

Mid-term Business Plan and Business Strategy

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Agenda

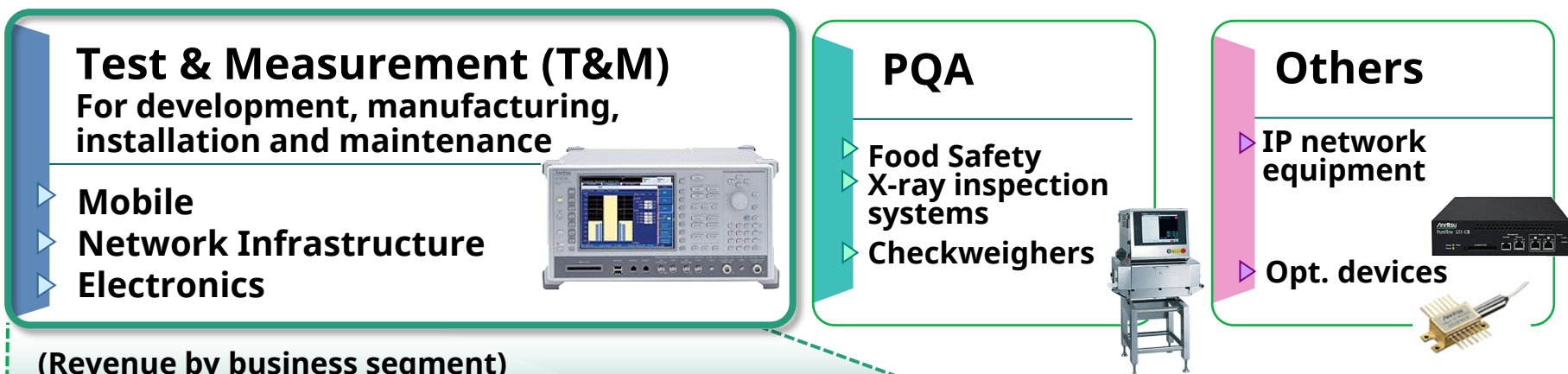
Mid-term Business Plan and Business Strategy

- 1- 2020VISION, Outline of our business segments and Review of the Mid-term Business Plan
- 2- Middle and long-term management basic strategy
- 3- Revenue and operating profit plan for GLP2017
- 4- Strategy and growth opportunities in the Test & Measurement Business < T&M >
- 5- Outline, Strategy and growth opportunities in the Products Quality Assurance Business < PQA >
- 6- Financial strategy
- 7- Measures for strengthening governance
- 8- Financial Results for the 1st. Quarter and Forecast for full year of F2015

1-1. GLP2017 & 2020VISION



1-2. Outline of our business segments



(Revenue by business segment)
98.8 Billion Yen consolidated revenue in FY2014

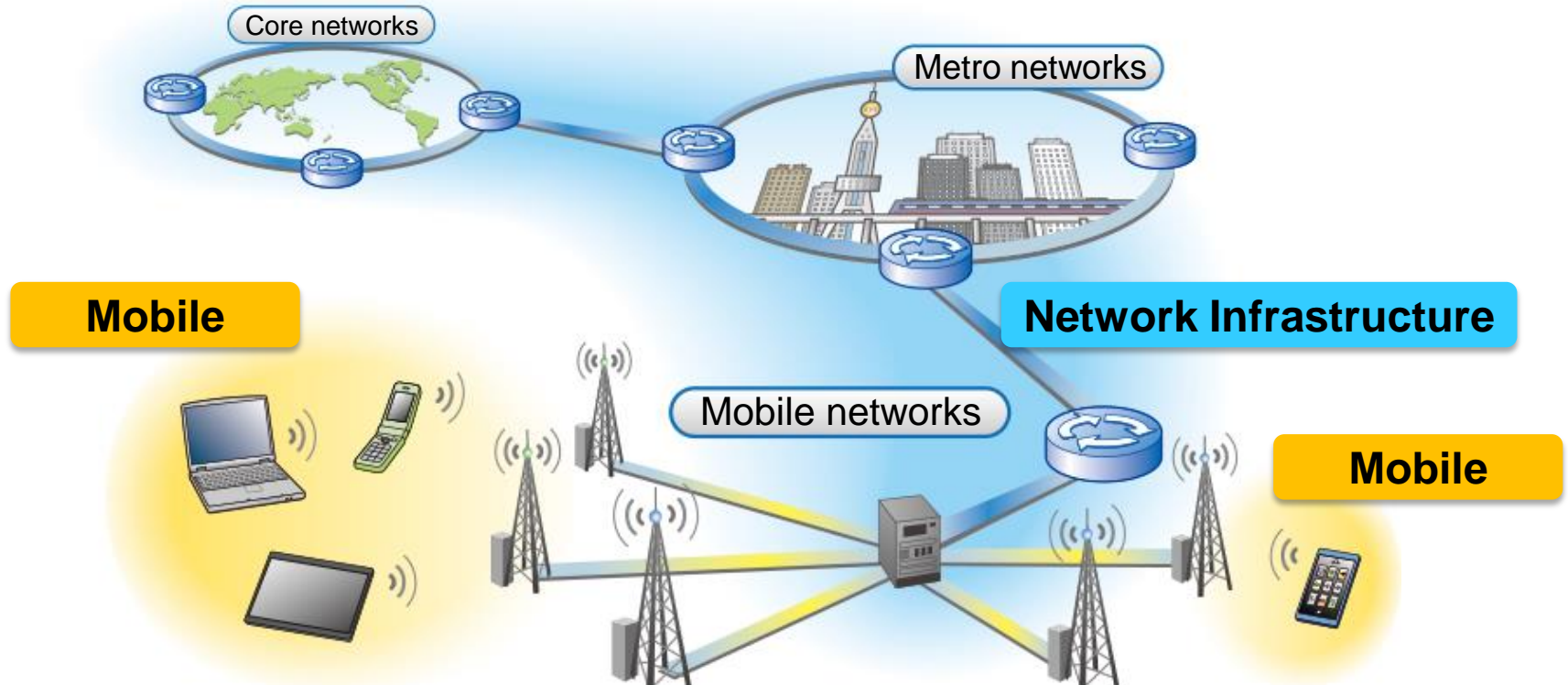
T&M 74%			PQA 16%	Others 10%
Mobile 50%	Network Infrastructure 30%	Electronics 20%		

(Sales of T&M business by region in FY2014)

Japan 15%	Asia & Pacific 35%	Americas 30%	EMEA 20%
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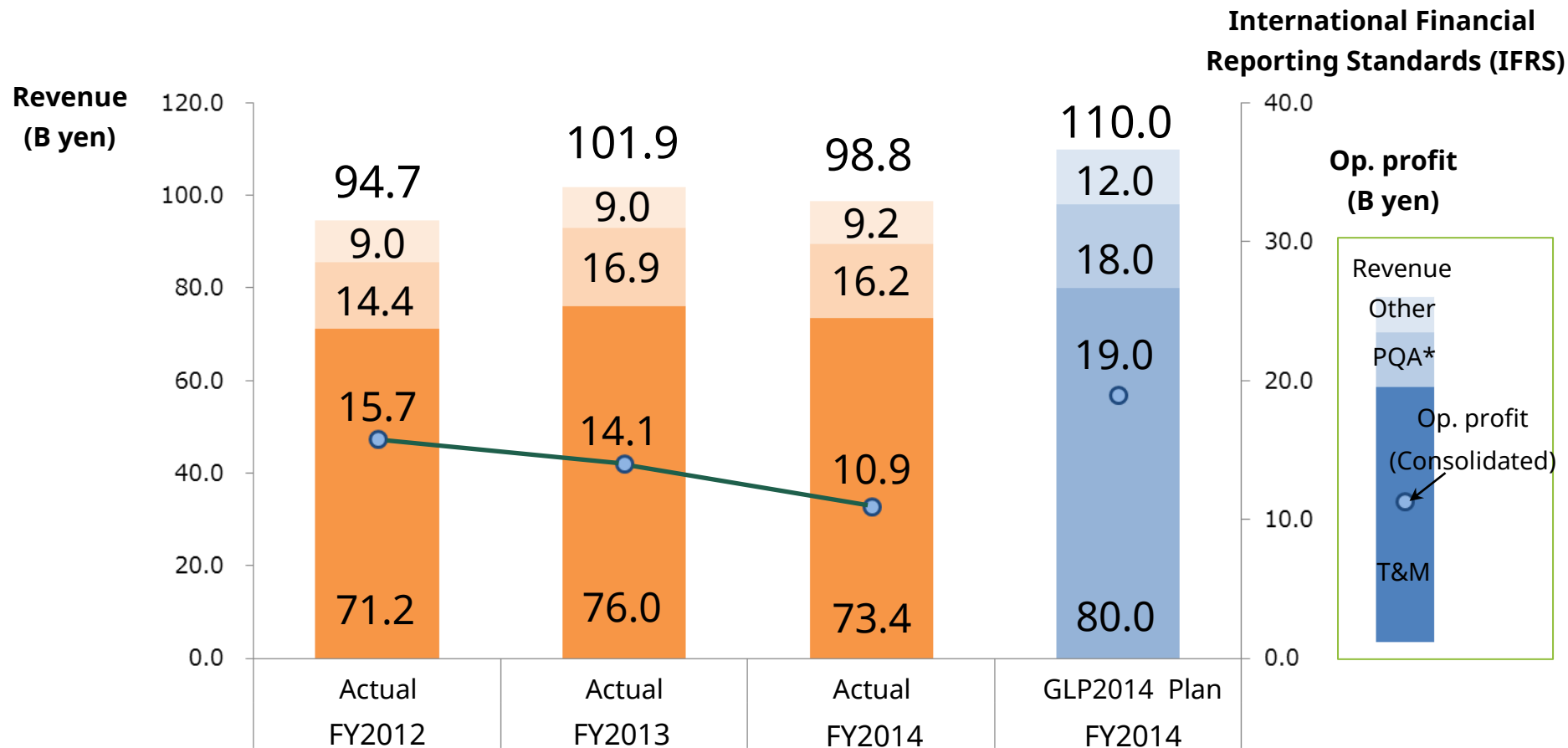
PQA : Products Quality Assurance (The former segment name: Industrial Automation)

1-2. Outline of our business segments <T&M>



	R&D	Devices, Components Manufacturing	Installation/ Maintenance
Wireless Communication	Mobile (50%)		
Wireline Communication	Network Infrastructure (30%)		
General Purpose	Electronics (20%)		

1-3. Review of mid-term business plan (GLP2014)

