

Financial Results for the 3rd quarter of the Fiscal Year ending March 31, 2023

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ANRITSU CORPORATION

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TSE Prime Market
TSE code : 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 3rd 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



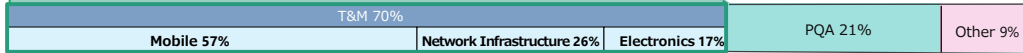
Others

- ▶ Environmental Measurement
- ▶ Sensing & Devices

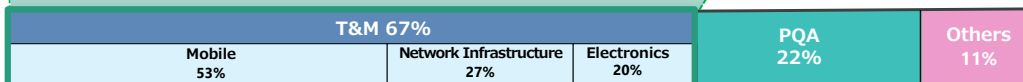


(Revenue by business segment)

105.4 billion Yen consolidated revenue in FY2021



81.7 billion Yen consolidated revenue in FY2022 (Apr. to Dec.)



(Revenue of T&M business by region)

Revenue in FY2021



Revenue in FY2022 (Apr. to Dec.)



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

(No notes here)

2-1. Consolidated performance - Financial results -

- ▶ Orders increased by 1% YoY; Revenue increased by 8% YoY.
Operating profit decreased by 27% YoY; Profit decreased by 24% YoY

Unit: Billion Yen

| International Financial Reporting Standards(IFRS) | FY2021 (Apr. to Dec.) | FY2022 (Apr. to Dec.) | YoY | YoY (%) |
|---|--------------------------|--------------------------|-------|---------|
| Order intake | 83.2 | 84.0 | 0.8 | 1% |
| Revenue | 75.9 | 81.7 | 5.8 | 8% |
| Operating profit (loss) | 10.9 | 8.0 | (2.9) | -27% |
| Profit (loss) before tax | 11.1 | 8.8 | (2.3) | -21% |
| Profit (loss) | 8.2 | 6.3 | (1.9) | -24% |
| Comprehensive income | 9.4 | 9.0 | (0.4) | -5% |

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

The Group's consolidated order intake increased 1% YoY to 84.0 billion yen and revenue increased by 8% YoY to 81.7 billion yen. Operating profit decreased by 27% YoY to 8.0 billion yen.
Profit decreased by 24% YoY to 6.3 billion yen.

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

T&M business revenue increased YoY; Operating profit decreased by 24%

Unit: Billion Yen

| International Financial Reporting Standards (IFRS) | | FY2021 (Apr. to Dec.) | FY2022 (Apr. to Dec.) | YoY | YoY (%) |
|--|-------------------|--------------------------|--------------------------|-------|---------|
| T&M | Revenue | 53.5 | 54.8 | 1.3 | 2% |
| | Op. profit (loss) | 10.3 | 7.8 | (2.5) | -24% |
| PQA | Revenue | 16.1 | 18.0 | 1.9 | 12% |
| | Op. profit (loss) | 0.9 | 0.8 | (0.1) | -18% |
| Others | Revenue | 6.2 | 8.8 | 2.6 | 42% |
| | Op. profit (loss) | 0.4 | 0.2 | (0.2) | -55% |
| Adjustment | Op. profit (loss) | (0.7) | (0.8) | (0.1) | - |
| Total | Revenue | 75.9 | 81.7 | 5.8 | 8% |
| | Op. profit (loss) | 10.9 | 8.0 | (2.9) | -27% |

