

Anritsu's highest management priority is continuously raising its corporate value by responding flexibly and quickly to changes in the operating environment in order to heighten its competitiveness as a global enterprise. To achieve this goal, Anritsu is working to create an environment and framework to ensure effective corporate governance.

Corporate Governance Structure

Anritsu has a corporate governance structure centered on the Board of Directors and Board of Corporate Auditors. Anritsu introduced an executive officer system in 2000 to clearly separate the functions and responsibilities of the directors and executive officers. Important matters concerning business execution are discussed and decided at the Management Strategy Conference, which clarifies the process of sharing information on decisions. Matters to be discussed and resolved at Board of Directors meetings are debated in advance in the Management Strategy Conference to enhance the discussion. The Management Strategy Conference is held once or twice each month.

The Board of Directors reviews quarterly status reports from executive officers on the divisions they are in charge of, and takes other measures to enhance the Board's oversight function. Five of the 14 executive officers serve concurrently as directors.

To strengthen checks and balances, the Internal Auditing Department performs internal audits of operations. In addition, Anritsu strengthens compliance and auditing by assigning auditing functions to departments and committees as needed. For example, the Security Trade Control Department handles routine monitoring of export control.

Compensation Advisory Committee

To ensure transparency, the Compensation Advisory Committee, an advisory body to the Board of Directors,

meets once a year to discuss compensation of directors, executive officers and senior corporate staff.

Compensation for the seven directors in the year ended March 31, 2006 totaled ¥122 million. The three directors who are also employees of the Company received additional employee compensation totaling ¥38 million. In addition to these amounts, bonuses to directors totaling ¥30 million were paid as an appropriation of profits for the year ended March 31, 2006.

Development of the Internal Control System

Development of an internal control system is essential for the growth of a company and for comprehensively understanding and evaluating business risks and managing them throughout the organization. Anritsu is taking measures to strengthen its internal control system based on COSO-ERM¹⁷, an advanced framework for business risk management. To expedite these measures, Anritsu established the Internal Control Improvement Center in April 2006. In addition, at its May 2006 meeting, the Board of Directors resolved to adopt the Policy for the Development of Internal Control Systems. In this way, Anritsu will respond to the so-called Japanese version of the corporate reform law while continuously improving work processes to raise its corporate value.

(Note 17) COSO-ERM: An internal control framework issued by the U.S.-based organization COSO in 2003. ERM is an abbreviation of Enterprise Risk Management.

