# Financial Results for the 1st quarter of the Fiscal Year ending March 31, 2015

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July 31, 2014

FASF MEMBERSHIP

http://www.anritsu.com

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# Cautionary Statement

All information contained in this release which pertains to the current plans, estimates, strategies and beliefs of Anritsu Corporation (hereafter "Anritsu") that is not historical fact shall be considered forward-looking statements of future business results or other forward-looking projections pertinent to the business of Anritsu. Implicit in reliance on these and all future projections is the unavoidable risk, caused by the existence of uncertainties about future events, that any and all suggested projections may not, come to pass. Forward-looking statements include but are not limited to those using words such as "believe", "expect", "plans", "strategy", "prospects", "forecast", "estimate", "project", "anticipate", "may" or "might" and words of similar meaning in connection with a discussion of future operations or financial performance.

Actual business results are the outcome of a number of unknown variables and may substantially differ from the figures projected herein.
Factors which may affect the actual business results include but are not limited to the economic situation in the geographic areas in which Anritsu conducts business, including but not limited to, Japan, Americas, Asia, and Europe, changes in actual demand for Anritsu products and services, increases or decreases in the competitive nature of markets in which Anritsu sells products or buys supplies, changing aptitudes at providing services, and exchange rates.

You also should not place reliance on any obligation of Anritsu to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Anritsu disclaims any such obligation.


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# Agenda

Ⅰ. Consolidated performance review of Q1 ended June 30th, 2014

- Ⅰ-1. Outline of our business segments
- Ⅰ-2. Consolidated performance
- Ⅰ-3. Outlook for full year of the fiscal year ending March, 2015

Ⅱ. Growth of Mobile Broadband Service and Business Opportunities

Ⅲ. Others


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# Ⅰ-1. Outline of our business segments

## Test & Measurement (T&M)

For development, manufacturing, installation and maintenance

- Mobile
- Network Infrastructure
- Electronics

## Industrial Automation

- Food Safety
- X-ray inspection systems
- Checkweighers

## Others

- IP network equipment

- Opt. devices

(Revenue by business segment)
101.9 Billion Yen consolidated revenue in FY2013

| T&M 75% | | | Industrial Automation | Others |
|---|---|---|---|---|
| Mobile 50% | Network Infrastructure 30% | Electronics 20% | 16% | 9% |

(Sales of T&M business by region)

| Japan | Asia & Pacific | Americas | EMEA |
|---|---|---|---|
| 17% | 30% | 35% | 18% |


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(No notes here)

## Ⅰ-2. Consolidated Performance –Business Segments-

**T&M: Asian markets showed solid performances**
**Industrial Automation: Both orders and revenue unchanged from previous fiscal year**

| Segment | FY2014Q1 (April to June, 2014) |
|---|---|
| Test & Measurement (T&M) | ・Mobile: Strong demands for LTE-Advanced R&D purpose<br>・Network infrastructure: Developing base station network has slowed down<br>・Electronics: Continue to reduce capital investment by customers |
| | ・Japan: Overall capital investment down<br>・Asia: Strong investment in development for TD-LTE<br>Investment in manufacturing sluggish on monetary basis<br>・Americas: Investing in base station development has slowed donn |
| Industrial Automation | Strong internationally, while Japan is unchanged from previous fiscal year |

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Demand for measuring instruments for R&D in the mobile market has driven strong performance in the T&M business outside Japan, especially in Asia. Meanwhile, although smartphone vendors continue to boost their production capacity, demand for measuring instruments for smartphone manufacturing is sluggish on a monetary basis, due to improvement of measuring instruments performance. Until last year, demand was favorable for measuring instruments for the installation and maintenance of base stations in the network infrastructure market, especially in North America, but investment appears to have reached the end of a cycle.

The Industrial Automation business invests actively to accelerate its expansion overseas and to develop new products, while committing to capturing demand for equipment renewal in the Japanese market.

