envision : ensure

Anritsu Integrated Report 2018

Contents

Notes regarding use of forecasts and other forward-looking information

The business forecasts mentioned above are based on recent information and reasonable judgments made with available information. The reader should be aware that these projections are not promises, and actual results may be materially different from these projections due to known or unknown risks, changes related to uncertainties, and other factors.

About This Report

Anritsu marked the 120th anniversary since its founding in 2015, and is already moving forward into a new era. Over the 123 years since the launching of its business, Anritsu's strengths have made it possible for the Company to make strong contributions to the development of the IT field, including in wired and wireless communications devices and related measuring equipment. **"Sincerity, Harmony, and Enthusiasm"** and **"Original & High Level"** are two philosophies that have become part of Anritsu's DNA over the years, and these two ideas form the source of the Company's strengths. They are even more important today as the world of communications continues to evolve.

This report has been prepared to help our stakeholders better understand these two strands of DNA as well as their role in forming our medium- to long-term growth strategy. In line with this goal, this report presents information on financial factors, including financial performance and corporate strategy, as well as non-financial factors, such as information on environmental and social matters, in an integrated fashion.

We remain committed to managing Anritsu so that our main business activities will continue to contribute to the creation of a safe, secure, and prosperous global society.

1. For information on facts and other information that have a material impact on the Anritsu organization's capabilities for creating corporate value in the short, medium, and long terms, please refer to the Business Review section of this report (beginning on page 10) or our website: https://www.anritsu.com/ir.
2. In preparing this report, we have made reference to the Global Reporting Initiative (GRI) standard and international reporting frameworks, including those provided by the International Integrated Reporting Council (IIRC).

Supporter of the UN Global Compact

In March 2006, Anritsu declared its support of the 10 principles of the UN Global Compact (UN-GC), which are grouped into four categories: Human Rights, Labor, Environment, and Anti-Corruption. The Anritsu Group as a whole promotes these principles alongside its sustainability-related activities.

WE SUPPORT

This is our Communication on Progress in implementing the principles of the United Nations Global Compact and supporting broader UN goals.

We welcome feedback on its contents.

Index Inclusion

Morningstar Socially Responsible Investment Index

(As of June 30, 2018)

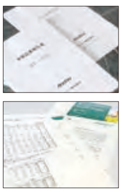
SNAM Sustainability Index

Member of SNAM Sustainability Index 2018

Communication Tools

Integrated Report
This annual publication contains performance highlights, a message from the Group CEO, business summaries, strategies and future trajectories, past performance trends, as well as financial and nonfinancial data and other information.

Sustainability Report
Environmental, social, and corporate information included in the CSR report since 2005 is being incorporated into the Sustainability Report from 2018.



Securities Report/ Quarterly Financial Report
These quarterly reports provide information on financial performance at Anritsu on a quarterly and annual basis.

Business Report
The Business Report provides a basic summary of business activities, highlights, and other information for the fiscal year on an interim and full-year basis.

Financial Information
Financial information includes financial results, presentation materials, and presentation of Q&A summaries.

Information for the General Meeting of Shareholders
This information includes notices of the general meeting of shareholders, reports of resolutions adopted, and presentation materials for shareholders.

Communication tools are provided on Anritsu's website at Home > About Anritsu > Investor Relations > IR Library.

https://www.anritsu.com/ir

Aiming to create value that contributes to the development of a safe, secure, and prosperous global society

In pages 2-9 of this report, we will make clear the relationship between the source of the Company's value and tangible and intangible capital by looking back at Anritsu's history and how that history fostered our values as part of our effort. This report also introduces our process for creating value through the leveraging of management resources.

From the Corporate philosophy to the value creation process

Anritsu Way

Explaining the Company philosophy cultivated over many years and its core position in regard to the Company's idea, its corporate attitudes, and the policies it follows to improve corporate value.

P2–3

Corporate philosophy

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

Company Vision

Achieve continuous growth with sustainable superior profits through innovation, using all knowledge of all parties and contribute to the sustainability of society

Company Policy

1. Make energetic organization synthesizing the knowledge of all employees
2. Capture growth drivers through innovation
3. Be a leader in the global market
4. Contribute to the creation of a society that is friendly to people and the Earth as a good corporate citizen

The targets for sustainability management

Anritsu Value History

From the "history of change and challenge", we will introduce how we build up our "Innovativeness and Adaptability" that was brought up as our Company philosophy "Sincerity, harmony, and enthusiasm", and will explain its background of "Reliability".

P4–5

Anritsu's Value History: built up over 123 years of operation

Optical Anritsu → Mobile & Internet Anritsu → 5G/IoT Anritsu

The Value Creating Story

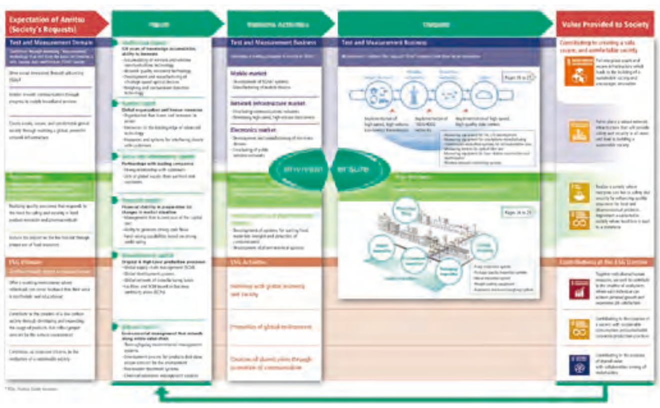
The value creation process that fuels Anritsu's "Original & High Level" corporate value. It also provides shared value by meeting the needs of society.

P6–7

Sustainability Management

P8–9

The Value Creating Story



Anritsu Way

"Sincerity, Harmony, and Enthusiasm" "Original & High Level"

Contribute to the development of a safe, secure, and prosperous global society

The identity that typifies Anritsu Corporation, and which the Company has dedicatedly fostered since its foundation, is compressed in two phrases: "Sincerity, harmony, and enthusiasm" and "Original & High Level."

"Sincerity, harmony, and enthusiasm" can be defined as the management philosophy that shows our mind-set and values, including the attitude, thoughts, and preparedness the Company has in conducting business. Respectively, the meanings are:

Sincerity: **Reliability to meet the expectations of customers and all stakeholders**

Harmony: **Adaptability to respond promptly to changes in the business environment and society's demands by using all knowledge of all parties from inside and outside the Company**

Enthusiasm: **Innovativeness to provide new value by polishing up cutting-edge technologies**

This identity has been amassed historically as corporate value.

"Original & High Level" means (1) the superior social and customer value provided by our products and services, and (2) the corporate culture, management system, and work procedural methods that give rise to those kinds of deliverables. In other words, "Original & High Level" can be said to exist in the spirit of enterprise that extends from the upstream to the downstream of Anritsu's corporate activities. Having created many original, pioneering products, for which the needs of society and customers had been taken into consideration, Anritsu has been contributing to the development of society. Anritsu will leverage that ability to make change in confronting the solutions to sustainability issues that global society requires.

Corporate Philosophy

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

Company Vision

Achieve continuous growth with sustainable superior profits through innovation, using all knowledge of all parties and contribute to the sustainability of society

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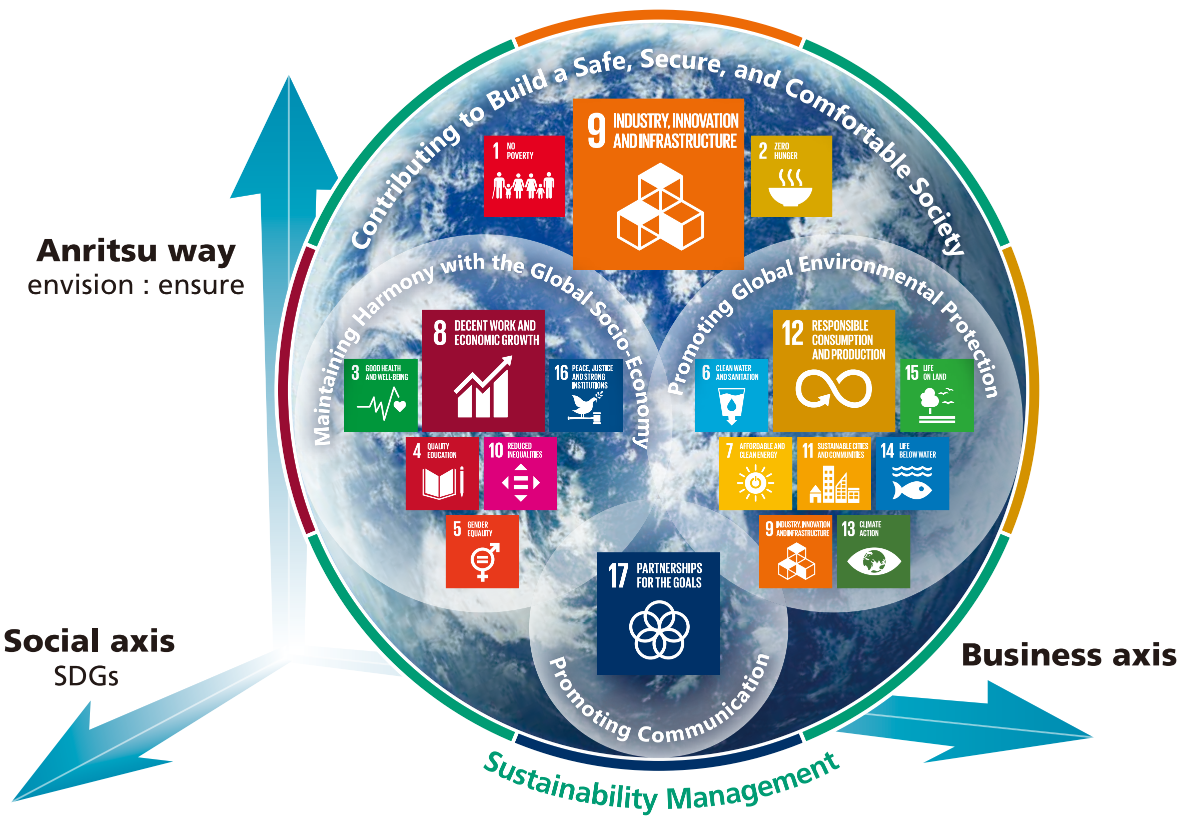
Brand Statement envision : ensure

The “envision : ensure” brand statement symbolizes Anritsu’s promise “As well as sharing our dream and vision with our customers, it shows that our dedication to innovation will lead to tangible results that exceed their expectations.” The Company throughout its history has been contributing to technological innovation, providing products meeting the needs of customers, such as the world’s first practical use wireless telephone, Japan’s first radio broadcast receiver, and television broadcasting equipment. The pioneer concept of “I think, therefore I realize.” has been passed down through the history of the Company, and we intend to carry this philosophy going forward as we take on new challenges. Together with our stakeholders, we are committed to resolving sustainability-related issues, and we focus, in particular, on the Sustainable Development Goals (SDGs) noted below, in order to contribute to realization of a “safe, secure, and prosperous global society.”

The targets for sustainability management

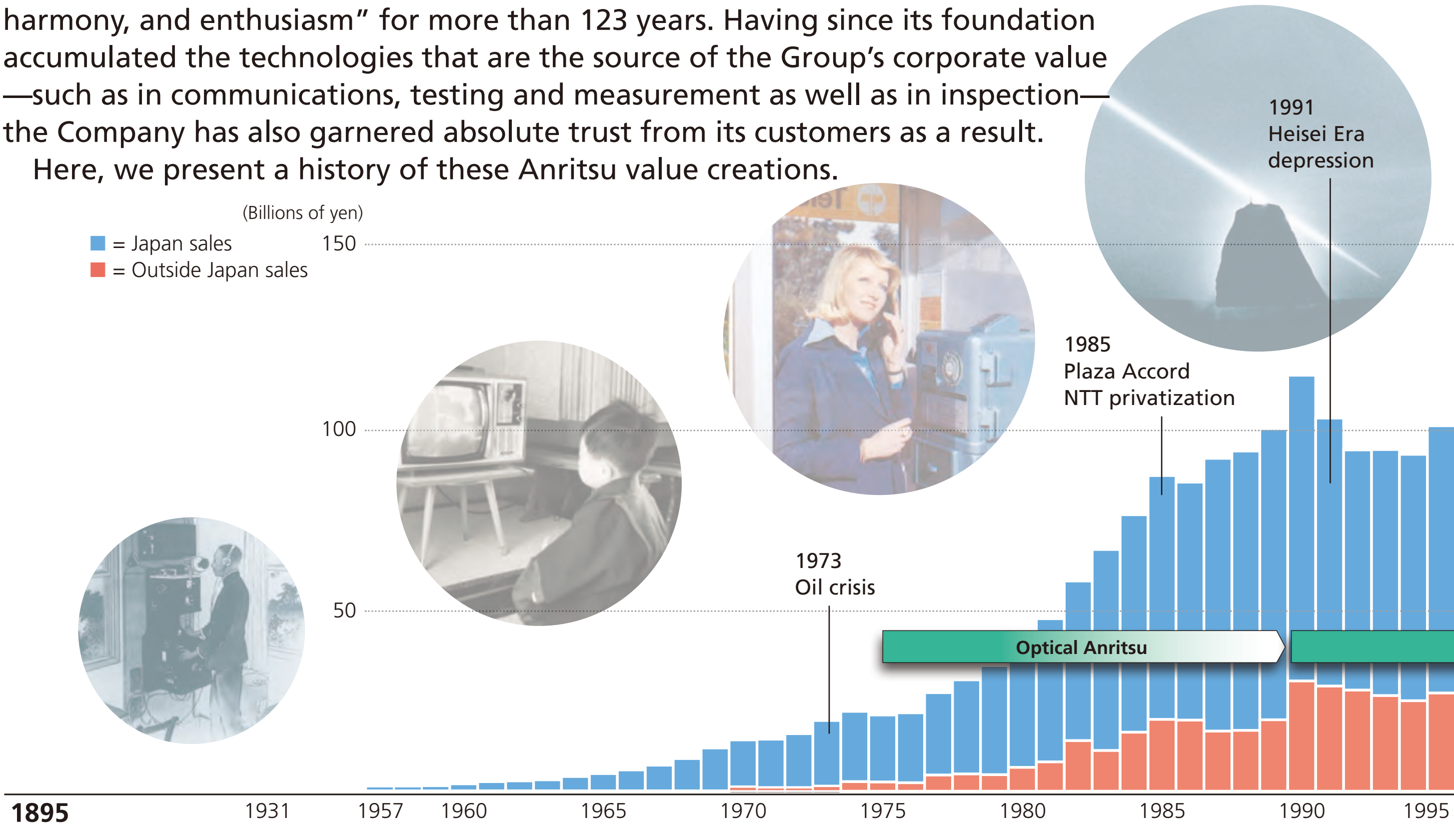


The Sustainable Development Goals (SDGs) were unanimously adopted at the UN General Assembly in September 2015.
The Anritsu Group will continue to contribute toward the achievement of these SDGs through its business activities.

Anritsu Value History

Anritsu has been continuing to provide “Original & High Level” value to society with “Sincerity, harmony, and enthusiasm” for more than 123 years. Having since its foundation accumulated the technologies that are the source of the Group’s corporate value—such as in communications, testing and measurement as well as in inspection—the Company has also garnered absolute trust from its customers as a result.

Here, we present a history of these Anritsu value creations.



Foundation

Sekisan-sha

Annaka Electric Co., Ltd.

Anritsu Electric Co., Ltd. established

安立電氣株式會社
Anritsu Electric Co.,Ltd.

アンリツ
Anritsu

Company name changed to Anritsu Corporation

Anritsu

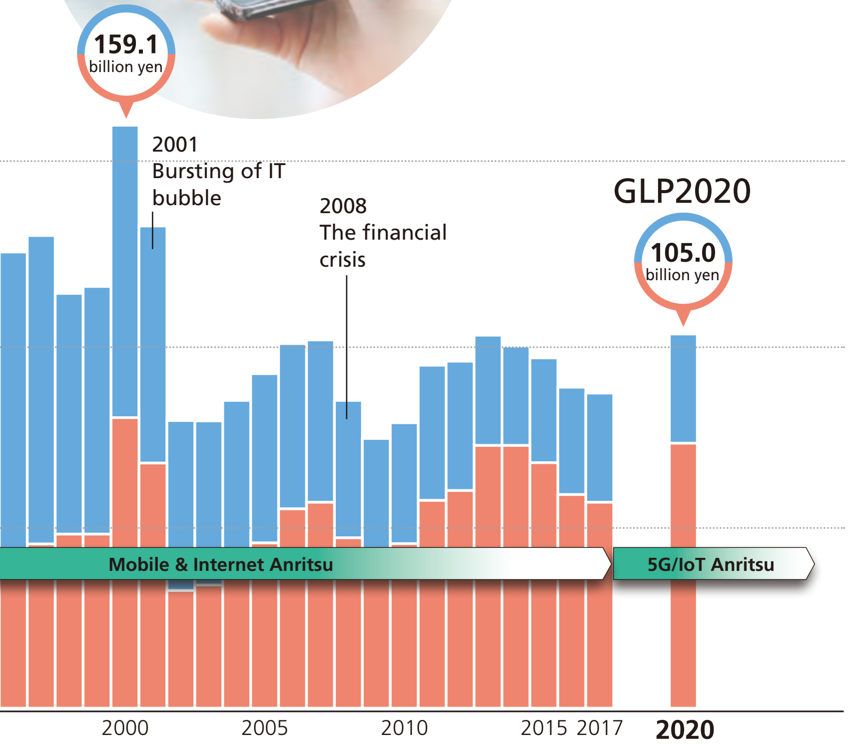
Dawning of new era (1885–1930)	Period of wired/wireless integration (1931–1949)	Period of revival under revived Anritsu Electric Co., Ltd. (1950–1962)	Business expansion brought about by diversification (1963–1974)	Optical Anritsu (1975–1989)

History of Change by Showing Sincerity, Harmony, and Enthusiasm

Dawning of new era (1885–1930)	Period of wired/wireless integration (1931–1949)	Period of revival under revived Anritsu Electric Co., Ltd. (1950–1962)	Business expansion brought about by diversification (1963–1974)	Optical Anritsu (1975–1989)
Bears burden of dawning of new era for Japanese information and communications technology Company mired in management crisis due to economic downturn in aftermath of Great Kanto Earthquake, Great Depression, and intensified competition	Anritsu Electric Co., Ltd. founded by merger of Kyoritsu Electric (Sekisan-sha) and Annaka Electric Co., Ltd. From outbreak of Sino-Japanese War to war era (armaments boom) Began corporate reconstruction by switching to civilian demand even as war ended	Restarted under second company system on basis of Enterprise Reconstruction and Reorganization Law Supported expansion and upgrading of communication infrastructure for Japan’s reconstruction Construction of Tokyo headquarters office/opening of Atsugi business office (current headquarters)	Promotes business diversification through system comprising six business divisions Supports development of communications infrastructure that underpins Japan’s high growth Starts payphone export business	Establishes business foundation in United States with mass deliveries of microwave line measuring equipment to AT&T Domestic and overseas optical measurement business expanded by increased investment in optical communications networks Expansion of T&M equipment market due to opening up of communications market following NTT’s privatization Expansion of overseas payphone business

History of Challenges to Achieving Original & High Level

Dawning of new era (1885–1930)	Period of wired/wireless integration (1931–1949)	Period of revival under revived Anritsu Electric Co., Ltd. (1950–1962)	Business expansion brought about by diversification (1963–1974)	Optical Anritsu (1975–1989)
Becomes pioneer in wired communications in Japan (manufacture of payphones) Bears burden of making world’s first wireless telephone practical (TYK radio-telephone)	Development and manufacture of Japan’s first television transmitter Development of magnetic recorder (AC bias system)	Mass production of payphones and magnetic switching devices Microwave line measuring instrument forerunner of T&M equipment business Development of radio equipment for vessels	Development of T&M equipment for digital transmissions Checkweigher development serves as forerunner of Products Quality Assurance (PQA) business Development of computers and their peripheral equipment	Development of T&M equipment for optical fiber communications (optical time domain reflectometer [OTDR], world’s first optical pulse tester) Card-type payphone



夢と、感動と、信頼をつなぐ

120th anniversary

envision : ensure

Building foundations as multi-national company (1990–2000)

100th anniversary of foundation: 21st Century Company Vision "To become a global company with global technologies for global customers"

Integrates and expands overseas development, manufacturing, and sales bases following acquisition of Wiltron Company

Falls into red due to Heisei Era depression

Business selection and concentration: withdrawal from non-core businesses, proceeds with business transfers

Produces series of T&M equipment for digital mobile wireless use

Development of SONET/SDH/PDH/ATM analyzer for high-speed, large-capacity optical digital communications market

High-speed semiconductor device (monolithic microwave integrated circuit (MMIC)) developed

Development and external sales of excitation light sources (optical devices) for optical amplifiers

21st century; Path to becoming global brand (2001–)

Records all-time high profit and significant slump into red due to North American IT bubble

Management structure reforms (headquarters functions centralized at Atsugi)

Growth toward becoming global leading company in mobile T&M business field

Enters operations support systems (OSS) market following acquisition of Nettest

World's first W-CDMA conformance test system developed

Development of world's most-efficient millimeter-waveband flat antenna

Development of the world's first 5G chipset terminal verification tester that complies with 3GPP standards

Adaptability

Innovativeness

Reliability

Intellectual capital
120 years of knowledge accumulation, ability to innovate

Human capital
Global organization and human resources

Social and relationship capital
Partnerships with leading companies

Financial capital
Financial stability in preparation for changes in market situation

Manufactured capital
Original & High Level production processes

Natural capital
Environmental management that extends along entire value chain

The Value Creating Story

The sources of Anritsu's corporate value are its tangible and intangible capitals, which are also the basis for the values that Anritsu holds dear: Reliability, Adaptability, and Innovativeness. Anritsu uses the capital it has amassed to the fullest extent possible to provide solutions to social issues through the conduct of its corporate activities.

Expectation of Anritsu (Society's Requests)

Test and Measurement Domain

Contribute through providing "measurement" technology that will form the basis for creating a safe, secure, and comfortable 5G/IoT society

Drive social innovation through advancing 5G/IoT

Realize smooth communication through progress in mobile broadband services

Create a safe, secure, and comfortable global society through realizing a global, powerful network infrastructure

PQA Domain

Contribute through providing "measurement" technology that provides the basis for manufacturing safe and secure food products as well as healthy lives

Realizing quality assurance that responds to the need for safety and security in food product materials and pharmaceuticals

Reduce the impact on the bio-habitat through proper use of food resources

ESG Domain

Contribute through creating a sustainable society

Offer a working environment where individuals can sense firsthand that their work is worthwhile and educational.

Contribute to the creation of a low-carbon society through developing and expanding the usage of products that reflect proper concern for the natural environment

Contribute, as corporate citizens, to the realization of a sustainable society

Inputs

Intellectual capital

120 years of knowledge accumulation, ability to innovate

- Accumulating of wireless and wireline communications technology
- Network quality assurance technology
- Development and manufacturing of ultrahigh-speed optical devices
- Weighing and contaminant detection technology

Human capital

Global organization and human resources

- Organization that learns and increases its power
- Resources on the leading edge of advanced technology
- Resources and systems for interfacing closely with customers

Social and relationship capital

Partnerships with leading companies

- Strong relationship with customers
- Lists of global supply chain partners and customers

Financial capital

Financial stability in preparation for changes in market situation

- Management that is conscious of the capital cost
- Ability to generate strong cash flows
- Fund-raising capabilities based on strong credit rating

Manufactured capital

Original & High Level production processes

- Global supply chain management (SCM)
- Global development systems
- Global network of manufacturing bases
- Facilities and SCM based on business continuity plans (BCPs)

Natural capital

Environmental management that extends along entire value chain

- Thoroughgoing environmental management systems
- Development process for products that show proper concern for the environment
- Wastewater treatment systems
- Chemical substance management systems

Business Activities

Test and Measurement Business

Becoming a leading company in society in 5G/IoT

Mobile market

- Development of 5G/IoT systems
- Manufacturing of mobile devices

Network infrastructure market

- Structuring communications networks
- Developing high-speed, high-volume data centers

Electronics market

- Development and manufacturing of electronic devices
- Structuring of public wireless networks

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PQA Business

Capable of becoming a world-class quality assurance solutions partner

Food products and pharmaceutical markets

- Development of systems for sorting food materials (weight and detection of contaminants)
- Development of pharmaceutical systems

ESG Activities

Harmony with global economy and society

Promotion of global environment

Creation of shared value through promotion of communication

* PQA: Products Quality Assurance

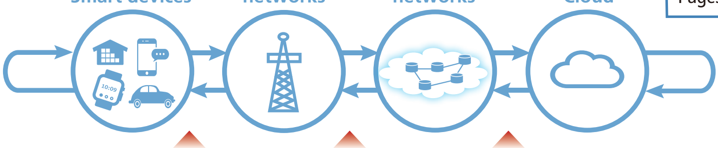
“envision : ensure” expresses the unending challenge of social innovation and our intent to take the initiative in advancing the limitless cycle of value creation.

