

# Becoming a cutting-edge, trusted global market leader

March 2014

Anritsu Corporation



MEMBERSHIP

TSE code : 6754  
<http://www.anritsu.com>



---

# 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.



# 1. Outline of our business

FY2012 Net Sales : 94.7 billion Yen

Operating Income : 15.8 billion Yen

## Test & Measurement (T&M)

For development, manufacturing, construction and maintenance

- ▶ Mobile
- ▶ Network(NW) Infrastructure
- ▶ Electronics



## Industrial Automation

- ▶ Food safety
- ▶ X-ray inspection systems

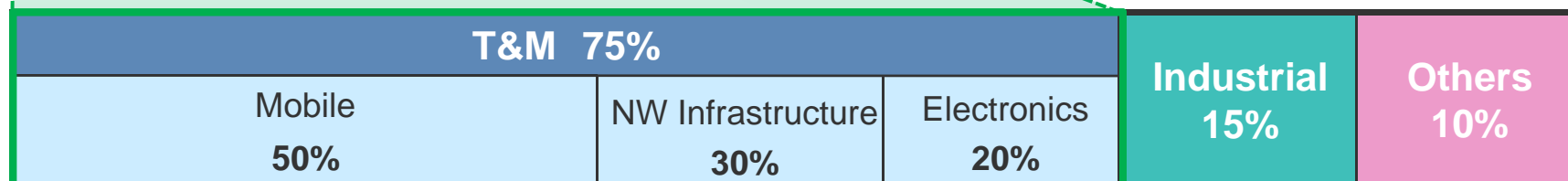


## Others

- ▶ IP network systems
- ▶ Optical devices



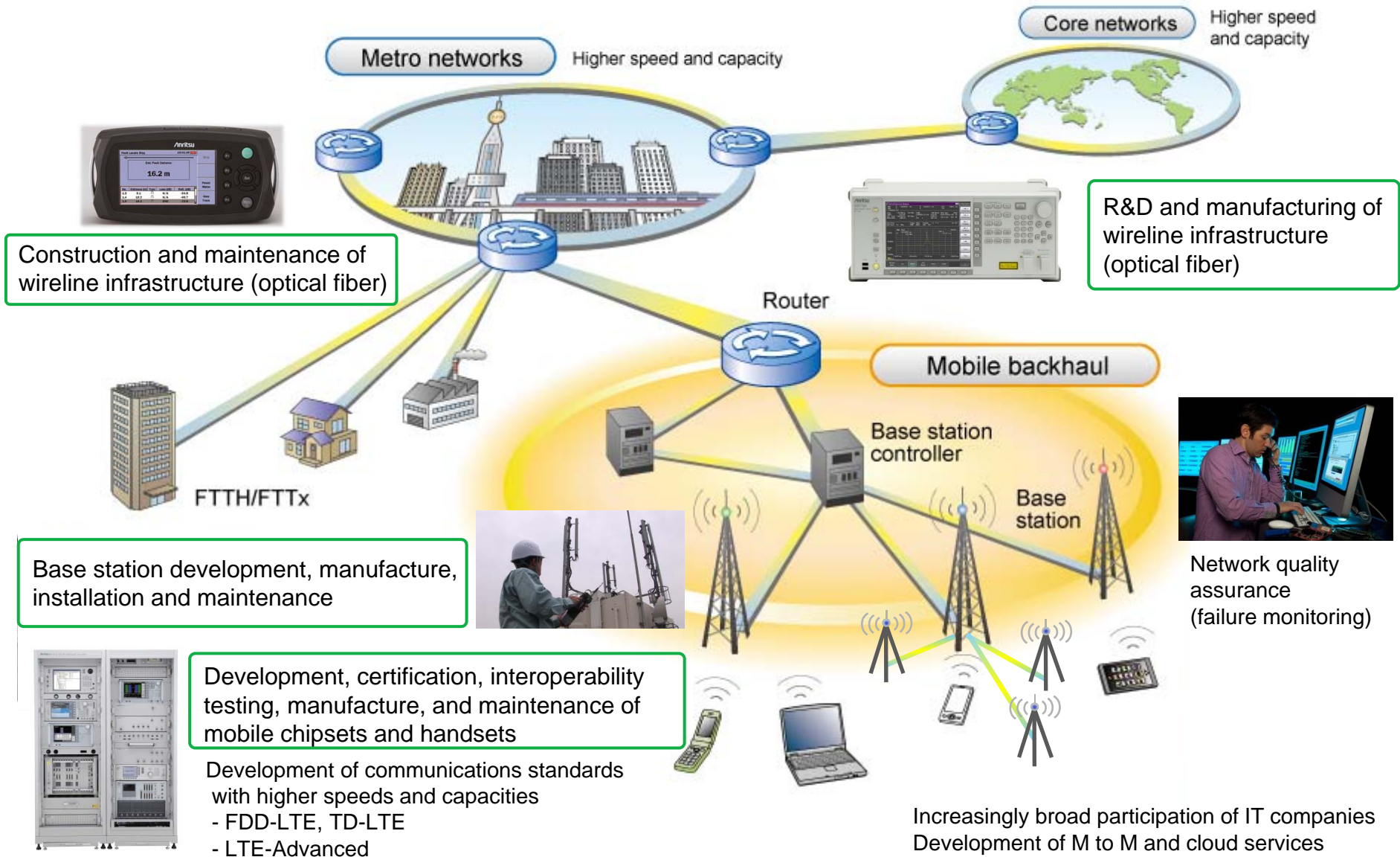
(Sales by business segment)



(Sales of T&M business by region)

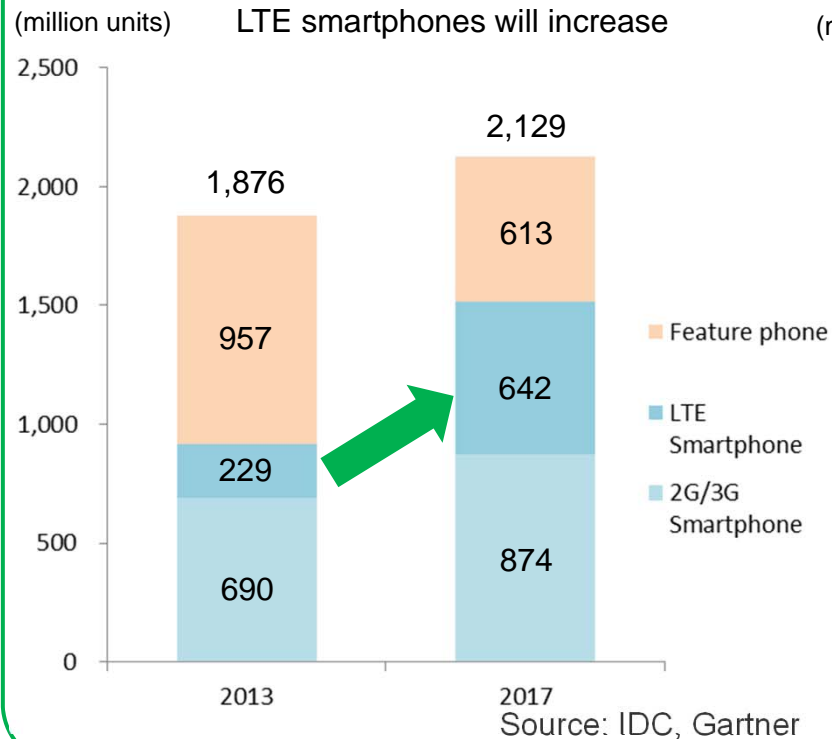


## 2. T&M solutions for communications networks

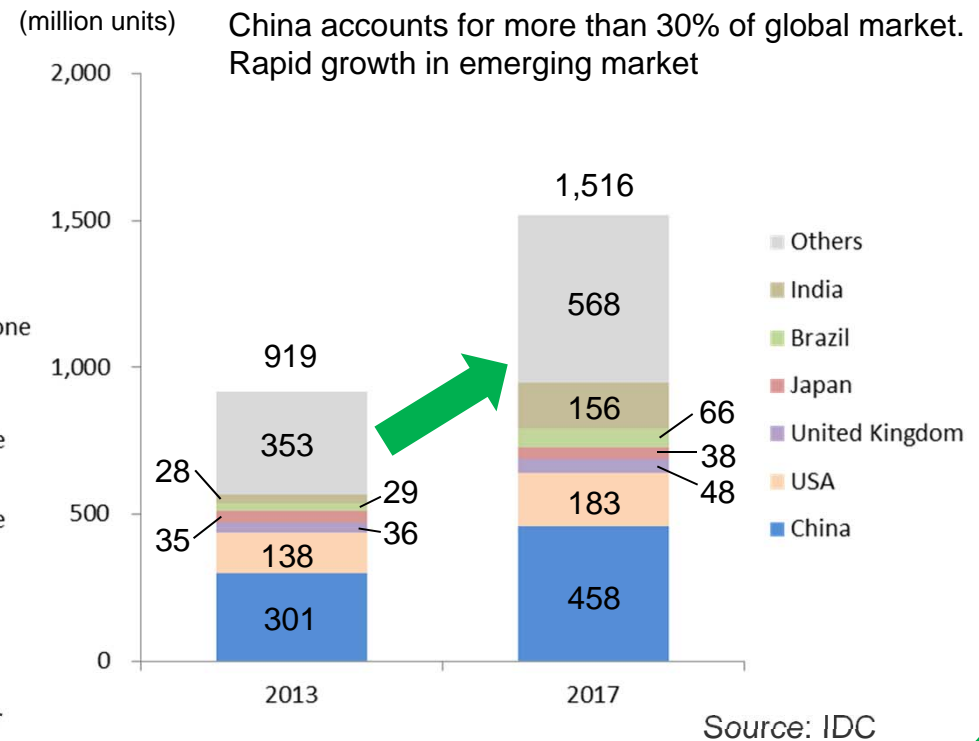


### 3. Mobile broadband market

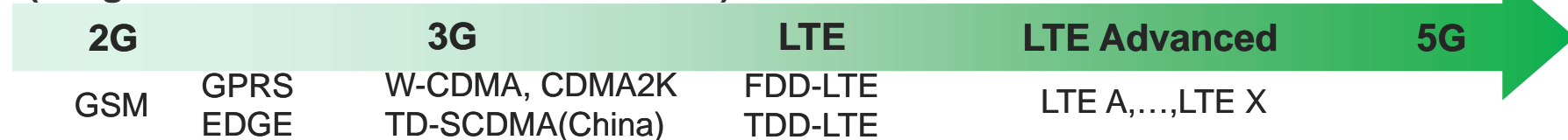
[Shipments of mobile phones]



[Shipments of smartphones by destination]