# Ⅰ-2. Consolidated performance -Financial results-

Unit: Billion Yen

| International Financial Reporting Standards (IFRS) | 1Q FY2013 (Apr. to Jun.) | 1Q FY2014 (Apr. to Jun.) | YoY | YoY (%) |
|---|---|---|---|---|
| Order Intake | 25.3 | 23.8 | (1.5) | -6% |
| Revenue | 22.4 | 22.2 | (0.2) | -1% |
| Operating profit (loss) | 2.5 | 1.4 | (1.1) | -42% |
| Profit (loss) before tax | 2.7 | 1.4 | (1.3) | -50% |
| Profit (loss) | 1.6 | 0.8 | (0.8) | -50% |
| Comperhensive Income | 2.7 | 0.7 | (2.0) | -74% |
| Free Cash Flow | 2.9 | 2.6 | (0.3) | -11% |

Note : Numbers are rounded off in each column


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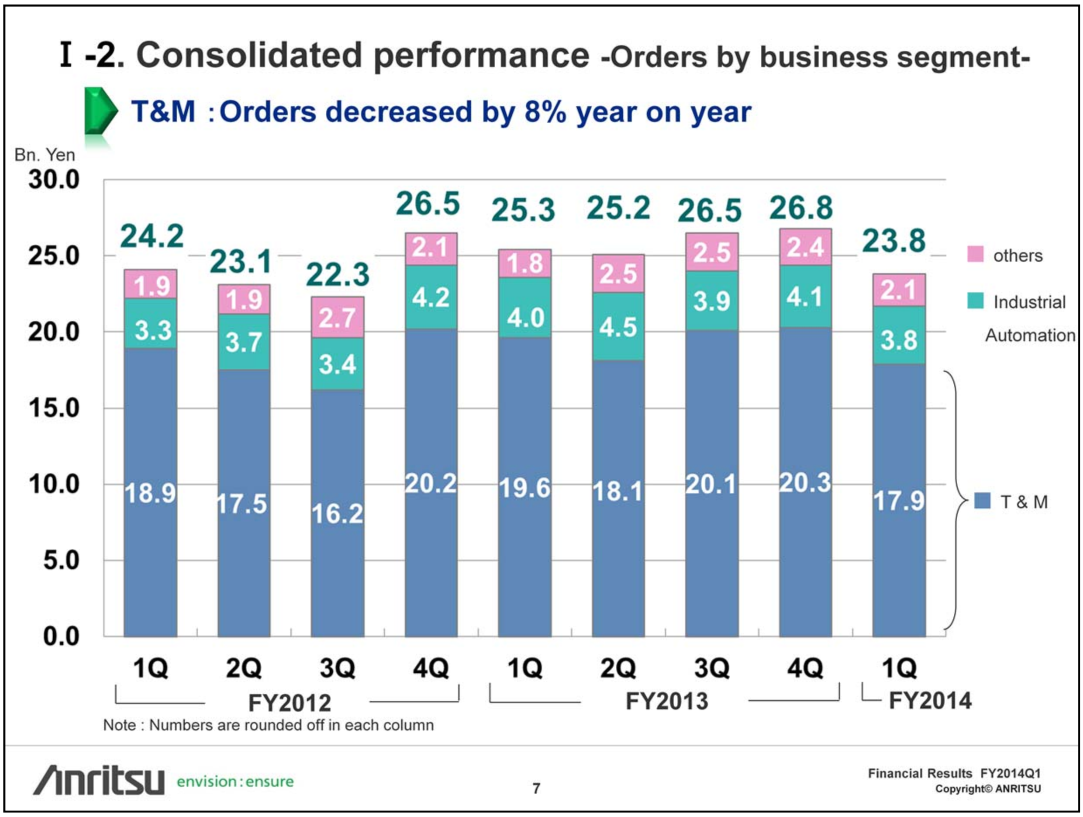
The group's consolidated order intake has decreased by 6% year on year to 23.8 billion yen and revenue was 22.2 billion yen, remaining almost at the same level as the corresponding period of the previous fiscal year.

