

Financial Results for the 3rd quarter of the Fiscal Year ending March 31, 2019

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(No notes here)

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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.

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(No notes here)

Agenda

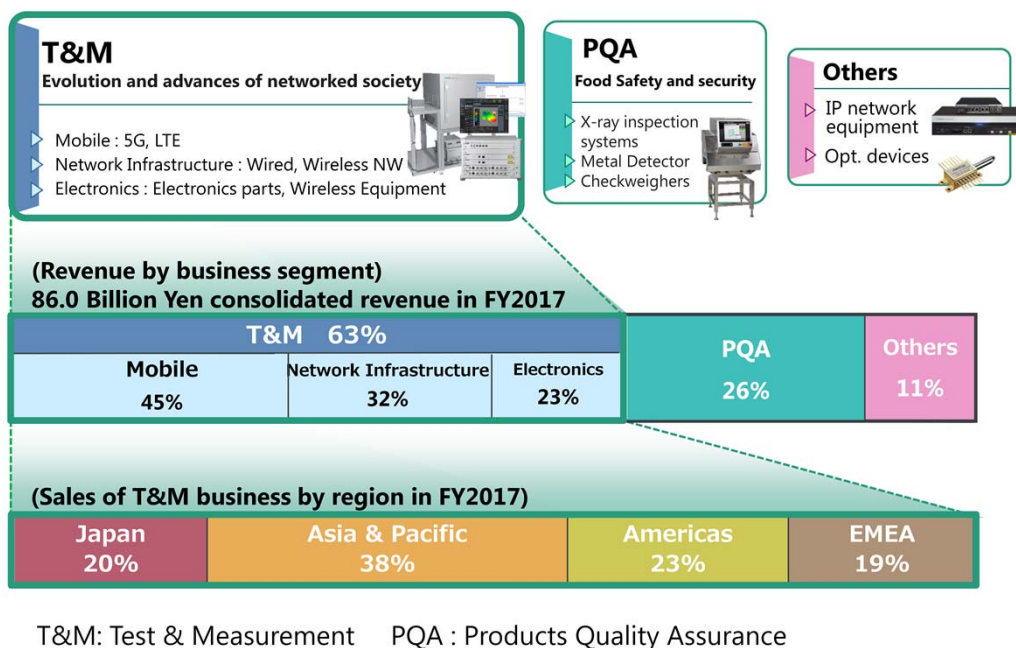
- I. Outline of our business segments
- II. Consolidated performance review of the 3rd quarter of the Fiscal Year ending March 31, 2019
- III. Outlook for full year of the fiscal year ending March 31, 2019 (Consolidated)

Appendix

Latest Trends in 5G and Anritsu's Test Solutions

(No notes here)

I . Outline of our business segments



(Revenue by business segment) FY2018 (Nine Months Ended December 31, 2018)

T&M : 68%			PQA	Others
Mobile	Network Infrastructure	Electronics		
53%	28%	19%	24%	8%

(Sales of T&M business by region) FY2018 (Nine Months Ended December 31, 2018)

Japan	Asia & Pacific	Americas	EMEA
17%	35%	32%	16%

II -1. Consolidated performance - Financial results -



Year-on-year growth in revenue and profit

Unit: Billion Yen

International Financial Reporting Standards (IFRS)	3Q FY2017 (Apr. to Dec.)	3Q FY2018 (Apr. to Dec.)	YoY	YoY (%)
Order Intake	64.2	73.9	9.7	15%
Revenue	62.3	71.1	8.8	14%
Operating profit (loss)	2.7	7.7	5.0	189%
Profit (loss) before tax	2.6	7.9	5.3	198%
Profit (loss)	1.5	6.3	4.8	326%
Comprehensive income	3.0	6.5	3.5	118%

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

The Group's consolidated order intake increased by 15% year on year to 73.9 billion yen and revenue increased by 14% year on year to 71.1 billion yen. Operating profit was 7.7 billion yen, an increase of 5.0 billion yen year on year.

