

## 2017 Anritsu Integrated Reporting



# Company Philosophy and Mission

## Company Philosophy

Contribute to the development of a safe, secure, and prosperous global society by offering Original & High Level products and services with sincerity, harmony, and enthusiasm

## Company Vision

Achieve continuous growth with sustainable superior profits through innovation using all knowledge of all parties

## Company Policy

1. Make energetic organization synthesizing the knowledge of all employees
2. Capture growth drivers through innovation
3. Be a leader in the global market
4. Contribute to the creation of a society that is friendly to people and the Earth as a good corporate citizen

## The Concept in “envision : ensure”

The “TYK radio telephone,” the world’s first practical use wireless telephone and the original of the smartphone. The common-battery telephone, the foundation for the public telephone.

The first domestically-manufactured radio broadcast receiver and television transmitter.

Innovative test and measurement instruments for communications which supports optical and digital networks stretched across seas and borders and mobile broadband services today.

Anritsu, which has always supported the advancement of the information-telecommunication society, now makes a new promise in order to ensure that we proceed on the path towards being the global market leader. The concept “envision : ensure” expresses Anritsu’s promise.



### —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.

## About This Report

Anritsu marked the 120th anniversary of its founding in 2015, and is already moving forward into the new era of communications. Over the 120 years since Anritsu began business activities, its strengths have made it possible to contribute to the development of the IT field, including wired and wireless communications devices and related measuring equipment. Two strong strands of DNA have served Anritsu well over the years and are the source of its strengths. These are “Sincerity, Harmony, and Enthusiasm” and “Original & High Level.” These two are even more important today as the development of communications continues.

This report has been prepared to help our stakeholders understand these two strands of DNA. As an integrated report, this publication presents information on financial factors, including financial performance and corporate strategy, and non-financial factors, such as information on environmental and social matters, in an integrated fashion.

Looking ahead, we will manage Anritsu with a strong sense of purpose and, through our main business activities, will aim to contribute to the creation of a safe, secure, and prosperous global society.

1. For information on facts and other information that have a material impact on the Anritsu organization’s capabilities for creating corporate value in the short, mid, and long terms, please refer to the Business Review section of this report (beginning on page 16) or our website: <https://www.anritsu.com/ir>
2. In preparing this report, we have made reference to international reporting frameworks, including those provided by the International Integrated Reporting Council (IIRC) and others as well as the G4 Sustainability Reporting Guidelines (Version 4) of the Global Reporting Initiative (GRI).

## Communication Tools

### Integrated Reporting/Annual Report

This annual publication contains performance highlights, a message from the Group CEO, business summaries, strategies and future trajectories, past performance trends, financial data, and other information.



### Sustainability

Sustainability information has been compiled into the CSR Report since 2005. The report contains the information typically found in an environmental report, plus additional information on management and social initiatives.



### Securities Report/Quarterly Financial Report

These reports provide information on financial performance for the fiscal year on a quarterly and annual basis.



### Business Report

The Business Report provides a basic summary of business activities, highlights, and other information for the fiscal year on an interim and full-year basis.



### Financial Information

Financial information includes financial results, presentation materials, and presentation Q&A summaries.

### Information for the General Meeting of Shareholders

This information includes notices of the general meeting of shareholders, reports of resolutions adopted, and presentation materials for shareholders.

Communication tools are provided on Anritsu's website at [About Anritsu > Investor Relations > IR Library](http://www.anritsu.com/ir).

URL: <https://www.anritsu.com/ir>



### Supporter of the UN Global Compact

Anritsu is actively responding to the requirements of global society through its business activities.

In March 2006, Anritsu declared its support of the 10 principles of the UN Global Compact (UN-GC), which are grouped in four categories: Human Rights, Labor, Environment, and Anti-Corruption. The Anritsu Group as a whole integrates these principles into its CSR activities.



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The Sustainable Development Goals (SDGs) were unanimously adopted at the UN General Assembly in September 2015. We will promote CSV at the global level by considering the social impact of the Anritsu Group's business activities based on these goals.

### Notes regarding use of forecasts and other forward-looking information

The business forecasts mentioned above are based on recent information and reasonable judgments made with available information. The reader should be aware that these projections are not promises, and actual results may be materially different from these projections due to known or unknown risks, changes related to uncertainties, and other factors.



# Just the First 120 Years...Our Journey Will Continue.

Toward the further evolution of this era of connecting, new social value is beginning to be created through the advancement of mobile broadband services and the Internet of Things (IoT). Since its founding, Anritsu has pursued “connecting” through technology and has worked to solve social issues. Going forward as well, we will continue progressing in value creation to effect new forms of social innovation utilizing 5G/IoT technologies, as represented by the “ultra-smart society” and “Industry 4.0” concepts.



The world of cell phones and smartphones, now used nearly everywhere in the world, and Japan’s personal mobile terminals began in 1979 with the car phone. Mobile communications systems since then continue to change the ways in which we work and live as the demands of society are met with technology innovation. Anritsu has been at the forefront of the times in supporting such technology innovation in communications systems through the provision of measuring solutions essential to researching, developing, and manufacturing communications terminals and networks. In addition, based on the concept of “connecting” consumers with food product safety, we also help raise the production efficiency of food product and pharmaceutical manufacturing through inspection and measuring equipment used on food product production lines, such as metal detectors and X-ray systems.



As economies and cultures mature through the development of communications, populations increase and issues arise related to ensuring safe and secure living. Anritsu has provided solutions that support the development of infrastructure for realizing communications networks that connect city with city and country with country, not only on land but through the air, over the sea, and even in outer space.



INMARSAT



Optical line measuring instrument



Microwave line measuring instrument



Anritsu was founded in 1895, the same year Guglielmo Marconi successfully performed the world’s first radio transmission test and society realized how technological innovations in communication would lead to industrial and economic development. Since then, the history of value creation through the evolution of communication has overlapped closely with our history of pursuing CSV with stakeholders.



Payphone



TYK radio-telephone



Morse telegraph



Common battery telephone

## Trends in the World’s Population

2 billion

3 billion

4 billion

**1895**  
Sekisan-sha, the predecessor company of Anritsu, established

**1931**  
Anritsu Electric Co., Ltd. established

**1985**  
Company name changed to Anritsu Corporation

## History of Anritsu

1900

1960

1970

1980

### Began global development

Exported payphones and measuring equipment for communications through trading companies and overseas distributors

### Strengthened customer responsiveness

Established U.S. affiliate upon acquiring AT&T as a customer. Subsequently increased local affiliates and strengthened sales and service levels



## Toward a Safe, Secure, and Enriching Society for All

The world envisioned by the ultra-smart society and Industry 4.0 concepts and being brought about by IoT, AI, and other technology innovations is poised to further enrich our societies and change our lifestyles. With the help of stakeholders, Anritsu intends to further evolve “connecting” technologies that support mobile broadband services and quality assurance solutions that support safe and secure manufacturing to continue to contribute to the realization of a society where everyone can lead enriching lives.



X-ray inspection system



Metal detector



Measuring instrument for smartphones



Conformance test system



5G measuring instrument



Base station simulator



Expanding sustainable industrialization and innovation  
**For More Convenient, Comfortable Living**

Ensuring healthy lives for all  
**Bringing Peace of Mind to Living**

Making safe and sustainable  
**Supporting Infrastructure for Living**

**122**  
Years  
since Founding

**7 billion**

**6 billion**

**5 billion**

**2000**  
**Issued Environmental Report**

**2006**  
**Declared participation in UNGC**

**2013**  
**TSE Corporate Value Improvement Award**  
Received Excellence Award

**2015**  
**Issued first Integrated Report**

**1999**  
**Issued Annual Report**

**2005**  
**Issued CSR Report**

**2012**  
**IFRS adopted**

**2014**  
**Integrity Award**  
Received Integrity Award

**1990**  
**Wiltron Company, U.S.**  
instrument manufacturer, acquired

**2005**  
**Nettest A/S, Danish**  
instrument manufacturer, acquired

**2016**  
**Azimuth Systems, Inc.,**  
U.S. instrument manufacturer, acquired

**1990**

**2000**

**2010**

**2017**

### Becoming a multinational corporation

With the acquisition of a U.S. company, established global sales-service and development-manufacturing systems

### Road to a global brand

Practiced “Think Global, Act Local” alongside development of mobile Internet, and further expanded geographic scope of contribution under “envision : ensure” statement

## Corporate Value Creation

# Value Creation Model

Anritsu has begun initiatives for the creation of new social value. To identify and solve social issues together with stakeholders is itself the “envision : ensure” concept—such value creation activities have taken place since our founding. We will contribute to the realization of a safe, secure, and prosperous society as an integral part of this commitment.



Solutions

Value Provided

Expanding sustainable industrialization and innovation  
For More Convenient, Comfortable Living

Ensuring healthy lives for all  
Bringing Peace of Mind to Living

Making safe and sustainable  
Supporting Infrastructure for Living





## Message from the Group CEO



**Anritsu Is Pursuing Innovation  
Crossing Solution Boundaries  
to Achieve the 2020 VISION  
of “Continuous Growth with  
Sustainable Superior Profits”**

**Hirokazu Hashimoto**

President and Group CEO

Advances in mobile broadband services and the Internet of Things (IoT) are beginning to generate new value for society. Fiscal 2016 (ended March 31, 2017) was marked by concrete efforts to accelerate the standardization and commercialization of next-generation 5G wireless technology. Going forward, we can expect a proliferation of investment plans aimed at achieving new transformations in society utilizing 5G and IoT, such as the Super Smart Society and Industry 4.0. The Anritsu Group has steadily built a track record of success as a leading test and measurement company providing innovations to next-generation network society, from advances in mobile communications technologies to the IoT sector. In this section, I'd like to present our management restructuring plan and other measures during fiscal 2016, our business strategies to achieve the 2020 VISION plan, and an evaluation of the effectiveness of our corporate governance.

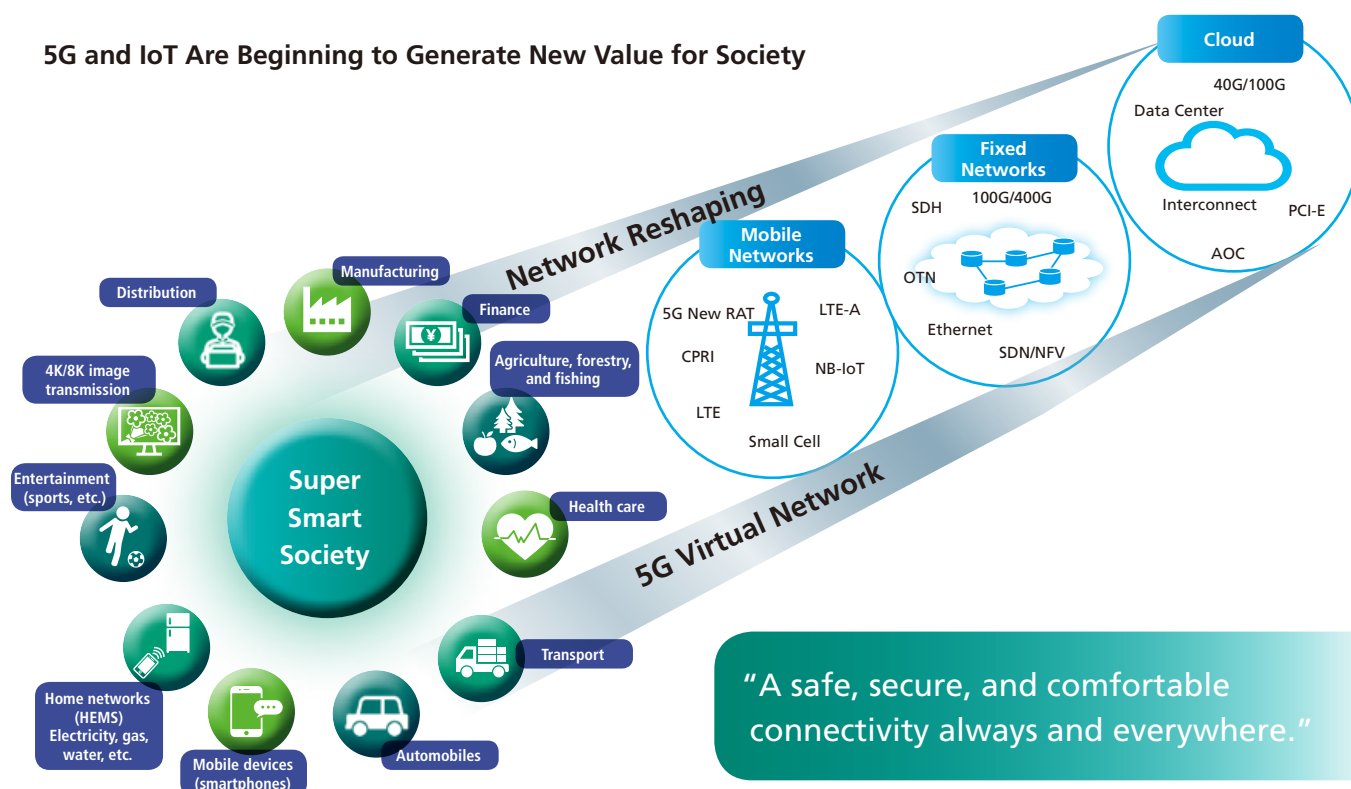
### Basic Policy for Medium- to Long-Term Business Strategies

Embrace growth drivers to achieve “Continuous growth with sustainable superior profits”

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



## 5G and IoT Are Beginning to Generate New Value for Society



### Management Restructuring for the Next Stage of Growth

During fiscal 2016, Anritsu adopted the slogan “Restoring Trust and Returning to Growth through the Collective Wisdom of Management by All,” and implemented priority measures to achieve its business targets. Further, during this interim between LTE (Long-Term Evolution) and the next-generation 5G wireless system, we launched a proactive management restructuring program (REBORN2016) to ensure Anritsu secures the next growth opportunities.

The downward trend in the mobile test and measurement market advanced beyond our expectations in 2016. The impact from a scaling back of investment by major players in the smartphone development and manufacturing-related markets in North America and Asia was particularly large, and we were forced to make a downward revision to forecasts at the end of the first half of the fiscal year. Since we had been making a concerted effort as a company for management restructuring, this was extremely

disappointing. However, we were confident that resolutely pursuing structural reforms even in such a business climate would allow us to overcome the difficult situation, and decisively implemented the measures. As a result, we achieved results in the fourth quarter that put us on the road to recovery.

The Test and Measurement segment posted declines in both revenue and earnings, but the PQA (Products Quality Assurance) achieved increases in both sales and profit on expanded sales in both Japan and overseas markets.

For the consolidated fiscal period, orders amounted to ¥88,934 million (down 6.0% from the previous fiscal year), with revenue of ¥87,638 million (down 8.3%). Operating profit totaled ¥4,234 million (down 28.2%), with profit before tax of ¥3,628 million (down 33.2%), profit of ¥2,734 million (down 27.4%), and profit attributable to owners of parent at ¥2,698 million (down 28.3%).

### Developing a Robust Earnings Structure

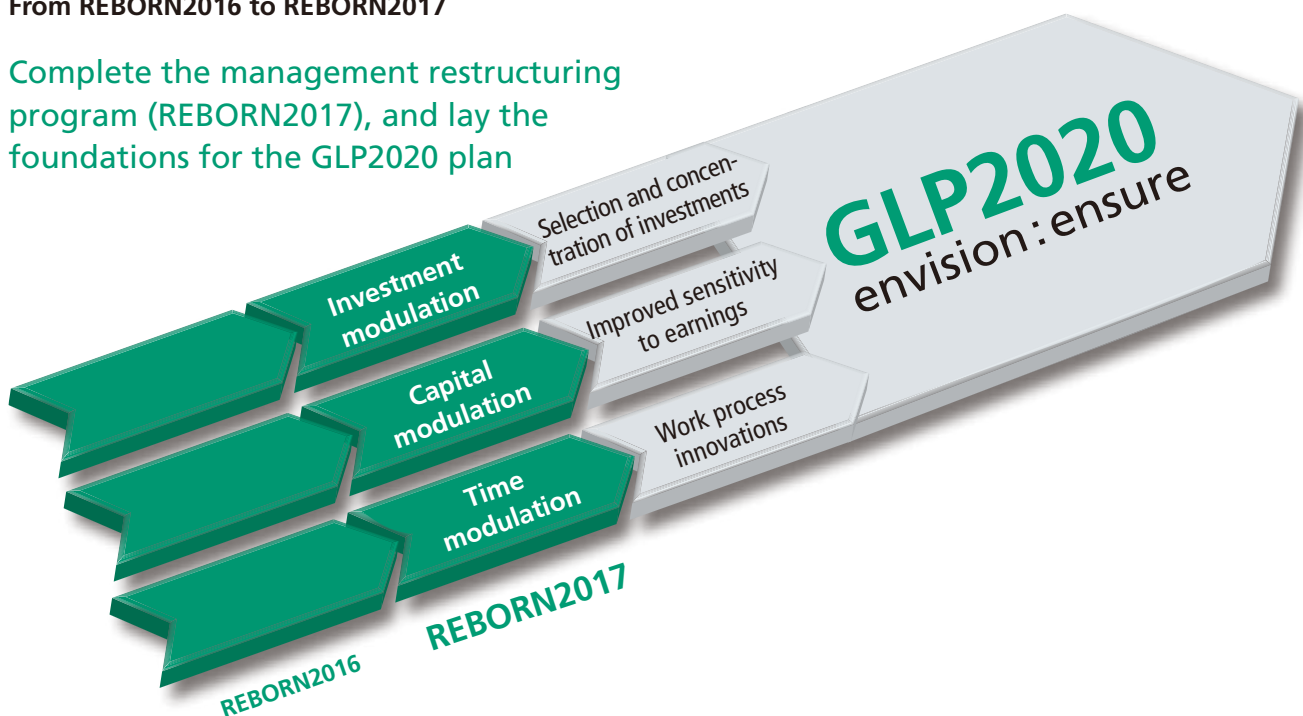
The main measures for the fiscal 2016 REBORN management restructuring program are:

- 1) Investment modulation – Clarify the process of selection and concentration for investments, focus on the return on investment, emphasize priority-based development project management, and reform the development structure to reduce personnel.
- 2) Capital modulation – Strengthen product price competitiveness, improve profit sensitivity, and thoroughly cut costs to secure earnings.
- 3) Time modulation – Reform business processes and raise productivity. Also, as part of the working style reform, encourage morning activities, eliminate late-night overtime, and revise and shorten meetings.

I would next like to summarize the results of the management restructuring. Our measures for investment and capital modulation became apparent in our fourth quarter performance. We focused on more-efficient business

### From REBORN2016 to REBORN2017

Complete the management restructuring program (REBORN2017), and lay the foundations for the GLP2020 plan



operations as a means to counter the period of market stagnation, and achieved the highest quarterly results in the last two years. These efforts made a particularly large impact on operating profit.

For time modulation, we focused on internal efforts to enhance productivity and raise awareness of time management. In August 2016, we announced a new policy of “working bright and cheerful from the morning’s activities,” implementing such measures as strict enforcement of arriving at the office in time to start work from the starting time, establishing 19:00 as the time in principle for leaving the office and turning off lights at that time, and making meetings shorter and more efficient. We also recognized that reform of business processes is the key component of time modulation, and implemented working-style reforms aimed at sparking innovation, raising productivity, and enhancing corporate value. These efforts are steadily producing results.

Anritsu was also certified as a “White 500” company in the 2017 Certified Health and Productivity

Management Organization Recognition Program from Japan’s Ministry of Economy, Trade and Industry (METI). Working-style reforms not only improve productivity, but enhance enterprise value.

An excellent example of our efforts for greater productivity and time management (curbing overtime) is the XDDP software development process\*<sup>1</sup> we have utilized since 2012.

To continue developing software in a timely manner in response to market changes, we need to examine closely the necessity of individual tasks, and focus more intently on the essential processes. XDDP is an important development approach that supports this effort.

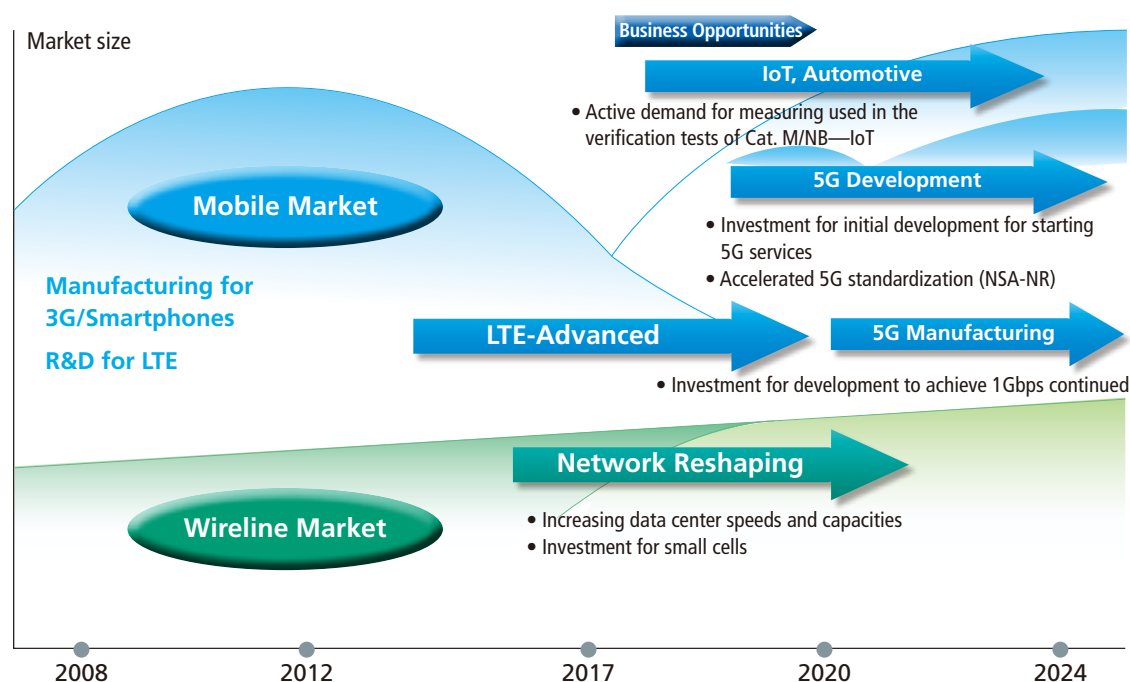
Time modulation measures have raised awareness of evening out and enhancing the efficiency of the development process. We currently utilize XDDP for many software development projects, and vastly reducing the number of software bugs has not only lowered the number of work processes and enhanced productivity, but is steadily producing results in terms of quality assurance.

During fiscal 2017, we will further strengthen efforts to reform the management structure. The aim of these reforms is twofold. The first is formulating a contingency plan to overcome periods of rapid market fluctuation, and the second is our primary objective of establishing a management foundation for continuous growth with sustainable, superior profits.

Looked at from a longer-term perspective, fiscal 2017 is the year to prepare for the formulation of the next three-year business plan GLP2020 (FY2018–FY2020). Accordingly, our management policy for fiscal 2017 is to successfully complete the REBORN2017 plan, and solidify the launching pad for the GLP2020 plan. We aim to further explore the measures implemented in fiscal 2016, and enhance the potential for the successful realization of the 2020 VISION plan to establish a robust earnings structure.

The field of leading-edge communication technologies for which Anritsu is able to exert its strengths and offers prospects for the future is also characterized by wide market shifts, such as

## T&M Market Trends and Business Opportunities



the recent cycle in the mobile test and measurement market, requiring the ability to withstand change. This is truly a field in which only companies with a business quality able to generate earnings over the long term will survive. In short, implementing business strategies to generate long-term earnings and greater efficiency in business operations are essential. We will continue to revise and strengthen our business division structure, clarify business responsibilities, and enhance the speed of decision making.

