

Continuous Growth with Sustainable Superior Profits

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President and Group CEO
Anritsu Corporation

February, 2017



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. Revenue and Op. profit Actual/ Forecast
4. Business opportunities < T&M >
5. Business opportunities < PQA >
6. Financial strategy
7. Shareholder Return Policy
8. Corporate Governance

II. Financial Results for the 3rd. Quarter and Forecast for full year of FY2016

1-1. 2020VISION



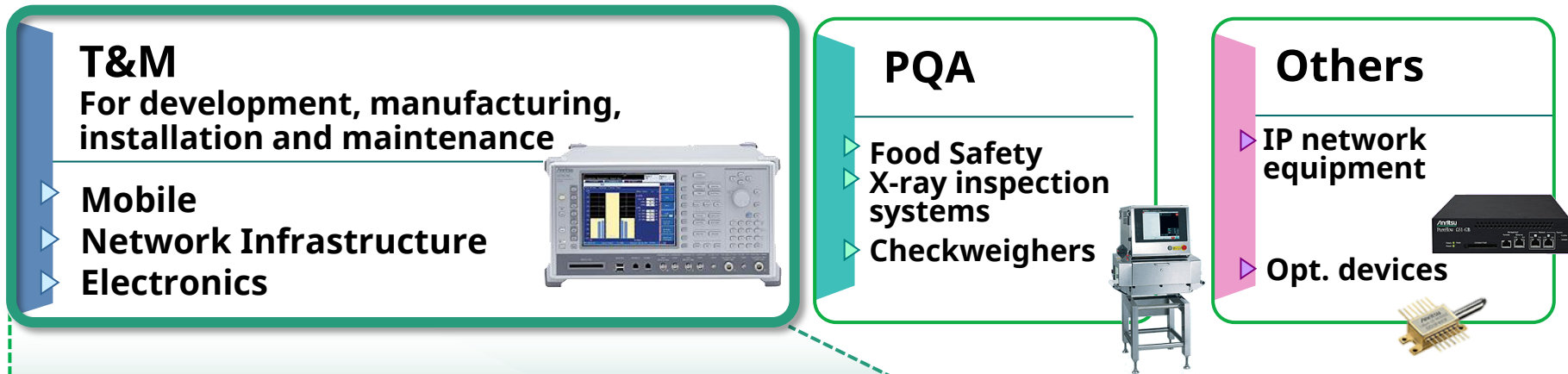
To be a global market leader

- Creating the value that only Anritsu can deliver
- Building a world-class, robust income structure

To create new business through emerging business

- Driving innovation in new business areas

1-2. Outline of our business segments



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

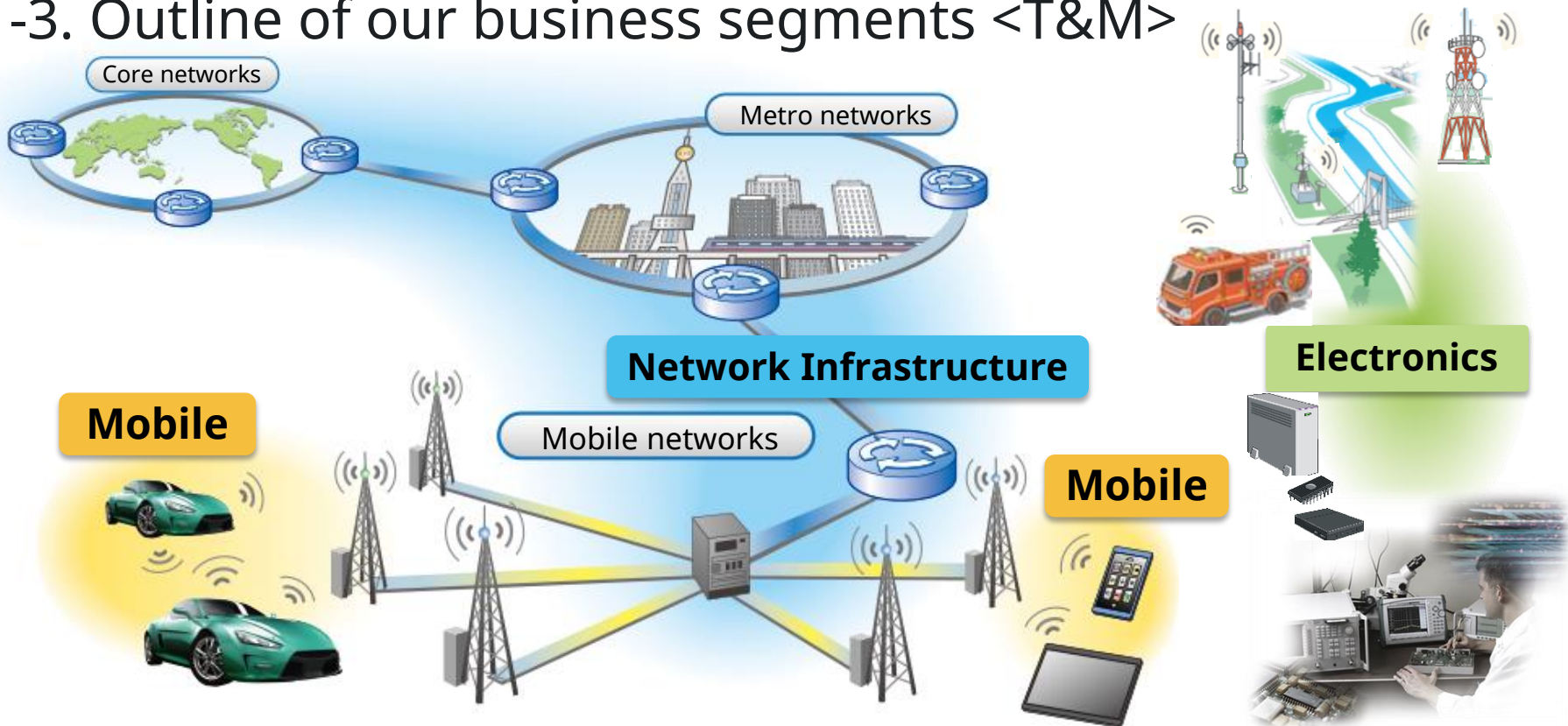
T&M 71%			PQA 20%	Others 9%
Mobile 45%	Network Infrastructure 35%	Electronics 20%		

(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

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%)*		

*Electronics components etc.

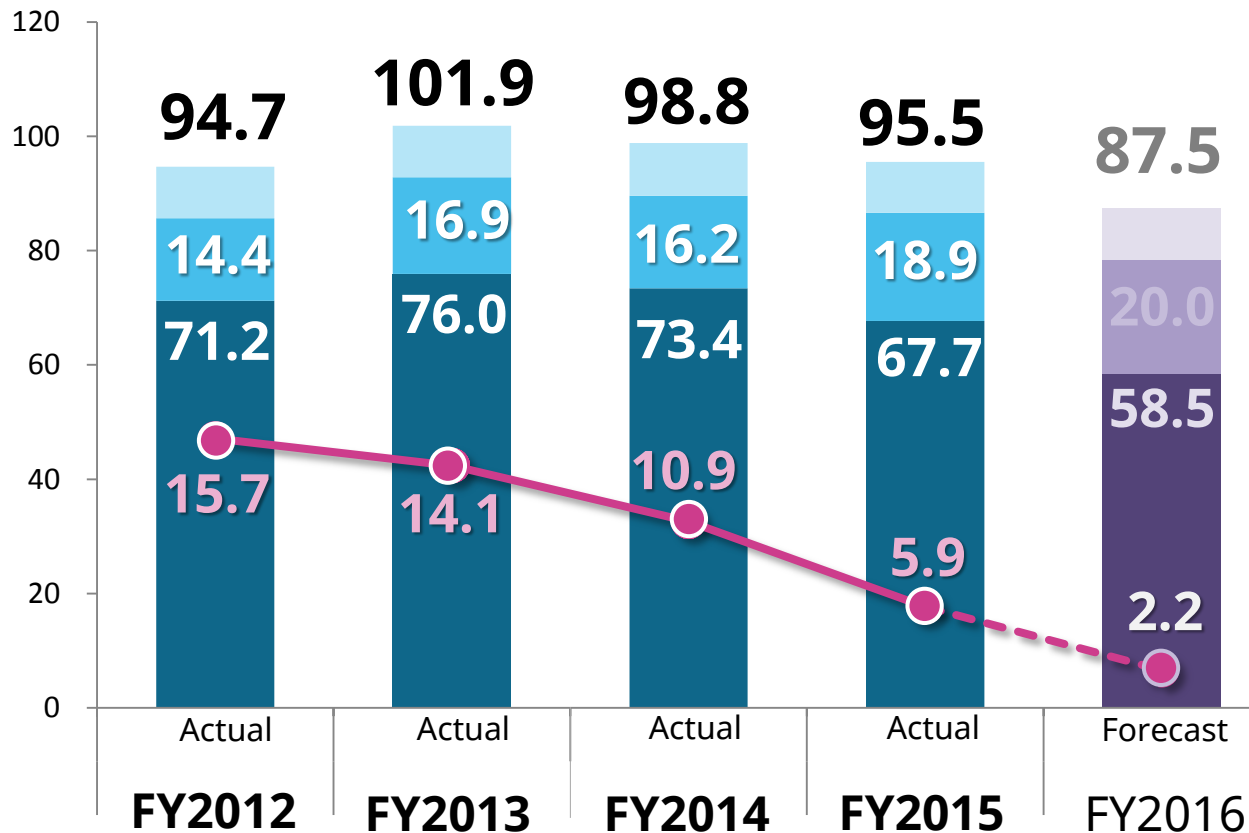
2. Middle and long-term management basic strategy

Capture growth drivers without fail,
and realize “continuous profitable growth”

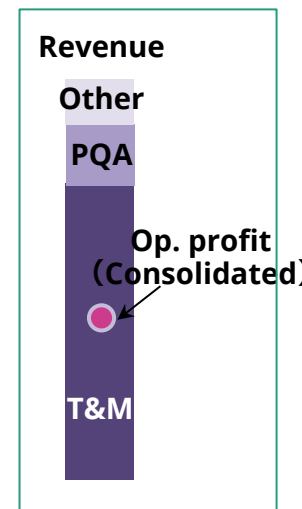
	Market average annual growth rate	Growth driver	Target	
			Sales growth rate	Operating margin
T&M	3-5%	Broadband expansion and innovation (1) LTE-Advanced (2) Network Reshaping (3) IoT/5G, Connectivity	$\geq 7\%$	$\geq 20\%$
PQA	3-5%	Improvement of safety, security and health Solutions with X-ray for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

3. Revenue and Op. profit Actual/ Forecast

Revenue
(B yen)



Op. profit
(B yen)



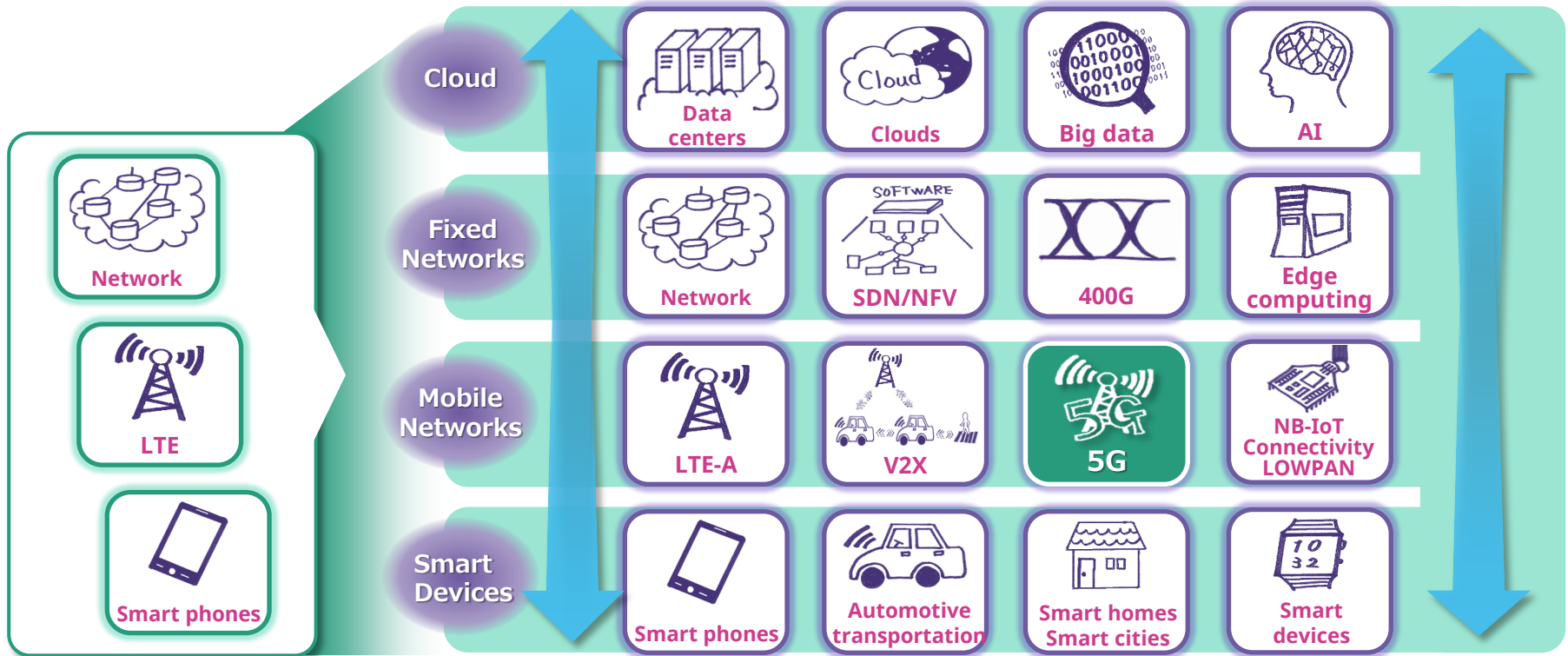
Op. Margin	Consoli.	17%	14%	11%	6%	3%
	T&M	21%	17%	12%	7%	1%
ROE	Consoli.	25%	13%	10%	5%	-