Profit was 6.3 billion yen, an increase of 4.8 billion yen year on year, and comprehensive income was 6.5 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)		3Q FY2017 (Apr. to Dec.)	3Q FY2018 (Apr. to Dec.)	YoY	YoY (%)
T&M	Revenue	40.1	48.6	8.5	21%
	Op. profit (loss)	0.9	6.5	5.6	631%
	Adjusted operating profit (loss)	1.2 *	6.5	5.3	453%
PQA	Revenue	16.1	16.6	0.5	3%
	Op. profit (loss)	1.3	1.0	(0.3)	-23%
Others	Revenue	6.0	5.9	(0.1)	-2%
	Op. profit (loss)	0.9	0.7	(0.2)	-19%
Adjustment	Op. profit (loss)	(0.4)	(0.6)	(0.2)	-
Total	Revenue	62.3	71.1	8.8	14%
	Op. profit (loss)	2.7	7.7	5.0	189%

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 0.3 billion yen in restructuring expenses in the U.S.

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

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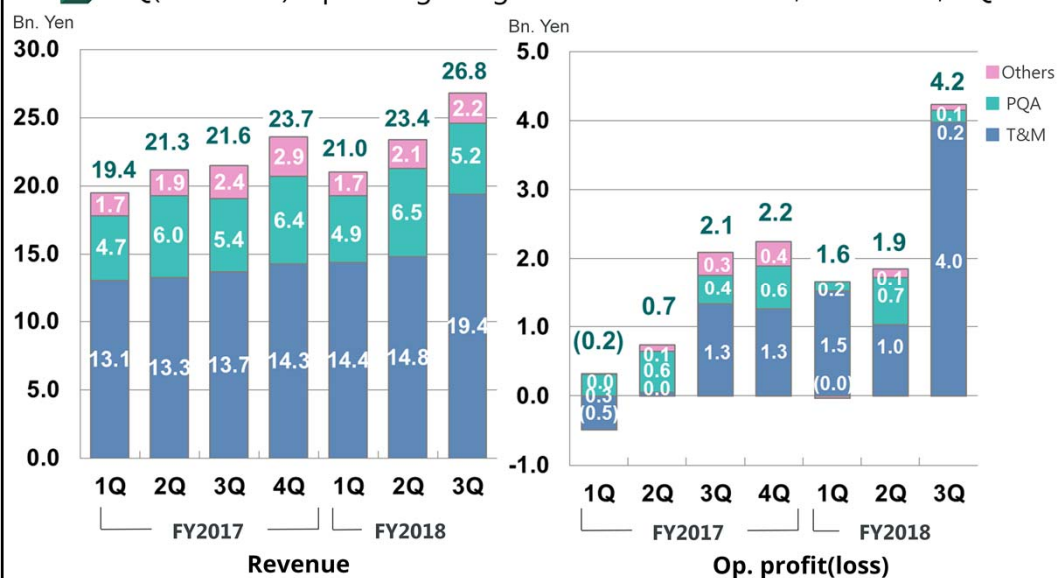
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The T&M business achieved year-on-year increases in both revenue and profit by capturing investment in initial development for 5G as in 2Q, with operating profit of 6.5 billion yen (operating margin: 13.4%).

The PQA business increased its revenue by 0.5 billion yen year on year, but operating profit was only 1.0 billion yen (operating margin: 6.2%).

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

➡ 3Q(Oct.-Dec.) Operating margin : Consolidated 16%, T&M 20%, PQA 4%



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 3Q are as follows:

Consolidated : 4.2 billion yen (Operating margin : 15.8%)

T&M : 4.0 billion yen (Operating margin : 20.4%)

PQA : 0.2 billion yen (Operating margin : 3.5%)

II -4. Overview of operations by business segment

Segment		FY2018 3Q (April to December, 2018)
 T&M : Concrete roadmap for 5G commercialization		
Mobile	LTE-Advanced	Trend toward focusing investments on LTE-Advanced Pro
	5G	Development demand materialized for chipsets and devices
Network Infrastructure		Capital investment within US market was strong
Asia	Commercialization testing seen in China 5G (Sub6GHz)	
Americas	Initial 5G development demand grew steadily	
 PQA : Continued strong investment by food market for quality assurance, automation, and labor saving both in Japan and overseas		

