

Anritsu Integrated Report

2021



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Notes regarding use of forecasts and other forward-looking information

The business forecasts mentioned above are based on recent information and reasonable judgments made with available information. The reader should be aware that these projections are not promises, and actual results may be materially different from these projections due to known or unknown risks, changes related to uncertainties, and other factors.

Editorial Policy

Since FY2015, the Anritsu Group has released integrated reports that provide comprehensive information about financial and non-financial factors. We do this to give stakeholders such as customers, shareholders, investors, suppliers, and employees a better understanding of our efforts to realize the safe, secure, and prosperous global community that Anritsu Group aspires. In this seventh report, entitled Anritsu Integrated Report 2021, we tried to make efforts to clearly communicate to these stakeholders about our new company vision that looks to 2030, Anritsu's business itself, the Mid-Term Business Plan GLP2023, and our efforts concerning ESG, the foundation for value creation within the Anritsu Group.

The IIRC*1 and other international frameworks, as well as the GRI*2 standards, were used as the references in the production of this report.

*1 IIRC: International Integrated Reporting Council reformed into the Value Reporting Foundation (VRF) in June, 2021
*2 GRI: Global Reporting Initiative

A supporter of the UN Global Compact

In March 2006, Anritsu declared its support of the 10 principles of the UN Global Compact (UNGC), which are grouped into four categories: Human Rights, Labor, Environment, and Anti-Corruption. The Anritsu Group as a whole promotes these principles alongside its sustainability-related activities.



Communication Tools

Integrated Report

The Integrated Report issued every year includes corporate philosophy, top message, corporate value creation, business review, ESG etc.



Sustainability Report

Environmental, economic, and social efforts included in the CSR report since 2005 is being incorporated into the Sustainability Report from 2018.



Securities Report/Quarterly Financial Report

These reports provide information on financial performance for the fiscal year at Anritsu on a quarterly and annual basis.

Business Report

The Business Report provides a basic summary of business activities, highlights, and other information for the fiscal year on an interim and full-year basis.

Financial Information

Financial information available on the WEB includes financial results, presentation materials, and presentation of Q&A summaries.

Information for the General Meeting of Shareholders

This information available on the WEB includes notices of the general meeting of shareholders, reports of resolutions adopted, and presentation materials for shareholders.

Communication tools are provided on Anritsu's website at [Home > About Anritsu > Investor Relations > IR Library](#).

<https://www.anritsu.com/ir>



Inclusion in Indices, External Evaluations



FTSE Blossom Japan Index



S&P/JPX Carbon Efficient Index



FTSE4Good Index Series



STOXX Global ESG Leaders Index



SNAM Sustainability Index



CDP



Climate Change Report Award in the Environmental Communication Awards



2021 Certified Health & Productivity Management Outstanding Organizations Recognition Program



"Kurumin" certification



Kanagawa Support Care Company

Corporate Philosophy

Anritsu has created a new company vision under our company philosophy of continuing to grow with the same positive attitude since our establishment. Please look forward to the new Anritsu.



View Anritsu's brand introduction video here

Anritsu

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

Beyond testing, beyond limits, for a sustainable future together

Company Policy

1. Growing day-by-day both as people and as a company based on self-development and sincere effort
2. Solving challenges through internal and external cooperative collaborations and harmonious relations
3. Making breakthroughs with enthusiastic and progressive spirit
4. Devoting the company and stakeholders to building a people- and planet-friendly sustainable future

Brand Statement

Advancing beyond

While renewing the company vision, we have also created our new brand statement of "Advancing beyond".

We will strive to perfect our core competence of "testing" and grow the pillars of our next businesses by seeking new value beyond conventional "testing" as well as new business fields, combining both internal and external ideas and technologies. This brand statement contains our strong desire for the company vision to exceed Anritsu's previous limits to create a sustainable and attractive future for the next generation, working together with all who are involved.

Sustainability Policy

The Anritsu Group aims to increase our long-term corporate value through contributing to building a sustainable future of the global society with "Sincerity, Harmony, and Enthusiasm."

1. We will contribute to building a safe, secure, and prosperous global society through our business activities, based on our long-term vision.
2. We will take the initiative in solving environmental issues, such as climate change, to contribute to building a people- and planet- friendly future.
3. We will respect the human rights of all people and strive to create a workplace offering healthy lives and decent work for all where diverse individuals can grow together.
4. We will operate as a business with high corporate responsibility, peaceful, just, and ethics while maintaining business transparency to meet our social obligations.
5. We will promote communications with stakeholders to develop strong partnerships and meet the challenges of solving social issues.

Group CEO Message



Hirokazu Hamada

Representative Director,
President of Anritsu
Group CEO

COVID-19 Measures

All of us in the Anritsu Group extend our deepest condolences and sympathies for the many lives that have been lost and the many families and others who have been affected by the COVID-19 pandemic.

The Anritsu Group has taken thorough and various infection control measures with regard to COVID-19, including ventilating workplaces, installing acrylic panels to prevent the spread of infection, encouraging commuting by car, operating a company bus service between Hon-Atsugi Station and our office, distributing masks to all employees, and conducting workplace vaccinations. Through remote work, we have achieved a maximum reduction of 80% in the number of workers physically commuting. We have also worked to contribute to the local community through such means as providing masks made by Anritsu itself to area hospitals and clinics.

Institutionally, as well, we have engaged in the creation of an environment to enable employees to work in safety and security. Relevant measures include the establishment of a special COVID-19 paid leave system so that employees may take leaves without hesitation in case the symptoms of suspected infection is seen, a remote work allowance, and the creation of a counseling service to assist employees with mental and physical care.

The future remains uncertain, but the Anritsu Group will continue striving to keep the effects of COVID-19 on our business to a minimum. Future measures to this end include

optimizing the scope of remote work in accordance with risk levels; and servicing, expanding, and diversifying the sources of our IT infrastructure.

Market Conditions and Company Initiatives

In the field of information and communication, operators are progressing 5G commercialization schedules are proceeding smoothly so that 5G services have been launched in various countries. In Japan, as well, 5G services began being launched from March 2020 in certain, primarily urban areas. In July 2020, 3GPP completed the standardization of Release 16, establishing standards for ultra-low latencies and large numbers of simultaneous connections, items for which use cases are expected to expand. In turn, research and development into the utilization of 5G in the automotive field, as well as investigations and demonstration experiments with regard to the building of private 5G networks à la local 5G, have begun. Continuing on from this, 3GPP is considering Release 17, a new standard whose aim is to further improve the efficiency and performance of 5G in areas such as the expansion of high frequency bands, increased signal areas, low power consumption, and low-cost communications. Work is moving forward to complete the standardization of Release 17 in 2022.

In addition, due to the increases in data traffic resulting from the advancement of cloud services and the deployment of 5G services, more and more pressure is being

Taking Measurement to New Heights, and Building a Sustainable Future Together

The Anritsu Group was established in 1895, when radio communication experiments were being successfully carried out for the first time in the world. Since then, our history has been a story of challenges, as we have always been pioneers in the information and communications field. Regarding “testing” technology as a core competence, Anritsu has been supporting the information and communication field, as well as the food and pharmaceutical field.

Now we have renewed our company vision to step forward into a new field beyond conventional “testing”. We will proactively advance beyond Anritsu’s previous limits to create a sustainable and attractive future for the next generation, working in synergy with all of our stakeholders. The new brand statement “Advancing beyond” represents this dynamic concept in two words. Under this brand statement, we will grow the pillars of our next-generation business with a proactive stance to transcend Anritsu’s current boundaries. We will contribute to the development of a safe, secure, and prosperous global society together with our customers.

placed on network infrastructure. Service providers, working to make networks even faster, are fully moving forward with the introduction of 100 Gbps services, and network device manufacturers are also proceeding with the development of 400 Gbps network equipment. Within this context, the Test and Measurement Business Group has captured demand for development related to the commercialization of 5G as well as for research and development aimed at accelerating network speeds.

With regard to our Products Quality Assurance (PQA) business field, influenced by the COVID-19 pandemic, a portion of our customers remained cautious about capital expenditures. Against this backdrop, aiming to capture demand for automation in quality assurance processes, we worked to strengthen the competitiveness of solutions focusing on X-rays, and also enhanced our sales promotion strategies that alternate face-to-face sales.

Looking Back on GLP2020

The previous fiscal year marks the final fiscal year of the previous Mid-Term Business Plan GLP2020.

Targets for GLP2020 were revenue of ¥105.0 billion, operating profit of ¥14.5 billion, an operating profit margin of 14%, and ROE of 12%. In contrast to these, actual revenue was ¥105.9 billion, operating profit was ¥19.7 billion, operating profit margin was 19%, and ROE was 16%, meaning we achieved all of our targets.

Many companies were impacted by the COVID-19 pandemic, and Anritsu was no exception. It was necessary for us to discern customer needs during a time when face-to-face meetings were not possible. And we were forced to develop complex products amid the communication difficulties posed by unfamiliar remote work systems.

Further, we were required to respond to sudden production demands when market movements were indiscernible. Working together with our customers, vendors, and numerous other stakeholders, our employees banded together to overcome these many difficulties. Thank you all.

Looking Back on GLP2020 Mid-Term Business Plan

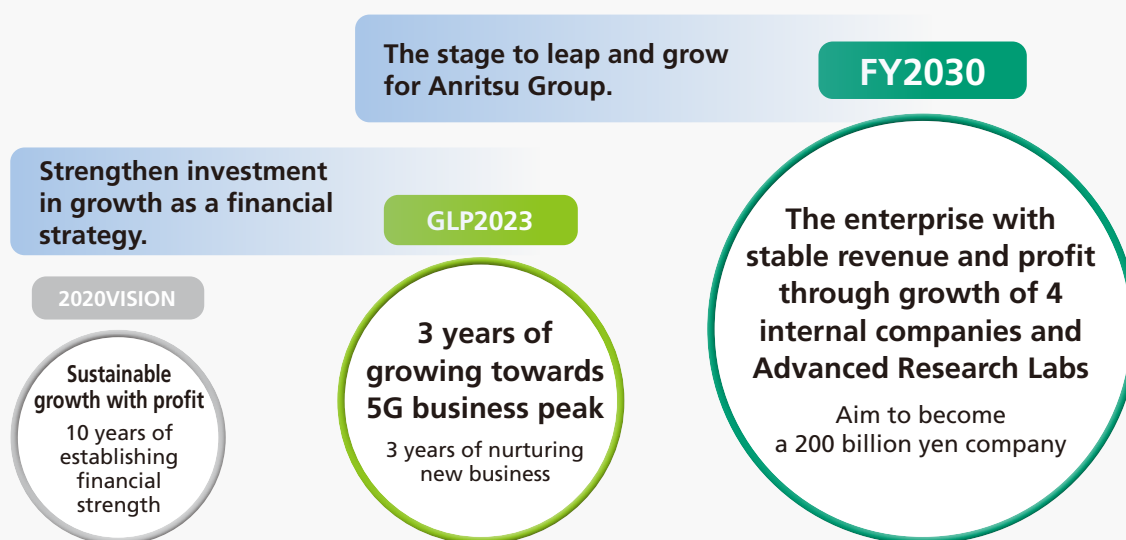
Indicators		GLP2020			
		FY2018	FY2019	FY2020	FY2020*
Revenue		¥99.7 billion	¥107.0 billion	¥105.9 billion	¥105.0 billion
Operating profit		¥11.2 billion	¥17.4 billion	¥19.7 billion	¥14.5 billion
Operating margin		11%	16%	19%	14%
Profit		¥9.0 billion	¥13.4 billion	¥16.1 billion	¥11.0 billion
ROE		11%	15%	16%	12%
T&M Business	Revenue	¥68.2 billion	¥75.2 billion	¥74.8 billion	¥70.0 billion
	Operating profit	¥9.4 billion	¥15.1 billion	¥17.7 billion	¥10.0 billion
	Operating margin	14%	20%	24%	14%
PQA Business	Revenue	¥23.1 billion	¥22.6 billion	¥21.4 billion	¥26.0 billion
	Operating profit	¥1.6 billion	¥1.2 billion	¥1.3 billion	3.0 billion
	Operating margin	7%	6%	6%	12%

* Planned in April 2018

(Reference) Expected exchange rates for GLP2020: 1 USD=105 yen, 1 euro=125 yen

The vision towards FY2030

Management vision: Beyond testing, beyond limits, for a sustainable future together



Commitment to a New Company Vision

FY2021 marks the start of our new Company Vision as well as our new three-year plan, GLP2023. Our new Company vision is as follows: **Beyond testing, beyond limits for a sustainable future together.**

This vision illustrates our intention to continue to cultivate and refine our core competencies of testing. It also embodies a strong commitment to engaging in the cross-fertilization of new ideas and technologies, both from within and outside the company, to pioneer new domains and value beyond conventional testing and in turn develop new pillars of business. To going on the offensive to transcend the existing limits of Anritsu, and to working together with all of our stakeholders to build a sustainable and hopeful future for new generations.

Over the past 10 years of 2020VISION, we have realized sustainable, profitable growth, building a robust financial structure. We will make effective use of this robust financial structure and, going forward, strengthen investment in growth. Further, we have positioned FY2030 as a stage for the Anritsu Group's growth to make a great leap. Through the growth of four companies and our Advanced Technology Research Center, we are aiming to be a stable revenue-earning ¥200.0 billion enterprise.

Beyond testing

Anritsu welcomes new ideas and technologies to go beyond conventional testing and add increased value and innovation.

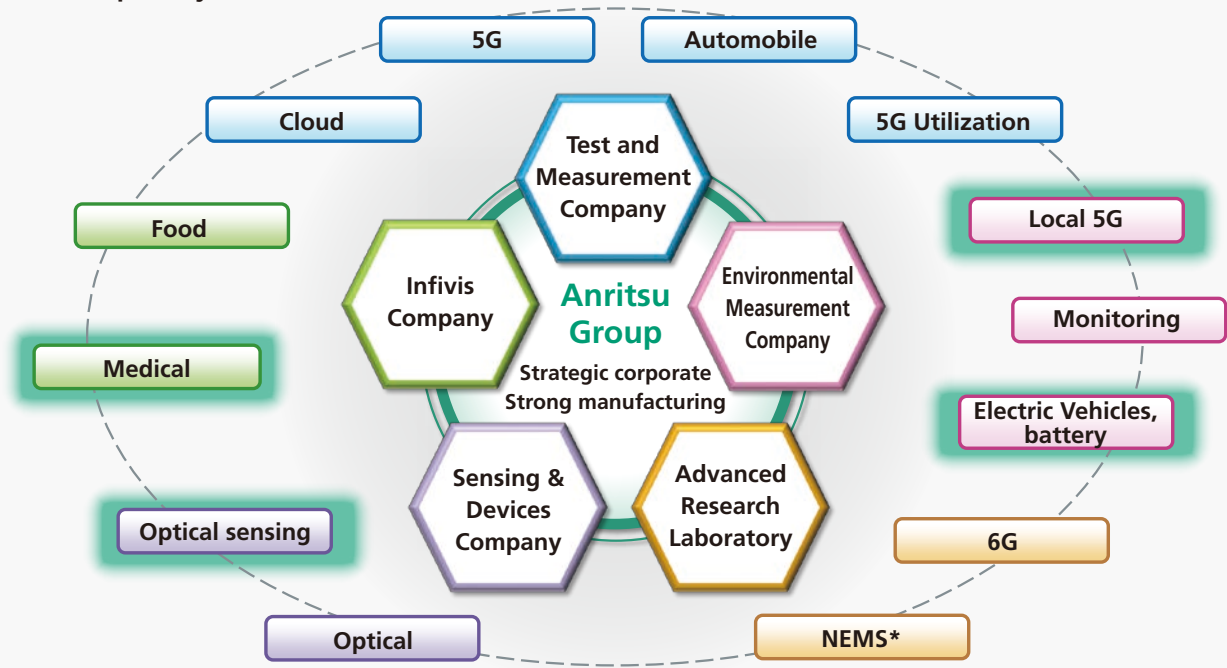
Beyond limits

Anritsu goes above existing business boundaries by valuing every employee's enthusiasm and supporting their challenges to shift the paradigm and achieve breakthroughs not only in technology but in every business aspect.

For a sustainable future together

Anritsu employees together with customers and stakeholders will devote their business to solving social issues to build a sustainable and hopeful future for new generations.

GLP2023 priority area



*Infvis Company Promotes PQA business

Focus on developing four new areas

*NEMS: Nano Electro Mechanical Systems

GLP2023

Three Years of Growth Aimed at the Peak of 5G

The targets for GLP2023 for FY2023 are consolidated revenue of ¥140.0 billion, operating profit of ¥27.0 billion, consolidated operating profit margin of 19%, profit of ¥20.0 billion, and ROE of 15%.

The three years of GLP2023 will be three years of growth aimed at the peak of the 5G testing and measurement market. By focusing on 5G business and providing timely solutions appropriately matched to the further expansion of the fields in which 5G is utilized as well as the growth in demand for increased network speeds, we aim to establish a competitive advantage and become a leading company supporting the 5G/IoT society.

Investment Strategy and Shareholder Returns

Our business is heavily reliant on communications test and measurement, and each time mobile telephone technology has changed, we have been heavily impacted by the market. In order to become a company which is less affected by such changes and which generates stable revenue, we will be focusing on conducting M&A investment and growth investment in new areas. Further, we will be enhancing shareholder returns, including increasing our payout ratio and acquiring treasury stock. We ask for your understanding going forward.

Focus on Developing Four New Areas

Further, the three years of GLP2023 will also be three years of nurturing new businesses for the future. Under the organization consisting of four companies and our Advanced Technology Research Center, we will focus on capturing four new fields for growth: EV and battery testing, local 5G, optical sensing, and medical and pharmaceuticals. By engaging in outside collaboration and M&As in these fields, we will accelerate our growth.

We have also set our eye on the future beyond this point, and have already started basic research into 6G and so-called NEMS devices. We will go beyond organizational silos, surpass company boundaries, and, unfettered by preconceived notions, move forward into the future.

Local 5G

Establishment of Joint Venture Company AK Radio Design

In June 2021, Anritsu established AK Radio Design Co., Ltd. as a joint venture with Kozo Keikaku Engineering Inc. AK Radio Design will provide assistance with applying for and obtaining the licences needed to implement local 5G, as well as with post-introduction operational processes.

Establishment of the Anritsu 5G Lab

In June 2021, Anritsu established the Anritsu 5G Lab, a facility which enables visitors to experience for themselves the test solutions needed for quality assurance in the various aspects of local 5G implementation, operation, and



The AK Radio Design Inc. incorporation signing ceremony

Hirokazu Hamada, President, Anritsu Corporation (left)
Shota Hattori, Representative Executive Officer
and Chairman, Kozo Keikaku Engineering Inc. (right)



Anritsu 5G LAB

maintenance. Base stations and communications terminals actually used for local 5G applications are set up in the Anritsu 5G LAB, making it possible to conduct an array of demonstration experiments using a variety of measuring and test instruments to evaluate local 5G signal strength, data speeds, and latency.

EVs and Battery Testing and Measurement

On July 30, 2021, Anritsu Corporation made the decision to acquire Takasago, Ltd. as a subsidiary company. (The subsidiary acquisition is scheduled to be completed in January 2022.) Takasago possesses industry-leading high voltage, high current, high capacity electrical energy control technologies; as well as business relationships with customers who are driving the industry. Takasago will be welcomed into the Anritsu Group and positioned as the core of our efforts to develop the field of electric vehicles and battery testing and measurement.

An Agile Organization Which Will Realize Our Growth Strategy

Innovation to create our new pillars of business is essential to Anritsu's growth strategy. In order to build an agile organization which enables innovation through the efficient flow of human resources and capital, as well as the

fusion of a variety of businesses, we have consolidated all Group companies under our Corporate Headquarters and established an organization consisting of four companies and the Advanced Technology Research Center.

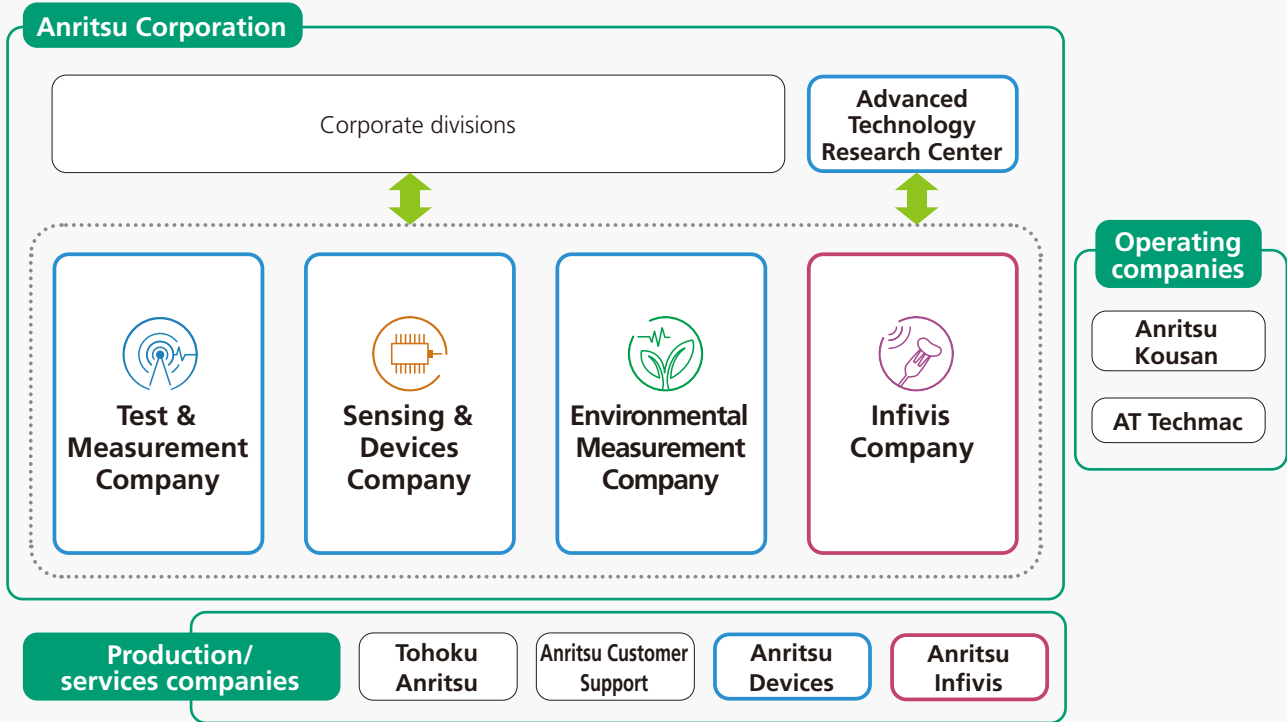
A Company Committed to Manufacturing

Further, we are a company committed to manufacturing. Even when software is used to give products added value, and even when entering new markets, these are supported by the foundation that is manufacturing. The environment encompassing manufacturing, however, has become difficult.

Due to declining birthrates, we are facing an imminent threat of labor shortages. While the number of veteran workers continues to decline, societal demand for quality is growing stronger, and defects and improper inspections have the potential to instantly throw a company into crisis. Aiming to be a strong manufacturing company which produces high added value products while maintaining high quality, Tohoku Anritsu, Anritsu Infivis, Anritsu Devices, and Anritsu Customer Support will work together, pool their strengths, and propel robotization and the utilization of AI and the IoT.

New Organization in FY2021

Apr. 2020 Apr. 2021



Sustainability Propelled by Recognition of Its Issues as Our Own

The Anritsu Group believes that responding to the demands of global society through business activities conducted in good faith and contributing to the resolution of social issues is the best way to achieve improved corporate value. In turn, in our GLP2023 plan, we have established initiatives and targets with regard to sustainability issues. In the category of environmental issues, Anritsu recognizes that reducing greenhouse gases is a serious issue, and we established the Anritsu Climate Change Action PGRE 30, raising our target for the percentage of our electricity usage which comes from renewable energy, which stood at around 1% in FY2018, to approximately 30% by around 2030. In order to achieve this goal, we are, among other things, installing solar power generation facilities at principal business sites.

In addition, we are promoting diversity management through means such as increasing the ratio of female managers and establishing new compensation packages aimed at enabling elderly employees to flourish. Along with them, we are also implementing an initiative to enhance management supervisory functions, including securing an outside director ratio of at least 50%.

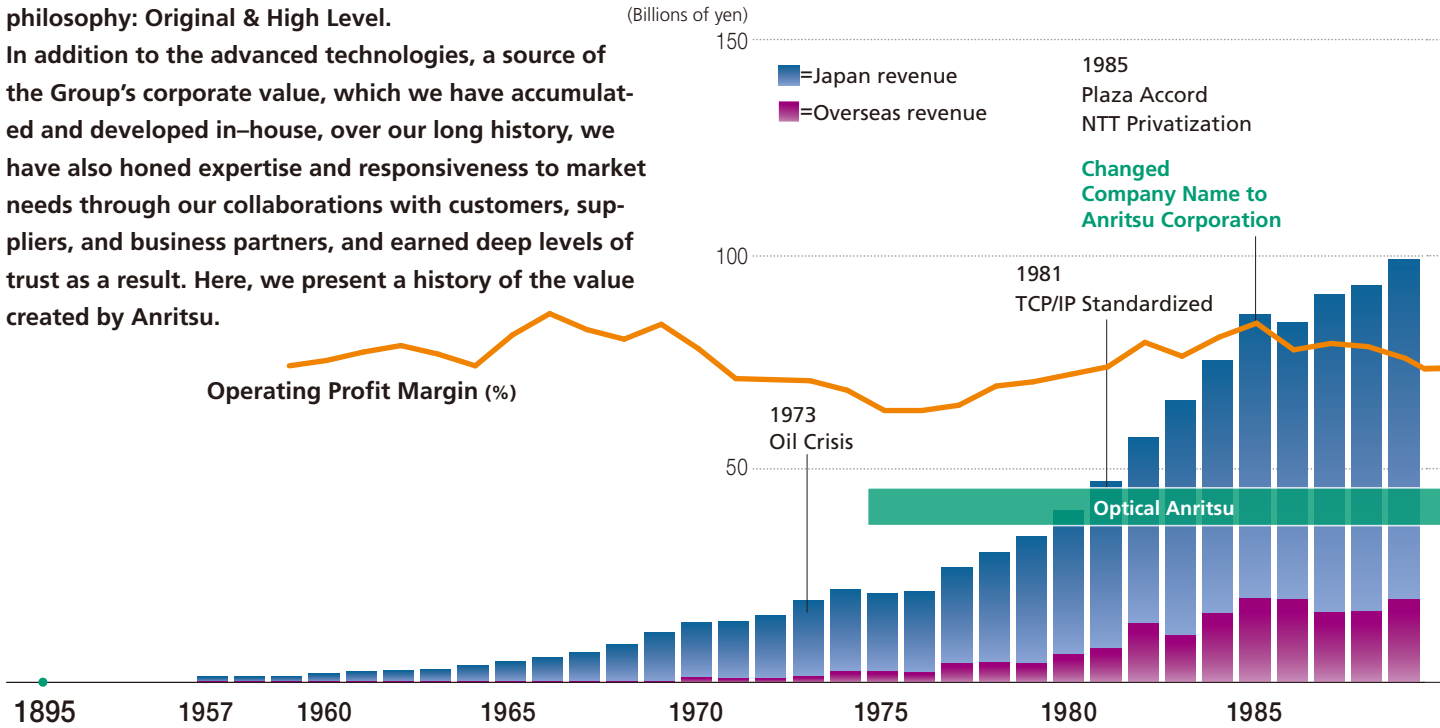
At Anritsu, we are promoting activities which encourage the recognition of the SDGs as issues of our own in order to contribute to the achievement of these globally-shared goals. In the spirit of Sincerity, Harmony, and Enthusiasm, the Anritsu Group is aiming to increase corporate value through contribution to the SDGs and to the sustainability of global society.



Anritsu Value History

For 126 years, Anritsu has continuously led generational changes with Sincerity, Harmony, and Enthusiasm, while providing society with new value created under our philosophy: Original & High Level.

In addition to the advanced technologies, a source of the Group's corporate value, which we have accumulated and developed in-house, over our long history, we have also honed expertise and responsiveness to market needs through our collaborations with customers, suppliers, and business partners, and earned deep levels of trust as a result. Here, we present a history of the value created by Anritsu.



Loci of Innovation

Dawning of a New Era 1895–1930

- Lead the dawning of a new era for Japanese information and communications technology
- Mired in management crisis due to economic downturn in aftermath of the Great Kanto Earthquake, the Great Depression, and intensified competition

Period of Wired/Wireless Integration 1931–1949

- Anritsu Electric Co., Ltd. founded by merger of Kyoritsu Electric (Sekisan-sha) and Annaka Electric Co., Ltd.
- From outbreak of the Second Sino-Japanese War to the war era (armaments boom)
- Began corporate reconstruction by switching to civilian demand as war ended

Period of Resurgence Under Revived Anritsu Electric Co., Ltd. 1950–1962

- Restarted under second company system on the basis of the Enterprise Reconstruction and Reorganization Law
- Supported expansion and upgrading of communication infrastructure for Japan's reconstruction
- Construction of Tokyo headquarters office
- Opening of Atsugi business office (current headquarters)

Business Expansion Brought about by Diversification 1963–1974

- Promoted business diversification through a system comprising six business divisions
- Supported development of communications infrastructure that underpins Japan's high growth
- Started payphone export business

Development and Release of Key Products



Made world's first wireless telephone practical (TYK radio-telephone)



Development of magnetic recorder (AC bias system)



Development of microwave line measuring instrument as forerunner of T&M Business



Development of measuring instrument for digital transmissions

Foundation and M&A History

1895

Guglielmo Marconi successfully demonstrated the world's first wireless telegraph

1895

Sekisan-sha founded (by Keizaburo Ishiguro)

1900

Annaka Electric Co., Ltd. established (by Tsunejiro Annaka)

1908

Kyoritsu Electric Co., Ltd. established (merger of Sekisan-sha with Abe Electric Co., Ltd.)

Merger

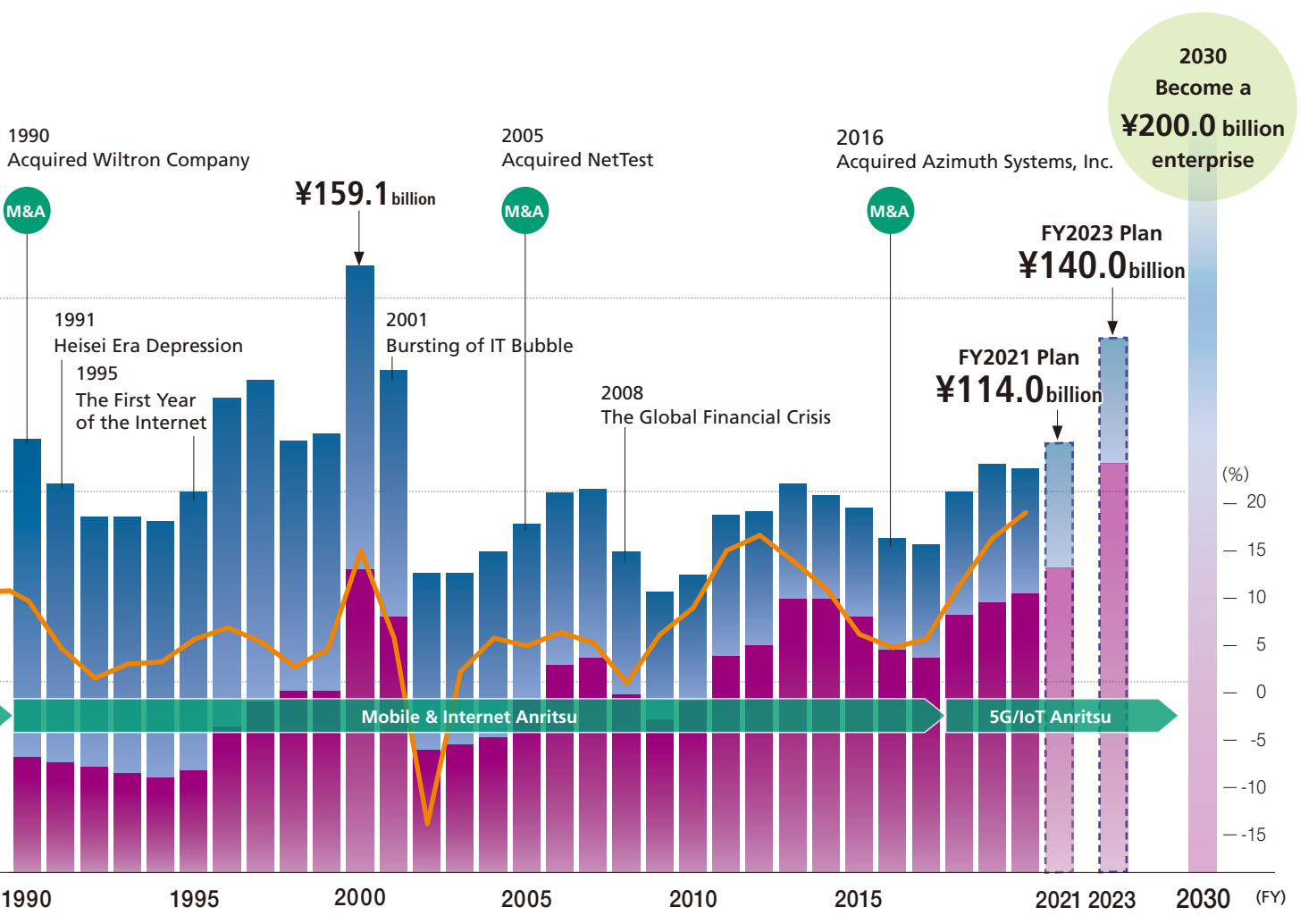
1931

Anritsu Electric Co., Ltd. established

1985

Changed Company name to Anritsu Corporation





An Era of Optical Anritsu
1975–1989

- Established business foundation in United States with mass deliveries of microwave line measuring instrument to AT&T
- Expanded domestic and overseas optical measurement business by increased investment in optical communications networks
- Expanded T&M market due to opening up of communications market following NTT's privatization
- Expanded overseas payphone business



Development of measuring instrument for optical fiber communications (optical time domain reflectometer [OTDR], world's first optical pulse tester)

Building Foundations as a Multinational Company
1990–2000

- 100th anniversary of foundation: 21st Century Company Vision "To become a global company with global technologies for global customers"
- Integrated and expanded overseas development, manufacturing, and sales bases following acquisition of Wiltron Company
- Business selection and concentration: withdrawal from and transfer of non-core businesses



Development of SONET/SDH/PDH/ATM analyzer for high-speed, large-capacity optical digital communications market

21st Century: Path to Becoming a Global Brand
2001–

- Recorded all-time high profit and significant slump into the red due to North American IT bubble
- Management structure reforms (headquarters functions centralized at Atsugi)
- Growth toward becoming a global leading company in mobile T&M Business field
- Entered operations support systems (OSS) market following acquisition of Net Test
- Gained advanced fading simulator technology through the acquisition of Azimuth Systems, Inc.