Outputs

Test and Measurement Business

Measurement solutions that support 5G/IoT networks and drive social innovation

Pages 20 to 25



Implementation of high-speed, high-volume, low-latency transmission

Implementation of 100G/400G networks

Implementation of high-speed, high-quality data centers

Smart Society

- Measuring equipment for 5G, LTE development
- Measuring equipment for smartphone manufacturing
- Transmission evaluation systems for IoT/automotive uses
- Measuring devices for optical fiber use
- Measuring equipment for base station construction and maintenance
- Wireless network monitoring systems

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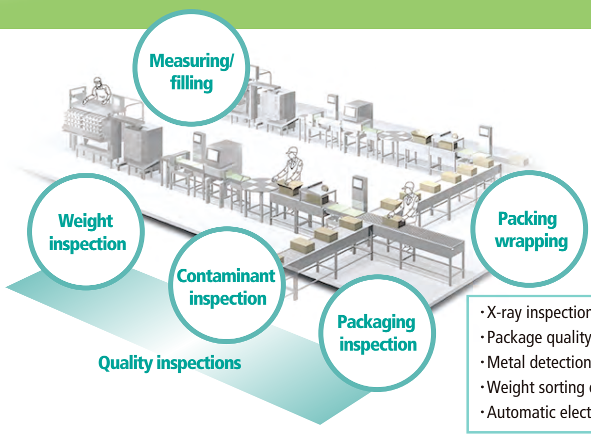
PQA Business

Solutions for assuring quality of food products and pharmaceuticals

Pages 26 to 29



- X-ray inspection system
- Package quality inspection system
- Metal detection system
- Weight sorting equipment
- Automatic electronic weighing system

Value Provided to Society

Contributing to creating a safe, secure, and comfortable society

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE — Put into place a safe and secure infrastructure which leads to the building of a sustainable society and encourages innovation

11 SUSTAINABLE CITIES AND COMMUNITIES — Put in place a robust network infrastructure that will provide safety and security in all areas and lead to building a sustainable society

2 ZERO HUNGER / 12 RESPONSIBLE CONSUMPTION AND PRODUCTION — Realize a society where everyone can live in safety and security by enhancing quality assurance for food and pharmaceutical products. Implement a sustainable society where food loss is kept to a minimum.

Contributions in the ESG Domain

8 DECENT WORK AND ECONOMIC GROWTH — Together with diverse human resources, we seek to contribute to the creation of workplaces where each individual can achieve personal growth and experience job satisfaction.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION — Contributing to the creation of a society with sustainable consumption and sustainable corporate production practices

17 PARTNERSHIPS FOR THE GOALS — Contributing to the creation of shared value with collaboration among all stakeholders

Sustainability Management

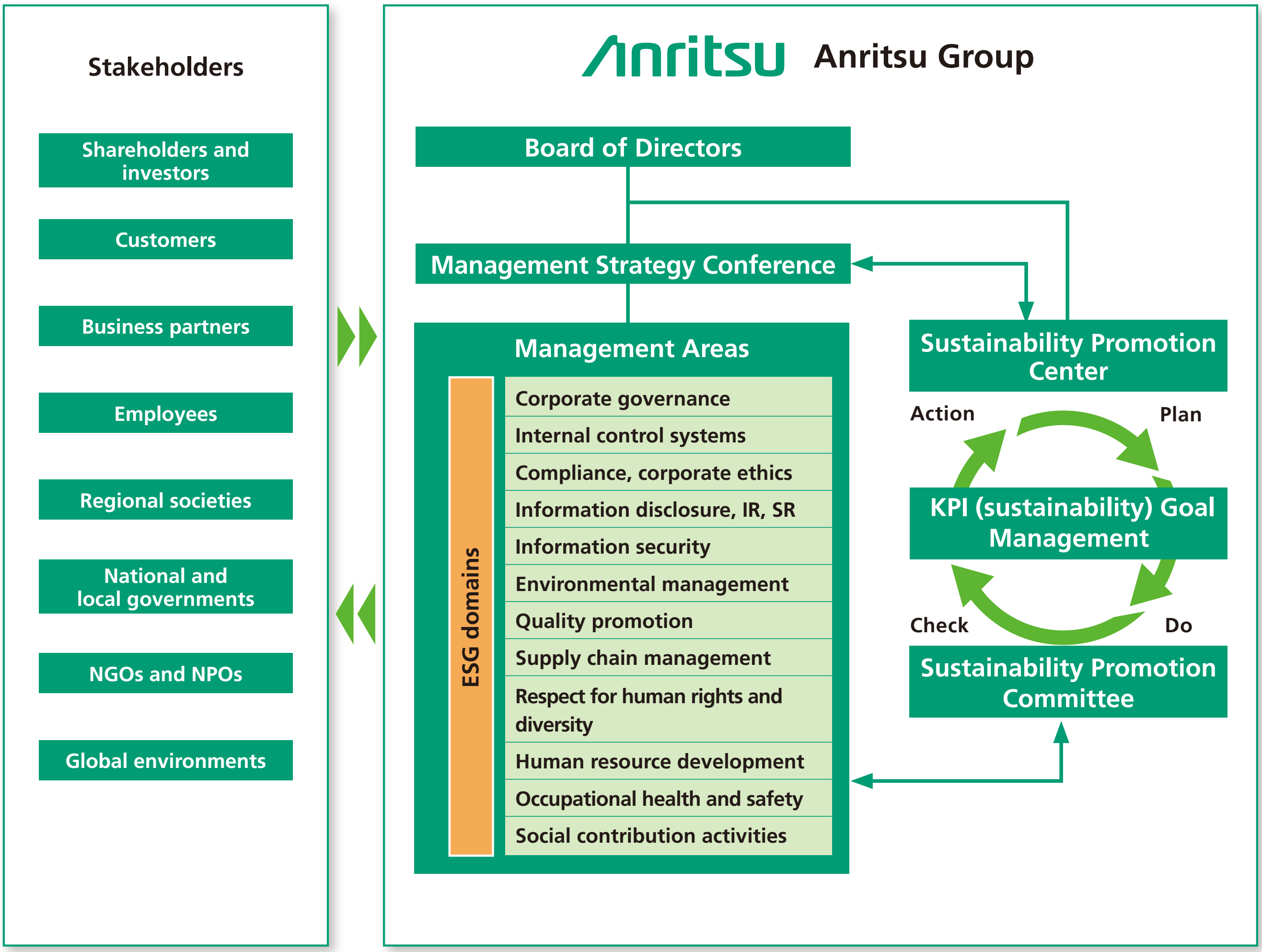
Anritsu has been actively engaged in CSR activities in accordance with its Company philosophy, Company vision and Company policies. Achievement of our CSR goal is the ultimate aim of all our CSR activities, and we have accordingly established a new sustainability policy that targets the further clarification of our contribution to a sustainable society through the development of these CSR goals.

The Company at the same time has established the Sustainability Promotion Center, with a Sustainability Promotion Committee comprising leaders in the main operating and ESG domains. The department is in charge of the promotion of sustainability-related issues for the Anritsu Group.

Sustainability promotion activity will follow the corporate value improvement policies as determined by the Board of Directors and at a Management Strategy Conference and fall under PDCA activity as part of the new GLP2020 Mid-Term Business Plan targets (see page 9).

In respect to key ESG issues and social issues the Company aims to alleviate through its business activities, we have sought to maintain objectivity and inclusiveness in addressing the concerns of each of our stakeholders and have accordingly identified and prioritized key issues for action after consulting and cooperating with all related departments.

System for Promoting Sustainability



Sustainability Management Structure

Company Philosophy
Company Vision
Company Policies

Sustainability Policy

The Anritsu Group believes our business should increase our long-term value through contributions to the sustainability of global society with sincerity, harmony, and enthusiasm.

1. We will contribute to building a safe, secure, and comfortable society through our business activities, based on our long-term vision.
2. We will maintain harmony with the global socio-economy and society through ethical company activities.
3. We will contribute to the preservation of the global environment by promoting environmental management for the coexistence of people and nature.
4. We will build strong partnerships by promoting communication with all stakeholders.

GLP2020

Principal Financial Goals

Revenue	Operating profit	ROE	ACE
¥105.0 billion	¥14.5 billion	12 %	¥5.0 billion

1 Social Issues We Address through Our Business Activities

Put into place a safe and secure infrastructure which leads to the building of a sustainable society and encourages innovation.

Test and Measurement business

Products Quality Assurance business

Major Issues in ESG

2 Maintaining Harmony with the Global Socio-Economy

Together with diverse human resources, we seek to contribute to the creation of workplaces where each individual can achieve personal growth and experience job satisfaction.

- Respect for human rights and diversity
- Human resource development
- Occupational health and safety
- SCM that gives due regard to human rights

3 Promoting Global Environmental Protection

Contributing to the creation of a society with sustainable consumption and sustainable corporate production practices

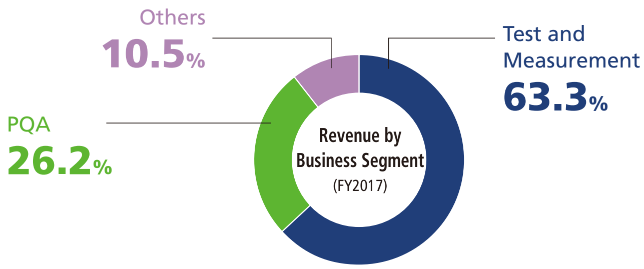
- Reduction in CO_2 emissions volume (energy usage volume) and water usage volume
- Developing and manufacturing of high-quality and environmentally friendly products
- Supply chain management that lowers environmental burden

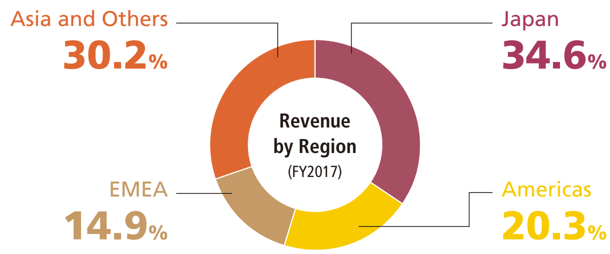
4 The Creation of Shared Value through the Promotion of Communication

Contributing to the creation of shared value with collaboration among all stakeholders

- Communication with the stakeholders as well as providing information
- Establishing compliance as a part of our mind-set
- Promoting risk management

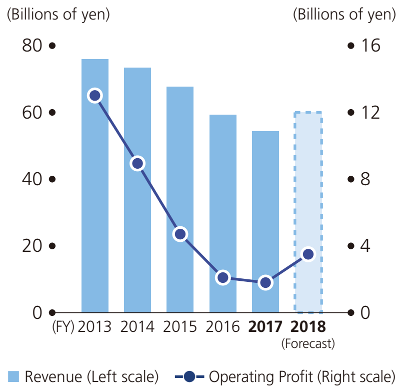
Business Review





Revenue/Operating Profit (Loss)	Sectors and Solutions	Main Customers

Test and Measurement



Mobile Market

- R&D related to mobile communications standards, such as 5G, LTE
- R&D related to telecommunications chipsets (communications semiconductors incorporated in smartphones, etc.)
- R&D and manufacturing of such mobile communications terminals as smartphones and tablets

- Smartphone/tablet manufacturers
- EMS (electronics manufacturing service)
- Chipset manufacturers
- IT-related service providers
- Telecom operators
- Manufacturers of automotive and car-mounted equipment

IoT/Automotive Network Infrastructure Market

- R&D and manufacturing related to optical/digital telecommunications
- R&D and manufacturing of telecom equipment
- Construction/maintenance of optical fiber telecom networks
- Construction/maintenance of wireless base stations
- Network quality assurance (failure monitoring)

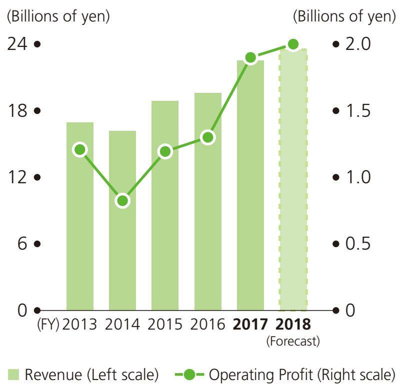
- Telecom operators
- Telecom network construction companies
- Telecom equipment manufacturers

Electronics Market

- General-purpose measurement for a wide array of fields
- R&D and manufacturing of telecommunications-related electronic components
- R&D and manufacturing of wireless telecommunications equipment
- R&D and manufacturing of wireless base stations
- R&D and manufacturing of products related to digital household appliances and car electronics, etc.

- Electronic device/component manufacturers
- Telecommunications equipment manufacturers
- Mobile handset manufacturers
- Electronic equipment manufacturers
- Manufacturers of automotive and car-mounted equipment

PQA



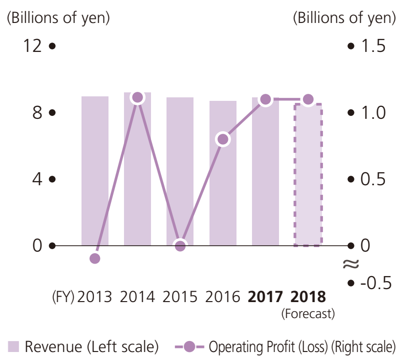
PQA: Products Quality Assurance

Food Product and Pharmaceutical Quality Assurance

- Inspection for contaminants and package shapes
- Inspection for metal contaminants
- Weigher, equipment for sorting by weight and content
- Checkweighers

- Food producers (agricultural products, meat processing, processed foods)
- Pharmaceuticals/Cosmetics makers (pills, capsules, liquids, patches)

Others



Information and Communications

- Monitoring and control systems related to such public infrastructure as rivers, water supply facilities, etc.
- Bandwidth controllers for high-quality networks, such as those for financial systems, video distribution, etc.

- Public sector (central and local government units)
- Financial institutions
- Video distribution companies

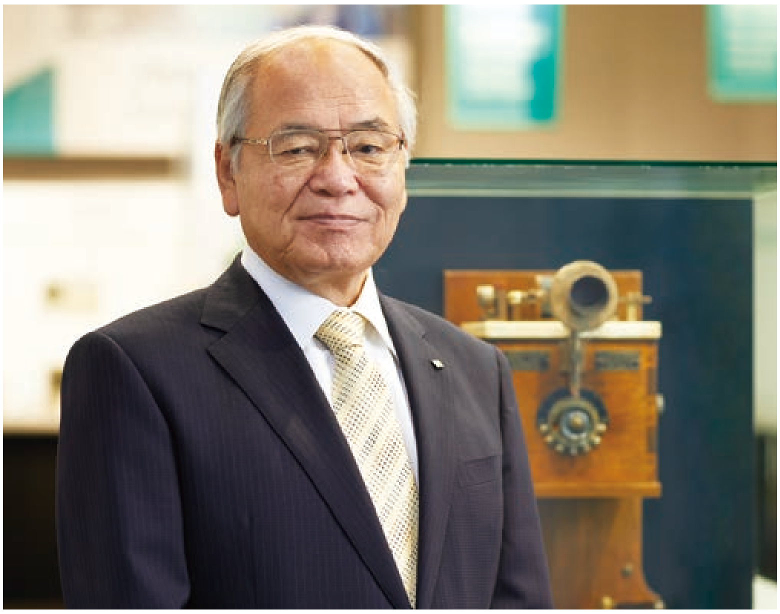
Devices

- Optical/ultra-high-speed devices for optical communications networks and telecommunications equipment

- Electrical equipment manufacturers
- Telecommunications equipment manufacturers

Note: "Other" includes both "Other" and "Adjustment Items" within segment information.

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

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%	

GLP2020: Revenue and Operating Profit Plans

	Indicator	FY2017	GLP2020 FY2018	GLP2020 FY2020
	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.

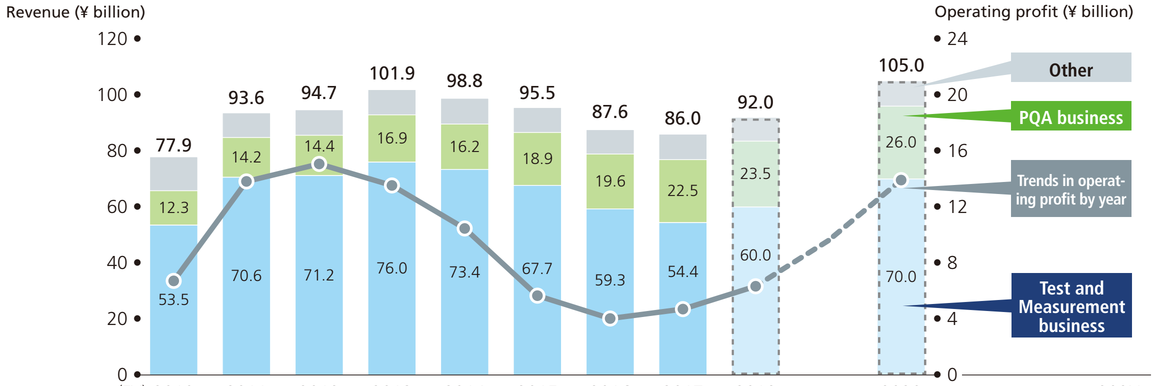
PQA business: Achieved annual growth of 12% over three years

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.



		(FY) 2010	2011	2012	2013	2014	2015	2016	2017	2018	2020	202X
		Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Planned	Planned	Target
Operating profit ratio	Consolidated	9%	15%	17%	14%	11%	6%	5%	6%	7%	14%	
	Test and Measurement business	9%	20%	21%	17%	12%	7%	4%	3%	6%	14%	20%
	PQA business	5%	4%	6%	7%	5%	6%	7%	9%	9%	12%	>12%
ROE		7.9%	19.5%	25.0%	13.3%	10.2%	4.9%	3.5%	3.7%	7%	12%	15%
GLP Plan		GLP2012		GLP2014			GLP2017			GLP2020		GLP2023

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."

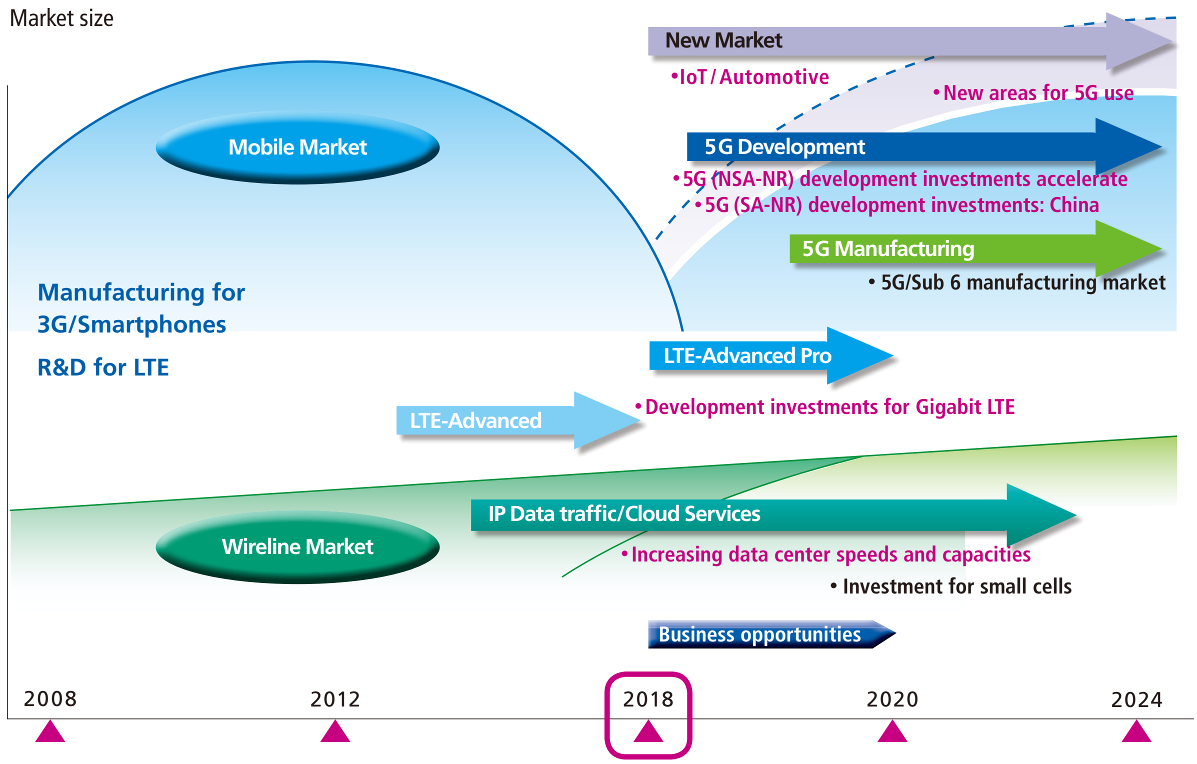
(1) Establishment of growth drivers
(2) Creation of a strong profitable structure
(3) Creation of the next-generation mainstay businesses

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 in April 2018 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

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

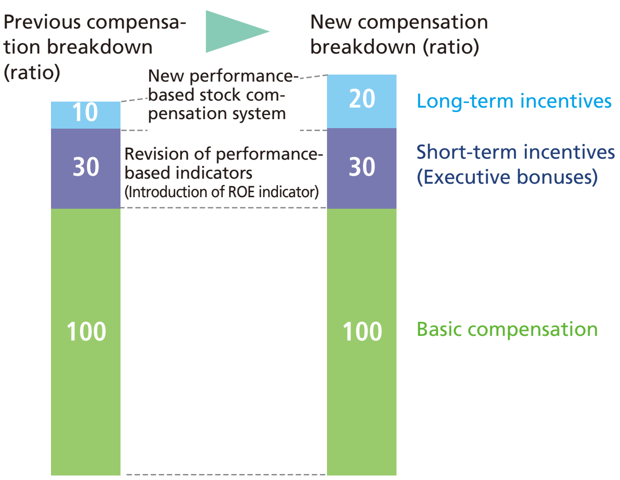
Following the basic policy for medium- and long-term business strategies, the Board of Directors will actively engage in the creation of an environment and framework supporting the appropriate level of risk taking on the business execution side. The leading initiatives for fiscal 2018 are as follows.

(1) Changes in executive officer contracts from an employment-based contract to a mandate-based contract

(2) Reflecting ROE achievement to short-term incentives

(3) Introduction of new stock compensation as a long-term incentive

Outline of revisions to the executive compensation system



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."

From CFO

Pressing ahead with investments for growth and capital efficiency, aiming to enhance our corporate value

Akifumi Kubota
Director
Senior Vice President
CFO

The new Mid-term Business Plan GLP2020 is underpinned by initiatives designed to return our core business to growth and significantly improve our operating margin. The major financial issues to be addressed under the Plan are to improve ROE and enhance enterprise value while actively promoting growth investment to build a business portfolio that is not dependent on the cycle of mobile communications systems.

Enhancing Corporate Value

The basic policy of the financial strategy is as follows:

(1) Enhancement of Corporate Value
Work to thoroughly improve and enhance the management system to enhance enterprise value. That is to say, in addition to clarifying the enterprise value improvement index, thoroughly managing its goals, and working on continuous improvements.

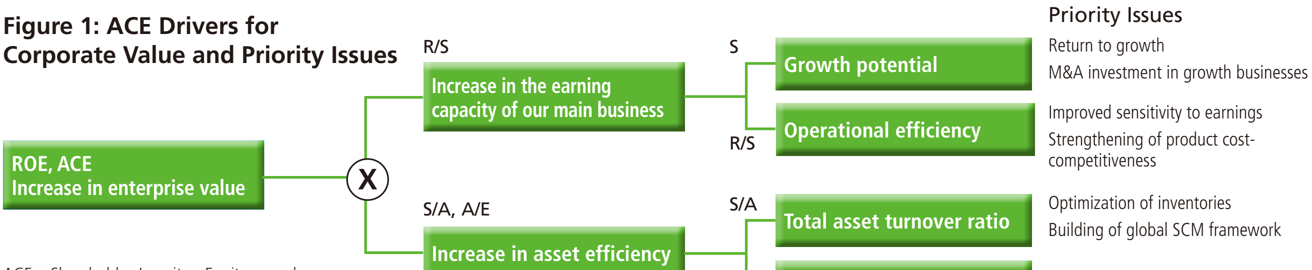
(2) Flexible Strategic Investment
In addition to establishing the financial conditions to enable the steady implementation of strategic investment to enhance enterprise value, undertaking flexible financial measures.