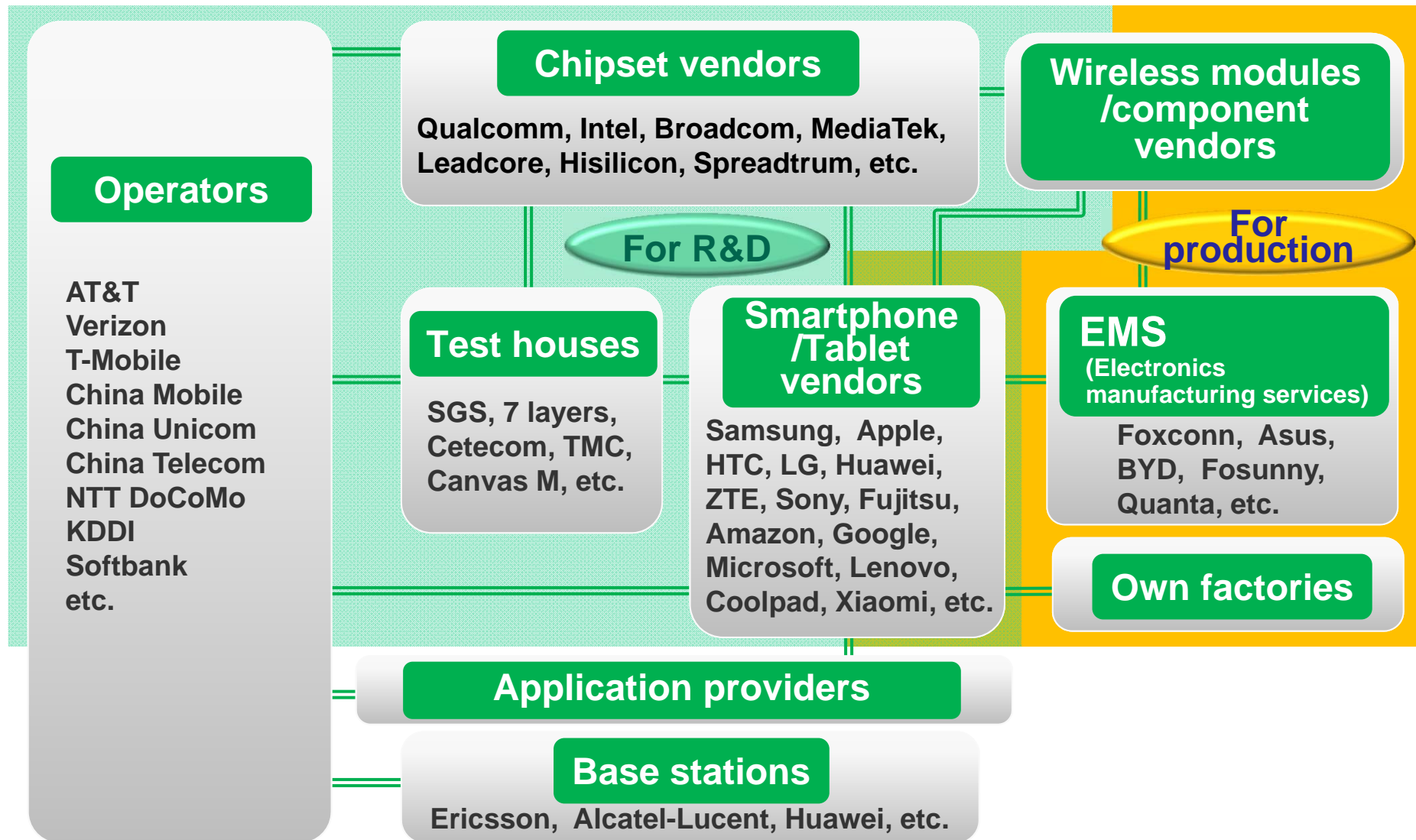


(Progress of mobile telecom standards)

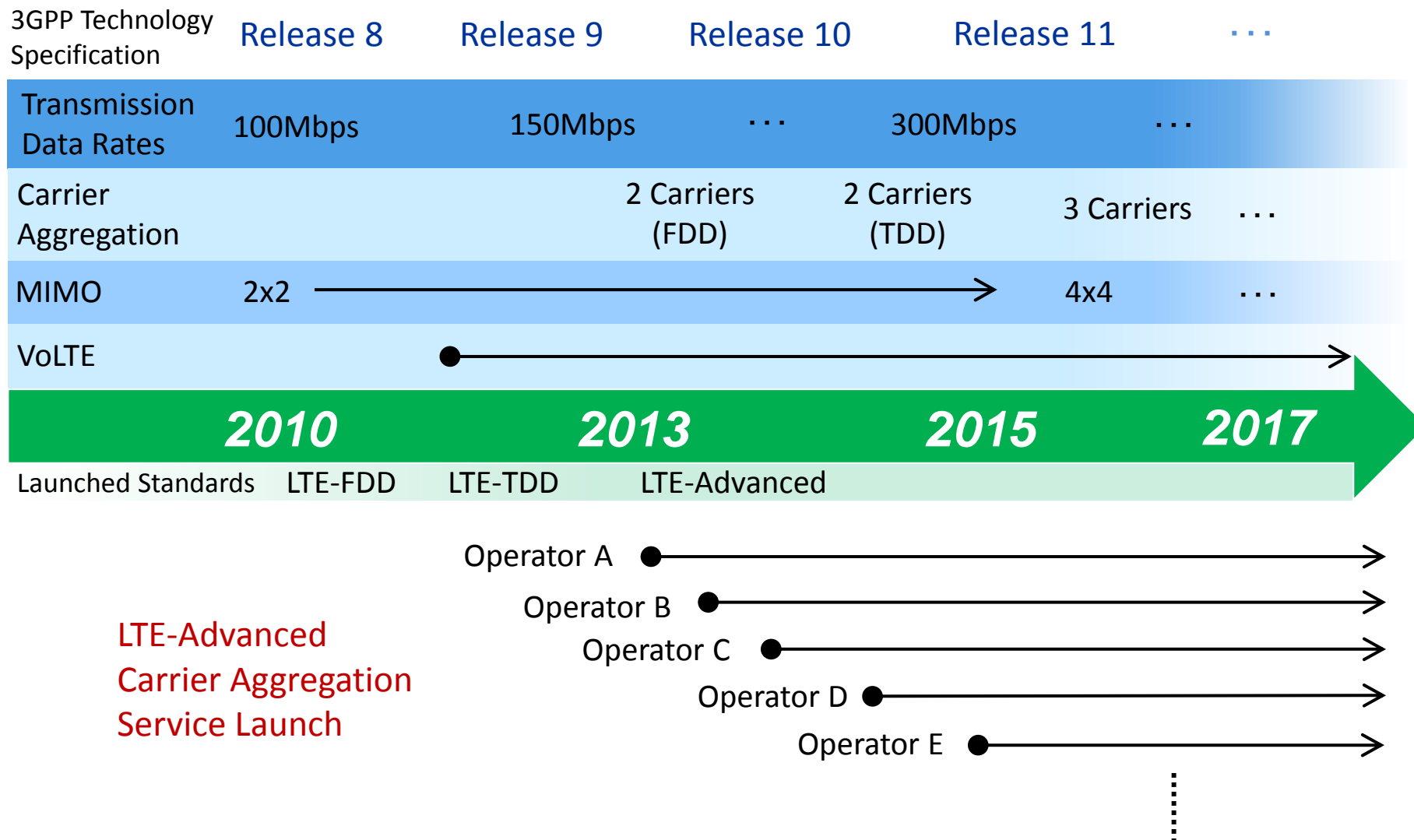




## 4. Food chain and players in mobile telecom. market



# 5-1. Roadmap for LTE Technology Rollout and Commercialization



## 5-2. Value-adding innovation to meet the LTE roadmap

For R&D

Main customers : Chipset vendors, handset vendors and operators



### Key factors for success

- ① Time to market that meets customer's development schedule
- ② Creation of customer value

**Raises customer Value**











**Value-adding Innovation**

### Continuous Support Service

- ① Systems that are compatible and cohesive
- ② Meeting customer requests (New testing , Operator Acceptance Test , etc.)
- ③ Providing integrated solutions, etc.



## 5-3. Mobile R&D business – various market segments

	Platform(Core) Development	Conformance test		Operator Acceptance test	Smartphone Commercial test
		RF	Protocol		
Uses	Comm. standard development Chipset development	Conformance test Interoperability test		Comm. Carrier acceptance test	Application development UE operation test
Main customers	Chipset vendor UE vendor	Chipset vendor, UE vendor, Communication Carrier		Comm. Carrier Test house	UE vendor Applications developer
Main theme	▪ FDD-LTE, TDD-LTE, LTE-Advanced technologies (Carrier aggregation etc.) ▪ VoLTE (Voice over LTE) ▪ MIMO (Multi Input Multi Output) ▪ Chipset unification of 3G/LTE and SRW (Short Range Wireless)				▪ Improve data throughput ▪ Battery consumption etc.
Market trend / Business opportunity	 Keep No.1 position	 Keep No.1 position	 Growing market Position improve	 Growing market Position improve	 Growing market Position improve
Products					
Main Competitors	Rohde & Schwarz		Rohde & Schwarz, Agilent, Anite, Spirent		Rohde & Schwarz, Agilent, Aeroflex

## 5-4. Mobile production business

**For  
production**

Main customers: Handset vendors, module/component vendors and EMS

**Our solutions : Specialized one box testers**



**2 ports  
for 2G/3G/LTE test**



**4 ports  
for 2G/3G/LTE & SRW  
(Short Range Wireless) test**

**Demand triggers**

- ① Production line change: 2G → 3G , 3G → LTE(FDD,TDD)
- ② Expanding production capacity
- ③ Improvement of productivity (efficiency)
- ④ Testing process integration: SRW (W-LAN, Bluetooth, etc.)
- ⑤ Appearance of new players

**Key factors for Success**

**Customer support for improvement of productivity and efficiency  
(incl. R&D support)**

**Main Competitors**

**Rohde & Schwarz, Agilent, Teradyne, Aeroflex, National Instruments**

## 6. T&M business operating model

	FY2011	FY2012	Mid-term operating Model
Revenue	70.6B yen	71.2B yen	CAGR $\geq 7\%$
COGS	39%	38%	39-42%
SG&A	30%	30%	28%
R&D	11%	11%	10-13%
Operating margin	20%	21%	$\geq 20\%$

## 7-1. Middle and long-term management basic strategy

Capture growth drivers without fail,  
and realize “continuous profitable growth”

	Market average annual growth rate	Growth driver	Target	
			Sales growth rate	Operating margin
T&M	3-5%	(1) Mobile broadband service market (2) Asia Market	$\geq 7\%$	$\geq 20\%$
Indust. Auto.	3-5%	Asia Market North America Market	$\geq 7\%$	$\geq 12\%$
Consolidated	—	—	—	$\geq 18\%$
ROE	—	—	$\geq 20\%$	

## 7-2. Long-term Business Plan GLP2014(1)



2020  
VISION

International Financial  
Reporting Standards(IFRS)

