

11-Year Summary of Selected Financial/Nonfinancial Data

ANRITSU CORPORATION AND CONSOLIDATED SUBSIDIARIES Years ended March 31

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

Financial information	Millions of yen				
	2008	2009	2010	2011	2012
For the year:					
Net sales	100,485	83,940	73,548	77,853	93,586
Cost of sales	56,474	52,005	42,707	43,033	49,384
Gross profit	44,011	31,934	30,840	34,819	44,202
Selling, general and administrative expenses	38,655	31,029	26,257	27,825	29,787
Operating income	5,356	905	4,583	6,994	14,414
Net income (loss)	(3,900)	(3,540)	385	3,069	10,180
Net cash provided by (used in) operating activities	6,251	6,916	7,970	9,229	15,871
Net cash provided by (used in) investing activities	(2,373)	(1,326)	(498)	(1,432)	(1,963)
Net cash provided by (used in) financing activities	(6,625)	(3,847)	386	(6,049)	(2,204)
Free cash flow	3,877	5,589	7,471	7,797	13,908
Depreciation and amortization	3,373	3,099	2,979	2,589	2,555
Capital expenditures	2,790	2,236	1,134	1,549	3,165
R&D expense* ¹	14,115	11,704	9,387	9,380	10,012
At year-end:					
Total assets	124,917	100,983	101,188	99,249	113,069
Net assets	52,845	37,524	37,674	39,906	54,863
Cash and cash equivalents	16,684	18,538	26,269	27,993	39,596
Interest-bearing debt	47,010	43,605	42,274	36,839	30,336
Per share:					
Net income (loss)	Yen				
Basic	(30.60)	(27.78)	3.02	24.09	79.39
Diluted	—	—	2.77	22.08	71.01
Cash dividends	7.00	3.50	—	7.00	15.00
Total net assets	414.16	294.29	295.49	313.09	399.56

Key financial indicators:

Operating income margin (%)	5.3	1.1	6.2	9.0	15.4
Return on equity (%) ^{*2}	—	—	1.0	7.9	21.5
Anritsu Capital-cost Evaluation ^{*3}	(750)	(4,936)	(2,971)	1,908	9,194
Return on assets (%) ^{*4}	—	—	0.4	3.1	9.6
Ratio of net assets to total assets (%)	42.3	37.1	37.2	40.2	48.5
Net debt-to-equity ratio (times) ^{*5}	0.57	0.67	0.43	0.22	—
Interest coverage ratio (times) ^{*6}	6.2	9.8	12.7	13.2	30.7
Dividend payout ratio (%)	—	—	—	29.1	18.9
Dividends on equity (%) ^{*7}	1.6	1.0	—	2.3	4.2

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.

Non-financial information

		2008	2009	2010		
Social:	Human resources	Number of employees (figures in parentheses are the number of employees at overseas Group companies)				
		3,963 (1,508)	3,697 (1,391)	3,589 (1,315)		
	Ratio of women in managerial positions globally*					
		Japan	8%	9%	19%	
		Americas	48%	68%	64%	
		EMEA	76%	97%	74%	
		Asia, other	53%	37%	33%	
		Global total	44%	52%	50%	
	Anritsu Corporation	Number of employees taking childcare leave	Male	0	0	0
			Female	9	14	11
Anritsu Corporation	Number of employees returning to work after childcare leave	Male	0	0	0	
		Female	3	12	10	
Occupational health and safety	Ratio of labor accidents (per one million hours)	0.00	0.00	0.00		
Environmental:	Energy usage (crude oil conversion basis) (kL)	Global total	9,856	9,113	8,543	
	Water usage (m ³)	Global total	163,286	145,083	124,243	
	Excellent eco-products	Number of equipment types (cumulative)	22	22	25	

* 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)

