

Group CEO Message



Hirokazu Hamada

Representative Director,
President of Anritsu
Group CEO

COVID-19 Measures

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

The Anritsu Group has taken thorough and various infection control measures with regard to COVID-19, including ventilating workplaces, installing acrylic panels to prevent the spread of infection, encouraging commuting by car, operating a company bus service between Hon-Atsugi Station and our office, distributing masks to all employees, and conducting workplace vaccinations. Through remote work, we have achieved a maximum reduction of 80% in the number of workers physically commuting. We have also worked to contribute to the local community through such means as providing masks made by Anritsu itself to area hospitals and clinics.

Institutionally, as well, we have engaged in the creation of an environment to enable employees to work in safety and security. Relevant measures include the establishment of a special COVID-19 paid leave system so that employees may take leaves without hesitation in case the symptoms of suspected infection is seen, a remote work allowance, and the creation of a counseling service to assist employees with mental and physical care.

The future remains uncertain, but the Anritsu Group will continue striving to keep the effects of COVID-19 on our business to a minimum. Future measures to this end include

optimizing the scope of remote work in accordance with risk levels; and servicing, expanding, and diversifying the sources of our IT infrastructure.

Market Conditions and Company Initiatives

In the field of information and communication, operators are progressing 5G commercialization schedules are proceeding smoothly so that 5G services have been launched in various countries. In Japan, as well, 5G services began being launched from March 2020 in certain, primarily urban areas. In July 2020, 3GPP completed the standardization of Release 16, establishing standards for ultra-low latencies and large numbers of simultaneous connections, items for which use cases are expected to expand. In turn, research and development into the utilization of 5G in the automotive field, as well as investigations and demonstration experiments with regard to the building of private 5G networks à la local 5G, have begun. Continuing on from this, 3GPP is considering Release 17, a new standard whose aim is to further improve the efficiency and performance of 5G in areas such as the expansion of high frequency bands, increased signal areas, low power consumption, and low-cost communications. Work is moving forward to complete the standardization of Release 17 in 2022.

In addition, due to the increases in data traffic resulting from the advancement of cloud services and the deployment of 5G services, more and more pressure is being

Taking Measurement to New Heights, and Building a Sustainable Future Together

The Anritsu Group was established in 1895, when radio communication experiments were being successfully carried out for the first time in the world. Since then, our history has been a story of challenges, as we have always been pioneers in the information and communications field. Regarding “testing” technology as a core competence, Anritsu has been supporting the information and communication field, as well as the food and pharmaceutical field.

Now we have renewed our company vision to step forward into a new field beyond conventional “testing”. We will proactively advance beyond Anritsu’s previous limits to create a sustainable and attractive future for the next generation, working in synergy with all of our stakeholders. The new brand statement “Advancing beyond” represents this dynamic concept in two words. Under this brand statement, we will grow the pillars of our next-generation business with a proactive stance to transcend Anritsu’s current boundaries. We will contribute to the development of a safe, secure, and prosperous global society together with our customers.

placed on network infrastructure. Service providers, working to make networks even faster, are fully moving forward with the introduction of 100 Gbps services, and network device manufacturers are also proceeding with the development of 400 Gbps network equipment. Within this context, the Test and Measurement Business Group has captured demand for development related to the commercialization of 5G as well as for research and development aimed at accelerating network speeds.

With regard to our Products Quality Assurance (PQA) business field, influenced by the COVID-19 pandemic, a portion of our customers remained cautious about capital expenditures. Against this backdrop, aiming to capture demand for automation in quality assurance processes, we worked to strengthen the competitiveness of solutions focusing on X-rays, and also enhanced our sales promotion strategies that alternate face-to-face sales.

Looking Back on GLP2020

The previous fiscal year marks the final fiscal year of the previous Mid-Term Business Plan GLP2020.

Targets for GLP2020 were revenue of ¥105.0 billion, operating profit of ¥14.5 billion, an operating profit margin of 14%, and ROE of 12%. In contrast to these, actual revenue was ¥105.9 billion, operating profit was ¥19.7 billion, operating profit margin was 19%, and ROE was 16%, meaning we achieved all of our targets.

Many companies were impacted by the COVID-19 pandemic, and Anritsu was no exception. It was necessary for us to discern customer needs during a time when face-to-face meetings were not possible. And we were forced to develop complex products amid the communication difficulties posed by unfamiliar remote work systems.

Further, we were required to respond to sudden production demands when market movements were indiscernible. Working together with our customers, vendors, and numerous other stakeholders, our employees banded together to overcome these many difficulties. Thank you all.

Looking Back on GLP2020 Mid-Term Business Plan

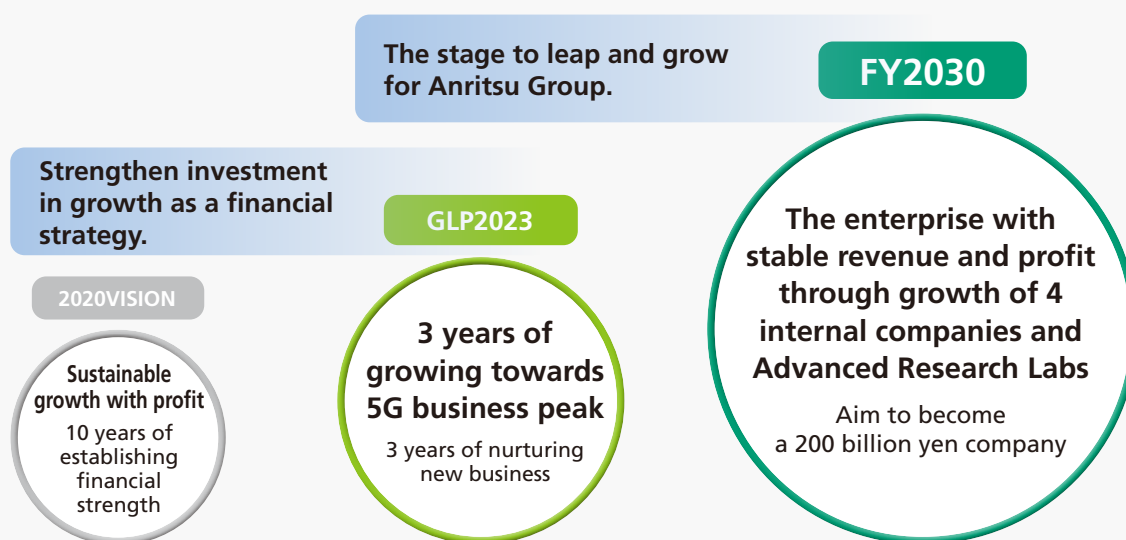
GLP2020				
Indicators	FY2018	FY2019	FY2020	FY2020*
Revenue	¥99.7 billion	¥107.0 billion	¥105.9 billion	¥105.0 billion
Operating profit	¥11.2 billion	¥17.4 billion	¥19.7 billion	¥14.5 billion
Operating margin	11%	16%	19%	14%
Profit	¥9.0 billion	¥13.4 billion	¥16.1 billion	¥11.0 billion
ROE	11%	15%	16%	12%
T&M Business	Revenue	¥68.2 billion	¥75.2 billion	¥74.8 billion
	Operating profit	¥9.4 billion	¥15.1 billion	¥17.7 billion
	Operating margin	14%	20%	24%
PQA Business	Revenue	¥23.1 billion	¥22.6 billion	¥21.4 billion
	Operating profit	¥1.6 billion	¥1.2 billion	¥1.3 billion
	Operating margin	7%	6%	6%

* Planned in April 2018

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

The vision towards FY2030

Management vision: Beyond testing, beyond limits, for a sustainable future together



Commitment to a New Company Vision

FY2021 marks the start of our new Company Vision as well as our new three-year plan, GLP2023. Our new Company vision is as follows: **Beyond testing, beyond limits for a sustainable future together.**

This vision illustrates our intention to continue to cultivate and refine our core competencies of testing. It also embodies a strong commitment to engaging in the cross-fertilization of new ideas and technologies, both from within and outside the company, to pioneer new domains and value beyond conventional testing and in turn develop new pillars of business. To going on the offensive to transcend the existing limits of Anritsu, and to working together with all of our stakeholders to build a sustainable and hopeful future for new generations.

Over the past 10 years of 2020VISION, we have realized sustainable, profitable growth, building a robust financial structure. We will make effective use of this robust financial structure and, going forward, strengthen investment in growth. Further, we have positioned FY2030 as a stage for the Anritsu Group's growth to make a great leap. Through the growth of four companies and our Advanced Technology Research Center, we are aiming to be a stable revenue-earning ¥200.0 billion enterprise.

Beyond testing

Anritsu welcomes new ideas and technologies to go beyond conventional testing and add increased value and innovation.

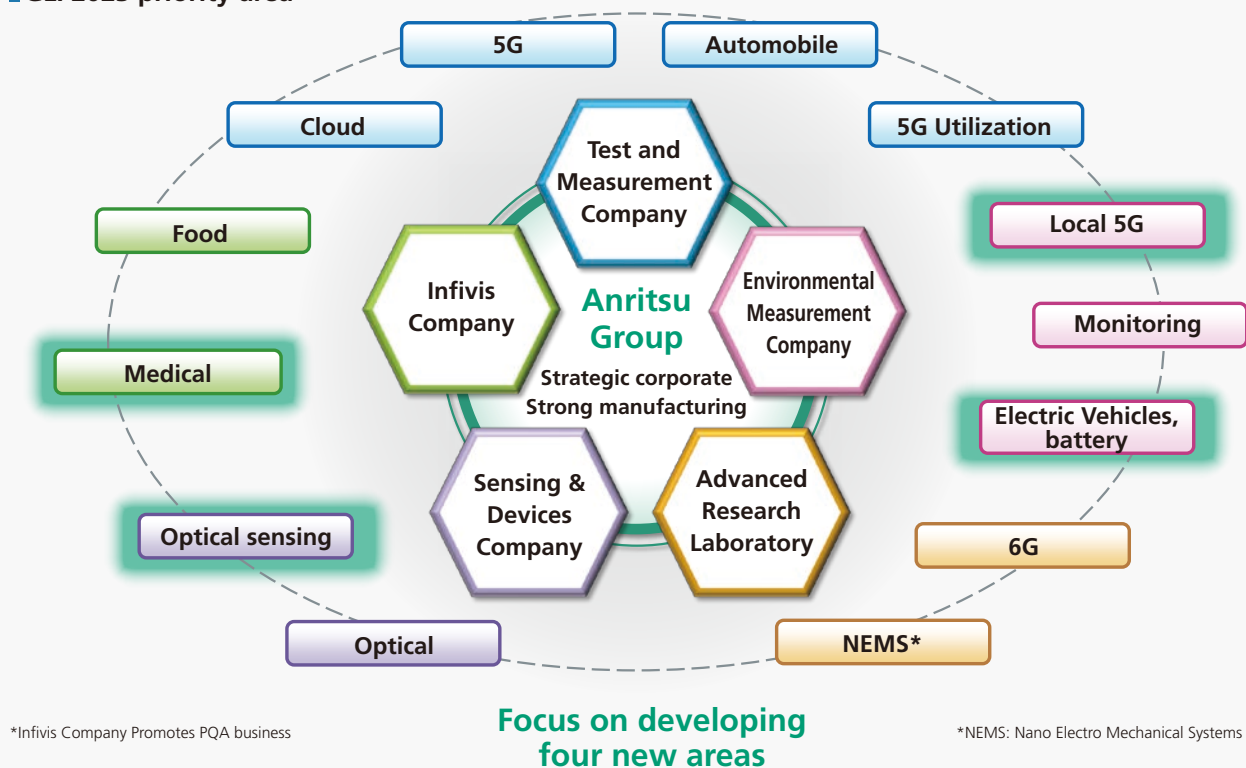
Beyond limits

Anritsu goes above existing business boundaries by valuing every employee's enthusiasm and supporting their challenges to shift the paradigm and achieve breakthroughs not only in technology but in every business aspect.