(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

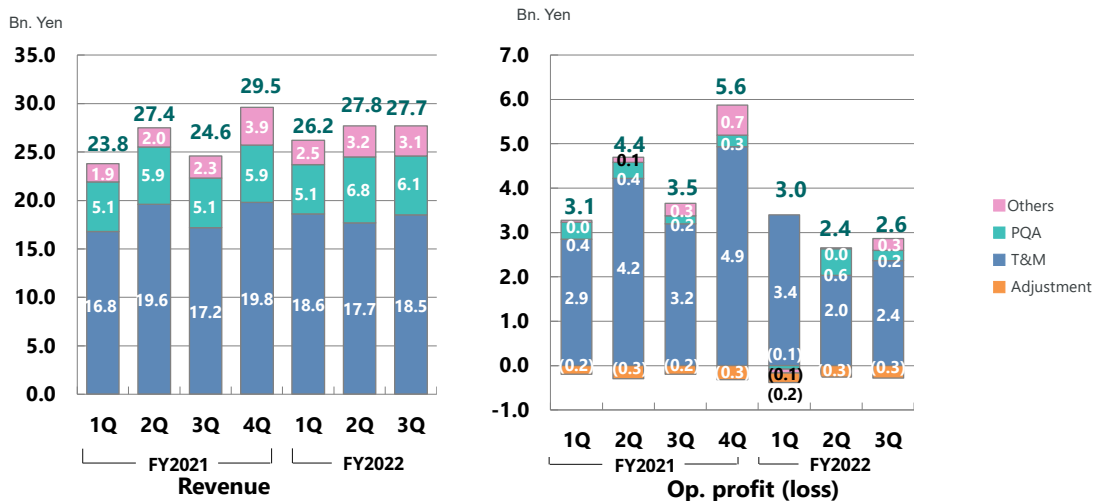
In the T&M business, we captured the development and production-related demand for high-speed network transmission in data centers, as well as the demand for general purpose test instruments (classified as the part of "Electronics" subsegment). However, due to temporary slow down of mobile market growth, soaring raw material prices as well as increased fixed costs and sales promotion expenses caused by global inflation, rising labor costs, etc., revenue increased 2% YoY to 54.8 Billion yen and operating profit decreased 24% to 7.8 billion yen (operating margin of 14.2%).

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 12% YoY to 18.0 billion yen and operating profit decreased 18% YoY to 0.8 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 42% YoY to 8.8 billion yen, and operating profit decreased 55% YoY to 0.2 billion yen.

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

▶ 3Q(Oct.-Dec.) Operating margin : Consolidated 9%, T&M13%, PQA 4%





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 3Q are as follows:

Consolidated : 2.6 billion yen (Operating margin : 9.3%)
T&M : 2.4 billion yen (Operating margin : 12.8%)
PQA : 0.2 billion yen (Operating margin : 3.8%)

2-4. Overview of operations by business segment

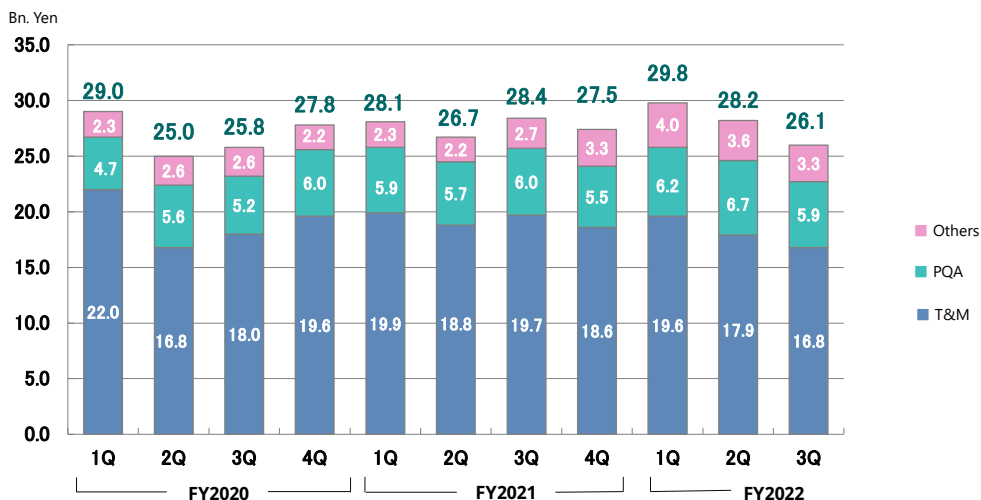
| Segment FY2022 (April to December) | |
|---|--|
|  T&M: Customers are cautious about capital investment due to rising global prices and labor costs, etc. Demand for higher-speed fixed networks remains strong. Part shortages are improving. | |
| Mobile | Temporary slowdown in mobile market growth due to customers' delayed investment decisions caused by uncertain economic conditions, etc. |
| 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, however, 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 : 15% decrease YoY

