Group CEO Message

We Contribute to a Safe and Secure Society through Measurement

Anritsu was founded in 1895, the year of the world's first successful wireless communication experiment, and 2020 is the 125th year since its original foundation. Our long history has been continuous challenges as a pioneer in the field of 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.

Under the company philosophy of "Sincerity, Harmony, and Enthusiasm" and "Original & High Level," Anritsu is leveraging its measurement technologies, honed to create visibility of products related to the information and communications field, into the fields of food and pharmaceuticals to contribute to a safe and secure society. We will continue to share the dreams with our customers, driving innovation to give the dreams tangible form that exceeds expectations.

"envision : ensure" Please look to Anritsu in the future.

Hirokazu Hamada

Representative Director, President of Anritsu
Group CEO

Regarding the Impact of the COVID-19 Pandemic

All of us in the Anritsu Group extend our deepest condolences and sympathies for the many lives that have been lost and the many people who have been affected by the COVID-19 pandemic.

Our Group established the COVID-19 response headquarters and responded to the WHO declaration of Public Health Emergency of International Concern in January 2020. We were quick to institute staggered working hours, working remotely, incentives for commuting by automobile, and other efforts to contain the spread of infection. We will continue to work from home, maintain social distancing in locations such as meeting rooms, elevators, and cafeterias, enforce disinfection in workplaces, instill non-contact ways of working, and enact other initiatives aimed at the new normal. While an uncertain outlook remains before us, we will continue striving to ensure the health of our employees and their families while minimizing the impact on our business.

Progress on GLP2020 as We Head into Its Final Year

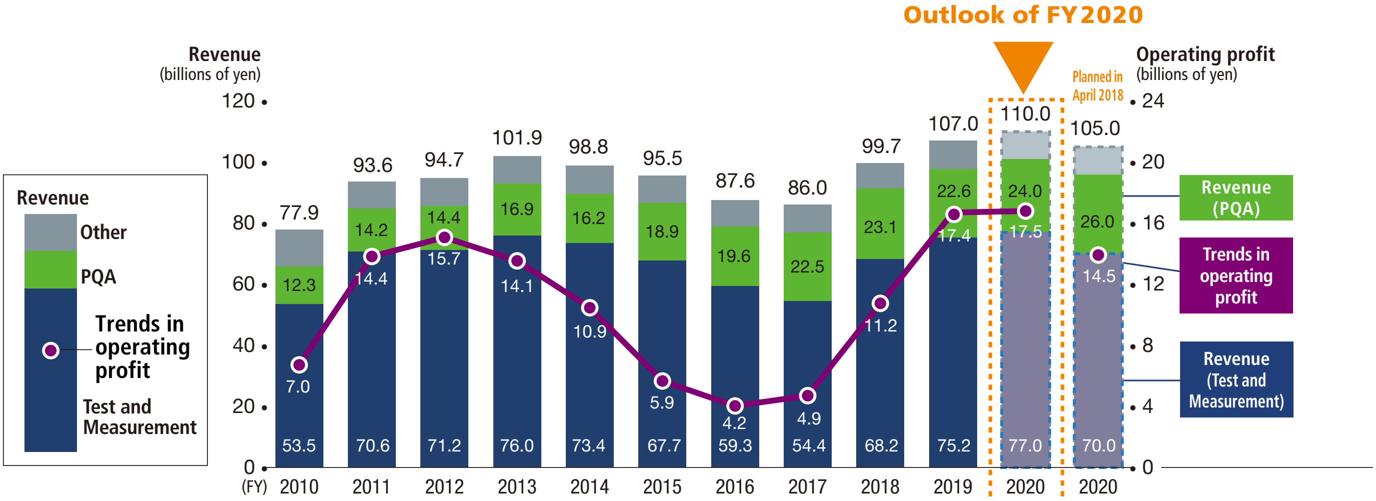
Progress on GLP2020

Test and Measurement Business: 5G services have been launched in the U.S., South Korea, Europe, and subsequently in China as telecommunications carriers in several countries steadily progressed their commercialization schedules. In Japan, too, 5G services were partially launched in March 2020 primarily in large urban areas.

In such backdrop, our business continued to benefit from robust demand for development of 5G chipsets and mobile devices. In Japan and other Asian regions in particular, demand for development aimed at 5G commercialization grew, driving our 5G business. In addition, in the second half of FY2019 we began providing 5G conformance test systems for test laboratories and telecommunications carriers around the world.

