

Review of Operations

Test and Measurement

Making Our Lives More Convenient and Comfortable

Test and measurement solutions supporting telecommunications services

The demand for measurement solutions for enhanced security and service quality >>>



“envision : ensure” in the Test and Measurement Business

The usability of tablets and smartphones is improving markedly, and wearable devices are basking in attention. Mobile broadband services supported by LTE and LTE-Advanced, the leading-edge telecommunications technology, are melding with cloud services supported by ultra-high-speed data-transfer technology. We can see a very convenient communications environment everywhere we look.

Anritsu has worked with key players in all parts of the telecommunications space to build the innovations that have brought this environment about.

We are still striving to progress. We continue walking together with our customers on a quest for never-ending innovation.

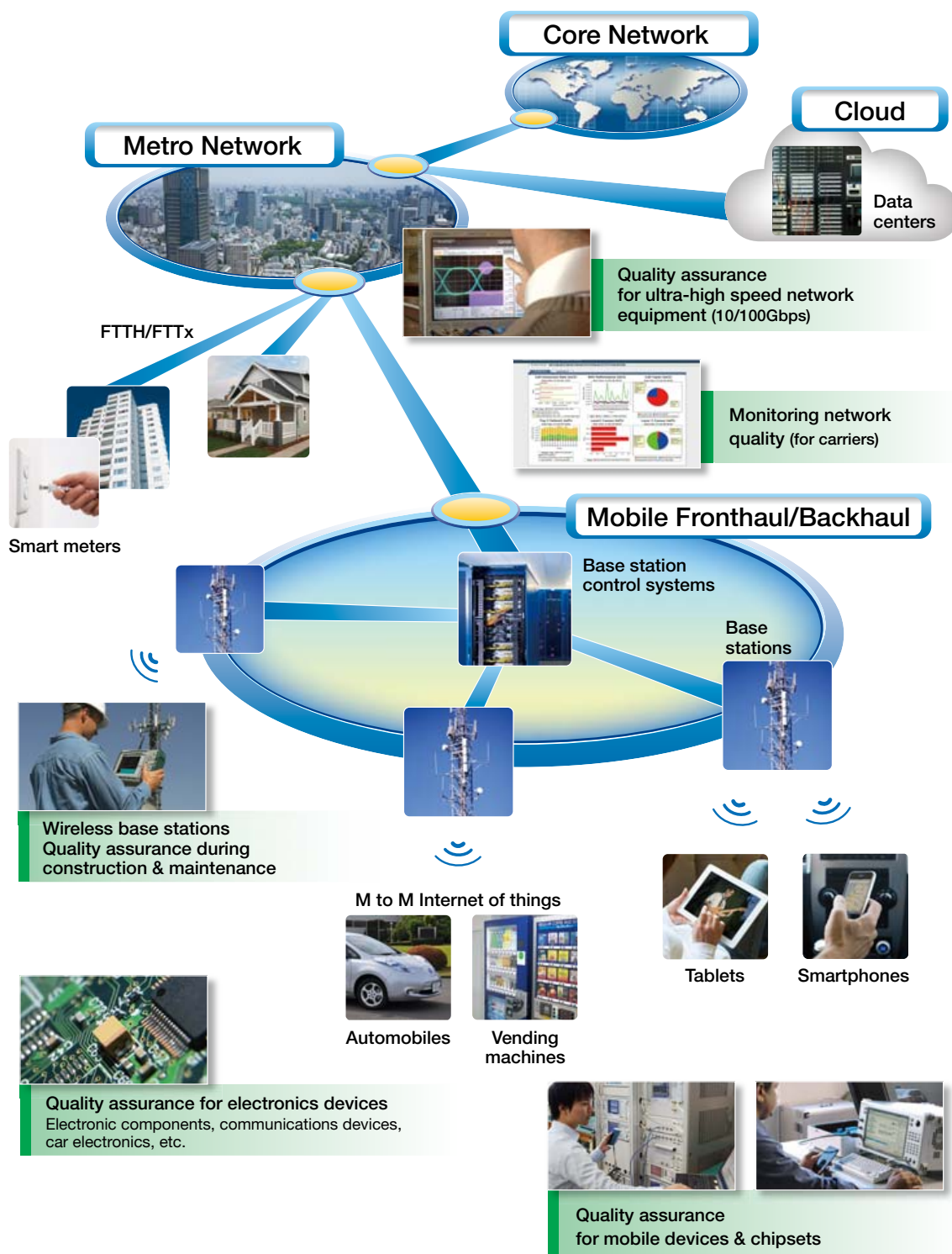
Senior Executive Vice President,
Test and Measurement Group President,
Kenji Tanaka



