

Financial Results for the Fiscal Year ended March 31, 2017

Hirokazu Hashimoto

President and Group CEO
Anritsu Corporation

April 28th, 2017



<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.

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.

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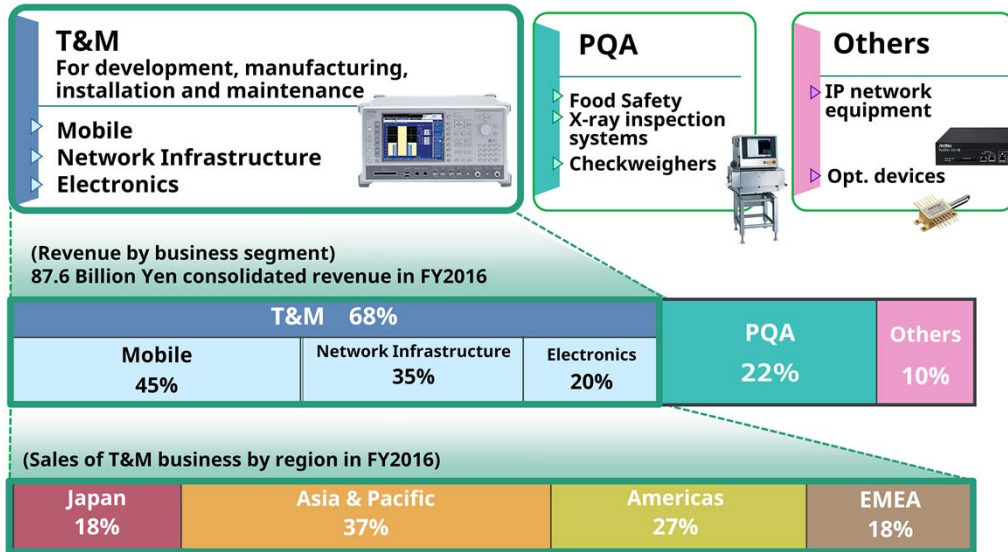
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Agenda

- I. Outline of our business segments
- II. Consolidated performance review of fiscal year ended March 31, 2017
- III. Outlook for full year of the fiscal year ending March 31, 2018
- IV. Future initiatives in FY2017
- V. Expansion and advances in demand for “connection” opened up by 5G/IoT
～ Mobile World Congress 2017 Report ～

(No notes here)

I . Outline of our business segments



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

(No notes here)

II-1. Consolidated performance - Financial results -

 **Both profit and revenue were down**

Unit: Billion Yen

International Financial Reporting Standards (IFRS)	FY2015	FY2016	YoY	YoY (%)	(For reference) Oct.27 Forecast
Order Intake	94.6	88.9	(5.7)	-6%	87.5
Revenue	95.5	87.6	(7.9)	-8%	87.5
Operating profit (loss)	5.9	4.2	(1.7)	-28%	2.2
Profit (loss) before tax	5.4	3.6	(1.8)	-33%	1.4
Profit (loss)	3.8	2.7	(1.1)	-27%	1.0
Comprehensive income	0.6	3.3	2.7	417%	-

Note : Numbers are rounded off in each column

The Group's consolidated order intake decreased by 6% year on year to 88.9 billion yen and revenue decreased by 8% year on year to 87.6 billion. Operating profit decreased by 28% year on year to 4.2 billion yen.

Profit for the period was 2.7 billion yen, and comprehensive income was 3.3 billion yen.

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

Unit: Billion Yen

International Financial Reporting Standards (IFRS)		FY2015	FY2016	YoY	YoY (%)	(For reference) Oct.27 Forecast
T&M	Revenue	67.7	59.3	(8.4)	-12%	58.5
	Op. profit (loss)	4.7	2.1	(2.6)	-55%	0.5
	Adjusted operating profit (loss) *	5.4	2.5	(2.9)	-54%	-
PQA	Revenue	18.9	19.6	0.7	4%	20.0
	Op. profit (loss)	1.2	1.3	0.1	9%	1.4
Others	Revenue	8.9	8.7	(0.2)	-2%	9.0
	Op. profit (loss)	(0.0)	0.8	0.8	-	0.3
Total	Revenue	95.5	87.6	(7.9)	-8%	87.5
	Op. profit (loss)	5.9	4.2	(1.7)	-28%	2.2
	Adjusted operating profit (loss)	6.6	4.6	(2.0)	-30%	-