The impact of the COVID-19 pandemic on our financial results was negligible.

GLP2020: Planned sales and operating profit



		Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Plan	Initial Plan	Target
Operating margin	Consolidated	9%	15%	17%	14%	11%	6%	5%	6%	11%	16%	16%	14%	18%
	Test and Measurement	9%	20%	21%	17%	12%	7%	4%	4%	14%	20%	20%	14%	20%
	PQA	5%	4%	6%	7%	5%	6%	7%	9%	7%	6%	8%	12%	>12%
GLP Plans		GLP2012		GLP2014		GLP2017			GLP2020					GLP202X

*GLP20XX: The names of our Mid-term Business Plans

As a result, the business achieved revenue of ¥75.2 billion, operating profit of ¥15.1 billion, and an operating profit margin of 20%, exceeding GLP2020 second-year, FY2019 targets of ¥69.0 billion, ¥8.0 billion, and 12%, respectively.

PQA Business: Demand remained strong for capital investment in strengthening improvement of quality assurance processes, automation, labor-saving and workstyle reforms in the food market, and investment in X-ray-based contaminant detection and quality assurance for packaging was robust.

In line with this, the PQA Business Group strengthened the competitiveness of its X-ray-based solutions and enhanced and expanded its overseas sales structure. However, it failed to achieve its planned targets due to factors including the aforementioned prolongation of customers' product inspection periods.

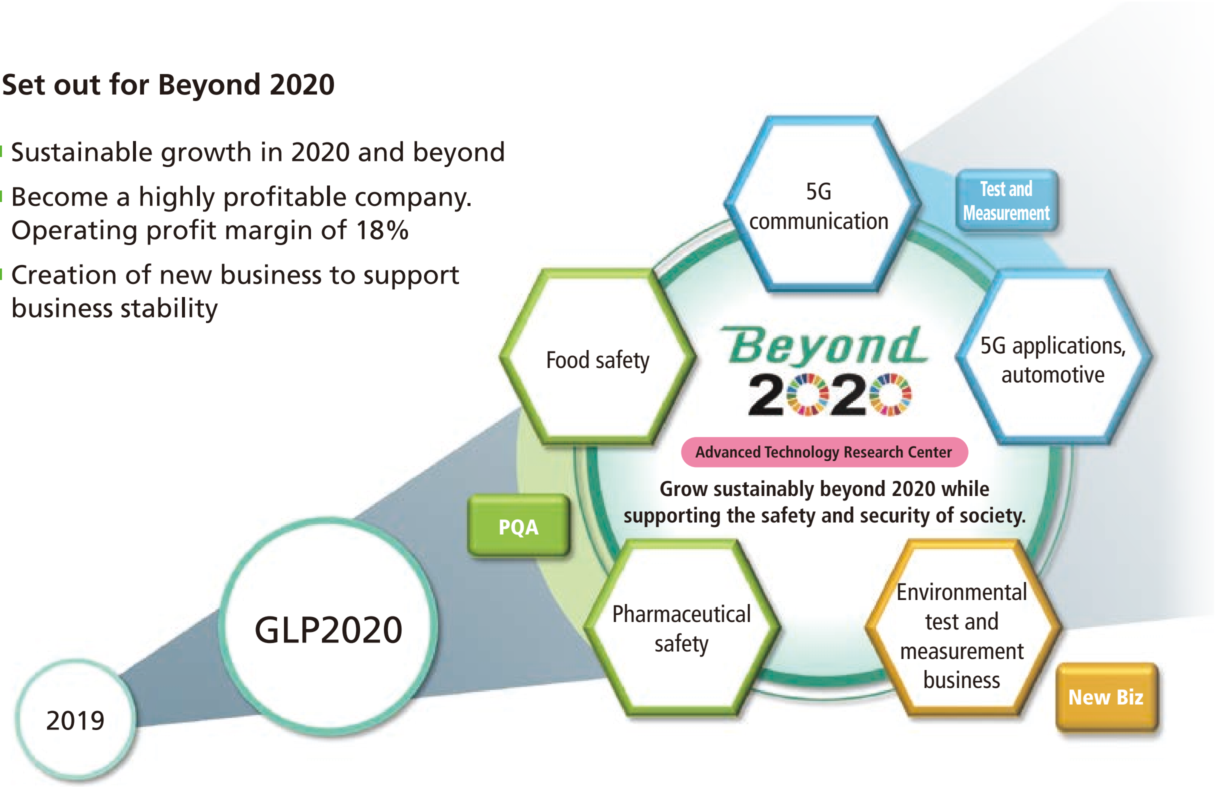
As a result, the business achieved revenue of ¥22.6 billion, operating profit of ¥1.3 billion, and operating profit margin of 6%, against GLP2020 second-year targets of ¥24.5 billion, ¥2.0 billion, and 8%, respectively.

