

Anritsu Integrated Report 2020



About This Report

Anritsu marked the 120th anniversary in 2015 since its founding, and is already moving forward into a new era. Over the 125 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 instrument. **"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.

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 16) 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).

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.

Supporter of the UN Global Compact

In March 2006, Anritsu declared its support of the 10 principles of the UN Global Compact (UNGC), 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



Communication Tools

Integrated Report

The Integrated Report issued every year includes top message, corporate value creation, business review, ESG etc.



Sustainability Report

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



Securities Report/Quarterly Financial Report

These reports provide information on financial performance for the fiscal year 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>



Contents

Anritsu Way

- 1 Anritsu Way/Brand Statement

Top Message

- 2 Group CEO Message
- 6 CFO Message

Corporate Value Creation

- 9 Business Summary
- 10 Anritsu Value History
- 12 Anritsu's Value Creation Model
- 14 Sustainability Management

Business Review

- 16 Financial & Non-Financial Highlights
- 18 Risks and Opportunities
- 20 Mid-Term Business Plan
- 22 CTO Message
- 26 Test and Measurement Business
- 30 PQA Business

ESG

- 34 Corporate Governance
- 38 Three-Way Discussion: President and Outside Directors of Anritsu
- 40 Directors and Executive Officers
- 42 ESG Highlights

Fact Sheet

- 44 11-Year Summary of Selected Financial/Non-Financial Data
- 46 Management's Discussion and Analysis
- 58 Consolidated Statement of Financial Position
- 59 Consolidated Statement of Profit or Loss and Other Comprehensive Income
- 60 Consolidated Statement of Changes in Equity
- 61 Consolidated Statement of Cash Flows
- 62 Glossary
- 63 Investor Information

Anritsu Way

The identity that typifies Anritsu Corporation, and which the Company has dedicatedly fostered since its foundation, is compressed in two phrases in its Corporate Philosophy: “Sincerity, Harmony, and Enthusiasm” and “Original & High Level.”

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

“Sincerity, Harmony, and Enthusiasm”

can be defined as the management philosophy that shows our mindset and values, including the attitude, thoughts, and preparedness the Company has in conducting business

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 such as 5G and IoT

“Original & High Level”

exists in the spirit of enterprise that extends from the upstream to the downstream of Anritsu’s corporate activities

- (1) The superior social and customer value provided by our products and services
- (2) The corporate culture, management system, and work procedural methods that give rise to those kinds of deliverables



Brand Statement envision : ensure

To provide a more specific image to the ideas of “Sincerity, Harmony, and Enthusiasm” and “Original & High Level” that are key to what makes Anritsu unique, we have created the clear, concise, and globally universal phrase “envision: ensure” as our brand statement.

We believe this brand statement effectively encapsulates Anritsu’s message “to share our dream with our customers and create a vision that, through innovation, leads to tangible results that exceed customer expectations.”

Society is currently confronted with a wide variety of sustainability-related issues, including those related to the development of social infrastructure, including next-generation information and communications networks, as symbolized by 5G and IoT, as well as issues related to ensuring food safety and security, and realizing greater efficiency in the distribution of food.

Anritsu has contributed to technological innovation and society by providing products that meet the needs of customers, including TV broadcasting equipment, Japan’s first radio broadcast receiver and the world’s first practical wireless telephone. Inheriting this pioneer spirit, we will continue to contribute to the realization of a safe, secure, and prosperous global society by promoting sustainability management and contributing to the resolution of social issues, including those outlined in the Sustainable Development Goals (SDGs).

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

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

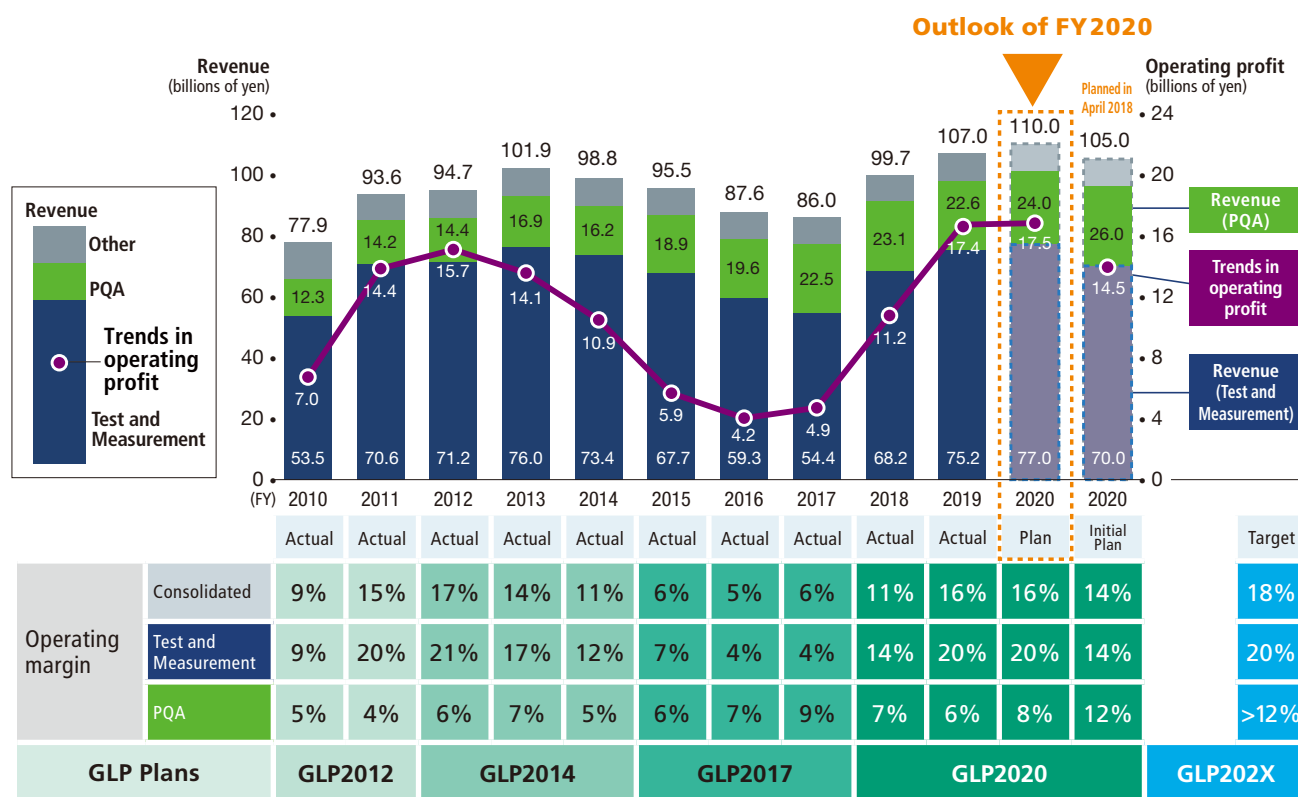
■ Progress on GLP2020

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



*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.

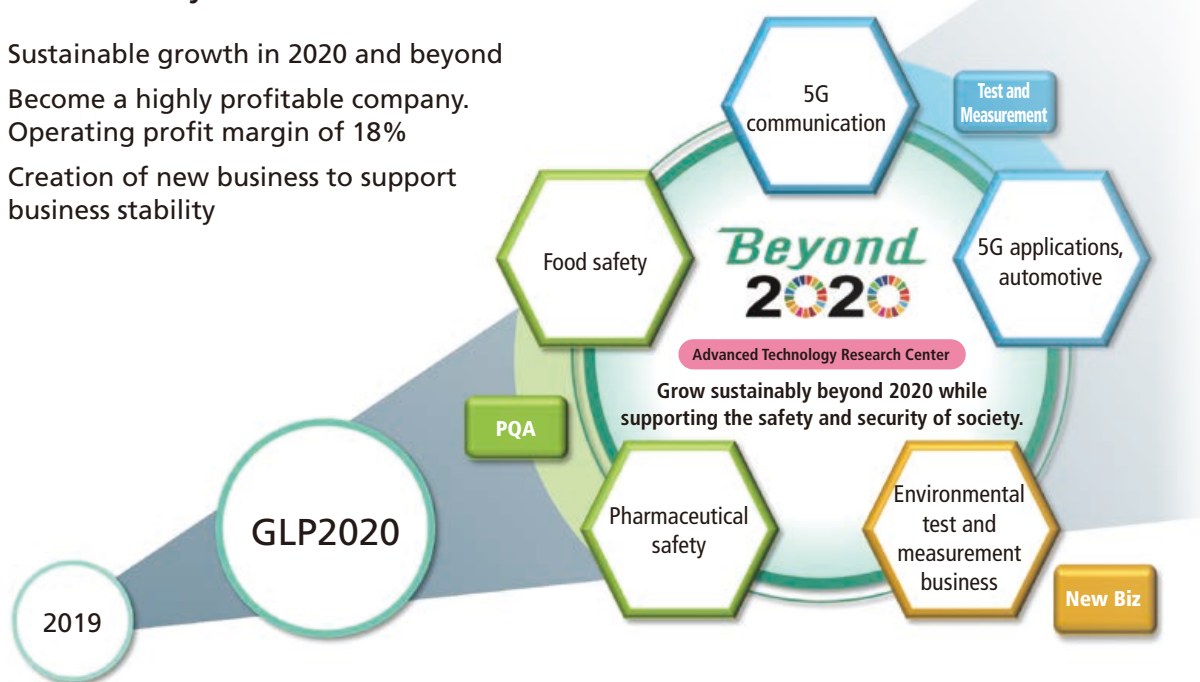
Toward the Final Year of GLP2020

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

Group CEO Message

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

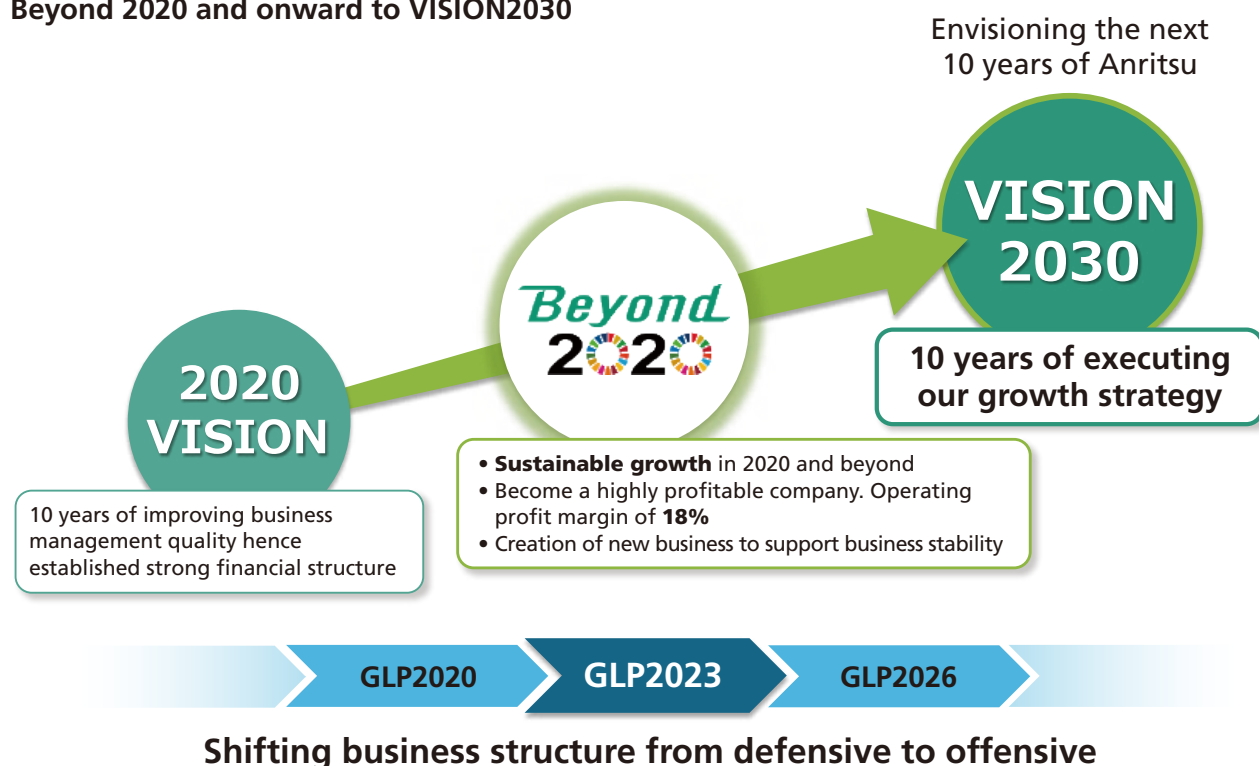
■ Initiatives for Beyond 2020

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

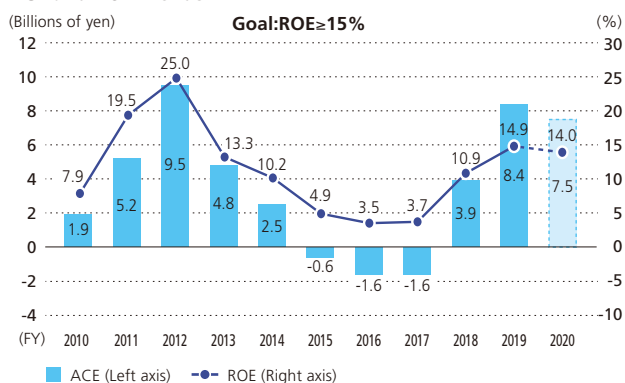


Improving Corporate Value

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*) 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

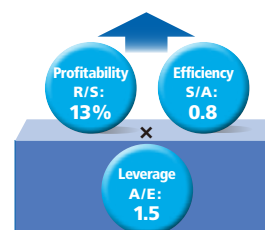
Anritsu considers achieving 15% ROE to be a priority management issue. To realize medium- to long-term growth in the global market, it is essential that we create adequate profits as a source of funds for investment. An ROE of 15% is the global standard and is considered to be an engine for profitable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

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

ROE Target: Factor Breakdown

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

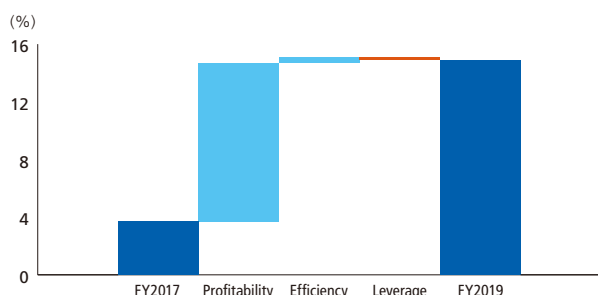
[Model case] **15% ROE (Beyond 2020 Target)**



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

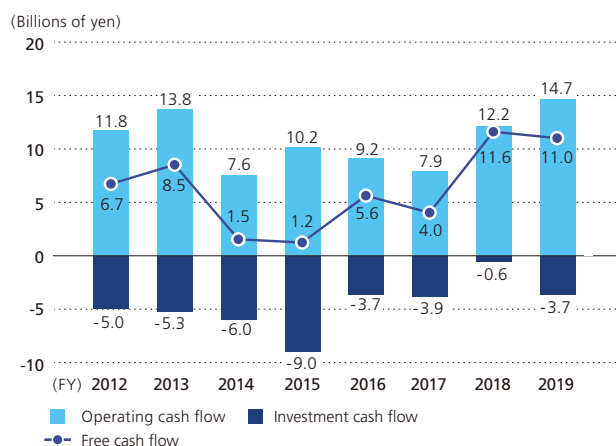
Thorough Cash Flow Management

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*, 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.

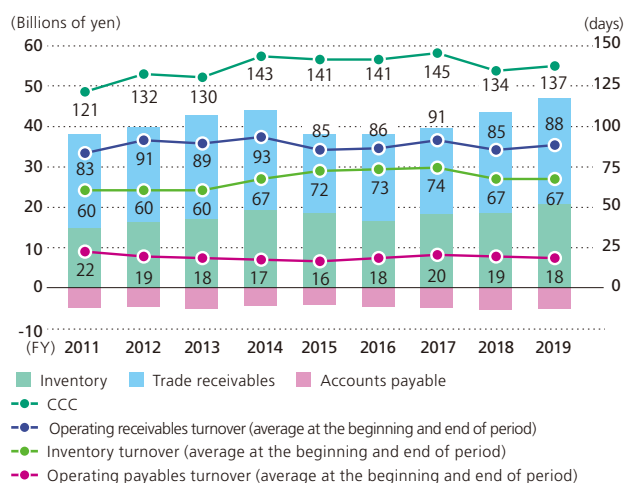
Moreover, as part of our capital cost-conscious management approach, we are also focusing on cash flow management in each division. As specific measures, we create a balance sheet for each division, and are working on management accounting practices, such as visualizing changes in cash and working capital.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

*2 CCC: Cash Conversion Cycle

Trends in Cash Flow



Trends in CCC

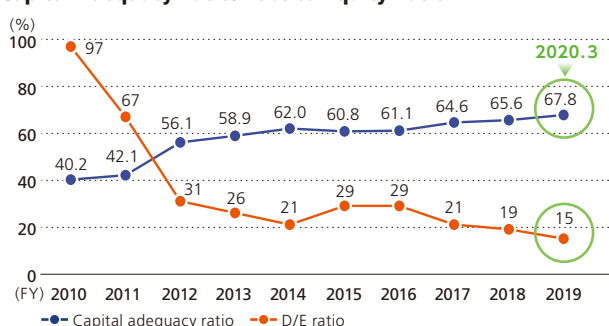


Leverage

Building a Robust Financial Structure

Our basic policy for building a robust financial structure is to maintain a capital adequacy ratio $\geq 60\%$ and a debt-to-equity ratio (D/E)^{*3} $\leq 30\%$. 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

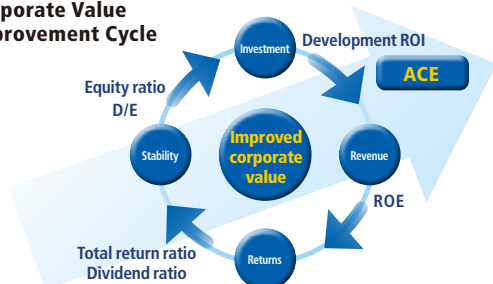


*3 Debt-to-equity ratio (D/E): Interest-bearing debt/Equity attributable to owners of the parent company

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

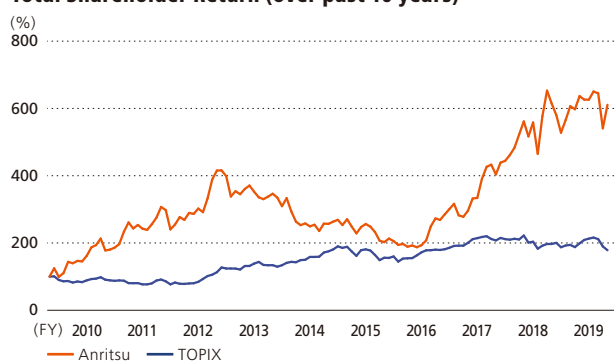
of 30% or higher, primarily by raising the dividend on equity (DOE) in response to an increase in consolidated net income. We also flexibly implement other measures regarding shareholder return that take the total return ratio into account.

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

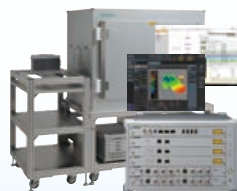
In our main business, the Test and Measurement Business, we achieved an operating profit margin of 20%. This was mainly due to firmly capturing the rapidly growing demand for 5G development in Japan and Asia. As a result, the operating profit margin for the Anritsu group was 16.3% and ROE was 14.9%. 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."

Business Summary

Test and Measurement Business

Evolution and Development of Network Society

- Mobile market: 5G and LTE
- Network infrastructure market : Wired and wireless network
- Electronics market : Electronic components, wireless equipment



PQA Business

Food Safety and Security

- X-ray inspection systems
- Metal detectors
- Checkweighers



Other Businesses

- IP network equipment
- Optical devices



FY2019 consolidated revenue: **¥107.0 billion**

Revenue Breakdown by Business

Test and Measurement Business 70%

Mobile 56%

Network infrastructure 25%

Electronics 19%

PQA Business 21%

Other Businesses 9%

Test and Measurement Business: Revenue Breakdown by Region

Japan 22%

Asia and others 44%

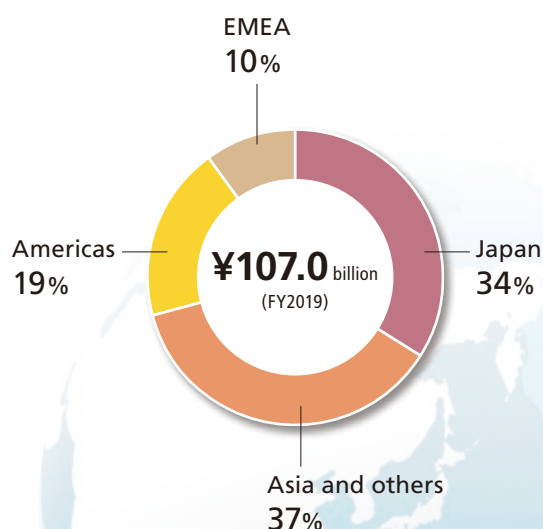
Americas 22%

EMEA 12%

PQA: Products Quality Assurance

EMEA: Europe, Middle East, Africa

Revenue Breakdown by Region (Consolidated)



Main Customers

Test and Measurement Business

Mobile Market

- Smartphone/tablet device manufacturers
- EMS (electronics manufacturing services)
- Chipset manufacturers
- Telecommunications carriers
- Manufacturers of automobiles and vehicle-related equipment

Network Infrastructure Market

- Telecommunications carriers
- Communication-related construction companies
- Communication equipment manufacturers
- IT service providers

Electronics Market

- Electronic device/component manufacturers
- Communication equipment manufacturers
- Smartphone/tablet device manufacturers
- Electronic equipment manufacturers
- Automobile and vehicle-related equipment manufacturers

PQA Business

Quality Assurance of Food and Pharmaceuticals

- Food manufacturers (agricultural products, meat, processed food)
- Pharmaceutical/cosmetics manufacturers (tablets, capsules, liquids, and patches)

Other Businesses

Data Communication Business (IP network equipment)

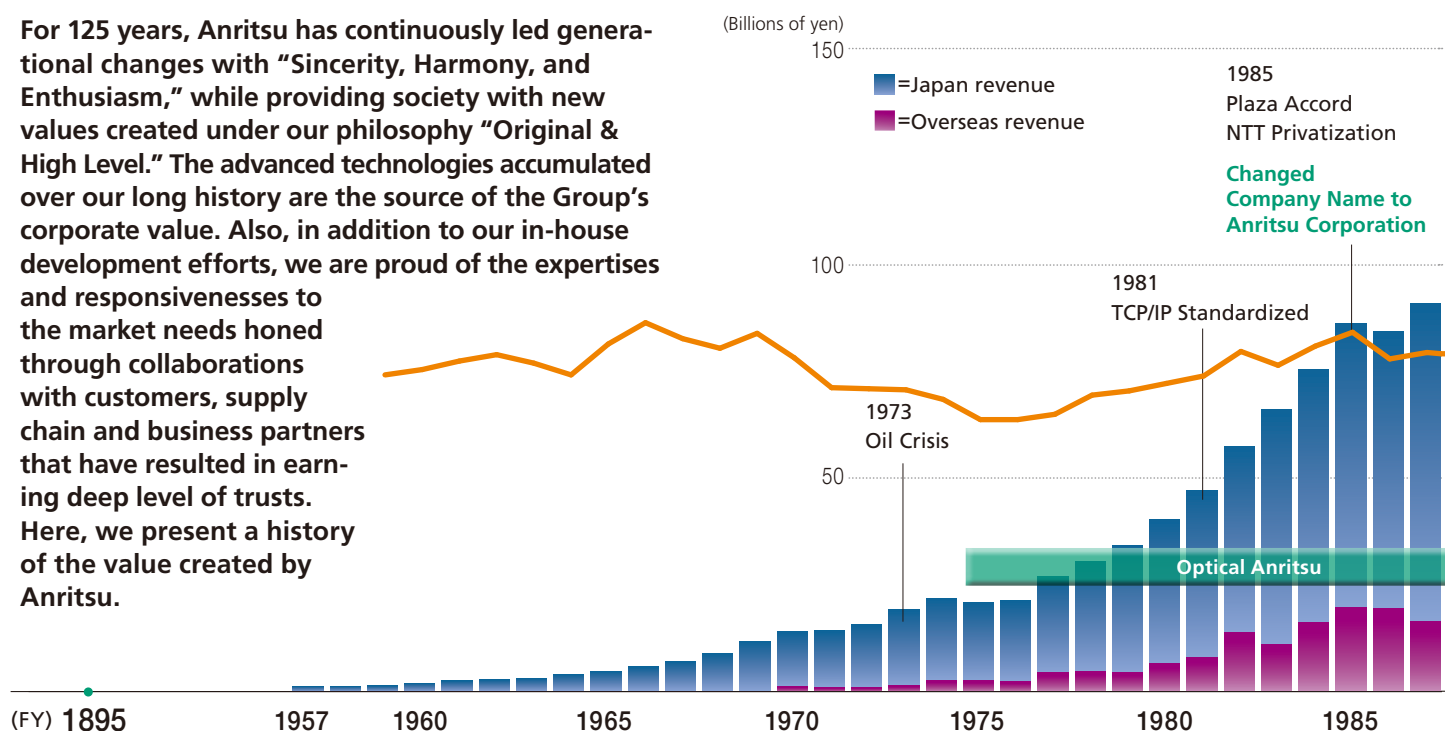
- National and local governments
- Financial institutions
- Video distribution companies

Device Business (Optical devices)

- Electric equipment manufacturers
- Communication equipment manufacturers

Anritsu Value History

For 125 years, Anritsu has continuously led generational changes with "Sincerity, Harmony, and Enthusiasm," while providing society with new values created under our philosophy "Original & High Level." The advanced technologies accumulated over our long history are the source of the Group's corporate value. Also, in addition to our in-house development efforts, we are proud of the expertises and responsivenesses to the market needs honed through collaborations with customers, supply chain and business partners that have resulted in earning deep level of trusts. Here, we present a history of the value created by Anritsu.



History of Change by Showing "Sincerity, Harmony, and Enthusiasm"

Dawning of a New Era 1895–1930

- Lead the dawning of a new era for Japanese information and communications technology
- Mired in management crisis due to economic downturn in aftermath of the Great Kanto Earthquake, the Great Depression, and intensified competition

Period of Wired/Wireless Integration 1931–1949

- Anritsu Electric Co., Ltd. founded by merger of Kyoritsu Electric (Sekisan-sha) and Annaka Electric Co., Ltd.
- From outbreak of the Second Sino-Japanese War to the war era (armaments boom)
- Began corporate reconstruction by switching to civilian demand as war ended

Period of Resurgence Under Revived Anritsu Electric Co., Ltd. 1950–1962

- Restarted under second company system on the basis of the 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)

Business Expansion Brought about by Diversification 1963–1974

- Promoted business diversification through a system comprising six business divisions
- Supported development of communications infrastructure that underpins Japan's high growth
- Started payphone export business

History of Challenges to Achieving "Original & High Level"



Made world's first wireless telephone practical (TYK radio-telephone)



Became a pioneer in wired communications in Japan (manufacture of payphones)



Development and manufacture of Japan's first television transmitter



Development of magnetic recorder (AC bias system)



Mass production of payphones



Development of microwave line measuring instrument as forerunner of T&M Business



Development of measuring instrument for digital transmissions



Development of checkweigher as forerunner of Products Quality Assurance (PQA) Business

Foundation and M&A History

1895

Guglielmo Marconi successfully demonstrated the world's first wireless telegraph

1895

Sekisan-sha founded (by Keizaburo Ishiguro)

1908

Kyoritsu Electric Co., Ltd. established (merger of Sekisan-sha with Abe Electric Co., Ltd.)

