



Anritsu Integrated Report

2022

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Notes regarding use of forecasts and other forward-looking information

The business forecasts mentioned in this report are based on recent information and reasonable judgments made with available information. The reader should be aware that these projections are not promises, and actual results may be materially different from these projections due to known or unknown risks, changes related to uncertainties, and other factors.

Editorial Policy

Since fiscal year 2015, Anritsu Group has released Integrated Reports that provide comprehensive information about financial and non-financial factors. We do this to give stakeholders such as customers, shareholders, investors, suppliers, and employees a better understanding of our efforts to realize the safe, secure, and prosperous global community that Anritsu Group aspires. In this eighth report, entitled Anritsu Integrated Report 2022, we tried to make efforts to clearly communicate to these stakeholders about our company vision, which we renewed in April 2021, that looks to 2030, Anritsu's business itself, the Mid-Term Business Plan GLP2023, and our efforts concerning ESG, the foundation for value creation within Anritsu Group.

The IIRC*¹ and other international frameworks, as well as the GRI*² standards were used as references in the production of this report.

*1 IIRC: International Integrated Reporting Council merged with the IFRS Foundation's International Sustainability Standard Board (ISSB) in June 2022

*2 GRI: Global Reporting Initiative

Supporter of the UN Global Compact

In March 2006, Anritsu declared its support of the 10 principles of the UN Global Compact (UNGC), which are grouped into four categories: Human Rights, Labor, Environment, and Anti-Corruption. The Anritsu Group as a whole promotes these principles alongside its sustainability-related activities.



Communication Tools

Integrated Report

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



Sustainability Report

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



Securities Report/Quarterly Financial Report

These reports provide information on financial performance for the fiscal year at Anritsu on a quarterly and annual basis.

Business Report

The Business Report provides a basic summary of business activities, highlights, and other information for the fiscal year on an interim and full-year basis.

Financial Information

Financial information available on the WEB includes financial results, presentation materials, and presentation of Q&A summaries.

Information for the General Meeting of Shareholders

This information available on the WEB includes notices of the general meeting of shareholders, reports of resolutions adopted, and presentation materials for shareholders.

Communication tools are provided on Anritsu's website at Home > About Anritsu > Investor Relations > IR Library.

URL: <https://www.anritsu.com/ir>



Inclusion in Indices, External Evaluations



Corporate Philosophy

Anritsu renewed our company vision in April 2021 under our company philosophy, which we have continuously promoted with the same positive attitude since our establishment. Please look forward to the new Anritsu.



View Anritsu's brand introduction video here

Anritsu

Company Philosophy

Contribute to the development of a safe, secure, and prosperous global society by offering "Original & High Level" products and services with "Sincerity, Harmony, and Enthusiasm"

Company Vision

Beyond testing, beyond limits, for a sustainable future together

Company Policy

1. Growing day-by-day both as people and as a company based on self-development and sincere effort
2. Solving challenges through internal and external cooperative collaborations and harmonious relations
3. Making breakthroughs with enthusiastic and progressive spirit
4. Devoting the company and stakeholders to building a people- and planet-friendly sustainable future

Brand Statement

Advancing beyond

While renewing the company vision, we have also created our new brand statement of "Advancing beyond".

We will strive to perfect our core competence of "testing" and grow the pillars of our next businesses by seeking new value beyond conventional "testing" as well as new business fields, combining both internal and external ideas and technologies. This brand statement contains our strong desire for the company vision to exceed Anritsu's previous limits to create a sustainable and attractive future for the next generation, working together with all who are involved.

Sustainability Policy

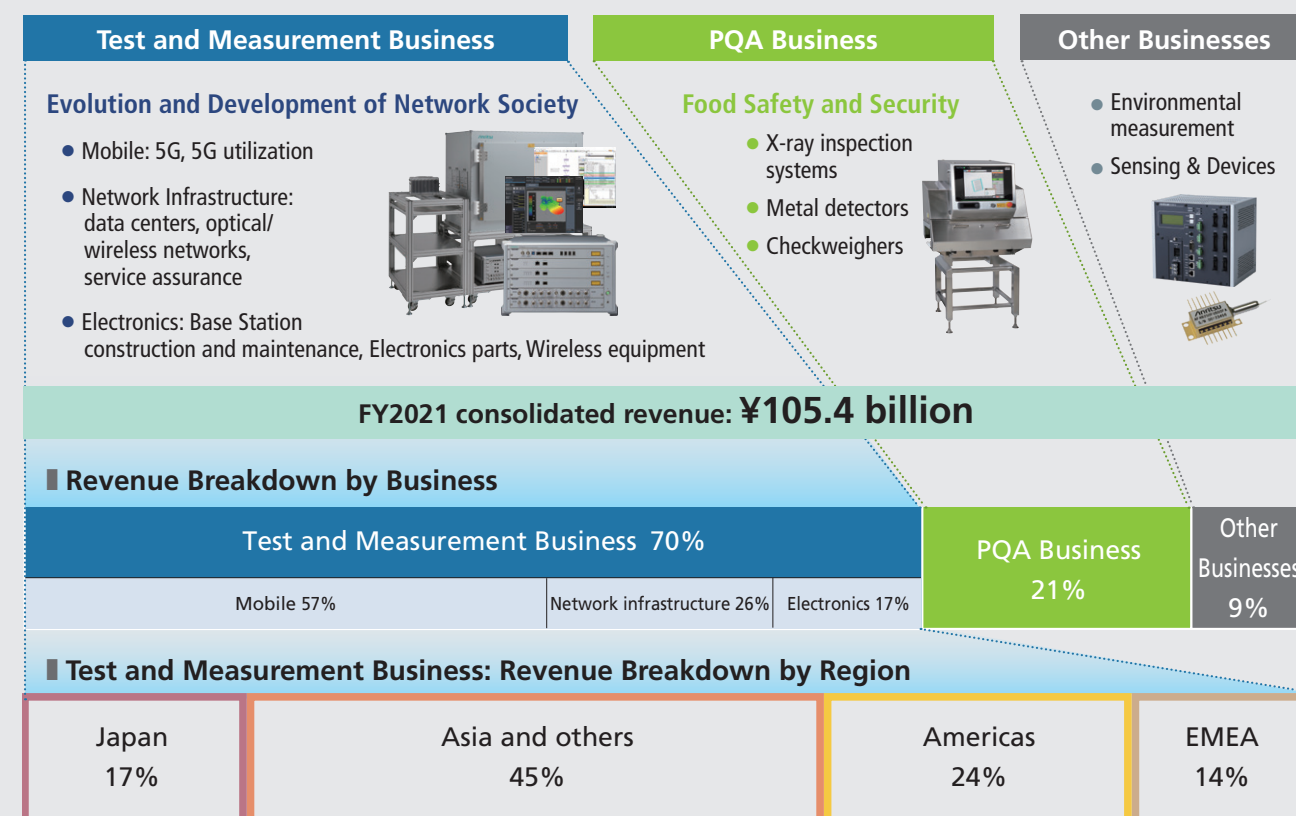
The Anritsu Group aims to increase our long-term corporate value through contributing to building a sustainable future of the global society with "Sincerity, Harmony, and Enthusiasm."

1. We will contribute to building a safe, secure, and prosperous global society through our business activities, based on our long-term vision.
2. We will take the initiative in solving environmental issues, such as climate change, to contribute to building a people- and planet- friendly future.
3. We will respect the human rights of all people and strive to create a workplace offering healthy lives and decent work for all where diverse individuals can grow together.
4. We will operate as a business with high corporate responsibility, peaceful, just, and ethics while maintaining business transparency to meet our social obligations.
5. We will promote communications with stakeholders to develop strong partnerships and meet the challenges of solving social issues.

Anritsu Now

On top of our accumulated advanced technologies and enterprising in-house development, Anritsu also

provides various social values globally in collaboration with our customers and partner companies.



PQA: Products Quality Assurance EMEA: Europe, Middle East, Africa

Main Customers

Test and Measurement Business

Mobile Market

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

Network Infrastructure Market

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

Electronics Market

- Electronic device/component manufacturers
- Communication equipment manufacturers
- Smartphone/tablet terminal manufacturers
- Electronic equipment manufacturers
- Automobile and vehicle-related equipment manufacturers
- Government offices
- University/research institutions

PQA Business

Food Market

- Food manufacturers (processed food, raw materials, meat and fisheries, agricultural products)

Pharmaceuticals Market

- Pharmaceutical/cosmetics manufacturers (tablets, capsules, liquids, and patches)

Other Businesses

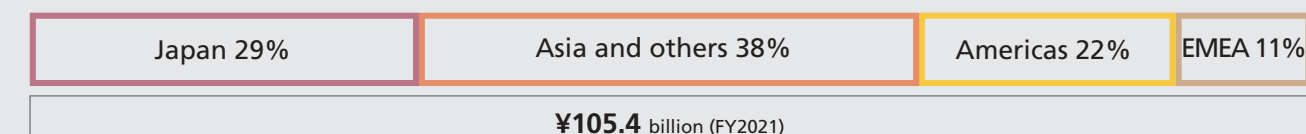
Environmental Measurement Market

- National and local governments
- Video distribution companies
- Electric vehicle and battery-related manufacturers

Device Business

- Electronic equipment manufacturers
- Communication equipment manufacturers
- Ophthalmic medical device manufacturers

Sales Ratio by Region (Consolidated)



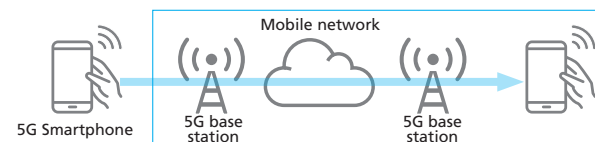
Value Provided by "Testing"

Test and Measurement Business

Providing Solutions for Smartphone Development

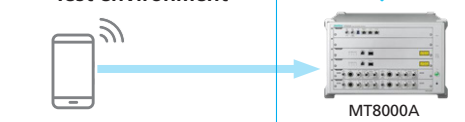
In order to comply with the latest 3GPP standards for smartphone development, Anritsu's instruments act as a base station emulator to provide an environment for debugging RF and communication protocol operations. Smartphone development engineers will be able to verify the operation of their own designs.

Real network



Emulation

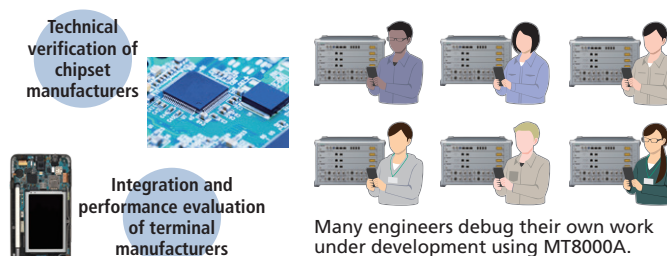
Test environment



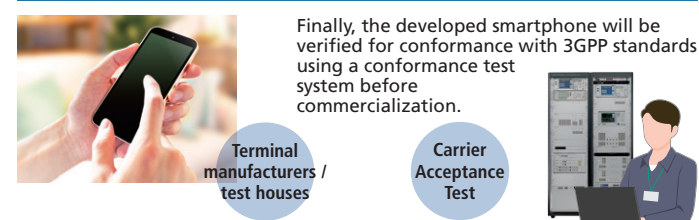
Act as a base station emulator and connect with a smartphone to test RF and protocol operations.

Smartphones under development cannot be connected to the base stations in real network. Anritsu's MT8000A emulates a base station and network, connecting to smartphones under development to help engineers debug.

Development of chipsets and commercial terminals



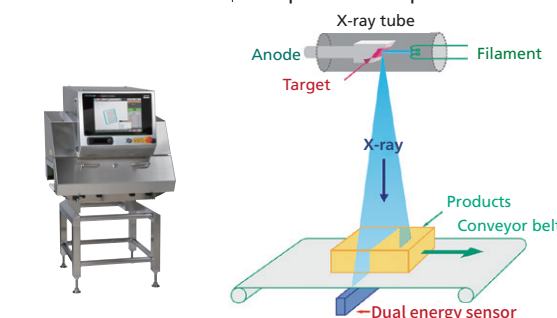
Development of commercial terminals



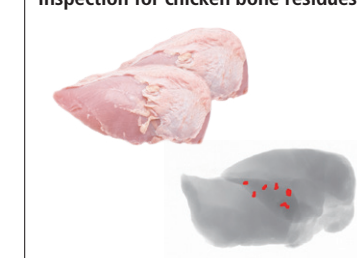
PQA Business

Providing Solutions for Food Safety and Security

With our X-ray inspection systems, it is possible to inspect the inner contents to detect not only foreign bodies, but also defective shapes and insufficient quantities of products in various food production lines. We provide unique solutions for more reliable and advanced quality control.



Inspection for chicken bone residues



Inspection for foreign bodies
Detects stones, plastics, bone residues, etc. in food and other products.



Missing item inspection
Inspection for missing items in the bento lunch box.



Check for perforation
Food packages are inspected to ensure that the contents have not pierced through the sealing area.

High-sensitivity detection achieved through advanced technology

Filtering technology

The combination of signal processing (filtering) applied to transparent images improves the ability to extract foreign body signals.

Image processing technology

Inappropriate parts can be more accurately identified thanks to advanced signal processing and image analysis algorithm technologies.

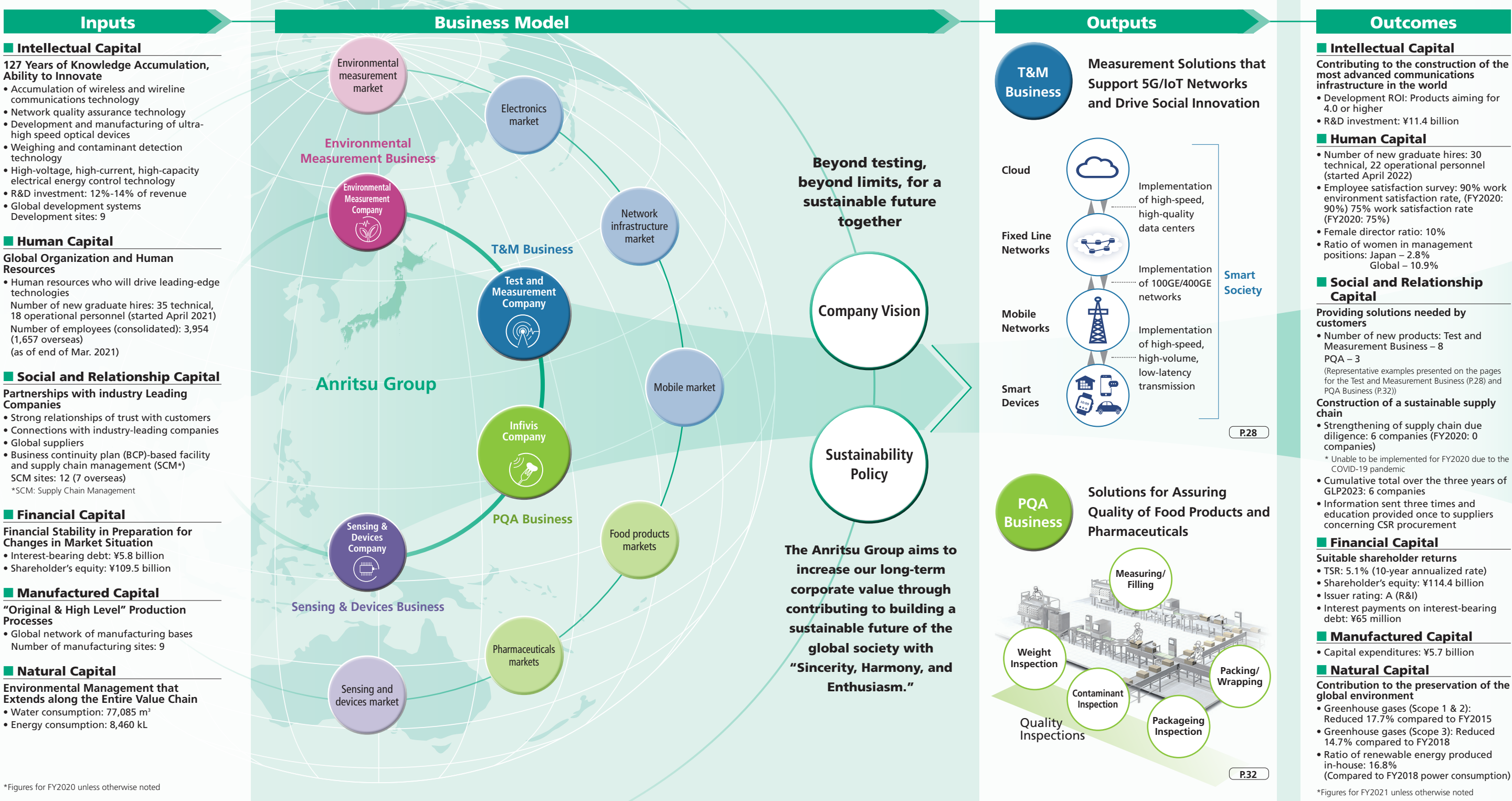
Anritsu Value Creation Model

Anritsu's tangible and intangible capitals are sources of its corporate value, as well as sources of Anritsu's unique corporate activities which contribute to the resolution of social issues.

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

reliability, adaptability, and innovativeness. Anritsu will utilize its capitals to the fullest extent in implementing

Solving Social Issues through Business	● T&M Business P.28	Put into place a safe and secure infrastructure which leads to the building of a sustainable society and encourages innovation 9	Put in place a robust network infrastructure that will provide safety and security in all areas and lead to building a sustainable society 11
	● PQA Business P.32	Put into place a safe and secure infrastructure which leads to the building of a sustainable society and encourages innovation 9	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 12



Business Model

Anritsu's business is based on the development of cutting-edge technologies, products, and services. We have continued to have a corporate structure that is quick to adopt changes in line with the times. Anritsu will continue to pioneer new areas of value and new fields of business that go beyond conventional "testing" in order to help build a sustainable future for the global community.

Test and Measurement Business



The current Test and Measurement Business consists of three market segments: The mobile market segment, which is primarily engaged in the development of mobile terminals for mobile communication systems, such as smartphones, and modem chipsets embedded in these terminals, as well as in the manufacturing of mobile terminals. The network infrastructure market segment, which is largely comprised of the optical and digital test instruments for the development and manufacture of optical devices used in the optical communication parts of servers, routers, and other communications equipment installed in data centers. And the electronics market segment, which we provide telecommunication components and general-purpose telecommunication test instruments for customers such as universities and research institutes.

In the mobile market segment, which accounts for about 60% of the Test and Measurement Business, the specifications of mobile communication systems have been updated frequently since the introduction of the 3rd generation

mobile communication system (3G), so we quickly switched from providing test instruments on a one-time fee sales to a recurring business model where test instruments are updated as needed via software. In particular, responding to the changes of the specifications of "communication protocols" which is the mechanism for providing various functions, we have been able to catch up and reflect them in the software update quickly and in timely manner.

This acquisition of protocol technology in 3G and the subsequent improvement of corresponding technology with the evolution to 4G and 5G has created a technological advantage for us in the 5G smartphone development market and is a barrier to entry for our competitors. Currently, we believe that the companies that can catch up with this mobile communication protocol in a short period of time is limited to about two; Keysight Technologies (U.S.) and Rohde & Schwarz (Germany).

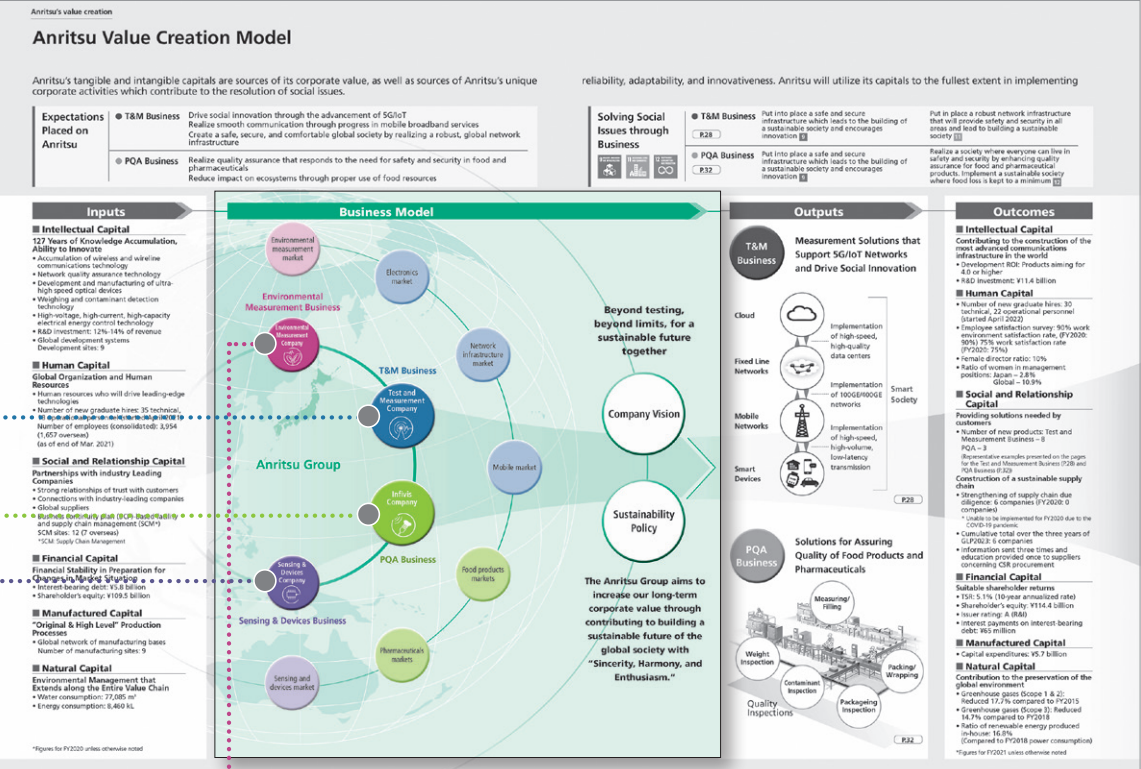
PQA Business



The current PQA business primarily targets two market segments: the food market and the pharmaceuticals market. We offer three types of products to both of these markets which share the same fundamental measurement technology: Weighing machines that use technology to measure the mass of objects moving at high speed, metal detectors that use technology to detect metals from magnetic field fluctuations, and X-ray inspection machines that use transmitted X-rays to visualize internal structures. By combining these with signal processing and noise reduction technologies which we have accumulated over our long history, and the latest AI technology, we have realized a provision of more accurate sensors and image analysis. By detecting minute metallic foreign objects and non-metallic substances such as bones in meat, we have helped improve the quality of food and pharmaceutical products for our customers.

In addition, recently, our equipment has been helping our customers by compensating for labor shortages by substituting the inspection work traditionally performed by human eyes such as detection of missing product or seal defects.

There are many competitors who handle the same type of inspection equipment both in Japan and outside Japan, but the majority of the Japan market is shared among two Japanese companies Anritsu and Ishia. In the markets outside Japan, METTLER TOLEDO (Switzerland), Ishida, and Anritsu are competing for market share. There are many competitors who handle the same type of inspection equipment both in Japan and outside Japan, but the majority of the Japan market is shared among two Japanese companies Anritsu and Ishia. In the markets outside Japan, METTLER TOLEDO (Switzerland), Ishida, and Anritsu are competing for market share.



Environmental Measurement Business



The Environmental Measurement Business, launched in fiscal year 2020 as a new business foundation with the goal of helping Anritsu to become a ¥200 billion company by fiscal year 2030, provides solutions to support remote monitoring of social infrastructure such as roads, rivers, and dams using image information processing technology and advanced communication technology we have accumulated over the years. We also provide support for local 5G deployments, which are telecommunications infrastructures that use the latest 5G technology and enable the construction of telecommu-

nications networks that are independent of telecommunications operators.

In addition, the electric vehicle and battery measurement market is expected to grow in the future among the wide range of environmental measurement markets. Therefore, to accelerate expansion into this market, in January 2022, we have made Takasago, Ltd., a consolidated subsidiary which has one of the most accurate, highly stable, and efficient power supply technologies, battery evaluation technologies, and power regeneration technologies in Japan.

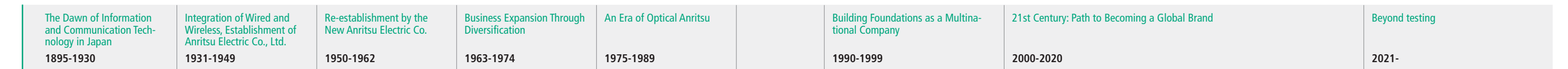
Sensing & Devices Business



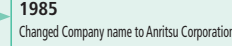
In fiscal year 2020, we changed the name of this business segment to Sensing & Devices. Its main business is to provide key devices, the base of Anritsu's core-competence, for its own test instruments. In recent years, we have applied our semiconductor technology to manufacture semiconductor lasers and optical amplifiers for optical communications for sales outside Anritsu group.

Toward achieving the goal for Anritsu to become a ¥200 billion company by 2030, we will enhance our solutions for the sensing market by utilizing our crystal growth technology for semiconductor lasers, which we have accumulated over the years, and our high-coherence wavelength sweeping technology and highly reliable SLD (Super Luminescent Diode) light source.

The Anritsu Group has long refined its know-how and agile adaptability to customer needs, and has earned the trust of its customers as a result. The following is Anritsu's history of value creation.



2018
Developed the world's first tester for verification of 3GPP-compliant 5G chipsets.



- Obtained high-capacity electrical energy control technology

Recognition of Environmental Changes, Risks and Opportunities

Recognition of Environmental Changes

Societal Changes

- Response to natural disasters and the spread of infectious diseases
- Changes in diversity, values, heightened awareness of human rights
- Further advancement of globalization
- Increase in global population, aging populations and increase in single-person households in developed countries (rapid change in economic paradigm)
- Curbing global warming and resolution of energy issues

Industry Environment

- Change in lifestyles due to the global COVID-19 pandemic (stay-at-home economy, change in the scenarios wherein telecommunications are used)
- Increased sophistication and diversification of customer needs
- Decline in the productive population, progress in labor saving

- Development of data utilization and technological evolution, creation of business models using digital technology
- Structural changes in industry such as new companies entering
- Changes in laws and regulations in various countries and regions
- Response to supply-chain fragmentation

Anritsu's Corporate Environment

- Establishment of FY2030 goals and a new Company Vision
- Requests for greater transparency in governance
- Response to diversity of human resources
- Promotion of reforms in work styles
- Necessity of securing and training essential human resources
- Streamlining of operational processes

Anritsu's Perspective

Risks and Opportunities

Customer and Business Environment

Risks Market environment deterioration due to restrained customer investment or changes in investment strategy (fear of slowdown in 5G commercialization, performance fluctuations due to customer capital expenditure cycles)

Opportunities Advancement into new business opportunities [1]

Quality

Risks Damage to our brand image and incurring compensation costs from unexpected safety-related problems with products

Opportunities Foster customer loyalty and achieve customer satisfaction through the provision of high-quality measurement solutions [2]

Competition

Risks Rapid changes of market environment, such as the emergence of new technologies, products, and services; and intensifying competition due to market entrance of new players

Opportunities Acquisition of opportunities for growth and creation of demand through new technologies and products [3]

Human Resources

Risks Loss of, or difficulty in acquiring human resources who possess the diversity and capabilities needed for the Anritsu Group's sustainable growth

Opportunities Innovation achieved through the acquisition of diverse human resources thanks to employee skill improvement and reevaluations of working styles [4]

Legal Regulations

Risks 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

Opportunities Expand geographical business penetration by supporting requirements of Radio Acts of different countries. (Test and Measurement Business) [5]
Provision of products and services that support customers fulfilling food quality-related laws and regulations such as HACCP* requirements. (PQA Business) [5]

Environment

Risks Tightening of regulations for use/emission of greenhouse gases and standards for energy-saving due to the exacerbation of global environmental problems

Opportunities Entry into environmental business (Environmental Test and Measurement Business) [6]
• Dam and river monitoring
• Energy-related business (electric vehicles, evaluation of battery safety, etc.)

Procurement

Risks Deterioration in business conditions of suppliers, tight supply of raw materials and parts due to natural disasters, accidents, and other factors, as well as procurement price hikes

Opportunities Enhanced competitiveness and increased profits from procurement of new materials or components [7]
• Supply chain (decentralized procurement)

M&A

Risks Financial risks due to the payment of improper premiums

Risks Deteriorating market environment following alliances, collaborations, or M&As

Risks Insufficient of due diligence, post-merger integration failure

Opportunities Expansion of business fields and accelerated structural transformation through the acquisition of new business resources (M&As, etc.) [8]
• Electric vehicles and battery testing

Materiality



Establishment of a robust business foundation

- Appropriate financial management
- Optimization of business portfolio by pioneering new domains [1] [3] [6] [8]



Building and maintaining strong relationships of trust with customers and partners

- Sincere attitude towards testing [2]
- Accurately identifying customer needs [2]
- Dealing directly with global customers [2]
- Provision of solutions suitable for the latest technologies [2] [3] [5]



Acquisition and utilization of leading edge technologies

- Utilization of new domains which contribute to the optimization of our business portfolio [1] [3] [6] [8]
- Development of services which can resolve social issues [3] [5] [6] [8]
- Next-generation technologies (6G, NEMS, etc.) [3] [8]



Diverse human resources

- New ideas, innovation generation [4]
- Diverse acquisition of outstanding capabilities in human resources [4]
- Utilization of human resources regardless of race, gender, age, etc. [4]



Creation of a global organization

- Management system utilizing global human resources [4]



Development of environmentally friendly solutions

- Environmentally friendly products and services [6]
- Launch environmental businesses [1] [6] [8]










Sustainability-conscious production system

- Production sites utilizing new technologies [3]
- Sophistication in the supply chain [7]

* HACCP: Hazard Analysis and Critical Control Point Food hygiene control methods mandated since June 2020