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

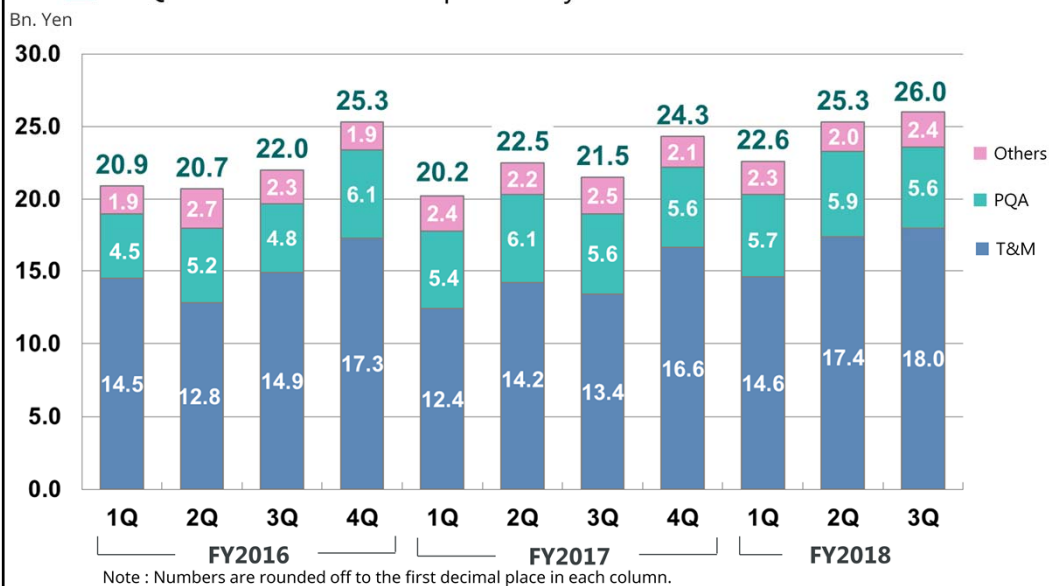
In the T&M business, 3GPP has completed standardization on the 5G standard [NSA (Non Stand Alone) and SA (Stand Alone)]. As a result, roadmaps for commercialization by major operators in each country have been growing more concrete. (See slide 16 for details.)

Against this backdrop, our new product, the "5G Radio Communication Test Station" MT8000A captures initial development demand for 5G chipsets and devices.

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 : 34% growth year on year
- PQA : Same level as the previous year



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Order intake of the T&M business in 3Q was 18.0 billion yen, which represents a year-on-year increase of 4.6 billion yen (34%), primarily due to the capture of initial 5G development demand.

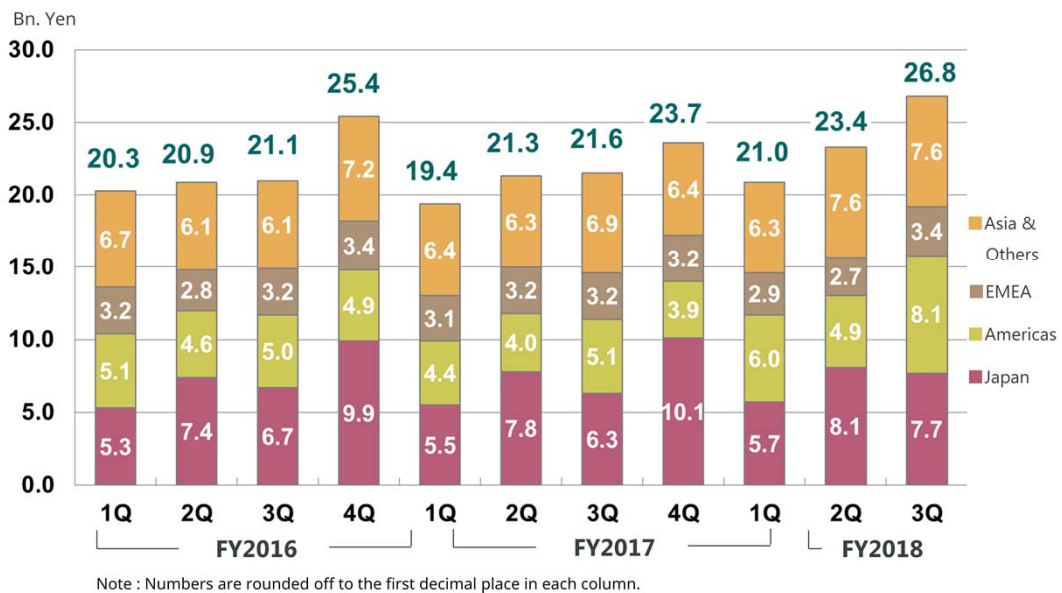
Order intake of the PQA business in 3Q was at nearly the same level as the previous fiscal year, at 5.6 billion yen.

