Management's Discussion and Analysis

The Anritsu Group has adopted IFRS since the fiscal year ended March 31, 2013 and prepared consolidated financial statements in conformity with IFRS in fiscal 2012, 2013, 2014, and 2015.

Changes in the Scope of Consolidation

During the fiscal year ended March 31, 2015, the Anritsu Group comprised 42 consolidated subsidiaries at the end of the fiscal year.

Revenue and Profit

During the fiscal year ended March 31, 2015, the U.S. economy continued its recovery trend, although the outlook for the global economy remained uncertain due to growing geopolitical risk in the Middle East and Eastern Europe and a slowdown of growth in China. The Japanese economy showed upward momentum from the expectation of improved personal consumption through monetary/fiscal policies and wage hikes.

In the field of communications networks, mobile broadband services for smartphones, tablets, and other mobile devices are expanding rapidly, and as a result, data traffic over networks is increasing at a steep rate.

LTE (Long-Term Evolution) and LTE-Advanced, a further expanded LTE, have become widely used, and demand for development of protocol conformance testing and operator acceptance testing has increased. In particular, during the fiscal year ended March 31, 2015, there were growing needs for the development of such LTE-Advanced component technologies as MIMO (Multiple-Input and Multiple-Output: technology to achieve high speed and greater capacity of wireless data communication using a number of transmitting and receiving antennas) and CA (Carrier Aggregation: technology to achieve greater bandwidth by bundling multiple carriers). In the manufacturing field, emerging device vendors in China and India that use reference designs offered by chipset vendors are growing rapidly. In addition, integration between cellular and non-cellular such as Wi-Fi is developing.

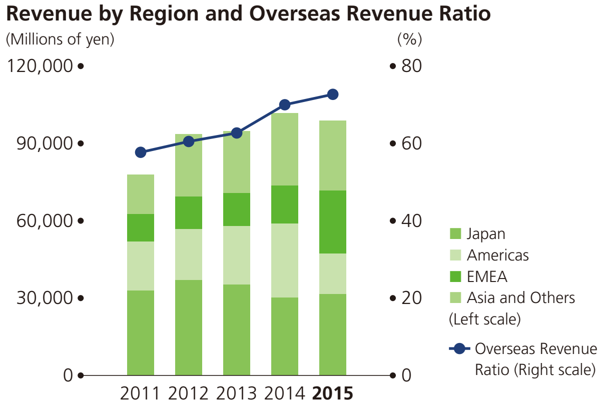
In the mobile-related market, moves aimed at corporate acquisitions, reorganizations, or mergers are gaining momentum mainly in Europe and the U.S., and the trend of customer investment seems to be fluctuating. In the smartphone manufacturing market, while the popularity of high-function, high-priced devices has run its course in the industrialized nations, low-priced device vendors have made giant strides in conjunction with the expansion of the emerging markets, and low-priced mobile service operators (MVNO, Mobile Virtual Network Operator) are also gaining prominence in the domestic market. These trends indicate diverse changes in the market environment.

Amid such business environment, the Anritsu Group carried out strategic investment mainly around development and customer support, worked to improve competitiveness in the offering of solutions by responding to international standards in the process of being updated, verifying interoperability of different communications standards, improving productivity of devices and chipsets, and enhancing efficiency of improving wireless infrastructure.

Revenue

During the fiscal year under review, demand for Test and Measurement business segment equipment for the mobile market, principally in Asia, continued to be firm, but, in Japan, the Americas, and Europe, sales were adversely affected by the impact of realignments in the industry and restraints on investment. In addition, in the network infrastructure market and electronics market, demand for test and measurement equipment was generally weak. As a result, orders in the segment for the fiscal year amounted to ¥101,084 million (a decrease year on year of 2.7%), and revenues were ¥98,840 million (a decline of 3.0%).

Revenue by Region and Overseas Revenue Ratio



Cost of Sales and Gross Profit

Cost of sales decreased ¥750 million, or 1.6%, to ¥46,148 million. Cost of sales as a percentage of total revenue was 46.7%, or about the same as in the previous fiscal year. Gross profit decreased ¥2,263 million, or 4.1%, to ¥52,692 million. The gross margin amounted to 53.3%.

Selling, General and Administrative (SG&A) Expenses and Operating Profit

SG&A expenses increased 3.4% over the previous fiscal year, to ¥29,606 million.

