

# PQA Business

For a sustainable future together, we become the most trusted First-to-Call company in quality assurance.



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 Director  
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## SWOT Analysis

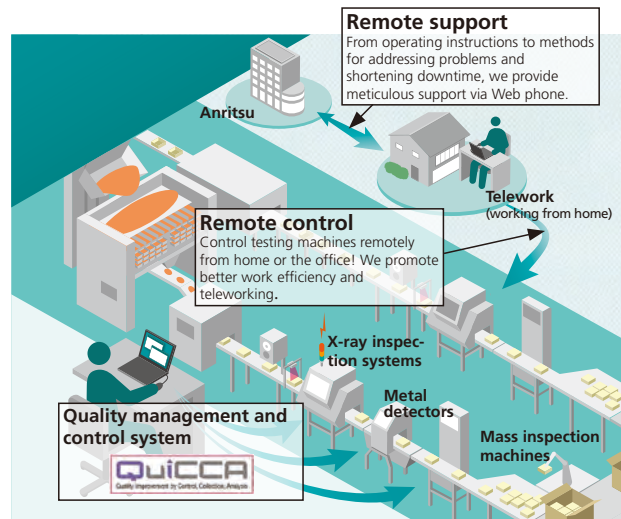
In FY2020, some customers postponed capital investment in testing equipment and other products in order to prioritize investment for combating COVID-19. However, we expect things to return to normal as vaccination is progressing. Seeing the after COVID-19 landscape as an opportunity, we will be making innovations to further advance our business.

<ul style="list-style-type: none"> <li>High-speed, high-precision quality inspection technology for production lines</li> <li>Engineering responsiveness that can adapt inspection systems to various workplace environments</li> <li>Extensive maintenance service system and experienced technicians in regions of direct deployment</li> <li>Track record and top-class market position in the food inspection market in Japan</li> <li>Innovation through synergies with other businesses such as local 5G</li> <li>Possession of fundamental technologies applicable to the pharmaceutical manufacturing market</li> </ul> <p style="text-align: right;"><b>S</b> Strengths</p>	<ul style="list-style-type: none"> <li>Lack of market recognition in Europe and other regions where Anritsu has yet to fully develop our business</li> <li>Lack of recognition in overseas pharmaceutical markets</li> </ul> <p style="text-align: right;"><b>W</b> Weaknesses</p>
<ul style="list-style-type: none"> <li>Growing global demand for safe and secure food</li> <li>Advancement of full automation and labor-saving on production lines to improve sanitation</li> <li>Growing demand for processed foods as consumers shift to eating at home</li> <li>Rapid development of innovative technologies such as AI and IoT</li> </ul> <p style="text-align: right;"><b>O</b> Opportunities</p>	<ul style="list-style-type: none"> <li>Very strong competition in large markets such as Europe and U.S.</li> <li>Re-spreading of COVID-19 due to new variants, etc.</li> </ul> <p style="text-align: right;"><b>T</b> Threats</p>

## Business Areas

The PQA Business provides development, production, sales, and maintenance services of quality inspection machines and quality control systems for the food and pharmaceuticals industries globally. We are enforcing localization in major markets around the world so that we can listen to requests and issues of customers and respond quickly and flexibly.

In the food industry, on top of traditional issues such as ensuring quality that promises safety and security, productivity improvement, and stabilized supply, initiatives for realizing a sustainable society such as reduction of food loss and eliminating plastic waste are now required.



**Anritsu's PQA solutions not only provide safety and security for foods and pharmaceuticals while improving our customers' productivity, they also contribute to reducing food waste, a necessary step in realizing a sustainable society.**

**In quality assurance, a PQA field, in order to achieve our management vision of "Beyond testing, beyond limits, for a sustainable future together," we are pursuing original, high-level quality assurance solutions that address our customers' key issues. Furthermore, along with performing localization aimed at rapidly and flexibly satisfying the diverse needs of customers around the world, we are bringing the technologies developed in the food field into the pharmaceuticals field as we work to achieve further growth and even greater business value.**

To help our customers solve those issues, we are going beyond the traditional boundary of quality testing and actively invest in developing system solutions that cover entire areas of our customers' production lines.

