

# Financial Results for the 3rd quarter of the Fiscal Year ending March 31, 2018

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<https://www.anritsu.com>

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(No notes here)

## Cautionary Statement

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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.

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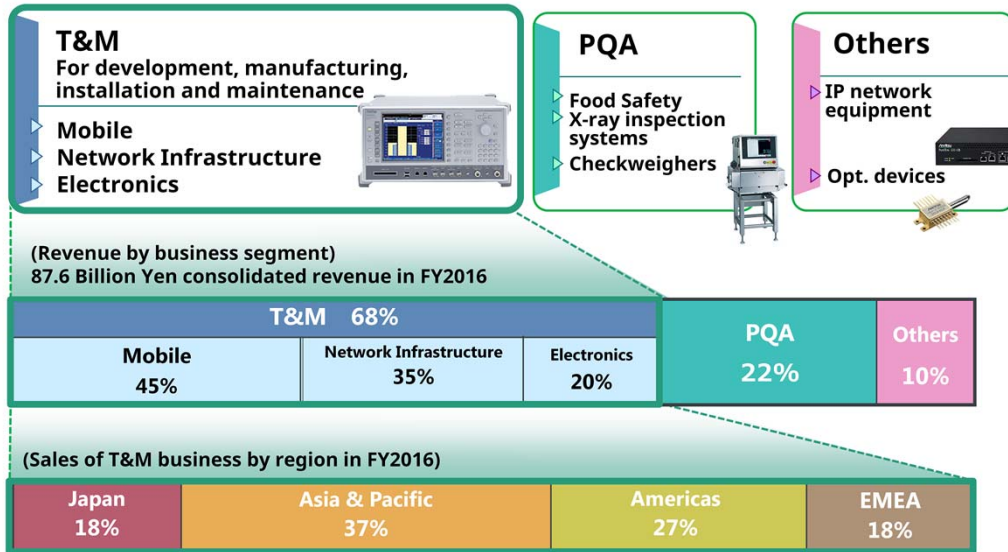
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## Agenda

- I. Outline of our business segments
  - II. Consolidated performance review of the 3rd quarter of the fiscal year ending March 31, 2018
  - III. Outlook for full year of the fiscal year ending March 31, 2018
  - IV. Starting the New Year 2018  
-Pioneering a new era with IoT/5G-
- Appendix. Latest trends in 5G and test solutions

(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 -

 Sustained trend toward profit increase

Unit: Billion Yen

International Financial Reporting Standards (IFRS)	3Q FY2016 (Apr. to Dec.)	3Q FY2017 (Apr. to Dec.)	YoY	YoY (%)
Order Intake	63.6	64.2	0.6	1%
Revenue	62.3	62.3	0.0	-0%
Operating profit (loss)	1.7	2.7	1.0	60%
Profit (loss) before tax	1.2	2.6	1.4	117%
Profit (loss)	0.7	1.5	0.8	107%
Comprehensive income	0.9	3.0	2.1	252%

Note : Numbers are rounded off to the first decimal place in each column.

The Group's consolidated order intake increased by 1% year on year to 64.2 billion yen and revenue remained flat year on year at 62.3 billion yen. Operating profit increased by 60% year on year to 2.7 billion yen.

Profit was 1.5 billion yen, and comprehensive income was 3.0 billion yen.

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

➡ Operating profit in T&M recovered to the previous fiscal year's level

➡ Revenue and profit continued to increase in PQA

Unit: Billion Yen

International Financial Reporting Standards (IFRS)		3Q FY2016 (Apr. to Dec.)	3Q FY2017 (Apr. to Dec.)	YoY	YoY (%)
T&M	Revenue	42.6	40.1	(2.5)	-6%
	Op. profit (loss)	0.7	0.7	0.0	-8%
	Adjusted operating profit (loss)	1.0	1.0 *	0.0	-6%
PQA	Revenue	13.9	16.1	2.2	16%
	Op. profit (loss)	0.6	1.3	0.7	112%
Others	Revenue	5.8	6.0	0.2	5%
	Op. profit (loss)	0.3	0.6	0.3	121%
Total	Revenue	62.3	62.3	0.0	-0%
	Op. profit (loss)	1.7	2.7	1.0	60%
	Adjusted operating profit (loss)	2.0	3.0	1.0	52%

Note : Numbers are rounded off to the first decimal place in each column.

