

Anritsu Corporation Basic Policy on Corporate Governance

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Introduction

Given the importance of enhancing corporate governance as a critical management challenge, and following the concepts in principles laid down in the “Japan’s Corporate Governance Code” established by the Tokyo Stock Exchange, Inc. (“TSE”), the Company has established this “Anritsu Corporation Basic Policy on Corporate Governance” which clarifies its concepts of and the organization, structure and frameworks, etc. to uphold corporate governance, with the aim to realize better corporate governance in the Anritsu Group (“Group”).

This Basic Policy is constituted of the following contents:

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1. General Principles

1.1 Formulation of Company Philosophy, Company Vision and Company Policy

Given its responsibility for a variety of stakeholders, the Company formulates its management philosophy, vision and policy as follows:

Company Philosophy

Contribute to development of a safe, secure and prosperous global society by offering “Original and High-Level” products and services with “sincerity, solidarity and motivation”.

Company Vision

Achieve “profitable and sustainable growth” through innovation using collective wisdom.

Company Policy

- 1) Build organizational vitality through participatory management using collective wisdom.
- 2) Obtain growth-drivers through innovation.
- 3) Become a global market leader.
- 4) Contribute to creation of an earth-conscious and people-friendly society as good corporate citizen.

1.2 Basic Concepts of Corporate Governance

The Company aims at profitable and sustainable growth as well as the increased corporate value over the med-to long-term by responding to business environmental changes in a flexible and speedy manner and enhancing competitiveness as a global company. In that process, given its responsibility for a variety of stakeholders such as shareholders, employees, clients, business partners, creditors and the broader communities, etc., the Company establishes the structure and frameworks for corporate governance in order to (i) make decisions in a transparent, fair, speedy and decisive manner, and (ii) disclose information in an appropriate and timely manner. Further the Company always seeks for and continuously engages in the development and enhancement of such structure and frameworks.

1.3 Establishment and Operation of Internal Control System

In order to ensure the appropriateness of business activities, the Company sets basic principles for establishing an internal control system to make and operate rules and work processes to be employed by the Company.

2. Relation with Stakeholders

2.1 Relation with Shareholders

2.1.1 Ensuring equal treatment of all shareholders

The Company recognizes that ensuring the rights of its shareholders

("Shareholders") and improving their common interests would contribute to sustainable growth and the increase of corporate value. In this light, while ensuring equal treatment of all the Shareholders, the Company develops an environment for information disclosure to the Shareholders in a fair, timely and appropriate manner as well as specific exercises of their rights to vote, so that they can appropriately exercise such rights. In this case, the Company pay due attention to minority and foreign Shareholders.

2.1.2 General Meetings of Shareholders

The Company recognizes the utmost importance of General Meetings of Shareholders as a venue for constructive dialogue with the Shareholders. In this light, the Company fixes the date and place for a General Meeting of Shareholders, as deemed reasonably appropriate to enable more Shareholders to present and exercise their rights to vote at such meeting, and deepen their understanding of the Company.

The Company ensures the accuracy and appropriateness of information contained in "Notice for Convocation of General Meeting of Shareholders" to be sent to the Shareholders. At the same time, in order to give them sufficient time to review the contents of propositions to be submitted to the meeting, the Company dispatches a notice not later than three (3) weeks prior to the date of such meeting, one (1) week or more earlier than a statutory deadline for dispatch of the notice. In addition, the Company registers with TSE and disclose the notice on the Company's webpage in advance of dispatch.

For the Shareholders those who are unable to present at the meeting, the Company provides a method to exercise their rights to vote through internet, other than the exercise of voting in writing (voting form). Further, the Company provides institutional investors with another method to exercise their rights to vote using the Electric Voting Platform established by TSE. By presenting these methods, the Company develops an environment which encourages the Shareholders to exercise their rights to vote.

2.1.3 Constructive dialogue with Shareholders

Through positive dialogue with the Shareholders, the Company promotes their understanding of the Company and its management policies. At the same time, the Company believes that receiving useful feedback and views from the Shareholders during such dialogue would contribute to sustainable growth and the increase of corporate value over the mid-to long-term. With that aim, the Company develops a framework which facilitates positive dialogue and create opportunities to talk with the Shareholders in and out of the country. When having such dialogue, the Company endeavors to give the Shareholders a clear and detailed explanation to deepen their understandings.

Separately, the Company sets and discloses "Basic Policy for Establishing Structure and Measures to Facilitate Constructive Dialogue with

Shareholders" (Appendix 1).

2.1.4 Basic principles for capital policy

The Company gives importance on "ROE" (Return on Equity) as an important indicator of capital efficiency and also sets "ACE" (*) (Anritsu Capital Cost Evaluation) which measures additional value accrued from its invested capital in an effort to maximize the corporate value.

(*) ACE= "Net operation profit after tax" minus "cost of capital"

As to the Company's financial stability, the Company aims at a higher level of Dividend on Equity Attributable to Owners of the Parent ("DOE") in preparation for great changes in the market environment and financial situation.

