

# Financial Results for the 2nd quarter of the Fiscal Year ending March 31, 2016

**Hirokazu Hashimoto**  
President and Group CEO  
Anritsu Corporation

October 30th, 2015



<http://www.anritsu.com>

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(No notes here)

# Cautionary Statement

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

Actual business results are the outcome of a number of unknown variables and may substantially differ from the figures projected herein.

Factors which may affect the actual business results include but are not limited to the economic situation in the geographic areas in which Anritsu conducts business, including but not limited to, Japan, Americas, Asia, and Europe, changes in actual demand for Anritsu products and services, increases or decreases in the competitive nature of markets in which Anritsu sells products or buys supplies, changing aptitudes at providing services, and exchange rates.

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



The right image of the front cover: Anritsu's original company, Annaka Electric Co., Ltd., developed this in 1912, the world's first practical use wireless telephone, the roots of today's smartphone

(No notes here)

## Agenda

### **I . Consolidated performance review of the 2nd quarter of the fiscal year ending March 31, 2016**

- I -1. Outline of our business segments
- I -2. Consolidated performance
- I -3. Outlook for full year of the fiscal year ending March 31, 2016

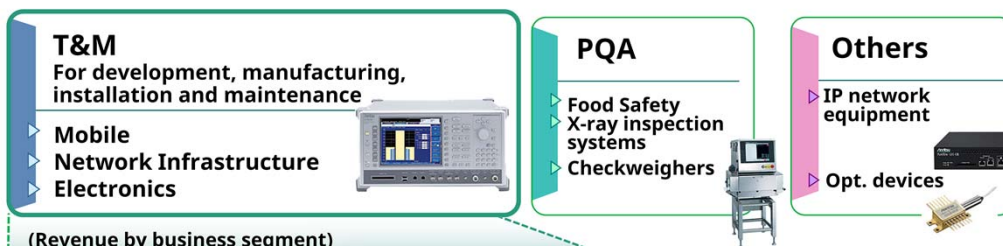
### **II . Others**

- II - 1. T&M business: Business opportunities and initiatives
- II - 2. PQA business: Initiatives towards global expansion
- II - 3. Corporate Governance

### **Appendix**

(No notes here)

## I -1. Outline of our business segments



(Revenue by business segment)  
98.8 Billion Yen consolidated revenue in FY2014

|                    |                                   |                        |                |                   |
|--------------------|-----------------------------------|------------------------|----------------|-------------------|
| <b>T&amp;M 74%</b> |                                   |                        | <b>PQA 16%</b> | <b>Others 10%</b> |
| <b>Mobile 50%</b>  | <b>Network Infrastructure 30%</b> | <b>Electronics 20%</b> |                |                   |

(Sales of T&M business by region in FY2014)

|                  |                               |                     |                 |
|------------------|-------------------------------|---------------------|-----------------|
| <b>Japan 15%</b> | <b>Asia &amp; Pacific 35%</b> | <b>Americas 30%</b> | <b>EMEA 20%</b> |
|------------------|-------------------------------|---------------------|-----------------|

T&M: Test & Measurement    PQA : Products Quality Assurance

(No notes here)

## I -2. Consolidated performance -Business Segments-

| Segment        | FY2015Q2 (April to September, 2015)   |
|----------------|---|
| <b>T&amp;M</b> | Continuation of reluctance against investment in the mobile market as a whole     |
| Mobile         | Restructuring by major vendors for chips and terminals                            |
| NW             | Capital investment in optical/digital related business was strong                 |
| Electronics    | Recovery trend for module development and business-use wireless device            |
| Asia           | While mobile R&D demand grew, demand for manufacturing equipment renewal was slow |
| Americas       | Trend of restraint in construction investment among communications carriers       |
| <b>PQA</b>     | Increase in capital investment, mainly in the domestic convenience store market   |

T&M: Test & Measurement

NW: Network Infrastructure

PQA : Products Quality Assurance

In the T&M business, there were signs of reluctance by customers overall against investment in the mobile market. Within this market, while there was growth in demand for measuring instruments for LTE-Advanced development mainly in Asia, further trend of restrained investment was seen among Chinese terminal vendors towards capital investments for manufacturing equipment.

In the network infrastructure market, demand for measuring instruments for optical/digital device was robust. Meanwhile, there was trend of restrained investment in construction by communications carriers in North America.

