



Group CEO Message



Practicing the Anritsu Way to Continuing Creating Value

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Anritsu was founded in 1895, the year of the world's first successful wireless communication experiment, and 2019 will be the 124th year since its original foundation. Throughout our history, we have always been a pioneer in pursuing the latest information and communications technology. Various innovations in telecommunications infrastructure have dramatically revolutionized society and enriched our lives by "connecting" people moving the global society forward. With "measuring" technology as our core competency, Anritsu has supported many advances in the field of information communication, as well as in food and pharmaceuticals. Under our company philosophy of "Sincerity, Harmony, and Enthusiasm" and "Original & High Level," Anritsu will continue to contribute to the development of a society that is safe, secure, and connected. **"envision: ensure"** Please look to Anritsu in the future.

GLP2020 First Year Review

The Measurement Business captured initial development demand for 5G chipsets and devices

Specifications for 5G, the next-generation communication system, are being developed at 3GPP. The standardization of 5G NSA-NR was completed in December 2017, while that of 5G SA-NR was completed in June 2018, thereby defining all of the specifications of the major functions related to 5G ultrahigh-speed communication. Specifications for ultra-low latency and multiple simultaneous connections, which are expected to expand use cases, are now being reviewed at 3GPP, and standardization is scheduled for completion in early 2020. As a result, the roadmap for 5G commercial services by major carriers in each country is becoming concrete, and the commercialization schedule is progressing smoothly. In

December 2018, advance rollout of 5G services using mobile routers started in North America and South Korea, and 5G smartphone services also began in April 2019.

Major device vendors in the US and Asia have developed devices for 5G smartphone services, and began releasing them, one after the other, at the MWC2019 trade fair in Barcelona, Spain. Against this backdrop, the Measurement Business Group has focused on developing solutions for capturing development investment demand for 5G and enhancing organizational structures, and has captured initial development demand for 5G chipsets and devices.

The PQA Business enjoys a robust market and works on strengthening overseas sales

In the PQA Business, there has been increased investment in automation of processed food production lines, and demand for X-ray-based quality assurance for

Core policy of our medium- to long-term business strategy

Realize profitable, sustainable growth by reliably catching growth drivers

	Market annual average growth rate (Anritsu estimate)	Vision/ Growth Drivers	Medium- to long-term guidelines	
			Sales growth rate	Operating margin
Test and Measurement Business	3-5%	Become a leading company in supporting a 5G/IoT society 1) 5G, LTE-Advanced 2) IoT/Automotive, Connectivity 3) IP Data traffic/Cloud Services	≥7%	≥20%
PQA Business	3-5%	Become a world-class quality assurance solutions partner Expand from contaminant detection to the quality assurance market	≥7%	≥12%
Consolidated	—	—	—	≥18%
ROE	—	—	—	≥15%

contaminants and packaging, etc. has been steadily expanding. In this environment, the PQA Business Group has worked to increase the competitiveness of solutions centered on X-ray technology, and to expand and enhance our overseas sales systems.

GLP2020 first year exceeds our plan

In the Group's consolidated results for FY2018, which was the first year of GLP2020, both revenue and operating profit exceeded the initial plan. Revenue was 99.7 billion yen against a target of 92.0 billion yen, while the operating profit ratio was 11% against a target of 7%.

Toward Achievement of GLP2020

Increased business risk due to external factors

Although the global economy has been on a trend toward recovery, uncertainty regarding the future is growing due to factors such as the UK's exit from the EU, intensified US-China trade friction, and trade confrontations caused by protectionism.

The Test and Measurement Business aims to become a leading company in the 5G development market in 2019, the initial year of 5G

2019, which is the second year of GLP2020, is regarded as the initial year of 5G, during which pre-services and trials have