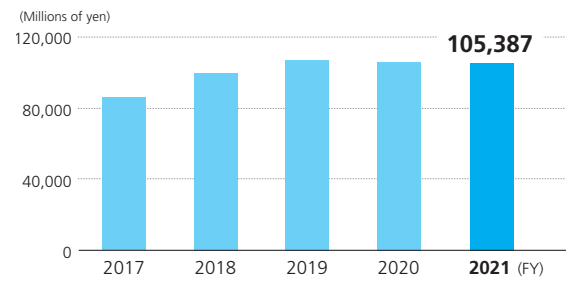
Materiality

				Refer to P.14-15 regarding the blue text			
Materiality	Response	Capital and Stakeholders	Stakeholder needs	Targets for Materiality	Achievements in FY2021	Initiatives for FY2022	KPI
<div></div> <div>Establishment of a robust business foundation<ul style="list-style-type: none">• Appropriate financial management• Optimization of business portfolio by pioneering new domains</div>	<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	<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 increases	<ul style="list-style-type: none">• Improve profitability and efficiency• Focus cash on strategic investments to achieve growth• Launch new businesses for four companies and Advanced Research Laboratory	<ul style="list-style-type: none">• M&A of Takasago, Ltd. (P.36)• Execute 5 billion-yen share buyback (P.22-P.25)• Free cash flow: 7.3 billion yen (P.22-P.25)	<ul style="list-style-type: none">• Continue financial strategy• Investment in growth areas: includes M&A <div>P.22-P.25</div>	<ul style="list-style-type: none">• Rating (Rating and Investment Information, Inc.) (P.61)• Sales growth rate• Operating profit ratio• ROE• TSR (P.25)
<div></div> <div>Building and maintaining strong relationships of trust with customers and partners<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</div>	<ul style="list-style-type: none">• Strengthen alliances with other companies• Develop solutions that respond to the customer needs• Build and strengthen 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	<ul style="list-style-type: none">• Capital: intellectual, human, social and relationship• 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">• Strengthen partnerships with leading industry players• Participate in industry associations	<ul style="list-style-type: none">• Collaborate with Qualcomm, Inc.• Collaborate with Samsung• Collaborate with Toyota• Collaborate with dSPACE GmbH (a partner)• Collaborate with Spirent Communications plc (a partner)• Collaborate with NEC Networks & System Integration Corporation• Establish AK Radio Design, a joint venture with Kozo Keikaku Engineering, Inc.• Participate in industry associations (3GPP, ORAN) (P.18, P.31)	<ul style="list-style-type: none">• Continue existing collaborations, start collaborating with new companies• Participate in 3GPP and collaborate in setting standards <div>P.18</div>	<ul style="list-style-type: none">• Number of alliances and collaborations announced• Number of support sites• Number of support inquiries handled• Participation and contribution to the organization
<div></div> <div>Acquisition and utilization of leading edge technologies<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.)</div>	<ul style="list-style-type: none">• Established the Advanced Research Laboratory• Utilize open innovation• Promote M&As and alliances for technology acquisition• Acquire the latest technology by organizational activities• Produce key devices in-house• Secure and maintain human resources capable of catching up with leading edge technologies	<ul style="list-style-type: none">• Capital: intellectual, human• Stakeholders: employees and partners	<ul style="list-style-type: none">• Initiatives for leading-edge technologies• Innovation through collaboration with third parties	<ul style="list-style-type: none">• Acquire new technologies at Advanced Research Laboratory• Acquire technologies through open innovation and M&A• Acquire the latest technologies through organizational activities	<ul style="list-style-type: none">• Acquire specialists for graphene research• Acquire graphene microfabrication technology (P.26-P.27)• M&A of Takasago, Ltd. (P.36)• Realize protocol conformance testing for 5G Release 16• Open 5G Lab within one of our offices (P.18)• Release new products: 9 models (P.5)	<ul style="list-style-type: none">• Research on advanced technologies at Advanced Research Laboratory• Promote open innovation and M&A• Promote technology acquisition planned for use in 5G/6G• Develop and release new products <div>P.26-P.37</div>	<ul style="list-style-type: none">• Number of new products• R&D investment• Number of patents <div>P.5 P.56</div>
<div></div> <div>Diverse human resources<ul style="list-style-type: none">• New ideas, innovation generation• Wide acquisition of outstanding capabilities in human resources• Utilization of human resources regardless of race, gender, age, etc.</div>	<ul style="list-style-type: none">• Implement global (e.g., Philippines) recruitment• Establish a working environment that responds to the diversity of values• Establish an education and training system which supports employees' autonomous growth• Create a comfortable work environment where employees can demonstrate their abilities	<ul style="list-style-type: none">• Capital: intellectual, human• Stakeholders: employees and partners	<ul style="list-style-type: none">• Comfortable work environment• Skill improvement	<ul style="list-style-type: none">• Conduct recruitment without discrimination based on race, gender, or age• Create a work environment where each individual can fulfill his or her potential• Create an education and training system that enables employees to acquire outstanding capabilities	<ul style="list-style-type: none">• Continue to hire engineers in the Philippines (global hiring of human resources/localization)• Enhance remote network and promote remote working (P.40)• Extend employment to age 70 and establishment of new working system (P.41)• Promote mid-career hiring: 38 hires• Establish special subsidiary (Hapi Suma Co., Ltd.) (P.19)	<ul style="list-style-type: none">• Promote of global recruitment• Create a work environment suited to post-COVID 19 needs• Establish an education and training system which supports employees' autonomous growth <div>P.40-P.41</div>	<ul style="list-style-type: none">• Number of employees by region, ratio of female employees, ratio of female managers (P.58)• Employment rate of people with disabilities, ratio of engineers (of new graduate hires) (P.21)• Paid leave utilization ratio, Employee turnover rate• Employee satisfaction• Training hours per trainee, Number of trainees, Total training cost (training hours) (P.58)• Kurumin mark accreditation grade, good standing company certification, etc. (Contents, P.40)
<div></div> <div>Creation of a global organization<ul style="list-style-type: none">• Management system utilizing global human resources</div>	<ul style="list-style-type: none">• Establish an organization and human resource system in which diverse human resources can play an active role• Establish a global R&D system• Enhance internal controls at overseas subsidiaries	<ul style="list-style-type: none">• Capital: intellectual, human• Stakeholders: employees and partners	<ul style="list-style-type: none">• Global work environment	<ul style="list-style-type: none">• Establish management structures for overseas subsidiaries• Establish overseas organizations and structures optimal for business• Establish overseas organizations and structures optimal for research and development	<ul style="list-style-type: none">• Transfer EMEA headquarters functions to Austria (from the U.K. to Austria)• Establish PQA assembly factory in North America	<ul style="list-style-type: none">• Optimize management structure of overseas subsidiaries	<ul style="list-style-type: none">• Internal control of overseas subsidiaries (P.21)• Global human resource system (hiring / training)• Number of global R&D sites (P.61)
<div></div> <div>Development of environmentally friendly solutions<ul style="list-style-type: none">• Environmentally friendly products and services• Launch environmental businesses</div>	<ul style="list-style-type: none">• Develop solutions in support of requirements for reduction of greenhouse gases (development of solutions that consume less power)• Use of parts with low environmental burden	<ul style="list-style-type: none">• Capital: human, social and relationship• Stakeholders: customers, employees, suppliers	<ul style="list-style-type: none">• Provide on-time solution• Reduce CO₂ emissions	<ul style="list-style-type: none">• Develop solutions that consume less power• Use parts with low environmental burden	<ul style="list-style-type: none">• Release new environmentally friendly products: 53 models (cumulative)• M&A of new environmental business Takasago, Ltd. (P.36)	<ul style="list-style-type: none">• Release new environmentally friendly products• Develop and release products for new environmental business <div>P.36, P.42-P.43</div>	<ul style="list-style-type: none">• Reduce greenhouse gas emissions (Scope 3) (P.21)• Number of new environmentally friendly products (P.58)• Environmental business sales growth rate
<div></div> <div>Sustainability-conscious production system<ul style="list-style-type: none">• Production sites utilizing new technologies• Sophistication of the supply chain</div>	<ul style="list-style-type: none">• Corporate facilities aimed at reducing greenhouse gas emissions• Safety-conscious production sites• Promote global sustainability CSR procurement	<ul style="list-style-type: none">• Capital: financial, human, manufactured• 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">• Create corporate facilities aimed at reducing GHG emissions• Create safety-conscious production sites• Strengthen supply chain due diligence	<ul style="list-style-type: none">• Start operation of solar power generation facility at U.S. office: 1,100 kW of electricity generated (P.43)• Number of due diligence processes performed: 6 (P.39)	<ul style="list-style-type: none">• Start installation of solar power generation facilities at offices in Japan• Review supply chain to address parts shortages• Continue supply chain due diligence <div>P.38-P.39, P.42-P.43</div>	<ul style="list-style-type: none">• Reduce greenhouse gas emissions (Scope 1, 2, 3) (P.21(Scope 3))• Solar power generation/consumption, in-house power generation ratio• Capital expenditures (P.56)• Number of accidents at work (P.58)• Robot/AI-enabled production sites (Supply Chain)• Number of due diligence companies in the supply chain (P.39)

* Four new areas: local 5G, electric vehicles & batteries, medical/pharmaceutical products, optical sensing

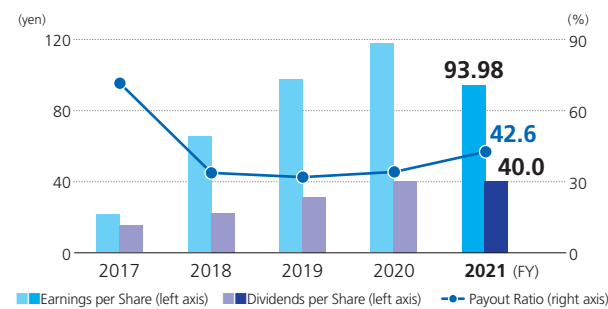
Financial and Non-Financial Highlights

Revenue



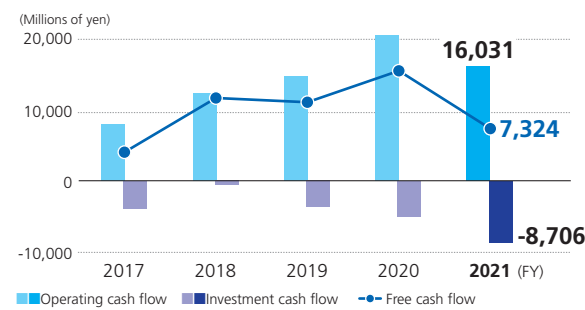
Net sales amounted to ¥105,387 million, down 0.5% year on year. In the Test and Measurement Business, the demand for 5G chipset and mobile terminal development remained steady. Especially in the Asian region, development demand associated with 5G commercialization grew, driving the 5G business. We also captured demand related to development and production in anticipation of high-speed network transmission in data centers, etc. However, due to the global shortage of semiconductors and delays in the C-band commercialization schedule in the U.S., we saw a decrease in sales. In the PQA Business, in regions such as Asia and the United States capital investment in the food market remained steady and sales increased.

Earnings per Share/Dividends per Share & Payout Ratio



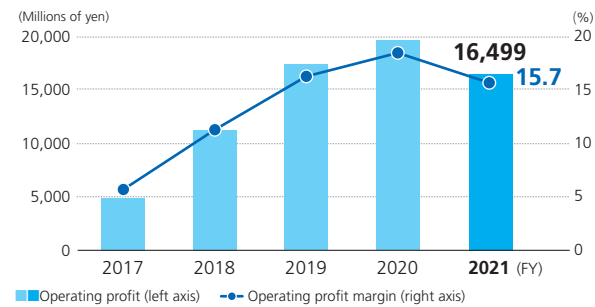
Earnings per share for fiscal year 2021 were ¥93.98 (down ¥23.2 year on year), and the annual dividend was ¥40 (same as previous fiscal year), for a payout ratio of 42.6%. While taking the basic approach of raising DOE (dividends on equity attributable to owners of parent) in accordance with the increase in consolidated profits for the fiscal year, the Company aims at a consolidated dividend payout ratio of 30% or more. The Company's basic policy is to make distributions of dividends twice a year, consisting of a fiscal year-end dividend and an interim dividend. The Company intends to carry out the purchase of treasury stock appropriately as necessary, by taking into account its financial situation, the trends in stock prices and other factors, in an effort to execute capital policies that respond flexibly to changes in the corporate environment.

Cash Flow



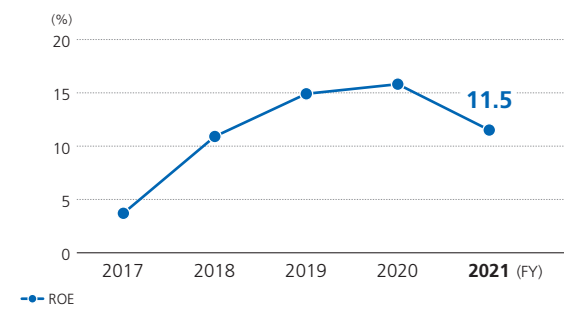
Operating cash flow in fiscal year 2021 was positive ¥16,031 million as a result of an increase in funds due to reporting profit before taxes, and depreciation and amortization. Investment cash flow was ¥8,706 million, mainly due to the acquisition of Takasago, Ltd. on January 4, 2022. As a result, free cash flow was positive ¥7,324 million.

Operating Profit/Operating Profit Margin



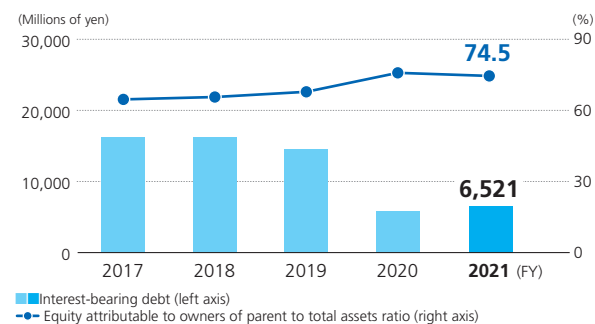
Operating profit decreased 16.0% year on year to ¥16,499 million (operating profit margin 15.7%). In the Test and Measurement Business, operating profit decreased 14.2% to ¥15,202 million (operating profit margin 20.7%) due to increased parts procurement costs caused by shortage of semiconductors, increased selling, general and administrative expenses (related to exhibitions and travel) and a loss on disposal of non-current assets. In the PQA Business, operating profit decreased 12.5% to ¥1,173 million (operating profit margin 5.3%) due to increased parts procurement costs caused by shortage of semiconductors, increased logistics costs, and differences in product mix.

Return on Equity (ROE)



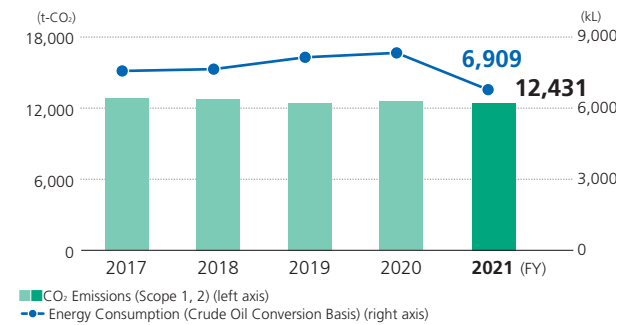
ROE for fiscal year 2021 was 11.5% (down 4.3%) due to a ¥3,301 million decrease in net income year on year. In order to maximize Anritsu's corporate value over the medium- to long-term, we will work to improve the efficiency of invested capital and maintain financial stability by considering "ROE (Return On Equity)" and "Equity attributable to owners of parent to total assets ratio (Ratio of equity capital)" as KPIs.

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



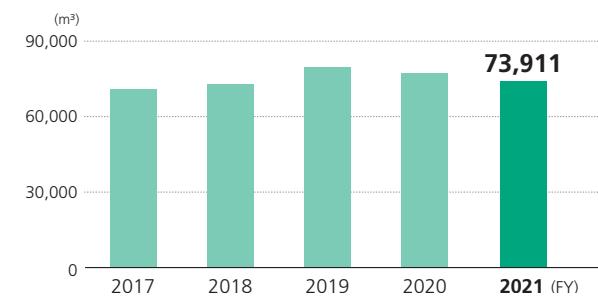
Interest-bearing debt totaled ¥6,521 million (up ¥673 million year on year) due to an increase in lease liabilities. While retained earnings increased, the equity attributable to owners of parent to total assets ratio was 74.5% (down 1.3% year on year).

CO₂ Emissions (Scope 1, 2) / Energy Consumption (Crude Oil Conversion Basis) (Anritsu Group)



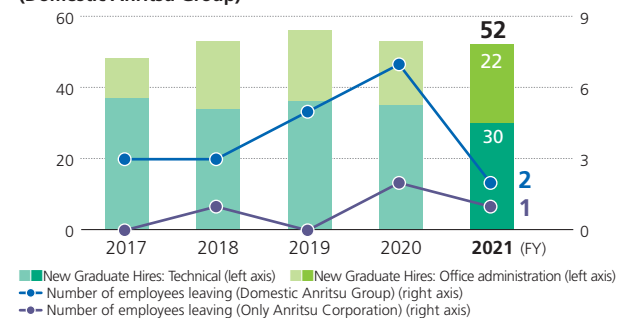
More than 98% of the Anritsu Group's CO₂ emissions (Scopes 1, 2) resulted from energy consumption. In fiscal year 2021, CO₂ emissions (Scope 1, 2) decreased by 1.0% year on year to 12,431 t-CO₂ as a result of the 1,100-kW solar energy equipment installed at Anritsu Company (in the U.S.). Moreover, in fiscal year 2021 total energy consumption of the Anritsu Group overall (crude oil conversion basis) decreased by 18.3% year on year to 6,909kL.

Water Usage (Anritsu Group)



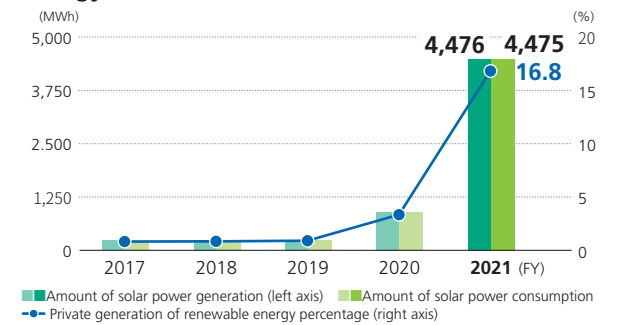
The Anritsu Group's water usage in fiscal year 2021 dropped 4.1% year on year as employees worldwide worked from home. In addition, the target for reducing water consumption in fiscal year 2021 was to "maintain the domestic Anritsu Group water consumption at 62,000 m³ or less (roughly the fiscal year 2019 level)." Anritsu Group water consumption in Japan in fiscal year 2021 was 53,784 m³, a 2.9% reduction year on year, fulfilling this target.

New Graduate Hires / Number of Employees Leaving in or before Their Third Year (Domestic Anritsu Group)



A total of 52 new graduate hires (30 technical and 22 office administration) joined the Domestic Anritsu Group in fiscal year 2021 (with employment starting in April 2022). The percentage of technical personnel was 58%, down from 66% the previous year. The number of employees in or before their third year leaving Anritsu Corporation is usually 0 to 2. However, there was an increase in the number of employees leaving the Anritsu Group companies from fiscal year 2018 to fiscal year 2020. As of fiscal year 2020, the Domestic Anritsu Group has implemented a unified recruitment policy. We will enhance our training programs and improve the retention rate of newly hired graduates.

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

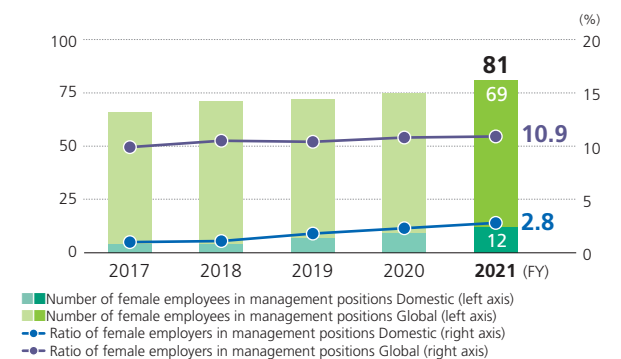


1,100 kW of solar power generation equipment was installed at Anritsu Company (U.S.A.) in October 2020. As a result, solar power generation in fiscal year 2021 increased by 402% from the previous year to 4,476 MWh. The private generation of renewable energy ratio increased by 13.5% from 3.3% in the previous year to 16.8%, exceeding the GLP2023 target of 13% or more.

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

Private generation of renewable energy ratio = solar power consumption/electrical power consumption in fiscal year 2018

Number of Female Managers / Percentage of Female Managers (Domestic/Global)



The Anritsu Group aims to achieve a global female manager ratio of 15% or more by fiscal year 2023 as a KPI for diversity promotion in its Mid-Term Business Plan GLP2023. The number of female managers in Japan, which is a challenge, increased each year for three years to 2.8% in fiscal year 2021, and by 10.9% globally. At Anritsu, we set the goal of raising the percentage of women hired in Japan to 20% (or more) of new graduate hires. Our public relations activities focused on female students and have resulted in the female percentage among new recruits reaching 30%, with 12 of the 40 new graduates joining Anritsu in April 2022 being women.

Employee Satisfaction Survey (Domestic Anritsu Group)



The Domestic Anritsu Group conducts an employee satisfaction survey with all employees every year, and has maintained a high response rate (over 90%). Satisfaction with the workplace remains high at over 85%, as well as satisfaction at work with 70%. On the other hand, satisfaction with the education system fell to less than 40% in fiscal year 2017, when it was changed to a voluntary system. Subsequently, the satisfaction rate exceeded 50% and gradually improved to 53.9% in fiscal year 2021.

Group CEO Message

“Beyond testing, beyond limits for a sustainable future together.” Aiming to be a ¥200.0 billion company by FY2030

Anritsu depends on its Test and Measurement Business for 70% of its sales and is greatly affected by the volatility of this market. For example, the transition of smartphone technology from 3G to 4G, and again from 4G to 5G, has fluctuated our business performance. As a result, Anritsu has remained in a growth dilemma for the past decades, with sales repeatedly rising and falling, and a headline figure in the vicinity of 100 billion yen. This situation is not favorable to Anritsu’s customers, employees, or other stakeholders. It has been a long-held desire of Anritsu to surpass its previous limitations and become a company that generates stable earnings. In order to achieve new growth, we have set a goal to become a ¥200 billion company in fiscal year 2030. This effort embodies our Company vision, “Beyond testing, beyond limits for a sustainable future together,” which was renewed in April 2021. GLP2023 is the first three-year plan toward that vision.

In the final year of GLP2023, we are targeting sales of ¥140 billion. Thus, in order to become a ¥200 billion company in 2030, we must increase sales by ¥60 billion over the remaining seven years. In the Test and Measurement Business, we expect to see demand for 6G, the next communication system after 5G, in 2030. In the PQA business, we expect demand to grow in the medical and pharmaceutical fields. However, we believe it will be difficult to become a ¥200 billion company only through in-house growth. This is the reason for our new Company vision. We are determined to establish new growth drivers that are not bound by conventional concepts but leverage Anritsu Group’s competency in “testing”, and we will strive to become a ¥200 billion company in fiscal year 2030.

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

The enterprise
with stable revenue
and profit through growth
of 4 internal companies and
Advanced Research Labs

Revenue: **¥200 billion**
Operating margin: **20%**

Delivering Safety and Security in an Era of Chaos and Uncertainty, through Testing

We are now in a chaotic era of unpredictable events such as outbreaks of COVID-19, the Russia-Ukraine crisis, heightened geopolitical risks, and the global shortage of semiconductors.

Under such unsettled circumstances, Anritsu’s competency for “testing” will become increasingly vital. In the era of uncertainty, it is communications technology that delivers “safety and security.” For example, in remote work, advanced technologies such as 5G make connections between remote employees stronger and faster. They make connections between the elderly and their families living long-distances away stronger and more reliable. Advances in communications technology make the bond between people in distance stronger, and create communication experiences as if they were meeting face-to-face. Anritsu’s “testing” technology is making significant contributions to these advances.

Hirokazu Hamada

Representative Director, President
of Anritsu Group CEO



GLP
2023

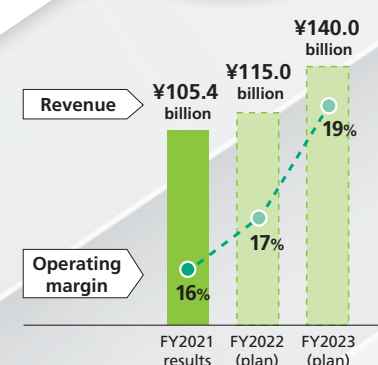
3 years of growing
towards 5G business peak

3 years of nurturing new
business

2020
VISION

Sustainable
growth with profit

10 years of establishing
financial strength



Group CEO Message



In the event of a disaster or a pandemic, a stable supply of food and medical supplies becomes crucial. Anritsu’s “testing” technology detects whether or not foreign substances are mixed in food, preventing large amounts of food loss. Also, by “testing” whether the amount of medicine in a capsule is the prescribed amount, Anritsu’s “testing” technology delivers safety and reliability of medicines to people.

In these chaotic and uncertain times, Anritsu’s role is becoming even more important.

We will continue to deliver safety and security through “testing”, and move toward a sustainable future together.

Overcoming an Unprecedented Crisis

Anritsu has a social role to play in supporting communications infrastructure and the safe supply of food and pharmaceuticals. We must be able to sustainably supply products and services in the face of earthquakes, floods, infectious diseases, and even a global shortage of semiconductors. To ensure this role, we will continue to overcome unprecedented crises by ensuring stable business continuity through the construction of new disaster-resistant factories, an IT environment that allows 80% of our employees to work remotely, and the mobility that enabled replacement of 300 parts for 20 models with alternative parts in response to the recent difficulty of parts procurement.

In the first year of GLP2023, consolidated revenue of ¥105.4 billion and consolidated operating profit of ¥16.5 billion fell far short of their ¥114.0 billion and ¥20.5 billion targets, respectively, due to the global semiconductor shortage and the COVID-19 lockdown in Shanghai.

Nevertheless, the situation in overseas markets remains favorable for both the Test and Measurement and the PQA businesses, with consolidated orders received totaling ¥110.7 billion which is 3% higher than last year. Going forward, 5G will shift from the phase of initial introduction to the phase of functional expansion. In our Test and Measurement Business, next growth drivers in addition to the

demand for 5G smartphones have become apparent. Those drivers are such as expansion of 5G utilization in non-communications fields like Automotives and IoT, the utilization of next-generation millimeter waves, base stations introducing O-RAN architectures, the acceleration of optical networks in the cloud.

Furthermore, in the medium- to long-term, we expect to see increased investment in next-generation communications including 6G, as we expect emergence of new catalysts for the communications field.

Those are such as local 5G and private 5G, metaverse, and satellite communications for wireless network field, and increasing the speed of IOWN and cloud computing for wired network field.

GLP2023 also includes initiatives in new growth fields. We have identified new growth fields where we expect the markets to grow. Those are electric vehicle and battery measurement market for the Environmental Measurement Business, the medical and pharmaceutical inspection market for the PQA Business, and the optical sensing device market for the Sensing & Devices Business. Therefore, we are implementing growth strategies in these four priority growth fields in GLP2023.

While capturing these new markets, we will make steady progress toward the targets of GLP2023 and our vision of becoming a ¥200 billion company in fiscal year 2030.

issues is the best way to enhance the corporate value. In turn, in our GLP2023 plan, we have established initiatives and targets regarding sustainability issues.

In the environmental field, reduction of greenhouse gas emissions is progressing as planned. In addition, we are making progress with PGRE 30, a unique initiative for in-house renewable energy generation, including the installation of solar power generation equipment. As for the promotion of diversity management, the percentage of women in management positions globally is 10.9%, and we are still in the process of achieving our goal. We will continue to promote the promotion of female managers by increasing new graduate and mid-career hires, with a focus on women in engineering, and by enhancing our flexible work system.

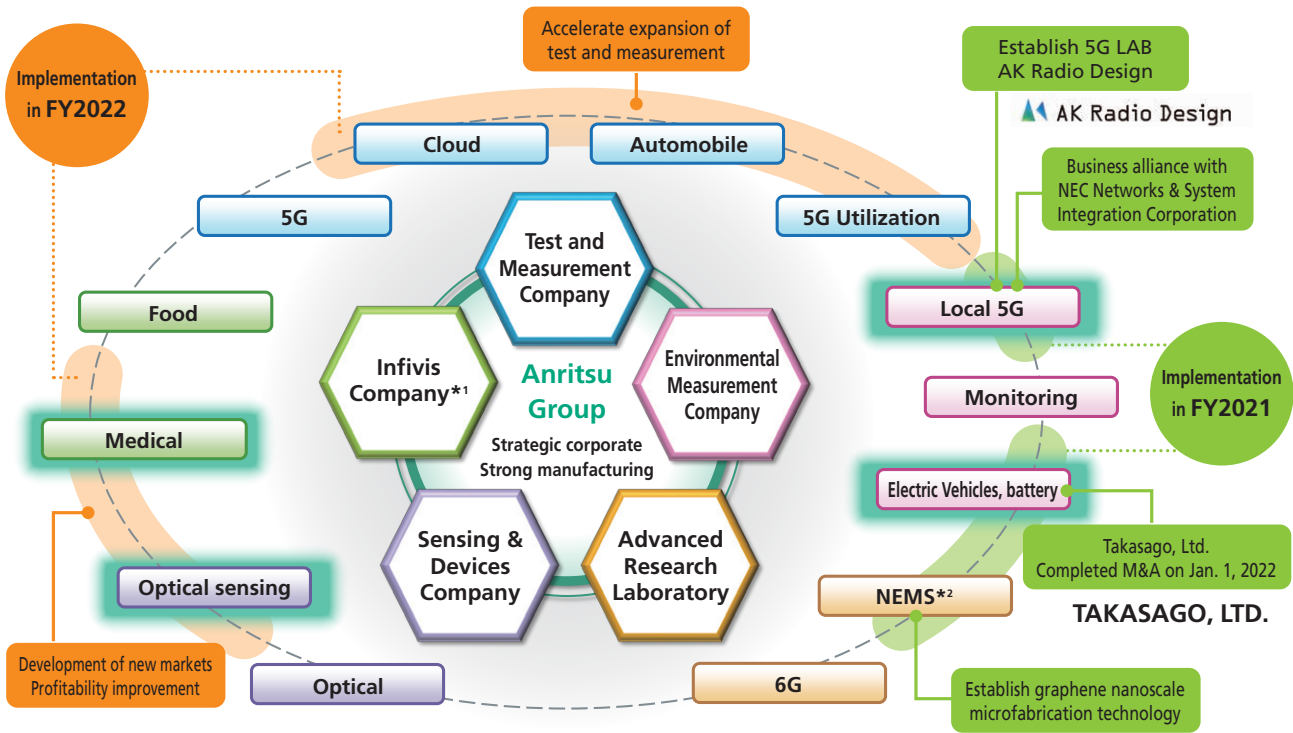
With regard to the promotion of active roles for elderly employees, we are implementing a personnel system reform from fiscal year 2022, with the main objective of making all employees feel fulfilled and able to continue working into their later years. In addition, we have established Hapi Sma Co., Ltd. as a special subsidiary, thereby achieving our goal to meet the legally mandated employment ratio of Promote employment of physically challenged people.

Anritsu will contribute to the achievement of these globally-shared goals by promoting activities which encourage the recognition of the SDGs as issues of our own. 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. We look forward to the continued support of our shareholders.

Regarding SDG Initiatives

Anritsu believes that responding to the requirements of a global society through business activities conducted in good faith and contributing to the resolution of social

GLP2023 priority area



*1 Infivis Company Promotes PQA business

*2 NEMS: Nano Electro Mechanical Systems

Progress of Sustainable Development Goals (SDGs) in GLP2023

	KPI	GLP2023 Goal	FY2021 results	Progress
E Environment	Greenhouse gases (Scope1+2)	23% reduction compared to FY2015	17.7% reduction	○
	Greenhouse gases (Scope3)	13% reduction compared to FY2018	14.7% reduction	◎
	In house power generation ratio (PGRE 30)	13% or more (compared to FY2018 power consumption)	16.8%	◎
S Society	Advancement of women	A proportion of women in manager positions of 15% or more	10.9% (As of March 31, 2022, Global)	○
	Promote employment of physically challenged people	Achieve the legally mandated employment rate of 2.3% through job development	Established a special subsidiary, Hapi Sma Co., Ltd. Achieved 2.54% (As of March 31, 2022)	◎
	Strengthening of supply chain due diligence	A cumulative total of 10 or more companies, over 3 years	Conducted due diligence on 6 companies	◎
G Governance	Promoting the diversity of the Board of Directors	Percentage of outside directors 50% or more	50% outside director percentage achieved (5 out of 10 directors)	◎

*PGRE30: Private Generation of Renewable Energy. The “30” stands for the target year of around 2030 and for the in-house power generation ratio target of around 30%.

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	
	GLP2014 (FY2012-2014)	GLP2017 (FY2015-2017)	GLP2020 (FY2018-2020)	
Vision	<ul style="list-style-type: none">▪ Becoming a cutting-edge, trusted global market leader<ul style="list-style-type: none">—Capture growth drivers without fail, and realize “continuous profitable growth” —	<ul style="list-style-type: none">▪ On-going “Growth & Global” improvement and strengthening of Group management capabilities<ul style="list-style-type: none">—Capture growth drivers without fail, and realize “continuous profitable growth” —	<ul style="list-style-type: none">▪ Prosecute the policy “Continuous profitable growth”▪ Do our best to accomplish the 2020VISION<ul style="list-style-type: none">—Capture growth drivers without fail, and realize “continuous profitable growth” —	<ul style="list-style-type: none">▪ “3 years of growing towards 5G business peak” and “3 years of nurturing new business”<ul style="list-style-type: none">— 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 and pharmaceuticals”
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 wireless, opticals, and systems solutions 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	FY2023 Consolidated revenue of ¥140 billion, operating profit of ¥27 billion Test and Measurement Business Become a leading company supporting the telecommunications society built on 5G <ul style="list-style-type: none">▪ 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 achieve a sustainable future <ul style="list-style-type: none">▪ 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
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">▪ In 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	Test and Measurement Business <ul style="list-style-type: none">▪ In 2021, 5G moved from the initial implementation phase to the functional expansion phase. Investment in 5G services in Asia was moderate but steady. In the U.S., deployment of C-band (Sub-6 GHz) services, which are expected to propel 5G penetration, was delayed due to radio interference problems PQA Business <ul style="list-style-type: none">▪ In 2021, capital investment for labor saving and automating quality assurance processes remained steady overseas. In Japan, some customers remain cautious about capital investment due to the impact 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 Test and Measurement Business <ul style="list-style-type: none">▪ 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 PQA Business <ul style="list-style-type: none">▪ Enhancement of management resources for achieving North American PQA market strategies▪ Profit improvement scenarios for the PQA Business	<Plan> FY2015: revenue of ¥103.0 billion, operating profit of ¥11.0 billion, operating profit margin of 11% FY2017: revenue of ¥120.0 billion, operating profit of ¥17.0 billion, operating profit margin of 14% <Result> FY2015: revenue of ¥95.5 billion, operating profit of ¥5.9 billion, operating profit margin of 6% FY2017: revenue of ¥86.0 billion, operating profit of ¥4.9 billion, operating profit margin of 6% <Challenges> Test and Measurement Business <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> Test and Measurement Business <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	<Plan> FY2021: revenue of ¥114.0 billion, operating profit of ¥20.5 billion, operating profit margin of 18% <Result> FY2021: revenue of ¥105.4 billion, operating profit of ¥16.5 billion, operating profit margin of 16% <Challenges> Test and Measurement Business <ul style="list-style-type: none">▪ Capturing 5G demand in Europe and North America▪ Customer development in the 5G IoT/automotive market in Asia and North America▪ Securing a foothold in next generation businesses, such as O-RAN and 6G PQA Business Capturing new demand and improving profits through IT <ul style="list-style-type: none">▪ Address automation/labor-saving needs▪ Market expansion by strengthening sales capabilities in Europe and the US and enhancing local SE response capabilities▪ Developing new products for the pharmaceutical market to improve profit margins

CFO Message

Promoting a transition of financial strategy looking towards 2030 Invest in growth and enhance shareholder returns

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 profit” to “investment management in order to realize growth” will become a key part of our financial strategy.

