CONSOLIDATED FINANCIAL SUMMARY
FOR THE FIRST QUARTER ENDED JUNE 30, 2019
(IFRS)

July 30, 2019

Company Name: ANRITSU CORPORATION — Stock exchange listings: Tokyo

Securities code: 6754 URL: https://www.anritsu.com

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Quarterly statement filing date (as planned): August 13, 2019

Dividend payable date (as planned): -

Supplemental material of quarterly results: Yes

Convening briefing of quarterly results: Yes (for financial analysts and institutional investors)

(Millions of yen, round down)

1. Consolidated financial results of the first quarter ended June 30, 2019

(From April 1, 2019 to June 30, 2019)

(1) Consolidated Operating Results

(Note) Percentage figures indicate change from the same quarter a year ago.

	Revenue		Operating profit (loss)		Profit (loss) before tax		Profit (loss)		Profit (loss) attributable to owners of parent		Total comprehensive income	
For the three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June, 2019	23,236	10.8	2,695	65.3	2,531	44.5	1,790	5.4	1,776	5.0	826	-60.6
June, 2018	20,964	7.9	1,630	-	1,752	-	1,699	-	1,690	-	2,097	745.0

	Basic earnings per share	Diluted earnings per share
For the three months ended	Yen	Yen
June, 2019	12.93	12.92
June, 2018	12.31	12.30

(2) Consolidated Financial Positions

	Total assets	Total equity	Equity attributable to owners of parent	Equity attributable to owners of parent to total assets ratio
For the three months ended	Millions of yen	Millions of yen	Millions of yen	%
June, 2019	130,144	84,618	84,486	64.9
For the year ended				
March, 2019	130,467	85,678	85,560	65.6

2. Dividends

	Annual dividend				
	First quarter	Second quarter	Third quarter	Fiscal year end	Total
For the year ended	Yen	Yen	Yen	Yen	Yen
March, 2019	—	8.50	—	13.50	22.00
For the year ending					
March, 2020	—				
For the year ending					
March, 2020 (Forecast)		11.00	—	11.00	22.00

(Note) Correction of dividend forecast from the most recent dividend forecast: No

3. Consolidated Forecast for the year ending March 31, 2020 (From April 1, 2019 to March 31, 2020)

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

	Revenue		Operating profit (loss)		Profit (loss) before tax		Profit (loss)		Profit (loss) attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Annual	102,000	2.3	10,000	-11.1	10,000	-12.0	7,500	-16.6	7,500	-16.3	54.60

(Note) Correction of financial forecast from the most recent financial forecast: No

※ Others

(1) Material changes in subsidiaries during this period

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

Number of subsidiaries newly consolidated : -

Number of subsidiaries excluded from consolidation : -

(2) Changes in accounting policies and accounting estimates

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

(3) The number of issued shares

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

Q1FY2019 (Jun. 30, 2019)	138,208,294 shares	FY2018 (Mar. 31, 2019)	138,206,794 shares

2. Total number of treasury stock at the period end

Q1FY2019 (Jun. 30, 2019)	840,517 shares	FY2018 (Mar. 31, 2019)	840,435 shares

3. Average number of issued shares during the period (quarterly period-YTD)

Q1FY2019 (Jun. 30, 2019)	137,367,081 shares	Q1FY2018 (Jun. 30, 2018)	137,364,340 shares

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

Notes for using forecasted information and others

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

・With regard to notes for utilizing preconditions of outlook and business forecast, please refer to 1. Consolidated Financial Results (3) Outlook for the Fiscal Year Ending March 31, 2020 at page 5.

・Additional supplemental material related to the financial statements will be available at Anritsu's web site since the results briefing session to be held on July 31, 2019.

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1. Consolidated Financial Results

(1) Operating Results

1) General Overview

	Three Months Ended June 30,		(Millions of yen)	
	2018	2019	Change	
Orders	22,595	27,166	4,571	20.2%
Backlog	22,689	25,650	2,961	13.1%
Revenue	20,964	23,236	2,271	10.8%
Operating profit (loss)	1,630	2,695	1,064	65.3%
Profit (loss) before tax	1,752	2,531	779	44.5%
Profit (loss)	1,699	1,790	91	5.4%
Profit (loss) attributable to owners of parent	1,690	1,776	85	5.0%

During the first-quarter of the fiscal year ending March 31, 2020, although US-China trade friction becomes more serious, the global economy continued the moderate expansion primarily in advanced countries, and Japan's economy showed a recovery buoyed by corporate profits and improvement in the employment situation. On the other hand, risks for politics and political measures in each country increased.