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

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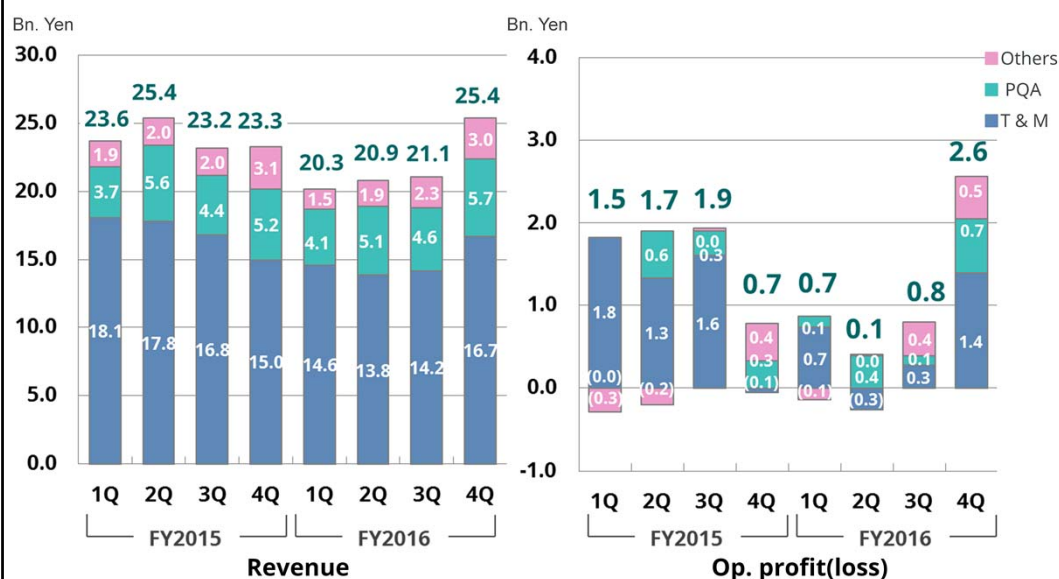
Both revenue and profit were down for the T&M business, and the operating margin was 3.6%.

The operating margin was 4.2% on an adjusted operating profit basis, excluding approximately 0.4 billion yen of restructuring and M&A-related costs in Europe and the U.S.

Both revenue and profit increased in the PQA business. Operating margin was 6.6%.

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

➡ Consolidated operating margin was 10.1%, operating margin for the T&M was 8.3% for 4Q



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 4Q were as follows respectively:

Consolidated: 10.1%

T&M: 8.3%

PQA: 11.7%

II-4. Overview of operations by business segment

Segment		FY2016 (April, 2016 to March, 2017)
 T&M : Restrained investment in the smartphone-related market continued		
Mobile	LTE-Advanced	Investment was restrained during this transition period from LTE to 5G
	5G, IoT, Connectivity	Automotive and 5G / IoT development projects are beginning to materialize
NW	Capital investment in optical digital related business was strong	
Asia	Restrained investment in LTE-Advanced development continued Competition intensified due to a slowdown in growth of the 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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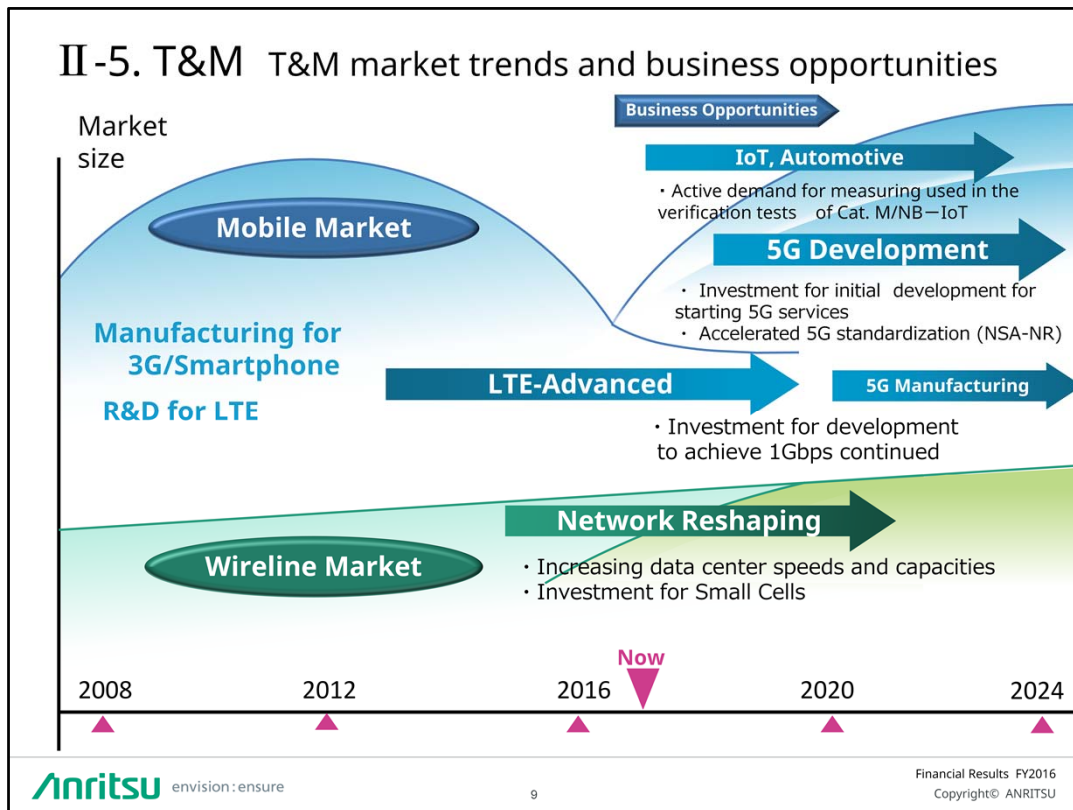
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In the T&M business, restrained investment by customers continued in the smartphone market overall. A cautious stance was seen, especially in the LTE-Advanced-related R&D market, since FY2016 represented a period of transition from LTE to 5G.

