Financial & Non-Financial Highlights

Revenue

(Millions of yen)

107,023

In FY revenue bars 2015, 2016, 2017, 2018, **2019**
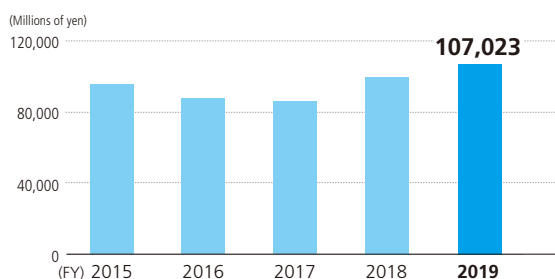
Revenue rose to ¥107,023 million up 7.4% compared with the previous fiscal year. In the Test and Measurement Business, demand increased to develop 5G, especially in Asia, and demand to develop 5G chipsets and mobile terminals for the mobile market is robust. In the PQA Business there was solid demand 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

(Millions of yen) (%)

17,413 **16.3**

Operating profit (Left axis) — Operating profit margin (Right axis)
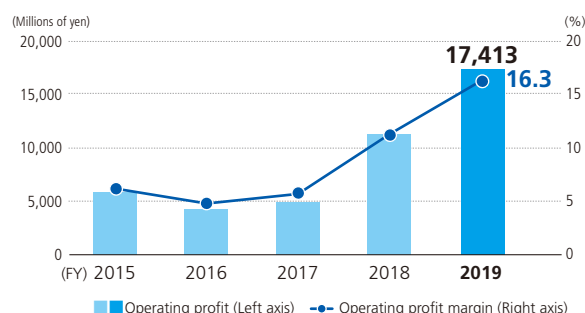
Operating profit was ¥17,413 million up 54.8% compared with the previous fiscal year and operating profit margin was 16.3%. In the Test and Measurement Business, the sales ratio rose for highly profitable measuring instrument in the development of 5G devices and operating profit reached ¥15,148 million 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

(yen) (%)

97.2

31.9
31.0

Earnings per share (Left axis) ■ Dividends per share (Left axis) — Payout ratio (Right axis)
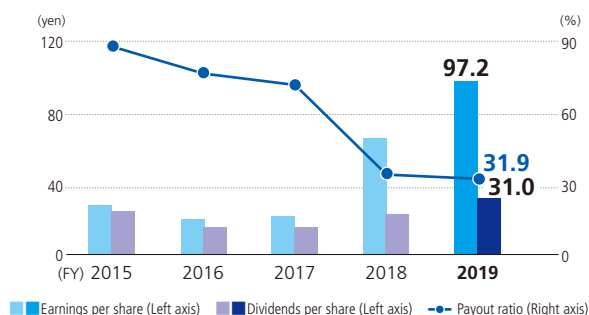
In FY2019 earnings per share were ¥97.2 up ¥32 compared with the previous fiscal year, while the annual dividend was ¥31 an increase of ¥9 compared with the previous fiscal year, with a payout ratio of 31.9%. While taking the basic approach of raising dividends on equity (DOE) in accordance with the 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)

(Millions of yen) (%)

8,400 **14.9**

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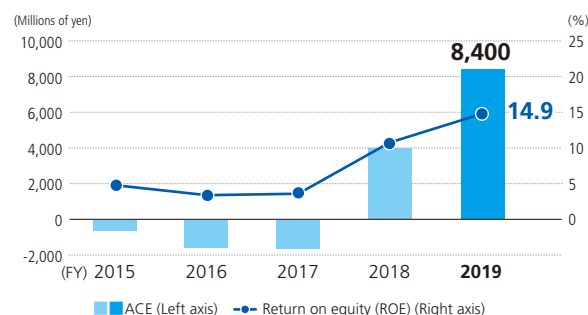
To evaluate the added value generated by capital invested, Anritsu uses an original metric, Anritsu Capital-cost Evaluation (ACE), for evaluating the results of each business division. In FY2019 ACE was ¥8,400 million up 115% compared with the previous fiscal year, substantially exceeding the ¥5,000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

Cash Flow

(Millions of yen)

14,721
11,035

-3,686

■ Operating cash flow ■ Investment cash flow — Free cash flow
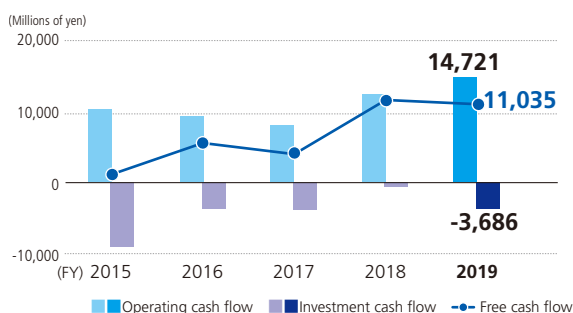
In FY2019 net cash provided by operating activities rose to ¥14,721 million due to an increase in cash from reporting of profit before tax and recording depreciation and amortization, despite a decrease in cash from a rise in inventories, trade and other receivables. Net cash used in investing activities 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

(Millions of yen) (%)

