

### **Anritsu's Support for the Leading Edge of Advanced Communication**



**Hirokazu Hashimoto**  
President and Group CEO

Anritsu is at the forefront of Information and Communication Technology (ICT) services, providing innovative solutions that support the establishment of next-generation networks. We are the leading supplier in the mobile measurement business, and are enhancing our presence in global markets with high dimension quality assurance in such industries as processed foods, where safety is a growing priority.

The world today is focused on the innovations that will be realized by the Internet of Things (IoT) connecting all manner of devices, and the standardization of 5G telecommunication services.

Anritsu will embrace these growth drivers, and achieve “Continuous Growth with Sustainable Superior Profits.”

At the same time, with the aim of enhancing enterprise value, we transitioned to a new governance structure, becoming one of the first Japanese corporations to adopt the Company with an Audit Committee structure. Going forward, we will make a concerted effort as a company toward Creating Shared Value (CSV) to realize a safe, secure, and more-prosperous society and achieve our social mission, growing and developing into a global value-creating company.

<b>Operating profit margin</b> <b>6%</b>	<b>Debt rating</b> <b>A-</b> <b>(R&amp;I)</b>	<b>Percentage of women in key global managerial positions</b> <b>44%</b>
<b>Corruption prevention WBT*<sup>1</sup></b> <b>No. of participants</b> <b>1,450 persons</b>	<b>Energy usage</b> <b>(Compared with 2006)</b> <b>22% reduction</b>	<b>Cumulative registration of eco-excellent products*<sup>2</sup></b> <b>39 types</b>

\*1 WBT: Web-based training

\*2 Eco-excellent products: Products that meet Anritsu's own eco-friendly guidelines

## Review of the Initial Year of the GLP2017 Mid-term Business Plan

Fiscal 2015 (ended March 31, 2016) was the initial year of the GLP2017 Mid-term Business Plan, adopted following the conclusion of GLP2014. During the GLP2014 plan period, the mobile measurement market continued to contract with the general slowdown in smartphone shipments and the commoditization of smartphones. Intensifying global competition also led to business restructuring, along with the scaling back of investment and business withdrawals among our customers. The GLP2017 plan was formulated based on these market conditions, with a focus on longer-term growth drivers.

During fiscal 2015, in anticipation of the spread of the LTE-Advanced system, Anritsu quickly and proactively expanded its solutions for LTE-Advanced services, making efforts to meet customer needs. However, these market developments were insufficient to stem the slowdown in the overall mobile market that has continued since 2013, which was the main reason for our sluggish performance. As a result, orders for the Anritsu Group amounted to ¥94,589 million, a 6.4% decrease from the previous fiscal year. Revenues declined 3.3%, to ¥95,532 million, with operating profit down 45.8%, to ¥5,898 million.

In the Test and Measurement segment, the proportion of sales by geographic region was largely unchanged, but the

## Basic Policy for Medium- to Long-term Business Strategies

Embrace growth drivers to achieve profitable, sustainable growth

Business domain Category	Annual average market growth rate	Growth drivers	GLP2017 operating margin/ROE		Targets	
			Current plan target	Initial target	Sales growth rate	Operating margin
Test and Measurement	3-5%	<b>Broadband expansion and innovation</b> 1) LTE-Advanced 2) Network Reshaping 3) IoT/5G, Connectivity	<b>12%</b>	15%	≥ 7%	≥ 20%
PQA	3-5%	<b>Improvement in safety, security, and health</b> Quality assurance solutions using X-ray	<b>7%</b>	8%	≥ 7%	≥ 12%
Consolidated	—	—	<b>10%</b>	14%	—	≥ 18%
ROE	—	—	<b>10%</b>	14%	≥ 15%	



sales ratio for the network infrastructure business increased on rising demand for instruments to develop and manufacture optical communications modules. Currently, a new business wave for IoT/5G is approaching. The industry is steadily making preparations for the introduction of 5G, and this is the investment phase for the establishment of full-fledged IoT/5G businesses.