Meanwhile, operating profit declined by 42% year on year to 1.4 billion yen. This was mainly due to investment in development by the T&M and Industrial Automation businesses, and increased expenditures by the T&M business to enhance support for international customers in last year.

Profit decreased by 50% year on year to 0.8 billion yen. Comprehensive income decreased by 74% year on year to 0.7 billion yen.




In Q1, orders for the T&M business declined 8% year on year to 17.9 billion yen and orders for the Industrial Automation business declined 4% year on year to 3.8 billion yen. Orders for the Group as a whole were 23.8 billion yen.

In the T&M business, while demand for mobile R&D remains strong, improved performance of measuring instruments has caused growth of demand for mobile manufacturing to slow on a monetary basis.

Backlog of orders grew year on year, to 19.1 billion yen group-wide, and 14.8 billion yen in the T&M business.

## Ⅰ-2. Consolidated performance -Results by business segment-

Unit: Billion Yen

| | | 1Q FY2013 (Apr. to Jun.) | 1Q FY2014 (Apr. to Jun.) | YoY | YoY (%) |
|---|---|---|---|---|---|
| Test & Measurement | Revenue | 17.8 | 17.6 | (0.2) | -1% |
| | Op. profit (loss) | 2.7 | 2.0 | (0.7) | -28% |
| Industrial Automation | Revenue | 3.0 | 2.8 | (0.2) | -5% |
| | Op. profit (loss) | (0.0) | (0.4) | (0.4) | - |
| Others | Revenue | 1.6 | 1.8 | 0.2 | 10% |
| | Op. profit (loss) | (0.2) | (0.2) | 0.0 | - |
| Total | Revenue | 22.4 | 22.2 | (0.2) | -1% |
| | Op. profit (loss) | 2.5 | 1.4 | (1.1) | -42% |

Note : Numbers are rounded off in each column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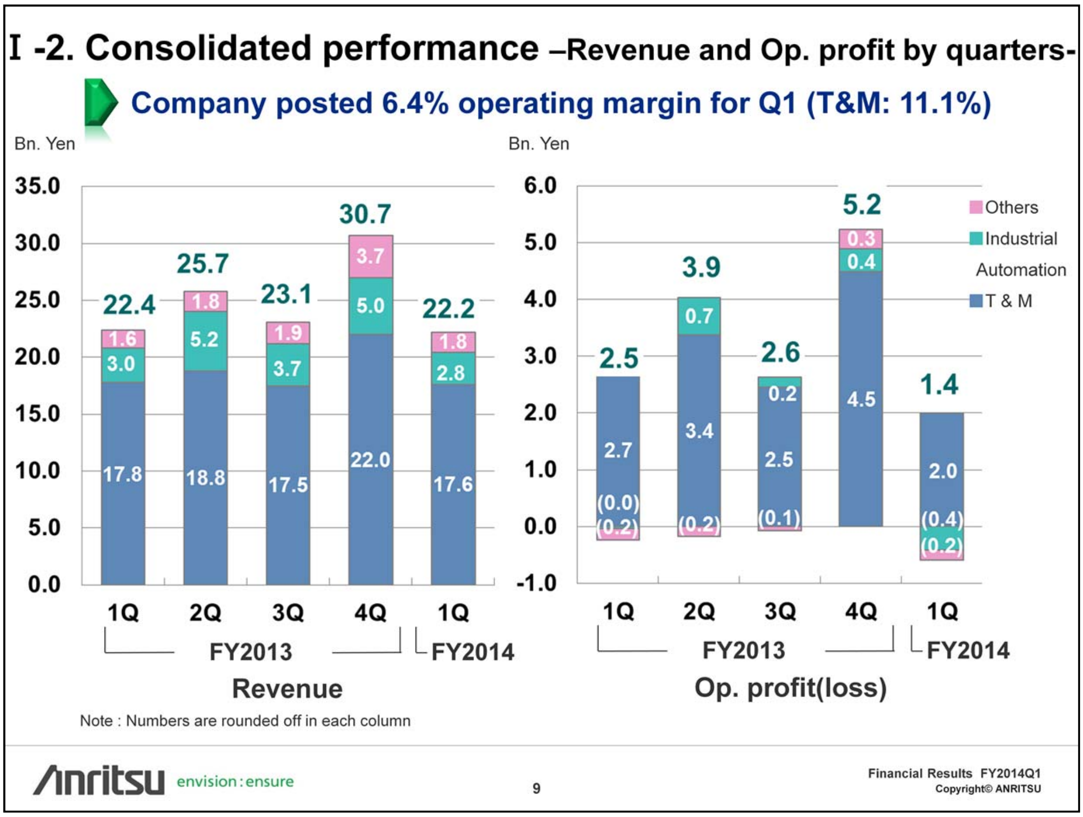
The T&M business achieved 17.6 billion yen in revenue, remaining almost at the same level as the corresponding period of the previous fiscal year. Operating profit declined 28% year on year to 2.0 billion yen, and operating profit to revenue ratio was 11.1%.