Mid term Businss Plan

GLP2014

GLP2017

GLP
2020

International Financial Reporting Standards (IFRS) →

Financial information

							Millions of yen	Thousands of U.S. dollars
	2012	2013	2014	2015	2016	2017	2018	
For the year:								
Revenue	93,622	94,685	101,853	98,839	95,532	87,638	85,967	809,101
Cost of sales	44,397	43,715	46,897	46,147	46,557	45,168	44,023	414,334
Gross profit	49,225	50,969	54,955	52,692	48,974	42,469	41,943	394,757
Selling, general and administrative expenses	23,065	24,346	28,621	29,605	29,621	27,198	26,563	250,004
Operating profit	14,000	15,714	14,123	10,882	5,897	4,234	4,912	46,230
Profit (loss) before tax	13,094	16,139	14,239	11,591	5,434	3,628	4,602	43,312
Profit from continuing operations	7,972	13,888	9,318	7,874	3,767	2,734	2,898	27,275
Net cash flows from (used in) operating activities	16,143	11,771	13,792	7,582	10,195	9,246	7,946	74,785
Net cash flows from (used in) investing activities	(2,174)	(5,030)	(5,312)	(6,049)	(9,042)	(3,665)	(3,932)	(37,007)
Net cash flows from (used in) financing activities	(2,264)	(10,035)	(4,359)	(11,234)	2,450	(2,758)	(8,201)	(77,185)
Free cash flow	13,968	6,740	8,480	1,533	1,153	5,581	4,014	37,978
Depreciation and amortization	2,469	2,562	2,863	3,186	3,736	3,935	3,964	37,308
Capital expenditures	3,200	4,562	5,355	9,612	5,399	2,588	3,430	32,282
R&D expense* ¹	9,842	10,323	12,488	13,366	13,089	11,212	10,556	99,350
At year-end:								
Total assets	111,287	115,095	127,149	126,893	124,624	125,054	121,190	1,140,611
Total equity	46,818	64,539	74,896	78,665	75,862	76,485	78,313	737,063
Cash and cash equivalents	39,596	37,690	43,215	34,916	37,391	39,682	35,452	333,665
Interest-bearing debt	30,113	19,417	18,858	16,065	22,024	22,026	15,944	150,061
Yen								
Earnings per share:								
Basic earnings per share	62.17	98.41	64.93	55.72	27.38	19.65	20.97	0.19
Diluted earnings per share	56.33	97.03	64.89	55.72	27.38	19.65	20.97	0.19
Cash dividends	15.00	20.00	20.00	24.00	24.00	15.00	15.00	
Equity attributable to owners of parent	341.43	450.36	522.54	572.04	552.26	556.40	569.54	5.36
Key financial indicators:								
Operating profit margin (%)	15.0	16.6	13.9	11.0	6.2	4.8	5.7	
Return on equity (%) ^{*2}	19.5	25.0	13.3	10.2	4.9	3.5	3.7	
Anritsu Capital-cost Evaluation ^{*3}	5,163	9,440	4,759	2,453	(584)	(1,569)	(1,610)	(15,152)
Return on assets (%) ^{*4}	7.5	12.3	7.7	6.2	3.0	2.2	2.4	
Equity attributable to owners of parent to total assets ratio (%)	42.1	56.1	58.9	62.0	60.8	61.1	64.6	
Net debt-to-equity ratio (times) ^{*5}	—	—	(0.33)	(0.24)	(0.20)	(0.23)	(0.25)	
Interest coverage ratio (times) ^{*6}	20.8	24.9	54.2	41.7	52.0	68.4	72.6	
Dividend payout ratio (%)	24.1	20.3	30.8	43.1	87.7	76.3	71.5	
Dividends on equity (%) ^{*7}	4.9	5.1	4.1	4.4	4.3	2.7	2.7	

*1 R&D expense for 2012 (IFRS) to 2018 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

* The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥106.25 to U.S. \$1.00, the approximate exchange rate on March 31, 2018.

	2011	2012	2013	2014	2015	2016	2017	2018
	3,614 (1,374)	3,681 (1,475)	3,771 (1,577)	3,880 (1,674)	3,926 (1,714)	3,846 (1,602)	3,788 (1,539)	3,717 (1,466)
	12%	14%	8%	9%	9%	8%	8%	6%
	64%	59%	59%	59%	56%	64%	72%	66%
	64%	60%	82%	74%	72%	83%	105%	118%
	44%	54%	57%	78%	66%	63%	73%	73%
	48%	48%	45%	47%	44%	44%	47%	47%
	0	0	1	1	1	2	0	3
	6	9	7	8	8	3	5	8
	0	0	1	0	2	2	0	2
	11	4	9	5	8	7	4	2
	0.00	0.00	0.00	0.00	0.76	0.64	0.21	0.00
	9,013	8,345	8,064	7,987	7,962	8,265	7,983	7,698
	128,204	127,713	112,800	104,426	94,931	82,794	80,352	70,837
	27	28	29	30	32	39	44	49

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, 2017, and 2018.

The Scope of Consolidation

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

Overview

During the fiscal year ended March 31, 2018, the global economy showed continued gradual expansion, primarily in the advanced countries. The Japanese economy continued to recover, driven by strong corporate profits and improvement in the employment environment. However, uncertainties continued, including concerns about global risks, such as the outcome of the U.K.'s withdrawal from the EU and mounting tensions in East Asia.

In the field of communications 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 mobile communications systems. However, the ownership of smartphones has reached the saturation level, and, as a result, the overall smartphone-related market has been shrinking. Consequently, investments planned by our customers have been altered, as well as their plans for restructuring, and our customers are continuing to restrain their investments.

On the other hand, specification development has begun in stages aiming for the next-generation communications system (5G), which is expected to provide the infrastructure for a wide range of mobile broadband services. As a result, the era of commercialization of 5G is now materializing, and major domestic and overseas operators have implemented verification tests for 5G. Also, in the LTE-related R&D market, the focus of investment is shifting from LTE-Advanced to LTE-Advanced Pro (Gigabit LTE).

Furthermore, since the automated driving projects in the automotive industry are now well known, a wide range of industries are making full-fledged efforts to expand more well-defined investment plans that aim for new societal innovation that utilizes the IoT (Internet of Things).

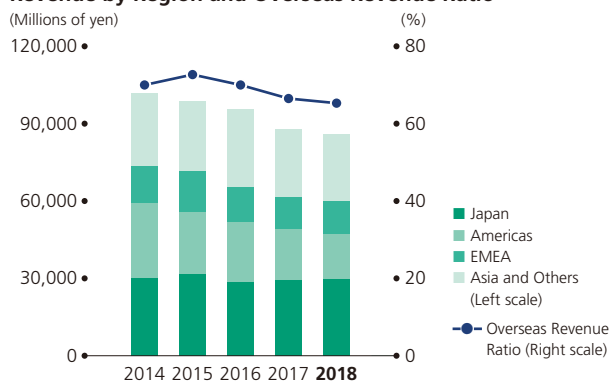
Amid this business environment, the Anritsu Group has worked to build a platform for business expansion by carrying out strategic investments mainly in areas of growing markets and for enhancing competitiveness in the offering of solutions.