▶ PQA : Equivalent YoY

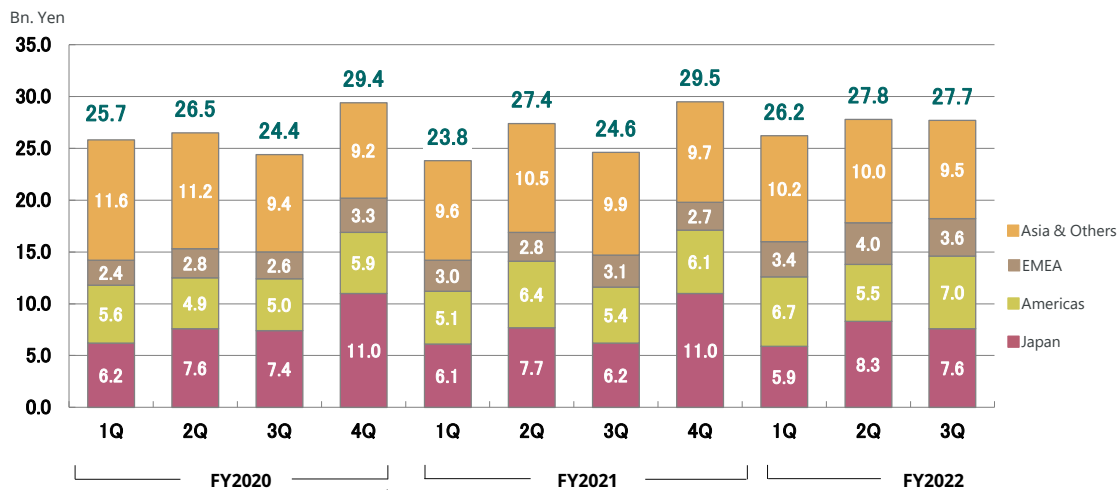


Order intake for the T&M business in the third quarter decreased YoY by 15% to 16.8 billion yen.

Order intake for the PQA business in the third quarter were at the same level as previous year (-0.03 billion yen) at 5.9 billion yen.

The order backlog for the entire Group was 37.3 billion yen (17% YoY increase), 23.4 billion yen (4% YoY increase) for the T&M business, and 7.5 billion yen (11% YoY increase) for the PQA business.

2-6. Transition of Revenue by Region



(No notes here)

2-7. Cash Flow

▶ Operating cash flow margin ratio was 5.8%

FY2022 (Apr. to Dec.)

Operating CF : 4.7 Bn. Yen

Investing CF : (4.1) Bn. Yen

Financing CF : (11.2) Bn. Yen

Free Cash Flow

Op.CF + Inv. CF : 0.7 Bn. Yen

Cash at the end of period

36.7 Bn. Yen

Interest-bearing debt

6.7 Bn. Yen

Details

Unit : Billion Yen

| | | |
|-----------------------------------|----------------|----------------------|
| Accounts receivable 4.2 | | |
| Depreciation and amortization 4.4 | | |
| Profit(loss) before tax 8.8 | | |
| Inventory (5.0) | Capex (3.2) | Dividend (5.3) |
| Tax (3.9) | ↑ Others (0.9) | Treasury Stock (5.0) |
| Accounts payable (1.1) | | |
| Others (2.7) | | ↑ Others (0.9) |

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

Op. CF 4.7

Inv. CF (4.1)

Fin. CF (11.2)

The operating cash flow was inflow of 4.7 billion yen.

The investing cash flow was outflow of 4.1 billion yen.

As a result, the free cash flow amounted to an inflow of 0.7 billion yen.

The financial cash flow was outflow of 11.2 billion yen.

The main outflows was dividends payment of 5.3 billion yen (Dividend per share: Fiscal year end dividend: 20 yen, Interim dividend: 20 yen) and) and a 5.0 billion yen repurchase of treasury stock.

Consequently, the balance of cash equivalents at the end of the period decreased by 9.0 billion yen from the beginning of the fiscal year to 36.7 billion yen.

3. Forecast for full year of FY2022 (Consolidated)



► We have revised our business forecast announced on October 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 | Revised Forecast | | |
| Revenue | | 105.4 | 115.0 | 110.0 | 4.6 | 4% |
| Operating profit (loss) | | 16.5 | 17.5 | 13.5 | (3.0) | -18% |
| Profit (loss) before tax | | 17.2 | 19.0 | 14.5 | (2.7) | -15% |
| Profit (loss) | | 12.8 | 14.0 | 11.0 | (1.8) | -14% |
| T&M | Revenue | 73.3 | 78.0 | 73.0 | (0.3) | 0% |
| | Op. profit (loss) | 15.2 | 16.0 | 12.0 | (3.2) | -21% |
| 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 | 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)
FY2022 1Q-3Q(Actual)
FY2022 4Q(Forecast)