In the field of information and communication, mobile broadband services are growing both in terms of quality and quantity, and the volume of mobile data transmission is increasing rapidly, which is compelling the network infrastructure. In order to solve these issues, 4G mobile communications system has evolved to become LTE (Long-Term Evolution) and LTE-Advanced, and then LTE-Advanced Pro (Gigabit LTE). In addition, specification development of the next-generation 5G communications system is proceeding in 3GPP. The standardization of 5G NSA-NR (Non-Standalone New Radio) finished in December, 2017 and the one of 5G SA-NR (Standalone New Radio) finished in June, 2018. All specifications of 5G main functions that are related to ultrahigh speed communication are set. Continuously among 3GPP, specification development of ultralow latency communications and multiple simultaneous connections for expansion of use case is under consideration and the standardization will be expected to be finished in early 2020.

As a result, 5G services were launched in US, Korea and Europe, and the 5G commercialization schedules of operators in each country are making progress smoothly. In Japan, as the allocations of frequencies for the 5G communications were determined to carriers, preparation for the 5G commercialization in 2020 is moving forward.

Amid such environment, the Measurement Business Group has focused on solution development for the 5G early stage investment demand as well as organizational infrastructure, and acquired early development demand of the 5G chipsets and devices.

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

As a result, orders increased 20.2 percent compared with the same period of the previous fiscal year to 27,166 million yen, and revenue increased 10.8 percent to 23,236 million yen. Operating profit increased 65.3 percent compared with the same period of the previous fiscal year to 2,695 million yen, profit before tax increased 44.5 percent to 2,531 million yen. Profit increased 5.4 percent compared with the same period of the previous fiscal year to 1,790 million yen, profit attributable to owners of parent increased 5.0 percent to 1,776 million yen.

2) Overview by Segment

1. Test and Measurement

	Three Months Ended June 30,			(Millions of yen)
	2018	2019	Change	
Revenue	14,388	17,315	2,926	20.3%
Operating profit (loss)	1,516	2,761	1,244	82.1%

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

During the first-quarter of the fiscal year ending March 31, 2020, development demands on 5G chipsets and devices expanded smoothly. Consequently, segment revenue increased 20.3 percent compared with the same period of the previous fiscal year to 17,315 million yen and operating profit increased 82.1 percent to 2,761 million yen.

2. Products Quality Assurance

	Three Months Ended June 30,			(Millions of yen)
	2018	2019	Change	
Revenue	4,898	4,088	(810)	-16.6%
Operating profit (loss)	150	(158)	(308)	-

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

During the first-quarter of the fiscal year ending March 31, 2020, we are steadily acquiring capital investment demands for improvement, automation and labor-saving for the quality assurance processes in the food product market both in Japan and overseas. However, due to decrease of large investments etc., revenue decreased compared with the same period of previous fiscal year. As a result, segment revenue decreased 16.6 percent compared with the same period of the previous fiscal year to 4,088 million yen and operating loss was 158 million yen. (Operating profit was 150 million yen in the same period of the previous fiscal year.)

3. Others

	Three Months Ended June 30,		(Millions of yen)	
	2018	2019	Change	
Revenue	1,676	1,832	156	9.3%
Operating profit (loss)	103	286	182	175.8%

This segment comprises Information and Communications, Devices, Logistics, Welfare-related service, Leases on real estate, and others.

During the first-quarter of the fiscal year ending March 31, 2020, profit of device segment increased compared with the same period of previous fiscal year. As a result, segment revenue increased 9.3 percent compared with the same period of the previous fiscal year to 1,832 million yen, and operating profit increased 175.8 percent to 286 million yen.

(2) Financial Position

1) Assets, Liabilities and Equity

(Millions of yen)

	March 31, 2019	June 30, 2019	Change
Assets	130,467	130,144	(322)
Liabilities	44,789	45,526	737
Equity	85,678	84,618	(1,060)
Interest-bearing debt	16,248	16,539	290

Assets, liabilities and equity at the end of the first-quarter were as follows.

1. Asset

Assets decreased 322 million yen compared with the end of the previous fiscal year to 130,144 million yen. This was mainly due to decrease of trade and other receivables, while increase of inventories, and cash and cash equivalents.

2. Liabilities

Total liabilities increased 737 million yen compared with the end of the previous fiscal year to 45,526 million yen. This was mainly due to increase of other payables in current liabilities and other financial assets, while decrease of employee benefits in current liabilities and income tax payables.

3. Equity

Equity decreased 1,060 million yen compared with the end of the previous fiscal year to 84,618 million yen. This was mainly due to decrease of other components of equity.

