

# Dialogue with Outside Directors

Fiscal year 2022 marks the second year since we began our efforts to become a ¥200 billion company by fiscal year 2030. We took the opportunity to speak with two outside directors and asked them to share their opinions from an objective standpoint on what is needed to improve the effectiveness of Anritsu Group's governance. We also asked for their assessment of the progress of the Mid-Term Business Plan. (This interview took place in July 2022)

## What is your duty as an outsider director?

**Aoki:** Outside directors represent the common interests of shareholders and are required to hold an objective stance



independent of those who execute operations. I believe that one of the duties of an outside director is to bring a breath of fresh air in by looking objectively at Anritsu's position in comparison with other companies.

**Masamura:** I originally came from a radio technician background and consider myself an expert on telecommunications. Anritsu is a technology-oriented company, and issues related to technology such as intellectual property, know-how, and quality assurance are important. I consider it my role to be involved in the management of the Company by utilizing my knowledge, especially in terms of technology, since any inadequacy in terms of governance could be fatal.

## What is needed to achieve the Mid-Term Business Plan?

**Aoki:** Anritsu's management team formulated its Mid-Term Business Plan with profit in mind, which is also the answer to their investors' trust. I believe that this Plan can be achieved if they compare Anritsu with other companies and analyze the differences to determine their strategy for the future. On the other hand, the market environment in which they operate and the way their competitors do business may change, and they need to have tactical mobility. They must constantly review and reevaluate their tactics and brush up on their strategies. I believe it is the duty of an outside director to inspire these actions.

**Masamura:** In the words of the company vision, "beyond testing" I can feel Anritsu's strong will to pioneer new values and new areas of business. This phrase appears in various situations, and I feel that it has permeated the entire Company. In the Mid-Term Business Plan, it is important for everyone to individually draw concrete steps to realize this vision on their own. The goal for 2030 is to achieve ¥200

billion in revenue. Ten years is not that far from now. They need to develop concrete plans for each of their businesses to determine what each of them will do to help achieve this goal.

**Aoki:** To realize the concept of going "beyond testing", they need to think beyond the mainstay of their current business, which is "testing", and develop new businesses that go over and above that. They need to imagine new things to incorporate.

## The Board of Directors' Current Status and Challenges for the Future

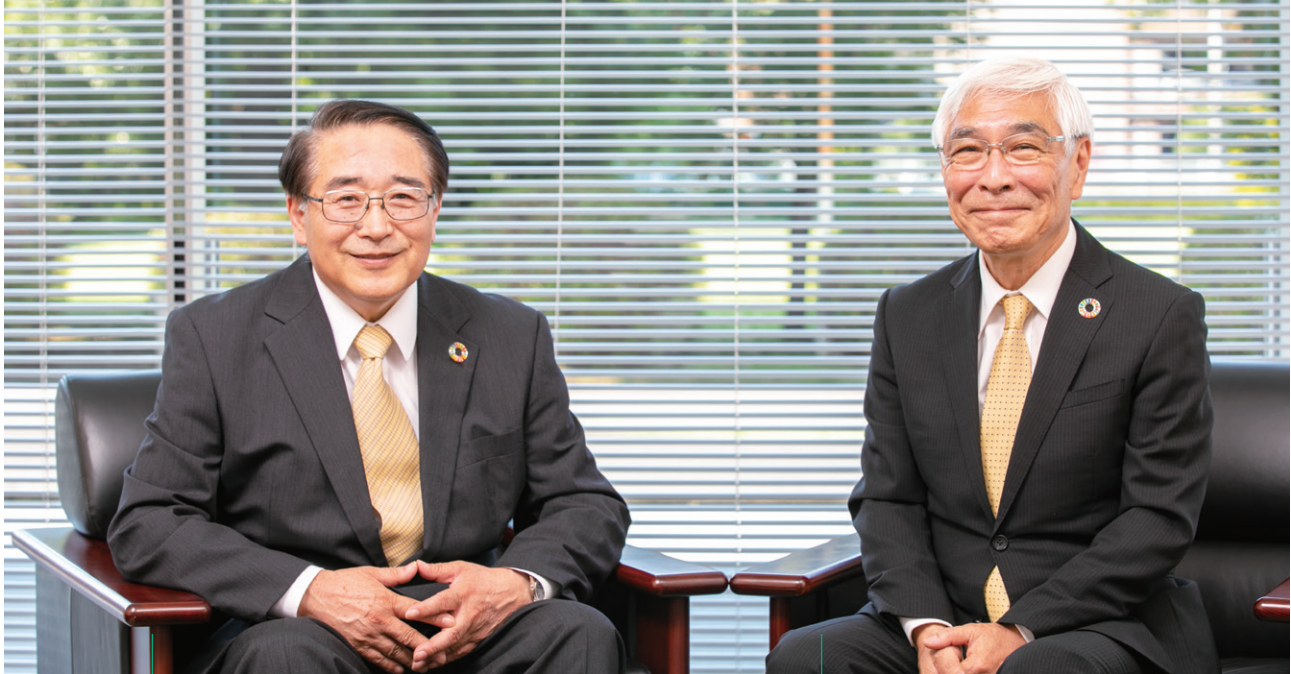
**Aoki:** I recognize that Anritsu's governance is functioning very well. The challenge is global governance. Generally, in global companies, the corporate department of the parent company oversees the financial and other departments that require group-wide governance, and Anritsu is moving in that direction, but still is not fully there. With the COVID-19 pandemic, overseas business trips and other activities are being restricted, and I feel that the challenge is figuring out how to maintain and upgrade governance of overseas subsidiaries and the supply chain.