The order backlog for the entire Group was 23.4 billion yen (14% year-on-year increase) and 16.7 billion yen (24% year-on-year increase) for the T&M business and 5.0 billion yen (4% 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 third quarter by region, revenue related to investment in initial development for 5G increased primarily in the North America and Asia regions.

II -7. Cash Flow

 **Operating cash flow margin ratio was 13.2%**

FY2018 3Q(9 months)

Operating CF : 9.4 Bn. Yen

Investing CF : (1.1) Bn. Yen

Financing CF : (1.7) Bn. Yen

Free Cash Flow

Op. CF + Inv. CF : 8.3 Bn. Yen

Cash at the end of period

42.1 Bn. Yen

Interest-bearing debt.

16.6 Bn. Yen

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

Details			Unit : Billion Yen
Others 2.1*			
Depreciation and amortization 3.3			
Profit(loss) before tax 7.9			
Inventory (0.7)	Others 0.6	Borrowing 0.7	
Tax (1.6)	Capex (1.7)	Dividend (2.2)	
Accounts payable (1.2)	Accounts receivable (0.4)	Others (0.2)	
Other main items: Advances received, etc.			
Op. CF 9.4	Inv. CF (1.1)	Fin. CF (1.7)	

The operating cash flow was inflow of 9.4 billion yen.

The investing cash flow was outflow of 1.1 billion yen.

As a result, the free cash flow amounted to an inflow of 8.3 billion yen.

The financial cash flow was outflow of 1.7 billion yen. The main outflows were bank loans of 0.7 billion yen and dividends paid of 2.2 billion yen (Dividend per share: Fiscal year end dividend: 7.5 yen, Interim dividend: 8.5 yen).

Consequently, the balance of cash equivalents at the end of the period increased by 6.6 billion yen from the beginning of the fiscal year to 42.1 billion yen.

III-1. Forecast for full year of FY2018 (Consolidated)

Upward revision in revenue and profit forecast for T&M

Unit: Billion Yen

Unit: Billion Yen

International Financial Reporting Standards (IFRS)		FY2017	FY2018			YoY	YoY(%)
		Actual	Full Year		Revised Forecast		
			Previous Forecast (as of Apr. 26 2018)	Previous Forecast (as of Oct. 31 2018)			
Revenue		86.0	92.0	92.0	98.0	12.0	14%
Operating profit (loss)		4.9	6.6	7.0	11.0	6.1	124%
Profit (loss) before tax		4.6	6.6	7.0	11.0	6.4	139%
Profit (loss)		2.9	5.0	5.5	8.5	5.6	193%
T&M	Revenue	54.4	60.0	60.0	66.0	11.6	21%
	Op. profit (loss)	2.1	3.5	5.0	9.0	6.9	319%
PQA	Revenue	22.5	23.5	23.5	23.5	1.0	4%
	Op. profit (loss)	2.0	2.0	2.0	2.0	0.0	2%
Others	Revenue	9.0	8.5	8.5	8.5	(0.5)	-5%
	Op. profit (loss)	1.5	1.1	0.7	0.7	(0.8)	-52%
Adjustment	Op. profit (loss)	(0.7)		(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 previous forecast (announced on April 26, 2018).

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 October 31st.

Although the business environment remains unclear due to factors such as worsening of the US-China trade war, confusion over the U.K.'s withdrawal from the EU and increasing concerns regarding these negative impacts on the world economy, demand for measuring instruments for research and development in 5G related mobile market is continuously expanding with our main test and Measurement segment.

In terms of revenue, especially in North America and Asia, we revised the revenue due to an increase over our forecast (announced on October 31, 2018) in the early 5G development investment demand for chipsets and mobile devices.

