

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

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January 31st, 2020

*Beyond*  
**2020**



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(No notes here)

## 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.

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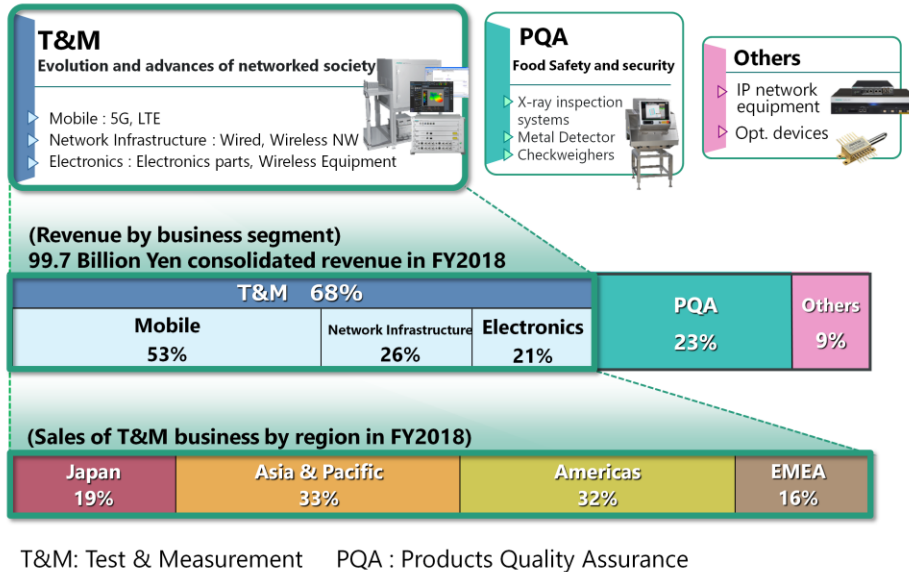
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## Agenda

- 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

(No notes here)

# I . Outline of our business segments



(Revenue by business segment) FY2019 (Nine Months Ended Dec. 31, 2019)

T&M : 71%			PQA	Others
Mobile	Network Infrastructure	Electronics		
55%	26%	19%	21%	8%

(Sales of T&M business by region) FY2019 (Nine Months Ended Dec. 31, 2019)

Japan	Asia & Pacific	Americas	EMEA
19%	44%	24%	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 Dec.)	FY2019 (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.

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The Group's consolidated order intake increased by 12% year on year to 82.6 billion yen and revenue increased by 7% year on year to 76.4 billion yen. Operating profit increased by 47% year on year to 11.3 billion yen . Profit increased by 33% year on year to 8.3 billion yen.

## 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 Dec.)	FY2019 (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

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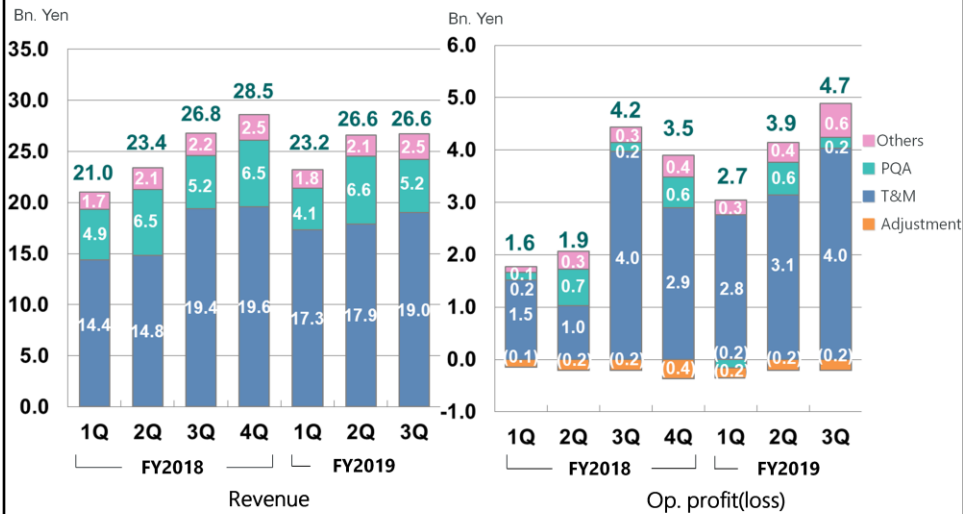
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In the T&M business, development demand for 5G was steady, and both revenue and profit increased year on year, with revenue increased by 11% year on year to 54.2 billion yen, and operating profit increased by 53% year on year to 9.9 billion yen (operating margin: 18.3%).