In the Products Quality Assurance (PQA) segment, fiscal 2015 revenue reached nearly ¥19 billion, exceeding our initial forecasts and offering a promising outlook regarding future growth. Anritsu's new products, such as high cost-performance X-ray inspection systems, captured rising demand in the home meal replacement (HMR) market (*bento* box lunches, prepared foods, delicatessen goods), mainly among Japanese convenience stores. We also developed new customer channels in the North American meat market with the aim of expanding our market share, further boosting sales.

## Measures to Seize Opportunities for Growth

Anritsu is pursuing the following measures with the aim of future growth.

### ■ Test and Measurement Business

Anritsu holds a large share of the mobile measurement business, and has an established position as a market leader. The existing solutions business field continues to shrink, but, by

drawing on our strong market share, we will expand our range of measurement solutions for LTE-Advanced services. We will also establish an R&D center in China and pursue other measures to meet the needs of Asia-based global companies, as well as customers in India and other emerging economies, and secure a foundation for earnings.

Many of the devices that will be connected through the IoT require cost efficiency, simplicity, and energy efficiency rather than high-speed communication. Anritsu is working to support the Narrow-Band IoT (NB-IoT) and Category M (or LTE-M) technologies recently standardized to meet these needs.

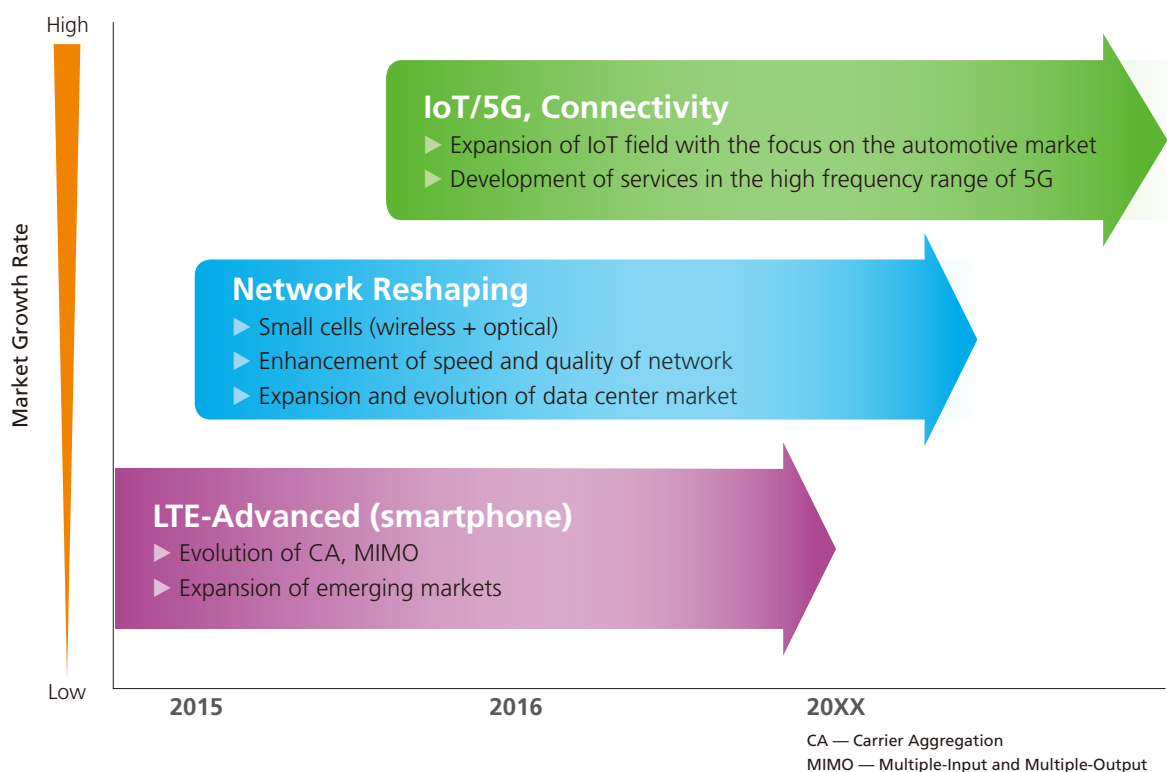
The initial specifications for 5G are expected to be determined with 3GPP Release 14. The industry is making a full-fledged effort to implement 5G ahead of the Pyeongchang 2018 Winter Olympics, and the Tokyo 2020 Summer Olympics. Anritsu is currently planting the seeds that will allow us to seize the 5G-related business opportunities expected to emerge beginning in the latter half of 2017.