(Note)
Exchange rate for
FY2016 2H(Forecast) :
1USD =100 yen
1EURO=110 yen

4-1-1. Anritsu's business areas are expanding toward IoT and 5G

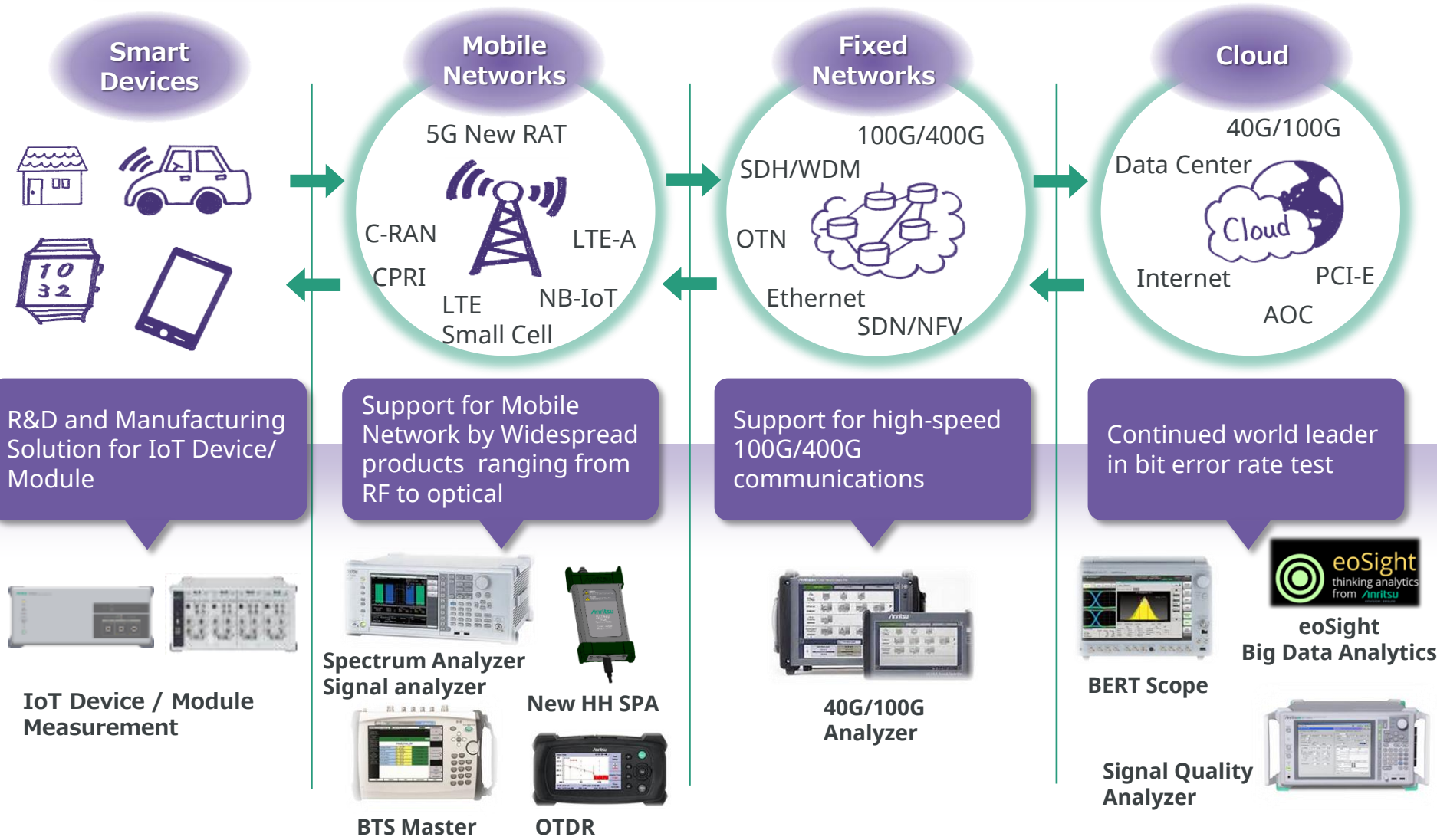
Current main business domains

Future business domains

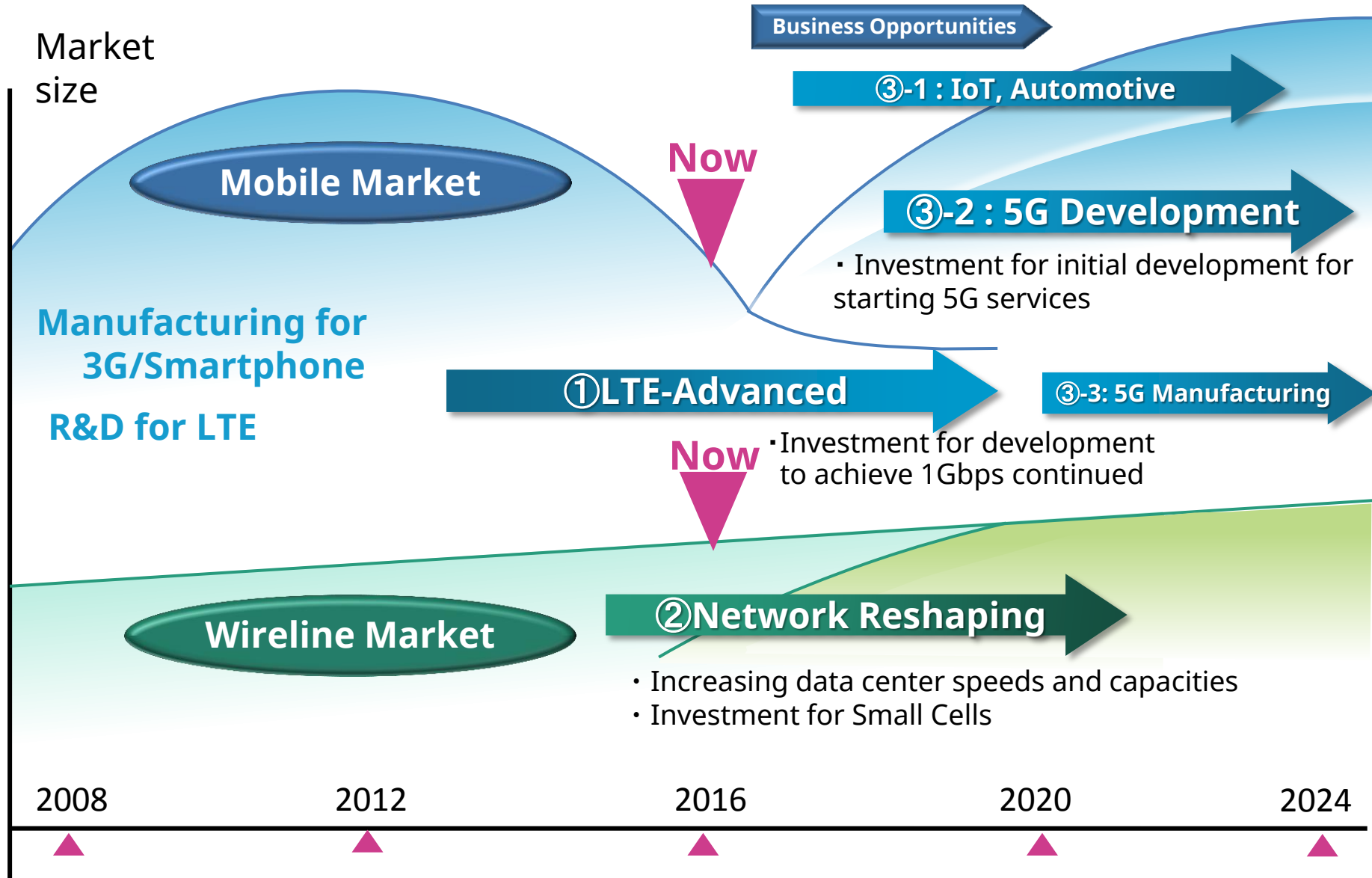


4-1-2. Contributing to the establishment of 5G network infrastructure

Features of 5G : 1/10×Latency 100×Peak Data Rate 100×Capacity



4-1-3. Business Opportunities <T&M>



4-2-1. Latest trends in 5G and test solutions

CY2016 2017 2018 2019 2020 2021

Rel.14 Rel.15 Rel.16 Rel.17



★NSA-NR (Non-Standalone New Radio)

