

Financial Results for the 2nd quarter of the Fiscal Year ending March 31, 2019

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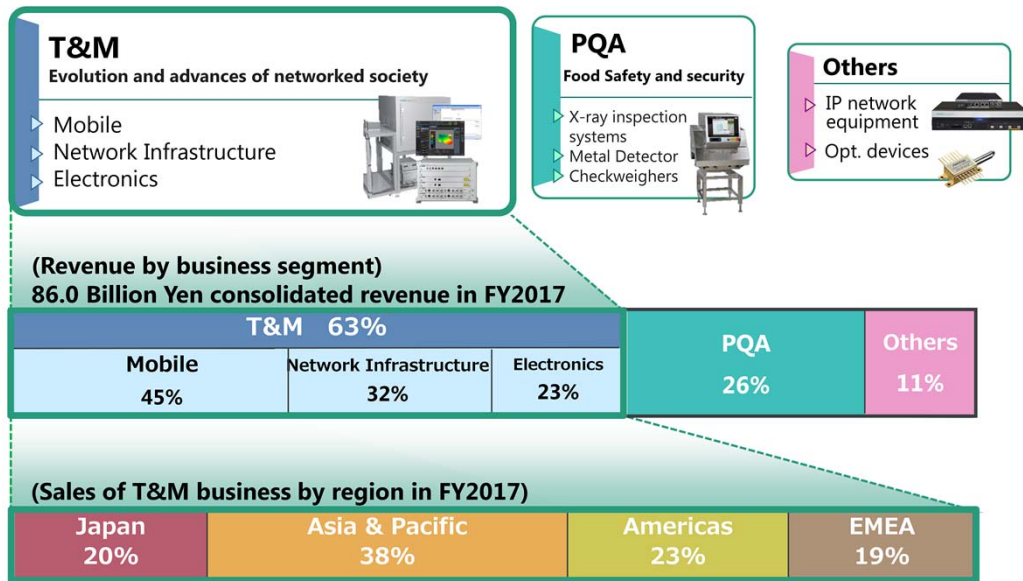
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Agenda

- I. Outline of our business segments
- II. Consolidated performance review of the 2nd quarter of the Fiscal Year ending March 31, 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



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

(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)	2Q FY2017 (Apr. to Sep.)	2Q FY2018 (Apr. to Sep.)	YoY	YoY (%)
Order Intake	42.7	47.9	5.2	12%
Revenue	40.7	44.3	3.6	9%
Operating profit (loss)	0.6	3.5	2.9	507%
Profit (loss) before tax	0.5	3.7	3.2	669%
Profit (loss)	0.2	3.1	2.9	-
Comprehensive income	1.2	4.4	3.2	264%

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 47.9 billion yen and revenue increased by 9% year on year to 44.3 billion yen. Operating profit was 3.5 billion yen, an increase of 2.9 billion yen year on year.

Profit was 3.1 billion yen, a increase of 2.9 billion yen year on year, and comprehensive income was 4.4 billion yen.

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

 T&M: Increase in revenue and profit through investment in initial development for 5G

Unit: Billion Yen

International Financial Reporting Standards (IFRS)		2Q FY2017 (Apr. to Sep.)	2Q FY2018 (Apr. to Sep.)	YoY	YoY (%)
T&M	Revenue	26.4	29.2	2.8	11%
	Op. profit (loss)	(0.4)	2.5	2.9	-
	Adjusted operating profit (loss)	(0.2)*	2.5	2.7	-
PQA	Revenue	10.7	11.4	0.7	7%
	Op. profit (loss)	0.9	0.9	0.0	-7%
Others	Revenue	3.6	3.7	0.1	4%
	Op. profit (loss)	0.4	0.4	0.0	18%
Adjustment	Op. profit (loss)	(0.3)	(0.3)	0.0	-
Total	Revenue	40.7	44.3	3.6	9%
	Op. profit (loss)	0.6	3.5	2.9	507%

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.