IoT/5G is a societal innovation that will bring tremendous changes to our everyday lives. This innovativeness will be linked with various systems based on Big Data, and will create a world impossible to achieve with a single, closed system. The network reshaping that will provide the infrastructure for this societal innovation is already under way.

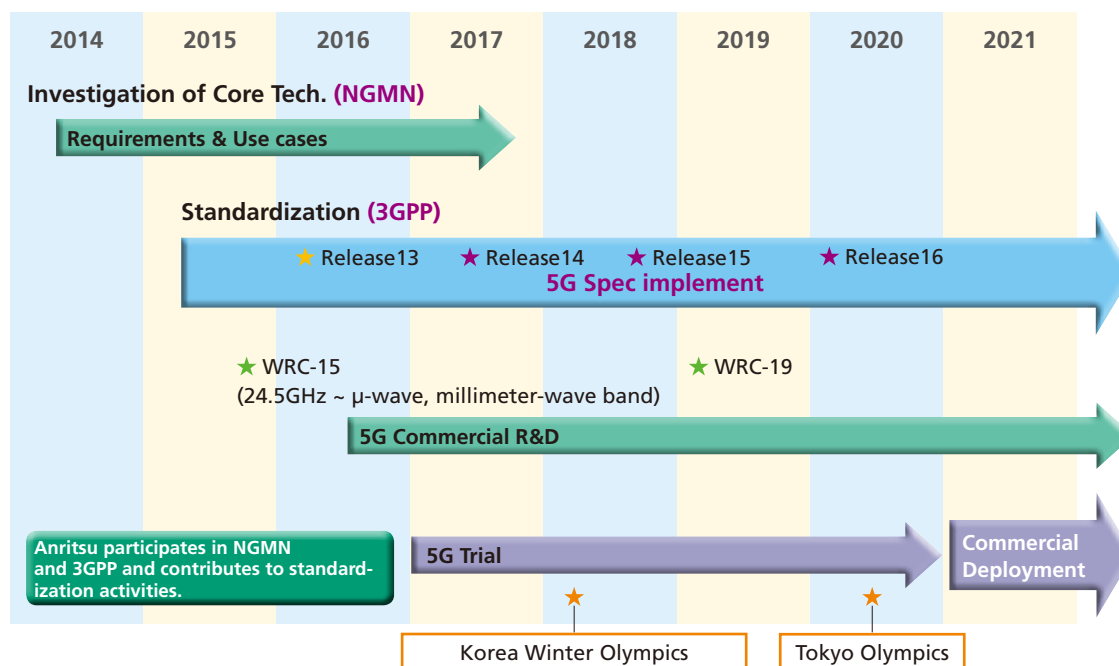
Data traffic will increase rapidly in the IoT society as a huge number of devices are connected to the network. Numerous small cells will be established by overlaying conventional macrocells, and these small cells will be connected using optical fiber. Anritsu already has wireless, optical, and transport measurement technologies. We will combine these into a single platform to offer differentiated, integrated solutions, and gain demand for investment in small cells.

The telecommunications network market is in the midst of dynamic change, from the explosive growth brought by the rise of smartphones, to the coming IoT/5G era that will be the next social demand. Anritsu is building an investment portfolio strategy and organizational structure to respond appropriately to these major shifts in the business environment, and will continue to make proactive investments to seize new opportunities for growth.

