Supply Chain Management (SCM)

As a means of achieving its target of "continuous growth with sustainable superior profit," the Anritsu Group is striving to globally optimize all its supply chain stages from procurement through manufacturing and distribution operations.

KPI-Based Reforms for Upgrading Profit-Generation Capabilities

The manufacturing for Anritsu's mainstay Test and Measurement business operations is carried out at the Group's domestic plant in Koriyama City, Fukushima Prefecture. Some of the production is also handled by Group companies based in the United States and Denmark. Manufacturing for Industrial Automation business operations is carried out at the Group's domestic plant in Atsugi City, Kanagawa Prefecture, as well as at plants in Thailand and China (Shanghai). Anritsu is augmenting its overseas production capabilities in accordance with the "local production for local consumption" concept, as it prepares for further expansion of its overseas business operations going forward.

Anritsu is employing principal Key Performance Indicators (KPIs) for four items—cost reductions, quality, delivery schedules, and inventories—as tools for use in connection with the sustained operational reform programs it is implementing in collaboration with partner companies as well as relevant Group units. The aim is to employ SCM methods that contribute to the upgrading of profit-generation capabilities.

With respect to cost reductions, Anritsu is working to rationalize its materials and component procurement systems through measures that include global procurement programs. The Company is also promoting the outsourcing of production of some of its products. Regarding quality, the Company's SCM units are working to heighten the reliability of procured materials and components, as well as to collaborate with development departments in efforts to improve design quality. In connection with delivery schedules and inventories, our SCM units are engaged in activities to reform manufacturing with the aim of shrinking manufacturing lead time periods. The units are also arranging close cooperation among marketing and manufacturing departments to increase the precision of manufacturing plans and promoting optimal inventory levels.

Anritsu has prepared a business continuity plan (BCP) along with associated systems for enabling the Head Office to sustain its coordination of manufacturing bases and maintain procurement, distribution, and other operations during times when the Company is facing challenges due to disasters.

Inauguration of Koriyama 2nd Business Office

In preparation for meeting the growing demand for Test and Measurement business over the mid-to-long term, Anritsu has constructed a second plant (Koriyama 2nd Business Office) in Koriyama City, Fukushima Prefecture, which began operation in July 2013. The new plant is responsible for automated printed circuit board (PCB) component loading processes that had previously been a bottleneck with respect to programs to expand manufacturing capacity. The plant has increased the Group's capacity for those processes by 50%. The previous Koriyama plant (Koriyama Business Office and Tohoku Anritsu Co., Ltd.) is now specializing in product assembly processes. The two Koriyama plants with their clearly separated roles are working together as the Anritsu Group's "mother plant" with the mission of promoting the optimization of manufacturing operations going forward.

R&D

The Anritsu Group considers the pursuit of "Original & High-level" technologies to be the fundamental source of its competitive strength. By operating a global R&D organization and proactively participating in standardization programs, Anritsu is positioning itself to generate leading-edge technologies and use those technologies to develop new kinds of customer solutions, and the Group is also strategically working to leverage its intellectual property as an additional means of strengthening its competitive power.

■ Global R&D Organization

Anritsu operates development bases in Japan, the United States, and Europe, and roughly half of the development staff associated with the Group's mainstay Test and Measurement business is registered at overseas bases. These development bases employ the proprietary technologies of each business unit to develop products, and the Group is working to increase the 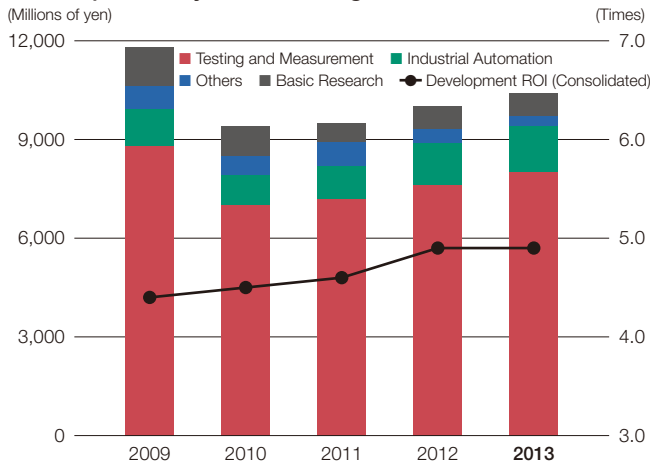efficiency of software development operations by making greater use of outsourcing in the Eastern Europe and Asian regions. Moreover, by promoting extremely close global cooperation among marketing and development units, we are successfully developing and providing solutions that emphasize time-to-market (TTM) considerations and are tailored to customers' needs.

