

Financial Results for the 2nd quarter of the Fiscal Year ending March 31, 2020

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Beyond
2020



TSE code : 6754

<https://www.anritsu.com>

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(No notes here)

Cautionary Statement

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.

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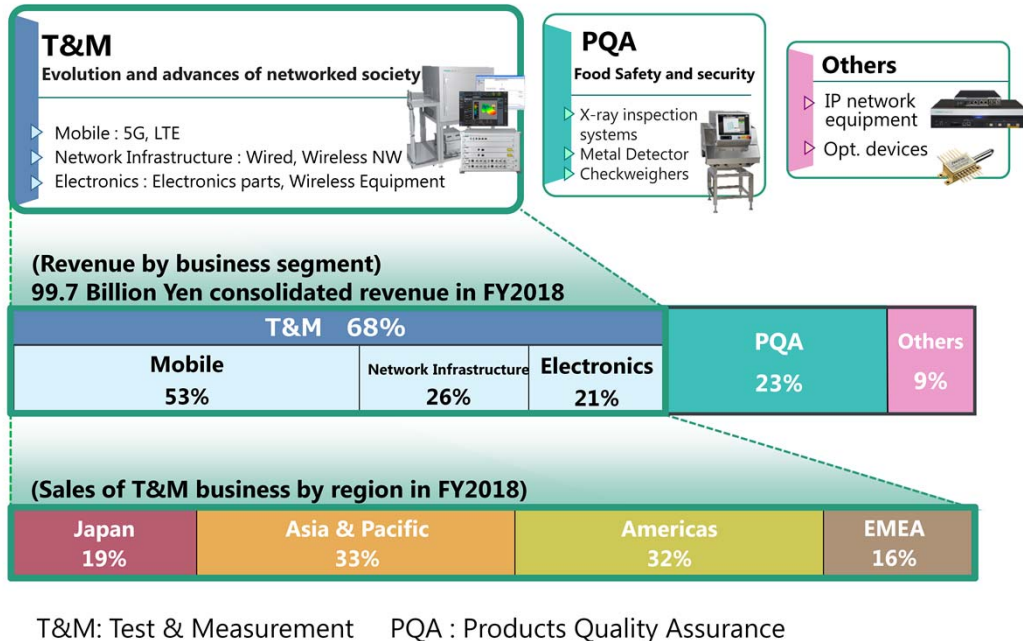
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Agenda

- I. Outline of our business segments
- II. Consolidated performance review of the 2nd quarter of the Fiscal Year ending March 31, 2020
- III. Outlook for full year of the fiscal year ending March 31, 2020(Consolidated)
- IV. 5G Service Roadmap and Anritsu initiatives

(No notes here)

I . Outline of our business segments




(Revenue by business segment) FY2019 (Six Months Ended Sep. 30, 2019)

T&M : 71%			PQA	Others
Mobile	Network Infrastructure	Electronics		
52%	27%	21%	21%	8%

(Sales of T&M business by region) FY2019 (Six Months Ended Sep. 30, 2019)

Japan	Asia & Pacific	Americas	EMEA
19%	41%	27%	13%

II -1. Consolidated performance - Financial results -

 Year-on-year growth in revenue and profit

Unit: Billion Yen

International Financial Reporting Standards (IFRS)	FY2018 (Apr. to Sep.)	FY2019 (Apr. to Sep.)	YoY	YoY (%)
Order Intake	47.9	53.6	5.7	12%
Revenue	44.3	49.8	5.5	12%
Operating profit (loss)	3.5	6.6	3.1	90%
Profit (loss) before tax	3.7	6.4	2.7	73%
Profit (loss)	3.1	4.7	1.6	49%
Comprehensive income	4.4	3.4	(1.0)	-23%

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 53.6 billion yen and revenue increased by 12% year on year to 49.8 billion yen. Operating profit increased by 90% year on year to 6.6 billion yen. Profit increased by 49% year on year to 4.7 billion yen. Comprehensive income decreased by 23% comparing with the same period of the previous fiscal year to 3.4 billion yen. This is caused by exchange differences on translation.