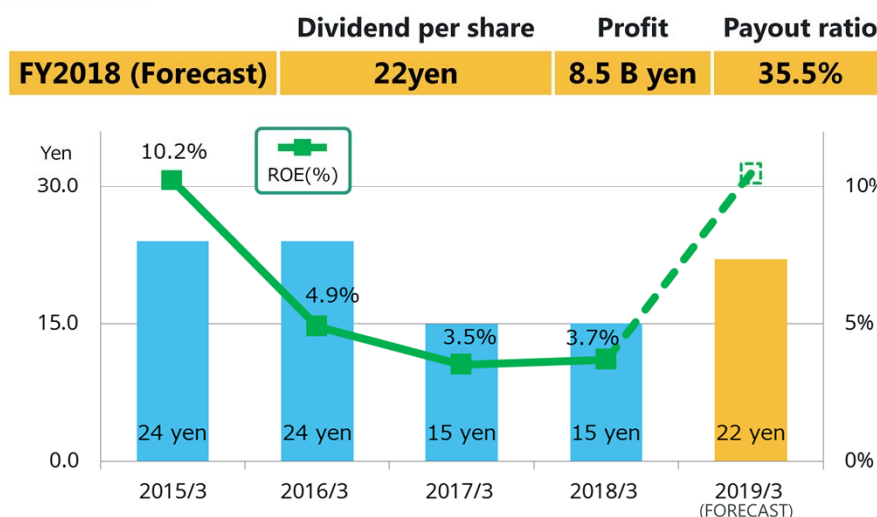
In terms of profit, based on the performance up to the cumulative third-quarter of the fiscal year ending March 31, 2019, we have revised our annual operating profit, profit before tax, profit, and profit attributable to owners of the parent due to an increase in revenue of Test and Measurement segment and an improvement in cost of sales ratio.

III-2. Dividend forecast, ROE

Annual Dividend
**Increase
in dividend**

17 yen → 22 yen

(Interim dividend 8.5 yen, Year-end dividend 13.5 yen)



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Due to the upward revision of the results forecast, we plan to increase the annual dividend to 22 yen per share (an interim dividend of 8.5 yen and a year-end dividend of 13.5 yen), an increase of 5 yen from the annual dividend of 17 yen per share (including an interim dividend of 8.5 yen) announced on April 26, 2018 in the forecast for the full year results of FY2018.

ROE is expected to be over 10%.

[Dividend Policy]

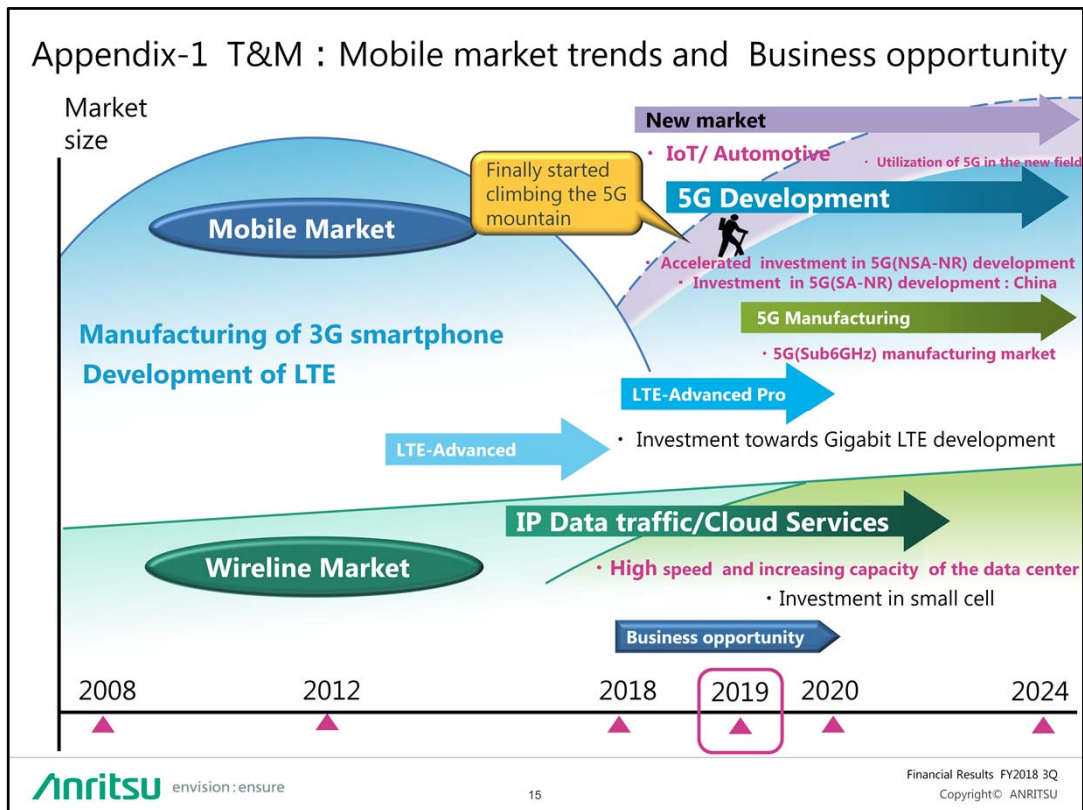
The Company's core policy of returning profits to its shareholders is to distribute profits in accordance with its consolidated performance, taking into account the total return ratio.