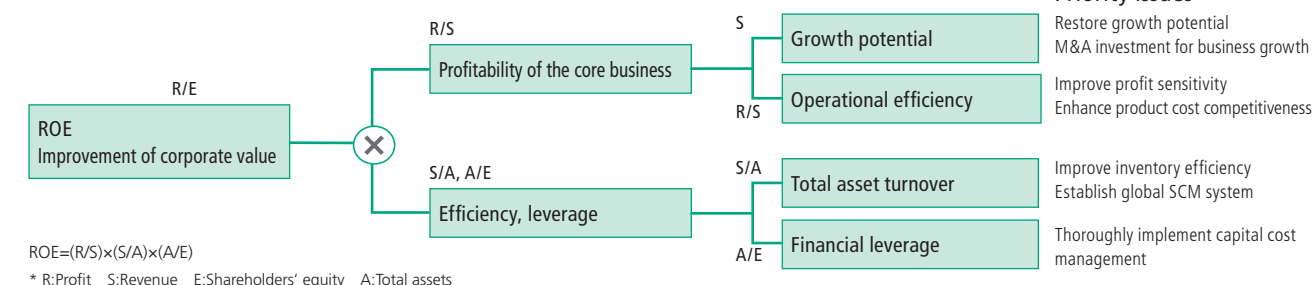
First Year of GLP2023 Review

One year has passed since the start of the Mid-Term Business Plan GLP2023, which focuses on strengthening investment for growth and further enhancing shareholder returns. The first year's accomplishments include (1) M&A as a strategic investment, specifically the acquisition of Takasago, Ltd. and (2) a ¥5 billion share buyback (acquired from September to October 2021 and retired in June 2022).

Akifumi Kubota

Director
Executive Vice President
CFO

Drivers and key priorities of ROE/Corporate Value Improvement



The acquisition of Takasago, Ltd. in (1) is the execution of a strategy aimed at market development in the “electric vehicles, battery” field, one of the four new domains set forth in the GLP 2023, and is a major first step toward achieving ¥200 billion in revenue in fiscal year 2030.

In addition, the total return ratio for fiscal year 2021 increased to 81.3% due to the share buyback mentioned in (2). We were able to clearly state to the market that we consider share buybacks, in addition to dividends, as an important form of shareholder return. Moreover, the Company repurchased another ¥5 billion of its own shares in June-July 2022. We are thoroughly implementing a financial strategy that emphasizes shareholder returns.

Meanwhile, ROE, the most important KPI for GLP2023, finished at 11.5% in fiscal year 2021, falling short of the 15% target.

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 steadily generate profits, the source of investment. An ROE of 15% is the global standard and is considered to be the engine for profitable growth. The drivers and key priorities for improving and increasing ROE are shown in the chart above.

(2) Aiming for an ROE of 15%

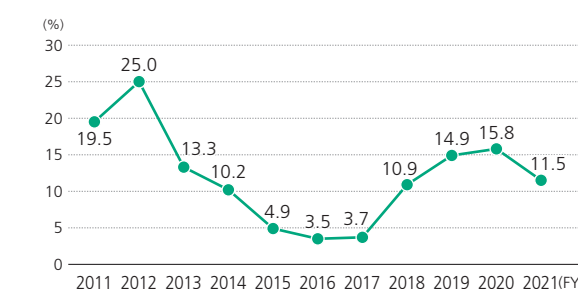
ROE is analyzed using three factors: profitability, efficiency, and leverage.

ROE Target Factor Breakdown

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

Profitability Efficiency Leverage

ROE Trends



Trends of ROE Factors

	Profitability	Efficiency	Leverage	ROE
FY2019	12.5%	0.79	1.50	14.9%
FY2020	15.2%	0.75	1.39	15.8%
FY2021	12.2%	0.69	1.34	11.5%
Model case of GLP2023	13.0% or more	0.80 or more	1.50	15.0% or more

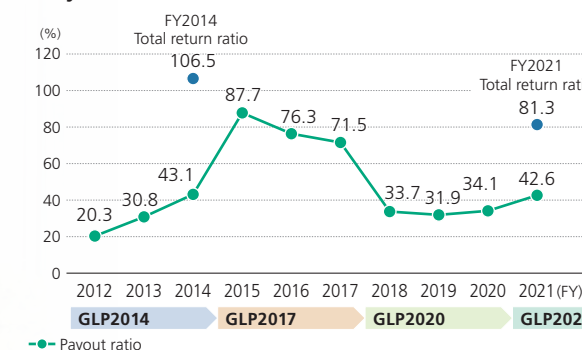
Efforts to Enhance Corporate Value

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

(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.

Payout ratio and total return ratio



CFO Message

Compared to the GLP2023 model case, fiscal year 2021 was a year in which challenges remained in terms of profitability, efficiency, and leverage. In particular, the main challenges for achieving GLP2023 are improving the profitability of the PQA Business in terms of profitability, expanding the scale of sales in the Test and Measurement Business in terms of efficiency, and raising funds by taking advantage of the A rating of our corporate bonds rating in terms of leverage.

(3)-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 divided by 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. One of the approaches, for example, is to appropriately manage and promote improvement of cost per order (CPO) in each sales region in order to enhance each business segment's cost structure. Including such effort we are actively working on achieving greater efficiency in our sales activities and improve business processes in our corporate back office functions.

(3)-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 at or above 13% (achievable by realizing an operating profit margin of at or above 18% and avoiding increases in working capital), and to raise our CCC*, which is a cash flow improvement index, to 121 days (the result of fiscal year 2011, the best recent result) by the end of fiscal year 2023. 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.

In fiscal year 2021, inventories, mainly parts and work in process, increased as a result of prioritizing meeting delivery deadlines to customers, due to the factors such as global shortage of semiconductors. As a result, CCC also deteriorated by 8 days compared to fiscal year 2020. Current efforts include building strong relationships with suppliers, creating a system to promptly grasp information, and minimizing risk by switching to alternatives for high-risk parts. In addition to properly grasping product demand trends, including the 5G market, we are working to optimize inventories in response to changes in the parts procurement environment, which should lead to sales expansion and shorter CCCs.

*CCC: Cash Conversion Cycle

(4) 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 establishing financial strength was the key issue up until GLP2020, the 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 a protective (defensive) approach to an 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.

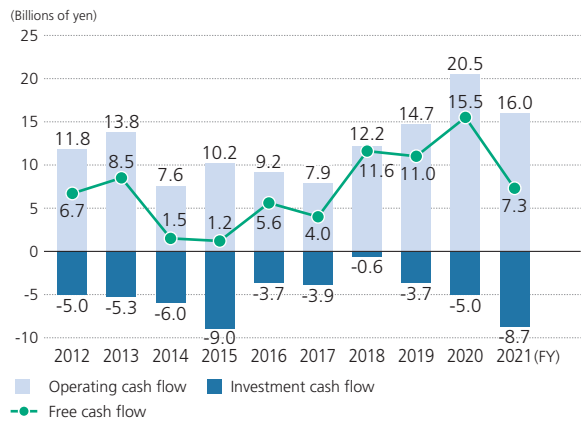
We also plan to stick with our aggressive plan for shareholder returns, as outlined in the next section.

Shareholder Returns

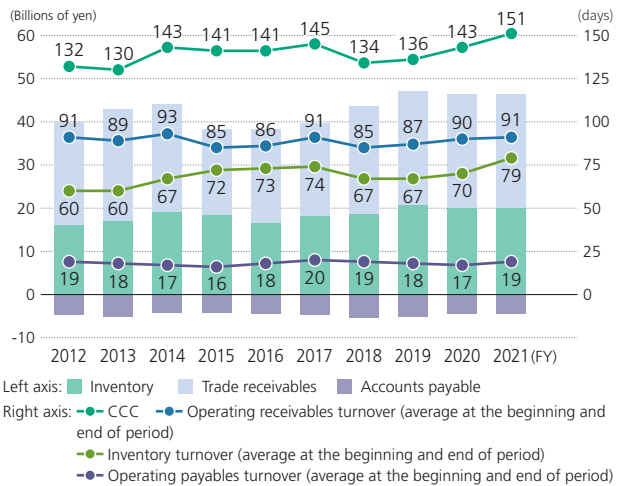
Our basic policy on distributing profits to shareholders is paying dividends with a consolidated payout ratio of 30% or higher primarily by raising the dividend on equity (DOE) in response to increases in consolidated net income. We also flexibly implement other measures regarding shareholder return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

Total shareholder return (TSR) over the past 10 years is shown below. Anritsu's TSR fell below that of TOPIX due to our consolidated financial performance not meeting the first year goal set in the GLP2023. We will continue to implement growth strategies, 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.

Trends in Cash Flow

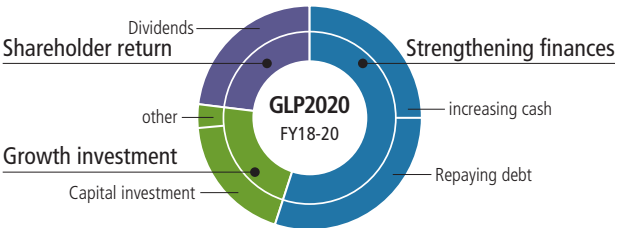


Trends in CCC

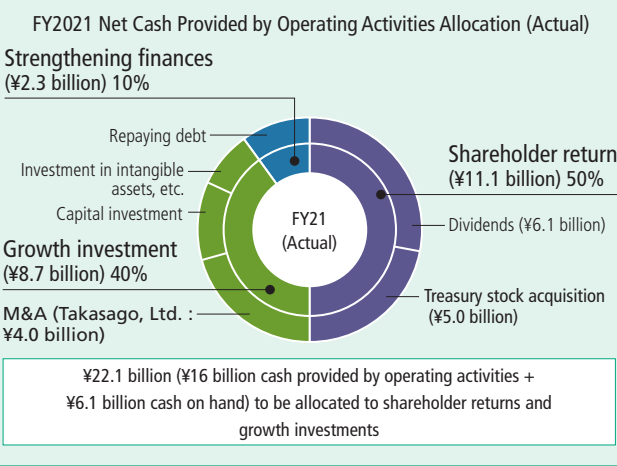
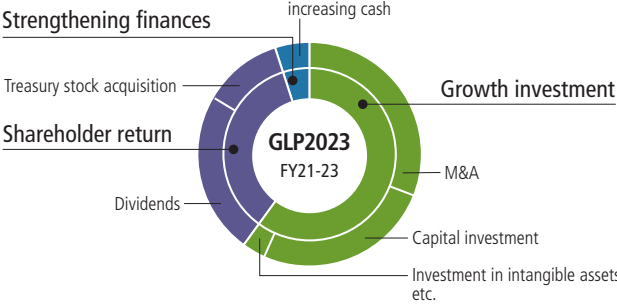


Net Cash Provided by Operating Activities Allocation

FY2018-2020 Net Cash Provided by Operating Activities Allocation (Actual)

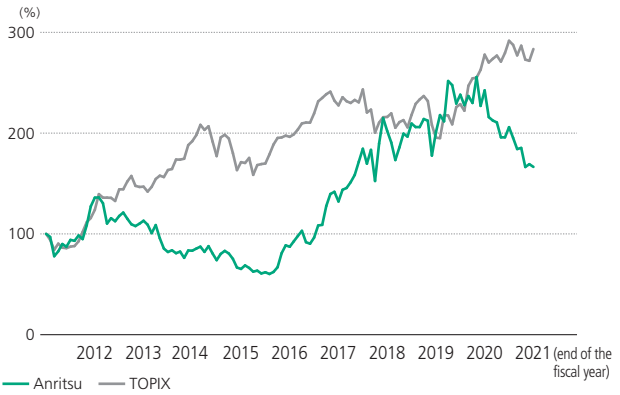


FY2021-2023 Net Cash Provided by Operating Activities Allocation (Plan)



TSR

	One year	three years		five years		ten years	
		Cumulative	Annual rate	Cumulative	Annual rate	Cumulative	Annual rate
Anritsu	-34.1%	-18.8%	-6.7%	104.9%	15.4%	64.7%	5.1%
TOPIX	2.0%	31.2%	9.5%	44.3%	7.6%	183.3%	11.0%



* Total Shareholder's Return (TSR): the total return on investment including capital gains and dividends.
* TSR is calculated based on cumulative dividends and stock price fluctuation for Anritsu, and based on the stock price index including dividends for TOPIX (prepared by the Company using Bloomberg data, etc.).
* The values in the graph are the market value indexed by TSR with the closing price data as of the end of March 2012 as 100 (the holding period is until the end of March 2022).

CTO Message

Going beyond “testing” with graphene

For Anritsu to exist in 2030 as a company that contributes to society through “testing”, we are working to acquire new technologies while expanding the business domain and developing new businesses. One of the new technologies we are focusing on is graphene. Graphene is a form of carbon that is familiar to us all, but it was only in the 21st century that a method for its production was established, and it is expected to be used in a wide range of fields in the future. However, there are still many parts of the mechanism of graphene that remain unexplained, and it is essential to elucidate them in order to expand the range of its utilization. Anritsu has been engaged in graphene research and development since April 2020, with the aim of utilizing graphene in the future.

About Graphene

Graphene is a single atom-thick sheet of carbon atoms bound together in a hexagonal honeycomb lattice. The tubular form is called a “carbon nanotube” and is used in fuel cells. The pencil lead we have used since childhood is made of layers of graphene called “graphite”. Soot, which is produced when a substance is burned, is another form of graphite. In fact, graphene bonded three-dimensionally turns into a diamond. It is a so-called “miracle material” very close to us with a wide range of uses.

Graphene has long been the focus of academic attention, but progress on studying it has stalled due to difficulties in its procurement. Since its successful production in 2004, research on its application has progressed. The graphene production method discovered at that time is called the “Scotch tape method,” in which a piece of cellophane tape is used to repeatedly peel graphene flakes off of a lead pencil. This method is still used today. In 2010, Andre Geim and Konstantin Novoselov were awarded the Nobel Prize in Physics for their groundbreaking experiments regarding the two-dimensional material graphene.

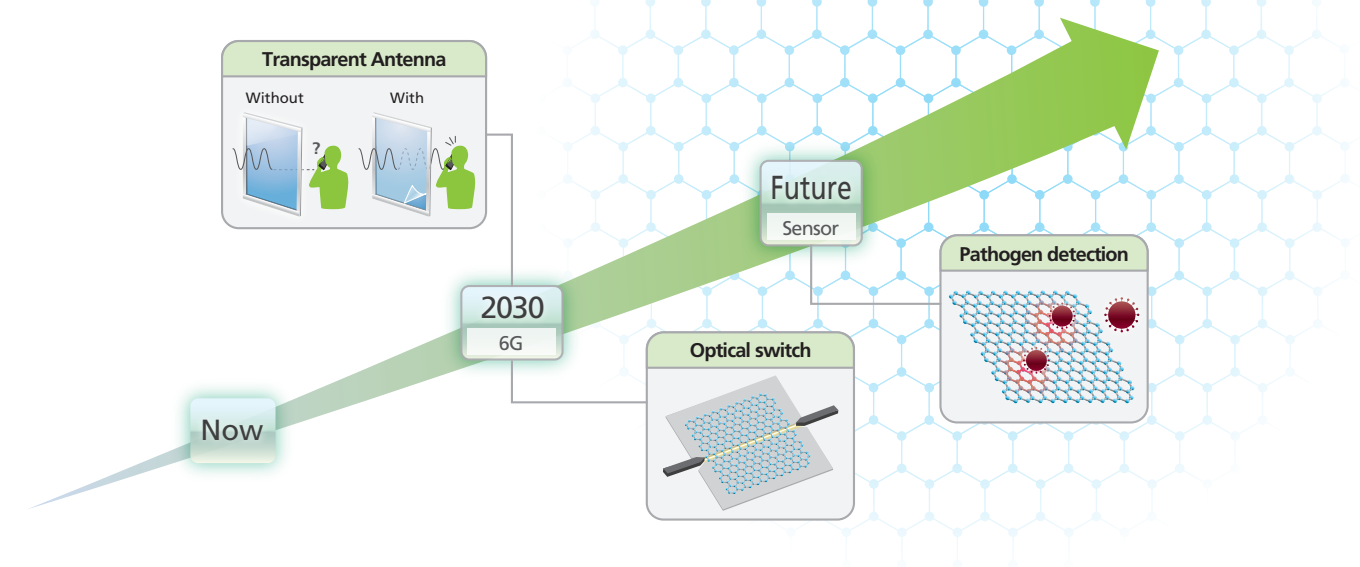
Characteristics of Graphene

Graphene has a variety of excellent properties. Graphene is strong and flexible, conducts electricity more easily than metals, has high thermal conductivity, and is highly transparent due to its thinness. Let us focus on strength. Graphene has a honeycomb structure, which makes it elastic and shock-dispersive. Imagine a soccer goal. The net

of a soccer goal has a honeycomb structure to disperse impact and prevent tearing. Graphene is 0.3nm thick. The thickness of a piece of copy paper is 0.1mm and the thickness of a hair is 0.05mm, so the thickness of graphene is approximately 1/100,000th of the thickness of a hair. Despite its near-zero thickness, graphene is said to be 200 times stronger than iron. If we could make a hammock with a single layer of graphene, a 4-kg housecat could be placed on it without tearing it.

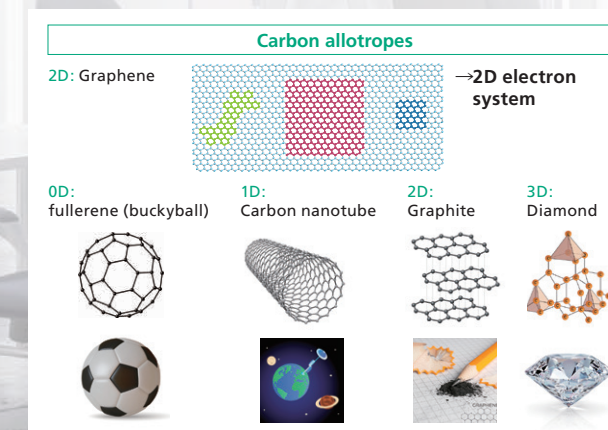
Hanako Noda

Executive Officer, CTO
General Manager of Advanced
Research Laboratory



Expectations for Graphene Applications

Research and development is underway around the world for applications of graphene, which has a variety of excellent properties. One example of graphene application is transparent conductive film. Graphene’s extremely thin, highly transparent, and conductive properties are expected to be applied to touch panels, solar cells, liquid crystal displays, and more. In addition, the film is also expected to be used in battery applications, taking advantage of its easy conductivity, high resistance to chemicals and other agents, and large surface area of carbon. Furthermore, they are expected to be used in transistors which amplify signals and act as on/off switches in smartphones and other electronic devices. The use of graphene is expected to enable the creation of smaller sized transistors, which means even faster speeds and lower power consumption. It has also been reported that transistors compatible with terahertz waves, which are expected to be used in 6G, are now being developed as a result of this research.



Anritsu Envisions the Future with Graphene

Because of its toughness and lightness, graphene is intended to contribute to the advancement of micro-electro-mechanical systems (MEMS), which are indispensable for devices such as mobile phones. In addition, since graphene has no covering, it can adsorb molecules by direct contact and change their properties significantly. For this reason, its application as a gas sensor is also being considered, and recently research is being conducted to apply graphene in the development of a COVID-19 test which outperforms PCR testing. Furthermore, by using its ability to absorb a wide range of light wavelengths from ultraviolet to terahertz, it can also be applied in optical sensors for terahertz waves, infrared light, and other electromagnetic waves. It is also expected to contribute to the advancement of components essential for communication, such as photodetectors and optical modulators. Also, being made into a transparent antenna sheet, as graphene can be an antenna for electromagnetic waves, it is also expected to help build our digital society of the future. Thus, graphene is a technology that is expected to be used in 6G, as well as contribute to the advancement of the sensing and the creation of a decarbonized society. In 2020, Anritsu began fundamental research on graphene NEMS (Nano-Electro Mechanical Systems), and in fiscal year 2021 we achieved a major breakthrough in establishing graphene microfabrication technology by processing graphene with atom-by-atom precision. This achievement was presented at the 9th International Symposium on Surface Science. We will continue to investigate the properties of graphene itself in collaboration with external parties. And we will continue our research and development on graphene to be used as the sensors and 6G devices in order for Anritsu to go “beyond testing”.

Test and Measurement Business

Contributing to the advancement and enhancement of social infrastructure with high-speed communications networks leveraging cutting-edge 5G technology

Accelerating Initiatives for the New Society that 5G Will Support

With the launch of 5G, we are at a point where anyone can receive high-level services regardless of where one lives as high-speed and high-capacity wireless communication is now available. As the importance of the Internet has been reaffirmed in the COVID-19 pandemic, 5G is expected to undergo further developments as infrastructure supporting new ways of living.

Anritsu's Test and Measurement Business provides the global market with test and measurement systems that are crucial for establishing and expanding the use of sophisticated communications technology. As a partner to our customers, we will contribute to the development of information and communications technologies, such as 5G, and create test solutions to solve problems in new applications and use cases for communications technology. As we do so, we will accelerate initiatives for addressing the needs of a communication-oriented society.

Business Areas

Since Anritsu was founded, and over our long history, we have contributed to the evolution of communications technology through innovations that have paved the way for the future of information and communications and by providing society with original and high level products. The Test and Measurement Business delivers test instruments and test systems to customers worldwide. These instruments and systems are essential for the quality assurance of communications equipment and facilities that are the core elements of communication network infrastructure.

- Providing test solutions for all phases in the mobile communications market, as represented by smartphones, including chipset development, device development, conformance testing and manufacturing inspections.
- Providing test instruments for development and manufacturing inspections to evaluate and assure the connectivity of communication modules installed in IoT devices such as vehicles, home appliances, and industrial equipment.
- Providing test instruments for performance evaluations and manufacturing inspections of network devices that deliver high-definition videos and images from data centers at high speeds over the Internet.
- Providing a wide range of wired and wireless test instruments for manufacturing, construction, and maintenance of various types of communication equipment and devices, including the base stations that make up mobile networks.

Takeshi Shima

Director,
Senior Vice President,
Test and Measurement
Company President



- Providing monitoring solutions that contribute to the improvement of network operations, including network failure analysis and capacity expansion, by visualizing the network operational status of telecommunications carriers.

Market Environment and Business Opportunities

In 2019, 5G services were first launched in the U.S. and South Korea, and now there are 213 commercial 5G networks of varying sizes provided in 85 countries. Last year, the number of subscribers was 220-230 million worldwide (led by China), and in one year this figure increased to 660 million (as of February 28, 2022, according to "Ericsson Mobility Report Q 4 Update February 2022" and "GSA May Edition"). The importance of communications services has risen further as the human race has been confronted with the global turmoil of COVID-19. Face-to-face interaction had been the norm for many types of sales and service activities that have now switched to online formats and there is demand for further development of 5G, as the infrastructure supports this new way of living. The range of fields utilizing 5G is showing breadth, and new services that are not public networks are beginning to emerge, such as local and private 5G. In addition to these services, remote control of devices and vehicles is also expected to expand the world of 5G utilization. With the advent of the metaverse, the realization of such social activities being carried out remotely (i.e., in a nonface-to-face economy) has become a reality. Going forward, it is predicted that there

will be test and measurement needs to establish a quality assurance mechanism to ensure high speed and low latency network connectivity for using state-of-the-art devices to deliver high-definition video and image information.

Growth Strategy

FY2021 Results

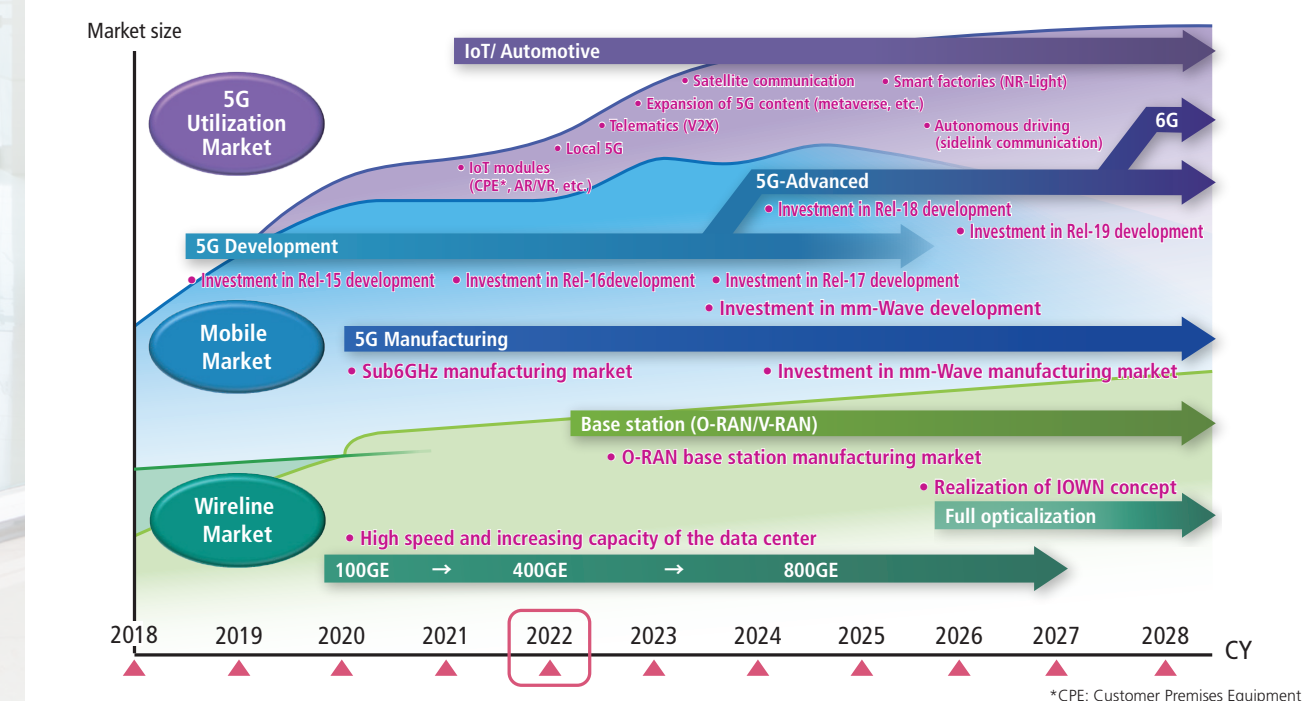
With revenue of ¥73.3 billion and an operating profit margin of 21%, we were not able to meet our initial targets for fiscal year 2021, the first year of GLP2023. In addition to delays in the commencement of C-band network installation in the U.S., the lockdown that began in China in late March and difficulties in procuring parts and materials, particularly semiconductors, had a major impact.

Even under such environment, being able to continue and extend collaboration with global customers pursuing development of cutting-edge technologies was a major success for us to accelerate efforts toward fiscal year 2023 and beyond. As in fiscal year 2020, COVID-19 restricted some of our activities, but our development plans progressed almost equivalent to the schedule as when there was no COVID-19 influence. In addition to the launch of a test system for base stations using the MT8000A (radio communication test station) platform, the latest functions were added to existing 5G and 400 GE solutions to meet customers' cutting-edge needs.

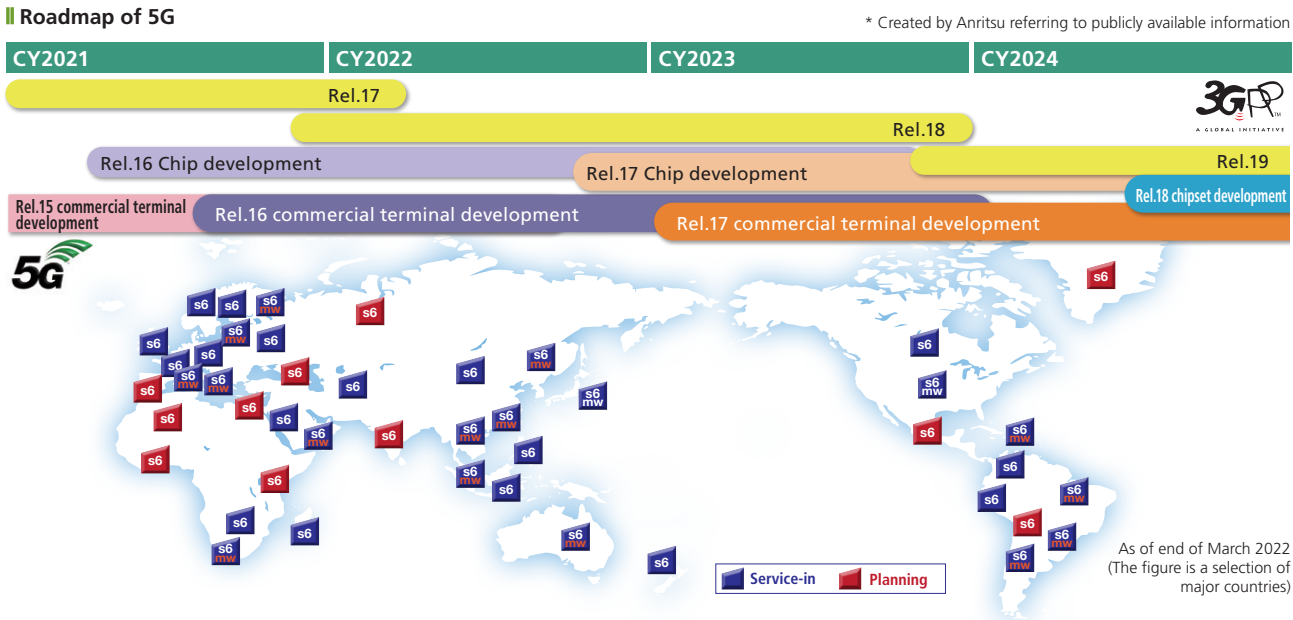
Basic Policy for GLP2023

The GLP2023 targets considerable growth, with revenue of ¥100 billion and an operating profit margin of 23%.

Test & Measurement Business: Mobile market trends and Business opportunity



Test and Measurement Business



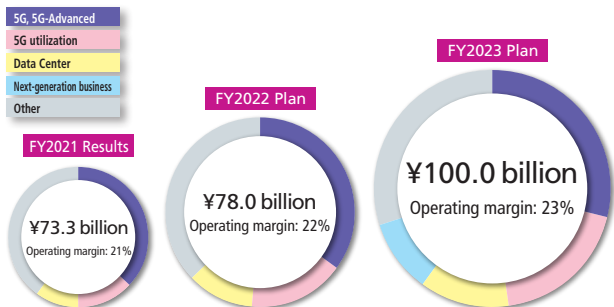
Under our vision to become a “leading company supporting a communications society built on 5G” we accelerate our initiatives toward the peak of 5G smartphone-related business in 2023, and we also aim to expand our business in fields further developing 5G or derived from 5G. Adhering to the following three policies, we will continue to create solutions that contribute to a broad range of customers pursuing business leveraging communications technology. Therefore, we are placing priority on “co-creation” initiatives as well as collaborating and growing together with customers in each industry as we pursue those activities.

1. Increase the ratio of 5G utilization and solutions for the network infrastructure market within our business portfolio
2. Transform our business solutions from simple provision of “measurement” tools to provision of value by “resolving through measurement”
3. Increase investment in growth areas (5G-Advanced, self-driving vehicles, O-RAN/IOWN).

Of the three basic policies, we are particularly emphasizing the transformation of our business solutions to provide value by “resolving through measurement,” which we recognize as a formidable challenge. As the scope of 5G utilization broadens, there has been an increase in customers who are not skilled in communications technologies unlike traditional chipset or smartphone manufacturers. These customers are working on identifying what kind of business to develop using communication technologies, not on the communications technology itself. We must think of how the results from testing can be used to serve the businesses of these customers, and then convert them into new values. Through collaboration and co-creation, we are working with customers and partner companies involved in IoT, automotive, O-RAN, and local/private 5G in order to generate these values. We are adding the findings and the new knowledge gained from this process to Anritsu’s advantages, advanced and accurate test and measurement technologies, to expand the range of communications services and contribute to building a more sophisticated social infrastructure.

■ Test & Measurement Business: GLP2023 revenue and operating profit ratio plan

- FY2022 Initiatives
- Capture 5G demand in Europe and U.S. markets
 - Develop customers in the 5G IoT/automotive markets in Asia and North America
 - Secure a foothold in next-gen businesses like O-RAN, 6G etc.



Human Resource Hiring and Training

With an untiring commitment to Anritsu’s concept of “Original & High Level,” we are striving to hire and train talented personnel who align with this commitment and come from a broad, global pool that spans solutions development, manufacturing, and sales. We have our development bases in the U.S., the U.K., as well as in Asia region. We are engaged in software-centered development in several countries. With regard to engineers, we are conducting thorough training in Japan (the home base for our development), and then assigning them to the development teams in other countries. Thus, under a consistent mindset based on company policies they pursue development effort taking into account the particular cultures and environments of

each country. With regard to manufacturing and sales as well, we are striving to strengthen governance as a global company while simultaneously engaging in personnel development through global trainings, meetings, and human resource exchange programs. The number of female employees working in development and marketing has increased and, going forward, we will further build out programs for advancing the careers of all employees.

Accumulating Intellectual Capital and Participating in External Organizations

In addition to acquiring patent rights for technology emerging from our development, we are also dedicating effort to attaining new technology by joining various external organizations.

