



Governance

Corporate Governance

Basic Approach

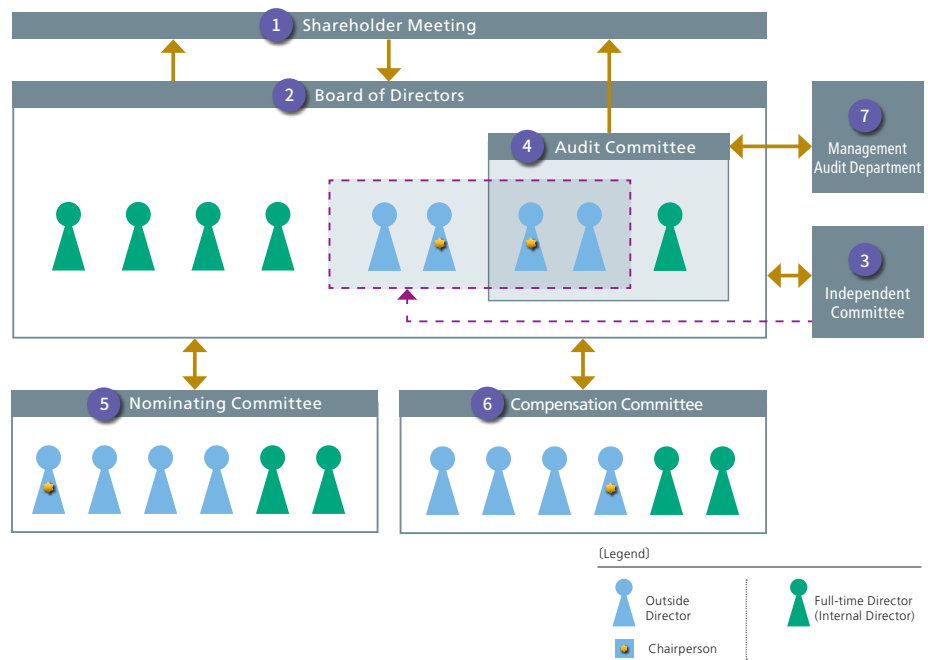
* Company philosophy: Contribute to the development of a safe, secure, and prosperous global society by offering Original & High Level products and services with sincerity, harmony, and enthusiasm

WEB
Anritsu Corporation Basic Rules of Corporate Governance

WEB
Corporate Governance Report (Japanese only)

Anritsu’s mission is to fulfill its Company Philosophy* of “Sincerity, Harmony, and Enthusiasm” in every aspect of relations with its shareholders, customers, employees, and all stakeholders. The Company is constantly strengthening its corporate governance to provide high transparency in its communications and to enable prompt and decisive decision making.

► Corporate Governance Structure



Anritsu places top priority on maintaining the ability to flexibly and speedily adapt to changes in the business environment, increasing its competitiveness as a global corporation, and continuously enhancing its corporate value. The Company seeks to fulfill these objectives by maintaining an effective corporate governance structure and conducting its business activities in line with the Company Philosophy, which it views as part of its ongoing contribution to helping create a safe, secure, and prosperous society.

Anritsu conducts its operations in line with all of the principles presented in the Corporate Governance Code* of the Tokyo Stock Exchange. With the objective of realizing even stronger corporate governance, the Company has established the Anritsu Corporation Basic Policy on Corporate Governance providing a clearly defined organizational system and framework to support our corporate governance.

This Basic Policy provides guidelines for appropriate collaboration with our stakeholders, initiatives to provide transparent and appropriate information disclosure, and the roles and

* Corporate Governance Code: The Corporate Governance Code delineates key principles for realizing effective corporate governance, and the Company believes putting these principles into practice and voluntarily following the principles lead to the sustained business growth and the medium- and long-term enhancement of corporate value of all companies and contribute to the growth and development of the companies, investors, and economy as a whole.

responsibilities of the Board of Directors. In line with this policy, Anritsu is continuing to strengthen the audit and supervisory functions of the Board of Directors and further enhancing the corporate governance system to realize even greater transparency in its management activities.

