Anritsu

CONSOLIDATED FINANCIAL SUMMARY FOR THE YEAR ENDED MARCH 31, 2020 (IFRS)

April 27, 2020

Company Name: ANRITSU CORPORATION
Stock exchange listings: Tokyo

Securities code: 6754 URL: https://www.anritsu.com
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Date of general shareholders' meeting (as planned): June 25, 2020
Dividend payable date (as planned): June 26, 2020
Annual securities report filing date (as planned): June 25, 2020
Supplemental material of quarterly results: Yes
Convening briefing of quarterly results: Yes (for financial analysts and institutional investors)

(Millions of yen, round down)

1. Consolidated financial results of the year ended March 31, 2020
(April 1, 2019 to March 31, 2020)

(1) Consolidated Operating Results
(Note) Percentage figures indicate change from the previous period.

	Revenue		Operating profit (loss)		Profit (loss) before tax		Profit (loss)		Profit (loss) attributable to owners of parent		Total comprehensive income (loss)	
For the year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March, 2020	107,023	7.4	17,413	54.8	17,181	51.2	13,397	49.0	13,355	49.1	11,937	27.2
March, 2019	99,659	15.9	11,246	128.9	11,362	146.9	8,991	210.2	8,956	210.9	9,381	143.4

	Basic earnings per share	Diluted earnings per share	Profit to equity attributable to owners of parent ratio	Profit before tax to total assets ratio	Operating profit to revenue ratio
For the year ended	Yen	Yen	%	%	%
March, 2020	97.20	97.16	14.9	12.8	16.3
March, 2019	65.20	65.16	10.9	9.0	11.3

(2) Consolidated Financial Positions

	Total assets	Total equity	Equity attributable to owners of parent	Equity attributable to owners of parent to total assets ratio	Equity attributable to owners of parent per share
For the year ended	Millions of yen	Millions of yen	Millions of yen	%	Yen
March, 2020	138,873	94,331	94,172	67.8	685.25
March, 2019	130,467	85,678	85,560	65.6	622.87

(3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents, end of period
For the year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March, 2020	14,721	-3,686	-7,592	47,669
March, 2019	12,247	-616	-2,052	45,097

2. Dividends

	Annual dividend					Total Dividends	Payout ratio (Consolidated)	Ratio of total amount of dividends to equity attributable to owners of parent (Consolidated)
	First quarter	Second quarter	Third quarter	Fiscal year end	Total			
For the year ended	Yen	Yen	Yen	Yen	Yen	Millions of Yen	%	%
March, 2019	—	8.50	—	13.50	22.00	3,025	33.7	3.7
For the year ended March, 2020	—	11.00	—	20.00	31.00	4,265	31.9	4.7
For the year ending March, 2021 (Forecast)	—	15.50	—	15.50	31.00		31.6	

3. Consolidated Forecast for the year ending March 31, 2021 (April 1, 2020 to March 31, 2021)
(Note) Percentage figures indicate change from the previous period.

	Revenue		Operating profit (loss)		Profit (loss) before tax		Profit (loss)		Profit (loss) attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Annual	110,000	2.8	17,500	0.5	17,500	1.9	13,500	0.8	13,500	1.1	98.23

※ Others

(1) Material changes in subsidiaries during this period

(Changes in scope of consolidations resulting from change in subsidiaries) : None

Number of subsidiaries newly consolidated : -

Number of subsidiaries excluded from consolidation : -

(2) Changes in accounting policies and accounting estimates

1. Changes in accounting policies required by IFRS : Yes
2. Changes in accounting policies other than IFRS requirements : None
3. Changes in accounting estimates : None

(3) The number of issued shares

1. Number of issued shares at the period end（including treasury stock）

FY2019 (Mar. 31, 2020)	138,257,294 shares	FY2018 (Mar. 31, 2019)	138,206,794 shares

2. Total number of treasury stock at the period end

FY2019 (Mar. 31, 2020)	830,188 shares	FY2018 (Mar. 31, 2019)	840,435 shares

3. Average number of issued shares during the period

FY2019 (Mar. 31, 2020)	137,394,952 shares	FY2018 (Mar. 31, 2019)	137,368,418 shares

(Reference) Non-consolidated financial results

1. Financial results of the year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

(1) Operating results

(Note) Percentage figures indicate change from the previous period.

	Net sales		Operating income (loss)		Ordinary income (loss)		Net income (loss)	
For the year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March, 2020	56,963	21.5	10,520	42.6	12,784	56.8	10,353	48.5
March, 2019	46,866	21.1	7,379	138.1	8,151	116.0	6,970	133.5

	Basic net income (loss) per share	Diluted net income (loss) per share
For the year ended	Yen	Yen
March, 2020	75.36	75.32
March, 2019	50.74	50.71

(2) Financial positions

	Total assets	Net assets	Ratio of equity capital	Net assets per share
For the year ended	Millions of yen	Millions of yen	%	Yen
March, 2020	133,436	87,547	65.6	636.69
March, 2019	126,327	80,516	63.7	585.68

(Reference) Equity capital

FY2019 (March 31, 2020) : 87,498million yen FY2018 (March 31, 2019) : 80,452million yen

This financial summary is not subject to audit by a certified public accountant or an audit corporation.

Notes for using forecasted information and others

・As the business forecast mentioned above are based on the recent information, actual results may vary substantially from projections above due to known or unknown risks, changes relating to uncertainties, and others. The reader should be aware that actual results may be materially different from any future results expressed herein due to various factors.

・With regard to notes for utilizing preconditions of outlook and business forecast, please refer to 1. Overview of Operating Results, etc. (3) Business Forecast at page 9.

・Additional supplemental material related to the financial statements will be available at Anritsu's web site since the results briefing session to be held on April 27, 2020.

INDEX

1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Fiscal Year Ended March 31, 2020

1) General Overview

	Fiscal Year		(Millions of yen)	
	2018	2019	Change	
Orders	100,819	107,709	6,889	6.8%
Backlog	21,882	23,003	1,120	5.1%
Revenue	99,659	107,023	7,363	7.4%
Operating profit (loss)	11,246	17,413	6,167	54.8%
Profit (loss) before tax	11,362	17,181	5,818	51.2%
Profit (loss)	8,991	13,397	4,406	49.0%
Profit (loss) attributable to owners of parent	8,956	13,355	4,399	49.1%

During the fiscal year ended March 31, 2020, the global economy had been continuing to grow at a modest pace, especially in developed countries, despite the heating up of the US-China trade war. However, the global spread of COVID-19 caused a halt to economic activity, plunging the world in to an economic recession. Moreover, there are concerns that the spread of COVID-19 will have a negative impact on business activities, including disruption of supply chains due to restrictions on the movement of goods and people, and shutdowns of factory operations and closure of business locations due to city lockdowns and other measures. Domestic demand has fallen precipitously in Japan as well, due to factors such as falling inbound demand, cancellation of events, and people refraining from eating out and other activities.

In the field of information and communication, mobile broadband services are growing both in terms of quality and quantity, and the volume of mobile data transmission is increasing rapidly, which is compelling the network infrastructure. In order to solve these issues, 4G mobile communications system has evolved continually to become LTE (Long-Term Evolution) and LTE-Advanced, and then LTE-Advanced Pro (Gigabit LTE). In addition, specification development of the next-generation 5G communications system is proceeding in 3GPP. The standardization of 5G NSA-NR (Non-Standalone New Radio) finished in December, 2017 and the one of 5G SA-NR (Standalone New Radio) finished in June, 2018. All specifications of 5G main functions that are related to ultrahigh speed communication are set. Continuously among 3GPP, specification development of ultralow latency communications and multiple simultaneous connections for expansion of use case (Release 16*) is under consideration and the standardization will be expected to be finished in 2020. In addition, new specifications (Release 17*) for contributing to improved 5G efficiency and capability, such as expansion of high frequency range, expansion of communication area, low-power consumption, and low-cost communication are planned to consider among 3GPP, and the standardization will be targeted to be finished in 2021. As a result, 5G services were launched in the US, Korea, Europe, and China, and the 5G commercialization schedules of operators in each country are making progress smoothly. In Japan as well, 5G services were launched in certain areas, centered on cities, in March 2020.

Amid such environment, the Test and Measurement Business Group has focused on solution development for the 5G investment demand as well as organizational infrastructure. Consequently this group acquired development demand for 5G chipsets and devices.

In the field of PQA (Product Quality Assurance), automation investment on processed foods production lines is underway, and demand is growing steadily for contaminant inspection using X-rays and quality guarantee toward packaging. Amid such environment, the PQA Group has worked to reinforce the competitiveness of its solutions focused on X-rays, as well as enhance and expand its global sales structure.

As a result, orders increased 6.8 percent compared with the previous fiscal year to 107,709 million yen, and revenue increased 7.4 percent compared with the previous fiscal year to 107,023 million yen. Operating profit increased 54.8 percent compared with the previous fiscal year to 17,413 million yen, profit before tax increased 51.2 percent compared with the previous fiscal year to 17,181 million yen. Profit increased 49.0 percent compared with the previous fiscal year to 13,397 million yen, and profit attributable to owners of parent increased 49.1 percent compared with the previous fiscal year to 13,355 million yen. COVID-19 had only minor impact on business performance for the Fiscal Year Ended March 31, 2020.

(*) standard number used in 3GPP

2) Overview by Segment

1. Test and Measurement

	Fiscal Year		(Millions of yen)	
	2018	2019	Change	
Revenue	68,168	75,165	6,996	10.3%
Operating profit (loss)	9,413	15,148	5,735	60.9%

This segment develops, manufactures and sells measuring instruments and systems for a variety of communications applications, and service assurance, to service providers, manufacturers of network equipment, and maintenance and installation companies around the world.

During the fiscal year ended March 31, 2020, development demand for 5G chipsets and mobile devices was growing steadily. In Asia in particular, development demands aimed at 5G commercialization grew, driving the 5G business. Consequently, segment revenue increased 10.3 percent compared with the previous fiscal year to 75,165 million yen, operating profit increased 60.9 percent to 15,148 million yen and adjusted operating profit increased 59.6 percent to 15,018 million yen.

(Note) Adjusted operating profit is Anritsu's original profit indicator to measure results of its recurring business by excluding profit and loss items with a transient nature from operating profit.