67.8

14,594

■ Interest-bearing debt (Left axis) — Equity attributable to owners of parent to total assets ratio (Right axis)
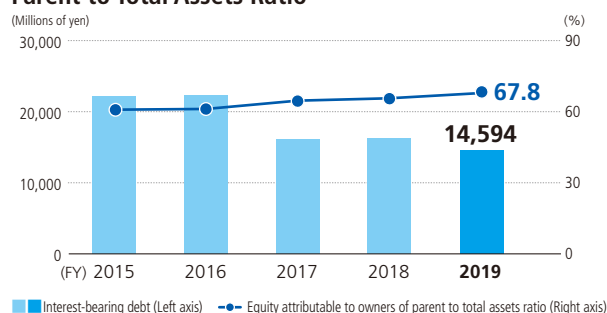
In accordance with the adoption of IFRS16, the amount of lease liabilities increased at the beginning of this fiscal year. Under that influence, interest-bearing debt increased. However, with the repayment of long-term loans, the balance of interest-bearing debt came to ¥14,594 million down ¥1,840 million 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)

(t-CO₂)

12,443

(FY) 2015 · 2016 · 2017 · 2018 · **2019**
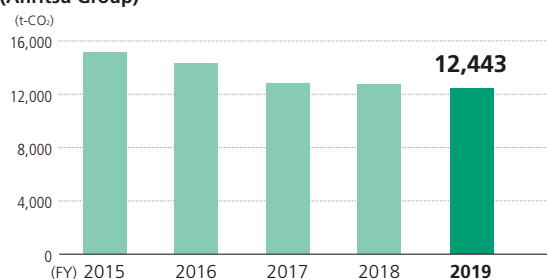
Anritsu is dedicated to reducing our energy consumption—which constitutes more than 98% of our CO_2 emissions (Scope 1, 2)—and we are making steady progress in this regard. Going forward, we are striving to aggressively adopt renewable energy and shift to a self-generating and self-consuming system for electricity. We set a long-term CO_2 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 CO_2 emissions were down 2.3% compared with the previous fiscal year, to 12,443 t-CO₂.

## Energy Consumption (Crude oil conversion basis)
(Anritsu Group)

(kL)

8,274

(FY) 2015 · 2016 · 2017 · 2018 · **2019**
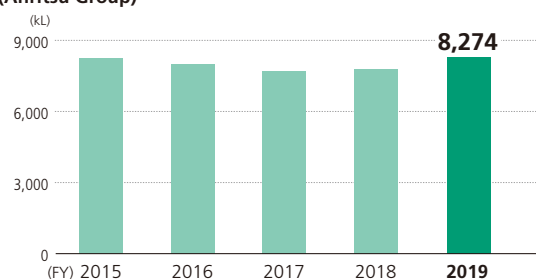
In FY2019, total energy consumption of the Anritsu Group overall (crude oil conversion basis) increased by 6.4% year on year. In the Domestic Anritsu Group energy consumption increased by 2.9% but energy consumption was reduced 1.2% along with reduction measures such as reviewing the operating criteria for air-conditioners and updating to air-conditioning equipment with high efficiency.

Water Usage
(Anritsu Group)

(m³)

79,588

(FY) 2015 · 2016 · 2017 · 2018 · **2019**
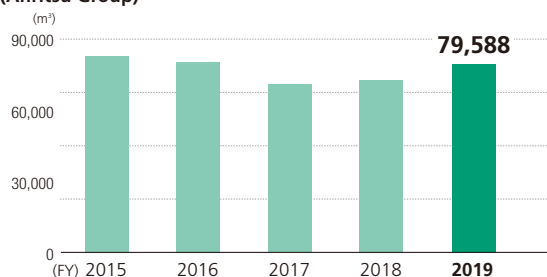
In FY2019, the Anritsu Group's water usage increased 9.4% year on year. This is due to the increase in overtime hours along with increased production and the increase in water usage for the newly introduced production process at Anritsu Company (California, USA). In addition, the relaxation water saving policies in the state of California enabled the resumption of watering for plants to maintain the landscape.
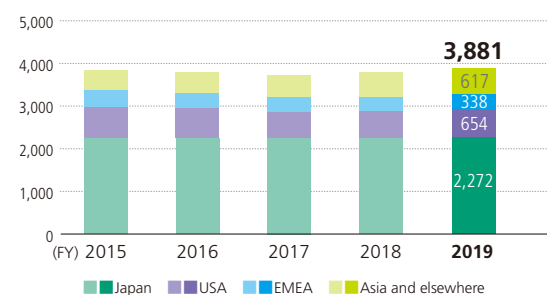
Amount of Solar Power Generation/ Consumption and Private Generation of Renewable Energy Ratio (Anritsu Group)

(MWh) (%)

246 **238**

0.9

(FY) 2015 · 2016 · 2017 · 2018 · **2019**

■ Amount of solar power generation (Left axis) ■ Amount of solar power consumption (Left axis)
-●- Private generation of renewable energy ratio (Right axis)
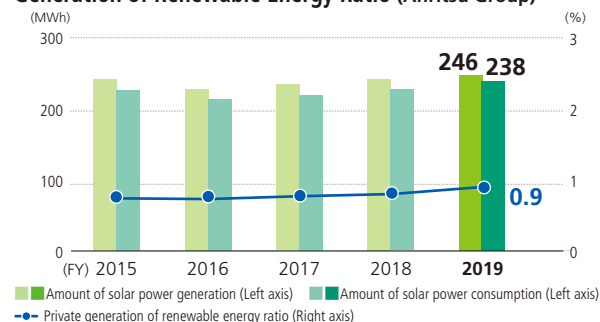
Anritsu has newly established the "Anritsu Climate Change Action PGRE 30" with the aim of reaching SBT targets (refer to ESG Highlights for details). The amount of solar energy generation in FY2019 increased 2.1% year on year to 246 MWh (private generation ratio of 0.9%).