1 Shareholder Meeting

Anritsu considers the General Meeting of Shareholders as an invaluable opportunity to engage in constructive dialogue with all of its shareholders and to deepen shareholder understanding of the Company. The Company, therefore, holds the meeting at its corporate headquarters and endeavors to schedule the meeting on a date that does not conflict with the meetings of other companies.

2 Board of Directors

The Board of Directors engages in constructive deliberation on management strategy and planning and other items important to the operation of the Anritsu Group, makes management decisions, and oversees the business execution of the Company's executive officers.

The Board of Directors also seeks to establish rational decision-making processes for management to follow and to promote transparent, fair, and speedy decision making with the aim of realizing profitable and sustainable growth and enhancing the medium- and long-term corporate value of the Group.

The Board of Directors do their utmost to prepare for discussion and to make decisions regarding items proposed at the Board of Directors meetings by gathering information prior to the meetings and conducting appropriate and reasonable analysis and examination of the items.

■ Topics Discussed at Board of Directors Meetings in Fiscal 2016

The Board of Directors confirmed that the Board is composed of appropriate personnel from inside and outside the Company and has the appropriate number of members to maintain the global management structure needed for the business development of the Group. The Board also confirmed that the structure is in place to support constructive deliberation and decision making on items important to Group operations as well as oversight of the business execution by executive officers.

The Board also verified that each of the individuals serving on the Board of Directors, Audit Committee, Independent Committee, Nominating Committee, and Compensation Committee fully understands their role in realizing profitable and sustainable growth and enhancing the medium- and long-term corporate value of the Group and confirmed that all members, including the outside directors, engaged in lively discussions at their relevant meetings while sharing their viewpoints from their various backgrounds and applying their specialized knowledge.

■ Director Compensation

The Compensation Committee, an advisory committee reporting to the Board of Directors, deliberates the structure, content, level, balance of allocations, and other compensation-related matters for directors other than those serving on the Audit Committee. The Board of Directors receives reports from the Compensation Committee and decides director compensations within the framework for total director compensation established by resolution of the General Meeting of Shareholders.

Compensation for executive directors is structured such that 40% of the predetermined

compensation amount is linked to corporate performance so that these directors share the same perspective on profits as the Company's shareholders. This system is designed to motivate the directors to make decisions with a medium- and long-term perspective on corporate earnings and with an awareness of value of the Company's shares.

3 Independent Committee

The Independent Committee was established to foster free and lively discussion in meetings with the aim of promoting the exchange of information and knowledge based on independent and objective points of view.

The Independent Committee is composed of the Company's independent outside directors, including those serving on the Audit Committee, with the aims of facilitating smooth communication among the outside directors and contributing to enhancing corporate value* in the following ways.

1. Recommendations regarding enhancement of Group corporate value
2. Exchanges of opinions with directors
3. Exchanges of opinions on specific activities with executive officers
4. Recommendations regarding the effectiveness of the Board of Directors
5. Recommendations regarding the system of internal controls
6. Recommendations on the Company's response to a major purchase of the Company shares
7. Reports providing advice on specific items as requested by the Board of Directors

* enhancing corporate value:
With the concepts of "Original & High Level" as the core, Anritsu works to increase its corporate value through innovation based on collective wisdom and aims to become a company whose growth and development are desired by society as a whole.

▶ Reasons for Selection

Name	Reasons for Selection
Takashi Sano	Mr. Sano was deemed to be qualified as an outside director for his abundant experience and wide-ranging knowledge as a manager with deep insight to global business as well as for his broad insight in finance and accounting as a certified public accountant.
Takaya Seki	Mr. Seki was deemed to be qualified as an outside director for his abundant knowledge and outstanding insight as a specialist in global corporate governance.
Yuji Inoue	Mr. Inoue was deemed to be qualified as an outside director for his abundant experience as a corporate manager and broad insight into finance and accounting.
Norio Igarashi	Mr. Igarashi was deemed to be qualified as an outside director for his specialized knowledge and abundant experience in finance and accounting as a certified public accountant and university instructor as well as for his wide-ranging expertise in management from his experience as an outside auditor of a listed company.