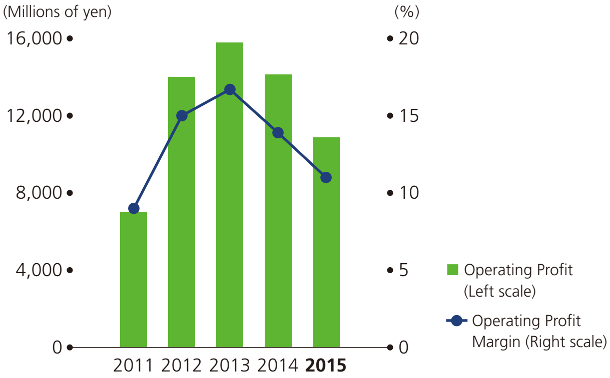
Research and development (R&D) expenses rose 5.8%, to ¥12,940 million, reaching 13.1% of consolidated total revenue. As a result of the above factors, operating profit declined 22.9%, or ¥3,240 million, to ¥10,883 million. The operating margin was 11.0%.

Other income rose from ¥522 million in the previous fiscal year to ¥1,017 million.

SG&A Expenses

	Millions of yen		YoY (%)
Year ended March 31	**2015**	2014	
Personnel expenses	**¥18,340**	¥18,226	0.6
Travel and transportation expenses	**1,985**	1,876	5.8
Advertising expenses	**1,892**	1,801	5.0
Depreciation and amortization expenses	**1,004**	722	39.1
Others	**6,385**	5,996	6.5

Operating Profit and Operating Profit Margin



Profit before Taxes and Profit

Other expenses decreased from ¥506 million to ¥280 million. Financial income increased from ¥687 million to ¥1,260 million, and financial costs amounted to ¥635 million.

As a result, profit before tax declined 18.6%, to ¥11,592 million from the previous fiscal year. The effective tax rate was 32.1% and income taxes amounted to ¥3,717 million. Profit decreased ¥1,444 million, to ¥7,875 million. Comprehensive income fell ¥1,604 million, to ¥11,898 million, and basic earnings per share were ¥55.72.

Cost of Sales, Expenses, and Profit as a Percentage of Revenue

			%
Year ended March 31	**2015**	2014	2013
Revenue	**100.0**	100.0	100.0
Cost of sales	**46.7**	46.0	46.1
Gross profit	**53.3**	54.0	53.8
SG&A expenses	**30.0**	28.1	25.7
R&D expenses	**13.1**	12.0	10.7
Profit	**8.0**	9.1	14.7

Shareholder Return Policies

Dividend Policy

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

With regard to dividends, 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 aims at a consolidated dividend payout ratio of 25% or more. The Company's basic policy is to make distributions of dividends, twice a year, consisting of a fiscal year-end dividend and an interim dividend by resolution of the General Meeting of Shareholders and by approval of the Board of Directors.

The Company intends to carry out the purchase of treasury stock appropriately as necessary, by taking into account its financial situation, the trends in stock prices, and other factors, in an effort to execute capital policies that respond flexibly to changes in the corporate environment. In the fiscal year ended March 31, 2015, the Company purchased and retired ¥5,000 million in treasury stock.

Cash Dividends per Share

The Company's basic policy is to apply retained earnings to research and development and capital investment in order to respond to rapid technological advances and changes in the market structure. Anritsu plans to pay a year-end dividend of ¥12.0 per share, and total dividends for the fiscal year will be ¥24.0 per share for the fiscal year ended March 31, 2015.

Business Segments

The Anritsu Group classifies operations into the segments of Test and Measurement, Industrial Automation, and Others.

Test and Measurement

This segment develops, manufactures, and sells measuring instruments and systems for a variety of communications applications, and service assurance, to telecom operators, manufacturers of related equipment, and maintenance and installation companies around the world.

During the fiscal year ended March 31, 2015, although performance was steady on the whole in Asia, overall revenue still fell from the same period of the previous year, affected by customers' withdrawal from business and restraint on capital expenditures in other regions. Additionally, investment in research and development exceeded the level of the previous year due primarily to increased development projects, and expenses for enhancing customer support capabilities overseas also remained at a high level.

Consequently, segment revenue decreased 3.3% compared with the previous fiscal year, to ¥73,443 million, and operating profit decreased 31.3%, to ¥8,944 million.

The Test and Measurement business, which accounts for approximately 74% of the Anritsu Group's revenue, is divided into the following three sub-segments.