In Products Quality Assurance (PQA) business, revenue grew as we captured renewal demand for facilities with new products, mainly in the domestic convenience store market. Moreover, we aggressively implemented R&D investments and sales promotion activities in order to expand sales in both Japanese and overseas markets.

## I -2. Consolidated performance -Financial results-

 Decrease in profits due to factors including reluctance towards investment by smartphone development and manufacturing vendors

Unit: Billion Yen

| International Financial Reporting Standards (IFRS) | 2Q FY2014<br>(Apr. to Sep.) | 2Q FY2015<br>(Apr. to Sep.) | YoY   | YoY (%) |
|--|-----------------------------|-----------------------------|-------|---------|
| Order Intake                                       | 48.9                        | 47.8                        | (1.1) | -2%     |
| Revenue  | 48.0                        | 49.0                        | 1.0   | 2%      |
| Operating profit (loss)                            | 4.6                         | 3.2*                        | (1.4) | -30%    |
| Profit (loss) before tax                           | 5.0                         | 3.2                         | (1.8) | -36%    |
| Profit (loss)                                      | 3.5                         | 2.4                         | (1.1) | -32%    |
| Comperhensive Income                               | 5.1                         | 2.5                         | (2.6) | -51%    |
| Free Cash Flow                                     | 5.1                         | 0.4                         | (4.7) | -92%    |

Note : Numbers are rounded off in each column

\* Including restructuring costs of approximately 0.4 billion yen

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The Group's consolidated order intake decreased by 2% year on year to 47.8 billion yen and revenue increased by 2% year on year to 49.0 billion yen.

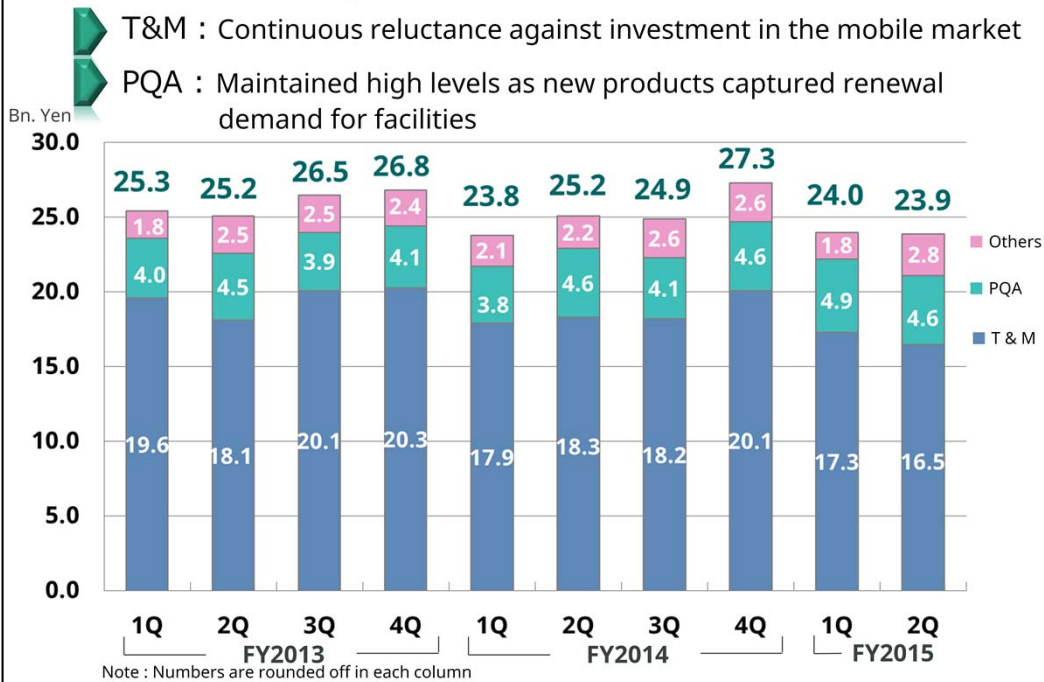
Operating profit decreased by 30% year on year to 3.2 billion yen.

As a result of the implementation of organizational structure optimization measures in North America and Europe, restructuring costs of approximately 0.4 billion yen were recorded during the 2Q in operating expenses.