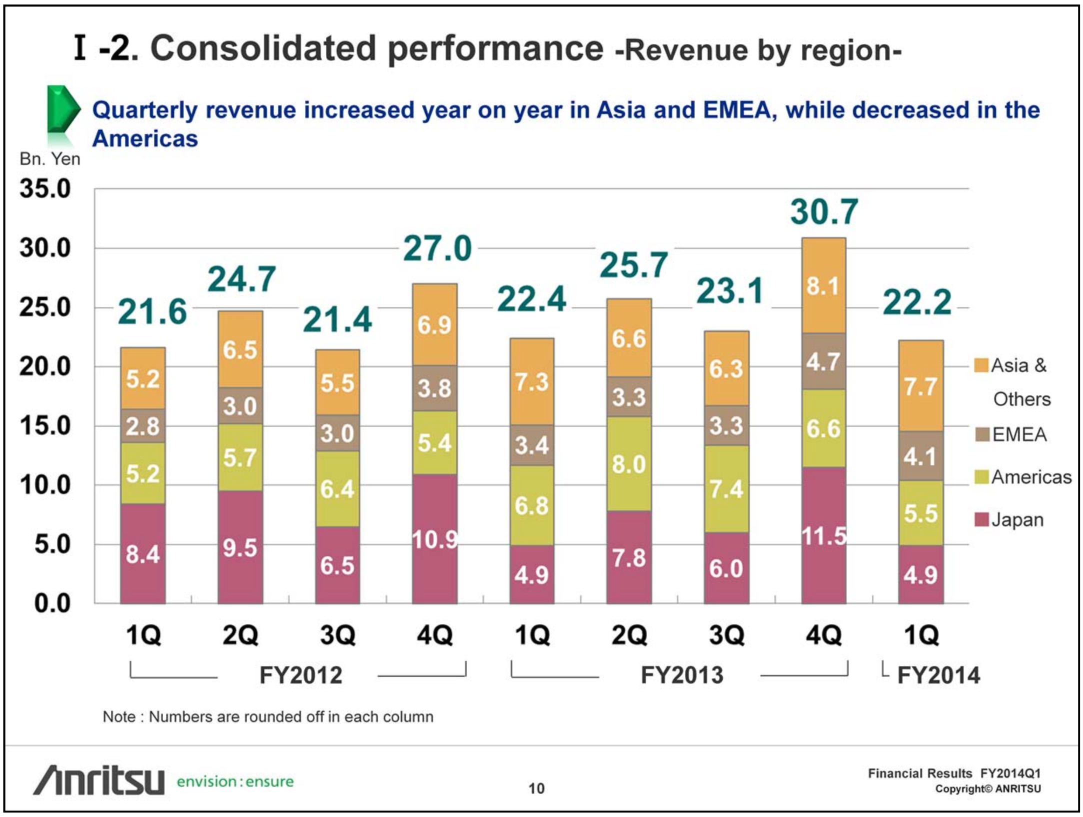
Revenue was roughly unchanged from the previous fiscal year. Although demand was sluggish for mobile manufacturing and base-station installation and maintenance, demand was strong for mobile R&D. Operating profit declined due to increased research and development expense compared to the same period of the previous fiscal year.