\*Adjusted operating profit for T&M is the amount after deducting 0.3 billion yen in restructuring expenses in the U.S.

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

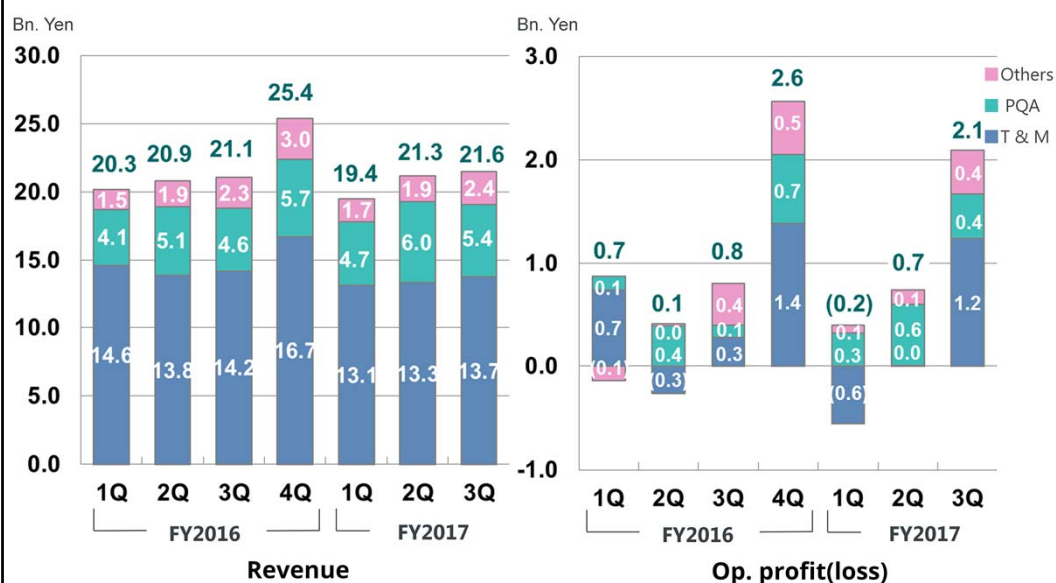
The T&M business secured operating profit of 0.7 billion yen (operating margin: 1.7%), on a level with the previous year, despite a decline in revenue.

Both revenue and profit increased in the PQA business, and operating profit was 1.3 billion yen. (Operating margin: 8.3%)

\* 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 -

➡ 3Q(Oct.-Dec.) Operating margin : Consolidated 10%, T&M 9 %, PQA 8 %



Note : Numbers are rounded off to the first decimal place in each column.

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The operating profit and the operating margin for consolidated and each business segment for 3Q are as follows:

Consolidated : 2.1 billion yen (Operating margin : 9.7%)

T&M : 1.2 billion yen (Operating margin : 9.0%)

PQA : 0.4 billion yen (Operating margin : 7.9%)

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

Segment	FY2017Q3 (April to December, 2017)	
 <b>T&amp;M</b> :	Restrained investment in the smartphone-related market further continued	
	Mobile	LTE-Advanced
		Investment shifted to LTE-Advanced Pro.
		5G, IoT, Connectivity
		Development projects aimed at commercialization of 5G materialized.
NW	Capital investment in optical digital related business was strong	
Asia	Restrained investment continued due to slower growth in the smartphone manufacturing market overall.	
Americas	Base station-related investment by North American operators shrank	
 <b>PQA</b> :	Motivation 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.

