Anritsu
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# 2014 Annual Report [Financial Statements]

Continuous Growth with Sustainable Superior Profits

IR
Investor Relations

# Contents

# Financial Results Summary

## 1. Basis of Presenting Consolidated Financial Statements

(1) The consolidated financial statements of Anritsu Corporation ("the Company") have been prepared in accordance with International Financial Reporting Standards (IFRS) pursuant to the provision of article 93 of "Regulations Concerning Terminology, Forms, and Method for Preparing Consolidated Financial Statements" ("Regulations on Consolidated Financial Statements").

(2) The financial statements of the Company have been prepared in accordance with "Regulations Concerning Terminology, Forms, and Method for Preparing Financial Statements" ("Regulations on Financial Statements"). Comparative information contained in the financial statements for the current fiscal year (from April 1, 2013 to March 31, 2014) has been prepared in accordance with the Regulations on Financial Statements prior to its revision, pursuant to the provision of article 2, paragraph 2 of the Supplementary Provisions to "Cabinet Office Ordinance for Partial Revision of the Regulations Concerning Terminology, Forms, and Method for Preparing Financial Statements."

As a company submitting financial statements prepared in accordance with special provisions, the Company prepares its financial statements pursuant to the provision of article 127 of the Regulations on Financial Statements.

## 2. Audit Certificate

Pursuant to the regulations of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Law, the consolidated financial statements (from April 1, 2013, to March 31, 2014) and the financial statements (from April 1, 2013, to March 31, 2014) of the Company were audited by KPMG AZSA LLC.

## 3. Special Acts for Ensuring Appropriateness of Consolidated Financial Statements and System Improvement for Preparing Appropriate Consolidated Financial Statements Based on IFRS

The acts undertaken by the Company specially for ensuring the appropriateness of its consolidated financial statements include the following:

(1) Joining the Financial Accounting Standards Foundation (FASF) and gathering information on revised accounting standards or attending seminars, in order to understand the contents of accounting standards exactly and improving the Company's accounting system to reflect revisions to accounting standards properly in the consolidated financial statements of the Company.

(2) To prepare appropriate consolidated financial statements based on IFRS, the Company evaluates the latest standards obtained from press releases and standards documentation of the International Accounting Standards Board and determines Group accounting policies in accordance with IFRS.

# Consolidated Statement of Financial Position

| | Millions of yen | | Thousands of U.S. dollars* |
|---|---|---|---|
| | **End of FY2013 as of March 31, 2014** | End of FY2012 as of March 31, 2013 | **End of FY2013 as of March 31, 2014** |
| **Assets** | | | |
| **Current assets:** | | | |
| Cash and cash equivalents (Notes 8 and 28) | **¥ 43,215** | ¥ 37,690 | **$ 420,052** |
| Trade and other receivables (Notes 9 and 28) | **25,688** | 23,884 | **249,689** |
| Other financial assets (Notes 16 and 28) | **1,099** | 23 | **10,682** |
| Inventories (Note 10) | **17,053** | 16,165 | **165,756** |
| Income tax receivables (Note 24) | **183** | 492 | **1,779** |
| Other assets | **2,773** | 1,698 | **26,955** |
| Total current assets | **90,011** | 79,952 | **874,913** |
| **Non-current assets:** | | | |
| Property, plant and equipment (Notes 11 and 14) | **19,748** | 17,274 | **191,952** |
| Goodwill and intangible assets (Notes 12 and 14) | **2,023** | 1,341 | **19,664** |
| Investment property (Note 13) | **2,164** | 2,330 | **21,034** |
| Trade and other receivables (Notes 9 and 28) | **307** | 279 | **2,984** |
| Other financial assets (Notes 16 and 28) | **2,209** | 1,786 | **21,472** |
| Investments accounted for using equity method (Note 15) | **250** | 238 | **2,430** |
| Deferred tax assets (Note 24) | **10,265** | 11,754 | **99,776** |
| Other assets | **173** | 141 | **1,681** |
| Total non-current assets | **37,139** | 35,143 | **360,993** |
| Total | **¥127,150** | ¥115,095 | **$1,235,906** |
| **Liabilities and Equity** | | | |
| **Liabilities** | | | |
| **Current liabilities:** | | | |
| Trade and other payables (Notes 17 and 28) | **¥ 8,451** | ¥ 8,190 | **$ 82,144** |
| Bonds and borrowings (Notes 18 and 28) | **6,899** | 2,472 | **67,059** |
| Other financial liabilities (Notes 19, 20, and 28) | **249** | 552 | **2,420** |
| Income tax payables (Note 24) | **3,836** | 1,997 | **37,286** |
| Employee benefits (Note 21) | **7,112** | 6,735 | **69,129** |
| Provisions (Note 22) | **291** | 326 | **2,829** |
| Other liabilities (Note 23) | **6,958** | 5,689 | **67,632** |
| Total current liabilities | **33,796** | 25,961 | **328,499** |
| **Non-current liabilities:** | | | |
| Trade and other payables (Notes 17 and 28) | **393** | 380 | **3,820** |
| Bonds and borrowings (Notes 18 and 28) | **11,960** | 16,946 | **116,252** |
| Other financial liabilities (Notes 19, 20, and 28) | **104** | 313 | **1,011** |
| Employee benefits (Note 21) | **3,323** | 5,586 | **32,300** |
| Provisions (Note 22) | **131** | 123 | **1,273** |
| Deferred tax liabilities (Note 24) | **324** | 687 | **3,149** |
| Other liabilities (Note 23) | **2,222** | 559 | **21,598** |
| Total non-current liabilities | **18,457** | 24,594 | **179,403** |
| Total liabilities | **52,253** | 50,555 | **507,902** |
| **Equity:** | | | |
| Common stock (Note 25) | **19,052** | 19,052 | **185,187** |
| Additional paid-in capital (Note 25) | **28,192** | 28,110 | **274,028** |
| Retained earnings (Note 25) | **30,730** | 23,161 | **298,698** |
| Retained earnings (Cumulative translation differences at the date of transition to IFRS) (Note 25) | **(7,208)** | (7,208) | **(70,062)** |
| Total retained earnings (Note 25) | **23,522** | 15,953 | **228,636** |
| Treasury stock (Note 25) | **(869)** | (867) | **(8,447)** |
| Other components of equity (Note 25) | **4,989** | 2,295 | **48,493** |
| Total equity attributable to owners of parent | **74,886** | 64,543 | **727,897** |
| Non-controlling interests | **11** | (3) | **107** |
| Total equity | **74,897** | 64,540 | **728,004** |
| Total | **¥127,150** | ¥115,095 | **$1,235,906** |

* The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥102.88 to U.S. $1.00, the approximate exchange rate on March 31, 2014.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

As of March 31

| | Millions of yen | | Thousands of U.S. dollars* |
|---|---|---|---|
| | FY2013 From April 1, 2013 to March 31, 2014 | FY2012 From April 1, 2012 to March 31, 2013 | FY2013 From April 1, 2013 to March 31, 2014 |
| **Continuing operations** | | | |
| Revenue (Notes 7 and 29) | ¥101,853 | ¥94,685 | $990,017 |
| Cost of sales | 46,898 | 43,716 | 455,851 |
| Gross profit | 54,955 | 50,969 | 534,166 |
| Other revenue and expenses | | | |
| Selling, general and administrative expenses (Note 30) | 28,621 | 24,346 | 278,198 |
| Research and development expense (Note 31) | 12,227 | 10,156 | 118,847 |
| Other income (Note 32) | 522 | 311 | 5,074 |
| Other expenses (Notes 14 and 33) | 506 | 1,064 | 4,918 |
| Operating profit (loss) (Note 7) | 14,123 | 15,714 | 137,277 |
| Finance income (Note 35) | 687 | 1,269 | 6,678 |
| Finance costs (Note 35) | 580 | 876 | 5,638 |
| Share of profit (loss) of associates and joint ventures accounted for using equity method | 10 | 32 | 97 |
| Profit (loss) before tax | 14,240 | 16,139 | 138,414 |
| Income tax expense (Note 24) | 4,921 | 2,251 | 47,833 |
| Profit (loss) from continuing operations | 9,319 | 13,888 | 90,581 |
| **Profit (loss)** | 9,319 | 13,888 | 90,581 |
| **Other comprehensive income** | | | |
| Items that will never be reclassified to profit or loss | | | |
| Change of financial assets measured at fair value (Note 36) | 273 | 410 | 2,654 |
| Remeasurements of defined benefit plans (Note 36) | 1,489 | (469) | 14,473 |
| Total | 1,762 | (59) | 17,127 |
| Items that are or may be reclassified subsequently to profit or loss | | | |
| Exchange differences on translation (Note 36) | 2,421 | 2,536 | 23,532 |
| Share of other comprehensive income of associates and joint ventures accounted for using equity method (Note 36) | — | (2) | — |
| Total | 2,421 | 2,534 | 23,532 |
| Total of other comprehensive income | 4,183 | 2,475 | 40,659 |
| **Comprehensive income** | ¥ 13,502 | ¥16,363 | $131,240 |
| Profit (loss), attributable to: | | | |
| Owners of parent | ¥ 9,305 | ¥13,896 | $ 90,445 |
| Non-controlling interests | 14 | (8) | 136 |
| Total | ¥ 9,319 | ¥13,888 | $ 90,581 |
| Comprehensive income attributable to: | | | |
| Owners of parent | ¥ 13,488 | ¥16,371 | $131,104 |
| Non-controlling interests | 14 | (8) | 136 |
| Total | ¥ 13,502 | ¥16,363 | $131,240 |

| | Yen | | U.S. dollars* |
|---|---|---|---|
| **Earnings per share** | | | |
| Basic earnings per share (Note 37) | ¥64.93 | ¥98.41 | $0.63 |
| Diluted earnings per share (Note 37) | 64.89 | 97.03 | 0.63 |

# Consolidated Statement of Changes in Equity

Years Ended March 31

Millions of yen

FY2012 (From April 1, 2012 to March 31, 2013)

| | Common stock | Additional paid-in capital | Retained earnings | Treasury stock | Other components of equity | Total equity attributable to owners of parent | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| **Balance at April 1, 2012** | ¥17,106 | ¥26,332 | ¥ 4,882 | ¥(853) | ¥ (649) | ¥46,818 | ¥— | ¥46,818 |
| Profit (loss) | — | — | 13,896 | — | — | 13,896 | (8) | 13,888 |
| Other comprehensive income (Note 36) | — | — | (469) | — | 2,944 | 2,475 | — | 2,475 |
| Total comprehensive income | — | — | 13,427 | — | 2,944 | 16,371 | (8) | 16,363 |
| Stock options exercised (Note 27) | 21 | 16 | — | — | — | 37 | — | 37 |
| Conversion of debt to equity (Note 38) | 1,925 | 1,808 | — | — | — | 3,733 | — | 3,733 |
| Stock options granted (Note 27) | — | 44 | — | — | — | 44 | — | 44 |
| Stock option expired (Note 27) | — | (4) | 4 | — | — | — | — | — |
| Redemption of bonds with subscription rights to shares | — | (86) | 86 | — | — | — | — | — |
| Dividends paid (Note 26) | — | — | (2,446) | — | — | (2,446) | — | (2,446) |
| Purchase of treasury stock | — | — | — | (14) | — | (14) | — | (14) |
| Acquisition of subsidiary with non-controlling interests | — | — | — | — | — | — | 5 | 5 |
| Transfer from other components of equity to retained earnings | — | — | 0 | — | (0) | — | — | — |
| Total transactions with owners and other transactions | 1,946 | 1,778 | (2,356) | (14) | (0) | 1,354 | 5 | 1,359 |
| **Balance at March 31, 2013** | ¥19,052 | ¥28,110 | ¥15,953 | ¥(867) | ¥2,295 | ¥64,543 | ¥ (3) | ¥64,540 |

**FY2013 (From April 1, 2013 to March 31, 2014)**

| | Common stock | Additional paid-in capital | Retained earnings | Treasury stock | Other components of equity | Total equity attributable to owners of parent | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| **Balance at April 1, 2013** | **¥19,052** | **¥28,110** | **¥15,953** | **¥(867)** | **¥2,295** | **¥64,543** | **¥ (3)** | **¥64,540** |
| Profit (loss) | **—** | **—** | **9,305** | **—** | **—** | **9,305** | **14** | **9,319** |
| Other comprehensive income (Note 36) | **—** | **—** | **1,489** | **—** | **2,694** | **4,183** | **—** | **4,183** |
| Total comprehensive income | **—** | **—** | **10,794** | **—** | **2,694** | **13,488** | **14** | **13,502** |
| Stock options granted (Note 27) | **—** | **82** | **—** | **—** | **—** | **82** | **—** | **82** |
| Dividends paid (Note 26) | **—** | **—** | **(3,225)** | **—** | **—** | **(3,225)** | **—** | **(3,225)** |
| Purchase of treasury stock | **—** | **—** | **—** | **(2)** | **—** | **(2)** | **—** | **(2)** |
| Dividends to non-controlling interests | **—** | **—** | **—** | **—** | **—** | **—** | **(0)** | **(0)** |
| Total transactions with owners and other transactions | **—** | **82** | **(3,225)** | **(2)** | **—** | **(3,145)** | **(0)** | **(3,145)** |
| **Balance at March 31, 2014** | **¥19,052** | **¥28,192** | **¥23,522** | **¥(869)** | **¥4,989** | **¥74,886** | **¥11** | **¥74,897** |

Thousands of U.S. dollars*

**FY2013 (From April 1, 2013 to March 31, 2014)**

| | Common stock | Additional paid-in capital | Retained earnings | Treasury stock | Other components of equity | Total equity attributable to owners of parent | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| **Balance at April 1, 2013** | **$185,187** | **$273,231** | **$155,065** | **$(8,427)** | **$22,307** | **$627,363** | **$ (29)** | **$627,334** |
| Profit (loss) | **—** | **—** | **90,445** | **—** | **—** | **90,445** | **136** | **90,581** |
| Other comprehensive income | **—** | **—** | **14,473** | **—** | **26,186** | **40,659** | **—** | **40,659** |
| Total comprehensive income | **—** | **—** | **104,918** | **—** | **26,186** | **131,104** | **136** | **131,240** |
| Stock options granted | **—** | **797** | **—** | **—** | **—** | **797** | **—** | **797** |
| Dividends paid | **—** | **—** | **(31,347)** | **—** | **—** | **(31,347)** | **—** | **(31,347)** |
| Purchase of treasury stock | **—** | **—** | **—** | **(20)** | **—** | **(20)** | **—** | **(20)** |
| Dividends to non-controlling interests | **—** | **—** | **—** | **—** | **—** | **—** | **(0)** | **(0)** |
| Total transactions with owners and other transactions | **—** | **797** | **(31,347)** | **(20)** | **—** | **(30,570)** | **(0)** | **(30,570)** |
| Balance at March 31, 2014 | **$185,187** | **$274,028** | **$228,636** | **$(8,447)** | **$48,493** | **$727,897** | **$107** | **$728,004** |

Note: Details of Common stock, Additional paid-in capital, Retained earnings, Treasury stock and Other components of equity are described in Note 25 "Total Equity and Other Capital Items."

# Consolidated Statement of Cash Flows

Years Ended March 31

| | Millions of yen | | Thousands of U.S. dollars* |
|---|---|---|---|
| | **FY2013 (12 months) From April 1, 2013 to March 31, 2014** | FY2012 (12 months) From April 1, 2012 to March 31, 2013 | **FY2013 (12 months) From April 1, 2013 to March 31, 2014** |
| **Cash flows from (used in) operating activities** | | | |
| Profit (Loss) before tax | **¥14,240** | ¥16,139 | **$138,414** |
| Depreciation and amortization expense | **3,052** | 2,836 | **29,666** |
| Impairment loss | **87** | 768 | **846** |
| Interest and dividends income | **(159)** | (126) | **(1,545)** |
| Interest expenses | **271** | 462 | **2,634** |
| Loss (Gain) on disposal of property, plant and equipment | **10** | 254 | **97** |
| Decrease (Increase) in trade and other receivables | **(736)** | 604 | **(7,154)** |
| Decrease (Increase) in inventories | **(197)** | (594) | **(1,915)** |
| Increase (Decrease) in trade and other payables | **(349)** | (1,357) | **(3,392)** |
| Increase (Decrease) in employee benefits | **854** | (3,561) | **8,301** |
| Other, net | **(792)** | (1,263) | **(7,699)** |
| Sub Total | **16,281** | 14,162 | **158,253** |
| Interest received | **127** | 94 | **1,234** |
| Dividends received | **50** | 33 | **486** |
| Interest paid | **(254)** | (473) | **(2,469)** |
| Income taxes paid | **(2,942)** | (2,171) | **(28,596)** |
| Income taxes refund | **531** | 126 | **5,161** |
| Net cash flows from (used in) operating activities | **13,793** | 11,771 | **134,069** |
| **Cash flows from (used in) investing activities** (Note 38) | | | |
| Payments into time deposits | **(1,182)** | — | **(11,489)** |
| Proceeds from withdrawal of time deposits | **125** | — | **1,215** |
| Purchase of property, plant and equipment | **(4,771)** | (4,479) | **(46,374)** |
| Proceeds from sale of property, plant and equipment | **10** | 5 | **97** |
| Purchase of other financial assets | **(5)** | (5) | **(49)** |
| Proceeds from sale of other financial assets | **5** | 1 | **49** |
| Proceeds from government grants | **1,434** | — | **13,939** |
| Other, net | **(928)** | (553) | **(9,021)** |
| Net cash flows from (used in) investing activities | **(5,312)** | (5,031) | **(51,633)** |
| **Cash flows from (used in) financing activities** (Note 38) | | | |
| Proceeds from long-term borrowings | **—** | 6,000 | **—** |
| Repayments of long-term borrowings | **(600)** | (9,100) | **(5,832)** |
| Proceeds from issue of bonds | **—** | 6,000 | **—** |
| Redemption of bonds | **—** | (9,950) | **—** |
| Proceeds from issue of shares | **—** | 37 | **—** |
| Dividends paid | **(3,225)** | (2,446) | **(31,347)** |
| Other, net | **(535)** | (577) | **(5,200)** |
| Net cash flows from (used in) financing activities | **(4,360)** | (10,036) | **(42,379)** |
| **Effect of exchange rate change on cash and cash equivalents** | **1,404** | 1,390 | **13,646** |
| **Net increase (decrease) in cash and cash equivalents** | **5,525** | (1,906) | **53,703** |
| **Cash and cash equivalents at beginning of period** | **37,690** | 39,596 | **366,349** |
| **Cash and cash equivalents at end of period** (Note 8) | **¥43,215** | ¥37,690 | **$420,052** |

# Notes to the Consolidated Financial Statements

## 1. Reporting Entity

Anritsu Corporation is a company incorporated under laws in Japan. The Company's reporting date is March 31, 2014, and the consolidated financial statements of the Company comprise the Company and its subsidiaries, associates and equity interests in jointly controlled entities ("the Anritsu Group"). The Anritsu Group is primarily engaged in the development, manufacture, sale and servicing of measuring instruments and industrial machinery.