With respect to the return to the Shareholders, in principle, the Company intends to distribute its earned surplus to the Shareholders in accordance with the "Policy for Determining Distribution of Surplus, etc."(Appendix 2), by taking into account the total return ratio consisting of the consolidated payout ratio and acquisition or cancellation of its treasury stock.

When implementing the capital policy which may result in a change of control or the substantial dilution for existing Shareholders, the Board of Directors thoroughly deliberates the necessity of and rationale for such policy in order not to unjustly harm the Shareholders' interest, before disclosing the contents of the policy in an appropriate and timely manner.

2.1.5 Basic principles for exercising rights to vote regarding cross-shareholdings and shares held as cross-shareholdings

In order to increase corporate value over the mid- to long-term, in some cases, the Company strategically holds shares of other listed companies, mainly its business partners, by taking into account all factors of its business strategies and perspectives, etc.

As to the shares of other listed companies held as cross-shareholdings, the Company verifies the significance and reasonableness of keeping such shares and regularly reports to the Board of Directors.

When exercising the Company's rights to vote pertaining to the shares held as cross-shareholdings, the Company comprehensively makes a decision to vote for or against a resolution by taking into consideration management policies and governance structure of the relevant listed company and from the viewpoint of enhancing the Company's corporate value over the mid-to long term.

2.1.6 Anti-takeover measures

The Company recognizes that the increase of corporate value through profitable and sustainable growth is the most important issue for responding to the trust of Shareholders. In this light, it is the Company's

best interest to (i) realize “2020 VISION” and the mid-term management plan, (ii) continuously engage in the increase of corporate value through the development and strengthening of corporate governance, and (iii) increase the return to the Shareholders and further expand dialogues with them and its investors. Thereby, the Company does not prepare anti-takeover measures of so-called “prior-warning” type. When a large-scale purchase is attempted by an inappropriate party or person to control decisions on the Company’s financial and business policies, the Company addresses such attempt in an appropriate manner according to the “Basic Policy regarding Persons Who Control Decisions on the Company’s Financial and Business Policies” (Appendix 3), in order to maintain and increase corporate value and the common interests of Shareholders.

2.1.7 Related party transactions

The Company conducts fair transactions in compliance with the laws and regulations, etc. regarding business activities and material procurements, and in accord with sound business practices and common sense.

In order not to harm its interests and the common interests of Shareholders, the Company stipulates that either of the following transactions requires a prior deliberation and the approval of the Board of Directors and, when such transaction is conducted, prompt submission of a report on material facts regarding such transaction to the Board of Directors: (i) an competitive transaction conducted by a Director, (ii) an conflicting interest transaction between a Director and the Company, or (iii) an extraordinary transaction with one of major Shareholders having more than 10% of the shares in the Company.

Besides the approval of the Board of Directors, any conflicting interest transaction to be conducted by a Director who is not an Audit Committee member further requires the approval of the Audit Committee.

2.2 Relation with Stakeholders other than Shareholders

2.2.1 Appropriate cooperation with stakeholders other than Shareholders

The Company fully recognizes that sustainable growth and the creation of corporate value over the mid-to long-term can be achieved as an outcome of the provision of resources and the contribution from a variety of stakeholders such as employees, clients, business partners, creditors and the broader communities. Therefore, the Company is devoted to fulfill its social mission “to contribute to development of a safe, secure and prosperous global society by offering ‘Original and High-Level’ products and services with ‘sincerity, solidarity and motivation’”. Given the mission, the Company takes positive and proactive measures to address sustainability issues including ESG (environment, society and governance) matters by conducting corporate activities in good faith based on its conformance with the laws and regulations, ethics and a social norm.

2.2.2 Code of conduct

In an effort to fulfill its social responsibility, the Company has declared “Anritsu Group Chapter of Corporate Behavior” (“Chapter”) as a guidelines for ideal corporate activities and “Anritsu Group Code of Conduct” (“Code of Conduct”) as a norm of action for all officers and employees of the Group.

These Chapter and Code of Conduct are stipulated, amended or abolished by approval of the Board of Directors. The Company makes all officers and employees well informed about these Chapter and Code of Conduct through intranet, and it also publicly disclose the same.

2.2.3 Promotion of Corporate Social Responsibility (“CSR”)

In response to a request from the global society, the Company is devoted to positively address sustainability issues through its business activities. In this light, the Company assents to ten principles of “The United Nations Global Compact” (“GC”) and has expressed its intent to join in such effort, therefore, it promotes the principles of GC along with CSR activities.

In addition, the Company considers the social agenda, such as climate change countermeasures, effective use of water resources and pollution prevention measures, etc. involve critical business risks, therefore, it proactively promotes environmental management as the whole Group and reports on such activities to the Board of Directors as necessary.

2.2.4 Whistleblowing system

Aiming to prevent violations of the ethical code at workplace and to improve working conditions for employees, the Company establishes points of contact to receive reports and whistleblowing from or provide advice to employees (“Hotlines”), in accordance with the “Basic Rules for Compliance with Ethics Law and Regulations” and “Rules for Whistleblowing”. As Hotlines for employees in Japan, in addition to the point of contact at workplace (a phone line and an e-mail address exclusively for whistleblowing and a comment box, etc.), the Company establishes several external points of contact (outside director, attorney, counselors and an outside consultation desk, so-called “Workplace Hotline”). The operation of Workplace Hotline is entrusted to an external organization that specializes in treating whistleblowing and has no interests in the Company, in order to encourage employees to contact it without worry or fear.