*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

3,881

617
338
654

2,272

(FY) 2015 · 2016 · 2017 · 2018 · **2019**

■ Japan ■ USA ■ EMEA ■ Asia and elsewhere

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)

(%)

348 **15**

(FY) 2015 · 2016 · 2017 · 2018 · **2019**

■ No. of female employees (Left axis) -●- Ratio of female employees (Right axis)
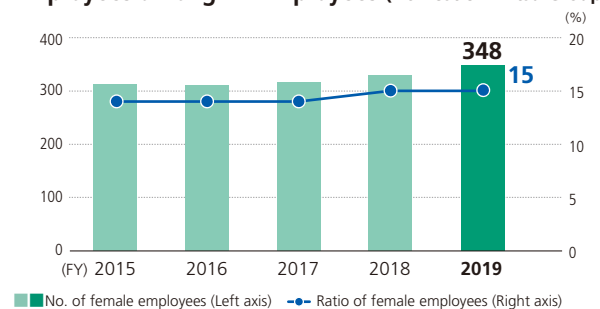
Anritsu hires new employees on a gender-neutral basis in all positions, be they in office administration or technical areas. We set the goal of raising the ratio of women hired in Japan to 20% (or more) newly graduated by 2020. Our public relations activities focused on female students and have resulted 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.
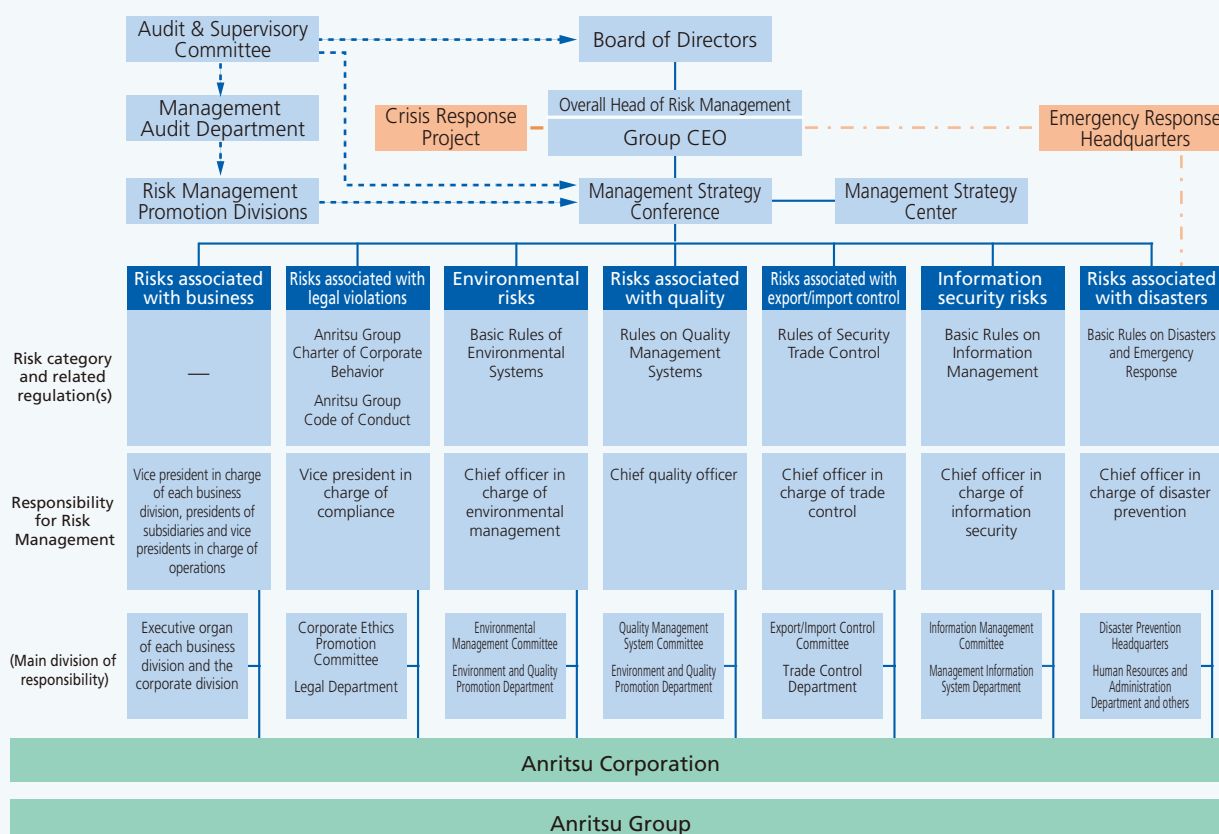
Risks and Opportunities

