

# Financial Results for the 2nd quarter of the Fiscal Year ending March 31, 2018

**Hirokazu Hashimoto**

President and Group CEO  
Anritsu Corporation

Oct. 31st, 2017



<https://www.anritsu.com>

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(No notes here)

## 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.

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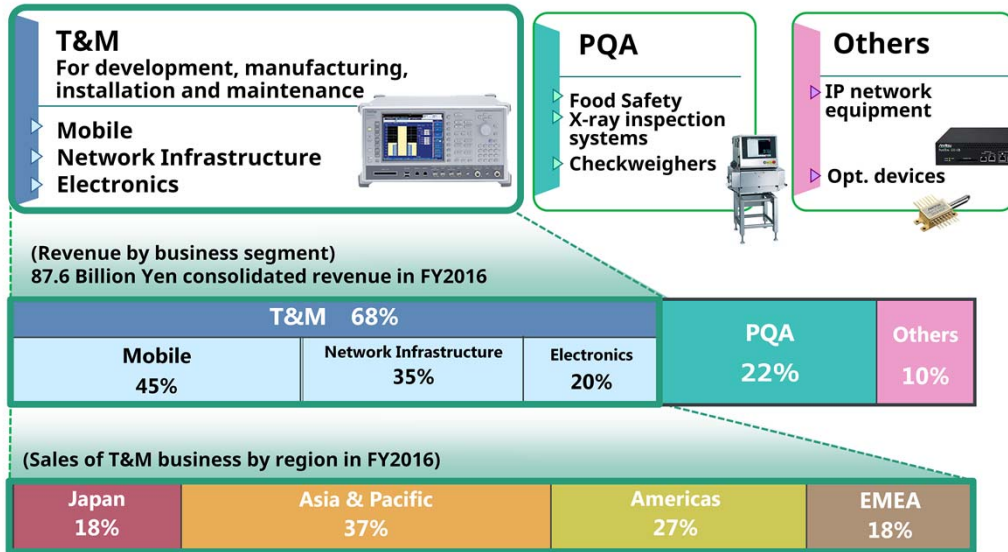
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## Agenda

- I. Outline of our business segments
- II. Consolidated performance review of the 2nd quarter of the fiscal year ending March 31, 2018
- III. Outlook for full year of the fiscal year ending March 31, 2018
- IV. Introducing PQA Business

(No notes here)


## I . Outline of our business segments



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

(No notes here)

## II -1. Consolidated performance - Financial results -

 Posted profit in 2Q

Unit: Billion Yen

International Financial Reporting Standards (IFRS)	2Q FY2016 (Apr. to Sep.)	2Q FY2017 (Apr. to Sep.)	YoY	YoY (%)
Order Intake	41.7	42.7	1.0	2%
Revenue	41.2	40.7	(0.5)	-1%
Operating profit (loss)	0.9	0.6	(0.3)	-34%
Profit (loss) before tax	0.1	0.5	0.4	752%
Profit (loss)	(0.1)	0.2	0.3	-
Comprehensive income	(3.2)	1.2	4.4	-

Note : Numbers are rounded off in each column

The Group's consolidated order intake increased by 2% year on year to 42.7 billion yen and revenue decreased by 1% year on year to 40.7 billion yen. Operating profit decreased by 34% year on year to 0.6 billion yen.

Profit was 0.2 billion yen, and comprehensive income was 1.2 billion yen.

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

➡ Restructuring carried out at T&M (U.S.)

➡ Revenue and profit increased in PQA

Unit: Billion Yen

International Financial Reporting Standards (IFRS)		2Q FY2016 (Apr. to Sep.)	2Q FY2017 (Apr. to Sep.)	YoY	YoY (%)
T&M	Revenue	28.5	26.4	(2.1)	-7%
	Op. profit (loss)	0.5	(0.6)	(1.1)	-
	Adjusted operating profit (loss)	0.6	(0.3)	(0.9)	-
PQA	Revenue	9.2	10.7	1.5	16%
	Op. profit (loss)	0.5	0.9	0.4	76%
Others	Revenue	3.5	3.6	0.1	3%
	Op. profit (loss)	(0.1)	0.2	0.3	-
Total	Revenue	41.2	40.7	(0.5)	-1%
	Op. profit (loss)	0.9	0.6	(0.3)	-34%
	Adjusted operating profit (loss)	1.0	0.8	(0.2)	-18%

Note : Numbers are rounded off in each column

\*Adjusted operating profit for T&M is the amount after deducting 0.2 billion yen in restructuring expenses in the U.S.