The synergistic benefits from the acquisition of U.S. firm Azimuth Systems, Inc. last year is a further example. The main goal of this acquisition was to strengthen development capabilities for the fading simulators\*<sup>2</sup> necessary for radio frequency (RF)\*<sup>3</sup> conformance tests. Anritsu was able to use its in-house test solutions for 4G technology, but with the accelerated first-stage development and commercialization of 5G, the technology capabilities of Azimuth Systems will improve our time-to-market (TTM)\*<sup>4</sup> in the abbreviated development period.

\*1 XDDP (eXtreme Derivative Development Process): Approach to deal rationally with the typical problems that occur during development to modify existing functions, such as strengthening functionality.  
 \*2 Fading simulators: Devices that simulate the fluctuation in signal reception levels in wireless communication devices with movement or time  
 \*3 RF: Radio frequency  
 \*4 TTM: Time to market, the time required to bring a product to market

### The Image of Anritsu in the 2020 VISION

The next-generation 5G mobile phone system is expected to become the infrastructure supporting a broad range of mobile broadband services, and in the wake of its ahead-of-schedule standardization, major carriers in Japan and overseas have announced verification tests and other measures for the commercialization of the 5G format. There has also been a rapid spread of investment plans in various sectors to realize new social innovations utilizing the IoT, such as the auto industry's development of self-driving cars. The development of the wireless communication technologies needed to achieve this has also emerged as a new business opportunity.

Considering such a business environment, to achieve the goal of "continuous growth with sustainable,

superior profits" in the 2020 VISION plan, Anritsu adopted the two objectives of "global market leader" and "emerging business development." There are many interpretations of what constitutes a global market leader, but I think the important point is to become the "first call company," the company that the customer turns to first, and trusts the most. This is what makes a true global market leader.

I believe that the daily, continual practice of our "envision : ensure" brand statement, which incorporates this idea, will steadily produce results in both the Test and Measurement and PQA segments. "Emerging business development" is also necessary to exceed the framework of our independent and in-house development. As we face the emergence of the 5G/IoT society, which will break down the barriers in the communications industry and create a world connecting numerous industrial sectors, the feasibility of this vision will be put to the test. For Anritsu to exert its presence amid these new growth and business opportunities, we will achieve innovations that cross conventional solution

## Advance to Version 4.0 of “the Collective Wisdom of Management by All”

Utilize all-members management through “Collective Wisdom 4.0” to achieve continuous growth with sustainable, superior profits



boundaries. Bolstered by investment in innovations to realize a super-smart society, Anritsu is making a concerted effort to achieve its 2020 VISION plan.

### Sparkling Innovation by the Collective Wisdom of Management by All

When I assumed the position of president, I put forward a vision of “the Collective Wisdom of Management by All.” At the end of last year, I outlined the main points of my idea in a five-part internal blog entitled “The Aims of Synthesizing the Knowledge of All Employees.” The main points of that blog are as follows:

- Synthesizing the knowledge of all employees is the organizational strength essential to overcoming the current severe business climate.
- Organizational strength is realized when there is an environment that maximizes individual potential.
- When individual potential is maximized, every employee can experience growth.
- Synthesizing the knowledge of all employees is not collecting various

opinions. It is a process by which independent opinions cause various chemical reactions that lead to solutions.

- Solutions cannot be achieved with internal wisdom alone, but through the collaboration of a wide range of wisdom from inside and outside the company. This is the era of “envision : ensure” generating high social value through open innovation.

I call this “to be model” of collective management, a management system in which the wisdom of all stakeholders is integrated to spark innovation, “Synthesizing the Knowledge of All Employees 4.0.” We have not yet reached that level, but are working hard to achieve this ideal.

### Corporate Governance Effectiveness Evaluation

I would next like to turn to corporate governance, and discuss the results and issues regarding the effectiveness of the Board of Directors as pertains to the acquisition of Azimuth Systems, one of the important strategic decisions of fiscal 2016.

The Board of Directors discussed the strategic significance of this proposal at the stage when the business execution side began considering acquisition. Typically, the Board of Directors only gets involved at the stage when a specific business plan can be formulated. However, in this case, discussion by the Board at an early stage allowed for examination of various scenarios and hypotheses, such as an analysis and understanding of the market environment, determination of conformity with business strategies, the necessity of acquisition, and the basis for calculating business value. We feel this process enhanced the degree of involvement by outside directors in the decision-making process.

At the same time, it was also an excellent opportunity for the outside directors to gain a deeper knowledge of the field of cutting-edge technology and Anritsu’s specialized business model, and has energized debate at Board meetings. It is difficult to determine at what stage to begin discussing highly confidential matters such as M&A proposals, but I think this experience will be a positive case study



## Towards GLP2020



for future M&A deals. Going forward, we plan to increase involvement by the Board of Directors in the decision-making process for general business strategies, not just the final decision.

Through these measures, we continue to work to improve the business environment and decision-making process in order to increase management transparency, and strengthen management oversight functions.

### Ensuring Anritsu Meets Expectations

Although the three-year GLP2017 business plan ends in fiscal 2017, we announced at the end of the initial year (fiscal 2015) that we expected to fall short of the plan targets. Even considering the current slack period between LTE and 5G, this betrayed the expectations of many stakeholders, and is something we regret.

The 2020 VISION and strategy of “continuous growth with sustainable, superior profits” adopted when I assumed the position of president are aimed at creating a robust business structure able to overcome any changes in the external environment. Our

business results for fiscal 2016 were insufficient, but our efforts are steadily producing results. The reason is that while the mobile test and measurement market has shrunk to less than half its peak in 2012, we have continued to invest in the next growth opportunities.

As I stated previously, during fiscal 2017, we will continue our management restructuring, and proactively develop strategies to formulate and enhance the feasibility of the next three-year business plan.

Specifically, in the mainstay Test and Measurement business, we will make proactive investments for the next-generation 5G/IoT business, and solidify the next earnings foundation for the mobile market. We will also expand sales in the network infrastructure market, and work to achieve our targets for the next fiscal period.

In the mobile market, we will continue to provide solutions for the acceleration of LTE-Advanced (such as carrier aggregation (CA) and multiple-input multiple-output (MIMO)), develop business in emerging markets, and secure earnings, as well as launch

new products for next-generation 5G/IoT devices in a timely manner.

In the network infrastructure market, we will strengthen competitiveness to capture business in the network reshaping market, as data traffic and data center demand increases at an explosive rate with the expansion of services.

For the PQA business, as the domestic market leader, Anritsu will strengthen its stable earnings base in Japan, and expand its market share in growing overseas markets. Further, to strengthen competitiveness in non-Japan markets, we will enhance our sales structure and global supply chain.

We are standing at the entrance to a super-smart society. 5G/IoT technology is one of the social infrastructure systems that will be its foundation. The Anritsu Group will enhance its enterprise value with the aim of being a global market leader, and, through continuous growth with sustainable superior profits, meet the expectations of all stakeholders.

## Message from the CFO



**Akifumi Kubota**

Director,  
Senior Vice President, CFO

Anritsu's highest priority is investment to ensure continuous growth with sustainable superior profits in a rapidly changing market environment. Our basic financial strategy is to pursue profitability gains and capital efficiency, maximize cash generation capacity, and make regular investments for growth. We are actively pursuing strategic investments for new product development and M&A in order to capture 5G-related business opportunities, and are working to strengthen our solutions competitiveness and establish a business foundation. Also, to support sustainable growth in enterprise value, we utilize an enterprise value enhancement cycle, enhance shareholder returns, and maintain a sound financial condition.

### Enhancing Enterprise Value

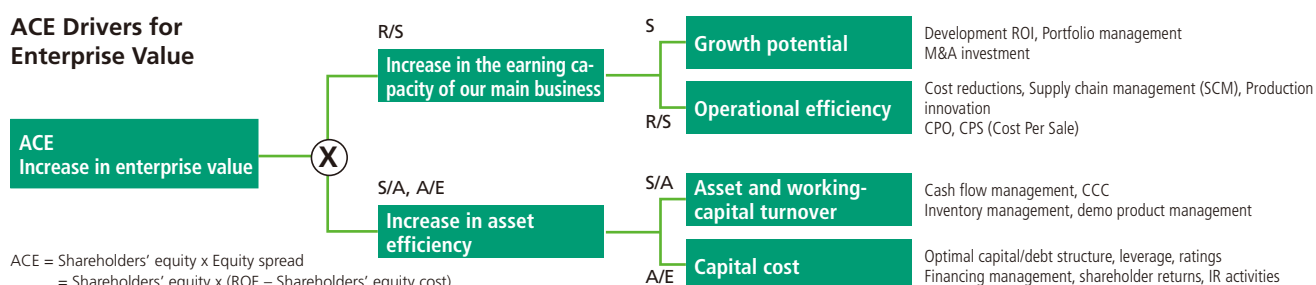
Anritsu has developed and utilizes Anritsu Capital-cost Evaluation (ACE)\*<sup>1</sup> as its own specific management indicator for enterprise value. ACE is calculated as operating profit, less tax expense and capital cost. We consider that we are generating enterprise

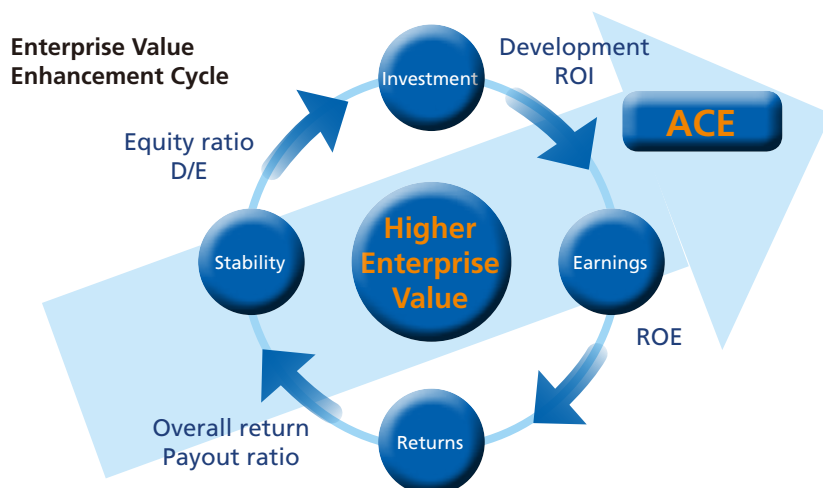
value only when ACE is greater than zero, i.e., when operating profit exceeds capital cost and tax expense. Conversely, when ACE is less than zero, enterprise value is being destroyed.

Anritsu's longer-term management target is to achieve an ROE of 15% or

higher through improvement in ACE. The three components of ROE are profitability, efficiency, and leverage. Through improvement in profitability and efficiency, we aim to reach an ROE of 15% or higher.

### ACE Drivers for Enterprise Value





## ■ Profitability

### Measures to Improve the Cost Structure

Anritsu takes proactive steps to improve its cost structure in order to enhance profitability. One such measure is a proactive effort to enhance the efficiency of sales activities, and improve operational processes in corporate divisions by carefully managing the cost per order (CPO) for each sales region, and furthering these improvements to reform the cost structure in each business segment.

## ■ Efficiency

### Cash Flow Management

Strengthening cash flow generating capacity is a vital strategic key for sustainable growth investment. To achieve this, Anritsu has set a target of improving our operating cash flow margin to 13%. We also aim to shorten the cash conversion cycle (CCC), an important cash flow improvement indicator, to 120 days in FY3/18.

These measures will realize lower costs and greater cost-effectiveness

through enhanced profitability, while trimming inventories and furthering the collection of receivables will improve asset efficiency. Further, to enable proactive cash flow management at the division level, we focused on implementing management accounting measures spanning individual balance sheets for each division to deliver better visualization of cash and working capital trends.

## ■ Leverage

### Maintaining a Sound Financial Condition

Anritsu's basic financial and capital strategy is to maintain an equity ratio of at least 60%, and a debt/equity (D/E) ratio\*<sup>2</sup> of no more than 0.3. In a rapidly changing market, a sound financial condition to support longer-term growth is extremely important. Anritsu's solid financial standing has been recognized in the market, earning us a short-term rating of "a-1" and a long-term rating of "A-" from Rating and Investment Information, Inc. (R&I).

### ROE Target: Breakdown of Components

$$\text{ROE} = \frac{\text{Net Income}}{\text{Equity Capital}} = \frac{\text{Net Income}}{\text{Net Sales}} \times \frac{\text{Net Sales}}{\text{Total Assets}} \times \frac{\text{Total Assets}}{\text{Equity Capital}}$$

## Investments for Growth

In the mainstay Test and Measurement business, we are strengthening competitiveness in 5G, while the PQA business is focused on global business development. We consider M&A to be an important business strategy, and in fiscal 2016 acquired the U.S. firm Azimuth Systems, Inc. with the aim of realizing a range of 5G-related synergies.

Anritsu has embraced Development ROI (gross profit/amount of the development investment) as its basic standard for investment, and is working to enhance investment efficiency with a target Development ROI of 4.0 or higher.

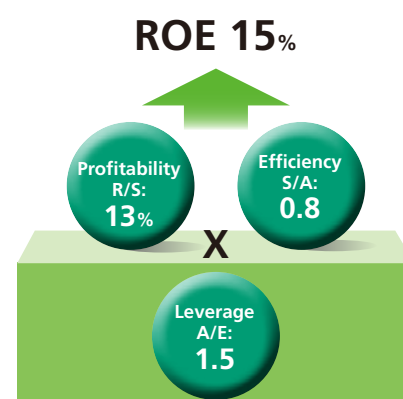
## Shareholder Returns

Anritsu's basic policy is to provide shareholder returns in keeping with consolidated results, with a target consolidated payout ratio of at least 30%, taking into account the overall return.

Anritsu also conducts share buybacks as part of a flexible capital strategy responsive to changes in the corporate environment, making appropriate acquisitions as necessary in consideration of financial conditions, share prices, and other factors.

\*1 Anritsu Capital-cost Evaluation (ACE): Operating profit after tax – Shareholders' equity cost

\*2 Debt/equity (D/E) ratio: Interest-bearing debt / Interest attributable to owners of parent



## Message from the CTO

### 2020– The Start of the 5G Society

**Yukihiro Takahashi**

Vice President, CTO



Japan's Ministry of Internal Affairs and Communications (MIC) has announced a road map for the world's first introduction of high-speed, large-capacity 5G mobile communications technology by the 2020 Tokyo Olympics and Paralympics, and is accelerating efforts to achieve this goal through collaboration among industry, academia, and government. Anritsu will provide the leading-edge network solutions to be a corporate group supporting the Internet of Things (IoT) society, in which all manner of everyday appliances are networked utilizing this 5G system.

Transformations in the mobile communications market, Anritsu's main business field, have occurred around every 10 years, starting with 2G in the 1990s, 3G in the 2000s, and 4G in the

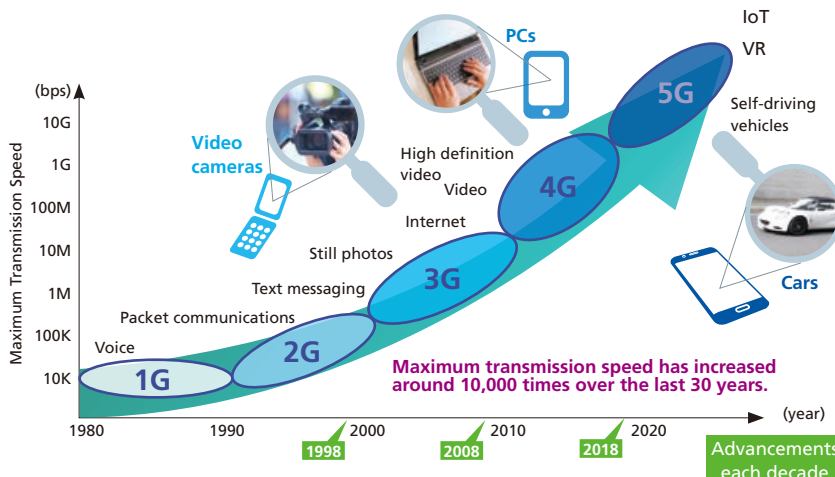
2010s. The "G" in this case stands for "generation." There were 2G technologies in cameras, 3G in video cameras, and 4G in computers. Cars are likely to include 5G technologies. It may

sound unbelievable, but the advent of safe and reliable self-driving vehicles through advancements in communications technologies is not a fantasy.

National governments and mobile operators around the world are competing fiercely to be the first to create a 5G system. The Japanese government has launched a nationwide effort to develop and implement 5G by the time of the Tokyo Olympics and Paralympics in 2020.

The new 5G technology will not only significantly increase communication speeds and widen bandwidth, but offers numerous other features, including ultra-low latency and simultaneous connecting of large volume terminals. Let's examine the representative technologies of 5G.

#### Advancements in Mobile Communications Systems





## New 5G Technology Supporting the IoT Society

### Features of 5G

#### Ultra-high Speed: 20Gbps



Download a two-hour movie in three seconds

#### Ultra-low latency: Less than 1ms



Precision control of a robot in a remote location in real time

#### Multiple simultaneous connections: Connect 1 million devices per km<sup>2</sup>



Nearby devices and sensors connected to the Internet

The first is utilization of micro and millimeter waves. The full utilization of an extremely broad frequency will make ultra-fast communication possible. In order to enhance data processing capacity per unit time in 5G, frequencies of 28 GHz, 39 GHz, and even 6 GHz or less have been proposed as candidates.

While the 4G (LTE) system uses the 20 MHz band, 5G (depending on the frequency) will be able to use the entire 1 GHz band. Simply calculated, the system will be able to reach communication speeds of 20 Gbps, around 50 times faster than 4G. This is sufficient to download a high vision movie in just a few seconds. Smartphone video streaming services have significantly changed the way people consume entertainment, and 5G is likely to generate innovative services utilizing 5G's large capacity.

A second key technology is smaller and array (multi-element) antennas. Controlling the phases of multiple

antenna elements enables a technology (beamforming) that enhances the directivity of the signal in a prescribed direction, allowing the signal to be sent to the recipient with minimal loss. This technology limits the transmission loss that is an issue with micro and millimeter waves, and allows for a broader transmission area.

In addition, there are plans to introduce mass connectivity technologies to support IoT, as well as ultra-low latency networks to enable remote medical treatment over high definition video.

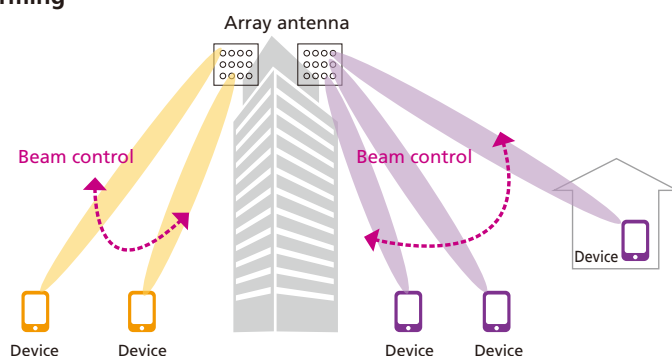
New fields in which this technology will be applied include the self-driving vehicles mentioned above. Ensuring the safety of elderly drivers has become a social issue recently, and monitoring within the range visible to radar and cameras is insufficient. Even if the driver is able to stop his car, there is a danger of a collision from vehicles following behind. Solving this problem will require widespread use of

dedicated short range communications (DSREC), wireless communication between vehicles, and 5G is the leading candidate for this. The target for 5G communication is to shorten the round-trip latency time below one millisecond. Safety can be enhanced by accurately accessing information from not just the car in front of you, but several vehicles ahead, and conveying the actions of your car to those behind you. Ultimately, these systems will utilize artificial intelligence (AI) and other technologies, and by anticipating the future through data learning, and coordination with the surrounding environment, lead to fully self-driving vehicles. This will liberate people from considerable time and labor.

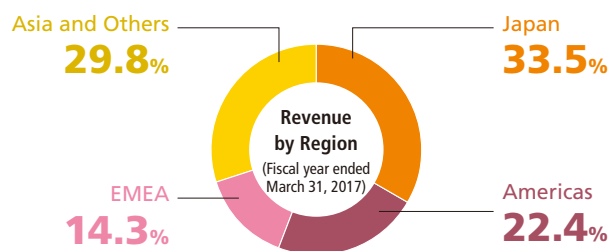
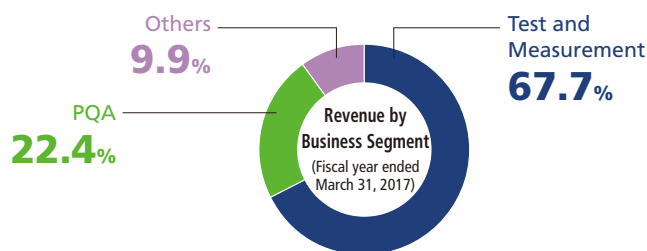
Anritsu will provide strong support for advancements in wireless technology, as well as the development of the computing clouds, data centers, and backbone networks that the 5G society will utilize.

The 5G society will connect numerous things, and vastly improve prediction accuracy. This will reduce loss in time, energy, food, and many other areas. For example, we are approaching an era when refrigerators will have cameras to monitor what foods have been purchased and how much remains, and suggest recipes based on the items available. The term "5G" will come to represent a transformation in not just communications, but society. At the same time, while the 5G society will enhance convenience through the utilization of Big Data, management of that data is likely to become much stricter. Anritsu is pursuing measures to strengthen data management, and contribute to a safe, secure, and prosperous society.

### Beamforming



# Business Review

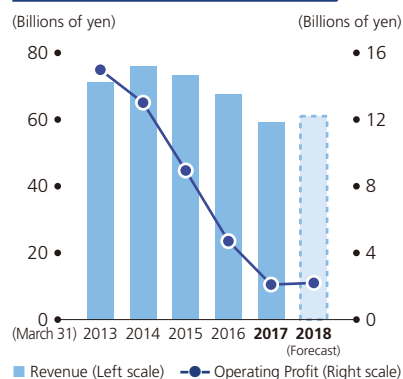


## Revenue/Operating Profit (Loss)

## 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

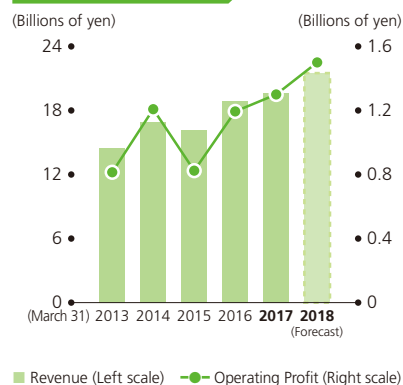
- General-purpose measurement for a wide array of fields
- R&D and manufacturing of telecommunications-related electronic components
- R&D and manufacturing of telecommunications equipment
- R&D and manufacturing of wireless base stations
- R&D and manufacturing of products related to digital household 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

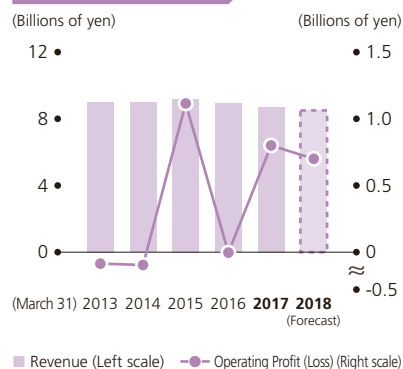
- Contaminant detection and shape inspection

#### 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.

2. Accompanying the revision of IAS No. 19, figures for fiscal 2013 have been adjusted retroactively to take account of this change.

## Test and Measurement



**Hirokazu Hamada**

Director,  
Executive Vice President  
Measurement Business Group President

“ Technology is entering a new age. We have launched a new strategy for generating fresh business growth as a leading provider of 5G and IoT technologies. ”

### Identifying and Meeting 5G/IoT Needs

#### ■ Review of Fiscal 2016

Fiscal 2016 marked a transition period between the LTE and 5G eras of high-speed wireless communications. The mobile phone market fell into a deep lull, and our revenue and profit remained down year on year into the third quarter.