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

	Risks associated with business	Risks associated with legal violations	Environmental risks	Risks associated with quality	Risks associated with export/import control	Information security risks	Risks associated with disasters
Risk category and related regulation(s)	—	Anritsu Group Charter of Corporate Behavior / Anritsu Group Code of Conduct	Basic Rules of Environmental Systems	Rules on Quality Management Systems	Rules of Security Trade Control	Basic Rules on Information Management	Basic Rules on Disasters and Emergency Response
Responsibility for Risk Management	Vice president in charge of each business division, presidents of subsidiaries and vice presidents in charge of operations	Vice president in charge of compliance	Chief officer in charge of environmental management	Chief quality officer	Chief officer in charge of trade control	Chief officer in charge of information security	Chief officer in charge of disaster prevention
(Main division of responsibility)	Executive organ of each business division and the corporate division	Corporate Ethics Promotion Committee / Legal Department	Environmental Management Committee / Environment and Quality Promotion Department	Quality Management System Committee / Environment and Quality Promotion Department	Export/Import Control Committee / Trade Control Department	Information Management Committee / Management Information System Department	Disaster Prevention Headquarters / Human Resources and Administration Department and others

Anritsu Corporation

Anritsu Group

Major Risks and Opportunities

	Risk factor	Details of risks and opportunities	Response
Market environment	Risks related to market environment changes	**Risk** • 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** • Expansion of target markets due to new communication methods/capabilities	• Swiftly understand and respond to market environment changes
	Risks related to fluctuations in exchange rates and the environment for capital procurement	**Risk** • 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	• 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** • 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	• 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** • Rapid environmental changes, such as the emergence of new technologies, products, and services, and intensifying competition due to market entry by new players **Opportunity** • Generate demand and seize growth opportunities through new technology and new products	• Understand customer needs and promote development • Utilize open innovation
	Risks related to acquisitions and collaboration with other companies	**Risk** • 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** • Expansion of business fields and accelerated structural transformation from acquiring new business resources	• 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** • Damage to the brand image and incurring compensation costs from unexpected safety-related problems with products **Opportunity** • Foster loyalty through customer satisfaction	• Build a quality management system; and implement a thorough PDCA cycle
	Risks related to procurement	**Risk** • 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** • Stronger competitiveness and larger profits from procurement of new materials/components	• 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** • 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** • Expansion of areas in which the Company can do business by properly adhering to laws and regulations in each country	• Identify issues and promote issue resolution by the Risk Management Promotion Divisions
	Risks related to information security	**Risk** • 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** • Enhance productivity through the introduction of new systems	• 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** • Due to the exacerbation of global environmental problems, strengthen standards for use/emission of greenhouse gases and standards for energy-saving **Opportunity** • Enhance into the environmental business	• 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** • Disasters due to natural phenomena such as earthquakes, tsunami, hurricanes, torrential rain, etc. • Damage to Group business sites, supply chains, or customers from terrorism, riots, or wars/conflicts • Spread of infectious diseases	• 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

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Looking Back on the Mid-Term Business Plan

	GLP2012 (FY2010-FY2012)	**GLP2014** (FY2012-FY2014)	**GLP2017** (FY2015-FY2017)
Vision	■ Achieve continuous growth with profit ■ Achieve consolidated operating margin of 10% by reinforcing Test and Measurement Business	■ Becoming a cutting-edge, trusted global market leader Capture growth drivers without fail, and realize "continuous profitable growth"	■ On-going "Growth & Global" improvement and strengthening of Group management capabilities Capture growth drivers without fail, and realize "continuous profitable growth"
Outline of the Mid-Term Business Plan	FY2012 Consolidated revenue of ¥90.0 billion and operating profit of ¥9.0 billion ■ 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	FY2014 Consolidated revenue of ¥110.0 billion and operating profit of ¥19.0 billion **Test and Measurement Business** ■ Strive to boost competitiveness, focusing on the mobile broadband service market and the Asian market, while achieving a 7% or higher sales growth rate **PQA Business** ■ 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	FY2017 Consolidated revenue of ¥120.0 billion and operating profit of ¥17.0 billion **Test and Measurement Business** ■ 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 **PQA Business** ■ Expand overseas businesses ■ Develop markets in North America and Asia with X-ray inspection systems as a key solution
Looking Back	■ 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	■ 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	■ 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	**Plan** FY2010: revenue of ¥77.0 billion, operating profit of ¥3.8 billion, operating profit margin of 5% FY2012: revenue of ¥90.0 billion, operating profit of ¥9.0 billion, operating profit margin of 10% **Result** FY2010: revenue of ¥77.9 billion, operating profit of ¥7.0 billion, operating profit margin of 9% FY2011: revenue of ¥93.6 billion, operating profit of ¥14.4 billion, operating profit margin of 15% Achieved key management indicators of GLP2012 one year early **Challenges** ■ 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	**Plan** FY2012: revenue of ¥94.5 billion, operating profit of ¥15.5 billion, operating profit margin of 16% FY2014: revenue of ¥110.0 billion, operating profit of ¥19.0 billion, operating profit margin of 17% **Result** FY2012: revenue of ¥94.7 billion, operating profit of ¥15.7 billion, operating profit margin of 17% FY2014: revenue of ¥98.8 billion, operating profit of ¥10.9 billion, operating profit margin of 11% **Challenges** ■ 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	**Plan** FY2015: revenue of ¥103.0 billion, operating profit of ¥11.0 billion, operating profit margin of 11% FY2017: revenue of ¥120.0 billion, operating profit of ¥17.0 billion, operating profit margin of 14% **Result** FY2015: revenue of ¥95.5 billion, operating profit of ¥5.9 billion, operating profit margin of 6% FY2017: revenue of ¥86.0 billion, operating profit of ¥4.9 billion, operating profit margin of 6% **Challenges** **Test and Measurement Business** ■ 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 **PQA Business** ■ 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