(3) Building Robust Earnings Structure
From an accounting perspective, establish a management system that promotes the Company policy of "continuous growth with sustainable superior profits."

From the abovementioned aspects of policy, I would like to explain the enterprise value enhancement management system.

The Company sets two KPIs as its enterprise value enhancement indices and manages the objectives. As a numerical target, we set an ROE that has comparability with other companies and, as a quantitative target, establish ACE (Anritsu Capital-cost Evaluation), our unique index, as an indicator by which to measure financial added value. ACE is expressed as operating profit, after tax, minus capital cost. Unless we ensure that the level of operating income after tax is greater than the shareholders' equity cost, the financial added value will not be positive; in other words, it can be regarded as not creating enterprise value. The elements (drivers) that will bring about the improvement and enhancement of ROE and ACE are shown in Fig. 1 on the next page. I would like to review the Mid-term Business Plan GLP2017 (fiscal 2015 to fiscal 2017) from the viewpoint of the improvements to each of these elements.

Figure 1: ACE Drivers for Corporate Value and Priority Issues



ACE = Shareholders' equity x Equity spread
= Shareholders' equity x (ROE – Shareholders' equity cost)
= E x ((R/S) (S/A) (A/E) – Shareholders' equity cost)

Note: R: Profit; S: Sales; E: Shareholders' equity; A: Total assets

Review of GLP2017

The mobile test and measurement market environment of our mainstay Test and Measurement business was as follows. In addition to a leveling off in the smartphone manufacturing market and the saturation of the LTE development investment market, during the course of GLP2017, the mobile measurement market shrank sharply on account of the 4G and 5G transition period, and its situation has declined over the long term. As a result, we experienced a substantial decline in revenue in the Test and Measurement business, and its operating margin deteriorated sharply. To respond to this situation, we implemented a management restructuring plan that focused on the Test and Measurement business. The basic measure adopted for improvement of the earnings structure was to "cut our coat according to our cloth," cost management to secure profits even at the target minimum revenue scale. We have made efforts with "organizational slimming" and "thoroughly reducing costs by improving business processes" to realize the target break-even point ratio. As a result, in addition to securing the targeted profits, we promoted investment by the prioritizing of development, that is, aggressive investment towards 5G, in parallel. Looking back at our financial condition during the period of GLP2017, although we were able to sustain a certain level of operating cash flow-generating ability, capital efficiency deteriorated significantly, and this resulted in ROE of less than 5% and ongoing negative ACE. Management structure reform yielded results for both enhanced durability at the time of profit deterioration and for measures to improve profit structure. Despite this, a number of challenges in terms of capital efficiency remain. Based on a review of GLP2017, the priority issues arranged from the viewpoint of corporate value improvement are as shown in Fig. 1.

GLP2020 Financial Strategy

Toward ROE Improvement

Under GLP2020, we will focus on returning to double-digit ROE and address positive ACE as a top priority theme. The top priority measures to improve ROE are to improve the profitability and operating margin of each business. I will now set out the measures designed to improve the profitability of each business.

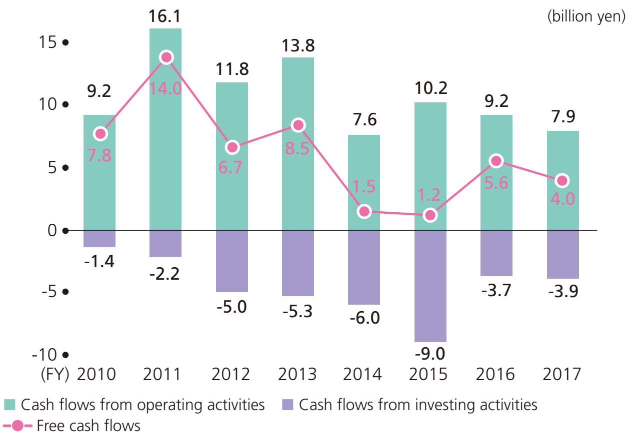
■ Test and Measurement Business

The operating margin of the Test and Measurement business for fiscal 2017 was 3.4%. We will bring about a recovery to 14% in fiscal 2020. To that end, we will steadily capture growth drivers for the GLP2020 growth strategy and restore revenue to the ¥70 billion level. In particular, what will support the growth scenario for the coming three years is to reliably capture the start of 5G business. We will seek to dramatically improve the operating margin by restoring the growth rate of Anritsu's strong point mobile test and measurement business and recovering development investment in 5G at a high return. As a measure for managing development investment efficiency, we are thoroughly managing development ROI (Return on Investment = gross profit/development costs). The immediate goal for development ROI is 4 or higher.

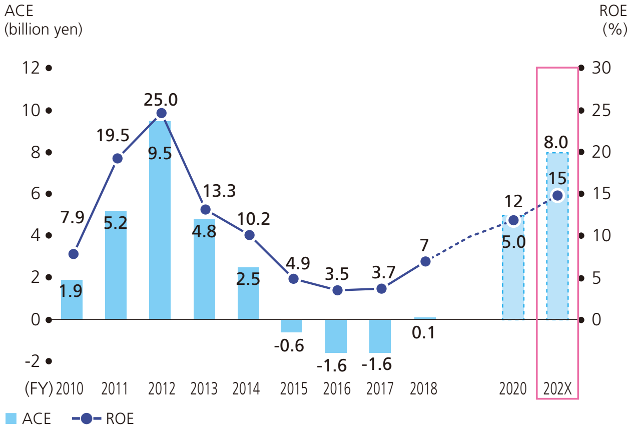
■ PQA Business

The operating margin of the PQA business for fiscal 2017 was 8.7%. On a quarterly financial settlement basis, we have improved its earnings structure to the point at which PQA is generating 10% of earnings. The most-important task in improving the operating margin of the PQA business is to improve its price competitiveness, meaning to improve its gross profit. The initiatives adopted under GLP2020 are as follows:

Graph 1: Cash Flow Trends



Graph 2: ACE, ROE Trends, and Targets



(1) Differentiation of X-ray inspection system business

(2) Provision of new solutions by means of quality data analysis

(3) Business expansion in European markets

(4) Full-scale entry into pharmaceutical product market

(5) Adding of value to operations throughout entire value chain

By steadily implementing these initiatives, we will transform the profit structure to constantly generate an operating margin of 12% or more.

Aiming for ROE of 15%

Focusing on the core component of achieving the operating margin targets for each business, we will first aim for ROE of 12% in fiscal 2020. Thereafter centering on thorough capital efficiency management and facing the challenges of increasing the operating profit margin of the Testing and Measurement business to 20%, we will aim to achieve the ROE of 15% upheld in the medium- to long-term guidelines under GLP2023, the mid-term business plan that will follow GLP2020.

Promotion of Capital Efficiency Management

With regard to the Company's capital costs, shareholders' equity costs are measured at 7%, and the weighted average cost of capital (WACC), used for our unique ACE indicator, is measured as 5%. From the capital cost viewpoint, the "measures to improve corporate value in medium- to long-term financial strategies" are investment for growth (including M&A), which will generate returns in excess of 7% of shareholders' equity cost, and capital efficiency improvements.

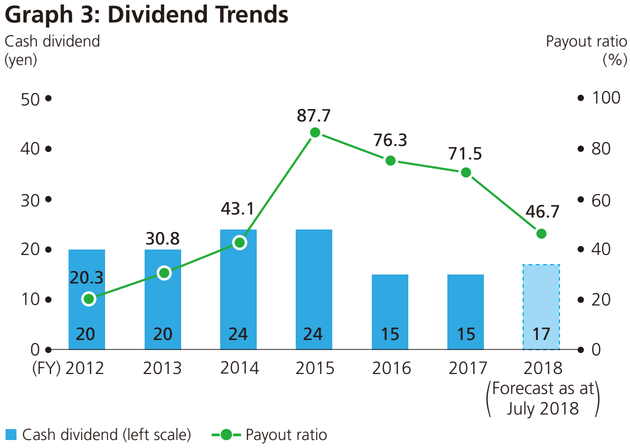
The total capital cost and total corporate value of the Anritsu Group are the sum totals of its Testing and Measurement business, PQA business and Others business. It is also the sum totals by business unit broken down by each business. To thoroughly pursue "management with awareness of capital costs," we are planning to manage capital efficiency on a business unit level basis. As a specific KPI, we will set ROBA (return on business assets: the return of operating income against the operating assets of each division) as a target and monitor improvements.

Shareholder Returns

Based on raising the dividend on equity (DOE) in line with rises in consolidated net income earnings for the fiscal period, Anritsu's basic policy is to flexibly provide shareholder returns in keeping with consolidated results, with a target consolidated payout ratio of at least 30%, taking into account the overall return.

Regarding surplus, the plan provides for the demand for capital from business expansion into industrial areas utilizing 5G/IoT and from strategic investment (including M&A) for business development in, for example, the cloud services market. We will continue to respond to the expectations of our shareholders by further improving corporate value, including investment in such new businesses.

Graph 3: Dividend Trends



From President of Measurement Business Group

Become a Leading Company Supporting 5G/IoT Society

To play a role as a company supporting the commercialization of 5G

Hirokazu Hamada
Representative Director, President,
Measurement Business Group President

Upon entering the 21st century, the Test and Measurement business was struck by three major recession periods. Following the bursting of the IT bubble and the financial crisis, we are currently entering the transition period from the Long-Term Evolution (LTE) era to the 5G era of high-speed wireless communications, the profit margin is significantly lower than the long-term target, and we are in the middle of an era that is beset with difficulties.

Under the new Mid-term Business Plan GLP2020, we are certain to catch the new 5G wave and place business performance, which has been on a downward trend, back on a growth route. In addition to the communication measurement market, which is susceptible of volatility, under the next mid-term business plan that will follow GLP2020, we will aim to develop new business initiative pillars, for example in fields that utilize 5G or areas that do not rely on the communication measurement market.

Possessing competencies in "Measuring," Anritsu is one of the few companies that have played a role in supporting a society that is a safe, secure, and prosperous place to live. Taking pride in this role, we will contribute to the development and prosperity of society.

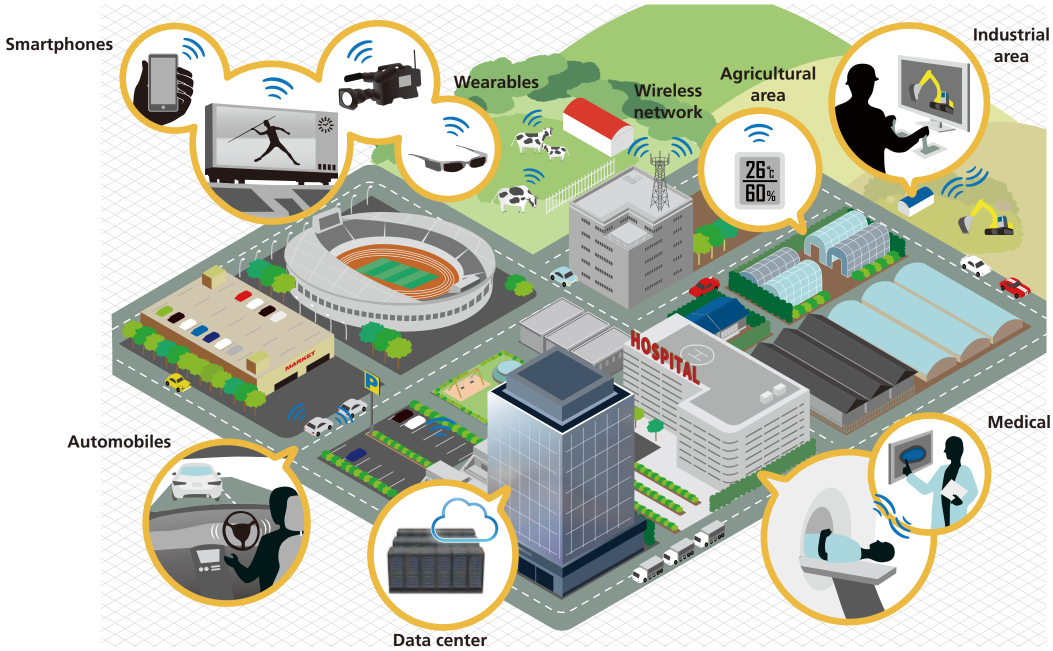
Review of GLP2017

Having adopted "we will acquire global business opportunities with highly value-added solutions and firmly position ourselves as the global market leader" as our vision under the Mid-term Business Plan GLP2017 (fiscal 2015 to fiscal 2017), we established and worked to achieve target fiscal 2017 revenue of ¥90.0 billion and an operating margin of 15%.

From fiscal 2015, the first year of the Plan, however, the dramatic change in the mobile test and measurement market (the shrinking of the mobile manufacturing market and consequent saving of investments by major players) and the sluggish demand for base station construction in the North American market had a major impact on our business performance. As the downward trend continued even into fiscal 2016, the Test and Measurement business was forced to make a downward revision of its performance and made changes to the GLP2017 plans.

Amid a rapidly shrinking test and measurement market, the Company worked on its managemental restructuring program REBORN-M and thoroughly instilled three main measures: refocusing investment, refocusing capital, and refocusing time. We also worked to secure profits, including the carrying out of measures designed to slim down our organization in North America. In contrast, we did not neglect the investment needed to surely catch the 5G/IoT wave that represents our next growth driver.

A Safe, Secure, and Prosperous Society Realized by 5G/IoT



Ultrahigh speed

Speed
100 times faster

Download a two-hour movie in three seconds

Ultralow latency

Delay time
1 ms

Precision control of a robot in a remote location in real time

Multiple simultaneous connections

Number of simultaneous connections
100 times greater

Nearby devices and sensors connected to the Internet

As a result of these initiatives, in fiscal 2017 our revenue amounted to 54,433 million yen and our operating margin was 3.4%.

A Safe, Secure, and Prosperous Society Realized by 5G/IoT

For services up to and including 4G, the main focus was on advancing the speed of voice and data communications, mainly for smartphones.

In the case of 5G, communications will penetrate new areas, such as IoT, automobiles, industrial areas, and smart homes. For example, autonomous cars are about to revolutionize the automobile industry. Experiments utilizing 5G communications, such as running a convoy of trucks on a highway, have begun. In the construction field, attempts are under way to utilize 5G's real-time properties and large-capacity characteristics to remotely control heavy machinery in real time while watching 4K video.

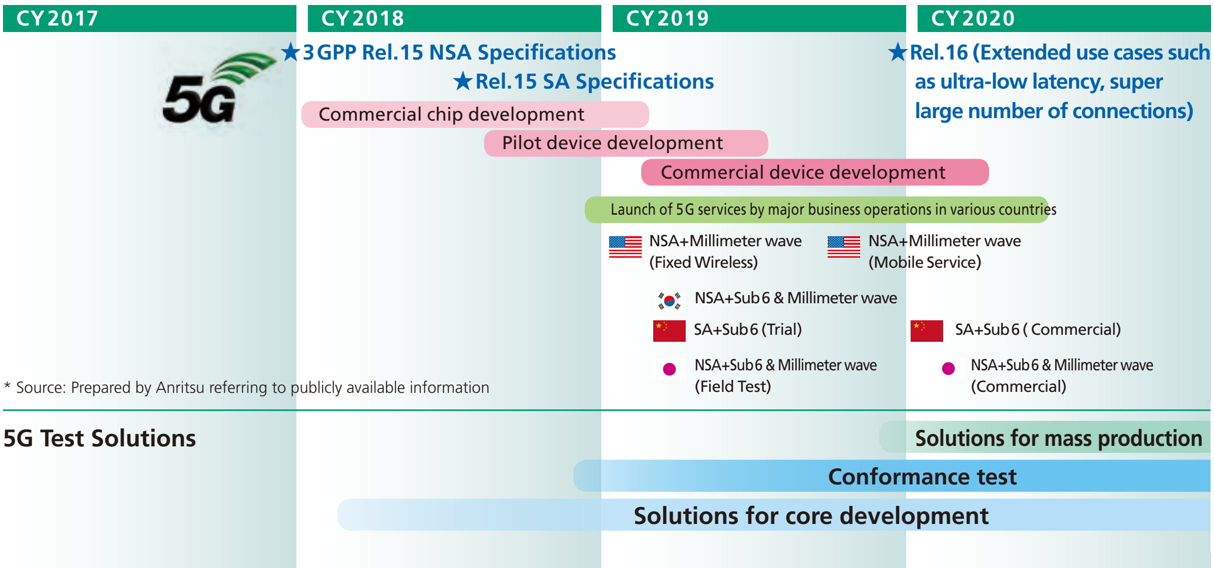
As communications spread into a wide range of areas in this manner, demands for communication reliability will also increase. For example, there must be no accidents caused by communications being interrupted during automated operations. Also, if the quality of communication cannot be guaranteed by remote control, actual operations will be difficult. Anritsu will use its competencies in communication measurement that the Company has cultivated over many years to support 5G's usage in various industrial areas.

To Support 5G Commercialization

■ Mobile Measurement Market Environment

In 2012, the waves of the two demands of instruments for use in LTE development and 3G smartphone manufacturing instruments overlapped, and the scale of the mobile measurement market peaked. Subsequently, due to slowing growth in shipments of smartphones, mergers and acquisitions due to intensified competition among chipset vendors and smartphone vendors, the size of the mobile test and measurement market had shrunk to 40% of its peak at the end of fiscal 2017. Although representing the mobile test and measurement market of the future, the 5G initial development shift is ahead of schedule in the cellular test and measurement market,

5G Service Road Map



and it is expected that they will expand from 2018 onward. We are expecting the market will peak around 2022 to 2023, but we anticipate that it will remain only around 70% compared with 2012.

Meanwhile, together with the expansion of mobile broadband, 5G is expected to expand new demand due to the spread of IoT/automotive and 5G utilization. Factoring in this new demand, we believe that there is a possibility the mobile test and measurement market from 2022 onward may exceed its 2012 peak.

■ Latest Road Map for 5G Service

Under the 3GPP, standardization of 5G NSA-NR was completed in December 2017. Following that, 5G SA-NR standardization was finalized in June 2018, and all specifications for 5G's primary functions have now been established.

Non-Standalone, New Radio (NSA-NR), a format intended to bring about 5G service, is based on the premise that it will be used not solely with 5G, but in tandem with 4G. On the other hand, Standalone, New Radio (SA-NR) is a format where 5G service can be realized independently. Worldwide, NSA-NR is becoming the primary format, although in China, 5G is expected to be rolled out based on SA-NR.

In addition, the two frequency ranges that are under consideration for use in 5G are millimeter waves and 6GHz and under (Sub6GHz). The frequency ranges used by operators around the world vary.

In the United States, service is scheduled to begin from the latter half of 2018. Commercialized services are expected to be available in Korea from 2019, and in China and Japan from 2020.

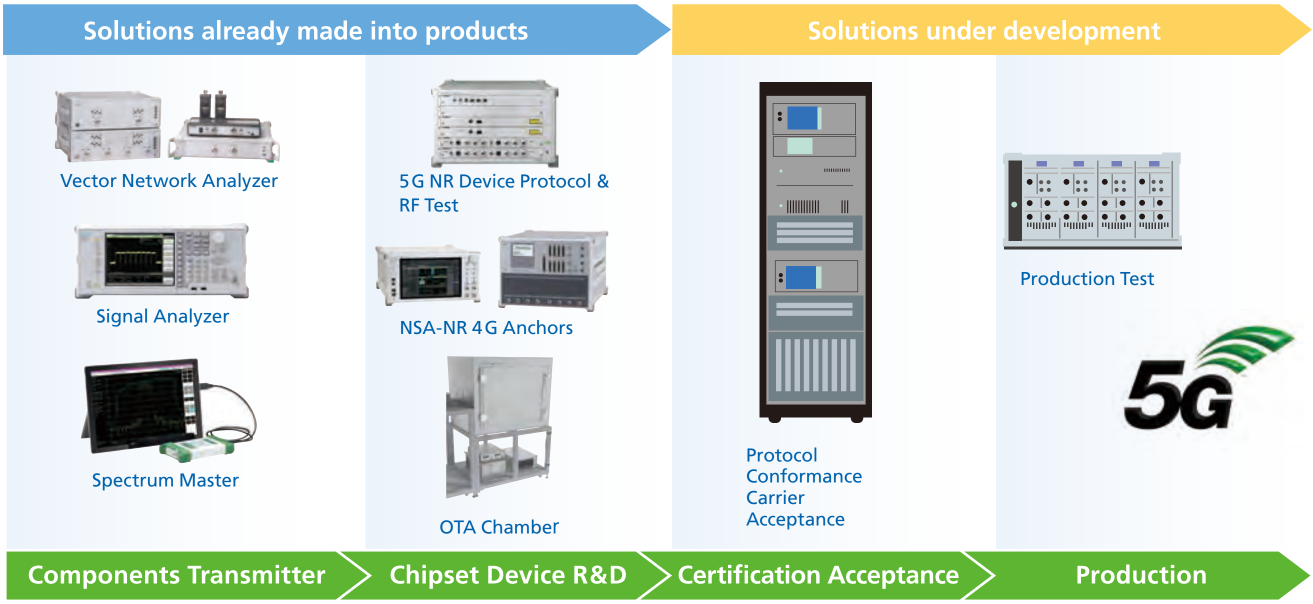
Leading up to the commercialization of 5G, chipsets for 5G will be available in the first half of 2018, and using those sets, from the latter half of the year, tablets, smartphones, and other pilot devices will be developed.

■ 5G Chipset, the Communications Device Development Tester MT8000A

In April 2018, Anritsu introduced to the market its MT8000A radio communication test station, a tester used for the development of 5G chipsets, terminals, and other devices. The MT8000A functions as a pseudo base station, and, by wirelessly connecting it to a chipset or a smartphone or other communications device equipped with such a chipset, it can be used to evaluate functionality and performance. It possesses the flexible scalability to match the evolution of specifications, making it possible

MT8000A radio communication test station

5G Solutions Road Map

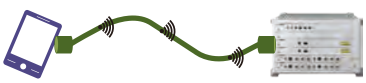


to use with 3GPP's latest 5G NR specifications, and it can handle a variety of testing conditions. It can also be used with Sub6GHz and millimeter wave frequencies necessary for 5G NR.

While 5G terminals use the millimeter wave range, frequency bandwidth is broad, and, because there are many antenna elements, there is no conventional external RF connector for measurements. Moreover, the use of beamforming requires an assessment of directivity. As such, new OTA (Over The Air) and broad bandwidth compatibility is required in 5G measuring equipment. Combining the MT8000A with the OTA chamber (anechoic box) enables both millimeter wave band RF measurements and beamforming tests using call connections specified by 3GPP.

High-frequency (millimeter wave) measurement technology

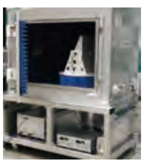
For low-frequency



Accurate measurements are possible with a cable connection.

For high-frequency (millimeter wave)

Accurate measurements are possible with Over The Air (OTA) using chamber.



Anritsu-Provided 5G Solutions, from Development to Manufacture

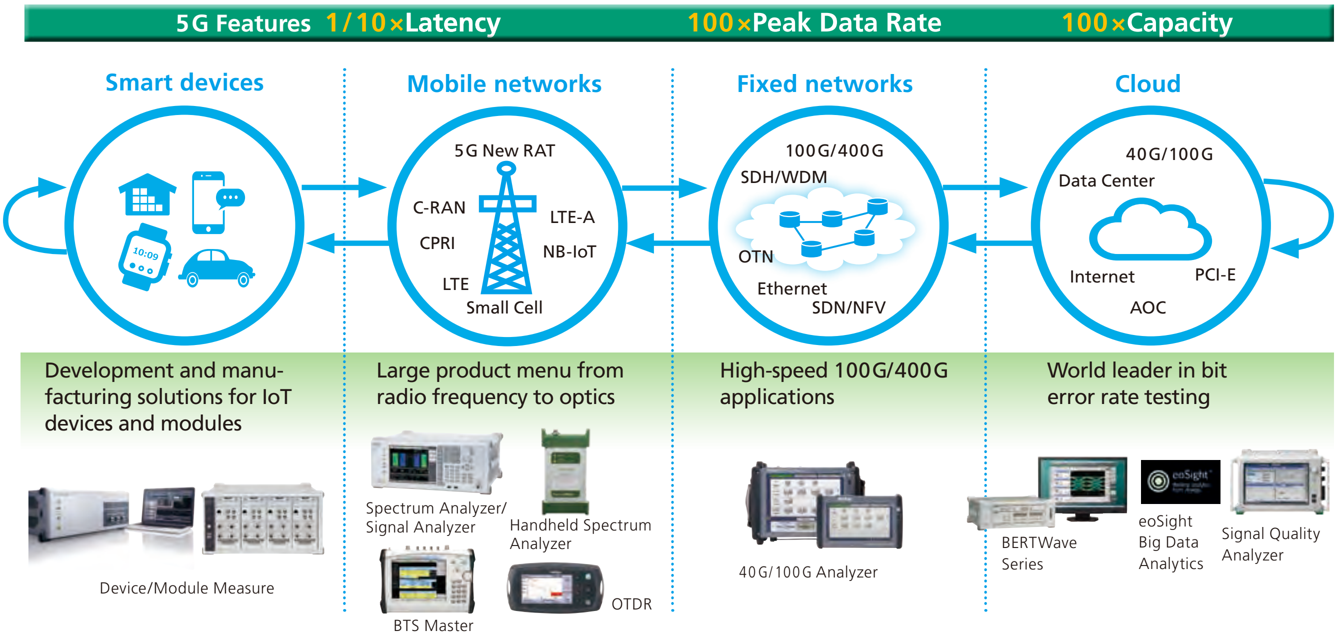
Anritsu is planning to deploy test solutions that will support customers at every 5G business phase, from development to manufacture. In May 2017, we launched onto the market the MS2850A signal analyzer equipped with the 5G NR dedicated analysis function necessary for the development and manufacture of 5G base stations and terminals. The MT8000A introduced above is a tester and measuring instrument used at the development stage of, for example, chipsets and communications terminals.