With regard to the distribution from surplus, while taking the basic approach of raising dividends on equity (DOE) in accordance with the increase in consolidated profits for the fiscal year, the Company's policy is to pay dividends twice a year as an interim dividend and a year-end dividend aiming at a consolidated dividend payout ratio of 30% or more by the resolution of the Board of Directors or the General Meeting of Shareholders.

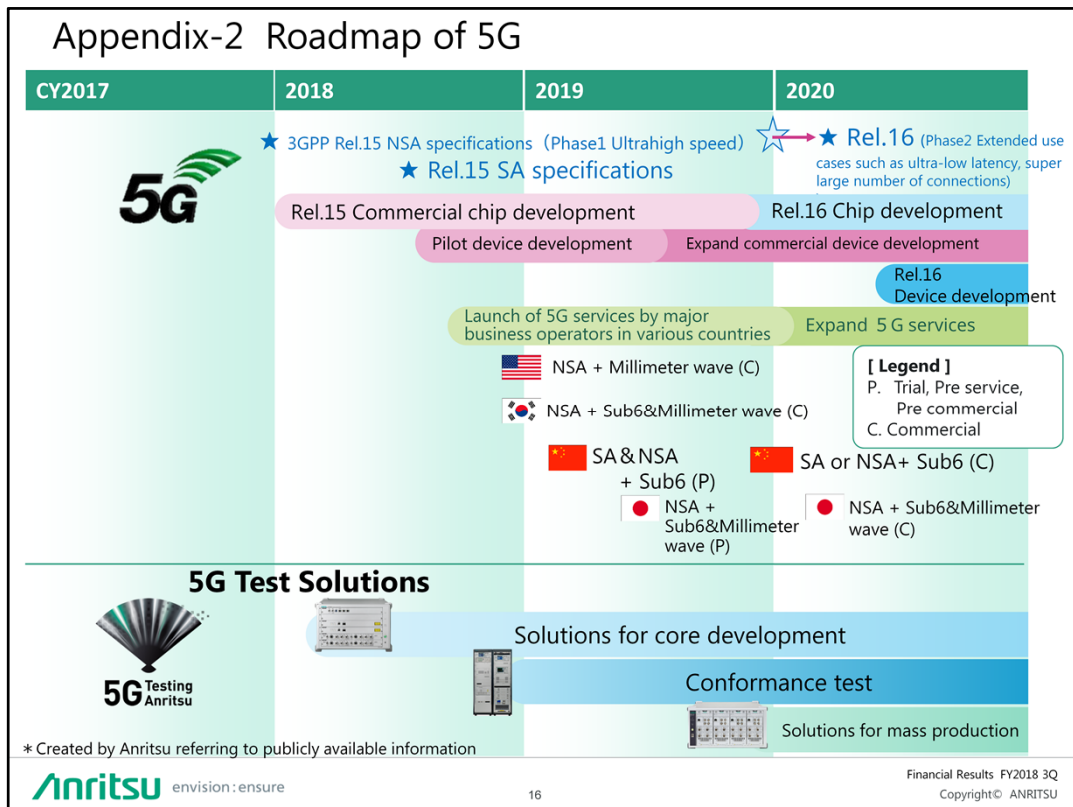
Appendix

Latest Trends in 5G and Anritsu's Test Solutions

(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.

By June 2018, standards were established for the specifications of all major functions of the 5G Release 15 (ultra-high-speed communications) by 3GPP, and schedules for launching 5G services by the major operators in each country have become concrete.

Mainstream around the world is NSA-NR, but in China, 5G services are expected to be provided in both NSA-NR and SA-NR.

5G services have already begun in North America and South Korea, and device vendors are scheduled to commercialize 5G smartphones during 2019.

