

Case study sheets (Concrete examples)

The Domestic Anritsu Group references concrete cases that have actually occurred or could occur in daily life and business, as well as examples of scandals involving other companies reported in the mass media and post these as Case Study Sheets on our intranet with concise notes of caution and explanations. In addition, the case study sheets are used as a tool for in-house educational activities that promote workplace discussions and are used as case study material at the manager level during CSR Promotion Month (October). A total of 189 cases have been posted as of March 2018.

Helpline

The Anritsu Group has set up two helpline systems inside the Company and outside the Company for the purpose of providing information and preventing violations of internal ethics laws. It is possible to easily consult and report in various ways such as by phone or to a dedicated e-mail address so that consultation and reporting remains anonymous. A questionnaire survey revealed that the degree of recognition of the Helpline reached over 97%, and we also confirmed that it is functioning effectively. Also, as the details and facts of any consultation and reporting are handled confidentially, the person making the consultation or reporting will not suffer any disadvantage.

The number of consultations using the Helpline from April 2017 to March 2018 is as follows.

Number of Consultations at Contact Points

	Contact Points	Number of Consultations	Total	
1	External contact point, Workplace Helpline (cases)	By telephone	9	11
		By e-mail	2	
2	In-house contact point, In-house Helpline (cases)	Consultation directly in person or by telephone	5	10
		By e-mail	5	
3	Interview conducted based on response in the Corporate Ethics Survey (cases)		25	

The number of cases based on the total number of consultations and includes repeat consultations

Violation of laws and regulations in the socio-economic field

The Anritsu Group incurred no serious compliance violations, accompanying fines or sanctions in fiscal 2017.

Promotion of Risk Management

Anritsu Group Risk Management

Social issues as a background

The Anritsu Group is working to incorporate risk management across the Group as outlined in the Company vision to “achieve continuous growth with sustainable superior profits through innovation using the knowledge of all parties.” Through this activity, we would like to nurture human resources and good corporate citizens and contribute to the creation of a society that is considerate to humans and the Earth.

Policy

The Anritsu Group views risks as uncertain events that affect corporate value such as organizational profit and social credibility. In other words, we do not consider risks as necessarily negative but instead as potentially positive events if managed appropriately. We recognize proper risk management as a vital management issue and have established a risk management system for the Anritsu Group as a corporate entity. We focus on initiatives that will enhance the risk sensitivity of not only top management but of all employees. At the same time, we promote risk management through an all-inclusive effort to maintain and expand our corporate value, fulfill our corporate social responsibility and seek sustainable development for the Group.

Risk Management Policy

The Anritsu Group will maintain and increase its corporate value, fulfill its corporate social responsibility and seek sustainable development for the Group by appropriately managing risks that affect management.

