Continuous Growth with Sustainable Superior Profits

Anritsu Corporation

February, 2020
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Agenda

I. Mid term Business Plan GLP2020 and Business Strategy
   1. Basic Policy of Management Strategy
   2. Outline of our business segments
   3. Basic Policy of medium and long term business strategy
   4. Set out for Beyond2020

II. T&M business segment
   1. T&M : Profit structure improvement targets
   2. T&M : Mobile market trends and Business opportunity
   3. Industrial Test Solutions
   4. Network Reshaping Test Solutions

III. PQA Business segment

IV-1. Financial Strategy
IV-2. Shareholder Return Policy
IV-3. Corporate Philosophy and Sustainability Policy
IV-4. Corporate Governance System

V. Financial Results for the 3rd quarter of the Fiscal Year ending March 31, 2020
I. Mid term Business Plan GLP2020 and Business Strategy
I -1. Basic Policy of Management Strategy

- Prosecute the policy “Continuous profitable growth”
- Make our best to accomplish 2020VISION/ GLP2020

* GLP2020 Plan = FY2018~FY2020
I -2. Outline of our business segments

**T&M**
Evolution and advances of networked society
- Mobile: 5G, LTE
- Network Infrastructure: Wired, Wireless NW
- Electronics: Electronics parts, Wireless Equipment

**PQA**
Food Safety and security
- X-ray inspection systems
- Metal Detector
- Checkweighers

**Others**
- IP network equipment
- Opt. devices

(Revenue by business segment)
99.7 Billion Yen consolidated revenue in FY2018

<table>
<thead>
<tr>
<th>Segment</th>
<th>T&amp;M</th>
<th>68%</th>
<th>PQA</th>
<th>23%</th>
<th>Others</th>
<th>9%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile</td>
<td>53%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Network Infrastructure</td>
<td>26%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electronics</td>
<td>21%</td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

(Sales of T&M business by region in FY2018)

- **Japan**: 19%
- **Asia & Pacific**: 33%
- **Americas**: 32%
- **EMEA**: 16%

T&M: Test & Measurement  PQA: Products Quality Assurance
I -2-1. Outline of our business segments <T&M>

<table>
<thead>
<tr>
<th></th>
<th>R&amp;D</th>
<th>Manufacturing</th>
<th>Installation/Maintenance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wireline</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communication</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wireless</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communication</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Purpose</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Network Infrastructure (26%)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Mobile (53%)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Electronics (21%)</strong></td>
<td></td>
<td></td>
<td><em>Electronics components etc.</em></td>
</tr>
</tbody>
</table>
I - 3. Basic Policy of medium and long term business strategy

Capture growth drivers without fail, and realize “continuous profitable growth”

<table>
<thead>
<tr>
<th></th>
<th>Market average annual growth rate (estimated by Anritsu)</th>
<th>Vision/growth driver</th>
<th>Medium &amp; long –term guideline</th>
</tr>
</thead>
<tbody>
<tr>
<td>T&amp;M</td>
<td>3-5%</td>
<td><strong>Become a leading company supporting 5G/IoT society</strong></td>
<td>Sales growth rate: <strong>≥ 7%</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(1) 5G, LTE-Advanced</td>
<td>Operating margin: <strong>≥ 20%</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(2) IoT/Automotive, Connectivity</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(3) IP Data traffic/Cloud Services</td>
<td></td>
</tr>
<tr>
<td>PQA</td>
<td>3-5%</td>
<td><strong>Become a world-class partner in quality assurance solution</strong></td>
<td>Sales growth rate: <strong>≥ 7%</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Expansion from contaminant inspection into the quality assurance market</td>
<td>Operating margin: <strong>≥ 12%</strong></td>
</tr>
<tr>
<td>Consolidated</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>ROE</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td></td>
<td>—</td>
<td><strong>≥ 18%</strong></td>
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<td></td>
<td></td>
<td>—</td>
<td><strong>≥ 15%</strong></td>
</tr>
</tbody>
</table>
### I - 3-1. GLP2020: Revenue and Op. profit Plan (1/2)

#### GLP2020

<table>
<thead>
<tr>
<th>Indicators</th>
<th>FY2018 (Initial Plan)</th>
<th>FY2018 (Act)</th>
<th>FY2019(*)</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>92.0 B Yen</td>
<td>99.7 B Yen</td>
<td>105.0 B Yen</td>
<td>105.0 B Yen</td>
</tr>
<tr>
<td>OP. profit</td>
<td>6.6 B Yen</td>
<td>11.2 B Yen</td>
<td>15.5 B Yen</td>
<td>14.5 B Yen</td>
</tr>
<tr>
<td>Op. margin</td>
<td>7 %</td>
<td>11%</td>
<td>15%</td>
<td>14%</td>
</tr>
<tr>
<td>Profit</td>
<td>5.0 B Yen</td>
<td>9.0 B Yen</td>
<td>11.0 B Yen</td>
<td>11.0 B Yen</td>
</tr>
<tr>
<td>ROE</td>
<td>7%</td>
<td>11%</td>
<td>12%</td>
<td>12%</td>
</tr>
</tbody>
</table>

#### T&M

<table>
<thead>
<tr>
<th></th>
<th>FY2018 (Initial Plan)</th>
<th>FY2018 (Act)</th>
<th>FY2019(*)</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>60.0 B Yen</td>
<td>68.2 B Yen</td>
<td>73.0 B Yen</td>
<td>70.0 B Yen</td>
</tr>
<tr>
<td>OP. profit</td>
<td>3.5 B Yen</td>
<td>9.4 B Yen</td>
<td>13.5 B Yen</td>
<td>10.0 B Yen</td>
</tr>
<tr>
<td>Op. margin</td>
<td>6 %</td>
<td>14 %</td>
<td>18 %</td>
<td>14 %</td>
</tr>
</tbody>
</table>