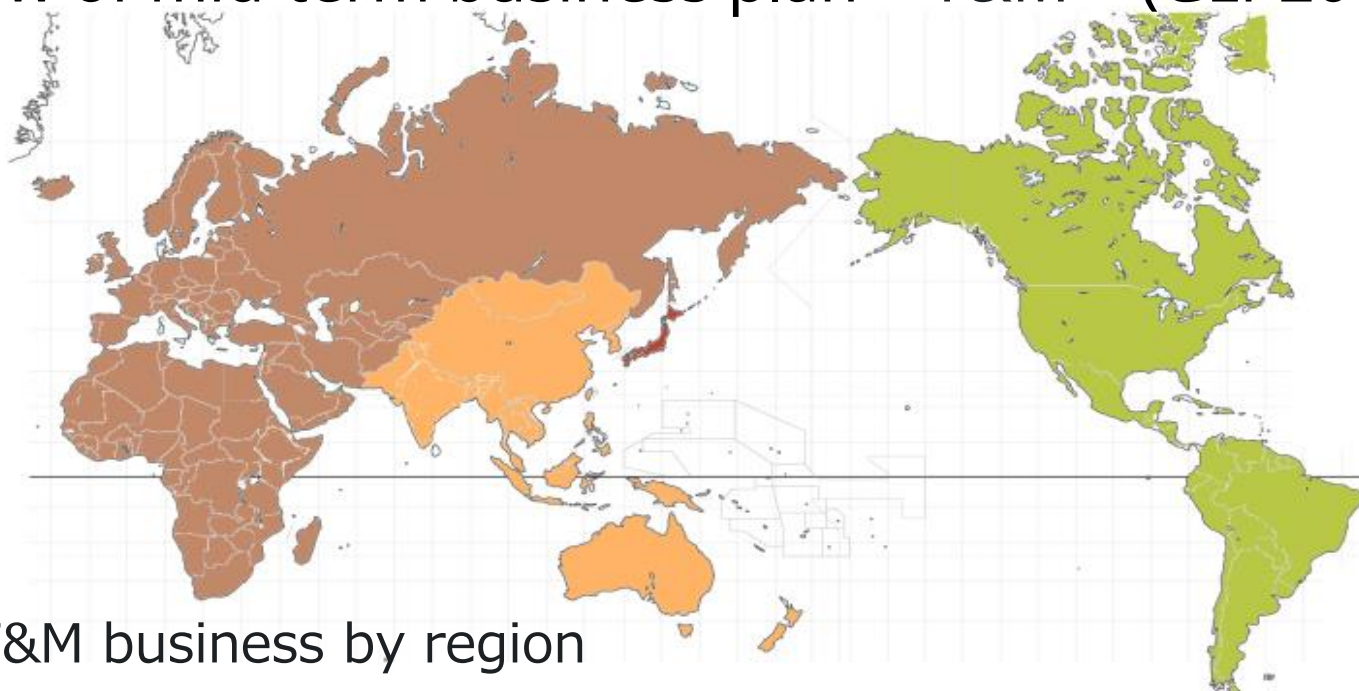


Revenue	Consoli.	94.7 B Yen	101.9 B Yen	98.8 B Yen	110.0 B Yen
OP. Margin	Consoli.	17%	14%	11%	17%
	T&M	21%	17%	12%	20%

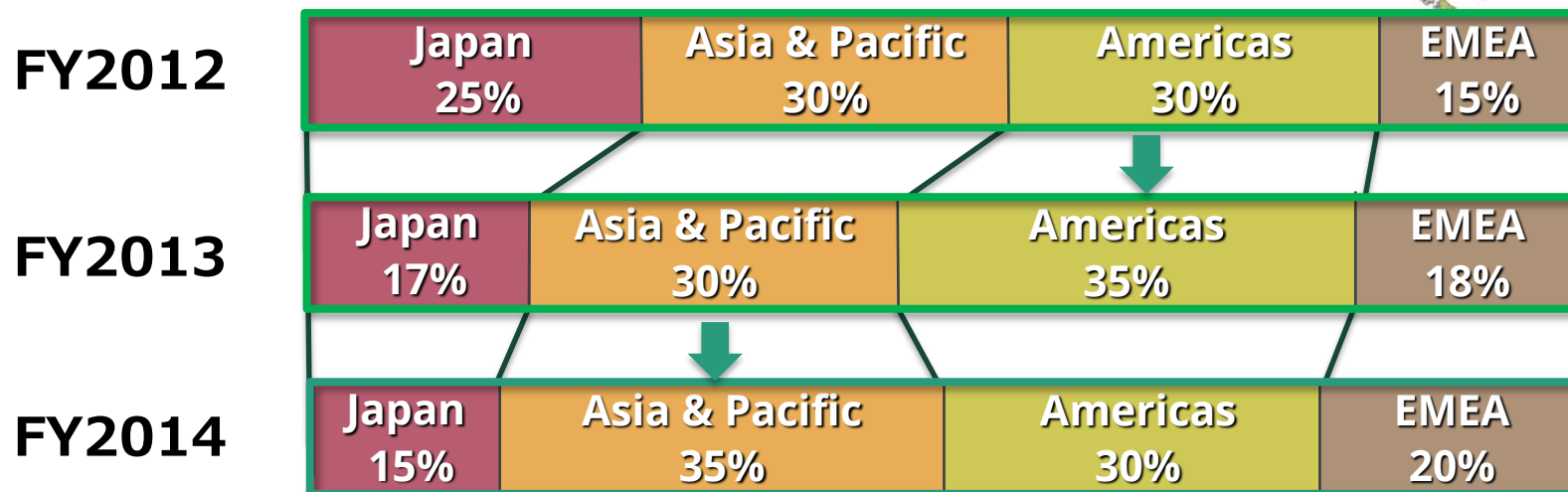
GLP2014 Plan
1 USD=80 yen

*PQA: Products Quality Assurance

1-3. Review of mid-term business plan < T&M > (GLP2014)



Sales of T&M business by region



1-4. Review of mid-term business plan < T&M > (GLP2014)

Business environment	Measures and results
<p>Dramatic changes in the mobile market</p> <ul style="list-style-type: none">● Smartphone functionality expands from high-end to low-end● Intensifying global competition<ul style="list-style-type: none">- Shift in market players- Mergers and acquisitions, reorganization, and withdrawal- Contraction in the Japanese market- Rapid advance of operators, chipset vendors, and handset vendors in Asia- Increasing commoditization of smartphones and approximately 30% contraction in the terminal manufacturing market● Continuous evolution of mobile broadband<ul style="list-style-type: none">- LTE-Advanced measurement- Connectivity	<p>Respond to the dramatic change in market structure</p> <ul style="list-style-type: none">● Strengthening of relationships with leading market players and chipset vendors<ul style="list-style-type: none">- Respond to the introduction of FD-LTE, TD-LTE and LTE-Advanced services in a timely manner- Provide optimal solutions that contribute to improvements in development environment and production efficiency- Develop emerging handset vendor market in Asia● Enhancement of global support system

1-5. Review of mid-term business plan < PQA > (GLP2014)

PQA : Products Quality Assurance (The former segment name: Industrial Automation)

Business environment	Measures and results
<ul style="list-style-type: none">• Stable demand in the Japanese market• Increasing demand for foreign substance detection in North America• Growing market for quality inspections in Asia and emerging countries	<ul style="list-style-type: none">• Strengthening relationships with global customers• Establishment of global supply chain<ul style="list-style-type: none">– Expanded production at Thai factory– New factory opened in Shanghai, China

► New products in the PQA business

X-Ray Inspection System XR75 Series



Reduces lifetime costs by controlling maintenance costs.

Metal Detector M5 Series



High cost performance

“Industrial Automation” business segment was renamed to PQA (Products Quality Assurance) business.

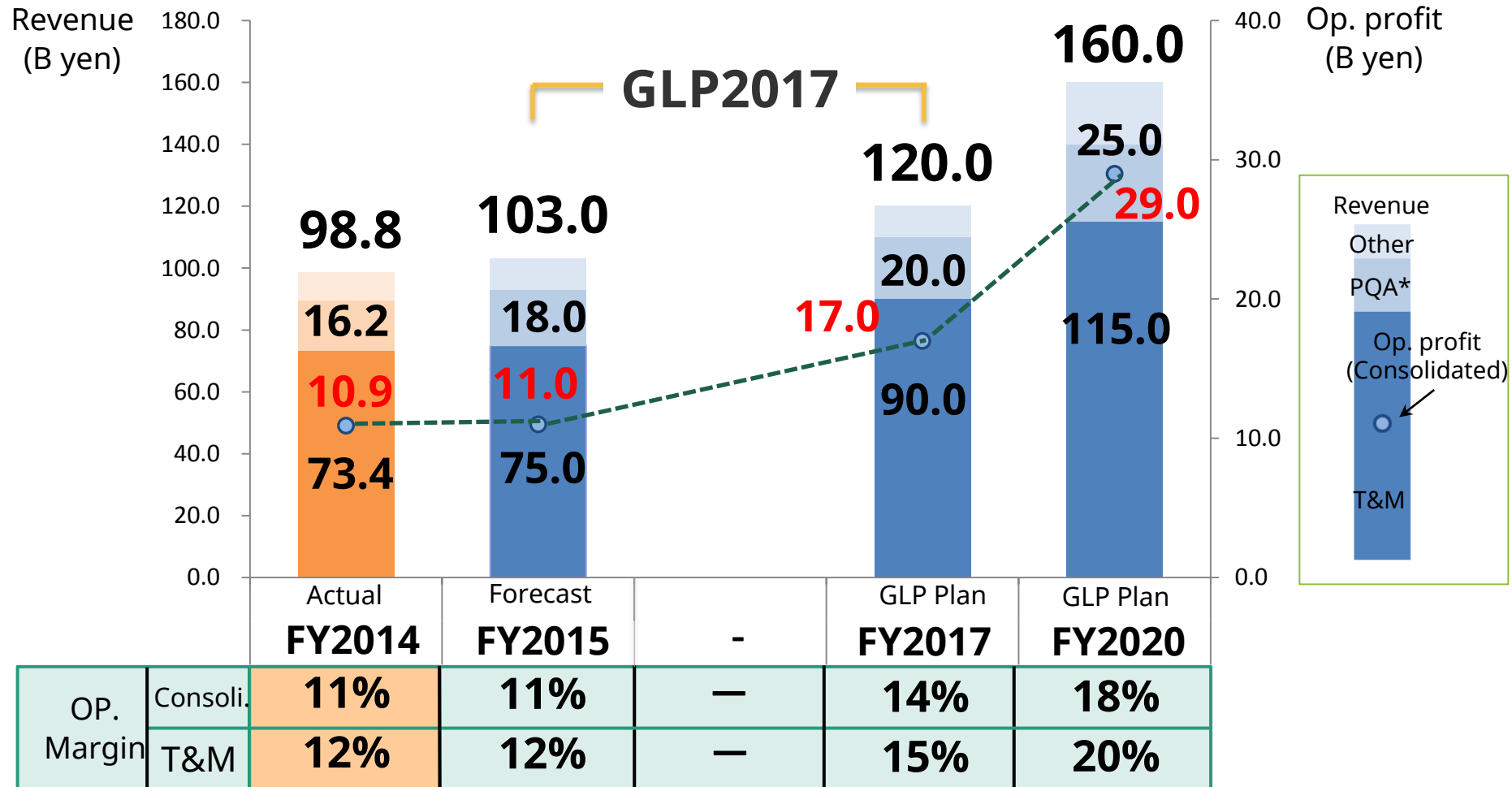
Anritsu Industrial Solutions will change its company name to Anritsu Infivis (October 1, 2015)

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) IoT (M2M) (2) LTE-Advanced, 5G, Connectivity (3) New base station network	$\geq 7\%$	$\geq 20\%$
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 Plan (GLP2017)



*PQA: Products Quality Assurance

3. Revenue and Op. profit Plan (GLP2017)

Unit : Billion Yen

		GLP2014 (Actual)			GLP2017 (Plan)			
		FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2020
Revenue		94.7	101.9	98.8	103.0		120.0	160.0
Op. profit		15.7	14.1	10.9	11.0		17.0	29.0
Op. margin		17%	14.0%	11 %	11 %		14 %	18 %
Profit		13.9	9.3	7.9	8.0		13.0	21.0
T & M	Revenue	71.2	76.0	73.4	75.0		90.0	115.0
	Op. profit	15.0	13.0	8.9	9.0		13.5	23.0
	Op. margin	21 %	17%	12 %	12 %		15 %	20%
PQA	Revenue	14.4	16.9	16.2	18.0		20.0	25.0
	Op. profit	0.8	1.2	0.8	1.1		1.6	3.0
	Op. margin	6%	7%	5 %	6 %		8 %	12%

Note 1 : Exchange rate for GLP2017 1USD = 115 yen, 1EURO=130 yen

4-1. Strategy and growth opportunities < T&M > (GLP2017)

Capture global business opportunities through solutions with high added value and solidify our position as a global market leader.

