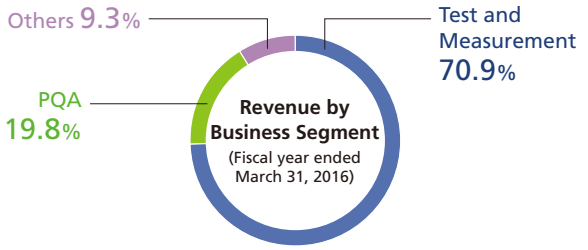
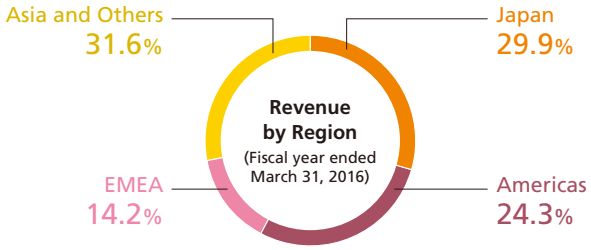
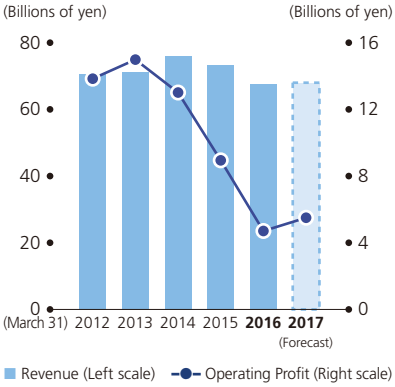
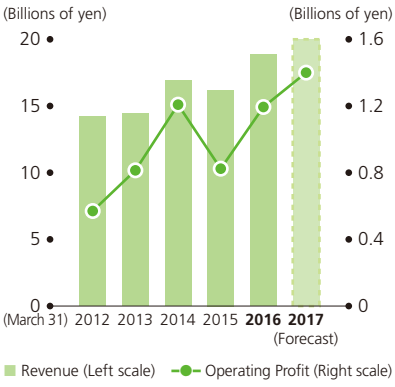
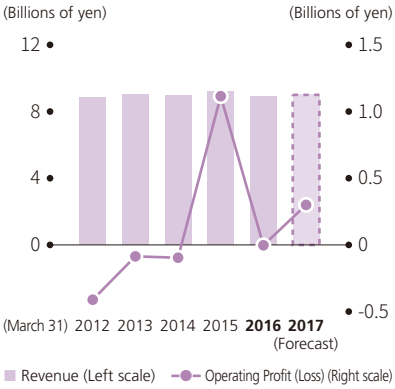
Business Review





Revenue/Operating Profit (Loss)	Sectors and Solutions	Main Customers
Test and Measurement  	**Mobile Market** • R&D related to mobile telecommunications standards, such as LTE, LTE-Advanced, etc. • R&D related to telecommunications chipsets (communications semiconductors incorporated in smartphones, etc.) • R&D and manufacturing of such mobile communications terminals as smartphones and tablets **Network Infrastructure Market** • R&D related to optical/digital telecommunications • R&D and manufacturing of telecom equipment • Construction/maintenance of optical fiber telecom networks • Construction/maintenance of wireless base stations • Network quality assurance (failure monitoring) **Electronics Market** • General-purpose measurement for a wide array of fields • R&D and manufacturing of telecommunications-related electronic components • R&D and manufacturing of telecommunications equipment • R&D and manufacturing of wireless base stations • R&D and manufacturing of products related to digital household appliances and car electronics, etc.	• Smartphone/tablet manufacturers • EMS (electronics manufacturing service) • Chipset manufacturers • IT-related service providers • Telecom operators • Telecom operators • Telecom network construction companies • Telecom equipment manufacturers • Electronic device/component manufacturers • Telecommunications equipment manufacturers • Mobile handset manufacturers • Electronic equipment manufacturers
PQA  	**Contaminant Detectors** • Contaminant detection and shape inspection **Weighers, Checkweighers** • Weighing, checkweighing, and package inspection	• Food producers (agricultural products, meat processing, processed foods) • Pharmaceuticals/Cosmetics makers (pills, capsules, liquids, patches)
Others  	**Information and Communications** • Monitoring and control systems related to such public infrastructure as rivers, water supply facilities, etc. • Bandwidth controllers for high-quality networks, such as those for financial systems, video distribution, etc. **Devices** • Optical/ultra-high-speed devices for optical communications networks and telecommunications equipment	• Public sector (central and local government units) • Financial institutions • Video distribution companies • Electrical equipment manufacturers • Telecommunications equipment manufacturers

Notes: 1. "Other" includes both "Other" and "Adjustment Items" within segment information.
Beginning the fiscal year ended March 31, 2016, the name of the former "Industrial Automation" segment was changed to the "PQA segment." Figures for previous years have been retroactively adjusted for this change.
Beginning the fiscal year ended March 31, 2013, the Information and Communications business is included in the Others segment, and has been retroactively included in this segment for the fiscal year ended March 31, 2012 figures.
2. Accompanying the revision of IAS No. 19, figures for fiscal 2013 have been adjusted retroactively to take account of this change.