As a result, the equity attributable to owners of parent to total assets ratio was 64.9 percent, compared with 65.6 percent at the end of the previous fiscal year.

Interest-bearing debt, excluding lease liabilities, was 16,539 million yen, compared with 16,248 million yen at the end of the previous fiscal year. The debt-to-equity ratio was 0.20, compared with 0.19 at the end of the previous fiscal year.

(Notes)

Equity attributable to owners of parent to total assets ratio: Equity attributable to owners of parent / Total asset

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

2) Summarized Cash Flows

	Three Months Ended June 30,		(Millions of yen)
	2018	2019	Change
Cash flows from operating activities	5,046	4,741	(304)
Cash flows from investing activities	(634)	(708)	(74)
Cash flows from financing activities	(523)	(1,799)	(1,275)
Cash and cash equivalents at end of period	39,408	46,666	7,257
Free cash flow	4,412	4,033	(379)

During the first-quarter of the fiscal year ending March 31, 2020, cash and cash equivalents (hereafter, “net cash”) increased 1,569 million yen compared with the end of the previous fiscal year to 46,666 million yen.

Free cash flow, the sum of cash flows from operating activities and cash flows from investing activities, was positive 4,033 million yen (compared with positive 4,412 million yen in the same period of the previous fiscal year).

Conditions and factors for each category of cash flow for the first-quarter period were as follows.

1. Cash Flows from Operating Activities

Net cash provided by operating activities was 4,741 million yen (in the same period of the previous fiscal year, operating activities provided net cash of 5,046 million yen). The cash increase was mainly due to reporting of profit before tax and decrease of trade and other receivables. Depreciation and amortization was 1,265 million yen (increase of 199 million yen compared with the same period of the previous fiscal year).

2. Cash Flows from Investing Activities

Net cash used in investing activities was 708 million yen (in the same period of the previous fiscal year, investing activities used net cash of 634 million yen). This was primarily due to acquisition of property, plant and equipment.

3. Cash Flows from Financing Activities

Net cash used in financing activities was 1,799 million yen (in the same period of the previous fiscal year, financing activities used net cash of 523 million yen). The cash decrease was due to the payment of cash dividends totaling 1,854 million yen (in the same period of the previous fiscal year, cash dividends was 1,030 million yen), on the other hand, the cash increase was due to the increase in short-term borrowings.

(3) Outlook for the Fiscal Year Ending March 31, 2020

The Anritsu Group has not changed the performance forecasts announced on April 25, 2019.

BUSINESS FORECAST FOR THE FISCAL YEAR ENDING MARCH 31, 2020

	(Millions of yen)
	FY2019
Revenue	102,000
Operating profit (loss)	10,000
Profit (loss) before tax	10,000
Profit (loss)	7,500
Profit (loss) attributable to owners of parent	7,500

Assumed annual exchange rate : 1US$=105Yen

(Reference)

FORECAST OF SEGMENT INFORMATION

(Millions of yen)

	FY2018 From Apr. 1, 2018 To Mar. 31, 2019	FY2019 From Apr. 1, 2019 To Mar. 31, 2020	Change
Revenue by Segment			
Revenue	99,659	102,000	2.3%
Test and Measurement	68,168	69,000	1.2%
PQA	23,074	24,500	6.2%
Others	8,416	8,500	1.0%
Operating Profit by Segment			
Operating Profit	11,246	10,000	-11.1%
Test and Measurement	9,413	8,000	-15.0%
PQA	1,609	2,000	24.2%
Others	1,145	900	-21.4%
Adjustment	(921)	(900)	-
Revenue by Region			
Revenue	99,659	102,000	2.3%
Japan	32,183	33,500	4.1%
Overseas	67,475	68,500	1.5%
Americas	26,429	26,500	0.3%
EMEA	12,170	12,500	2.7%
Asia and Others	28,876	29,500	2.2%

(Note) EMEA: Europe, Middle East and Africa

(Note)

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

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

2. Condensed Quarterly Consolidated Financial Statements

(1) Condensed Quarterly Consolidated Statement of Financial Position

(Millions of yen)

	End of FY2018 as of 3.31.19	Q1 FY2019 as of 6.30.19
Assets		
Current assets		
Cash and cash equivalents	45,097	46,666
Trade and other receivables	25,055	20,956
Other financial assets	537	481
Inventories	18,585	20,508
Income tax receivables	343	356
Other assets	3,375	2,283
Total current assets	92,994	91,252
Non-current assets		
Property, plant and equipment	24,221	25,709
Goodwill and intangible assets	3,586	3,482
Investment property	830	788
Trade and other receivables	305	334
Other financial assets	1,670	1,653
Deferred tax assets	6,814	6,878
Other assets	45	44
Total non-current assets	37,473	38,891
Total assets	130,467	130,144