Although the Industrial Automation business performed particularly well in overseas markets, the Group made increased investments in R&D and overseas expansion. As a result, revenue was flat year on year, at 2.8 billion yen, and operating loss was 0.4 billion yen.




The consolidated revenue in Q1 was 22.2 billion yen, and T&M revenue was 17.6 billion yen.

The consolidated operating profit to revenue ratio (operating margin) for Q1 was 6.4%, while the T&M business had an operating margin of 11.1%.



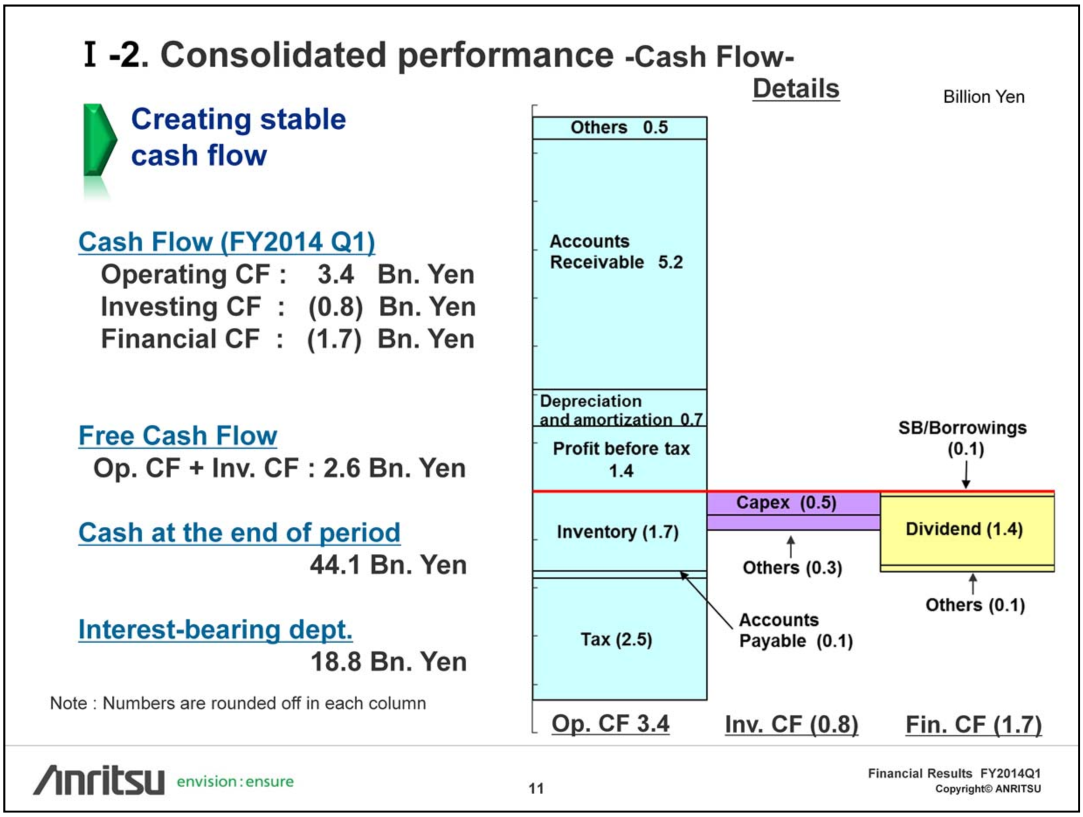

By region, although revenue was strong in Asia and EMEA, revenue declined year on year in the Americas.