Responding to Society's Needs for Advanced and Innovative Telecommunications

Aiming for further advances in telecommunications systems that can be used anytime and anywhere

Bringing greater convenience and comfort to people's lives

— Measurement solutions for mobile broadband services —

Communication

Connect and expand

Healthcare

Healthcare and telemedicine

Automotive

Driving safety

Making your life safe

— Various solutions for everyday life in food safety, disaster monitoring and ophthalmic examinations —

Contaminant inspection

Detecting foreign objects

Disaster preventions/Mitigation

Video monitoring of accidents and disasters

Medical equipment

Light source for ophthalmic equipment

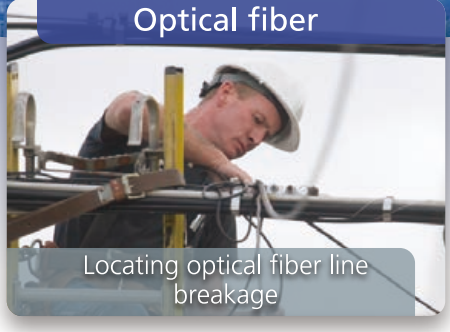
Supporting infrastructures for everyday life

— Measurement solutions for secure broadband networks —

Base stations

Checking base station service areas

Optical fiber



Locating optical fiber line breakage

Communication networks

Network monitoring and quality assurance

Test and Measurement

Kenji Tanaka
Vice President
Measurement Business Group President

Contributing to the progress of IoT/5G society through structuring a new business model

Anritsu has strong technological capabilities in the communications field and supports the latest communications networks with cutting-edge measurement solutions. Together with its customers and business partners, Anritsu is structuring new business models to actively tackle the challenges of providing new solutions that are required throughout the new network systems.