VERIZON 5G TECHNICAL FORUM

5G Specification

R&D Phase



Trial / Service



Start development of chipsets and devices



Test Solutions

Main Competitors

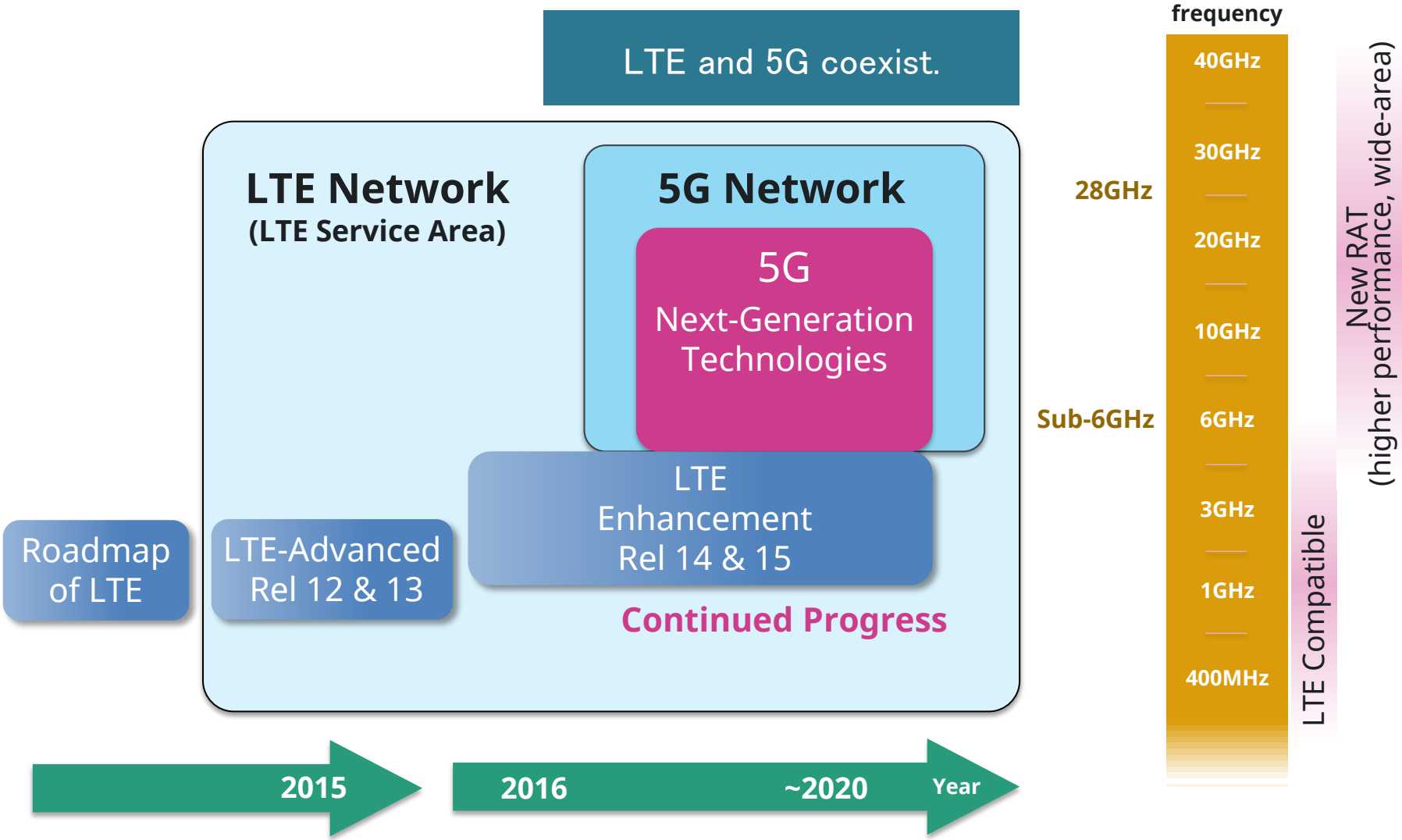
Rohde & Schwarz, Keysight

Solutions for mass production

Solutions for initial stage development

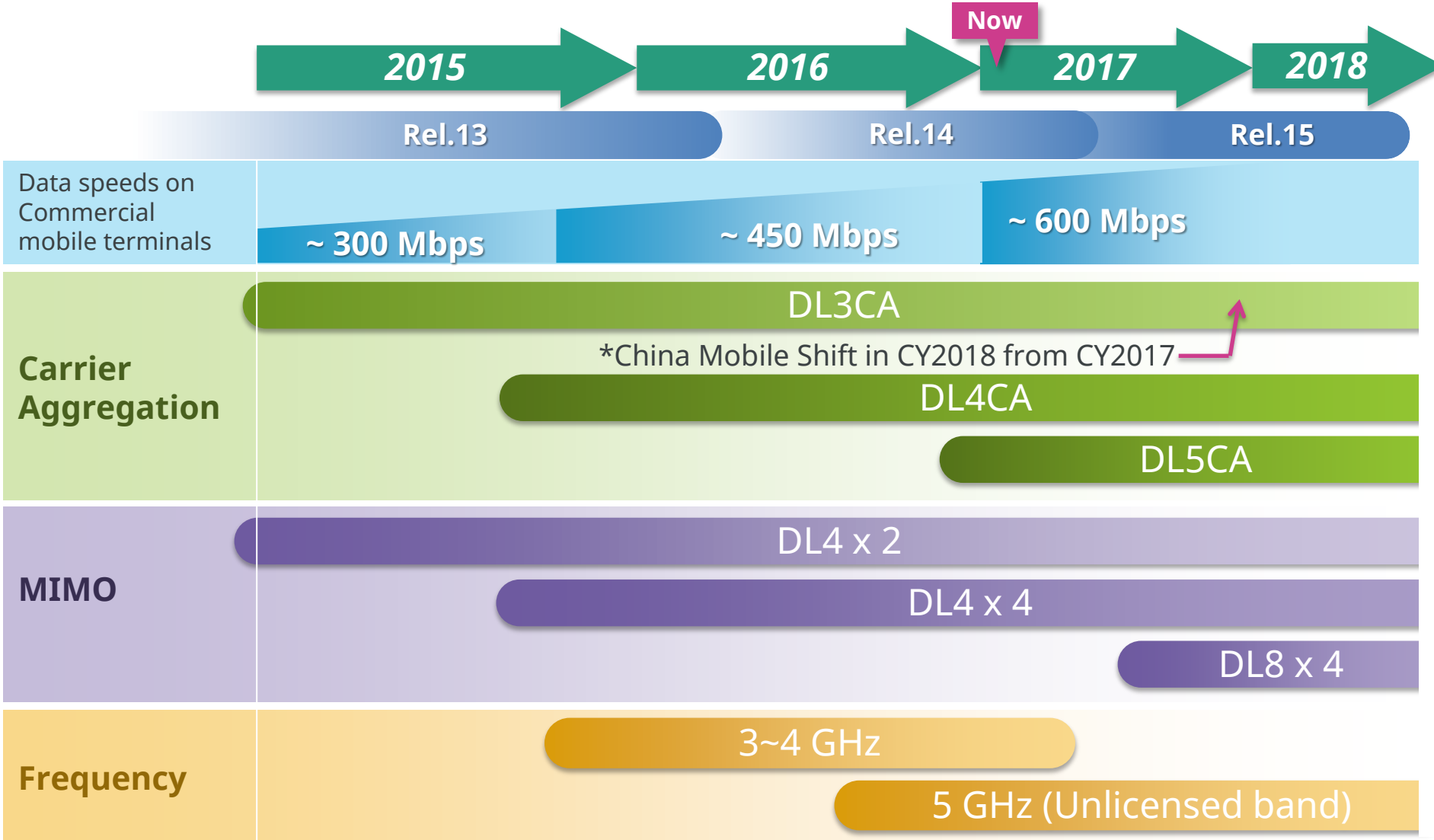
4-2-2. What is 5G?

5G = LTE Enhancements + Next-Generation Wireless Technologies

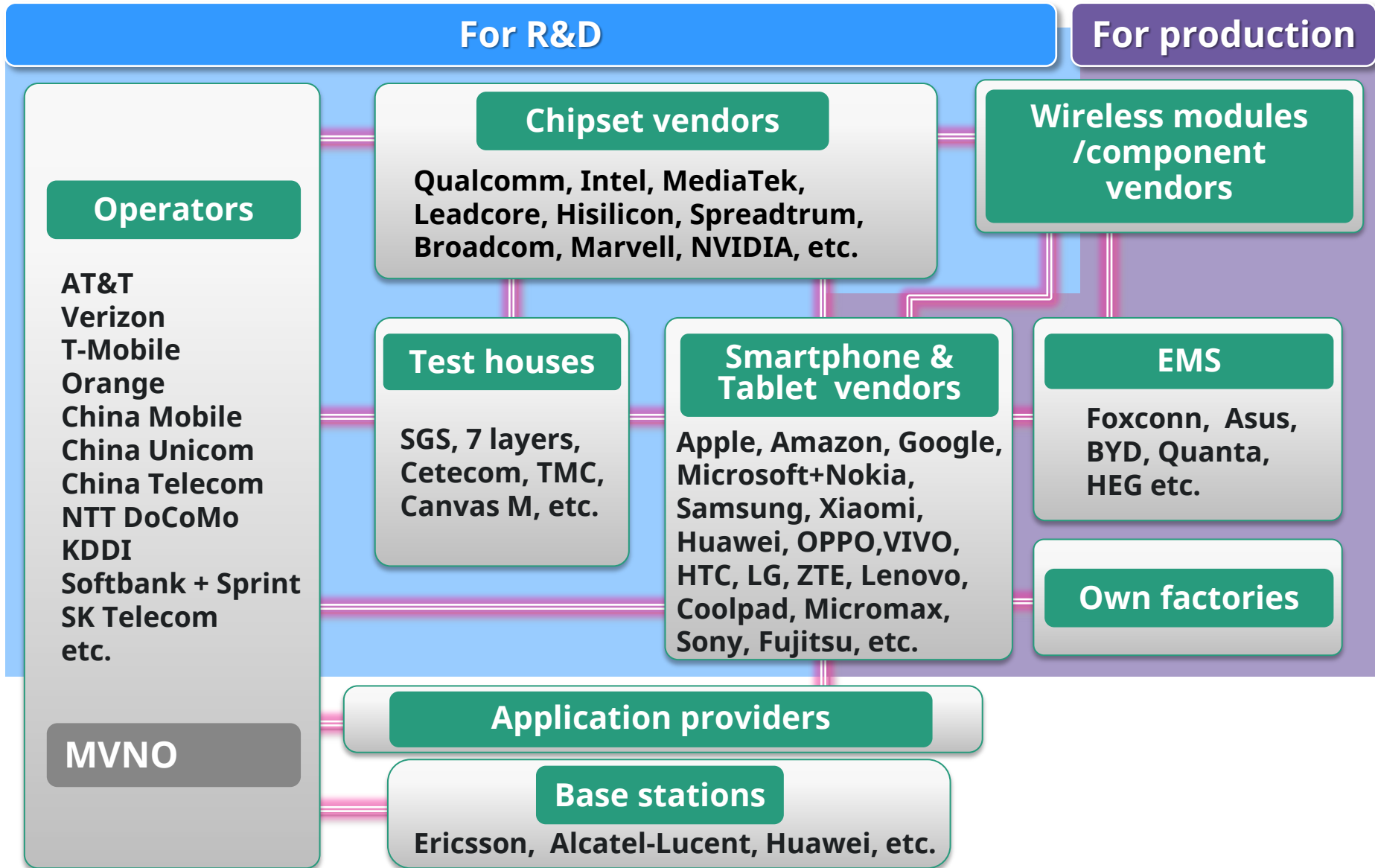


4-2-3. Roadmap of LTE-Advanced < LTE-Advanced >











Chipset → User Equipment → Operator Expected demand for measuring instruments for R&D



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



4-2-5. Mobile R&D business and solutions < 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

4-2-6. Acquisition of Azimuth Systems, Inc. (1/2)

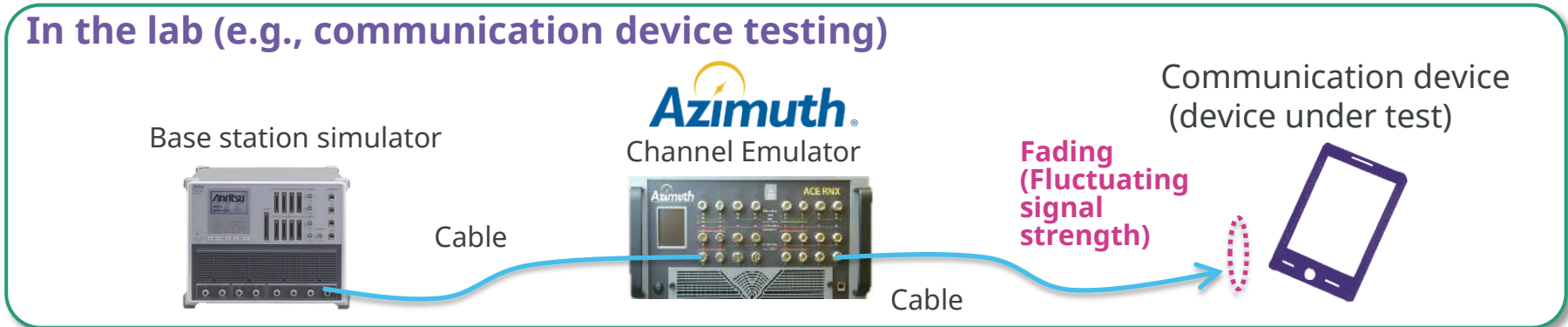
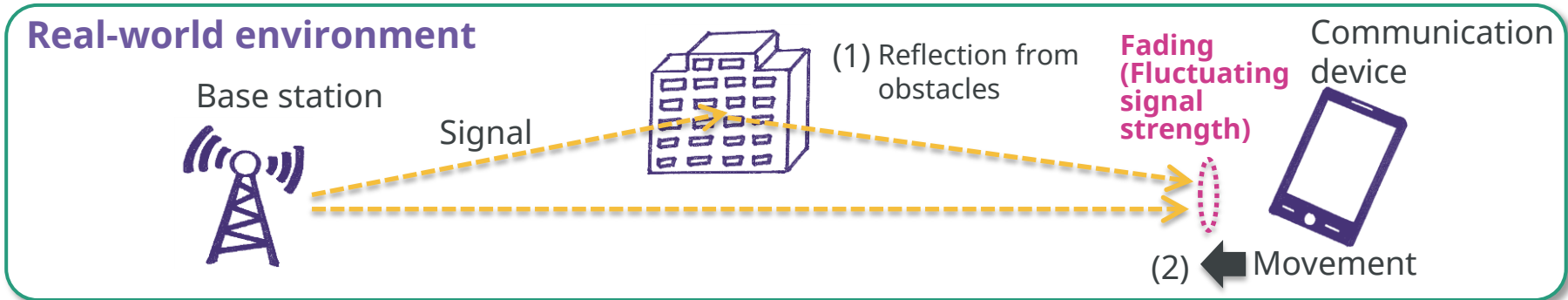
- Company Name : Azimuth Systems, Inc.
- Headquarters : Boston, USA
- Business model: Development and sales of channel emulators, etc.
- Main customers : Operators, chipset vendors, network equipment vendors, UE vendors, etc. in the Americas, EMEA, Asia, and Japan



Anritsu
envision:ensure
Mobile Devices
Protocol Technology

Azimuth
Network Infra.
RF Technology

Sep, 2016



4-2-7. Acquisition of Azimuth Systems, Inc. (2/2)

Anritsu
envision : ensure



Azimuth.
Channel Emulator



Solutions for the OTA*

- 3CA/4CA
 - 4x4MIMO
 - Cellular/WiFi Coexistence
- *OTA : Over The Air



Automotive solutions

- Telematics Drive emulation
- Evaluation of onboard reception for an automotive module
- Cellular/WiFi Coexistence



Channel Emulator for 5G



5 G R&D solutions

- 5G RF conformance testing
- 5G protocol conformance testing

Short term

Grow revenue through collaboration in the strong markets of Anritsu and Azimuth

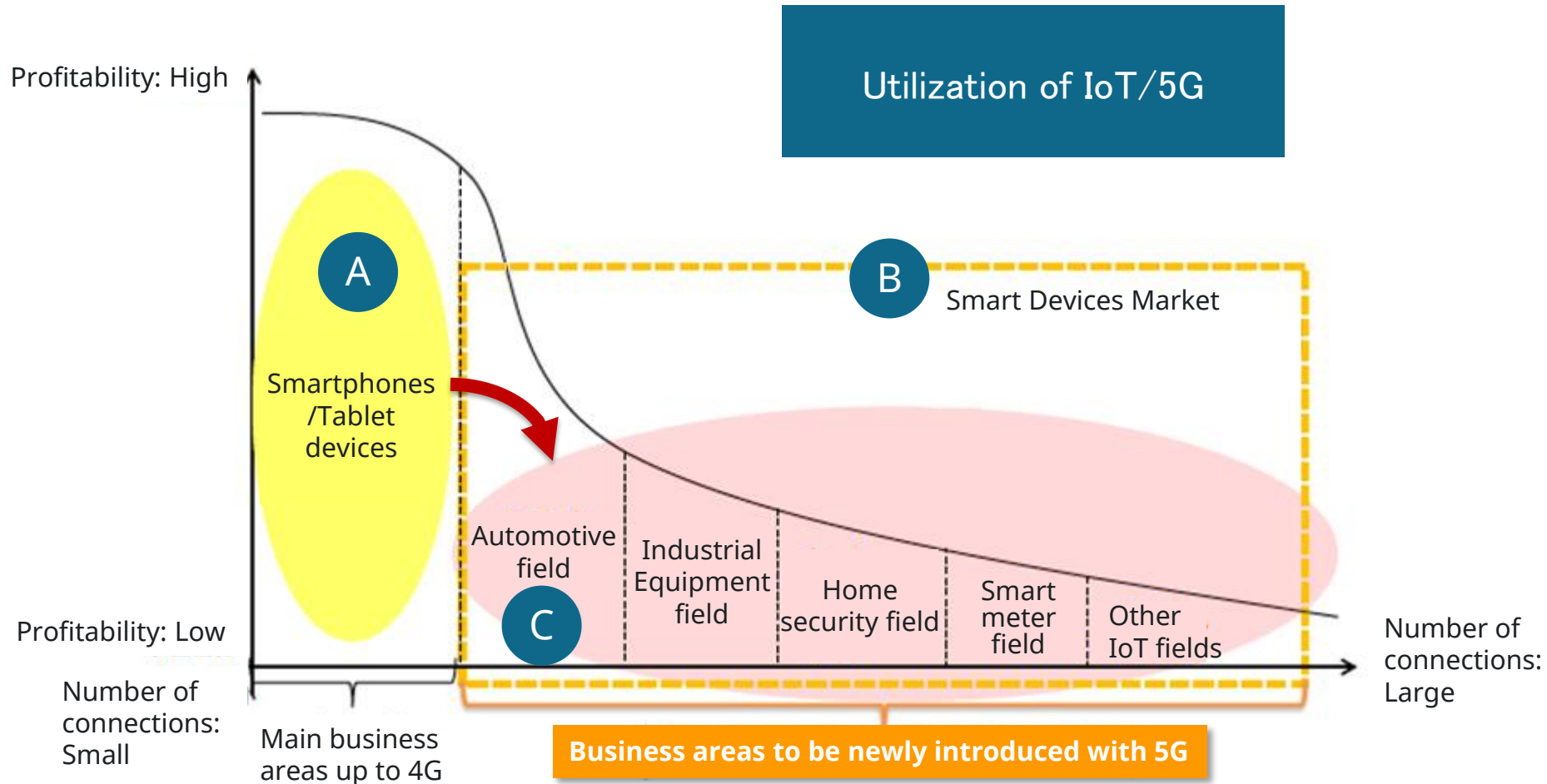
Medium term

1. Offer solutions produced by a fusion of our protocol technologies with Azimuth Systems' RF technologies (start-up period for measuring instruments to develop 5G)
2. Roll out drive emulation and others for the automotive market