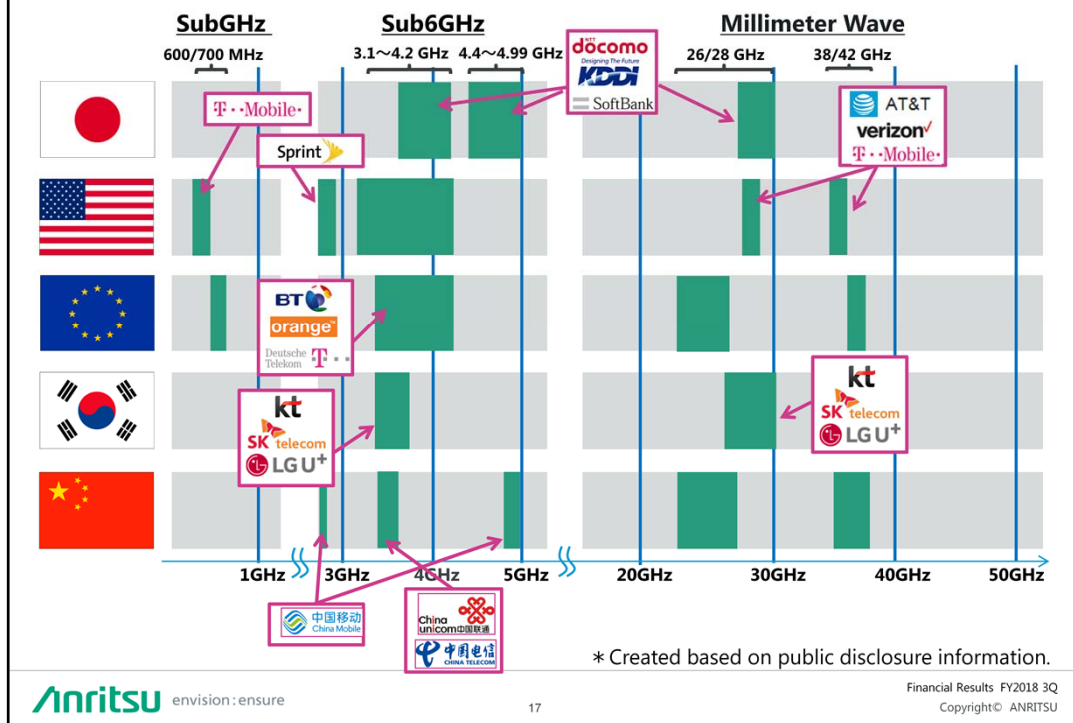
The completion schedule for the standardization of 3GPP Release 16, which is the standard for utilization of the mission critical applications that are a feature of 5G, has been extended by three months from the initial date of 2019 year-end. However, the impact on the roadmap for 5G services is expected to be limited.

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

NSA-NR (Non-Standalone-New Radio) : Standard to be able to provide 5G services not only by 5G itself, but in combination with LTE.

