

Continuous Growth with Sustainable Superior Profits

Hirokazu Hashimoto

President and Group CEO
Anritsu Corporation

September, 2016



TSE code : 6754
<http://www.anritsu.com>

Anritsu
envision : ensure

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.

Agenda

I. Mid-term Business Plan and Business Strategy

1. 2020VISION, Outline of our business segments
 2. Middle and long-term management basic strategy
 3. GLP2017 Revenue and Op. profit Actual/ Plan
 4. Business opportunities < T&M >
 5. Financial strategy
 6. Shareholder Return Policy
 7. Corporate Governance
- Appendix

II. Financial Results for the 1st. Quarter and Forecast for full year of FY2016

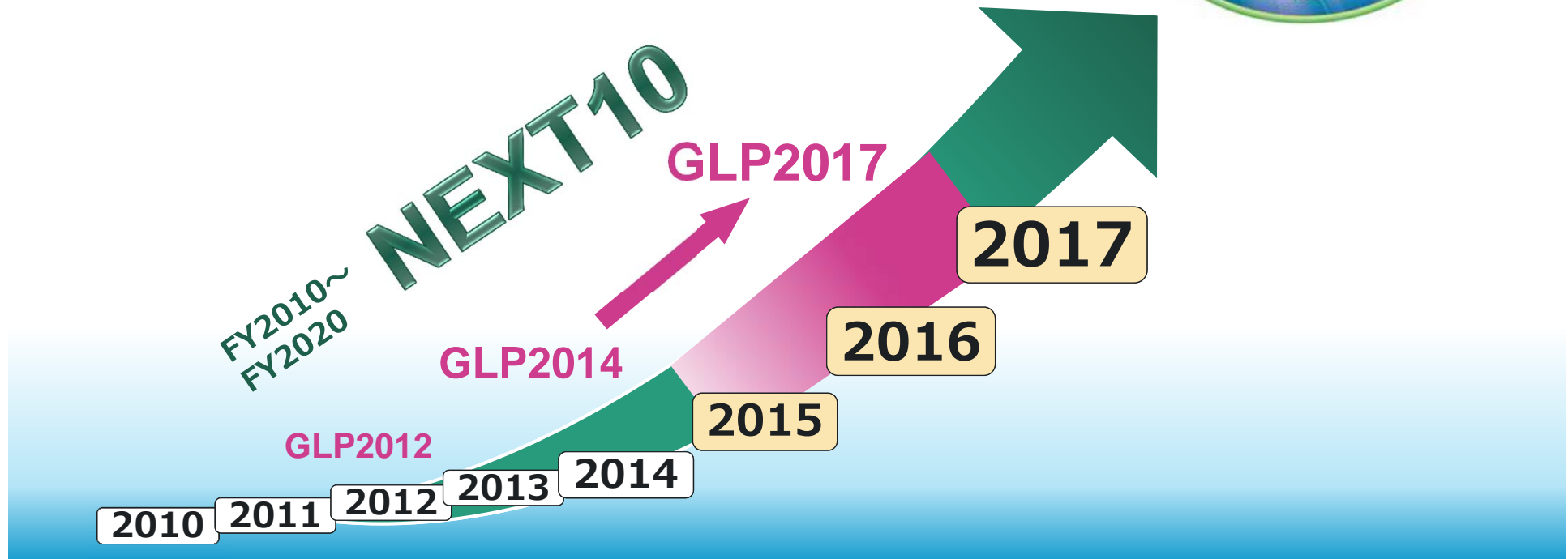
1-1. GLP2017 & 2020VISION

1. To be global market leader

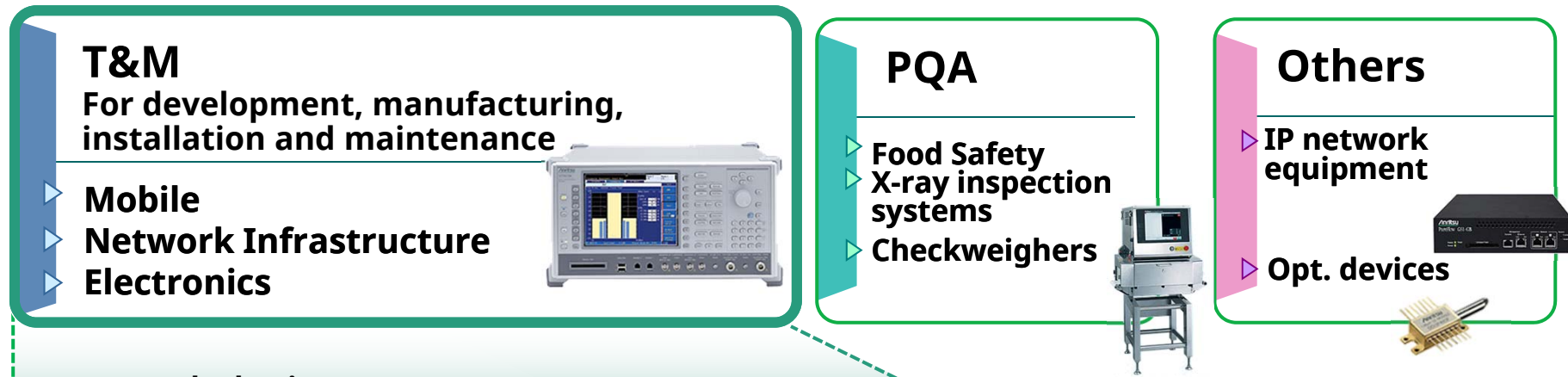
- Create uniquely Anritsu-like corporate value
- Build a world-class, strong, profit-generating platform

2. Create new business by emerging business

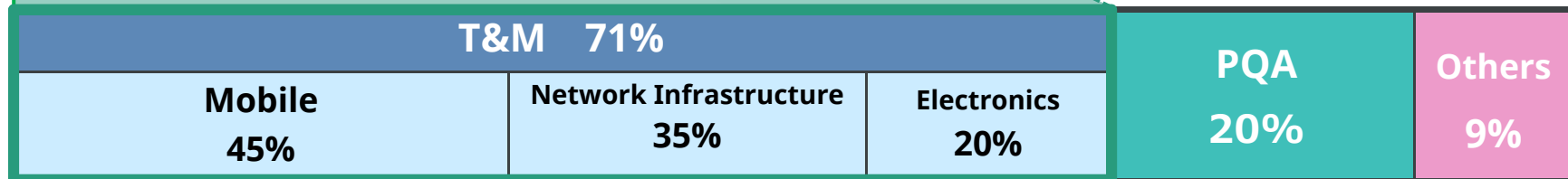
- Demonstrate cutting-edge technology in new business fields



1-2. Outline of our business segments



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

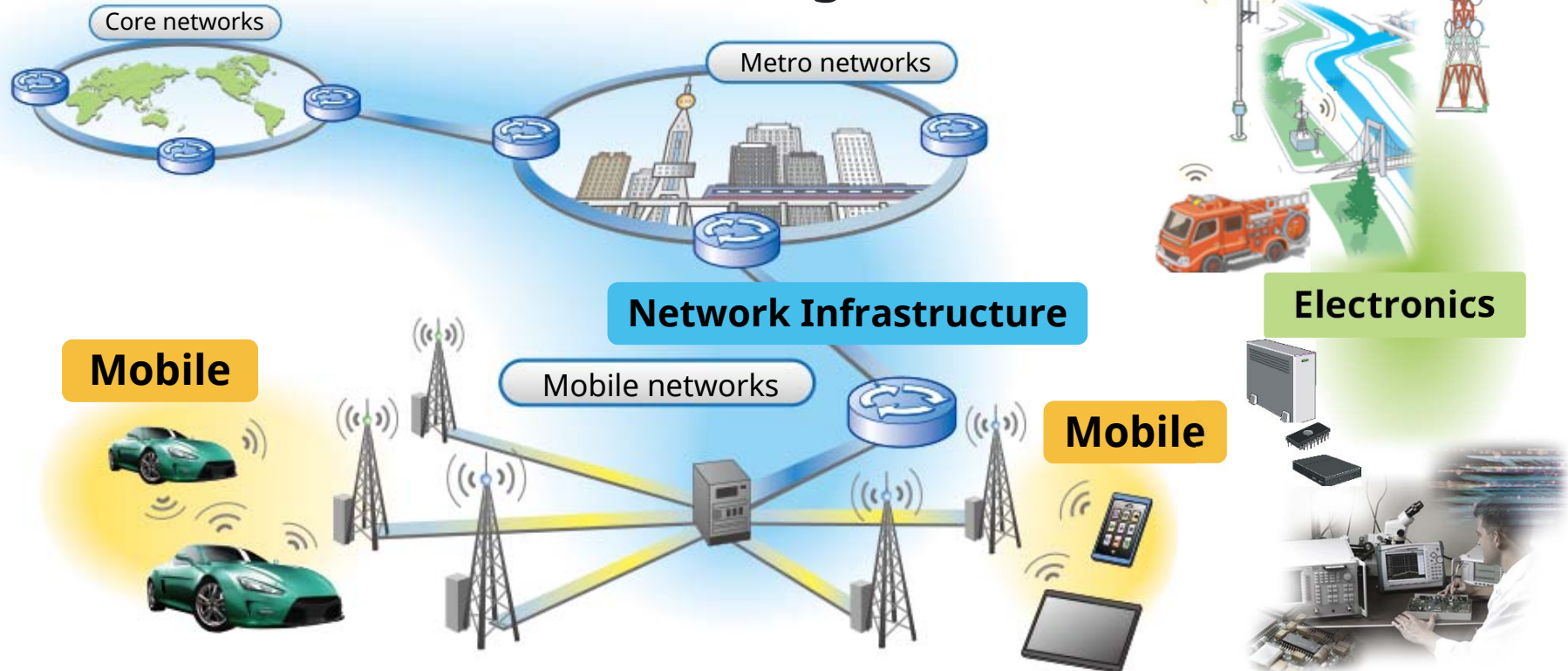


(Sales of T&M business by region in FY2015)



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

1-3. Outline of our business segments <T&M>



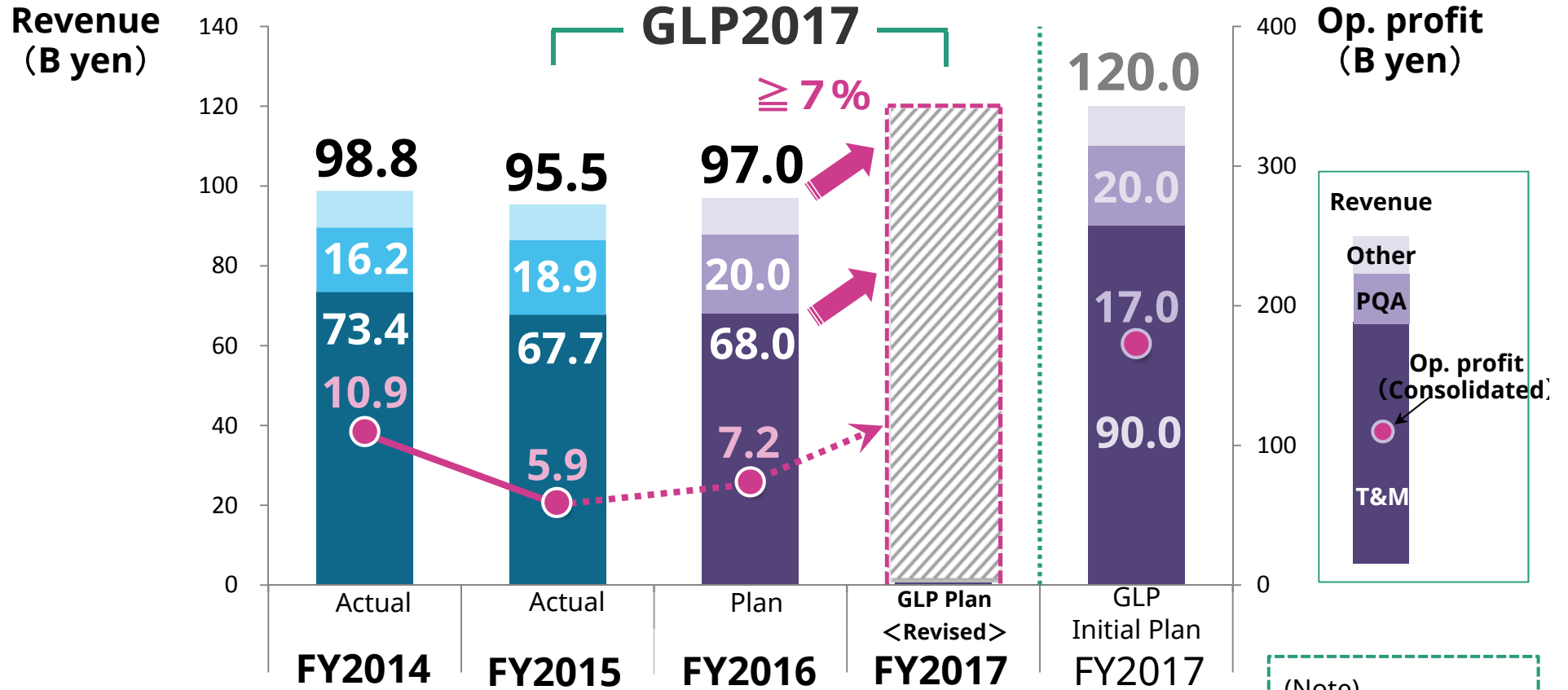
	R&D	Manufacturing	Installation/ Maintenance
Wireline Communication	Network Infrastructure (35%)		
Wireless Communication	Mobile (45%)		
General Purpose	Electronics (20%)*		

