

PQA Business

Becoming a World-Class Quality Assurance Partner

Aiming to Be the “First Call” Company in the Global Market

The PQA Business focuses on realizing solutions that contribute to assuring the quality of foods and pharmaceuticals, and we have secured a stable revenue base by capturing an industry-leading position in the Japanese food market. Our strength is in high-speed, high-precision inspection solutions, including X-rays, and we are working to transform into a global business.

We will invest in building an optimized supply chain to respond to a variety of requests from customers in diverse food cultures and globally deliver solutions and amenable services that exceed expectations worldwide.

By fully considering issues related to quality assurance and working to overcome them, we will grow into the quality assurance partner who customers all over the world call first.

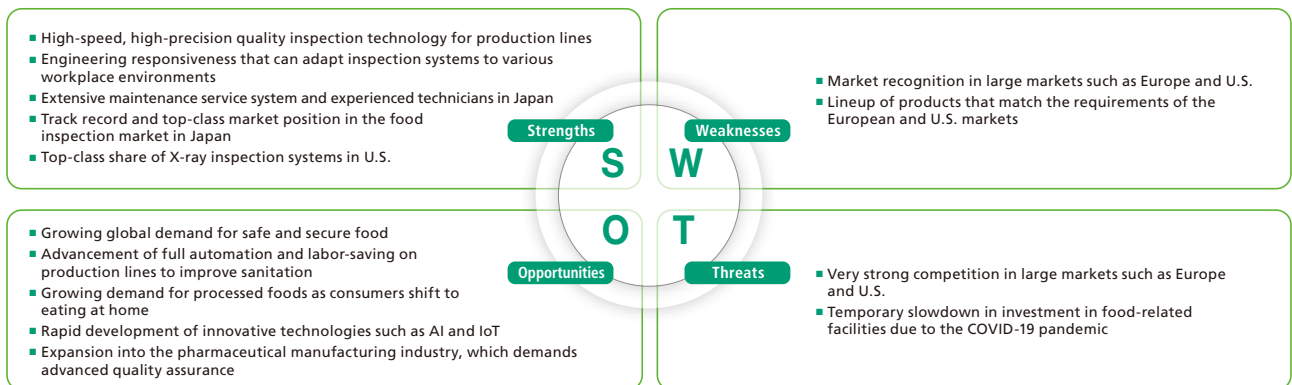
Masumi Niimi

Director
Senior Vice President
PQA Business Group President



SWOT Analysis

The spread of COVID-19 is expected to advance requirements for automation and labor-saving on production lines in the medium- to long-term, and we predict that this will expand demand related to the quality assurance for foods and pharmaceuticals.



Business Areas

The PQA Business consists of development, manufacturing, sales, and maintenance services for quality inspection systems of production lines. Currently, approximately 80% of our revenue comes from the food industry.

Many of the processed foods we eat every day are produced in factories operated by food companies and these companies have a social responsibility to ensure safe and secure quality assurance and to stabilize supply by improving productivity.

The PQA Business delivers solutions that provide total support for customers' quality assurance activities and contribute to raising quality and productivity. These solutions include proposing optimal quality inspection methods to the production environments of individual customers and

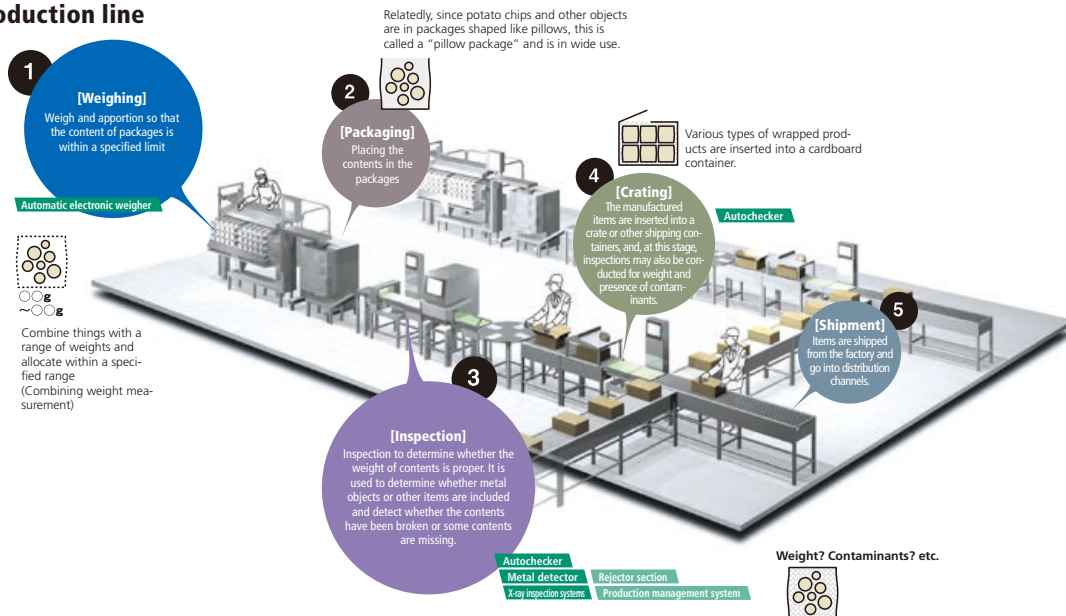
providing information systems that utilize quality data and maintenance services that ensure inspection systems are always in good condition when used.

