Financial Results for the 2nd quarter of the Fiscal Year ending March 31, 2017

Hirokazu Hashimoto

President and Group CEO
Anritsu Corporation

October 28th, 2016



Financial Accounting Standards Foundation
FASF
MEMBERSHIP

http://www.anritsu.com

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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. Outline of our business segments

Ⅱ. Consolidated performance review of the 2nd quarter of the fiscal year ending March 31, 2017

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

Ⅳ. Future initiatives in T&M

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I . 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

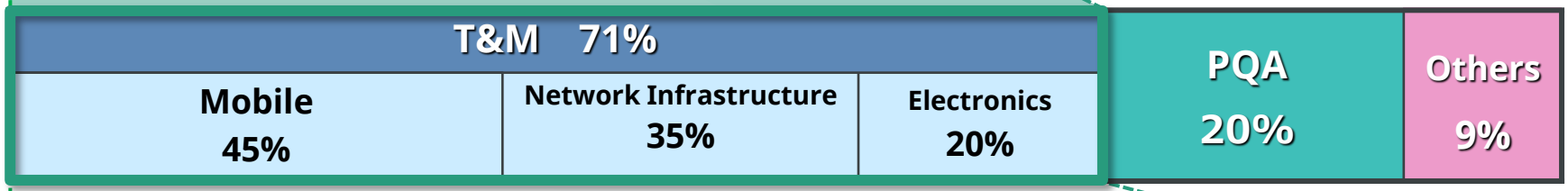
- IP network equipment



- 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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Ⅱ-1. Consolidated performance -Financial results-

Unit: Billion Yen

International Financial Reporting Standards (IFRS)	2Q FY2015 (Apr. to Sep.)	2Q FY2016 (Apr. to Sep.)	YoY	YoY (%)
Order Intake	47.8	41.7	(6.1)	-13%
Revenue	49.0	41.2	(7.8)	-16%
Operating profit (loss)	3.2	0.9	(2.3)	-73%
Profit (loss) before tax	3.2	0.1	(3.1)	-98%
Profit (loss)	2.4	(0.1)	(2.5)	-
Comprehensive income	2.5	(3.2)	(5.7)	-

Note : Numbers are rounded off in each column

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

Unit: Billion Yen

International Financial Reporting Standards (IFRS)		2Q FY2015 (Apr. to Sep.)	2Q FY2016 (Apr. to Sep.)	YoY	YoY (%)
T&M	Revenue	**35.9**	**28.5**	**(7.4)**	**-21%**
	Op. profit (loss)	**3.2**	**0.5**	**(2.7)**	**-85%**
	*Adjusted operating profit (loss)**	*3.5*	*0.6*	*(2.9)*	*-83%*
PQA	Revenue	**9.3**	**9.2**	**(0.1)**	**-0%**
	Op. profit (loss)	**0.6**	**0.5**	**(0.1)**	**-10%**
Others	Revenue	**3.9**	**3.5**	**(0.4)**	**-10%**
	Op. profit (loss)	**(0.5)**	**(0.1)**	**0.4**	**-**
Total	Revenue	**49.0**	**41.2**	**(7.8)**	**-16%**
	Op. profit (loss)	**3.2**	**0.9**	**(2.3)**	**-73%**
	Adjusted operating profit (loss)	*3.6*	*1.0*	*(2.6)*	*-72%*

Note : Numbers are rounded off in each column

* 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. No items were adjusted for PQA and Others segments

