

Message from the Group CEO



Hirokazu Hashimoto

President and Group CEO

How Anritsu will Achieve “Continuous Growth with Sustainable Superior Profits”

For over 120 years, Anritsu has often made history in the fields of information and communications, consistently demonstrating its value to society. We have done so by emphasizing two objectives. The first is to create value through leading-edge solutions that meet the needs both of our customers and society overall. We are also dedicated to innovating new businesses by thoroughly assessing our core technologies from a wide variety of perspectives, sharpening our competitive edge in the process.

The cornerstone of our commitment to leading-edge solutions and innovation is our Corporate Philosophy of “Sincerity, Harmony, and Enthusiasm.” In other words, as part of our corporate DNA, we place top priority on trustworthiness in all our undertakings, on ongoing engagement with stakeholders, and on meaningful initiatives that fulfill our responsibilities to society. Going forward, we will rededicate ourselves to taking the steps necessary to achieve our goals of “Continuous Growth with Sustainable Superior Profits.”

To be sure, achieving our goal of becoming the “Global Market Leader” means we have many tasks to accomplish. We will both continue to refine our original, core business model developed since our founding and to renew our commitment to innovation that contributes to the realization of a safe, secure, and prosperous global society.

Operating profit margin 11 %	ROE 10.2 %	ACE ¥2.4 billion	Debt rating A- (R&I)
Dividend payout ratio 43.1 %	Percentage of women in key global managerial positions 44 %	Energy usage (25% reduction from 2005) 25% reduction	Cumulative registration of eco-excellent products 32 types

Note: ACE is Anritsu's original key performance indicator (KPI); Operating income after tax minus capital cost. Eco-excellent products meet Anritsu's original guidelines for eco-friendly products.

Management Performance in Fiscal 2014

Turning to performance in fiscal 2014, ended March 31, 2015, orders for the Anritsu Group were ¥101.1 billion, representing a 3% decrease from the previous fiscal year. Revenues declined 3%, to ¥98.8 billion, with operating profit down 23%, to ¥10.9 billion. The main factors behind these results were an increase in our investments to expand business in growing global markets, and costs associated with responding to overseas customers in both our Test and Measurement and Industrial Automation businesses.

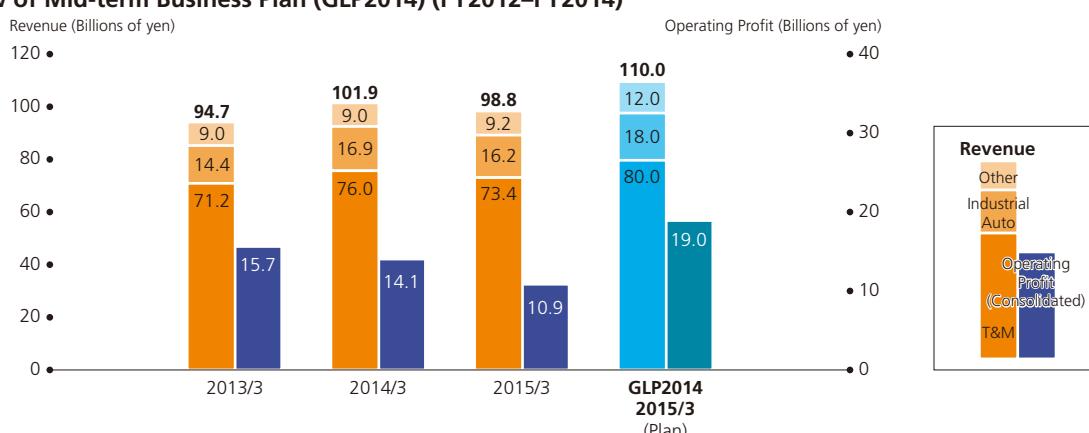
Notably, at the end of fiscal 2014, the backlog of orders for the Group as a whole increased 13% over the previous fiscal year-end to reach ¥19.7 billion. In our Test and Measurement segment, orders rose 7% to ¥15.5 billion.

Overall, from the final quarter of fiscal 2014, orders across all of our businesses indicated a clear recovery trend.

Results under the GLP2014 Mid-term Business Plan

The businesses of our Group are facing dramatic transformations in the environment. The mobile market, for example, saw significant changes after growing rapidly between 2012 and 2014. As mobile terminals underwent a sudden shift towards enhanced functionality and general-purpose configurations, competition among industry participants intensified, resulting not only in new business alliances, but also exits from the sector. Amid uncertainties in the investment plans of our customers, we succeeded in capturing market

Review of Mid-term Business Plan (GLP2014) (FY2012–FY2014)



share by proactively introducing new test and measurement systems to support our customers' advanced development projects and by offering state-of-the-art solutions to manufacturers seeking productivity improvements.