#### PQA

<table>
<thead>
<tr>
<th></th>
<th>FY2018 (Initial Plan)</th>
<th>FY2018 (Act)</th>
<th>FY2019(*)</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>23.5 B Yen</td>
<td>23.1 B Yen</td>
<td>23.5 B Yen</td>
<td>26.0 B Yen</td>
</tr>
<tr>
<td>OP. profit</td>
<td>2.0 B Yen</td>
<td>1.6 B Yen</td>
<td>1.6 B Yen</td>
<td>3.0 B Yen</td>
</tr>
<tr>
<td>Op. margin</td>
<td>9 %</td>
<td>7 %</td>
<td>7 %</td>
<td>12 %</td>
</tr>
</tbody>
</table>

*Anritsu group announced the revised FY2019 Forecast on January 30th, 2020.*

(Note) Exchange rate for GLP2020: 1USD=105Yen, 1Euro=125Yen
I - 3-2. GLP2020 : Revenue and Op. profit Plan (2/2)

(Note) Anritsu group announced the revised FY2019 Forecast on January 30th, 2020.
I -3-3. GLP2020 Progress Status in T&M Business

FY2019 Initiatives

Capture growth opportunities by focusing on boosting competitiveness in 5G business
- Enhance global development framework and customer support system
- Promote conformance test system business

I - 3 - 4 . GLP2020 Progress Status in PQA Business

FY2018 Actual

- 23.1 B Yen
- Op. Margin: 7%

FY2019 Plan

- 23.5 B Yen (24.5 B Yen)
- Op. Margin: 7% (8%)

GLP2020

- 26.0 B Yen
- Op. Margin: 12%

FY202X

- 30.0 B Yen
- Op. Margin: ≥12%

FY2019 Initiatives

- Strengthen sales bases in Americas and Europe
- Promote shift to platform solutions

I - 4. Set out for Beyond2020

- **Sustainable growth** in 2020 and beyond
- Become a highly profitable company. Operating margin of **18%**.
- A company that regularly earns over **100.0 billion yen**.

 Resolve social issues by realizing Beyond 2020
Ⅱ. T&M business segment
Ⅱ - 1. T&M : Profit structure improvement targets

Cost structure improvement measures
- Introduction of high value added solutions (professional services, software)
- Thorough enforcement of development ROI & ROIC management (*1)
- SG&A expenses: Organizational structure and optimal allocation of human resources in response to changes in customer trends

*1: KPI target index for R&D investments is an R&D ROI (gross profit / R&D investment value) of 4.0 times or higher.
II -2. T&M : Mobile market trends and Business opportunity

- Manufacturing of 3G smartphone
- Development of LTE
- IP Data traffic/Cloud Services
- 5G Development
  - Investment in 5G Rel.15 development
  - Investment in 5G Rel.16 development
  - Utilization of 5G in the new field
- 5G Manufacturing
  - 5G(Sub6GHz) manufacturing market
  - 5G(Millimeter wave) manufacturing market
- LTE-Advanced Pro
  - Investment towards Gigabit LTE development
- LTE-Advanced
- New Market
  - IoT/ Automotive
  - Local 5G
- Market size
- Wireline Market
- Business opportunity

2008  2012  2018  2020  2021  2024

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## 2-1. Roadmap of 5G

*Created by Anritsu referring to publicly available information*

<table>
<thead>
<tr>
<th>CY2019</th>
<th>CY2020</th>
<th>CY2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>★ WRC-19</td>
<td>★ Rel.16 (Phase2 Extended use cases such as ultra-low latency, multiple simultaneous connections)</td>
<td>★ Rel.17</td>
</tr>
</tbody>
</table>

**Rel.15 Commercial chip development**

**Pilot device development**

**Expand commercial device development**

**Rel.16 Device development**

![Map of 5G Roadmap](image)

CY2019

After CY2020
### II -2-2. Increased investment aimed at 5G commercialization in China

*Created by Anritsu referring to publicly available information*

<table>
<thead>
<tr>
<th>CY 2019</th>
<th>CY 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Chinese government</strong>&lt;br&gt;Granted 5G license</td>
<td><strong>Chinese carrier</strong>&lt;br&gt;Started commercialization of 5G&lt;br&gt;50 cities, 130,000 locations, 10 million users</td>
</tr>
<tr>
<td><strong>Oppo</strong>&lt;br&gt;Launched 5G devices</td>
<td><strong>Lenovo</strong>&lt;br&gt;Announced the world’s first 5G laptop PC</td>
</tr>
<tr>
<td><strong>Xiaomi</strong>&lt;br&gt;Launched 5G devices</td>
<td><strong>Huawei</strong>&lt;br&gt;Launched 5G devices</td>
</tr>
<tr>
<td><strong>VIVO</strong>&lt;br&gt;Launched 5G devices</td>
<td><strong>ZTE</strong>&lt;br&gt;Launched 5G devices</td>
</tr>
<tr>
<td><strong>MWC Shanghai 2019</strong></td>
<td><strong>Quectel</strong>&lt;br&gt;Succeeded in 5GmmW communication</td>
</tr>
<tr>
<td><strong>Ten or more models of 5G devices to be released in 2020</strong></td>
<td><strong>Xiaomi</strong>&lt;br&gt;Launched 5G devices in Japan in 2020</td>
</tr>
<tr>
<td><strong>Oppo</strong>&lt;br&gt;Launched a device equipped with MediaTek 5G modem</td>
<td><strong>Oppo</strong>&lt;br&gt;Launched a device equipped with MediaTek 5G modem</td>
</tr>
<tr>
<td><strong>Oppo</strong>&lt;br&gt;Launched 5G devices in Japan in 2020</td>
<td></td>
</tr>
</tbody>
</table>
Ⅱ-2-3. 5G terminal development/manufacturing process and test solutions

