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MESSAGE

Message from the Executive Officer in Charge of SCM



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Vice President, Chief SCM Officer
General Manager of the SCM Division, Test
and Measurement Company

Building a flexible, global supply chain management system through strong ties with business partners

Fiscal 2020 presented a number of challenges that disrupted supply chains, including the COVID-19 pandemic, natural disasters, and the shortage of semiconductors and other components. Anritsu managed to avoid the materialization of production risks by focusing on optimizing parts lead times and production plans. Although in-person meetings with business partners were not possible due to the pandemic, other efforts to enhance communication and mutual understanding also helped overcome many difficulties. Our business continuity management (BCM) was, in fact, effectively implemented across the supply chain.

In the GLP2023 mid-term business plan toward 2030, Anritsu is committed to promoting global CSR procurement as one of the Group's sustainability targets, with one of its KPIs set on strengthening due diligence across the supply chain.

In order to achieve the targets, we intend not only to strengthen our global supply chain but also to realize the ultimate form of supply chain management. To establish the best possible supply chain for monozukuri, which involves procurement, distribution, and service besides production, we will strive to surmount obstacles and act as a team of professionals capable of flexibly responding to any customer needs. To improve efficiency, for example, we started introducing robots to automate part

of our production, transportation, and warehousing in fiscal 2021. We will also advance our green procurement, which will include continuing our annual environmental evaluation with suppliers and encouraging those rated C to improve to B and A.

In the process of pursuing the aforementioned KPI, we will particularly focus on human aspects.

In fiscal 2021, we will conduct our CSR procurement survey on a global scale with the revised questionnaire to more accurately identify human rights risks at suppliers. If the survey discovers high risks for human rights or other issues, we will carry out supplier audits and take corrective actions.

We will continue to organize gatherings and events with suppliers to raise awareness of human rights issues and take a stand together to address any human rights issues revealed in our surveys or audits. Furthermore, we will improve our knowledge and skills related to supply chain due diligence by working on human right issues together with our suppliers.

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Stance on Social Issues

Large-scale natural disasters and the COVID-19 pandemic have been creating severe risks for business continuity. Expanding the capabilities and sophistication of the supply chain also poses significant challenges associated with labor issues, potential human rights violations, and environmental pollution.

The 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. Besides granting equal opportunities to all suppliers in and outside Japan and selecting suppliers through fair competition, the Anritsu Group complies with all relevant laws and regulations, commercial practices, and social norms, and it respects human rights in all its partnerships. We can only respond to the expectations and demands of society by building great relationships with suppliers and managing the supply chain seamlessly and comprehensively.

Policy

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 Anritsu Group Global Green Procurement Specification. Through those rules and guidelines, 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.

[WEB](#) Anritsu Group Global Green Procurement Specification

[WEB](#) Anritsu Basic Rules for Procurement

[WEB](#) Anritsu Group CSR Procurement Guidelines

Structure

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.

The Group's parts evaluation criteria are shared by all its procurement hubs in the U.S., China and Japan, allowing them to use suppliers approved by other hubs.

Goals

In fiscal 2020, we worked for the following goals set forth in the GLP2020 mid-term business plan.

Promote global CSR procurement

- ▶ Promoting CSR procurement as one team together with suppliers in and outside Japan throughout the whole supply chain
- ▶ Reinforcing global supply chain management through a due diligence process

Promote global green procurement

- ▶ Promoting green procurement as one team together with suppliers in and outside Japan throughout the whole supply chain
- ▶ Reinforcing global supply chain management by increasing Environmental Partners

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Mid-Term Goals until the End of Fiscal 2023

We set out the following goals in the GLP2023 mid-term business plan for the period from fiscal 2021 to 2023.

- ▶ **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**

 **P.66** Environmental Partner Certification System

Activities and Achievements

Anritsu Group CSR Procurement Guidelines

In fiscal 2010, we formulated the Anritsu CSR Procurement Guidelines, which complies with the Supply-Chain CSR Deployment Guidebook published by the Japan Electronics and Information Technology Industries Association (JEITA). Before starting business or during policy briefings with suppliers, we ask them to learn about and exercise initiative for our CSR procurement policies and submit a letter of consent. In addition, a comment box for collecting feedback from suppliers is placed in Tohoku Anritsu's negotiation room to promote CSR procurement based on direct feedback from suppliers. We continue to work hand in hand with suppliers to fulfill our corporate and social responsibility through our procurement operations.