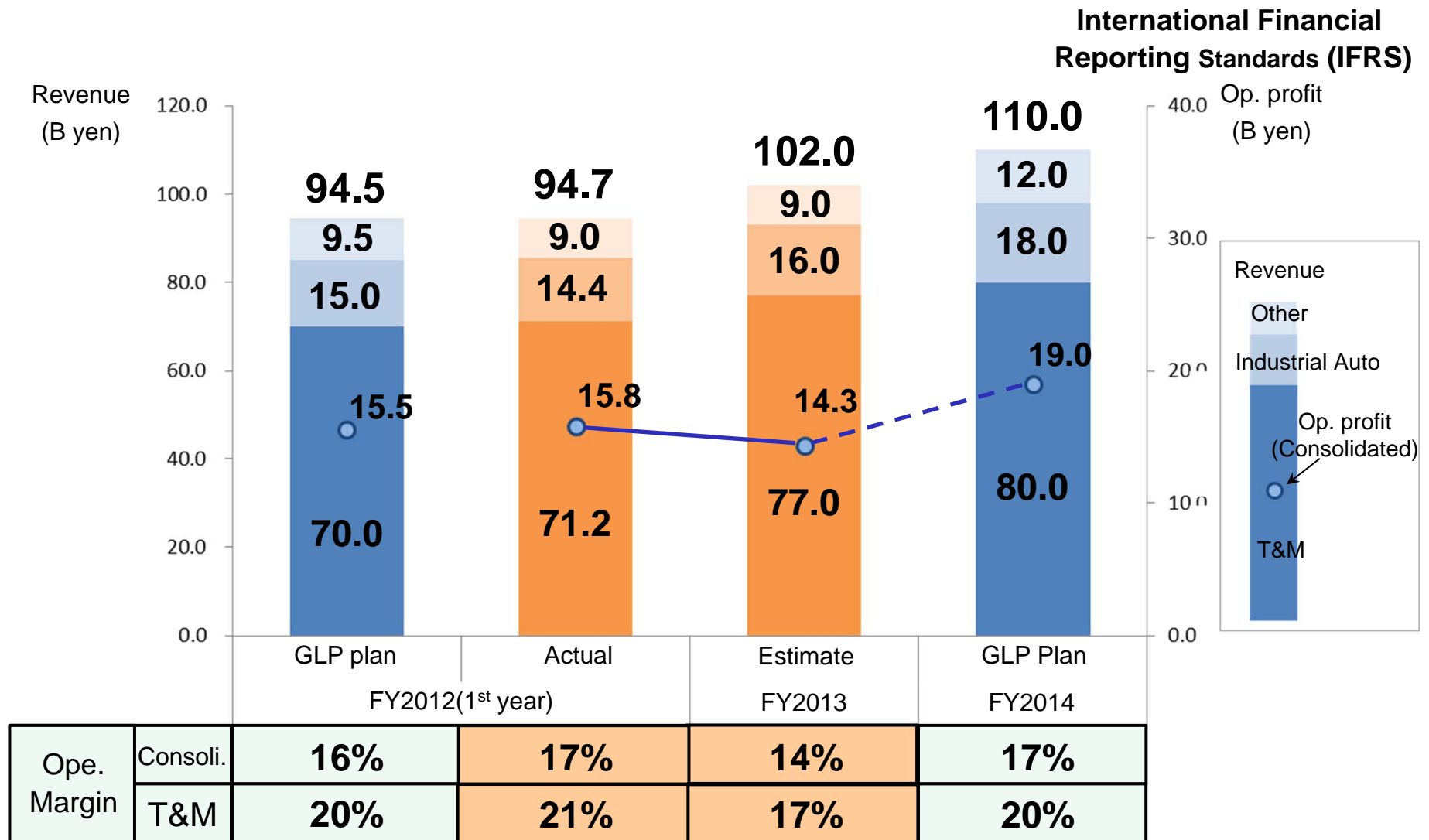
### GLP2014

Indicators		FY2012 (GLP first year)	FY2012 (Actual)	FY2013 (Estimate)	FY2014 (GLP Plan)
Revenue		94.5 B Yen	94.7 B Yen	102.0 B Yen	110.0 B Yen
Op. profit		15.5 B Yen	15.8 B Yen	14.3 B Yen	19.0 B Yen
Profit		10.0 B Yen	13.9 B Yen*1	9.5 B Yen	13.0 B Yen
ROE		20 %	25 %	—	17 %
ACE*2		7.0 B Yen	9.4 B Yen	—	9.0 B Yen
T&M	Revenue	70.0 B Yen	71.2 B Yen	77.0 B Yen	80.0 B Yen
	Op. profit	14.0 B Yen	15.0 B Yen	13.2 B Yen	16.0 B Yen
Indust Auto.	Revenue	15.0 B Yen	14.4 B Yen	16.0 B Yen	18.0 B Yen
	Op. profit	1.0 B Yen	0.8 B Yen	1.1 B Yen	1.5 B Yen
Others	Revenue	9.5 B Yen	9.0 B Yen	9.0 B Yen	12.0 B Yen
	Op. profit	0.5 B Yen	0.0 B Yen	0.0 B Yen	1.5 B Yen

\*1: Tax expenses decreased as a result of a review of the collectability of deferred tax assets.

\*2: ACE(Anritsu Capital-cost Evaluation): Operating profit after tax - Capital cost

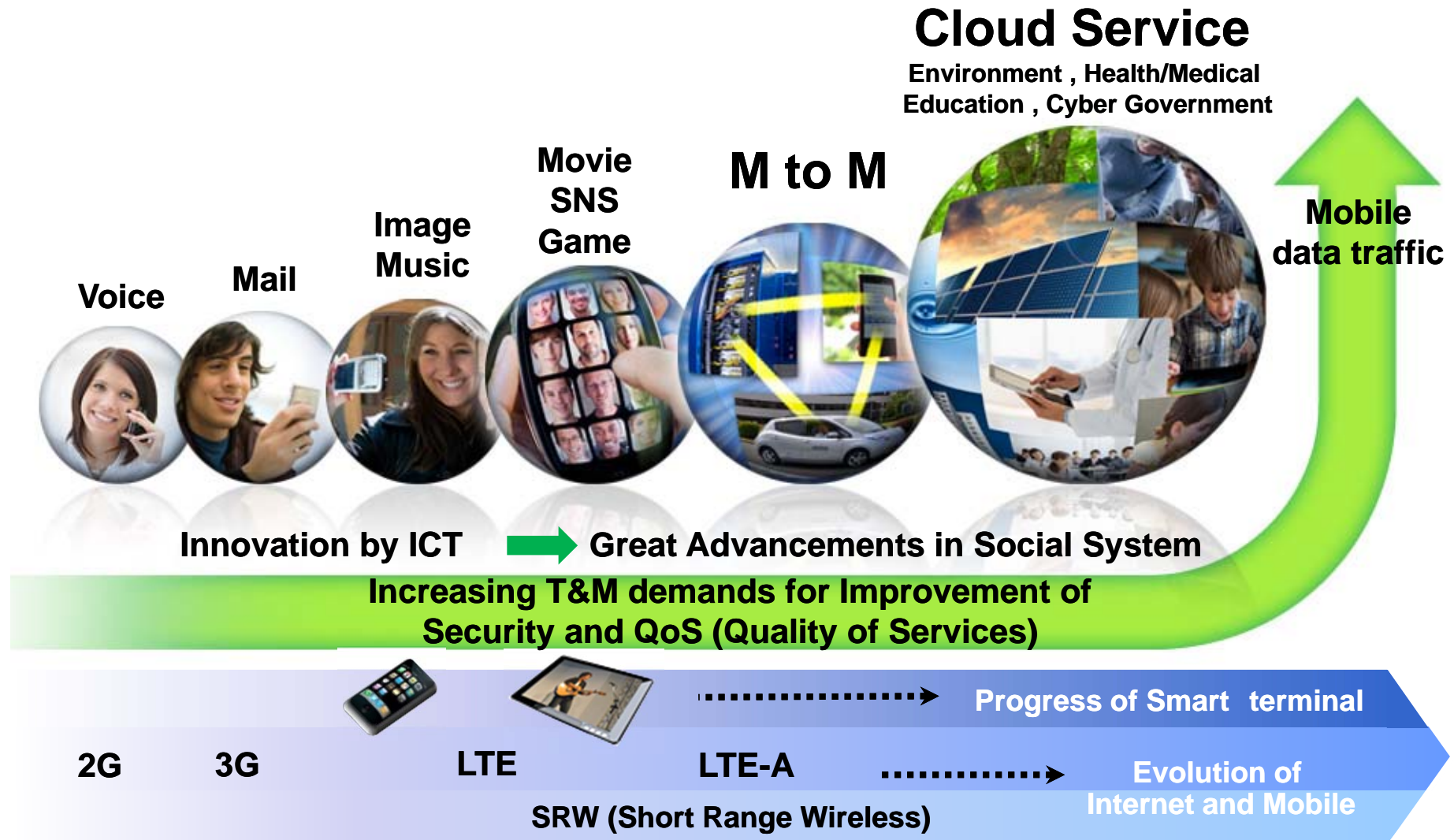
## 7-3. Long-term Business Plan GLP2014(2)