Toward the Final Year of GLP2020

Test and Measurement Business: We forecast three major changes in the status of the Test and Measurement Business due to COVID-19. The first change is in the 5G market, which has expanded steadily until now, while we now forecast stagnation through the first half of FY2020. While it is difficult to predict the end of the pandemic, we expect economic activity to regain a degree of normalcy from the second half of the fiscal year. The second change is a pandemic-related delay in research and development investment for 3GPP Release 16. With Release 16, use cases which employ full-fledged 5G multiple simultaneous connections and ultra-low latency are possible. Due to COVID-19, the standardization originally planned for the end of March was delayed and commenced in early July. Due to the delay we expect the development demand for Release 16 commence after our fiscal year 2021. The third change is the increase in high-speed compatible network

Set out for Beyond 2020

- Sustainable growth in 2020 and beyond
- Become a highly profitable company. Operating profit margin of 18%
- Creation of new business to support business stability



Resolve social issues by realizing Beyond 2020

demand due to work from home. There is an increase in measurement demand related to servers, routers, and other equipment used in data centers and networks, and for optical devices used with them. Given these movements in the communications test and measurement market, we intend to place 5G at the center of our business, and additionally, capture increasing demand in higher-speed networks and in fields of 5G applications, to meet the final-year targets of GLP2020.

PQA Business: Taking the expansion of quality assurance needs for the food and pharmaceuticals markets as its growth driver, the PQA Business aims to focus on related markets to expand its business by growing its overseas sales ratio to 50% in the long term.

However, the impact of COVID-19 has prevented initiatives in overseas markets from progressing as expected. Going forward, along with an expected resumption in economic activity, the PQA Business will accelerate its overseas business expansion particularly in Asia and North America, and will work to draw closer to the final-year targets of GLP2020.