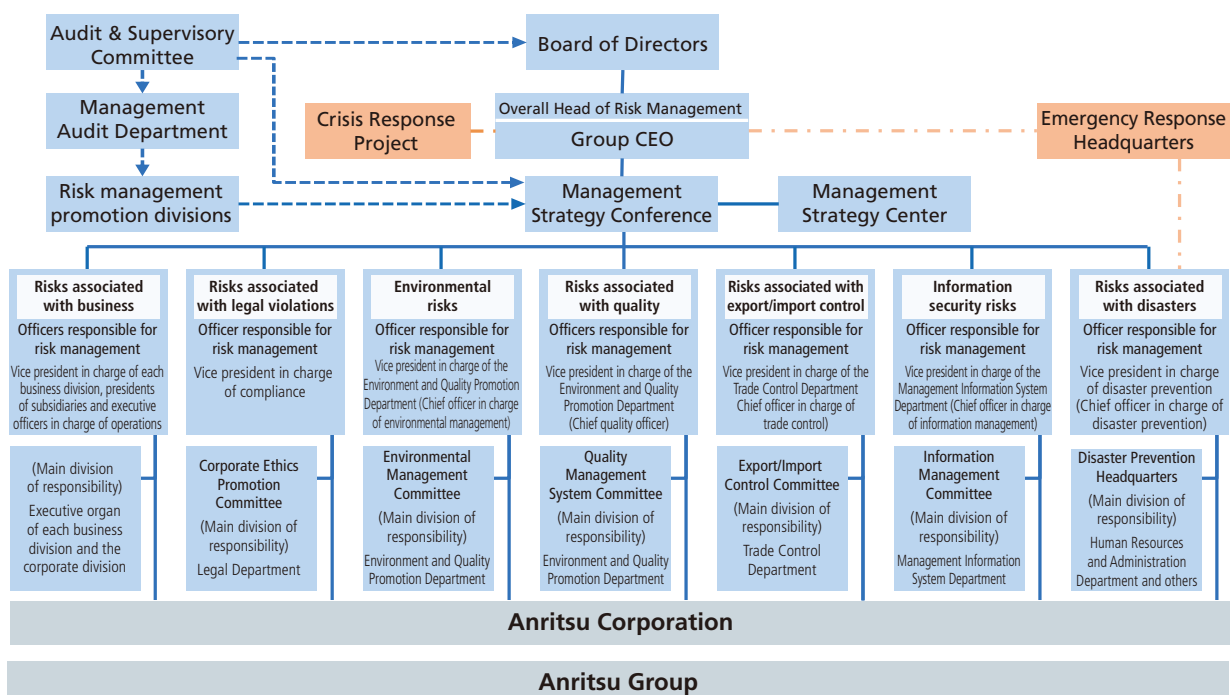
- (1) We will seek to enhance the risk sensitivity of not only general managers but of all employees in an all-inclusive effort to promote risk management.
- (2) General managers and all employees will promote risk management by complying with the Anritsu Group Charter of Corporate Behavior and the Anritsu Group Code of Conduct as well as laws and regulations as the basis of the Company's internal controls.
- (3) We will generate profit and limit losses by controlling management risks related to strategic decision making such as entry into new business areas and product development strategy, as well as operational procedures.
- (4) We will anticipate potential emergency situations insofar as possible to prevent their occurrence. In the event that an emergency does occur, we will seek to minimize and limit losses and promptly extricate ourselves from the critical situation into a state where autonomous recovery is possible, and subsequently prevent a recurrence.

Structure

Under the supervision of the Group CEO's risk management, the main risks are divided into the following categories: (1) business risks associated with management decision making and execution of operations; (2) legal violations; (3) environmental; (4) quality of products and services; (5) import/export control; (6) information security; and (7) disasters. Anritsu has clarified the risk management officer (executive officer) responsible for the management for each category of risk. The risk management officer for each category of risk supervises a committee comprising the heads of relevant divisions and management officers of Group companies, exercises overall control of the Group companies involved in managing the relevant risk, and provides timely reports to the Management Strategy Conference on the risk management measures, plans, status of implementation, and results of the management cycle throughout the year. In addition, Anritsu's risk management promotion divisions are responsible for setting rules and guidelines and conducting education and training to raise the level of risk management and ensure ongoing business development.

Each risk management officer supports the activities of overseas Group companies in managing the relevant risk. In addition, the regional headquarters in the Americas conducts its own activities with a task force in charge of the management of each business risk. With respect to compliance risk, compliance officers at each regional headquarters conduct risk assessments toward formulating annual action plans.