Communications Solutions Develop the Safe, Secure, and Prosperous Society

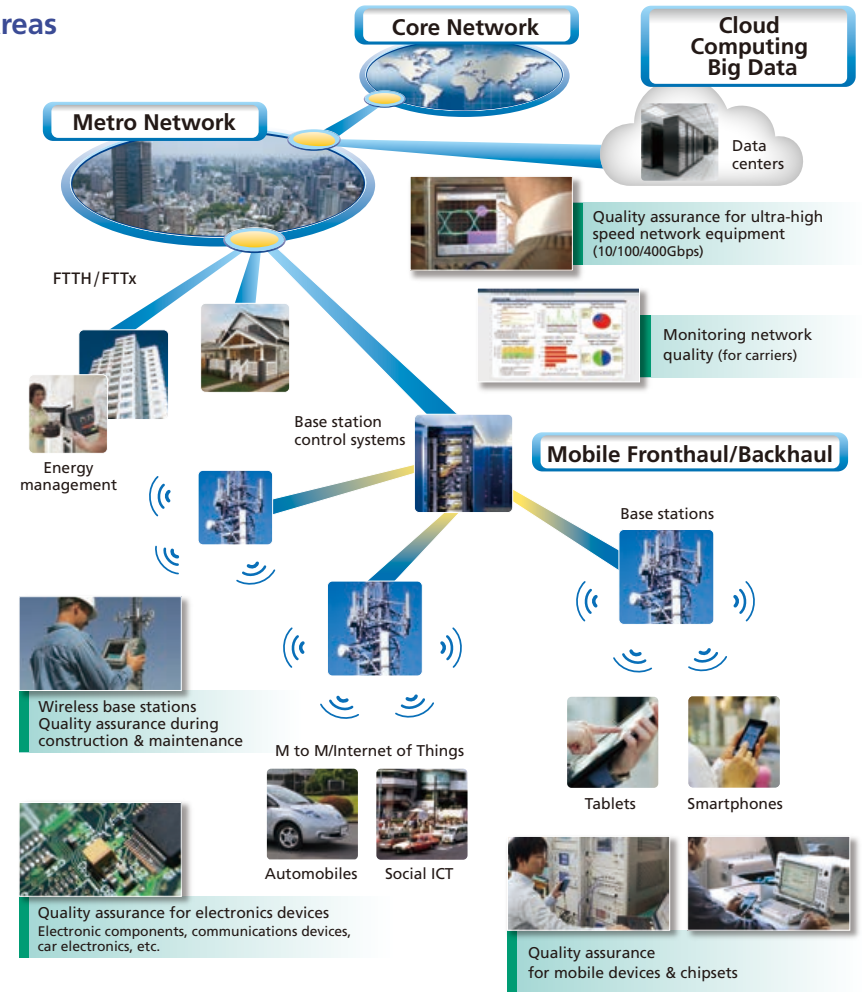
■ Business Domains

Communications systems that can be used anytime and anywhere have become an indispensable part of our daily lives. In the Test and Measurement business, Anritsu's business domains span the smartphone and the other mobile devices market; the market for network infrastructure, including wireless base stations and optical fiber transmission; and the markets for electronic components for communications that are used in a wide spectrum of devices as well as communications equipment. In both wireline and wireless communications, Anritsu has the technological capabilities to cover the entire communications domain, and one of its strengths is its development and support systems that cover the entire globe. Thus, in the midst of rapid change in the communications industry, Anritsu is contributing to the development of broadband services and IoT/5G by providing measurement solutions needed in the most-advanced markets.