*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

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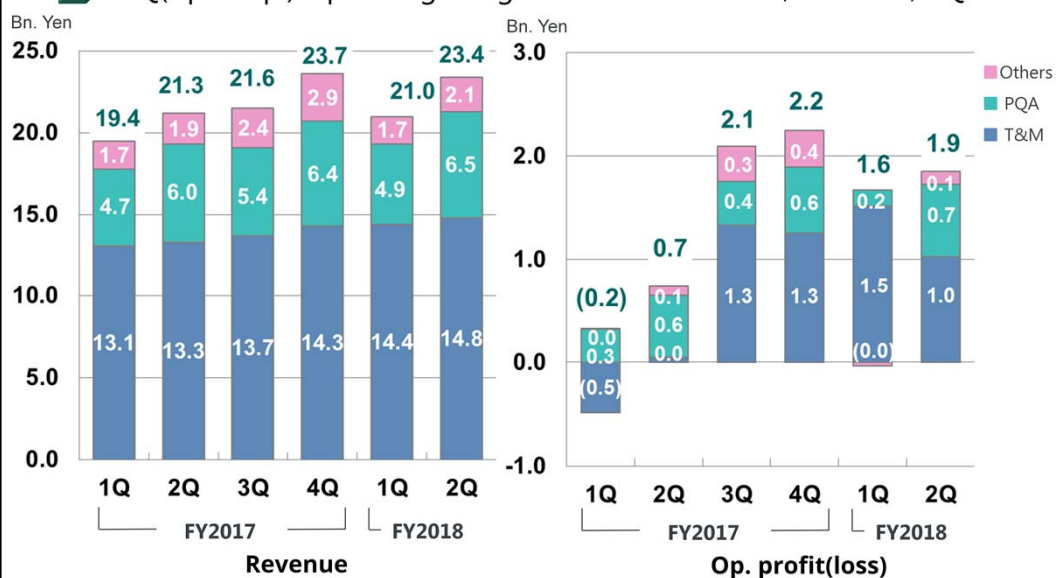
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The T&M business achieved year-on-year increases in both revenue and profit by capturing investment in initial development for 5G as in 1Q, with operating profit of 2.5 billion yen (operating margin: 8.7%).

The PQA business increased its revenue by 0.7 billion yen year on year, and ensured operating profit of 0.9 billion yen (operating margin: 7.4%), which is on par with the same period of the previous fiscal year.

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

➡ 2Q(Apr.-Sep.) Operating margin : Consolidated 8%, T&M 7%, PQA 11%



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 2Q are as follows:

Consolidated : 1.9 billion yen (Operating margin : 7.9%)

T&M : 1.0 billion yen (Operating margin : 7.0%)

PQA : 0.7 billion yen (Operating margin : 10.7%)

II -4. Overview of operations by business segment

Segment		FY2018 2Q (April to September, 2018)	
 T&M : Concrete roadmap for 5G commercialization			
Mobile	LTE-Advanced	Trend toward focusing investments on LTE-Advanced Pro	
	5G, IoT, Connectivity	Development demand materialized for 5G pilot terminals	
Network Infrastructure		Capital investment within US market was strong	
Asia	Commercialization testing seen in China 5G (Sub6GHz)		
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: PQA : Products Quality Assurance	

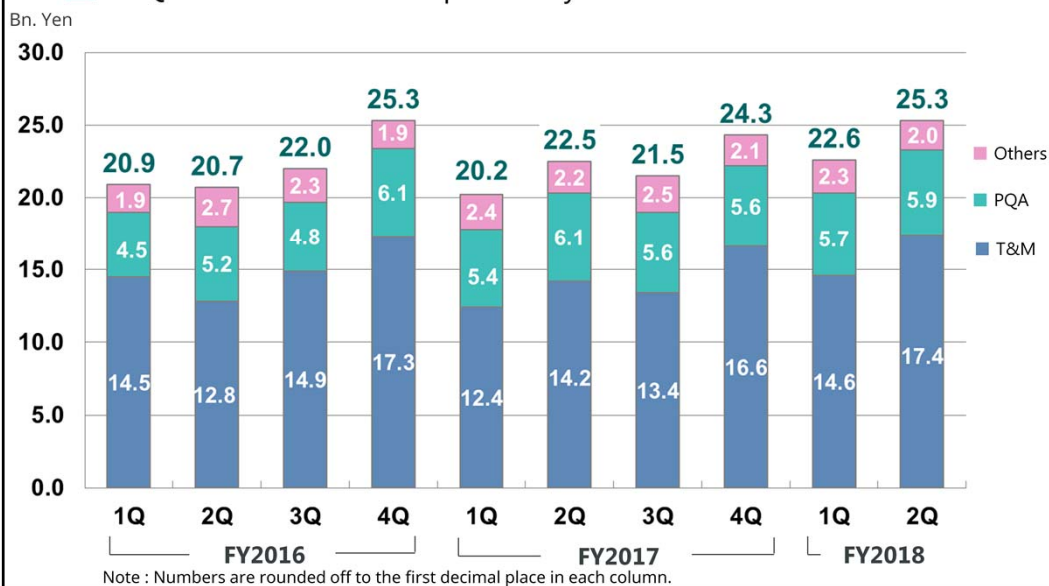
In the T&M business, 3GPP has completed standardization work on the 5G standard [NSA (Non Stand Alone) and SA (Stand Alone)]. As a result, roadmaps for commercialization by major operators in each country have been growing more concrete. (See slide 16 for details.)

