Financial Results for the Fiscal Year ended March 31, 2016

Hirokazu Hashimoto

President and Group CEO
Anritsu Corporation

April 28th, 2016

FASF MEMBERSHIP

http://www.anritsu.com

Anritsu
envision : ensure

(No notes here)

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.

(No notes here)

Agenda

Ⅰ. Consolidated performance review of fiscal year ended March 31, 2016

Ⅰ-1. Outline of our business segments
Ⅰ-2. Consolidated performance

Ⅱ. Outlook for full year of the fiscal year ending March 31, 2017

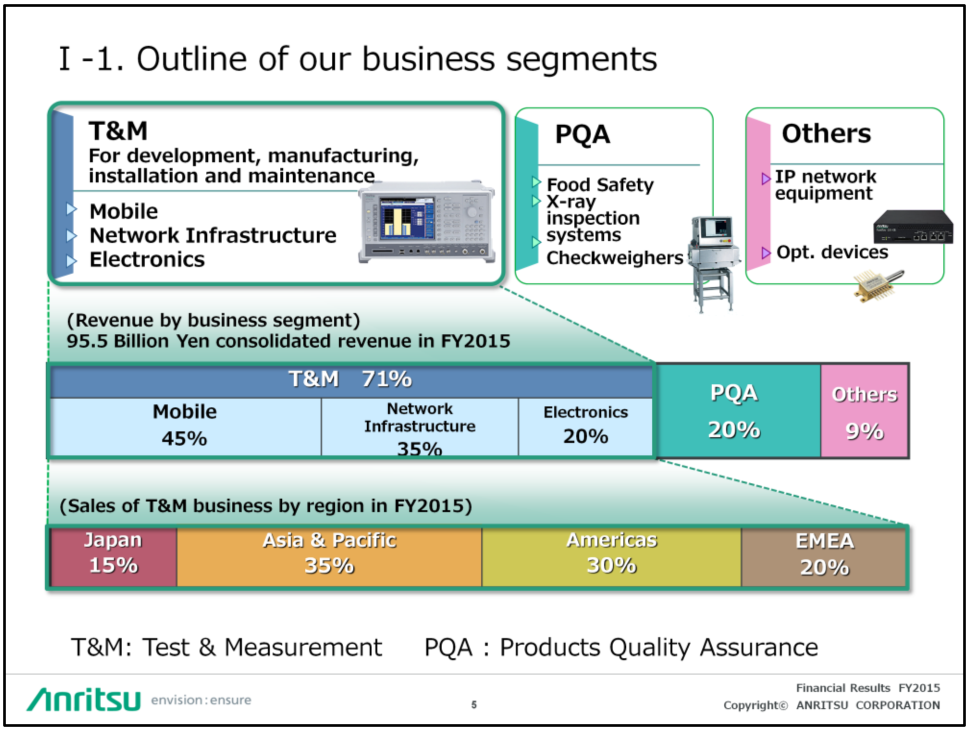
Ⅱ-1. Outlook for full year of the fiscal year ending March 31, 2017
Ⅱ-2. Dividend forecast

Ⅲ. Initiatives for achievement of GLP2017

(No notes here)

Blank slide

(No notes here)



(No notes here)

I -2. Consolidated performance -Business Segments-

Segment	FY2015 (April to March, 2016)
T&M :	Restrained investment in the mobile market continued
Mobile	Restraint in capital investment by chip and terminal vendors continued
NW	Capital investment in optical digital related business was strong
Electronics	Recovery trend for module development and business-use wireless device
Asia	Slowdown in growth rate of the Chinese smartphone market Increase in demand for optical digital manufacturing equipment
Americas	Trend of restraint in installation investment among communications carriers
PQA	Increase in capital investment, mainly in the Japanese convenience store market

T&M: Test & Measurement NW: Network Infrastructure PQA : Products Quality Assurance

In the T&M business, restrained investment by customers continued in the mobile market as a whole. Owing to the impact of the slowdown in growth rate of smartphone shipments, further trend of restrained investment was seen among Chinese terminal vendors towards capital investments for manufacturing equipment, which has resulted in a slowdown in growth of the overall mobile T&M market.

In the network infrastructure market, while demand for measuring instruments for optical digital device used in the development and manufacture of optical modules for data centers was strong, restraint in investment in installation of LTE network by communications carriers in North America continued.

In the Products Quality Assurance (PQA) business, revenue growth continued both in Japanese and overseas markets. Especially in Japan, we captured renewal demand for facilities with new products in various processed food markets, mainly in the convenience store market, thereby increasing sales.

