4th Term
(March 31, 2019)
Earnings Results Briefing

May 22, 2019

ARTERIA Networks Corporation

ARTERIA

Disclaimer

Plans, forecasts and strategies which are shown in this presentation are assumptions which are based on information currently available and views except historical facts.

Any forward-looking statements in this document are based on the current assumptions and beliefs of ARTERIA in light of the information currently available to it, and involve known and unknown risks, uncertainties and other factors. Such risks, uncertainties and other factors may cause ARTERIA's actual results, performance, achievements or financial position to be materially different from any future results, performance, achievements or financial position expressed or implied by such forward-looking information.

The Company accepts no responsibility for any damage or other problems caused by the use of information in this presentation.

In addition, the Company has no obligation to update statements in this presentation.

Financial Highlights

ARTERIA

- Sustained 3% level net sales growth.
- Adjusted profit grew 4.7% excluding one off IPO related costs etc.

(Millions of yen)

	March 2018	March 2019	Change	Ratio
Net sales	47,587	49,219	+1,631	+3.4%
Operating profit	7,549	7,358	-190	-2.5%
Profit	4,912	4,922	+9	+0.2%
Adjusted operating profit	7,735	7,919	+184	+2.4%
Adjusted profit attributable to owners *	4,739	4,959	+220	+4.7%

*Adjusted profit attributable to owners of the parent

Forecasts

- Net sales growth to be sustained.
- Impact of one time IPO costs will disappear leading to double digit growth on all income levels.

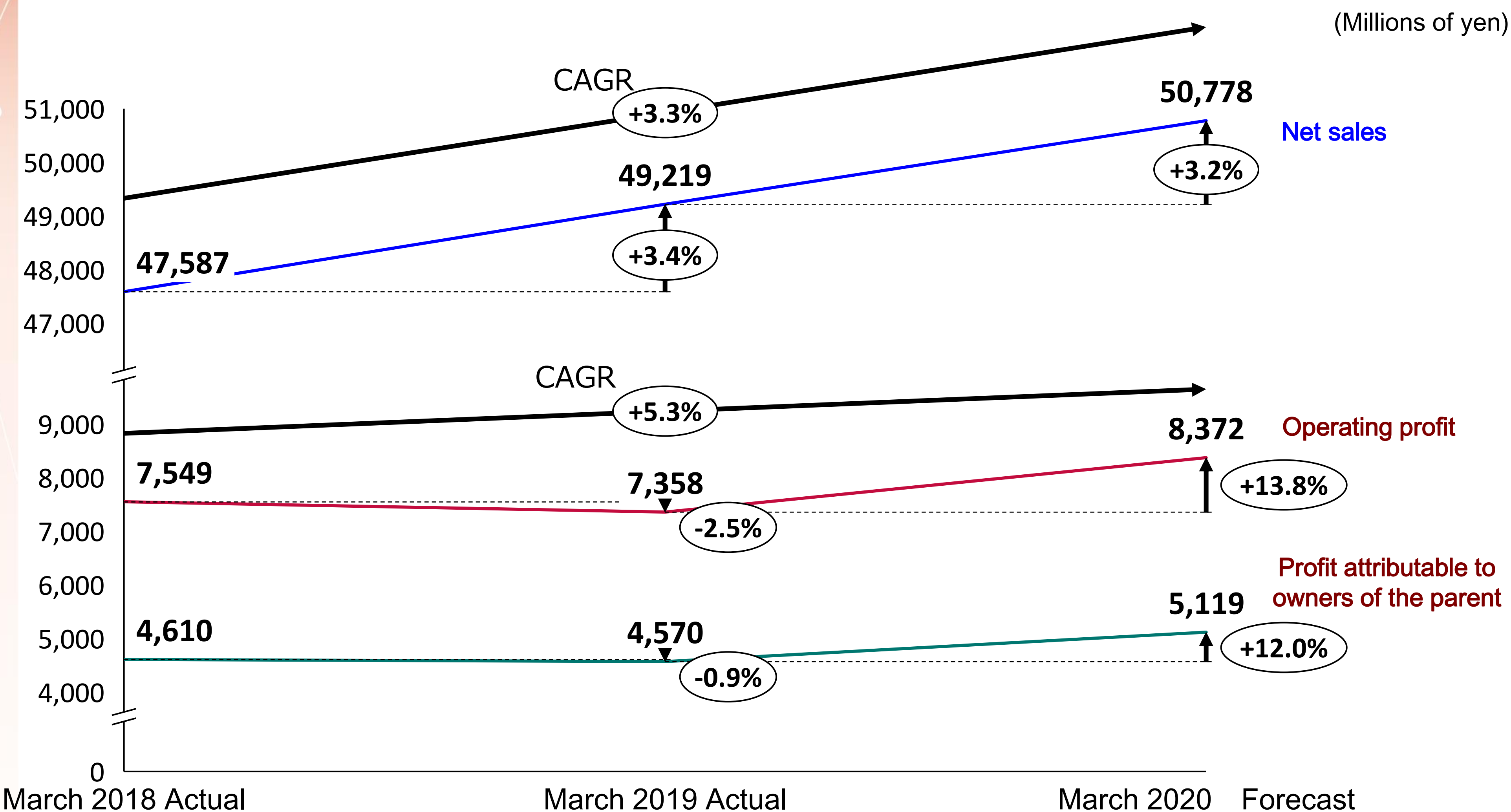
(Millions of yen)