Development of world's first W-CDMA (3G) to LTE conformance test system



X-ray inspection system



Development of the world's first 5G chipset terminal verification tester that complies with 3GPP standards



Industry's first acquisition of GCF certification for 5G protocol conformance tests and RF conformance tests

History of M&As (1)

1990

Acquired Wiltron Company (California, USA)



- Integrated overseas sales, development, and manufacturing bases
Established a robust foundation for global business expansion
- Strengthened microwave and millimeter-wave band product mix
- Acquired a line of hand-held products
- Expanded customer base

History of M&As (2)

2005

Acquired NetTest (Denmark)



- Acquired service assurance business
- Achieved total-solution product suite, including network quality assurance

History of M&As (3)

2016

Acquired Azimuth Systems, Inc. (Massachusetts, USA)



- Acquired fading technology indispensable for 5G
- Gained the ability to provide key solutions, such as over-the-air (OTA) testing

Anritsu Value Creation Model

Anritsu's tangible and intangible capitals are sources of its corporate value, as well as sources of Anritsu's unique reliability, adaptability, and innovativeness.

Expectations Placed on Anritsu	T&M Business	Drive social innovation through the advancement of 5G/IoT Realize smooth communication through progress in mobile broadband services Create a safe, secure, and comfortable global society by realizing a robust, global network infrastructure
Solving Social Issues through Business	T&M Business	<div style="display: flex; justify-content: space-between;"> <div data-bbox="662 459 1109 593">  <p>Put into place a safe and secure infrastructure which leads to the building of a sustainable society and encourages innovation</p> </div> <div data-bbox="1125 459 1572 593">  <p>Put in place a robust network infrastructure that will provide safety and security in all areas and lead to building a sustainable society</p> </div> </div>

Inputs

Intellectual Capital

126 Years of Knowledge Accumulation, Ability to Innovate

- Accumulation of wireless and wireline communications technology
- Network quality assurance technology
- Development and manufacturing of ultra-high speed optical devices
- Weighing and contaminant detection technology
- R&D investment: 12%-14% of revenue
- Global development systems
- Development sites: 9

Human Capital

Global Organization and Human Resources

- An organization that learns and increases its power
- Human resources who will drive leading-edge technologies
- Number of new graduate hires: 36 technical, 20 operational personnel (started April 2020)
- Resources and systems for interfacing closely with customers
- Number of employees (consolidated): 3,881 (1,609 overseas) (as of end of Mar. 2020)
- Employee satisfaction survey: 87% work environment satisfaction rate, 70% work satisfaction rate

Social and Relationship Capital

Partnerships with Leading Companies

- Strong relationships of trust with customers
- Connections with industry-leading companies
- Global suppliers
- Business continuity plan (BCP)-based facility and supply chain management
- SCM sites: 12 (7 overseas)
- Implementation of supply chain due diligence: 4 companies total in FY2018 and FY2019

Financial Capital

Financial Stability in Preparation for Changes in Market Situation

- Free cash flow: ¥11.0 billion
- Interest-bearing debt: ¥14.6 billion
- Ratio of net assets to total assets: 67.8% (as of the end of March 2020)

Manufactured Capital

"Original & High Level" Production Processes

- Global network of manufacturing bases
- Number of manufacturing sites: 9

Natural Capital

Environmental Management that Extends along Entire Value Chain

- Thorough environmental management systems
- Development process for products that show proper concern for the environment
- Private power generation ratio: approx. 0.9%

*Figures for FY2019 unless otherwise noted

Business Model

T&M Business

Become a leading company supporting the 5G/IoT society



- | | | |
|--|--|---|
| <ul style="list-style-type: none"> • Development of 5G/IoT systems • Manufacturing of mobile devices | <ul style="list-style-type: none"> • Construction of communications networks • Developing high-speed, high-volume data centers | <ul style="list-style-type: none"> • Development and manufacturing of electronic devices • Construction of public wireless networks |
|--|--|---|

PQA Business

Become a World-Class Quality Assurance Solutions Partner



- Food processing and manufacturing
- Food ingredient sorting (weight, detection of contaminants)
- Pharmaceuticals production

ESG Initiatives



- Raise the ratio of renewable energy produced in-house
- Reduction in CO₂ emissions volume (energy consumption volume) and water usage volume
- Developing and manufacturing high-quality and environmentally friendly products
- Supply chain management that lowers environmental burden



- Respect for human rights and diversity
- Human resource development
- Occupational health and safety
- Supply chain management that gives due regard to human rights



- Corporate governance
- Instilling compliance awareness
- Promoting risk management

Anritsu will utilize its capitals to the fullest extent in implementing corporate activities which contribute to the resolution of social issues.

PQA Business Realize quality assurance that responds to the need for safety and security in food ingredients and pharmaceuticals
Reduce impact on ecosystems through proper use of food resources

PQA Business Put into place a safe and secure infrastructure which leads to the building of a sustainable society and encourages innovation

P.36

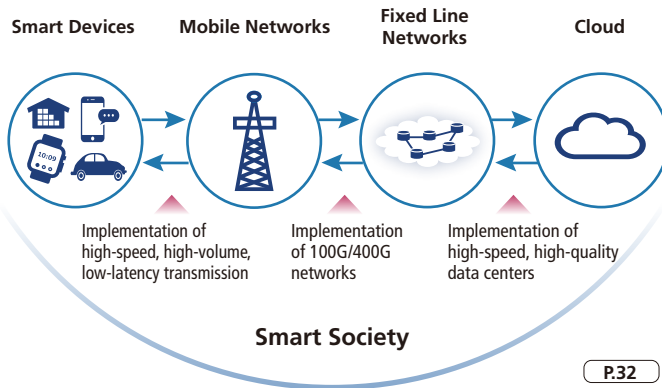


Realize a society where everyone can live in safety and security by enhancing quality assurance for food and pharmaceutical products. Implement a sustainable society where food loss is kept to a minimum.

Outputs

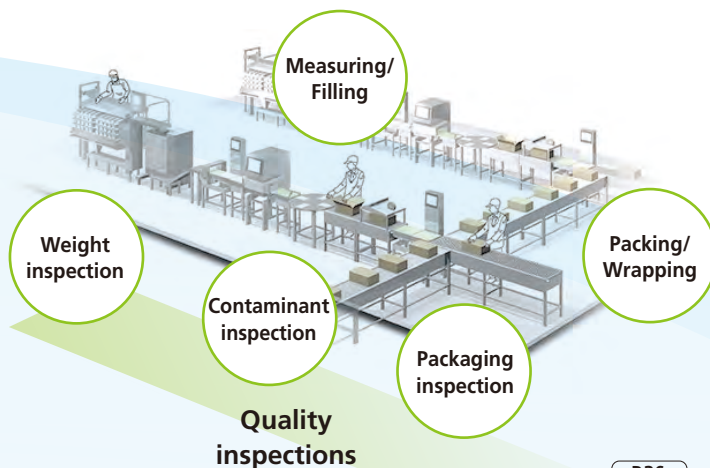
T&M Business

Measurement Solutions that Support 5G/IoT Networks and Drive Social Innovation



PQA Business

Solutions for Assuring Quality of Food Products and Pharmaceuticals



Outcomes

Intellectual Capital

Contributing to the construction of the most advanced communications infrastructure in the world

- Development ROI: Products aiming for 4.0 or higher
- R&D investment: ¥11.2 billion

Human Capital

- Number of new graduate hires: 35 technical, 18 operational personnel FY 2020 employment figures (started April 2021)
- Employee satisfaction survey: 90% work environment satisfaction rate, 75% work satisfaction rate
- Female director ratio: 11%
- Ratio of women in senior management positions: Japan – 2.3% Global – 10.8%

Social and Relationship Capital

Providing solutions needed by customers

- Number of new products: Test and Measurement Business – 7 PQA – 6 (Representative examples presented on the pages for the Test and Measurement Business and PQA Business)

Construction of a sustainable supply chain

- Strengthening of supply chain due diligence: 0 companies
*Unable to be implemented for FY2020 due to the COVID-19 pandemic
- Cumulative total over the three years of GLP2020: 4 companies
- Information sent twice and education provided once to suppliers concerning CSR procurement

Financial Capital

Suitable shareholder returns

- TSR • Stable financial base

Manufactured Capital

- Stimulation of local economy
- Capital expenditures: ¥5.4 billion

Natural Capital

Contribution to the preservation of the global environment

- Greenhouse gases (Scope 1 & 2): Reduced 16.9% compared to FY2015
- Greenhouse gases (Scope 3): Reduced 10.1% compared to FY2018
- Ratio of renewable energy produced in-house: 3.3%

*Figures for FY2020 unless otherwise noted

Sources of Value Creation

Through contributions to the creation of a sustainable future for global society, Anritsu will pioneer new areas and value beyond conventional measurement. We aim to enhance our corporate value as a company which engages in the cross-fertilization of new ideas and technologies, both from within and outside the company, and work together with all of our stakeholders to offer a hopeful future to new generations.

Inputs

Anritsu's businesses are supported by the management resources embodied by its intellectual capital, human capital, social and relationship capital, financial capital, manufactured capital, and natural capital. Our intellectual capital, which supports our innovation and which has been accumulated over our 126-year-long history, is a particularly important management resource. Intellectual capital and human capital are two forms of capital which are tightly intertwined, while social and relationship capital, born of the relationships of trust we have with our stakeholders, is key to the creation of social value through initiatives aimed at environmental, social, and corporate governance issues.

■ Intellectual Capital

We utilize our ability to innovate, rooted in expertise accumulated over our 126-year-long history, to create new technologies which will pave the way for the future, and are engaged in accurately perceiving customer needs in the fields of communications, testing, and measurement to develop leading-edge products.

■ Human Capital

In order to respond to diversifying customer needs as well as the drastic social and environmental changes occurring around the world, we are working to enhance our competitiveness by fostering human resources who will possess outstanding experience and capabilities based on a company-wide human resources strategy.

■ Social and Relationship Capital

Anritsu has built firm partnerships with leading companies and cultivated strong relationships of trust by meeting the high expectations of superior customers. At the same time, we are dealing with all of our stakeholders and partners fairly and equally, and by strengthening our value chain through cooperation with them, we are realizing mutual growth and expanded business volumes.

■ Financial Capital

Through improvement of capital efficiency and maintaining a robust financial structure, Anritsu focuses on enhancing capabilities of each business to generate cash flow, and enhances its financial strategy so that it evolves to become the investment management to actualize growth. Those will result Anritsu Group's sustainable growth and returns for stakeholders such as shareholders.

■ Manufactured Capital

Under Anritsu Group's motto "Original & High Level manufacturing", we are providing society with high-level products and services through global deployment of its development structure, SCM, and manufacturing bases.

■ Natural Capital

In response to the social issues, Anritsu is implementing energy conservation activities, development of low power consumption products, as well as taking cooperative measures against climate change across its supply chain. We will fulfill our responsibilities to society by accelerating initiatives such as utilization of renewable energy and the development of technologies which contribute to the reduction of CO₂, and aiming to operate in symbiosis with the natural environment with innovations in science and technology.

Business Model

Anritsu develops its businesses by investing a diverse array of management resources into its business activities. In addition, through initiatives aimed at resolving key financial and management issues, we are working to improve Anritsu's corporate value and expand the value we provide to stakeholders.

More specifically, under our Company Vision of "Beyond testing, beyond limits, for a sustainable future together," we will coordinate with all of our businesses to transform our business model and continuously enhance corporate value. Our GLP2023 is a plan for three years of growth aimed at the peak of the 5G test and measurement business, and, in order to nourish new businesses during those three years, we will be engaging in highly capital-efficient growth investment with the goal of expanding our business domains. Going forward, we will be fully engaged with initiatives to realize a carbon-free society and providing high-level products and services to the world.

Outputs

We provide key products that become the infrastructure to support safe and secure lives, and new lifestyles. Anritsu's Test and Measurement Business provides advanced communications technologies and test systems to the global market, hence contributing to the development of telecommunications.

Meanwhile, PQA Business pursues unique and high-level quality assurance solutions which will resolve material issues for our customers.

Outcomes

Anritsu Group will provide values to the society, through its business by identifying social and environmental changes, in order to actualize a globally sustainable society. More specifically, the Group will aim continuous enhancement of its social value and economic value through the development of outstanding communications technologies, the provision of an array of products and services, and the realization of attractive working styles, by working together with our various stakeholders.

Risks and Opportunities

Risks
<ul style="list-style-type: none"> Market environment deterioration due to curbed customer investment or changes in investment strategy (fear of slowdown in 5G commercialization, performance fluctuations due to customer capital expenditure cycles)
<ul style="list-style-type: none"> Damage to the brand image and incurring compensation costs from unexpected safety-related problems with products
<ul style="list-style-type: none"> Rapid changes of market environment, such as the emergence of new technologies, products, and services; and intensifying competition due to market entrance by new players
<ul style="list-style-type: none"> Loss of or difficulty in acquiring human resources who possess the diversity and capabilities needed for the Anritsu Group's sustainable growth
<ul style="list-style-type: none"> Business activity restrictions due to more rigid laws and regulations in each region, changes in interpretations of laws and regulations, or changes to operational policies
<ul style="list-style-type: none"> Tightening of regulations for use/emission of greenhouse gases and standards for energy-saving due to the exacerbation of global environmental problems
<ul style="list-style-type: none"> Raw material and component supply shortages due to deteriorating business conditions at suppliers, or from natural disasters or accidents, etc. Surging procurement costs due to rapidly changing supply/demand environment, exchange rate fluctuations, etc. Some suppliers do not fully support CSR procurement requirements
<ul style="list-style-type: none"> Financial risks due to the payment of improper premiums Deteriorating market environment following alliances, collaborations, or M&As are carried out Insufficient of due diligence, post-merger integration failure

Responses
<ul style="list-style-type: none"> Expansion and development of businesses not dependent on investment cycles (reevaluation of business portfolio)
<ul style="list-style-type: none"> Quality management systems and thorough implementation of PDCA(Plan-Do-Check-Action cycle) Provision of measurement solutions of superior quality
<ul style="list-style-type: none"> Understand customer needs and promote development Utilize open innovation Establishment of the Advanced Technology Research Center Promote M&As and alliances in order to expand businesses
<ul style="list-style-type: none"> Proactive employment of diverse human resources Establishment of an education and training system which supports employees' autonomous growth Establishment of a work environment which emphasizes work-life balance and which can respond to the diversification in working styles and values
<ul style="list-style-type: none"> Identify legal requirements concerning each business, and resolve relevant issues
<ul style="list-style-type: none"> Strictly adhere to international standards; establish more rigorous self-designated standards Implement a long-term plan to reduce greenhouse gases (improve ratio of renewable energy produced in-house: PGRE 30)
<ul style="list-style-type: none"> Observe procurement basic policy Buy from multiple sources and find those suppliers in different regions Stabilize procurement costs by leveraging long-term contracts, etc. Strengthen supply chain due diligence Send information and provide education to suppliers concerning CSR procurement
<ul style="list-style-type: none"> Verify business plans and carry out sufficient due diligence before executing actions Thoroughly follow up after acquisitions and execute additional measures in response to business environment changes

Opportunities

- Advancement into new business opportunities
- Foster customer loyalty and achieve customer satisfaction through the provision of high-quality measurement solutions
- Acquisition of opportunities for growth and creation of demand through new technologies and products
- Innovation achieved through the acquisition of diverse human resources thanks to employee skill improvement and reevaluations of working styles
- Expand geographical business penetration by supporting requirements of Radio Acts of different countries. (Test and Measurement Business)
- Provision of products and services that support customers meeting food quality-related laws and regulations such as HACCP requirements. (PQA Business)
- Entry into environmental business (Environmental Test and Measurement Business)
 - Dam and river monitoring
 - Energy-related business (electric vehicles, evaluation of battery safety and etc.)
- Enhanced competitiveness and increased profits from procurement of new materials/components
 - MEMS
 - Supply chain (decentralized procurement)
- Expansion of business fields and accelerated structural transformation through the acquisition of new business resources (M&As, etc.)
 - Electric vehicles and battery testing

Materialities



Establishment of a robust business foundation

- Appropriate financial management
- Optimization of business portfolio by pioneering new domains



Building and maintaining of strong relationships of trust with customers

- Sincere attitude towards testing
- Accurately identifying customer needs
- Dealing directly with global customers
- Provision of solutions suitable for the latest technologies



Acquisition and utilization of leading-edge technologies

- Utilization of new domains which contribute to the optimization of our business portfolio
- Development of services which can resolve social issues
- Next-generation technologies (6G, NEMS, etc.)



Diverse human resources

- New ideas, innovation generation
- Wide acquisition of outstanding capabilities in human resources
- Utilization of human resources without regard for race, gender, or age, etc.



Creation of a global organization









Development of environmentally conscious solutions

- Environmentally friendly products and services



Socially and environmentally conscious production systems

Materiality

Materiality	Response
 <p>Establishment of a robust business foundation</p> <ul style="list-style-type: none"> • Appropriate financial management • Optimization of business portfolio by pioneering new domains 	<ul style="list-style-type: none"> • Strengthen investment for growth in four new areas • Established structure consists of four Internal Companies and one Advanced Research Laboratory • Established the Environmental Measurement Company • Strengthen alliances with third parties • Operate business with optimal capital structure • Capture growth opportunities through M&A
 <p>Building and maintaining of strong relationships of trust with customers</p> <ul style="list-style-type: none"> • Sincere attitude towards testing • Accurately identifying customer needs • Dealing directly with global customers • Provision of solutions suitable for the latest technologies 	<ul style="list-style-type: none"> • Develop solutions that respond to the customer needs • Building and strengthening customer support systems • Participate in the activities of industry organizations, especially those that establish standards • Secure and maintain human resources capable of building relationships of trust with customers promoting leading-edge technologies
 <p>Acquisition and utilization of leading-edge technologies</p> <ul style="list-style-type: none"> • Utilization of new domains which contribute to the optimization of our business portfolio • Development of services which can resolve social issues • Next-generation technologies (6G, NEMS, etc.) 	<ul style="list-style-type: none"> • Establishment of the Advanced Research Laboratory • Utilize open innovation • Promote M&As and alliances for technology acquisition • Organizational activities to acquire the latest technology • In-house production of key devices • Secure and maintain human resources capable of catching up with leading-edge technologies
 <p>Diverse human resources</p> <ul style="list-style-type: none"> • New ideas, innovation generation • Wide acquisition of outstanding capabilities in human resources • Utilization of human resources without regard for race, gender, or age, etc. 	<ul style="list-style-type: none"> • Implementation of global (e.g., Philippines) recruitment • Establish a working environment that responds to the diversity of values • Establishment of an education and training system which supports employees' autonomous growth • Create a comfortable work environment where employees can demonstrate their abilities
 <p>Creation of a global organization</p>	<ul style="list-style-type: none"> • Establish an organization and human resource system in which diverse human resources can play an active role • Establishing a global R&D system • Enhancement of internal controls at overseas subsidiaries
 <p>Development of environmentally conscious solutions</p> <ul style="list-style-type: none"> • Environmentally friendly products and services 	<ul style="list-style-type: none"> • Developing solutions in support of requirements for reduction of greenhouse gases (development of solutions with less power consumption) • Use of parts with low environmental burden
 <p>Socially and environmentally conscious production systems</p>	<ul style="list-style-type: none"> • Corporate facilities aimed at reducing greenhouse gas emissions • Safety-conscious production sites

Capital and Stakeholders	Stakeholder needs	KPI
<ul style="list-style-type: none"> • Capital: financial, intellectual, human • Stakeholders: shareholders, investors, employees 	<ul style="list-style-type: none"> • Corporate growth • Adequate shareholder returns • Work satisfaction • Wage increase 	<ul style="list-style-type: none"> • Rating • Net sales and operating income • TSR
<ul style="list-style-type: none"> • Capital: intellectual, human, society and relationships • Stakeholders: customers, employees 	<ul style="list-style-type: none"> • Provide on-time solutions • Provide on-time support • Initiatives for leading-edge technologies • Participation in industry organizations • Highly accurate and stable measurement results 	<ul style="list-style-type: none"> • Number of new products • Number of support sites • Customer satisfaction • Participation and contribution to the organization
<ul style="list-style-type: none"> • Capital: intellectual, human • Stakeholders: employees and subcontractors 	<ul style="list-style-type: none"> • Initiatives for leading-edge technologies • Innovation through collaboration with third parties 	<ul style="list-style-type: none"> • R&D investment
<ul style="list-style-type: none"> • Capital: human • Stakeholders: employees, suppliers 	<ul style="list-style-type: none"> • Comfortable work environment • Skill improvement 	<ul style="list-style-type: none"> • Number of employees by region, ratio of female employees, ratio of female managers • Employment rate of people with disabilities, ratio of engineers (of new graduate hires) • Paid leave utilization ratio, Employee turnover rate • Training costs per employee • Kurumin mark accreditation grade, good standing company certification, etc.
<ul style="list-style-type: none"> • Capital: human • Stakeholders: employees, cooperating companies 	<ul style="list-style-type: none"> • Global work environment 	<ul style="list-style-type: none"> • Global human resource system • Global human resource recruitment • Number of global R&D sites
<ul style="list-style-type: none"> • Capital: human, social relationships • Stakeholders: customers, employees, suppliers 	<ul style="list-style-type: none"> • Providing on-time solutions • Reduce CO₂ emissions 	<ul style="list-style-type: none"> • Reduce greenhouse gas emissions (Scope 3) • Number of new environmentally friendly products
<ul style="list-style-type: none"> • Capital: financial, human, manufacturing • Stakeholders: global environment, local communities, employees, suppliers 	<ul style="list-style-type: none"> • Safe and secure plant • Stimulation of local economy • Reduce CO₂ emissions 	<ul style="list-style-type: none"> • Reduce greenhouse gas emissions (Scope 1, 2, 3) • Solar power generation/consumption, in-house power generation ratio • Capital expenditures • Numbers of accidents at work

Strengths for Achieving Value Creation

Solving Social Issues through Business

Entire Anritsu Group

Put in place a safe and secure infrastructure which leads to the building of a sustainable society and encourages innovation



Test and Measurement Business

Put in place a robust network infrastructure that will provide safety and security in all areas and lead to building a sustainable society



PQA Business

Realize a society where everyone can live in safety and security by enhancing quality assurance for food and pharmaceutical products, and effect a sustainable society where food loss is kept to a minimum.



Anritsu's technical capabilities

Test and Measurement Business

- We possess signaling and signal analysis technologies needed at every phase of chipset development, device development, conformance testing, and manufacturing inspections in the mobile telecommunications market, of which smartphones are a key product
- We have wide-ranging wireless technologies and communications analysis technologies necessary for evaluating and assuring connectivity quality essential for the widespreading of connected cars and increasing IoT adoption in home appliances and industrial equipment
- We possess high-speed digital signal and optical analysis technologies for use in optical module testing as well as assessing the performance of network and serial interfaces, that is becoming faster due to the proliferation of cloud computing
- We have important fundamental technologies shared among internal organizations which include FPGA and software design technologies to handle increasingly larger measuring circuit size and high-speed processing

PQA Business

- We will boost X-ray inspection precision using signal processing and image analysis algorithm technologies, while improving on testing technologies powered by deep learning
- Through a combination of dynamic measuring technologies and high reliability, we will actualize high speed and high precision weighing functions with our checkweighers

Social value we provide

Automobiles



Autonomous driving

Healthcare



Telemedicine

Construction



Remote control

Agriculture



Farming support

Entertainment



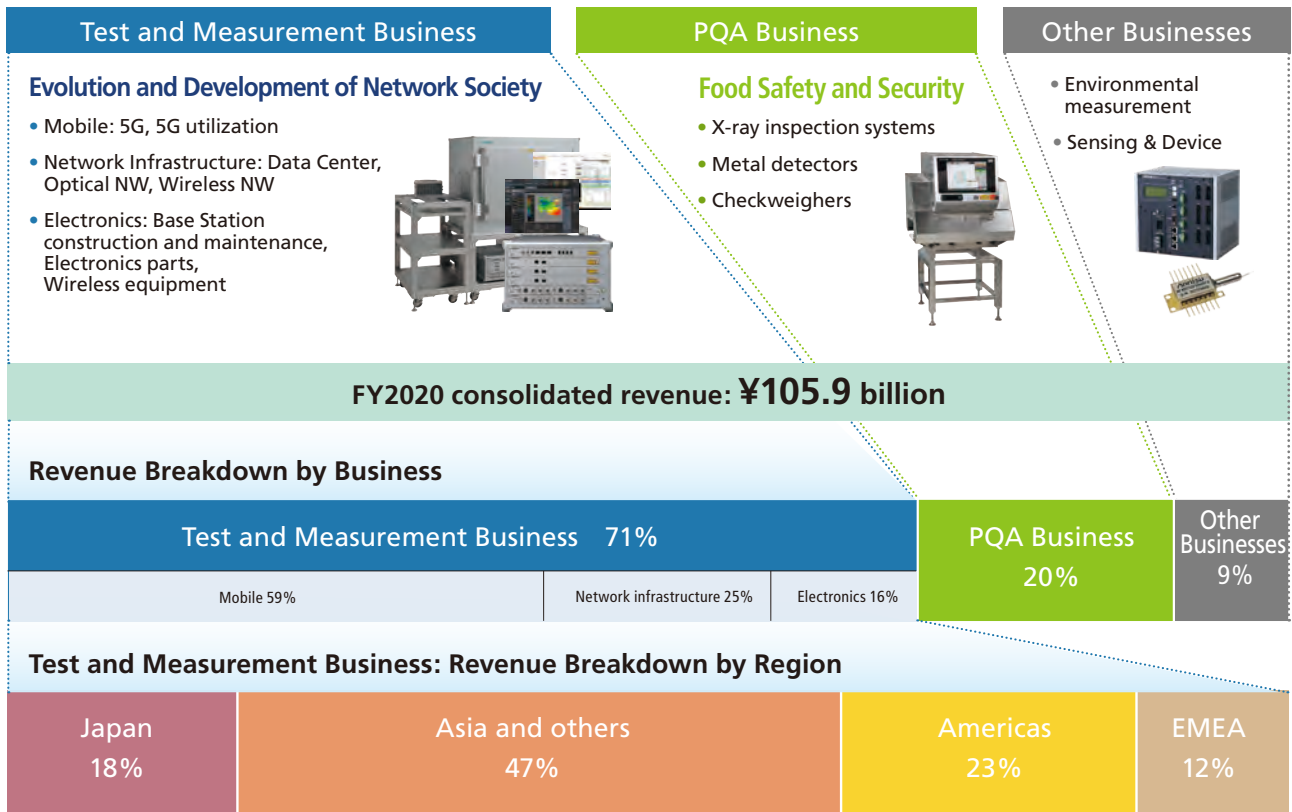
VR/AR

Food

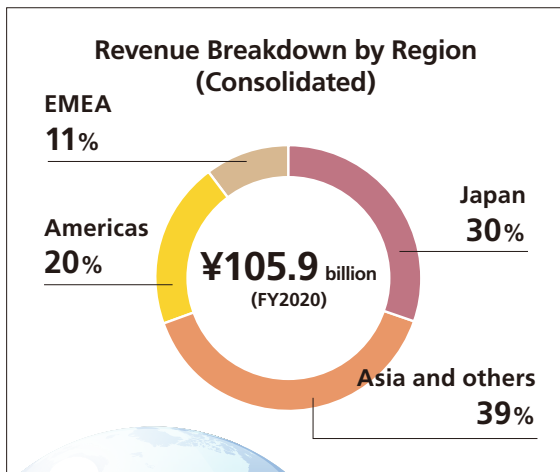


Food waste loss reduction and quality assurance

Business Summary



PQA: Products Quality Assurance EMEA: Europe, Middle East, Africa



Main Customers

Test and Measurement Business

Mobile Market

- Smartphone/tablet device manufacturers
- EMS (electronics manufacturing services)
- Chipset manufacturers
- Telecommunications carriers
- Manufacturers of automobiles and vehicle-related equipment

Network Infrastructure Market

- Telecommunications carriers
- Communication-related construction companies
- Communication equipment manufacturers
- IT service providers

Electronics Market

- Electronic device/component manufacturers
- Communication equipment manufacturers
- Smartphone/tablet device manufacturers
- Electronic equipment manufacturers
- Automobile and vehicle-related equipment manufacturers

PQA Business

Food Market

- Food manufacturers (processed food, raw materials, meat and fisheries, agricultural products)

Pharmaceuticals Market

- Pharmaceutical/cosmetics manufacturers (tablets, capsules, liquids, and patches)

Other Businesses

Environmental Measurement Market

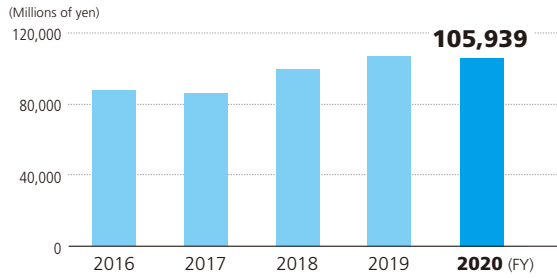
- National and local governments
- Video distribution companies

Device Business

- Electric equipment manufacturers
- Communication equipment manufacturers

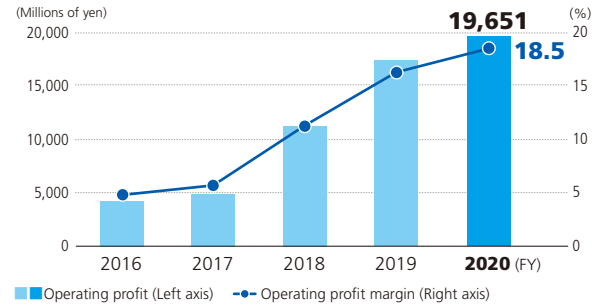
Financial and Non-Financial Highlights

Revenue



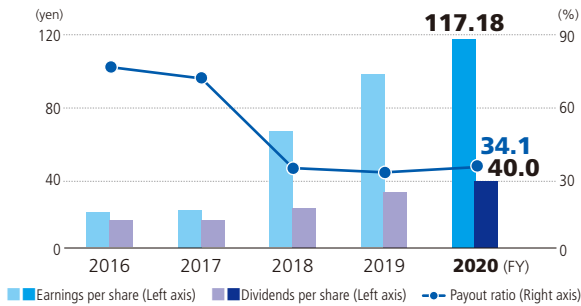
Revenue amounted to ¥105,939 million yen, down 1% year on year. The Test and Measurement Business saw strong demand for 5G chipset and mobile terminals development. Development demand associated with 5G commercialization saw particular growth in the Asian region and drove our 5G business. In addition, we captured development and production related demand in connection with increasing network speeds at organizations such as data centers. However, due to the effects of the COVID-19 pandemic, sales declined year on year as a result of caution with regard to investment by certain customers in mainly Japan. Sales also decreased in the PQA Business as certain customers were cautious with investments over uncertainty about the future in light of the COVID-19 pandemic.

Operating Profit/Operating Profit Margin



Operating profit was ¥19,651 million (up 12.8% year on year) and the operating profit ratio was 18.5%. The Test and Measurement Business recorded operating profit of ¥17,714 million (23.7% operating profit ratio), a year on year increase. This owes to strong sales of high-margin 5G products, as well as to lower R&D and SG&A costs that owed to the spread of COVID-19 pandemic. For the PQA Business, operating profit increased year on year to ¥1,340 million (6.3% operating profit ratio) as a result of efforts to reduce SG&A such as promoting work efficiencies.

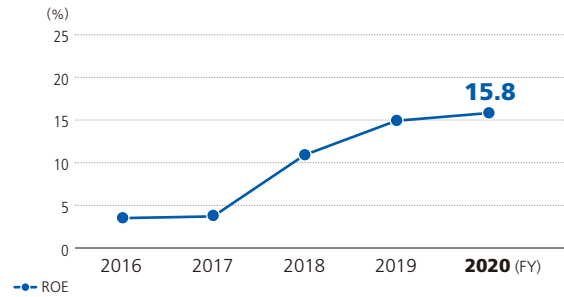
Earnings per Share/Dividends per Share & Payout Ratio



In FY2020 earnings per share were ¥117.8, up ¥19.98 compared with the previous fiscal year, while the annual dividend was ¥40, an increase of ¥9 compared with the previous fiscal year, with a payout ratio of 34.1%.

While taking the basic approach of raising dividends on equity attributable to owners of parent to total assets ratio (DOE) in accordance with an increase in consolidated profits for the fiscal year, the Company aims at a dividend payout ratio of 30% or more, with biannual dividend distributions that consist of a fiscal year-end dividend and an interim dividend.

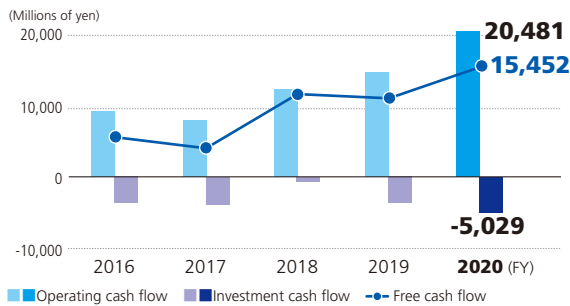
ROE



ROE for FY2020 was 15.8%, indicating a solid capital efficiency increase.