 **Anritsu Group CSR Procurement Guidelines**


Supply Chain Due Diligence

Before opening an account with a supplier, we review the supplier's credit standing, review quality and environmental management, and inspect their factory. We also conduct questionnaire surveys with suppliers to confirm their stance on CSR. The survey consists of questions about human rights, labor issues, occupational health and safety, fair trade, ethics, product quality and safety, and information security. In fiscal 2020, we provided a Chinese version of the questionnaire, which had previously been available only in Japanese and English. We also joined a working group organized by the Supply Chain Subcommittee of Global Compact Network Japan to collect and exchange information about methods for onsite factory auditing with other members. In fiscal 2019, we visited two secondary suppliers in China and Taiwan for onsite factory audits and confirmed that neither presented serious risks associated with human rights, labor, or safety. None of our suppliers has been found to be out of compliance according to our CSR questionnaire surveys and onsite inspections that have been conducted to date.

In fiscal 2020, when an onsite factory audit could not be conducted in light of the COVID-19 pandemic, we used the time to develop an online auditing method. In fiscal 2021, we are scheduled to conduct online factory audits at two suppliers in Japan and four in Asia.


Modern Slavery Act

Focusing on human rights issues in particular in its supply chain due diligence, 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.

 **Anritsu's Response to Human Rights Issues in the Supply Chain**

Conflict Minerals

Anritsu is also working continuously on the issue of conflict minerals. Following the 2012 adoption of the final rule of Section 1502 (the Conflict Minerals Regulation), Anritsu declared its support. As a means for preventing conflict minerals from entering our supply chain, we clearly state in the Anritsu Group Basic Rules for Procurement and the Anritsu Group CSR Procurement Guidelines that we are working to prevent the use of conflict minerals, and we also hold meetings with suppliers to explain this effort and seek their understanding. When a customer submits inquiries related to this issue, we ask our suppliers in Japan and overseas to investigate and provide the findings to the customer.

 **Anritsu Basic Rules for Procurement**

 **Anritsu Group CSR Procurement Guidelines**

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Global Preferred Suppliers System

The Anritsu Group's Global Preferred Suppliers (GPS) certifies suppliers for making them available for all Anritsu Group companies. The system has not only helped streamline procurement operations but has also facilitated the sharing of development roadmaps and technical issues with suppliers and will allow us to further reduce the TTM (time to market) of our products. Twelve suppliers have been certified so far through the GPS.

Compliance in Practice

Anritsu sets forth compliant procurement practices in the Anritsu Group Charter of Corporate Behavior, Anritsu Group Code of Conduct, and Anritsu Group Basic Rules for Procurement. We conduct fair and transparent business by observing these standards of conduct, which include not accepting entertainment or gifts and not buying or selling stocks based on insider information from suppliers.

[Anritsu Group Charter of Corporate Behavior](#)

[Anritsu Group Code of Conduct](#)

[Anritsu Group Basic Rules for Procurement](#)

Education of Procurement Staff

For new recruits and transferees assigned to our procurement sections, we provide training on CSR procurement based on the Anritsu CSR Procurement Guidelines, in addition to e-learning programs on SDGs, the U.K. Modern Slavery Act, the Subcontract Act of Japan and ISO 9001. Case studies on human rights and labor issues are also conducted by procurement team members to exchange opinions and raise staff understanding and awareness of the issues.

Supply Chain BCP

● Using a Proprietary Supplier Information Database

Our business continuity plan (BCP) is principally designed to enable us to quickly collect information and take the first steps in the event of a natural disaster and thereby mitigate any risk of interrupting a supplier's business operations.

Under the BCP, we first use our proprietary database containing information about suppliers' production and warehousing sites to determine which suppliers are likely to be affected by any suspension of our operations. We then contact those suppliers and media agencies to collect information. Finally, based on that information, we narrow down risks and take action to minimize them so product supply for customers will continue without disruption. In October 2020, as part of our effort to accelerate our BCP actions, we updated the database to include information about supplier production sites by product item and synchronize the database with map information.

In fiscal 2020, we activated the BCP on 12 occasions in response to the COVID-19 pandemic, natural disasters including earthquakes and typhoons, and a factory fire. In all cases, we successfully minimized 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.