I -2. Consolidated performance -Financial results-

Unit: Billion Yen

International Financial Reporting Standards (IFRS)	FY2014 (Apr. to Mar.)	FY2015 (Apr. to Mar.)	YoY	YoY (%)
Order Intake	101.1	94.6	(6.5)	-6%
Revenue	98.8	95.5	(3.3)	-3%
Operating profit (loss)	10.9	5.9 *	(5.0)	-46%
Profit (loss) before tax	11.6	5.4 **	(6.2)	-53%
Profit (loss)	7.9	3.8	(4.1)	-52%
Comprehensive income	11.9	0.6	(11.3)	-95%
Free Cash Flow	1.5	1.2	(0.3)	-25%

Note : Numbers are rounded off in each column

* Including restructuring costs of approximately 0.7 billion yen
**Including foreign exchange losses of approximately 0.4 billion yen for the financial balance

Anritsu envision : ensure 7

Financial Results FY2015

The Group's consolidated order intake decreased by 6% year on year to 94.6 billion yen and revenue remained at the same level as the previous fiscal year at 95.5 billion yen. Operating profit decreased by 46% year on year to 5.9 billion yen.

As a result of the implementation of organizational restructuring and downsizing in North America and Europe from 2Q to 4Q, restructuring costs of approximately 0.7 billion yen were recorded as operating expenses.

Profit decreased by 52% year on year to 3.8 billion yen. and comprehensive income decreased by 95% year on year to 0.6 billion yen.

Free cash flow was plus 1.2 billion yen because the increase in operating cash flow mainly due to the improvement in working capital exceeded payments relating to the Global Headquarters building and other expenses.

I -2. Consolidated performance

– Financial balance, Income tax expense, Comprehensive Income –

Unit: Billion Yen

	FY2014 (Apr. to Mar.)	FY2015 (Apr. to Mar.)	YoY
Op. profit (loss)	10.9	5.9	(5.0)
Foreign exchange gain or loss *	0.8	(0.4)	(1.2)
Other financial income, expense, etc.	(0.1)	(0.1)	0.0
Profit (loss) before tax	11.6	5.4	(6.2)
Income tax expense	3.7	1.7	(2.0)
Profit (loss)	7.9	3.8	(4.1)
Other comprehensive Income	4.0	(3.1)	(7.1)
Remeasurements of defined benefit plans	1.3	(1.6)	(2.9)
Exchange difference on translation	2.7	(1.8)	(4.5)
Others	(0.0)	0.3	0.3
Comperhensive Income	11.9	0.6	(11.3)

* Including mark-to-market valuation of foreign exchange forward contracts

Note : Numbers are rounded off in each column

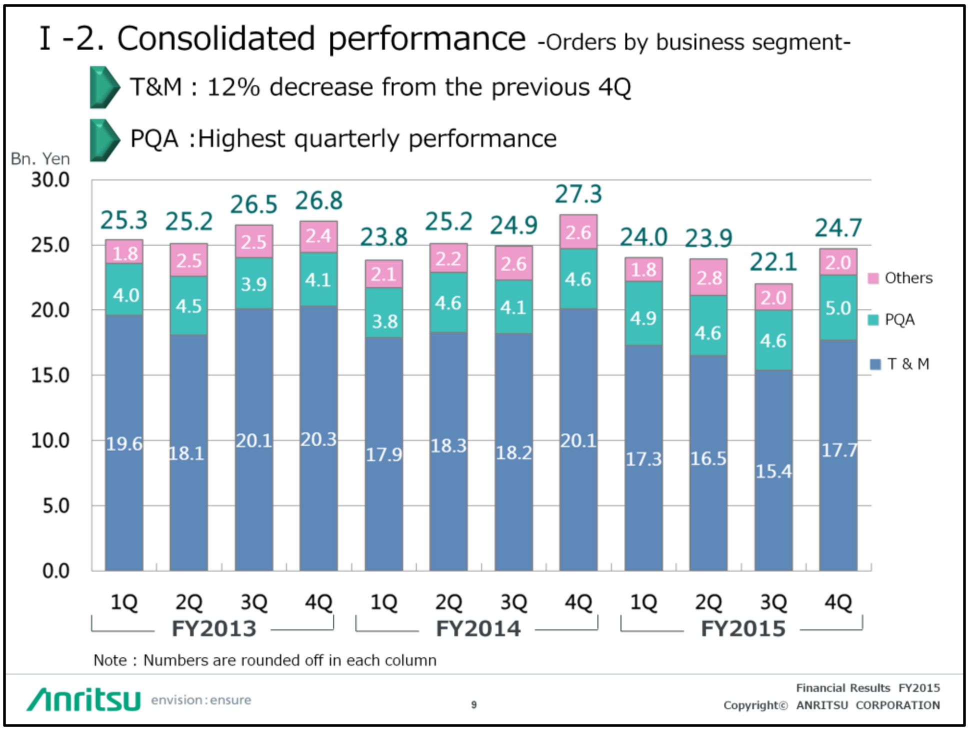
Anritsu envision : ensure

8

Financial Results FY2015

Foreign exchange losses of approximately 0.4 billion yen were recorded due to the sharp appreciation of the yen. In addition, the reversal of deferred tax assets (4Q: approx. 0.3 billion yen) was carried out due to the change in the statutory effective tax rate.