1. Mobile

The Mobile sub-segment includes measuring instruments for mobile phone acceptance testing by mobile phone service operators, and for design, production, function and performance verification, and maintenance of mobile phone handsets by manufacturers of mobile phones, IC chipsets, and relevant components.

Demand in this sub-segment tends to be influenced by factors including the technological innovations in mobile phone services, market penetration, the number of new subscribers as well as new entries in and withdrawals from the market by mobile phone and chipset manufacturers, and the number of models and shipments of mobile phones and chipsets.

Currently, a variety of mobile broadband services offered through mobile phones that support LTE are available mainly in developed countries. Leading telecom operators and mobile phone and chipset manufacturers are pursuing research and development of LTE-Advanced, the most-advanced communications system, with the aim of providing more-sophisticated and high-quality services. Moreover, mobile communications technology is also used for in-vehicle telecom handsets, and research and development for new services is progressing. Driven by these efforts, there is ongoing demand for leading-edge measuring solutions related to measuring systems that perform conformance testing and interoperability testing.

On the other hand, in the emerging countries, including China and India, smartphones using the third-generation (3G) mobile system in affordable price ranges have become widespread at an explosive pace due to improved living standards created from economic growth. Especially in China, many new mobile phone manufacturers have emerged on the back of broad use of TD-LTE and expansion of related markets. Demand is also growing for measuring solutions for the efficient manufacturing of mobile phones.

Anritsu is continuing to develop and launch competitive solutions to meet the demand for the leading-edge measuring solutions and measuring equipment for mobile phone manufacturing. As for the measuring solutions, the Company is working to further expand business in the mobile market by promptly offering functional updates in line with the evolution of communications standards.

2. Network Infrastructure

The Network Infrastructure sub-segment includes network construction maintenance, monitoring and service quality assurance solutions for wireline and wireless service providers, and solutions for communications equipment manufacturers in areas including design, production, and testing.

In this sub-segment, with the increasing popularity of broadband networks, service offerings are developing to include not only music and video distribution but also cloud computing services. Along with this, access to the Internet through mobile terminals is rising rapidly, and as a result, data traffic is increasing, thus bringing stronger demand for higher-speed networks.

With the increasing popularity of mobile broadband networks, the use of cloud computing services is increasing, not only for personal application such as music and video distribution, but also for business. Accompanying this growth, data traffic continues to expand rapidly, and advanced telecom operators and equipment manufacturers pursuing broadband networks are commercializing 100Gbps services and concentrating on research and development of 400Gbps network equipment. Moreover, efficiently dense base station networks are being promoted by integrating and using wireline and wireless network technology in order to improve connectivity from mobile phones. Along with this, demand is growing for measuring solutions that optimize wireline and wireless technology depending on the intended use. Demand for high-speed data communication equipment is also expanding due to an increase in construction of data centers to support cloud computing services. Accompanying with this, research and development and manufacturing markets of high-speed optical communications modules are active, creating additional demand for related measuring solutions.

Anritsu is working to expand business by providing comprehensive solutions from constructing and monitoring communications infrastructure to ensuring service quality in addition to research and development solutions for telecommunications equipment.

3. Electronics

The Electronics sub-segment includes measuring instruments widely used in the electronics industry, particularly for design, production, and evaluation of electronic devices used in telecommunications network-related communications equipment and other electronic equipment.

Demand in this sub-segment tends to be impacted by the scale of production of electronic components and products used in telecommunications equipment, intelligent home appliances, and automobiles.

Expansion of mobile broadband services and the use of the IoT (Internet of Things), such as smart meters, are driving growth in demand for measuring solutions for development and manufacturing of wireless modules for a broad array of applications. Furthermore, various wireless systems have been digitalized for effective use of frequency resources. Demand for measuring solutions for manufacturing and maintenance of new systems is also steadily growing. Anritsu will develop and deliver new products and quality assurance solutions, and will optimize its supply chain including overseas production in order to expand the business and increase profitability.

Industrial Automation

This segment develops, manufactures, and sells production management and quality management systems, including precision, high-speed auto checkweighers, automatic combination weighers, and metal detectors, for the food, pharmaceutical, and cosmetics industries.

During the fiscal year ended March 31, 2015, business remained solid in overseas markets especially in North America. On the other hand, customers in the Japanese market maintained a cautious stance towards capital expenditures in the first half of the fiscal year. But this returned to a favorable investment situation in the second half of the fiscal year. In addition, Anritsu proactively invested in research and development and sales promotion for capturing demand for renewing facilities in Japan and expanding sales in the overseas market.