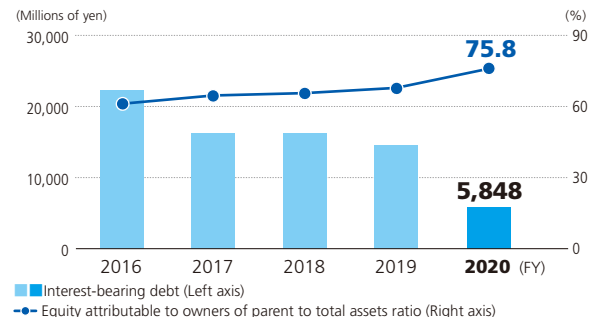
To maximize medium- to long-term corporate value, Anritsu views return on equity (ROE) and the ratio of equity attributable to owners of the parent to total assets ratio as KPI, and will work to improve invested capital efficiency while maintaining financial stability.

Cash Flow



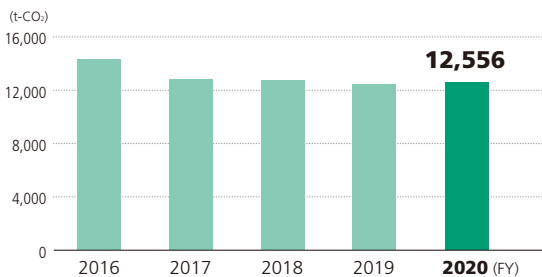
In FY2020, net cash provided by operating activities rose to ¥20,481 million due to an increase in cash from reporting of profit before tax and recording depreciation and amortization. Net cash used in investing activities came to ¥5,029 million, mainly due to the acquisition of property. As a result, free cash flow was positive, at ¥15,452 million.

Interest-Bearing Debt/Equity Attributable to Owners of Parent to Total Assets Ratio



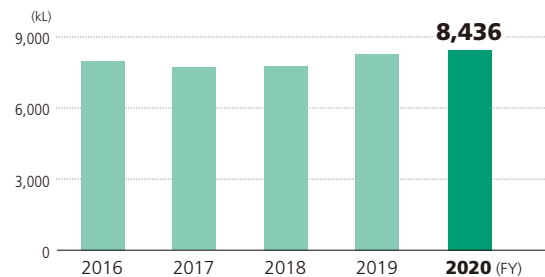
Owing to the redemption of corporate bonds, the Company's interest-bearing debt balance was ¥5,848 million (down ¥8,746 million year on year). Despite an increase in primarily retained earnings, the ratio of equity attributable to owners of the parent to total assets ratio was 75.8% as a result of an increase in other components of equity.

CO₂ Emissions (Scope 1, 2) (Anritsu Group)



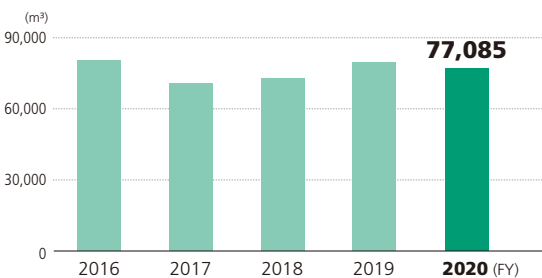
More than 98% of the Anritsu Group's CO₂ emissions (Scopes 1+2) in FY2020 resulted from energy consumption. The main factors are shown in the "Energy Consumption (Crude Oil Conversion Basis)" graphic to the right. Scopes 1+2 emissions increased 0.9% over FY2019 to 12,556t-CO₂. As some of the measures we are taking to reduce this amount, we are replacing our air conditioning equipment with more efficient models, deploying 1,100 kW of solar energy equipment at Anritsu Company (in the U.S.) to produce energy for self-consumption, and switching to green energy for 4% of the energy we currently purchase in the Tohoku site.

Energy Consumption (Crude Oil Conversion Basis) (Anritsu Group)



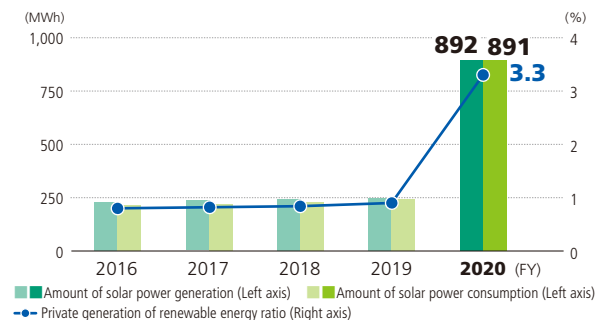
In FY2020, total energy consumption of the Anritsu Group overall (crude oil conversion basis) increased by 2.0% year on year. Contributing factors include greater air conditioning use to combat COVID-19 pandemic and 24-hour operation of laboratory equipment in order for it to be remotely controlled when working from home.

Water Usage (Anritsu Group)



The Anritsu Group's water usage in FY2020 dropped 3.1% year on year. This was a measure to combat the COVID-19 pandemic and is a result of using less water onsite as more employees worldwide worked from home rather than coming into the office. However, water used by Anritsu Company (U.S.A.) actually increased due to having launched a service for manufacturing thin-film devices, which uses a significant amount of water.

Amount of Solar Power Generation/ Consumption and Private Generation of Renewable Energy Ratio (Anritsu Group)



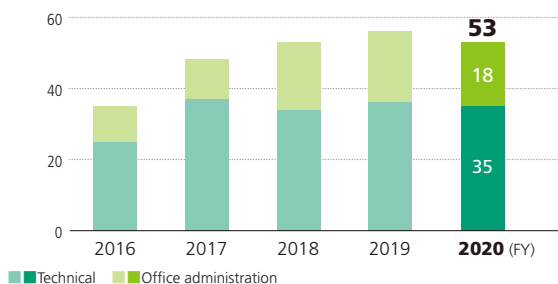
We are focused on achieving SBT targets based on Anritsu Climate Change Action PGRE 30, which emphasizes renewable energy use. 1,100 kW of solar power generation equipment was put into operation at Anritsu Company (U.S.A.) in October 2020.

As a result, amount of solar power generation in FY2020 increased 263% year on year to 892 MWh (3.3% private generation ratio).

Solar power consumption = amount of solar power generated – surplus power (provided to power supply companies free of charge)

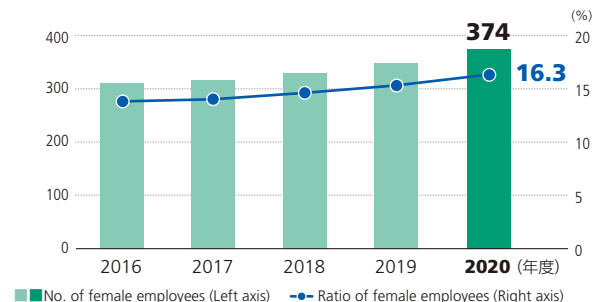
Private generation of renewable energy ratio = solar power consumption/electrical power consumption

New Graduate Hires (Domestic Anritsu Group)



A total of 53 new graduate hires (35 technical and 18 office administration) joined the Domestic Anritsu Group in FY2020 (with employment starting in April 2021). The target number was 55. The Anritsu Group's recruiting policy centers on carefully selecting personnel based purely on individual capabilities. Our new graduate hire development is focused on creating a cohesive fighting force, and our job separation rate among new graduate hires who joined between FY2018 and FY2020 (separation rate within the first three years) is 3%.

Number of Female Employees and Ratio of Female Employees Among All Employees (Domestic Anritsu Group)



Anritsu hires new employees on a gender-neutral basis in all positions, be they in office administration or technical areas. We set the goal of raising the ratio of women hired in Japan to 20% (or more) newly graduated by 2020. Our public relations activities focused on female students and have resulted in the female ratio among new recruits reaching 25% in FY2020, with 13 of the 53 new graduates joining Anritsu in April 2021 being women.

CFO Message



Akifumi Kubota

Director
Executive Vice President
CFO

GLP2020 Review

During the GLP2020 (2018-2020) period, due to an accurate assessment of mainly 5G development demand and data center-related market demand, the Test and Measurement Business achieved its FY2020 revenue and operating profit targets.

As a result, the entire Group was able to achieve its revenue, profit, and ROE targets. The Group recorded an operating profit on sales, an indicator of profitability, of 19%, and achieved an ROE of above 15% by conducting

management focused on capital cost. We also built a strong balance sheet in part by improving our equity ratio, which indicates financial stability. In recognition of these efforts to strengthen profitability and our financial standing, our previous "A-" long-term bond rating was upgraded to "A." Now, to further enhance corporate value, investment towards growth has reached an even more important stage.

Anritsu's Rating

~2001	2002	2003~2011	2012	2013	2014	2015~2020	2021
A-	BBB	BBB	BBB+	BBB+	A-	A-	A
	▲ December 26, 2002 A-→BBB •2001 dot-com crash, FY 2002 business restructuring		▲ May 10, 2012 BBB→BBB+ •Capture of initial LTE demand		▲ May 13, 2014 BBB+→A- •LTE hits peak demand		▲ May 31, 2021 A-→A •Capture of 5G and data center demand

Switch from defense to offense

Transition of financial strategy looking towards 2030

The principal objective of the financial strategies laid out in the new Mid-Term Business Plan, GLP2023, is accelerating growth-oriented investment with a view to achieving revenue of ¥200 billion by 2030. Leveraging the robust financial standing we have built up over the years, we will be aggressively investing for growth in order to build a business portfolio independent of the business cycles of mobile telecommunications systems. Evolving from the previous “cost management to safeguard profits” to “investment management in order to realize growth” will become a key part of our financial strategy.

Efforts to Enhance Corporate Value

The basic policy for financial strategy in GLP2023, which aims at accelerating growth, consists of the following three key pillars.

1. Enhancing Corporate Value

We will make committed efforts to improve upon our management system in order to enhance corporate value. This means establishing a corporate value improvement indicator as a KPI for ROE and consistently practicing management by objectives.

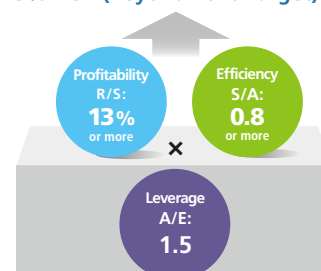
Anritsu considers achieving 15% ROE to be a priority management issue. To realize medium- to long-term growth in the global market, it is essential that we gradually create profits to feed investment. An ROE of 15% is the global standard and is considered to be an engine for profitable growth. ROE is analyzed using three factors: profitability, efficiency, and leverage.

We are working to meet ROE targets primarily by improving profitability and efficiency.

ROE Target: Factor Breakdown

$$\text{ROE} = \frac{\text{Net income}}{\text{Equity}} = \frac{\text{Net income}}{\text{Revenue}} \times \frac{\text{Revenue}}{\text{Total assets}} \times \frac{\text{Total assets}}{\text{Equity}}$$

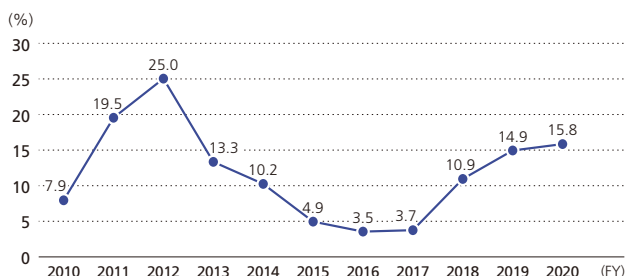
[Model case] 15% ROE (Beyond 2020 Target)



Trends of ROE Factors

	Profitability	Efficiency	Leverage	ROE
FY2018	9.0%	0.79	1.53	10.9%
FY2019	12.5%	0.79	1.50	14.9%
FY2020	15.2%	0.75	1.39	15.8%
Model case of GLP2023	13.0% or more	0.80 or more	1.50	15.0% or more

ROE Trends



2-1. Initiatives to Establish Investment Level Standards and Improve Cost Structure: Improving Profitability

For our core business, the Test and Measurement Business, we will focus on strengthening our competitiveness in 5G, while for the PQA Business we will focus on investment aimed at global business development.

We have adopted development ROI (gross profit and development investment) as the KPI for investment levels and are working to improve investment efficiency with the goal of achieving a development ROI of 4.0 or higher.

We are also actively working to strengthen our cost structure to enhance profitability. For example, we are taking active approaches to achieve greater efficiency in our

sales activities and improve business processes in our corporate back office functions by appropriately managing and promoting improvement of cost per order (CPO) in each sales region in order to enhance each business segment's cost structure.

2-2. Thorough Cash Flow Management: Improving Efficiency

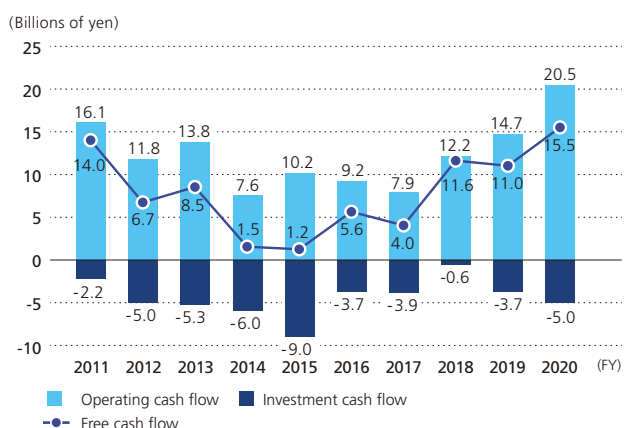
Strengthening our ability to generate net cash provided by operating activities is essential for realizing sustainable investment for growth. Our constant goal is to maintain an operating cash flow margin above 13% (achievable by realizing an operating profit margin of above 18% and avoiding increases in working capital), and to raise our CCC*, which is a cash flow improvement index, to 120 days (the best result over the last 10 years) in the fiscal year ending March 31, 2024. To achieve these targets, we will improve profitability through cost reductions and more efficient spending, as well as by improving capital efficiency through such measures as reducing inventory and promoting the collection of accounts receivable.

Moreover, as part of our capital cost-conscious management approach, we are also focusing on cash flow management per business division.

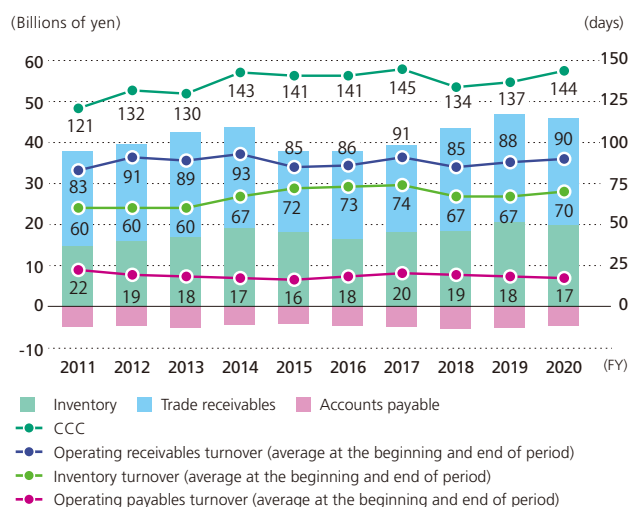
Specifically, we will take accounting measures that include preparing balance sheets for each business division and visualize the flow of cash and working capital. Through these measures, improvements are being made to capital efficiency management at the business division level.

*CCC: Cash Conversion Cycle

Trends in Cash Flow



Trends in CCC



3. Allocating Cash to Strategic Investment for Growth

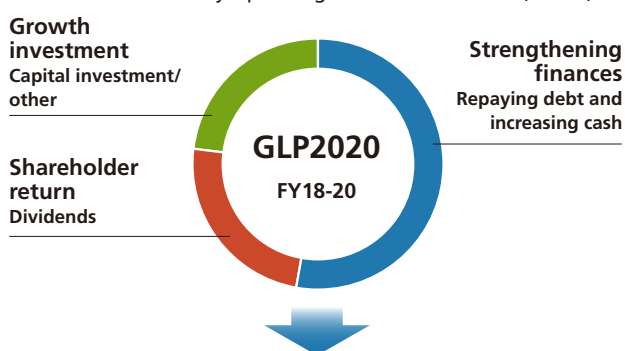
Along with allocating cash generated from improving profitability and efficiency to strategic investment for growth, we will also be taking dynamic financial measures. Although enhancing our financial standing was a key issue up until GLP2020, a major management issue addressed by GLP2023 is how we can effectively utilize the achievements we have so far made, and our basic policy going forward involves concentrating investment in growth areas. Shifting our strategies from protective (defensive) approach to active (offensive) approach, we will be carrying out financial activities that establish growth as a priority goal.

More specifically, greater than 50% of operating cash flow (a total of ¥47.4 billion over three years) was used in strengthening our financial standing (paying back liabilities and increasing cash) over the past three years (GLP2020). Over the next three years (GLP2023), however, we plan to put more than 50% of operating cash flow toward strategic investment aimed at business growth.

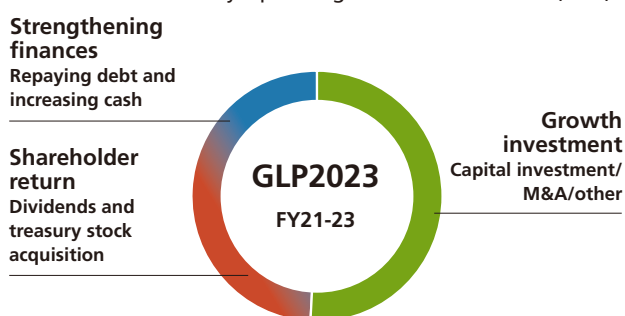
We also plan to stick with our aggressive plan for shareholder returns, as outlined below.

Net Cash Provided by Operating Activities Allocation

Net Cash Provided by Operating Activities Allocation (Actual)



Net Cash Provided by Operating Activities Allocation (Plan)



Shareholder Returns

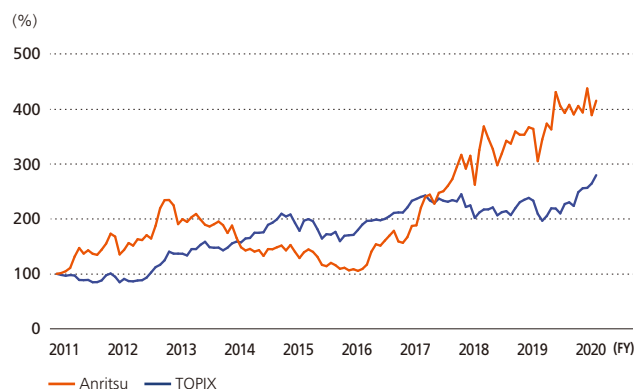
Our basic policy on distributing profits to shareholders is paying dividends with a consolidated payout ratio of 30% or higher primarily by raising the dividend on equity (DOE) in response to increases in consolidated net income. We also flexibly implement other measures regarding shareholder return that take the total return ratio into account.

Total shareholder return (TSR) over the past 10 years is shown below. We will continue to implement growth strategies and sound finance and capital policies that will enable us to realize a TSR that exceeds capital cost (7%). Specifically, we will further enhance corporate value and meet our shareholders' expectations by strengthening our competitiveness in the 5G market, expanding business into industrial fields that employ the IoT, developing business in the cloud service and other markets, and cultivating new growth fields, while making strategic investments and carrying out accurate financial strategies that include acquiring next-generation technologies such as 6G.

Share Price Performance

	Past year	Past 3 years	Past 5 years	Past 10 years
Anritsu	22.4%	24.1%	32.6%	15.3%
TOPIX total return index	42.1%	10.2%	10.8%	

Total Shareholder Return (over past 10 years)



Mid-Term Business Plan

		2020VISION			
Medium-to Long-Term Vision		To be a global market leader <ul style="list-style-type: none"> •Creating the value that only Anritsu can deliver •Building a world-class, robust income structure 		To create new business through emerging business <ul style="list-style-type: none"> •Driving innovation in new business areas 	
		GLP2014 (FY2012-2014) <ul style="list-style-type: none"> ■ Becoming a cutting-edge, trusted global market leader Capture growth drivers without fail, and realize "continuous profitable growth"		GLP2017 (FY2015-2017) <ul style="list-style-type: none"> ■ On-going "Growth & Global" improvement and strengthening of Group management capabilities Capture growth drivers without fail, and realize "continuous profitable growth"	GLP2020 (FY2018-2020) <ul style="list-style-type: none"> ■ Prosecute the policy "Continuous profitable growth" ■ Make our best to accomplish 2020VISION Capture growth drivers without fail, and realize "continuous profitable growth"
Vision					
Outline of the Mid-Term Business Plan		FY2014 Consolidated revenue of ¥110.0 billion and operating profit of ¥19.0 billion Test and Measurement Business <ul style="list-style-type: none"> ■ Strive to boost competitiveness, focusing on the mobile broadband service market and the Asian market, while achieving a 7% or higher sales growth rate PQA Business <ul style="list-style-type: none"> ■ In the food and pharmaceuticals quality assurance field, focus on Asia and North America—areas expected to grow into large markets—and achieve a 7% or higher sales growth rate 	FY2017 Consolidated revenue of ¥120.0 billion and operating profit of ¥17.0 billion Test and Measurement Business <ul style="list-style-type: none"> ■ Capture global business opportunities through solutions with high added value and solidify our position as a global market leader ■ Customer-focus and business development through the strengthening of global management capabilities ■ Leverage Anritsu's strengths in technologies and customer base in integrated solutions for wireless, optics, and systems PQA Business <ul style="list-style-type: none"> ■ Expand overseas businesses ■ Develop markets in North America and Asia with X-ray inspection systems as a key solution 	FY2020 Consolidated revenue of ¥105.0 billion and operating profit of ¥14.5 billion Test and Measurement Business <ul style="list-style-type: none"> ■ Become the No. 1 Test and Measurement vendor ahead of competitors in 5G ■ Develop new profit bases in the IoT/automotive field, where growth is expected through the utilization of 5G ■ Create test solutions that support the expansion of cloud services PQA Business <ul style="list-style-type: none"> ■ Develop the advanced market in Europe and North America with X-ray inspection systems as a key solution ■ Accurately respond to market needs through localization and global business reform ■ Strengthen profitability through value-added solutions and expansion of global business 	
		Test and Measurement Business <ul style="list-style-type: none"> ■ As smartphones rapidly proliferate, they simultaneously rise in functions and spread as everyday devices; increasingly intense competition among smartphone players amid mergers and acquisitions, reorganization, and participant withdrawal. Japanese market contracts as other Asian players make gains. ■ Continuous evolution of mobile broadband. Anritsu seizes development demand by providing superior, cutting-edge solutions PQA Business <ul style="list-style-type: none"> ■ PQA Business reaches a 40% overseas sales ratio by strengthening local manufacturing and sales support 	Test and Measurement Business <ul style="list-style-type: none"> ■ Mobile test and measurement market sees a 40% slump (over the 2012 peak) amid structural changes in the smartphone market ■ Progress in standardization of 5G and concrete moves toward 5G commercialization with the release of new 5G products in February 2018 ■ Establishment of the Philippines Development Center and finalization of preparations for delivering high-cost-performance 5G support services PQA Business <ul style="list-style-type: none"> ■ Aggressive expansion in the PQA Business (launch of new X-ray inspection systems, strengthening of local manufacturing framework and sales support framework) leads to 1.4x revenue gain and 4.0x operating profit increase. 	Test and Measurement Business <ul style="list-style-type: none"> ■ And 2018, immediately after 3GPP established 5G standards, there was a sharp rise in demand for 5G chipset and smartphone development ■ In 2019, Intel's discontinuation of its 5G modems saw a slowing of the European market. However, development demand picked up in Asia when Chinese smartphone vendors overall shifted to developing smartphones in-house for the global market. ■ In 2020, the 5G development market lost steam once again due to the effects of COVID-19. The expansion of millimeter wave services in the U.S. was pushed back because of technical issues PQA Business <ul style="list-style-type: none"> ■ There has been a global trend towards investing in safety and security as well as improving productivity and reducing food waste, which are social issues (SDGs). However, such investing slowed in 2020 as certain customers grew more cautious about capital investment due to the effects of COVID-19. 	
Looking Back					
Results & Challenges		Plan FY2012: revenue of ¥94.5 billion, operating profit of ¥15.5 billion, operating profit margin of 16% FY2014: revenue of ¥110.0 billion, operating profit of ¥19.0 billion, operating profit margin of 17% Result FY2012: revenue of ¥94.7 billion, operating profit of ¥15.7 billion, operating profit margin of 17% FY2014: revenue of ¥98.8 billion, operating profit of ¥10.9 billion, operating profit margin of 11% Challenges <ul style="list-style-type: none"> ■ On-going "Growth & Global" improvements for the Anritsu Group ■ Optimal utilization of overseas business resources within the Group ■ Further improve our leading position in the mobile market ■ Setting Japan and North America Test and Measurement Business back on a growth trajectory ■ Developing new markets in China and India ■ Enhancement of management resources for achieving North American PQA market strategies ■ Profit improvement scenarios for the PQA Business 	Plan FY2015: revenue of ¥103.0 billion, operating profit of ¥11.0 billion, operating profit margin of 11% FY2017: revenue of ¥120.0 billion, operating profit of ¥17.0 billion, operating profit margin of 14% Result FY2015: revenue of ¥95.5 billion, operating profit of ¥5.9 billion, operating profit margin of 6% FY2017: revenue of ¥86.0 billion, operating profit of ¥4.9 billion, operating profit margin of 6% Challenges <ul style="list-style-type: none"> ■ Test and Measurement Business <ul style="list-style-type: none"> ■ Thorough implementation of the management restructuring program ■ Investment in 5G business ■ Establishment of a division focusing on the IoT business ■ Introduction of new optical and digital products in TTM ■ PQA Business <ul style="list-style-type: none"> ■ Active investments in cutting-edge technologies to overcome quality assurance issues ■ Development of new products that contribute to quality assurance ■ Strengthening relationships with global companies 	Plan FY2018: revenue of ¥92.0 billion, operating profit of ¥6.6 billion, operating profit margin of 7% FY2020: revenue of ¥105.0 billion, operating profit of ¥14.5 billion, operating profit margin of 14% Result FY2018: revenue of ¥99.7 billion, operating profit of ¥11.2 billion, operating profit margin of 11% FY2020: revenue of ¥105.9 billion, operating profit of ¥19.7 billion, operating profit margin of 19% Challenges <ul style="list-style-type: none"> ■ Test and Measurement Business <ul style="list-style-type: none"> ■ Business expansion in the 5G utilization field and in network infrastructure ■ Concentration on 5G and withdrawal from the wholesale/retail business ■ Expansion of investment in growth areas ■ PQA Business <ul style="list-style-type: none"> ■ Identification of changes in customer needs and provision of best solutions ■ Expansion of investment to acquire advanced technologies ■ Transformation into a global company ■ Entry into the pharmaceuticals market as a new business field 	

Management vision

Beyond testing, beyond limits, for a sustainable future together

Through further growth of four internal companies and Advanced Research Laboratory, we aim to become a ¥200 billion company achieving consistent profits by FY2030

GLP2023 (FY2021-2023)

- "3 years of growing towards 5G business peak" and "3 years of nurturing new business"
 - Make consistent earnings in the 5G measurement market
 - Increase growth investment and shareholder return as financial strategies
 - Focus on four priority areas: "EVs and battery measurement," "local 5G," "optical sensing," and "medical care and pharmaceuticals"

FY2023

Consolidated revenue of ¥140 billion, operating profit of ¥27 billion

Test and Measurement Business

Become a leading company supporting communications society built on 5G

- Increase the ratio of revenue from 5G utilization and network infrastructure markets
- Shift from simply providing products to providing solutions that give value
- Increase investment in growth areas (5G Advanced, self-driving vehicles, ORAN/IOWN)

PQA Business

Become our customers' most trusted, "First-to-Call" company for quality assurance with a view to achieving a sustainable future

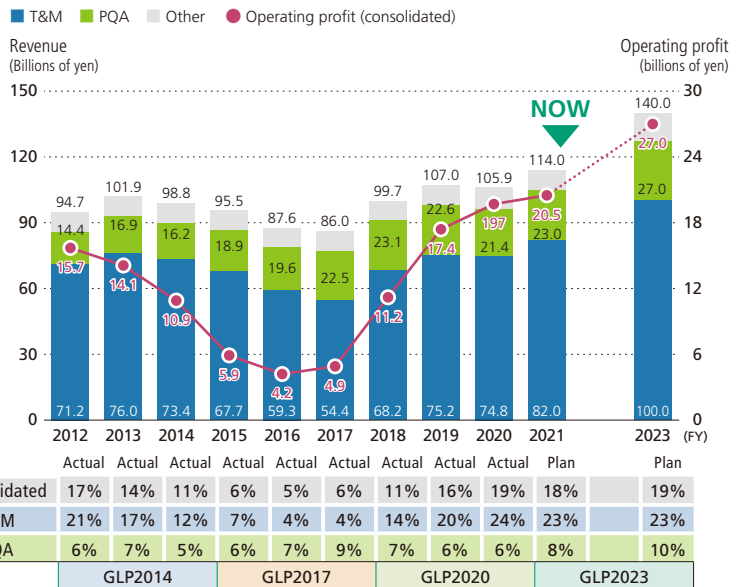
- Create solutions that eliminate our customers' key issues
- Accurately and promptly address local needs worldwide through localization
- Enhance X-ray inspection systems and expand investment for product development in the pharmaceuticals market

Planned Sales and Operating Profit

Indicator		FY2020	GLP2023	
			FY2021	FY2023
Revenue		¥105,9billion	¥114,0billion	¥140,0billion
Operating profit		¥19,7billion	¥20,5billion	¥27,0billion
Operating margin		19%	18%	19%
Profit		¥16,1billion	¥16,2billion	¥20,0billion
ROE		16%	14%	15%
T&M Business	Revenue	¥74,8billion	¥82,0billion	¥100,0billion
	Operating profit	¥17,7billion	¥18,5billion	¥23,0billion
	Operating margin	24%	23%	23%
PQA Business	Revenue	¥21,4billion	¥23,0billion	¥27,0billion
	Operating profit	¥1,3billion	¥1,8billion	¥2,7billion
	Operating margin	6%	8%	10%

(Reference) Expected exchange rates for GLP2023: 1 USD=105 yen, 1 euro=125 yen

Changes in Sales and Operating Profit



*GLP20XX: The names of our Mid-term Business Plans

Goals and Initiatives

	Goals and initiatives	GLP2023: KPI
E Environment	Long-term plans and initiatives to reduce greenhouse gas emissions	<ul style="list-style-type: none"> Greenhouse gases (Scope 1+2): 23% reduction compared to FY2015 Greenhouse gases (Scope 3): 13% reduction compared to FY2018 ...30% reduction by FY2030
	Increase in the share of in-house power generation (PGRE 30)	<ul style="list-style-type: none"> In house power generation ratio: 13% or more (compared to FY2018 power consumption) ... To be increased to around 30% by 2030
S Social	Promoting diversity management	<ul style="list-style-type: none"> Advancement of women: A proportion of women in managerial positions of 15% or more Advancement of the elderly: Employment until the age of 70 and the establishment of a new compensation package Promote employment of physically challenged people: Achieve the legally mandated employment rate of 2.3% through job development
	Promoting global CSR procurement	<ul style="list-style-type: none"> Strengthening of supply chain due diligence: A cumulative total of 10 or more companies, over 3 years Developing awareness on CSR procurement to suppliers at least twice per year, and provide training at least once each year
G Governance	Improving global governance	<ul style="list-style-type: none"> Promoting the diversity of the Board of Directors, outside director ratio 50% or more
	Promoting the establishment of an internal control system at overseas subsidiaries	<ul style="list-style-type: none"> All overseas subsidiaries meet the criteria of Control Self Assessment (CSA)

*PGRE stands for Private Generation of Renewable Energy, and "30" refers to the 2030 PGRE target of approximately 30%.

CTO Message

Going beyond “testing” with leading-edge technology



Hanako Noda
Executive Officer, CTO
General Manager of Advanced
Research Laboratory

Expectations for 6G

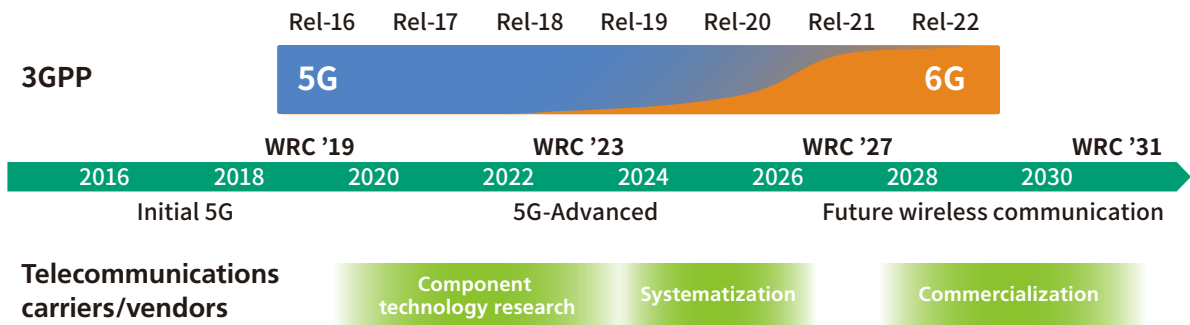
Relevant parties have been discussing 6G since 2018 and companies at the vanguard are already pushing forward research on the fundamental technologies of 6G. 6G aims to take the role not only as the base of telecommunications but as the foundation of the social system, by enhancing 5G and targeting tenfold performance of its three pillars: high-speed/high-capacity, massive simultaneous connection and ultra-low latency.

In addition there are new features aimed for 6G such as;
(1) the “extreme coverage extension” that expands the radio connectivity into the sky, sea, and space,
(2) the “ultra-low power consumption” that significantly reduces the electric power consumption for which demand is expected to increase due to ever-increasing data volume,

(3) the “ultra-high reliability” that ensures the quality of services in various use cases as well as security and privacy protection,
(4) the “autonomy” where equipment are autonomously interacting therefore the networks are optimized according to the needs.

