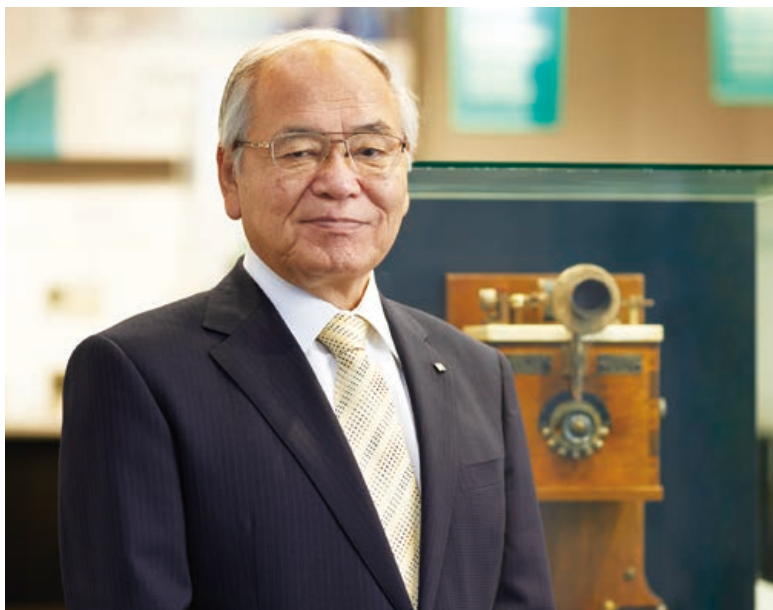


From Group CEO



**Contributing to
a Sustainable Society
through
“envision : ensure”**

Hirokazu Hashimoto

Representative Director, Chairman of the Board,
Group CEO

Anritsu was founded 123 years ago in 1895, the same year that saw the world’s first radio transmission test. Throughout its long history, Anritsu has been a pioneer in information and communications. Innovations in communications infrastructure have dramatically transformed society, providing the gift of communication and connectedness while simultaneously advancing society on a global level. Anritsu’s philosophy encompasses the idea “I think, therefore I realize.” and the Company has applied the technology used for the visualization of information and communications to the food and pharmaceuticals domains. The “envision : ensure” concept represents the embodiment of our history, which has been one of continuous change and taking on new challenges under the idea “I think, therefore I realize.” With the launch of GLP2020, the Company’s medium-term business plan, we have renewed our efforts to contribute to a sustainable society and under the “envision : ensure” idea will strive to demonstrate our value as a vital component of global society.

I. Review of GLP2017

Demonstrating a resistance to drastic market fluctuations, preparing for the 5G/IoT society

Test and Measurement: Overcoming a transitional period through management restructuring

During the fiscal 2015–2017 period covered by the GLP2017 medium-term business plan, the mainstay Test and Measurement business fell short of its sales target, but sales in the PQA business exceeded the Company’s target.

As the downward trend in the smartphone production market accelerated, investment in LTE and LTE-Advanced development continued to fall short of expectations. Base station investment was also sharply curtailed. With the

goal of building a resistance to the sharp drop in the market, Anritsu moved to enact management restructuring in the Test and Measurement business.

In addition to measures designed to reduce operating expenses and cut total costs in order to bolster gross profit margins on products, management also moved to enact reforms in business, organization, and employment. On the business side, management prioritized investment in development and positioned the mainstay mobile Testing and Measurement business as a cash cow. In particular, we have focused our efforts on preparing for the 5G market, where the formulation of standards has already been pushed forward. On the organizational front, the Company entrenched profitability management by shifting from the more traditional strategic business unit (SBU) management structure to a business

