

## Supply Chain Management

## Goal 2

## VOICE



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### Further increase communication with partners and provide more comprehensive transparency

Asian companies can be highly reliable partners after they overcome hardships together and establish mutual trust. The fact that Anritsu has built tight-knit relationships with its partners through diligent communication is estimable, and I hope that it will maintain these efforts to continue providing significant value to society. I would also like to see Anritsu disclose information more proactively, communicating further with stakeholders about its policies and efforts, while mindful that companies simply using generic policy titles and not disclosing sufficient information can come across as being insignificant in their actions.

A recent concern has been over potential risks at overseas partners, especially those at their subcontracted temp staff agencies and other businesses. There have been reports about companies discovering the use of forced labor by an overseas subcontractor despite having been cleared by an auditor. This indicates that it's almost impossible to detect all risks on your own. A mechanism will become necessary that allows multiple companies to jointly address these overseas business risks in collaboration with industry associations and communities.

### We will strengthen our ties with partners and conduct due diligence for compliance and business risks.

Ms. Akabane, thank you very much for providing us with your valuable advice every year.

The strength of our procurement is in the robust relationships we have built with our partners over long periods. We will further strengthen these partnerships by disclosing our specific procurement policies to them and sharing and discussing our concerns and targets.

The majority of our procurement comes from the U.S. and China, with the Chinese ratio increasing in terms of volume. We have inspected the various levels of our partners' production processes and logistics routes. I must say, however, that we do not sufficiently understand their compliance or business risks. Therefore, starting in fiscal 2017, in addition to briefings on our procurement policy with partners, we plan to conduct due diligence regarding their human rights- and labor-related practices, hopefully with the support of related industrial associations.

Our business partners also include outsourcing companies that design software or provide temp staff. Distributors may not be our direct partners, but they are certainly part of our supply chain. We plan to include them as due diligence targets in the near future.

## Basic Concept

Anritsu's procurement operations are global in scope, reaching beyond Japan and across the world. We offer equal opportunities to every company in Japan and overseas through fair assessment practices.

We strive to respond to the expectations and demands of society across the entire supply chain by developing stronger partnerships through the willing involvement of suppliers and partners in various activities, and by ensuring compliance with relevant laws and regulations, business practices and social norms as well as initiatives for preserving the local environment.

## Building Our Global Supply Chain Management

Anritsu has procurement bases mainly in the U.S., Europe, China and Japan, and is working to establish a globally unified set of assessment criteria approved by each location to optimize the mutual use of the supply chain. We intend to promote parts procurement through global collaboration.

Mutual approval is also offered as a means for recognizing business partners that provide us with products we commonly use within Anritsu Group as a Global Preferred Supplier (GPS). We also intend to shorten time to market for product development by sharing development roadmaps and technological issues with these suppliers. We decided on a common standard for assessing suppliers between our operations in Japan and the U.S., and we selected nine companies to our GPS list to enhance our mutual interests and build stronger relationships. We will continue to carry out activities for increasing the number of GPS.

## Anritsu Basic Rules of Procurement

The Anritsu Group believes in the importance of moving as one with the entire supply chain, together with our business partners, in conducting procurement. With this conviction, we established our Basic Rules of Procurement in 2005 to forge partnerships anchored in mutual trust and seek the cooperation of suppliers and business partners.

### | Basic Rules for Procurement |

#### 1. Selection of suppliers and partners

Anritsu always keeps the door open to new potential suppliers and partners inside and outside Japan, in a spirit of fairness and impartiality. Anritsu objectively selects suppliers and partners based on proper standards - focusing on quality, price, delivery schedules and environmental measures.

#### 2. Partnership

Anritsu builds mutually beneficial relationships with all suppliers and partners through sound business practices.

#### 3. Compliance and secrecy protection

Anritsu conducts business in full compliance with relevant laws, and does not disclose information acquired through business with suppliers and partners to any third party without these suppliers' and partners' prior consent.

#### 4. Activity based on ethical concepts

Personnel involved in procurement keep in mind at all times the importance of performing assignments fairly, free of personal interests with suppliers and partners, while maintaining sound relationships with these parties.

#### 5. Considerations of human rights and labor

Anritsu respects human rights and promotes industrial hygiene, safety and security, and requests that suppliers and partners agree to this policy and promote these activities as part of their supply chain operations. Anritsu may reconsider relationships with suppliers and partners if their business operations are linked with human rights violations, such as the use of child labor, racial and sexual discrimination, etc. Furthermore, we will work together with our suppliers and partners regarding non-use of conflict minerals that lead to these human rights issues.