For a sustainable future together

Anritsu employees together with customers and stakeholders will devote their business to solving social issues to build a sustainable and hopeful future for new generations.

GLP2023 priority area



GLP2023

Three Years of Growth Aimed at the Peak of 5G

The targets for GLP2023 for FY2023 are consolidated revenue of ¥140.0 billion, operating profit of ¥27.0 billion, consolidated operating profit margin of 19%, profit of ¥20.0 billion, and ROE of 15%.

The three years of GLP2023 will be three years of growth aimed at the peak of the 5G testing and measurement market. By focusing on 5G business and providing timely solutions appropriately matched to the further expansion of the fields in which 5G is utilized as well as the growth in demand for increased network speeds, we aim to establish a competitive advantage and become a leading company supporting the 5G/IoT society.

Investment Strategy and Shareholder Returns

Our business is heavily reliant on communications test and measurement, and each time mobile telephone technology has changed, we have been heavily impacted by the market. In order to become a company which is less affected by such changes and which generates stable revenue, we will be focusing on conducting M&A investment and growth investment in new areas. Further, we will be enhancing shareholder returns, including increasing our payout ratio and acquiring treasury stock. We ask for your understanding going forward.

Focus on Developing Four New Areas

Further, the three years of GLP2023 will also be three years of nurturing new businesses for the future. Under the organization consisting of four companies and our Advanced Technology Research Center, we will focus on capturing four new fields for growth: EV and battery testing, local 5G, optical sensing, and medical and pharmaceuticals. By engaging in outside collaboration and M&As in these fields, we will accelerate our growth.

We have also set our eye on the future beyond this point, and have already started basic research into 6G and so-called NEMS devices. We will go beyond organizational silos, surpass company boundaries, and, unfettered by preconceived notions, move forward into the future.

Local 5G

Establishment of Joint Venture Company AK Radio Design

In June 2021, Anritsu established AK Radio Design Co., Ltd. as a joint venture with Kozo Keikaku Engineering Inc. AK Radio Design will provide assistance with applying for and obtaining the licences needed to implement local 5G, as well as with post-introduction operational processes.

Establishment of the Anritsu 5G Lab

In June 2021, Anritsu established the Anritsu 5G Lab, a facility which enables visitors to experience for themselves the test solutions needed for quality assurance in the various aspects of local 5G implementation, operation, and



The AK Radio Design Inc. incorporation signing ceremony

Hirokazu Hamada, President, Anritsu Corporation (left)
Shota Hattori, Representative Executive Officer
and Chairman, Kozo Keikaku Engineering Inc. (right)



Anritsu 5G LAB

maintenance. Base stations and communications terminals actually used for local 5G applications are set up in the Anritsu 5G LAB, making it possible to conduct an array of demonstration experiments using a variety of measuring and test instruments to evaluate local 5G signal strength, data speeds, and latency.

EVs and Battery Testing and Measurement

On July 30, 2021, Anritsu Corporation made the decision to acquire Takasago, Ltd. as a subsidiary company. (The subsidiary acquisition is scheduled to be completed in January 2022.) Takasago possesses industry-leading high voltage, high current, high capacity electrical energy control technologies; as well as business relationships with customers who are driving the industry. Takasago will be welcomed into the Anritsu Group and positioned as the core of our efforts to develop the field of electric vehicles and battery testing and measurement.

An Agile Organization Which Will Realize Our Growth Strategy

Innovation to create our new pillars of business is essential to Anritsu's growth strategy. In order to build an agile organization which enables innovation through the efficient flow of human resources and capital, as well as the

fusion of a variety of businesses, we have consolidated all Group companies under our Corporate Headquarters and established an organization consisting of four companies and the Advanced Technology Research Center.

A Company Committed to Manufacturing

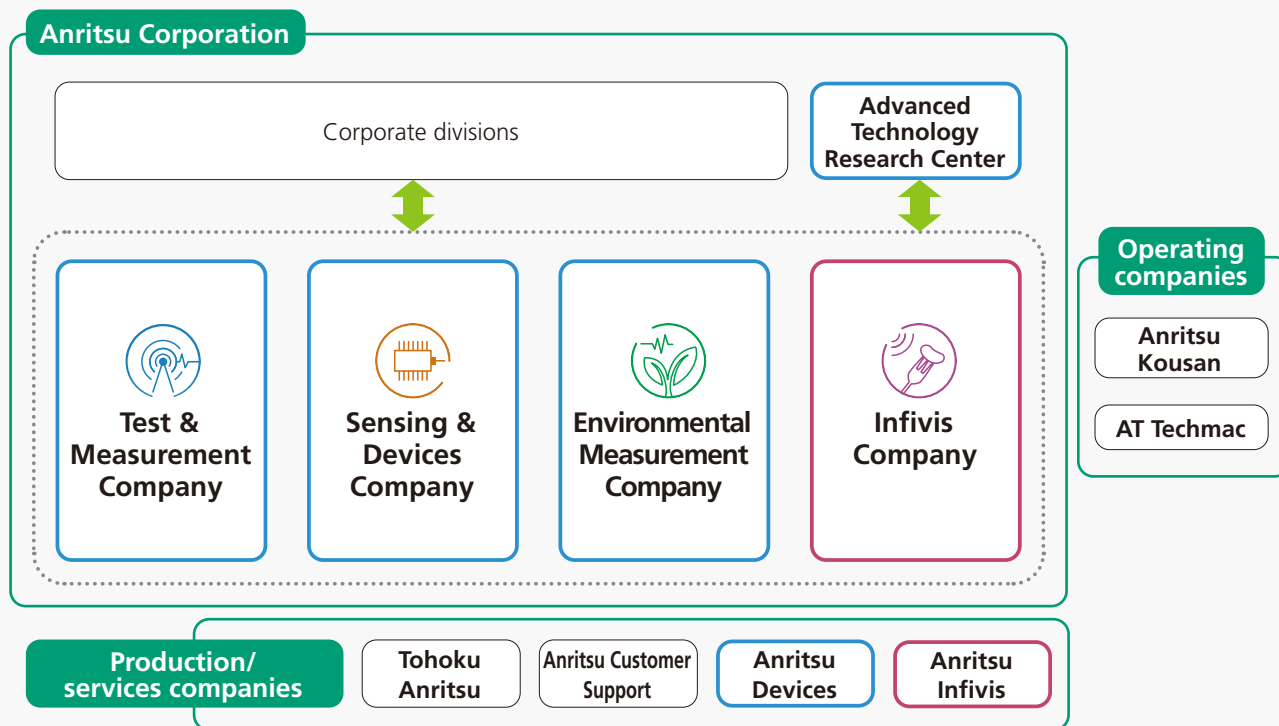
Further, we are a company committed to manufacturing. Even when software is used to give products added value, and even when entering new markets, these are supported by the foundation that is manufacturing. The environment encompassing manufacturing, however, has become difficult.

Due to declining birthrates, we are facing an imminent threat of labor shortages. While the number of veteran workers continues to decline, societal demand for quality is growing stronger, and defects and improper inspections have the potential to instantly throw a company into crisis. Aiming to be a strong manufacturing company which produces high added value products while maintaining high quality, Tohoku Anritsu, Anritsu Infivis, Anritsu Devices, and Anritsu Customer Support will work together, pool their strengths, and propel robotization and the utilization of AI and the IoT.

New Organization in FY2021

Apr. 2020

Apr. 2021



Sustainability Propelled by Recognition of Its Issues as Our Own

The Anritsu Group believes that responding to the demands of global society through business activities conducted in good faith and contributing to the resolution of social issues is the best way to achieve improved corporate value. In turn, in our GLP2023 plan, we have established initiatives and targets with regard to sustainability issues. In the category of environmental issues, Anritsu recognizes that reducing greenhouse gases is a serious issue, and we established the Anritsu Climate Change Action PGRE 30, raising our target for the percentage of our electricity usage which comes from renewable energy, which stood at around 1% in FY2018, to approximately 30% by around 2030. In order to achieve this goal, we are, among other things, installing solar power generation facilities at principal business sites.

In addition, we are promoting diversity management through means such as increasing the ratio of female managers and establishing new compensation packages aimed at enabling elderly employees to flourish. Along with them, we are also implementing an initiative to enhance management supervisory functions, including securing an outside director ratio of at least 50%.