Growth opportunities

1. Customer experience in the new social infrastructure field to be created through the expansion of IoT (M2M)
2. Evolution of LTE-Advanced, 5G, and connectivity
3. Demand for construction of a new base station network to support small cells

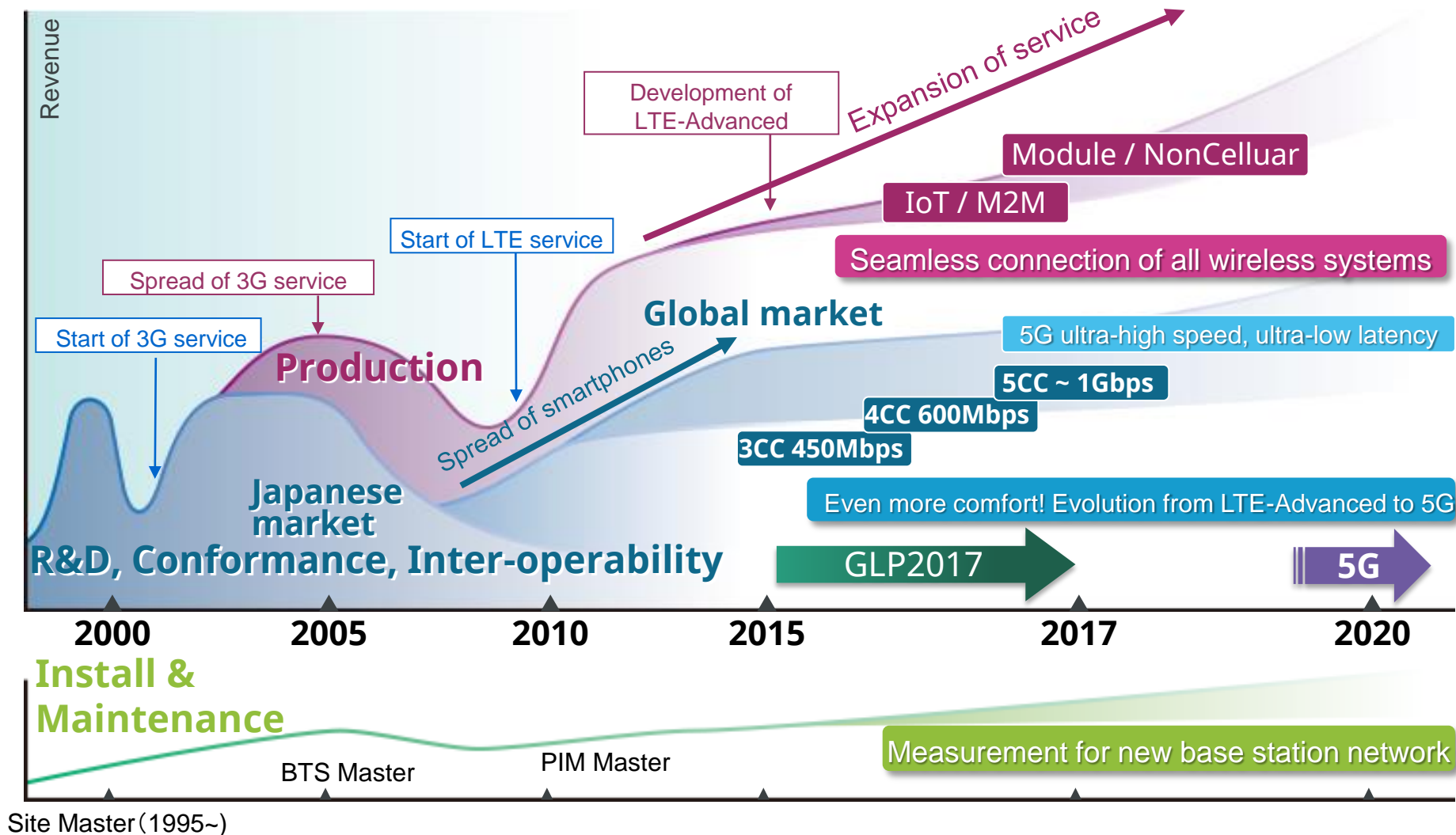
Targets in 2020

Revenue US \$1B

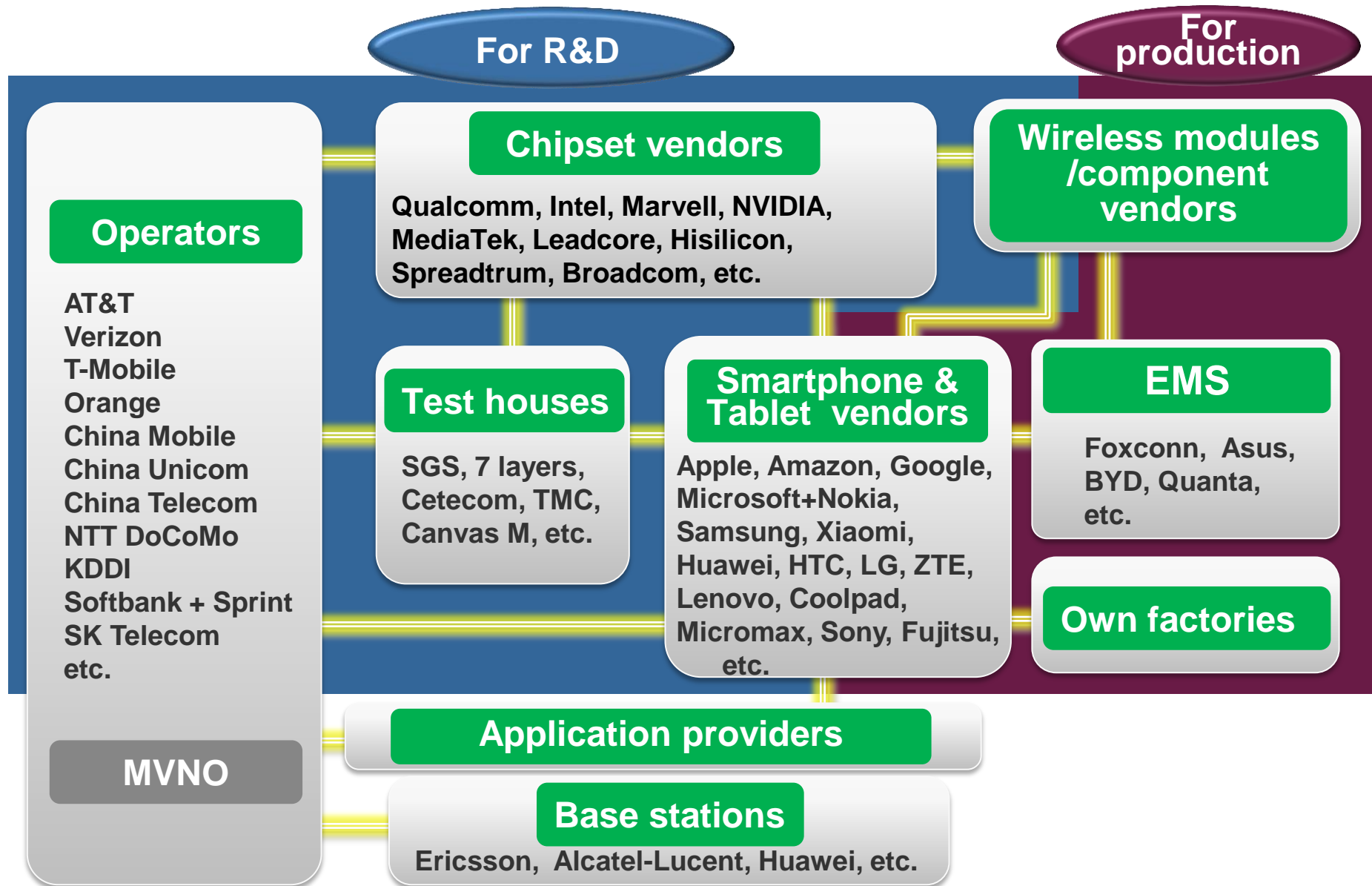
Operating margin more than 20%

4-2. Mobile business strategy < T&M > (GLP2017)

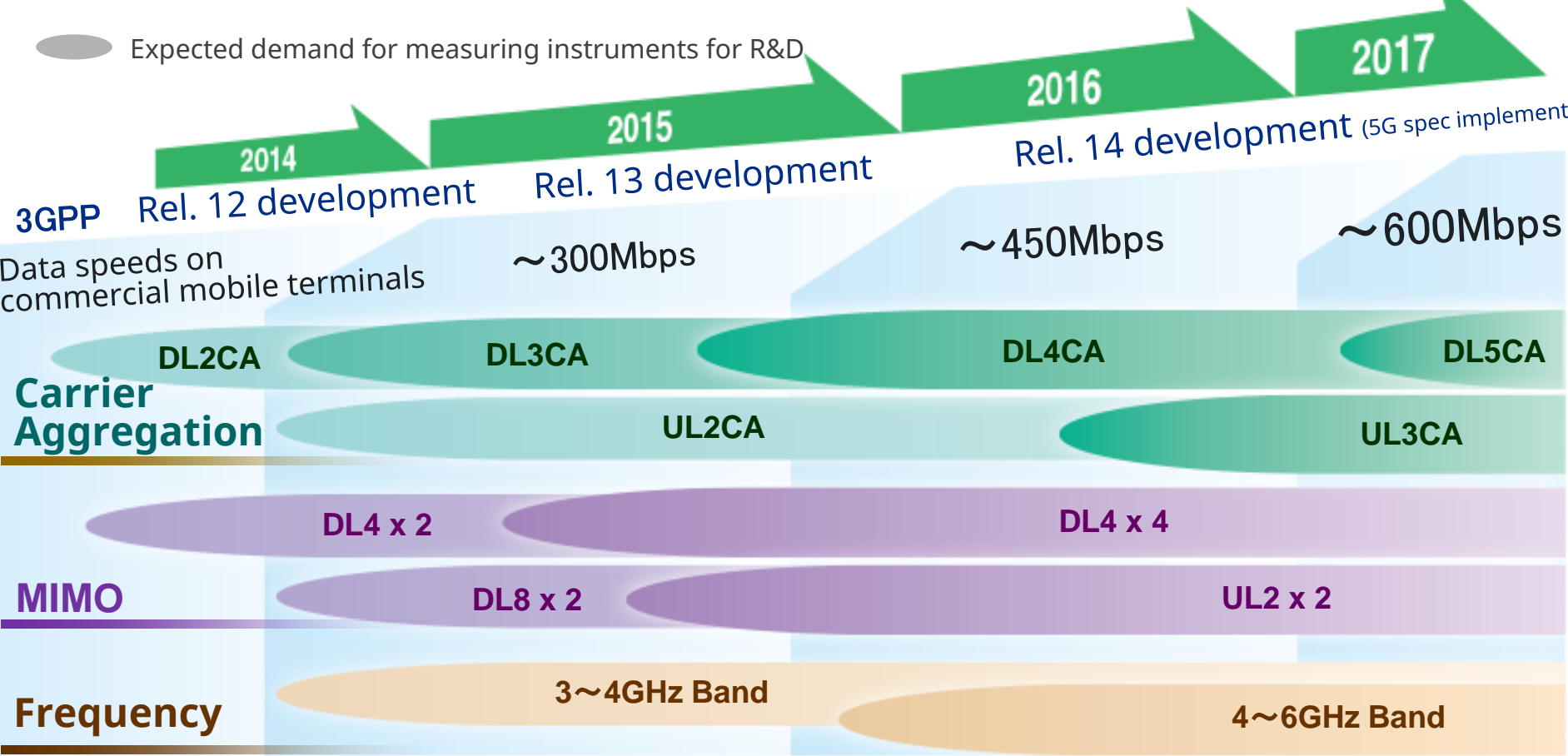
Customer-focus and business development through the strengthening of global management capabilities