Our new product, the “5G Radio Communication Test Station” MT8000A has captured initial 5G chipset development demand.

In the PQA business, the food market continues to make strong capital investments toward strengthening quality assurance process improvement, automation, and labor saving, both in Japan and overseas, with a focus on X-ray foreign body detection solutions.

II -5. Transition of Order intake

- ➡ T&M : 23% growth year on year
- ➡ PQA : Same level as the previous year



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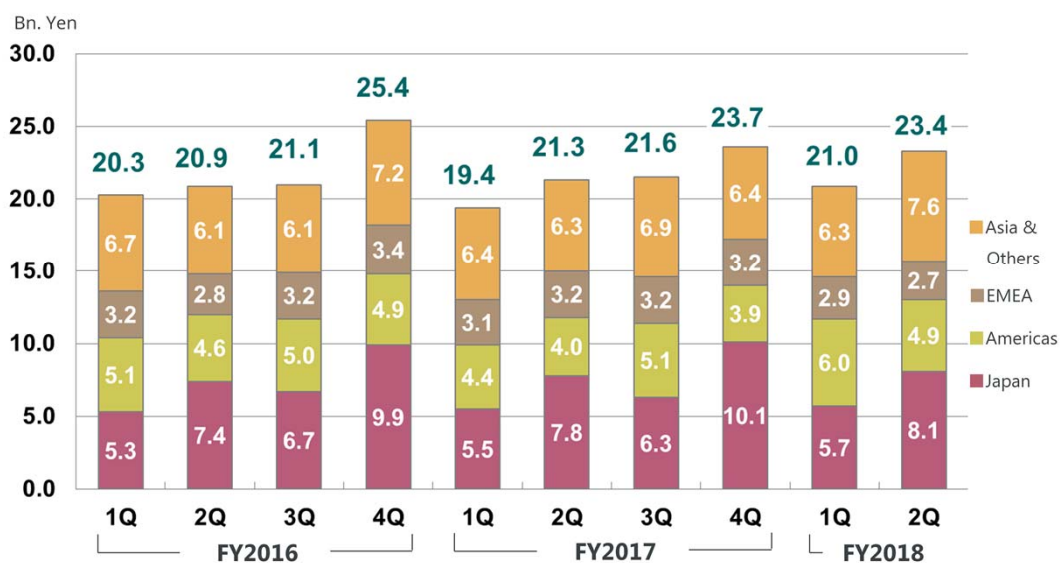
2Q order intake in the T&M business was 17.4 billion yen, which represents a year-on-year increase of 3.2 billion yen (23%), primarily due to the capture of initial 5G development demand.

2Q order intake in the PQA business was at nearly the same level as the previous fiscal year, at 5.9 billion yen.

The order backlog for the entire Group was 24.3 billion yen (20% year-on-year increase) and 18.2 billion yen (36% year-on-year increase) for the T&M business and 4.6 billion yen (8% year-on-year decrease) for the PQA business.

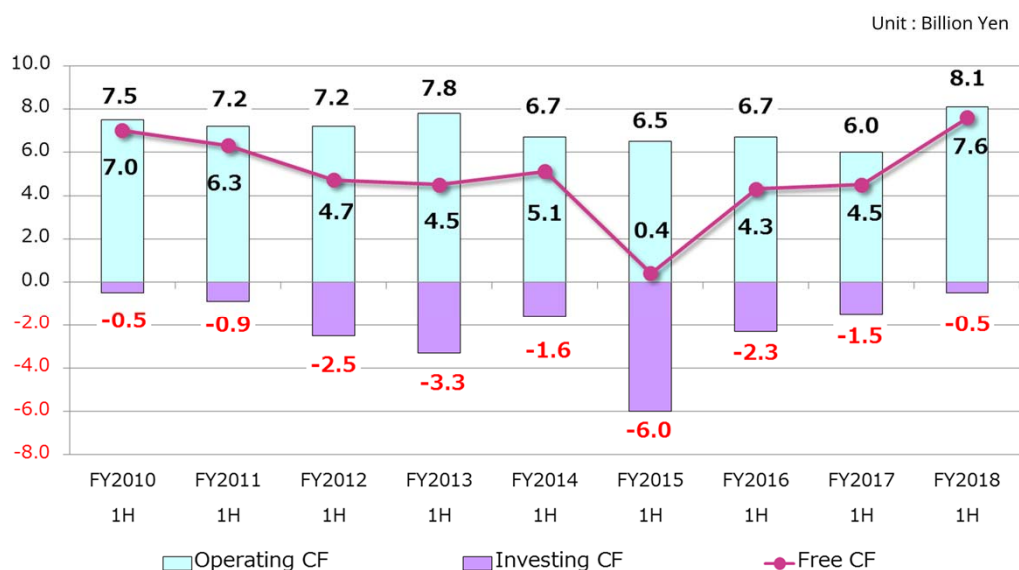
II -6. Transition of Revenue by region

➡ Increased revenue from investment in initial development for 5G



Considering revenue in the second quarter by region, year-on-year increases were achieved in the Americas, Asia, and Japan, due to an increase in revenue related to investment in initial development for 5G.