(Millions of yen)

	End of FY2018 as of 3.31.19	Q1 FY2019 as of 6.30.19
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	7,599	7,005
Bonds and borrowings	5,270	13,547
Other financial liabilities	70	797
Income tax payables	3,053	2,160
Employee benefits	6,829	4,137
Provisions	424	452
Other liabilities	7,003	9,757
Total current liabilities	30,251	37,858
Non-current liabilities		
Trade and other payables	435	354
Bonds and borrowings	10,978	2,991
Other financial liabilities	124	1,133
Employee benefits	1,100	1,238
Provisions	111	111
Deferred tax liabilities	197	191
Other liabilities	1,590	1,647
Total non-current liabilities	14,538	7,667
Total liabilities	44,789	45,526
Equity		
Common stock	19,113	19,114
Additional paid-in capital	28,207	28,220
Retained earnings	33,442	33,318
Treasury stock	(1,133)	(1,133)
Other components of equity	5,930	4,966
Total equity attributable to owners of parent	85,560	84,486
Non-controlling interests	117	131
Total equity	85,678	84,618
Total liabilities and equity	130,467	130,144

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

(Millions of yen)

	FY2018 (3 months) From April 1, 2018 to June 30, 2018	FY2019 (3 months) From April 1, 2019 to June 30, 2019
Revenue	20,964	23,236
Cost of sales	10,171	10,679
Gross profit	10,793	12,557
Other revenue and expenses		
Selling, general and administrative expenses	6,708	6,838
Research and development expense	2,481	3,121
Other income	47	103
Other expenses	19	5
Operating profit (loss)	1,630	2,695
Finance income	224	169
Finance expenses	103	333
Profit (loss) before tax	1,752	2,531
Income tax expense	52	740
Profit (loss)	1,699	1,790
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Change of financial assets measured at fair value	155	(11)
Total	155	(11)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation	242	(952)
Total	242	(952)
Total of other comprehensive income	398	(964)
Comprehensive income	2,097	826
Profit (loss), attributable to :		
Owners of parent	1,690	1,776
Non-controlling interests	8	14
Total	1,699	1,790
Comprehensive income attributable to :		
Owners of parent	2,088	811
Non-controlling interests	8	14
Total	2,097	826
Earnings per share		
Basic earnings per share (Yen)	12.31	12.93
Diluted earnings per share (Yen)	12.30	12.92

(3) Condensed Quarterly Consolidated Statements of Changes in Equity

Three months ended June 30, 2018 (From April 1, 2018 to June 30, 2018)

(Millions of yen)

	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Other components of equity	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at April 1, 2018	19,064	28,137	26,254	(987)	5,761	78,230	83	78,313
Adjustments due to changes in accounting policies	—	—	183	—	—	183	—	183
Balance at April 1, 2018 (restated)	19,064	28,137	26,438	(987)	5,761	78,414	83	78,497
Profit (loss)	—	—	1,690	—	—	1,690	8	1,699
Other comprehensive income	—	—	—	—	398	398	—	398
Total comprehensive income	—	—	1,690	—	398	2,088	8	2,097
Share-based payments	1	(33)	19	23	—	10	—	10
Dividends paid	—	—	(1,030)	—	—	(1,030)	—	(1,030)
Purchase of treasury stock	—	—	—	(0)	—	(0)	—	(0)
Dividends to non-controlling interests	—	—	—	—	—	—	(0)	(0)
Total transactions with owners and other transactions	1	(33)	(1,011)	22	—	(1,019)	(0)	(1,020)
Balance at June 30, 2018	19,065	28,104	27,118	(964)	6,159	79,483	91	79,574

Three months ended June 30, 2019 (From April 1, 2019 to June 30, 2019)

(Millions of yen)

	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Other components of equity	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at April 1, 2019	19,113	28,207	33,442	(1,133)	5,930	85,560	117	85,678
Adjustments due to changes in accounting policies	—	—	(45)	—	—	(45)	—	(45)
Balance at April 1, 2019 (restated)	19,113	28,207	33,396	(1,133)	5,930	85,515	117	85,632
Profit (loss)	—	—	1,776	—	—	1,776	14	1,790
Other comprehensive income	—	—	—	—	(964)	(964)	—	(964)
Total comprehensive income	—	—	1,776	—	(964)	811	14	826
Share-based payments	1	13	—	—	—	14	—	14
Dividends paid	—	—	(1,854)	—	—	(1,854)	—	(1,854)
Purchase of treasury stock	—	—	—	(0)	—	(0)	—	(0)
Dividends to non-controlling interests	—	—	—	—	—	—	(0)	(0)
Transfer from other components of equity to retained earnings	—	—	0	—	(0)	—	—	—
Total transactions with owners and other transactions	1	13	(1,854)	(0)	(0)	(1,840)	(0)	(1,840)
Balance at June 30, 2019	19,114	28,220	33,318	(1,133)	4,966	84,486	131	84,618

