

Financial Results for the 2nd quarter of the Fiscal Year ending March 31, 2022

Akifumi Kubota

Director, Executive Vice President, CFO
Anritsu Corporation

Oct 28th, 2021



TSE cord : 6754
<https://www.anritsu.com>

(No notes here)

Cautionary Statement



All information contained in this release which pertains to the current plans, estimates, strategies and beliefs of Anritsu Corporation (hereafter "Anritsu") that is not historical fact shall be considered forward-looking statements of future business results or other forward-looking projections pertinent to the business of Anritsu. Implicit in reliance on these and all future projections is the unavoidable risk, caused by the existence of uncertainties about future events, that any and all suggested projections may not, come to pass. Forward-looking statements include but are not limited to those using words such as "believe", "expect", "plans", "strategy", "prospects", "forecast", "estimate", "project", "anticipate", "may" or "might" and words of similar meaning in connection with a discussion of future operations or financial performance.

Actual business results are the outcome of a number of unknown variables and may substantially differ from the figures projected herein.

Factors which may affect the actual business results include but are not limited to the economic situation in the geographic areas in which Anritsu conducts business, including but not limited to, Japan, Americas, Asia, and Europe, changes in actual demand for Anritsu products and services, increases or decreases in the competitive nature of markets in which Anritsu sells products or buys supplies, changing aptitudes at providing services, and exchange rates.

You also should not place reliance on any obligation of Anritsu to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Anritsu disclaims any such obligation.

(No notes here)

Agenda

1. Outline of our business segments
2. Consolidated performance review of the 2nd quarter of the Fiscal Year ending March 31, 2022
3. Outlook for full year of the Fiscal Year ending March 31, 2022 (Consolidated)
4. Anritsu Initiatives

(No notes here)

1. Outline of our business segments

T&M

Evolution and advances of networked society

- ▶ Mobile : 5G, 5G Utilization
- ▶ Network Infrastructure : Data center, Optical NW, Wireless NW
- ▶ Electronics : Base station construction and maintenance, Electronics parts, Wireless Equipment



PQA

Food safety

- ▶ X-ray inspection systems
- ▶ Metal Detector
- ▶ Checkweighers



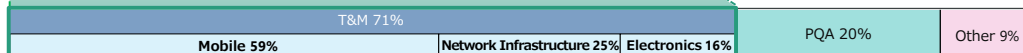
Others

- ▶ Environmental measurement
- ▶ Sensing & device

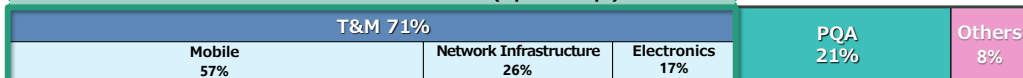


(Revenue by business segment)

105.9 billion Yen consolidated revenue in FY2020



51.2 billion Yen consolidated revenue in FY2021 (Apr. to Sep.)



(Revenue of T&M business by region)

Revenue in FY2020



Revenue in FY2021 (Apr. to Sep.)



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

(No notes here)

2-1. Consolidated performance - Financial results -

▶ Although revenue and profit declined year-on-year, orders are progressed as planned in full-year forecast

Unit: Billion Yen

International Financial Reporting Standards(IFRS)	FY2020 (Apr. to Sep.)	FY2021 (Apr. to Sep.)	YoY	YoY (%)
Order Intake	54.0	54.8	0.8	1%
Revenue	52.2	51.2	(1.0)	-2%
Operating profit (loss)	9.8	7.5	(2.3)	-24%
Profit (loss) before tax	9.7	7.5	(2.2)	-23%
Profit (loss)	7.1	5.5	(1.6)	-23%
Comprehensive income	7.1	5.8	(1.3)	-18%

(Note) Numbers for FY2020 and FY2021 are rounded off to the first decimal place in each column.

The Group's consolidated order intake increased 1% year on year to 54.8 billion yen and revenue decreased by 2% year on year to 51.2 billion yen. Operating profit decreased by 24% year on year to 7.5 billion yen. Profit decreased by 23% year on year to 5.5 billion yen.