Subsequently, as terminal development for 5G services progresses, demand for conformance test systems will emerge. As 5G services become full-scale, demand for mass-production solutions for 5G terminals will also emerge. Assessment by OTA is required even in the mass production inspection process of 5G millimeter wave communications terminals.

Compared with conventional LTE terminals, which can be measured by cable connection, it is a time- and labor-consuming inspection process, and thus the provision of solutions to efficiently perform OTA testing is being demanded.

We are planning to sequentially launch onto the market measurement solutions that will be indispensable for making these 5G services more widespread.

Anritsu solutions for supporting 5G network



■ Service Infrastructure Solutions for Supporting 5G/IoT

More than just the evolution of wireless networks is needed to realize 5G. In association with the evolution of 5G, the loads placed on wired networks, cloud services, and data centers will also increase.

While we will also introduce new technologies for wired networks, the expansion of network capability is advancing at a rapid pace. To respond to the use of AI and increase of Big Data, there are demands for data centers to be scaled up, further speed up, and have improved reliability.

With regard to the infrastructure supporting these 5G developments, we also provide Original, High-Level technologies and a wide range of product lineups to customers.

GLP2020

Become a leading company, supporting 5G/IoT

■ GLP2020

Under GLP2020, three growth drivers were decided: (1) 5G, LTE-Advanced; (2) IoT/automotive, connectivity, and (3) IP data traffic/cloud services.

The standardization of all 5G major functions specifications has been completed with 3GPP Release 15, and up to 2020 services centered on "high speed and large capacity" are being deployed, and we believe that popularization utilizing the mission-critical features of 5G will be from 2021 onward. Accordingly, we consider three years of GLP2020 as the initial stage of 5G development and are looking ahead to the period after 2021, when full-scale operations of 5G will be underway, to increase the profits of the existing LTE business and which we are positioning as the phase for investment in 5G. LTE, however, is on a downward trend, and there remains the risk that the LTE market will shrink more than expected. Therefore, we have to watch the trend in the LTE market carefully, and to control 5G development investment properly .

In fiscal 2018, the first year, we are certain to capture initial 5G demand and aim to achieve revenue of 60 billion yen and an operating margin of 6%.

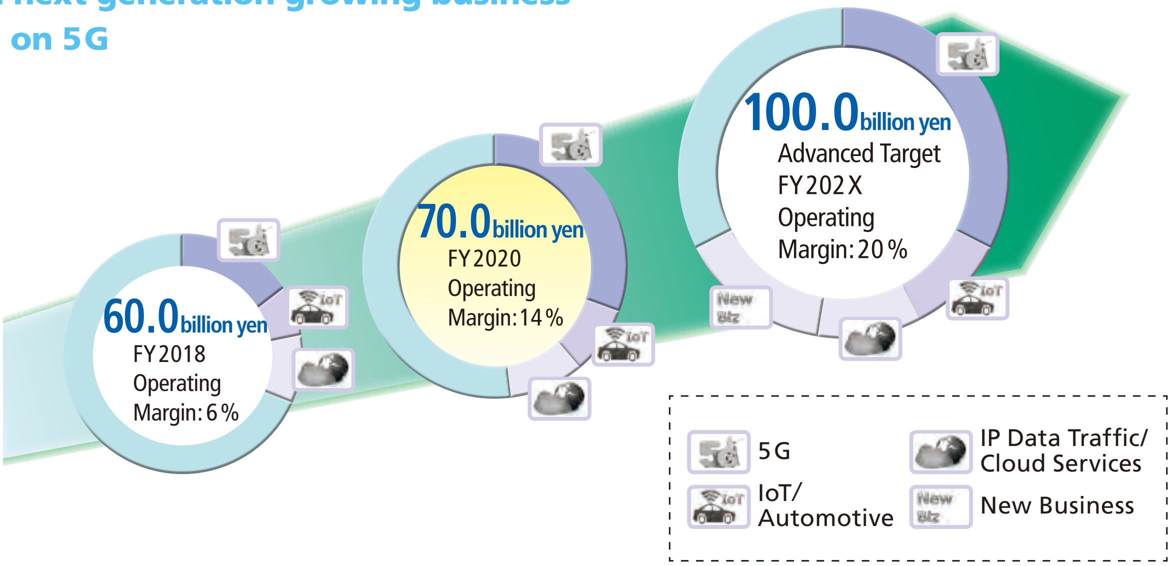
Responding to the evolution of standards such as 3GPP even after hardware delivery, our mobile business is a stock-type business that earns by providing software recurrently. From 2018 to 2019, we will steadily acquire market share by customers purchasing 5G measuring instrument hardware at the initial demand stage of 5G. After that, we will surely earn revenue in the software business and aim for revenue of 70 billion yen and an operating margin of 14% in fiscal 2020.

■ Toward Next Period GLP2023

Under GLP2020, we were unable to formulate a plan aiming for an operating margin ≧20%, which is a guide-

GLP2020 Revenue and Operating Profit Plan

Establish next generation growing business centered on 5G



line for medium- to long-term business goals. That will provide a challenge for the next period, GLP2023. Beginning in 2021, in addition to the 5G cellular test market, new needs are expected in industrial fields that utilize 5G, such as IoT/automotive. Under GLP2023, the plan will be to further accelerate the three growth drivers focused on under GLP2020, to launch new businesses and to bring about sales growth. For that reason, we will work intensively on the emergence of business activities, including M&A measures, during the GLP2020 time-frame.

The peak of the 5G cellular test market is predicted to be around 2022 to 2023. Therefore, the urgent business is to set up in advance a growth driver that does not depend on the cellular measurement market. Regarding our strengths in measurement technologies as the core, the markets and business areas regarded as targets are the areas and peripheral fields, including the automotive market where dramatic social change is anticipated, where applications that exploit the features such as 5G's high reliability and low latency will become widespread. We aim to realize the above growth scenario, with net sales of 100 billion yen and an operating margin of 20%. We do not expect to be able to launch a new business easily, but will lay the foundations for the next development and work towards stable corporate management by taking resolute decisions.

Social Value Provided by Test and Management Business

To build a strong communications networks with no digital divides and to realize a safe, secure, and comfortable 5G/IoT society have become major social issues.

By means of its measurement technologies, our Test and Measurement business will contribute to the development of strong network infrastructure that safely and securely connect everything by providing solutions that assist in the development and manufacture of 5G/IoT systems, the construction of communication networks as well as the development and manufacture of mobile devices and electronic devices. For example, although IoT communications technology is applied to intelligent transport systems (ITS), it also leads to a reduction in congestion and traffic accidents, thereby contributing to a comfortable city life and the provision of a means of transportation.

In this way, the Test and Measurement business possesses the potential to provide a lot of social value. Developing safe and secure infrastructure, in the years to come, we will contribute to the creation of industries and the promotion of innovation that will lead to the construction of a sustainable society.

From President of PQA Business Group

Become a world-class partner in quality assurance solutions

as we pursue a "First Call Company" role in the global market

Masumi Niimi
Director
Senior Vice President,
PQA Business Group President

In Japan's food products market, our PQA business has earned an industry-leading position, and is securing a stable foundation for earnings. In food markets outside of Japan as well, PQA has leveraged the high praise received for its X-ray inspection systems to power double-digit growth, that goes far beyond the market average.

Under the new three-year business plan, GLP2020, we will take the initiative to consolidate our business foundation, in order to drive business growth to the next stage in the global markets. Making continuous efforts not only for our quality assurance solutions received by our customers, but we will also aggressively invest in building our global supply chain platform for sales, production, and maintenance services, to become a world-class company which is trusted by global customers as an expert in problem solving.

Review of GLP2017
Surpassing the target by X-ray inspection systems and business globalization

Under the Mid-term Business Plan GLP2017 (fiscal 2015 to fiscal 2017), we formulated PQA business sales goals for fiscal 2017 of 20.0 billion yen in revenue, and an operating margin of 8%. We also tackled issues of globalization for the creation and commercialization of Original and High Level solutions.

In the three years of GLP2017, given the rising worldwide momentum of automation and sophistication in quality inspection systems, weighing machines and X-ray inspection systems, which are flagship products in the Japanese market, have seized upon demand and experienced growth as equipment associated with ready-made food products, such as processed meat products, frozen foods, and retort food products. In addition to the North American market where we have worked to develop customers who would make X-ray inspection equipment their key solution, in China and Southeast Asia, Europe, and other regions, sales have, for the most part, been favorable.

As a result, PQA business sales amounted to 22,549 million yen, and the operating margin stood at 8.7%, an achievement that surpassed the goals set forth in GLP2017.

Business domain and solutions

■ Business domain and social value

The PQA business develops, manufactures, and markets quality inspection systems, and provides maintenance services, primarily on production lines for processed foods and pharmaceutical products. Business for the foods industry accounts for approximately 80% of sales. Many of the processed foods sold at supermarkets, convenience stores, or other locations are produced at food plants, where each minute dozens of items are processed over a conveyer belt at extremely high speeds. It is in such production lines that PQA business products leverage automation, in processes that had formerly been operated by human hands, to contribute to improving productivity and quality.

■ Strengths and main solutions

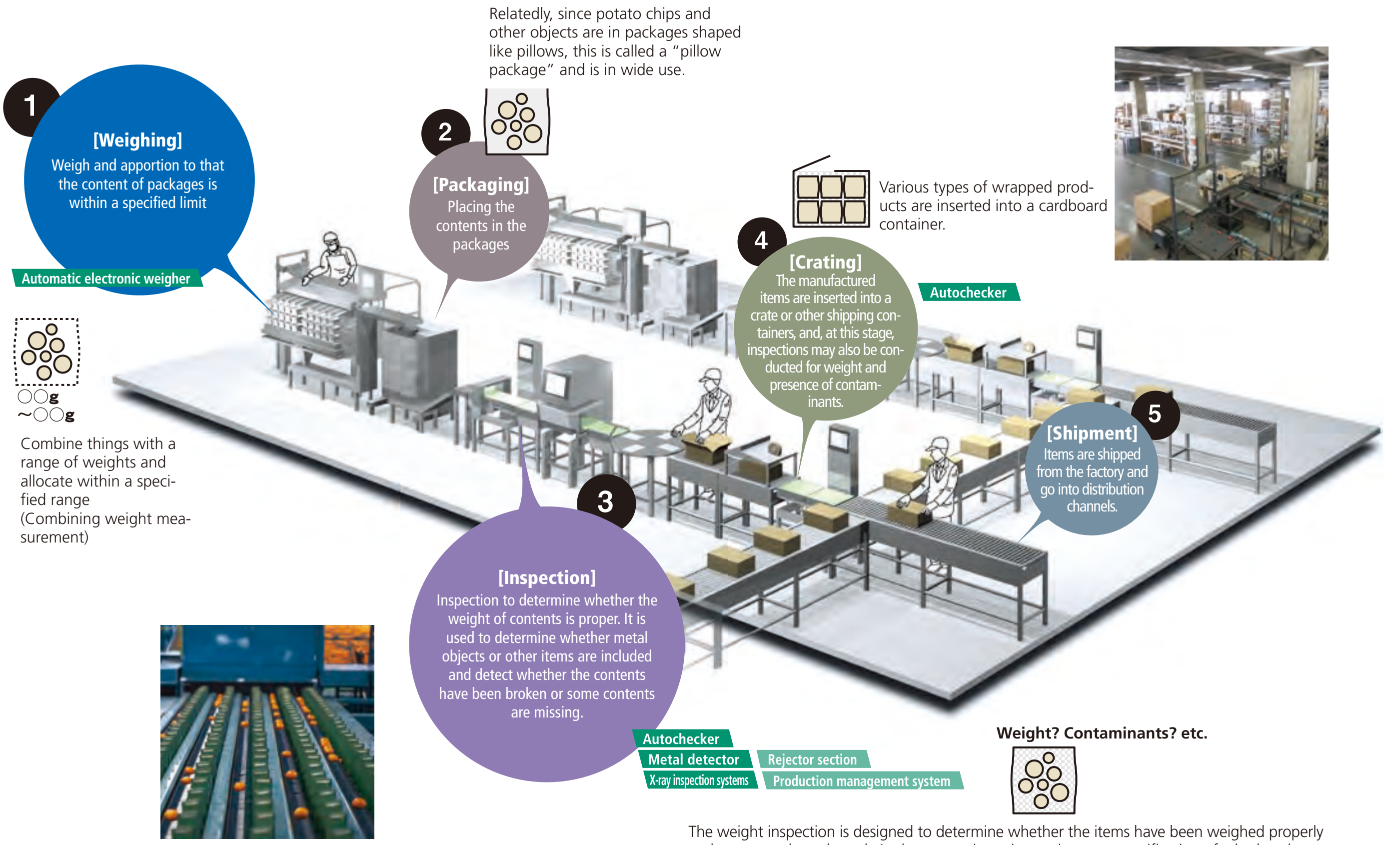
Anritsu has positioned “measurement” as a business domain, and with its core sensing, as well as image and signal processing technologies, we work with our customers in the food and pharmaceutical markets to take on issues of quality assurance as it relates to safety and security. Current core products are automatic electronic weighing machines that sort food items into uniform weight categories, checkweighers that inspect content weight, and metal detectors and X-ray inspection systems that check for contaminants that may be mixed in with the product being examined. This segment also offers the system solutions active in analyzing the quality data generated by these systems products, identify the cause of defects and enhance productivity, develop systems for traceability, and other features.

■ Supporting with quality assurance tailored to individual customers

The production line environment varies greatly depending on the goods being produced and the consumer culture of a particular region. There is also variation with regard to customer preferences for quality inspections. In addition, for inspection equipment that operates day and night on certain portions of a production line, customers demand a high degree of reliability so as to assure that production does not come to a halt on account of wear and tear or breakdowns.

Anritsu works to realize an integrated system that offers a flexible and rapid response at diverse sites where there may be no single, or similar type of environment. We offer the quality assurance solutions that are best suited to customer demands and the environments where they will be used.

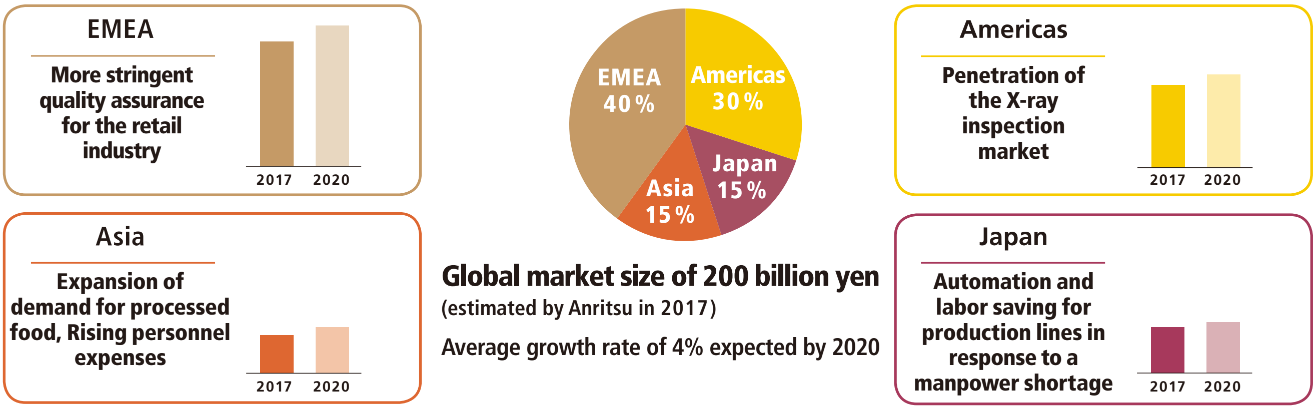
Example of a Production Line



The weight inspection is designed to determine whether the items have been weighed properly and are correctly packaged. At the contaminant inspection stage, verification of whether there are metal or plastic contents is conducted. In addition, the production management software “QUICCA” may collaborate in the inspection and weighting stages to monitor production.

From President of PQA Business Group

Current Status of the PQA Market and Outlook



Market environment

Business sites in the foods industry, which are the customers of the PQA business, account for over a hundred thousand companies on a global basis. Quality assurance needs in the food industry are growing more sophisticated in advanced countries, and, together with this, are continuing to spread to emerging nations.

Japan is experiencing a shortage of workers associated with a declining birthrate and an aging of society, which is leading to rising needs for automation and labor saving on production lines. Moreover, Anritsu's solution partners, such as convenience stores and large-scale supermarkets, are working to build up supply chains with the aim of "total quality assurance, from production to sales."

In the North American market, inspections using X-rays are increasingly being adopted, with demand growing primarily to detect bones that remain in meat products and to inspect confectioneries or ready-cooked meals.

The market for quality inspection systems in Europe has become mature, and it is moving forward on the standardization of its quality control standards. Many of the international standards emerge from Europe, and this has become a leading market with regard to food safety and security.

In China and ASEAN countries, in line with the expanded distribution of packaged food products, there are rising needs to ensure food safety. We anticipate demand for quality inspections to continue growing in the future, particularly from global companies based in Europe and the United States and leading regional food companies.

The sales ratio outside Japan of the PQA business is approximately 45%. We intend to as soon as possible raise our presence in world markets and increase this ratio to over 50%.

Growth strategy

■ Basic policy for GLP2020

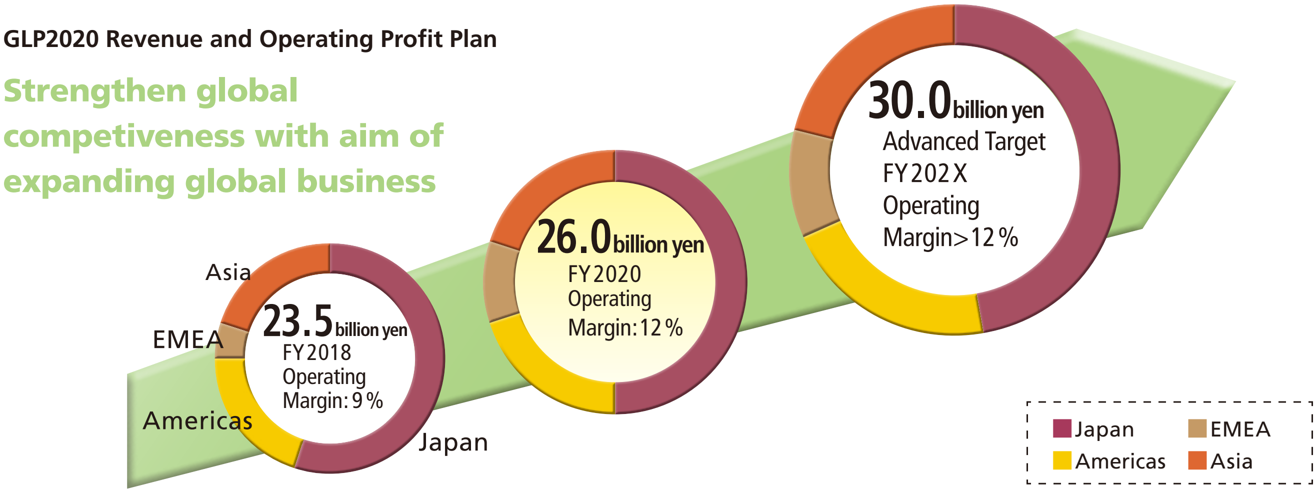
Anritsu's new Mid-term Business Plan, GLP2020, is comprised of the pillars of "global business expansion," "creation of customer value with quality assurance solutions," and "co-creation and development with advanced customers." Anritsu is working to position the three years of the plan up until 2020 as an important period of preparation to become a truly global company, which is "a world-class quality assurance solution partner" that customers around the world will be the first to call.

PQA is setting its revenue targets for fiscal 2020 at 26.0 billion yen, in line with the market average growth rate. Together with preparation for a leap forward after 2020, during our next mid-term management plan, "GLP2023," we are setting our sites on revenue of 30.0 billion yen. To achieve this, we are moving forward on building our business structure, investing to raise productivity, and optimizing business processes. We are also going to make a full-scale entry into the European market and pharmaceuticals market so as to accelerate growth in the years following 2020.

■ Solution innovation

For quality assurance in food products, with current technology it is difficult to inspect all items passing through the production process for contaminants of biological origin, including hair or bugs, or chemical contamination from residual pesticides or poisons. In addition, another issue is to resolve problems of defective products that become a cause for recall and disposal, as they may have expired consume-by dates or mislabeled ingredients. We will seriously tackle these as issues we ourselves should address, innovating with our sensing technology and quality data analysis technology, overcoming such issues together with our customers.

GLP2020 Revenue and Operating Profit Plan



Pharmaceuticals, along with food, is an important industry to realize "a society in which all can live in health and safety." Even more than the food industry, the pharmaceutical industry proactively imposes severe levels of quality assurance. Expanding business in the pharmaceutical market is not only a matter of offering the highly efficient quality inspection methods fostered in the food industry, but also is an extremely important initiative even above raising the level of our quality assurance solutions. We are working to develop and enhance solutions that meet the needs of the pharmaceutical market, and to advance the building of a support structure in which we can achieve business expansion in this market.

■ Looking toward an operating margin of over 12%

On the earnings front, one issue we face is to achieve sustained and profitable growth that leads to success amid market competition characterized by the escalating severity associated with business globalization. We will innovate with the value we offer, transforming to solutions that provide total support for the quality assurance activities of our customers. In tandem with that, we will expand solutions that are highly value added in the European and U.S. markets, and in the pharmaceutical market, and will improve our product mix.

We will also strive to improve our financial position on a global basis, undertaking such measures as global optimization of production processes and supply chains, raising development efficiency by renovating our product platform, and reducing our inventory assets through agile production processes. Our aim is to realize an operating margin of 12%.

Social value delivered by the PQA business

As the world's population grows, one social issue of enormous importance is the eradication of starvation, and particularly with regard to the supply and demand of food, not wasting limited food resources is an ongoing advantage.

In the PQA business, we deploy to food processing lines, the high quality and extremely efficient systems of quality assurance that contribute to lowering food loss by food product companies, and the stable supply of safe and secure food items. By doing so, food product makers can find secondary uses for the leftover scraps of prepared food, such as for animal feed, and enable effective use of food ingredients and raise the energy efficiency associated with food preparation. In addition, the quality assurance for food items we offer to food product makers is a matter of utmost importance, and there is a huge risk of an adverse impact on brand survivability, in the event that there is a food product-related accident of recall. Taking secure measures for quality assurance are one way to mitigate risk, and, at the same time, will lead to lower food loss associated with collection, reduce energy required for transportation, and other benefits.

On the other hand, food product companies in developing countries perform a critical mission in society. Hand-in-hand with providing a stable supply of food items, as providers of one element of social infrastructure, namely, clothing, food, and housing, these companies offer opportunities for healthy employment and contribute to economic development. The high quality and exceptionally efficient food product production systems that were cultivated in advanced countries not only help to develop the economies of emerging markets, but also hold enormous possibilities for sustainability on a global scale.