As for other comprehensive income, we saw an increase in pension benefit obligations due to remeasurements of defined benefit plans mainly in connection with the re-examination of the discount rate and a re-evaluation loss of foreign operations.



Orders for 4Q in the T&M business decreased by 12% year on year to 17.7 billion yen. Although the continued decline in demand for measuring instruments for manufacturing smartphones in the mobile market and investment in installation of LTE network by carriers in North America ran its course, orders showed improvement.

Order intake in the PQA business for 4Q increased by 7% year on year to 5.0 billion yen. We captured renewal demand for facilities with new products, centered on Japanese food vendors that handle box lunches and prepared foods.

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

Unit: Billion Yen

International Financial Reporting Standards (IFRS)		FY2014 (Apr. to Mar.)	FY2015 (Apr. to Mar.)	YoY	YoY (%)
T&M	Revenue	**73.4**	**67.7**	**(5.7)**	**-8%**
	Op. profit (loss)	**8.9**	**4.7** *	**(4.2)**	**-47%**
	Core Op. profit (loss)	*8.8*	*5.4*	*(3.4)*	*-39%*
PQA	Revenue	**16.2**	**18.9**	**2.7**	**17%**
	Op. profit (loss)	**0.8**	**1.2**	**0.4**	**45%**
	Core Op. profit (loss)	*0.7*	*1.2*	*0.5*	*62%*
Others	Revenue	**9.2**	**8.9**	**(0.3)**	**-3%**
	Op. profit (loss)	**1.1**	**(0.0)**	**(1.1)**	**-**
	Core Op. profit (loss)	*0.6*	*(0.0)*	*(0.6)*	*-*
Total	Revenue	**98.8**	**95.5**	**(3.3)**	**-3%**
	Op. profit (loss)	**10.9**	**5.9** *	**(5.0)**	**-46%**
	Core Op. profit (loss)	*10.1*	*6.5*	*(3.6)*	*-35%*

Note1 :Core operating profit is the Company's unique profit indicator to measure constant business performance, calculated by eliminating from the IFRS-based operating profit temporary factors

Note2 : Numbers are rounded off in each column

T&M: Test & Measurement PQA : Products Quality Assurance

* Including restructuring costs of approximately 0.7billion yen

Anritsu envision : ensure 10 Financial Results FY2015

Revenue and profit were down for the T&M business. Operating margin was 6.9%. Core operating profit was 7.9% excluding restructuring costs in Europe and the U.S. of approximately 0.7 billion yen were recorded in operating expenses.

Both revenue and profit increased in the PQA business. Operating margin was 6.3%

Core operating profit in the results for the previous fiscal year for Others segment excludes 0.6 billion yen in reversal of impairment resulting from changes in the plan for utilizing the main plant due to the impact of snow damage and others.

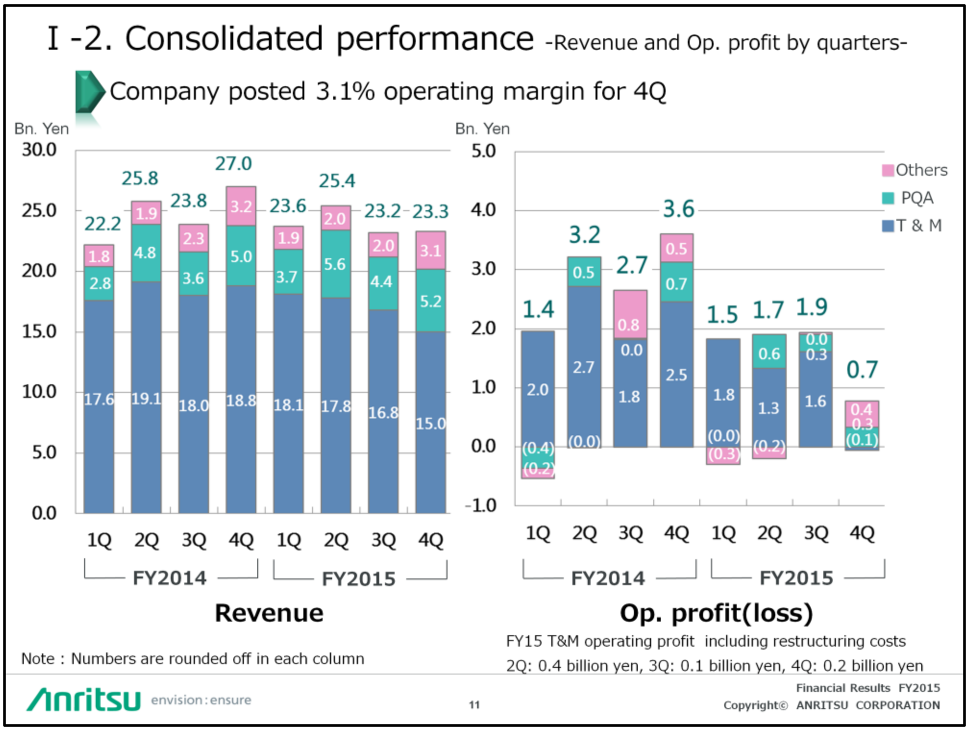
Core operating profit is:

the Company's unique profit indicator to measure constant business performance, calculated by eliminating from the IFRS-based operating profit temporary factors such as

-Impairment loss and its reversal

-Gains or losses on sales of non-current assets

-Expenses for business structure reforms



The consolidated operating margin and the operating margin for the T&M and PQA businesses in 4Q were as follows respectively:

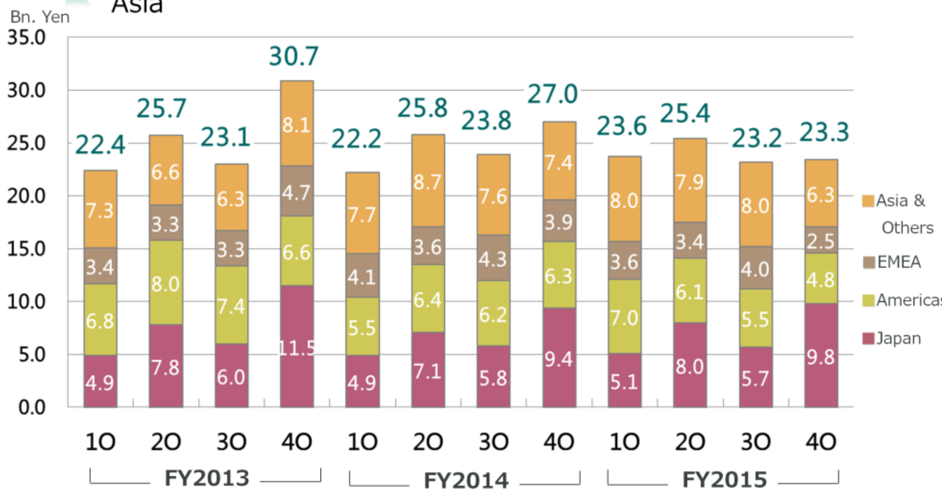
Consolidated: 3.1%

T&M: -0.4%(if approximately 0.2 billion yen in restructuring costs are excluded: 0.8%)

PQA: 6.3%

I -2. Consolidated performance -Revenue by region-

Decreased revenue year on year in the Americas, EMEA and Asia



Note : Numbers are rounded off in each column

In the Japanese market, revenue was at the same level year on year; however, in overseas markets, revenue decreased in all regions, with revenue decreasing by 24% in the Americas, 36% in EMEA, and 15% in Asia.

I -2. Consolidated performance -Cash Flow-

Operating cash flow margin ratio was 11%

Cash Flow (FY2015)

Operating CF : 10.2 Bn. Yen
Investing CF : (9.0) Bn. Yen
Financial CF : 2.5 Bn. Yen

Free Cash Flow

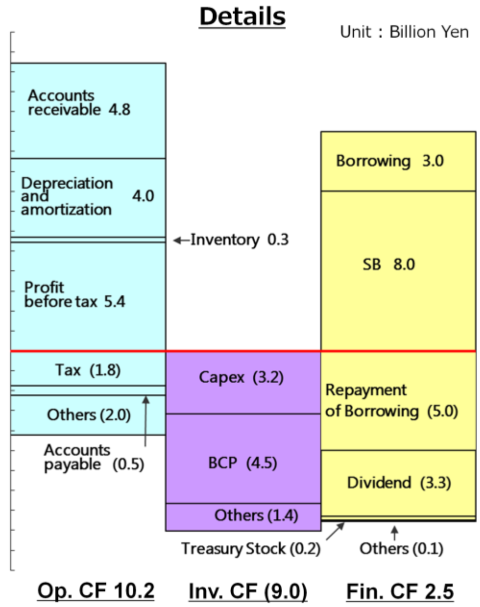
Op. CF + Inv. CF : 1.2 Bn. Yen

Cash at the end of period

37.4 Bn. Yen

Interest-bearing debt.