Long term

Offer conformance testing for 5G devices

4-3-1. Expand Earnings Opportunities by Supporting the Creation of New Markets and Various Industrial Fields through the Utilization of 5G



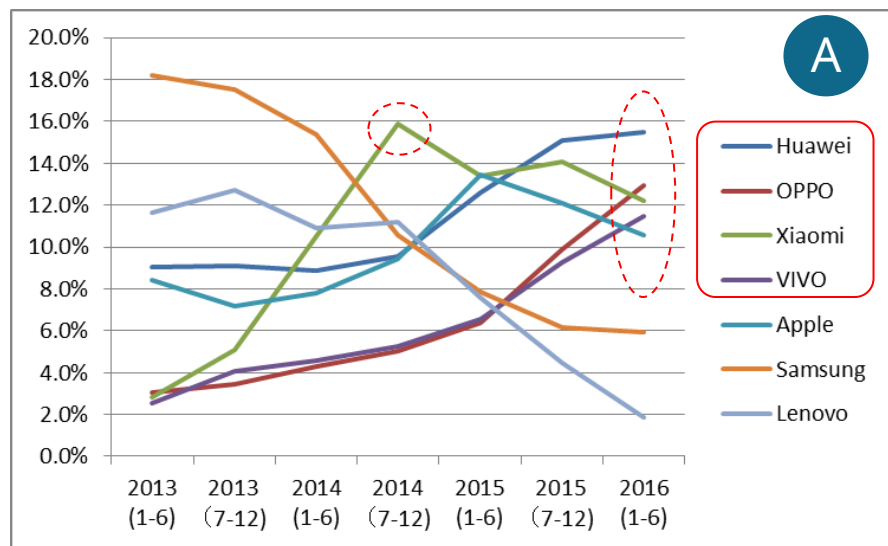
Source: NIKKEI COMMUNICATIONS April issue 2015
 (From materials of the Ministry of Internal Affairs and Communications)

4-3-2. Manufacturing solutions for Smart phone

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

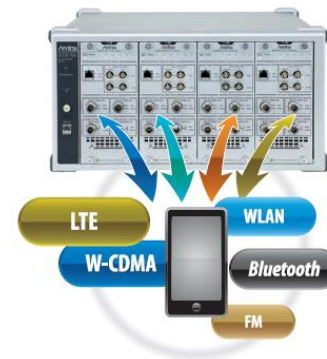
The rise of China vendors and intensifying competition

2. The growth of the manufacturing market in India

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

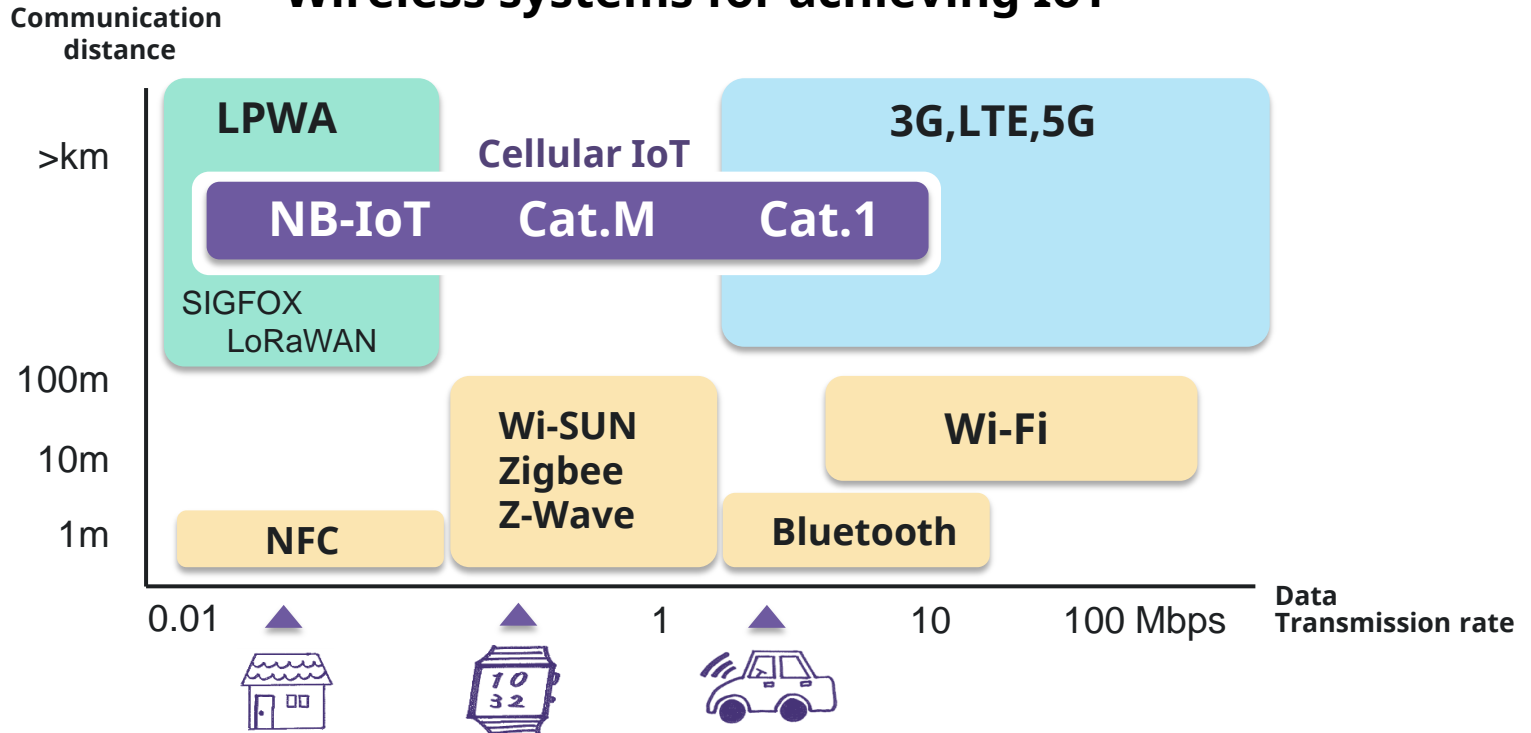
Main Competitors

Rohde & Schwarz, Keysight

4-3-3. R&D solutions for Smart Devices for IoT

B -1

Wireless systems for achieving IoT



R&D Solutions for Cellular IoT

MT8821C
Radio Communication
Analyzer



Chipset

SiP
(System in Package)

MD8430A
Signalling Tester

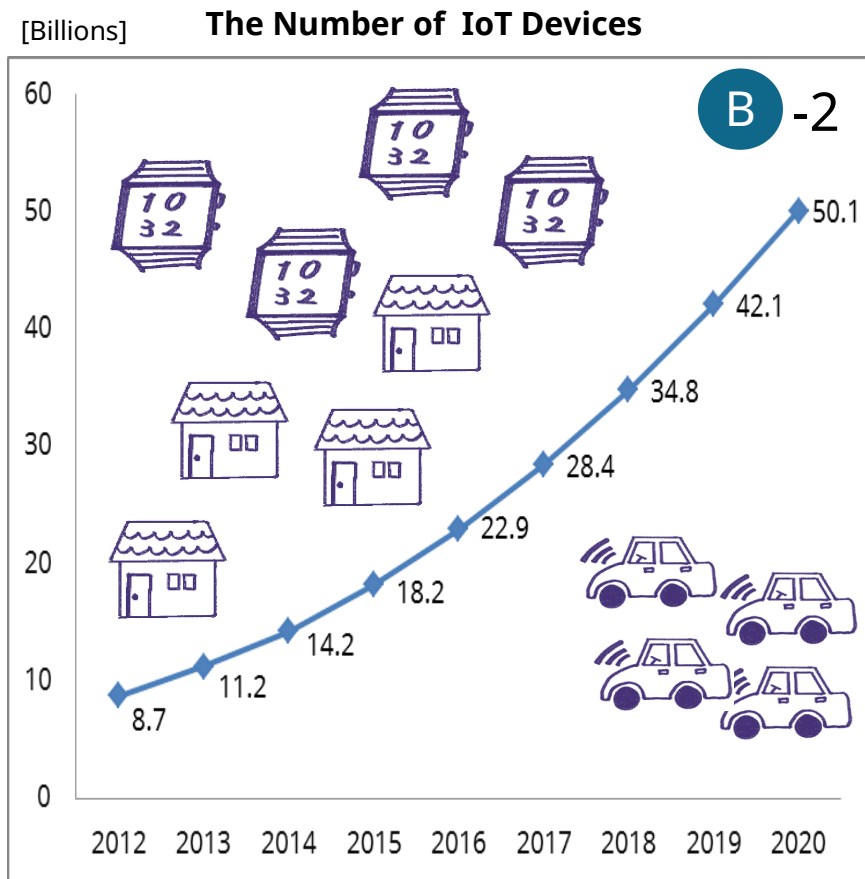


Main Competitors

Rohde & Schwarz, Keysight

4-3-4. Manufacturing solutions for Smart Devices for IoT

- The growth of Connectivity & Module markets for IoT



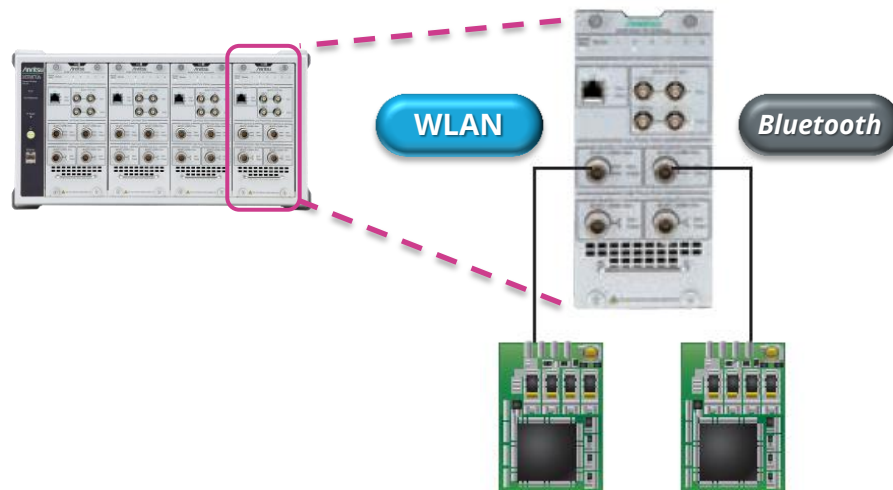
*Source : World Economic Forum

For Bluetooth / WLAN

MT8860C WLAN Test Set



MT8870A Universal Wireless Test Set



**SiP (System in Package)

SiP1

SiP2

Main Competitors

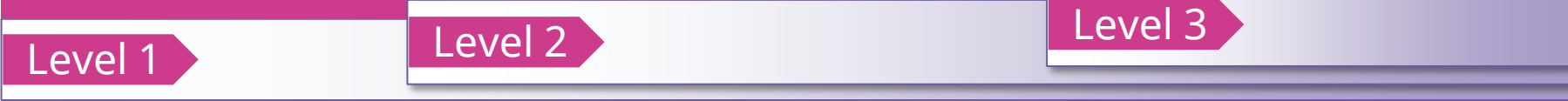
Teradyne, National Instruments, Rohde & Schwarz, Keysight

4-3-5. Adoption of new technologies in the automotive market and Anritsu's initiatives

C

2015	2016	2017	2018	2019	2020	2021
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Advancement of automated driving

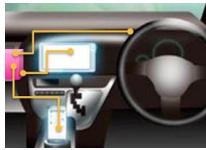


- Spread of 4G telematics
- Mandatory deployment of eCall
- Active verification testing of V2X
- Increasing use of 79GHz radar

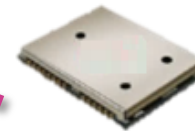
Telematics/eCall * emergency calling system for vehicles



Mobile network simulator



Mobile communication/connectivity



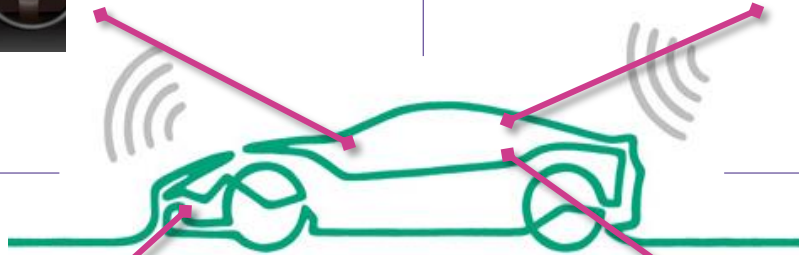
Wireless communication RF performance test



Millimeter wave signal transmitter tester



79GHz high resolution automotive radar



V2X communication quality assessment

V2X (802.11p) * vehicle-to-vehicle/road-to-vehicle communications

4-3-6. Food chain and players in Automotive market

Safety , Emergency , Comfort , Infotainment , Diagnostic

Car Vendors

Autonomous car

ADAS

(Advanced Driver Assistance System)

Telematics

(Telecommunication + Informatics)

ITS C-ITS

(Intelligent Transport Systems)

Dashboard Vendors

Transceiver module

(Cellular + V2X + Connectivity + Antenna +etc.)