Table of adjustment from operating profit (loss) to adjusted operating profit (loss)

	Fiscal Year		(Millions of yen)	
	2018	2019	Change	
Operating profit (loss)	9,413	15,148	5,735	60.9%
Adjustment items				
Insurance income and loss on disaster of Typhoon 19 (Hagibis)	—	(129)	(129)	
Adjusted operating profit (loss)	9,413	15,018	5,605	59.6%

2. Products Quality Assurance

	Fiscal Year		(Millions of yen)	
	2018	2019	Change	
Revenue	23,074	22,575	(498)	-2.2%
Operating profit (loss)	1,609	1,287	(322)	-20.0%

This segment develops, manufactures and sells production management and quality management systems, including precision, high-speed auto checkweighers, automatic combination weighers and metal detectors, for the food, pharmaceutical and cosmetics industries.

During the fiscal year ended March 31, 2020, in the food product market, demand for capital investment with the purpose of automating, labor saving, and strengthening quality assurance processes was growing steadily both in Japan and overseas. However, due to prolonged product acceptance inspection at customers' sites, the revenue was lower than the previous fiscal year. As a result, segment revenue decreased 2.2 percent compared with the previous fiscal year to 22,575 million yen and operating profit decreased 20.0 percent compared with the previous fiscal year to 1,287 million yen.

3. Others

	Fiscal Year		(Millions of yen)	
	2018	2019	Change	
Revenue	8,416	9,282	865	10.3%
Operating profit (loss)	1,145	1,900	754	65.9%

This segment comprises Information and Communications, Devices, Logistics, Welfare services, Real estate leasing and other businesses.

During the fiscal year ended March 31, 2020, Device business profit was increased compared with the previous fiscal year. As a result, segment revenue increased 10.3 percent compared with the previous fiscal year to 9,282 million yen, and operating profit increased 65.9 percent compared with the previous fiscal year to 1,900 million yen.

3) Analysis of Operating Results

1. Test and Measurement

The Test and Measurement business, which accounts for 70 percent of the Anritsu Group's revenue, is divided into the following 3 sub-segments.

(1) Mobile

The Mobile sub-segment includes measuring instruments for mobile phone acceptance testing by mobile phone service operators, and for design, production, function and performance verification, and maintenance of mobile phone handsets by manufacturers of mobile phones including smartphones, IC chipsets and relevant components.

Demand in this sub-segment tends to be influenced by factors including the technological innovations in mobile phone services, market penetration, number of new subscribers as well as new entries in and withdrawals from the market by mobile phone and chipset manufacturers, and the number of model changes and shipments of mobile phones and chipsets.

LTE, which has been deployed throughout the world, has evolved into LTE-Advanced and LTE-Advanced Pro in order to relieve the pressure on network infrastructure from the rapid surge in data communication traffic. Currently, the specifications related to ultrahigh speed communication of next-generation 5G communication systems are set, and the commercialization of 5G is being advanced by operators from various countries, starting in the US, Korea, Europe, and then in China and Japan. While demand for the manufacture of LTE smartphones has declined in the mobile phone-manufacturing market, development of IC chipsets and mobile phones supporting 5G has taken off full steam in the mobile phone-development market, and demand for measuring instruments for 5G development is growing. In addition,the specifications related to ultralow latency communications and multiple simultaneous connections of 5G are underway. In the IoT field, which has high potential as 5G use cases, and the automated driving and in-vehicle telecom field in the automobile industry, the development of mobile communications technology to realize new services is also actualizing as a business opportunity.

Anritsu will continue to develop and launch competitive leading-edge measuring solutions, as well as accurately conduct development portfolio management, to strengthen the revenue base.

(2) Network Infrastructure

The Network Infrastructure sub-segment includes network construction maintenance, monitoring and service quality assurance solutions for wireline and wireless service providers, and solutions for network equipment manufacturer in areas including design, production and testing.

In this sub-segment, data traffic is expanding rapidly due to sophisticated cloud computing services and the progress of 5G services. Therefore, service providers that are pursuing higher-speed networks are concentrating on the promotion of 100Gbps services, and network equipment manufacturers are developing 400Gbps network equipment. Moreover, in order to improve mobile phone connectivity, progress is being made towards the efficient densification of base station networks by integrating wired and wireless network technologies. Along with the change of market trend, demand is growing for measuring solutions that optimize wireline and wireless technology depending on the intended use. Furthermore, mainly owing to the increase in data centers supporting cloud services, the market for high -speed data communication equipment is expanding. Along with this, research and development and manufacturing markets of high-speed optical communications modules are growing, and their competition has become severe.

Anritsu is working to expand business by providing comprehensive solutions from constructing and monitoring communications infrastructure to ensuring service quality in addition to research and development solutions for telecommunications equipment.

(3) Electronics

The Electronics sub-segment includes measuring instruments widely used in the electronics industry, particularly for design, production and evaluation of electronic devices used in telecommunications network-related communications equipment and other electronic equipment.

Demand in this sub-segment tends to be impacted by the scale of production of electronic components and products used in telecommunications equipment, intelligent home appliances and automobiles. Expansion of IoT service using mobile broadband services and LPWA (Low Power Wide Area) devices is driving growth in demand for measuring solutions for development and manufacturing of wireless modules for a broad array of applications. Furthermore, various wireless systems have been digitalized for effective use of frequency resources. Demand for measuring solutions for manufacturing and maintenance of wireless systems is also steadily growing.

Anritsu will work to further expand the business in this sub-segment by offering a wider range of solutions for the electronics market.

2. Products Quality Assurance

The Products Quality Assurance business accounts for 21 percent of Anritsu Group's revenue. Since more than 80 percent of segment revenue is made of food manufacturers, this segment is substantially influenced by high conscious on food safety and security and changes in consumer spending which would affect results on food manufacturers' business.

Core products include highly precise checkweighers for high-speed food processing lines, as well as X-ray and other inspection systems that detect and remove metal fragments, stones and other alien materials in the food processing process with high precision. In the Japanese market, capital investment for automation and manpower reduction in food production lines has steadily increased, against a backdrop of the customer concerns regarding contamination and rising needs for automation due to the labor shortage. In particular, there is a strong demand for general quality control software solution in the food and pharmaceutical product manufacturing lines that can be used to monitor operating conditions, collect and analyze quality information, improve yield, and enhance quality management.

In the overseas markets, progress was made in the cultivation of royal customers' needs, and these customers are operating their businesses globally in regions such as the Americas, Europe, and China. The overseas sales ratio of this business is roughly 40 percent.

Food manufacturers are very interested in quality control inspection solutions. To meet this demand, Anritsu will develop and deliver new products and quality assurance solutions. We will also optimize the supply chain including overseas production, and will promote efficiency of global operation. Anritsu will expand the business and increase profitability through those opportunities.

(2) Overview of Financial Position for the Year Ended March 31, 2020

1) Assets, Liabilities and Equity

	Ended March 31,		(Millions of yen)
	2019	2020	Change
Assets	130,467	138,873	8,405
Liabilities	44,789	44,541	(247)
Equity	85,678	94,331	8,653
Interest-bearing debt	16,435	14,594	(1,840)

Assets, liabilities and equity as of March 31, 2020 were as follows.

1. Assets

Assets increased 8,405 million yen compared with the end of the previous fiscal year to 138,873 million yen. This was mainly due to increase of cash and cash equivalents, as well as inventories.

2. Liabilities

Total liabilities decreased 247 million yen compared with the end of the previous fiscal year to 44,541 million yen. This was mainly due to decrease of bonds and borrowings. On the other hand, other financial liabilities increased due to the increase of lease liabilities by the adoption of IFRS16.

3. Equity

Equity increased 8,653 million yen compared with the end of the previous fiscal year to 94,331 million yen. This was mainly due to increase of retained earnings, while decrease of other components of equity.

As a result, the equity attributable to owners of parent to total assets ratio was 67.8 percent, compared with 65.6 percent at the end of the previous fiscal year.

Interest-bearing debt was 14,594 million yen (16,435 million yen at the end of the previous fiscal year). The debt-to-equity ratio was 0.15, (0.19 at the end of the previous fiscal year). Interest-bearing debt, excluding lease obligations, was 12,876 million yen (16,248 million yen at the end of the previous fiscal year). The debt-to-equity ratio, excluding lease obligations, was 0.14 (0.19 at the end of the previous fiscal year).

In accordance with the adoption of IFRS16, the amount of lease liabilities increased at the beginning of this fiscal year. Under that influence, interest-bearing debt increased. However, repayment of long-term loans made interest-bearing debt and the debt-to-equity ratio decrease compared with the end of previous fiscal year.

2) Summarized Cash Flows

	Fiscal Year		(Millions of yen)
	2018	2019	Change
Cash flows from operating activities	12,247	14,721	2,473
Cash flows from investing activities	(616)	(3,686)	(3,069)
Cash flows from financing activities	(2,052)	(7,592)	(5,539)
Cash and cash equivalents at end of period	45,097	47,669	2,572
Free cash flow	11,631	11,035	(596)

In the fiscal year ended March 31, 2020, cash and cash equivalents (hereafter, "net cash") increased 2,572 million yen compared with the end of the previous fiscal year to 47,669 million yen.

Free cash flow, the sum of cash flows from operating activities and cash flows from investing activities, was positive 11,035 million yen (compared with positive 11,631 million yen in the previous fiscal year).

Conditions and factors for each category of cash flow for the fiscal year were as follows.

1. Cash Flows from Operating Activities

Net cash provided by operating activities was 14,721 million yen (in the previous fiscal year, operating activities provided net cash of 12,247 million yen).

The cash increase was due to reporting of profit before tax and recording depreciation and amortization, on the other hand, the cash decrease was mainly due to increase in inventories, trade and other receivables. Depreciation and amortization expense was 4,999 million yen (increase of 612 million yen compared with the same period of the previous fiscal year).

2. Cash Flows from Investing Activities

Net cash used in investing activities was 3,686 million yen (in the previous fiscal year, investing activities used net cash of 616 million yen). The cash decrease was mainly due to acquisition of property, plant and equipment.

3. Cash Flows from Financing Activities

Net cash used in financing activities was 7,592 million yen (in the previous fiscal year, financing activities used net cash of 2,052 million yen). The primary reason was repayments of long-term borrowings 3,500 million yen and payment of cash dividends totaling 3,365 million yen (in the previous fiscal year, cash dividends was 2,198 million yen).