(4) Condensed Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	FY2018 (3 months) From April 1, 2018 to June 30, 2018	FY2019 (3 months) From April 1, 2019 to June 30, 2019
Cash flows from (used in) operating activities		
Profit (Loss) before tax	1,752	2,531
Depreciation and amortization expense	1,066	1,265
Interest and dividends income	(98)	(113)
Interest expenses	26	30
Loss (Gain) on disposal of property, plant and equipment	3	(3)
Decrease (Increase) in trade and other receivables	1,823	3,868
Decrease (Increase) in inventories	(383)	(2,184)
Increase (Decrease) in trade and other payables	(876)	(643)
Increase (Decrease) in employee benefits	(1,651)	(2,488)
Other, net	4,139	4,112
Sub Total	5,801	6,375
Interest received	52	79
Dividends received	46	33
Interest paid	(25)	(30)
Income taxes paid	(828)	(1,716)
Income taxes refund	0	0
Net cash flows from (used in) operating activities	5,046	4,741
Cash flows from (used in) investing activities		
Payments into time deposits	(38)	(1)
Proceeds from withdrawal of time deposits	37	37
Purchase of property, plant and equipment	(393)	(543)
Proceeds from sale of property, plant and equipment	10	5
Purchase of other financial assets	(0)	(0)
Proceeds from sale of other financial assets	0	0
Other, net	(249)	(206)
Net cash flows from (used in) investing activities	(634)	(708)
Cash flows from (used in) financing activities		
Net increase (decrease) in short-term borrowings	520	290
Repayments of lease liabilities	—	(236)
Dividends paid	(1,030)	(1,854)
Other, net	(13)	1
Net cash flows from (used in) financing activities	(523)	(1,799)
Effect of exchange rate change on cash and cash equivalents	67	(664)
Net increase (decrease) in cash and cash equivalents	3,955	1,569
Cash and cash equivalents at beginning of period	35,452	45,097
Cash and cash equivalents at end of period	39,408	46,666

(5) Notes to the Condensed Quarterly Consolidated Financial Statements

(Notes regarding Going Concern)

None

(Changes in Accounting Policies)

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

Income tax expenses for the first-quarter of the fiscal year ending March 31, 2020 were determined using the estimated average annual effective income tax rate.

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

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

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

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

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

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

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

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

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

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

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

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

(Millions of yen)

	Amount
Non-cancelable operating lease contract, disclosed as of March 31 2,019	1,139
Non-cancelable operating lease contract (after discount), disclosed as of March 31 2,019 (Notes 1)	657
Finance lease liabilities (as of March 31 2,019)	186
Reported amount for cancelable operating lease contract	1,104
Low value leases, recognised as expenses under fixed amount method	(3)
Lease liabilities as of April 1 2,019	1,945

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

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

(Segment Information)

1. Outline of reportable segment

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

Main Products and services by segment are as follows;

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

2. Revenue and profit (loss) by reportable segment

Reportable segment information of the Anritsu Group is included below.

Inter segment revenue is measured based on market price.

Three months ended June 30, 2018 (From April 1, 2018 to June 30, 2018)

(Millions of yen)

	Reportable segment			Others (Notes 1)	Total	Adjustment (Notes 2)	Consolidated
	Test and Measurement	PQA	Subtotal				
Revenue :							
External customers	14,388	4,898	19,287	1,676	20,964	—	20,964
Inter segment	26	0	27	955	982	(982)	—
Total	14,415	4,899	19,315	2,632	21,947	(982)	20,964
Cost of sales, Other revenue and expenses	(12,898)	(4,749)	(17,647)	(2,528)	(20,175)	842	(19,333)
Operating profit (loss)	1,516	150	1,667	103	1,771	(140)	1,630
Finance income	—	—	—	—	—	—	224
Finance expenses	—	—	—	—	—	—	103
Profit (loss) before tax	—	—	—	—	—	—	1,752
Income tax expense	—	—	—	—	—	—	52
Profit (loss)	—	—	—	—	—	—	1,699

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

(Notes 2) : Adjustment of operating profit includes elimination of inter-segment transactions (8 million yen) and company-wide expenses not allocated to business segments (-148 million yen). Company-wide expenses are mainly composed of basic research expense as well as selling, general and administrative expenses not attributable to business segments.