■ Business Areas

The Test and Measurement business operates in the mobile market, including smartphones and other handsets, and in the network infrastructure market, including wireless base stations and optical communications networks. The segment also operates in the electronics market for telecom equipment and telecom-use electronic components, which are

used in a variety of devices. In both wireline and wireless, Anritsu covers all telecommunications areas with its advanced technology and its strong global development and support structure. Through this, we contribute to the development of mobile broadband service by offering testing solutions for leading-edge market needs.



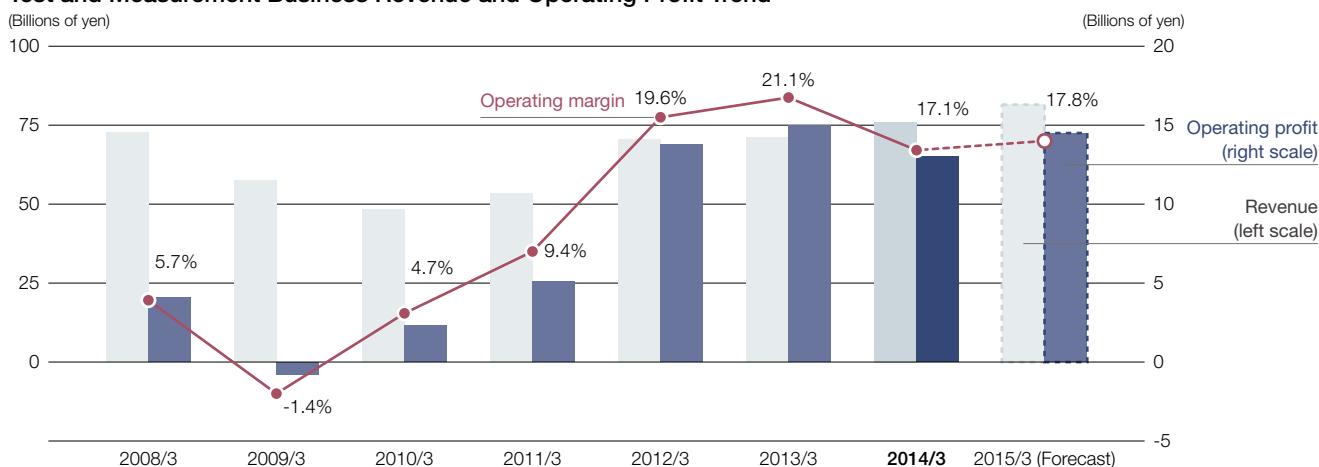
■ FY2013 Review

In Japan, some smartphone vendors exited the mobile device business, leading to a drop in demand for Anritsu. In overseas markets, however, mainly in Asia and North America, strong investments in LTE and LTE-Advanced systems drove overall Test and Measurement segment revenue higher. In the network infrastructure market, 40Gbps network construction, in response to rapid growth in traffic, and R&D for 100Gbps network infrastructure began in earnest. Also, base station and mobile backhaul construction increased on

rapid data transmission demand growth due to the spread of smartphones. As a result of these factors, demand for testing solutions grew. In the electronics markets, development and production demand for wireless modules, used in a variety of applications, increased on mobile broadband service expansion.

Test and Measurement business revenue increased 7% over the previous fiscal year, to ¥76 billion, but operating profit decreased 13%, to ¥13 billion. The operating margin was 17.1%.

Test and Measurement Business Revenue and Operating Profit Trend



■ FY2014 Business Environment and Focus Points

Revenue forecast ¥81.5 billion (7% increase over FY2013), operating profit ¥14.5 billion (11% increase)

In the mobile communications market, with the rollout of LTE-Advanced service and other innovations, carriers are

trying to outdo each other to be first to market with leading-edge network technologies. This is spurring a race in network development. Also, TD-LTE is expected to grow firmly, and production of devices enabled with this standard is forecast to increase strongly. Anritsu will continue to strive to provide optimal solutions for these needs and grow earnings.