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

 T&M : Steady development demand for 5G

Unit: Billion Yen

International Financial Reporting Standards (IFRS)		FY2018 (Apr. to Sep.)	FY2019 (Apr. to Sep.)	YoY	YoY (%)
T&M	Revenue	29.2	35.2	6.0	21%
	Op. profit (loss)	2.5	5.9	3.4	132%
PQA	Revenue	11.4	10.7	(0.7)	-6%
	Op. profit (loss)	0.9	0.5	(0.4)	-46%
Others	Revenue	3.7	3.9	0.2	5%
	Op. profit (loss)	0.4	0.7	0.3	52%
Adjustment	Op. profit (loss)	(0.3)	(0.4)	(0.1)	-
Total	Revenue	44.3	49.8	5.5	12%
	Op. profit (loss)	3.5	6.6	3.1	90%

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.

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

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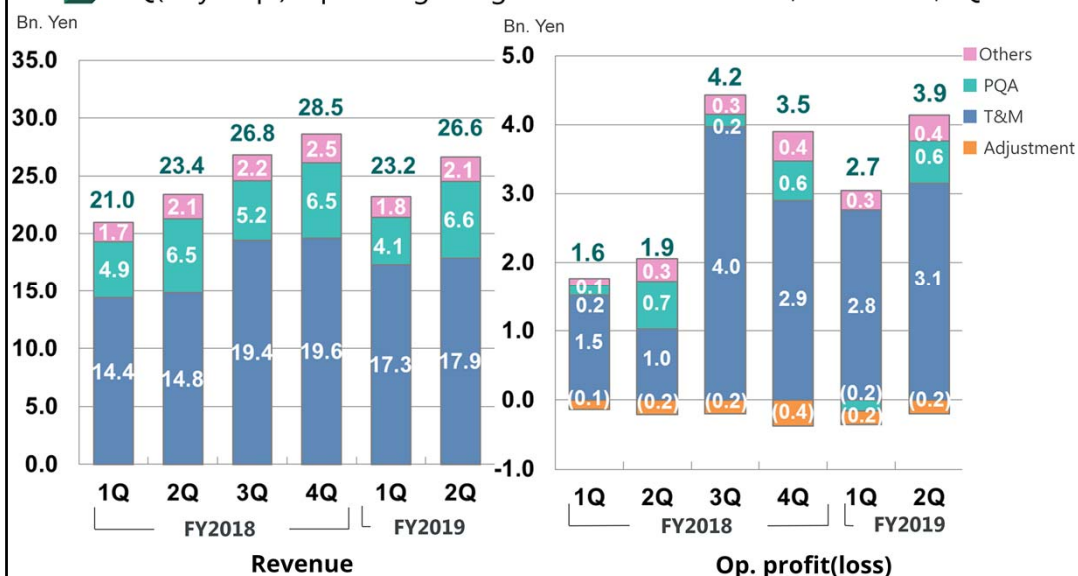
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In the T&M business, development demand for 5G was steady, and both revenue and profit increased year on year, with revenue increased by 21% year on year to 35.2 billion yen, and operating profit increased by 132% year on year to 5.9 billion yen (operating margin: 16.8%).

In the PQA business, although performance improved in 2Q, it was not enough to make up for the decline in 1Q. Revenue and profit fell year-on-year, with revenue declining by 0.7 billion yen to 10.7 billion yen, and operating profit falling by 0.4 billion yen to 0.5 billion yen.