1USD=112 yen, 1EURO=131 yen
1USD=137 yen, 1EURO=141 yen
1USD=125 yen, 1EURO=135 yen

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We have revised our business forecast announced on October 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 the T&M business, our Group's main business segment, mobile market growth has temporarily slowed due to factors such as delays in investment decision-making by customers as a result of the uncertainty of economic situation produced by the sudden rise of inflation. We are offsetting soaring material costs and global cost increases by reflecting them in our prices, however, we do not expect to see the results of our profitability improvement measures until the latter half of the fourth quarter. On the other hand, we are diversifying our procurement in order to handle parts procurement risks, and the situation is improving.

Due to these conditions, and based on our actual results from the third quarter, we have revised our revenue forecast and operating income forecast for the T&M business downwards by 5.0 billion yen and 4.0 billion yen, respectively. The assumed exchange rates for the fourth quarter have been revised to 125 yen to the US dollar and 135 yen to the euro.

There are no changes to our business forecasts for the PQA business or Others business. Our profit before tax forecast has been revised downward by 4.5 billion yen and our profit and profit attributable to owners of parent forecasts have been revised downward by 3.0 billion yen, respectively, 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.

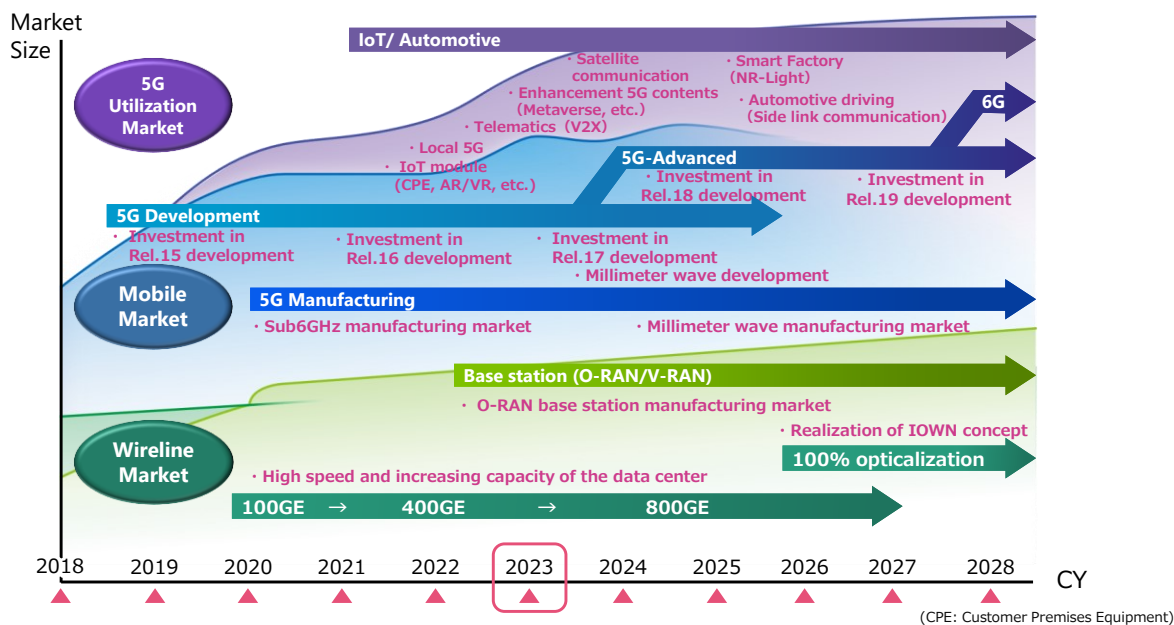
4. Anritsu Initiatives

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.