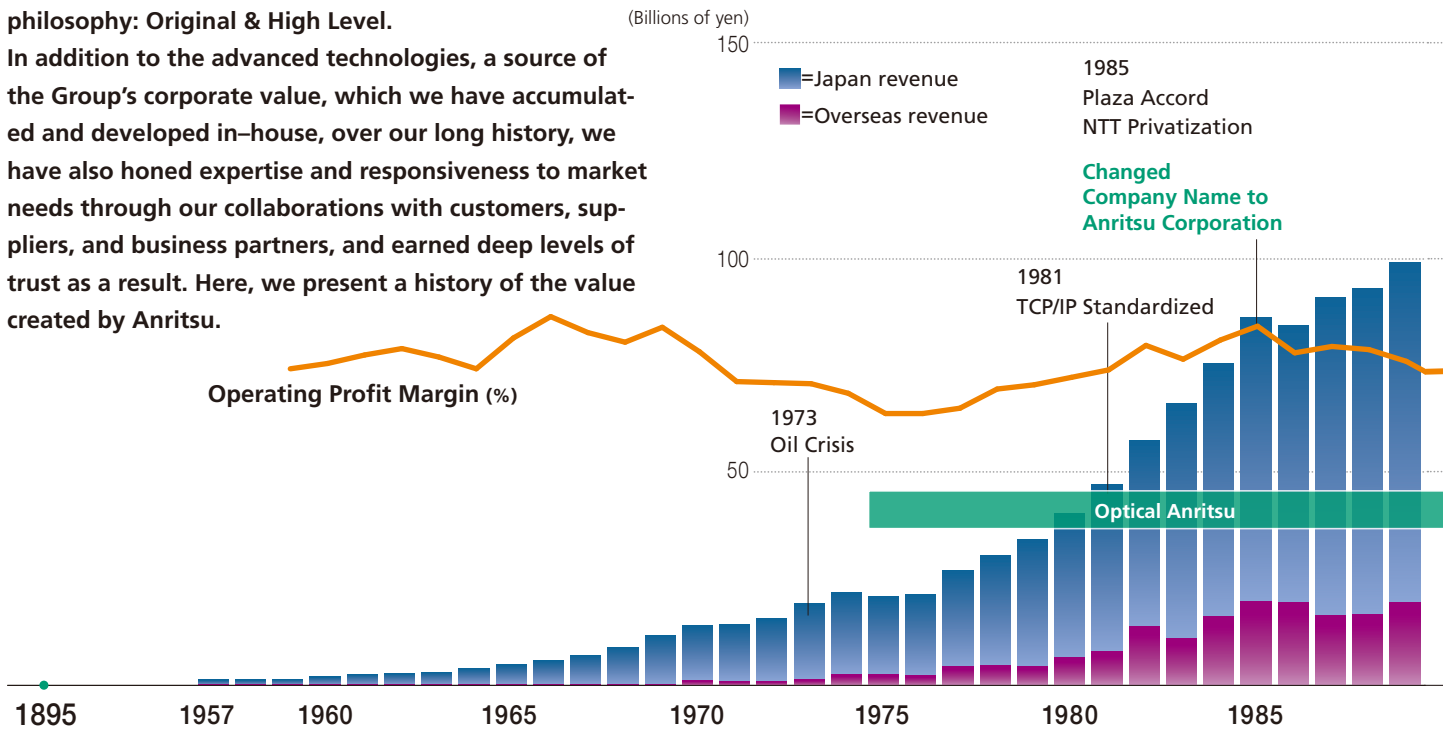
At Anritsu, we are promoting activities which encourage the recognition of the SDGs as issues of our own in order to contribute to the achievement of these globally-shared goals. In the spirit of Sincerity, Harmony, and Enthusiasm, the Anritsu Group is aiming to increase corporate value through contribution to the SDGs and to the sustainability of global society.



Anritsu Value History

For 126 years, Anritsu has continuously led generational changes with Sincerity, Harmony, and Enthusiasm, while providing society with new value created under our philosophy: Original & High Level.

In addition to the advanced technologies, a source of the Group's corporate value, which we have accumulated and developed in-house, over our long history, we have also honed expertise and responsiveness to market needs through our collaborations with customers, suppliers, and business partners, and earned deep levels of trust as a result. Here, we present a history of the value created by Anritsu.



Loci of Innovation

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

Development and Release of Key Products



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



Development of magnetic recorder (AC bias system)



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



Development of measuring instrument for digital transmissions

Foundation and M&A History

1895
Guglielmo Marconi successfully demonstrated the world's first wireless telegraph

1895
Sekisan-sha founded (by Keizaburo Ishiguro)

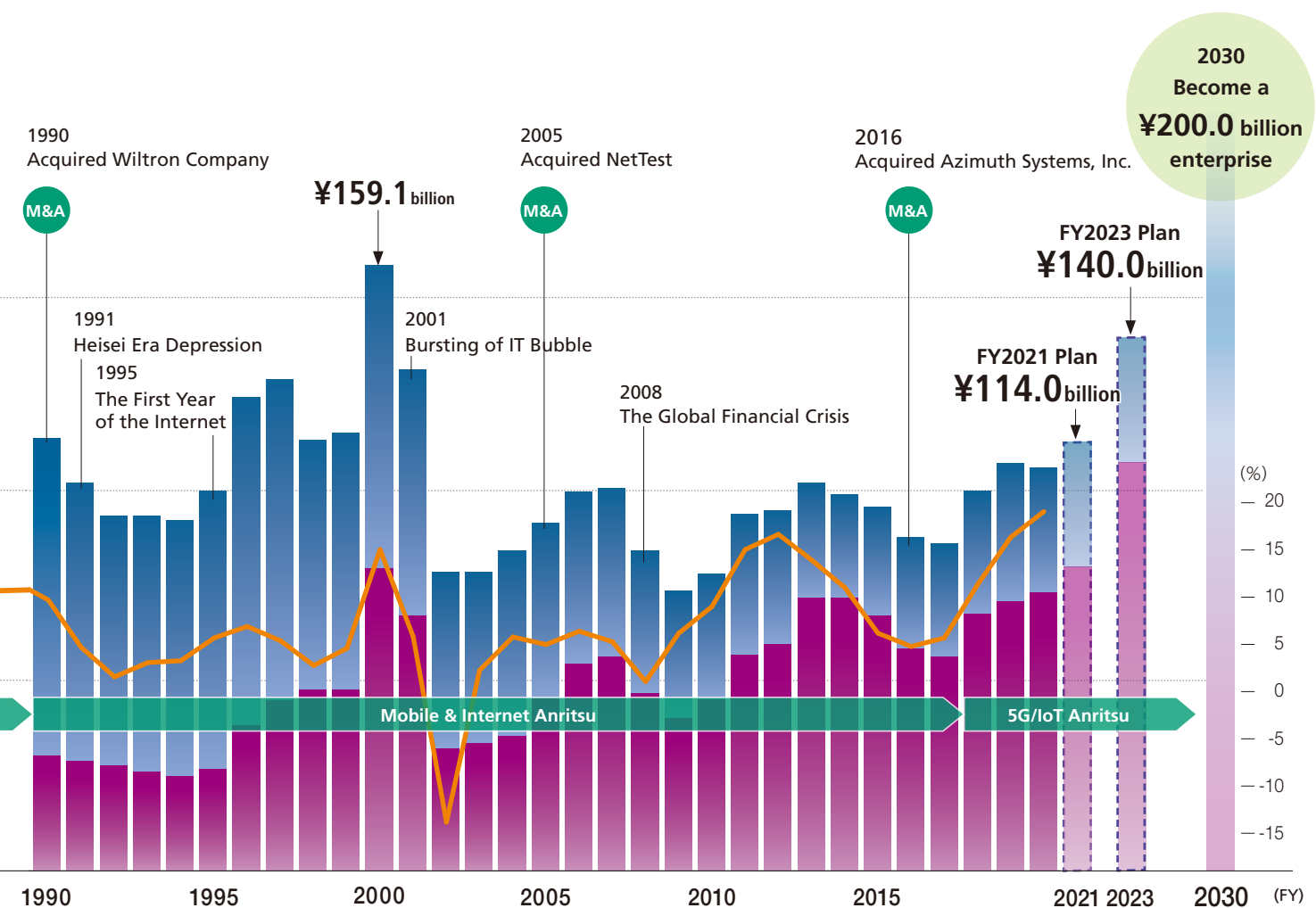
1900
Annaka Electric Co., Ltd. established (by Tsunejiro Annaka)

1908
Kyoritsu Electric Co., Ltd. established (merger of Sekisan-sha with Abe Electric Co., Ltd.)

1931
Anritsu Electric Co., Ltd. established

1985
Changed Company name to Anritsu Corporation





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)



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



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

History of M&As (1)

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



History of M&As (2)

2005

Acquired NetTest (Denmark)

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



History of M&As (3)

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 Value Creation Model

Anritsu's tangible and intangible capitals are sources of its corporate value, as well as sources of Anritsu's unique reliability, adaptability, and innovativeness.

Expectations Placed on Anritsu

T&M Business

- Drive social innovation through the advancement of 5G/IoT
- Realize smooth communication through progress in mobile broadband services
- Create a safe, secure, and comfortable global society by realizing a robust, global network infrastructure

Solving Social Issues through Business

T&M Business

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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

Inputs

Intellectual Capital

126 Years of Knowledge Accumulation, Ability to Innovate

- Accumulation of wireless and wireline communications technology
- Network quality assurance technology
- Development and manufacturing of ultra-high speed optical devices
- Weighing and contaminant detection technology
- R&D investment: 12%-14% of revenue
- Global development systems
- Development sites: 9

Human Capital

Global Organization and Human Resources

- An organization that learns and increases its power
- Human resources who will drive leading-edge technologies
- Number of new graduate hires: 36 technical, 20 operational personnel (started April 2020)
- Resources and systems for interfacing closely with customers
- Number of employees (consolidated): 3,881 (1,609 overseas) (as of end of Mar. 2020)
- Employee satisfaction survey: 87% work environment satisfaction rate, 70% work satisfaction rate

Social and Relationship Capital

Partnerships with Leading Companies

- Strong relationships of trust with customers
- Connections with industry-leading companies
- Global suppliers
- Business continuity plan (BCP)-based facility and supply chain management
- SCM sites: 12 (7 overseas)
- Implementation of supply chain due diligence: 4 companies total in FY2018 and FY2019

Financial Capital

Financial Stability in Preparation for Changes in Market Situation

- Free cash flow: ¥11.0 billion
- Interest-bearing debt: ¥14.6 billion
- Ratio of net assets to total assets: 67.8% (as of the end of March 2020)

Manufactured Capital

"Original & High Level" Production Processes

- Global network of manufacturing bases
- Number of manufacturing sites: 9

Natural Capital

Environmental Management that Extends along Entire Value Chain

- Thorough environmental management systems
- Development process for products that show proper concern for the environment
- Private power generation ratio: approx. 0.9%

*Figures for FY2019 unless otherwise noted

Business Model

T&M Business

Become a leading company supporting the 5G/IoT society



- Development of 5G/IoT systems
- Manufacturing of mobile devices



- Construction of communications networks
- Developing high-speed, high-volume data centers



- Development and manufacturing of electronic devices
- Construction of public wireless networks

PQA Business

Become a World-Class Quality Assurance Solutions Partner



- Food processing and manufacturing
- Food ingredient sorting (weight, detection of contaminants)
- Pharmaceuticals production

ESG Initiatives



- 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



- Respect for human rights and diversity
- Human resource development
- Occupational health and safety
- Supply chain management that gives due regard to human rights



- Corporate governance
- Instilling compliance awareness
- Promoting risk management

Anritsu will utilize its capitals to the fullest extent in implementing corporate activities which contribute to the resolution of social issues.