While 5G worked for technological innovation between wired and wireless communications networks, 6G widens the applicable scope and comes to include on-network processing and control functions of information from terminals and sensors, with goals of delivering the end-to-end performance. For example, reducing latency is one of these goals. With such application, sensors and cameras act like our eyes within factories, and acquired data through them are processed in the computer over the network. In order to send responses to factory equipment, it is impera-

Illustration of Transitioning from 5G to 6G Following 3GPP Standards



WRC: World Radiocommunication Conference
*Source: created by Anritsu using publicly available information

In order for Anritsu to be a company that continues to support society 10 to 20 years and beyond in the future, we believe that it is necessary to drive the advancement of “testing” technology and expansion of applicable fields, while also expanding into further fields beyond “testing”. The first step in that journey was establishing the Advanced Research Laboratory in 2020, then commencing research activities at that facility. The Laboratory conducts research into 6G technology expected to be commercialized around 2028. At the same time, the Laboratory also carries out basic research looking further into the future as we strive to address challenges for making NEMS technology viable. Through these activities, we are providing technological support for the future of Anritsu’s business, while working on test and measurement, ensuring safety and security of food and pharmaceutical products, as well as acquisition of sensing technology that is expected to deliver value beyond our current focus on “testing.”

tive to minimize overall latency of the communication cycle from data acquisition to sending instructions to equipment. 6G aims to complete the role that 5G originally aimed for, that is to become the social infrastructure.

At the same time, the IOWN Global Forum* has been established with the objective of sophisticating optical technology-based social infrastructure.

The aim of the Forum includes the realization of new communication platforms through innovative approaches based around optical technology. Therefore, the aim of both IOWN Global Forum and 6G towards the future are well aligned. To that extent, Anritsu has recognized the necessity to carefully watch the situation of both and decided to participate in IOWN Global Forum since 2020.

*IOWN Global Forum: The Innovative Optical and Wireless Network Global Forum, established in 2019

The Forum covers three core technologies: full photonic networks (which adopt photonics-based technologies for all areas reaching networks and devices), what is called “cognitive foundation” (a concept for using information and AI to predict the future and build autonomously optimized networks), and digital twin computing (which uses computers and AI technology to take the information of our physical world and perform computations on it in a virtual (cyber) environment in order to predict the future, provide feedback to the physical world, and intimately connect the two domains).

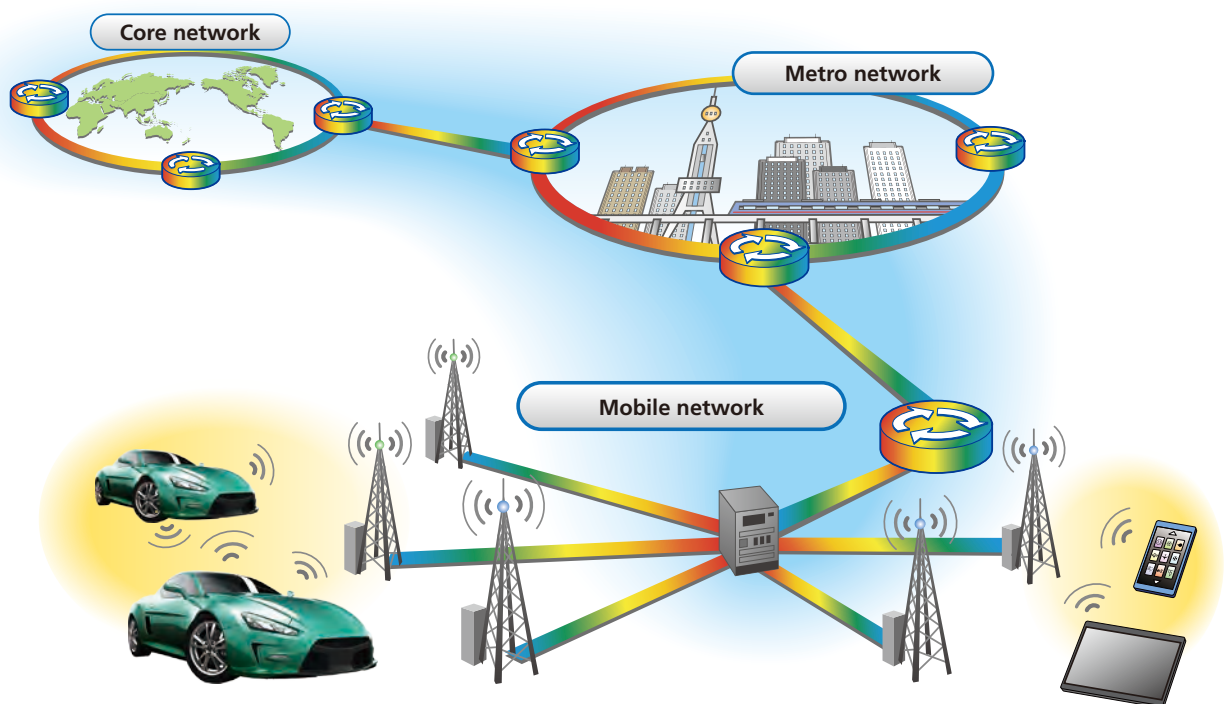
Leading-Edge Technology Research Initiatives for 6G

At the Advanced Research Laboratory, we are engaging in R&D on two measurement technologies needed for 6G.

(1) R&D on 300GHz Band Wireless Signal Wideband/ High-Sensitivity Measuring Technology

Anritsu’s 6G initiative was prompted by the Ministry of Internal Affairs and Communications’ research and development for expansion of radio wave resources in 2014 the “300GHz band wireless signal wideband/high-sensitivity measuring technology.”

Illustration of a Full-Photonic Network



When the research first began, there were not yet ideas of frequencies being used for 6G, but in the four years during which research progressed, the possibility gradually increased that frequencies above 100GHz would be used.

Terahertz waves (generally 100GHz–3THz) fall in the frequency band between radio waves and visible light and had not conventionally been used. However, with the current progress in radio wave and light wave device technologies, as well as the fusion of those technologies, expectations are rising for the use of this frequency band. In 2020, our Laboratory started on core component R&D necessary for developing new measuring instruments for the 300GHz band.

Even with the 28GHz band that is being newly adopted for 5G, it was said that the signals could not reach far distances, so the level of difficulty rises even further when trying to communicate at 300GHz. Many similar challenges accompany the development of measuring instruments, which the Laboratory is striving to tackle.

(2) R&D to further advance 5G mobile communication systems

Prompted by the Ministry of Internal Affairs and Communications’ expansion of radio wave resources in 2019, “R&D to further advance 5G mobile communication systems,” Anritsu is working on the establishment of radio interference monitoring techniques relevant to full-duplex communications for highly efficient frequency utilization.

In 4G systems, a method called FDD (Frequency Division Duplex) is used, which employs different carrier frequencies for uplink and downlink signals. When these types of multiple signals with different frequencies were propagated in the air, it had been easy to separate each signal by focusing on their different frequencies. However, 5G adopt-

ed TDD (Time Division Duplex) (Figure 1) that shares the same frequencies for uplink and downlink between terminals and a 5G base station. Consequently, it became difficult to separate multiple signals of the same frequency moving between many terminals and one base station. In reality, when the base station is interacting with two or more terminals, it is only possible to send data from the base station or from one terminal at the same time so that the communication per terminal becomes less efficient.

Full-duplex is an approach that was developed as a technological solution to this issue. Basically, full-duplex (Figure 2) allows simultaneous sending and receiving from each base station and terminal so that the efficiency of frequency usage doubles.

Meanwhile, when the base station and terminal are simultaneously sending and receiving, it becomes necessary to ensure that the transmitted signal is isolated so that it does not interfere its own receiver. For FDD using different frequencies for uplink and downlink, you can easily pick up desired signals on the specific target frequency using a relatively small component called a filter. In other words, you can block the unnecessary signals at certain frequencies from its own receiver. However, with the full-duplex method using the same frequencies, the filter solution does not work (signal separation is not possible). Therefore, it is not practical to introduce simultaneous sending and receiving with the terminals as eliminating self-interference requires complex and large sized signal processing that results in higher cost and terminal size becoming larger. In fact, we are progressing our research by implementing signal processing to eliminate self interference only with the base station so that a base station communicates with two terminals with the scheme, when one is receiving the signal, the other sends the signal in order to improve communication efficiency. (Figure 3)

Illustration of the New Communications Method

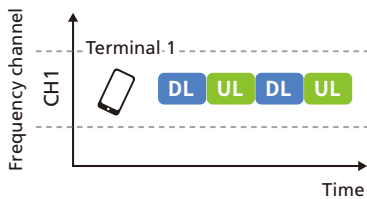


Figure 1: Current approach (TDD cellular)

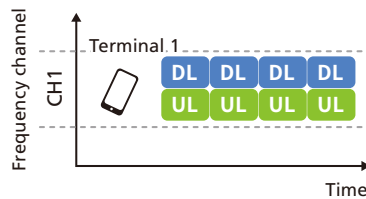


Figure 2: Full-Duplex cellular

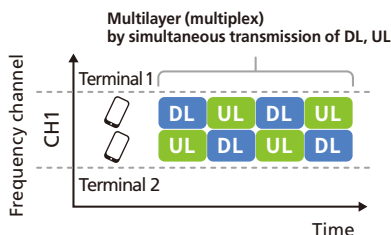
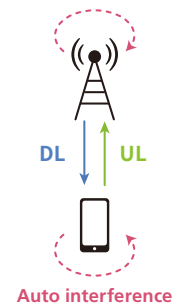
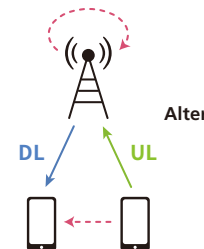


Figure 3: Objective (Full-Duplex cellular)

Auto interference

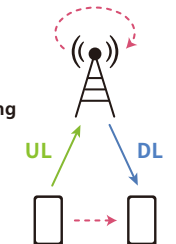


Auto interference



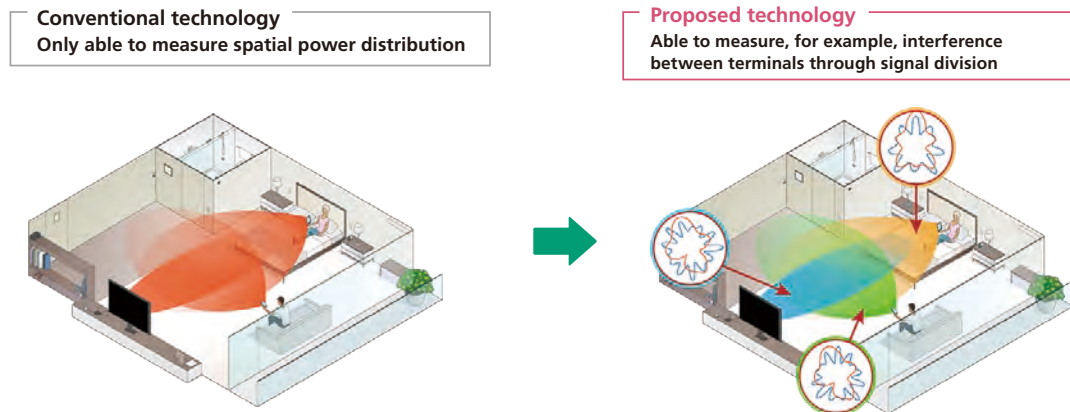
Inter-terminal interference

Auto interference



Inter-terminal interference

■ Illustration of Radio Frequency Interference Monitoring



With this method, when multiple terminals are within the distance where the signal of one reaches another, the radio wave signal from the base station is mixed with the radio waves from the second terminal so that communication quality may be degraded. It then becomes necessary to know ahead of time the status of signals from the other terminals in order to determine whether the full-duplex approach can be used.

The radio frequency interference monitoring technology that Anritsu is tackling for this research project enables the user to understand the status of signals from each terminal by using AI to separate and visualize signals that arrive on the same frequency. With this technology, even if signals from the base station or multiple terminals are mixed, each can be separated by their transmission sources and the user can identify the direction where the signal comes from and its power.

Open Activities to Go Beyond “testing”

Research at the Advanced Research Laboratory are conducted with highly diverse members. For our NEMS research, we invited an expert in this field from an university and we have opened a new laboratory as well. The team members are individuals with various backgrounds, including those with professional experiences, one who was involved in research overseas, an expert in specialized equipment, a physical measurement specialist, and a micro-fabrication specialist. Also, the 6G research team is comprised of members with specialties in physics, optics, chemistry, signal processing, and various other fields. Team members with this level of diversity can offer input from each of their speciality perspectives, thereby helping make discussions on each research theme more dynamic. Additionally, when pursuing research, an open approach is used in order to quickly reach objectives not insisting on domestic approaches. We first identify target technology areas to

tackle internally and proceed with R&D, while also welcoming in external knowledge through joint projects with university research laboratories and independent research institutions.

We provide a forum for discussions, mainly centering on technology, in order to internally share the knowledge from these research activities. We also receive feedback from business divisions on applications of the technology, and we engage in human resource exchanges. Both optical and microwave technologies are Anritsu’s core competencies and we are called upon to foster them and utilize them in business. As part of research programs on microwaves, the Advanced Research Laboratory is working on core components for millimeter waves. This effort has been progressed under close cooperation with our Test & Measurement Company and Sensing & Devices Company.

Additionally, once we enter a 6G world, communications devices are expected to be placed at a density of 1,000 devices per square kilometer, with various types of sensors working with each of these devices. For example, there is a light detection technology called LiDAR that emits laser light and calculates distances based on the time it takes for the light to return after reflecting off objects. LiDAR is expected to have applications for self-driving vehicles that need to recognize pedestrians and other objects. It is also the technology used in the iPhone 12’s autofocus feature in dark environments.

To date, Anritsu’s optical technology has mainly been used in businesses in the field of optical communications, including test and measurement equipment and optical communication devices. Going forward, we will leverage our strength in compound semiconductor technology and push R&D for optical sensing technology targeting wider uses also in fields other than communications.

Although there are some differences in terms of timeline and viewpoints between future-oriented fundamental research conducted by the Advanced Research Laboratory and business-oriented development effort, discussion should impart positive stimulation to both. Going forward, we will continue to engage in internal debate and exert our full effort to contribute to the future of Anritsu.

Test and Measurement Business

Contributing to the advancement and enhancement of social infrastructure with high-speed communications networks leveraging cutting-edge 5G technology

Accelerating Initiatives for the New Society that 5G Will Support

Takeshi Shima

Director, Senior Vice President,
Test and Measurement Company President



SWOT Analysis

<ul style="list-style-type: none"> Test & Measurement technology covering wired and wireless communications and a wide variety of solutions Global development, sales, and support network Extensive partnerships with industry-leading customers and suppliers <p>Strengths S</p>	<ul style="list-style-type: none"> 5G/IoT utilization markets are still under development High dependence on the telecommunications market <p>Weaknesses W</p>
<ul style="list-style-type: none"> Increased demand for equipment for development, manufacturing, construction, and maintenance due to expansion of 5G services Increasing network speed and capacity through DX for meetings, entertainment, purchasing, and various control functions Promotion of 5G utilization (local 5G/IoT) in non-telecom industry fields by taking advantage of higher speed and lower latency (local 5G, IoT) <p>Opportunities O</p>	<ul style="list-style-type: none"> Reduced economic activity due to the spread of COVID-19 variants and delay in deployment of 5G services Increased tensions over trade and geopolitics, and restrictions on business activities, due to conflicts between major powers Business fluctuations for specific customers <p>Threats T</p>

Business Areas

Since Anritsu was founded, and over our long history, we have contributed to the evolution of communications technology through innovations that have paved the way for the future of information and communications and by providing society with original and sophisticated products. The Test and Measurement Business delivers measuring instruments and test systems to customers worldwide. These instruments and systems are essential for the quality assurance of communications equipment and facilities that are the core elements of communication network infrastructure.

- Providing test solutions for all phases in the mobile communications market, as represented by smartphones, including chipset development, device development, conformance testing and manufacturing inspections.
- Providing measuring instruments and systems required for evaluating and assuring the quality of connectivity quality

of communications modules in IoT devices installed in vehicles, home appliances, and industrial equipment, for use in development and in manufacturing inspections.

- Providing measuring instruments for performance evaluations and manufacturing inspections of network devices that deliver high-definition video and images from data center cloud networks at high speeds over the Internet.
- Providing a wide range of wired and wireless measuring instruments for the manufacturing and construction/ maintenance of various types of communication equipment and devices, including the base stations that make up mobile networks.
- Providing monitoring solutions that contribute to the improvement of network operations, including network failure analysis and capacity expansion, by visualizing the network operational status of telecommunications carriers.

The importance of the internet has been reaffirmed in the COVID-19 pandemic and there is demand for its further development as infrastructure supporting new ways of living. With the launch of 5G, we are at a point where anyone can receive high-level services regardless where one lives as high-speed and high-capacity wireless communication is now available.

Anritsu's Test and Measurement Business provides the global market with test and measurement systems that are crucial for establishing and expanding the use of sophisticated communications technology. As a partner to our customers, we will contribute to the development of information and communications technologies, such as 5G, and create test solutions to solve problems in new applications and use cases for communications technology. As we do so, we will accelerate initiatives for addressing the needs of a communication-oriented society.

Market Environment and Business Opportunities

In 2019, 5G services were first launched in the U.S. and South Korea, then in China, and now include 143 commercial 5G networks (of varying sizes) in 68 countries around the world. The number of subscribers has also increased to 220-230 million worldwide, led by China (as of the end of

December 2020, according to "5G America" and the "Ericsson Mobility Report").

The importance of communications services has risen further as the human race has been confronted with the global turmoil of COVID-19. Face-to-face interaction had been the norm for many types of sales and service activities that have now switched to online formats and there is demand for further development of 5G as the infrastructure supporting this new way of living. The range of fields utilizing 5G is showing breadth and is expected to go beyond current online services to include the remote operation of robots and vehicles, as well as education and healthcare. As these types of social activities continue to be carried out remotely (i.e., a non-face-to-face economy) going forward, it is predicted that there will be test and measurement needs for using AI and VR to deliver high-definition, low-latency video and image information, and to build product assurance frameworks that guarantee quality.

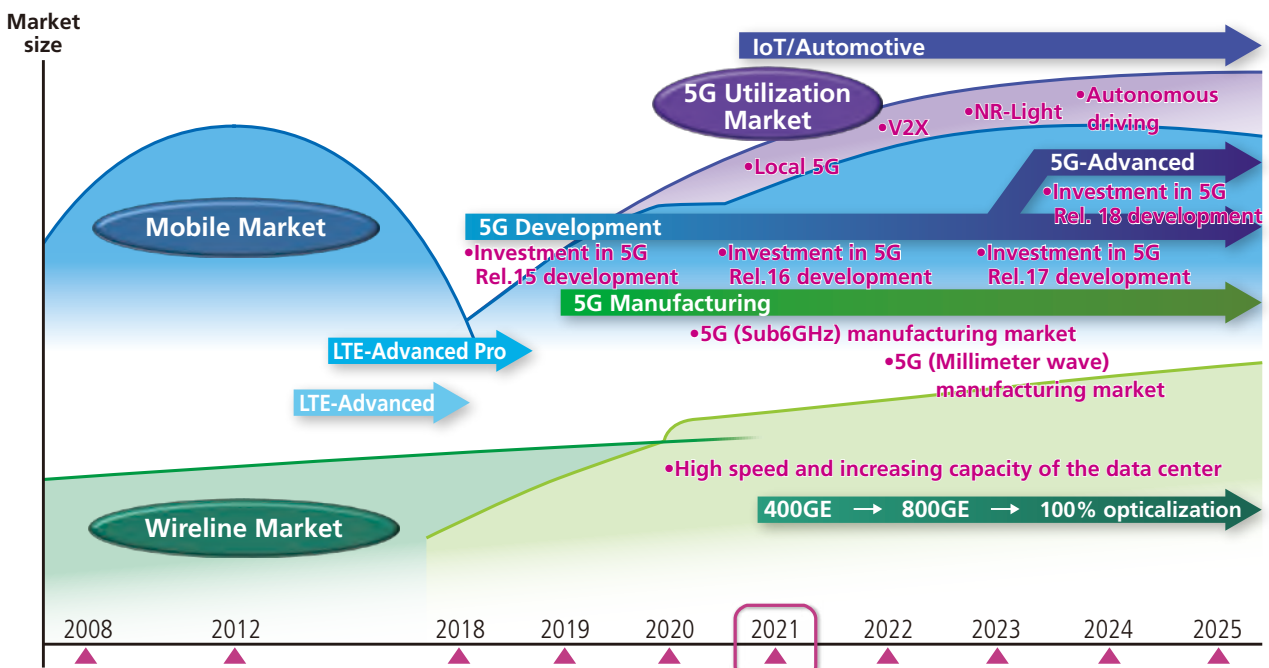
Roadmap of 5G

*Created by Anritsu referring to publicly available information



As of end of September 2020 (The figure is a selection of major countries)

Test & Measurement Business: Mobile market trends and Business opportunity



Test and Measurement Business

In terms of technological progress, research has already gotten underway on 5G-Advanced, 6G, 800 Gbps that expect to become the succeeding technologies for already commercialized 5G for wireless, 400Gbps ethernet for wired and various types of low-power wireless technologies.

Over and above further honing our development of these technologies, we will aggressively develop and propose solutions, while also continuing to work on accumulating expertise for fulfilling requirements that arise accompanying a wider and more diverse range of customer use cases, including local 5G and various remote services such as autonomous driving and healthcare.

Growth Strategy

FY2020 Results

With revenue of 74.8 billion yen and an operating profit margin of 23.6%, we were able to meet our initial targets for FY2020, the final year of GLP2020; however, we did not reach 77.0 billion yen in revenue—the target we set at the beginning of FY2020—due to market impacts from COVID-19. Even under such environment, being able to continue and extend collaboration with global customers pursuing development of cutting-edge technologies was a major success for us to accelerate efforts in FY2021 and beyond. We completed setting up a development environment for engineers to be able to progress development even when they are at home in the early part of FY2020 so that our development plans were progressed almost equivalent to the schedule as when employees were working in office. As a result, we released new products that included fading functions for our 5G base station simulator (MT8000), C-V 2X solutions, a 400 Gbps field tester (MT1040A), and the world's only new-standard Wi-Fi 6E-compliant single-box Wireless Connectivity Test Set (MT8862 A).

Basic Policy for GLP2023

With the completion of GLP2020, we embarked in April 2021 on our new Mid-Term Business Plan, GLP2023. The plan targets considerable growth, with revenue of 100 billion yen and an operating profit margin of 23%. The vision set

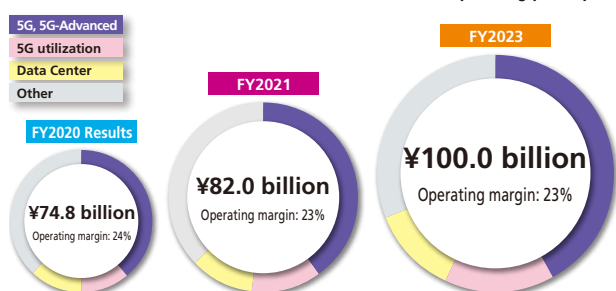
forth in GLP2023 is to become a “leading company supporting a communications society built on 5G.” As we head toward the peak of 5G smartphone-related business in 2023-24, we aim to accelerate efforts and expand our business in fields further developing 5G or derived from 5G. We have three policies for achieving the plan: 1. Increase the ratio of 5G utilization and solutions for the network infrastructure market within our business portfolio; 2. Transform our business solutions from simple provision of “measurement” tools to provision of value by “resolving through measurement”; and 3. Increase investment in growth areas (5G-Advanced, self-driving vehicles, O-RAN/IOWN). Under these policies, we will continue to create solutions that contribute to a broad range of customers pursuing business leveraging communications technology. We are placing priority on “co-creation” initiatives for collaborating and growing together with customers in each industry as we pursue this three-year activity plan.

Of the three basic policies, we are particularly emphasizing the transformation of our business solutions to provide value by “resolving through measurement,” which we recognize as a formidable challenge. As the scope of 5G utilization broadens, there has been an increase in customers who are not skilled in communications technologies unlike traditional chipset or smartphone manufacturers. The challenge for those customers is to identify what kind of business to develop using communication technologies, but not the communications technology itself. We must think of how results gained from our measurement solutions can be used to serve the businesses of these customers, and then convert them into new values. Through collaboration and co-creation, we are working with customers in the new fields such as IoT, automotive, and local 5G operators in order to generate these values. We are adding the findings and the new knowledge gained from this process to Anritsu's advantages, advanced and accurate measurement and testing technologies, to contribute to building a more sophisticated social infrastructure.

Human Resource Hiring and Training

With an untiring commitment to Anritsu's concept of “Original & High Level,” we are striving to broadly and globally hire and train talented personnel who align with this commitment and come from a broad, global pool that spans solutions development, manufacturing, and sales. We are expanding our development bases in the U.S. and the U.K., as well as in the Asia region, including the Philippines and other countries. With regard to engineers involved with leading-edge R&D, we are conducting thorough training in Japan (the home base for our development), and then distributing them to the development sites in other countries so that under a consistent mindset based on company policies they pursue development effort taking into account the particular cultures and environments of each country. With regard to manufacturing and sales as well, we are striving to strengthen the

Test & Measurement Business: GLP2023 revenue and operating profit plan



framework above while simultaneously engaging in personnel development through trainings, meetings, and human resource exchange programs. The number of female employees working in development and marketing has increased and, going forward, we will further build out programs for advancing the careers of all employees.

Accumulating Intellectual Capital and Participating in External Organizations

In addition to acquiring patent rights for technology emerging from our development, we are also dedicating effort to attaining new technology by joining various external organizations. Currently, we are members of the Third Generation Partnership Project (3GPP) for determining mobile communication standards, and some of our other affiliations include the following groups (for details on activities, please see the section of our website listing affiliations).

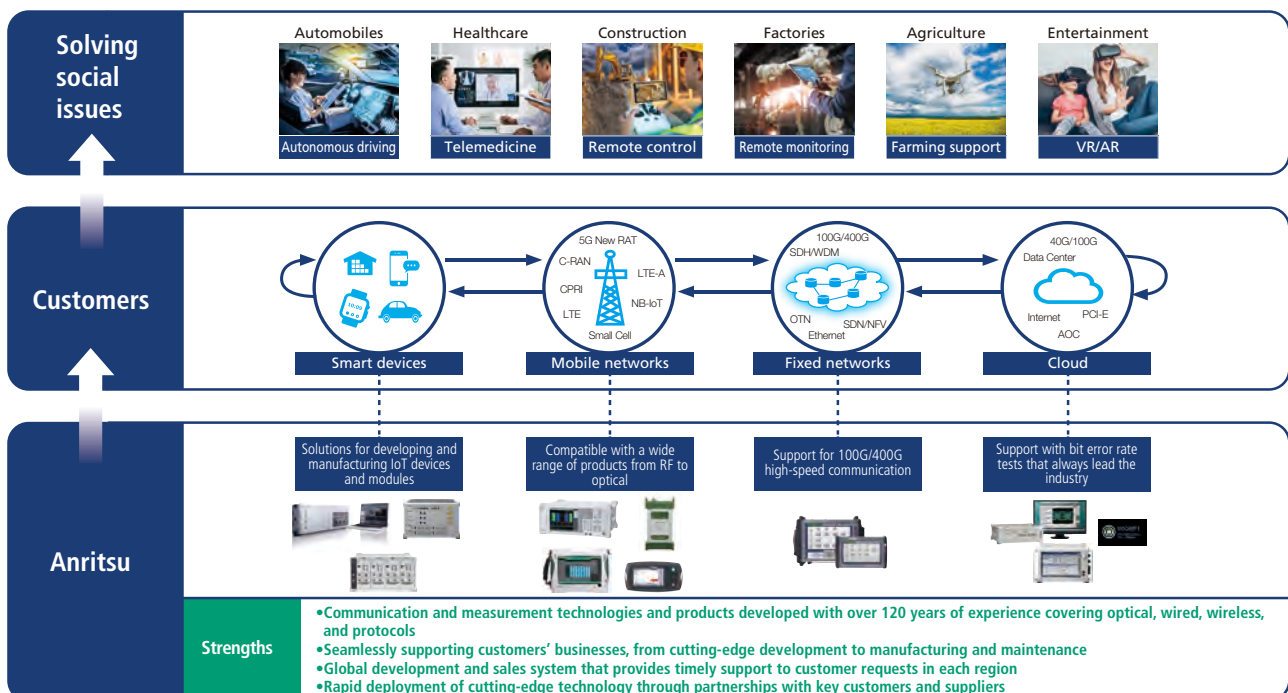
1. The Next Generation Mobile Networks Alliance (NGMN Alliance) for deliberating on the status of next-generation mobile communications
2. The Wi-Fi & Ethernet Standards Group, organized under the Institute of Electrical and Electronics Engineers (IEEE)
3. The Open Radio Access Network Alliance (O-RAN Alliance) for intelligent 5G communication networks and for devising open interface specifications
4. The Innovative Optical and Wireless Network (IOWN). A global forum for reviewing new communications platforms comprised of fully optical networks, and edge and wireless distributed computing

SDGs Undertaken by a Test and Measurement Company

By manufacturing and delivering value-added original products at a high level, Anritsu is in agreement with Goal 9 of the SDGs (Build infrastructure, promote industrialization, and foster innovation). We will also grow our contribution to Goal 11 (Sustainable cities and communities) by expanding our business in 5G, including utilization via the IoT. In recent years, natural disasters, epidemics, aging populations, and other social issues that require solutions have been increasing. SNS, photo sharing, video streaming, and other forms of communication over the Internet have received recognition as tools for solving these issues. The communication networks that support human safety and daily living by “connecting” now enable high-speed, large-capacity, ultra-low latency, and multiple simultaneous connections over 5G. 5G will be utilized in industries such as healthcare, agriculture, automotive, and disaster prevention and expected to become a communications infrastructure that solves various social issues such as information disparity, traffic accident prevention, and labor shortages.

Anritsu’s test and measurement technology supports the advancement and quality improvement of communications, thereby contributing to creating a more comfortable and convenient society.

We will continue to take part in Anritsu Group’s effort of contributing to the “realization of social sustainability” by maximally utilizing not only 5G but also other technologies we own.



PQA Business

For a sustainable future together, we become the most trusted First-to-Call company in quality assurance.

Masumi Niimi
 Director
 Senior Vice President
 PQA Business Group President



SWOT Analysis

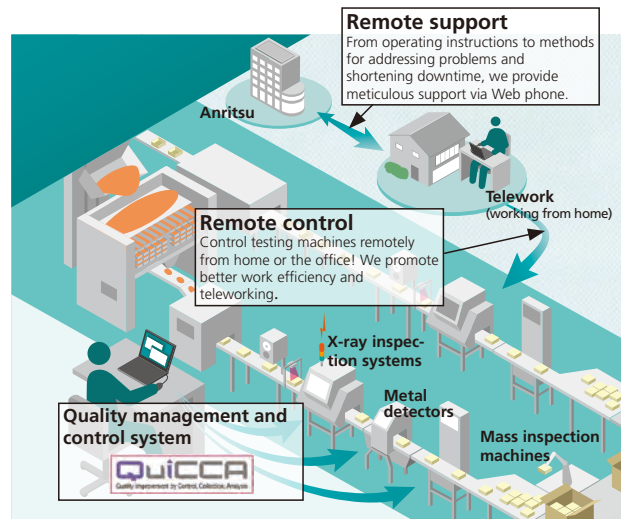
In FY2020, some customers postponed capital investment in testing equipment and other products in order to prioritize investment for combating COVID-19. However, we expect things to return to normal as vaccination is progressing. Seeing the after COVID-19 landscape as an opportunity, we will be making innovations to further advance our business.

<ul style="list-style-type: none"> High-speed, high-precision quality inspection technology for production lines Engineering responsiveness that can adapt inspection systems to various workplace environments Extensive maintenance service system and experienced technicians in regions of direct deployment Track record and top-class market position in the food inspection market in Japan Innovation through synergies with other businesses such as local 5G Possession of fundamental technologies applicable to the pharmaceutical manufacturing market <p style="text-align: right;">S Strengths</p>	<ul style="list-style-type: none"> Lack of market recognition in Europe and other regions where Anritsu has yet to fully develop our business Lack of recognition in overseas pharmaceutical markets <p style="text-align: right;">W Weaknesses</p>
<ul style="list-style-type: none"> Growing global demand for safe and secure food Advancement of full automation and labor-saving on production lines to improve sanitation Growing demand for processed foods as consumers shift to eating at home Rapid development of innovative technologies such as AI and IoT <p style="text-align: right;">O Opportunities</p>	<ul style="list-style-type: none"> Very strong competition in large markets such as Europe and U.S. Re-spreading of COVID-19 due to new variants, etc. <p style="text-align: right;">T Threats</p>

Business Areas

The PQA Business provides development, production, sales, and maintenance services of quality inspection machines and quality control systems for the food and pharmaceuticals industries globally. We are enforcing localization in major markets around the world so that we can listen to requests and issues of customers and respond quickly and flexibly.

In the food industry, on top of traditional issues such as ensuring quality that promises safety and security, productivity improvement, and stabilized supply, initiatives for realizing a sustainable society such as reduction of food loss and eliminating plastic waste are now required.



Anritsu's PQA solutions not only provide safety and security for foods and pharmaceuticals while improving our customers' productivity, they also contribute to reducing food waste, a necessary step in realizing a sustainable society.

In quality assurance, a PQA field, in order to achieve our management vision of "Beyond testing, beyond limits, for a sustainable future together," we are pursuing original, high-level quality assurance solutions that address our customers' key issues. Furthermore, along with performing localization aimed at rapidly and flexibly satisfying the diverse needs of customers around the world, we are bringing the technologies developed in the food field into the pharmaceuticals field as we work to achieve further growth and even greater business value.

To help our customers solve those issues, we are going beyond the traditional boundary of quality testing and actively invest in developing system solutions that cover entire areas of our customers' production lines.

