

Financial Results for the 2nd quarter of the Fiscal Year ending March 31, 2017

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October 28th, 2016



<http://www.anritsu.com>

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(No notes here)

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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.

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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.

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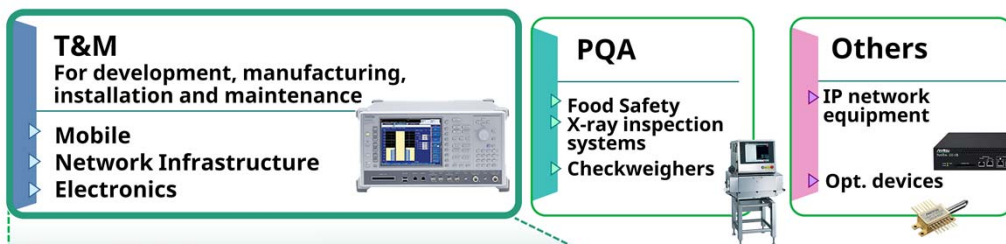
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Agenda

- I . Outline of our business segments
- II . Consolidated performance review of the 2nd quarter of the fiscal year ending March 31, 2017
- III . Outlook for full year of the fiscal year ending March 31, 2017
- IV . Future initiatives in T&M

(No notes here)

I . 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)

II -1. Consolidated performance -Financial results-

Unit: Billion Yen

International Financial Reporting Standards (IFRS)	2Q FY2015 (Apr. to Sep.)	2Q FY2016 (Apr. to Sep.)	YoY	YoY (%)
Order Intake	47.8	41.7	(6.1)	-13%
Revenue	49.0	41.2	(7.8)	-16%
Operating profit (loss)	3.2	0.9	(2.3)	-73%
Profit (loss) before tax	3.2	0.1	(3.1)	-98%
Profit (loss)	2.4	(0.1)	(2.5)	-
Comprehensive income	2.5	(3.2)	(5.7)	-

Note : Numbers are rounded off in each column

The Group's consolidated order intake decreased by 13% year on year to 41.7 billion yen and revenue decreased by 16% year on year to 41.2 billion. Operating profit decreased by 73% year on year to 0.9 billion yen.

Profit was minus 0.1 billion yen, and comprehensive income fell to minus 3.2 billion yen due to the effect of the appreciation of the yen.

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

Unit: Billion Yen

International Financial Reporting Standards (IFRS)		2Q FY2015 (Apr. to Sep.)	2Q FY2016 (Apr. to Sep.)	YoY	YoY (%)
T&M	Revenue	35.9	28.5	(7.4)	-21%
	Op. profit (loss)	3.2	0.5	(2.7)	-85%
	Adjusted operating profit (loss)*	3.5	0.6	(2.9)	-83%
PQA	Revenue	9.3	9.2	(0.1)	-0%
	Op. profit (loss)	0.6	0.5	(0.1)	-10%
Others	Revenue	3.9	3.5	(0.4)	-10%
	Op. profit (loss)	(0.5)	(0.1)	0.4	-
Total	Revenue	49.0	41.2	(7.8)	-16%
	Op. profit (loss)	3.2	0.9	(2.3)	-73%
	Adjusted operating profit (loss)	3.6	1.0	(2.6)	-72%

Note : Numbers are rounded off in each column

* Adjusted operating profit is Anritsu's original profit indicator to measure results of its recurring business by excluding profit and loss items with a transient nature from operating profit. No items were adjusted for PQA and Others segments

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

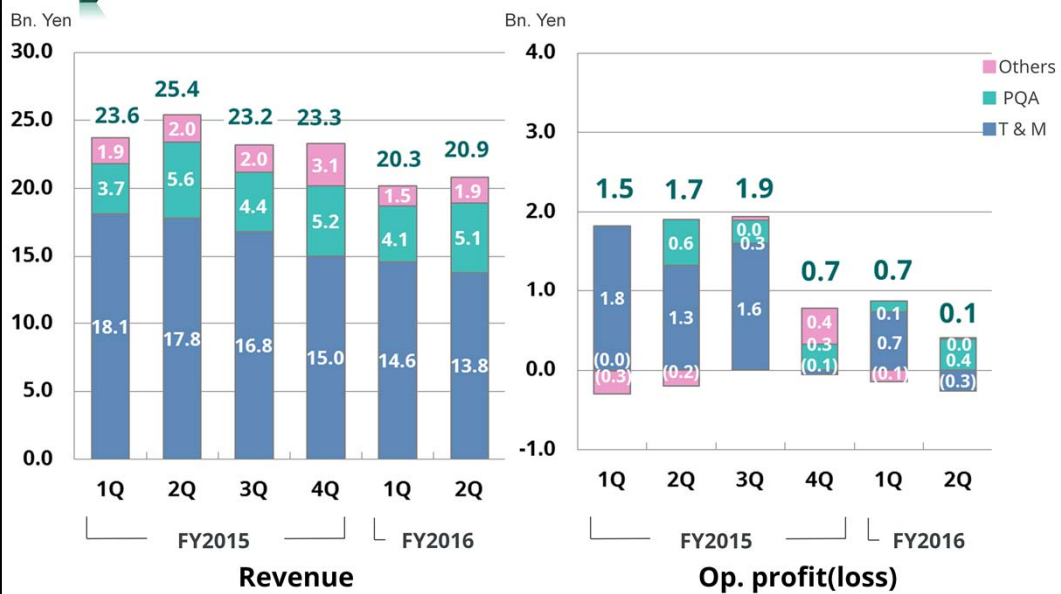
Both revenue and profit were down for the T&M business, and the operating margin was 1.6%.