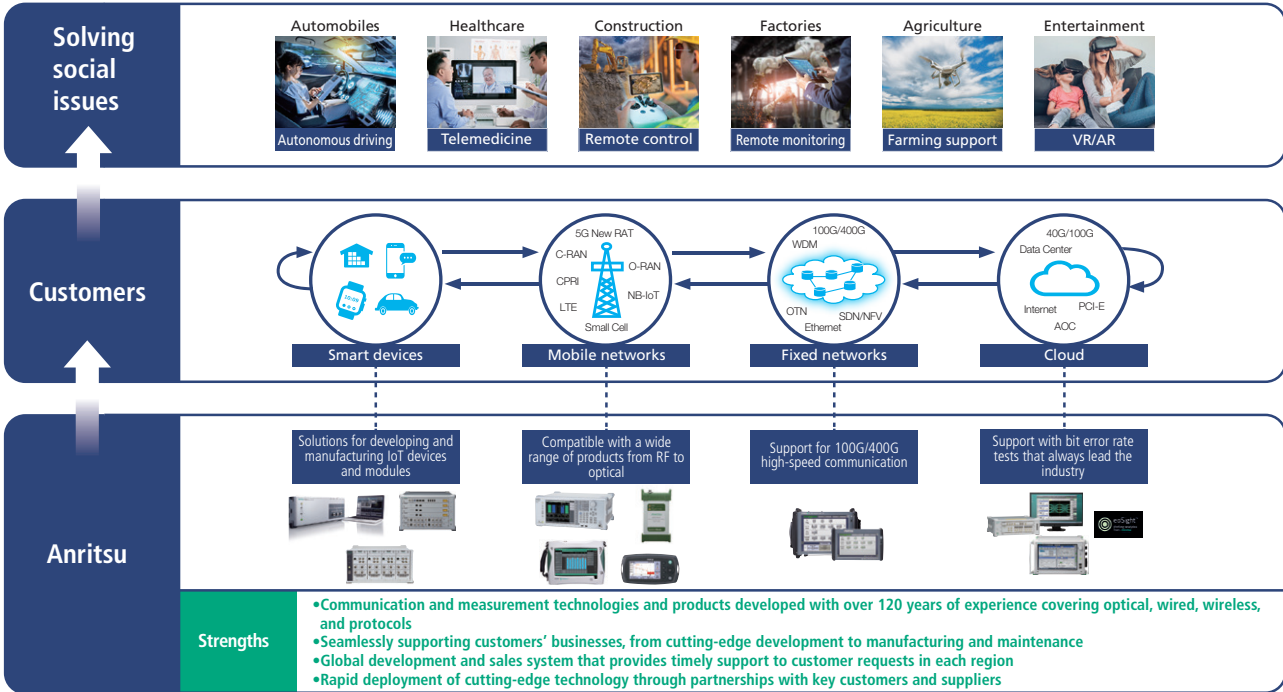
Currently, we are members of the Third Generation Partnership Project (3GPP) for determining mobile communication standards, and some of our other affiliations include the following groups (for details on activities, please see the section of our website listing affiliations).

1. The Next Generation Mobile Networks Alliance (NGMN Alliance) for deliberating on the status of next-generation mobile communications
2. The Wi-Fi & Ethernet Standards Group, organized under the Institute of Electrical and Electronics Engineers (IEEE)
3. The Open Radio Access Network Alliance (O-RAN Alliance) for intelligent 5G communication networks and for devising open interface specifications
4. The Innovative Optical and Wireless Network (IOWN). A global forum for reviewing new communications platforms comprised of fully optical networks, and edge and wireless distributed computing

SDGs Undertaken by a Test and Measurement Company

For realization of social activities in the metaverse and automated driving services which have recently garnered much attention there will be many technological innovations required. By manufacturing and delivering value-added original and high level products for these fields, Anritsu is in agreement with Goal 9 of the SDGs “Build infrastructure, promote industrialization, and foster innovation”. We will also grow our contribution to Goal 11 “Sustainable cities and communities” by expanding our business in 5G, including utilization via the IoT. In recent years, natural disasters, epidemics, aging populations, and other social issues that require solutions have been increasing. Advancement of communications networks like 5G have now been recognized as the tools for solving these issues. With such characteristics as high-speed, large-capacity, ultra-low latency, and massive simultaneous connections, 5G will be utilized in industries such as healthcare, agriculture, automotive, and disaster prevention so that it is expected to become a communications infrastructure that solves various social issues such as information disparity, traffic accident prevention, and labor shortages.

Anritsu’s test and measurement technology supports the advancement and quality improvement of communications, thereby contributing to creating a more comfortable and convenient society. We will take part in Anritsu Group’s effort of contributing to the “realization of social sustainability” by maximally utilizing not only 5G but also other technologies we own.



PQA Business

Accelerating Innovation and Structural Reform to Become a First-to-Call Company for Quality Assurance

The mission of food and pharmaceutical companies is to provide a stable supply of safe and reliable products at all times, even during the prolonged COVID-19 pandemic. Due to the urgent need to realize a society in balance with the natural environment, that produces and consumes only what is necessary without waste, food and pharmaceutical companies are vigorously working to conserve energy and reduce waste loss through improvements in quality and productivity.

Anritsu's PQA business has enhanced its system to promptly provide products and services that match customer needs by directly listening to the voices of customers around the world. We will continue to accelerate innovation and structural reform to transform into a global company and contribute to the realization of a sustainable society where people around the world can enjoy safety and security.

Business Areas

The PQA Business provides development, production, sales, and maintenance services of quality inspection machines and quality control systems for the food and pharmaceuticals industries globally.

Under the Company vision, "Beyond testing, beyond limits for a sustainable future together," we aim to "become our customers' most trusted 'First-to-Call' company for quality assurance with a view to achieving a sustainable future." We will bring our quality inspection technologies that play an active part in production lines, an area of Anritsu's strength, combined with advanced technologies and innovative services that include AI and IoT in order to work to build solutions to comprehensively support our customers' quality assurance activities.

Furthermore, leveraging the technologies and know-how of "quality assurance" acquired in the food production field into the pharmaceutical field, we will make the pharmaceuticals market the second pillar for the PQA Business.

Market Environment

In fiscal year 2021, some customers in the food and pharmaceutical markets were cautious about capital investment due to increased uncertainty about the future caused by repeated stagnation in economic activity.

The Japanese market experienced brakes on consumption, which had been on the road to recovery, whenever there was another outbreak of COVID-19. With labor shortages and rising production costs becoming more severe in food manufacturing, stabilizing production and improving efficiency have become top priorities.

Masumi Niimi

Director
Senior Vice President
PQA Business Group President

In Europe and the U.S., where most countries have switched to a "living with COVID-19" strategy, economic activities have begun to normalize, and major food companies have begun to actively invest in plants and equipment. On the other hand, the rapid re-starting of the economy has caused some issues such as labor shortages and sharply rising labor costs, as well as a hike in prices for energy and raw materials for food products.

In the Chinese market, stable demand continued, especially in the frozen food and meat markets. The Shanghai lockdown at the end of March caused a short-term stagnation of business activities and had a significant impact on the lives of citizens, but we expect the situation to return to normal in the second half of this year and beyond. The food market is also recovering in other Asian markets such as ASEAN countries and India, especially in the areas of souvenir confectionery and food service, due to a recovery in tourism demand.

Thus, although the situation varies by region and market, on the whole, capital investment in quality inspection equipment is expected to recover to pre-pandemic levels in fiscal year 2022.

Opportunities for Business Growth

In the food market, in addition to the perennial issues of quality improvement, productivity enhancement, and stabilized supply, initiatives for realizing a sustainable society such as reduction of food loss and eliminating plastic waste are now required.

In fiscal year 2022, we expect the capital investment for the food companies will focus on resolving issues such as

promoting safety and security through further quality improvement, recovering profitability that has deteriorated due to a hike in production costs, and resolving labor shortages by introducing automation and reducing manpower in the production lines.

In the quality inspection process, which requires complex operation and advanced judgment, many inspections still rely on the human eye and senses. With technological innovation that enables these to be substituted and automated, we will generate demand for new inspection equipment.

Pharmaceuticals are just as large a market for production line quality assurance as the food market. For quality assurance of pharmaceutical products, specialized testing equipment that can inspect target products such as pills, capsules, and injectables with high precision is indispensable.

In recent years, data integrity, which requires the completeness, consistency, and accuracy of all data related to manufacturing, has been a growing concern, and efforts to comply with FDA* guidelines and GMP* ordinances, including full inspection, process control, and electronic recording of quality data, are accelerating.

For more than half a century, Anritsu has provided customers in pharmaceutical production with checkweighers and other testing equipment and we have extensive experience in Japan. We are working to expand our business into pharmaceutical markets around the world, such as the U.S., Europe, China, and India.

*1 FDA: U.S. Food and Drug Administration
*2 GMP: Good Manufacturing Practice



PQA

First Year of GLP2023 Review and Initiatives in this fiscal year

FY2021 Initiatives and Results

In fiscal year 2021, when lockdowns and other restrictions on activities were enforced around the world, we worked on sales promotion responding to the situation at the time while placing the safety of our customers and our employees as our top priority. In regions where it was difficult to visit customers, we focused on remote sales promotion through activities such as online exhibitions, webinars, and e-mail newsletters.

On the other hand, in regions where we could meet with customers, such as China and North America, we conducted more aggressive promotions by participating in exhibitions and bringing actual equipment to customer sites for demonstrations.

As a result, orders achieved the initial target of ¥23 billion for the fiscal year, driven by overseas markets such as North America and the Asian region. On the other hand, sales did not reach the target set for the first year of GLP2023, partly due to the prolonged delivery times in the Japanese market.

Development Investments and New Products

In GLP2023, our policy is to create customer value by acquiring new sensing technologies and increase the ratio of investment in strategic products for the pharmaceutical market. We are continuously investing in development while considering our strategy and product portfolio.

In fiscal year 2021, we enhanced our solutions for strategic markets by developing and launching the "XR75HR Dual Energy X-ray Inspection System," which uses a new high-definition X-ray sensor to enable high-sensitivity inspection of thick products with irregular surfaces that have been difficult to inspect in the past, and the "IP69 X-ray Inspection System," made with a robust body that can withstand jet washing, with the European and U.S. meat markets in mind, and releasing the "KWS9002AP Capsule Checkweigher", which can weigh at an ultra-fast



speed of maximum 230,000 pills per hour, for the pharmaceutical market.

Initiatives to Achieve an Operating Margin of 10% in FY2023

We are working to improve the operating margin in two ways. One is to increase the added value through applying customer values on solutions, as well as business expansion in the pharmaceutical market. The other is by globally optimizing our business structure and streamlining business processes.

In fiscal year 2021, we expanded our product lineup to best meet customer needs, such as with the aforementioned new products. In addition, as part of the global optimization of our business structure and streamlining of business processes, we expanded the assembly and inspection systems of our local subsidiary in Chicago, U.S.A., to improve our ability to promptly provide our customers with the most suitable unit.

However, the effect on profit margin improvement was limited due to increasing prices of semiconductors, other components, and logistics costs, as well as the influence of the product mix.

We will continue to leverage the Group's management resources to speed up innovation and value creation, and accelerate business restructuring to build a structure that consistently generates an operating margin of 10% or more.

Talent Recruitment and Development

We are aggressively recruiting engineers for cutting-edge technologies focusing in such areas as image and signal processing, IoT, deep learning and other aspects of AI, as well as non-destructive sensing. We encourage the growth of people and technology by interacting extensively with research institutions outside of the Company, not insisting on in-house development. In addition, in order to listen to the needs of our customers around the world and provide optimal solutions, we are working to recruit and train human resources who can work globally.

Intellectual Capital

Relationships with Outside Organizations and Collaboration with Leading Companies

As PQA business, we are a member of more than 20 industry associations, including Japan Measuring Instruments Federation, Japan Inspection Instruments Manufacturers' Association, and Japan Packaging Machinery Manufacturers Association, as well as PMMI (Packaging Machinery Manufacturers Institute) in the U.S. We work with customers, leading companies in the food packaging industry, and many research institutions to overcome quality assurance challenges.

Competition and Market Share

More than 40 competitors operate in the Americas, Europe, and China in target markets for the PQA business.

Anritsu has gained a leading share of the Japanese domestic food market and is expanding its share in overseas markets and the pharmaceutical market. By leveraging our strengths in high-speed, high-sensitivity sensing tech-

nology and high-quality services, we aim to further expand our business and increase our market share to become a "First-to-Call Company" by delivering products sought by customers faster than anyone else.

Social Issues Solved Through Our Business

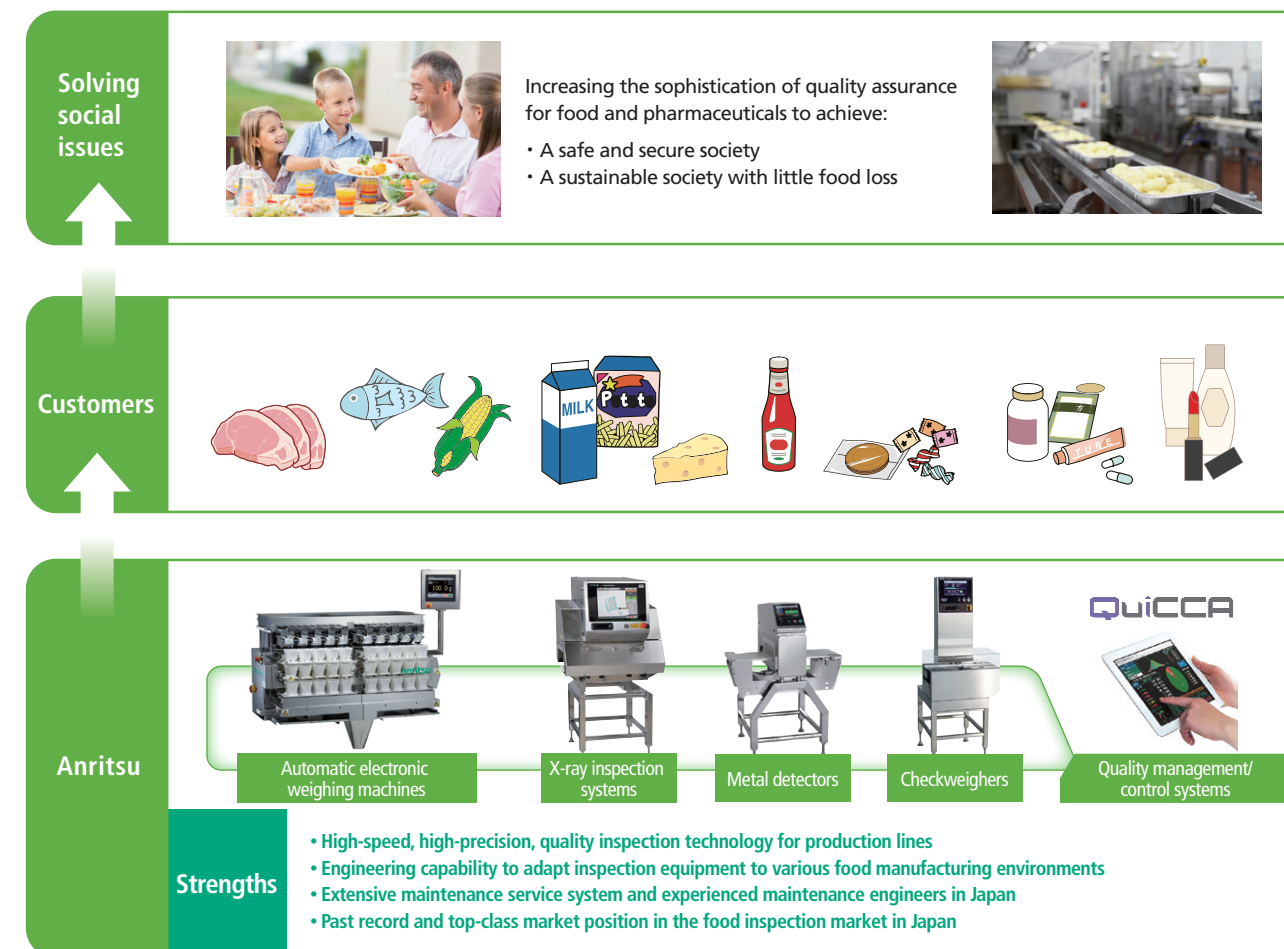
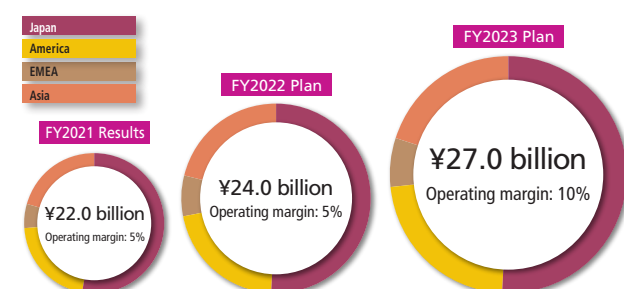
SDGs Initiatives

PQA Business contributes to SDG Goal 12 "Ensure sustainable consumption and production patterns" through quality assurance of food and pharmaceutical products by working together with our customers who install our quality inspection equipment.

In addition to the inherent social values of the PQA business, such as "stable supply of safe and reliable food and pharmaceutical products" and "reduction of food loss through quality improvement," we will contribute to the realization of a sustainable society with the initiatives such as reduction of the energy required for transportation and use of products as well as opting for environmentally friendly materials.

PQA: GLP2023 Revenue and Operating Profit ratio Plan

- FY2022 Initiatives
- Capture new demand and improve profits through IT
 - Respond to automation and labor-saving needs
 - Expand market by strengthening sales capabilities in Europe and the U.S. and enhance local SE response capabilities
 - Develop new products for the pharmaceutical market to improve profit margins



Environmental Measurement Business

Creating new value that contributes to solving social issues through cooperation with customers and partners

Executive Officer
Environmental
Measurement Company
President

Tsutomu Tokuke



Business Areas

The Environmental Measurement Business supports the resolution of social issues in the following three areas.

- (1) Strengthening the resilience of social infrastructure: providing equipment and systems that support facility monitoring, video surveillance, and network stabilization in markets such as roads, rivers, telecommunications, water supply, electric power, and financial services.
- (2) Improving industrial productivity through digitization: providing products and services that contribute to automation and productivity improvement in manufacturing and maintenance operations, including support for the introduction and operation of local 5G and various industrial measuring instruments.
- (3) Promoting carbon neutrality: Through Takasago, Ltd., which became a subsidiary in January 2022, as the core business, we provide test systems leveraged by energy control technologies required for evaluation of the performance and reliability of electric vehicles and batteries.

Market Environment and Business Opportunities

Labor shortages, more frequent and more severe natural disasters due to climate change, and aging facilities have become major issues impacting the social infrastructure that supports people's daily lives. Anritsu will continue to provide solutions that improve the efficiency of infrastructure maintenance management by leveraging IoT technologies as well as solutions that contribute to disaster prevention and mitigation.

In addition, efforts to promote digital transformation to improve productivity have been launched in all industrial sectors, and local 5G is increasingly being looked towards as a communications infrastructure for IoT and AI utilization. To meet these expectations, we will expand our local 5G installation and operation support services and propose process

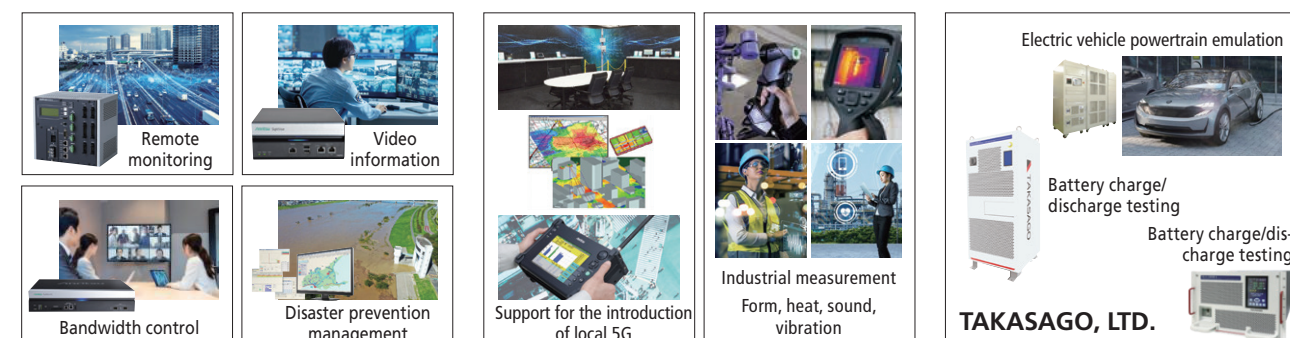
digitization and data utilization with various industrial measuring instruments.

Furthermore, there is a noticeable trend among automobile makers in many countries to accelerate the shift to electric vehicles toward the realization of a carbon-neutral society. In addition, development toward electrification of construction machinery, agricultural machinery, ships, and motorcycles is gaining momentum. Anritsu is expanding its solutions to meet the demand for more efficient testing of the main components of the driving system in electric vehicles, such as batteries, inverters, and motors.

SDGs Undertaken by the Environmental Measurement Business

The Environmental Measurement Business aims to contribute to the realization of sustainable industry and society by leveraging the technologies and expertise we have cultivated in the fields of information, communication and measurement, and by promoting cooperation with our customers and partners. By supporting the introduction and utilization of local 5G, we will contribute to SDG Goal 9, "Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation". We will also need to build a carbon-neutral society with widespread use of electric vehicles in order to solve the issue of climate change. The test equipment provided by the Environmental Measurement Business supports research and development of electric vehicles with higher performance and energy efficiency and we contribute to SDG Goal 7, "Ensure access to affordable, reliable, sustainable and modern energy for all". Furthermore, we will continue to support safe, secure, and comfortable urban development through the provision of information and communication solutions required for the advancement of social infrastructure maintenance and management. This initiative contributes to SDG Goal 11, "Make cities and human settlements inclusive, safe, resilient and sustainable".

Examples of Environmental Measurement Business' Solutions



Sensing & Devices Business

Supplying devices that form the core of various industrial products worldwide, making people's lives more convenient and creating a safe, secure, and comfortable society

Executive Officer
Sensing & Devices Company
President

Yasunobu Hashimoto



Business Areas

The Sensing & Devices (S&D) Company is developing business in the optical communications market while also pioneering the sensing market in order to expand its business.

In the optical communications market, we supply semiconductor lasers for excitation used in optical fiber amplifiers (OFAs) that amplify optical signals as it is, and semiconductor optical amplifiers (SOAs) used in optical transceivers to counter attenuation in the communication signals. In the sensing market, we see business opportunities in the changing social environment, and in the past few years we have been strengthening our efforts in the ophthalmic medical device market, which is expanding due to the aging population. For example, in order to treat cataracts it may be necessary to replace the turbid crystalline lens with an artificial lens. Our retinal scanner devices can adequately measure the eye axial length to determine the required lens power. They can also be used for retina cross section measurement for the early detection of age-related macular degeneration and glaucoma. We also supply light sources for other devices, such as devices for gas leak detection. In addition, as the Device Division, which assumes the core competence of Anritsu Group, we supply critical devices for Anritsu's in-house telecommunications measuring instruments.

Market Environment and Business Opportunities

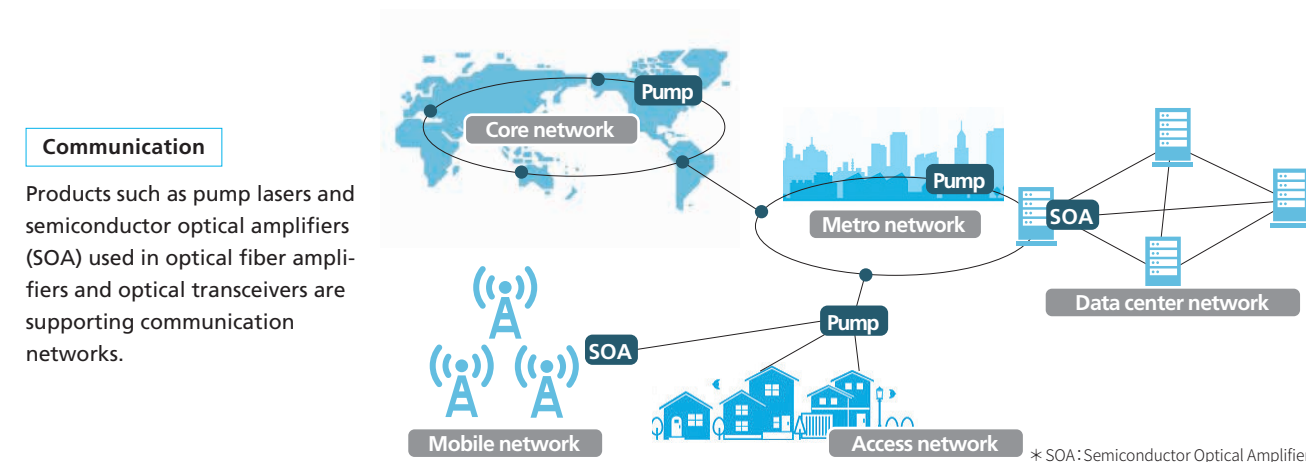
One of Anritsu's composite semiconductor devices based on indium phosphide (InP) is expected to increase in market

value due to their high-speed and high-frequency characteristics in the new millimeter wave area, which is expected to be utilized in the coming all-optical network era and 6G.

For optical fiber amplifiers, which are expected to broaden their wavelength multiplexing bandwidth, we are working to increase the output power of pumping lasers and to increase available wavelength. And for semiconductor optical amplifier devices, we are working on longer distances, smaller sizes, and lower power consumption of optical transceivers. Such semiconductor optical amplifiers are also expected to be in demand in the industrial LiDAR and fiber optic sensing fields, where high power lasers are needed for long distance applications. We will grow our S&D business by acquiring opportunities for these new optical sensing businesses and by aggressively developing our proven business of light sources for ophthalmic medical equipment.

SDGs Undertaken by the S&D Business

The S&D business contributes to SDG Goal 9, "Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation," and SDG Goal 11, "Make cities and human settlements inclusive, safe, resilient and sustainable," by supplying critical devices to customers around the world for various industrial products, such as the construction of stable communication environments, medical devices for an aging society, and gas leak detection devices.



Supply Chain and Human Rights

GLP2030 Goals

- Conducting a CSR procurement survey with at least ten suppliers during the three years and on a more global scale (mainly in Asia)
- Deepening supplier understanding of Anritsu’s CSR procurement initiatives through a three-year program, which provides procurement-related information and other useful knowledge
- Raising the ratio of Anritsu-certified green suppliers and providing non-green suppliers with environmental education to cultivate an eco-friendly supply chain

Basic Policy

Anritsu Group’s procurement activities are international. In order to consistently provide high quality products for customers around the world, the Group must possess a flexible, internationally extensive management structure throughout the whole supply chain while also paying due consideration to ESG concerns. For this purpose, we believe it is critical to respond to the expectations and demands of society by building great relationships with suppliers and

managing the supply chain seamlessly and comprehensively.

For more information about the Anritsu Group’s supply chain management, please visit our website:

<https://www.anritsu.com/en-us/about-anritsu/sustainability/supply-chain-management>

CSR Procurement

We believe in the importance of moving as one with the entire supply chain together with our suppliers in conducting procurement and of linking this activity to the mutual growth of all parties. With this conviction, we established our Basic Rules of Procurement in 2005 and have since asked our suppliers to comply with those rules in addition to the Anritsu Group CSR Procurement Guidelines and the Anritsu Group Global Green Procurement Specification. Through those rules and guidelines, we request cooperation from our suppliers as we construct a supply chain that respects human rights, gives due consideration to labor, health and safety, fair trade and ethics as well as the environment, and includes compliance with the UK Modern

Slavery Act and Conflict Minerals Regulation (the final rule of Section 1502).

Anritsu’s Global Procurement Operation Division not only conducts procurement operations but also develops and implements the Group’s strategies for procurement, production outsourcing, and logistics under the leadership of the executive officer in charge of SCM. Anritsu maintains its flexible procurement system by collectively managing procurement and logistics activities conducted by its Group’s and other worksites around the world and also by concentrating or decentralizing those activities in an optimal manner.

Supply Chain Due Diligence

CSR Procurement Survey

Before opening an account with a supplier, we review the supplier’s credit standing, quality, and environmental management and inspect their factory. We also conduct a CSR procurement survey of our suppliers to confirm the status of their efforts to comply with our CSR Procurement Guidelines and take action as necessary. The survey asks self-assessment questions in such areas as human rights and labor issues, health and safety, the environment, fair trade and

ethics, product quality and safety, and information security. Given the increasing importance of human rights across the supply chain in recent years, the survey also includes questions on prohibition of forced labor, prohibition of child labor, consideration for young workers, consideration for working hours, appropriate wages and benefits, prohibition of inhumane treatment, prohibition of discrimination, and freedom of association and the right to collective bargaining.

In fiscal year 2020, we provided a Chinese version of the questionnaire, which had previously been available only in Japanese and English. In fiscal year 2021, we conducted a CSR procurement survey of 418 companies and received responses from 372 companies (response rate: 88.9%). We repeatedly remind those 46 companies that have not yet responded to do so, and we will include them in our priority CSR survey in fiscal year 2022.

We score the survey responses to visualize the level of commitment of our suppliers. In fiscal year 2021, the average score on questions about human rights was 26.97 out of 28 points.

We will continue to monitor the content and number of survey responses, response rate, and average response scores to ensure the effectiveness of our CSR procurement efforts.

Conducting Due Diligence

Our goal under GLP2023 (fiscal year 2021 to 2023) is to conduct due diligence on a cumulative total of at least ten companies. In fiscal year 2021, we conducted online audits on six suppliers in Japan, Germany and China, including those originally planned for fiscal year 2020 but postponed due to COVID-19, and we confirmed that none of them presented serious risks associated with human rights, labor, or health and safety. In addition, none of our suppliers has been found to be out of compliance according to our CSR procurement questionnaire surveys and onsite inspections that have been conducted to date.

Modern Slavery Act

Focusing on human rights issues in particular in its supply chain, Anritsu remains in compliance with the UK Modern Slavery Act. ANRITSU CORPORATION and Anritsu EMEA Ltd. are legally obliged to disclose a statement to remain in conformity with the act, and both companies have uploaded the statement to their respective websites every year since 2016. Since 2020, the two have also disclosed a statement of compliance with the Australian Modern

Slavery Act, enacted in 2018, to which they are subject. These statements contain the description of CSR questionnaire surveys conducted with suppliers, educational activities for suppliers, and education for Anritsu Group employees in and outside their respective countries.

In our activities to date, we have not identified any problematic practices or suppliers with respect to modern slavery.

BCP (Business Continuity Plan)

In fiscal year 2021, we activated the BCP on eight occasions. Despite the impact of the global shortage of semiconductors, coupled with the COVID-19 pandemic as well as natural disasters such as earthquakes and typhoons, we

focused on minimizing the damage by closely communicating with suppliers, adjusting our production schedule, and switching to alternative parts. We will continue to enhance the database to raise our level of preparedness.

Human Rights

Structure

Human rights matters are deliberated on by the Corporate Ethics Promotion Committee, which is set up under the Board of Directors and the Management Strategy Conference and is chaired by the executive officer in charge of compliance and participated in by representatives of the Domestic Anritsu Group companies.

Activities and Achievements

In March 2006, Anritsu declared its support for and participation in the Ten Principles of the UN Global Compact (UNGC). Anritsu Group as a whole promotes initiatives that respect human rights alongside its sustainability-related

activities. For the purpose of deepening understanding of the Anritsu Group Charter of Corporate Behavior and the Anritsu Group Code of Conduct, Anritsu Group employees are required to annually review the Anritsu Group Code of Conduct through an online program and submit a written confirmation of their intention to observe the code. In fiscal year 2021, written confirmation was submitted by 99.4% of employees in the Domestic Anritsu Group and 100% of those in Overseas Anritsu Group.

We use the responses to annual corporate ethics surveys to assess human rights risks and reduce them, which included optimizing working hours and eliminating all types of harassment in fiscal year 2021.

Human Resources

Workstyle Reform

Life-Work Balance

Placing the lifestyle of each individual at the center of how they spend the 24 hours of each day and where they place work in that day, Anritsu Group is focused on enabling its employees to enjoy a harmonious life-work balance (we use this term to emphasize “life” first, rather than the more common “work-life balance”). In fiscal year 2021, we introduced a system for tracking and visualizing screen time on the computers of teleworking employees to reduce over-time. As a result, the average annual total of overtime in the Domestic Anritsu Group decreased by 36% and 6.5% from fiscal year 2019 and fiscal year 2020, respectively. We will continue to improve working conditions in fiscal year 2022 under our workstyle reform.

In regard to childbirth and childcare, we offer programs that exceed legal requirements including in terms of leave, reinstatement, and shorter working hours, both before and after childbirth as well as during child-rearing. In fiscal year 2022, we extended the childcare leave period by one year, allowing employees to take the leave until the end of April of the following year in which their child turns two, instead of one. During fiscal year 2021, seven female and seven male employees took childcare leave. Efforts by labor and management through the Committee for Promoting Life-Work Balance are also underway. Anritsu was recognized as a “company supporting child-rearing” by the Ministry of Health, Labour and Welfare in 2015 and 2018 and was awarded the Kurumin Triple Star Certificate by the Ministry in 2020.