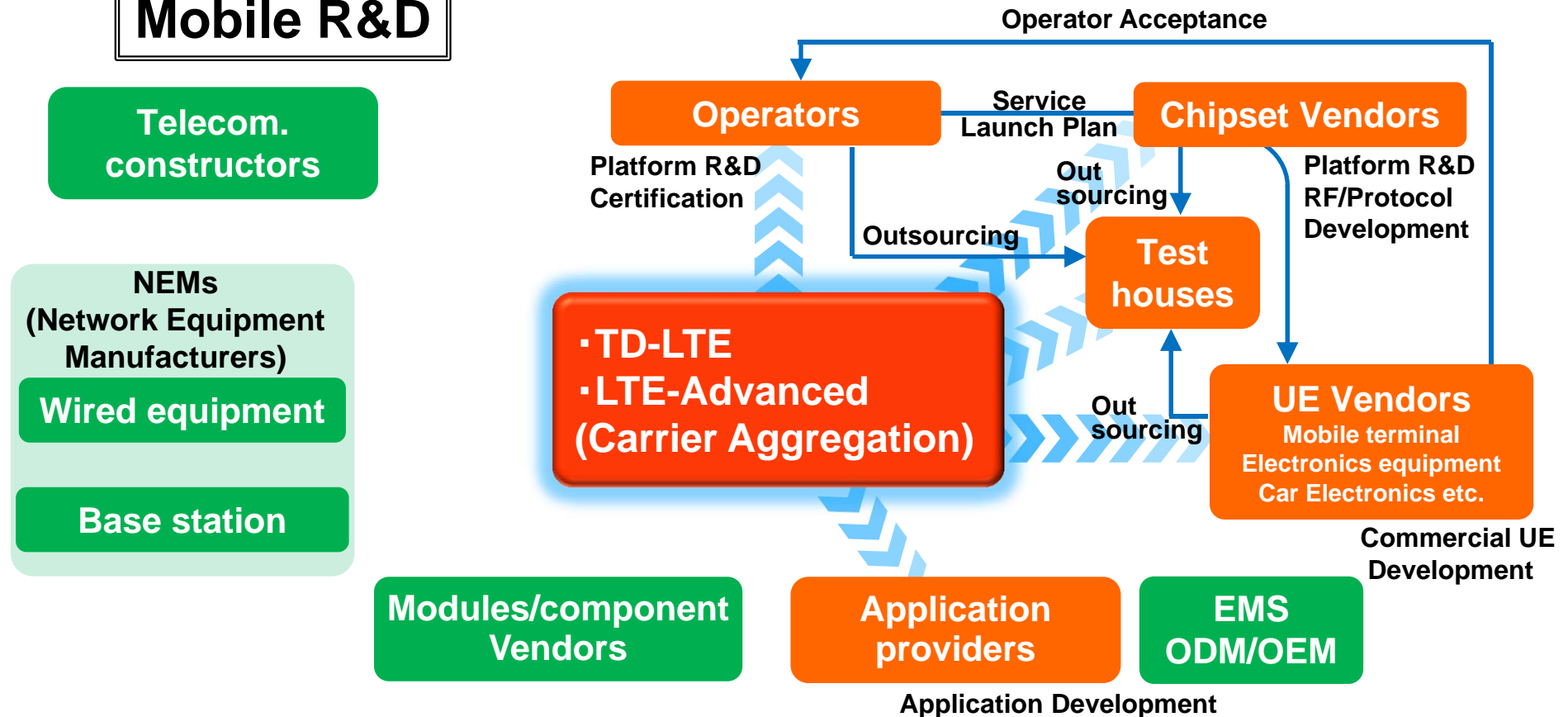
# 8-1. T&M Business Environment

Increased growth of fields supporting mobile as social infrastructure



## 8-2. Current and Mid-term Business Opportunity

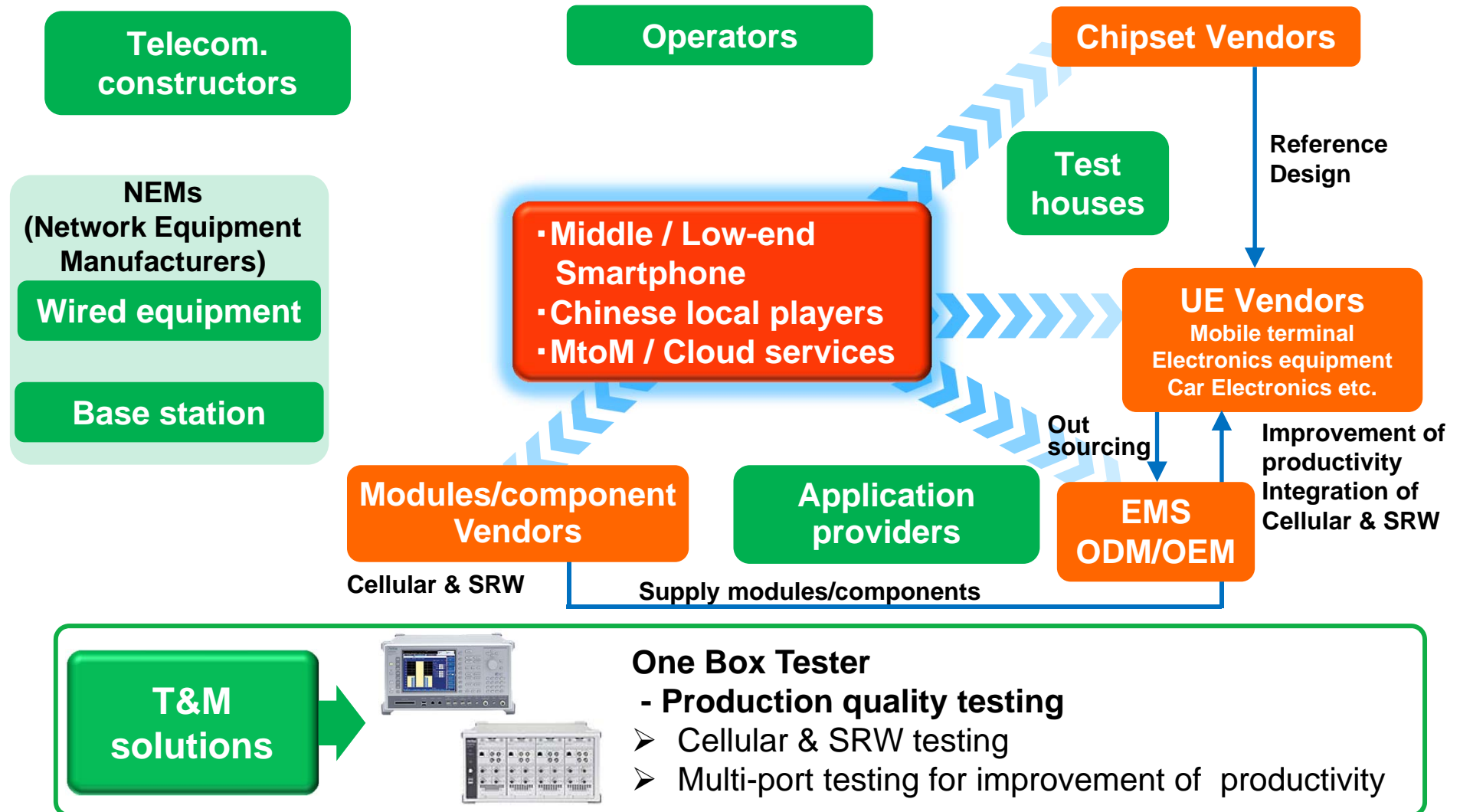
### Mobile R&D



- Communication Standard Development, Chipset Development, Conformance test, Interoperability test, Operator Acceptance test
- Application Development, UE operation testing

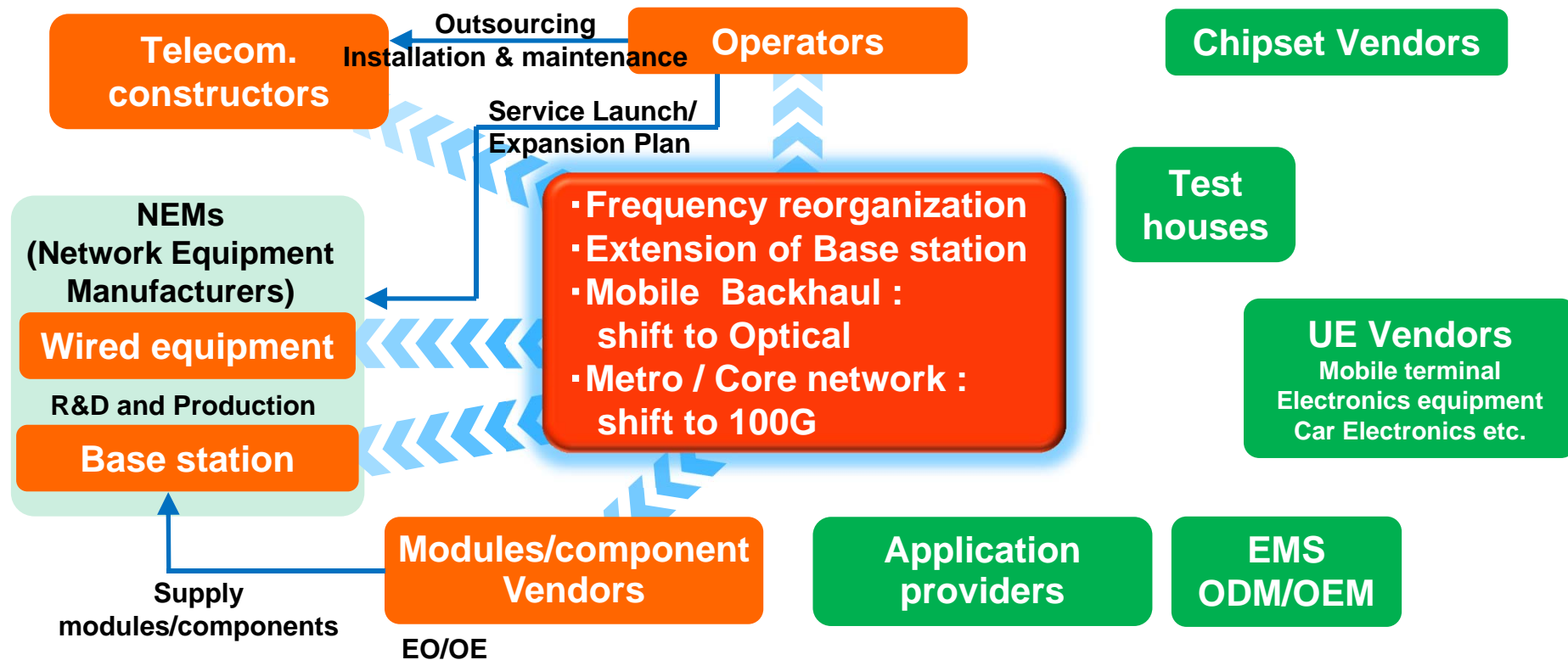
## 8-3. Current and Mid-term Business Opportunity

### Mobile Production



## 8-4. Current and Mid-term Business Opportunity

### NW Infrastructure, Electronics



**T&M solutions**



- Installation & maintenance of wireless base station & mobile backhaul
- R&D & production of network equipment



## 8-5. Challenge of achieving the Long-term business plan GLP2014 (1)

### Regional Market Status

#### Asia Pacific

- Commencement of TD-LTE service in China
- Fusion of Cellular and SRW in the mobile terminal manufacturing phase
- Reference designs provided by chipset vendors have triggered changes in the terminal vendor's business model

#### Americas

- Battles for leadership among chipset vendors in the mobile market
- Major operators are planning to implement VoLTE and Carrier Aggregation capabilities

#### EMEA

- Progress in technological developments at global vendors' R&D bases

#### Japan

- Shrinking market due to the withdrawal of terminal vendors
- Full-fledged preparation for the implementation of Carrier Aggregation and VoLTE capabilities
- Government plan to reorganize frequencies for public wireless communications service infrastructures

## 8-6. Challenge of achieving the Long-term business plan GLP2014 (2)

### Dramatic changes in the mobile market

- (1) The commoditization of smartphones, and chipset vendors leading the terminal manufacturing market by offering reference designs
- (2) Over The Top (OTT) players determining control of the mobile services market
- (3) Shift in key players due to intensifying competition and global realignment

\*OTT players :companies providing contents services on the broad band network without using network operator