However, the important role of LTE-Advanced technology in transitioning to the 5G era and the Internet of Things (IoT) was reconfirmed in the fourth quarter. This put a brake on the mobile market contraction, and our sales turned upward year on year in the final quarter of the fiscal year. The Measurement Business Group ultimately recorded sales of ¥59,333 million, down 12.4% year on year, and operating profit of ¥2,130 million, down 54.7% year on year.

#### ■ Measurement Business Group Vision

Anritsu is at the forefront in the commercialization of 5G technology. Our vision is to become a leading company in 5G/IoT technology, and we aim to achieve a 20% operating profit margin

on our high-value-added products in this burgeoning field.

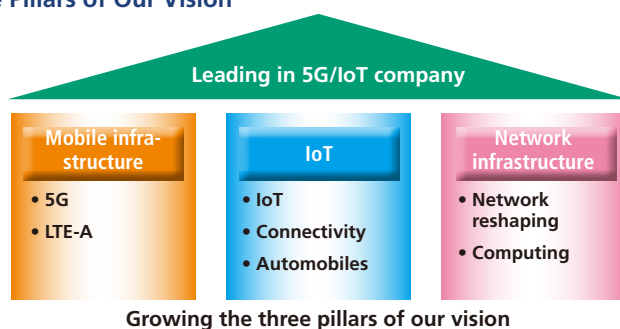
To achieve our vision, the Measurement Business Group is seeking to fulfill this vision by establishing positions in three areas to drive our business growth.

Our first objective is to establish a strong market share in the 5G market. The arrival of 5G does not mean LTE transmissions will be completely phased out; rather, the two will coexist with 5G enabling a data transmission speed of more than 10 Gbps, 100 times the data capacity, and ultra-low latency. We will be able to continue leveraging the strength we have cultivated in LTE and maintain our high market share. This also means that not all infrastructure facilities will be replaced, while in 2020 the market is expected to remain about 70% the size of its peak. Simply put, relying on 5G alone will not be enough to achieve our 2020 VISION. That's where the second and third drivers will be important.

The second driver will be expansion of the network infrastructure business. Network traffic volume is growing with the proliferation of cloud-based services, and this is prompting network reshaping. This market is expected to continue growing with advances in network technologies to increase transmission speed and raise quality along with a growing market for data centers. Anritsu commands a high market share in these areas supported by our highly specialized product lines, particularly our handheld test sets, bit error rate testers, and optical spectrum analyzers. We plan to generate sustainable growth as this market expands.

We aim to establish a third growth driver in the emerging markets for IoT and new automotive applications. The 5G era will free Anritsu from reliance on smartphones and expand the range of communication services, and we plan to introduce innovative solutions, including solutions to test IoT devices with built-in WLAN and V2X connectivity for self-driving vehicles. We will use innovative technologies like these to open up new markets that we will cultivate into a new earnings pillar for the Company.

### The Three Pillars of Our Vision



Test and Measurement

Anritsu 5G network solutions

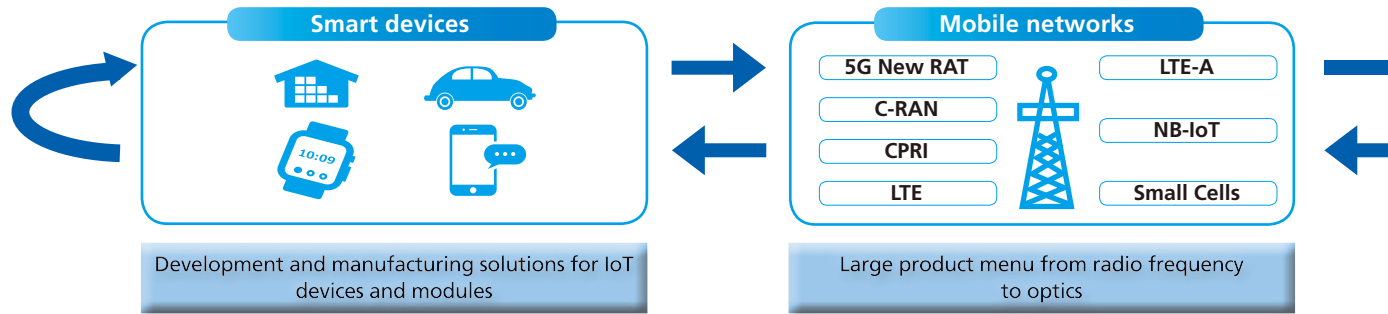
5G Features 1/10×Latency

The three pillars  
of our vision

Mobile Solutions Business

IoT Testing Solutions Business

Network Infrastructure Business



■ Organizational Reform

We have reconfigured the segment into three divisions of mobile, IoT, and network infrastructure to optimize our business effectiveness in the 5G/IoT market. We believe this will give us the best foundation to grow using 5G, IoT, and network reshaping as our three growth drivers while enabling us to also increase earnings in the existing LTE Advanced, smartphone manufacturing, and other business areas.

■ Fortifying Profitability

We will create new processes to cut costs and will systematically reduce parts and other costs from the development stage. Particular emphasis will be placed on cutting costs in commercialization processes to further fortify our profit structure.

Improving the efficiency of our development processes will include shifting to a low-cost development location for the LTE business, which will become a legacy technology. In this way, we will position the LTE business as a cash cow for the Company, from which we will circulate profits to develop 5G technology.

We anticipate demand for 5G R&D measuring instruments to start gaining momentum and investment in LTE-Advanced-related investment to begin ramping up again in the fourth quarter of fiscal 2017. We believe both the IoT and automobile markets present promising growth prospects for our products. We aim to harness our growth drivers and steadily progress toward fulfilling our 2020 VISION.

Mobile Solutions Business



**Tsutomu Tokuke**

Mobile Solutions Division  
General Manager

“Companies in a wide variety of industries are preparing to rapidly increase investment in 5G/IoT. We will seize the opportunity and generate substantial business growth.”

■ Timely Solutions for Customer Needs

The Mobile Solutions Division supplies developers worldwide with test solutions that are indispensable to the development cycles of communications chipsets, communications modules, and communications devices like smartphones. Our products include measuring instruments needed to assess communications protocol and wireless performance, conformance test systems to verify compliance with communication standards, and carrier acceptance tests.

Our Company's strength is our ability to provide essential test solutions to resolve verification issues for the latest mobile communications technologies, in a timely manner that meets industry needs. We have cultivated technical abilities in all areas of communications over decades and have fully established global structures for sales and technical support.

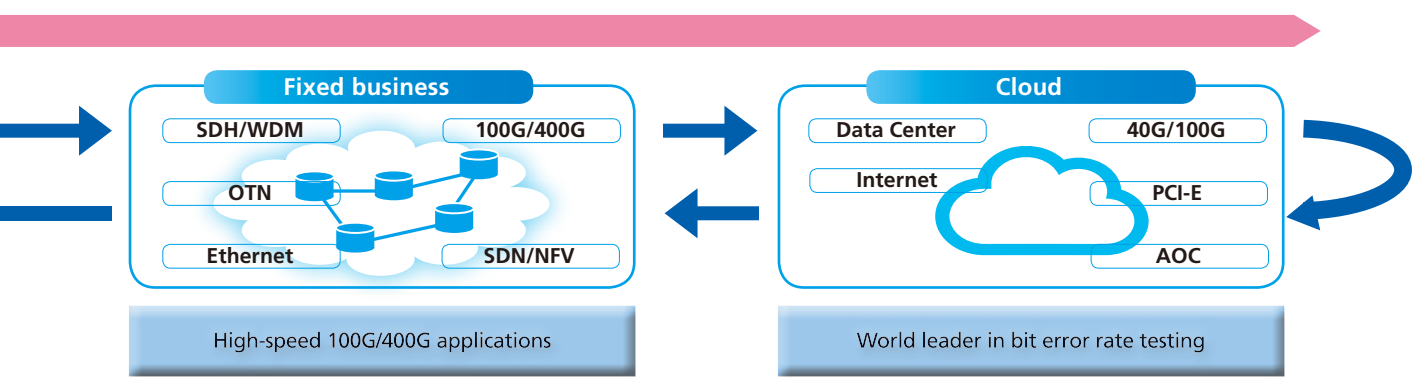
As a result, we have created strong relations from the initial development planning stage with the telecom operators and chipset and smartphone vendors that are at the cutting edge of technology development. We are also participating in standardization activities related to standard conformance tests for mobile communications technology, contributing to raising the quality of communications services.

■ 5G/IoT Society Brings Business Opportunity

The new 5G transmission technology will not only have faster connection speeds and larger transmission capacity; it will also be the telecommunications infrastructure for IoT networks connecting a huge host of objects and services. This will require more-sophisticated equipment, such as technology using broadband signals and to provide the low-latency performance needed to realize high real-time connectivity. We expect full-fledged product development for the commercialization of 5G products based on specification



100×Peak Data Rate 100×Capacity



standards to start gaining momentum in 2018.

As this unfolds, we will be deepening our customer relations and strengthening our collaborative development to create the test solutions to optimize our customers' needs. We expect the proliferation of 5G to lead to an increase in use cases in our everyday lives and for IoT to also make its way into a wide range of industries.

Anritsu thus has a golden opportunity to expand its business domain, and it plans to use its strength in the communi-

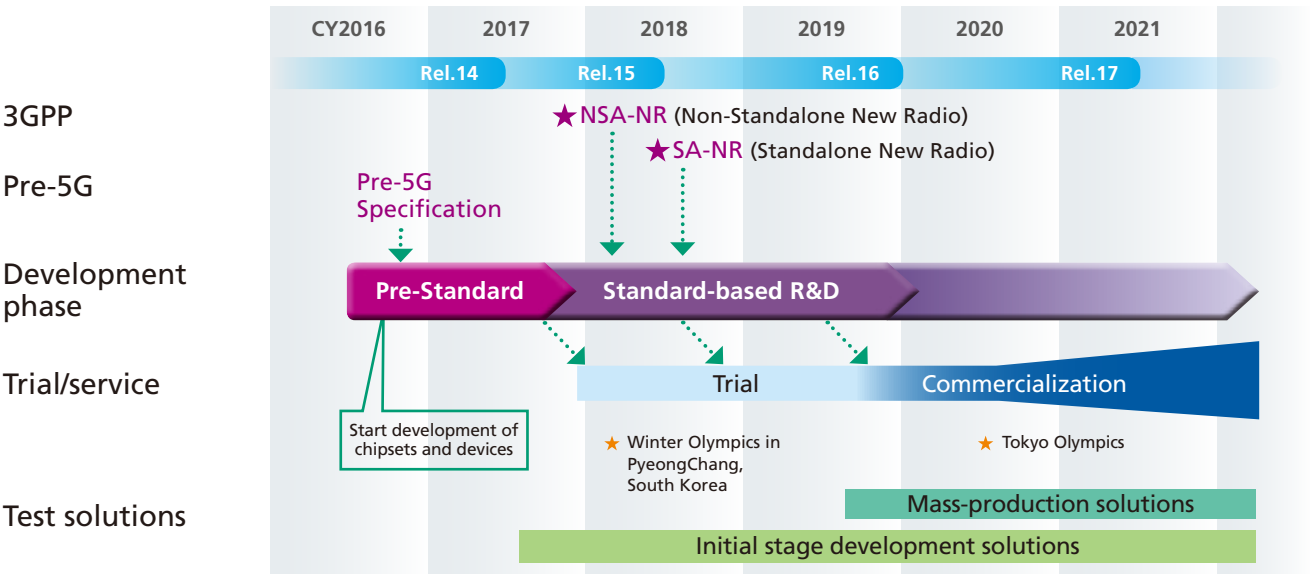
cations technologies on which IoT relies to cultivate strong collaborative relationships with new customers and business partners to provide a full spectrum of verification solutions in a wide range of application fields.

The competitive dynamic of the mobile communications market is on the verge of transformation, and we will have to be right on top of the changes or else our business opportunities will be lost. The worldwide proliferation of 4G technology led to an increase in the number of bandwidths used, and market

players utilized the diverse range of technological options as a way to differentiate their products.

The advent of IoT has likewise led to proposals for several different communications systems. The 5G mobile phone system also enables various options, such as using multiple bandwidths and developing flexible connectivity networks. We will be following closely to see which new technologies become mainstream and will adjust our solution portfolio to the markets to ensure to capitalize on the business opportunities for Anritsu.

5G Road Map



## Test and Measurement

## IoT Test Solutions Business



Shinya Ajiro

IoT Test Solutions Division  
General Manager

“In the IoT business, we will seek to establish new business lines with our existing customers and to make contact with new companies. We will offer even higher-value-added solutions to contribute to creating a “safe, secure, and prosperous society.””

#### ■ Creating a Safe, Secure, and Prosperous Society

The IoT Test Solutions Division provides the test solutions needed for IoT services to operate smoothly and efficiently.

Specifically, we provide telecom carriers, communications device makers, module makers, and other device manufacturers with the solutions for evaluating the functions and performances of wireless devices using such technologies as LTE, WLAN, and Bluetooth used to connect “things” to the Internet. We also provide solutions for mass-production trials of these technologies and solutions for evaluating the coverage area of base station signals.

An IoT society provides connectivity between virtually every “thing,” and this inherently means that the IoT society must constantly evolve to create new value. In the IoT society, wireless communications will connect automobiles, home appliances, and industrial machinery. New services will be offered, leading to new issues and market needs. Anritsu will bring its abundant experience and apply its cultivated and highly sophisticated technologies to

solve those issues and contribute to the realization of a safe, secure, and prosperous society through IoT.

#### ■ Solutions for the Automotive Market

One of the use cases of IoT is for communications functions in automobiles. Telematic services connecting automobiles and the Internet are already becoming common, and various services are being provided. The in-vehicle emergency call system eCall being made mandatory in Europe in April 2018 is one example.

Anritsu determined that technologies for the automotive market would be another growth field. We developed and are providing telematics assessment solutions and eCall assessment solutions that cater our specialized wireless communications technologies to automobile manufacturers and makers of onboard automotive equipment, who are giving it high evaluations.

We expect fields where we have inherent strengths to continue expanding, including the expanding radar functions for the proliferating and evolving automated driver assist systems (ADAS), which promise to increase driving safety and reduce accidents, and the introduction of vehicle-to-vehicle, vehicle-to-everything (V2X) communication.

#### ■ Achieving the 2020 VISION

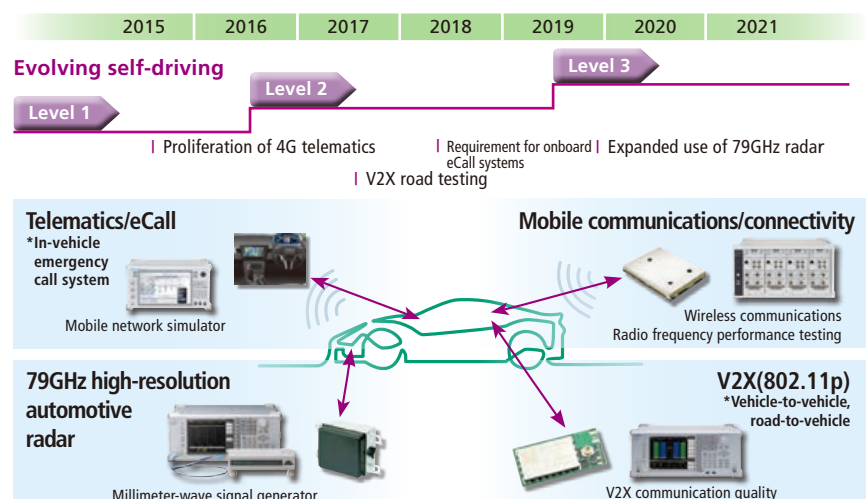
The automotive market is expanding beyond just automakers with new companies introducing automobiles and Over The Top (OTT) players aggressively entering the market and seeking commercializing self-driving vehicles. Wireless communications systems enabling connectivity and coordination with external systems are critical to making self-driving vehicles a reality.

In addition, advances and widespread use of IoT, self-driving vehicles, and other technologies will have huge implications for privacy and safety, giving rise to new issues that cannot be addressed solely by evaluating the communications devices. System evaluations in an end-to-end environment\* have become increasingly important. Cyber security, an area that has received much attention in recent years, is a prime example. End-to-end testing needs are sure to grow as the responsibility not of the equipment makers but of the telecom operators and service platform vendors that provide the services.

Anritsu will expand its business by working closely with its customers to quickly identify and act on new market needs, propose new customer value, and, through this, contribute to the development of society and progress toward realizing its 2020 VISION.

\* Realizing network environments connecting “things” in a laboratory

### New Technologies in the Automotive Market and Anritsu's Initiatives



## Network Infrastructure Business



**Shunichi Sugita**

Service Infrastructure Solutions Division  
General Manager

“The huge increase in data traffic on telecommunications lines is making network reshaping of the communications infrastructure necessary. We see this as another business opportunity for Anritsu.”

### ■ Support Solutions for 5G/IoT

The Service Infrastructure Solutions Division provides optical and digital measurement solutions for the growing network infrastructure market needed to realize the 5G/IoT society. Data traffic is increasing exponentially as mobile services and IoT expand with the rapid proliferation of cloud computing. This is leading to the reconstruction of the network infrastructure, called network reshaping, and innovation in various areas, including using small cell base stations to densify networks, using optical interface, constructing and expanding data centers, and enabling faster and higher quality transmission of data.

We are focusing on capturing market share in the network reshaping market and will provide solutions to support 5G/IoT networks.

### ■ Harnessing Network Reshaping and the Changes in the Data Center Market

We are supporting smooth network reshaping by installing mobile infrastructure equipment and equipment in data centers, providing handheld measuring solutions to set up optimal network layouts, and providing development and manufacturing solutions for equipment to be used in data centers. Mobile technologies and the network infrastructure to support them advance in unison, and balanced growth in both sectors will lead to the development of a variety of services. We will use our leading technologies to provide solutions for network infrastructure construction and quality assurance to contribute to a safe, secure, and prosperous society.

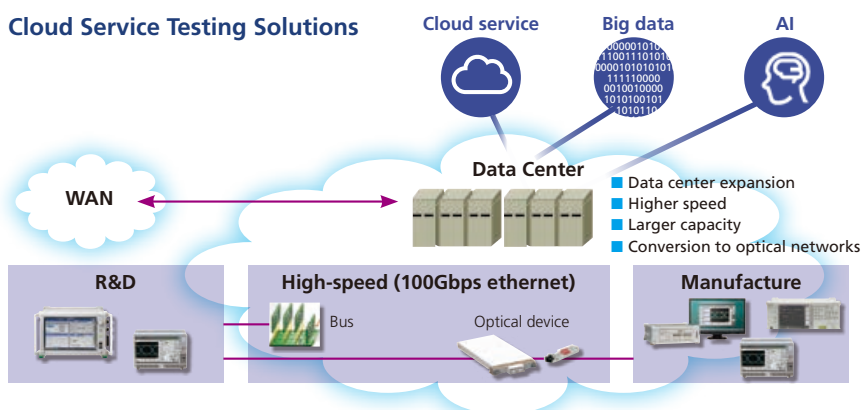
Wider use of cloud services is also increasing the volume of data transmitted through data centers. This has also led to higher transmission speeds between servers and network equipment advancing to 100Gbps ethernet and 400Gbps ethernet while internal serial bus interface, such as PCI-E, is likewise moving to higher speed. Computing interface is also moving to higher speed connectors, such as the USB3.1 standard, which is already being used in high-end consumer equipment. Anritsu will use its specialization in ultra-high-

speed digital data transfer technology and its strength of in-house development and manufacture of the high-speed devices essential to measuring processes to also provide solutions to the high-speed serial bus interface test market.

We will harness the network reshaping and changes in the data center market to contribute to realizing faster and higher quality data connections from the network infrastructure, which has become a foundation of modern society, to private computers.

### ■ Collaboration with Our U.S. Business

Measurement solutions for network reshaping require a combination of mobile technology and optical fiber technology. Anritsu has accumulated a diverse range of wireless and wire communications technologies since its founding in 1895. Our Service Infrastructure Solutions Division specializes in optical communications technology, wired communications technology, and ultra-high-speed digital data transfer technology. We are also working closely with our U.S. business division specializing in wireless technologies, particularly microwave technologies, combining these technologies to provide new solutions for 5G/IoT networks.



## PQA



## Masumi Niimi

Vice President, PQA Business Group President

### Pursuing new challenges in quality assurance together with our customers

“ We want to be the go-to partner for our clients for safe and secure *monozukuri* (production processes) in every new era. We are pushing the boundaries of our sophisticated technical abilities and expertise to advance the endless possibilities of quality assurance. ”

#### ■ The PQA market environment

As our world population grows, nations will have to work together as an international society to realize a sustainable society capable of reliably providing safe and secure food and medicines.

The instant communication through social networks that defines modern society also brings with it the corporate risk that a quality accident or product tampering incident can quickly develop into an event that threatens a company's very existence. For companies producing food or medicines, the number one priority for raising corporate value is quality assurance, fulfilling the promise of being safe and secure.

Quality assurance efforts among our customers have expanded from advanced to emerging markets. While demand will vary by region, we anticipate overall demand for quality inspection systems to steadily grow by 3%-7% annually.

Japan has strict controls on the safety and security of food and medicines, and the increasing shortage of workers in recent years is accelerating the development of automated inspection processes. Demand in Japan is increasing for automated inspection systems incorporating X-ray screening to detect glass, plastic, or other foreign objects in raw materials, to detect bones in meat products, and in the packaging processes to verify a package is closed properly and to inspect seals.

X-ray inspection systems are increasingly being used in North America, with major companies among those incorporating the systems into their production

operations. Demand for X-ray inspection systems is growing particularly strongly from the meat industry, which uses the systems to detect bones that were not taken out in the production processes.

Europe was the first region to implement quality inspections, and the market of quality inspection systems is mature. Demand for quality inspections continues to be steady in Europe as the region raises its quality control standards.

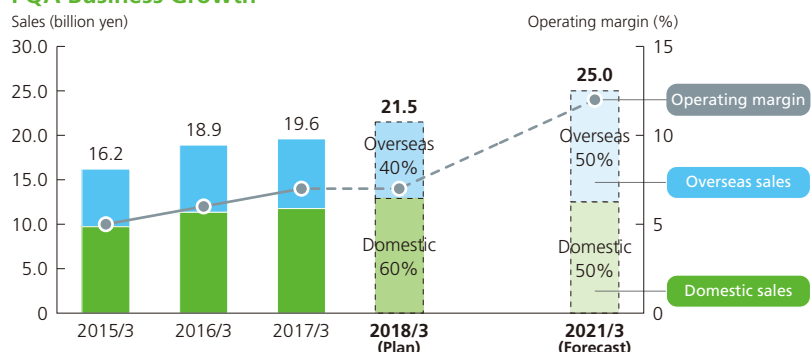
In China and ASEAN countries, the rising standards of living are increasing the distribution of packaged food products, which is increasing the need to ensure food safety. We anticipate growing demand for quality inspections, particularly from global companies and leading regional food companies.

#### ■ PQA business domain and strengths

The PQA segment's core business domain is quality inspections on food and pharmaceutical production lines to ensure the quality of products shipped by our customers.

Our PQA business has evolved and strengthened since the business started during Japan's high growth period in the 1960s. By working closely with customers to address and overcome challenges, we have developed expertise enabling us to fulfill the requirements of society and keep pace with technological developments. Our expertise accumulated in over 50 years is our strength. This expertise is built into our original sensing technology enabling instant product quality inspections during high-speed conveyance on manufacturing lines and informs our know-how for catering our systems to a wide variety of food products and production conditions.

#### PQA Business Growth





## ■ Review of fiscal 2016

Demand for quality inspection systems continued to be brisk in both Japan and overseas in fiscal 2016.

The market for inspection systems was favorable, and sales grew on expanding market penetration by our newly released XR75 Series X-ray Inspection System offering a significant reduction in product lifespan costs through longer system lifetimes and reduced electricity consumption and from successful efforts to fortify our business structures in the United States, Europe, China, and other regions that enabled us to develop new key accounts.

These initiatives helped generate a 3.7% year-on-year increase in sales, to ¥19,588 million, and 9.0% year-on-year growth in operating income, to ¥1,302 million.