Employee Satisfaction Survey

In order to maximize employee performance, it is important to foster employee engagement by creating a supportive workplace environment and boosting each employee’s work satisfaction. Domestic Anritsu Group conducts an engagement survey with all employees every year to ascertain their levels of satisfaction and identify issues that may need to be addressed. The survey results are disclosed to all employees through the intranet, and departments receive feedback for applying the results to improve their workplace environments.

We have also introduced a Self-Reporting System as an opportunity for employees to discuss their career aspirations with their supervisor annually. Starting in fiscal year 2022, the interviews are conducted twice a year and now include additional sharing of information on roles and also providing employee feedback.

Results of the Engagement Survey

	FY2017	FY2018	FY2019	FY2020	FY2021
Response rate	93 %	92 %	98 %	98 %	97 %
Satisfaction with the workplace	88 %	88 %	87 %	90 %	90 %
Satisfaction with work	70 %	70 %	70 %	75 %	75 %

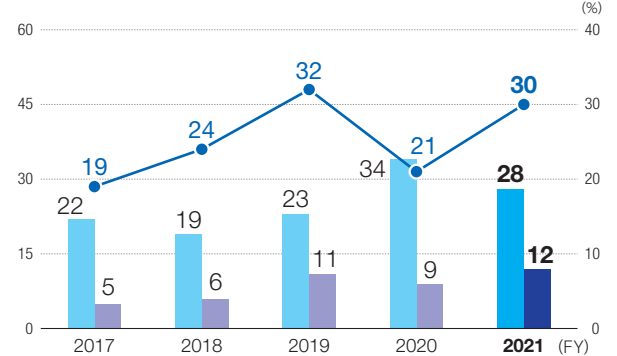
Satisfaction = positive responses (ratio of those who are “very satisfied” and “satisfied”)

Promoting the Advancement of Female Employees

Women-focused recruiting and career-development initiatives are underway at Anritsu to support female employees more directly involved in the process of growing the Company and raising its corporate value while also supporting them to maintain a life-work balance.

The female participation rate of the tier-based training system for leaders and sub-leaders increased to 15% in fiscal year 2021. Other measures, such as the training program aimed at supporting the advancement of women’s careers, also proved to be successful, leading to the appointment of two female managers in fiscal year 2020 and two more in fiscal year 2021 (14% of all newly appointed managers in both years).

Ratios of Female Employees Among New Graduate Recruits of ANRITSU CORPORATION



■ Male (Left axis) ■ Female (Left axis) — Ratio of female employees (Right axis)
*Aggregate for the fiscal year in which recruitment was conducted

In April 2022, we introduced a new career path program with an emphasis on life-work balance that allows female employees to work in a style that meets their stage in life stage and personal needs and to advance their career while also contributing to business performance and solutions.

Anritsu hires employees on a gender-neutral basis in all positions, be they in office administration or technical

areas. We have set a target of raising the ratio of female employees to 20% of all new recruits. The ratio of women among all new hires in April 2022 was 30%, exceeding the target for the fourth consecutive year since 2019. We will keep working on this target ratio to further increase the ratio of female employees with the hope that many will become significant assets for the Anritsu Group.

Investment in Human Capital

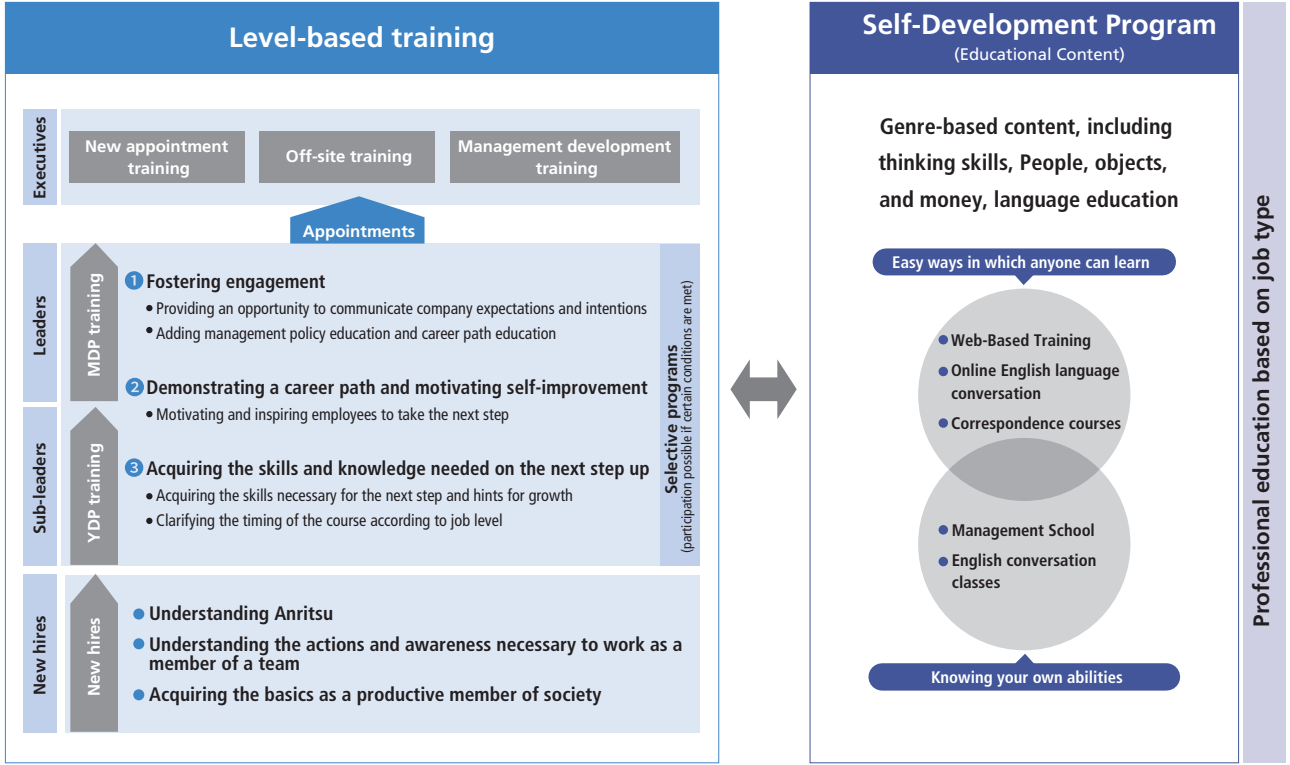
To encourage employees to develop and upgrade their strengths at their own initiative, and thereby drive future corporate growth, we provide employees with on-the-job training and off-the-job education. Off-the-job education is built on the concept of voluntary choice of what and when to learn. Comprised of level-based training and a self-development program (Learning Content), the education programs are shared across the Anritsu Group.

We are working to provide specialized training for engineers across all business departments throughout the Anritsu Group. In fiscal year 2021, employees of the Domestic Anritsu Group received an average of 7.0 hours of training conducted by the Human Resource Department.

We conduct YDP and MDP training programs with a primary focus on developing leaders and sub-leaders who will lead the next generation of the Anritsu Group. The program content was renewed in 2021 with the aim of developing human resources who can increase engagement and link their own growth to that of the Company. This training is designed to clearly communicate the Company’s expectations and intentions, motivate employees to self-improvement, and support their growth.

In fiscal year 2022, we will start a new career program for middle-aged and senior employees, apart from the life planning seminar we have held for a number of years, because we are living in the age of 100-year life spans.

Human Resource Development Programs



Climate Change Initiatives



* TCFD (Task Force on Climate related Financial Disclosures) is an international initiative established by the Financial Stability Board (FSB) in 2015 at the request of the G20 to improve the disclosure of information on the financial impact of climate-related risks and opportunities.

Disclosure in Line with TCFD Recommendations

Governance

The Group CEO and CFO are responsible for promoting climate change-related initiatives under the supervision of the Board of Directors. The Group follows a risk management system for comprehensively managing risks across the Group, and climate change-related risks and opportunities are also integrated into this system.

The Chief Environmental Officer (currently appointed to the President and Group CEO) is responsible for the management of these climate change-related risks and opportunities. The Chief Environmental Officer oversees the Environment and Quality Promotion Department, which plays the central role in the Anritsu Group’s environmental strategies, and chairs the Global Environmental Management Meetings and the Environmental Management Committee in Japan. This structure ensures that risk management is given due consideration, planned, executed, and consistently managed across the global organization. In addition, the Chief Environmental Officer periodically reports the results of the annual management cycle of risks and opportunities to the Management Strategy Conference and the Board of Directors meeting and receives guidance from the management team.

Strategy

Anritsu analyzes climate change-related risks and opportunities under the 1.5°C and 4°C scenarios. We created an inventory of potential risks and opportunities, in short- (1 year), mid- (3 year), and long-term (up to 30 year) timeframes, and based on

the likelihood of their materializing and relative impact, we identified critical risks and opportunities that must be addressed. We identified risks and opportunities under both scenarios that could expose us to regulatory changes or even physical damage, and we have explored countermeasures.

Anritsu has positioned climate change as the most critical management issue, and we have developed a transition plan that takes into account the impact on our business strategies, finance, and the entire value chain. The plan has been certified by the Science Based Targets initiative (SBTi). To achieve the reduction targets, we are working on initiatives such as the “Anritsu Climate Change Action PGRE 30*,” which invests in renewable energy generation facilities to expand our capability for consuming the energy we generate, collaborating with suppliers to reduce their greenhouse effect gas emissions, strengthening our product assessment process to promote the development of environmentally friendly and energy-efficient products, and strengthening our development and sales of products that promote the efficient use of energy. These efforts will reduce greenhouse gas emissions, which we believe is the most direct way to contribute to mitigating climate change. Moreover, we are building a robust production system to prepare against natural disasters, which are becoming more frequent and severe due to climate change. We are also strengthening our development and sales structure for products that help minimize damage from natural disasters associated with climate change.

* Private generation of renewable energy, and “30” refers both to the approximate target year 2030 for achieving the goal and to the target ratio of about 30%.

Risk Management

Anritsu manages climate change-related risks and opportunities in its medium-term management plan on environmental strategy, the GLP Environmental Initiative. As part of the initiative, the Chief Environmental Officer creates an inventory of climate change-related risks and opportunities, from sources such as the results of the annual environmental impact assessment conducted by each business division and Group company, as well as items raised in Environmental Management Committee and Global Environmental Management Meetings. Each risk and opportunity is assessed

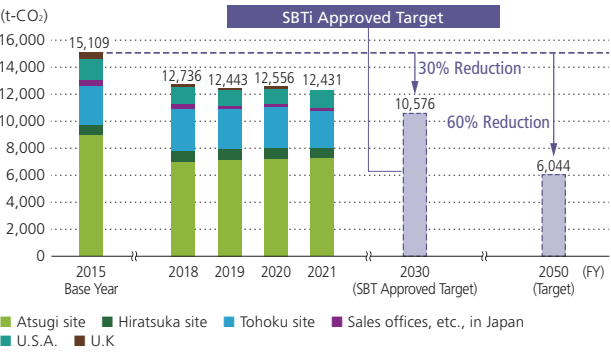
Indices and Goals

Goals	SBT	Fiscal 2021 Progress
Scope 1 and Scope 2: By fiscal year 2030, reduce the Anritsu Group’s greenhouse gas emissions by 30% compared to the fiscal year 2015 level	Approved in 2019	Reduced by 17.7% compared to fiscal year 2015
Scope 1 and Scope 2: By fiscal year 2050, reduce the Anritsu Group’s greenhouse gas emissions by 60% compared to the fiscal year 2015 level	Self-imposed target, not submitted to SBT Initiatives	
Scope 3: By fiscal year 2030, reduce the Anritsu Group’s greenhouse gas emissions resulting from purchased goods and services and the use of sold products by 30% compared to the fiscal year 2018 level	Approved in 2019	Reduced by 14.7% compared to fiscal year 2018
Anritsu Climate Change Action PGRE 30 Using the Anritsu Group’s energy consumption* in fiscal 2018 as a reference, invest in solar panels and increase the share of private renewable energy generation from 0.8% of its energy consumption to about 30% by around 2030	Outside the scope of SBT certification	Share of private renewable energy generation 16.8%

* Excluding AT Technac Co., Ltd. power consumption, which is not applicable to the wholly owned subsidiary

and its business impact is evaluated based on legal and regulatory requirements as well as global trends. The results are used to identify key risks and opportunities and determine measures and initiatives to address them. The GLP Environmental Initiative is reviewed annually to ensure progress on each risk and opportunity. As necessary, key risks and opportunities are re-evaluated and approved in the Management Strategy Conference and the Board of Directors meeting. In addition, climate change-related risks and opportunities are integrated into the risk management system that comprehensively manages risks across the Group.

CO₂ Emissions and Reduction Targets in Scope 1 and Scope 2 (Market-Based)



We are formulating specific long-term measures to achieve carbon neutrality by 2050. A key theme in the GLP2023 Environmental Initiative is the Formulate and Implement Carbon Neutrality Plan 2050. We plan to strengthen our SBT-certified reduction targets and revise them in light of the 1.5°C scenario.

▶P.21 See GLP2023 Sustainability Targets for interim GHG reduction targets

Risks and Opportunities, and Scenario-Based Analysis

Type	Contributing Factor	Scenario	Detailed Description	Possible Impact	Impact Level*	Measures
Transition risk	Implementation of carbon taxes	1.5°C	To accelerate the transition to a decarbonized society, various countries will begin imposing taxes on the use of fossil fuels.	As we expect that a carbon tax will be imposed in Japan by 2030, greenhouse gases associated with business activities will be taxed, which will increase operating costs.	Medium - large	By reducing Scope 1 and 2 emissions, we will prepare for the additional cost associated with a carbon tax.
Physical risk	Natural disasters becoming more frequent and severe	4°C	The increase in global average temperature will accelerate and intensify extreme weather events in many regions.	Damage from typhoons and floods will impact factory operations and procurement of materials.	Large	Tohoku Anritsu Co., Ltd, the production center for the Anritsu Group, built its second factory in a flood-free zone and relocated its main production lines there in 2013. The remaining production lines in the first factory were moved to the second floor. In June 2022, a new building was built in the second factory to further reduce the risk of disasters. We are mapping the main manufacturing and sales locations of our suppliers to minimize the impact on procurement in the event of a disaster. We are implementing a mechanism that allows us to procure from several companies.
Opportunity	Change in energy mix	1.5°C	In the transition to a decarbonized society, the energy mix will change and share of renewable energy generation will increase.	The grid electricity rate is expected to rise, but the cost of installing solar power generation equipment is expected to fall. Use these opportunities to accelerate the installation of solar power generation equipment for our own consumption.	Medium - large	By promoting PGRE 30, we will increase the ratio of private renewable energy generation and reduce the amount of purchased electricity. In 2022, we plan to install mega solar facilities and storage batteries in Tohoku Anritsu’s second factory.
	Advancements in energy-saving technologies	1.5°C	Investment in energy-saving technologies will become more aggressive, and technological innovation will advance and become widely available.	We will incorporate energy-saving technologies into our products and improve their environmental value.	Medium - large	We will strengthen our product assessment process to promote the development of environmentally friendly and energy-efficient products. In addition, we will actively incorporate energy-efficient components into product design.
	Change in market	1.5°C	Rising public awareness of environmental issues will lead to increased demand for products that offer greater functionality and higher environmental performance (e.g., energy savings).	The market for inspection solutions for the Food Processing Industry, such as highly accurate metal detectors, will become more competitive as they reduce food losses and associated resource consumptions. The demand to switch from fossil fuels to renewable energy sources will increase and transition to EVs will accelerate. This will result in boosting demand for evaluating equipment, which is essential for the development of energy-efficient power trains and batteries.	Medium - large	We will promote the development of products for the Food Processing Industry, such as more accurate and more energy-efficient metal detectors. We will develop and provide test solutions that accelerate the development of rechargeable batteries, fuel cells, and power trains in EVs.
	Natural disasters becoming more frequent and severe	4°C	The increase in global average temperature will accelerate and intensify extreme weather events in many regions.	Investment in disaster prevention equipment will increase and the demand for solutions to prevent and mitigate disaster risks, such as road and river monitoring, will also rise.	Medium	We will strengthen our sales structure for products that prevent and mitigate disaster risks, including our image information system “SightVisor™ Series”

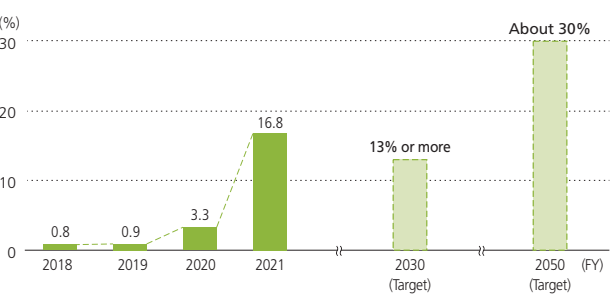
* Impact by scenario is determined based on the level of financial impact and likelihood that the risk or opportunity will materialize, and is made of five levels: Large, Medium-large, Medium, Medium-small, and Small.
* Reference Scenarios are as follows. Transition: IEA NZE by 2050, Physical: IPCC RCP 8.5
* The 4°C scenario is a world in which no further measures are taken to prevent global warming and the average temperature rises by 4°C above the pre-industrial level by the end of the century.
The 1.5°C scenario is a world in which stringent measures are taken to prevent global warming and the rise in average temperature is limited to 1.5°C above pre-industrial levels by the end of the century.

Activities

Progress on Anritsu Climate Change Action PGRE 30

We established the Anritsu Climate Change Action PGRE 30* (PGRE 30) in fiscal year 2019 as an additional measure for achieving the reduction target for greenhouse gas emissions (Scope 1 and Scope 2). Using the Anritsu Group’s energy consumption in fiscal year 2018 as a reference, the plan is intended to invest in solar power generation facilities (a renewable energy source) and increase the private renewable energy generation ratio from 0.8% to about 30% by around 2030. In fiscal year 2020, we installed a 1,100-kW solar power generation facility at Anritsu Company (U.S.A.), which

PGRE30: Private Solar Power Generation Ratio



started generating electricity in October 2020. In fiscal year 2021, we achieved a private renewable energy generation ratio of 16.8%, exceeding the GLP2023 target of at least 13%. In fiscal year 2022, we plan to expand solar power generation facilities and install storage batteries at the Tohoku site in Koriyama City, Fukushima Prefecture. We also intend to expand the generation capacity in the Atsugi site.

Climate Change Survey Results by CDP

The score for Anritsu’s response to the CDP questionnaire on climate change for fiscal year 2021 was “B: Management level,” which is the same score as fiscal year 2020. (This means that the Company is taking action to mitigate climate risk and its impact.)

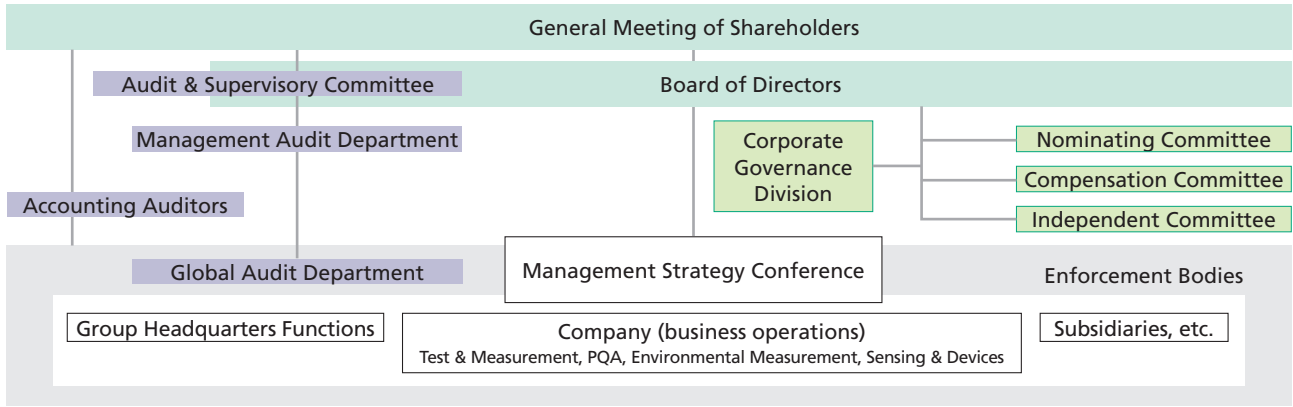
In addition, in CDP’s Supplier Engagement Rating (SER) in fiscal year 2021, we were selected as one of the Supplier Engagement Leaders for the second consecutive year (the highest rating). SER is designed to evaluate how well companies collaborate with their suppliers on climate change-related issues. In fiscal year 2021, the top 8% of all companies that responded to the survey (over 500 companies worldwide, 105 companies in Japan including Anritsu) were selected.



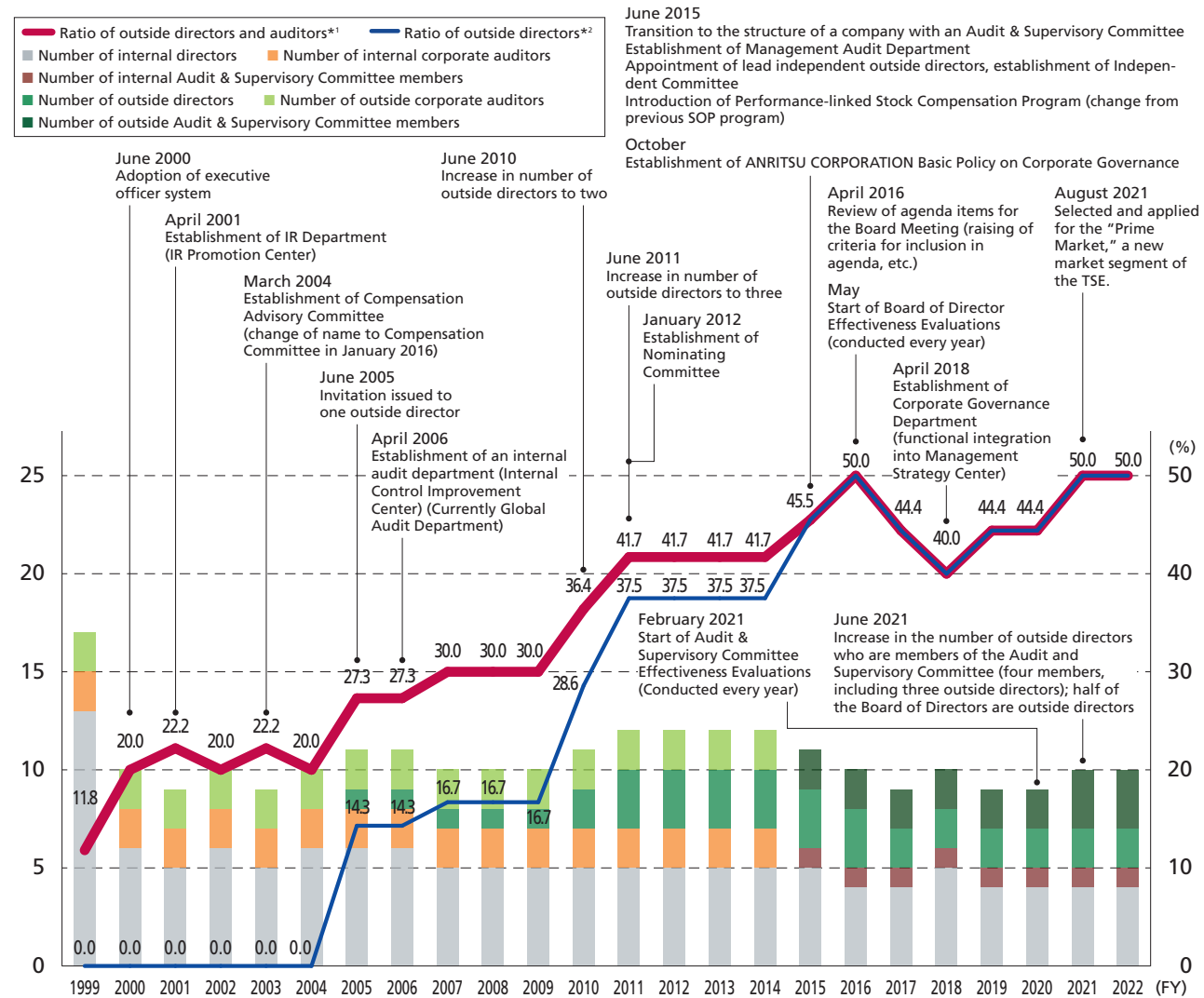
Corporate Governance

Corporate Governance Structure

Anritsu adopts a “Company with an Audit Committee.” The corporate governance structure is as follows.



Initiatives to Strengthen Corporate Governance



Basic Philosophy of Corporate Governance

Anritsu Group’s management priority is responding to changes in the operating environment in a flexible and speedy manner, improving competitiveness as a global company and continuously enhancing corporate value. To address these issues, we are working to build an environment and structure where corporate governance can function effectively. Over the medium term, Anritsu is working to strengthen corporate governance from the following perspectives: (1) Greater management transparency, (2) Appropriate and timely disclosure of information, (3) Stronger management supervision, (4) Management resources development.

Going forward, Anritsu Group will continue to fulfill its corporate mission with sincerity, harmony and enthusiasm as stated in its company philosophy. By implementing measures needed for Anritsu to build a corporate culture that respects the rights and interests of all stakeholders, including shareholders, customers and employees, and maintains and strengthens internal systems.

Current Corporate Governance Structure

As a manufacturer of products that require a high degree of expertise, since 2000 Anritsu has implemented a system of “*shikko-yakuin*” (Vice Presidents) to reflect the voice and views of persons knowledgeable in the field into quick decision-making on business execution and to allow senior management to exercise precise managerial skills. We have long recognized that strengthening corporate governance is an important undertaking. Therefore, in addition to the appointment of several independent outside directors, we have established the Nominating Committee and the Compensation Committee as voluntary advisory bodies to the Board of Directors which consist mainly of outside directors, in order to ensure transparency and accountability. In addition, Anritsu has adopted a “Company with an Audit & Supervisory Committee” structure to enhance its auditing and supervisory functions.

Of the ten directors, six are non-executive directors (including five independent outside directors). Moreover, the attendance rate of outside directors at Board of Directors meetings in fiscal year 2021 was 96.9%.

ANRITSU CORPORATION Basic Policy on Corporate Governance

<https://www.anritsu.com/en-us/about-anritsu/corporate-information/corporate-governance>

Board of Directors

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

Anritsu has strengthened the monitoring and supervision functions of the Board of Directors through the inclusion of multiple outside directors into the board. In Board of Directors’

meetings, directors who possess wide-ranging knowledge and experience express opinions regarding agenda items proposed by company management from their respective viewpoints and engage in active discussion. The current Board of Directors consists of five internal directors and five outside directors (with both groups including directors who are Audit & Supervisory Committee members), for a total of ten Board of Directors members.

Criteria for Selection of Directors

Selection of Internal Directors

The Company considers internal director candidates who have advanced expertise and who can be expected to display high competence in business execution while contributing to business performance. Comprehensive human resource evaluations rest on five factors: the power of empathy and awareness with the Company’s vision and policy, high character, initiative, the power of action, and rationale thinking power, strategic and conceptual thinking power, and high ethical values.

Selection of Outside Directors

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

Corporate Governance

Reasons for Selection of Internal Directors

Name	Reason for selection
Hirokazu Hamada	Tasked with product development and domestic and overseas marketing at the Test and Measurement Business, which is a core business of the Anritsu Group, Mr. Hamada has extensive knowledge and experience concerning business, including industry and technology trends. He is currently the President and Representative Director of Anritsu and has displayed leadership as Group CEO, including leading the Group in its global expansion. Mr. Hamada was deemed qualified as a director for his abundant knowledge and experience as a manager.
Akifumi Kubota	Having been in charge of the Accounting & Control Department for Anritsu and overseas subsidiaries, Mr. Kubota is now responsible for finance strategy and Group business administration as CFO and Chief Corporate Officer. Mr. Kubota was deemed qualified as a director for his extensive knowledge and experience in the areas of finance, accounting, and corporate governance.
Masumi Niimi	Mr. Niimi was deemed qualified as a director for his experience with production management, corporate planning, and overseas subsidiary management at the Product Quality Assurance (PQA) Business, which has grown into a pillar of the Anritsu Group. Furthermore, he is deemed qualified for his wide-ranging knowledge and abundant experience, as well as for his display of leadership as the President of the subsidiary Infivis Company, which handles the PQA Business.
Takeshi Shima	Mr. Takeshi Shima was deemed qualified as a director for his wide-ranging knowledge and abundant experience concerning global business, and for currently displaying leadership in Anritsu Group's core Test and Measurement Business as the President of the Test & Measurement Company.
Toru Wakinaga	Mr. Toru Wakinaga was deemed qualified as a director and Audit & Supervisory Committee member for his wide-ranging knowledge and abundant experience concerning Anritsu's global business, in addition to his support for the Audit & Supervisory Committee in the Management Audit Department, and for his abundant auditing experience concerning auditing processes.

Reasons for Selection of Outside Directors

Name	Reason for selection
Kazuyoshi Aoki	Mr. Aoki was deemed qualified to appropriately execute duties as an outside director due to his specialized knowledge and abundant experience of finance and accounting from his background as a manager responsible for finance and accounting at a listed company, and also for having a wealth of experience in global business.
Tatsuro Masamura	Mr. Masamura was deemed qualified to appropriately execute duties as an outside director for his specialized and wideranging knowledge of information and communications technology, as well as for his abundant experience and remarkable insight as a manager.
Norio Igarashi	Mr. Igarashi was deemed qualified to appropriately execute duties as an outside director for his specialized knowledge and abundant experience in finance and accounting as a certified public accountant and university professor, as well as for his wide-ranging expertise in management from his experience as an outside auditor of a listed company.
Nozomi Ueda	Ms. Ueda was deemed qualified to appropriately execute duties as an outside director for her specialized knowledge and abundant experience as an attorney.
Junichi Aoyagi	Mr. Aoyagi was deemed qualified to appropriately execute duties as an outside director for his specialized knowledge of finance and accounting as a certified public accountant, and for his abundant experience, which includes experience overseas.

Skills Matrix of Directors

The main areas of knowledge, experience, expertise and expectations of each of Anritsu Group's directors and Audit & Supervisory Committee Members are as follows.

Skills Matrix

	Name	Committee membership		Expertise possessed by each director, expecting areas							
		Nominating Committee	Compensation Committee	Corporate Management Business Strategy	Global International Experience	Sales and Marketing	Technology Research and Development	Industry Knowledge	Financial Accounting	Legal Compliance	ESG Sustainability
Director	Hirokazu Hamada	○	○	○	○	○	○	○			○
	Akifumi Kubota	○	○	○	○			○	○	○	○
	Masumi Niimi			○	○	○		○			
	Takeshi Shima			○	○	○		○			
	Kazuyoshi Aoki (outside)	○	○	○	○				○		
	Tatsuro Masamura (outside)	○	○	○			○	○			
Director who is an Audit & Supervisory Committee Member	Norio Igarashi (outside)	○	○	○	○				○		
	Nozomi Ueda (outside)	○	○							○	○
	Junichi Aoyagi (outside)	○	○		○				○		
	Toru Wakinaga			○	○	○		○			

Note: The above list does not represent all of the knowledge, experience, etc. possessed by each director.

Composition of the Audit & Supervisory Committee and Voluntary Committees

Organization	Audit & Supervisory Committee	Nominating Committee	Compensation Committee	Independent Committee
Composition	<div><div><div>☆</div><div></div><div></div><div></div><div></div></div><div><div>●</div><div>Norio Igarashi ☆</div><div>●</div><div>Nozomi Ueda</div></div><div><div>●</div><div>Junichi Aoyagi</div><div>●</div><div>Toru Wakinaga</div></div></div>	<div><div><div>☆</div><div></div><div></div><div></div><div></div><div></div><div></div></div><div><div>●</div><div>Kazuyoshi Aoki ☆</div><div>●</div><div>Tatsuro Masamura</div><div>●</div><div>Norio Igarashi</div><div>●</div><div>Nozomi Ueda</div></div><div><div>●</div><div>Junichi Aoyagi</div><div>●</div><div>Hirokazu Hamada</div><div>●</div><div>Akifumi Kubota</div></div></div>	<div><div><div>☆</div><div></div><div></div><div></div><div></div><div></div><div></div></div><div><div>●</div><div>Tatsuro Masamura ☆</div><div>●</div><div>Kazuyoshi Aoki</div><div>●</div><div>Norio Igarashi</div><div>●</div><div>Nozomi Ueda</div></div><div><div>●</div><div>Junichi Aoyagi</div><div>●</div><div>Hirokazu Hamada</div><div>●</div><div>Akifumi Kubota</div></div></div>	<div><div><div>☆</div><div></div><div></div><div></div><div></div><div></div><div></div></div><div><div>●</div><div>Kazuyoshi Aoki ☆</div><div>●</div><div>Tatsuro Masamura</div><div>●</div><div>Norio Igarashi</div></div><div><div>●</div><div>Nozomi Ueda</div><div>●</div><div>Junichi Aoyagi</div></div></div>
Purpose	Anritsu established the regulations for the Audit & Supervisory Committee system and the accompanying subsidiary rules and at the beginning of the term, the selection of chairperson, the selection of full-time directors, the allocation of auditing work, and other matters necessary to carry out the duties of the Audit & Supervisory Committee members are agreed. The committee reviews the audit results of the previous fiscal year, evaluates risks of management concerns for the current fiscal year, and deliberates on and formulates audit policies, priority audit items, annual audit plans etc.	Bears the duties of supplementing the role of the Board of Directors in the appointment, selection, removal, and dismissal of directors and executive officers. Improving validity and transparency in the appointment, selection, removal, and dismissal of directors and executive officers.	Bears the duties of supplementing the role of the Board of Directors in determining compensation for directors and executive officers, and improving the fairness, validity, and transparency of compensation.	Composed of five independent outside directors; the Independent Committee holds twice-yearly regular meetings as well as conferences before and after meetings of the Board of Directors as needed, with the aim of ensuring the supervisory functions of the Company from an independent standpoint.