2. Middle and long-term management basic strategy

Capture growth drivers without fail,
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 (2) Network Reshaping (3) IoT/5G, Connectivity	$\geq 7\%$ US \$1B in 2020	$\geq 20\%$
PQA	3-5%	Improvement of safety, security and health Solutions with X-ray for quality assurance	$\geq 7\%$	$\geq 12\%$
Consolidated	—	—	—	$\geq 18\%$
ROE	—	—	$\geq 15\%$	

3. GLP2017 Revenue and Op. profit Actual/ Plan

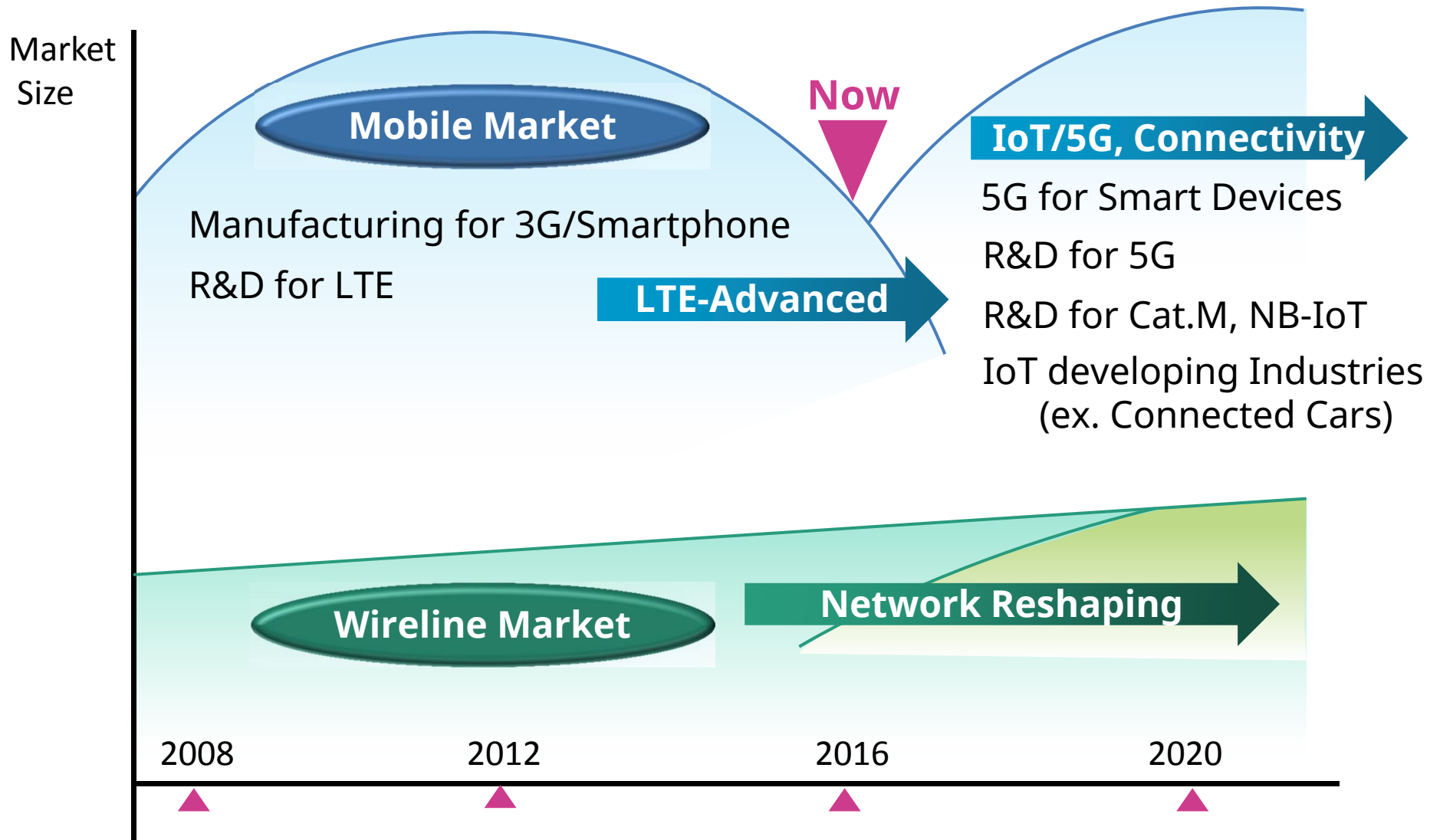


Op. Margin	Consoli.	11%	6%	7%	10%	14%
	T&M	12%	7%	8%	12%	15%
ROE	Consoli.	10%	5%	7%	10%	14%