	March 2020 (forecast)	Change	Ratio
Net sales	50,778	+1,559	+3.2%
Operating profit	8,372	+1,014	+13.8%
Profit before tax	7,912	+1,033	+15.0%
Profit	5,485	+563	+11.4%
Profit attributable to owners*	5,119	+549	+12.0%

*Profit attributable to owners of the parent

P/L

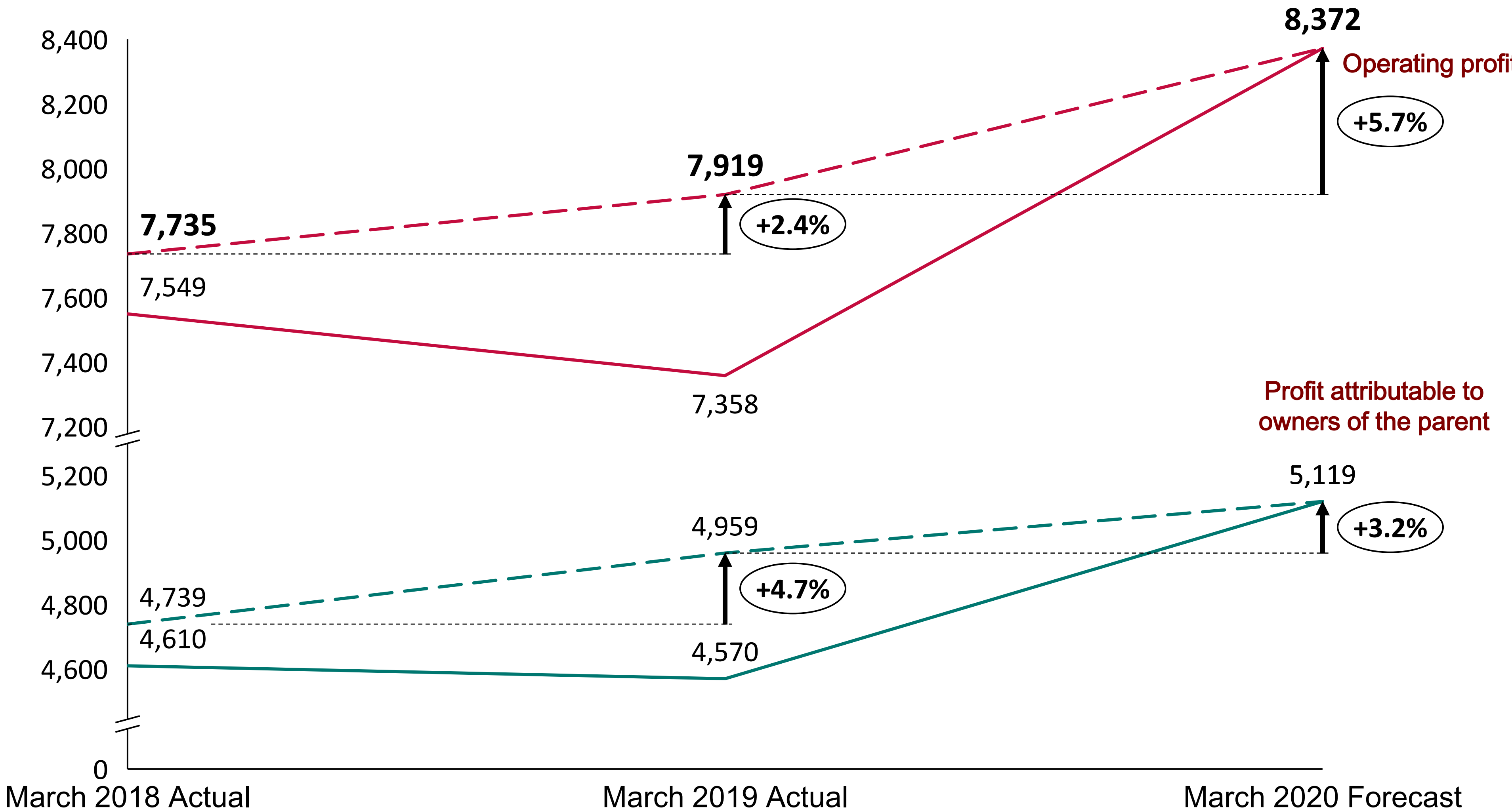
➢ Net sales sustains mid-term plan growth. Profit negative as result of one time IPO costs, CAGR including March 2020 forecast on track with MTP.



Profit Analysis

➢ Excluding impact of one time IPO related costs adjusted profit sustains stable growth.