1900

Annaka Electric Co., Ltd. established (by Tsunejiro Annaka)

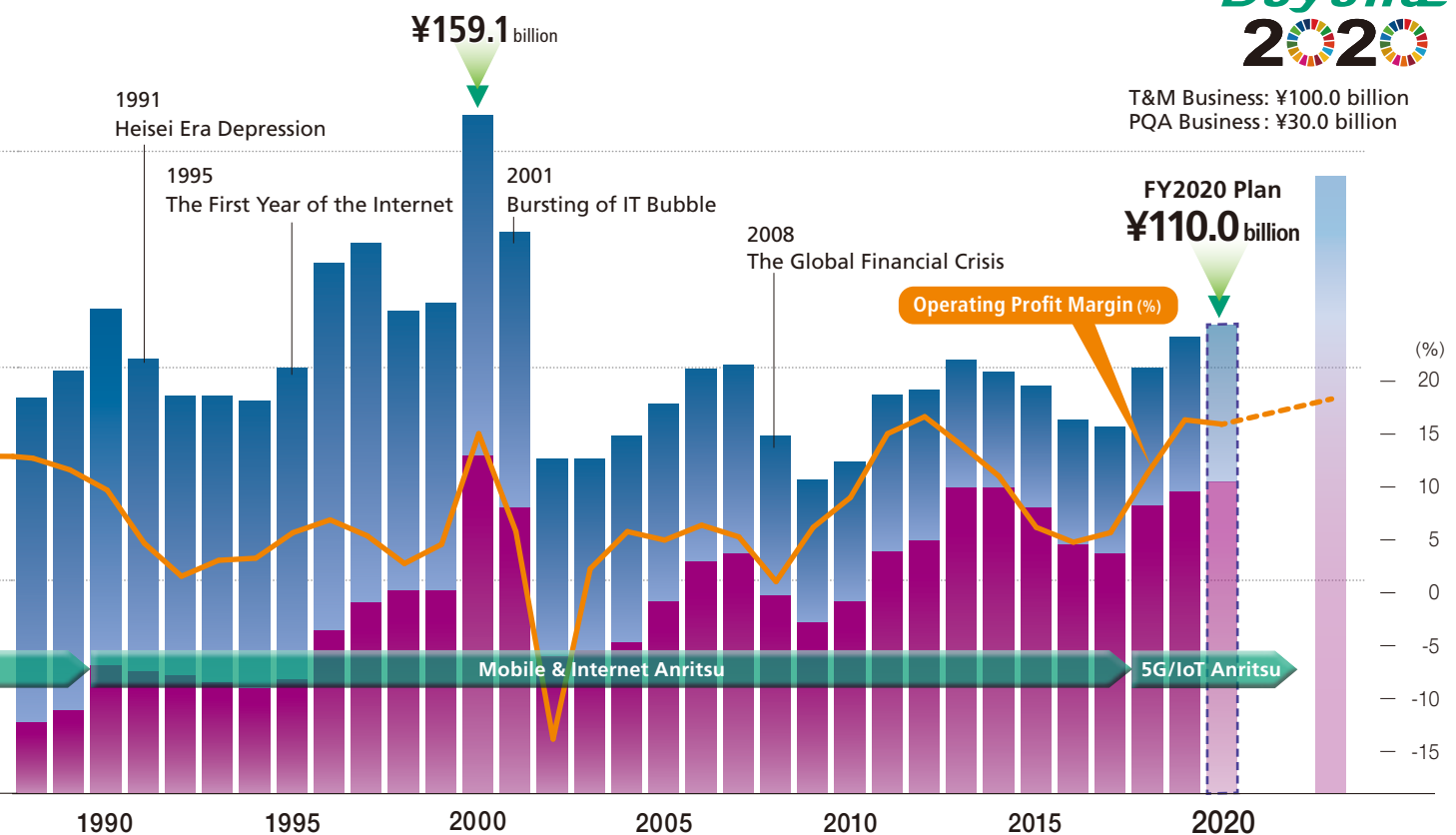


1931 Anritsu Electric Co., Ltd. established



1985 Changed Company name to Anritsu Corporation

T&M Business: ¥100.0 billion
PQA Business: ¥30.0 billion



An Era of Optical Anritsu

1975–1989

- Established business foundation in United States with mass deliveries of microwave line measuring instrument to AT&T
- Expanded domestic and overseas optical measurement business by increased investment in optical communications networks
- Expanded T&M market due to opening up of communications market following NTT's privatization
- Expanded overseas payphone business

Building Foundations as a Multinational Company

1990–2000

- 100th anniversary of foundation: 21st Century Company Vision "To become a global company with global technologies for global customers"
- Integrated and expanded overseas development, manufacturing, and sales bases following acquisition of Wiltron Company
- Business selection and concentration: withdrawal from and transfer of non-core businesses

21st Century: Path to Becoming a Global Brand

2001–

- Recorded all-time high profit and significant slump into the red due to North American IT bubble
- Management structure reforms (headquarters functions centralized at Atsugi)
- Growth toward becoming a global leading company in mobile T&M Business field
- Entered operations support systems (OSS) market following acquisition of Net Test
- Gained advanced fading simulator technology through the acquisition of Azimuth Systems, Inc.



Development of measuring instrument for optical fiber communications (optical time domain reflectometer [OTDR], world's first optical pulse tester)



Card-type payphone



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



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



Development of ultra-high speed semiconductor device (monolithic microwave integrated circuit [MMIC])

Production of series of measuring instrument for digital mobile wireless radio



Development of world's first W-CDMA (3G) to LTE conformance test system



X-ray inspection system



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



Industry's first acquisition of GCF certification for 5G protocol conformance tests and RF conformance tests

1990

Acquired Wiltron Company (California, USA)



- Integrated overseas sales, development, and manufacturing bases
- Established a robust foundation for global business expansion
- Strengthened microwave and millimeter-wave band product mix
- Acquired a line of hand-held products
- Expanded customer base

2005

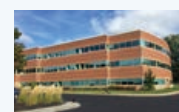
Acquired NetTest (Denmark)



- Acquired service assurance business
- Achieved total-solution product suite, including network quality assurance

2016

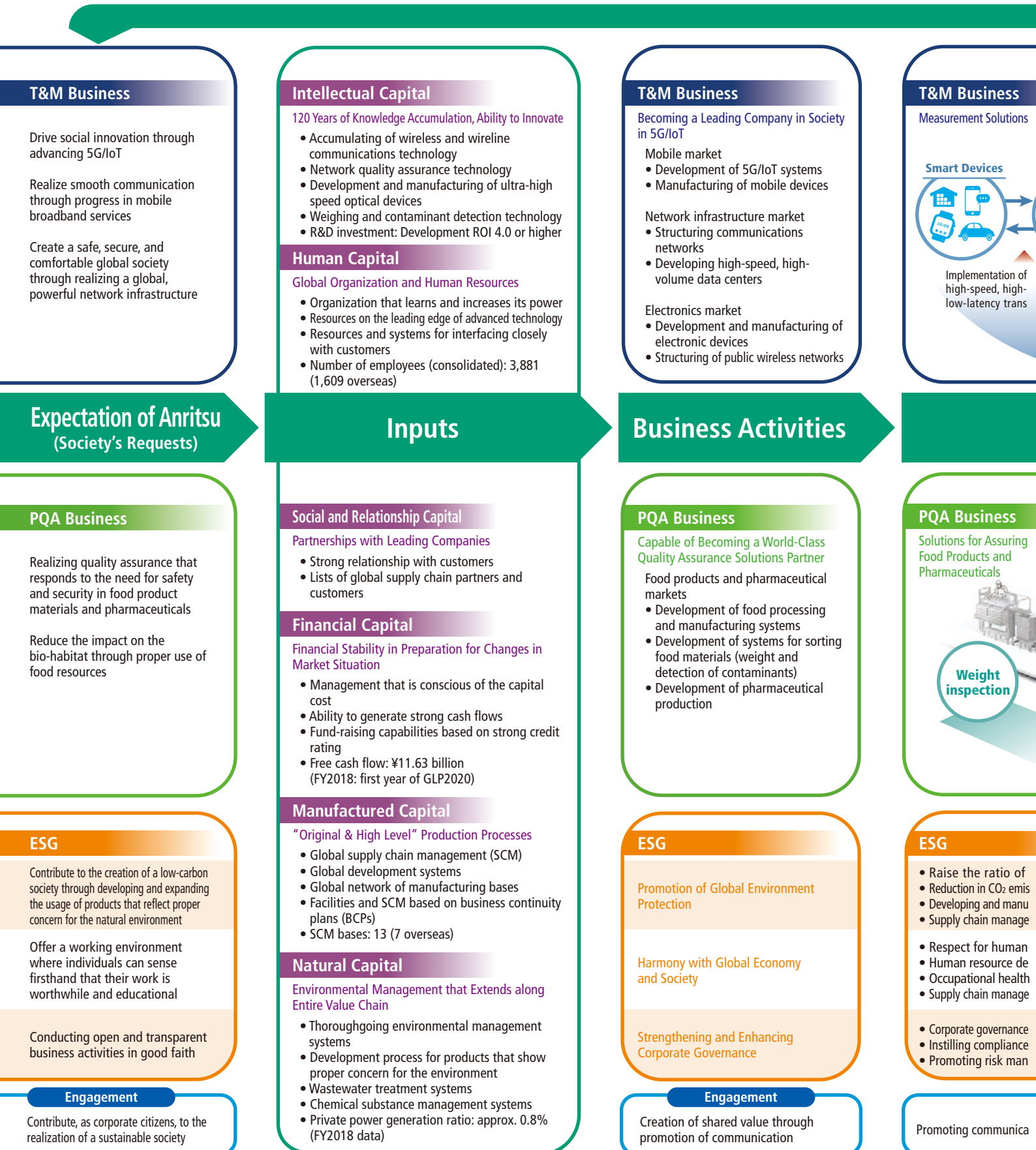
Acquired Azimuth Systems, Inc. (Massachusetts, USA)



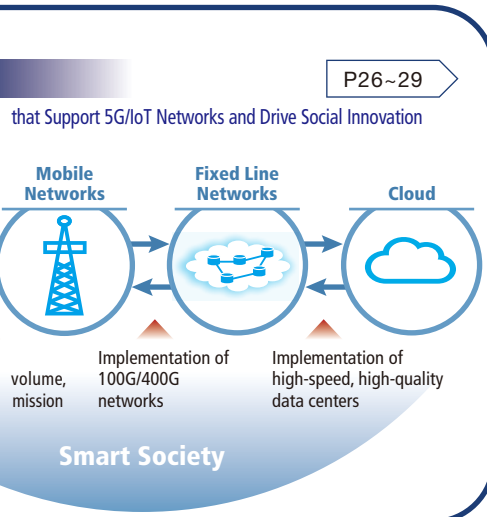
- Acquired fading technology indispensable for 5G
- Gained the ability to provide key solutions, such as over-the-air (OTA) testing

Anritsu's Value Creation Model

The sources of Anritsu's corporate value are its tangible and intangible capitals, which are also the basis of those capitals to conduct its corporate activities that contribute to resolve social issues.



Anritsu's characteristics "Reliability, Adaptability, and Innovativeness." Anritsu makes the maximum use of



Intellectual Capital

- Participation in and contribution to technology standards bodies inside and outside Japan: 11 organizations

Human Capital

- Ratio of female executive officers: 8.7%
- Ratio of non-Japanese executive officers: 4.3%
- Ratio of females promoted to management positions:
Japan 1.8%
Worldwide 10.4%

T&M Business

P29

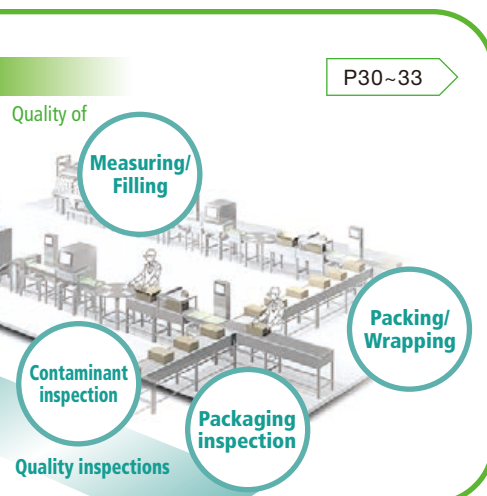


Put into place a safe and secure infrastructure which leads to the building of a sustainable society and encourages innovation



Put in place a robust network infrastructure that will provide safety and security in all areas and lead to building a sustainable society

Outputs



Social and Relationship Capital

- Meetings with institutional investors and analysts
With domestic investors: 249
With overseas investors: 244

Financial Capital

- Free cash flow: ¥11.035 billion

Manufactured Capital

- Production track record
T&M: ¥78.17 billion (112.2% YoY)
PQA: ¥22.95 billion (101.5% YoY)
Others: ¥9.2 billion (106.8% YoY)

Natural Capital

- Formulated "Anritsu Climate Change Action PGRE 30"
Raise ratio of renewable energy produced in-house to approx. 30% by 2030

Value Provided to Society (Contributing to the development of a safe, secure, and comfortable society)

PQA Business

P33



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



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.

ESG



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



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



Ensuring ethical corporate activities through risk management and fair, quick, and effective decision making

Engagement

tion and the provision of information to our stakeholders

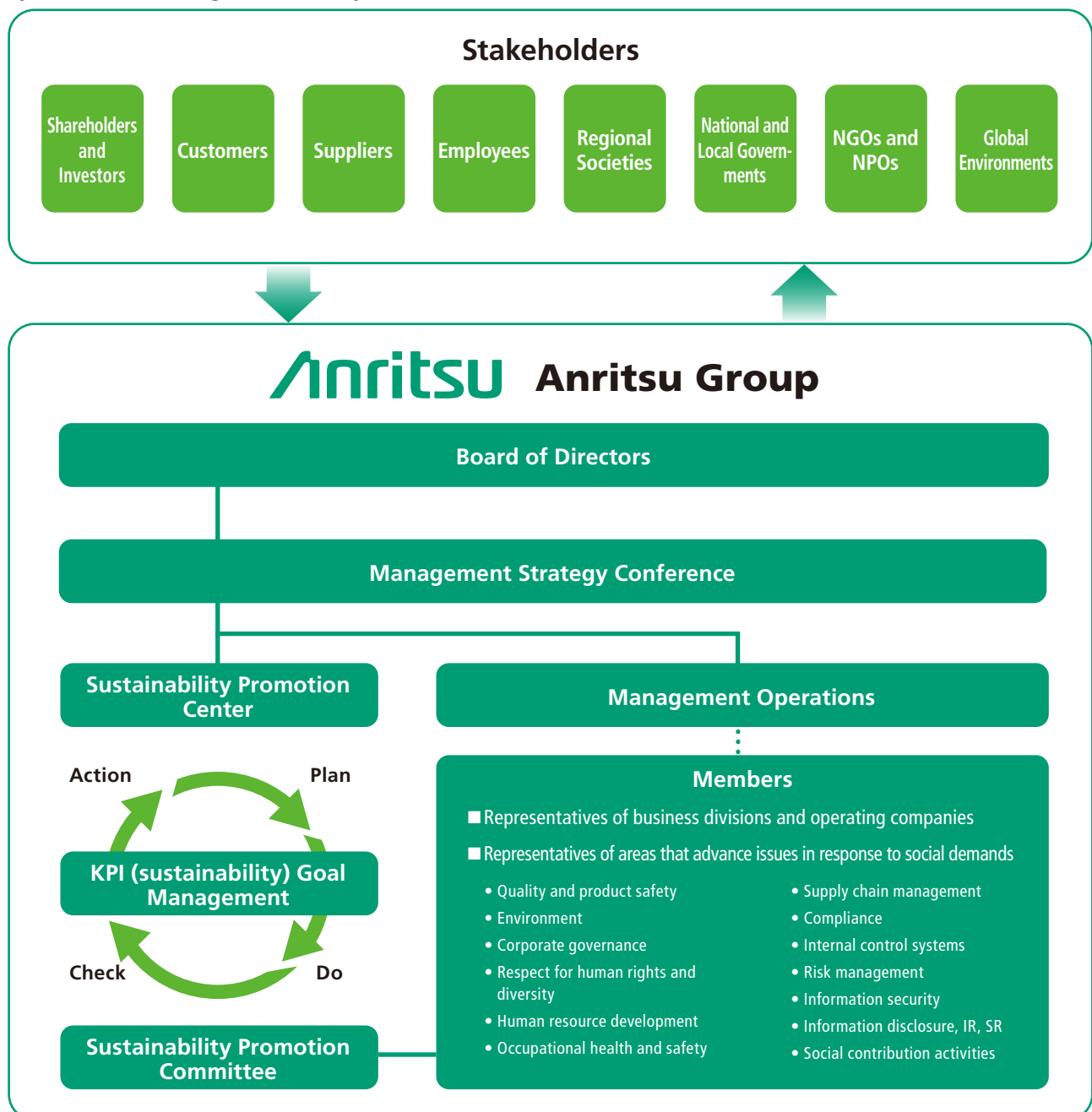
Sustainability Management

Anritsu has aggressively pursued sustainability activities based on its Company Philosophy, Company Vision, Company Policies and also the Sustainability Policy that was created in April 2018.

The Company at the same time has established the Sustainability Promotion Center, that works closely with the Sustainability Promotion Committee comprised of representative members from business divisions, subsidiaries, and ESG relevant departments to promote sustainability-related activities of Anritsu Group.

Sustainability-related activities are promoted as PDCA activities to the target defined in the GLP2020 Mid-Term Business Plan based on corporate value improvement policies approved by the Board of Directors meeting and the Management Strategy Conference. In respect to key ESG issues that we have selected along with those social issues that we aim to resolve through our business activities, we sorted them based on social requirements by each stakeholders in order to ensure objectivity and coverage so that we could identify and prioritize key issues for actions after consulting and cooperating with relevant departments.

System for Promoting Sustainability



A safe,
secure,
and
comfortable
society

Automobiles



Autonomous driving

Healthcare



Telemedicine

Construction



Remote control

Agriculture



Farming support

Entertainment



VR/AR

Food

Reduced food loss
Product Quality Assurance

Customers

Mobile communications
marketNetwork infrastructure
market

Electronics market

Food processing
marketPharmaceuticals
market

Solving Social Issues through Business

Anritsu Group

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



T&M Business

Put in place a robust network infrastructure that will provide safety and security in all areas and lead to building a sustainable society



PQA Business

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



Challenges to Meet the Needs of Society (ESG)

Promotion of Global Environment Protection

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

- Raise the ratio of renewable energy produced in-house
- Reduction in CO₂ emissions volume (energy consumption volume) and water usage volume
- Developing and manufacturing high-quality and environmentally friendly products
- Supply chain management that lowers environmental burden



Harmony with Global Economy and Society

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
- Supply chain management that gives due regard to human rights



Strengthening and Enhancing Corporate Governance

Ensuring ethical corporate activities through risk management and transparent, fair, quick, and effective decision making

- Corporate governance
- Instilling compliance awareness
- Promoting risk management



The Creation of Shared Value through the Promotion of Communication

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

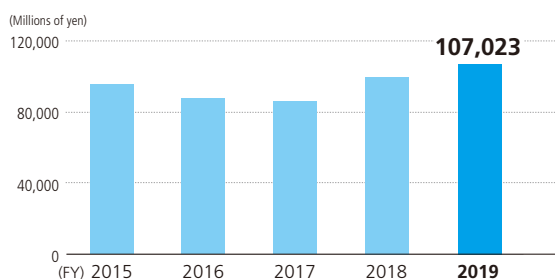
- Providing information to and communicating with stakeholders



Anritsu
Group

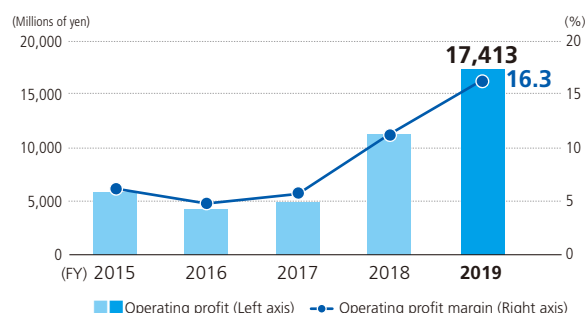
Financial & Non-Financial Highlights

Revenue



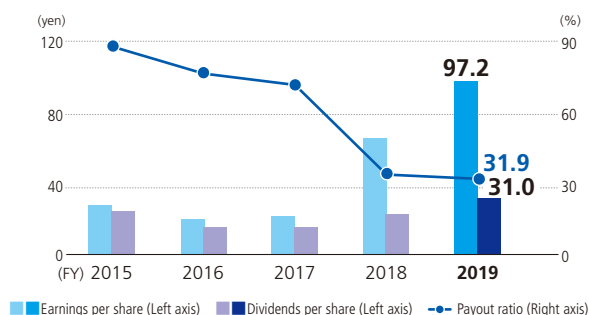
Revenue rose to ¥107,023 million up 7.4% compared with the previous fiscal year. In the Test and Measurement Business, demand increased to develop 5G, especially in Asia, and demand to develop 5G chipsets and mobile terminals for the mobile market is robust. In the PQA Business there was solid demand for investment in equipment targeting automation, labor saving and strengthening improvements for quality assurance processes in the food market in Japan and overseas. However, despite this, revenue was lower than the previous fiscal year due to impacts such as the lengthening of inspection periods at customer sites for products ordered.

Operating Profit/Operating Profit Margin



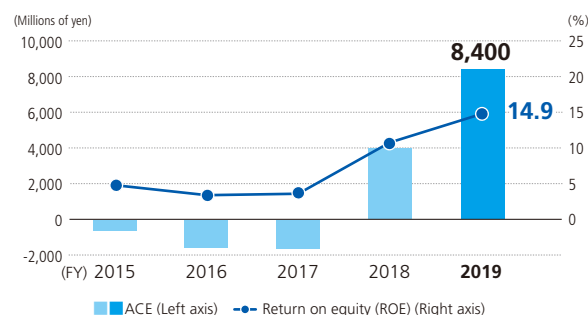
Operating profit was ¥17,413 million up 54.8% compared with the previous fiscal year and operating profit margin was 16.3%. In the Test and Measurement Business, the sales ratio rose for highly profitable measuring instrument in the development of 5G devices and operating profit reached ¥15,148 million up 60.9% compared with the previous fiscal year, with the operating profit margin reaching the medium- to long-term target of 20%. In the PQA Business, the impact of a ¥499 million year on year contraction in revenue led to operating profit of ¥1,287 million, down ¥322 million compared with the previous fiscal year.

Earnings per Share/Dividends per Share & Payout Ratio



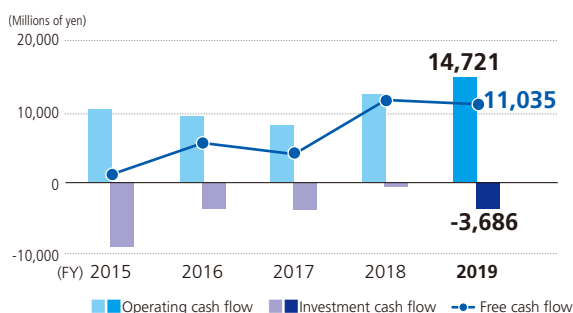
In FY2019 earnings per share were ¥97.2 up ¥32 compared with the previous fiscal year, while the annual dividend was ¥31 an increase of ¥9 compared with the previous fiscal year, with a payout ratio of 31.9%. While taking the basic approach of raising dividends on equity (DOE) in accordance with the increase in consolidated profits for the fiscal year, the Company aims at a dividend payout ratio of 30% or more, with distributions of dividends twice a year, consisting of a fiscal year-end dividend and an interim dividend.

ACE/Return on Equity (ROE)



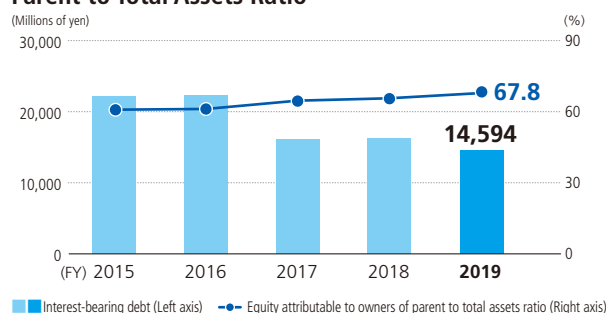
To evaluate the added value generated by capital invested, Anritsu uses an original metric, Anritsu Capital-cost Evaluation (ACE), for evaluating the results of each business division. In FY2019 ACE was ¥8,400 million up 115% compared with the previous fiscal year, substantially exceeding the ¥5,000 million target for the final year of GLP2020.

Cash Flow



In FY2019 net cash provided by operating activities rose to ¥14,721 million due to an increase in cash from reporting of profit before tax and recording depreciation and amortization, despite a decrease in cash from a rise in inventories, trade and other receivables. Net cash used in investing activities came to ¥3,686 million, mainly due to the acquisition of property, plant and equipment. As a result, free cash flow was positive, at ¥11,035 million.

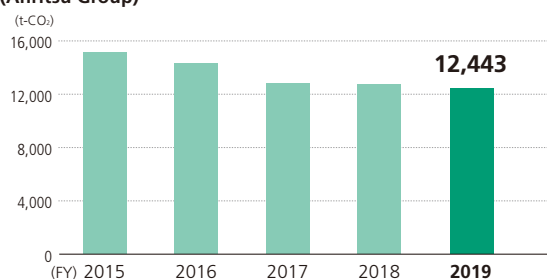
Interest-Bearing Debt/Equity Attributable to Owners of Parent to Total Assets Ratio



In accordance with the adoption of IFRS16, the amount of lease liabilities increased at the beginning of this fiscal year. Under that influence, interest-bearing debt increased. However, with the repayment of long-term loans, the balance of interest-bearing debt came to ¥14,594 million down ¥1,840 million compared with the previous fiscal year. With regard to the equity attributable to owners of parent to total assets ratio, there were equity increases, mainly retained earnings, while other components of equity decreased, bringing the ratio to 67.8%.

CO₂ Emissions (Scope 1, 2)

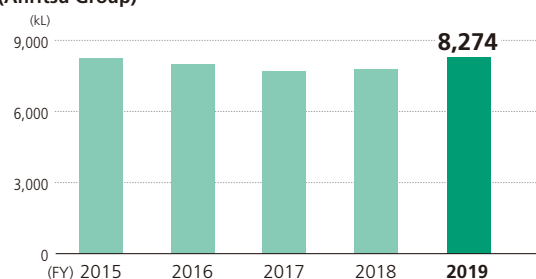
(Anritsu Group)



Anritsu is dedicated to reducing our energy consumption—which constitutes more than 98% of our CO₂ emissions (Scope 1, 2)—and we are making steady progress in this regard. Going forward, we are striving to aggressively adopt renewable energy and shift to a self-generating and self-consuming system for electricity. We set a long-term CO₂ emissions target for 2030, which was approved by the Science Based Targets (SBT) initiative. Furthermore, we set tentative long-term targets for 2050. In FY2019 CO₂ emissions were down 2.3% compared with the previous fiscal year, to 12,443 t-CO₂.

Energy Consumption (Crude oil conversion basis)

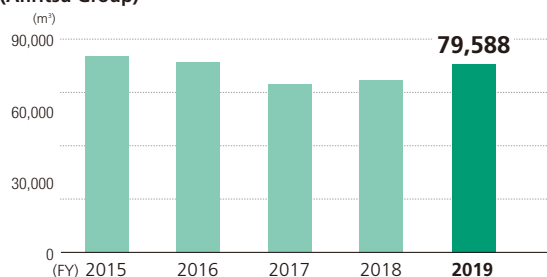
(Anritsu Group)



In FY2019, total energy consumption of the Anritsu Group overall (crude oil conversion basis) increased by 6.4% year on year. In the Domestic Anritsu Group energy consumption increased by 2.9% but energy consumption was reduced 1.2% along with reduction measures such as reviewing the operating criteria for air-conditioners and updating to air-conditioning equipment with high efficiency.

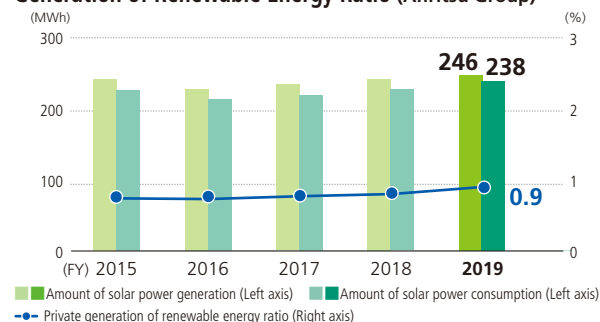
Water Usage

(Anritsu Group)



In FY2019, the Anritsu Group's water usage increased 9.4% year on year. This is due to the increase in overtime hours along with increased production and the increase in water usage for the newly introduced production process at Anritsu Company (California, USA). In addition, the relaxation water saving policies in the state of California enabled the resumption of watering for plants to maintain the landscape.

