

Financial Results for the 1st quarter of the Fiscal Year ending March 31, 2017

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July 29th, 2016



<http://www.anritsu.com>

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(No notes here)

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(No notes here)

Agenda

I . Consolidated performance review of the 1st quarter of the fiscal year ending March 31, 2017

- I -1. Outline of our business segments
- I -2. Consolidated performance
- I -3. Outlook for full year of the fiscal year ending March 31, 2017

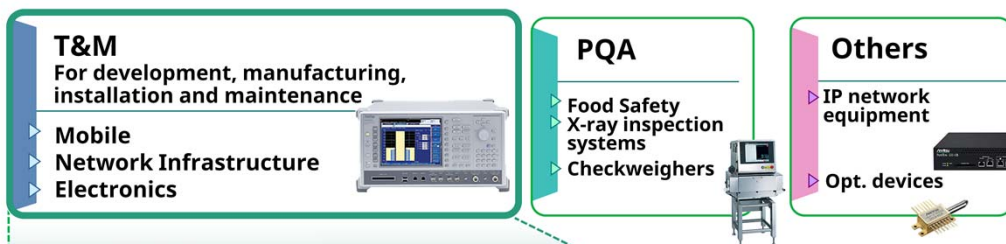
II . Business Opportunities in T&M

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I -1. Outline of our business segments



(Revenue by business segment)
95.5 Billion Yen consolidated revenue in FY2015

T&M 71%			PQA 20%	Others 9%
Mobile 45%	Network Infrastructure 35%	Electronics 20%		

(Sales of T&M business by region in FY2015)

Japan 15%	Asia & Pacific 35%	Americas 30%	EMEA 20%
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T&M: Test & Measurement PQA : Products Quality Assurance

(No notes here)

I -2. Consolidated performance -Business Segments-

Segment	FY2016Q1 (April to June, 2016)
T&M : Restrained investment in the mobile market continued	
Mobile	Restraint in capital investment by chip and terminal vendors continued
NW	Capital investment in optical digital related business was strong
Electronics	Strong demand for module development and business-use wireless devices
Asia	Slowdown in growth rate of the Chinese smartphone market Steady demand for optical digital manufacturing equipment
Americas	Capital investment in optical digital-related business is on a recovery trend
PQA : Increase in capital investment, mainly in the Japanese convenience store market	

T&M: Test & Measurement

NW: Network Infrastructure

PQA : Products Quality Assurance

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In the T&M business, restrained investment by customers continued in the mobile market overall. Owing to the impact of the slowdown in the growth rate of smartphone shipments, a cautionary mood towards capital investments prevailed in China's terminal manufacturing market and also the R&D market for chipset vendors, etc. Consequently, the mobile T&M market remained stagnant.

In the network infrastructure market, demand was strong for measuring instruments for optical digital devices used in the development and manufacture of optical modules for data centers.

In the Products Quality Assurance (PQA) business, both the Japanese and overseas markets maintained revenue growth. Particularly in Japan, revenue grew on the back of equipment renewal demand for new products in the market for various processed foods, primarily in the convenience store market.

I -2. Consolidated performance -Financial results-

Unit: Billion Yen

International Financial Reporting Standards (IFRS)	1Q FY2015 (Apr. to Jun.)	1Q FY2016 (Apr. to Jun.)	YoY	YoY (%)
Order Intake	24.0	20.9	(3.1)	-13%
Revenue	23.6	20.3	(3.3)	-14%
Operating profit (loss)	1.5	0.7	(0.8)	-52%
Profit (loss) before tax	1.7	0.0	(1.7)	-100%
Profit (loss)	1.1	0.0	(1.1)	-98%
Comprehensive income	2.5	(2.8)	(5.3)	-
Free Cash Flow	1.4	3.8	2.4	175%

Note : Numbers are rounded off in each column

The Group's consolidated order intake decreased by 13% year on year to 20.9 billion yen and revenue decreased by 14% year on year to 20.3 billion. Operating profit decreased by 52% year on year to 0.7 billion yen.

The rapid appreciation of the yen resulted in foreign exchange losses of approximately 0.7 billion yen, posted as a finance expense.

Profit decreased by 98% year on year to 25 million yen, and comprehensive income fell to (2.8) billion yen.

Free cash flow was plus 3.8 billion yen, due to an increase in operating cash flow resulting from an improvement in working capital and other factors.