Revenue

During the fiscal year ended March 31, 2018, in the Test and Measurement segment, while demand for measuring instruments for optical/digital devices was strong, in the mobile market, due to the transition period from LTE to 5G, customers' attitudes toward investment are becoming severer. On the other hand, in the LTE-Advanced Pro (Gigabit LTE) related R&D market, our customers have increased advancing CA (Carrier Aggregation) investment. Consequently, revenue and profit in the Test and Measurement segment decreased compared with the previous fiscal year. In the Products Quality Assurance segment, during the fiscal year ended March 31, 2018, increasing demand for the safety and security of food and medicine and the shortage of workers are accelerating the development of automated inspection processes, including automated inspection systems incorporating X-ray screening. As a result, revenue and profit in the Products Quality Assurance (PQA) business increased.

As a result, orders decreased 0.4 percent compared with the previous fiscal year to 88,542 million yen, and revenue decreased 1.9 percent compared with the previous fiscal year to 85,967 million yen. Operating profit increased 16.0 percent compared with the previous fiscal year to 4,912 million yen, profit before tax increased 26.8 percent compared with the previous fiscal year to 4,602 million yen. Profit increased 6.0 percent compared with the previous fiscal year to 2,898 million yen, and profit attributable to owners of parent increased 6.8 percent compared with the previous fiscal year to 2,880 million yen. Resulting from the U.S. tax reform, a temporary increase of approximately 300 million yen in income tax expense was occurred.

Revenue by Region and Overseas Revenue Ratio



Cost of Sales and Gross Profit

Cost of sales decreased ¥1,145 million, or 2.5%, to ¥44,023 million. Cost of sales as a percentage of total revenue was 51.2%, down 0.3 percentage point compared with the previous fiscal year. Gross profit decreased ¥525 million, or 1.2%, to ¥41,943 million. The gross margin amounted to 48.8%.

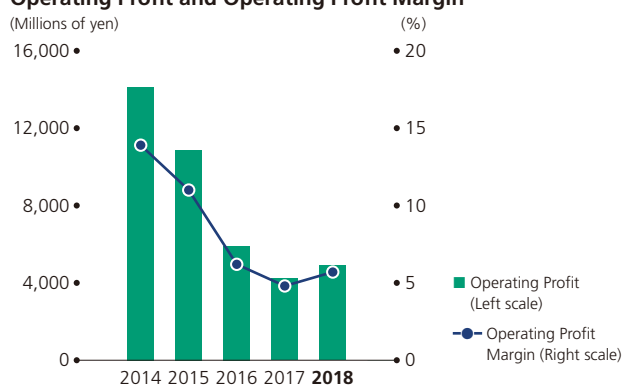
Selling, General and Administrative (SG&A) Expenses and Operating Profit

SG&A expenses decreased 2.3% over the previous fiscal year, to ¥26,563 million. Research and development (R&D) expenses dropped 6.9%, to ¥10,156 million and amounted to 11.8% of consolidated total revenue. As a result of the above factors, operating profit increased 16.0%, or ¥678 million, to ¥4,912 million. The operating margin was 5.7%.

SG&A Expenses

Year ended March 31	Millions of yen		YoY (%)
	2018	2017	
Personnel expenses	¥17,423	¥17,701	(1.6)
Travel and transportation expenses	1,599	1,676	(4.6)
Advertising expenses	1,211	1,218	(0.6)
Depreciation and amortization expenses	1,276	1,262	1.2
Others	5,053	5,340	(5.4)

Operating Profit and Operating Profit Margin



Profit before Tax and Profit

Operating profit increased 16.0% compared with the previous fiscal year, to ¥4,912 million, and profit before tax increased 26.8% compared with the previous fiscal year, to ¥4,602 million. Profit increased 6.0% compared with the previous fiscal year, to ¥2,898 million, and profit attributable to owners of the parent rose ¥182 billion, to ¥2,880 million. Comprehensive income for the period rose ¥580 million, to ¥3,854 million.

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

Year ended March 31	%		
	2018	2017	2016
Revenue	100.0	100.0	100.0
Cost of sales	51.2	51.5	48.7
Gross profit	48.8	48.5	51.3
SG&A expenses	30.9	31.0	31.0
R&D expenses	11.8	12.4	13.4
Profit	3.4	3.1	3.9

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 take into account the total return ratio. With regard to dividends, while taking the basic approach of raising dividends on equity 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. 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.

Cash Dividends per Share

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, 2018.

For the fiscal year ending March 31, 2019, Anritsu plans to pay dividends of ¥17 per share, including an interim dividend of ¥8.5 per share.

Management's Discussion and Analysis

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, 2018, while demand for measuring instruments for optical/digital devices was strong, in the mobile market, restrained investment by customers continued; as a result, revenue in the Test and Measurement business decreased 8.3% compared with the previous fiscal year, to ¥54,433 million, operating profit decreased 14.3%, to ¥1,825 million, and adjusted operating profit* decreased 12.5%, to ¥2,192 million.

