

Promotion of Risk Management

Anritsu Group Risk Management

Social issues as a background

The globalization of the economy in recent years has contributed to an ongoing increase in corporate business opportunities. Amid such conditions, companies are faced with a variety of social obligations and must take on a multi-faceted approach to risk management. In order for the Anritsu Group to achieve sustainable profit growth and a global expansion in its business, the Company needs to establish a system capable of responding to a variety of risks with the potential to impact business, and at the same time promote risk management on a companywide basis.

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

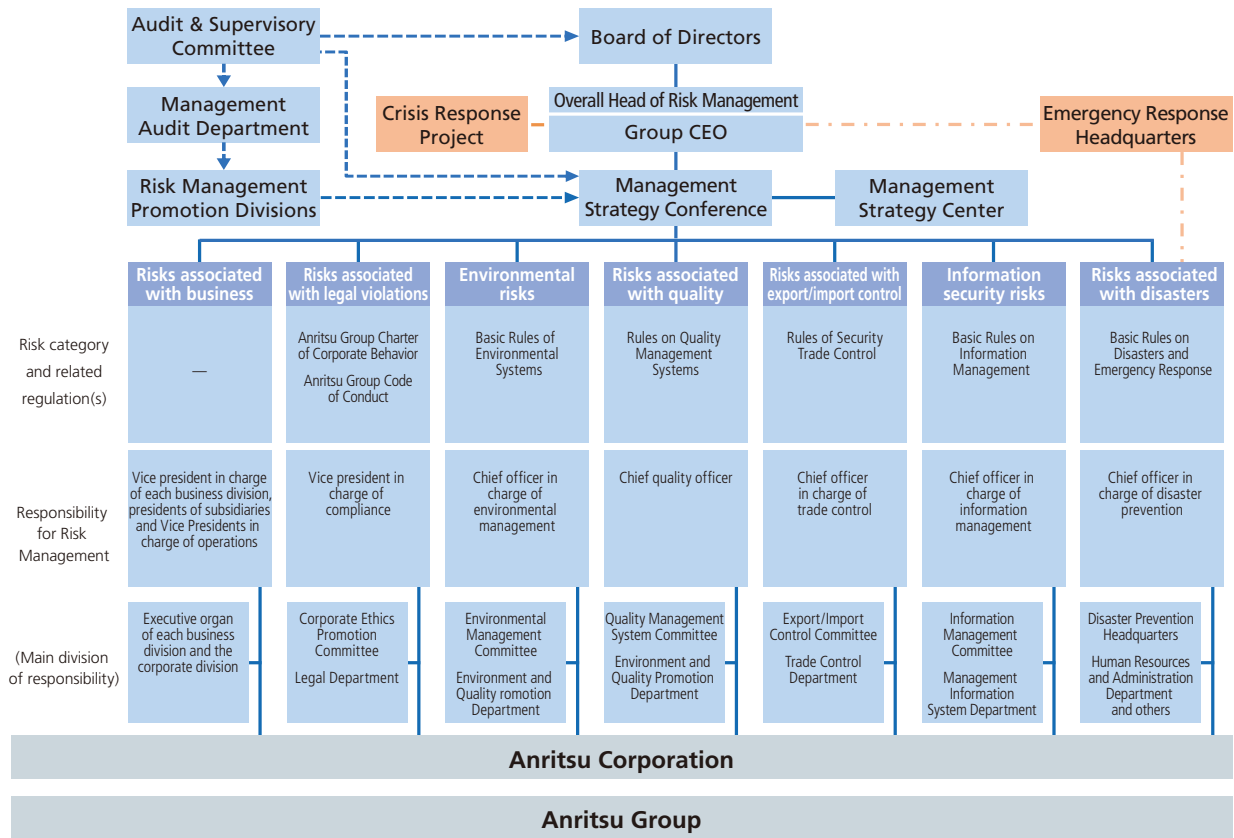
Under the supervision of the Group CEO's risk management, the main risks are divided into the following categories:

(1) business risks associated with management decision making and execution of operations; (2) legal violations; (3) environmental; (4) quality of products and services; (5) export/import 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 that operate in accordance with formulated annual plans.

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Risk Management Promotion System



Within the risk management promotion system is “risks associated with legal violations,” which mainly focuses on identifying risks tied to the following of laws and regulations. Personnel working in the field conduct annual in-house reviews of activities and results.

Key laws and regulations under focus include: labor laws, subcontracting laws, anti-trust laws, truth-in-advertising laws, the Financial Instruments and Exchange Act, laws and regulations pertaining to intellectual property, laws and regulations pertaining to the environment, the Companies Act, laws and regulations pertaining to the prevention of bribery, export and import laws, laws protecting personal information, and the Modern Slavery Act (as well as other laws and regulations pertaining to human rights).

Activities / Achievements

■ Training

We conducted risk management workshop training on managing practical business risks for newly appointed managers of the Domestic Anritsu Group.

■ Incorporating Strengthening Activities in Relation to Global Risks

Anritsu in fiscal 2018 enacted the following measures to lower risk in line with the Risk Assurance Map* created in fiscal 2017.

- (1) The corporate division at the company headquarters prepared a questionnaire and received answers in order to improve what it believed to be an insufficient understanding regarding the risk control situation at the overseas companies, including whether or not there were real controls and what the actual operating conditions were like. The division focused its attention on risk areas related to personnel, compliance, governance, as well as accounting and taxes.

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(2) In cooperation with the overseas subsidiaries, the corporate division at the company headquarters took the lead in activities aimed at reducing risk in areas such as the protection of personal information, trade management, environmental law strategies, procurement management, information security, and the reliability of financial reports.