Market Environment and Business Opportunities

In FY2020, even under the COVID-19 pandemic, food and pharmaceutical industries continued to be in full operation to support our everyday lives. However, as we had to refrain from entering our customers' factories as prevention measures for COVID-19 spreading, resulting in significant delays in business opportunities. Additionally, some customers postponed capital investment in testing equipment and other products in order to prioritize investment for combating COVID-19.

Looking at the food market by region, in Japan, segments such as the candy market, cosmetics market, and the restaurant industry market were sluggish due to a sudden drop of incoming travel-related demand. On the other hand, although investment is picking up for automation equipment for alleviating labor shortages and maintaining hygienic quality as demand is rising for home foods such as frozen, boil-in-the-bag, and instant noodle products, much time is spent on many of our business negotiations.

Although the U.S. and many other Americas countries have been among the most impacted by COVID-19, the demand for PQA Business in this region for the first half of the year exceeded that of the previous year thanks to strong demand in the meat market and global customers' continued engagement for planned investment.

Demand is currently on a recovery path but we observed a temporary slump in the third quarter due to many customers prioritizing investment for COVID-19 measures.

In the European market, lockdowns happened one after another in major countries and the situation repeatedly waxed and waned. The demands mainly of major markets such as Germany and France were almost at the level of the previous year up until third quarter. However, since the fourth quarter, the situation has remained unstable as many projects have been postponed due to re-spreading of infections in European countries.

In China, where the COVID-19 pandemic converged ahead of the rest of the world, the market has recovered from the sluggish previous year and remained strong. In particular, the segment for home consumed foods such as frozen foods, noodles, and precooked foods was strong. Meanwhile, Asian markets other than China were slow from the beginning of the year as economic activities became sluggish due to measures for the COVID-19 pandemic.

We expect the COVID-19 pandemic will accelerate the trend towards fully automated or semi-automated production lines. There is still much room for further automation in the quality testing processes where the tasks are complicated and sophisticated judgements are required. Leveraging this growing need, we will be proposing further advanced and refined automation solutions going forward.

In the pharmaceuticals market, quality assurance requirements are even stricter than those in the food market.

For more than half a century, Anritsu has provided customers in pharmaceutical production with checkweighers and other testing equipment. Although we have an extensive track record in Japan, our name awareness is not particularly high in overseas pharmaceuticals markets.

Many global pharmaceutical companies have their headquarters in the U.S., Europe, China, or India, and we plan to expand our business into these markets going forward.

Fiscal Year 2020 Review

The following are the main new products we launched during the GLP2020 period.

Main New Products for the Food Market

- "QUICCA3," Overall Quality Management and Control System that contributes to productivity improvement by visualizing production and quality status
- "KXE7522," Dual Energy Sensor X-ray Machine with significantly improved contamination detection performance
- "M6-h" Series Free Fall Metal Detectors, which detects and removes metal contamination for granular foods and raw materials during production process.

PQA Business

Also, to help the needs of detecting faulty product packaging as food shelf lives grow longer, we have also promoted X-ray inspection machines specialized for detecting ingredients caught in the seal of the food packages.



QUICCA3
General quality management and control systems



KXE7522 X-Ray
Inspection system with dual energy sensor



KDS0010VNW
M6h series of free fall metal detectors

Main New Products for the Pharmaceuticals Market

- “KDS1004PSW” metal detector specialized for contaminant detection in pills and capsules for the pharmaceuticals market
- “QUICCA PHARMA” general quality management and control system for pharmaceuticals
- “GS1” Auto-Checker with seal detection function supporting traceability requirements for pharmaceuticals

For the aim to grow our PQA Business on the global level, we have worked to build a structure that can quickly and flexibly support diversified needs of different regions. However, we have been slightly behind the plan and were not able to reach the targets set in the GLP2020 during the period.



KDS1004PSW
Metal detector for pills and capsules



QUICCA PHARMA
Overall quality management and control system for the pharmaceuticals market



GS1
Auto-checker with seal detector

Meanwhile, we have drastically changed the organization in order to strongly promote our three initiatives raised when the plan was originally set, namely “continuous launch of world’s best-performing machines,” “transforming into a global company,” and “penetrating the pharmaceuticals market.”

Under a new system, we will accelerate efforts to achieve globalization and innovation by fully leveraging managerial resources that include the Anritsu Group’s technologies and human capital.

Growth Strategy

GLP2023 Basic Policy

GLP2023, launched in April, establishes a vision for the PQA Business of “For a sustainable future together, we become the most trusted First-to-Call company in quality assurance,” and the business aims to achieve ¥27 billion in segment revenues and a 10% operating profit ratio by FY2023.

Guided by the Group’s Vision “Beyond testing, beyond limits, for a sustainable future together,” we will bring our quality inspection technologies that play an active part in production lines, an area of Anritsu’s strength, combined with advanced technologies and innovative services that include AI and IoT in order to build solutions to comprehensively support our customers’ quality assurance activities.

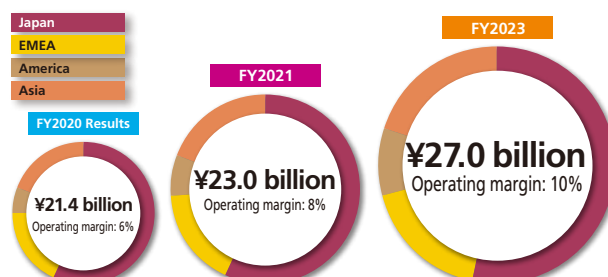
We will also boost investment ratios for the development of new sensing and information systems, and strategic products for the pharmaceuticals market.

Also, we will enhance our organizational structure that gathers feedback directly from local customers around the world and enables prompt provision of products and services that meet local customers’ needs.

Furthermore, leveraging the technologies and know-how of “quality assurance” acquired in the food production field into the pharmaceutical field, we will make the pharmaceuticals market the second pillar for the PQA Business.

■ PQA: GLP2023 Revenue and Operating Profit Plan

- Creation of solutions that resolve critical issues of customers
- Value creations beyond “testing”, as well as rapid and appropriate response to the diversified needs of regions around the world
- Enhance profitability through advancement of X-ray inspection machines, improving presence in pharmaceutical market and enforcing operational innovations



Talent Recruitment and Development

To make strides with GLP2023, we will be aggressively recruiting engineers for cutting-edge technologies in such areas as image and signal processing, IoT, deep learning and other aspects of AI, as well as non-destructive sensing, that are the areas of focus for us.

We will promote growth of people and technology through interaction broadly with outside research organizations by removing insistence on internal effort.

Relationships with Outside Organizations and Collaboration with Leading Companies

Anritsu is actively collaborating with customer companies and other companies in the industry. For PQA Business, we have become a member of more than 20 industry associations in Japan including the Japan Measuring Instruments Federation, Japan Inspection Instruments Manufacturers' Association, and Japan Packaging Machinery Manufacturers Association. Furthermore, we have joined PMMI (Packaging Machinery Manufacturers Institute), a U.S.-based organization with more than 900 member companies.

In addition to interacting with and learning about issues faced by our customers in the industry by actively partici-

pating in activities of those associations, we contribute to solve these issues by working together with industry-leading companies and research institutes.

SDGs Undertaken by a PQA Business

It is a common wish of all humankind to bring about a society wherein everyone lives in safety and good health. By effectively using limited resources in sustainable ways and developing technologies for processing foods to make them safe and long-lasting, we hope to reduce the number of people suffering from hunger as much as possible.

Through provision of PQA solutions that support the stable supply of safe and secure foods and pharmaceuticals, as well as proactive efforts for food loss reduction, Anritsu will continue contributing to the realization of the society where everyone can always live in good health.



Human Resources

Stance on Social Issues

A company is a group of people with different ways of thinking and different values, and an employer is responsible for giving due consideration to the human rights of each employee. In order to better secure human resources and respond to the risks and needs of a diversifying market in an aging society with a declining birth rate, we believe it is increasingly important for companies to promote diversity

management. For Anritsu, for which overseas sales account for 70% of total sales (in fiscal 2020), maintaining its current business and achieving the Company vision renewed in April 2021 requires creating an environment in which a diverse group of employees can work actively and share their values.

Workstyle Reform

Workstyle in COVID 19 Disasters

We have made efforts to build a computer network so as to allow people to work from home just as they would at the office. We have also implemented a special leave program so that people can take time off without hesitation. In addition, we provide a teleworking allowance and have made available a counseling service to help people care for their mental and physical health. These and other efforts are aimed at establishing work environments that enable people to work in safety and security.

Life-Work Balance

Placing the lifestyle of each individual at the center of how they spend the 24 hours of each day and where they place work in that day, the Anritsu Group is focused on enabling its employees to enjoy a harmonious life-work balance (we use this term to emphasize "life" first, rather than the more common "work-life balance"). We seek to improve employee productivity by encouraging them to pursue a fulfilling personal life as well as an equally fulfilling professional life. In line with Anritsu Corporation's Action Plan to Support Child-Rearing (6th stage), which began in fiscal 2020 (see the table on the right), we have focused on promoting improved life-work balance among our employees. In fiscal 2021, we are striving to improve working conditions as part of our workstyle reform.

Efforts by labor and management through the Committee for Promoting Life-Work Balance are also underway. Anritsu was recognized as a "company supporting child-rearing" by the Ministry of Health, Labour and Wel-

fare in 2015 and 2018 and was awarded the Kurumin Triple Star Certificate by the ministry in 2020.



Anritsu Corporation's Action Plan to Support Child-Rearing (6th Stage, April 1, 2020 to March 31, 2024)

Objectives	Measures	Actions
Improve working conditions toward workstyle reform	Review and improve the workplace environment so employees have a better life-work balance	From April 2020: considering and designing a flexible system that offers workstyle options (such as telework)
Draw up, consider and implement a plan for revising and reinforcing childcare systems	Cultivate a workplace culture in which employees feel free to take days off or leave for a better life-work balance	From April 2020: promoting a workplace culture that is more supportive of men taking childcare leave

Employee Satisfaction Survey

The Domestic Anritsu Group conducts an employee satisfaction survey with all employees every year to ascertain their levels of satisfaction and identify issues that may need to be addressed. The survey results are disclosed to all employees through the intranet, and departments receive feedback for applying the results to improve their workplace environments.

	FY2016	FY2017	FY2018	FY2019	FY2020
Response rate	95%	93%	92%	98%	98%
Satisfaction with the workplace	86%	88%	88%	87%	90%
Satisfaction with work	73%	70%	70%	70%	75%

Diversity

Career Development for Cultivating Female Leaders

Women-focused recruiting and career-development initiatives are underway at Anritsu to support female employees more directly involved in the process of growing the Company and raising its corporate value while also supporting them to maintain a life-work balance.

Appointment of Directors

In the appointment of directors, Anritsu looks beyond gender or nationality to consider knowledge, experiences and abilities as well as to diversify the board. In fiscal 2019, Hanako Noda was appointed as executive officer and CTO, and she has since headed the Advanced Technology Research Center.

In fiscal 2021, Nozomi Ueda was appointed as an outside director and member of the Audit & Supervisory Committee. She has expertise in corporate governance and compliance.

Promotion to Managers

As a GLP2023 target, we seek to increase the proportion of female managers (globally) to 15% by FY2023.

In fiscal 2017, we revised the tier-based training system for young workers and leaders, which had accepted only workers recommended by department managers until fiscal 2016, to allow participation by anyone who meets certain conditions. This helped raise the female participation rate from around 12% through fiscal 2016 to 17% in fiscal 2017, 20% in fiscal 2018, 14% in fiscal 2019, and 27% in fiscal 2020. Other measures, such as the training program aimed at supporting the advancement of women's careers, also proved to be successful, leading to the appointment of two female managers in fiscal 2020 and two more in fiscal 2021 (14% of all newly appointed managers in both years).

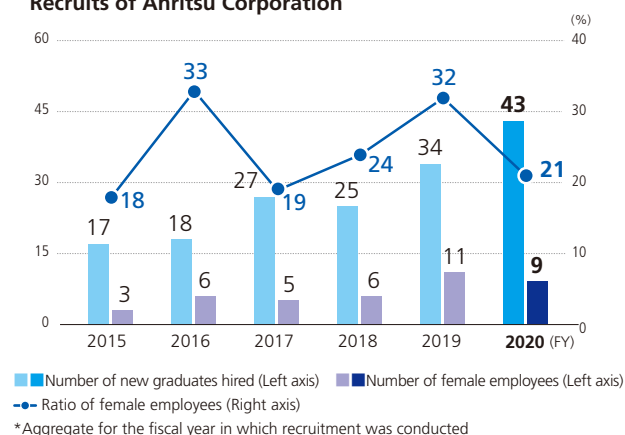
Career Support Programs

We have been conducting various training programs exclusively for female employees. In fiscal 2020, a round-table discussion and workshop were held by female employees pursuing promotion to management positions. We will continue to provide female employees with career development programs.

Recruitment Activity

Anritsu hires new employees on a gender-neutral basis in all positions, be they in office administration or technical areas. We attained the goal set in fiscal 2016 of raising the ratio of female employees in Japan to 20% of all new recruits by 2020 as a result of public relations activities focused on female students and the best use of websites and job fairs. We continue to work toward the goal of maintaining a female employee ratio at 20% or higher of all new recruits and seek to further increase the number of female employees who will play an active role in the Anritsu Group.

■ Ratios of Female Employees Among New Graduate Recruits of Anritsu Corporation



Human Resources Development

The real source of a company's value is the diversity of its human resources, and for the Anritsu Group, where technology is a core competence, the hiring and development of human resources capable of leading technical innovation is a key management issue. With that in mind, and without regard to nationality or gender, the Domestic Anritsu Group is focused on continuously developing employment plans that prioritize diversity in both education and training programs to support the independent growth of our employees.

To encourage employees to build their strengths independently and update their skills at their own initiative, Anritsu provides on-the-job training as well as educational and training programs. On-the-job training helps employees gain the skills and expertise built up by Anritsu over many years of operations, while off-the-job education supports employees' self-improvement and self-development.

Off-the-job education is built on the concept of voluntary choice of what and when to learn and to learn about their strengths and true capabilities. Comprised of level-based training and a self-development program (Learning Content), the education programs are shared across the Anritsu Group. The average hours of training per employee

at the Domestic Anritsu Group was 7.4 hours for fiscal 2019 and 5.3 for fiscal 2020 (hours of training on programs organized by the Human Resource Department).

The training of engineers was previously conducted at the initiative of business departments to which the engineers belong, but since fiscal 2020, it has been conducted by human resources staff in cooperation with business departments. The human resources staff, who are assigned exclusively to the training of engineers, also work with the Engineering Division, launched in April 2020, to help newly hired engineers become full-fledged engineers and to plan and provide cross-sectional training programs for engineers across the Anritsu Group.

For childbirth and childcare, we also have programs that go above and beyond legal mandates for taking leave, returning to the workplace, and working shortened hours both before and after workers give birth. We provide and familiarize all employees, both male and female, with the relevant information so that they can feel good about making use of these programs and balance childcare with work. Five women and four men took childcare leave in FY2020. We will continue working to raise awareness and promote a better understanding of these programs.

Climate Change Initiatives

Basic Policy

Anritsu Group proactively publicized our countermeasures to climate change and disclosed related financial information according to recommendations that the Task Force on Climate-related Financial Disclosures (TCFD)* published in June 2017. We also officially expressed our support for the TCFD recommendations on June 30, 2021.

To prevent global warming, we are setting scientifically based targets for reducing greenhouse gas emissions and

actively work on initiatives such as reducing energy consumption, increasing the share of private power generation of renewable energy, collaborating with suppliers and reducing the power consumption of our products.

*Task Force on Climate-related Financial Disclosures: An international initiative launched by the G20 Financial Stability Board (FSB) in 2015 to improve the disclosure of information related to the financial impact stemming from climate-related risks and opportunities.

Governance

Major risks associated with the Anritsu Group's business and management are appropriately reported during the Management Strategy Conference and Board of Directors meetings. Climate-change related risks are managed by the executive officer in charge of environmental activities under the supervision of the Group CEO. The executive officer oversees the Environment and Quality Promotion Department, which plays a central role in the Anritsu Group's business, and chairs the Global Environmental Management Meetings and the Environmental Management Committee in Japan. This structure ensures that risk management is given due consideration, planned, executed, and consistently managed across the global organization. In addition, risk management items, plans, status, and reports of the annual management cycle are also presented to these entities.

Strategy

Anritsu has analyzed risks and opportunities related to climate change based on the 2 Degree Celsius scenario (2DS) and the 4 Degree Celsius scenario (4DS). The analysis revealed that, under these scenarios, we may face changes in regulation and experience physical impacts in short- (1 year), mid- (3 years), and long-term (up to 30 years) timeframes. This represents a major risk not only to our own business but also to our entire value chain, and we have therefore positioned climate change as our most critical issue and defined Science Based Targets (SBTs). To achieve these, we are investing in renewable energy generation facilities and expanding our capability for consuming the energy we generate. In addition, we are collaborating with suppliers to reduce their greenhouse gas emissions and striving to develop environmentally friendly products by product assessments of all products under development. These efforts will reduce greenhouse gas emissions, which we believe is the most direct way to contribute to mitigating climate change. We are also strengthening our sales structure for products that help to minimize damage from natural disasters associated with climate change.

Risk Management

Under the Basic Risk Management Policy, to ensure the effective management of risks across the entire Company, the Environment and Quality Promotion Department creates an inventory of potential risks, including those related to climate change, from sources such as the results of the annual environmental impact assessment conducted by each business division and Group company, the Environmental Management Committee, and during Global Environmental Management Meetings. Each identified risk is assessed and its business impact is evaluated based on legal and regulatory requirements as well

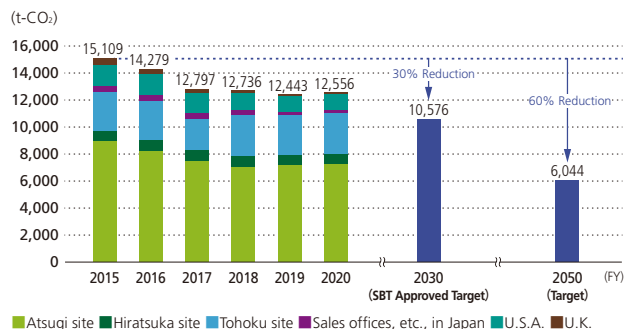
as global trends. The division creates a finalized list of risks and opportunities related to climate change from this inventory. As deemed necessary, the list is reported during the Management Strategy Conference and Board of Directors meetings. The risks and opportunities on the finalized list are assigned for remediation to the related business division or to the Environment and Quality Promotion Department if an item is understood to impact the entire Company. We will continue to identify emerging risks in 2030 and 2050 and execute PDCA cycles to remediate these risks as part of GLP2023 Environmental Initiatives.

Indicators and Targets

Targets	SBT	Fiscal 2020 Progress
Scope 1 and Scope 2: By fiscal 2030, reduce the Anritsu Group's greenhouse gas emissions by 30% compared to the fiscal 2015 level	Approved in 2019	Reduced by 16.9% compared to the fiscal 2015 level
Scope 1 and Scope 2: By fiscal 2050, reduce the Anritsu Group's greenhouse gas emissions by 60% compared to the fiscal 2015 level	Self-imposed target, not submitted to SBT Initiatives	
Scope 3: By fiscal 2030, reduce the Anritsu Group's greenhouse gas emissions resulting from purchased goods and services and the use of sold products by 30% compared to the fiscal 2018 level	Approved in 2019	Reduced by 10.1% compared to the fiscal 2018 level
Anritsu Climate Change Action PGRE 30 Using the Anritsu Group's energy consumption** in fiscal 2018 as a reference, invest in solar panels and increase the share of private renewable energy generation from 0.8% of its energy consumption to about 30% by around 2030	—	Share of private renewable energy generation 3.3% Installed a solar power generation facility with 1,100 kW capacity in Anritsu Company (U.S.A.)

**1 Excluding AT Techmac Co., Ltd. power consumption, which is not applicable to the wholly owned subsidiary.

CO₂ Emissions and Reduction Targets in Scope 1 and Scope 2 (Market-Based)



We plan to change the science-based target (SBT) to either well below 2°C or 1.5°C by fiscal 2023.

In addition, we plan to identify specific measures for the long-term plan to achieve carbon neutrality by 2050.

Anritsu Climate Change Action PGRE 30*

We established the Anritsu Climate Change Action PGRE 30 (PGRE 30) in fiscal 2019 as an additional measure for achieving the reduction target for greenhouse gas emissions (Scope 1 and Scope 2). Using the Anritsu Group's energy consumption* in fiscal 2018 as a reference, the plan is intended to invest in solar power generation facilities (a renewable energy source) and increase the private renewable energy generation ratio from 0.8% to about 30% by around 2030. In fiscal 2020, we installed a 1,100 kW solar power generation facility at Anritsu Company (U.S.A.), which started generating electricity in October 2020. We plan to expand the generation capacity at Tohoku Anritsu Corporation in Koriyama City, Fukushima Prefecture and install a power storage facility there as well. In addition, we also intend to work on the second phase of capacity expansion in the Atsugi area.

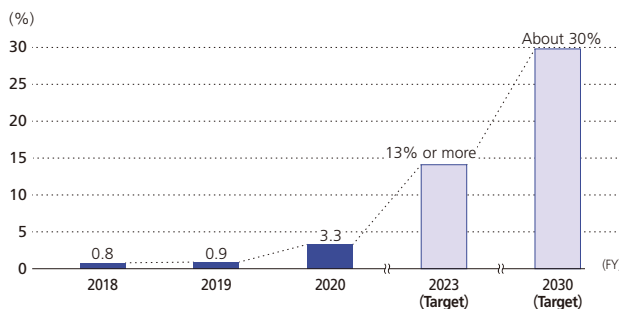
* Excluding AT Techmac Co., Ltd. power consumption, which is not applicable to the wholly owned subsidiary.

* Private generation of renewable energy, and "30" refers both to the approximate target year 2030 for achieving the goal and to the target ratio of about 30%.

Solar Power Generated and Consumed Privately

	FY2016	FY2017	FY2018	FY2019	FY2020
Solar power generated	227	233	241	246	892
Solar power consumed	212	218	225	239	891

PGRE30: Share of Solar Power Generated Privately to Consumed Privately



MESSAGE

Message from Chief Environment Officer

Prevent global warming by expanding our solar power generation capacity for our own consumption



Akio Takagi
Senior Executive Officer,
Chief Environment and
Quality Officer

Anritsu does not consume a massive amount of energy for its business. However, we still want to do our part to prevent global warming. It has been over two years since we launched the Anritsu Climate Change Action PGRE 30, intended to increase the ratio of power generation for our own consumption to 30%, and we have been actively working toward this goal. We have completed the first phase of expanding our solar power generation capacity in the Atsugi site (additional 57 kW), and we are making steady progress in installing a new solar power generation facility (1,100 kW) at a local subsidiary in Morgan Hill, California, U.S.A. To further strengthen our renewable energy capability, our next steps are to expand solar power generation capacity at Tohoku Anritsu and work on the second phase of capacity expansion in the Atsugi site. We hope these efforts will contribute to alleviating the risk of climate change.

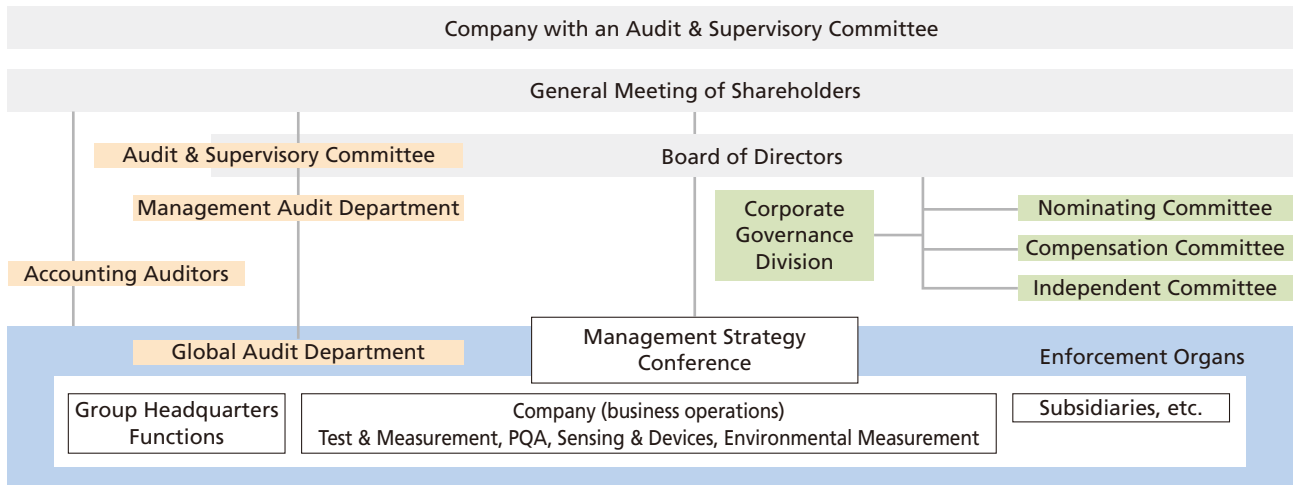
Solar power generation generates electricity only during the daytime when the weather is good, and not during stormy weather or at night. It is difficult to rely solely on solar panels to provide a stable supply of energy throughout the day. To overcome this problem, we are considering the use of storage batteries to store the power generated during the daytime and use it at night. Climate change is a serious social issue. Anritsu will continue working to reduce greenhouse gas emissions as one of our ESG responsibilities to meet the demands of society.

Furthermore, we will work with our employees so that each of them recognizes their personal relationships to social issues, actively works on energy-saving measures, and develops products that consume less energy. In addition, we will continue to encourage our suppliers to reduce CO₂ emissions during the manufacturing of parts and materials to address climate change throughout our supply chain.

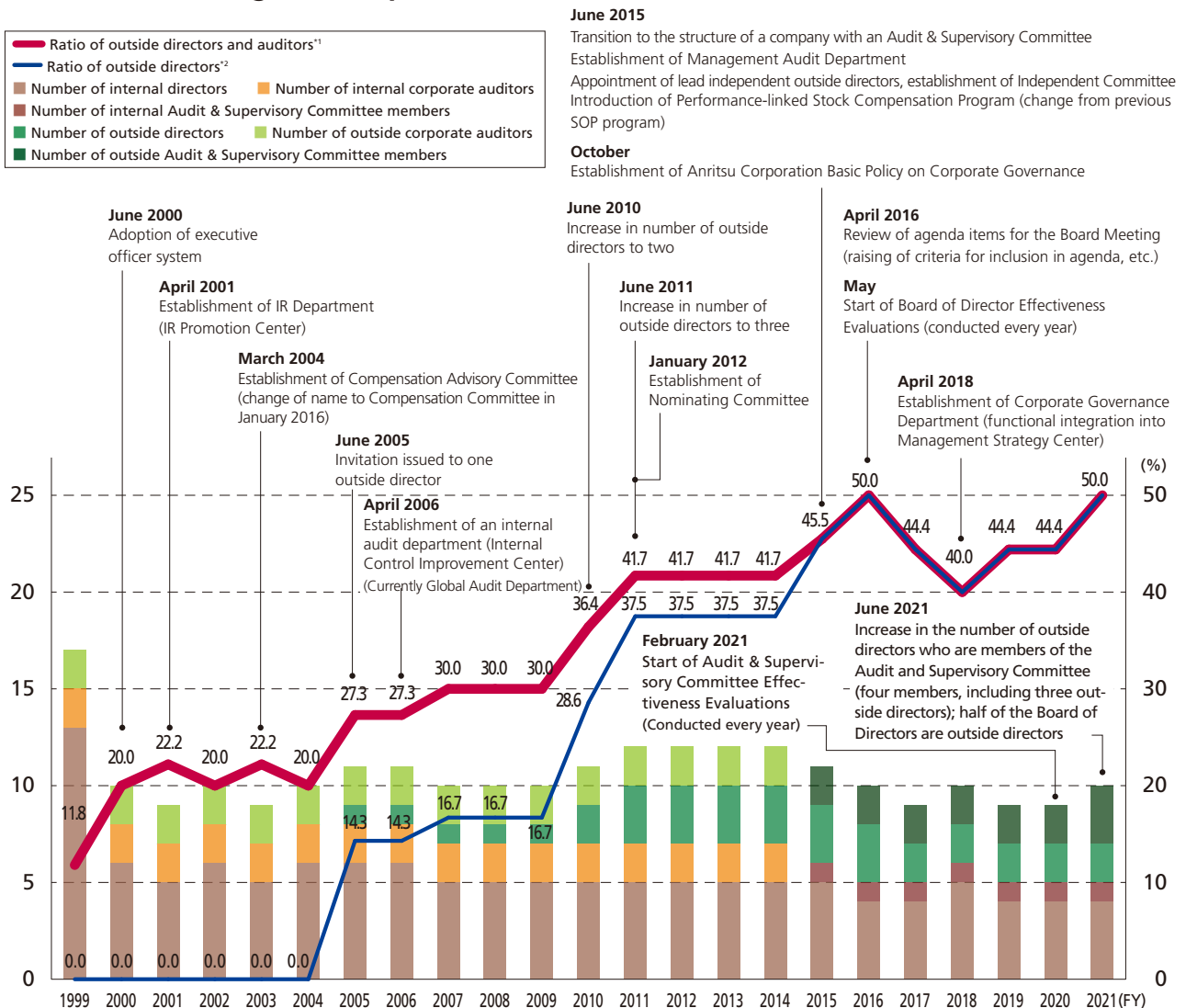
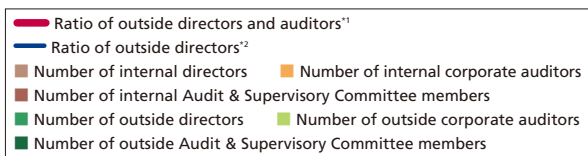
We plan to introduce new initiatives to address environmental issues and make them more actionable for our employees. We hope that this will foster stronger environmental mindsets throughout the organization and build momentum behind our progress toward the SDGs.

Corporate Governance

Corporate Governance Structure



Initiatives to Strengthen Corporate Governance



*1 Ratio of outside directors and auditors = (number of outside directors + number of outside Audit & Supervisory Board members) / (number of directors + number of Audit & Supervisory Board members)
 *2 Ratio of outside directors = number of outside directors / number of directors
 *Due to the transition to a company with an Audit & Supervisory Committee in June 2015, the names "Audit & Supervisory Board member" and "outside Audit & Supervisory Board member" have been changed since fiscal 2015 to "Audit & Supervisory Committee member" and "outside Audit & Supervisory Committee member," respectively.

Criteria for Selection of Directors

Selection of Internal Directors

The Company considers internal director candidates who have advanced expertise and who can be expected to display high competence in business execution while contributing to business performance. Comprehensive human resource evaluations rest on five factors: understanding of the Company's vision and management philosophy, personal capacity, ability to take action and exercise imagination, self-awareness/dynamism/logical mindset, and strong overall ethical sense.

Reasons for Selection of Internal Directors

Name	Reason for selection
Hirokazu Hamada	Tasked with product development and domestic and overseas marketing at the Test and Measurement Business, which is a core business of the Anritsu Group, Mr. Hamada has extensive knowledge and experience concerning business, including industry and technology trends. He is currently the President and Representative Director of Anritsu and has displayed leadership as Group CEO, including leading the Group in its global expansion. Mr. Hamada was deemed qualified as a director for his abundant knowledge and experience as a manager.
Akifumi Kubota	Having been in charge of the Accounting & Control Department for Anritsu and overseas subsidiaries, Mr. Kubota is now responsible for finance strategy and Group business administration as CFO and Chief Corporate Officer. Mr. Kubota was deemed qualified as a director for his extensive knowledge and experience in the areas of finance, accounting, and corporate governance.
Masumi Niimi	Mr. Niimi was deemed qualified as a director for his experience with production management, corporate planning, and overseas subsidiary management at the Product Quality Assurance (PQA) Business, which has grown into a pillar of the Anritsu Group. Furthermore, he is deemed qualified for his wide-ranging knowledge and abundant experience, as well as for his display of leadership as the President of the subsidiary Invis Company, which handles the PQA Business.
Takeshi Shima	Mr. Takeshi Shima was deemed qualified as a director for his wide-ranging knowledge and abundant experience concerning global business, and for currently displaying leadership in Anritsu Group's core Test and Measurement Business as the President of the Test & Measurement Company.
Toru Wakinaga	Mr. Toru Wakinaga was deemed qualified as a director and Audit & Supervisory Committee member for his wide-ranging knowledge and abundant experience concerning Anritsu's global business, in addition to his support for the Audit & Supervisory Committee in the Management Audit Department, and for his abundant auditing experience concerning auditing processes.

Selection of Outside Directors

From the perspectives of the balance of knowledge and experience of the Board of Directors as a whole and of incorporating the viewpoints of diverse stakeholders into the oversight and appropriate management of Anritsu Group business activities, the Company comprehensively judges candidates with consideration of diversity of fields of expertise, backgrounds, and other factors, and also taking into account the candidate's independence from Anritsu.

Reasons for Selection of Outside Directors

Name	Reason for selection
Kazuyoshi Aoki	Mr. Aoki was deemed qualified to appropriately execute duties as an outside director due to his specialized knowledge and abundant experience of finance and accounting from his background as a manager responsible for finance and accounting at a listed company, and also for having a wealth of experience in global business.
Tatsuro Masamura	Mr. Masamura was deemed qualified to appropriately execute duties as an outside director for his specialized and wide-ranging knowledge of information and communications technology, as well as for his abundant experience and remarkable insight as a manager.
Norio Igarashi	Mr. Igarashi was deemed qualified to appropriately execute duties as an outside director for his specialized knowledge and abundant experience in finance and accounting as a certified public accountant and university professor, as well as for his wide-ranging expertise in management from his experience as an outside auditor of a listed company.
Nozomi Ueda	Ms. Ueda was deemed qualified to appropriately execute duties as an outside director for her specialized knowledge and abundant experience as an attorney.
Junichi Aoyagi	Mr. Aoyagi was deemed qualified to appropriately execute duties as an outside director for his specialized knowledge of finance and accounting as a certified public accountant, and for his abundant experience, which includes experience overseas.