Risk Management Promotion System



Risk Categories and Committees

	Risk Categories and Related Rules		Responsibility for Risk Management	Committees and Other Organizations
1	Business risks associated with management decision making and execution of operations		Vice president in charge of each business division, presidents of subsidiaries and Vice Presidents in charge of operations	Executive organ of each business division and the corporate division
2	Risks associated with legal violations	Anritsu Group Charter of Corporate Behavior Anritsu Group Code of Conduct	Vice president in charge of compliance	Corporate Ethics Promotion Committee (Committee for Promoting Fair Trade)
3	Risks associated with environmental preservation	Basic Rules of Environmental Systems	Chief officer in charge of environmental management	Environmental Management Committee
4	Risks associated with product and service quality	Rules on Quality Management Systems	Chief quality officer	Quality Management System Committee
5	Risks associated with export/import control	Rules on Security Trade Control	Chief officer in charge of trade control	Export/Import Control Committee
6	Information security risks	Basic Rules on Information Management	Chief officer in charge of information management	Information Management Committee
7	Risks associated with disasters	Basic Rules on Disasters and Emergency Response	Chief officer in charge of disaster prevention	Disaster Prevention Headquarters

Activities

We conducted risk management workshop training on managing practical business risks for newly appointed managers of the Domestic Anritsu Group. We also held risk management workshop training sessions on project management risk for general employees in the software development division.



Risk Management Workshop Training Sessions

Incorporating strengthening activities in relation to global risks

With the advance of globalization of the Anritsu Group in fiscal 2017, the Risk Management Promotion Division becomes the administrative office and through the cooperation of the corporate division at headquarters, which is the administrative office for each committee, the management department for each business, and those responsible for internal control at each regional headquarters, the Anritsu Group took a comprehensive approach to the heightened importance of global risks that are difficult to encapsulate in its “framework of internal control in relation to the validity of financial reporting” and created a risk assurance map for the purpose of strengthening measures to deal with risk in the Group. Based on the global standard model in the Internal Audit Implementation Guidelines of the international organization (the Institute of Internal Auditors), this risk assurance map has been adapted to meet the needs of the Anritsu Group, and we have clarified the issues to be improved as “Evaluation of risks broken down into detailed risk categories such as business and compliance” and “Status of control activities implemented to date by the headquarters of the corporate division and overseas subsidiaries”.

In fiscal 2018, we established a mechanism to regularly analyze areas such as items to be controlled by each responsible department and new risks to emerge by prioritizing the risks of risk assurance maps, in tandem with selecting important risks, and strengthening risk reduction activities; this risk assurance map will be reviewed by the end of the fiscal year.

From fiscal 2019, we aim to achieve the above-mentioned plan-do-check-act (PDCA) cycle on a yearly basis to ensure that all global risks are properly managed by the end of fiscal 2020.

Information Security Risk

Social issues as a background

Cyber-attacks that threaten corporate management evolve day by day, and the method of attack has become increasingly diversified and malicious. The targets of these attacks are broadening in reach, and, irrespective of size or industry, we have entered an era where everyone is a target. For companies and organizations, information security is regarded as an important management task, and we continue to seek further advanced measures to deal with the issue.