Rader module

Antenna

Satellite receiver

Tuner

Module Vendors

**Cellular module ,
Connectivity module ,
V2X module ,
Rader ,
Antenna ,
Connector ,
Cable , etc**

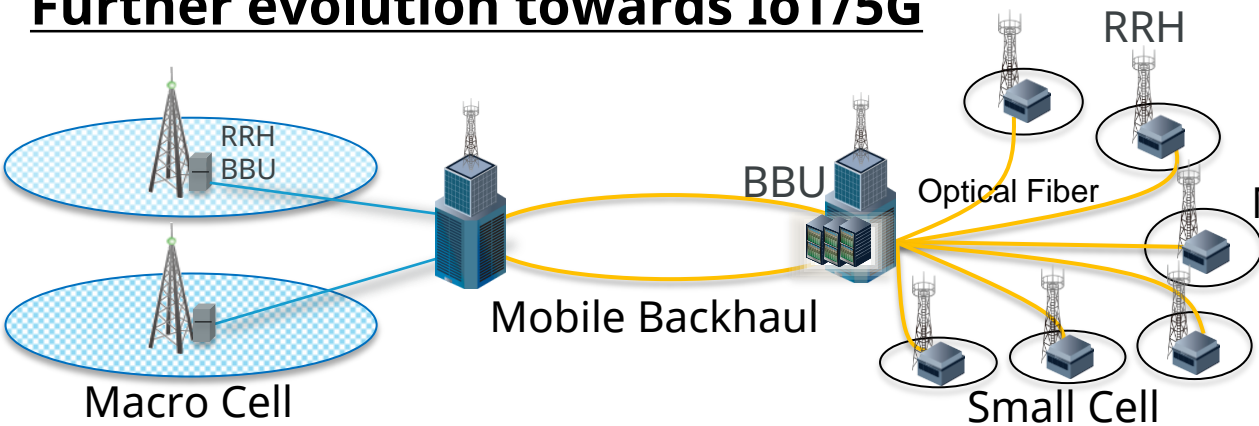
Chipset Vendors

Semi-conductors for communication

4-4-1. Business opportunities and initiatives < Network Reshaping >

Further evolution towards IoT/5G

Main Competitors
Viavi (formerly known as JDSU)



Mobile Fronthaul

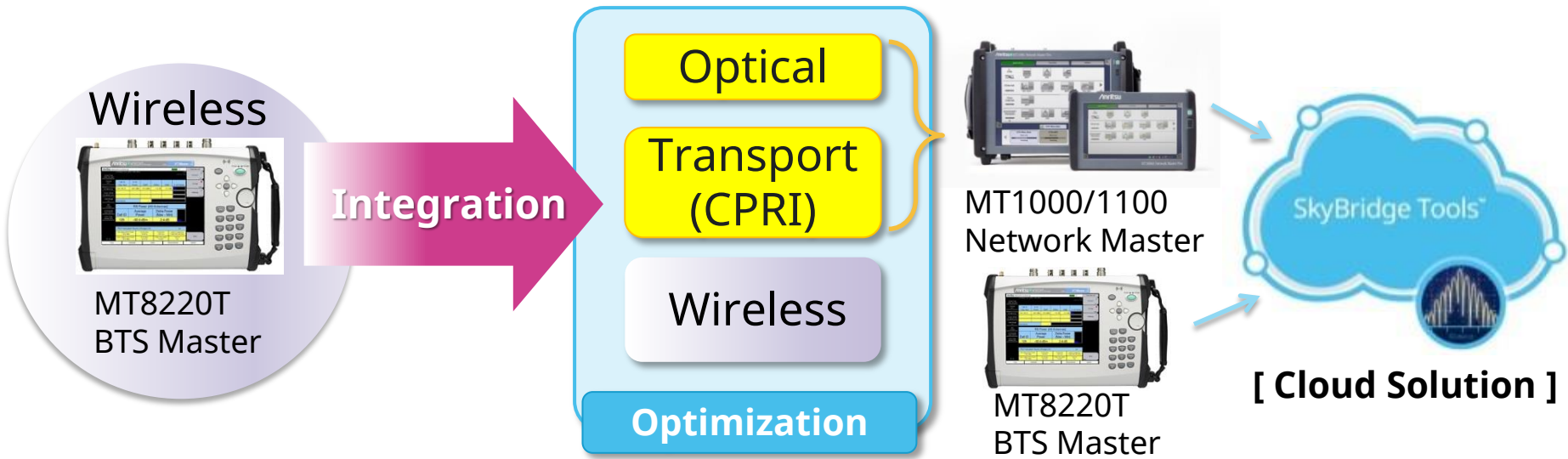
RRH: Remote Radio Head
BBU: Base Band Unit

Current LTE Network

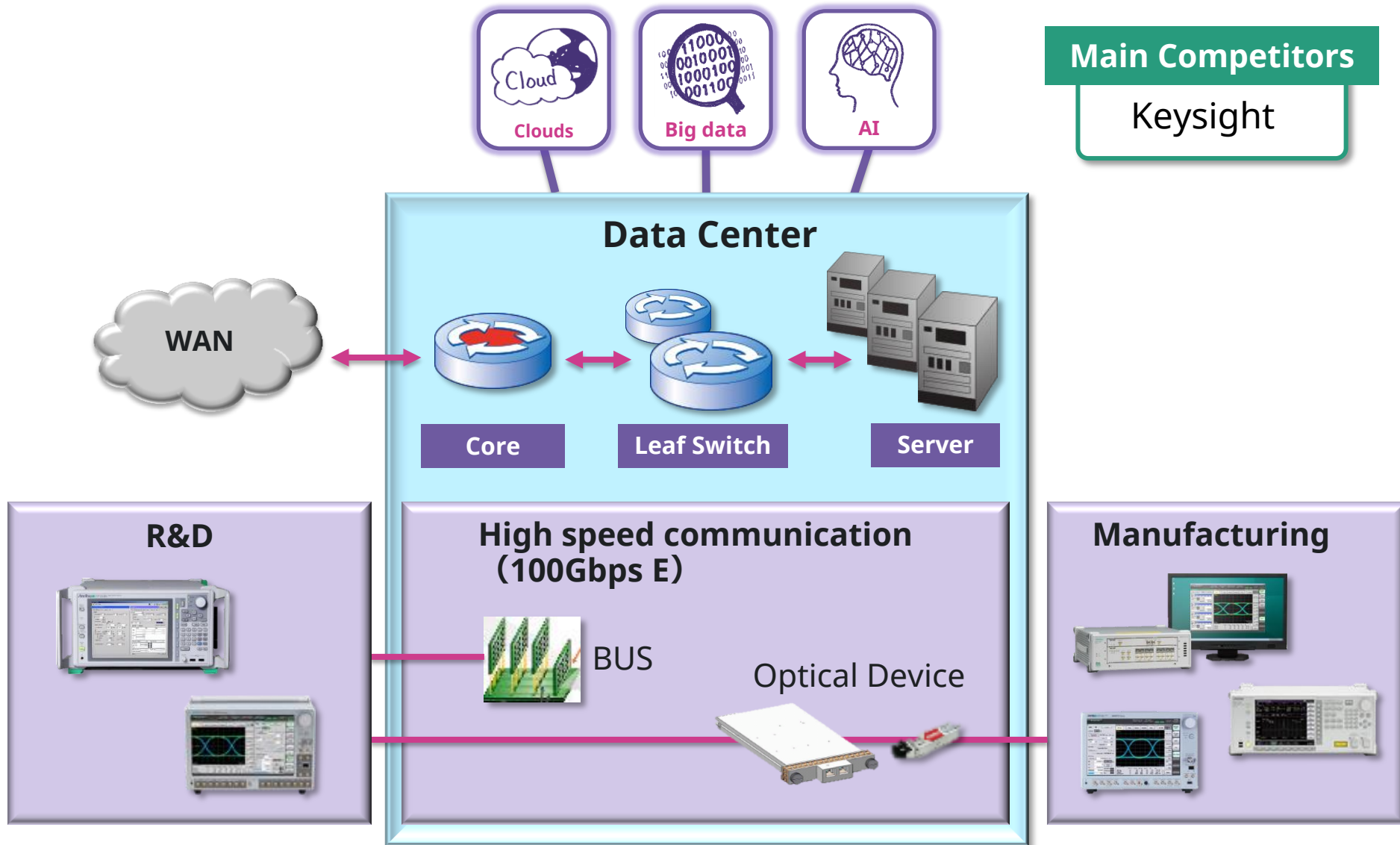


5G Network

Reshaping the Future of Network Test Solution

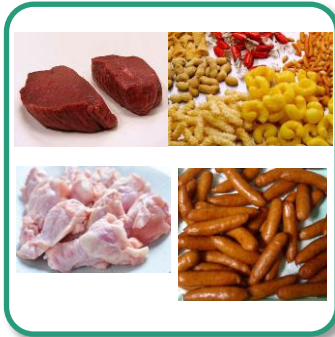


4-4-2. Business opportunities and initiatives < Datacom Market >

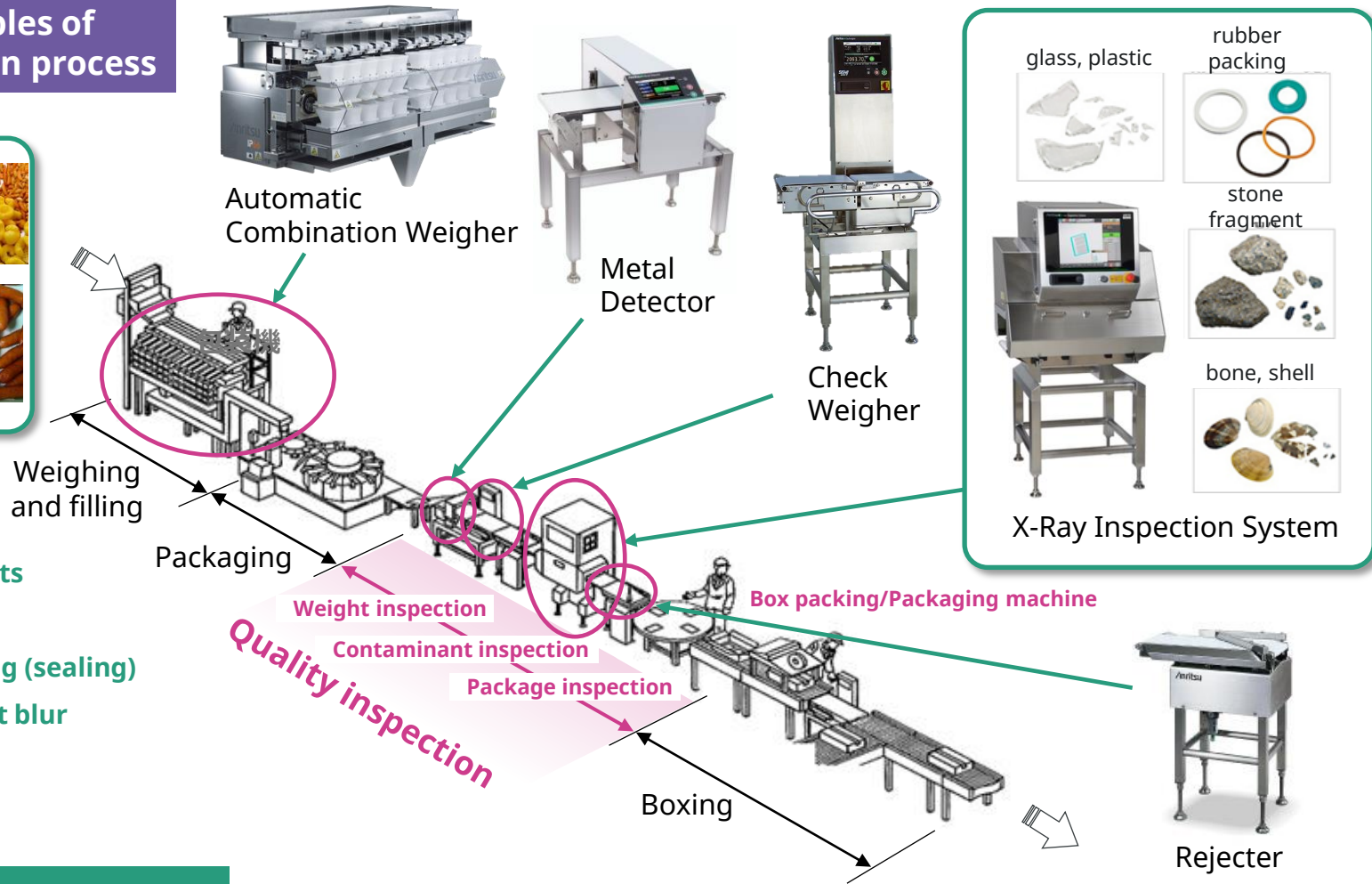


5-1. Outline of PQA business segments (Products Quality Assurance)