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



- ▶ T&M : Demand for 5G development was strong. Semiconductor shortage continues to affect sales
- ▶ PQA : Sales have recovered in areas where the COVID-19 situation has improved, and revenue and profit have increased year on year

Unit: Billion Yen

International Financial Reporting Standards (IFRS)		FY2020 (Apr. to Sep.)	FY2021 (Apr. to Sep.)	YoY	YoY (%)
T&M	Revenue	37.5	36.4	(1.1)	-3%
	Op. profit (loss)	9.0	7.1	(1.9)	-21%
PQA	Revenue	10.4	11.0	0.6	6%
	Op. profit (loss)	0.7	0.7	0.0	5%
Others	Revenue	4.3	3.9	(0.4)	-8%
	Op. profit (loss)	0.5	0.2	(0.3)	-69%
Adjustment	Op. profit (loss)	(0.4)	(0.5)	(0.1)	-
Total	Revenue	52.2	51.2	(1.0)	-2%
	Op. profit (loss)	9.8	7.5	(2.3)	-24%

(Note1) : Numbers for FY2020 and FY2021 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

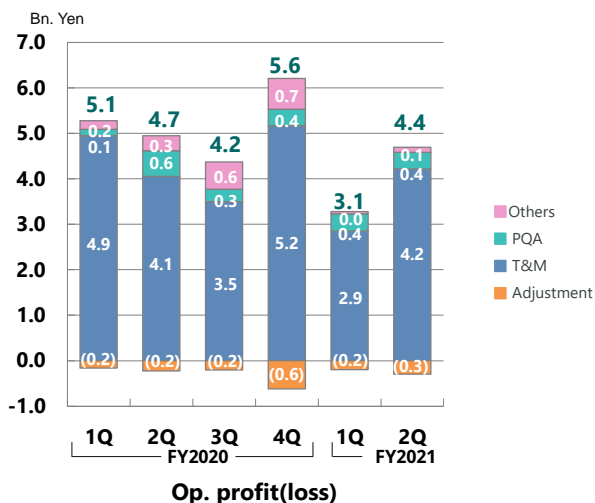
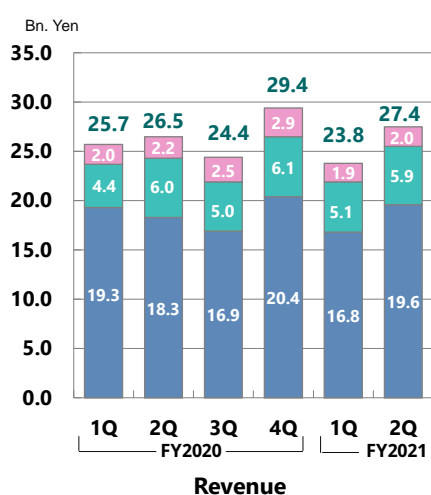
In the T&M business, development demand for 5G remained strong. However, due to semiconductor shortage, some orders forgone for test instruments in the 5G manufacturing market, and some sales shifted to next quarter, we saw the sales decreased by roughly 1.5 billion yen. In addition, a loss on disposal of non-current assets of 0.36 billion yen was incurred in US subsidiary. As a result of these impacts, revenue decreased by 3% year on year to 36.4 billion yen. Operating profit decreased by 21% to 7.1 billion yen (operating margin of 19.4%).

In the PQA business, capital investment aimed at labor saving and automating quality assurance processes in the food market remained strong in regions where the COVID-19 situation has improved, such as Asia and the United States. Meanwhile, revenue of roughly 0.1 billion yen were affected by the semiconductor shortage. Revenue increased by 6% year on year to 11.0 billion yen, and operating profit increased by 5% year on year to 0.7 billion yen (operating margin of 6.7%), representing increases in both revenue and profit.

In the Others business, revenue declined in the sensing & device business, mainly due to intensified price competition. Revenue decreased by 8% year on year to 3.9 billion yen, and operating profit decreased by 69% year on year to 0.2 billion yen (operating margin of 4.2%), representing decreases in both revenue and profit.