## <T&M> Restructuring of Portfolio for Capturing the Next Growth Drivers



## LTE-Advanced ~ 5G Roadmap (CY2015 ~ CY2020)



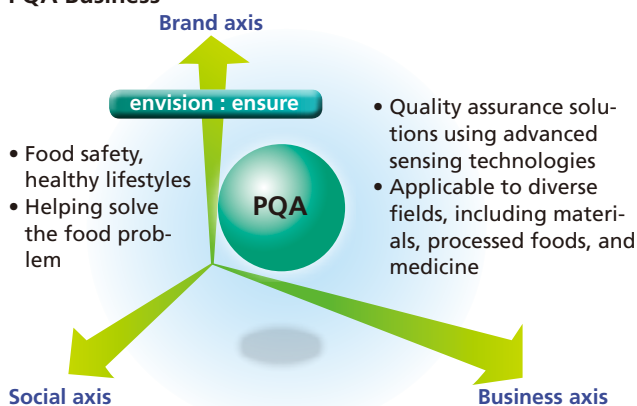
NGMN: Next-Generation Mobile Networks  
WRC : World Radio Communication Conference  
3GPP : 3rd Generation Partnership Project

### ■ PQA Business

Anritsu's targets for the PQA segment are an overseas sales ratio of 50%, and an operating profit margin of 12%. To achieve them, we are implementing business quality improvement measures, enhancing infrastructure to bolster competitiveness, and strengthening our brand strategies. We changed the segment name from "Industrial Automation" to "Products Quality Assurance (PQA)" to more accurately reflect the segment's core business, and to match the globally used term. This is a part of our brand strategy for further growth. We are aiming to establish a brand as a quality assurance partner trusted by customers around the world.

Anritsu differentiates its services in the PQA segment with quality assurance solutions that meet customer needs, such as ensuring packaging quality as well as detecting foreign substances. By providing global quality assurance solutions to global customers in a global market, we are working to ensure safe, secure, and healthy lifestyles.

#### PQA Business



### Utilizing Our Strengths in the IoT/5G Era

Anritsu has utilized the inventive spirit and innovativeness it has cultivated since its earliest days to develop a globally minded business.

Communication is the foundation of a productive human society, and is supported by advances in communication tools and convenience. The essence of communication is the exchange of information free of geographic limitations, and across international borders. Supporting the development of

such communication requires us to pay attention to global trends and international coordination.

Since developing the world's first practical wireless telephone set, the TYK-type wireless telephone, in 1912, Anritsu has continually sought to contribute to the advancement of society in the field of communications. From a position of supporting the development of civilization on a global scale, we have strived to achieve breakthroughs in information and communication technologies. Our success is the manifestation of our strengths, this inventive spirit, and innovativeness.

At the same time, to successfully enhance our enterprise value, we need well-honed sensitivity to the needs and wants of the end customer. Anritsu is a B-to-B, but, as we approach the IoT/5G era, it is increasingly important that we offer solutions that accurately reflect end-customer needs and industry trends.

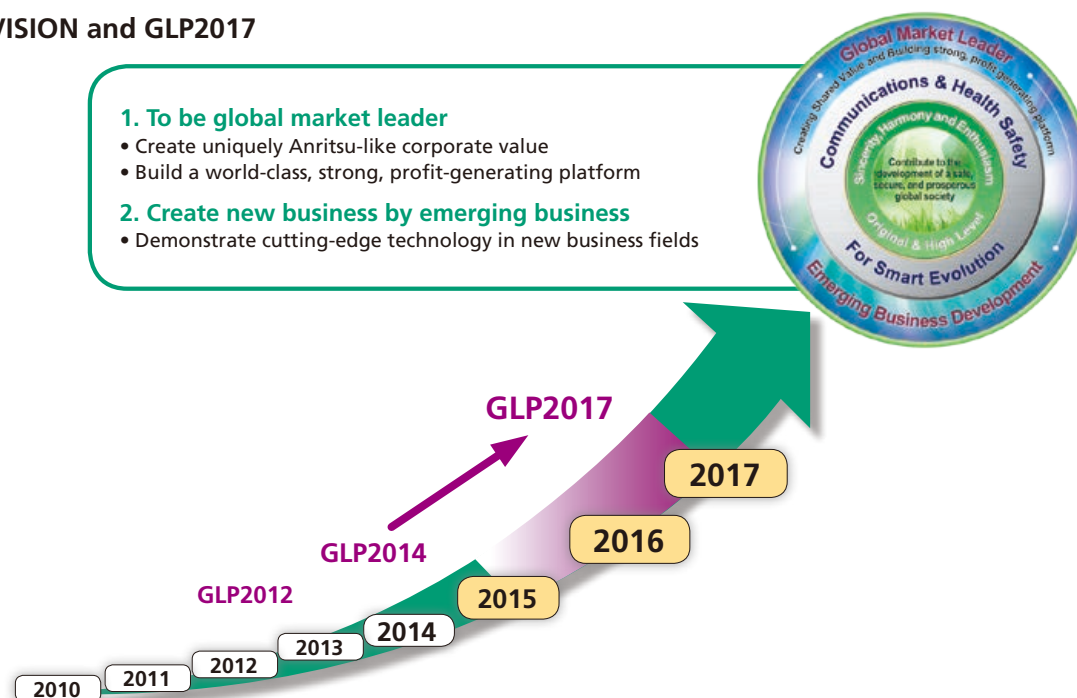
The IoT society will connect a wide range of things and systems together, creating new value chains and sparking innovations that offer unprecedented social value. These innovations will become the services that form the backbone of society. Accordingly, ensuring the network quality to reliably provide these services will be needed more than ever before. This sort of network quality will be about more than just a successful connection. It will be ensuring the expected value of the social innovations that have been made possible by that connection. As a result, clients will require the functionality to monitor the entire system up to the application field, and anticipate problems. Anritsu is working to continue providing advancements in connection solutions, from network infrastructure to the application field.

