

## An Interview with Group CEO



**Hirokazu Hashimoto**

President and Group CEO

Under its Management Vision of “Continuous Growth with Sustainable Superior Profits,” the Anritsu Group will continue to strengthen partnerships with global customers, strive to further raise operational quality, and progress towards the Anritsu 2020 VISION of being the global market leader.

### **The Power to Be Chosen Is Anritsu’s Comprehensive Power that Is Centered on Advanced Capabilities and Trust**

**Q** In recent years, Anritsu’s core mobile communications test and measurement business has grown strongly and is now the earnings driver for the Group. Please describe the background to this development.

**A** Smartphone and tablet devices, and the mobile Internet that connects them, are becoming increasingly intertwined with our lives. From downloading video and audio to social networking services, to messaging apps, and

to social systems, mobile services continue to expand. In step with this, mobile data traffic is growing rapidly, placing a heavy strain on mobile networks.

Anritsu is working together with many players that take part in the mobile broadband service sector development to solve these issues. We do this from the development of new communications systems, to device development and production, to network installation and maintenance. However,

as communications infrastructure is essential for a safe, secure, and comfortable society, there are still many issues to take on and progress that must be made. I think this is the social mission and role of Anritsu.

## **Q Why do customers choose Anritsu products?**

**A** Anritsu provides solutions in all areas of the mobile network space. We have rich experience and advanced technology across all parts of networks, the only testing solutions company globally to have this. Customers across the globe in the telecommunications space praise us for this full-sector coverage, our technology, and support capabilities. Above all, in R&D for leading-edge mobile

communications protocols, we have received strong support for quality assurance and conformance test solutions that ensure new communications standards work trouble-free under real network conditions. This is the result of our continuous efforts to utilize our vision and client support capabilities.

## **Results for FY2013 and Targets for FY2014**

### **Q Please outline the Anritsu Group's financial results for FY2013 (ended March 31, 2014), the factors behind the results, and your feeling about the performance.**

**A** This fiscal year was the middle year of the GLP2014 Mid-term Business Plan (FY2012–FY2014). Revenue increased 7.6% over the previous year, to ¥101.9 billion, but operating income fell 10.1%, to ¥14.1 billion.

The Test and Measurement business grew, particularly in North America and Asia, along with the progressing global expansion of mobile broadband networks. In Japan, however, business dropped as some smartphone vendors exited that business. In this operating environment, with the expansion in overseas markets in mind, we strengthened support for overseas customers and also actively invested in needed R&D.

In the Industrial Automation business, demand in Japan was strong mainly for contaminant detection and checkweighers for food production. This demand came from convenience store businesses. Also, we made good progress in

the North American market in winning new clients, including major food producers.

Based on conditions in these businesses, at the end of the third quarter we revised our full-year targets. Operating profit forecasts in the Test and Measurement business were revised downward, while revenue and operating profit forecasts in the Industrial Automation business were revised upward. As a result, while revenue met GLP2014 plans, operating profit and net profit decreased. However, the operating margin in the Test and Measurement business was 17%, which is a high level. Particularly in the fourth quarter, the operating margin was over 20%, meaning margin targets in the GLP2014 were met. Above all, the strength of the Test and Measurement business in North America came from our investments to strengthen customer support for overseas customers.