4-3. Food chain and players in mobile telecom market < T&M >



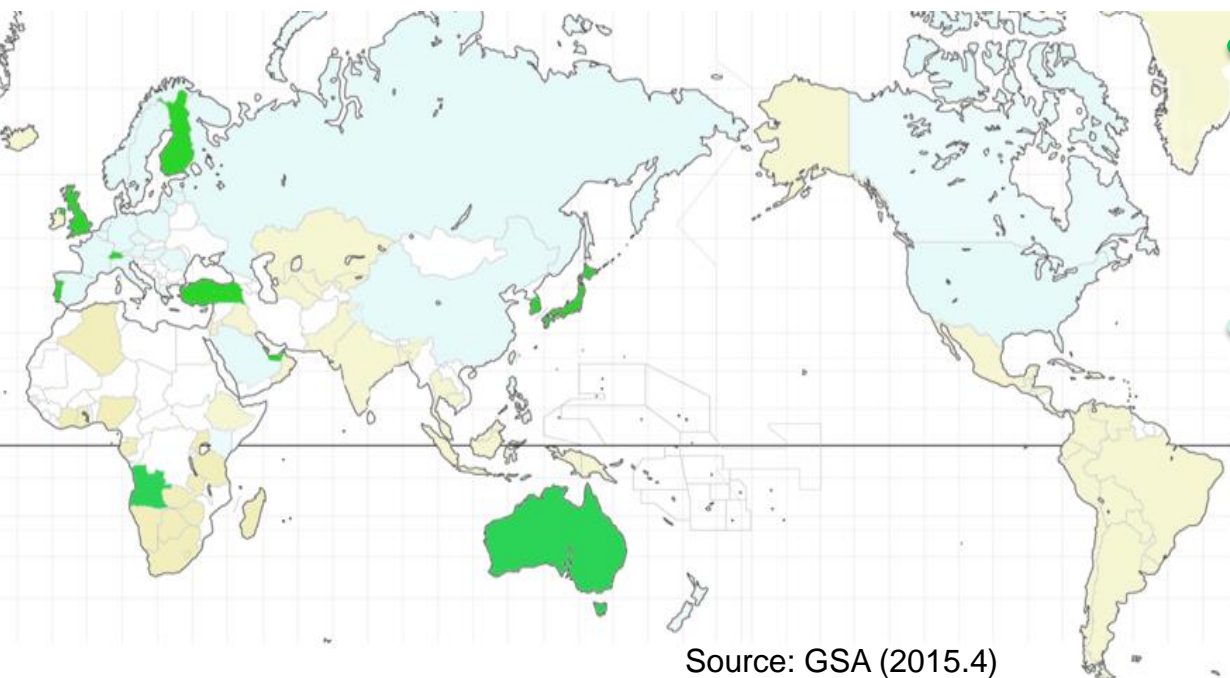
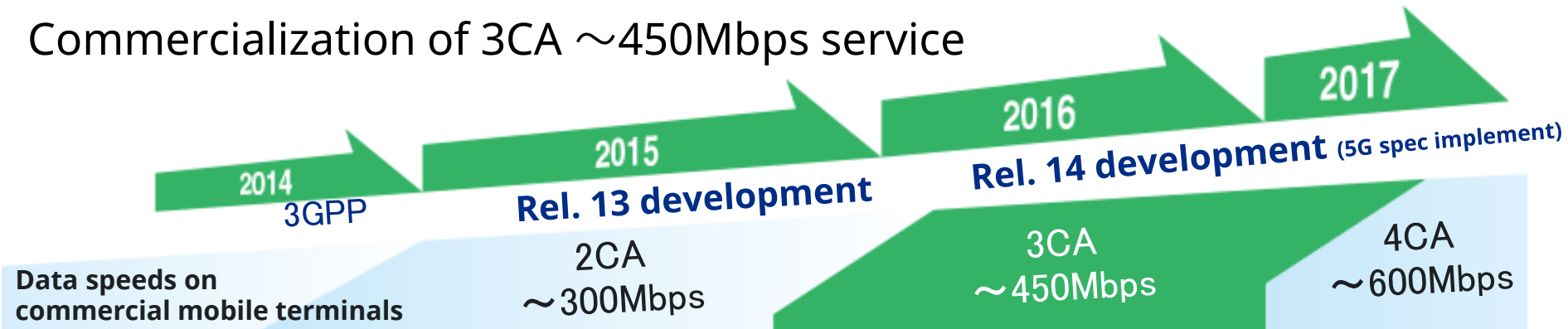
4-4. Growth of Mobile Broadband Service and Business Opportunities < T&M > (GLP2017)



Beyond voice and SMS
RCS
LTE-M For Connected Car , Health Care, Financial, Emergency Services, Sales Force Automation, Education, Security, IoT , IoE

4-5. Demand for measuring instruments for CA evaluation is expected to largely expand in this fiscal year < T&M > (FY2015)

Commercialization of 3CA ~450Mbps service







- 3CA ~450Mbps
13 systems are in deployment, trial, or test phase in 11 countries.
- 2CA ~300Mbps
64 Commercially launched systems in 39 countries.
- ~150Mbps
Countries with commercial LTE service











Source: GSA (2015.4)

4-6. Anritsu will fulfill its role as a pioneer by offering LTE-Advanced solutions < T&M > (FY2015)

Continue to launch new products for expansion of demand for development and evaluation of 3CA (FDD & TDD)

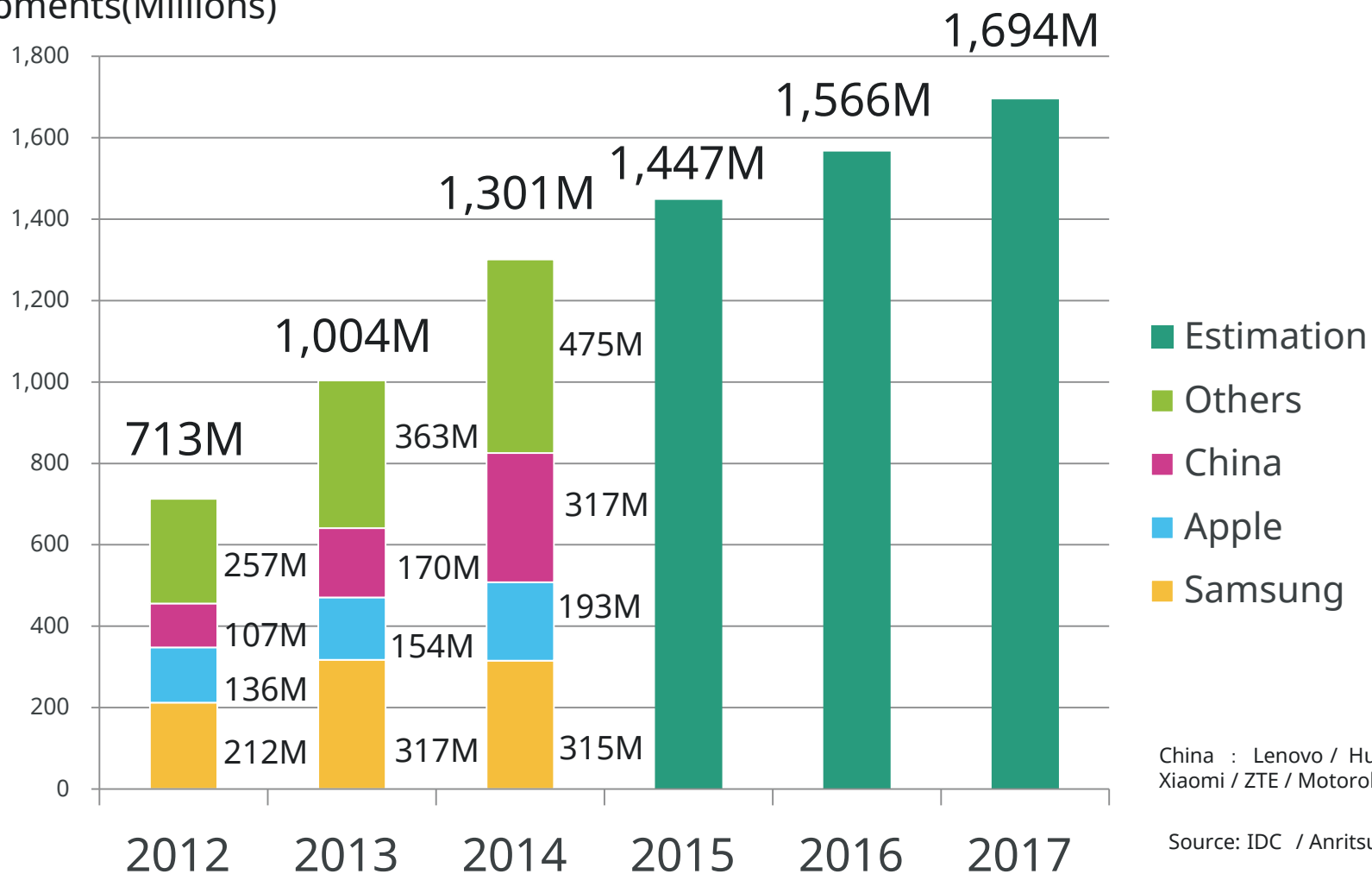
	Platform Core Development	RF Conformance Testing	Protocol Conformance Testing Carrier Acceptance Testing
Customer	Chip set vendor, Terminal vendor	Chip set vendor/Terminal vendor Network operator	
New solution	 <p>The only One Box compliant with 4CA MT8821C</p>	 <p>No.1 global share</p> <p>ME7873 series</p>	 <p>Adopted in global Nnetwork operator conformance testing</p> <p>ME7834 series</p>
	 <p>Succeeded in data communication using 3CA (450Mbps) first in the industry MD8430A</p>		

4-7. Mobile R&D business – various market segments < T&M >

	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	• FD-LTE, TD-LTE, LTE-Advanced technologies (Carrier aggregation etc.) • VoLTE (Voice over LTE) • MIMO (Multi Input Multi Output) • Chipset unification of 3G/LTE and SRW (Short Range Wireless)				• Improve data throughput • Battery consumption etc.
Market trend / Positioning	 Keep No.1 position	 Keep No.1 position	 Growing market Position improve	 Growing market Position improve	 Growing market Position improve
Products					
Main Competitors	Rohde & Schwarz		Rohde & Schwarz, Keysight(Agilent), Anite, Spirent		Rohde & Schwarz, Keysight, Aeroflex

4-8. Smartphone Shipments (2012~2017)

Shipments(Millions)



4-9. Cutting-edge manufacturing solutions addressing customers' needs < T&M > (FY2015)

