

Financial Results for the 2nd quarter of the Fiscal Year ending March 31, 2023

Akifumi Kubota

Director, Executive Vice President, CFO
ANRITSU CORPORATION

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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, 2023
3. Outlook for full year of the Fiscal Year ending March 31, 2023 (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 System
- ▶ Metal Detector
- ▶ Checkweigher



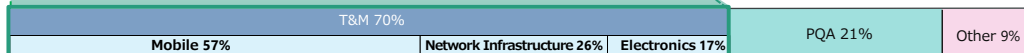
Others

- ▶ Environmental Measurement
- ▶ Sensing & Devices

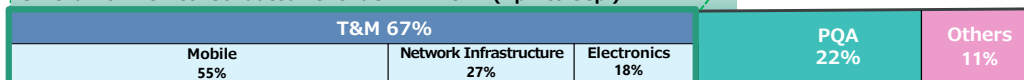


(Revenue by business segment)

105.4 billion Yen consolidated revenue in FY2021



54.0 billion Yen consolidated revenue in FY2022 (Apr. to Sep.)



(Revenue of T&M business by region)

Revenue in FY2021



Revenue in FY2022 (Apr. to Sep.)



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

(No notes here)

2-1. Consolidated performance - Financial results -



- ▶ Orders increased by 6% YoY; revenue increased by 5% YoY. Operating profit decreased by 28% YoY; profit decreased by 7% YoY

Unit: Billion Yen

International Financial Reporting Standards(IFRS)	FY2021 (Apr. to Sep.)	FY2022 (Apr. to Sep.)	YoY	YoY (%)
Order Intake	54.8	57.9	3.1	6%
Revenue	51.2	54.0	2.8	5%
Operating profit (loss)	7.5	5.4	(2.1)	-28%
Profit (loss) before tax	7.5	6.8	(0.7)	-10%
Profit (loss)	5.5	5.1	(0.4)	-7%
Comprehensive income	5.8	10.1	4.3	74%

(Note) Numbers for FY2021 and FY2022 are rounded off to the first decimal place in each column.

The Group's consolidated order intake increased 6% year on year to 57.9 billion yen and revenue increased by 5% year on year to 54.0 billion yen. Operating profit decreased by 28% year on year to 5.4 billion yen. Profit decreased by 7% year on year to 5.1 billion yen.

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

▶ T&M : Equivalent revenue but reduced profit YoY.

▶ PQA : Sales and Order increased but Profit decreased YoY.

Unit: Billion Yen

International Financial Reporting Standards (IFRS)		FY2021 (Apr. to Sep.)	FY2022 (Apr. to Sep.)	YoY	YoY (%)
T&M	Revenue	36.4	36.3	(0.1)	-0%
	Op. profit (loss)	7.1	5.4	(1.7)	-23%
PQA	Revenue	11.0	11.9	0.9	9%
	Op. profit (loss)	0.7	0.5	(0.2)	-29%
Others	Revenue	3.9	5.7	1.8	46%
	Op. profit (loss)	0.2	(0.1)	(0.3)	-
Adjustment	Op. profit (loss)	(0.5)	(0.5)	0.0	-
Total	Revenue	51.2	54.0	2.8	5%
	Op. profit (loss)	7.5	5.4	(2.1)	-28%

(Note1) : Numbers for FY2021 and FY2022 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

