

# Financial Results for the 3rd quarter of the Fiscal Year ending March 31, 2020

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Director  
Executive Vice President  
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Anritsu Corporation

January 31st, 2020

*Beyond*  
**2020**



MEMBERSHIP

TSE cord : 6754  
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**Anritsu**  
envision : ensure

# Cautionary Statement

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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.

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.

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# Agenda

- I. Outline of our business segments
- II. Consolidated performance review of the 3rd quarter of the Fiscal Year ending March 31, 2020
- III. Outlook for full year of the Fiscal Year ending March 31, 2020(Consolidated)
- IV. Absorption-type merger of consolidated subsidiaries (simplified merger and short-form merger)
- V. 5G Service Roadmap and Anritsu initiatives

# 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)

99.7 Billion Yen consolidated revenue in FY2018

| T&M 68%    |                            |                 | PQA 23% | Others 9% |
|------------|----------------------------|-----------------|---------|-----------|
| Mobile 53% | Network Infrastructure 26% | Electronics 21% |         |           |

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

|           |                    |              |          |
|-----------|--------------------|--------------|----------|
| Japan 19% | Asia & Pacific 33% | Americas 32% | EMEA 16% |
|-----------|--------------------|--------------|----------|

T&M: Test & Measurement

PQA : Products Quality Assurance

## Ⅱ -1. Consolidated performance - Financial results -



Year-on-year growth in revenue and profit

Unit: Billion Yen

| International Financial Reporting Standards (IFRS) | FY2018<br>(Apr. to Dec.) | FY2019<br>(Apr. to Dec.) | YoY | YoY (%) |
|--|--------------------------|--------------------------|-----|---------|
| Order Intake                                       | 73.9                     | 82.6                     | 8.7 | 12%     |
| Revenue  | 71.1                     | 76.4                     | 5.3 | 7%      |
| Operating profit (loss)                            | 7.7                      | 11.3                     | 3.6 | 47%     |
| Profit (loss) before tax                           | 7.9                      | 11.2                     | 3.3 | 43%     |
| Profit (loss)                                      | 6.3                      | 8.3                      | 2.0 | 33%     |
| Comprehensive income                               | 6.5                      | 7.9                      | 1.4 | 22%     |

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

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

 T&M : Steady development demand for 5G

Unit: Billion Yen

| International Financial Reporting Standards (IFRS) |                   | FY2018<br>(Apr. to Dec.) | FY2019<br>(Apr. to Dec.) | YoY   | YoY (%) |
|--|-------------------|--------------------------|--------------------------|-------|---------|
| T&M  | Revenue           | 48.6                     | 54.2                     | 5.6   | 11%     |
|  | Op. profit (loss) | 6.5                      | 9.9                      | 3.4   | 53%     |
| PQA  | Revenue           | 16.6                     | 15.9                     | (0.7) | -5%     |
|  | Op. profit (loss) | 1.0                      | 0.7                      | (0.3) | -35%    |
| Others   | Revenue           | 5.9                      | 6.4                      | 0.5   | 8%      |
|  | Op. profit (loss) | 0.7                      | 1.3                      | 0.6   | 81%     |
| Adjustment   | Op. profit (loss) | (0.6)                    | (0.6)                    | 0.0   | -       |
| Total  | Revenue           | 71.1                     | 76.4                     | 5.3   | 7%      |
|  | Op. profit (loss) | 7.7                      | 11.3                     | 3.6   | 47%     |