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

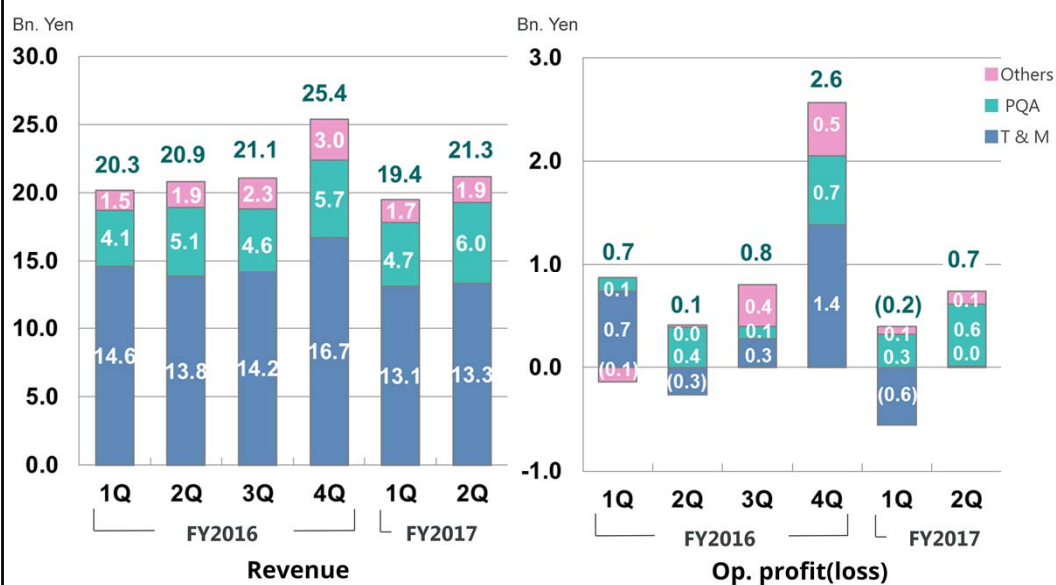
Both revenue and profit were down for the T&M business, and the operating loss was 0.6 billion yen.

Both revenue and profit increased in the PQA business, and operating profit was 0.9 billion yen.(Operating margin : 8.5%)

\* 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

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

➡ T&M achieved profitability in 2Q (Adjusted operating profit :0.2 billion yen)



Note : Numbers are rounded off in each column

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The consolidated operating profit as well as the operating profit and the operating margin for each business segment for 2Q are as follows:

Consolidated : 0.7 billion yen (Operating margin : 3.5%)

T&M : 0.0 billion yen (Operating margin : 0.0%)

PQA : 0.6 billion yen (Operating margin : 9.9%)

## II -4. Overview of operations by business segment

Segment	FY2017Q2 (April to September , 2017)	
 <b>T&amp;M</b> : Restrained investment in the smartphone-related market further continued		
Mobile	LTE-Advanced	Investment seen in LTE-Advanced Pro
	5G, IoT, Connectivity	Automotive and 5G / IoT development projects are beginning to materialize
NW	Capital investment in optical digital related business was strong	
Asia	Investment was restrained due to a slowdown in growth of the overall smartphone manufacturing market	
Americas	Base station-related investment by North American operators shrank	
 <b>PQA</b> : Appetite for investment by food manufacturers remained strong both in Japan and overseas		

T&M: Test & Measurement

NW: Network Infrastructure

PQA : Products Quality Assurance

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In the T&M business, a stricter investment attitude by customers is seen in wireless T&M market.

Although the LTE-Advanced-related R&D market is on a downward trend, enhancement of CA (Carrier Aggregation) and plans to begin service for LTE-Advanced Pro (Gigabit LTE), an enhanced version of LTE-Advanced, have been seen.