2-3. Consolidated performance - Revenue and Op. profit by quarters -

2Q(Jul.-Sep.) Operating margin : Consolidated 16%, T&M 22% ,PQA 6%



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

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

Consolidated : 4.4 billion yen (Operating margin : 16.0%)
 T&M : 4.2 billion yen (Operating margin : 21.5%)
 PQA : 0.4 billion yen (Operating margin : 6.2%)

2-4. Overview of operations by business segment

Segment FY2021 (Apr. to Sep.)	
T&M : Steady progress for both 5G commercialization schedule and development of high-speed data centers	
Mobile	5G development demand remains steady
Network Infrastructure	Investment for data centers and others remains steady
Asia & Others/ Japan	Strong investment in commercialization of 5G, however investment of smartphone manufacturers were affected due to semiconductor shortage.
Americas	We expect recovery in demand due to the installation of Sub6GHz (C-band) base stations starting in the latter half of the year.
PQA : Demand recovered in areas where the COVID-19 situation has improved, such as Asia and the Americas	

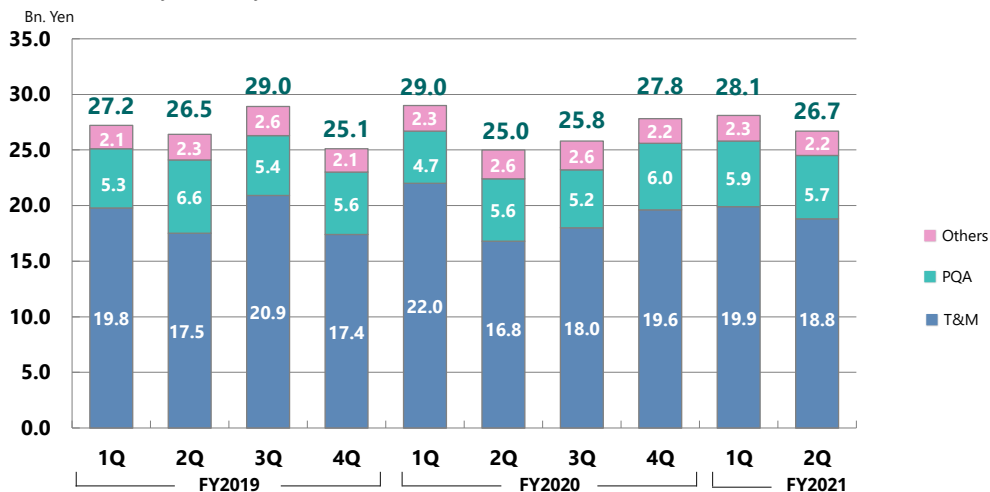
T&M : Test & Measurement PQA : Products Quality Assurance

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2-5. Transition of Order Intake

▶ T&M : 12% increase year on year

▶ PQA : 2% increase year on year



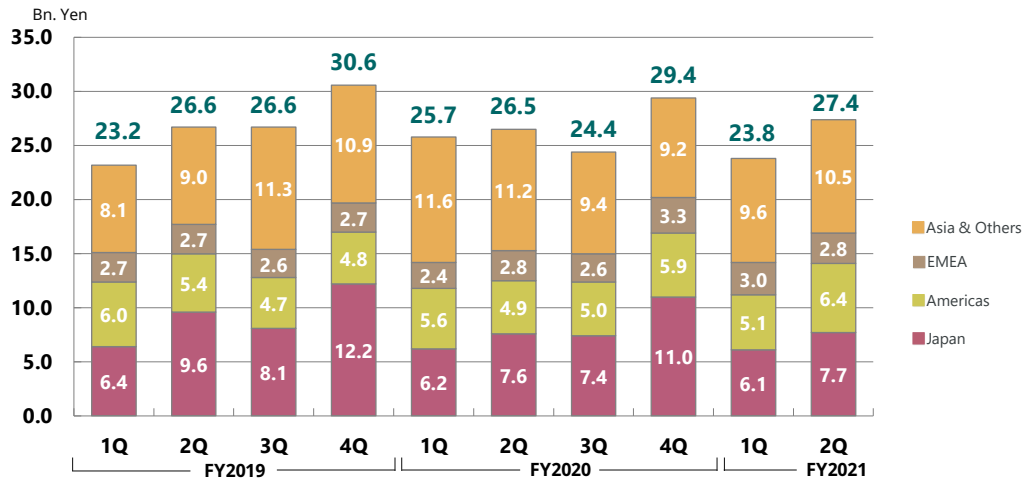
Order intake for the T&M business in the second quarter increased 12% year on year to 18.8 billion yen.