In our Industrial Automation business, we strengthened our local production systems and sales support capabilities and also took other steps to proactively support forecast business expansion overseas. As a result of these measures, the ratio of sales of Industrial Automation business in total overseas sales grew from 30% in fiscal 2011 to 40% in fiscal 2014.

To drive our GLP2014 Mid-term Business Plan, I have whole-heartedly encouraged Anritsu management and other team members to pay special attention to our dual "G" concepts of "Growth" and "Global". We are targeting growth to become market leaders who can continue to create real value for society. And to sustain profitable growth, our global strategy offers access to opportunities spanning new product development, sound profit structures, and global management resources. We can surely tap into additional growth opportunities worldwide by quickly adapting our regional business portfolios in response to the changes in the international strategies of our customers.

Since fiscal 2013, with our Business Originating Center at the core, we have been embarking on a range of market research and business planning activities, such as identifying and developing new business partners as well as forming

new business alliances. Including the development of new products, over the past three years we have made clear progress via these initiatives and are thus well prepared to transition to our next GLP2017 Mid-term Business Plan.

2020 VISION and Our GLP2017 Mid-term Business Plan

The two goals of our 2020 VISION long-term management vision are, firstly, "to be a global market leader" and, second, "to originate new businesses."

Our GLP2017 Mid-term Business Plan, covering the fiscal years 2015 to 2017, will serve as an important milestone in realizing our long-term vision. During this time frame, our fundamental medium- to long-term strategy will be to accurately identify growth drivers, and consequentially to achieve sustainability in terms of business growth and superior levels of profitability.

The growth driver for the Test and Measurement business is "expanding and innovating in the broadband field." Indeed, beyond mobile communications connecting people with each another, the "Internet of Things (IoT)" is a world where anything embedded with connectivity can exchange data over the Internet. With this in mind, we have reaffirmed our commitment to capturing new business opportunities related to the development of communications technologies underpinning IoT.

2020 VISION and GLP2017



Mid- 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) IoT (M2M) (2) LTE-Advanced, 5G, Connectivity (3) New base station network	≥7%	≥20%
Industrial Auto	3–5%	Improvement of safety, security, and health Solutions with X-ray for quality assurance	≥7%	≥12%
Consolidated	—	—	—	≥18%
ROE	—	—	—	≥15%

The growth driver for the Industrial Automation business is "increasing safety, security, and health." With the food product and pharmaceutical-related markets as our focus, our policy will be to further accelerate the expansion of sales in overseas markets where growth is expected.

In both the Test and Measurement and Industrial Automation businesses, there are sectors where we anticipate double-digit growth well beyond the annual growth of between 3% and 5% is forecast for the market overall.

We will target such high-growth businesses by fully utilizing our competitive advantages. Specifically, we will aim to ensure 7% year-on-year growth in revenue, surpassing the growth of the market as a whole. Further, over the mid-to-long term our goal is to achieve an operating profit ratio of 18% and ROE of 15%. During the three years of the GLP2017 Mid-term Business Plan, 2015 is the year for planting seeds, with the potential for growth recovery foreseen for the latter half of 2016. In fiscal 2017, the final year of the plan, our targets are revenues of ¥120 billion, operating profit of ¥17 billion, and an operating profit ratio of 14%.

Business Strategy for Attaining GLP2017 Objectives

Let me now outline our business strategies in concrete terms and explain how we intend to attain the objectives we set in GLP2017.

In the test and measurement market, we will win global business by providing high-value-added solutions as we work to secure our position as the global market leader. Growth opportunities clearly abound. Indeed, technological progress

seems almost limitless when it comes to realizing a broadband environment that will make real contributions by assuring "a safe, secure, and comfortable society, always and everywhere." We are in fact seeing major growth opportunities in our mobile business, including mobile terminal testing and measurement, and in the network infrastructure business, where testing and measurement of wireless infrastructure are critical.

Our mobile business is in fact poised for expansion. While mobile communications currently link people, going forward services will broaden to link various devices and equipment. The LTE system will evolve into the LTE-Advanced system, and further growth is forecast with the utilization of 5G systems scheduled to go into commercial use in 2020.