Basic Policy for Medium- to Long-term Business Strategies

GLP2020 : Revenue and Operating Profit Plans

Making sure to seize growth drivers and realize "sustainable growth with profitability"

| | Vision/Growth Drivers | Medium-term guidelines | |
|-------------------------------|---|------------------------|------------------------------|
| | | Sales growth rate | Operating profit growth rate |
| Test and Measurement business | Becoming a leading company supporting the 5G/IoT society (1) 5G, LTE-Advanced (2) IoT/Automotive, Connectivity (3) IP Data traffic/Cloud services | ≧ 7% | ≧ 20% |
| PQA business | Becoming a world-class quality assurance solutions partner Expanding from contaminant inspection into quality assurance market | ≧ 7% | ≧ 12% |
| Consolidated | — | — | ≧ 18% |
| ROE | — | ≧ 15% | |

| | | Indicator | FY 2017 | GLP2020 | |
|-------------------------------|------------------------|------------------------|------------------|------------------|------------------|
| | | | | FY 2018 | FY 2020 |
| | | Revenue | 86 billion yen | 92 billion yen | 105 billion yen |
| | | Operating profit | 4.9 billion yen | 6.6 billion yen | 14.5 billion yen |
| | | Operating profit ratio | 6% | 7% | 14% |
| | | Net income | 2.9 billion yen | 5.0 billion yen | 11 billion yen |
| | | ROE | 3.7% | 7% | 12% |
| Test and Measurement business | Net sales | 54.4 billion yen | 60 billion yen | 70 billion yen | |
| | Operating profit | 1.8 billion yen | 3.5 billion yen | 10 billion yen | |
| | Operating profit ratio | 3% | 6% | 14% | |
| PQA business | Net sales | 22.5 billion yen | 23.5 billion yen | 26.0 billion yen | |
| | Operating profit | 2 billion yen | 2 billion yen | 3 billion yen | |
| | Operating profit ratio | 9% | 9% | 12% | |

For reference: Exchange rates assumed under GLP2020 are: US\$1=¥105 and 1 euro=¥125

unit structure. Finally, we focused on streamlining the organization and reducing headcount in line with the scale of operations, while simultaneously shifting software development functions to locations in Asia. These efforts resulted in the Test and Measurement business achieving an improved profit structure, even amid the long-term decline in sales. The business was also able to successfully introduce solutions aimed at supporting initial 5G development needs.

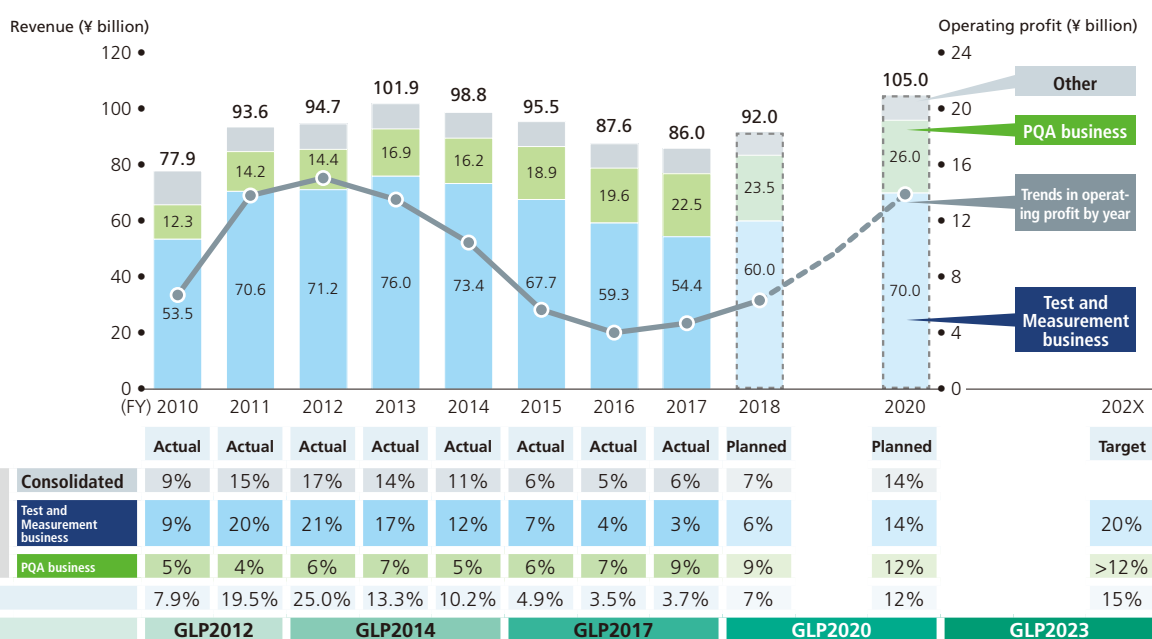
PQA business: Achieved annual growth of 12% over three years

