

PQA



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Vice President, PQA Business Group President

Pursuing new challenges in quality assurance together with our customers

“ We want to be the go-to partner for our clients for safe and secure *monozukuri* (production processes) in every new era. We are pushing the boundaries of our sophisticated technical abilities and expertise to advance the endless possibilities of quality assurance. ”

■ The PQA market environment

As our world population grows, nations will have to work together as an international society to realize a sustainable society capable of reliably providing safe and secure food and medicines.

The instant communication through social networks that defines modern society also brings with it the corporate risk that a quality accident or product tampering incident can quickly develop into an event that threatens a company's very existence. For companies producing food or medicines, the number one priority for raising corporate value is quality assurance, fulfilling the promise of being safe and secure.

Quality assurance efforts among our customers have expanded from advanced to emerging markets. While demand will vary by region, we anticipate overall demand for quality inspection systems to steadily grow by 3%-7% annually.

Japan has strict controls on the safety and security of food and medicines, and the increasing shortage of workers in recent years is accelerating the development of automated inspection processes. Demand in Japan is increasing for automated inspection systems incorporating X-ray screening to detect glass, plastic, or other foreign objects in raw materials, to detect bones in meat products, and in the packaging processes to verify a package is closed properly and to inspect seals.

X-ray inspection systems are increasingly being used in North America, with major companies among those incorporating the systems into their production

operations. Demand for X-ray inspection systems is growing particularly strongly from the meat industry, which uses the systems to detect bones that were not taken out in the production processes.

Europe was the first region to implement quality inspections, and the market of quality inspection systems is mature. Demand for quality inspections continues to be steady in Europe as the region raises its quality control standards.

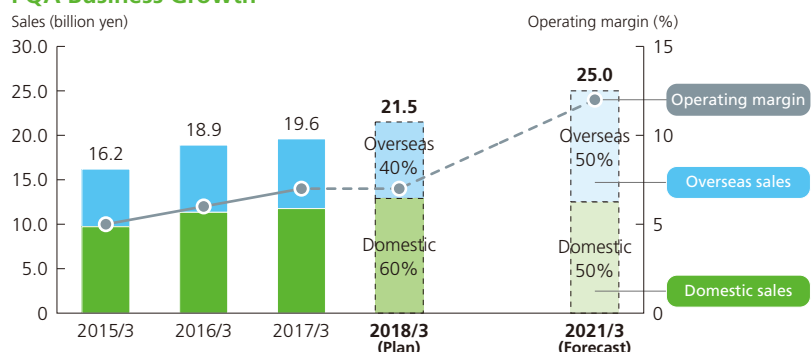
In China and ASEAN countries, the rising standards of living are increasing the distribution of packaged food products, which is increasing the need to ensure food safety. We anticipate growing demand for quality inspections, particularly from global companies and leading regional food companies.

■ PQA business domain and strengths

The PQA segment's core business domain is quality inspections on food and pharmaceutical production lines to ensure the quality of products shipped by our customers.

Our PQA business has evolved and strengthened since the business started during Japan's high growth period in the 1960s. By working closely with customers to address and overcome challenges, we have developed expertise enabling us to fulfill the requirements of society and keep pace with technological developments. Our expertise accumulated in over 50 years is our strength. This expertise is built into our original sensing technology enabling instant product quality inspections during high-speed conveyance on manufacturing lines and informs our know-how for catering our systems to a wide variety of food products and production conditions.

PQA Business Growth



■ Review of fiscal 2016

Demand for quality inspection systems continued to be brisk in both Japan and overseas in fiscal 2016.

The market for inspection systems was favorable, and sales grew on expanding market penetration by our newly released XR75 Series X-ray Inspection System offering a significant reduction in product lifespan costs through longer system lifetimes and reduced electricity consumption and from successful efforts to fortify our business structures in the United States, Europe, China, and other regions that enabled us to develop new key accounts.

These initiatives helped generate a 3.7% year-on-year increase in sales, to ¥19,588 million, and 9.0% year-on-year growth in operating income, to ¥1,302 million.

■ Fulfilling our 2020 VISION and preparing for profitable growth

The 2020 VISION we set forth in 2014 calls for establishing the PQA segment as “a world-class quality assurance solution partner” with total consolidated annual sales of ¥25 billion, an overseas sales ratio of 50% or higher, and an operating margin of 12%.

The PQA segment has earned strong trust from customers in Japan and is an industry leader in the domestic market, but we have only garnered small market shares overseas, where we are still seeking to gain a foothold. In overseas markets, particularly in Europe and the United States, earning customer trust and expanding our business will require us to create new customer value that differentiates us from competitors. We also need to have an operating structure that allows consistent and high-quality provision of our quality inspection solutions to key markets worldwide.

More than providing inspection equipment, we aim to create quality assurance solutions that support the complete range of customer quality assurance activities by engineering quality assurance processes, providing equipment maintenance and management using the latest advances in IoT and AI, and proposing production line enhancements using analysis of quality data.

We will focus on markets where we anticipate growing needs for quality assurance in the medium and long terms and will deepen the dialogue with customers to seriously address current issues in quality assurance.

We will focus all of our efforts on resolving issues in ways that surpass the expectations of our customers while strengthening our sales channels in Japan and abroad and filling out our engineering and maintenance services.

To make concrete progress in these areas, we will create an organizational matrix for “comprehensive optimization” rather than “sectional optimization” and foster our innovative organizational culture that concentrates the collective wisdom of our whole Company toward creating value for our customers.

We will also seek to cultivate the staff needed for the globalization of our operations and further develop our operating infrastructure to lay the groundwork for sustaining growth beyond our 2020 VISION.

Through these initiatives, we aim to achieve PQA business sales of ¥21.5 billion and an operating margin of 7% in fiscal 2017, which we consider to be a milestone year for our 2020 VISION.

We will continue steadily establishing Anritsu as a linchpin for creating the customer value that society requires and defining our brand as the preferred “world-class quality assurance solutions provider” that can be trusted in any era.

Example of a Production Line