## 2. Basis of Preparation

### (1) Accounting Standards Adopted

The consolidated financial statements of the Anritsu Group have been prepared in accordance with International Financial Reporting Standards (IFRS) pursuant to the provision of article 93 of the "Regulations Concerning Terminology, Forms, and Method for Preparing Financial Statements" ("Regulations on Consolidated Financial Statements").

The Company meets the requirements of article 1-2 of the "Regulations on Consolidated Financial Statements." The Company is a qualifying company for filing its financial statements in IFRS in accordance with this article.

The consolidated financial statements of the Anritsu Group have been approved by Hirokazu Hashimoto, Representative Director and President, and Akifumi Kubota, Director and Senior Manager of the Accounting and Control Department of the Company.

### (2) Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following significant items:

- Derivatives are measured at fair value;
- Non-derivative financial assets at fair value through other comprehensive income are measured at fair value; and
- Defined benefit assets (liabilities) are recognized at the present value of the defined benefit obligation less the fair value of the plan assets.

### (3) Functional and Presentation Currency

The consolidated financial statements are presented in Japanese yen which is the Company's functional currency. All financial information presented in Japanese yen has been rounded to the nearest million.

### (4) Estimates and Judgments

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Actual results could differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods in which the revision has an effect.

Items requiring judgment in the application of accounting policies that have a significant effect on the amounts recognized in the consolidated financial statements are as follows.

- Note 24: Recoverability of Deferred Tax Assets

Items concerning with uncertainties in assumptions and estimates which have a significant risk of causing material adjustments in the next consolidated fiscal year are as follows:

- Note 14: Impairment of Non-financial Assets
- Note 21: Measurement of Defined Benefit Obligation
- Note 22: Provisions
- Note 24: Recoverability of Deferred Tax Assets
- Note 42: Contingencies

## 3. Significant Accounting Policies

The significant accounting policies applied in the preparation of the consolidated financial statements are summarized below: Note: The Anritsu Group has early adopted IFRS 9 (Financial Instruments, revised in October 2010).

### (1) Basis of Consolidation

#### 1. Subsidiaries

Subsidiaries are corporate entities that are controlled by the Anritsu Group. Control exists when an investor is exposed to, or has rights to, variable returns from its involvement with an investee and has the ability to affect those returns through its power over the investee.

The financial statements of all subsidiaries are included in the consolidated financial statements from the date when control is obtained by the Anritsu Group until the date when it is lost. All inter-company balances, and any unrealized gains and losses and claims and obligations arising from inter-company transactions, are eliminated in the preparation of the consolidated financial statements.

Of all the subsidiaries, Anritsu Eletronica Ltda., Anritsu Company S.A. de C.V., Anritsu (China) Co., Ltd., Anritsu Electronics (Shanghai) Co., Ltd., Anritsu Industrial Solutions (Shanghai) Co., Ltd. and Anritsu Industrial Systems (Shanghai) Co., Ltd. set the reporting period end date on December 31. Thus, for these subsidiaries, additional financial statements as of the end of the parent's reporting period are prepared for consolidation purposes. The reporting period end date for other consolidated subsidiaries is the same as that for the parent.

The Anritsu Group applies the acquisition method as its method of accounting for business combinations. Goodwill is measured at the fair value of the considerations transferred, including the recognized amount of any non-controlling interests in the acquiree at the date of acquisition, less the net recognized amount of the identifiable assets acquired and the liabilities assumed at the acquisition date (ordinarily measured at fair value). The Anritsu Group measures non-controlling interests that are present ownership interests and which entitle the Anritsu Group to a pro rata share of the entity's net assets in the event of liquidation at either fair value or at the present ownership instruments' proportionate share in the recognized amounts of the identifiable net assets of the acquired company. The Anritsu Group chooses the method of measurement for each business combination on the acquisition date. Transaction expenses arising in relation to business combinations are expensed as incurred.

Additional acquisitions of non-controlling interests are accounted for as equity transactions, and no goodwill is recognized.

Changes in equity interests in subsidiaries, if the Anritsu Group retains control over the subsidiaries, are accounted for as equity transactions. The carrying amounts of the Anritsu Group's interests and the non-controlling interests are adjusted to reflect the change of interests in the subsidiary, and any difference between the adjustment to the non-controlling interests and the fair value of the consideration received is recognized directly in equity as "Equity attributable to owners of the parent." If the Anritsu Group loses control over the subsidiaries, profits and losses that arise from the loss of control are recognized as profit or loss.

Business combinations of entities under common control, or business combinations in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combinations, when that control is not transitory, are accounted for based on carrying amounts.

**2. Associates**

Associates are entities over which the Anritsu Group has significant influence but do not have control to govern the financial and operating policies. Investments in associates are recognized at acquisition cost and subsequently accounted for using the equity method.

The Anritsu Group's share in the profit or loss and other comprehensive income of companies accounted for using the equity method is reflected in the consolidated financial statements.

**3. Joint Ventures**

Joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Anritsu Group accounts for its share in a jointly controlled entity under a joint venture in the same way as it accounts for associates using the equity method.

**(2) Foreign Currency Translation**

**1. Foreign Currency Transactions**

Foreign currency transactions are translated into functional currencies of individual companies of the Anritsu Group using the spot exchange rate at the date of the transactions. At the end of reporting period, monetary assets and liabilities denominated in foreign currencies are retranslated into functional currencies using the spot exchange rate at the reporting date. Non-monetary assets and liabilities measured at fair value and denominated in foreign currencies are retranslated into functional currencies using the spot exchange rate at the date that the fair value was determined. Non-monetary items that are measured at cost are translated using the spot exchange rate on the date of the transaction.

Exchange differences arising from retranslation or settlement of accounts are recognized in profit or loss for the relevant period.

**2. Financial Statements of Foreign Subsidiaries**

Assets and liabilities of foreign subsidiaries are translated into Japanese yen using the spot exchange rate at the reporting date. Income and expenses of foreign subsidiaries are translated into Japanese yen at the average exchange rates for the period.

Exchange differences arising from translation of financial statements of foreign subsidiaries are recognized in "Other Comprehensive Income" in the consolidated statement of profit or loss and other comprehensive income, and cumulative exchange differences are presented in "Other Components of Equity" in the consolidated statement of financial position.

On disposal of the entire interest in foreign operations, and on the partial disposal of an interest involving loss of control, significant influence or joint control, the cumulative amount of the exchange differences is reclassified to profit or loss as a part of gains or losses on disposal.

**(3) Inventories**

Inventories are stated at the lower of cost or net realizable value. Inventories are stated at cost determined primarily by the moving average method for raw materials and primarily by the specific identification method for finished goods and work in progress.

Net realizable value represents the estimated selling price for the inventories in the ordinary course of business, less all estimated costs of completion and estimated selling expenses.

**(4) Property, Plant and Equipment**

The cost model is applied to property, plant and equipment. Property, plant and equipment are measured at historical cost, net of accumulated depreciation and accumulated impairment losses. Cost includes the expenses directly attributable to the acquisition of the assets, the costs related to dismantling and removal of the assets and restoration of the site on which the assets are located to its original condition as well as borrowing costs attributable to the assets.

Depreciation of these assets commences when the assets are available for use, and the straight-line method is applied over the following estimated useful lives:

• Buildings and Structures: 3–50 years
• Machinery, Equipment and Vehicles: 2–15 years
• Tools, Furniture and Fixtures: 2–20 years

Land and construction in progress are not depreciated.

Depreciation for assets held under finance leases, other than those that can reasonably be expected to transfer the ownership of the leased property at the end of the lease period, is computed over the lease period or the economic useful life of the assets, whichever is shorter.

The depreciation methods, useful lives and residual values are reviewed at the end of each reporting period, and revised when necessary.

**(5) Goodwill and Intangible Assets**

The cost model is applied to intangible assets and these assets are measured at acquisition cost, net of accumulated amortization and accumulated impairment losses.

**1. Goodwill**

Goodwill arising on the acquisition of a subsidiary is recognized as an intangible asset. Measurement of goodwill on initial recognition is described in Note 3. (1) 1.

Goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortized, but tested annually for impairment and presented in impairment losses when necessary. Impairment losses recognized for goodwill are not reversed in subsequent periods.

**2. Development Assets**

Expenses arising from development activities are recognized as assets only if the Anritsu Group has demonstrated all of the following conditions:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Its intention to complete the intangible asset and use or sell it;
- Its ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset; and
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Amortization of these development assets commences when the relevant project has ended using the straight-line method over the estimated useful life ranging from 3 to 5 years during which the relevant development asset is expected to generate net cash inflows. The development expenditure that does not meet the above requirements for capitalization as well as the expenditure on research activities are expensed as incurred.

The amortization method and the amortization period are reviewed at the end of each reporting period, and revised when necessary.

**3. Other Intangible Assets**

Other intangible assets primarily consist of computer software. Amortization for other intangible assets commences when the related assets are available for use based on the straight-line method over the estimated useful life ranging from 3 to 5 years.

Amortization for assets held under finance leases, other than those that can reasonably be expected to transfer the ownership of the leased property at the end of the lease period, is computed over the lease period or the economic useful life of the assets, whichever is shorter.

The depreciation methods, useful lives and residual values are reviewed at the end of each reporting period, and revised when necessary.

**(6) Investment Property**

Investment property is primarily commercial facilities, held for the purpose of earning rental income. The cost model is applied to investment property, in which related assets are measured at acquisition cost less accumulated depreciation and accumulated impairment loss. Cost includes the expenditure that is directly attributable to the acquisition of the assets, the costs related to dismantling and removal of the assets and restoration of the site on which the assets are located to its original condition as well as borrowing costs attributable to the assets.

Depreciation of these assets commences when the assets are available for use based on the straight-line method over the estimated useful life ranging from 3 to 50 years.

Land is not depreciated.

The depreciation methods, useful lives and residual values are reviewed at the end of each reporting period, and revised when necessary.

**(7) Leases**

Leases are classified as finance leases when all risks and rewards associated with the leases are substantially transferred to the Anritsu Group. All other leases are classified as operating leases.

Finance leases are recognized as assets based on fair value of the leased property at the commencement of the lease or the present value of the minimum lease payments, whichever is lower. Lease obligations are presented as current liabilities and noncurrent liabilities in the consolidated statements of financial position. Finance costs are allocated to each period during the term of the lease so as to produce a constant rate of interest on the unamortized balance of liabilities.

Operating lease payments are treated as an expense using the straight-line method over the lease period. Variable lease payments are expensed as incurred.

**(8) Derivatives**

The Anritsu Group utilizes derivatives, including interest rate swaps and foreign exchange forward contracts, as a hedge to manage interest rate risk and foreign currency risk. However, hedge accounting is not applied for these derivatives as the requirements to qualify for hedge accounting are not met. These derivatives are initially recognized at fair value at the date the derivative contract is entered into and are subsequently remeasured at fair value, with gains or losses arising from changes in fair value recognized in profit or loss.

### (9) Non-derivative Financial Assets

The Anritsu Group recognizes trade and other receivables when they arise. Other financial assets are recognized at contract dates when the Anritsu Group becomes a party to the contractual provisions of the instrument.

#### 1. Financial Assets Measured at Amortized Cost

Financial assets that meet the two conditions below are measured at amortized cost (less impairment loss) using the effective interest method.

- Under the Anritsu Group's business model, the relevant financial asset is held with the objective of collecting contractual cash flows.
- The contracted terms of the financial asset give rise to cash flows on specified dates that are solely payments of principal and interest on the principal outstanding.

#### 2. Financial Assets Measured at Fair Value through Other Comprehensive Income

Financial assets, other than those measured at amortized cost, are measured at fair value and all changes in fair value are recognized as profit or loss. However, on initial recognition, IFRS 9 permits an election to record all changes in fair value for an investment in an equity instrument that is not for trading purposes in other comprehensive income ("Financial Assets Measured at FVTOCI").

The Anritsu Group has elected to classify equity investments that are held for the purpose of maintaining and strengthening business relationships with investees as Financial Assets Measured at FVTOCI.

Amounts recognized in other comprehensive income relating to Financial Assets Measured at FVTOCI are not transferred to profit or loss, and impairment losses are not recognized. However, dividends on such investments are recognized in profit or loss as finance income, except in cases when it is evident that the dividends are considered return of investment principal.

Changes in the fair value of Financial Assets Measured at FVTOCI recorded in other comprehensive income on the consolidated statement of profit or loss and other comprehensive income are recognized in "Other Components of Equity" in the consolidated statement of financial position. The balance of "Other Components of Equity" is reclassified directly to "Retained Earnings" when the equity investment is derecognized.

#### 3. Derecognition of Financial Assets

The Anritsu Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when the Anritsu Group transfers the contractual right to receive cash flows from financial assets in transactions in which substantially all the risks and rewards of ownership of the asset are transferred to another entity.

#### 4. Cash and Cash Equivalents

Cash and cash equivalents are cash and highly liquid investments that are readily convertible to certain amounts of cash with only a slight risk of fluctuation in value, including short-term time deposits with original maturities of three months or less.

### (10) Non-derivative Financial Liabilities

Debt securities issued by the Anritsu Group are initially recognized on the issue date. Other non-derivative financial assets are recognized at contract dates when the Anritsu Group becomes a party to the contractual provisions of the instrument.

The Anritsu Group derecognizes financial liabilities when they are extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expired.

The Anritsu Group has trade payables and other payables, borrowings and bonds, and other financial liabilities as non-derivative financial liabilities, and initially measures them at fair value (net after directly attributable transaction costs). After initial recognition, they are measured at amortized cost using the effective interest method.

### (11) Equity

#### 1. Common Stock

Proceeds from issuance of equity instruments by the Company are included in "Common Stock" and "Additional Paid-in Capital". The direct issue costs are deducted from "Additional Paid-in Capital."

#### 2. Treasury Stock

When the Anritsu Group reacquires treasury stock, the consideration paid, net of direct transaction costs, is recognized as a deduction from equity. When the treasury stock is sold, the consideration received is recognized as an increase in equity. When a loss is incurred, it is reclassified to "Retained Earnings."

### (12) Compound Instruments

The compound instruments issued by the Company include corporate bonds with subscription rights to new shares that can be converted to equity at the option of the holder and for which the number of new shares to be issued is not affected by changes in fair value. The liability element of a compound instrument is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity element of a compound instrument is initially recognized at the difference between the fair value of the compound instrument as a whole and the fair value of the liability element. Any directly attributable transaction costs are allocated to each element in proportion to the initial carrying amounts. After initial recognition, the liability element of a compound instrument is measured at amortized cost using the effective interest method. The equity element of a compound instrument is not remeasured after initial recognition.

### (13) Impairment

#### 1. Non-derivative Financial Assets

Financial assets measured at amortized cost are assessed at each reporting date as to whether there is objective evidence that the asset may be impaired. A financial asset is considered to be impaired when there is objective evidence which indicates that one or more loss events have occurred after the initial recognition of the asset, and when it is reasonably anticipated that the loss events have an impact on the estimated future cash flows of the asset.

Objective evidence of impairment for financial assets measured at amortized cost includes default or delinquency of the borrower, extension of the due date for the claim, and indications of bankruptcy of the borrower.

The Anritsu Group assesses whether evidence of impairment exists individually and collectively for financial assets measured at amortized cost. All individually significant financial assets are individually assessed for impairment. Individually significant financial assets found not to be impaired individually are then collectively assessed for any impairment that has been incurred but not yet recognized. Financial assets that are not individually significant are collectively assessed for impairment in a group of financial assets with similar risk characteristics. In assessing collective impairment, the Anritsu Group evaluates historical trends for the probability of default, timing of recoveries and the amount of loss incurred. Adjustments are added to reflect judgments on whether current economic and credit conditions are such that the actual losses are likely to be greater or less than those suggested by historical trends.

Impairment loss for financial assets measured at amortized cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The impairment loss is recognized through profit or loss for the period, and included in the allowance for doubtful accounts. If there are events which decrease the amount of impairment after the recognition of the impairment, the reversal of the impairment loss is recognized in profit or loss.

#### 2. Non-Financial Assets

The carrying amounts of non-financial assets, excluding inventories and deferred tax assets, are assessed whether there is any indication of impairment at the end of each reporting period. If any such indication exists, the recoverable amount of the non-financial asset is estimated. Goodwill is tested for impairment annually.

The recoverable amount of an asset or a cash-generating unit is the higher of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset. A cash-generating unit is the smallest group of assets which generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

A cash-generating unit of goodwill is determined based on the unit by which the goodwill is monitored for internal management purposes, and does not exceed an operating segment before aggregation.

If there is an indication that corporate assets may be impaired, the recoverable amount is determined for the cash generating unit to which the corporate assets belong, because the corporate assets do not generate independent cash inflows. If the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount of it, an impairment loss is recognized in profit or loss.

The impairment loss recognized related to a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to reduce the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit.

An impairment loss recognized for goodwill is not reversed in subsequent periods. Assets other than goodwill are reviewed to determine whether there is any indication that an impairment loss recognized in prior years may no longer exist or may have decreased. An impairment loss recognized in prior years for an asset is reversed to profit or loss if an event occurs to change the estimates used to determine the asset's recoverable amount. A reversal of impairment loss does not exceed the carrying amount, net of depreciation and amortization, that would have been determined if no impairment loss had been recognized for the asset for prior years.