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

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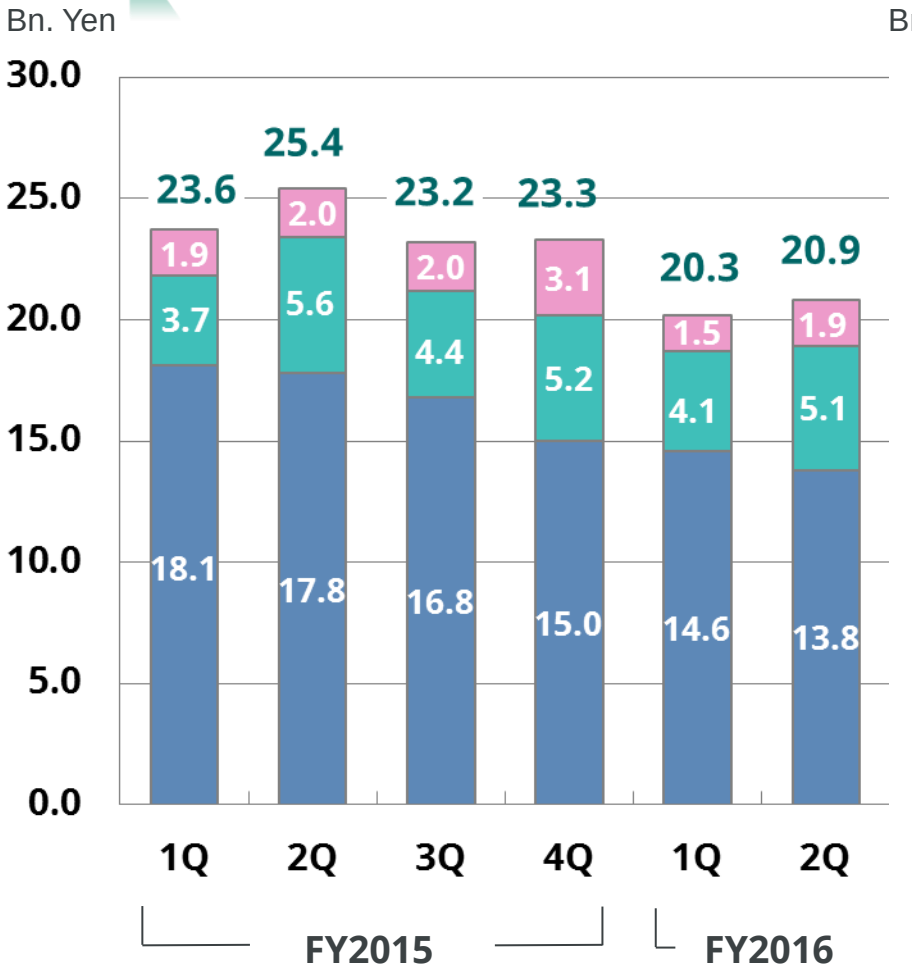
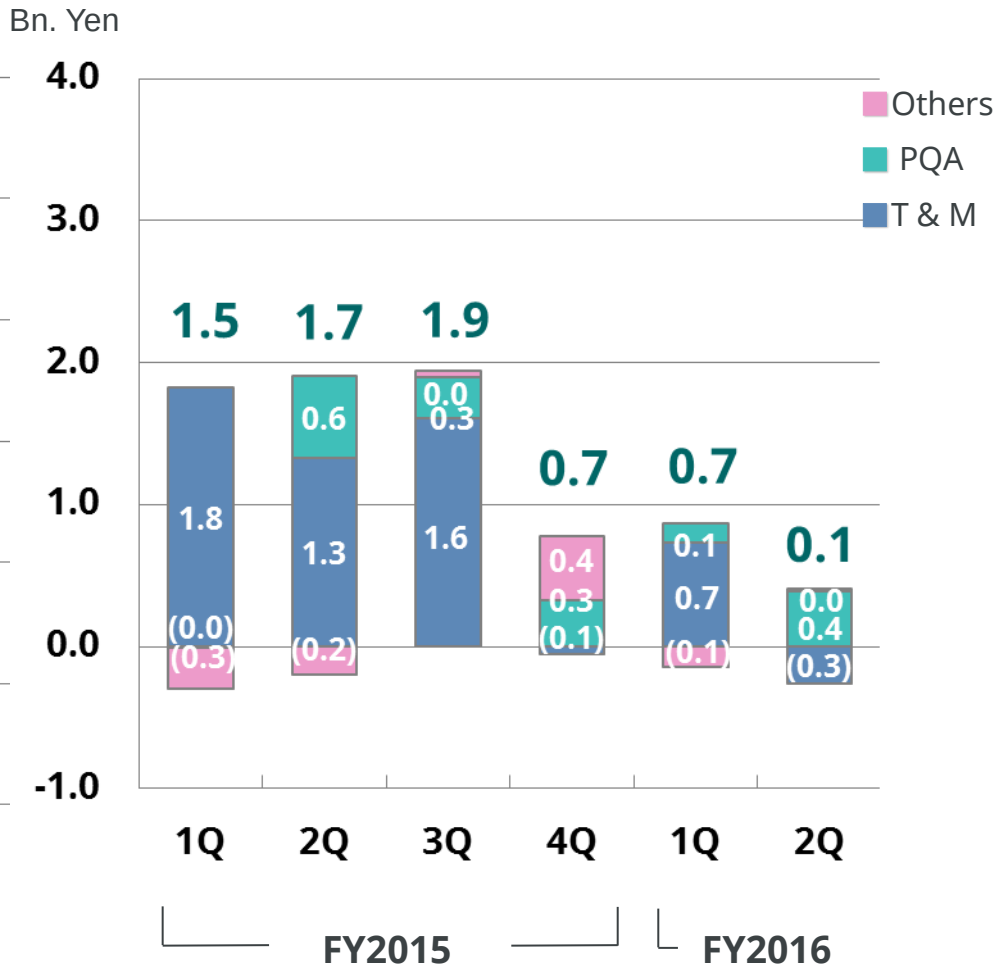
Ⅱ-3. Consolidated performance -Revenue and Op. profit by quarters-

Company posted operating loss in the T&M for 2Q





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Ⅱ-4. Overview of operations by business segment

Segment		FY2016Q2 (April to September, 2016)
T&M : Restrained investment in the smartphone-related market continued		
Mobile	LTE-Advanced	Restraint in capital investment by chip and terminal vendors continued
	IoT, 5G, Connectivity	Signs of investment in development of Automotive/Cellular IoT were seen
NW		Capital investment in optical digital related business was strong
Asia		Postponement of investment in LTE-Advanced (3CA) development Slowdown in growth of overall smartphone manufacturing market
Americas		Capital investment in optical digital related business is on a recovery trend
PQA : Strong demand for X-rays both in Japan and overseas		