10% of the 21% year-on-year decline in revenue was due to the appreciation of the yen.

Both revenue and profit were on the same level year on year in the PQA business, and the operating margin was 5.6%.

II -3. Consolidated performance -Revenue and Op. profit by quarters-

Company posted operating loss in the T&M for 2Q



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: 0.7%

T&M: -1.9%

PQA: 7.5%

II -4. Overview of operations by business segment

Segment	FY2016Q2 (April to September, 2016)	
T&M	Restrained investment in the smartphone-related market continued	
Mobile	LTE-Advanced	Restraint in capital investment by chip and terminal vendors continued
	IoT, 5G, Connectivity	Signs of investment in development of Automotive/Cellular IoT were seen
NW	Capital investment in optical digital related business was strong	
Asia	Postponement of investment in LTE-Advanced (3CA) development Slowdown in growth of overall smartphone manufacturing market	
Americas	Capital investment in optical digital related business is on a recovery trend	
PQA	Strong demand for X-rays both in Japan and overseas	

T&M: Test & Measurement

NW: Network Infrastructure

PQA : Products Quality Assurance

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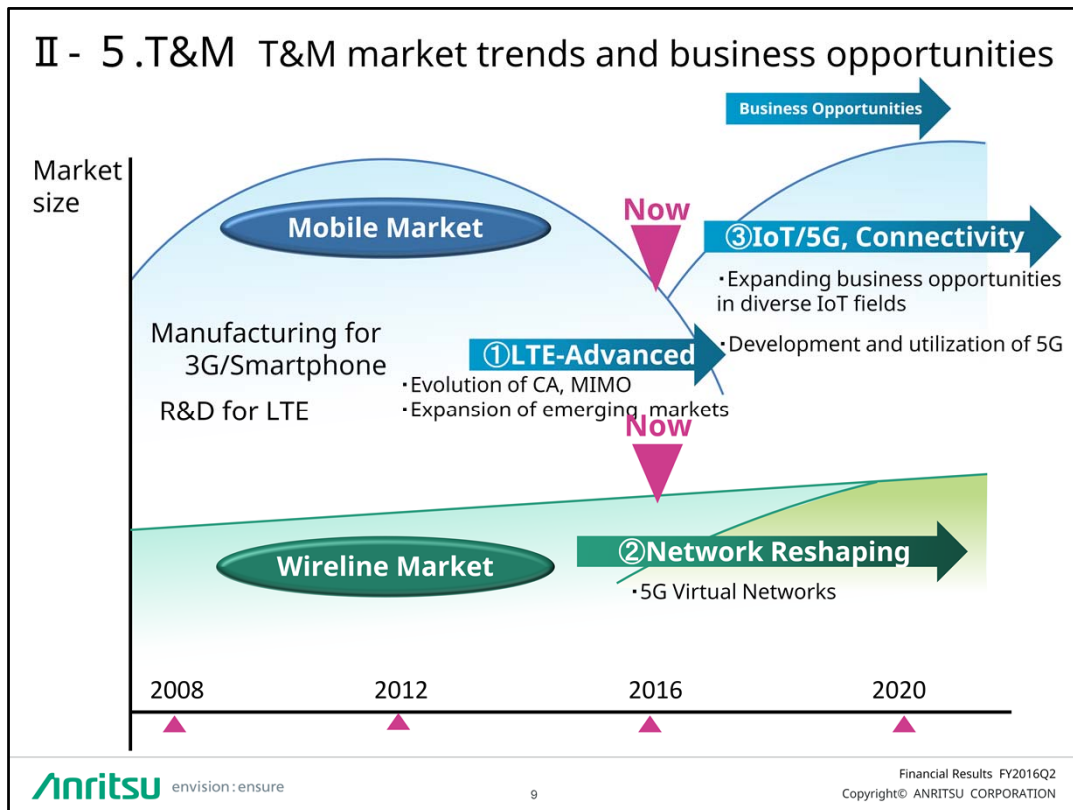
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In the T&M business, restrained investment by customers continued in the smartphone market overall. In addition, owing to the effect of a delay in the start of the commercialized service of 3CA (Carrier Aggregation) to 2018 in China, a more cautious stance was seen in the R&D market. On the other hand, demand is increasing for development in the automotive market, where competition in development of automated driving is intensifying, as well as in the operator-driven IoT field including Category M and NB-IoT.

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, demands for X-ray inspection systems are strong both in Japan and overseas, and are especially growing in the North American market.