For Beyond 2020, and Next 10-Year Vision

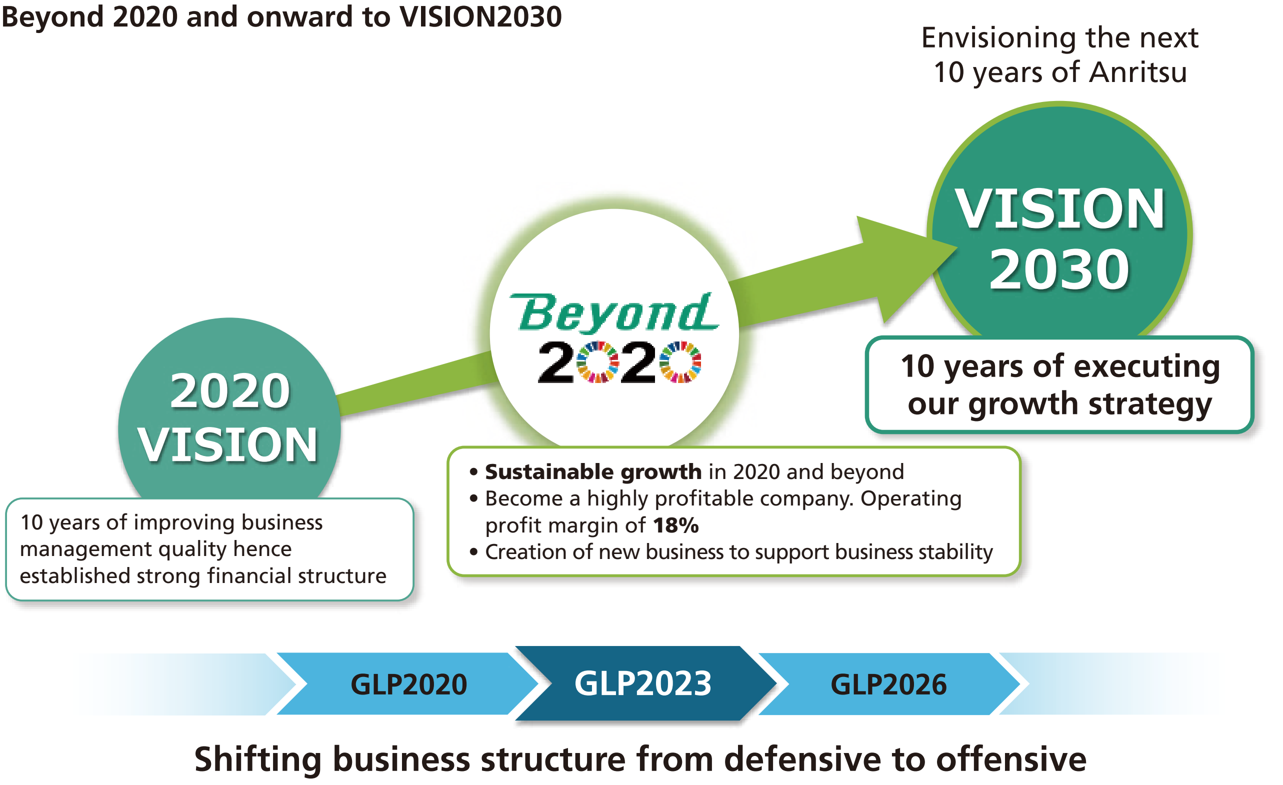
Initiatives for Beyond 2020

Anritsu has launched Beyond 2020 with the aim of achieving sustainable growth from 2020 onward. At present, the cornerstones of our business are 5G communications in the Test and Measurement Business and food safety in the PQA Business. To further expand and stabilize our business, we are tackling 5G applications and the automobile sector in the Test and Measurement Business, pharmaceutical safety in the PQA Business, and the environmental test and measurement business as new sectors to develop. We also established the Advanced Technology Research Center, a new basic technology laboratory that draws on the power of test and measurement to resolve the societal issues of a decade in the future. While conducting research into 6G and next-generation NEMS technology, the Center will actively accept researchers from outside to create a source of technological capability for Anritsu and to strengthen our philosophy of “Original & High Level.”

Toward Our Next 10-Year Vision

FY2020 is the last year of 2020VISION. Under 2020VISION, we have been working to strengthen our management structure and end the year with a capital adequacy ratio of

Beyond 2020 and onward to VISION2030



68% and interest-bearing debt of ¥14.6 billion. Our negative net debt is ¥34.7 billion, and we maintain effectively zero interest-bearing debt. We will leverage this management foundation in executing our growth strategies for the next 10 years, as we shift our internal structure from defensive one to offensive one and incorporate an aggressive stance into VISION2030.

About Sustainability Management

About Our Initiatives Toward the SDGs

In April 2018, our Group established a Sustainability Policy that aims to improve our corporate value through contributions to the sustainability of global society, in the spirit of "Sincerity, Harmony, and Enthusiasm."

Under this policy, we set targets related to the SDGs, with the entire Group working to provide technologies, products, and solutions that support the development of safe and secure infrastructure as a foundation for industrial and technological innovation, and that promote innovation and the creation of industries related to the construction of a sustainable society. With respect to ESG, we have upheld key issues to address on themes such as "promotion of the global environment protection", "harmony with the global economic society", and "strengthening governance".

Appropriately disclosing these activities, and connecting the understanding and expectations of stakeholders to the improvement of corporate value, are the key issues for our management.

As a unique initiative aimed at the reduction of greenhouse gases, a key issue among the SDGs, we formulated "Anritsu Climate Change Action PGRE 30*". Under this initiative, we aim to boost our ratio of in-house generated renewable energy from 0.8% of internal electrical consumption in FY2018 to about 30% by around 2030.

Our company engages in activities that promote recognition of the SDGs as issues of our own. PGRE 30 is one such initiative that will contribute to achieving the targets of the SDGs. The Anritsu Group will improve its corporate value through contribution to the SDGs and to the sustainability of global society, in a spirit of "Sincerity, Harmony, and Enthusiasm."

* PGRE 30: "PGRE" refers to Private Generation of Renewable Energy and "30" refers to the target of 30% Private Generation of Renewable Energy by around 2030.