As a result, segment revenue decreased 4.3% compared with the previous fiscal year to ¥16,198 million and operating profit decreased 31.8% to ¥824 million.

The Industrial Automation business accounts for about 16% of the Anritsu Group's revenue. Since approximately 80% of segment revenue is made of food manufacturers, this segment is substantially influenced by the impact of the economic growth rate and changes in consumer spending which would affect results on food manufacturers' business.

Core products include highly precise checkweighers for high-speed food processing lines, as well as X-ray and other inspection systems that detect and remove metal fragments, stones, and other alien materials in the food processing process with high precision. Anritsu's products have been grown mainly in the Japanese market. In addition, continuous investment aimed at expanding market share in Asia, the United States, and Europe resulted in an overseas revenue ratio of approximately 40%.

Demand for quality control inspection solutions is expected to remain firm in every region of the world, as interest among food manufacturers remains high. To meet this demand, Anritsu will develop and deliver new products and quality assurance solutions, and will optimize its supply chain including overseas production in order to expand the business and increase profitability.

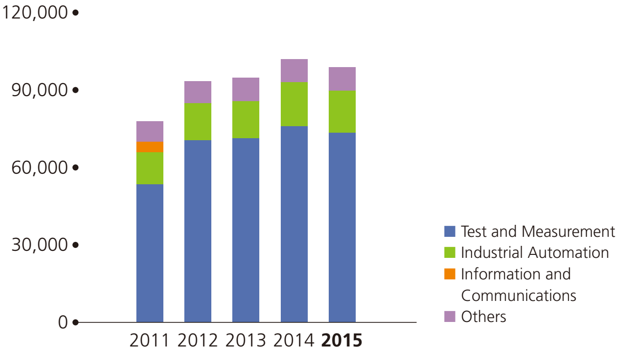
Others

This segment comprises information and communications, devices, logistics, welfare services, real estate leasing, and other businesses.

During the fiscal year ended March 31, 2015, revenue and profit increased from the previous fiscal year, partly due to the results of business restructuring carried out in the previous fiscal year in the devices business.

Additionally, impairment losses on buildings and structures, which had been initially decided to be closed, were reversed as a result of a decision for the continued use of them in the head office site due to the partial reexamination of the plan for utilizing them. As a result, segment revenue increased 2.5% compared with the previous fiscal year, to ¥9,199 million, and operating profit increased 108.4%, to ¥1,963 million.

Revenue by Business Segment
(Millions of yen)



Liquidity and Financial Condition

Fund Procurement and Liquidity Management

The Anritsu Group's funding requirements are mainly for working capital to purchase materials and cover expenses incurred in the manufacturing, sales, and marketing of products; for capital investments; and for research and development expenses. In addition, during the fiscal year ended March 31, 2015, funds were required for the construction of the global headquarters building and the purchase and retirement of treasury stock. The Group secures sufficient funding to cover these requirements from retained earnings, bank borrowings, and capital market funding. To ensure stability in funding, the Anritsu Group arranged for a commitment line of ¥10 billion in March 2014, which is effective through March 2017. Looking forward, while preparing for unforeseen financial risks, both domestic and overseas, in a dramatically changing market environment, the Anritsu Group will swiftly and flexibly meet its capital requirements for working capital, regular repayment of long-term borrowings, and business growth.

During the fiscal year ended March 31, 2015, as a result of bank loan repayment, as of March 31, 2015, the balance of interest-bearing debt (excluding lease payables) was ¥16.0 billion (compared with ¥18.8 billion at the end of the previous fiscal year), and the debt-to-equity ratio was 0.20 (compared with 0.25 at the end of the previous fiscal year); both were substantial improvements. And the net debt-to-equity ratio was a negative 0.24 (compared with a negative 0.33 at the end of the previous fiscal year). In addition, the average turnover ratio on the end-of-period balance of inventories to revenue was 5.5 times.

The Company will utilize increased cash flow generated by improvements in ACE (achievement of net operating profit after tax less an adjustment for the cost of capital) and asset turnover as well as enhanced capital efficiency resulting from measures including an internal group cash management system to make further reductions in interest-bearing debt, and improve the debt-to-equity ratio, enhancing shareholders' equity and fortifying its financial structure.

During the fiscal year ended March 31, 2015, Rating and Investment Information, Inc. (R&I) upgraded Anritsu's short-term debt and long-term debt from the previous fiscal year to a-1 and to A-, respectively. Anritsu will continue working to enhance its financial stability in order to improve its debt rating.