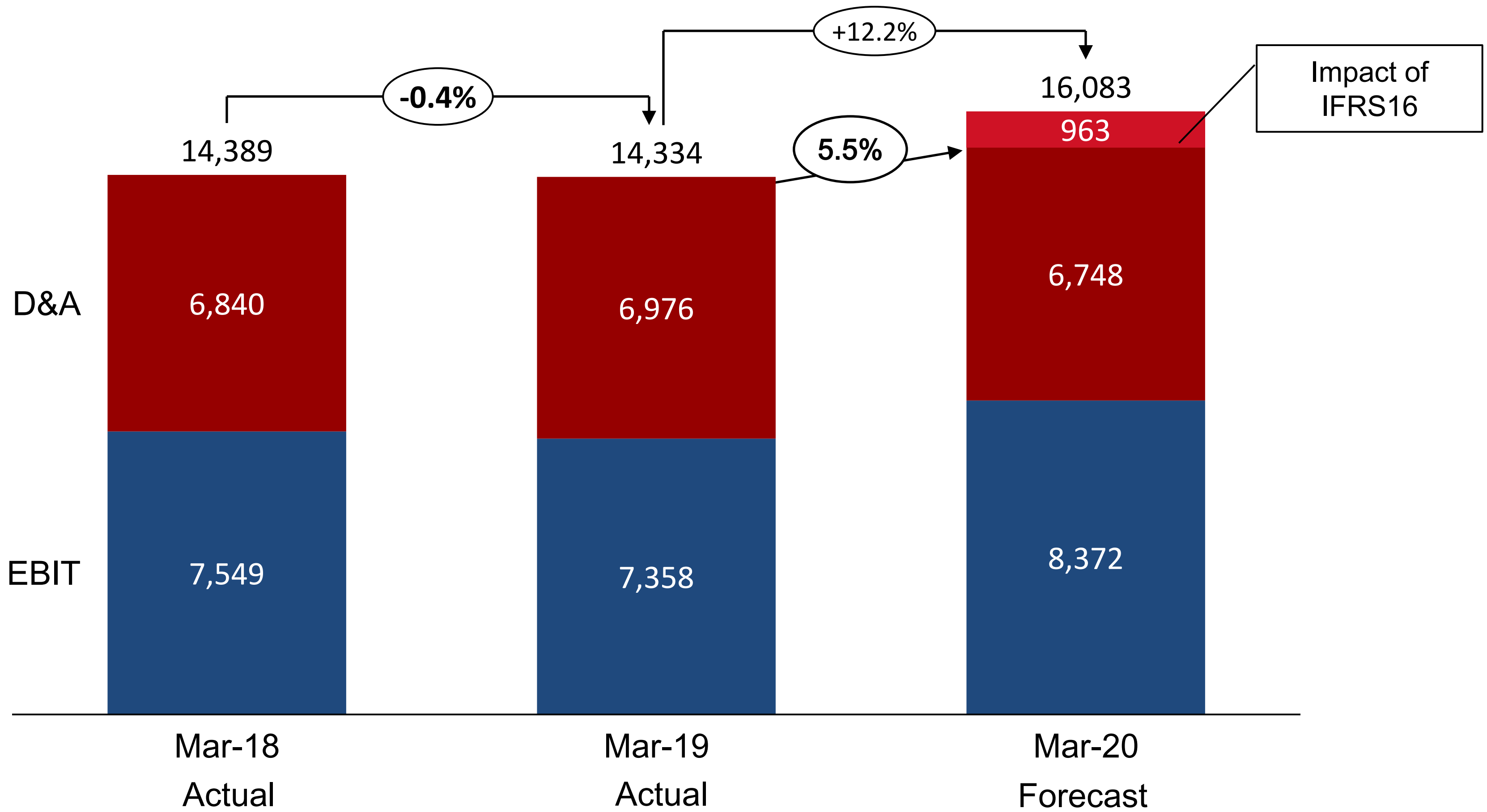
(Millions of yen)



EBITDA

- Operating profit decreased but EBITDA flat, March 2020 expected to grow actual 5.5% excluding IFRS 16 impact.

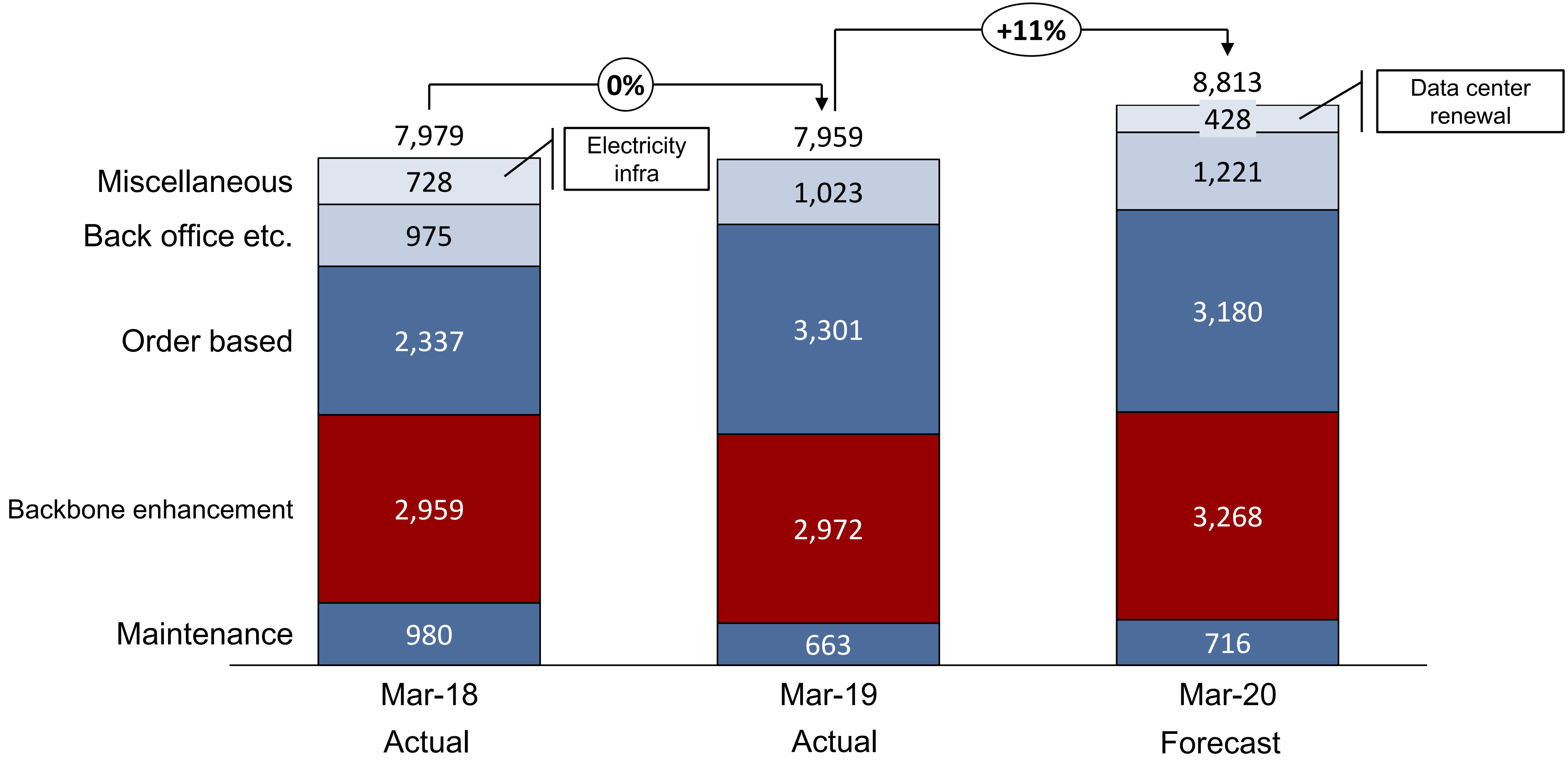
(Millions of yen)