3) Analysis of Financial Position

The Anritsu Group's funding requirements are mainly for working capital to purchase materials and cover expenses incurred in the manufacturing, sales and marketing of products; for capital investments; and for research and development expenses. The Group secures sufficient funding to cover these requirements from retained earnings, bank borrowings, and capital market funding. To ensure stability in funding, the Anritsu Group arranged for a commitment line of 7.5 billion yen in March 2020, which is effective through March 2023. Looking forward, while preparing for unforeseen financial risks, both domestic and overseas, in a dramatically changing market environment, the Anritsu Group will swiftly and flexibly meet its capital requirements for working capital, regular repayment of long-term borrowings and business growth.

As of March 31, 2020, the balance of interest-bearing debt was 14,594 million yen (compared with 16,435 million yen at the end of the previous fiscal year) and the debt-to-equity ratio was 0.15 (compared with 0.19 at the end of the previous fiscal year). And the net debt-to-equity ratio was negative 0.35 (compared with negative 0.33 at the end of the previous fiscal year). In addition, the average turnover ratio on the end-of-period balance of inventories to revenue was 5.4 times.

The Company will utilize increased cash flow generated by improvements in ACE (achievement of net operating profit after tax less an adjustment for the cost of capital) and CCC as well as enhanced capital efficiency resulting from measures including an internal group cash management system to make further reductions in interest-bearing debt, improve the debt-to-equity ratio, enhancing shareholders' equity and fortify its financial structure.

At the end of March 2020, Rating and Investment Information, Inc. (R&I) has rated Anritsu's short-term debt [a-1], and its long-term debt [A-]. Anritsu will continue working to enhance its financial stability in order to improve its debt rating.

(Note)

ACE (Anritsu Capital-cost Evaluation): Net operating profit after tax – Cost of capital(5%)

Debt-to-equity ratio: Interest-bearing debt / Equity attributable to owners of parent

Net debt-to-equity ratio: (Interest-bearing debt – Cash and cash equivalent) / Equity attributable to owners of parent

CCC: Cash Conversion Cycle

4) Indicator Trend of Cash Flows

	Year Ended March 31, 2018	Year Ended March 31, 2019	Year Ended March 31, 2020
Equity attributable to owners of parent / Total assets (%)	64.6	65.6	67.8
Market capitalization / Total assets (%)	148.9	215.8	198.5
Interest bearing debt / Operating cash flows (years)	2.0	1.3	1.0
Operating cash flows / Interest expense (times)	72.6	124.2	143.3

(Notes)

1. All indicators are calculated on a consolidated basis.

2. Market capitalization is calculated by multiplying the total number of shares outstanding at the end of the period (excluding treasury stock) by the closing share price at the end of the period.

3. Operating cash flows and Interest expense are as reported in the consolidated statement of cash flows.

(3) Business Forecast

1) General Outlook

The outlook for the global economy remains unclear due to factors such as the spread of COVID-19 and the prolongation of US-China trade friction. Depending on how the spread of COVID-19 progresses, it could impede the smooth operation of corporate activities over the long term, including disruption of supply chains and restrictions on various business activities. The Anritsu Group is taking measures to minimize the impact of COVID-19 on its businesses, including promoting telework, utilizing IT tools, and diversifying its procurement.

Meanwhile, in the field of information and communication, 5G services has been launched around the world, and 5G-related demand is expected to grow in the future. Amid such environment, the Anritsu Group will strive to establish a competitive advantage in the mobile market by offering timely solutions that accurately meet the needs of 5G commercialization plans in countries worldwide and be a leading company supporting 5G and IoT society.

Business forecasts for the year ending March 31, 2021 are as follows.

(Millions of yen)

	FY2020
Revenue	110,000
Operating profit (loss)	17,500
Profit (loss) before tax	17,500
Profit (loss)	13,500
Profit (loss) attributable to owners of parent	13,500

Assumed annual exchange rate : 1US$=105Yen

The forecast assumes that COVID-19 will be contained within the first half of the fiscal year, and expects Anritsu Group’s performance to hit its lowest point in the second quarter, and then recover starting in the third quarter. Consequently, the status of the spread of the COVID-19 and when it is contained could have additional impact on Anritsu Group’s performance, including a further prolongation of the slump in economic activity. Going forward, the Company will swiftly publish any expectations of material impacts that should be disclosed.

2) Segment Outlook for the Year Ending March 31, 2021

1. Test and Measurement

In the mobile market, development demand for commercial 5G handset showed robust growth, and moving forward, testing and measurement demand is expected to grow for conformance testing, operator acceptance testing, and calibration inspections on mass-production lines as well.

2. Products Quality Assurance

Revenue is expected to increase in the PQA business, both in the Japanese and overseas markets. Operating profit is also expected to increase compared with the previous fiscal year.

3) Cash Flow Outlook for the Year Ending March 31, 2021

1. Cash Flows from Operating Activities

The Anritsu Group expects cash flows from operating activities to be positive, mainly due to reporting of profit before tax. The Anritsu Group will aim to improve its cash conversion cycle to make more effective use of operating assets such as trade receivables and inventories.

2. Cash Flows from Investing Activities

The Anritsu Group expects cash flows from investing activities to be negative due to capital expenditure. Capital expenditures will include regular investments to strengthen the foundation of its product development environment, as well as strategic investments in global information system, and in renewable energy facilities to address climate changes.

3. Cash Flows from Financing Activities

The Anritsu Group expects cash flows from financing activities to be negative, mainly due to payment of dividends.

(Reference)

FORECAST OF SEGMENT INFORMATION

(Millions of yen)

	FY2018 From Apr. 1, 2018 To Mar. 31, 2019	FY2019 From Apr. 1, 2019 To Mar. 31, 2020		FY2020(Forecast) From Apr. 1, 2020 To Mar. 31, 2021	
			Change		Change
Revenue by Segment					
Revenue	99,659	107,023	7.4%	110,000	2.8%
Test and Measurement	68,168	75,165	10.3%	77,000	2.4%
PQA	23,074	22,575	-2.2%	24,000	6.3%
Others	8,416	9,282	10.3%	9,000	-3.0%
Operating Profit by Segment					
Operating Profit	11,246	17,413	54.8%	17,500	0.5%
Test and Measurement	9,413	15,148	60.9%	15,500	2.3%
PQA	1,609	1,287	-20.0%	1,800	39.8%
Others	1,145	1,900	65.9%	1,200	-36.8%
Adjustment	(921)	(921)	-	(1,000)	-
Revenue by Markets					
Revenue	99,659	107,023	7.4%	110,000	2.8%
Japan	32,183	36,293	12.8%	37,000	1.9%
Overseas	67,475	70,729	4.8%	73,000	3.2%
Americas	26,429	20,773	-21.4%	22,000	5.9%
EMEA	12,170	10,693	-12.1%	11,000	2.9%
Asia and Others	28,876	39,262	36.0%	40,000	1.9%

(Notes)

EMEA: Europe, Middle East and Africa

(Note)

Statements made in these materials with respect to Anritsu's current plans, strategies and beliefs that are not historical fact are forward-looking statements of future business results or other forward-looking projections pertinent to the business of Anritsu. These descriptions are based on assumptions and judgments made by Anritsu's management from information currently available, and include certain risks and uncertain factors. Actual business results are the outcome of a number of unknown variables, and may substantially differ from the figures projected herein. Furthermore, Anritsu disclaims any obligation, unless required by law, to update or revise any forward-looking statements as a result of new information, future events or otherwise.

Factors which may affect the actual business results include but are not limited to the economic situation in the geographic areas where Anritsu conducts business, including but not limited to Japan, Americas, Europe, and Asia, pressure on prices due to trends in demand for Anritsu's products and services or to increased competition, Anritsu's ability to continue supplying products and services that are accepted by customers in a highly competitive market environment, and currency exchange rates.

(4) Profit Distribution Policy and Dividends for the Years Ended/Ending March 31, 2020 and March 31, 2021

The Company's basic policy for returning profits to its shareholders is to distribute profits in accordance with its consolidated performance and by taking into account the total return ratio.

With regard to dividends, 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 aims at a consolidated dividend payout ratio of 30 percent or more. The Company's basic policy is to make distributions of dividends, twice a year, consisting of a fiscal year-end dividend and an interim dividend by resolution of the General Meeting of Shareholders and by approval of the Board of Directors.

The Company intends to carry out the purchase of treasury stock appropriately as necessary, by taking into account its financial situation, the trends in stock prices and other factors, in an effort to execute capital policies that respond flexibly to changes in the corporate environment.

The Company's basic policy is to apply retained earnings to research and development and capital investment in order to respond to rapid technological advances and changes in the market structure.

Anritsu plans to pay a year-end dividend of 20 yen per share, and total dividends for the fiscal year will be 31 yen per share for the fiscal year ended March 31, 2020.

For the fiscal year ending March 31, 2021, Anritsu plans to pay cash dividends of 31 yen per share (including an interim dividend of 15.5 yen per share), assuming achievement of the business forecast on page 9.

(5) Risk Information

(Policies and systems)

The Company views risks as indeterminate factors that may impact its corporate value, such as the organization's profits and the trust of society (risk is not necessarily a negative factor for a company; it could be a positive factor if managed appropriately). The Company recognizes that managing risk appropriately means that risk is a critically important management challenge, and has established Group -level systems to manage it. Moreover, in order to maintain and increase our corporate value, fulfill our corporate social responsibility, and pursue sustainable development of Anritsu Group, the Company focuses on making management as well as all employees more sensitive to risk, and on all-hands initiatives that promote risk management.

Under the risk-management supervision of the Group CEO, the Anritsu Group designates a risk management officer for each of the following recognized major risks: (1) business risk related to management decision-making and business execution; (2) risk of legal violations; (3) environmental risk; (4) risk to the quality of products and services; (5) import/export management risk; (6) information security risk; and (7) disaster risk. Each risk management officer heads a committee consisting of representatives from Company departments and Group companies managers relevant to the risk in question. Each risk management office oversees the management of its designated risk for the Group as a whole; and reports the status of risk management measures, plans and operation and the results of the year-round management cycle to the Management Strategy Conference as appropriate. In addition, the Risk Management Promotion Department leads such matters as creation of regulations and guidelines as well as training and education, and establishes systems necessary to raise the bar of risk management in order to ensure the sustainable development of the business. Each risk management officer supports the activities of Group companies overseas in his or her field. With regard to compliance risk, the compliance officer of each regional headquarters performs risk assessments and prepares and acts on an annual plan.