1 : Multi Port

2 : Multi System

3 : One Stage

MT8820C
Radio Communication Analyzer
For Cellular ~2 DUT



Wi-Fi
Bluetooth



GPS CATV FM
DVB-T/H etc



MT8870A
Universal Wireless Test Set
For 2G / 3G / LTE & Connectivity



~ 4 DUT



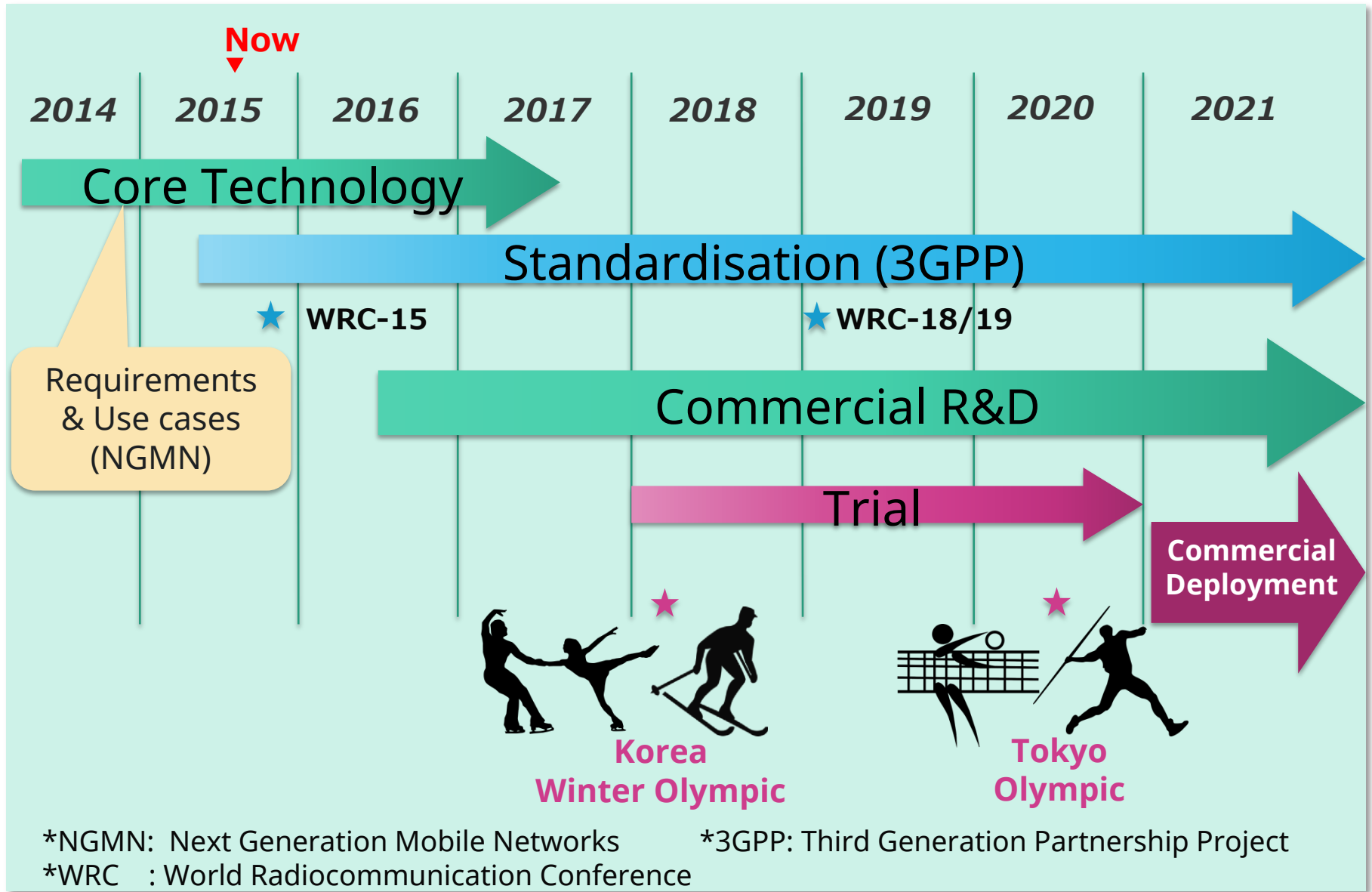
~ 32 ports

MN8116A Multi-port Switch
Best For
Multi Antenna & 1stage measurement

Main Competitors

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

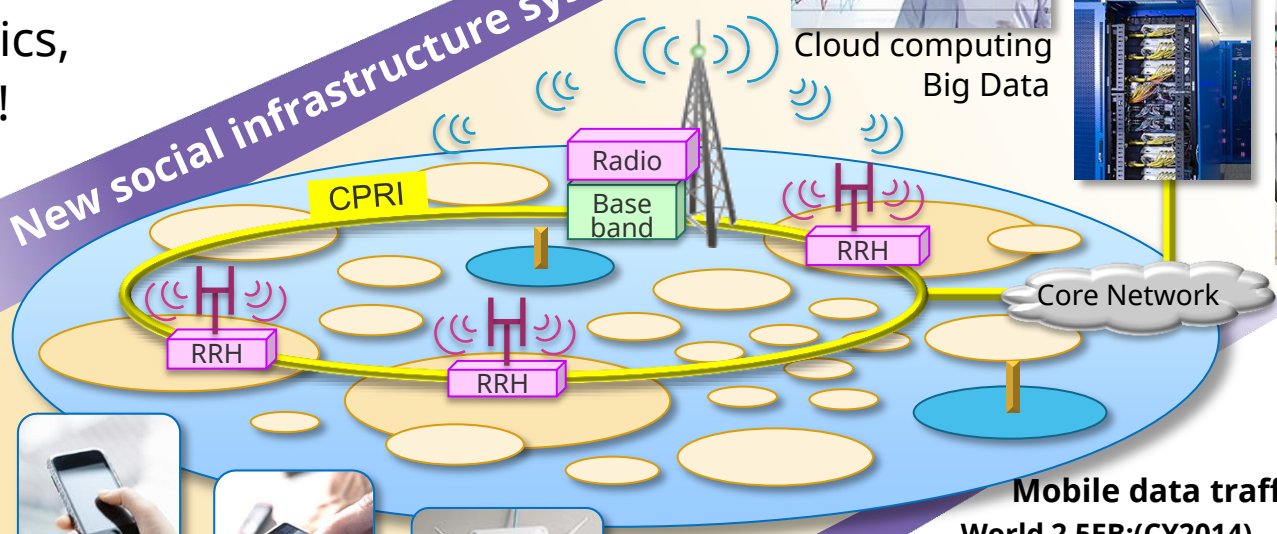
4-10. 5G roadmap (CY2015 ~CY2020)



4-11. Network infrastructure business strategy < T&M > (GLP2017)

Leveraging Anritsu's strengths in technologies and customer base in integrated solutions for wireless, optics, and systems!

New social infrastructure systems



Entertainment



Smart Car



IoT/5G



Smart Home

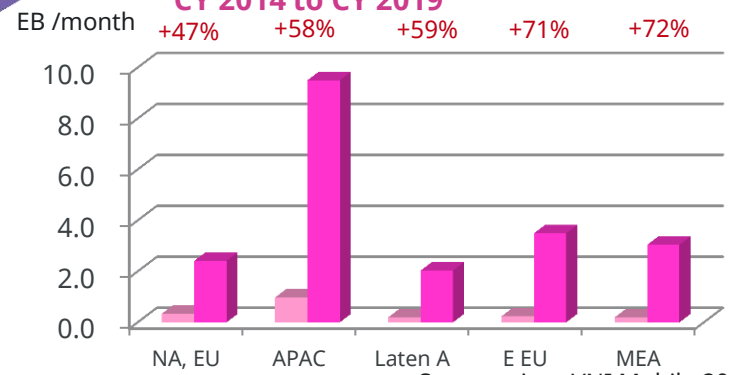


Smart Life



Social ICT

Mobile data traffic projections
World 2.5EB:(CY2014) → 24.3EB:(CY2019)
Average Growth Ratio by Geographical
CY 2014 to CY 2019



Source: cisco VNI Mobile 2015

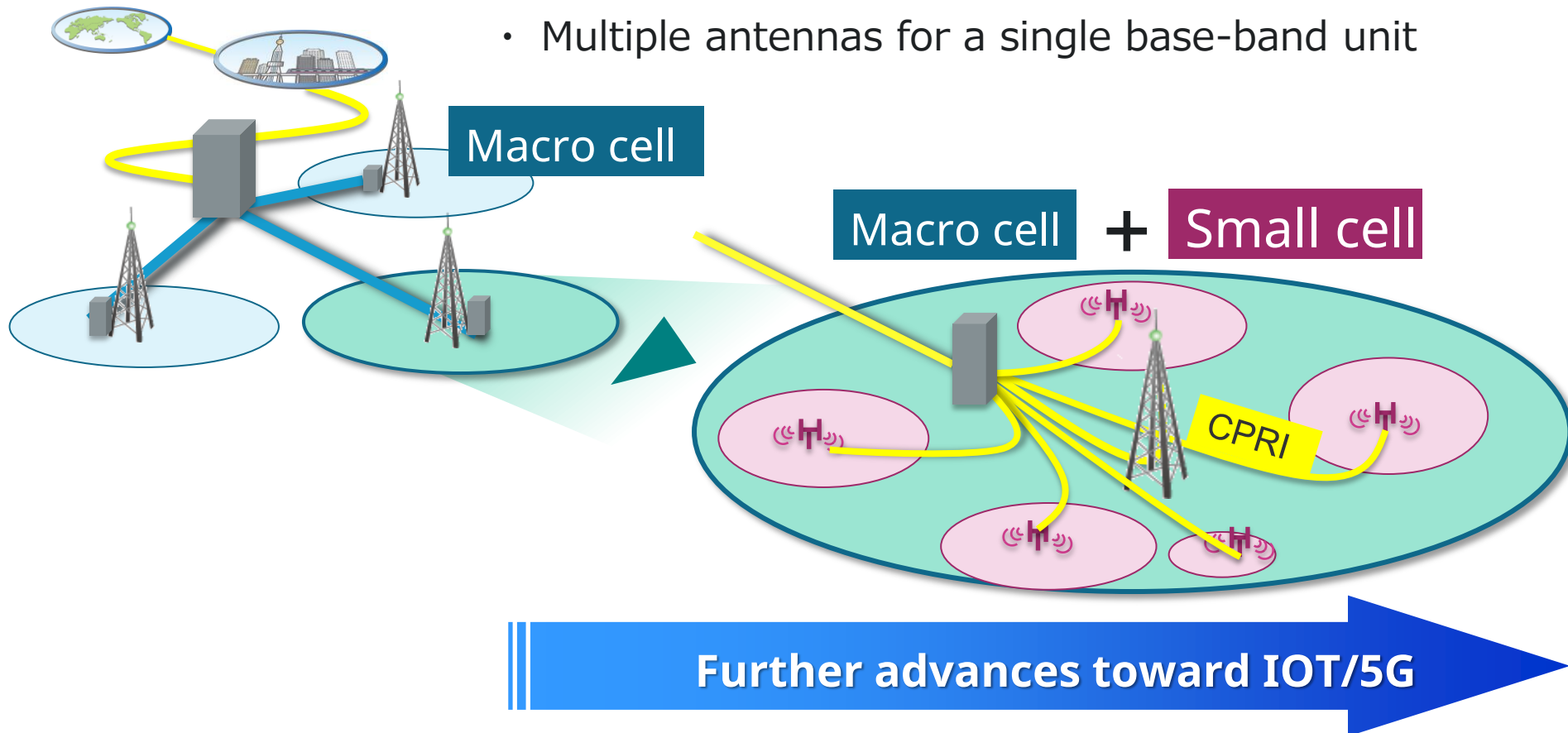
4-12. Start of new base station network construction <T&M> (FY2015)

