

Financial Results for the 1st quarter of the Fiscal Year ending March 31, 2019

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<https://www.anritsu.com>

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(No notes here)

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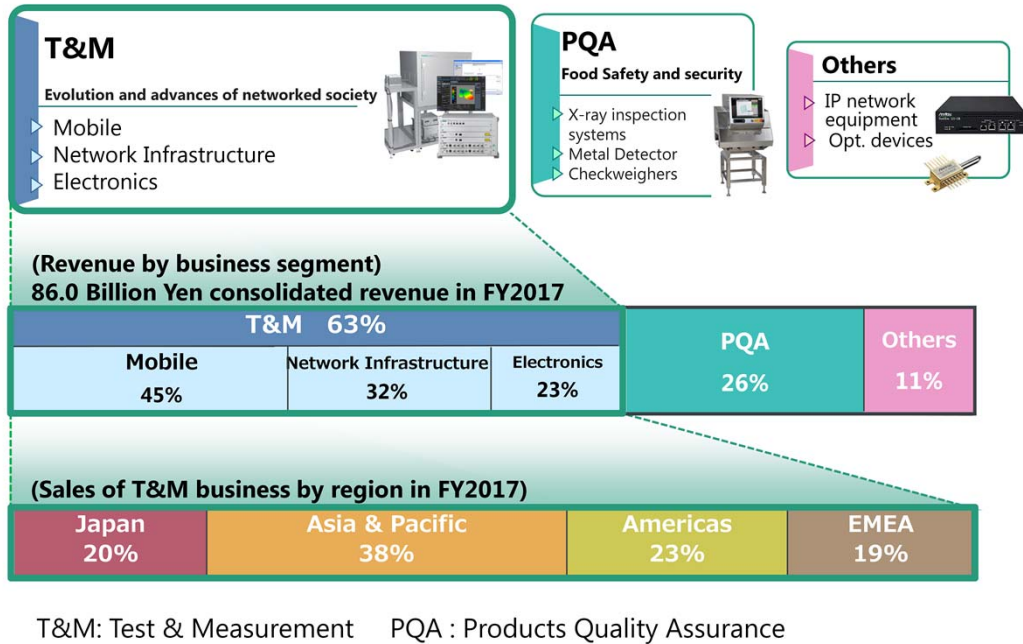
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Agenda

- I. Outline of our business segments
- II. Consolidated performance review of the 1st quarter of the Fiscal Year ending March 31, 2019
- III. Outlook for full year of the fiscal year ending March 31, 2019 (Consolidated)
- IV. Latest Trends in 5G and Anritsu's Solutions

(No notes here)

I . Outline of our business segments



(No notes here)

II -1. Consolidated performance - Financial results -

 Year-on-year growth in revenue and profit

Unit: Billion Yen

International Financial Reporting Standards (IFRS)	1Q FY2017 (Apr. to Jun.)	1Q FY2018 (Apr. to Jun.)	YoY	YoY (%)
Order Intake	20.2	22.6	2.4	12%
Revenue	19.4	21.0	1.6	8%
Operating profit (loss)	(0.2)	1.6	1.8	-
Profit (loss) before tax	(0.2)	1.8	2.0	-
Profit (loss)	(0.2)	1.7	1.9	-
Comprehensive income	0.2	2.1	1.9	745%

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

The Group's consolidated order intake increased by 12% year on year to 22.6 billion yen and revenue increased by 8% year on year to 21.0 billion yen. Operating profit was 1.6 billion yen, a increase of 1.8 billion yen year on year.

Profit was 1.7 billion yen, a increase of 1.9 billion yen year on year, and comprehensive income was 2.1 billion yen.

Tax expenses for 1Q were 52 million yen, due to such factors as a revision to the reserve for income tax payables (decrease of approximately 0.5billion yen) at our US subsidiary.

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

 T&M: Increase in revenue and profit from demand for 5G and LTE-A Pro

Unit: Billion Yen

International Financial Reporting Standards (IFRS)		1Q FY2017 (Apr. to Jun.)	1Q FY2018 (Apr. to Jun.)	YoY	YoY (%)
T&M	Revenue	13.1	14.4	1.3	10%
	Op. profit (loss)	(0.5)	1.5	2.0	-
PQA	Revenue	4.7	4.9	0.2	5%
	Op. profit (loss)	0.3	0.2	(0.1)	-52%
Others	Revenue	1.7	1.7	0.0	-1%
	Op. profit (loss)	0.1	0.1	0.0	-27%
Adjustment	Op. profit (loss)	(0.1)	(0.1)	0.0	-
Total	Revenue	19.4	21.0	1.6	8%
	Op. profit (loss)	(0.2)	1.6	1.8	-

Note1 : Numbers are rounded off to the first decimal place in each column.