On the other hand, projects are beginning to materialize for development in the automotive market, where competition in the development of automated driving is intensifying, as well as in the operator-driven IoT field including Category M and NB-IoT. Also, the commercialization of 5G is beginning to materialize, as domestic and overseas major operators are announcing plans for verification tests of 5G.

Demand remained strong for measuring instruments used in the development and manufacture of optical modules, as investment for increasing speeds of network infrastructure is picking up.

In the PQA business, demand for X-ray inspection systems is strong both in Japan and overseas and growing in all markets.



As shown in the overview of operations, in the T&M business environment, investment in the smartphone-related market has continued to be restrained, as FY2016 is a period of transition in this market.

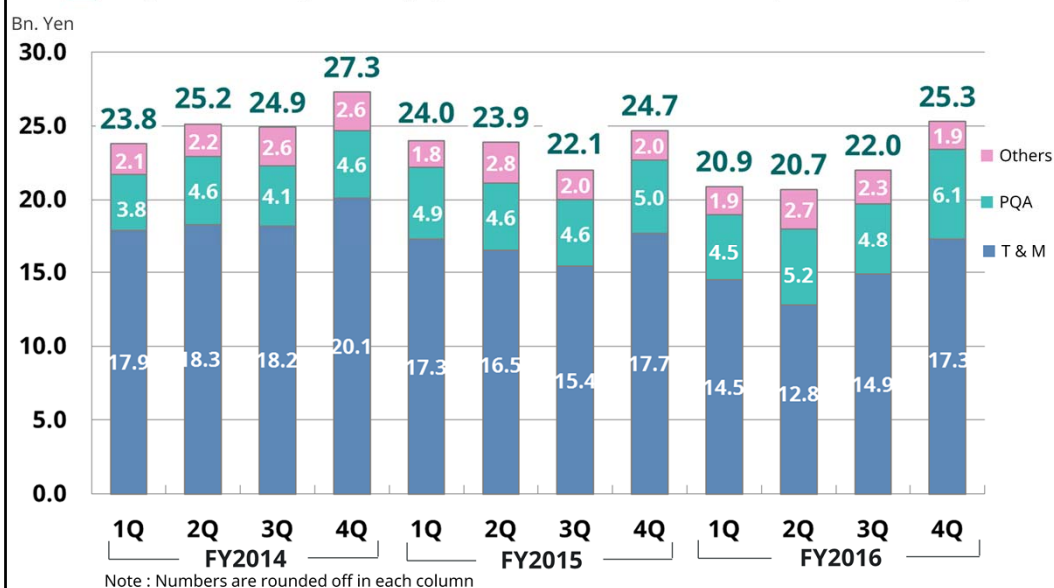
Meanwhile, accelerated 5G standardization in 3GPP has led to the materialization of moves toward commercialization in 2019 by carriers in each country. Accordingly, movements in demand for development are expected in markets related to 5G Development and LTE-Advanced. In particular, NSA-NR (Non-Standalone New Radio), which is scheduled to be standardized in December 2017, assumes the use of LTE-Advanced technology for the realization of 5G, and LTE-Advanced will therefore become an indispensable technology for realizing 5G in the future.

In addition, measurement demand for development compatible with high speed LTE-Advanced (1 Gbps) is expected.

In the Network Reshaping-related market, there is strong demand for optical-module evaluation solutions for increasing data center speeds and capacities. There is strong measurement demand in the manufacture of 100 Gbps optical modules, and for development of 400 Gbps optical modules to attain even higher speeds.

II-6. Transition of Orders

- ➡ T&M :Results continued to be below previous fiscal year levels for all quarters.
- ➡ PQA :Record high for any quarter. Reached 20.6 billion yen for the full year.