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

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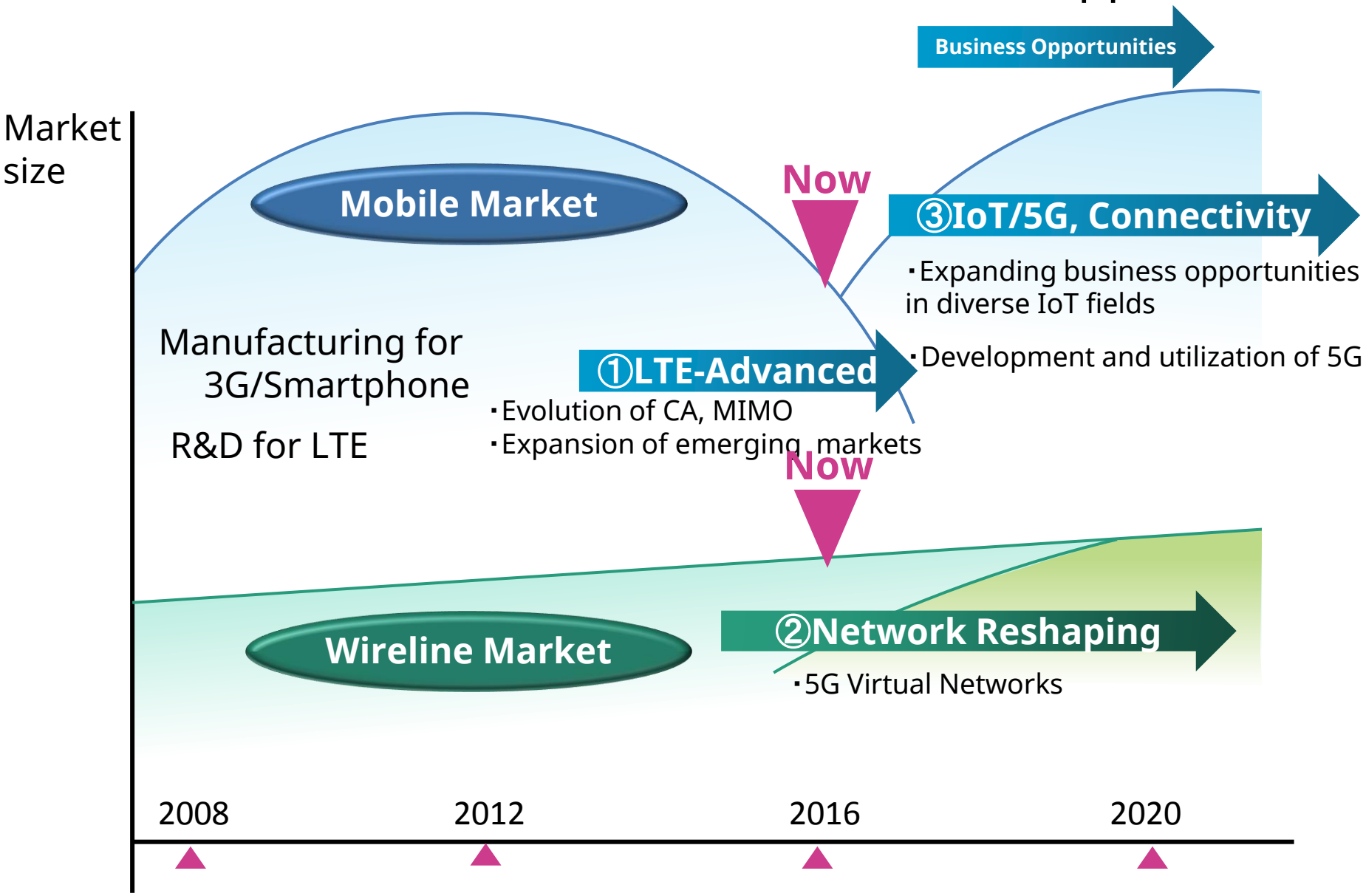
Ⅱ- 5.T&M T&M market trends and business opportunities



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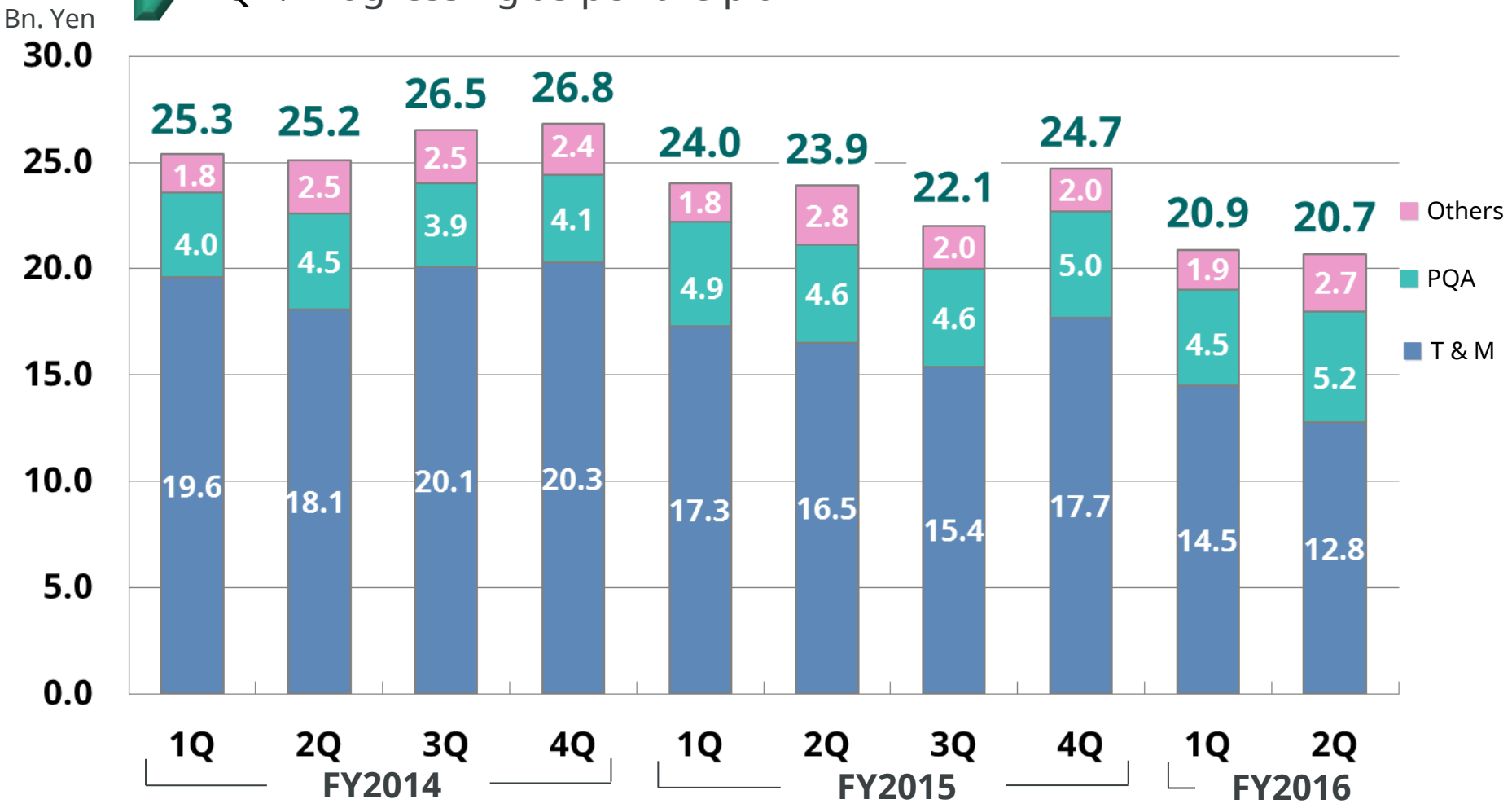
Ⅱ-6. Transition of Orders