Order intake for the PQA business in the second quarter increased year-on-year by 2% to 5.7 billion yen, due to demand recovered in areas where the COVID-19 situation has improved, such as Asia and USA.

The order backlog for the entire Group was 27.3 billion yen (16% year-on-year increase) and 19.2 billion yen (16% year-on-year increase) for the T&M business and 5.9 billion yen (22% year-on-year increase) for the PQA business.

2-6. Transition of Revenue by Region

5G related demand in Asia remains steady



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

(No notes here)

2-7. Cash Flow

▶ Operating cash flow margin ratio was 22.7%

FY2021 (Apr. to Sep.)

Operating CF : 11.6 Bn. Yen
Investing CF : (2.3) Bn. Yen
Financing CF : (7.6) Bn. Yen

Free Cash Flow

Op.CF + Inv. CF : 9.3 Bn. Yen

Cash at the end of period

51.8 Bn. Yen

Interest-bearing debt

6.4 Bn. Yen

Details		
Unit : Billion Yen		
Others 0.5*		
Accounts receivable 4.7		
	← Depreciation and amortization 2.5	
Profit(loss) before tax 7.5		
Inventory (0.8)	Capex (1.4)	Dividend (3.4)
Tax (2.3)	↑ Others (0.9)	
↑ Accounts payable (0.5)		Treasury Stock (3.9)
		↑ Others (0.3)

*Other main items: Advances received, deposits received, etc.

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

Op. CF 11.6

Inv. CF (2.3)

Fin. CF (7.6)

The operating cash flow was inflow of 11.6 billion yen.

The investing cash flow was outflow of 2.3 billion yen.

As a result, the free cash flow amounted to an inflow of 9.3 billion yen.

The financial cash flow was outflow of 7.6 billion yen.

The main outflows was dividends paid of 3.4 billion yen (Fiscal year end dividend: 24.5 yen per share) and purchase of treasury stock of 3.9 billion yen. The remainder of planned treasury stock purchase of 1.1 billion yen was completed in October 2021.

Consequently, the balance of cash equivalents at the end of the period increased by 2.0 billion yen from the beginning of the fiscal year to 51.8 billion yen.

3. Forecast for full year of FY2021 (Consolidated)

Remains unchanged from original forecast published on April 27, 2021

Unit: Billion Yen

		FY2020	FY2021		
		Actual	Forecast	YoY	YoY(%)
Revenue		105.9	114.0	8.1	8%
Operating profit (loss)		19.7	20.5	0.8	4%
Profit (loss) before tax		19.8	20.5	0.7	3%
Profit (loss)		16.1	16.2	0.1	0%
T&M	Revenue	74.8	82.0	7.2	10%
	Op. profit (loss)	17.7	18.5	0.8	4%
PQA	Revenue	21.4	23.0	1.6	7%
	Op. profit (loss)	1.3	1.8	0.5	34%
Others	Revenue	9.7	9.0	(0.7)	-7%
	Op. profit (loss)	1.8	1.2	(0.6)	-33%
Adjustment	Op. profit (loss)	(1.2)	(1.0)	0.2	-

Reference : Exchange rate : FY2020 (Actual) 1USD=106 yen, 1EURO=123 yen
FY2021 (Forecast*) 1USD=105 yen, 1EURO=125 yen

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

*Exchange rate (forecast) for FY2021 was defined when FY business projection was created.

Business forecasts for the year ending March 31, 2022 remains unchanged from original forecast published on April 27, 2021.

The impact of the COVID-19 on economic activities varies from region to region, and the impact on our business also varies from region to region. This forecast assumes that COVID-19 situations in each region will remain for another year. Going forward, the Company will swiftly publish any expectations of material impacts that should be disclosed.