### (14) Assets Held for Sale

Non-current assets not in continuing use for which the value is anticipated to be recovered through sale are classified as "Assets Held for Sale." Classification as "Assets Held for Sale" is made when the asset meets the following two conditions: (1) it can be sold immediately in its current state; and (2) the probability of sale is extremely high.

"Assets Held for Sale" are measured at carrying amount or fair value less costs to sell, whichever is lower.

Depreciation or amortization is not applied to property, plant and equipment and intangible assets that have been classified as "Assets Held for Sale."

### (15) Employee Benefits

#### 1. Defined Benefit Plans

A retirement lump-sum payment plan and a cash-balance pension plan (market interest reflecting type) have been adopted as defined benefit plans to cover the employees of the Company and some of its subsidiaries. Net defined benefit obligations are calculated separately for each plan by estimating the amount of future benefits that employees have earned in exchange for their service for the prior and current years. The estimated benefits are discounted to determine the present value, and the fair value of plan assets is deducted.

The discount rates are the yields of high quality corporate bonds that have maturity terms approximating those of the Company's obligations. Retirement benefit obligations are calculated using the projected unit credit method with adjustments made using the straight-line method when a very high benefit level is incurred in the latter half of the number of years of service.

The Anritsu Group recognizes remeasurements of the net defined benefit plans in "Other Comprehensive Income" in the consolidated statement of profit or loss and other comprehensive income as incurred, and records cumulative remeasurements of the net defined benefit plans in "Retained Earnings" in the consolidated statement of financial position.

#### 2. Defined Contribution Plans

The employees of the Company and certain subsidiaries are provided with defined contribution plans. Defined contribution plans are postemployment benefit plans in which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further contributions.

The contribution payable to defined contribution plans is recognized as an expense during the period when the service is rendered.

#### 3. Short-term Employee Benefits

Short-term employee benefits are measured on an undiscounted basis and are recognized as an expense during the period when the service is rendered.

Bonuses and paid leave accruals are recognized as liabilities for the amount estimated to be paid based on the bonus and paid leave systems, when the Anritsu Group has present legal or constructive obligations to pay, and when reliable estimates of the obligation can be made.

#### 4. Other Long-term Employee Benefits

In addition to its pension plans, the Anritsu Group has special leave and bonus systems awarded in accordance with a defined number of years of service. Obligations for other long-term employee benefits are recorded at an amount calculated by estimating the future amount of benefits that employees have earned in exchange for their service for the previous and current years discounted to determine the present value.

The discount rates are the yields of high quality corporate bonds that have maturity terms approximating those of the Company's obligations.

#### 5. Share-based Payments

The Anritsu Group has stock option plans as incentive plans for directors and some employees. Rights to share-based payments are vested at the grant date of share-based payment. Consequently, the fair value of stock options at the grant date is recognized as a lump-sum expense at the grant date, and the same amount is recognized as a corresponding increase in equity. The fair value of the stock options is measured using the Black-Scholes model, taking into account the terms of the options granted.

### (16) Provisions

Provisions are recognized when, as a result of past events the Anritsu Group has legal or constructive obligations that can be estimated reliably, and it is probable that outflows of economic resources will be required to settle the obligations.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the time value of money and the risks specific to the liability. The unwinding of the discount with the passage of time is recorded as "Finance Costs."

#### 1. Provision for Decommissioning, Restoration and Rehabilitation Costs

Estimated amounts for the costs of removing hazardous substances related to property, plant and equipment and restoring rented offices to the original condition are recorded in the provision for decommissioning, restoration and rehabilitation costs.

#### 2. Provision for Product Warranties

The provision for product warranties is calculated to provide for anticipated service expenses arising within the warranty period of products sold and includes future warranty forecasts based on the actual results of past years.

### (17) Government grants

Government grants are recognized at fair value, once the collateral conditions for the grants are met and the receipt of such grants is reasonably assured.

Government grants in respect of expenses are recognized in profit or loss in the period in which expenses intended to be covered by such grants were incurred. Government grants in respect of assets are recognized by the method in which such grants are recorded as deferred income and recognized in profit or loss on a systematic basis over the useful lives of the assets concerned.

### (18) Revenue

The Anritsu Group measures revenue at the fair value of the consideration received, less discounts, rebates and taxes, including consumption tax.

#### 1. Sale of Goods

Revenue from the sale of goods is recognized when: (1) the significant risks and rewards of ownership of the goods have been transferred to the buyer; (2) there is no continuing managerial involvement with the goods; (3) it is probable that the economic benefits associated with the transaction will flow to the

Anritsu Group; and (4) the costs and amount of revenue associated with the transaction can be measured reliably.

The timing of the transfer of the risks and rewards of ownership of the goods varies according to the terms of individual sales agreements, and revenue is normally recognized at the time of delivery to the customer or on the shipment date.

**2. Rendering of Services**

Rendering of services at the Anritsu Group mainly consists of repair and support services that arise in connection with the sale of goods. Revenue from these transactions is recognized at the time when the service is rendered.

**3. Multi-element Transactions**

A multi-element transaction, under which a number of deliverables are furnished, including goods, software and support services, is separated into its individual elements if it meets both of the requirements below:

• The elements have standalone value to the customer; and
• The fair value of the elements can be reliably measured.

When it is necessary to allocate the agreed consideration for a multi-element transaction between the delivered and undelivered elements, the allocation is based on the fair value of the undelivered elements. In other words, under the residual method, the amount of consideration allocated to the delivered elements is equal to the total agreed consideration less the aggregate fair value of the undelivered elements.

**(19) Finance Income and Costs**

Finance income mainly comprises interest income and dividend income. Finance costs mainly comprise interest payments on borrowings and corporate bonds calculated using the effective interest method. Foreign exchange gains and losses are recorded in "Finance Income" or "Finance Costs" on a net basis.

Interest income is recognized when incurred using the effective interest method. Dividend income is recognized on the date when the right to receive payment is assured. Borrowing costs that are not directly attributable to the acquisition, construction or production of qualifying assets are recognized as an expense using the effective interest method.

**(20) Income Tax Expenses**

Income tax expenses comprise current tax expenses and deferred tax expenses. These are recognized in profit or loss, except for taxes which arise from business combinations or that are recognized either in other comprehensive income or directly in equity.

Current tax expenses are the expected tax payables or receivables on the taxable profit for the year, using the tax rates enacted or substantially enacted by the end of the reporting period, adjusted by tax payables or receivables in prior fiscal years.

Deferred tax assets and liabilities are recognized on temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the tax bases of them. Deferred tax assets and liabilities are not recognized for the temporary differences below:

• Future temporary differences arising from initial recognition of goodwill;
• Temporary differences relating to initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of transaction, affects neither accounting profit nor taxable profit;
• Future temporary differences associated with investments in subsidiaries when the Company is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future; and
• Future temporary differences associated with investments in subsidiaries when it is probable that such differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the temporary differences will reverse, based on tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and deferred tax liabilities are offset when: (1) there is a legally enforceable right to offset current tax assets against current tax liabilities; and (2) income taxes are levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously.

Deferred tax assets are recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at the end of each reporting period and recognized to the extent that it is probable that the related tax benefits will be realized.

**(21) Earnings Per Share (attributable to owners of parent)**

Basic earnings per share is calculated by dividing the profit attributable to owners of the parent by the weighted average number of shares in issue during the fiscal year excluding shares purchased by the Company and held as treasury stock. Diluted earnings per share are calculated by adjusting for the effect of all dilutive potential common stock.

## 4. Changes in Accounting Policies

The Anritsu Group adopted the following IFRSs from the year ended March 31, 2014.

| IFRSs | Title | Summaries of new IFRSs/amendments and transitional provisions |
|---|---|---|
| IFRS 7 | Financial Instruments: Disclosures | Disclosures requirement for quantitative information about offsetting financial assets and financial liabilities |
| IFRS 10 | Consolidated Financial Statements | Identification of the concept of control and use of control as the single basis for consolidation, irrespective of the nature of the investee (Replacement for IAS 27 and SIC 12*) |
| | | Simplified transition measures and additional exception on cancellation for retroactive application at initial period |
| IFRS 11 | Joint Arrangements | Establishment of accounting for joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (Replacement of IAS 31* and SIC 13*) |
| | | Simplified transition measures and additional exception on cancellation for retroactive application at the initial period |
| IFRS 12 | Disclosure of Interests in Other Entities | Disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. (Replacement of appropriate parts of IAS 27 and IAS 28*) |
| | | Additional exception on disclosure requirement at the initial application |
| IFRS 13 | Fair Value Measurement | Establishment of a single framework when other IFRSs requires the measurement of fair values and exemption on comparative information at the initial application |
| IAS 1 | Presentation of Financial Statements | Grouping of items of other comprehensive income |
| | | Clarification of requirements for comparative information |
| IAS 16 | Property, Plant, and Equipment | Clarification of classification of servicing equipment |
| IAS 19 | Employee Benefits | Recognition of actuarial gains or losses and past service cost, presentation and disclosure of post-employment benefits and coverage limitation of revision before commencing the application at the initial application and exemption of disclosure of comparative information. |
| IAS 28 | Investments in Associated and Joint Ventures | Amendment by application of IFRS 10, IFRS 11 and IFRS 12 |
| IAS 32 | Financial Instruments: Presentation | Accounting for income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction and connection to IAS 12 |

Note: When IFRS 10, IFRS 11 and IFRS 12 are applied, IAS 31, SIC 12 and SIC 13 are superseded, while amended and retitled IAS 27 “Separate Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” are effective.
These standards have been applied in accordance with respective transitional provisions. There are no standards that are early adopted by the Group for the fiscal year ended March 31, 2014.

With an adoption of amendment of IAS 19 “Employee Benefits”, the Anritsu Group has applied revised accounting policies retrospectively and has restated the consolidated financial statements for the previous fiscal year ended March 31, 2013.

Consequently, “Cost of sales”, “Selling, general and administrative expenses” and “Research and development expense” have increased by 27 million yen, 51 million yen and 8 million yen, respectively and “Income tax expense” has decreased by 32 million yen and “Remeasurements of defined benefit plans” in other comprehensive income has increased by 60 million yen of the consolidated statement of profit or loss and other comprehensive income for the previous fiscal year ended March 31, 2013.

“Inventories” and “Retained earnings” has increased by 6 million yen and 6 million yen, respectively in consolidated statement of financial position for the previous fiscal year ended March 31, 2013.

“Profit (loss)” of “Retained earnings” has decreased by 54 million yen in consolidated statement of changes in equity for the previous fiscal year ended March 31, 2013.

“Profit (loss) before tax” and “Decrease (Increase) in inventories” in cash flows from (used in) operating activities have decreased by 87 million yen and 6 million yen, respectively and “Increase (Decrease) in employee benefits” in cash flows from (used in) operating activities has increased by 92 million yen in consolidated statement of cash flows for the previous fiscal year ended March 31, 2013.

In addition, there is no impact from the application of revised accounting policies at the beginning of the previous fiscal year.

With the adoption of other IFRSs except IAS 19 “Employee Benefits”, there is no impact to the consolidated financial statements.

## 5. Changes in Accounting Estimates

None

## 6. New Standards and Interpretations not yet Applied

Except for IFRS 9 “Financial Instruments (revised in October 2010),” the Anritsu Group has no early applied new standards nor revised standards and interpretations for its consolidated financial statements before the fiscal year ended in March 31, 2014.

At the date of approval of the consolidated financial statements, the main standards and interpretations that were released but not applied by the Anritsu Group are set out below. The impact on adoption of IFRS 15 has not been determined yet. These standards and interpretations have no significant impact on its consolidated financial statements.

| IFRSs | Title | Mandatory effective date (from the fiscal period that begins on or after) | To be adopted by the Anritsu Group (from the fiscal period ending) | Subject of new standards/amendment |
|---|---|---|---|---|
| IFRS 2 | Share-based Payment | July 1, 2014 | March 31, 2015 | Clarification of the definitions concerning the vesting conditions |
| IFRS 3 | Business Combinations | July 1, 2014 | March 31, 2015 | Clarification of the accounting treatment for contingent consideration in a business combination |
| | | July 1, 2014 | March 31, 2016 | Clarification of the scope of exemption in respect of jointly controlled entities |
| IFRS 7 | Financial Instruments: Disclosures | Undetermined | Undetermined | Amendment to include financial assets and liabilities designated as those to be measured at fair value through profit or loss after the initial recognition, in the existing disclosure of the carrying amounts, profits and losses of the financial assets and liabilities measured at fair value through profit or loss, as well as deletion of existing disclosure rules and addition of new disclosure rules in association with the introduction of new hedge accounting |
| IFRS 8 | Operating Segments | July 1, 2014 | March 31, 2016 | Additional disclosure for explaining the nature and the aggregation criteria of operating segments with similar economic characteristics as well as the clarification of the requirement for providing reconciliation of total reporting segment assets to the entity's entire assets only if the disclosure of the segment asset is regularly provided to the chief operating decision maker |
| IFRS 9 | Financial Instruments | Undetermined | Undetermined | Addition of rules regarding the new hedge accounting as well as rules that permit earlier application of IFRS 9 specifically related to the presentation of financial liabilities for which the fair value option is applied in the consolidated statement of profit or loss and other comprehensive income, and the deletion of the mandatory effective date of IFRS 9 |
| IFRS 10 | Consolidated Financial Statements | January 1, 2014 | March 31, 2015 | Clarification of requirements for and characteristics of, investment entities, and measurement method for investments in investees |
| IFRS 11 | Joint Arrangements | January 1, 2016 | March 31, 2017 | Clarification of accounting treatment for the acquisition of equity interest in a joint operation |
| IFRS 12 | Disclosure of Interests in Other Entities | January 1, 2014 | March 31, 2015 | Disclosure requirements regarding investment entities |
| IFRS 13 | Fair Value Measurement | July 1, 2014 | March 31, 2016 | Clarification of the scope of exception regarding the measurement of fair value of portfolio |
| IFRS 14 | Regulatory Deferral Accounts | January 1, 2016 | March 31, 2017 | Rules for accounting and disclosure requirements regarding regulatory deferral account balances generated at an entity that is engaged in rate-regulated activities |
| IFRS 15 | Revenue from Contracts with Customers | January 1, 2017 | March 31, 2018 | Provision of principles and guidance along with the expansion of disclosure items, in respect of revenues from contracts with customers as well as associated issues (*) |
| IAS 16 | Property, Plant, and Equipment | July 1, 2014 | March 31, 2016 | Clarification of the accounting treatment for the revaluation of property, plant and equipment measured by the revaluation model |
| | | January 1, 2016 | March 31, 2017 | Clarification of the position that negates the appropriateness of depreciation methods based on revenues generated from activities including the use of assets |
| IAS 19 | Employee Benefits | July 1, 2014 | March 31, 2015 | Simplification of the accounting treatment for the contributions to defined benefit plans by employees or third parties, which are made to be independent of the number of years of service of the employees |
| IAS 24 | Related Party Disclosures | July 1, 2014 | March 31, 2016 | Amendment to the definition of the related party to include the key management personnel of the reporting entity or its parent as well as additional disclosure of the amount of key management personnel compensation |
| IAS 32 | Financial Instruments: Presentation | January 1, 2014 | March 31, 2015 | Presentation of offsetting financial assets and financial liabilities |
| IAS 36 | Impairment of Assets | January 1, 2014 | March 31, 2015 | Removal of disclosure on recoverable amount for cash-generating unit including significant goodwill or intangible asset with an indefinite useful life, and addition of disclosure requirement on recoverable value and basic information of its calculation for an individual asset or cash-generating unit which have recognized impairment loss or its reversal |
| IAS 38 | Intangible Assets | July 1, 2014 | March 31, 2016 | Clarification of the accounting treatment for the revaluation of intangible assets measured by the revaluation model |
| | | January 1, 2016 | March 31, 2017 | Clarification of the position that negates the appropriateness of amortization methods based on revenues generated from activities including the use of assets |

| IFRSs | Title | Mandatory effective date (from the fiscal period that begins on or after) | To be adopted by the Anritsu Group (from the fiscal period ending) | Subject of new standards/amendment |
|---|---|---|---|---|
| IAS 39 | Financial Instruments: Recognition and Measurement | January 1, 2014 | March 31, 2015 | Addition of new provisions to enable the continuance of existing hedging relationship without expiration or termination of hedging, in the event of a change in the hedging relationship as well as changes in terms and conditions necessitated thereby, insofar as the change refers to change of the counterparty over to a central counterparty in compliance with the requirement by laws and regulations, and that both parties involved in such derivative transaction have agreed to such change |
| | | Undetermined | Undetermined | Addition of alternative methods to recognize a contract to buy or sell a non-financial item that can be net settled in cash or by other financial instrument, or those that can be settled by exchanging with financial instruments, as a financial instrument measured at fair value through profit or loss as well as addition of new requirements introduced following the adoption of IFRS 9 (published in November 2013) |
| IAS 40 | Investment Property | July 1, 2014 | March 31, 2016 | Clarification of the mutual relationship between IFRS 3 and IAS 40, involving the classification of property into investment property and owner-occupied property |
| IFRIC 21 | Levies | January 1, 2014 | March 31, 2015 | Clarification of the timing of recognition of levies imposed by a government |

Notes: Upon adoption of IFRS 15, the following standards are superseded:
IAS 11 Construction Contracts;
IAS 18 Revenue;
IFRIC 13 Customer Loyalty Programmes;
IFRIC 15 Agreements for the Construction of Real Estate;
IFRIC 18 Transfers of Assets from Customers; and
SIC 31 Revenue-Barter Transactions Involving Advertising Services.

## 7. Segment Information

**(1) Outline of reportable segment**

The reportable segments of the Anritsu Group are business segments which are classified based on products and services.

Each business segment operates its business activities with a comprehensive strategic business plans for domestic and overseas.

The Board of Directors meeting periodically makes decisions on allocation of operating resources and evaluates business performance based on segment financial information.

The Anritsu Group's reportable segments are composed of "Test and Measurement" and "Industrial Automation."