The contents and facts of every report and whistleblowing are treated as secret to ensure that the employee who made a report or whistleblowing would not suffer from disadvantageous treatment. The Board of Directors regularly receives a report regarding the operation of the system.

2.2.5 Ensuring diversity at workplace

The Company emphasizes “respect for human rights” as one of most

important behaviors specified in the Chapter and the Code of Conduct. As the Company's business is being expanded globally, it has been employing diverse personnel, regardless of nationality, gender, age and a sense of values, etc. In this light, the Company is required to create the work climate where every employee can seek for the fulfillment of his/her own life and the development of his/her career, understand other employees' situation, etc. and respect for different values, and make the best of himself/herself by exerting his/her individuality at work. With that aim, the Company builds the system and frameworks to create a safe, secure and comfortable workplace environment.

3. Ensuring Appropriate and Timely Disclosure and Transparency

3.1 Ensuring Appropriate and Timely Disclosure and Transparency

The Company recognizes the utmost importance of information disclosure to stakeholders such as Shareholders, employees, clients, business partners, creditors and the broader communities as a basis for communication with them. In compliance with the relevant laws and regulations, the Company timely, appropriately and proactively discloses material facts of (i) financial information, such as financial standing and operating results, etc. and (ii) non-financial information, such as management strategies and management issues, risk management, internal control system and governance. The Company also offers, in a comprehensible, integrated and systematic fashion, to stakeholders useful information to obtain their understanding of and confidence on the Company, from the perspective of its aim to sustainable growth and the increase of corporate value over the mid-to long-term. Such information includes a source of corporate value, strong points, the mid-to long-term strategies and policies and their directionality, the mid-to long-term business plan and its progress, etc. of the Company.

4. Corporate Governance Structure

4.1 Outline of Corporate Governance Structure

As the structure for corporate governance, the Company has adopted the company structure as "Company with an Audit Committee" aiming at further enhancement of the auditory and supervisory function. The Company maintains the Board of Directors, Audit Committee and Accounting Auditor as its organization.

Having engaged in manufacturing of products which requires high degree of expertise, the Company also introduces the structure of "Company with Executive Officers" to reflect the voice and views of persons who are knowledgeable in the field into quick decision-making on business execution.

4.2 Directors and the Board of Directors

4.2.1 Roles and responsibilities of the Board of Directors

According to the laws and regulations, the Articles of Incorporation and the "Rules of the Board of Directors" set by itself, the Board of Directors engages in constructive discussion and decision-making on substantive

matters with respect to the Group's business operation including management strategies and plans, etc. The Board of Directors is also responsible for oversight of business execution by Directors, Vice Presidents and Executive Officers.

With due attention to their fiduciary responsibilities to and accountability for the Shareholders, and aiming at the Group's profitable and sustainable growth as well as the increase of the corporate value over the mid-to long-term, the Board of Directors endeavors to ensure the reasonableness of managerial decision-making process, and encourages such process to be taken in a transparent, fair, speedy and decisive manner. Through such process, the Company develops an environment which supports appropriate risk-taking by Representative Directors and other Executive Directors. Before submission of a proposition to the Board of Directors, the Company collects, analyzes and examines the relevant information which constitutes the premises of the proposition in an appropriate and rational manner, and carefully considers the proposition. Based on such consideration, the Board of Directors thoroughly deliberates and resolves the proposition.

4.2.2 Composition of the Board of Directors

Pursuant to the Articles of Incorporation of the Company, the number of members of the Board of Directors is, ten (10) or less of Directors (excluding Directors who are Audit Committee members) and five (5) or less of Directors who are Audit Committee members. The Board of Directors consists of an adequate number of right and managerial-talented personnel in and out of the Company those who can contribute to the expansion and exercise of business, by taking into account a source of corporate value of the Group as well as the enhancement of its global management system, toward sustainable growth and the increase of corporate value of the Group.

The Company appoints at least one-third of the members of the Board of Directors as Independent Outside Directors and endeavors to appoint non-executive Directors as many or more than the number of Executive Directors.

4.2.3 Selection of Directors

With due attention to ensuring the diversity of members, the Company selects Directors by keeping balance of their expertise, experiences and capabilities, regardless of gender, nationality, etc. in order to enhance the decision-making process and keep its effectiveness.

A proposition for selection of Director(s) to be submitted to a General Meeting of Shareholders should be resolved at a meeting of the Board of Directors after a deliberation by the Nominating Committee (as to an Audit Committee member, a deliberation of Audit Committee is required).

When a Director wishes to concurrently serve as an officer for other

company out of the Group, he/she is allowed to do so only when he/she can fulfill his/her responsibility as Director of the Group. If it results in concurrent holding of an important position (as defined in the Ordinance for Enforcement of the Companies Act), such situation should be disclosed every year.