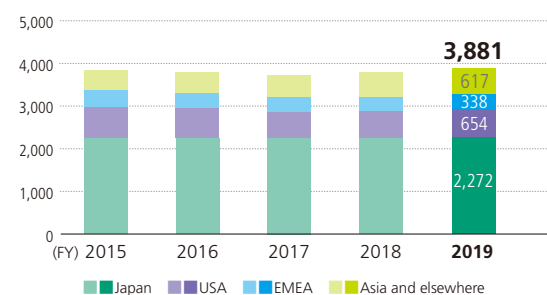
Amount of Solar Power Generation/ Consumption and Private Generation of Renewable Energy Ratio (Anritsu Group)



Anritsu has newly established the "Anritsu Climate Change Action PGRE 30" with the aim of reaching SBT targets (refer to ESG Highlights for details). The amount of solar energy generation in FY2019 increased 2.1% year on year to 246 MWh (private generation ratio of 0.9%).

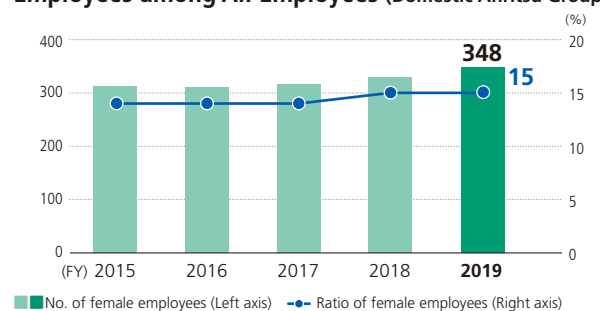
*Solar power consumption = amount of solar power generated – surplus power (provided to power supply companies free of charge)
Private generation of renewable energy ratio = solar power consumption/electrical power consumption

Number of Employees by Region



We appropriately manage human resources for each business segment (T&M, PQA, Others) at our bases in Japan, the Americas, EMEA, and Asia. Human resources are managed in the categories of R&D, Manufacturing/Service, Sales/Marketing and Staff, and the status regarding number of employees at each site is reported quarterly to the Board of Directors. As of the end of March 2020, the ratio of employees in Japan to overseas based employees was 59:41.

Number of Female Employees and Ratio of Female Employees among All Employees (Domestic Anritsu Group)



Anritsu hires new employees on a gender-neutral basis in all positions, be they in office administration or technical areas. We set the goal of raising the ratio of women hired in Japan to 20% (or more) newly graduated by 2020. Our public relations activities focused on female students and have resulted in the female ratio among new recruits reaching 32% in FY2019, with 11 of the 34 new graduates joining Anritsu in April 2020 being women.

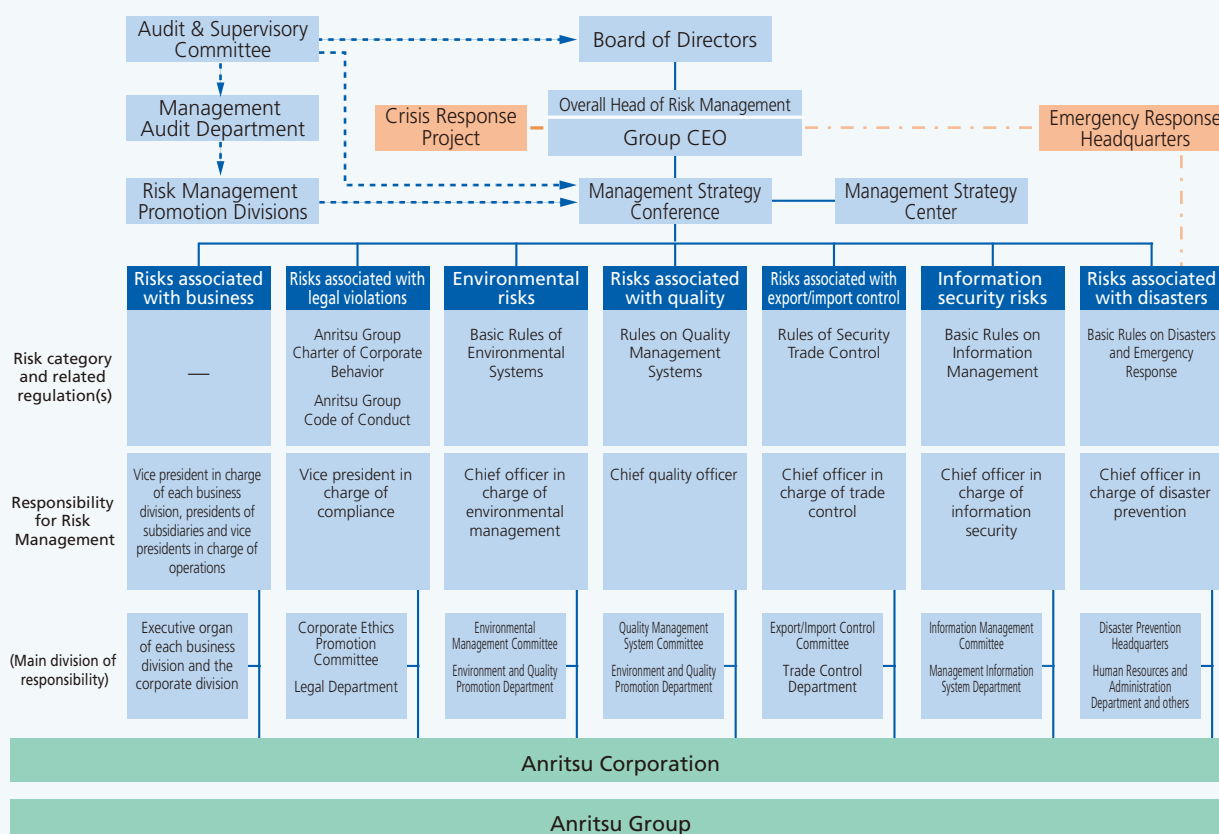
Risks and Opportunities

Anritsu Group Risk Management

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

The Anritsu Group views risks as the uncertain events that affect corporate value such as organizational profit and social credibility. In other words, we do not consider risks as necessarily negative but instead as potentially positive events if managed appropriately. We recognize proper risk management as a vital management issue and have established a risk management system for the Anritsu Group as a corporate entity. We focus on initiatives that will enhance the risk sensitivity of all employees. At the same time, we promote risk management through an all-inclusive effort to maintain and expand our corporate value, fulfill our corporate social responsibility and seek sustainable development for the Group.

Risk Management Framework



Major Risks and Opportunities

	Risk factor	Details of risks and opportunities	Response
Market environment	Risks related to market environment changes	Risk <ul style="list-style-type: none"> Deterioration of market environment, including instability in political situations in various regions around the world, economic recession, inclement weather, spread of infectious diseases, etc. Opportunity <ul style="list-style-type: none"> Expansion of target markets due to new communication methods/capabilities 	<ul style="list-style-type: none"> Swiftly understand and respond to market environment changes
	Risks related to fluctuations in exchange rates and the environment for capital procurement	Risk <ul style="list-style-type: none"> Increased manufacturing costs from currency fluctuations, leading to impacts on yen-denominated performance results Rising capital procurement costs from changes to financial institutions' stance toward lending and fluctuating conditions in the capital procurement market 	<ul style="list-style-type: none"> Build a business structure less susceptible to currency fluctuations by optimizing procurement based on currency fluctuations, building a diversified manufacturing framework, and balancing imports/exports for each foreign currency
Business activities	Risks related to securing human resources	Risk <ul style="list-style-type: none"> Difficulty in securing excellent human resources, due to the declining working population along with the declining birthrate and aging population causing competition for human resources to intensify 	<ul style="list-style-type: none"> Strengthening recruitment that is does not focus on nationality/gender/new graduates/mid-career Strengthening training for in-house human resources
	Risks related to technology, products, and services	Risk <ul style="list-style-type: none"> Rapid environmental changes, such as the emergence of new technologies, products, and services, and intensifying competition due to market entry by new players Opportunity <ul style="list-style-type: none"> Generate demand and seize growth opportunities through new technology and new products 	<ul style="list-style-type: none"> Understand customer needs and promote development Utilize open innovation
	Risks related to acquisitions and collaboration with other companies	Risk <ul style="list-style-type: none"> Deteriorating market environment following tie-ups, collaboration, and M&A Difficulty with tie-ups and challenges unlocking the business resources of target companies as anticipated Opportunity <ul style="list-style-type: none"> Expansion of business fields and accelerated structural transformation from acquiring new business resources 	<ul style="list-style-type: none"> Verify business plans and carry out due diligence before executing actions Thoroughly follow up after acquisitions and execute additional measures in response to business environment changes
	Risks related to product & service quality and liability	Risk <ul style="list-style-type: none"> Damage to the brand image and incurring compensation costs from unexpected safety-related problems with products Opportunity <ul style="list-style-type: none"> Foster loyalty through customer satisfaction 	<ul style="list-style-type: none"> Build a quality management system; and implement a thorough PDCA cycle
	Risks related to procurement	Risk <ul style="list-style-type: none"> Raw material and component supply shortages from deteriorating business conditions at suppliers, or from natural disasters, accidents, and so on Surging procurement costs from rapidly changing supply/demand environment, exchange rate fluctuations, etc. Opportunity <ul style="list-style-type: none"> Stronger competitiveness and larger profits from procurement of new materials/components 	<ul style="list-style-type: none"> Conform to supply chain procurement guidelines Diversify the number and regional locations of suppliers Stabilize procurement costs by leveraging long-term contracts and the like. (additional review needed)
	Risks related to legal and regulatory	Risk <ul style="list-style-type: none"> Business activity restrictions from more rigid laws and regulations in each region, or from changes in interpretations of laws and regulations, changes to operational policies Damage to the brand image and incurring administrative action, such as fines, from unexpected legal and regulatory violations Opportunity <ul style="list-style-type: none"> Expansion of areas in which the Company can do business by properly adhering to laws and regulations in each country 	<ul style="list-style-type: none"> Identify issues and promote issue resolution by the Risk Management Promotion Divisions
	Risks related to information security	Risk <ul style="list-style-type: none"> Leakage of confidential information, interruptions of production lines and/or distribution systems due to unauthorized access or cyber-attacks Requirements to pay compensation for damages or civil penalties; necessity to pay for costly countermeasures Opportunity <ul style="list-style-type: none"> Enhance productivity through the introduction of new systems 	<ul style="list-style-type: none"> Promote information security strategies/countermeasure policies by the Information Management Committee Strengthen our information security systems, thoroughly ensure protection of confidentiality, restrict external access, establish internal regulations, implement education and training
Climate change	Risks related to environment (climate change, etc.)	Risk <ul style="list-style-type: none"> Due to the exacerbation of global environmental problems, strengthen standards for use/emission of greenhouse gases and standards for energy-saving Opportunity <ul style="list-style-type: none"> Enhance into the environmental business 	<ul style="list-style-type: none"> Strictly adhere to international standards; establish more rigorous self-designated standards Understanding market trends/customer needs Practicing thorough energy conservation, improving energy efficiency by updating aging equipment and buildings, and proactively introducing renewable energy
Others	Risks related to natural disaster/non-specific disaster	Risk <ul style="list-style-type: none"> Disasters due to natural phenomena such as earthquakes, tsunamis, hurricanes, torrential rain, etc. Damage to Group business sites, supply chains, or customers from terrorism, riots, or wars/conflicts Spread of infectious diseases 	<ul style="list-style-type: none"> Increase earthquake-resistance of facilities; carry out countermeasures against tsunami, heavy rain, floods Conduct disaster prevention drills in preparation for natural disasters Promote working-from-home; strengthen workplace safety management

Mid-Term Business Plan

2020VISION

To be a global market leader

● Creating the value that only Anritsu can deliver

To create new business through emerging business

● Driving innovation in new

Looking Back on the Mid-Term Business Plan

	GLP2012 (FY2010-FY2012)	GLP2014 (FY2012-FY2014)	GLP2017 (FY2015-FY2017)
Vision	<ul style="list-style-type: none"> ■ Achieve continuous growth with profit ■ Achieve consolidated operating margin of 10% by reinforcing Test and Measurement Business 	<ul style="list-style-type: none"> ■ Becoming a cutting-edge, trusted global market leader <p>Capture growth drivers without fail, and realize "continuous profitable growth"</p>	<ul style="list-style-type: none"> ■ On-going "Growth & Global" improvement and strengthening of Group management capabilities <p>Capture growth drivers without fail, and realize "continuous profitable growth"</p>
Outline of the Mid-Term Business Plan	<p>FY2012 Consolidated revenue of ¥90.0 billion and operating profit of ¥9.0 billion</p> <ul style="list-style-type: none"> ■ Expand the profitable base businesses ■ Increase profit in growing business, make mainly current profit ■ Establish businesses in new growing fields ■ Improve cost structure through continual management innovations ■ Strengthen financial position and maximize corporate value 	<p>FY2014 Consolidated revenue of ¥110.0 billion and operating profit of ¥19.0 billion</p> <p>Test and Measurement Business</p> <ul style="list-style-type: none"> ■ Strive to boost competitiveness, focusing on the mobile broadband service market and the Asian market, while achieving a 7% or higher sales growth rate <p>PQA Business</p> <ul style="list-style-type: none"> ■ In the food and pharmaceuticals quality assurance field, focus on Asia and North America—areas expected to grow into large markets—and achieve a 7% or higher sales growth rate 	<p>FY2017 Consolidated revenue of ¥120.0 billion and operating profit of ¥17.0 billion</p> <p>Test and Measurement Business</p> <ul style="list-style-type: none"> ■ Capture global business opportunities through solutions with high added value and solidify our position as a global market leader ■ Customer-focus and business development through the strengthening of global management capabilities ■ Leverage Anritsu's strengths in technologies and customer base in integrated solutions for wireless, optics, and systems <p>PQA Business</p> <ul style="list-style-type: none"> ■ Expand overseas businesses ■ Develop markets in North America and Asia with X-ray inspection systems as a key solution
Looking Back	<ul style="list-style-type: none"> ■ Recovery from the drop in Test & Measurement demand accompanying the global financial crisis ■ Spread of smartphones and vitality in the market for measuring instruments for manufacturing ■ Launch of LTE service in Japan and the U.S. gives rise to the development market ■ Favorable changes in competitive conditions; launch of very competitive products in the LTE development market ■ Slump in measuring instruments for wired networks 	<ul style="list-style-type: none"> ■ As smartphones rapidly proliferate, they simultaneously rise in functions and spread as everyday devices; increasingly intense competition among smartphone players amid mergers and acquisitions, reorganization, and participant withdrawal. Japanese market contracts as other Asian players make gains. ■ Continuous evolution of mobile broadband. Anritsu seizes development demand by providing superior, cutting-edge solutions ■ PQA Business reaches a 40% overseas sales ratio by strengthening local manufacturing and sales support 	<ul style="list-style-type: none"> ■ Mobile test and measurement market sees a 40% slump (over the 2012 peak) amid structural changes in the smartphone market ■ Progress in standardization of 5G and concrete moves toward 5G commercialization with the release of new 5G products in February 2018 ■ Establishment of the Philippines Development Center and finalization of preparations for delivering high-cost-performance 5G support services ■ Aggressive expansion in the PQA Business (launch of new X-ray inspection systems, strengthening of local manufacturing framework and sales support framework) leads to 1.4x revenue gain and 4.0x operating profit increase.
Results & Challenges	<p>Plan</p> <p>FY2010: revenue of ¥77.0 billion, operating profit of ¥3.8 billion, operating profit margin of 5%</p> <p>FY2012: revenue of ¥90.0 billion, operating profit of ¥9.0 billion, operating profit margin of 10%</p> <p>Result</p> <p>FY2012: revenue of ¥77.9 billion, operating profit of ¥7.0 billion, operating profit margin of 9%</p> <p>FY2011: revenue of ¥93.6 billion, operating profit of ¥14.4 billion, operating profit margin of 15%</p> <p>Achieved key management indicators of GLP2012 one year early</p> <p>Challenges</p> <ul style="list-style-type: none"> ■ Price competition from commodification and digitization of general-purpose measuring instruments ■ Concerns over the sustainability of strength in the mobile market; necessity to avoid over-reliance on mobile ■ Sluggish growth in measuring instruments for construction and maintenance 3G base stations; necessity to consider new solutions 	<p>Plan</p> <p>FY2012: revenue of ¥94.5 billion, operating profit of ¥15.5 billion, operating profit margin of 16%</p> <p>FY2014: revenue of ¥110.0 billion, operating profit of ¥19.0 billion, operating profit margin of 17%</p> <p>Result</p> <p>FY2012: revenue of ¥94.7 billion, operating profit of ¥15.7 billion, operating profit margin of 17%</p> <p>FY2014: revenue of ¥98.8 billion, operating profit of ¥10.9 billion, operating profit margin of 11%</p> <p>Challenges</p> <ul style="list-style-type: none"> ■ On-going "Growth & Global" improvements for the Anritsu Group ■ Optimal utilization of overseas business resources within the Group ■ Further improve our leading position in the mobile market ■ Setting Japan and North America Test and Measurement Business back on a growth trajectory ■ Developing new markets in China and India ■ Enhancement of management resources for achieving North American PQA market strategies ■ Profit improvement scenarios for the PQA Business 	<p>Plan</p> <p>FY2015: revenue of ¥103.0 billion, operating profit of ¥11.0 billion, operating profit margin of 11%</p> <p>FY2017: revenue of ¥120.0 billion, operating profit of ¥17.0 billion, operating profit margin of 14%</p> <p>Result</p> <p>FY2015: revenue of ¥95.5 billion, operating profit of ¥5.9 billion, operating profit margin of 6%</p> <p>FY2017: revenue of ¥86.0 billion, operating profit of ¥4.9 billion, operating profit margin of 6%</p> <p>Challenges</p> <p>Test and Measurement Business</p> <ul style="list-style-type: none"> ■ Thorough implementation of the management restructuring program ■ Investment in 5G business ■ Establishment of a division focusing on the IoT business ■ Introduction of new optical and digital products in TTM <p>PQA Business</p> <ul style="list-style-type: none"> ■ Active investments in cutting-edge technologies to overcome quality assurance issues ■ Development of new products that contribute to quality assurance ■ Strengthening relationships with global companies

Planned Sales and Operating Profit

		GLP2020			
Indicator		FY2018 (*)	FY2018 (Actual)	FY2020 (*)	2020 (Plan)
Revenue		¥92.0 billion	¥99.7 billion	¥105.0 billion	¥110.0 billion
Operating profit		¥6.6 billion	¥11.2 billion	¥14.5 billion	¥17.5 billion
Operating margin		7%	11%	14%	16%
Profit		¥5.0 billion	¥9.0 billion	¥11.0 billion	¥13.5 billion
ROE		7%	11%	12%	14%
T&M Business	Revenue	¥60.0 billion	¥68.2 billion	¥70.0 billion	¥77.0 billion
	Operating profit	¥3.5 billion	¥9.4 billion	¥10.0 billion	¥15.5 billion
	Operating margin	6%	14%	14%	20%
PQA Business	Revenue	¥23.5 billion	¥23.1 billion	¥26.0 billion	¥24.0 billion
	Operating profit	¥2.0 billion	¥1.6 billion	¥3.0 billion	¥1.8 billion
	Operating margin	9%	7%	12%	8%

(Reference) Expected exchange rates for GLP2020: 1 USD=105 yen, 1 euro=125 yen * Planned in April 2018

Basic Policy of Medium- to Long-Term Business Strategy

Capture growth drivers without fail, and realize “continuous profitable growth”

	Market average annual growth rate (estimated by Anritsu)	Vision/growth driver	Medium- to long-term guideline	
			Sales growth rate	Operating profit margin
T&M	3-5%	Become a leading company supporting 5G/IoT society ① 5G, LTE-Advanced ② IoT/Automotive, Connectivity ③ IP Data Traffic/Cloud Services	≥7%	≥20%
PQA	3-5%	Become a world-class partner in quality assurance solution Expansion from contaminant inspection into the quality assurance market	≥7%	≥12%
Consolidated	—	—	—	≥18%
ROE	—	—	—	≥15%

GLP2020

GLP2020 (FY2018-FY2020)

- Prosecute the policy “Continuous profitable growth”
- Make our best to accomplish 2020VISION

Capture growth drivers without fail, and realize “continuous profitable growth”

FY2020

Consolidated revenue of ¥105.0 billion and operating profit of ¥14.5 billion

Test and Measurement Business

- Become the No. 1 Test and Measurement vendor ahead of competitors in 5G
- Develop new profit bases in the IoT/automotive field, where growth is expected through the utilization of 5G
- Create test solutions that support the expansion of cloud services

PQA Business

- Develop the advanced market in Europe and North America with X-ray inspection systems as a key solution
- Accurately respond to market needs through localization and global business reform
- Strengthen profitability through value-added solutions and expansion of global business

Basic Policy of Management Strategy

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



CTO Message

Researching Next-Generation Technologies that Support the Future with Measurement

We established Advanced Technology Research Center in April 2020 in order to cultivate the technological capabilities that will support the future with measurement. We will move forward with R&D under an open and innovative research environment to strengthen Anritsu's "Original & High Level."

Hanako Noda

Executive Officer, CTO
General Manager of Advanced
Technology Research Center

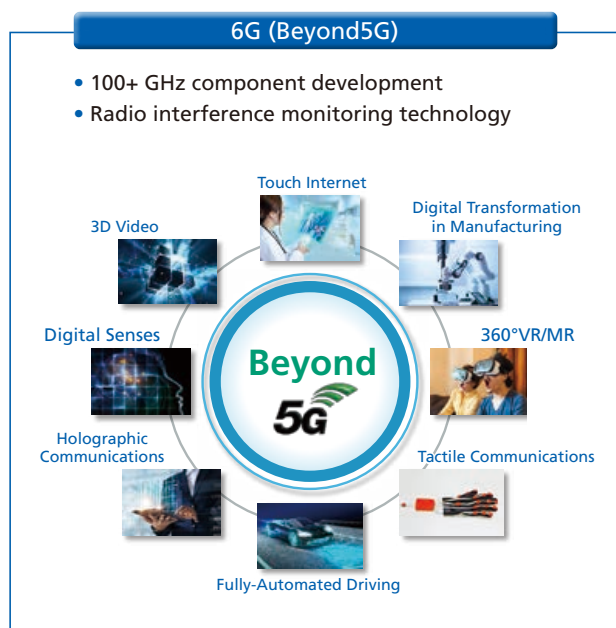


Establishment of the Advanced Technology Research Center

In order to remain a company that supports society, decades into the future through measurement, Anritsu established the Advanced Technology Research Center in April 2020, with the goal of advancing measurement and expanding its domain. This research center will undertake

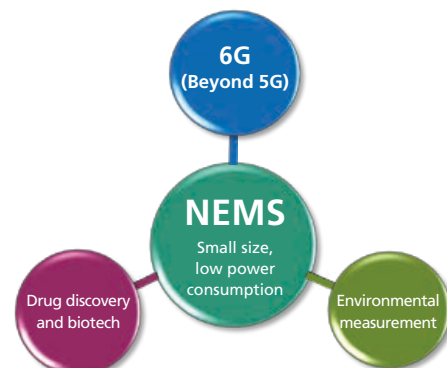
research and development of the 6G technology that will be needed a decade from now, and looking further, it will tackle the basic research to turn NEMS into reality. Inviting research leaders from outside the Company, the Advanced Technology Research Center will undertake fundamental research through innovative teams of highly diverse members to strengthen Anritsu's "Original & High Level."

Initiatives of the Advanced Technology Research Center



Next-Generation Technology Acquisition

- Realization of NEMS*, a promising technology for ultra-sensitive sensors



* Nanoelectromechanical systems (NEMS) are devices with mechanical structures on the order of nanometers in size, making them even more compact than microelectromechanical systems (MEMS), micromachines based on semiconductor processing technology.

Technology Development for the Commercialization of 6G in 2030

Initial 5G trials services commenced in 2019, followed by 5G commercial services launched overseas in the same year and in Japan in March 2020. Unfortunately, the Tokyo 2020 Olympic and Paralympic Games, slated as the stage for 5G's spectacular debut, were postponed for one year due to the COVID-19 pandemic. At the same time, changes in lifestyles and restrictions on activities have made advanced ICT infrastructure to support the digitalization of society all the more important, drawing even greater attention to 5G. Interest is growing in local 5G, for which 28GHz band license applications began in December 2019. Policy measures to promote 5G are being hammered down, as seen in the allocation of Sub-6GHz bands, discussions to enable outdoor use, and the readying of tax incentives for investment in 5G. We have hopes that, with the start of the Tokyo Olympic and Paralympic Games, 2021 will be a breakthrough year for 5G.

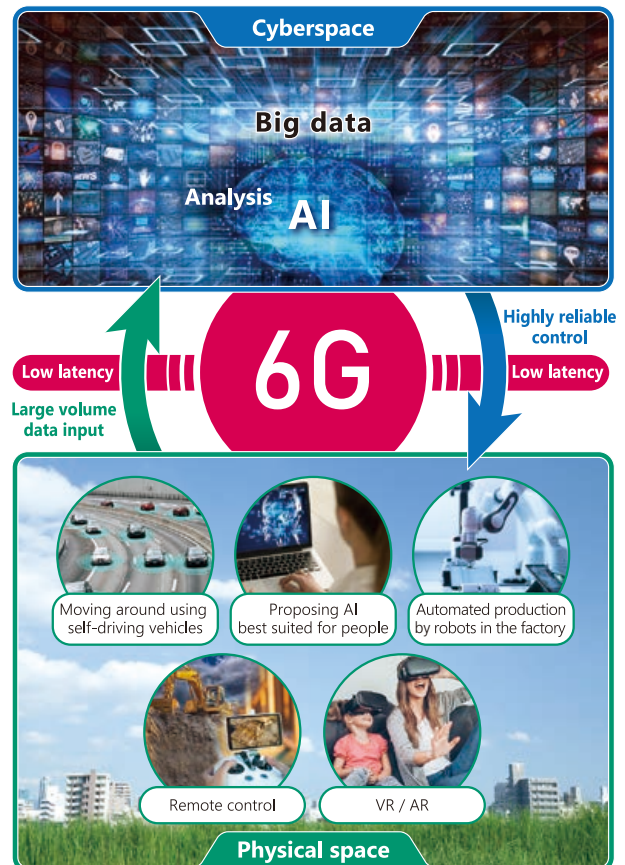
Although 5G has just made its start, preparations projecting a decade ahead to 6G have already begun around the world. The aim of 5G is not only the advancement of the communications infrastructure existing through 4G, but also the transformation of society artificial intelligence and the IoT as components of lifestyle infrastructure together with artificial intelligence and IoT. 6G is expected to form foundational technology for taking this infrastructure even further.