I -2. Consolidated performance

– Financial balance, Income tax expense, Comprehensive Income –

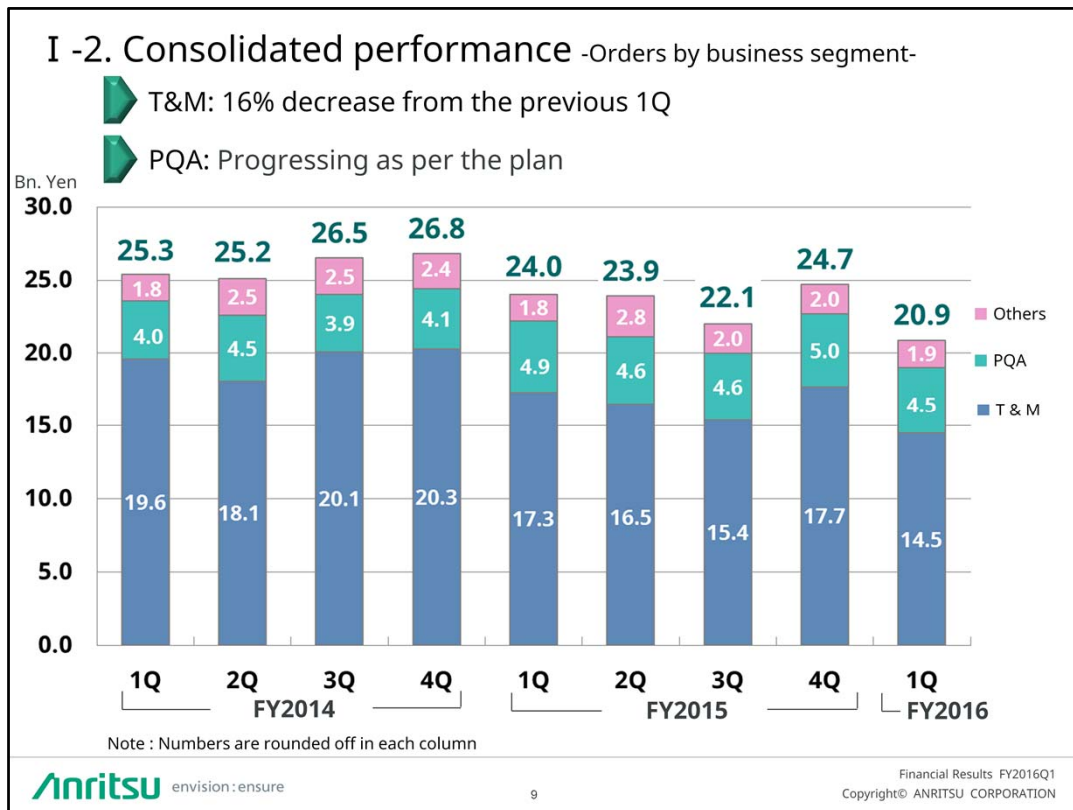
Unit: Billion Yen

	1Q FY2015 (Apr. to Jun.)	1Q FY2016 (Apr. to Jun.)	YoY
Op. profit (loss)	1.5	0.7	(0.8)
Foreign exchange gain or loss *	0.1	(0.7)	(0.8)
Other financial income, expense, etc.	0.1	0.0	(0.1)
Profit (loss) before tax	1.7	0.0	(1.7)
Income tax expense	0.5	(0.0)	(0.5)
Profit (loss)	1.1	0.0	(1.1)
Other comprehensive Income	1.4	(2.8)	(4.2)
Exchange difference on translation	1.0	(2.8)	(3.8)
Others	0.4	0.0	(0.4)
Comprehensive Income	2.5	(2.8)	(5.3)

* Including mark-to-market valuation of foreign exchange forward contracts

Note : Numbers are rounded off in each column

The rapid appreciation of the yen resulted in foreign exchange losses of approximately 0.7 billion yen. Likewise, the sharp yen appreciation gave rise to a re-evaluation loss of investment in overseas subsidiaries under the heading of other comprehensive income (the exchange rate for BS changed from 112.62 yen per USD at the end of March 2016 to 102.96 yen per USD at the end of June 2016).



Orders for 1Q in the T&M business decreased by 16% year on year to 14.5 billion yen. This was attributable to a decline in demand for measuring instruments used in the development and manufacture of smartphones.

Order intake in the PQA business for 1Q was in line with the plan for both domestic and overseas markets.

Meanwhile, the order backlog for the entire Group was 17.3 billion yen (14% year-on-year decrease) and 12.5 billion yen (15% year-on-year decrease) for the T&M business.