### Please describe initiatives Anritsu is taking to meet FY2014 financial targets.

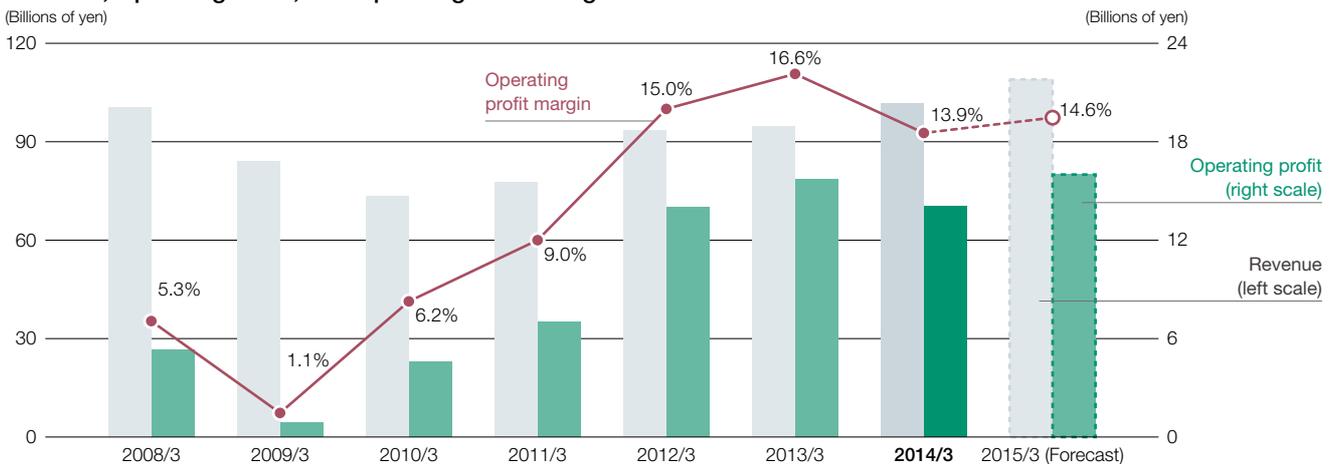
**A** In FY2014, revenue is targeted to reach ¥109 billion (a 7% increase year on year), and operating profit ¥16 billion (a 13% increase).

In the Test and Measurement business, mobile broadband service will continue to be a growth driver. Anritsu expects demand for conformance and network operator acceptance testing to remain steady with the rollout of LTE-Advanced, which is a faster, wider bandwidth update to LTE (Long-Term Evolution). Also, the combination of Wifi and other non-cellular standards with cellular standards will continue. In device production, emerging device vendors are growing rapidly, using reference designs provided by chipset vendors. Thus, testing demand is expanding at these device vendors.

To steadily win these businesses, we will make effective strategic investments in R&D and customer support to improve competitiveness of Anritsu products. We will do this to keep up with international communications standards, which are constantly evolving, to ensure seamless connections between different communications standards, to improve device and chipset productivity, and to improve working efficiency of wireless infrastructure.

In the Industrial Automation business, in the domestic market Anritsu will work to capture equipment replacement and upgrade demand. We will also expand business by offering solutions and service optimized for each customer, to meet diverse food testing needs. In overseas markets, Anritsu will work to grow business by providing solutions based on local food customs and solutions that meet the unique needs of individual food producers.

### Revenue, Operating Profit, and Operating Profit Margin





## Solving Global Society's Issues Is a Growth Driver

**Q Please describe the outline of the next Mid-term Business Plan from FY2015.**

**A** Anritsu has announced medium- to long-term strategy guidelines based on our “2020 VISION” goals for our Company at the end of the decade. We aim for growth in line with these strategy guidelines. In the Test and Measurement segment and Industrial Automation segment, industry average growth rates are 3%-5%. Anritsu aims to realize growth of 7% or more by focusing on areas expected to see higher-than-average growth. Also, Anritsu has set a target of an operating profit margin of 20% in the Test and Measurement business and 12% in the Industrial Automation business, and is working to meet these targets.

### 2020 VISION



**Q Please describe Anritsu's financial outlook for the next management plan and initiatives underlying that outlook.**

**A** In recent years, M&A transactions have occurred one after another in the telecommunications industry, and we are seeing a dramatic shift in that sector's landscape. Also, the telecom space is seeing more collaboration for other industries, such as automotive, consumer electronics, and electric power utilities. The telecom ecosystem is shifting from carriers being at the top of the pyramid to one where complex values are linked by a variety of partnerships and alliances based on shared platforms. Growing sectors with new market entrants mean business opportunities for Anritsu. The mobile device sector and telecom-application semiconductor sector are still in the growth stage, and, when new players come in, the first thing they look for is testing solutions. Thus, a big theme for Anritsu is to use our strengths to prospect for new customers and build a

broader customer base. We will combine the fruits of strategic investments made to date to pursue this theme. Those investments include strengthening our close-to-the-client customer support system, increasing production capacity with our new factory in Koriyama (northeastern Japan), and bringing further innovation to our global production system.