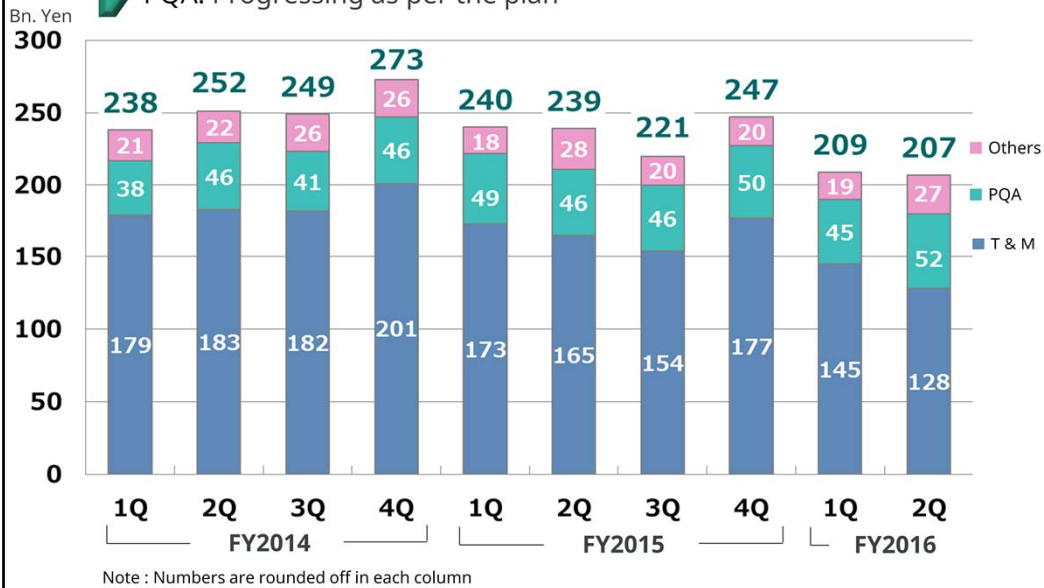


As shown in the overview of operations, the mobile T&M market is shrinking more rapidly than initially expected. While investment in LTE-Advanced is one business opportunity to aid in recovery from this downturn, it does not have the power to pull up the whole segment. Meanwhile, investments in Network Reshaping-related infrastructure and IoT/5G development have emerged as solid new business opportunities. We will discuss these new growth opportunities in “IV. Future initiatives in T&M.”

II -6. Transition of Orders

T&M: 23% decrease from the previous 2Q

PQA: Progressing as per the plan



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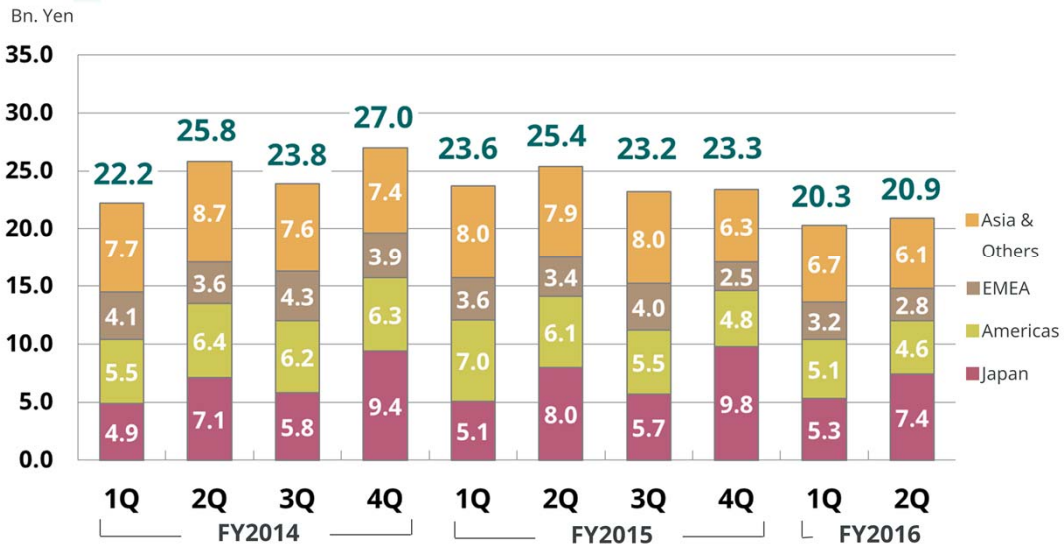
Orders for 2Q in the T&M business decreased by 23% year on year to 12.8 billion yen. This was attributable to a decline in demand for measuring instruments used in the development and manufacture of smartphones.

Order intake in the PQA business for 2Q was in line with the plan for both domestic and overseas markets.

Meanwhile, the order backlog for the entire Group was 17.2 billion yen (7% year-on-year decrease) and 11.3 billion yen (15% year-on-year decrease) for the T&M business.