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

Unit: Billion Yen

International Financial Reporting Standards (IFRS)		1Q FY2015 (Apr. to Jun.)	1Q FY2016 (Apr. to Jun.)	YoY	YoY (%)
T&M	Revenue	18.1	14.6	(3.5)	-19%
	Op. profit (loss)	1.8	0.7	(1.1)	-60%
PQA	Revenue	3.7	4.1	0.4	11%
	Op. profit (loss)	(0.0)	0.1	0.1	-
Others	Revenue	1.9	1.5	(0.4)	-18%
	Op. profit (loss)	(0.3)	(0.1)	0.2	-
Total	Revenue	23.6	20.3	(3.3)	-14%
	Op. profit (loss)	1.5	0.7	(0.8)	-52%

Note : Numbers are rounded off in each column

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

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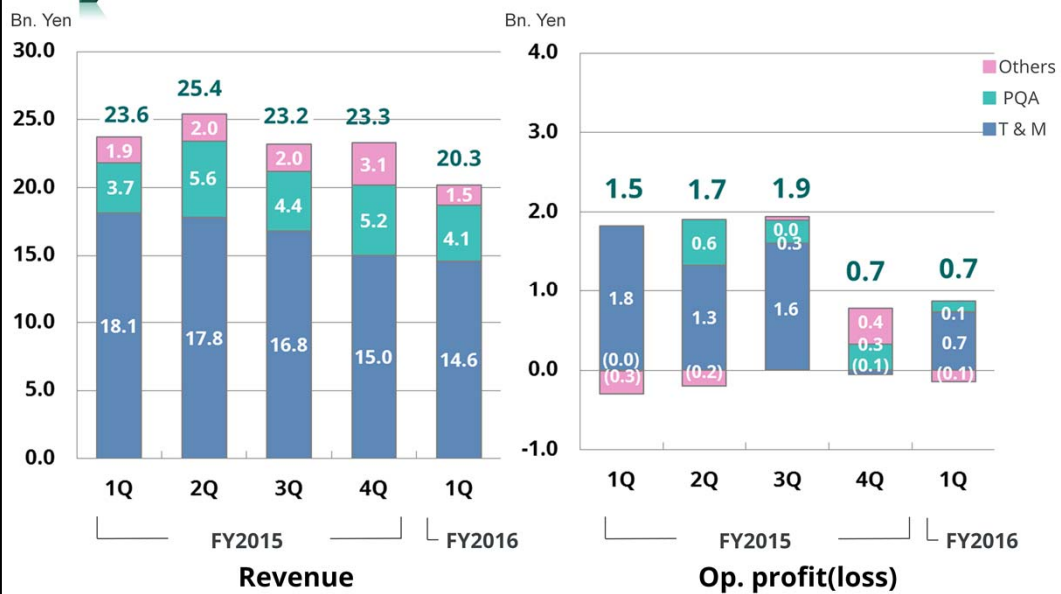
Both revenue and profit were down for the T&M business, and the operating margin was 5.0%.

8% of the 19% year-on-year decline in revenue was due to the appreciation of the yen.

Both revenue and profit increased in the PQA business, and the operating margin was 3.2%.