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Order intake in the T&M business for 4Q amounted to 17.3 billion yen mainly as a result of capturing demand of instruments for LTE-Advanced development and from manufacturers/vendors of smartphones.

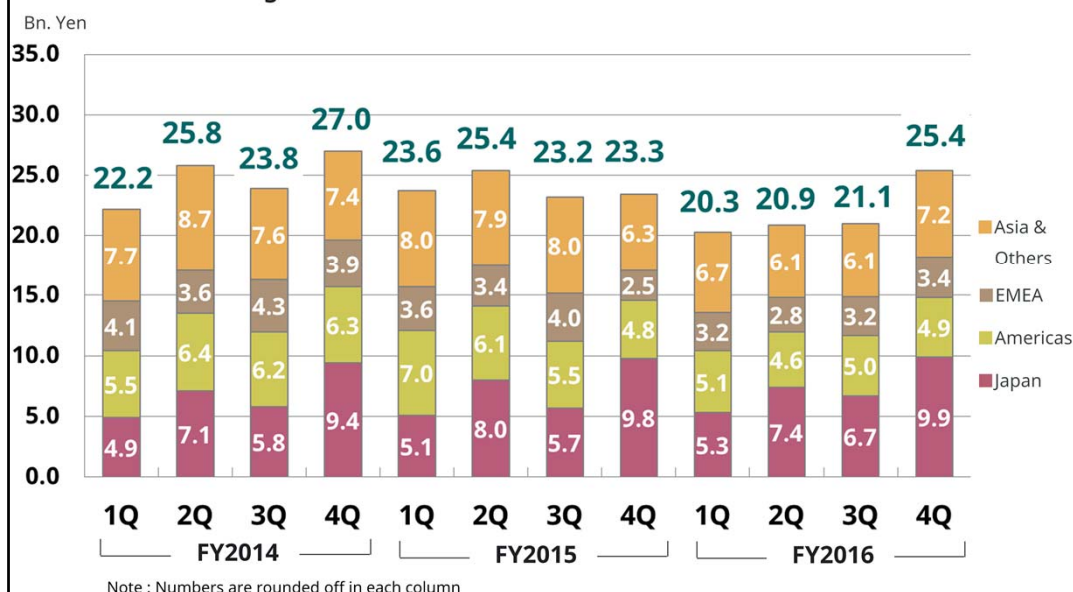
However, in terms of the full year, orders in all quarters were at lower levels than in the previous fiscal year, indicating that the order intake environment continues to be challenging.

Order intake in the PQA business for 4Q amounted to 6.1 billion yen, which is a record high for any quarter, and full-year orders reached 20.6 billion yen.

Meanwhile, the order backlog for the entire Group was 18.2 billion yen (2% year-on-year increase) and 13.2 billion yen (4% year-on-year decrease) for the T&M business.

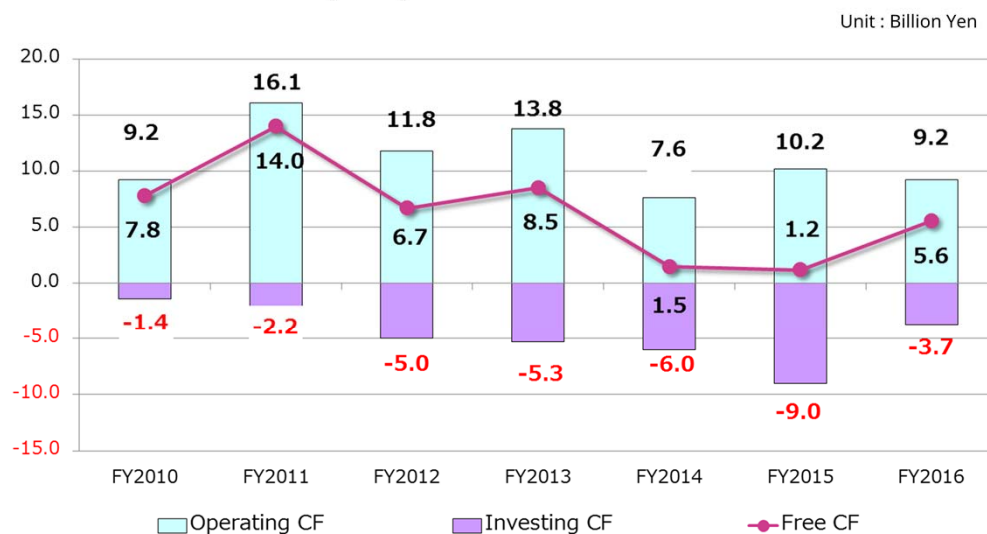
II-7. Transition of Revenue by region

➡ Full year figures were lower than those for the previous fiscal year in all overseas regions



With respect to full year revenue by region, in the Japanese market, revenue in the PQA business increased by 3% year on year thanks to strong sales, while revenue in the T&M business remained at the same level year on year. In overseas markets, revenue was lower than previous fiscal year in all regions, with revenue decreasing year on year by 16% in the Americas, 8% in EMEA, and 13% in Asia.