4.2.4 Criteria for selection of Directors

The Company sets certain criteria for selecting Directors.

As to the selection of an Internal Director, a candidate should have advanced expertise, be highly capable for business exercise and be expected to contribute to the improvement of business performance of the Company. In addition, he/she is comprehensively evaluated in the light of "Anritsu Value" that summarizes a desirable member of the Group, by taking into consideration several factors such as his/her self-consciousness as a leader of the Company, ability to share the Company's management philosophy, richness in humanity, ability to take action, conceptual power and a sense of morality.

As to the selection of an Outside Director, a candidate is comprehensively evaluated by taking into consideration a balance of knowledge and experience as well as diversity, etc. among members of the Board of Directors and his/her independence from the Company.

4.2.5 Chairperson of the Board of Directors

A chairperson of the Board of Directors of the Company is selected at a meeting of the Board of Directors pursuant to the provisions of the Articles of Incorporation of the Company. The chairperson is expected to endeavor to (i) operate a meeting of the Board of Directors in an effective and efficient manner and smoothly provide necessary information to Directors, (ii) lead substantial deliberations, and (iii) enhance its supervisory function. In order to fulfill such responsibilities, in principle, a Representative Director, who has a detailed knowledge about businesses and management of the Company as well as a deep understanding of propositions submitted for deliberation, takes a chair of a meeting of the Board of Directors.

4.2.6 Active deliberations by the Board of Directors

To foster active deliberations at meetings of the Board of Directors, the Company endeavors to (i) distribute the relevant materials and information to Directors sufficiently in advance of the meeting date, (ii) provide sufficient information about the schedule of meetings and anticipated agenda, (iii) secure sufficient time for deliberations, and (iv) do other things as required.

4.2.7 Roles, etc. of Independent Outside Directors

The Company selects Independent Outside Directors in order to pursue business operation utilizing outside perspectives and enhance the supervisory function for business execution, thereby contributing to

sustainable growth and the increase of corporate value over the mid-to long-term.

In selection of an Independent Outside Director, the Company takes into account the diversity of candidates' expertise, professional background and territory, etc. in order to introduce views from a variety of stakeholders into the oversight and appropriate operation of the Group's business activities.

The roles of an Independent Outside Director are to make use of his/her expertise and knowledge in giving out advices to the Board of Directors, for example, how to address management issues of the Company, aiming to encourage profitable and sustainable growth of the Company as well as the increase of corporate value.

The Company recognizes that, in selection of an Independent Outside Director, any chance of using discretion should be eliminated and it is required to create an environment to ensure his/her independence even after selection, from the viewpoint of the maintenance and enhancement of corporate governance. In this connection, the Company separately formulates "Independence Criteria for Outside Officers" (Appendix 4) by approval of the Board of Directors and discloses the same on a Securities Report, etc.

In order to fulfill the roles described above, all Outside Directors (whether or not Directors who are Audit Committee members) are to become a Nominating and Compensation Committee member. In addition, Outside Directors will endeavor to attend audits performed by Audit Committee to deepen understanding realities and business challenges of the Company's group.

Moreover, Outside Directors will endeavor to attend financial results briefing and understand the dialogs between shareholders and investors.

4.2.8 Independent Committee

The Company establishes the Independent Committee, aiming to create a venue for free and active discussion and foster exchange of information and share the same problem recognition among officers from the stance of being independent and objective.

The Independent Committee consists of all the Independent Outside Directors including Directors who are Audit Committee members, in order to facilitate smooth communication among them and contribute to the increase of corporate value through the following activities:

- 1) Recommendation about the improvement of corporate value of the Group
- 2) Exchange of views with Representative Directors
- 3) Exchange of views regarding a particular topic with the persons concerned who are responsible for business execution, etc.
- 4) Recommendation about the effectiveness of the Board of Directors

- 5) Recommendation about the internal control system
- 6) Recommendation about the Company's response to an attempt to a large-scale purchase of the Company's shares
- 7) Recommendation about or report on other matters requested for advice by the Board of Directors

4.2.9 Lead Independent Outside Director

In order to summarize the views of Outside Directors and communicate and coordinate with the top management of the Company, a chairperson of the Independent Committee is selected among members of the Independent Committee as a Lead Independent Outside Director who is expected to undertake such roles.

4.2.10 Nominating Committee

The Company establishes the Nominating Committee as an advisory body for the Board of Directors in order to enhance transparency, objectivity and fairness in the examination of selection and dismissal of Directors as well as assumption of and retirement from the office of Representative Director, which are important matters in terms of corporate governance. In addition, the Company receives advices and recommendations, etc. regarding training of management executives from the Nominating Committee.