The approaching 5G era will feature faster and higher volume communications systems. For example, automated cars will offer substantially greater agility of control, contributing to a safer and more secure society. In the medical field, the advent of remote medical treatment systems utilizing high-precision 3D data will reduce interregional differences in medical care. Doctors will be able to make use of vast amounts of genome data to treat diseases that have so far been difficult to cure and to contribute to improved patient health outcomes overall.

In addition, 5G technology will make possible the development of robust communications systems that can withstand major earthquakes, tsunami, and typhoons, and other natural disasters. To cope with this expansion in the scope of applications, networks will evolve to cover wider geographical areas, realize faster transmission speeds, and achieve

transmission “immediacy” (zero delays), all of which means we must continue to innovate to surpass current solutions.

We can all take pride in the fact that Anritsu is the recognized global market leader in the mobile Test and Measurement business. While maintaining this leadership position, we will also continue to pioneer developing new businesses with new industry growth drivers beyond the telecommunications field.

In the network infrastructure business, we must both provide quality assurance and focus on the quality of the customer experience, while also offering innovations in the optimization and improved efficiency of network construction and maintenance. In fact, Anritsu is the only company in the test and measurement field that has continued to offer solutions for both wireless and wired line telecommunications. This strength will be a driving force for our growth over the next three year period. To proactively address the requirements of new customers, we will draw on our advantages in optical fiber and wireless test and measurement technology as well as our track record and client base assets as the leading supplier of wireless test and measurement equipment.

Next, I would like to talk about our goals for boosting the profitability in the Test and Measurement business. Our strategy for improving gross profit is to expand our offerings of high-value-added solutions and services. In addition, we are introducing innovations into our business processes, including detailed project management, selective investments in strategic cost items, and thoroughgoing emphasis on improving management using individual key performance indicators (KPIs).

In the Industrial Automation business, we will utilize the position we have achieved as a top player in Japan’s cutting-edge market and work to expand our market share in the North American and Asian markets, which are forecast to grow to become huge markets. Our long-term target is to raise the overseas sales revenue ratio to 50% and broaden the range of our overseas resources.

Further Augmenting Corporate Governance

While developing a corporate governance framework is important, assuring it effectively functions is more critical. After structuring an outstanding governance framework, actual results will hinge on how well it operates. I believe key success factors are to engage in dialogue with shareholders, investors, as well as a range of other stakeholders and to demonstrate transparency of management.

To be sure, such measures alone are insufficient to boost corporate value. The key to corporate success is wise strategic decision making. I am convinced that the Board of Directors must include a mix of both internal and Outside Directors who can thoughtfully make the really tough decisions. It is vital that we do several things: We must go beyond the accepted wisdom of our industry, invite to become directors those with expertise and career experience outside of Anritsu, encourage external directors to proactively offer creative and objective opinions on management and strategy, and thereby facilitate substantive debate with those within Anritsu.

As part of its corporate governance, and to provide governance that is transparent from an international perspective,

GLP2017: Revenue and Operating Profit Plan





—The Anritsu Promise—

As well as sharing our dream and vision with our customers, it shows that our dedication to innovation will lead to tangible results that exceed their expectations. This is the commitment that "envision : ensure" symbolizes.



Anritsu made the transition from a company with an Audit & Supervisory Board to one with an Audit Committee. Our goals are to raise the ratio of Outside Directors, assure greater management accountability, and stimulate discussions that take account of the shareholders' perspective. Auditors have been given voting privileges within the Board of Directors as members of the Audit Committee, and the audit functions of the Board of Directors have been strengthened.

Financial Strategy and Increasing Shareholder Value

Our financial strategy for realizing our objective of attaining "Continuous Growth with Sustainable Superior Profits" comprises the following three summary points.

(1) We will take steps to increase return on capital and corporate value as we expand returns to shareholders.

(2) We will give priority to using cash for strategic investments that produce growth.
 (3) We will continue to bolster our financial position, raising our ratio of shareholders' equity to total assets to between 60% and 70% and maintaining a debt rating of A- or higher.

In particular, we will aim to increase our ACE*, which is our original indicator expressing corporate value and is defined as operating profit after taxes minus capital cost. Consequently, we will be able to improve our ROE and to be responsive to the expectations of our shareholders and investors. The Anritsu Group will continue to work not only to raise its corporate value and shareholder value, but also to operate as a company that is indispensable to society. Finally, we wish to take this opportunity to express our sincere thanks to our shareholders for their steadfast understanding and support.

* ACE (Anritsu Capital-cost Evaluation)=Operating profit after tax - Capital cost

Dividends Per Share/Outlook for Dividends