Notes: 1. ACE (Anritsu Capital-cost Evaluation): Net operating profit after tax – Cost of capital
2. Debt-to-equity ratio: Interest-bearing debt / Equity attributable to owners of parent
3. Net debt-to-equity ratio: (Interest-bearing debt- Cash and cash equivalents) / Equity attributable to owners of parent

Cash Flow

In the fiscal year ended March 31, 2015, cash and cash equivalents (hereafter, "net cash") decreased ¥8,299 million from the end of the previous fiscal year to ¥34,916 million.

Free cash flow, the sum of cash flows from operating activities and cash flows from investing activities, was a positive ¥1,534 million (compared with a positive ¥8,481 million in the previous fiscal year).

Conditions and factors for each category of cash flow for the fiscal year are as follows.

• Cash Flows from Operating Activities

Net cash provided by operating activities was ¥7,583 million (in the previous fiscal year, operating activities provided net cash of ¥13,793 million). The main factor was an increase in recording profit before tax while a decrease in payment of income taxes was reported.

Depreciation and amortization was ¥3,372 million, an increase of ¥320 million compared with the previous fiscal year.

• Cash Flows from Investing Activities

Net cash used in investing activities was ¥6,049 million (in the previous fiscal year, investing activities used net cash of ¥5,312 million). This was primarily due to the acquisition of property, plant and equipment including the global headquarters building.

• Cash Flows from Financing Activities

Net cash used by financing activities was ¥11,235 million (in the previous fiscal year, financing activities used net cash of ¥4,360 million). The cash decrease was mainly due to repayment of long-term borrowings of ¥5,000 million, purchase of treasury stock of ¥5,000 million, and payment of cash dividends totaling ¥3,153 million (in the same period of the previous fiscal year, cash dividends were ¥3,225 million). On the other hand, the cash increase was mainly due to proceeds from long-term borrowings of ¥2,500 million.

Assets, Liabilities, and Equity

Assets, liabilities, and equity as of March 31, 2015 were as follows.

Total assets decreased ¥257 million compared with the end of the previous fiscal year, to ¥126,893 million. While cash and cash equivalents decreased, property, plant and equipment and inventories increased.

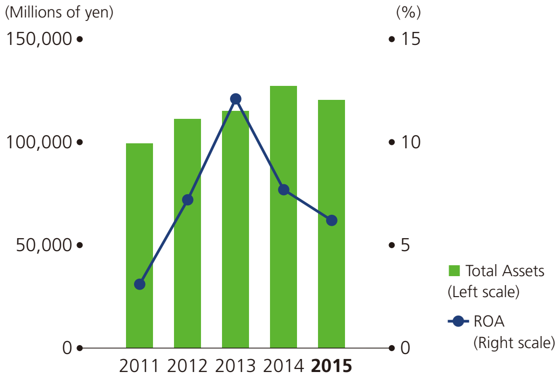
Total liabilities decreased ¥4,026 million compared with the end of the previous fiscal year, to ¥48,227 million. This was primarily due to decreases of bonds and borrowings and employee benefits in non-current liabilities, and income tax payables in current liabilities; on the other hand, trade and other payables in current liabilities increased.

Equity increased ¥3,769 million compared with the end of the previous fiscal year, to ¥78,666 million. This was mainly due to increases of other components of equity and retained earnings while a decrease was due to purchase and retirement of treasury stock of ¥5,000 million.

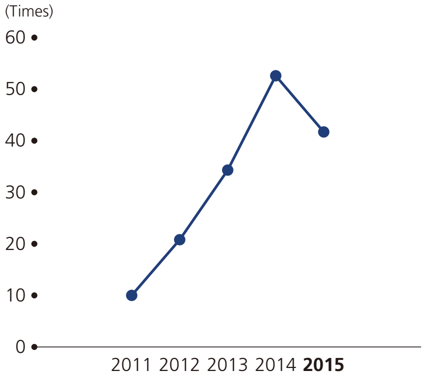
As a result, the equity attributable to owners of the parent to total assets ratio was 62.0%, compared with 58.9% at the end of the previous fiscal year.

* Net working capital = Accounts receivable and other receivables + Inventories – Accounts payable and other payables
Net working capital has been recalculated according to the above formula from last fiscal year.