Forecasts call for 6G to launch around 2028, with full-scale use around 2030. Under the Japanese government's proposal for Society 5.0, a concept expected to see realization around the same time as 6G, the fusion of physical space and cyber space will further advance. Physical space is the real space in which we live, while cyber space is the virtual space constructed through computers and networks. Within current information society, i.e., Society 4.0, people have accessed data in cyber space via the Internet, to analyze and make use of information and data. In Society 5.0, by contrast, large volumes of data will be transacted between physical space and cyber space with low latency and high reliability. This will enable anyone, at any time and any place, to access people, information, and things in a hyper-realistic manner, increasing people's freedom in where and when to work. Already, the COVID-19 pandemic has made online meetings the norm in business, while real-time

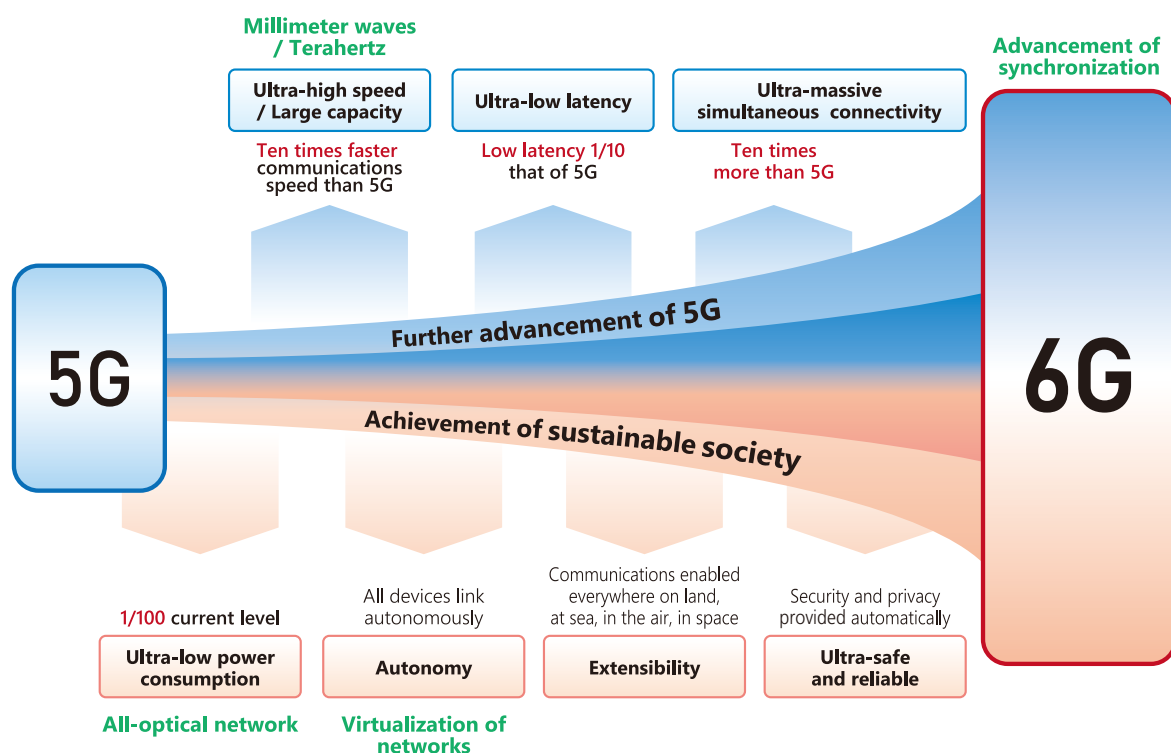
music sessions can now be enjoyed in private. The fusion of physical space and cyber space is taking place. As this transformation progresses, some watchers predict that large amounts of data in the physical space will be sucked up into cyber space, where physical space will be recreated and hence the future is predicted. This will be fed back into physical space, allowing people to make decisions on their next actions. Toward this end, data from a wide range of sensors in every location must be collected, analyzed, and fed back in an instant. 6G is the communications infrastructure that is expected to make this sort of society a reality.

6G is expected to enable communications not only on land but in the sky, at sea, and in every area, extending the coverage of communications. By comparison with 5G, numerical targets for the technology include 5 times the maximum communication speed (100 billion bits per second), 1/10 the latency (100 microseconds) and 10 times the simultaneous connectivity (10 million devices per km²). Targets have also been set for the effective utilization of frequencies, reduced power consumption, high-reliability, and high-speed mobility.

CPS (Cyber Physical System)



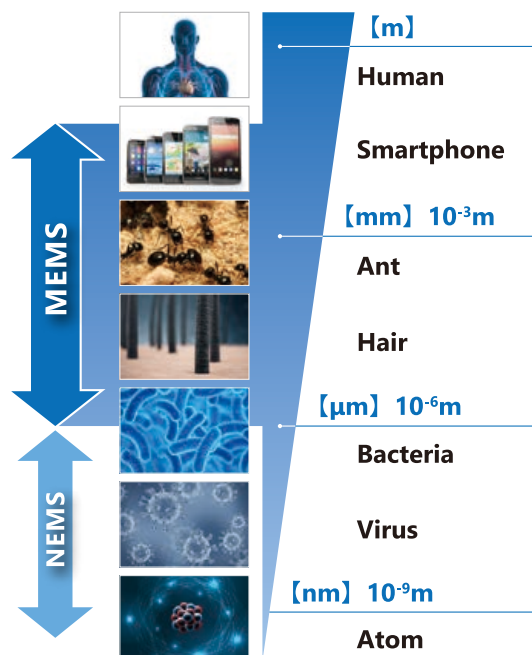
Difference Between 5G and 6G



Important technologies for achieving these numerical targets include the utilization of millimeter waves and terahertz waves, advances in space-time synchronization, full network virtualization, and all-optical networks. Each of these faces technical challenges. So far, multi-level modulation, MIMO and other forms of multiplexing, bandwidth broadening, and other technologies have been introduced to speed up communications. While each of these has room for improvement, bandwidth broadening in particular is essential to achieving speed of 100 billion bits/second. Doing so requires the availability of continuous usable frequencies. For example, to secure a continuous band of 10GHz, a frequency band of 100GHz or higher must be used. This raises the frequency beyond that of the millimeter waves used in 5G, limiting communication area due to further shortening of communication range and a requirement for higher linearity. Therefore, those such as improvement of massive MIMO technology, utilization of reflection

to expand communication area are the important challenges that lie ahead. Applying higher frequency with measuring instrument is another challenge. Anritsu has committed itself to the study of millimeter wave measurement technology. In 2019, we began research and development of technology beyond 5G, and in 2020, we launched new development of fundamental millimeter wave technology aimed at 6G. Anritsu will support the foundation of people's lifestyles by supporting the development of communications technology.

What is MEMS?



A smartphone is a collection of MEMS devices



*1 Bulk acoustic wave (BAW) filter: A type of high frequency filter

Tackling Basic Research for NEMS

As a medium- and long-term research theme, in April 2020 Anritsu began basic research aimed at making NEMS a reality. NEMS are devices with mechanical structures on the order of nanometers in size. Devices on a scale larger than NEMS are known as MEMS, or micromachines; these are used in smartphones, RF circuit switches, acceleration sensors for the detection of orientation and movement, pressure sensors, and more. Mechanical parts with the thickness of a human hair (50 micrometers) have already been put to practical use. NEMS devices are even smaller, enabling the detection of even more minute changes, down to the ability to sense a single molecule. NEMS also reduce power consumption through this miniaturization, and achieve higher sensitivity due to lower noise.

Making NEMS a reality will enable applications in a vast

range of fields, including biosensors for cancer and for viruses such as coronavirus, sensors for environmental measurements such as pollen, radiation, and carbon dioxide, and wearable devices. Great expectations have been placed on NEMS, but the need for even finer processing technology than that developed for MEMS has left NEMS technology to the future. The tremendous social and academic significance promised by NEMS makes it a “dream” field of technology. Viewing NEMS as a technology for the future a dozen or so years ahead, Anritsu will undertake basic research to make this technology a reality.

Test and Measurement Business

Contributing to the Advancement and Enhancement of Communications Networks through Leading-Edge 5G Technology

Making the Business High Value Added in the New Society that 5G Will Conduce

The rapid development of the Internet and spread of smartphone have transformed our society and lifestyles. As the practical use of 5G increases, communications services are becoming even more advanced and widespread. Further, the COVID-19 pandemic worldwide is changing the way we live, making information and communications more important than ever before.

Anritsu's Test and Measurement Business provides the global market with test and measurement systems that are crucial for establishing and expanding the use of communications technology. As a partner to our customers, we will contribute to the development of information and communications technologies, such as 5G, and create test solutions to solve problems in new applications and uses for communications technology.

Takeshi Shima

Director, Senior Vice President,
Test and Measurement
Company President



SWOT Analysis

- Communication and measurement technologies, and products covering optical, wired, wireless, and protocols
- Global development, sales, and support network
- Partnerships with industry-leading customers and suppliers

Strengths

S

- 5G/IoT utilization markets are still under development
- High dependence on the smartphone-related market

Weaknesses

W

- Increased demand for equipment for development, manufacturing, construction, and maintenance due to expansion of 5G services
- Increased network speed and capacity due to increased data traffic
- Greater use of IoT in the non-telecommunications industry field due to the trend towards remote social life

Opportunities

O

- Reduced economic activity due to the spread of COVID-19
- Increased tensions over trade and geopolitics
- Falling cost competitiveness due to rapid appreciation of the Japanese yen
- Business fluctuations for specific customers

Threats

T

Business Areas

This year marks the 125th year since Anritsu was founded and over our long history, we have contributed to the evolution of communications technology through innovation that have paved the way for the future of information and communications and by providing society with original and high-level products. The Test and Measurement Business delivers measuring instruments and test systems that are essential for the quality assurance of communications equipment and facilities to customers worldwide.

- Providing test solutions for all phases in the mobile communications market, as represented by smartphones, including chipset development, device development, conformance testing, and manufacturing inspection.
- Providing wide range of wired and wireless measuring instruments for the manufacturing and construction/

maintenance of various communications equipment and devices, including the base stations that make up mobile networks.

- Providing measuring instruments for performance evaluations and manufacturing inspections of network devices that deliver high-definition video and images from the cloud networks at high speeds through the Internet.
- Providing measuring instruments and systems required for evaluating and assuring the quality of connectivity of communications modules in IoT devices installed in vehicles, home appliances, and industrial equipment, for use in development and manufacturing.
- Providing monitoring solutions that contribute to the improvement of network operations, including network failure analysis and capacity expansion, by visualizing the network operational status of telecommunications carriers.

Market Environment and Business Opportunities

The Acceleration of Remote Social Activities

In 2019, 5G services were first launched in the U.S. and South Korea, and then in China, and now, many countries around the world are preparing for the full-fledged introduction of the services.

While human beings are experiencing hardships (COVID-19) on a global scale, it is notable that communications are being used to develop new lifestyle patterns. Sales and service activities historically in form of face to face, are now moving online in many cases, and this trend expands to the education and healthcare fields. As social activities continue to become remote (a non-face-to face economy) going forward, it is predicted that demand for communication methods that deliver high-definition video and image information will grow.

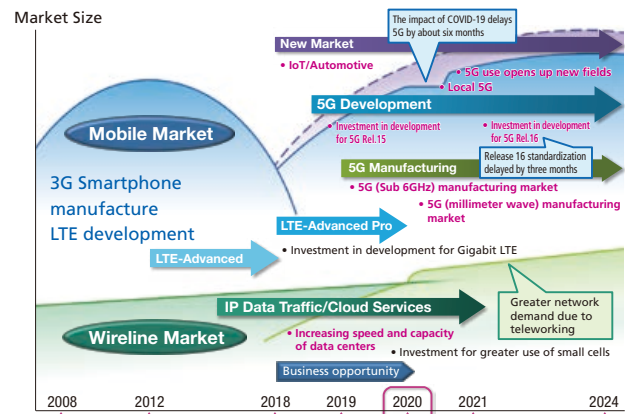
The Diversification of Information and Communications Usage

Due to the recent trend that various social activities are done remotely, data traffic is rapidly increasing through those such as social media posting, video sharing, online meetings, and the like. As the practical use of services such as 4K/8K video, event broadcasting with VR, and various IoT services, as represented by autonomous driving, are progressed there will be demand for higher-speed networks. The issues apparent even in current networks, such as distorted screen images or delays, are expected to become even larger issues and therefore measurement technologies will become more sophisticated and more complicated in order to support telecommunications carriers, and communications device and equipment manufacturers resolving those issues from quality aspect.

Aiming for a More Comfortable, High-Quality Information Society

While more convenient and more comfortable environment is demanded for information and communication, 5G wireless, 400Gbps wired ethernet, and various types of low-power wireless technologies are expected to be the

Trends in T&M Market and Business Opportunity



means for achieving this. Anritsu has cultivated the measurement and monitoring technologies for 4G, 5G, ethernet, wireless LAN, and Bluetooth that provide seamless support for the quality of these large-capacity and high-speed communication networks. Going forward, we will continue to propose test solutions that cater to a wider and more diverse range of customer use cases including “local 5G,” and work on acquiring and accumulating technologies geared toward the realization of 6G in the near future.

Growth Strategy

GLP2020 Basic Policy

Under our Mid-Term Business Plan GLP2020, we have identified the three areas as the drivers for realizing continuous growth with sustainable superior profit. Those are (1) 5G, LTE-Advanced, (2) IoT/Automotive, Connectivity, and (3) IP Data Traffic, Cloud Services. Among these, the 5G business plays a central role, and we need to broaden the test solutions we provide in this business to cater for a wider range of customer use cases. In the Test and Measurement Business, we will be maintaining 14% R&D investment to sales ratio and will be actively investing in the 5G as well as in the development of advanced ethernet, connectivity, and other areas corresponding to global broadband needs. We will also enhance areas other than product develop-

Business Areas of the Test and Measurement Business



Mobile communication
2G, 3G, 4G & 5G



Automotive IoT
connectivity



High-speed buses for
cloud computing



Network Construction/
Maintenance



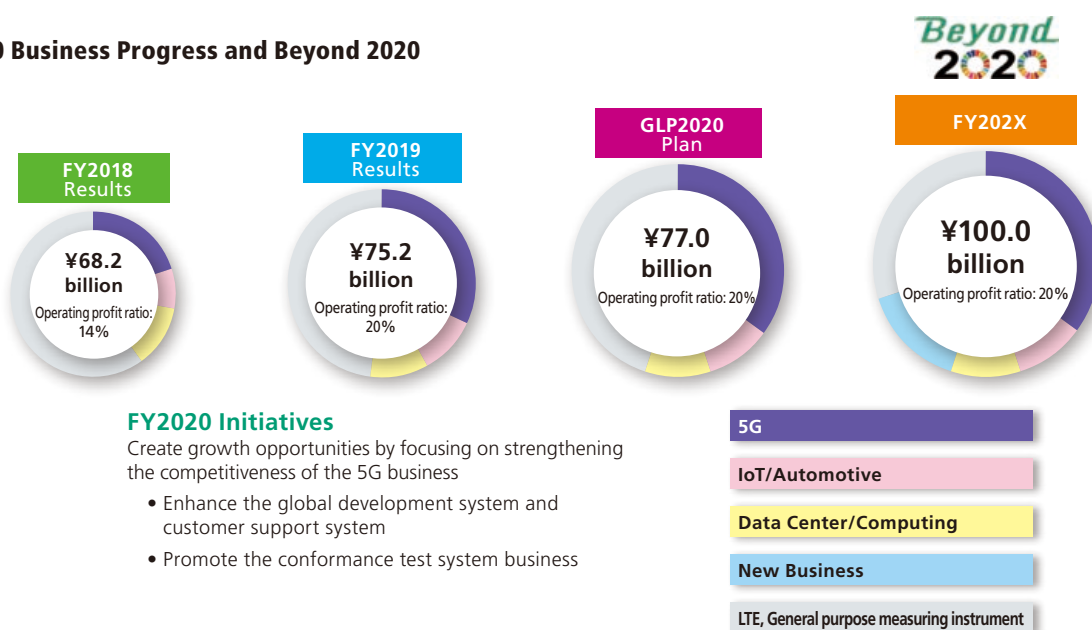
RF & micro/mmWave
devices/components



Telecom network
monitoring

Test and Measurement Business

GLP2020 Business Progress and Beyond 2020



ment, such as support and sales structures, so we can further enhance our partnerships with customers.

FY2019 Results

In FY2019, the second year of GLP2020, we achieved sales of ¥75.2 billion and an operating profit margin of 20%, significantly exceeding our initial forecasts of ¥69.0 billion for sales and an operating profit margin of 12%. The main factor behind this was our success in capturing demand for development related to the commercialization of 5G. In particular, our performance responding to the demand for the development of communications equipment supporting with 5G services launched specifically in Asia made a big contribution.

Initiatives for the Final Year of GLP2020

Based on the assumption that the COVID-19 pandemic which started at the end of FY2019 will have an impact on the first half of FY2020 and these effects will disappear in the second half of the year, we will work toward targets that will achieve GLP2020 and guide us into GLP2023.

These targets are sales of ¥77.0 billion and an operating profit margin of 20%. This fiscal year, we expect demand for conformance test related to 5G commercial services in addition to the 5G commercial development demand we engaged in FY2019. Also, as we expect demand to increase as the number of businesses launching these services grow, we will work on expanding our customer base. As 5G becomes more widespread, competition will most likely become fiercer, so we will focus on strengthening the competitiveness of related products. In addition to 5G, we will also actively invest in test solutions in areas including even higher-speed 400Gbps ethernet, cloud computing, and wireless LAN, while advancing product development that

supports large capacity and high speeds across entire communications networks.

Toward “Beyond 2020”

The features of 5G, namely ultra-low latency and multiple simultaneous connections, will make the use of information and communications technology possible in areas in which it was previously difficult to achieve, including in the automotive, healthcare, manufacturing, and construction industries. Many experiments and demonstrations are being conducted and we expect to see a variety of use cases being created. Anritsu is conducting initial verification activities with some leading service providers and manufacturing-related customers, and we have started widening the scope of the areas in which we carry out activities in addition to currently focused smartphone-related fields. We will leverage the connecting and measuring technologies that are the core competencies of the Test and Measurement Company, with the aim of expanding our business in fields where 5G is used, through collaborations and M&A with customers that have a strong presence in other industries.

In regard to revenues, we will strengthen frameworks that support growth. Specifically, we will work on building initiatives such as improving the effectiveness of development costs by strengthening resource allocation to overseas development sites, expanding our customer base by adding more sales channels (increasing revenue from new markets), building a flexible production structure that is not confined to areas where we have manufacturing sites (location-free production), and coordinating with suppliers to source key components from multiple

countries (avoiding procurement risk). In this way we will advance the optimization and streamlining of our overall operations.

In “Beyond 2020,” we aim to realize sales of ¥100.0 billion and an operating profit margin of 20% through this series of initiatives.

Solving Social Issues Through Business



Description of Social Issues

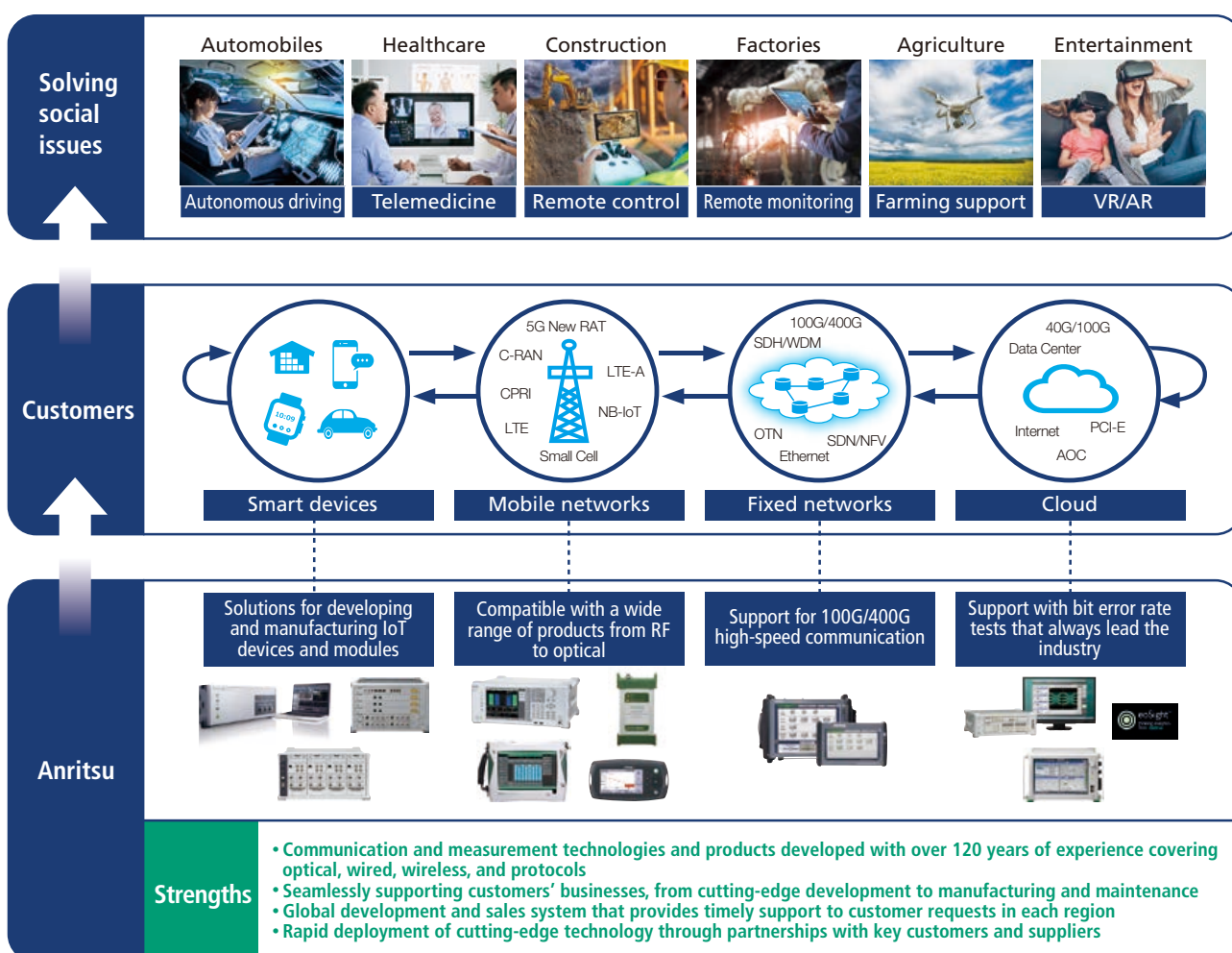
Communication over Internet services such as social networks, photo sharing, and video distribution, have become indispensable tools for “connecting” people with society. The communication network that realizes such “connections” has evolved day by day, and now entering the 5G era that enables high-speed, large-capacity, ultra-low latency, and multiple simultaneous connections. 5G is expected to become a communications infrastructure that solves various social issues such as information disparity, traffic accident prevention, and labor shortages and realizes the sustainable soci-

ety by being employed in industrial fields such as medical care, agriculture, automobiles, and disaster prevention in addition to further sophisticate smartphones and tablet devices.

Anritsu Initiatives

The Test and Measurement Business provides added value by manufacturing original products at a high level, which corresponds to Goal 9 of the SDGs (Industry, innovation and infrastructure). We will also grow our contribution to Goal 11 (Sustainable cities and communities) by expanding our business in 5G including utilization by IoT. Furthermore, we will play our part in the Anritsu Group’s efforts to “resolve social issues as represented by the SDGs”, by realizing partnerships with customers, developing environmentally friendly products, and strengthening overseas operations.

Societies with highly advanced information and communications have potentials to solve a wide range of social issues including, for example, saving energy. Our measurement technologies will fulfill a role in making life more convenient and ensuring comfort by raising the quality of communications networks. We will contribute to the creation of sustainable society by making the maximum utilization of 5G and other technologies we own.



PQA Business

Becoming a World-Class Quality Assurance Partner

Aiming to Be the “First Call” Company in the Global Market

The PQA Business focuses on realizing solutions that contribute to assuring the quality of foods and pharmaceuticals, and we have secured a stable revenue base by capturing an industry-leading position in the Japanese food market. Our strength is in high-speed, high-precision inspection solutions, including X-rays, and we are working to transform into a global business.

We will invest in building an optimized supply chain to respond to a variety of requests from customers in diverse food cultures and globally deliver solutions and amenable services that exceed expectations worldwide.

By fully considering issues related to quality assurance and working to overcome them, we will grow into the quality assurance partner who customers all over the world call first.

Masumi Niimi

Director
Senior Vice President
PQA Business Group President



SWOT Analysis

The spread of COVID-19 is expected to advance requirements for automation and labor-saving on production lines in the medium- to long-term, and we predict that this will expand demand related to the quality assurance for foods and pharmaceuticals.

- High-speed, high-precision quality inspection technology for production lines
- Engineering responsiveness that can adapt inspection systems to various workplace environments
- Extensive maintenance service system and experienced technicians in Japan
- Track record and top-class market position in the food inspection market in Japan
- Top-class share of X-ray inspection systems in U.S.

Strengths

S

- Market recognition in large markets such as Europe and U.S.
- Lineup of products that match the requirements of the European and U.S. markets

Weaknesses

W

- Growing global demand for safe and secure food
- Advancement of full automation and labor-saving on production lines to improve sanitation
- Growing demand for processed foods as consumers shift to eating at home
- Rapid development of innovative technologies such as AI and IoT
- Expansion into the pharmaceutical manufacturing industry, which demands advanced quality assurance

Opportunities

O

- Very strong competition in large markets such as Europe and U.S.
- Temporary slowdown in investment in food-related facilities due to the COVID-19 pandemic

Threats

T

Business Areas

The PQA Business consists of development, manufacturing, sales, and maintenance services for quality inspection systems of production lines. Currently, approximately 80% of our revenue comes from the food industry.

Many of the processed foods we eat every day are produced in factories operated by food companies and these companies have a social responsibility to ensure safe and secure quality assurance and to stabilize supply by improving productivity.

The PQA Business delivers solutions that provide total support for customers' quality assurance activities and contribute to raising quality and productivity. These solutions include proposing optimal quality inspection methods to the production environments of individual customers and

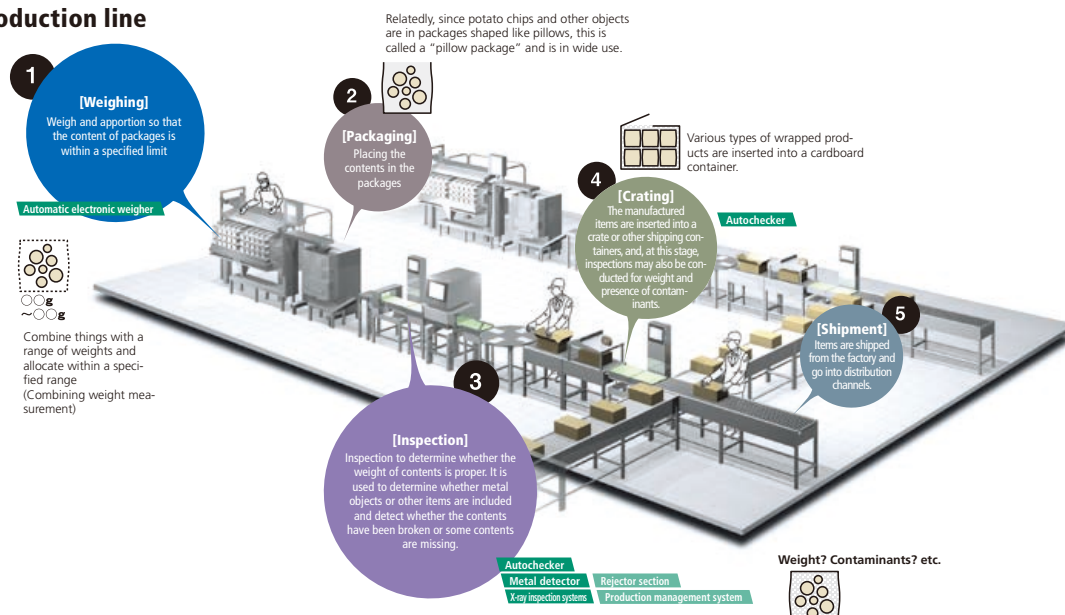
providing information systems that utilize quality data and maintenance services that ensure inspection systems are always in good condition when used.

Market Environment and Business Opportunities

The food processing industry, the main customer of the PQA Business, has over 100,000 business sites worldwide. Quality assurance needs in the food industry continue to grow on a global basis.

The COVID-19 pandemic which manifested in January 2020 has had a negative effect on investment in PQA equipment in the short-term. However, while we cannot

Example 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 and X-ray inspection equipment can detect cracks and defects in such products as cookies. In addition, the production management software "QUICCA" may collaborate in the inspection and weighing stages to monitor production.

deny the possibility of a global recession, from a medium-to long-term perspective the effects of the pandemic are advancing automation and labor-saving on production lines, so we expect that demand related to the quality assurance of foods and pharmaceuticals will grow going forward.

Looking at PQA markets by region, there is growing demand among consumers in Japan for foods that are safe, delicious, and easy to prepare, and major food companies are investing in building reliable quality assurance systems. Safe and secure quality assurance, such as traceability and food defense, is being applied across entire food supply chains.