* 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 63% 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, the 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 shift can be seen towards investment in LTE-Advanced Pro in the mobile phone development related market, in the mobile phone manufacturing market, competition is intensifying over measurement instruments for device manufacturing due to reduced investment by mobile phone manufacturers.

Concerning the next-generation (5G) mobile system, which is expected to provide the infrastructure for a wide range of mobile broadband services, development projects have emerged aiming at commercialization following the development of standard specifications, and demand for test and measurement is emerging for 5G measurement. 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 26% of the Anritsu Group's revenue. Since more than 80% of segment revenue comes from food manufacturers, this segment is substantially influenced by the impact of the economic growth rate and changes in consumer spending that would affect food manufacturers' business results.

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 45%.

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 ¥22,549 million (an increase of 15.1% over the previous fiscal year), and operating income was ¥1,969 million (an increase of 51.2%).

Others

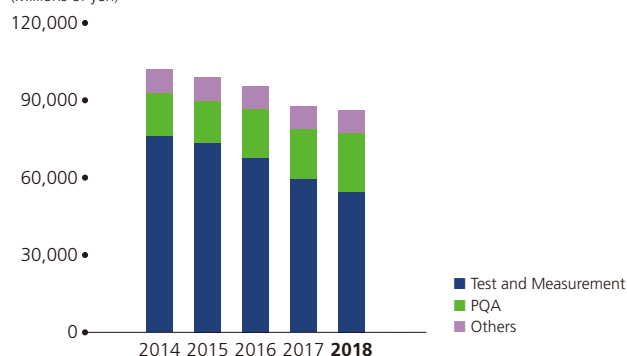
This segment comprises Information and Communications, Devices, Logistics, Welfare services, Real estate leasing, and other businesses.

During the fiscal year ended March 31, 2018, the Devices and the Information and Communications businesses improved compared with the previous fiscal year. As a result, segment revenue increased 3.1% year on year, to ¥8,984 million, and operating profit increased 31.3% compared with the previous fiscal year, to ¥1,302 million.

Management's Discussion and Analysis

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, 2018, the balance of interest-bearing debt (excluding lease payables) was ¥15,944 million (compared with ¥22,026 million at the end of the previous fiscal year), and the debt-to-equity ratio was 0.20 (compared with 0.29 at the end of the previous fiscal year). And the net debt-to-equity ratio was a negative 0.25 (compared with a negative 0.23 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 4.9 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 2018, Rating and Investment Information, Inc. (R&I) 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 (5%)
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, 2018, cash and cash equivalents (hereafter, "net cash") decreased ¥4,229 million compared with the end of the previous fiscal year, to ¥35,452 million.

Free cash flow, the sum of cash flows from operating activities and cash flows from investing activities, was a positive ¥4,014 million (compared with a positive ¥5,581 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 ¥7,946 million (in the previous fiscal year, operating activities provided net cash of ¥9,246 million). The cash increase was mainly due to reporting of profit before tax and recording depreciation and amortization expense; on the other hand, an increase in inventories represented a cash decrease. Depreciation and amortization expense was ¥4,285 million, an increase of ¥87 million compared with the previous fiscal year.

• **Cash Flows from Investing Activities**

Net cash used in investing activities was ¥3,932 million (in the previous fiscal year, investing activities used net cash of ¥3,665 million). This was primarily due to purchase of property, plant and equipment.

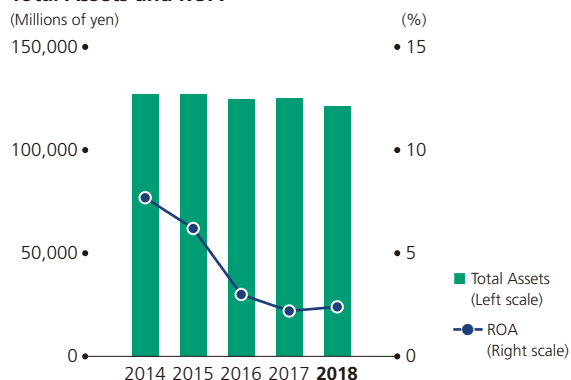
• **Cash Flows from Financing Activities**

Net cash used in financing activities was ¥8,201 million (in the previous fiscal year, financing activities used net cash of ¥2,758 million). The primary reason was redemption of ¥6,000 million of bonds and payment of cash dividends totaling ¥2,059 million (in the previous fiscal year, payment of cash dividends was ¥2,677 million).

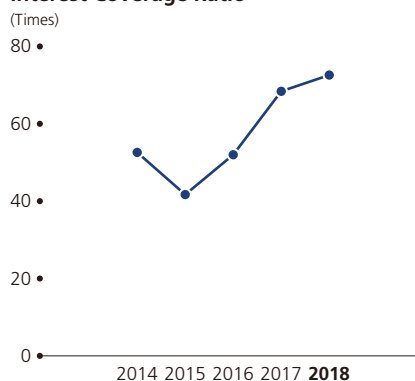
Assets, Liabilities, and Equity

Assets, liabilities, and equity as of March 31, 2018 were as follows. Assets decreased ¥3,863 million compared with the end of the previous fiscal year, to ¥121,190 million. This was mainly due to a decrease of cash and cash equivalents, as well as deferred tax assets, while inventories increased. Total liabilities decreased ¥5,692 million compared with the end of the previous fiscal year, to ¥42,876 million. This was mainly due to decreases of bonds and borrowings due to redemption of bonds, while trade and other payables in current liabilities increased. Equity increased ¥1,828 million compared with the end of the previous fiscal year, to ¥78,313 million. This was mainly due to an increase in earned surplus. As a result, the equity attributable to owners of parent to total assets ratio was 64.6%, compared with 61.1% at the end of the previous fiscal year.