- **Sub6 / Millimeter wave**
  - Verification of Core Technologies at Chipset Vendors
  - Evaluation of Functions & Performance at UE Vendors
  - Conformance Test at UE Vendors & Test Houses
  - Acceptance Test at Carriers & Test Houses
  - Mass Production Test at UE Vendors & EMS

- **Protocol**
  - Baseband Chipset / RF Front End
  - Evaluation of Functions & Performance
  - Conformance Test (CT)
  - Carrier Acceptance Test (CAT)

- **RF Calibration & Inspection**
  - MT8000A Radio Communication Test Station
  - ME7873NR/ME7834NR 5G NR Conformance Test and Carrier Acceptance Test System
  - MT8870A Universal Wireless Test Set

Anritsu envision: ensure
II -2-4. 5G Test Solutions Conformance Test

**ME7873NR**
5G New Radio RF Conformance Test System
Wireless Performance Conformance Test

**ME7834NR**
5G NR Mobile Device Test Platform
Communication Protocol Conformance Test

**Test case**
An organization that mainly runs device conformance tests in Europe and Asia

**Scenario**
An organization that runs device conformance tests in Americas

Carrier Acceptance Test (CAT) for each telecommunications carrier
DOCOMO
AT&T
Verizon
CMCC etc.
<table>
<thead>
<tr>
<th>Platform(Core) Development</th>
<th>Conformance test</th>
<th>Operator Acceptance test</th>
<th>Smartphone Commercial test</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Uses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comm. standard development</td>
<td>Conformance test</td>
<td>Comm. Carrier</td>
<td>Application development</td>
</tr>
<tr>
<td>Chipset development</td>
<td>Interoperability test</td>
<td>carrier acceptance test</td>
<td>UE operation test</td>
</tr>
<tr>
<td><strong>Main customers</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chipset vendor</td>
<td>Chipset vendor, UE vendor, Communication Carrier</td>
<td>Com Carrier, Test house, UE vendor</td>
<td>UE vendor Applications developer</td>
</tr>
<tr>
<td>UE vendor</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Main theme</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• FDD / TDD-LTE, LTE-Advanced, LTE-Advanced PRO</td>
<td></td>
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<tr>
<td>• CA (Carrier aggregation), VoLTE (Voice over LTE)</td>
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<tr>
<td>• MIMO (Multi Input Multi Output)</td>
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<tr>
<td>• Chipset unification of 3G/LTE and SRW (Short Range Wireless)</td>
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</tr>
<tr>
<td><strong>Test solutions</strong></td>
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<tr>
<td>Anritsu : No.1 position</td>
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<tr>
<td>Rohde &amp; Schwarz</td>
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<td></td>
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<tr>
<td><strong>Main Competitors</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rohde &amp; Schwarz</td>
<td>Rohde &amp; Schwarz, Keysight(Agilent, Anite), Spirent</td>
<td>Rohde &amp; Schwarz, Keysight</td>
<td></td>
</tr>
<tr>
<td>Anritsu</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Ⅱ-2-6. Evolution of mobile communication
Supporting evolution of mobile communication system

Max. communication speed increased about 10 thousands times over the past 30 years

1G
28.8Kbps
2.4Kbps
Voice
Packet communication
Text message
Image
Video
Internet
High-definition video

2G
384Kbps
2Gbps
20Gbps
LTE-Advanced Pro
LTE-Advanced
LTE (Long Term Evolution)

3G
10M
100M
1G
1Gbps
10Gbps
100Gbps
IoT
VR
20Gbps

4G
100Mbps
1Gbps

5G
2018
2008
1998

(From materials of the Ministry of Internal Affairs and Communications)
II-2-7. Contributing to the establishment of 5G network infrastructure

Features of 5G:
- 1/10×Latency
- 100×Peak Data Rate
- 100×Capacity

Smart Devices
- R&D and Manufacturing Solution for IoT Device/Module
- Support for Mobile Network by Widespread products ranging from RF to optical

Mobile Networks
- 5G New RAT
- LTE-A
- NB-IoT

Fixed Networks
- 100G/400G
- SDH/WDM
- OTN
- Ethernet
- SDN/NFV

Cloud
- 40G/100G
- Data Center
- Internet
- PCI-E
- AOC

Support for high-speed 100G/400G communications
Continued world leader in bit error rate test

IoT Device / Module Measurement
- Spectrum Analyzer
- Signal analyzer
- New HH SPA
- BTS Master
- OTDR

40G/100G Analyzer
BERTWave Series
eoSight
Big Data Analytics

Support for Mobile Network by Widespread products ranging from RF to optical

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5G will become the infrastructure of social innovation

From now on it is necessary to establish "business strategy", includes making business partners

*Major business areas up to 4G Smartphone/Tablet*

*Business area newly joining in 5G*
- Automotive
- Industrial machinery
- Home Security
- Smart meter
- Other IoT