Composition and Activities of the Advisory Committees

Organization	Audit & Supervisory Committee	Nominating Committee	Compensation Committee	Independent Committee
Composition	<ul style="list-style-type: none"> Norio Igarashi☆ Junichi Aoyagi Nozomi Ueda Toru Wakinaga 	<ul style="list-style-type: none"> Kazuyoshi Aoki☆ Junichi Aoyagi Tatsuro Masamura Hirokazu Hamada Norio Igarashi Akifumi Kubota Nozomi Ueda 	<ul style="list-style-type: none"> Tatsuro Masamura☆ Junichi Aoyagi Norio Igarashi Hirokazu Hamada Kazuyoshi Aoki Akifumi Kubota Nozomi Ueda 	<ul style="list-style-type: none"> Kazuyoshi Aoki☆ Nozomi Ueda Tatsuro Masamura Junichi Aoyagi
Purpose	Anritsu established the regulations for the Audit & Supervisory Committee system and the accompanying subsidiary rules and at the beginning of the term, the selection of chairperson, the selection of full-time directors, the allocation of auditing work, and other matters necessary to carry out the duties of the Audit & Supervisory Committee members are agreed. The committee reviews the audit results of the previous fiscal year, evaluates risks of management concerns for the current fiscal year, and deliberates on and formulates audit policies, priority audit items, annual audit plans etc.	Bears the duties of supplementing the role of the Board of Directors in the appointment, selection, removal, and dismissal of directors and executive officers, and improving validity and transparency in the appointment, selection, removal, and dismissal of directors and executive officers.	Bears the duties of supplementing the role of the Board of Directors in determining compensation for directors and executive officers, and improving the fairness, validity, and transparency of compensation.	Composed of five independent outside directors; holds twice-yearly regular meetings as well as conferences before and after meetings of the Board of Directors as needed, with the aim of ensuring the supervisory functions of the Company from an independent standpoint.

Director Outside Director Chairperson

Corporate Governance

Skills Matrix

	Name	Committee membership		Expertise possessed by each director, expecting areas							
		Nominating Committee	Compensation Committee	Corporate Management Business Strategy	Global International Experience	Sales and Marketing	Technology Research and Development	Industry Knowledge	Financial Accounting	Legal Compliance	ESG Sustainability
Director	Hirokazu Hamada	○	○	○	○	○	○	○			○
	Akifumi Kubota	○	○	○	○			○	○	○	○
	Masumi Niimi			○	○	○		○			
	Takeshi Shima			○	○	○		○			
	Kazuyoshi Aoki (outside)	○	○	○	○				○		
	Tatsuro Masamura (outside)	○	○	○			○	○			
Director who is an Audit & Supervisory Committee Member	Norio Igarashi (outside)	○	○	○	○				○		
	Nozomi Ueda (outside)	○	○							○	○
	Junichi Aoyagi (outside)	○	○		○				○		
	Toru Wakinaga			○	○	○		○			

Note: The above list does not represent all of the knowledge, experience, etc. possessed by each director.

Basic Philosophy of Corporate Governance

By flexibly and speedily responding to changes in the business environment and enhancing Anritsu's competitiveness as a global company, Anritsu aims to achieve continuous growth with sustainable superior profits, as well as increases in corporate value over the medium- to long-term. Throughout the process, the Company will maintain an awareness of the duties it bears toward shareholders, employees, clients, business partners, creditors, local communities, and other diverse stakeholders. Furthermore, with the goals of transparent, fair, speedy, and resolute decision-making and appropriate and timely information disclosure, the Company will maintain a structure and frameworks for corporate governance and will work continually toward their advancement and enhancement.

Corporate Governance Structure

As its structure for corporate governance, Anritsu has adopted

the structure of a company with an Audit & Supervisory Committee and has set up a Board of Directors, Audit & Supervisory Committee, and Accounting Auditor, with the aim of further strengthening audit and supervisory functions.

As part of a highly specialized manufacturing industry that calls for on-site-oriented sensibilities and swiftness in business execution, the Company has introduced an executive officer system and has separated the decision-making and oversight functions of the Board of Directors from the business execution functions of executive officers.

The Board of Directors is composed of ten directors, six of whom are not involved in business execution (with five of them being independent outside directors). Of note, the attendance rate of outside directors at Board of Directors meetings in FY2020 was 100%.

Board of Directors

As a management decision-making body, the Board of Directors makes determinations on important matters including management policy and management strategy for the Group as a whole, while also monitoring and supervising the execution of operations by organizations that execute business.

Anritsu has strengthened the monitoring and supervision functions of the Board of Directors through the inclusion of multiple outside directors into the board. In Board of Directors' meetings, directors who possess wide-ranging knowledge and experience express opinions regarding agenda items proposed by company management from their respective viewpoints and engage in active discussion. The current Board of Directors consists of five internal directors and five outside directors (with both groups including directors who are Audit & Supervisory Committee members), for a total of ten Board of Directors members.

Methods for Evaluating the Efficacy of the Board of Directors

Every year, the Company conducts a review of the effectiveness of the Board of Directors with respect to items specified in the Basic Policy on Corporate Governance, and undertakes measures to improve effectiveness. This evaluation of the effectiveness of the Board of Directors takes place over the span of four to five months every year, progressing from reaffirmation of issues from the previous fiscal year to evaluation of the status of actions and the degree of improvement. This is followed by discussions of whether any points in the previous year's evaluation methods or evaluation items should be changed for the current fiscal year. The discussion is deepened through exchanges of opinions within the Board of Directors, where issues are shared, and the outcomes are connected to initiatives for the following year.

Results of Evaluating the Efficacy of the Board of Directors

Every year, the Board of Directors carries out an analysis and evaluation of the effectiveness of the Board of Directors, based on factors including self-assessments by directors. The main results of evaluations from FY2020 are as follows.

The Board of Directors of the Company affirmed that its composition is appropriate in terms of the presence and number of internal and outside management personnel. This is to enhance the Company's global management structure with the aim of business expansion and taking into account the source of the Group's corporate value. It also affirmed that structures are in place for conducting constructive discussions and decision-making concerning key matters involving the management of the Group and for supervising business execution by directors. The board further confirmed that directors who are constituent members of the Board of Directors, Audit & Supervisory Committee, Independent Committee, Nominating Committee, and Compensation Committee fully understand the roles that they should carry out to achieve improvement of corporate value and continuous growth with sustainable superior profits for the Group, and that, in respective committee meetings, the directors display insight and expert knowledge based on diverse experience and that all, internal and outside directors alike, engage in active discussions.

At the same time, in order to further increase efficacy, issues to address include the necessity to clarify the direction of each business through the Board's discussion of strategies toward competitors, M&A strategies, and the like, while also enhancing the Board's discussions on business portfolio management. Similarly, given time restrictions, the Board must devise creative

FY2020/Main Themes for Deliberation at the Board of Directors/Number of Reports Submitted

Category	FY2020
Management Strategy/Sustainability/Governance/General Meeting of Shareholders	26
Business Related	29
IR, SR	8
Budget/Settlement of Accounts/Dividends/Finance Related	31
Internal Control/Risk Management/Compliance Related	4
Human Resource/Nomination/Compensation	14
Audit & Supervisory Committee/Accounting Auditor	2
Individual Projects (Investment and Loan Projects etc.)	5
Total	119

approaches to its operations in order to facilitate substantive and effective discussions. The above issues, their relevant challenges, and approaches toward improving them were identified and shared with all members of the Board of Directors.

In response, the Board of Directors of the Company will enact necessary measures to further improve the effectiveness of the board with respect to issues based on the evaluation and review of effectiveness, and will work toward improvements without being bound by precedent.

The Company intends to continue conducting regular evaluations of the effectiveness of the Board of Directors, and will continue to pursue the ideal for the Company by aiming to achieve better corporate governance.

Meetings Held for the Board of Directors and its Advisory Committees (FY2020)

April	May	June	July	August	September	October	November	December	January	February	March
BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD
AS	AS	AS	AS	C	AS	AS	I	BD	AS	C	C
FD		AS	FD			FD		AS	FD	N	N
								C			I
								N			

■ BD Board of Directors
 ■ AS Audit & Supervisory Committee
 ■ C Compensation Committee
 ■ N Nominating Committee
 ■ I Independent Committee
 ■ FD Free Discussion

System of Officer Compensation

Under the policy stated below, the composition and level of officer compensation, etc. are determined with reference to data on officer compensation from external research organizations, while also taking into account a balance between basic compensation according to responsibilities and performance-linked compensation, with the primary aim of compensation to function effectively as an incentive for the improvement of business performance and the increase of medium- to long-term corporate value every fiscal year.

- The scheme and its content should lead to the enhancement of motivation to achieve management objectives and sustainably improve corporate value
- The scheme and its content should attract and retain talented, diverse personnel who are sought after as officers of global corporations.
- The Company will ensure the validity and objectivity of the decision-making process and the balanced allocation of compensation, etc.

Corporate Governance

The current scheme for officer compensation, etc. sets business performance-linked compensation to the equivalent of 50% of the basic compensation, as a structural feature to motivate officers in sharing a profit orientation with shareholders and in engaging in management from an awareness of performance and stock price from a medium- to long-term perspective. However, it limits directors who do not engage in execution of business (including outside directors) to fixed compensation only.

The performance-linked compensation is composed of mon-

etary compensation (bonus equivalent to 30% of basic compensation) and non-monetary compensation (stock compensation equivalent to 20% of basic compensation) through an incentive plan employing trusts.

The Company conducts evaluations in light of factors including the level of distribution of surpluses for the fiscal year under evaluation, degree of achievement of numerical targets involving management metrics, and degree of achievement of management objectives that include non-financial perspectives set in advance.

Compensation, etc. of Directors

Officer classification	Amount of compensation, etc. (millions of yen)	Amount of compensation, etc. by type (millions of yen)				Number of officers
		Basic compensation	Performance-linked compensation			
			Bonus	Stock compensation	Subtotal	
Directors (excluding Audit & Supervisory Committee Members and Outside Directors)	247	123	83	40	123	4
Director who is an Audit and Supervisory Committee Member (excluding Outside Directors)	24	24	—	—	—	1
Outside Directors	38	38	—	—	—	4

Notes: 1. The non-monetary remuneration, etc. will consist of Anritsu shares to be delivered under the stock compensation plan.

2. Anritsu does not pay bonuses or stock-based compensation to outside directors and directors who are Audit & Supervisory Committee Member.

3. None of the officers of the Company has a total of 100 million yen or more in consolidated compensation, etc. (including compensation as officers of major consolidated subsidiaries).

Cross-held stocks

With the objective of contributing to medium- to long-term improvement of corporate value, Anritsu may hold listed shares, primarily those of our major transaction partners, for policy reasons that include a comprehensive consideration of business strategies, sales policies, and the like. With regard to these listed shares held for policy purposes, we monitor the business conditions of the company held, annually review the significance and logic of continuing to hold the shares, give regular reports to the Board of Directors, and when further

holding is not deemed necessary, consider disposing of the shares, such as appropriately selling them, taking into account share prices and market movements.

Anritsu's policy toward cross-held stocks is to limit such holdings to those that are necessary for executing important business strategies, while striving to reduce cross-holdings overall.

Currently, Anritsu does not hold any investment shares whose purpose of holding is pure investment.

Number of Issues and Amount on Balance Sheet

	Number of Issues	Total amount on the balance sheet (million yen)
Unlisted stocks	12	34
Stocks other than unlisted stocks	2	43

(Issues for which the number of shares increased during the fiscal year ended March 31, 2020) Not applicable.

(Issues in which the number of shares decreased in fiscal 2020)

	Number of Issues	Total sales price related to the decrease in the number of shares (million yen)
Stocks other than unlisted stocks	1	44

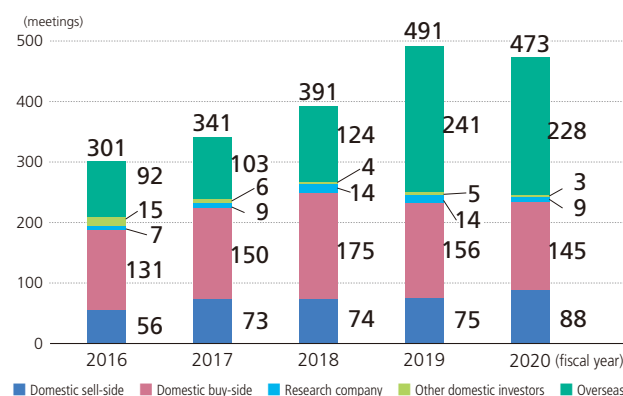
Constructive dialogue with investors, analysts, and shareholders

With the objectives of gaining trust in our management, being fairly evaluated, and improving our sustainable growth and medium- to long-term corporate value, Anritsu actively engages in IR and SR activities, including having the president, CFO, and top management of each business division proactively respond to shareholder and institutional investor requests for in-person meetings.

Information, market assessments, and opinions gained from these interactions are reported to the Board of Directors eight times a year.

Additionally, in order to support investment decisions by individual investors and shareholders, we strive to enhance our IR tools, including business reports and web pages, as we proactively disclose earnings information, business strategies, ESG information, and Anritsu news and updates.

Number of interviews with investors



Directors' Interview



Tatsuro Masamura

Outside Director



Nozomi Ueda

Outside Director
(Audit & Supervisory Committee
Member)



Junichi Aoyagi

Outside Director
(Audit & Supervisory Committee
Member)



Toru Wakinaga

Director
(Full-time Audit &
Supervisory Committee Member)

FY2021 is the launch-year for Mid-Term Business Plan GLP2023. During the period of this Mid-Term Business Plan, we will strive to improve global governance capabilities under our new management vision, with the targets of promoting diversity on the Board of Directors and boosting the ratio of outside directors. We took the opportunity to speak with the outside directors appointed in FY2021 and ask each of them about their expectations for Anritsu and any challenges going forward. (This interview took place in July 2021)

Wakinaga: Thank you for making time for this interview. I would like to use this opportunity to ask the outside directors appointed in FY2021 for some of your opinions. First, please let us know a bit about your career and area of specialty.



Masamura: As an engineer in the field of wireless communications, I worked on satellite communication R&D, systems implementation and technology planning at Nippon Telegraph and Telephone Corporation, then was involved with R&D on 4G systems at NTT DOCOMO, INC. After that, I moved to a wireless system manufacturer and was in charge of R&D and quality assurance. As an engineer, I value the ongoing challenge of taking on new tasks and approaching all of them with a sense of curiosity, excitement, and passion.

Ueda: As an attorney, I have spent many years handling a wide variety of cases, mainly centered around corporate law. In recent years, my cases have also been related to the Companies Act and general trade transactions, and have included resolving disputes and dealing with cases at the planning and proposal stages related to labor issues and intellectual property rights. In my work, I have emphasized the pursuit of social justice no matter what standpoint I find myself in with regard to disputes, etc.

Aoyagi: As a certified public accountant, I have worked on accounting audits, as well as advising on J-SOX compliance and internal control systems, preparations for initial public offerings, and research/survey tasks. Previously, I also worked at the Dutch office of an affiliated company and accumulated experience supporting and advising Japanese-owned companies overseas. I have endeavored to approach matters with sincerity and to be a reliable, specialized professional.

Expectations as an Outside Director

Wakinaga: What are some of your expectations as an Anritsu outside director? Also, please let us know your reasons for accepting this position.

Masamura: Having used Anritsu measuring instruments since I was young, I have developed quite an affinity for them. Anritsu has continued to do business in the same fields for over 125 years since it was founded and the Com-



pany is now competing for first or second place in the world in leading-edge fields such as 5G. This is a storied company that at the same time has the potential to

strike out into new areas, so I accepted this position out of a desire to witness that growth.

Aoyagi: Anritsu is a company that displays the “Sincerity, Harmony, and Enthusiasm” expressed in its management philosophy, is committed to delivering “Original & High Level” products and services, possesses excellent technology, and is motivated to continually take on the development of new, leading-edge technology. I accepted this position out of a desire to contribute to Anritsu as it continues to follow this philosophy, grow globally, meet the expectations of diverse stakeholders, and become an even better company.

Ueda: The businesses that Anritsu is involved in all support social infrastructure and the Company has continued to elevate its presence as an entity that contributes to these social platforms, so I feel a tremendous sense of fulfillment in being able to participate in this type of company as an outside director. Additionally, as an attorney, I have had no shortage of opportunities to deal with problems that are understood to arise from governance frameworks, and this has taught me the importance of establishing a governance structure inside a company. I hope to be able to use this experience to fulfill my role supporting corporate governance as an outside director.

Anritsu’s Corporate Governance and Associated Challenges

Wakinaga: It is encouraging to hear these details of your various expectations. I think that your presence as outside directors is necessary for our corporate governance. What

kind of current challenges do you think exist for Anritsu to build a more robust corporate governance framework? Please let us know your opinions on those challenges.

Aoyagi: Well-functioning governance is the foundation for a company’s sustainable growth and is indispensable for earning the trust of stakeholders. It has been Anritsu’s practice to dedicate energy to establishing corporate governance, but I think that efficacy needs to be further increased. In order to grow into a global company, it is important to strengthen risk management, fortify monitoring of overseas subsidiaries, and create a framework in which the Group can come together and reap synergies.

Ueda: For the sake of adequate discussion on the Board of Directors, it is important to engage in reviews and policy decisions based on free, unencumbered, and multifaceted talks internally—before reaching the time for debate. Since compliance-related issues are less likely to occur in a company with a culture of openness, I would like to constantly remain aware of whether the Company is in a healthy state and fulfill my roles inside and outside the Board of Directors.

Masamura: At companies like Anritsu that handle leading-edge technology, our responses to intellectual property, technology-related information, expertise management, quality assurance, and the like are extremely important. Going forward, as we merge diverse technologies and more extensively coordinate with different industries, new governance will be necessary to respond to these changes. As that occurs, I think that one of my roles, as an outside director with a technical background, will be to offer opinions from the standpoint of an engineer.

Anritsu’s Vision and Strategies

Wakinaga: Anritsu’s new management vision is to go “Beyond testing, beyond limits, for a sustainable future together.” What is your evaluation of our management vision and strategies in light of your professional experience to date?

Masamura: I think that it is a splendid management vision because it incorporates the idea of more than simply testing, but moving to unlock value and new fields that go beyond “measurement” while sharing a strong intention to take a major leap as a company. When I hear the word “beyond,” I feel a sense of excitement for Anritsu taking an

aggressive stance toward creating standards and building new value while achieving new functions, such as “controlling” the environment, over and above just measuring it.

Ueda: Anritsu is striving to grow its business by providing solutions that solve issues for customers and I think that, for this era, these are necessary services that grasp the needs of customers who are responding to increasing sophistication and specialization while aiming to quickly develop their business. Furthermore, the necessity and importance of value in the form of safety and security through “measuring” technology is something that is shared worldwide. I have high expectations for Anritsu to continue asserting a strong presence in the world by pushing our technical capabilities to an even higher level.

Aoyagi: I sense in the new management vision the will to drive the further evolution of the Test and Measurement Business, as well as technology and products that will be the core of the PQA Business, while simultaneously reinforcing our capacity for high value-added solutions. These efforts, plus M&A in addition to collaboration with other companies, should help Anritsu go beyond where we have come to date. In a drastically changing society and business environment, I think unlocking new technology, new value,



and new territory by strengthening ties with external entities is a rational strategy for continually seeking new growth areas and expanding sustainably.

Messages to Stakeholders

Wakinaga: As all of you have said, our new management vision—as an expression of the ideal we are aiming for in FY2030—shows the Anritsu Group’s commitment to stepping up to a stage for growth and “leaps” forward in 2030. I think that we all have a desire to do our utmost to help achieve economic growth through business development. Lastly, allow me to ask what messages you have for stakeholders.

Aoyagi: I am committed to utilizing my experience to date to improve the efficacy of corporate governance and contribute to the sustainable growth of Anritsu as a global company, while improving medium- to long-term corporate value. I look forward to working with you.

Masamura: Stakeholders are becoming more diverse recently and it is expected that there will be an increase in opposing interests as time goes on. We must consider not only the interests of direct stakeholders, but must picture other stakeholders some distance removed, as it is important to be aware of society overall. I would like to have this awareness, maintain a consistent, unwavering stance, and fulfill my duty as an outside director.

Ueda: By studying more each day and performing my role as an outside director, and by being involved with establishing a robust corporate governance framework for Anritsu, I would like to contribute to the benefit of all stakeholders. I appreciate the opportunity to work with all of you.



Wakinaga: Thank you for offering your very valuable input today. It is my hope that Anritsu will utilize all of your skills, strive to further elevate the efficacy of corporate governance, and take a global perspective as we achieve management with a high degree of transparency.

Tatsuro Masamura Outside Director

After working at Nippon Telegraph and Telephone Public Corp. (now named Nippon Telegraph and Telephone Corporation) and NTT DOCOMO, INC., he served as a director of Japan Radio Co., Ltd. in positions that included General Manager of R&D department, Quality assurance department and Chief R&D Officer. He became an Anritsu Outside Director in 2021. In addition to his specialized and wide-ranging knowledge of information and communications technology, he has extensive experience as a manager.

Nozomi Ueda Outside Director (Audit & Supervisory Committee Member)

Certified as an attorney in 1999, then in the same year, joined the Tokyo Themis Law Firm (now the Kioizaka Themis Law Office), where she is currently employed. She became an Anritsu Outside Director in 2021. Her experience as an attorney includes numerous lawsuit cases handling franchise contracts, intellectual property, and financial instrument transactions, while she also has extensive experience and specialized knowledge in corporate law.

Junichi Aoyagi Outside Director (Audit & Supervisory Committee Member)

In 1986, joined Tohmatsu Awoki & Sanwa (now Deloitte Touche Tohmatsu LLC), became a certified public accountant in 1990, and a partner in 2006. He founded Aoyagi Junichi Certified Public Accounting Office in 2020. He became an Anritsu Outside Director in 2021. He has specialized knowledge and extensive experience in accounting and internal control, in addition to his professional experience overseas.

Directors and Executive Officers



Representative Director

Hirokazu Hamada

- Apr. 1988 Joined the Company
- Apr. 2004 Senior Manager of 1st Development Dept. of IP Network Div., Measurement Business Group
- Apr. 2011 Vice President of Anritsu Company (USA)
- Apr. 2015 Vice President of the Company General Manager of R&D Div.
- Apr. 2016 Senior Vice President Vice President of Measurement Business Group General Manager of Measurement Business Div.
- Apr. 2017 Executive Vice President President of Measurement Business Group
- Jun. 2017 Director of the Company
- Apr. 2018 Representative Director, President President (Executive Officer) (Incumbent)
- Jun. 2018 Representative Director (Incumbent)
- Apr. 2019 Anritsu Group CEO (Incumbent)

■ Number of the Company shares owned 16,700



Director

Akifumi Kubota

- Apr. 1983 Joined the Company
- Apr. 2007 Senior Manager of Accounting & Control Dept.
- Apr. 2010 Vice President Chief Financial Officer (CFO) (Incumbent)
- Jun. 2013 Director of the Company (Incumbent)
- Apr. 2017 Senior Vice President
- Apr. 2018 Chief Corporate Officer (Incumbent) General Manager of Global Corporate Headquarters
- Apr. 2019 Executive Vice President (Incumbent)
- Oct. 2019 President of Anritsu U.S. Holding, Inc. (Incumbent)

■ Number of the Company shares owned 20,900



Director

Masumi Niimi

- Apr. 1983 Joined the Company
- Jun. 2006 Senior Manager of Manufacturing Dept., Manufacturing Div., Anritsu Industrial Solutions Co., Ltd. (Currently Anritsu Infivis Co., Ltd.)
- Jun. 2008 President of Anritsu Industrial Solutions Thailand Co., Ltd. (Thailand)
- Apr. 2011 Senior Manager of Planning Dept., Anritsu Industrial Solutions Co., Ltd. (Currently Anritsu Infivis Co., Ltd.)
- Apr. 2012 Vice President of Anritsu Industrial Solutions Co., Ltd.
- Apr. 2016 Vice President of the Company President of PQA Business Group Representative Director, President of Anritsu Infivis Co., Ltd.
- Apr. 2018 Senior Vice President of the Company
- Jun. 2018 Director of the Company (Incumbent)
- Apr. 2021 Infivis Company President (Incumbent) General Manager of SCM Div., Infivis Company (Incumbent)

■ Number of the Company shares owned 15,000



Director

Takeshi Shima

- Apr. 1988 Joined the Company
- Apr. 2009 Senior Manager of APAC Team Business Development Dept., Marketing Div.
- Apr. 2012 Senior Manager of Wireless Device Manufacturing Solution Dept., Marketing Div.
- Apr. 2014 Senior Manager of Project Team 3 Product Marketing Dept., Marketing Div.
- Apr. 2016 Director of Global Business Development Dept., Measurement Business Div.
- Apr. 2017 Vice President Chief Global Sales Officer General Manager of Global Sales Center
- Oct. 2017 General Manager of APAC Sales Center
- Apr. 2019 President of Anritsu Americas Sales Company
- Jun. 2019 Director of the Company (Incumbent)
- Apr. 2020 Senior Vice President (Incumbent) Test & Measurement Company President (Incumbent)
- Feb. 2021 Chairman of Anritsu A/S (Denmark) (Incumbent)

■ Number of the Company shares owned 4,800



Director*

Kazuyoshi Aoki

- Apr. 1979 Joined Kao Soap Co., Ltd. (Currently Kao Corporation)
- Feb. 1994 Manager of Finance and Accounting Div., Wakayama factory, Kao Corporation
- Jul. 2001 Senior Manager of IR Dept., Accounting and Finance Center, Kao Corporation
- Mar.2003 Controller of International Household Div., Kao Corporation
- Mar.2005 Vice Chairman of the Board and Vice President, Kao (China) Holding Co., Ltd.
- May.2007 Senior Manager of Accounting and Finance Div., Kao Corporation
- Jun. 2012 Executive Officer in charge of Accounting and Finance, Kao Corporation
- Jan. 2017 Resigned from Kao Corporation
- Jun. 2019 Outside Director of the Company (Incumbent)



Director*

Tatsuro Masamura

- Apr. 1976 Joined Nippon Telegraph and Telephone Public Corporation (Currently Nippon Telegraph and Telephone Corporation)
- Jan. 1999 Senior Manager of Planning Dept., NTT Network Innovation Laboratories
- Apr. 2002 Chief of Wireless Research Lab., NTT DOCOMO, INC.
- May.2005 Advisor of Japan Radio Co., Ltd.
- Jun. 2005 Board Director in charge of R&D, Japan Radio Co., Ltd.
- Apr. 2006 Board Director, General Manager of R&D, Japan Radio Co., Ltd.
- Apr. 2011 Board Director and Executive Officer, Assistant Director of Business, Japan Radio Co., Ltd.
- Jun. 2012 Board Director and Executive Officer, General Manager of Quality Assurance and in charge of research lab., Japan Radio Co., Ltd.
- Apr. 2014 Board Director and Executive Officer, General Manager of R&D, Japan Radio Co., Ltd.
- Jun. 2015 Advisor of Japan Radio Co., Ltd.
- Jun. 2018 Resigned from Japan Radio Co., Ltd.
- Jun. 2021 Outside Director of the Company (Incumbent)



Director*
(Audit & Supervisory Committee Member)

Norio Igarashi

- Apr. 1977 Registration of CPA
- Jul. 1988 Representative Partner of Aoyama Audit Corporation
- Sep. 2006 Representative Partner of Aarata Audit Corporation (Currently PricewaterhouseCoopers Aarata LLC)
- Mar. 2007 Resigned from Aarata Audit Corporation
- Apr. 2007 Professor, Graduate School of International Social Sciences, YOKOHAMA National University
- Mar. 2013 Outside Corporate Auditor of Kao Corporation
- Apr. 2014 Visiting Professor, Center for Economic Growth Strategy, YOKOHAMA National University
- Jun. 2016 Outside Director (Audit & Supervisory Committee Member) of Mitsubishi UFJ Securities Holdings Co., Ltd. (Incumbent)
- Mar. 2017 Resigned as outside Corporate Auditor of Kao Corporation
- Jun. 2017 Outside Director of the Company (Audit & Supervisory Committee Member) (Incumbent)



Director*
(Audit & Supervisory Committee Member)

Nozomi Ueda

- Apr. 1999 Registration of attorney-at-law Joined Tokyo Themis Law Firm (Currently Kioizaka Themis) (Incumbent)
- Jun. 2019 Outside Audit and Supervisory Board Member of mixi, Inc. (Incumbent)
- Jun. 2021 Outside Director of the Company (Audit & Supervisory Committee Member) (Incumbent)



Director*
(Audit & Supervisory Committee Member)

Junichi Aoyagi

- Oct. 1986 Joined Tohmatsu Awoki & Sanwa (Currently Deloitte Touche Tohmatsu LLC)
- Mar. 1990 Registration of CPA
- Jul. 1997 Deloitte & Touche Netherlands Japan desk manager
- Sep. 2001 Tokyo office of Tohmatsu & Co. (Currently Deloitte Touche Tohmatsu LLC)
- Apr. 2004 Monitoring and Inspection Division of Executive Bureau, Certified Public Accountants and Auditing Oversight Board, Financial Services Agency
- Jul. 2006 Partner of Tohmatsu & Co. (Currently Deloitte Touche Tohmatsu LLC)
- Aug. 2020 Resigned from Deloitte Touche Tohmatsu LLC
- Sep. 2020 President of Junichi Aoyagi CPA Office (Incumbent)
- Jun. 2021 Outside Director of the Company (Audit & Supervisory Committee Member) (Incumbent)



Director
(Audit & Supervisory Committee Member)

Toru Wakinaga

- Apr. 1984 Joined the Company
- Oct. 2004 President of Anritsu Pte. Ltd (Singapore)
- Apr. 2008 Assistant General Manager of APAC Sales Center, Sales & CRM Strategy Group
- Apr. 2014 Vice President
Chief of APAC Sales
General Manager of APAC Sales Center
- Oct. 2017 Chief of Americas Business
President of Anritsu Company (USA)
- Apr. 2018 Chief of USA Business
- Apr. 2019 President of Anritsu U.S. Holding, Inc. (USA)
- Oct. 2019 Senior Executive Officer
Management Audit Dept.
- Jun. 2021 Director of the Company (Audit & Supervisory Committee Member) (Incumbent)

■ Number of the Company shares owned 9,100

Executive Officers

Hirokazu Hamada*

Representative Director
President
Group CEO

Akifumi Kubota*

Executive Vice President
CFO
Chief Corporate Officer

Masumi Niimi*

Senior Vice President
Infivis Company President

Takeshi Shima*

Senior Vice President
Test & Measurement Company
President

Yasunobu Hashimoto

Vice President
Sensing & Devices Company
President

Hiroyuki Fujikake

Vice President
Chief SCM Officer

Yoshiyuki Amano

Vice President
Chief Global Sales Officer

Tsutomu Tokuke

Vice President
Environmental Measurement
Company President

Akihiro Harimoto

Vice President
Chief Test & Measurement
Company Sales Officer
Chief Environmental Measurement
Company Sales Officer

Masayoshi Fujiwara

Vice President
Infivis Company Japan Div Officer

Toshisumi Taniai

Senior Executive Officer
Management Audit Dept.

Tetsuo Kawabe

Senior Executive Officer
Management Audit Dept.

Yukihiro Takahashi

Senior Executive Officer
CIO

Akio Takagi

Senior Executive Officer
Chief Environment and Quality
Officer

Masahiko Kadowaki

Senior Executive Officer
Management Audit Dept.

Olaf Sieler

Executive Officer
Chief Business Development
Officer

Hanako Noda

Executive Officer
CTO

Takashi Sakamoto

Executive Officer
Chief Human Resource and
Administration Officer

Shunichi Sugita

Executive Officer
Chief Business Strategy Officer

Takashi Abe

Executive Officer
Infivis Company Global Div. Officer

☆ Concurrently serving as director

* Outside Directors as specified in Japan's Company Act, Article 2-15

11-Year Summary of Selected Financial

ANRITSU CORPORATION AND CONSOLIDATED SUBSIDIARIES Years ended March 31, 2011-2021.

Japanese Generally Accepted Accounting Principles ("J-GAAP") →

Financial Information

	Millions of yen	
	FY2010	FY2011
For the year:		
Revenue	77,853	93,586
(Japan)	32,952	36,898
(Overseas)	44,900	56,687
Segment information		
Test and Measurement Business	53,462	70,531
PQA Business	12,325	14,221
Cost of sales	43,033	49,384
Gross profit	34,819	44,202
Selling, general and administrative expenses	27,825	29,787
Operating profit	6,994	14,414
Ordinary income (loss)	5,362	13,593
Net income (loss)	3,069	10,180
Net cash provided by (used in) operating activities	9,229	15,871
Net cash provided by (used in) investing activities	(1,432)	(1,963)
Net cash provided by (used in) financing activities	(6,049)	(2,204)
Free cash flow	7,797	13,908
Capital expenditures	1,549	3,165
Depreciation and amortization	2,589	2,555
R&D expense* ¹	9,380	10,012
At year-end:		
Total assets	99,249	113,069
Net assets	39,906	54,863
Cash and cash equivalents	27,993	39,596
Interest-bearing debt	36,839	30,336
	Yen	
Per share:		
Net income (loss)		
Basic	24.09	79.39
Diluted	22.08	71.01
Cash dividends	7.00	15.00
Total net assets	313.09	399.56
Key financial indicators:		
Operating income margin (%)	9.0	15.4
Return on equity (%) ^{*2}	7.9	21.5
Return on assets (%) ^{*3}	3.1	9.6
Ratio of net assets to total assets (%)	40.2	48.5
Debt-to-equity ratio (times) ^{*4}	92	55
Dividend payout ratio (%)	29.1	18.9
Dividends on equity (%) ^{*6}	2.3	4.2

Note: 1. The Anritsu Group has adopted IFRS since FY2012 and prepared consolidated financial statements in conformity with IFRS.