In the PQA business, while the performance for 3Q was roughly equivalent to that of the same quarter of the previous year, 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 15.9 billion yen, and operating profit falling by 0.3 billion yen to 0.7 billion yen.

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

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



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The operating profit and the operating margin for consolidated and each business segment for 3Q are as follows:

Consolidated : 4.7 billion yen (Operating margin : 17.6%)

T&M : 4.0 billion yen (Operating margin : 21.2%)

PQA : 0.2 billion yen (Operating margin : 4.2%)

## 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

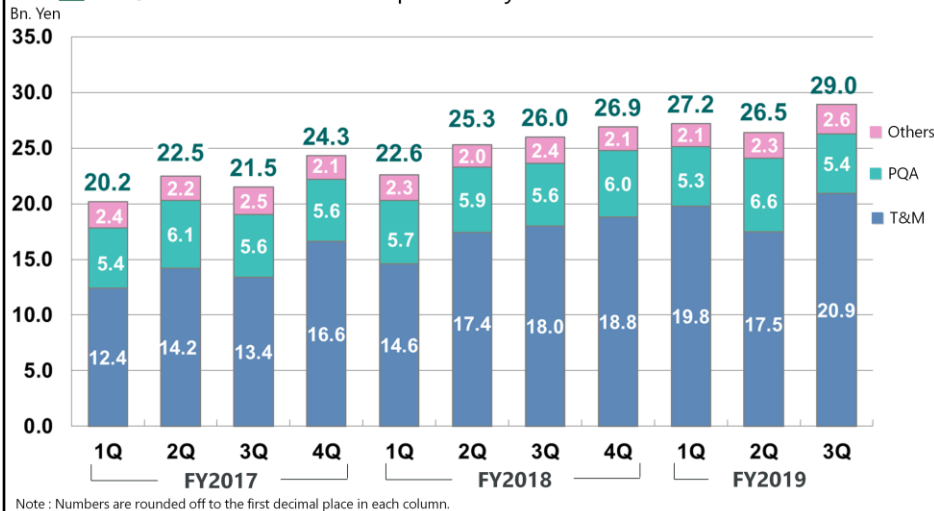
PQA : Products Quality Assurance

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## II -5. Transition of Order intake

- T&M : 16% growth year on year
- PQA : Same level as the previous year



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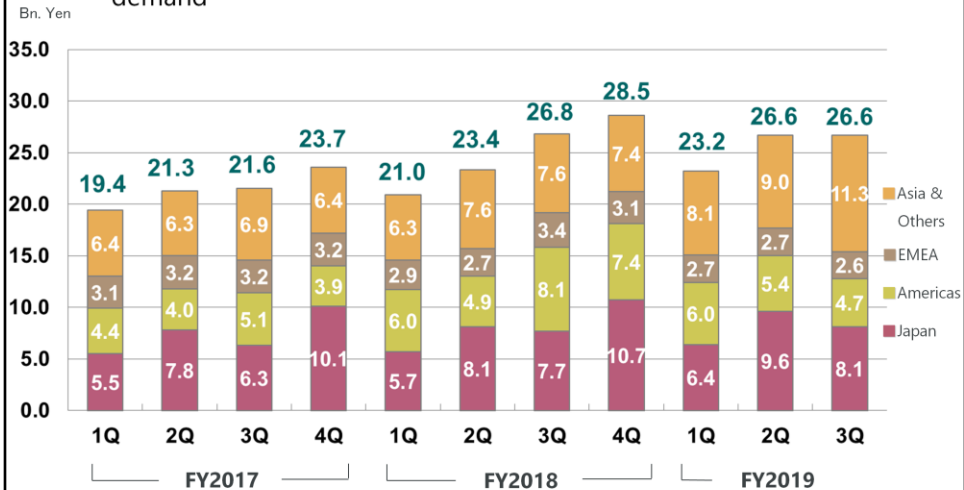
Order intake of the T&M business in 3Q was 20.9billion yen, which represents a year-on-year increase of 2.9 billion yen (16%), due to the capturing of steady demand related to the development of 5G.

Order intake of the PQA business in 3Q was nearly the same level as the previous fiscal year, at 5.4 billion yen.

The order backlog for the entire Group was 28.7 billion yen (23% year-on-year increase) and 20.5 billion yen (23% year-on-year increase) for the T&M business and 6.1 billion yen (23% 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 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

Unit : Billion Yen

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

The operating cash flow was inflow of 9.0 billion yen.

The investing cash flow was outflow of 2.1 billion yen.

As a result, the free cash flow amounted to an inflow of 7.0 billion yen.

