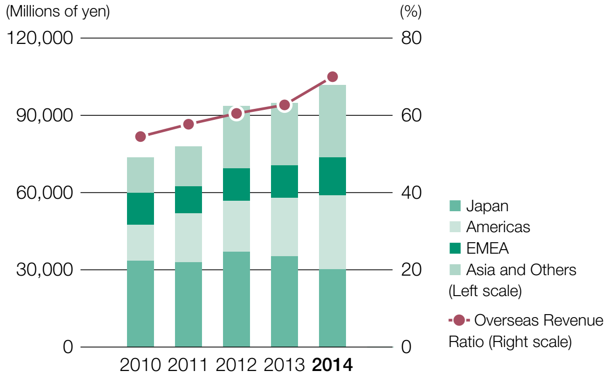
Revenue

Revenue in FY2013 totaled ¥101,853 million, a ¥7,168 million (7.6%) increase compared with the previous fiscal year. In the core Test and Measurement business, while demand in Japan decreased due to the withdrawals of Japanese smartphone vendors from that business, demand from strong investment in LTE and LTE-Advanced network development in overseas markets, mainly in North America and Asia, drove overall results higher. Revenue in this segment increased 6.6% compared with the previous fiscal year, to ¥75,962 million.

Demand for measuring instruments for mobile R&D and network infrastructure was strong in North America. Demand for measuring instruments for manufacturing smartphones was firm mainly in Asia. On the other hand, demand for measuring instruments for mobile R&D and mobile production was stagnant in Japan.

As a result, overseas revenue (i.e., revenue outside of Japan) reached 70% of total revenue.

Revenue by Region and Overseas Revenue Ratio



Cost of Sales and Gross Profit

Cost of sales increased ¥3,182 million (7.3%) over the previous fiscal year, to ¥46,898 million. Cost of sales as a percentage of total revenue slipped 0.1 percentage point over the previous fiscal year, to 46.0%. Gross profit improved ¥3,986 million (7.8%) over the previous fiscal year, to ¥54,955 million, due to continued efforts to improve margins. Gross margin improved 0.2 percentage point over the previous fiscal year, to 54.0%.

Selling, General and Administrative (SG&A) Expenses

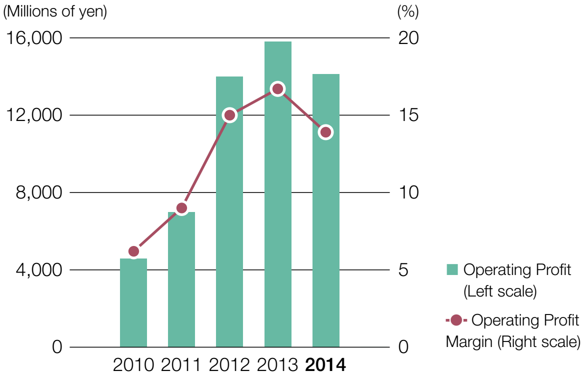
SG&A expenses increased 17.6% over the previous fiscal year, to ¥28,621 million.

Research and development (R&D) expenses increased 20.4% over the previous fiscal year, to ¥12,227 million, reaching 12.0% of consolidated total revenue. As a result of the above factors, operating profit decreased ¥1,591 million (10.1%) from the previous fiscal year, to ¥14,123 million. The operating margin decreased 2.7 percentage points, to 13.9%.

SG&A Expenses

Year ended March 31	Millions of yen 2014	2013	YoY (%)
Personnel expenses	**¥18,225**	¥16,038	13.6
Travel and transportation expenses	**1,876**	1,565	19.9
Advertising expenses	**1,801**	1,513	19.0
Depreciation and amortization expenses	**721**	620	16.3
Others	**5,996**	4,608	30.1

Operating Profit and Operating Profit Margin



Financial Income (Costs), Profit before Taxes, and Profit

Financial income fell ¥582 million (45.9%) over the previous fiscal year, to ¥687 million.

Financial costs were ¥580 million.

As a result of the above factors, profit before tax decreased ¥1,899 million (11.8%) over the previous fiscal year, to ¥14,240 million. Profit decreased ¥4,569 million (32.9%), to ¥9,319 million. Comprehensive income fell ¥2,861 million over the previous fiscal year, to ¥13,502 million, and basic earnings per share decreased ¥33.48, to ¥64.93.

Cost of Sales, Expenses, and Profit as a Percentage of Revenue

Year ended March 31	2014	2013	% 2012
Revenue	**100.0**	100.0	100.0
Cost of sales	**46.0**	46.1	47.4
Gross profit	**54.0**	53.8	52.6
SG&A expenses	**28.1**	25.7	24.6
R&D expenses	**12.0**	10.7	10.5
Profit	**9.1**	14.7	8.5

Shareholder Return Policies

Dividend Policy

The Company's core policy for returning profits to its shareholders is to distribute profits in accordance with its consolidated performance. With regard to dividends, while taking the basic approach of raising dividends on equity (DOE) in accordance with the increase in consolidated profits for the fiscal year, the Company aims at a consolidated dividend payout ratio of 25% or more. Furthermore, the Company will incorporate a total return ratio as its policy for returning profits and consider repurchasing stock in an effort to return profits to its shareholders.

The Company's basic policy is to apply retained earnings to R&D and capital investment in order to respond to rapid technological advances and changes in the market structure. The Company's basic policy regarding distribution of surplus funds is to make distributions of dividends twice a year, consisting of a fiscal year-end dividend by resolution of the General Meeting of Shareholders and an interim dividend approved by the Board of Directors. The Company's Articles of Incorporation stipulate that the Company may pay an interim dividend with the record date of September 30 each year by a resolution of the Board of Directors.

Cash Dividends per Share

Anritsu paid cash dividends of ¥20.00 per share applicable to the fiscal year under review, which included an interim cash dividend of ¥10.00 per share, based on its dividend policy and with the objective of responding to the sustained support of its shareholders.

For the fiscal year ending March 31, 2015, Anritsu plans to pay dividends of ¥24.00 per share, which are expected to include an interim dividend of ¥12.00 per share.

Business Segments

The Anritsu Group classifies operations into the segments of Test and Measurement, Industrial Automation, and Others.

Test and Measurement

This segment develops, manufactures, and sells measuring instruments and systems for a variety of communications applications, and service assurance, to telecom operators, manufacturers of related equipment, and maintenance and installation companies around the world. During the fiscal year ended March 31, 2014, demand for measuring instruments for mobile R&D and network infrastructure was strong in North America. Demand for measuring instruments for manufacturing smartphones was firm mainly in Asia. On the other hand, demand for measuring instruments for mobile R&D and mobile production was stagnant in Japan. Consequently, segment revenue increased 6.6% compared with the previous fiscal year, to ¥75,963 million, and operating profit decreased 13.2%, to ¥13,011 million. The Test and Measurement business, which accounts for approximately 75% of the Anritsu Group's revenue, is divided into the following three sub-segments.