Market Environment and Business Opportunities

The food processing industry, the main customer of the PQA Business, has over 100,000 business sites worldwide. Quality assurance needs in the food industry continue to grow on a global basis.

The COVID-19 pandemic which manifested in January 2020 has had a negative effect on investment in PQA equipment in the short-term. However, while we cannot

Example production line



The weight inspection is designed to determine whether the items have been weighed properly and are correctly packaged. At the contaminant inspection stage, verification of whether there are metal or plastic contents is conducted and X-ray inspection equipment can detect cracks and defects in such products as cookies. In addition, the production management software "QUICCA" may collaborate in the inspection and weighing stages to monitor production.

deny the possibility of a global recession, from a medium- to long-term perspective the effects of the pandemic are advancing automation and labor-saving on production lines, so we expect that demand related to the quality assurance of foods and pharmaceuticals will grow going forward.

Looking at PQA markets by region, there is growing demand among consumers in Japan for foods that are safe, delicious, and easy to prepare, and major food companies are investing in building reliable quality assurance systems. Safe and secure quality assurance, such as traceability and food defense, is being applied across entire food supply chains.

In North America, primarily major food companies are continuing to introduce X-ray inspection systems, and in the meat market in particular, there is growing demand related to inspecting products for bone fragments. In Europe, which has the longest history of introducing quality inspection and standardizing quality control criteria, demand for quality inspection remains stable.

In China and the ASEAN countries, the need for safe food is increasing with the expanded distribution of pre-packaged foods. Demand for quality inspections is expected to increase, primarily among global food companies and leading regional manufacturers.

Growth Strategy

GLP2020 Basic Policy

In GLP2020, Anritsu positions the three years of the plan up until 2020 as a period of preparation for taking a leap forward as a "world-class quality assurance solution partner" who will become our customers' "first call" company.

Through our basic policies of "developing global business," "creating value for customers through quality assur-

ance solutions," and "collaborating and growing together with leading customers (envision : ensure)" we aim to achieve 2020VISION and continue realizing continuous growth with sustainable superior profits.

In order to realize this goal, we are "cultivating markets in advanced countries in Europe and the Americas and the pharmaceutical manufacturing market, with X-ray inspection systems as a key solution" and "responding adequately to market needs through localization and transforming into a global business."

Fiscal Year 2019 Review

Up to the end of last year, the market environment was relatively good, and we received a steady stream of orders. However, due to the trend the time between delivery and acceptance by the customers becoming longer, sales were slow compared to orders. Also, competition in overseas markets was intensifying, and there were notable cases where customers decided not to choose our products due to the lead time between order and delivery.

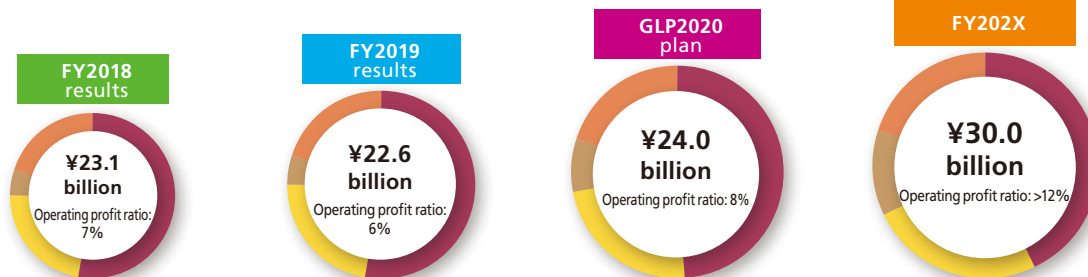
In order to respond to this situation and put the business back on a sustainable growth track, in the North American region we built a structure that can flexibly supply a range of different products in combinations that match up with customer demands by storing modular units locally. This greatly improved the lead times for delivering products to customers.

Also, in order to improve profitability and raise the added value of the business, we are focusing on acquiring automation technologies such as artificial intelligence, signal processing, and robotic delivery, as well as developing solutions specifically for target markets. The main new products launched in FY2019 are as follows.

- The KXE7522 X-Ray Inspection System with Dual Energy Sensor, which improves sanitation, for the poultry market

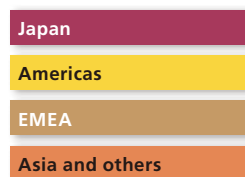
GLP2020 Business Progress and Beyond 2020

Beyond
2020



FY2020 Initiatives

- Strengthen our sales bases in America and Europe
- Promotion of solutions as a platform



- The KDS1004PSW metal detector for the pharmaceuticals market which is specialized for detecting contaminants in pills and capsules
- Quicca Pharma, an overall quality management and control system for the pharmaceuticals market



KXE7522 X-Ray Inspection System with Dual Energy Sensor



KDS1004PSW metal detector for pills and capsules



Quicca Pharma overall quality management and control system for the pharmaceuticals market

Considering recovery of demand and changes in needs that will emerge after the COVID-19 pandemic, we will work to develop new solutions which contribute to automation and labor-saving on production lines. We will also transform our organizational structure into one that can provide customers around the world with products and services in a swift and flexible manner with the aim of increasing overseas business ratio to 50%.