CAPEX

➢ March 2020 CAPEX expected to increase 11% due to renewal and enhancement of existing infra.

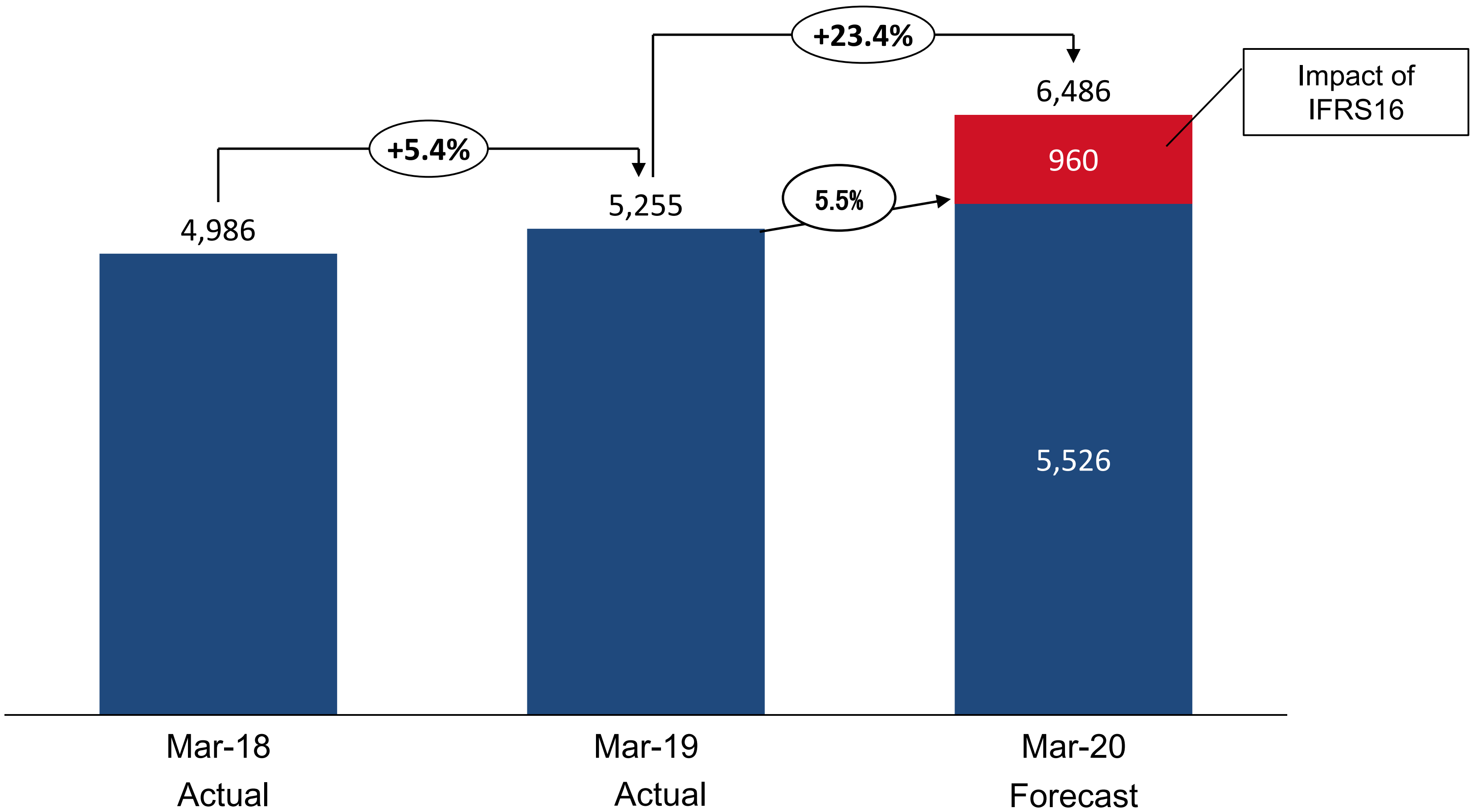
(Millions of yen)



FCF

➢ Excluding impact of adoption of IFRS 16 forecast 5% level growth.