II -7. Transition of Revenue by region

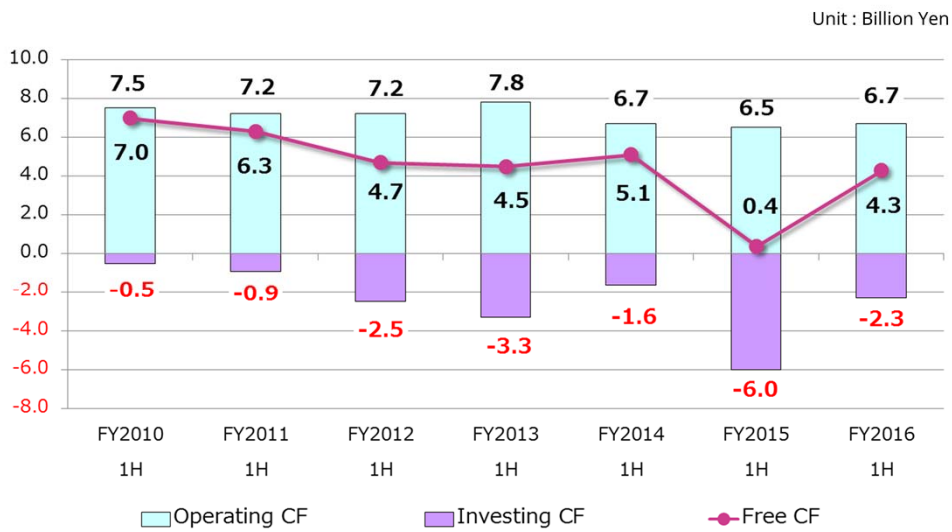
Decreased revenue year on year both in Japan and overseas



Note : Numbers are rounded off in each column

Revenue decreased in the markets of all regions; specifically, by 24% in the Americas, 20% in EMEA, 22% in Asia, and 7% in Japan.

II -8. Cash Flow (1/2)

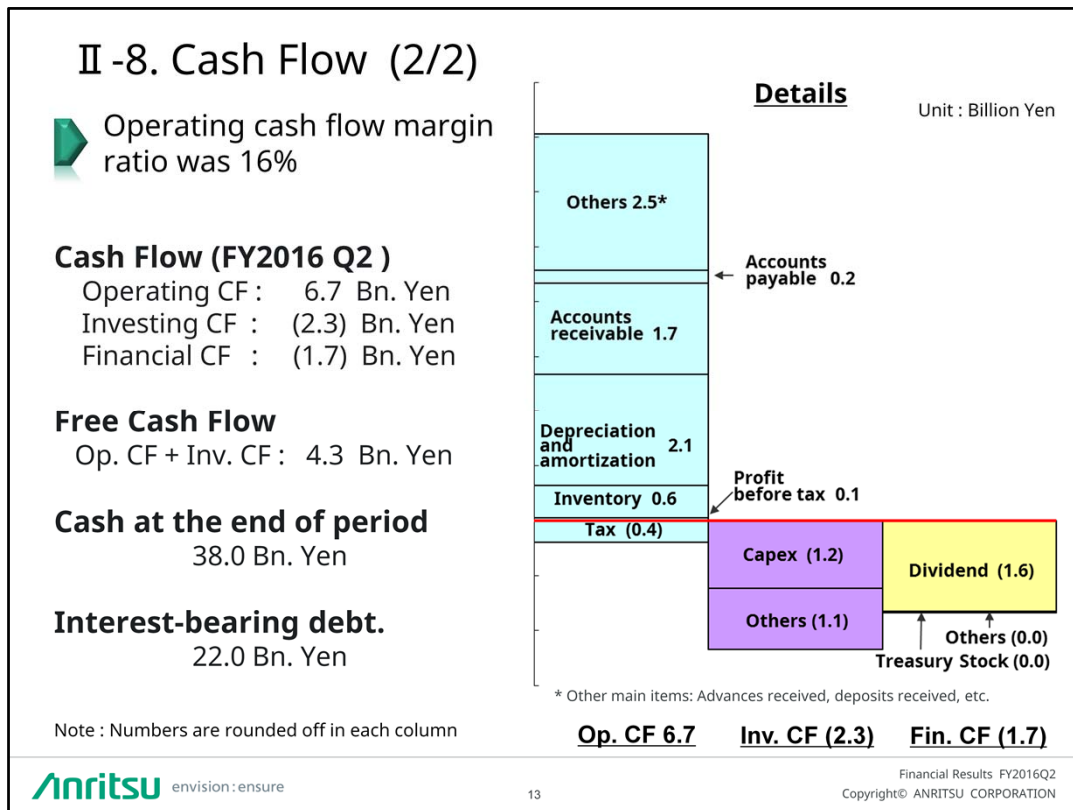


Note1 : Numbers are rounded off in each column

Note2 : FY2010 : Japanese Generally Accepted Principles (J-GAAP)

FY2012~FY2016 :International Financial Reporting Standards (IFRS)

Operating cash flow is steadily generated by improving the efficiency of working capital and other factors. During the first half of FY2015, expenses were incurred due to acquisition of property, plant and equipment including construction of the Global Headquarters Building.



As for operating cash flow, a cash inflow of 6.7 billion yen was generated primarily from collecting accounts receivable.

The investing cash flow was outflow of 2.3 billion yen.

As a result, the free cash flow amounted to an inflow of 4.3 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 38.0 billion yen.