II-8. Cash Flow (1/2)




Note 1 : Numbers are rounded off in each column

Note 2 : FY2010 : Japanese Generally Accepted Principles (J-GAAP)

FY2011~FY2016 : International Financial Reporting Standards (IFRS)

A steady inflow of operating cash flow has been generated mainly through improved working capital efficiency. Outflow in FY2015 was mainly due to the acquisition of property, plant and equipment, including the construction of the Global Headquarters Building.

II-8. Cash Flow (2/2)

 **Operating cash flow margin ratio was 10.5%**

Cash Flow (FY2016)

Operating CF : 9.2 Bn. Yen
Investing CF : (3.7) Bn. Yen
Financial CF : (2.8) Bn. Yen

Free Cash Flow

Op. CF + Inv. CF : 5.6 Bn. Yen

Cash at the end of period

39.7 Bn. Yen

Interest-bearing debt.

22.0 Bn. Yen

Details

Unit : Billion Yen

Others 1.9*		
Depreciation and amortization 4.2	Accounts payable 0.5	
Inventory 1.8		
Profit before tax 3.6		
Accounts receivable (1.9)	Capex (2.0)	Dividend (2.7)
Tax (0.9)	Others (1.6)	
		Others (0.1) Treasury Stock (0.0)
* Other main items: Advances received, etc.		
Op. CF 9.2	Inv. CF (3.7)	Fin. CF (2.8)

Note : Numbers are rounded off in each column

The operating cash flow was inflow of 9.2 billion yen.

The investing cash flow was outflow of 3.7 billion yen.

As a result, the free cash flow amounted to an inflow of 5.6 billion yen.

A cash outflow of 2.8 billion yen in the financial cash flow primarily comprises dividends paid of 2.7 billion yen (dividend per share: June: 12 yen, December: 7.5 yen).

Consequently, the balance of cash equivalents at the end of the period increased by 2.3 billion yen from the beginning of the fiscal year to 39.7 billion yen.

III-1. Forecast for full year of FY2017

 **Focus on capturing growth drivers to ensure better results than the previous fiscal year level.**

Unit: Billion Yen

International Financial Reporting Standards (IFRS)		FY2016	FY2017	
		Actual	Forecast	YoY
				YoY(%)
Revenue		87.6	91.0	3.4
Operating profit (loss)		4.2	4.4	0.2
Profit (loss) before tax		3.6	4.2	0.6
Profit (loss)		2.7	3.0	0.3
T&M	Revenue	59.3	61.0	1.7
	Op. profit (loss)	2.1	2.2	0.1
PQA	Revenue	19.6	21.5	1.9
	Op. profit (loss)	1.3	1.5	0.2
Others	Revenue	8.7	8.5	(0.2)
	Op. profit (loss)	0.8	0.7	(0.1)

Note 1 : Exchange rate : FY2016 (Actual) 1USD=108 yen, 1EURO=119 yen
FY2017 (Forecast) 1USD=110 yen, 1EURO=120 yen

Note 2 : Numbers are rounded off in each column

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The forecast for the full year results of FY2017 is as shown above.

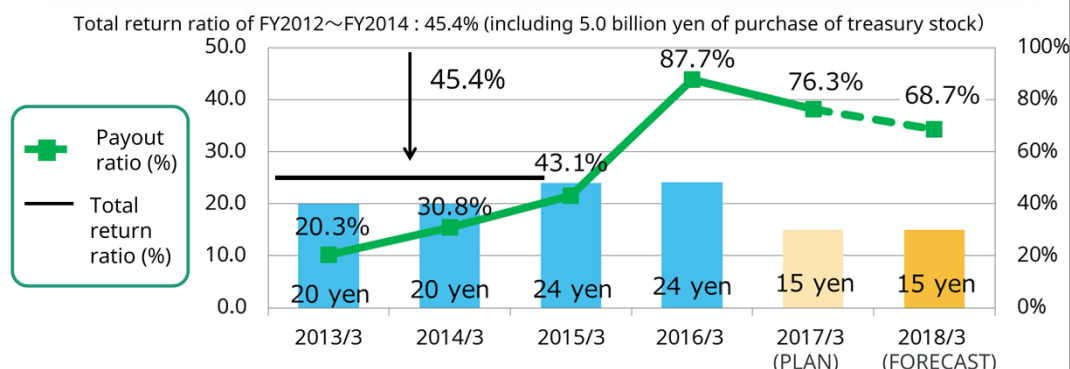
Revenue in the T&M business is expected to increase by 3% year on year through the steady capture of the “business opportunities in Slide 9.” Operating profit is expected to be same level the previous fiscal year due to focused investment in 5G-related development.