22.0 Bn. Yen



Note : Numbers are rounded off in each column

Anritsu envision : ensure

13

Financial Results FY2015

As for operating cash flow, a cash inflow of 10.2 billion yen was generated primarily from collecting accounts receivable.

Investing cash flow of 9.0 billion yen includes payments of 4.5 billion yen in construction-related investment for the new “Global Headquarters building” at our Atsugi site.

As a result, the free cash flow amounted to an inflow of 1.2 billion yen.

As for financial cash flow, a cash inflow of 2.5 billion yen was generated, which includes issuance of Straight Bonds of 8.0 billion yen (redemption date: June 2020, rating: A-), repayment of bank loans (2 billion yen, net), and dividends paid of 3.3 billion yen (dividend per share: 24 yen).

Consequently, the balance of cash equivalents at the end of the period increased by 2.5 billion yen from the beginning of the fiscal year to 37.4 billion yen.

I -3. Forecast for full year of FY2016

Ensure better results than the previous fiscal year level amid expectation of strong yen

Unit: Billion Yen

International Financial Reporting Standards (IFRS)		FY2015 Actual	FY2016 Forecast	FY2016 YoY	FY2016 YoY(%)
Revenue		95.5	97.0	1.5	2%
Operating profit (loss)		5.9 *	7.2	1.3	22%
Profit (loss) before tax		5.4 **	7.1	1.7	31%
Profit (loss)		3.8	5.3	1.5	41%
T&M	Revenue	67.7	68.0	0.3	0%
	Op. profit (loss)	4.7 *	5.5	0.8	17%
PQA	Revenue	18.9	20.0	1.1	6%
	Op. profit (loss)	1.2	1.4	0.2	17%
Others	Revenue	8.9	9.0	0.1	1%
	Op. profit (loss)	0.0	0.3	0.3	-

Note 1 : Exchange rate for FY2015 1USD=120 yen, 1EURO=133 yen , FY2016 (forecast) 1USD=110 yen, 1EURO=125 yen
Note 2 : Numbers are rounded off in each column
* Including restructuring costs of approximately 0.7 billion yen
**Including foreign exchange losses of approximately 0.4 billion yen for the financial balance

Anritsu envision : ensure

14

Financial Results FY2015

The forecast for the full year results of FY2016 is as follows.

In the T&M business, we plan the same level of revenue as the previous fiscal year due to the appreciation trend of the yen. However, we will strive to secure a solid revenue base mainly by seizing the following business opportunities.

・Mobile: Expansion of carrier aggregation

・Network infrastructure: Demand for development and manufacture of optical modules for data centers

・IoT: Demand for development for automotive/IoT

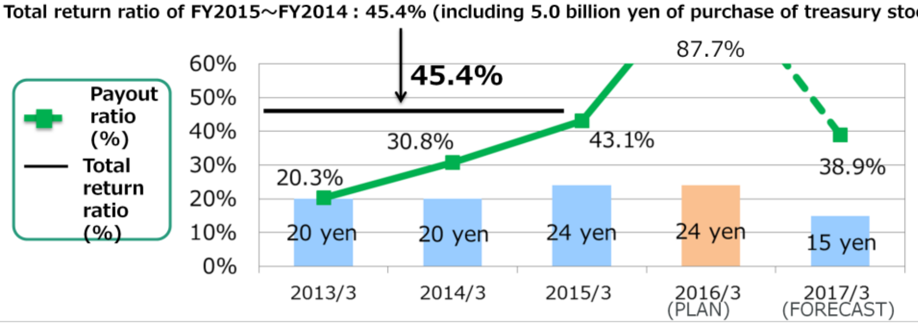
In the PQA business, as in the previous fiscal year, we will aim to achieve 20.0 billion yen in revenue by steadily capturing quality assurance needs in the domestic and overseas food processing plants through offering optimal solutions.

Ⅱ. Dividend forecast

Annual dividend

	Dividend per share	Profit	Payout ratio
FY2016 (Forecast)	**15 yen**	**5.3 B yen**	**39%**
FY2015 (Plan)	24 yen	3.8 B yen	88%

Total return ratio of FY2015~FY2014 : 45.4% (including 5.0 billion yen of purchase of treasury stock)



Anritsu envision : ensure

15

Financial Results FY2015

The Company’s core policy for returning profits to its shareholders is to distribute profits in accordance with its consolidated performance, taking into account the total return ratio.
With regard to the distribution from surplus, 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’s policy is to pay dividends twice a year as an interim dividend and a year-end dividend aiming at a consolidated dividend payout ratio of 30% or more by the resolution of the Board of Directors or the General Meeting of Shareholders.