■ Basic Policy on R&D Investments

The communications industry is characterized by rapid technological progress, and the number of Anritsu's R&D themes in the mobile test and measurement field is increasing at an accelerating rate of speed. Under the circumstances, the Group is working to increase investment efficiency by using R&D investment management methods based on KPIs that emphasize returns on investment.
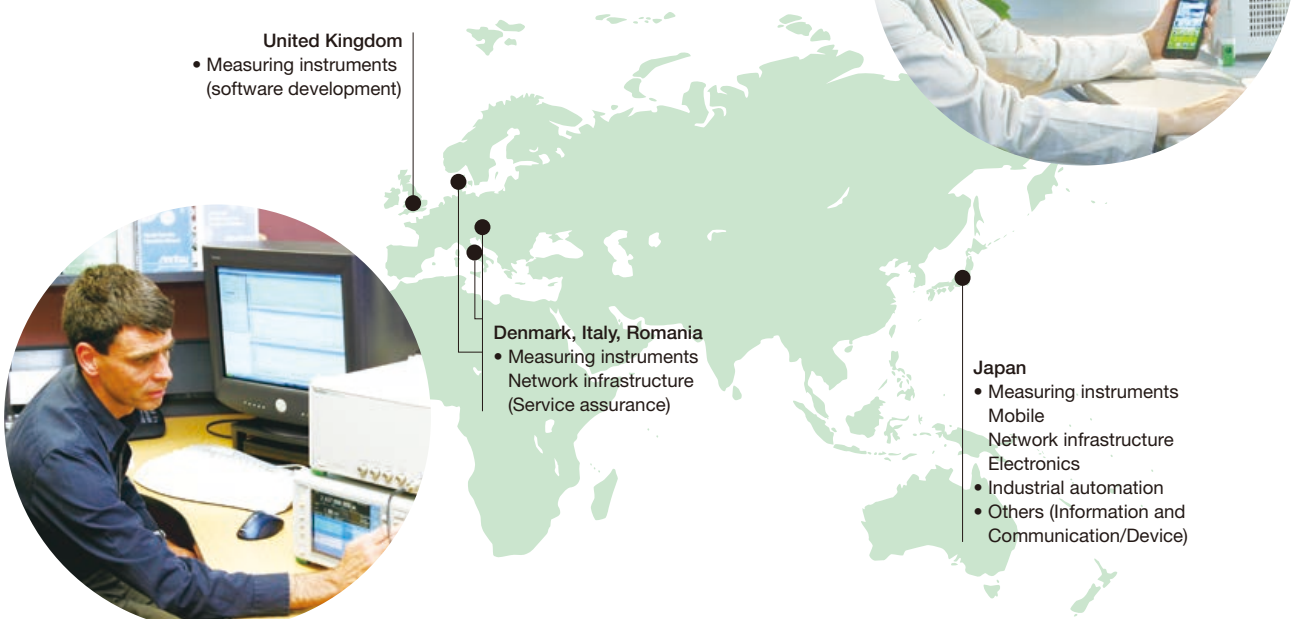
Specifically, our KPI target index for R&D investments is a R&D ROI (gross profit/R&D investment value) of 4.0 or higher, and each individual development project proposal must comply with this judgment standard.

R&D Expenses by Business Segment

(Millions of yen)   (Times)

Legend:
- Testing and Measurement
- Industrial Automation
- Others
- Basic Research
- Development ROI (Consolidated)

As a percentage of revenue	Japanese GAAP				IFRS
	13.9%	12.8%	12.0%	10.7%	10.9%
Year	2009	2010	2011	2012	2013

Global R&D Network

United Kingdom
• Measuring instruments (software development)

Denmark, Italy, Romania
• Measuring instruments
  Network infrastructure
  (Service assurance)

Japan
• Measuring instruments
  Mobile
  Network infrastructure
  Electronics
• Industrial automation
• Others (Information and Communication/Device)

■ Participation in Standardization Programs

Participation in standardization programs is an important element of Anritsu's R&D programs. We are proactively contributing to the creation of new communications-related standards by taking part in such programs as the Third Generation Partnership Project (3GPP), the Global Certification Forum (GCF), and the International Telecommunication Union-Telecommunication (ITU-T) Standardization Sector. Because the world's leading information and communications companies are members of the various standardization entities, our proactive activities related to the establishment of new standards have enabled us to build strong ties with customers and thereby obtain important information and feedback related to technologies and product development. We are making the most of those benefits in our efforts to launch solutions with outstanding competitive power in a timely manner.

■ Intellectual Property Strategy

Obtaining and leveraging leading-edge technologies is the key to realizing superior competitiveness in Anritsu's business fields, and we, therefore, emphasize intellectual property strategy as an extremely important element of our business strategy. Our intellectual property departments cooperate closely with development departments with the goal of globally making effective use of intellectual property rights associated with our R&D program results, and we are working to optimize our intellectual property portfolio through efforts to harmonize our business strategies and technology strategies. Concurrently with our proactive measures for utilizing

intellectual property as a means of strengthening the competitiveness of our products, we are also stepping up our information gathering and analysis programs and other activities aimed at improving our response capabilities against intellectual property-related risks.

■ Major R&D Achievements during the Fiscal Year

During the fiscal year under review, in the Test and Measurement business, Anritsu developed solutions related to Long-Term Evolution (LTE) and LTE Advanced systems, upgraded its measurement technologies for use in connection with ultra-high-speed networks developed to cope with data traffic growth, augmented its general-purpose measurement applications, and launched such new products as the MT8870A Universal Wireless Test Set, an all-in-one platform for integrated measurements related to 3G/LTE, Wi-Fi, and other wireless communications standards. In Industrial Automation business, Anritsu responded to the global expansion of demand for food inspection systems by undertaking R&D programs related to food quality assurance equipment tailored to the special needs associated with diverse ethnicity and food cultures. The Company's efforts to use ultra-sensitive metal detector technologies to provide easy-to-employ food hygiene management processes led to the commercialization of the New Metal Detectors (Super Mepoli IV) Series.

United States
- Measuring instruments
  Network infrastructure
  Electronics

MT8870A Universal Wireless Test Set

LTE
W-LAN
W-CDMA
Bluetooth
FM