There were two main causes for the decline in the Americas:

(1) The mobile R&D in North America has been partially transferred to development sites in Asia and Europe.

(2) Demand for measuring instruments for the installation and maintenance of base stations seems to have reached the end of a cycle.

Japan market has remained at the same level as the corresponding period of the previous fiscal year.




As for operating cash flow, a cash inflow of 3.4 billion yen was generated primarily from an improvement in working capital, and operating cash flow margin turned out to be 15.4%.

The investing cash flow amounted to 0.8 billion yen. We expect expenditures to continue for the new building at our Atsugi site, which is under construction.

As a result, the free cash flow amounted to 2.6 billion yen.

The payment of 1.4 billion yen in dividends accounted for the major part of cash outflow of 1.7 billion yen in financial cash flow.

Subsequently, the balance of cash equivalents at the end of the period increased 0.9 billion yen from the beginning of FY2014 to 44.1 billion yen.

## Ⅱ-1. Outlook for full year of FY2014

### No change since April disclosures

Unit: Billion Yen

| International Financial Reporting Standards (IFRS) | | FY2013 Actual | FY2014 Forecast | FY2014 YoY | FY2014 YoY(%) |
|---|---|---|---|---|---|
| Revenue | | 101.9 | 109.0 | 7.1 | 7% |
| Operating profit (loss) | | 14.1 | 16.0 | 1.9 | 13% |
| Profit (loss) before tax | | 14.2 | 16.0 | 1.8 | 12% |
| Profit (loss) | | 9.3 | 11.0 | 1.7 | 18% |
| Test & Measurement | Revenue | 76.0 | 81.5 | 5.5 | 7% |
| | Op. profit (loss) | 13.0 | 14.5 | 1.5 | 11% |
| Industrial Automation | Revenue | 16.9 | 18.0 | 1.1 | 6% |
| | Op. profit (loss) | 1.2 | 1.3 | 0.1 | 8% |
| Others | Revenue | 9.0 | 9.5 | 0.5 | 6% |
| | Op. profit (loss) | (0.1) | 0.2 | 0.3 | - |

Note 1 : Exchange rate for FY2014 (forecast) 1USD = 100 yen, 1EURO=135yen
Note 2 : Numbers are rounded off in each column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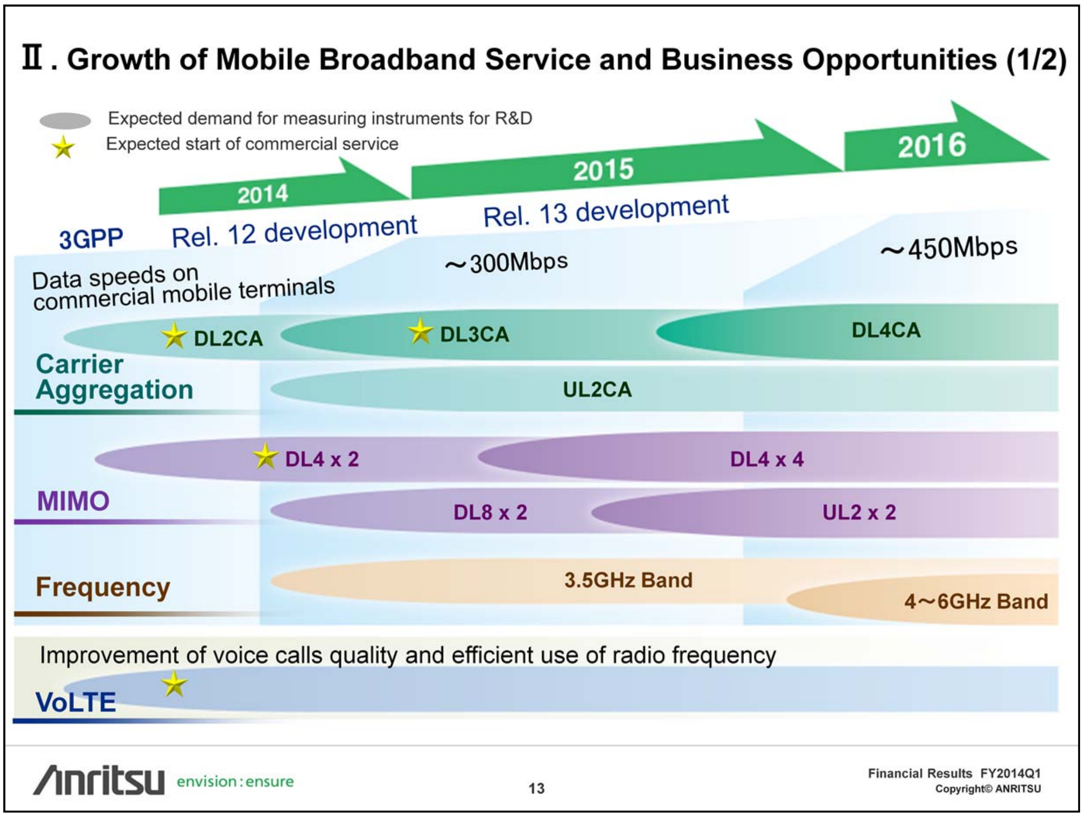
The forecast for FY 2014 has not changed since the plan that was published on April 24. Progress in Q1 has not deviated greatly from the assumptions in our plan at the beginning of the fiscal year. We remain unified in our commitment to achieving the plan's targets.