The Nominating Committee consists of all the Outside Directors (including Directors who are Audit Committee members) and President as well as one (1) Director appointed by the President, and under the chairperson of the Committee, who is an Outside Director, deliberates the following matters, etc. before providing a recommendation to the Board of Directors:

- 1) Proposition for selection of a candidate for Director or dismissal of a Director
- 2) Proposition for members of the Board of Directors (the ratio between Internal Directors and Outside Directors and members' expertise and professional careers, etc.)
- 3) Examination and preparation of the requirements for a Director and criteria for selection of a Director
- 4) Advice or recommendation concerning the assumption of and retirement from the office of President (CEO of the Group) and "Succession Plan"
- 5) Advice or recommendation about the management and operation of several systems (a term of office, an age limit, etc. for each position) regarding the Directors, Vice Presidents and Executive Officers as the whole and revisions of such system
- 6) Advice or recommendation about "Training Program for Next-Generation of Executives" as well as trainings for Directors, Vice Presidents and Executive Officers or management's nominated successors

4.2.11 Compensation Committee

The Company establishes the Compensation Committee as an advisory body for the Board of Directors for deliberating the system, content, level and a balance of distribution, etc. of compensation, etc. of Directors (including Directors who are Audit Committee members), which is an important matter in terms of corporate governance.

The Compensation Committee consists of all the Outside Directors (including Directors who are Audit Committee members) and President as well as one (1) Director appointed by the President, and under the chairperson of the Committee, who is one of the Outside Director, deliberates the following matters, etc. before providing a recommendation to the Board of Directors:

- 1) Compensation structure for Directors, Vice Presidents and Executive Officers
- 2) Compensation standard for Directors, Vice Presidents and Executive Officers
- 3) Breakdown of individual compensation, etc. of each Director, Vice Presidents and Executive Officer
- 4) Other matters relating to the above

4.2.12 Policy for determining amount or formulation of officers' compensation, etc.

The Company sets and discloses on a Securities Report, etc. the "Policy for Determining Amount or Formulation of Officers' Compensations, etc." (Appendix 5)

4.2.13 Officers' Compensation Structure

Based on the basic policy set by it, and referring to research data on officers' compensation conducted by outside research agencies for the level of compensation amount, the Company determines the compensation, etc. of Executive Directors in order to enable such compensation to work as incentives to contribute to the improvement of business performance in each business term and corporate value over the mid-to long-term. In determining the compensation, etc., the Company takes into consideration a balance between the fixed compensation based on each officer's job responsibility and the performance-related compensation (including bonus as the short-term performance-related compensation and stock compensation as the mid-to long-term performance-related compensation).

4.2.14 Succession Plan

The Company endeavors to develop potential persons by introducing the "Training Program for Next Generation of Executives" for the purpose of training candidates for next generation of top executives including CEO. The progress of the Program should be reported to, and checked and deliberated at the Nominating Committee entrusted by the Board of Directors. Through such steps, the Company establishes a highly transparent process to appoint a successor as top executive.

4.2.15 Training of Directors, etc.

As a critical governance body for a listed company, Directors, etc. of the Company are expected to deepen their understanding of their roles and responsibilities, and acquire and update necessary knowledge and skills in order to properly fulfill such roles and responsibilities. With that aim, the Company implements trainings for all the Directors, Vice Presidents and Executive Officers.

For Outside Directors to deepen their understanding of the market environment and trends in the industry, etc., from time to time, the Company constantly offers them explanations about the management philosophy, vision and strategy, the medium-term management plan and the organization, etc. as well as business markets, outline of businesses and products of the Company. In addition, once a quarter, the Company provides Outside Directors with opportunities to listen to status reports on business execution, etc. from Vice Presidents and Executive Officers who are responsible for their respective business divisions. Besides, the Company continuously endeavors to deepen their understanding of the Company by arranging their visits to various workplaces in the Company, their exchanges of information with management executives of the Company and other things as required.

Under the “Training Program for Next Generation of Executives”, the Company provides candidates for top executives with opportunities to fully understand various matters regarding leadership, finance, laws and regulations, corporate governance and compliance, etc. as well as other expertise and knowledge, etc. required for corporate operation, and to continuously update such information as necessary.

4.2.16 Effectiveness and self-evaluation of the Board of Directors

The Board of Directors endeavors to increase its effectiveness to attain sustainable growth and the increase of corporate value of the Company over the mid-to long-term, by taking initiative to continuously improve the decision-making process and to enhance the supervisory function, both of which are prerequisites for promotion of sound risk-taking attitude.

In order to pursue better balance between the decision-making function and the supervisory function of the Board of Directors, every Director should demonstrate their experience, skills and knowledge, etc.

The Board of Directors analyzes and evaluates its effectiveness once a year, referring to each item specified in “Basic Policy on Corporate Governance”, etc. including the foregoing perspectives as the criteria, and take necessary measures to further improve its effectiveness.

4.3 Audit Committee Members and Audit Committee

4.3.1 Roles and Responsibilities of Audit Committee

Bearing in mind its fiduciary responsibilities to the Shareholders, the Audit Committee executes its roles and responsibilities including audits of the performance of duties of Representative Directors and other Executive Directors as well as the exercise of its authority regarding appointment and dismissal of external Accounting Auditor and the determination of auditor remuneration. With that aim, the Audit Committee sets "Auditing Standard for Audit Committee", receives business reports from the Group in accordance with the laws and regulations, investigates the status of business execution and assets and/or exercise its authority to appoint or dismiss Accounting Auditor. Taking these steps, the Audit Committee conducts an audit on business execution by Directors, the effectiveness of the internal control system, the business performance and the financial condition, etc. of the Company.