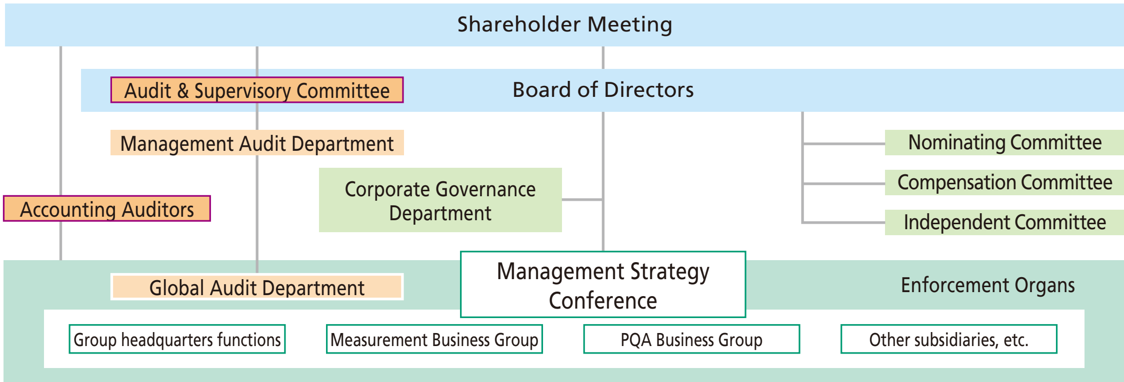
Our PQA business, through advanced quality assurance for food items and pharmaceuticals, continually strives for a society where everyone can live in safety and security, and to contribute to a sustainable society with low food loss.

Corporate Governance

Basic Concept on Corporate Governance

Anritsu aims for "continuous growth with sustainable profits" and "enhanced corporate value" by responding to changes in the operating environment in a flexible and speedy manner and improving competitiveness as a global company. The Company seeks to fulfill these objectives by continuing to maintain and strengthen corporate governance systems and frameworks aimed at (1) enabling cooperation with various stakeholders such as shareholders, employees, customers, business partners, creditors, and local communities, (2) transparent, fair, prompt, and decisive decision making, and (3) appropriate and timely information disclosure.

Corporate Governance Structure



Anritsu has opted to become a company with an Audit & Supervisory Committee in order to strengthen its audit and supervisory functions. In addition, the Company has introduced an executive officer system in order to enable rapid business execution, separating the Board of Directors' decision-making and supervisory functions from business execution undertaken by executive officers.

The Board is composed of 10 directors, four of whom are independent outside directors, and five are not involved in business execution. Of note, independent outside directors had a 100% attendance rate at Board meetings in fiscal 2017.

The Company has established a Nominating Committee and Compensation Committee chaired by independent outside directors in order to complement the functions of the Board of Directors and further clarify its accountability. Moreover, the Independent Committee is composed of the Company's independent outside directors, nominates senior independent outside directors by mutual vote, and serves as a place to facilitate smooth communication among outside directors. Free and lively discussions along with forums for exchanging opinions and sharing knowledge based on independent and objective viewpoints lay the groundwork for beneficial proposals from various perspectives on such topics as enhancing corporate governance and improving the efficiency of business execution.

Creating an Optimal and Functional Business Execution System

The Company introduced an executive officer system from 2000 as a management system for continuously enhancing corporate value by enabling management to engage in rapid executive decision making and business execution as well as demonstrate precise management skills. In an effort to further enhance corporate governance, the Company has decided to promote the separation of decision making and business execution, as well as to clarify that the Board of Directors makes decisions on important management matters and supervise business execution, and have executive officers execute business.

Consequently, the president now serves as an executive officer, and the Company has switched to selecting presidents from among executive officers in order to develop systems for optimal and agile business execution. These measures have made it possible for the Company to select presidents in tandem with the start of a new business year based on Board of Directors resolutions. From the start of the business year, the president will take steps to create a business execution system that fosters proactive leadership while making a clear commitment to achieving fiscal year targets and medium- and long-term business plans.

Fiscal 2018 Composition of Board of Directors and Committees

Position	Independent executives	Name	Nominating Committee	Compensation Committee	Independent Committee	Audit & Supervisory Committee
Representative Director		Hirokazu Hashimoto	○ Committee member	○ Committee member		
Representative Director		Hirokazu Hamada				
Director		Toshisumi Taniai	○ Committee member	○ Committee member		
Director		Akifumi Kubota				
Director		Masumi Niimi				
Outside Director	○	Takashi Sano	◎Chairperson	○ Committee member	○ Committee member	
Outside Director	○	Yuji Inoue	○ Committee member	◎Chairperson	◎Senior independent director	
Outside Director (Audit & Supervisory Committee Member)	○	Takaya Seki	○ Committee member	○ Committee member	○ Committee member	◎Chairperson
Outside Director (Audit & Supervisory Committee Member)	○	Norio Igarashi	○ Committee member	○ Committee member	○ Committee member	○ Committee member
Outside Director (Audit & Supervisory Committee Member)		Osamu Nagata				○ Committee member

Reasons for selection of outside directors and executive directors

Outside Directors

Name	Reasons for Selection	Important Concurrent Posts
Takashi Sano	Mr. Sano was deemed to be qualified as an outside director for his abundant experience and wide-ranging knowledge as a manager of business operations with deep insight to global business as well as for his broad insight in finance and accounting as a certified public accountant.	President of Sano CPA Office Outside Director of Zuken Inc.
Yuji Inoue	Mr. Inoue was deemed to be qualified as an outside director for his abundant experience as a corporate manager, broad insight into finance and accounting, and the knowledge and experience he has gained as a director on the Company’s Audit & Supervisory Committee.	Outside Corporate Auditor of Ryohin Keikaku Co., Ltd. Outside Corporate Auditor of Kyowa Hakko Kirin Co., Ltd.
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.	Director of Corporate Practice Partners, Inc. Professor, Rissho University Faculty of Business Administration
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.	Visiting Professor, Center for Economic Growth Strategy, YOKOHAMA National University Outside Director (Audit & Supervisory Committee Member) of Mitsubishi UFJ Securities Holdings Co., Ltd.

Executive Directors

Name	Reasons for Selection
Hirokazu Hashimoto	Mr. Hashimoto has demonstrated his strong leadership for many years as representative director and Group CEO as well as boasts abundant experience and achievements regarding the management of the Company and Anritsu Group. In addition, Mr. Hashimoto was deemed qualified as a director for his wide-ranging knowledge of finance, accounting, and corporate governance.
Hirokazu Hamada	Tasked with product development and domestic/overseas marketing at the Group’s mainstay Measurement Business Group, Mr. Hamada possesses broad knowledge and experience in operations that include keeping abreast of industrial and technological trends. Currently serving as the Company’s President, Representative Director, and the top of the Measurement Business Division, Mr. Hamada was deemed qualified as a director who is demonstrating his leadership in driving global businesses.
Toshisumi Taniai	Mr. Taniai was deemed qualified as a director for his broad knowledge and experience in the areas of corporate planning, corporate governance, and compliance, having overseen the Group business administration as Chief Corporate Officer during his time managing the Sales Support Department and Human Resource and Administration Department.
Akifumi Kubota	Having been in charge of the Accounting & Control Department for the Company and overseas subsidiaries, Mr. Kubota currently oversees accounting strategies and Group business administration as CFO and Chief Corporate Officer. Mr. Kubota was deemed qualified as a director for his extensive knowledge and experience in the areas of finance, accounting, and corporate governance.
Masumi Niimi	Mr. Niimi has wide-ranging knowledge and experience, having been tasked mainly with production management, corporate planning, and overseas subsidiary management at the PQA Business Division, which has expanded to become a Group business pillar. Mr. Niimi was deemed qualified as a director after demonstrating his leadership as manager of the PQA Business Group and Representative Director and President of Anritsu Infivis Co., Ltd., which runs the PQA business.

Board of Directors effectiveness evaluation

Board of Directors Effectiveness Evaluation Methods

The Company conducts an annual review of the Board of Directors effectiveness on the criteria of each item listed in its basic policy on corporate governance, and implements measures to increase effectiveness. The method for evaluating the effectiveness of the Board of Directors involves all directors conducting self-assessments by filling out questionnaires, on which they can freely write down five-point scale evaluations and key points for each survey item as well as improvement measures. The content of these questionnaires is put together into core data that is presented to the Board of Directors. In an effort to further deliberations and share issues facing the Board, the Board of Directors receives another explanation of the evaluation points and issues raised by each director and exchanges opinions on these matters.

Board of Director Effectiveness Evaluation Results and Issues

The main results for fiscal 2017 are as follows.

The Company verified the establishment of a system which is aimed at fostering constructive discussions and decision making regarding key management items as well as supervising business execution. In addition, the composition of the Board of Directors is appropriate in terms of the presence and number of internal/external management personnel for global business expansion and management system enhancement. However, the need for further diversity-oriented measures has been confirmed.

The participation and contributions of each director are discussed (which includes self-assessments) at meetings of the Board of Directors, Audit & Supervisory Committee, Independent Committee, Nominating Committee, and Compensation Committee. The results indicate that all directors fully understand the role they should play in enhancing the Group's corporate value, have insights on high levels of expertise based on a wide array of experience, and, in turn, engage in lively discussions.

Specifically, a thorough review was conducted to determine if the Board engaged in sufficient discussions for making decisions on medium- to long-term management plans and growth scenarios in fiscal 2017—when the new Mid-term Management plan GLP2020 was formulated—and whether it added to deliberations to help management take appropriate risks. Taking on board these standpoints, the following proposals have been raised and shared at Board of Directors meetings regarding key issues prioritizing increasing the Board's effectiveness even further.

(1) Board of Director Diversity

The Board of Directors will consider inviting outside directors or external advisors with knowledge particularly in future business fields and technologies.

(2) Support Measures for Outside Director

Efforts will be made to provide agenda-related documents at an earlier stage. In addition, proposals and reports to the Board of Directors will be given in a more-innovative manner in order to promote understanding among outside directors.

(3) Contributions to Sustainability

The Board of Directors will further enhance contributions to address social sustainability issues.

New Organizations for Enhancing Corporate Governance

The Corporate Governance Department has been established in order to improve the effectiveness of the Board of Directors. Its key functions are to support outside director activities as well as the management of the Nominating and Compensation committees. Specifically, this office will assist contemplating proposals on management issues and internal control systems, including information provision activities in advance to help the Board examine agenda and report items.

In addition, the newly established Sustainability Promotion Center not only promotes sustainability activities but also works to improve and enrich communication about corporate value assessment-related sustainability and ESG (environmental, social, governance) investment.

Discussion

Discussion on Executive Selection/Training System Role of the Nominating Committee for Nominating Presidents


Takaya Seki
Outside Director,
Audit & Supervisory Committee Chair


Hirokazu Hashimoto
Representative Director,
Chairman of the Board, Group CEO


Takashi Sano
Outside Director,
Nominating Committee Chair

At Anritsu, the Nominating Committee makes proposals and provides advice on the training of the next generation of personnel as well as about directors and executive officers. In this discussion, we highlight the characteristics of our human resources selection/training system, the functions of the Nominating Committee, and the leadership provided by the Board of Directors for enhancing corporate value.

Striving for “Connected Management”

Hashimoto: The sustainable corporate growth is fundamental for contributing to the development of society. To this end, we must pass along the DNA behind Anritsu’s corporate value creation by training personnel who can develop the Company further. In other words, implementing “connected management.” This is why Anritsu introduced its executive selection/training system. I would like to hear your thoughts about this system.

Sano: At Anritsu, each executive takes it upon themselves to select and list up several successors in consideration of (1) emergencies and (2) planning several years down the road. The Group CEO conducts periodic reviews and follow-ups, so it seems to me that a solid succession plan is being formulated.

Seki: In addition to this, the Nominating Committee provides proposals and advice on personnel selection. The Nominating Committee discussing candidates for president over the past three years has allowed for enough time both qualitatively and quantitatively to appoint a candidate.

Management fundamentals involve ongoing “connected management” and “stratified management.”

Hirokazu Hashimoto

Hashimoto: In light of top management remaining on the job longer and the gaps in experience emerging, the challenges presented by the new Mid-term Management Plan GLP2020 has been a good opportunity to introduce a new system. What are your thoughts on this?

Seki: I think we now face necessary risks and new challenges. The measurement business is reaching a major turning point with the shift from 4G to 5G. I think it's meaningful for us to pass the torch to a younger generation, the power of whom can be leveraged to generate corporate value just like creating new technologies.

Selecting Presidents in a Transparent and Fair Manner

Hashimoto: I would like to hear your opinions on the Nominating Committee's functions as well as the key points and lasting impressions of its deliberations.

Sano: Given that selecting new presidents is of the utmost importance, the nominating process must be transparent and fair. This is the role of the Nominating Committee.

Seki: The key word here is accountability. Since this is a matter that concerns not only shareholders but all stakeholders, such decisions cannot be made behind closed doors.

Sano: In light of this, the role of independent outside directors is extremely important. We offered advice and made proposals after interviewing potential successors, which are processes that makes selection highly transparent, fair, and objective.

Hashimoto: The Nominating Committee is composed of the Group CEO and four outside directors. The overwhelming presence of outside directors has kept the committee sufficiently accountable and transparent.

I believe it is vital for presidents to be honest, easy-to-understand, and steady.

Takaya Seki

Thinking strategically and imagination are the most-important attributes for a top manager.

Takashi Sano

Seki: It seems to me that every committee member feels a sense of duty to select candidates fairly, and there is a shared feeling that protecting the Company is the role of directors.

Hashimoto: The discussions about Mr. Hamada's successor have left a lasting impression on me. Management cannot simply think what is next but must also consider what will happen beyond that. Please share your impressions you had as outside directors during the selection process.

Sano: In order to make valid judgments on candidates, outside directors must already have an understanding of their attributes, decision-making abilities, and management capabilities. To that end, providing opportunities for executive officers as well as managers who will lead the Company forward to make presentations during quarterly open discussions is extremely useful.

Seki: It's important for outside directors to understand the expectations that shareholders, employees, and society have for the Company when assessing potential candidates. Anritsu's efforts to provide opportunities for candidates to give presentations have allowed us to make appropriate decisions.

Hashimoto: I would like to focus the discussion on evaluation criteria. Which attributes do you think are most important for presidents to have?

Criteria for Presidents

Sano: "Anritsu Values for Leader," is a way of evaluating the next generation of managers, and are values I share wholeheartedly. Anritsu Values are composed of five elements: "resonance with management vision/policy," "human power," "strategic thinking, imagination," "spontaneity, ability to take action, reasoning," and "strong ethics." While these are all important, I emphasize "strategic thinking, imagination."

Hashimoto: Why is that?

Sano: I believe these attributes make it possible to (1) understand our current situation from a global perspective and (2) have a successful business impact. As Anritsu operates in the field of advanced technology—which is subject to major changes—it is extremely important to make strategic decisions in order to quickly respond to changing operating conditions.

Seki: I would add personality and outstanding communication abilities. My three criteria for managers are honesty, understandability, and steadiness.

Hashimoto: Honing management skills on the job does not mean being perfect from the start. People grow as managers if they are passionate about wanting to make Anritsu an excellent company. This doesn't mean relying on charismatic managers, since management should function as a team. For me, "stratified management" is fundamental. We need to make an effort in bolstering management, which includes outside directors.

The Role of the Board of Directors Is to Take Risks

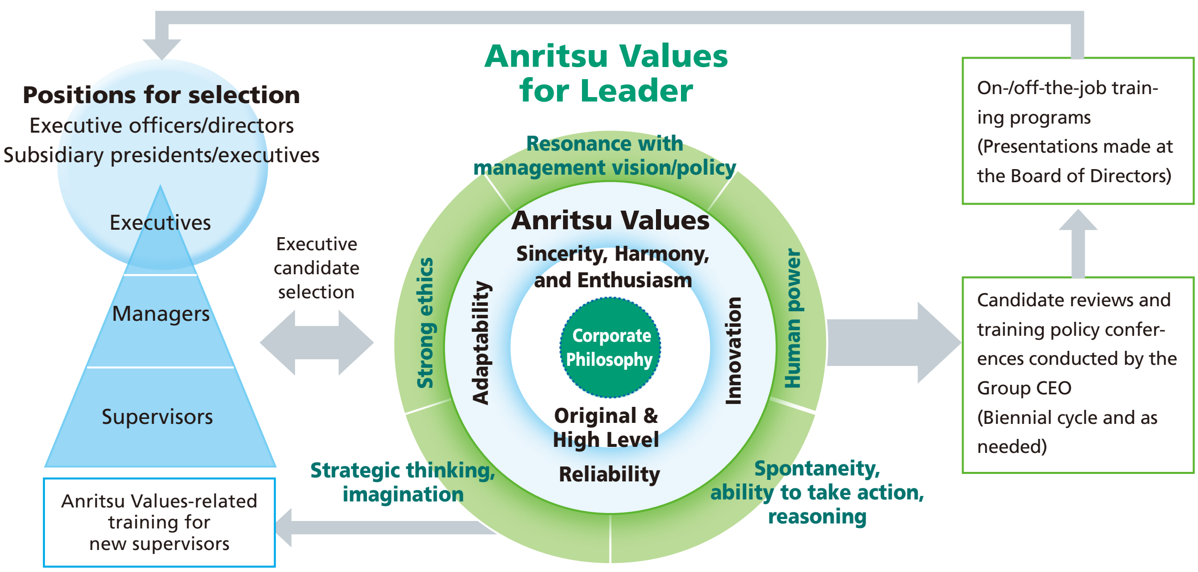
Hashimoto: The Board of Directors must demonstrate leadership in order to enhance corporate value. Please share your ideas and opinions on leadership.

Sano: It is important to encourage the CEO and other executive officers to take risks and foster an atmosphere that supports this. I think Japanese companies tend to proactively engage in risk management but have issues with taking risks to enable growth.

Seki: The ability to fully demonstrate leadership rests on whether one is respected. At some point, leaders step down or retire. In light of this, it is important to foster a corporate culture in which managers remain respected even after retirement and cultivate personnel able to do the same.

Hashimoto: I don't believe that one approach should be applied to choosing successors. In keeping with the saying "don't put all your eggs in one basket," risk management involves considering multiple approaches and alternative proposals. Going forward, we will take appropriate risks in our efforts to enhance corporate value.

Executive selection/training system



Director (Outside Director) (Audit & Supervisory Committee Member) **Norio Igarashi**

Director (Outside Director) **Yuji Inoue**

Director (Outside Director) **Takashi Sano**

Director (Outside Director) (Audit & Supervisory Committee Member) **Takaya Seki**

Director (Audit & Supervisory Committee Member) **Osamu Nagata**

Director **Akifumi Kubota**

Representative Director **Hirokazu Hamada**

Representative Director **Hirokazu Hashimoto**

Director **Toshisumi Taniai**

Director **Masumi Niimi**

Representative Director, Chairman

Hirokazu Hashimoto

Apr. 1973	Joined the Company
Apr. 1998	Senior Manager of Accounting & Control Dept.
Jun. 2002	Director of the Company, Vice President
Apr. 2004	Senior Vice President
Jun. 2006	Executive Vice President
Jun. 2007	Representative Director
Apr. 2010	Representative Director, President Anritsu Group CEO (Incumbent)
Apr. 2018	Representative Director (Incumbent) Chairman of the Board (Executive Officer) (Incumbent)

Representative Director, President

Hirokazu Hamada

Apr. 1988	Joined the Company
Apr. 2004	Senior Manager of 1st Development Dept. of IP Network Div., Measurement Business Group
Apr. 2010	Assistant General Manager of R&D Div.
Apr. 2011	Vice President of Anritsu Company (USA)
Apr. 2015	Vice President of the Company Chief R&D Officer of Measurement Business General Manager of R&D Div.
Apr. 2016	Senior Vice President Vice President of Measurement Business Group General Manager of Measurement Business Div.
Apr. 2017	Executive Vice President President of Measurement Business Group (Incumbent)
Jun. 2017	Director of the Company Executive Vice President (Incumbent)
Apr. 2018	Representative Director, President President (Executive Officer) (Incumbent)
Jun. 2018	Representative Director (Incumbent)

Director

Toshisumi Taniai

Apr. 1981	Joined the Company
Jul. 2004	Senior Manager of Sales Support Dept., Sales Div.
Apr. 2008	Senior Manager in charge of Human Resource and Administration Dept.
Apr. 2009	Vice President Senior Manager of Human Resource and Administration Dept.
Apr. 2011	Chief Corporate Officer
Jun. 2011	Director of the Company (Incumbent)
Apr. 2013	General Manager of Management Strategy Center
Apr. 2015	Senior Vice President
Apr. 2017	Executive Vice President Director of Appliance Business Dept.
Apr. 2018	Senior Executive Officer (Incumbent)

Director

Akifumi Kubota

Apr. 1983	Joined the Company
Apr. 2007	Senior Manager of Accounting & Control Dept.
Apr. 2010	Vice President Chief Financial Officer (CFO) (Incumbent)
Jun. 2013	Director of the Company (Incumbent)
Apr. 2017	Senior Vice President (Incumbent) Chief Information Officer (CIO)
Oct. 2017	President of Anritsu U.S. Holding, Inc. (Incumbent)
Apr. 2018	Chief Corporate Officer (Incumbent) General Manager of Global Corporate Headquarters (Incumbent)

Director

Masumi Niimi

Apr. 1983 Joined the Company
Jun. 2006 Senior Manager of Manufacturing Dept., Manufacturing Div., Anritsu Industrial Solutions Co., Ltd. (Currently Anritsu Infivis Co., Ltd.)
Jun. 2008 President of Anritsu Industrial Solutions Thailand Co., Ltd. (Thailand)
Apr. 2011 Senior Manager of Planning Dept., Anritsu Industrial Solutions Co., Ltd. (Currently Anritsu Infivis Co., Ltd.)
Apr. 2012 Vice President of Anritsu Industrial Solutions Co., Ltd.
Apr. 2016 Vice President of the Company
President of PQA Business Group (Incumbent)
Representative Director, President of Anritsu Infivis Co., Ltd. (Incumbent)
Apr. 2018 Senior Vice President of the Company (Incumbent)
Jun. 2018 Director of the Company (Incumbent)

Director*

Takashi Sano

Oct. 1973 Joined Arthur Andersen (Currently KPMG AZSA LLC)
Feb. 1979 Joined NEMIC-LAMBDA Co., Ltd. (Currently TDK-Lambda Corporation)
Jun. 1986 President of NEMIC-LAMBDA Singapore PTE. LTD. (Currently TDK-Lambda Singapore Pte. Ltd.)
Dec. 1992 Joined Inoue Saito Eiwa Audit Corporation (Currently KPMG AZSA LLC)
Jan. 1993 Registration of C.P.A.
Aug. 1997 Representative Partner of Asahi Audit Corporation (Currently KPMG AZSA LLC)
Nov. 2007 Resigned KPMG AZSA & Co. (Currently KPMG AZSA LLC)
Dec. 2007 Established Sano CPA office (Incumbent)
Jun. 2011 Outside Corporate Auditor of Zuken Inc.
Jun. 2014 Outside Director of Zuken Inc. (Incumbent)
Jun. 2015 Outside Director of the Company (Incumbent)

Director*

Yuji Inoue

Apr. 1971 Joined Ricoh Co., Ltd.
Apr. 1998 General Manager of Finance and Accounting Division
Oct. 1998 General Manager of Business Development of Ricoh Leasing Co., Ltd.
Jun. 1999 Managing Director of Ricoh Leasing Co., Ltd.
Apr. 2000 President and Representative Director of Ricoh Leasing Co., Ltd.
Jun. 2000 Senior Vice President of Ricoh Co., Ltd.
Jun. 2004 Managing Director of Ricoh Co., Ltd.
Jun. 2005 President and Chief Executive Officer of Ricoh Leasing Co., Ltd.
Jun. 2009 Resigned as President and Chief Executive Officer of Ricoh Leasing Co., Ltd.
Corporate Auditor of Ricoh Co., Ltd.
Jun. 2013 Resigned as Corporate Auditor of Ricoh Co., Ltd.
Jun. 2015 Outside Director of the Company (Audit & Supervisory Committee Member)
May 2016 Outside Corporate Auditor of Ryohin Keikaku Co., Ltd. (Incumbent)
Jun. 2017 Resigned as Outside Corporate Auditor of Infoteria Corporation
Outside Director of the Company (Incumbent)
Mar. 2018 Outside Corporate Auditor of Kyowa Hakko Kirin Co., Ltd. (Incumbent)

Director*
(Audit & Supervisory Committee Member)

Takaya Seki

Apr. 1977 Joined Toyo Trust and Banking Co., Ltd. (Currently Mitsubishi UFJ Trust and Banking Corporation)
Mar. 2001 Resigned from Toyo Trust and Banking Co., Ltd.
Joined Mizuho Securities Co., Ltd.
Oct. 2001 Senior Research Manager and Chief Researcher, Japan Investor Relations and Investor Support, Inc.
Apr. 2006 Lecturer at Meiji University Graduate School of Global Business (Incumbent)
Jun. 2008 Resigned from Mizuho Securities Co., Ltd. and Japan Investor Relations and Investor Support, Inc.
Managing Director of Corporate Practice Partners, Inc.
Mar. 2009 PhD (Econ), Kyoto University
Jun. 2011 Outside Director of the Company
Jun. 2015 Outside Director of the Company (Audit & Supervisory Committee Member)
Feb. 2017 Director of Corporate Practice Partners, Inc. (Incumbent)
Apr. 2017 Professor, Rissho University Faculty of Business Administration (Incumbent)

Director*
(Audit & Supervisory Committee Member)

Norio Igarashi

Apr. 1977 Registration of CPA
Jul. 1988 Representative Partner of Aoyama Audit Corporation
Sep. 2006 Representative Partner of Aarata Audit Corporation (Currently PricewaterhouseCoopers Aarata LLC)
Mar. 2007 Resigned from Aarata Audit Corporation
Apr. 2007 Professor, Graduate School of International Social Sciences, YOKOHAMA National University
Mar. 2013 Outside Corporate Auditor of Kao Corporation
Apr. 2014 Visiting Professor, Center for Economic Growth Strategy, YOKOHAMA National University (Incumbent)
Jun. 2016 Outside Director (Audit & Supervisory Committee Member) of Mitsubishi UFJ Securities Holdings Co., Ltd. (Incumbent)
Jun. 2017 Outside Director of the Company (Audit & Supervisory Committee Member) (Incumbent)

Director
(Audit & Supervisory Committee Member)

Osamu Nagata

Apr. 1981 Joined the Company
Jul. 2002 Senior Manager of Sales Coordination Dept. of Marketing Div., Photonic Measurement Solutions
Apr. 2003 Senior Manager of Europe Dept. of Global Business Div.
Apr. 2008 General Manager of APAC Sales Center of Sales & CRM Strategy Group
Apr. 2010 Vice President
Chief Officer of Global Sales
Apr. 2014 Chief Officer of Information, Chief Officer of Risk Management
Apr. 2015 Senior Executive Officer
General Manager of Management Audit Dept.
Jun. 2017 Director of the Company (Audit & Supervisory Committee Member) (Incumbent)

* Outside Directors as specified in Japan's Company Act, Article 2-15

Executive Officers

Hirokazu Hashimoto☆
Chairman of the Board
Group CEO

Hirokazu Hamada☆
President
Measurement Business Group President

Takashi Seike
Senior Vice President
Chief Measurement Business Strategy Officer

Akifumi Kubota☆
Senior Vice President
CFO
Chief Corporate Officer

Masumi Niimi☆
Senior Vice President
PQA Business Group President

Yasunobu Hashimoto
Vice President
Chief Japan Sales Officer

Toru Wakinaga
Vice President
Chief Americas Business Officer

Yukihiro Takahashi
Vice President
CTO
Chief New Business Development Officer

Akio Takagi
Vice President
Chief Environment and Quality Officer
Chief Device Business Officer

Ichiro Takeuchi
Vice President
Chief Human Resource and Administration Officer

Hiroyuki Fujikake
Vice President
Chief SCM Officer

Takeshi Shima
Vice President
Chief Global Sales Officer

Noboru Uchida
Vice President
Vice Chief Corporate Officer

Yoshiyuki Amano
Vice President
Chief APAC Sales Officer

Toshisumi Taniai☆
Senior Executive Officer

Tetsuo Kawabe
Senior Executive Officer

Gao Chen
Executive Officer, Chief China Business Officer

Masahiko Kadowaki
Executive Officer, Chief Corporate Strategy Officer

☆ Concurrently serving as director

ESG Highlights

The activities of the Anritsu Group undertaken for important environmental, social, and governance (ESG) issues are provided in digest form. For details, see "Anritsu Sustainability Report 2018."

