Financial Results for the 1st quarter of the Fiscal Year ending March 31, 2017

Hirokazu Hashimoto

President and Group CEO
Anritsu Corporation

July 29th, 2016



Financial Accounting Standards Foundation
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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.

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Agenda

Ⅰ. Consolidated performance review of the 1st quarter of the fiscal year ending March 31, 2017

Ⅰ-1. Outline of our business segments
Ⅰ-2. Consolidated performance
Ⅰ-3. Outlook for full year of the fiscal year ending March 31, 2017

Ⅱ. Business Opportunities in T&M

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I -1. Outline of our business segments

T&M
For development, manufacturing, installation and maintenance

- Mobile
- Network Infrastructure
- Electronics



PQA

- Food Safety
- X-ray inspection systems
- Checkweighers



Others

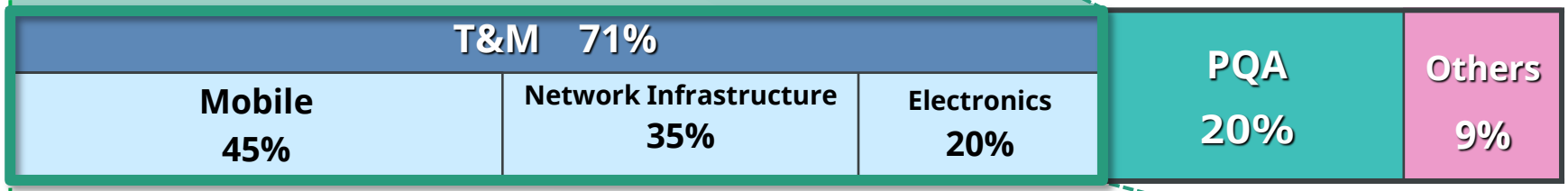
- IP network equipment



- Opt. devices



(Revenue by business segment)
95.5 Billion Yen consolidated revenue in FY2015



(Sales of T&M business by region in FY2015)



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

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I -2. Consolidated performance -Business Segments-

Segment	FY2016Q1 (April to June, 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	Strong demand for module development and business-use wireless devices
Asia	Slowdown in growth rate of the Chinese smartphone market Steady demand for optical digital manufacturing equipment
Americas	Capital investment in optical digital-related business is on a recovery trend
PQA : Increase in capital investment, mainly in the Japanese convenience store market	

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

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I -2. Consolidated performance -Financial results-

Unit: Billion Yen

International Financial Reporting Standards (IFRS)	1Q FY2015 (Apr. to Jun.)	1Q FY2016 (Apr. to Jun.)	YoY	YoY (%)
Order Intake	24.0	20.9	(3.1)	-13%
Revenue	23.6	20.3	(3.3)	-14%
Operating profit (loss)	1.5	0.7	(0.8)	-52%
Profit (loss) before tax	1.7	0.0	(1.7)	-100%
Profit (loss)	1.1	0.0	(1.1)	-98%
Comprehensive income	2.5	(2.8)	(5.3)	-
Free Cash Flow	1.4	3.8	2.4	175%

Note : Numbers are rounded off in each column

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I -2. Consolidated performance

– Financial balance, Income tax expense, Comprehensive Income –

Unit: Billion Yen

	1Q FY2015 (Apr. to Jun.)	1Q FY2016 (Apr. to Jun.)	YoY
Op. profit (loss)	1.5	0.7	(0.8)
Foreign exchange gain or loss *	0.1	(0.7)	(0.8)
Other financial income, expense, etc.	0.1	0.0	(0.1)
Profit (loss) before tax	1.7	0.0	(1.7)
Income tax expense	0.5	(0.0)	(0.5)
Profit (loss)	1.1	0.0	(1.1)
Other comprehensive Income	1.4	(2.8)	(4.2)
Exchange difference on translation	1.0	(2.8)	(3.8)
Others	0.4	0.0	(0.4)
Comperhensive Income	2.5	(2.8)	(5.3)