Main products and services by segment are as follows:

1. Test and Measurement: Measuring instruments for Digital communications and IP network, Optical communications equipment, Mobile communications equipment, RF / microwave and millimeter wave communications equipment / systems, Service assurance
2. Industrial Automation: Checkweighers, Automatic combination weighers, Inspection equipment, Precision measuring instruments

### (2) Information regarding revenue, profit or loss, assets and others by reportable segment

Reportable segment information of the Anritsu Group is included below.

Accounting policies for each reportable segment are same as the accounting policies for the Anritsu Group described in Note 3.

Millions of yen

| Year ended March 31, 2013 (From April 1, 2012 to March 31, 2013) | Reportable segment: Test and Measurement | Reportable segment: Industrial Automation | Reportable segment: Subtotal | Others (Note 1) | Total | Adjustment (Notes 3, 4) | Consolidated |
|---|---|---|---|---|---|---|---|
| Outside customers | ¥71,232 | ¥14,439 | ¥85,671 | ¥ 9,014 | ¥94,685 | ¥ — | ¥ 94,685 |
| Inter-segment (Note 2) | 117 | 3 | 120 | 3,897 | 4,017 | (4,017) | — |
| Total | 71,349 | 14,442 | 85,791 | 12,911 | 98,702 | (4,017) | 94,685 |
| Cost of sales, Other revenue and expenses | (56,363) | (13,628) | (69,991) | (12,269) | (82,260) | 3,289 | (78,971) |
| Operating profit (loss) | 14,986 | 814 | 15,800 | 642 | 16,442 | (728) | 15,714 |
| Finance income | — | — | — | — | — | — | 1,269 |
| Finance costs | — | — | — | — | — | — | 876 |
| Share of profit (loss) of associates and joint ventures accounted for using equity method | — | — | — | — | — | — | 32 |
| Profit (loss) before tax | — | — | — | — | — | — | 16,139 |
| Income tax expense | — | — | — | — | — | — | 2,251 |
| Profit (loss) for the year | — | — | — | — | — | — | 13,888 |
| Assets | 69,741 | 12,694 | 82,435 | 14,815 | 97,250 | 17,845 | 115,095 |
| Capital expenditures | 4,149 | 214 | 4,363 | 381 | 4,744 | (14) | 4,730 |
| Depreciation and amortization | 2,290 | 162 | 2,452 | 441 | 2,893 | (57) | 2,836 |
| Impairment loss | 179 | — | 179 | 589 | 768 | — | 768 |

Notes: 1. Others: Information and Communications, Devices, Logistics, Welfare-related service, Leases on real estate, Corporate administration, Parts manufacturing and others
2. Inter-segment revenue is measured based on market price.
3. Adjustment of operating profit (-728 million yen) includes elimination of inter-segment transactions (-11 million yen) and company-wide expenses not allocated to business segments (-717 million yen). Company-wide expenses are mainly composed of basic research expense as well as selling, general and administrative expenses not attributable to business segments.
4. Adjustment of segment assets (17,845 million yen) includes excess investment capital not attributable to business segments (cash and cash equivalents), long-term investment capital (other financial assets (non-current assets)), and assets related to basic research.
5. As described at Changes in Accounting Policies, with an amendment of IAS19 “Employee Benefits”, the consolidated financial statements have been restated based on the revised accounting policies retrospectively.
Consequently, Cost of sales, Other revenue and expenses and Selling, general and administrative expenses have increased by 64 million yen in Test and Measurement, 14 million yen in Industrial Automation, 9 million yen in Others, and 0 million yen in Adjustment, respectively. And Operating profit (loss) have decreased by the same amount in each segment, respectively. And also Assets have increased by 5 million yen in Test and Measurement, 1 million yen in Industrial Automation, and 0 million yen in Others, respectively.

Millions of yen

| **Year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)** | Reportable segment: Test and Measurement | Reportable segment: Industrial Automation | Reportable segment: Subtotal | Others (Note 1) | Total | Adjustment (Notes 3, 4) | Consolidated |
|---|---|---|---|---|---|---|---|
| Outside customers | **¥75,962** | **¥16,920** | **¥92,882** | **¥ 8,971** | **¥101,853** | **¥ —** | **¥101,853** |
| Inter-segment (Note 2) | **91** | **43** | **134** | **3,849** | **3,983** | **(3,983)** | **—** |
| Total | **76,053** | **16,963** | **93,016** | **12,820** | **105,836** | **(3,983)** | **101,853** |
| Cost of sales, Other revenue and expenses | **(63,042)** | **(15,754)** | **(78,796)** | **(11,878)** | **(90,674)** | **2,944** | **(87,730)** |
| Operating profit (loss) | **13,011** | **1,209** | **14,220** | **942** | **15,162** | **(1,039)** | **14,123** |
| Finance income | **—** | **—** | **—** | **—** | **—** | **—** | **687** |
| Finance costs | **—** | **—** | **—** | **—** | **—** | **—** | **580** |
| Share of profit (loss) of associates and joint ventures accounted for using equity method | **—** | **—** | **—** | **—** | **—** | **—** | **10** |
| Profit (loss) before tax | **—** | **—** | **—** | **—** | **—** | **—** | **14,240** |
| Income tax expense | **—** | **—** | **—** | **—** | **—** | **—** | **4,921** |
| Profit (loss) for the year | **—** | **—** | **—** | **—** | **—** | **—** | **9,319** |
| Assets | **78,783** | **14,535** | **93,318** | **12,737** | **106,055** | **21,095** | **127,150** |
| Capital expenditures | **5,244** | **193** | **5,437** | **203** | **5,640** | **(24)** | **5,616** |
| Depreciation and amortization | **2,456** | **164** | **2,620** | **440** | **3,060** | **(7)** | **3,053** |
| Impairment loss | **5** | **—** | **5** | **82** | **87** | **—** | **87** |

Notes: 1. Others: Information and Communications, Devices, Logistics, Welfare-related service, Leases on real estate, Corporate administration, Parts manufacturing and others
2. Inter-segment revenue is measured based on market price.
3. Adjustment of operating profit (-1,039 million yen) includes elimination of inter-segment transactions (-12 million yen) and company-wide expenses not allocated to business segments (-1,027 million yen). Company-wide expenses are mainly composed of basic research expense as well as selling, general and administrative expenses not attributable to business segments.
4. Adjustment of segment assets (21,095 million yen) includes excess investment capital not attributable to business segments (cash and cash equivalents), long-term investment capital (other financial assets (non-current assets)), and assets related to basic research.

### (3) Information regarding Products and Service

Revenue of products and service from external customers in the previous and current fiscal years are as described in (2). The Anritsu Group does not manage business segmentation by products and services of each reporting segment.

### (4) Information regarding Geographical Areas

Revenue and non-current assets (excluding financial instruments and deferred tax assets) by geographic area are indicated below. Revenue is based on geographical location of customers. Non-current assets (excluding financial instruments and deferred tax assets) are based on geographical location of the assets.

| | | Millions of yen |
|---|---|---|
| FY2012 (From April 1, 2012 to March 31, 2013) | Revenue | Non-current assets |
| Japan | ¥35,293 | ¥17,078 |
| Americas | 22,668 | 2,754 |
| (*United States*) | (18,760) | — |
| EMEA | 12,616 | 1,305 |
| Asia and others | 24,108 | 452 |
| (*China*) | (9,151) | — |
| Eliminations and corporate | — | (265) |
| Total | ¥94,685 | ¥21,324 |

Notes: 1. The principal countries in geographical area are as follows:
(1) Americas: United States, Canada, Mexico and Brazil
(2) EMEA: United Kingdom, France, Germany, Italy, Sweden, Spain, Denmark, Romania, Middle East and Africa
(3) Asia and others: China, Korea, Taiwan, Singapore, Australia, Thailand and India
2. The Anritsu Group has not disclosed non-current assets (excluding financial instruments and deferred tax assets) for the United States and China, as the amounts are immaterial.

| | | Millions of yen |
|---|---|---|
| **FY2013 (From April 1, 2013 to March 31, 2014)** | Revenue | Non-current assets |
| Japan | **¥ 30,133** | **¥19,467** |
| Americas | **28,859** | **2,985** |
| (*United States*) | **(15,810)** | **—** |
| EMEA | **14,601** | **1,528** |
| Asia and others | **28,260** | **652** |
| (*China*) | **(12,581)** | **—** |
| Eliminations and corporate | **—** | **(273)** |
| Total | **¥101,853** | **¥24,359** |

Notes: 1. The principal countries in geographical area are as follows:
(1) Americas: United States, Canada, Mexico and Brazil
(2) EMEA: United Kingdom, France, Germany, Italy, Sweden, Spain, Denmark, Romania, Middle East and Africa
(3) Asia and others: China, Korea, Taiwan, Singapore, Australia, Thailand, and India
2. The Company has not disclosed non-current assets (excluding financial instruments and deferred tax assets) for the United States and China, as the amounts are immaterial.

### (5) Information regarding Key Customers

The Anritsu Group has no revenue from transactions with a single external customer that amounts to 10% or more of revenue of the Anritsu Group.

## 8. Cash and Cash Equivalents

The balances of cash and cash equivalents in the consolidated statement of financial position as of the previous fiscal year end and the current fiscal year-end agree to the respective balances in the consolidated statement of cash flows.

## 9. Trade and Other Receivables

Details of trade and other receivables are as follows:

Millions of yen

| | End of FY2012 as of March 31, 2013 | **End of FY2013 as of March 31, 2014** |
|---|---|---|
| Accounts receivable–trade | ¥22,359 | **¥24,104** |
| Notes receivable–trade | 1,360 | **1,391** |
| Accounts receivable–other | 184 | **248** |
| Others | 539 | **511** |
| Less: Allowance for doubtful accounts | (279) | **(259)** |
| Total | ¥24,163 | **¥25,995** |

Details in the consolidated statement of financial position are as follows:

Millions of yen

| | End of FY2012 as of March 31, 2013 | **End of FY2013 as of March 31, 2014** |
|---|---|---|
| Current assets | ¥23,884 | **¥25,688** |
| Non-current assets | 279 | **307** |
| Total | ¥24,163 | **¥25,995** |

## 10. Inventories

Details of inventories are as follows.

Millions of yen

| | End of FY2012 as of March 31, 2013 | **End of FY2013 as of March 31, 2014** |
|---|---|---|
| Raw materials | ¥ 5,263 | **¥ 5,797** |
| Work in process | 4,369 | **4,163** |
| Finished goods | 6,533 | **7,093** |
| Total | ¥16,165 | **¥17,053** |

Notes: 1. The loss on valuation of inventories is included in “Cost of Sales.” Amounts of valuation loss included in the “Cost of Sales” were 849 million yen in FY2012 and 1,138 million yen in FY2013.
2. Inventories recorded in “Cost of Sales” as expenses were 39,603 million yen in FY2012 and 42,811 million yen in FY2013 (including the above losses on valuation).
3. The Company has not pledged any inventories as collateral.

## 11. Property, Plant and Equipment

### (1) Acquisition Cost, Accumulated Depreciation, and Accumulated Impairment Losses on Property, Plant and Equipment

Millions of yen

| Acquisition cost | Buildings and structures | Machinery and vehicles | Tools, equipment and fixtures | Land | Construction in progress | Total |
|---|---|---|---|---|---|---|
| Balance at April 1, 2012 | ¥34,399 | ¥ 9,550 | ¥12,443 | ¥2,555 | ¥ — | ¥58,947 |
| Acquisition | 637 | 511 | 1,255 | 988 | 803 | 4,194 |
| Disposal | (175) | (466) | (448) | — | — | (1,089) |
| Effect of foreign currency exchange differences | 411 | 774 | 160 | 106 | 0 | 1,451 |
| Others | 13 | (27) | (21) | — | 2 | (33) |
| Balance at March 31, 2013 | 35,285 | 10,342 | 13,389 | 3,649 | 805 | 63,470 |
| Acquisition | **1,353** | **771** | **1,027** | **—** | **1,482** | **4,633** |
| Disposal | **(1,088)** | **(756)** | **(788)** | **—** | **—** | **(2,632)** |
| Effect of foreign currency exchange differences | **343** | **570** | **208** | **98** | **(10)** | **1,209** |
| Others | **782** | **1** | **—** | **—** | **(795)** | **(12)** |
| Balance at March 31, 2014 | **¥36,675** | **¥10,928** | **¥13,836** | **¥3,747** | **¥1,482** | **¥66,668** |

| Accumulated depreciation and impairment losses | Buildings and structures | Machinery and vehicles | Tools, equipment and fixtures | Land | Construction in progress | Total |
|---|---|---|---|---|---|---|
| | | | | | | Millions of yen |
| Balance at April 1, 2012 | ¥(24,855) | ¥(8,099) | ¥(10,552) | ¥— | ¥— | ¥(43,506) |
| Depreciation expense | (829) | (515) | (784) | — | — | (2,128) |
| Impairment losses | (589) | — | — | — | — | (589) |
| Disposal | 139 | 437 | 426 | — | — | 1,002 |
| Effect of foreign currency exchange differences | (260) | (623) | (119) | — | — | (1,002) |
| Others | (7) | (1) | 35 | — | — | 27 |
| Balance at March 31, 2013 | (26,401) | (8,801) | (10,994) | — | — | (46,196) |
| Depreciation expense | **(961)** | **(554)** | **(910)** | **—** | **—** | **(2,425)** |
| Impairment losses | **—** | **(64)** | **(18)** | **—** | **—** | **(82)** |
| Disposal | **1,079** | **729** | **750** | **—** | **—** | **2,558** |
| Effect of foreign currency exchange differences | **(206)** | **(444)** | **(168)** | **—** | **—** | **(818)** |
| Others | **43** | **—** | **—** | **—** | **—** | **43** |
| Balance at March 31, 2014 | **¥(26,446)** | **¥(9,134)** | **¥(11,340)** | **¥—** | **¥—** | **¥(46,920)** |

| Carrying amount | Buildings and structures | Machinery and vehicles | Tools, equipment and fixtures | Land | Construction in progress | Total |
|---|---|---|---|---|---|---|
| | | | | | | Millions of yen |
| Balance at April 1, 2012 | ¥ 9,544 | ¥1,451 | ¥1,891 | ¥2,555 | ¥ — | ¥15,441 |
| Balance at March 31, 2013 | 8,884 | 1,541 | 2,395 | 3,649 | 805 | 17,274 |
| Balance at March 31, 2014 | **10,229** | **1,794** | **2,496** | **3,747** | **1,482** | **19,748** |

Notes: 1. Depreciation expense is recorded in “Cost of Sales,” “Selling, General and Administrative Expenses,” and “Research and Development Expense.”
2. Amounts for Property, plant and equipment under construction are presented in the construction in progress account.
3. Impairment losses are included in “Other Expenses.”

### (2) Leased assets

The carrying amounts of leased assets included in property, plant and equipment are as follows.

| | End of FY2012 as of March 31, 2013 | **End of FY2013 as of March 31, 2014** |
|---|---|---|
| | | Millions of yen |
| Buildings and structures | ¥ 877 | **¥681** |
| Machinery and vehicles | 106 | **52** |
| Tools, equipment and fixtures | 170 | **112** |
| Total | ¥1,153 | **¥845** |

### (3) Mortgages and Collateral

End of FY2012 as of March 31, 2013: None

End of FY2013 as of March 31, 2014: None

## 12. Goodwill and Intangible Assets

### (1) Acquisition Cost, Accumulated Amortization, and Accumulated Impairment Losses on Goodwill and Intangible Assets

Millions of yen

| Acquisition cost | Goodwill | Development Assets | Software | Others | Total |
|---|---|---|---|---|---|
| Balance at April 1, 2012 | ¥1,256 | ¥1,549 | ¥1,820 | ¥154 | ¥4,779 |
| Acquisition | — | — | 302 | — | 302 |
| Increases from internal development | — | 167 | 67 | — | 234 |
| Disposal | — | (425) | (32) | — | (457) |
| Effect of foreign currency exchange differences | — | 129 | 119 | 4 | 252 |
| Others | — | — | 34 | 6 | 40 |
| Balance at March 31, 2013 | 1,256 | 1,420 | 2,310 | 164 | 5,150 |
| Acquisition | **—** | **—** | **618** | **—** | **618** |
| Increases from internal development | **—** | **260** | **105** | **—** | **365** |
| Disposal | **—** | **—** | **(514)** | **(14)** | **(528)** |
| Effect of foreign currency exchange differences | **—** | **273** | **107** | **2** | **382** |
| Others | **—** | **—** | **11** | **46** | **57** |
| Balance at March 31, 2014 | **¥1,256** | **¥1,953** | **¥2,637** | **¥198** | **¥6,044** |

Millions of yen

| Accumulated amortization and accumulated impairment losses | Goodwill | Development Assets | Software | Others | Total |
|---|---|---|---|---|---|
| Balance at April 1, 2012 | ¥(1,256) | ¥ (744) | ¥(1,193) | ¥(119) | ¥(3,312) |
| Amortization expense | — | (273) | (266) | (1) | (540) |
| Impairment losses | — | (179) | — | (0) | (179) |
| Disposal | — | 425 | 15 | — | 440 |
| Effect of foreign currency exchange differences | — | (77) | (105) | — | (182) |
| Others | — | — | (36) | 0 | (36) |
| Balance at March 31, 2013 | (1,256) | (848) | (1,585) | (120) | (3,809) |
| Amortization expense | **—** | **(189)** | **(274)** | **(0)** | **(463)** |
| Impairment losses | **—** | **—** | **—** | **(5)** | **(5)** |
| Disposal | **—** | **—** | **514** | **—** | **514** |
| Effect of foreign currency exchange differences | **—** | **(160)** | **(98)** | **0** | **(258)** |
| Others | **—** | **—** | **0** | **—** | **0** |
| Balance at March 31, 2014 | **¥(1,256)** | **¥(1,197)** | **¥(1,443)** | **¥(125)** | **¥(4,021)** |

Millions of yen

| Carrying amount | Goodwill | Development Assets | Software | Others | Total |
|---|---|---|---|---|---|
| Balance at April 1, 2012 | ¥— | ¥805 | ¥ 627 | ¥35 | ¥1,467 |
| Balance at March 31, 2013 | — | 572 | 725 | 44 | 1,341 |
| Balance at March 31, 2014 | **—** | **756** | **1,194** | **73** | **2,023** |

Notes: 1. Development asset amortization is included in "Cost of Sales," while amortization of other intangible assets is included in "Cost of Sales," "Selling, General and Administrative Expenses," and "Research and Development Expense."
2. Impairment losses are included in "Other expenses."