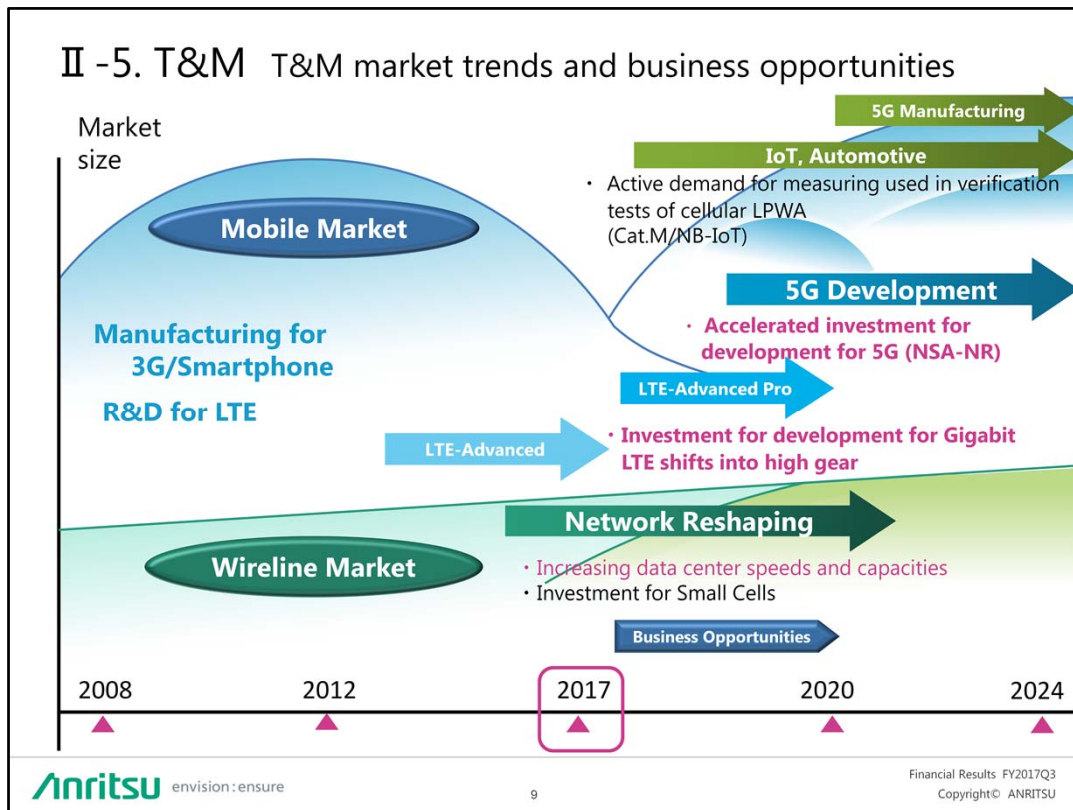
The focus of investment in the LTE-related R&D market is shifting from LTE-Advanced to LTE-Advanced Pro (Gigabit LTE). In Japan, CA (Carrier Aggregation) is advancing, In the US, demand for measuring instruments for R&D of LAA (Licensed-Assisted Access using LTE) is increasing.

The first 5G NSA-NR standard specifications in 3GPP were established in December 2017, and the chip set vendors' development schedule is taking shape with a view to realizing 5G commercialization by telecommunication carriers in each country.

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. Investment and service have begun for 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.