In addition, capitalizing on his/her position as full-timer, a Director who is full-time Audit Committee member strives to proactively improve an environment for auditing, etc. and gather internal information, monitors and verifies the establishment and operation of the internal control system on a routine basis, and shares such information with other Audit Committee members. Also a Director who is full-time Audit Committee member directly involves in the operation of a major subsidiary of the Group as Director in charge of auditing (or Corporate Auditor for a Company with Auditor) of the subsidiary, together with a General Manager of Management Audit Department, receives business reports from, investigates business execution and financial condition of the subsidiary, and do other things. Following these steps, the Director who is full-time Audit Committee member conducts an audit on the effectiveness of the internal control system, the business performance and the financial condition, etc. of the subsidiary.

An Audit Committee member may present and state his/her views at a meeting of the Board of Directors as Director with the right to vote, and have meetings with Representative Directors to exchange views regarding issues to be addressed by the Company or important issues raised through auditing, for mutual communication.

4.3.2 Composition of Audit Committee

The Audit Committee consists of five (5) or less Directors according to the Articles of Incorporation of the Company, and Outside Directors should form a majority of the Committee. In order to smoothly gather internal information and enhance communication with Representative Directors and Executive Directors, at least one (1) member should be appointed as a full-time Audit Committee member. In addition, with the aim to closely cooperate with the Accounting Auditor and the internal audit department, etc. in proper execution of their duties, the Company ensures that a person or persons who have appropriate knowledge about finance and accounting are appointed as Directors who are Audit Committee members.

4.3.3 Support to Audit Committee

The Company sets up the Management Audit Department as a supporting body for the Audit Committee. Audit Committee members cooperate with the Management Audit Department and Global Audit Department that is an internal audit department in implementation of the auditing and oversight of the Company.

4.4 Accounting Auditor

4.4.1 Accounting Auditor

The Company recognizes that an Accounting Auditor owes its responsibility toward the Shareholders and investors. In order to ensure the proper auditing by the Accounting Auditor, the Company cooperates with the Audit Committee and the relevant departments such as an accounting department in preparing the audit schedule and establishing the audit structure.

4.4.2 Selection and Evaluation of Accounting Auditor

The Audit Committee determines principles for dismissal or non-reappointment of an Accounting Auditor, and prepares the criteria for selection and evaluation of an Accounting Auditor to check its independence and professional standard.

In addition, when the Audit Committee conducts an audit, it monitors and verifies if the Accounting Auditor keeps its independent position and properly conducts an audit or not, and confirms the appropriateness of the auditing method and the results of such audit conducted by the Accounting Auditor.

4.5 Management Strategy Conference, etc.

4.5.1 Management Strategy Conference

The Company establishes the Management Strategy Conference as a decision-making body regarding business execution of the Group, under the chairmanship of a President and constituted by Executive Directors, Vice Presidents and Executive Officers of the Company. At the conference, members deliberate and make decisions on formulation of a comprehensive strategy for the global management, the Group management and major matters regarding business execution.

4.5.2 Free Discussion

With the aim to facilitate open, unrestricted and constructive discussion and exchange of views among the top management, the Company holds a forum for "Free Discussion" once a quarter, which consists of members of the Board of Directors, Vice Presidents and Executive Officers. At such "Free Discussion", every participant joins in discussion on management issues over the mid-to long-term in line with presentations or topics, etc. provided by each Executive Officer regarding his/her assigned area.

5. Other Matters

5.1 Re-examination and Revision of Basic Policy

The Company re-examines the contents of this Basic Policy and revises it as required, by approval of the Board of Directors on a regular basis.

Supplement provisions

1. This Basic Policy comes into force on October 29, 2015.

Basic Policy for Establishing Frameworks and Measures to Facilitate Constructive Dialogue with Shareholders

Based on its “Disclosure Policy”^{*} and with the aim to improve sustainable corporate growth and increase corporate value over the mid-to long-term, the Company appropriately discloses information to the Shareholders to deepen their understanding of the Company, and also facilitates active dialogue with the Shareholders in order to reflect their valuable feedback and views into its business management.

In this light, the Company establishes the following frameworks and measures:

- The IR (investor relations) Department is assigned to facilitate dialogue with the Shareholders under an officer who is responsible for overseeing activities of IR Department (“IR Officer”).
- When having dialogue with the Shareholders, the IR Department and the IR Officer cooperate with Representative Directors, Executive Directors, Executive Officers in charge, etc. before properly responding to requests for dialogue from the Shareholders. In addition, the IR Department sets up “IR Promotion Council” consisting of accounting, management planning, public relations and legal sections, to have meetings on a regular basis where the members make reports on and exchange opinion about IR activities in order to improve such activities and support dialogue with the Shareholders.
- For providing specific opportunities of dialogue with the Shareholders, besides individual meetings on a routine basis, the Company holds quarterly financial results briefings as one of major IR activities, joins in outside IR conferences, etc. and implement overseas IR activities (such as roadshow activities), etc. In addition, the Company endeavors to improve the information disclosure on its website and hold briefing sessions for individual Shareholders on a regular basis.
- The feedback and information gathered through dialogue with the Shareholders are, from time to time, reported to “Information Disclosure Committee” consisting of persons responsible for treatment of information and those in charge of information disclosure as well as “Management Strategy Conference”. The same is also reported to the Board of Directors on a regular basis, along with the status of IR activities.
- In order to prevent insider transactions, the Company sets “Rules for Prevention of Insider Trading” that prohibits communication about insider information (important information), thus, it makes sure that any insider information is not divulged when engaging in dialogue with the Shareholders. Further, the Company endeavors to prevent any insider transaction in advance by voluntarily refraining from IR activities during a certain period prior to its announcement of financial results, etc.