General examples of food production process



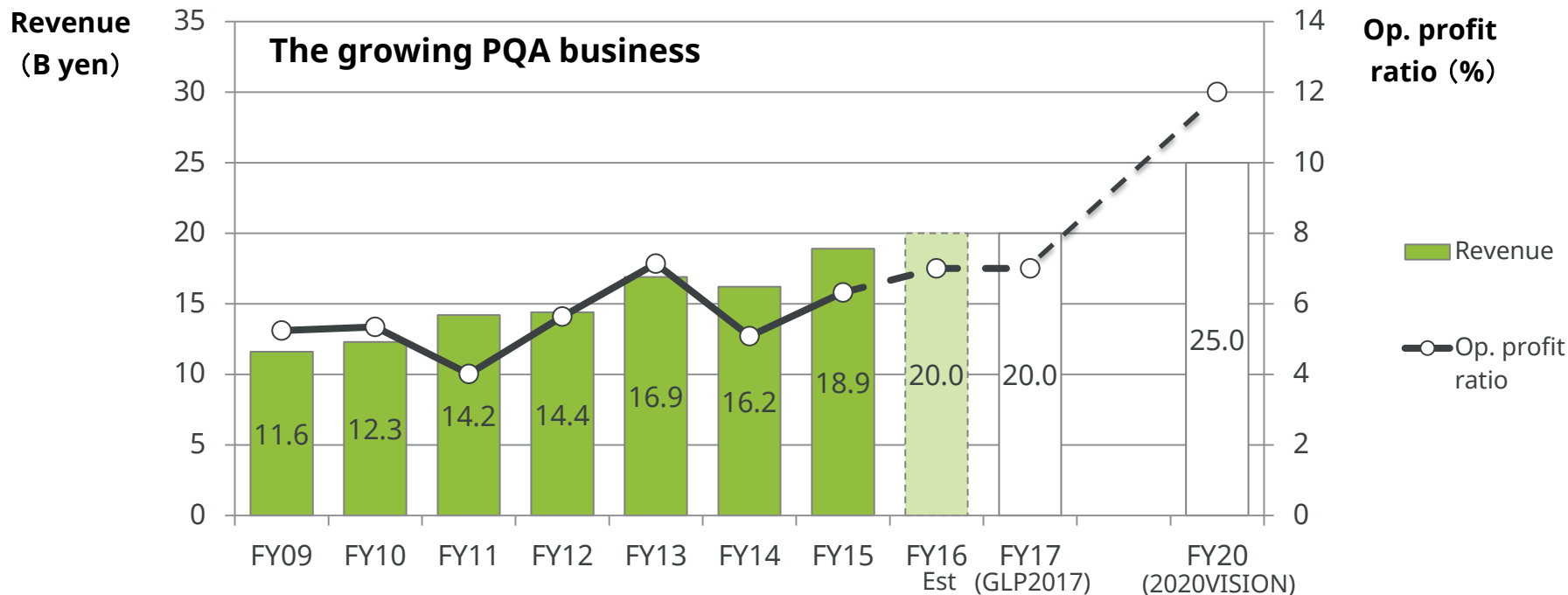
- Contamination
- Variation in the amount of contents
- Breaks and chips
- Defective packaging (sealing)
- Printing error/Print blur



Major customers

Kraft Foods Group, Unilever, Nippon Ham Group, Glico Group, Nissui Group, etc.

5-2. Strategy and growth opportunities < PQA > Expanding overseas business



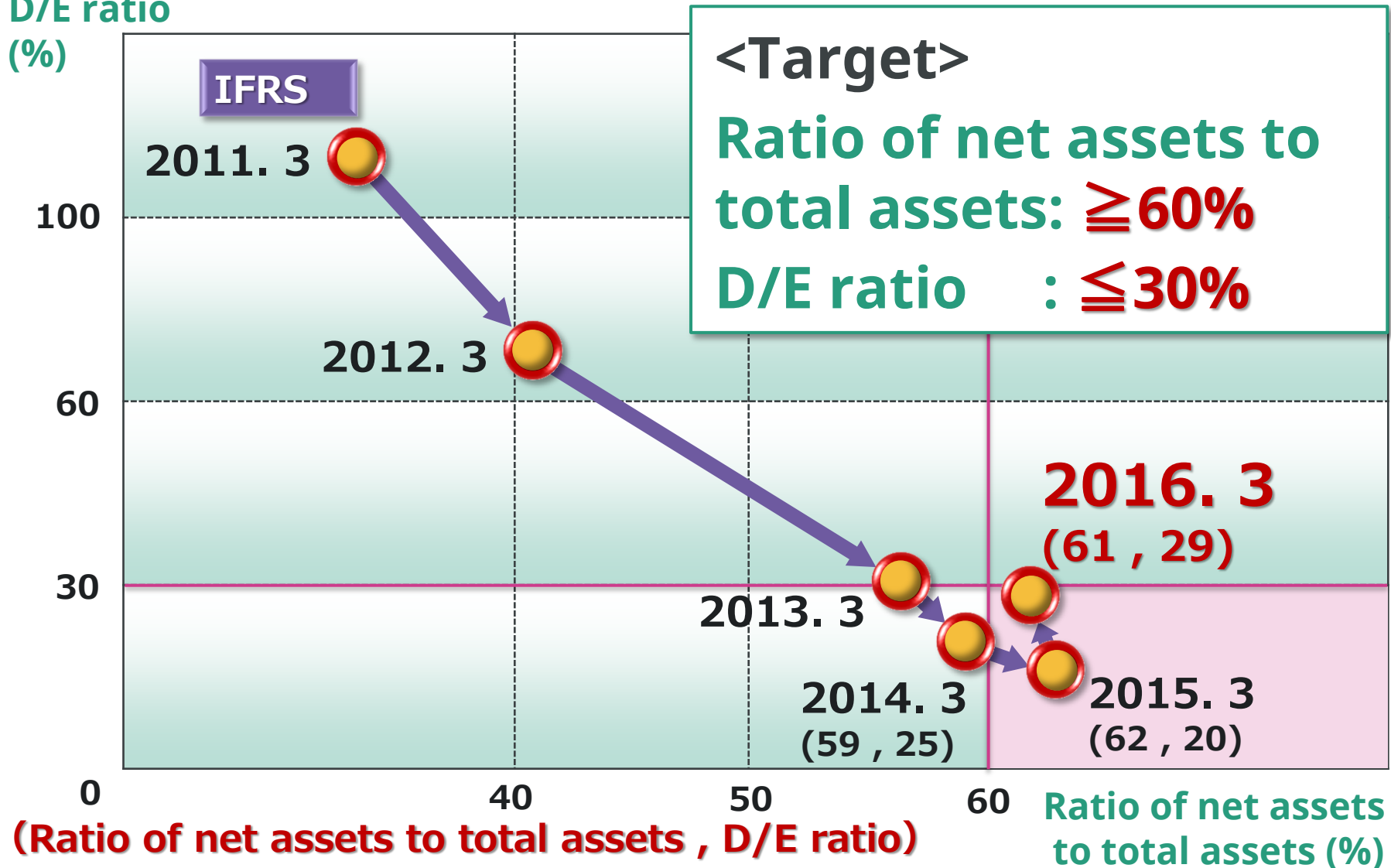
Market	Major initiatives
North America Asia	Develop market with X-ray inspection systems as a key solution
Japan	Improve market share through quality assurance solutions with high added value in response to cutting-edge needs

Main Competitors

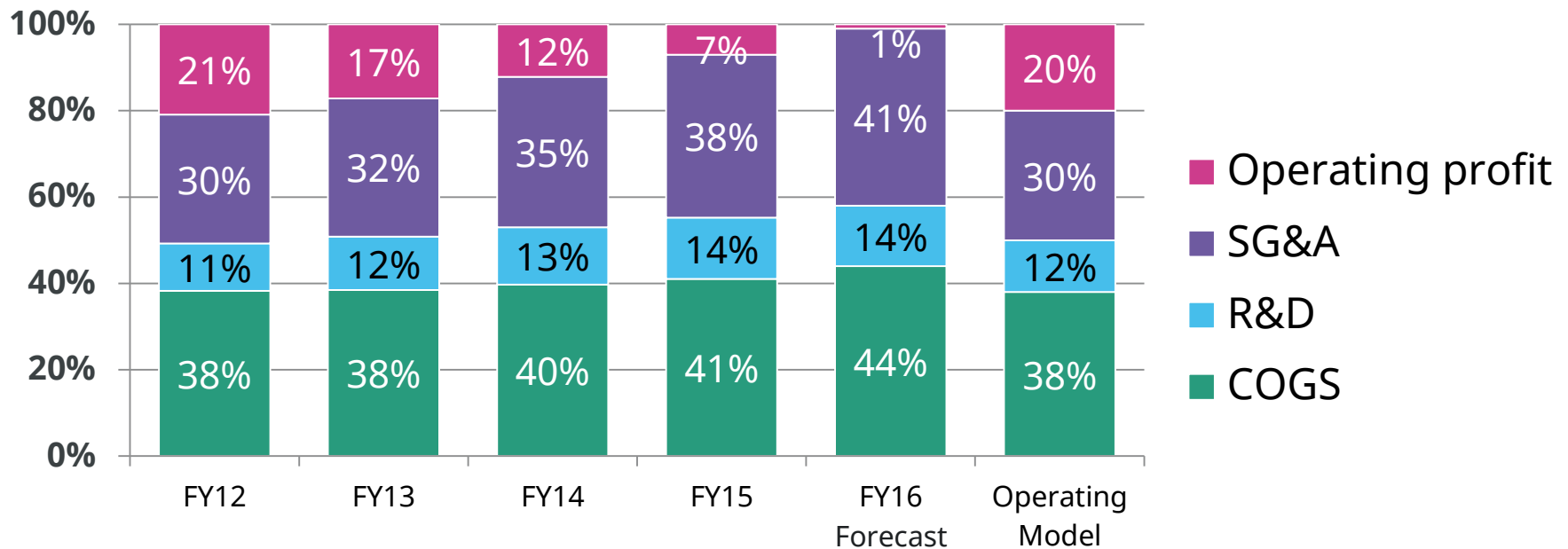
Mettler-Toledo, Marel, Ishida

6-1. Financial Strategy

D/E ratio (%)



6-2. 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.