Although we cannot expect significant growth in the Japanese market, we have major opportunities in overseas markets. The opportunities are especially great in demand by key players active in the North American market driving mobile broadband, and demand for introduction of TD-LTE, with China playing a pivotal role.




Mobile broadband services continue to drive the performance of the Anritsu Group, and business opportunities in this market are growing.

The growing use of services by smartphones and tablets is creating increasing demand for improved speed and capacity in mobile networks. Commercial LTE-Advanced service has already started in several countries. This service is continuing to evolve, and carrier aggregation and combination with such technologies as MIMO are increasing its speed.

Each player will also bolster its initiatives in order to support the varied needs of communication-service users.

## Ⅱ. Growth of Mobile Broadband Service and Business Opportunities (2/2)

### Mobile R&D Field

- Commercialization of Carrier Aggregation (Development of 3-band chipsets)
- Full-scale introduction of VoLTE is expanding CAT business
- Full-scale development of TD-LTE terminals
- More frequency ranges being used (e.g. 3.5 GHz)
- Growing number of chipset vendors

Mobile Device Test Platform ME7834L

### Mobile Manufacturing Field

- Growing manufacture of TD-LTE smartphone production
- Faster WiFi (802.11ac) and expanded industry/social infrastructure via IOT
- Cheaper smartphones driving use of reference designs
- Introduction of multi-port units and new measurement methods making production more efficient

Universal Wireless Test Set MT8870A

### Network Infrastructure Market

- Increased support of base-station carrier aggregation
- Faster mobile fronthaul/more small cells
- Expansion of 100 Gbps to metro network