Maintaining Harmony with the Global Socio-Economy

Together with diverse human resources, we seek to contribute to the creation of workplaces where each individual can achieve personal growth and experience job satisfaction.

Important ESG issues

- Respect for human rights and diversity
- Human resources development
- Occupational health and safety
- Supply chain management that gives due regard to human rights

Promoting Global Environmental Protection

Contributing to the creation of a society with sustainable consumption and sustainable corporate production practices

Important ESG issues

- Reduction in CO_2 emissions volume (energy usage volume) and water usage volume
- Developing and manufacturing of high-quality and environmentally friendly products
- Supply chain management that lowers environmental burden

The Creation of Shared Value through the Promotion of Communication

Contributing to the creation of shared value with collaboration among all stakeholders

Important ESG issues

- Providing information to and communicating with stakeholders
- Establishing compliance as a part of our mind-set
- Promoting risk management

Main achievements in fiscal 2017

Women's empowerment in the workplace

Efforts to improve the work environment for women include surveying and hearing directly from female managers and employees on the front lines of business to formulate training programs and support systems for women's work-life balance. Given the hopes and requests learned from this survey, in fiscal 2017 the Company introduced a new career development and training program catered specifically to female professionals. The number of participants accepted for this program actually exceeded capacity.

Expanding education and training systems

In fiscal 2017, in line with the basic concepts of "choose what to study and study it voluntarily," (if it's your wish, anyone can attend), and "employees should know their own capabilities and strengths," the Company undertook a major overhaul of its conventional correspondence courses and Group training. As a human resource development program shared among the Anritsu Group in Japan, the Company supports career advancement that meets the lifestyle needs of employees.

2018 Certified Health and Productivity Management Organization Recognition Program

For the second consecutive year, Anritsu was certified as a "White 500" company, having cleared the criteria under the large enterprise category in the 2018 Certified Health and Productivity Management Organization Recognition Program established by Japan's Ministry of Economy, Trade and Industry (METI). This recognition was based on a confirmation of the status of the Company's regular health checkups, work-life balance, promotion of health, measures to prevent lifestyle-related illness, its mental health system, and related measures.

Response to the U.K. Modern Slavery Act

In fiscal 2016, Anritsu Corporation and Anritsu EMEA Ltd. posted its U.K. Modern Slavery Act statement, and, in fiscal 2017, created a taskforce comprised of related departments to conduct due diligence with regard to human rights in the supply chain. As a result, the Company confirmed that its human rights-related risks are low.

Review of measures to mitigate the impact of global warming

Until fiscal 2017, the result of the Anritsu Group's efforts to cut energy usage was a reduction of 3.3% over the most-recent three-year period. From fiscal 2018, the Company switched its focus to cutting CO_2 emissions, and, together with starting on the formulation of a long-term plan that would take a farsighted approach toward 2030 and 2050, tentatively, the Company is striving for a reduction in CO_2 emissions of 2% per year compared to fiscal 2015 levels (a 26% reduction by fiscal 2030).

High-quality product development and manufacturing, with consideration to the environment

In fiscal 2017, Anritsu created five models of Excellent Eco-Products*, including the MP1900A Signal Quality Analyzer-R, and the U.S.-based Anritsu Company developed the MS2760A Ultraportable Spectrum Analyzer.

* Excellent Eco-Products: This designation refers to industry-leading environmentally friendly products that meet Anritsu's proprietary standards for consideration to the environment. These are classified as ISO 14021 Environmental labels and declarations – Self-declared environmental claims (Type II environmental labelling).

Environmental Partner Company certification system

Anritsu has created an Environmental Partner Company certification system that works to evaluate the progress of business partners' environmental management system development and the status of product assessments, and, together with a three-stage rating system, it strives to promote business partners' efforts for the environment. In fiscal 2017, the Company identified four partner companies with room for improvement with regard to the Restriction of Hazardous Substances Directive (RoHS). By working with these companies to conduct activities for improvement, all four were moved up in their rankings in the Environmental Partner rating. There are currently 245 companies certified as Environmental Partners (results as of the end of April 2018).

Building trusting relationships through dialogue

The Company actively approaches institutional investors in Japan and overseas to hold individual meetings, and, in 2017, management conducted 268 such meetings with domestic investors and 120 with overseas investors. The Company also developed information disclosure policies, internal rules, and a framework taking into account the spirit of the "Fair Disclosure Rule" that went into effect as of April 1, 2018. Anritsu also actively engages with NPOs, and, since fiscal 2016, the Company has worked to collect money for charity. The collected funds were donated to the "Living Together Fund," established by Japan Platform, an NPO that distributes funding to support groups in Fukushima Prefecture.

Compliance with GDPR

In order to comply with the EU's General Data Protection Regulation (GDPR) that went into effect May 25, 2018, the Company concluded Standard Contractual Clauses (SCCs) across the entire Anritsu Group. Education with regard to GDPR is being smoothly conducted in the EU with the appointment of Data Protection Officers. SCCs are not only for internal purposes, but are also concluded with external contractors, and work to protect personal information in the EU region.

Initiatives that strengthen activities against global risks

Anritsu has created a risk assurance map to gain a thorough grasp of the increasing importance of global risks, given the difficulties of understanding that through the "Framework of Internal Controls over Financial Reporting," and with the aim of strengthening the Group's ability to respond to such risks. The map consolidates "risk assessments that analyze the specific points for each risk category, including business and compliance," and "the status of control activities undertaken by each organization of the Corporate Communication Department at the headquarters and overseas subsidiary companies." Moreover, it clarifies items for future improvement.

11-Year Summary of Selected Financial/Nonfinancial Data

ANRITSU CORPORATION AND CONSOLIDATED SUBSIDIARIES Years ended March 31

Japanese Generally Accepted Accounting Principles (“J-GAAP”) ⟶

Financial information

Millions of yen	2008	2009	2010	2011	2012
For the year:					
Net sales	100,485	83,940	73,548	77,853	93,586
Cost of sales	56,474	52,005	42,707	43,033	49,384
Gross profit	44,011	31,934	30,840	34,819	44,202
Selling, general and administrative expenses	38,655	31,029	26,257	27,825	29,787
Operating income	5,356	905	4,583	6,994	14,414
Net income (loss)	(3,900)	(3,540)	385	3,069	10,180
Net cash provided by (used in) operating activities	6,251	6,916	7,970	9,229	15,871
Net cash provided by (used in) investing activities	(2,373)	(1,326)	(498)	(1,432)	(1,963)
Net cash provided by (used in) financing activities	(6,625)	(3,847)	386	(6,049)	(2,204)
Free cash flow	3,877	5,589	7,471	7,797	13,908
Depreciation and amortization	3,373	3,099	2,979	2,589	2,555
Capital expenditures	2,790	2,236	1,134	1,549	3,165
R&D expense*1	14,115	11,704	9,387	9,380	10,012
At year-end:					
Total assets	124,917	100,983	101,188	99,249	113,069
Net assets	52,845	37,524	37,674	39,906	54,863
Cash and cash equivalents	16,684	18,538	26,269	27,993	39,596
Interest-bearing debt	47,010	43,605	42,274	36,839	30,336

Per share:					Yen
Net income (loss)					
Basic	(30.60)	(27.78)	3.02	24.09	79.39
Diluted	—	—	2.77	22.08	71.01
Cash dividends	7.00	3.50	—	7.00	15.00
Total net assets	414.16	294.29	295.49	313.09	399.56

Key financial indicators:	2008	2009	2010	2011	2012
Operating income margin (%)	5.3	1.1	6.2	9.0	15.4
Return on equity (%)*2	—	—	1.0	7.9	21.5
Anritsu Capital-cost Evaluation*3	(750)	(4,936)	(2,971)	1,908	9,194
Return on assets (%)*4	—	—	0.4	3.1	9.6
Ratio of net assets to total assets (%)	42.3	37.1	37.2	40.2	48.5
Net debt-to-equity ratio (times)*5	0.57	0.67	0.43	0.22	—
Interest coverage ratio (times)*6	6.2	9.8	12.7	13.2	30.7
Dividend payout ratio (%)	—	—	—	29.1	18.9
Dividends on equity (%)*7	1.6	1.0	—	2.3	4.2

Notes: 1. The Anritsu Group has adopted IFRS since the fiscal year ended March 31, 2013 and prepared consolidated financial statements in conformity with IFRS.
2. With amendment of IAS 19, 2013 actual figures have been restated based on the revised accounting policies retrospectively.
3. Amounts less than ¥1 million are rounded down.

Non-financial information

					2008	2009	2010
Social:	Human resources	Number of employees (figures in parentheses are the number of employees at overseas Group companies)			3,963 (1,508)	3,697 (1,391)	3,589 (1,315)
		Ratio of women in managerial positions globally*		Japan	8%	9%	19%
				Americas	48%	68%	64%
				EMEA	76%	97%	74%
				Asia, other	53%	37%	33%
				Global total	44%	52%	50%
		Anritsu Corporation	Number of employees taking childcare leave	Male	0	0	0
				Female	9	14	11
		Anritsu Corporation	Number of employees returning to work after childcare leave	Male	0	0	0
				Female	3	12	10
	Occupational health and safety	Ratio of labor accidents (per one million hours)			0.00	0.00	0.00
Environmental:	Energy usage (crude oil conversion basis) (kL)			Global total	9,856	9,113	8,543
	Water usage (m^3)			Global total	163,286	145,083	124,243
	Excellent eco-products	Number of equipment types (cumulative)			22	22	25

* The ratio of women in managerial positions, with the number of males in managerial positions as 100 = (Women in managerial positions / total number of women employees) / (Men in managerial positions / Total male employees)

Mid term Businss Plan

GLP2014 → GLP2017 → GLP 2020

International Financial Reporting Standards (IFRS) ⟶

Financial information

	2012	2013	2014	2015	2016	2017	2018 (Millions of yen)	Thousands of U.S. dollars
For the year:								
Revenue	93,622	94,685	101,853	98,839	95,532	87,638	**85,967**	**809,101**
Cost of sales	44,397	43,715	46,897	46,147	46,557	45,168	**44,023**	**414,334**
Gross profit	49,225	50,969	54,955	52,692	48,974	42,469	**41,943**	**394,757**
Selling, general and administrative expenses	23,065	24,346	28,621	29,605	29,621	27,198	**26,563**	**250,004**
Operating profit	14,000	15,714	14,123	10,882	5,897	4,234	**4,912**	**46,230**
Profit (loss) before tax	13,094	16,139	14,239	11,591	5,434	3,628	**4,602**	**43,312**
Profit from continuing operations	7,972	13,888	9,318	7,874	3,767	2,734	**2,898**	**27,275**
Net cash flows from (used in) operating activities	16,143	11,771	13,792	7,582	10,195	9,246	**7,946**	**74,785**
Net cash flows from (used in) investing activities	(2,174)	(5,030)	(5,312)	(6,049)	(9,042)	(3,665)	**(3,932)**	**(37,007)**
Net cash flows from (used in) financing activities	(2,264)	(10,035)	(4,359)	(11,234)	2,450	(2,758)	**(8,201)**	**(77,185)**
Free cash flow	13,968	6,740	8,480	1,533	1,153	5,581	**4,014**	**37,978**
Depreciation and amortization	2,469	2,562	2,863	3,186	3,736	3,935	**3,964**	**37,308**
Capital expenditures	3,200	4,562	5,355	9,612	5,399	2,588	**3,430**	**32,282**
R&D expense*1	9,842	10,323	12,488	13,366	13,089	11,212	**10,556**	**99,350**
At year-end:								
Total assets	111,287	115,095	127,149	126,893	124,624	125,054	**121,190**	**1,140,611**
Total equity	46,818	64,539	74,896	78,665	75,862	76,485	**78,313**	**737,063**
Cash and cash equivalents	39,596	37,690	43,215	34,916	37,391	39,682	**35,452**	**333,665**
Interest-bearing debt	30,113	19,417	18,858	16,065	22,024	22,026	**15,944**	**150,061**
							Yen	
Earnings per share:								
Basic earnings per share	62.17	98.41	64.93	55.72	27.38	19.65	**20.97**	**0.19**
Diluted earnings per share	56.33	97.03	64.89	55.72	27.38	19.65	**20.97**	**0.19**
Cash dividends	15.00	20.00	20.00	24.00	24.00	15.00	**15.00**	
Equity attributable to owners of parent	341.43	450.36	522.54	572.04	552.26	556.40	**569.54**	**5.36**
Key financial indicators:								
Operating profit margin (%)	15.0	16.6	13.9	11.0	6.2	4.8	**5.7**	
Return on equity (%)*2	19.5	25.0	13.3	10.2	4.9	3.5	**3.7**	
Anritsu Capital-cost Evaluation*3	5,163	9,440	4,759	2,453	(584)	(1,569)	**(1,610)**	**(15,152)**
Return on assets (%)*4	7.5	12.3	7.7	6.2	3.0	2.2	**2.4**	
Equity attributable to owners of parent to total assets ratio (%)	42.1	56.1	58.9	62.0	60.8	61.1	**64.6**	
Net debt-to-equity ratio (times)*5	—	—	(0.33)	(0.24)	(0.20)	(0.23)	**(0.25)**	
Interest coverage ratio (times)*6	20.8	24.9	54.2	41.7	52.0	68.4	**72.6**	
Dividend payout ratio (%)	24.1	20.3	30.8	43.1	87.7	76.3	**71.5**	
Dividends on equity (%)*7	4.9	5.1	4.1	4.4	4.3	2.7	**2.7**	

*1 R&D expense for 2012 (IFRS) to 2018 lists the amount invested in research and development, including partially capitalized development expenses. Accordingly, it is not the same as R&D expense listed on the Consolidated Statement of Profit or Loss and Other Comprehensive Income.
*2 Return on equity: Profit attributable to owners of parent / Equity attributable to owners of parent (IFRS); Net income / Shareholders' equity (J-GAAP)
*3 Anritsu Capital-cost Evaluation: Net operating income after tax - Invested capital cost (IFRS: Net operating profit after tax - Invested capital cost)
*4 Return on assets: Profit from continuing operations / Total assets (IFRS); Net income / Total assets (J-GAAP)
*5 Net debt-to-equity ratio: (Interest-bearing debt – Cash and cash equivalents) / Equity attributable to owners of parent (IFRS); (Interest-bearing debt – Cash and cash equivalents) / Shareholders' equity (J-GAAP)
*6 Interest coverage ratio: (Operating income + Interest and dividends income) / Interest expenses (IFRS: (Operating profit + Interest and dividends income) / Interest expenses)
*7 Dividends on equity: Total cash dividends / Net assets (IFRS: Total cash dividends / Total equity)
* The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥106.25 to U.S. $1.00, the approximate exchange rate on March 31, 2018.

2011	2012	2013	2014	2015	2016	2017	2018
3,614 (1,374)	3,681 (1,475)	3,771 (1,577)	3,880 (1,674)	3,926 (1,714)	3,846 (1,602)	3,788 (1,539)	**3,717 (1,466)**
12%	14%	8%	9%	9%	8%	8%	**6%**
64%	59%	59%	59%	56%	64%	72%	**66%**
64%	60%	82%	74%	72%	83%	105%	**118%**
44%	54%	57%	78%	66%	63%	73%	**73%**
48%	48%	45%	47%	44%	44%	47%	**47%**
0	0	1	1	1	2	0	**3**
6	9	7	8	8	3	5	**8**
0	0	1	0	2	2	0	**2**
11	4	9	5	8	7	4	**2**
0.00	0.00	0.00	0.00	0.76	0.64	0.21	**0.00**
9,013	8,345	8,064	7,987	7,962	8,265	7,983	**7,698**
128,204	127,713	112,800	104,426	94,931	82,794	80,352	**70,837**
27	28	29	30	32	39	44	**49**

Management's Discussion and Analysis

The Anritsu Group has adopted IFRS since the fiscal year ended March 31, 2013 and prepared consolidated financial statements in conformity with IFRS in fiscal 2014, 2015, 2016, 2017, and 2018.

The Scope of Consolidation

The Anritsu Group comprised 42 consolidated subsidiaries and one affiliate at the end of the fiscal year.

Overview

During the fiscal year ended March 31, 2018, the global economy showed continued gradual expansion, primarily in the advanced countries. The Japanese economy continued to recover, driven by strong corporate profits and improvement in the employment environment. However, uncertainties continued, including concerns about global risks, such as the outcome of the U.K.'s withdrawal from the EU and mounting tensions in East Asia.

In the field of communications networks, as represented by smartphone applications that utilize the VR (Virtual Reality), various mobile broadband services are growing. In order to cope with the rapid increase in the volume of mobile data transmission and also to solve the issues of the network environment, LTE (Long-Term Evolution) and LTE-Advanced (a further expanded LTE) have been developed, and they are going into full-scale use as mobile communications systems. However, the ownership of smartphones has reached the saturation level, and, as a result, the overall smartphone-related market has been shrinking. Consequently, investments planned by our customers have been altered, as well as their plans for restructuring, and our customers are continuing to restrain their investments.

On the other hand, specification development has begun in stages aiming for the next-generation communications system (5G), which is expected to provide the infrastructure for a wide range of mobile broadband services. As a result, the era of commercialization of 5G is now materializing, and major domestic and overseas operators have implemented verification tests for 5G. Also, in the LTE-related R&D market, the focus of investment is shifting from LTE-Advanced to LTE-Advanced Pro (Gigabit LTE).

Furthermore, since the automated driving projects in the automotive industry are now well known, a wide range of industries are making full-fledged efforts to expand more well-defined investment plans that aim for new societal innovation that utilizes the IoT (Internet of Things).

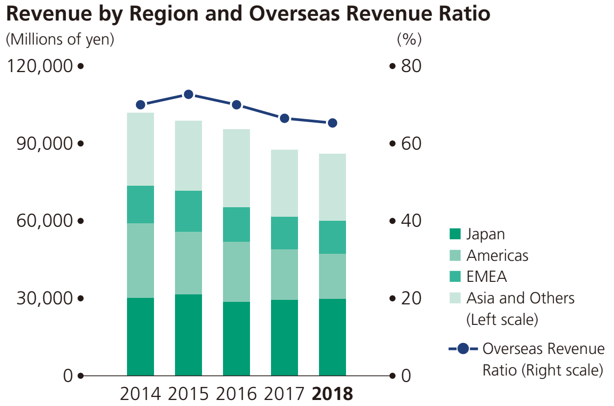
Amid this business environment, the Anritsu Group has worked to build a platform for business expansion by carrying out strategic investments mainly in areas of growing markets and for enhancing competitiveness in the offering of solutions.

Revenue

During the fiscal year ended March 31, 2018, in the Test and Measurement segment, while demand for measuring instruments for optical/digital devices was strong, in the mobile market, due to the transition period from LTE to 5G, customers' attitudes toward investment are becoming severer. On the other hand, in the LTE-Advanced Pro (Gigabit LTE) related R&D market, our customers have increased advancing CA (Carrier Aggregation) investment. Consequently, revenue and profit in the Test and Measurement segment decreased compared with the previous fiscal year. In the Products Quality Assurance segment, during the fiscal year ended March 31, 2018, increasing demand for the safety and security of food and medicine and the shortage of workers are accelerating the development of automated inspection processes, including automated inspection systems incorporating X-ray screening. As a result, revenue and profit in the Products Quality Assurance (PQA) business increased.

As a result, orders decreased 0.4 percent compared with the previous fiscal year to 88,542 million yen, and revenue decreased 1.9 percent compared with the previous fiscal year to 85,967 million yen. Operating profit increased 16.0 percent compared with the previous fiscal year to 4,912 million yen, profit before tax increased 26.8 percent compared with the previous fiscal year to 4,602 million yen. Profit increased 6.0 percent compared with the previous fiscal year to 2,898 million yen, and profit attributable to owners of parent increased 6.8 percent compared with the previous fiscal year to 2,880 million yen. Resulting from the U.S. tax reform, a temporary increase of approximately 300 million yen in income tax expense was occurred.

Revenue by Region and Overseas Revenue Ratio



Cost of Sales and Gross Profit

Cost of sales decreased ¥1,145 million, or 2.5%, to ¥44,023 million. Cost of sales as a percentage of total revenue was 51.2%, down 0.3 percentage point compared with the previous fiscal year. Gross profit decreased ¥525 million, or 1.2%, to ¥41,943 million. The gross margin amounted to 48.8%.

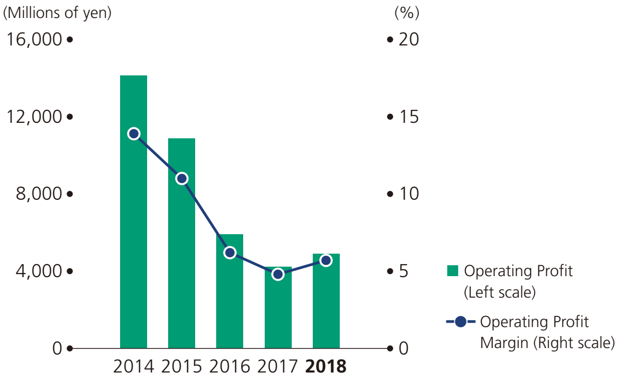
Selling, General and Administrative (SG&A) Expenses and Operating Profit

SG&A expenses decreased 2.3% over the previous fiscal year, to ¥26,563 million. Research and development (R&D) expenses dropped 6.9%, to ¥10,156 million and amounted to 11.8% of consolidated total revenue. As a result of the above factors, operating profit increased 16.0%, or ¥678 million, to ¥4,912 million. The operating margin was 5.7%.