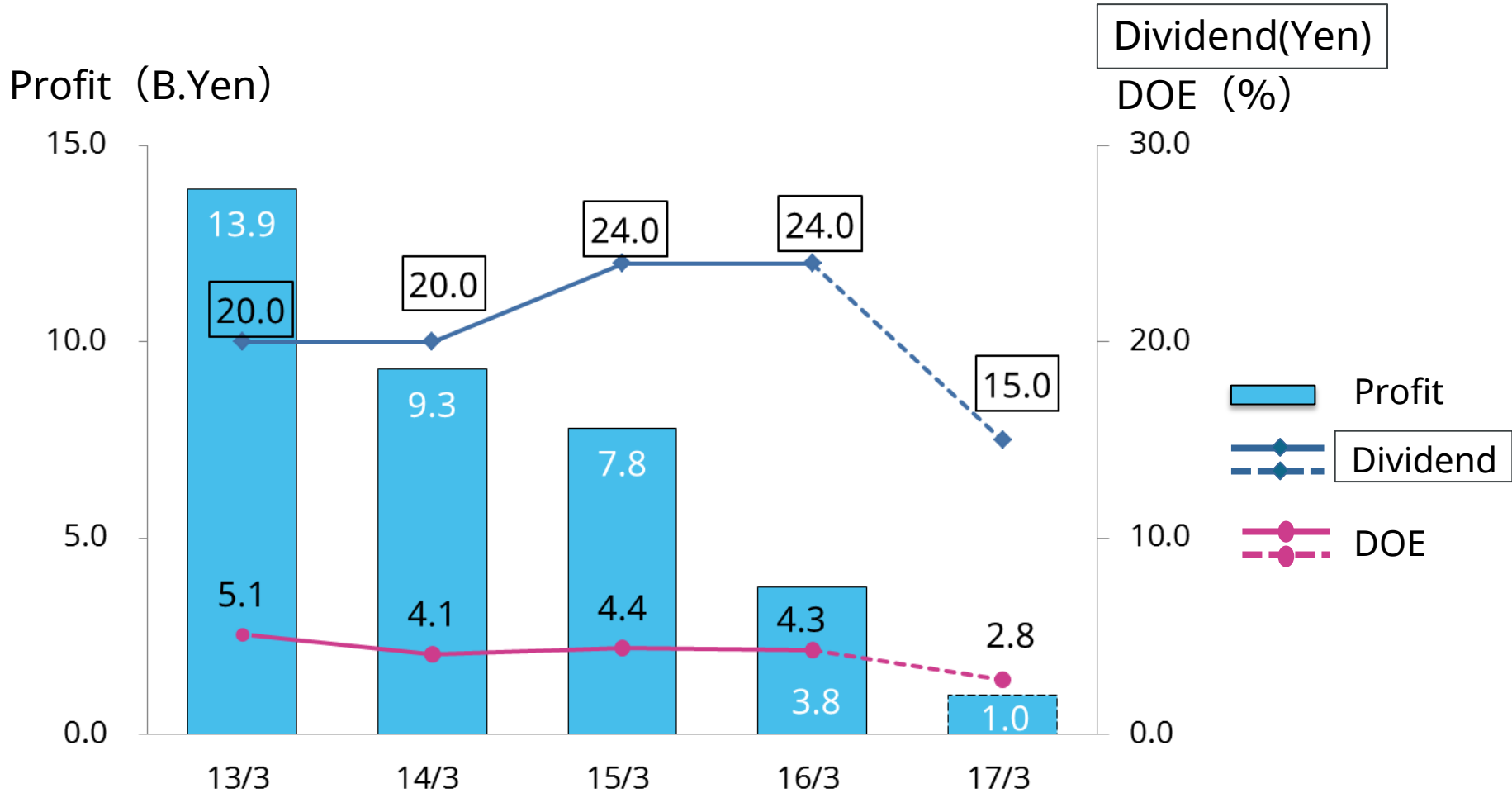
7-1. Shareholder Return Policy

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

7-2. Dividend Forecast

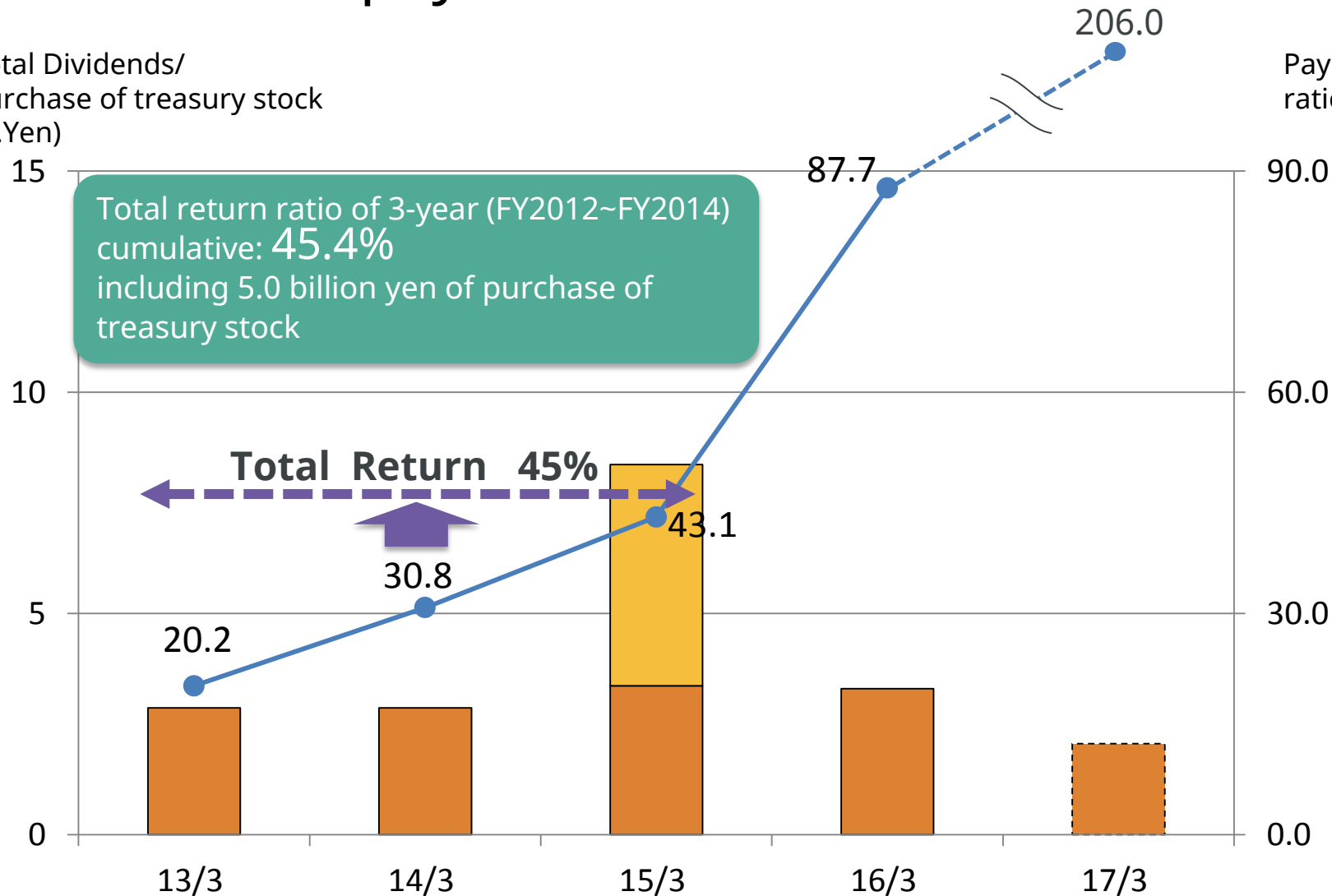
No change for annual dividend of 15.00 yen per share
(including interim dividend of 7.50 yen, DOE 2.8%)



7-3. Dividend payout ratio and Total return

Total Dividends/
Purchase of treasury stock
(B.Yen)

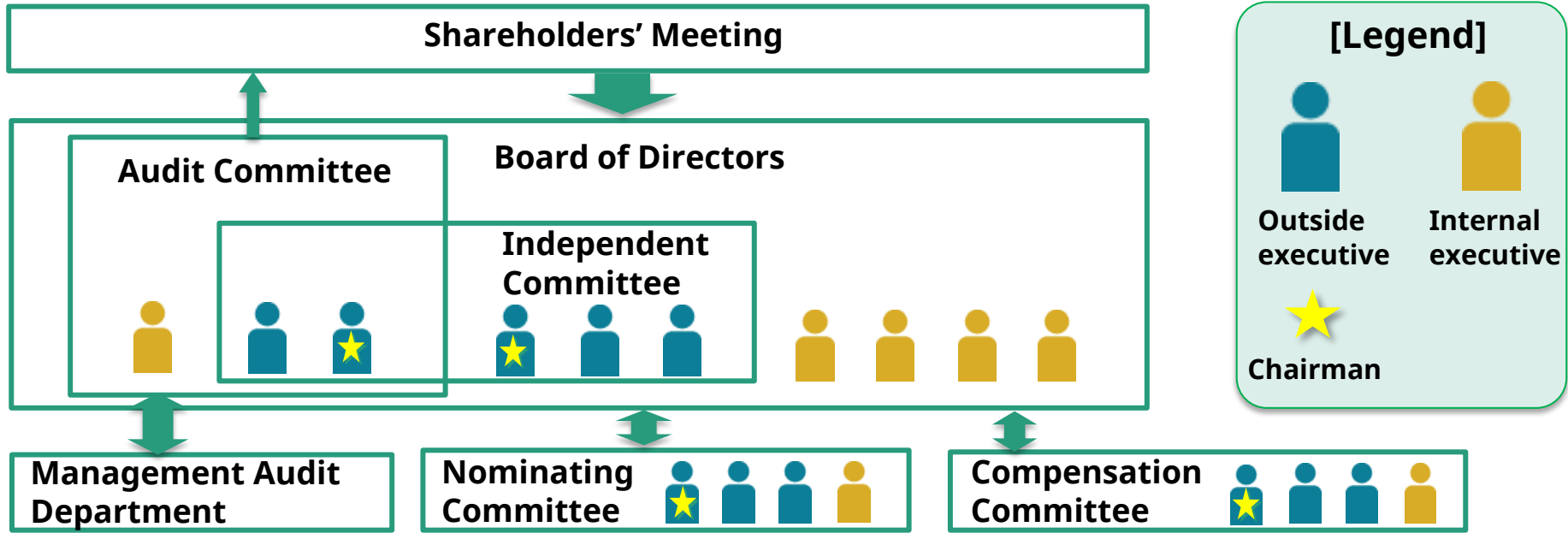
Payout
ratio(%)



Total Dividends
 Purchase of treasury stock
 Payment ratio

8. Corporate Governance

New Structure after transition to a Company with an Audit Committee



II . Financial Results for the 3rd. Quarter and Forecast for full year of FY2016

II -1. Consolidated performance -Financial results-

Unit: Billion Yen

International Financial Reporting Standards (IFRS)	3Q FY2015 (Apr. to Dec.)	3Q FY2016 (Apr. to Dec.)	YoY	YoY (%)
Order Intake	69.9	63.6	(6.3)	-9%
Revenue	72.2	62.3	(9.9)	-14%
Operating profit (loss)	5.2	1.7	(3.5)	-68%
Profit (loss) before tax	5.1	1.2	(3.9)	-76%
Profit (loss)	3.9	0.7	(3.2)	-82%
Comprehensive income	4.2	0.9	(3.3)	-80%

Note : Numbers are rounded off in each column

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

Unit: Billion Yen

International Financial Reporting Standards (IFRS)		3Q FY2015 (Apr. to Dec.)	3Q FY2016 (Apr. to Dec.)	YoY	YoY (%)
T&M	Revenue	52.7	42.6	(10.1)	-19%
	Op. profit (loss)	4.8	0.7	(4.1)	-84%
	<i>Adjusted operating profit (loss)*</i>	5.2	1.0	(4.2)	-80%
PQA	Revenue	13.7	13.9	0.2	1%
	Op. profit (loss)	0.9	0.6	(0.3)	-27%
Others	Revenue	5.8	5.8	0.0	-1%
	Op. profit (loss)	(0.5)	0.3	0.8	-
Total	Revenue	72.2	62.3	(9.9)	-14%
	Op. profit (loss)	5.2	1.7	(3.5)	-68%
	<i>Adjusted operating profit (loss)</i>	5.6	2.0	(3.6)	-65%

Note : Numbers are rounded off in each column

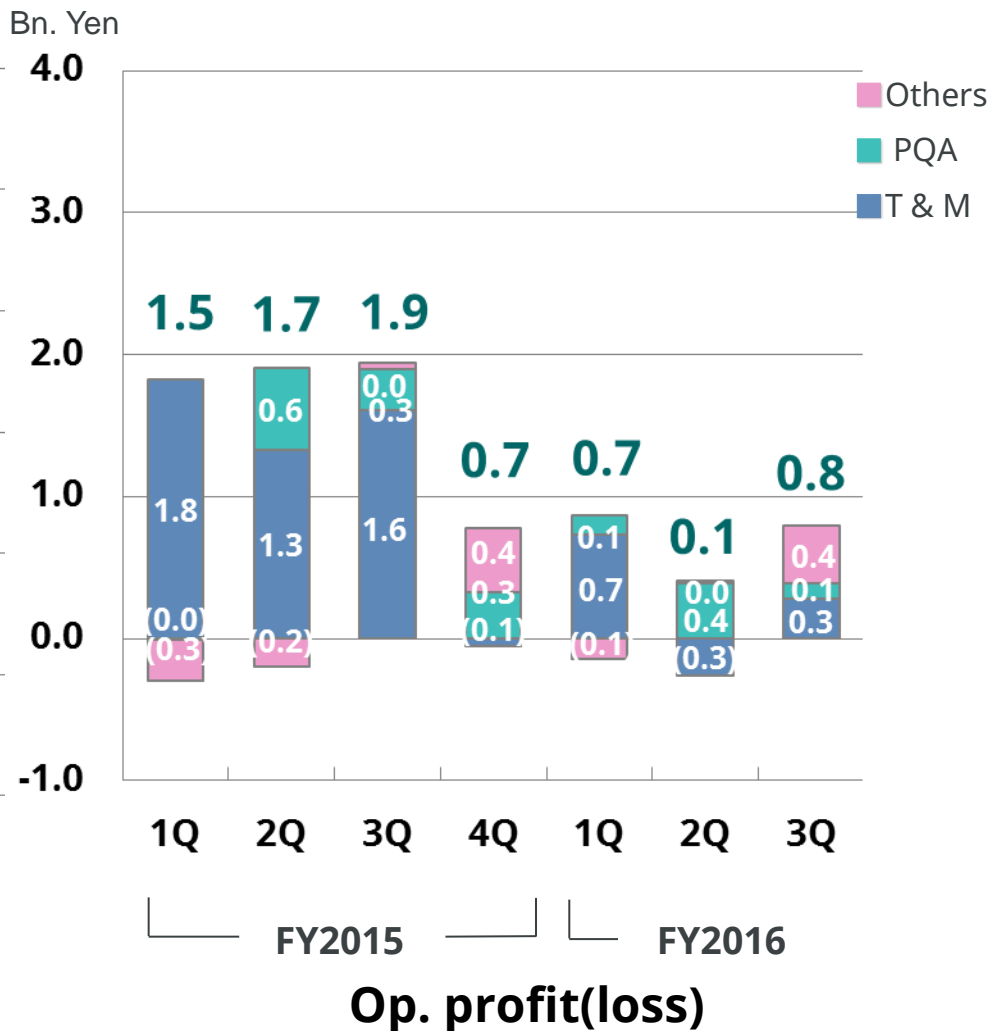
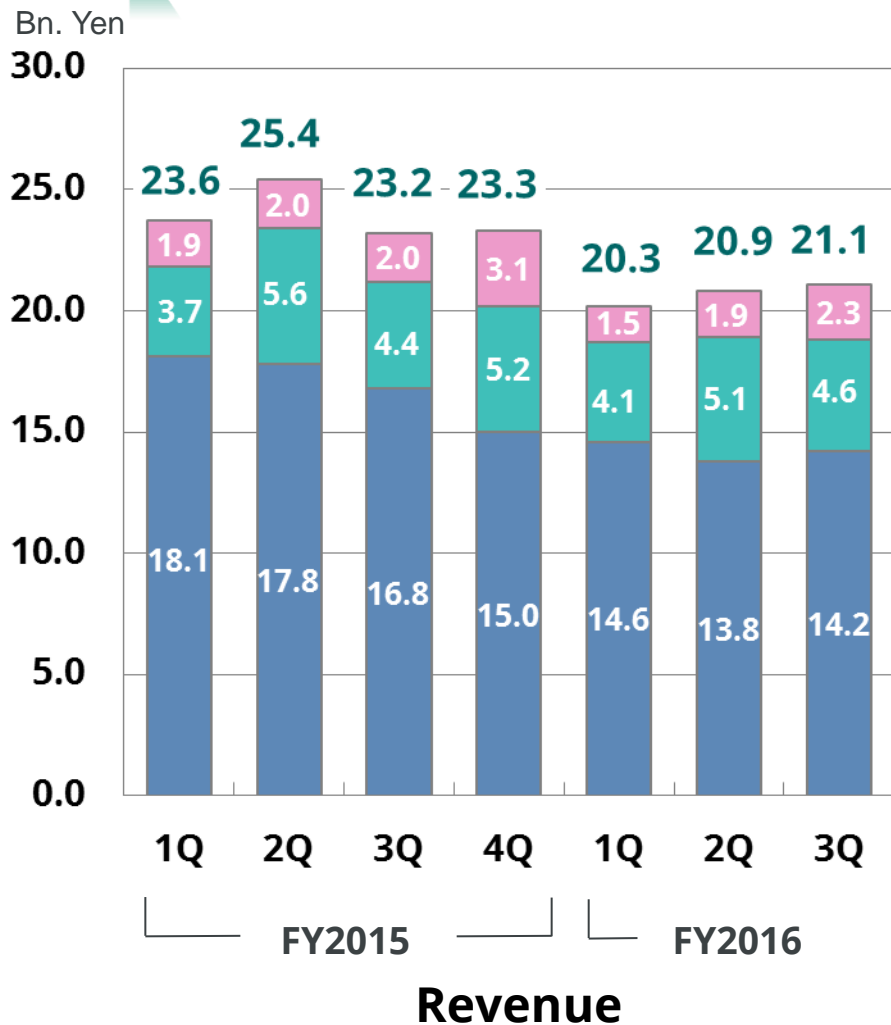
* Adjusted operating profit is Anritsu's original profit indicator to measure results of its recurring business by excluding profit and loss items with a transient nature from operating profit. No items were adjusted for PQA and Others segments