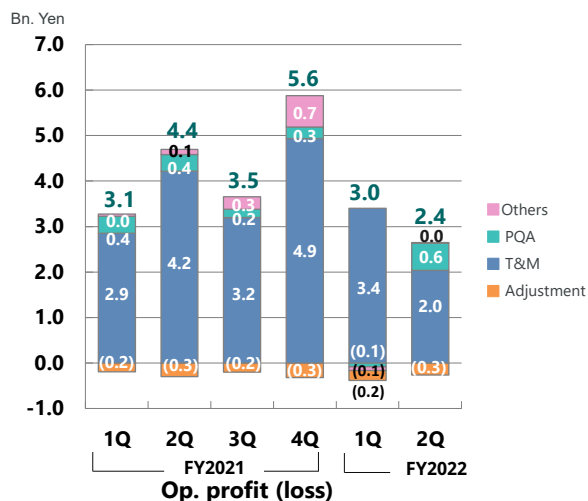
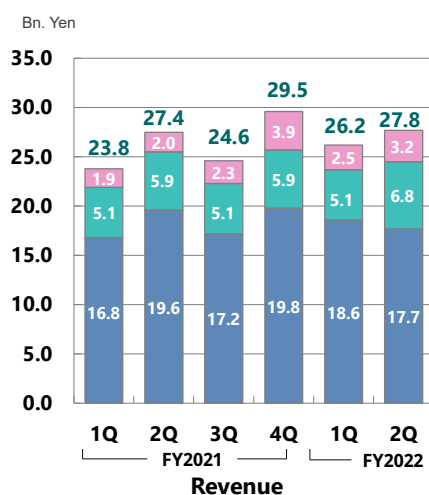
In the T&M business, we captured demand for 5G chipsets and mobile terminals development, as well as development and production-related demand for high-speed network transmission in data centers, etc. However, due to soaring raw material prices as well as increased fixed costs and sales promotion expenses caused by global inflation, rising labor costs, etc., revenue were at the same level as the previous year (-0.021 billion yen) at 36.3 billion yen and operating income decreased 23% to 5.4 billion yen (operating margin of 15.0%).

In the PQA business, capital investment for automation and manpower saving in quality assurance processes in the food market remained strong primarily in Americas. On the other hand, revenue increased 9% YoY to 11.9 billion yen and operating income decreased 29% YoY to 0.5 billion yen (operating margin of 4.4%), due in part to higher sales promotion and parts procurement costs and distribution costs.

In other businesses, TAKASAGO, LTD. became a consolidated subsidiary on January 4, 2022, and the company has been included in the scope of consolidation since the fourth quarter of the previous fiscal year. As a result, net revenue increased 46% year-on-year to 5.7 billion yen, and operating profit decreased 0.3 billion yen year-on-year to -0.1 billion yen.

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

▶ 2Q(Jul.-Sep.) Operating margin : Consolidated 9%, T&M11%, PQA 9%





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 : 2.4 billion yen (Operating margin : 8.6%)
T&M : 2.0 billion yen (Operating margin : 11.5%)
PQA : 0.6 billion yen (Operating margin : 8.7%)

2-4. Overview of operations by business segment

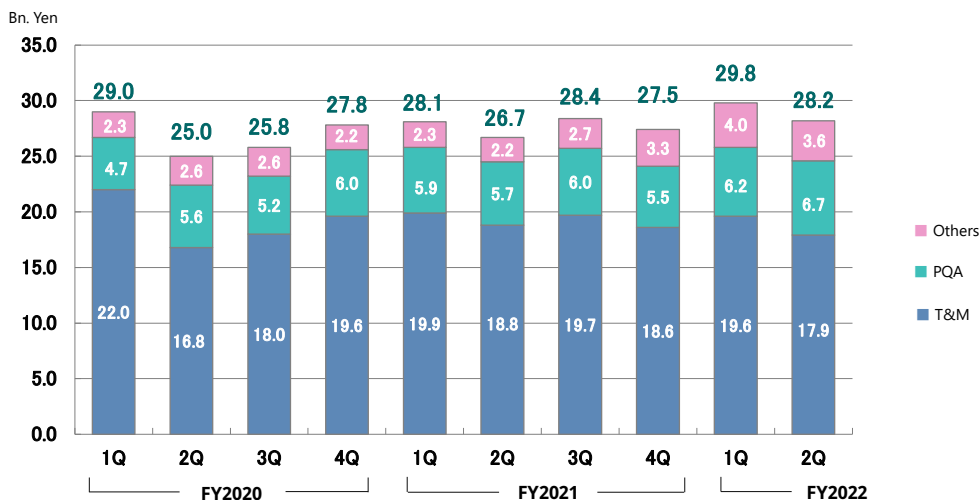
Segment FY2022 (April to September)	
 T&M: Customers are cautious about capital investment due to rising global prices and labor costs, etc. Demand for higher-speed fixed networks remains strong.	
Mobile	Market expansion is expected in Americas for 5G development demand, but investment has been somewhat delayed.
Network Infrastructure	Investment in the higher-speed fixed networks remains steady, primarily led by markets in the United States and Europe.
Asia & Others/ Japan	The outlook on increased investment in 5G services is cautious.
The United States	Investment in the higher-speed fixed networks remains steady. The installation of 5G base stations is progressing, but the investment in measurement is just the beginning.
 PQA: Demand is solid in the United States and is on a recovery trend in Asia including Japan.	

