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

Akifumi Kubota
Director
Executive Vice President
CFO
Anritsu Corporation
October 31st, 2019

TSE code: 6754
https://www.anritsu.com

(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.

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.
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

T&M: Evolution and advances of networked society
- Mobile: 5G, LTE
- Network Infrastructure: Wired, Wireless NW
- Electronics: Electronics parts, Wireless Equipment

PQA: Food Safety and security
- X-ray inspection systems
- Metal Detector
- Checkweighers

Others: IP network equipment, Opt. devices

(Revenue by business segment) FY2018
99.7 Billion Yen consolidated revenue

<table>
<thead>
<tr>
<th>T&amp;M</th>
<th>PQA</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>68%</td>
<td>23%</td>
<td>9%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Mobile</th>
<th>Network Infrastructure</th>
<th>Electronics</th>
</tr>
</thead>
<tbody>
<tr>
<td>53%</td>
<td>26%</td>
<td>21%</td>
</tr>
</tbody>
</table>

(Sales of T&M business by region in FY2018)

<table>
<thead>
<tr>
<th>Japan</th>
<th>Asia &amp; Pacific</th>
<th>Americas</th>
<th>EMEA</th>
</tr>
</thead>
<tbody>
<tr>
<td>19%</td>
<td>33%</td>
<td>32%</td>
<td>16%</td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>T&amp;M</th>
<th>Mobile</th>
<th>Network Infrastructure</th>
<th>Electronics</th>
<th>PQA</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>71%</td>
<td>52%</td>
<td>27%</td>
<td>21%</td>
<td>21%</td>
<td>8%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Japan</th>
<th>Asia &amp; Pacific</th>
<th>Americas</th>
<th>EMEA</th>
</tr>
</thead>
<tbody>
<tr>
<td>19%</td>
<td>41%</td>
<td>27%</td>
<td>13%</td>
</tr>
</tbody>
</table>
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.
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.
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%)

Note: Numbers are rounded off to the first decimal place in each column.
## II -4. Overview of operations by business segment

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY2019 2Q (April to Sep., 2019)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>T&amp;M</strong></td>
<td></td>
</tr>
<tr>
<td>Mobile</td>
<td></td>
</tr>
<tr>
<td>LTE</td>
<td>Continued curbing and reduction of investment in LTE-A</td>
</tr>
<tr>
<td>5G</td>
<td>5G development demand remains steady</td>
</tr>
<tr>
<td>Network Infrastructure</td>
<td>Launch of 5G network infrastructure</td>
</tr>
<tr>
<td>Asia</td>
<td>Expansion in investment from 5G pre-service in China</td>
</tr>
<tr>
<td>Americas</td>
<td>Launch of 5G service. Will pay close attention to the future area expansion.</td>
</tr>
<tr>
<td><strong>PQA</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Strong investment by food market for quality assurance, automation, and labor saving both in Japan and overseas</td>
</tr>
</tbody>
</table>

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

(No notes here)
Order intake of the T&M business in 1H was 37.3 billion 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.
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.
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.
In Japan, 5G pre-services are in operation at 8 of the 12 stadiums in the Rugby World Cup held in September.
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.
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.