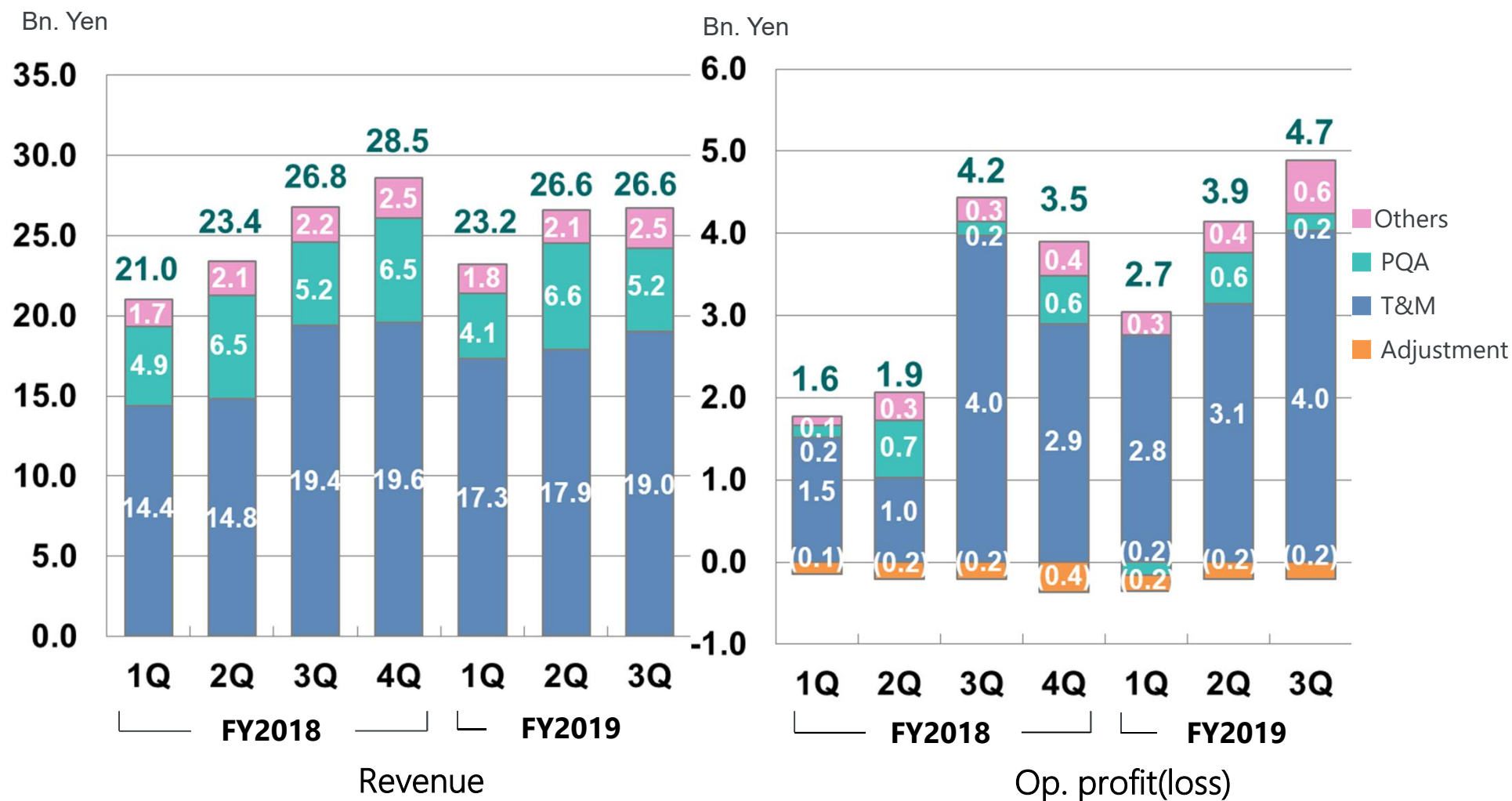
Note1 : Numbers are rounded off to the first decimal place in each column.

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



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

➡ 3Q(Oct.-Dec.) Operating margin : Consolidated 18%, T&M 21% ,PQA 4%



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

## II -4. Overview of operations by business segment

| Segment  |  | FY2019 3Q (April to Dec., 2019)                        |
|--|--|--|
|  <b>T&amp;M</b> : 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                                  |  |
| Americas   | Launch of 5G service. Will pay close attention to the future area expansion. |  |
|  <b>PQA</b> : Strong investment by food market for quality assurance, automation, and labor saving both in Japan and overseas |  |  |