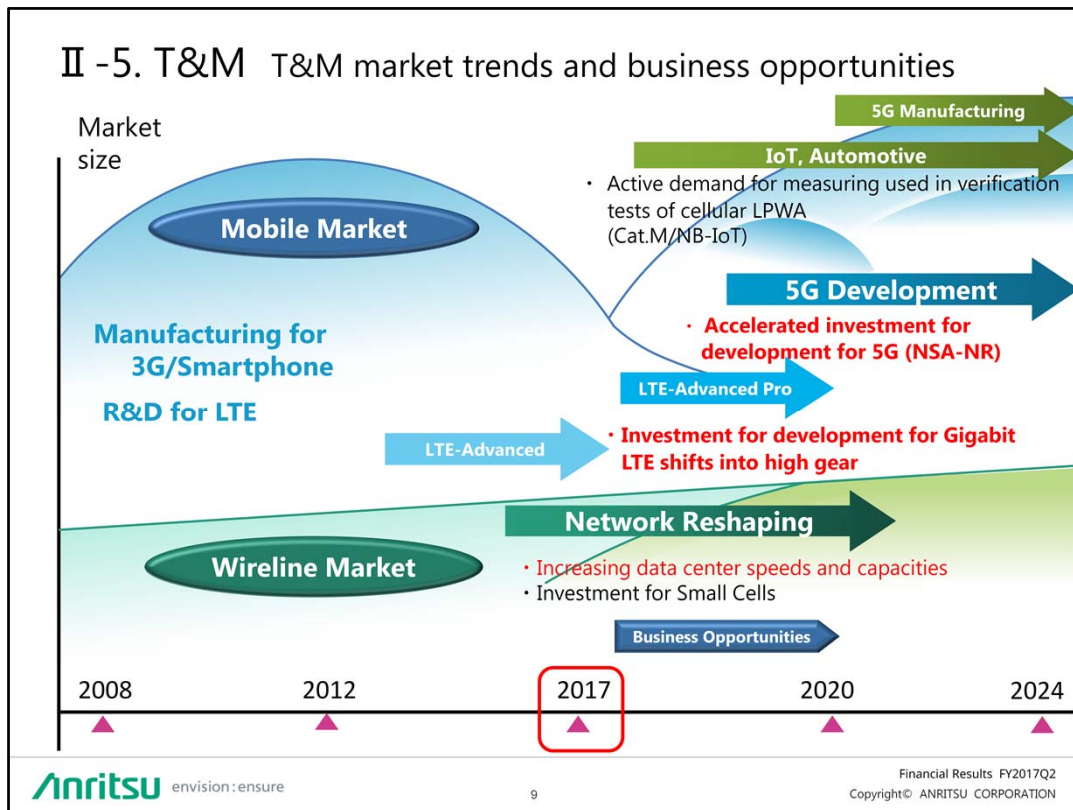
Meanwhile, development projects in the automotive market and cellular IoT fields and a move toward 5G commercialization are materializing.

Data center-related investment in increasing speeds has been active, and demand for measuring instruments for the development and manufacture of optical modules has remained strong.

Meanwhile, capital investment by operators is decreasing in the base station construction and maintenance market.

In the PQA business, demand for X-ray inspection systems is strong both in Japan and overseas and growing in all markets.





As shown in the overview of operations, in the T&M business environment, investment in the smartphone-related market has continued to be restrained.