(Individual risks)

1) Inherent Risks in the Anritsu Group's Technology and Marketing Strategies (1) business risk

The Anritsu Group works to deploy its well-developed technological capabilities to promptly provide cutting-edge products and services that offer value to customers. However, the rapid pace of technological innovation in the Anritsu Group’s core information and communication markets and the Anritsu Group’s ability to deliver products and services in a timely manner to meet the needs and wants of customers are factors that have the potential to exert a material impact on the Anritsu Group’s financial condition and operating results.

2) Market Fluctuation Risk (1) business risk

External factors including changes in the economy or market conditions and technological innovation affect the profitability of product lines the Group develops and have the potential to exert a significant material impact on the Anritsu Group’s financial condition and operating results.

Because a high percentage of Test and Measurement segment revenue is in the telecommunications market, capital investment trends among service providers, network equipment manufacturers, mobile phone manufacturers, and electronic component manufacturers have the potential to exert an effect on business results. Telecom operators make a cost-effective capital investment in order to adopt technologies to handle rapid increases in data traffic, and to build networks that meets the various needs of IoT service and cloud service. Moreover, business results for the mobile communications measuring instrument field, the cornerstone of earnings for the Anritsu Group, are affected by changes in technological innovation in mobile phone services, the number of subscribers and the replacement ratio for smartphones.

In the Products Quality Assurance business, sales to food manufacturers constitute more than 80 percent of revenue. Capital investment of food manufacturers may influence the performance of Products Quality Assurance business potentially.

3) Global Business Development Risk (1) business risk, (2) risk of legal violations, and (5) import/export management risk

The Anritsu Group markets its products globally. The overseas sales ratio is 66 percent, and many customers likewise operate on a global scale. As a result, economic trends in countries worldwide, changes in international conditions, compliance with required laws have a potential to exert a material impact on the Group’s financial position and results of operations.

4) Risk of spread of infectious diseases (7) disaster risk

The spread of COVID-19 is continuing. The Anritsu Group places top priority on ensuring the safety of its employees, and halting the spread of the virus internally and externally to the Anritsu Group. The Anritsu Group has also established a COVID-19 Task Force, which is collecting information and taking necessary measures in order to minimize the virus’s impact on its operations. However, depending on how the spread of COVID-19 progresses, it has the potential to exert a material impact on the Anritsu Group’s financial condition and operating results, due to the disruption of supply chains, and restrictions on business activities of the Group, its customers, and its suppliers, including the halt of factory operations and business location closures.

5) Disaster risk (7) disaster risk

The Anritsu Group carries out production and sales activities globally. As such, natural disasters such as earthquakes, typhoons, and climate change-induced abnormal weather events, as well as fire, war, terrorism, riots, and other events have the potential to exert a material impact on the Anritsu Group’s financial condition and operation results by impeding our business activities due to impact on the major facilities of the Group, its supplier, or its customers, or by causing political or economic instability.

Each division of the Anritsu Group has created a Business Continuity Plan (BCP) aimed at ensuring the smooth continuity of our businesses by minimizing the damage from disasters and emergencies, and fast recovery of business activities. The Koriyama Office of Tohoku Anritsu Co., Ltd., which is a Group manufacturing facility, has created a BCP for natural disasters, including river flooding due to earthquakes and torrential rains, as one of its major risks. This BCP clearly defines the actions to take after a natural disaster, broken into specific processes. Taking the lessons learned from actual large-scale disasters, the Company is reviewing the criteria for emergency BCP activation to prepare for a wider range of risks and refine the response procedures when each risk occurs.

6) Foreign Exchange Risk (1) business risk

The Anritsu Group hedges foreign exchange risk using instruments including forward foreign exchange contracts for foreign exchange transactions that occur upon collection of accounts receivable and other events. However, rapid changes in foreign exchange rates have the potential to exert a material impact on the Anritsu Group’s financial condition and operating results.

7) Long-term Inventory Obsolescence Risk (1) business risk

The Anritsu Group works to provide products and services that precisely meet customer needs and wants. However, particularly in the test and measuring instruments market, product lines are subject to rapid change in technology, which can easily result in obsolescence of products and parts, and cause inventory held for long periods to lose its value. These factors have the potential to exert a material impact on the Anritsu Group's financial condition and operating results.

8) Human resource acquisition risk (1) business risk

Acquiring, ensuring, and developing human resources are an incredibly vital requirement for the sustainable development of the Anritsu Group. The Anritsu Group strives to acquire talented human resources by actively hiring diverse human resources without regard to nationality or gender and focuses on their development with efforts to enhance its internal training and education programs. The Anritsu Group also focuses on work-life balance, and strives to create working environments that support diverse work styles and values. However, if human resource acquisition and development do not proceed as planned, it has the potential to exert a material impact on the Anritsu Group’s financial condition and operating results.

9) Compliance risk (2) risk of legal violations

The Anritsu Group is subject to the laws and regulations of the countries in which it conducts business. Violation of these laws and regulations, or actions that violate the demands of society, has the potential to exert a material impact on the Anritsu Group’s financial condition and operating results through factors including legal punishment, lawsuits, social sanctions, and damage to the brand.

The Anritsu Group has established the Anritsu Group Code of Conduct, which serves as a guide for the conduct to take when fulfilling our social responsibility. The Company also carry out educational and awareness-raising activities as needed, as it strives to improve its corporate ethics and strengthen legal compliance. The Group CEO, who chairs the Management Strategy Conference, leads the promotion of compliance of the domestic Anritsu Group. Additionally, a Corporate Ethics Promotion Committee, chaired by the executive officer in charge of compliance, operates under the Management Strategy Conference, and oversees the compliance-promotion activities of each company in the domestic Anritsu Group. The Corporate Ethics Promotion Committee and the Legal Department, which serves as its secretariat, coordinate with committees that promote legal compliance to advocate ethical and legal compliance to Anritsu Group companies overseas in accordance with their national and regional laws, cultures, and customs. They provide necessary support, and coordinate with compliance officers at each Anritsu Group company overseas to build a global compliance-promotion system. Internal audit departments perform audits to determine whether the compliance promotion system is functioning appropriately, and provide advice and request improvements as necessary.

10) Environmental risk (3) environmental risk

The Anritsu Group is subject to a variety of laws and regulations relating to the environment, including climate change, energy, the atmosphere, water, hazardous substances, waste, and product recycling. The Group strives to combat climate change, create a recycling society, and prevent environmental pollution in addition to ensuring the thorough environmental compliance of its business activities and products.

However, it is possible for tightened environmental regulations or past actions to trigger environmental liability, and for natural disasters and other events to cause environmental pollution. Such events have the potential to exert a material impact on the Anritsu Group’s financial condition and operating results due to additional costs required for legal compliance or environmental measures.

In order to meet the demands of its stakeholders, the Anritsu Group develops and offers products with an awareness of the environment throughout the entire product life cycle. The Anritsu Group is also committed to reducing its environmental pollution risk by reducing the CO_2 emissions of its offices and factories through reducing the energy usage from the perspective of preventing global warming and preserving biodiversity; reducing waste by promoting the 3 Rs (reduce, reuse, and recycle); and setting self-management standards that are stricter than laws and ordinances related to preventing environmental pollution.

11) Product-quality risk (4) risk to the quality of products and services

The Anritsu Group has been ISO 9001 (an international standard for quality management systems) certified since 1993. It operates integrated quality management, from product design and development to manufacture, service, and maintenance, at a global level. However, if an unforeseen event that causes a major quality defect or product liability is incurred, it has the potential to exert a material impact on the Anritsu Group’s financial condition and operating results, such as loss of society’s trust, lawsuits, social sanctions, and damage to the brand, as well as the cost of compensation and countermeasures.

The Anritsu Group has established committees to maintain, improve, and assure product quality, and operate the quality management system appropriately, including the Quality Management System Committee and the Internal Quality Audit Committee. The Anritsu Group is also considering the establishment of systems in the event of a product incident, a system to prevent product incidents, and initiatives to prevent recurrence.

12) Information security risk (6) information security risk

The Anritsu Group has the social responsibility to appropriately protect the information of all of its stakeholders, including customers, trading partners, shareholders, and employees in its business activities. The Anritsu Group also recognizes that information assets are vital assets of the Anritsu Group and its stakeholders. If an information security incident were to occur with these information assets, due to a cyberattack, it has the potential to exert a material impact on the Anritsu Group’s financial condition and operating results due to effects such as loss of the trust of society, lawsuits, social sanctions, and damage to the brand.

The Anritsu Group works continuously to build its information security management system, carry out initiatives to maintain and improve thorough management and security, and carry out information-security education. As a company operating globally, the Company connects offices worldwide via networks and promoted sharing of information between them. A single vulnerability in information security impacts the overall security level. The Company is currently working to correct discrepancies in security levels between regions, alleviate regional disparities, and raise the bar as a whole.

13) Risk Related to Deferred Tax Assets (1) business risk

The Anritsu Group applies deferred tax accounting and recognizes deferred tax assets. Calculation of deferred tax assets is based on projections that include estimates of future taxable profit, and the actual benefit may differ from the projection. If the tax benefits based on the estimate of future taxable profit are judged to be unavailable, these deferred tax assets are written down, which has the potential to exert a material impact on the Anritsu Group’s financial condition and operating results.

14) Risk related to Defined-Benefit Pension Plan (1) business risk

The amounts of retirement benefit payments and obligations incurred in connection with employee defined-benefit pension plans of the parent company and certain of its subsidiaries are calculated based on assumptions, including discount rates, made for actuarial calculations. If the discount rates and other assumptions, which were made for the actuarial calculations of the expected amount of obligations under these defined-benefit pension plans undergo change, this has the potential to exert a material impact on the Anritsu Group’s financial condition and operating results.

2. Management Policies

(1) Basic Policy

The Anritsu Group places great emphasis on our responsibility and dialog between various stakeholders, and has formulated the Company Philosophy, Company Vision, and Company Policy as follows.

Company Philosophy

Contribute to the development of a safe, secure, and prosperous global society by offering Original & High Level products and services with sincerity, harmony, and enthusiasm

Company Vision

Achieve continuous growth with sustainable superior profits through innovation, using all knowledge of all parties and contribute to the sustainability of society

Company Policy

1. Make energetic organization synthesizing the knowledge of all employees
2. Capture growth drivers through innovation
3. Be a leader in the global market
4. Contribute to the creation of a society that is friendly to people and the Earth as a good corporate citizen

(2) Management Targets

Anritsu aims to maximize corporate value by managing its operations with a focus on cash flow. In addition, to evaluate the added value generated by capital invested, Anritsu uses an original metric, ACE (Anritsu Capital-cost Evaluation), for evaluating the results of each business. A target for ROE is also set as an indicator of the efficiency of capital invested.