T&M: Test & Measurement

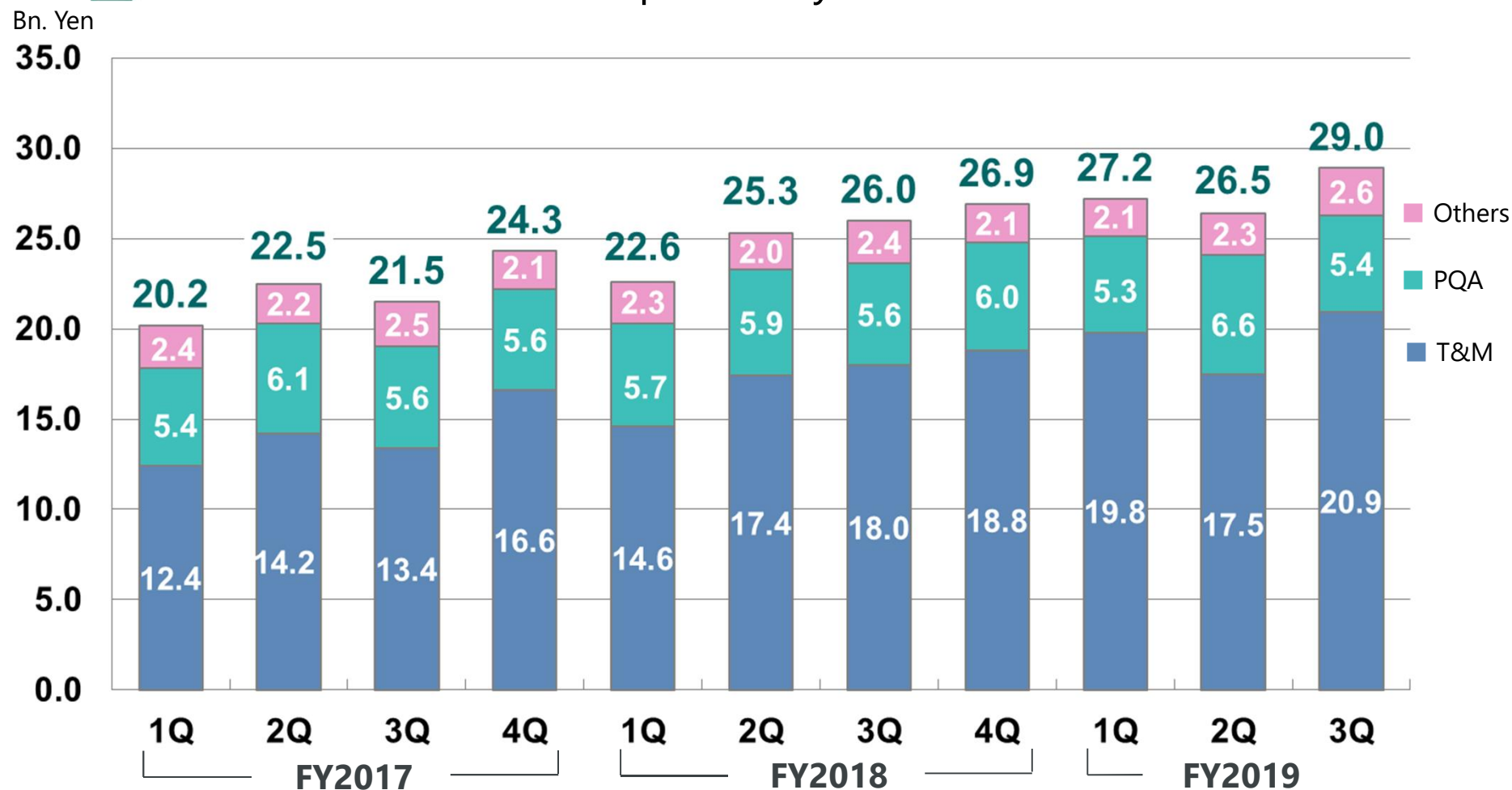
PQA : Products Quality Assurance



## Ⅱ -5. Transition of Order intake

➡ T&M : 16% growth year on year

➡ PQA : Same level as the previous year

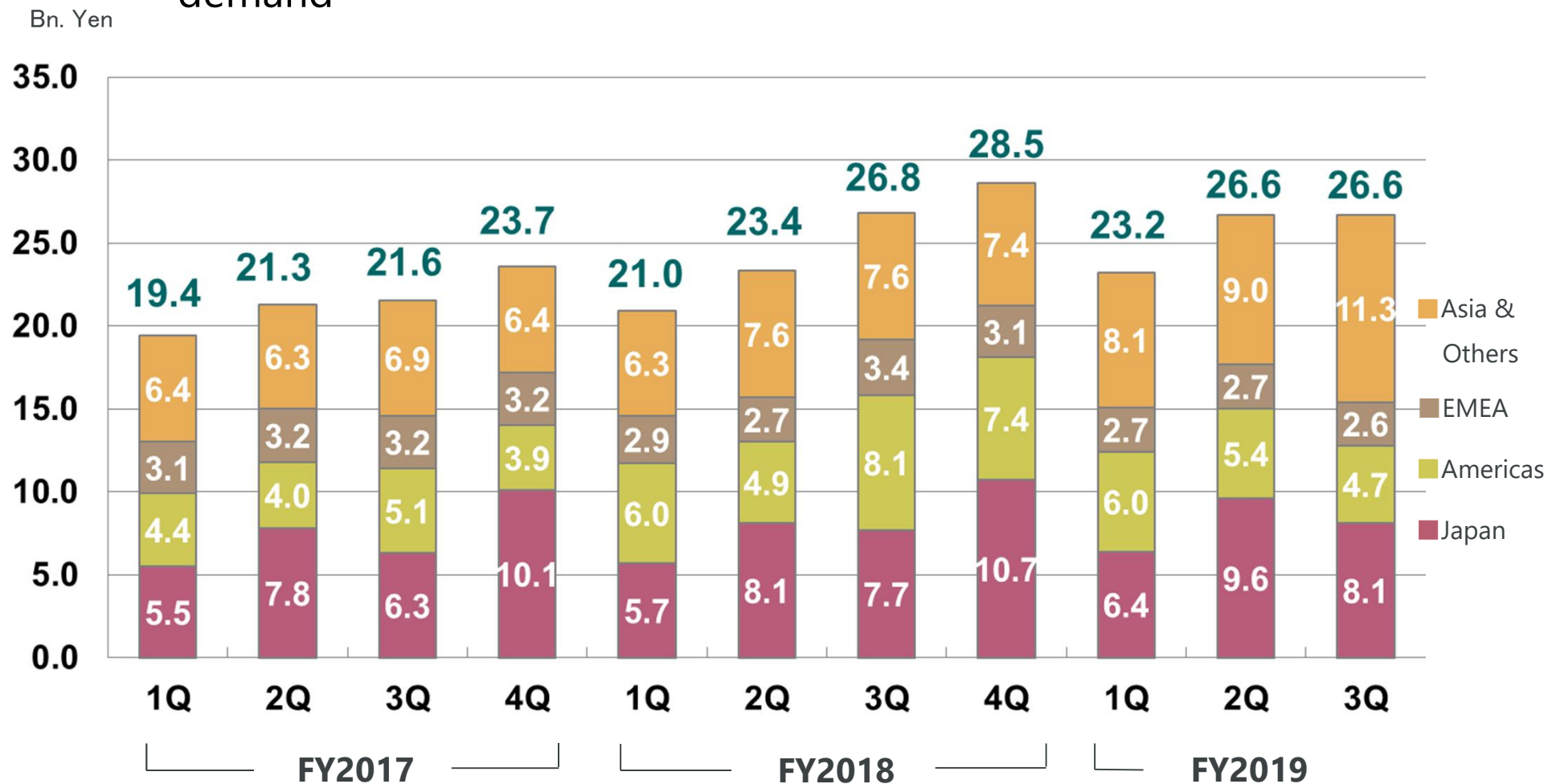


Note : Numbers are rounded off to the first decimal place in each column.

## 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.

## II -7. Cash Flow

 **Operating cash flow margin ratio was 11.8%**

### FY2019 3Q

Operating CF : 9.0 Bn. Yen  
Investing CF : (2.1) Bn. Yen  
Financing CF : (7.4) Bn. Yen

### Free Cash Flow

Op. CF + Inv. CF : 7.0 Bn. Yen

### Cash at the end of period

44.4 Bn. Yen

### Interest-bearing debt (including lease liabilities)

14.7 Bn. Yen

### Details

Unit : Billion Yen

|                               |       |                          |                              |
|-------------------------------|-------|--------------------------|------------------------------|
|                               |       |                          | ← Others 0.4*                |
| Accounts receivable           | 2.0   |                          |                              |
| Depreciation and amortization | 3.7   |                          |                              |
| Profit(loss) before tax       | 11.2  |                          |                              |
| Inventory                     | (4.6) | Capex (1.9)              | Repayment of Borrowing (3.5) |
|                               |       | ↑ Others (0.2)           |                              |
| Tax                           | (3.2) | Others (0.7)             | Dividend (3.4)               |
|                               |       | ← Accounts payable (0.5) |                              |

\* Other main items: Advances received, etc.

**Op. CF 9.0**

**Inv. CF (2.1)**

**Fin. CF (7.4)**

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

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



Consolidated results forecast was revised upwards

Unit: Billion Yen

|                          |            |                   | FY2018 | FY2019                                    |   |                  |     |        |
|--------------------------|------------|-------------------|--------|---|---|------------------|-----|--------|
|                          |            |                   | Actual | Full Year                                 |   |                  | YoY | YoY(%) |