Business environment	Focus points
<ul style="list-style-type: none"> ■ Further advancement in LTE-Advanced development Carrier aggregation MIMO/VoLTE 	<ul style="list-style-type: none"> ■ Strengthen support network to expand orders for protocol conformance testing and carrier acceptance testing solutions
<ul style="list-style-type: none"> ■ Market expansion due to growth at emerging vendors Device business from IT vendors New players from China and India 	<ul style="list-style-type: none"> ■ Strengthen relationships with chipset vendors that provide reference designs and bolster device production solutions
<ul style="list-style-type: none"> ■ TD-LTE market rollout Licenses allocated in China Expansion of device development and production 	<ul style="list-style-type: none"> ■ Work to capture TD-LTE-related demand globally, centered on China

■ Test and Measurement business medium- to long-term objectives and basic strategy

Annual revenue growth of 7% or higher, operating margin of 20% or higher

In the Test and Measurement business, Anritsu will focus on the mobile communications market, which is forecast to grow across the globe, and the network infrastructure and

electronics markets, which support the mobile communications market.

The growth driver to reaching our medium- to long-term objectives is technology innovation, such as LTE. Basic research has even been launched on “5G” technology, which is the next generation after LTE.

Mobile Communications Technology Trends

	2014		2016		2018		2020
3GPP	Rel. 12	Rel. 13	Rel. 14	Rel. 15			
ITU Frequency allocation	★ITU WRC15 ~4.2GHz ~4.9GHz/10~30GHz for 5G						
	LTE-Advanced		LTE-Advanced Enhancements		Beyond 4G		
Commercial data speed	~300Mbps		~450Mbps	~600Mbps	~1Gbps...		
Carrier aggregation	DL 2CA	FDD/TDD CA				DL 5CA/UL 3CA
MIMO	4×2		8×8 ...				
Technology innovation	VoLTE/RCS/eICIC/COMP/WiFi Interworking/LTE-Unlicensed/Public Safety, D2D...						

Expanding Business Opportunities in Mobile Development

	Platform (Core) Development	Conformance Test		Operator Acceptance Testing	Smartphone Application Development
		RF	Protocols		
Applications	Communications standard development Chipset development	Conformance test Interoperability test		Telecom carrier certification testing	Application development Handset operation verification
Main customers	Chipset vendors Handset vendors	Chipset vendors Handset vendors Test houses		Telecom operators Handset vendors Test houses	Handset vendors Application developers
Market trends/ Business opportunities	➡ Maintain No. 1 position	➡ Maintain No. 1 position	➡ Market expansion Raise position	➡ Market expansion Raise position	➡ Market expansion Raise position

Mobile communications technology is a social infrastructure with uses in an increasingly wide number of business fields. To improve the quality of mobile communications, comprehensive testing environments and testing entire systems, including software, are in demand. Based on this, our business opportunities will continue to grow.

Amid this changing market, Anritsu will continue strengthening R&D investments and its customer support structure

to build even more steadfast relationships with clients. We will use the strong competitive position that will result from this to bring forth business expansion over the medium- to long term.

Anritsu will continue to support the development of the telecommunications service industry.

Industrial Automation

Making Our Lives More Secure

Quality assurance solutions that support food safety via contaminant inspection



“envision : ensure” in the Industrial Automation Business

People’s interest in health is growing every day, and the safety and security of the food and pharmaceuticals we put into our mouths each day is becoming a very important theme. Our customers have a variety of food and pharmaceutical production lines, and their problems are worries and numerous. We do not simply provide products that meet customers’ requirements; we work to understand their worries and potential problems at their production sites, and provide optimized quality assurance solutions. Through this, Anritsu contributes to customers realizing their vision.

Going forward, we will continue to endeavor boldly for innovation, and strive to bring our dream of safety and security to fruition across the globe.