In North America, primarily major food companies are continuing to introduce X-ray inspection systems, and in the meat market in particular, there is growing demand related to inspecting products for bone fragments. In Europe, which has the longest history of introducing quality inspection and standardizing quality control criteria, demand for quality inspection remains stable.

In China and the ASEAN countries, the need for safe food is increasing with the expanded distribution of pre-packaged foods. Demand for quality inspections is expected to increase, primarily among global food companies and leading regional manufacturers.

ance solutions," and "collaborating and growing together with leading customers (envision : ensure)" we aim to achieve 2020VISION and continue realizing continuous growth with sustainable superior profits.

In order to realize this goal, we are "cultivating markets in advanced countries in Europe and the Americas and the pharmaceutical manufacturing market, with X-ray inspection systems as a key solution" and "responding adequately to market needs through localization and transforming into a global business."

Fiscal Year 2019 Review

Up to the end of last year, the market environment was relatively good, and we received a steady stream of orders. However, due to the trend the time between delivery and acceptance by the customers becoming longer, sales were slow compared to orders. Also, competition in overseas markets was intensifying, and there were notable cases where customers decided not to choose our products due to the lead time between order and delivery.

In order to respond to this situation and put the business back on a sustainable growth track, in the North American region we built a structure that can flexibly supply a range of different products in combinations that match up with customer demands by storing modular units locally. This greatly improved the lead times for delivering products to customers.

Also, in order to improve profitability and raise the added value of the business, we are focusing on acquiring automation technologies such as artificial intelligence, signal processing, and robotic delivery, as well as developing solutions specifically for target markets. The main new products launched in FY2019 are as follows.

- The KXE7522 X-Ray Inspection System with Dual Energy Sensor, which improves sanitation, for the poultry market

Growth Strategy

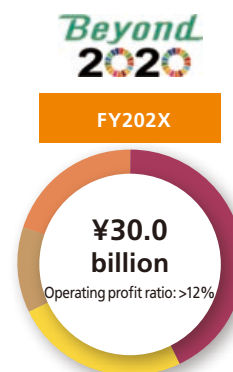
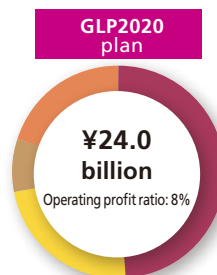
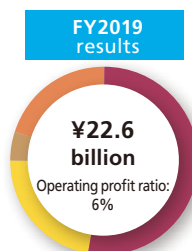
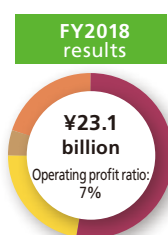
GLP2020 Basic Policy

In GLP2020, Anritsu positions the three years of the plan up until 2020 as a period of preparation for taking a leap forward as a "world-class quality assurance solution partner" who will become our customers' "first call" company.

Through our basic policies of "developing global business," "creating value for customers through quality assur-

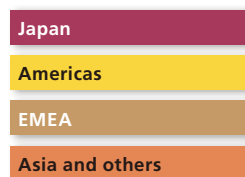
PQA Business

GLP2020 Business Progress and Beyond 2020



FY2020 Initiatives

- Strengthen our sales bases in America and Europe
- Promotion of solutions as a platform



- The KDS1004PSW metal detector for the pharmaceuticals market which is specialized for detecting contaminants in pills and capsules
- Quicca Pharma, an overall quality management and control system for the pharmaceuticals market



Considering recovery of demand and changes in needs that will emerge after the COVID-19 pandemic, we will work to develop new solutions which contribute to automation and labor-saving on production lines. We will also transform our organizational structure into one that can provide customers around the world with products and services in a swift and flexible manner with the aim of increasing overseas business ratio to 50%.

Toward “Beyond 2020”

The PQA Business aims to become a world-class quality assurance partner and our immediate goal is to achieve segment sales of ¥30.0 billion.

We are investing in the development of new sensors and R&D into image processing and signal analyzing technologies, as well as AI, to pursue original, high-level, high value-added solutions. We are also promoting the development of product platforms for successively commercializing new products with high customer value.

Under our policy of cultivating the foods market and pharmaceuticals market as the twin pillars of our business, we will prioritize business expansion into markets in advanced countries in Europe and the Americas and the pharmaceutical manufacturing market, with the aim of achieving our target of a 12% operating profit margin.

In Europe, our plan is to strengthen sales and maintenance networks in major European countries with our business sites in the Netherlands and the U.K., which are already carrying out these activities, as the core.

In the pharmaceuticals market, we will enhance our line-up of inspection systems that are adapted to meet the specific requirements of pharmaceuticals, using the in-line

Initiatives for the Final Year of GLP2020

In FY2020, due to business performance in the previous fiscal year and the recent external environment becoming severer, we think it will be hardly feasible to achieve the GLP2020 targets of ¥26.0 billion in segment sales and ¥3.0 billion in operating profit. Although it was a difficult decision, we have revised our results forecast downward to ¥24.0 billion in segment sales and ¥1.8 billion in operating profit.

Currently we are aiming for continuous growth with sustainable superior profits while taking sufficient care that employees and customers are protected from catching COVID-19, and we will advance structural reforms to turn us into a global and highly profitable business.

As a company that is involved in the food industry, we will continue to provide maintenance services to customers who are struggling daily to realize stable food supplies while focusing on strengthening sales promotion methods that are alternatives to face-to-face sales and providing information through means such as online product introduction sessions and seminars, and e-mail newsletters.

inspection technologies we have cultivated for the foods market as a foundation. We will also advance collaborations with retail stores and engineering companies to expand our business in the pharmaceuticals market.

Solving Social Issues through Business



Description of Social Issues

Through the use of food processing technology that raises the storage life of perishables, our daily lifestyles have undergone rapid advances in the modern era. Instead of buying ingredients and preparing meals at home, food is now distributed as a packaged product that has greatly improved convenience and plentifulness in people's lives. Once food is distributed in large quantities, however, uneaten food is thrown away (i.e., food loss) in increasing amounts, a social problem that has drawn attention lately. SDG Target 12.3 is stated as "Halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains,

including post-harvest losses," a clearly stated objective to ensure a sustainable food consumption and production pattern. Today, most food processing companies have identified the reduction of food loss as a major issue alongside guaranteeing the deliciousness, safety and security of their products.

Anritsu Initiatives

At food processing plants, factory automation has facilitated the faster processing of food in larger amounts for shipment.

It is necessary to inspect each individual product to ensure processed food is safe and reliable. In the past, a large number of workers were used in the food inspection process to examine the food before shipment. However, inspections by people are subject to issues related to differences in individual skills and fatigue causing people to lose their concentration.

Along with providing solutions for automating the quality inspection process on food production lines, Anritsu aims to provide solutions linked to minimizing food loss. Together with customers, the Company will continue to provide advanced quality assurance solutions with the aim of contributing to the realization of a sustainable society with little food loss, and a society where anyone can live their lives in safety without worry.

Solving social issues

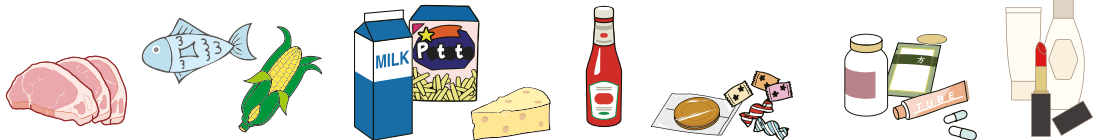


Increasing the sophistication of quality assurance for food and pharmaceuticals to achieve:

- A safe and secure society
- A sustainable society with little food loss



Customers



Anritsu



Automatic electronic weighing machines



X-ray inspection systems



Metal detectors



Checkweighers



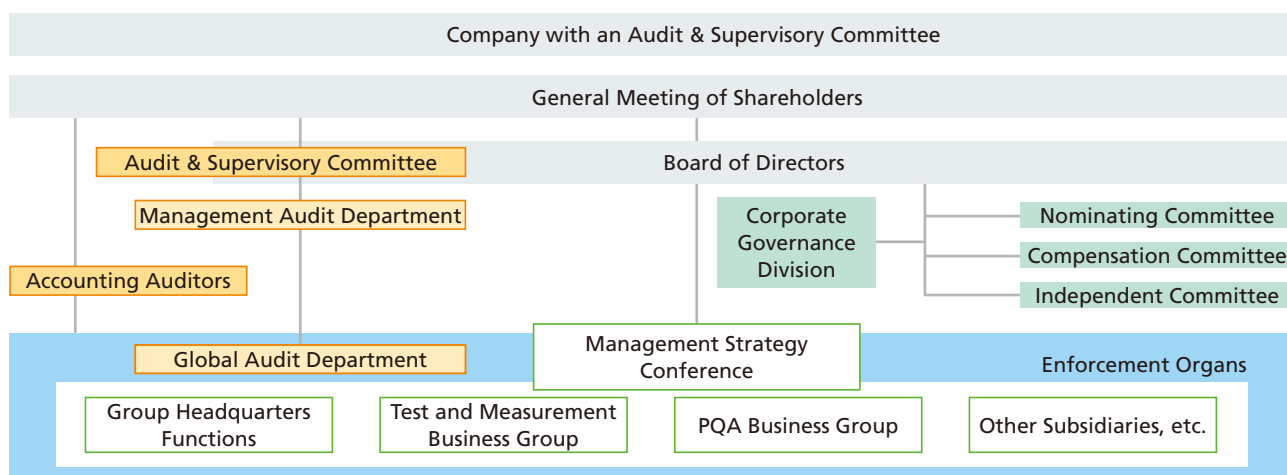
Quality management/control systems

Strengths

- High-speed, high-precision, quality inspection technology for production lines
- Engineering capability to adapt inspection equipment to various food manufacturing environments
- Extensive maintenance service system and experienced maintenance engineers in Japan
- Past record and top-class market position in the food inspection market in Japan

Corporate Governance

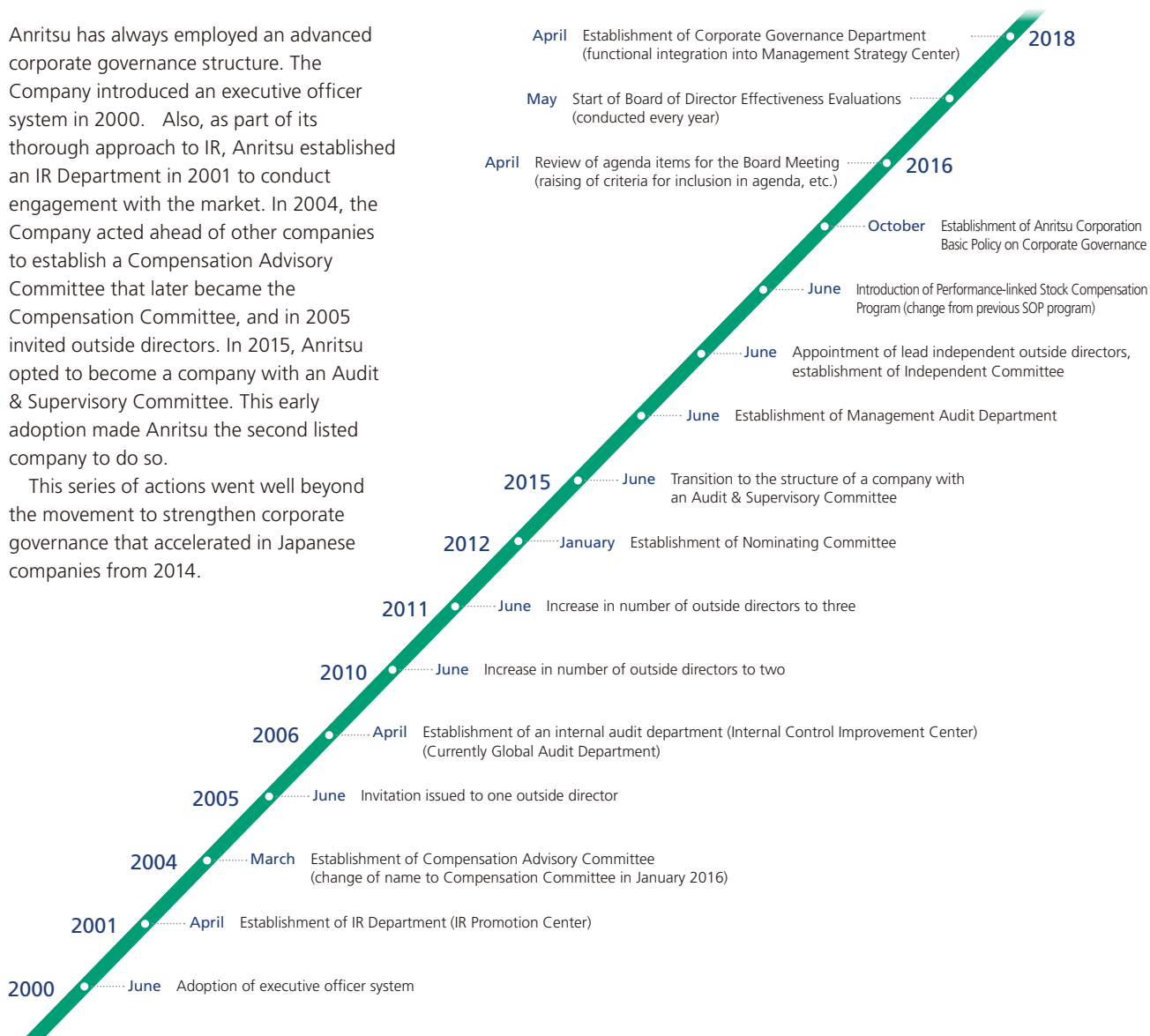
Corporate Governance Structure



Initiatives to Strengthen Corporate Governance

Anritsu has always employed an advanced corporate governance structure. The Company introduced an executive officer system in 2000. Also, as part of its thorough approach to IR, Anritsu established an IR Department in 2001 to conduct engagement with the market. In 2004, the Company acted ahead of other companies to establish a Compensation Advisory Committee that later became the Compensation Committee, and in 2005 invited outside directors. In 2015, Anritsu opted to become a company with an Audit & Supervisory Committee. This early adoption made Anritsu the second listed company to do so.

This series of actions went well beyond the movement to strengthen corporate governance that accelerated in Japanese companies from 2014.



Criteria for Selection of Directors

Selection of Internal Directors

The Company considers internal director candidates who have advanced expertise who can be expected to display high competence in business execution, and to contribute to business performance. Viewing human resources in light of “Anritsu Value,” the Company comprehensively evaluates self-awareness as a leader of the Company, understanding of the Company’s management philosophy, personal capacity, ability to take action, imagination, ethical sense, and other factors.

Reasons for Selection of Internal Directors

Name	Reason for selection
Hirokazu Hamada	Tasked with product development and domestic/overseas marketing at the Test and Measurement Business Group, Mr. Hamada currently leads the entire Anritsu Group business as the Company’s Representative Director, President and Anritsu Group CEO. Mr. Hamada was deemed qualified as a board of director for possessing broad knowledge and experience in business operations that include industrial and technological trends.
Akifumi Kubota	Having had been in charge of the Accounting & Control Department for the Company and overseas subsidiaries, and Mr. Kubota is now responsible for finance strategy and Group business administration as CFO and Chief Corporate Officer. Mr. Kubota was deemed qualified as a board of director for his extensive knowledge and experience in the areas of finance, accounting, and corporate governance.
Masumi Niimi	Mr. Niimi is tasked with production management, corporate planning and overseas subsidiary management at the Product Quality Assurance (PQA) Business. He currently leads the PQA Business as a group executive and as the President of the subsidiary Anritsu Invis Co., Ltd. Mr. Niimi was deemed qualified as a board of director for demonstrating his strong leadership in managing the PQA Business.
Takeshi Shima	Mr. Takeshi Shima has wide-ranging knowledge and experience concerning global business, and currently exerts leadership in the Test and Measurement Business as the President of the Test & Measurement Company. Mr. Shima was deemed qualified as a board of director for demonstrating his strong leadership in Anritsu Group’s core Test and Measurement Business.
Toshisumi Tani	Mr. Tani 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. He also has a wealth of experience obtained as Director of the Company.





Selection of Outside Directors

From the perspectives of the balance of knowledge and experience of the Board of Directors as a whole and of incorporating the viewpoints of diverse stakeholders into the oversight and appropriate management of the Group’s business activities, the Company comprehensively judges candidates with consideration of diversity of fields of expertise, backgrounds, and other factors, also taking into account independence from the Company.

Reasons for Selection of Outside Directors

Name	Reason for selection
Takaya Seki	Mr. Seki was deemed qualified as an outside director for his abundant knowledge and outstanding insight as a specialist in global corporate governance.
Kazuyoshi Aoki	Mr. Aoki was deemed qualified as an outside director for having specialized knowledge, abundant experience of and remarkable insight into finance and accounting from his background as a manager responsible for finance and accounting of a listed company, and also for having a wealth of experience in global business.
Norio Igarashi	Mr. Igarashi was deemed qualified as an outside director for his specialized knowledge and abundant experience in finance and accounting as a certified public accountant and university professor as well as for his wide-ranging expertise in management from his experience as an outside auditor of a listed company.
Keiko Shimizu	Ms. Shimizu was deemed qualified as an outside director for her specialized knowledge and abundant experience in finance and accounting as a certified public accountant and university professor as well as for her wide-ranging expertise in the areas such as information security and so forth.

Composition and Activities of the Advisory Committees

Organization	Audit & Supervisory Committee	Nominating Committee	Compensation Committee	Independent Committee
Composition	 <ul style="list-style-type: none"> ● Norio Igarashi ☆ ● Keiko Shimizu ● Toshisumi Tani 	 <ul style="list-style-type: none"> ● Takaya Seki ☆ ● Hirokazu Hamada ● Akifumi Kubota ● Kazuyoshi Aoki ● Norio Igarashi ● Keiko Shimizu 	 <ul style="list-style-type: none"> ● Kazuyoshi Aoki ☆ ● Takaya Seki ● Hirokazu Hamada ● Akifumi Kubota ● Keiko Shimizu 	 <ul style="list-style-type: none"> ● Takaya Seki ☆ ● Kazuyoshi Aoki ● Norio Igarashi ● Keiko Shimizu
Purpose	Anritsu established the regulations for the Audit & Supervisory Committee system and the accompanying subsidiary rules and at the beginning of the term, the selection of chairperson, the selection of full-time directors, the allocation of auditing work, and other matters necessary to carry out the duties of the Audit & Supervisory Committee members are agreed. The committee reviews the audit results of the previous fiscal year, evaluates risks of management concerns for the current fiscal year, and deliberates on and formulates audit policies, priority audit items, annual audit plans etc.	Bears the duties of supplementing the role of the Board of Directors in the appointment, selection, removal, and dismissal of directors and executive officers, and improving validity and transparency in the appointment, selection, removal, and dismissal of directors and executive officers.	Bears the duties of supplementing the role of the Board of Directors in determining compensation for directors and executive officers, and improving the fairness, validity, and transparency of compensation.	Composed of four independent outside directors; holds twice-yearly regular meetings as well as conferences before and after meetings of the Board of Directors as needed, with the aim of ensuring the supervisory functions of the Company from an independent standpoint.
Number of times convened in the fiscal year ending March 31, 2020	10	3	3	2

Corporate Governance

Basic Concept on Corporate Governance

By flexibly and speedily responding to changes in the business environment and enhancing Anritsu's competitiveness as a global company, the Company aims to achieve continuous growth with sustainable superior profits, as well as increases in corporate value over the medium- to long-term.

Throughout the process, the Company will maintain an awareness of the duties it bears toward shareholders, employees, clients, business partners, creditors, local communities, and other diverse stakeholders. Furthermore, with the goals of transparent, fair, speedy, and resolute decision-making and appropriate and timely information disclosure, the Company will maintain a structure and frameworks for corporate governance and will work continually toward the advancement and enhancement of them.

Corporate Governance Structure

As its structure for corporate governance, the Company has adopted the structure of a company with an Audit & Supervisory Committee and has set up a Board of Directors, Audit & Supervisory Committee, and Accounting Auditor, with the aim of further strengthening audit and supervisory functions.

As part of a highly specialized manufacturing industry that calls for on-site-oriented sensibilities and swiftness in business execution, the Company has introduced an executive officer system and has separated the decision-making and oversight functions of the Board of Directors from the business execution functions of executive officers.

The Board of Directors is composed of nine directors, five of whom are not involved in business execution (with four of the five being independent outside directors). Of note, the attendance rate of outside directors at Board of Directors meetings in FY2019 was 100%.

Board of Directors

As a management decision-making body, the Board of Directors makes determinations on important matters including management policy and management strategy for the Group as a whole, while also monitoring and supervising the execution of operations by organizations that execute business.

The Company has strengthened the monitoring and supervision functions of the Board of Directors through the inclusion of multiple outside directors into the board. In Board of Directors' meetings, directors who possess wide-ranging knowledge and experience express opinions regarding agenda items proposed by company management from their respective viewpoints and engage in active discussion. The current Board of Directors consists of five internal directors and four outside directors (with both groups including directors who are Audit & Supervisory Committee members), for a total of nine Board of Directors members.

Methods for Evaluating the Efficacy of the Board of Directors

Every year, the Company conducts a review of the effectiveness of the Board of Directors with respect to items specified in the Basic Policy on Corporate Governance, and undertakes measures

FY2019/Main Themes for Deliberation at the Board of Directors/ Number of Reports Submitted

Category	FY2019
Management Strategy/Sustainability/Governance/General Meeting of Shareholders	20
Business Related	26
IR, SR	6
Budget/Settlement of Accounts/Dividends/Finance Related	26
Internal Control/Risk Management/Compliance Related	5
Human Resource/Nomination/Compensation	14
Audit & Supervisory Committee/Accounting Auditor	3
Individual Projects (Investment and Loan Projects etc.)	1
Total	101

to improve effectiveness. This evaluation of the effectiveness of the Board of Directors takes place over the span of four to five months every year, progressing from reaffirmation of issues from the previous fiscal year to evaluation of the status of actions and the degree of improvement. This is followed by discussions of whether any points in the previous year's evaluation methods or evaluation items should be changed for the current fiscal year. The discussion is deepened through exchanges of opinions within the Board of Directors, where issues are shared, and the outcomes are connected to initiatives for the following year.

Results of Evaluating the Efficacy of the Board of Directors

Every year, the Board of Directors carries out an analysis and evaluation of the effectiveness of the Board of Directors, based on factors including self-assessments by directors. The main results of evaluation of FY2019 are as follows.

The Board of Directors of the Company affirmed that its composition is appropriate in terms of the presence and number of internal and outside management personnel. This is to enhance the Company's global management structure with the aim of business expansion and taking into account the source of the Group's corporate value. It also affirmed that structures are in place for conducting constructive discussions and decision-making concerning key matters involving the management of the Group and for supervising business execution by directors. The board further confirmed that directors who are constituent members of the Board of Directors, Audit & Supervisory Committee, Independent Committee, Nominating Committee, and Compensation Committee fully understand the roles that they should carry out to achieve improvement of corporate value and continuous growth with sustainable superior profits for the Group, and that, in respective committee meetings, the directors display insight and expert knowledge based on diverse experience and that all, internal and outside directors alike, engage in active discussions.

Conversely, issues identified for further enhancement of effectiveness include increasing the number of opportunities to hear

from business executives in subsidiaries regarding strategies, progress, and other management issues concerning the subsidiaries, to deepen appropriate involvement of the Board of Directors in business execution of the Group as a whole. Initiatives aimed at addressing and mitigating these issues were shared among all directors.

In response, the Board of Directors of the Company will enact necessary measures to further improve the effectiveness

of the board with respect to issues based on the evaluation and review of effectiveness, and will work toward improvements without being bound by precedent.

The Company intends to continue conducting regular evaluations of the effectiveness of the Board of Directors, and will continue to pursue the ideal for the Company by aiming to achieve better corporate governance.

Meetings Held for the Board of Directors and its Advisory Committees (FY2019)

April	May	June	July	August	September	October	November	December	January	February	March
BD AS FD	BD AS	BD AS	BD AS FD	BD AS C	BD AS	BD AS FD	BD N I	BD BD AS	BD AS FD	BD C N	BD AS C N I
BD Board of Directors	AS Audit & Supervisory Committee	C Compensation Committee	N Nominating Committee	I Independent Committee	FD Free Discussion						

System of Officer Compensation

Under the policy stated below, the composition and level of officer compensation, etc. are determined with reference to data on officer compensation from external research organizations, while also taking into account a balance between basic compensation according to responsibilities and performance-linked compensation, with the primary aim of compensation to function effectively as an incentive for the improvement of business performance and the increase of medium- to long-term corporate value every fiscal year.

- The scheme and its content should lead to the enhancement of motivation to achieve management objectives and sustainably improve corporate value
- The scheme and its content should attract and retain talented, diverse personnel who are sought after as officers of global corporations.
- The Company will ensure the validity and objectivity of the decision-making process and the balanced allocation of compensation, etc.

The current scheme for officer compensation, etc. sets business performance-linked compensation to the equivalent of

50% of the basic compensation, as a structural feature to motivate officers in sharing a profit orientation with shareholders and in engaging in management from an awareness of performance and stock price from a medium- to long-term perspective. However, it limits directors who do not engage in execution of business (including outside directors) to fixed compensation only.

The performance-linked compensation is composed of monetary compensation (bonus equivalent to 30% of basic compensation) and non-monetary compensation (stock compensation equivalent to 20% of basic compensation) through an incentive plan employing trusts – i.e., it consists of a bonus as short-term performance-linked compensation and stock compensation as medium- to long-term performance-linked compensation.

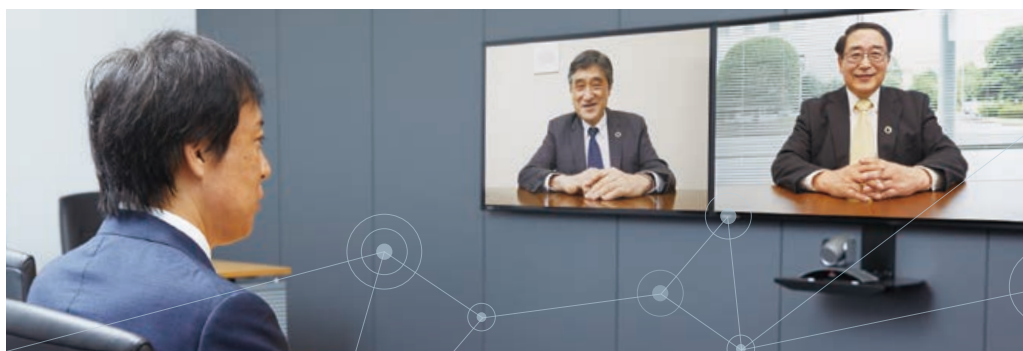
The Company conducts evaluations in light of factors including the level of distribution of surpluses for the fiscal year under evaluation, degree of achievement of numerical targets involving management metrics, and degree of achievement of management objectives that include non-financial perspectives set in advance.

Compensation, etc. of Directors

Officer classification	Amount of compensation, etc. (millions of yen)	Amount of compensation, etc. by type (millions of yen)				Number of officers
		Basic compensation	Performance-linked compensation			
			Bonus	Stock compensation	Subtotal	
Directors (excluding Audit & Supervisory Committee Members and Outside Directors)	222	116	80	26	106	6
Directors on the Audit & Supervisory Committee (excluding Outside Directors)	23	23	—	—	—	2
Outside Directors	30	30	—	—	—	6

Notes: 1. In addition to the above payments, there is an amount equivalent to the employee salary (including bonuses) of ¥9 million for directors who concurrently serve as employee.
 2. Anritsu does not pay bonuses or stock-based compensation to directors and outside directors who are members of the Audit & Supervisory Committee.
 3. The above number includes four directors (excluding those who are Audit & Supervisory Committee members and of which two are outside directors) who retired at the conclusion of the 93rd Ordinary General Meeting of Shareholders held on June 26, 2019, and two Audit & Supervisory Committee members (of which one is an outside director).
 4. None of the officers of the Company has a total of 100 million or more in consolidated compensation, etc. (including compensation as officers of major consolidated subsidiaries).