|                          |            |                   |        | Previous Forecast<br>(as of Apr. 25 2019) | Previous Forecast<br>(as of Oct. 30 2019) | Revised Forecast |     |        |
| Revenue                  |            |                   | 99.7   | 102.0                                     | 103.0                                     | 105.0            | 5.3 | 5%     |
| Operating profit (loss)  |            |                   | 11.2   | 10.0                                      | 11.5                                      | 15.5             | 4.3 | 38%    |
| Profit (loss) before tax |            |                   | 11.4   | 10.0                                      | 11.5                                      | 15.5             | 4.1 | 36%    |
| Profit (loss)            |            |                   | 9.0    | 7.5                                       | 8.5                                       | 11.0             | 2.0 | 22%    |
|                          | T&M        | Revenue           | 68.2   | 69.0                                      | 70.0                                      | 73.0             | 4.8 | 7%     |
|                          |            | Op. profit (loss) | 9.4    | 8.0                                       | 9.5                                       | 13.5             | 4.1 | 43%    |
|                          | PQA        | Revenue           | 23.1   | 24.5                                      | 24.5                                      | 23.5             | 0.4 | 2%     |
|                          |            | Op. profit (loss) | 1.6    | 2.0                                       | 2.0                                       | 1.6              | 0.0 | 0%     |
|                          | Others     | Revenue           | 8.4    | 8.5                                       | 8.5                                       | 8.5              | 0.1 | 1%     |
|                          |            | Op. profit (loss) | 1.1    | 0.9                                       | 0.9                                       | 1.3              | 0.2 | 14%    |
|                          | Adjustment | Op. profit (loss) | (0.9)  | (0.9)                                     | (0.9)                                     | (0.9)            | 0.0 | -      |

Reference : Exchange rate : FY2018 (Actual)  
FY2019 (Initially Forecast)  
FY2019 2H ( Forecast )

1USD=111 yen, 1EURO=128 yen  
1USD=105 yen, 1EURO=125 yen  
1USD=105 yen, 1EURO=125 yen