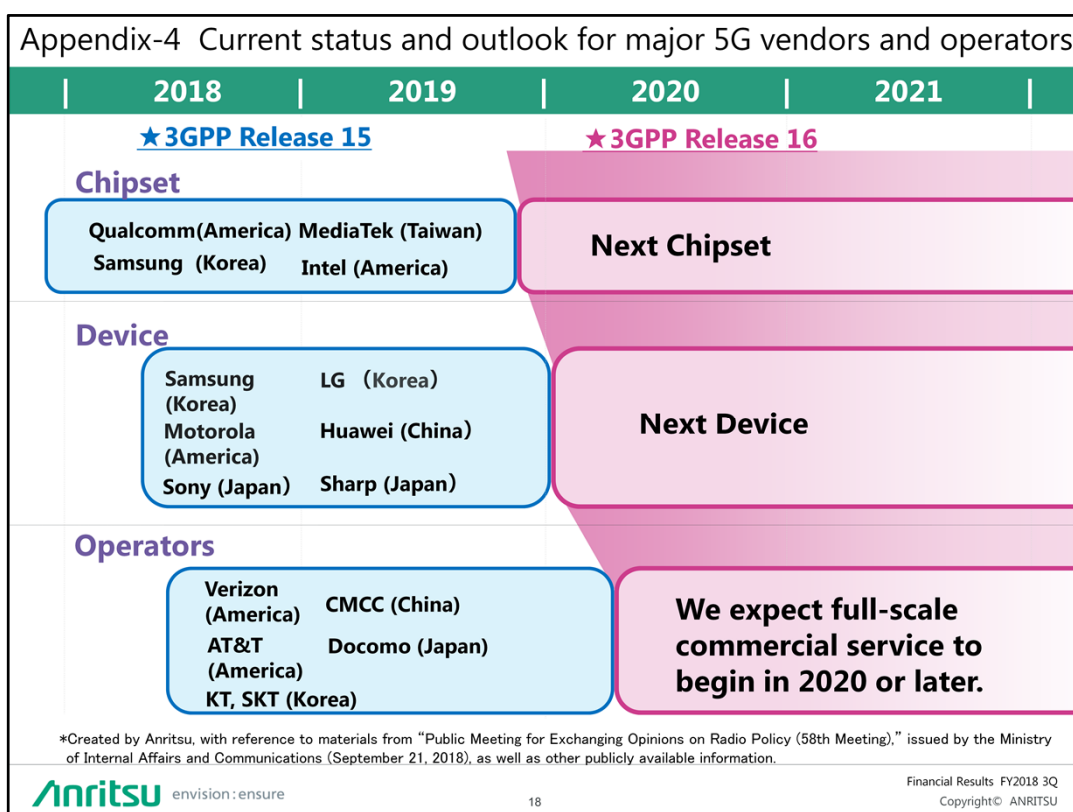
SA-NR (Standalone-New Radio) : Standard which can provide 5G services by itself.

Appendix-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.

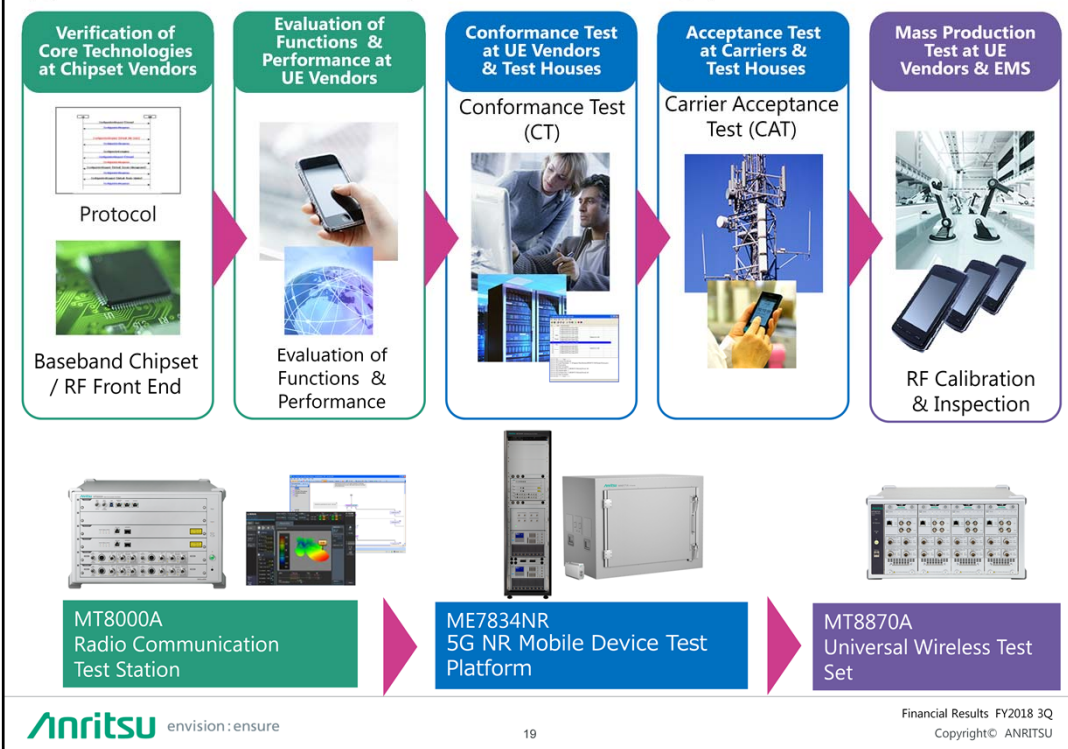
Currently, chipset and device vendors are working on development to implement the 5G high-speed, high-capacity communication standard.

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 devices 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.

Appendix-5 5G device 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.