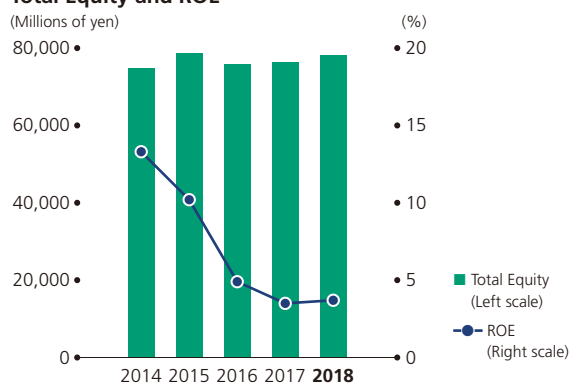
Total Assets and ROA



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 streamlining of operations.

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 Products Quality Assurance business, we primarily invested with the objectives of increasing production environment efficiency and putting in place an information systems environment.

In other business, we made capital investments, mainly in the device business, aimed at increasing production capacity and improving product quality.

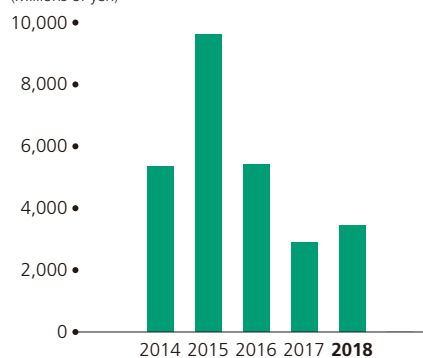
The breakdown of investments is shown in the following table. (Figures for tangible fixed assets and intangible assets are on a received basis. Figures exclude development costs of intangible assets. Figures do not include consumption taxes, etc.)

Overview of Capital Expenditures

Year ended March 31	Millions of yen		YoY (%)
	2018	2017	
Test and Measurement	¥2,724	¥1,901	143.3
PQA	382	273	139.8
Subtotal	3,107	2,175	142.8
Others	323	413	78.1
Total	¥3,430	¥2,588	132.5

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. Also during the fiscal year, we established Anritsu Philippines, Inc., as a development center, in the Philippines.

The Products Quality Assurance 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	
	2018	2017	2018	2017
Test and Measurement	¥ 7,609	¥ 8,324	14.0	14.0
PQA	2,283	2,076	10.1	10.6
Others	471	609	5.2	7.0
Basic Research	191	202	—	—
Total	¥10,556	¥11,212	12.3	12.8

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

Business Segment	Model	Product	Application	Contribution
Test and Measurement	MT8000A	New products Radio Communication Test Station	Has pseudo base station functions and can operate in the Sub6GHz band and millimeter wave band as a single unit	Offers measurement solutions that will contribute to the early spread of 5G services and will contribute to the smooth transition from 4G to 5G systems
	MP1900A	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
	MP2110A	New products BERTWave	Combines a four-channel 25Gbit/s BERT (Bit Error Rate Tester) and a sampling oscilloscope in a single unit	Will contribute to improving efficiency of development and production as well as improving quality of assessment of optical transceivers that support high-speed, large capacity communication infrastructures
PQA	M6-h Series	Metal detector	High-sensitivity metal foreign matter detector	Contributes to better food quality and higher productivity
Others	AF4B265KR550FB	New products 1.48μm FP LD modules/1.4μm FBG LD modules	EDFA for use in optical fiber amplifiers and FRAs for pumping optical sources	Realizes power-up with less energy consumption of the pumping optical LD module for the fiber optic amplifier

Management Objectives and Indicators

To attain its management vision of “continuous growth with sustainable superior profits,” the Anritsu Group had prepared its 2020 VISION, which has a time horizon of 10 years, and established a medium-term milestone plan entitled the Mid-term Business Plan GLP2020 (a three-year plan that ended in FY2020), which is based on the 2020 VISION.

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		
	2017 (Actual)	2018 (Actual)	2018 (Forecast)
Revenue	87.6	85.9	91.0
Operating profit	4.2	4.9	4.4
Profit	2.7	2.8	3.0
ACE	(1.5)	(1.6)	—
ROE (%)	3.5	3.7	—

Management's Discussion and Analysis

Outlook and Management Issues for the Year Ending March 31, 2019

Although the global economy is expected to continue to recover, uncertainties have emerged; these include the outcome of the U.K.'s negotiations for withdrawal from the EU, increased geopolitical risk in East Asia and the Middle East, the risk of U.S.-China trade friction, and other issues. In addition, there is a need for constant and appropriate responses to technological innovations, changes in the market environment and competitive relationships, and trends in the financial markets.

Amid these circumstances, the Anritsu Group is starting its new, three-year Mid-term Business Plan "GLP2020." Under this plan, the Group will capture growth drivers to restore growth potential and strive to consolidate its foundation for building a robust profit structure to support the next generation by proactively investing for the future.