In the Industrial Automation segment, in addition to stable growth in the Japanese market, Anritsu will focus on capturing food testing demand overseas, mainly in North America and Asia. Under our strategy of local production–local consumption, we will work to optimize our supply chain, improve product competitiveness and price competitiveness, and strengthen local engineering capabilities. Doing this, we will further deepen relationships with major food producers expanding globally, and work to win new customers.

## BBB+ to A-

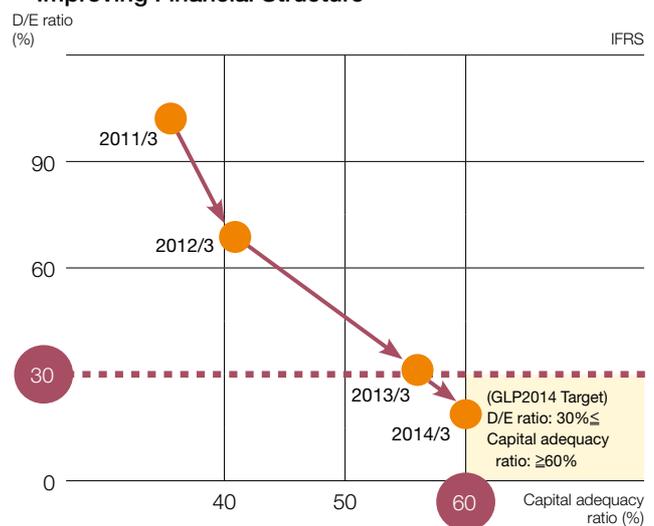
### Q When appointed in 2010, you set the Management Vision “Continuous Growth with Sustainable Superior Profits.” What do you think about this idea and the results thus far?

A Looking at our financial results since the 1990s, for some years we were pushed about by the external environment, and our financial base was unstable. To break free of this situation, Anritsu set its fundamental policy to “Be a leading company and firmly meet our social mission.” It is important to set clear return targets on investments we make, and share these targets across the Company. Above all, it is critical to bring capital cost into our consciousness. Therefore, we created the “ACE” (Anritsu Capital-cost Evaluation: operating profit after tax-capital cost) metric and have strived to improve. ACE shows the added value created by invested capital, and is useful in strengthening profitability.

Fruits of this effort have come forth. Anritsu's credit rating has been raised to A- for the first time in 12 years, thanks to stable growth in the mobile test and measurement business, stability in our revenue streams, and strength of our financial base. Looking at companies rated A, our financial health,

stability of our revenue stream, and sustainability must be evaluated even higher. I feel our current A- rating is even more meaningful than the A rating Anritsu had in the past.

### Consolidated Performance —Improving Financial Structure—



## Further Raising Shareholder Value and Corporate Value

### Q Please describe Anritsu's shareholder return policy and FY2013's and FY2014's dividends.

A In accordance with our growth in consolidated net profit, we have set a policy to increase our dividend on equity ratio, and have set a consolidated dividend payout ratio goal of 25% or more. Also, going forward, we will work to increase overall returns to shareholders, and study measures that include purchasing treasury stock.

Based on this policy, annual dividends for FY2013 were set at ¥20 per share, unchanged from the previous fiscal year.

In FY2014, assuming that our profit target of ¥11 billion is met, we plan to raise annual dividends to ¥24 per share. For both FY2013 and FY2014, our dividend payout ratio will be 31%.

## Corporate Value Improvement and Integrity Are Two Wheels of Management

**Q In addition to the credit rating, Anritsu has received praise from other outside sources. Please describe this.**

**A** Anritsu received the Excellence Award under the Tokyo Stock Exchange's Corporate Value Improvement Award program. This program recognizes companies striving to improve corporate value, and takes the investor's viewpoint deeply into account. Our award was the result of our efforts to better consider capital cost in management, via items including improving ACE and ROE, and enhancing information disclosure through IFRS adoption. We have also been selected for the JPX-Nikkei Index 400, a new stock index made up of companies with high appeal for investors. As a global company, we are working hard to further build a world class profitability base befitting global standards for results evaluation.