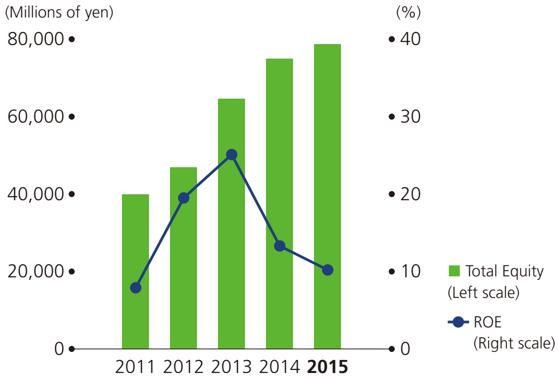
Total Assets and ROA



Interest Coverage Ratio



Total Equity and ROE



Capital Expenditures

The Anritsu Group is concentrating management resources in areas related to the quality and high performance of communications networks, including the integration of wireline and wireless communications, the acceleration of network speeds, and the increase in network capacity.

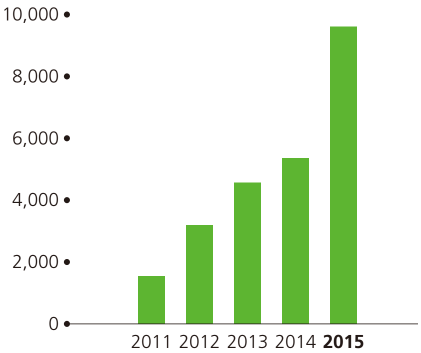
The Test and Measurement segment invested mainly in new product development to respond to technological innovation and completion and cost reduction. The segment also invested in enhancements related to its business continuity plan (BCP), including the construction of a new global headquarters. In the Industrial Automation segment, investments were implemented mainly in improving the efficiency of the manufacturing environment and in upgrading its IT environment.

The Others segment, within the communications business, invested mainly in new product development and enhancements to the assessment environment as well as in its IT infrastructure with the aims of improving operating processes and supporting marketing activities.

Overview of Capital Expenditures

	Millions of yen		YoY (%)
Year ended March 31	**2015**	2014	
Test and Measurement	**¥9,041**	¥4,966	182.0
Industrial Automation	**294**	191	153.6
Subtotal	**9,336**	5,158	181.0
Others	**276**	197	140.4
Total	**¥9,612**	¥5,355	179.5

Capital Expenditures



Research and Development

The Anritsu Group conducts R&D related to the development of "Original & High Level" products and services in its R&D centers in Japan, the Americas, and Europe, with the aim of contributing to the realization of global societies that are "safe, secure, and comfortable."

In the Test and Measurement segment, Anritsu Company (United States), Anritsu Ltd. (United Kingdom), Anritsu A/S (Denmark), Anritsu Solutions S.r.l. (Italy), and Anritsu Solutions SK, s.r.o. (Slovakia) are working together to further realize synergies among their technologies through supplementing and complementing each other's technological strengths.

The Industrial Automation segment is conducting R&D within Anritsu Industrial Solutions Co., Ltd.

Accompanying the application of the International Financial Reporting Standards (IFRS), the Anritsu Group capitalized certain of its development investments and presented these amounts among intangible assets. The breakdown of research and development investments during the fiscal year, including those presented in intangible assets, is shown below.

Research and Development

	Millions of yen		% of revenue
Year ended March 31	**2015**	2014	
Test and Measurement	**¥10,189**	¥ 9,669	13.9
Industrial Automation	**1,708**	1,375	10.5
Others	**611**	506	6.6
Basic Research	**857**	938	—
Total	**¥13,366**	¥12,488	13.5

Principal results of R&D programs in each business segment are as follows.