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







Current LTE

Increase in mobile traffic \Rightarrow Installation of many small cells

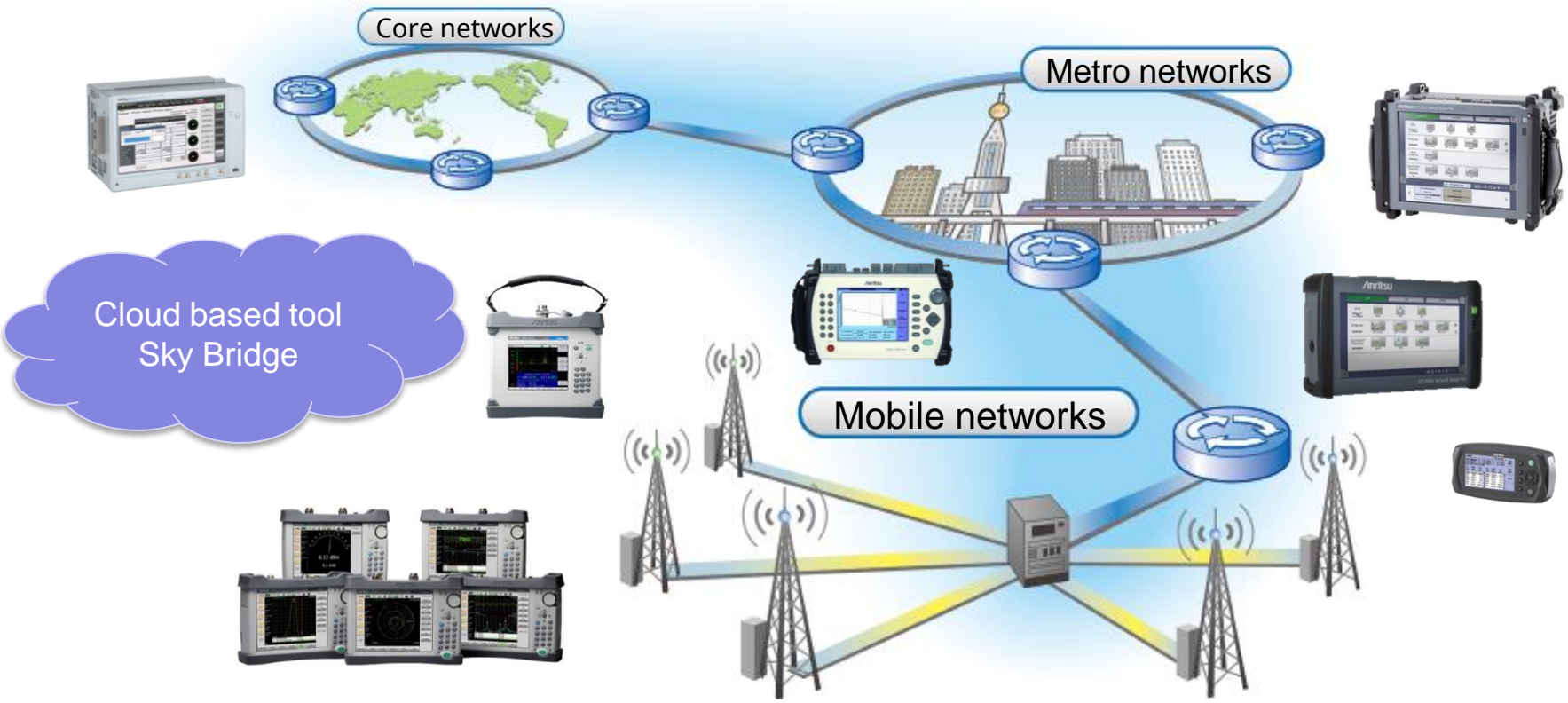
- Shift from metal cable to fiber-optic cable
- Multiple antennas for a single base-band unit



4-13. Aiming to capture increasing measurement demand at various phases < T&M > (FY2015)

Scope			
Customers	Operators, construction companies		
New solutions	 <div>SkyBridge Tools: Construction work efficiency improvement cloud</div>		
	 <div>Network Master Network and device evaluation</div>	 <div>ACCSESS Master Fiber-optic cable evaluation</div>	 <div>BTS Master Wireless signal evaluation</div> <div>Area Tester Communication range evaluation</div>

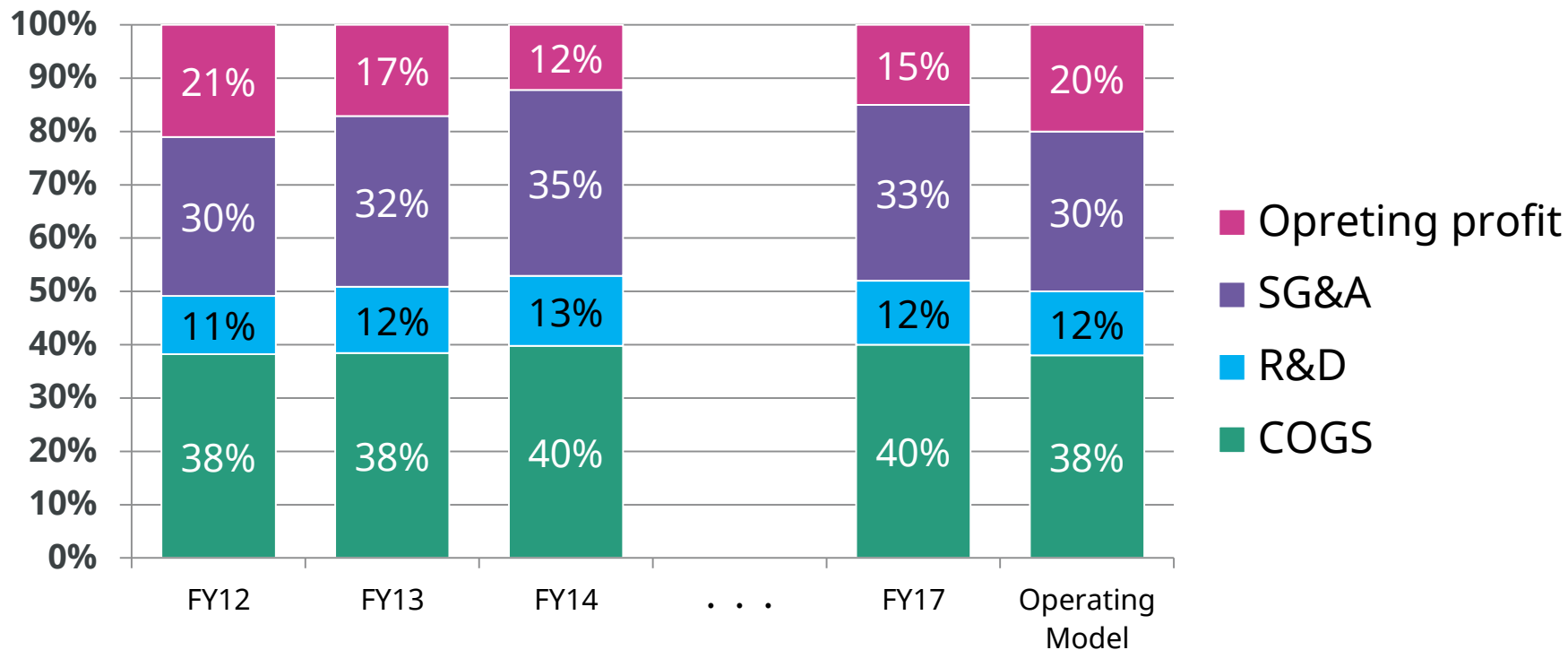
4-14. Network infrastructure business strategy < T&M > (Current outline)



Main Competitors JDSU, EXFO , VeEX

PURPOSE	NETWORK EQUIPMENT	OPTICAL FIBER	BASE STATION	ANTENNA / CABLE	MOBILE NETWORK SERVICE AREA
Solutions	Network Master Wireline Testers	ACCESS Master Network Master	BTS/Cell Master	Site Master PIM Master	Area Tester
	Cloud based tool / Sky Bridge				

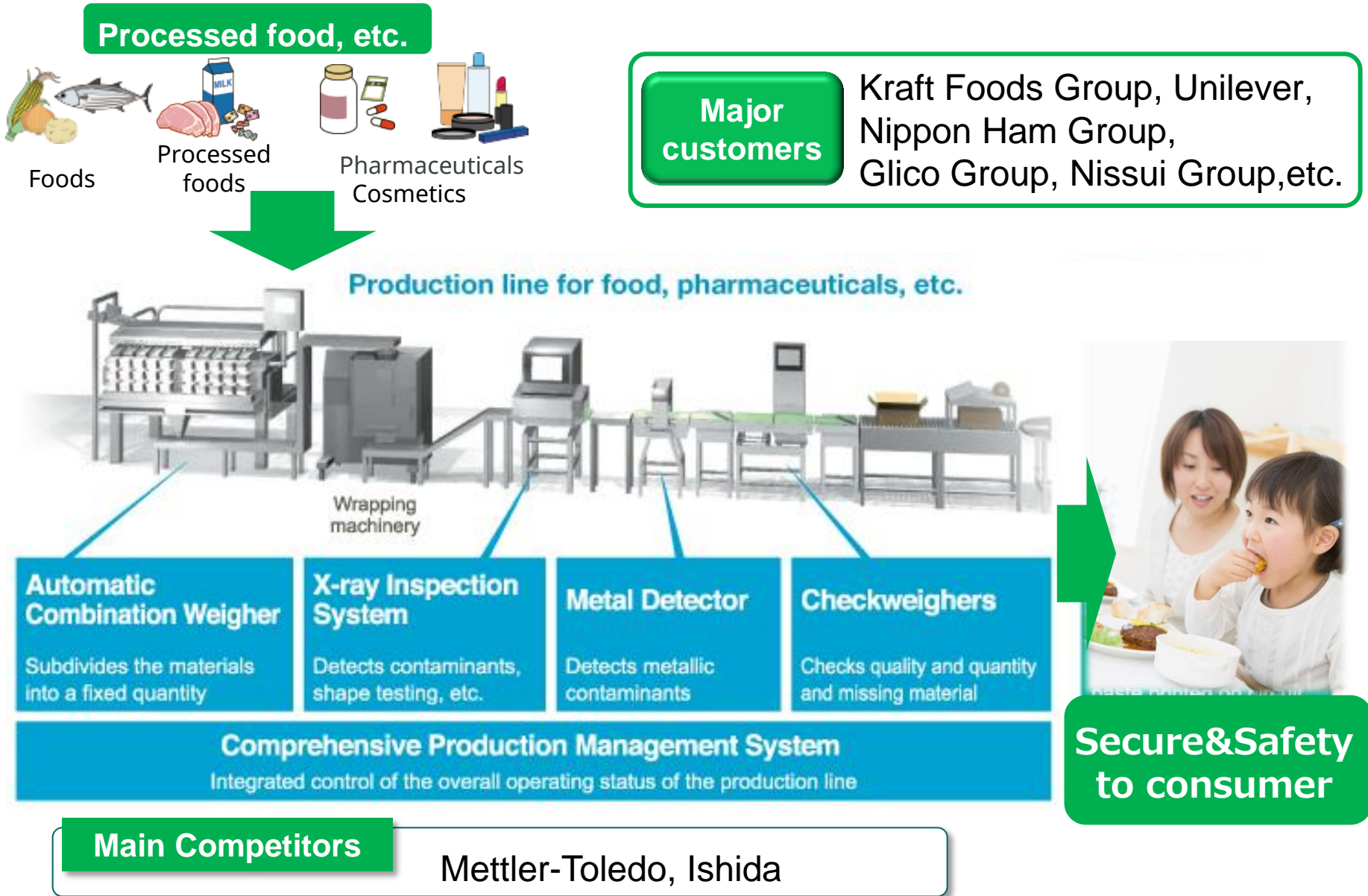
4-15. Profit structure improvement targets < T&M >



