

2nd Quarter of FY2015 Financial Results Q&A Summary

Q: What were the main area and the purpose of Anritsu's restructuring in 2Q ?

A: The main area was Manufacturing and R&D in our North America's business in order to protect profits. However, it does not mean that we will shrink our T&M business in this area. It was just focused on adjusting the production capacity based on the current OIT level and improving efficiency in R&D. We can rebuild our production capacity depending on the future trends.

Q: The T&M market in North America seems to have been stagnated in 1H. How do you see the outlook in this area for 2H?

A: In 1H, our performance in this area was depressed due to the restructuring of the major chip and device vendors. However, we are estimating in 2H that the demand in the 3CA R&D test market is coming up and the OIT will recover. Also we expect that the demand of our T&M products will increase in the network infrastructure test field because the investment in the LTE-Advanced and 5G networks is growing.

Q: When are you estimating the R&D test demand in the 5G market to rise? Do you need to increase R&D resources for new 5G T&M products?

A: We estimate that the release timing of new 5G T&M products will not be resolved to a certain period, since the 5G market is not technology-driven like 2G or 3G but requires various types of applications, such as IoT and security. We estimate that investment in development of 5G R&D measurement will increase in the broad 5G area, and we expect to grow our business opportunities in the future. Our R&D cost should be controlled depending on these business opportunities.

Q: How do you see the feasibility of the achievement of your full year targets?

A: The OIT in 2Q was not on the level; however, we see this is just shifted to 2H. We expect to increase our OIT and sales of the new 3CA T&M products and network testing products for small cells in 2H. Although the targets are challenging, we believe that they are achievable through the growth in these areas.

Q: Is there any demand for testing autonomous driving and communication functions in the automotive systems?

A: We have already got orders for communication module manufacturing testers and signaling testers in these areas. We will make best solutions for sales expansion in these areas, including a solution for customization.

Q: Were there any specific orders in the PQA business, as this segment is making good progress? And how do you expect to get new orders from TPP related businesses?

A: The PQA business has been good in the domestic convenience store market. We will seek our business opportunities in the TPP related areas.

(NOTE) PQA business : Products Quality Assurance business