1. Mobile

The Mobile sub-segment includes measuring instruments for mobile phone acceptance testing by mobile phone service operators, and for design, production, function and performance verification, and maintenance of mobile phone handsets by manufacturers of mobile phones, IC chipsets, and relevant components. Demand in this sub-segment tends to be influenced by factors that include technological innovations in mobile phone services, market penetration, number of new subscribers, and new mobile phone models and mobile phones shipped.

Along with the dramatic expansion in mobile broadband services for smartphones, tablets, and other devices, services based on LTE, the high-speed communications standard, are being rolled out globally on a full scale. As a result, development of IC chipsets and mobile handsets supporting LTE is being actively undertaken, and demand for related measuring equipment is expanding. To meet demand for test and measurement systems that perform protocol conformance testing and interoperability testing as well as for measuring instruments for manufacturing mobile devices, the Company is continuing to work to develop and launch competitive products. To maintain and expand its market position, the Company is also endeavoring to expand its portfolio of solutions for LTE and the further-evolved LTE-Advanced handset market. In addition, in the emerging countries, including China and India, the usage of third-generation (3G) commercial services is expanding, and LTE commercial services are being introduced. In tandem with these trends, these countries are also expected to be promising markets as they develop into production centers, supplying mobile terminals to the world market. Anritsu will work to further expand business by providing competitive products, such as measuring equipment for manufacturing.

2. Network Infrastructure

The Network Infrastructure sub-segment includes network construction maintenance, monitoring and service quality assurance solutions for wireline and wireless service providers, and solutions for communications equipment manufacturers in areas that include design, production, and testing. In this sub-segment, with the increasing popularity of broadband networks, service offerings are developing to include not only music and video distribution but also cloud computing services. Along with this, access to the Internet through mobile terminals is rising rapidly, and, as a result, data traffic is increasing, thus bringing stronger demand for higher-speed networks.

In the field of network infrastructure, full-scale construction of 100Gbps networks that can handle the rapid increase in high-speed traffic, as well as full-fledged research and development for 400Gbps network equipment, is under way. Additionally, demand for installation of base stations and mobile backhaul equipment is increasing to meet surging demand for data communications driven by the popularization of devices, such as smartphones and tablets. As a result, demand for related measuring equipment is also increasing. In service assurance, increased demand is anticipated for solutions that ensure service quality due to the development of new services using networks as platforms. The Network Infrastructure sub-segment is working to expand business by providing comprehensive solutions from constructing and monitoring communications infrastructure to ensuring service quality in addition to R&D solutions for telecommunications equipment.

3. Electronics

The Electronics sub-segment includes measuring instruments widely used in the electronics industry, particularly for design, production, and evaluation of electronic devices used in telecommunications network-related communications equipment and other electronic equipment. Demand in this sub-segment tends to be impacted by the scale of production of electronic components and products used in telecommunications equipment, intelligent home appliances, and automobiles.

The expansion of mobile broadband services is driving growth in demand for development and manufacturing of wireless modules for a broad array of applications. Anritsu will work to further expand the business in this sub-segment by offering a wider range of applications for the electronics market and enhancing its lineup of general-purpose measuring equipment.

Industrial Automation

This segment develops, manufactures, and sells production management and quality management systems, including precision, high-speed auto checkweighers, automatic combination weighers and metal detectors, for the food, pharmaceutical, and cosmetics industries, and precision measuring instruments for quality inspection in high-density mounting of electronic components for the electronics industry.

During the fiscal year ended March 31, 2014, in business for the food industry, demand for food inspection systems was firm as a result of initiatives, such as capturing renewed demand in Japan and acquiring new customers in the North American market. As a result, segment revenue increased 17.2% compared with the previous fiscal year, to ¥16,920 million, and operating profit increased 48.3%, to ¥1,208 million.

The Industrial Automation business accounts for about 16% of the Anritsu Group's revenue. Since approximately 80% of segment revenue is made to food manufacturers, this segment is substantially influenced by the impact of economic growth rates and changes in consumer spending, which would affect results on food manufacturers' business.

Core products include highly precise checkweighers for high-speed food processing lines, as well as X-ray and other inspection systems that detect and remove metal fragments, stones, and other alien materials in food processing with high precision. Anritsu's products have been growing mainly in the Japanese market. In addition, continuous investment aimed at expanding market share in Asia, the United States, and Europe resulted in an overseas revenue ratio of approximately 35%.

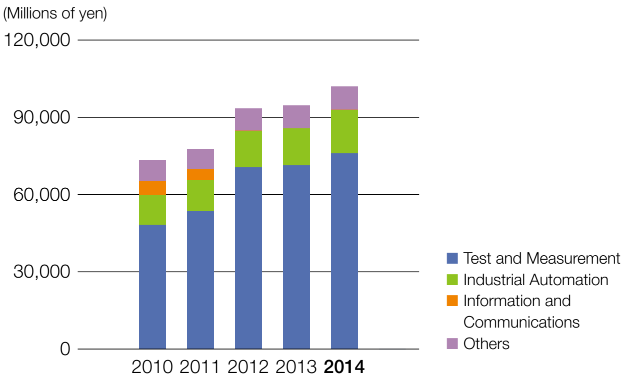
Demand for quality control inspection solutions is expected to remain firm overall, particularly in emerging countries, as interest among food manufacturers remains high. To meet this demand, Anritsu will develop and deliver quality assurance solutions, and will optimize its supply chain, including overseas production in order to expand the business and increase profitability.

Others

This segment comprises information and communications, devices, logistics, welfare services, real estate leasing, and other businesses.

Profit in this segment grew during the fiscal year ended March 31, 2014 compared with the previous fiscal year due to the absence of impairment losses for buildings, which were included in the previous fiscal year, despite business restructuring expenses in the devices business that were recorded. As a result, segment revenue decreased 0.5% compared with the previous fiscal year, to ¥8,971 million, and operating profit increased 46.7%, to ¥942 million.

Revenue by Business Segment



Liquidity and Financial Condition

Fund Procurement and Liquidity Management

The Anritsu Group's funding requirements are mainly for working capital to purchase materials and cover expenses incurred in the manufacturing, sales, and marketing of products; for capital investments; and for R&D expenses. The Group secures sufficient funding to cover these requirements from retained earnings, bank borrowings, and capital market funding. To ensure stability in funding, the Anritsu Group arranged for a line of credit of ¥10 billion in March 2014, which is effective through March 2017. Looking forward, while preparing for unforeseen financial risks, both domestically and overseas, in a dramatically changing market environment, the Anritsu Group will swiftly and flexibly meet its capital requirements for working capital, regular repayment of long-term borrowings, and business growth.