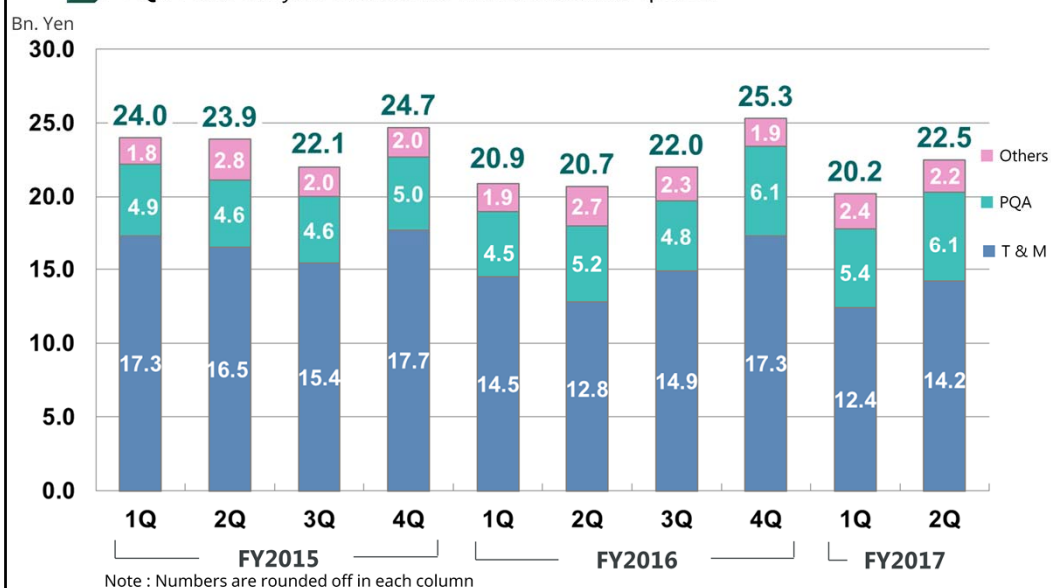
Meanwhile, accelerated 5G standardization in 3GPP has led to the materialization of moves toward commercialization in 2019 by carriers in each country. 5G standardization in 3GPP is two tiered. Accordingly, demand cycles through two different roadmaps, one for NSA-NR and one for SA-NR, are expected for measuring instrument for 5G development. In addition, demand has been seen for measuring instrument for development of LTE-Advanced Pro, an enhanced version of the LTE-Advanced standard. LTE-Advanced Pro was standardized after 3GPP "Release 13," and is expected to be used with 5G even from 2020 onward.

In the Network Reshaping-related market, there is strong demand for optical-module evaluation solutions for increasing data center speeds and capacities. There is strong measurement demand in the manufacture of 100 Gbps optical modules, and for development of 400 Gbps optical modules to attain even higher speeds.

## II -6. Transition of Orders

➡ **T&M** : Despite an increase from 1Q, orders decreased compared to the previous first half.

➡ **PQA** : Year-on-year increase for fifth consecutive quarter



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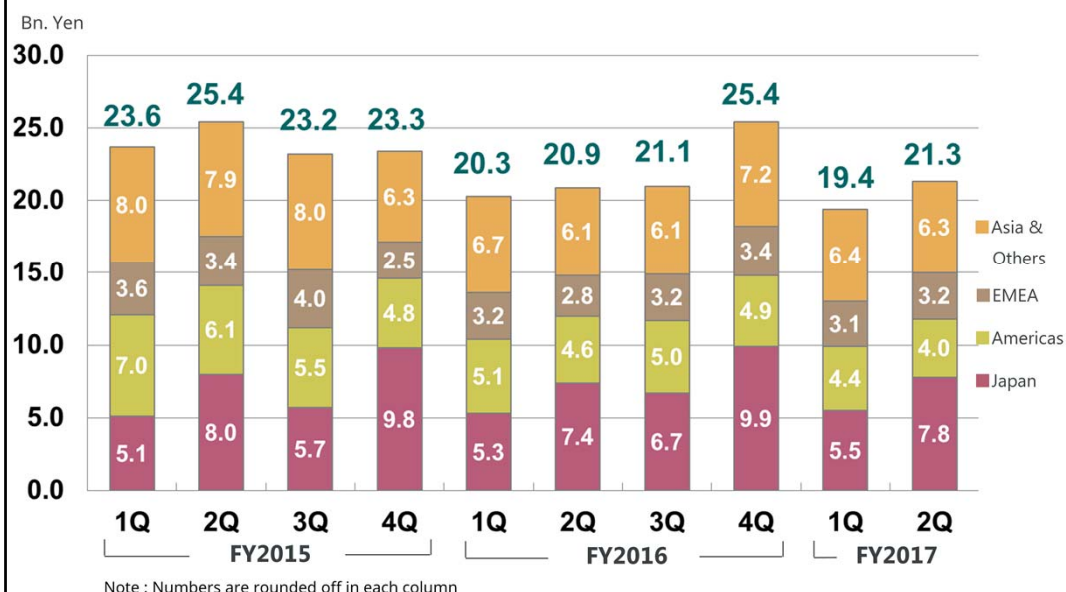
While order intake in the T&M business for 2Q increased by 11% year on year to 14.2 billion yen due to capturing measurement demand for various applications such as mobile measurement solutions, order intake for the first half decreased by 3% year on year to 26.6 billion yen.