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

Note : Numbers are rounded off in each column

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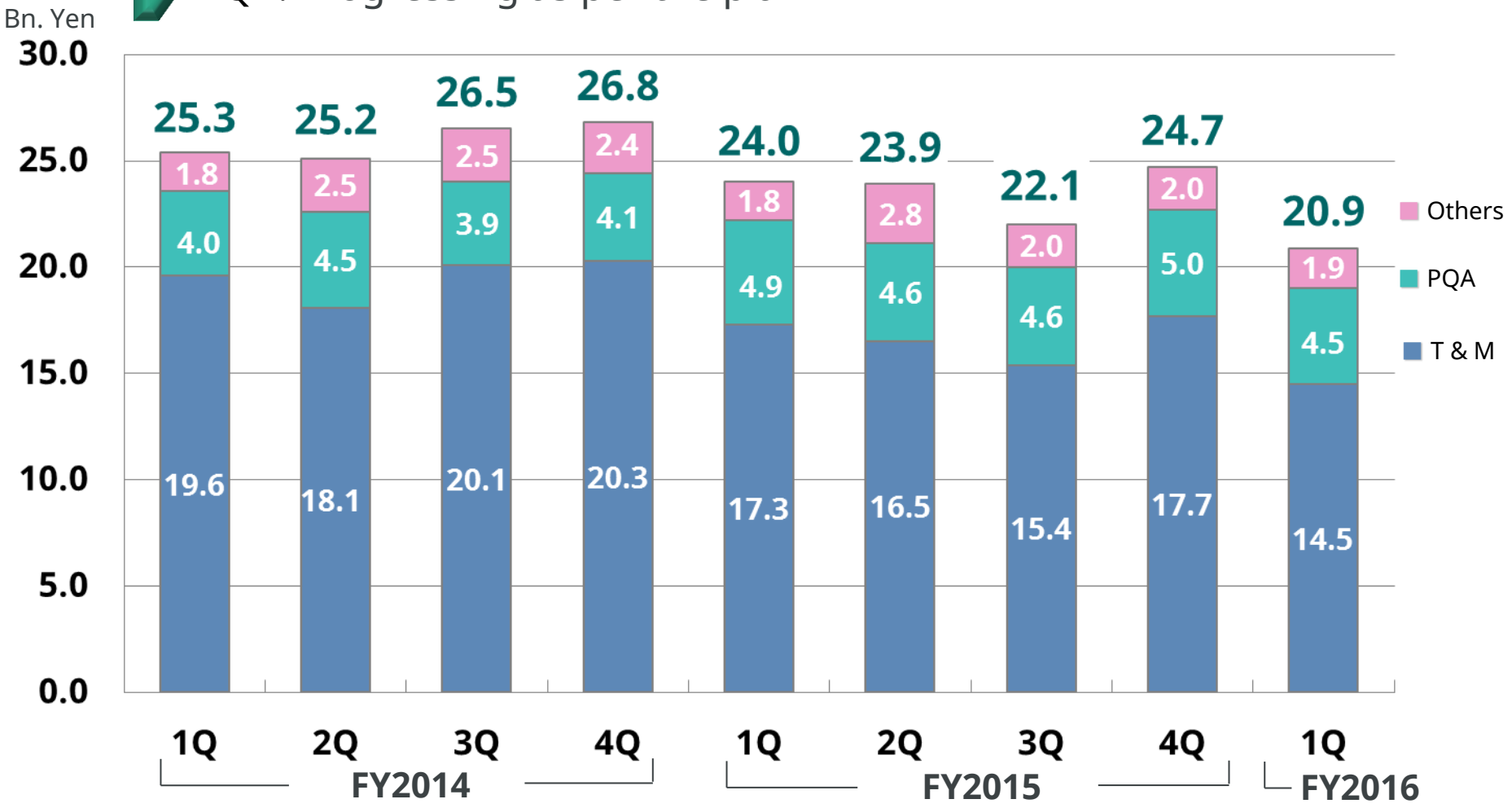
I -2. Consolidated performance -Orders by business segment-