Note2 : Adjustment includes elimination of inter-segment transactions and non distributed company-wide expenses of each business segment.

Note3 : Way to allot headquarter administrative expenses to each business segment changed from the year ending March 31, 2019 and figures of operating profit for the year ended March 31, 2018 are restated.

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

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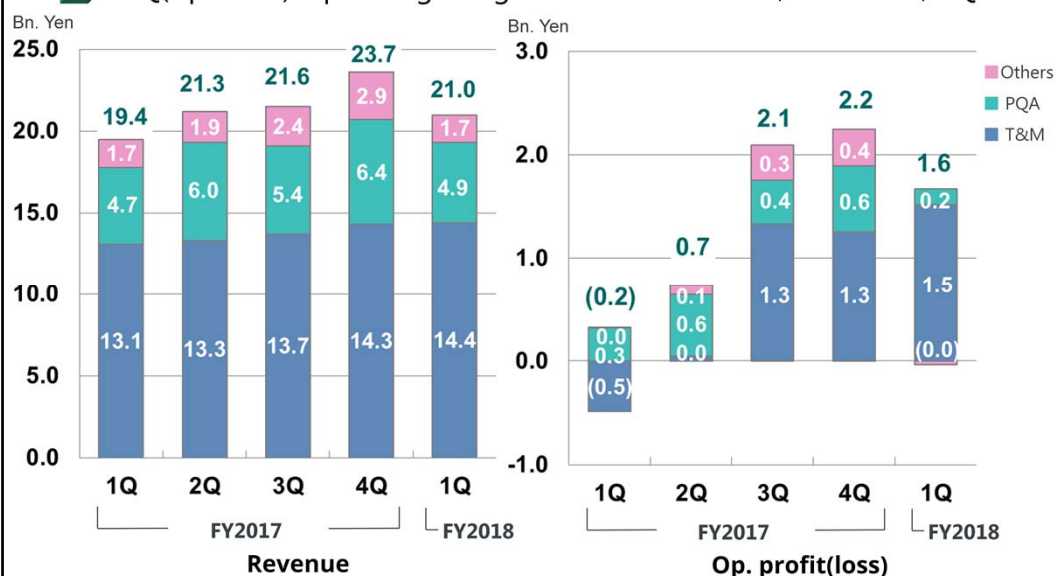
The T&M business had year-on-year increases in revenue and profit from demand for 5G and LTE-A Pro, with operating profit of 1.5 billion yen (operating margin: 10.5%).

The PQA business had a year-on-year increase in revenue of 0.2 billion yen, but operating profit declined year on year by 0.1 billion yen to 0.2 billion yen (operating margin: 3.1%) due to investment aimed at strengthening competitiveness.

In order to evaluate each business segment more appropriately, headquarter administrative expenses that were included in general and administrative expenses for each business segment have been shifted to be included in company-wide expenses starting from the fiscal year ending March 31, 2019. These expenses from the previous fiscal year have been restated.

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

➡ 1Q(Apr.-Jun.) Operating margin : Consolidated 8%, T&M 11%, PQA 3%



Note1 : Numbers are rounded off to the first decimal place in each column.

Note2 : "Adjustment" is included in segment "Others" within the Op. profit(loss).

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The operating profit and the operating margin for consolidated and each business segment for 1Q are as follows:


Consolidated : 1.6 billion yen (Operating margin : 7.8%)

T&M : 1.5 billion yen (Operating margin : 10.5%)

PQA : 0.2 billion yen (Operating margin : 3.1%)

II -4. Overview of operations by business segment

Segment		FY2018 1Q (April to June, 2018)	
 T&M : Concrete roadmap for 5G commercialization			
Mobile	LTE-Advanced	Investment shifted to LTE-Advanced Pro.	
	5G, IoT, Connectivity	Initial demand for 5G NSA picked up	
NW	Capital investment in optical digital related business was strong		
Asia	Strong performance despite slower growth in the smartphone manufacturing market		
Americas	LTE-A Pro and initial 5G development demand picked up		
 PQA : Continued strong investment by food market for quality assurance, automation, and labor saving both in Japan and overseas			
T&M: Test & Measurement		NW: Network Infrastructure	
NSA: Non Stand Alone		PQA : Products Quality Assurance	

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In the T&M business, major carriers worldwide have completed standardization of 3GPP 5G NSA/SA, and have created a concrete roadmap for commercialization.