*Disclosure Policy

Whether news is good or bad, whether circumstance surrounding the Company are good or bad, Anritsu discloses accurate information to all the stakeholders in accordance with the relevant laws and regulations, in a sincere, fair and active manner.

Action Guideline

- 1) Communicate accurate information
 - (i) in a clear and straightforward manner for easy understanding,
 - (ii) proactively, timely and promptly,
 - (iii) to be widely and equally known.
- 2) Ensure the information management and endeavor to prevent insider transactions in advance.

Appendix 2

Policy for Determining Distribution of Surplus, etc.

For returning profits to the Shareholders, in principle, the Company distributes its profits in accordance with the consolidated performance by taking into account the total return ratio.

In regard to dividends of surplus, the Company basically aims to increase dividends on equity attributable to owners of the parent (DOE) in accordance with the increase in consolidated profits for the relevant business year, with a goal of achieving 30% or more of a consolidated dividend payout ratio. The Company makes distributions of dividends, in principle, twice a year, i.e. year-end and interim dividends, by resolution of the General Meeting of Shareholders or by approval of the Board of Directors.

The Company intends to appropriately purchase its treasury stock when necessary, by taking into account its financing standing, stock movements and other factors, in an effort to implement flexible capital policies that respond to changes in the corporate environment.

As to its internal reserves, the Company takes a policy to utilize for research & development and capital investment to address rapid technological advances and changes in the market structure, and investments for upgrading supporting services for customers of the Company's products as well as further business expansion, etc.

<Amended: April 1, 2016>

Appendix 3

Basic Policy regarding Persons Who Control Decisions on the Company's Financial and Business Policies

As far as the Company is an open and public company which allows unrestricted sale and purchase of shares of the Company (the "Shares"), the Company understands that the final decision on whether or not to respond to a Large-Scale Purchase attempted by a party or person and sell the Shares thereto and, moreover, requirements for a party or person who controls decisions of the Company's financial and business policies should ultimately rest on the collective will of the Shareholders of the Company. However, the Company believes that, in order to maximize accumulated management resources which are a source of corporate value and constitute the common interests of the Shareholders and to elevate brand value of the Group, the stable management of the Company from the mid-to long-term standpoint as well as the thorough understanding of such accumulated management resources are absolutely imperative. Thereby, if a party or person who controls decisions on the Company's finance and business policies does not fully understand these matters, it is concerned that the Company's corporate value and the common interests of the Shareholders are materially impaired.

Based on the above, when an inappropriate party or person for controlling decisions on the Company's financial and business matters attempts "Large-Scale Purchase", the Company should positively gather necessary information from such party or person attempting the Large-Scale Purchase and appropriately disclose the information, in order to aid the Shareholders in making their decisions on such attempt. In addition, the Company should seek to ensure and improve corporate value and the common interests of the Shareholders by taking appropriate measures to the extent permissible by laws and regulations as well as its Articles of Incorporation.

Criteria for Judging Independence of Outside Officers

When a reasonable examination by the Company finds that an Outside Director (“Outside Officer”) or a candidate for Outside Officer of the Company does not fall under any of the following, the Company judges that such Outside Officer or candidate for Outside Officer is independent from the Company:

1. A person who executes business (*1) for the Company or any of subsidiaries of the Company (the Company and its subsidiaries are collectively referred to as “Group”)
2. A major shareholder of the Company (*2), or a person who executes business (*1) for such shareholder
3. A person who executes business (*1) for a company, of which the Group is one of major shareholders (*2)
4. A person or entity for whom the Group is a major business partner (*3), or a person who executes business (*1) for such person or entity
5. A major business partner (*3) of the Group, or a person who executes business (*1) for such partner
6. A person or entity receiving donations of a large amount of money or other assets (aids) (*4) from the Group, or a person who executes business (*1) for such person or entity
7. A consultant, an accounting expert such as a certified public accountant, etc. or a legal expert such as an attorney, etc. receiving a large amount of money or other assets (benefits) (*4) from the Group, other than the compensation for officer (when a person receiving such asset is a corporate person or an association such as partnership, this paragraph applies to members who belong to such association.)
8. A person who is a former employee or officer of a company in a cross-directorship arrangement for outside directors (*5) with the Group
9. A person who had fallen under any of the preceding paragraphs of 1.~8. in the past (*6)
10. A spouse or a family member within two degrees of kinship of either person described in (a) or (b) below;
(a) A key person (*7) among the persons described in the paragraph 1. above (including a director who is, or was, not a person who executes business (*1), when judging the independence of an outside director who is an Audit Committee member or a candidate for such outside officer), or
(b) A key person (*7) among the persons described in any of the preceding paragraphs of 2.~8.
11. Other than the persons described above, a person who is reasonably determined by the Company that he/she is unable to perform his/her duties as Outside Officer in an independent and neutral position.