Business Segment	Model	Product	Application	Contribution
Test and Measurement	MT1000A	New products Network Master PRO	For assessment of development, production, construction, maintenance for communications networks and network-related equipment that support transmission volume that is increasing year by year	Contributes to quality enhancement and efficiency of network construction and maintenance through its superior battery operation
	MT1100A	New products Network Master FLEX		Contributes to increasing quality in all phases from development to maintenance, in networks from cutting-edge to legacy types in a single unit
	MS2830A	Additional functions incorporated Audio analyzer for signal analyzers	For assessment of reception sensitivity and sound quality of wireless analog signals	Can be used for digital and analog and contributes to increasing quality and efficiency of manufacturing and maintenance
	MT8852B	Additional functions incorporated Bluetooth test set for Ver. 4.2	For assessment of wireless performance of IoT systems, wearable devices, etc.	Responds promptly to latest standards and contributes to early commercialization of short-distance wireless application equipment
	MD8430A	Additional functions incorporated Signaling test compatible with LTE-Advanced	Virtual test environment for cutting-edge mobile networks	Contributes to improving quality and early commercialization of latest smartphones that operate on LTE-Advanced
	ME7873/ ME7834	Additional functions incorporated Conformance test system/ Mobile device test platform	Used for testing conformance tests to latest standards and carrier acceptance tests	Contributes to improvement in quality in and early commercialization of mobile devices that operate on LTE-Advanced
Industrial Automation	XR75 Series	New products X-Ray contamination detection unit	Used for quality assurance through detection of foreign matter in food products and pharmaceuticals	Contributes to food safety and security
	M5 Series	New products Metal detection unit		
Others	PureFlow GSX NF7101C	Traffic shaper	For increasing compatibility with large-scale networks and conformance with overseas safety standards	Offers safe and secure communications environment worldwide, leading in the cloud environment
	SightVisor NC5200	Information viewer equipment	Remote monitoring of accidents and disasters	Strengthens remote monitoring device functionality to help bring about a safe and secure society

Management Objectives and Indicators

Anritsu aims to maximize corporate value by managing its operations with a focus on cash flow. In addition, to evaluate the added value generated by capital invested, Anritsu uses an original metric, ACE (Anritsu Capital-cost Evaluation), for evaluating the results of each business. A target for ROE is also set as an indicator of the efficiency of capital invested.

To attain its management vision of "Continuous Growth with Sustainable Superior Profits," the Anritsu Group prepared its ANRITSU 2020 VISION, which has a time horizon of 10 years (that began in 2010), and has prepared a mid-term milestone plan entitled Mid-term Business Plan GLP2017. The principal management targets under this plan are shown in the following table.

Billions of yen

Year ended March 31	2014 (Actual)	**2015** (Actual)	2016 (Target)
Revenue	101.9	**98.8**	103.0
Operating profit	14.1	**10.9**	11.0
Profit	9.3	**7.9**	8.0
ACE	4.8	**2.4**	3.0
ROE (%)	13	**10**	10

Outlook and Management Issues for the Year Ending March 31, 2016

During the fiscal year ending March 31, 2016, the global economy is expected to recover in the Americas. However, lingering uncertainties over trends in the European and Chinese economies and rising geopolitical risks in Eastern Europe and the Middle East have made the future unpredictable. In addition, there is a need for constant and appropriate responses to technological innovations, changes in the market environment and competitive relationships, and trends in the financial situation.

In this market environment, the Anritsu Group will undertake the following measures.

In the core Test and Measurement segment, the Anritsu Group will work more closely with customers by sharing development road maps with them and strengthen technical support to establish a competitive position in the mobile market, where demand is projected to continue expanding worldwide. In the network infrastructure market, with the expansion of base station networks and increased density by small cells (complementary base stations with low-power covering a narrow range), the Anritsu Group will globally provide products that respond to reinforcement of such network infrastructure. In the electronics market, various wireless technologies are applied to transportation devices, home appliances, and social infrastructure as well, and the Anritsu Group will aim to expand business by providing test and measurement solutions that have enhanced user convenience in growth fields. The Anritsu Group will also work aggressively to structure a global procurement system and strengthen its research and development and customer support services with the objectives of aggressively expanding its business activities and achieving further improvements in profitability.

In the Industrial Automation segment, the Anritsu Group seeks to optimize the supply chain under the strategy of local production for local consumption and strengthens product competitiveness, cost competitiveness, and local engineering capability in the growing overseas markets, while it develops the market with a strategy of higher added value and differentiation. The Group is also deepening ties with major global food manufacturers, and is working on ways of seeking out new customers.

The Anritsu Group is planning on growth in revenue. In the Test and Measurement business, revenue mainly derived from the mobile and network infrastructure markets is expected to remain at the same level with the fiscal year ended March 31, 2015. In the Industrial Automation business, sales are expected to increase in both domestic and overseas markets. The outlook for operating profit and profit shows increases from the fiscal year ended March 31, 2015.

Risk Information

1. Inherent Risks in the Anritsu Group's Technology and Marketing Strategies

The Anritsu Group works to deploy its well-developed technological capabilities to promptly provide cutting-edge products and services that offer value to customers. However, the rapid pace of technological innovation in the Anritsu Group's core information and communications markets and the Anritsu Group's ability to deliver products and services in a timely manner to meet the needs and wants of customers are factors that have the potential to exert a material impact on the Anritsu Group's financial condition and operating results.