- T&M: 23% decrease from the previous 2Q
- PQA: Progressing as per the plan



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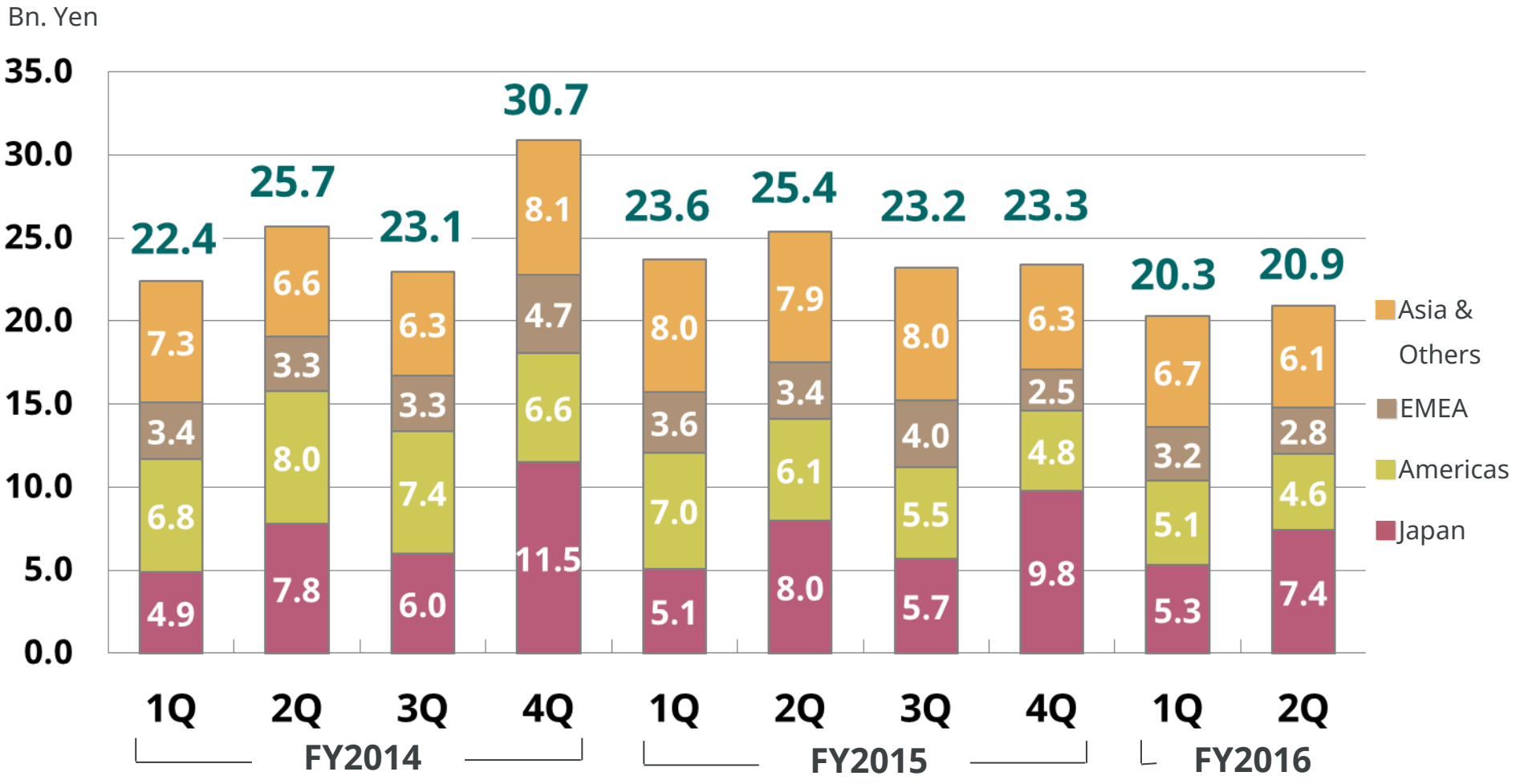
Ⅱ-7. Transition of Revenue by region