(Ministry of Internal Affairs and Communication)
Millimeter waves are used in cities where small cells can be arranged in mesh networks.
5G and LTE coexist and interwork

5G = LTE Enhancements + Next-Generation Wireless Technologies

5G Network

5G Next-Generation Technologies

LTE Network

Data Signal
Control Signal

New RAT (higher performance, wide-area)

Roadmap of LTE

2015
LTE-Advanced Rel 12 & 13

2016
~2020
LTE Enhancement Rel 14 & 15

Macro Cell
Small Cell
Small Cell

40GHz
30GHz
28GHz
20GHz
10GHz
Sub-6GHz
6GHz
3GHz
1GHz
400MHz

New RAT: New Radio Access Technology

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II-2-11. 5G Band Allocations in the World

SubGHz
- 600/700 MHz

Sub6GHz
- 3.1~4.2 GHz
- 4.4~4.99 GHz

Millimeter Wave
- 26/28 GHz
- 38/42 GHz

* Created based on public disclosure information.
Ⅱ -2-12. Solutions for 5G chipset/device development

We have begun shipments of the Radio Communication Test Station MT8000A for development of chipsets, devices, etc. for the 5G market
Ⅱ-2-13. Role of MT8000A

Real-world environment

5G base station

Mobile network

5G base station

5G smartphone

Test environment

5G smartphone under performance testing

MT8000A

Emulates a base station to connect to smartphone and conduct performance testing

Emulated

Enables a variety of simulations, including handling of errors which cannot be checked with a base station connection, and handover from one base station to another
Accurate measurements are possible with a cable connection.

Accurate measurements are possible with Over The Air (OTA) using chamber.
Introducing 5G utilizing the LTE core network.

NSA-NR Network Configuration

- LTE Base Station (LTE Anchor)
- 5G NR Small Cell
- NSA-NR Device

NSA-NR Test Environment

- ME7834NR Test System
- LTE Base Station Simulation
- MD8430A
- MT8000A
- 5G NR Small Cell
- NSA-NR Device
Signal analyzer that realizes millimeter-wave measurement solutions required for R&D and manufacture of 5G base stations and terminals at unprecedented low prices

**Frequency range**: 9 kHz~32 GHz/44.5 GHz
**Analysis bandwidth**: 255 MHz (standard), 510 MHz (option), 1GHz (option)

**MS2850A Signal Analyzer**

**Conventional Signal Analyzer for LTE**
- Frequency is mainly 6GHz or less
- Analysis bandwidth is 20MHz to several hundred MHz

**Signal Analyzer for 5G**
- Covers frequency up to 44.5GHz
- Coverage of analysis bandwidth is up to 1GHz
- Low price enables installation for commercial development and manufacture
Field Master Pro MS2090A

• Frequency Range: 9 kHz to 9/14/20/26.5/32/43.5/54 GHz
• Supports RF measurements of GSM, LTE, and 5G base stations, as well as 5G demods.
• TX spurious up to 54 GHz

Usage: 5G NR Base Station Measurement
3GPP TS 38.104 V15 gNB Base Station Performance Evaluation
- Frequency error
- Occupied bandwidth
- Time offset
- Adjacent channel leakage ratio
- Cell/Sector ID
- Tx spurious up to 12.75 GHz
- Modulation quality
- EIRP
- Unwanted emissions
- Synchronization Signal Block (SSB)
- FR1 & FR2
- Up to 64 beams supported

Usage: 5G Coverage Mapping
Plot indoor and outdoor coverage maps from 5G NR gNB. Displayed measurements include channel power, EIRP, and RSRP.
 Acquisition of Azimuth Systems, Inc.

- Company Name: Azimuth Systems, Inc.
- Headquarters: Boston, USA
- Business model: Development and sales of channel emulators, etc.
- Main customers: Operators, chipset vendors, network equipment vendors, UE vendors, etc. in the Americas, EMEA, Asia, and Japan

**Real-world environment**

- Base station
- Signal
- Reflection from obstacles
- Fading (Fluctuating signal strength)
- Movement

**In the lab (e.g., communication device testing)**

- Base station simulator
- Channel Emulator
- Cable
- Fading (Fluctuating signal strength)
II -2-19. Food chain and players in mobile telecom market

For R&D

Chipset vendors
- Qualcomm, Intel, Samsung, MediaTek, Hisilicon, Spreadtrum, Broadcom, Marvell, Realtek, Altair, Sequans etc.

Test houses
- SGS, 7 layers, Cetecom, TMC, Canvas M, TechMahindra etc.

Smartphone & Tablet vendors
- America: Apple, Amazon, Google, Microsoft + Nokia
- Asia: Huawei, OPPO, VIVO, Xiaomi, enovo, TCL, ZTE, Coolpad, Samsung, LG, HTC, Micromax
- Japan: Sony, Fujitsu etc.

For production

Wireless modules / component vendors
- Foxconn, Asus, BYD, Quanta, HEG etc.

EMS

Own factories

Operators
- AT&T
- Verizon
- T-Mobile
- Orange
- BT
- Deutsche Telekom
- China Mobile
- China Unicom
- China Telecom
- NTT DoCoMo
- KDDI
- Softbank + Sprint
- SK Telecom
- KT
- LG Uplus etc.