SG&A Expenses

	Millions of yen		YoY (%)
Year ended March 31	**2018**	2017	
Personnel expenses	**¥17,423**	¥17,701	(1.6)
Travel and transportation expenses	**1,599**	1,676	(4.6)
Advertising expenses	**1,211**	1,218	(0.6)
Depreciation and amortization expenses	**1,276**	1,262	1.2
Others	**5,053**	5,340	(5.4)

Operating Profit and Operating Profit Margin



Profit before Tax and Profit

Operating profit increased 16.0% compared with the previous fiscal year, to ¥4,912 million, and profit before tax increased 26.8% compared with the previous fiscal year, to ¥4,602 million. Profit increased 6.0% compared with the previous fiscal year, to ¥2,898 million, and profit attributable to owners of the parent rose ¥182 billion, to ¥2,880 million. Comprehensive income for the period rose ¥580 million, to ¥3,854 million.

Cost of Sales, Expenses, and Profit as a Percentage of Revenue

			%
Year ended March 31	**2018**	2017	2016
Revenue	**100.0**	100.0	100.0
Cost of sales	**51.2**	51.5	48.7
Gross profit	**48.8**	48.5	51.3
SG&A expenses	**30.9**	31.0	31.0
R&D expenses	**11.8**	12.4	13.4
Profit	**3.4**	3.1	3.9

Shareholder Return Policies

Dividend Policy

The Company's basic policy for returning profits to its shareholders is to distribute profits in accordance with its consolidated performance and take into account the total return ratio. With regard to dividends, while taking the basic approach of raising dividends on equity in accordance with the increase in consolidated profits for the fiscal year, the Company aims at a consolidated dividend payout ratio of 30% or more. The Company's basic policy is to make distributions of dividends, twice a year, consisting of a fiscal year-end dividend and an interim dividend by resolution of the General Meeting of Shareholders and by approval of the Board of Directors. The Company intends to carry out the purchase of treasury stock appropriately as necessary, by taking into account its financial situation, the trends in stock prices, and other factors, in an effort to execute capital policies that respond flexibly to changes in the corporate environment. The Company's basic policy is to apply retained earnings to research and development and capital investment in order to respond to rapid technological advances and changes in the market structure.

Cash Dividends per Share

Anritsu plans to pay a year-end dividend of ¥7.5 per share as initially scheduled, and total dividends for the fiscal year will be ¥15.0 per share for the fiscal year ended March 31, 2018.

For the fiscal year ending March 31, 2019, Anritsu plans to pay dividends of ¥17 per share, including an interim dividend of ¥8.5 per share.

Business Segments

The Anritsu Group classifies operations into the segments of Test and Measurement, Products Quality Assurance, and Others.

Test and Measurement

This segment develops, manufactures, and sells measuring instruments and systems for a variety of communications applications, and service assurance, to telecom operators, manufacturers of related equipment, and maintenance and installation companies around the world. During the fiscal year ended March 31, 2018, while demand for measuring instruments for optical/digital devices was strong, in the mobile market, restrained investment by customers continued; as a result, revenue in the Test and Measurement business decreased 8.3% compared with the previous fiscal year, to ¥54,433 million, operating profit decreased 14.3%, to ¥1,825 million, and adjusted operating profit* decreased 12.5%, to ¥2,192 million.

* Adjusted operating profit is Anritsu's original profit indicator to measure results of its recurring business by excluding profit and loss items with a transient nature from operating profit.

The Test and Measurement business, which accounts for 63% of the Anritsu Group's revenue, is divided into the following 3 sub-segments.

1. Mobile

The Mobile sub-segment includes measuring instruments for mobile phone acceptance testing by mobile phone service operators, and for design, production, function and performance verification, and maintenance of mobile phone handsets by manufacturers of mobile phones, including smartphones, IC chipsets, and relevant components. Demand in this sub-segment tends to be influenced by factors including the technological innovations in mobile phone services, market penetration, the number of new subscribers as well as new entries in and withdrawals from the market by mobile phone and chipset manufacturers, and the number of models and shipments of mobile phones and chipsets. Currently, a variety of mobile broadband services offered through mobile phones that support LTE are deployed in various countries around the world. Leading mobile phone and chipset manufacturers and telecom operators continue to pursue development and service deployment of LTE-Advanced, with the aim of providing more-sophisticated, high-quality services. However, the growth rate of the total shipment of smartphones has reached a saturated level in the market, and, as a result, investment continued to be restrained in the mobile phone-related market. Against the backdrop of such market changes, while a shift can be seen towards investment in LTE-Advanced Pro in the mobile phone development related market, in the mobile phone manufacturing market, competition is intensifying over measurement instruments for device manufacturing due to reduced investment by mobile phone manufacturers.

Concerning the next-generation (5G) mobile system, which is expected to provide the infrastructure for a wide range of mobile broadband services, development projects have emerged aiming at commercialization following the development of standard specifications, and demand for test and measurement is emerging for 5G measurement. In addition, in the IoT field, which is driven by telecom operators, and the automated driving and in-vehicle telecom field in the automobile industry, the development of mobile communications technology to realize new services is also emerging as a business opportunity.

Anritsu will continue to develop and launch competitive leading-edge measuring solutions, as well as accurately conduct development portfolio management, to strengthen the revenue base.

2. Network Infrastructure

The Network Infrastructure sub-segment includes network construction maintenance, monitoring and service quality assurance solutions for wireline and wireless service providers, and solutions for communications equipment manufacturers in areas including design, production, and testing.

In this sub-segment, data traffic is expanding rapidly due to sophisticated cloud computing services and the spread of mobile broadband services. Therefore, telecom operators and equipment manufacturers that are pursuing higher-speed networks are concentrating on the commercialization of 100Gbps services and research and development in 400Gbps network equipment. Moreover, in order to improve mobile phone connectivity, progress is being made towards the efficient densification of base station networks by integrating wired and wireless network technologies. Along with the change in market trends, demand is growing for measuring solutions that optimize wireline and wireless technology depending on the intended use. Furthermore, mainly owing to the increase in data centers supporting cloud services, the market for high-speed data communications equipment is expanding. Along with this, research and development and the manufacturing market for high-speed optical communications modules are active, creating additional demand for related measuring solutions.

Anritsu is working to expand business by providing comprehensive solutions from constructing and monitoring communications infrastructure to ensuring service quality in addition to research and development solutions for telecommunications equipment.

3. Electronics

The Electronics sub-segment includes measuring instruments widely used in the electronics industry, particularly for design, production, and evaluation of electronic devices used in telecommunications network-related communications equipment and other electronic equipment.

Demand in this sub-segment tends to be impacted by the scale of production of electronic components and products used in telecommunications equipment, intelligent home appliances, and automobiles.

Expansion of mobile broadband services and the use of the IoT (Internet of Things), such as smart meters, are driving growth in demand for measuring solutions for development and manufacturing of wireless modules for a broad array of applications. Furthermore, various wireless systems have been digitalized for effective use of frequency resources. Demand for measuring solutions for manufacturing and maintenance of new systems is also steadily growing.

Anritsu will work to further expand the business in this sub-segment by offering a wider range of solutions for the electronics market.

Products Quality Assurance

The Products Quality Assurance business accounts for 26% of the Anritsu Group's revenue. Since more than 80% of segment revenue comes from food manufacturers, this segment is substantially influenced by the impact of the economic growth rate and changes in consumer spending that would affect food manufacturers' business results.

Core products include highly precise checkweighers for high-speed food processing lines, as well as X-ray and other inspection systems that detect and remove metal fragments, stones, and other alien materials in the food processing process with high precision. In the Japanese market, capital investment for automation and manpower reduction in food production lines has steadily increased, against a backdrop of the customer concerns regarding contamination and rising needs for automation due to the labor shortage. In the overseas markets, progress was made in the cultivation of major customers who are operating their businesses globally in regions such as the Americas, Europe, and China, and the overseas sales ratio of this business is roughly 45%.

Demand for quality control inspection solutions is expected to remain firm in every region of the world, as interest among food manufacturers remains high. To meet this demand, Anritsu will develop and deliver new products and quality assurance solutions, and will optimize its supply chain including overseas production in order to expand the business and increase profitability.

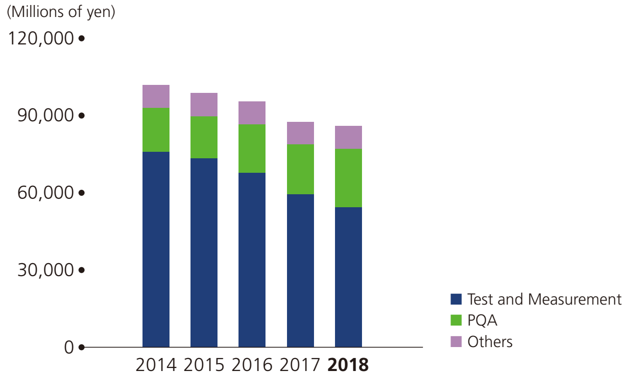
As a result of these initiatives, total revenues amounted to ¥22,549 million (an increase of 15.1% over the previous fiscal year), and operating income was ¥1,969 million (an increase of 51.2%).

Others

This segment comprises Information and Communications, Devices, Logistics, Welfare services, Real estate leasing, and other businesses.

During the fiscal year ended March 31, 2018, the Devices and the Information and Communications businesses improved compared with the previous fiscal year. As a result, segment revenue increased 3.1% year on year, to ¥8,984 million, and operating profit increased 31.3% compared with the previous fiscal year, to ¥1,302 million.

Revenue by Business Segment



Liquidity and Financial Condition

Fund Procurement and Liquidity Management

The Anritsu Group's funding requirements are mainly for working capital to purchase materials and cover expenses incurred in the manufacturing, sales, and marketing of products; for capital investments; and for research and development expenses. The Group secures sufficient funding to cover these requirements from retained earnings, bank borrowings, and capital market funding. To ensure stability in funding, the Anritsu Group arranged for a commitment line of ¥7.5 billion in March 2017, which is effective through March 2020. Looking forward, while preparing for unforeseen financial risks, both domestic and overseas, in a dramatically changing market environment, the Anritsu Group will swiftly and flexibly meet its capital requirements for working capital, regular repayment of long-term borrowings, and business growth.

As of March 31, 2018, the balance of interest-bearing debt (excluding lease payables) was ¥15,944 million (compared with ¥22,026 million at the end of the previous fiscal year), and the debt-to-equity ratio was 0.20 (compared with 0.29 at the end of the previous fiscal year). And the net debt-to-equity ratio was a negative 0.25 (compared with a negative 0.23 at the end of the previous fiscal year). In addition, the average turnover ratio on the end-of-period balance of inventories to revenue was 4.9 times.

The Company will utilize increased cash flow generated by improvements in ACE (achievement of net operating profit after tax less an adjustment for the cost of capital) and CCC as well as enhanced capital efficiency resulting from measures including an internal group cash management system to make further reductions in interest-bearing debt, improve the debt-to-equity ratio, enhancing shareholders' equity, and fortify its financial structure.

At the end of March 2018, Rating and Investment Information, Inc. (R&I) rated Anritsu's short-term debt a-1 and its long-term debt A-. Anritsu will continue working to enhance its financial stability in order to improve its debt rating.

Notes: 1. ACE (Anritsu Capital-cost Evaluation): Net operating profit after tax – Cost of capital (5%)
2. Debt-to-equity ratio: Interest-bearing debt / Equity attributable to owners of parent
3. Net debt-to-equity ratio: (Interest-bearing debt – Cash and cash equivalents) / Equity attributable to owners of parent
4. CCC: Cash Conversion Cycle

Cash Flow

In the fiscal year ended March 31, 2018, cash and cash equivalents (hereafter, "net cash") decreased ¥4,229 million compared with the end of the previous fiscal year, to ¥35,452 million.

Free cash flow, the sum of cash flows from operating activities and cash flows from investing activities, was a positive ¥4,014 million (compared with a positive ¥5,581 million in the previous fiscal year).

Conditions and factors for each category of cash flow for the fiscal year were as follows.

• Cash Flows from Operating Activities

Net cash provided by operating activities was ¥7,946 million (in the previous fiscal year, operating activities provided net cash of ¥9,246 million). The cash increase was mainly due to reporting of profit before tax and recording depreciation and amortization expense; on the other hand, an increase in inventories represented a cash decrease. Depreciation and amortization expense was ¥4,285 million, an increase of ¥87 million compared with the previous fiscal year.

• Cash Flows from Investing Activities

Net cash used in investing activities was ¥3,932 million (in the previous fiscal year, investing activities used net cash of ¥3,665 million). This was primarily due to purchase of property, plant and equipment.

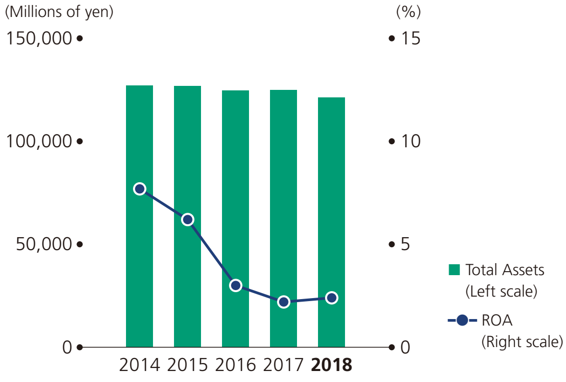
• Cash Flows from Financing Activities

Net cash used in financing activities was ¥8,201 million (in the previous fiscal year, financing activities used net cash of ¥2,758 million). The primary reason was redemption of ¥6,000 million of bonds and payment of cash dividends totaling ¥2,059 million (in the previous fiscal year, payment of cash dividends was ¥2,677 million).

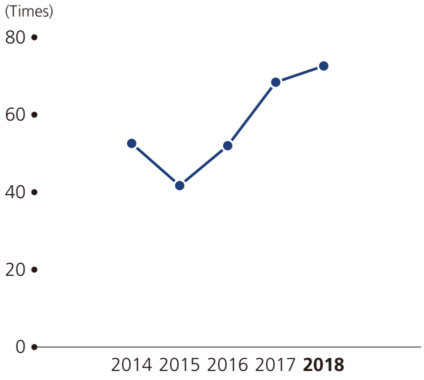
Assets, Liabilities, and Equity

Assets, liabilities, and equity as of March 31, 2018 were as follows. Assets decreased ¥3,863 million compared with the end of the previous fiscal year, to ¥121,190 million. This was mainly due to a decrease of cash and cash equivalents, as well as deferred tax assets, while inventories increased. Total liabilities decreased ¥5,692 million compared with the end of the previous fiscal year, to ¥42,876 million. This was mainly due to decreases of bonds and borrowings due to redemption of bonds, while trade and other payables in current liabilities increased. Equity increased ¥1,828 million compared with the end of the previous fiscal year, to ¥78,313 million. This was mainly due to an increase in earned surplus. As a result, the equity attributable to owners of parent to total assets ratio was 64.6%, compared with 61.1% at the end of the previous fiscal year.

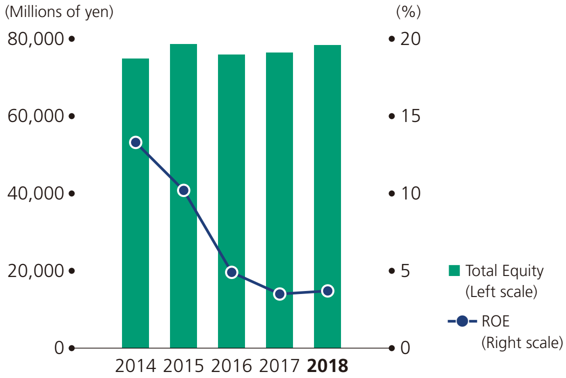
Total Assets and ROA



Interest Coverage Ratio



Total Equity and ROE



Capital Expenditures

To achieve sustainable growth and profit increases in the future, the Anritsu Group is making strategic investments, such as new-product development focused on product areas where long-term growth is expected and systems-related investments are aimed at laborsaving and streamlining of operations.

In the Test and Measurement business, we invested in new product development and cost reduction in order to handle rapid technological innovation and sales competition.

In the Products Quality Assurance business, we primarily invested with the objectives of increasing production environment efficiency and putting in place an information systems environment.

In other business, we made capital investments, mainly in the device business, aimed at increasing production capacity and improving product quality.

The breakdown of investments is shown in the following table. (Figures for tangible fixed assets and intangible assets are on a received basis. Figures exclude development costs of intangible assets. Figures do not include consumption taxes, etc.)

Research and Development

The Anritsu Group conducts R&D related to the development of "Original & High Level" products and services in its R&D centers in Japan, the Americas, and Europe, with the aim of contributing to the realization of global societies that are "safe, secure, and prosperous."

In the Test and Measurement segment, Anritsu Company (United States), Azimuth Systems, Inc. (United States), Anritsu Ltd. (United Kingdom), Anritsu A/S (Denmark), Anritsu Solutions S.r.l. (Italy), and Anritsu Solutions SK, s.r.o. (Slovakia) are working together to further realize synergies among their technologies through supplementing and complementing each other's technological strengths. Also during the fiscal year, we established Anritsu Philippines, Inc., as a development center, in the Philippines.

The Products Quality Assurance segment is conducting R&D within Anritsu Infivis Co., Ltd.

Accompanying the application of the International Financial Reporting Standards (IFRS), the Anritsu Group capitalized certain of its development investments and presented these amounts among intangible assets. The breakdown of R&D investments during the fiscal year, including those presented in intangible assets, is shown below.

Overview of Capital Expenditures

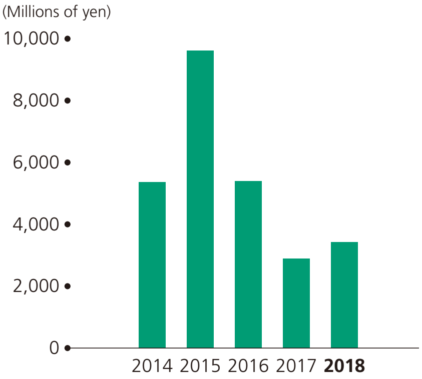
	Millions of yen		YoY
Year ended March 31	**2018**	2017	(%)
Test and Measurement	**¥2,724**	¥1,901	143.3
PQA	**382**	273	139.8
Subtotal	**3,107**	2,175	142.8
Others	**323**	413	78.1
Total	**¥3,430**	¥2,588	132.5

Research and Development

	Millions of yen	% of	Millions of yen	% of
Year ended March 31	**2018**	revenue	2017	revenue
Test and Measurement	**¥ 7,609**	14.0	¥ 8,324	14.0
PQA	**2,283**	10.1	2,076	10.6
Others	**471**	5.2	609	7.0
Basic Research	**191**	—	202	—
Total	**¥10,556**	12.3	¥11,212	12.8

Capital Expenditures

(Millions of yen)



Principal results of R&D programs in each business segment are as follows.

Business Segment	Model	Product	Application	Contribution
Test and Measurement	MT8000A	New products Radio Communication Test Station	Has pseudo base station functions and can operate in the Sub6GHz band and millimeter wave band as a single unit	Offers measurement solutions that will contribute to the early spread of 5G services and will contribute to the smooth transition from 4G to 5G systems
	MP1900A	Signal Quality Analyzer-R	Bit Error Rate Tester (BERT) for 200 and 400 Gbps optical digital communications	Research and development of bus interfaces, such as 200 and 400 GbE devices and PCI Express
	MP2110A	New products BERTWave	Combines a four-channel 25Gbit/s BERT (Bit Error Rate Tester) and a sampling oscilloscope in a single unit	Will contribute to improving efficiency of development and production as well as improving quality of assessment of optical transceivers that support high-speed, large capacity communication infrastructures
PQA	M6-h Series	Metal detector	High-sensitivity metal foreign matter detector	Contributes to better food quality and higher productivity
Others	AF4B265KR550FB	New products 1.48μm FP LD modules/1.4μm FBG LD modules	EDFA for use in optical fiber amplifiers and FRAs for pumping optical sources	Realizes power-up with less energy consumption of the pumping optical LD module for the fiber optic amplifier

Management Objectives and Indicators

To attain its management vision of "continuous growth with sustainable superior profits," the Anritsu Group had prepared its 2020 VISION, which has a time horizon of 10 years, and established a medium-term milestone plan entitled the Mid-term Business Plan GLP2020 (a three-year plan that ended in FY2020), which is based on the 2020 VISION.

The Group will capture growth drivers to restore growth potential and strive to consolidate its foundation for building a robust profit structure.

			Billions of yen
Year ended March 31	2017 (Actual)	**2018 (Actual)**	2018 (Forecast)
Revenue	87.6	**85.9**	91.0
Operating profit	4.2	**4.9**	4.4
Profit	2.7	**2.8**	3.0
ACE	(1.5)	**(1.6)**	—
ROE (%)	3.5	**3.7**	—

Outlook and Management Issues for the Year Ending March 31, 2019

Although the global economy is expected to continue to recover, uncertainties have emerged; these include the outcome of the U.K.'s negotiations for withdrawal from the EU, increased geopolitical risk in East Asia and the Middle East, the risk of U.S.-China trade friction, and other issues. In addition, there is a need for constant and appropriate responses to technological innovations, changes in the market environment and competitive relationships, and trends in the financial markets.

Amid these circumstances, the Anritsu Group is starting its new, three-year Mid-term Business Plan "GLP2020." Under this plan, the Group will capture growth drivers to restore growth potential and strive to consolidate its foundation for building a robust profit structure to support the next generation by proactively investing for the future.

In this market environment, the Anritsu Group will undertake the following measures for the fiscal year ending March 31, 2019.

In the Test and Measurement segment, in the mobile market, the Anritsu Group will continue to provide solutions for LTE-Advanced Pro (Gigabit LTE) and strengthen the development of emerging markets, while delivering new products compatible with the next-generation 5G/IoT in a timely manner. In the network infrastructure market, in order to acquire the network reshaping market which is expanding due to the explosive increase in demand for data traffic and data centers as a result of the expansion of services, we will reinforce our competitiveness.

The Products Quality Assurance segment will maintain a stable revenue base in the Japanese market as a market leader and strive to expand market share in the growing overseas markets. In order to reinforce competitiveness in the overseas markets, we will enhance and expand the global supply chain system.

The Anritsu Group is planning on growth in revenue in the Test and Measurement business mainly in overseas mobile markets. In the Products Quality Assurance business, revenue is expected to increase in both Japan and overseas markets. The outlook for operating profit and profit shows increases from the fiscal year ended March 31, 2018.

Risk Information

1. Inherent Risks in the Anritsu Group's Technology and Marketing Strategies

The Anritsu Group works to deploy its well-developed technological capabilities to promptly provide cutting-edge products and services that offer value to customers. However, the rapid pace of technological innovation in the Anritsu Group's core information and communication markets and the Anritsu Group's ability to deliver products and services in a timely manner to meet the needs and wants of customers are factors that have the potential to exert a material impact on the Anritsu Group's financial condition and operating results.

2. Market Fluctuation Risk

External factors including changes in the economy or market conditions and technological innovation affect the profitability of product lines the Group develops and have the potential to exert a significant material impact on the Anritsu Group's financial condition and operating results. Because a high percentage of Test and Measurement segment revenue is in the telecommunications market, capital investment trends among telecom operators, telecommunications equipment manufacturers, and electronic component manufacturers have the potential to exert a material effect on business results. Telecom operators are progressively adopting technologies to handle rapid increases in data traffic even as they curtail capital investment. However, they are also increasingly adopting shared open network use in order to increase service development efficiency. Moreover, business results for the mobile communications measuring instrument field, the cornerstone of earnings for the Anritsu Group, are affected by changes in technological innovation in mobile phone services, the number of subscribers, and the replacement ratio for mobile phones. Business results are also affected by factors such as changes in development methods as seen in the shift to mobile phone software platforms and response to intensifying price competition in measuring instruments used in handset production.

In the Products Quality Assurance business, sales to food manufacturers constitute more than 80% of revenue. Economic growth rates, consumer spending, and raw material price trends have the potential to impact performance, capital investment, and other issues among food manufacturers and materially influence its performance.

3. Global Business Development Risks

The Anritsu Group markets its products globally, and conducts business in the Americas, Europe, Asia, and elsewhere. In particular, the overseas sales ratio including both the Test and Measurement business and the Products Quality Assurance business is 67%, and many customers likewise operate on a global scale. As a result, economic trends in countries worldwide, changes in international conditions, compliance with required laws and regulations, and progress in the Anritsu Group's global strategy have a potential to exert a material impact on the Group's financial position and results of operations. In addition, global-scale mergers, acquisitions, and realignments in the telecommunications industry are changing the competitive landscape. Significant changes in capital investment trends that result have the potential to exert a material impact on the Anritsu Group's financial condition and operating results.