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

Company posted 3.6% operating margin for 1Q



Note : Numbers are rounded off in each column

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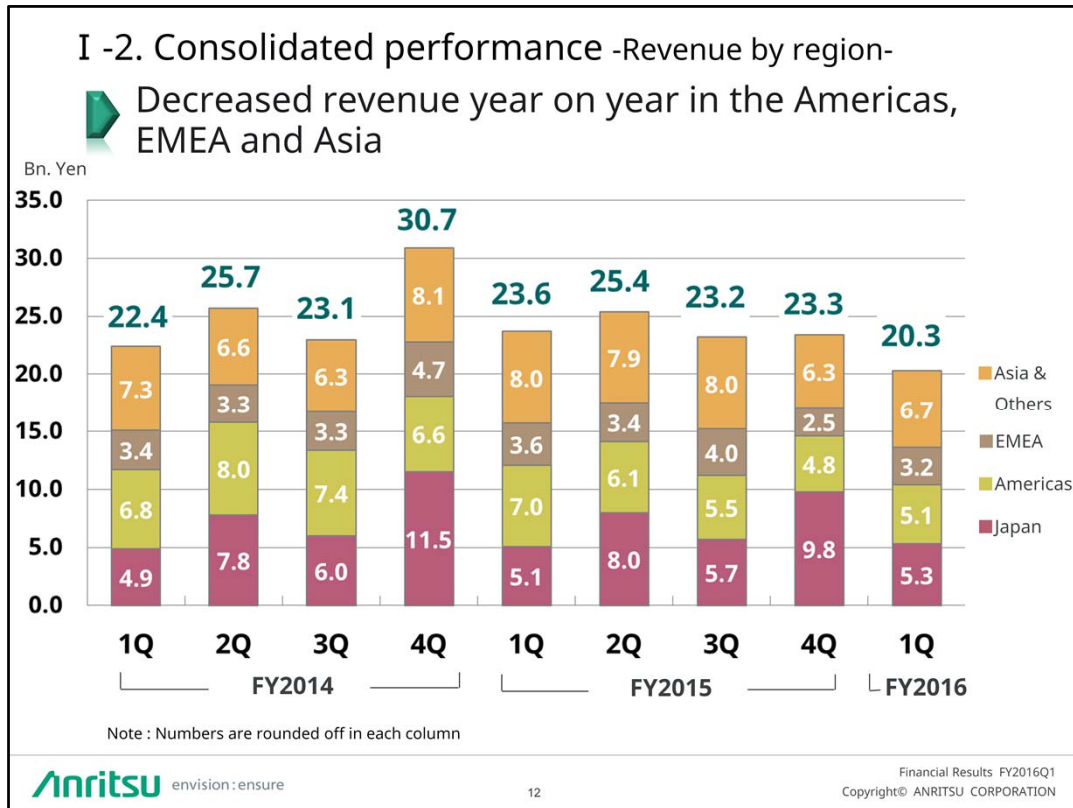
The consolidated operating margin and the operating margin for the T&M and PQA businesses in 1Q were as follows respectively:

Consolidated: 3.6%

T&M: 5.0%

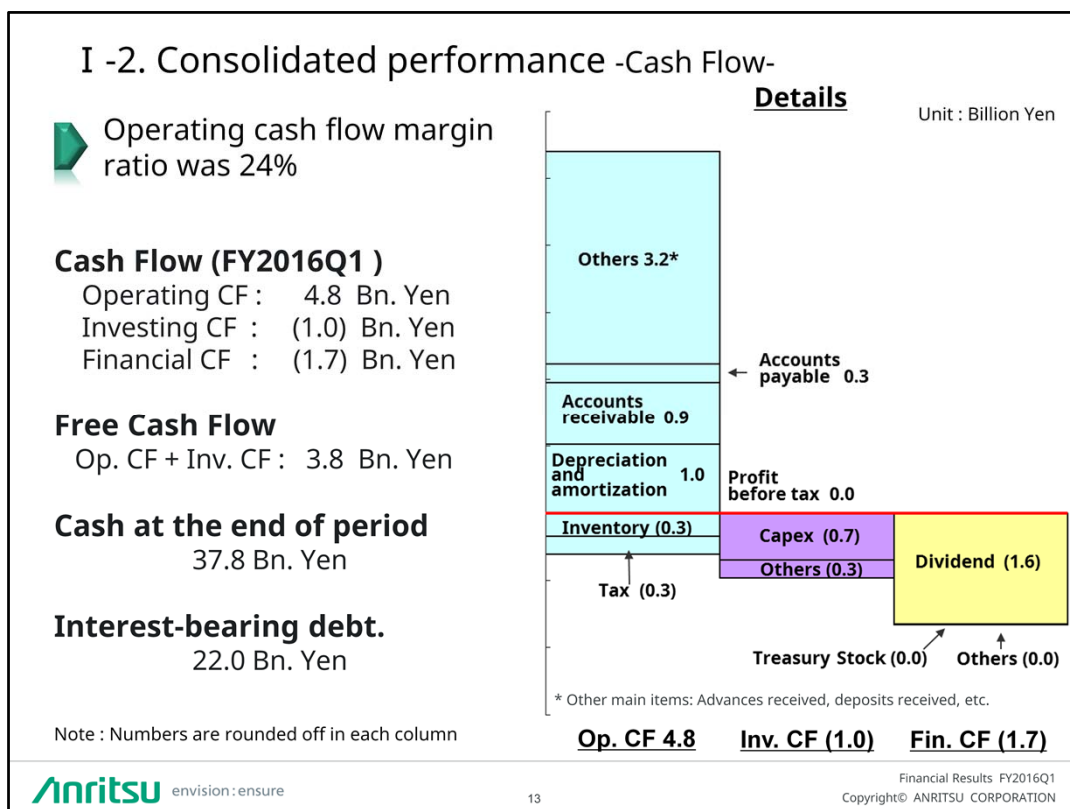
PQA: 3.2%

Seasonal factors in 1Q and the effect of measures for streamlining operations contributed to improved profit in the T&M business over 4Q in the previous fiscal year.