During the fiscal year ended March 31, 2014, as a result of bank loan repayment, as of March 31, 2014, the balance of interest-bearing debt (excluding leases payable) was ¥18.9 billion (compared with ¥19.4 billion at the end of the previous fiscal year), and the debt-to-equity ratio was 25% (compared with 30% at the end of the previous fiscal year), both substantial improvements. In addition, the turnover ratio on the end-of-period balance of revenue to inventories was 6.1 times. The Company will utilize increased cash flow generated by improvements in ACE (net operating profit after tax less an adjustment for the cost of capital) and asset turnover as well as enhanced capital efficiency resulting from measures that include an internal Group cash management system to make further reductions in interest-bearing debt, improve the debt-to-equity ratio, and enhance shareholders' equity and fortify its financial structure.

At the end of March 2014, Rating and Investment Information, Inc. (R&I), a credit rating agency, rated Anritsu's short-term debt a-2 and its long-term debt BBB+. R&I upgraded its ratings to a-1 for short-term debt and A- for long-term debt in May 2014. Anritsu will continue working to enhance its financial stability in order to improve its debt rating.

Notes: 1. Debt-to-equity ratio: Interest-bearing debt / Equity capital
2. ACE (Anritsu Capital-cost Evaluation): Net operating profit after tax – cost of capital

Cash Flow

Cash and cash equivalents as of the end of the fiscal year increased ¥5,525 million from the end of the previous fiscal year, to ¥43,215 million. Free cash flow, the sum of cash flows from operating activities and cash flows from investing activities, improved from ¥6,740 million in the previous fiscal year to ¥8,481 million.

Cash flow from operating activities improved from a net inflow of ¥11,771 million in the previous fiscal year to an inflow of ¥13,793 million. The main reason for this improvement was profit before tax booked in the period. Depreciation and amortization expense was ¥3,052 million, an increase of ¥217 million compared with the previous fiscal year.

Cash flow from investing activities changed from a net outflow of ¥5,031 million in the previous fiscal year to an outflow of ¥5,312 million. This was primarily due to the acquisition of property, plant and equipment as a result of the construction of a new factory to strengthen the manufacturing capability. It was also due to the promotion of the scrap and build plan in accordance with BCP (Business Continuity Planning) at the head office site, which used cash totaling ¥4,771 million.

Cash flows from financing activities improved from a net outflow of ¥10,036 million in the previous fiscal year to an outflow of ¥4,360 million. The primary factor was due to payment of cash dividends totaling ¥3,225 million.

Assets, Liabilities, and Net Assets

Total assets as of March 31, 2014, were ¥127,150 million, an increase of ¥12,055 million (10.4%) over the previous fiscal year-end. Cash and cash equivalents increased in the period, and inventories increased, resulting in current assets as of the end of the fiscal year reaching ¥90,011 million, an increase of ¥10,059 million (12.6%) over the previous fiscal year-end.

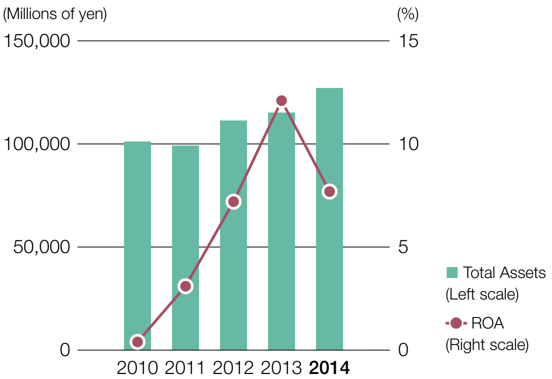
The turnover ratio of the end-of-period balance of revenue to inventories was 6.1 times, unchanged from the level in the previous fiscal year-end. Non-current assets increased mainly due to an increase in property, plant and equipment, to ¥37,139 million, a ¥1,996 million increase (5.7%) over the previous fiscal year-end.

Total liabilities as of March 31, 2014 increased ¥1,698 million (3.4%) compared with the end of the previous fiscal year, to ¥52,253 million. The balance of bonds and other borrowings fell during the period. The current ratio decreased from 308.0% as of the end of the previous year to 266.3% as of March 31, 2014. Net working capital* increased from the ¥31,858 million as of the end of the previous fiscal year to ¥34,289 million as of March 31, 2014. Interest-bearing liabilities decreased ¥559 million, to ¥18,858 million as of the end of the period.

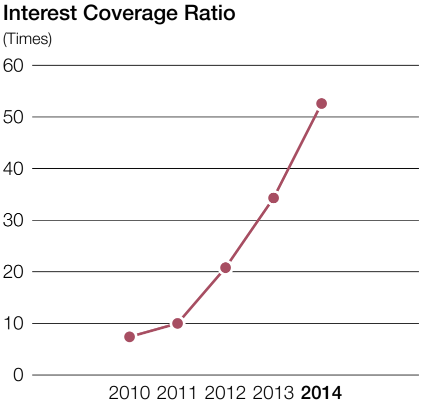
Total equity attributable to owners of parent increased ¥10,343 million (16.0%) over the end of the previous fiscal year, to ¥74,886 million. The ratio of equity attributable to owners of parent to total assets improved to 58.9% as of March 31, 2014, from 56.1% at the previous year-end.

* Net working capital = Accounts receivable and other receivables + Inventories – Accounts payable and other payables
Net working capital has been recalculated according to the above formula from last fiscal year

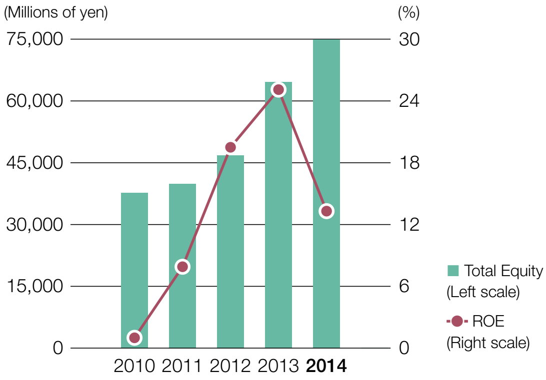
Total Assets and ROA



Interest Coverage Ratio



Total Equity and ROE



Capital Expenditures

The Anritsu Group is concentrating management resources in areas related to the quality and high performance of communications networks. These networks are steadily progressing in the integration of wireline and wireless communications, acceleration of network speeds, and increase of network capacities. During the fiscal period, capital expenditures were primarily in the core Test and Measurement segment, with the primary objectives of developing new products and reducing cost of sales in order to keep in step with technological innovation and market competition.