## ■ Fulfilling our 2020 VISION and preparing for profitable growth

The 2020 VISION we set forth in 2014 calls for establishing the PQA segment as “a world-class quality assurance solution partner” with total consolidated annual sales of ¥25 billion, an overseas sales ratio of 50% or higher, and an operating margin of 12%.

The PQA segment has earned strong trust from customers in Japan and is an industry leader in the domestic market, but we have only garnered small market shares overseas, where we are still seeking to gain a foothold. In overseas markets, particularly in Europe and the United States, earning customer trust and expanding our business will require us to create new customer value that differentiates us from competitors. We also need to have an operating structure that allows consistent and high-quality provision of our quality inspection solutions to key markets worldwide.

More than providing inspection equipment, we aim to create quality assurance solutions that support the complete range of customer quality assurance activities by engineering quality assurance processes, providing equipment maintenance and management using the latest advances in IoT and AI, and proposing production line enhancements using analysis of quality data.

We will focus on markets where we anticipate growing needs for quality assurance in the medium and long terms and will deepen the dialogue with customers to seriously address current issues in quality assurance.

We will focus all of our efforts on resolving issues in ways that surpass the expectations of our customers while strengthening our sales channels in Japan and abroad and filling out our engineering and maintenance services.

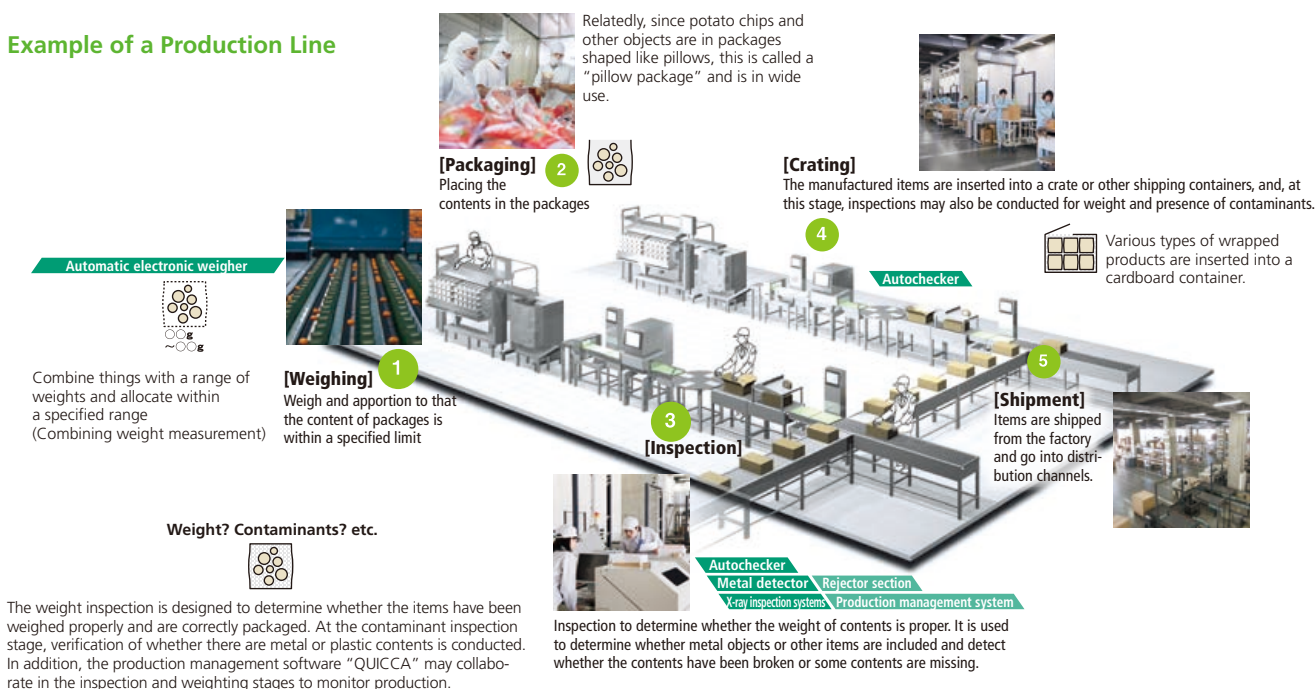
To make concrete progress in these areas, we will create an organizational matrix for “comprehensive optimization” rather than “sectional optimization” and foster our innovative organizational culture that concentrates the collective wisdom of our whole Company toward creating value for our customers.

We will also seek to cultivate the staff needed for the globalization of our operations and further develop our operating infrastructure to lay the groundwork for sustaining growth beyond our 2020 VISION.

Through these initiatives, we aim to achieve PQA business sales of ¥21.5 billion and an operating margin of 7% in fiscal 2017, which we consider to be a milestone year for our 2020 VISION.

We will continue steadily establishing Anritsu as a linchpin for creating the customer value that society requires and defining our brand as the preferred “world-class quality assurance solutions provider” that can be trusted in any era.

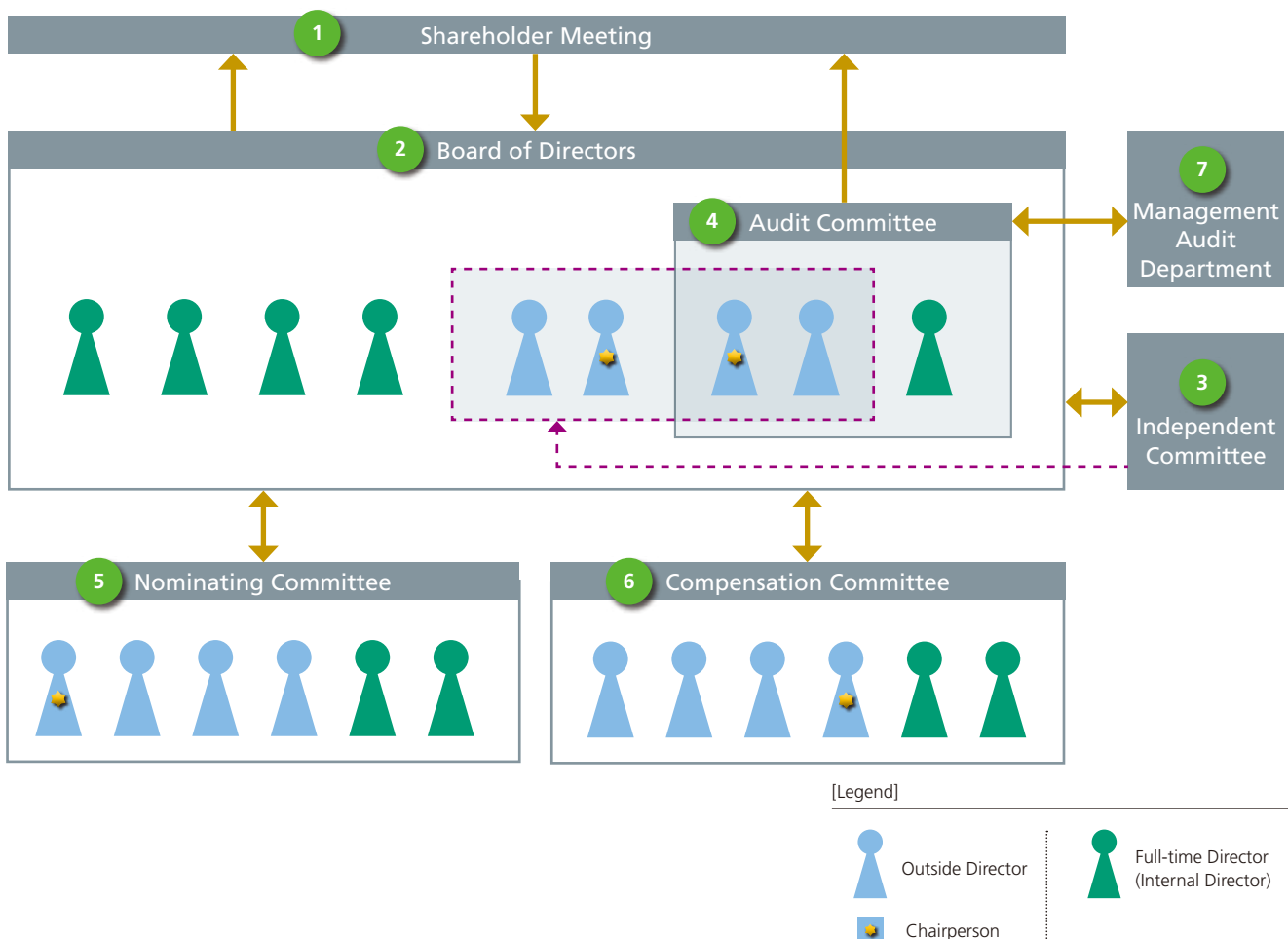
## Example of a Production Line



# Corporate Governance

Anritsu's mission is to fulfill its Company Philosophy of "Sincerity, Harmony, and Enthusiasm" in every aspect of relations with its shareholders, customers, employees, and all stakeholders. The Company is constantly strengthening its corporate governance to provide high transparency in its communications and to enable prompt and decisive decision making.

## Corporate Governance Structure



## Approach to Corporate Governance and Basic Policy

Anritsu places top priority on maintaining the ability to flexibly and speedily adapt to changes in the business environment, increasing its competitiveness as a global corporation, and continuously enhancing its corporate value. The Company seeks to fulfill these objectives by maintaining an effective corporate governance structure and conducting its business activities in line with the Company Philosophy, which it views as part of its ongoing contribution to helping create a safe, secure, and prosperous society.

Anritsu conducts its operations in line with all of the principles presented in the

Corporate Governance Code of the Tokyo Stock Exchange. With the objective of realizing even stronger corporate governance, the Company has established the Anritsu Corporation Basic Policy on Corporate Governance providing a clearly defined organizational system and framework to support our corporate governance.

This Basic Policy provides guidelines for appropriate collaboration with our stakeholders, initiatives to provide transparent and appropriate information disclosure, and the roles and responsibilities of the Board of Directors. In line with this policy, Anritsu is continuing to strengthen the audit and supervisory functions of the

Board of Directors and further enhancing the corporate governance system to realize even greater transparency in its management activities.

## 1 Shareholder Meeting

Anritsu considers the General Meeting of Shareholders as an invaluable opportunity to engage in constructive dialogue with all of its shareholders and to deepen shareholder understanding of the Company. The Company, therefore, holds the meeting at its corporate headquarters and endeavors to schedule the meeting on a date that does not conflict with the meetings of other companies.

## 2 Board of Directors

The Board of Directors engages in constructive deliberation on management strategy and planning and other items important to the operation of the Anritsu Group, makes management decisions, and oversees the business execution of the Company's executive officers.

The Board of Directors also seeks to establish rational decision-making processes for management to follow and to promote transparent, fair, and speedy decision making with the aim of realizing profitable and sustainable growth and enhancing the medium- and long-term corporate value of the Group.

The Board of Directors do their utmost to prepare for discussion and to make decisions regarding items proposed at the Board of Directors meetings by gathering information prior to the meetings and conducting appropriate and reasonable analysis and examination of the items.

### Topics Discussed at Board of Directors Meetings in Fiscal 2016

The Board of Directors confirmed that the Board is composed of appropriate personnel from inside and outside the Company and has the appropriate number of members to maintain the global management structure needed for the business development of the Group. The Board also confirmed that the structure is in place to support constructive deliberation and decision making on items important to Group operations as well as oversight of the business execution by executive officers.

The Board also verified that each of the individuals serving on the Board of Directors, Audit Committee, Independent Committee, Nominating Committee, and Compensation Committee fully understands their role in realizing profitable and sustainable

growth and enhancing the medium- and long-term corporate value of the Group and confirmed that all members, including the outside directors, engaged in lively discussions at their relevant meetings while sharing their viewpoints from their various backgrounds and applying their specialized knowledge.

### Director Compensation

The Compensation Committee, an advisory committee reporting to the Board of Directors, deliberates the structure, content, level, balance of allocations, and other compensation-related matters for directors other than those serving on the Audit Committee. The Board of Directors receives reports from the Compensation Committee and decides director compensations within the framework for total director compensation established by resolution of the General Meeting of Shareholders.

Compensation for executive directors is structured such that 40% of the pre-determined compensation amount is linked to corporate performance so that these directors share the same perspective on profits as the Company's shareholders. This system is designed to motivate the directors to make decisions with a medium- and long-term perspective on corporate earnings and with an awareness of value of the Company's shares.

## 3 Independent Committee

The Independent Committee was established to foster free and lively discussion in meetings with the aim of promoting the exchange of information and knowledge based on independent and objective points of view.

The Independent Committee is composed of the Company's independent outside directors, including those serving

### Company Philosophy

Contribute to the development of a safe, secure, and prosperous global society by offering Original & High Level products and services with sincerity, harmony, and enthusiasm

### Social Responsibility

Anritsu is aware that fulfilling its responsibilities to a wide range of stakeholders is an essential element in increasing its corporate value in the medium and long terms and accordingly endeavors to make transparent, fair, prompt, and bold decisions and to provide timely disclosure of information.

### Enhancing Corporate Value

With the concepts of "Original & High Level" as the core, Anritsu works to increase its corporate value through innovation based on collective wisdom and aims to become a company whose growth and development are desired by society as a whole.

### Efficacy of Corporate Governance

Anritsu is currently strengthening its corporate governance in the four areas of increasing management transparency, providing appropriate and timely information disclosure, fortifying management supervision, and fostering management resources.

### Reasons for Selection

Name	Reasons for Selection
Takashi Sano	Mr. Sano was deemed to be qualified as an outside director for his abundant experience and wide-ranging knowledge as a manager with deep insight to global business as well as for his broad insight in finance and accounting as a certified public accountant.
Takaya Seki	Mr. Seki was deemed to be qualified as an outside director for his abundant knowledge and outstanding insight as a specialist in global corporate governance.
Yuji Inoue	Mr. Inoue was deemed to be qualified as an outside director for his abundant experience as a corporate manager and broad insight into finance and accounting.
Norio Igarashi	Mr. Igarashi was deemed to be qualified as an outside director for his specialized knowledge and abundant experience in finance and accounting as a certified public accountant and university instructor as well as for his wide-ranging expertise in management from his experience as an outside auditor of a listed company.

### Corporate Governance Code

The Corporate Governance Code delineates key principles for realizing effective corporate governance, and the Company believes putting these principles into practice and voluntarily following the principles lead to the sustained business growth and the medium- and long-term enhancement of corporate value of all companies and contribute to the growth and development of the companies, investors, and economy as a whole.

### Corporate Governance Basic Policy

Anritsu established its Basic Policy in fiscal 2015 stating the Anritsu Group's approach to corporate governance and providing a clear outline of the organizational system and framework supporting our corporate governance.

on the Audit Committee, with the aims of facilitating smooth communication among the outside directors and contributing to enhancing corporate value in the following ways.

1. Recommendations regarding enhancement of Group corporate value
2. Exchanges of opinions with directors
3. Exchanges of opinions on specific activities with executive officers
4. Recommendations regarding the effectiveness of the Board of Directors
5. Recommendations regarding the system of internal controls
6. Recommendations on the Company's response to a major purchase of the Company shares
7. Reports providing advice on specific items as requested by the Board of Directors

#### 4 Audit Committee

The Audit Committee submits reports on the audits it conducts including an overview report of its audits and quarterly reviews and planning, quarterly review summary reports, and term-end summary audit reports. Upon notification pursuant to Article 131 of the Rules of Corporate Accounting concerning audit reports and corporate accounting, the Audit Committee receives direct explanations and exchanges views with auditors, and, as necessary, Audit Committee members conduct on-site interviews to exchange information and views with auditors.

#### 5 Nominating Committee

The Nominating Committee executes the important corporate governance function of enhancing the transparency, objectivity, and fairness of activities related to the appointment and dismissal of directors. The committee also serves as a consultative body to the Board of Directors, providing advice and suggestions for fostering executive personnel.

The Nominating Committee, which is chaired by an outside director, deliberates and reports on the following items regarding all outside directors other than those serving on the Audit Committee, the president, and executive officers to be nominated by the president.

1. Proposals for appointment or rejection of candidates for the position of director

2. Member structure of the Board of Directors, including the balance of internal and outside members, the members' fields of expertise, and career experiences
3. Examination and preparation of credentials and eligibility standards for directors
4. Recommendations and advice concerning the retirement and succession plan for the president (Group CEO)
5. Recommendations and advice on the management, operation, and improvement of systems, such as term in office, age limits, and other items, for executives (including executive directors)
6. Recommendations and advice regarding programs to cultivate future executive officers and to prepare individuals for the positions of director and executive officer or as future holders of those positions

#### 6 Compensation Committee

The Compensation Committee serves as an advisory committee reporting to the Board of Directors and executes the important corporate governance function of deliberating the structure, content, level, balance of allocations, and other compensation-related matters for directors other than those serving on the Audit Committee.

The Compensation Committee, which is chaired by an outside director, deliberates and reports on the following items regarding all outside directors other than those serving on the Audit Committee, the president, and executive officers to be nominated by the president.

1. Compensation structure for directors and executive officers
2. Compensation levels for directors and executive officers
3. Compensation details for each director and executive officer
4. Other matters related to the above

#### 7 Management Audit Department

The Management Audit Department supports the activities of the Audit Committee with the aim of maintaining and enhancing the quality of the committee's audits. The Management Audit Department operates in collaboration with the Audit Committee, accounting auditors, and the Global Audit Department.

Anritsu maintains a large number of subsidiaries in Japan and overseas and



seeks to maintain strict adherence to the controls delineated for the global corporate group that encompasses these subsidiaries. For this purpose and to strengthen the auditing and oversight functions for subsidiaries, the directors and executive management serving as full-time members of the Audit Committee are each individually appointed as auditors of core subsidiaries in Japan and overseas (or as non-executive directors of companies that do not have auditors).

The Management Audit Department also seeks to fully apply the auditing expertise of the auditors and the Audit Committee, to maintain and develop the useful auditing systems developed over many years, and to further enhance the quality and efficiency of the audits.

## Overview and Response to the Evaluation of the Effectiveness of the Board of Directors

The Board of Directors confirmed:

(1) the Board is composed of appropriate personnel from inside and outside the Company and has the appropriate number of members to complete its global management structure needed for the business development that is the main source of the corporate value of the Group; (2) the structure is in place to support constructive deliberation and decision making on items important to Group operations as well as oversight of the business execution by executive officers; and (3) each of the individuals serving on the Board of Directors, Audit

Committee, Independent Committee, Nominating Committee, and Compensation Committee fully understands their role in realizing profitable and sustainable growth and enhancing the medium- and long-term corporate value of the Group and that all members, including the outside directors, engage in lively discussions at their relevant meetings while sharing their viewpoints from their various backgrounds and applying their specialized knowledge. The Board of Directors intends to address the issues identified in the latest evaluation review by taking the necessary steps to further increase and improve the effectiveness of the Board of Directors.

## Evaluation of Board of Directors Efficacy and Improvement Measures

Item	Current Status	Improvement Measures
<b>Role and responsibility of the Board of Directors (appropriateness of deliberations and resolutions)</b>	The Board of Directors was evaluated as conducting appropriate deliberation and resolution of items presented and to be fulfilling its role and responsibilities.	Relevant executive officers will participate in discussions concerning discussing medium- and long-term strategy to add depth to the discussion and to balance input from outside directors supporting risk-taking in business execution. Executive officers in relevant business operations participated in discussions of the Board of Directors, and a further step was taken to deepen discussions further by planning to have the executive officers of relevant business divisions participate in next fiscal year's Business Development and Strategy Conference. Also, because of time restraints during the scheduled meetings of the Board of Directors, time will be provided at the quarterly open discussions for presentations by the executive officers of the corporate divisions (human resources, materials, IT, etc.) and the presidents of subsidiary companies.
<b>Director participation and contribution</b>	All directors were evaluated as actively participating and contributing to the lively exchange of opinions at the Board of Directors meetings.	Executive directors proactively presented their opinions even regarding existing issues in discussions of business execution processes and enriched the discussions of the Board of Directors. Minutes of the discussions at the management strategy meetings were recorded and made available to the Board of Directors as background for proposals presented at the Board of Directors meetings.
<b>Knowledge, experience, capacity, balance, and diversity of the Board of Directors</b>	The Board of Directors was found to be appropriately balanced with the view also expressed of the need to consider including an individual with knowledge of the North American market, considering the importance of that market to the Company, the nature of the Company's business, and the Company's business model.	The Board of Directors will endeavor to accommodate that increase in capacity and will gather information on individuals with the appropriate experience and knowledge to make a list of potential candidates for outside director. The Company will regularly prepare the list throughout the year.
<b>Operation of the Board of Directors (Provision of information)</b>	The provision of information was found to be vastly improved in terms of the speed of the information availability and the fullness of content.	Prior to the Board of Directors meetings, topics to be discussed are verified, and efforts, such as defining the topics of management strategy meetings and gathering materials on topics to be discussed, are made to enable referencing to other management issues and to improve and support sufficient preparation.
<b>Operation of the Board of Directors (Time allocation)</b>	Flexibility about the time the meetings will close and conducting discussions over several Board of Directors meetings before the final decisions are made on important issues enabled the early provision of information and sufficient time for discussion.	The Board of Directors will continue to be flexible about the length of meetings and not be bound by precedent or past meeting formats.
<b>Operation of the Board of Directors (environment promoting free and open discussion)</b>	The environment was found to promote free and open discussion.	The Board of Directors will continue to foster an environment promoting free and open discussion.
<b>Stakeholder perspective</b>	Management provides reports with information catered to the needs of investors, but more effort could be made to provide information about cooperation with stakeholders other than shareholders. The view was also presented that a survey of shareholders could be conducted.	Arrangements will be made for outside directors to observe the quarterly results briefings. The Company will explore whether investors desire to engage in dialogue with the outside directors as part of its IR activities. If so, the Company will examine ways to arrange a dialogue. In addition, a shareholder survey will be conducted when the medium-term management plan is put together and announced. Employees are also important stakeholders, and the Company views fostering employee satisfaction and creating a better workplace atmosphere as an important management theme. The Company will examine and analyze the status of these conditions for employees and report the findings to the Board of Directors.
<b>Committees (Independent Committee)</b>	The Independent Committee is functioning effectively.	The Independent Committee goes beyond an exchange of opinions on subjects and proactively sets objectives and formulates action plans.
<b>Committees (Nominating Committee)</b>	Outside directors serving on the Audit Committee participated as observers and transparency was improved.	Nominating Committee members will not only respond to requests for counsel from the Board of Directors; they will also conduct examinations and research to provide fully detailed responses. Directors serving on the Audit Committee will also participate as members of the committee. The Nominating Committee will gather information on individuals with the appropriate experience and knowledge to make a list of potential candidates for outside director.
<b>Committees (Compensation Committee)</b>	Outside directors serving on the Audit Committee participated as observers and transparency was improved.	Compensation Committee members will not only respond to requests for counsel from the Board of Directors; they will also conduct examinations and research to provide fully detailed responses. Directors serving on the Audit Committee will also participate as members of the committee.
<b>Committees (Audit Committee)</b>	The Audit Committee is conducting its activities meticulously and fulfilling its role.	Steps will be taken to integrate further with the internal audit departments, including when conducting joint audits overseas.

### Director Discussion on Anritsu and Corporate Governance



**Toshisumi Taniai**  
Director,  
Executive Vice President

**Takashi Sano**  
Outside Director

**Takaya Seki**  
Outside Director,  
Audit Committee Member

**Yuji Inoue**  
Outside Director

**Anritsu was among the first companies in Japan to implement comprehensive corporate governance and continues to strengthen the supervisory functions of the Board of Directors. Sharing information on all aspects of management with outside directors and engaging in open and detailed exchanges of opinions also play a significant role in enhancing corporate value over the medium and long terms. Director Toshisumi Taniai and three outside directors sat down to discuss the status of Anritsu's Board of Directors and committees and what the Company can do to further enhance their effectiveness.**

#### Realizing better corporate governance

**Taniai:** Let's begin with each of us sharing our thoughts on the role and responsibilities of the Board of Directors and our visions of the Company as an Outside Director.