Moving quickly to capture the expansion in product quality assurance needs, the PQA business achieved average annual growth over the three years covered by the GLP2017 medium-term plan of 12%. Growth was driven by changes in needs on both the supply and demand sides. The supply side saw needs for contaminant detectors and checkweighers, as well as a shift to high-performance solutions supporting the strict quality control of packaged products. This was supported by CAPEX for new facilities and a shift toward the automation of production lines in order to enhance production efficiency and adapt to the ongoing labor shortage. On the demand side, the enhanced needs for food safety contributed to the spread of pre-cooked packaged food. In addition to differentiating itself by providing solutions meeting the needs of the market, the PQA business has remained committed to building a relationship of trust with the leading global food producers.

Focused on building a strong and resilient business

Advancement of the PQA business represents not only a shift in Anritsu's operating portfolio, but also an offsetting of the downturn in the mobile testing and measurement business within the T&M segment. While not expected to show strong growth in the past, the food industry, the target market for the PQA business, is now seen as a growth market. Under the GLP2017 medium-term plan, the business was able to achieve strong growth thanks to the development of overseas markets and the offering of solutions meeting the growing demand for product quality assurance. This growth served to offset the struggling Test and Measurement business, where earnings fluctuated substantially amid drastic changes in technology, customer behavior, and the market as a whole. Amid such an environment, we focused on management restructuring in the T&M segment in order to adapt to changes in the mobile testing and measurement market, which was down about 40% for its peak level in 2012.

Key achievements during the period covered by the GLP2017 medium-term plan included: 1) transformed the PQA business into one likely to show strong growth and 2) ensured the Testing and Measurement business can withstand dramatic market fluctuations with sufficient investment in growth for the next generation.



However, completing the path toward “continuous profitable growth”, the true aim of management policies, is still in progress and, accordingly, one of the key issues for achievement in the new GLP2020 medium-term business plan.

II. GLP2020 basic policies

Establishing an operational foundation to secure continuous profitable growth and restored profitability

GLP2020 a milestone toward achieving medium-term and long-term targets

There are two basic aims in the new GLP2020 medium-term business plan. The first is restoring consolidated profitability to a level equivalent to that seen around fiscal 2012. The second is establishing an operational base to support continuous profitable growth, which is a continuation of the goal established in the GLP2017 plan. In order to ensure these objectives are implemented, Anritsu is committed to the following three actions, which are also outlined in the Company’s “2020 Vision” and the “basic policy of medium- and long-term business strategy.”

- (1) Establishment of growth drivers
- (2) Creation of a strong profitable structure
- (3) Creation of the next-generation mainstay businesses

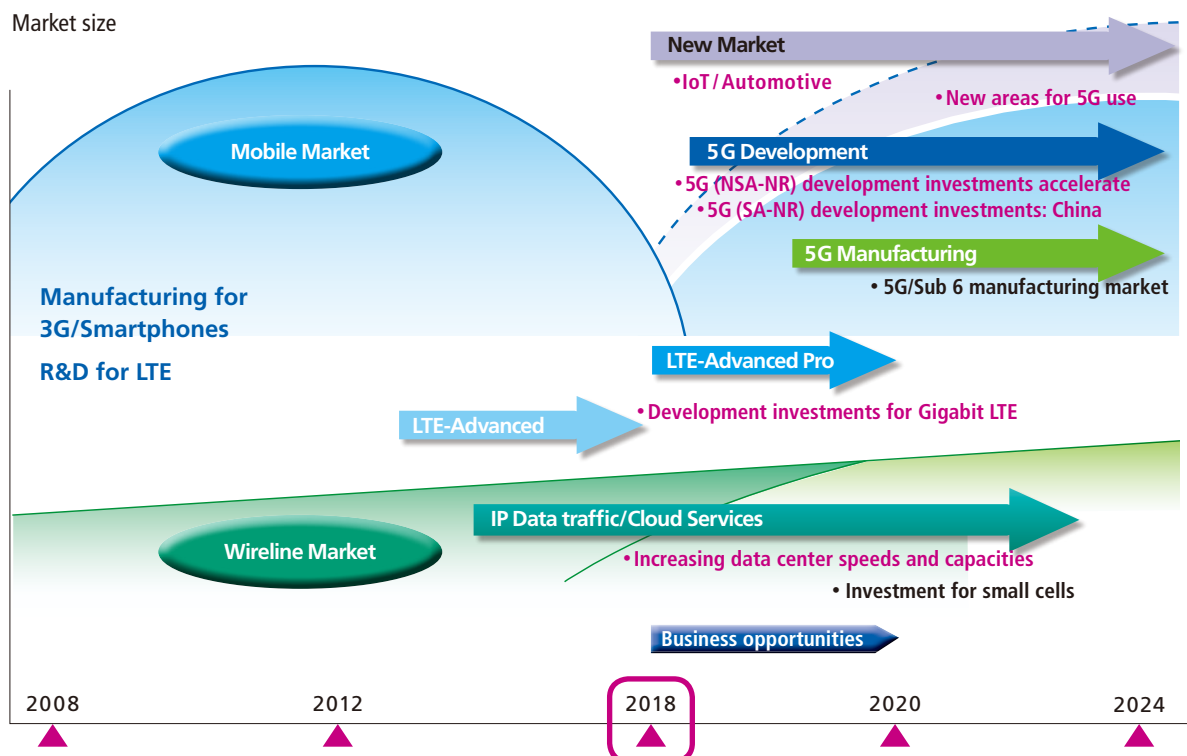
The “basic policy of medium- and long-term business