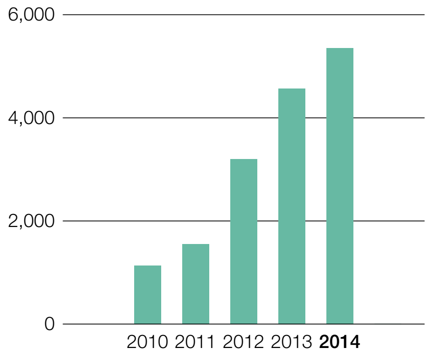
The Test and Measurement segment invested in line with plans to build a new factory to bolster production capacity and improve headquarters facilities. The Industrial Automation segment continued investing to increase the manufacturing efficiency and improve information systems.

The Others segment invested to improve development environments and processes for new products and core technologies in the communications networks businesses. The segment also invested in equipment for sales efforts.

Overview of Capital Expenditures

	Millions of yen		YoY
Year ended March 31	**2014**	2013	(%)
Test and Measurement	**¥4,966**	¥3,982	124.7
Industrial Automation	**191**	212	90.1
Subtotal	**5,158**	4,194	123.0
Others	**197**	369	53.4
Total	**¥5,355**	¥4,563	117.4

Capital Expenditures
(Millions of yen)



Research and Development

The Anritsu Group undertakes global R&D programs for Original & High Level products and services at its development centers in Japan, the United States, and Europe. The aim is to contribute to the realization of a safe, secure, and affluent global society. The Test and Measurement segment implements programs at U.S.-based Anritsu Company, U.K.-based Anritsu Ltd., Denmark-based Anritsu A/S, and Italy-based Anritsu Solutions S.r.l. These centers coordinate to elicit synergies through the sharing of technologies.

R&D programs for the Industrial Automation segment are implemented by Anritsu Industrial Solutions Co., Ltd. Due to the adoption of IFRS, a portion of the Group's R&D investments has been capitalized as intangible assets. Details of R&D investments in FY2013, including those capitalized as intangible assets, are the following.

	Millions of yen		% of
Year ended March 31	**2014**	2013	revenue
Test and Measurement	**¥ 9,669**	¥ 7,974	9.5
Industrial Automation	**1,375**	1,373	1.3
Others	**506**	266	0.5
Basic Research	**938**	711	0.9
Total	**¥12,488**	¥10,323	12.3

Principal results of R&D programs in each business segment are as follows.

Business Segment	Model	Product	Application	Contribution
Test and Measurement	ML8780/81A	Area tester	Base station area signal quality evaluation	Optimizes signal quality in LTE service areas
	MP1800A	Signal quality analyzer	Diverse multichannel signal testing for high-speed device development	Increases quality of development and manufacturing operations for high-speed optical network equipment that responds to growth in data traffic
	MT8820C	Radio communications analyzer	Testing for portable device signal transmission/receiving capabilities	Expands device functions for LTE-Advanced technology compatibility
	MD8430A	Signaling tester	Carrier aggregation testing	Provides testing solutions for leading-edge technology for faster data transmission speeds (300Mbps) to aid in the progression and growth of mobile communications
	ME7873/ME7834	LTE RF	Protocol conformance testing/CAT	Aides effective development and quality control of LTE/LTE-Advanced devices to bring about optimal environments for transmission
Industrial Automation	KD7447FWE	X- ray foreign matter tester	Real-time testing of packaging defects, such as biting	Aides quality assurance in safe and secure food production
	KWS9006 Multiple Measurement System SSV Series	Weight sorter	Quality testing	Aides quality assurance in safe and secure food production
Others	NH Series	Remote monitoring and control device	Remote monitoring and control of waterworks and other facilities	Aides in environmental monitoring at waterworks and facilities monitoring at railways, electric power companies, and other utilities
	NC5200 Series	Remote monitoring device	Remote monitoring of accident and disaster information	Strengthens remote monitoring device functionality to help bring about safe and secure society

Management Objectives and Indicators

Anritsu aims to maximize corporate value by managing its operations with a focus on cash flow. In addition, to evaluate the added value generated by capital invested, Anritsu uses an original metric, ACE (Anritsu Capital-cost Evaluation), for evaluating the results of each business. A target for ROE is also set as an indicator of the efficiency of capital invested.

To attain its Management Vision of "Continuous Growth with Sustainable Superior Profits," the Anritsu Group prepared its Anritsu 2020 VISION, which has a time horizon of 10 years (starting 2010). The Group is implementing a medium-term milestone plan entitled Mid-term Business Plan GLP2014 (GLP2014). The principal management targets under this plan and progress today are shown in the following table.

		Billions of yen	
Year ended March 31	2013 (Actual)	**2014 (Actual)**	2015 (Target)
Revenue	94.7	**101.9**	110.0
Operating profit	15.7	**14.1**	19.0
Profit	13.9	**9.3**	13.0
ACE	9.5	**4.8**	9.0
ROE (%)	25	**13**	17

In response to dramatic changes in the market environment, and to competition, from the fiscal year ended March 31, 2013 in which GLP2014 was formulated up to the present, the Company has been taking appropriate actions such as working more closely with customers by strengthening the overseas support system. This is done with a view to expanding sales in overseas markets. In addition, the Company is working to further increase profitability through more-efficient production, cost reduction, and improvement of operational processes.

Outlook and Management Issues for the Year Ending March 31, 2015

During the fiscal year ending March 31, 2015, the global economy is expected to recover mainly in the Americas. However, uncertainties remain about trends in the European and Chinese economies and rising geopolitical risks. Also, it will continue to be necessary to continually pay close attention to increasingly intense price competition and trends in foreign exchange rates.

In this market environment, the Anritsu Group will undertake the following measures.

In the core Test and Measurement segment, the Anritsu Group will work more closely with customers by sharing development road maps with them and strengthen technical support. This will further establish a competitive position in the mobile market, where demand is projected to continue expanding worldwide. In the network infrastructure market, with the expansion and increased density of the base station network and the shift to broadband of network equipment, the Anritsu Group will globally provide products that respond to reinforcement of such network infrastructure. In the electronics market, various wireless technologies are applied to transportation devices, home appliances, and social infrastructure as well, and the Anritsu Group will aim to expand business by providing test and measurement solutions that have enhanced user convenience in growth fields. The Anritsu Group will also work aggressively to structure a global procurement system and strengthen its R&D and customer support services, with the objectives of aggressively expanding its business activities and achieving further improvements in profitability.

In the Industrial Automation segment, while developing the market with a strategy of higher added value and differentiation, Anritsu aims to expand business in the growing overseas markets by further strengthening the business base and expanding global procurement and overseas production to introduce products that are highly cost-competitive.

The Anritsu Group is planning on further growth in revenue in its Test and Measurement business, driven by expansion in the mobile device field. In the Industrial Automation business, growth in demand is expected in both domestic and overseas markets. The outlook for operating profit and profit is for increases from those of the previous fiscal year ended March 31, 2014.

Risk Information

The following lists operational and financial issues presented in this annual report and that have the potential to materially affect investor decisions. Forward-looking items included herein reflect the Anritsu Group's judgment as of March 31, 2014.