Profit decreased by 32% year on year to 2.4 billion yen.  
Comprehensive income decreased by 51% year on year to 2.5 billion yen.

Free cash flow was plus 0.4 billion yen, partly due to the impact of payments relating to the Global Headquarters building.

## I -2. Consolidated performance -Orders by business segment-



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Order intake for 2Q in the T&M business decreased by 10% year on year to 16.5 billion yen due to restructuring measures by customers in the mobile market and the deceleration of the Chinese economy, as well as restrained investment for construction among carriers in North America.

Order intake in the PQA business increased by 1% year on year to 4.6 billion yen as a result of factors including the effects of the introduction of new products in the domestic convenience store market.

## I -2. Consolidated performance -Results by business segment-

Unit: Billion Yen

| International Financial Reporting Standards (IFRS) |                   | 2Q FY2014<br>(Apr. to Sep.) | 2Q FY2015<br>(Apr. to Sep.) | YoY   | YoY (%) |
|--|-------------------|-----------------------------|-----------------------------|-------|---------|
| T&M  | Revenue           | 36.7                        | 35.9                        | (0.8) | -2%     |
|  | Op. profit (loss) | 4.7                         | 3.2 *                       | (1.5) | -33%    |
| PQA  | Revenue           | 7.7                         | 9.3                         | 1.6   | 21%     |
|  | Op. profit (loss) | 0.1                         | 0.6                         | 0.5   | 338%    |
| Others   | Revenue           | 3.7                         | 3.9                         | 0.2   | 5%      |
|  | Op. profit (loss) | (0.2)                       | (0.5)                       | (0.3) | -       |
| Total  | Revenue           | 48.0                        | 49.0                        | 1.0   | 2%      |
|  | Op. profit (loss) | 4.6                         | 3.2 *                       | (1.4) | -30%    |

Note : Numbers are rounded off in each column

\* Including restructuring costs of approximately 0.4 billion yen

T&M: Test & Measurement PQA : Products Quality Assurance

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Revenue and profit were down for the T&M business. Operating margin was 8.8%.

Factors behind the decline in operating profit included a decrease in revenue and increase in expenses (selling, general and administrative expenses and research and development expenses), as well as restructuring costs that were incurred overseas.

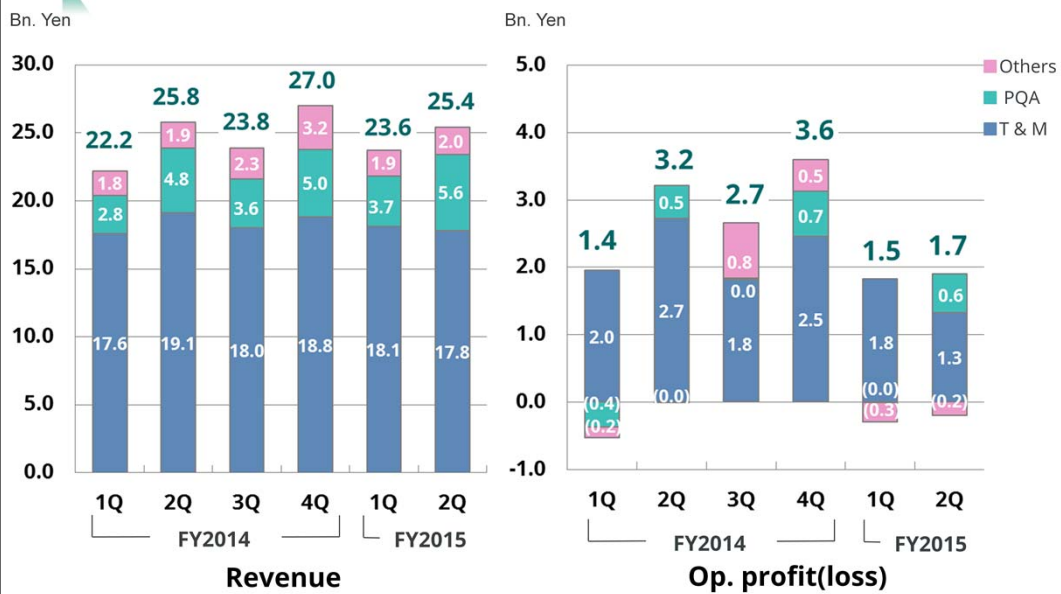
Both revenue and profit increased in the PQA business. Operating margin was 6.2%.