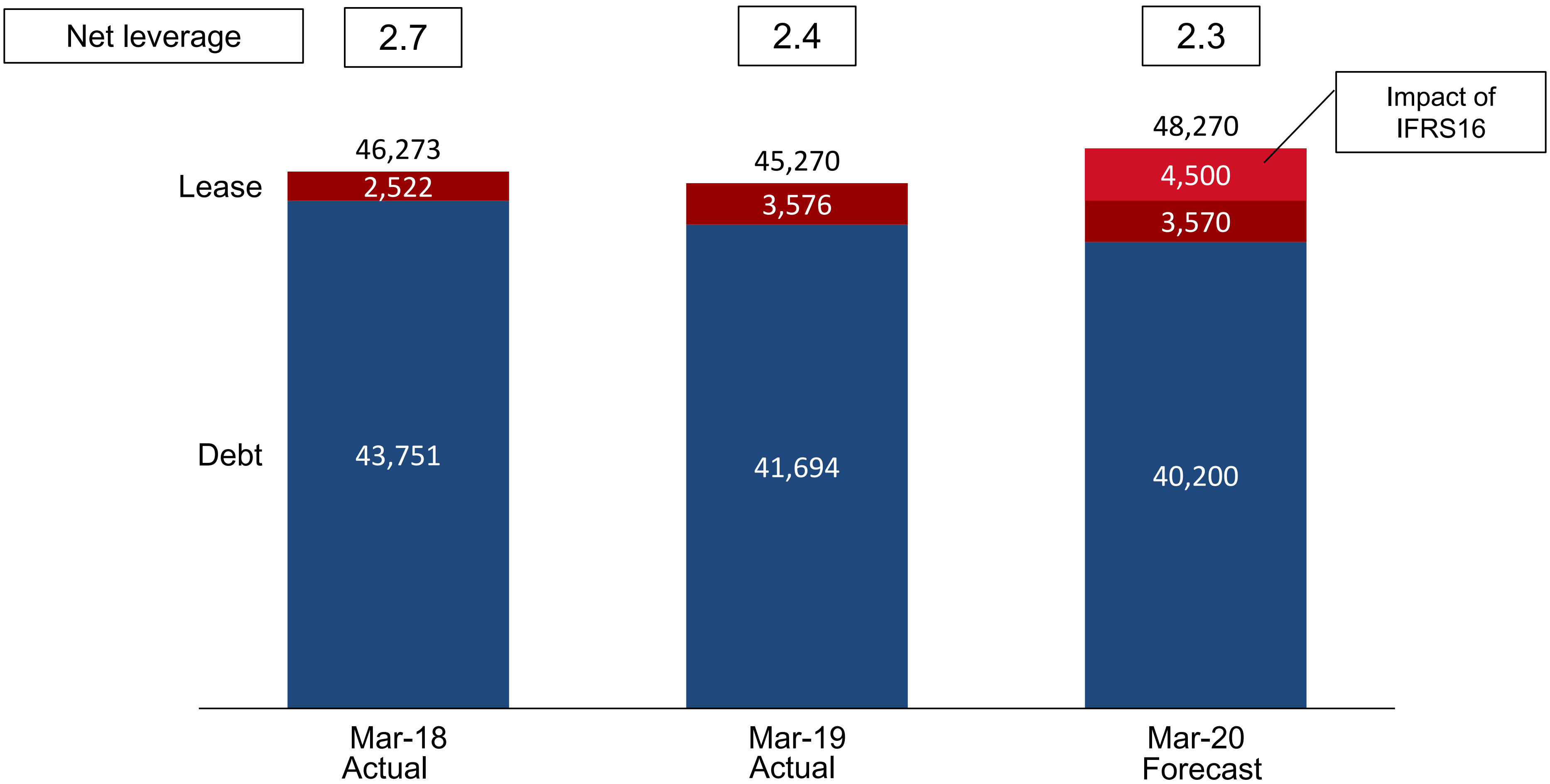
(Millions of yen)



Capital Structure

➢ Due to impact of IFRS 16 adoption in March 2020 debt will increase, but leverage is expected to improve as result of net debt decrease.