#### 6. Environmental considerations

Anritsu stipulates Green Procurement Guidelines and promotes green procurement by purchasing parts and materials that have been proven less damaging to the environment.

To promote our Basic Rules of Procurement, the Anritsu Group communicates the following requests directly to all suppliers as it seeks their cooperation in activities undertaken throughout the entire supply chain.

### | Requests |

#### 1. Observance of laws and social norms

Observance of relevant laws, prohibition of child labor, forced labor and cheap labor; and prohibition of discrimination and transaction with antisocial forces

#### 2. Environmental considerations

Realization of environmental measures in line with Anritsu's Green Procurement Guidelines, environmental requirements, etc.

#### 3. Ensuring good quality, supply at fair prices and maintenance of delivery schedules

#### 4. Preventing leakage of secret information and respect for intellectual property rights

#### 5. Prompt response to contingencies and timely, appropriate information disclosure

## Initiatives on CSR Procurement

In fiscal 2010, we formulated the Anritsu CSR Procurement Guideline, which complies with the Supply-Chain CSR Deployment Guidebook published by the Japan Electronics and Information Technology Industries Association (JEITA). The CSR Procurement Guideline is posted on our website, and we hold briefings for suppliers and business partners to raise their understanding and establish further cooperation in CSR procurement.

### | Anritsu CSR Procurement Guideline (Table of Contents) |

#### I Human Rights and Labor

1. Prohibit forced labor
2. Prohibit inhumane treatment and infringements of human rights
3. Prohibit child labor
4. Prohibit discrimination
5. Pay appropriate wages
6. Regulate working hours
7. Respect the rights to freedom of association

#### II Occupational health and Safety

1. Apply safety measures for equipment and instruments
2. Promote safe activities in the workplace
3. Promote hygiene in the workplace
4. Apply appropriate measures for occupational injuries and illnesses
5. Properly manage disasters and accidents
6. Be careful about physically demanding work
7. Promote safe and hygiene in all company facilities
8. Promote health maintenance programs for employees

#### III Environment

1. Control hazardous chemicals in products
2. Control hazardous chemicals in manufacturing
3. Establish and apply an environmental management system
4. Minimize environmental pollution (water, soil, air)
5. Obtain environmental permits
6. Promote resource and energy saving by reusing, reducing, and recycling (3Rs)
7. Promote green-house gas reduction
8. Promote waste reduction
9. Disclose environmental preservation activities

#### IV Fair Trading

1. Prohibit corruption and bribery
2. Prohibit abuse of a superior position
3. Prohibit the offering and receiving of inappropriate profit and advantage
4. Prohibit impediment to free competition
5. Provide accurate information on products and services

6. Respect intellectual property
7. Use appropriate export procedures
8. Disclose appropriate company information
9. Detect injustice promptly
10. Prohibit doing business with antisocial forces
11. Conflict minerals

#### V Product Quality and Safety

1. Ensure product safety
2. Establish and apply a quality management system

#### VI Information Security

1. Secure computer networks against threats
2. Prevent the leakage of personal information
3. Prevent the leakage of confidential information of the customer and the third party

#### VII Contribution to Society

1. Contribute to society and community

### ■ Requesting Letters of Consent from Business Partners and Conducting the CSR Survey

Since fiscal 2011, we have received many letters of consent as we ask cooperation of business partners in promoting CSR procurement by requesting to submit letters of consent.

Also since fiscal 2011, we have conducted CSR Procurement Surveys to monitor CSR efforts at business partners.

We will continue to promote CSR procurement by conducting the CSR Procurement Survey and requesting new business partners to submit letters of consent. Moreover, we seek cooperation from suppliers on clean procurement every year to achieve transparency in our transactions as we practice compliance. We have



**WEB**  
Anritsu Group CSR  
Procurement Guideline

set down codes of conduct and matters to be observed by our employees while prohibiting acts such as receiving entertainment and gifts and trading on insider information concerning business partners.

Furthermore, we set up the Direct Delivery Mailboxes in the negotiation rooms of our head office and the Koriyama Business Office in an effort to promote CSR procurement based on the direct feedback from our partners.

### ■ Green Procurement Guidelines

Anritsu undertakes green procurement in accordance with its Green Procurement Guidelines established in fiscal 1999 by preferentially procuring environmentally friendly parts and materials. In fiscal 2011, we introduced the concept of preserving biodiversity to our activities and began implementing initiatives to deepen supplier understanding of biodiversity preservation. Since fiscal 2016, under our revised Anritsu Group Global Green Procurement Specification, we have sought to unify our green procurement activities with those of Group companies outside Japan that operate manufacturing bases.