Three months ended June 30, 2019 (From April 1, 2019 to June 30, 2019)

(Millions of yen)

	Reportable segment			Others (Notes 1)	Total	Adjustment (Notes 2)	Consolidated
	Test and Measurement	PQA	Subtotal				
Revenue :							
External customers	17,315	4,088	21,403	1,832	23,236	—	23,236
Inter segment	14	0	15	1,114	1,129	(1,129)	—
Total	17,330	4,088	21,418	2,946	24,365	(1,129)	23,236
Cost of sales, Other revenue and expenses	(14,568)	(4,247)	(18,815)	(2,660)	(21,475)	934	(20,540)
Operating profit (loss)	2,761	(158)	2,603	286	2,890	(194)	2,695
Finance income	—	—	—	—	—	—	169
Finance expenses	—	—	—	—	—	—	333
Profit (loss) before tax	—	—	—	—	—	—	2,531
Income tax expense	—	—	—	—	—	—	740
Profit (loss)	—	—	—	—	—	—	1,790

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

(Notes 2) : Adjustment of operating profit includes elimination of inter-segment transactions (6 million yen) and company-wide expenses not allocated to business segments (-200 million yen). Company-wide expenses are mainly composed of basic research expense as well as selling, general and administrative expenses not attributable to business segments.

3. Revenue by Region

(Millions of yen)

	FY2018 (3 months) From April 1, 2018 to June 30, 2018	FY2019 (3 months) From April 1, 2019 to June 30, 2019
Japan	5,685	6,442
Americas	6,046	5,950
EMEA	2,920	2,722
Asia and Others	6,312	8,120
Total	20,964	23,236

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

3. Reference Information

Consolidated Quarterly Financial Highlights

Year ended March 31, 2019

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

Year ending March 31, 2020

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
				(Millions of yen)
Revenue	23,236	—	—	—
Gross profit	12,557	—	—	—
Operating profit (loss)	2,695	—	—	—
Quarterly profit (loss) before tax	2,531	—	—	—
Quarterly profit (loss)	1,790	—	—	—
Quarterly profit (loss) attributable to owners of parent	1,776	—	—	—
Quarterly comprehensive income	826	—	—	—
				(Yen)
Quarterly basic earnings per share	12.93	—	—	—
Quarterly diluted earnings per share	12.92	—	—	—
				(Millions of yen)
Total assets	130,144	—	—	—
Total equity	84,618	—	—	—
				(Yen)
Equity attributable to owners of parent per share	615.04	—	—	—
				(Millions of yen)
Cash flows from operating activities	4,741	—	—	—
Cash flows from investing activities	(708)	—	—	—
Cash flows from financing activities	(1,799)	—	—	—
Net increase (decrease) in cash and cash equivalents	1,569	—	—	—
Cash and cash equivalents at end of period	46,666	—	—	—

Consolidated Quarterly Financial Position

Year ended March 31, 2019

(Millions of yen)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Assets	**122,871**	**126,289**	**126,559**	**130,467**
Current assets	81,680	85,609	86,831	92,994
Non-current assets	41,191	40,679	39,727	37,473
Property, plant and equipment	25,710	25,668	25,160	24,221
Goodwill and intangible assets	3,888	3,803	3,717	3,586
Investment property	1,422	913	871	830
Other non-current assets	10,169	10,294	9,977	8,835
Liabilities	**43,296**	**44,377**	**43,828**	**44,789**
Current liabilities	27,271	28,629	27,766	30,251
Non-current liabilities	16,025	15,748	16,061	14,538
Equity	**79,574**	**81,912**	**82,730**	**85,678**
Common stock	19,065	19,081	19,091	19,113
Additional paid-in capital	28,104	28,138	28,151	28,207
Retained earnings	27,118	28,557	30,522	33,442
Treasury stock	(964)	(964)	(1,132)	(1,133)
Other component of equity	6,159	7,000	5,990	5,930
Non-controlling interests	91	98	107	117
Supplemental information: Interest-bearing debt	**16,460**	**17,099**	**16,625**	**16,248**

Year ending March 31, 2020

(Millions of yen)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Assets	**130,144**	—	—	—
Current assets	91,252	—	—	—
Non-current assets	38,891	—	—	—
Property, plant and equipment	25,709	—	—	—
Goodwill and intangible assets	3,482	—	—	—
Investment property	788	—	—	—
Other non-current assets	8,911	—	—	—
Liabilities	**45,526**	—	—	—
Current liabilities	37,858	—	—	—
Non-current liabilities	7,667	—	—	—
Equity	**84,618**	—	—	—
Common stock	19,114	—	—	—
Additional paid-in capital	28,220	—	—	—
Retained earnings	33,318	—	—	—
Treasury stock	(1,133)	—	—	—
Other component of equity	4,966	—	—	—
Non-controlling interests	131	—	—	—
Supplemental information: Interest-bearing debt	**16,539**	—	—	—