PQA Business Realize quality assurance that responds to the need for safety and security in food ingredients and pharmaceuticals
Reduce impact on ecosystems through proper use of food resources

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

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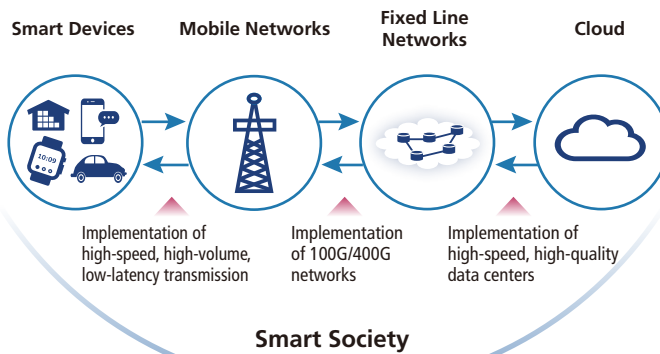


Realize a society where everyone can live in safety and security by enhancing quality assurance for food and pharmaceutical products. Implement a sustainable society where food loss is kept to a minimum.

Outputs

T&M Business

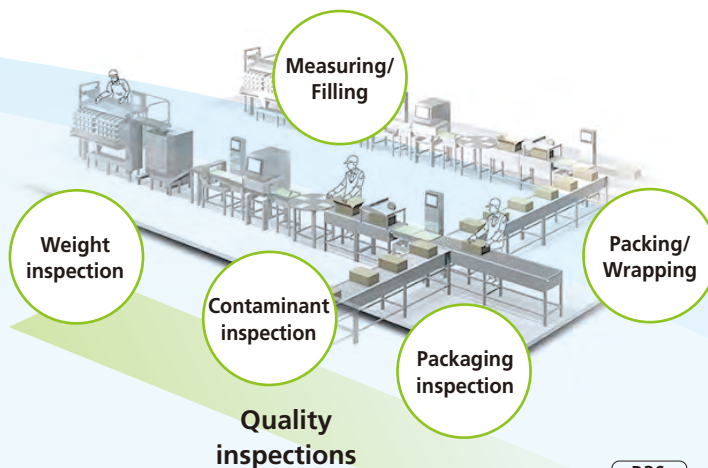
Measurement Solutions that Support 5G/IoT Networks and Drive Social Innovation



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PQA Business

Solutions for Assuring Quality of Food Products and Pharmaceuticals



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Outcomes

Intellectual Capital

Contributing to the construction of the most advanced communications infrastructure in the world

- Development ROI: Products aiming for 4.0 or higher
- R&D investment: ¥11.2 billion

Human Capital

- Number of new graduate hires: 35 technical, 18 operational personnel FY 2020 employment figures (started April 2021)
- Employee satisfaction survey: 90% work environment satisfaction rate, 75% work satisfaction rate
- Female director ratio: 11%
- Ratio of women in senior management positions: Japan – 2.3% Global – 10.8%

Social and Relationship Capital

Providing solutions needed by customers

- Number of new products: Test and Measurement Business – 7 PQA – 6 (Representative examples presented on the pages for the Test and Measurement Business and PQA Business)

Construction of a sustainable supply chain

- Strengthening of supply chain due diligence: 0 companies
*Unable to be implemented for FY2020 due to the COVID-19 pandemic
- Cumulative total over the three years of GLP2020: 4 companies
- Information sent twice and education provided once to suppliers concerning CSR procurement

Financial Capital

Suitable shareholder returns

- TSR • Stable financial base

Manufactured Capital

- Stimulation of local economy
- Capital expenditures: ¥5.4 billion

Natural Capital

Contribution to the preservation of the global environment

- Greenhouse gases (Scope 1 & 2): Reduced 16.9% compared to FY2015
- Greenhouse gases (Scope 3): Reduced 10.1% compared to FY2018
- Ratio of renewable energy produced in-house: 3.3%

*Figures for FY2020 unless otherwise noted

Sources of Value Creation

Through contributions to the creation of a sustainable future for global society, Anritsu will pioneer new areas and value beyond conventional measurement. We aim to enhance our corporate value as a company which engages in the cross-fertilization of new ideas and technologies, both from within and outside the company, and work together with all of our stakeholders to offer a hopeful future to new generations.

Inputs

Anritsu's businesses are supported by the management resources embodied by its intellectual capital, human capital, social and relationship capital, financial capital, manufactured capital, and natural capital. Our intellectual capital, which supports our innovation and which has been accumulated over our 126-year-long history, is a particularly important management resource. Intellectual capital and human capital are two forms of capital which are tightly intertwined, while social and relationship capital, born of the relationships of trust we have with our stakeholders, is key to the creation of social value through initiatives aimed at environmental, social, and corporate governance issues.

■ Intellectual Capital

We utilize our ability to innovate, rooted in expertise accumulated over our 126-year-long history, to create new technologies which will pave the way for the future, and are engaged in accurately perceiving customer needs in the fields of communications, testing, and measurement to develop leading-edge products.

■ Human Capital

In order to respond to diversifying customer needs as well as the drastic social and environmental changes occurring around the world, we are working to enhance our competitiveness by fostering human resources who will possess outstanding experience and capabilities based on a company-wide human resources strategy.

■ Social and Relationship Capital

Anritsu has built firm partnerships with leading companies and cultivated strong relationships of trust by meeting the high expectations of superior customers. At the same time, we are dealing with all of our stakeholders and partners fairly and equally, and by strengthening our value chain through cooperation with them, we are realizing mutual growth and expanded business volumes.

■ Financial Capital

Through improvement of capital efficiency and maintaining a robust financial structure, Anritsu focuses on enhancing capabilities of each business to generate cash flow, and enhances its financial strategy so that it evolves to become the investment management to actualize growth. Those will result Anritsu Group's sustainable growth and returns for stakeholders such as shareholders.

■ Manufactured Capital

Under Anritsu Group's motto "Original & High Level manufacturing", we are providing society with high-level products and services through global deployment of its development structure, SCM, and manufacturing bases.

■ Natural Capital

In response to the social issues, Anritsu is implementing energy conservation activities, development of low power consumption products, as well as taking cooperative measures against climate change across its supply chain. We will fulfill our responsibilities to society by accelerating initiatives such as utilization of renewable energy and the development of technologies which contribute to the reduction of CO₂, and aiming to operate in symbiosis with the natural environment with innovations in science and technology.

Business Model

Anritsu develops its businesses by investing a diverse array of management resources into its business activities. In addition, through initiatives aimed at resolving key financial and management issues, we are working to improve Anritsu's corporate value and expand the value we provide to stakeholders.

More specifically, under our Company Vision of "Beyond testing, beyond limits, for a sustainable future together," we will coordinate with all of our businesses to transform our business model and continuously enhance corporate value. Our GLP2023 is a plan for three years of growth aimed at the peak of the 5G test and measurement business, and, in order to nourish new businesses during those three years, we will be engaging in highly capital-efficient growth investment with the goal of expanding our business domains. Going forward, we will be fully engaged with initiatives to realize a carbon-free society and providing high-level products and services to the world.

Outputs

We provide key products that become the infrastructure to support safe and secure lives, and new lifestyles. Anritsu's Test and Measurement Business provides advanced communications technologies and test systems to the global market, hence contributing to the development of telecommunications.

Meanwhile, PQA Business pursues unique and high-level quality assurance solutions which will resolve material issues for our customers.

Outcomes

Anritsu Group will provide values to the society, through its business by identifying social and environmental changes, in order to actualize a globally sustainable society. More specifically, the Group will aim continuous enhancement of its social value and economic value through the development of outstanding communications technologies, the provision of an array of products and services, and the realization of attractive working styles, by working together with our various stakeholders.

Risks and Opportunities

Risks	Responses
<ul style="list-style-type: none"> Market environment deterioration due to curbed customer investment or changes in investment strategy (fear of slowdown in 5G commercialization, performance fluctuations due to customer capital expenditure cycles) 	<ul style="list-style-type: none"> Expansion and development of businesses not dependent on investment cycles (reevaluation of business portfolio)
<ul style="list-style-type: none"> Damage to the brand image and incurring compensation costs from unexpected safety-related problems with products 	<ul style="list-style-type: none"> Quality management systems and thorough implementation of PDCA(Plan-Do-Check-Action cycle) Provision of measurement solutions of superior quality
<ul style="list-style-type: none"> Rapid changes of market environment, such as the emergence of new technologies, products, and services; and intensifying competition due to market entrance by new players 	<ul style="list-style-type: none"> Understand customer needs and promote development Utilize open innovation Establishment of the Advanced Technology Research Center Promote M&As and alliances in order to expand businesses
<ul style="list-style-type: none"> Loss of or difficulty in acquiring human resources who possess the diversity and capabilities needed for the Anritsu Group's sustainable growth 	<ul style="list-style-type: none"> Proactive employment of diverse human resources Establishment of an education and training system which supports employees' autonomous growth Establishment of a work environment which emphasizes work-life balance and which can respond to the diversification in working styles and values
<ul style="list-style-type: none"> Business activity restrictions due to more rigid laws and regulations in each region, changes in interpretations of laws and regulations, or changes to operational policies 	<ul style="list-style-type: none"> Identify legal requirements concerning each business, and resolve relevant issues
<ul style="list-style-type: none"> Tightening of regulations for use/emission of greenhouse gases and standards for energy-saving due to the exacerbation of global environmental problems 	<ul style="list-style-type: none"> Strictly adhere to international standards; establish more rigorous self-designated standards Implement a long-term plan to reduce greenhouse gases (improve ratio of renewable energy produced in-house: PGRE 30)
<ul style="list-style-type: none"> Raw material and component supply shortages due to deteriorating business conditions at suppliers, or from natural disasters or accidents, etc. Surging procurement costs due to rapidly changing supply/demand environment, exchange rate fluctuations, etc. Some suppliers do not fully support CSR procurement requirements 	<ul style="list-style-type: none"> Observe procurement basic policy Buy from multiple sources and find those suppliers in different regions Stabilize procurement costs by leveraging long-term contracts, etc. Strengthen supply chain due diligence Send information and provide education to suppliers concerning CSR procurement
<ul style="list-style-type: none"> Financial risks due to the payment of improper premiums Deteriorating market environment following alliances, collaborations, or M&As are carried out Insufficient of due diligence, post-merger integration failure 	<ul style="list-style-type: none"> Verify business plans and carry out sufficient due diligence before executing actions Thoroughly follow up after acquisitions and execute additional measures in response to business environment changes

Opportunities

- Advancement into new business opportunities
- Foster customer loyalty and achieve customer satisfaction through the provision of high-quality measurement solutions
- Acquisition of opportunities for growth and creation of demand through new technologies and products
- Innovation achieved through the acquisition of diverse human resources thanks to employee skill improvement and reevaluations of working styles
- Expand geographical business penetration by supporting requirements of Radio Acts of different countries. (Test and Measurement Business)
- Provision of products and services that support customers meeting food quality-related laws and regulations such as HACCP requirements. (PQA Business)
- Entry into environmental business (Environmental Test and Measurement Business)
 - Dam and river monitoring
 - Energy-related business (electric vehicles, evaluation of battery safety and etc.)
- Enhanced competitiveness and increased profits from procurement of new materials/components
 - MEMS
 - Supply chain (decentralized procurement)
- Expansion of business fields and accelerated structural transformation through the acquisition of new business resources (M&As, etc.)
 - Electric vehicles and battery testing

Materialities



Establishment of a robust business foundation

- Appropriate financial management
- Optimization of business portfolio by pioneering new domains



Building and maintaining of strong relationships of trust with customers

- Sincere attitude towards testing
- Accurately identifying customer needs
- Dealing directly with global customers
- Provision of solutions suitable for the latest technologies



Acquisition and utilization of leading-edge technologies

- Utilization of new domains which contribute to the optimization of our business portfolio
- Development of services which can resolve social issues
- Next-generation technologies (6G, NEMS, etc.)