(Millions of yen)



Dividend Policy

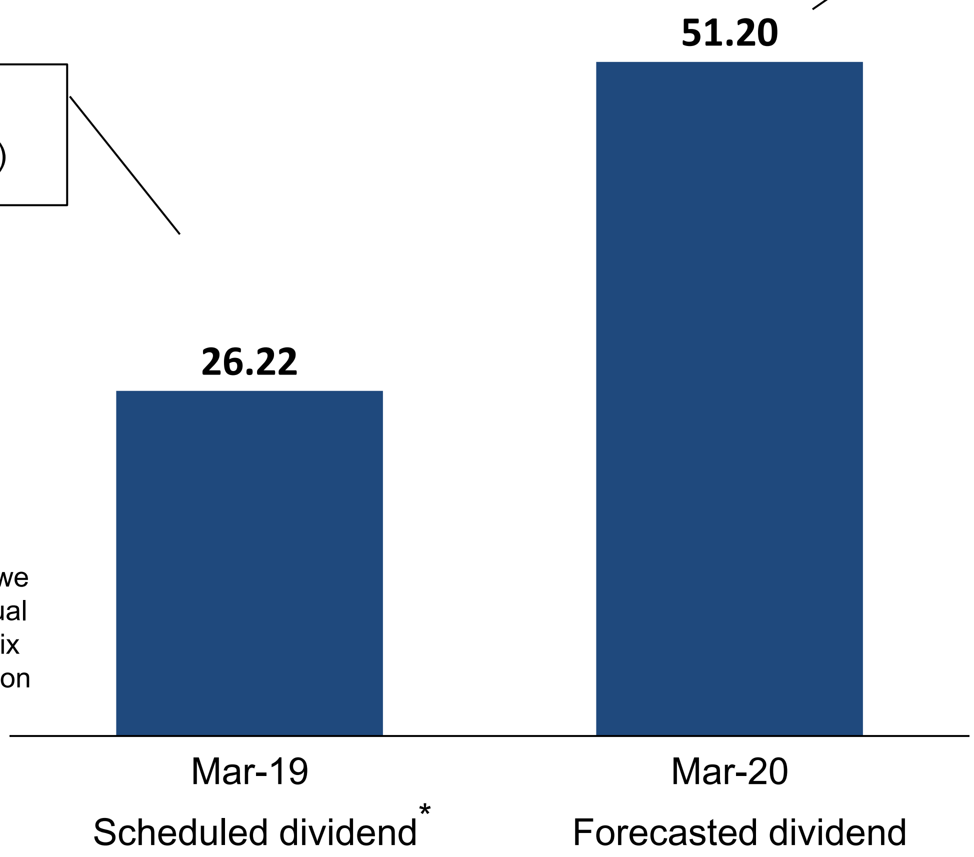
ARTERIA

➢ Medium term policy is to provide stable dividends targeting a pay out ratio of approx. 50%. Dividends for the term ended March 2019 are scheduled to be distributed as forecasted. The forecasted dividend for the term ending March 2020 is 50% of profit attributable to owners of the parent.

Forecasted at 50% of profit attributable to owners of the parent

Dividends per share: yen

Forecasted dividend (Payout ratio：28.7%)