Ⅱ -7. Cash Flow (1/2)




Note1 : Numbers are rounded off in each column

Note2 : FY2010 : Japanese Generally Accepted Principles (J-GAAP)

FY2011~FY2016 :International Financial Reporting Standards (IFRS)

Operating cash flow is steadily generated by improving the efficiency of working capital and other factors.

II -7. Cash Flow (2/2)

 **Operating cash flow margin ratio was 18.3%**

Cash Flow (FY2018 2Q)

Operating CF : 8.1 Bn. Yen
Investing CF : (0.5) Bn. Yen
Financial CF : 0.1 Bn. Yen

Free Cash Flow

Op. CF + Inv. CF : 7.6 Bn. Yen

Cash at the end of period

43.6Bn. Yen

Interest-bearing debt.

17.1 Bn. Yen

Details

Unit : Billion Yen

Others 3.4*		
Accounts receivable 1.9		
Depreciation and amortization 2.2		
Inventory 0.1		
Profit(loss) before tax 3.7		
Tax (1.1)	Others 0.7	Borrowing 1.1
Accounts payable (2.1)	Capex (1.2)	Dividend (1.0)
		Others (0.0)
* Other main items: Advances received, etc.		
Op. CF 8.1	Inv. CF (0.5)	Fin. CF 0.1

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

The operating cash flow was inflow of 8.1 billion yen.

The investing cash flow was outflow of 0.5 billion yen.

As a result, the free cash flow amounted to an inflow of 7.6 billion yen.

Net cash provided in financing activities was 0.1 billion yen. The main inflows were bank loans of 1.1 billion yen and dividends paid of 1.0 billion yen (year-end dividend of 7.5 yen per share).

Consequently, the balance of cash equivalents at the end of the period increased by 8.1 billion yen from the beginning of the fiscal year to 43.6 billion yen.

III. Forecast for full year of FY2018 (Consolidated)

 Upward revision in profit forecast for T&M

Unit: Billion Yen

International Financial Reporting Standards (IFRS)		FY2017	FY2018			
		Actual	Full Year		YoY	YoY(%)
			Previous Forecast	Revised Forecast		
Revenue		86.0	92.0	92.0	6.0	7%
Operating profit (loss)		4.9	6.6	7.0	2.1	43%
Profit (loss) before tax		4.6	6.6	7.0	2.4	52%
Profit (loss)		2.9	5.0	5.5	2.6	90%
T&M	Revenue	54.4	60.0	60.0	5.6	10%
	Op. profit (loss)	2.1	3.5	5.0	2.9	133%
PQA	Revenue	22.5	23.5	23.5	1.0	4%
	Op. profit (loss)	2.0	2.0	2.0	0.0	2%
Others	Revenue	9.0	8.5	8.5	(0.5)	-5%
	Op. profit (loss)	1.5	1.1	0.7	(0.8)	-52%
Adjustment	Op. profit (loss)	(0.7)		(0.7)	0.0	-

Note 1: Numbers are rounded off to the first decimal place in each column.

Note 2: "Others" and "Adjustments" in this segment information are displayed together as "Others" in the previously announced forecast.

Reference : Exchange rate : FY2017 (Actual) 1USD=111 yen, 1EURO=130 yen
FY2018 (Initially Forecast) 1USD=105 yen, 1EURO=125 yen
FY2018 2H (Forecast) 1USD=105 yen, 1EURO=125 yen

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The forecast for the full year results of FY2018 has been revised from the previously announced on April 26th.

Although the business environment remains unclear due to factors such as worsening of the US-China trade war and increasing concerns regarding its negative impact on the world economy, we will strive to attain the revenue forecast that was announced early in the year. In terms of profits, based on the performance up to the cumulative second-quarter of the fiscal year ending March 31, 2019, we have considered the increase in expenses due to the accumulation of R&D investment for 5G commercialization in the Test and Measurement business, and revised our annual operating profit, profit before tax, profit, and profit attributable to owners of the parent revised. In addition, changes in the way to allot headquarter administrative expenses, which have been implemented since the first-quarter of the fiscal year ending March 31, 2019, have been applied to the operating profit of each business segment.