Decreased revenue year on year both in Japan and overseas



Note : Numbers are rounded off in each column

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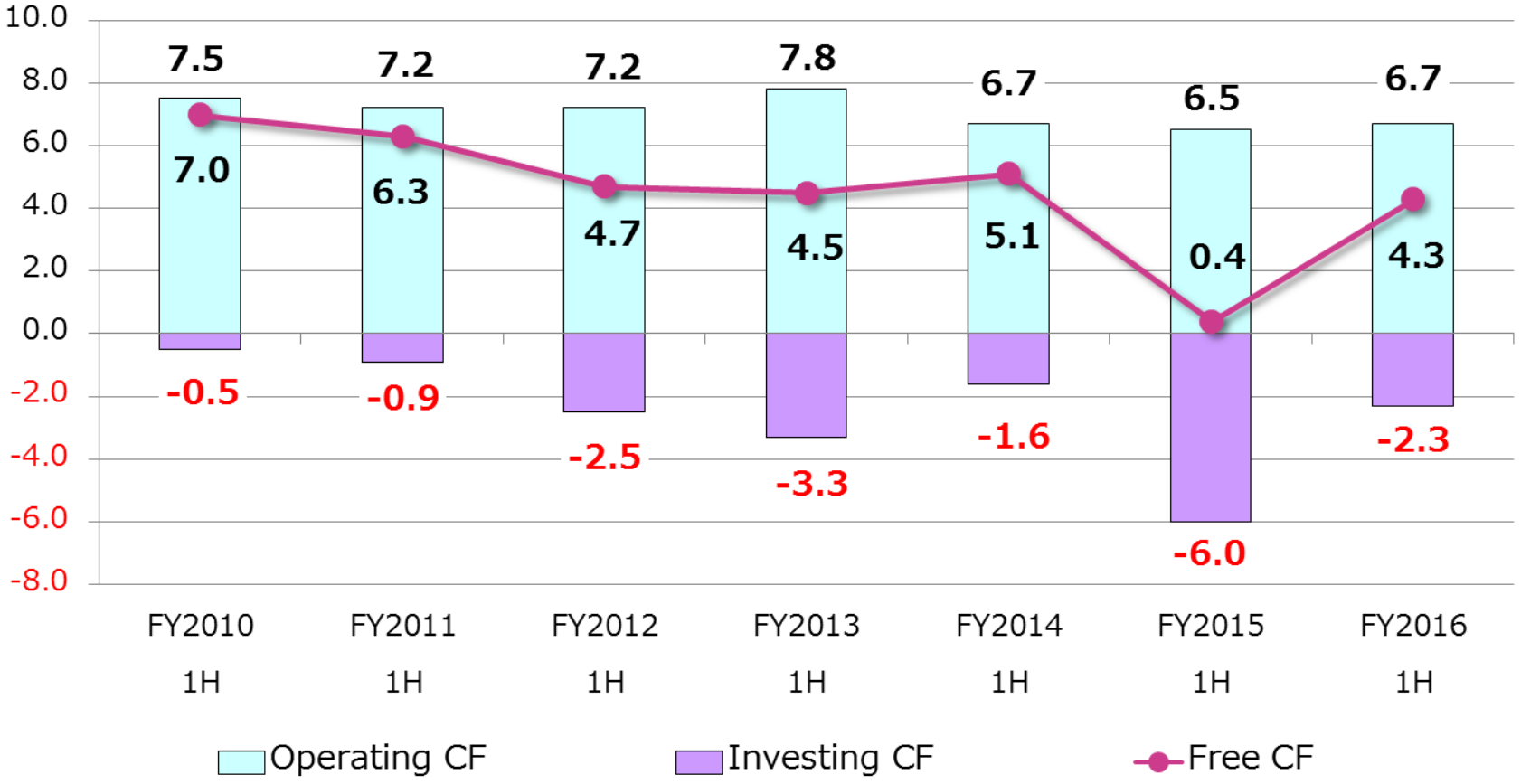
Ⅱ-8. Cash Flow (1/2)

Unit : Billion Yen



Note1 : Numbers are rounded off in each column

Note2 : FY2010 : Japanese Generally Accepted Principles (J-GAAP)

FY2012~FY2016 :International Financial Reporting Standards (IFRS)

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Ⅱ-8. Cash Flow (2/2)

Operating cash flow margin ratio was 16%

Cash Flow (FY2016 Q2)

Operating CF : 6.7 Bn. Yen
Investing CF : (2.3) Bn. Yen
Financial CF : (1.7) Bn. Yen

Free Cash Flow

Op. CF + Inv. CF : 4.3 Bn. Yen

Cash at the end of period

38.0 Bn. Yen

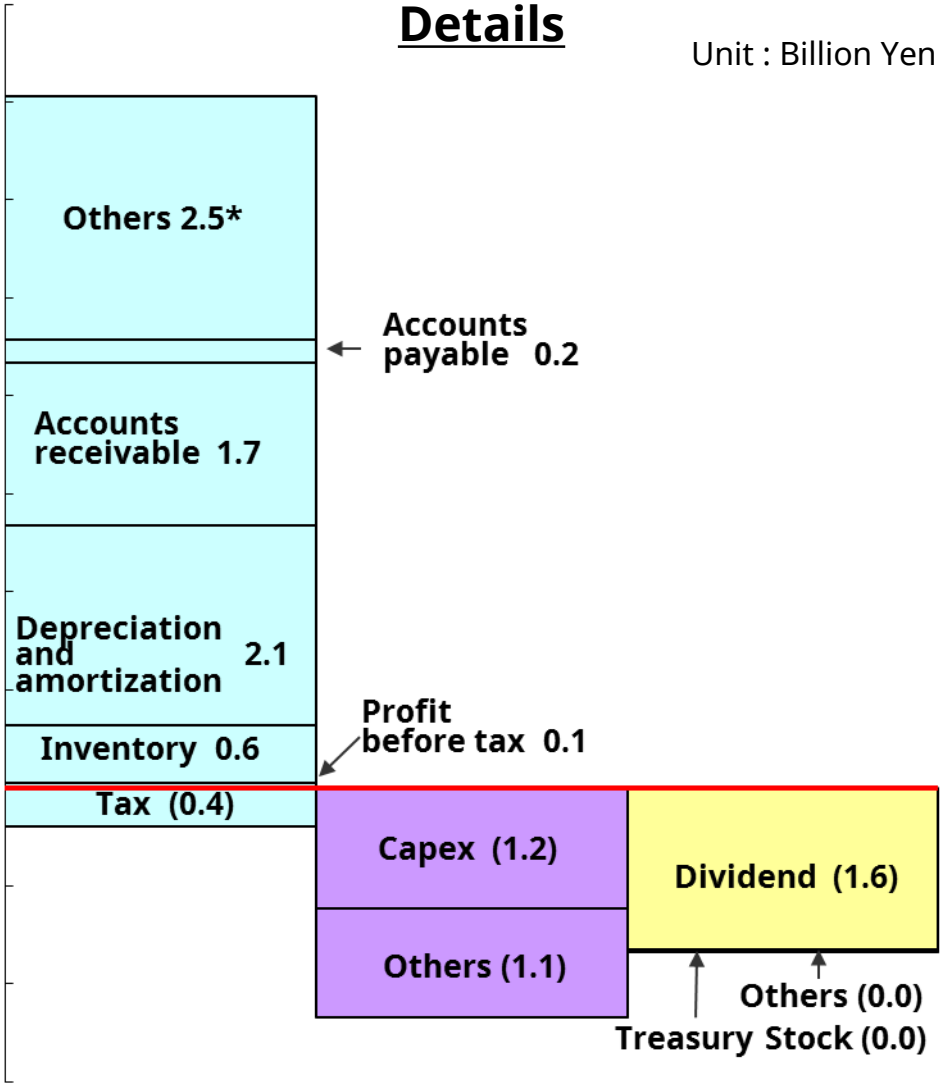
Interest-bearing debt.