To attain its management vision of “continuous growth with sustainable superior profits,” the Anritsu Group had prepared its 2020 VISION, which has a time horizon of 10 years, and established a medium term milestone plan entitled the Mid-term Business Plan GLP2020 (a three-year plan that ends in

FY2020), which is based on the 2020 VISION. In order to implement GLP2020 without fail, the Anritsu Group is working to (1) reliably acquire growth drivers, (2) create a strong profit-generating platform, and (3) build pillars to support the next-generation business.

The following figures are the main financial management target for GLP2020 and the business performance of the year ended March 31, 2020. In the final fiscal year of the plan, the Company aims for sales revenue of 110,000 million yen (increase of 2.8 percent compared with the previous fiscal year), operating profit of 17,500 million yen (increase of 0.5 percent compared with the previous fiscal year), profit of 13,500 million yen (increase of 0.8 percent compared with the previous fiscal year). The Anritsu group will continuously improve corporate value KPI (ACE & ROE) through growth investment (including M&As) with a return over invested capital and capital efficiency improvements.

	Year Ended March 31, 2019 (Actual)	Year Ended March 31, 2020 (Actual)	Year Ending March 31, 2021 (Forecast)	Year Ending March 31, 2021 （Target）
Revenue (Billions of yen)	99.6	107.0	110.0	105.0
Operating Profit (Billions of yen)	11.2	17.4	17.5	14.5
Profit (Billions of yen)	8.9	13.3	13.5	11.0
ACE (Billions of yen)	3.9	8.4	7.5	5.0
ROE (%)	10.9	14.9	14	12

ACE (Anritsu Capital-cost Evaluation): Net operating profit after tax – Cost of capital(5%)

(Reference)

(Billions of yen)

	Year Ended March 31, 2019 (Actual)	Year Ended March 31, 2020 (Actual)	Year Ending March 31, 2021 (Forecast)	Year Ending March 31, 2021 （Target）
Revenue by Segment				
Revenue	99.6	107.0	110.0	105.0
Test and Measurement	68.1	75.1	77.0	70.0
PQA	23.0	22.5	24.0	26.0
Others	8.4	9.2	9.0	9.0
Operating Profit by Segment				
Operating profit	11.2	17.4	17.5	14.5
Test and Measurement	9.4	15.1	15.5	10.0
PQA	1.6	1.2	1.8	3.0
Others	1.1	1.9	1.2	1.5
Adjustment	(0.9)	(0.9)	(1.0)	

(3) Medium- and Long-Term Management Strategy and Issues to be Dealt With

The core Test and Measurement business of the Anritsu Group involve information and communication technology (ICT) services. In the ICT field, global mobile broadband services and the creation of new social value by IoT are driving growth and innovation of communication system which aims to enhance user experience in the medium- to long-term will be platform for the growth driver. In order to enable this innovation, continuous development of mobile telecommunication technology from LTE and LTE-Advanced/Pro which support broadband, and beyond to 5G will be promoted, as well as the network reshaping through measures, as represented by increased density of the base station network, which is indispensable for enhancing connectivity. Standardization of NSA-NR and SA-NR was completed for the 5G mobile system, which is expected to provide the infrastructure to a wide range of mobile broadband services. In response to this, development for commercialization of 5G started in earnest worldwide. Moreover, aiming for provision around 2030, consideration of 6G (Beyond 5G), which is an advancement from 5G, has begun in the US, China, Korea, and Japan. From basic social infrastructure to the creation of new value through IoT, safe and secure networks that are easy to connect to anytime and anywhere are vital to a sustainable society. As an advanced measurement company covering both wireline and wireless telecommunication areas, Anritsu provides network solutions for its customers and for society.

The growth driver for the Products Quality Assurance business is “expansion of quality assurance needs for the food and pharmaceuticals market.” As a long-term goal, with the food product and pharmaceutical-related markets as our focus, the Anritsu Group will aim to expand its business by raising the overseas revenue ratio to 50 percent. The Anritsu Group will work to enhance overseas resources to accelerate business development mainly in North American and Asian markets.

In April 2020, the Company created an advanced technology research center aimed at acquiring foundational technologies that will underpin the future. The center will boldly take on the challenge of expanding the Company’s core competency of measurement technology, develop the next generation of leaders through open and innovative research activities, and cultivate the technical capabilities that will be the source of competitive strength for the Company’s businesses 10 to 20 years in the future.

Steady implementation of these strategies requires appropriately managing and reducing risks and transforming them from impediments into a source of competitive advantage. For this reason, Anritsu will improve the risk management system through further strengthening of established ties among the Group companies in Japan and overseas via upgrades to the internal control system. Anritsu also aims to realize better corporate governance within the Group by establishing the “Anritsu Corporation Basic Policy on Corporate Governance.” Anritsu has promoted the separation of decision-making and execution of operation by introducing an executive officer system, transmitted to a “Company with an Audit Committee,” established a nomination committee, a compensation committee, and an independent committee chaired by independent outside directors, and carries out performance assessments for the Board of Directors, in order to reinforce the audit and supervisory functions of the Board. The Anritsu Group will continue working to conduct business management with greater transparency from a global perspective.

In addition, the Company actively engages in sustainability activities in accordance based on its Company Philosophy, Company Vision, Company Policy, and Sustainability Policy, which was established in April 2018. At the same time, Anritsu established the Sustainability Promotion Center, which together with the Sustainability Promotion Committee, which consists of members from major business divisions, business companies, and divisions in charge of society, environment, and governance, it promotes sustainability activities in the Anritsu Group. The Anritsu Group believes our business should increase our long term value through contribution to the sustainability of global society with sincerity, harmony, and enthusiasm.

In addition, the Company launched Beyond 2020, which looks ahead to achieving sustainable growth beyond 2020. It is aimed at becoming a stable high-revenue company, based on five pillars: 5G communication, food safety, 5G applications, automotive, drug safety, and non-telecom T&M business. Through these activities, the Company will strive to enhance its corporate value continually.

3. Basic Policy regarding Adoption of Accounting Standards

The Anritsu Group is involved in global business development, as approximately 70 percent of its consolidated revenues are generated outside of Japan and it has research and development bases in Japan, the U.S. and Europe. In light of these circumstances, the Anritsu Group has voluntarily applied the International Financial Reporting Standards (IFRS) from the fiscal year ended March 31, 2013 in an effort to reinforce its management base through improvement of its internal decision-making process, while at the same time diversifying its means of financing by enhancing the comparability of its financial information on a global basis.

4. Consolidated Financial Statements
(1) Consolidated Statement of Financial Position

(Millions of yen)

	End of FY2018 as of 3.31.19	End of FY2019 as of 3.31.20
Assets		
Current assets		
Cash and cash equivalents	45,097	47,669
Trade and other receivables	25,055	26,263
Other financial assets	537	29
Inventories	18,585	20,775
Income tax receivables	343	413
Other assets	3,375	3,857
Total current assets	92,994	99,009
Non-current assets		
Property, plant and equipment	24,221	25,259
Goodwill and intangible assets	3,586	3,833
Investment property	830	663
Trade and other receivables	305	287
Other financial assets	1,670	1,785
Deferred tax assets	6,814	7,548
Other assets	45	485
Total non-current assets	37,473	39,864
Total assets	130,467	138,873

(Millions of yen)

	End of FY2018 as of 3.31.19	End of FY2019 as of 3.31.20
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	7,599	7,467
Bonds and borrowings	5,270	9,882
Other financial liabilities	70	753
Income tax payables	3,053	4,028
Employee benefits	6,829	7,293
Provisions	424	435
Other liabilities	7,003	7,484
Total current liabilities	30,251	37,346
Non-current liabilities		
Trade and other payables	435	480
Bonds and borrowings	10,978	2,994
Other financial liabilities	124	1,015
Employee benefits	1,100	775
Provisions	111	108
Deferred tax liabilities	197	336
Other liabilities	1,590	1,484
Total non-current liabilities	14,538	7,195
Total liabilities	44,789	44,541
Equity		
Common stock	19,113	19,151
Additional paid-in capital	28,207	28,277
Retained earnings	33,442	43,182
Treasury stock	(1,133)	(1,119)
Other components of equity	5,930	4,681
Total equity attributable to owners of parent	85,560	94,172
Non-controlling interests	117	159
Total equity	85,678	94,331
Total liabilities and equity	130,467	138,873

(2) Consolidated Statement of Profit or Loss and Other Comprehensive Income

(Millions of yen)

	FY2018 From April 1, 2018 to March 31, 2019	FY2019 From April 1, 2019 to March 31, 2020
Revenue	99,659	107,023
Cost of sales	48,807	48,948
Gross profit	50,852	58,075
Other revenue and expenses		
Selling, general and administrative expenses	27,944	28,036
Research and development expense	11,715	12,975
Other income	428	659
Other expenses	374	309
Operating profit (loss)	11,246	17,413
Finance income	387	345
Finance expenses	271	577
Profit (loss) before tax	11,362	17,181
Income tax expense	2,371	3,783
Profit (loss)	8,991	13,397
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Change of financial assets measured at fair value	69	83
Remeasurements of defined benefit plans	96	(214)
Total	165	(130)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation	225	(1,329)
Total	225	(1,329)
Total of other comprehensive income	390	(1,459)
Comprehensive income (loss)	9,381	11,937
Profit (loss) attributable to :		
Owners of parent	8,956	13,355
Non-controlling interests	34	42
Total	8,991	13,397
Comprehensive income (loss) attributable to :		
Owners of parent	9,346	11,895
Non-controlling interests	34	42
Total	9,381	11,937
Earnings per share		
Basic earnings per share (Yen)	65.20	97.20
Diluted earnings per share (Yen)	65.16	97.16

(3) Consolidated Statements of Changes in Equity

Year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)

(Millions of yen)