Policy

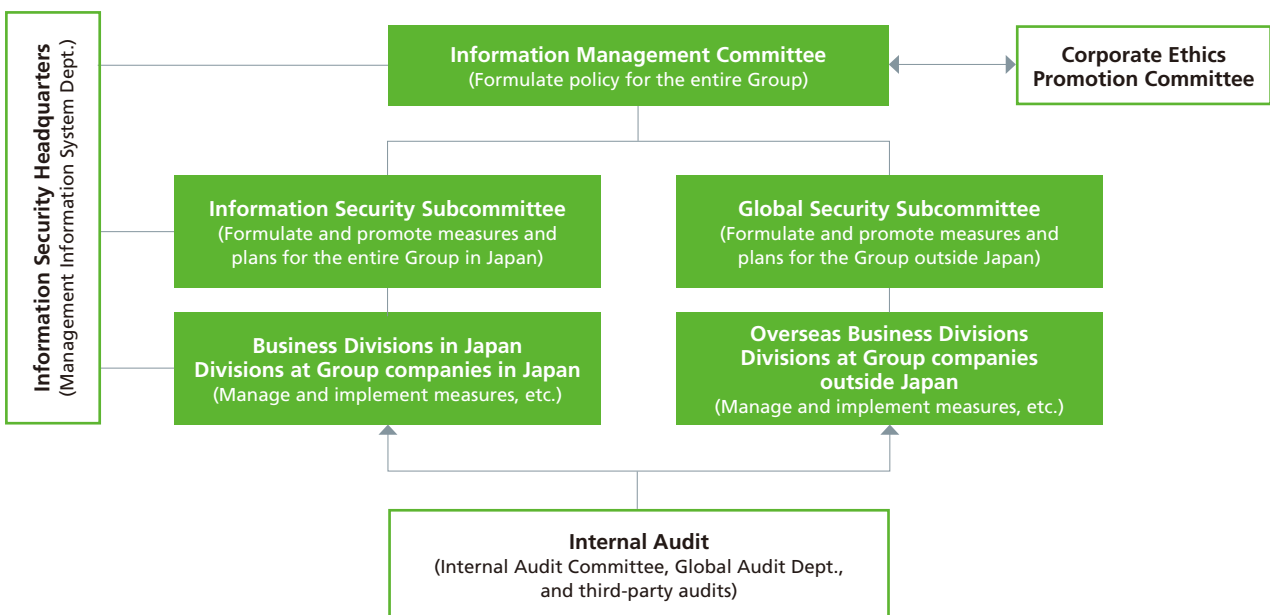
In conducting its business activities, the Anritsu Group considers it a social obligation to protect the information of all stakeholders, including customers, shareholders, and investors, suppliers, and employees, and information assets belong to the Anritsu Group. The Anritsu Group is making a continuous effort to maintain and enhance information security through its information security management system.



Structure

The information security management system consists of the Information Management Committee made up of key executive officers from each business division and Group companies, and the Information Security Subcommittee operating under the Information Management Committee. The security subcommittee is divided into the Information Security Subcommittee composed of representatives of Japanese Group companies and the Global Security Subcommittee consisting of Chief Regional Officers. As the security officer of their respective affiliated organizations, each member of these subcommittees strives to maintain and enhance information security.

The Information Management Committee formulates policies on information management that apply to the entire Group and to investment policies, and the Information Security Subcommittee conducts policy enactment and implementation measures, and activities such as employee training, countermeasures to deal with an incident when it occurs, and information sharing.



Medium- to long-term goals

Anritsu operates businesses globally and is linked by a network of offices all around the world that engage in information sharing. In information security, if there is a vulnerability in even one place in the system, it will impact on the overall security level. Currently, we are taking measures to correct regional disparities by correcting the variations in security levels that exist between regions.

Progress and challenges

Following the establishment of our global information security policy, we carried out a risk assessment and risk reduction activities. However, outside Japan, at overseas Group companies, risk remains due to delays implementing measures due to insufficient resources related to reduced investment. The Anritsu Group will continue to engage in activities to reduce risk.

Activities

In order to cope with diversified and worsening cyber-attacks, we conducted the following activities.

Increasing restrictions on employees' Internet access

There are many threats on the Internet. Especially, on sites that are not work related, it is impossible to know what viruses are present. To reduce those threats as much as possible, we block access to sites that are not related to work.

Improved countermeasures against unsolicited e-mail

The misuse of email is one the most common factors in cyber-attacks. Recently, sophisticated impersonation mail scams have been on the increase. In addition to the existing technology, we transitioned to a check tool that also incorporates a mechanism employing AI technology.

Implementing education on global information security

To eliminate the recognized regional disparity in information security, the Anritsu Group implemented education programs on a common theme for employees around the world. Our education program uses an e-learning system, and about 95% of employees worldwide took classes.

Acquisition of ISO 27001 certification in the network monitoring business in the EMEA region

The network monitoring business deals with a large amount of customer information, the frequency of which is rising, and, therefore, it is necessary to strengthen information security. Anritsu Corporation's Head Office in Japan already acquired ISO 27001 certification, and overseas business divisions will obtain certification for the first time.

Column

The Anritsu Group considers "Supporting business growth," "Promoting overall optimization of Group management," and "Providing safe and secure IT services" as important factors for IT investment.