The factor behind the increase in operating profit was the growth in revenue in the domestic market.



## I -2. Consolidated performance -Revenue and Op. profit by quarters-

Company posted 6.7% operating margin for 2Q (T&M: 7.5%,PQA:10.3%)



Note : Numbers are rounded off in each column

The consolidated operating margin and the operating margin for the T&M and PQA businesses in 2Q were as follows respectively:

Consolidated: 6.7% (Operating margin excluding restructuring costs: 8.2%)

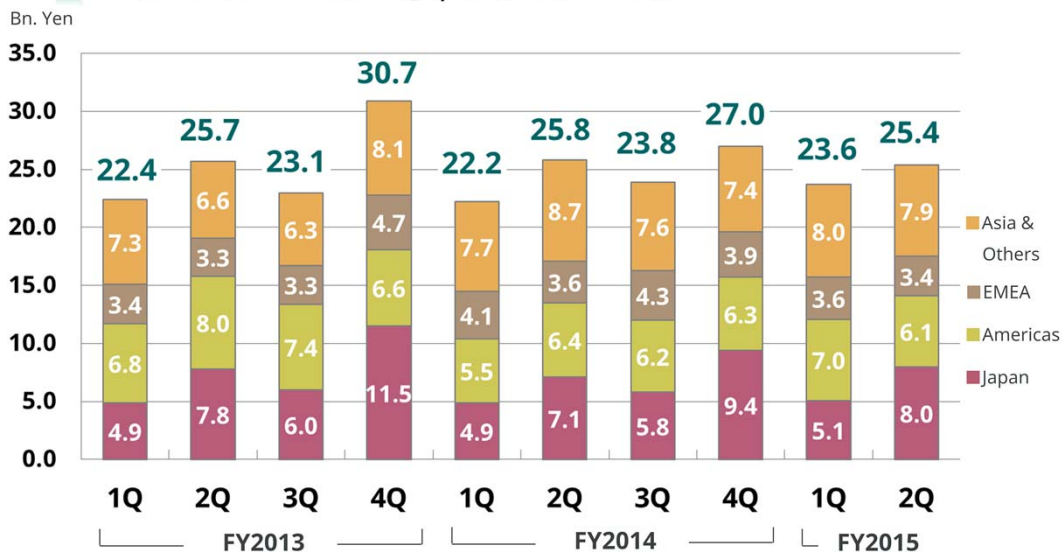
T&M: 7.5% (Operating margin excluding restructuring costs: 9.6%)

PQA: 10.3%

## I -2. Consolidated performance -Revenue by region-



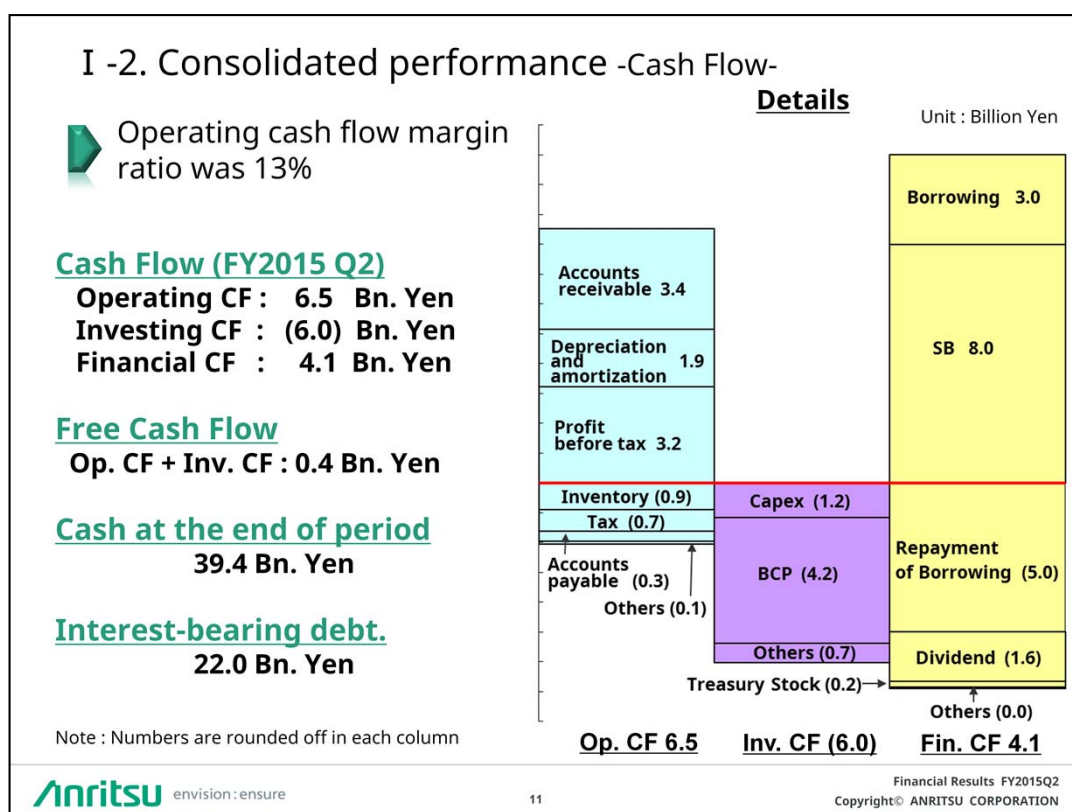
Maintained the same level as that of previous year.  
Increased revenue in Japan (T&M, PQA).