(Note)
Exchange rate for FY2016(Forecast) :
1USD =110 yen
1EURO=125 yen

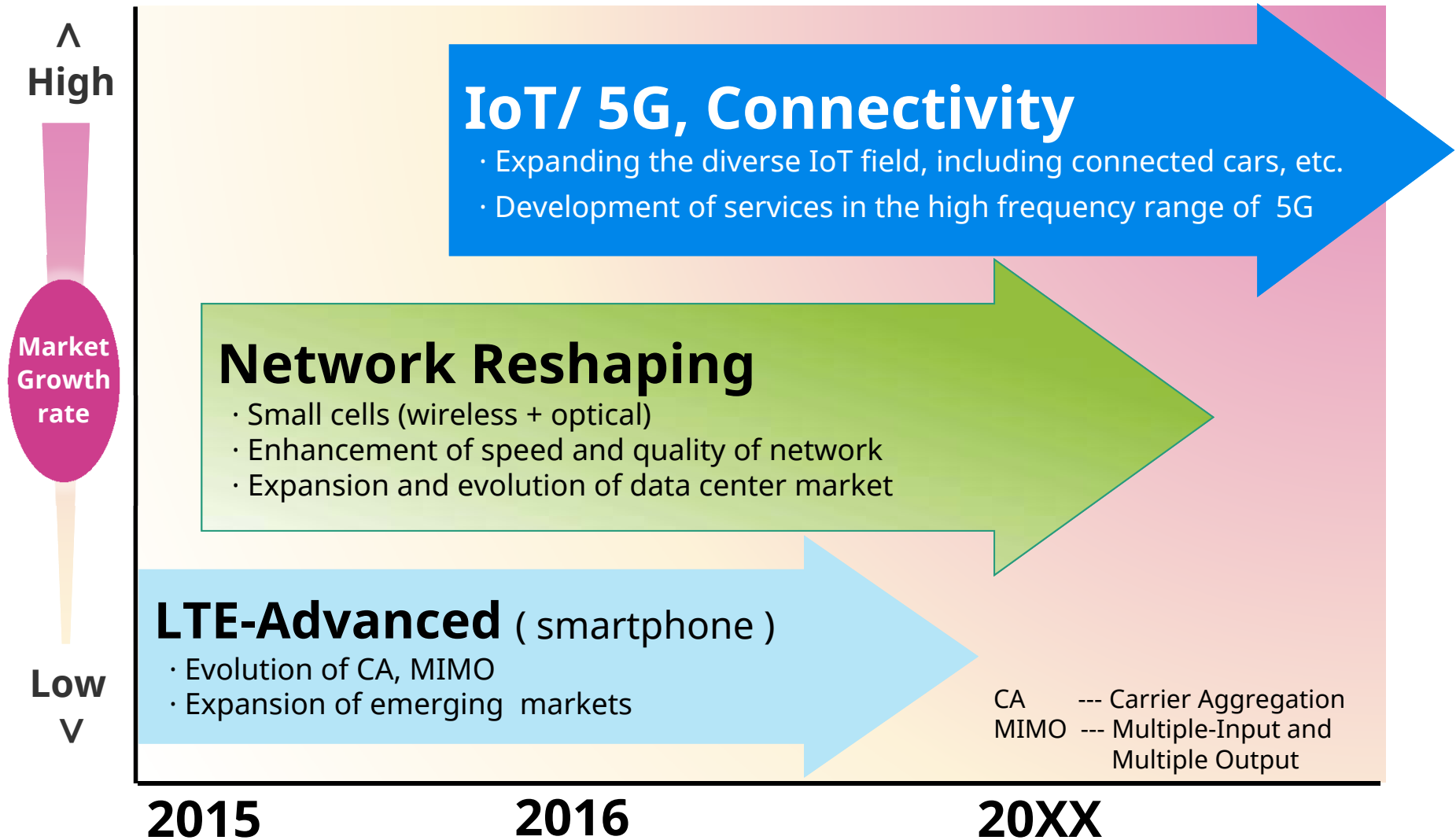
4. Business Opportunities <T&M>

T&M Market Trend of Mobile and Wireline



4-1. Business Opportunities <T&M>

Active investment in IoT/5G - the next growth drivers



4-2-1. 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



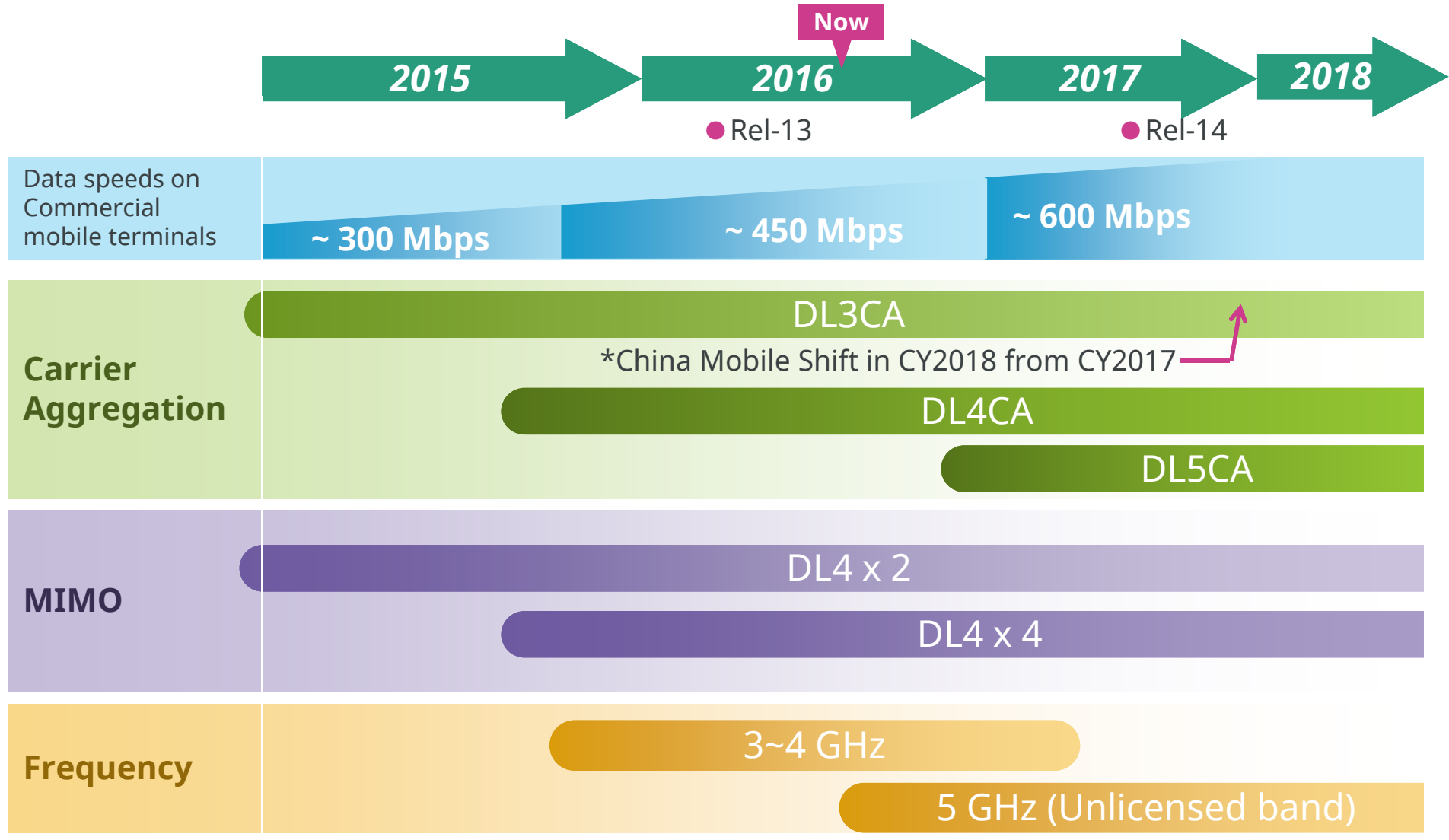
Tablet



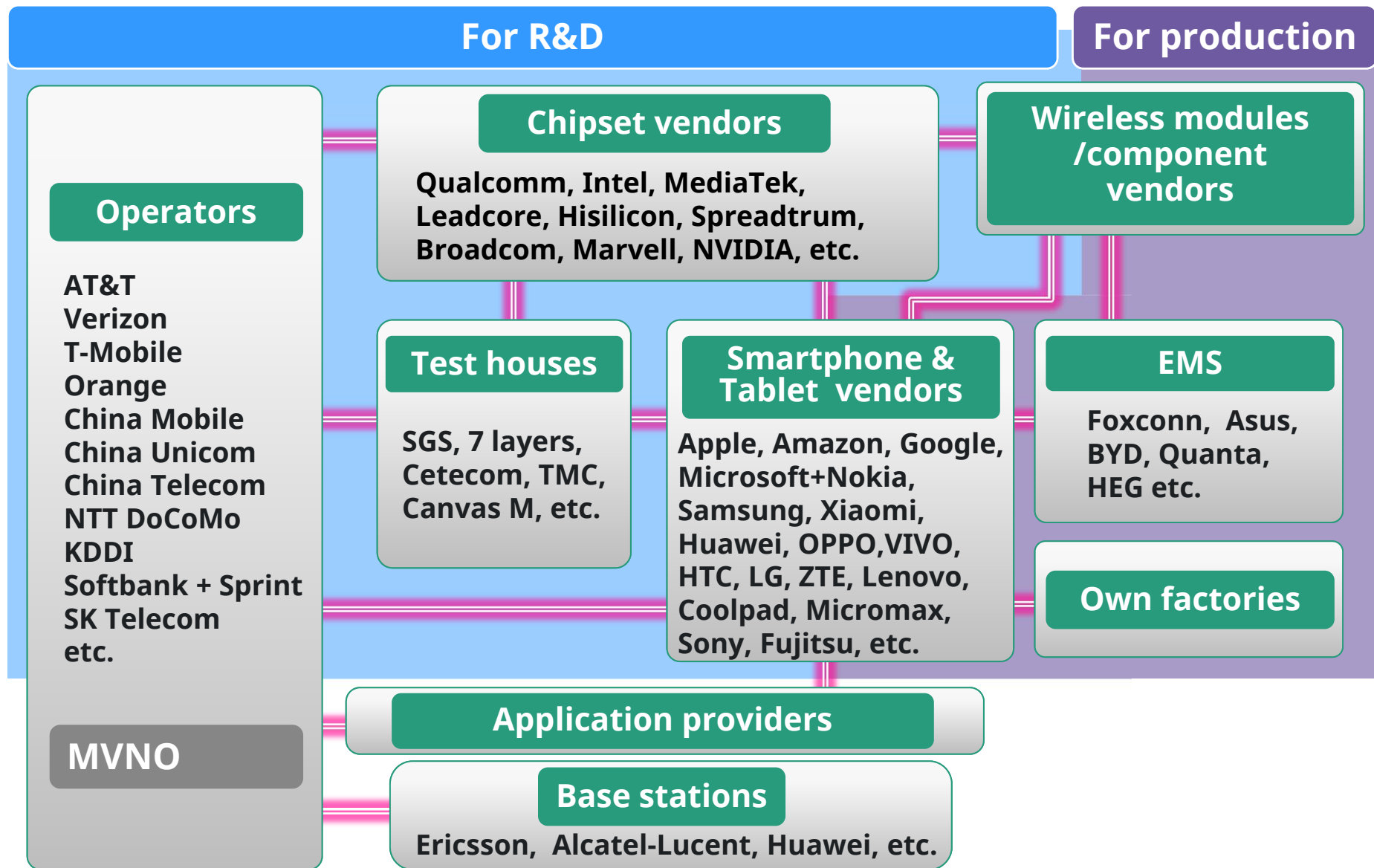
smartphone

4-2-2. Roadmap of LTE-Advanced < LTE-Advanced>











Chipset → UE → Operator Expected demand for measuring instruments for R&D



4-2-3. Food chain and players in mobile telecom market < LTE-Advanced >



4-2-4. Mobile R&D business – various market segments < LTE-Advanced >

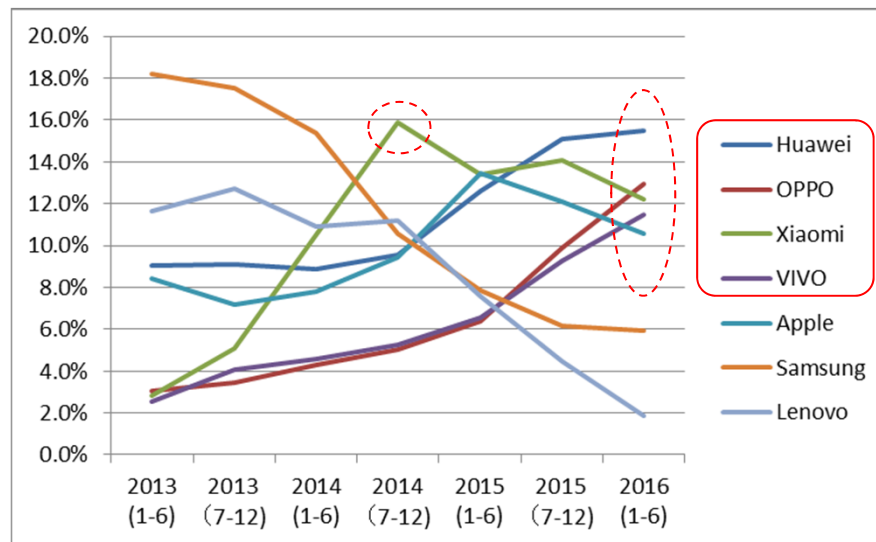
	Platform(Core) Development	Conformance test		Operator Acceptance test	Smartphone Commercial test
		RF	Protocol		
Uses	Comm. standard development Chipset development	Conformance test Interoperability test		Comm. Carrier acceptance test	Application development UE operation test
Main customers	Chipset vendor UE vendor	Chipset vendor, UE vendor, Communication Carrier		Com Carrier, Test house, Vendor,	UE vendor Applications developer
Main theme	<ul style="list-style-type: none"> •FDD / TDD-LTE, LTE-Advanced (Carrier aggregation etc.) •VoLTE (Voice over LTE) •MIMO (Multi Input Multi Output) •Chipset unification of 3G/LTE and SRW (Short Range Wireless) 				<ul style="list-style-type: none"> •Improve data throughput •Battery consumption etc.
Market Positioning	 Keep No.1 position	 Keep No.1 position	 Growing market Position improve	 Growing market Position improve	 Growing market Position improve
Products					
Main Competitors	Rohde & Schwarz		Rohde & Schwarz, Keysight(Agilent, Anite), Spirent		Rohde & Schwarz, Keysight, Aeroflex

4-2-5. Manufacturing solutions for Smart Devices < LTE-Advanced >

Strategy

Targeting to **China Tier2/3 vendors and India local vendors** in Smartphone market and **in-vehicle device/module vendors** in Automotive market, we'll achieve more market share by communicating with Chipset vendor aggressively and continuously, developing Turn-key solution which hits customer's value clearly, and having more cooperation with sales region closely.

Smartphone Shipment Market Share in China by Vendor *



1. Huawei, Vivo, Oppo

The rise of China vendors and intensifying competition

2. The growth of the manufacturing market in India

3. The growth of Connectivity & Module markets for IoT

For 2G / 3G / LTE & Connectivity



MT8870A

Universal Wireless Test Set

*Source : Gartner "Market Share: Final PCs, Ultramobiles and Mobile Phones, All Countries, 2Q16" 15 August 2016
Graph created by Anritsu based on Gartner research

Main Competitors

Rohde & Schwarz, Keysight, Teradyne, National Instruments, Aeroflex

4-3-1. 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**
- **Realizing higher speed network (100Gbps)**
- **Emergence of data centers with higher speed and larger capacity (400Gbps)**