III. Forecast for full year of FY2016

Downward revision in revenue and profit forecast for T&M
Dividend maintained at 15 yen for the full year (Interim dividend: 7.50 yen)

Unit: Billion Yen

International Financial Reporting Standards (IFRS)		FY2015		FY2016		
		Actual	Full Year		YoY	YoY(%)
			Previous Forecast	Revised Forecast		
Revenue		95.5	97.0	87.5	(8.0)	-8%
Operating profit (loss)		5.9	7.2	2.2	(3.7)	-63%
Profit (loss) before tax		5.4	7.1	1.4	(4.0)	-74%
Profit (loss)		3.8	5.3	1.0	(2.8)	-73%
T&M	Revenue	67.7	68.0	58.5	(9.2)	-14%
	Op. profit (loss)	4.7	5.5	0.5	(4.2)	-89%
PQA	Revenue	18.9	20.0	20.0	1.1	6%
	Op. profit (loss)	1.2	1.4	1.4	0.2	17%
Others	Revenue	8.9	9.0	9.0	0.1	1%
	Op. profit (loss)	(0.0)	0.3	0.3	0.3	-

Note 1 : Exchange rate : FY2015 (Actual) 1USD=120 yen, 1EURO=133 yen
FY2016 (Initially Forecast) 1USD=110 yen, 1EURO=125 yen
FY2016 2H(Forecast) 1USD=100 yen, 1EURO=110 yen

Note 2 : Numbers are rounded off in each column

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The forecast for the full year results of FY2016 will be changed from the plan announced on April 27th for the following reasons.

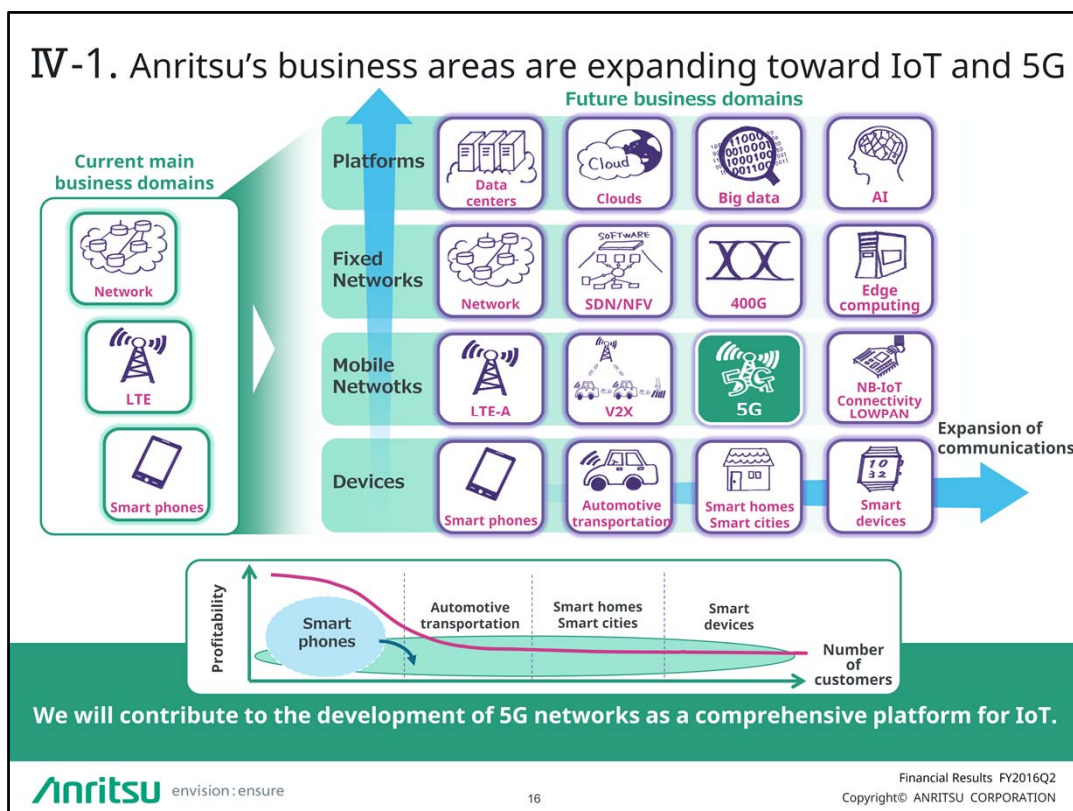
In the Test and Measurement business, the Group's mainstay business, restrained investments by customers in the smartphone-related market are continuing overall. Owing to the impact of the slowdown in the growth rate of smartphone shipments, a cautionary mood toward capital investments prevailed in China's terminal manufacturing market and also the R&D market for chip set vendors and others. Although new investment for development has been made in IoT and Automotive-related fields, the postponement of the introduction of 3CA (3-band carrier aggregation) to 2018 onwards in China has led to a decrease in demand for development of LTE-Advanced. Demand for test and measurement related to 5G, a next-generation communications technology, is expected to contribute to Anritsu's earnings in FY2017 onwards. Stagnation of the smartphone-related test and measurement market is also expected to continue in the second half of FY2016 as a whole. As such, revenue and operating profit for the Test and Measurement business will be revised downward by 9,500 million yen and 5,000 million yen, respectively. There are no changes from the initial plan in the Products Quality Assurance and Others segments.

Profit before tax, profit and profit attributable to owners of parent have all been revised reflecting factors including the revision of operating profit and recording finance expenses.

For the fiscal year ending March 31, 2017, Anritsu plans to pay dividends of 15.00 yen per share as initially scheduled.