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

➡ 2Q(July-Sep.) Operating margin : Consolidated 15%, T&M 18%, PQA 9%



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



The operating profit and the operating margin for consolidated and each business segment for 2Q are as follows:

Consolidated : 3.9 billion yen (Operating margin : 14.8%)

T&M : 3.1 billion yen (Operating margin : 17.6%)

PQA : 0.6 billion yen (Operating margin : 9.4%)

II -4. Overview of operations by business segment

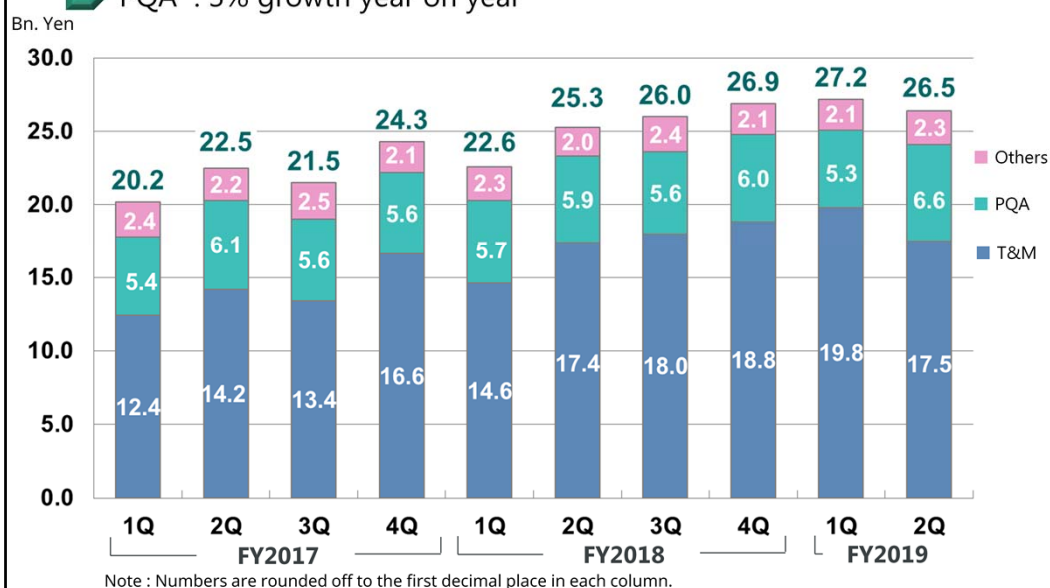
Segment		FY2019 2Q (April to Sep., 2019)
 T&M : Steady progress of 5G commercialization schedule		
Mobile	LTE	Continued curbing and reduction of investment in LTE-A
	5G	5G development demand remains steady
Network Infrastructure		Launch of 5G network infrastructure
Asia	Expansion in investment from 5G pre-service in China	
Americas	Launch of 5G service . Will pay close attention to the future area expansion.	
 PQA : Strong investment by food market for quality assurance, automation, and labor saving both in Japan and overseas		
T&M: Test & Measurement		POA : Products Quality Assurance

(No notes here)

II -5. Transition of Order intake

➡ T&M : 16% growth year on year

➡ PQA : 3% growth year on year



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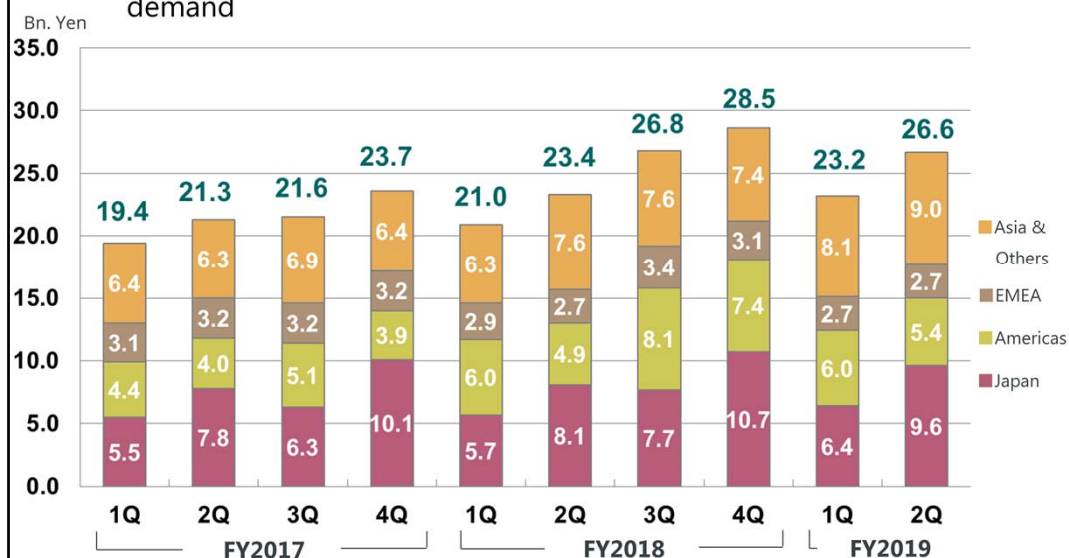
Order intake of the T&M business in 1H was 37.3billion yen, which represents a year-on-year increase of 5.3 billion yen (16%), due to the capturing of steady demand related to the development of 5G.