The financial cash flow was outflow of 7.4 billion yen. The main outflows were repayment of borrowing of 3.5 billion yen and dividends paid of 3.4 billion yen (Dividend per share: Fiscal year end dividend: 13.5 yen, Interim dividend: 11 yen).

Consequently, the balance of cash equivalents at the end of the period decreased by 0.7 billion yen from the beginning of the fiscal year to 44.4 billion yen.

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

 Consolidated results forecast was revised upwards

Unit: Billion Yen

		FY2018	FY2019				
		Actual	Previous Forecast (as of Apr. 25 2019)	Previous Forecast (as of Oct. 30 2019)	Revised Forecast	YoY	YoY(%)
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) 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 and dividend per share of FY2019 has been revised from October 30<sup>th</sup> as previously announced.

In our Test and Measurement segment, demands of measuring instruments for development in 5G related mobile markets are expanding continuously. With regard to revenue, principally in Asia, demands for the 5G development investment exceed our previous forecast. With regard to profit, we expect revenue-increase effects and cost rate improvement, based on the results of until this thirdquarter. Consequently, we revise up the Revenue and Operating profit for the fiscal year ending March 31, 2020.

In our Products Quality Assurance segment, we are steadily acquiring capital investment demands for improvement, automation and labor-saving for the quality assurance processes in the food product market. However, due to prolonged acceptance inspection at customers' site, revenue and operating profit will be lower than our initial forecast. Consequently, we revise down the Revenue and Operating profit for the fiscal year ending March 31, 2020.

In our Other segment, the performance of device segment will exceed our initial forecast. Consequently, we revise up Operating profit for the fiscal year ending March 31, 2020.

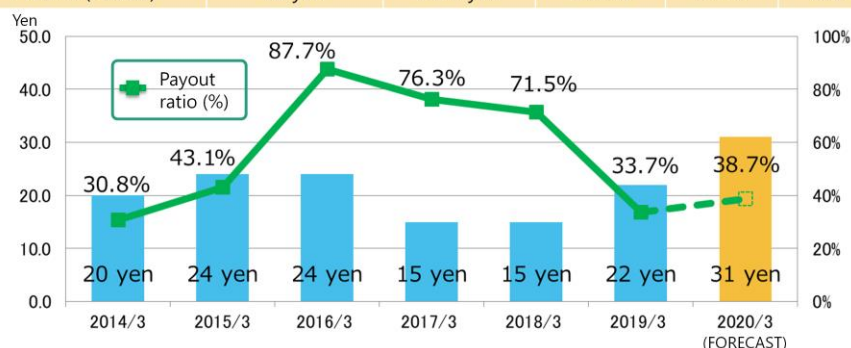
With regard to Profit before tax, Profit and Profit attributable to owners of parent, we revise up for each due to Operating profit revision.

### 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%



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Due to the upward revision of the forecast, we plan to increase the annual dividend to 31 yen per share (an interim dividend of 11 yen and a year-end dividend of 20 yen), an increase of 9 yen from the annual dividend of 22 yen per share (including an interim dividend of 11 yen) announced on April 25, 2019 in the forecast for the full year results of FY2019.

ROE is expected to be 12%.

#### [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.

#### 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.

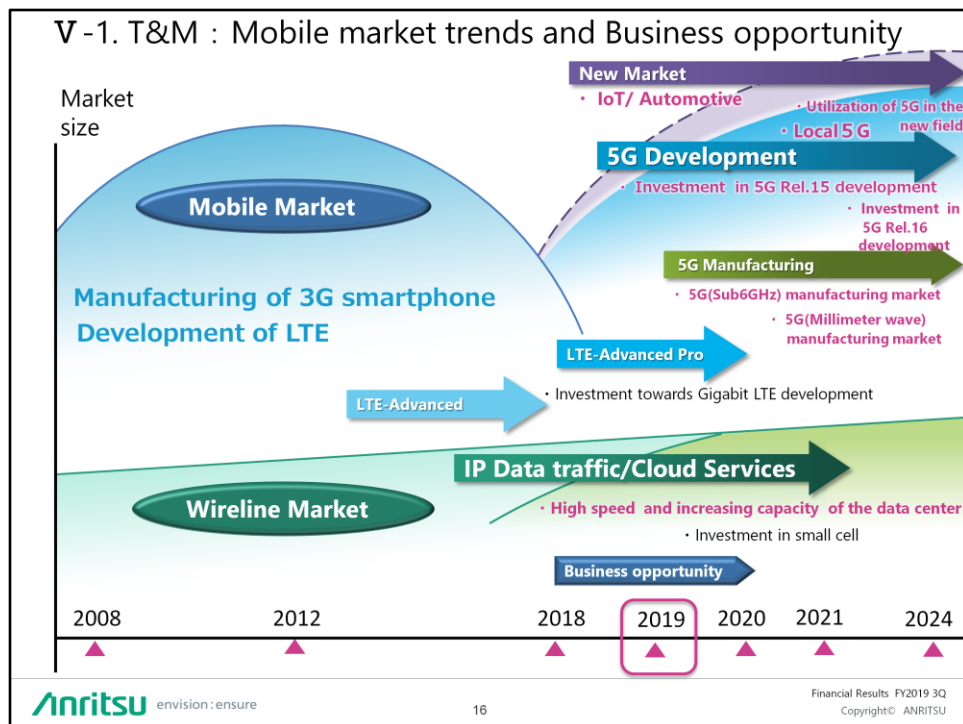
Expected merger date (effective date) April 1, 2020 (planned)