22.0 Bn. Yen

Note : Numbers are rounded off in each column

Details

Unit : Billion Yen



* Other main items: Advances received, deposits received, etc.

Op. CF 6.7 **Inv. CF (2.3)** **Fin. CF (1.7)**

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Ⅲ. Forecast for full year of FY2016

Downward revision in revenue and profit forecast for T&M
Dividend maintained at 15 yen for the full year (Interim dividend: 7.50 yen)

Unit: Billion Yen

International Financial Reporting Standards (IFRS)		FY2015	FY2016			
		Actual	Full Year		YoY	YoY(%)
			Previous Forecast	Revised Forecast		
Revenue		95.5	97.0	87.5	(8.0)	-8%
Operating profit (loss)		5.9	7.2	2.2	(3.7)	-63%
Profit (loss) before tax		5.4	7.1	1.4	(4.0)	-74%
Profit (loss)		3.8	5.3	1.0	(2.8)	-73%
T&M	Revenue	67.7	68.0	58.5	(9.2)	-14%
	Op. profit (loss)	4.7	5.5	0.5	(4.2)	-89%
PQA	Revenue	18.9	20.0	20.0	1.1	6%
	Op. profit (loss)	1.2	1.4	1.4	0.2	17%
Others	Revenue	8.9	9.0	9.0	0.1	1%
	Op. profit (loss)	(0.0)	0.3	0.3	0.3	-

Note 1 : Exchange rate : FY2015 (Actual) 1USD=120 yen, 1EURO=133 yen
FY2016 (Initially Forecast) 1USD=110 yen, 1EURO=125 yen
FY2016 2H(Forecast) 1USD=100 yen, 1EURO=110 yen

Note 2 : Numbers are rounded off in each column

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Ⅳ. Future initiatives in T&M