**Sano:** I believe it is important for outside directors to provide recommendations on strategies aimed at raising corporate value in the medium and long terms and to provide support for corporate executives to make the best decisions for the Company. Anritsu is strengthening its management by bringing in independent outside directors to provide external perspectives on its management activities. The Company appoints independent outside directors to serve on the Independent Committee, Nominating Committee, and Compensation Committee as a way to enrich their deliberations. I believe Anritsu is making positive progress toward further enhancing its corporate governance.

**Seki:** The Company has been putting a lot of emphasis on the supervisory functions of

the Board of Directors for more than a decade. The supervisory function has been a fundamental element of the Board of Directors from very early in the Company's history. I believe the Company deserves a lot of credit for making accountability so clear in its nomination, compensation, and auditing activities, which are areas where conflict of interest can easily occur.

**Inoue:** The Board of Directors makes decisions about a wide range of topics, and it makes sense to listen to third-party opinions when trying to decide the best direction for

the Company. Anritsu puts outside directors in positions where they can actively support management by making proposals and sharing opinions about enhancing corporate value or entering new business fields. Anritsu, by providing a clearly defined agenda and encouraging frank discussion, has created an environment that makes it easy for outside directors to share diverse opinions.

#### Sharing information, thorough discussion

**Taniai:** Next, I'd like to talk about how the Board of Directors operates. I believe the reason Board of Directors meetings are so lively is because the Company encourages outside directors to actively participate in discussions about important issues. For example, before the Company acquired Azimuth Systems, management informed the outside directors at an early stage that it was looking into the possibility of acquiring the company and held many meetings to discuss the issue.



**"I believe the reason the meetings are so lively is because Anritsu encourages outside directors to actively participate in discussions about important issues."**

Toshisumi Taniai



“ If we continue honing the Anritsu model, more companies will start using it as a benchmark. ”

Yuji Inoue

**Seki:** That acquisition could serve as a case study for a Board of Directors fulfilling its responsibility to enhance corporate value. Management providing us with information about the idea early on and allowing us to participate in the discussions was a huge motivation for us to be completely engaged in the project.

**Sano:** The discussions took four months, and I felt our presence ensured the management process for making the ultimate decision was rational and transparent.

**Inoue:** The usual process in an M&A move is for company executives to discuss the move and mostly decide how it will be done before they present it to the Board of Directors. Anritsu explained to us what was going on near the start of the process. This gave us time to discuss and prepare for all the aspects of the move, such as the process for post-merger integration. We truly felt that we played a meaningful role in the process.

**Taniai:** We thought that opening the discussion at an early stage would enable more-effective discussions.

**Sano:** Many people were cautious about the acquisition, and that, too, was taken into account when making the final decision on which direction to take.

**Taniai:** The Board of Directors is the highest point of decision making and makes the final judgment. That is why we decided that free access to all background materials would be beneficial, even materials from the in-house management strategy meetings. When the information is available to everyone, we all begin from the same starting point and know that we are all basing our judgment on the same information.

**Seki:** The Board of Directors must be made highly accountable to shareholders. That means the Company must endeavor to ensure shareholders are fully satisfied with the Company's information disclosure.

**Inoue:** Outside directors actively participate in the audits and other activities of the auditors and Audit Committee members, and Anritsu's extremely open sharing of

information even at the worksites is also a great help.

**Sano:** The Company also makes a vast amount of information available to outside directors via its intranet. And I believe it will be important to continue making information openly available in this way.

### Improving governance at listed companies

**Taniai:** As outside directors, what do you think of Anritsu's system of committees?

**Sano:** The Independent Committee meets nearly every month an hour before the Board of Directors meetings, and we all share information and discuss recent issues. The Nominating Committee, on which I serve as Chair, has the role of ensuring the objectivity and fairness of personnel processes. At the meetings, we discuss and report on potential nominees, who we later present to the Board of Directors. I feel the decision process is very open and fair.

**Seki:** The Audit Committee, in addition to audits, is also involved in the nomination and compensation processes. We first participated as observers but now attend as members expected to contribute opinions. Anritsu also participates in the research meetings of the Japan Audit & Supervisory Board Members Association and shares information with other companies. I believe Anritsu is contributing to enhancing governance not just at the Company but for all listed companies in Japan.

**Inoue:** Personally, I think the Independent Committee is the lifeblood of the Board of Directors. The outside directors openly share information with one another and contribute their insights from their various careers and backgrounds to the discussions. I think that, if we continue honing the Anritsu model, more companies will start using it as a benchmark.

### Cultivating a global and flexible workforce

**Taniai:** Last, please tell us your thoughts on the effectiveness of Anritsu's Board of



“ I believe Anritsu is making positive progress toward further enhancing corporate governance. ”

Takashi Sano



“ I believe Anritsu is contributing to enhancing governance not just at the Company but for all listed companies in Japan. ”

Takaya Seki

Directors and what points you see that can be improved. From what we've heard so far, it sounds like you all think the Board's effectiveness is steadily improving.

**Seki:** In addition to enhancing the oversight function of the Board of Directors, I think it will be important for the Company to pursue strategies to further raise corporate value and for the members of the Board of Directors to update and clarify their viewpoints. For example, they could take another look at the 5G technology, which is a key part of Anritsu's future strategy, and reconfirm that all of the members have the same vision for 5G in the plan for the medium and long terms. At points like this, which could be a turning point for the Company, it's essential to make absolutely sure that everyone is on the same page. Moreover, this would also increase management effectiveness.

**Inoue:** This was also brought up at a Board of Directors meeting, but 5G is on the verge of a massive expansion in the range of applications. It has the potential to change both our business clients and the users of our products as well as to change the nature of Anritsu's business. With this on the horizon, preparing our personnel to respond to the changing landscape will also be essential.

**Sano:** I agree. The measuring instrument business sells three-fourths of its products overseas. I believe it will be extremely important to cultivate staff for a global business.

**Taniai:** I believe that efforts by all companies to improve the effectiveness of their boards of directors will lead to the emergence of best practices. Outside directors can see ways to reform that we might have difficulty seeing from inside the Company, and I want to use those as starting points for meaningful improvement. I look forward to all of you continuing to provide your unreserved views on Anritsu's management activities.



## Directors



Director (Outside Director)  
(Audit Committee Member)  
**Norio Igarashi**

Director  
**Akifumi Kubota**

Director  
(Outside Director)  
**Yuji Inoue**

Representative Director,  
President  
**Hirokazu Hashimoto**

Director  
(Outside Director)  
**Takashi Sano**

Director  
**Toshisumi Taniai**

Director (Outside Director)  
(Audit Committee Member)  
**Takaya Seki**

### Representative Director, President

#### Hirokazu Hashimoto

Apr. 1973 Joined the Company  
Apr. 1998 Senior Manager of Accounting & Control Dept.  
Jun. 2002 Director of the Company, Vice President, Senior Manager of Accounting & Control Dept.  
Apr. 2004 Senior Vice President  
Jun. 2006 Executive Vice President  
Jun. 2007 Representative Director  
Apr. 2010 Representative Director, President (Incumbent)  
Anritsu Group CEO (Incumbent)

### Director

#### Toshisumi Taniai

Apr. 1981 Joined the Company  
Jul. 2004 Senior Manager of Sales Support Dept., Sales Div.  
Apr. 2008 Senior Manager in charge of Human Resource and Administration Dept.  
Apr. 2009 Vice President  
Senior Manager of Human Resource and Administration Dept.  
Apr. 2011 Chief Corporate Officer (Incumbent)  
Jun. 2011 Director of the Company (Incumbent)  
Apr. 2013 General Manager of Management Strategy Center (Incumbent)  
Apr. 2015 Senior Vice President  
Apr. 2017 Executive Vice President (Incumbent)  
Director of Appliance Business Dept. (Incumbent)

### Director

#### Akifumi Kubota

Apr. 1983 Joined the Company  
Apr. 2004 Senior Manager in charge of Accounting & Control Dept.  
Apr. 2007 Senior Manager of Accounting & Control Dept.  
Apr. 2010 Vice President  
Chief Financial Officer (CFO) (Incumbent)  
Jun. 2013 Director of the Company (Incumbent)  
Senior Manager of Accounting & Control Dept.  
Apr. 2015 Director of Investor Relations Dept.  
Mar. 2016 Resigned as Director of Investor Relations Dept.  
Sep. 2016 Resigned as Director of Accounting & Control Dept.  
Apr. 2017 Senior Vice President (Incumbent)  
Chief Information Officer (CIO) (Incumbent)

### Director

#### Hirokazu Hamada

Apr. 1988 Joined the Company  
Apr. 2004 Senior Manager of 1st Development Dept. of IP Network Div., Measurement Business Group  
Apr. 2010 Assistant General Manager of R&D Div.  
Apr. 2011 Vice President of Anritsu Company (USA)  
Apr. 2015 Vice President of the Company  
Chief R&D Officer of Measurement Business  
General Manager of R&D Div.  
Apr. 2016 Senior Vice President  
Vice President of Measurement Business Group  
General Manager of Measurement Business Div.  
Apr. 2017 Executive Vice President  
President of Measurement Business Group (Incumbent)  
Jun. 2017 Director of the Company (Incumbent)  
Executive Vice President (Incumbent)  
General Manager, Measurement Business Div. (Incumbent)

### Director\*

#### Takashi Sano

Oct. 1973 Joined Arthur Andersen (Currently KPMG AZSA LLC)  
Feb. 1979 Joined NEMIC-LAMBDA K.K. (Currently TDK-Lambda Corporation)  
Jun. 1986 President of NEMIC-LAMBDA Singapore PTE. LTD. (Currently TDK-Lambda Singapore Pte. Ltd.)  
Dec. 1992 Joined Inoue Saito Eiwa Audit Corporation (Currently KPMG AZSA LLC)  
Jan. 1993 Registration of C.P.A.  
Aug. 1997 Representative Partner of Asahi Audit Corporation (Currently KPMG AZSA LLC)  
Dec. 2007 Established Sano CPA office (Incumbent)  
Jun. 2011 Outside Corporate Auditor of Zuken Inc.  
Jun. 2014 Outside Director of Zuken Inc. (Incumbent)  
Jun. 2015 Outside Director of the Company (Incumbent)





Director  
**Hirokazu Hamada**

Director  
(Audit Committee Member)  
**Osamu Nagata**

#### Director\*

##### Yuji Inoue

- Apr. 1971 Joined Ricoh Co., Ltd.
- Jan. 1997 Deputy General Manager of Finance and Accounting Division
- Apr. 1998 General Manager of Finance and Accounting Division
- Oct. 1998 General Manager of Business Development of Ricoh Leasing Co., Ltd.
- Jun. 1999 Managing Director of Ricoh Leasing Co., Ltd.
- Apr. 2000 President of Ricoh Leasing Co., Ltd.
- Jun. 2000 Senior Vice President of Ricoh Co., Ltd.
- Jun. 2004 Managing Director of Ricoh Co., Ltd.
- Jun. 2005 President and Chief Executive Officer of Ricoh Leasing Co., Ltd.
- Jun. 2009 Resigned as President and Chief Executive Officer of Ricoh Leasing Co., Ltd.  
Corporate Auditor of Ricoh Co., Ltd.
- Jun. 2013 Resigned as Corporate Auditor of Ricoh Co., Ltd.
- Jun. 2014 Outside Corporate Auditor of Infoteria Corporation
- Jun. 2015 Outside Director of the Company (Audit Committee Member)
- May 2016 Outside auditor of Ryohin Keikaku Co., Ltd. (Incumbent)
- Jun. 2017 Resigned as Outside Corporate Auditor of Infoteria Corporation  
Outside Director of the Company (Incumbent)

#### Director\* (Audit Committee Member)

##### Takaya Seki

- Apr. 1977 Joined Toyo Trust and Banking Co., Ltd. (Currently Mitsubishi UFJ Trust and Banking Co., Ltd.)
- Mar. 2001 Resigned from Toyo Trust and Banking Co., Ltd.  
Joined Mizuho Securities Co., Ltd.
- Oct. 2001 Senior Research Manager and Chief Researcher, Japan Investor Relations and Investor Support, Inc.
- Apr. 2006 Lecturer at Meiji University Graduate School of Global Business
- Jun. 2008 Resigned from Mizuho Securities Co., Ltd. and Japan Investor Relations and Investor Support, Inc.  
Managing Director of Corporate Practice Partners, Inc. (Incumbent)
- Mar. 2009 PhD (Econ), Kyoto University
- Jun. 2011 Outside Director of the Company
- Apr. 2012 Lecturer, Meiji University School of Commerce, Visiting Professor, Reitaku University Faculty of Economics and Business Administration
- Apr. 2014 Lecturer, Meiji University, The Organization for International Collaboration
- Jun. 2015 Outside Director of the Company (Audit Committee Member) (Incumbent)
- Feb. 2017 Director of Corporate Practice Partners, Inc. (Incumbent)
- Apr. 2017 Professor, Ritsyo University Faculty of Business Administration (Incumbent)

#### Director\* (Audit Committee Member)

##### Norio Igarashi

- Apr. 1977 Registration of CPA
- Jul. 1988 Representative Partner of Aoyama Audit Corporation
- Sep. 2006 Representative Partner of Aarata Audit Corporation (Currently PricewaterhouseCoopers Aarata LLC)
- Mar. 2007 Resigned from Aarata Audit Corporation
- Apr. 2007 Professor, Graduate School of International Social Sciences, YOKOHAMA National University
- Mar. 2013 Outside Corporate Auditor of Kao Corporation
- Apr. 2014 Visiting Professor, Center for Economic Growth Strategy, YOKOHAMA National University (Incumbent)
- Jun. 2016 Outside Director (Audit Committee Member) of Mitsubishi UFJ Securities Holdings Co., Ltd. (Incumbent)
- Mar. 2017 Resigned as Outside Corporate Auditor of Kao Corporation
- Jun. 2017 Outside Director of the Company (Audit Committee Member) (Incumbent)

#### Director (Audit Committee Member)

##### Osamu Nagata

- Apr. 1981 Joined the Company
- Jul. 2002 Senior Manager of Sales Coordination Dept. of Marketing Div., Photonic Measurement Solutions
- Apr. 2003 Senior Manager of Europe Dept. of Global Business Div.
- Apr. 2008 General Manager of APAC Sales Center of Sales & CRM Strategy Group
- Apr. 2010 Vice President  
Chief Officer of Global Sales
- Apr. 2014 Chief Officer of Information, Chief Officer of Risk Management
- Apr. 2015 Senior Executive Officer  
General Manager of Management Audit Dept.
- Jun. 2017 Director of the Company (Audit Committee Member) (Incumbent)

\* Outside Directors as specified in Japan's Company Act, Article 2-15

## Executive Officers

#### Hirokazu Hashimoto\*

President  
Group CEO

#### Toshisumi Taniai\*

Executive Vice President  
Chief Corporate Officer

#### Hirokazu Hamada\*

Executive Vice President  
Measurement Business Group President

#### Takashi Seike

Senior Vice President  
Chief Measurement Business Strategy Officer

#### Akifumi Kubota\*

Senior Vice President  
CFO  
CIO

#### Gerald Ostheimer

Senior Vice President  
Measurement Business Vice President  
Chief SA Business Officer  
Chief EMEA Sales Officer

#### Yasunobu Hashimoto

Vice President  
Chief Japan Sales Officer

#### Toru Wakinaga

Vice President  
Chief Americas Business Officer

#### Yukihiro Takahashi

Vice President  
CTO  
Chief New Business Development Officer

#### Akio Takagi

Vice President  
Chief Environment and Quality Officer  
Chief Device Business Officer

#### Masumi Niimi

Vice President  
PQA Business Group President

#### Ichiro Takeuchi

Vice President  
Chief Human Resource and Administration Officer

#### Hiroyuki Fujikake

Vice President  
Chief SCM Officer

#### Takeshi Shima

Vice President  
Chief Global Sales Officer  
Chief APAC Sales Officer

\* Concurrently serving as director

# CSR Management

## Anritsu Basic Concept of CSR

Anritsu, following the Company Philosophy of “Sincerity, Harmony, and Enthusiasm,” fulfills its economic, social, and environmental corporate responsibilities through CSR initiatives in its business activities in compliance with laws and regulations and with due respect for ethics and social norms. The Company also openly communicates with all stakeholders to continue building better relationships and constantly aims to enhance its corporate value.



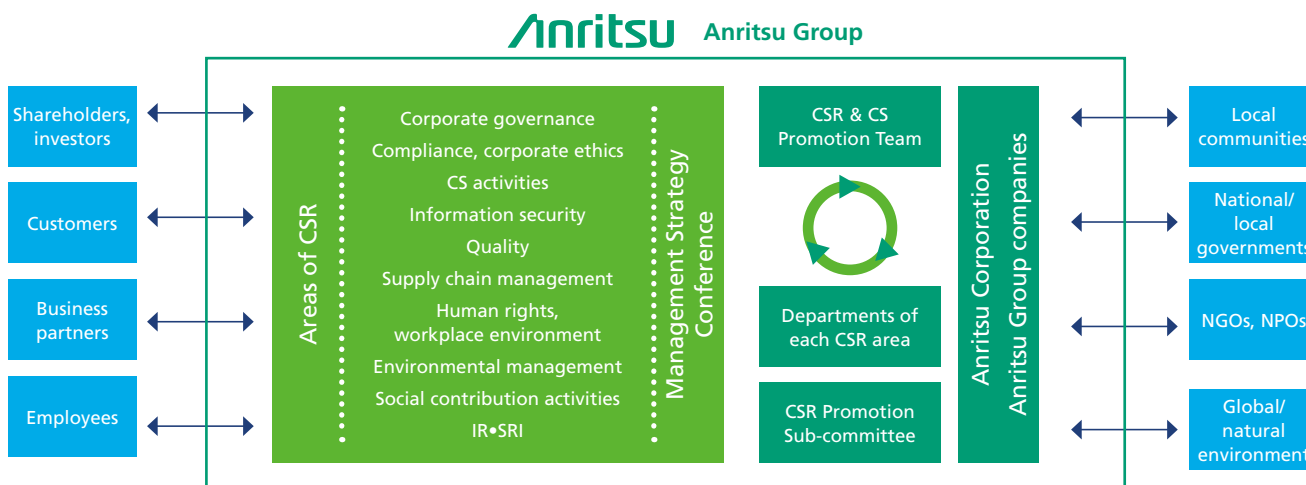
## CSR Promotion Structure

Anritsu's top management oversees the execution of the Company's CSR activities, with the Company's president serving as chair of the CSR Promotion Committee, which was established in 2004. The CSR Promotion Center was additionally created to serve as a central body focused solely on supporting unified CSR activities throughout the Company. In April 2016, the Company

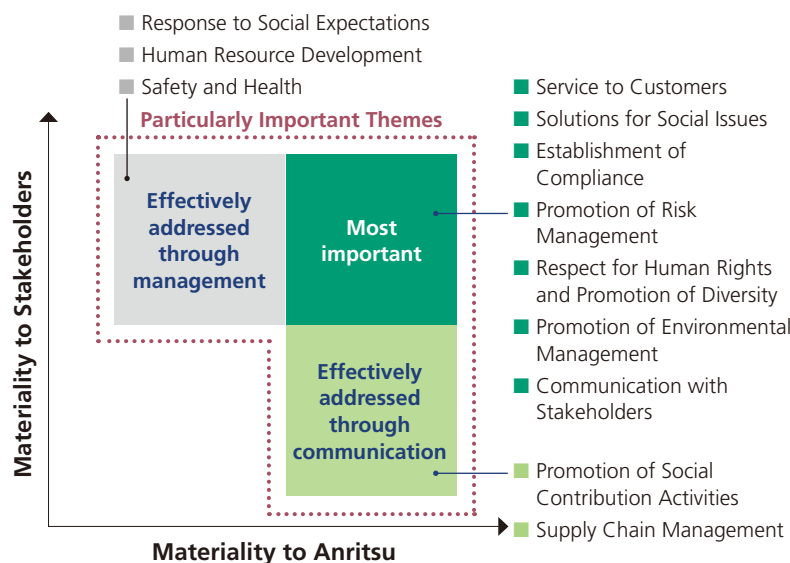
also added CSR (environmental, social and governance (ESG)) issues as one of the core management topics for discussion at the regular Management Strategy Conferences.

Under the current system, the CSR & CS Promotion Team of the Corporate Communication Department is responsible for promoting Anritsu's CSR activities in line with the directives from the Management Strategy Conference. To

effectively implement the CSR activities, Anritsu Corporation coordinates activities across the Group through departments in charge of specific areas of CSR, including customer satisfaction, quality, human rights, and social contribution. The CSR & CS Promotion Team assesses and analyzes conditions in each area from a CSR perspective and works with the relevant department to address areas requiring attention.



## Materiality



To ensure objectivity and complete coverage of all issues, Anritsu conducted materiality assessments through interviews with key persons inside the Company on 142 items categorized by type of stakeholder that society expects of the Company. The materiality assessment identified 12 items as particularly important issues for the Company. Anritsu is addressing those issues and is also actively contributing through its business to achieving the Sustainable Development Goals (SDGs) of the United Nations.



**Daisuke Goto**  
Representative Director, ideaship Inc.

**"I would like to see the Company set medium- and long-term objectives that link its business to resolving social issues."**

Anritsu's important CSR issues are the result of a careful examination of the relationship between the Company and its stakeholders and are fully in tune with the Company's social responsibilities. Our society is rapidly diversifying, and the Company may have to revisit its materiality assessment of how the Company's business- es impact society. I have particularly high expectations for Anritsu, and it is essential that the Company maintains an ongoing active dialogue with stakeholders that are most strongly impacted by its activities.

Companies are also expected to commit to achieving the United Nations' SDGs. The UN is aiming for the SDG targets to be met by 2030, and Anritsu's medium- and long-term business plan would be a natural place for Anritsu to demonstrate its commitment.

## Achieving Our Four CSR Goals

Anritsu Group Initiatives	Goals
<b>Social</b>	<p>Anritsu aims to become a company that is trusted by customers around the world and a brand with global staying power by providing a continuous flow of innovative products and services adapted to the changing times. While offering products that improve safety and improve people's lives, we will conduct our business activities around the world with an awareness of their social impact and, with the help of our stakeholders, with consideration of their sustainability.</p> <div> <b>Goal 1</b> Service to customers, Solutions for social issues, Response to social expectations         </div> <div> <b>Goal 2</b> Supply chain management, Respect for human rights and promotion of diversity, Human resource development, Safety and health, Promotion of social contribution activities         </div> <div> <b>Goal 4</b> Communication with stakeholders         </div>
<b>Environment</b>	<p>Global environmental protection is a key theme for resolving issues, such as climate change, that affect the whole world. Following the Anritsu Group Environmental Principle, we are implementing global environmental management across the complete value chain to contribute to creating a prosperous society in which people and nature coexist in harmony.</p> <div> <b>Goal 3</b> Promotion of environmental management         </div>
<b>Governance</b>	<p>The Anritsu Group is deeply aware of its corporate social responsibility and conducts its business soundly and honestly in compliance with laws and corporate ethical standards and in accordance with the expectations of society. The Group also appropriately manages risk that could impact its operations with the aims of enhancing corporate value and maintaining sustainable development.</p> <div> <b>Goal 2</b> Establishment of compliance Promotion of risk management         </div>

Social

Goal  
1

Contribute to Build a Safe, Secure, and Comfortable Society

Mid-term  
goals

Important issues	Mid-term goals for 2017
Services to customers	Become a trusted global brand that our customers always select
Solutions for social issues	Establishment of global promotion system
Response to social expectations	Preparation of KPIs for solving social issues through business activities and set goals

Solve Network Issues of Society and Customers in order to Realize a Sustainable Society

For more than 120 years, Anritsu has been providing leading test and measurement technologies in response to turbulent advances in communications technology. We will continue contributing to creating a society with “anytime, anywhere, and that is safe, secure, and comfortable” communications connectivity. We will also contribute to society by gearing our business operations to meet global society requirements, such as committing to the United Nations Global Compact and SDGs.