- (*1) "Person who executes business" means a person who executes the business (duties) of director (excluding outside director), *shikkoyaku*, employees, etc. (including executive officer), including a person who executes the business (duties) for a corporate or association such as partnership other than a company.
- (*2) "Major shareholder" means a shareholder who holds, directly or indirectly, more than 10% of the voting rights of a company.
- (*3) "Major business partner" means a partner who falls under the definition of "major business partner" referred to in "Guidelines Concerning Listed Company Compliance, etc. III 5. (3)2".
- (*4) "A large amount of money and other assets" means the total value exceeding ¥ 10 million per business year or 1% of the total income of the recipient of such assets, whichever higher.
- (*5) "Cross-dictatorship arrangement for outside officers" means a relationship where a former officer or employee of the Group currently serves as an outside officer for another company, and at the same time, a former officer or employee of such another company serves as an outside officer of the Group.
- (*6) "Past" means, in cases which fall under the paragraph 1 above, an indefinite past period and in cases which fall under any of the paragraphs 2.-8. above, five (5) years in the past, including the last business year.
- (*7) "Key person" in the item (a) includes an employee of importance, such as executive officer, etc. out of the persons who exercises business described in the item (*1) above, but not include an employee who serves as a position similar to department manager or lower position. "Key person" in the item (b) means, in cases which fall under any of the paragraphs 2.-8. above (excluding the paragraph 7) only a person who exercises business as director, *shikkoyaku*, executive officers, etc. and in cases which fall under the paragraph 7 above, only a qualified professional such as certified public accountant or attorney.
- (*8) <Supplement>
 Under the rule set by TSE, a listed company is allowed to stipulate insignificant criteria for determining the person is unlikely to influence on shareholders' decision on exercise of voting rights for specific items, respectively. In this light, the Company separately stipulates, as necessary, such insignificant criteria on "amount of transaction" and "amount of donation", respectively, in regard to the items "whether the officer is a business partner or a former employee or officer of such partner of the listed company, or not" and "whether the officer is or was employed by the recipient of donation made by the listed company, or not".

Appendix 5

Policies for Determining Amount or Formulation of Officers' Compensation, etc.

The compensations, etc. of Directors (excluding Directors who are Audit Committee members, and this exclusion applies to all "Directors" in 1. below) are deliberated at the Compensation Committee, an advisory body for the Board of Directors, in terms of the system, content, level and a balance of distribution, etc. of Director's compensation.

Receiving a recommendation from the Compensation Committee, the Board of Directors determines the compensation, etc. of Directors to the extent resolved by a General Meeting of Shareholders.

Basic principles:

1. Compensation, etc. of Directors

The Company sets the following basic principles regarding the compensation, etc. of Directors are as follows:

- 1) To establish a system containing elements which motivate Directors to attain the Company's management objective and consistently increase corporate value
- 2) To establish a system containing elements which are appealing to and can ensure a variety of excellent and eligible persons as officers for a global company
- 3) To ensure the reasonability and objectivity in the process for determining the compensation, etc. and the proportional distribution

The Company determines the compensation, etc. of Directors in accordance with the above principles, referring to research data on officers' compensation conducted by outside research agencies for the level of compensation amount. With the compensation, etc., the Company intends to provide officers with incentives to contribute to the improvement of business performance for each business year and corporate value over the mid-to long-term. When determining such compensation, etc., the Company takes into account a balance between the fixed compensation according to each officer's job responsibility and the performance-related compensation. Under the present structure for the compensation, etc. of Executive Directors, the amount equivalent to 40% of their fixed compensation is calculated as the performance-related compensation. In this connection, the Company has introduced a system to motivate such Directors to share their views on profits with the Shareholders, and engage in management with awareness of the Company's business performance from the mid-to long-term viewpoint and the Company's stock value.

The performance-related compensation consists of a monetary compensation, i.e. bonus, the amount of which is equivalent to 30% of the fixed compensation, and non-monetary compensation under the incentive plan using trust, i.e. stock compensation, the amount of which is equivalent to 10% of the fixed compensation. The Company evaluates each Director's performance based on the level of dividend for the relevant business year, the degree of attainment of his/her numeral target regarding the management benchmark, the degree of attainment of his/her managerial goal including non-financial aspects set by himself/herself in advance, and other matters.

2. Compensation, etc. of Directors who are Audit Committee Members

The Company determines the compensation, etc. of Audit Committee members, as the fixed compensation based on the discussion among the Audit Committee members and to the extent approved by resolution of a General Meeting of Shareholders. When determining the compensation, etc. the Company focuses primarily on ensuring the effectiveness of audits on the business execution of the Company and also it intends to encourage such Directors to fulfill their duties as Audit Committee members independently from persons who execute the business.

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