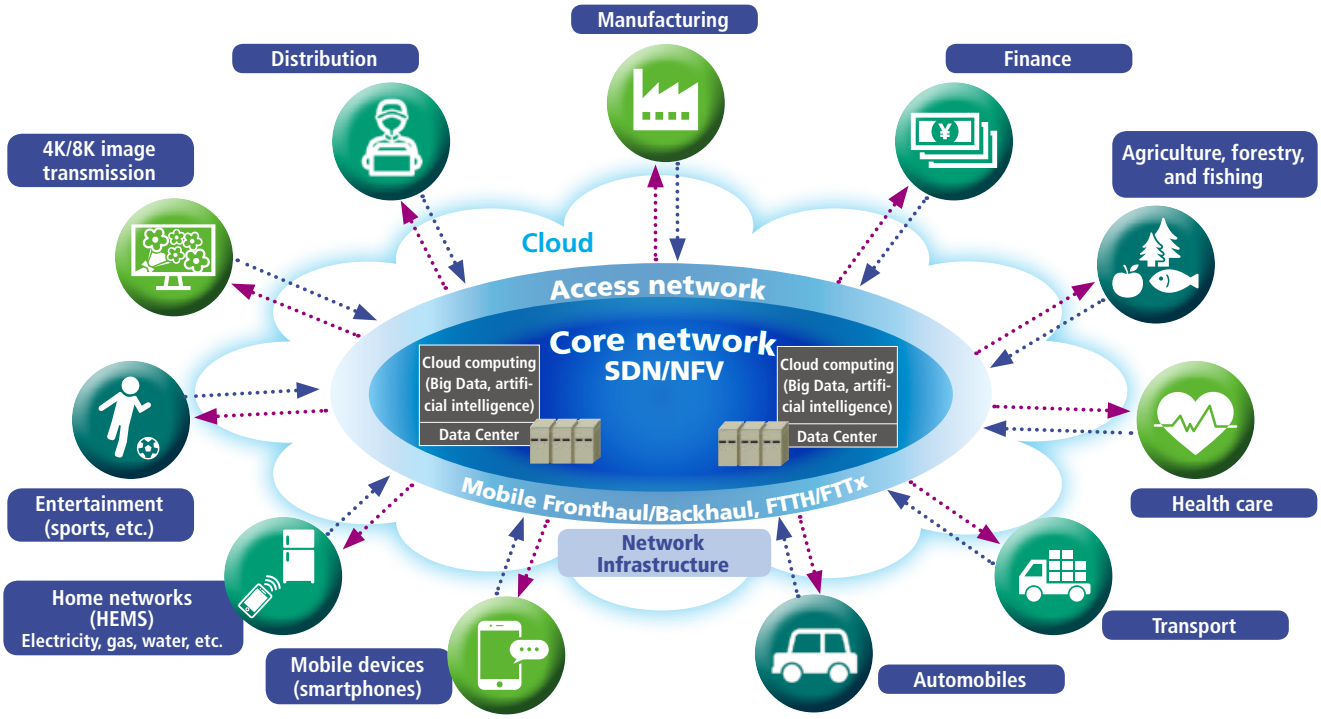
■ Review of Fiscal 2015

In the communications network field, the volume of mobile data transmitted over networks is rising rapidly, along with the expansion in application services that are provided via mobile terminals. To cope with this demand, LTE and LTE-Advanced are going into full-scale use. In addition, the movements toward standardizing the next-generation 5G system and the development of new application services using the IoT are required in a wide range of industries. Thus, the business environment is on a growth trend in the medium-to-long term; however, at present, the mobile market is shrinking because of the weakness in growth of smartphone shipments and the expanding use of medium- to low-priced units. In the midst of rapid change in the market, competition among customers is becoming more intense, and there are differences in the level of the drive to invest. Therefore, in Asia, the market for measurement equipment used in the manufacturing of smartphones is shrinking and major players are restraining their

Business Areas



Example of New Applications of IoT/5G



Test and Measurement

investments. Within the network infrastructure market, in the development and the manufacturing of optical modules, which support the increase in the volume of data transmission, the demand for measurement instruments continues to be firm. However, the decline in demand for construction of base stations in the North American market is influencing performance.

Amid this operating environment, sales in our Test and Measurement segment amounted to ¥67,730 million (a decrease of 7.8%), and operating income was ¥4,706 million (a decline of 47.4%).

We confront two management issues in this business. The first is how to make the transition—as demand for smartphones declines and there is less room for growth in that business—from responding to the needs for test and measurement equipment for the development and manufacturing of mobile devices, which has driven Anritsu's growth thus far, to meeting the needs of the IoT/5G business, which will respond to the next generation of social needs. The second issue, in the network infrastructure market, is, as the volume of data transmission expands and the shift toward next-generation high-performance and flexible networks proceeds, to identify and capture the growing measurement needs for optical/digital related devices and nurture this business to become a second major pillar of our activities.

■ Key Points about the Business Environment in Fiscal 2016

In our mainstay Test and Measurement business, we are taking initiatives to reach our objectives, by strengthening our earnings base in the mobile market, working to increase sales in the network infrastructure market, and investing aggressively in the next-generation IoT/5G business.

In the mobile market, we are continuing to offer solutions for LTE-Advanced (Carrier Aggregation (CA), Multiple-Input and Multiple-Output (MIMO), etc.) and working to secure profits through the development of emerging markets.

In the network infrastructure market, we are strengthening our competitiveness to capture demand in the Network Reshaping market, which is expanding along with the explosive growth in data transmission and the rising demand for data centers. Also, we are continuing to make aggressive investments to secure business opportunities in the high-value-added and attractive IoT/5G market where growth can be expected in the medium-to-long term.

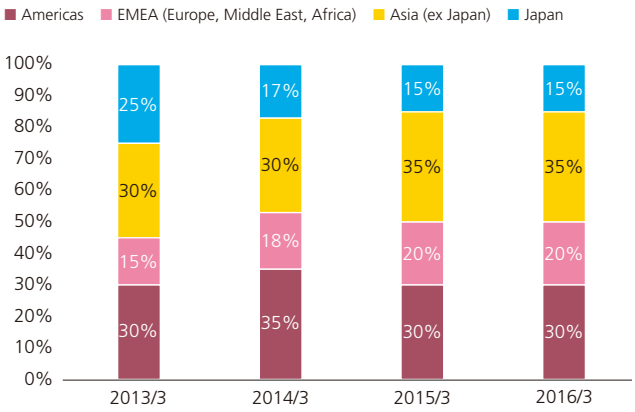
In the electronics market, along with the expansion of mobile broadband services and spread of IoT, including smart meters, the demand for measurement solutions for use in developing and manufacturing wireless modules, which have many uses, is expanding. In addition, along with the transition to digital operation in commercial wireless systems, the demand for measurement equipment for use in the development, manufacturing, and maintenance of digital wireless systems is expected to grow. Anritsu is expanding its solutions for the electronics market.

■ Medium- to Long-Term Outlook and Strategy

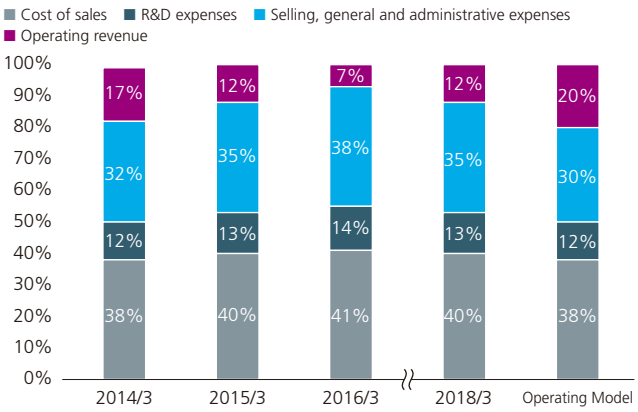
Activities for promoting 5G for use at the 2018 Winter Olympics and Paralympics in Pyeongchang, South Korea and the 2020 Tokyo Olympics and Paralympics have now gone into high gear. We are forecasting that Anritsu's IoT/5G business will commence in the latter half of 2017.