CFO Message

Build a Robust Financial Structure by Focusing on Cash Flow and Aiming to Maximize Corporate Value

The biggest issues addressed in GLP 2020 are restoring growth in our core business, raising ROE by markedly improving operating profit margin, and actively making growth investments to build a business portfolio that is not affected by mobile technology evolutionary cycles. To that end, in our management we have incorporated a high-level of importance on capital cost, maximized cash generation capabilities, and enhanced corporate value.

Akifumi Kubota

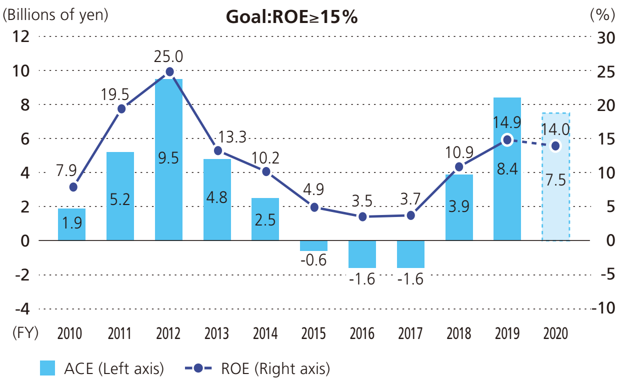
Director
Executive Vice President
CFO

Improving Corporate Value

We have established two KPIs as indices of corporate value improvement, and are managing these targets. As a numerical target, we use ROE, due to its ease of comparability with other companies, while as a quantitative target, we use Anritsu Capital-cost Evaluation (ACE*[1]) an original index that measures economic added-value. ACE is defined as "after-tax operating profit minus the cost of capital." If after-tax operating profit does not exceed the cost of capital, we do not regard it as having positive economic added-value. In other words, we can assume that no corporate value has been created in such case.

*1 ACE (Anritsu Capital-cost Evaluation): Net operating profit after tax – Cost of capital (5%). The Company's cost of capital was calculated as 7% for shareholder equity cost, and 5% for the weighted average cost of capital (WACC) used in our ACE index.

ACE and ROE Trends



Aiming for 15% ROE

Anritsu considers achieving 15% ROE to be a priority management issue. To realize medium- to long-term growth in the global market, it is essential that we create adequate profits as a source of funds for investment. An ROE of 15% is the global standard and is considered to be an engine for profitable growth.

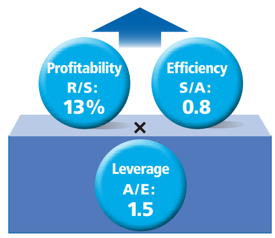
ROE is analyzed using three factors: "profitability," "efficiency," and "leverage."

ROE Target: Factor Breakdown

Profitability / Efficiency / Leverage

$$\text{ROE} = \frac{\text{Net income}}{\text{Equity}} = \frac{\text{Net income}}{\text{Revenue}} \times \frac{\text{Revenue}}{\text{Total assets}} \times \frac{\text{Total assets}}{\text{Equity}}$$

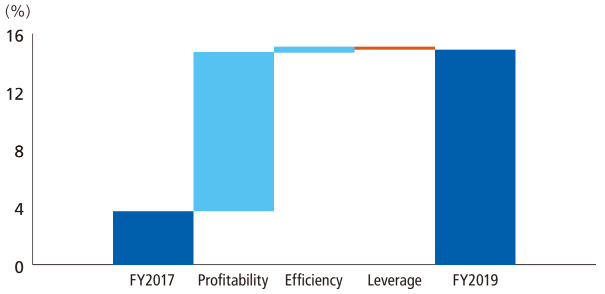
[Model case] **15% ROE (Beyond 2020 Target)**



Trends of ROE Factors

	Profitability	Efficiency	Leverage	ROE
FY2017	3.4%	0,70	1.59	3.7%
FY2018	9.0%	0.79	1.53	10.9%
FY2019	12.5%	0.79	1.50	14.9%
Beyond 2020	13.0%	0.80	1.50	15.0%

Differential Analysis of ROE (Difference between FY 2017 and FY2019)



Our initiatives targeting each of the three factors of profitability, efficiency, and leverage are as follows.

Profitability

Investment to Realize Growth

For the Test and Measurement Business, which is our main strength, we will focus on strengthening our competitiveness in 5G, while for the PQA Business, we will focus on investment aimed at global business development.