	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Other components of equity	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at April 1, 2018	19,064	28,137	26,254	(987)	5,761	78,230	83	78,313
Adjustments due to changes in accounting policies	―	―	183	―	―	183	―	183
Balance at April 1, 2018 (restated)	19,064	28,137	26,438	(987)	5,761	78,414	83	78,497
Profit (loss)	―	―	8,956	―	―	8,956	34	8,991
Other comprehensive income	―	―	96	―	294	390	―	390
Total comprehensive income (loss)	―	―	9,052	―	294	3,836	34	9,381
Share-based payments	49	69	24	23	―	166	―	166
Dividends paid	―	―	(2,198)	―	―	(2,198)	―	(2,198)
Purchase of treasury stock	―	―	―	(168)	―	(168)	―	(168)
Dividends to non-controlling interests	―	―	―	―	―	―	(0)	(0)
Transfer from other components of equity to retained earnings	―	―	125	―	(125)	―	―	―
Total transactions with owners and other transactions	49	69	(2,047)	(145)	(125)	(2,200)	(0)	(2,201)
Balance at March 31, 2019	19,113	28,207	33,442	(1,133)	5,930	85,560	117	85,678

Year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)

(Millions of yen)

	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Other components of equity	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at April 1, 2019	19,113	28,207	33,442	(1,133)	5,930	85,560	117	85,678
Adjustments due to changes in accounting policies	－	－	(45)	－	－	(45)	－	(45)
Balance at April 1, 2019 (restated)	19,113	28,207	33,396	(1,133)	5,930	85,515	117	85,632
Profit (loss)	－	－	13,355	－	－	13,355	42	13,397
Other comprehensive income	－	－	(214)	－	(1,245)	(1,459)	－	(1,459)
Total comprehensive income	－	－	13,140	－	(1,245)	11,895	42	11,937
Share-based payments	37	70	6	14	－	128	－	128
Dividends paid	－	－	(3,365)	－	－	(3,365)	－	(3,365)
Purchase of treasury stock	－	－	－	(0)	－	(0)	－	(0)
Disposal of treasury stock	－	0	－	0	－	0	－	0
Dividends to non-controlling interests	－	－	－	－	－	－	(0)	(0)
Transfer from other components of equity to retained earnings	－	－	4	－	(4)	－	－	－
Total transactions with owners and other transactions	37	70	(3,355)	13	(4)	(3,237)	(0)	(3,238)
Balance at March 31, 2020	19,151	28,277	43,182	(1,119)	4,681	94,172	159	94,331

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	FY2018 From April 1, 2018 to March 31, 2019	FY2019 From April 1, 2019 to March 31, 2020
Cash flows from (used in) operating activities		
Profit (Loss) before tax	11,362	17,181
Depreciation and amortization expense	4,386	4,999
Interest and dividends income	(335)	(342)
Interest expenses	103	116
Loss (Gain) on disposal of property, plant and equipment	(241)	(43)
Decrease (Increase) in trade and other receivables	(3,395)	(1,282)
Decrease (Increase) in inventories	(64)	(2,370)
Increase (Decrease) in trade and other payables	(452)	(176)
Increase (Decrease) in employee benefits	536	(578)
Other, net	1,761	363
Sub Total	13,661	17,866
Interest received	272	304
Dividends received	62	37
Interest paid	(98)	(102)
Income taxes paid	(1,960)	(3,473)
Income taxes refund	309	88
Net cash flows from (used in) operating activities	12,247	14,721
Cash flows from (used in) investing activities		
Payments into time deposits	(545)	(9)
Proceeds from withdrawal of time deposits	1,135	477
Purchase of property, plant and equipment	(2,114)	(2,830)
Proceeds from sale of property, plant and equipment	714	310
Purchase of other financial assets	(3)	(1)
Proceeds from sale of other financial assets	1,177	6
Other, net	(980)	(1,637)
Net cash flows from (used in) investing activities	(616)	(3,686)
Cash flows from (used in) financing activities		
Net increase (decrease) in short-term borrowings	300	114
Proceeds from long-term borrowings	3,000	－
Repayments of long-term borrowings	(3,000)	(3,500)
Repayments of lease liabilities	－	(900)
Dividends paid	(2,198)	(3,365)
Other, net	(154)	58
Net cash flows from (used in) financing activities	(2,052)	(7,592)
Effect of exchange rate change on cash and cash equivalents	65	(870)
Net increase (decrease) in cash and cash equivalents	9,644	2,572
Cash and cash equivalents at beginning of period	35,452	45,097
Cash and cash equivalents at end of period	45,097	47,669

(5) Notes to the Consolidated Financial Statements

(Notes regarding Going Concern)

None

(Changes in Accounting Policies)

Significant accounting policies that the Group adopted in the consolidated financial statements under review are the same as those that were adopted in the consolidated financial statements for the fiscal year ended March 31, 2019 except the followings.

The Anritsu Group has adopted the following IFRSs from the fiscal year ended March 31, 2020.

Standard	Title	Subject of new standards/amendment
IFRS 16	Leases	Amendment to the accounting treatment for leases

Under IFRS 16, whether or not a contract is a lease contract or a contract containing a lease is determined at its inception, based on its substance. If the contract substantially involves transfer of the right to control the use of an identified asset for a certain period of time in exchange for consideration, such contract is determined to constitute a lease contract or a contract containing a lease.

At the inception of a lease, lease liability and right-of-use asset are recognized unless it is classified as a short-term lease or a lease of a low-value asset. In the case of a short-term lease or a lease of a low-value asset, lease payments are recognized as an expense on a straight-line basis over the lease term, based on the practical expedients allowed under IFRS 16.

A lease liability is measured at its present value as calculated by discounting the lease payments yet to be made as at the inception, using the interest rate implicit in the lease. If the interest rate implicit in the lease cannot easily be determined, a lessee’s incremental borrowing rate of interest may be used for this purpose. Subsequent to the inception date of the lease, the lease liability may be increased or decreased to reflect the interest expenses associated with the lease liability as well as the lease payments that have been made.

A right-of-use asset is measured initially with the initially measured amount of the lease liability at the inception, adjusted by the initial direct costs, etc., and added by the costs associated with the obligations to restore the leased asset required under the lease contract, etc. Subsequent to the inception date of the lease, however, the right-of-use asset is measured by using a cost model at the acquisition cost less accumulated depreciation as well as accumulated impairment losses. The right-of-use asset is depreciated on a straight-line basis over the useful life or lease term whichever is shorter, unless it is reasonably certain that the Anritsu Group will obtain ownership of the lease asset at the termination of the lease term. The lease term includes the applicable periods of the extension and termination options, insofar as such options are to be exercised with reasonable certainty.

Following the adoption of IFRS 16, the Anritsu Group has newly recognized a right-of-use asset and lease liability for the leases classified as operating leases under IAS 17 – Leases. As for the leases classified as finance leases under IAS 17, book values recognized pursuant to IAS 17 have been directly quoted in general, while for some of such leases deemed to constitute leases of low-value assets, the accounting method has been changed whereby recognition of the right-of-use asset and lease liability has been discontinued based on the practical expedients, and lease payments are now recognized as an expense on a straight-line basis over the lease term.

Lease payments of the operating lease recognized as expenses under IAS 17 are allocated into repayment of financial expense and that of the lease liability according to the interest method, while the financial expenses are recognized in the Condensed Quarterly Consolidated Statement of Profit or Loss and Other Comprehensive Income. The amount of repayment of the lease liability for the operating lease was recorded as a negative-value item in cash flows from (used in) operating activities in the Condensed Quarterly Consolidated Statement of Cash Flows, which has been reclassified as a negative-value item in cash flows from (used in) financing activities.

In adopting IFRS 16, the Anritsu Group implemented retroactive adoption based on the transitional measures, whereby cumulative effects of the commencement of adoption were recognized as an adjustment to retained earnings at the beginning of the fiscal year ended March 31, 2020, while whether a lease is contained in contracts in force at the adoption of IFRS 16 was determined by following the decisions made based on IAS 17 – Leases and IFRIC 4 “Determining Whether an Arrangement Contains a Lease”. Meanwhile, the following practical expedients have been adopted.

· Apply a single discount rate to a portfolio of leases with reasonably similar characteristics.
· Rely on its assessment of whether leases are onerous applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review.
· For the leases previously classified as operating leases in the past, their initial direct costs have been excluded from the measurement of the right-of-use asset at the date of initial application.

As a result of the aforementioned, the right-of-use asset of 1,705 million yen and the lease liability of 1,758 million yen have been additionally recognized on the inception date as property, plant and equipment and other financial liabilities, respectively, in the Condensed Quarterly Consolidated Statement of Financial Position. Also 45 million yen decrease has been recognized in retained earnings. This has no significant impact on the Condensed Quarterly Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Reconciliation between non-cancellable operating lease contracts disclosed at the end of the previous fiscal year based on the adoption of IAS 17, and the lease liability recognized in the Condensed Quarterly Consolidated Statement of Financial Position on the inception date is as follows.

(Millions of yen)

	Amount
Non-cancelable operating lease contract, disclosed as of March 31, 2019	1,139
Non-cancelable operating lease contract (after discount), disclosed as of March 31, 2019 (Notes 1)	657
Finance lease liabilities (as of March 31, 2019)	186
Reported amount for cancelable operating lease contract	1,104
Low value leases, recognized as expenses under fixed amount method	(3)
Lease liabilities as of April 1, 2019	1,945

(Notes 1) : Value of non-cancelable operating lease contract (after discount) disclosed as of March 31, 2019 is discounted value excluded non-lease component.

(Notes 2) : Weighted average of lessees' incremental borrowing rates applicable to the lease liability recognized in the Condensed Quarterly Consolidated Statement of Financial Position on the inception date is 2.8%.

(Segment Information)

1. Outline of reportable segment

The reportable segments of the Anritsu group are business segments which are classified based on products and services. Each business segment operates its business activities with a comprehensive strategic business plans for domestic and overseas. The board of directors meeting periodically makes decision of allocation of operating resources and evaluates business performance based on segment financial information. The Anritsu group's reportable segments are composed of "Test and Measurement" and "PQA (Products Quality Assurance)".

Main Products and services by segment are as follows;

Test and Measurement	Measuring instruments for Digital communications and IP network, Optical communications equipment, Mobile communications equipment, RF / microwave and millimeter wave communications equipment / systems, Service assurance
PQA	Checkweighers, Automatic combination weighers, Inspection equipment, Comprehensive production management system

2. Revenue and profit (loss) by reportable segment

Reportable segment information of the Anritsu Group is included below.

Inter segment revenue is measured based on market price.