Order intake of the PQA business in 1H was 12.0 billion yen, an increase of 0.3 billion yen (3%) year-on-year .

The order backlog for the entire Group was 25.3 billion yen (4% year-on-year increase) and 17.6 billion yen (4% year-on-year decrease) for the T&M business and 5.8 billion yen (27% year-on-year increase) for the PQA business.

II -6. Transition of Revenue by region


Revenue rose year on year in Asia and Japan, backed by strong 5G demand



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

(No notes here)

II -7. Cash Flow

 **Operating cash flow margin ratio was 17.4%**

FY2019 2Q

Operating CF : 8.7 Bn. Yen
Investing CF : (1.1) Bn. Yen
Financing CF : (5.7) Bn. Yen

Free Cash Flow

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

Cash at the end of period

46.1 Bn. Yen

Interest-bearing debt (including lease liabilities)

14.7 Bn. Yen

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

Details

Unit : Billion Yen

Others 1.6*		
Accounts receivable 3.5		
Depreciation and amortization 2.4		
Profit(loss) before tax 6.4		
	Others 0.1	
Inventory (2.6)	Capex (1.3)	Repayment of Borrowing (3.5)
Tax (2.1)	Accounts payable (0.5)	Dividend (1.9)
	Others (0.4)	
Op. CF 8.7	Inv. CF (1.1)	Fin. CF (5.7)

* Other main items: Advances received, etc.

The operating cash flow was inflow of 8.7 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 7.6 billion yen.

The financial cash flow was outflow of 5.7 billion yen. The main outflows were repayment of borrowing of 3.5 billion yen and dividends paid of 1.9 billion yen (Dividend per share: Fiscal year end dividend: 13.5 yen).

Consequently, the balance of cash equivalents at the end of the period increased by 1.0 billion yen from the beginning of the fiscal year to 46.1 billion yen.

III-1. Forecast for full year of FY2019 (Consolidated)

➡ Upward revision in revenue and profit forecast for T&M

Unit: Billion Yen

International Financial Reporting Standards (IFRS)		FY2018	FY2019			
		Actual	Full Year		YoY	YoY(%)
			Previous Forecast	Revised Forecast		
Revenue		99.7	102.0	103.0	3.3	3%
Operating profit (loss)		11.2	10.0	11.5	0.3	2%
Profit (loss) before tax		11.4	10.0	11.5	0.1	1%
Profit (loss)		9.0	7.5	8.5	(0.5)	-5%
T&M	Revenue	68.2	69.0	70.0	1.8	3%
	Op. profit (loss)	9.4	8.0	9.5	0.1	1%
PQA	Revenue	23.1	24.5	24.5	1.4	6%
	Op. profit (loss)	1.6	2.0	2.0	0.4	24%
Others	Revenue	8.4	8.5	8.5	0.1	1%
	Op. profit (loss)	1.1	0.9	0.9	(0.2)	-21%
Adjustment	Op. profit (loss)	(0.9)	(0.9)	(0.9)	0.0	-

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

Reference : Exchange rate : FY2018 (Actual) 1USD=111 yen, 1EURO=128 yen
FY2019 (Initially Forecast) 1USD=105 yen, 1EURO=125 yen
FY2019 2H (Forecast) 1USD=105 yen, 1EURO=125 yen

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The forecast for the full year results of FY2019 has been revised from the previously announced on April 25th.