### (2) Leases

The carrying amounts of leased assets included in intangible assets are as follows.

Millions of yen

| | End of FY2012 as of March 31, 2013 | **End of FY2013 as of March 31, 2014** |
|---|---|---|
| Software | ¥16 | **¥18** |

## 13. Investment Property

### (1) Acquisition Cost, Accumulated Depreciation, and Accumulated Impairment Losses on Investment Property

| | | | Millions of yen |
|---|---|---|---|
| Acquisition cost | Buildings and structures | Land | Total |
| Balance at April 1, 2012 | ¥9,970 | ¥827 | ¥10,797 |
| Acquisition | — | — | — |
| Disposal | — | — | — |
| Others | — | — | — |
| Balance at March 31, 2013 | 9,970 | 827 | 10,797 |
| Acquisition | **—** | **—** | **—** |
| Disposal | **—** | **—** | **—** |
| Others | **—** | **—** | **—** |
| Balance at March 31, 2014 | **¥9,970** | **¥827** | **¥10,797** |

| | | | Millions of yen |
|---|---|---|---|
| Accumulated amortization and impairment losses | Buildings and structures | Land | Total |
| Balance at April 1, 2012 | ¥(8,282) | ¥(17) | ¥(8,299) |
| Depreciation expense | (168) | — | (168) |
| Impairment losses | — | — | — |
| Disposal | — | — | — |
| Others | — | — | — |
| Balance at March 31, 2013 | (8,450) | (17) | (8,467) |
| Depreciation expense | **(166)** | **—** | **(166)** |
| Impairment losses | **—** | **—** | **—** |
| Disposal | **—** | **—** | **—** |
| Others | **—** | **—** | **—** |
| Balance at March 31, 2014 | **¥(8,616)** | **¥(17)** | **¥(8,633)** |

| | | | Millions of yen |
|---|---|---|---|
| Carrying amount | Buildings and structures | Land | Total |
| Balance at April 1, 2012 | ¥1,688 | ¥810 | ¥2,498 |
| Balance at March 31, 2013 | 1,520 | 810 | 2,330 |
| Balance at March 31, 2014 | **1,354** | **810** | **2,164** |

Notes: 1. Depreciation expense is recorded in "Cost of Sales" or "Selling, General and Administrative Expenses."
2. Impairment losses are included in "Other Expenses."

### (2) Fair Value

| | | Millions of yen |
|---|---|---|
| | End of FY2012 as of March 31, 2013 | **End of FY2013 as of March 31, 2014** |
| Fair Value | ¥17,407 | **¥17,545** |

Note: The fair value of investment property is calculated by making necessary time adjustments based on valuations by real estate appraisers, which is categorized as level 3 of the fair value hierarchy.

### (3) Amounts Recognized as Profit or Loss

| | | Millions of yen |
|---|---|---|
| | FY2012 (From April 1, 2012 to March 31, 2013) | **FY2013 (From April 1, 2013 to March 31, 2014)** |
| Rental income | ¥2,061 | **¥2,021** |
| Operating expenses related to investment property | 1,095 | **1,128** |

## 14. Impairment Losses

### (1) Assets with Recognized Impairment Losses

The detailed information on impairment losses recognized is included below.

Impairment losses have been included in "Other expenses."

| | | Millions of yen |
|---|---|---|
| | FY2012 (From April 1, 2012 to March 31, 2013) | **FY2013 (From April 1, 2013 to March 31, 2014)** |
| Buildings and structures | ¥589 | **¥—** |
| Machinery and vehicles | — | **64** |
| Tools, equipment and fixtures | — | **18** |
| Property, plant and equipment | 589 | **82** |
| Development assets | 179 | **—** |
| Other intangible assets | 0 | **5** |
| Goodwill and intangible assets | 179 | **5** |
| Total of impairment losses | ¥768 | **¥87** |

Note: For impairment losses by segment, please refer to Note 7. Segment Information.

### (2) Main Impairment Losses

• FY2012 (From April 1, 2012 to March 31, 2013)

Certain of the business locations recognized in the Others segment are scheduled to be no longer utilized. For those buildings and structures that are not expected to be used in the future, the carrying amount was reduced to the recoverable value, and an impairment loss of 588 million yen has been recognized.

Note that the recoverable value was measured based on value in use but not discounted due to the expected usage period being short-term.

• FY2013 (From April 1, 2013 to March 31, 2014)

There are no significant impairment losses to be disclosed.

## 15. Associates and Joint Ventures

The Anritsu Group uses the equity method to account for investments in associates and joint ventures.

| | | | Percentage ownership (%) |
|---|---|---|---|
| Name | Business | End of FY2012 as of March 31, 2013 | **End of FY2013 as of March 31, 2014** |
| (Associate) SweepMasters, LLC | Test and Measurement | 20.0% | **20.0%** |
| (Joint venture) CN Group Holding ApS | Test and Measurement | 50.0 | **50.0** |

Notes: 1. Condensed financial information on these companies is omitted due to immateriality.
2. There are no market values as they are not listed companies.
3. The reporting period end date for the above two companies is December 31. As it is impractical to change the reporting period end date of both companies to March 31, any impacts from significant transactions or events occurred during the period between their reporting period end date and that for the Company are adjusted on their financial statements before these investments are accounted for under the equity method.

## 16. Other Financial Assets

Details of other financial assets classified as current or non-current assets are shown below.

In this section, financial assets measured at fair value through profit or loss are presented as "Financial Assets Measured at FVTPL," while financial assets measured at fair value through other comprehensive income are presented as "Financial Assets Measured at FVTOCI."

Current assets

| | | Millions of yen |
|---|---|---|
| | End of FY2012 as of March 31, 2013 | **End of FY2013 as of March 31, 2014** |
| Time deposits with a maturity of more than 3 months (Financial assets measured at amortized cost) | ¥— | **¥1,096** |
| Derivatives (Financial Assets Measured at FVTPL) | 23 | **3** |
| Total | ¥23 | **¥1,099** |

Non-current assets

| | End of FY2012 as of March 31, 2013 | End of FY2013 as of March 31, 2014 |
|---|---|---|
| | | Millions of yen |
| Marketable securities (Financial Assets Measured at FVTOCI) | ¥1,786 | **¥2,209** |
| Total | ¥1,786 | **¥2,209** |

## 17. Trade and Other Payables

Details of trade and other payables are as follows:

| | End of FY2012 as of March 31, 2013 | End of FY2013 as of March 31, 2014 |
|---|---|---|
| | | Millions of yen |
| Accounts payable - trade | ¥4,692 | **¥5,164** |
| Accounts payable - other | 2,864 | **2,075** |
| Accrued expenses | 169 | **290** |
| Others | 845 | **1,315** |
| Total | ¥8,570 | **¥8,844** |

Details in the consolidated statement of financial position are as follows:

| | End of FY2012 as of March 31, 2013 | End of FY2013 as of March 31, 2014 |
|---|---|---|
| | | Millions of yen |
| Current liabilities | ¥8,190 | **¥8,451** |
| Non-current liabilities | 380 | **393** |
| Total | ¥8,570 | **¥8,844** |

## 18. Bonds and Borrowings

**(1) Details of bonds and borrowings are as follows:**

Current liabilities

| | End of FY2012 as of March 31, 2013 | End of FY2013 as of March 31, 2014 |
|---|---|---|
| | | Millions of yen |
| Short-term borrowings | ¥1,872 | **¥1,899** |
| Long-term borrowings to be repaid within one year | 600 | **5,000** |
| Total | ¥2,472 | **¥6,899** |

Note: All of the above are financial liabilities measured at amortized cost.

Non-current liabilities

| | End of FY2012 as of March 31, 2013 | End of FY2013 as of March 31, 2014 |
|---|---|---|
| | | Millions of yen |
| Long-term borrowings | ¥10,983 | **¥ 5,989** |
| Bonds | 5,963 | **5,971** |
| Total | ¥16,946 | **¥11,960** |

Note: All of the above are financial liabilities measured at amortized cost.

**(2) The contracted terms and repayment schedule are as follows:**

| | Repayment deadline (average interest rates) | End of FY2012 as of March 31, 2013 | End of FY2013 as of March 31, 2014 |
|---|---|---|---|
| | | | Millions of yen |
| Short-term borrowings | — (0.6% annually) | ¥ 1,872 | **¥ 1,899** |
| Long-term borrowings to be repaid within one year | — (1.9% annually) | 600 | **5,000** |
| Long-term borrowings | 2015–2019 (0.8% annually) | 10,983 | **5,989** |
| Fifth unsecured bonds | September 22, 2017 (0.81% annually) | 5,963 | **5,971** |
| Total | — | ¥19,418 | **¥18,859** |

Note: Maturity dates and average interest rates are as of the fiscal year ended March 31, 2014.

## 19. Other Financial Liabilities

In this section, financial liabilities measured at fair value through profit or loss are presented as "Financial Liabilities Measured at FVTPL."

Current liabilities

| | End of FY2012 as of March 31, 2013 | End of FY2013 as of March 31, 2014 |
|---|---|---|
| | | Millions of yen |
| Lease obligations (Financial liabilities measured at amortized cost) | ¥537 | **¥230** |
| Derivatives (Financial Assets Measured at FVTPL) | 15 | **19** |
| Total | ¥552 | **¥249** |

Non-current liabilities

| | End of FY2012 as of March 31, 2013 | End of FY2013 as of March 31, 2014 |
|---|---|---|
| | | Millions of yen |
| Lease obligations (Financial liabilities measured at amortized cost) | ¥313 | **¥104** |
| Total | ¥313 | **¥104** |

## 20. Lease Obligations

Total future minimum lease payments and the present value of minimum lease payments are shown below. Lease obligations are included in other financial liabilities in the consolidated statement of financial position.

| | Total future minimum lease payments | | Present value of minimum lease payments | |
|---|---|---|---|---|
| | | | | Millions of yen |
| | End of FY2012 as of March 31, 2013 | **End of FY2013 as of March 31, 2014** | End of FY2012 as of March 31, 2013 | **End of FY2013 as of March 31, 2014** |
| Within 1 year | ¥559 | **¥243** | ¥537 | **¥230** |
| Between 1 and 5 years | 333 | **109** | 313 | **101** |
| Over than 5 years | 1 | **3** | 0 | **3** |
| Total | ¥893 | **¥355** | ¥850 | **¥334** |
| Less: financial costs | (43) | **(21)** | | |
| Present value of lease obligations | ¥850 | **¥334** | ¥850 | **¥334** |

## 21. Employee Benefits

### (1) Postemployment Benefits

#### 1. Defined Benefit Plans

A retirement lump-sum payment plan and a cash-balance pension plan (that reflects market interest) have been adopted as defined benefit plans to cover the employees of the Company and certain subsidiaries. The benefits of the defined benefit plan are determined based on the number of years of service, compensation at the time of retirement, and other factors.

Defined benefit plans are managed by a single pension fund legally separated from the Anritsu Group. The board of trustees of the pension fund comprises six representatives on behalf of the employer.

The Anritsu Group is exposed to actuarial risks through these defined benefit plans.

The Anritsu Group plans to contribute 406 million yen in the following fiscal year (ending March 31, 2015).The amount contributed from the pension fund to pension assets is not included.

Amounts recognized in the consolidated statement of financial position are as follows.

| | | | Millions of yen |
|---|---|---|---|
| | Defined benefit pension plan obligations | Plan assets | Net of defined benefit plan liabilities (Total) |
| Balance at April 1, 2012 | ¥29,484 | ¥(22,175) | ¥7,309 |
| Amounts Recognized as Profit or Loss | | | |
| Service cost | 792 | | 792 |
| Interest expense (income) | 529 | (398) | 131 |
| Total | 1,321 | (398) | 923 |
| Amounts Recognized in other comprehensive income | | | |
| Remeasurements of the defined benefit liability | | | |
| Actuarial gains and losses arising from changes in demographic assumptions | 266 | | 266 |
| Actuarial gains and losses arising from changes in financial assumptions | 2,731 | | 2,731 |
| Experience adjustment | (401) | | (401) |
| Return on plan assets | | (1,858) | (1,858) |
| Total | 2,596 | (1,858) | 738 |
| Other | | | |
| Contributions by employer | | (4,378) | (4,378) |
| Benefit paid | (2,084) | 1,618 | (466) |
| Total | (2,084) | (2,760) | (4,844) |
| Balance at March 31, 2013 | 31,317 | (27,191) | 4,126 |
| Amounts Recognized as Profit or Loss | | | |
| Service cost | 912 | | 912 |
| Interest expense (income) | 344 | (299) | 45 |
| Total | 1,256 | (299) | 957 |
| Amounts Recognized in other comprehensive income | | | |
| Remeasurements of the defined benefit liability | | | |
| Actuarial gains and losses arising from changes in demographic assumptions | | | |
| Actuarial gains and losses arising from changes in financial assumptions | 145 | | 145 |
| Experience adjustment | (259) | | (259) |
| Return on plan assets | | (2,182) | (2,182) |
| Total | (114) | (2,182) | (2,296) |
| Other | | | |
| Contributions by employer | | (538) | (538) |
| Benefit paid | (1,411) | 1,251 | (160) |
| Total | (1,411) | 713 | (698) |
| Balance at March 31, 2014 | ¥31,048 | ¥(28,959) | ¥2,089 |

The fair value of plan assets by asset class is as follows:

| | End of FY2012 as of March 31, 2013 | End of FY2013 as of March 31, 2014 |
|---|---|---|
| | | Millions of yen |
| Japanese bonds | ¥11,908 | **¥13,190** |
| Japanese equity securities | 5,612 | **6,320** |
| Foreign bonds | 1,428 | **1,643** |
| Foreign equity securities | 3,259 | **4,191** |
| Others | 4,984 | **3,615** |
| Total | ¥27,191 | **¥28,959** |

Note: Every asset has a quoted price in the active market and is categorized as level 1 of the fair value hierarchy.

The principal actuarial assumptions are as follows:

| | End of FY2012 as of March 31, 2013 | End of FY2013 as of March 31, 2014 |
|---|---|---|
| | | % |
| Financial assumptions | | |
| Discount rate | 1.1% | **1.1%** |

The weighted-average durations of the defined benefit pension plan obligations are 12.9 years and 13.5 years at the previous fiscal year-end and the current fiscal year-end, respectively. The sensitivity analysis against the Anritsu Group's material actuarial assumptions is shown below. This analysis, based on an assumption that all other variables as of the reporting period end are constant, indicates the impact on the defined benefit pension plan obligations in case of a 1% appreciation or depreciation of each assumption.

| | | Millions of yen |
|---|---|---|
| | End of FY2013 as of March 31, 2014 | |
| | 1% increase | 1% decrease |
| Financial assumptions | | |
| Discount rate | **¥(3,787)** | **¥4,692** |

Note: Although the analysis does not take account of the full distribution of cash flows expected under the pension plans, it does provide an approximation of the sensitivity of the assumption shown.

**2. Defined Contribution Plans**

The amount of the expense on defined contribution plans recognized as profit or loss are as follows:

| | FY2012 (From April 1, 2012 to March 31, 2013) | FY2013 (From April 1, 2013 to March 31, 2014) |
|---|---|---|
| | | Millions of yen |
| Amount of expenses | ¥695 | **¥675** |

Note: The amount of the expense on defined contribution plans recognized as profit or loss are recorded in "Cost of Sales," "Selling, General and Administrative Expenses," and "Research and Development Expense."

**(2) Other Employee Benefits**

Short-term employee benefits and long-term employee benefits (other than ones related to defined benefit plans) presented in the consolidated statement of financial position are as follows:

| | End of FY2012 as of March 31, 2013 | End of FY2013 as of March 31, 2014 |
|---|---|---|
| | | Millions of yen |
| Employee benefits (current liabilities) | ¥6,735 | **¥7,112** |
| Employee benefits (non-current liabilities) | 1,460 | **1,234** |

## 22. Provisions

Details of and changes in provisions are as follows:

| | | | Millions of yen |
|---|---|---|---|
| | Provision for decommissioning, restoration and rehabilitation costs | Provision for product warranties | Total |
| Balance at April 1, 2013 | ¥125 | ¥324 | ¥449 |
| Increase during the year | **8** | **142** | **150** |
| Decrease due to intended use | **(6)** | **(97)** | **(103)** |
| Reversal during the year | **—** | **(101)** | **(101)** |
| Increase due to passage of time | **1** | **—** | **1** |
| Exchange differences on translation | **3** | **23** | **26** |
| Balance at March 31, 2014 | **¥131** | **¥291** | **¥422** |

Details in the consolidated statement of financial position are as follows:

| | | Millions of yen |
|---|---|---|
| | End of FY2012 as of March 31, 2013 | **End of FY2013 as of March 31, 2014** |
| Current liabilities | ¥326 | **¥291** |
| Provision for decommissioning, restoration and rehabilitation costs | 2 | **0** |
| Provision for product warranties | 324 | **291** |
| Noncurrent liabilities | 123 | **131** |
| Provision for decommissioning, restoration and rehabilitation costs | 123 | **131** |
| Total | ¥449 | **¥422** |

## 23. Government Grants

Details of government grants are as follows:

| | | Millions of yen |
|---|---|---|
| | End of FY2012 as of March 31, 2013 | **End of FY2013 as of March 31, 2014** |
| Government grants for Koriyama 2nd Business Office (Note 1) | | |
| Other liabilities–Current | ¥— | **¥ 80** |
| Other liabilities–Non-current | — | **1,295** |
| Total | — | **1,375** |
| Other government grants | | |
| Other liabilities–Current | 1 | **1** |
| Other liabilities–Non-current | 9 | **8** |
| Total | ¥10 | **¥ 9** |

Notes: 1. The government grants for Koriyama 2nd Business Office are the grants received in the fiscal year ended March 31, 2014, on condition that a plant is to be acquired or established in a specified region. This plant started its operation in the fiscal year ended March 31, 2014, and the recognized grants have been amortized over the useful lives of each subject asset for which the grants are provided (not exceeding 38 years). Under the terms and conditions of the grants, the Anritsu Group is prohibited from disposing of the subject assets for which the grants are provided during the period scheduled in the Appended Table of the "Ministerial Ordinance Concerning the Useful Life of Depreciable Assets."