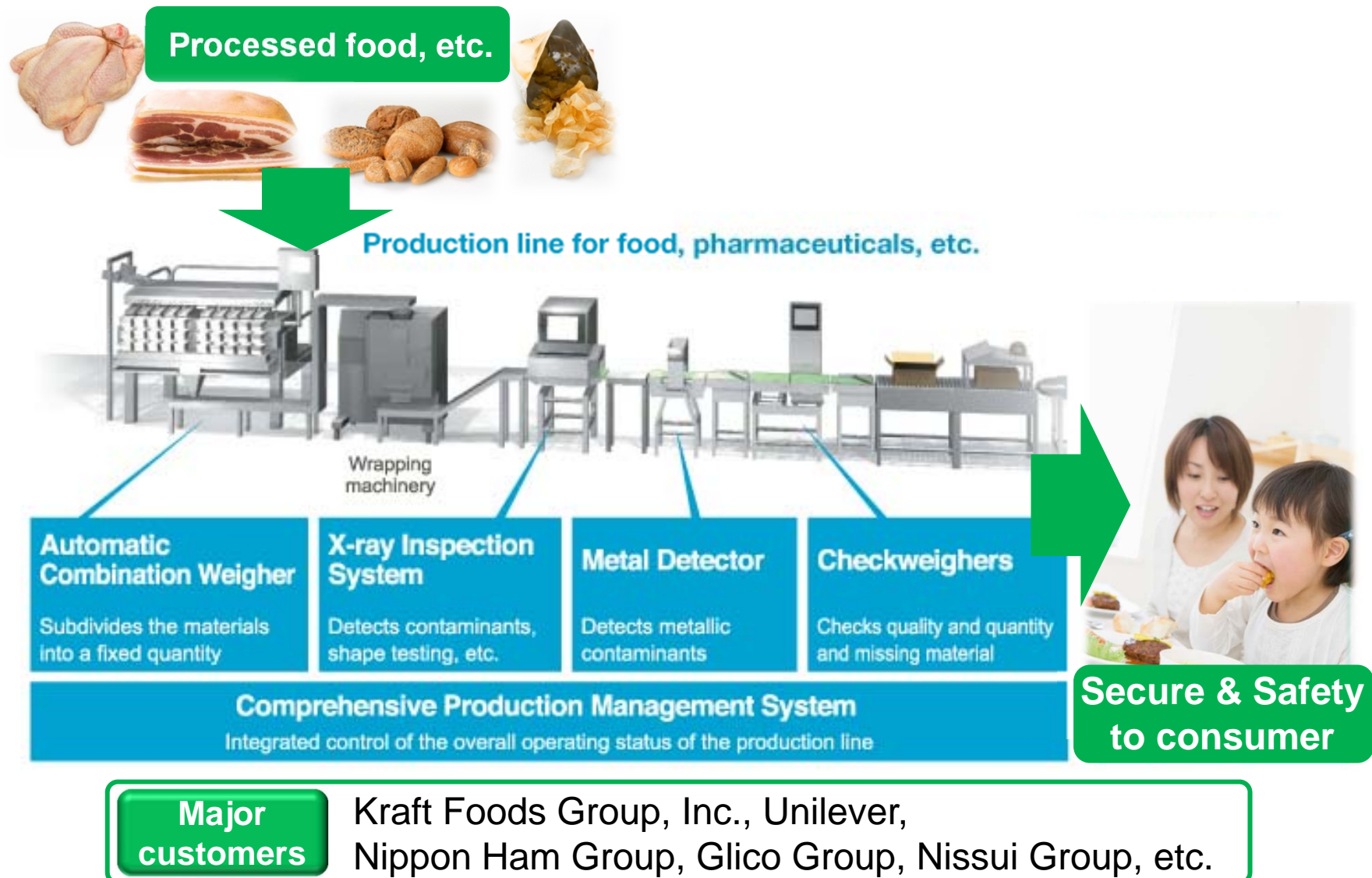


- (1) Providing solutions to meet diverse customer needs
- (2) Capturing key customers in the market and expanding market share
- (3) Strengthening and maintaining global customer support capabilities

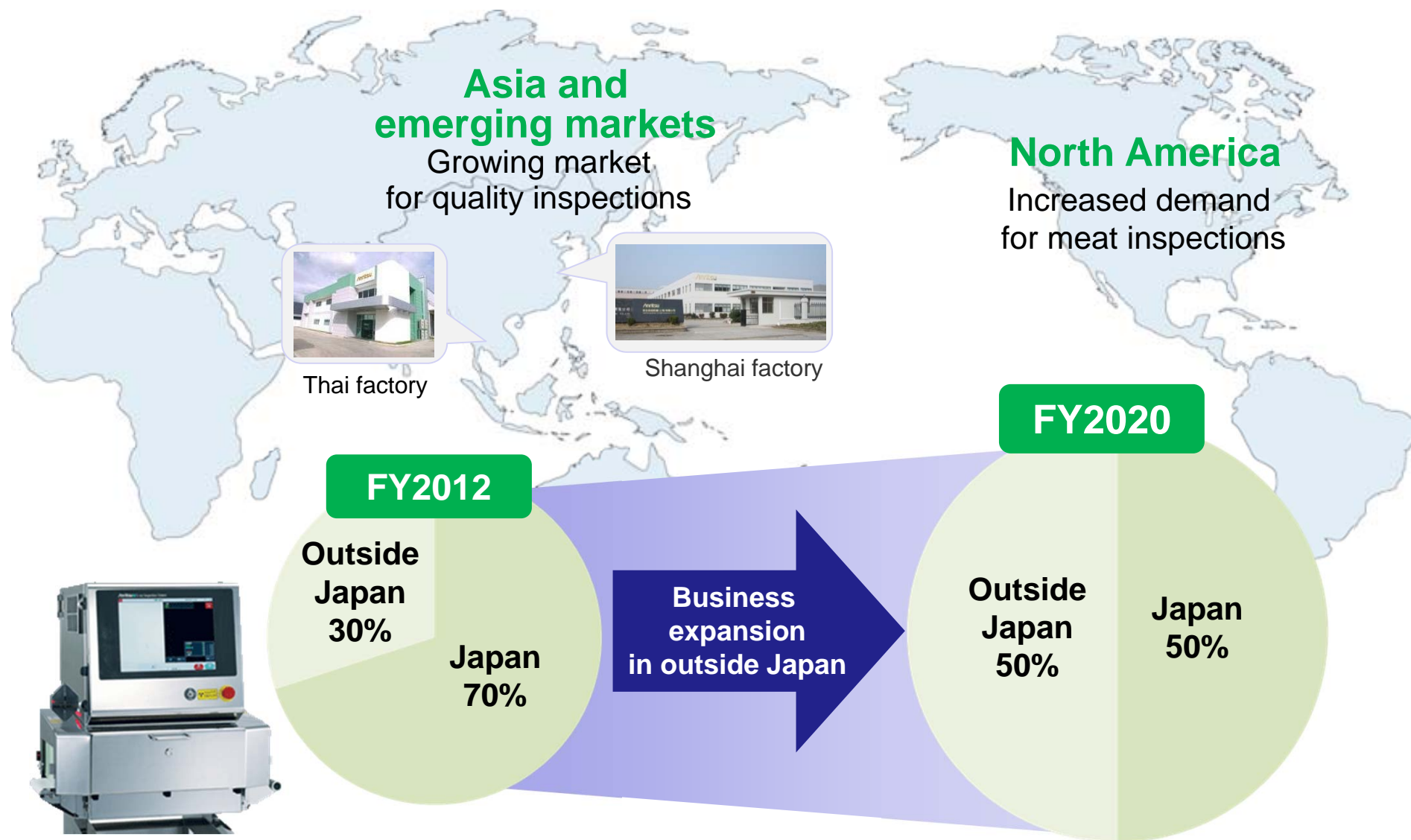




## 9-1. Industrial Automation business

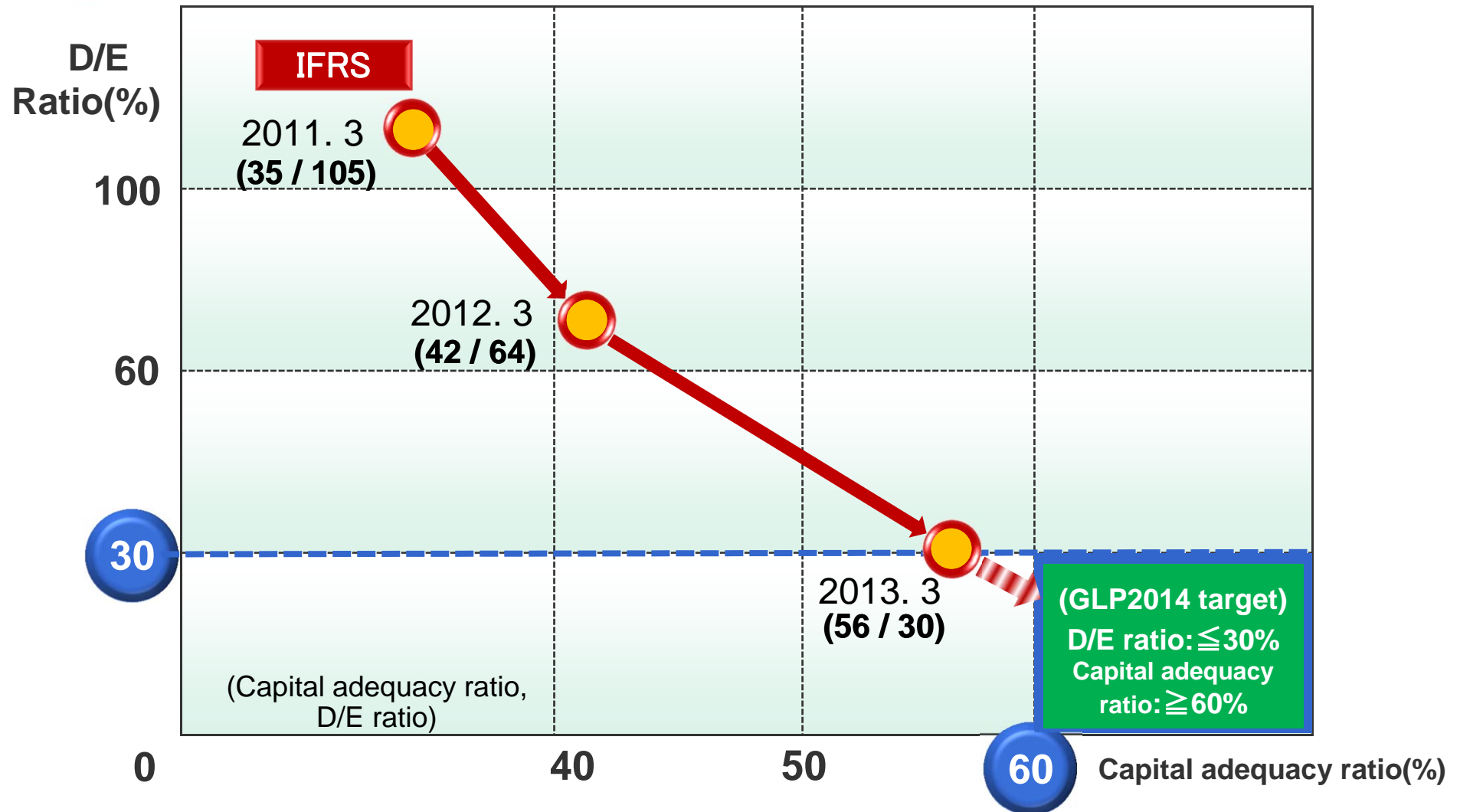


## 9-2. Industrial Automation Business Target



# 10-1. Financial Targets of GLP2014

## ▶ Rapid improvement of financial structure



## 10-2. Dividend policy

Anritsu's basic policy is to implement distribution of surplus as a measure to return profits to shareholders, based on the level of consolidated net profit for the relevant fiscal year.