- T&M: 16% decrease from the previous 1Q
- PQA: Progressing as per the plan



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

Unit: Billion Yen

International Financial Reporting Standards (IFRS)		1Q FY2015 (Apr. to Jun.)	1Q FY2016 (Apr. to Jun.)	YoY	YoY (%)
T&M	Revenue	18.1	14.6	(3.5)	-19%
	Op. profit (loss)	1.8	0.7	(1.1)	-60%
PQA	Revenue	3.7	4.1	0.4	11%
	Op. profit (loss)	(0.0)	0.1	0.1	-
Others	Revenue	1.9	1.5	(0.4)	-18%
	Op. profit (loss)	(0.3)	(0.1)	0.2	-
Total	Revenue	23.6	20.3	(3.3)	-14%
	Op. profit (loss)	1.5	0.7	(0.8)	-52%

Note : Numbers are rounded off in each column

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

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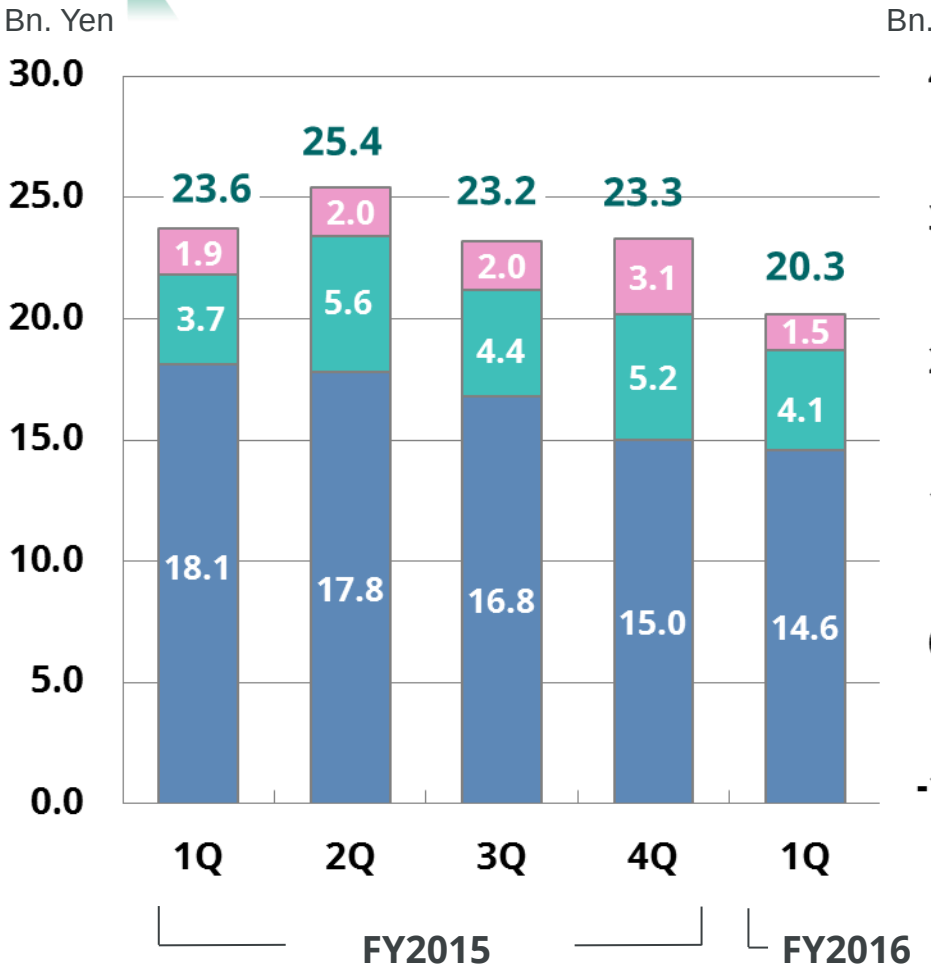
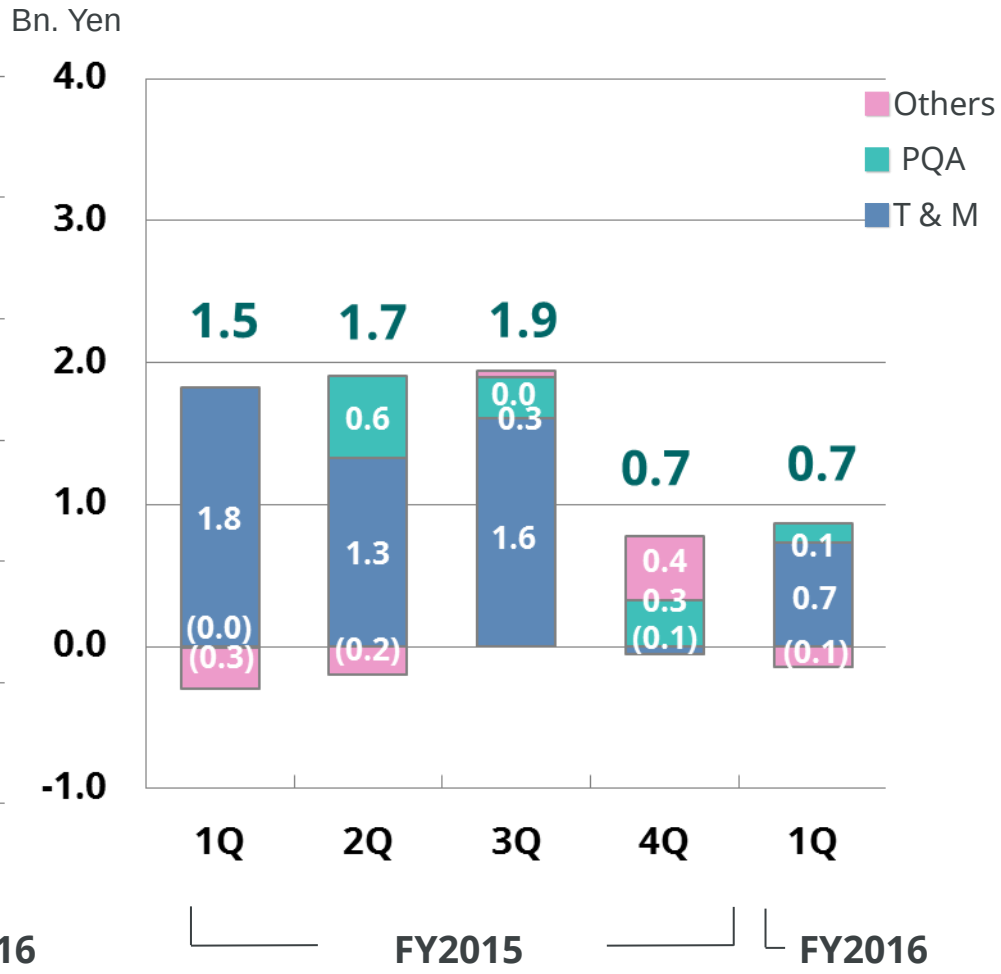
I -2. Consolidated performance -Revenue and Op. profit by quarters-