We plan to pay an annual dividend of 15 yen per share (including an interim dividend of 7.5 yen per share) for FY2016, based on the assumption to achieve the business results forecast for the next fiscal year.

Ⅲ. Initiatives for achievement of GLP2017

(No notes here)

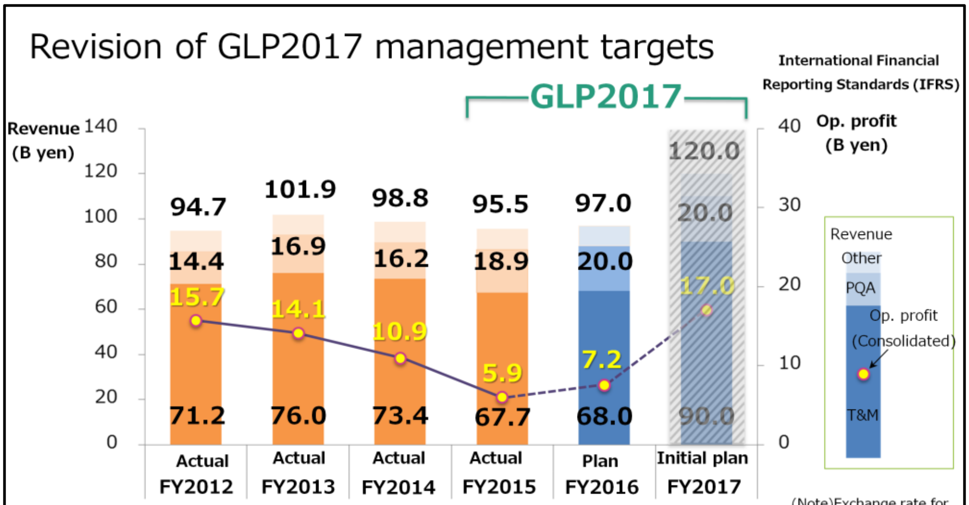
Middle and long-term management basic strategy

Capture growth drivers without fail, and realize **"continuous profitable growth"**

	Market average annual growth rate	Growth driver	GLP2017 Operating Margin/ ROE (Initial plan)	Target	
				Sales growth rate	Operating margin
T&M	3-5%	**Broadband expansion and innovation** (1) LTE-Advanced (2) IoT/5G, Connectivity (3) Network Reshaping	15%	≧7%	≧20%
PQA	3-5%	**Improvement of safety, security and health** **Solutions with X-ray for quality assurance**	8%	≧7%	≧12%
Consoli.	–	–	14%	–	≧18%
ROE	–	–	14%	≧15%	

The basic policy of the medium- to long-term business strategy is to achieve profitable and sustainable growth by steadily capturing growth drivers.
There are no changes to the growth drivers of the core T&M business. A society is being realized where everything is connected to the Internet through various systems (IoT/5G). Anritsu will steadily capture business opportunities amid the development of communication technologies supporting such realization.
The growth driver of the PQA business is "increase in safety, security and health."
The target growth rate, profit margin and ROE in the medium- to long-term basic business strategy are as shown above.

The initial plan and management targets of GLP2017 are revised in the next slide.



		Actual FY2012	Actual FY2013	Actual FY2014	Actual FY2015	Plan FY2016	Initial plan FY2017
OP. Margin	Consoli.	17%	14%	11%	6%	7%	10%
	T&M	21%	17%	12%	7%	8%	12%
ROE	Consoli.	25%	13%	10%	5%	7%	10%
Op.CF margin ratio		12%	14%	8%	11%	11%	13%

(Note)Exchange rate for FY2016(Forecast) :
1USD =110 yen
1EURO=125 yen

Revised

*PQA: Products Quality Assurance

Anritsu envision : ensure

18

Financial Results FY2015

With structural changes in the smartphone market as a backdrop, the business environment has substantially changed from the time of formulation of GLP2017. Although we set a consolidated revenue target of 120.0 billion yen for FY2017, we believe that it would be difficult to achieve this target in the final year of GLP2017. The management targets for FY2017 aim at revenue growth rate of 7% or higher based on FY2015 results and the FY2016 plan, and also revise the operating margin and ROE as follows.
Each business will strive to continue strengthening the profit structure going forward to achieve the initially planned operating margin target as soon as possible.