1. Inherent Risks in the Anritsu Group's Technology and Marketing Strategies

The Anritsu Group works to deploy its well-developed technological capabilities to promptly provide cutting-edge products and services that offer value to customers. However, the rapid pace of technological innovation in the Group's core information and communications markets and the 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 financial condition and operating results.

2. Market Fluctuation Risk

External factors including changes in the economy or market conditions and technological innovation affect the profitability of product lines the Group develops and have the potential to exert a significant material impact on the Anritsu Group's financial condition and operating results.

Because a high percentage of Test and Measurement segment revenue is in the telecommunications market, capital investment trends among telecom operators, telecommunications equipment manufacturers, and electronic component manufacturers have the potential to exert a material effect on business results. Telecom operators are progressively adopting technologies to handle rapid increases in data traffic even as they curtail capital investment. However, they are also increasingly adopting shared open network use in order to increase service development efficiency. Moreover, business results for the mobile communications measuring instrument field, the cornerstone of earnings for the Anritsu Group, are affected by changes in technological innovation in mobile phone services, the number of subscribers, and the replacement ratio for mobile phones. Business results are also affected by factors such as changes in development methods as seen in the shift to mobile phone software platforms and response to intensifying price competition in measuring instruments used in handset production.

In the Industrial Automation business, sales to food manufacturers constitute approximately 80% of revenue. 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 the segment's performance.

3. Global Business Development Risks

The Anritsu Group markets its products globally, and conducts business in the Americas, Europe, Asia, and elsewhere. In particular, the overseas sales ratio for the Test and Measurement business is about 83%, and many customers likewise operate on a global scale. As a result, economic trends in countries worldwide, international conditions, and progress in the Group's global strategy have the potential to exert a material impact on earnings. In addition, global-scale mergers, acquisitions, and realignment in the telecommunications industry are changing the competitive landscape. Significant changes in capital investment programs that can result have the potential to exert a material impact on the Anritsu Group's financial condition and operating results.

4. Foreign Exchange Risk

The Anritsu Group's sales outside Japan account for approximately 70% of consolidated revenue. 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. However, rapid changes in foreign exchange rates have the potential to exert a material impact on the Anritsu Group's financial condition and operating results.

5. 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 test and measurement instruments market, product lines are subject to rapid change in technology. This can result in obsolescence of products and parts, and cause inventory held for long periods to lose its value. These factors have the potential to exert a material impact on the Anritsu Group's financial condition and operating results.

6. Risk Related to Deferred Tax Assets

The Anritsu Group applies deferred tax accounting and recognizes deferred tax assets. Calculation of deferred tax assets is based on projections that include estimates of future taxable profit, and the actual benefit may differ from the projection. If the tax benefits based on the estimate of future taxable profit are judged to be unavailable, these deferred tax assets are written down, which has the potential to exert a material impact on the Anritsu Group's financial condition and operating results.

7. Risk Related to Retirement Benefit Obligations

The amounts of retirement benefit payments and obligations incurred in connection with employee defined-benefit pension plans of the parent company and certain of its subsidiaries are calculated based on actuarial assumptions, including discount rates, made for calculations and the expected return on such pension plan assets. If the discount rates and other actuarial assumptions, which were made for the calculations of the expected amount of obligations under these defined-benefit pension plans, undergo change, this has the potential to exert a material impact on the Anritsu Group's financial condition and operating results.

8. Effect of Revisions to Accounting Standards

The Anritsu Group voluntarily adopted IFRS accounting standards for its financial statements. However, if, in the future, new accounting principles, tax laws, etc., are applied and/or changes are made in such regulations, potential to exert a material impact on the Anritsu Group's financial condition and operating results exists.

9. Risk of Natural Disasters and Other Unexpected Events

The Anritsu Group operates production and sales activities globally. Consequently, the occurrence of major earthquakes or other natural disaster, fire, war, acts of terrorism, or violence could exert a material impact on the Anritsu Group's financial condition and operating results by disrupting the business activities of the Group or its suppliers and customers due to damage to key facilities, or by causing political or economic instability.

Consolidated Statement of Financial Position

	End of FY2013 as of March 31, 2014 (Millions of yen)	End of FY2012 as of March 31, 2013 (Millions of yen)	End of FY2013 as of March 31, 2014 (Thousands of U.S. dollars*)
Assets			
Current assets:			
Cash and cash equivalents	**¥ 43,215**	¥ 37,690	**$ 420,052**
Trade and other receivables	**25,688**	23,884	**249,689**
Other financial assets	**1,099**	23	**10,682**
Inventories	**17,053**	16,165	**165,756**
Income tax receivables	**183**	492	**1,779**
Other assets	**2,773**	1,698	**26,955**
Total current assets	**90,011**	79,952	**874,913**
Non-current assets:			
Property, plant and equipment	**19,748**	17,274	**191,952**
Goodwill and intangible assets	**2,023**	1,341	**19,664**
Investment property	**2,164**	2,330	**21,034**
Trade and other receivables	**307**	279	**2,984**
Other financial assets	**2,209**	1,786	**21,472**
Investments accounted for using equity method	**250**	238	**2,430**
Deferred tax assets	**10,265**	11,754	**99,776**
Other assets	**173**	141	**1,681**
Total non-current assets	**37,139**	35,143	**360,993**
Total	**¥127,150**	¥115,095	**$1,235,906**
Liabilities and Equity			
Liabilities			
Current liabilities:			
Trade and other payables	**¥ 8,451**	¥ 8,190	**$ 82,144**
Bonds and borrowings	**6,899**	2,472	**67,059**
Other financial liabilities	**249**	552	**2,420**
Income tax payables	**3,836**	1,997	**37,286**
Employee benefits	**7,112**	6,735	**69,129**
Provisions	**291**	326	**2,829**
Other liabilities	**6,958**	5,689	**67,632**
Total current liabilities	**33,796**	25,961	**328,499**
Non-current liabilities:			
Trade and other payables	**393**	380	**3,820**
Bonds and borrowings	**11,960**	16,946	**116,252**
Other financial liabilities	**104**	313	**1,011**
Employee benefits	**3,323**	5,586	**32,300**
Provisions	**131**	123	**1,273**
Deferred tax liabilities	**324**	687	**3,149**
Other liabilities	**2,222**	559	**21,598**
Total non-current liabilities	**18,457**	24,594	**179,403**
Total liabilities	**52,253**	50,555	**507,902**
Equity:			
Common stock	**19,052**	19,052	**185,187**
Additional paid-in capital	**28,192**	28,110	**274,028**
Retained earnings	**30,730**	23,161	**298,698**
Retained earnings (Cumulative translation differences at the date of transition to IFRS)	**(7,208)**	(7,208)	**(70,062)**
Total retained earnings	**23,522**	15,953	**228,636**
Treasury stock	**(869)**	(867)	**(8,447)**
Other components of equity	**4,989**	2,295	**48,493**
Total equity attributable to owners of parent	**74,886**	64,543	**727,897**
Non-controlling interests	**11**	(3)	**107**
Total equity	**74,897**	64,540	**728,004**
Total	**¥127,150**	¥115,095	**$1,235,906**