(No notes here)

2-5. Transition of Order Intake

▶ T&M : 5% decrease YoY

▶ PQA : 16% increase YoY



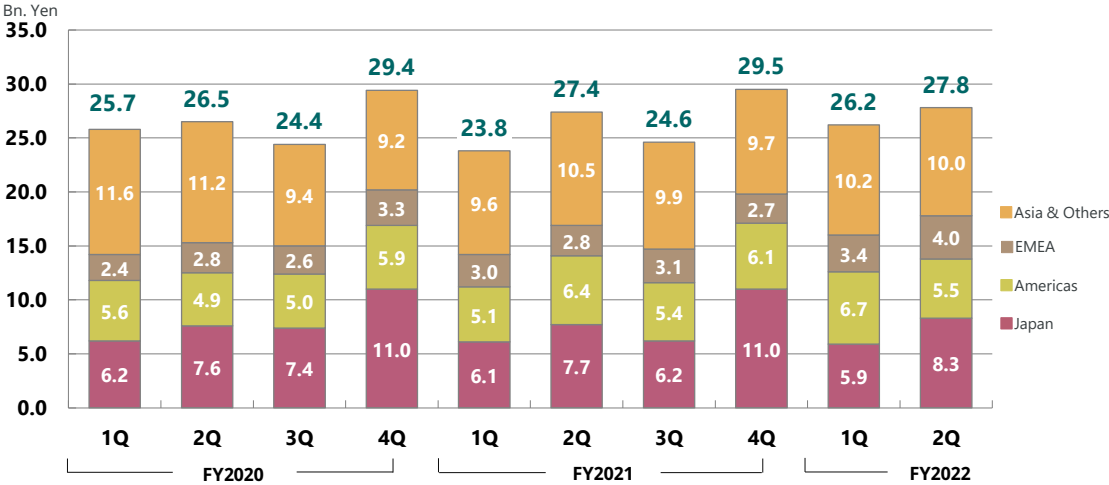
Order intake for the T&M business in the second quarter decreased year-on-year by 5% to 17.9 billion yen.

Order intake for the PQA business in the second quarter increased year-on-year by 16% to 6.7 billion yen.

The order backlog for the entire Group was 39.3 billion yen (44% year-on-year increase) and 25.2 billion yen (31% year-on-year increase) for the T&M business and 7.9 billion yen (33% year-on-year increase) for the PQA business.

2-6. Transition of Revenue by Region

▶ Sales in Asia has remained strong



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 11.9%

Details

Unit : Billion Yen

FY2022 (Apr. to Sep.)

Operating CF : 6.4 Bn. Yen

Investing CF : (3.2) Bn. Yen

Financing CF : (8.2) Bn. Yen

Free Cash Flow

Op.CF + Inv. CF : 3.2 Bn. Yen

Cash at the end of period

43.0 Bn. Yen

Interest-bearing debt

6.9 Bn. Yen

Accounts receivable 4.0		
Depreciation and amortization 2.9		
Profit(loss) before tax 6.8		
Inventory (2.7)	Capex (2.6)	Dividend (2.7)
Tax (1.9)	↑Others (0.6)	Treasury Stock (5.0)
Accounts payable (2.0)		
↑Others (0.7)		↑Others (0.5)
Op. CF 6.4	Inv. CF (3.2)	Fin. CF (8.2)

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

The operating cash flow was inflow of 6.4 billion yen.

The investing cash flow was outflow of 3.2 billion yen.

As a result, the free cash flow amounted to an inflow of 3.2 billion yen.

The financial cash flow was outflow of 8.2 billion yen.

The main outflows was dividends payment of 2.7 billion yen (Dividend per share: Fiscal year end dividend: 20.0 yen) and a 5.0 billion yen repurchase of treasury stock.

Consequently, the balance of cash equivalents at the end of the period decreased by 2.7 billion yen from the beginning of the fiscal year to 43.0 billion yen.