Company posted 3.6% operating margin for 1Q





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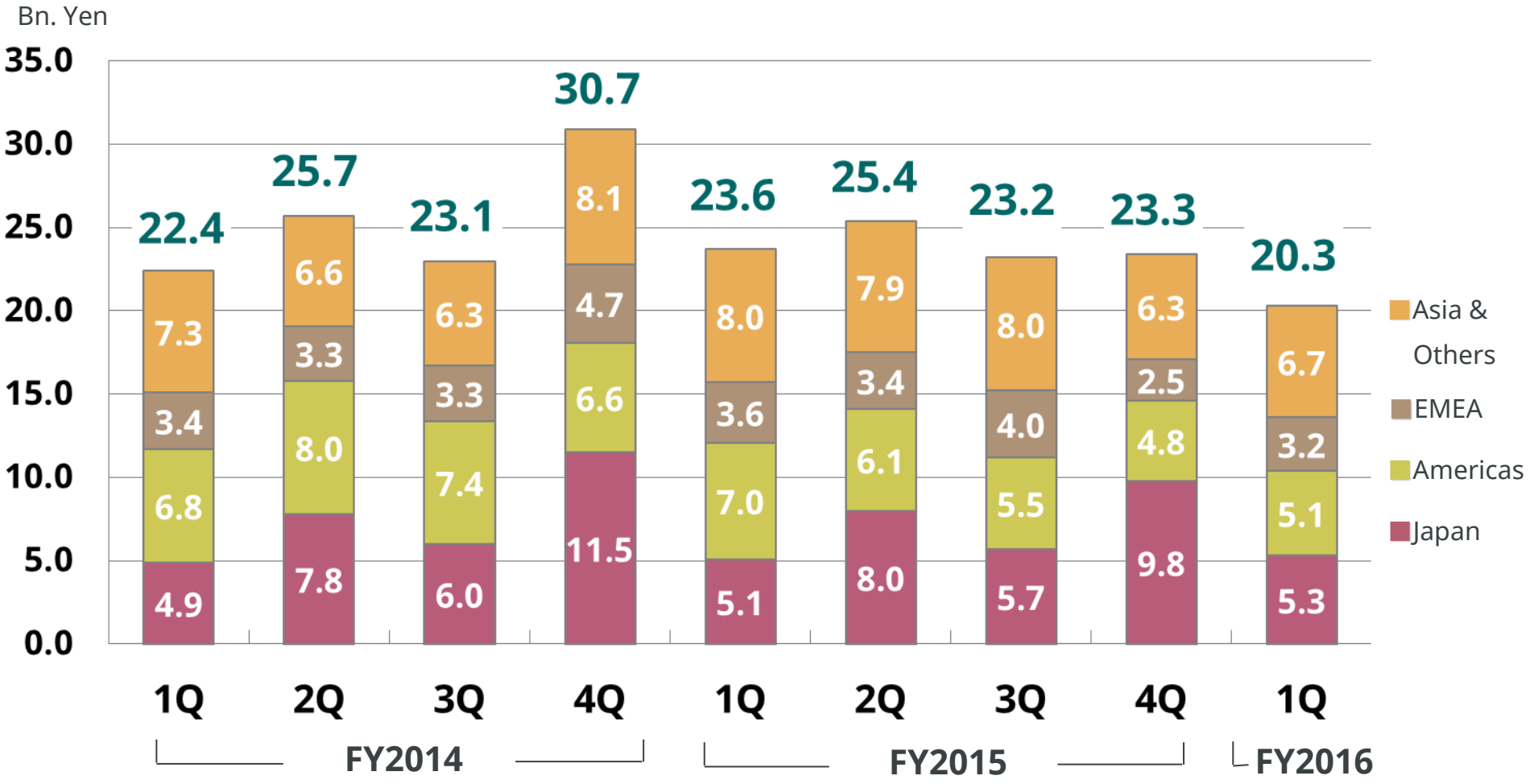
I -2. Consolidated performance -Revenue by region-

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



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I -2. Consolidated performance -Cash Flow-

- Operating cash flow margin ratio was 24%

Cash Flow (FY2016Q1)

Operating CF : 4.8 Bn. Yen
Investing CF : (1.0) Bn. Yen
Financial CF : (1.7) Bn. Yen