strategy” provides guidance for the establishment of management targets. Using the “basic policy of medium- and long-term business strategy” as a guideline for the medium-to-long term, the GLP2020 medium-term business plan has not yet met targets of at least 20% for operating profit margin in the T&M segment, at least 7% for sales growth rate in the PQA segment, and on an overall basis, at least 15% for ROE. The establishment of these targets factors in issues related to changes in the external environment as well as improvements to the Company’s internal organization.

Preparing for the next big leap during the period covered by the GLP2020 plan

We expect growth drivers in the testing and measurement business from 2020 to include commercialization and mass production of 5G products. Key features of 5G are: 1) improving mobile broadband sophistication; 2) lower latency; and 3) numerous terminal connections. The period covered by the GLP2020 plan is expected to see investment for development focused on increasing mobile broadband capacity and speed, the first of these points. We also expect standards for the second and third points to be released around 2020. Given this timetable, we believe it may be from 2021 that applications and services making full use of 5G really take off. In other words, the next medium-term plan is likely to cover strategies aimed at taking advantage of growth opportunities

T&M Market Trends and Business Opportunities



in 5G applications.

In order to maintain strong growth rates in the PQA business, Anritsu needs to retain its competitive edge not only in the Japanese market, but also in the overseas markets, including by expanding its presence in the European and U.S. markets. This requires us to expand our overseas sales channels and resources, while improving maintenance systems and expanding our local engineering systems. We are targeting the period covered by the GLP2020 plan for investment in management resources, with a focus on an expansion in human resources in these vital areas.

As noted earlier, we believe our primary mission is to ensure that the GLP2020 management goals are enacted, and, that in the process leading up to fiscal 2020, we can establish a management structure capable of achieving medium- to long-term guideline targets. The final year in the GLP2020 plan is designated as 202X, with this being the year we expect to achieve our medium- and long-term guideline targets. We believe attainment of these targets is possible within the period covered by the GLP2023, the next medium-term business plan extending from fiscal 2021 to fiscal 2023.

Growth opportunities as 5G and IoT grow and evolve, T&M business enacting diversified strategies

As noted earlier, the GLP medium-term business plan represents a milestone in the march toward achieving our medium- and long-term targets. We note the importance of a diversified strategy in the T&M business as part of our efforts to achieve these targets.

The expansion of mobile technology applications to industrial fields is likely to drive advancement of the 5G/IoT society. Commercial testing is already taking place for mission critical applications where the low latency and multiple connections characteristic of 5G come into play, including testing involving convoys of driverless trucks, the robotic operation of construction equipment at disaster sites and in hazardous areas, and monitoring operations using real-time transmissions in 4K/8K high-definition. These applications are very different than those Anritsu has been involved in to date, but the Company aims to make full use of the technologies it has mastered in communications and measurement to move from the network communications business to new industrial-related businesses, and make these new businesses key earnings pillars for the Company in the process.