In the Japanese market, revenue increased in both the T&M business and PQA business by 4% year on year.

In overseas markets, revenue decreased in all regions; specifically, by 27% in the Americas, 13% in EMEA, and 16% in Asia.



As for operating cash flow, a cash inflow of 4.8 billion yen was generated primarily from collecting accounts receivable.

The investing cash flow was outflow of 1.0 billion yen.

As a result, the free cash flow amounted to an inflow of 3.8 billion yen.

A cash outflow of 1.7 billion yen in the financial cash flow primarily comprises dividends paid of 1.6 billion yen (year-end dividend per share: 12 yen).

Consequently, the balance of cash equivalents at the end of the period was 37.8 billion yen.

I -3. Forecast for full year of FY2016



No change since April disclosures

Unit: Billion Yen

International Financial Reporting Standards (IFRS)		FY2015	FY2016		
		Actual	Forecast	YoY	YoY(%)
Revenue		95.5	97.0	1.5	2%
Operating profit (loss)		5.9 *	7.2	1.3	22%
Profit (loss) before tax		5.4 **	7.1	1.7	31%
Profit (loss)		3.8	5.3	1.5	41%
T&M	Revenue	67.7	68.0	0.3	0%
	Op. profit (loss)	4.7 *	5.5	0.8	17%
PQA	Revenue	18.9	20.0	1.1	6%
	Op. profit (loss)	1.2	1.4	0.2	17%
Others	Revenue	8.9	9.0	0.1	1%
	Op. profit (loss)	(0.0)	0.3	0.3	-

Note 1 : Exchange rate for FY2015 1USD=120 yen, 1EURO=133 yen, FY2016 (forecast) 1USD=110 yen, 1EURO=125 yen

Note 2 : Numbers are rounded off in each column

* Including restructuring costs of approximately 0.7 billion yen

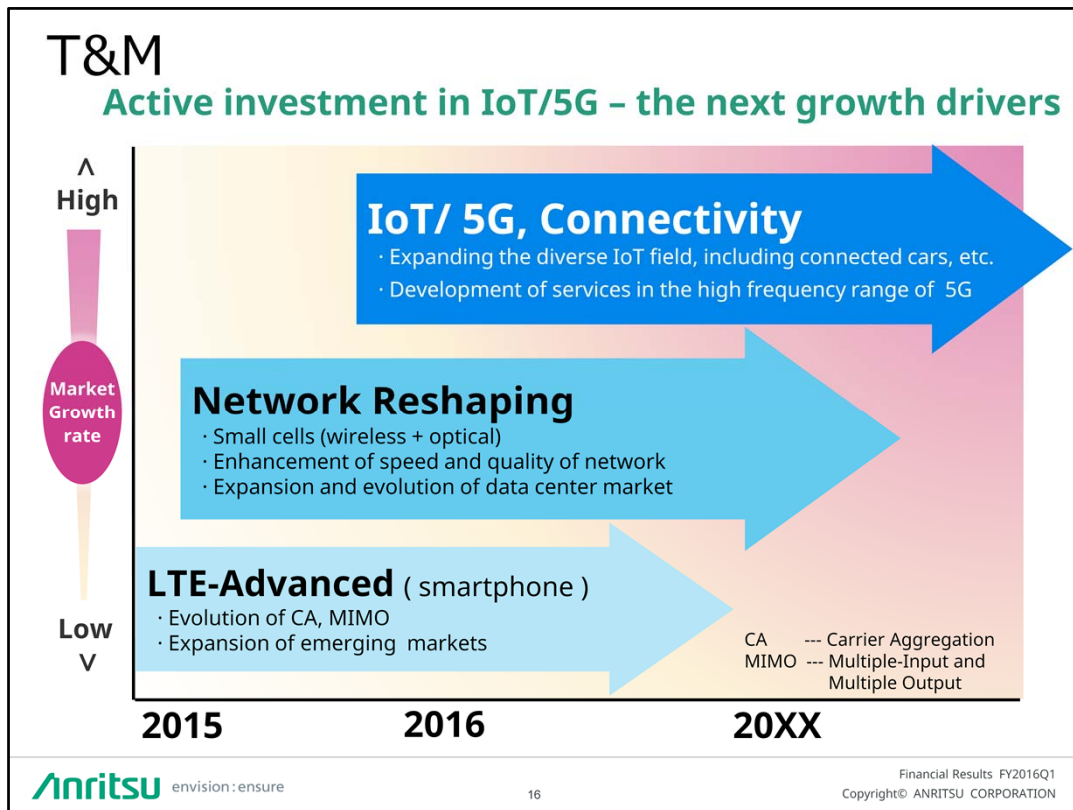
**Including foreign exchange losses of approximately 0.4 billion yen for the financial balance

The forecast for the full year results of FY2016 remains unchanged from the plan announced on April 27. 1Q results are progressing in line with the plan at the start of the year. We will continue to work together to achieve our targets.