As a result of the arrival of IoT/5G, many new services are expected to start, including 4K and 8K image transmission, home energy management systems (HEMS), and automated driving. To make this wide range of services a reality, three conditions for IoT/5G have to be met. (1) Increased speed of transmission: transmission at 100 times the speed of LTE systems currently in use. (2) Multiple log-ons: To enable a large

Test and Measurement Segment Revenue by Region



T&M Business: Profit Structure Improvement Targets



number of users to log on and use the Internet simultaneously, without breaking up. (3) Low latency: Data response time will be 1/1,000 a second. To meet these conditions, it will be necessary for both terminals (smartphones, etc.) and the network to evolve further.

At present, technology development on the main components of the network, which include small cells, C-RAN, SDN/NFV, and data centers is in progress. In addition, full-scale cloud computing has begun, and expectations about new services that make use of AI (artificial intelligence) and Big Data are rising.

Among the major changes taking place around IoT, the range of customers is expanding, and methods for creating value for individual customers have become more difficult and complex than before. However, since the business domain has expanded, Anritsu believes business opportunities will increase dramatically compared with the past.

In our investments for growth and in development, thus far, we have allocated our limited management resources to the mobile-related market, which has led growth. However, going forward, we are planning to give priority to the network infrastructure market and within this market to optical/digital-related businesses. Along with the expansion in the volume of data transmission, digital systems will be faster, and technology is changing. In the IoT/5G market, in addition to the customers we have served thus far, it is expected that new business will expand with the automobile industry, even outside the Base-Band chip and operator. In this growth market, we will draw on our record of accomplishments and strengths in establishing the default standard at the time of the start of 3G, and offer optical/digital related products that combine both wireless communication and optical fiber technology.

Today, we are looking to provide customers not only with measurement equipment but also offer them with solutions with a view to their systems as a whole. Anritsu will draw on its strengths in technology and its comprehensive knowledge in communications to structure new businesses with new customers and business partners and proactively offer the necessary solutions for systems as a whole.

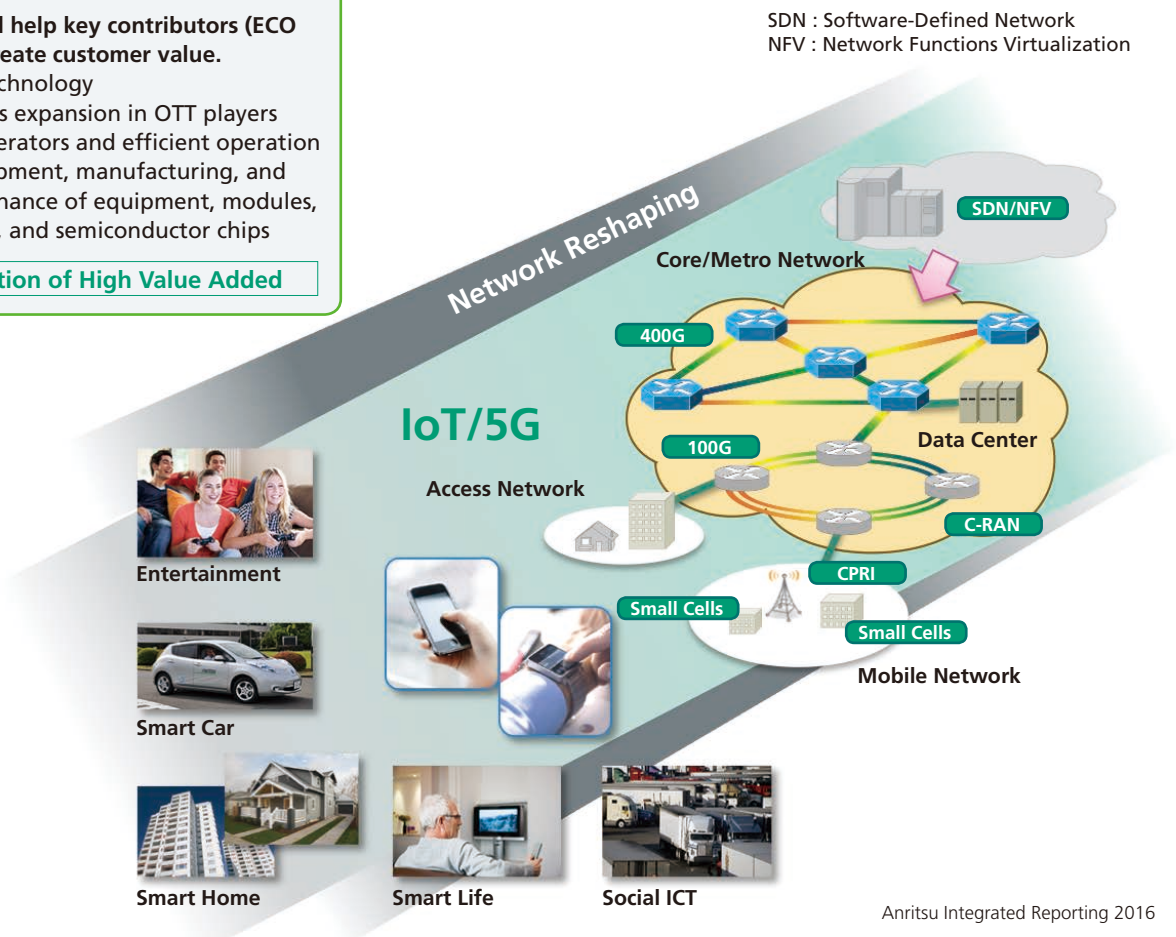
Key Technologies for Realizing IoT/5G Services (Use Case)

