

Financial Results of FY2016's 2nd Quarter: Q&A Summary

Q: Please explain Azimuth Systems, Inc.'s business scale, acquisition cost, as well as the goodwill arising from the acquisition, and the impact of consolidation from 2H.

This acquisition is not having much influence on our sales and profit forecast at this point.

A: Goodwill is recognized as approximately JPY 600M at the end of September. The acquisition cost is not disclosed.

Q: Please explain the reason why T&M sales announced for 2H grew from 1H.

A: We expect sales to increase in the second half, due to IoT and the automotive-related business, which have started to become more active.

Q: Please explain your view on ROI on business development amid the currently severe market conditions.

A: We will establish ROI indicators for investment in future growth businesses such as 5G and the IoT/automotive-related business. The indicators will not be bound by conventional frameworks.

Q: Is the R&D investment level appropriate, given that Anritsu may expand its 5G and IoT business beyond smartphones?

A: We will implement R&D investment in line with our business portfolio and cooperate with other companies if necessary, in order to realize the TTM of higher value-added products.

Q: What is your view on the costs of R&D and SG&A in FY2017 and beyond?

A: In addition to optimizing the business structure last year, we are planning to promote a project to lower the break-even point- along with cost control and profit creation- without increasing expenses for FY2017 and onward.

Q: There seem to be various business opportunities in areas other than smartphones. Do you think changes in the direction of management and realignment of resources are necessary, as when Anritsu successively overcame the IT bubble collapse in the past?

A: We will rearrange our investment portfolio (investing the return gained from LTE/LTE-Advanced into IoT/5G and Network Reshaping) and will gain business opportunities through new growth drivers.