4. Foreign Exchange Risk

The Anritsu Group's sales outside Japan account for 65% of consolidated revenue. The Anritsu Group hedges foreign exchange risk using instruments including forward foreign exchange contracts for foreign exchange transactions that occur upon collection of accounts receivable and other events. However, rapid changes in foreign exchange rates have the potential to exert a material impact on the Anritsu Group's financial condition and operating results.

5. Long-Term Inventory Obsolescence Risk

The Anritsu Group works to provide products and services that precisely meet customer needs and wants. However, particularly in the test and measuring instruments market, product lines are subject to rapid change in technology, which can easily result in obsolescence of products and parts, and cause inventory held for long periods to lose its value. These factors have the potential to exert a material impact on the Anritsu Group's financial condition and operating results.

6. Risk Related to Deferred Tax Assets

The Anritsu Group applies deferred tax accounting and recognizes deferred tax assets. Calculation of deferred tax assets is based on projections that include estimates of future taxable profit, and the actual benefit may differ from the projection. If the tax benefits based on the estimate of future taxable profit are judged to be unavailable, these deferred tax assets are written down, which has the potential to exert a material impact on the Anritsu Group's financial condition and operating results.

7. Risk related to Defined-Benefit Pension Plan

The amounts of retirement benefit payments and obligations incurred in connection with employee defined-benefit pension plans of the parent company and certain of its subsidiaries are calculated based on assumptions, including discount rates, made for actuarial calculations. If the discount rates and other assumptions, which were made for the actuarial calculations of the expected amount of obligations under these defined-benefit pension plans undergo change, this has the potential to exert a material impact on the Anritsu Group's financial condition and operating results.

8. Impact of Revisions, Etc., in Accounting Standards

The Anritsu Group voluntarily adopted its financial statements in conformity with IFRS. However, if, in the future, new accounting principles, tax laws, etc., are applied and/or changes are made in such regulations, this has the potential to exert a material impact on the Anritsu Group's financial condition and operating results.

9. Risk of Natural Disasters and Other Unexpected Events

The Anritsu Group operates production and sales activities globally. Consequently, the occurrence of major earthquakes or other natural disasters, fires, wars, acts of terrorism or violence could exert a material impact on the Anritsu Group's financial condition and operating results by disrupting the business activities of the Anritsu Group or its suppliers and customers due to damage to key facilities, or by causing political or economic instability.

Consolidated Statement of Financial Position

	Millions of yen		Thousands of U.S. dollars*
	End of FY2016 as of March 31, 2017	**End of FY2017 as of March 31, 2018**	**End of FY2017 as of March 31, 2018**
Assets			
Current assets:			
Cash and cash equivalents	¥ 39,682	**¥ 35,452**	**$ 333,665**
Trade and other receivables	21,561	**21,474**	**202,108**
Other financial assets	1,152	**1,164**	**10,955**
Inventories	16,606	**18,236**	**171,632**
Income tax receivables	459	**128**	**1,204**
Other assets	2,960	**3,120**	**29,364**
Total current assets	82,421	**79,576**	**748,950**
Non-current assets:			
Property, plant and equipment	26,441	**25,947**	**244,207**
Goodwill and intangible assets	3,721	**3,993**	**37,581**
Investment property	1,664	**1,463**	**13,769**
Trade and other receivables	330	**326**	**3,068**
Other financial assets	2,481	**2,747**	**25,854**
Deferred tax assets	7,979	**7,125**	**67,058**
Other assets	14	**9**	**84**
Total non-current assets	42,632	**41,613**	**391,651**
Total	¥125,054	**¥121,190**	**$1,140,611**
Liabilities and Equity			
Liabilities			
Current liabilities:			
Trade and other payables	¥ 7,060	**¥ 7,998**	**$ 75,275**
Bonds and borrowings	7,565	**4,467**	**42,042**
Other financial liabilities	73	**73**	**687**
Income tax payables	1,608	**2,352**	**22,136**
Employee benefits	5,427	**5,254**	**49,449**
Provisions	273	**323**	**3,040**
Other liabilities	6,385	**6,333**	**59,604**
Total current liabilities	28,394	**26,803**	**252,263**
Non-current liabilities:			
Trade and other payables	465	**500**	**4,705**
Bonds and borrowings	14,460	**11,477**	**108,018**
Other financial liabilities	142	**153**	**1,440**
Employee benefits	3,188	**2,247**	**21,148**
Provisions	106	**108**	**1,016**
Deferred tax liabilities	256	**185**	**1,741**
Other liabilities	1,554	**1,400**	**13,176**
Total non-current liabilities	20,174	**16,073**	**151,275**
Total liabilities	48,568	**42,876**	**403,538**
Equity:			
Common stock	19,052	**19,064**	**179,425**
Additional paid-in capital	28,169	**28,137**	**264,818**
Retained earnings	24,394	**26,254**	**247,096**
Treasury stock	(1,012)	**(987)**	**(9,289)**
Other components of equity	5,794	**5,761**	**54,221**
Total equity attributable to owners of parent	76,398	**78,230**	**736,282**
Non-controlling interests	87	**83**	**781**
Total equity	76,485	**78,313**	**737,063**
Total	¥125,054	**¥121,190**	**$1,140,611**

* The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥106.25 to U.S. $1.00, the approximate exchange rate on March 31, 2018.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

As of March 31

	Millions of yen		Thousands of U.S. dollars*
	FY2016 From April 1, 2016 to March 31, 2017	**FY2017 From April 1, 2017 to March 31, 2018**	**FY2017 From April 1, 2017 to March 31, 2018**
Continuing operations			
Revenue	¥87,638	**¥85,967**	**$809,101**
Cost of sales	45,168	**44,023**	**414,334**
Gross profit	42,469	**41,943**	**394,757**
Other revenue and expenses			
Selling, general and administrative expenses	27,198	**26,563**	**250,004**
Research and development expense	10,906	**10,156**	**95,585**
Other income	205	**224**	**2,108**
Other expenses	336	**535**	**5,035**
Operating profit (loss)	4,234	**4,912**	**46,230**
Finance income	193	**332**	**3,124**
Finance costs	798	**642**	**6,042**
Profit (loss) before tax	3,628	**4,602**	**43,312**
Income tax expense	893	**1,703**	**16,028**
Profit (loss) from continuing operations	2,734	**2,898**	**27,275**
Profit (loss)	2,734	**2,898**	**27,275**
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Change of financial assets measured at fair value	63	**181**	**1,703**
Remeasurements of defined benefit plans	1,129	**988**	**9,298**
Total	1,192	**1,169**	**11,002**
Items that are or may be reclassified subsequently to profit or loss			
Exchange differences on translation	(653)	**(213)**	**(2,004)**
Total	(653)	**(213)**	**(2,004)**
Total of other comprehensive income	539	**955**	**8,988**
Comprehensive income (loss)	¥ 3,274	**¥ 3,854**	**$ 36,272**
Profit (loss), attributable to:			
Owners of parent	¥ 2,698	**¥ 2,880**	**$ 27,105**
Non-controlling interests	36	**18**	**169**
Total	¥ 2,734	**¥ 2,898**	**$ 27,275**
Comprehensive income attributable to:			
Owners of parent	¥ 3,237	**¥ 3,836**	**$ 36,103**
Non-controlling interests	36	**18**	**169**
Total	¥ 3,274	**¥ 3,854**	**$ 36,272**

	Yen		U.S. dollars*
Earnings per share			
Basic earnings per share	¥19.65	**¥20.97**	**$0.19**
Diluted earnings per share	19.65	**20.97**	**0.19**

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Consolidated Statement of Changes in Equity

Years Ended March 31

FY2016 (From April 1, 2016 to March 31, 2017)

	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Other components of equity	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at April 1, 2016	¥19,052	¥28,220	¥23,193	¥(1,040)	¥6,385	¥75,811	¥51	¥75,862
Profit (loss)	—	—	2,698	—	—	2,698	36	2,734
Other comprehensive income	—	—	1,129	—	(590)	539	—	539
Total comprehensive income (loss)	—	—	3,827	—	(590)	3,237	36	3,274
Share-based payments	—	(51)	49	28	—	26	—	26
Dividends paid	—	—	(2,677)	—	—	(2,677)	—	(2,677)
Purchase of treasury stock	—	—	—	(0)	—	(0)	—	(0)
Dividends to non-controlling interests	—	—	—	—	—	—	(0)	(0)
Transfer from other components of equity to retained earnings	—	—	1	—	(1)	—	—	—
Total transactions with owners and other transactions	—	(51)	(2,626)	28	(1)	(2,650)	(0)	(2,651)
Balance at March 31, 2017	¥19,052	¥28,169	¥24,394	¥(1,012)	¥5,794	¥76,398	¥87	¥76,485

FY2017 (From April 1, 2017 to March 31, 2018)

	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Other components of equity	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at April 1, 2017	**¥19,052**	**¥28,169**	**¥24,394**	**¥(1,012)**	**¥5,794**	**¥76,398**	**¥87**	**¥76,485**
Profit (loss)	—	—	2,880	—	—	2,880	18	2,898
Other comprehensive income	—	—	988	—	(32)	955	—	955
Total comprehensive income (loss)	—	—	3,868	—	(32)	3,836	18	3,854
Share-based payments	11	(32)	51	25	—	56	—	56
Dividends paid	—	—	(2,059)	—	—	(2,059)	—	(2,059)
Purchase of treasury stock	—	—	—	(0)	—	(0)	—	(0)
Disposal of treasury stock	—	0	—	0	—	0	—	0
Dividends to non-controlling interests	—	—	—	—	—	—	(0)	(0)
Changes in ownership interests in subsidiaries that result in a loss of control	—	—	—	—	—	—	(21)	(21)
Total transactions with owners and other transactions	11	(32)	(2,008)	25	—	(2,003)	(22)	(2,026)
Balance at March 31, 2018	**¥19,064**	**¥28,137**	**¥26,254**	**¥ (987)**	**¥5,761**	**¥78,230**	**¥83**	**¥78,313**

Thousands of U.S. dollars*

FY2017 (From April 1, 2017 to March 31, 2018)

	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Other components of equity	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at April 1, 2017	**$179,312**	**$265,120**	**$229,590**	**$(9,524)**	**$54,531**	**$719,040**	**$818**	**$719,858**
Profit (loss)	—	—	27,105	—	—	27,105	169	27,275
Other comprehensive income	—	—	9,298	—	(301)	8,988	—	8,988
Total comprehensive income (loss)	—	—	36,404	—	(301)	36,103	169	36,272
Share-based payments	103	(301)	480	235	—	527	—	527
Dividends paid	—	—	(19,378)	—	—	(19,378)	—	(19,378)
Purchase of treasury stock	—	—	—	(0)	—	(0)	—	(0)
Disposal of treasury stock	—	0	—	0	—	0	—	0
Dividends to non-controlling interests	—	—	—	—	—	—	(0)	(0)
Transfer from other components of equity to retained earnings	—	—	—	—	—	—	(197)	(197)
Total transactions with owners and other transactions	103	(301)	(18,898)	235	—	(18,851)	(207)	(19,068)
Balance at March 31, 2018	**$179,425**	**$264,818**	**$247,096**	**$(9,289)**	**$54,221**	**$736,282**	**$781**	**$737,063**

* The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥106.25 to U.S. $1.00, the approximate exchange rate on March 31, 2018.
Note: Details of Common stock, Additional paid-in capital, Retained earnings, Treasury stock and Other components of equity are described in Note 24, "Total Equity and Other Capital Items."

Consolidated Statement of Cash Flows

Years Ended March 31

	Millions of yen		Thousands of U.S. dollars*
	FY2016 (12 months) From April 1, 2016 to March 31, 2017	**FY2017 (12 months) From April 1, 2017 to March 31, 2018**	**FY2017 (12 months) From April 1, 2017 to March 31, 2018**
Cash flows from (used in) operating activities			
Profit (Loss) before tax	¥ 3,628	**¥ 4,602**	**$43,312**
Depreciation and amortization expense	4,197	**4,285**	**40,329**
Interest and dividends income	(188)	**(238)**	**(2,240)**
Interest expenses	158	**128**	**1,204**
Loss (Gain) on disposal of property, plant and equipment	18	**9**	**84**
Decrease (Increase) in trade and other receivables	(1,932)	**(11)**	**(103)**
Decrease (Increase) in inventories	1,775	**(1,973)**	**(18,569)**
Increase (Decrease) in trade and other payables	503	**882**	**8,301**
Increase (Decrease) in employee benefits	401	**376**	**3,538**
Other, net	1,501	**(47)**	**(442)**
Subtotal	10,063	**8,014**	**75,425**
Interest received	136	**179**	**1,684**
Dividends received	52	**58**	**545**
Interest paid	(135)	**(109)**	**(1,025)**
Income taxes paid	(1,169)	**(484)**	**(4,555)**
Income taxes refund	298	**287**	**2,701**
Net cash flows from (used in) operating activities	9,246	**7,946**	**74,785**
Cash flows from (used in) investing activities			
Payments into time deposits	(1,100)	**(1,215)**	**(11,435)**
Proceeds from withdrawal of time deposits	1,108	**1,200**	**11,294**
Purchase of property, plant and equipment	(2,042)	**(2,444)**	**(23,002)**
Proceeds from sale of property, plant and equipment	27	**2**	**18**
Purchase of other financial assets	(2)	**(2)**	**(18)**
Proceeds from sale of other financial assets	7	**0**	**0**
Other, net	(1,663)	**(1,473)**	**(13,863)**
Net cash flows from (used in) investing activities	(3,665)	**(3,932)**	**(37,007)**
Cash flows from (used in) financing activities			
Net increase (decrease) in short-term borrowings	(20)	**(100)**	**(941)**
Redemption of bonds	—	**(6,000)**	**(56,470)**
Dividends paid	(2,677)	**(2,059)**	**(19,378)**
Other, net	(61)	**(42)**	**(395)**
Net cash flows from (used in) financing activities	(2,758)	**(8,201)**	**(77,185)**
Effect of exchange rate change on cash and cash equivalents	(532)	**(41)**	**(385)**
Net increase (decrease) in cash and cash equivalents	2,290	**(4,229)**	**(39,802)**
Cash and cash equivalents at beginning of period	37,391	**39,682**	**373,477**
Cash and cash equivalents at end of period	¥39,682	**¥35,452**	**$333,665**

* The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥106.25 to U.S. $1.00, the approximate exchange rate on March 31, 2018.

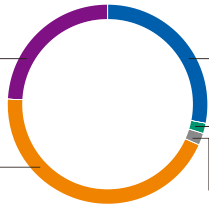
Glossary

Term	Description
3GPP (3rd Generation Partnership Project)	A project for developing third-generation (3G) mobile phone system standards that is currently developing international standards for LTE and LTE-Advanced.
5G New RAT (5G New Radio Access Technology)	New wireless communications technology for realizing 5G, the next-generation mobile phone system.
AOC (Active Optical Cable)	Cable that combines optical fiber and an electrical signal connector with an embedded optical-electric converter.
Connectivity	A general term signifying connections between and among mobile devices, etc. and other equipment and devices. This term is used to distinguish such modes as Wi-Fi, Bluetooth, NFC (Near Field Communication), and other communications modes, from cellular communications. Recently, connectivity has been extended to include automobiles, digital cameras, home appliances, game devices, and healthcare devices.
CPRI (Common Public Radio Interface)	The publicly available specification for the key internal interface of radio base stations between the Radio Equipment Control (REC) and the Radio Equipment (RE). CPRI is the name of the industry cooperation defining the specification.
C-RAN (Cloud Radio Access Network)	C-RAN is one of the radio access network architectures. Each base station is equipped only with a Remote Radio Head. Base-Band Units for many cells are centralized as "Central Station" and it processes signals.
Ethernet	World's most-widespread LAN (Local Area Network) standard.
IoT (Internet of Things)	IoT will not only allow computers and other communications devices to interact but also will give communications functions to manufacturing equipment in factories, appliances, and virtually all other things in the world around us. This will give these "things" interactive communications functions when connected with the Internet and will facilitate automatic control and remote measurement.
LTE (Long-Term Evolution)	High-speed mobile service that enables data communication at 5 to 10 times the speed of 3G mobile phone and telecommunications services.
LTE-Advanced	Fourth-generation (4G) mobile communications standard approved by the International Telecommunication Union (ITU). The goal is to run faster than LTE, which is becoming popular globally, using new technology such as carrier aggregation. The 3rd Generation Partnership Project (3GPP), which aims for greater functionality via high speeds, is currently setting the international standard.
MIMO (Multiple-Input and Multiple-Output)	A wireless communications technology that uses multiple antennas at the transmitter and receiver to transmit and receive data at the same frequency axis. Capable of increasing communications speeds, a key technology of LTE Advanced.
NB-IoT (Narrow Band-IoT)	IoT communications system that uses mobile phone networks and being standardized by 3GPP.
NFV (Network Functions Virtualization)	NFV offers a new way to design, deploy, and manage networking services by decoupling.
NSA-NR/SA-NR (Non-Standalone New Radio / Standalone New Radio)	5G standardization specification being developed by 3GPP. NSA-NR: Operating format through interworking of existing LTE and 5G. SA-NR: Operating format with 5G on a standalone basis.
OSS (Operation Support System)	Systems necessary for operating the businesses of telecommunications operators that offer mobile phone and other communications services
OTA (Over The Air)	Methods for testing wireless systems without the use of radio frequency (RF) cables
OTN (Optical Transport Network)	Transfer technology compatible with WDM transmission networks that houses various client signals like SHD and Ethernet and transmits data with a high degree of reliability.
PCI-E (Peripheral Component Interconnect Express)	PCI is an expansion bus interface protocol used to insert an expansion card into a computer. PCI-E is a higher order protocol of PCI with a data rate up to 30 times faster than PCI.
Radio Frequency (RF) Measurement	Measurement of frequencies (among electromagnetic and electrical signals) that can use wireless signal transmission
SDH (Synchronous Digital Hierarchy)	International standards for synchronous digital hierarchy multiplex transmitter and demultilplexing method.
SDN (Software-Defined Network)	SDN is a way to manage networks that separates the control plane from the forwarding plane. SDN is a complementary approach to network functions virtualization (NFV) for network management. While they both manage networks, both rely on different methods.
WDM (Wavelength Division Multiplexing)	Optical communications technology called Wavelength Division Multiplexing for large capacity signals.
Small Cells	A type of station for mobile communications, used typically to supplement the coverage of regular ground stations. Small cell stations have lower output power and are used to cover smaller areas. Small cells supplement macro cells with high output power, and are used to provide coverage to areas such as mountainous regions and buildings that macro cell signals cannot reach. Installations include the interiors of buildings that signals cannot penetrate.
Beam Forming	Technology that uses antennas that have multiple elements for controlling dynamically the strength of waves in certain locations.

Investor Information (As of March 31, 2018)

Head Office:	ANRITSU CORPORATION 5-1-1 Onna, Atsugi-shi, Kanagawa 243-8555, Japan Tel: +81-46-223-1111 URL: https://www.anritsu.com
Established:	March 1931
Paid-in Capital:	¥19.1 billion
Number of Employees:	3,717 (Consolidated) 844 (Stand alone)
Stock Listing:	Tokyo (Ticker Symbol No: 6754)
Transfer Agent:	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo 100-8233, Japan
Number of Shareholders:	23,989
Rating:	Rating and Investment Information, Inc. Long-Term: A- Short-Term: a-1
Authorized Shares:	400,000,000
Issued Shares:	138,134,794

Breakdown of Shareholders:



Major Shareholders

Shareholder Name	Number of Shares (Thousands)	Percentage of Total Shares Outstanding
Japan Trustee Services Bank, Ltd. (Trust Account)	19,047	13.85
The Master Trust Bank of Japan, Ltd. (Trust Account)	10,021	7.29
BBH FOR MATTHEWS ASIA DIVIDEND FUND	9,384	6.83
Japan Trustee Services Bank, Ltd. (Trust Account 5)	2,785	2.03
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	2,527	1.84
TAIYO HANEI FUND, L.P.	2,346	1.71
Sumitomo Life Insurance Co.	2,314	1.68
NOMURA BANK (LUXEMBOURG) S.A. S/A NOMURA MULTI CURRENCY JAPAN STOCK LEADERS FUND	2,150	1.56
JUNIPER	2,094	1.52
Japan Trustee Services Bank, Ltd. (Trust Account 1)	2,032	1.48

Note: The shareholding ratio is calculated by excluding the number of treasury stock (645,759 shares).

Major Subsidiaries

Japan	Principal Businesses
Anritsu Infivis Co., Ltd.	Manufacture, sales, repair, and maintenance of PQA equipment
Tohoku Anritsu Co., Ltd.	Manufacture of Test & Measurement instruments and information and communications equipment
Anritsu Customer Support Co., Ltd.	Calibration, repair, and maintenance of Test & Measurement instruments
Anritsu Engineering Co., Ltd.	R&D of software
Anritsu Networks Co., Ltd.	R&D, sales, and maintenance of information and communications equipment
Anritsu Devices Co., Ltd.	R&D, manufacture, and sales of optical devices
Anritsu Kousan Co., Ltd.	Management of facilities, welfare services, and production of catalogs and other materials
Anritsu Real Estate Co., Ltd.	Real estate leasing
Anritsu Pro Associe Co., Ltd.	Operation of shared services center
AT Techmac Co., Ltd.	Manufacture and sales of processed products and unit assembly articles

Americas	Principal Businesses
Anritsu U.S. Holding, Inc. (U.S.A.)	Holding company for American subsidiaries
Anritsu Company (U.S.A.)	R&D, manufacture, sales, and maintenance of measuring and other instruments
Azimuth Systems, Inc. (U.S.A.)	R&D, manufacture, and maintenance of measuring and other instruments
Anritsu Electronics, Ltd. (Canada)	Sales and maintenance of measuring and other instruments
Anritsu Eletrônica Ltda. (Brazil)	Sales and maintenance of measuring and other instruments
Anritsu Company S.A. de C.V. (Mexico)	Sales and maintenance of measuring and other instruments
Anritsu Infivis Inc. (U.S.A.)	Sales and maintenance of PQA equipment

EMEA	Principal Businesses
Anritsu EMEA Ltd. (U.K.)	Sales and maintenance of measuring and other instruments
Anritsu Ltd. (U.K.)	R&D of measuring and other instruments
Anritsu GmbH (Germany)	Sales and maintenance of measuring and other instruments
Anritsu S.A. (France)	Sales and maintenance of measuring and other instruments
Anritsu S.r.l. (Italy)	Sales and maintenance of measuring and other instruments
Anritsu AB (Sweden)	Sales and maintenance of measuring and other instruments
Anritsu A/S (Denmark)	R&D, manufacture, sales, and maintenance of T&M instruments
Anritsu Solutions S.r.l. (Italy)	R&D of measuring and other instruments
Anritsu Solutions S.R.L. (Romania)	R&D of measuring and other instruments
Anritsu Solutions SK, s.r.o. (Slovakia)	R&D of measuring and other instruments
Anritsu Infivis Ltd. (U.K.)	Sales and maintenance of PQA equipment

Asia & Others	Principal Businesses
Anritsu Company Ltd. (Hong Kong)	Sales and maintenance of measuring and other instruments
Anritsu Electronics (Shanghai) Co., Ltd. (China)	Maintenance of measuring and other instruments
Anritsu (China) Co., Ltd. (China)	Sales and maintenance of measuring and other instruments
Anritsu Company, Inc. (Taiwan)	Sales and maintenance of measuring and other instruments
Anritsu Corporation, Ltd. (Korea)	Sales and maintenance of measuring and other instruments
Anritsu Pte. Ltd. (Singapore)	Sales and maintenance of measuring and other instruments
Anritsu India Private Ltd. (India)	Sales and maintenance of measuring and other instruments
Anritsu Pty. Ltd. (Australia)	Sales and maintenance of measuring and other instruments
Anritsu Philippines, Inc. (Philippines)	R&D of measuring and other instruments
Anritsu Industrial Solutions (Shanghai) Co., Ltd. (China)	Sales and maintenance of PQA equipment
Anritsu Industrial Systems (Shanghai) Co., Ltd. (China)	Manufacture of PQA equipment
Anritsu Infivis (THAILAND) Co., Ltd. (Thailand)	Manufacture and maintenance of PQA equipment

Global Headquarters and Mt.Oyama

The city of Atsugi, where many companies are gathering and developing cutting-edge technology, is surrounded by the rich nature of the Tanzawa-Oyama Quasi-National Park.

The Tanzawa Mountains, standing behind the company's Global Headquarters, seem to make a statement about human coexistence with technology and nature.

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