envision : ensure

Anritsu will help key contributors (ECO SYSTEM) create customer value.

- Base technology
- Business expansion in OTT players and operators and efficient operation
- Development, manufacturing, and maintenance of equipment, modules, devices, and semiconductor chips

Realization of High Value Added



PQA

Masumi Niimi
Vice President
PQA Business Group President

Providing reassurance: side by side boundlessly and globally

Products quality assurance (PQA) for food products and pharmaceuticals is indispensable for realizing safe and secure livelihood. Furthermore, to an increasing degree, today, requirements are calling for total quality assurance all along the production process, from raw materials to processing and packaging. Anritsu provides not only high-value-added inspection equipment but also contributes to quality assurance on the production line itself and is continuing on its way to becoming a global company, assuring the quality of customers' food and pharmaceutical products.

Aiming to become a world-class quality assurance solution partner

Analysis of the Business Environment in the PQA market

In the field of quality inspection, the solutions provided by Anritsu's products quality assurance business are of two types: inspections to check weight and those to detect contaminants. In the domestic market, since the implementation of the Product Liability Law in 1994, maintaining high standards of quality assurance has been required for food and pharmaceutical products, but, as a result of a number of incidents of contaminants being found in products, consumer awareness of food safety has grown and demands for quality assurance have increased substantially. In the food product and pharmaceutical industries, once an incident occurs, there are cases where the company responsible may run the risk of serious repercussions. In recent years, with the development of SNS, etc., the risk of damage to the corporate brand has grown steadily. To avert risks of this kind for their customers, inspection equipment manufacturers have ceased to be just vendors of their equipment and are now expected to play the roles of quality assurance partners.

In overseas markets, the business environment differs from region to region. In the North American market, which Anritsu is targeting, the demand for inspections to detect contaminants in meat products is increasing. Moreover, the U.S. Food and Drug Administration (FDA) requires that food products and pharmaceuticals sold in the United States be labeled properly and that safety and proper efficacy be assured. Looking ahead, investment in quality assurance is believed likely to increase. Also in China and Southeast Asia, along with economic growth, demands for high-quality food products are rising, and the need for contaminant inspection is growing.