In this market environment, the Anritsu Group will undertake the following measures for the fiscal year ending March 31, 2019.

In the Test and Measurement segment, in the mobile market, the Anritsu Group will continue to provide solutions for LTE-Advanced Pro (Gigabit LTE) and strengthen the development of emerging markets, while delivering new products compatible with the 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 the expansion of services, we will reinforce our competitiveness.

The Products Quality Assurance segment 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 mobile 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, 2018.

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 realignments 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 65% 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 disasters, fires, wars, 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

	End of FY2016 as of March 31, 2017	Millions of yen	Thousands of U.S. dollars*
		End of FY2017 as of March 31, 2018	End of FY2017 as of March 31, 2018
Assets			
Current assets:			
Cash and cash equivalents	¥ 39,682	¥ 35,452	\$ 333,665
Trade and other receivables	21,561	21,474	202,108
Other financial assets	1,152	1,164	10,955
Inventories	16,606	18,236	171,632
Income tax receivables	459	128	1,204
Other assets	2,960	3,120	29,364
Total current assets	82,421	79,576	748,950
Non-current assets:			
Property, plant and equipment	26,441	25,947	244,207
Goodwill and intangible assets	3,721	3,993	37,581
Investment property	1,664	1,463	13,769
Trade and other receivables	330	326	3,068
Other financial assets	2,481	2,747	25,854
Deferred tax assets	7,979	7,125	67,058
Other assets	14	9	84
Total non-current assets	42,632	41,613	391,651
Total	¥125,054	¥121,190	\$1,140,611
Liabilities and Equity			
Liabilities			
Current liabilities:			
Trade and other payables	¥ 7,060	¥ 7,998	\$ 75,275
Bonds and borrowings	7,565	4,467	42,042
Other financial liabilities	73	73	687
Income tax payables	1,608	2,352	22,136
Employee benefits	5,427	5,254	49,449
Provisions	273	323	3,040
Other liabilities	6,385	6,333	59,604
Total current liabilities	28,394	26,803	252,263
Non-current liabilities:			
Trade and other payables	465	500	4,705
Bonds and borrowings	14,460	11,477	108,018
Other financial liabilities	142	153	1,440
Employee benefits	3,188	2,247	21,148
Provisions	106	108	1,016
Deferred tax liabilities	256	185	1,741
Other liabilities	1,554	1,400	13,176
Total non-current liabilities	20,174	16,073	151,275
Total liabilities	48,568	42,876	403,538
Equity:			
Common stock	19,052	19,064	179,425
Additional paid-in capital	28,169	28,137	264,818
Retained earnings	24,394	26,254	247,096
Treasury stock	(1,012)	(987)	(9,289)
Other components of equity	5,794	5,761	54,221
Total equity attributable to owners of parent	76,398	78,230	736,282
Non-controlling interests	87	83	781
Total equity	76,485	78,313	737,063
Total	¥125,054	¥121,190	\$1,140,611

* The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥106.25 to U.S. \$1.00, the approximate exchange rate on March 31, 2018.

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	FY2017 From April 1, 2017 to March 31, 2018	FY2017 From April 1, 2017 to March 31, 2018
Continuing operations			
Revenue	¥87,638	¥85,967	\$809,101
Cost of sales	45,168	44,023	414,334
Gross profit	42,469	41,943	394,757
Other revenue and expenses			
Selling, general and administrative expenses	27,198	26,563	250,004
Research and development expense	10,906	10,156	95,585
Other income	205	224	2,108
Other expenses	336	535	5,035
Operating profit (loss)	4,234	4,912	46,230
Finance income	193	332	3,124
Finance costs	798	642	6,042
Profit (loss) before tax	3,628	4,602	43,312
Income tax expense	893	1,703	16,028
Profit (loss) from continuing operations	2,734	2,898	27,275
Profit (loss)	2,734	2,898	27,275
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Change of financial assets measured at fair value	63	181	1,703
Remeasurements of defined benefit plans	1,129	988	9,298
Total	1,192	1,169	11,002
Items that are or may be reclassified subsequently to profit or loss			
Exchange differences on translation	(653)	(213)	(2,004)
Total	(653)	(213)	(2,004)
Total of other comprehensive income	539	955	8,988
Comprehensive income (loss)	¥ 3,274	¥ 3,854	\$ 36,272
Profit (loss), attributable to:			
Owners of parent	¥ 2,698	¥ 2,880	\$ 27,105
Non-controlling interests	36	18	169
Total	¥ 2,734	¥ 2,898	\$ 27,275
Comprehensive income attributable to:			
Owners of parent	¥ 3,237	¥ 3,836	\$ 36,103
Non-controlling interests	36	18	169
Total	¥ 3,274	¥ 3,854	\$ 36,272
Earnings per share		Yen	U.S. dollars*
Basic earnings per share	¥19.65	¥20.97	\$0.19
Diluted earnings per share	19.65	20.97	0.19

* The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥106.25 to U.S. \$1.00, the approximate exchange rate on March 31, 2018.