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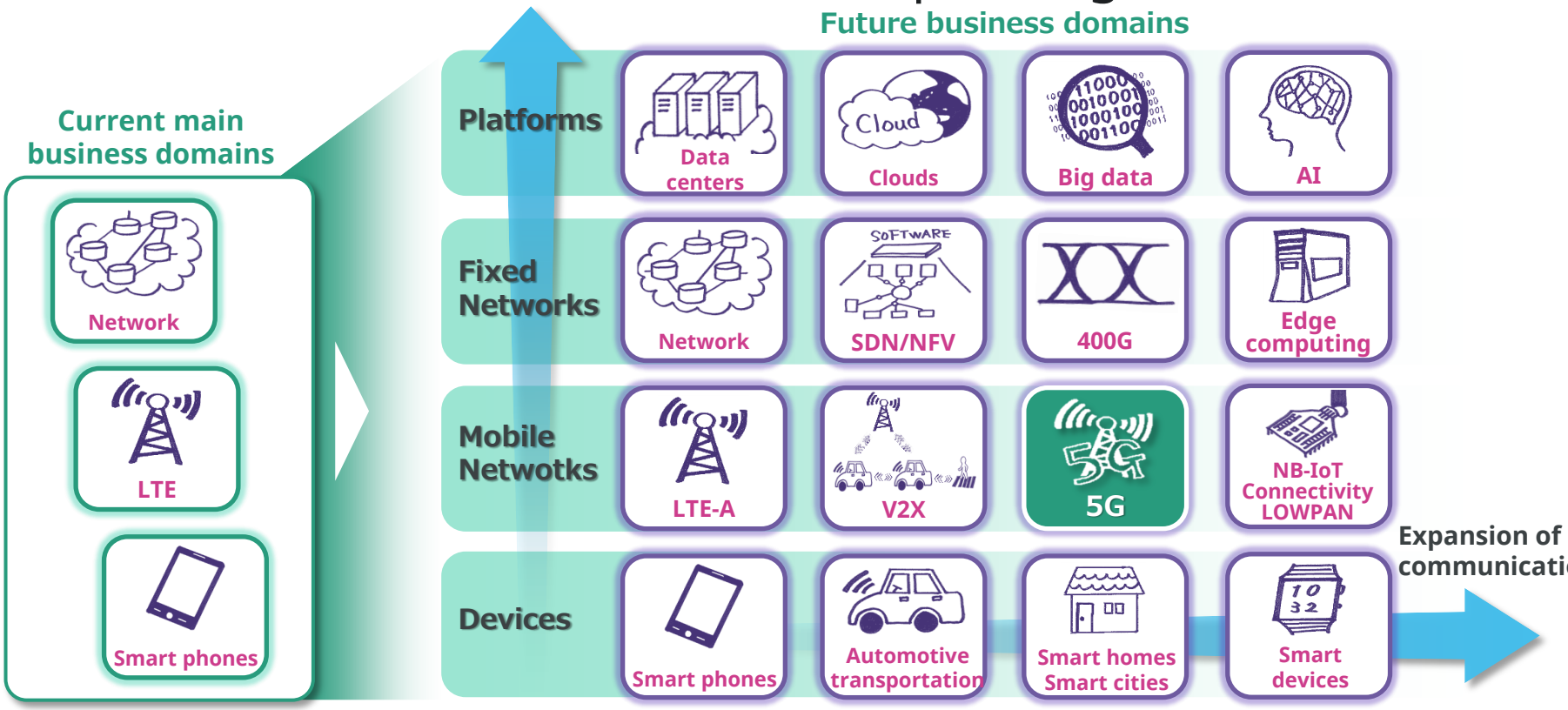
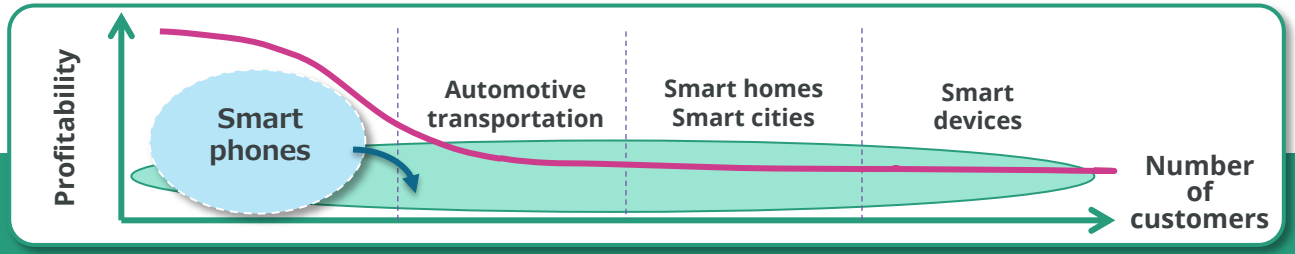
Ⅳ-1. Anritsu's business areas are expanding toward IoT and 5G





We will contribute to the development of 5G networks as a comprehensive platform for IoT.

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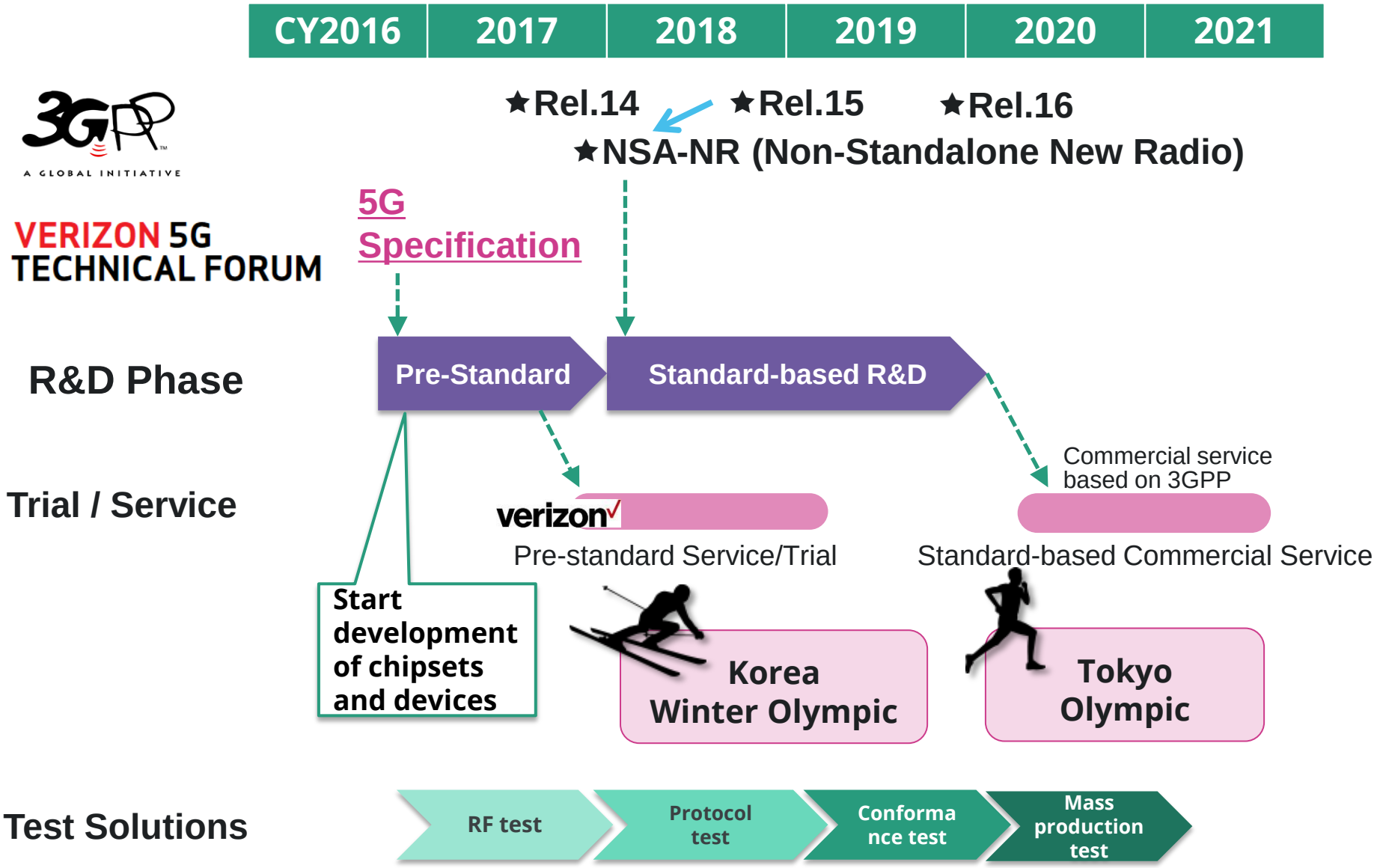
Ⅳ-２．Latest trends in 5G and test solutions