Note : Numbers are rounded off in each column

Revenue in the Japanese market increased by 12% year on year. In the T&M business, there was a recovery trend in optical and digital related capital investment. In the PQA business, revenue grew in the domestic convenience store market as new products captured renewal demand for facilities.

In the Asian market, there was a trend of restraint among Chinese terminal vendors towards capital investments for manufacturing equipment, resulting in 9% decrease in revenue year on year.



As for operating cash flow, a cash inflow of 6.5 billion yen was generated primarily from collecting accounts receivable.

Investing cash flow of 6.0 billion yen includes payments of 4.2 billion yen in construction-related investment for the new "Global Headquarters building" at our Atsugi site.

As a result, the free cash flow amounted to 0.4 billion yen.

As for financial cash flow, a cash inflow of 4.1 billion yen was generated, which includes issuance of Straight Bonds of 8.0 billion yen (redemption date: June 2020, rating: A-), repayment of bank loans (2 billion yen, net), and dividends paid of 1.6 billion yen (dividend per share: 12 yen).

Consequently, the balance of cash equivalents at the end of the period increased by 4.5 billion yen from the beginning of the fiscal year to 39.4 billion yen.

### I -3. Forecast for full year of FY2015



No change since April disclosures

Unit: Billion Yen

| International Financial Reporting Standards (IFRS) |                   | FY2014 | FY2015   |       |        |
|--|-------------------|--------|----------|-------|--------|
|  |                   | Actual | Forecast | YoY   | YoY(%) |
| Revenue  |                   | 98.8   | 103.0    | 4.2   | 4%     |
| Operating profit (loss)                            |                   | 10.9   | 11.0     | 0.1   | 1%     |
| Profit (loss) before tax                           |                   | 11.6   | 10.9     | (0.7) | -6%    |
| Profit (loss)                                      |                   | 7.9    | 8.0      | 0.1   | 2%     |
| T&M  | Revenue           | 73.4   | 75.0     | 1.6   | 2%     |
|  | Op. profit (loss) | 8.9    | 9.0      | 0.1   | 1%     |
| PQA  | Revenue           | 16.2   | 18.0     | 1.8   | 11%    |
|  | Op. profit (loss) | 0.8    | 1.1      | 0.3   | 33%    |
| Others   | Revenue           | 9.2    | 10.0     | 0.8   | 9%     |
|  | Op. profit (loss) | 1.1    | 0.9      | (0.2) | -19%   |

Note 1 : Exchange rate for FY2015 (forecast) 1USD = 115 yen, 1EURO=130 yen

Note 2 : Numbers are rounded off in each column

The forecast for the full year results of FY2015 remains unchanged from the plan announced on April 27.

While there was a delay in progress in 2Q compared to the schedule planned at the beginning of the year, we will continue our company-wide efforts to attain the goal.

In the T&M business, we will expand sales by proposing optimal solutions for the investment in development of LTE-Advanced, including mainly the expansion of carrier aggregation, and the investment for expansion of small cells in the mobile network.