We have adopted development ROI (gross profit/development investment) as the standard for investment levels and are working to improve investment efficiency with the goal of realizing development ROI of 4.0 or higher.

Improving Cost Structure

We are also actively working to strengthen our cost structure to enhance profitability. For example, we are aggressively taking steps to achieve higher efficiency in our sales activities and improve business processes in our corporate department by appropriately managing and pursuing improvements in cost per order (CPO) in each sales region, in order to make the cost structure in each business segment adequate.

GLP 2020 measures aimed at improving profitability in each business are as follows.

Test and Measurement Business : Firmly capture the initial launch of 5G business, recover high-growth rates in the mobile T&M business, which is one of Anritsu's strengths, and recover the cost of investments in 5G development with high returns.

PQA Business : Improving price competitiveness or, in other words, improving gross profit margin is the key issue. The specific measures we will take are (1) differentiate our X-ray inspection system business, (2) provide new solutions through analysis of quality data, (3) expand our business in the European market, (4) fully enter the pharmaceuticals market, and (5) add value to operations across the entire value chain.

Efficiency

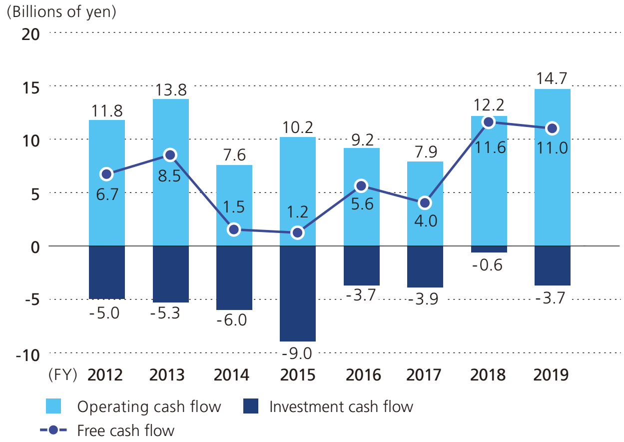
Thorough Cash Flow Management

To realize sustainable investment for growth, it is essential to strengthen our ability to generate cash flow. Our constant goal is to maintain our operating cash flow margin above 13% (achievable by realizing an operating profit margin of 18% and avoiding increases in working capital), and to raise our CCC*2, which is a cash flow improvement index, to 120 days (the best result over the last 10 years) in the fiscal year ending March 31, 2021. These targets will be realized by improving profitability through cost reductions and more efficient spending, as well as improving asset efficiency through measures such as reducing inventory and promoting the collection of accounts receivable.

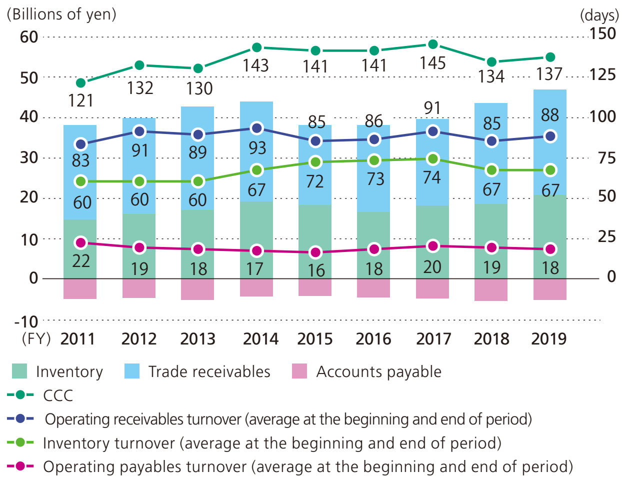
Moreover, as part of our capital cost-conscious management approach, we are also focusing on cash flow management in each division. As specific measures, we create a balance sheet for each division, and are working on management accounting practices, such as visualizing changes in cash and working capital. These measures are aimed at improving capital efficiency management in each division.