IV. Future initiatives in T&M

(No notes here)



Anritsu's business areas are expanding dramatically toward IoT and 5G.

To date, our business areas have focused on mobile and fixed networks, the growth of which has been primarily driven by smartphones.

Due to IoT/5G, the communication field is expanding beyond smartphones to automobiles, smart devices, and others.

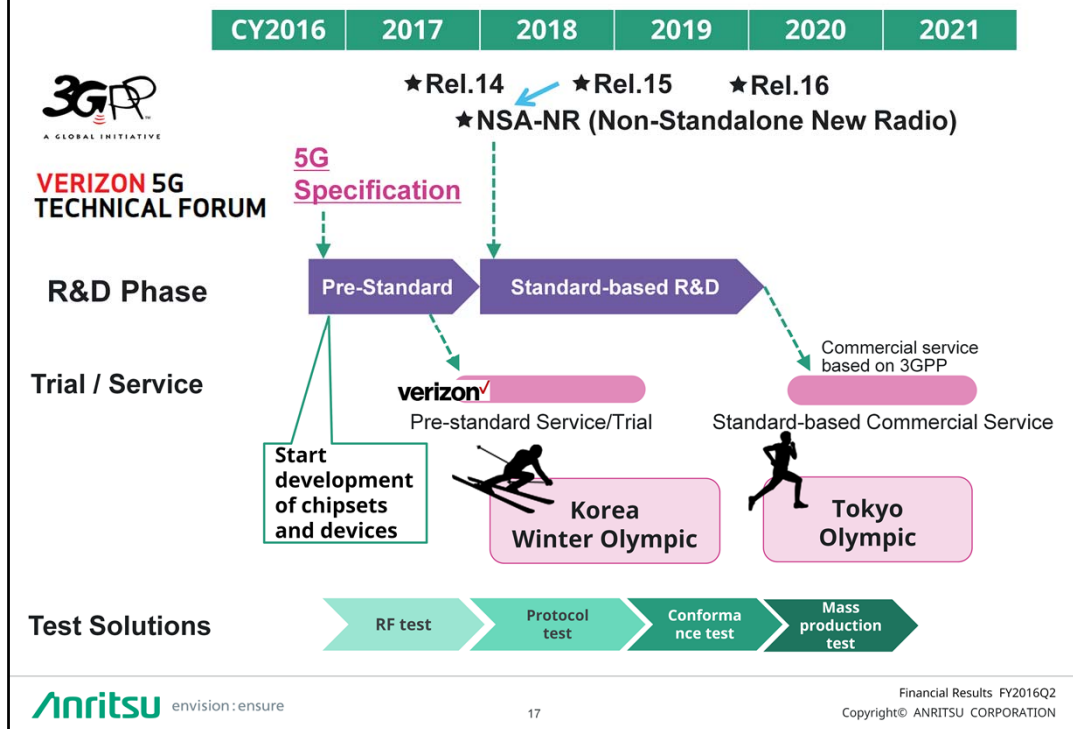
This expansion will usher in new types of wireless connectivity for IoT and automobiles, such as NB-IoT and V2X.

Networks will also become virtualized as SDN/NFV are commercialized.

More data centers will be built, and growth will be seen in businesses that use them, including cloud services as well as businesses that apply AI to analyze big data.

Although our business to date has focused on smartphones, we will work to expand revenue by shifting to a business that supports IoT, as this new area grows.

IV- 2 . Latest trends in 5G and test solutions



These are the latest trends in 5G.

There are two standards: a proprietary standard by Verizon (Pre-Standard) and NSA-NR, which is an early version by the 3GPP.

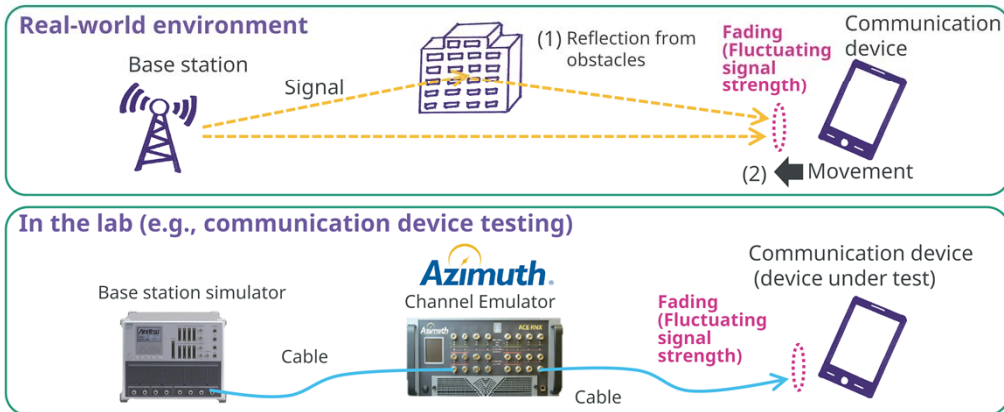
Most chipset and device vendors will start development following Verizon's standard.

This will tend to push development ahead of the overall 5G schedule.

Anritsu will offer timely test solutions in accordance with such schedules.