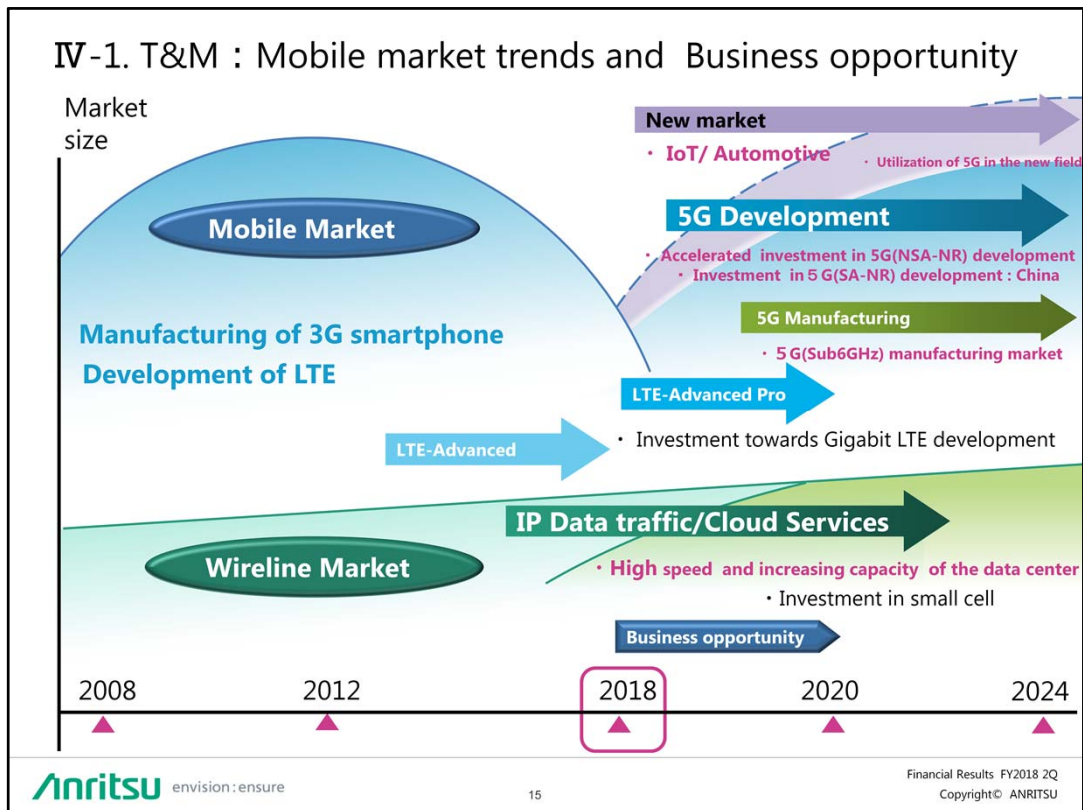
For the fiscal year ending March 31, 2019, Anritsu plans to pay dividends of 17.00 yen per share as initially scheduled.

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

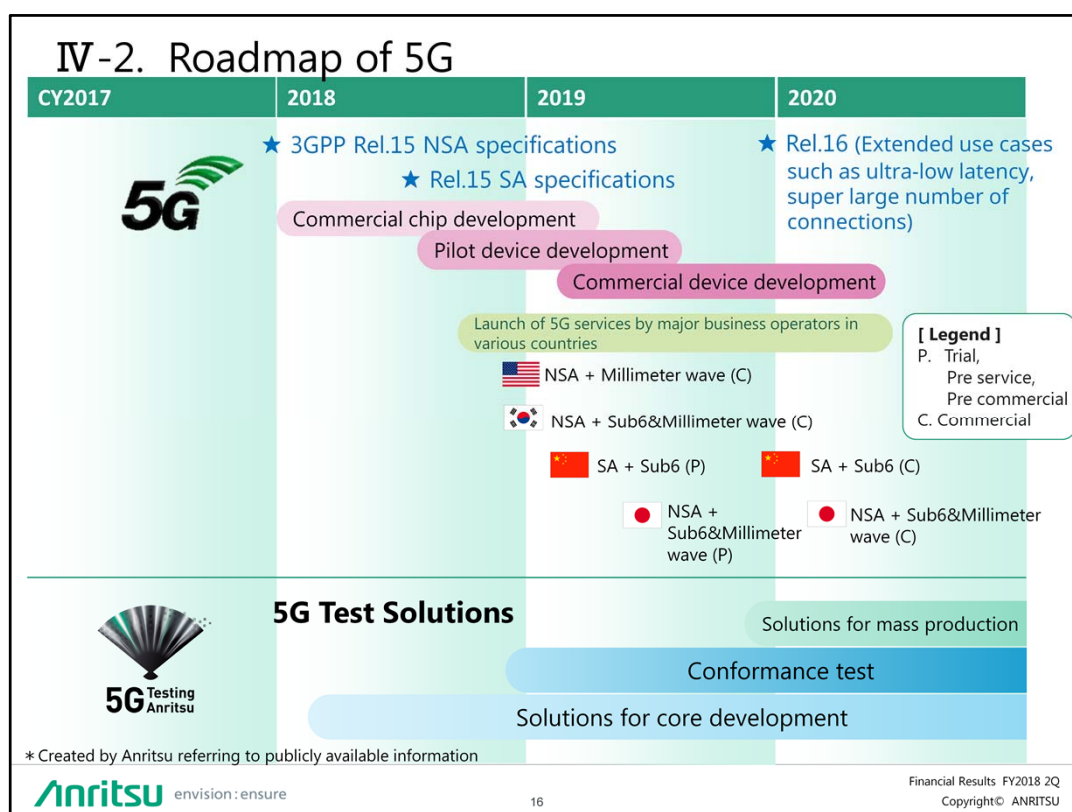
Representative Director, President,
Measurement Business Group President
Anritsu Corporation