Contributing to a Convenient and Comfortable Society

Society is experiencing the emergence of 5G and other mobile broadband services and the Internet of Things (IoT) capable of connecting virtually anything. New communications technology is being developed for self-driving cars, remote surveillance and operation of home devices that help prevent theft or monitor the elderly, and remote medical care, with virtually endless possibilities in every field. Telecommunications firms are not the only companies developing new technologies; everyone from automakers to home appliance manufacturers are developing next-generation communications technologies with the aim of creating new corporate value.

Anritsu’s proven wireless communications and measurement technologies developed over decades are the foundation of our unmatched technical abilities enabling us to work with customers to formulate vital testing solutions for R&D and to construct network infrastructure to support ever larger data volume at ever faster speeds. These are the technologies and capabilities we will use to

help create a society with connectivity anytime, anywhere, and that is safe, secure, and comfortable.

Contributing to Food Safety and Security

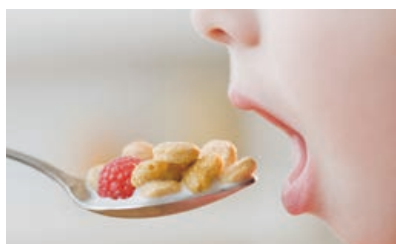
With the growing global population, the food packaging industry is advancing R&D of evaporated aluminum packages that can preserve food for a long time and of resealable packets that can preserve remaining food. New types of packaging technologies like these provide superior value for their ability to reduce the amount of food waste, but they also go beyond the abilities of the commonly used visual and camera-based quality inspection techniques and present new challenges to provide simultaneous package and inspection quality assurance for a large volume of products.

Anritsu Infivis inspection technology incorporates a highly sensitive X-ray inspection system capable of identifying foreign objects and packaging flaws even with non-transparent packaging as well as interconnected checkweighers capable of quality inspections of up to

12 lines simultaneously. The Anritsu Infivis technology enables our customers to provide products using the latest advances in packaging technology and contributes to the wider use of packaging that reduces food waste.

Pursuing Customer Satisfaction

Anritsu is seeking to become an essential company for customers around the world by providing a constant flow of innovative products and services meeting the evolving needs of the times following its “envision : ensure” brand objective. To realize the “envision : ensure” objective, Anritsu sets a customer satisfaction goal for 2020 to be a brand that has earned the trust and is repeatedly selected by customers in all countries and regions. We plan to earn customer trust and make Anritsu the brand they repeatedly return to by communicating closely with customers worldwide, working with them to solve operating issues, providing the value they expect of Anritsu, and continually contributing to their operations by providing products and support that only Anritsu is capable of.



Quality Policy

- ▶ Making products that satisfy customers and society through sincerity and harmony

Guidelines for Action under Anritsu's Quality Policy

- ▶ Take wholehearted work initiatives to prevent emergence of defective products
- ▶ The last stage in the production process is the customer, take action to ensure harmony throughout the process
- ▶ Be eager to make suggestions for improvement



## Social

### Goal 2

## Maintaining Harmony with the Global Socio-Economy

### Mid-term goals

Important issues	Mid-term goals for 2017
Supply Chain Management (SCM)	Continual improvement of processes in the CSR procurement strategy, Business Continuity Plan (BCP) for the Supply Chain Management system
Respect for human rights and promotion of diversity, human resource development	Human rights due diligence      Diversifying hiring practices, reviewing the employee evaluation and treatment systems
Safety and health	Achieve zero accidents
Promotion of social contribution activities	Promote social contribution activities at our main operating sites around the world

## Global Value Chain

Anritsu's business activities are supported by a powerful value chain system stretching from upstream to downstream. While growing together with its business partners and working to address social issues, Anritsu is strengthening its compliance initiatives at the sales stage and implementing strict procedures. Anritsu is steadily taking initiatives in Business Continuity Planning (BCP) to maintain its supply chains even during times of disasters.

### Improving Global Systems

To promote CSR activities on a global scale and deepen communication with our stakeholders across the world, the Anritsu Group is exchanging information internally based on a regional system and annual schedule.

Each year, regional staff reports on the ten items listed below to the CSR & CS Promotion Team in the headquarters.

#### Activities

- CS Activities
- Quality Improvement
- Safety and Health
- Compliance
- Supply Chain
- Information Security
- Protecting Human Rights
- Valuing Employees
- Promotion of Environmental Management
- Conducting Social Contribution Activities

In addition, along with the globalization of Anritsu's business activities, the operating and administrative departments of Anritsu are expected to collaborate with each other more so than in the past. To this end, global meetings are held periodically and on an as-needed basis with the participation of major bases, including the Atsugi Headquarters, Koriyama, the Americas, Europe, and Asia.

### Global Supply Chain Management

Anritsu strives to fulfill the expectations and demands of society throughout the supply chain by developing stronger partnerships through joint activities with our business partners around the world and by fully complying with relevant laws and regulations and respecting business practices and social norms.

Anritsu is working to establish a universal set of fair evaluation standards for the use of products at its core procurement bases in the United States, China, and Japan.

We are also establishing a mutual certification system of our business partners as Global Preferred Suppliers authorizing them for transactions with all of our Group companies. By sharing development road maps and technological issues with these suppliers, we expect to shorten time to market (TTM) for product development.

Anritsu also distributes CSR Surveys to 97 of its major suppliers and has verified that the status of CSR procurement remains favorable.



**Makiko Akabane**  
Director, CSR Asia Japan

**"I think the Company can further strengthen its communications and transparency with its business partners."**

Companies in Asia could become extremely reliable allies if they can overcome difficulties and build firm relations of trust. Anritsu has maintained communications with its business partners over a long time and deserves much credit for creating its strong partnerships. I would like to see the Company continue these efforts and to provide even greater value to society.

Anritsu's global SCM already provides a high level of value. As a global corporation, I would also like to see even more transparency with more concrete descriptions of the Company's activities in Japan and overseas in addition to quantitative data.



## Social

Goal  
2

## Maintaining Harmony with the Global Socio-Economy

**Consideration of Human Rights throughout the Value Chain**

The Anritsu Group participates in the United Nations Global Compact and has established internal guidelines Anritsu Group Charter of Corporate Behavior and Anritsu Group Code of Conduct based on international rules on human rights. The Group's CSR policy for Respect for Human Rights clearly stipulates that the Company will not tolerate child labor or forced labor.

**The Anritsu Group respects the rights of all people and does not permit discrimination related to race, gender, or any aspect or infringement of individual dignity. Child labor and forced labor are not tolerated. (Excerpt from the Anritsu Group Charter of Corporate Behavior)**

**We will protect a person's dignity and respect every person's fundamental human rights, and will not engage in prejudice or discrimination based on race, nationality, religion, creed, sex, age, social status, or mental or physical disability. (Excerpt from the Anritsu Group Code of Conduct)**

Anritsu has made "responding to human rights issues" a core part of its CSR strategies and has formed working groups from related business segments across the Group to conduct due diligence on human rights worldwide.

The Company addresses the risk of human rights violations by distributing the Anritsu Group CSR Procurement Guidelines to its business partners around the world and requests each partner to submit a letter of consent stating that they understand the Company's position and will conduct operations in compliance with its CSR procurement policy. We also conduct corporate ethics surveys and provide consultation services to address issues related to human rights and improve human rights.

In fiscal 2016, Anritsu and Anritsu MEA Ltd. published a statement on the United Kingdom's Modern Slavery Act 2015, which included the Anritsu Group policies on human rights. In fiscal 2017, we are preparing to carry out due diligence on human rights throughout our supply chain.

**Promoting Women's Activities in Business**

Anritsu emphasizes the creation of a safe, secure, and comfortable workplace environment in which employees can enrich

their lives and develop their careers. In regard to supporting women in their career development, we are proactively working to establish a workplace environment that supports balancing work and childcare. This includes providing programs for paid leave, maternity leave, and reinstatement, both before and after childbirth and during childrearing.

**Policies Promoting Women in the Workplace**

In accordance with the Act to Promote Women in the Workplace adopted in Japan in August 2015, Anritsu discloses information about the Company's activities to support women in the workplace on the database of enterprises with career promotion activities for women hosted by Japan's Ministry of Health, Labour and Welfare. We are working to establish a corporate working environment that will enable us to reach our fiscal 2020 target for women to represent 20% or more of the new college graduates hired annually. In fiscal 2016, approximately 30% of the new college graduates hired were women. Efforts to improve the work environment for women include talking with female managers and employees to formulate training programs and support systems for women with external responsibilities. In fiscal 2017, the Company introduced a new career development and training program catered specifically to female professionals.

**Promotion of Social Contribution Activities**

In addition to contributing to society through its business operations, Anritsu also participates in activities to support the development of local communities. The Company continuously sponsors activities in which our employees take leading roles with a focus on community programs centered on partnerships for educating youth, contributing to local communities, and protecting the environment (biodiversity conservation).

In fiscal 2016, the Company hosted the "Let's Make a Radio" event for elementary schoolchildren in the Fun Experience Classroom of the Kanagawa Science Summer program sponsored by Kanagawa Prefecture.

**Promotion of Safety and Health**

The Anritsu Charter of Corporate Behavior stipulates "Respect for Employees." Anritsu believes placing employee health and safety first and foremost and creating worksites and work environments that are comfortable and pleasant are essential to enabling every employee to fulfill their potential.

The Anritsu Group in Japan established a safety and health management system that complies with Japan's Industrial Safety and Health Act and ensures strict compliance with the Act and all related enforcement orders and regulation details. Industrial health staff, led by industrial physicians and counselors of Anritsu Corporation's Health Management Center, routinely visit worksites, hold follow-up meetings after the regularly scheduled health exams, conduct presentations on health promotion, and provide counseling on health issues as part of various activities to help support and promote the health of Anritsu Group employees.



**Toshimune Yamaguchi**  
Director, Caux Round Table – Japan

**"Initiatives and information disclosure from the stakeholders' point of view are essential."**

Initiatives for human rights are directly connected to the degree a company can raise the quality of business. I suspect that Anritsu, because of its initiatives and the nature of its business, may not have experienced a situation where a human rights issue has directly impacted its business. However, by no means does that mean the Company does not have human rights risk.

In the future, I would like to see Anritsu follow global information standards and set benchmarks for investors as well as to create management policies that include consideration for how its operations might impact stakeholders, and then carry out the continual improvement for its operations. The disclosure and provision of information is critical. I would like to see the Company further improve its transparency and show its earnestness to its employees and society.

## Social

### Goal 4

## Promoting Communication

### Mid-term goals

#### Important issues

Communication with stakeholders

#### Mid-term goals for 2017

Establish communication based on integrated reporting framework  
Continue to disclose sustainability information based on GRI

## Communication with Stakeholders

**Anritsu establishes partnerships by proactively disclosing information and holding dialogs with stakeholders throughout its business activities.**

### Participation in Industry Events

Anritsu actively participates in trade shows to introduce its products to a wide range of stakeholders.

The Company recently participated in Mobile World Congress 2017, one of the world's largest trade shows for mobile communications technology, the Optical Fiber Communication Conference, a global conference focused on optical fiber and networking technology, and FOOMA Japan 2017, an international exhibition of food machinery and technology.



### Communication with Institutional Investors

Anritsu's investor relations activities are driven by our view that it is important that our shareholders and investors correctly understand our business structure and framework for generating profits as well as the factors that affect our earnings performance. Management actively participates in our IR activities.

The Company actively approaches institutional investors in Japan and overseas to hold individual meetings, and in 2016 management conducted 215 such meetings with domestic investors and 94 with overseas investors. The Company's IR activities geared to

overseas investors also included three conferences in Japan.

The Company also uses its quarterly results announcement meetings for shareholders and investors as opportunities for communication.



### Joining with NGOs and NPOs

Anritsu was eager to offer its support to Fukushima Prefecture, the home of Tohoku Anritsu Co., Ltd., which is still recovering from the Great East Japan Earthquake. One of the ways we could help was to provide donations to local organizations directly engaged in the reconstruction effort, and the Company conducted a voluntary donation drive in December 2016. The collected funds were donated to Japan Platform, an NPO that distributes funding to examined and certified disaster victim support groups in Fukushima.



Tohoku Anritsu No. 2 Plant in Koriyama, Fukushima Prefecture

### Third-party assessments

Anritsu receives high marks in evaluations of non-financial activities by third-party assessment organizations.

### Selection to the Morningstar Socially Responsible Investment Index (MS-SRI)

(As of June 30, 2017)



### Top 100 companies in Asia for sustainability performance



### SNAM Sustainability Index



Recognized as a White 500 organization in the Ministry of Economy, Trade and Industry's 2017 Certified Health and Productivity Management Organization Recognition Program



Award of Excellence at the Ministry of the Environment's Environmental Communication Awards



## Environment

Goal  
3

### Promoting Global Environmental Protection

#### Mid-term goals

Important issues	Mid-term goals for 2017
Promotion of environmental management	<b>Total energy usage</b> Reduce by 3% or more from fiscal 2014 (Global Anritsu Group)
	<b>Water consumption</b> Reduce by 3% or more from fiscal 2014 (Global Anritsu Group)
	<b>Develop environmentally sound products</b> Make all products environmentally sound

### Promoting Environmental Management

Anritsu strives to give due consideration to the environment in both the development and manufacture of our products and contributes to creating a prosperous society where people and nature co-exist. Anritsu is promoting environmental management globally throughout its supply chain.

#### Anritsu's Environmental Management

Anritsu practices environmental management on a global basis. Through environmental management and the "eco-mind" of each and every employee, Anritsu is moving ahead with initiatives to realize the "eco-office," "eco-factory," and "eco-products."

#### Eco-Management

Anritsu contributes to reducing the environmental impact of society and its customers by conducting its business activities in compliance with all laws and regulations and with low environmental impact, and by having management apply the necessary management resources to enable the Company to provide products with minimized environmental impact and that can help lower the environmental impact.

#### Eco-Mind

As part of our aim to be a good corporate citizen, we foster awareness of environmental impact of our products by having each employee be in charge of one part of each product's lifecycle and by implementing measures to improve the environmental performance of our operations.

#### Eco-Office, Eco-Factory

We seek to lower the environmental burden at our offices and factories through energy conservation, resource conservation, and the 3Rs (reduce, reuse, recycle), by complying with regulations, and by taking steps to reduce environmental pollution risk.

#### Eco-Products

Anritsu develops products that help to improve the environment in customer usage settings with full consideration for saving energy and resources and reducing harmful substances throughout product lifecycles.

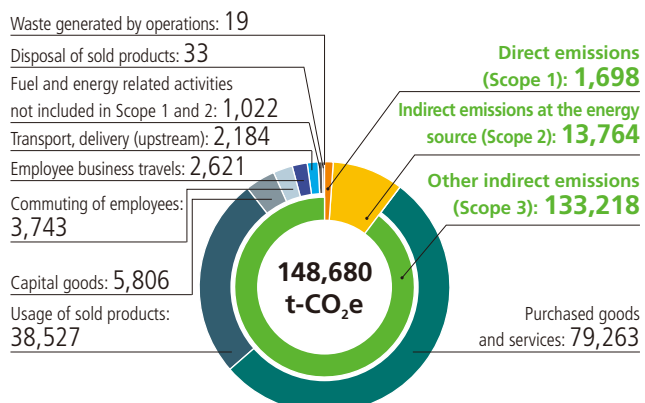
#### CO<sub>2</sub> Emissions from the Entire Value Chain

Anritsu calculates the emissions of greenhouse gases throughout its value chain using the GHG Protocol, Scope 3. In fiscal 2016, we have obtained third-party verification for the calculated value of our actual emissions.



An independent third-party assurance report

#### CO<sub>2</sub> Emissions from the Entire Value Chain





## Governance

### Goal 2

## Maintaining Harmony with the Global Socio-Economy

### Mid-term goals

Important issues	Mid-term goals for 2017
Establishment of compliance	Implementation/continuation of compliance training for all employees
Promotion of risk management	Putting into place a centralized global risk management system and surveillance system

### Compliance Promotion Activities

The Anritsu Group in Japan maintains a Corporate Ethics Promotion Committee attended by representatives from the ethics committees of each Anritsu company and each Group company. The committee plans, supports, and implements initiatives to promote compliance throughout the domestic Anritsu Group.

Each business unit carries out its own improvement activities based on the action plan. The effectiveness of the plan is assessed through the results of a survey the following year to ensure continuous improvement of our compliance activities.

### Compliance Promotion Activities



### Initiatives to Prevent Corruption

The Anritsu Group, which conducts business operations around the globe, is aware that a major compliance issue is the prevention of bribery and corruption. To conduct its business activities in a healthy and honest manner in line with society's expectations, Anritsu is working to prevent corruption.

In fiscal 2015, the Company's web-based bribery prevention training was administered to approximately 1,450 employees (750 in Japan and 700 overseas) in relevant departments and in positions of division head and higher in Anritsu Group companies. The Company also added Anritsu Group Anti-Bribery and Corruption Rules to its existing Anritsu Group Anti-Bribery Policy.

Preventive actions will be taken in each region following guidelines based on these rules catered to the specific local characteristics.

### Initiatives to Date to Prevent Bribery

Fiscal 2012	▶ Established the "Anritsu Group Anti-Bribery Policy" and gave full notice to Anritsu companies in Japan and overseas of the prohibition of bribery
Fiscal 2014	▶ Implemented global web-based training (WBT) on prohibition of bribery
Fiscal 2015	▶ Continued WBT on anti-bribery. Prepared the "Anritsu Group Anti-Bribery and Corruption Rules"
Fiscal 2016	▶ Worldwide enforcement of the Anritsu Group Anti-Bribery and Corruption Rules

### Risk Management Promotion System

The Anritsu Group has identified seven major risk categories and has established a management system of appointing either a supervisory director or managing officer to serve as the chief administrator in charge for each risk. The chief administrator supervises a committee comprising the heads of relevant divisions and chief administrators of Group companies, oversees Group companies involved in managing the relevant risk, and, as necessary, submits reports to the Management Strategic Conference on risk management measures, planning, implementation status, and results of the management cycle throughout the year.

1	Business risk from management decisions and execution of operations
2	Legal violation risk
3	Environmental preservation risk
4	Product and service quality risk
5	Import/export management risk
6	Information security risk
7	Disaster risk

### Business Continuity Management

All Anritsu divisions create Business Continuity Plans (BCPs) for maintaining smooth operations in the event of a disaster or emergency by minimizing damage and resuming full business activities as quickly as possible.

Tohoku Anritsu Co., Ltd., which is the manufacturing base of the Anritsu Group, categorizes earthquakes and other natural disasters as significant risks and has prepared detailed BCPs. The Company has incorporated what it learned from the actual large-scale disaster to improve its preparation for a broader range of risks and has refined its response procedures for each risk.

# 11-Year Summary of Selected Financial/Nonfinancial Data

ANRITSU CORPORATION AND CONSOLIDATED SUBSIDIARIES Years ended March 31

← International Financial Reporting Standards (IFRS)

Financial information	Millions of yen	Thousands of U.S. dollars*					
	2017	2017	2016	2015	2014	2013	2012
<b>For the year:</b>							
Revenue	87,638	781,156	95,532	98,839	101,853	94,685	93,622
Cost of sales	45,168	402,602	46,557	46,147	46,897	43,715	44,397
Gross profit	42,469	378,545	48,974	52,692	54,955	50,969	49,225
Other revenue and expenses	38,235	340,805	43,077	41,809	40,832	35,255	35,224
Operating profit	4,234	37,739	5,897	10,882	14,123	15,714	14,000
Profit from continuing operations	2,734	24,369	3,767	7,874	9,318	13,888	7,972
Net cash flows from (used in) operating activities	9,246	82,413	10,195	7,582	13,792	11,771	16,143
Net cash flows from (used in) investing activities	(3,665)	(32,667)	(9,042)	(6,049)	(5,312)	(5,030)	(2,174)
Net cash flows from (used in) financing activities	(2,758)	(24,583)	2,450	(11,234)	(4,359)	(10,035)	(2,264)
Free cash flow	5,581	49,745	1,153	1,533	8,480	6,740	13,968
Depreciation and amortization	3,935	35,074	3,736	3,186	2,863	2,562	2,469
Capital expenditures	2,588	23,068	5,399	9,612	5,355	4,562	3,200
R&D expense* <sup>1</sup>	11,212	99,937	13,089	13,366	12,488	10,323	9,842
<b>At year-end:</b>							
Total assets	125,054	1,114,662	124,624	126,893	127,149	115,095	111,287
Total equity	76,485	681,745	75,862	78,665	74,896	64,539	46,818
Cash and cash equivalents	39,682	353,703	37,391	34,916	43,215	37,690	39,596
Interest-bearing debt	22,026	196,327	22,024	16,065	18,858	19,417	30,113

Yen							
<b>Earnings per share:</b>							
Basic earnings per share	19.65	0.17	27.38	55.72	64.93	98.41	62.17
Diluted earnings per share	19.65	0.17	27.38	55.72	64.89	97.03	56.33
Cash dividends	15.00	0.13	24.00	24.00	20.00	20.00	15.00
Equity attributable to owners of parent	556.40	4.95	552.26	572.04	522.54	450.36	341.43
<b>Key financial indicators:</b>							
Operating profit margin (%)	4.8		6.2	11.0	13.9	16.6	15.0
Return on equity (%) <sup>*2</sup>	3.5		4.9	10.2	13.3	25.0	19.5
Anritsu Capital-cost Evaluation <sup>*3</sup>	(1,570)	(13,994)	(585)	2,454	4,759	9,495	5,163
Return on assets (%) <sup>*4</sup>	2.2		3.0	6.2	7.7	12.3	7.5
Ratio of net assets to total assets (%)	61.1		60.8	62.0	58.9	56.1	42.1
Net debt-to-equity ratio (times) <sup>*5</sup>	(0.23)		(0.20)	(0.24)	(0.33)	—	—
Interest coverage ratio (times) <sup>*6</sup>	68.4		52.0	41.7	54.2	24.9	20.8
Dividend payout ratio (%)	76.3		87.7	43.1	30.8	20.3	24.1
Dividends on equity (%) <sup>*7</sup>	2.7		4.3	4.4	4.1	5.1	4.9

Notes: 1. The Anritsu Group has adopted IFRS since the fiscal year ended March 31, 2013 and prepared consolidated financial statements in conformity with IFRS.

2. With amendment of IAS 19, 2013 actual figures have been restated based on the revised accounting policies retrospectively.

3. Amounts less than ¥1 million are rounded down.

4. The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥112.19 to U.S. \$1.00, the approximate exchange rate on March 31, 2017.