The PQA business continues to grow, with order intake for 2Q rising 17% year on year to 6.1 billion yen.

Meanwhile, the order backlog for the entire Group was 20.2 billion yen (17% year-on-year increase) and 13.4 billion yen (18% year-on-year increase) for the T&M business and 5.0 billion yen (29% year-on-year increase) for the PQA business.

## II -7. Transition of Revenue by region

Revenue decreased year on year in the Americas due to a slump in T&M.



Revenue increased year on year by 5% in the Japanese market, 15% in EMEA, and 3% in Asia, while revenue in the Americas decreased year on year by 12% due to the slump in T&M.

## II -8. Cash Flow

➡ **Operating cash flow margin ratio was 14.7%**

### Cash Flow ( FY2017 Q2)

Operating CF : 6.0 Bn. Yen  
Investing CF : (1.5) Bn. Yen  
Financial CF : (7.1) Bn. Yen

### Free Cash Flow

Op. CF + Inv. CF : 4.5 Bn. Yen

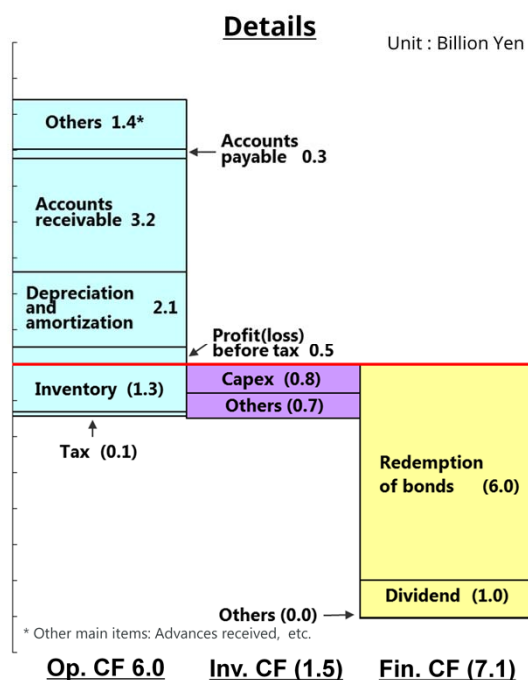
### Cash at the end of period

37.5 Bn. Yen

### Interest-bearing debt.

16.0 Bn. Yen

Note : Numbers are rounded off in each column



The operating cash flow was inflow of 6.0 billion yen.

The investing cash flow was outflow of 1.5 billion yen.

As a result, the free cash flow amounted to an inflow of 4.5 billion yen.

A cash outflow of 7.1 billion yen in the financial cash flow primarily comprises redemption of corporate bonds of 6.0 billion yen and dividends paid of 1.0 billion yen (year-end dividend per share: 7.5 yen).

Consequently, the balance of cash equivalents at the end of the period decreased by 2.2 billion yen from the beginning of the fiscal year to 37.5 billion yen.

### III. Forecast for full year of FY2017

 No change since April disclosures

Unit: Billion Yen

International Financial Reporting Standards (IFRS)		FY2016	FY2017	
		Actual	Forecast	YoY
				YoY(%)
Revenue		87.6	91.0	3.4
Operating profit (loss)		4.2	4.4	0.2
Profit (loss) before tax		3.6	4.2	0.6
Profit (loss)		2.7	3.0	0.3
T&M	Revenue	59.3	61.0	1.7
	Op. profit (loss)	2.1	2.2	0.1
PQA	Revenue	19.6	21.5	1.9
	Op. profit (loss)	1.3	1.5	0.2
Others	Revenue	8.7	8.5	(0.2)
	Op. profit (loss)	0.8	0.7	(0.1)

Note 1 : Exchange rate : FY2016 (Actual) 1USD=108 yen, 1EURO=119 yen  
FY2017 (Initially Forecast) 1USD=110 yen, 1EURO=120 yen  
FY2017 2H(Forecast) 1USD=110 yen, 1EURO=130 yen

Note 2 : Numbers are rounded off in each column

The forecast for the full year results of FY2017 remains unchanged from the plan announced on April 27.