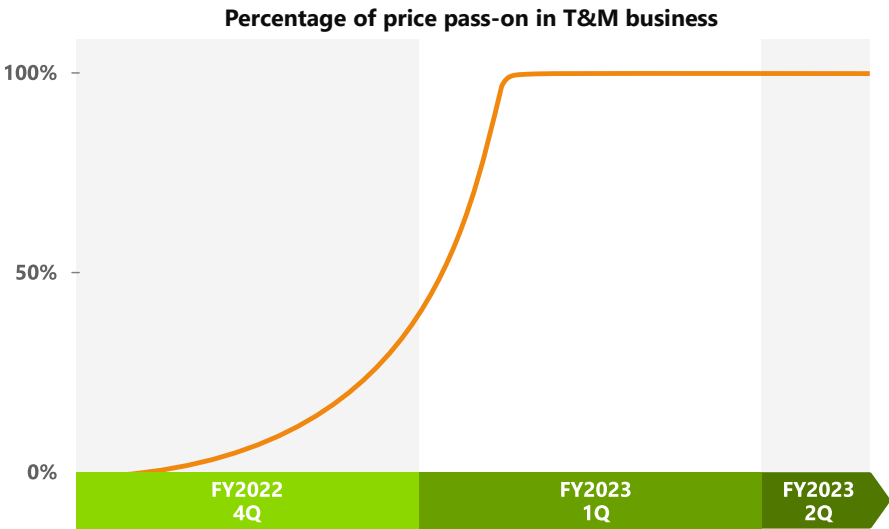
With the expansion of 5G services in Europe and the U.S. after 2022, the expansion of utilization of individual networks such as local 5G and private 5G, and the creation of content using 5G as typified by the metaverse, 5G utilization areas are expected to continue to expand in the future. However, 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 . Price pass-on in T&M business





Price pass-on effect will reach 100% in FY2023 1Q



This graph presents
a projection

(No notes here)

4-3. Global 5G/Utilization/6G trends

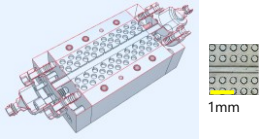
| | |
|---|---|
|  <h3>US</h3> <p>5G Increase in number of subscribers of Verizon as a result of its area expansion</p> <p>Utilization GAFA and others move to market AR/VR headsets for gaming and metaverse</p> <p>6G U.S. and Japanese governments announced in a joint statement that they will invest \$4.5 billion in 6G R&D (\$2.5 billion U.S., \$2 billion Japan)</p> |  <h3>Europe</h3> <p>5G Subscribers increasing in conjunction with launch of services in various countries</p> <p>Utilization In Germany, Nokia is leading the deployment of Local 5G for industrial applications</p> <p>6G 6G specification by 3GPP is expected to correspond from Release 21 planned roughly in 2028 • Investment in EU : €0.9 billion (2021-2027) • Investment by German Government: €0.7 billion (2021-2025)</p> |
|  <h3>Asia/Others</h3> <p>5G Increase in number of developers of chipsets for use in low-end devices Expansion of Indian offshore development</p> <p>Utilization Solid investment in development and manufacturing of IoT wireless modules for use in Private 5G/FWA</p> <p>6G In a plan released in March 2021, China plans to support for 5G-Advanced, 6G, and other research and development Strengthening support for 5G-Advanced and 6G R&D Korean government investment: 220 billion won (2021-2025)</p> |  <h3>Japan</h3> <p>5G Efforts are being made to expand the service areas through the use of 4G frequency band</p> <p>Utilization Research & development are accelerating toward the release of 5G-equipped vehicles in 2024 • Some 6G technologies expected to be unveiled in Osaka Expo 2025. • R&D of high frequency devices accelerated through government-led 6G R&D promotion projects • Investment by Japanese government : 66.2 billion yen (FY2023)</p> |

Source: Created by Anritsu based on publicly available information (as of January 2023)

(No notes here)

4-4. Anritsu's initiatives toward 6G

- Design technology for mmW over 100GHz
- R&D of passive devices up to 300GHz band



Gap waveguide

Technologies for radio wave interference testing in Full Duplex communication



10 times faster than 5G

Low latency 1/10 of 5G

6G
Anritsu initiatives

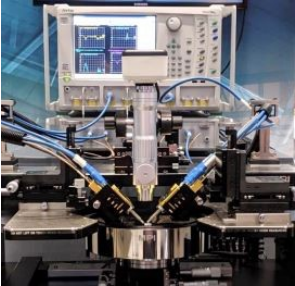
Scalability

1/100 power consumption of the current

Autonomy



Beyond 5G/6G
Performance evaluation of materials, circuit boards, devices and antennas
ME7838 Series
Vector Network Analyzers



- **Features**
Supports high frequency testing in 330GHz band by adding mmW expansion modules.
- **Targeted customers**
Research labs for high frequency devices and universities, device manufacturers, material vendors, telecom equipment manufacturers

(No notes here)



(No notes here)