4. Anritsu Initiatives

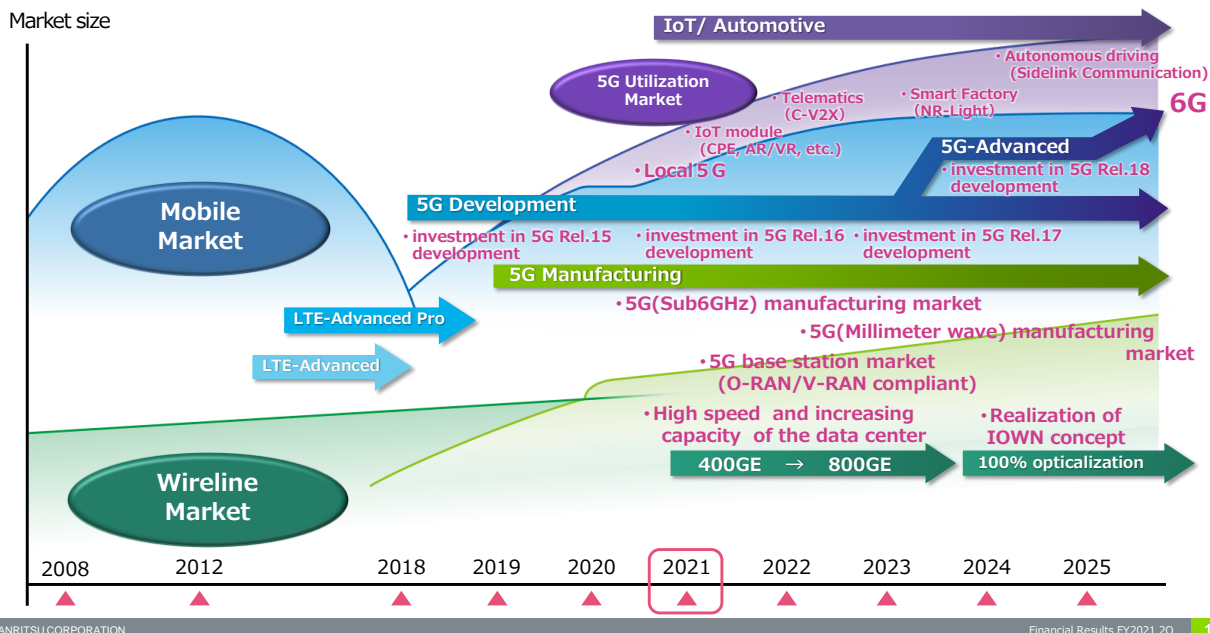
Hirokazu Hamada

Representative Director , President
Anritsu Corporation

(No notes here)