* The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥102.88 to U.S. $1.00, the approximate exchange rate on March 31, 2014.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

As of March 31

	Millions of yen		Thousands of U.S. dollars*
	FY2013 From April 1, 2013 to March 31, 2014	FY2012 From April 1, 2012 to March 31, 2013	**FY2013 From April 1, 2013 to March 31, 2014**
Continuing operations			
Revenue	**¥101,853**	¥94,685	**$990,017**
Cost of sales	**46,898**	43,716	**455,851**
Gross profit	**54,955**	50,969	**534,166**
Other revenue and expenses			
Selling, general and administrative expenses	**28,621**	24,346	**278,198**
Research and development expense	**12,227**	10,156	**118,847**
Other income	**522**	311	**5,074**
Other expenses	**506**	1,064	**4,918**
Operating profit (loss)	**14,123**	15,714	**137,277**
Finance income	**687**	1,269	**6,678**
Finance costs	**580**	876	**5,638**
Share of profit (loss) of associates and joint ventures accounted for using equity method	**10**	32	**97**
Profit (loss) before tax	**14,240**	16,139	**138,414**
Income tax expense	**4,921**	2,251	**47,833**
Profit (loss) from continuing operations	**9,319**	13,888	**90,581**
Profit (loss)	**9,319**	13,888	**90,581**
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Change of financial assets measured at fair value	**273**	410	**2,654**
Remeasurements of defined benefit plans	**1,489**	(469)	**14,473**
Total	**1,762**	(59)	**17,127**
Items that are or may be reclassified subsequently to profit or loss			
Exchange differences on translation	**2,421**	2,536	**23,532**
Share of other comprehensive income of associates and joint ventures accounted for using equity method	**—**	(2)	**—**
Total	**2,421**	2,534	**23,532**
Total of other comprehensive income	**4,183**	2,475	**40,659**
Comprehensive income	**¥ 13,502**	¥16,363	**$131,240**
Profit (loss), attributable to:			
Owners of parent	**¥ 9,305**	¥13,896	**$ 90,445**
Non-controlling interests	**14**	(8)	**136**
Total	**¥ 9,319**	¥13,888	**$ 90,581**
Comprehensive income attributable to:			
Owners of parent	**¥ 13,488**	¥16,371	**$131,104**
Non-controlling interests	**14**	(8)	**136**
Total	**¥ 13,502**	¥16,363	**$131,240**
	Yen		U.S. dollars*
Earnings per share			
Basic earnings per share	**¥64.93**	¥98.41	**$0.63**
Diluted earnings per share	**64.89**	97.03	**0.63**

Consolidated Statement of Changes in Equity

Years Ended March 31

Millions of yen

	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Other components of equity	Total equity attributable to owners of parent	Non-controlling interests	Total equity
	FY2012 (From April 1, 2012 to March 31, 2013)							
Balance at April 1, 2012	¥17,106	¥26,332	¥ 4,882	¥(853)	¥ (649)	¥46,818	¥—	¥46,818
Profit (loss)	—	—	13,896	—	—	13,896	(8)	13,888
Other comprehensive income	—	—	(469)	—	2,944	2,475	—	2,475
Total comprehensive income	—	—	13,427	—	2,944	16,371	(8)	16,363
Stock options exercised	21	16	—	—	—	37	—	37
Conversion of debt to equity	1,925	1,808	—	—	—	3,733	—	3,733
Stock options granted	—	44	—	—	—	44	—	44
Stock option expired	—	(4)	4	—	—	—	—	—
Redemption of bonds with subscription rights to shares	—	(86)	86	—	—	—	—	—
Dividends paid	—	—	(2,446)	—	—	(2,446)	—	(2,446)
Purchase of treasury stock	—	—	—	(14)	—	(14)	—	(14)
Acquisition of subsidiary with non-controlling interests	—	—	—	—	—	—	5	5
Transfer from other components of equity to retained earnings	—	—	0	—	(0)	—	—	—
Total transactions with owners and other transactions	1,946	1,778	(2,356)	(14)	(0)	1,354	5	1,359
Balance at March 31, 2013	¥19,052	¥28,110	¥15,953	¥(867)	¥2,295	¥64,543	¥ (3)	¥64,540
	FY2013 (From April 1, 2013 to March 31, 2014)							
Balance at April 1, 2013	**¥19,052**	**¥28,110**	**¥15,953**	**¥(867)**	**¥2,295**	**¥64,543**	**¥ (3)**	**¥64,540**
Profit (loss)	**—**	**—**	**9,305**	**—**	**—**	**9,305**	**14**	**9,319**
Other comprehensive income	**—**	**—**	**1,489**	**—**	**2,694**	**4,183**	**—**	**4,183**
Total comprehensive income	**—**	**—**	**10,794**	**—**	**2,694**	**13,488**	**14**	**13,502**
Stock options granted	**—**	**82**	**—**	**—**	**—**	**82**	**—**	**82**
Dividends paid	**—**	**—**	**(3,225)**	**—**	**—**	**(3,225)**	**—**	**(3,225)**
Purchase of treasury stock	**—**	**—**	**—**	**(2)**	**—**	**(2)**	**—**	**(2)**
Dividends to non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**(0)**	**(0)**
Total transactions with owners and other transactions	**—**	**82**	**(3,225)**	**(2)**	**—**	**(3,145)**	**(0)**	**(3,145)**
Balance at March 31, 2014	**¥19,052**	**¥28,192**	**¥23,522**	**¥(869)**	**¥4,989**	**¥74,886**	**¥11**	**¥74,897**

Thousands of U.S. dollars*

	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Other components of equity	Total equity attributable to owners of parent	Non-controlling interests	Total equity
	FY2013 (From April 1, 2013 to March 31, 2014)							
Balance at April 1, 2013	**$185,187**	**$273,231**	**$155,065**	**$(8,427)**	**$22,307**	**$627,363**	**$ (29)**	**$627,334**
Profit (loss)	**—**	**—**	**90,445**	**—**	**—**	**90,445**	**136**	**90,581**
Other comprehensive income	**—**	**—**	**14,473**	**—**	**26,186**	**40,659**	**—**	**40,659**
Total comprehensive income	**—**	**—**	**104,918**	**—**	**26,186**	**131,104**	**136**	**131,240**
Stock options granted	**—**	**797**	**—**	**—**	**—**	**797**	**—**	**797**
Dividends paid	**—**	**—**	**(31,347)**	**—**	**—**	**(31,347)**	**—**	**(31,347)**
Purchase of treasury stock	**—**	**—**	**—**	**(20)**	**—**	**(20)**	**—**	**(20)**
Dividends to non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**(0)**	**(0)**
Total transactions with owners and other transactions	**—**	**797**	**(31,347)**	**(20)**	**—**	**(30,570)**	**(0)**	**(30,570)**
Balance at March 31, 2014	**$185,187**	**$274,028**	**$228,636**	**$(8,447)**	**$48,493**	**$727,897**	**$107**	**$728,004**