"Supporting business growth" is achieved through investing in the construction of our website, marketing automation (MA) and customer relationship management (CRM) system which act as the point of contact with customers. We are taking on the challenge of business process innovation by introducing the latest technologies such as cloud computing, AI, and RPA.*¹

"Promotion of overall optimization of Group management" is achieved through completing the unification of ERP*² at Japanese Group companies and contributes to automation in such areas as Group transactions, internal control, business continuity planning (BCP), and visualization. Currently, we are promoting the introduction of ERP in overseas Group companies.

*1 RPA (Robotic Process Automation): Automation of business processes with software robots

*2 ERP (Enterprise Resource Planning): Integration of core business processes in areas such as accounting, sales, production, and procurement

Business Continuity Management

Basic policy on business continuity management (BCM*¹)

Each Anritsu division creates a business continuity plan (BCP*²) to maintain smooth operations in the event of a disaster or emergency by minimizing damage and resuming full business activities as quickly as possible. In fiscal 2017, we examined our disaster recovering planning and business continuity planning (DRP*³/BCP) based on an earthquake at the same level as the 2016 Kumamoto earthquake. We will conduct a survey with Group companies and continue to consider how to proceed in the future.

*1 BCM: Management activities conducted during normal operations, such as formulating, maintaining, and updating business continuity plans, securing budgets and resources for continuing business, taking preparatory measures, implementing education and training before launching initiatives, conducting inspections, and making continuous improvements.

*2 BCP: A plan formulated to ensure the rapid resumption of critical business functions in the event that business activities are interrupted by an emergency

*3 DRP: Disaster recovery plan

Disaster prevention

The Anritsu Group has laid out its BCM policy in the following Basic Policy on Disaster Response.

Basic Policy on Disaster Response

The Anritsu Group establishes a prevention system against disasters that may significantly affect its management, places top priority on ensuring the safety of its stakeholders including employees and local communities in the event of a disaster or accident, and strives to minimize damage and promptly resume business activities in order to fulfill its social responsibility and continue to seek enduring success for the Anritsu Group.

Business continuity management at manufacturing bases

The stable procurement of production materials represents the fundamental part of any manufacturing company's BCPs. Tohoku Anritsu Co., Ltd. and the Koriyama Business Office of Anritsu Corporation, which serve as the manufacturing bases of the Anritsu Group, have formulated BCPs to respond to earthquakes and other natural disasters by identifying them as material risks. These clearly set out concrete steps for each process in the event of a disaster. Applying the lessons learned from an actual large-scale disaster, we revised the criteria for invoking BCPs in an emergency to prepare against a broader range of risks and refined our procedures for responding to each risk.

Developing infrastructure for stable supply—Global head office building installed with seismic isolation equipment

Seeking to disperse exposure to risks, Tohoku Anritsu Co., Ltd. opened a second plant in July 2013. Production lines have been distributed between the two plants to ensure stable supply. In March 2015, we constructed a global headquarters office building in Atsugi City, Kanagawa Prefecture, as a BCP countermeasure to maintain the continuity of Group core functions. This building takes on head office functions in the event of a disaster and is a steel frame building consisting of both a low-rise building and a high-rise building. In addition, it adopts a seismic base isolation system to enhance earthquake safety and provides an emergency backup power supply of 144 hours.

Securing the information systems

Key information systems such as the Anritsu Group’s core systems are located and operate in the data center in the Nagoya district, and data is backed up in the data center located in the Tokyo metropolitan area. The CAD system used for product development operates from the server located in the Atsugi head office area, and the data is backed up via the network to the Koriyama factory. In the event where the Nagoya or Atsugi regions are stricken by disaster, it is possible to continue to operate the information system through either of the standby sites used as the destination for backing up data. Also, in tandem with designating emergency procedures with a targeted recovery time, we are preparing our response to disasters by conducting regular disaster response and recovery training and evaluating the effectiveness of this training to correct any issues.