Review of Fiscal 2015

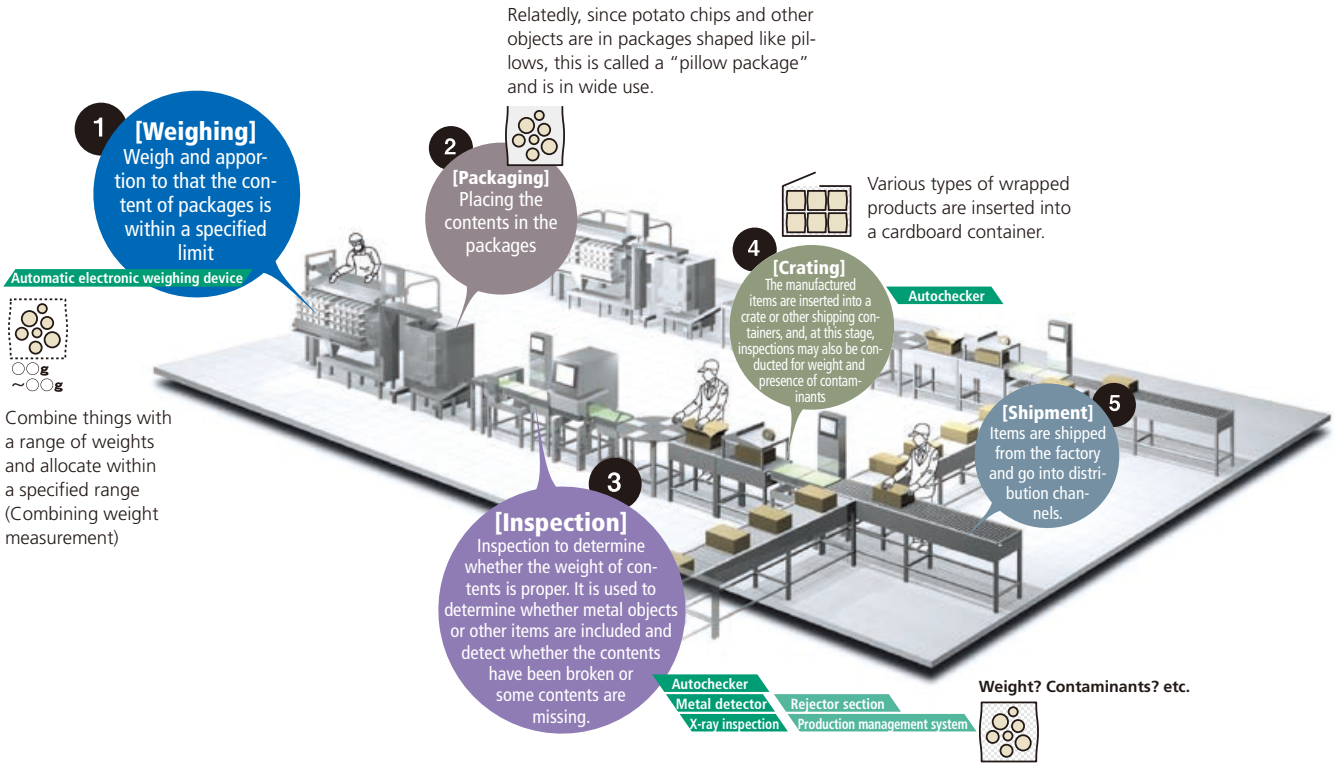
Fiscal 2015, ended March 31, 2016, was the first year under Anritsu's GLP medium-term plan, and vendors, especially in the convenience store market, actively made investments to promote quality assurance in the box lunch and prepared foods areas. In response, Anritsu introduced a new X-ray inspection system that was favorably received in the market and features major reduction in full lifespan costs, by providing for longer system lifetimes and reduced electric power consumption. In addition, Anritsu was successful in developing new customers in the North American meat and processed food markets and expanding operations in this area. Also, Anritsu made active investments to develop original, high-level quality assurance solutions and strengthen its value chain overseas, especially in the North American market. As a result of these initiatives, sales of this business amounted to ¥18,892 million (an increase of 16.6%), and operating income was ¥1,195 million (an increase of 45.0%).

Initiatives to Implement GLP2017

Under GLP2017, the focal strategies are "developing business globally," "creating value and differentiating our products," and "cooperative creation and development with our cutting-edge clients." Our aim is to carve out a position as a "world-class quality assurance solutions partner."

We will invest aggressively in creating the No. 1 sensing technologies and quality assurance services. In Japan, our base will be value creation and raising our market position. Overseas, we will focus on North America, where business opportunities are expanding, and endeavor to strengthen our local sales systems and upgrade our engineering as well as value chain. Then, we will dedicate ourselves to earnestly addressing the issues of the world leaders among our customers in the field of quality assurance, and, through creativity and hard work, respond to customer expectations and endeavor to create the growth spiral that is based on "envision" (sharing our customers' values) and "ensure" (helping customers realize the value they aim for).