## IV. Introducing PQA Business solutions

**Masami Niimi**

Vice President

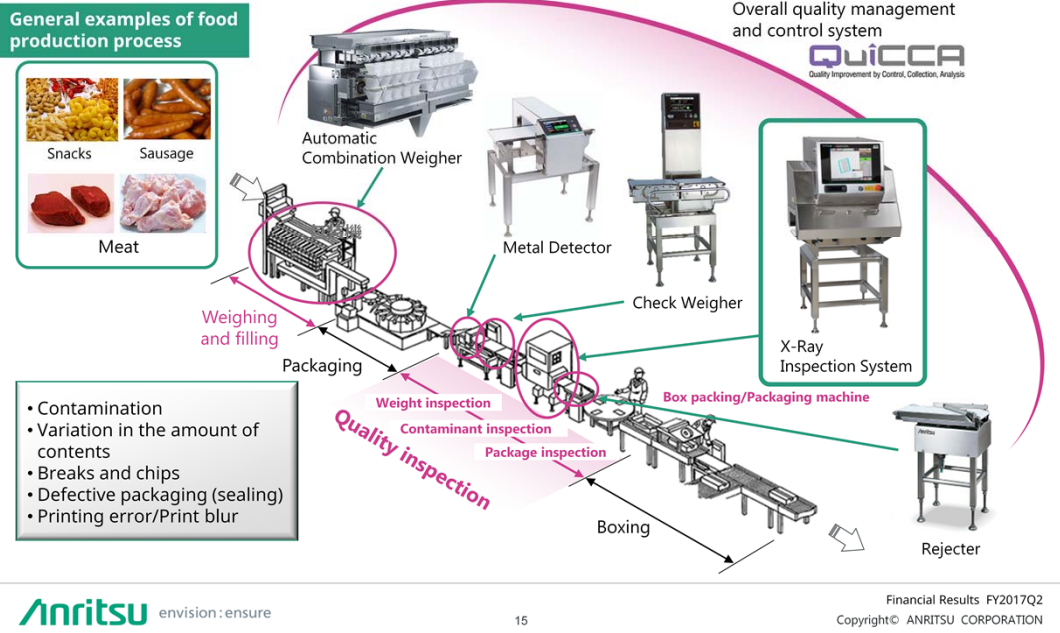
PQA Business Group President

Anritsu Corporation

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## IV-1. Solutions of PQA business segments

As a partner for quality assurance, we embrace the challenge of resolving customers' quality assurance issues.

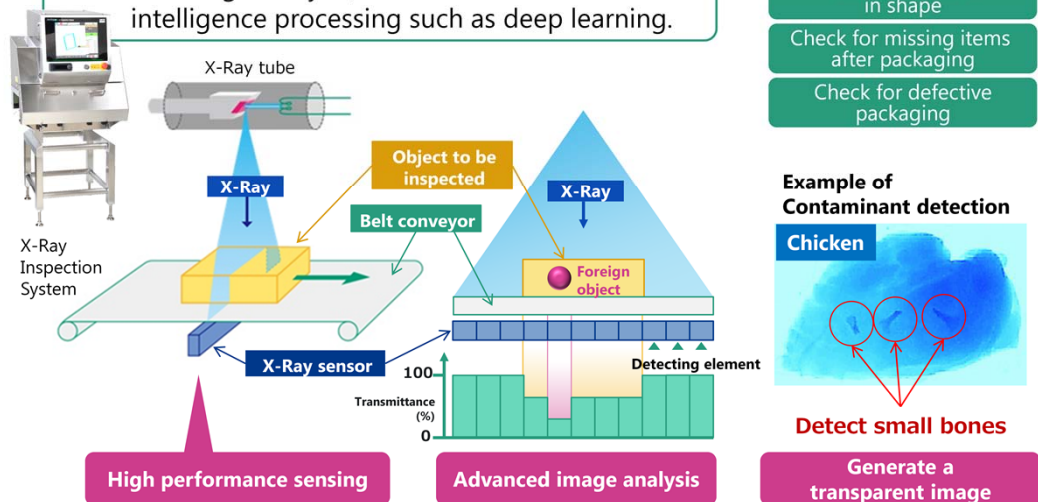


Let me explain the solutions offered by the PQA (Products Quality Assurance) business.