In the PQA business, we will ensure to achieve results for strong demand in Japanese and overseas market by offering most suitable solutions.

## II . Others

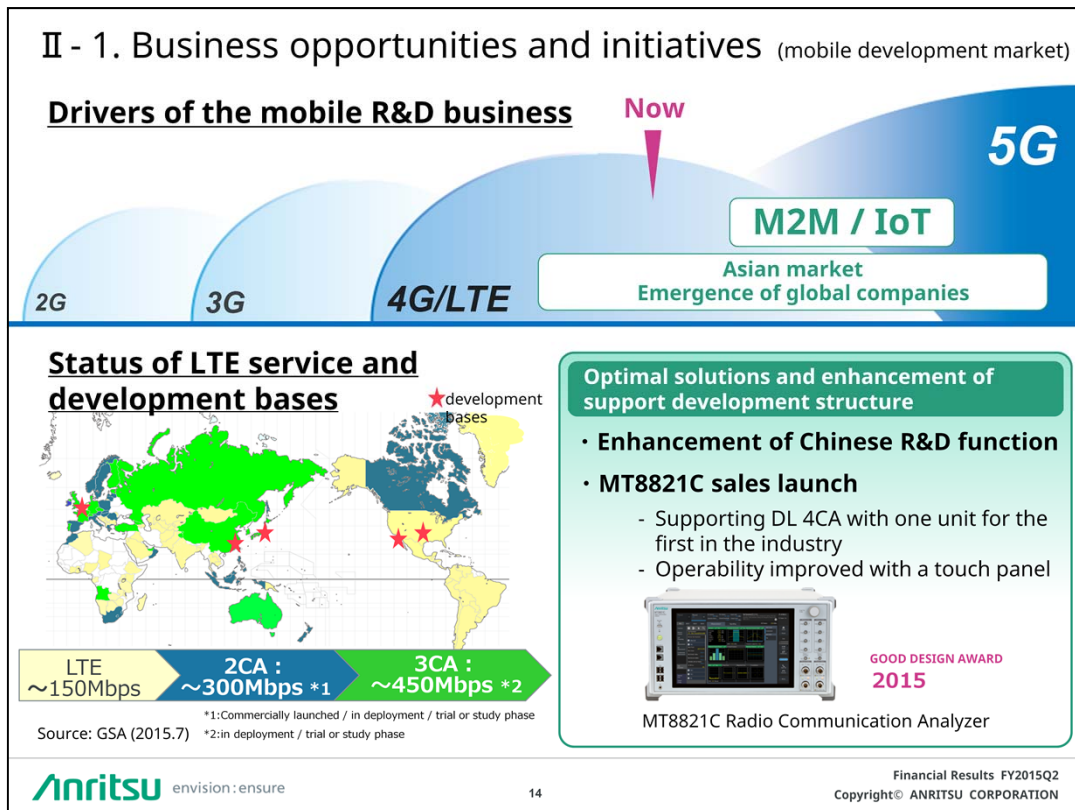
II - 1. T&M business: Business opportunities and initiatives

II - 2. PQA business: Initiatives towards global expansion

II - 3 .Corporate Governance

## Appendix

(No notes here)



There has been a trend of restraint in capital investments in the existing mobile market that had continued to grow accompanying the spread and expansion of LTE.

On the other hand, new companies that are active on a global level have emerged in the Asia region.

LTE worldwide network is continuously evolving to 5G as an infrastructure of new social innovation.

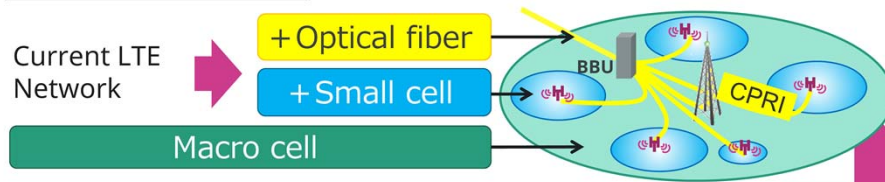
We will continue to work to improve performance and expand market share by providing optimal solutions and leveraging our support development structure, which is deployed in four regions around the world.