Year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)

(Millions of yen)

	Reportable segment			Others (Notes 1)	Total	Adjustment (Notes 2,3)	Consolidated
	Test and Measurement	PQA	Subtotal				
Revenue :							
External customers	68,168	23,074	91,242	8,416	99,659	―	99,659
Inter segment	90	3	94	4,146	4,240	(4,240)	―
Total	68,259	23,077	91,336	12,563	103,900	(4,240)	99,659
Cost of sales, Other revenue and expenses	(58,846)	(21,467)	(80,314)	(11,418)	(91,732)	3,319	(88,413)
Operating profit (loss)	9,413	1,609	11,022	1,145	12,168	(921)	11,246
Finance income	―	―	―	―	―	―	387
Finance expenses	―	―	―	―	―	―	271
Profit (loss) before tax	―	―	―	―	―	―	11,362
Income tax expense	―	―	―	―	―	―	2,371
Profit (loss)	―	―	―	―	―	―	8,991
Assets	93,058	17,561	110,619	9,598	120,218	10,249	130,467
Capital expenditures	1,962	506	2,468	353	2,822	(14)	2,807
Depreciation and amortization	3,548	285	3,834	562	4,397	(10)	4,386

(Notes 1) : Others : Information and Communications, Devices, Logistics, Welfare related service, Lease on real estate, Corporate administration, Parts manufacturing and others

(Notes 2) : Adjustment of operating profit includes elimination of inter-segment transactions (-2 million yen) and company-wide expenses not allocated to business segments (-919 million yen). Company-wide expenses are mainly composed of basic research expense as well as selling, general and administrative expenses not attributable to business segments.

(Notes 3) : Adjustment of segment assets includes excess investment capital not attributable to business segments (cash and cash equivalents), long-term investment capital (other financial assets (non-current assets)), and assets related to basic research.

Year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)

(Millions of yen)

	Reportable segment			Others (Notes 1)	Total	Adjustment (Notes 2,3)	Consolidated
	Test and Measurement	PQA	Subtotal				
Revenue :							
External customers	75,165	22,575	97,740	9,282	107,023	—	107,023
Inter segment	95	3	98	4,931	5,030	(5,030)	—
Total	75,261	22,578	97,839	14,213	112,053	(5,030)	107,023
Cost of sales, Other revenue and expenses	(60,112)	(21,291)	(81,404)	(12,313)	(93,717)	4,108	(89,609)
Operating profit (loss)	15,148	1,287	16,435	1,900	18,335	(921)	17,413
Finance income	—	—	—	—	—	—	345
Finance expenses	—	—	—	—	—	—	577
Profit (loss) before tax	—	—	—	—	—	—	17,181
Income tax expense	—	—	—	—	—	—	3,783
Profit (loss)	—	—	—	—	—	—	13,397
Assets	101,843	18,452	120,295	7,807	128,102	10,770	138,873
Capital expenditures	3,775	787	4,562	362	4,925	(13)	4,911
Depreciation and amortization	3,886	547	4,433	575	5,009	(9)	4,999

(Notes 1) : Others : Information and Communications, Devices, Logistics, Welfare related service, Lease on real estate, Corporate administration, Parts manufacturing and others

(Notes 2) : Adjustment of operating profit includes elimination of inter-segment transactions (-8 million yen) and company-wide expenses not allocated to business segments (-913 million yen). Company-wide expenses are mainly composed of basic research expense as well as selling, general and administrative expenses not attributable to business segments.

(Notes 3) : Adjustment of segment assets includes excess investment capital not attributable to business segments (cash and cash equivalents), long-term investment capital (other financial assets (non-current assets)), and assets related to basic research.

3. Revenue by Region

(Millions of yen)

	FY2018 From April 1, 2018 to March 31, 2019	FY2019 From April 1, 2019 to March 31, 2020
Japan	32,183	36,293
Americas	26,429	20,773
EMEA	12,170	10,693
Asia and Others	28,876	39,262
Total	99,659	107,023

(Notes) : Revenue is based on the geographical location of the customers, and it is classified by country or region.

(Earnings Per Share)

Earnings per share (attributable to owners of parent)

	FY2018 From April 1, 2018 to March 31, 2019	FY2019 From April 1, 2019 to March 31, 2020
Profit attributable to owners of parent	8,956 Million yen	13,355 Million yen
Adjusted profit used for diluted earnings per share	— Million yen	— Million yen
Profit used in calculation of diluted earnings per share	8,956 Million yen	13,355 Million yen
Weighted average number of issued and outstanding shares	137,368,418 shares	137,394,952 shares
Increased number of shares used in the calculation of diluted earnings per share		
Increase by stock options	80,562 shares	68,068 shares
Weighted average number of issued and outstanding shares used in the calculation of diluted earnings per share	137,448,980 shares	137,463,020 shares
Basic earnings per share	65.20 yen	97.20 yen
Diluted earnings per share	65.16 yen	97.16 yen

(Significant Subsequent Events)

None

5. Others

Reference Information

Consolidated Quarterly Financial Highlights

Year ended March 31, 2019

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
				(Millions of yen)
Revenue	20,964	23,370	26,785	28,538
Gross profit	10,793	11,353	14,429	14,276
Operating profit (loss)	1,630	1,851	4,233	3,530
Quarterly profit (loss) before tax	1,752	1,926	4,171	3,512
Quarterly profit (loss)	1,699	1,441	3,141	2,708
Quarterly profit (loss) attributable to owners of parent	1,690	1,434	3,132	2,698
Quarterly comprehensive income	2,097	2,282	2,131	2,870
				(Yen)
Quarterly basic earnings per share	12.31	10.44	22.80	19.65
Quarterly diluted earnings per share	12.30	10.43	22.79	19.63
				(Millions of yen)
Total assets	122,871	126,289	126,559	130,467
Total equity	79,574	81,912	82,730	85,678
				(Yen)
Equity attributable to owners of parent per share	578.54	595.40	601.63	622.87
				(Millions of yen)
Cash flows from operating activities	5,046	3,049	1,271	2,881
Cash flows from investing activities	(634)	98	(578)	497
Cash flows from financing activities	(523)	632	(1,791)	(369)
Net increase (decrease) in cash and cash equivalents	3,955	4,175	(1,529)	3,042
Cash and cash equivalents at end of period	39,408	43,584	42,054	45,097

Year ended March 31, 2020

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
				(Millions of yen)
Revenue	23,236	26,572	26,610	30,604
Gross profit	12,557	14,071	14,818	16,627
Operating profit (loss)	2,695	3,936	4,682	6,099
Quarterly profit (loss) before tax	2,531	3,840	4,864	5,945
Quarterly profit (loss)	1,790	2,892	3,658	5,056
Quarterly profit (loss) attributable to owners of parent	1,776	2,880	3,650	5,048
Quarterly comprehensive income	826	2,545	4,541	4,023
				(Yen)
Quarterly basic earnings per share	12.93	20.96	26.57	37
Quarterly diluted earnings per share	12.92	20.95	26.55	37
				(Millions of yen)
Total assets	130,144	129,926	132,453	138,873
Total equity	84,618	87,204	90,256	94,331
				(Yen)
Equity attributable to owners of parent per share	615.04	633.61	655.71	685.25
				(Millions of yen)
Cash flows from operating activities	4,741	3,949	340	5,689
Cash flows from investing activities	(708)	(424)	(933)	(1,619)
Cash flows from financing activities	(1,799)	(3,875)	(1,735)	(181)
Net increase (decrease) in cash and cash equivalents	1,569	(521)	(1,777)	3,302
Cash and cash equivalents at end of period	46,666	46,145	44,367	47,669

Consolidated Quarterly Financial Position

Year ended March 31, 2019

(Millions of yen)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Assets	**122,871**	**126,289**	**126,559**	**130,467**
Current assets	81,680	85,609	86,831	92,994
Non-current assets	41,191	40,679	39,727	37,473
Property, plant and equipment	25,710	25,668	25,160	24,221
Goodwill and intangible assets	3,888	3,803	3,717	3,586
Investment property	1,422	913	871	830
Other non-current assets	10,169	10,294	9,977	8,835
Liabilities	**43,296**	**44,377**	**43,828**	**44,789**
Current liabilities	27,271	28,629	27,766	30,251
Non-current liabilities	16,025	15,748	16,061	14,538
Equity	**79,574**	**81,912**	**82,730**	**85,678**
Common stock	19,065	19,081	19,091	19,113
Additional paid-in capital	28,104	28,138	28,151	28,207
Retained earnings	27,118	28,557	30,522	33,442
Treasury stock	(964)	(964)	(1,132)	(1,133)
Other component of equity	6,159	7,000	5,990	5,930
Non-controlling interests	91	98	107	117
Interest-bearing debt (including lease liabilities)	**16,679**	**17,303**	**16,834**	**16,435**

Year ended March 31, 2020

(Millions of yen)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Assets	**130,144**	**129,926**	**132,453**	**138,873**
Current assets	91,252	91,394	93,790	99,009
Non-current assets	38,891	38,531	38,662	39,864
Property, plant and equipment	25,709	25,389	25,269	25,259
Goodwill and intangible assets	3,482	3,519	3,634	3,833
Investment property	788	746	705	663
Other non-current assets	8,911	8,875	9,054	10,107
Liabilities	**45,526**	**42,722**	**42,197**	**44,541**
Current liabilities	37,858	35,024	34,112	37,346
Non-current liabilities	7,667	7,697	8,084	7,195
Equity	**84,618**	**87,204**	**90,256**	**94,331**
Common stock	19,114	19,133	19,140	19,151
Additional paid-in capital	28,220	28,221	28,236	28,277
Retained earnings	33,318	36,204	38,347	43,182
Treasury stock	(1,133)	(1,119)	(1,119)	(1,119)
Other component of equity	4,966	4,620	5,499	4,681
Non-controlling interests	131	143	151	159
Interest-bearing debt (including lease liabilities)	**18,460**	**14,664**	**14,703**	**14,594**

Consolidated Quarterly Segment Information

Year ended March 31, 2019

(Millions of yen)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Orders by Segment	**22,595**	**25,314**	**25,994**	**26,915**
Test and Measurement	14,579	17,420	17,989	18,813
PQA	5,726	5,908	5,638	6,043
Others	2,289	1,984	2,365	2,059
Backlog by Segment	**22,689**	**24,289**	**23,383**	**21,882**
Test and Measurement	15,964	18,210	16,660	15,988
PQA	5,147	4,560	4,988	4,582
Others	1,577	1,519	1,733	1,311
Revenue by Segment	**20,964**	**23,370**	**26,785**	**28,538**
Test and Measurement	14,388	14,767	19,446	19,565
PQA	4,898	6,541	5,176	6,457
Others	1,676	2,061	2,162	2,515
Operating profit (loss) by Segment	**1,630**	**1,851**	**4,233**	**3,530**
Test and Measurement	1,516	1,026	3,969	2,899
PQA	150	701	179	578
Others	103	331	285	423
Adjustment	(140)	(208)	(201)	(371)
Revenue by Region	**20,964**	**23,370**	**26,785**	**28,538**
Japan	5,685	8,115	7,667	10,715
Americas	6,046	4,893	8,095	7,393
EMEA	2,920	2,732	3,448	3,069
Asia and Others	6,312	7,629	7,573	7,360