Hirokazu Hamada

(No notes here)



In the mobile T&M market, although there has been a decline in demand for measuring instruments related to LTE and those targeting smartphone manufacturing, the market is expected to grow gradually, with initial development investment for 5G as the growth driver.



We will be introducing our latest roadmap for 5G services.

Regarding 3GPP, the standardization of 5G NSA-NR completed in December 2017. Subsequently, 5G SA-NR standardization finalized in June 2018, and standards have been established for the specifications of all major 5G functions.

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 LTE.

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

In the United States, Verizon launched a 5G-capable home broadband service (Fixed Wireless) in October. In addition, AT&T is also planning to launch 5G mobile service.

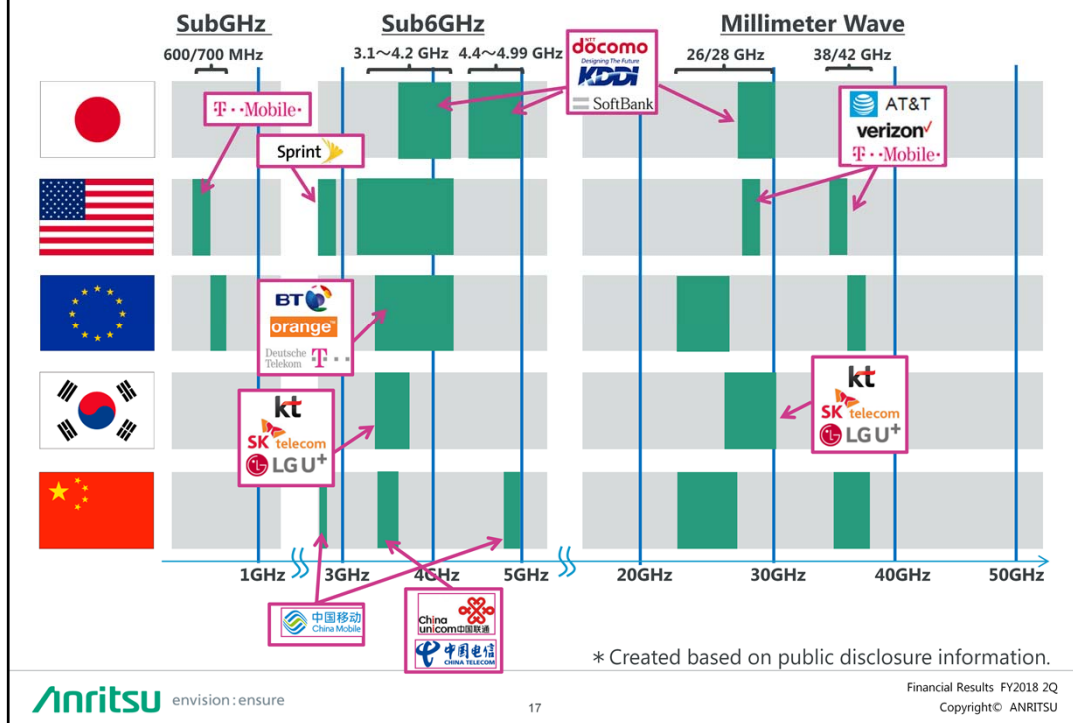
In Korea, the big three operators, SK Telecom, KT, and LG Uplus (LG U+) are planning to launch 5G mobile service in December 2018.

In Japan, NTT DOCOMO is planning a limited commercial launch of 5G in September 2019.