Service area evaluation for the 3.5GHz bandwidth

Base station analyzer + CPRI-based measurement solutions



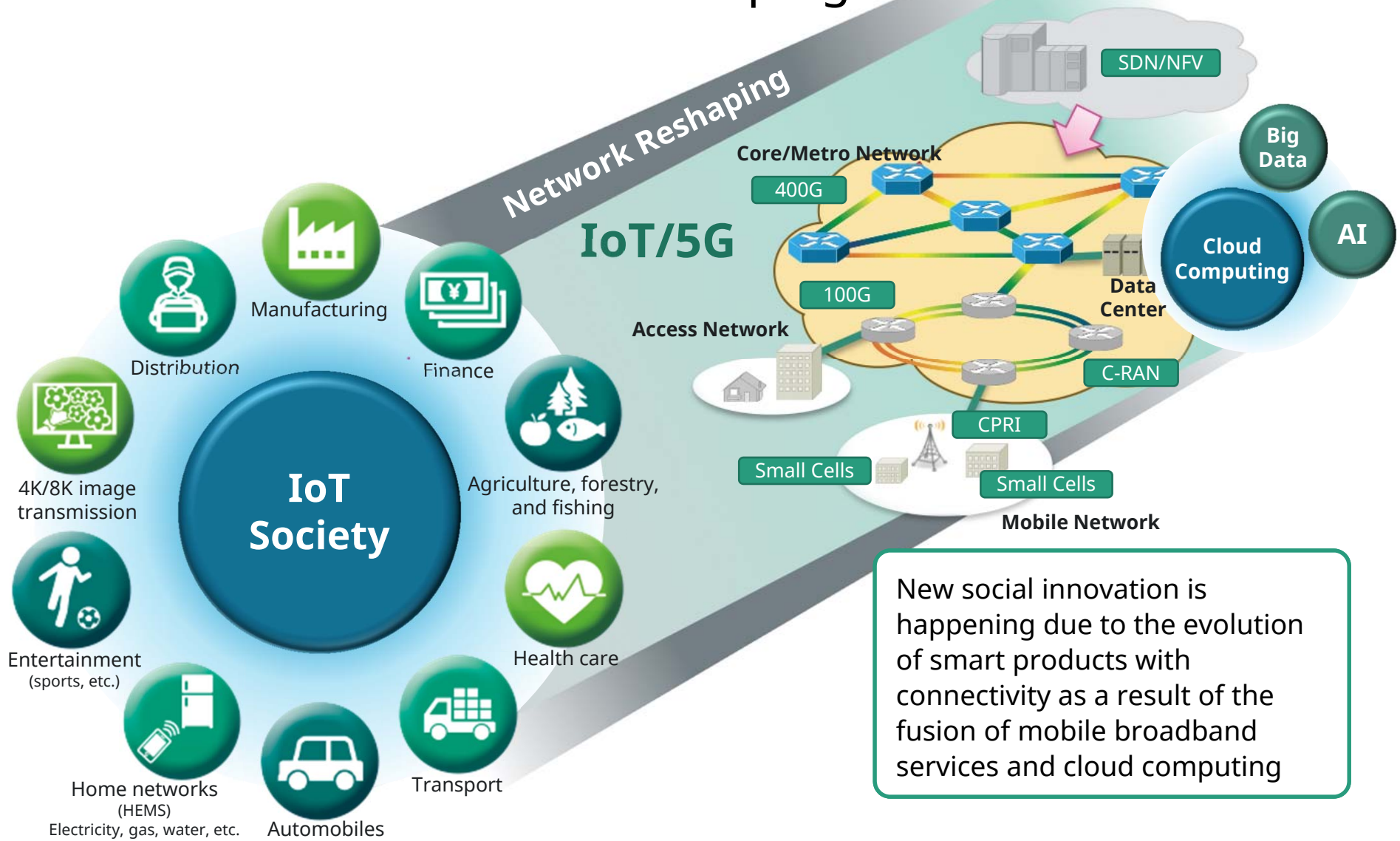
Evaluation of quality in network installation and maintenance



Evaluation of optical modules for data centers

4-3-2. Realization of IoT Society <Network Reshaping>

SDN: Software-Defined Network
NFV: Network Function Virtualization



4-3-3. Start of new base station network

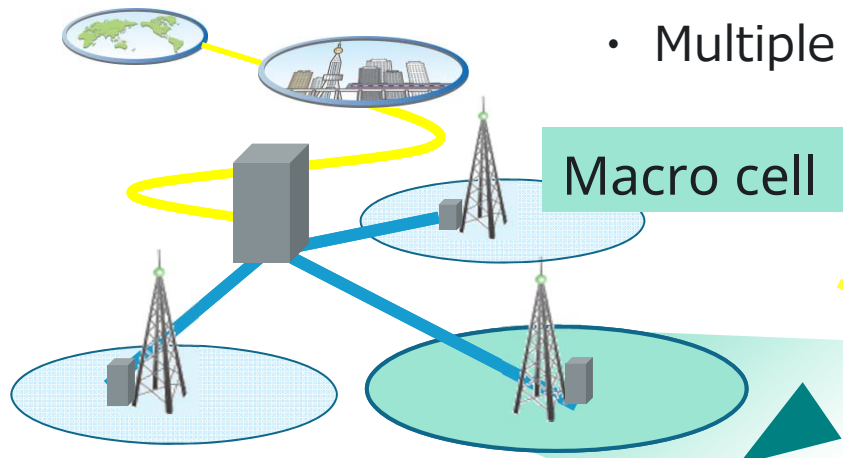
<Network Reshaping>

Started construction of 3 to 5GHz band small cell network.

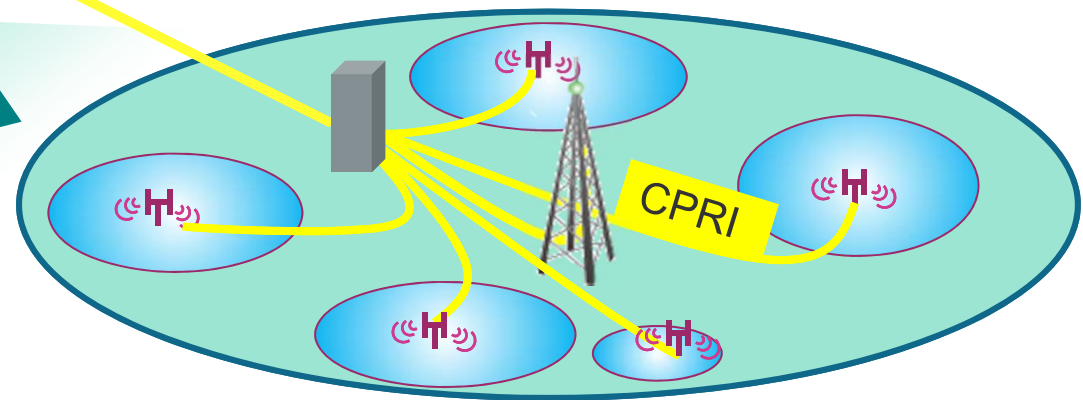
Increase in mobile traffic ⇒ Installation of many small cells

- Shift from metal cable to fiber-optic cable
- Multiple antennas for a single base-band unit

Current LTE



Macro cell + Small cell



Main Competitors

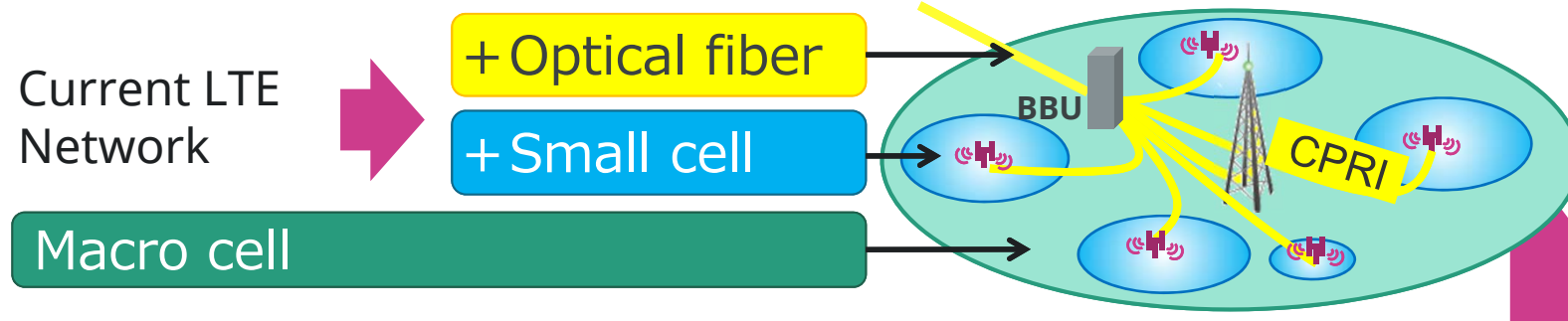
Viavi (formerly known as JDSU)

Further evolution towards IoT/5G

4-3-4. Business opportunities and initiatives

< Network Reshaping >

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



Support the evolution of networks through continuously strengthening test solutions



GOOD DESIGN AWARD
2015

MT1000/1100
Network Master

Wired measurement

+ Cloud Solution

+ Optical CPRI



MT8220T
BTS Master

Wireless measurement

Ongoing function
strengthening

+ Optical CPRI

Further evolution
towards IoT/5G

Reshaping the Future
of Network Test
solution

4-4-1. 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

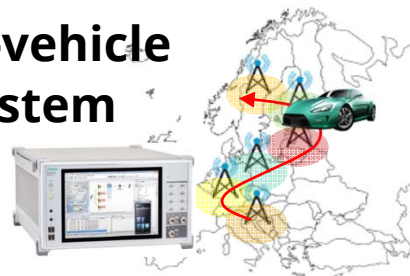
2016

20XX

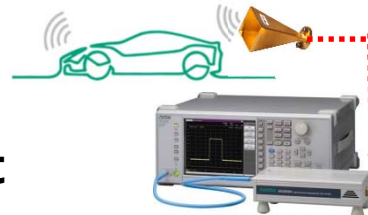
- **Operator-oriented demand for development of IoT (Category M and NB-IoT)**



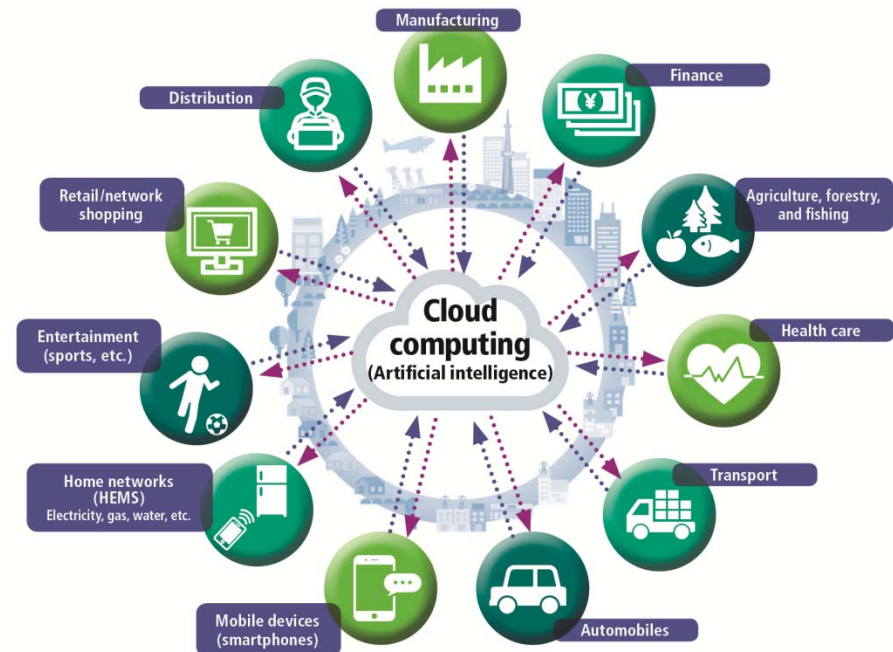
- **Introduction of in-vehicle emergency call system**