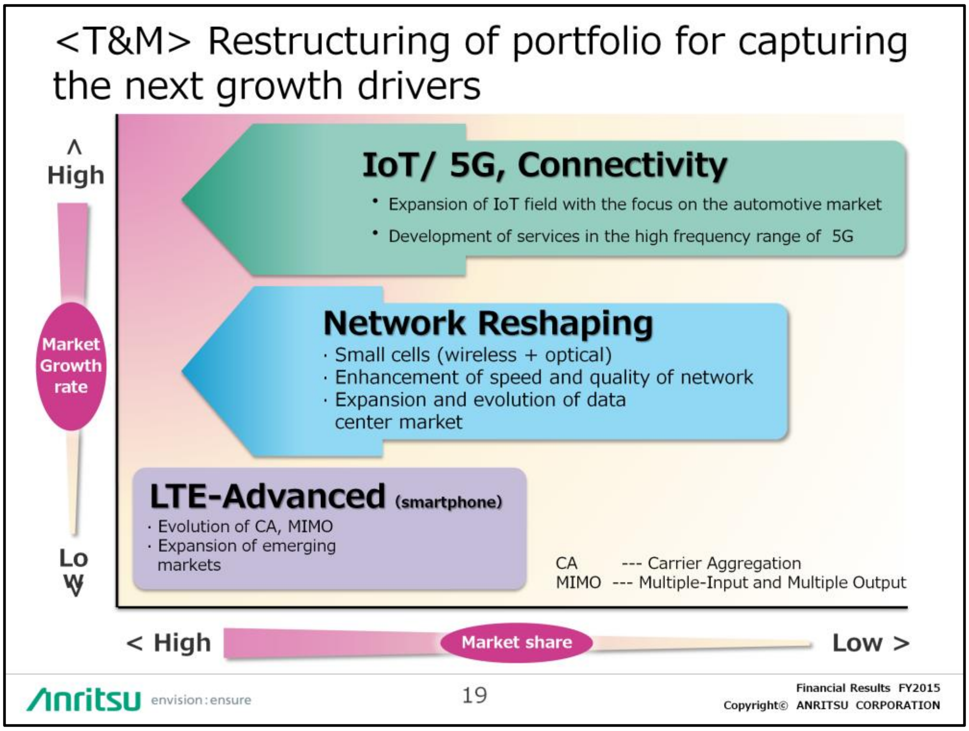
[FY2017]
Initial plan in April 2015 ⇒ Upon revision of plan in April 2016

Operating margin

	Initial plan		Revised
Consolidated:	14%		≧10%
T&M:	15%	⇒	≧12%
PQA:	8%		≧ 7%

ROE

	Initial plan		Revised
Consolidated:	14%	⇒	10%



Although growth rate in the smartphone market is slowing down, we will secure revenue with the trust and technological capabilities we have cultivated so far. In order to acquire the network reshaping market which is expanding due to the explosive increase of mobile data traffic and demand for data centers as a result of expansion of service, we will reinforce competitiveness. We will continue to actively make investments for the purpose of seizing business opportunities in the IoT/5G market which is expected to grow over the medium- to long-term.

