

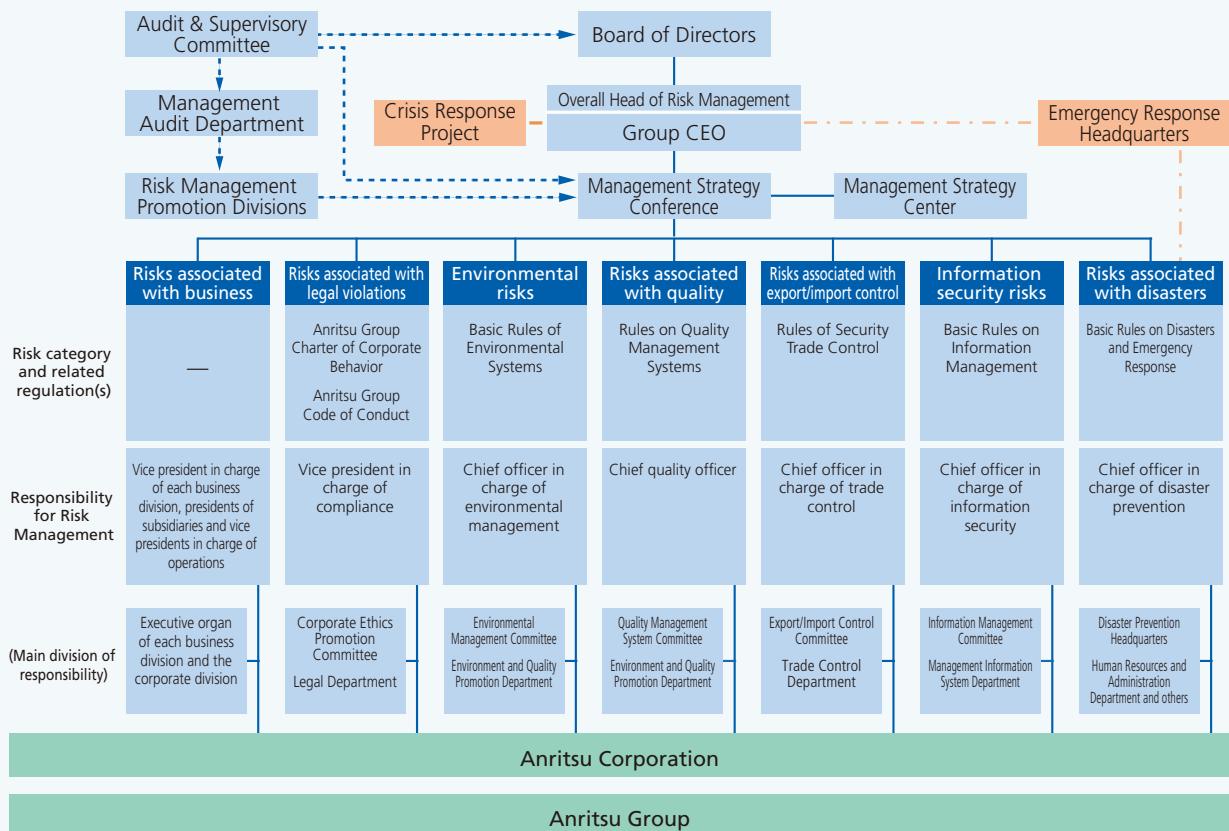
# Risks and Opportunities

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