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Ⅳ- 3 . Acquisition of Azimuth Systems, Inc. (1/2)

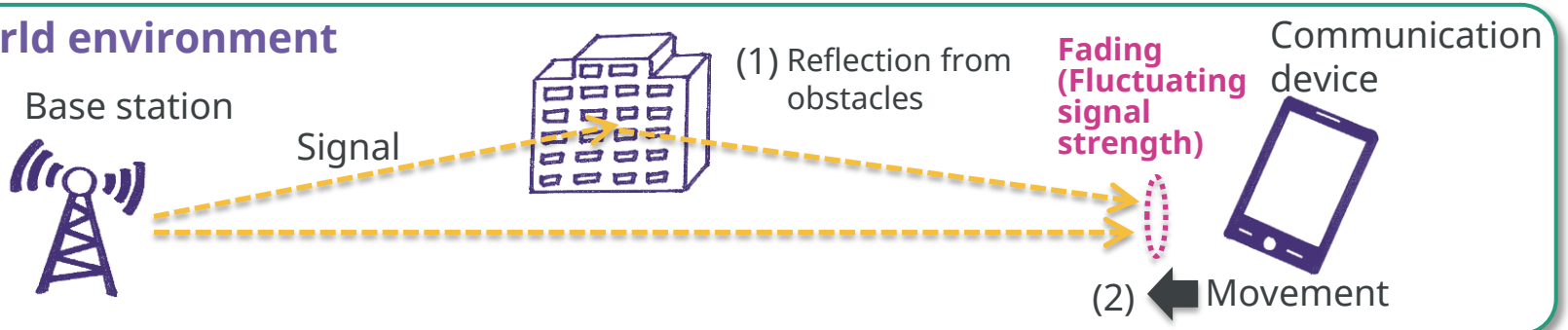
Anritsu envision : ensure — Azimuth

Mobile Devices
Protocol Technology

Network Infra.
RF Technology

- Company Name：Azimuth Systems, Inc.
- Headquarters：Boston, USA
- Business model: Development and sales of channel emulators, etc.
- Main customers：Operators, chipset vendors, network equipment vendors, UE vendors, etc. in the Americas, EMEA, Asia, and Japan

Real-world environment



In the lab (e.g., communication device testing)



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Ⅳ- 3 . Acquisition of Azimuth Systems, Inc. (2/2)

Anritsu envision : ensure



Azimuth

Channel Emulator



Solutions for the OTA*

- 3CA/4CA
- 4x4MIMO
- Cellular/WiFi Coexistence

*OTA : Over The Air





Automotive solutions

- Telematics Drive emulation
- Evaluation of onboard reception for an automotive module
- Cellular/WiFi Coexistence



Channel Emulator for 5G



5 G R&D solutions

- 5G RF conformance testing
- 5G protocol conformance testing

Short term Grow revenue through collaboration in the strong markets of Anritsu and Azimuth

Medium term
1. Offer solutions produced by a fusion of our protocol technologies with Azimuth Systems' RF technologies (start-up period for measuring instruments to develop 5G)
2. Roll out drive emulation and others for the automotive market

Long term Offer conformance testing for 5G devices

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Ⅳ-４. Adoption of new technologies in the automotive market and Anritsu's initiatives

2015	2016	2017	2018	2019	2020	2021

Advancement of automated driving

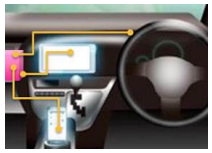
Level 1 → Level 2 → Level 3

- Spread of 4G telematics
- Mandatory deployment of eCall
- Increasing use of 79GHz radar
- Active verification testing of V2X

Telematics/eCall * emergency calling system for vehicles



Mobile network simulator





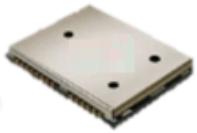


Millimeter wave signal transmitter tester



79GHz high resolution automotive radar

Mobile communication/connectivity





Wireless communication RF performance test





V2X communication quality assessment

V2X (802.11p) * vehicle-to-vehicle/road-to-vehicle communications

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Ⅳ-５．Test solutions supporting 5G virtual networks

10×Latency ***50×Peak Data Rate*** ***100×Capacity***

Smart devices

Mobile networks

5G New RAT
C－RAN
LTE-A
CPRI
LTE
NB-IoT
Small Cell

Fixed networks

100G/400G
SDH/WDM
OTN
Ethernet
SDN/NFV

Cloud

40G/100G
Data centers
Cloud
Interconnect
PCI-E
AOC

Test Solutions

Wide lineup supporting everything from RF to optical



Spectrum Analyzer
Signal Analyzer



New HH SPA



BTS Master



OTDR

Support 100G/400G high-speed communications



40G/100G Analyzer

Support via the perennial industry-leading solution, BERT



BERT Scope

eoSight thinking analytics from Anritsu

eoSight Big Data Analytics

Signal Quality Analyzer



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