In the PQA business, as in the previous fiscal year, we will aim to achieve 21.5 billion yen in revenue by steadily capturing quality assurance needs in the domestic and overseas food processing markets through offering optimal solutions.

III-2. Dividend forecast

Annual dividend

	Dividend per share	Profit	Payout ratio
FY2017 (Plan)	15 yen	3.0 B yen	69%
FY2016 (Forecast)	15 yen	2.7 B yen	76%



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The Company's core policy for returning profits to its shareholders is to distribute profits in accordance with its consolidated performance, taking into account the total return ratio.

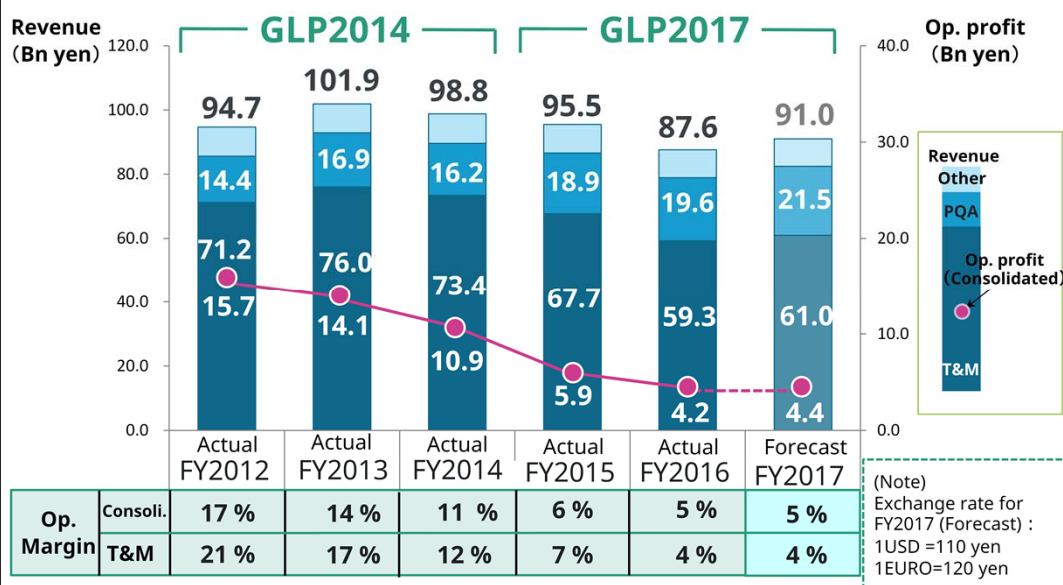
With regard to the distribution from surplus, while taking the basic approach of raising dividends on equity (DOE) in accordance with the increase in consolidated profits for the fiscal year, the Company's policy is to pay dividends twice a year as an interim dividend and a year-end dividend aiming at a consolidated dividend payout ratio of 30% or more by the resolution of the Board of Directors or the General Meeting of Shareholders.

We plan to pay an annual dividend of 15 yen per share (including an interim dividend of 7.5 yen per share) for FY2017, based on the assumption to achieve the business results forecast for the next fiscal year.

IV. Future initiatives in FY2017

(No notes here)

IV-1. Trends of Results and Three-Year Plan GLP20xx



In GLP 2017, which is a three-year plan that ends in FY2017, we reported that the targets were not expected to be achieved as of the end of FY2015, due to dramatic changes in the T&M business environment. Thereafter, we focused on stemming the deterioration in results by taking measures to reform the management structure, and made growth investments for business opportunities in 5G/IoT. In FY2017, we will also work to build a solid management foundation in our continuous pursuit of this management policy.

IV-2. Towards GLP2020



In the current fiscal year, towards the formulation of GLP2020, which is a three-year plan starting in FY2018, the Group will capture growth drivers to restore growth potential and strive to consolidate our foundation for building a robust profit structure.

IV-3. Middle and long-term business basic strategy

Capture growth drivers ,
and realize “continuous profitable growth”

	Market average annual growth rate	Growth driver	Target	
			Sales growth rate	Operating margin
T&M	3-5%	Broadband expansion and innovation (1) LTE-Advanced, 5G (2) IoT, Connectivity (3) Network Reshaping	≥ 7%	≥ 20%
PQA	3-5%	Improvement of safety, security and health Solutions with X-ray for quality assurance	≥ 7%	≥ 12%
Consolidated	—	—	—	≥ 18%
ROE	—	—	≥ 15%	

The basic policy of the medium- to long-term business strategy is to achieve profitable and sustainable growth by steadily capturing growth drivers. There are no changes to the growth drivers of the core T&M business. A society is being realized where everything is connected to the Internet through various systems (5G/IoT). Anritsu will steadily capture business opportunities amid the development of communication technologies supporting such realization.