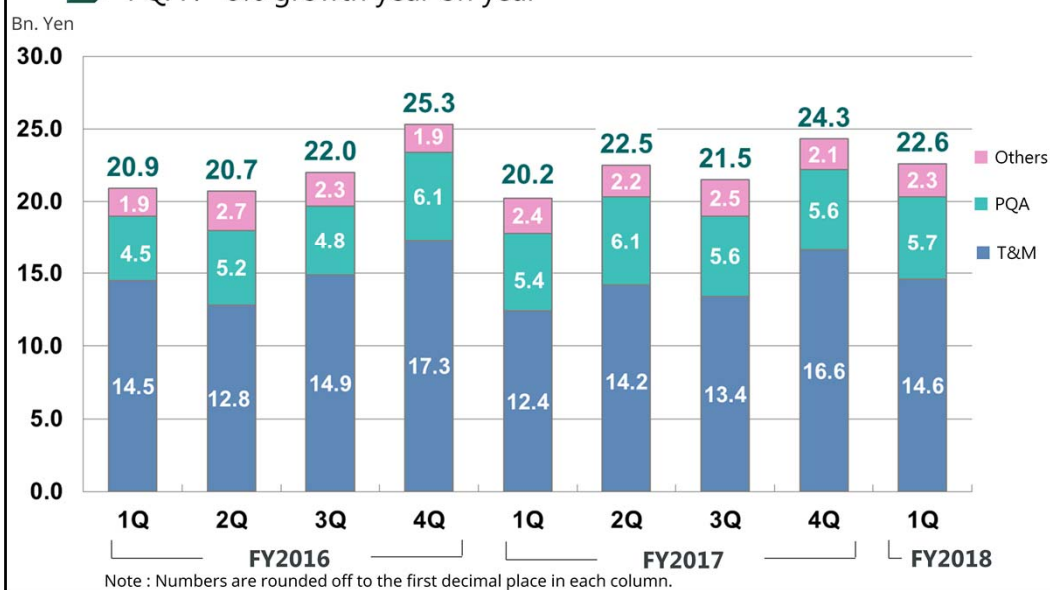
As a result, initial demand has picked up for the Radio Communication Test Station MT8000A, which we launched in April 2018, for chipset R&D aimed at 5G commercialization.

In the PQA business, the food market continues to make strong capital investment into strengthening quality assurance process improvement, automation, and labor saving, both in Japan and overseas.

II -5. Transition of Orders

➡ T&M : 18% growth year on year

➡ PQA : 6% growth year on year



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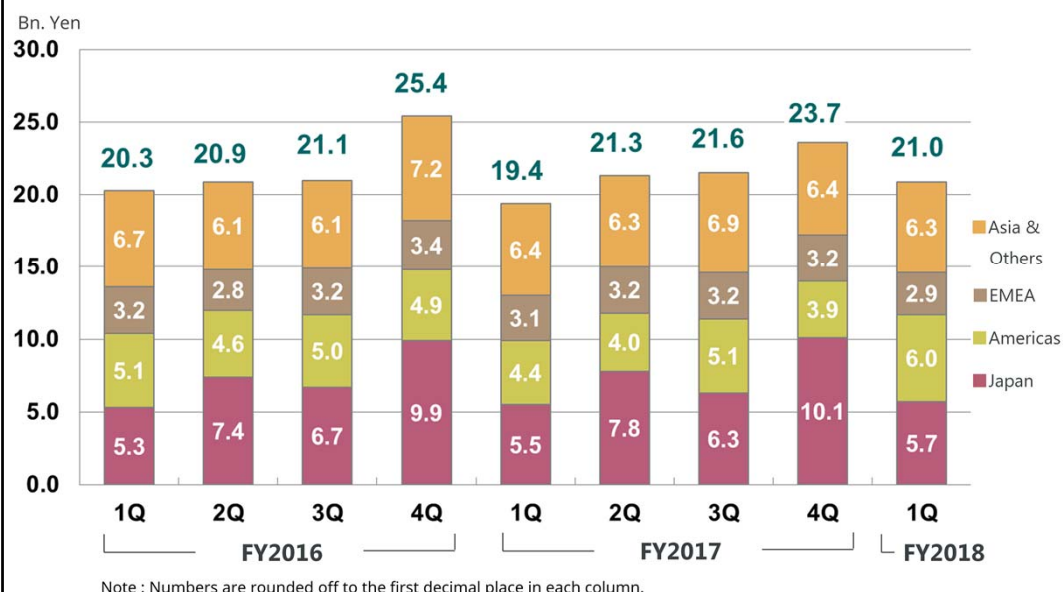
1Q order intake in the T&M business was 14.6 billion yen, a year-on-year increase of 2.2 billion yen (18%), mainly due to initial 5G demand, which has picked up in all regions and demand for LTE-A Pro.