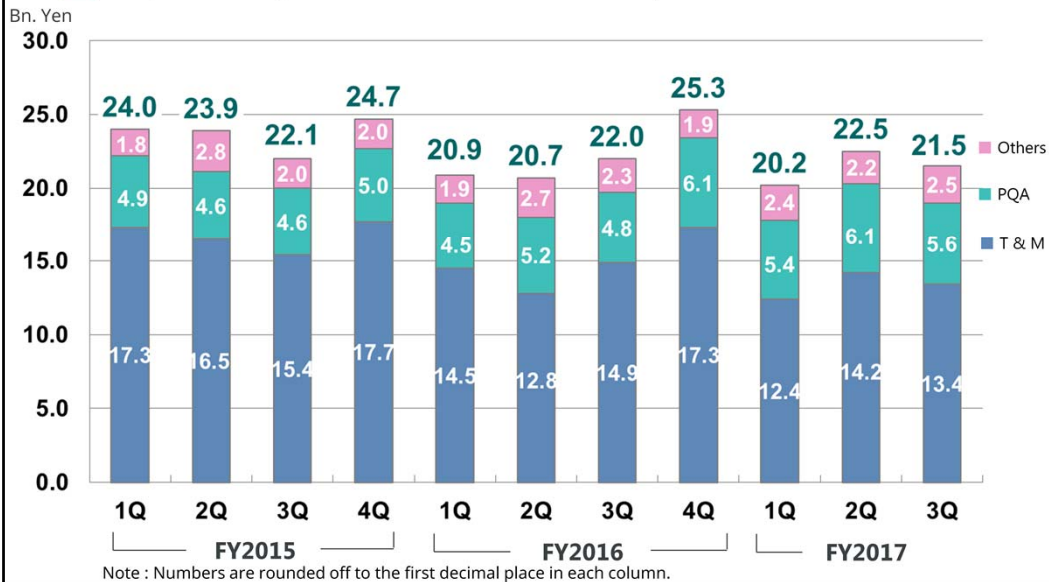
## II -6. Transition of Orders



**T&M** : Maintained level of first half



**PQA** : Year-on-year increase for sixth consecutive quarter



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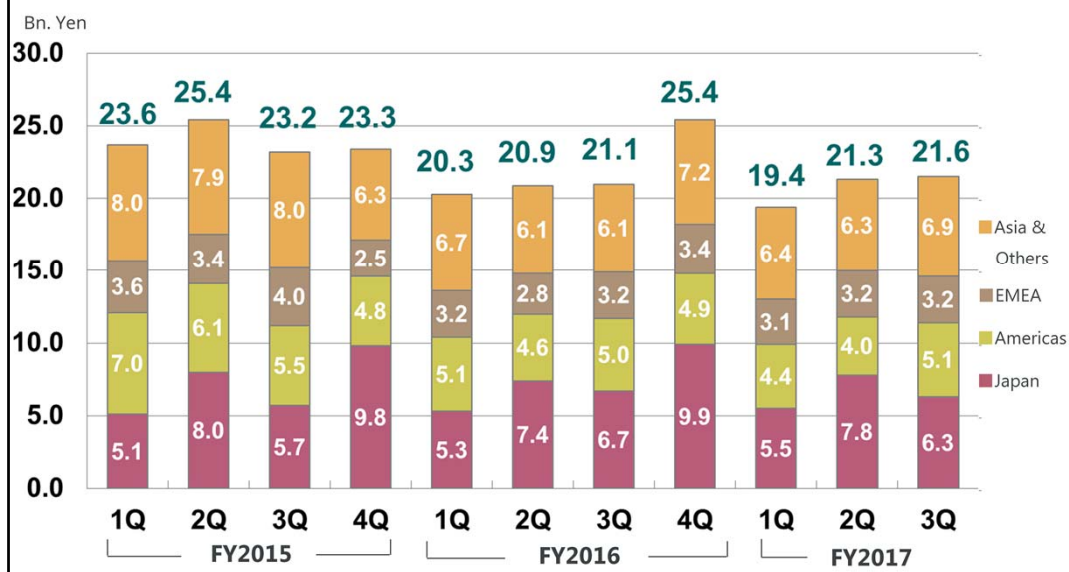
3Q order intake in the T&M business was on a level with the first half at 13.4 billion yen. (10% year-on-year decrease)

The PQA business continues to grow, with order intake for 3Q increasing 18% year on year to 5.6 billion yen.

Meanwhile, the order backlog for the entire Group was 20.5 billion yen (8% year-on-year increase) and 13.4 billion yen (3% year-on-year increase) for the T&M business and 5.2 billion yen (36% year-on-year increase) for the PQA business.