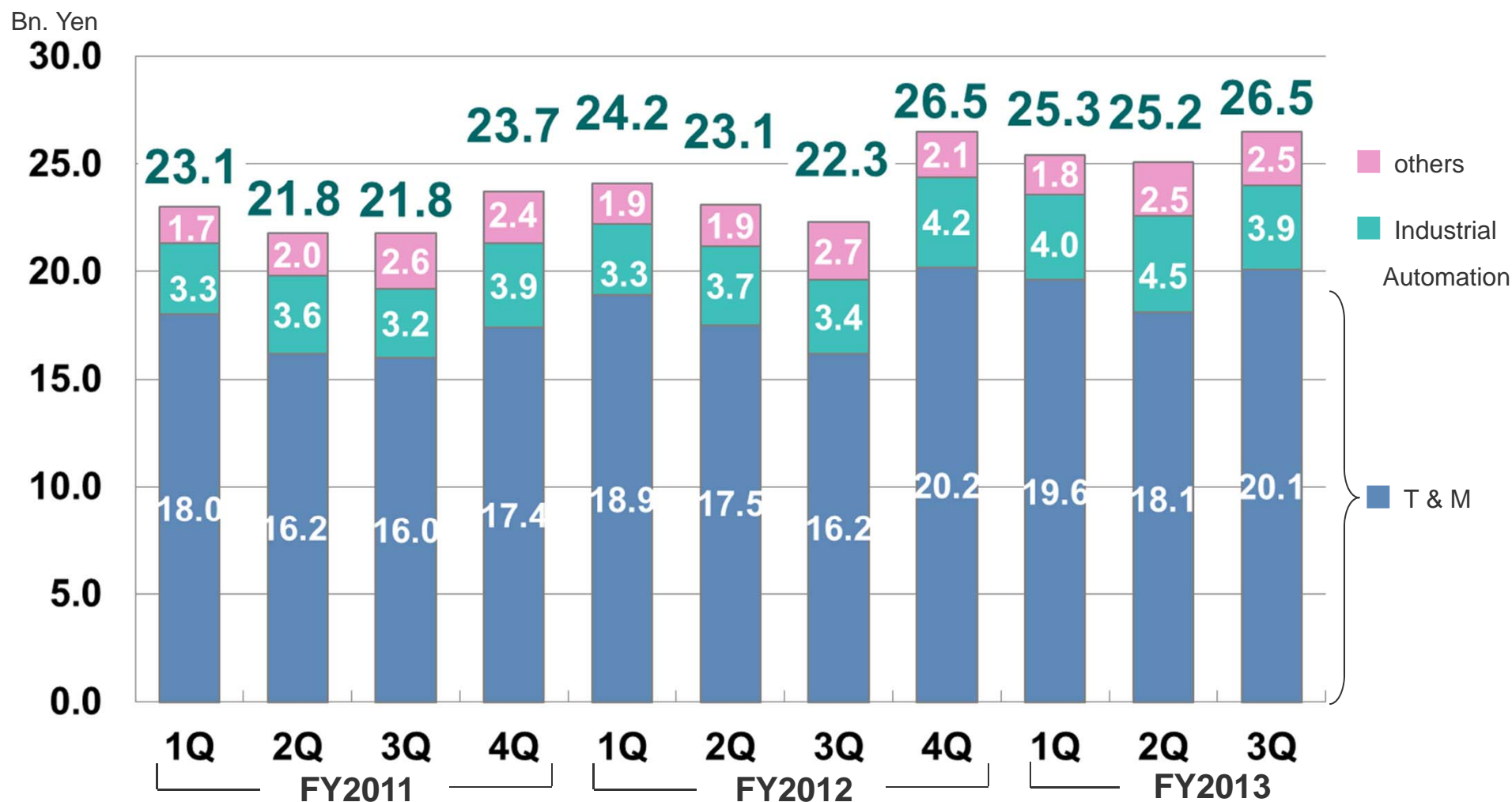
We determine the amount of dividend with the aim of achieving the principal index of **consolidated dividends on equity ratio (DOE)**, together with complementary factors such as dividend payout ratio.

(Consolidated)	Actual						
	J-GAAP					IFRS	
	FY2007	FY2008	FY2009	FY2010	FY2011	FY2011	FY2012
ROE	-	-	1.0%	7.9%	21.5%	19.5%	25.0%
Dividend per share (Yen)	7.0	3.5	0.0	7.0	15.0	15.0	20.0
DOE	1.6	1.0	0.0	2.3	4.2	4.9	5.1



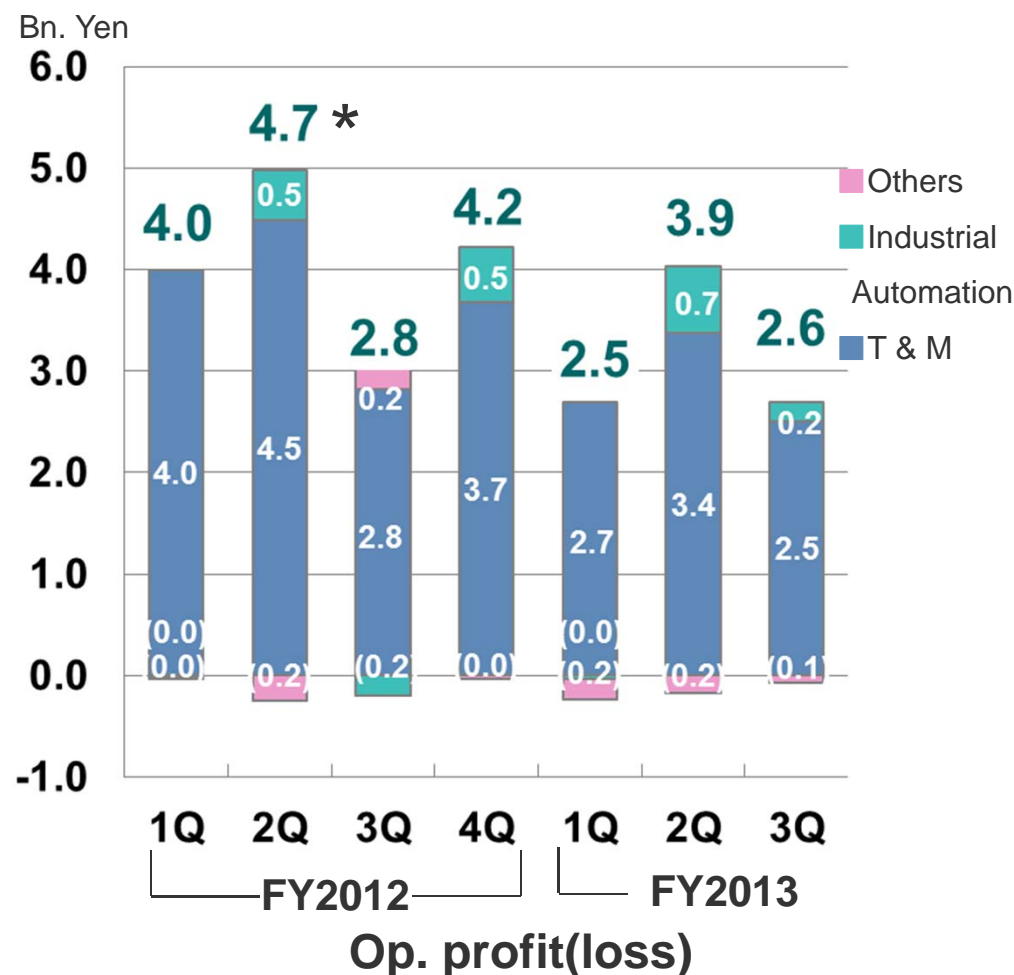
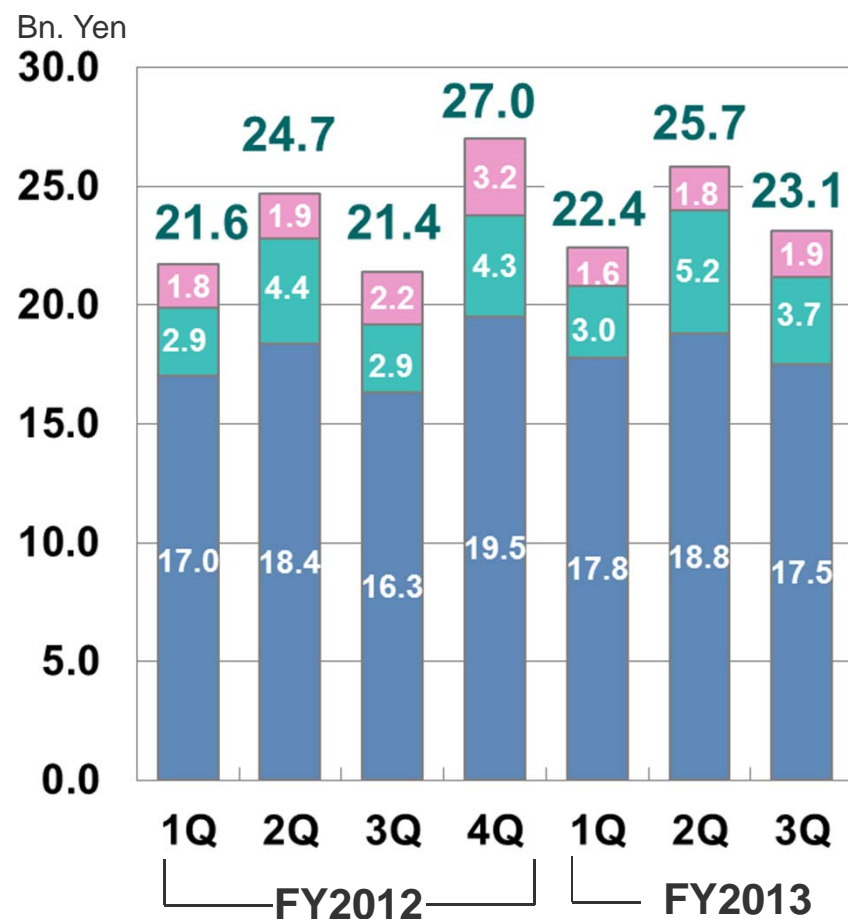
# Appendix(1) Consolidated performance