The growth driver of the PQA business is “increase in safety, security and health.”

The target growth rate, profit margin and ROE in the medium- to long-term basic business strategy are as shown above.

V. Expansion and advances in demand for “connection” opened up by 5G/IoT ~ Mobile World Congress 2017 Report ~

Hirokazu Hamada

Executive Vice President and M Group President
Anritsu Corporation

(No notes here)

V-1. MWC2017 from the viewpoint of a measuring instrument manufacturer

Mobile World Congress 2017 is the world's biggest mobile event that was held in Barcelona, Spain from February 27 through March 2.

With accelerated 5G standardization, commercialization in 2019 is now in sight!

Appearance of Gigabit LTE terminals, and further increasing speeds and capacities

Focus is on Cellular V2X, and the day will come when Cellular will be useful in safety and security for cars

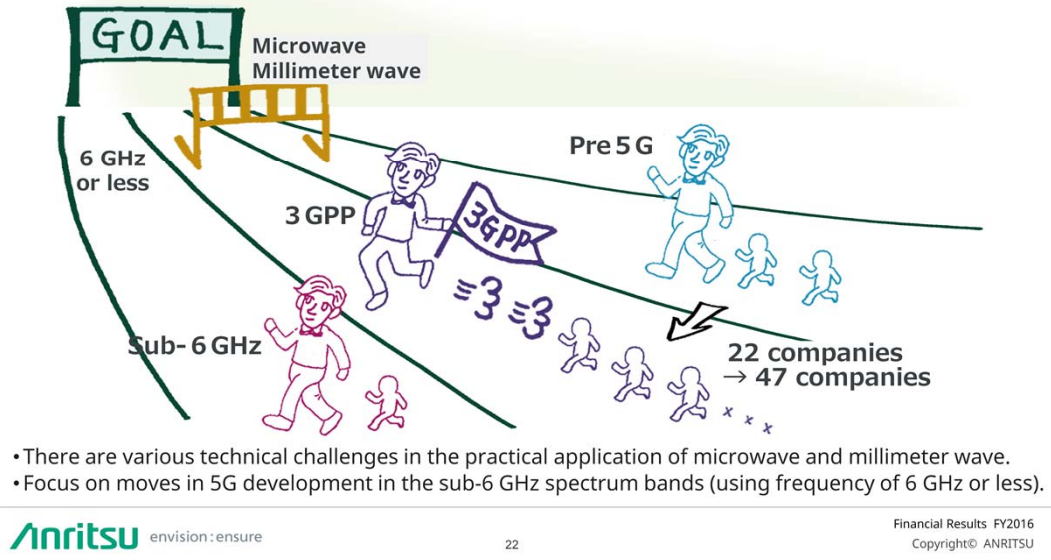
Highlights of Anritsu, connection with IoT module of various companies, appearance of new WLAN product

I will describe strategy and growth opportunities of the T&M business in GLP 2020.

There are no signs of slowing down when it comes to technological evolution for realizing a broadband environment that provides social value and customer experience by offering “connectivity anytime, anywhere, in a safe, secure and comfortable manner.” Major growth opportunities are being realized in the fields of “mobile business” engaged in the measurement of terminals and “network infrastructure business” engaged in the measurement of wireless infrastructure.

V-2. With accelerated 5G standardization, commercialization in 2019 is now in sight!

- Complete formulation of specifications for NSA-NR by March 2018. Normally commercialize in 1.5 - 2 years from determination of specifications.
- Demand for measuring instruments will start from the end of CY2017.



At MWC2017, 22 companies consisting of the world's major carriers and vendors agreed to a joint proposal for the early formulation of 5th generation mobile communications system (5G) specification. Thereafter, at the 3GPP plenary meeting held in Croatia, a larger number of companies (47 companies) entered their names on the joint proposal for the early formulation of 5G specification.

The accelerated formulation of 5G specification has increased the possibility of the commercial launch of 5G during 2019.