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

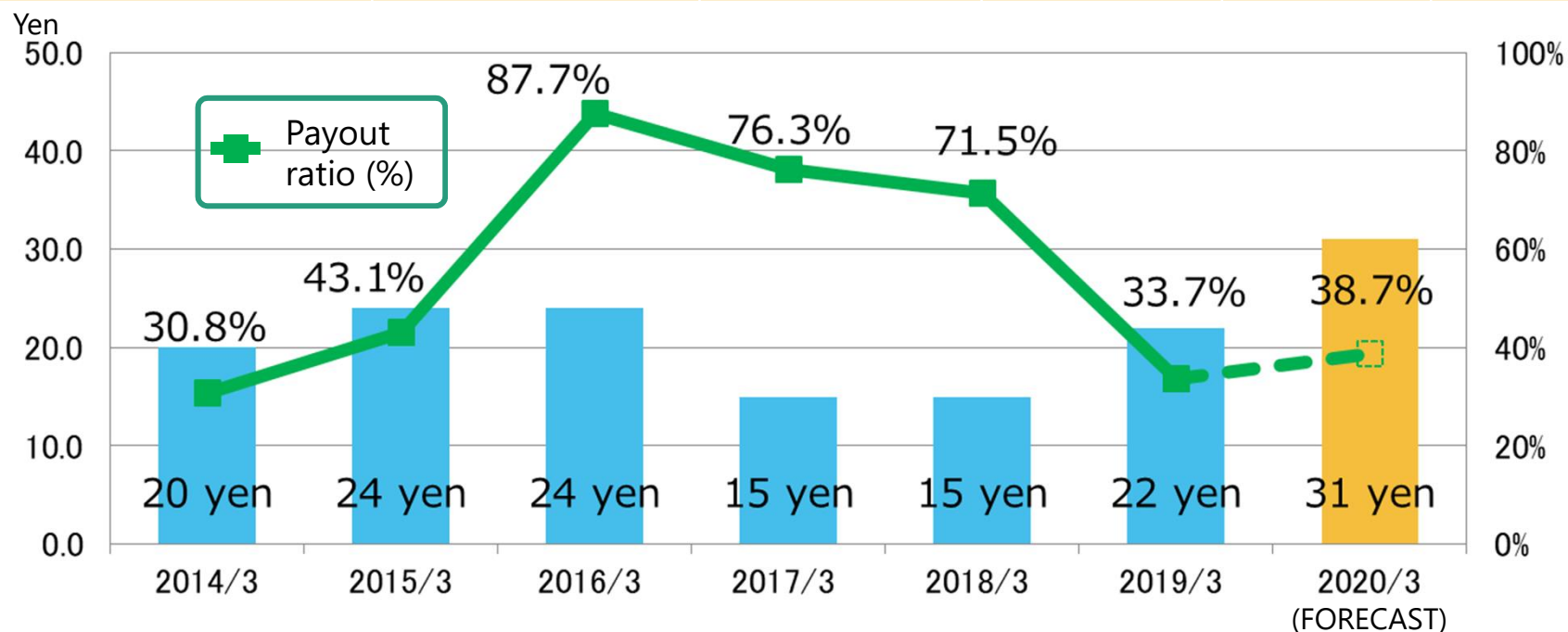
## Ⅲ-2. Dividend forecast

Annual Dividend  
**Increase  
in dividend**

**22 yen → 31 yen**

(Interim dividend 11 yen, Year-end dividend 20 yen)

|                          | Dividend per share | Profit            | Payout ratio | DOE         | ROE        |
|--------------------------|--------------------|-------------------|--------------|-------------|------------|
| <b>FY2019 (Forecast)</b> | <b>31 yen</b>      | <b>11.0 B yen</b> | <b>38.7%</b> | <b>4.6%</b> | <b>12%</b> |
| FY2018 (Actual)          | 22 yen             | 9.0 B yen         | 33.7%        | 3.7%        | 10.9%      |



#### IV . Merger (Simplified Merger and Short-Form Merger) of Consolidated Subsidiaries

The Company has launched a new initiative, “Beyond 2020” for profitable and sustainable growth, and the Company is promoting transformation to a company that strives to realize company philosophy and company vision as a group.

Under these circumstances, the Company has decided to absorb ANRITSU NETWORKS CO., LTD. , ANRITSU ENGINEERING CO., LTD. and ANRITSU PRO ASSOCIE CO., LTD., all of which are wholly-owned consolidated subsidiaries in order to revitalize Anritsu Group, strengthen human resources, and to build a new management system that can respond to the complex and changing market environment and strive to create new businesses.