1Q order intake in the PQA business increased by 0.3 billion yen (6%) year on year to 5.7 billion yen.

The order backlog for the entire Group was 22.7 billion yen (20% year-on-year increase) and 16.0 billion yen (28% year-on-year increase) for the T&M business and 5.1 billion yen (6% year-on-year increase) for the PQA business.

II -6. Transition of Revenue by region

➡ Initial 5G development demand picked up



Revenue in the US market grew by 38% year on year, supported by initial 5G demand.

➤ **Operating cash flow margin ratio was 24.1%**

Operating CF : 5.0 Bn. Yen
Investing CF : (0.6) Bn. Yen
Financial CF : (0.5) Bn. Yen

Op. CF + Inv. CF : 4.4 Bn. Yen

39.4 Bn. Yen

16.5 Bn. Yen

* Other main items: Advances received, etc.

Fin. CF (0.5)

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III. Forecast for full year of FY2018 (Consolidated)

 No change since April 26th disclosures

Unit: Billion Yen

International Financial Reporting Standards (IFRS)		FY2017	FY2018	
		Actual	Forecast	YoY
Revenue		86.0	92.0	6.0
Operating profit (loss)		4.9	6.6	1.7
Profit (loss) before tax		4.6	6.6	2.0
Profit (loss)		2.9	5.0	2.1
T&M	Revenue	54.4	60.0	5.6
	Op. profit (loss)	2.1	3.5	1.4
PQA	Revenue	22.5	23.5	1.0
	Op. profit (loss)	2.0	2.0	0.0
Others	Revenue	9.0	8.5	(0.5)
	Op. profit (loss)	0.8	1.1	0.3

Reference : Exchange rate : FY2017 (Actual) 1USD=111 yen, 1EURO=130 yen
FY2018 (Forecast) 1USD=105 yen, 1EURO=125 yen

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

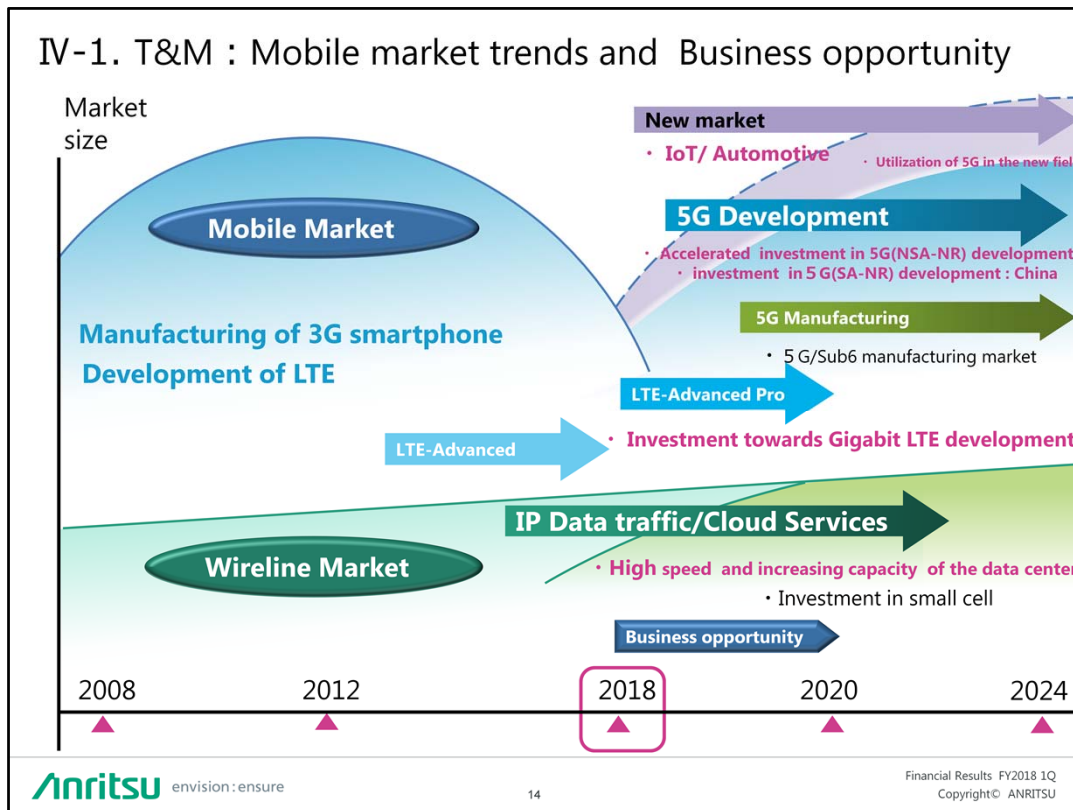
The forecast for the full year results of FY2018 remains unchanged from the plan announced on April 26.