Many of the pre-packaged foods sold in supermarkets and convenience stores are processed at food factories on conveyor belts that move products at the astonishing speed of dozens of items per minute. PQA products contribute to improving productivity and quality on such production lines by automating quality inspection that was previously performed by human beings.

## IV-2. Introducing X-ray inspection systems

X-ray inspection systems will evolve as even more advanced quality assurance solutions based on technologies of high performance sensing and advanced image analysis, combined with artificial intelligence processing such as deep learning.



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X-ray inspection systems are devices that inspect quality by analyzing X-ray images of the target items to check for contaminants, the number and shape of items, defective packaging, etc.

X-ray inspection systems are being increasingly adopted worldwide as important equipment in the establishment of HACCP (Hazard Analysis and Critical Control Point), an international sanitation control method.

Anritsu X-ray inspection systems are highly regarded by customers for their unique features including:

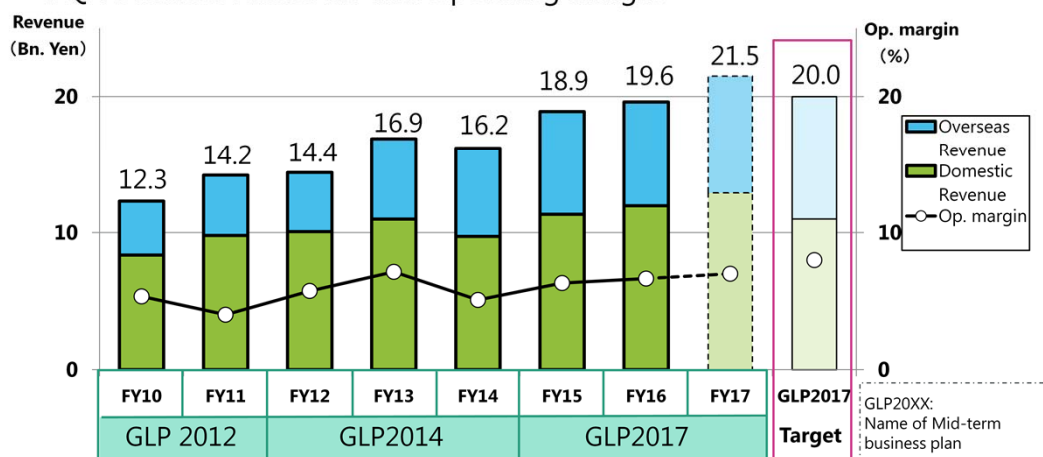
- 1) outstanding inspection performance due to sensing technologies developed over many years
- 2) diverse product lineup and applications suitable for various workplace environments
- 3) low lifelong cost due to energy-saving and long lifespan.



## IV-3. Vision and performance of PQA business

**Establish position as a world-class partner in quality assurance solutions, aiming for revenue of 25 billion yen and operating margin of 12% in FY2020.**

<PQA Business : Revenue and Operating margin>



We will establish our position as a world-class partner in quality assurance solutions by focusing on rigorous quality assurance in packaging processes for food and pharmaceuticals, and by engaging in joint creation and development with our customer companies through provision of "products that pursue quality assurance" and "high-quality services."

## With you, whatever the challenge



No matter how your quality assurance demands increase, we will be a dependable partner, bringing peace of mind to every aspect of your production.

Over the years, we've built world-leading technological ability and global expertise in stringent QA fields such as food and medicine.

We never stop improving. We work continuously with you to develop even better inspection technologies, optimize performance, and deliver new value throughout the production process.

We will be by your side, from the first step to the completion of your manufacturing chain.

Together, we can realize the true potential of QA for everyone.

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