Accordingly, schedules for launching 5G services by the major operators in each country are becoming more concrete.

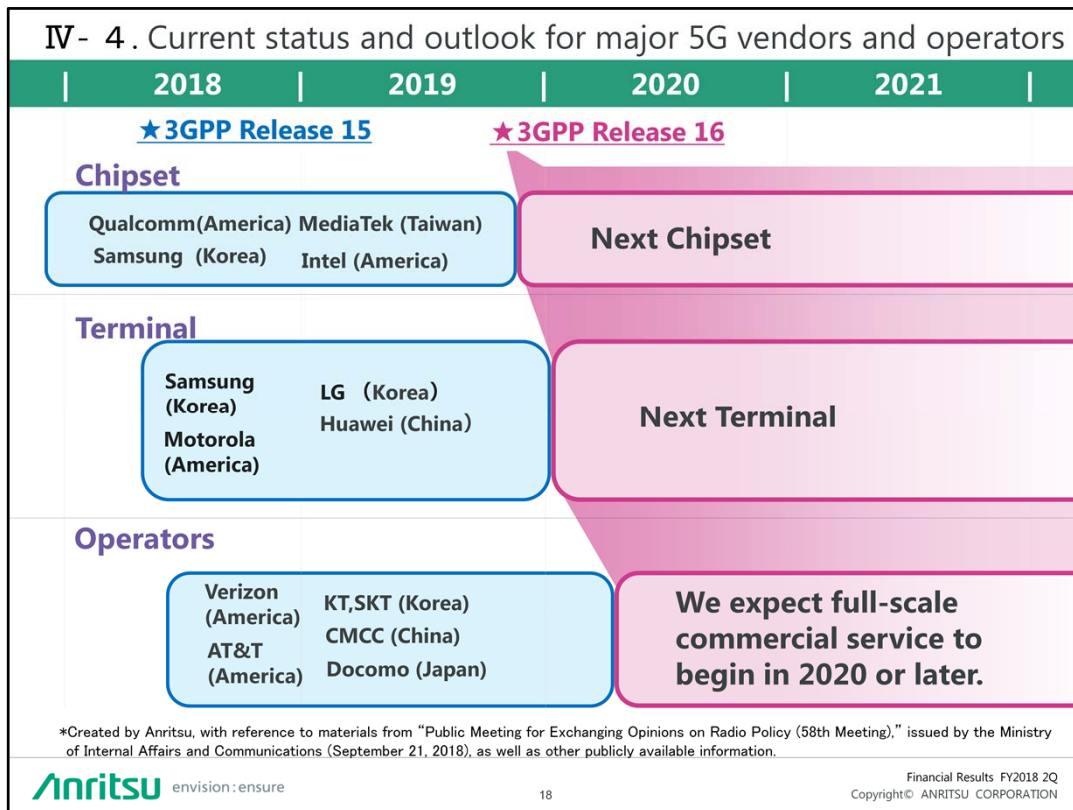
We are working to provide the measuring instruments necessary for the development of 5G chipsets and terminals in a timely fashion, and to strengthen their functions.

IV-3. 5G Band Allocations in the World



Generally speaking, the frequencies used for 5G are 1 GHz and below, the Sub6GHz range using 3 GHz to 6 GHz, and the millimeter wave range using 20 GHz and above.

The major operators in each country are currently studying the frequency bands for use in 5G, and many countries are planning to develop 5G service using both the millimeter wave and Sub6GHz ranges.



Most of the services that operators in each country are planning to provide in the latter half of 2018, which is the initial stage of 5G commercialization, will be centered on the high-speed, high-capacity communication standardized by 3GPP Release 15.

Currently, chipset and terminal vendors are working on development to implement the 5G high-speed, high-capacity communication standard. The dissemination of services utilizing mission-critical applications, which are a feature of 5G, is expected to occur after completion of the 3GPP Release 16 standardization.

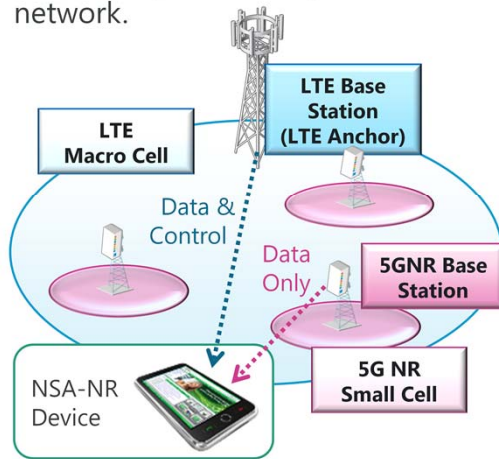
Consequently, we believe that investment in the development of chipsets and terminals to implement 3GPP Release 16 will start in 2020, or later.