2. Government grants are recorded in "Other liabilities–Current" and "Other liabilities–Non-current" in the consolidated statement of financial position.

## 24. Deferred Taxes and Income Tax Expense

### (1) Deferred Tax Assets and Deferred Tax Liabilities

The balances of and changes in amounts recognized as deferred tax assets and deferred tax liabilities are as follows:

Millions of yen

| | End of FY2011 as of March 31, 2012 | Amounts recognized in profits or loss | Amounts recognized in other comprehensive income | Amounts recognized directly in equity | End of FY2012 as of March 31, 2013 |
|---|---|---|---|---|---|
| Deferred tax assets: | | | | | |
| Inventories | ¥ 2,235 | ¥(136) | ¥ — | ¥— | ¥ 2,099 |
| Accrued expenses | 1,141 | 316 | — | — | 1,457 |
| Software | 1,692 | 697 | — | — | 2,389 |
| Property, plant and equipment | 492 | 243 | — | — | 735 |
| Investment securities | 334 | 8 | 112 | — | 454 |
| Postretirement benefits | 3,062 | 464 | 269 | — | 3,795 |
| Loss carried forward | 1,308 | (794) | — | — | 514 |
| Research and development expenses | 343 | 97 | — | — | 440 |
| Others | 1,743 | (563) | — | — | 1,180 |
| Total deferred tax assets | ¥12,350 | ¥ 332 | ¥381 | ¥— | ¥13,063 |
| Deferred tax liabilities: | | | | | |
| Property, plant and equipment | ¥ 944 | ¥ 36 | ¥ — | ¥— | ¥ 980 |
| Investment securities | 312 | — | 97 | — | 409 |
| Others | 241 | 436 | — | (70) | 607 |
| Total deferred tax liabilities | ¥ 1,497 | ¥ 472 | ¥ 97 | ¥(70) | ¥ 1,996 |

Note: Foreign-currency translation differences are presented as amounts included in profit or loss.

Millions of yen

| | End of FY2012 as of March 31, 2013 | Amounts recognized in profits or loss | Amounts recognized in other comprehensive income | Amounts recognized directly in equity | **End of FY2013 as of March 31, 2014** |
|---|---|---|---|---|---|
| Deferred tax assets: | | | | | |
| Inventories | ¥ 2,099 | ¥(312) | ¥ — | ¥— | **¥ 1,787** |
| Accrued expenses | 1,457 | (74) | — | — | **1,383** |
| Software | 2,389 | 399 | — | — | **2,788** |
| Property, plant and equipment | 735 | (6) | — | — | **729** |
| Investment securities | 454 | 92 | (18) | — | **528** |
| Postretirement benefits | 3,795 | (260) | (808) | — | **2,727** |
| Loss carried forward | 514 | (360) | — | — | **154** |
| Government grants | — | 492 | — | — | **492** |
| Others | 1,180 | 455 | — | — | **1,635** |
| Total deferred tax assets | ¥13,063 | ¥ 491 | ¥(826) | ¥— | **¥12,728** |
| Deferred tax liabilities: | | | | | |
| Property, plant and equipment | ¥ 980 | ¥ 483 | ¥ — | ¥— | **¥ 1,463** |
| Investment securities | 409 | — | 132 | — | **541** |
| Others | 607 | 176 | — | — | **783** |
| Total deferred tax liabilities | ¥ 1,996 | ¥ 659 | ¥ 132 | ¥— | **¥ 2,787** |

Note: Foreign-currency translation differences are presented as amounts included in profit or loss.

Details of deferred tax assets and liabilities in the consolidated statement of financial position are as follows:

Millions of yen

| | End of FY2012 as of March 31, 2013 | **End of FY2013 as of March 31, 2014** |
|---|---|---|
| Deferred tax assets | ¥11,754 | **¥10,265** |
| Deferred tax liabilities | 687 | **324** |

Although there were tax loss carry-forwards recognized as deferred tax assets as of the end of the previous fiscal year (March 31, 2013), and the end of the current fiscal year (March 31, 2014), the factors that caused these losses were transient and therefore unlikely to recur. Based on forecasts of the future taxable profit derived from the business plan that was approved by the Board of Directors, it is concluded that the tax benefit is very likely to be realized.

The amounts of future deductible temporary differences, tax loss carry-forwards, and tax credit carry-forwards for which no deferred tax assets are recognized are as follows:

| | Millions of yen | |
|---|---|---|
| | End of FY2012<br>as of March 31, 2013 | **End of FY2013<br>as of March 31, 2014** |
| Future deductible temporary differences | ¥ 9,267 | **¥ 7,284** |
| Tax loss carry-forwards | 8,063 | **10,427** |
| Total | ¥17,330 | **¥17,711** |
| Tax credit carry-forwards | ¥ 463 | **¥ 104** |

Unrecognized deferred tax assets related to the above were 4,688 million yen, and 4,414 million yen at the end of the previous fiscal year (March 31, 2013), and the end of the current fiscal year (March 31, 2014), respectively. Future deductible temporary differences and tax loss carry-forwards are measured based on a taxable profit basis, while tax credit carry-forwards is measured based on a tax basis.

The expiration period for tax loss carry-forwards for which no deferred tax assets are recognized is as follows:

| | Millions of yen | |
|---|---|---|
| | End of FY2012<br>as of March 31, 2013 | **End of FY2013<br>as of March 31, 2014** |
| First year | ¥ — | **¥ —** |
| Second year | — | **—** |
| Third-year | — | **—** |
| Fourth-year | — | **—** |
| Fifth and subsequent years | 8,063 | **10,427** |
| Total | ¥8,063 | **¥10,427** |

The above tax loss carry-forwards are mainly generated by foreign subsidiaries.

Although the Anritsu Group applies the consolidated taxation system in Japan, it is not applicable to regional taxes (inhabitant tax and business tax); therefore, the above amounts do not include future deductible temporary differences or tax loss carry-forwards related to such regional taxes for which no deferred tax assets are recognized. Future deductible temporary differences for regional taxes (inhabitant tax and business tax) were 11,548 million yen, and 8,782 million yen at the end of the previous fiscal year (March 31, 2013), and the end of the current fiscal year (March 31, 2014), respectively. Tax loss carry-forwards related to regional taxes were 1,494 million yen for inhabitant tax and 1,485 million yen for business tax as of the end of the previous fiscal year (March 31, 2013), and 2,219 million yen for inhabitant tax and 2,186 million yen for business tax as of the end of the current fiscal year (March 31, 2014). Unrecognized deferred tax assets related to these amounts were 1,576 million yen and 1,335 million yen at the end of the previous fiscal year (March 31, 2013), and the end of the current fiscal year (March 31, 2014), respectively.

The expiration period for the loss carry-forwards related to inhabitant tax and business tax is 9 years.

**(2) Income Tax Expense**

The detailed information on Income Tax Expense is as follows:

| | | Millions of yen |
|---|---|---|
| | FY2012 (From April 1, 2012 to March 31, 2013) | **FY2013 (From April 1, 2013 to March 31, 2014)** |
| Current tax expense | | |
| Current fiscal year | ¥2,315 | **¥4,532** |
| Adjustment for prior years | (329) | **64** |
| Total current tax expense | 1,986 | **4,596** |
| Deferred tax expense | | |
| Origination and reversal of temporary differences | 3,330 | **(63)** |
| Change in tax rates | — | **275** |
| Recognition of previously unrecognized tax loss carry-forwards and temporary differences | (3,065) | **113** |
| Total deferred tax expenses | 265 | **325** |
| Total | ¥2,251 | **¥4,921** |

Reconciliations of the actual and applicable tax rates are as follows:

| | | % |
|---|---|---|
| | FY2012 (From April 1, 2012 to March 31, 2013) | **FY2013 (From April 1, 2013 to March 31, 2014)** |
| Applicable tax rate | 38.0% | **38.0%** |
| Non-deductible expenses | 0.6 | **0.9** |
| Effect of the different tax rates at foreign subsidiaries | (3.0) | **(3.0)** |
| Effect of unrecognized tax loss carry-forwards or temporary differences | (19.6) | **1.6** |
| Effect of change in tax rates | — | **1.9** |
| Tax credit | (1.4) | **(6.1)** |
| Other | (0.7) | **1.3** |
| Actual tax rate | 13.9% | **34.6%** |

The Company is mainly subject to income tax (at rates of 28.1% in FY2013), inhabitant tax (20.5%), and business tax (7.5%), and the applicable tax rates based on such were 38.0% in FY2013. Foreign subsidiaries, however, are subject to income taxes where they are located. Meanwhile, due to promulgation on March 31, 2014 of "Act on Partial Revision of the Income Tax Act, etc." (Act No. 10 of 2014), the Special Corporation Tax for Reconstruction will be abolished and is therefore no longer applicable to the Company and its Japanese subsidiaries for the fiscal year commencing on or after April 1, 2014. In line with this change, the effective statutory tax rate used to measure deferred tax assets and liabilities related to temporary difference expected to be recovered or settled after April 1, 2014 will be changed from 38.0% to 35.6%.

## 25. Total Equity and Other Capital Items

**(1) Number of issued shares and treasury stock**

| Balance at March 31 | 2013 | **2014** |
|---|---|---|
| The classification of shares | Ordinary shares with no par-value | **Ordinary shares with no par-value** |
| Number of authorized shares | 400,000,000 | **400,000,000** |
| Number of issued shares | | |
| Balance at beginning of fiscal year | 137,753,771 | **143,956,194** |
| Increase due to conversion of bonds | 6,136,423 | **—** |
| Increase due to exercise of stock option | 66,000 | **—** |
| Balance at end of fiscal year | 143,956,194 | **143,956,194** |
| Treasury stock | 642,176 | **643,246** |

### (2) Additional Paid-in Capital

The main components of additional paid-in capital are as follows:

**1. Capital Surplus**

Japan's Company Law requires at least a half of contributions for the issuance of shares be classified as common stock, with the remaining portion to be classified common stock as capital surplus.

**2. Equity Elements of Compound Financial Instruments**

These are amounts classified as capital elements upon issuance and redemption of bonds with subscription rights to shares.

### (3) Retained Earnings

Retained earnings comprise the following categories.

**1. Legal Earnings Reserve**

The Company Law provides that a 10% dividend of retained earnings shall be appropriated as additional paid-in capital or legal reserve until an aggregate amount of additional paid-in capital and legal reserve equals 25% of common stock.

**2. Cumulative Translation Differences at Transition Date**

The cumulative translation differences of foreign operations at the date of transition to IFRS are deemed zero as a result of the exemption under first-time adoption of IFRS. In the consolidated statement of financial position, these amounts are presented as "Retained earnings (Cumulative transition differences at the transition date)."

**3. Remeasurement of defined benefit plans**

Remeasurements of the defined benefit plans comprise actuarial gains (losses), the return on plan assets excluding the net interest on the net defined benefit liabilities, and any changes in the effect of the asset ceiling. Actuarial gains (losses) are adjustments resulting from the effects of changes in actuarial assumptions and experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred). The return on plan assets refers to the income derived from the plan assets, while changes in the effect of the asset ceiling refer to the adjustments from changes in the present value of the future economic benefit available to the entity in the form of a refund from the plan or a reduction in future contributions to the plan, in the event of overfunding where the fair value of the plan assets exceeds the present value of defined benefit liabilities. The return on plan assets and changes in the effect of the asset ceiling are recognized in a remeasurement of the defined benefit plans after excluding amounts included in net interest on the defined benefit liability, which is determined based on the discount rate used to calculate the present value of the defined benefit obligation and is recognized through profit or loss.

In accordance with IAS 19 "Employee Benefits," the Anritsu Group recognizes all actuarial gains and losses in other comprehensive income in the period they are incurred, and immediately reclassified them to retained earnings.

**4. Other Retained Earnings**

These include the general reserve and retained earnings brought forward. These accounts represent the Anritsu Group's cumulative earnings.

### (4) Other Components of Equity

The details of other components equity are as follows:

**1. Translation Differences for Foreign Operations**

These are translation differences arising from translation of the financial statements of foreign operations.

The balances of translation differences for foreign operations at the beginning and end of previous and current periods are as follows:

| | | Millions of yen |
|---|---|---|
| | End of FY2012<br>as of March 31, 2013 | **End of FY2013<br>as of March 31, 2014** |
| Balance at beginning of fiscal year | ¥ (212) | **¥2,320** |
| Balance at end of the fiscal year | 2,320 | **4,743** |

**2. Changes in Financial Assets Measured at Fair Value through Other Comprehensive Income**

These are the differences between the acquisition costs and fair values of financial assets measured at FVTOCI, which are generated until the relevant financial assets are derecognized.

**3. Share of Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method**

This is the Company's share of translation differences arising from translation of the financial statements of foreign operations, which are accounted for the using equity method.

## 26. Dividends

Year ended March 31, 2013

(1) Amount of dividend paid

| Resolution | Classes of shares | Millions of yen<br>Total dividends | Yen<br>Dividends per share | Record date | Effective date |
|---|---|---|---|---|---|
| June 27, 2012<br>Ordinary general meeting of shareholders | Ordinary shares | ¥1,371 | ¥10.00 | March 31, 2012 | June 28, 2012 |
| October 31, 2012<br>Board of Directors meeting | Ordinary shares | 1,075 | 7.50 | September 30, 2012 | December 4, 2012 |

(2) Amount of dividend in which the record date belongs to the fiscal year ended March 31, 2013, whereas its effective date belongs to the following fiscal year

| Resolution | Classes of shares | Millions of yen<br>Total dividends | Sources of dividends | Yen<br>Dividends per share | Record date | Effective date |
|---|---|---|---|---|---|---|
| June 26, 2013<br>Ordinary general meeting of shareholders | Ordinary shares | ¥1,791 | Retained earnings | ¥12.50 | March 31, 2013 | June 27, 2013 |

• Year ended March 31, 2014

(1) Amount of dividend paid

| Resolution | Classes of shares | Millions of yen<br>Total dividends | Yen<br>Dividends per share | Record date | Effective date |
|---|---|---|---|---|---|
| June 26, 2013<br>Ordinary general meeting of shareholders | **Ordinary shares** | **¥1,791** | **¥12.50** | **March 31, 2013** | **June 27, 2013** |
| October 30, 2013<br>Board of Directors meeting | **Ordinary shares** | **1,434** | **10.00** | **September 30, 2013** | **December 3, 2013** |

(2) Amount of dividend in which the record date belongs to the fiscal year ended March 31, 2014, whereas its effective date belongs to the following fiscal year

| Resolution | Classes of shares | Millions of yen<br>Total dividends | Sources of dividends | Yen<br>Dividends per share | Record date | Effective date |
|---|---|---|---|---|---|---|
| June 26, 2014<br>Ordinary general meeting of shareholders | **Ordinary shares** | **¥1,434** | **Retained earnings** | **¥10.00** | **March 31, 2014** | **June 27, 2014** |

## 27. Share-based Payments

**(1) Details of Equity-settled Share-based Payment Plan**

The Anritsu Group has a stock option plan. The objectives of this plan are to motivate the directors and employees of the Company and its subsidiaries for improving business performances, encourage management in keeping with the interests of shareholders and stock prices, and boost the Anritsu Group's corporate value.

Under this plan, blocks of 1,000 ordinary shares (blocks of 1,000 shares for fiscal year ended March 31, 2013 or before) with subscription warrants are granted at no charge to recipients as of the grant date. The exercise price of these warrants is 1.05 multiplied by the average closing price (with fractions of less than one yen rounded up) in regular trading of the Company's ordinary shares on the Tokyo Stock Exchange on each day (excluding days on which there are no transactions) of the month prior to the allotment date of the subscription warrants. If, however, the amount is less than the closing price (or if there are no trades, the immediately preceding closing price) of regular trading of the Company's ordinary shares on the subscription warrant allotment date, the exercise price shall be the relevant closing price.

The exercise period is determined in the allocation agreement. The relevant options expire if not exercised during that period. Grant recipients must be directors or employees of the Company or its subsidiaries, including when exercising the options. Recipients losing status by resigning or retiring during the options' exercise period may exercise the options for up to one year after such loss of status.

Recipients of No. 8 and No. 9 stock options granted on September 1, 2011, losing their positions by resigning or retiring by August 31, 2014, may exercise the options for up to one year from September 1, 2014. Recipients of No. 10 and No. 11 stock options granted on August 20, 2012, losing their positions by resigning or retiring by August 20, 2015, may exercise the options for up to one year from August 21, 2015. Recipients of No. 12 and No. 13 stock options granted on August 21, 2013, losing their positions by resigning or retiring by August 21, 2016, may exercise the options for up to one year from August 22, 2016.

The Company accounts for stock options granted to eligible individuals as equity-settled share-based payments. The payment amounts recognized as expenses were 44 million yen in the previous fiscal year (From April 1, 2012 to March 31, 2013), and 82 million yen in the current fiscal year (From April 1, 2013 to March 31, 2014).