## II -7. Transition of Revenue by region

Overseas revenue increased year on year due to revenue growth in PQA.



Revenue decreased year on year by 6% in the Japanese market, while it increased year on year by 1% in Americas, 3% in EMEA, and 12% in Asia.

## II -8. Cash Flow

**Operating cash flow margin ratio was 6.7%**

### Cash Flow ( FY2017 Q3)

Operating CF : 4.2 Bn. Yen  
Investing CF : (2.2) Bn. Yen  
Financial CF : (8.1) Bn. Yen

### Free Cash Flow

Op. CF + Inv. CF : 2.0 Bn. Yen

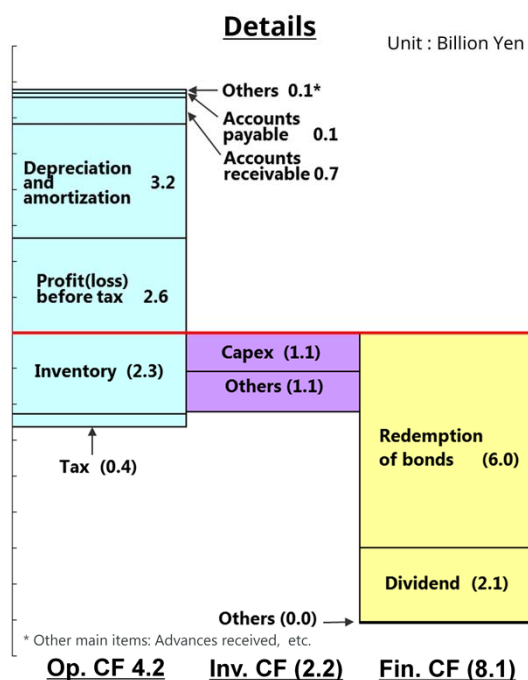
### Cash at the end of period

34.2 Bn. Yen

### Interest-bearing debt.

16.0 Bn. Yen

Note : Numbers are rounded off to the first decimal place in each column.



The operating cash flow was inflow of 4.2 billion yen.

The investing cash flow was outflow of 2.2 billion yen.

As a result, the free cash flow amounted to an inflow of 2.0 billion yen.

A cash outflow of 8.1 billion yen in the financial cash flow primarily comprises redemption of corporate bonds of 6.0 billion yen and dividends paid of 2.1 billion yen (dividend per share: June: 7.5 yen, December: 7.5 yen).

Consequently, the balance of cash equivalents at the end of the period decreased by 5.5 billion yen from the beginning of the fiscal year to 34.2 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)

Reference : Exchange rate : FY2016 (Actual) 1USD=108 yen, 1EURO=119 yen  
FY2017 (Initially Forecast) 1USD=110 yen, 1EURO=120 yen  
FY2017 Q4(Forecast) 1USD=110 yen, 1EURO=130 yen

Note : Numbers are rounded off to the first decimal place in each column.