Initiatives for the Final Year of GLP2020

In FY2020, due to business performance in the previous fiscal year and the recent external environment becoming severer, we think it will be hardly feasible to achieve the GLP2020 targets of ¥26.0 billion in segment sales and ¥3.0 billion in operating profit. Although it was a difficult decision, we have revised our results forecast downward to ¥24.0 billion in segment sales and ¥1.8 billion in operating profit.

Currently we are aiming for continuous growth with sustainable superior profits while taking sufficient care that employees and customers are protected from catching COVID-19, and we will advance structural reforms to turn us into a global and highly profitable business.

As a company that is involved in the food industry, we will continue to provide maintenance services to customers who are struggling daily to realize stable food supplies while focusing on strengthening sales promotion methods that are alternatives to face-to-face sales and providing information through means such as online product introduction sessions and seminars, and e-mail newsletters.

Toward "Beyond 2020"

The PQA Business aims to become a world-class quality assurance partner and our immediate goal is to achieve segment sales of ¥30.0 billion.

We are investing in the development of new sensors and R&D into image processing and signal analyzing technologies, as well as AI, to pursue original, high-level, high value-added solutions. We are also promoting the development of product platforms for successively commercializing new products with high customer value.

Under our policy of cultivating the foods market and pharmaceuticals market as the twin pillars of our business, we will prioritize business expansion into markets in advanced countries in Europe and the Americas and the pharmaceutical manufacturing market, with the aim of achieving our target of a 12% operating profit margin.

In Europe, our plan is to strengthen sales and maintenance networks in major European countries with our business sites in the Netherlands and the U.K., which are already carrying out these activities, as the core.

In the pharmaceuticals market, we will enhance our line-up of inspection systems that are adapted to meet the specific requirements of pharmaceuticals, using the in-line

inspection technologies we have cultivated for the foods market as a foundation. We will also advance collaborations with retail stores and engineering companies to expand our business in the pharmaceuticals market.

Solving Social Issues through Business



Description of Social Issues

Through the use of food processing technology that raises the storage life of perishables, our daily lifestyles have undergone rapid advances in the modern era. Instead of buying ingredients and preparing meals at home, food is now distributed as a packaged product that has greatly improved convenience and plentifulness in people's lives. Once food is distributed in large quantities, however, uneaten food is thrown away (i.e., food loss) in increasing amounts, a social problem that has drawn attention lately. SDG Target 12.3 is stated as "Halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains,

including post-harvest losses," a clearly stated objective to ensure a sustainable food consumption and production pattern. Today, most food processing companies have identified the reduction of food loss as a major issue alongside guaranteeing the deliciousness, safety and security of their products.

Anritsu Initiatives

At food processing plants, factory automation has facilitated the faster processing of food in larger amounts for shipment.

It is necessary to inspect each individual product to ensure processed food is safe and reliable. In the past, a large number of workers were used in the food inspection process to examine the food before shipment. However, inspections by people are subject to issues related to differences in individual skills and fatigue causing people to lose their concentration.

Along with providing solutions for automating the quality inspection process on food production lines, Anritsu aims to provide solutions linked to minimizing food loss. Together with customers, the Company will continue to provide advanced quality assurance solutions with the aim of contributing to the realization of a sustainable society with little food loss, and a society where anyone can live their lives in safety without worry.

Solving social issues

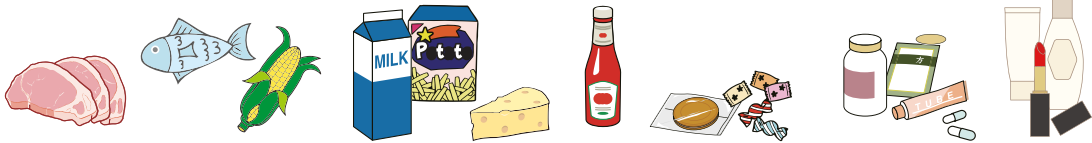


Increasing the sophistication of quality assurance for food and pharmaceuticals to achieve:

- A safe and secure society
- A sustainable society with little food loss



Customers



Anritsu



Automatic electronic weighing machines



X-ray inspection systems



Metal detectors



Checkweighers

QUICCA



Quality management/control systems

Strengths

- High-speed, high-precision, quality inspection technology for production lines
- Engineering capability to adapt inspection equipment to various food manufacturing environments
- Extensive maintenance service system and experienced maintenance engineers in Japan
- Past record and top-class market position in the food inspection market in Japan