*2 CCC: Cash Conversion Cycle

Trends in Cash Flow



Trends in CCC

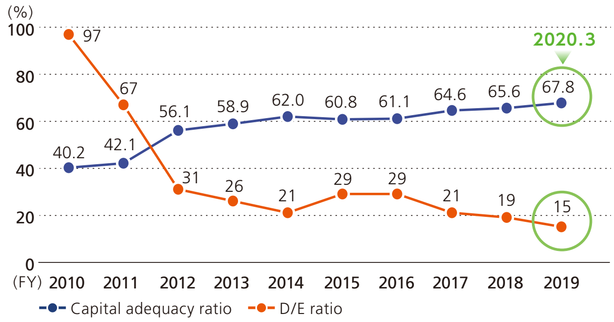


Leverage

Building a Robust Financial Structure

Our basic policy for building a robust financial structure is to maintain a capital adequacy ratio ≥ 60% and a debt-to-equity ratio (D/E)*3 ≤ 30%. In a rapidly changing market, having a strong financial base that supports medium- to long-term growth is extremely important. Anritsu's robust financial base has been evaluated, and our ratings by Rating and Investment Information, Inc. (R&I) as of March 31, 2020, was "a-1" for short-term, and "A-" for long-term.

Capital Adequacy Ratio/Debt-to-Equity Ratio

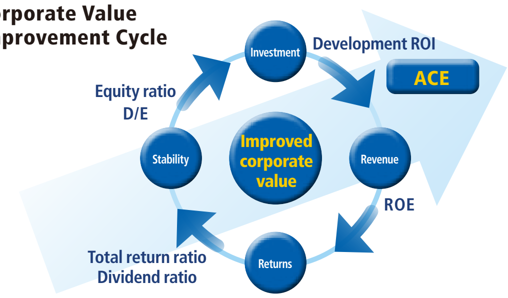


*3 Debt-to-equity ratio (D/E): Interest-bearing debt/Equity attributable to owners of the parent company

Harnessing the Corporate Value Improvement Cycle

Improving profitability and efficiency, and maximizing the capability to generate cash flow are fundamental for improving corporate value. By aggressively investing strategically in new product development and M&A, we will work to strengthen the competitiveness of our solutions and improve our business foundation to achieve high returns. In addition, by enhancing shareholder returns and building a robust financial position, we will be able to harness the corporate value improvement cycle.

Corporate Value Improvement Cycle



Shareholder Returns

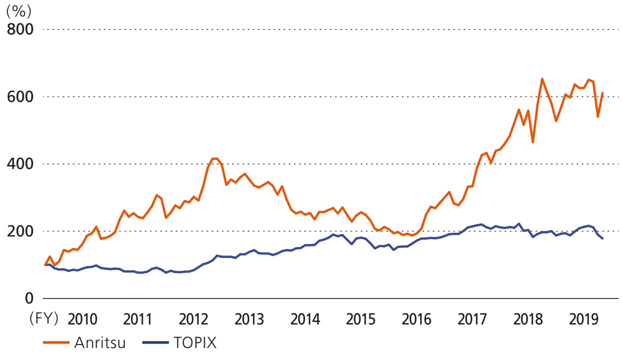
Our basic policy for the ways of distributing profits to shareholders is to pay dividends with a consolidated payout ratio of 30% or higher, primarily by raising the dividend on equity (DOE) in response to an increase in consolidated net income. We also flexibly implement other measures regarding shareholder return that take the total return ratio into account.

The total shareholder return (TSR) results over the past 10 years are as follows.

We will continue to implement growth strategies and sound finance and capital policies that will enable us to realize a TSR that exceeds capital cost (7%).

	Past year	Past 3 years	Past 5 years	Past 10 years
TSR (annual basis)	-0.6%	35.1%	20.3%	19.8%
TOPIX total return index	-9.5%	-0.1%	0.4%	6.0%

Total Shareholder Return (over past 10 years)



Furthermore, we plan to use surpluses to satisfy the demand for funding for strategic investment including strengthening our competitiveness in the 5G market, expanding business into industrial fields that employ Internet of Things (IoT), developing business in the cloud service and other markets, and acquiring next-generation technologies such as 6G. Through this active investment in medium- to long-term growth, we aim to meet the expectations of our shareholders and further improve our corporate value.

TOPICS

FY2019 Initiatives and Results

In our main business, the Test and Measurement Business, we achieved an operating profit margin of 20%. This was mainly due to firmly capturing the rapidly growing demand for 5G development in Japan and Asia. As a result, the operating profit margin for the Anritsu group was 16.3% and ROE was 14.9%. Following this profit growth, we raised the total annual dividend from the ¥22 per share initially planned to ¥31 per share. Also, in recognition of our improved profitability and robust financial structure, in May 2020, R&I changed the rating outlook of our "A-" long-term rating from "Stable" to "Positive."