Three-Way Discussion: President and Outside Directors



Takaya Seki

Outside Director



Hirokazu Hamada

Representative Director,
President of Anritsu
Group CEO



Kazuyoshi Aoki

Outside Director

Outside Director Takaya Seki and Outside Director Kazuyoshi Aoki, who have deep knowledge of global business, and President Hirokazu Hamada exchanged thoughts on the current business situation and issues in order to improve the effectiveness of governance as the Anritsu Group expands its business globally. The discussion was carried out in remote format in July 2020.

Hamada: Thank you for making time for this discussion in your busy schedule. Given the conditions of the COVID-19 pandemic, we will hold our exchange of ideas in remote format. Regarding the pandemic, we set the lives of employees as our highest priority and moved very quickly taking actions such as recalling of staff stationed overseas. In the end, our actions were by no means too early. Through the experience, we affirmed the importance of thinking one step ahead in our actions to avoid risks in terms of both safety and business.

Aoki: The Company's response to the pandemic, including the adoption of telecommuting, was surprisingly quick. From the standpoint of maximum efficiency in employees' work, however, there is still a need to review work styles.

Hamada: We looked at telecommuting as the ideal way of working, but its mental impacts to employees are still uncertain, and a number of problems remain to appear. Appraising employee output under telecommuting is also an issue, which we will address through further review.

Seki: The proliferation of telecommuting could present a business opportunity for the Company, and spurring of new ways

of working has expanded its potential even further. I hope that the Company will make full use of this experience to connect it to further development in the future, following the principle of using concern in a crisis to motivate us to prepare.

Aoki: We have kept the impacts of the virus on the Company to a minimum, but we need to continue checking risks without failing.

Hamada: That is absolutely right. Communicating with customers has become difficult, but I want to keep assessing the situation and handle it appropriately.

Global Corporate Group Governance and Financial Management

Hamada: It is my intention to follow the opinions of our Outside Directors, and do my best to incorporate them into our management. Your sincere opinions on governance in the Group management are appreciated.

of Anritsu

Seki: The most important responsibility that we Directors carry is the proper management of corporate assets. As Group companies themselves are investment assets of the Company, we have to manage Group companies as a single entity.

Aoki: A global company should achieve management that commits to high ethical standards and a spirit of legal compliance in every country and region, and all of a global company's domestic and foreign subsidiaries have to be operated under the leadership of the company. Toward that end, three principles are important: "sublime ideas," "organizations to support activities," and "monitoring."

What matters here is unifying funds through means including the introduction of global cash management, and being mindful of capital costs. Thinking from this point, I support the use of ACE (Anritsu Capital-cost Evaluation: Net operating profit after tax – Cost of capital (5%)) as the Company's business management metric.

Hamada: Regarding the management of overseas Group companies, this is something that we have struggled with for a long time, making step-by-step progress through trial and error. Thus far, we have emphasized face-to-face communication as important but the pandemic has made it difficult. We will have to proceed through trial and error to find out how to make governance work from here on out.

Aoki: I recognize that the Company has established good communications with our overseas subsidiaries. The current situation is not perfect however, I look forward to further refinement.

Seki: In management of the Group, how to balance the centralization and decentralization of authority to maximize synergies will be a key issue. Looking at the Company's choice of "Global Headquarters Building" as the name of the new head office building completed in 2015, I can feel the willingness that we will improve governance as a global company.

The Progress of Technology and the Company's Business

Hamada: Our Company has a history of 125 years, and it is still important that we continue pursuing cutting-edge technology. It is a natural thing to concentrate on current business, but I want the Company to build up technology with an eye to the future.

Seki: The rapid progress of technology represents not only business opportunities but risks as well. It is important that we engage organically in activities while we formulate a strategy that views our businesses as a portfolio, construct a defense line to ensure the efficacy of internal control, and remain mindful of the efficacy of corporate governance in headquarters.

Aoki: Regardless the size of a company, evolution of technologies can mean great opportunities. It is necessary to pull the whole Company in a direction of seeking to create true technological innovation. We have to invest management resources under a clear division between technological innovation, for refining existing products, and technological innovation, for the purpose of new businesses.

The Aims of Anritsu's Group Management

Hamada: There's a lot more to be said, but to wrap things up, please tell me about the Group's future goals from here on out.

Aoki: The mission of a company is to increase corporate value over the medium- to long-term. From the premise that a company must satisfy all of its stakeholders, the shareholders who receive the final distribution of profits must be satisfied as well. It is important to meet the expectations of shareholders while valuing every stakeholder, such as for example, providing customers with high-quality services and providing employees with comfortable workplaces.

Seki: I agree with that. Five years ago, the Company adopted the structure of a company with an Audit & Supervisory Committee, to build an agile execution structure and strengthen supervisory functions. Under this structure, the management team has to demonstrate abilities in order for stakeholders to receive maximum benefits. I also believe that our relationships with local communities are important. We should take pride in the trust that we enjoy from communities, and I hope that we can continue building good relationships.

Hamada: Without the trust of stakeholders, our measuring instruments and other products will not earn the trust of the society. We want our Company to be one that carries out its responsibilities and contributes to the future through business while never pursuing improper gains. We will continue acting with "Sincerity, Harmony, and Enthusiasm," as set out in our Company philosophy, and will aim to remain a Company that is needed by society and a Company that aids in creating a better future.

Takaya Seki Outside Director

Worked at Toyo Trust and Banking Co., Ltd. (Currently Mitsubishi UFJ Trust and Banking Corporation) and Mizuho Securities Co., Ltd. Subsequently, became Professor at Rissho University Faculty of Business Administration. Holds a PhD (Economics) from Kyoto University. Has served as an Outside Director of Anritsu since 2011 (incumbent). Possesses extensive knowledge and insight, primarily in the research domain of global corporate governance.

Kazuyoshi Aoki Outside Director

Joined Kao Soap Co., Ltd. (Currently Kao Corporation) in 1979, where he served as Senior Manager of the IR Department (Accounting and Finance Center), Senior Manager of the Accounting and Finance Division, and Executive Officer in charge of Accounting and Finance. Has served as an Outside Director of Anritsu since 2019 (incumbent). Possesses a record of experience in introducing advanced management methods, including global cash management and EVA.

Directors and Executive Officers



Representative Director

Hirokazu Hamada

Apr. 1988 Joined the Company
 Apr. 2004 Senior Manager of 1st Development Dept. of IP Network Div., Measurement Business Group
 Apr. 2011 Vice President of Anritsu Company (USA)
 Apr. 2015 Vice President of the Company 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
 Jun. 2017 Director of the Company
 Apr. 2018 Representative Director, President President (Executive Officer) (Incumbent)
 Jun. 2018 Representative Director (Incumbent)
 Apr. 2019 Anritsu Group CEO (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
 Oct. 2017 President of Anritsu U.S. Holding, Inc.
 Apr. 2018 Chief Corporate Officer (Incumbent) General Manager of Global Corporate Headquarters
 Apr. 2019 Executive Vice President (Incumbent)
 Oct. 2019 President of Anritsu U.S. Holding, Inc. (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

Takeshi Shima

Apr. 1988 Joined the Company
 Apr. 2009 Senior Manager of APAC Team Business Development Dept., Marketing Div.
 Apr. 2012 Senior Manager of Wireless Device Manufacturing Solution Dept., Marketing Div.
 Apr. 2014 Senior Manager of Project Team 3 Product Marketing Dept., Marketing Div.
 Apr. 2016 Director of Global Business Development Dept., Measurement Business Div.
 Apr. 2017 Vice President (Incumbent) Chief Global Sales Officer General Manager of Global Sales Center
 Oct. 2017 General Manager of APAC Sales Center
 Apr. 2019 President of Anritsu Americas Sales Company
 Jun. 2019 Director of the Company (Incumbent)
 Apr. 2020 Senior Vice President (Incumbent) Test & Measurement Company President (Incumbent) Director of Global Business Development Dept., Test & Measurement Company (Incumbent)



Director*

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, Ritssho University Faculty of Business Administration (Incumbent)
 Jun. 2019 Outside Director of the Company (Incumbent)



Director*

Kazuyoshi Aoki

Apr. 1979 Joined Kao Soap Co., Ltd. (Currently Kao Corporation)
 Feb. 1994 Manager of Finance and Accounting Div., Wakayama factory, Kao Corporation
 Jul. 2001 Senior Manager of IR Dept., Accounting and Finance Center, Kao Corporation
 Mar. 2003 Controller of International Household Div., Kao Corporation
 Mar. 2005 Vice Chairman of the Board and Vice President, Kao (China) Holding Co., Ltd.
 May. 2007 Senior Manager of Accounting and Finance Div., Kao Corporation
 Jun. 2012 Executive Officer in charge of Accounting and Finance, Kao Corporation
 Jan. 2017 Resigned Kao Corporation
 Jun. 2019 Outside Director of the Company (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)
 Mar. 2017 Resigned as outside Corporate Auditor of Kao Corporation
 Jun. 2017 Outside Director of the Company (Audit & Supervisory Committee Member) (Incumbent)



Director*
(Audit & Supervisory Committee Member)

Keiko Shimizu

May 1979 Joined Price Waterhouse (Currently PricewaterhouseCoopers Aarata LLC)
 Feb. 1982 Resigned from Price Waterhouse
 Apr. 1982 Joined Chuo Audit Corporation (Later renamed MISUZU Audit Corporation)
 Sep. 1982 Registration of CPA
 Apr. 2007 Resigned MISUZU Audit Corporation
 May 2007 ShinNihon LLC Audit Corporation (Currently Ernst & Young ShinNihon LLC)
 Oct. 2010 Resigned ShinNihon LLC Audit Corporation
 Nov. 2010 Joined Consist Inc.
 Oct. 2012 Resigned Consist Inc.
 Nov. 2012 Established Shimizu CPA Office (Incumbent)
 Apr. 2016 Professor, Department of Business Administration, Faculty of Economics, Teikyo University (Incumbent)
 Jun. 2019 Outside Director of the Company (Audit & Supervisory Committee Member) (Incumbent)



Director
(Audit & Supervisory Committee Member)

Toshisumi Tanai

Apr. 1981 Joined the Company
 Jul. 2004 Senior Manager of Sales Support Dept., Sales Div.
 Apr. 2009 Vice President
 Senior Manager of Human Resource and Administration Dept.
 Apr. 2011 Chief Corporate Officer
 Jun. 2011 Director of the Company
 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
 Jun. 2019 Resigned as Senior Executive Officer
 Director of the Company (Audit & Supervisory Committee Member) (Incumbent)

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

Executive Officers

Hirokazu Hamada[☆]

Representative Director
 President
 Group CEO

Akifumi Kubota[☆]

Executive Vice President
 CFO
 Chief Corporate Officer

Masumi Niimi[☆]

Senior Vice President
 PQA Business Group President

Takeshi Shima[☆]

Senior Vice President
 Test & Measurement Company President

Yasunobu Hashimoto

Vice President
 Sensing & Devices Company President

Hiroyuki Fujikake

Vice President
 Chief SCM Officer

Yoshiyuki Amano

Vice President
 Chief Global Sales Officer

Tsutomu Tokuke

Vice President
 Environmental Measurement Company President

Akihiro Harimoto

Vice President
 Chief Test & Measurement Company Sales Officer
 Chief Environmental Measurement Company Sales Officer

Tetsuo Kawabe

Senior Executive Officer
 Management Audit Dept.

Yukihiro Takahashi

Senior Executive Officer
 Test & Measurement Company Vice President
 Chief Network Monitoring Solution Business Officer

Akio Takagi

Senior Executive Officer
 Chief Environment and Quality Officer

Toru Wakinaga

Senior Executive Officer
 Management Audit Dept.

Masahiko Kadowaki

Senior Executive Officer
 Management Audit Dept.

Olaf Sieler

Executive Officer
 Chief Business Development Officer

Hanako Noda

Executive Officer
 CTO
 General Manager of Advanced Technology Research Center

Takashi Sakamoto

Executive Officer
 Chief Human Resource and Administration Officer

Shunichi Sugita

Executive Officer
 Chief Business Strategy Officer

☆ Concurrently serving as director

ESG Highlights

Tackling Climate Change

Targeting About 30% Private Generation of Renewable Energy through Anritsu Climate Change Action PGRE 30

Anritsu Corporation has formulated “Anritsu Climate Change Action PGRE 30 (hereinafter “PGRE 30”^{*1})” as a new initiative for reducing greenhouse gas emissions. PGRE 30 will directly reduce greenhouse gas emissions through the use of renewable energy. Private generation of renewable energy ratio accounted for 0.8% of the Anritsu Group’s electricity consumption^{*2} in FY2018 and we will raise this to about 30% by around 2030.

In FY2019, due to the addition of 57kW of solar panels in the Atsugi premises in January 2020 the ratio of private power generation reached 0.9%. In September 2020, 1,100 kW of solar panels will be installed in the United States and as a result, in FY2020 the private power generation ratio is expected to be 4.3%.

PGRE 30 is Anritsu’s ambitious attempt to exceed Japan’s 2030 renewable energy target of 22% to 24% (7% of which is from solar generation).

Target 7.2 in Goal 7 of the Sustainable Development Goals (SDGs) promotes increasing substantially the share of renewable energy in the global energy mix by 2030. PGRE 30 is Anritsu’s own unique contribution to directly expanding the use of renewable energy by introducing the solar



Solar power generation facility under construction at Morgan Hill

panel that will be consumed by the Anritsu Group’s principal business sites—Atsugi in Kanagawa, Japan, Koriyama in Fukushima, Japan, and Morgan Hill, California, in the

U.S. We believe this initiative will help to achieve the goals and targets in the SDGs.

Background to the Approach

As a countermeasure to the problems of climate change and man-made global warming, the Paris Agreement (COP21) was formulated in 2015 with the goal of reducing greenhouse gas emissions to ensure that the rise in average temperatures does not exceed 2°C compared to pre-industrial levels. This approach was set as a key issue within the SDGs adopted by the UN that same year.



Anritsu submitted its plan to reduce greenhouse gas emissions to the Science-Based Target (SBT) initiative^{*3} and it was approved in December 2019 as a plan matching proposed reduction scenarios based on IPCC^{*4} climate science.

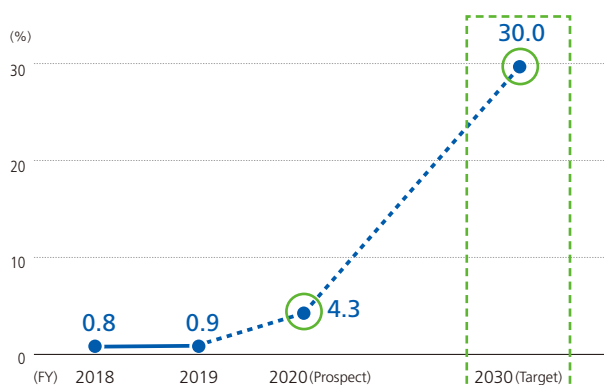
The Anritsu Group’s greenhouse gas emission reduction targets that received SBT approval are as follows.

- Scope 1 & 2: Reduce greenhouse gas emissions by 30% compared to FY2015 levels by FY2030
- Scope 3: Reduce greenhouse gas emissions connected to the use of products and services purchased and products sold by 30% compared to FY2018 levels by FY2030

Although the purchase of renewable energy credits/certificates (RECs) was also considered for implementing this plan, we formulated PGRE 30 with a focus on generating renewable energy in-house as part of our initiatives for realizing the SDGs.



Private Generation of Renewable Energy Ratio



*Private Generation of Renewable Energy Ratio = solar power consumption/electrical power consumption (FY2018)

^{*1} 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.

^{*2} Electricity consumption of AT Techmac Co., Ltd. is excluded because it is not a wholly-owned subsidiary.

^{*3} SBT initiative
A joint initiative encouraging companies to set reduction targets that are in line with scientific knowledge to ensure that the rise in average temperatures does not exceed 2°C, or if possible 1.5°C, compared to pre-industrial levels.

^{*4} IPCC
Abbreviation of Intergovernmental Panel on Climate Change.

For additional information, please see the [Anritsu Sustainability Report 2020](#).

Harmonizing with Global Society

Social Issues as a Background

The Anritsu Group supports the universal principles of human rights and labor. Since 2006, we have participated in the United Nations Global Compact, which puts these principles into practice. As a signatory dedicated to solving social issues—including the SDGs—we are promoting efforts aimed at advancing respect for human rights and diversity. In order to better secure human resources in an aging society with a declining birth rate, and to respond to the risks and needs of a diversifying market, we believe it is increasingly important for companies to promote diversity management. For the Anritsu Group, which has overseas sales that account for 66% of total sales, fulfilling our long-term vision of remaining the leader in the global market, while also maintaining our current business activities, requires us to create an environment in which a diverse group of employees can work actively and mutually share their values.



Anritsu's Human Resources Concept

In the Anritsu Group, human resources are an essential asset. We believe that supporting diverse human resources innovation and solving social issues through our business will lead to greater corporate value. Recognizing this, we announced a Diversity Policy and have promoted diversity through measures including gender equality; supporting the active involvement of female employees; promoting a healthy life-work balance; encouraging the hiring of employees with disabilities; hiring foreign employees; supporting the involvement of senior employees and more. We are energetically striving to support diversity by hiring and promoting diverse human resources and adopting a global human resources management system. Also, the Anritsu Group is pursuing reforms to the labor environment and labor system for life-work balance of the employees.

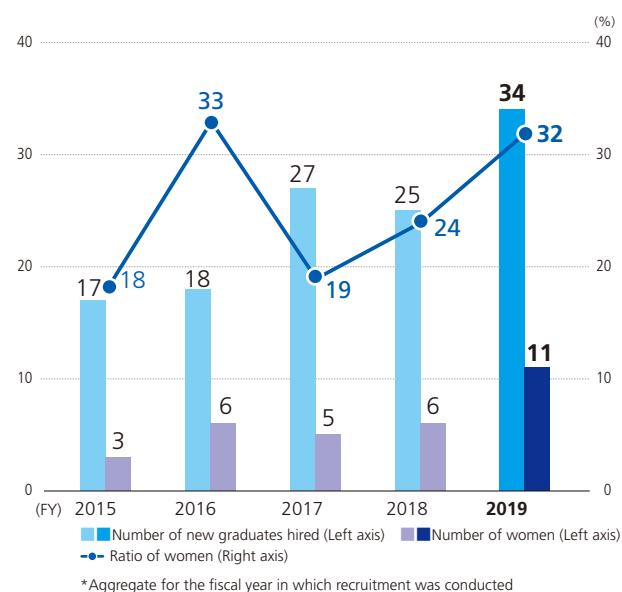
Promoting the Active Involvement of Female Employees

We are carrying out initiatives to allow female employees to pursue their professional lives alongside their private lives and to more directly contribute to the growth of our business and enhancement of our corporate value. We are putting particular effort toward career development and support for female employees who have difficulty balancing work and home demands due to life events such as childrearing or family nursing care. In FY2016, we set the goal of raising the ratio of women hired in Japan to 20% of all

new recruits by 2020, while also further establishing a working environment that supports female employees. In April 2020, we achieved this goal. In terms of support for career advancement, we also have initiatives such as increasing the number of participants in our tier-based training system as well as training seminars that have helped three female employees in FY2019 become company managers. As a result, our ratio of female managers in FY2019 was 1.8%. In April of 2020, two female employees became company managers. Going forward, we have announced a new goal, which we would like to achieve by FY2023, to surpass the June, 2020 industry average of a 3.3% ratio* of women in management positions. Accordingly, we will devote continued effort to increasing our number of female employees, supporting career development for females, and creating an environment that fosters female employees who take on central roles in the organization.

* Based on material released by the Ministry of Health, Labour and Welfare

Women as a Ratio of New Graduates Hired



Work-Style Reform Initiatives

The Anritsu Group moved quickly and took early steps to promote work-style reforms to respond to the social demands such as responses for aging society with a declining birth rate, life-work balance and globalization. We are promoting telecommuting that helps free employees from working in a specific place at a specific time while supporting workstyles that suit different values of employees and approaches to work. Also, the Anritsu Group is pursuing reforms to the labor environment and labor system, and working to spur innovation by improving productivity, all as part of work-style reforms with the goal of translating these changes to greater corporate value.

11-Year Summary of Selected Financial/Non-Financial

ANRITSU CORPORATION AND CONSOLIDATED SUBSIDIARIES Years ended March 31, 2010-2020.

Japanese Generally Accepted Accounting Principles ("J-GAAP") →

Financial Information

	Millions of yen		
	FY2009	FY2010	FY2011
For the year:			
Revenue	73,548	77,853	93,586
(Japan)	33,490	32,952	36,898
(Overseas)	40,058	44,900	56,687
Cost of sales	42,707	43,033	49,384
Gross profit	30,840	34,819	44,202
Selling, general and administrative expenses	26,257	27,825	29,787
Operating Profit	4,583	6,994	14,414
Ordinary income (loss)	3,578	5,362	13,593
Net income (loss)	385	3,069	10,180
Net cash provided by (used in) operating activities	7,970	9,229	15,871
Net cash provided by (used in) investing activities	(498)	(1,432)	(1,963)
Net cash provided by (used in) financing activities	386	(6,049)	(2,204)
Free cash flow	7,471	7,797	13,908
Capital expenditures	1,134	1,549	3,165
Depreciation and amortization	2,979	2,589	2,555
R&D expense* ¹	9,387	9,380	10,012
At year-end:			
Total assets	101,188	99,249	113,069
Net assets	37,674	39,906	54,863
Cash and cash equivalents	26,269	27,993	39,596
Interest-bearing debt	42,274	36,839	30,336
Per share:			Yen
Net income (loss)			
Basic	3.02	24.09	79.39
Diluted	2.77	22.08	71.01
Cash dividends	—	7.00	15.00
Total net assets	295.49	313.09	399.56
Key financial indicators:			
Operating income margin (%)	6.2	9.0	15.4
Return on equity (%) ^{*2}	1.0	7.9	21.5
Anritsu Capital-cost Evaluation (millions of yen) ^{*3}	(2,971)	1,908	9,194
Return on assets (%) ^{*4}	0.4	3.1	9.6
Ratio of net assets to total assets (%)	37.2	40.2	48.5
Net debt-to-equity ratio (times) ^{*5}	0.43	0.22	—
Interest coverage ratio (times) ^{*6}	12.7	13.2	30.7
Dividend payout ratio (%)	—	29.1	18.9
Dividends on equity (%) ^{*8}	—	2.3	4.2

Note: 1. The Anritsu Group has adopted IFRS since FY2012 and prepared consolidated financial statements in conformity with IFRS.
 2. With amendment of IAS 19, FY2012 actual figures have been restated based on the revised accounting policies retrospectively.
 3. Amounts less than ¥1 million are rounded down.

International Financial Reporting Standards (IFRS) →

Financial Information

	FY2011
For the year:	
Revenue	93,622
(Japan)	36,933
(Overseas)	56,689
Cost of sales	44,397
Gross profit	49,225
Selling, general and administrative expenses	23,065
Operating profit	14,000
Profit (loss) before tax	13,094
Profit from continuing operations	7,972
Net cash flows from (used in) operating activities	16,143
Net cash flows from (used in) investing activities	(2,174)
Net cash flows from (used in) financing activities	(2,264)
Free cash flow	13,968
Capital expenditures	3,200
Depreciation and amortization	2,469
R&D expense* ¹	9,842
At year-end:	
Total assets	111,287
Total equity	46,818
Cash and cash equivalents	39,596
Interest-bearing debt	31,417
Earnings per share:	
Basic earnings per share	62.17
Diluted earnings per share	56.33
Cash dividends	15.00
Equity attributable to owners of parent	341.43
Key financial indicators:	
Operating profit margin (%)	15.0
Return on equity (%) ^{*2}	19.5
Anritsu Capital-cost Evaluation (millions of yen) ^{*3}	5,163
Return on assets (%) ^{*4}	7.5
Equity attributable to owners of parent to total assets ratio (%)	42.1
Net debt-to-equity ratio (times) ^{*5}	—
Interest coverage ratio (times) ^{*6}	20.8
Dividend payout ratio (%)	24.1
Ratio of total amount of dividends to equity attributable to owners of parent (%) ^{*7}	4.9

*1 R&D expense for FY2011 (IFRS) to FY2018 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)

Non-Financial Information

		FY2009	FY2010	FY2011
Social:	Human resources			
	Number of employees (figures in parentheses are the number of employees at overseas Group companies)	3,589(1,315)	3,614(1,374)	3,681(1,475)
	Japan	1.4%	1.3%	1.3%
	Americas	22.5%	23.1%	21.1%
	EMEA	17.0%	16.0%	17.0%
	Asia, other	13.2%	15.3%	16.7%
	Global total	8.9%	8.7%	8.9%
	Anritsu Corporation Number of employees taking childcare leave	Male 0 Female 11	Male 0 Female 6	Male 0 Female 9
	Anritsu Corporation Number of employees returning to work after childcare leave	Male 0 Female 2	Male 0 Female 10	Male 0 Female 4
	Anritsu Corporation Ratio of employees returning to work and retention rate after taking childcare leave	Male — Female 100%	Male — Female 100%	Male — Female 80%
	Occupational health and safety			
	Ratio of labor accidents (per one million hours)	0.00	0.00	0.00
Environmental:	CO ₂ emissions (Scope 1, 2) (t-CO ₂)*	Global total —	Global total —	Global total —
	Energy consumption (crude oil conversion basis) (kL)	Global total 8,543	Global total 9,013	Global total 8,345
	Water usage (m ³)	Global total 124,243	Global total 128,204	Global total 127,713
	Excellent eco-products			
	Number of registered equipment (cumulative)	25	27	28

* Scope 2 Guidance uses the market-based method.

Data

Mid-Term Business Plan

GLP2014

GLP2017

GLP2020

							Millions of yen	Thousands of U.S. dollars
FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2019
94,685	101,853	98,839	95,532	87,638	85,967	99,659	107,023	964,171
35,293	30,133	27,116	28,565	29,338	29,753	32,183	36,293	326,964
59,391	71,720	71,723	66,966	58,299	56,213	67,475	70,729	637,198
43,715	46,897	46,147	46,557	45,168	44,023	48,807	48,948	440,973
50,969	54,955	52,692	48,974	42,469	41,943	50,852	58,075	523,199
24,346	28,621	29,605	29,621	27,198	26,563	27,944	28,036	252,577
15,714	14,123	10,882	5,897	4,234	4,912	11,246	17,413	156,873
16,139	14,239	11,591	5,434	3,628	4,602	11,362	17,181	154,784
13,888	9,318	7,874	3,767	2,734	2,898	8,991	13,397	120,694
11,771	13,792	7,582	10,195	9,246	7,946	12,247	14,721	132,622
(5,030)	(5,312)	(6,049)	(9,042)	(3,665)	(3,932)	(616)	(3,686)	(33,207)
(10,035)	(4,359)	(11,234)	2,450	(2,758)	(8,201)	(2,052)	(7,592)	(68,396)
6,740	8,480	1,533	1,153	5,581	4,014	11,631	11,035	99,414
4,562	5,355	9,612	5,399	2,588	3,430	2,436	4,518	40,702
2,562	2,863	3,186	3,736	3,935	3,964	4,031	4,732	42,631
10,323	12,488	13,366	13,089	11,212	10,556	12,008	13,321	120,01
115,095	127,149	126,893	124,624	125,054	121,190	130,467	138,873	1,251,108
64,539	74,896	78,665	75,862	76,485	78,313	85,678	94,331	849,829
37,690	43,215	34,916	37,391	39,682	35,452	45,097	47,669	429,450
20,191	19,192	16,241	22,159	22,228	16,165	16,435	14,594	131,477

							Yen	U.S. dollars
98.41	64.93	55.72	27.38	19.65	20.97	65.20	97.20	0.88
97.03	64.89	55.72	27.38	19.65	20.97	65.16	97.16	0.88
20.00	20.00	24.00	24.00	15.00	15.00	22.00	31.00	
450.36	522.54	572.04	552.26	556.40	569.54	622.87	685.25	6.17
16.6	13.9	11.0	6.2	4.8	5.7	11.3	16.3	
25.0	13.3	10.2	4.9	3.5	3.7	10.9	14.9	
9,440	4,759	2,453	(584)	(1,569)	(1,610)	3,970	8,403	75,703
12.3	7.7	6.2	3.0	2.2	2.4	7.1	9.9	
56.1	58.9	62.0	60.8	61.1	64.6	65.6	67.8	
—	(0.32)	(0.24)	(0.20)	(0.23)	(0.25)	(0.33)	(0.35)	
24.9	54.2	41.7	52.0	68.4	72.6	124.2	143.3	
20.3	30.8	43.1	87.7	76.3	71.5	33.7	31.9	
5.1	4.1	4.4	4.3	2.7	2.7	3.7	4.7	

*3 Anritsu Capital-cost Evaluation: Net operating Profit after tax - Cost of capital (5%) (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: Cash flows from operating activities / Interest expense

*7 Ratio of total amount of dividends to equity attributable to owners of parent: Total cash dividends / Net assets (IFRS: Total cash dividends / Total equity)

*8 Dividend on equity ratio (DOE): Total cash dividends / Total Equity

FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
3,771(1,577)	3,880(1,674)	3,926(1,714)	3,846(1,602)	3,788(1,539)	3,717(1,466)	3,778(1,530)	3,881(1,609)
1.3%	1.3%	1.3%	1.3%	1.3%	1.0%	1.1%	1.8%
20.7%	20.5%	19.7%	22.7%	24.7%	23.0%	20.2%	18.3%
21.5%	17.4%	15.9%	17.0%	19.7%	22.1%	23.5%	21.6%
20.5%	21.3%	19.0%	18.2%	21.7%	21.6%	24.1%	23.4%
9.8%	10.1%	9.4%	9.6%	10.2%	9.9%	10.5%	10.4%
1	1	1	2	0	3	2	2
7	8	8	3	5	8	4	7
1	0	2	2	0	2	2	2
8	5	8	7	4	2	12	4
100%	—	100%	100%	—	100%	100%	67%
100%	71%	100%	88%	100%	100%	100%	100%
0.00	0.00	0.76	0.64	0.21	0.00	0.00	0.65
15,383	13,421	15,065	15,109	14,279	12,797	12,736	12,443
8,064	7,987	7,962	8,265	7,983	7,698	7,774	8,274
112,800	104,426	94,931	82,794	80,352	70,837	72,777	79,588
29	30	32	39	44	49	49	52

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 FY2015, 2016, 2017, 2018, 2019 and 2020.