In our Test and Measurement segment, demands of measuring instruments for development in 5G related mobile market are expanding continuously. We have revised the outlook for the fiscal year ending March 31, 2020 because, principally in Asia, demands for the 5G development investment exceed our initial forecast.

For the fiscal year ending March 31, 2020, Anritsu plans to pay dividends of 22.00 yen per share as initially scheduled.

IV. 5G Service Roadmap and Anritsu initiatives

Representative Director, President
Anritsu Corporation

Hirokazu Hamada

(No notes here)

Impact of Typhoon 19 (Hagibis)

Typhoon 19 (Hagibis) crossed eastern Japan from the night of Saturday, October 12th, 2019 to the early morning hours of Sunday the 13th. We send our deepest condolences to all the victims and all the people who are affected by the typhoon.

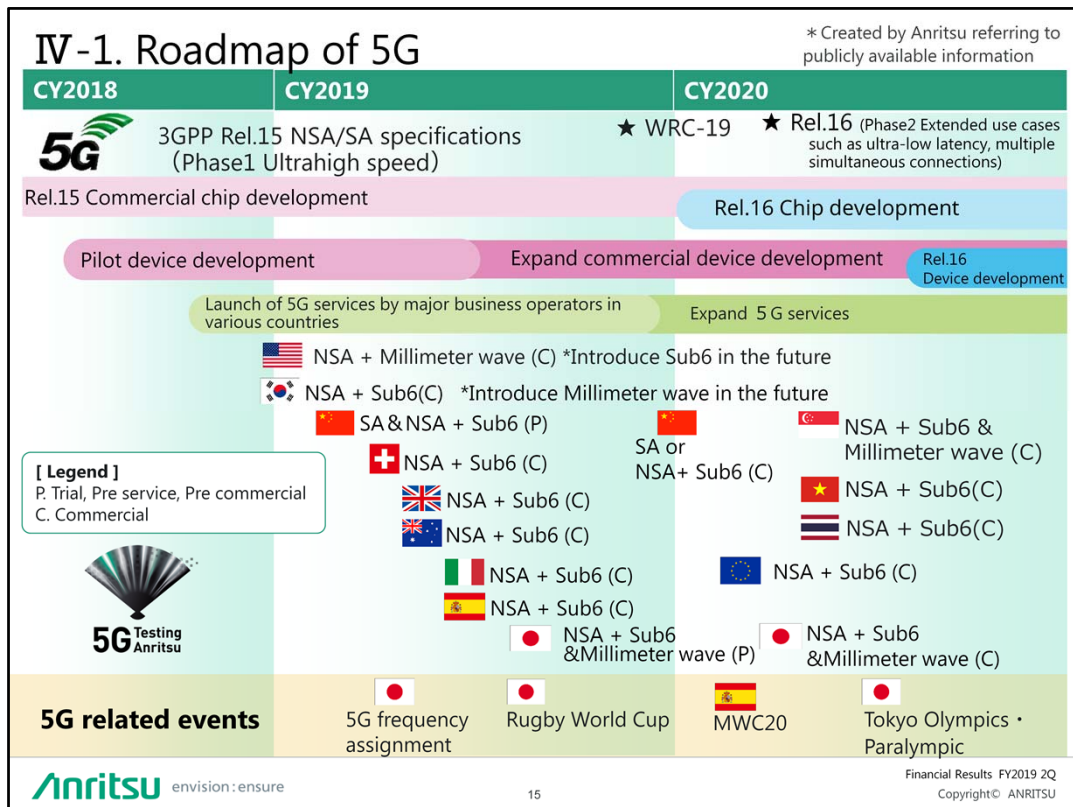
A river flood caused by the typhoon 19 (Hagibis) inundated the first factory of Tohoku Anritsu Co., Ltd., which is our consolidated subsidiary located in Koriyama, Fukushima prefecture.

We cooperated in local relief efforts, and worked to recover the factory's production readiness with priority to the safety of our employees and their families. As a result, our shipments have been resumed.