Anritsu at the end of the fiscal year revised the risk assurance map to reflect the aforementioned results and newly emergent risks.

Moreover, the Company in fiscal 2019 aims under the leadership of the corporate division at headquarters and in cooperation with regional headquarter to create a management guideline, outlining minimum requirements for each company, for all the overseas subsidiaries (including subsidiaries operating under regional companies), with the company continuing to monitor compliance in line with the guidelines at each local subsidiary from fiscal 2020.

Through implementation of these efforts, we aim to ensure that all global risks are properly managed by the end of fiscal 2020.

* Risk Assurance Map:

A list providing a view on the status of risks and risk responses for the Anritsu Group, contributing to early detection and the avoidance of damage to corporate value.

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

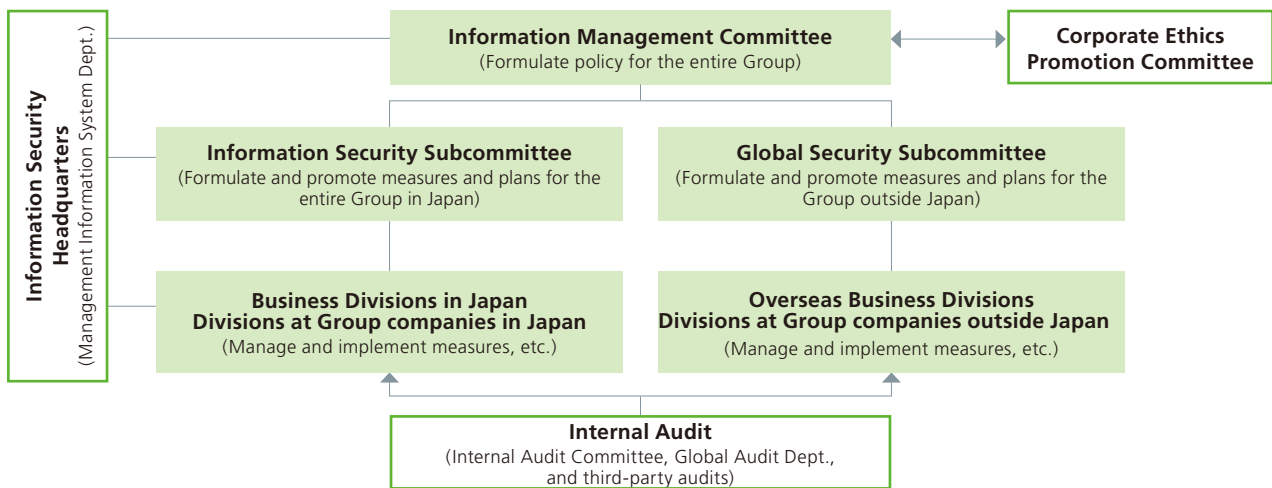
In conducting its business activities, the Anritsu Group considers it a social obligation to protect the information of all stakeholders, including customers, shareholders and investors, suppliers, employees, and also recognize information assets as important property to the Anritsu Group and all related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

Details (WEB)
Basic Rules of Information
Management

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 Information Management Committee formulates policies on investment and strategies related to information management for the entire Group, 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. 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.

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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. We are now working to raise the overall level of security and eliminate regional disparities by correcting the variation in the level of security that exists between regions. Anritsu is also working in each region to ensure compliance with the global security policy we developed two years ago. We believe management based on the PDCA cycle is important to the maintenance and improvement of information security, though it appears there is still room for improvement in some regions. Anritsu aims to create a management system that includes not only our major locations, but also the subsidiary sales companies and business divisions.

Activities / Achievements

■ Initiatives in Global Security Level Visualization

Anritsu believes that it is important to improve the company’s understanding of the current information security situation in each region if it is to eliminate regional disparities in global information security levels. Information security is an area in which clarity is not particularly easy to come by, and the Company accordingly from last fiscal year launched efforts to improve regional security level visualization. Our evaluation was based on utilization of a website that allows a comparison of the organization’s weaknesses with those of other companies, based on answers to about 100 questions across the four categories of planning, organization, technology, and incident response. The website allows a comparison to other regions, making it possible for the user to see the most effective security countermeasures. We intend to use the website as a guide to eliminate security level differences among the different regions.

■ Conducting Educational Programs on Global Information Security

Anritsu conducted information security educational programs for employees around the world in fiscal 2018, focusing on cyberattacks and effective countermeasures. While there were some variations in participation by region, about 95% of Anritsu Group employees participated in the programs.

Promotion of Risk Management

■ Focus on IT Investment

The Anritsu Group considers “Supporting business growth,” “Promoting overall optimization of Group management,” and “Providing safe and secure IT services” to be priority items for IT investment.

“Supporting business growth” is achieved through investing in the construction of our website, marketing automation (MA) and the customer relationship management (CRM) system which acts 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

“Promoting overall optimization of Group management” is achieved by completing ERP*² standardization at Japanese Group companies, and contributes to the automation of Group transactions, internal control, business continuity planning (BCP), and visualization. We are now 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 preparatory action 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., 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 even before the Great East Japan Earthquake. 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.

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• 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 factory 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.

■ Introduction of a Building Safety Assessment System, Equipment and Facility Disaster Prevention Protocols

Anritsu has been steadily expanding the building safety assessment system for the Atsugi Headquarters region that was introduced in fiscal 2017. The goal of this initiative is for the Company to be better prepared to quickly understand conditions at the buildings during an earthquake or series of earthquakes and move rapidly to either enact or end entry restrictions. We are also implementing disaster prevention measures for secondary materials, including ceilings and electrical equipment.

■ 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.