Consolidated Statement of Changes in Equity

Years Ended March 31

	FY2016 (From April 1, 2016 to March 31, 2017)							
	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
Balance at April 1, 2016	¥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 (loss)	—	—	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)
Balance at March 31, 2017	¥19,052	¥28,169	¥24,394	¥(1,012)	¥5,794	¥76,398	¥87	¥76,485

	FY2017 (From April 1, 2017 to March 31, 2018)							
	¥19,052	¥28,169	¥24,394	¥(1,012)	¥5,794	¥76,398	¥87	¥76,485
Balance at April 1, 2017	—	—	2,880	—	—	2,880	18	2,898
Profit (loss)	—	—	988	—	(32)	955	—	955
Other comprehensive income	—	—	3,868	—	(32)	3,836	18	3,854
Total comprehensive income (loss)	—	—	3,868	—	(32)	3,836	18	3,854
Share-based payments	11	(32)	51	25	—	56	—	56
Dividends paid	—	—	(2,059)	—	—	(2,059)	—	(2,059)
Purchase of treasury stock	—	—	—	(0)	—	(0)	—	(0)
Disposal of treasury stock	—	0	—	0	—	0	—	0
Dividends to non-controlling interests	—	—	—	—	—	—	(0)	(0)
Changes in ownership interests in subsidiaries that result in a loss of control	—	—	—	—	—	—	(21)	(21)
Total transactions with owners and other transactions	11	(32)	(2,008)	25	—	(2,003)	(22)	(2,026)
Balance at March 31, 2018	¥19,064	¥28,137	¥26,254	¥ (987)	¥5,761	¥78,230	¥83	¥78,313

Thousands of U.S. dollars*

	FY2017 (From April 1, 2017 to March 31, 2018)							
	\$179,312	\$265,120	\$229,590	\$(9,524)	\$54,531	\$719,040	\$818	\$719,858
Balance at April 1, 2017	—	—	27,105	—	—	27,105	169	27,275
Profit (loss)	—	—	9,298	—	(301)	8,988	—	8,988
Other comprehensive income	—	—	36,404	—	(301)	36,103	169	36,272
Total comprehensive income (loss)	—	—	36,404	—	(301)	36,103	169	36,272
Share-based payments	103	(301)	480	235	—	527	—	527
Dividends paid	—	—	(19,378)	—	—	(19,378)	—	(19,378)
Purchase of treasury stock	—	—	—	(0)	—	(0)	—	(0)
Disposal of treasury stock	—	0	—	0	—	0	—	0
Dividends to non-controlling interests	—	—	—	—	—	—	(0)	(0)
Transfer from other components of equity to retained earnings	—	—	—	—	—	—	(197)	(197)
Total transactions with owners and other transactions	103	(301)	(18,898)	235	—	(18,851)	(207)	(19,068)
Balance at March 31, 2018	\$179,425	\$264,818	\$247,096	\$(9,289)	\$54,221	\$736,282	\$781	\$737,063

* The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥106.25 to U.S. \$1.00, the approximate exchange rate on March 31, 2018.
 Note: Details of Common stock, Additional paid-in capital, Retained earnings, Treasury stock and Other components of equity are described in Note 24, "Total Equity and Other Capital Items."

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	FY2017 (12 months) From April 1, 2017 to March 31, 2018	FY2017 (12 months) From April 1, 2017 to March 31, 2018
Cash flows from (used in) operating activities			
Profit (Loss) before tax	¥ 3,628	¥ 4,602	\$43,312
Depreciation and amortization expense	4,197	4,285	40,329
Interest and dividends income	(188)	(238)	(2,240)
Interest expenses	158	128	1,204
Loss (Gain) on disposal of property, plant and equipment	18	9	84
Decrease (Increase) in trade and other receivables	(1,932)	(11)	(103)
Decrease (Increase) in inventories	1,775	(1,973)	(18,569)
Increase (Decrease) in trade and other payables	503	882	8,301
Increase (Decrease) in employee benefits	401	376	3,538
Other, net	1,501	(47)	(442)
Subtotal	10,063	8,014	75,425
Interest received	136	179	1,684
Dividends received	52	58	545
Interest paid	(135)	(109)	(1,025)
Income taxes paid	(1,169)	(484)	(4,555)
Income taxes refund	298	287	2,701
Net cash flows from (used in) operating activities	9,246	7,946	74,785
Cash flows from (used in) investing activities			
Payments into time deposits	(1,100)	(1,215)	(11,435)
Proceeds from withdrawal of time deposits	1,108	1,200	11,294
Purchase of property, plant and equipment	(2,042)	(2,444)	(23,002)
Proceeds from sale of property, plant and equipment	27	2	18
Purchase of other financial assets	(2)	(2)	(18)
Proceeds from sale of other financial assets	7	0	0
Other, net	(1,663)	(1,473)	(13,863)
Net cash flows from (used in) investing activities	(3,665)	(3,932)	(37,007)
Cash flows from (used in) financing activities			
Net increase (decrease) in short-term borrowings	(20)	(100)	(941)
Redemption of bonds	—	(6,000)	(56,470)
Dividends paid	(2,677)	(2,059)	(19,378)
Other, net	(61)	(42)	(395)
Net cash flows from (used in) financing activities	(2,758)	(8,201)	(77,185)
Effect of exchange rate change on cash and cash equivalents	(532)	(41)	(385)
Net increase (decrease) in cash and cash equivalents	2,290	(4,229)	(39,802)
Cash and cash equivalents at beginning of period	37,391	39,682	373,477
Cash and cash equivalents at end of period	¥39,682	¥35,452	\$333,665