3. Forecast for full year of FY2022 (Consolidated)



► We have revised our business forecast announced on April 28, 2022.
As initially planned, we expect to issue annual dividends of 40.00 yen per share. (Year-end dividend: 20 yen)

Unit: Billion Yen

		FY2021	FY2022			
		Actual	Full Year		YoY	YoY(%)
			Previous Forecast (as of Apr. 28 2022)	Revised Forecast (as of Oct. 28 2022)		
Revenue		105.4	115.0	115.0	9.6	9%
Operating profit (loss)		16.5	19.0	17.5	1.0	6%
Profit (loss) before tax		17.2	19.0	19.0	1.8	11%
Profit (loss)		12.8	14.0	14.0	1.2	9%
T&M	Revenue	73.3	78.0	78.0	4.7	6%
	Op. profit (loss)	15.2	17.5	16.0	0.8	5%
PQA	Revenue	22.0	24.0	24.0	2.0	9%
	Op. profit (loss)	1.2	1.3	1.3	0.1	11%
Others	Revenue	10.1	13.0	13.0	2.9	29%
	Op. profit (loss)	1.1	1.2	1.2	0.1	7%
Adjustment	Op. profit (loss)	(1.0)	(1.0)	(1.0)	0.0	-

Note 1: "Others" includes the results of TAKASAGO, LTD., which became a consolidated subsidiary on January 4, 2022.

Note2: Numbers for actual and forecast are rounded off to the first decimal place in each column.

Reference : Exchange rate : FY2021 (Actual) 1USD=112 yen, 1EURO=131 yen
FY2022 H1 (Actual) 1USD=134 yen, 1EURO=139 yen
FY2022 H2 (Forecast) 1USD=140 yen, 1EURO=135 yen

We have revised our business forecast announced on April 28, 2022. There are concerns of a decline in the global economy as the result of rising prices, financial tightening policies, rising geopolitical risks, and other factors. In our Group's main business segment, the T&M business, a price hike in raw materials and global inflation are having a greater impact on our business results than we initially expected. Therefore, based on the first half results, we have revised our operating income forecast for the T&M business downward by 1.5 billion yen. The assumed exchange rates have been revised to 140 yen to the US dollar and 135 yen to the euro in the second half of the fiscal year.

However, we are not making any changes to our initial plans for the PQA business or the other businesses. Profit before tax, profit, and profit attributable to owners of parent have not been revised to reflect changes to operating profit and the impact of recorded finance income and costs. As initially planned, we expect to issue annual dividends of 40.00 yen per share.