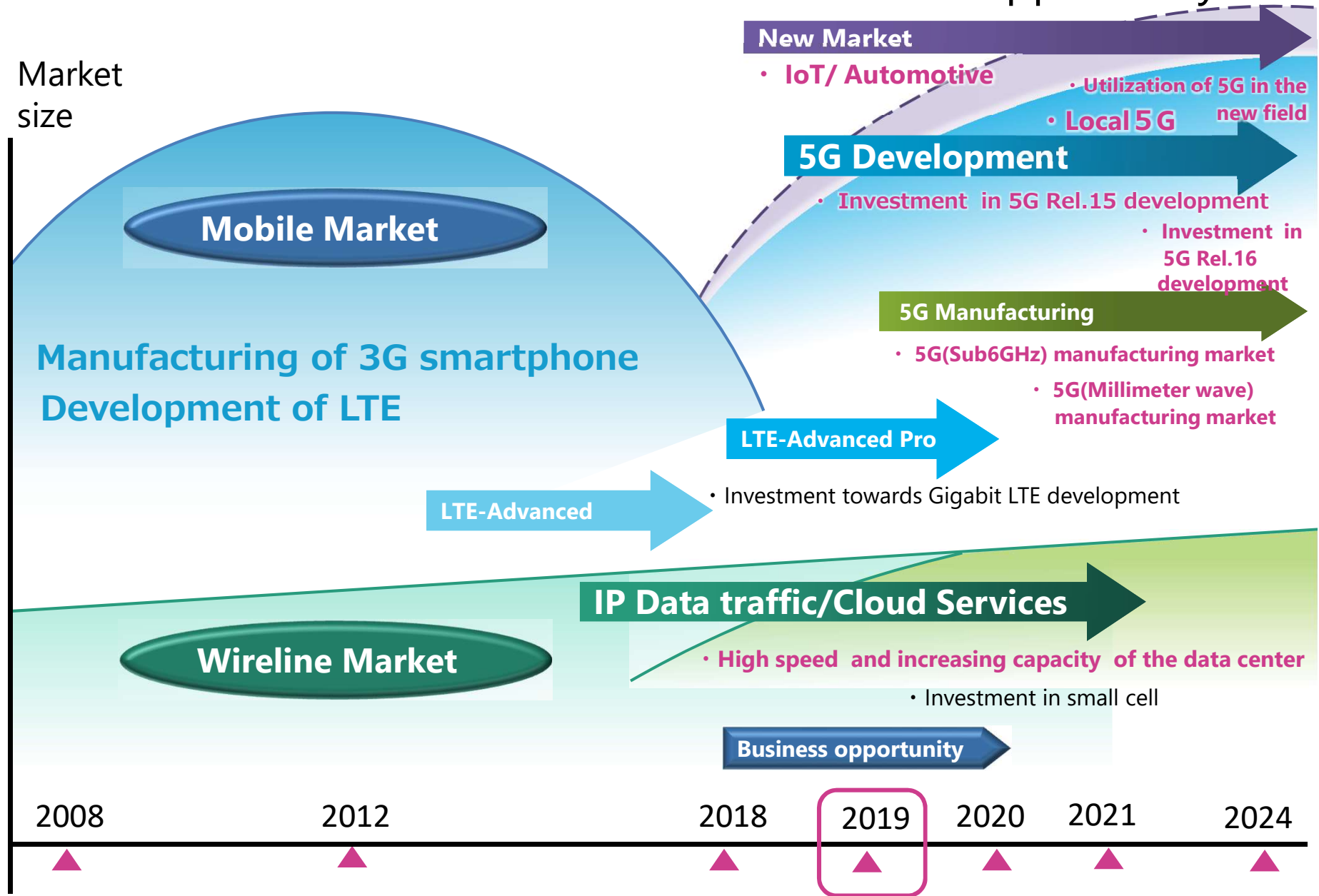
Expected merger date (effective date) April 1, 2020 (planned)