4-1. T&M : Mobile market trends and Business opportunity

Anritsu
Advancing beyond

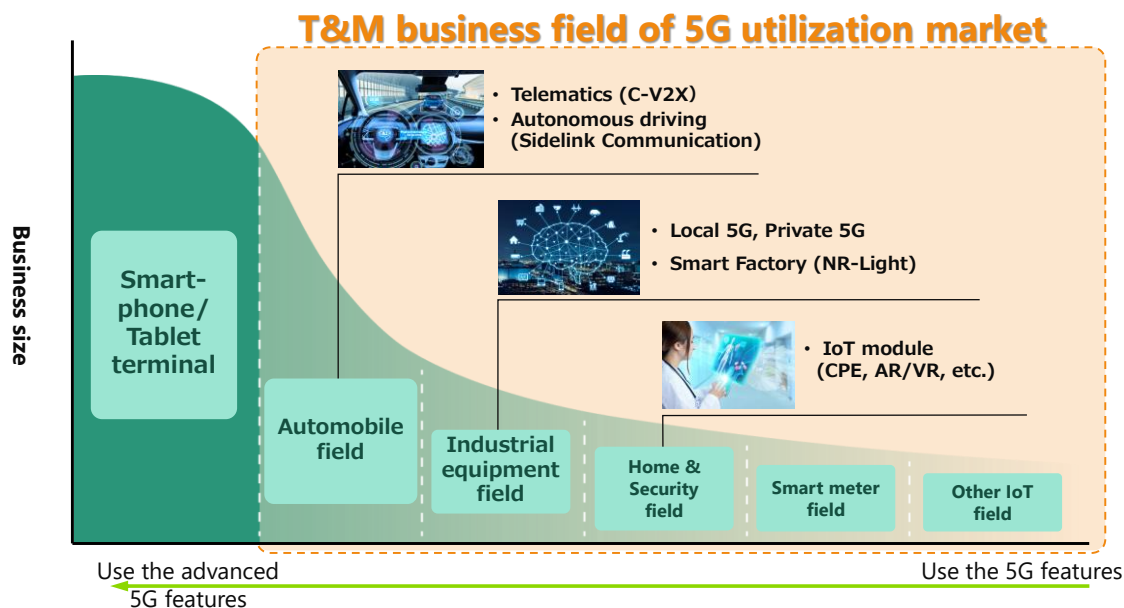


In the mobile measurement market, the expansion of 5G service around the world expects to result further growth of related-demand.

5G employs two frequency bands: Sub6GHz and millimeter waves. Within the mobile measurement market, the smartphone measurement market saw the launch of Sub6GHz related markets in 2019, with services launched in South Korea and China. Meanwhile, millimeter wave services were launched in the US in 2019, but have been slow to roll out due to the unique characteristics of millimeter waves, such as susceptibility to obstacle interferences as well as the limitation of reachable distance. We believe that further technological maturity is required regarding the use of millimeter waves in mobile applications, and that there will be a gradual shift from providing services in local applications such as use in closed facilities like stadiums to services for wider and more mobile applications. As a result, we expect demand in the smartphone measurement market to peak around 2023 for Sub6GHz, and around a year later for millimeter wave demand. In addition, as the areas of 5G utilization, it is expected that new markets such as IoT / Automotive / local 5G will expand due to the standardization of 3GPP Release 16.

As for 5G standard trends, it is expected to expand to 5G-Advanced with Release 18 and beyond, preparing for 6G standardization expected around 2028.

4-2. T&M business of 5G utilization market



Unlike mobile communications up to 4G, 5G is the system that assumes the uses in wide range of fields, such as in the automotive field and industrial machinery field, in addition to the scenes used in smartphones and tablet devices. Especially in the field of automobiles represented by autonomous driving and the field of industrial equipment aiming to build a smart factory, the features of 5G such as ultra-low latency and high-speed large-capacity communication are the important factors. Because the communication devices used in those fields require high quality communication, we reckon the same level of test instruments are needed as for smartphone development. In these 5G utilization areas, research and development and field trials have just begun in order to achieve their respective goals and bring them into practical use. Through testing, we are contributing to the realization of a 5G utilization society with the efforts such as participation in research on advanced communication for the realization of autonomous driving, verification support for network construction such as local 5G and private 5G that actualize "smart factories", the development of IoT communication modules used in the home & security field, and etc.

4-3. C-Band Demand in the United States

1. Base station construction and maintenance demand

- Expecting an increase in inquiries from the second half
- It appears that adjustments are being made to prevent radio interference for use in narrow band

2. Device development demand

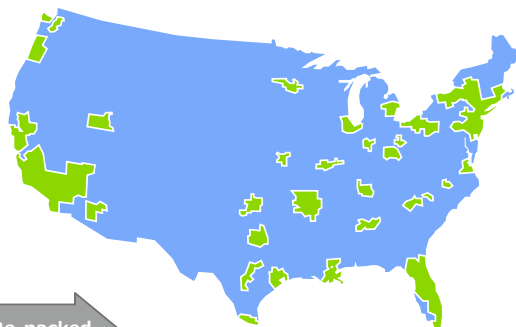
- Inquiries and orders for test instruments for C-band smartphone development have increased in Japan and overseas

3. Carrier acceptance test demand

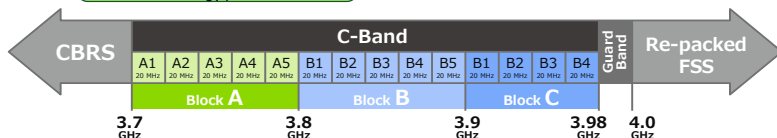
- Inquiries for CT and CAT for C-band smartphone acceptance testing have increased, mainly from operators