MVNO

Application providers

Base stations
- Ericsson, ZTE, Huawei, NOKIA, Samsung, Fujitsu, NEC etc.
# Roadmap of LTE service

## Service implementation trends of operators

<table>
<thead>
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</thead>
<tbody>
<tr>
<td><strong>LTE</strong></td>
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<tr>
<td><strong>LTE-Advanced</strong></td>
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<tr>
<td><strong>LTE-Advanced Pro</strong></td>
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</tbody>
</table>

- **CA (Carrier Aggregation)**
  - 2CA
  - 3CA
  - 4CA
  - 5CA
  - 6CA

- **DL4 x4MIMO**

- **LAA*---Licensed-Assisted Access (using unlicensed band)**

- **Gigabit LTE**
  - 150M bps
  - 300M bps
  - 450M bps
  - 600M bps
  - 1Gbps
  - 1.2Gbps

*Note: LAA is licensed-assisted access using unlicensed band.*
Expand Earnings Opportunities by Supporting the Creation of New Markets and Various Industrial Fields through the Utilization of 5G

**Units**

- Smart meter
- Home security
- Industrial Equipment

**Units**

- LPWA
- LTE Advanced Pro, 5G
- LTE Advanced

**High Speed, Low Latency**

- Multiple concurrent connections: Connect all the terminals and sensors around us to the internet
- Ultra high speed: Download a movie of 2 hours in 3 seconds
- Ultra low latency: Operate a remote robot in real time precisely
- Advancement of automated driving
- Remote control operation
II -3-1. Manufacturing solutions for Smart phone

A

Current features

1. Huawei, Vivo, Oppo
   The rise of China vendors and intensifying competition (握握手)
2. The growth of the manufacturing market in India

Solutions for 2G / 3G / LTE & Connectivity

MT8870A
Universal
Wireless Test Set

Smartphone Shipment Market Share in China by Vendor *

*Source: Gartner “Market Share: PCs, Ultramobiles and Mobile Phones, All Countries, 2Q18 Update” 24 Aug. 2018
Smartphone = Basic Phone, Premium Phone, Utility Phone
OS=Excluding WindowsRT and Proprietary
Graph created by Anritsu based on Gartner research

Main Competitors
Rohde & Schwarz, Keysight

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II -3-2. R&D solutions for Smart Devices for IoT

Wireless systems for achieving IoT

- **LPWA**
  - >km
  - SIGFOX
  - LoRaWAN

- **Cellular IoT**
  - 100m
  - NB-IoT
  - Cat.M
  - Cat.1

- **3G, LTE, 5G**
  - 10m

- **Wi-SUN**
  - 100m
  - Zigbee
  - Z-Wave

- **Wi-Fi**
  - 1m

- **NFC**
  - 1m

- **Bluetooth**
  - 1m

**Data Transmission rate**

- **R&D Solutions for Cellular IoT**
  - MT8821C
    - Radio Communication Analyzer
  - MD8430A
    - Signalling Tester
  - Chipset
  - SiP (System in Package)

**Main Competitors**

- Rohde & Schwarz, Keysight
II -3-3. Manufacturing solutions for Smart Devices for IoT

- The growth of Connectivity & Module markets for IoT

For WLAN / Bluetooth

MT8862C **Wireless Connectivity Test Set**

MT8870A **Universal Wireless Test Set**

Main Competitors
Teradyne, National Instruments, Rohde & Schwarz, Keysight

*Source: World Economic Forum

**SiP (System in Package)**
Ⅲ -3-4. Adoption of new technologies in the automotive market and Anritsu’s initiatives

<table>
<thead>
<tr>
<th>Advancement of automated driving</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level 1</td>
</tr>
<tr>
<td>Level 2</td>
</tr>
<tr>
<td>Level 3</td>
</tr>
</tbody>
</table>

- Spread of 4G telematics
- Mandatory deployment of eCall
- Increasing use of 79GHz radar
- Active verification testing of V2X

Telematics/eCall *emergency calling system for vehicles

- Mobile network simulator
- Millimeter wave signal transmitter tester
- 79GHz high resolution automotive radar

Mobile communication/connectivity

- Wireless communication RF performance test
- V2X communication quality assessment
- V2X (802.11p) *vehicle-to-vehicle/road-to-vehicle communications
II -3-5. Food chain and players in Automotive market

Safety, Emergency, Comfort, Infotainment, Diagnostic

**Car Vendors**
- Autonomous car
- ADAS (Advanced Driver Assistance System)
- Telematics (Telecommunication + Informatics)
- ITS C-ITS (Intelligent Transport Systems)

**Dashboard Vendors**
- Transceiver module (Cellular + V2X + Connectivity + Antenna + etc.)
- Rader module
- Antenna
- Satellite receiver
- Tuner

**Module Vendors**
- Cellular module, Connectivity module, V2X module, Rader, Antenna, Connector, Cable, etc

**Chipset Vendors**
- Semi-conductors for communication
Further evolution towards 5G/IoT

Reshaping the Future of Network Test Solution

Current LTE Network + 5G Network

Wireless: MT8220T BTS Master
Optical: MT1000/1100 Network Master
Transport (CPRI): MT8220T BTS Master
Optimization

Main Competitors
Viavi (formerly known as JDSU)

RRH: Remote Radio Head
BBU: Base Band Unit

Macro Cell
Small Cell
Mobile Fronthaul
Mobile Backhaul

RRH
BBU
Optical Fiber
Ⅱ-4-1. Test Solutions for support of Cloud Service expanding

Data traffic extending explosively

Global Data Center Traffic Growth
Source: Cisco Global Index 2015-2020

- Expansion of Data Center
- Higher-speed
- Larger-capacity
- Conversion to fiber optics