4 Audit Committee

The Audit Committee submits reports on the audits it conducts including an overview report of its audits and quarterly reviews and planning, quarterly review summary reports, and term-end summary audit reports. Upon notification pursuant to Article 131 of the Rules of Corporate Accounting concerning audit reports and corporate accounting, the Audit Committee receives direct explanations and exchanges views with auditors, and, as necessary, Audit Committee members conduct on-site interviews to exchange information and views with auditors.

5 Nominating Committee

The Nominating Committee executes the important corporate governance function of enhancing the transparency, objectivity, and fairness of activities related to the appointment and dismissal

of directors. The committee also serves as a consultative body to the Board of Directors, providing advice and suggestions for fostering executive personnel.

The Nominating Committee, which is chaired by an outside director, deliberates and reports on the following items regarding all outside directors other than those serving on the Audit Committee, the president, and executive officers to be nominated by the president.

1. Proposals for appointment or rejection of candidates for the position of director
2. Member structure of the Board of Directors, including the balance of internal and outside members, the members' fields of expertise, and career experiences
3. Examination and preparation of credentials and eligibility standards for directors
4. Recommendations and advice concerning the retirement and succession plan for the president (Group CEO)
5. Recommendations and advice on the management, operation, and improvement of systems, such as term in office, age limits, and other items, for executives (including executive directors)
6. Recommendations and advice regarding programs to cultivate future executive officers and to prepare individuals for the positions of director and executive officer or as future holders of those positions

6 Compensation Committee

The Compensation Committee serves as an advisory committee reporting to the Board of Directors and executes the important corporate governance function of deliberating the structure, content, level, balance of allocations, and other compensation-related matters for directors other than those serving on the Audit Committee.

The Compensation Committee, which is chaired by an outside director, deliberates and reports on the following items regarding all outside directors other than those serving on the Audit Committee, the president, and executive officers to be nominated by the president.

1. Compensation structure for directors and executive officers
2. Compensation levels for directors and executive officers
3. Compensation details for each director and executive officer
4. Other matters related to the above

7 Management Audit Department

The Management Audit Department supports the activities of the Audit Committee with the aim of maintaining and enhancing the quality of the committee's audits. The Management Audit Department operates in collaboration with the Audit Committee, accounting auditors, and the Global Audit Department.

Anritsu maintains a large number of subsidiaries in Japan and overseas and seeks to maintain strict adherence to the controls delineated for the global corporate group that encompasses these subsidiaries. For this purpose and to strengthen the auditing and oversight functions for subsidiaries, the directors and executive management serving as full-time members of the Audit Committee are each individually appointed as auditors of core subsidiaries in Japan and overseas (or as non-executive directors of companies that do not have auditors).

The Management Audit Department also seeks to fully apply the auditing expertise of the auditors and the Audit Committee, to maintain and develop the useful auditing systems developed over many years, and to further enhance the quality and efficiency of the audits.

Overview and Response to the Evaluation of the Effectiveness of the Board of Directors

The Board of Directors confirmed: (1) the Board is composed of appropriate personnel from inside and outside the Company and has the appropriate number of members to complete its global management structure needed for the business development that is the main source of the corporate value of the Group; (2) the structure is in place to support constructive deliberation and decision making on items important to Group operations as well as oversight of the business execution by executive officers; and (3) each of the individuals serving on the Board of Directors, Audit Committee, Independent Committee, Nominating Committee, and Compensation Committee fully understands their role in realizing profitable and sustainable growth and enhancing the medium- and long-term corporate value of the Group and that all members, including the outside directors, engage in lively discussions at their relevant meetings while sharing their viewpoints from their various backgrounds and applying their specialized knowledge. The Board of Directors intends to address the issues identified in the latest evaluation review by taking the necessary steps to further increase and improve the effectiveness of the Board of Directors.