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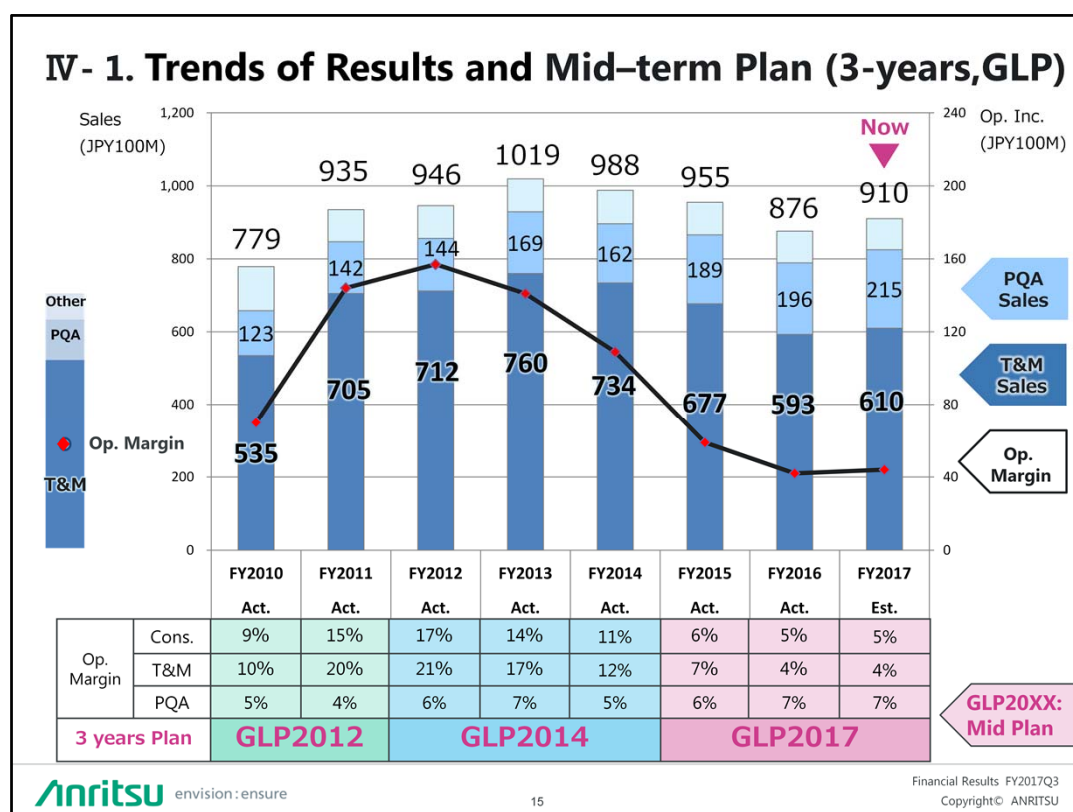
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The forecast for the full year results of FY2017 remains unchanged from the plan announced on April 27.

## **IV. Starting the New Year 2018**

### **-Pioneering a new era with IoT/5G-**

(No notes here)



I'd like to review our performance over the eight years since 2010. We have achieved the first three-year plan, GLP2012, a year ahead of schedule. Later, we struggled with downward inertia against the backdrop of market contraction due to saturation of smartphone production facilities, commodification of smartphones, and customer M&As. Nevertheless, we are seeing the results of measures to improve our profit structure through the "REBORN Anritsu" management restructuring program of the past three years. And our focus has not been solely on defensive strategies; we have actively pursued investment aimed at capturing the next growth drivers.



Next, I will introduce the basic policies of the three-year plan ending in FY2020, GLP2020.

- (1) Thorough the policy "Continuous profitable growth"
- (2) Make our best to accomplish 2020VISION

Up until now, our business situation has remained unstable due to the influence of the smartphone business lifecycle. However, going forward, we will use the expansion of mobile broadband services into various areas in addition to smartphones as a growth driver. We are working on the following vision for each business under GLP2020.

**T&M** To be a leading company supporting the 5G/IoT society

**PQA** Establish position as a world-class quality assurance solutions partner

With the aim of realizing these visions, we will reinforce our management capabilities and come out a winner in global competition.



We are currently facing numerous global-scale social challenges, including climate change and conservation of natural resources, widening income gaps and growing poverty, and the need to improve health, welfare and education levels. These social challenges were adopted unanimously as the SDGs (Sustainable Development Goals) for "Transforming our World: the 2030 Agenda for Sustainable Development" by the United Nations in 2015. Social innovation through progress in cutting-edge technologies such as 5G, IoT, AI and robots is becoming increasingly essential for resolution of the issues on this agenda. The Anritsu Group will contribute to the realization of these common international goals by working toward the development of a "safe, secure and prosperous global society" as set out in the Anritsu Group corporate philosophy, which shares the same principles as the SDGs, through the practice of sincere corporate activities leveraging the core business, strengths and unique qualities of Anritsu.