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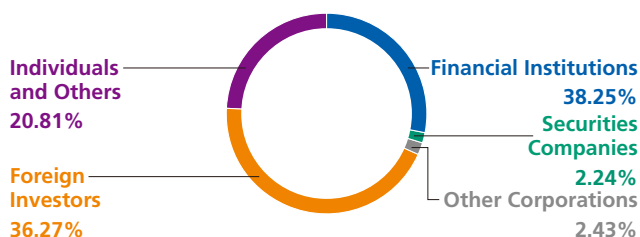
Glossary

Term	Description
3GPP (3rd Generation Partnership Project)	A project for developing third-generation (3G) mobile phone system standards that is currently developing international standards for LTE and LTE-Advanced.
5G New RAT (5G New Radio Access Technology)	New wireless communications technology for realizing 5G, the next-generation mobile phone system.
AOC (Active Optical Cable)	Cable that combines optical fiber and an electrical signal connector with an embedded optical-electric converter.
Connectivity	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 (Near Field Communication), and other communications modes, from cellular communications. Recently, connectivity has been extended to include automobiles, digital cameras, home appliances, game devices, and healthcare devices.
CPRI (Common Public Radio Interface)	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.
C-RAN (Cloud Radio Access Network)	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.
Ethernet	World's most-widespread LAN (Local Area Network) standard.
IoT (Internet of Things)	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.
LTE (Long-Term Evolution)	High-speed mobile service that enables data communication at 5 to 10 times the speed of 3G mobile phone and telecommunications services.
LTE-Advanced	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.
MIMO (Multiple-Input and Multiple-Output)	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.
NB-IoT (Narrow Band-IoT)	IoT communications system that uses mobile phone networks and being standardized by 3GPP.
NFV (Network Functions Virtualization)	NFV offers a new way to design, deploy, and manage networking services by decoupling.
NSA-NR/SA-NR (Non-Standalone New Radio / Standalone New Radio)	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.
OSS (Operation Support System)	Systems necessary for operating the businesses of telecommunications operators that offer mobile phone and other communications services
OTA (Over The Air)	Methods for testing wireless systems without the use of radio frequency (RF) cables
OTN (Optical Transport Network)	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.
PCI-E (Peripheral Component Interconnect Express)	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.
Radio Frequency (RF) Measurement	Measurement of frequencies (among electromagnetic and electrical signals) that can use wireless signal transmission
SDH (Synchronous Digital Hierarchy)	International standards for synchronous digital hierarchy multiplex transmitter and demultiplexing method.
SDN (Software-Defined Network)	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.
WDM (Wavelength Division Multiplexing)	Optical communications technology called Wavelength Division Multiplexing for large capacity signals.
Small Cells	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.
Beam Forming	Technology that uses antennas that have multiple elements for controlling dynamically the strength of waves in certain locations.

Investor Information (As of March 31, 2018)

Head Office:	ANRITSU CORPORATION 5-1-1 Onna, Atsugi-shi, Kanagawa 243-8555, Japan Tel: +81-46-223-1111 URL: https://www.anritsu.com
Established:	March 1931
Paid-in Capital:	¥19.1 billion
Number of Employees:	3,717 (Consolidated) 844 (Stand alone)
Stock Listing:	Tokyo (Ticker Symbol No: 6754)
Transfer Agent:	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo 100-8233, Japan
Number of Shareholders:	23,989
Rating:	Rating and Investment Information, Inc. Long-Term: A- Short-Term: a-1
Authorized Shares:	400,000,000
Issued Shares:	138,134,794

Breakdown of Shareholders:



Major Shareholders

Shareholder Name	Number of Shares (Thousands)	Percentage of Total Shares Outstanding
Japan Trustee Services Bank, Ltd. (Trust Account)	19,047	13.85
The Master Trust Bank of Japan, Ltd. (Trust Account)	10,021	7.29
BBH FOR MATTHEWS ASIA DIVIDEND FUND	9,384	6.83
Japan Trustee Services Bank, Ltd. (Trust Account 5)	2,785	2.03
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	2,527	1.84
TAIYO HANEI FUND, L.P.	2,346	1.71
Sumitomo Life Insurance Co.	2,314	1.68
NOMURA BANK (LUXEMBOURG) S.A. S/A NOMURA MULTI CURRENCY JAPAN STOCK LEADERS FUND	2,150	1.56
JUNIPER	2,094	1.52
Japan Trustee Services Bank, Ltd. (Trust Account 1)	2,032	1.48

Note: The shareholding ratio is calculated by excluding the number of treasury stock (645,759 shares).

Major Subsidiaries

Japan	Principal Businesses
Anritsu Infvis Co., Ltd.	Manufacture, sales, repair, and maintenance of PQA equipment
Tohoku Anritsu Co., Ltd.	Manufacture of Test & Measurement instruments and information and communications equipment
Anritsu Customer Support Co., Ltd.	Calibration, repair, and maintenance of Test & Measurement instruments
Anritsu Engineering Co., Ltd.	R&D of software
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 Infvis 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 Infvis 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 Philippines, Inc. (Philippines)	R&D 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 Infvis (THAILAND) Co., Ltd. (Thailand)	Manufacture and maintenance of PQA equipment