●

 Internal Director

●

 Outside Director ☆ Chairperson

Meetings Held for the Board of Directors and its Advisory Committees (FY2021)

April	May	June	July	August	September	October	November	December	January	February	March
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BD

 Board of Directors

AS

 Audit & Supervisory Committee

C

 Compensation Committee

N

 Nominating Committee

I

 Independent Committee

Evaluating the Efficacy of the Board of Directors

In the Anritsu Group's Basic Policy on Corporate Governance, in order to achieve sustainable growth and increase corporate value over the midium- to long-term. The Board of Directors stipulates that it will enhance its effectiveness by playing a leadership role by continuously improving the decision-making process and strengthening the supervisory function, which are prerequisites for sound risk-taking. Each director will bring his or her experience, skills, and knowledge to bear, in pursuit of a better balance between the decision-making and supervisory functions of the Board of Directors. Therefore, the Board of Directors will annually review the effectiveness of the Board of Directors, using each item of the basic policy as an evaluation axis, and will work to improve and strengthen the effectiveness of the Board of Directors.

Results of Evaluating the Efficacy of the Board of Directors (FY2021)
The Board of Directors affirmed that its composition is appropriate in terms of the presence and number of internal and outside management personnel. This is to enhance the Company's global management structure with the aim of business expansion and taking into account the source of the Group's corporate value. It also affirmed that structures are in place for conducting constructive discussions and decision-making concerning key matters involving the management of the Group and for supervising business execution by directors. The board further confirmed that directors who are constituent members of the Board of Directors, Audit & Supervisory Committee, Independent Committee, Nominating Committee, and Compensation Committee fully understand the roles that they should carry

Corporate Governance

out to achieve improvement of corporate value and continuous growth with sustainable superior profits for the Group, and that, in respective committee meetings, the directors display insight and expert knowledge based on diverse experience and that all, internal and outside directors alike, engage in active discussions.

The Board of Directors, by encouraging substantive and effective discussions at board meetings and by encouraging the use of the Nominating and Compensation Committees, identified issues that will lead to effective management oversight and also shared approaches toward improving them. The outline of the meeting is as follows:

- Establishment of themes for deliberation and preparation of materials with a focus on medium-to long-term strategies, human capital, risk management, etc.
 - Have an appropriate understanding of stakeholder reactions to corporate actions, etc.
 - Set up education sessions for outside directors and share information on committee meeting schedules and agendas, etc.
 - Provide ample feedback on issues identified in free discussions
 - Strengthen risk management through visualization of risk responses, etc.
- The Board of Directors of the Company will enact neces-

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

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

FY2021-Main Themes for Deliberation at the Board of Directors-Number of Reports Submitted

Category	Number of Reports
Management Strategy/Sustainability/Governance/General Meeting of Shareholders	16
Business Related	17
IR, SR	8
Budget/Settlement of Accounts/Dividends/Finance Related	16
Internal Control/Risk Management/Compliance Related	9
Human Resource/Nomination/Compensation	17
Audit & Supervisory Committee/Accounting Auditor	4
Individual Projects (Investment and Loan Projects etc.)	24
Total	111

Officers’ Compensation

The composition and level of compensation for Anritsu’s officers (directors [excluding directors on the Audit & Supervisory Committee], executive officers, and directors) are determined in light of research data on officers’ compensations conducted by outside research agencies for the composition of remuneration types and payment levels. The Company intends to enable the officers’ compensations to function as incentives to improve the business performance in each business year and corporate value over the medium-to long-term. In determining the payments, the Company takes into consideration a balance between the fixed remuneration based on each officer’s job responsibility and the performance-linked compensation. The Company’s basic policy on compensation for officers is as follows:

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

Compensation Structure

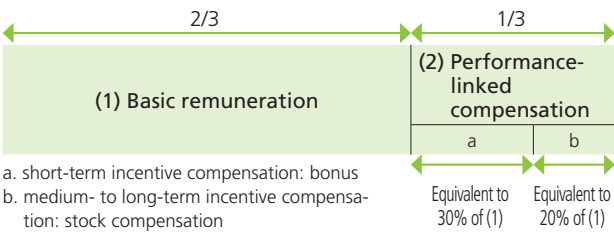
Under the officers’ compensation structure, the amount equivalent to 50% of their basic remuneration is calculated as the performance-linked compensation. In this regard, the Company has introduced a system to motivate such directors to be as profit-conscious as shareholders and engage in management with awareness of the Company’s business performance from the medium- to long-term viewpoint and its stock value. However, in principle, the Company offers to non-executive officers (including outsider directors) fixed remuneration only.

Performance-linked compensation is intended to contribute to motivating each individual to strive to achieve performance targets toward the realization of the Company’s vision, and incorporates what are considered appropriate indicators for the Company for short-term incentive compensation, i.e., bonus, the amount of which is equivalent to 30% of the basic remuneration, and medium- to long-term incentive compensation, i.e., stock compensation, the amount of which is equivalent to 20% of the basic remuneration.

Main Evaluation Indicators of Performance-linked Compensation

In calculating the bonus, we use the consolidated ROE as

Image of officers’ compensation structure



an evaluation criterion for the degree of achievement of the Company’s overall performance targets for the relevant business year. To measure the contribution of a department or unit of which a particular director takes charge to the Company’s performance, we employ other indicators: i.e.,

the degree of achievement of projected sales, operating profit, and the degree of achievement of ESG/SDGs targets and the like. The actual progress toward non-financial targets set by directors, is also considered in their evaluation.

As a judging criterion for the stock compensation program, we use the operating profit targets set at the beginning of each business year in the mid-term management plan. The payment amount and the number of evaluation points (to be granted to directors, respectively) fluctuate between 0% and 100% depending on the achievement degree of their target level, with the exception of the portion that is not linked to business performance.

► For ESG/SDGs targets, see Goals for GLP2023 on P.21

Total amount of compensation for directors

Position	Number of directors	Amount of compensation, etc.			
		Monetary compensation		Non-monetary compensation	Total
		Basic remuneration	Bonus (performance-linked)	Stock compensation (performance-linked)	
Directors (excluding Audit & Supervisory Committee Members)	7	143 million yen	65 million yen	14 million yen	223 million yen
Of which, outside directors	3	19 million yen	–	–	19 million yen
Directors (who are Audit & Supervisory Committee Members)	6	51 million yen	–	–	51 million yen
Of which, outside directors	4	27 million yen	–	–	27 million yen
Total	13	194 million yen	65 million yen	14 million yen	274 million yen
Of which, outside directors	7	47 million yen	–	–	47 million yen

Notes: 1. The non-monetary remuneration, etc. will consist of Anritsu shares to be delivered under the stock compensation plan.
2. Anritsu does not pay bonuses or stock-based compensation to outside directors and directors who are Audit & Supervisory Committee Member.
3. None of the officers of the Company has a total of 100 million yen or more in consolidated compensation, etc. (including compensation as officers of major consolidated subsidiaries).
4. The above number of officers includes one director (excluding directors who are Audit & Supervisory Committee Members) who retired at the conclusion of the 95th Ordinary General Meeting of Shareholders held on June 24, 2021 and two directors who are Audit & Supervisory Committee Members (including one outside director).

Succession Planning Program

Anritsu has established a “Training Program for Next-Generation of Executives” to cultivate the next generation of management candidates. In order to select management leaders who will take the lead in realizing our vision for 2030, we have established the following Executive Management Values as five critical factors in candidate evaluation: the power of empathy and awareness with the Company’s vision and policy, high character, initiative, the power of action, and rationale thinking power, strategic and conceptual thinking power, and high ethical values. Candidates are reviewed by the Group CEO on a case-by-case basis and on a two-year cycle with respect to these values. Training programs will be OJT/OffJT based on the results of the candidate’s evaluation, in order for the next generation of executives to gain more experience.

The power of empathy and awareness with the Company’s vision and policy

While resonating with the Anritsu Group’s Company philosophy, values, vision, policy, and the medium- to long-term management plan, being aware of what they should do for the organization and having the high aspirations to achieve it.

High-character

Management leaders always inspire the organization with their positive mindset. They approach those under their management as equals and make a point of respecting the personality and individuality of everyone around them. They also create ways for themselves and their teams to grow together through the fruits of their labor.

Corporate Governance

Initiative, the Power of Action and Rational Thinking Power

Having the initiative and logical thinking to always think and act on their own without trying to imitate others. Having the ability to take up the challenge of creating new value by putting themselves in the customer's shoes and aggressively generating new demand instead of defensively taking demand for granted.

Strategic and Conceptual Thinking Power

Having the ability to read the signs of the times from a global perspective and measure its impact on business and results. Management leaders do not limit business opportunities to individual tactical-level action plans, but are strategically

conceptualizing and drawing them up as larger business plans that can be shared across the organization and fit into the growth strategy story.

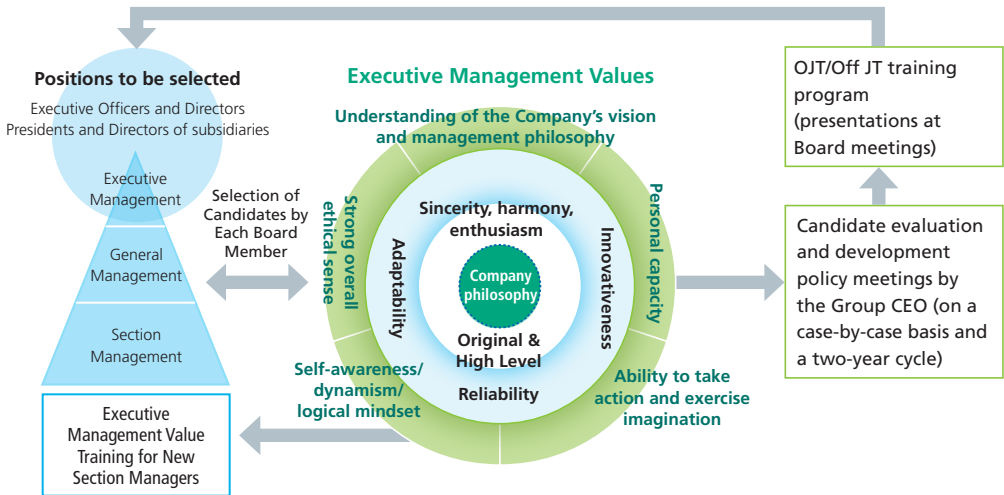
High Ethical Values

Anritsu Group must be a company with integrity that practices sincerity, harmony, and enthusiasm in order to fulfill and perpetuate its social mission.

Only when management leaders take the initiative to demonstrate integrity in their attitudes and actions, can an organizational culture of integrity be fostered.

Management leaders have high integrity of character, respectability, high ethical standards, and the inclusiveness to tolerate diverse values.

Selection and Training System for Executive Management



Cross-held stocks

With the objective of contributing to medium- to long-term improvement of corporate value, Anritsu may hold listed shares, primarily those of our major transaction partners, for policy reasons that include a comprehensive consideration of business strategies, sales policies, and the like. With regard to these listed shares held for policy purposes, we monitor the business conditions of the company held, annually review the significance and logic of continuing to hold the shares, give regular reports to the Board of Directors, and when further holding is not deemed necessary, consider disposing of the shares, such as appropriately selling them, taking into account share prices and market movements.

Anritsu's policy toward cross-held stocks is to limit such

holdings to those that are necessary for executing important business strategies, while striving to reduce cross-holdings overall.

Currently, Anritsu does not hold any investment shares whose purpose of holding is pure investment.

Number of Issues and Amount on Balance Sheet

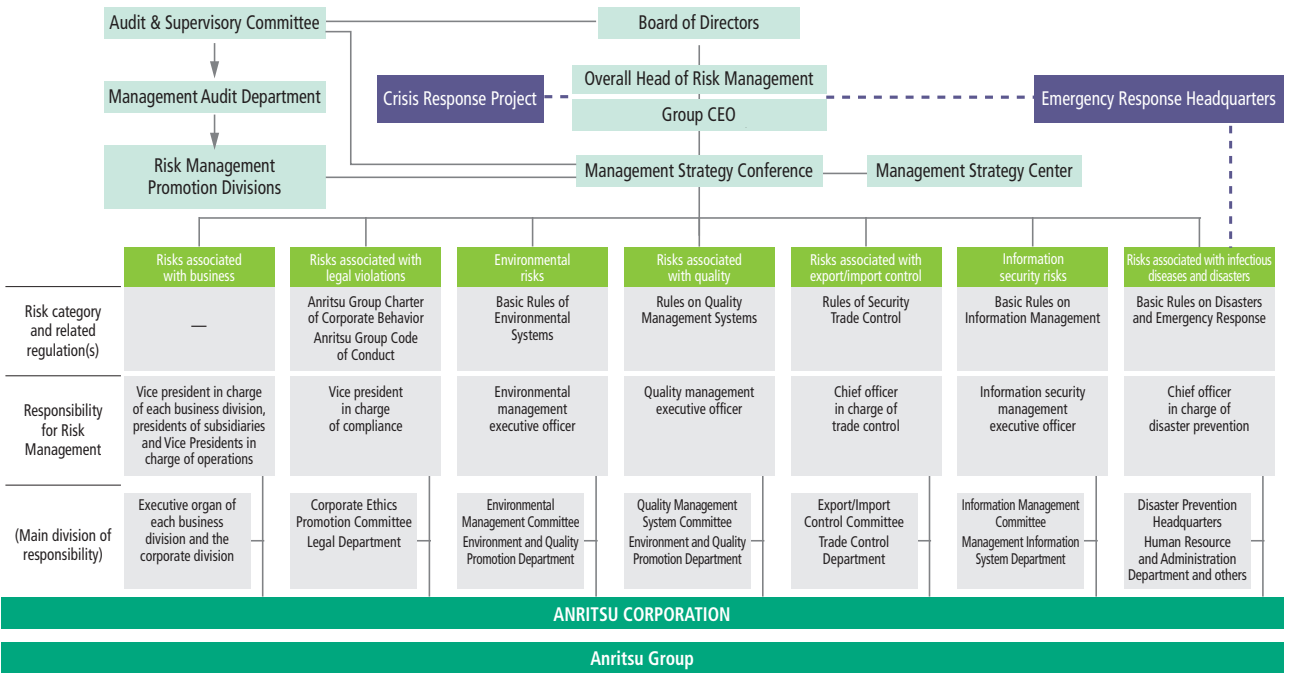
	Number of Issues	Total amount on the balance sheet (million yen)
Unlisted stocks	12	34
Stocks other than unlisted stocks	2	42

(There were no issues whose number of shares increased or decreased in FY2021.)

Risk Management

Anritsu Group recognizes that the appropriate management of risk is an extremely important managerial issue in order to continuously increase corporate value and fulfil its social responsibility, and has therefore established Group-level systems to manage it. Moreover, in order to maintain and increase our corporate value, fulfill our corporate social responsibility, and pursue sustainable development of Anritsu Group, the Company focuses on making management as well as all employees more sensitive to risk, and all hands-on initiatives that promote risk management.

Risk Management System



Potential Risks and Reponses

Main Risk Items	Potential Risks	Responses
(1) Business risks related to management decision-making and business execution	<ul style="list-style-type: none">Risks related to Anritsu Group's technology and marketing strategiesRisks related to market fluctuationsRisks related to strategic investmentsRisks related to overseas business developmentRisks related to product supply	<ul style="list-style-type: none">Risks related to foreign exchange fluctuationsRisks related to inventory obsolescenceRisks related to securing human resourcesRisks related to deferred tax assetsRisks related to defined benefit plan obligations <ul style="list-style-type: none">Understand customer needs and promote developmentUse open innovationMake investment decisions by verifying prior business plans and conducting due diligence. Develop and execute a Post-Merger Integration (PMI) plan for after the investment. Implement additional measures in response to changes in the business environmentComply with the Basic Rules of Procurement. Diversify suppliers in various geographic areas. Stabilize procurement prices through the use of long-term contracts, etc.Build a structure that is not affected by exchange rate fluctuations by establishing optimal procurement and production sharing linked to exchange rate fluctuations, and balancing imports and exports by currencyActively recruit diverse human resources regardless of nationality, sex, or status as new graduates or mid-career workers; strengthen internal human resource development; and create a work environment that accommodates diverse human resources
(2) Risks associated with legal violations	<ul style="list-style-type: none">Risks related to overseas business developmentRisks related to complianceRisks related to litigation	<ul style="list-style-type: none">Establish the Anritsu Group Code of Conduct as a behavioral guidelineConduct educational and awareness activities as neededAs for overseas, establish a global promotion system in cooperation with the officers in charge of compliance for each company
(3) Environmental risk	<ul style="list-style-type: none">Risks related to environmental issues	<ul style="list-style-type: none">In addition to compliance with international standards, set stricter voluntary control standardsUnderstand market trends and customer needsPractice thorough energy conservation, improve energy efficiency by updating aging equipment and buildings, and actively introduce renewable energy
(4) Risks associated with quality of products and services	<ul style="list-style-type: none">Risks related to product quality	<ul style="list-style-type: none">Thoroughly implement the quality management system and PDCA
(5) Risks associated with export/import control	<ul style="list-style-type: none">Risks related to overseas business expansion	<ul style="list-style-type: none">Ensure compliance with the law and provide education and training
(6) Information security risks	<ul style="list-style-type: none">Risks related to information security	<ul style="list-style-type: none">Strengthen information security systems, ensure confidentiality, limit access from outside the Company, maintain internal regulations, and provide education and training
(7) Risks associated with infectious diseases and disasters	<ul style="list-style-type: none">Risks related to the supply of productsRisks related to the spread of infectious diseasesRisks related to disasters, etc.	<ul style="list-style-type: none">Ensure strategic inventory of partsEstablish a system to promptly grasp the situationCreate a BCP (Business Continuity Plan) for each department

* Please refer to p.65-68 for details.

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.

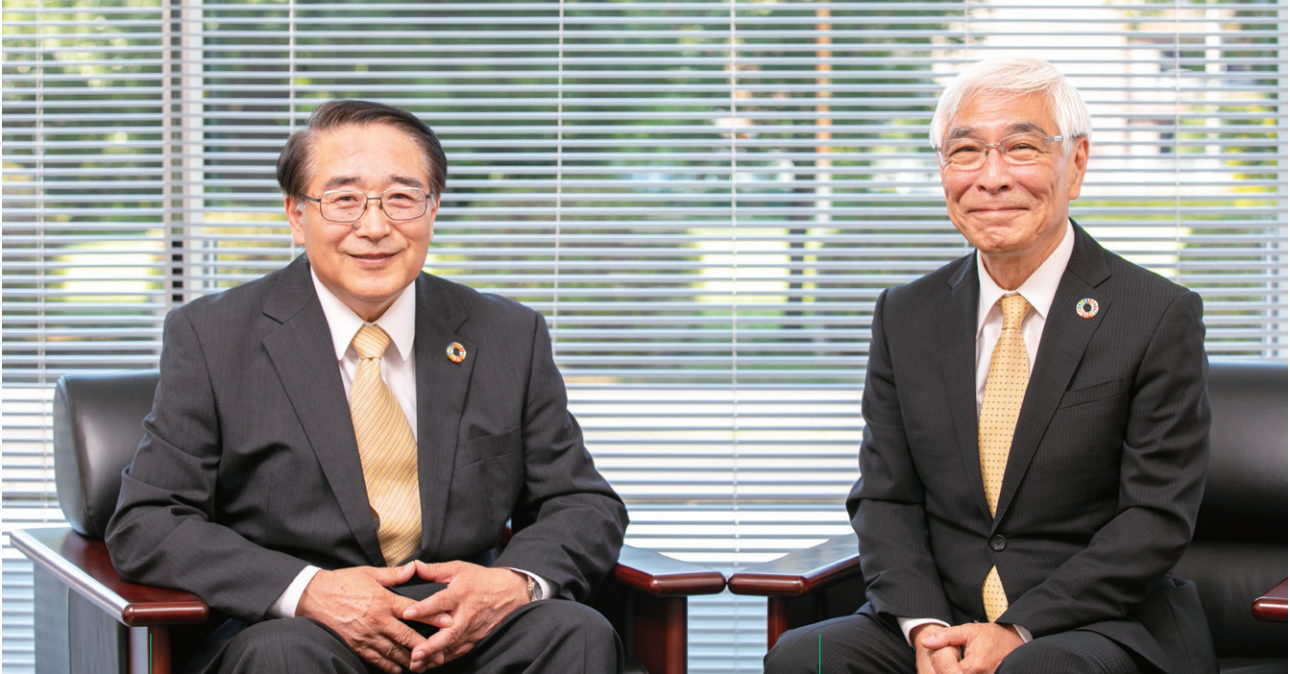
The Board of Directors' Current Status and Challenges for the Future

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.

Directors and Executive Officers



Representative Director

Hirokazu Hamada

Apr. 1988 Joined the Company
Apr. 2004 Senior Manager of 1st Development Dept. of IP Network Div., Measurement Business Group
Apr. 2011 Vice President of Anritsu Company (USA)
Apr. 2015 Vice President of the Company General Manager of R&D Div.
Apr. 2016 Senior Vice President Vice President of Measurement Business Group General Manager of Measurement Business Div.
Apr. 2017 Executive Vice President President of Measurement Business Group
Jun. 2017 Director of the Company
Apr. 2018 Representative Director, President President (Executive Officer) (Incumbent)
Jun. 2018 Representative Director (Incumbent)
Apr. 2019 Anritsu Group CEO (Incumbent)

■ Number of the Company shares owned 17,100



Director

Akifumi Kubota

Apr. 1983 Joined the Company
Apr. 2007 Senior Manager of Accounting & Control Dept.
Apr. 2010 Vice President Chief Financial Officer (CFO) (Incumbent)
Jun. 2013 Director of the Company (Incumbent)
Apr. 2017 Senior Vice President
Apr. 2018 Chief Corporate Officer (Incumbent) General Manager of Global Corporate Headquarters
Apr. 2019 Executive Vice President (Incumbent)
Oct. 2019 President of Anritsu U.S. Holding, Inc. (Incumbent)

■ Number of the Company shares owned 21,200



Director

Masumi Niimi

Apr. 1983 Joined the Company
Jun. 2006 Senior Manager of Manufacturing Dept., Manufacturing Div., Anritsu Industrial Solutions Co., Ltd. (Currently Anritsu Infvis Co., Ltd.)
Jun. 2008 President of Anritsu Industrial Solutions Thailand Co., Ltd. (Thailand)
Apr. 2011 Senior Manager of Planning Dept., Anritsu Industrial Solutions Co., Ltd. (Currently Anritsu Infvis Co., Ltd.)
Apr. 2012 Vice President of Anritsu Industrial Solutions Co., Ltd.
Apr. 2016 Vice President of the Company President of PQA Business Group Representative Director, President of Anritsu Infvis Co., Ltd.
Apr. 2018 Senior Vice President of the Company
Jun. 2018 Director of the Company (Incumbent)
Apr. 2021 Infvis Company President (Incumbent) General Manager of SCM Div., Infvis Company (Incumbent)

■ Number of the Company shares owned 15,200



Director* (Audit & Supervisory Committee Member)

Norio Igarashi

Apr. 1977 Registration of CPA
Jul. 1988 Representative Partner of Aoyama Audit Corporation
Sep. 2006 Representative Partner of Aarata Audit Corporation (Currently PricewaterhouseCoopers Aarata LLC)
Mar. 2007 Resigned from Aarata Audit Corporation
Apr. 2007 Professor, Graduate School of International Social Sciences, YOKOHAMA National University
Mar. 2013 Outside Corporate Auditor of Kao Corporation
Apr. 2014 Visiting Professor, Center for Economic Growth Strategy, YOKOHAMA National University
Jun. 2016 Outside Director (Audit & Supervisory Committee Member) of Mitsubishi UFJ Securities Holdings Co., Ltd.
Jun. 2017 Outside Director of the Company (Audit & Supervisory Committee Member) (Incumbent)



Director* (Audit & Supervisory Committee Member)

Nozomi Ueda

Apr. 1999 Registration of attorney-at-law Joined Tokyo Themis Law Firm (Currently Kioizaka Themis)
Mar. 2013 Partner of Kioizaka Themis Law & Patent Firm (Currently Kioizaka Themis) (Incumbent)
Jun. 2019 Outside Audit and Supervisory Board Member of mixi, Inc. (Incumbent)
Jun. 2021 Outside Director of the Company (Audit & Supervisory Committee Member) (Incumbent)



Director* (Audit & Supervisory Committee Member)

Junichi Aoyagi

Oct. 1986 Joined Tohatsu Awoki & Sanwa (Currently Deloitte Touche Tohmatsu LLC)
Mar. 1990 Registration of CPA
Jul. 1997 Deloitte & Touche Netherlands Japan desk manager
Sep. 2001 Tokyo office of Tohatsu & Co. (Currently Deloitte Touche Tohmatsu LLC)
Apr. 2004 Monitoring and Inspection Division of Executive Bureau, Certified Public Accountants and Auditing Oversight Board, Financial Services Agency
Jul. 2006 Partner of Tohatsu & Co. (Currently Deloitte Touche Tohmatsu LLC)
Aug. 2020 Resigned from Deloitte Touche Tohmatsu LLC
Sep. 2020 President of Junichi Aoyagi CPA Office (Incumbent)
Jun. 2021 Outside Director of the Company (Audit & Supervisory Committee Member) (Incumbent)



Director

Takeshi Shima

Apr. 1988 Joined the Company
Apr. 2009 Senior Manager of APAC Team Business Development Dept., Marketing Div.
Apr. 2012 Senior Manager of Wireless Device Manufacturing Solution Dept., Marketing Div.
Apr. 2014 Senior Manager of Project Team 3 Product Marketing Dept., Marketing Div.
Apr. 2016 Director of Global Business Development Dept., Measurement Business Div.
Apr. 2017 Vice President Chief Global Sales Officer General Manager of Global Sales Center
Oct. 2017 General Manager of APAC Sales Center
Apr. 2019 President of Anritsu Americas Sales Company
Jun. 2019 Director of the Company (Incumbent)
Apr. 2020 Senior Vice President (Incumbent) Test & Measurement Company President (Incumbent)
Feb. 2021 Chairman of Anritsu A/S (Denmark) (Incumbent)

■ Number of the Company shares owned 5,300



Director*

Kazuyoshi Aoki

Apr. 1979 Joined Kao Soap Co., Ltd. (Currently Kao Corporation)
Feb. 1994 Manager of Finance and Accounting Div., Wakayama factory, Kao Corporation
Jul. 2001 Senior Manager of IR Dept., Accounting and Finance Center, Kao Corporation
Mar. 2003 Controller of International Household Div., Kao Corporation
Mar. 2005 Vice Chairman of the Board and Vice President, Kao (China) Holding Co., Ltd.
May. 2007 Senior Manager of Accounting and Finance Div., Kao Corporation
Jun. 2012 Executive Officer in charge of Accounting and Finance, Kao Corporation
Jan. 2017 Resigned from Kao Corporation
Jun. 2019 Outside Director of the Company (Incumbent)
Jun. 2022 Outside Auditor of KAMEDA SEIKA CO., LTD.



Director*

Tatsuro Masamura

Apr. 1976 Joined Nippon Telegraph and Telephone Public Corporation (Currently Nippon Telegraph and Telephone Corporation)
Jan. 1999 Senior Manager of Planning Dept., NTT Network Innovation Laboratories
Apr. 2002 Chief of Wireless Research Lab., NTT DOCOMO, INC.
May. 2005 Advisor of Japan Radio Co., Ltd.
Jun. 2005 Board Director in charge of R&D, Japan Radio Co., Ltd.
Apr. 2006 Board Director, General Manager of R&D, Japan Radio Co., Ltd.
Apr. 2011 Board Director and Executive Officer, Assistant Director of Business, Japan Radio Co., Ltd.
Jun. 2012 Board Director and Executive Officer, General Manager of Quality Assurance and in charge of research lab., Japan Radio Co., Ltd.
Apr. 2014 Board Director and Executive Officer, General Manager of R&D, Japan Radio Co., Ltd.
Jun. 2015 Advisor of Japan Radio Co., Ltd.
Jun. 2018 Resigned from Japan Radio Co., Ltd.
Jun. 2021 Outside Director of the Company (Incumbent)



Director (Audit & Supervisory Committee Member)

Toru Wakinaga

Apr. 1984 Joined the Company
Oct. 2004 President of Anritsu Pte. Ltd (Singapore)
Apr. 2008 Assistant General Manager of APAC Sales Center, Sales & CRM Strategy Group
Apr. 2014 Vice President Chief of APAC Sales General Manager of APAC Sales Center
Oct. 2017 Chief of Americas Business President of Anritsu Company (USA)
Apr. 2018 Chief of USA Business
Apr. 2019 President of Anritsu U.S. Holding, Inc. (USA)
Oct. 2019 Senior Executive Officer Management Audit Dept.
Jun. 2021 Director of the Company (Audit & Supervisory Committee Member) (Incumbent)

■ Number of the Company shares owned 9,100

Executive Officers

Hirokazu Hamada☆

Representative Director
President
Group CEO

Akifumi Kubota☆

Executive Vice President
CFO
Chief Corporate Officer

Masumi Niimi☆

Senior Vice President
Infvis Company President

Takeshi Shima☆

Senior Vice President
Test & Measurement Company
President

Yasunobu Hashimoto

Vice President
Sensing & Devices Company
President

Hiroyuki Fujikake

Vice President
Chief SCM Officer

Tsutomu Tokuke

Vice President
Environmental Measurement
Company President

Akihiro Harimoto

Vice President
Chief Test & Measurement Company
Sales Officer

Masayoshi Fujiwara

Vice President
Infvis Company Japan Div Officer

Takashi Sakamoto

Vice President
Chief Human Resource and
Administration Officer

Shunichi Sugita

Vice President
Chief Business Strategy Officer

Kenji Tanaka

Vice President
Chief Global Sales Officer

Yukihiro Takahashi

Senior Executive Officer
CIO

Masahiko Kadowaki

Senior Executive Officer
Management Audit Dept.

Yoshiyuki Amano

Senior Executive Officer
Management Audit Dept.

Olaf Sieler

Executive Officer
Chief Business Development Officer

Hanako Noda

Executive Officer
CTO

Takashi Abe

Executive Officer
Infvis Company Global Div. Officer

Shinya Ajiro

Executive Officer
In charge of EV/battery business
development
Environmental Measurement
Company Vice President

☆ Concurrently serving as director

11-Year Summary of Selected Financial

ANRITSU CORPORATION AND CONSOLIDATED SUBSIDIARIES Years ended March 31, 2012-2022.