GLP2020: Planned sales and operating profit

Indicator	GLP2020				
	FY2018 (Plan)	FY2018 (Actual)	FY2019	FY2020	
Revenue	92.0 billion yen	99.7 billion yen	102.0 billion yen	105.0 billion yen	
Operating profit	6.6 billion yen	11.2 billion yen	10.0 billion yen	14.5 billion yen	
Operating margin	7%	11%	10%	14%	
Profit	5.0 billion yen	9.0 billion yen	7.5 billion yen	11.0 billion yen	
ROE	7%	11%	8%	12%	
Test and Measurement Business	Revenue	60.0 billion yen	68.2 billion yen	69.0 billion yen	70.0 billion yen
	Operating profit	3.5 billion yen	9.4 billion yen	8.0 billion yen	10.0 billion yen
	Operating margin	6%	14%	12%	14%
PQA Business	Revenue	23.5 billion yen	23.1 billion yen	24.5 billion yen	26.0 billion yen
	Operating profit	2.0 billion yen	1.6 billion yen	2.0 billion yen	3.0 billion yen
	Operating margin	9%	7%	8%	12%

(Reference) Expected exchange rates for GLP2020: 1 USD=105 yen, 1 euro=125 yen

been started around the world. In Japan, 5G pre-service will start in line with the Rugby World Cup in September. Furthermore, the standardization of 3GPP Release 16 is scheduled for completion in March 2020. Release 16 will enable mission-critical applications, with ultra-low latency and multiple simultaneous connections that are characteristic of 5G, and investment in the development of chipsets and devices that are compliant with this standard are expected to start in 2020. Afterwards, preparations for the full-scale commercialization of 5G are expected to accelerate. On the other hand, investment for existing LTE is expected to continue to be constrained or shrink. In this environment, the Measurement Business Group aims to become a leading company in the 5G development market, by providing timely solutions that are closely adapted to commercialization plans in countries around the world.

The PQA Business to develop overseas markets and become a world-class quality assurance solutions partner

The PQA Business has a vision of becoming a world-class quality assurance solutions partner. The growth driver is expansion of quality assurance needs for the food and pharmaceuticals market. To maintain a high growth rate, the PQA Business will need to maintain its competitive advantage in the Japanese market and increase its presence in overseas markets outside Japan. As immediate measures, we will promote the development of markets



Group CEO Message

Basic Policy of Management Strategy

- Prosecure the policy “Continuous profitable growth”
- Make our best to accomplish 2020VISION/GLP2020

* GLP2020 Plan = FY2018~FY2020



outside Japan putting the focus on the advanced markets in Europe and the US, where demand is expected to grow, with X-ray inspection systems as our key solution. To improve productivity, we will also strengthen investment and improve business processes. With a view toward future growth, we will make a full-scale entry into the European market and the pharmaceuticals market.

By implementing these measures, we aim to achieve revenue of 105 billion yen as well as an operating profit ratio of 14% for the consolidated Group in FY2020.

Toward “Beyond 2020”

Aiming for stable growth beyond 2020 with five pillars

“Beyond 2020” was launched to achieve sustainable growth toward 2020 and beyond. The current pillars are “5G communication” for the Test and Measurement business and “food safety” for the PQA Business. Among these, “5G communication” is situated in the mobile business, which is highly volatile and would experience a decline in business performance if future investment were to end. Through “Beyond 2020” we aim to become a stable and highly profitable company by further strengthening “5G communications” and “food safety” while adding focuses on “5G utilized automobiles,” “pharmaceutical safety,” and “non-communication T&M business” to form 5 pillars that

are resistant to the volatility of the mobile market, and can consistently achieve revenue exceeding 100.0 billion yen.

Toward the realization of new business during the next GLP2023

Our new business field “non-communication measurement business” is not susceptible to the volatility of the mobile market. We will cultivate such business where we can leverage Anritsu’s competencies also taking into account possible tie-ups and M&As. The department responsible for developing this new business has been active since last year, and is planning to present specific details and numerical plans in “GLP2023,” Anritsu’s next three-year plan.