- Phase 1: 46 PEAs and frequency block A
Frequencies will be freed by the end of 2021
- Phase 2: Remaining PEAs and frequency blocks B & C
Frequencies will be freed by the end of 2023

* PEA: Partial economic area (total of 416 areas)



Ratio of frequency block A
between Verizon and AT&T
6:4

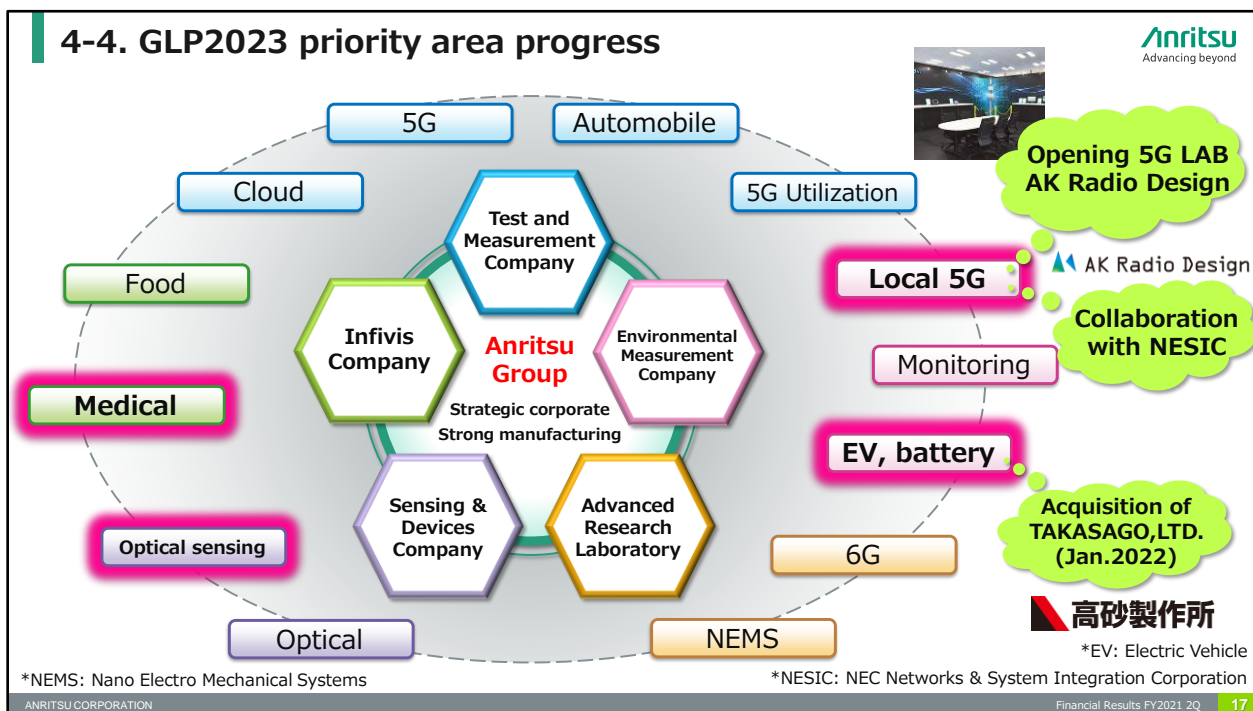


* Source: The figure shows an overview of a map created by Anritsu with reference to generally available information.

Since 5G services were launched in 2019, the United States has implemented services using millimeter waves, but due to the unique characteristics of millimeter waves such as susceptibility to obstacle interference and limitation of reachable distance, it became the bottleneck of the service area expansion to be progressed. (44.6 million subscribers in North America as of June 2021)

To overcome this situation, the US government decided to release the C band (3.7GHz-4.0GHz) which is the Sub6GHz frequency band and placed a frequency auction in February 2021. This is the so-called "US C band," that enables US operators such as Verizon and AT&T to develop new services using new frequency bands. We are paying close attention to the trend as we anticipate three new business opportunities associated with the development of those new services.