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

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





Consolidated operating margin was 3.8%,
operating margin for the T&M was 2.0% for 3Q



Note : Numbers are rounded off in each column

II -4. Overview of operations by business segment

Segment	FY2016Q3 (April to December, 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	Automotive and IoT/5G 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

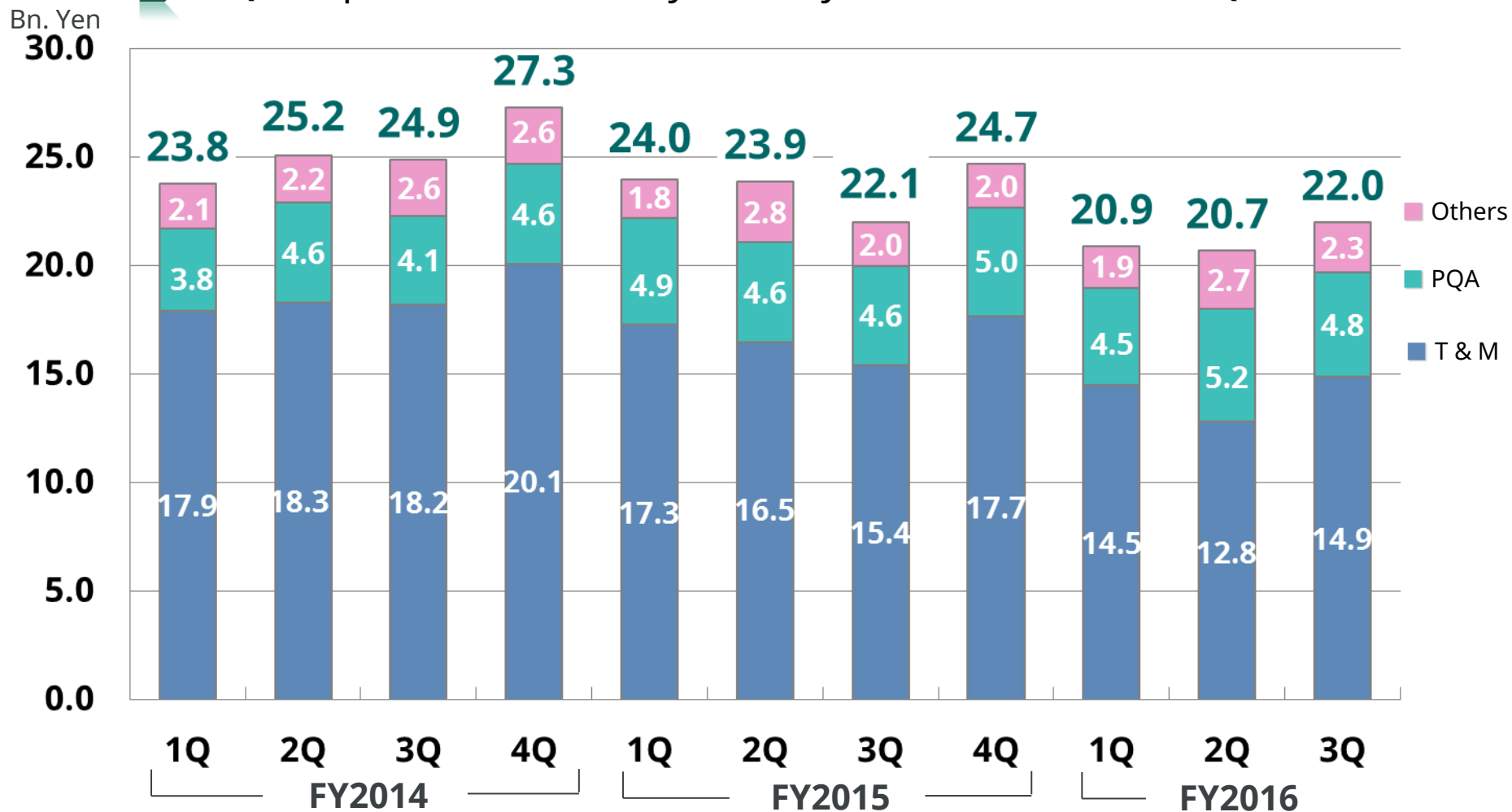
NW: Network Infrastructure

PQA : Products Quality Assurance

II -5. Transition of Orders

 T&M : Downward trend with continued year-on-year decrease

 PQA : Upward trend with year-on-year increase, since 2Q

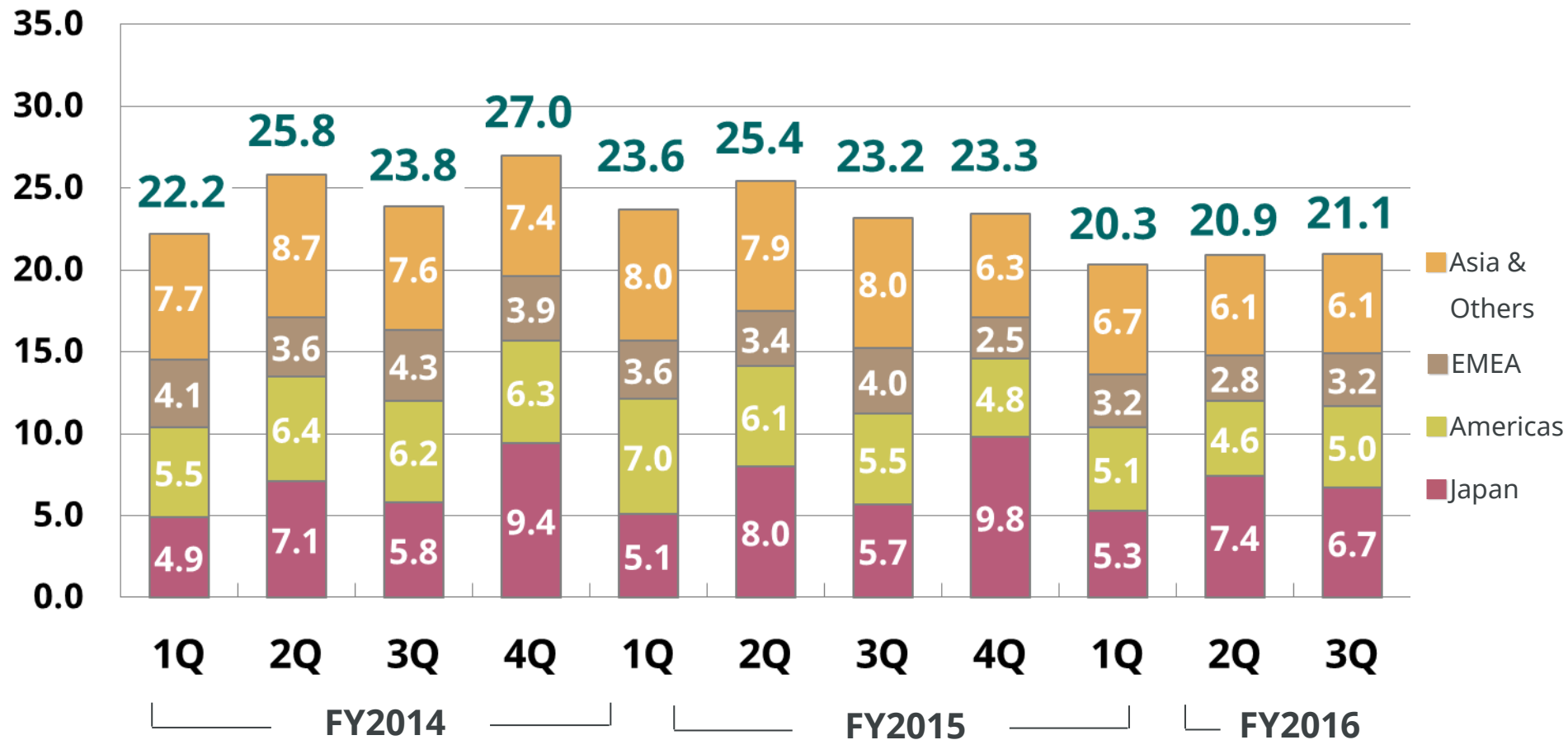


Note : Numbers are rounded off in each column

II -6. Transition of Revenue by region


 A downward trend continued overseas with lower revenue year on year

Bn. Yen



Note : Numbers are rounded off in each column

II -7. Cash Flow

 Operating cash flow margin ratio was 10%

Cash Flow (FY2016 Q3)

Operating CF : 6.4 Bn. Yen
 Investing CF : (2.9) Bn. Yen
 Financial CF : (2.7) Bn. Yen

Free Cash Flow

Op. CF + Inv. CF : 3.5 Bn. Yen

Cash at the end of period

38.0 Bn. Yen

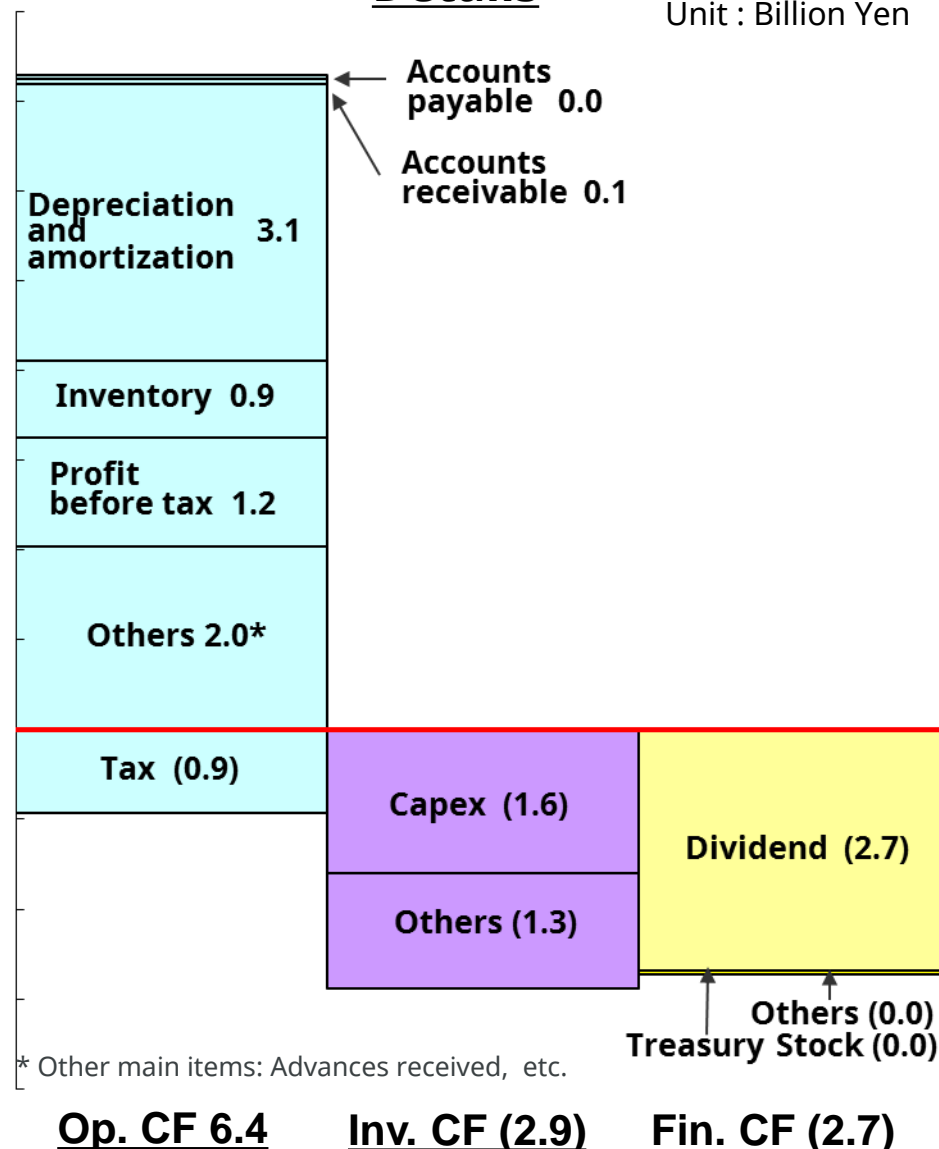
Interest-bearing debt.

22.0 Bn. Yen

Note : Numbers are rounded off in each column

Details

Unit : Billion Yen



III. Forecast for full year of FY2016

 No changes from the previously announced forecast

Unit: Billion Yen

International Financial Reporting Standards (IFRS)		FY2015	FY2016		
		Actual	Forecast	YoY	YoY(%)
Revenue		95.5	87.5	(8.0)	-8%
Operating profit (loss)		5.9	2.2	(3.7)	-63%
Profit (loss) before tax		5.4	1.4	(4.0)	-74%
Profit (loss)		3.8	1.0	(2.8)	-73%
T&M	Revenue	67.7	58.5	(9.2)	-14%
	Op. profit (loss)	4.7	0.5	(4.2)	-89%
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 : 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

Anritsu
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