[Drivers of the mobile development market over the near term (technical components)]

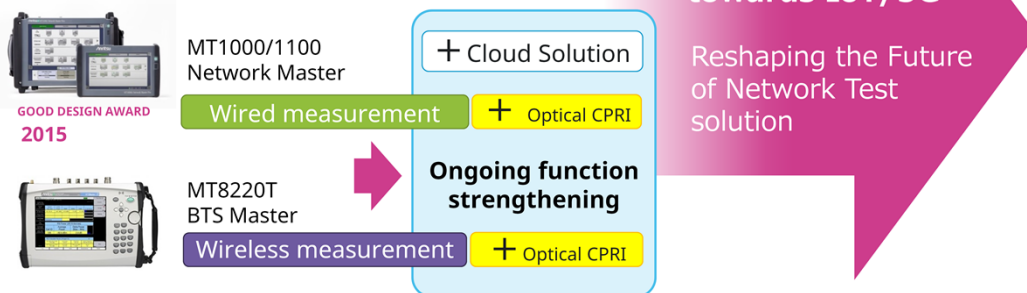
- 1) 3CA (3 Carrier Aggregation): Method for using three LTE radio waves (frequency bands) at the same time. Transmission speed is improved by three times compared to the use of one radio wave (from 150M to 450Mbps).
- 2) LTE-U: Method for utilizing radio wave in frequency band (5GHz band) that does not require a license.
- 3) 4×4 MIMO: Method for using four antennas simultaneously for sending and receiving signals. Transmission speed is improved by two times compared to 2×2 MIMO that is currently used (from 150M to 300Mbps).
- 4) 256QAM modulation: Modulation method for achieving higher speed transmission with one frequency band. Transmission speed is improved by approximately 30% compared to 64QAM that is currently used (from 150M to 200Mbps).

## II - 1. Business opportunities and initiatives (network infrastructure market)

### Aiming for networks that support large volume of connections and increased data volume



### Support the evolution of networks through continuously strengthening test solutions



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Mobile network communication volume continues to grow.

Mobile fronthaul that supports the communication volume and data center networks that handle the communication continue to be strengthened and rebuilt.

Anritsu will support new communication networks by continuing to strengthen and rebuild test solutions for wired and wireless communication within the Company.

[Demand for optical and digital related measurement over the near term]

- 1) Measurement demand for construction and maintenance accompanying the increase in work for laying optical fiber cable
- 2) Wireless measurement demand for construction and area quality assurance accompanying the increase in work for building small cells
- 3) Measurement demand accompanying the expanded production of 100Gbps optical modules including those for data centers
- 4) Measurement demand for development accompanying the adoption of high-speed and high-capacity wired communication such as 400GbE

## II - 2. PQA business: Initiatives towards global expansion

1. Establishment of a global brand strategy  
-Company name has been changed to “Anritsu Infivis” (as of October 1)
2. Introduction of the new X-ray inspection system XR75 in the North American market

Received “Excellent Food’s Machinery” prize for the new X-ray inspection system XR75



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In the PQA business, the domestic market is strong, due to equipment demand driven by stricter quality assurance. The new X-ray inspection system “XR75” has been introduced in the North American market, which will lead to sales expansion during the second half which will lead to sales expansion as well as secure steps to overseas expansion during the second half. The company name of “Anritsu Industrial Solutions Co., Ltd.” has been changed to “Anritsu Infivis Co., Ltd.”. We will work to accelerate global business expansion as a “world-class quality assurance solutions partner.”

### ◇“Excellent Food’s Machinery and Material Prize” by the Japan Food Journal

- This award is given to machines, materials and ingredients in recognition of significant contributions to new product creation, efficiency improvements and the revitalization of the food product industry. In the machine division, approximately five products are selected from a large number of products every year. This was the third time Anritsu received the award, continuing on from FY2008 and FY2012.

### ◇New X-ray inspection system XR75

- Newly developed high-sensitivity and long-life X-ray sensor.
  - 1.Reduction in X-ray maintenance cost
  - 2.Reduction in power consumption
  3. No air conditioner for coolingLife cycle cost reduction of 20% or more



## II -3. Basic Policy on Corporate Governance

Following the concepts in principles laid down in the “Japan’s Corporate Governance Code” established by the Tokyo Stock Exchange, Inc. (“TSE”), the Company has established this “Anritsu Corporation Basic Policy on Corporate Governance” which clarifies its concepts of and the organization, structure and frameworks, etc. to uphold corporate governance, with the aim to realize better corporate governance in the Anritsu Group .