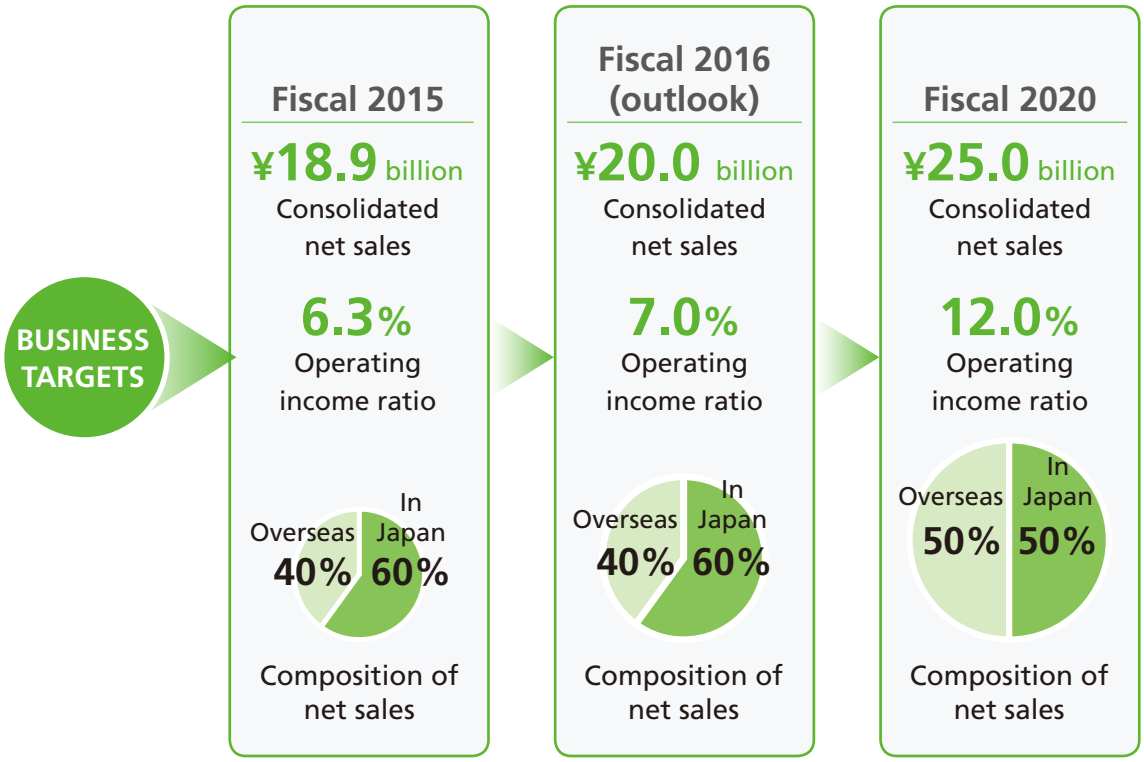
Example of a Production Line



The weight inspection is designed to determine whether the items have been weighed properly and are correctly packaged. At the contaminant inspection stage, verification of whether there are metal or plastic contents is conducted. In addition, the production management software "QUICCA" may collaborate in the inspection and weighting stages to monitor production.

PQA

Management Objectives and Basic Strategies



In addition, to provide for the increase in working capital that will accompany expansion in operations and globalization as well as cope with increasing price competition, Anritsu will work to make dramatic cost reductions and improve inventory turnover through the economic rationalization of global supply chains.

■ Aiming to Become a Global Market Leader

Anritsu has developed by doing business with a number of global corporations. For Anritsu to become a global market leader, as a partner of its customers, it must have the full range of capabilities, including marketing, sales, and support, to respond to the needs and expectations of these global companies.

First, our target customers will be European and U.S. companies that have already made progress in becoming global companies and then Asian companies that are expected to continue to grow. In these two customer markets, the ways of doing business will naturally be different. We divide these customers into the "European and U.S. customer market" and "the Asian customer market," and we are moving forward with initiatives to develop close relationships with the companies in these two markets.

Also, we must realize that we cannot win and be successful if we try to control everything from Japan. To manage sales and support efficiently, we are creating a service system that uses IT to enable remote maintenance that overcomes the barriers of time and space. If we think with a long-term perspective, depending on the business situation, we believe it will be necessary to establish subsidiaries in the major countries of these regions. It will also be important to match our products to local needs. We will apply the know-how we have accumulated in Japan in developing our overseas activities and adapt to suit local practices. Our next steps will be to create this framework.

Through the initiatives I have just described, we will aim for an operating profit ratio of 7% in fiscal 2016. In addition, we will work to increase this ratio to 12% in fiscal 2020. To implement this, in order for Anritsu to "understand customers' management vision and issues," Anritsu will actively seek opportunities to direct discussions with customers and "realize customer value that exceeds our customers' expectations." We will engage and train human resources who can promote these activities and move ahead to create and improve the frameworks, including infrastructure, for globalization.