Diverse human resources

- New ideas, innovation generation
- Wide acquisition of outstanding capabilities in human resources
- Utilization of human resources without regard for race, gender, or age, etc.



Creation of a global organization










Development of environmentally conscious solutions

- Environmentally friendly products and services



Socially and environmentally conscious production systems

Materiality

Materiality	Response
 <p>Establishment of a robust business foundation</p> <ul style="list-style-type: none"> • Appropriate financial management • Optimization of business portfolio by pioneering new domains 	<ul style="list-style-type: none"> • Strengthen investment for growth in four new areas • Established structure consists of four Internal Companies and one Advanced Research Laboratory • Established the Environmental Measurement Company • Strengthen alliances with third parties • Operate business with optimal capital structure • Capture growth opportunities through M&A
 <p>Building and maintaining of strong relationships of trust with customers</p> <ul style="list-style-type: none"> • Sincere attitude towards testing • Accurately identifying customer needs • Dealing directly with global customers • Provision of solutions suitable for the latest technologies 	<ul style="list-style-type: none"> • Develop solutions that respond to the customer needs • Building and strengthening customer support systems • Participate in the activities of industry organizations, especially those that establish standards • Secure and maintain human resources capable of building relationships of trust with customers promoting leading-edge technologies
 <p>Acquisition and utilization of leading-edge technologies</p> <ul style="list-style-type: none"> • Utilization of new domains which contribute to the optimization of our business portfolio • Development of services which can resolve social issues • Next-generation technologies (6G, NEMS, etc.) 	<ul style="list-style-type: none"> • Establishment of the Advanced Research Laboratory • Utilize open innovation • Promote M&As and alliances for technology acquisition • Organizational activities to acquire the latest technology • In-house production of key devices • Secure and maintain human resources capable of catching up with leading-edge technologies
 <p>Diverse human resources</p> <ul style="list-style-type: none"> • New ideas, innovation generation • Wide acquisition of outstanding capabilities in human resources • Utilization of human resources without regard for race, gender, or age, etc. 	<ul style="list-style-type: none"> • Implementation of global (e.g., Philippines) recruitment • Establish a working environment that responds to the diversity of values • Establishment of an education and training system which supports employees' autonomous growth • Create a comfortable work environment where employees can demonstrate their abilities
 <p>Creation of a global organization</p>	<ul style="list-style-type: none"> • Establish an organization and human resource system in which diverse human resources can play an active role • Establishing a global R&D system • Enhancement of internal controls at overseas subsidiaries
 <p>Development of environmentally conscious solutions</p> <ul style="list-style-type: none"> • Environmentally friendly products and services 	<ul style="list-style-type: none"> • Developing solutions in support of requirements for reduction of greenhouse gases (development of solutions with less power consumption) • Use of parts with low environmental burden
 <p>Socially and environmentally conscious production systems</p>	<ul style="list-style-type: none"> • Corporate facilities aimed at reducing greenhouse gas emissions • Safety-conscious production sites

Capital and Stakeholders	Stakeholder needs	KPI
<ul style="list-style-type: none"> • Capital: financial, intellectual, human • Stakeholders: shareholders, investors, employees 	<ul style="list-style-type: none"> • Corporate growth • Adequate shareholder returns • Work satisfaction • Wage increase 	<ul style="list-style-type: none"> • Rating • Net sales and operating income • TSR
<ul style="list-style-type: none"> • Capital: intellectual, human, society and relationships • Stakeholders: customers, employees 	<ul style="list-style-type: none"> • Provide on-time solutions • Provide on-time support • Initiatives for leading-edge technologies • Participation in industry organizations • Highly accurate and stable measurement results 	<ul style="list-style-type: none"> • Number of new products • Number of support sites • Customer satisfaction • Participation and contribution to the organization
<ul style="list-style-type: none"> • Capital: intellectual, human • Stakeholders: employees and subcontractors 	<ul style="list-style-type: none"> • Initiatives for leading-edge technologies • Innovation through collaboration with third parties 	<ul style="list-style-type: none"> • R&D investment
<ul style="list-style-type: none"> • Capital: human • Stakeholders: employees, suppliers 	<ul style="list-style-type: none"> • Comfortable work environment • Skill improvement 	<ul style="list-style-type: none"> • Number of employees by region, ratio of female employees, ratio of female managers • Employment rate of people with disabilities, ratio of engineers (of new graduate hires) • Paid leave utilization ratio, Employee turn-over rate • Training costs per employee • Kurumin mark accreditation grade, good standing company certification, etc.
<ul style="list-style-type: none"> • Capital: human • Stakeholders: employees, cooperating companies 	<ul style="list-style-type: none"> • Global work environment 	<ul style="list-style-type: none"> • Global human resource system • Global human resource recruitment • Number of global R&D sites
<ul style="list-style-type: none"> • Capital: human, social relationships • Stakeholders: customers, employees, suppliers 	<ul style="list-style-type: none"> • Providing on-time solutions • Reduce CO₂ emissions 	<ul style="list-style-type: none"> • Reduce greenhouse gas emissions (Scope 3) • Number of new environmentally friendly products
<ul style="list-style-type: none"> • Capital: financial, human, manufacturing • Stakeholders: global environment, local communities, employees, suppliers 	<ul style="list-style-type: none"> • Safe and secure plant • Stimulation of local economy • Reduce CO₂ emissions 	<ul style="list-style-type: none"> • Reduce greenhouse gas emissions (Scope 1, 2, 3) • Solar power generation/consumption, in-house power generation ratio • Capital expenditures • Numbers of accidents at work

Strengths for Achieving Value Creation

Solving Social Issues through Business

Entire Anritsu Group

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



Test and Measurement 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, and effect a sustainable society where food loss is kept to a minimum.



Anritsu's technical capabilities

Test and Measurement Business

- We possess signaling and signal analysis technologies needed at every phase of chipset development, device development, conformance testing, and manufacturing inspections in the mobile telecommunications market, of which smartphones are a key product
- We have wide-ranging wireless technologies and communications analysis technologies necessary for evaluating and assuring connectivity quality essential for the widespreading of connected cars and increasing IoT adoption in home appliances and industrial equipment
- We possess high-speed digital signal and optical analysis technologies for use in optical module testing as well as assessing the performance of network and serial interfaces, that is becoming faster due to the proliferation of cloud computing
- We have important fundamental technologies shared among internal organizations which include FPGA and software design technologies to handle increasingly larger measuring circuit size and high-speed processing

PQA Business

- We will boost X-ray inspection precision using signal processing and image analysis algorithm technologies, while improving on testing technologies powered by deep learning
- Through a combination of dynamic measuring technologies and high reliability, we will actualize high speed and high precision weighing functions with our checkweighers

Social value we provide

Automobiles



Autonomous driving

Healthcare



Telemedicine

Construction



Remote control

Agriculture



Farming support

Entertainment



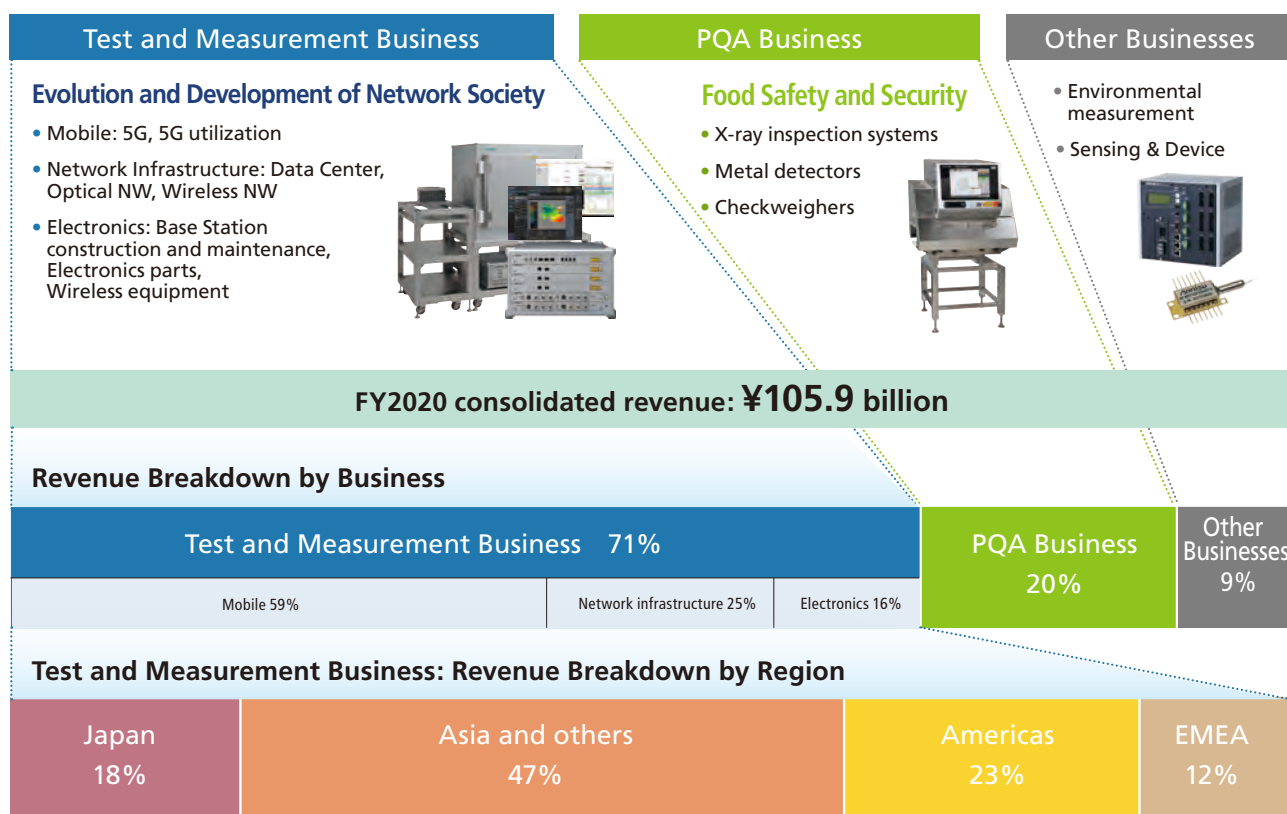
VR/AR

Food



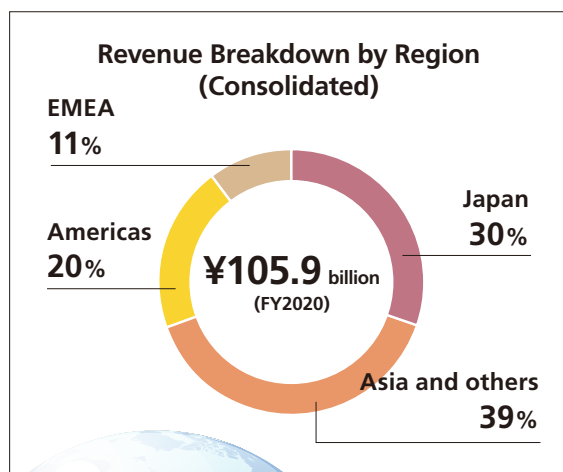
Food waste loss reduction and quality assurance