-Orders by business segment-



# Appendix(2) Consolidated performance

## -Revenue and Op. profit by quarters-



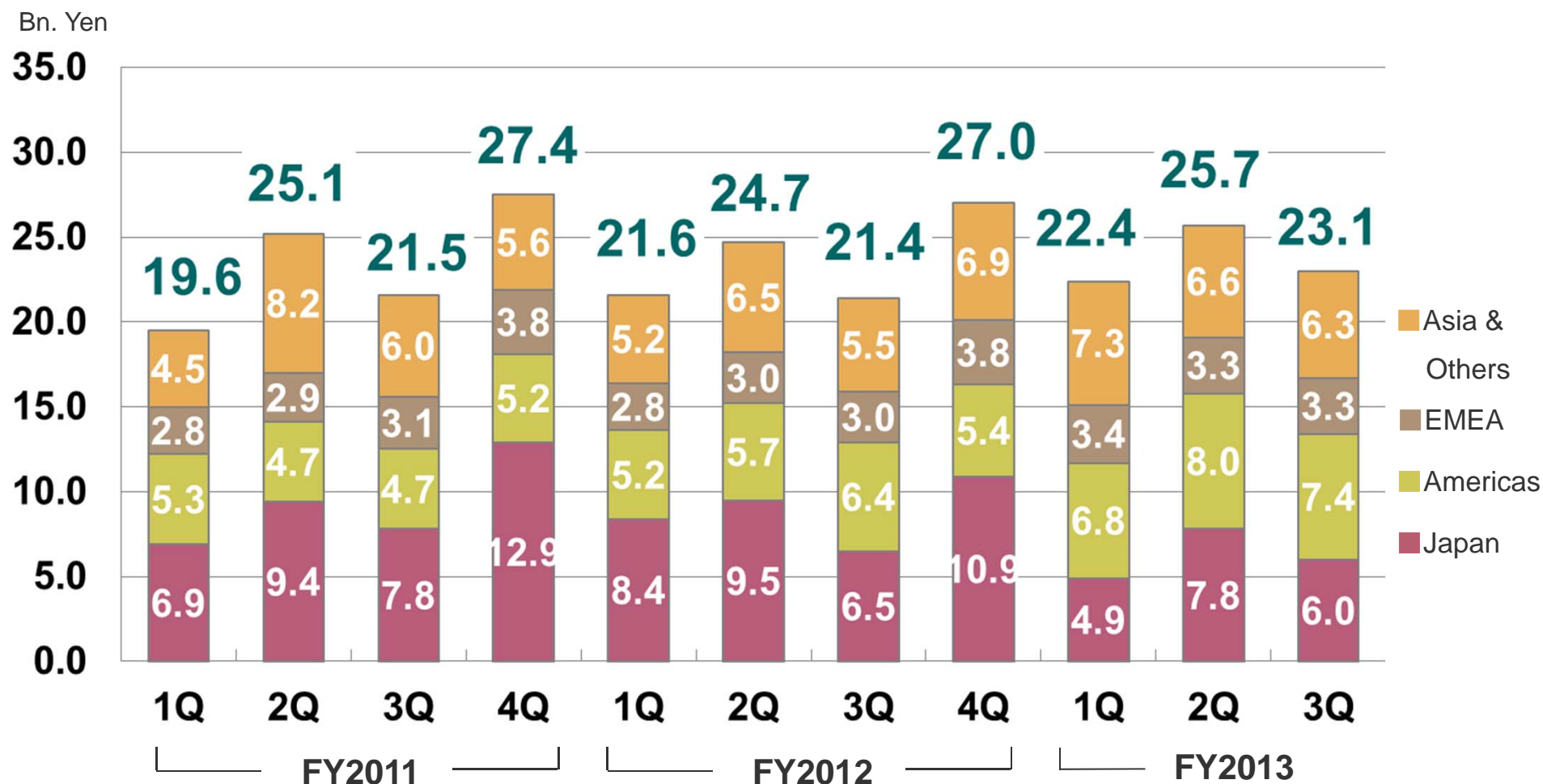
Note : Numbers are rounded off in each column

\*With an amendment of IAS19, figures have been restated based on the revised accounting policies retrospectively.  
(Old figure for 2Q Op. profit: 4.8 billion yen)



# Appendix(3) Consolidated performance

## -Revenue by region-



Note : Numbers are rounded off in each column

# Appendix(4)

## CAPEX, Depreciation and R&D Expenses

(Millions of yen, round down)

(Consolidated)	Actual							Estimate
	J-GAAP					IFRS		
	FY2007	FY2008	FY2009	FY2010	FY2011	FY2011	FY2012	FY2013
CAPEX	2,790	2,236	1,134	1,549	3,165	<sup>(*1)</sup> 3,200	<sup>(*1)</sup> 4,562	4,500
Depreciation	3,373	3,099	2,979	2,589	2,555	<sup>(*2)</sup> 2,469	<sup>(*2)</sup> 2,562	3,000
R&D Expenses	14,115	11,704	9,387	9,380	10,012	<sup>(*3)</sup> 9,842	<sup>(*3)</sup> 10,315	12,000
as % of Net Sales	14.0%	13.9%	12.8%	12.0%	10.7%	10.5%	10.9%	11.8%

(\*1) Capitalized development cost booked as intangible asset for the fiscal year is not included.

(\*2) Amortization of capitalized development cost is not included.

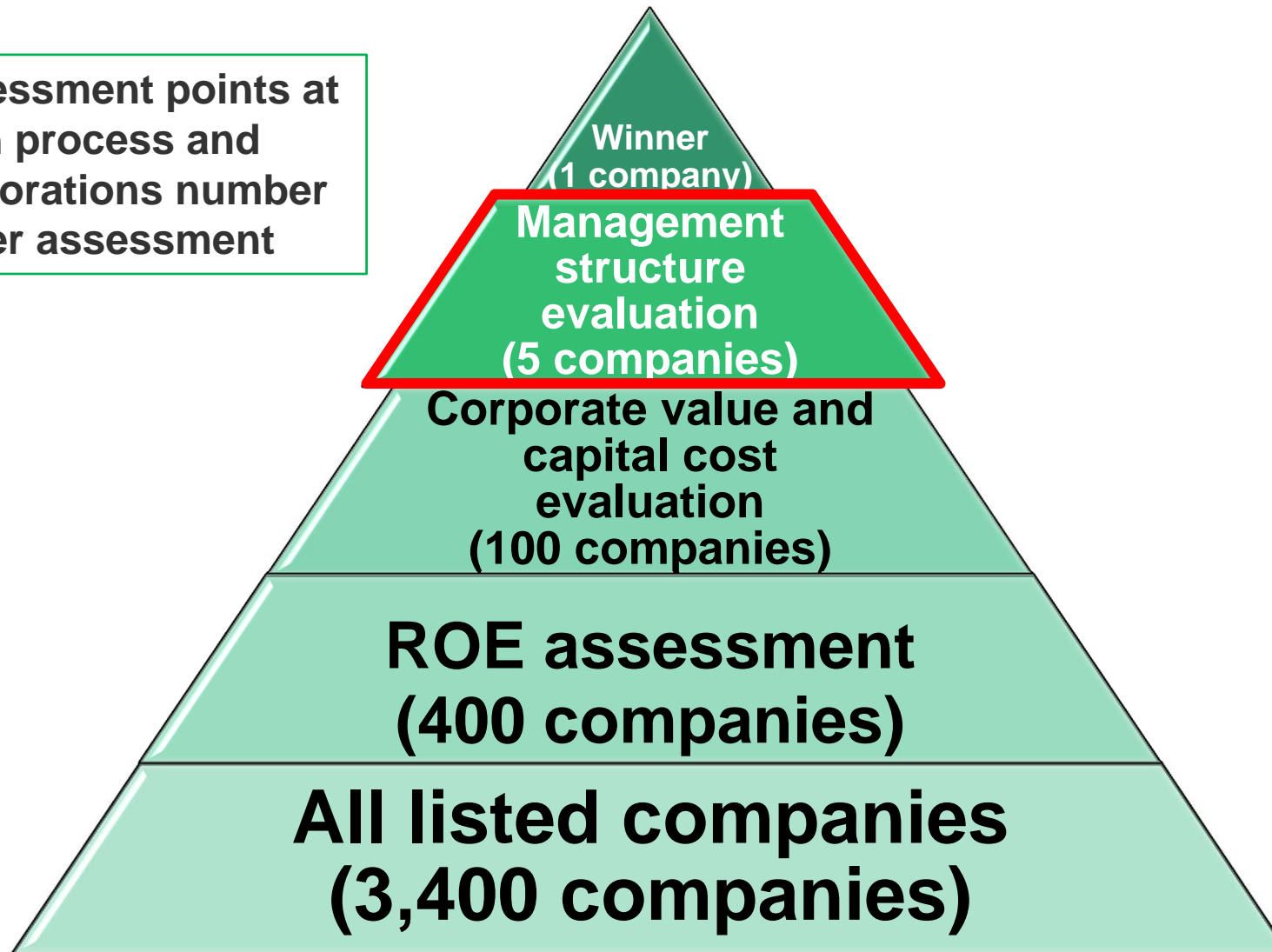
(\*3) R&D expenses for the fiscal year 2011, 2012 and 2013 (estimate) are amounts of R&D investment including capitalized development cost.

Thus, these amounts do not tally with the R&D expense booked on the consolidated statement of comprehensive income.