<PQA> Reinforce global competitiveness for profitable growth

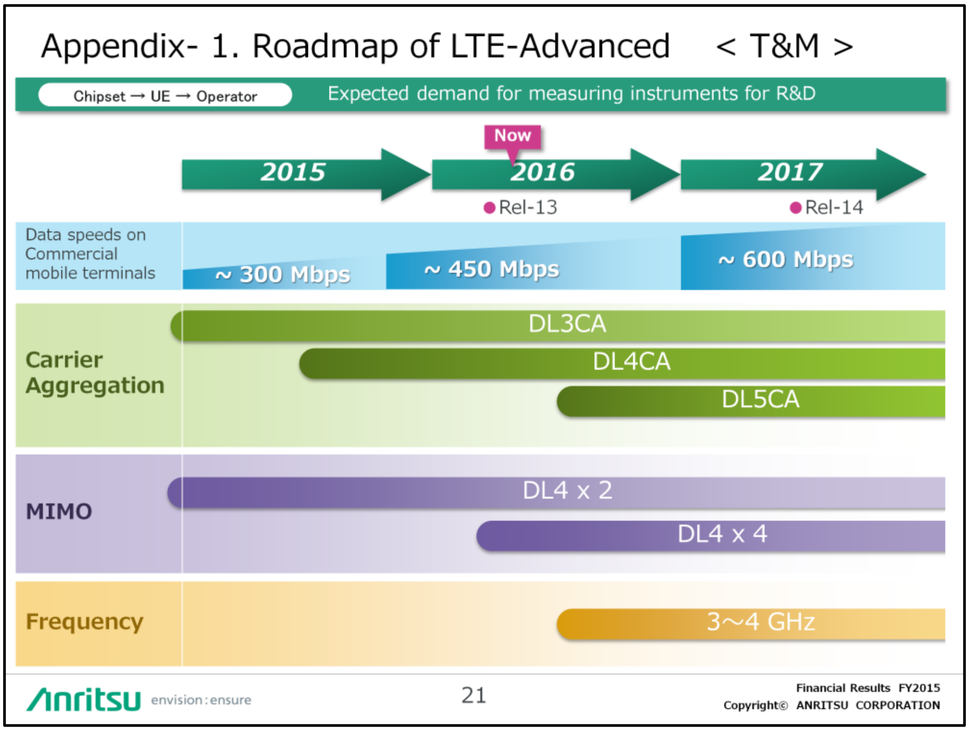
Future Outlook

- Demand for delicatessen food (prepared foods, frozen foods, and boxed meals) of convenience stores and supermarkets will likely continue growing every year until for the next 10 years or more
  (Outlook of the Ministry of Agriculture, Forestry and Fisheries)
- Demand for meat inspection is growing in North America.
- The quality assurance market in Asia and emerging countries is expanding.

Key Initiatives

- Strengthen lineup of X-ray inspection solutions to achieve high-value-added safety in the each regional market based on X-rays.
- Strengthen relations with global customers with the aim of achieving an overseas revenue rate of 50%.
- Expand sales in the non-food markets (pharmaceuticals, cosmetics, etc.).

The PQA 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 as well as our sales structure.

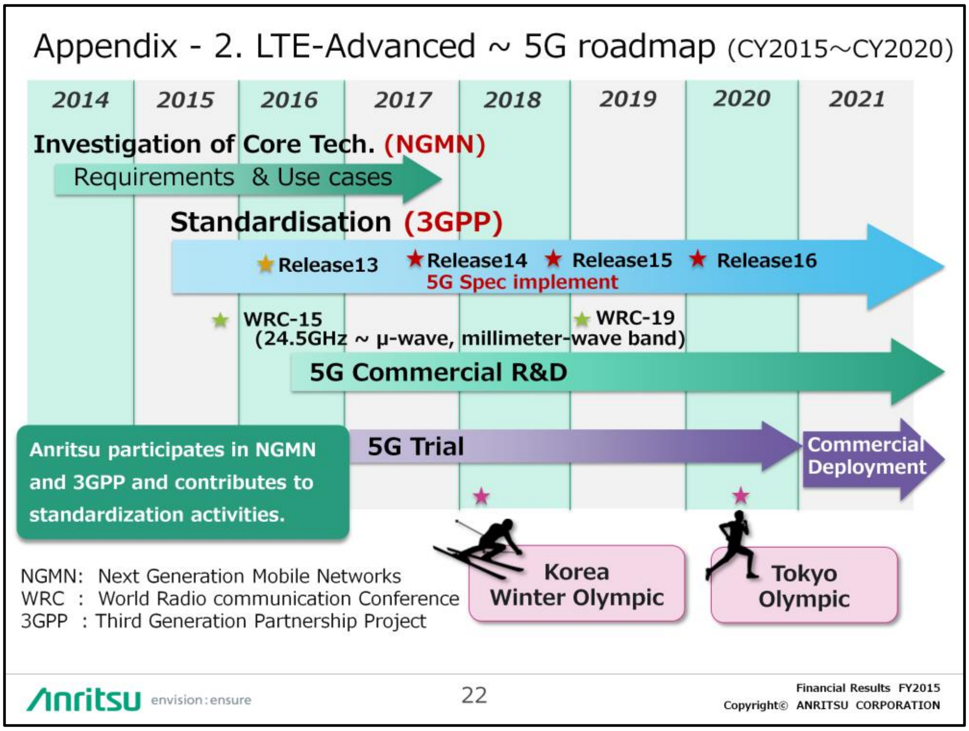


LTE-Advanced, which achieves high-speed and high-capacity transmission, continues to make technological advancement. Anritsu plays a leading role in solutions for LTE-Advanced.

・Carrier Aggregation (CA) --- A technology that virtually creates a wider bandwidth by combining multiple allocated frequencies. The wider the bandwidth, the higher the speed at which a large capacity of data can be transmitted. One of the key technologies of LTE-Advanced.

・MIMO (Multiple-Input and Multiple Output) --- A wireless communication technology for transmitting and receiving data on the same frequency axis with multiple antennas for both transmitting and receiving data. This technology makes higher-speed communication possible. One of the key technologies of LTE-Advanced.

・Frequency --- Demand for measuring frequency range that covers a relatively narrow area such as small cells.



A roadmap, as above provided, is up to the currently anticipated achievement of 5G communication systems aimed at commercial deployment in around 2020.
Anritsu participates in NGMN and 3GPP and contributes to standardization activities. 5G standards are to be established in Release14 that will be formulated in late 2017 by 3GPP.

Anritsu

envision : ensure