DCI
High speed communication
10G/40GbitE → 100G/200/400GbitE

Main Competitors
Keysight

Optical module vendors
Optical device vendors
Equipment (Router, Switch) vendors in Data Center

R&D

Manufacturing, I&M

CAGR 2015-2020
27%

Data traffic (Zettabytes per Year)

4.7 6.5 8.6 10.8 12.9 15.3
III. PQA Business segment
Ⅲ-1. PQA business segments (Products Quality Assurance)

General examples of food production process

- Contamination
- Variation in the amount of contents
- Breaks and chips
- Defective packaging (sealing)
- Printing error/Print blur

Materials
- Glass, plastic
- Rubber packing
- Stone fragment
- Bone, shell

Major customers
Mondelez, Nestle, Kraft Heinz, Nippon Ham Group, Glico Group, Nissui Group, etc.
### Market Major initiatives

**North America, EMEA, Asia**
- Develop market with X-ray inspection systems as a key solution

**Japan**
- Improve market share through quality assurance solutions with high added value in response to cutting-edge needs

### Main Competitors

Mettler-Toledo, Ishida, Marel

---

*Anritsu group announced the revised FY2019 Forecast on January 30th, 2020.*
### III-2-2. PQA Business: Current Status of the PQA Market and Outlook

**Global market size of 200 billion yen**
(estimated by Anritsu in 2017)

Average growth rate of 4% expected by 2020

---

**EMEA**
More stringent quality assurance for the retail industry

2017: 40%
2020: 30%

**Americas**
Penetration of the X-ray inspection market

2017: 40%
2020: 30%

**Asia**
Expansion of demand for processed food
Rising personnel expenses

2017:
2020:

**Japan**
Automation and labor saving for production lines in response to a manpower shortage

2017:
2020:
Ⅳ-1. Financial Strategy

<Target>

Ratio of net assets to total assets: $\geq 60\%$

D/E ratio : $\leq 30\%$

<table>
<thead>
<tr>
<th>Year</th>
<th>Ratio of net assets to total assets, D/E ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011.3</td>
<td>(60, 25)</td>
</tr>
<tr>
<td>2012.3</td>
<td>(59, 25)</td>
</tr>
<tr>
<td>2013.3</td>
<td>(59, 25)</td>
</tr>
<tr>
<td>2014.3</td>
<td>(61, 29)</td>
</tr>
<tr>
<td>2015.3</td>
<td>(62, 20)</td>
</tr>
<tr>
<td>2016.3</td>
<td>(61, 29)</td>
</tr>
<tr>
<td>2017.3</td>
<td>(61, 29)</td>
</tr>
<tr>
<td>2018.3</td>
<td>(65, 20)</td>
</tr>
<tr>
<td>2019.3</td>
<td>(66, 19)</td>
</tr>
</tbody>
</table>
Ⅳ-1-1. GLP2020: Financial strategy

**Basic policy**

Improve corporate value KPI (ACE & ROE) through growth investment (including M&As) with a return of more than 7% of equity cost and capital efficiency improvements

*ACE (Anritsu Capital-cost Evaluation): Operating income after tax - Capital Cost (WACC, 5%)*

Goal: ROE \(\geq\) 15%

![Graph showing ACE and ROE values over years](image-url)

**Goal:** ROE \(\geq\) 15%

<table>
<thead>
<tr>
<th>Year</th>
<th>ACE (B Yen)</th>
<th>ROE (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2010</td>
<td>7.9</td>
<td>1.9</td>
</tr>
<tr>
<td>FY2011</td>
<td>19.5</td>
<td>5.2</td>
</tr>
<tr>
<td>FY2012</td>
<td>25.0</td>
<td>9.5</td>
</tr>
<tr>
<td>FY2013</td>
<td>13.3</td>
<td>4.8</td>
</tr>
<tr>
<td>FY2014</td>
<td>10.2</td>
<td>2.5</td>
</tr>
<tr>
<td>FY2015</td>
<td>4.9</td>
<td>3.5</td>
</tr>
<tr>
<td>FY2016</td>
<td>3.7</td>
<td>4.0</td>
</tr>
<tr>
<td>FY2017</td>
<td>4.0</td>
<td>4.2</td>
</tr>
<tr>
<td>FY2018</td>
<td>10.9</td>
<td>5.0</td>
</tr>
<tr>
<td>FY2019 (Revised)</td>
<td>12</td>
<td>8.0</td>
</tr>
<tr>
<td>FY2020</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>FY202X</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Plan as of April 2018
IV-2. Shareholder Return Policy

Dividend Policy

Distribute profits in accordance with its consolidated performance (Net profit) and by taking into account the total return

1. Take the basic approach of raising dividends on equity (DOE) in accordance with the increase in consolidated profits for the fiscal year

2. Aim at a consolidated dividend payout ratio of 30 percent or more

3. Flexibly provide shareholder returns taking into account the total return ratio
### Dividend forecast

#### FY2019 (Forecast)

<table>
<thead>
<tr>
<th>Dividend per share</th>
<th>Profit</th>
<th>Payout ratio</th>
<th>DOE</th>
<th>ROE</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 yen</td>
<td>11.0 B yen</td>
<td>38.7%</td>
<td>4.6%</td>
<td>12%</td>
</tr>
</tbody>
</table>