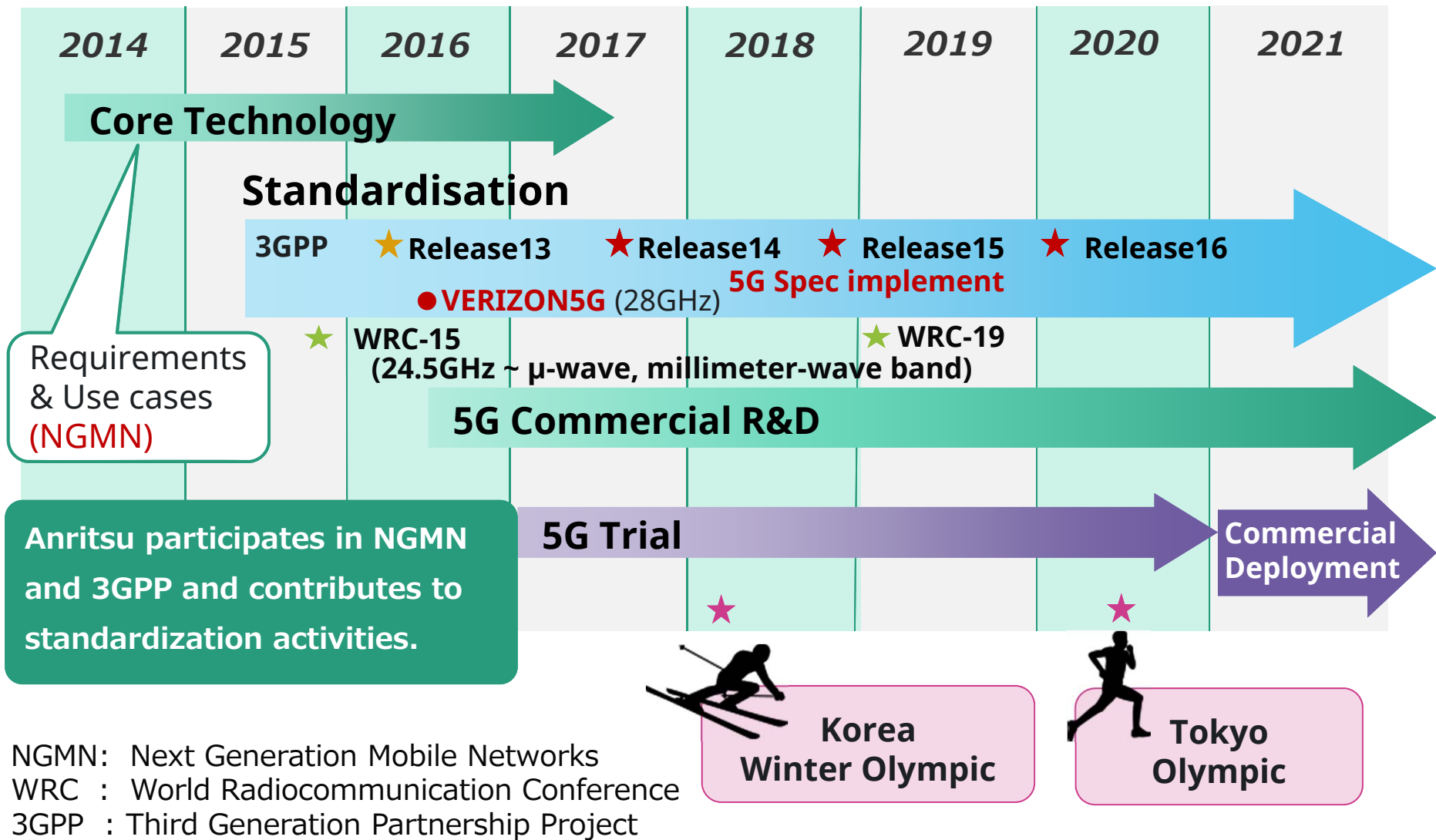
- **Demand for development of modules for the automotive market**



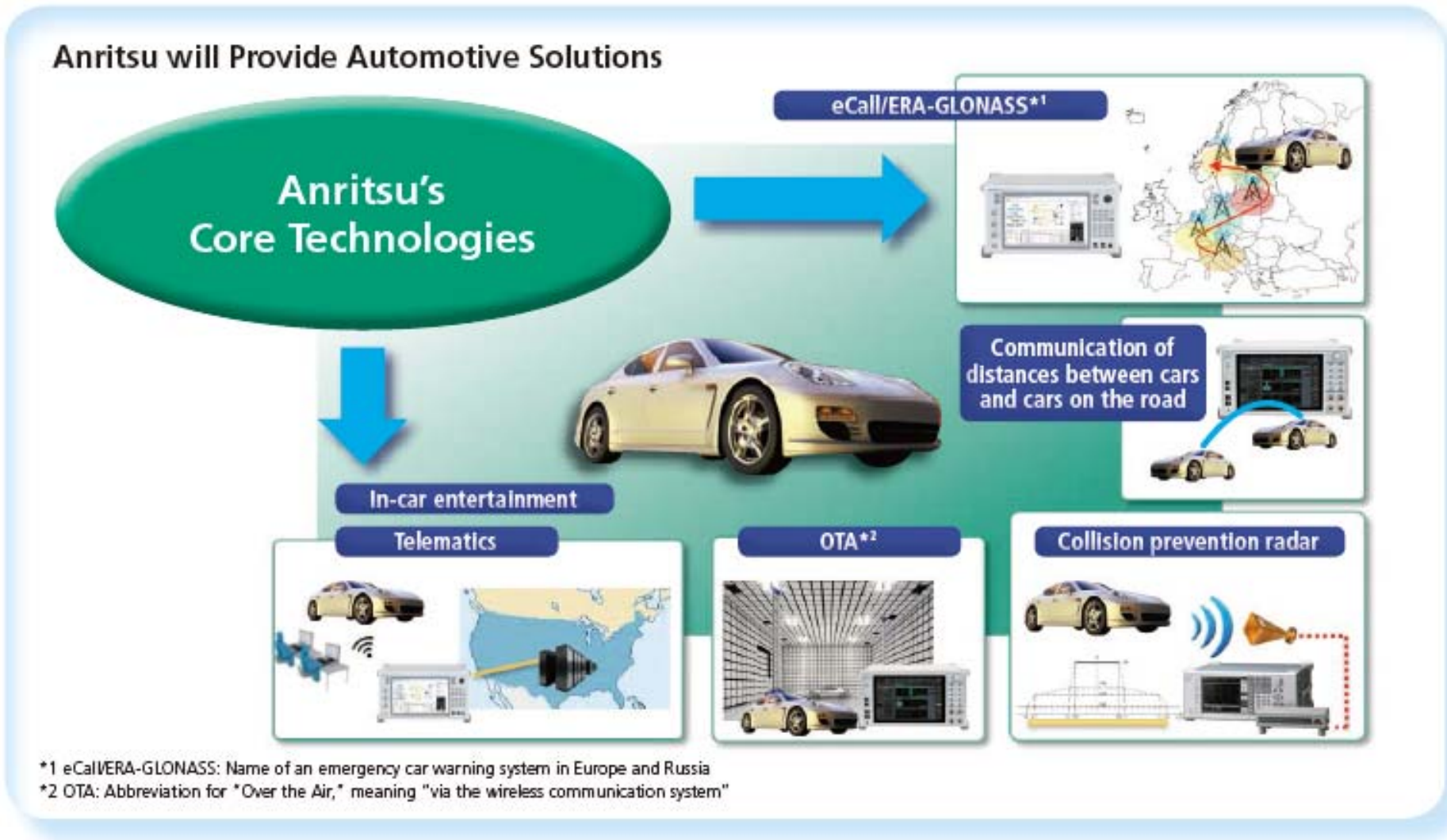
Development test for automotive modules



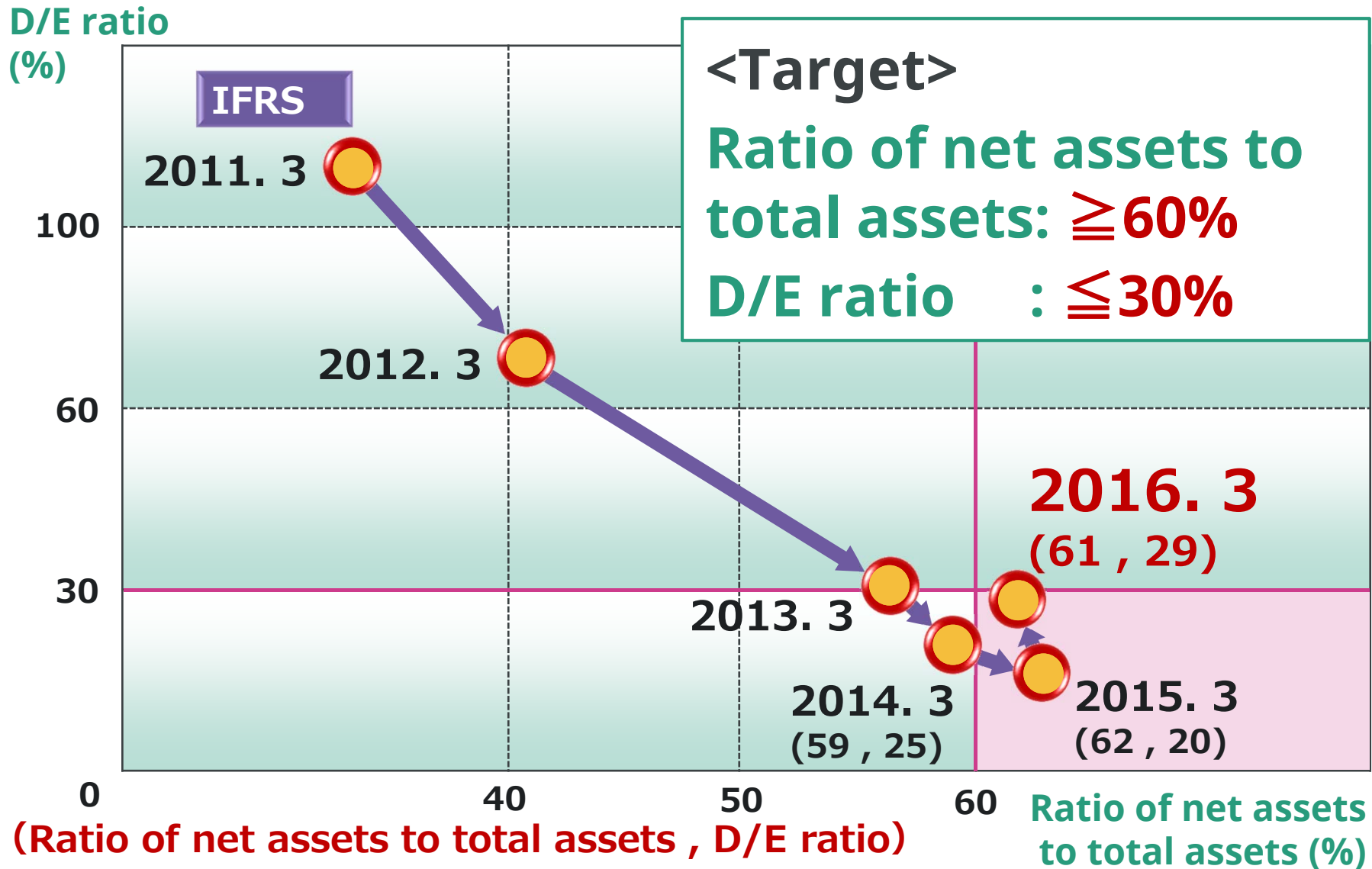
4-4-2. 5G roadmap (CY2015 ~CY2020)



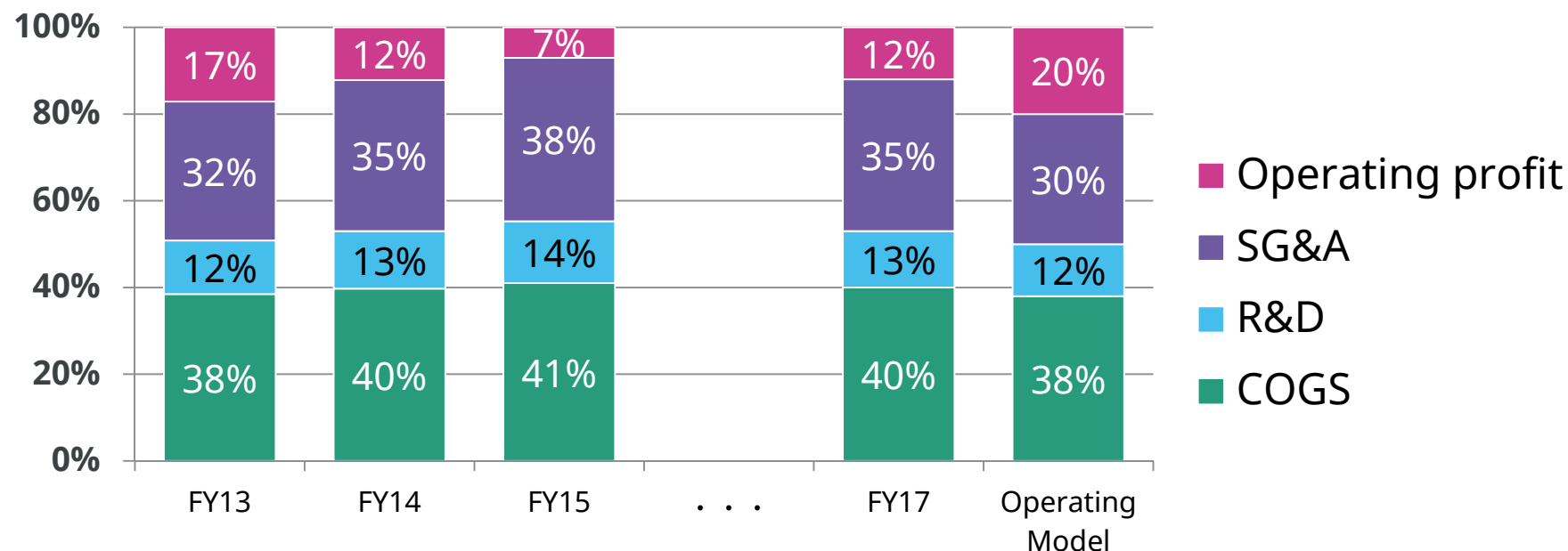
4-4-3. Automotive Solution <IoT/ 5G>



5-1. Financial Strategy



5-2. Profit structure improvement targets < T&M >



Cost structure improvement measures

- Introduction of high value added solutions (professional services, software)
- Thorough enforcement of development ROI & ROIC management (*1)
- SG&A expenses: Organizational structure and optimal allocation of human resources in response to changes in customer trends