Cost structure improvement measures

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

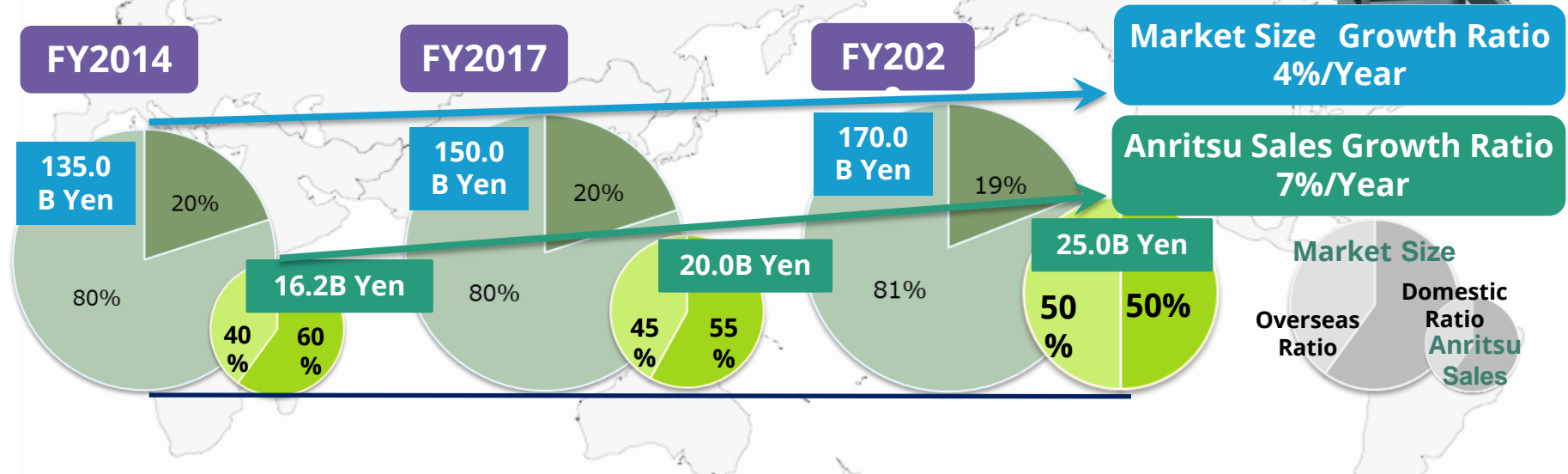
5-1. Outline of PQA business segments (Products Quality Assurance)



5-2. Strategy and growth opportunities < PQA > (GLP2017)

Expanding overseas business

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



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

6-1. Financial strategy for achieving continuous growth with sustainable superior profits

1. ROE/ACE improvement targets

We will work to improve capital efficiency and corporate value, and enhance returns to shareholders.

	FY2014	FY2015	~	FY2017
ROE	10%	10%		14%
ACE	2.4 B Yen	3.0 B Yen		8.0 B Yen
Operating cash flow margin	8%	9%		13%

2. Strategic investment plan (cash-based)

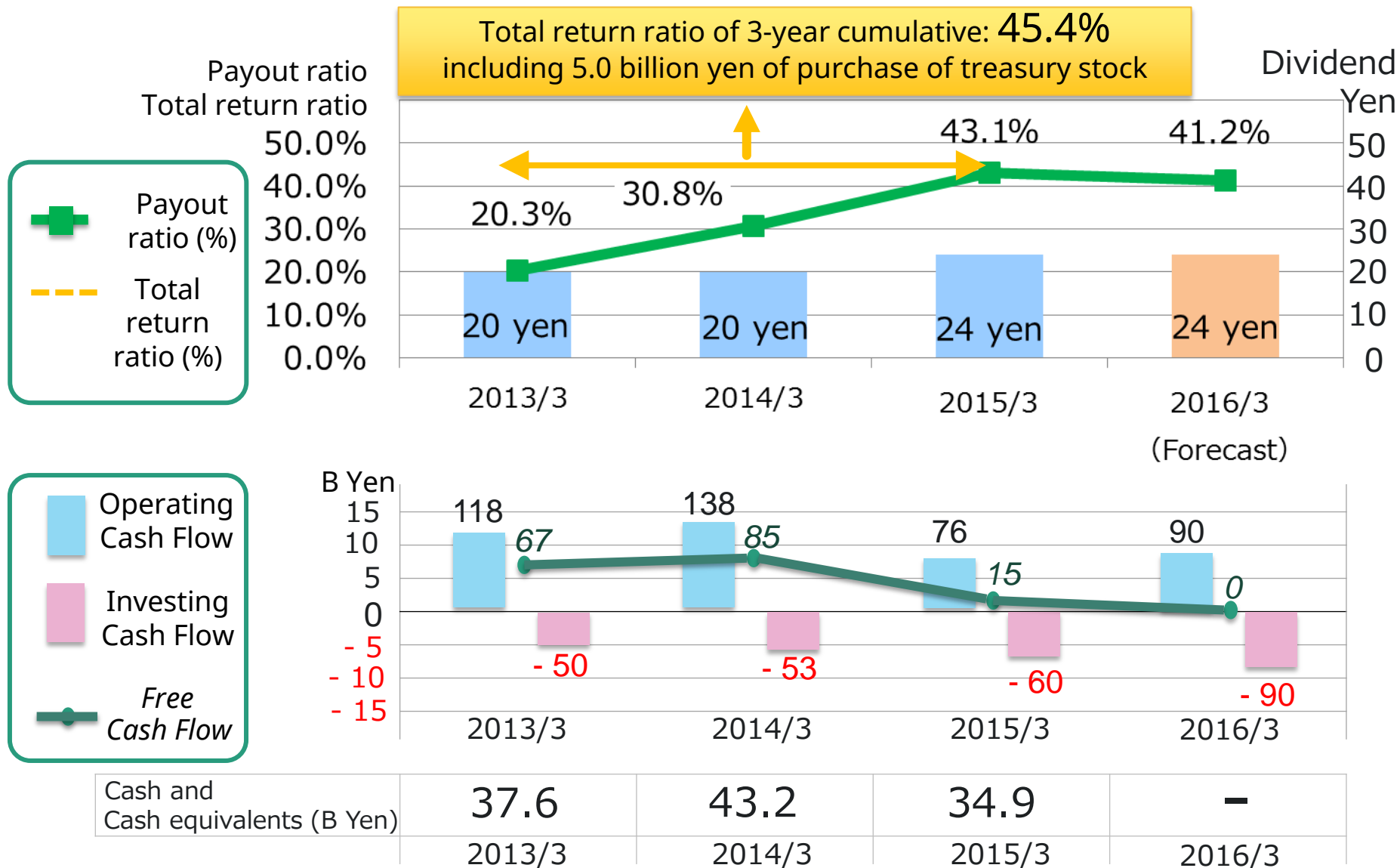
We will prioritize the allocation of cash to strategic investments to achieve growth.

	FY2014	Total of FY2015-17
Normal investments (Note:1)	3.1 B Yen	11.0 B Yen
Strategic investments (Note:2)	2.9 B Yen	10.0 B Yen

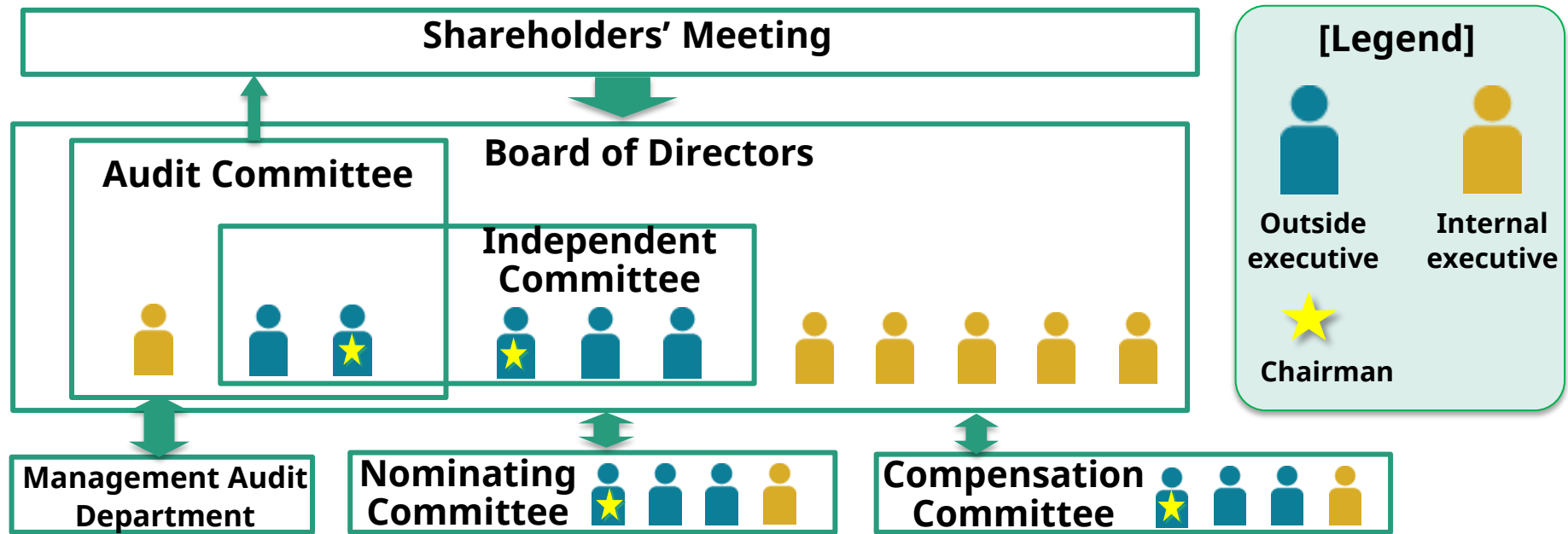
(Note:1) Normal investments include software investments
(Note:2) Strategic investments include BCP investments.

3. We will continue to work to strengthen our financial structure (equity ratio: 60% to 70%, credit rating of at least A-).

6-2. Dividend and Cash Flow



7-1. New Structure after transition to a Company with an Audit Committee





Purpose of transition to a Company with an Audit Committee

- Aim to establish a governance system with high management transparency from a global perspective
- Ensure further accountability and stimulate discussions in consideration of the perspectives of shareholders by increasing the ratio of outside directors
- Reinforce audit and supervisory functions of the Board of Directors by granting audit and supervisory board members as Audit Committee members with voting rights in the Board of Directors.