IV- 3 . Acquisition of Azimuth Systems, Inc. (1/2)

- Company Name : Azimuth Systems, Inc.
- Headquarters : Boston, USA
- Business model: Development and sales of channel emulators, etc.
- Main customers : Operators, chipset vendors, network equipment vendors, UE vendors, etc. in the Americas, EMEA, Asia, and Japan



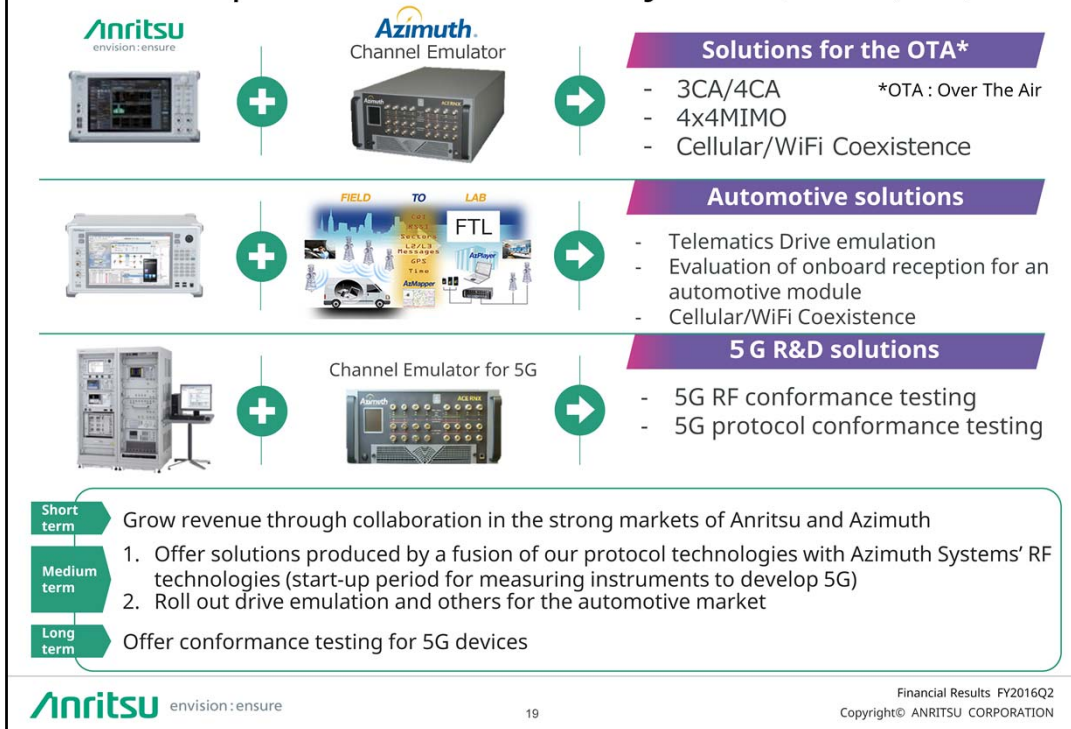
Anritsu announces that it has decided to acquire shares of Azimuth Systems, Inc. (located in Acton, Massachusetts, USA; hereafter, "Azimuth Systems"), a vendor of wireless performance test solutions for cellular, Wi-Fi and IoT, to make it a wholly owned subsidiary, and signed a purchase agreement on September 28, 2016.

Azimuth Systems, Inc., founded in 2002 and headquartered in the suburbs of Boston, USA, specializes in channel emulators. Azimuth Systems develops and sells channel emulators for radio environment emulation. Their customers include base station vendors for mobile communications, telecom carriers, chipset vendors and UE vendors.

What is a channel emulator?

In a real-world environment, the signal strength from a base station fluctuates due to (1) reflection from obstacles; and (2) device movement. A channel emulator tests whether a device can communicate properly by reproducing these conditions in the lab.

IV- 3 . Acquisition of Azimuth Systems, Inc. (2/2)