● Building a world-class, robust income structure

business areas

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

Planned Sales and Operating Profit

Indicator		GLP2020			
		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%	

Basic Policy of Management Strategy

- Prosecure 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

6G (Beyond5G)

- 100+ GHz component development
- Radio interference monitoring technology

Touch Internet
3D Video
Digital Transformation in Manufacturing
Digital Senses
360°VR/MR
Holographic Communications
Beyond 5G
Tactile Communications
Fully-Automated Driving

Next-Generation Technology Acquisition

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

6G (Beyond 5G)
NEMS Small size, low power consumption
Drug discovery and biotech
Environmental measurement

* 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.
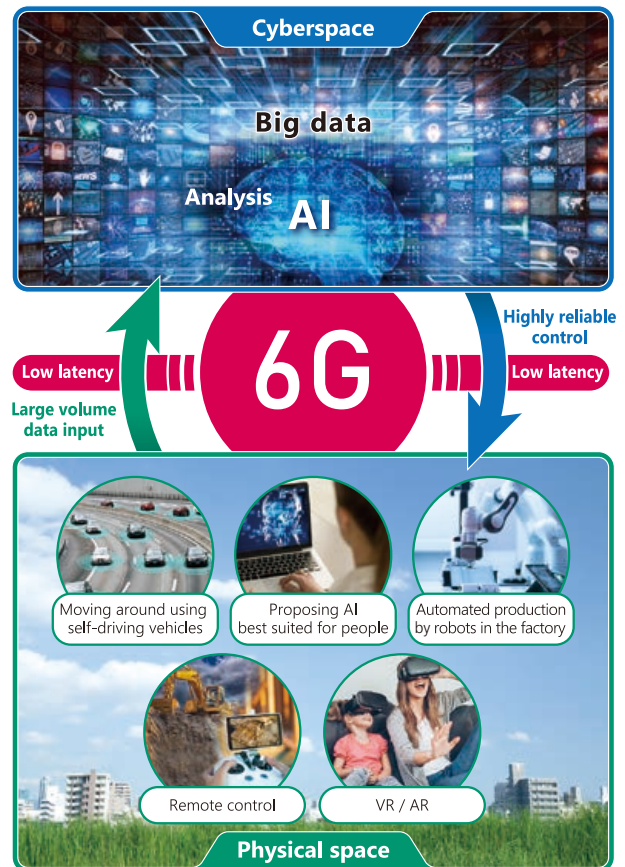
Although 5G has just made its start, preparations projecting a decade ahead to 6G have already begun around the world. The aim of 5G is not only the advancement of the communications infrastructure existing through 4G, but also the transformation of society artificial intelligence and the IoT as components 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 km^2). Targets have also been set for the effective utilization of frequencies, reduced power consumption, high-reliability, and high-speed mobility.

CPS (Cyber Physical System)

CTO Message

Difference Between 5G and 6G

Millimeter waves / Terahertz

| Ultra-high speed / Large capacity | Ultra-low latency | Ultra-massive simultaneous connectivity |

Ten times faster communications speed than 5G

Low latency 1/10 that of 5G

Ten times more than 5G

Advancement of synchronization

5G

Further advancement of 5G

Achievement of sustainable society

6G

1/100 current level

All devices link autonomously

Communications enabled everywhere on land, at sea, in the air, in space

Security and privacy provided automatically

| Ultra-low power consumption | Autonomy | Extensibility | Ultra-safe and reliable |

All-optical network

Virtualization of networks

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 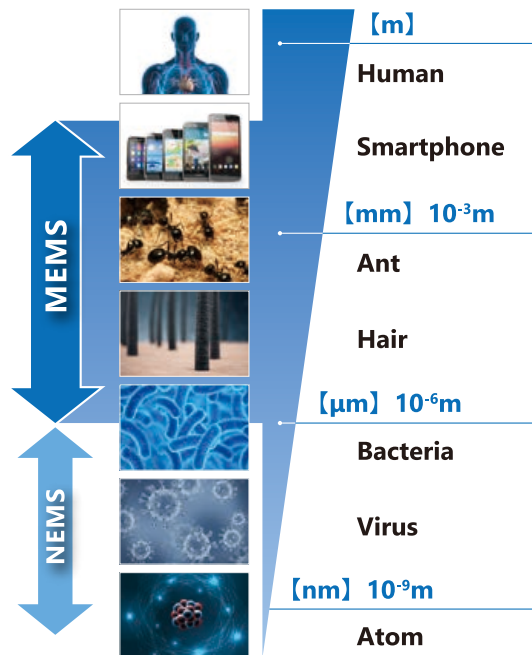of 100 billion bits/second. Doing so requires the availability of continuous usable frequencies. For example, to secure a continuous band of 10GHz, a frequency band of 100GHz or higher must be used. This raises the frequency beyond that of the millimeter waves used in 5G, limiting communication area 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?