Afterwards, we expect the broad adoption of full-scale commercial 5G service to follow.

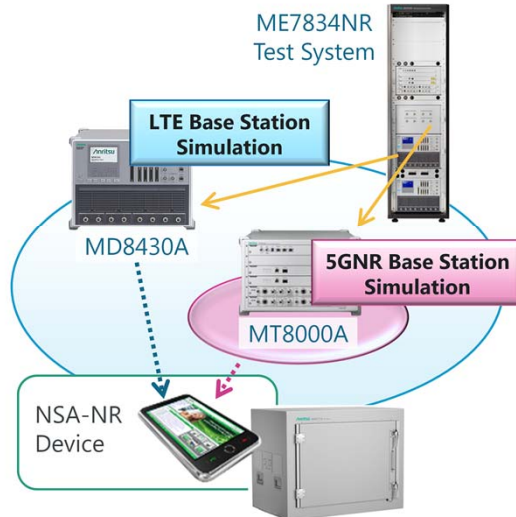
IV- 5. Test solution for 5G NSA-NR terminal development

NSA-NR Network Configuration

Introducing 5G utilizing the LTE core network.



NSA-NR Test Environment

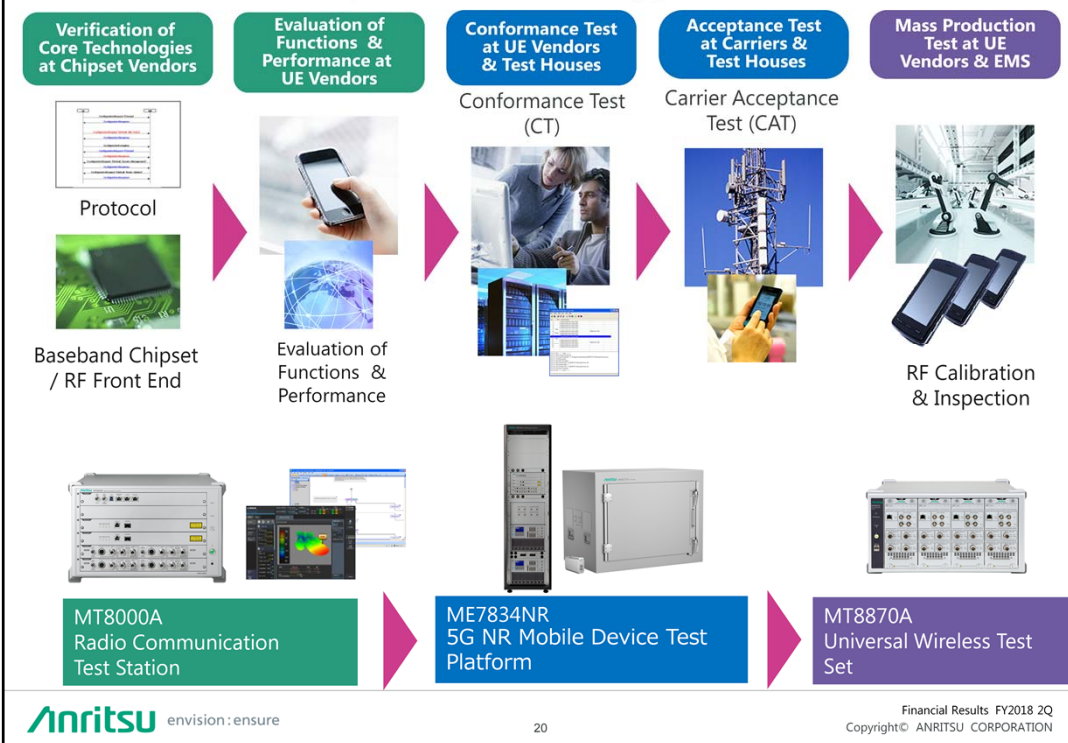


Here, we introduce a test solution for 5G NSA-NR terminal development. 5G NSA-NR is a method for implementing 5G service, while utilizing the LTE network.

Accordingly, development of 5G NSA-NR terminals requires both a 5G base station simulator and a LTE base station simulator.

In February 2018, we released the MT8000A as a 5G base station simulator. It is possible to build a 5G NSA terminal development environment by combining the MT8000A with the LTE base station simulator (MD8430A) that we already provide.

IV-6. 5G terminal development/manufacturing process and test solutions



Following the MT8000A, we will further enhance our 5G solutions. Just as with 3G and LTE, we will contribute to the development of the 5G/IoT society as the industry's number-one solution provider, by offering measurement solutions that meet all of our customers' needs, from core development to manufacturing for 5G.