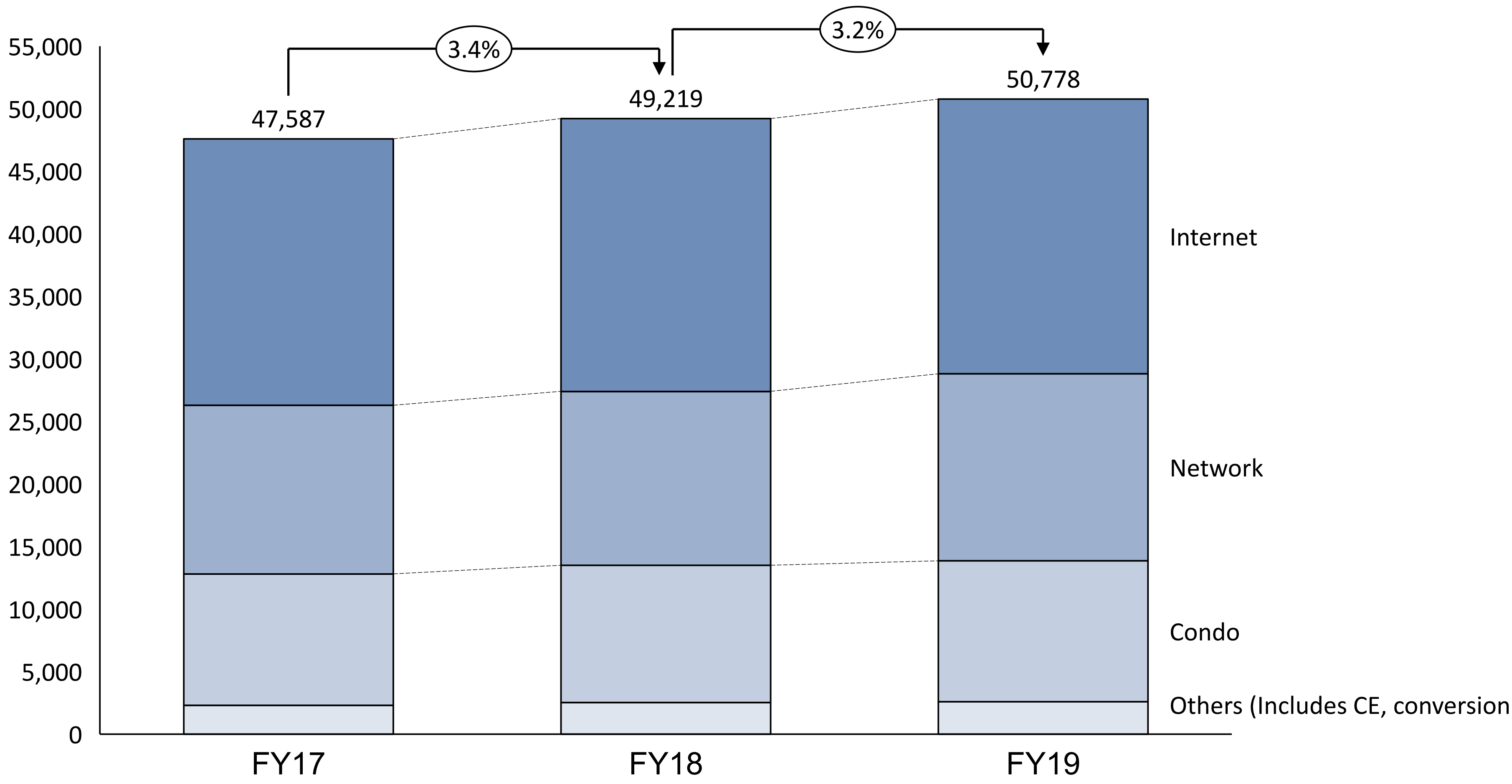


*For the term ended March 2019 we aim to pay around half of the annual targeted amount since less than six months have passed since listing on TSE.

Revenue by Service (FY18 actual FY19 forecast)

- All focus segments sustained growth as result of continuous increase in data traffic.

(Millions of yen)

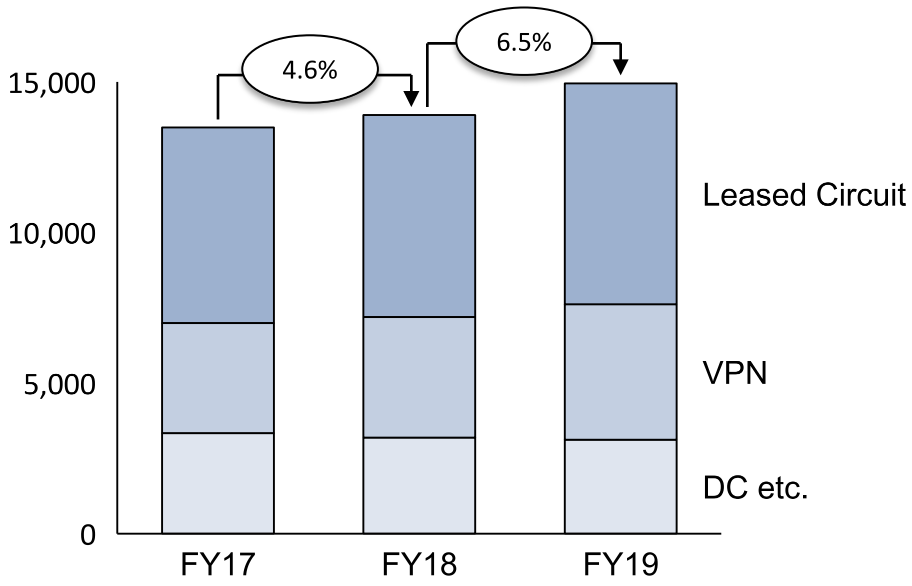


Revenue by Service (FY18 actual FY19 forecast)

ARTERIA

(Millions of yen)

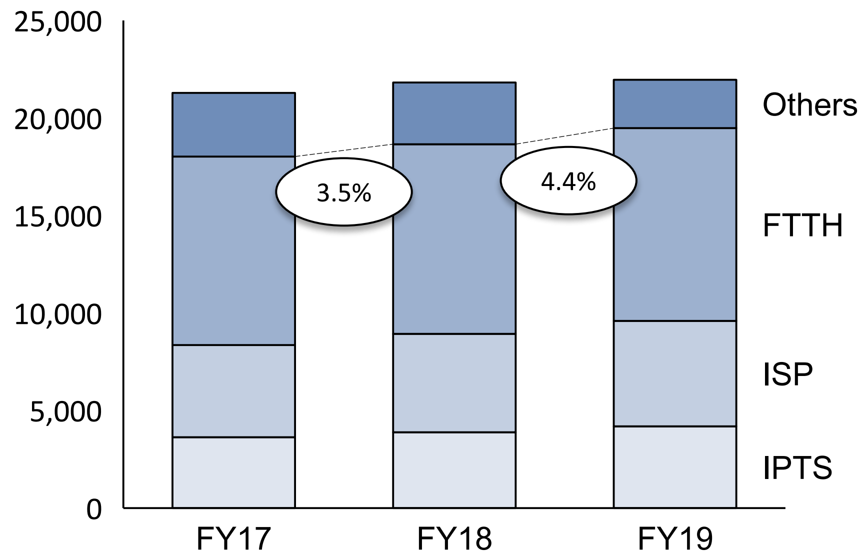
Network



- Increase in LC orders (incl. OTT)
- VPN orders strong

- Enhance OTT approach
- New services launched: 400G LC, virtualization & security etc.