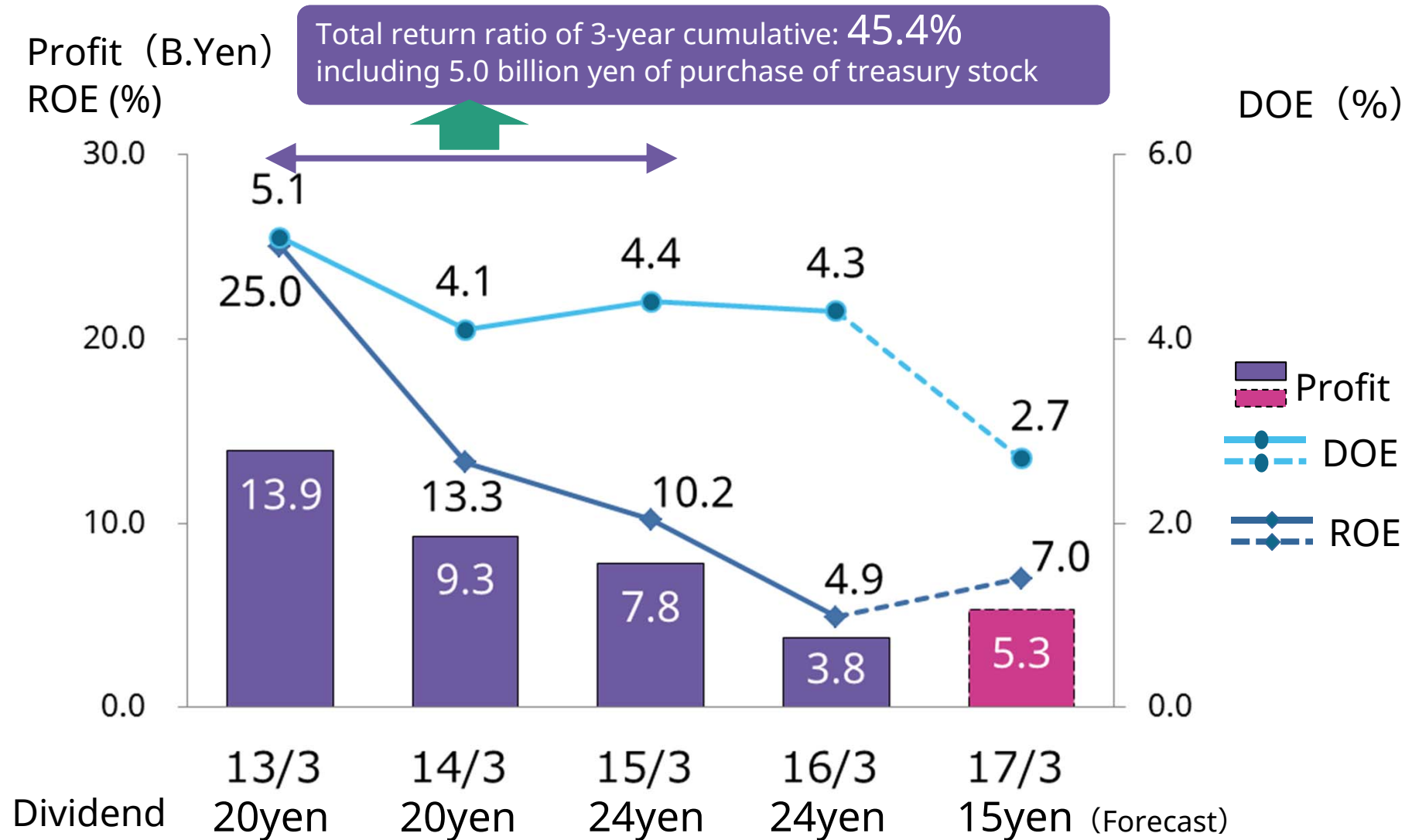
*1:KPI target index for R&D investments is an R&D ROI(gross profit / R&D investment value) of 4.0times or higher.

6-1. Shareholder Return Policy

Dividend Policy

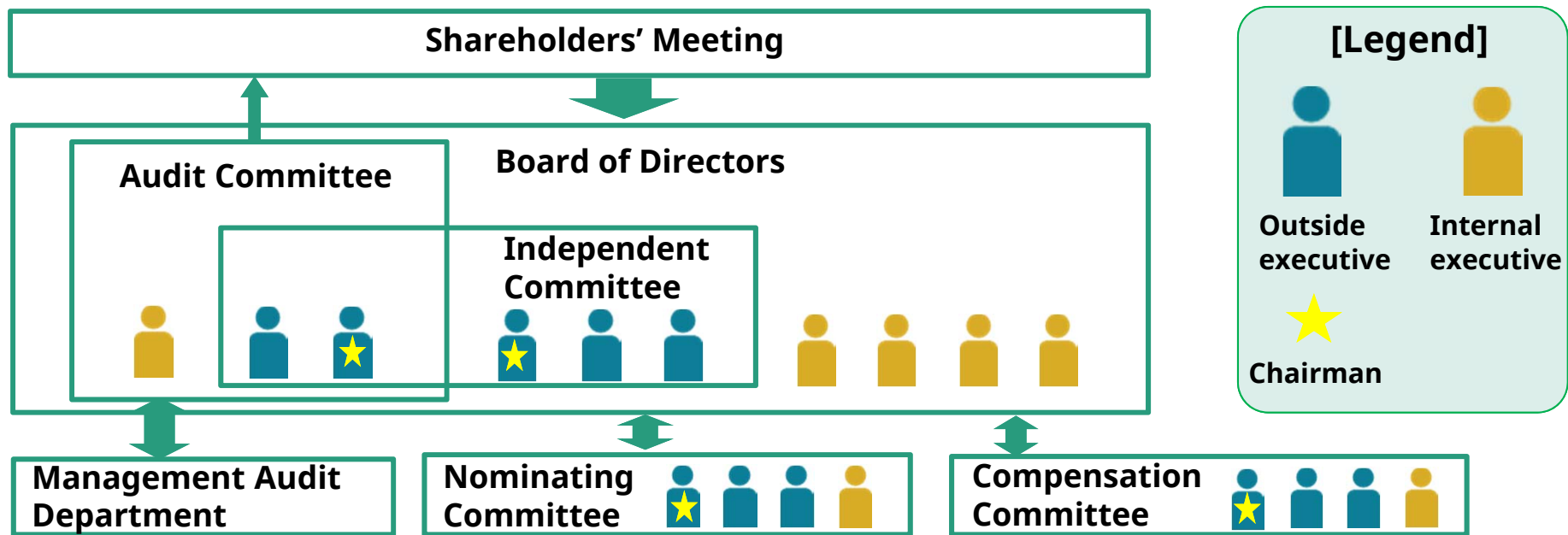
- Distribute profits in accordance with its consolidated performance and by taking into account the total return
- Take the basic approach of raising dividends on equity (DOE) in accordance with the increase in consolidated profits for the fiscal year
- Aim at a consolidated dividend payout ratio of 30 percent or more