The Scope of Consolidation

The Anritsu Group comprised 45 consolidated subsidiaries and one affiliate at the end of FY2019.

Overview

During the fiscal year ended March 31, 2020, the global economy had been continuing to grow at a modest pace, especially in developed countries, despite the heating up of the US-China trade friction. However, the global spread of COVID-19 caused a halt to economic activity, plunging the world in to an economic recession. Moreover, there are concerns that the spread of COVID-19 may have further negative impacts on business activities, including disruption of supply chains due to restrictions on the movement of goods and people, shutdowns of factory operations and closure of business locations due to city lockdowns and other measures.

Domestic demand has fallen precipitously in Japan as well, due to factors such as falling inbound demand, cancellation of events, and people refraining from eating out and other activities.

In the field of information and communication, mobile broadband services are growing both in terms of quality and volume, and the volume of mobile data transmission is increasing rapidly which pressures the capacity of network infrastructure. In order to solve these issues, 4G mobile communications system has evolved continually to become LTE (Long-Term Evolution) and LTE-Advanced, and then LTE-Advanced Pro (Gigabit LTE). In addition, specification development of the next-generation 5G communications system is proceeding in 3GPP. The standardization of 5G NSA-NR (Non-Standalone New Radio) finished in December, 2017 and the one of 5G SA-NR (Standalone New Radio) finished in June, 2018. All specifications of 5G main functions that are related to ultra-high speed communication are set. Continuously among 3GPP, specification development of ultra-low latency communications and multiple simultaneous connections for expansion of use case (Release 16*) is under consideration and the standardization will be expected to be finished in 2020. In addition, new specifications (Release 17*) for contributing to improved 5G efficiency and capability, such as expansion of high-frequency range, expansion of communication area, low-power consumption, and low-cost communication are under consideration at 3GPP, and the standardization will be targeted to be finished in 2021.

ished in 2021.

As a result, 5G services were launched in the US, Korea, Europe, and China, and the 5G commercialization schedules of operators in each country are smoothly making progress. In Japan as well, 5G services were launched in certain areas, centered on cities, in March 2020.

Amid such environment, the Test and Measurement Business Group has focused on solution development to serve 5G investment demand as well as strengthening the organization structure. Consequently, the Test and Measurement Business Group captured development demand for 5G chipsets and devices.

In the field of PQA (Product Quality Assurance), automation investment on processed foods production lines is underway, and demand is growing steadily for contaminant inspection using X-rays and quality assurance toward packaging. Amid such environment, the PQA Group has worked to reinforce the competitiveness of its solutions focused on X-rays, as well as enhance and expand its global sales structure.

* Standard number used in 3GPP

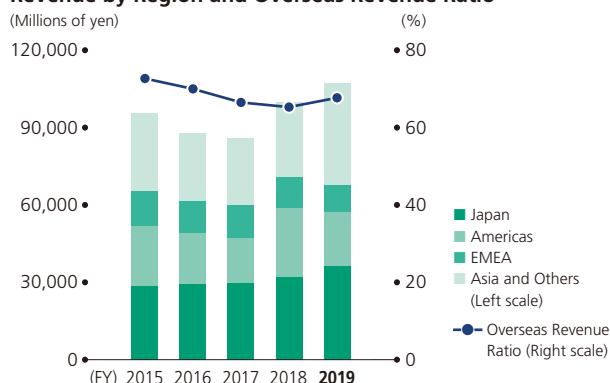
Revenue

During the fiscal year ended March 31, 2020, development demand for 5G chipsets and mobile devices was growing steadily. Particularly in Asia, development demands aimed at 5G commercialization grew, driving the 5G business. Consequently, revenue and profit in the Test and Measurement segment increased compared with the previous fiscal year. In the Products Quality Assurance segment during the fiscal year ended March 31, 2020, the food product market, as well as the demand for capital investment with the purpose of automating, labor saving, and strengthening quality assurance processes were growing steadily both in Japan and overseas. However, due to prolonged product acceptance inspection at customers' sites, the revenue was lower than the previous fiscal year.

As a result, orders increased 6.8% compared with the previous fiscal year to ¥107,709 million, and revenue increased 7.4% compared with the previous fiscal year to ¥107,023 million. Operating profit increased 54.8% compared with the previous fiscal year to ¥17,413 million, profit before tax increased 51.2% compared with the previous fiscal year to ¥17,181 million. Profit increased 49.0% com-

pared with the previous fiscal year to ¥13,397 million, and profit attributable to owners of parent increased 49.1% compared with the previous fiscal year to ¥13,355 million. COVID-19 only had a minor impact on business performance for the fiscal year ended March 31, 2020.

Revenue by Region and Overseas Revenue Ratio



Cost of Sales and Gross Profit

Cost of sales increased ¥141million, or 0.3%, to ¥48,948 million. Cost of sales as a percentage of total revenue was 45.7%, down 3.3 percentage point compared with the previous fiscal year. Gross profit increased ¥7,223 million, or 21.2%, to ¥58,075 million. The gross margin amounted to 54.3%.

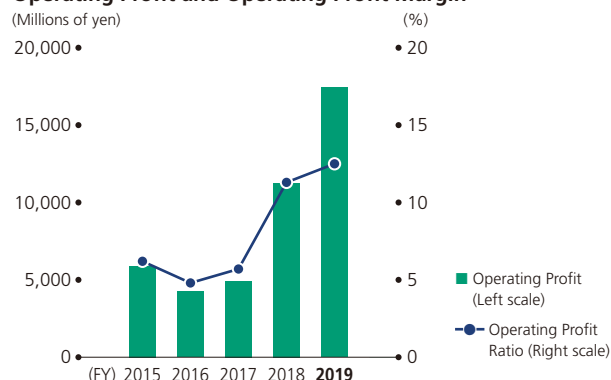
Selling, General and Administrative (SG&A) Expenses and Operating Profit

SG&A expenses increased 0.3% over the previous fiscal year, to ¥28,036million. Research and development (R&D) expenses increased 10.8%, to ¥12,975 million and amounted to 12.1% of consolidated total revenue. As a result of the above factors, operating profit increased 54.8%, or ¥6,167 million, to ¥17,413 million. The operating profit ratio was 16.3%.

SG&A Expenses

Year ended March 31	Millions of yen		YoY (%)
	FY2019	FY2018	
Personnel expenses	¥18,415	¥18,266	0.8
Travel and transportation expenses	1,350	1,563	(13.6)
Advertising expenses	1,592	1,305	22.0
Depreciation and amortization expenses	1,879	1,403	33.9
Others	4,799	5,406	(11.2)

Operating Profit and Operating Profit Margin



Profit before Tax and Profit

Operating profit increased 54.8% compared with the previous fiscal year to ¥17,413 million, profit before tax increased 51.2% compared with the previous fiscal year to ¥17,181 million. Profit increased 49.0% compared with the previous fiscal year to ¥13,397 million, and profit attributable to owners of parent increased 49.1% compared with the previous fiscal year to ¥13,355 million. Comprehensive income for the period rose ¥2,556 million, to ¥11,937 million. COVID-19 had only minor impact on business performance for the fiscal year ended March 31, 2020.

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

Year ended March 31	%		
	FY2019	FY2018	FY2017
Revenue	100.0	100.0	100.0
Cost of sales	45.7	49.0	51.2
Gross profit	54.3	51.0	48.8
SG&A expenses	26.2	28.0	30.9
R&D expenses	12.1	11.8	11.8
Profit	12.5	9.0	3.4

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 by taking into account the total return ratio.

With regard to dividends, while taking the basic approach of raising dividends on equity (DOE) in accordance with the increase in consolidated profits for the fiscal

Management's Discussion and Analysis

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 or 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 ¥20 per share, and total dividends for the fiscal year ended March 31, 2020 will be ¥31 per share.

For the fiscal year ending March 31, 2021, Anritsu plans to pay cash dividends of ¥31 per share (including an interim dividend of ¥15.5 per share).

Business Segments

The Anritsu Group classifies its operations into the segments of Test and Measurement, Products Quality Assurance, and Others. In order to evaluate each business segment more appropriately, the headquarter administrative expenses portion of general and administrative expenses for each business segment has been shifted to be included in company-wide expenses starting from the fiscal year ended March 31, 2020. These expenses from the previous fiscal year have been restated.

Test and Measurement

This segment develops, manufactures and sells a variety of communication and general purpose measuring instruments, test systems and service assurances for telecommunication carriers, communication equipment manufacturers as well as maintenance and installation companies around the world.

During the fiscal year ended March 31, 2020, development demand for 5G chipsets and mobile devices were growing steadily. Particularly in Asia, development demands

aimed at 5G commercialization grew and became the driver of the 5G business. Consequently, segment revenue increased 10.3% compared with the previous fiscal year to ¥75,165 million, operating profit increased 60.9% to ¥15,148 million and adjusted operating profit increased 59.6% to ¥15,018 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 70% 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 providers, and measuring instruments for design, production, function and performance verification, and maintenance of mobile handsets by manufacturers of mobile devices such as 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, 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 model changes and shipments of mobile phones and chipsets.

LTE, which has been deployed throughout the world, has evolved into LTE-Advanced and LTE-Advanced Pro in order to relieve the pressure on capacity of network infrastructure from the rapid surge in data communication traffic. Currently, the specifications related to ultra-high speed communication of next-generation 5G communication systems are set, and the commercialization of 5G is being advanced by operators from various countries, starting in the US, Korea, Europe, and then in China and Japan. While manufacturing demand for the LTE smartphones has declined in the mobile phone-manufacturing market, development of IC chipsets and mobile phones supporting 5G has taken off full steam in the mobile phone-development market, and demand for measuring instruments for 5G development is growing. In addition, the specifications related to ultra-low latency communications and multiple simultaneous connec-

tions of 5G are underway. In the IoT field, which has high potential as the 5G use cases, and the autonomous driving and in-vehicle communication field in the automobile industry, the development of mobile communications technologies to realize new services are also actualizing 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 operators, and solutions for network equipment manufacturer in areas including design, production, inspection and adjustment.

In this sub-segment, data traffic is expanding rapidly due to sophisticated cloud computing services and the progress of 5G services. Therefore, service providers that are pursuing high-speed networks are introducing 100Gbps services in full scale, and network equipment manufacturers are progressing development of 400Gbps network equipment. Moreover, in order to improve mobile phone connectivity, progress is being made to enhance the base station density through integrated application of wired and wireless network technologies.

Along with the change of market trend, 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 communication equipment is expanding. Along with this, research and development and manufacturing markets of high-speed optical communications modules are growing, and the competition in this area has become severe.

Anritsu is working to expand business by providing comprehensive solutions from construction and monitoring of communication infrastructure to service assurances 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.

The expansion of IoT service using mobile broadband services and LPWA (Low Power Wide Area) devices is 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 wireless 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 21 % of Anritsu Group's revenue. Since more than 80% of segment revenue is made of businesses from food manufacturers, this segment is substantially influenced by increased consciousness regarding food safety and security as well as changes in consumer spending levels which would affect food manufacturers' business performances.

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 particular, there is a strong demand for general quality control software solution in the food and pharmaceutical product manufacturing lines that can be used to monitor operating conditions, collect and analyze quality information, improve yield, and enhance quality management.

In the overseas markets, progress was made in the cultivation of royal customers' needs, and these customers are

Management's Discussion and Analysis

operating their businesses globally in regions such as Americas, Europe, and China. The overseas sales ratio of this business is roughly 40%.

Food manufacturers are very interested in quality control inspection solutions. To satisfy this demand, Anritsu will develop and deliver new products and quality assurance solutions. We will also optimize the supply chain including overseas production, and will promote efficiency of global operation. Anritsu will expand the business and increase profitability through those opportunities.

As a result, segment revenue decreased 2.2% compared with the previous fiscal year to ¥22,575 million and operating profit decreased 20.0% compared with the previous fiscal year to ¥1,287 million.

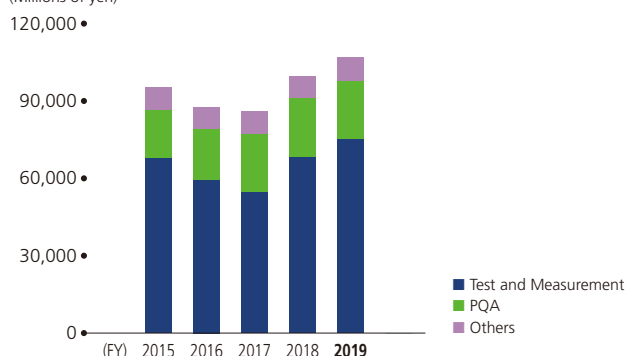
Others

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

During the fiscal year ended March 31, 2020, Device business profit was increased compared with the previous fiscal year. As a result, segment revenue increased 10.3% compared with the previous fiscal year to ¥9,282 million, and operating profit increased 65.9% compared with the previous fiscal year to ¥1,900 million.

Revenue by Business Segment

(Millions of yen)



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 2020, which is effective through March 2023. 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, 2020, the balance of interest-bearing debt was ¥14,594 million (compared with ¥16,435 million at the end of the previous fiscal year) and the debt-to-equity ratio was 0.15 (compared with 0.19 at the end of the previous fiscal year). And the net debt-to-equity ratio was negative 0.35 (compared with negative 0.33 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 5.4 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 2020, Rating and Investment Information, Inc. (R&I) has 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, 2020, cash and cash equivalents (hereafter, “net cash”) increased ¥2,572 million compared with the end of the previous fiscal year to ¥47,669 million.

Free cash flow, the sum of cash flows from operating activities and cash flows from investing activities, was positive ¥11,035 million (compared with positive ¥11,631 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 ¥14,721 million (in the previous fiscal year, operating activities provided net cash of ¥12,247 million).

The cash increase was due to reporting of profit before tax and recording depreciation and amortization, on the other hand, the cash decrease was mainly due to increase in inventories, trade and other receivables. Depreciation and amortization expense was ¥4,999 million (increase of ¥612 million compared with the same period of the previous fiscal year).

• Cash Flows from Investing Activities

Net cash used in investing activities was ¥3,686 million (in the previous fiscal year, investing activities used net cash of ¥616 million). The cash decrease was mainly due to acquisition of property, plant and equipment.

• Cash Flows from Financing Activities

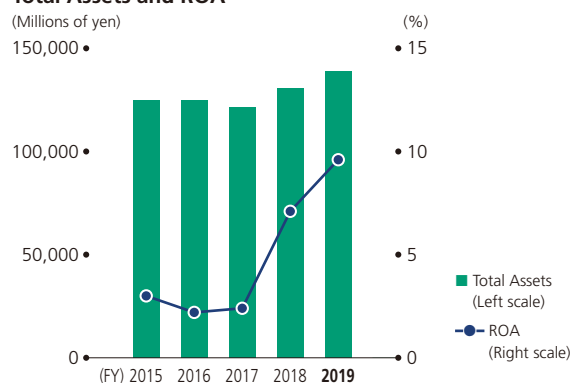
Net cash used in financing activities was ¥7,592 million (in the previous fiscal year, financing activities used net cash of ¥2,052 million). The primary reason was repayments of long-term borrowings ¥3,500 million and payment of cash dividends totaling ¥3,365 million (in the previous fiscal year, cash dividends was ¥2,198 million).

Assets, Liabilities, and Equity

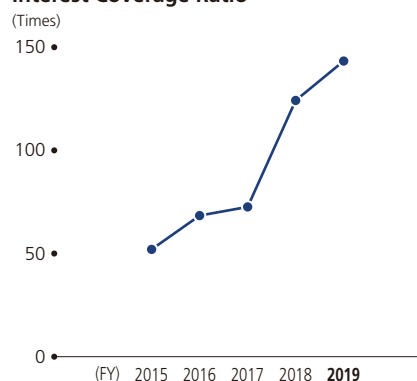
Assets increased ¥8,405 million compared with the end of the previous fiscal year to ¥138,873 million. This was mainly due to increase of cash and cash equivalents, as well as inventories. Total liabilities decreased ¥247 million compared with the end of the previous fiscal year to ¥44,541 million. This was mainly due to decrease of bonds and borrowings. On the other hand, other financial liabilities

increased due to the increase of lease liabilities by the adoption of IFRS16. Equity increased ¥8,653 million compared with the end of the previous fiscal year to ¥94,331 million. This was mainly due to increase of retained earnings, while decrease of other components of equity. As a result, the equity attributable to owners of parent to total assets ratio was 67.8%, compared with 65.6% at the end of the previous fiscal year.

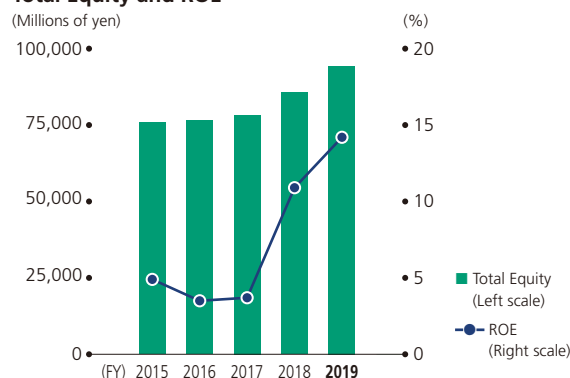
Total Assets and ROA



Interest Coverage Ratio



Total Equity and ROE



Management's Discussion and Analysis

Capital Expenditures

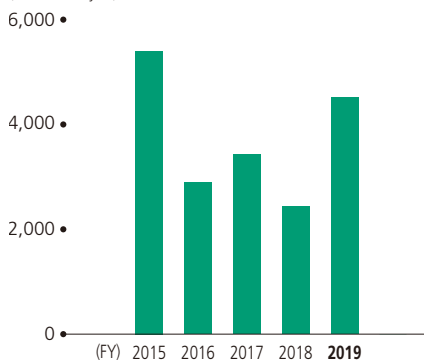
To achieve sustainable growth and profit increases in the future, the Anritsu Group is making strategic investments, such as new-product development focused on product areas where long-term growth is expected and systems-related investments are aimed at labor saving and streamlining of operations. In the Test and Measurement Business, we invested in new-product development in order to handle rapid technological innovation and sales competition and also conducted investments to reduce costs. In the Products Quality Assurance Business, we primarily invested with the aim of optimizing global information systems as well as to enhance development, manufacturing and maintenance processes. 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.).

Overview of Capital Expenditures

Year ended March 31	Millions of yen		YoY (%)
	FY2019	FY2018	
Test and Measurement	¥3,381	¥1,591	212.5
PQA	787	505	155.6
Subtotal	4,168	2,097	198.8
Others	349	339	103.2
Total	4,518	2,436	185.5

Capital Expenditures

(Millions of yen)



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 Corporation, Anritsu Company (United States), Azimuth Systems, Inc. (United States), Anritsu Ltd. (United Kingdom), and Anritsu A/S (Denmark) are working together to further realize synergies among their technologies through supplementing and complementing each other's technological strengths.

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.

Research and Development

Year ended March 31	Millions of yen		% of revenue	Millions of yen		% of revenue
	FY2019			FY2018		
Test and Measurement	¥ 10,489	14.0		¥ 9,086	13.3	
PQA	2,180	9.7		2,174	9.4	
Others	467	5.0		526	6.3	
Basic Research	184	—		220	—	
Total	¥13,321	12.4		¥12,008	12.0	

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

Business Segment	Model	Product	Application	Contribution
Test and Measurement	MT8000A	Radio Communication Test Station	With a 5G base station emulation function, a single MT8000A test platform supports both the Sub-6GHz, including band n41, and the millimeter wave bands used by 5G. Combining it with the OTA Chamber enables both millimeter wave band RF measurements and beam-forming tests using call connections specified by 3GPP.	<ul style="list-style-type: none"> • All-in-One Support for RF Measurements and Protocol Tests in Sub-6 GHz and Millimeter Wave Bands • Supports mm-wave band RF measurements and beam forming tests combined use with the RF chamber. • Flexible Platform using Modular Architecture • Supports Existing LTE Test Environment
	ME7834NR	5G NR Mobile Device Test Platform	The ME7834NR is the test platform for 3GPP based Protocol Conformance Test (PCT) and Carrier Acceptance Test (CAT) of mobile devices incorporating Multiple Radio Access Technologies (RAT). The ME7834NR supports 5G New Radio (NR) Technology in both Standalone and Non-Standalone mode, in addition to LTE, LTE-Advanced (LTE-A), LTE-A Pro, and W-CDMA.	<ul style="list-style-type: none"> • All-in-One 5G NR Support for Protocol Conformance Tests and Carrier Acceptance Test • Supports 3GPP defined bands from Sub-6GHz to mm-Wave • Upgrades your current ME7834 system for 5G
	ME7873NR	New Radio RF Conformance Test System	The New Radio RF Conformance Test System ME7873NR is an automated system for 3GPP TS38.521/TS38.533-defined 5G NR RF/RRM tests. It supports both planned 5G NR Standalone (SA) and Non-Standalone (NSA) modes, while combination with Anritsu's 5G over-the-air (OTA) chamber (CATR) covers all 5G frequency bands, including not only Sub-6GHz but also mmWave.	<ul style="list-style-type: none"> • GCF/PTCRB-approved 5G NR test cases • Meets 3GPP standards • Upgrade from ME7873LA for LTE systems (Sub-6GHz) • Covers different regional frequency bands • Easy sequence creation and editing • Emphasizes test system measurement stability
PQA	KDS1004PSW	New products Metal Detection Systems for Pharmaceutical Industries	The KDS1004PSW is a metal detector for pharmaceutical tablets and capsules that delivers "high sensitivity and high stability" along with "ease of use." With a detection algorithm specialized for tablets and capsules as well as the industry's highest level of metal detection sensitivity, it can detect metallic foreign substances such as iron, stainless steel, and aluminum. Equipped with advanced validation functions such as internal condition monitoring, self-diagnosis, and sorting operation confirmation, it contributes to strict quality assurance for pharmaceuticals.	<ul style="list-style-type: none"> • Achieves high stability that supports highly sensitive detection <ul style="list-style-type: none"> -A reduction in vibration noise using signal processing -A reduction in inverter noise using signal processing -Control of static electricity through use of antistatic chute • Achieves the highest sensitivity testing in the industry <ul style="list-style-type: none"> -Installed with a newly developed sensor structure and signal processing algorithm • Compatible with FDA's Title 21, CFR Part 11 • SOP (Standard Operating Procedure) support using smart guide • Designed to allow maintenance without tools

Management Objectives and Indicators

Anritsu aims to maximize corporate value by managing its operations with a focus on cash flow. In addition, to evaluate the added value generated by capital invested, Anritsu uses an original metric, ACE (Anritsu Capital-cost Evaluation), for evaluating the results of each business. A target for ROE is also set as an indicator of the efficiency of capital invested.

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 ends in FY2020), which is based on the 2020 VISION.

In order to implement GLP2020 without fail, the Anritsu Group is working to (1) ensure acquisition growth drivers, (2) create a strong profit-generating platform, and (3) build pillars to support the next-generation business.

Year ended March 31	Billions of yen		
	FY2018 (Actual)	FY2019 (Actual)	FY2020 (Forecast)
Revenue	99.6	107.0	110.0
Operating profit	11.2	17.4	17.5
Profit	8.9	13.3	13.5
ACE	3.9	8.4	7.5
ROE (%)	10.9	14.9	14.0

Management's Discussion and Analysis

Outlook and Management Issues for the Year Ending March 31, 2020

The outlook for the global economy remains unclear due to factors such as the spread of COVID-19 and the prolongation of US-China trade friction. Depending on how the spread of COVID-19 progresses, it could impede the smooth operation of corporate activities over the long term, including disruption of supply chains and restrictions on various business activities. The Anritsu Group is taking measures to minimize the impact of COVID-19 on its businesses, including promoting working from home, utilizing IT tools, and diversifying its procurement.

Meanwhile, in the field of information and communication, 5G services has been launched around the world, and 5G-related demand is expected to grow in the future. In the mobile market, development demand for commercial 5G handset showed robust growth, and moving forward, test and measurement demand is expected to grow for conformance test, operator acceptance test, and calibration inspections on mass-production lines as well.

For the Products Quality Assurance segment, revenue is expected to increase in the PQA Business, both in the Japanese and overseas markets. Operating profit is also expected to increase compared with the previous fiscal year.

The Anritsu Group will strive to establish a competitive advantage in the mobile market by offering timely solutions that accurately meet the needs of 5G commercialization plans in countries worldwide and be a leading company supporting 5G and IoT society.

Risk Information

Policies and Systems

The Company views risks as indeterminate factors that may impact its corporate value, such as the organization's profits and the trust of society (risk is not necessarily a negative factor for a company; it could be a positive factor if managed appropriately). The Company recognizes that managing risk appropriately means that risk is a critically important management challenge, and has established Group-level systems to manage it. Moreover, in order to maintain and increase our corporate value, fulfill our corporate social responsibility, and pursue sustainable development of Anritsu Group, the Company focuses on making manage-

ment as well as all employees more sensitive to risk, and on all-hands initiatives that promote risk management.

Under the risk-management supervision of the Group CEO, the Anritsu Group designates a risk management officer for each of the following recognized major risks: (1) business risk related to management decision-making and business execution; (2) risk of legal violations; (3) environmental risk; (4) risk to the quality of products and services; (5) import/export management risk; (6) information security risk; and (7) disaster risk. Each risk management officer heads a committee, consisting of representatives from Company departments and Group companies managers relevant to the risk in question. Each risk management office oversees the management of its designated risk for the Group as a whole; and reports the status of risk management measures, plans and operation and the results of the year-round management cycle to the Management Strategy Conference as appropriate. In addition, the Risk Management Promotion Department leads such matters as creation of regulations and guidelines as well as training and education, and establishes systems necessary to raise the bar of risk management in order to ensure the sustainable development of the business. Each risk management officer supports the activities of Group companies overseas for their responsible field respectively. With regard to compliance risk, the compliance officer of each regional headquarters performs risk assessments and prepares and acts on an annual plan.