# V. 5G Service Roadmap and Anritsu initiatives

Hirokazu Hamada

Representative Director, President,  
Group CEO,  
Anritsu Corporation

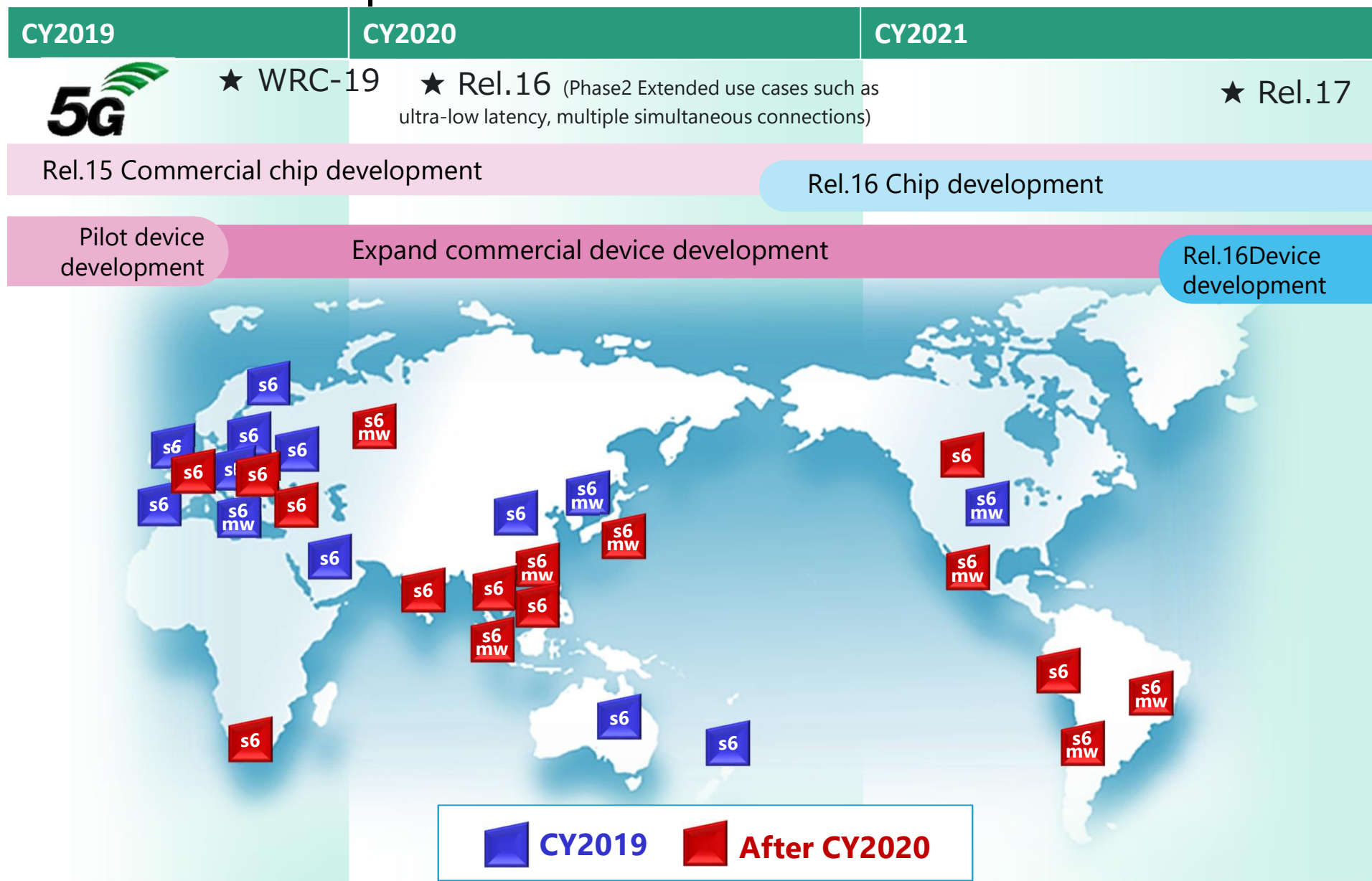
# V-1. T&M : Mobile market trends and Business opportunity