Business Summary



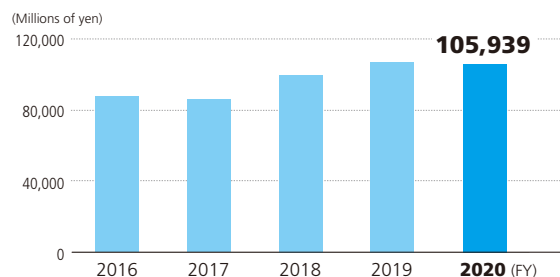
PQA: Products Quality Assurance

EMEA: Europe, Middle East, Africa



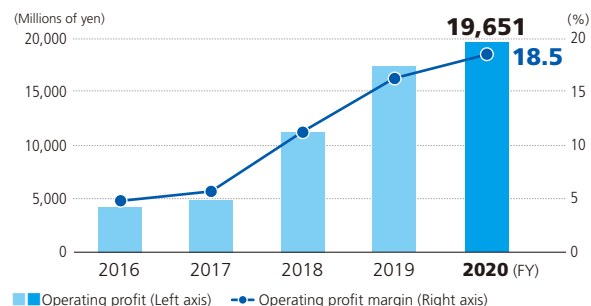
Financial and Non-Financial Highlights

Revenue



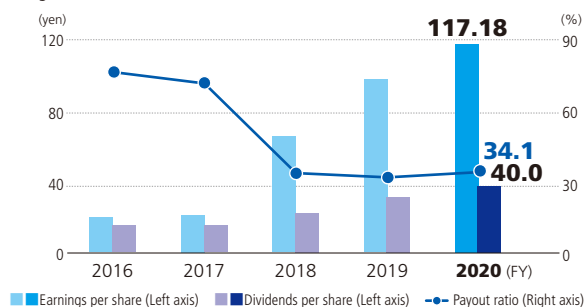
Revenue amounted to ¥105,939 million yen, down 1% year on year. The Test and Measurement Business saw strong demand for 5G chipset and mobile terminals development. Development demand associated with 5G commercialization saw particular growth in the Asian region and drove our 5G business. In addition, we captured development and production related demand in connection with increasing network speeds at organizations such as data centers. However, due to the effects of the COVID-19 pandemic, sales declined year on year as a result of caution with regard to investment by certain customers in mainly Japan. Sales also decreased in the PQA Business as certain customers were cautious with investments over uncertainty about the future in light of the COVID-19 pandemic.

Operating Profit/Operating Profit Margin



Operating profit was ¥19,651 million (up 12.8% year on year) and the operating profit ratio was 18.5%. The Test and Measurement Business recorded operating profit of ¥17,714 million (23.7% operating profit ratio), a year on year increase. This owes to strong sales of high-margin 5G products, as well as to lower R&D and SG&A costs that owed to the spread of COVID-19 pandemic. For the PQA Business, operating profit increased year on year to ¥1,340 million (6.3% operating profit ratio) as a result of efforts to reduce SG&A such as promoting work efficiencies.

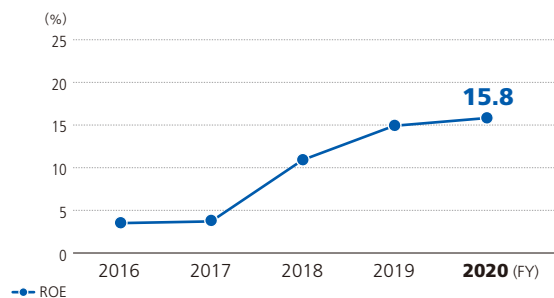
Earnings per Share/Dividends per Share & Payout Ratio



In FY2020 earnings per share were ¥117.8, up ¥19.98 compared with the previous fiscal year, while the annual dividend was ¥40, an increase of ¥9 compared with the previous fiscal year, with a payout ratio of 34.1%.

While taking the basic approach of raising dividends on equity attributable to owners of parent to total assets ratio (DOE) in accordance with an increase in consolidated profits for the fiscal year, the Company aims at a dividend payout ratio of 30% or more, with biannual dividend distributions that consist of a fiscal year-end dividend and an interim dividend.

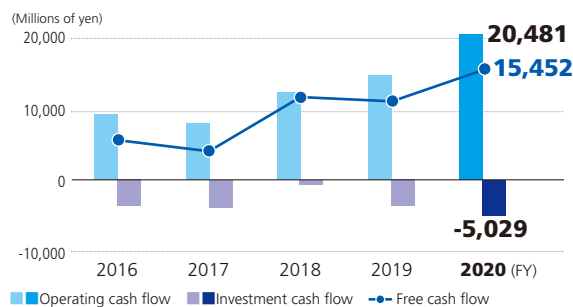
ROE



ROE for FY2020 was 15.8%, indicating a solid capital efficiency increase.

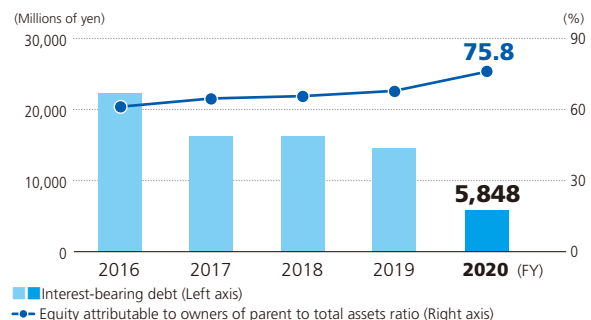
To maximize medium- to long-term corporate value, Anritsu views return on equity (ROE) and the ratio of equity attributable to owners of the parent to total assets ratio as KPI, and will work to improve invested capital efficiency while maintaining financial stability.

Cash Flow



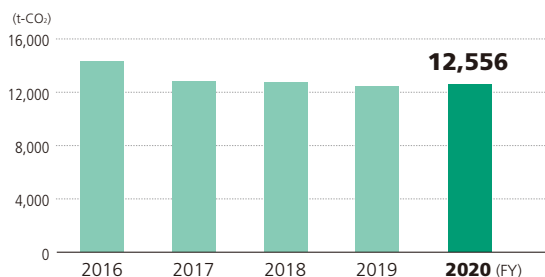
In FY2020, net cash provided by operating activities rose to ¥20,481 million due to an increase in cash from reporting of profit before tax and recording depreciation and amortization. Net cash used in investing activities came to ¥5,029 million, mainly due to the acquisition of property. As a result, free cash flow was positive, at ¥15,452 million.

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



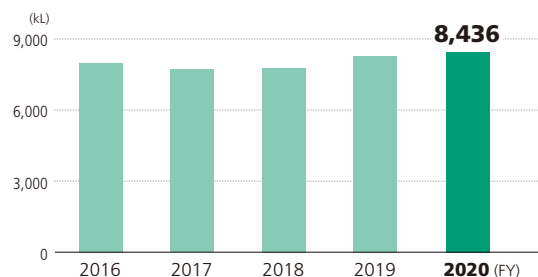
Owing to the redemption of corporate bonds, the Company's interest-bearing debt balance was ¥5,848 million (down ¥8,746 million year on year). Despite an increase in primarily retained earnings, the ratio of equity attributable to owners of the parent to total assets ratio was 75.8% as a result of an increase in other components of equity.

CO₂ Emissions (Scope 1, 2) (Anritsu Group)



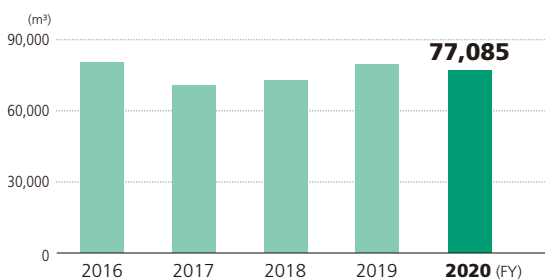
More than 98% of the Anritsu Group's CO₂ emissions (Scopes 1+2) in FY2020 resulted from energy consumption. The main factors are shown in the "Energy Consumption (Crude Oil Conversion Basis)" graphic to the right. Scopes 1+2 emissions increased 0.9% over FY2019 to 12,556t-CO₂. As some of the measures we are taking to reduce this amount, we are replacing our air conditioning equipment with more efficient models, deploying 1,100 kW of solar energy equipment at Anritsu Company (in the U.S.) to produce energy for self-consumption, and switching to green energy for 4% of the energy we currently purchase in the Tohoku site.

Energy Consumption (Crude Oil Conversion Basis) (Anritsu Group)



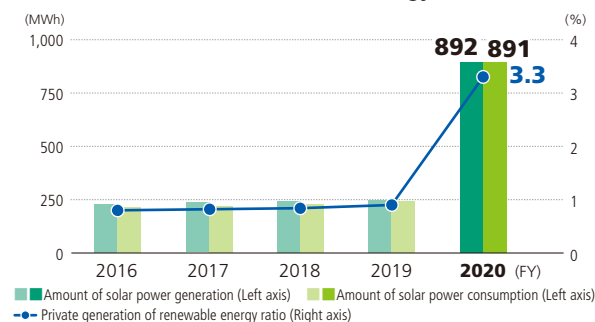
In FY2020, total energy consumption of the Anritsu Group overall (crude oil conversion basis) increased by 2.0% year on year. Contributing factors include greater air conditioning use to combat COVID-19 pandemic and 24-hour operation of laboratory equipment in order for it to be remotely controlled when working from home.

Water Usage (Anritsu Group)



The Anritsu Group's water usage in FY2020 dropped 3.1% year on year. This was a measure to combat the COVID-19 pandemic and is a result of using less water onsite as more employees worldwide worked from home rather than coming into the office. However, water used by Anritsu Company (U.S.A.) actually increased due to having launched a service for manufacturing thin-film devices, which uses a significant amount of water.