2. With amendment of IAS 19, FY2012 actual figures have been restated based on the revised accounting policies retrospectively

3. Amounts less than ¥1 million are rounded down.

International Financial Reporting Standards (IFRS) →

Financial Information

	FY2011
For the year:	
Revenue	93,622
(Japan)	36,933
(Overseas)	56,689
Segment information	
Test and Measurement Business	70,556
PQA Business	14,200
Cost of sales	44,397
Gross profit	49,225
Selling, general and administrative expenses	23,065
Operating profit	14,000
Profit (loss) before tax	13,094
Profit from continuing operations	7,972
Net cash flows from (used in) operating activities	16,143
Net cash flows from (used in) investing activities	(2,174)
Net cash flows from (used in) financing activities	(2,264)
Free cash flow	13,968
Capital expenditures	3,200
Depreciation and amortization	2,469
R&D expense* ¹	9,842
At year-end:	
Total assets	111,287
Total equity	46,818
Cash and cash equivalents	39,596
Interest-bearing debt	31,417
Earnings per share:	
Basic earnings per share	62.17
Diluted earnings per share	56.33
Cash dividends	15.00
Equity attributable to owners of parent	341.43
Key financial indicators:	
Operating profit margin (%)	15.0
Return on equity (%) ^{*2}	19.5
Return on assets (%) ^{*3}	7.5
Equity attributable to owners of parent to total assets ratio (%)	42.1
Debt-to-equity ratio (times) ^{*4}	67
Dividend payout ratio (%)	24.1
Ratio of total amount of dividends to equity attributable to owners of parent (%) ^{*5}	4.9

*1 R&D expense for FY2011 (IFRS) to FY2020 lists the amount invested in research and development, including partially capitalized development expenses. Accordingly, it is not the same as R&D expense listed on the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

*2 Return on equity: Profit attributable to owners of parent / Equity attributable to owners of parent (IFRS); Net income / Shareholders' equity (J-GAAP)

GLP2014

GLP2017

GLP2020

								Millions of yen	Thousands of U.S. dollars
FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2020
94,685	101,853	98,839	95,532	87,638	85,967	99,659	107,023	105,939	999,425
35,293	30,133	27,116	28,565	29,338	29,753	32,183	36,293	32,202	303,792
59,391	71,720	71,723	66,966	58,299	56,213	67,475	70,729	73,736	695,623
71,232	75,962	73,443	67,729	59,333	54,433	68,168	75,165	74,809	705,745
14,439	16,919	16,198	18,891	19,588	22,549	23,074	22,575	21,419	202,066
43,715	46,897	46,147	46,557	45,168	44,023	48,807	48,948	48,734	459,754
50,969	54,955	52,692	48,974	42,469	41,943	50,852	58,075	57,204	539,660
24,346	28,621	29,605	29,621	27,198	26,563	27,944	28,036	26,793	252,764
15,714	14,123	10,882	5,897	4,234	4,912	11,246	17,413	19,651	185,387
16,139	14,239	11,591	5,434	3,628	4,602	11,362	17,181	19,838	187,151
13,888	9,318	7,874	3,767	2,734	2,898	8,991	13,397	16,143	152,292
11,771	13,792	7,582	10,195	9,246	7,946	12,247	14,721	20,481	193,217
(5,030)	(5,312)	(6,049)	(9,042)	(3,665)	(3,932)	(616)	(3,686)	(5,029)	(47,443)
(10,035)	(4,359)	(11,234)	2,450	(2,758)	(8,201)	(2,052)	(7,592)	(14,458)	(136,396)
6,740	8,480	1,533	1,153	5,581	4,014	11,631	11,035	15,452	145,773
4,562	5,355	9,612	5,399	2,588	3,430	2,436	4,518	5,449	51,406
2,562	2,863	3,186	3,736	3,935	3,964	4,031	4,732	4,545	42,877
10,323	12,488	13,366	13,089	11,212	10,556	12,008	13,321	11,246	106,094
115,095	127,149	126,893	124,624	125,054	121,190	130,467	138,873	144,100	1,359,434
64,539	74,896	78,665	75,862	76,485	78,313	85,678	94,331	109,455	1,032,594
37,690	43,215	34,916	37,391	39,682	35,452	45,097	47,669	49,810	469,906
20,191	19,192	16,241	22,159	22,228	16,165	16,435	14,594	5,848	55,170
								Yen	U.S. dollars
98.41	64.93	55.72	27.38	19.65	20.97	65.20	97.20	117.18	1.11
97.03	64.89	55.72	27.38	19.65	20.97	65.16	97.16	117.12	1.11
20.00	20.00	24.00	24.00	15.00	15.00	22.00	31.00	40.00	0.38
450.36	522.54	572.04	552.26	556.40	569.54	622.87	685.25	794.88	7.50
16.6	13.9	11.0	6.2	4.8	5.7	11.3	16.3	18.5	
25.0	13.3	10.2	4.9	3.5	3.7	10.9	14.9	15.8	
12.3	7.7	6.2	3.0	2.2	2.4	7.1	9.9	11.4	
56.1	58.9	62.0	60.8	61.1	64.6	65.6	67.8	75.8	
31	26	21	29	29	21	19	15	5	
20.3	30.8	43.1	87.7	76.3	71.5	33.7	31.9	34.1	
5.1	4.1	4.4	4.3	2.7	2.7	3.7	4.7	5.4	

*3 Return on assets: Profit from continuing operations / Total assets (IFRS); Net income / Total assets (J-GAAP)

*4 Debt-to-equity ratio: (Interest-bearing debt) / Equity attributable to owners of parent (IFRS); (Interest-bearing debt) / Shareholders' equity (J-GAAP)

*5 Ratio of total amount of dividends to equity attributable to owners of parent: Total cash dividends / Net assets (IFRS: Total cash dividends / Total equity)

*6 Dividend on equity ratio (DOE): Total cash dividends / Total Equity

ESG Data

Non-Financial Information

Social:		FY2016	FY2017	FY2018	FY2019	FY2020
Human resources	Number of employees (figures in parentheses are the number of employees at overseas Group companies)	3,788 (1,539)	3,717 (1,466)	3,778 (1,530)	3,881 (1,609)	3,954 (1,657)
	Japan	1.3%	1.0%	1.1%	1.8%	2.3%
Ratio of women in management positions (Women in management positions ÷ total management positions)	Americas	24.7%	23.0%	20.2%	18.3%	17.9%
	EMEA	19.7%	22.1%	23.5%	21.6%	24.2%
	Asia, other	21.7%	21.6%	24.1%	23.4%	24.0%
	Global total	10.2%	9.9%	10.5%	10.4%	10.8%
Anritsu Corporation Number of employees taking childcare leave	Male	0	3	2	2	4
	Female	5	8	4	7	5
Anritsu Corporation Number of employees returning to work after childcare leave	Male	0	2	2	2	4
	Female	4	2	12	4	7
Anritsu Corporation Ratio of employees returning to work after taking childcare leave	Male	—	100%	100%	67%	100%
	Female	100%	100%	100%	100%	100%
Anritsu Corporation Retention rate of employees one year after coming back from childcare leave	Male	—	100%	100%	100%	100%
	Female	100%	100%	100%	100%	100%
Occupational health and safety	Ratio of labor accidents (per one million hours)	0.21	0.00	0.00	0.65	0.22
Environmental:						
CO ₂ emissions (Scope 1, 2) (t-CO ₂)*	Global total	14,279	12,797	12,736	12,443	12,556
Energy consumption (crude oil conversion basis) (kL)	Global total	7,983	7,698	7,774	8,274	8,436
Water usage (m ³)	Global total	80,352	70,837	72,777	79,588	77,085
Excellent eco-products (cumulative)	Number of registered equipment	44	49	49	52	53

* Scope 2 Guidance uses the market-based method.

Management's Discussion and Analysis

The Anritsu Group has adopted IFRS since the fiscal year ended March 31, 2013 and prepared consolidated financial statements in conformity with IFRS in FY2015, 2016, 2017, 2018, 2019 and 2020.

The Scope of Consolidation

The Anritsu Group comprised 43 consolidated subsidiaries and one affiliate at the end of FY2020.

Overview

In the field of information and communication, which is the main field of Test and Measurement Business, 5G commercialization schedules of operators in each country are making progress smoothly. In March 2020, 5G services were launched mainly in cities in Japan. In July 2020, 3GPP Release 16* have been standardized, which prescribe ultra-low latency communications and multiple simultaneous connections for expansion of use case. In response, research and development for 5G utilization in the automotive field has begun, as well as research and demonstration experiments for building 5G networks in private domains such as local 5G. In 2022, 3GPP plans to complete standardization of Release 17*, targeting improved 5G efficiency and capability such as expansion of high frequency range, expansion of communication area, low-power consumption, and low-cost communication.

Since the data traffic is expanding rapidly due to sophisticated cloud computing services and the progress of 5G services, the network infrastructure is under strain. To solve this issue, service providers that are pursuing higher-speed networks are concentrating on the promotion of 100Gbps services, and network equipment manufacturers are developing 400Gbps network equipment.

* Standard number used in 3GPP

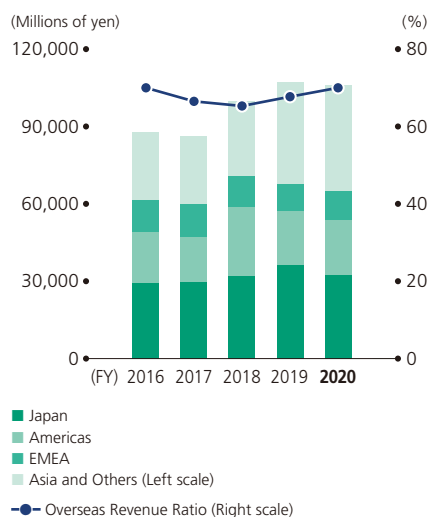
Revenue

Amid such an environment, the Test and Measurement Business Group has focused on solution development for the 5G investment demand as well as improvement of organizational infrastructure. Consequently, the Group acquired development demand for 5G commercialization. Furthermore, it acquired development and production demand for higher-speed networks. On the other hand, the spread of COVID-19 has caused some customers to be cautious about capital expenditures. While in the field of PQA (Product Quality Assurance), automation investment on processed food production lines is under-

way, and demand for contaminant inspection using X-rays and quality guarantee toward packaging is expected to grow. However, the spread of COVID-19 has caused some customers to be cautious about capital expenditures. Amid such environment, the PQA Group has worked to reinforce competitiveness of its solutions focused on X-rays, as well as strengthen sales promotion measures as an alternative to face-to-face sales.

As a result, during the fiscal year ended March 31, 2021, orders decreased 0.1 % compared with the previous fiscal year to ¥107,567 million, and revenue decreased 1.0 % to ¥105,939 million. Operating profit increased 12.8 % to ¥19,651 million, profit before tax increased 15.5 % to ¥19,838 million. Profit increased 20.5 % to ¥16,143 million, and profit attributable to owners of parent increased 20.6 % to ¥16,105 million.

Revenue by Region and Overseas Revenue Ratio



Cost of Sales and Gross Profit

Cost of sales decreased ¥214million, or down 0.7%, to ¥48,734 million. Cost of sales as a percentage of total revenue was 46.0%, up 0.3 percentage point compared with the previous fiscal year. Gross profit decreased ¥871 million, or down 1.5%, to ¥57,204 million. The gross margin amounted to 53.9%.

Management's Discussion and Analysis

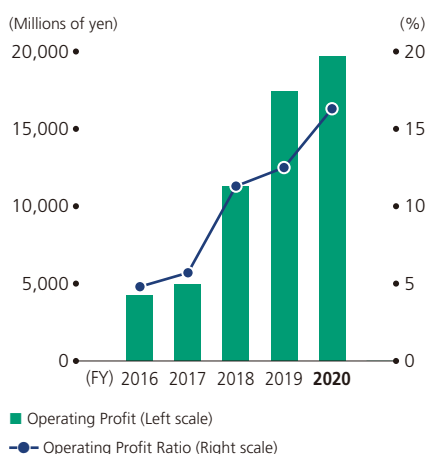
Selling, General and Administrative (SG&A) Expenses and Operating Profit

SG&A expenses decreased 4.5%, or ¥1,243 million, over the previous fiscal year, to ¥26,793 million. Research and development (R&D) expenses decreased 15.9%, or ¥2,067 million, to ¥10,908 million and amounted to 10.2% of consolidated total revenue. As a result of the above factors, operating profit increased 12.8%, or ¥2,238 million, to ¥19,651 million. The operating profit ratio was 18.5%.

SG&A Expenses

Year ended March 31	Millions of yen		YoY (%)
	FY2020	FY2019	
Personnel expenses	¥18,620	¥18,415	1.0
Travel and transportation expenses	325	1,350	(75.9)
Advertising expenses	1,458	1,592	(8.4)
Depreciation and amortization expenses	1,684	1,879	(19.3)
Others	4,706	4,799	(1.9)

Operating Profit and Operating Profit Margin



Profit before Tax and Profit

Operating profit increased 15.5%, or ¥2,657 million, compared with the previous fiscal year to ¥19,651 million, profit before tax increased 15.5%, or ¥2,657 million, compared with the previous fiscal year to ¥19,838 million. Profit increased 20.5%, or ¥2,746 million, compared with the previous fiscal year to ¥16,143 million, and profit attributable to owners of parent increased 20.6%, or 2,750 compared with the previous

fiscal year to ¥16,105 million. Comprehensive income for the period rose ¥7,930 million, to ¥19,867 million.

Cost of Sales, Expenses, and Profit as a Percentage of Revenue

Year ended March 31	%		
	FY2020	FY2019	FY2018
Revenue	100.0	100.0	100.0
Cost of sales	46.0	45.7	49.0
Gross profit	54.0	54.3	51.0
SG&A expenses	25.3	26.2	28.0
R&D expenses	10.3	12.1	11.8
Profit	15.2	12.5	9.0

Shareholder Return Policies

Dividend Policy

The Company's basic policy for returning profits to its shareholders is to distribute profits in accordance with its consolidated performance and by taking into account the total return ratio.

With regard to dividends, while taking the basic approach of raising dividends on equity (DOE) in accordance with the increase in consolidated profits for the fiscal year, the Company aims at a consolidated dividend payout ratio of 30% or more. The Company's basic policy is to make distributions of dividends, twice a year, consisting of a fiscal year-end dividend and an interim dividend by resolution of the General Meeting of Shareholders and by approval of the Board of Directors.

The Company intends to carry out the purchase of treasury stock appropriately as necessary, by taking into account its financial situation, the trends in stock prices and other factors, in an effort to execute capital policies that respond flexibly to changes in the corporate environment. The Company's basic policy is to apply retained earnings to research and development and capital investment in order to respond to rapid technological advances and changes in the market structure.

Cash Dividends per Share

Anritsu plans to pay a year-end dividend of ¥24.50 per share, and total dividends for the fiscal year will be ¥40 per share for the fiscal year ended March 31, 2021. For the fiscal year ending March 31, 2022, Anritsu plans to pay cash dividends of ¥40 per share (including an interim dividend of ¥20 per share).

Business Segments

The Anritsu Group classifies its operations into the segments of Test and Measurements, Products Quality Assurance, and Others. In order to evaluate each business segment more appropriately, the headquarters administrative expenses portion of general and administrative expenses for each business segment has been shifted to be included in company-wide expenses starting from the fiscal year ended March 31, 2021.

Test and Measurement

The Test and Measurement segment group develops, manufactures and sells measuring instruments and systems for a variety of communication applications and service assurance. The group delivers them to service providers, network equipment manufacturers, and maintenance and installation companies. During the fiscal year ended March 31, 2021, development demand for 5G chipsets and mobile devices was growing steadily. Development demand aimed at 5G commercialization grew especially in Asia, driving the 5G business. In addition, we acquired development and production demand for network speedup in data centers. On the other hand, the spread of COVID-19 has caused some customers to be cautious about capital expenditures especially in Japan. Consequently, segment revenue decreased 0.5% compared with the previous fiscal year to ¥74,809 million, operating profit increased 16.9% to ¥17,714 million.

The Test and Measurement Business, which accounts for 71% of the Anritsu Group's revenue, is divided into the following 3 sub-segments.

1. Mobile

The Mobile sub-segment includes measuring instruments for mobile phone acceptance testing by mobile phone service providers, measuring instruments for design, production, function and performance verification, and maintenance of mobile handsets by manufacturers of mobile devices such as smartphones, IC chipsets and relevant components.

Demand in this sub-segment tends to be influenced by factors including the technological innovations in mobile phone services, market penetration, number of new subscribers as well as new entries in and withdrawals from the market by mobile phone and chipset manufacturers, and the number of model changes and shipments of mobile phones and chipsets. In addition to the existing LTE system that has been deployed in countries around the world, the operators' schedules for 5G commercialization in each country have been steadily progressing including the launch of services using 5G communication systems in the U.S., S. Korea, Europe, and now China. In Japan as well, 5G services have become available in some areas, mainly urban metropolitan areas, from March 2020.

Under this market environment, manufacturing demand for LTE smartphones is shrinking in the mobile phone manufacturing market, while the mobile phone development market is seeing increasing demand for test and measurement instruments for 5G development as full-fledged development gets underway for IC chipsets and 5G mobile phone terminals. Furthermore, with the July 2020 finalization of specifications for ultra-low latency and multiple simultaneous connections, progress is being made in deliberations on new specifications, including further expansion to the higher frequency bands, expansion of communication areas, and low-power consumption and low-cost communications. Consequently, mobile communications technology development and business opportunities are emerging for creating new services in the fields of IoT, autonomous driving & telematics, and local 5G. In addition, R&D has also gotten underway on 6G, the next-generation communication standard that will take 5G performance to an even higher level.

Anritsu will continue to develop and launch competitive leading-edge measuring solutions, as well as accurately conduct development portfolio management, to strengthen the revenue base.

2. Network Infrastructure

The Network Infrastructure sub-segment includes network construction maintenance, monitoring and service quality assurance solutions for wireline and wireless service operators, and solutions for network equipment manufacturers in areas including design, production, inspection and adjustment.

In this sub-segment, data traffic is expanding rapidly due to sophisticated cloud computing services and the progress of 5G services. Therefore, service providers that are pursuing high-speed networks are introducing 100Gbps services in full scale, and network equipment manufacturers are pushing development of 400Gbps network equipment. Moreover, in order to improve mobile phone connectivity, progress is being made to enhance the base station density through integrated application of wired and wireless network technologies. Along with the change of market trends, demand is gaining momentum for measuring solutions that optimize wireline and wireless technology depending on the intended use. Furthermore, mainly due to the data centers providing faster data services that support cloud services, the high-speed data communications market is rapidly growing, and accordingly, the market for R&D and manufacturing of high-speed optical communications modules is a growing trend. As a result, demand for relevant test equipment is also growing.

Anritsu is working to expand business by providing comprehensive solutions from construction and monitoring of communication infrastructure, to service assurances, in addition to research and development solutions for telecommunications equipment.

Management's Discussion and Analysis

3. Electronics

The Electronics sub-segment includes measuring instruments widely used in the electronics industry, particularly for design, production and evaluation of electronic devices used in telecommunications network-related communications equipment and other electronic equipment.

Demand in this sub-segment is showing impacts from the production scale of electronic components and electronic equipment used in communications equipment, smart home appliances, automobiles, and the like. The expansion of IoT services using mobile and broadband services, as well as Wi-Fi/Bluetooth devices, has led to an increase in demand for test and measurement solutions for the development and manufacturing of wireless modules with diverse applications.

Anritsu will work to further expand the business in this sub-segment by offering a wider range of solutions for the electronics market.

Products Quality Assurance

The Products Quality Assurance segment group develops, manufactures and sells production management systems and quality management systems, such as high-precision and high-speed auto checkweighers, automatic combination weighers and metal detectors, for the food, pharmaceutical and cosmetics industries.

In the fiscal year ended March 2021, some customers continued to show hesitancy toward capital expenditures due to the future uncertainty brought by the COVID-19 pandemic. Additionally, there have been efforts to reduce sales, general, and administrative expenses by measures such as promoting greater work efficiency. As a result, segment revenue decreased 5.1% compared with the previous fiscal year to ¥21,419 million while operating profit increased 4.1% to ¥1,340 million.

The Products Quality Assurance Business accounts for 20% of Anritsu Group's revenue. Since more than 80% of segment revenue is made of businesses from food manufacturers, this segment is substantially influenced by increased consciousness regarding food safety and security as well as changes in consumer spending levels which would affect food manufacturers' business performances.

Core products include highly precise checkweighers for high-speed food processing lines, as well as X-ray and other inspection systems that detect and remove metal fragments, stones and other alien materials in the food processing process with high precision. In the Japanese market, capital investment for automation and manpower reduction in food production lines has steadily increased against a backdrop of customer concerns regarding contamination and rising needs for automation due to labor shortages.

In the overseas markets, demands of important global customers in the Americas, Europe and China remained strong and the overseas sales ratio of this business was roughly 40%.

Food manufacturers are very interested in quality control inspection solutions. To satisfy this demand, Anritsu will develop and deliver new products and quality assurance solutions. We will also optimize the supply chain including overseas production, and will promote efficiency of global operation. Anritsu will expand the business and increase profitability through those opportunities.

Others

This segment comprises Information and Communications, Devices, Logistics, Welfare services, Real estate leasing and other businesses.

Segment revenue increased 4.6% compared with the previous fiscal year to ¥9,709 million, and operating profit decreased 5.4% compared with the previous fiscal year to ¥1,797 million.

Revenue by Business Segment



Liquidity and Financial Condition

Fund Procurement and Liquidity Management

The Anritsu Group's funding requirements are mainly for working capital to purchase materials and cover expenses incurred in the manufacturing, sales and marketing of products; for capital investments; and for research and development expenses. The Group secures sufficient funding to cover these requirements from retained earnings, bank borrowings, and capital market funding. To ensure stability in funding, the Anritsu Group arranged for a commitment line of ¥7.5 billion in March 2020, which is effective through March 2023. Looking forward, while preparing for unforeseen financial risks, both domestic and overseas, in a dramatically changing market environment, the Anritsu Group will swiftly and flexibly meet its capital requirements for working capital, regular repayment of long-term borrowings and business growth.

As of March 31, 2021, the balance of interest-bearing debt was ¥5,848 million (compared with ¥14,594 million at the end of the previous fiscal year) and the debt-to-equity ratio was 0.05 (compared with 0.15 at the end of the previous fiscal year). Going forward, we will strive for capital efficiency and the maintenance of a strong financial standing by improving ROE and CCC in order to generate cash flow, and by following a cash management system within the Group.

Anritsu has been evaluated by Rating and Investment Information, Inc. (R&I), receiving an issuer credit rating of "A" and a short-term rating of "a-1". We aim to further improve these ratings and, under our new company vision, aim to become a ¥200 billion company with stable earnings.

Our basic policy for distributing profits to shareholders is to pay dividends with a consolidated payout ratio of 30% or higher, primarily by raising the dividend on equity (DOE) in response to an increase in consolidated net income. We also flexibly implement other measures regarding shareholder returns that take the total return ratio into account. Furthermore, we plan to use surpluses to satisfy the demand for funding for strategic investment (including M&A) toward strengthening our competitiveness in the 5G market, expanding business into industrial fields that employ IoT, developing business in the cloud service and other markets, unlocking new growth areas, and acquiring next-generation technologies such as 6G. We aim to further improve our corporate value through these types of investments in new business.

Notes: 1. Debt-to-equity ratio: Interest-bearing debt/Equity attributable to owners of parent

2. CCC: Cash Conversion Cycle

Cash Flow

In the fiscal year ended March 31, 2021, cash and cash equivalents (hereafter, "net cash") increased ¥2,140 million compared with the end of the previous fiscal year to ¥49,810 million.

Free cash flow, the sum of cash flows from operating activities and cash flows from investing activities, was positive ¥15,452 million (compared with positive ¥11,035 million in the previous fiscal year).

Conditions and factors for each category of cash flow for the fiscal year were as follows.

• Cash Flows from Operating Activities

Net cash provided by operating activities was ¥20,481 million (in the previous fiscal year, operating activities provided net cash of ¥14,721 million).

The cash increase was mainly due to reporting of profit before tax. On the other hand, the cash decrease was mainly due to income tax payment. Depreciation and amortization expense was ¥4,946 million (decrease of ¥53 million compared with the previous fiscal year).

• Cash Flows from Investing Activities

Net cash used in investing activities was ¥5,029 million (in the previous fiscal year, investing activities used net cash of ¥3,686 million). The cash decrease was mainly due to acquisition of property, plant and equipment.

• Cash Flows from Financing Activities

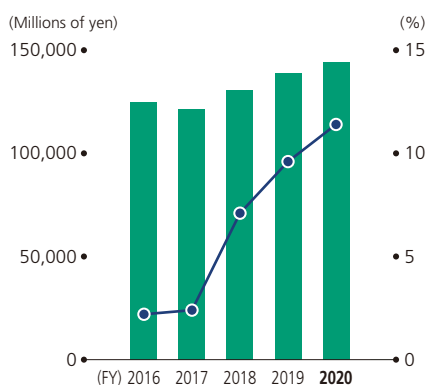
Net cash used in financing activities was ¥14,458 million (in the previous fiscal year, financing activities used net cash of ¥7,592 million). The primary reason was redemption of ¥8,000 million in straight bonds and payment of cash dividends totaling ¥4,878 million (in the previous fiscal year, cash dividends was ¥3,365 million).

Management's Discussion and Analysis

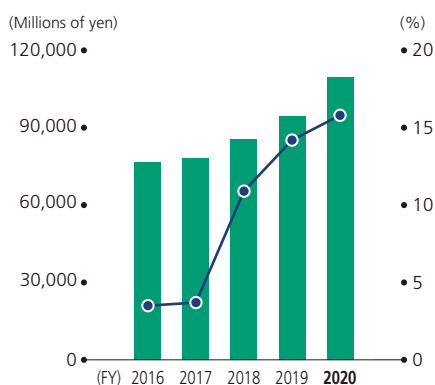
Assets, Liabilities, and Equity

Assets increased ¥5,227 million compared with the end of the previous fiscal year to ¥144,100 million. This was mainly due to increase of cash and cash equivalents, as well as other assets. Total liabilities decreased ¥9,895 million compared with the end of the previous fiscal year to ¥34,645 million. This was mainly due to decrease of bonds and borrowings caused by redemption of ¥8,000 million in straight bonds. Equity increased ¥15,123 million compared with the end of the previous fiscal year to ¥109,455 million. This was mainly due to increase of retained earnings. As a result, the equity attributable to owners of parent to total assets ratio was 75.8% (67.8% at the end of the previous fiscal year). Interest-bearing debt was ¥5,848 million (¥14,594 million at the end of the previous fiscal year). The debt-to-equity ratio was 0.05 (0.15 at the end of the previous fiscal year).

Total Assets and ROA



Total Equity and ROE



Capital Expenditures

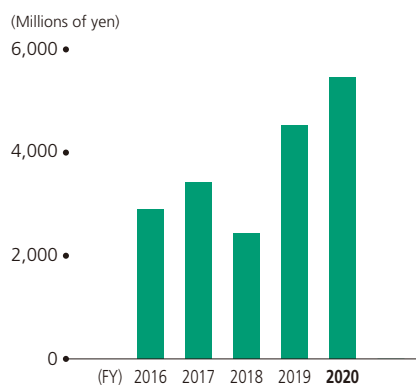
To achieve sustainable growth and profit increases in the future, the Anritsu Group is making strategic investments, such as new-product development focused on product areas where long-term growth is expected, and systems-related investments are aimed at labor saving and streamlining of operations. In the Test and Measurement Business, we invested in new-product development in order to handle rapid technological innovation and sales competition and also conducted investments to reduce costs. In the Products Quality Assurance Business, we primarily invested with the aim of optimizing global information systems as well as to enhance development, manufacturing and maintenance processes. In other businesses, we made capital investments, mainly in the device business, aimed at increasing production capacity and improving product quality.

The breakdown of investments is shown in the following table. (Figures for tangible fixed assets and intangible assets are on a received basis. Figures exclude development costs of intangible assets. Figures do not include consumption taxes, etc.)

Overview of Capital Expenditures

Year ended March 31	Millions of yen		YoY (%)
	FY2020	FY2019	
Test and Measurement	¥4,299	¥3,381	127.1
PQA	798	787	101.5
Subtotal	5,098	4,168	122.3
Others	351	349	100.5
Total	5,449	4,518	120.6

Capital Expenditures



Research and Development

Research and Development

Year ended March 31	Millions of yen		Millions of yen	
	FY2020	% of revenue	FY2019	% of revenue
Test and Measurement	¥8,906	11.9	¥10,489	14.0
PQA	1,771	8.3	2,180	9.7
Others	447	4.6	467	5.0
Basic Research	120	-	184	-
Total	11,246	10.6	13,321	12.4

Principal results of R&D programs in each business segment are as follows.

Business Segment	Model	Product	Application	Contribution
Test and Measurement	MT8000A	Radio Communication Test Station	With a 5G base station emulation function, a single MT8000A test platform supports both the sub 6GHz and millimeter-wave bands.	This model provides SA testing support in addition to NSA support. Dual connectivity that simultaneously uses the millimeter-wave and sub 6GHz bands enables the highest throughput.
	ME7873NR/ME7834NR	New Radio RF Conformance Test System/5G NR Mobile Device Test Platform	These test systems support 5G conformance testing for evaluating interoperability for both RF and Protocol. These GCF and PTCRB-approved systems are widely used for conformance testing.	New test cases have been developed to meet the requirements of the latest telecommunications standards as those are frequently revised and updated. This fiscal year, we added support for millimeter-wave spurious testing and the Voice over New Radio (Voong) protocol, and became the first in the industry to be approved by GCF.
	MP1900A	Signal Quality Analyzer	Bit Error Rate Tester for optical and digital communication evaluation supporting 200Gbps/400Gbps.	A single MP1900A supports PCIe 5.0 development and compliance testing, as well as performance analysis for PAM4, which is used for next-generation PCIe 6.0 specification.
	MT1040A	New Products Network Master Pro	This test equipment provides various features with equipped modules such as OTDR as well as multi-rate modules covering 10Mbps to 400Gbps.	Capable of conducting FEC analysis needed for 400 GbE, this measuring solution supports network construction and maintenance, and network equipment testing.
PQA	M6-h Series Free Fall Metal Detector	New Products Metal Detector	Detects metal contamination for granular foods and raw materials. Normally installed between a weighing machine and a packaging machine, and inspects the free-falling products.	We were late in entering the segment for checking before packaging, but have achieved the industry's highest level of sensitivity. By eliminating metal contamination before packaging, the number of faulty products after packaging is reduced, leading to less recall risk and food loss.

Management's Discussion and Analysis

Outlook and Management Issues for the Year Ending March 31, 2021

In the field of information and communication, 5G-related demand is expected to remain growing because of further technological innovation and utilization. Furthermore, demand for improve network infrastructure is also expected to grow. In this business environment, the Anritsu Group will strive to establish a competitive advantage by offering timely solutions that accurately meet the needs of further 5G application and growing demand for network acceleration, and be a leading company supporting 5G and IoT society.

The impact of the COVID-19 on economic activities varies from region to region, and the impact on our business also varies from region to region. This forecast assumes that COVID-19 infection status will remain the same in each region.

Risk Information

Policies and Systems

The Anritsu Group recognizes that the appropriate management of risk is an extremely important managerial issue in order to continuously increase corporate value and fulfill its social responsibility, and has established Group-level systems to manage it. Moreover, in order to maintain and increase our corporate value, fulfill our corporate social responsibility, and pursue sustainable development of Anritsu Group, the Company focuses on making management as well as all employees more sensitive to risk, and on all-hands initiatives that promote risk management.

Under the risk-management supervision of the Group CEO, the Anritsu Group designates a risk management officer for each of the following recognized major risks: (1) business risk related to management decision-making and business execution; (2) risk of legal violations; (3) environmental risk; (4) risk to the quality of products and services; (5) import/export management risk; (6) information security risk; and (7) infectious disease and disaster risk. Each risk management officer heads a committee, consisting of representatives from Company departments and Group companies managers relevant to the risk in question. Each risk management office oversees the management of its designated risk for the Group as a whole; and reports the status of risk management measures, plans and operation and the results of the year-round management cycle to the Management Strategy Conference as appropriate. In addition, the Risk Management Promotion Department leads such matters as creation of regulations and guidelines as well as training and education, and establishes systems necessary to raise the bar of risk management in order to ensure the sustainable development of the business. Each risk management officer supports the activities of Group companies overseas for their responsible field respectively. With regard to compliance risk, the compliance officer of each regional headquarters per-

forms risk assessments and prepares and acts on an annual plan.

(Individual Risks)

1. Inherent Risks in the Anritsu Group's Technology and Marketing Strategies (1) business risk

The Anritsu Group works to deploy its well-developed technological capabilities to promptly provide cutting-edge products and services that offer value to customers. However, the rapid pace of technological innovation in the Anritsu Group's core information and communication markets and the Anritsu Group's ability to deliver products and services in a timely manner to meet the needs and wants of customers are factors that have the potential to exert a material impact on the Anritsu Group's financial condition and operating results.

2. Market Fluctuation Risk (1) business risk

External factors including changes in the economy or market conditions and technological innovation affect the profitability of product lines the Group develops and have the potential to exert a significant material impact on the Anritsu Group's financial condition and operating results.

Because a high percentage of Test and Measurement segment revenue comes from the telecommunications market, capital investment trends among service providers, network equipment manufacturers, mobile phone manufacturers, and electronic component manufacturers have the potential to exert an effect on business results. Telecom operators make a cost-effective capital investment in order to adopt technologies to handle rapid increases in data traffic, and to build networks that meet the various needs of IoT service and cloud service. Moreover, business results for the mobile communications measuring instrument field, the cornerstone of earnings for the Anritsu Group, are affected by changes in technological innovation in mobile phone services, the number of subscribers and the replacement ratio for smartphones.

In the Products Quality Assurance Business, sales to food manufacturers constitute more than 80% of revenue. Capital investment of food manufacturers may influence the performance of Products Quality Assurance Business potentially.