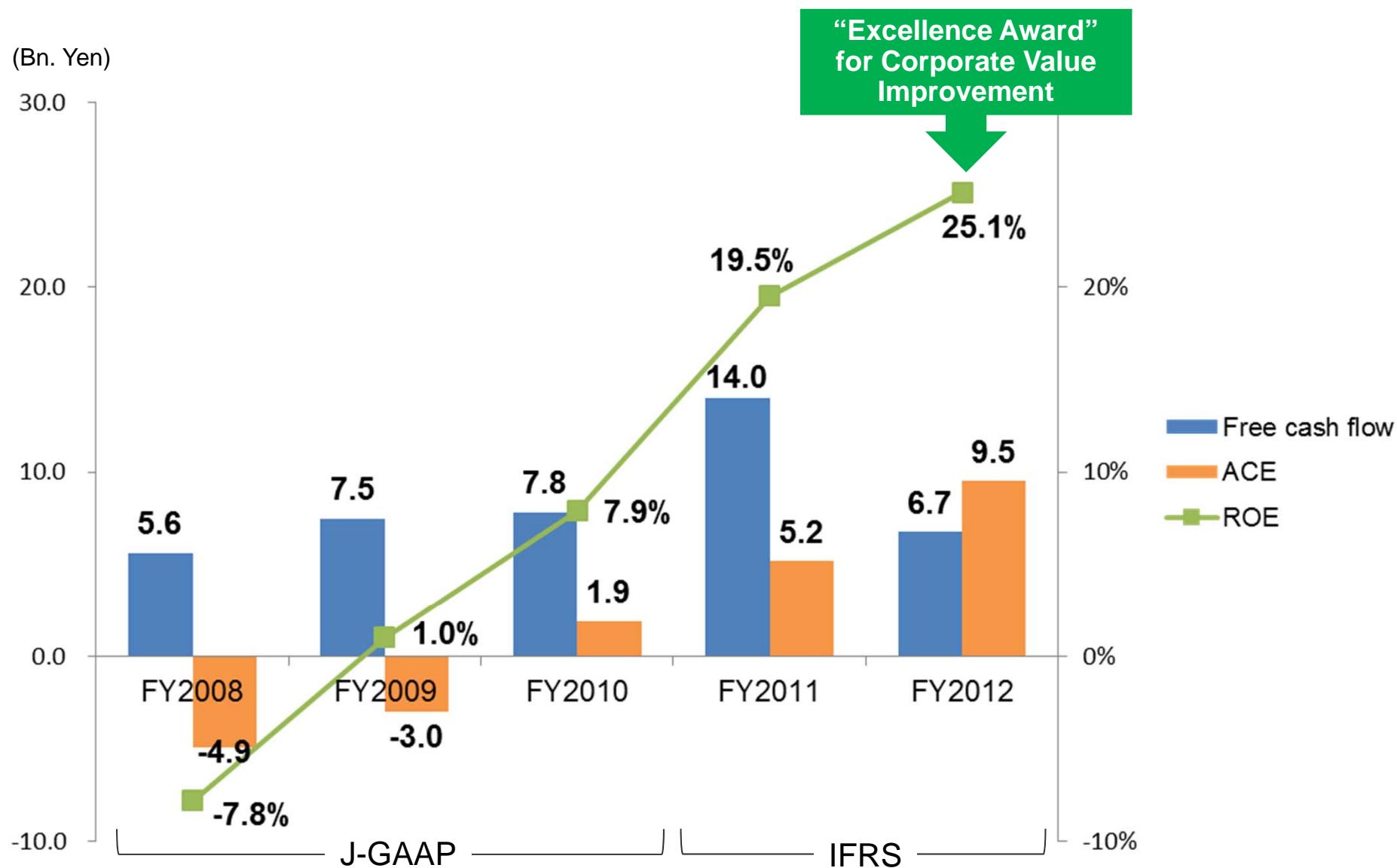


## Appendix(5) Received “Excellence Award” for Corporate Value Improvement from Tokyo Stock Exchange

Assessment points at each process and corporations number under assessment



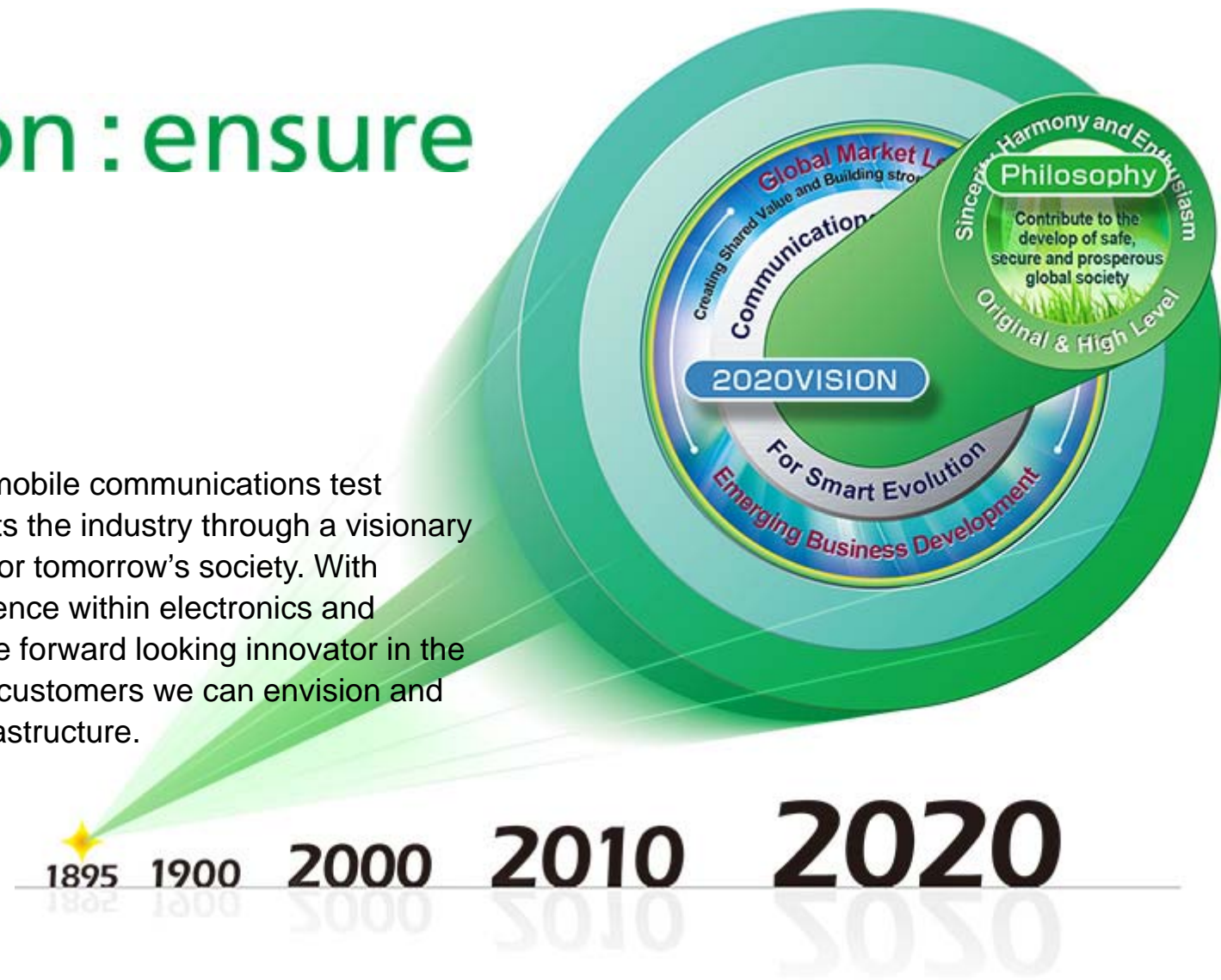
# Appendix(6) Trend of Cash flow, ACE and ROE



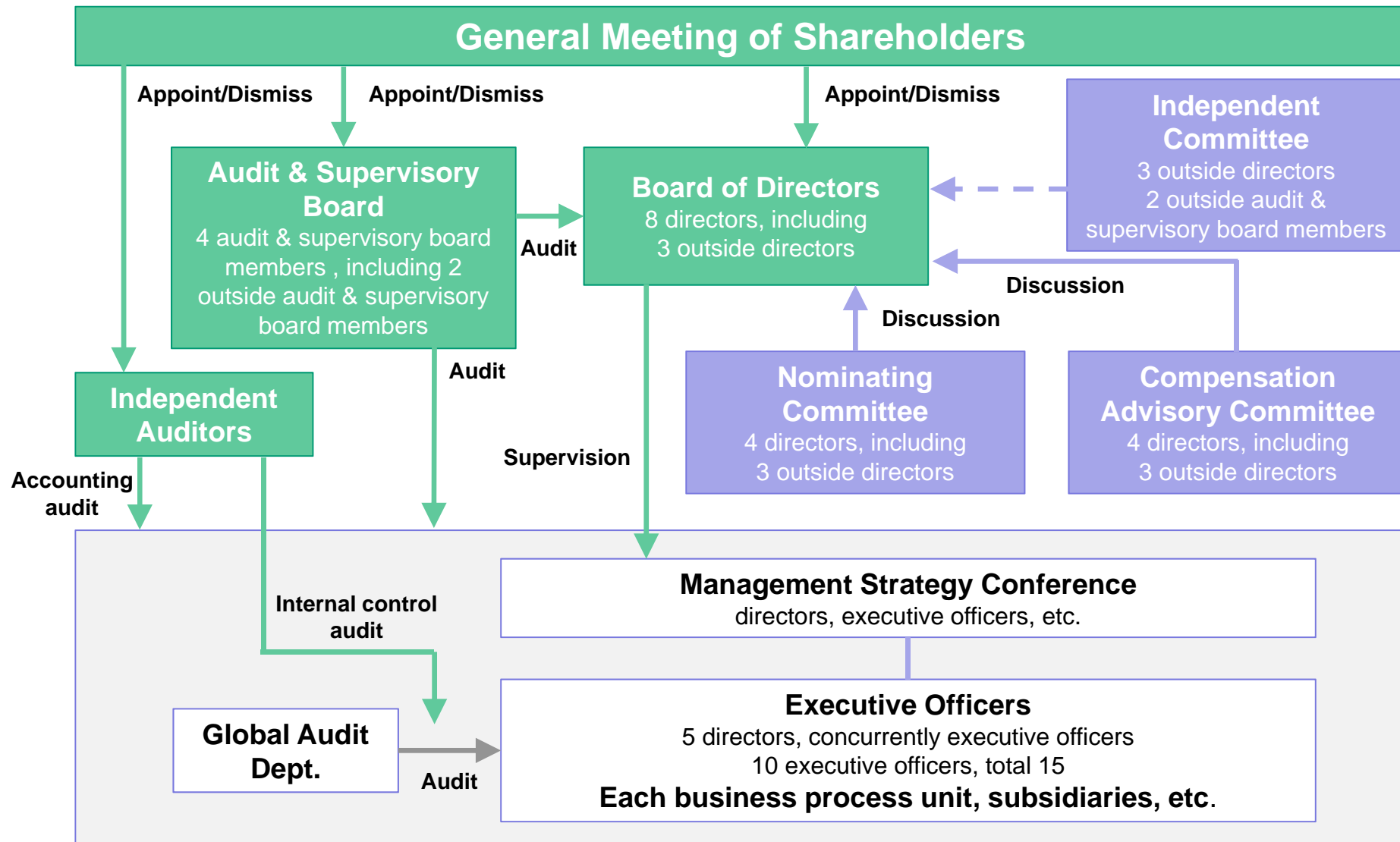
# Appendix(7) The New Brand Statement

## envision:ensure

As a leading supplier of mobile communications test solutions, Anritsu supports the industry through a visionary partnership, to innovate for tomorrow's society. With almost 120 years' experience within electronics and telecoms, Anritsu is a true forward looking innovator in the business. Together with customers we can envision and ensure future mobile infrastructure.



# Appendix(8) Corporate Governance





---

**Anritsu**  
envision:ensure