Internet



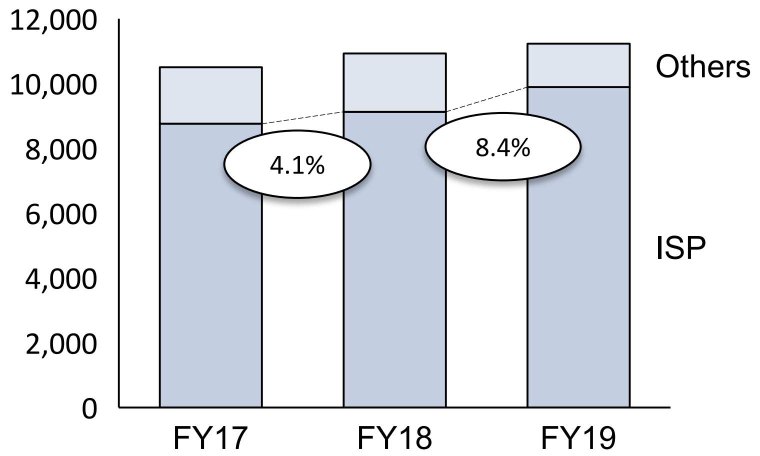
- ARTERIA Hikari 10G released (FY18/4Q), strong start

- Expand area and service lineup of ARTERIA Hikari

Revenue by Service (FY18 actual FY19 forecast)

Condo

(Millions of yen)



- Increase in rental market orders → record high # of orders

- Release value added services for rental market such as the smart home
- Expand services to condo management companies and condo associations

Efforts toward further growth:

1. B2B2B: apply condo whole-building model to commercial and office buildings
2. 5G: leverage carrier neutrality, antenna sharing. Local 5G

Definition of Terms etc.

ARTERIA

(1) Adjusted operating profit =operating profit + IPO preparation expenses

(2) Adjusted profit before income taxes = profit before income taxes + IPO preparation expenses

(3) Adjusted profit for the year attributable to owners of the parent = profit for the year attributable to owners of the parent + IPO preparation expenses–income taxes adjustment

(4) Adjusted EBITDA = profit + income taxes –finance income + finance costs + depreciation and amortization + loss on disposal of supplies and equipment installed at customers' premises + IPO preparation expenses

(5) IPO preparation expenses consist of expenses incurred in preparing for our IPO that are not expected to recur. Such expenses include fees paid to accounting and other advisors in connection with preparation for our IPO and are included as part of IPO related costs.

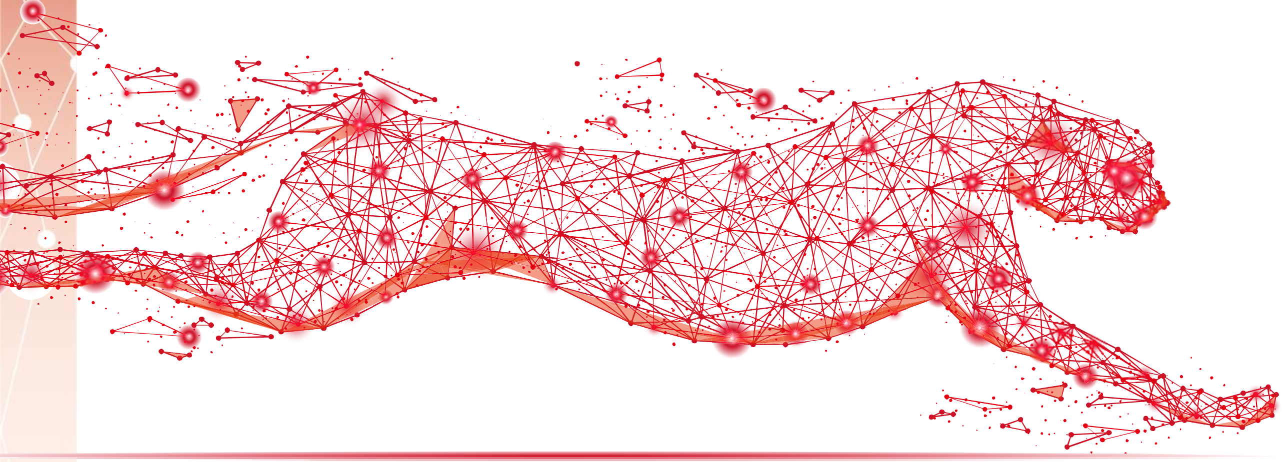
(6) Income taxes adjustments consist of income taxes attributable to the increase in taxable income due to the adjustment for IPO preparation expenses

(7) Loss on disposal of supplies and equipment installed at customers' premises consist of such losses recorded as part of cost of sales and other expense in our consolidated statement of income.

(8) Adjusted operating profit, adjusted net income, adjusted net income for the year attributable to the owners of the parent, adjusted EBITDA are not prepared in accordance with article 193-2 (1) of the Financial Instruments and Exchange Act of Japan and have not been audited or reviewed by the Company's independent auditors.

(9) Adjusted operating profit, adjusted net income, adjusted net income for the year attributable to the owners of the parent and adjusted EBITDA reflect some expenses incurred in preparing for our IPO that are not expected to recur after the completion of our IPO and do not reflect the underlying performance of our business. These non-IFRS measures are supplemental financial measures that we believe are useful for investors to assess the operating performance and profitability of our business.

(10) Adjusted operating profit, adjusted net income, adjusted net income for the year attributable to the owners of the parent and adjusted EBITDA exclude certain items which impact profit. These non-IFRS measures should not be considered in isolation or as a substitute for the most comparable financial measures presented in accordance with IFRS. These indices are meant to be illustrative only and are calculated based on assumptions which might differ from those used by other companies and should therefore not be used as a basis for comparison.



Platforms for Tomorrow

ARTERIA