(No notes here)

## V. 5G Service Roadmap and Anritsu initiatives

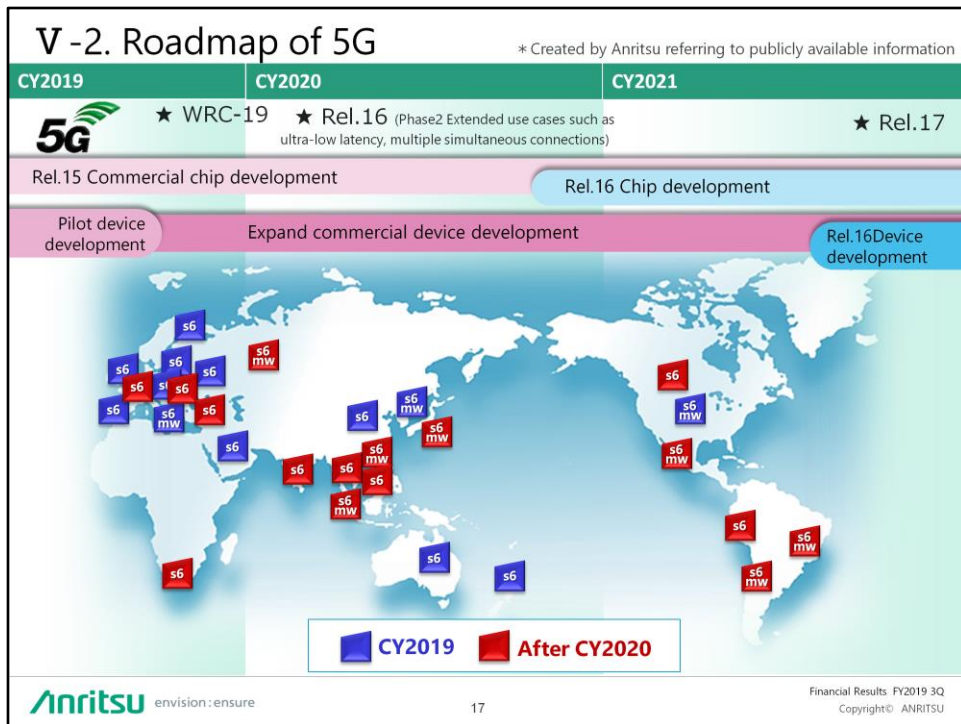
Hirokazu Hamada  
Representative Director, President,  
Group CEO,  
Anritsu Corporation

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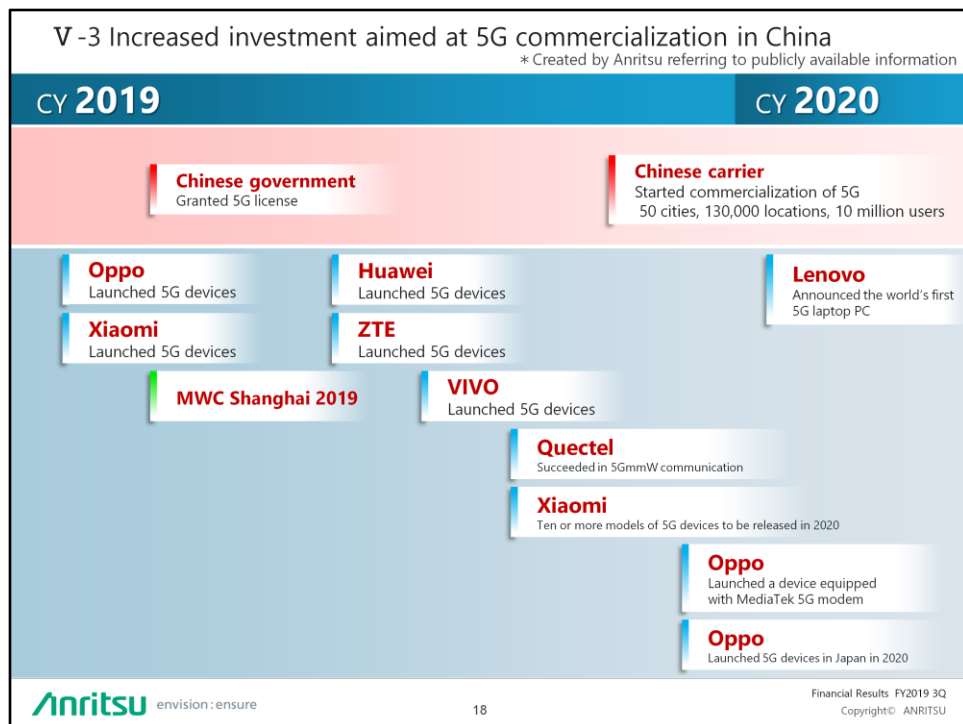