▶ Evaluation of Board of Directors Efficacy and Improvement Measures

Item	Current Status	Improvement Measures
Role and responsibility of the Board of Directors (appropriateness of deliberations and resolutions)	The Board of Directors was evaluated as conducting appropriate deliberation and resolution of items presented and to be fulfilling its role and responsibilities.	Relevant executive officers will participate in discussions concerning discussing medium- and long-term strategy to add depth to the discussion and to balance input from outside directors supporting risk-taking in business execution. Executive officers in relevant business operations participated in discussions of the Board of Directors, and a further step was taken to deepen discussions further by planning to have the executive officers of relevant business divisions participate in next fiscal year's Business Development and Strategy Conference. Also, because of time restraints during the scheduled meetings of the Board of Directors, time will be provided at the quarterly open discussions for presentations by the executive officers of the corporate divisions (human resources, materials, IT, etc.) and the presidents of subsidiary companies.
Director participation and contribution	All directors were evaluated as actively participating and contributing to the lively exchange of opinions at the Board of Directors meetings.	Executive directors proactively presented their opinions even regarding existing issues in discussions of business execution processes and enriched the discussions of the Board of Directors. Minutes of the discussions at the management strategy meetings were recorded and made available to the Board of Directors as background for proposals presented at the Board of Directors meetings.
Knowledge, experience, capacity, balance, and diversity of the Board of Directors	The Board of Directors was found to be appropriately balanced with the view also expressed of the need to consider including an individual with knowledge of the North American market, considering the importance of that market to the Company, the nature of the Company's business, and the Company's business model.	The Board of Directors will endeavor to accommodate that increase in capacity and will gather information on individuals with the appropriate experience and knowledge to make a list of potential candidates for outside director. The Company will regularly prepare the list throughout the year.
Operation of the Board of Directors (Provision of information)	The provision of information was found to be vastly improved in terms of the speed of the information availability and the fullness of content.	Prior to the Board of Directors meetings, topics to be discussed are verified, and efforts, such as defining the topics of management strategy meetings and gathering materials on topics to be discussed, are made to enable referencing to other management issues and to improve and support sufficient preparation.
Operation of the Board of Directors (Time allocation)	Flexibility about the time the meetings will close and conducting discussions over several Board of Directors meetings before the final decisions are made on important issues enabled the early provision of information and sufficient time for discussion.	The Board of Directors will continue to be flexible about the length of meetings and not be bound by precedent or past meeting formats.
Operation of the Board of Directors (environment promoting free and open discussion)	The environment was found to promote free and open discussion.	The Board of Directors will continue to foster an environment promoting free and open discussion.
Stakeholder perspective	Management provides reports with information catered to the needs of investors, but more effort could be made to provide information about cooperation with stakeholders other than shareholders. The view was also presented that a survey of shareholders could be conducted.	Arrangements will be made for outside directors to observe the quarterly results briefings. The Company will explore whether investors desire to engage in dialogue with the outside directors as part of its IR activities. If so, the Company will examine ways to arrange a dialogue. In addition, a shareholder survey will be conducted when the medium-term management plan is put together and announced. Employees are also important stakeholders, and the Company views fostering employee satisfaction and creating a better workplace atmosphere as an important management theme. The Company will examine and analyze the status of these conditions for employees and report the findings to the Board of Directors.
Committees (Independent Committee)	The Independent Committee is functioning effectively.	The Independent Committee goes beyond an exchange of opinions on subjects and proactively sets objectives and formulates action plans.
Committees (Nominating Committee)	Outside directors serving on the Audit Committee participated as observers and transparency was improved.	Nominating Committee members will not only respond to requests for counsel from the Board of Directors; they will also conduct examinations and research to provide fully detailed responses. Directors serving on the Audit Committee will also participate as members of the committee. The Nominating Committee will gather information on individuals with the appropriate experience and knowledge to make a list of potential candidates for outside director.
Committees (Compensation Committee)	Outside directors serving on the Audit Committee participated as observers and transparency was improved.	Compensation Committee members will not only respond to requests for counsel from the Board of Directors; they will also conduct examinations and research to provide fully detailed responses. Directors serving on the Audit Committee will also participate as members of the committee.
Committees (Audit Committee)	The Audit Committee is conducting its activities meticulously and fulfilling its role.	Steps will be taken to integrate further with the internal audit departments, including when conducting joint audits overseas.