Consolidated Quarterly Segment Information

Year ended March 31, 2019 (Millions of yen)

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

Year ending March 31, 2020 (Millions of yen)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Orders by Segment	**27,166**	–	–	–
Test and Measurement	19,751	–	–	–
PQA	5,330	–	–	–
Others	2,083	–	–	–
Backlog by Segment	**25,650**	–	–	–
Test and Measurement	18,328	–	–	–
PQA	5,722	–	–	–
Others	1,599	–	–	–
Revenue by Segment	**23,236**	–	–	–
Test and Measurement	17,315	–	–	–
PQA	4,088	–	–	–
Others	1,832	–	–	–
Operating profit (loss) by Segment	**2,695**	–	–	–
Test and Measurement	2,761	–	–	–
PQA	(158)	–	–	–
Others	286	–	–	–
Adjustment	(194)	–	–	–
Revenue by Region	**23,236**	–	–	–
Japan	6,442	–	–	–
Americas	5,950	–	–	–
EMEA	2,722	–	–	–
Asia and Others	8,120	–	–	–

Anritsu Corporation Supplement

1. Supplement of Trend of Results

(Millions of yen)

	Actual					Forecast
	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3
Revenue	98,839	95,532	87,638	85,967	99,659	102,000
Change %	-3.0%	-3.3%	-8.3%	-1.9%	15.9%	2.3%
Operating profit (loss)	10,882	5,897	4,234	4,912	11,246	10,000
Change %	-22.9%	-45.8%	-28.2%	16.0%	128.9%	-11.1%
as % of Revenue	11.0%	6.2%	4.8%	5.7%	11.3%	9.8%
Profit (loss) before taxes	11,591	5,434	3,628	4,602	11,362	10,000
Change %	-18.6%	-53.1%	-33.2%	26.8%	146.9%	-12.0%
as % of Revenue	11.7%	5.7%	4.1%	5.4%	11.4%	9.8%
Profit (loss)	7,874	3,767	2,734	2,898	8,991	7,500
Change %	-15.5%	-52.2%	-27.4%	6.0%	210.2%	-16.6%
as % of Revenue	8.0%	3.9%	3.1%	3.4%	9.0%	7.4%
Basic earnings per share	¥55.72	¥27.38	¥19.65	¥20.97	¥65.20	¥54.60
Orders	101,084	94,589	88,934	88,542	100,819	102,000
Change %	-2.7%	-6.4%	-6.0%	-0.4%	13.9%	1.2%
Cash flows from operating activities	7,582	10,195	9,246	7,946	12,247	12,000
Change %	-45.0%	34.5%	-9.3%	-14.1%	54.1%	-2.0%
Free cash flows	1,533	1,153	5,581	4,014	11,631	7,000
Change %	-81.9%	-24.8%	384.0%	-28.1%	189.7%	-39.8%
Capital expenditures (* 1,4)	9,612	5,399	2,588	3,430	2,436	4,400
Change %	79.5%	-43.8%	-52.1%	32.5%	-29.0%	80.6%
Depreciation (* 2,4)	3,186	3,736	3,935	3,964	4,031	4,100
Change %	11.3%	17.3%	5.3%	0.7%	1.7%	1.7%
R&D expenses (* 3)	13,366	13,089	11,212	10,556	12,008	13,300
Change %	7.0%	-2.1%	-14.3%	-5.9%	13.8%	10.8%
as % of Revenue	13.5%	13.7%	12.8%	12.3%	12.0%	13.0%
Number of Employees	3,926	3,846	3,788	3,717	3,778	—

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

2. Supplement of Quarterly Results

(Millions of yen)

	2018/Q1	2018/Q2	2018/Q3	2018/Q4	2019/Q1	2019/Q2	2019/Q3	2019/Q4
Revenue	20,964	23,370	26,785	28,538	23,236	—	—	—
Y o Y	7.9%	9.9%	24.2%	20.4%	10.8%	-	-	-
Operating profit	1,630	1,851	4,233	3,530	2,695	—	—	—
Y o Y	-	151.5%	102.3%	57.2%	65.3%	-	-	-
as % of Revenue	7.8%	7.9%	15.8%	12.4%	11.6%	-	-	-
Profit before tax	1,752	1,926	4,171	3,512	2,531	—	—	—
Y o Y	-	200.1%	93.1%	78.8%	44.5%	-	-	-
as % of Revenue	8.4%	8.2%	15.6%	12.3%	10.9%	-	-	-
Profit	1,699	1,441	3,141	2,708	1,790	—	—	—
Y o Y	-	251.5%	146.0%	90.4%	5.4%	-	-	-
as % of Revenue	8.1%	6.2%	11.7%	9.5%	7.7%	-	-	-