### Strengthening Corporate Governance

Anritsu transitioned to the Company with an Audit Committee structure in June 2015. This change brings us a step closer to a structure appropriate for a company dealing with global markets, customers, competitors, and investors. In accordance with the new structure, Anritsu conferred voting rights in the Board of Directors to the directors on the Audit Committee, creating a Board comprising five internal directors and five outside directors, including the directors on the Audit Committee. Outside auditors also participate in the Nominating Committee and Compensation Advisory



## 2020 VISION and GLP2017



Committee, from the standpoint of ensuring the right of Audit Committee members to offer opinions on the selection and compensation for directors at the General Meeting of Shareholders. Further, we have established the Independent Committee comprising five outside directors, providing for communication among outside directors, and enhancing the oversight function for the Board of Directors. Going forward, Anritsu will further reform its governance structure in order to enhance enterprise value.

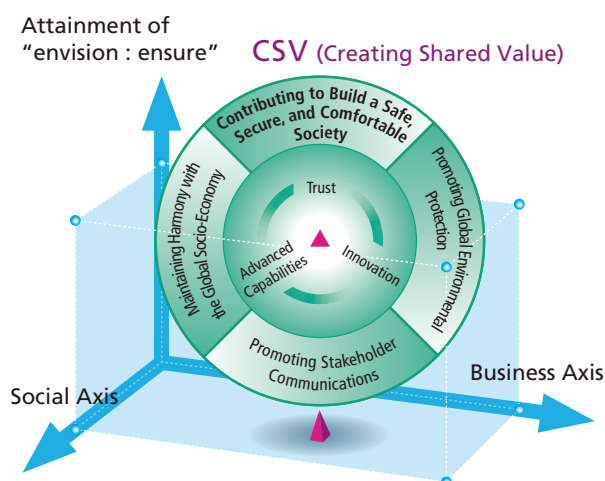
## Sustainable Growth through a "Total Win"

Anritsu's long-term management vision "2020 VISION" is to "be a global market leader" and "originate new businesses." To achieve these goals, and realize profitable and sustainable growth, it is essential that in our management and business strategies we establish a business premised on providing social value. Starting with the Creating Shared Value (CSV) concept, we pursue a business that emphasizes the three axes of "social," "business," and "brand." We have also incorporated this idea into our "envision : ensure" brand strategy.

Considering the tightly linked relationship that starts with Anritsu and its customers, stretching all the way to the end

## Promotion of CSR Activities

Contributing to the Development of a Safe, Secure, and Prosperous Global Society



users, we recognize that to create sufficient social value, Anritsu and the associated companies that support customers and the supply chain need to be partners, and provide each other with high-value-added goods. We will create a framework of open innovation for all stakeholders, and, by ensuring a "Total Win" for everyone involved, continue to create the social value to realize a safe, secure, and more-prosperous society.