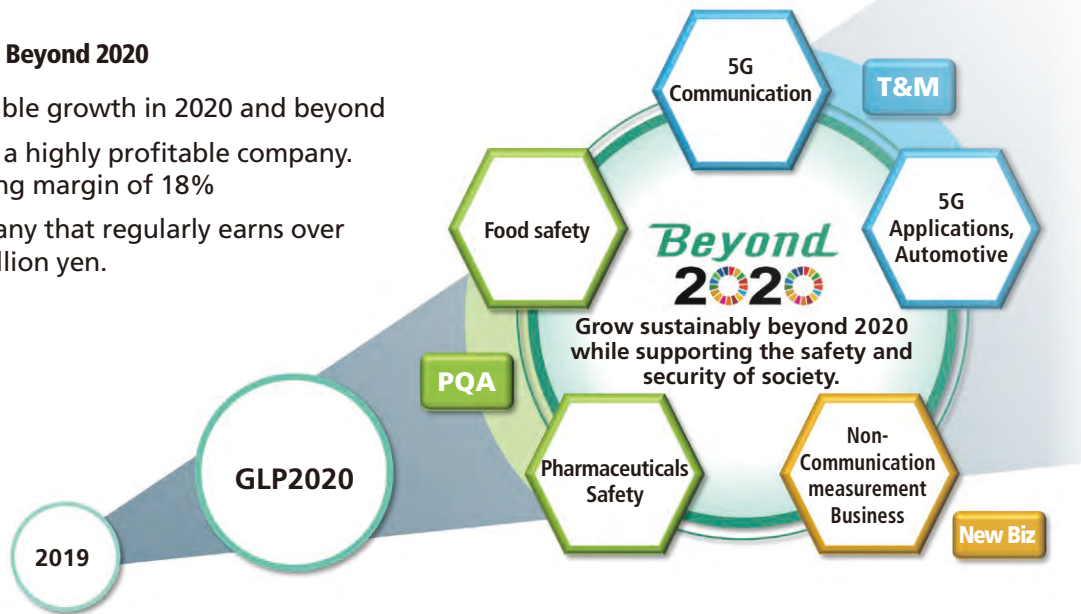
The mind of a company full of frontier spirit

As “Beyond 2020” starts, we will cultivate a culture that will raise new shoots inside the company. We believe that “Beyond 2020” can be realized by offering full support to employees who try new things, and will provide an environment in which everyone can challenge themselves.

Anritsu is a company with a history spanning more than 120 years. However, we cannot simply stick with tradition. We will stay true to our mind as “a company full of frontier spirit,” by constantly incorporating the latest technologies and taking on new challenges, so that we will build the foundations of the next-generation of Anritsu.

Set out for Beyond 2020

- Sustainable growth in 2020 and beyond
- Become a highly profitable company.
Operating margin of 18%
- A company that regularly earns over 100.0 billion yen.



Resolve social issues by realizing Beyond 2020

Sustainability Management

Sustainability management contributing to building a “5G/IoT society” that shares the future vision of the SDGs

Anritsu determined its “Sustainability Policy” in April 2018, and is promoting sustainability management that seeks to improve our corporate value by contributing to the solution of global social issues through sincere corporate activities symbolized by the Anritsu Way. Along with initiatives toward sustainable growth from 2020 and onward, Beyond 2020 includes projects aimed at contributing to the achievement of the SDGs for 2030 through our existing businesses.

In the future “5G/IoT society” envisioned by Anritsu, all kinds of things would be connected, resulting in the creation of new added-value. This vision of the future, which combines economic advancement with solving social issues is based on “Society 5.0,” the highest evolution of information and communication technology, that is in other words contributing to the sustainability of society while building a society that provides comfortable, vibrant, and high-quality living.

This vision is similar to the future vision of the SDGs, which will transform our world. We believe that sustainability management means the contribution for solving social issues using SDGs as a compass.

In the mind of Anritsu as “a company full of frontier spirit.”

We introduced the concept of sustainability to our existing operations in FY2018, marking this as the fiscal year in which sustainability began to permeate our company. Regarding CO₂ emissions, which have a major impact on climate change and represent one of the most important issues for a sustainable society, in March 2019 we committed to the initial stage of the process for obtaining SBT* certification. Although we are still in the process of finalizing the details of our reduction plan, as an investment for the future, we will also be increasing solar power generation for renewable energy from the current fiscal year onwards. In addition, to reduce risks including child labor, human trafficking, and forced labor, we will survey and audit our suppliers in order to promote business activities that respect human rights.

Through communication with all of our stakeholders, and utilizing the mind of “a company full of frontier spirit” in our businesses, Anritsu will continue to contribute to the sustainability of a safe and secure society.

*SBT (Science Based Targets): Targets for reductions in greenhouse gases that are in line with the science-based knowledge to maintain a global temperature rise of less than 2°C (and more ambitiously, of less than 1.5 °C), compared with pre-industrial temperatures.