The Anritsu Group's stock option plans for the previous and current fiscal years are as follows:

| | Number of shares granted | Grant date | Exercise period | Exercise price (Yen) |
|---|---|---|---|---|
| No. 6 | 66,000 | August 13, 2007 | August 14, 2009 through August 13, 2012 | ¥ 566 |
| No. 7 | 147,000 | August 13, 2007 | August 14, 2009 through August 13, 2012 | 566 |
| No. 8 | 82,000 | September 1, 2011 | September 1, 2014 through August 31, 2016 | 908 |
| No. 9 | 124,000 | September 1, 2011 | September 1, 2014 through August 31, 2016 | 908 |
| No. 10 | 41,000 | August 20, 2012 | August 21, 2015 through August 20, 2017 | 1,002 |
| No. 11 | 110,000 | August 20, 2012 | August 21, 2015 through August 20, 2017 | 1,002 |
| No.12 | 42,000 | August 21, 2013 | August 22, 2016 through August 21, 2022 | 1,295 |
| No.13 | 190,000 | August 21, 2013 | August 22, 2016 through August 21, 2022 | 1,295 |

### (2) Total Number of Exercisable Shares and Average Exercise Price

| | Number of shares | Weighted average exercise price (Yen) | Number of shares | Weighted average exercise price (Yen) |
|---|---|---|---|---|
| | FY2012 (From April 1, 2012 to March 31, 2013) | | **FY2013 (From April 1, 2013 to March 31, 2014)** | |
| Outstanding balance at beginning of fiscal year | 314,000 | ¥ 790 | **¥357,000** | **¥ 948** |
| Granted during year | 151,000 | 1,002 | **232,000** | **1,295** |
| Cancelled during year | — | — | **—** | **—** |
| Exercised during year | 66,000 | 566 | **—** | **—** |
| Matured and expired during year | 42,000 | 566 | **—** | **—** |
| Outstanding balance at end of fiscal year | 357,000 | 948 | **589,000** | **1,085** |
| Options exercisable at end of year | — | — | **—** | **—** |

The exercise prices of stock options exercised at the end of the current fiscal year ranged from 908 yen to 1,002 yen. The weighted average remaining contractual period was 3.8 years. The weighted average share price as of the exercise dates for stock options exercised during the current fiscal year was 985 yen.

The exercise prices of stock options unexercised at the end of the current fiscal year ranged from 908 yen to 1,295 yen. The weighted average remaining contractual period was 5.0 years. There are no stock options exercised during the current fiscal year.

### (3) Measurement of Fair Value of Stock Options

The Company adopts the Black-Scholes model to assess the fair value of equity-settled share-based payments. The assumptions used to measure fair value are shown below.

The projected volatility is calculated by collecting daily share price information based on the most recent period corresponding to the expected length of time since the grant date.

| | | | Yen |
|---|---|---|---|
| | No. 8 and No. 9 | No. 10 and No. 11 | No. 12 and No. 13 |
| Fair value at the grant date | ¥ 309 | ¥ 292 | ¥ 352 |
| Share price at the grant date | 895 | 968 | 1,260 |
| Exercise price | 908 | 1,002 | 1,295 |
| Projected volatility (%) | 48.30 | 45.80 | 39.10 |
| Expected remaining period (years) | 3.9 | 3.9 | 4.8 |
| Dividend yield (%) | 0.78 | 1.55 | 1.59 |
| Risk-free rate (%) | 0.26 | 0.15 | 0.26 |

## 28. Financial Instruments

In this section, financial assets measured at fair value through profits or loss are referred to as "Financial Assets Measured at FVTPL", financial assets measured at fair value through other comprehensive income are referred to as "Financial Assets Measured at FVTOCI," and financial liabilities measured at fair value through profit or loss are referred to as "Financial Liabilities Measured at FVTPL."

### (1) Capital Management

The Anritsu Group aims to maximize corporate value, and prioritizes cash flows in management, using the proprietary "ACE (see note)" metric to assess the results of each business by evaluating the added value generated by capital invested.

The Anritsu Group prioritizes the following capital management benchmarks.

- ACE improvements (see note) (Achievement of net operating profit after tax less an adjustment for the cost of capital)
- Asset turnover improvements
- Cash management system to reduce interest-bearing debt
- Debt-to-equity ratio (see note) improvements
- Enhancing shareholders' equity and the dividends on equity (DOE)

Note: ACE (Anritsu Capital-cost Evaluation): Net operating profit after tax – Cost of capital
Debt-to-equity ratio: Interest-bearing debt / Shareholders' equity

The Anritsu Group is not subject to significant externally imposed capital regulations.

### (2) Market Risks

The Anritsu Group's activities are exposed to market risks stemming from fluctuations in the economic and financial environments. These risks relate specifically to interest rates, foreign currency exchange, and changes in the prices of equity instruments.

#### 1. Interest Rate Risk

Some borrowings are subject to floating interest rates and therefore exposed to interest rate fluctuation risks. The Anritsu Group uses derivatives (interest rate swaps) as hedges to fix interest rate expenses and thereby avoid risks.

• Sensitivity Analysis for Borrowings subject to Floating Rate
The Anritsu Group's sensitivity analysis to interest rate exposure is shown below. This analysis assumes that all other variables are constant, and presents the impact on profit (loss) before tax in the consolidated statement of profit or loss and other comprehensive income in case of a 1% increase or decrease in interest rates. The analysis below shows sensitivity with respect to the outstanding balance of borrowings subject to the floating rate after excluding portions for which interest rates are substantially fixed as a result of interest rate swaps.

| | | Millions of yen |
|---|---|---|
| End of FY2012 as of March 31, 2013 | 1% increase | 1% decrease |
| Profit (loss) before tax | ¥(69) | ¥69 |

| | | Millions of yen |
|---|---|---|
| **End of FY2013 as of March 31, 2014** | 1% increase | 1% decrease |
| Profit (loss) before tax | **¥(69)** | **¥69** |

## 2. Foreign Currency Exchange Risk

The Anritsu Group operates globally and is therefore exposed to foreign currency exchange risks on transactions that are denominated in a currency other than the respective functional currencies of group companies. The primary currencies in such transactions are the Japanese yen, the U.S. dollar, and the Euro.

Although trade receivables denominated in foreign currencies are exposed to exchange rate fluctuations, the Company and some consolidated subsidiaries generally use forward exchange contracts to hedge the risks of currency fluctuations. The Anritsu Group is also exposed to foreign currency exchange risks for trade payables from transactions that are denominated in foreign currencies for raw materials and other imports.

The Anritsu Group's exposures to foreign currency exchange risks are as follows.

| | | | Millions of yen |
|---|---|---|---|
| End of FY2012 as of March 31, 2013 | Japanese yen | U.S. dollar | Euro |
| Net exposure | ¥(2,623) | $4,909 | €474 |
| (in thousands of units of relevant currency) | (—) | (US$52,217 thousand) | (€3,931 thousand) |

| | | | Millions of yen |
|---|---|---|---|
| **End of FY2013 as of March 31, 2014** | Japanese yen | U.S. dollar | Euro |
| Net exposure | **¥194** | **$6,582** | **€1,027** |
| (in thousands of units of relevant currency) | **(—)** | **(US$63,974 thousand)** | **(€7,256 thousand)** |

• Sensitivity Analysis for Foreign Currency

The Anritsu Group's sensitivity analysis to foreign currency exchange exposure is shown below. This analysis assumes that all other variables are constant, and presents the foreign currency exposure impact on profit (loss) before tax in the consolidated statement of profit or loss and other comprehensive income in case of a 1% appreciation of the Japanese yen as of the reporting date. The analysis below shows only the translation impact, and the projected revenue, goods purchases or other impacts are not taken into consideration.

| | | Millions of yen |
|---|---|---|
| | End of FY2012 as of March 31, 2013 | **End of FY2013 as of March 31, 2014** |
| Japanese yen | ¥(26) | **¥ 2** |
| U.S. dollar | (49) | **(66)** |
| Euro | (5) | **(10)** |

Note: The impact of the Japanese yen on profit or loss stems from the yen-denominated financial assets or liabilities held by foreign subsidiaries.

## 3. Risks of Equity Instrument Price Fluctuations

The Anritsu Group owns listed shares of companies with which it has business relationships, and is exposed to the risks of price fluctuations of equity instruments. The Anritsu Group regularly conducts financial evaluations of market prices and issuers (companies with which it conducts transactions) and conducts ongoing reviews of holdings of these shares.

• Sensitivity Analysis for Equity Instruments

The Anritsu Group's sensitivity analysis to fluctuations in equity instrument prices is shown below. This analysis assumes that all other variables are constant and presents the impact of a 10% decline in the prices of listed shares on other comprehensive income (after tax) in the consolidated statement of profit or loss and other comprehensive income.

| | | Millions of yen |
|---|---|---|
| | End of FY2012 as of March 31, 2013 | **End of FY2013 as of March 31, 2014** |
| Other comprehensive income | ¥(42) | **¥(66)** |

**(3) Credit Risk**

Credit risk is the Anritsu Group's risk of financial losses if a customer or financial instrument counterparty cannot fulfill contractual obligations.

The credit risks for transactions in cash and cash equivalents are limited because they are with financial institutions that have high credit standings.

The Anritsu Group is exposed to credit risks from customers for trade and other receivables. In keeping with its credit management regulations, the Company addresses the risks for trade and other receivables by having its sales management department regularly monitor situations with key business partners and manage due dates and balances for each of these partners while swiftly identifying and reducing recovery concerns stemming from deteriorating financial positions. Consolidated subsidiaries perform similar oversight in keeping with the Company's credit management rules.

The Anritsu Group is exposed to the credit risks of financial institutions with which it has contracted for derivatives included in other financial assets and other financial liabilities. The possibility of breaches of contract is considered minimal because agreements for these financial instruments are only with financial institutions with high quality credit standings.

The Anritsu Group is exposed to the credit risks of parties for which it makes loan guarantees, but these risks are limited to the Anritsu Group's employees and subsidiaries.

The carrying value of financial assets, net of impairment losses, in the consolidated statement of financial position and the amounts of guarantee obligations recorded in "Note 42. Contingencies" are the maximum exposure to credit risk, without taking valuations of credit enhancements into consideration.

The aging analyses of trade and other receivables which are past due but not written down are as follows:

| | | Millions of yen |
|---|---|---|
| | End of FY2012<br>as of March 31, 2013 | **End of FY2013<br>as of March 31, 2014** |
| Within 30 days past due | ¥1,087 | **¥ 966** |
| Within 6 months past due | 1,399 | **1,141** |
| Within 1 year past due | 96 | **94** |
| Total | ¥2,582 | **¥2,201** |

The above shows the carrying value before allowance for doubtful accounts. For trade and other receivables, there are certain deposits received as credit enhancements (380 million yen in the previous fiscal year, and 393 million yen in the current fiscal year).

Changes in the allowance for doubtful accounts are as follows:

| | | Millions of yen |
|---|---|---|
| | FY2012<br>(From April 1, 2012<br>to March 31, 2013) | **FY2013<br>(From April 1, 2013<br>to March 31, 2014)** |
| Balance at beginning of fiscal year | ¥314 | **¥279** |
| Provisions | 93 | **86** |
| Amount used | (46) | **(6)** |
| Other | (82) | **(100)** |
| Balance at end of fiscal year | ¥279 | **¥259** |

Some trade and other receivables that are individually uncollectible after considering customer financial positions, the statuses of payment delays, and other factors are 153 million yen at the end of the previous fiscal year, and 178 million yen at the end of the current fiscal year. The allowance for doubtful accounts was set up in full for these uncollectible amounts.

**(4) Liquidity Risk**

Liquidity risk is the risk that the Anritsu Group will encounter difficulty in meeting the obligations relating to its financial liabilities that are settled by delivering cash or other financial assets.

Although trade and other payables, bonds and borrowing, and other financial liabilities are exposed to liquidity risks, the Anritsu Group manages these risks by producing and updating timely funding plans while maintaining liquidity in hand and facility of borrowings from financial institutions.

The analysis below shows the remaining contractual maturities of financial liabilities at the end of the reporting period. The stated contractual cash flows are on an undiscounted basis, including interest payments.

Millions of yen

| End of FY2012 as of March 31, 2013 | Carrying amounts | Contractual cash flow | 1 year or less | Between 1 and 2 years | Between 2 and 3 years | Between 3 and 4 years | Between 4 and 5 years | Over 5 years |
|---|---|---|---|---|---|---|---|---|
| Non-derivative financial liabilities: | | | | | | | | |
| Trade and other payables | ¥ 8,570 | ¥ 8,570 | ¥ 8,190 | ¥ — | ¥ — | ¥ — | ¥ — | ¥ 380 |
| Bonds and borrowings | 19,418 | 20,010 | 2,687 | 5,143 | 5,078 | 57 | 6,033 | 1,012 |
| Other financial liabilities | 850 | 893 | 559 | 247 | 59 | 22 | 5 | 1 |
| Guarantee obligations | — | 1,080 | 831 | 30 | 27 | 26 | 24 | 142 |
| Derivative financial liabilities: | | | | | | | | |
| Other financial liabilities | 15 | 15 | 15 | — | — | — | — | — |
| Total | ¥28,853 | ¥30,568 | ¥12,282 | ¥5,420 | ¥5,164 | ¥105 | ¥6,062 | ¥1,535 |

Millions of yen

| **End of FY2013 as of March 31, 2014** | Carrying amounts | Contractual cash flow | 1 year or less | Between 1 and 2 years | Between 2 and 3 years | Between 3 and 4 years | Between 4 and 5 years | Over 5 years |
|---|---|---|---|---|---|---|---|---|
| Non-derivative financial liabilities: | | | | | | | | |
| Trade and other payables | **¥ 8,844** | **¥ 8,844** | **¥ 8,451** | **¥ —** | **¥ —** | **¥ —** | **¥—** | **¥ 393** |
| Bonds and borrowings | **18,859** | **19,231** | **7,051** | **5,077** | **57** | **6,033** | **9** | **1,004** |
| Other financial liabilities | **334** | **355** | **243** | **67** | **27** | **10** | **5** | **3** |
| Guarantee obligations | **—** | **1,017** | **807** | **26** | **24** | **23** | **22** | **115** |
| Derivative financial liabilities: | | | | | | | | |
| Other financial liabilities | **19** | **19** | **19** | **—** | **—** | **—** | **—** | **—** |
| Total | **¥28,056** | **¥29,466** | **¥16,571** | **¥5,170** | **¥108** | **¥6,066** | **¥36** | **¥1,515** |

### (5) Presentation of offsetting financial assets and financial liabilities

Financial assets recognized in the consolidated statement of financial position were 63,662 million yen in the previous fiscal year and 72,518 million yen in the current fiscal year, while financial liabilities recognized likewise were 28,852 million yen in the previous fiscal year and 28,055 million yen in the current fiscal year. These financial assets and financial liabilities are not offset.

### (6) Fair Value

#### 1. Fair Value and Carrying Amounts

The fair values and carrying values in the consolidated statement of financial position of financial assets and liabilities are as follows:

Millions of yen

| | End of FY2012 as of March 31, 2013 | | **End of FY2013 as of March 31, 2014** | |
|---|---|---|---|---|
| | Carrying amounts | Fair value | Carrying amounts | Fair value |
| Assets measured at fair value | | | | |
| Financial assets measured at FVTOCI: | | | | |
| Other financial assets | ¥ 1,786 | ¥ 1,786 | **¥ 2,209** | **¥ 2,209** |
| Financial assets measured at FVTPL: | | | | |
| Other financial assets | 23 | 23 | **3** | **3** |
| Assets measured at amortized cost: | | | | |
| Cash and cash equivalents | 37,690 | 37,690 | **43,215** | **43,215** |
| Trade and other receivables | 24,163 | 24,163 | **25,995** | **25,995** |
| Other financial assets | — | — | **1,096** | **1,096** |
| Liabilities measured at fair value | | | | |
| Financial liabilities measured at FVTPL: | | | | |
| Other financial liabilities | 15 | 15 | **19** | **19** |
| Liabilities measured at amortized cost: | | | | |
| Trade and other payables | 8,570 | 8,570 | **8,844** | **8,844** |
| Bonds and borrowings | 19,418 | 19,637 | **18,859** | **18,978** |
| Other financial liabilities | 850 | 883 | **334** | **352** |

**2. Fair Value Calculation Method for Financial Instruments**

• Cash and Cash Equivalents, Trade and Other Receivables, and Trade and Other Payables

Current items of cash and cash equivalents, trade and other receivables, and trade and other payables are settled in a short period, and non-current items are subject to a market interest rate. Therefore, carrying amounts of these financial instruments are at approximate reasonable fair values.

• Other Financial Assets and Other Financial Liabilities

For time deposits with original maturities of over three months among other financial assets, their carrying amounts reasonably approximate fair value as they are settled in a short period. Investment securities are treated as financial assets measured at FVTOCI; listed shares are measured at market prices from the stock exchange; and the value of unlisted shares is determined based on comparable company valuation multiples (a method of determining multiples of various financial figures against the market stock price of similar listed companies, adjusted as necessary).

Derivatives, as financial assets or liabilities measured at FVTPL, are measured based on prices provided by correspondent financial institutions.

Lease obligations are measured by discounting the future cash flows using a discount rate to be applied in the case where a similar type of contract is newly entered into.

• Bonds and Borrowings

Borrowings are measured by discounting the future cash flows using a discount rate to be applied in the case where a similar type of contract is newly entered into.

Straight bonds are measured based on prices provided by correspondent financial institutions.

**3. Fair Value Measurements Recognized in the Financial Statements**

Below is an analysis for financial instruments recognized at fair value, by the levels in the fair value hierarchy. The different levels have been defined as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for assets or liabilities, either direct or indirectly.

Level 3: Inputs for assets or liabilities that are not based on observable market data.

• Financial instruments measured at the fair value

| | | | | Millions of yen |
|---|---|---|---|---|
| End of FY2012 as of March 31, 2013 | Level 1 | Level 2 | Level 3 | Total |
| Financial assets measured at FVTOCI: | | | | |
| Other financial assets | ¥648 | ¥— | ¥1,138 | ¥1,786 |
| Financial assets measured at FVTPL: | | | | |
| Other financial assets | — | 23 | — | 23 |
| Total assets | ¥648 | ¥23 | ¥1,138 | ¥1,809 |
| Financial assets measured at FVTPL: | | | | |
| Other financial liabilities | ¥ — | ¥15 | ¥ — | ¥ 15 |
| Total liabilities | ¥ — | ¥15 | ¥ — | ¥ 15 |

Note: During the previous fiscal year, there are no significant transfers between the Level 1 or Level 2 fair value hierarchy.

| | | | | Millions of yen |
|---|---|---|---|---|
| **End of FY2013 as of March 31, 2014** | Level 1 | Level 2 | Level 3 | Total |
| Financial assets measured at FVTOCI: | | | | |
| Other financial assets | **¥1,019** | **¥—** | **¥1,190** | **¥2,209** |
| Financial assets measured at FVTPL: | | | | |
| Other financial assets | **—** | **3** | **—** | **3** |
| Total assets | **¥1,019** | **¥ 3** | **¥1,190** | **¥2,212** |
| Financial assets measured at FVTPL: | | | | |
| Other financial liabilities | **¥ —** | **¥19** | **¥ —** | **¥ 19** |
| Total liabilities | **¥ —** | **¥19** | **¥ —** | **¥ 19** |

Note: During the current fiscal year, there are no significant transfers between the Level 1 or Level 2 fair value hierarchy.