## Market Environment and Business Opportunities

In FY2020, even under the COVID-19 pandemic, food and pharmaceutical industries continued to be in full operation to support our everyday lives. However, as we had to refrain from entering our customers' factories as prevention measures for COVID-19 spreading, resulting in significant delays in business opportunities. Additionally, some customers postponed capital investment in testing equipment and other products in order to prioritize investment for combating COVID-19.

Looking at the food market by region, in Japan, segments such as the candy market, cosmetics market, and the restaurant industry market were sluggish due to a sudden drop of incoming travel-related demand. On the other hand, although investment is picking up for automation equipment for alleviating labor shortages and maintaining hygienic quality as demand is rising for home foods such as frozen, boil-in-the-bag, and instant noodle products, much time is spent on many of our business negotiations.

Although the U.S. and many other Americas countries have been among the most impacted by COVID-19, the demand for PQA Business in this region for the first half of the year exceeded that of the previous year thanks to strong demand in the meat market and global customers' continued engagement for planned investment.

Demand is currently on a recovery path but we observed a temporary slump in the third quarter due to many customers prioritizing investment for COVID-19 measures.

In the European market, lockdowns happened one after another in major countries and the situation repeatedly waxed and waned. The demands mainly of major markets such as Germany and France were almost at the level of the previous year up until third quarter. However, since the fourth quarter, the situation has remained unstable as many projects have been postponed due to re-spreading of infections in European countries.

In China, where the COVID-19 pandemic converged ahead of the rest of the world, the market has recovered from the sluggish previous year and remained strong. In particular, the segment for home consumed foods such as frozen foods, noodles, and precooked foods was strong. Meanwhile, Asian markets other than China were slow from the beginning of the year as economic activities became sluggish due to measures for the COVID-19 pandemic.

We expect the COVID-19 pandemic will accelerate the trend towards fully automated or semi-automated production lines. There is still much room for further automation in the quality testing processes where the tasks are complicated and sophisticated judgements are required. Leveraging this growing need, we will be proposing further advanced and refined automation solutions going forward.

In the pharmaceuticals market, quality assurance requirements are even stricter than those in the food market.

For more than half a century, Anritsu has provided customers in pharmaceutical production with checkweighers and other testing equipment. Although we have an extensive track record in Japan, our name awareness is not particularly high in overseas pharmaceuticals markets.

Many global pharmaceutical companies have their headquarters in the U.S., Europe, China, or India, and we plan to expand our business into these markets going forward.

## Fiscal Year 2020 Review

The following are the main new products we launched during the GLP2020 period.

### Main New Products for the Food Market

- "QUICCA3," Overall Quality Management and Control System that contributes to productivity improvement by visualizing production and quality status
- "KXE7522," Dual Energy Sensor X-ray Machine with significantly improved contamination detection performance
- "M6-h" Series Free Fall Metal Detectors, which detects and removes metal contamination for granular foods and raw materials during production process.

## PQA Business

Also, to help the needs of detecting faulty product packaging as food shelf lives grow longer, we have also promoted X-ray inspection machines specialized for detecting ingredients caught in the seal of the food packages.



**QUICCA3**  
General quality management and control systems



**KXE7522 X-Ray**  
Inspection system with dual energy sensor



**KDS0010VNW**  
M6h series of free fall metal detectors

### Main New Products for the Pharmaceuticals Market

- “KDS1004PSW” metal detector specialized for contaminant detection in pills and capsules for the pharmaceuticals market
- “QUICCA PHARMA” general quality management and control system for pharmaceuticals
- “GS1” Auto-Checker with seal detection function supporting traceability requirements for pharmaceuticals

For the aim to grow our PQA Business on the global level, we have worked to build a structure that can quickly and flexibly support diversified needs of different regions. However, we have been slightly behind the plan and were not able to reach the targets set in the GLP2020 during the period.