● Monitoring Suppliers' Financial Standing

We are reinforcing our monitoring of the supplier financial standing to ensure stable procurement; early detection of any change in supplier behavior enables us to shift to a different supplier or discontinue dealing with a specific supplier before problems arise. During fiscal 2020, in light of the increase in COVID-19 cases, we investigated the bankruptcy risk of every supplier with whom we dealt in fiscal 2019, and the investigation uncovered several risks. Apart from credit inquiries, we raised our level of monitoring over those suppliers. We have also considered seeking alternatives. Our procurement hub in the U.S. is also strengthening its preventive measures against the supplier bankruptcy, because its investigation also found several to be at risk.

Green Procurement Specification

The Anritsu Group created the Green Procurement Specification to promote, along with suppliers, the production of eco-friendly products in fiscal 1999 and has since conducted green procurement, giving preference to eco-friendly parts and raw materials. The Green Procurement Specification was revised into the Anritsu Group Global Green Procurement Specification in fiscal 2016 to involve all Group members, including overseas production sites. Whenever revisions are made to international regulations on chemicals, such as the RoHS Directive and REACH regulations in Europe, we update the Specification to ensure compliance with those renewed regulations by ourselves and by our suppliers.

[Anritsu Group Global Green Procurement Specification](#)

Environmental Partner Certification System

Anritsu launched the Environmental Partner Certification System in fiscal 2001 to promote green procurement. Under the system, we evaluate the environmental initiatives taken by suppliers and certify suppliers who excel in their commitment to the environment. We modified the evaluation process in September 2019 and have since evaluated suppliers in the sole aspect of managing the chemical substances contained in products.

Evaluations are undertaken using a check sheet with the ratings of A, B, and C, and suppliers rated A or B are recognized as Environmental Partner Companies. As of May 2021, we have 203 Environmental Partner Companies. We support the improvement efforts of suppliers who need assistance in managing chemical substances contained in products.

Rating in the Environmental Partner System

A-rated	Reliable management	Support/ Improvement by Anritsu
B-rated	Basic requirements satisfied	
C-rated	Unreliable management	

Exhibition of Supplier Products and Technologies

Every year, we hold an event to showcase products manufactured by our suppliers and their technologies. It also provides an occasion for our engineers to share information with their counterparts at our suppliers. Due to the COVID-19 pandemic, the event for fiscal 2020 was held online. The three-week Anritsu Online Exhibition was attended by 42 suppliers, with whom we exchanged opinions and information through 15 webinars on cutting-edge technologies.



Anritsu Online Exhibition

Given the current situation, we are planning to hold the event online for fiscal 2021 as well.

Suppliers Gatherings

We host a supplier gathering every January, and its main session is designed to share our policies and initiatives with suppliers through presentations by our Group CEO, the presidents of our major Group companies, and the general manager of our Global Procurement Operation Division. The event for fiscal 2020, held online due to the COVID-19 pandemic, welcomed 340 participants from 140 suppliers. Apart from our own presentations, citations were given to suppliers who excelled in all of the aspects of quality, delivery, and pricing. As a new component of the event, our suppliers also gave presentations.

Promoting Partner QU Proposal Activities

We are promoting the Partner QU (Quality Up) Activity as a communication channel for suppliers so that they can offer proposals for improvements, requests, and opinions concerning Anritsu. We also accept proposals in a broad range of areas beyond procurement, such as sales and marketing, technology, manufacturing, service, health and safety, the environment and CSR, and all proposals serve to improve our business operations.

Collaboration Room

To encourage thought-provoking communication between Anritsu's development engineers and its suppliers, Anritsu Corporation invites different makers and business agents to dispatch their sales engineers to the Company's Collaboration Rooms in a daily rotation. Featuring an atmosphere conducive for generating new solutions, the Collaboration Rooms play an important role in driving our development. Although these rooms are currently closed due to COVID-19, they will reopen as soon as the pandemic is over. Active communication between our development engineers and suppliers' sales engineers continue through teleconference meetings.

VOICE



Open Communication Maintains Our Strong Relationship

Mr. Yoshinosuke Wakabayashi
President, Waka Manufacturing Co., Ltd.

Anritsu is our key customer. They care a lot about their suppliers, and I particularly appreciate the fact that they select them based on considering more than price competition. They have adopted a stance to grow together with their suppliers. As a company focused on communication with them, Anritsu has run Fujimikai, a society comprised of their suppliers, for many years. I am honored to be serving as the vice chairman of Fujimikai. Anritsu shares their policies and future plans with suppliers at Fujimikai gatherings, which I believe have been very helpful and useful for all member suppliers.