【m】

Human

Smartphone

【mm】 10^{-3}m

Ant

Hair

【μm】 10^{-6}m

Bacteria

Virus

【nm】 10^{-9}m

Atom

MEMS

NEMS

A smartphone is a collection of MEMS devices

· *Accelerometer*

· *Gyro sensor*

· *Electronic compass*

· *Pressure sensor*

· *Humidity sensor*

· *BAW filter [1]*

· *High frequency switch*

· *Variable capacitor*

*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

Strengths
- 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

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

Opportunities
- 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

Threats
- 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

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
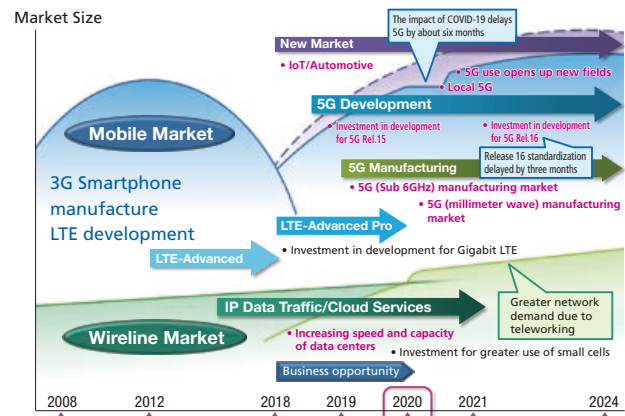
means for achieving this. Anritsu has cultivated the measurement and monitoring technologies for 4G, 5G, ethernet, wireless LAN, and Bluetooth that provide seamless support for the quality of these large-capacity and high-speed communication networks. Going forward, we will continue to propose test solutions 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 sperior 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
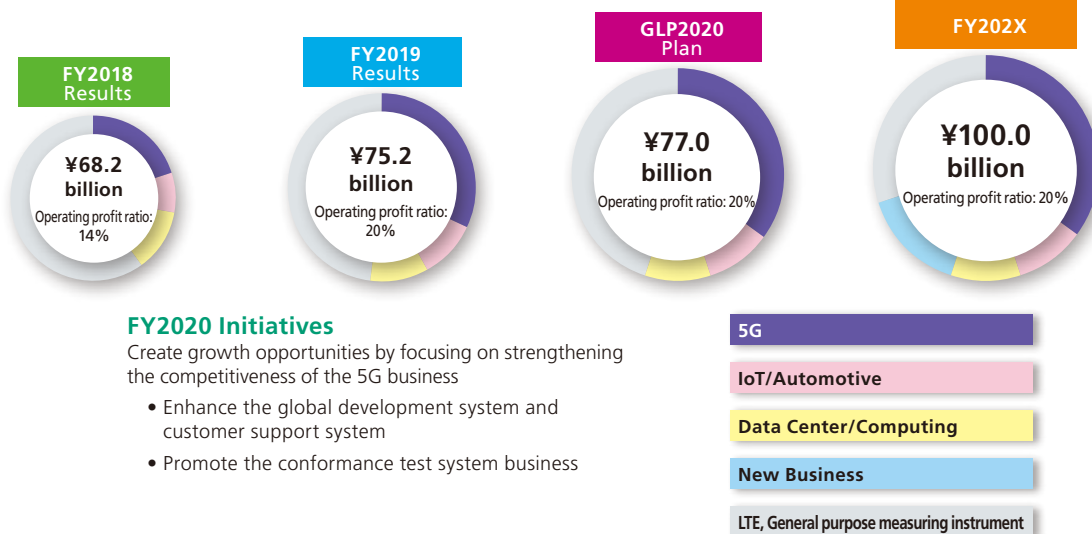
RF & micro/mmWave devices/components

Telecom network monitoring

Test and Measurement Business

GLP2020 Business Progress and Beyond 2020

Beyond 2020

FY2018 Results
¥68.2 billion
Operating profit ratio: 14%

FY2019 Results
¥75.2 billion
Operating profit ratio: 20%

GLP2020 Plan
¥77.0 billion
Operating profit ratio: 20%

FY202X
¥100.0 billion
Operating profit ratio: 20%

FY2020 Initiatives
Create growth opportunities by focusing on strengthening the competitiveness of the 5G business
- Enhance the global development system and customer support system
- Promote the conformance test system business

5G
IoT/Automotive
Data Center/Computing
New Business
LTE, General purpose measuring instrument

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.