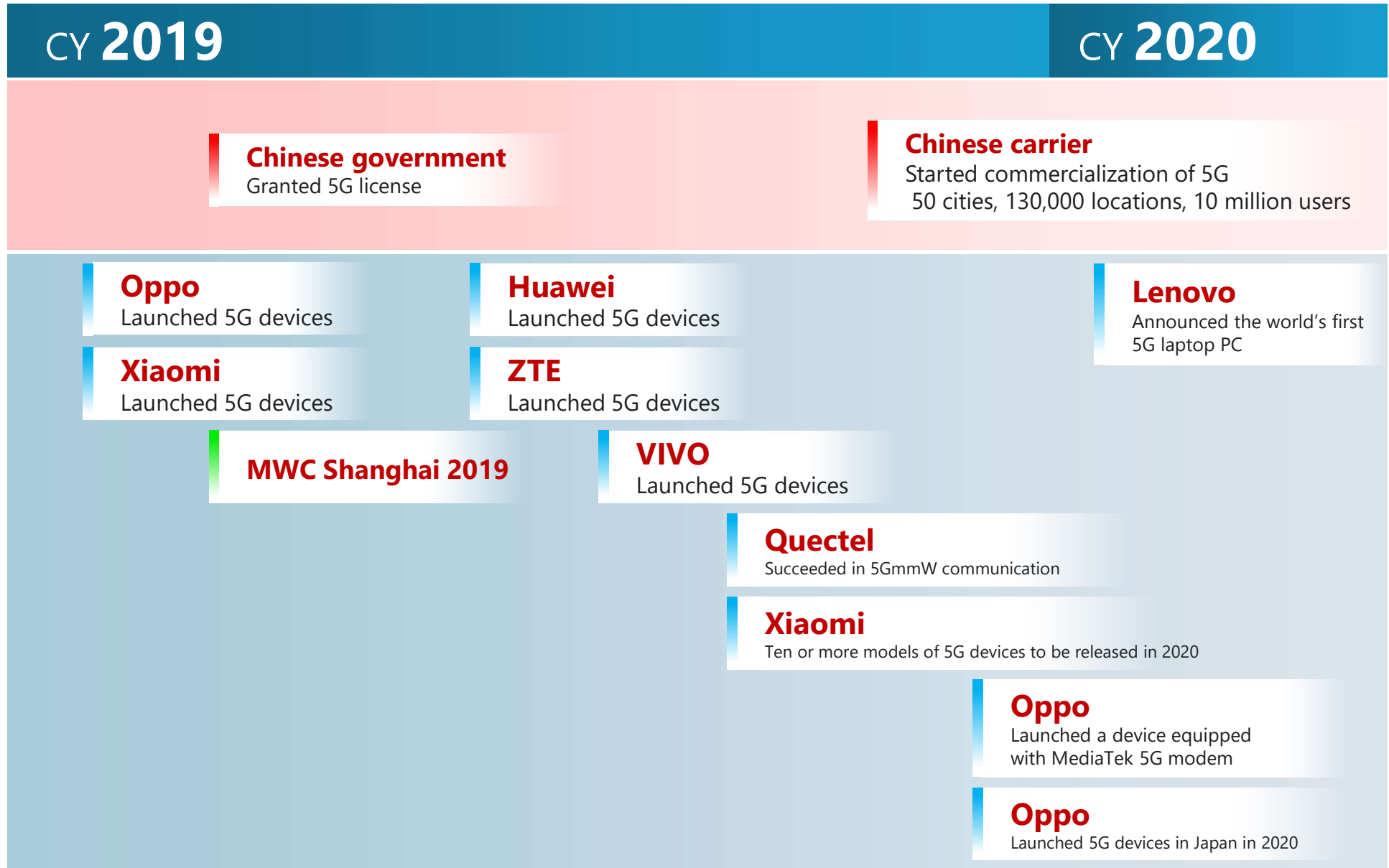
# V-2. Roadmap of 5G

\* Created by Anritsu referring to publicly available information

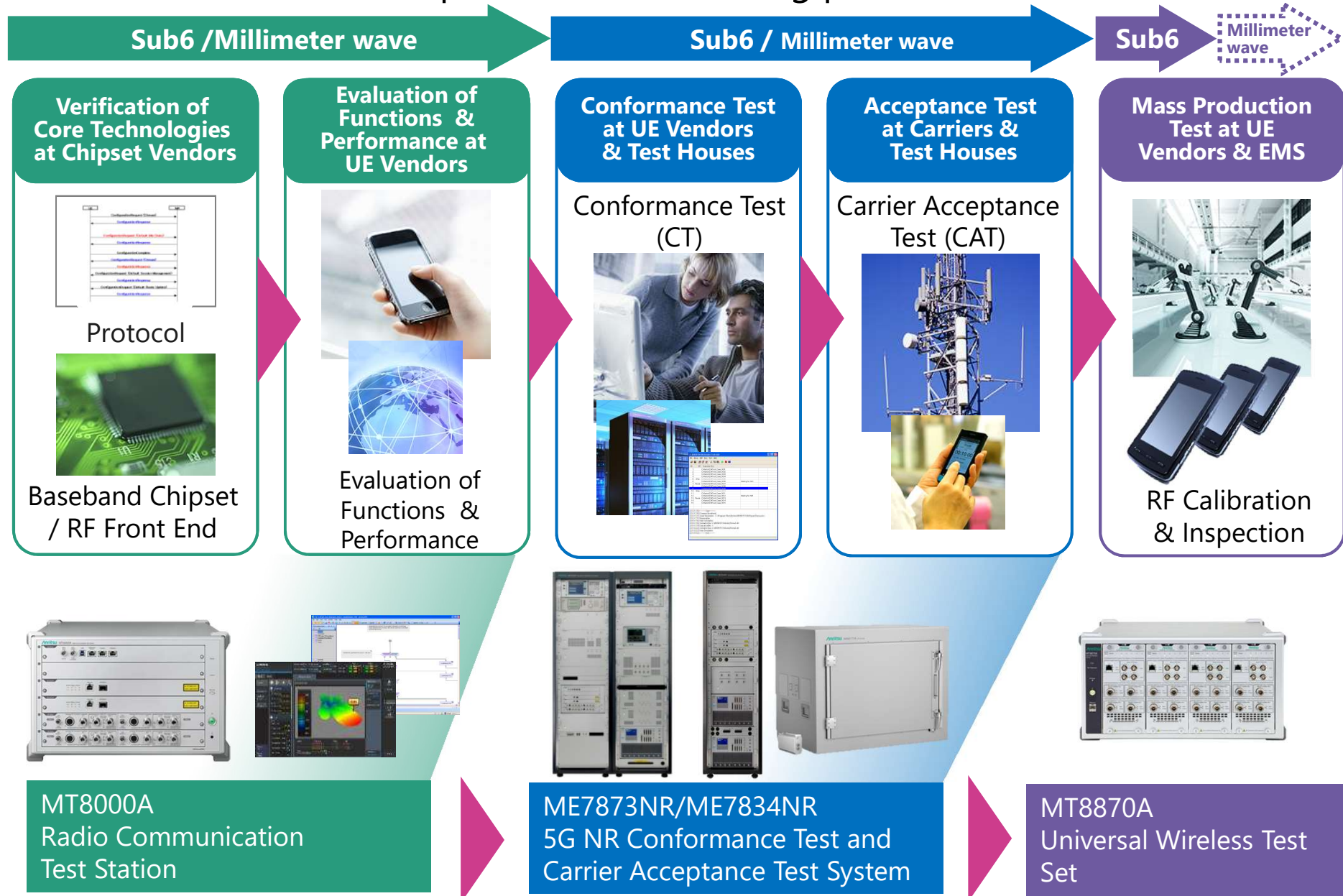


# V-3 Increased investment aimed at 5G commercialization in China

\* Created by Anritsu referring to publicly available information



# V-4. 5G terminal development/manufacturing process and test solutions





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