V-3. Further increasing speeds and capacities of LTE services



Display of ZTE's Gigabit LTE terminals



Live demonstration of Qualcomm's LTE terminals supporting unlicensed band

1Gbps
LAA
5CA
256QAM
8X4 MIMO

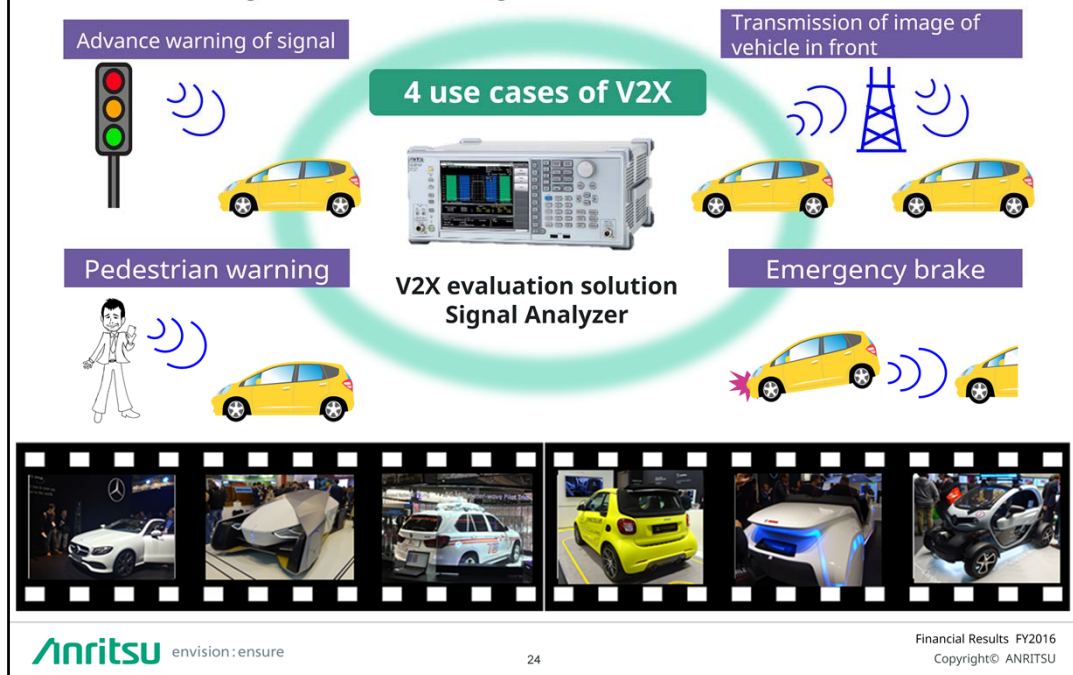


Terminals with 4K high-definition displays

Gigabit LTE terminals for realizing high-speed (1 Gbps) LTE-Advanced were introduced.

In addition, terminals supporting LAA that use unlicensed band were also introduced. Not only investment for the commercialization of 5G but also investment in LTE-A can be expected.

V-4. Focus on Cellular V2X, using Cellular for safety and security for cars



While the exhibition of connected cars of automakers drew much attention, a live demonstration of V2X was held for four use cases. Anritsu provides optimal solutions for the applications of development, evaluation and manufacturing of IEEE802.11p-based V2X wireless systems. In addition, an agreement on LTE V2X specification, which is an expansion of LTE specifications, was also reached in March 2017 as 3GPP Release 14. For LTE V2X, cellular measurement solutions, Anritsu's forte, will be provided to contribute to highly safe car driving.

V-5. Anritsu's MWC2017



The new product, WLAN tester, drew attention



Demonstration of actual device for wireless performance evaluation in cooperation with IoT device manufacturers



Leading-edge 5G millimeter wave measurement
5G network evaluation



Industry-leading LTE-Advanced Pro development solution

At Anritsu's booth, WLAN for IoT and 5G test solution concepts were proposed. Amid the successive announcement of commercial chips supporting Cat.M/NB-IoT by chipset vendors, wireless evaluation tests using actual modules received favorable reviews.

In recent years, individual meetings with customers have increased every year at MWC. Anritsu's booth has become a meaningful place for customers to deepen their understanding of Anritsu's measurement solutions.

V-6. New WLAN product attracts attention



Wireless Connectivity Test Set

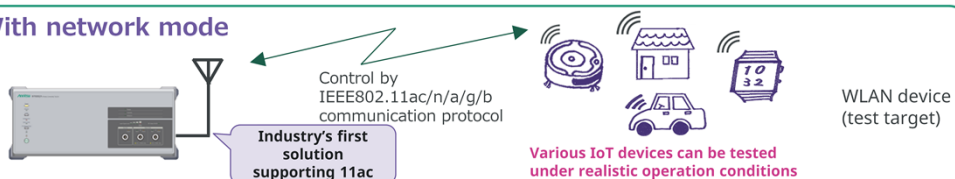
MT8862A

MT8862A implements communication protocols supporting IEEE802.11ac/n/a/g/b and has a built-in network mode that can measure the performance of WLAN devices under realistic operation conditions.

Without network mode



With network mode



Anritsu's new product, MT8862A Wireless Connectivity Test Set, attracted attention.

This product supports not only smartphone quality evaluation but also evaluation tests of various IoT devices.