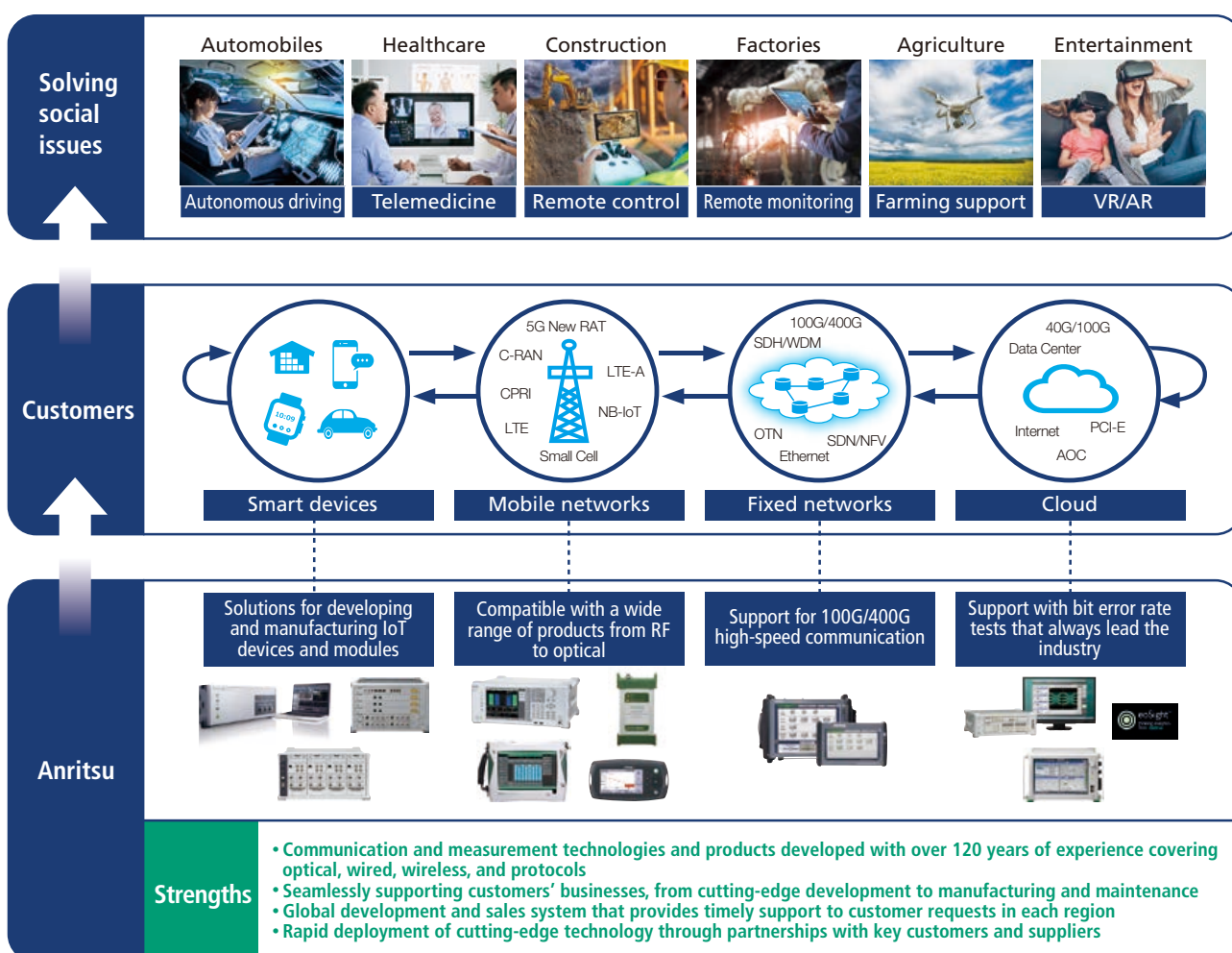## Solving Social Issues Through Business

◾ 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 sustainabile society 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.

Solving social issues

Automobiles	Healthcare	Construction	Factories	Agriculture	Entertainment
Autonomous driving	Telemedicine	Remote control	Remote monitoring	Farming support	VR/AR

Customers

Smart devices	Mobile networks	Fixed networks	Cloud

Mobile networks: 5G New RAT, C-RAN, LTE-A, CPRI, NB-IoT, LTE, Small Cell
Fixed networks: 100G/400G, SDH/WDM, OTN, SDN/NFV, Ethernet
Cloud: 40G/100G, Data Center, Internet, PCI-E, AOC

Anritsu

Solutions for developing and manufacturing IoT devices and modules	Compatible with a wide range of products from RF to optical	Support for 100G/400G high-speed communication	Support with bit error rate tests that always lead the industry

Strengths

- Communication and measurement technologies and products developed with over 120 years of experience covering optical, wired, wireless, and protocols
- Seamlessly supporting customers' businesses, from cutting-edge development to manufacturing and maintenance
- Global development and sales system that provides timely support to customer requests in each region
- Rapid deployment of cutting-edge technology through partnerships with key customers and suppliers

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.

Strengths — S
- 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.