6-2. Dividend Change



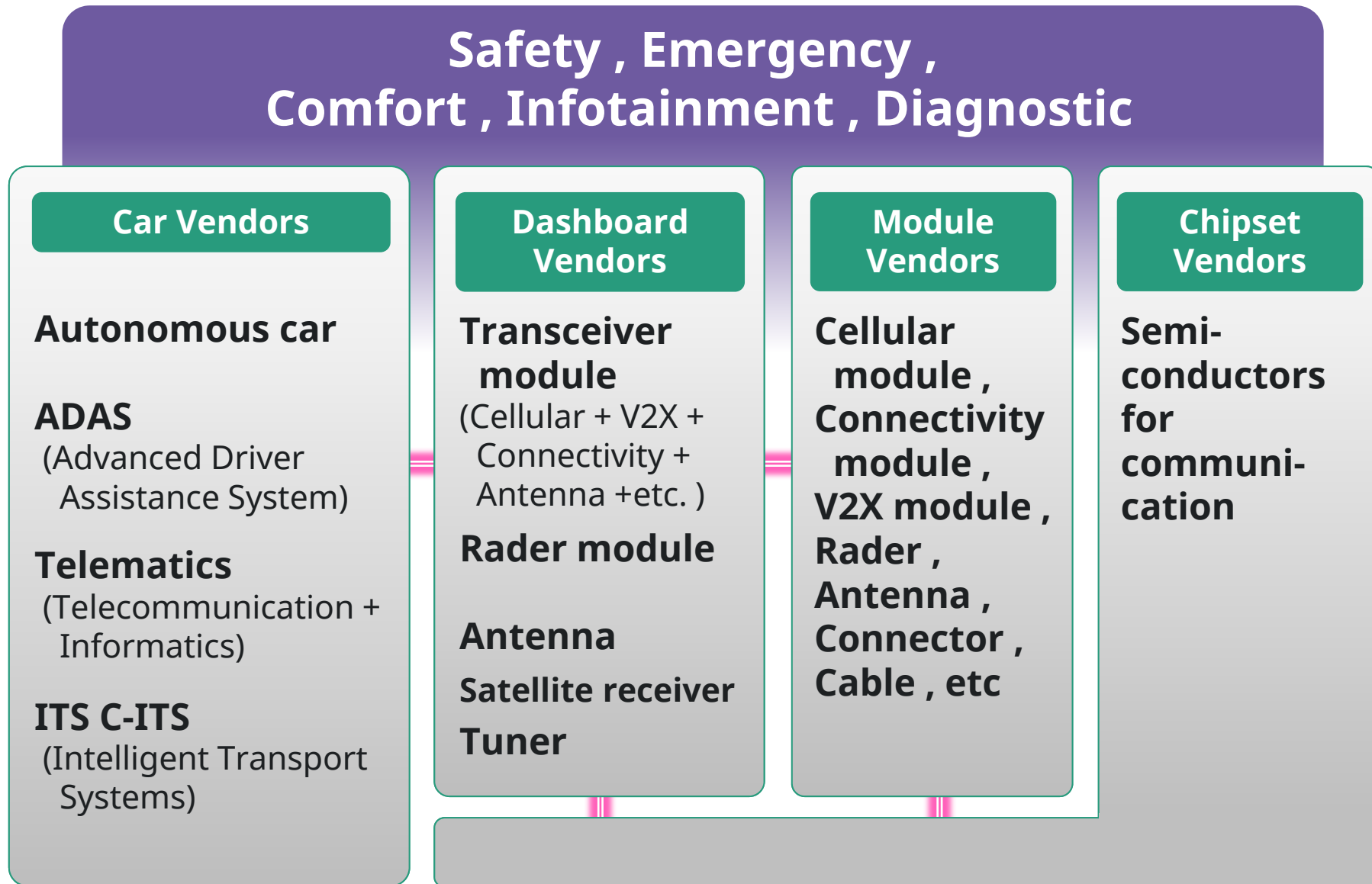
7. Corporate Governance

New Structure after transition to a Company with an Audit Committee

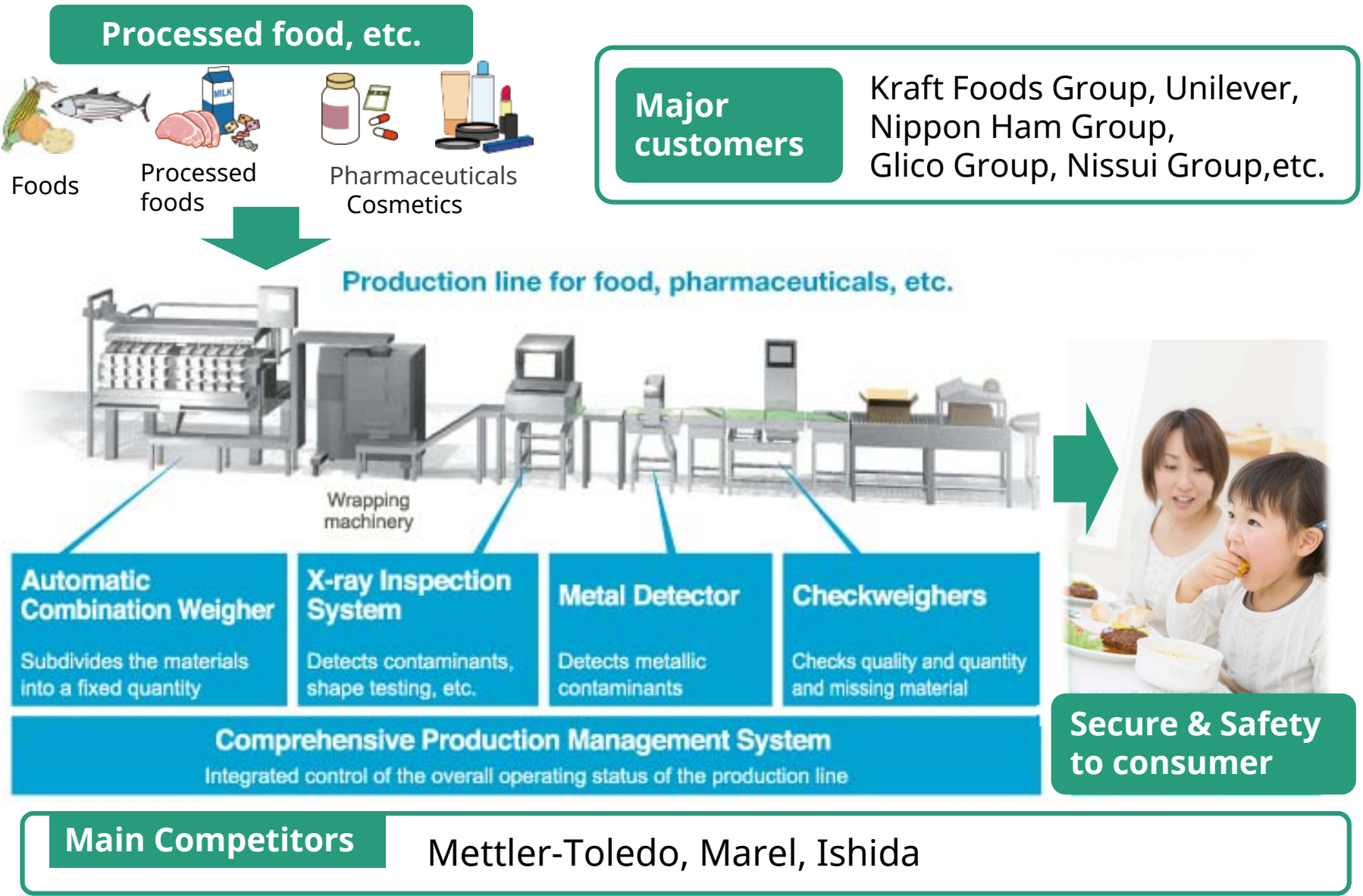


Appendix

Appendix-1. Food chain and players in Automotive market < T&M >

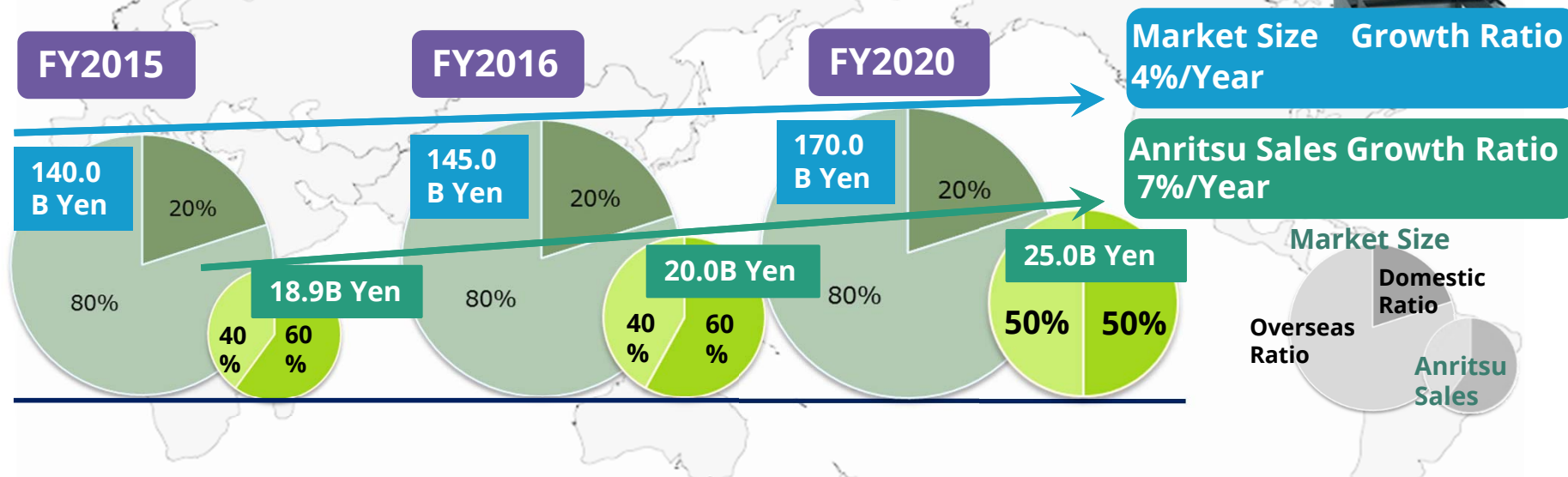


Appendix-2. Outline of PQA business segments (Products Quality Assurance)



Appendix-3. Strategy and growth opportunities < PQA > Expanding overseas business



The quality assurance market for food and pharmaceutical products will remain stable with an average annual growth rate of 4% (Anritsu's estimates).



Market	Major initiatives
North America Asia	Develop market with X-ray inspection systems as a key solution
Japan	Improve market share through quality assurance solutions with high added value in response to cutting-edge needs

II . Financial Results for the 1st. Quarter and Forecast for full year of FY2016

II -1. 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

II -1. 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

II -1. 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)
Comperhensive Income	2.5	(2.8)	(5.3)

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

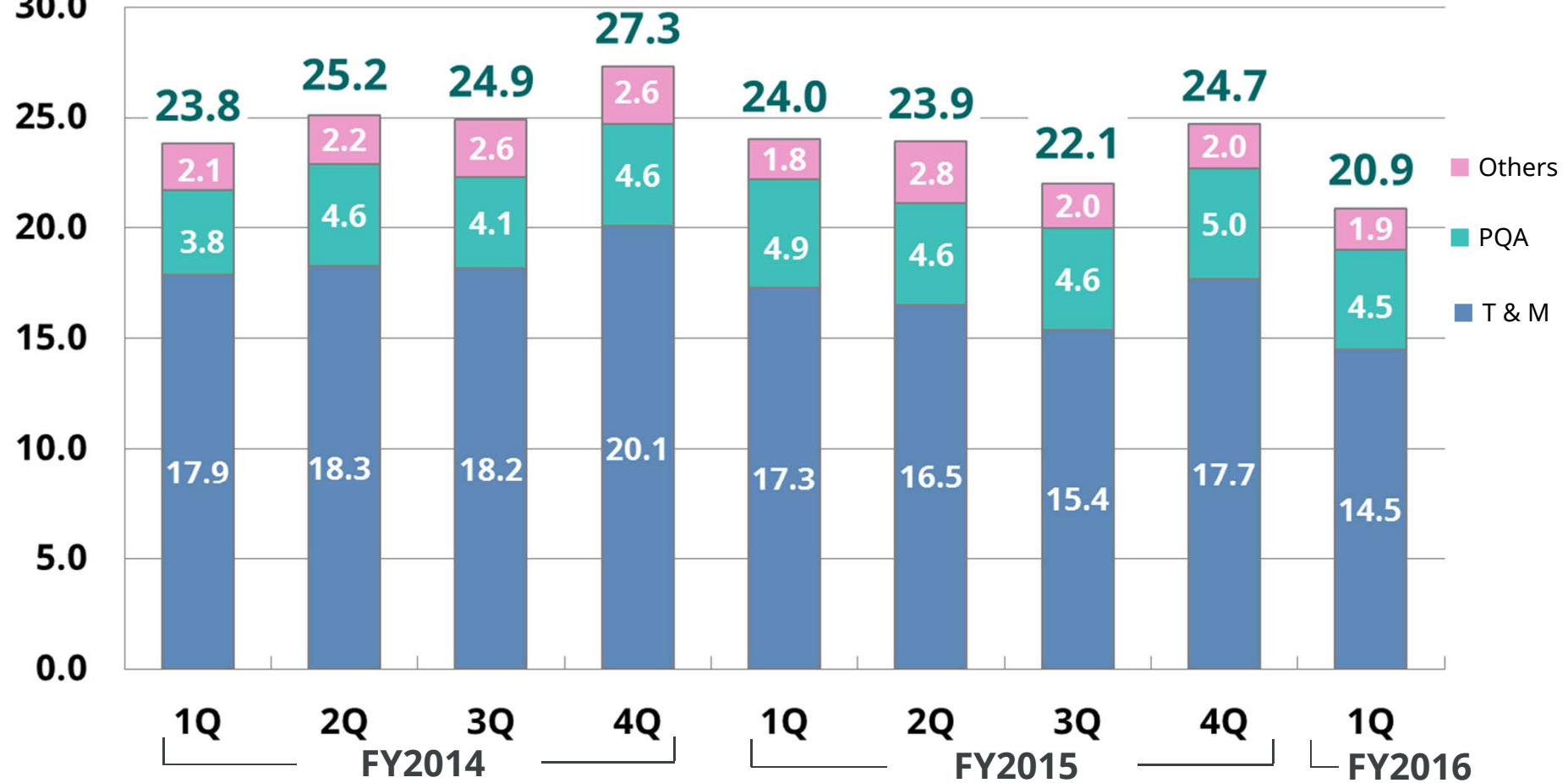
Note : Numbers are rounded off in each column