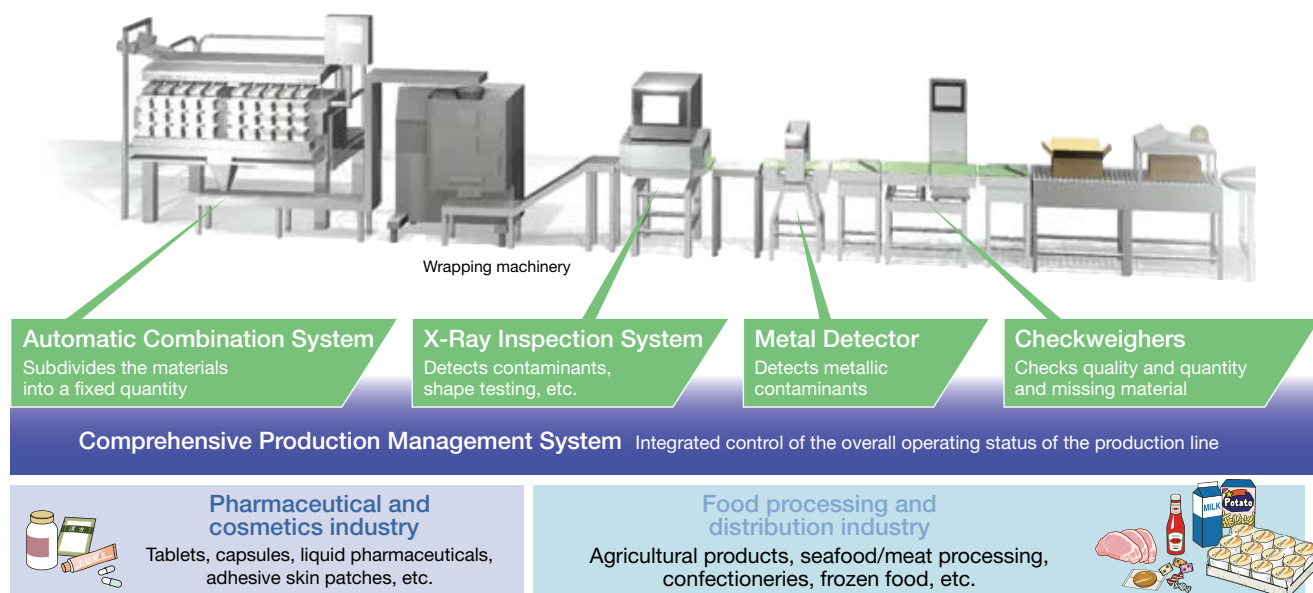
Senior Vice President,
Industrial Automation Group President,
Fumihiro Tsukasa



■ Business Areas

The Industrial Automation business provides X-ray inspection systems to detect foreign-matter contamination, metal detectors, and checkweighers that weigh at high speed and high precision. We provide these products to the food

production, pharmaceutical, and cosmetics industries. About 80% of our business is to the food production industry, which is relatively resistant to demand changes due to the business cycle. This has afforded stable business for us in this segment.



■ FY2013 Review

Demand in the food production industry was strong, mainly for contaminant detectors and checkweighers, on replacement demand in Japan and efforts to win new customers in North America. As a result, revenue grew 17% over the previous fiscal year, to ¥16.9 billion, and operating profit grew 48%, to ¥1.2 billion. The operating margin was 7.1%.

■ FY2014 Business Environment and Focus Points

Revenue forecast ¥18.0 billion (6% increase over FY2013), operating profit ¥1.3 billion (8% increase)

In Japan, new demand and replacement demand are growing for detectors on food production lines in step with market expansion for pre-packaged takeout food. Anritsu will work to improve product competitiveness by strengthening product functionality to meet customer needs, and firmly capture demand. In overseas markets, food detection demand is growing in North America and Asia. Strengthening customer support capabilities on the ground, we will work to deepen relationships with existing customers that are expanding overseas, and win new local customers. Through this, we will focus on capturing demand, mainly for X-ray inspection systems.

■ Industrial Automation Business Medium- to Long-Term Objectives and Basic Strategy

Annual revenue growth of 7% or higher, operating margin of 12% or higher, overseas revenue ratio 35% → 50%

Attention to food and pharmaceutical quality assurance is becoming a key topic at global companies as providing the same high-level safety and security throughout the world is necessary. This attention is also growing in markets of emerging countries, where the middle class is expanding.