International Financial Reporting Standards (IFRS)				GLP2014		GLP2017		GLP2020		GLP2023		
Financial Information												Millions of yen
	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	
For the year:												
Revenue	93,622	94,685	101,853	98,839	95,532	87,638	85,967	99,659	107,023	105,939	105,387	
(Japan)	36,933	35,293	30,133	27,116	28,565	29,338	29,753	32,183	36,293	32,202	31,036	
(Overseas)	56,689	59,391	71,720	71,723	66,966	58,299	56,213	67,475	70,729	73,736	74,350	
Cost of sales	44,397	43,715	46,897	46,147	46,557	45,168	44,023	48,807	48,948	48,734	49,915	
Gross profit	49,225	50,969	54,955	52,692	48,974	42,469	41,943	50,852	58,075	57,204	55,472	
Selling, general and administrative expenses	23,065	24,346	28,621	29,605	29,621	27,198	26,563	27,944	28,036	26,793	27,913	
Operating profit	14,000	15,714	14,123	10,882	5,897	4,234	4,912	11,246	17,413	19,651	16,499	
Profit (loss) before tax	13,094	16,139	14,239	11,591	5,434	3,628	4,602	11,362	17,181	19,838	17,150	
Profit from continuing operations	7,972	13,888	9,318	7,874	3,767	2,734	2,898	8,991	13,397	16,143	12,841	
Net cash flows from (used in) operating activities	16,143	11,771	13,792	7,582	10,195	9,246	7,946	12,247	14,721	20,481	16,031	
Net cash flows from (used in) investing activities	(2,174)	(5,030)	(5,312)	(6,049)	(9,042)	(3,665)	(3,932)	(616)	(3,686)	(5,029)	(8,706)	
Net cash flows from (used in) financing activities	(2,264)	(10,035)	(4,359)	(11,234)	2,450	(2,758)	(8,201)	(2,052)	(7,592)	(14,458)	(13,395)	
Free cash flow	13,968	6,740	8,480	1,533	1,153	5,581	4,014	11,631	11,035	15,452	7,324	
Capital expenditures	3,200	4,562	5,355	9,612	5,399	2,588	3,430	2,436	4,518	5,449	5,658	
Depreciation and amortization	2,469	2,562	2,863	3,186	3,736	3,935	3,964	4,031	4,732	4,545	4,628	
R&D expense* ¹	9,842	10,323	12,488	13,366	13,089	11,212	10,556	12,008	13,321	11,246	11,386	
At year-end:												
Total assets	111,287	115,095	127,149	126,893	124,624	125,054	121,190	130,467	138,873	144,100	153,261	
Total equity	46,818	64,539	74,896	78,665	75,862	76,485	78,313	85,678	94,331	109,455	114,442	
Cash and cash equivalents	39,596	37,690	43,215	34,916	37,391	39,682	35,452	45,097	47,669	49,810	45,689	
Interest-bearing debt	31,417	20,191	19,192	16,241	22,159	22,228	16,165	16,435	14,594	5,848	6,521	
Segment information												
Test and Measurement Business												
Revenue	70,556	71,232	75,962	73,443	67,729	59,333	54,433	68,168	75,165	74,809	73,320	
Operating profit	13,841	15,048	13,011	8,943	4,706	2,130	1,825	9,413	15,148	17,714	15,202	
Operating profit margin (%)	19.6	21.1	17.1	12.8	6.9	3.6	3.4	13.8	20.2	23.7	20.7	
PQA Business												
Revenue	14,200	14,439	16,919	16,198	18,891	19,588	22,549	23,074	22,575	21,419	21,978	
Operating profit	570	829	1,208	824	1,194	1,302	1,969	1,609	1,287	1,340	1,173	
Operating profit margin (%)	4.0	5.7	7.1	5.5	6.3	6.6	8.7	7.0	5.7	6.3	5.3	
Other Business												
Revenue	8,866	9,014	8,970	9,198	8,910	8,716	8,984	8,416	9,282	9,709	10,089	
Operating profit	264	650	941	1,963	575	992	1,458	1,145	1,900	1,797	1,123	
Operating profit margin (%)	3.0	7.2	10.5	21.3	6.4	11.4	12.4	13.6	20.5	18.5	11.1	
Revenue ratio by Segment												
Test and Measurement Business	75	75	75	74	71	68	63	68	70	71	70	
PQA Business	15	15	16	16	20	22	26	23	21	20	21	
Other Business	10	10	9	10	9	10	11	9	9	9	9	
Revenue by region												
Japan	36,933	35,293	30,133	27,116	28,565	29,338	29,753	32,183	36,293	32,202	31,036	
Overseas	56,689	59,391	71,720	71,723	66,966	58,299	56,213	67,475	70,729	73,736	74,350	
Americas	19,885	22,667	28,858	24,367	23,246	19,633	17,419	26,429	20,773	21,380	23,065	
EMEA	12,549	12,615	14,601	15,885	13,537	12,520	12,781	12,170	10,693	11,021	11,605	
Asia	24,253	24,107	28,260	31,470	30,182	26,145	26,012	28,876	39,262	41,334	39,679	
Earnings per share:												
Basic earnings per share	62.17	98.41	64.93	55.72	27.38	19.65	20.97	65.20	97.20	117.18	93.98	
Diluted earnings per share	56.33	97.03	64.89	55.72	27.38	19.65	20.97	65.16	97.16	117.12	93.95	
Cash dividends	15.00	20.00	20.00	24.00	24.00	15.00	15.00	22.00	31.00	40.00	40.00	
Equity attributable to owners of parent	341.43	450.36	522.54	572.04	552.26	556.40	569.54	622.87	685.25	794.88	846.15	
Key financial indicators:												
Operating profit margin (%)	15.0	16.6	13.9	11.0	6.2	4.8	5.7	11.3	16.3	18.5	15.7	
Return on equity (%) ^{*2}	19.5	25.0	13.3	10.2	4.9	3.5	3.7	10.9	14.9	15.8	11.5	
Return on assets (%) ^{*3}	7.5	12.3	7.7	6.2	3.0	2.2	2.4	7.1	9.9	11.4	8.6	
Equity attributable to owners of parent to total assets ratio (%)	42.1	56.1	58.9	62.0	60.8	61.1	64.6	65.6	67.8	75.8	74.5	
Debt-to-equity ratio (%) ^{*4}	67	31	26	21	29	29	21	19	15	5	6	
Dividend payout ratio (%)	24.1	20.3	30.8	43.1	87.7	76.3	71.5	33.7	31.9	34.1	42.6	
Ratio of total amount of dividends to equity attributable to owners of parent (%) ^{*5}	4.9	5.1	4.1	4.4	4.3	2.7	2.7	3.7	4.7	5.4	4.9	

Note: 1. With amendment of IAS 19, FY2012 actual figures have been restated based on the revised accounting policies retrospectively
2. Amounts less than ¥1 million are rounded down

*1 R&D expense for FY2011 (IFRS) to FY2021 lists the amount invested in research and development, including partially capitalized development expenses. Accordingly, it is not the same as R&D expense listed on the Consolidated Statement of Profit or Loss and Other Comprehensive Income
*2 Return on equity: Profit attributable to owners of parent / Equity attributable to owners of parent (IFRS)

*3 Return on assets: Profit from continuing operations / Total assets (IFRS)
*4 Debt-to-equity ratio: Interest-bearing debt / Equity attributable to owners of parent (IFRS)
*5 Ratio of total amount of dividends to equity attributable to owners of parent: Total cash dividends / Net assets (IFRS: Total cash dividends / Total equity)

ESG Data

Non-Financial Information

Social:		FY2017	FY2018	FY2019	FY2020	FY2021	
Human resources	Number of employees (figures in parentheses are the number of employees at overseas Group companies)	3,717 (1,466)	3,778 (1,530)	3,881 (1,609)	3,954 (1,657)	4,168(1,662)	
	Average annual salary and average age of employees	Average annual salary (thousand yen)	7,309	7,658	8,204	7,833	7,609
	(Average of Anritsu Corp.)	Average age (years)	43.3	43.7	43.9	44.7	44.2
	Ratio of women in management positions (Women in management positions ÷ total management positions)	Japan	1.0%	1.1%	1.8%	2.3%	2.8%
		Americas	23.0%	20.2%	18.3%	17.9%	21.6%
		EMEA	22.1%	23.5%	21.6%	24.2%	20.3%
		Asia, other	21.6%	24.1%	23.4%	24.0%	23.7%
		Global total	9.9%	10.5%	10.4%	10.8%	10.9%
	Anritsu Corporation	Male	3	2	2	4	7
	Number of employees taking childcare leave	Female	8	4	7	5	7
	Rate of employees who took paid childcare leave (Anritsu Corp.)	Male	13%	8%	14%	17%	36%
		Female	100%	100%	100%	166%	87%
	Anritsu Corporation	Male	2	2	2	4	6
		Number of employees returning to work after childcare leave	Female	2	12	4	7
	Anritsu Corporation	Male	100%	100%	67%	100%	100%
		Ratio of employees returning to work after taking childcare leave	Female	100%	100%	100%	100%
	Anritsu Corporation	Male	100%	100%	100%	100%	100%
		Retention rate of employees one year after coming back from childcare leave	Female	100%	100%	100%	100%
	Training hours per employee	Hours	—	8.8	7.4	5.3	7.0
Occupational health and safety	Annual scheduled work hours (hours) Domestic Anritsu Group average	1877.3	1872.2	1875.2	1860.0	1867.8	
	Incidents of on-the-job accidents (cases) Domestic Anritsu Group total	7	6	4	5	4	
	Incidents resulting in absence (four or more days) (cases) Domestic Anritsu Group total number	0	0	1	0	0	
	Ratio of labor accidents (per one million hours)	0.00	0.00	0.65	0.22	0.00	

Environmental:						
CO ₂ emissions (Scope1, 2) (t-CO ₂)* ¹	Global total	12,797	12,736	12,443	12,556	12,431
Energy consumption (crude oil conversion basis) (kL)	Global total	7,698	7,774	8,274	8,436	6,909
Total energy consumption within the organization (GJ)	Global total	298,961	301,920	321,340	331,766	285,850
Subtotal of fuel derived from non-renewable energy sources* ²		24,066	24,364	23,539	23,268	21,995
Solar power generated in-house		783	812	859	3,208	16,110
Purchased electricity* ³		274,112	276,744	296,942	305,290	247,745
Water usage (m ³)	Global total	70,837	72,777	79,588	77,085	73,911
Total volume of discharged water (m ³)	Global total	58,373	58,530	64,978	63,105	59,117
Water discharged to sewers		47,170	47,167	53,267	53,497	48,566
Water discharged to rivers		11,203	11,363	11,711	9,608	10,551
Excellent eco-products (cumulative)	Number of registered equipment	49	49	52	53	53

*1 Scope 2 Guidance uses the market-based method.
*2 A Heavy oil, light oil, gasoline, etc.
*3 Source on conversion factor: "Manual for preparing the Regular Reports and Medium- and Long-Term Plans for specific operators under the Act on the Rational Use of Energy," prepared by the Agency for Natural Resources and Energy.

Governance						
Anritsu Group tax payments (billion yen)	Domestic total	—	—	2.7	4.4	—
	Overseas total	—	—	0.7	0.9	—
	Total	—	—	3.5	5.3	—

Management’s Discussion and Analysis

The Anritsu Group has adopted IFRS since the fiscal year ended March 31, 2013 and prepared consolidated financial statements in conformity with IFRS in the fiscal years 2015, 2016, 2017, 2018, 2019, 2020 and 2021.

The Scope of Consolidation

The Anritsu Group comprised 45 consolidated subsidiaries and 2 affiliates at the end of fiscal year 2021.

Overview

In the field of information and communication, which is the main field of Test and Measurement Business, 5G Smartphone penetration is slow despite operators in many countries have already launched 5G services due to reasons such as technical challenges in millimeter wave for 5G and delayed commercialization for C-band services in the United States. However, 3GPP completed standardization of release 17*1, targeting improved 5G efficiency and capability such as expansion of high frequency band, expansion of communication area, low-power consumption, and low-cost communication in March 2022. Even in the United States, where the deployment of commercial 5G using millimeter waves has been slow, the movement toward commercialization using the C-band*2, which is the sub-6 GHz band, is gaining momentum. In the area of 5G utilization, research and development in the automotive field as well as investigation and field trial for establishment of networks in private domains such as local 5G have started. Furthermore, research and development for the next generation communication standard, 6G, has begun.

In 5G networks, the O-RAN ALLIANCE has been working on open source activities for wireless access networks so that operators can build wireless networks more flexibly. By applying the O-RAN standard specifications to base station equipment that was previously configured with the manufacturer's proprietary interface, it has become easier to build multi-vendor radio access networks. As a result, operators around the world are introducing O-RAN, and the 5G base station market has become active.

Since the data traffic is expanding rapidly due to advancement of cloud computing services and the development of 5G services. Therefore, service providers that are pursuing high-speed networks are introducing 100Gbps services in earnest, and network equipment manufacturers are pushing development of 400Gbps network equipment.

Regarding COVID-19, an uncertain situation still remains such as lockdowns in some cities due to outbreak of new variants. In addition, there are other significant risk factors such as increasing geopolitical risk due to the worsening situation in Ukraine, a hike of resource prices, and the prolonged global semiconductor shortages.

Anritsu takes measures against parts procurement risk like semiconductor shortage, such as securing inventory in an organized way, creating structure like strong relationship with business partners in order to get information quickly. Furthermore, we attempt to change high risk parts to alternative items for minimizing the risk.

*1 Standard number used in 3GPP
*2 The name for one of the frequency bands (4 to 8 GHz) when dividing the microwave bands

Revenue

Amid such environment, the Test and Measurement Business Group has focused on solution development for the 5G investment demand as well as improvement of organizational infrastructure. Consequently, the group acquired development demand for 5G commercialization. Furthermore, it acquired development and production demand for higher-speed networks.

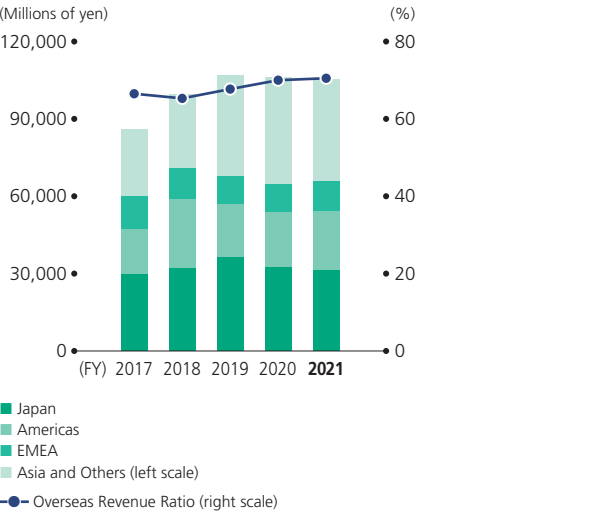
While in the field of PQA (Product Quality Assurance), automation investment on processed foods production lines is underway, and demand for contaminant inspection using X-rays and assurance toward packaging remained steady. Amid such an environment, the PQA Group has worked to reinforce competitiveness of its solutions focused on X-rays, as well as strengthen its sales structure.

Anritsu has listed “electric vehicles and battery measurement” as one of the key growth areas in our mid-term business plan GLP2023.

Anritsu group expanded its business foundation in January 2022 by acquiring Takasago, Ltd., which has electrical energy control technology for high voltage, large current and large capacity.

As a result, during the fiscal year ended March 31, 2022, orders increased 2.9% year on year to ¥110,665 million, and revenue decreased 0.5% to ¥105,387 million. Operating profit decreased 16.0% to ¥16,499 million, profit before tax decreased 13.5% to ¥17,150 million. Profit decreased 20.5% to ¥12,841 million, and profit attributable to owners of parent decreased 20.5% to ¥12,796 million.

Revenue by Region and Overseas Revenue Ratio



Cost of Sales and Gross Profit

Cost of sales increased ¥1,181million, or 2.4%, to ¥49,915 million. Cost of sales as a percentage of total revenue was 47.4%, up 1.4 percentage point year on year. Gross profit decreased ¥1,732 million, or down 3.0%, to ¥55,472 million. The gross margin amounted to 52.6%.

Management’s Discussion and Analysis

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

SG&A expenses increased 4.2%, or ¥1,120 million, year on year, to ¥27,913 million. Research and development (R&D) expenses increased 0.7%, or ¥72 million, to ¥10,980 million and amounted to 10.4% of consolidated total revenue. As a result of the above factors, operating profit decreased 16.0%, or ¥3,151 million, to ¥16,499 million. The operating profit ratio was 15.7%.

Year ended March 31	Millions of yen		YoY (%)
	FY2021	FY2020	
Personnel expenses	¥19,465	¥18,620	4.5
Travel and transportation expenses	510	325	56.9
Advertising expenses	1,527	1,458	4.7
Depreciation and amortization expenses	1,713	1,684	1.7
Others	4,695	4,706	(0.2)

Operating Profit and Operating Profit Margin



Profit before Tax and Profit

Operating profit decreased 16.0%, or ¥3,152 million, year on year to ¥16,299 million, profit before tax decreased 13.5%, or ¥2,688 million, year on year to ¥17,150 million. Profit decreased 20.5%, or ¥3,301 million, year on year to ¥12,841 million, and profit attributable to owners of parent decreased 20.5%, or 3,309 year on year to ¥12,796 million. Comprehensive income for the period decreased ¥3,787 million, to ¥16,080 million.

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

Year ended March 31	%		
	FY2021	FY2020	FY2019
Revenue	100.0	100.0	100.0
Cost of sales	47.4	46.0	45.7
Gross profit	52.6	54.0	54.3
SG&A expenses	26.5	25.3	26.2
R&D expenses	10.8	10.3	12.1
Profit	12.2	15.2	12.5

Shareholder Return Policies

Dividend Policy

The Company’s basic policy for returning profits to its shareholders is to distribute profits in accordance with its consolidated performance and by taking into account the total return ratio. With regard to dividends, while taking the basic approach of raising dividends on equity (DOE) in accordance with the increase in consolidated profits for the fiscal year, Anritsu aims at a consolidated dividend payout ratio of 30% or more. Anritsu’s basic policy is to make distributions of dividends, twice a year, consisting of a fiscal year-end dividend and an interim dividend by resolution of the General Meeting of Shareholders and by approval of the Board of Directors. Anritsu intends to carry out the purchase of treasury stock appropriately as necessary, by taking into account its financial situation, the trends in stock prices and other factors, in an effort to execute capital policies that respond flexibly to changes in the corporate environment. Anritsu’s basic policy is to apply retained earnings to research and development and capital investment in order to respond to rapid technological advances and changes in the market structure.

Cash Dividends per Share

Anritsu plans to pay a year-end dividend of 20.00 yen per share, and total dividends for the fiscal year will be 40 yen per share for the fiscal year ended March 31, 2022. For the fiscal year ending March 31, 2023, Anritsu plans to pay cash dividends of 40 yen per share (including an interim dividend of 20 yen per share).

Business Segments

The Anritsu Group classifies its operations into the segments of Test and Measurements, Products Quality Assurance, and Others. In order to evaluate each business segment more appropriately, the headquarters administrative expenses portion of general and administrative expenses for each business segment has been shifted to be included in company-wide expenses starting from the fiscal year ended March 31, 2021.

Test and Measurement

This segment group develops, manufactures and sells test instruments and systems for a variety of communication applications, and service assurance. The group delivers them to service providers, network equipment manufacturers, and maintenance and installation companies. During the fiscal year ended March 31, 2022, we captured demand for 5G chipset and mobile terminal development, together with demand related to development and production in anticipation of high-speed network transmission in data centers, etc. However, due to the global shortage of semiconductors and delays in the C-band commercialization schedule in the U.S., recording of some sales shifted and we saw the sales decreased year on year. Parts procurement costs and sales promotion costs increased. Our U.S. subsidiary recorded a loss on disposal of non-current assets of ¥355 million in second quarter. Consequently, segment revenue decreased 2.0% compared with the previous fiscal year to ¥73,320 million, operating profit decreased 14.2% to ¥15,202 million. The Test and Measurement Business, which accounts for 70% of the Anritsu Group’s revenue, is divided into the following 3 sub-segments.

1. Mobile

The Mobile sub-segment includes test instruments for mobile phone acceptance testing by mobile phone service providers, test instruments for design, production, function and performance verification, and maintenance of mobile handsets by manufacturers of mobile devices such as smartphones, IC chipsets and relevant components. Demand in this sub-segment tends to be influenced by factors including the technological innovations in mobile phone services, market penetration, number of new subscribers as well as new entries in and withdrawals from the market by mobile phone and chipset manufacturers, and the number of model changes and shipments of mobile phones and chipsets. Currently, services using 5G communication systems have been

launched in many countries around the world, and operators’ schedules for 5G commercialization in each country are progressing, although there are technical challenges with millimeter waves. In Japan, 5G service coverage is being expanded from some urban metropolitan areas to the entire country. Under this market environment, demand for test instruments for 5G development remains strong while the development of IC chipsets and handsets supporting 5G continues in the terminal development market. In addition, 3GPP completed standardization of release 17*1, targeting improved 5G efficiency and capability such as expansion of high frequency range, expansion of communication area, low-power consumption, and low-cost communication in March 2022. Consequently, mobile communications technology development and business opportunities are emerging for creating new services in the fields of IoT, autonomous driving & telematics, and local 5G. In addition, R&D has also gotten underway on 6G, the next-generation communication standard that will take 5G performance to an even higher level. Anritsu will continue to develop and launch competitive leading-edge test solutions, as well as accurately conduct development portfolio management, to strengthen the revenue base. *1 Standard number used in 3GPP

2. Network Infrastructure

The Network Infrastructure sub-segment includes network construction maintenance, monitoring and service quality assurance solutions for wireline and wireless service operators, and solutions for network equipment manufacturers in areas including design, production, inspection and adjustment. In this subsegment, data traffic is expanding rapidly due to the advancement of cloud computing services and the development of 5G services. Therefore, service providers that are pursuing higher-speed networks are introducing 100Gbps services in earnest, and network equipment manufacturers are pushing development of 400Gbps network equipment. Demand for related measurement solutions has also been increasing in line with this trend. In addition, R&D for the advancement of networks, including the practical application of 800 Gbps and the shift to 100% optical networks has begun. Anritsu is working to expand business by providing comprehensive solutions from construction and monitoring of communication infrastructure, to service assurances, in addition to research and development solutions for telecommunications equipment.

Management’s Discussion and Analysis

3. Electronics

The Electronics sub-segment includes measuring instruments widely used in the electronics industry, particularly for design, production and evaluation of electronic devices used in telecommunications network-related communications equipment and other electronic equipment.

Demand in this sub-segment is showing impacts from the production scale of electronic components and electronic equipment used in communications equipment, smart home appliances, automobiles, and the like. The expansion of IoT services using mobile and broadband services, as well as Wi-Fi/Bluetooth devices, has led to an increase in demand for test and measurement solutions for the development and manufacturing of wireless modules with diverse applications. In addition, demand for related test instruments is emerging with the beginning of research and development for 6G.

Anritsu will work to further expand the business in this sub-segment by offering a wider range of solutions for the electronics market.

Products Quality Assurance

This segment group develops, manufactures and sells production management systems and quality management systems, such as high-precision and high-speed auto checkweighers, automatic combination weighers and metal detectors, for the food, pharmaceutical and cosmetics industries.

In the fiscal year ended March 2022, capital investment aimed at labor saving and automating quality assurance processes in the food market remained strong both in regions such as Asia and the United States where the situation of the COVID-19 infection is improving. As a result, Operating profit decreased contrary to revenue increase. This is due to increased parts procurement costs caused by shortage of semiconductors. As a result, segment revenue increased 2.6% year on year to ¥21,978 million, and operating profit decreased 12.5% to ¥1,173 million.

The Products Quality Assurance Business accounts for 21% of Anritsu Group’s revenue. Since more than 80% of segment revenue is made of businesses from food manufacturers, this segment is substantially influenced by increased consciousness regarding food safety and security as well as changes in consumer spending levels which would affect food manufacturers’ business performances.

Core products include high precision checkweighers for highspeed food processing lines, as well as X-ray and other inspection systems that detect and remove metal fragments, stones and other alien materials in the food processing process

with high precision. In the Japanese market, although some customers were cautious about capital investment due to the prolonged impact of the COVID-19 pandemic, we saw stable level of capital investment for introducing automation and reducing manpower in the production lines because contaminant in the food has been a high degree of concern for customers.

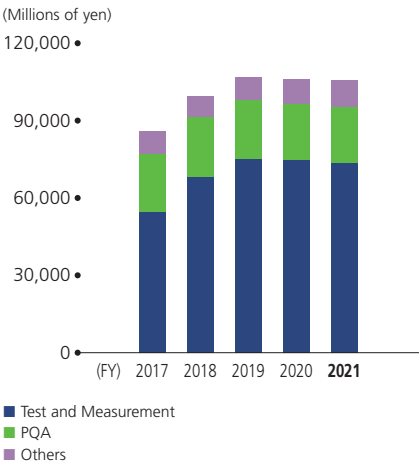
In the overseas markets, the demands of important global customers in the Americas, Europe and China remained strong and the overseas sales ratio of this business was roughly 50%.

Food manufacturers have a high degree of interest in quality control inspection solutions. To satisfy this demand, Anritsu will develop and deliver new products and quality assurance solutions. We will also optimize the supply chain including local manufacturing outside Japan, and will promote efficiency of global operation. Anritsu will expand the business and increase profitability through those opportunities.

Others

This segment comprises Environmental Measurement, Sensing & Devices, Logistics, Welfare services, Real estate leasing and other businesses. During the fiscal year ended March 31, 2022, revenue decreased year on year due to intensified price competition in Sensing & Devices business, but on January 4, 2022, Takasago, Ltd., became a consolidated subsidiary, and its business results have been included in the Company’s consolidated business results from the fourth quarter, so revenue increased. As a result, segment revenue increased 3.9% year on year to ¥10,089 million, and operating profit decreased 37.5% to ¥1,123 million.

Revenue by Business Segment



Liquidity and Financial Condition

Fund Procurement and Liquidity Management

Anritsu Group’s funding requirements are mainly for working capital to purchase materials and cover expenses incurred in the manufacturing, sales and marketing of products; for capital investments; and for research and development expenses. Anritsu secures sufficient funding to cover these requirements from retained earnings, bank borrowings, and capital market funding. To ensure stability in funding, Anritsu Group arranged for a commitment line of ¥7.5 billion in March 2020, which is effective through March 2023. Looking forward, while preparing for unforeseen financial risks, both domestic and overseas, in a dramatically changing market environment, Anritsu Group will swiftly and flexibly meet its capital requirements for working capital, regular repayment of long-term borrowings and business growth.

As of March 31, 2022, the balance of interest-bearing debt was ¥6,521 million (compared with ¥5,848 million at the end of the previous fiscal year) and the debt-to-equity ratio was 0.06 (compared with 0.05 at the end of the previous fiscal year). Going forward, we will strive for capital efficiency and the maintenance of a strong financial standing by improving ROE and CCC* in order to generate cash flow, and by following a cash management system within the Group.

Anritsu has been evaluated by Rating and Investment Information, Inc. (R&I), receiving an issuer credit rating of “A” and a short-term rating of “a-1”. We aim to further improve these ratings and, under our new company vision, aim to become a ¥200 billion company with stable earnings.

Our basic policy for distributing profits to shareholders is to pay dividends with a consolidated payout ratio of 30% or higher, primarily by raising the dividend on equity (DOE) in response to an increase in consolidated net income. We also flexibly implement other measures regarding shareholder returns that take the total return ratio into account. Furthermore, we plan to use surpluses to satisfy the demand for funding for strategic investment (including M&A) toward strengthening our competitiveness in the 5G market, expanding business into industrial fields that employ IoT, developing business in the cloud services and other markets, unlocking new growth areas, and acquiring next-generation technologies such as 6G. We aim to further improve our corporate value through these types of investments in new business.

* CCC: Cash Conversion Cycle

Cash Flow

In the fiscal year ended March 31, 2022, cash and cash equivalents (hereafter, “net cash”) decreased ¥4,120 million year on year to ¥45,689 million.

Free cash flow, the sum of cash flows from operating activities and cash flows from investing activities, was positive ¥7,324 million (positive ¥15,452 million in the previous fiscal year).

Conditions and factors for each category of cash flow for the fiscal year were as follows:

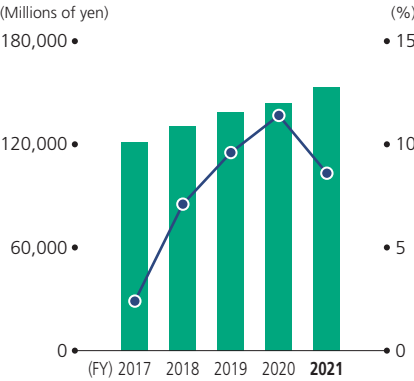
- **Cash Flows from Operating Activities**
Net cash provided by operating activities was ¥16,031 million (in the previous fiscal year, operating activities provided net cash of ¥20,481 million).
The cash increase was mainly due to reporting of profit before tax. On the other hand, the cash decrease was mainly due to income tax payment. Depreciation and amortization expense was ¥5,132 million (increase of ¥186 million year on year).
- **Cash Flows from Investing Activities**
Net cash used in investing activities was ¥8,706 million (in the previous fiscal year, investing activities used net cash of ¥5,029 million). The cash decrease was mainly due to acquisition of property, plant and equipment, and expenditure by acquisition of Takasago, Ltd., for ¥4,012 million.
- **Cash Flows from Financing Activities**
Net cash used in financing activities was ¥13,395 million (in the previous fiscal year, financing activities used net cash of ¥14,458 million). The primary reason was payment of cash dividends totaling ¥6,077 million (in the previous fiscal year, cash dividends was ¥4,878 million), and expenditure by acquisition of treasury stock ¥5,079 million.

Management’s Discussion and Analysis

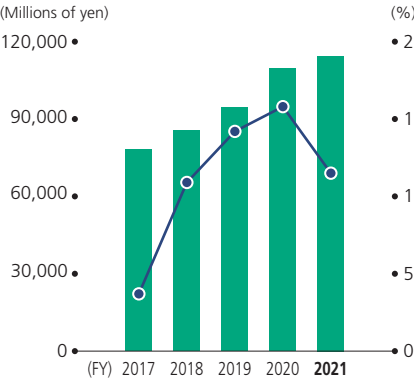
Assets, Liabilities, and Equity

Assets increased ¥9,160 million compared with the end of the previous fiscal year to ¥153,261 million. This was mainly due to increase of Inventories, Goodwill and intangible assets. On the other hand, cash and cash equivalents decreased. Total liabilities increased ¥4,174 million compared with the end of the previous fiscal year to ¥38,819 million. This was mainly due to increase of Trade and other payables. Equity increased ¥4,986 million compared with the end of the previous fiscal year to ¥114,442 million. This was mainly due to increase of retained earnings, and acquisition of treasury stock ¥5,079 million. As a result, the equity attributable to owners of parent to total assets ratio was 74.5% (75.8% at the end of the previous fiscal year).

Total Assets and ROA



Total Equity and ROE



Capital Expenditures

Anritsu Group is making strategic investments such as new-product development focused on areas where long-term growth is expected, and systems-related investments aimed at labor saving and streamlining of operations in order to achieve sustainable growth and to improve profitability. In the Test and Measurement Business, we invested in the areas such as new-product development to cope with rapid technological innovation and sales competition as well as to realize cost reduction. In the Products Quality Assurance Business, we

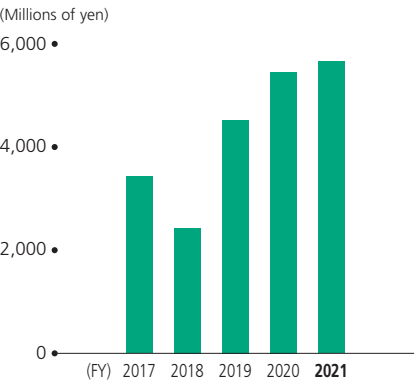
made investments mainly to improve productivity and promote product sales. In other businesses, we invested primarily in the device business to renew aging facilities in order to maintain and increase production capacity.

The breakdown of investments is shown in the following table. (Figures for tangible fixed assets and intangible assets are on an acceptance basis. Figures exclude development costs of intangible assets.)

Overview of Capital Expenditures

Year ended March 31	Millions of yen		YoY (%)
	FY2021	FY2020	
Test and Measurement	¥3,665	¥4,299	85.3
PQA	1,610	798	201.6
Subtotal	5,275	5,098	103.5
Others	383	351	109.0
Total	5,658	5,449	103.8

Capital Expenditures



Research and Development

Research and Development

Year ended March 31	Millions of yen	% of revenue	Millions of yen	% of revenue
	FY2021		FY2020	
Test and Measurement	¥ 8,964	12.2	¥ 8,906	11.9
PQA	1,758	8.0	1,771	8.3
Others	572	5.7	447	4.6
Basic Research	91	-	120	-
Total	11,386	10.8	11,246	10.6

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

Business Segment	Model	Product	Application	Contribution
Test and Measurement	MT8000A	Radio Communication Test Station	With 5G and LTE base station emulation functions, this model supports all frequency bands used in LTE and 5G in a single unit.	This model provides 5G NSA/SA functions with LTE capability. Dual connectivity that simultaneously uses the millimeter-wave and sub 6GHz bands, and is also compatible with LTE frequency bands and 7GHz NR-U. This model contributes to the development of all types of terminals from low- to high-end.
	ME7873NR/ME7834NR	New Radio RF Conformance Test System/5G NR Mobile Device Test Platform	These test systems support 5G conformance testing for evaluating interoperability for both RF and Protocol. These GCF and PTCRB approved systems are widely used for conformance testing.	This enables new test cases to meet the requirements of the latest telecommunications standards. Obtained the industry's first GCF certification for millimeter wave performance testing, PTCRB certification for RRM testing, and GCF certification for Release 16 protocol testing. This will contribute to the expansion in the area of terminal certification.
	MT8862A	Wireless Connectivity Test Set	WLAN tester with communication protocol that supports Wi-Fi 6/6E	Compatible with Wi-Fi 6/6E, which uses a 160MHz bandwidth in the 6 GHz band. It is the industry's first tester that supports the communication protocol and can conduct wireless quality evaluation and connectivity testing under actual operating conditions. By providing the latest WLAN test environment, it contributes to the diffusion of WLAN-equipped devices.
	MT1000A	Network Master Pro	Portable tester combining multi-rate modules from 10 Mbit/s to 100 Gbit/s, OTDR and CPRI	We have developed a high-precision GNSS disciplined oscillator module compatible with signals from satellite positioning systems operated by various countries and regions, including GPS, MICHIBIKI, Galileo, GLONASS, and Beidou. By making it possible to receive each signal, the module enhances the network's time-synchronous measurement function, contributing to the construction of time synchronization infrastructure that supports 5G services.
PQA	KXH7534ASGCD	New products X-ray inspection machine with dual energy sensor	X-ray inspection system that automatically detects foreign bodies such as bones, metals, and stones mixed in meat and frozen foods with high accuracy	X-ray inspection system equipped with a new high-definition dual energy sensor and newly designed image processing. Contributes to reduction of food waste loss by detecting foreign bodies with higher accuracy.