#### FY2018 (Actual)

<table>
<thead>
<tr>
<th>Dividend per share</th>
<th>Profit</th>
<th>Payout ratio</th>
<th>DOE</th>
<th>ROE</th>
</tr>
</thead>
<tbody>
<tr>
<td>22 yen</td>
<td>9.0 B yen</td>
<td>33.7%</td>
<td>3.7%</td>
<td>10.9%</td>
</tr>
</tbody>
</table>

**Increase in dividend:**

22 yen → 31 yen
(Interim dividend 11 yen, Year-end dividend 20 yen)

---

**Graph:**

- **Yen:** 0 to 50
- **Payout ratio (%):** 0% to 100%
- **Years:** 2014/3 to 2020/3 (FORECAST)

- **2014/3:** 30.8%
- **2015/3:** 43.1%
- **2016/3:** 87.7%
- **2017/3:** 76.3%
- **2018/3:** 71.5%
- **2019/3:** 33.7%
- **2020/3 (FORECAST):** 38.7%
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.

Sustainability Policy
1. We will contribute to building a safe, secure, and comfortable society through our business activities, based on our long-term vision.
2. We will maintain harmony with the global socio-economy and society through ethical company activities.
3. We will contribute to the preservation of the global environment by promoting environmental management for the coexistence of people and nature.
4. We will build strong partnerships by promoting communication with all stakeholders.
IV-3-1. Set sustainability management as our axis
### IV-3-2. Sustainability Goals (SDGs)

#### Social Issues We Address through Our Business Activities

**Anritsu Group**
Contribute to the promotion of innovations and an industrial structure that builds a sustainable society, and creation of safe and secure infrastructure.

**T&M**
Contribute to building a sustainable society through the maintenance of a robust network linking all things related to safety and security.

**PQA business**
Contribute to realizing a sustainable society and in which everyone can live with a sense of safety and security and in which food loss is minimized by enhancing Products Quality Assurance for food and pharmaceuticals.

#### Challenges to meet the needs of society (ESG)

**Maintaining Harmony with the Global Socio-Economy**
Together with diverse Human resources, we seek to contribute to the creation of workplaces where each individual can achieve personal growth and experience job satisfaction.

**Expanding and Strengthening Governance**
Ensuring ethical corporate activities through risk management and fair, quick, and effective decision making.

**Promoting Global Environmental Protection**
Contributing to the creation of a society with sustainable consumption and sustainable corporate production practices.

**The Creation of Shared Value through the Promotion of Communication**
Contributing to the creation of shared value with collaboration among all stakeholders.
IV-4. Corporate Governance System

For improving competitiveness and continuously enhancing corporate value
V. Financial Results for the 3rd quarter of the Fiscal Year ending March 31, 2020

Note: The announced on January 30th, 2020
V -1. Consolidated performance - Financial results -

Year-on-year growth in revenue and profit

<table>
<thead>
<tr>
<th>International Financial Reporting Standards (IFRS)</th>
<th>FY2018 (Apr. to Dec.)</th>
<th>FY2019 (Apr. to Dec.)</th>
<th>YoY</th>
<th>YoY (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order Intake</td>
<td>73.9</td>
<td>82.6</td>
<td>8.7</td>
<td>12%</td>
</tr>
<tr>
<td>Revenue</td>
<td>71.1</td>
<td>76.4</td>
<td>5.3</td>
<td>7%</td>
</tr>
<tr>
<td>Operating profit (loss)</td>
<td>7.7</td>
<td>11.3</td>
<td>3.6</td>
<td>47%</td>
</tr>
<tr>
<td>Profit (loss) before tax</td>
<td>7.9</td>
<td>11.2</td>
<td>3.3</td>
<td>43%</td>
</tr>
<tr>
<td>Profit (loss)</td>
<td>6.3</td>
<td>8.3</td>
<td>2.0</td>
<td>33%</td>
</tr>
<tr>
<td>Comprehensive income</td>
<td>6.5</td>
<td>7.9</td>
<td>1.4</td>
<td>22%</td>
</tr>
</tbody>
</table>

Unit: Billion Yen

Note: Numbers are rounded off to the first decimal place in each column.
## V -2. Consolidated performance - Results by business segment -

**T&M : Steady development demand for 5G**

<table>
<thead>
<tr>
<th>International Financial Reporting Standards (IFRS)</th>
<th>FY2018 (Apr. to Dec.)</th>
<th>FY2019 (Apr. to Dec.)</th>
<th>YoY</th>
<th>YoY (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>T&amp;M</strong></td>
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</tr>
<tr>
<td>Revenue</td>
<td>48.6</td>
<td>54.2</td>
<td>5.6</td>
<td>11%</td>
</tr>
<tr>
<td>Op. profit (loss)</td>
<td>6.5</td>
<td>9.9</td>
<td>3.4</td>
<td>53%</td>
</tr>
<tr>
<td><strong>PQA</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>16.6</td>
<td>15.9</td>
<td>(0.7)</td>
<td>-5%</td>
</tr>
<tr>
<td>Op. profit (loss)</td>
<td>1.0</td>
<td>0.7</td>
<td>(0.3)</td>
<td>-35%</td>
</tr>
<tr>
<td><strong>Others</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>5.9</td>
<td>6.4</td>
<td>0.5</td>
<td>8%</td>
</tr>
<tr>
<td>Op. profit (loss)</td>
<td>0.7</td>
<td>1.3</td>
<td>0.6</td>
<td>81%</td>
</tr>
<tr>
<td><strong>Adjustment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Op. profit (loss)</td>
<td>(0.6)</td>
<td>(0.6)</td>
<td>0.0</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>71.1</td>
<td>76.4</td>
<td>5.3</td>
<td>7%</td>
</tr>
<tr>
<td>Op. profit (loss)</td>
<td>7.7</td>
<td>11.3</td>
<td>3.6</td>
<td>47%</td>
</tr>
</tbody>
</table>

**Note1 :** Numbers are rounded off to the first decimal place in each column.

**Note2 :** Adjustment includes elimination of inter-segment transactions and non distributed company-wide expenses of each business segment.