(Individual Risks)

1. Inherent Risks in the Anritsu Group's

Technology and Marketing Strategies (1) business risk

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 (1) business 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 comes from the telecommunications market, capital investment trends among service providers, network equipment manufacturers, mobile phone manufacturers, and electronic component manufacturers have the potential to exert an effect on business results. Telecom operators make a cost-effective capital investment in order to adopt technologies to handle rapid increases in data traffic, and to build networks that meets the various needs of IoT service and cloud service. 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 smartphones.

In the Products Quality Assurance Business, sales to food manufacturers constitute more than 80% of revenue. Capital investment of food manufacturers may influence the performance of Products Quality Assurance Business potentially.

3. Global Business Development Risk (1) business risk, (2) risk of legal violations, and (5) import/export management risk

The Anritsu Group markets its products globally. The overseas sales ratio is 66%, 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 have a potential to exert a material impact on the Group's financial position and results of operations.

4. Risk of Spread of Infectious Diseases (7) disaster risk

The spread of COVID-19 is continuing. The Anritsu Group places top priority on ensuring the safety of its employees, and halting the spread of the virus internally and externally to the Anritsu Group. The Anritsu Group has also estab-

lished a COVID-19 Task Force, which is collecting information and taking necessary measures in order to minimize the virus's impact on its operations. However, depending on how the spread of COVID-19 progresses, it has the potential to exert a material impact on the Anritsu Group's financial condition and operating results, due to the disruption of supply chains, and restrictions on business activities of the Group, its customers, and its suppliers, including the halt of factory operations and business location closures.

5. Disaster Risk (7) disaster risk

The Anritsu Group carries out production and sales activities globally. As such, natural disasters such as earthquakes, typhoons, and climate change-induced abnormal weather events induced by climate change, as well as fire, war, terrorism, riots, and other events have the potential to exert a material impact on the Anritsu Group's financial condition and operation results by impeding our business activities due to impact on the major facilities of the Group, its suppliers, or its customers, or by causing political or economic instability.

Each division of the Anritsu Group has created a Business Continuity Plan (BCP) aimed at ensuring the smooth continuity of our businesses by minimizing the damage from disasters and emergencies, and fast recovery of business activities. The Koriyama Office of Tohoku Anritsu Co., Ltd., which is a Group manufacturing facility, has created a BCP for natural disasters, including river flooding due to earthquakes and torrential rains, as one of its major risks. This BCP clearly defines the actions to take after a natural disaster, broken up into specific processes. Taking the lessons learned from actual largescale disasters, the Company is reviewing the criteria for emergency BCP activation to prepare for a wider range of risks and refine the response procedures when each risk occurs.

6. Foreign Exchange Risk (1) business risk

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.

Management's Discussion and Analysis

7. Long-Term Inventory Obsolescence Risk (1) business risk

The Anritsu Group works to provide products and services that precisely meet customer needs and wants. However, particularly in the Test and Measurement Instruments market, product lines are subject to frequent changes in order to follow technology evolution, which can easily result in obsolescence of products and parts, and could cause inventory to be 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.

8. Human Resource Acquisition Risk (1) business risk

Acquiring, ensuring, and developing human resources are the very important requirements for the sustainable development of the Anritsu Group. The Anritsu Group strives to acquire talented human resources by actively hiring diverse human resources without regard to nationality, gender or other natures and focuses on their development with efforts to enhance its internal training and education programs. The Anritsu Group also focuses on work-life balance, and strives to create working environments that support diverse work styles and values. However, if human resource acquisition and development do not proceed as planned, it has the potential to exert a material impact on the Anritsu Group's financial condition and operating results.

9. Compliance Risk (2) risk of legal violations

The Anritsu Group is subject to the laws and regulations of the countries in which it conducts business. Violation of these laws and regulations, or actions that violate the demands of society, has the potential to exert a material impact on the Anritsu Group's financial condition and operating results through factors including legal punishment, lawsuits, social sanctions, and damage to the brand.

The Anritsu Group has established the Anritsu Group Code of Conduct, which serves as a guide for the conduct to take in order for us to fulfill our social responsibility. The Company also carries out educational and awareness-raising activities as needed, as it strives to improve its corporate ethics and strengthen legal compliance. The Group CEO, who chairs the Management Strategy Conference, leads the promotion of compliance of the Domestic Anritsu

Group. Additionally, the Corporate Ethics Promotion Committee, chaired by the executive officer in charge of compliance, operates under the supervision of Management Strategy Conference, and oversees the compliance-promotion activities of each company in the Domestic Anritsu Group. The Corporate Ethics Promotion Committee and the Legal Department, which serve as its secretariat, coordinate with committees that promote legal compliance to advocate ethical and legal compliance to Anritsu Group companies overseas in accordance with their national and regional laws, cultures, and customs. They provide necessary support, and coordinate with compliance officers at each Anritsu Group company overseas to build a global compliance-promotion system. Internal audit departments perform audits to determine whether the compliance promotion system is functioning appropriately, and provide advice and request improvements as necessary.

10. Environmental Risk (3) environmental risk

The Anritsu Group is subject to a variety of laws and regulations relating to the environment, including climate change, energy, the atmosphere, water, hazardous substances, waste, and product recycling. The Group tackles the efforts to prevent climate change, create a recycling society, and prevent environmental pollution, in addition to ensuring the thorough environmental compliance of its business activities and products.

However, it is possible for tightened environmental regulations or past actions to trigger environmental liability, and for natural disasters and other events to cause environmental pollution. Such events have the potential to exert a material impact on the Anritsu Group's financial condition and operating results due to additional costs required for legal compliance or environmental measures.

In order to meet the demands of its stakeholders, the Anritsu Group develops and offers products with an awareness of the environment throughout the entire product life cycle. The Anritsu Group is also committed to reducing its environmental pollution risk by reducing the CO₂ emissions of its offices and factories through reducing the energy

usage from the perspective of preventing global warming and preserving biodiversity; reducing waste by promoting the 3Rs (reduce, reuse, and recycle); and setting self-management standards that are stricter than laws and ordinances related to preventing environmental pollution.

11. Product-Quality Risk (4) risk to the quality of products and services

The Anritsu Group has been ISO 9001 (an international standard for quality management systems) accredited since 1993. It operates integrated quality management, from product design and development to manufacture, service, and maintenance, at a global level. However, if an unforeseen event that causes a major quality defect or product liability is incurred, it has the potential to exert a material impact on the Anritsu Group's financial condition and operating results, such as loss of society's trust, lawsuits, social sanctions, and damage to the brand, as well as the cost of compensation and countermeasures.

The Anritsu Group has established committees to maintain, improve, and assure product quality, and operate the quality management system appropriately, including the Quality Management System Committee and the Internal Quality Audit Committee. The Anritsu Group is also considering the establishment of systems in the event of a product incident, a system to prevent product incidents, and initiatives to prevent recurrence.

12. Information Security (6) information security risk

The Anritsu Group has the social responsibility to appropriately protect the information of all of its stakeholders, including customers, trading partners, shareholders, and employees in its business activities. The Anritsu Group also recognizes that information assets are vital assets of the Anritsu Group and its stakeholders. If an information security incident were to occur with these information assets, due to a cyberattack, it has the potential to exert a material impact on the Anritsu Group's financial condition and operating results due to effects such as loss of the trust of society, lawsuits, social sanctions, and damage to the brand.

The Anritsu Group works continuously to build its information security management system, carry out initiatives to maintain and improve thorough management and security,

and carry out information security education. As a company operating globally, the Company connects offices worldwide via networks and promoted sharing of information between them. A single vulnerability in information security impacts the overall security level. The Company is currently working to correct discrepancies in security levels between regions, alleviate regional disparities, and raise the bar as a whole.

13. Risk Related to Deferred Tax Assets (1) business risk

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.

14. Risk Related to Defined-Benefit Pension Plan (1) business risk

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.

Consolidated Statement of Financial Position

March 31, 2019 and 2020

	Millions of yen		Thousands of U.S. dollars*
	End of FY2018 as of March 31, 2019	End of FY2019 as of March 31, 2020	End of FY2019 as of March 31, 2020
Assets			
Current assets:			
Cash and cash equivalents (Notes 8 and 36)	¥ 45,097	¥ 47,669	\$ 438,094
Trade and other receivables (Notes 9 and 36)	25,055	26,263	241,366
Other financial assets (Notes 11 and 36)	537	29	267
Inventories (Note 10)	18,585	20,775	190,929
Income tax receivables	343	413	3,796
Other assets	3,375	3,857	35,447
Total current assets	92,994	99,009	909,926
Non-current assets:			
Property, plant and equipment (Note 12)	24,221	25,259	232,139
Goodwill and intangible assets (Note 13)	3,586	3,833	35,227
Investment property (Note 14)	830	663	6,093
Trade and other receivables (Notes 9 and 36)	305	287	2,638
Other financial assets (Notes 11 and 36)	1,670	1,785	16,405
Deferred tax assets (Note 16)	6,814	7,548	69,369
Other assets	45	485	4,457
Total non-current assets	37,473	39,864	366,363
Total assets	130,467	138,873	1,276,289
Liabilities and Equity			
Liabilities			
Current liabilities:			
Trade and other payables (Notes 17 and 36)	7,599	7,467	68,624
Bonds and borrowings (Notes 18 and 36)	5,270	9,882	90,819
Other financial liabilities (Notes 19, 20, and 36)	70	753	6,920
Income tax payables	3,053	4,028	37,019
Employee benefits (Note 21)	6,829	7,293	67,025
Provisions (Note 22)	424	435	3,998
Other liabilities (Notes 23 and 26)	7,003	7,484	68,780
Total current liabilities	30,251	37,346	343,222
Non-current liabilities:			
Trade and other payables (Notes 17 and 36)	435	480	4,411
Bonds and borrowings (Notes 18 and 36)	10,978	2,994	27,516
Other financial liabilities (Notes 19, 20, and 36)	124	1,015	9,328
Employee benefits (Note 21)	1,100	775	7,123
Provisions (Note 22)	111	108	993
Deferred tax liabilities (Note 16)	197	336	3,088
Other liabilities (Notes 23 and 26)	1,590	1,484	13,638
Total non-current liabilities	14,538	7,195	66,124
Total liabilities	44,789	44,541	409,347
Equity:			
Common stock (Note 24)	19,113	19,151	176,004
Additional paid-in capital (Note 24)	28,207	28,277	259,875
Retained earnings (Note 24)	33,442	43,182	396,857
Treasury stock (Note 24)	(1,133)	(1,119)	(10,284)
Other components of equity (Note 24)	5,930	4,681	43,020
Total equity attributable to owners of parent	85,560	94,172	865,472
Non-controlling interests	117	159	1,461
Total equity	85,678	94,331	866,933
Total liabilities and equity	¥130,467	¥138,873	\$1,276,289

* The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥108.81 to U.S. \$1.00, the approximate exchange rate on March 31, 2020.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Years ended March 31, 2019 and 2020

		Millions of yen	Thousands of U.S. dollars*
	End of FY2018 as of March 31, 2019	End of FY2019 as of March 31, 2020	End of FY2019 as of March 31, 2020
Continuing operations			
Revenue (Notes 6 and 26)	¥99,659	¥107,023	\$983,577
Cost of sales (Note 29)	48,807	48,948	449,848
Gross profit	50,852	58,075	533,729
Other revenue and expenses			
Selling, general and administrative expenses (Notes 27 and 29)	27,944	28,036	257,660
Research and development expense (Notes 28 and 29)	11,715	12,975	119,245
Other income (Note 30)	428	659	6,056
Other expenses (Note 30)	374	309	2,840
Operating profit (loss) (Note 6)	11,246	17,413	160,031
Finance income (Note 31)	387	345	3,171
Finance costs (Note 31)	271	577	5,303
Profit (loss) before tax	11,362	17,181	157,899
Income tax expense (Note 16)	2,371	3,783	34,767
Profit (loss) from continuing operations	8,991	13,397	123,123
Profit (loss)	8,991	13,397	123,123
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Change of financial assets measured at fair value (Note 32)	69	83	763
Remeasurements of defined benefit plans (Note 32)	96	(214)	(1,967)
Total	165	(130)	(1,195)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation (Note 32)	225	(1,329)	(12,214)
Total	225	(1,329)	(12,214)
Total of other comprehensive income	390	(1,459)	(13,409)
Comprehensive income (loss)	¥ 9,381	¥11,937	\$109,705
Profit (loss), attributable to:			
Owners of parent	¥ 8,956	¥13,355	\$122,737
Non-controlling interests	34	42	386
Total	¥ 8,991	¥13,397	\$123,123
Comprehensive income (loss) attributable to:			
Owners of parent	¥ 9,346	¥11,895	\$109,319
Non-controlling interests	34	42	386
Total	¥ 9,381	¥11,937	\$109,705
Earnings per share		Yen	U.S. dollars*
Basic earnings per share (Note 33)	¥65.20	¥97.20	\$0.89
Diluted earnings per share (Note 33)	65.16	97.16	0.89

* The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥108.81 to U.S. \$1.00, the approximate exchange rate on March 31, 2020.

Consolidated Statement of Changes in Equity

Years ended March 31, 2019 and 2020

	FY2018 (From April 1, 2018 to March 31, 2019)							Millions of yen
	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, 2018	¥19,064	¥28,137	¥26,254	¥ (987)	¥5,761	¥78,230	¥ 83	¥78,313
Cumulative effect by change in accounting policy	—	—	183	—	—	183	—	183
Balance at April 1, 2018 after change in accounting policy	19,064	28,137	26,438	(987)	5,761	78,414	83	78,497
Profit (loss)	—	—	8,956	—	—	8,956	34	8,991
Other comprehensive income (Note 32)	—	—	96	—	294	390	—	390
Total comprehensive income (loss)	—	—	9,052	—	294	9,346	34	9,381
Share-based payments (Note 35)	49	69	24	23	—	166	—	166
Dividends paid (Note 25)	—	—	(2,198)	—	—	(2,198)	—	(2,198)
Purchase of treasury stock (Note 24)	—	—	—	(168)	—	(168)	—	(168)
Dividends to non-controlling interests	—	—	—	—	—	—	(0)	(0)
Transfer from other components of equity to retained earnings	—	—	125	—	(125)	—	—	—
Total transactions with owners and other transactions	49	69	(2,047)	(145)	(125)	(2,200)	(0)	(2,201)
Balance at March 31, 2019	¥19,113	¥28,207	¥33,442	¥(1,133)	¥5,930	¥85,560	¥117	¥85,678

	FY2019 (From April 1, 2019 to March 31, 2020)							Millions of yen
Balance at April 1, 2019	¥19,113	¥28,207	¥33,442	¥(1,133)	¥5,930	¥85,560	¥117	¥85,678
Cumulative effect by change in accounting policy (Note 2)	—	—	(45)	—	—	(45)	—	(45)
Balance at April 1, 2019 after change in accounting policy	19,113	28,207	33,396	(1,133)	5,930	85,515	117	85,632
Profit (loss)	—	—	13,355	—	—	13,355	42	13,397
Other comprehensive income (Note 32)	—	—	(214)	—	(1,245)	(1,459)	—	(1,459)
Total comprehensive income (loss)	—	—	13,140	—	(1,245)	11,895	42	11,937
Share-based payments (Note 35)	37	70	6	14	—	128	—	128
Dividends paid (Note 25)	—	—	(3,365)	—	—	(3,365)	—	(3,365)
Purchase of treasury stock (Note 24)	—	—	—	(0)	—	(0)	—	(0)
Disposal of treasury stock (Note 24)	—	0	—	0	—	0	—	0
Dividends to non-controlling interests	—	—	—	—	—	—	(0)	(0)
Transfer from other components of equity to retained earnings	—	—	4	—	(4)	—	—	—
Total transactions with owners and other transactions	37	70	(3,355)	13	(4)	(3,237)	(0)	(3,238)
Balance at March 31, 2020	¥19,151	¥28,277	¥43,182	¥(1,119)	¥4,681	¥94,172	¥159	¥94,331

	FY2019 (From April 1, 2019 to March 31, 2020)							Thousands of U.S. dollars*
Balance at April 1, 2019	\$175,655	\$259,232	\$307,343	\$(10,413)	\$54,499	\$786,325	\$1,075	\$787,409
Cumulative effect by change in accounting policy (Note 2)	—	—	(414)	—	—	(414)	—	(414)
Balance at April 1, 2019 after change in accounting policy	175,655	259,232	306,920	(10,413)	54,499	785,911	1,075	786,986
Profit (loss)	—	—	122,737	—	—	122,737	386	123,123
Other comprehensive income (Note 32)	—	—	(1,967)	—	(11,442)	(13,409)	—	(13,409)
Total comprehensive income (loss)	—	—	120,761	—	(11,442)	109,319	386	109,705
Share-based payments (Note 35)	340	643	55	129	—	1,176	—	1,176
Dividends paid (Note 25)	—	—	(30,925)	—	—	(30,925)	—	(30,925)
Purchase of treasury stock (Note 24)	—	—	—	(0)	—	(0)	—	(0)
Disposal of treasury stock (Note 24)	—	0	—	0	—	0	—	0
Dividends to non-controlling interests	—	—	—	—	—	—	(0)	(0)
Transfer from other components of equity to retained earnings	—	—	37	—	(37)	—	—	—
Total transactions with owners and other transactions	340	643	(30,834)	119	(37)	(29,749)	(0)	(29,758)
Balance at March 31, 2020	\$176,004	\$259,875	\$396,857	\$(10,284)	\$43,020	\$865,472	\$1,461	\$866,933

* The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥108.81 to U.S. \$1.00, the approximate exchange rate on March 31, 2020. 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, 2019 and 2020

	Millions of yen		Thousands of U.S. dollars*
	FY2018 (12 months) From April 1, 2018 to March 31, 2019	FY2019 (12 months) From April 1, 2019 to March 31, 2020	FY2019 (12 months) From April 1, 2019 to March 31, 2020
Cash flows from (used in) operating activities			
Profit (loss) before tax	¥11,362	¥17,181	\$157,899
Depreciation and amortization expense	4,386	4,999	45,942
Interest and dividends income	(335)	(342)	(3,143)
Interest expenses	103	116	1,066
Loss (gain) on disposal of property, plant and equipment	(241)	(43)	(395)
Decrease (increase) in trade and other receivables	(3,395)	(1,282)	(11,782)
Decrease (increase) in inventories	(64)	(2,370)	(21,781)
Increase (decrease) in trade and other payables	(452)	(176)	(1,617)
Increase (decrease) in employee benefits	536	(578)	(5,312)
Other, net	1,761	363	3,336
Subtotal	13,661	17,866	164,194
Interest received	272	304	2,794
Dividends received	62	37	340
Interest paid	(98)	(102)	(937)
Income taxes paid	(1,960)	(3,473)	(31,918)
Income taxes refund	309	88	809
Net cash flows from (used in) operating activities	12,247	14,721	135,291
Cash flows from (used in) investing activities (Note 34)			
Payments into time deposits	(545)	(9)	(83)
Proceeds from withdrawal of time deposits	1,135	477	4,384
Purchase of property, plant and equipment	(2,114)	(2,830)	(26,009)
Proceeds from sale of property, plant and equipment	714	310	2,849
Purchase of other financial assets	(3)	(1)	(9)
Proceeds from sale of other financial assets	1,177	6	55
Other, net	(980)	(1,637)	(15,045)
Net cash flows from (used in) investing activities	(616)	(3,686)	(33,876)
Cash flows from (used in) financing activities (Note 34)			
Net increase (decrease) in short-term borrowings	300	114	1,048
Proceeds from long-term borrowings	3,000	—	—
Repayments of long-term borrowings	(3,000)	(3,500)	(32,166)
Repayments of lease liabilities	—	(900)	(8,271)
Dividends paid	(2,198)	(3,365)	(30,925)
Other, net	(154)	58	533
Net cash flows from (used in) financing activities	(2,052)	(7,592)	(69,773)
Effect of exchange rate change on cash and cash equivalents	65	(870)	(7,996)
Net increase (decrease) in cash and cash equivalents	9,644	2,572	23,638
Cash and cash equivalents at beginning of period	35,452	45,097	414,456
Cash and cash equivalents at end of period (Note 8)	¥45,097	¥47,669	\$438,094

* The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥108.81 to U.S. \$1.00, the approximate exchange rate on March 31, 2020.

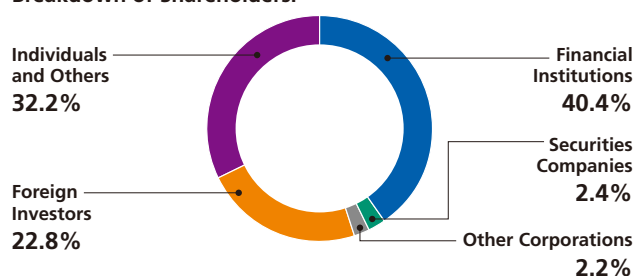
Glossary

Term	Description
3GPP (3rd Generation Partnership Project)	A project that was established to set third-generation (3G) mobile communications technology standards and LTE, LTE-Advanced (4G), and is now developing international standards for 5G.
5G New RAT (5G New Radio Access Technology)	A new wireless communications technology for use with 5G. It can handle ultra-high speed communications in excess of 10Gbps.
6G (Six Generation)	Sixth-generation mobile communications technology. The name given to next-generation mobile communications technology which is being researched in various countries with the aim of launching services around 2030.
AOC (Active Optical Cable)	A cable that combines optical fibers with an electrical signal connector that has an embedded optical-electric converter.
Beyond 5G	Mobile communications technology that will follow 5G. Essentially the same meaning as 6G.
Connectivity	A general term signifying connections between and among mobile devices and other equipment and devices. This term is used to distinguish Wi-Fi, Bluetooth, Near Field Communication (NFC), and other communication modes from cellular communications. In recent years, the use of connectivity has been expanded to include any connectable device, including automobiles, digital cameras, home appliances, game devices, and healthcare devices.
CPRI (Common Public Radio Interface)	An interface specification used to realize communication between Base-Band Units (BBU) and Remote Radio Heads (RRH) in systems where these are separated.
C-RAN (Centralized Radio Access Network)	A radio access network architecture. Each wireless base station is equipped with only Radio Transceiver Devices. Radio Control Units are clustered upstream within the network to form a "Housing station" where signals are processed.
Ethernet	The world's most-widespread Local Area Network (LAN) standard.
IoT (Internet of Things)	IoT not only allows computers and other communications devices to interact but also gives communications functions to manufacturing equipment in factories, appliances, and virtually anything else in the world around us. This enables these "things" to communicate when connected to the Internet and carry out tasks such as automated control and remote measurement.
LTE/LTE-A (Long Term Evolution/LTE-Advanced)	Fourth-generation (4G) mobile communications standards approved by the International Telecommunication Union (ITU). LTE is a high-speed mobile communications system that enables data communication at 5 to 10 times the speed of 3G. LTE-Advanced is a standard that has realized speeds faster than LTE through the use of new technology such as carrier aggregation. International standards are set by 3GPP.
Massive MIMO	A technology that realizes advanced beamforming and spatial multiplexing by incorporating as many as 128 antennas, which is a huge increase compared to previous technologies, and dedicating an individual radio signal path to each antenna. This enables the comfortable use of mobile communications in crowded areas, such as stations and downtown districts, which previously tended to experience lags in communication speeds.
MIMO (Multiple-Input and Multiple-Output)	A wireless communications technology that enables faster communications speeds by using multiple antennas at both the transmitter and receiver to transmit and receive data on the same frequency axis. One of the key technologies for LTE Advanced
NB-IoT (Narrow Band-IoT)	An IoT communications system that uses mobile phone networks and has been standardized as an LTE standard by 3GPP.
NFV (Network Functions Virtualization)	A way to manage network communications functions as software on a virtual server OS.
NSA-NR/SA-NR (Non-Standalone New Radio/ Standalone New Radio)	5G international standard specifications developed by 3GPP. NS-NR: An operating format that uses an existing LTE system to control data being sent through a 5G system. SA-NR: An operating format that controls every aspect of data communications through a 5G system on a stand-alone basis.
OSS (Operation Support System)	A name given to systems that support networks operated by telecommunications business operators and service providers that offer mobile phone and other communications services.
OTA (Over The Air)	Methods for testing wireless systems without using cables, used when testing mobile terminals.
OTN (Optical Transport Network)	An optical communications standard which enables WDM that was previously limited to one transmitter and one receiver to be used through a network. In addition to conventional telephone signals, it also enables signals such as IP and Ethernet to be processed in a unified manner.
PCI-E (Peripheral Component Interconnect Express)	An interface specification for PC expansion slots. It uses serial I/O interface standards set by Peripheral Component Interconnect Special Interest Group (PCI-SIG) in 2002. It is also referred to as PCIe and PCI Express.
SDH (Synchronous Digital Hierarchy)	International standards for signal multiplexing methods used in digital transmissions systems. These technologies enable low-speed signals, such as voice communications, to be multiplexed into and transmitted through predetermined high-speed signals.
SDN (Software Defined Network)	SDN is the name for technologies that enable structure, configuration, and settings of computer network to be altered in a flexible and dynamic manner by centrally controlling the communications devices that comprise the network through an individual piece of software.
Sub 6	The name used for bands of 6GHz or less when referring to frequency ranges used in 5G systems. These are low band compared to millimeter wave bands. In 5G standards, bands of 6GHz or less have been defined as FR1, while millimeter wave bands have been defined as FR2.
WDM (Wavelength Division Multiplexing)	An optical communications technology for transmitting large-capacity signals.
Small Cell	A type of base station for mobile communications that have lower output power and are used to cover smaller areas. They are receiving attention for their potential application in 5G systems, which use high-frequency ranges and therefore require base stations to be established in high concentrations.
Beamforming	A technique that combines and concentrates radio signals and beams them in a specified direction. This technique improves spatial multiplexing performance by avoiding mutual interference between simultaneous communications using the same frequency bands.

Investor Information (As of March 31, 2020)

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:	¥19.2 billion
Number of Employees:	3,881 (Consolidated) 855 (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:	72,772
Rating:	Rating and Investment Information, Inc. Long-Term: A- Short-Term: a-1
Authorized Shares:	400,000,000
Issued Shares:	138,257,294

Breakdown of Shareholders:



Major Shareholders

Shareholder Name	Number of Shares (in thousands)	Percentage of Total Shares Issued
Japan Trustee Services Bank, Ltd. (Trust Account)	17,270	12.55
The Master Trust Bank of Japan, Ltd. (Trust Account)	11,850	8.61
BBH FOR MATTHEWS ASIA DIVIDEND FUND	6,610	4.80
Japan Trustee Services Bank, Ltd. (Trust Account 9)	4,367	3.17
Japan Trustee Services Bank, Ltd. (Trust Account 5)	2,620	1.90
Japan Trustee Services Bank, Ltd. (Trust Account 7)	2,498	1.82
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	2,349	1.71
Sumitomo Life Insurance Company	2,314	1.68
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	2,126	1.55
Japan Trustee Services Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited. Retirement Benefit Trust Account	2,000	1.45

Note: The shareholding ratio is calculated by excluding the number of treasury stock (646,588 shares).

Major Subsidiaries (As of August 31, 2020)

Japan	Principal Businesses
Anritsu Invis Co., Ltd.	R&D, 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 Devices Co., Ltd.	Manufacture 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
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 Americas Sales Company (U.S.A.)	Sales and maintenance of measuring and other instruments
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 Invis 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 and manufacture 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 Invis Ltd. (U.K.)	Sales and maintenance of PQA equipment
Anritsu Invis B.V. (Netherlands)	Sales 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 Company Ltd. (Vietnam)	Sales and maintenance of PQA equipment
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 Invis (THAILAND) Co., Ltd. (Thailand)	Manufacture and maintenance of PQA equipment



Tohoku Anritsu Co., Ltd. (Koriyama, Fukushima, Japan)



Anritsu Company (Morgan Hill, CA, U.S.A.)



Anritsu Climate Change Action PGRE 30

Anritsu Climate Change Action PGRE 30* will reduce greenhouse gas emissions through the use of renewable energy. Private generation of renewable energy ratio accounted for 0.8% of the Anritsu Group's electricity consumption in FY2018 and we will raise this to about 30% by around 2030. To achieve PGRE 30, Anritsu Group has been introducing and increasing the solar panel that will be consumed by the Anritsu Group's principal business sites—Atsugi in Kanagawa, Japan, Koriyama in Fukushima, Japan and Morgan Hill, California, in the U.S.A.

***PGRE 30:**

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

Anritsu

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