IV. Latest Trends in 5G and Anritsu's Solutions

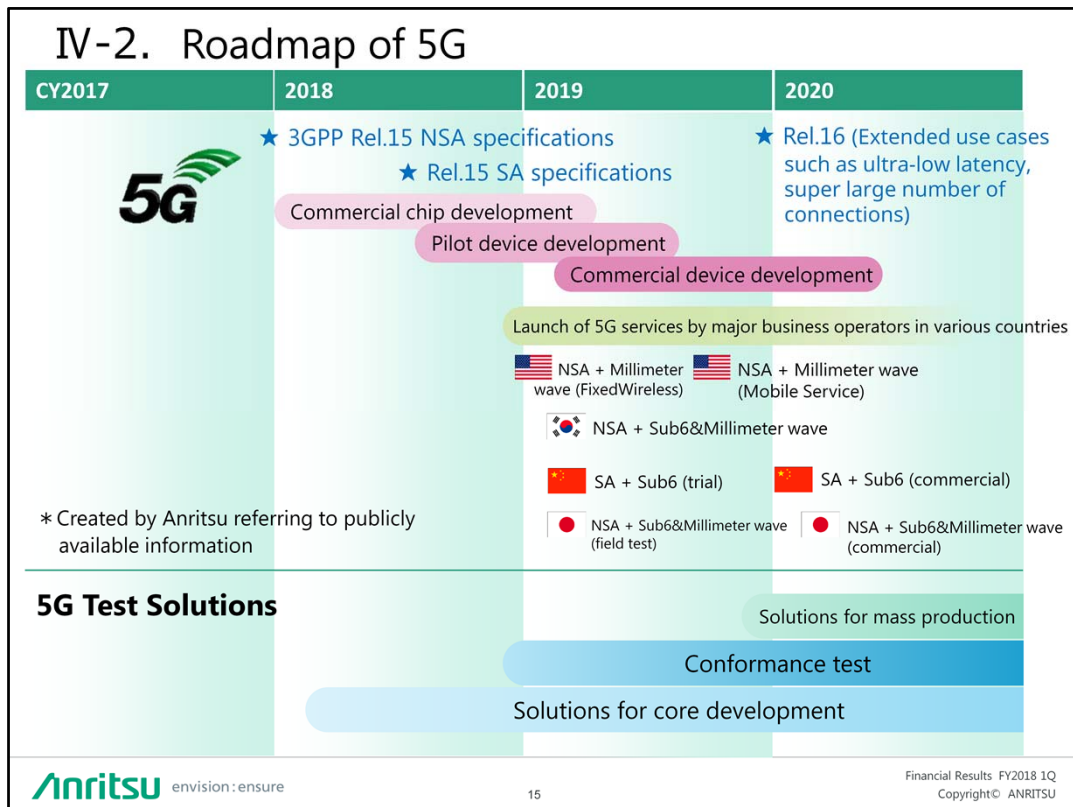
Representative Director, President,
Measurement Business Group President
Anritsu Corporation

Hirokazu Hamada

(No notes here)



In the mobile T&M market, we expect the cellular test market to grow in the near term, with a focus on initial development investment for 5G.



We will be introducing our latest roadmap for 5G services. As for 3GPP, standardization of 5G NSA-NR completed in December, 2017. Following this, 5G SA-NR standardization was finalized in June 2018. This establishes primary functions of all the specifications for 5G.