Free Cash Flow

Op. CF + Inv. CF : 3.8 Bn. Yen

Cash at the end of period

37.8 Bn. Yen

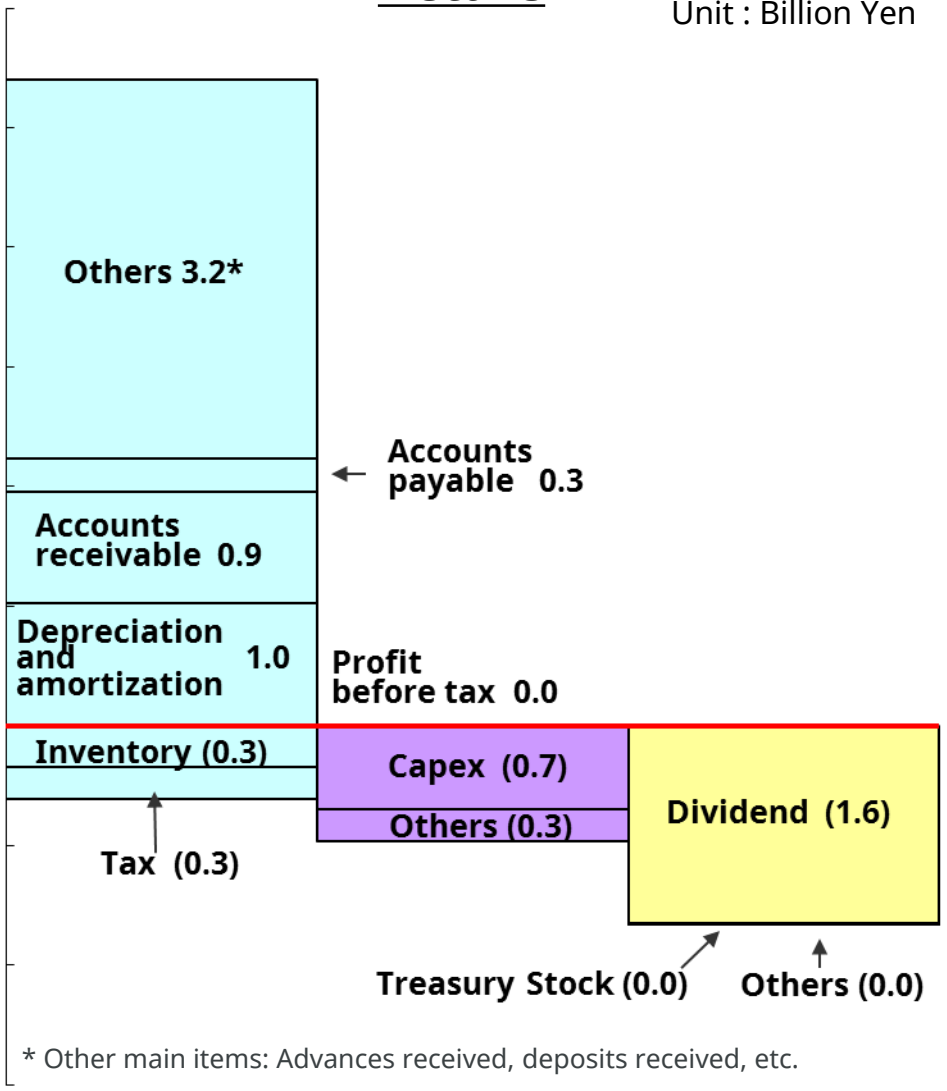
Interest-bearing debt.