Non-financial information				2017	2016
Social:	Human resources	Number of employees		3,788	3,846
		Ratio of women in managerial positions globally <sup>*1</sup>			
		Japan	8%	8%	
		Americas	72%	64%	
		EMEA	105%	83%	
		Asia, other	73%	63%	
	Safety	World total	47%	44%	
Environmental:	Number of labor accidents (per one million hours)			0.21	0.64
	Energy usage (crude oil conversion basis) kL	World total		7,983	8,265
	Water usage (m <sup>3</sup> ) <sup>*2</sup>	World total		80,352	82,793
	Excellent eco-products	Number of equipment types (cumulative)		44	39

\*1 The ratio of women in managerial positions, with the number of males in managerial positions as 100 = (Women in managerial positions / total number of women employees) / (Men in managerial positions / Total male employees)

Japanese Generally Accepted Accounting Principles ("J-GAAP") →

	Millions of yen					
	2012	2011	2010	2009	2008	2007
<b>For the year:</b>						
Net sales	93,586	77,853	73,548	83,940	100,485	99,445
Cost of sales	49,384	43,033	42,707	52,005	56,474	55,786
Gross profit	44,202	34,819	30,840	31,934	44,011	43,659
Selling, general and administrative expenses	29,787	27,825	26,257	31,029	38,655	37,300
Operating income	14,414	6,994	4,583	905	5,356	6,358
Net income (loss)	10,180	3,069	385	(3,540)	(3,900)	1,375
Net cash provided by (used in) operating activities	15,871	9,229	7,970	6,916	6,251	2,488
Net cash provided by (used in) investing activities	(1,963)	(1,432)	(498)	(1,326)	(2,373)	420
Net cash provided by (used in) financing activities	(2,204)	(6,049)	386	(3,847)	(6,625)	(13,974)
Free cash flow	13,908	7,797	7,471	5,589	3,877	2,908
Depreciation and amortization	2,555	2,589	2,979	3,099	3,373	3,599
Capital expenditures	3,165	1,549	1,134	2,236	2,790	2,319
R&D expense*1	10,012	9,380	9,387	11,704	14,115	14,072
<b>At year-end:</b>						
Total assets	113,069	99,249	101,188	100,983	124,917	140,395
Net assets	54,863	39,906	37,674	37,524	52,845	61,619
Cash and cash equivalents	39,596	27,993	26,269	18,538	16,684	19,946
Interest-bearing debt	30,336	36,839	42,274	43,605	47,010	53,033
<b>Per share:</b>						
Net income (loss)						
Basic	79.39	24.09	3.02	(27.78)	(30.60)	10.79
Diluted	71.01	22.08	2.77	—	—	9.72
Cash dividends	15.00	7.00	—	3.50	7.00	7.00
Total net assets	399.56	313.09	295.49	294.29	414.16	483.25
<b>Key financial indicators:</b>						
Operating income margin (%)	15.4	9.0	6.2	1.1	5.3	6.4
Return on equity (%)**2	21.5	7.9	1.0	—	—	2.2
Anritsu Capital-cost Evaluation**3	9,195	1,908	(2,972)	(4,936)	(750)	(1,397)
Return on assets (%)**4	9.6	3.1	0.4	—	—	0.9
Ratio of net assets to total assets (%)	48.5	40.2	37.2	37.1	42.3	43.9
Net debt-to-equity ratio (times)**5	—	0.22	0.43	0.67	0.57	0.54
Interest coverage ratio (times)**6	30.7	13.2	12.7	9.8	6.2	1.9
Dividend payout ratio (%)	18.9	29.1	—	—	—	64.9
Dividends on equity (%)**7	4.2	2.3	—	1.0	1.6	1.5

\*1 R&D expense for 2012 (IFRS) to 2017 lists the amount invested in research and development, including partially capitalized development expenses. Accordingly, it is not the same as R&D expense listed on the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

\*2 Return on equity: Profit attributable to owners of parent / Equity attributable to owners of parent (IFRS); Net income / Shareholders' equity (J-GAAP)

\*3 Anritsu Capital-cost Evaluation: Net operating income after tax - Invested capital cost (IFRS: Net operating profit after tax - Invested capital cost)

\*4 Return on assets: Profit from continuing operations / Total assets (IFRS); Net income / Total assets (J-GAAP)

\*5 Net debt-to-equity ratio: (Interest-bearing debt - Cash and cash equivalents) / Equity attributable to owners of parent (IFRS); (Interest-bearing debt - Cash and cash equivalents) / Shareholders' equity (J-GAAP)

\*6 Interest coverage ratio: (Operating income + Interest and dividends income) / Interest expenses (IFRS: (Operating profit + Interest and dividends income) / Interest expenses)

\*7 Dividends on equity: Total cash dividends / Net assets (IFRS: Total cash dividends / Total equity)

2015	2014	2013	2012	2011	2010	2009	2008	2007
3,926	3,880	3,771	3,681	3,614	3,589	3,697	3,963	3,990
9%	9%	8%	14%	12%	19%	9%	8%	8%
56%	59%	59%	59%	64%	64%	68%	48%	59%
72%	74%	82%	60%	64%	74%	97%	76%	66%
66%	78%	57%	54%	44%	33%	37%	53%	50%
44%	47%	45%	48%	48%	50%	52%	44%	45%
0.76	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
7,962	7,987	8,064	8,345	9,013	8,543	9,113	9,856	10,404
94,931	104,426	112,800	127,713	128,204	124,243	145,083	163,286	159,714
32	30	29	28	27	25	22	22	17

# 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 2014, 2015, 2016, and 2017.

## The Scope of Consolidation

The Anritsu Group comprised 42 consolidated subsidiaries at the end of the fiscal year.

## Overview

During the fiscal year ended March 31, 2017, the U.S. economy continued its recovery trend, although the outlook for the global economy remained uncertain due to adverse elements including the U.K.'s withdrawal from the EU, the decelerating economic growth in China, and the increasingly tense situations in East Asia. In Japan, despite the continuation of economic stimulus measures through monetary/fiscal policies, including postponement of the planned consumption tax increase, concerns about economic prospects have been mounting mainly due to increasing global risks and rapid exchange rate fluctuations. In the field of communication networks, as represented by smartphone applications that utilize the VR (Virtual Reality), various mobile broadband services are growing. In order to cope with the rapid increase in the volume of mobile data transmission and also to solve the issues of the network environment, LTE (Long-Term Evolution) and LTE-Advanced (a further expanded LTE) have been developed, and they are going into full-scale use as the mobile communications system. However, the ownership of smartphones has reached a saturated level in the market, and, as a result of that, the overall smartphone-related market has been shrinking.

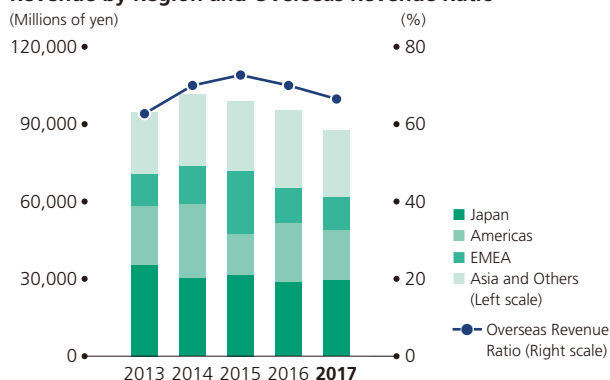
Consequently, investments planned by our customers have been altered, as well as the plans of restructurings. In addition, regarding the current smartphone-related market, while active moves are seen in some emerging markets, restrained investments by customers are continuing overall due to the delay of introducing 3CA (3-Band Carrier Aggregation) in China and so on. On the other hand, standardization has been moved ahead of expectations with respect to the 5G mobile system, the next-generation communications system which is expected to provide the infrastructure to a wide range of mobile broadband services, and, accordingly, the commercialization of 5G is beginning to materialize, as major domestic and overseas operators are announcing plans for verification tests of 5G. Furthermore, as the automated driving projects in the automotive industry are well known, a wide range of industries are making full-fledged efforts to

expand investment plans toward new societal innovation which utilize IoT (Internet of Things), and these moves actualize new business opportunities such as demand for development of new wireless communications technology which are needed in most-advanced markets. Amid such a business environment, the Anritsu Group acquired Azimuth Systems, Inc. in the U.S. in September 2016 and has worked to build up a platform for business expansion by carrying out strategic investments mainly in the areas of growing markets and enhancing competitiveness in the offering of solutions. In addition, company-wide efforts are being made to streamline the organization and reduce costs to further improve the profit structure.

## Revenue

During the fiscal year ended March 31, 2017, in the Test and Measurement business, while demand for measuring instruments for optical/digital devices was strong, restrained investments by major players in the smartphone development and manufacturing market in North America and Asia continued. Consequently, revenue and profit in the Test and Measurement business decreased compared with the previous fiscal year. In the Products Quality Assurance (PQA) business, revenue and profit increased compared with the previous fiscal year mainly due to growth in sales in Japan and overseas markets. Foreign exchange losses (including fair value of foreign exchange contracts) of ¥529 million for trade receivables in foreign currency were recorded in finance income and expenses. As a result, orders decreased 6.0% compared with the previous fiscal year, to ¥88,934 million, and revenue decreased 8.3%, to ¥87,638 million.

### Revenue by Region and Overseas Revenue Ratio





### Cost of Sales and Gross Profit

Cost of sales decreased ¥1,388 million, or 3.0%, to ¥45,168 million. Cost of sales as a percentage of total revenue was 51.5%, up 2.8 percentage points compared with the previous fiscal year. Gross profit decreased ¥6,505 million, or 13.3%, to ¥42,469 million. The gross margin amounted to 48.5%.

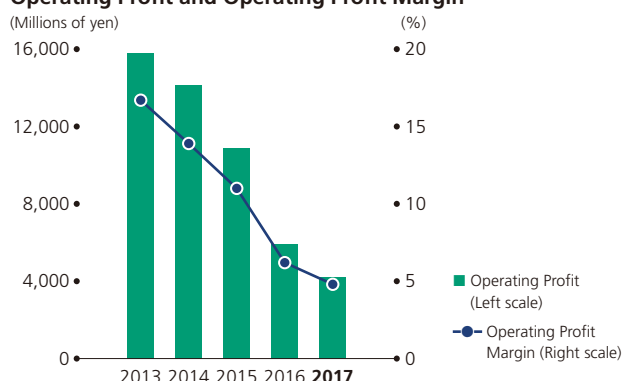
### Selling, General and Administrative (SG&A) Expenses and Operating Profit

SG&A expenses decreased 8.2% over the previous fiscal year, to ¥27,198 million. Research and development (R&D) expenses dropped 14.9%, to ¥10,906 million, reaching 12.4% of consolidated total revenue. As a result of the above factors, operating profit declined 28.2%, or ¥1,663 million, to ¥4,234 million. The operating margin was 4.8%.

#### SG&A Expenses

Year ended March 31	Millions of yen		YoY (%)
	2017	2016	
Personnel expenses	¥17,701	¥19,286	(8.2)
Travel and transportation expenses	1,676	1,860	(9.9)
Advertising expenses	1,218	1,750	(30.4)
Depreciation and amortization expenses	1,262	1,131	11.6
Others	5,340	5,593	(4.5)

### Operating Profit and Operating Profit Margin



### Profit before Tax and Profit

Operating profit decreased 28.2% compared with the previous fiscal year, to ¥4,234 million, and profit before tax decreased 33.2% compared with the previous fiscal year, to ¥3,628 million. Profit decreased 27.4% compared with the previous fiscal year, to ¥2,734 million, and profit attributable to owners of parent decreased 28.3% compared with the previous fiscal year, to ¥2,698 million.

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

Year ended March 31	%		
	2017	2016	2015
Revenue	100.0	100.0	100.0
Cost of sales	51.5	48.7	46.7
Gross profit	48.5	51.3	53.3
SG&A expenses	31.0	31.0	30.0
R&D expenses	12.4	13.4	13.1
Profit	3.1	3.9	8.0

### 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 30% 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.

#### 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 ¥7.5 per share as initially scheduled, and total dividends for the fiscal year will be ¥15.0 per share for the fiscal year ended March 31, 2017.

### Business Segments

The Anritsu Group classifies operations into the segments of Test and Measurement, Products Quality Assurance, 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, 2017, while demand for measuring instruments for optical/digital devices was strong, in the mobile market, restrained investment by customers continued, thereby revenue in the Test and Measurement business decreased compared with the previous fiscal year. Consequently, segment revenue decreased 12.4% compared with the previous fiscal year, to ¥59,333 million, operating profit decreased 54.7%, to ¥2,130 million, and adjusted operating profit decreased 53.6%, to ¥2,504 million. (Note) Adjusted operating profit is Anritsu's original profit indicator to measure results of its recurring business by excluding profit and loss items with a transient nature from operating profit. The Test and Measurement business, which accounts for 68% of the Anritsu Group's revenue, is divided into the following 3 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 including smartphones, 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, 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 deployed in various

countries around the world. Leading mobile phone and chipset manufacturers and telecom operators continue to pursue development and service deployment of LTE-Advanced, with the aim of providing more-sophisticated, high-quality services. However, the growth rate of the total shipment of smartphones has reached a saturated level in the market, and, as a result, investment continued to be restrained in the mobile phone-related market. Against the backdrop of such market changes, while a cautious stance was seen in LTE-Advanced related investments in the mobile phone development related market, in the mobile phone manufacturing market, there was an increase in demand for more-efficient measuring instruments for device manufacturing due to intensified competition between mobile phone manufacturers.

Meanwhile, the standardization and commercialization of the 5G mobile system, the next-generation communications system which is expected to provide the infrastructure to a wide range of mobile broadband services, are beginning to materialize, and demand for test and measurement is emerging in basic research and development of 5G. In addition, in the IoT field, which is driven by telecom operators, and the automated driving and in-vehicle telecom field in the automobile industry, the development of mobile communications technology to realize new services is also emerging as a business opportunity.

Anritsu will continue to develop and launch competitive leading-edge measuring solutions, as well as accurately conduct development portfolio management, to strengthen the revenue base.

##### 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, data traffic is expanding rapidly due to sophisticated cloud computing services and the spread of mobile broadband services. Therefore, telecom operators and equipment manufacturers that are pursuing higher-speed networks are concentrating on the commercialization of

100Gbps services and research and development in 400Gbps network equipment. Moreover, in order to improve mobile phone connectivity, progress is being made towards the efficient densification of base station networks by integrating wired and wireless network technologies. Along with the change in market trends, demand is growing for measuring solutions that optimize wireline and wireless technology depending on the intended use. Furthermore, mainly owing to the increase in data centers supporting cloud services, the market for high-speed data communications equipment is expanding. Along with this, research and development and the manufacturing market for 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 work to further expand the business in this sub-segment by offering a wider range of solutions for the electronics market.

### Products Quality Assurance

The Products Quality Assurance business accounts for 22% of the Anritsu Group's revenue. Since more than 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. In the Japanese market, capital investment for automation and manpower reduction in food production lines has steadily increased, against a backdrop of the customer concerns regarding contamination and rising needs for automation due to the labor shortage. In the overseas markets, progress was made in the cultivation of major customers who are operating their businesses globally in regions such as the Americas, Europe, and China, and the overseas sales ratio of this business is roughly 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.

As a result of these initiatives, total revenues amounted to ¥19,588 million (an increase of 3.7% over the previous fiscal year), and operating income was ¥1,302 million (an increase of 9.0%).

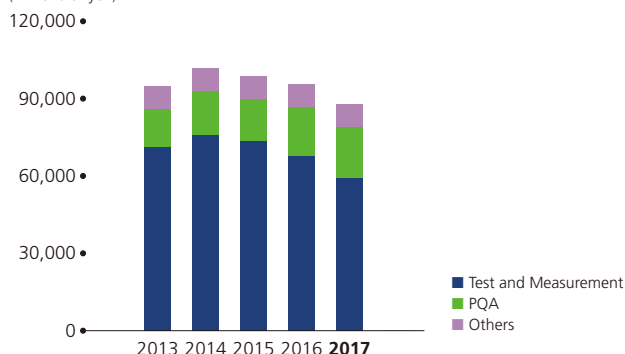
### Others

This segment comprises Information and Communications, Devices, Logistics, Welfare services, Real estate leasing, and other businesses.

During the fiscal year ended March 31, 2017, profit for the Information and Communications business improved compared with the previous fiscal year. As a result, segment revenue decreased 2.2% compared with the previous fiscal year, to ¥8,716 million, and operating profit increased 72.5% compared with the previous fiscal year, to ¥992 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. 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 ¥7.5 billion in March 2017, which is effective through March 2020. 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.

As of March 31, 2017, the balance of interest-bearing debt (excluding lease payables) was ¥22.0 billion (compared with ¥22.0 billion at the end of the previous fiscal year), and the debt-to-equity ratio was 0.29 (compared with 0.29 at the end of the previous fiscal year). And the net debt-to-equity ratio was a negative 0.23 (compared with a negative 0.20 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 5.0 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 CCC as well as enhanced capital efficiency resulting from measures including an internal group cash management system to make further reductions in interest-bearing debt, improve the debt-to-equity ratio, enhancing shareholders' equity, and fortify its financial structure.

At the end of March 2017, Rating and Investment Information, Inc. (R&I) has rated Anritsu's short-term debt a-1, and its long-term debt A-. 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  
 4. CCC: Cash Conversion Cycle

#### Cash Flow

In the fiscal year ended March 31, 2017, cash and cash equivalents (hereafter, "net cash") increased ¥2,290 million compared with the end of the previous fiscal year, to ¥39,682 million.

Free cash flow, the sum of cash flows from operating activities and cash flows from investing activities, was a positive ¥5,581 million (compared with a positive ¥1,153 million in the previous fiscal year).

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

#### • Cash Flows from Operating Activities

Net cash provided by operating activities was ¥9,246 million (in the previous fiscal year, operating activities provided net cash of ¥10,195 million). The cash increase was mainly due to reporting of profit before tax, recording depreciation and amortization expense, and a decrease of inventories.

Depreciation and amortization expense was ¥4,197 million, an increase of ¥227 million compared with the previous fiscal year.



### • Cash Flows from Investing Activities

Net cash used in investing activities was ¥3,665 million (in the previous fiscal year, investing activities used net cash of ¥9,042 million). This was primarily due to acquisition of property, plant and equipment.

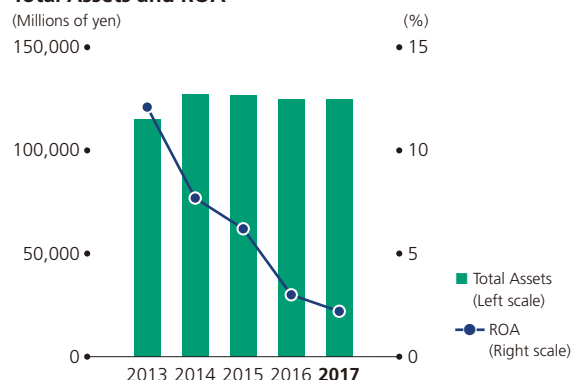
### • Cash Flows from Financing Activities

Net cash used in financing activities was ¥2,758 million (in the previous fiscal year, financing activities provided net cash of ¥2,450 million). The primary reason was payment of cash dividends totaling ¥2,677 million (in the previous fiscal year, payment of cash dividends was ¥3,296 million).

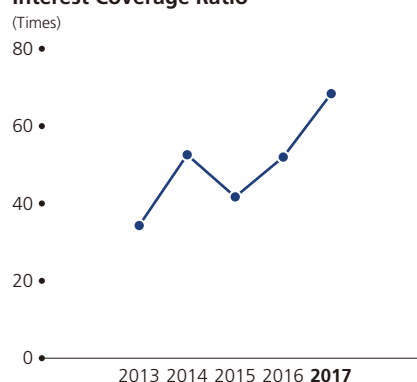
### Assets, Liabilities, and Equity

Assets, liabilities, and equity as of March 31, 2017 were as follows. Total assets increased ¥429 million compared with the end of the previous fiscal year, to ¥125,054 million. While trade and other receivables increased, cash and cash equivalents increased. Total liabilities decreased ¥192 million compared with the end of the previous fiscal year, to ¥48,568 million. This was mainly due to the decreases of bonds and borrowings and employee benefits in non-current liabilities, while there were decreases in bonds and borrowings and trade and other payables in current liabilities. Total equity increased ¥622 million compared with the end of the previous fiscal year, to ¥76,485 million. This was mainly due to decreases of retained earnings and other components of equity. As a result, the equity attributable to owners of parent to total assets ratio was 61.1%, compared with 60.8% at the end of the previous fiscal year.

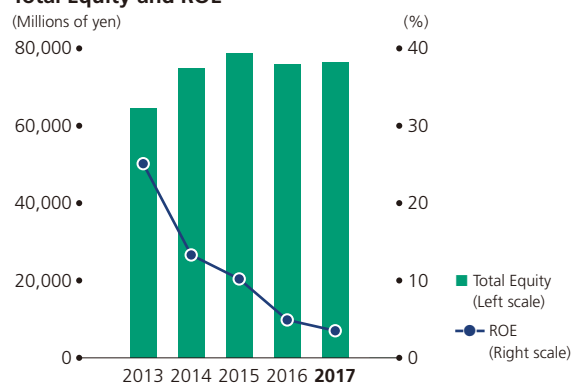
### Total Assets and ROA



### Interest Coverage Ratio



### Total Equity and ROE



## Management's Discussion and Analysis

### Capital Expenditures

To achieve sustainable growth and profit increases in the future, the Anritsu Group is making strategic investments, such as new-product development focused on product areas where long-term growth is expected and systems-related investments are aimed at laborsaving and operation streamlining.

In the Test and Measurement business, we invested in new product development and cost reduction in order to handle rapid technological innovation and sales competition.

In the PQA business, we primarily invested with the objectives of increasing production environment efficiency and putting in place an information systems environment. In other business, we primarily invested in new product development, evaluation environment development, and product quality improvement, all in Information and Communications business.

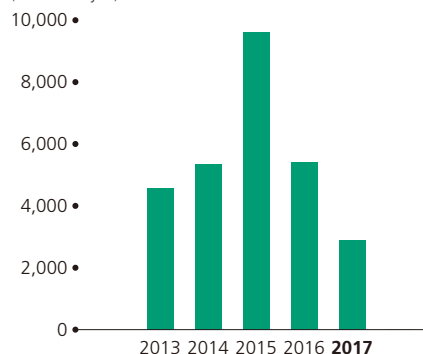
The breakdown of investments is shown in the following table. (Figures for tangible fixed assets and intangible assets are on a received basis. Figures exclude development costs of intangible assets. Figures do not include consumption taxes, etc.)

#### Overview of Capital Expenditures

Year ended March 31	Millions of yen		YoY (%)
	2017	2016	
Test and Measurement	¥1,901	¥4,693	(40.5)
PQA	273	358	(76.3)
Subtotal	2,175	5,051	(43.1)
Others	413	348	118.7
Total	¥2,588	¥5,399	(47.9)

#### Capital Expenditures

(Millions of yen)



### 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 prosperous."

In the Test and Measurement segment, Anritsu Company (United States), Azimuth Systems, Inc. (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 PQA segment is conducting R&D within Anritsu Infivis 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 R&D investments during the fiscal year, including those presented in intangible assets, is shown below.

#### Research and Development

Year ended March 31	Millions of yen	% of revenue	Millions of yen	% of revenue
	2017		2016	
Test and Measurement	¥ 8,324	14.0	¥ 9,822	14.5
PQA	2,076	10.6	1,901	10.1
Others	609	7.0	795	8.9
Basic Research	202	—	570	—
Total	¥11,212	12.8	¥13,089	13.7

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

Business Segment	Model	Product	Application	Contribution
Test and Measurement	ME7800L	New products Simple Conformance Test System	Conformance test system that allows for LTE RF and Protocol conformance tests on a single platform	Conformance test system to confirm that LTE devices comply with GCF/ PTCRB test standards
	MP1900A	New products Signal Quality Analyzer-R	Bit Error Rate Tester (BERT) for 200 and 400 Gbps optical digital communications	Research and development of bus interfaces, such as 200 and 400 GbE devices and PCI Express
	MS2850A	New products Signal Analyzer	Signal analyzer that realizes millimeter-wave measurement	For development/manufacture of radio communications equipment supporting 5G
PQA	M6-h Series	New products Metal detector	High-sensitivity metal foreign matter detector	Contributes to better food quality and higher productivity
Others	PureFlow WSX WS1	Unified network controller	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

## Management Objectives and Indicators

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, and established a medium-term milestone plan entitled the Mid-term Business Plan GLP2017 (a three-year plan that ends in FY2017), which is based on the ANRITSU 2020 VISION. However, with structural changes in the smartphone market as a backdrop, the operating environment has changed substantially over the last few years, and GLP2017 is not expected to be achieved.

As countermeasures for the FY2016 and FY2017 market transition periods, the Group as a whole will work on measures to reform the management structure (business selection and concentration, strengthening of the profit structure, and business process reform).

In the current fiscal year, towards the formulation of GLP2020, which is a three-year plan starting in FY2018, the Group will capture growth drivers to restore growth potential and strive to consolidate its foundation for building a robust profit structure.