**Masamura:** I have only been Anritsu's outside director for a year, but I believe that their governance is quite balanced. I agree that with overseas sales exceeding 70% of total sales, it is necessary to enhance the functions of the corporate department.

**Aoki:** The year before last, there was a discussion regarding the diversity of the Board of Directors and the need to have the perspectives of technical and legal experts. Last year, Mr. Masamura was appointed as an outside director on the technical side and Mr. Ueda on the legal side, and I was impressed by their speed in resolving issues.

—The challenge for the Board of Directors is to balance diversity with the right amount of people for a comfortable discussion. The inclusion of foreigners and women is a requirement, which is also something that current members need to take into account in their discussions and operations.

**Masamura:** Yes, absolutely. In terms of internal directors, they are human capital with many years of experience in each business, as head of their respective businesses, and there is no problem with the current balance of the Board of Directors. I feel that Anritsu's Board of Directors allows free and vigorous discussion.



Outside Director **Kazuyoshi Aoki**

Outside Director **Tatsuro Masamura**

**Aoki:** I think Anritsu's Board of Directors has a sufficient number of members to maintain a sense of distance that makes it easy for people to speak up. I believe that one of the roles of outside directors is to draw out what internal directors are reluctant to say and to create a forum for free speech.

I chair the Nominating Committee, and there is a lot of discussion there about the next generation. This year, several new people joined the executive board. We would like to make it a point to meet as many of the young people who will lead the next generation as possible.

**Masamura:** As for developing the next generation, I appreciate the opportunity to listen to the candidates' presentations and talk directly with them, which helps us outside directors understand the direction the Company is moving in. Looking at the candidates, I feel that Anritsu has been successful in cultivating human capital.

Working as the chairman of the Compensation Committee, I see that Anritsu's compensation system is designed to allow objective data to be evaluated in detail, and the calculation formulas are well disclosed. I was able to make comparisons with other companies and I found it to be highly transparent.

**Aoki:** We have been discussing compensation standards for a long time. In addition to financial aspects such as profit and revenue, from fiscal year 2021 we have incorporated indicators such as the degree of achievement of ESG/SDGs targets.

## Achieving Sustainable Growth

**Masamura:** Anritsu started out as a manufacturer of wired and wireless communication equipment, but has steadily responded to changes in the industry and the times by shifting to measuring instruments. In order to go "beyond testing" in the future, Anritsu needs to change its mindset to venture into new areas, and it must develop the environment

and human resources that will make this possible. It is also important to have a framework for cooperation that is not restricted by the boundaries of the four companies and the Advanced Technology Research Center. Furthermore, proactive M&As and alliances are necessary in creating new solutions.



**Aoki:** I believe that going forward, in order to go "beyond testing", Anritsu's sustainable growth will be achieved by innovating within the shortest possible time frame and developing superior products faster than their competitors. Also, keeping a close eye on where the Company stands, keeping an antenna extended to the outside world, and flexibly changing tactics and strategies will help achieve sustainable growth.

### **Kazuyoshi Aoki** Outside Director

He has served as an Executive Officer at Kao Soap Co., Ltd. (currently Kao Corporation), where he was in charge of the Accounting and Finance Division, and has been an Outside Director of the Company since 2019. He has professional knowledge and experience in finance and accounting, extensive experience in global business, and a track record of introducing advanced management methods such as global cash management and EVA.

### **Tatsuro Masamura** Outside Director

After working at Nippon Telegraph and Telephone Public Corp. (now named Nippon Telegraph and Telephone Corporation) and NTT DOCOMO, INC., he served as a director of Japan Radio Co., Ltd. in positions that included General Manager of R&D department, Quality assurance department and Chief R&D Officer. He became an Anritsu Outside Director in 2021. In addition to his specialized and wide-ranging knowledge of information and communications technology, he has extensive experience as a manager.