(Millions of yen)

Upper : Revenue Lower : Operating profit	2018/Q1	2018/Q2	2018/Q3	2018/Q4	2019/Q1	2019/Q2	2019/Q3	2019/Q4
Test and Measurement	14,388 1,516	14,767 1,026	19,446 3,969	19,565 2,899	17,315 2,761	— —	— —	— —
PQA	4,898 150	6,541 701	5,176 179	6,457 578	4,088 (158)	— —	— —	— —
Others	1,676 103	2,061 331	2,162 285	2,515 423	1,832 286	— —	— —	— —
Adjustment	— (140)	— (208)	— (201)	— (371)	— (194)	— —	— —	— —
Total revenue Total operating profit	20,964 1,630	23,370 1,851	26,785 4,233	28,538 3,530	23,236 2,695	— —	— —	— —

3. Supplement of Segment Information

(1) Revenue by Segment

(Millions of yen)

	Actual					Forecast
	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3
Test and Measurement	73,443	67,729	59,333	54,433	68,168	69,000
Y o Y	-3.3%	-7.8%	-12.4%	-8.3%	25.2%	1.2%
PQA	16,198	18,891	19,588	22,549	23,074	24,500
Y o Y	-4.3%	16.6%	3.7%	15.1%	2.3%	6.2%
Others	9,198	8,910	8,716	8,984	8,416	8,500
Y o Y	2.5%	-3.1%	-2.2%	3.1%	-6.3%	1.0%
Total	98,839	95,532	87,638	85,967	99,659	102,000
Y o Y	-3.0%	-3.3%	-8.3%	-1.9%	15.9%	2.3%

(*) The name "PQA" has been changed from "Industrial Automation" since April 1, 2015 and it is also restated for the past fiscal years.

(2) Operating Profit by Segment

(Millions of yen)

	Actual					Forecast
	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3
Test and Measurement	8,943	4,706	2,130	2,147	9,413	8,000
Y o Y	-31.3%	-47.4%	-54.7%	0.8%	338.3%	-15.0%
PQA	824	1,194	1,302	1,969	1,609	2,000
Y o Y	-31.8%	45.0%	9.0%	51.2%	-18.3%	24.2%
Others	1,963	575	992	1,458	1,145	900
Y o Y	108.5%	-70.7%	72.5%	47.0%	-21.5%	-21.4%
Adjustment	(848)	(578)	(190)	(663)	(921)	(900)
Y o Y	-	-	-	-	-	-
Total	10,882	5,897	4,234	4,912	11,246	10,000
Y o Y	-22.9%	-45.8%	-28.2%	16.0%	128.9%	-11.1%

(*) Way to allot headquarter administrative expenses to each business segment changed from the year ending March 31, 2019 and figures of operating profit for the year ended March 31, 2018 are restated. However, the above figures from the year ended March 31, 2015 to March 31, 2017 are not subjective to the adjustment.

(3) Revenue by Region

(Millions of yen)

	Actual					Forecast
	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3
Japan	27,116	28,565	29,338	29,753	32,183	33,500
Y o Y	-10.0%	5.3%	2.7%	1.4%	8.2%	4.1%
Overseas	71,723	66,966	58,299	56,213	67,475	68,500
Y o Y	0.0%	-6.6%	-12.9%	-3.6%	20.0%	1.5%
Americas	24,367	23,246	19,633	17,419	26,429	26,500
Y o Y	-15.6%	-4.6%	-15.5%	-11.3%	51.7%	0.3%
EMEA	15,885	13,537	12,520	12,781	12,170	12,500
Y o Y	8.8%	-14.8%	-7.5%	2.1%	-4.8%	2.7%
Asia and Others	31,470	30,182	26,145	26,012	28,876	29,500
Y o Y	11.4%	-4.1%	-13.4%	-0.5%	11.0%	2.2%
Total	98,839	95,532	87,638	85,967	99,659	102,000
Y o Y	-3.0%	-3.3%	-8.3%	-1.9%	15.9%	2.3%

Assumed exchange rate : FY2019 (Forecast) 1US$=105 Yen