Anritsu Group Global Green Procurement Specification



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Anritsu Group Global Green Procurement Specification

### ■ Environmental Partner Company Certification System

In fiscal 2001, we launched the Environmental Partner Company Certification System to evaluate the status of Anritsu suppliers' environmental management systems and product assessment procedures by ranking them at three levels and encouraging the environmental initiatives of suppliers. In fiscal 2009, we incorporated into the system a means for assessing the management status of chemical substances in products. We have also provided suppliers with check sheets and conducted factory audits to strengthen the reliability of information on chemical substances in products.

In fiscal 2016, we revised the check sheet for assessing the management system over chemical substances in products to make it JAMP\* compliant. In addition, we identified five suppliers that required improvements based on the assessment of chemical substances in products. All five achieved higher ratings after implementing improvements.

\* JAMP (Joint Article Management Promotion-consortium): A group of voluntary corporate members who agree with the mission of appropriately managing information on chemical substances in components and final products, and the establishment and propagation of concrete mechanisms to ensure the uninhibited disclosure and communication of such information throughout the supply chain, with the goal of raising industry competitiveness.

#### ► Ratings in the Environmental Partner System

Rank A	Reliable system of management
Rank B	Flawed in certain aspects
Rank C	No reliable system of management

Anritsu provides support and implemented improvement activities

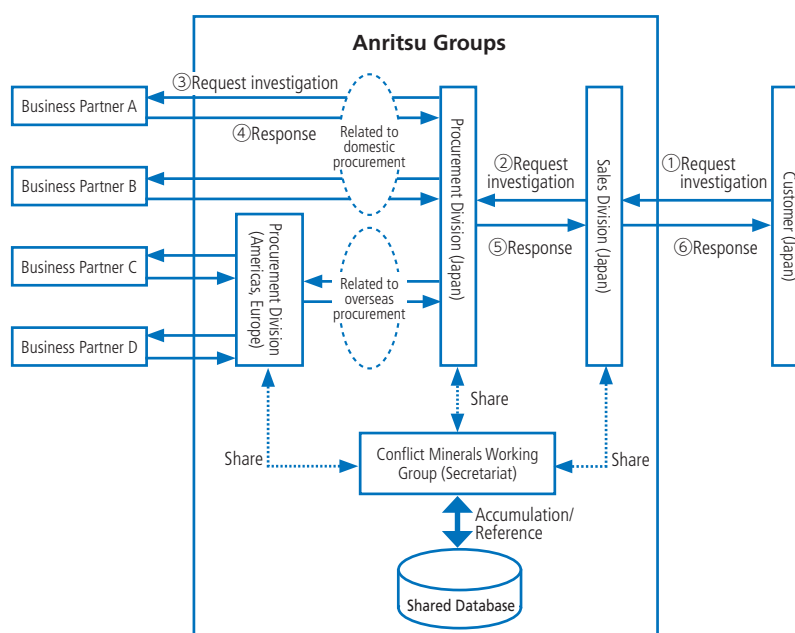
### ■ Response to Conflict Minerals

Following the 2012 adoption of the final rule of Section 1502—the conflict minerals provision of the U.S. Financial Reform Bill—Anritsu declared its support and began working with its supply chain to prevent the use of conflict minerals in our products. We also hold briefings for our business partners to prevent any oversights.

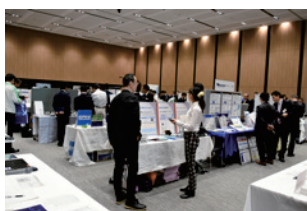
We respond to customer inquiries related to this issue by requesting investigations by business partners in Japan and abroad. We also channel this information to the Conflict Minerals Working Group at our headquarters to accumulate information in a shared database.

To date there has been no use of conflict minerals at Anritsu.

#### ► Response to Customers in Japan



### Exhibition of Partner Products and Technologies



Exhibition of partner products and technologies

In November 2016, we held an exhibition at the Anritsu head office featuring products manufactured by 48 of our partners. The event is held every year to showcase the products and technologies of major business partners that procure products and materials for the Anritsu Group. This year's exhibition acquainted development engineers at Anritsu with new products and technologies such as components for wireless communications (e.g., products for the IoT, M2M, 5G, and in-vehicle markets), components and solutions for optical and electrical high-speed digital transmission, optical parts, general-purpose electric parts for the food and pharmaceutical inspection equipment markets, components that ensure heat dissipation and electromagnetic compatibility. The event also included seminars featuring lecturers from our business partners, aimed at keeping participants abreast of cutting-edge technologies.