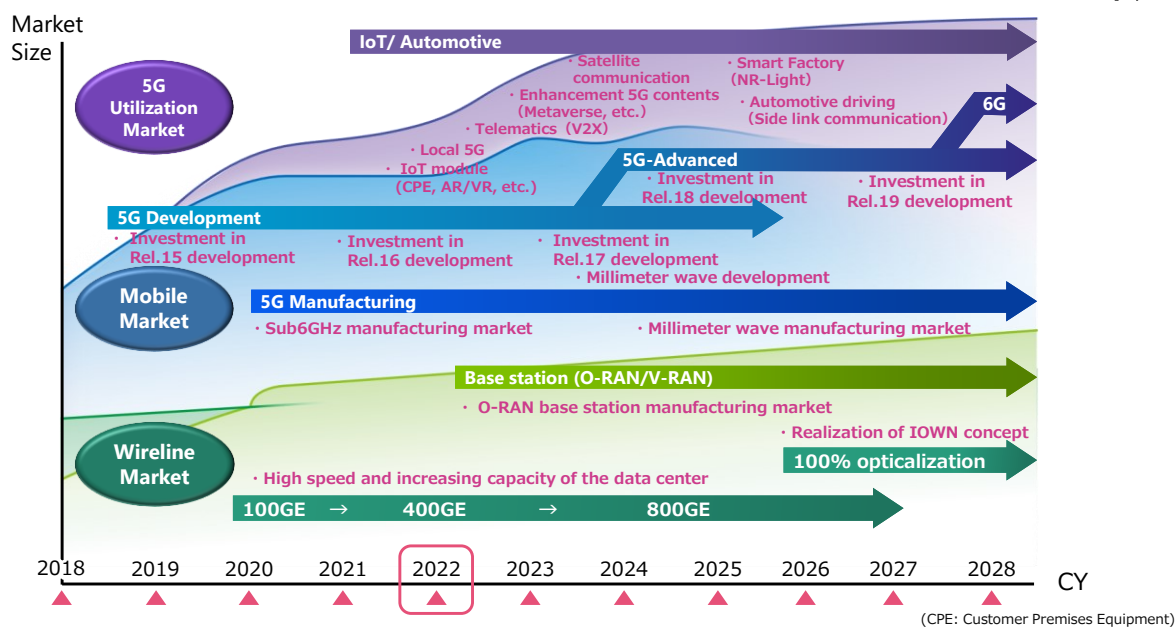
4. Anritsu Initiatives

Hirokazu Hamada

Representative Director, President
ANRITSU CORPORATION

(No notes here)

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



5G services saw slow penetration in 2020-2021 due to the factors such as worldwide pandemic of COVID-19 and delays of service area expansion of millimeter wave services.

With the expansion of 5G services in Europe and the U.S. after 2022, the expansion of utilization of individual networks such as local 5G and private 5G, and the creation of content using 5G as typified by the metaverse, 5G utilization areas are expected to continue to expand in the future. However, based on the current penetration of 5G services, we see a shift in investment in 5G by operators and smartphone manufacturers in various countries from short-term intensive investment to continuous investment over several years, and we assume that the 5G T&M market will continue to see moderate demand for some time, while adding demand for 5G utilization to smartphone demand.

5G systems were mainly used for smartphones with 3GPP Release 15 while the applications are expanding to include 5G utilization areas such as IoT/Automotive/Local 5G with the standardization of Release 16/17, and furthermore, through the stage of 5G-Advanced, which will incorporate some of the functions and performance of 6G, will gradually transit to 6G system expected around 2028.

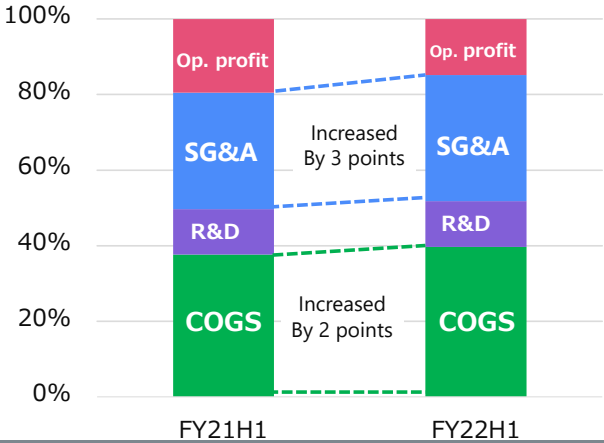
Furthermore, along with the evolution of mobile, the movement toward the sophistication of network infrastructures, such as transition of base stations to O-RAN, speeding up of optical networks from 400GE to 800GE, and all-optical, will drive the demand for T&M for network infrastructures.

4-2. Factors behind the downward revision of profit projections in T&M business

Rises in the cost of sales ratio and sales expenses have caused profit margin to decline

Cost structure of T&M

Comparison of FY21H1 & FY22H1 (%)



Comparison vs. H1 in the previous year

- SG&A : Increased by 3 points
- COGS : Increased By 2 points

(No notes here)

4-3. Tohoku Anritsu second factory new wing launches operation

Promotion of BCP measures, private generation of renewable energy, and manufacturing process automation



Mega-class solar power generation



Automated transport AGV



Inspection robot for T&M products

AGV: Automatic Guided Vehicle

- Approx. 6,400m² of new wing total floor space
- Reducing flood and earthquake risks (80% of main products shipped)
- Promoting the private generation of renewable energy
- Promoting the automation of goods transport and product shipping inspection

Tohoku Anritsu's second factory new wing began operations in July. With the opening of the new wing, 80% of our main products are now being shipped from the second factory, which can reduce the amount of risk posed by flooding and earthquakes. Furthermore, the new wing has mega-class solar power generation facilities and storage batteries, which is scheduled to start.

We have also made progress with automation. At the new wing, robots are used to transport goods and perform shipping inspection for products. By accumulating know-how and applying it throughout our Group companies, we are evolving into an even stronger manufacturing company.



(No notes here)