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



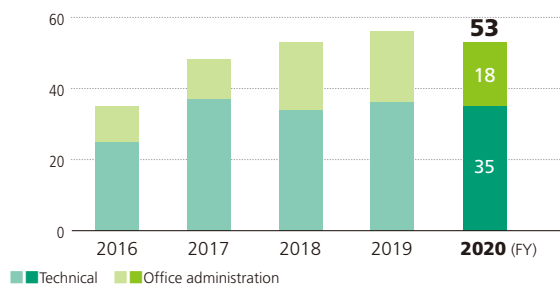
We are focused on achieving SBT targets based on Anritsu Climate Change Action PGRE 30, which emphasizes renewable energy use. 1,100 kW of solar power generation equipment was put into operation at Anritsu Company (U.S.A.) in October 2020.

As a result, amount of solar power generation in FY2020 increased 263% year on year to 892 MWh (3.3% private generation ratio).

Solar power consumption = amount of solar power generated – surplus power (provided to power supply companies free of charge)

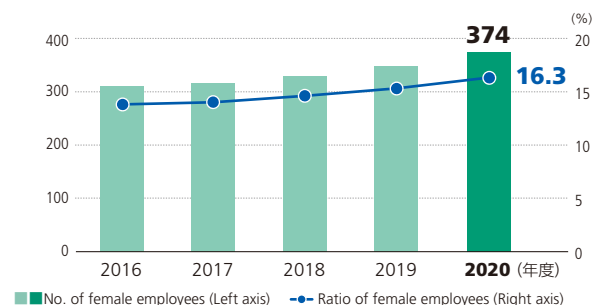
Private generation of renewable energy ratio = solar power consumption/electrical power consumption

New Graduate Hires (Domestic Anritsu Group)



A total of 53 new graduate hires (35 technical and 18 office administration) joined the Domestic Anritsu Group in FY2020 (with employment starting in April 2021). The target number was 55. The Anritsu Group's recruiting policy centers on carefully selecting personnel based purely on individual capabilities. Our new graduate hire development is focused on creating a cohesive fighting force, and our job separation rate among new graduate hires who joined between FY2018 and FY2020 (separation rate within the first three years) is 3%.

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 25% in FY2020, with 13 of the 53 new graduates joining Anritsu in April 2021 being women.

CFO Message

Akifumi Kubota

Director
Executive Vice President
CFO

GLP2020 Review

During the GLP2020 (2018-2020) period, due to an accurate assessment of mainly 5G development demand and data center-related market demand, the Test and Measurement Business achieved its FY2020 revenue and operating profit targets.

As a result, the entire Group was able to achieve its revenue, profit, and ROE targets. The Group recorded an operating profit on sales, an indicator of profitability, of 19%, and achieved an ROE of above 15% by conducting

management focused on capital cost. We also built a strong balance sheet in part by improving our equity ratio, which indicates financial stability. In recognition of these efforts to strengthen profitability and our financial standing, our previous "A-" long-term bond rating was upgraded to "A." Now, to further enhance corporate value, investment towards growth has reached an even more important stage.

Anritsu's Rating

~2001	2002	2003~2011	2012	2013	2014	2015~2020	2021
A-	BBB	BBB	BBB+	BBB+	A-	A-	A
	▲ December 26, 2002 A-→BBB •2001 dot-com crash, FY 2002 business restructuring		▲ May 10, 2012 BBB→BBB+ •Capture of initial LTE demand		▲ May 13, 2014 BBB+→A- •LTE hits peak demand		▲ May 31, 2021 A-→A •Capture of 5G and data center demand

Switch from defense to offense

Transition of financial strategy looking towards 2030

The principal objective of the financial strategies laid out in the new Mid-Term Business Plan, GLP2023, is accelerating growth-oriented investment with a view to achieving revenue of ¥200 billion by 2030. Leveraging the robust financial standing we have built up over the years, we will be aggressively investing for growth in order to build a business portfolio independent of the business cycles of mobile telecommunications systems. Evolving from the previous “cost management to safeguard profits” to “investment management in order to realize growth” will become a key part of our financial strategy.

Efforts to Enhance Corporate Value

The basic policy for financial strategy in GLP2023, which aims at accelerating growth, consists of the following three key pillars.

1. Enhancing Corporate Value

We will make committed efforts to improve upon our management system in order to enhance corporate value. This means establishing a corporate value improvement indicator as a KPI for ROE and consistently practicing management by objectives.

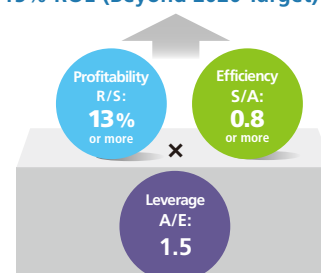
Anritsu considers achieving 15% ROE to be a priority management issue. To realize medium- to long-term growth in the global market, it is essential that we gradually create profits to feed investment. An ROE of 15% is the global standard and is considered to be an engine for profitable growth. ROE is analyzed using three factors: profitability, efficiency, and leverage.

We are working to meet ROE targets primarily by improving profitability and efficiency.

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)

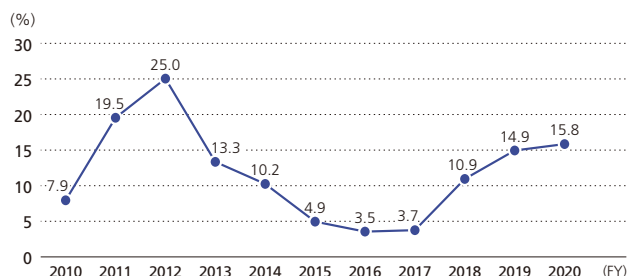


Trends of ROE Factors

	Profitability	Efficiency	Leverage	ROE
FY2018	9.0%	0.79	1.53	10.9%
FY2019	12.5%	0.79	1.50	14.9%
FY2020	15.2%	0.75	1.39	15.8%
Model case of GLP2023	13.0% or more	0.80 or more	1.50	15.0% or more

CFO Message

ROE Trends



2-1. Initiatives to Establish Investment Level Standards and Improve Cost Structure: Improving Profitability

For our core business, the Test and Measurement Business, 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 and development investment) as the KPI for investment levels and are working to improve investment efficiency with the goal of achieving a development ROI of 4.0 or higher.

We are also actively working to strengthen our cost structure to enhance profitability. For example, we are taking active approaches to achieve greater efficiency in our

sales activities and improve business processes in our corporate back office functions by appropriately managing and promoting improvement of cost per order (CPO) in each sales region in order to enhance each business segment's cost structure.

2-2. Thorough Cash Flow Management: Improving Efficiency

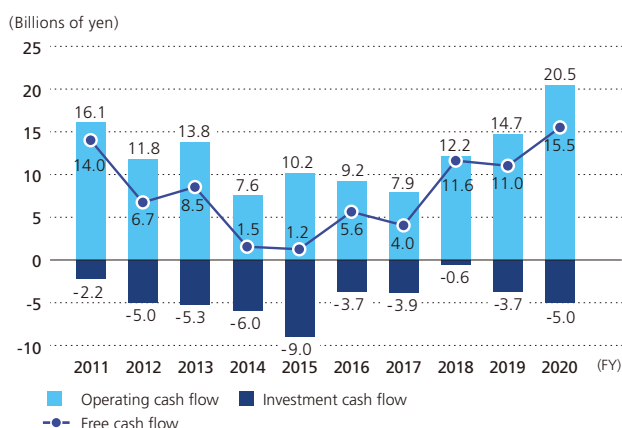
Strengthening our ability to generate net cash provided by operating activities is essential for realizing sustainable investment for growth. Our constant goal is to maintain an operating cash flow margin above 13% (achievable by realizing an operating profit margin of above 18% and avoiding increases 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, 2024. To achieve these targets, we will improve profitability through cost reductions and more efficient spending, as well as by improving capital efficiency through such measures 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 per business division.

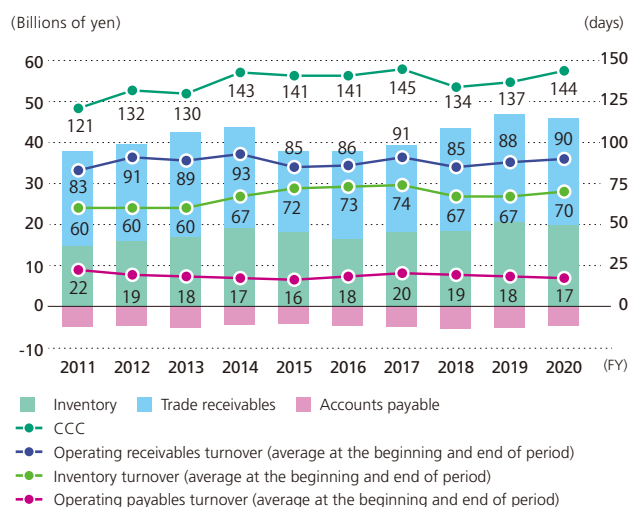
Specifically, we will take accounting measures that include preparing balance sheets for each business division and visualize the flow of cash and working capital. Through these measures, improvements are being made to capital efficiency management at the business division level.

*CCC: Cash Conversion Cycle

Trends in Cash Flow



Trends in CCC



3. Allocating Cash to Strategic Investment for Growth

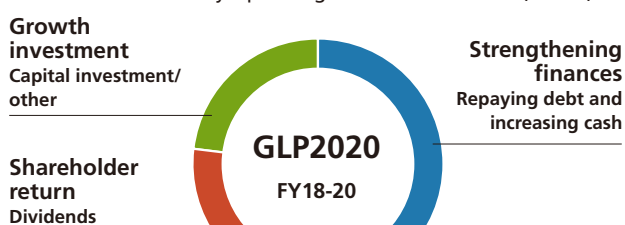
Along with allocating cash generated from improving profitability and efficiency to strategic investment for growth, we will also be taking dynamic financial measures. Although enhancing our financial standing was a key issue up until GLP2020, a major management issue addressed by GLP2023 is how we can effectively utilize the achievements we have so far made, and our basic policy going forward involves concentrating investment in growth areas. Shifting our strategies from protective (defensive) approach to active (offensive) approach, we will be carrying out financial activities that establish growth as a priority goal.

More specifically, greater than 50% of operating cash flow (a total of ¥47.4 billion over three years) was used in strengthening our financial standing (paying back liabilities and increasing cash) over the past three years (GLP2020). Over the next three years (GLP2023), however, we plan to put more than 50% of operating cash flow toward strategic investment aimed at business growth.