Weaknesses — W
- 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

Opportunities — O
- 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

Threats — T
- 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

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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 t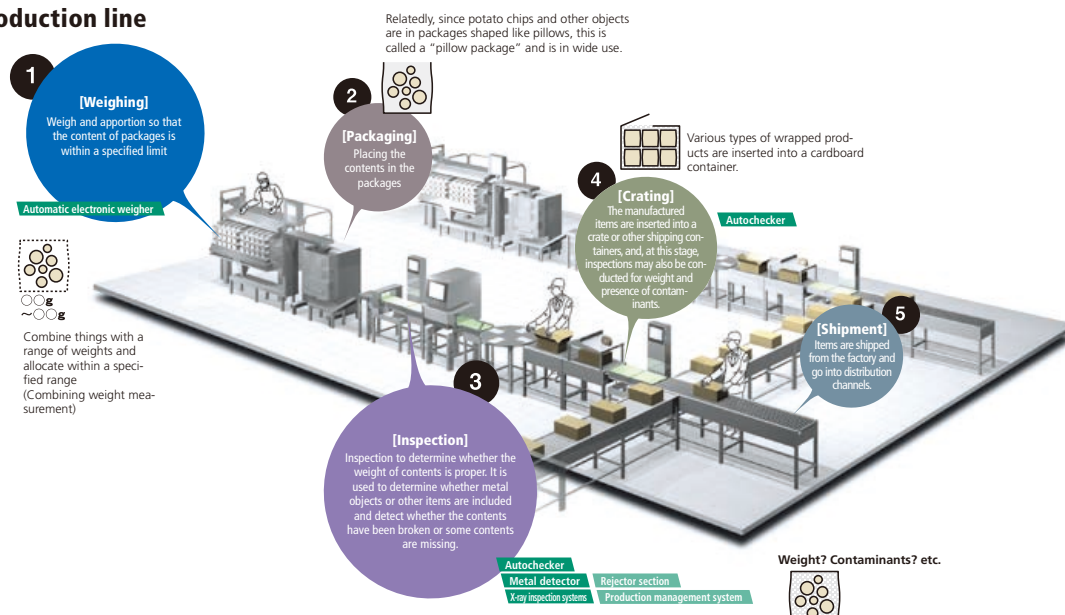he production environments of individual customers and providing information systems that utilize quality data and maintenance services that ensure inspection systems are always in good condition when used.

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

1 [Weighing]
Weigh and apportion so that the content of packages is within a specified limit

Automatic electronic weigher

○○g
~○○g

Combine things with a range of weights and allocate within a specified range
(Combining weight measurement)

Relatedly, since potato chips and other objects are in packages shaped like pillows, this is called a "pillow package" and is in wide use.

2 [Packaging]
Placing the contents in the packages

Various types of wrapped products are inserted into a cardboard container.

4 [Crating]
The manufactured items are inserted into a crate or other shipping containers; and, at this stage, inspections may also be conducted for weight and presence of contaminants.

Autochecker

5 [Shipment]
Items are shipped from the factory and go into distribution channels.

3 [Inspection]
Inspection to determine whether the weight of contents is proper. It is used to determine whether metal objects or other items are included and detect whether the contents have been broken or some contents are missing.

Autochecker
Metal detector
X-ray inspection systems
Rejector section
Production management system

Weight? Contaminants? etc.

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 weighting 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.
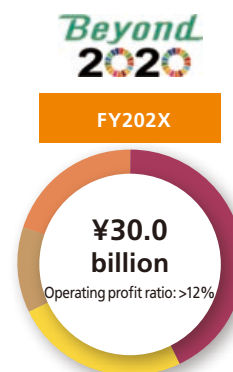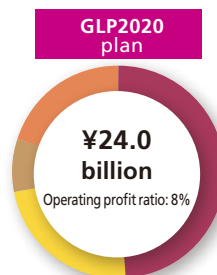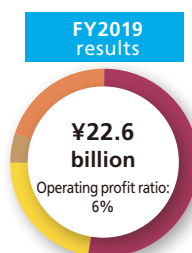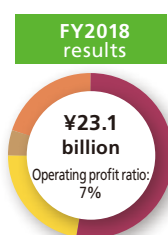
Growth Strategy

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-

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

PQA Business

GLP2020 Business Progress and Beyond 2020

Beyond 2020

FY2018 results	FY2019 results	GLP2020 plan	FY202X
¥23.1 billion Operating profit ratio: 7%	**¥22.6 billion** Operating profit ratio: 6%	**¥24.0 billion** Operating profit ratio: 8%	**¥30.0 billion** Operating profit ratio: >12%

FY2020 Initiatives
- Strengthen our sales bases in America and Europe
- Promotion of solutions as a platform

- Japan
- Americas
- EMEA
- Asia and others

- 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

KXE7522 X-Ray Inspection System with Dual Energy Sensor

KDS1004PSW metal detector for pills and capsules

Quicca Pharma overall quality management and control system for the pharmaceuticals market

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.

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

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 capital 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.
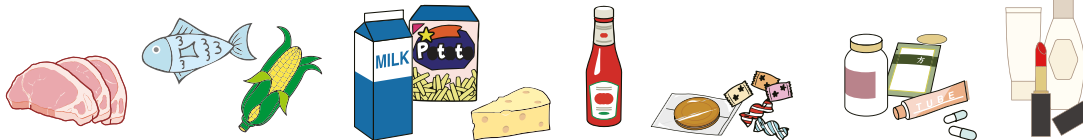
Solving social issues

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

QuiCCA

| 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