III. Sustainability management

Using all available knowledge to make a company an institution serving society

Sustainability management built on the idea that the Company serves society

When thinking about what makes Anritsu unique, the first thing that comes to mind is how long the Company has been in business. We have experienced a number of crises over our 123 years of operations, but we have overcome each one to arrive at our present position. I can't help but believe that acting as a public institution has been key to our ability to overcome hardships.

In order for a company to serve as a public institution, its business activities must: 1) reflect a clear social mission; 2) provide social value; and 3) reflect the idea that "a company is its people." If all three of these requirements are met, the Company will continue to be seen as necessary to society as a whole. One idea that embodies the first two points is "good for the buyer, good for the seller, good for the people", an old merchant phrase reflecting three positive outcomes from one interaction.

The third point reflects the idea that the real source of a company's value is the diversity of its human resources. Indeed, for a company such as Anritsu, where technology is the core competence, the development of human resources is a key management issue. In order to ensure a company with the best people, we will continue to work on creating a workplace where each employee can achieve personal growth and work with the strongest of motivation. We will also focus on measures aimed at ensuring the diversity of our workforce, which we view as key to our organization's vitality.

One of the most-urgent issues of today is harmony between economic development and the sustainable development of society. In other words, management needs to be aware of natural capital. The aim of sustainability management at Anritsu is the integration of natural capital, the good of the worker, and the idea of "three positive outcomes" in our business activities.

Working to achieve SDGs as a member of the global community

The Sustainable Development Goals (SDGs) were unanimously adopted at the UN General Assembly in September 2015. Under the theme of "Creating a Better Future", Anritsu in February 2018 participated in MWC (Mobile World Congress) 2018, where it strongly backed SDG#9, which states that the mobile industry develops and provides resilient platforms that support vital services and enable innovation across the entire economy.

While the industry is focused on 5G development, which represents the state of the art in mobile broadband, it should also be noted that half of the world's people still have no access to the Internet. Through management based on shared knowledge, Anritsu aims to participate in the creation of a robust network that leaves no one behind and is built through the cooperation and collaboration of stakeholders around the world.

In April 2018, Anritsu established sustainability policies which are the advancement of previous CSR goals. The Company at the same time established a Sustainability Promotion Department. We aim to further bolster corporate value by broadening sustainability management through cooperation with the Board of Directors and executive leaders.



Mobile World Congress 2018

From Group CEO

GLP 2020 Basic Policies

- Adhere strictly to “sustainable growth with profitability” approach
- Devote our fullest strengths to realizing 2020 VISION



IV. Enhancement of corporate governance

Completing GLP2020 and building an operating base ready for the next big leap

Working to bolster corporate value by enhancing corporate governance

Following the basic policy for medium- and long-term business strategies, the Board of Directors will actively engage in the creation of an environment and framework supporting the appropriate level of risk taking on the business execution side. The leading initiatives for fiscal 2018 are as follows.

- Changes in executive officer contracts from an employment-based contract to a mandate-based contract
- Reflecting ROE achievement to short-term incentives

- Introduction of new stock compensation as a long-term incentive

Executive compensation system in which value is shared with shareholders

The short-term incentive (Executive bonuses) is paid as 30% of basic compensation multiplied by a bonus factor, which consists of: 1) a consolidated earnings indicator; 2) a financial performance indicator for the relevant business division; and 3) a personal goals indicator. In order to promote management with an eye toward ROE, the GLP2020 plan revised the consolidated earnings indicator to an ROE indicator, with ROE derived based on consolidated net income. The ROE indicator is set at 1x–2x, with 2x requiring ROE of at least 15%.

Anritsu revised the ratio for long-term incentives from 10% of basic compensation to 20% of basic compensation and introduced a new performance-based stock compensation system. The new system is based on a number of points awarded according to the level to which management’s operating income target was achieved during the period covered by the GLP2020 plan. Points gained are put toward held shares which can be converted upon retirement. The system is designed to instill motivation to improve the Company’s stock price.

The “Original and High Level” philosophy of Anritsu carries with it the requirement that management improve corporate value as well as the overall quality of management through enhanced corporate governance. We will continue to meet the expectations of our shareholders and other stakeholders by increasing corporate value while simultaneously ensuring “continuous growth with sustainable superior profits.”

Outline of revisions to the executive compensation system