**T&M: Test & Measurement**  **PQA : Products Quality Assurance**
V-3. Consolidated performance - Revenue and Op. profit by quarters -

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

Note: Numbers are rounded off to the first decimal place in each column.
### V -4. Overview of operations by business segment

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY2019 3Q (April to Dec., 2019)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>T&amp;M</strong>: Steady progress of 5G commercialization schedule</td>
<td></td>
</tr>
<tr>
<td><strong>Mobile</strong></td>
<td></td>
</tr>
<tr>
<td>LTE</td>
<td>Continued curbing and reduction of investment in LTE-A</td>
</tr>
<tr>
<td>5G</td>
<td>5G development demand remains steady</td>
</tr>
<tr>
<td><strong>Network Infrastructure</strong></td>
<td>Launch of 5G network infrastructure</td>
</tr>
<tr>
<td><strong>Asia</strong></td>
<td>Expansion in investment from 5G pre-service</td>
</tr>
<tr>
<td><strong>Americas</strong></td>
<td>Launch of 5G service. Will pay close attention to the future area expansion.</td>
</tr>
</tbody>
</table>
| **PQA**: Strong investment by food market for quality assurance, automation, and labor saving both in Japan and overseas |}

**T&M**: Test & Measurement  
**PQA**: Products Quality Assurance
V -5. Transition of Order intake

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

Note: Numbers are rounded off to the first decimal place in each column.
V -6. Transition of Revenue by region

Revenue rose year on year in Asia and Japan, backed by strong 5G demand

Note: Numbers are rounded off to the first decimal place in each column.
V - 7. Cash Flow

Operating cash flow margin ratio was 11.8%.

FY2019 3Q
- Operating CF: 9.0 Bn. Yen
- Investing CF: (2.1) Bn. Yen
- Financing CF: (7.4) Bn. Yen

Free Cash Flow
- Op. CF + Inv. CF: 7.0 Bn. Yen

Cash at the end of period
- 44.4 Bn. Yen

Interest-bearing debt (including lease liabilities)
- 14.7 Bn. Yen

Note: Numbers are rounded off to the first decimal place in each column.
### V-8. Forecast for full year of FY2019 (Consolidated)

Consolidated results forecast was revised upwards

<table>
<thead>
<tr>
<th></th>
<th>FY2018 Actual</th>
<th>FY2018 Previous Forecast (as of Apr. 25 2019)</th>
<th>FY2018 Previous Forecast (as of Oct. 30 2019)</th>
<th>FY2019 Revised Forecast</th>
<th>YoY (%)</th>
<th>YoY(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>99.7</td>
<td>102.0</td>
<td>103.0</td>
<td>105.0</td>
<td>5.3</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Operating profit (loss)</strong></td>
<td>11.2</td>
<td>10.0</td>
<td>11.5</td>
<td>15.5</td>
<td>4.3</td>
<td>38%</td>
</tr>
<tr>
<td><strong>Profit (loss) before tax</strong></td>
<td>11.4</td>
<td>10.0</td>
<td>11.5</td>
<td>15.5</td>
<td>4.1</td>
<td>36%</td>
</tr>
<tr>
<td><strong>Profit (loss)</strong></td>
<td>9.0</td>
<td>7.5</td>
<td>8.5</td>
<td>11.0</td>
<td>2.0</td>
<td>22%</td>
</tr>
<tr>
<td><strong>T&amp;M</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>68.2</td>
<td>69.0</td>
<td>70.0</td>
<td>73.0</td>
<td>4.8</td>
<td>7%</td>
</tr>
<tr>
<td>Op. profit (loss)</td>
<td>9.4</td>
<td>8.0</td>
<td>9.5</td>
<td>13.5</td>
<td>4.1</td>
<td>43%</td>
</tr>
<tr>
<td><strong>PQA</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>23.1</td>
<td>24.5</td>
<td>24.5</td>
<td>23.5</td>
<td>0.4</td>
<td>2%</td>
</tr>
<tr>
<td>Op. profit (loss)</td>
<td>1.6</td>
<td>2.0</td>
<td>2.0</td>
<td>1.6</td>
<td>0.0</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Others</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>8.4</td>
<td>8.5</td>
<td>8.5</td>
<td>8.5</td>
<td>0.1</td>
<td>1%</td>
</tr>
<tr>
<td>Op. profit (loss)</td>
<td>1.1</td>
<td>0.9</td>
<td>0.9</td>
<td>1.3</td>
<td>0.2</td>
<td>14%</td>
</tr>
<tr>
<td><strong>Adjustment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Op. profit (loss)</td>
<td>(0.9)</td>
<td>(0.9)</td>
<td>(0.9)</td>
<td>(0.9)</td>
<td>0.0</td>
<td>-</td>
</tr>
</tbody>
</table>

**Reference:**
- Exchange rate: FY2018 (Actual) 1USD=111 yen, 1EURO=128 yen
- FY2019 (Initially Forecast) 1USD=105 yen, 1EURO=125 yen
- FY2019 2H (Forecast) 1USD=105 yen, 1EURO=125 yen

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