Network Master Pro MT1000A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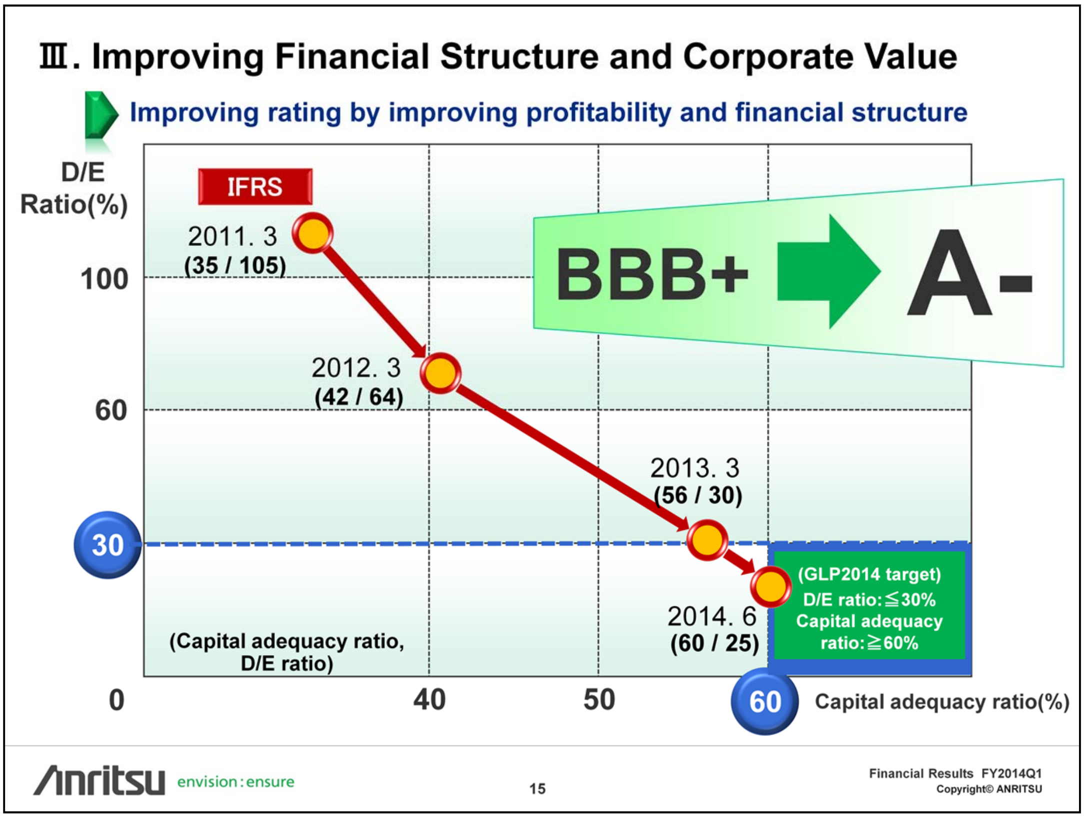
In the mobile R&D field, we expect continued investment in R&D, especially by chipset and terminal vendors. Carrier aggregation is one of the key technologies of LTE-Advanced, and we expect the shift of development demand from two to three band support to drive further investment. At the same time, the number of key players (such as chipset and terminal vendors) is increasing, and the growing customer base is also growing the business.

In the mobile manufacturing field, we can expect investment in TD-LTE smartphones, while growth of IOT using WiFi and other short-range wireless (SRW) is supporting measurement demand. Initiatives to make production more efficient are also accelerating, and we are working to become more competitive by offering the optimum solution for each customer.

The communication operators supporting the network are adopting new technologies to increase speeds and improve service. At the same time, it is also necessary to increase the speed of wired networks, and there is a full-scale move to build 100-Gbps networks. We are enhancing our solutions that support both wired and wireless networks.

We view this market environment as an opportunity, and we are committed to achieving the targets of our yearly plan by continuing to improve customer satisfaction.




As of end-June 2014, the Company's capital adequacy ratio was 60%, and its D/E ratio was 25%. Consequently, both indices are within the range needed to achieve our target for improving our financial structure in the GLP2014 Long-term Business Plan.

In relation to this, in May R&I raised our credit rating from "BBB+" to "A-," in recognition of our financial structure and the stability of our earnings base. The challenges of improving financial structure and the earnings base are two sides of the same coin for improving corporate value. We remain committed to improving our ROE and ACE (Anritsu Capital-cost Evaluation; a KPI for improving corporate value developed independently by Anritsu, which measures net operating profit after tax less an adjustment for the cost of capital) in order to achieve "Continuous growth with sustainable superior profits" and improve our corporate value.

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This concludes our financial report for the 1st quarter of the Fiscal Year ending March 31, 2015.

We look forward to the continued cooperation and support of our shareholders and investors in the coming year.