We would like to express our sincere gratitude to all the people involved in supporting us with kind consideration during this disaster.



(No notes here)



The standardization of 5G Release 15 (ultrahigh speed communications) by 3GPP was completed in 2018. This facilitated the launch of 5G services in the U.S. and South Korea in December 2018. 5G services are being successively launched in Europe (April 2019: Switzerland, May 2019: U.K., June 2019: Italy and Spain), Australia (May 2019), and other countries around the world.

Meanwhile in China, there will be no change in the schedule for the launch of services in 2020, such as the issuance of 5G sales licenses to four domestic carriers.

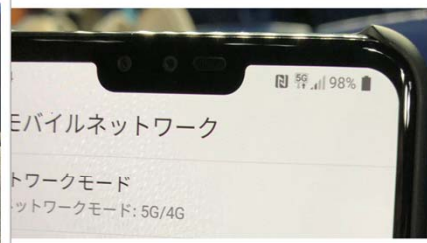
5G services are also scheduled to be launched in Southeast Asia during 2020, including in Singapore, Thailand, and Vietnam.

Today, I will introduce the 5G pre-service that are being offered at venues of the Rugby World Cup, which opened in Japan in September.

IV-2. Rugby World Cup and 5G (1/2)



5G smartphone
Dual-screen model (sub-6)



5G wireless system
installed in ceiling



In Japan, 5G pre-services are in operation at 8 of the 12 stadiums in the Rugby World Cup held in September.

IV-2. Rugby World Cup and 5G (2/2)

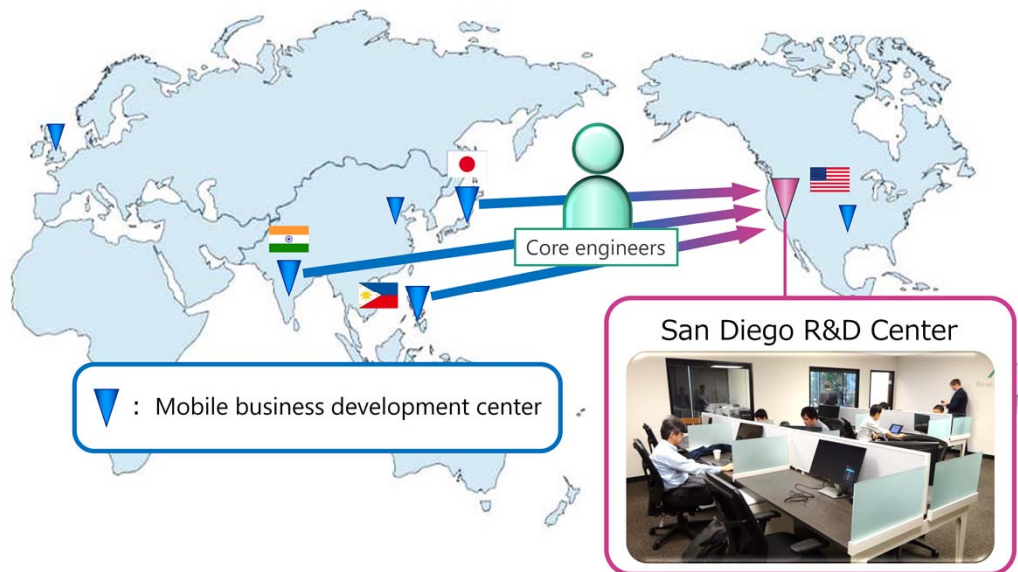


Multi-angle 4K video
on dual-display device



It looks like people are able to enjoy the match from multiple angles on a 5G-compatible dual-display device, while watching the actual match live.

IV- 3. San Diego R&D Center opens



In September 2019, we opened an R&D center in San Diego, California to enhance our development support for customers related to mobile in the U.S.

We have also sent core engineers from Japan, India and the Philippines to the R&D center, which provides a development support able to respond flexibly to our customers' requirements.

We will strengthen cooperation with major customers in leading-edge fields of mobile technology.



(No notes here)