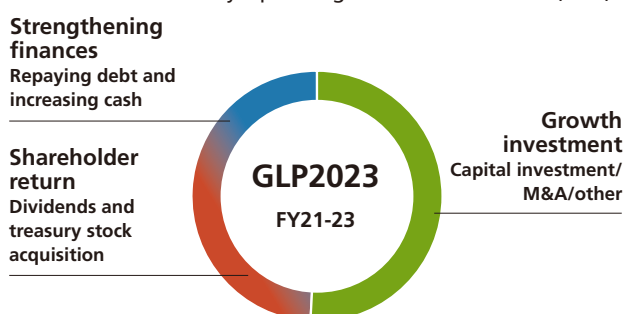
We also plan to stick with our aggressive plan for shareholder returns, as outlined below.

■ Net Cash Provided by Operating Activities Allocation

Net Cash Provided by Operating Activities Allocation (Actual)



Net Cash Provided by Operating Activities Allocation (Plan)



Shareholder Returns

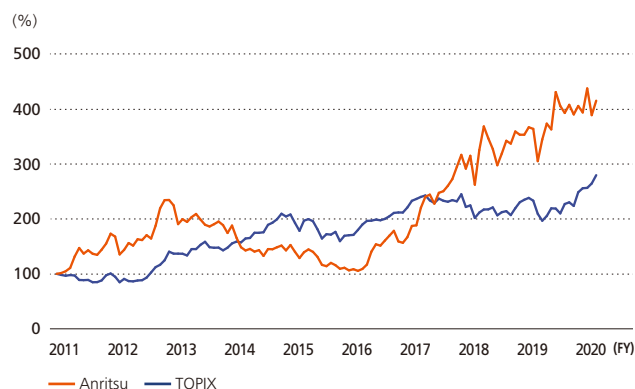
Our basic policy on distributing profits to shareholders is paying dividends with a consolidated payout ratio of 30% or higher primarily by raising the dividend on equity (DOE) in response to increases in consolidated net income. We also flexibly implement other measures regarding shareholder return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

Total shareholder return (TSR) over the past 10 years is shown below. 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%). Specifically, we will further enhance corporate value and meet our shareholders' expectations by strengthening our competitiveness in the 5G market, expanding business into industrial fields that employ the IoT, developing business in the cloud service and other markets, and cultivating new growth fields, while making strategic investments and carrying out accurate financial strategies that include acquiring next-generation technologies such as 6G.

■ Share Price Performance

	Past year	Past 3 years	Past 5 years	Past 10 years
Anritsu	22.4%	24.1%	32.6%	15.3%
TOPIX total return index	42.1%	6.9%	10.2%	10.8%

■ Total Shareholder Return (over past 10 years)



Mid-Term Business Plan

2020VISION			
Medium-to Long-Term Vision	To be a global market leader <ul style="list-style-type: none"> •Creating the value that only Anritsu can deliver •Building a world-class, robust income structure 		To create new business through emerging business <ul style="list-style-type: none"> •Driving innovation in new business areas
Vision	GLP2014 (FY2012-2014) <ul style="list-style-type: none"> ■ Becoming a cutting-edge, trusted global market leader Capture growth drivers without fail, and realize "continuous profitable growth"		GLP2017 (FY2015-2017) <ul style="list-style-type: none"> ■ On-going "Growth & Global" improvement and strengthening of Group management capabilities Capture growth drivers without fail, and realize "continuous profitable growth"
			GLP2020 (FY2018-2020) <ul style="list-style-type: none"> ■ Prosecute the policy "Continuous profitable growth" ■ Make our best to accomplish 2020VISION Capture growth drivers without fail, and realize "continuous profitable growth"
Outline of the Mid-Term Business Plan	FY2014 Consolidated revenue of ¥110.0 billion and operating profit of ¥19.0 billion Test and Measurement Business <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 PQA Business <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 		FY2017 Consolidated revenue of ¥120.0 billion and operating profit of ¥17.0 billion Test and Measurement Business <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 PQA Business <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
			FY2020 Consolidated revenue of ¥105.0 billion and operating profit of ¥14.5 billion Test and Measurement Business <ul style="list-style-type: none"> ■ 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 <ul style="list-style-type: none"> ■ 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
Looking Back	Test and Measurement Business <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 <ul style="list-style-type: none"> ■ PQA Business reaches a 40% overseas sales ratio by strengthening local manufacturing and sales support 		Test and Measurement Business <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 PQA Business <ul style="list-style-type: none"> ■ 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.
			Test and Measurement Business <ul style="list-style-type: none"> ■ And 2018, immediately after 3GPP established 5G standards, there was a sharp rise in demand for 5G chipset and smartphone development ■ In 2019, Intel's discontinuation of its 5G modems saw a slowing of the European market. However, development demand picked up in Asia when Chinese smartphone vendors overall shifted to developing smartphones in-house for the global market. ■ In 2020, the 5G development market lost steam once again due to the effects of COVID-19. The expansion of millimeter wave services in the U.S. was pushed back because of technical issues PQA Business <ul style="list-style-type: none"> ■ There has been a global trend towards investing in safety and security as well as improving productivity and reducing food waste, which are social issues (SDGs). However, such investing slowed in 2020 as certain customers grew more cautious about capital investment due to the effects of COVID-19.
Results & Challenges	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 <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 		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 <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 PQA Business <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
			Plan FY2018: revenue of ¥92.0 billion, operating profit of ¥6.6 billion, operating profit margin of 7% FY2020: revenue of ¥105.0 billion, operating profit of ¥14.5 billion, operating profit margin of 14% Result FY2018: revenue of ¥99.7 billion, operating profit of ¥11.2 billion, operating profit margin of 11% FY2020: revenue of ¥105.9 billion, operating profit of ¥19.7 billion, operating profit margin of 19% Challenges <ul style="list-style-type: none"> ■ Business expansion in the 5G utilization field and in network infrastructure ■ Concentration on 5G and withdrawal from the wholesale/retail business ■ Expansion of investment in growth areas PQA Business <ul style="list-style-type: none"> ■ Identification of changes in customer needs and provision of best solutions ■ Expansion of investment to acquire advanced technologies ■ Transformation into a global company ■ Entry into the pharmaceuticals market as a new business field

Management vision

Beyond testing, beyond limits, for a sustainable future together

Through further growth of four internal companies and Advanced Research Laboratory, we aim to become a ¥200 billion company achieving consistent profits by FY2030

GLP2023 (FY2021-2023)

- "3 years of growing towards 5G business peak" and "3 years of nurturing new business"
 - Make consistent earnings in the 5G measurement market
 - Increase growth investment and shareholder return as financial strategies
 - Focus on four priority areas: "EVs and battery measurement," "local 5G," "optical sensing," and "medical care and pharmaceuticals"

FY2023

Consolidated revenue of ¥140 billion, operating profit of ¥27 billion

Test and Measurement Business

Become a leading company supporting communications society built on 5G

- Increase the ratio of revenue from 5G utilization and network infrastructure markets
- Shift from simply providing products to providing solutions that give value
- Increase investment in growth areas (5G Advanced, self-driving vehicles, ORAN/IOWN)

PQA Business

Become our customers' most trusted, "First-to-Call" company for quality assurance with a view to achieving a sustainable future

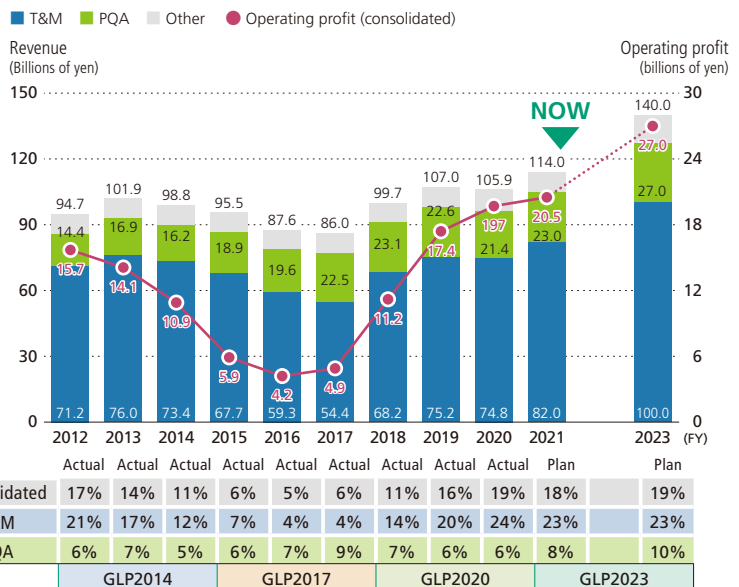
- Create solutions that eliminate our customers' key issues
- Accurately and promptly address local needs worldwide through localization
- Enhance X-ray inspection systems and expand investment for product development in the pharmaceuticals market

Planned Sales and Operating Profit

		GLP2023	
Indicator		FY2021	FY2023
Revenue		¥114,0billion	¥140,0billion
Operating profit		¥20,5billion	¥27,0billion
Operating margin		18%	19%
Profit		¥16,2billion	¥20,0billion
ROE		14%	15%
T&M Business	Revenue	¥82,0billion	¥100,0billion
	Operating profit	¥18,5billion	¥23,0billion
	Operating margin	23%	23%
PQA Business	Revenue	¥23,0billion	¥27,0billion
	Operating profit	¥1,8billion	¥2,7billion
	Operating margin	8%	10%

(Reference) Expected exchange rates for GLP2023: 1 USD=105 yen, 1 euro=125 yen

Changes in Sales and Operating Profit



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

Goals and Initiatives

	Goals and initiatives	GLP2023: KPI
E Environment	Long-term plans and initiatives to reduce greenhouse gas emissions	<ul style="list-style-type: none"> Greenhouse gases (Scope 1+2): 23% reduction compared to FY2015 Greenhouse gases (Scope 3): 13% reduction compared to FY2018 ...30% reduction by FY2030
	Increase in the share of in-house power generation (PGRE 30)	<ul style="list-style-type: none"> In house power generation ratio: 13% or more (compared to FY2018 power consumption) ... To be increased to around 30% by 2030
S Social	Promoting diversity management	<ul style="list-style-type: none"> Advancement of women: A proportion of women in managerial positions of 15% or more Advancement of the elderly: Employment until the age of 70 and the establishment of a new compensation package Promote employment of physically challenged people: Achieve the legally mandated employment rate of 2.3% through job development
	Promoting global CSR procurement	<ul style="list-style-type: none"> Strengthening of supply chain due diligence: A cumulative total of 10 or more companies, over 3 years Developing awareness on CSR procurement to suppliers at least twice per year, and provide training at least once each year
G Governance	Improving global governance	<ul style="list-style-type: none"> Promoting the diversity of the Board of Directors, outside director ratio 50% or more
	Promoting the establishment of an internal control system at overseas subsidiaries	<ul style="list-style-type: none"> All overseas subsidiaries meet the criteria of Control Self Assessment (CSA)

*PGRE stands for Private Generation of Renewable Energy, and "30" refers to the 2030 PGRE target of approximately 30%.