Consolidated Statement of Cash Flows

Years Ended March 31

	Millions of yen		Thousands of U.S. dollars*
	FY2013 (12 months) From April 1, 2013 to March 31, 2014	FY2012 (12 months) From April 1, 2012 to March 31, 2013	**FY2013 (12 months) From April 1, 2013 to March 31, 2014**
Cash flows from (used in) operating activities			
Profit (Loss) before tax	**¥14,240**	¥16,139	**$138,414**
Depreciation and amortization expense	**3,052**	2,836	**29,666**
Impairment loss	**87**	768	**846**
Interest and dividends income	**(159)**	(126)	**(1,545)**
Interest expenses	**271**	462	**2,634**
Loss (Gain) on disposal of property, plant and equipment	**10**	254	**97**
Decrease (Increase) in trade and other receivables	**(736)**	604	**(7,154)**
Decrease (Increase) in inventories	**(197)**	(594)	**(1,915)**
Increase (Decrease) in trade and other payables	**(349)**	(1,357)	**(3,392)**
Increase (Decrease) in employee benefits	**854**	(3,561)	**8,301**
Other, net	**(792)**	(1,263)	**(7,699)**
Sub Total	**16,281**	14,162	**158,253**
Interest received	**127**	94	**1,234**
Dividends received	**50**	33	**486**
Interest paid	**(254)**	(473)	**(2,469)**
Income taxes paid	**(2,942)**	(2,171)	**(28,596)**
Income taxes refund	**531**	126	**5,161**
Net cash flows from (used in) operating activities	**13,793**	11,771	**134,069**
Cash flows from (used in) investing activities			
Payments into time deposits	**(1,182)**	—	**(11,489)**
Proceeds from withdrawal of time deposits	**125**	—	**1,215**
Purchase of property, plant and equipment	**(4,771)**	(4,479)	**(46,374)**
Proceeds from sale of property, plant and equipment	**10**	5	**97**
Purchase of other financial assets	**(5)**	(5)	**(49)**
Proceeds from sale of other financial assets	**5**	1	**49**
Proceeds from government grants	**1,434**	—	**13,939**
Other, net	**(928)**	(553)	**(9,021)**
Net cash flows from (used in) investing activities	**(5,312)**	(5,031)	**(51,633)**
Cash flows from (used in) financing activities			
Proceeds from long-term borrowings	**—**	6,000	**—**
Repayments of long-term borrowings	**(600)**	(9,100)	**(5,832)**
Proceeds from issue of bonds	**—**	6,000	**—**
Redemption of bonds	**—**	(9,950)	**—**
Proceeds from issue of shares	**—**	37	**—**
Dividends paid	**(3,225)**	(2,446)	**(31,347)**
Other, net	**(535)**	(577)	**(5,200)**
Net cash flows from (used in) financing activities	**(4,360)**	(10,036)	**(42,379)**
Effect of exchange rate change on cash and cash equivalents	**1,404**	1,390	**13,646**
Net increase (decrease) in cash and cash equivalents	**5,525**	(1,906)	**53,703**
Cash and cash equivalents at beginning of period	**37,690**	39,596	**366,349**
Cash and cash equivalents at end of period	**¥43,215**	¥37,690	**$420,052**

Glossary

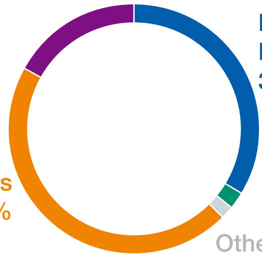
Term	Description
CoMP (Coordinated Multipoint)	Technology for sending the same signal to mobile phones simultaneously and in coordination from multiple base stations that are near each other. A key technology of LTE-Advanced.
D2D (Device to Device)	Method for LTE devices to communicate with each other without a base station between them.
eICIC (Enhanced Inter-Cell Interference Coordination)	Technology for coordinating adjacent cells and reducing interference. A key technology of LTE-Advanced.
GCF (Global Certification Forum)	An association that sets operating standards for networks and certification testing standards for mobile terminals to ensure the global interoperability of terminals. GCF certified measurement systems and measurement items guarantee that test performance (measurement procedures and measurement accuracy) are in conformance with conditions required for certification testing for mobile terminals.
ITU-T (International Telecommunication Union-Telecommunication)	The unit of the International Telecommunication Union (ITU) that coordinates telecommunications standards.
LTE	Long-Term Evolution. High-speed mobile service that enables data communication at 5 to 10 times the speed of 3G mobile phone and telecommunications services.
FD-LTE	A high-speed mobile communications system that employs Frequency-Division Duplexing (FDD) to separate a frequency band into transmission and reception portions to allow concurrent communication in both directions.
TD-LTE	A high-speed mobile communications system that employs Time Division Duplexing (TDD) to separate transmission signals and reception signals on the same frequency by short time intervals to enable alternate communication in both directions.
LTE-Advanced (LTE-A)	Fourth-generation (4G) mobile communications standard approved by the International Telecommunication Union (ITU). The goal is to run faster than LTE, which is becoming popular globally, using new technology such as carrier aggregation. The 3rd Generation Partnership Project (3GPP), which aims for greater functionality via high speeds, is currently setting the international standard.
LTE-Unlicensed	LTE transmissions method using low output-power frequency spectrums that do not need to be licensed from governments.
M to M (Machine to Machine)	Machines communicating, controlling, and operating each other without a human intermediary.
MIMO (Multiple-Input and Multiple-Output)	A wireless communications technology that uses multiple antennas at the transmitter and receiver to transmit and receive data at the same frequency axis. Capable of increasing communications speeds, a key technology of LTE-Advanced.
Public Safety	Moves to use LTE technology for wide-area public safety communications systems (e.g., those used by police or rescue workers), which have traditionally been developed independently of commercial cellular technologies. 3GPP is pushing for standardization between public safety and commercial cellular technologies.
RCS (Rich Communication Suite)	Technology for sharing multimedia information during voice communications, such as real-time messaging and presence confirmation.
VoLTE (Voice over LTE)	The system for transferring voice traffic over LTE. LTE smartphones currently use the 3G communications method for transferring voice traffic.
Wi-SUN	An international wireless communications standard. SUN is short for "Smart Utility Network," and the technology is planned for use in transmissions between wireless communications devices in utility meters, such as for gas and electric power.
WiFi interworking	Method for offloading transmissions from mobile devices from the LTE network to the WiFi (WLAN) network.
3GPP (3rd Generation Partnership Project)	A project for developing third-generation (3G) mobile phone system standards that is currently developing international standards for LTE and LTE-Advanced.
Conformance Testing/ Interoperability Testing	In regions employing 3GPP standards, this testing of the transmission/reception characteristics and performance of mobile terminals, the communications procedures of mobile terminals and base stations, and other items is designed to guarantee the interoperability of the base stations of telecom operators and the mobile terminals of manufacturers.
Carrier Aggregation	Technology that enables the combination of multiple allotted frequencies to create a larger virtual bandwidth. The larger the bandwidth, the faster large volumes of data can be transmitted. A key technology of LTE-Advanced.
Service Assurance	Solutions to assure the performance and service quality of telecom operators and service provider networks, and to raise the efficiency of network administration and operation.
Mobile Backhaul	Transmission network that connects wireless base stations to core networks.
Mobile Fronthaul	Transmission network that connects wireless base stations with network centers that aggregate the control and baseband functions of mobile base stations.
Reference Design	Product blueprint chip maker provides to device vendor for a product that uses the chip maker's products. Makes development and production of mobile devices easier.

