GLP2020 Progress Status

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(No notes here)
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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.

(No notes here)
Agenda

I. GLP2020 Progress Status and FY2019 Initiatives
II. MWC 2019 Report
III. Roadmap of 5G

Appendix

Latest Trends in 5G and Anritsu’s Test Solutions

(No notes here)
FY2018, the first year of GLP2020, got off to a favorable start. Revenue and operating profit were both above the initial forecast due to the T&M business steadily capturing initial development demand for 5G.

On a consolidated basis, revenue was 99.7 billion yen, compared to the revenue forecast of 92.0 billion yen, and the operating margin was 11%, exceeding the forecast of 7%.

This was driven by the T&M business, which recorded revenue of 68.2 billion yen compared to the forecast of 60.0 billion yen, and an operating margin of 14%, exceeding the forecast of 6%.

We will continue to work to achieve the GLP2020 targets of consolidated revenue of 105.0 billion yen and a consolidated operating margin of 14%.
In FY2018, the first year of GLP2020, among our three growth drivers, we steadily captured initial development demand for 5G. As a result, revenue was 68.2 billion yen and the operating margin was 14%, both exceeding the initial forecasts.

In FY2020, we aim to expand the revenue ratio of our three growth drivers, namely 5G, IoT/Automotive, and IP Data Traffic/Cloud Services, and achieve revenue of 70.0 billion yen and an operating margin of 14%.

Under the next Mid-Term Business Plan GLP2023, we will launch a new test and measurement business as a new growth driver. We plan to achieve revenue of 100.0 billion yen and our medium- to long-term operating margin target of 20% by expanding the revenue ratio of four businesses, comprising our three growth drivers plus the new test and measurement business.
In FY2018, the first year of GLP2020, revenue and operating margin both fell below the initial forecast, but the overseas revenue ratio was largely as planned. In FY2020, we will enhance global business framework and increase the overseas revenue ratio and aim to achieve 26.0 billion Yen, a 12% operation margin. In the next Mid-term Business Plan GLP2023, we will increase overseas revenue ratio and aim to achieve 30.0 billion Yen, over 12% operation margin.
Currently, the “5G communications” related business in the T&M business and the “food safety” related business in the PQA business are our main pillars of the company. To ensure sustainable growth in 2020 and beyond, as we further strengthen our current business, we will develop the “5G utilization” related business in the automotive market and others by the T&M business, the “pharmaceuticals safety” related business by the PQA business, and the “New businesses area outside telecom field”, thus creating five business pillars through the addition of these three new business areas. In doing so, we aim to become a highly profitable company with stable revenue of over 100.0 billion yen and an operating margin of 18% on a consolidated basis.
(No notes here)
Many device vendors released 5G smartphones at MWC 2019. Foldable smartphones were a particular draw for visitors.
xR (umbrella term for AR, VR, MR and SR) was the highlight of this year’s event, and the market growth is expected in the future for xR contents in fields using 5G.
At the Anritsu booth, we presented solutions for 5G core development, conformance tests, mass production and maintenance.

We also held individual meetings with many customers, which were a useful opportunity to provide deeper understanding of Anritsu’s 5G measuring solutions.
We also held 5G live demonstrations using our MT8000A in collaboration with customers at our booth and their booths.
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.

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

3GPP Release 16, which will be the standard for using mission-critical applications that are a feature of 5G, is scheduled for the end of March 2020.

We are working to provide the measuring solutions necessary for the development of 5G chipsets and devices in a timely fashion, and to strengthen their functions.
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.
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. Following the U.S. and South Korea, Japan has also set frequency allocations for each carrier and preparations for 5G commercialization are approaching completion.
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.
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.
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