2. Market Fluctuation Risk

External factors including changes in the economy or market conditions and technological innovation affect the profitability of product lines the Group develops and have the potential to exert a significant material impact on the Anritsu Group's financial condition and operating results.

Because a high percentage of Test and Measurement segment revenue is in the telecommunications market, capital investment trends among telecom operators, telecommunications equipment manufacturers, and electronic component manufacturers have the potential to exert a material effect on business results. Telecom operators are progressively adopting technologies to handle rapid increases in data traffic even as they curtail capital investment.

However, they are also increasingly adopting shared open network use in order to increase service development efficiency. Moreover, business results for the mobile communications measuring instrument field, the cornerstone of earnings for the Anritsu Group, are affected by changes in technological innovation in mobile phone services, the number of subscribers, and the replacement ratio for mobile phones. Business results are also affected by factors such as changes in development methods as seen in the shift to mobile phone software platforms and response to intensifying price competition in measuring instruments used in handset production.

In the Industrial Automation business, sales to food manufacturers constitute approximately 80% of revenue. Economic growth rates, consumer spending, and raw material price trends have the potential to impact performance, capital investment, and other issues among food manufacturers and materially influence its performance.

3. Global Business Development Risks

The Anritsu Group markets its products globally, and conducts business in the Americas, Europe, Asia, and elsewhere. In particular, the overseas sales ratio including both the Test and Measurement business and the Industrial Automation business is about 73%, and many customers likewise operate on a global scale.

As a result, economic trends in countries worldwide, changes in international conditions, compliance with required laws and regulations, and progress in the Anritsu Group's global strategy have a potential to exert a material impact on the Group's financial position and results of operations. In addition, global-scale mergers, acquisitions, and realignment in the telecommunications industry are changing the competitive landscape. Significant changes in capital investment trends that result have the potential to exert a material impact on the Anritsu Group's financial condition and operating results.

4. Foreign Exchange Risk

The Anritsu Group's sales outside Japan account for approximately 73% of consolidated revenue. The Anritsu Group hedges foreign exchange risk using instruments including forward foreign exchange contracts for foreign exchange transactions that occur upon collection of accounts receivable and other events. However, rapid changes in foreign exchange rates have the potential to exert a material impact on the Anritsu Group's financial condition and operating results.

5. Long-Term Inventory Obsolescence Risk

The Anritsu Group works to provide products and services that precisely meet customer needs and wants.

However, particularly in the test and measuring instruments market, product lines are subject to rapid change in technology, which can easily result in obsolescence of products and parts, and cause inventory held for long periods to lose its value. These factors have the potential to exert a material impact on the Anritsu Group's financial condition and operating results.

6. Risk Related to Deferred Tax Assets

The Anritsu Group applies deferred tax accounting and recognizes deferred tax assets. Calculation of deferred tax assets is based on projections that include estimates of future taxable profit, and the actual benefit may differ from the projection. If the tax benefits based on the estimate of future taxable profit are judged to be unavailable, these deferred tax assets are written down, which has the potential to exert a material impact on the Anritsu Group's financial condition and operating results.

7. Risk related to Defined-Benefit Pension Plan

The amounts of retirement benefit payments and obligations incurred in connection with employee defined-benefit pension plans of the parent company and certain of its subsidiaries are calculated based on assumptions, including discount rates, made for actuarial calculations and the expected return on such pension plan assets. If the discount rates and other assumptions, which were made for the actuarial calculations of the expected amount of obligations under these defined-benefit pension plans, undergo change, this has the potential to exert a material impact on the Anritsu Group's financial condition and operating results.

8. Impact of Revisions, Etc., in Accounting Standards

The Anritsu Group voluntarily adopted its financial statements in conformity with IFRS. However, if, in the future, new accounting principles, tax laws, etc., are applied and/or changes are made in such regulations, this has the potential to exert a material impact on the Anritsu Group's financial condition and operating results.

9. Risk of Natural Disasters and Other Unexpected Events

The Anritsu Group operates production and sales activities globally. Consequently, the occurrence of major earthquakes or other natural disaster, fire, war, acts of terrorism or violence could exert a material impact on the Anritsu Group's financial condition and operating results by disrupting the business activities of the Anritsu Group or its suppliers and customers due to damage to key facilities, or by causing political or economic instability.