7-2. Measures for the promotion of governance

1. Increase Independent Outside Directors
2. Prioritizing matters to be resolved at the Meeting of Board of Directors for productive Discussion
3. Continuation of two voluntary Committees ("Nominating Committee" and "Compensation Committee")
4. Assignment of Outside Director as Chairman of Audit Committee
5. Election of Standing Audit Committee Member
6. Establishment of Independent Committee
7. Appointment of Lead Independent Outside Director
8. Establishment of "Management Audit Department" as supporting body of Audit Committee
9. Reinforcement of Audit and Supervisory Function of Subsidiaries
10. Revision of Compensation Structure of Directors (Adoption of Stock Compensation Plan as Compensation in conjunction with Business Results)

8-1. Financial Results for the 1st. Quarter -Business Segments-

Segment	FY2015Q1 (April to June, 2015)
 T&M : Demand for carrier aggregation development continued	
Mobile	LTE-Advanced related business was steady
NW	Capital investment in optical/digital related business was strong
Electronics	Signs of recovery in module development and business-use wireless device
Asia	Mobile development and optical/digital related business, etc. were strong, but the demand for equipment renewal in mobile manufacturing business was slow
Americas	Investment in construction of LTE network seemed to run its course
 PQA : Revenue and profit increased as new products captured the demand for equipment renewal	

NW: Network infrastructure

PQA : Products Quality Assurance

8-1. Financial Results for the 1st. Quarter -Financial results-



Ensured a year on year increase in revenue and profit

Unit: Billion Yen

International Financial Reporting Standards (IFRS)	1 Q FY2014 (Apr. to Jun.)	1 Q FY2015 (Apr. to Jun.)	YoY	YoY (%)
Order Intake	23.8	24.0	0.2	1%
Revenue	22.2	23.6	1.4	7%
Operating profit (loss)	1.4	1.5	0.1	8%
Profit (loss) before tax	1.4	1.7	0.3	24%
Profit (loss)	0.8	1.1	0.3	41%
Comperhensive Income	0.7	2.5	1.8	260%
Free Cash Flow	2.6	1.4	(1.2)	-47%

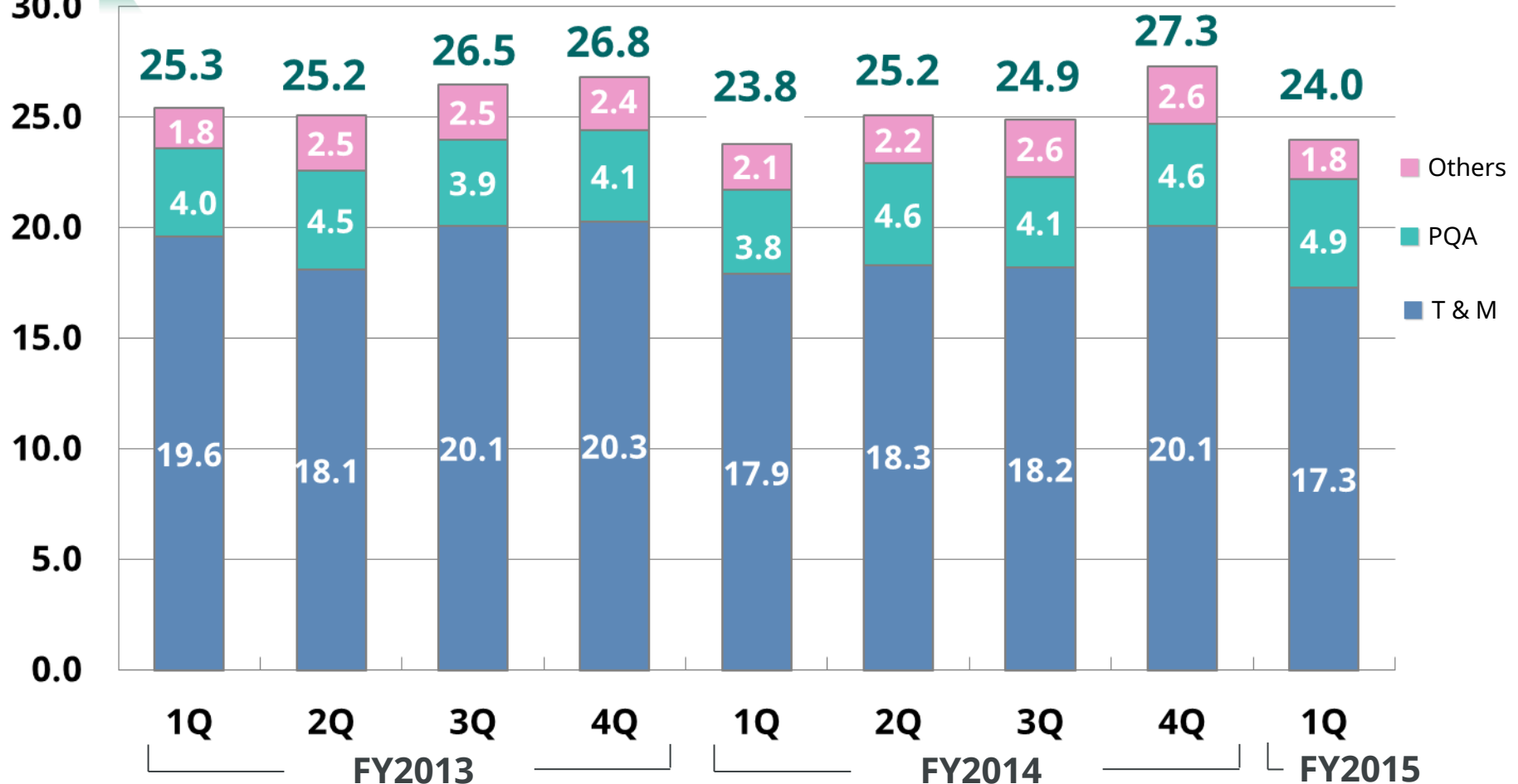
Note : Numbers are rounded off in each column

8-1. Financial Results for the 1st. Quarter -Orders by business segment-

▶ T&M : Trend of restrained investment in network construction in North America

▶ PQA : Record high figure for a quarter

Bn. Yen
30.0



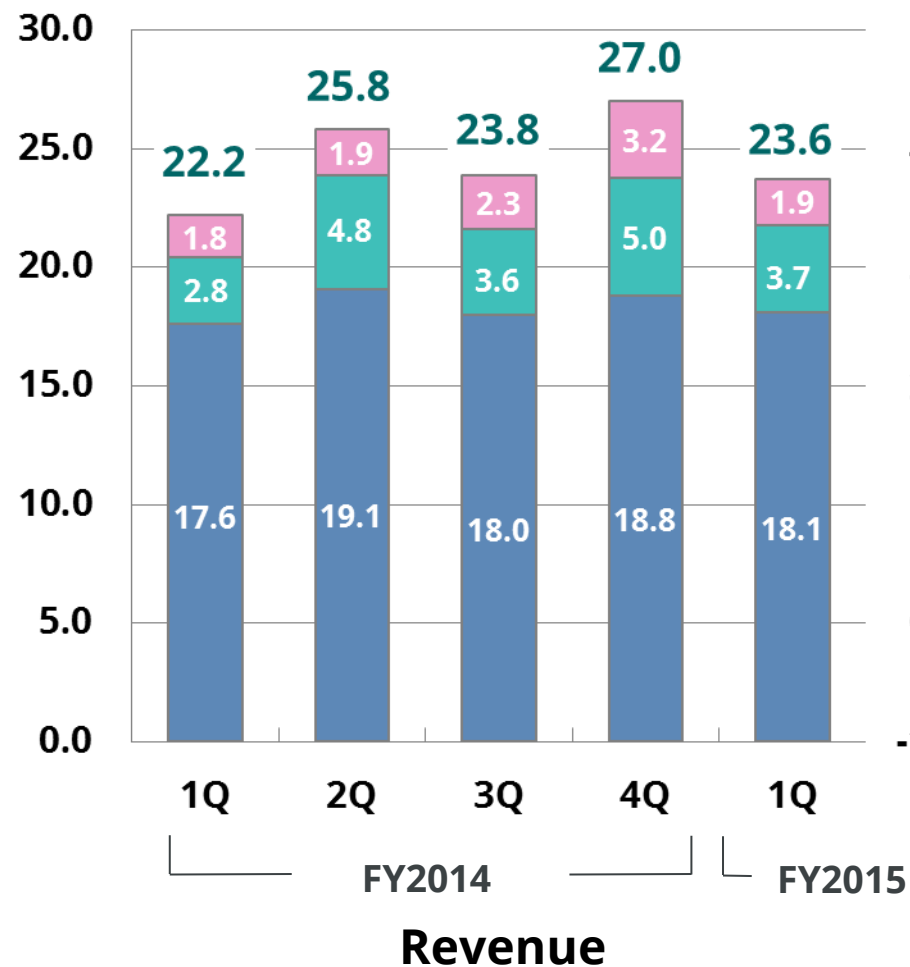
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8-1. Financial Results for the 1st. Quarter -Revenue and Op. profit by quarters-

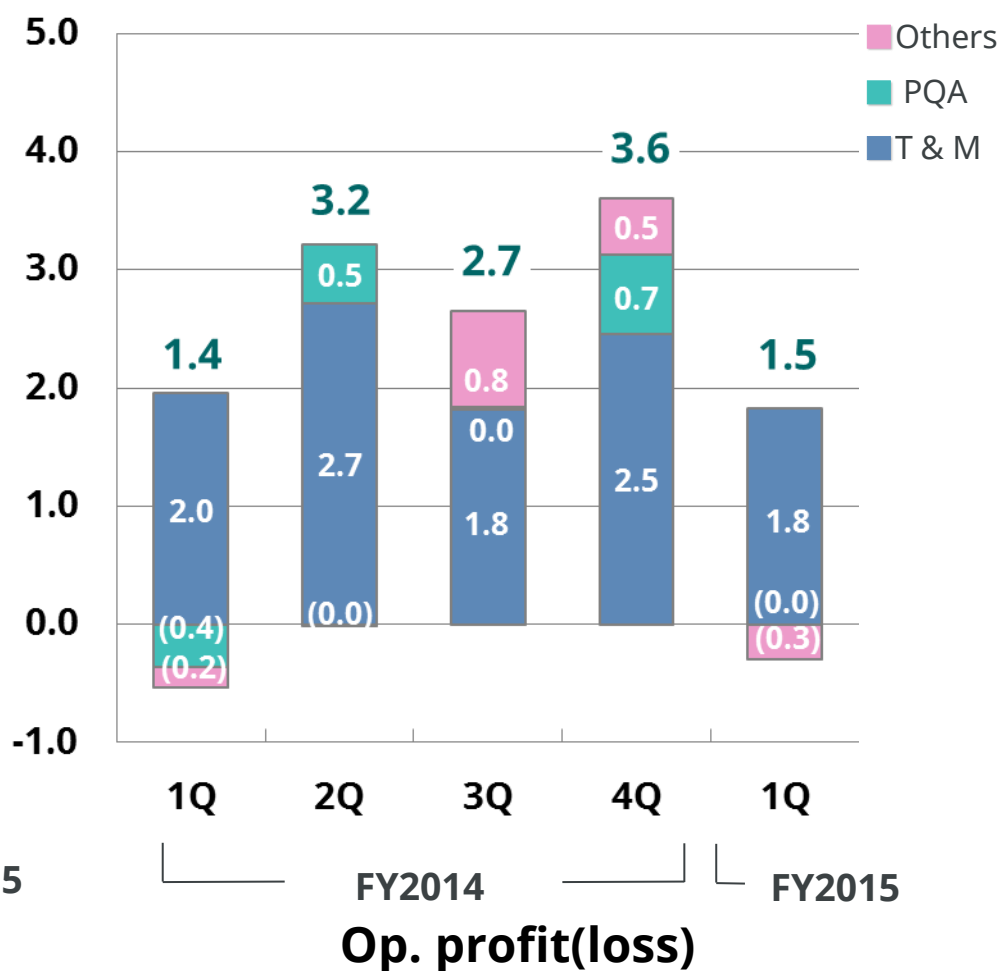


Company posted 6.5% operating margin for 1Q (T&M: 10.1%)

Bn. Yen



Bn. Yen



Note : Numbers are rounded off in each column

8-2. Forecast for full year of FY2015



No change since April disclosures

Unit: Billion Yen

International Financial Reporting Standards (IFRS)		FY2014	FY2015		
		Actual	Forecast	YoY	YoY(%)
Revenue		98.8	103.0	4.2	4%
Operating profit (loss)		10.9	11.0	0.1	1%
Profit (loss) before tax		11.6	10.9	(0.7)	-6%
Profit (loss)		7.9	8.0	0.1	2%
T&M	Revenue	73.4	75.0	1.6	2%
	Op. profit (loss)	8.9	9.0	0.1	1%
PQA	Revenue	16.2	18.0	1.8	11%
	Op. profit (loss)	0.8	1.1	0.3	33%
Others	Revenue	9.2	10.0	0.8	9%
	Op. profit (loss)	1.1	0.9	(0.2)	-19%

Note 1 : Exchange rate for FY2015 (forecast) 1USD = 115 yen, 1EURO=130 yen

Note 2 : Numbers are rounded off in each column

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