Anritsu will work to develop and provide quality assurance solutions that meet this demand, and work to optimize its supply chain, including producing locally overseas. Through this, we aim to expand business and raise profitability. Anritsu will continue to strive to realize a safe and secure society by providing its quality assurance systems.

Others

Supporting Society's Infrastructure

Realizing a safe, secure, and comfortable society always and everywhere

Information and Communications Business



Devices Business



■ Business Areas

The Others business segment provides information and communications business, such as remote monitoring systems for waterworks and river-management operations, and bandwidth controllers for high network reliability for financial

institutions and video providers. The devices business in this segment offers fiber optical and ultra-high-speed devices needed for communications devices that make up high-speed and high-capacity telecommunications networks.

■ FY2013 Review

In the information and communications business, restructuring implemented two years ago has led to stable earnings. In the devices business, however, we booked restructuring costs due to exiting some unprofitable product lines. As a result, revenue was ¥9 billion, a 0.5% decrease from the previous fiscal year. Operating profit was ¥941 million, a 46.7% increase. In the previous fiscal year, we booked impairment losses on buildings, which did not recur in FY2013.

■ FY2014 Business Environment and Focus Points

In the information and communications business, we will work to expand overseas sales of bandwidth controllers, and grow telemeter equipment sales in Japan. In the devices business, profitability is forecast to improve due to the restructuring undertaken in FY2013, and we will work to increase sales of very-high-speed fiber-optic communications devices.

The Anritsu Group considers the pursuit of “Original & High Level” technologies to be the fundamental source of its competitive strength. By operating a global R&D organization and proactively participating in standardization programs, Anritsu is striving to develop high-value-added solutions for its customers. The Group is also strategically working to leverage its intellectual property as an additional means of strengthening its competitive power.

■ Basic Policy on R&D Investments

The communications industry is characterized by rapid technological progress, and the number of Anritsu's R&D themes in the mobile test and measurement field is increasing at an accelerating rate of speed. Under the circumstances, the Group is working to increase investment efficiency by using R&D investment management methods based on KPIs that emphasize returns on investment.

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

■ Participation in Standardization Programs

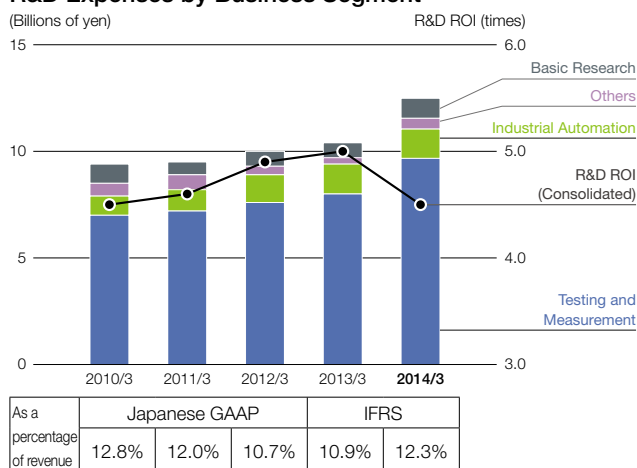
Participation in standardization programs is an important element of Anritsu's R&D programs. We are proactively contributing to the creation of new communications-related standards by taking part in such programs as the Third-Generation Partnership Project (3GPP), the Global Certification Forum (GCF), and the International Telecommunication Union-Telecommunication (ITU-T) Standardization Sector. Because the world's leading information and communications companies are members of the various standardization entities, these proactive activities have enabled us to build strong ties with customers and thereby obtain important information and feedback related to technologies and product development. We are making the

most of those benefits in our efforts to launch solutions with outstanding competitive power in a timely manner.

■ Major R&D Achievements during the Fiscal Year

- Strengthened functions for testing solutions for mobile device development and production
Solutions for LTE-Advanced (FDD/TDD)
- Testing equipment for Wi-SUN alliance logo verification process
Co-developed with the National Institute of Information and Communications Technology

R&D Expenses by Business Segment



Global R&D Network