3. Global Business Development Risk (1) business risk, (2) risk of legal violations, and (5) import/export management risk

The Anritsu Group markets its products globally. The overseas sales ratio is 70%, and many customers likewise operate on a global scale. As a result, economic trends in countries worldwide, changes in international conditions, compliance with required laws have a potential to exert a material impact on the Group's financial position and results of operations.

4. Risk of Spread of Infectious Diseases (7) infectious disease and disaster risk

Uncertain social and economic conditions due to the spread of COVID-19 are still continuing. The Anritsu Group places top priority on ensuring the safety of its employees, and halting the spread of the virus internally and externally to the Anritsu Group. The Anritsu Group has also established a COVID-19 Task Force, which is collecting information and taking necessary measures in order to minimize the virus's impact on its operations. However, depending on how the spread of COVID-19 progresses, it has the potential to exert a material impact on the Anritsu Group's financial condition and operating results, due to the disruption of supply chains, and restrictions on business activities of the Group, its customers, and its suppliers, including the halt of factory operations and business location closures.

5. Disaster Risk (7) infectious disease and disaster risk

The Anritsu Group carries out production and sales activities globally. As such, natural disasters such as earthquakes, typhoons, and abnormal weather events induced by climate change, as well as fire, war, terrorism, riots, and other events have the potential to exert a material impact on the Anritsu Group's financial condition and operation results by impeding our business activities due to impact on the major facilities of the Group, its suppliers, or its customers, or by causing political or economic instability.

Each division of the Anritsu Group has created a Business Continuity Plan (BCP) aimed at ensuring the smooth continuity of our businesses by minimizing the damage from disasters and emergencies, and fast recovery of business activities. The Tohoku Anritsu Co., Ltd., which is a Group manufacturing facility, has created a BCP for natural disasters, including river flooding due to earthquakes and torrential rains, as one of its major risks. This BCP clearly defines the actions to take after a natural disaster, broken up into specific processes. Taking the lessons learned from actual large-scale disasters, the Company is reviewing the criteria for emergency BCP activation to prepare for a wider range of risks and refine the response procedures when each risk occurs.

6. Foreign Exchange Risk (1) business risk

The Anritsu Group hedges foreign exchange risk using instruments including forward foreign exchange contracts for foreign exchange transactions that occur upon collection of accounts receivable and other events. However, rapid changes in foreign exchange rates have the potential to exert a material impact on the Anritsu Group's financial condition and operating results.

7. Long-Term Inventory Obsolescence Risk (1) business risk

The Anritsu Group works to provide products and services that precisely meet customer needs and wants. However, particularly in the Test and Measurement Instruments market, product lines are subject to frequent changes in order to follow technology evolution, which can easily result in obsolescence of products and parts, and could cause inventory to be held for long periods to lose its value. These factors have the potential to exert a material impact on the Anritsu Group's financial condition and operating results.

8. Human Resource Acquisition Risk (1) business risk

Acquiring, ensuring, and developing human resources are very important requirements for the sustainable development of the Anritsu Group. The Anritsu Group strives to acquire talented human resources by actively hiring diverse human resources without regard to nationality, gender or other natures, and continues to develop an education and training system that supports the self-motivated growth of employees. The Anritsu Group also focuses on work-life balance, and strives to create working environments that support diverse work styles and values. However, if human resource acquisition and development do not proceed as planned, it has the potential to exert a material impact on the Anritsu Group's financial condition and operating results.

9. Compliance Risk (2) risk of legal violations

The Anritsu Group is subject to the laws and regulations of the countries in which it conducts business. Violation of these laws and regulations, or actions that violate the demands of society, has the potential to exert a material impact on the Anritsu Group's financial condition and operating results through factors including legal punishment, lawsuits, social sanctions, and damage to the brand.

The Anritsu Group has established the Anritsu Group Code of Conduct, which serves as a guide for the conduct to take in order for us to fulfill our social responsibility. The Company also carries out educational and awareness-raising activities as needed, as it strives to improve its corporate ethics and strengthen legal compliance. The Group CEO, who chairs the Management Strategy Conference, leads the promotion of compliance of the Domestic Anritsu Group. Additionally, the Corporate Ethics Promotion Committee, chaired by the executive officer in charge of compliance and with the participation of employees from Anritsu Group companies in Japan as members, operates under the supervision of the Management Strategy Conference, and oversees the compliance promotion activities of each company in Japan in the Anritsu Group. The Corporate Ethics Promotion Committee and the Legal Department, which serve as its secretariat, coordinate with relevant

Management's Discussion and Analysis

committees that promote legal compliance to advocate ethical and legal compliance to Anritsu Group companies overseas in accordance with their national and regional laws, cultures, and customs. They provide necessary support, and coordinate with compliance officers at each Anritsu Group company overseas to build a global compliance promotion system. Internal audit departments perform audits to determine whether the compliance promotion system is functioning appropriately, and provide advice and request improvements as necessary.

10. Environmental Risk (3) environmental risk

The Anritsu Group is subject to a variety of laws and regulations relating to the environment, including climate change, energy, the atmosphere, water, hazardous substances, waste, and product recycling. The Group tackles the efforts to prevent climate change, create a recycling society, and prevent environmental pollution, in addition to ensuring the thorough environmental compliance of its business activities and products.

However, it is possible for tightened environmental regulations or past actions to trigger environmental liability, and for natural disasters and other events to cause environmental pollution. Such events have the potential to exert a material impact on the Anritsu Group's financial condition and operating results due to additional costs required for legal compliance or environmental measures.

In order to meet the demands of its stakeholders, the Anritsu Group develops and offers products with an awareness of the environment throughout the entire product life cycle. The Anritsu Group is also committed to reducing its environmental pollution risk by reducing the CO₂ emissions of its offices and factories through reducing the energy usage from the perspective of preventing global warming and preserving biodiversity; reducing waste by promoting the 3Rs (reduce, reuse, and recycle); and setting self-management standards that are stricter than laws and ordinances related to preventing environmental pollution.

11. Product-Quality Risk (4) risk to the quality of products and services

The Anritsu Group has been ISO 9001 (an international standard for quality management systems) accredited since 1993. It operates integrated quality management, from product design and development to manufacture, service, and maintenance, at a global level. However, if an unforeseen event that causes a major quality defect or product liability is incurred, it has the potential to exert a material impact on the Anritsu Group's financial condition and operating results, such as loss of society's trust, lawsuits, social sanctions, and damage to the brand, as well as the cost of compensation and countermeasures.

The Anritsu Group has established committees to maintain, improve, and assure product quality, and operate the quality management system appropriately, including the Quality Management System Committee and the Internal Quality Audit

Committee. The Anritsu Group is also considering the establishment of systems in the event of a product incident, a system to prevent product incidents, and initiatives to prevent recurrence.

12. Information Security (6) information security risk

The Anritsu Group has the social responsibility to appropriately protect the information of all of its stakeholders, including customers, trading partners, shareholders, and employees in its business activities. The Anritsu Group also recognizes that information assets are vital assets of the Anritsu Group and its stakeholders. If an information security incident were to occur with these information assets, due to a cyberattack, it has the potential to exert a material impact on the Anritsu Group's financial condition and operating results due to effects such as loss of the trust of society, lawsuits, social sanctions, and damage to the brand.

The Anritsu Group works continuously to build its information security management system, carry out initiatives to maintain and improve thorough management and security, and carry out information security education. As a company operating globally, the Company connects offices worldwide via networks and promoted sharing of information between them. As a single vulnerability in information security impacts the overall security level, the Company is working to build a strong and consistent security system on a global scale.

13. Risk Related to Deferred Tax Assets (1) business risk

The Anritsu Group applies deferred tax accounting and recognizes deferred tax assets. Calculation of deferred tax assets is based on projections that include estimates of future taxable profit, and the actual benefit may differ from the projection. If the tax benefits based on the estimate of future taxable profit are judged to be unavailable, these deferred tax assets are written down, which has the potential to exert a material impact on the Anritsu Group's financial condition and operating results.

14. Risk Related to Defined-Benefit Pension Plan (1) business risk

The amounts of retirement benefit payments and obligations incurred in connection with employee defined-benefit pension plans of the parent company and certain of its subsidiaries are calculated based on assumptions, including discount rates, made for actuarial calculations. If the discount rates and other assumptions, which were made for the actuarial calculations of the expected amount of obligations under these defined-benefit pension plans undergo change, this has the potential to exert a material impact on the Anritsu Group's financial condition and operating results.

Consolidated Statement of Financial Position

March 31, 2020 and 2021

	Millions of yen		Thousands of U.S. dollars*
	End of FY2019 as of March 31, 2020	End of FY2020 as of March 31, 2021	End of FY2020 as of March 31, 2021
Assets			
Current assets:			
Cash and cash equivalents (Notes 8 and 36)	¥ 47,669	¥ 49,810	\$ 449,914
Trade and other receivables (Notes 9 and 36)	26,263	26,184	236,510
Other financial assets (Notes 11 and 36)	29	14	126
Inventories (Note 10)	20,775	20,043	181,041
Income tax receivables	413	89	804
Other assets	3,857	3,672	33,168
Total current assets	99,009	99,815	901,590
Non-current assets:			
Property, plant and equipment (Note 12)	25,259	25,277	228,317
Goodwill and intangible assets (Note 13)	3,833	5,184	46,825
Investment property (Note 14)	663	482	4,354
Trade and other receivables (Notes 9 and 36)	287	355	3,207
Other financial assets (Notes 11 and 36)	1,785	1,826	16,494
Deferred tax assets (Note 16)	7,548	6,839	61,774
Other assets (Note 21)	485	4,319	39,012
Total non-current assets	39,864	44,285	400,009
Total assets	138,873	144,100	1,301,599
Liabilities and Equity			
Liabilities			
Current liabilities:			
Trade and other payables (Notes 17 and 36)	7,467	6,671	60,257
Bonds and borrowings (Notes 18 and 36)	9,882	4,131	37,314
Other financial liabilities (Notes 19, 20, and 36)	753	844	7,624
Income tax payables	4,028	2,572	23,232
Employee benefits (Note 21)	7,293	8,007	72,324
Provisions (Note 22)	435	396	3,577
Other liabilities (Notes 23 and 26)	7,484	8,596	77,644
Total current liabilities	37,346	31,220	281,998
Non-current liabilities:			
Trade and other payables (Notes 17 and 36)	480	382	3,450
Bonds and borrowings (Notes 18 and 36)	2,994	—	—
Other financial liabilities (Notes 19, 20, and 36)	1,015	923	8,337
Employee benefits (Note 21)	775	737	6,657
Provisions (Note 22)	108	112	1,012
Deferred tax liabilities (Note 16)	336	78	705
Other liabilities (Notes 23 and 26)	1,484	1,190	10,749
Total non-current liabilities	7,195	3,424	30,928
Total liabilities	44,541	34,645	312,935
Equity:			
Common stock (Note 24)	19,151	19,171	173,164
Additional paid-in capital (Note 24)	28,277	28,391	256,445
Retained earnings (Note 24)	43,182	56,402	509,457
Treasury stock (Note 24)	(1,119)	(1,120)	(10,117)
Other components of equity (Note 24)	4,681	6,413	57,926
Total equity attributable to owners of parent	94,172	109,258	986,885
Non-controlling interests	159	196	1,770
Total equity	94,331	109,455	988,664
Total liabilities and equity	¥138,873	¥144,100	\$1,301,599

* The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥110.71 to U.S. \$1.00, the approximate exchange rate on March 31, 2021.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Years ended March 31, 2020 and 2021

	Millions of yen		Thousands of U.S. dollars*
	FY2019 (From April 1, 2019 to March 31, 2020)	FY2020 (From April 1, 2020 to March 31, 2021)	FY2020 (From April 1, 2020 to March 31, 2021)
Continuing operations			
Revenue (Notes 6 and 26)	¥107,023	¥105,939	\$956,905
Cost of sales (Note 29)	48,948	48,734	440,195
Gross profit	58,075	57,204	516,701
Other revenue and expenses			
Selling, general and administrative expenses (Notes 27 and 29)	28,036	26,793	242,011
Research and development expense (Notes 28 and 29)	12,975	10,908	98,528
Other income (Note 30)	659	266	2,403
Other expenses (Note 30)	309	117	1,057
Operating profit (loss) (Note 6)	17,413	19,651	177,500
Finance income (Note 31)	345	372	3,360
Finance costs (Note 31)	577	184	1,662
Profit (loss) before tax	17,181	19,838	179,189
Income tax expense (Note 16)	3,783	3,695	33,375
Profit (loss) from continuing operations	13,397	16,143	145,813
Profit (loss)	13,397	16,143	145,813
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Change of financial assets measured at fair value (Note 32)	83	186	1,680
Remeasurements of defined benefit plans (Note 32)	(214)	1,882	16,999
Total	(130)	2,069	18,688
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation (Note 32)	(1,329)	1,654	14,940
Total	(1,329)	1,654	14,940
Total of other comprehensive income	(1,459)	3,724	33,637
Comprehensive income (loss)	¥11,937	¥19,867	\$179,451
Profit (loss), attributable to:			
Owners of parent	¥13,355	¥16,105	\$145,470
Non-controlling interests	42	37	334
Total	¥13,397	¥16,143	\$145,813
Comprehensive income (loss) attributable to:			
Owners of parent	¥11,895	¥19,829	\$179,108
Non-controlling interests	42	37	334
Total	¥11,937	¥19,867	\$179,451
Earnings per share		Yen	U.S. dollars*
Basic earnings per share (Note 33)	¥97.20	¥117.18	\$1.06
Diluted earnings per share (Note 33)	97.16	117.12	1.06

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Consolidated Statement of Changes in Equity

Years ended March 31, 2020 and 2021

	FY2019 (From April 1, 2019 to March 31, 2020)						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
Cumulative effect by change in accounting policy	—	—	(45)	—	—	(45)	—	(45)
Balance at April 1, 2019 after change in accounting policy	19,113	28,207	33,396	(1,133)	5,930	85,515	117	85,632
Profit (loss)	—	—	13,355	—	—	13,355	42	13,397
Other comprehensive income (Note 32)	—	—	(214)	—	(1,245)	(1,459)	—	(1,459)
Total comprehensive income (loss)	—	—	13,140	—	(1,245)	11,895	42	11,937
Share-based payments (Note 35)	37	70	6	14	—	128	—	128
Dividends paid (Note 25)	—	—	(3,365)	—	—	(3,365)	—	(3,365)
Purchase of treasury stock (Note 24)	—	—	—	(0)	—	(0)	—	(0)
Disposal of treasury stock (Note 24)	—	0	—	0	—	0	—	0
Dividends to non-controlling interests	—	—	—	—	—	—	(0)	(0)
Transfer from other components of equity to retained earnings	—	—	4	—	(4)	—	—	—
Total transactions with owners and other transactions	37	70	(3,355)	13	(4)	(3,237)	(0)	(3,238)
Balance at March 31, 2020	¥19,151	¥28,277	¥43,182	¥(1,119)	¥4,681	¥94,172	¥159	¥94,331

	FY2020 (From April 1, 2020 to March 31, 2021)						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, 2020	¥19,151	¥28,277	¥43,182	¥(1,119)	¥4,681	¥94,172	¥159	¥94,331
Profit (loss)	—	—	16,105	—	—	16,105	37	16,143
Other comprehensive income (Note 32)	—	—	1,882	—	1,841	3,724	—	3,724
Total comprehensive income (loss)	—	—	17,988	—	1,841	19,829	37	19,867
Share-based payments (Note 35)	20	113	2	0	—	135	—	135
Dividends paid (Note 25)	—	—	(4,878)	—	—	(4,878)	—	(4,878)
Purchase of treasury stock (Note 24)	—	—	—	(0)	—	(0)	—	(0)
Disposal of treasury stock (Note 24)	—	0	—	0	—	0	—	0
Dividends to non-controlling interests	—	—	—	—	—	—	(0)	(0)
Transfer from other components of equity to retained earnings	—	—	108	—	(108)	—	—	—
Total transactions with owners and other transactions	20	113	(4,768)	(0)	(108)	(4,743)	(0)	(4,744)
Balance at March 31, 2021	¥19,171	¥28,391	¥56,402	¥(1,120)	¥6,413	¥109,258	¥196	¥109,455

	FY2020 (From April 1, 2020 to March 31, 2021)						Thousands of U.S. dollars*	
	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, 2020	\$172,983	\$255,415	\$390,046	\$(10,107)	\$42,282	\$850,619	\$1,436	\$852,055
Profit (loss)	—	—	145,470	—	—	145,470	334	145,813
Other comprehensive income (Note 32)	—	—	16,999	—	16,629	33,637	—	33,637
Total comprehensive income (loss)	—	—	162,479	—	16,629	179,108	334	179,451
Share-based payments (Note 35)	181	1,021	18	0	—	1,219	—	1,219
Dividends paid (Note 25)	—	—	(44,061)	—	—	(44,061)	—	(44,061)
Purchase of treasury stock (Note 24)	—	—	—	(0)	—	(0)	—	(0)
Disposal of treasury stock (Note 24)	—	0	—	0	—	0	—	0
Dividends to non-controlling interests	—	—	—	—	—	—	(0)	(0)
Transfer from other components of equity to retained earnings	—	—	976	—	(976)	—	—	—
Total transactions with owners and other transactions	181	1,021	(43,067)	(0)	(976)	(42,842)	(0)	(42,851)
Balance at March 31, 2021	\$173,164	\$256,445	\$509,457	\$(10,117)	\$57,926	\$986,885	\$1,770	\$988,664

* The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥110.71 to U.S. \$1.00, the approximate exchange rate on March 31, 2021. Note: Details of Common stock, Additional paid-in capital, Retained earnings, Treasury stock and Other components of equity are described in Note 24, "Total Equity and Other Capital Items."

Consolidated Statement of Cash Flows

Years ended March 31, 2020 and 2021

	Millions of yen		Thousands of U.S. dollars*
	FY2019 (From April 1, 2019 to March 31, 2020)	FY2020 (From April 1, 2020 to March 31, 2021)	FY2020 (From April 1, 2020 to March 31, 2021)
Cash flows from (used in) operating activities			
Profit (loss) before tax	¥17,181	¥19,838	\$179,189
Depreciation and amortization expense	4,999	4,946	44,675
Interest and dividends income	(342)	(128)	(1,156)
Interest expenses	116	70	632
Loss (gain) on disposal of property, plant and equipment	(43)	4	36
Decrease (increase) in trade and other receivables	(1,282)	91	822
Decrease (increase) in inventories	(2,370)	1,035	9,349
Increase (decrease) in trade and other payables	(176)	(1,055)	(9,529)
Increase (decrease) in employee benefits	(578)	(549)	(4,959)
Other, net	363	1,355	12,239
Subtotal	17,866	25,609	231,316
Interest received	304	91	822
Dividends received	37	37	334
Interest paid	(102)	(74)	(668)
Income taxes paid	(3,473)	(5,193)	(46,906)
Income taxes refund	88	11	99
Net cash flows from (used in) operating activities	14,721	20,481	184,997
Cash flows from (used in) investing activities			
Payments into time deposits	(9)	(9)	(81)
Proceeds from withdrawal of time deposits	477	4	36
Purchase of property, plant and equipment	(2,830)	(2,691)	(24,307)
Proceeds from sale of property, plant and equipment	310	5	45
Purchase of other financial assets	(1)	(26)	(235)
Proceeds from sale of other financial assets	6	256	2,312
Other, net	(1,637)	(2,568)	(23,196)
Net cash flows from (used in) investing activities	(3,686)	(5,029)	(45,425)
Cash flows from (used in) financing activities (Note 34)			
Net increase (decrease) in short-term borrowings	114	(753)	(6,802)
Repayments of long-term borrowings	(3,500)	—	—
Redemption of bonds (Note 18)	—	(8,000)	(72,261)
Repayments of lease liabilities	(900)	(857)	(7,741)
Dividends paid	(3,365)	(4,878)	(44,061)
Other, net	58	30	271
Net cash flows from (used in) financing activities	(7,592)	(14,458)	(130,593)
Effect of exchange rate change on cash and cash equivalents	(870)	1,147	10,360
Net increase (decrease) in cash and cash equivalents	2,572	2,140	19,330
Cash and cash equivalents at beginning of period	45,097	47,669	430,575
Cash and cash equivalents at end of period (Note 8)	¥47,669	¥49,810	\$449,914

* The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥110.71 to U.S. \$1.00, the approximate exchange rate on March 31, 2021.

Glossary

Term	Description
3GPP (3rd Generation Partnership Project)	A project that was established to set third-generation (3G) mobile communications technology standards and LTE, LTE-Advanced (4G), and is now developing international standards for 5G.
5G-Advanced	This term is used for 3GPP defined 5G specification "Release 18" and beyond. This 5G extension standard employs some of 6G expected technologies so that it achieves even greater speed.
5G New RAT (5G New Radio Access Technology)	A new wireless communications technology for use with 5G. It can handle ultra-high speed communications in excess of 10Gbps.
6G (Six Generation)	Sixth-generation mobile communications technology. The name given to next-generation mobile communications technology which is being researched in various countries with the aim of launching services around 2030.
AOC (Active Optical Cable)	A cable that combines optical fibers with an electrical signal connector that has an embedded optical-electric converter.
Beamforming	A technique that combines and concentrates radio signals and beams them in a specified direction. This technique improves spatial multiplexing performance by avoiding mutual interference between simultaneous communications using the same frequency bands.
C-RAN (Centralized Radio Access Network)	A radio access network architecture. Each wireless base station is equipped with only Radio Transceiver Devices. Radio Control Units are clustered upstream within the network to form a "Housing station" where signals are processed.
C-V2X (Cellular Vehicle-to-Everything)	V2X is a specification that enables cars to communicate with any devices, and consists of those such as vehicle-to-vehicle (V2V), vehicle-to-infrastructure (V2I), and vehicle-to-pedestrian (V2P). Furthermore, one that realizes it with cellular communication is called C-V2X.
CPRI (Common Public Radio Interface)	An interface specification used to realize communication between Base-Band Units (BBU) and Remote Radio Heads (RRH) in systems where these are separated.
GCF (Global Certification Forum) certification	A certification from GCF, an organization comprising telecommunications operators, mobile device manufacturers, and test houses, that is for mobile devices and mobile device testing environments recognized to be conformant with 3GPP's standards.
Local 5G	The system developed by the Ministry of Internal Affairs and Communications of Japan that builds communication environments utilizing the Non-Public Networks (NPN) introduced in the 3GPP Release16. This differs from private 5G, a system with a similar mechanism being studied overseas, as it requires licences for using radio waves.
LTE/LTE-A (Long Term Evolution/LTE-Advanced)	Fourth-generation (4G) mobile communications standards approved by the International Telecommunication Union (ITU). LTE is a high-speed mobile communications system that enables data communication at 5 to 10 times the speed of 3G. LTE-Advanced is a standard that has realized speeds faster than LTE through the use of new technology such as carrier aggregation. International standards are set by 3GPP.
Massive MIMO	A technology that realizes advanced beamforming and spatial multiplexing by incorporating as many as 128 antennas, which is a huge increase compared to previous technologies, and dedicating an individual radio signal path to each antenna. This enables the comfortable use of mobile communications in crowded areas, such as stations and downtown districts, which previously tended to experience lags in communication speeds.
MIMO (Multiple-Input and Multiple-Output)	A wireless communications technology that enables faster communications speeds by using multiple antennas at both the transmitter and receiver to transmit and receive data on the same frequency axis. One of the key technologies for LTE Advanced.
NB-IoT (Narrow Band-IoT)	An IoT communications system that uses mobile phone networks and has been standardized as an LTE standard by 3GPP.
NEMS (Nano Electro Mechanical Systems)	These devices have a nano-order machine structure and are even smaller than micro electro mechanical systems (MEMS), which are built with semiconductor processing technologies.
NFV (Network Functions Virtualization)	A way to manage network communications functions as software on a virtual server OS.
NR-Light (New Radio-Light)	A specification that will be incorporated into 3GPP Release 17; it will allow for a narrower 5G band, lower peak data rate, and fewer antennas to better facilitate its use in wearable devices, surveillance cameras, industrial sensors, and other such devices.
NSA-NR/SA-NR (Non-Standalone New Radio/ Standalone New Radio)	5G international standard specifications developed by 3GPP. NS-NR: An operating format that uses an existing LTE system to control data being sent through a 5G system. SA-NR: An operating format that controls every aspect of data communications through a 5G system on a stand-alone basis.
OSS (Operation Support System)	A name given to systems that support networks operated by telecommunications business operators and service providers that offer mobile phone and other communications services.
OTA (Over The Air)	Methods for testing wireless systems without using cables, used when testing mobile terminals.
OTN (Optical Transport Network)	An optical communications standard which enables WDM that was previously limited to one transmitter and one receiver to be used through a network. In addition to conventional telephone signals, it also enables signals such as IP and Ethernet to be processed in a unified manner.
PCI-E (Peripheral Component Interconnect Express)	An interface specification for PC expansion slots. It uses serial I/O interface standards set by Peripheral Component Interconnect Special Interest Group (PCI-SIG) in 2002. It is also referred to as PCIe and PCI Express.
SDH (Synchronous Digital Hierarchy)	International standards for signal multiplexing methods used in digital transmissions systems. These technologies enable low-speed signals, such as voice communications, to be multiplexed into and transmitted through predetermined high-speed signals.
SDN (Software Defined Network)	SDN is the name for technologies that enable structure, configuration, and settings of computer networks to be altered in a flexible and dynamic manner by centrally controlling the communications devices that comprise the network through an individual piece of software.
Small Cell	A type of base station for mobile communications that have lower output power and are used to cover smaller areas. They are receiving attention for their potential application in 5G systems, which use high-frequency ranges and therefore require base stations to be established in high concentrations.
Sub 6	The name used for bands of 6GHz or less when referring to frequency ranges used in 5G systems. These are low band compared to millimeter wave bands. In 5G standards, bands of 6GHz or less have been defined as FR1, while millimeter wave bands have been defined as FR2.
WDM (Wavelength Division Multiplexing)	An optical communications technology for transmitting large-capacity signals.

Statement of Responsibility

On the Release of Anritsu's Integrated Report 2021



Akifumi Kubota
Director
Executive Vice President
CFO

Anritsu has released integrated reports since 2015 and conducted numerous dialogues with the goal of furthering our stakeholders' understanding of our medium- to long-term initiatives to "contribute to the development of a safe, secure and prosperous global society" as set forth in our management philosophy.

The integrated report for this fiscal year provides a detailed explanation of the GLP2023 Mid-Term Business Plan, which details systems for creating corporate value and material issues Anritsu must address to achieve medium- to long-term corporate growth, as well as laying out plans for realizing a new management vision. In addition, further information is now provided concerning our ESG efforts, which include environment and climate change related initiatives to satisfy a societal need, our approach to human capital recruitment and development, and corporate governance.

This report was prepared primarily by the Corporate Branding Department's IR Team with support from the relevant departments. As an officer in charge of the Corporate Branding Department with responsibility for integrated report preparation, I attest to the legitimacy of the report production process and the accuracy of the information contained herein.

I hope this report will be of use in better understanding the Anritsu Group. We will continue to refine this report and strive to make it a valuable resource for communication with our stakeholders. We welcome any feedback you may have upon reading the report.

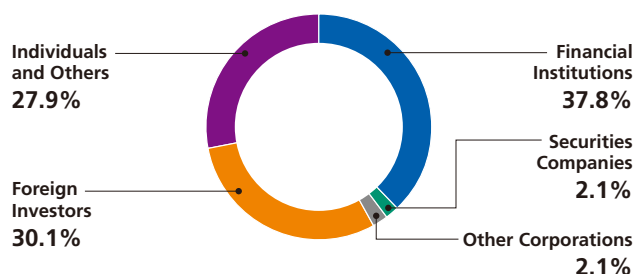
Investor Information (As of March 31, 2021)

Head Office:	ANRITSU CORPORATION 5-1-1 Onna, Atsugi-shi, Kanagawa 243-8555, Japan Tel: +81-46-223-1111 URL: https://www.anritsu.com
Founded (Sekisan-sha)	1895
Established	March 17, 1931
Paid-in Capital:	¥19.2 billion
Number of Employees:	3,954 (Consolidated) 1,284 (Stand alone)
Stock Listing:	Tokyo (Ticker Symbol No: 6754)
Transfer Agent:	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo 100-8233, Japan
Number of Shareholders:	71,453
Rating: (Updated on May 31, 2021)	Rating and Investment Information, Inc. Long-Term: A Short-Term: a-1
Authorized Shares:	400,000,000
Issued Shares:	138,282,494

Major Subsidiaries (As of April 1, 2021)

Japan	Principal Businesses
Anritsu Infivis Co., Ltd.	Manufacture of PQA equipment
Tohoku Anritsu Co., Ltd.	Manufacture of Test & Measurement instruments and environment measurement equipment
Anritsu Customer Support Co., Ltd.	Calibration, repair, and maintenance of Test & Measurement instruments
Anritsu Devices Co., Ltd.	Manufacture of optical devices
Anritsu Kousan Co., Ltd.	Management of facilities, welfare services, and production of catalogs and other materials
Anritsu Real Estate Co., Ltd.	Real estate leasing
AT Techmac Co., Ltd.	Manufacture and sales of processed products and unit assembly articles
Americas	Principal Businesses
Anritsu U.S. Holding, Inc. (U.S.A.)	Holding company for American subsidiaries
Anritsu Company (U.S.A.)	R&D, manufacture, sales and maintenance of Test & Measurement instruments
Anritsu Americas Sales Company (U.S.A.)	Sales and maintenance of Test & Measurement instruments
Azimuth Systems, Inc. (U.S.A.)	R&D, manufacture, and maintenance of Test & Measurement instruments
Anritsu Electronics, Ltd. (Canada)	Sales and maintenance of Test & Measurement instruments
Anritsu Eletrônica Ltda. (Brazil)	Sales and maintenance of Test & Measurement instruments
Anritsu Company S.A. de C.V. (Mexico)	Sales and maintenance of Test & Measurement instruments
Anritsu Infivis Inc. (U.S.A.)	Sales and maintenance of PQA equipment

Breakdown of Shareholders:



Major Shareholders

Shareholder Name	Number of Shares (in Thousands)	Percentage of Total Shares Issued
Custody Bank of Japan, Ltd. (Trust Account)	15,005	10.90
The Master Trust Bank of Japan, Ltd. (Trust Account)	11,908	8.65
BBH FOR MATTHEWS ASIA DIVIDEND FUND	4,887	3.55
Custody Bank of Japan, Ltd. (Trust Account 7)	3,154	2.29
Sumitomo Life Insurance Company	2,314	1.68
Custody Bank of Japan, Ltd. (Securities Investment Trust Account)	2,240	1.63
Custody Bank of Japan, Ltd. Retirement payment account of Sumitomo Mitsui Trust Bank	2,000	1.45
Custody Bank of Japan, Ltd. (Trust Account 5)	1,843	1.34
BNYMSANV RE ARBEJDSMARKEDETS TILLAEGSPENSION	1,740	1.26
BBH BOSTON CUSTODIAN FOR NEXT GENERATION CONNECTIVITY ASIA FUND A SERIES T621052	1,673	1.22

Note: The shareholding ratio is calculated by excluding the number of treasury stock (646,902 shares).

EMEA	Principal Businesses
Anritsu EMEA GmbH (Austria)	Sales and maintenance of Test & Measurement instruments
Anritsu Ltd. (U.K.)	R&D and manufacture of Test & Measurement instruments
Anritsu GmbH (Germany)	Sales and maintenance of Test & Measurement instruments
Anritsu S.A. (France)	Sales and maintenance of Test & Measurement instruments
Anritsu S.r.l. (Italy)	Sales and maintenance of Test & Measurement instruments
Anritsu AB (Sweden)	Sales and maintenance of Test & Measurement instruments
Anritsu A/S (Denmark)	R&D, manufacture, sales, and maintenance of Test & Measurement instruments
Anritsu Solutions S.r.l. (Italy)	R&D of Test & Measurement instruments
Anritsu Solutions S.R.L. (Romania)	R&D of Test & Measurement instruments
Anritsu Solutions SK, s.r.o. (Slovakia)	R&D of Test & Measurement instruments
Anritsu Infivis Ltd. (U.K.)	Sales and maintenance of PQA equipment
Anritsu Infivis B.V. (Netherlands)	Sales of PQA equipment

Asia & Others	Principal Businesses
Anritsu Company Ltd. (Hong Kong)	Sales and maintenance of Test & Measurement instruments
Anritsu (China) Co., Ltd. (China)	Sales and maintenance of Test & Measurement instruments
Anritsu Electronics (Shanghai) Co., Ltd. (China)	Maintenance of Test & Measurement instruments
Anritsu Corporation, Ltd. (Korea)	Sales and maintenance of Test & Measurement instruments
Anritsu Company, Inc. (Taiwan)	Sales and maintenance of Test & Measurement instruments
Anritsu Pte. Ltd. (Singapore)	Sales and maintenance of Test & Measurement instruments
Anritsu India Private Ltd. (India)	Sales and maintenance of Test & Measurement instruments
Anritsu Pty. Ltd. (Australia)	Sales and maintenance of Test & Measurement instruments
Anritsu Company Ltd. (Vietnam)	Sales and maintenance of Test & Measurement instruments
Anritsu Philippines, Inc. (Philippines)	R&D of Test & Measurement instruments
Anritsu Industrial Solutions (Shanghai) Co., Ltd. (China)	Sales and maintenance of PQA equipment
Anritsu Industrial Systems (Shanghai) Co., Ltd. (China)	Manufacture of PQA equipment
Anritsu Infivis (THAILAND) Co., Ltd. (Thailand)	Manufacture and maintenance of PQA equipment



Supporting artists with disabilities via co-sponsoring Paralym Art

Based on the philosophy, “creating a world where people with disabilities can make their dreams come true through art”, Paralym Art is supporting self-independence and participation of artists with disabilities in social activities via selling or renting artworks created by them, thereby contributing to SDGs.

Anritsu strongly empathizes with Paralym Art’s efforts and has become a co-sponsor with the desire to be involved in creating a society where everyone can respect and support each other. We have rented five works selected by employee voting and displayed them at the company.