Year ended March 31, 2020

(Millions of yen)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Orders by Segment	**27,166**	**26,466**	**28,974**	**25,102**
Test and Measurement	19,751	17,501	20,896	17,429
PQA	5,330	6,624	5,445	5,599
Others	2,083	2,341	2,632	2,073
Backlog by Segment	**25,650**	**25,279**	**28,721**	**23,003**
Test and Measurement	18,328	17,554	20,456	16,672
PQA	5,722	5,804	6,137	4,937
Others	1,599	1,920	2,128	1,393
Revenue by Segment	**23,236**	**26,572**	**26,610**	**30,604**
Test and Measurement	17,315	17,861	18,999	20,989
PQA	4,088	6,610	5,153	6,722
Others	1,832	2,100	2,457	2,892
Operating profit (loss) by Segment	**2,695**	**3,936**	**4,682**	**6,099**
Test and Measurement	2,761	3,146	4,031	5,208
PQA	(158)	618	214	612
Others	286	374	645	592
Adjustment	(194)	(202)	(209)	(314)
Revenue by Region	**23,236**	**26,572**	**26,610**	**30,604**
Japan	6,442	9,589	8,109	12,152
Americas	5,950	5,356	4,666	4,800
EMEA	2,722	2,673	2,583	2,714
Asia and Others	8,120	8,953	11,251	10,937

Anritsu Corporation Supplement

1. Supplement of Trend of Results

(Millions of yen)

	Actual					Forecast
	2016/3	2017/3	2018/3	2019/3	2020/3	2021/3
Revenue	95,532	87,638	85,967	99,659	107,023	110,000
Change %	-3.3%	-8.3%	-1.9%	15.9%	7.4%	2.8%
Operating profit (loss)	5,897	4,234	4,912	11,246	17,413	17,500
Change %	-45.8%	-28.2%	16.0%	128.9%	54.8%	0.5%
as % of Revenue	6.2%	4.8%	5.7%	11.3%	16.3%	15.9%
Profit (loss) before taxes	5,434	3,628	4,602	11,362	17,181	17,500
Change %	-53.1%	-33.2%	26.8%	146.9%	51.2%	1.9%
as % of Revenue	5.7%	4.1%	5.4%	11.4%	16.1%	15.9%
Profit (loss)	3,767	2,734	2,898	8,991	13,397	13,500
Change %	-52.2%	-27.4%	6.0%	210.2%	49.0%	0.8%
as % of Revenue	3.9%	3.1%	3.4%	9.0%	12.5%	12.3%
Basic earnings per share	¥27.38	¥19.65	¥20.97	¥65.20	¥97.20	¥98.23
Orders	94,589	88,934	88,542	100,819	107,709	110,000
Change %	-6.4%	-6.0%	-0.4%	13.9%	6.8%	2.1%
Cash flows from operating activities	10,195	9,246	7,946	12,247	14,721	17,000
Change %	34.5%	-9.3%	-14.1%	54.1%	20.2%	15.5%
Free cash flows	1,153	5,581	4,014	11,631	11,035	12,000
Change %	-24.8%	384.0%	-28.1%	189.7%	-5.1%	8.7%
Capital expenditures (* 1,4)	5,399	2,588	3,430	2,436	4,518	5,000
Change %	-43.8%	-52.1%	32.5%	-29.0%	85.5%	10.7%
Depreciation (* 2,4)	3,736	3,935	3,964	4,031	4,732	5,000
Change %	17.3%	5.3%	0.7%	1.7%	17.4%	5.6%
R&D expenses (* 3)	13,089	11,212	10,556	12,008	13,321	13,500
Change %	-2.1%	-14.3%	-5.9%	13.8%	10.9%	1.3%
as % of Revenue	13.7%	12.8%	12.3%	12.0%	12.4%	12.3%
Number of Employees	3,846	3,788	3,717	3,778	3,881	-

(* 1) Capitalized development cost booked as intangible asset is not included.
(* 2) Amortization of capitalized development cost booked as intangible asset is not included.
(* 3) R&D expenses are amounts of R&D investment including capitalized development cost.
Thus, these amounts do not agree the R&D expense booked on the consolidated statement of profit or loss and other comprehensive income.
(* 4) From the year ended March 31, 2020 include the impact of the application of IFRS 16.

2. Supplement of Quarterly Results

(Millions of yen)

	2018/Q1	2018/Q2	2018/Q3	2018/Q4	2019/Q1	2019/Q2	2019/Q3	2019/Q4
Revenue	20,964	23,370	26,785	28,538	23,236	26,572	26,610	30,604
Y o Y	7.9%	9.9%	24.2%	20.4%	10.8%	13.7%	-0.7%	7.2%
Operating profit	1,630	1,851	4,233	3,530	2,695	3,936	4,682	6,099
Y o Y	-	151.5%	102.3%	57.2%	65.3%	112.6%	10.6%	72.8%
as % of Revenue	7.8%	7.9%	15.8%	12.4%	11.6%	14.8%	17.6%	19.9%
Profit before tax	1,752	1,926	4,171	3,512	2,531	3,840	4,864	5,945
Y o Y	-	200.1%	93.1%	78.8%	44.5%	99.3%	16.6%	69.3%
as % of Revenue	8.4%	8.2%	15.6%	12.3%	10.9%	14.5%	18.3%	19.4%
Profit	1,699	1,441	3,141	2,708	1,790	2,892	3,658	5,056
Y o Y	-	251.5%	146.0%	90.4%	5.4%	100.6%	16.5%	86.7%
as % of Revenue	8.1%	6.2%	11.7%	9.5%	7.7%	10.9%	13.7%	16.5%

(Millions of yen)

Upper : Revenue Lower : Operating profit	2018/Q1	2018/Q2	2018/Q3	2018/Q4	2019/Q1	2019/Q2	2019/Q3	2019/Q4
Test and Measurement	14,388 1,516	14,767 1,026	19,446 3,969	19,565 2,899	17,315 2,761	17,861 3,146	18,999 4,031	20,989 5,208
PQA	4,898 150	6,541 701	5,176 179	6,457 578	4,088 (158)	6,610 618	5,153 214	6,722 612
Others	1,676 103	2,061 331	2,162 285	2,515 423	1,832 286	2,100 374	2,457 645	2,892 592
Adjustment	— (140)	— (208)	— (201)	— (371)	— (194)	— (202)	— (209)	— (314)
Total revenue Total operating profit	20,964 1,630	23,370 1,851	26,785 4,233	28,538 3,530	23,236 2,695	26,572 3,936	26,610 4,682	30,604 6,099

3. Supplement of Segment Information

(1) Revenue by Segment

(Millions of yen)

	Actual					Forecast
	2016/3	2017/3	2018/3	2019/3	2020/3	2021/3
Test and Measurement	67,729	59,333	54,433	68,168	75,165	77,000
Y o Y	-7.8%	-12.4%	-8.3%	25.2%	10.3%	2.4%
PQA	18,891	19,588	22,549	23,074	22,575	24,000
Y o Y	16.6%	3.7%	15.1%	2.3%	-2.2%	6.3%
Others	8,910	8,716	8,984	8,416	9,282	9,000
Y o Y	-3.1%	-2.2%	3.1%	-6.3%	10.3%	-3.0%
Total	95,532	87,638	85,967	99,659	107,023	110,000
Y o Y	-3.3%	-8.3%	-1.9%	15.9%	7.4%	2.8%

(2) Operating Profit by Segment

(Millions of yen)

	Actual					Forecast
	2016/3	2017/3	2018/3	2019/3	2020/3	2021/3
Test and Measurement	4,706	2,130	2,147	9,413	15,148	15,500
Y o Y	-47.4%	-54.7%	0.8%	338.3%	60.9%	2.3%
PQA	1,194	1,302	1,969	1,609	1,287	1,800
Y o Y	45.0%	9.0%	51.2%	-18.3%	-20.0%	39.8%
Others	575	992	1,458	1,145	1,900	1,200
Y o Y	-70.7%	72.5%	47.0%	-21.5%	65.9%	-36.8%
Adjustment	(578)	(190)	(663)	(921)	(921)	(1,000)
Y o Y	-	-	-	-	-	-
Total	5,897	4,234	4,912	11,246	17,413	17,500
Y o Y	-45.8%	-28.2%	16.0%	128.9%	54.8%	0.5%

(*) Way to allot headquarter administrative expenses to each business segment changed from the year ended March 31, 2019 and figures of operating profit for the year ended March 31, 2018 are restated. However, the above figures from the year ended March 31, 2016 to March 31, 2017 are not subjective to the adjustment.

(3) Revenue by Region

(Millions of yen)

	Actual					Forecast
	2016/3	2017/3	2018/3	2019/3	2020/3	2021/3
Japan	28,565	29,338	29,753	32,183	36,293	37,000
Y o Y	5.3%	2.7%	1.4%	8.2%	12.8%	1.9%
Overseas	66,966	58,299	56,213	67,475	70,729	73,000
Y o Y	-6.6%	-12.9%	-3.6%	20.0%	4.8%	3.2%
Americas	23,246	19,633	17,419	26,429	20,773	22,000
Y o Y	-4.6%	-15.5%	-11.3%	51.7%	-21.4%	5.9%
EMEA	13,537	12,520	12,781	12,170	10,693	11,000
Y o Y	-14.8%	-7.5%	2.1%	-4.8%	-12.1%	2.9%
Asia and Others	30,182	26,145	26,012	28,876	39,262	40,000
Y o Y	-4.1%	-13.4%	-0.5%	11.0%	36.0%	1.9%
Total	95,532	87,638	85,967	99,659	107,023	110,000
Y o Y	-3.3%	-8.3%	-1.9%	15.9%	7.4%	2.8%

Assumed exchange rate : FY2020 (Forecast) 1US$=105 Yen