22.0 Bn. Yen

Note : Numbers are rounded off in each column

Details

Unit : Billion Yen



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I -3. Forecast for full year of FY2016

No change since April disclosures

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

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Ⅱ. Business Opportunities in T&M

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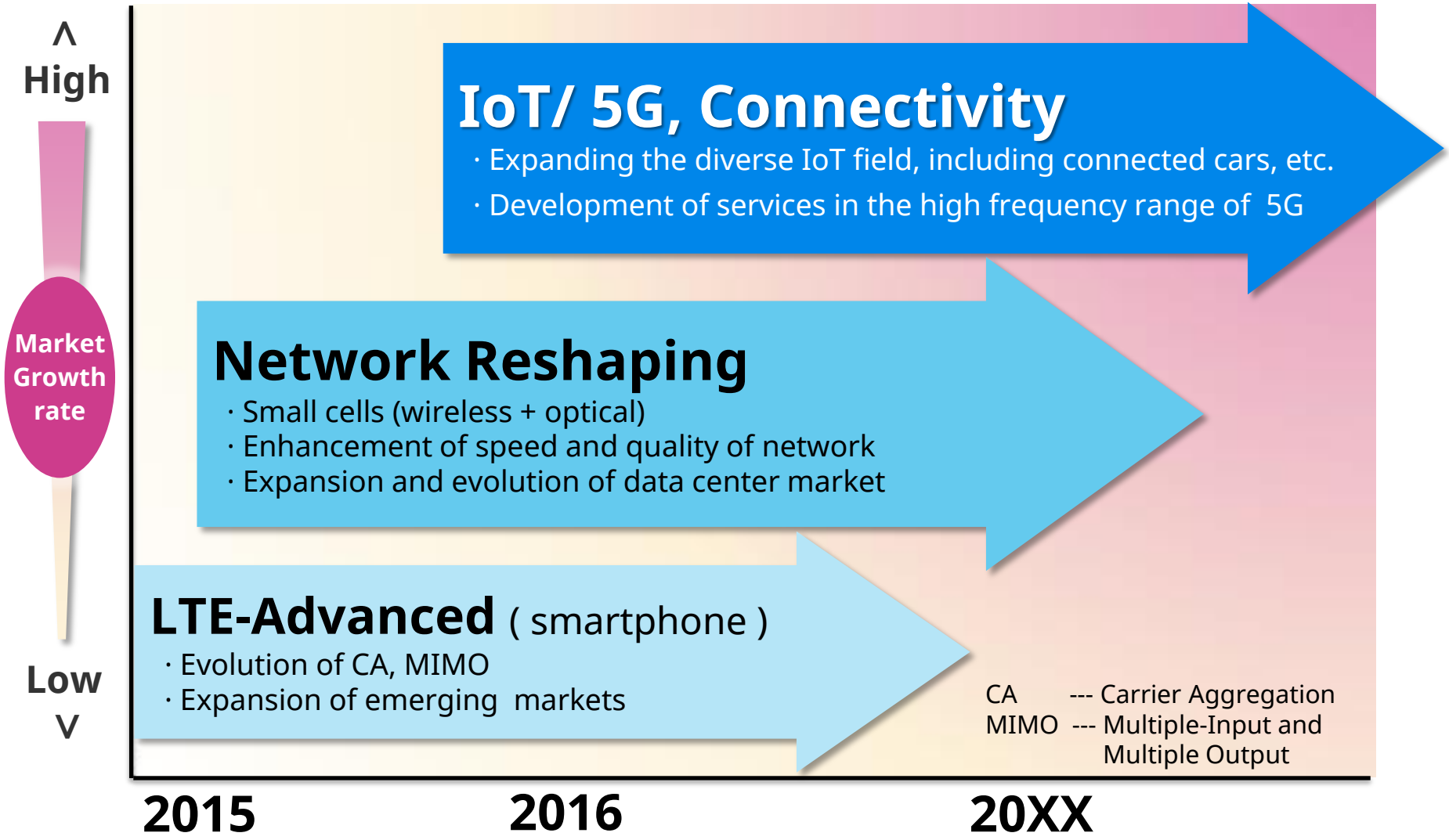
T&M

Active investment in IoT/5G – the next growth drivers



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T&M : Business Opportunities (1)

LTE-Advanced (smartphone)
- Evolution of CA, MIMO
- Expansion of emerging markets