Investor Information

(As of March 31, 2014)

Head Office:	ANRITSU CORPORATION 5-1-1 Onna, Atsugi-shi, Kanagawa 243-8555, Japan Tel: +81-46-223-1111 URL: http://www.anritsu.com
Established:	March 1931
Paid-in Capital:	¥19.1 billion
Number of Employees:	3,880 (Consolidated) 757 (Stand alone)
Stock Listing:	Tokyo (Ticker Symbol No: 6754)
Transfer Agent:	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo 100-8233, Japan
Number of Shareholders:	15,390
Rating: (As of May 31, 2014)	Rating and Investment Information, Inc. Long-Term: A- Short-Term: a-1
Authorized Shares:	400,000,000
Issued Shares:	143,956,194

Breakdown of Shareholders:



Major Shareholders

Shareholder Name	Number of Shares (Thousands)	Percentage of Total Shares Outstanding
The Master Trust Bank of Japan, Ltd. (Trust Account)	10,725	7.48
Japan Trustee Services Bank, Ltd. (Trust Account)	8,421	5.88
NOMURA BANK (LUXEMBOURG) S.A. S/A NOMURA MULTI CURRENCY JAPAN STOCK LEADERS FUND	5,770	4.03
STATE STREET BANK AND TRUST COMPANY	5,463	3.81
National Mutual Insurance Federation of Agricultural Cooperatives	4,306	3.00
NORTHERN TRUST CO. (AVFC) 15PCT TREATY ACCOUNT	4,246	2.96
JP MORGAN CHASE BANK 385078	3,761	2.62
JP MORGAN CHASE BANK 385072	3,647	2.54
Japan Trustee Services Bank, Ltd. (Trust Account 9)	3,491	2.44
THE CHASE MANHATTAN BANK, N.A. LONDON SECS LENDING OMNIBUS ACCOUNT	3,172	2.21

Note: The shareholding ratio is calculated by excluding the number of treasury stock (643,246 shares).

Major Subsidiaries

Japan	Principal Businesses
Anritsu Industrial Solutions Co., Ltd.	R&D, manufacture, sales, and maintenance of industrial automation equipment
Tohoku Anritsu Co., Ltd.	Manufacture of T&M instruments and information and communications equipment
Anritsu Customer Support Co., Ltd.	Calibration, repair, and maintenance of T&M instruments
Anritsu Engineering Co., Ltd.	R&D of software
Anritsu Networks Co., Ltd.	Manufacture, sales, and maintenance of information and communications equipment
Anritsu Devices Co., Ltd.	R&D and manufacture of optical devices
Anritsu Kousan Co., Ltd.	Management of facilities, welfare services, and production of catalogs and other materials
Anritsu Real Estate Co., Ltd.	Real estate leasing
Anritsu Pro Associe Co., Ltd.	Operation of shared services center
AT Techmac Co., Ltd.	Manufacture and sales of processed products and unit assembly articles

Americas	Principal Businesses
Anritsu U.S. Holding, Inc. (U.S.A.)	Holding company for American subsidiaries
Anritsu Company (U.S.A.)	R&D, manufacture, sales, and maintenance of measuring and other instruments
Anritsu Instruments Company (U.S.A.)	R&D of T&M instruments
Anritsu Industrial Solutions U.S.A. Inc. (U.S.A.)	Sales and maintenance of industrial automation equipment
Anritsu Electronics, Ltd. (Canada)	Sales and maintenance of measuring and other instruments
Anritsu Eletrônica Ltda. (Brazil)	Sales and maintenance of measuring and other instruments
Anritsu Company S.A. de C.V. (Mexico)	Sales and maintenance of measuring and other instruments

EMEA	Principal Businesses
Anritsu EMEA Ltd. (U.K.)	Sales and maintenance of measuring and other instruments
Anritsu Ltd. (U.K.)	R&D of measuring and other instruments
Anritsu Industrial Solutions Europe Ltd. (U.K.)	Sales and maintenance of industrial automation equipment
Anritsu GmbH (Germany)	Sales and maintenance of measuring and other instruments
Anritsu S.A. (France)	Sales and maintenance of measuring and other instruments
Anritsu S.r.l. (Italy)	Sales and maintenance of measuring and other instruments
Anritsu Solutions S.r.l. (Italy)	R&D of measuring and other instruments
Anritsu A/S (Denmark)	R&D, manufacture, sales, and maintenance of service assurance system and T&M instruments
Anritsu AB (Sweden)	Sales and maintenance of T&M and other instruments
Anritsu Solutions S.R.L. (Romania)	R&D of measuring and other instruments

Asia & Others	Principal Businesses
Anritsu Company Ltd. (China)	Sales and maintenance of measuring and other instruments
Anritsu Electronics (Shanghai) Co., Ltd. (China)	Maintenance of measuring and other instruments
Anritsu (China) Co., Ltd. (China)	Sales and maintenance of measuring and other instruments
Anritsu Industrial Solutions (Shanghai) Co., Ltd. (China)	Sales and maintenance of industrial automation equipment
Anritsu Industrial Systems (Shanghai) Co., Ltd. (China)	Manufacture of industrial automation equipment
Anritsu Company, Inc. (Taiwan)	Sales and maintenance of measuring and other instruments
Anritsu Corporation, Ltd. (Korea)	Sales and maintenance of measuring and other instruments
Anritsu Pte. Ltd. (Singapore)	Sales and maintenance of measuring and other instruments
Anritsu India Private Ltd. (India)	Sales and maintenance of measuring and other instruments
Anritsu Industrial Solutions (Thailand) Co., Ltd. (Thailand)	Manufacture and maintenance of industrial automation equipment
Anritsu Pty. Ltd. (Australia)	Sales and maintenance of measuring and other instruments