In the mobile T&M market, although there has been a decline in demand for measuring instruments related to LTE and those targeting smartphone manufacturing, the market is expected to grow gradually, with initial development investment for 5G as the growth driver. The mobile market peaked in 2012 on the LTE cycle, but we expect it will be around 2023–2024 on the 5G cycle. Development investments by 5G vendors in Asia were greater than expected, and the scale of the (smartphone-related) mobile measurement market for the 5G cycle is now expected to be roughly 90% of the peak scale of the LTE cycle. Furthermore, when incorporating local 5G and the IoT and automobile-related markets, which are fields expected to utilize 5G, we believe that the scale of the mobile measurement market may exceed that of LTE at its peak.

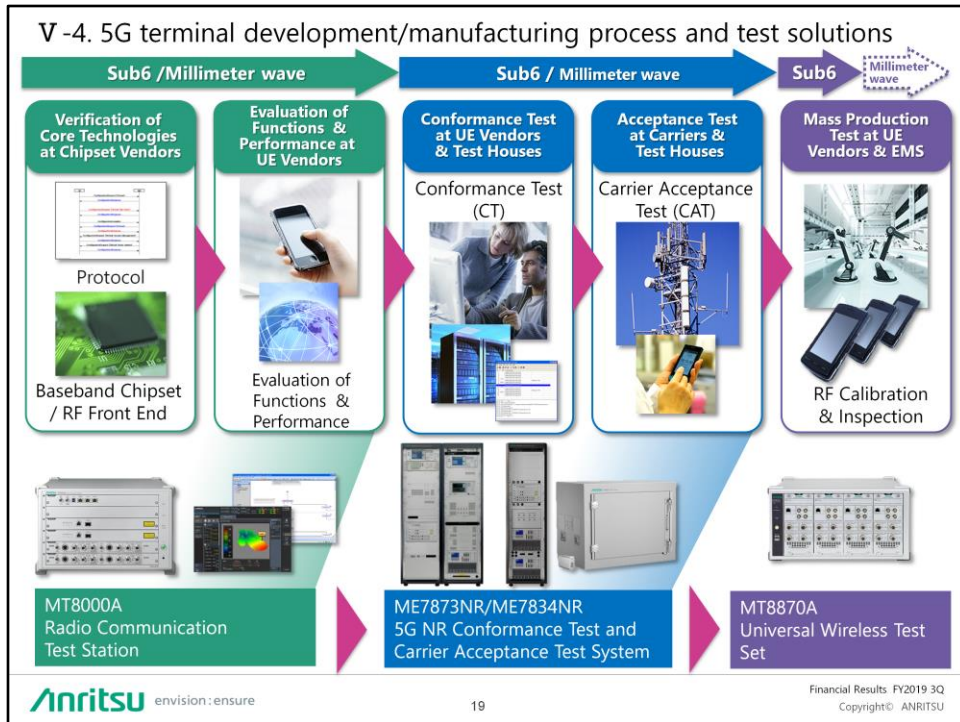




In 2019, the U.S., South Korea, European countries, and China launched 5G services. In 2020, 5G Sub-6 services will be launched in places such as Canada, Mexico, South America, and Southeast Asia, and will be widely available in major cities around the world. Also, in 2020, Japan, South Korea, and Russia have plans for 5G millimeter wave services. From 2021 onwards, the number of countries with 5G Sub-6 services will grow further, and we expect an increase in number of countries launching 5G millimeter wave services as well.



(No notes here)



The development and manufacturing processes for 5G handsets have now moved into the mass production testing phase, and 5G Sub-6 demand has started to arise.



(No notes here)