We will continue to closely watch the exchange rate movements and carefully examine their impact on the full year results.

II. Business Opportunities in T&M

(No notes here)



We will strive to secure revenue in FY2016 by providing right solutions that meet the needs of customers and reflect market trends in each of the three growth drivers.

T & M : Business Opportunities (1)

LTE-Advanced (smartphone)

- Evolution of CA, MIMO
- Expansion of emerging markets

2015

2016

20XX

- **Demand for development of 3CA/MIMO-compatible devices**



Solutions for development tests on devices

- **Enhancement to accommodate one giga throughput**

- **Development of emerging markets primarily including India**



Solutions for smartphone manufacturing tests



Tablet smartphone

1. Solutions for LTE-Advanced (smartphone)

1) Evolution of CA and MIMO

[Business opportunities]

- Demand for development of 3CA/MIMO-compatible devices
- Enhancement to accommodate one giga throughput

[Solutions]

- Development tests on devices

2) Expansion of emerging markets

[Business opportunities]

- Development of emerging markets primarily including India

[Solutions]

- Smartphone manufacturing tests

T & M : Business Opportunities (2)

Network Reshaping

- Small cells (wireless + optical)
- Enhancement of speed and quality of network
- Expansion and evolution of data center market

2015

2016

20XX

- **Launch of services in the 3.5GHz bandwidth in Japan**
- **Investment by North American operators for conversion to small cells**



Service area evaluation for the 3.5GHz bandwidth

Base station analyzer + CPRI-based measurement solutions

- **Realizing higher speed network (100Gbps)**



Evaluation of quality in network installation and maintenance

- **Emergence of data centers with higher speed and larger capacity (400Gbps)**



Evaluation of optical modules for data centers

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2. Solutions for Network Reshaping

1) Small cells (wireless + optical)

[Business opportunities]

- Launch of services in the 3.5GHz bandwidth in Japan
- Investment by North American operators for conversion to small cells

[Solutions]

- Service area evaluation for the 3.5GHz bandwidth
- Base station analyzer + CPRI-based measurement solutions

2) Realizing higher speed and higher quality networks

[Business opportunities]

- Realizing higher speed network (100Gbps)

[Solutions]

- Evaluation of quality in network installation and maintenance

3) Expanding and evolving the data center market

[Business opportunities]

- Emergence of data centers with higher speed and larger capacity (400Gbps)

[Solutions]

- Solutions for optical module assessments in data centers

T & M : Business Opportunities (3)

IoT/ 5G, Connectivity

- Expanding the diverse IoT field, including connected cars, etc.
- Development of services in the high frequency range of 5G

2015

2016

20XX

- Operator-oriented demand for development of IoT (Category M and NB-IoT)



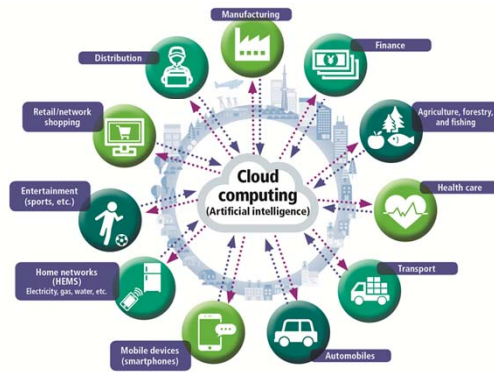
- Introduction of in-vehicle emergency call system



- Demand for development of modules for the automotive market



Development test for automotive modules



3. Solutions for IoT/5G Connectivity

Expanding the diverse IoT field, including connected cars, etc.

[Business opportunities]

- Operator-oriented demand for development of IoT (Category M and NB-IoT)
- Demand for development of modules for in-vehicle emergency call system (eCall/ERA-GLONASS) and automotive market

[Solutions]

- Solutions for development test for automotive modules
- Solutions for development test for IoT smart module