**KDS1004PSW**  
Metal detector for pills and capsules



**QUICCA PHARMA**  
Overall quality management and control system for the pharmaceuticals market



**GS1**  
Auto-checker with seal detector

Meanwhile, we have drastically changed the organization in order to strongly promote our three initiatives raised when the plan was originally set, namely “continuous launch of world’s best-performing machines,” “transforming into a global company,” and “penetrating the pharmaceuticals market.”

Under a new system, we will accelerate efforts to achieve globalization and innovation by fully leveraging managerial resources that include the Anritsu Group’s technologies and human capital.

## Growth Strategy

### GLP2023 Basic Policy

GLP2023, launched in April, establishes a vision for the PQA Business of “For a sustainable future together, we become the most trusted First-to-Call company in quality assurance,” and the business aims to achieve ¥27 billion in segment revenues and a 10% operating profit ratio by FY2023.

Guided by the Group’s Vision “Beyond testing, beyond limits, for a sustainable future together,” we will bring our quality inspection technologies that play an active part in production lines, an area of Anritsu’s strength, combined with advanced technologies and innovative services that include AI and IoT in order to build solutions to comprehensively support our customers’ quality assurance activities.

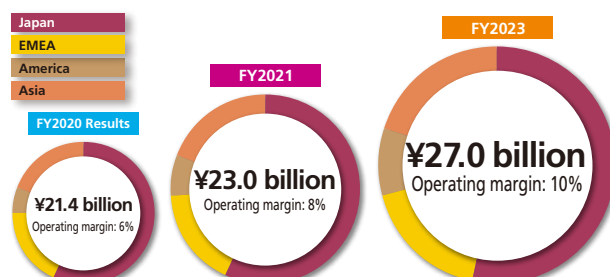
We will also boost investment ratios for the development of new sensing and information systems, and strategic products for the pharmaceuticals market.

Also, we will enhance our organizational structure that gathers feedback directly from local customers around the world and enables prompt provision of products and services that meet local customers’ needs.

Furthermore, leveraging the technologies and know-how of “quality assurance” acquired in the food production field into the pharmaceutical field, we will make the pharmaceuticals market the second pillar for the PQA Business.

### ■ PQA: GLP2023 Revenue and Operating Profit Plan

- Creation of solutions that resolve critical issues of customers
- Value creations beyond “testing”, as well as rapid and appropriate response to the diversified needs of regions around the world
- Enhance profitability through advancement of X-ray inspection machines, improving presence in pharmaceutical market and enforcing operational innovations





**Talent Recruitment and Development**

To make strides with GLP2023, we will be aggressively recruiting engineers for cutting-edge technologies in such areas as image and signal processing, IoT, deep learning and other aspects of AI, as well as non-destructive sensing, that are the areas of focus for us.

We will promote growth of people and technology through interaction broadly with outside research organizations by removing insistence on internal effort.

**Relationships with Outside Organizations and Collaboration with Leading Companies**

Anritsu is actively collaborating with customer companies and other companies in the industry. For PQA Business, we have become a member of more than 20 industry associations in Japan including the Japan Measuring Instruments Federation, Japan Inspection Instruments Manufacturers' Association, and Japan Packaging Machinery Manufacturers Association. Furthermore, we have joined PMMI (Packaging Machinery Manufacturers Institute), a U.S.-based organization with more than 900 member companies.

In addition to interacting with and learning about issues faced by our customers in the industry by actively partici-

pating in activities of those associations, we contribute to solve these issues by working together with industry-leading companies and research institutes.

**SDGs Undertaken by a PQA Business**

It is a common wish of all humankind to bring about a society wherein everyone lives in safety and good health. By effectively using limited resources in sustainable ways and developing technologies for processing foods to make them safe and long-lasting, we hope to reduce the number of people suffering from hunger as much as possible.

Through provision of PQA solutions that support the stable supply of safe and secure foods and pharmaceuticals, as well as proactive efforts for food loss reduction, Anritsu will continue contributing to the realization of the society where everyone can always live in good health.