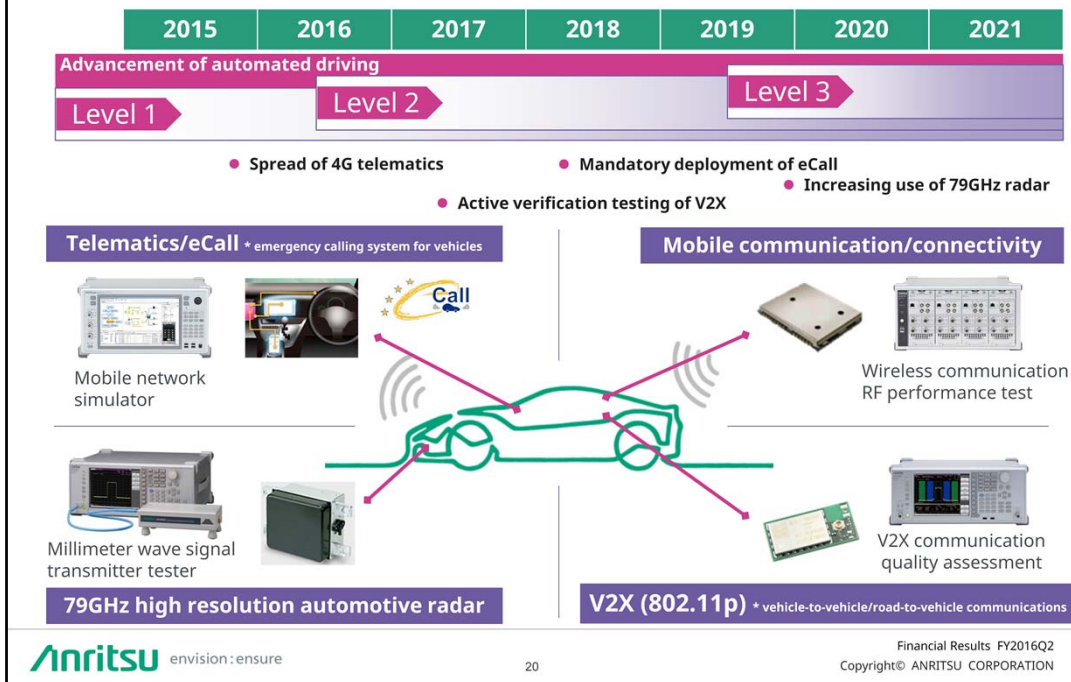
Anritsu has strong ties to the vendors of mobile devices and the associated chipsets. Meanwhile, Azimuth Systems also has strong ties to the vendors of base stations and other types of mobile infrastructure.

In the short term, we will seek to increase revenue by collaborating in the strong markets of Anritsu and Azimuth, followed by the development of automotive and IoT solutions.

In the long term, we will integrate Azimuth Systems' channel emulator technology with our own technologies to develop a business that can lead the industry in 5G.

*OTA is any method of making data transfers or transaction wirelessly using the cellular network instead of a cable or other local connection.

IV-4. Adoption of new technologies in the automotive market and Anritsu's initiatives

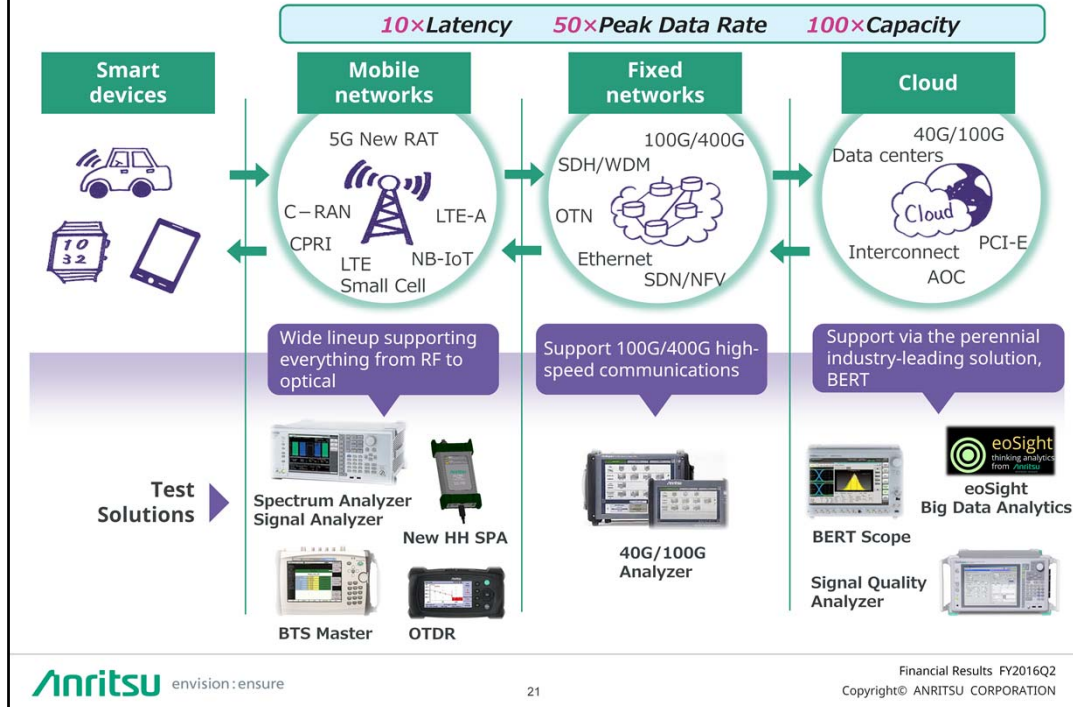


Anritsu's role has expanded along with the advancement of automated driving.

Multiple modules are installed in automobiles, and Anritsu's measuring instruments are beginning to be used to test these devices.

We will also improve products that are suited for increasingly sophisticated radar and that support V2X and other standards for vehicle-to-vehicle/road-to-vehicle communications.

IV-5. Test solutions supporting 5G virtual networks



5G networks require 10 times less latency, 50 times faster data, and 100 times more capacity than current networks.

The requirements differ for each application: latency is important for vehicles, while data speed is important for smartphones and capacity is important for smart devices.

In order to be able to respond flexibly to these requirements, virtual 5G networks are built using network function virtualization (NFV) and software-defined networks (SDN), which can be modified using software.

Anritsu's test solutions are widely used to build virtual networks, ranging from mobile networks to clouds.



(No notes here)