II -1. Consolidated performance -Orders by business segment-

▶ T&M: 16% decrease from the previous 1Q

▶ PQA: Progressing as per the plan

Bn. Yen
30.0



Note : Numbers are rounded off in each column

II -1. Consolidated performance -Results by business segment-

Unit: Billion Yen

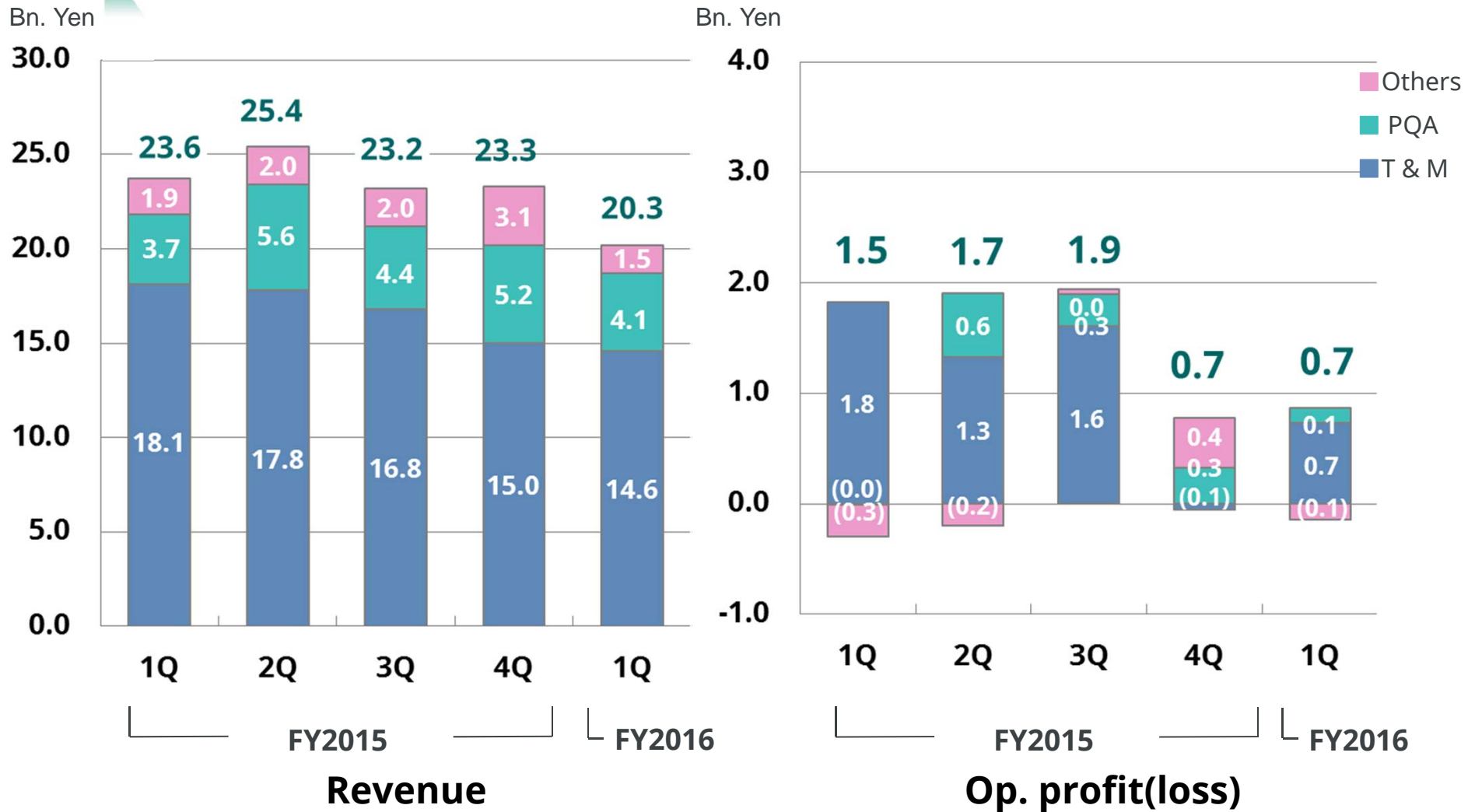
International Financial Reporting Standards (IFRS)		1Q FY2015 (Apr. to Jun.)	1Q FY2016 (Apr. to Jun.)	YoY	YoY (%)
T&M	Revenue	18.1	14.6	(3.5)	-19%
	Op. profit (loss)	1.8	0.7	(1.1)	-60%
PQA	Revenue	3.7	4.1	0.4	11%
	Op. profit (loss)	(0.0)	0.1	0.1	-
Others	Revenue	1.9	1.5	(0.4)	-18%
	Op. profit (loss)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

II -1. Consolidated performance -Revenue and Op. profit by quarters-

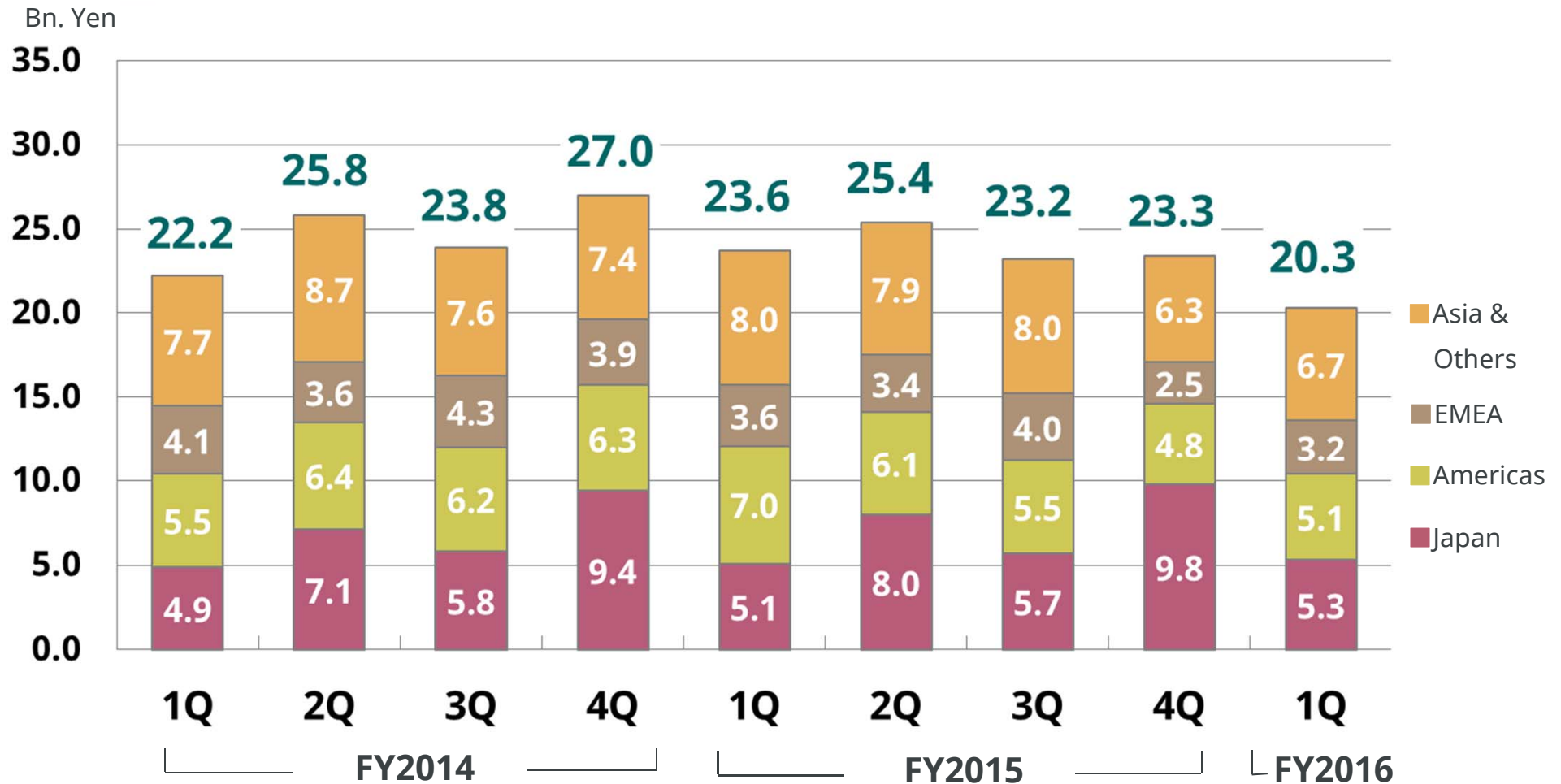
▶ Company posted 3.6% operating margin for 1Q



Note : Numbers are rounded off in each column


II -1. Consolidated performance -Revenue by region-

Decreased revenue year on year in the Americas, EMEA and Asia



Note : Numbers are rounded off in each column

II -1. Consolidated performance -Cash Flow-

 Operating cash flow margin ratio was 24%

Cash Flow (FY2016Q1)

Operating CF : 4.8 Bn. Yen
 Investing CF : (1.0) Bn. Yen
 Financial CF : (1.7) Bn. Yen

Free Cash Flow

Op. CF + Inv. CF : 3.8 Bn. Yen

Cash at the end of period

37.8 Bn. Yen

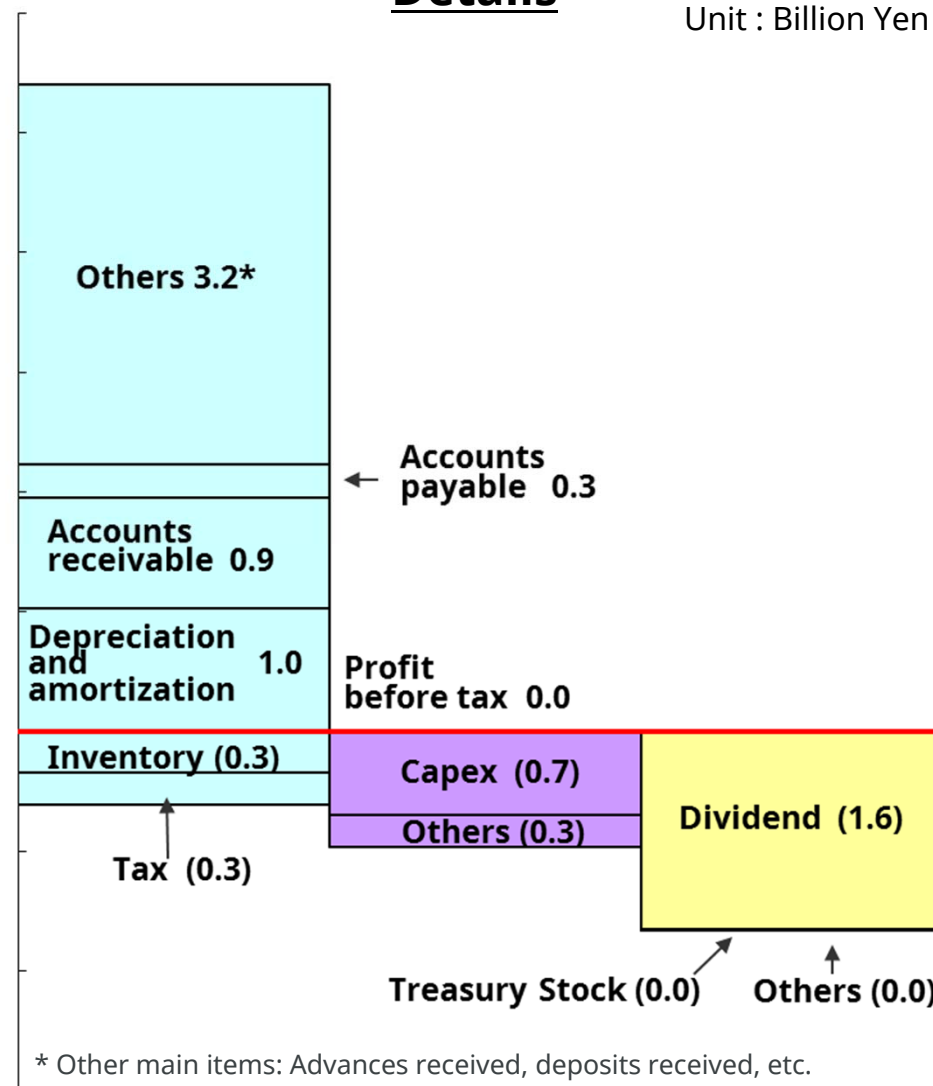
Interest-bearing debt.

22.0 Bn. Yen

Note : Numbers are rounded off in each column

Details

Unit : Billion Yen



Op. CF 4.8

Inv. CF (1.0)

Fin. CF (1.7)

II -2. 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



Anritsu
envision : ensure