Outlook and Management Issues for the Year Ending March 31, 2022

In the telecommunications field, 5G-related demand is expected to grow going forward as further advancement of technology innovations and 5G utilization are progressed. We also expect to see growth in demand driven by the expansion and enhancement of network infrastructure in the areas such as data centers. On the other hand, we also expect to see ongoing component procurement risks due to the prolonged semiconductor shortage. In this business environment, the Group aims to establish a competitive advantage and become a leading company supporting 5G and IoT society by focusing on the 5G business and providing solutions in a timely manner that accurately respond to the expansion of 5G utilization fields and the growing demand for faster networks. Furthermore, we have identified four priority new growth areas: “EV and battery measurement,” local 5G,” “optical sensing,” and “medical and pharmaceuticals.” We will accelerate growth in each of these areas through external collaboration and M&A.

Risk Information

Policies and Systems

Anritsu Group recognizes that the appropriate management of risk is an extremely important managerial issue in order to continuously increase corporate value and fulfill its social responsibility,

and has established Group-level systems to manage it. Moreover, in order to maintain and increase our corporate value, fulfill our corporate social responsibility, and pursue sustainable development of Anritsu Group, Anritsu focuses on making not only management executives but also all employees more sensitive to risk, and on all-hands initiatives that promote risk management.

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

Management's Discussion and Analysis

business. Each risk management officer supports the activities of Group companies overseas for their responsible field respectively. With regard to compliance risk, the compliance officer of each regional headquarters performs risk assessments and prepares and acts on an annual plan.

(Individual Risks)

1. Inherent Risks in the Anritsu Group's Technology and Marketing Strategies (1) business risk

Anritsu Group works to deploy its well-developed technological capabilities to promptly provide cutting-edge products and services that offer value to customers. However, the rapid pace of technological innovation in Anritsu Group's core information and communication markets and Anritsu Group's ability to deliver products and services in a timely manner to meet the needs and wants of customers are factors that have the potential to exert a material impact on Anritsu Group's financial condition and operating results.

2. Market Fluctuation Risk (1) business risk

External factors including changes in the economy or market conditions and technological innovation affect the profitability of product lines the Group develops and have the potential to exert a significant material impact on Anritsu Group's financial condition and operating results.

Because a high percentage of Test and Measurement segment revenue comes from the telecommunications market, capital investment trends among service providers, network equipment manufacturers, mobile phone manufacturers, and electronic component manufacturers have the potential to exert an effect on business results. Telecom operators make a cost-effective capital investment in order to adopt technologies to handle rapid increases in data traffic, and to build networks that meet the various needs of IoT service and cloud service. Moreover, business results for the mobile communications measuring instrument field, the cornerstone of earnings for Anritsu Group, are affected by changes in technological innovation in mobile phone services, the number of subscribers and the replacement ratio for smartphones.

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

3. Risks related to strategic investments (1) Business risk

The Group is strengthening strategic growth investments, including external collaborations and M&A, in order to grow the next pillar of its business. It will do so by further multi-

plying different ideas and technologies from inside and outside the Company, developing new areas of value and new business fields beyond the conventional "testing", while continuing to master its "testing" competency. Before making an investment decision, it verifies the business plan and conducts due diligence. The Group also formulates and implements post-merger integration (PMI) plans after investment, and takes all possible measures to launch businesses after investment. However, there is a risk that initially expected results may not be achieved due to unforeseen changes in the external environment or changes in the market environment or competitive landscape. These factors have the potential to exert a material impact on Anritsu Group's financial condition and operating results.

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

Anritsu Group markets its products globally. The overseas sales ratio is 70%, and many customers likewise operate on a global scale. As a result, economic trends in countries worldwide, changes in international conditions, and compliance with required laws have the potential to exert a material impact on the Group's financial position and results of operations.

5. Risks related to product supply (1) business risk, (7) infectious disease and disaster risk

Aiming for stable procurement of electronic parts and components, the Group strives to build strong relationships with suppliers, and takes measures such as establishing a system to promptly identify risks in parts procurement and strategically securing parts inventories. In addition, the Group is working to minimize risk by replacing high-risk parts with alternative parts.

However, in the event of supply chain disruptions caused by disasters or other events, or a tight supply of parts due to a rapid increase in demand, there is a risk that procurement of electronic parts and other components or manufacturing of major products may become difficult, resulting in delays or stoppages in the supply of products. These factors have the potential to exert a material impact on the Anritsu Group's financial condition and operating results.

6. Risk of Spread of Infectious Diseases (7) infectious disease and disaster risk

Uncertain social and economic conditions due to the spread of COVID-19 are still continuing. Anritsu Group places top priority on ensuring the safety of its employees, and halting the spread of the virus internally and externally to Anritsu Group. Anritsu Group has also established a COVID-19 Pre-

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

7. Disaster Risk (7) infectious disease and disaster risk

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

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

8. Foreign Exchange Risk (1) business risk

Anritsu Group hedges foreign exchange risk using instruments including forward foreign exchange contracts for foreign exchange transactions that occur upon collection of accounts receivable and other events. However, rapid changes in foreign exchange rates have the potential to exert a material impact on Anritsu Group's financial condition and operating results.

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

Anritsu Group works to provide products and services that precisely meet customer needs and wants. However, particularly in the Test and Measurement Instruments market, product lines are subject to frequent changes in order to follow technology evolution, which can easily result in obsoles-

cence of products and parts, and could cause inventory to be held for long periods to lose its value. These factors have the potential to exert a material impact on the Anritsu Group's financial condition and operating results.

10. Human Resource Acquisition Risk (1) business risk

Acquiring, ensuring, and developing human resources are very important requirements for the sustainable development of Anritsu Group. Anritsu Group strives to acquire talented human resources by actively hiring diverse human resources regardless of nationality, gender or other natures, and continues to develop an education and training system that supports the self-motivated growth of employees. Anritsu Group also focuses on work-life balance, and strives to create working environments that support diverse work styles and values. However, if human resource acquisition and development do not proceed as planned, it has the potential to exert a material impact on Anritsu Group's financial condition and operating results.

11. Compliance Risk (2) risk of legal violations

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

Anritsu Group has established Anritsu Group Code of Conduct, which serves as a guide for the conduct to take in order for us to fulfill our social responsibility. Anritsu also carries out educational and awareness-raising activities as needed, as it strives to improve its corporate ethics and strengthen legal compliance. The Group CEO, who chairs the Management Strategy Conference, leads the promotion of compliance of Domestic Anritsu Group. Additionally, the Corporate Ethics Promotion Committee, chaired by the executive officer in charge of compliance and with the participation of employees from Anritsu Group companies in Japan as members, operates under the supervision of the Management Strategy Conference, and oversees the compliance promotion activities of each company in Japan in Anritsu Group. The Corporate Ethics Promotion Committee and the Legal Department, which serve as its secretariat, coordinate with relevant committees that promote legal compliance to advocate ethical and legal compliance to Anritsu Group companies overseas in accordance with their national and regional laws, cultures, and customs. They provide necessary support, and coordinate with compliance officers at each Anritsu Group company overseas to build a global compliance promotion system. Internal audit depart-

Management’s Discussion and Analysis

ments perform audits to determine whether the compliance promotion system is functioning appropriately, and provide advice and request improvements as necessary.

12. Environmental Risk (3) environmental risk

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

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

In order to meet the demands of its stakeholders, Anritsu Group develops and offers products with an awareness of the environment throughout the entire product life cycle. Anritsu Group is also committed to reducing its environmental pollution risk by reducing the CO₂ emissions of its offices and factories through reducing the energy usage from the perspective of preventing global warming and preserving biodiversity; reducing waste by promoting the 3Rs (reduce, reuse, and recycle); and setting self-management standards that are stricter than laws and ordinances related to preventing environmental pollution.

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

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

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

14. Information Security (6) information security risk

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

Anritsu Group works continuously to build its information security management system, carry out initiatives to maintain and improve thorough management and security, and carry out information security education. As a company operating globally, Anritsu connects offices worldwide via networks and promotes sharing of information between them. As a single vulnerability in information security impacts the overall security level, Anritsu is working to build a strong and consistent security system on a global scale.

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

Anritsu Group applies deferred tax accounting and recognizes deferred tax assets. Calculation of deferred tax assets is based on projections that include estimates of future taxable profit, and the actual benefit may differ from the projection. If the tax benefits based on the estimate of future taxable profit are judged to be unavailable, these deferred tax assets are written down, which has the potential to exert a material impact on Anritsu Group’s financial condition and operating results.

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

The amounts of retirement benefit payments and obligations incurred in connection with employee defined-benefit pension plans of the parent company and certain of its subsidiaries are calculated based on assumptions, including discount rates, made for actuarial calculations. If the discount rates and other assumptions, which were made for the actuarial calculations of the expected amount of obligations under these defined-benefit pension plans undergo change, this has the potential to exert a material impact on Anritsu Group’s financial condition and operating results.

Consolidated Statement of Financial Position

March 31, 2021 and 2022

		Millions of yen	Thousands of U.S. dollars*
	End of FY2020 as of March 31, 2021	End of FY2021 as of March 31, 2022	End of FY2021 as of March 31, 2022
Assets			
Current assets:			
Cash and cash equivalents	¥ 49,810	¥ 45,689	\$ 373,246
Trade and other receivables	26,184	26,622	217,482
Other financial assets	14	17	139
Inventories	20,043	25,591	209,060
Income taxes receivables	89	105	858
Other current assets	3,672	3,962	32,367
Total current assets	99,815	101,989	833,175
Non-current assets:			
Property, plant and equipment	25,277	28,150	229,965
Goodwill and intangible assets	5,184	8,579	70,084
Investment property	482	255	2,083
Trade and other receivables	355	492	4,019
Investments accounted for using equity method	—	3	25
Other financial assets	1,826	1,378	11,257
Deferred tax assets	6,839	6,379	52,112
Other non-current assets	4,319	6,031	49,269
Total non-current assets	44,285	51,271	418,846
Total assets	144,100	153,261	1,252,030
Liabilities and Equity			
Liabilities			
Current liabilities:			
Trade and other payables	6,671	8,426	68,834
Bonds and borrowings	4,131	1,133	9,256
Other financial liabilities	844	964	7,875
Income taxes payables	2,572	1,901	15,530
Employee benefits	8,007	8,181	66,833
Provisions	396	438	3,578
Other current liabilities	8,596	10,244	83,686
Total current liabilities	31,220	31,290	255,616
Non-current liabilities:			
Trade and other payables	382	414	3,382
Bonds and borrowings	—	2,990	24,426
Other financial liabilities	923	1,489	12,164
Employee benefits	737	783	6,397
Provisions	112	113	923
Deferred tax liabilities	78	326	2,663
Other non-current liabilities	1,190	1,410	11,519
Total non-current liabilities	3,424	7,529	61,506
Total liabilities	34,645	38,819	317,123
Equity:			
Share capital	19,171	19,189	156,760
Capital surplus	28,391	28,432	232,269
Retained earnings	56,402	63,206	516,347
Treasury shares	(1,120)	(6,199)	(50,641)
Other components of equity	6,413	9,566	78,147
Equity attributable to owners of parent	109,258	114,196	932,898
Non-controlling interests	196	246	2,010
Total equity	109,455	114,442	934,907
Total liabilities and equity	¥144,100	¥153,261	\$1,252,030

* The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥122.41 to U.S. \$1.00, the approximate exchange rate on March 31, 2022.

Consolidated Statement of Comprehensive Income

Years ended March 31, 2021 and 2022

	Millions of yen		Thousands of U.S. dollars*
	FY2020 (From April 1, 2020 to March 31, 2021)	FY2021 (From April 1, 2021 to March 31, 2022)	FY2021 (From April 1, 2021 to March 31, 2022)
Revenue	¥105,939	¥105,387	\$860,935
Cost of sales	48,734	49,915	407,769
Gross profit	57,204	55,472	453,166
Other revenue and expenses			
Selling, general and administrative expenses	26,793	27,913	228,029
Research and development expense	10,908	10,980	89,699
Other income	266	309	2,524
Other expenses	117	388	3,170
Operating profit (loss)	19,651	16,499	134,785
Finance income	372	970	7,924
Finance costs	184	318	2,598
Share of profit (loss) of investments accounted for using equity method	—	(1)	(8)
Profit (loss) before tax	19,838	17,150	140,103
Income tax expense	3,695	4,309	35,201
Profit (loss)	16,143	12,841	104,902
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income	186	(318)	(2,598)
Remeasurements of defined benefit plans	1,882	69	564
Total	2,069	(248)	(2,026)
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	1,654	3,487	28,486
Total	1,654	3,487	28,486
Total other comprehensive income	3,724	3,238	26,452
Comprehensive income (loss)	¥19,867	¥16,080	\$131,362
Profit (loss), attributable to:			
Owners of parent	¥16,105	¥12,796	\$104,534
Non-controlling interests	37	45	368
Total	¥16,143	¥12,841	\$104,902
Comprehensive income (loss) attributable to:			
Owners of parent	¥19,829	¥16,035	\$130,994
Non-controlling interests	37	45	368
Total	¥19,867	¥16,080	\$131,362
Earnings per share		Yen	U.S. dollars*
Basic earnings per share	¥117.18	¥93.98	\$0.77
Diluted earnings per share	117.12	93.95	0.77

* The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥122.41 to U.S. \$1.00, the approximate exchange rate on March 31, 2022.

Consolidated Statement of Changes in Equity

Years ended March 31, 2021 and 2022

	FY2020 (From April 1, 2020 to March 31, 2021)							Millions of yen
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at April 1, 2020	¥19,151	¥28,277	¥43,182	¥(1,119)	¥4,681	¥94,172	¥159	¥94,331
Profit (loss)	—	—	16,105	—	—	16,105	37	16,143
Other comprehensive income	—	—	1,882	—	1,841	3,724	—	3,724
Total comprehensive income (loss)	—	—	17,988	—	1,841	19,829	37	19,867
Share-based payment transactions	20	113	2	0	—	135	—	135
Dividends	—	—	(4,878)	—	—	(4,878)	—	(4,878)
Purchase of treasury shares	—	—	—	(0)	—	(0)	—	(0)
Disposal of treasury shares	—	0	—	0	—	0	—	0
Dividends to non-controlling interests	—	—	—	—	—	—	(0)	(0)
Transfer from other components of equity to retained earnings	—	—	108	—	(108)	—	—	—
Total transactions with owners and other transactions	20	113	(4,768)	(0)	(108)	(4,743)	(0)	(4,744)
Balance at March 31, 2021	¥19,171	¥28,391	¥56,402	¥(1,120)	¥6,413	¥109,258	¥196	¥109,455
	FY2021 (From April 1, 2021 to March 31, 2022)							Millions of yen
Balance at April 1, 2021	¥19,171	¥28,391	¥56,402	¥(1,120)	¥6,413	¥109,258	¥196	¥109,455
Profit (loss)	—	—	12,796	—	—	12,796	45	12,841
Other comprehensive income	—	—	69	—	3,169	3,238	(0)	3,238
Total comprehensive income (loss)	—	—	12,865	—	3,169	16,035	45	16,080
Share-based payment transactions	17	41	0	—	—	59	—	59
Dividends	—	—	(6,077)	—	—	(6,077)	—	(6,077)
Purchase of treasury shares)	—	—	—	(5,079)	—	(5,079)	—	(5,079)
Obtaining of control of subsidiaries	—	—	—	—	—	—	4	4
Dividends to non-controlling interests	—	—	—	—	—	—	(0)	(0)
Transfer from other components of equity to retained earnings	—	—	16	—	(16)	—	—	—
Total transactions with owners and other transactions	17	41	(6,061)	(5,079)	(16)	(11,097)	3	(11,093)
Balance at March 31, 2022	¥19,189	¥28,432	¥63,206	¥(6,199)	¥9,566	¥114,196	¥246	¥114,442
	FY2021 (From April 1, 2021 to March 31, 2022)							Thousands of U.S. dollars*
Balance at April 1, 2021	\$156,613	\$231,934	\$460,763	\$(9,150)	\$52,390	\$892,558	\$1,601	\$894,167
Profit (loss)	—	—	104,534	—	—	104,534	368	104,902
Other comprehensive income	—	—	564	—	25,888	26,452	(0)	26,452
Total comprehensive income (loss)	—	—	105,098	—	25,888	130,994	368	131,362
Share-based payment transactions	139	335	0	—	—	482	—	482
Dividends	—	—	(49,645)	—	—	(49,645)	—	(49,645)
Purchase of treasury shares	—	—	—	(41,492)	—	(41,492)	—	(41,492)
Obtaining of control of subsidiaries	—	—	—	—	—	—	33	33
Dividends to non-controlling interests	—	—	—	—	—	—	(0)	(0)
Transfer from other components of equity to retained earnings	—	—	131	—	(131)	—	—	—
Total transactions with owners and other transactions	139	335	(49,514)	(41,492)	(131)	(90,654)	25	(90,622)
Balance at March 31, 2022	\$156,760	\$232,269	\$516,347	\$(50,641)	\$78,147	\$932,898	\$2,010	\$934,907

* The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥122.41 to U.S. \$1.00, the approximate exchange rate on March 31, 2022.
Note: Details of Share capital, Capital surplus, Retained earnings, Treasury shares and Other components of equity are described in Note 25, "Total Equity and Other Capital Items."

Consolidated Statement of Cash Flows

Years ended March 31, 2021 and 2022

	Millions of yen		Thousands of U.S. dollars*
	FY2020 (From April 1, 2020 to March 31, 2021)	FY2021 (From April 1, 2021 to March 31, 2022)	FY2021 (From April 1, 2021 to March 31, 2022)
Cash flows from operating activities			
Profit (loss) before tax	¥19,838	¥17,150	\$140,103
Depreciation and amortization	4,946	5,132	41,925
Interest and dividend income	(128)	(104)	(850)
Interest expenses	70	65	531
Loss (gain) on sale and retirement of fixed assets	4	336	2,745
Decrease (increase) in trade and other receivables	91	1,008	8,235
Decrease (increase) in inventories	1,035	(3,398)	(27,759)
Increase (decrease) in trade and other payables	(1,055)	544	4,444
Increase (decrease) in employee benefits	(549)	(1,713)	(13,994)
Other, net	1,355	961	7,851
Subtotal	25,609	19,984	163,255
Interest received	91	81	662
Dividends received	37	22	180
Interest paid	(74)	(71)	(580)
Income taxes paid	(5,193)	(4,379)	(35,773)
Income taxes refund	11	393	3,211
Net cash provided by (used in) operating activities	20,481	16,031	130,962
Cash flows from investing activities			
Payments into time deposits	(9)	(7)	(57)
Proceeds from withdrawal of time deposits	4	1	8
Purchase of property, plant and equipment	(2,691)	(2,941)	(24,026)
Proceeds from sale of property, plant and equipment	5	84	686
Purchase of other financial assets	(26)	(30)	(245)
Proceeds from sale of other financial assets	256	57	466
Payments for loans receivable	—	(10)	(82)
Payments for acquisition of subsidiaries	—	(4,012)	(32,775)
Other, net	(2,568)	(1,848)	(15,097)
Net cash provided by (used in) investing activities	(5,029)	(8,706)	(71,122)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	(753)	(1,361)	(11,118)
Proceeds from long-term borrowings	—	3,000	24,508
Repayments of long-term borrowings	—	(3,000)	(24,508)
Redemption of bonds	(8,000)	—	—
Repayments of lease liabilities	(857)	(904)	(7,385)
Purchase of treasury shares	(0)	(5,079)	(41,492)
Dividends paid	(4,878)	(6,077)	(49,645)
Other, net	30	28	229
Net cash provided by (used in) financing activities	(14,458)	(13,395)	(109,427)
Effect of exchange rate changes on cash and cash equivalents	1,147	1,949	15,922
Net increase (decrease) in cash and cash equivalents	2,140	(4,120)	(33,657)
Cash and cash equivalents at the beginning of period	47,669	49,810	406,911
Cash and cash equivalents at the end of period	¥49,810	¥45,689	\$373,246

* The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥122.41 to U.S. \$1.00, the approximate exchange rate on March 31, 2022.

Glossary

Term	Description
3GPP (3rd Generation Partnership Project)	A project that was established to set third-generation (3G) mobile communications technology standards and LTE, LTE-Advanced (4G), and is now developing international standards for 5G.
5G-Advanced	This term is used for 3GPP defined 5G specification “Release 18” and beyond. This 5G extension standard employs some of 6G expected technologies so that it achieves even greater speed.
5G New RAT (5G New Radio Access Technology)	A new wireless communications technology for use with 5G. It can handle ultra-high speed communications in excess of 10Gbps.
6G (Six Generation)	Sixth-generation mobile communications technology. The name given to next-generation mobile communications technology which is being researched in various countries with the aim of launching services around 2030.
AOC (Active Optical Cable)	A cable that combines optical fibers with an electrical signal connector that has an embedded optical-electric converter.
C-band	5G services offered in the U.S. that use frequencies in the Sub6GHz band from 3.7GHz~4.0GHz; the FCC (U.S. Federal Communications Commission) called this band the C-band when auctioning frequencies.
CPRI (Common Public Radio Interface)	An interface specification used to realize communication between Base-Band Units (BBU) and Remote Radio Heads (RRH) in systems where these are separated.
C-RAN (Centralized Radio Access Network)	A radio access network architecture. The wireless base station is equipped with only a Remote Radio Head (RRH). The Base-Band Unit (BBU) is concentrated in the Housing Station, which is upstream on the network, and processes signals for communication.
GCF (Global Certification Forum) certification	A certification from GCF, an organization comprising telecommunications operators, mobile device manufacturers, and test houses, is recognized to conform with 3GPP standards for mobile devices and mobile device testing environments.
Hyperscalers	Major cloud companies with huge infrastructure facilities (hyperscale data centers) such as AWS (Amazon), Azure (Microsoft), and GCP (Google).
IOWN (Innovative Optical and Wireless Network)	New communication infrastructure using innovative technologies, including All-Optical Network IOWN Global Forum, is in the process of examining.
Local 5G	The system developed by the Ministry of Internal Affairs and Communications of Japan that builds communication environments utilizing the Non-Public Networks (NPN) introduced in the 3GPP Release16.This differs from private 5G, a system with a similar mechanism being studied overseas, as it requires licences for using radio waves.
NEMS (Nano Electro Mechanical Systems)	These devices have a nano-order machine structure and are even smaller than micro electro mechanical systems (MEMS), which are built with semiconductor processing technologies.
NB-IoT (Narrow Band-IoT)	An IoT communications system that uses mobile phone networks and has been standardized as an LTE standard by 3GPP.
NFV (Network Functions Virtualization)	A way to manage network communications functions as software on a virtual server OS.
NR-Light (New Radio-Light)	A specification that will be incorporated into 3GPP Release 17; it will allow for a narrower 5G band, lower peak data rate, and fewer antennas to better facilitate its use in wearable devices, surveillance cameras, industrial sensors, and other such devices. Sometimes referred to as RedCap.
O-RAN (Open-Radio Access Network)	The O-RAN Alliance is developing specifications for each unit that makes up a base station, as well as interface specifications between units. The goal is to standardize specifications that have differed from vendor to vendor.
OTN (Optical Transport Network)	An optical communications standard which enables WDM that was previously limited to one transmitter and one receiver to be used through a network. In addition to conventional telephone signals, it also enables signals such as IP and Ethernet to be processed in a unified manner.
PCI-E (Peripheral Component Interconnect Express)	An interface specification for PC expansion slots. It uses serial I/O interface standards set by Peripheral Component Interconnect Special Interest Group (PCI-SIG) in 2002. It is also referred to as PCIe and PCI Express.
Sidelink	A function that enables direct communication between pedestrians and vehicles without the need for a base station. This function enables communication even when base stations are not available, such as in the event of a disaster.
SDN (Software Defined Network)	SDN is the name for technologies that enable structure, configuration, and settings of computer networks to be altered in a flexible and dynamic manner by centrally controlling the communications devices that comprise the network through an individual piece of software.
Sub 6GHz (Sub6)	The name used for bands of 6GHz or less when referring to frequency ranges used in 5G systems. These are low band compared to millimeter wave bands. In 5G standards, bands of 6GHz or less have been defined as FR1, while millimeter wave bands have been defined as FR2.
SDH (Synchronous Digital Hierarchy)	International standards for signal multiplexing methods used in digital transmissions systems. These technologies enable low-speed signals, such as voice communications, to be multiplexed into and transmitted through predetermined high-speed signals.
Small Cell	A type of base station for mobile communications that have lower output power and are used to cover smaller areas. They are receiving attention for their potential application in 5G systems, which use high-frequency ranges and therefore require base stations to be established in high concentrations.
V2X (Vehicle to everything)	V2X is a specification that enables cars to communicate with any devices, and consists of those such as vehicle-to-vehicle (V2V), vehicle-to-infrastructure (V2I), and vehicle-to-pedestrian (V2P). Furthermore, one that realizes it with cellular communication is called C-V2X.
V-RAN (Virtualized Radio Access Network)	A virtualized wireless access network, in which the Base-Band Unit (BBU) is implemented by software in a base station system that separates the BBU and the Remote Radio Head (RRH).
WDM (Wavelength Division Multiplexing)	An optical communications technology for transmitting large-capacity signals.

Statement of Responsibility

On the Release of Anritsu’s Integrated Report 2022



Akifumi Kubota
Director
Executive Vice President
CFO

Anritsu has released integrated reports since fiscal year 2015, and this report will be our 8th publishing. We will continue to improve the quality of our integrated reports with the aim of furthering our stakeholders’ understanding of the value creation story Anritsu is aiming to achieve in our medium- and long-term efforts to contribute to the development of a safe, secure, and prosperous global society by offering “Original and High Level” products and services with “Sincerity, Harmony, and Enthusiasm,” as stated in our Company Philosophy.

For this fiscal year’s integrated report, we took painstaking efforts to include many easy-to-understand explanations of Anritsu’s business model, whose keyword is “testing,” and our value creation process based thereon. This report also clarifies Anritsu’s approach to problem solving by identifying Anritsu’s materiality (important issues) and targets for them, and by presenting our initiatives and KPIs for each fiscal year. In addition, further information is now provided concerning our ESG efforts, which include environment and climate change related initiatives, our approach to human capital recruitment and development, and corporate governance, in response to social demands.

This report was prepared primarily by the Corporate Branding Department’s IR Team while engaging in sincere discussion with relevant departments. As an officer in charge of the Corporate Branding Department with responsibility for integrated report preparation, I attest to the legitimacy of the report production process and the accuracy of the information contained herein.

We welcome any feedback you may have upon reading the report. We will continue to refine this report and strive to make it a valuable resource for communication with our stakeholders. I hope this report will be of use in better understanding the Anritsu group.

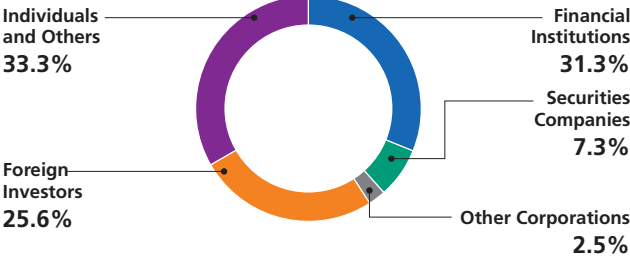
Investor Information (As of March 31, 2022)

Head Office:	ANRITSU CORPORATION 5-1-1 Onna, Atsugi-shi, Kanagawa 243-8555, Japan Tel: +81-46-223-1111 URL: https://www.anritsu.com
Founded (Sekisan-sha)	1895
Established	March 17, 1931
Paid-in Capital:	¥19.189 billion
Number of Employees:	4,168 (Consolidated) 1,758 (Non-Consolidated)
Stock Listing:	Tokyo (Ticker Symbol No: 6754)
Transfer Agent:	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo 100-8233, Japan
Number of Shareholders:	73,477
Rating: (Updated on May 31, 2021)	Rating and Investment Information, Inc. Issuer Rating: A Short-Term Rating: a-1
Authorized Shares:	400,000,000
Issued Shares:	138,308,494

Major Subsidiaries (As of March 31, 2022)

Japan	Principal Businesses
Tohoku Anritsu Co., Ltd.	Manufacture of Test & Measurement instruments and environment measurement equipment
Anritsu Customer Support Co., Ltd.	Calibration, repair, and maintenance of Test & Measurement instruments
Anritsu Infivis Co., Ltd.	Manufacture of PQA equipment
TAKASAGO, LTD.	R&D, manufacture, and maintenance of environment measurement equipment
Anritsu Devices Co., Ltd.	Manufacture of optical devices
Anritsu Kousan Co., Ltd.	Management of facilities, welfare services, and production of catalogs and other materials
Anritsu Real Estate Co., Ltd.	Real estate leasing
Hapi Suma Co., Ltd.	Contract manufacturing
AT Techmac Co., Ltd.	Manufacture and sales of processed products and unit assembly articles
Americas	Principal Businesses
Anritsu U.S. Holding, Inc. (U.S.A.)	Holding company for American subsidiaries
Anritsu Company (U.S.A.)	R&D, manufacture, sales and maintenance of Test & Measurement instruments
Anritsu Americas Sales Company (U.S.A.)	Sales and maintenance of Test & Measurement instruments
Azimuth Systems, Inc. (U.S.A.)	R&D, manufacture, and maintenance of Test & Measurement instruments
Anritsu Electronics, Ltd. (Canada)	Sales and maintenance of Test & Measurement instruments
Anritsu Eletrônica Ltda. (Brazil)	Sales and maintenance of Test & Measurement instruments
Anritsu Company, S.A. de C.V. (Mexico)	Sales and maintenance of Test & Measurement instruments
Anritsu Infivis Inc. (U.S.A.)	Sales and maintenance of PQA equipment

Breakdown of Shareholders:



Major Shareholders

Shareholder Name	Number of Shares (in Thousands)	Percentage of Total Shares Issued
The Master Trust Bank of Japan, Ltd. (Trust Account)	21,394	15.83
Custody Bank of Japan, Ltd. (Trust Account)	8,288	6.13
GOLDMAN SACHS JAPAN CO., LTD. BNYM	2,473	1.83
Sumitomo Life Insurance Company	2,314	1.71
Custody Bank of Japan, Ltd. Retirement payment account of Sumitomo Mitsui Trust Bank	2,000	1.48
UBS AG LONDON A/C IPB SEGREGATED CLIENT ACCOUNT	1,944	1.44
JPMorgan Securities Japan Co., Ltd.	1,866	1.38
STATE STREET BANK WEST CLIENT - TREATY 505234	1,605	1.19
JUNIPER	1,485	1.10
Mitsui Sumitomo Insurance Co., Ltd.	1,334	0.99

Note: The shareholding ratio is calculated by excluding the number of treasury stock (3,125,988 shares).

EMEA	Principal Businesses
Anritsu Ltd. (U.K.)	R&D and manufacture of Test & Measurement instruments
Anritsu EMEA GmbH (Austria)	Sales and maintenance of Test & Measurement instruments
Anritsu EMEA Ltd. (U.K.)	Sales and manufacture of Test & Measurement instruments
Anritsu GmbH (Germany)	Sales and maintenance of Test & Measurement instruments
Anritsu S.A. (France)	Sales and maintenance of Test & Measurement instruments
Anritsu S.r.l. (Italy)	Sales and maintenance of Test & Measurement instruments
Anritsu AB (Sweden)	Sales and maintenance of Test & Measurement instruments
Anritsu A/S (Denmark)	R&D, manufacture, sales, and maintenance of Test & Measurement instruments
Anritsu Solutions S.r.l. (Italy)	R&D of Test & Measurement instruments
Anritsu Solutions S.R.L. (Romania)	R&D of Test & Measurement instruments
Anritsu Solutions SK, s.r.o. (Slovakia)	R&D of Test & Measurement instruments
Anritsu Infivis Ltd. (U.K.)	Sales and maintenance of PQA equipment
Anritsu Infivis B.V. (Netherlands)	Sales of PQA equipment
Asia & Others	Principal Businesses
Anritsu Company Ltd. (Hong Kong)	Sales and maintenance of Test & Measurement instruments
Anritsu (China) Co., Ltd. (China)	Sales and maintenance of Test & Measurement instruments
Anritsu Electronics (Shanghai) Co., Ltd. (China)	Maintenance of Test & Measurement instruments
Anritsu Corporation, Ltd. (Korea)	Sales and maintenance of Test & Measurement instruments
Anritsu Company, Inc. (Taiwan)	Sales and maintenance of Test & Measurement instruments
Anritsu Pte. Ltd. (Singapore)	Sales and maintenance of Test & Measurement instruments
Anritsu India Private Ltd. (India)	Sales and maintenance of Test & Measurement instruments
Anritsu Pty. Ltd. (Australia)	Sales and maintenance of Test & Measurement instruments
Anritsu Company Ltd. (Vietnam)	Sales and maintenance of Test & Measurement instruments
Anritsu Philippines, Inc. (Philippines)	R&D of Test & Measurement instruments
Anritsu Industrial Solutions (Shanghai) Co., Ltd. (China)	Sales and maintenance of PQA equipment
Anritsu Industrial Systems (Shanghai) Co., Ltd. (China)	Manufacture of PQA equipment
Anritsu Infivis (THAILAND) Co., Ltd. (Thailand)	Manufacture and maintenance of PQA equipment