Year ended March 31	Billions of yen		
	2016 (Actual)	2017 (Actual)	2017 (Forecast)
Revenue	95.5	<b>87.6</b>	87.5
Operating profit	5.9	<b>4.2</b>	2.2
Profit	3.8	<b>2.7</b>	1.0
ACE	(0.6)	<b>(1.6)</b>	—
ROE (%)	4.9	<b>3.5</b>	—

### Outlook and Management Issues for the Year Ending March 31, 2018

In the mobile market, the Anritsu Group will continue to provide solutions for an acceleration of LTE-Advanced (CA: Carrier Aggregation, MIMO: Multiple-Input and Multiple-Output, etc.) and strengthen the development of emerging markets in an effort to secure revenue, while delivering new products compatible with next-generation 5G/IoT in a timely manner. In the network infrastructure market, in order to acquire the network reshaping market which is expanding due to the explosive increase in demand for data traffic and data centers as a result of expansion of services, we will reinforce competitiveness.

The Products Quality Assurance business will maintain a stable revenue base in the Japanese market as a market leader and strive to expand market share in the growing overseas markets. In order to reinforce competitiveness in the overseas markets, we will enhance and expand the global supply chain system.

The Anritsu Group is planning on growth in revenue in the Test and Measurement business mainly in overseas markets. In the Products Quality Assurance business, revenue is expected to increase in both Japan and overseas markets. The outlook for operating profit and profit shows increases from the fiscal year ended March 31, 2017.

### 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 communication 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 Products Quality Assurance business, sales to food manufacturers constitute more than 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 Products Quality Assurance business is 67%, 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 67% 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. 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.

# Consolidated Statement of Financial Position

	Millions of yen		Thousands of U.S. dollars*
	End of FY2016 as of March 31, 2017	End of FY2015 as of March 31, 2016	End of FY2016 as of March 31, 2017
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	¥ 39,682	¥ 37,391	\$ 353,703
Trade and other receivables	21,561	19,738	192,182
Other financial assets	1,152	1,163	10,268
Inventories	16,606	18,376	148,016
Income tax receivables	459	171	4,091
Other assets	2,960	3,699	26,383
Total current assets	82,421	80,541	734,655
<b>Non-current assets:</b>			
Property, plant and equipment	26,441	27,738	235,680
Goodwill and intangible assets	3,721	3,209	33,166
Investment property	1,664	1,830	14,831
Trade and other receivables	330	339	2,941
Other financial assets	2,481	2,395	22,114
Deferred tax assets	7,979	8,545	71,120
Other assets	14	24	124
Total non-current assets	42,632	44,082	379,998
Total	¥125,054	¥124,624	\$1,114,662
<b>Liabilities and Equity</b>			
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Trade and other payables	¥ 7,060	¥ 7,133	\$ 62,928
Bonds and borrowings	7,565	1,590	67,430
Other financial liabilities	73	60	650
Income tax payables	1,608	1,230	14,332
Employee benefits	5,427	5,606	48,373
Provisions	273	254	2,433
Other liabilities	6,385	5,674	56,912
Total current liabilities	28,394	21,550	253,088
<b>Non-current liabilities:</b>			
Trade and other payables	465	359	4,144
Bonds and borrowings	14,460	20,434	128,888
Other financial liabilities	142	81	1,265
Employee benefits	3,188	4,290	28,416
Provisions	106	108	944
Deferred tax liabilities	256	302	2,281
Other liabilities	1,554	1,633	13,851
Total non-current liabilities	20,174	27,211	179,819
Total liabilities	48,568	48,761	432,908
<b>Equity:</b>			
Common stock	19,052	19,052	169,819
Additional paid-in capital	28,169	28,220	251,082
Retained earnings	24,394	23,193	217,434
Treasury stock	(1,012)	(1,040)	(9,020)
Other components of equity	5,794	6,385	51,644
Total equity attributable to owners of parent	76,398	75,811	680,969
Non-controlling interests	87	51	775
Total equity	76,485	75,862	681,745
Total	¥125,054	¥124,624	\$1,114,662

\* The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥112.19 to U.S. \$1.00, the approximate exchange rate on March 31, 2017.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

As of March 31

	Millions of yen		Thousands of U.S. dollars*
	FY2016 From April 1, 2016 to March 31, 2017	FY2015 From April 1, 2015 to March 31, 2016	FY2016 From April 1, 2016 to March 31, 2017
<b>Continuing operations</b>			
Revenue	¥87,638	¥95,532	\$781,156
Cost of sales	45,168	46,557	402,602
Gross profit	42,469	48,974	378,545
Other revenue and expenses			
Selling, general and administrative expenses	27,198	29,621	242,428
Research and development expense	10,906	12,820	97,210
Other income	205	241	1,827
Other expenses	336	876	2,994
Operating profit (loss)	4,234	5,897	37,739
Finance income	193	240	1,720
Finance costs	798	616	7,112
Share of profit (loss) of associates and joint ventures accounted for using equity method	—	(87)	—
Profit (loss) before tax	3,628	5,434	32,337
Income tax expense	893	1,667	7,959
Profit (loss) from continuing operations	2,734	3,767	24,369
<b>Profit (loss)</b>	<b>2,734</b>	<b>3,767</b>	<b>24,369</b>
<b>Other comprehensive income</b>			
Items that will never be reclassified to profit or loss			
Change of financial assets measured at fair value	63	251	561
Remeasurements of defined benefit plans	1,129	(1,556)	10,063
Total	1,192	(1,305)	10,624
Items that are or may be reclassified subsequently to profit or loss			
Exchange differences on translation	(653)	(1,829)	(5,820)
Total	(653)	(1,829)	(5,820)
Total of other comprehensive income	539	(3,134)	4,804
<b>Comprehensive income</b>	<b>¥ 3,274</b>	<b>¥ 633</b>	<b>\$ 29,182</b>
Profit (loss), attributable to:			
Owners of parent	¥ 2,698	¥ 3,760	\$ 24,048
Non-controlling interests	36	7	320
Total	¥ 2,734	¥ 3,767	\$ 24,369
Comprehensive income attributable to:			
Owners of parent	¥ 3,237	¥ 626	\$ 28,852
Non-controlling interests	36	7	320
Total	¥ 3,274	¥ 633	\$ 29,182
<b>Earnings per share</b>		Yen	U.S. dollars*
Basic earnings per share	¥19.65	¥27.38	\$0.17
Diluted earnings per share	19.65	27.38	0.17

\* The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥112.19 to U.S. \$1.00, the approximate exchange rate on March 31, 2017.

# Consolidated Statement of Changes in Equity

Years Ended March 31

Millions of yen								
FY2015 (From April 1, 2015 to March 31, 2016)								
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Other components of equity	Total equity attributable to owners of parent	Non-controlling interests	Total equity
<b>Balance at April 1, 2015</b>	¥19,052	¥28,217	¥24,565	¥ (869)	¥7,673	¥78,639	¥26	¥78,665
Profit (loss)	—	—	3,760	—	—	3,760	7	3,767
Other comprehensive income	—	—	(1,556)	—	(1,577)	(3,134)	—	(3,134)
Total comprehensive income	—	—	2,203	—	(1,577)	626	7	633
Share-based payments	—	3	11	28	—	43	—	43
Dividends paid	—	—	(3,296)	—	—	(3,296)	—	(3,296)
Purchase of treasury stock	—	—	—	(200)	—	(200)	—	(200)
Acquisition of subsidiary with non-controlling interests	—	—	—	—	—	—	18	18
Dividends to non-controlling interests	—	—	—	—	—	—	(0)	(0)
Transfer from other components of equity to retained earnings	—	—	(289)	—	289	—	—	—
Total transactions with owners and other transactions	—	3	(3,575)	(171)	289	(3,453)	17	(3,436)
<b>Balance at March 31, 2016</b>	¥19,052	¥28,220	¥23,193	¥(1,040)	¥6,385	¥75,811	¥51	¥75,862

FY2016 (From April 1, 2016 to March 31, 2017)								
<b>Balance at April 1, 2016</b>	¥19,052	¥28,220	¥23,193	¥(1,040)	¥6,385	¥75,811	¥51	¥75,862
Profit (loss)	—	—	2,698	—	—	2,698	36	2,734
Other comprehensive income	—	—	1,129	—	(590)	539	—	539
Total comprehensive income	—	—	3,827	—	(590)	3,237	36	3,274
Share-based payments	—	(51)	49	28	—	26	—	26
Dividends paid	—	—	(2,677)	—	—	(2,677)	—	(2,677)
Purchase of treasury stock	—	—	—	(0)	—	(0)	—	(0)
Dividends to non-controlling interests	—	—	—	—	—	—	(0)	(0)
Transfer from other components of equity to retained earnings	—	—	1	—	(1)	—	—	—
Total transactions with owners and other transactions	—	(51)	(2,626)	28	(1)	(2,650)	(0)	(2,651)
<b>Balance at March 31, 2017</b>	¥19,052	¥28,169	¥24,394	¥(1,012)	¥5,794	¥76,398	¥87	¥76,485

Thousands of U.S. dollars*								
FY2016 (From April 1, 2016 to March 31, 2017)								
<b>Balance at April 1, 2016</b>	\$169,819	\$251,537	\$206,729	\$(9,269)	\$56,912	\$675,737	\$454	\$676,192
Profit (loss)	—	—	24,048	—	—	24,048	320	24,369
Other comprehensive income	—	—	10,063	—	(5,258)	4,804	—	4,804
Total comprehensive income	—	—	34,111	—	(5,258)	28,852	320	29,182
Share-based payments	—	(454)	436	249	—	231	—	231
Dividends paid	—	—	(23,861)	—	—	(23,861)	—	(23,861)
Purchase of treasury stock	—	—	—	(0)	—	(0)	—	(0)
Dividends to non-controlling interests	—	—	—	—	—	—	(0)	(0)
Transfer from other components of equity to retained earnings	—	—	8	—	(8)	—	—	—
Total transactions with owners and other transactions	—	(454)	(23,406)	249	(8)	(23,620)	(0)	(23,629)
<b>Balance at March 31, 2017</b>	\$169,819	\$251,082	\$217,434	\$(9,020)	\$51,644	\$680,969	\$775	\$681,745

\* The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥112.19 to U.S. \$1.00, the approximate exchange rate on March 31, 2017.



# Consolidated Statement of Cash Flows

Years Ended March 31

	Millions of yen		Thousands of U.S. dollars*
	FY2016 (12 months) From April 1, 2016 to March 31, 2017	FY2015 (12 months) From April 1, 2015 to March 31, 2016	FY2016 (12 months) From April 1, 2016 to March 31, 2017
<b>Cash flows from (used in) operating activities</b>			
Profit (Loss) before tax	¥ 3,628	¥ 5,434	\$ 32,337
Depreciation and amortization expense	4,197	3,969	37,409
Interest and dividends income	(188)	(218)	(1,675)
Interest expenses	158	166	1,408
Loss (Gain) on disposal of property, plant and equipment	18	31	160
Decrease (Increase) in trade and other receivables	(1,932)	4,754	(17,220)
Decrease (Increase) in inventories	1,775	255	15,821
Increase (Decrease) in trade and other payables	503	(483)	4,483
Increase (Decrease) in employee benefits	401	(104)	3,574
Other, net	1,501	(1,874)	13,379
Subtotal	10,063	11,932	89,696
Interest received	136	120	1,212
Dividends received	52	98	463
Interest paid	(135)	(196)	(1,203)
Income taxes paid	(1,169)	(1,780)	(10,419)
Income taxes refund	298	21	2,656
Net cash flows from (used in) operating activities	9,246	10,195	82,413
<b>Cash flows from (used in) investing activities</b>			
Payments into time deposits	(1,100)	(1,210)	(9,804)
Proceeds from withdrawal of time deposits	1,108	1,203	9,876
Purchase of property, plant and equipment	(2,042)	(7,665)	(18,201)
Proceeds from sale of property, plant and equipment	27	10	240
Purchase of other financial assets	(2)	(5)	(17)
Proceeds from sale of other financial assets	7	137	62
Other, net	(1,663)	(1,511)	(14,823)
Net cash flows from (used in) investing activities	(3,665)	(9,042)	(32,667)
<b>Cash flows from (used in) financing activities</b>			
Net increase (decrease) in short-term borrowings	(20)	—	(178)
Proceeds from long-term borrowings	—	3,000	—
Repayments of long-term borrowings	—	(5,000)	—
Proceeds from issuing bonds	—	8,000	—
Purchase of treasury stock	(0)	(200)	(0)
Dividends paid	(2,677)	(3,296)	(23,861)
Other, net	(61)	(51)	(543)
Net cash flows from (used in) financing activities	(2,758)	2,450	(24,583)
<b>Effect of exchange rate change on cash and cash equivalents</b>	(532)	(1,128)	(4,741)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>2,290</b>	<b>2,475</b>	<b>20,411</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>37,391</b>	<b>34,916</b>	<b>333,282</b>
<b>Cash and cash equivalents at end of period</b>	<b>¥39,682</b>	<b>¥37,391</b>	<b>\$353,703</b>

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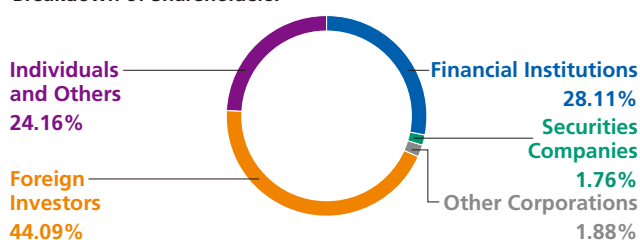
# Glossary

Term	Description
<b>3GPP (3rd Generation Partnership Project)</b>	A project for developing third-generation (3G) mobile phone system standards that is currently developing international standards for LTE and LTE-Advanced.
<b>5G New RAT (5G New Radio Access Technology)</b>	New wireless communications technology for realizing 5G, the next-generation mobile phone system.
<b>AOC (Active Optical Cable)</b>	Cable that combines optical fiber and an electrical signal connector with an embedded optical-electric converter.
<b>Carrier Aggregation 3CC 4CC 5CC</b>	Technology that enables the combination of multiple allotted frequencies to create a larger virtual bandwidth. The larger the bandwidth, the faster large volumes of data can be transmitted. A key technology of LTE-Advanced.
<b>Connectivity</b>	A general term signifying connections between and among mobile devices, etc. and other equipment and devices. This term is used to distinguish such modes as Wi-Fi, Bluetooth, NFC, and other communications modes, from cellular communications. Recently, connectivity has been extended to include automobiles, digital cameras, home appliances, game devices, and healthcare devices.
<b>CPRI (Common Public Radio Interface)</b>	The publicly available specification for the key internal interface of radio base stations between the Radio Equipment Control (REC) and the Radio Equipment (RE). CPRI is the name of the industry cooperation defining the specification.
<b>C-RAN (Cloud Radio Access Network)</b>	C-RAN is one of the radio access network architectures. Each base station is equipped only with a Remote Radio Head. Base-Band Units for many cells are centralized as "Central Station" and it processes signals.
<b>Ethernet</b>	World's most-widespread LAN (Local Area Network) standard.
<b>ICT (Information and Communication Technology)</b>	ICT is a general term referring to scientific technology related to information and telecommunications. It refers especially to storing, processing, and transmitting technology using equipment and devices applied to such physical phenomenon as electrical, electronic, magnetic, and electro-magnetic waves.
<b>IoT (Internet of Things)</b>	IoT will not only allow computers and other communications devices to interact but also will give communications functions to manufacturing equipment in factories, appliances, and virtually all other things in the world around us. This will give these "things" interactive communications functions when connected with the Internet and will facilitate automatic control and remote measurement.
<b>LTE (Long-Term Evolution)</b>	High-speed mobile service that enables data communication at 5 to 10 times the speed of 3G mobile phone and telecommunications services.
<b>LTE-Advanced</b>	Fourth-generation (4G) mobile communications standard approved by the International Telecommunication Union (ITU). The goal is to run faster than LTE, which is becoming popular globally, using new technology such as carrier aggregation. The 3rd Generation Partnership Project (3GPP), which aims for greater functionality via high speeds, is currently setting the international standard.
<b>MIMO (Multiple-Input and Multiple-Output)</b>	A wireless communications technology that uses multiple antennas at the transmitter and receiver to transmit and receive data at the same frequency axis. Capable of increasing communications speeds, a key technology of LTE Advanced.
<b>NB-IoT (Narrow Band-IoT)</b>	IoT communications system that uses mobile phone networks and being standardized by 3GPP.
<b>NFV (Network Functions Virtualization)</b>	NFV offers a new way to design, deploy, and manage networking services by decoupling.
<b>NSA-NR/SA-NR (Non-Standalone New Radio / Standalone New Radio)</b>	5G standardization specification being developed by 3GPP. NSA-NR: Operating format through interworking of existing LTE and 5G. SA-NR: Operating format with 5G on a standalone basis.
<b>OTN (Optical Transport Network)</b>	Transfer technology compatible with WDM transmission networks that houses various client signals like SHD and Ethernet and transmits data with a high degree of reliability.
<b>PCI-E (Peripheral Component Interconnect Express)</b>	PCI is an expansion bus interface protocol used to insert an expansion card into a computer. PCI-E is a higher order protocol of PCI with a data rate up to 30 times faster than PCI.
<b>SDH (Synchronous Digital Hierarchy)</b>	International standards for synchronous digital hierarchy multiplex transmitter and demultiplexing method.
<b>SDN (Software-Defined Network)</b>	SDN is a way to manage networks that separates the control plane from the forwarding plane. SDN is a complementary approach to network functions virtualization (NFV) for network management. While they both manage networks, both rely on different methods.
<b>WDM (Wavelength Division Multiplexing)</b>	Optical communications technology called Wavelength Division Multiplexing for large capacity signals.
<b>WLAN (Wireless LAN)</b>	LAN (Local Area Network) connected using a wireless system. IEEE802.11 is a common protocol for forming a wireless LAN.
<b>Interconnect</b>	Transmission line (signal line, communication standard, etc.) for interconnecting semiconductor chips or electronic circuits and making it possible for them to mutually send and receive signals and data, etc.
<b>Small Cells</b>	A type of station for mobile communications, used typically to supplement the coverage of regular ground stations. Small cell stations have lower output power and are used to cover smaller areas. Small cells supplement macro cells with high output power, and are used to provide coverage to areas such as mountainous regions and buildings that macro cell signals cannot reach. Installations include the interiors of buildings that signals cannot penetrate.

# Investor Information (As of March 31, 2017)

<b>Head Office:</b>	ANRITSU CORPORATION 5-1-1 Onna, Atsugi-shi, Kanagawa 243-8555, Japan Tel: +81-46-223-1111 URL: <a href="https://www.anritsu.com">https://www.anritsu.com</a>
<b>Established:</b>	March 1931
<b>Paid-in Capital:</b>	¥19.1 billion
<b>Number of Employees:</b>	3,788 (Consolidated) 815 (Stand alone)
<b>Stock Listing:</b>	Tokyo (Ticker Symbol No: 6754)
<b>Transfer Agent:</b>	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo 100-8233, Japan
<b>Number of Shareholders:</b>	21,927
<b>Rating:</b>	Rating and Investment Information, Inc. Long-Term: A- Short-Term: a-1
<b>Authorized Shares:</b>	400,000,000
<b>Issued Shares:</b>	138,115,294

## Breakdown of Shareholders:



## Major Shareholders

Shareholder Name	Number of Shares (Thousands)	Percentage of Total Shares Outstanding
Japan Trustee Services Bank, Ltd. (Trust Account)	8,134	5.92
The Master Trust Bank of Japan, Ltd. (Trust Account)	7,106	5.17
BBH FOR MATTHEWS ASIA DIVIDEND FUND	7,080	5.15
NOMURA BANK (LUXEMBOURG) S.A. S/A NOMURA MULTI CURRENCY JAPAN STOCK LEADERS FUND	4,282	3.12
THE CHASE MANHATTAN BANK 385036	3,615	2.63
Japan Trustee Services Bank, Ltd. (Trust Account 9)	2,831	2.06
TAIYO HANEI FUND, L.P.	2,823	2.05
BBH FOR FSP - TECHNOLOGY	2,745	2.00
Japan Trustee Services Bank, Ltd. (Trust Account 5)	2,676	1.95
STATE STREET BANK AND TRUST COMPANY 505019	2,601	1.89

Note: The shareholding ratio is calculated by excluding the number of treasury stock (645,252 shares).

## Major Subsidiaries

Japan	Principal Businesses
Anritsu Infivis Co., Ltd.	Manufacture, sales, repair, and maintenance of PQA equipment
Tohoku Anritsu Co., Ltd.	Manufacture of T&M instruments and information and communications equipment
Anritsu Customer Support Co., Ltd.	Calibration, repair, and maintenance of T&M instruments
Anritsu Engineering Co., Ltd.	R&D of software
M Tech Support Co., Ltd.	Calibration and maintenance of measuring and other instruments
Anritsu Networks Co., Ltd.	R&D, sales, and maintenance of information and communications equipment
Anritsu Devices Co., Ltd.	R&D, manufacture, and sales of optical devices
Anritsu Kousan Co., Ltd.	Management of facilities, welfare services, and production of catalogs and other materials
Anritsu Real Estate Co., Ltd.	Real estate leasing
Anritsu Pro Associe Co., Ltd.	Operation of shared services center
AT Techmac Co., Ltd.	Manufacture and sales of processed products and unit assembly articles

Americas	Principal Businesses
Anritsu U.S. Holding, Inc. (U.S.A.)	Holding company for American subsidiaries
Anritsu Company (U.S.A.)	R&D, manufacture, sales, and maintenance of measuring and other instruments
Azimuth Systems, Inc. (U.S.A.)	R&D, manufacture, and maintenance of measuring and other instruments
Anritsu Electronics, Ltd. (Canada)	Sales and maintenance of measuring and other instruments
Anritsu Eletrônica Ltda. (Brazil)	Sales and maintenance of measuring and other instruments
Anritsu Company S.A. de C.V. (Mexico)	Sales and maintenance of measuring and other instruments
Anritsu Infivis Inc. (U.S.A.)	Sales and maintenance of PQA equipment

EMEA	Principal Businesses
Anritsu EMEA Ltd. (U.K.)	Sales and maintenance of measuring and other instruments
Anritsu Ltd. (U.K.)	R&D of measuring and other instruments
Anritsu GmbH (Germany)	Sales and maintenance of measuring and other instruments
Anritsu S.A. (France)	Sales and maintenance of measuring and other instruments
Anritsu S.r.l. (Italy)	Sales and maintenance of measuring and other instruments
Anritsu AB (Sweden)	Sales and maintenance of measuring and other instruments
Anritsu A/S (Denmark)	R&D, manufacture, sales, and maintenance of T&M instruments
Anritsu Solutions S.r.l. (Italy)	R&D of measuring and other instruments
Anritsu Solutions S.R.L. (Romania)	R&D of measuring and other instruments
Anritsu Solutions SK, s.r.o. (Slovakia)	R&D of measuring and other instruments
Anritsu Infivis Ltd. (U.K.)	Sales and maintenance of PQA equipment

Asia & Others	Principal Businesses
Anritsu Company Ltd. (Hong Kong)	Sales and maintenance of measuring and other instruments
Anritsu Electronics (Shanghai) Co., Ltd. (China)	Maintenance of measuring and other instruments
Anritsu (China) Co., Ltd. (China)	Sales and maintenance of measuring and other instruments
Anritsu Company, Inc. (Taiwan)	Sales and maintenance of measuring and other instruments
Anritsu Corporation, Ltd. (Korea)	Sales and maintenance of measuring and other instruments
Anritsu Pte. Ltd. (Singapore)	Sales and maintenance of measuring and other instruments
Anritsu India Private Ltd. (India)	Sales and maintenance of measuring and other instruments
Anritsu Pty. Ltd. (Australia)	Sales and maintenance of measuring and other instruments
Anritsu Industrial Solutions (Shanghai) Co., Ltd. (China)	Sales and maintenance of PQA equipment
Anritsu Industrial Systems (Shanghai) Co., Ltd. (China)	Manufacture of PQA equipment
Anritsu Infivis (THAILAND) Co., Ltd. (Thailand)	Manufacture and maintenance of PQA equipment



Training at Anritsu Japan headquarters with participants from around the world.

**Anritsu**

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Revised in November 2017

Printed in Japan