**IV - 4. In order to solve various social and industrial challenges, Anritsu will achieve “Continuous Growth with Sustainable Superior Profits” by establishing partnership with every stakeholders and by producing many successes from “envision : ensure ”.**

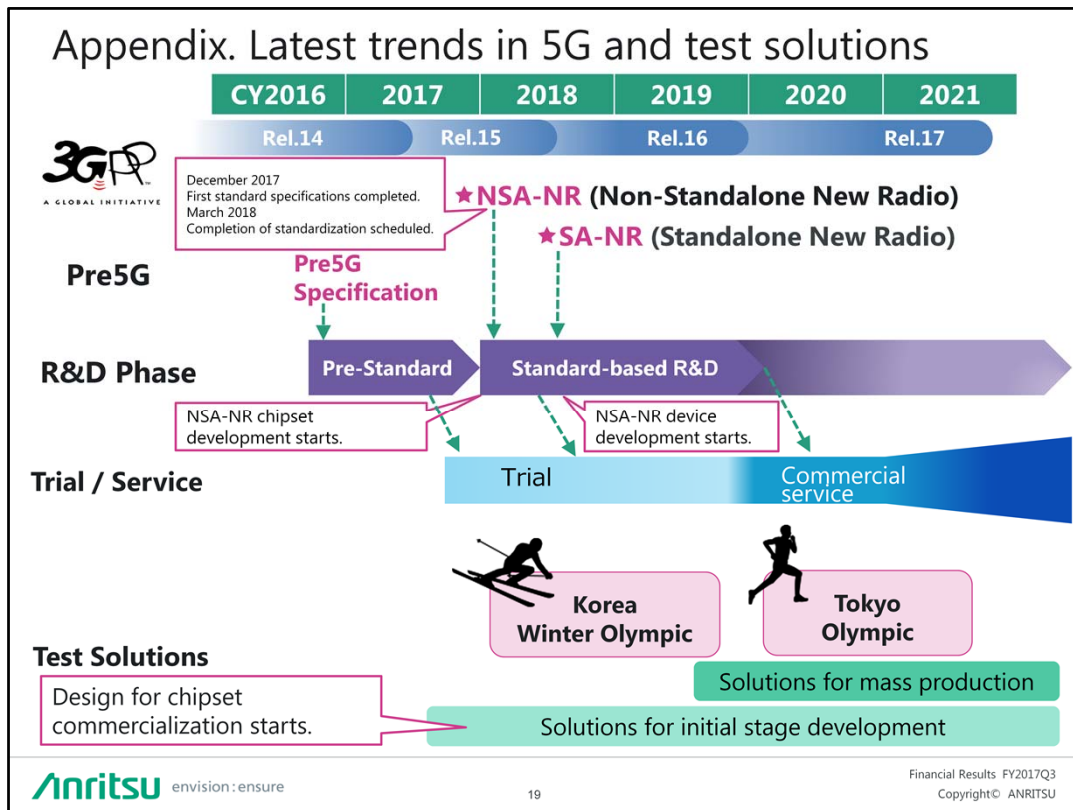
Utilize all-members management through “Collective Wisdom 4.0” to achieve continuous growth with sustainable, superior profits



We will realize social innovation that finds business opportunities in diverse industrial spheres through “collaborative innovation” with all stakeholders.

The Anritsu Group will actively pursue Collective Wisdom 4.0, which refers to this type of open collaborative innovation, to produce many successes from “envision:ensure.”

I look forward to your continuing support for the activities of the Anritsu Group in 2018.



The following are the latest developments in 5G.

In 3GPP, standardization of 5G NSA-NR is progressing steadily. With the completion of standardization of 5G NSA-NR, chipset development by chipset vendors and device vendors will begin in earnest.

Anritsu will provide test solutions required for commercialization of chipsets in a timely manner.

We will continue to make timely provision of test solutions needed for commercialization of devices and 5G commercialization by carriers in various countries.