Anritsu also received the Integrity Award from research firm IntegreX, which recognizes companies making superior efforts in corporate social responsibility (CSR), business ethics, compliance, and governance. We have also been selected for the FTSE4Good index series, a global socially

responsible investment index series that includes companies with superior CSR programs.

Corporate value improvement and integrity in operations are two wheels of management, and the recognition we have received is a big encouragement. That recognition is for things we have already done, however. We will not be satisfied with the progress we have made and will work to further strengthen our management.



The trophies and award certificate of Corporate Value Improvement Award and Integrity Award

## Contributing to Solving Society's Issues through Our Business

**Q What kind of role does Anritsu want to have in the telecommunications systems, food production, and pharmaceutical sectors, which are very important for society?**

**A** Applications based on mobile telecommunications technology continue to grow and evolve, change society, and improve productivity. This is happening from safe-driving systems in cars using big data, to remote medical monitoring systems, to electric power management systems that feature real-time monitoring of energy demand for more-efficient energy transmission. This also includes wearable devices like smart watches and smart glasses for health

management. In these applications, when a new technology is introduced, it must be compatible with existing systems, and devices designed and made by different makers must be compatible with each other. That is, building telecom systems that link stably is an important issue for society. To solve this issue, knowledge is needed for the system as a whole down to individual parts.



Anritsu has contributed to telecom service development by being knowledgeable of fundamental technologies for the telecommunications space. Going forward, Anritsu will continue to use its experience in telecommunications, built since our founding in 1895, to firmly meet our social mission under the Anritsu brand of innovation and trust.

In the Industrial Automation segment, our business is related to the safety and security of food. This is growing in concern globally in step with rising standards of living. With rising populations, the safety of food must be ensured along

with securing needed food resources. Also, food defense, or preventing the willful contamination of food, is becoming a new theme. Anritsu will meet its social mission of supporting safe and secure food by developing solutions always keeping society's perspective in R&D. We will meet this mission with our lineup of contaminant testing and weight testing solutions that take food cultures in different countries and regions into account, and foreign-matter contamination strategies using worker identification and observation.

## **Q What does the Anritsu Group consider to be key issues to face for sustainability?**

**A** The Anritsu Group believes that CSR should be conducted in line with four goals demanded by society. The most important of these is to contribute to solving society's issues through our core business. This can be stated as our corporate mission of "contributing to building a safe, secure, and comfortable society," and is the axis of our business and our mission to society. Over six billion mobile devices have been purchased across the globe, compared with the global population of seven billion. Services that use the mobile network have given rise to a variety of uses and

applications in regions across the globe. These include social innovations, such as renewable energy management and microfinance. Society is increasingly asking for contributions that require the knowledge and experience that Anritsu has. In making these contributions, it is crucial to actively talk with all stakeholders to grasp society's needs. We want to continuously and sincerely ask if Anritsu products and services are creating value for society. We are also working hard to ensure that all Anritsu Group employees understand and share our corporate mission and Code of Conduct.

## Global Market Leader under Our Brand of Innovation and Trust

**Q** Finally, please describe what ideals the new brand statement “envision : ensure” represents.

**A** Continuing our 120-year history, to contribute to society going forward, Anritsu has stated a target of being a “Global Market Leader” under our 2020 VISION. “Providing value befitting Anritsu, building a visionary brand trusted by customers the world over, and bringing about operations with world class added value”—this is the image I have for Anritsu as a Global Market Leader. To this end, we have announced our 2020 VISION and even further our forward-looking brand statement “envision : ensure.” The essence of this brand statement is “As well as sharing our dream and vision with our customers, it shows that our dedication to innovation will lead to tangible results that exceed their expectations.” Going forward, with our

customers as true partners, Anritsu will strive to offer solutions that link solving society’s issues with solving customers’ needs, and further raise corporate value.

We thank shareholders for their unwavering understanding and support.



**envision : ensure**