NSA-NR (Non-Standalone, New Radio) is a standard to be able to provide 5G services not only by 5G itself, but in combination with 4G. On the other hand, SA-NA (Standalone, New Radio) is a standard which can provide 5G services by itself. Mainstream around the world is NSA-NA, but in China, 5G services are expected to be provided in SA-NA standard.

Two frequency ranges are that are under consideration for use in 5G are millimeter waves and under 6GHz (Sub6GHz). Depending on the operator of each country, these frequency range

In the United States, it is expected that commercial 5G services will be launched by the latter half of 2018. As for Korea, 2019, and in China and Japan, 2020 for commercial launch of the 5G services.

We will be providing measurement instruments necessary for 5G chipset followed by a conformance test system.

IV-3. Solutions for 5G chipset/device development

We have begun shipments of the Radio Communication Test Station MT8000A for development of chipsets, devices, etc. for the 5G market

Chamber(Anechoic box)

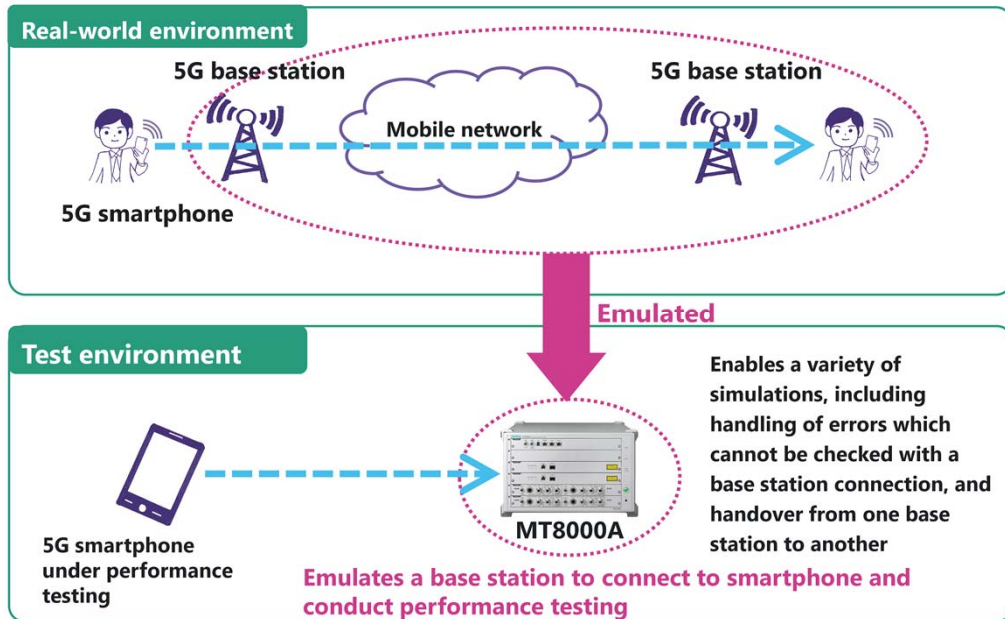


MT8000A



We will be introducing features of our Radio Communication Test Station MT8000A aimed at development of 5G market chipset and devices, etc., which was introduced in April 2018.

IV-4. Role of MT8000A



MT8000A works as a pseudo base station and is used to evaluate functionality and performance by wirelessly connecting to a chipset, a smartphone or other communication device equipped with such chipset.

MT8000A has the flexible scalability to match the evolution of standards enabling compatibility with 3GPP's latest 5G NR specifications, and this makes it possible to handle various test requirements. Furthermore, it is compatible with Sub6GHz and millimeter wave frequencies necessary for 5G NR.

IV- 5. High-frequency (millimeter wave) measurement technology

For low-frequency



Accurate measurements are possible with a cable connection.

For high-frequency (millimeter wave)

Accurate measurements are possible with Over The Air (OTA) using chamber.



5G terminals use the millimeter wave range, and have no conventional external RF connector for measurements due to its broad frequency bandwidth and many antenna elements. The use of beamforming requires an assessment of directivity. As such, new OTA (Over the Air) and broad bandwidth compatibility is required in 5G measurement equipment.

Combining MT8000A with the OTA chamber (anechoic box) enables both millimeter wave band RF measurements and beamforming tests using call connections specified by 3GPP.