2015 *2016* *20XX*

- **Demand for development of 3CA/MIMO-compatible devices**



Solutions for development tests on devices

- **Enhancement to accommodate one giga throughput**
- **Development of emerging markets primarily including India**



Solutions for smartphone manufacturing tests


Tablet


smartphone

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T&M : Business Opportunities (2)

Network Reshaping

- Small cells (wireless + optical)
- Enhancement of speed and quality of network
- Expansion and evolution of data center market

2015 *2016* *20XX*

- **Launch of services in the 3.5GHz bandwidth in Japan**
- **Investment by North American operators for conversion to small cells**



Service area evaluation for the 3.5GHz bandwidth

Base station analyzer + CPRI-based measurement solutions

- **Realizing higher speed network (100Gbps)**



Evaluation of quality in network installation and maintenance

- **Emergence of data centers with higher speed and larger capacity (400Gbps)**



Evaluation of optical modules for data centers

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T&M : Business Opportunities (3)

IoT/ 5G, Connectivity

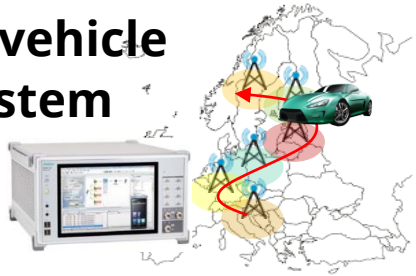
- Expanding the diverse IoT field, including connected cars, etc.
- Development of services in the high frequency range of 5G

2015 *2016* *20XX*

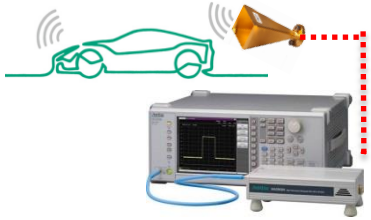
- **Operator-oriented demand for development of IoT (Category M and NB-IoT)**

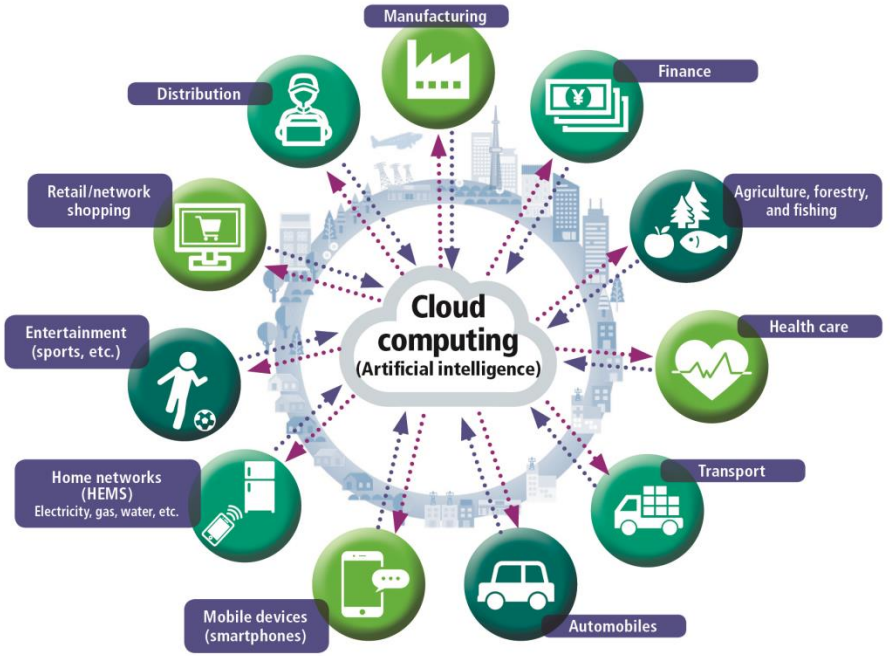


- **Introduction of in-vehicle emergency call system**



- **Demand for development of modules for the automotive market**





Development test for automotive modules

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