4-4. GLP2023 priority area progress



The three years of GLP2023 are “three years of growth toward 5G’s peak.” They are also “three years of growing new sprouts.” The four areas where we will focus our growth are: 1) EV and battery measurement; 2) local 5G; 3) optical sensing; and 4) medical and pharmaceuticals. We will accelerate growth in each of these areas through external collaboration and M&As. In the first half, major progress was made in the areas of “local 5G” and “EVs and batteries.”

In local 5G, we launched AK Radio Design jointly with Kozo Keikaku Engineering Inc. AK Radio Design’s operations are local 5G simulation analysis services, measurement services, and 5G lab tours and utilization services. The company is currently receiving many inquiries from customers, resulting in some deals.

Also, we have entered into a three way alliance agreement with NEC Networks & System Integration Corporation and AK Radio Design Inc. for radio wave verification services with the aim of expanding 5G business.

In EV and battery measurement, we announced an M&A with TAKASAGO, LTD.

4-5. Promoting expansion of 5G / local 5G with an alliance of NESIC, Anritsu Corporation, and AK Radio Design Inc.



Anritsu has entered into a business alliance agreement of radio wave verification services with NEC Networks & System Integration Corporation (NESIC) and AK Radio Design Inc. for the purpose of expanding our 5G business. While 5G/local 5G expects to promote higher conveniences and digitalization through high-speed, large-capacity communication, it requires high expertises in the areas such as examination of radio wave environment, consideration of device configuration, and filing license applications. When a company or a local government considers the introduction of local 5G, special equipment and skilled engineers are needed in order to appropriately test and confirm the local environment.

With an alliance of three companies, NESIC having experiences in construction of mobile communication infrastructures as well as the know-how from various field trials of local 5G, Anritsu Corporation having expertise in quality verification of network and mobile devices as a test equipment manufacturer, and AK Radio Design Inc. providing combined services of radio propagation simulation and testing, we will provide a total service package of radio wave verification.

Three companies will promote the growth of 5G/local 5G through radio wave verification services, and contribute to the realization of comfortable and convenient society brought by Smart Cities and Society 5.0 *.

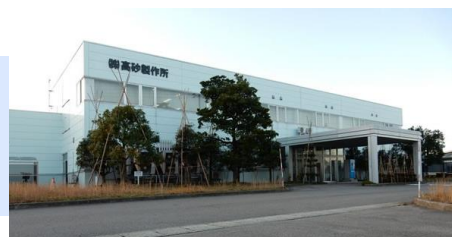
*Society5.0 is a concept of future society advocated by Japan. A human-centered society that achieves both economic development and resolution of social issues through a system that highly integrates cyber space (virtual space) and physical space (real space).

(No notes here)

4-6. Develop a measurement market with TAKASAGO,LTD.

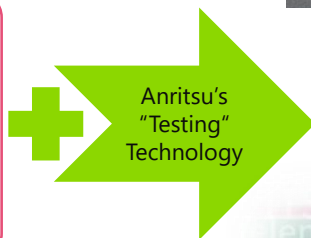
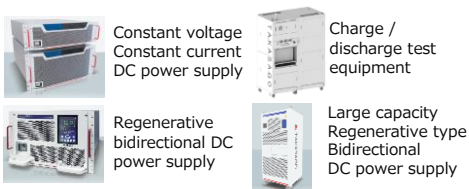
高砂製作所

- Foundation: July 25, 1950
- Address : (HQ) Kawasaki city, Kanagawa
(Factory) Tsuruoka city, Yamagata
- Employees : 216 (As of Sep. 1st 2021)



Tsuruoka Factory

Core technology of TAKASAGO



Develop a measurement market that evaluates the quality and reliability of "EVs and batteries"



- High-accuracy, high-stability and high-efficiency power-supply technology
- Battery evaluation technology by charge / discharge test equipment, etc.
- Power regeneration technology

Founded in 1950, TAKASAGO,LTD. has industry-leading electric-energy control technologies. Its core technologies include high-accuracy, high-stability, and high-efficiency power-supply technology, battery evaluation technology using charge/discharge test equipment, and power regeneration technology. By combining these with Anritsu's "testing" technology, we will accelerate the development of the measurement market of EVs and batteries.



(No notes here)