### 1. General Principles

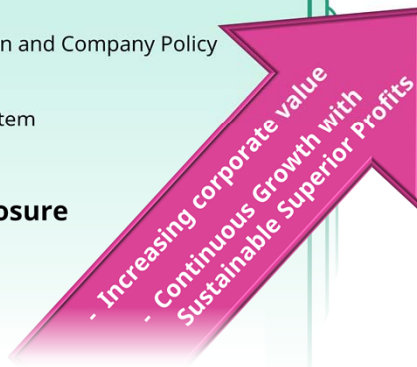
- 1.1 Formulation of Company Philosophy, Company Vision and Company Policy
- 1.2 Basic Concepts of Corporate Governance
- 1.3 Establishment and Operation of Internal Control System

### 2. Relation with Stakeholders

### 3. Ensuring Appropriate and Timely Disclosure

### and Transparency

### 4. Corporate Governance Structure



Website :

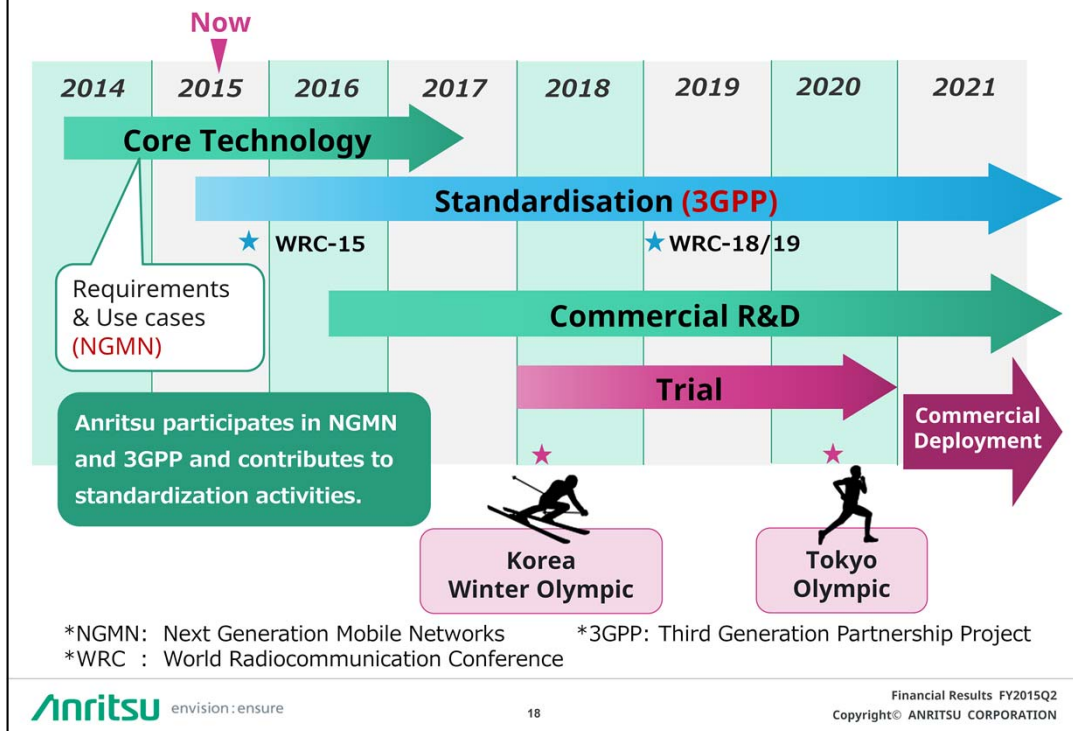
<http://www.anritsu.com/en-US/about-anritsu/corporate-information/corporate-governance>

CG: Corporate Governance

Anritsu has established "Anritsu Corporation Basic Policy on Corporate Governance", and has disclosed on our website.

This policy clarifies our concepts of and the organization, structure and frameworks, etc. to uphold corporate governance to our stakeholders, with the aim to realize better corporate governance in the Anritsu Group.

## Appendix. 5G roadmap (CY2015 ~CY2020)



This displays the roadmap that is currently assumed up to the realization of the 5G communication system, for which practical application is aimed for by around 2020.

Anritsu participates in NGMN and 3GPP and contributes to standardization activities.