• Reconciliation from the beginning balances to the ending balances of financial instruments classified in Level 3 of the fair value hierarchy.

| End of FY2012 as of March 31, 2013 | Millions of yen<br>Financial assets measured at FVTOCI |
|---|---|
| Balance at beginning of fiscal year | ¥ 830 |
| Other comprehensive income | 309 |
| Acquisition | — |
| Disposal | (1) |
| Balance at end of fiscal year | ¥1,138 |

| **End of FY2013 as of March 31, 2014** | Millions of yen<br>Financial assets measured at FVTOCI |
|---|---|
| Balance at beginning of fiscal year | **¥1,138** |
| Other comprehensive income | **57** |
| Acquisition | **—** |
| Disposal | **(5)** |
| Balance at end of fiscal year | **¥1,190** |

Although the Anritsu Group uses comparable company valuation multiples to measure the fair values of unlisted shares, the result of such measurements of fair value may differ from the one provided by other techniques such as valuation models based on undiscounted future cash flows or net assets. In a calculation under the comparable company valuation multiples technique, multiple listed companies are constantly selected for comparison. In addition, liquidity discount is taken into consideration in the calculation.

**(7) Details of Financial Assets Measured at FVTOCI**

The fair values of major stocks included in "Other Financial Assets measured at FVTOCI" held as of the end of the previous fiscal year, and the end of the current fiscal year are as follows.

| End of FY2012 as of March 31, 2013 | Millions of yen |
|---|---|
| Listed shares | |
| NEC Corporation | ¥ 227 |
| Kyowa Exeo Corporation | 120 |
| KDDI Corporation | 120 |
| Others | 181 |
| Listed shares subtotal | 648 |
| Unlisted shares | |
| Communication equipment industry | 466 |
| Leasing industry | 280 |
| Others | 392 |
| Unlisted shares subtotal | 1,138 |
| Total | ¥1,786 |

| **End of FY2013 as of March 31, 2014** | Millions of yen |
|---|---|
| Listed shares | |
| KDDI Corporation | **¥ 371** |
| NEC Corporation | **293** |
| Kyowa Exeo Corporation | **160** |
| Others | **195** |
| Listed shares subtotal | **1,019** |
| Unlisted shares | |
| Communication equipment industry | **449** |
| Leasing industry | **288** |
| Others | **453** |
| Unlisted shares subtotal | **1,190** |
| Total | **¥2,209** |

Dividends on investments held as of the fiscal year end are 30 million yen and 49 million yen in the previous fiscal year and current fiscal year, respectively.

For fair value measurement in Level 3 of the fair value hierarchy, changing one or more assumptions used to reasonably possible alternative assumptions could have some effects. The effect on other comprehensive income (after tax) resulting from changing the illiquidity discount by plus or minus 10% is as follows:

| | | | | Millions of yen |
|---|---|---|---|---|
| | End of FY2012 as of March 31, 2013 | | **End of FY2013 as of March 31, 2014** | |
| | Beneficial impact | Adverse impact | **Beneficial impact** | **Adverse impact** |
| Other comprehensive income | ¥104 | ¥(104) | **¥109** | **¥(109)** |

**(8) Derecognition of Financial Assets Measured at FVTOCI**

"Other Financial Assets measured at FVTOCI" derecognized during the previous fiscal year and current fiscal year are as follows:

| | | | Millions of yen |
|---|---|---|---|
| FY2012 (From April 1, 2012 to March 31, 2013) | Fair value at the time of derecognition | Cumulative gains or losses | Dividend income |
| | ¥1 | ¥0 | ¥3 |

Note: During the fiscal year, the cumulative gains (after tax) of 0 million yen is reclassified from other components of equity to retained earnings.

| | | | Millions of yen |
|---|---|---|---|
| **FY2013 (From April 1, 2013 to March 31, 2014)** | Fair value at the time of derecognition | Cumulative gains or losses | Dividend income |
| | **¥5** | **¥—** | **¥1** |

Note: During the fiscal year, there are no cumulative gains (after tax) reclassified from other components of equity to retained earnings.

## 29. Revenue

Details of revenue are as follows:

| | | Millions of yen |
|---|---|---|
| | FY2012 (From April 1, 2012 to March 31, 2013) | **FY2013 (From April 1, 2013 to March 31, 2014)** |
| Revenue from products | ¥82,102 | **¥ 86,522** |
| Revenue from services | 12,583 | **15,331** |
| Total | ¥94,685 | **¥101,853** |

## 30. Selling, General and Administrative Expenses

Details of selling, general and administrative expenses are as follows:

| | | Millions of yen |
|---|---|---|
| | FY2012 (From April 1, 2012 to March 31, 2013) | **FY2013 (From April 1, 2013 to March 31, 2014)** |
| Personnel expenses | ¥16,039 | **¥18,226** |
| Travel and transportation expenses | 1,565 | **1,876** |
| Advertising expenses | 1,513 | **1,801** |
| Depreciation and amortization expenses | 621 | **722** |
| Others | 4,608 | **5,996** |
| Total | ¥24,346 | **¥28,621** |

## 31. Research and Development Expense

Details of research and development expense are as follows:

| | FY2012 (From April 1, 2012 to March 31, 2013) | FY2013 (From April 1, 2013 to March 31, 2014) |
|---|---|---|
| | | Millions of yen |
| Material expenses | ¥ 2,881 | **¥ 3,025** |
| Personnel expenses | 6,064 | **7,734** |
| Others | 1,211 | **1,468** |
| Total | ¥10,156 | **¥12,227** |

## 32. Other Income

The details of other income are not disclosed as there are no significant items.

## 33. Other Expenses

Details of other expenses are as follows:

| | FY2012 (From April 1, 2012 to March 31, 2013) | FY2013 (From April 1, 2013 to March 31, 2014) |
|---|---|---|
| | | Millions of yen |
| Impairment loss | ¥ 768 | **¥ 87** |
| Loss on disposal or sale of property, plant and equipment | 254 | **10** |
| Others | 42 | **409** |
| Total | ¥1,064 | **506** |

## 34. Personnel Expenses

Details of personnel expenses are as follows:

| | FY2012 (From April 1, 2012 to March 31, 2013) | FY2013 (From April 1, 2013 to March 31, 2014) |
|---|---|---|
| | | Millions of yen |
| Wage and salary | ¥27,366 | **¥30,765** |
| Welfare expenses | 5,464 | **6,393** |
| Retirement benefit expense | 1,618 | **1,632** |
| Others | 1,399 | **2,179** |
| Total | ¥35,847 | **¥40,969** |

Note: Personnel expenses are recorded in “Cost of sales,” “Selling, general and administrative expenses,” and “Research and development expense.”

## 35. Finance Income and Costs

Details of finance income are shown below.

In this section, financial assets measured at fair value through other comprehensive income are referred to as “Financial Assets Measured at FVTOCI.”

| | FY2012 (From April 1, 2012 to March 31, 2013) | FY2013 (From April 1, 2013 to March 31, 2014) |
|---|---|---|
| | | Millions of yen |
| Interest income: | | |
| Financial assets measured at amortized cost | ¥ 93 | ¥109 |
| Dividends income: | | |
| Financial assets measured at FVTOCI | 33 | 50 |
| Foreign exchange gains | 1,114 | 520 |
| Other | 29 | 8 |
| Total | ¥1,269 | ¥687 |

Details of finance costs are as follows:

| | FY2012 (From April 1, 2012 to March 31, 2013) | FY2013 (From April 1, 2013 to March 31, 2014) |
|---|---|---|
| | | Millions of yen |
| Interest expenses: | | |
| Financial liabilities measured at amortized cost | ¥462 | ¥271 |
| Other | 414 | 309 |
| Total | ¥876 | ¥580 |

## 36. Other Comprehensive Income

The components of other comprehensive income in the previous fiscal year and the current fiscal year are shown below.

In this section, financial assets measured at fair value through other comprehensive income are referred to as “Financial Assets Measured at FVTOCI.”

| | FY2012 (From April 1, 2012 to March 31, 2013) | FY2013 (From April 1, 2013 to March 31, 2014) |
|---|---|---|
| | | Millions of yen |
| Items that will not be reclassified to profit or loss | | |
| Changes in financial assets measured at FVTOCI | | |
| Increase during the fiscal year | ¥ 410 | ¥ 273 |
| Total changes in financial assets measured at FVTOCI | 410 | 273 |
| Remeasurements of defined benefit plans | | |
| Increase during the fiscal year | (469) | 1,489 |
| Total remeasurements of defined benefit plans | (469) | 1,489 |
| Total | (59) | 1,762 |
| Items that may be reclassified subsequently to profit or loss | | |
| Exchange differences on translation | | |
| Increase during the fiscal year | 2,536 | 2,421 |
| Total exchange differences on translation | 2,536 | 2,421 |
| Share of other comprehensive income of associates and joint ventures accounted for using equity method | | |
| Increase during the fiscal year | (2) | — |
| Total share of other comprehensive income of associates and joint ventures accounted for using equity method | (2) | — |
| Total | 2,534 | 2,421 |
| Total other comprehensive income | ¥2,475 | ¥4,183 |

Corporate income taxes relating to each component of other comprehensive income are as follows:

| | | | | | | Millions of yen |
|---|---|---|---|---|---|---|
| | | | FY2012 (From April 1, 2012 to March 31, 2013) | | | **FY2013 (From April 1, 2013 to March 31, 2014)** |
| | Before taxes | Income tax expense | After taxes | **Before taxes** | **Income tax expense** | **After taxes** |
| Items that will not be reclassified to profit or loss | | | | | | |
| Changes in financial assets measured at FVTOCI | ¥ 395 | ¥ 15 | ¥ 410 | **¥ 423** | **¥(150)** | **¥ 273** |
| Remeasurements of defined benefit plans | (738) | 269 | (469) | **2,297** | **(808)** | **1,489** |
| Total | (343) | 284 | (59) | **2,720** | **(958)** | **1,762** |
| Items that may be reclassified subsequently to profit or loss | | | | | | |
| Exchange differences on transactions | 2,536 | — | 2,536 | **2,421** | **—** | **2,421** |
| Share of other comprehensive income of associates and joint ventures accounted for using equity method | (2) | — | (2) | **—** | **—** | **—** |
| Total | 2,534 | — | 2,534 | **2,421** | **—** | **2,421** |
| Total other comprehensive income | ¥2,191 | ¥284 | ¥2,475 | **¥5,141** | **¥(958)** | **¥4,183** |

## 37. Earnings Per Share (attributable to owners of parent)

| | | Millions of yen |
|---|---|---|
| | FY2012 (From April 1, 2012 to March 31, 2013) | **FY2013 (From April 1, 2013 to March 31, 2014)** |
| Profit attributable to owners of parent | ¥13,896 | **¥9,305** |
| Adjusted profit used for diluted earnings per share | | |
| Interest expenses (net of tax) | 19 | **—** |
| Profit used in calculation of diluted earnings per share | 13,915 | **9,305** |

| | | Shares |
|---|---|---|
| Weighted average number of issued and outstanding shares | 141,211,779 | **143,313,484** |
| Increase in number of shares used in the calculation of diluted earnings per share | | |
| Increase by bonds with stock subscription rights to shares | 2,132,779 | **—** |
| Increase by stock options | 63,480 | **83,128** |
| Weighted average number of issued and outstanding shares used in the calculation of diluted earnings per share | 143,408,038 | **143,396,612** |

| | | Yen |
|---|---|---|
| Basic earnings per share | ¥98.41 | **¥64.93** |
| Diluted earnings per share | 97.03 | **64.89** |

## 38. Non-cash Transactions

Details of non-cash transactions are as follows:

| | | Millions of yen |
|---|---|---|
| | FY2012 (From April 1, 2012 to March 31, 2013) | **FY2013 (From April 1, 2013 to March 31, 2014)** |
| Acquisition of assets through finance leases | ¥ 32 | **¥27** |
| Conversion of debt to equity | 3,663 | **—** |
| Total | ¥3,695 | **¥27** |

## 39. Operating Leases

• Leases as lessee

Lease payments under operating lease agreements recognized as expenses in each reporting period are as follows:

| | Millions of yen | |
|---|---|---|
| | FY2012 (From April 1, 2012 to March 31, 2013) | **FY2013 (From April 1, 2013 to March 31, 2014)** |
| Minimum lease payments | ¥1,049 | **¥1,303** |
| Total lease payments | ¥1,049 | **¥1,303** |

Note: Minimum lease payments are recorded in "Cost of sales," "Selling, general and administrative expenses," "Research and development expense," and "Other expenses" in the consolidated statement of profit or loss and other comprehensive income.

Future minimum lease payments for non-cancelable operating leases are as follows:

| | Millions of yen | |
|---|---|---|
| | FY2012 (From April 1, 2012 to March 31, 2013) | **FY2013 (From April 1, 2013 to March 31, 2014)** |
| Less than 1 year | ¥ 439 | **¥ 514** |
| Between 1 and 5 years | 712 | **653** |
| Over 5 years | 33 | **8** |
| Total | ¥1,184 | **¥1,175** |

Note: Operating lease payment represents rent payment the Anritsu Group is obligated to pay for buildings and structures, tools, furniture and fixtures, and machinery, equipment and vehicles. Although some agreements provide rights for renewal, there are no significant provisory clauses such as purchase options, sublease agreements, or escalation clauses (provisions that require increases in lease payments).

## 40. Related Parties

### (1) Major Subsidiaries

| | | | Percentage ownership (%) | |
|---|---|---|---|---|
| Name | Business | Location | End of FY2012 as of March 31, 2013 | **End of FY2013 as of March 31, 2014** |
| Anritsu Industrial Solutions Co., Ltd. | Industrial Automation | Atsugi-City, Kanagawa | 100% | **100%** |
| Anritsu Networks Co., Ltd. | Other | Atsugi-City, Kanagawa | 100 | **100** |
| Anritsu Real Estate Co., Ltd. | Other | Atsugi-City, Kanagawa | 100 | **100** |
| Anritsu U.S. Holding, Inc. | Test and Measurement | CA, USA | 100 | **100** |
| Anritsu Company | Test and Measurement | CA, USA | 100 | **100** |
| Anritsu EMEA Ltd. | Test and Measurement | Bedfordshire, UK | 100 | **100** |
| Anritsu Company Ltd. | Test and Measurement | Kowloon, Hong Kong | 100 | **100** |
| Anritsu A/S | Test and Measurement | Copenhagen, Denmark | 100 | **100** |

### (2) Transactions with Related Parties

• Previous fiscal year

There are no significant related party transactions (excluding those eliminated in the consolidated financial statements) to be disclosed.

• Current fiscal year

There are no significant related party transactions (excluding those eliminated in the consolidated financial statements) to be disclosed.

### (3) Payments to Key Executives

| | Millions of yen | |
|---|---|---|
| | FY2012 (From April 1, 2012 to March 31, 2013) | **FY2013 (From April 1, 2013 to March 31, 2014)** |
| Compensation and bonuses | ¥258 | **¥264** |
| Share-based payments | 12 | **15** |
| Total | ¥270 | **¥279** |

## 41. Commitments

Contracted but not executed significant commitments as of the end of each fiscal year are as follows:

| | | Millions of yen |
|---|---|---|
| | End of FY2012 as of March 31, 2013 | **End of FY2013 as of March 31, 2014** |
| Property, plant and equipment | ¥— | **¥5,784** |
| Total | ¥— | **¥5,784** |

## 42. Contingencies

• Contingent Liabilities

The Anritsu Group provides guarantees to financial institutions for Group employees' housing loans, operationally contracted performance and as shown below.

| | | Millions of yen |
|---|---|---|
| | End of FY2012 as of March 31, 2013 | **End of FY2013 as of March 31, 2014** |
| Guarantees for employees | ¥ 282 | **¥ 236** |
| Operationally contracted guarantees | 798 | **781** |
| Total | ¥1,080 | **¥1,017** |

(Guarantees for Employees)

The longest period of the guarantee is through 2032. If the Anritsu Group employees fail to repay their housing loans which are subject to guarantees, the Anritsu Group is required to cover such debts. These guaranty obligations are secured by each employee's house as collateral.

(Operationally Contracted Guarantees)

The longest period of the guarantee is through 2014. The guarantees cover operationally contracted performance and other obligations of the Company's subsidiaries. If a subsidiary fails to fulfill these obligations, the Company is required to cover the relevant obligations.

• Contingent Assets: None

## 43. Subsequent events

None

(Reference Information)

Consolidated quarterly information for the current fiscal year

| | | | | Millions of yen |
|---|---|---|---|---|
| | 1st Quarter | 2nd Quarter | 3rd Quarter | FY2013 |
| Cumulative period | | | | |
| Revenue | ¥22,366 | ¥48,053 | ¥71,108 | ¥101,853 |
| Quarterly (Annual) profit before tax | 2,682 | 6,567 | 9,292 | 14,240 |
| Quarterly (Annual) profit attributable to owners of parent | 1,614 | 4,282 | 6,061 | 9,305 |
| Quarterly (Annual) basic earnings per share (yen) | 11.26 | 29.88 | 42.29 | 64.93 |
| Accounting period | | | | |
| Quarterly earnings per share: Basic (yen) | 11.26 | 18.62 | 12.41 | 22.64 |

# Non-consolidated Balance Sheet

| | Millions of yen | | Thousands of U.S. dollars* |
|---|---|---|---|
| | **FY2013 as of March 31, 2014** | FY2012 as of March 31, 2013 | **FY2013 as of March 31, 2014** |
| **Assets** | | | |
| **Current assets** | | | |
| Cash and deposits | **¥ 25,392** | ¥ 21,443 | **$ 246,812** |
| Notes receivable–trade | **396** | 361 | **3,849** |
| Accounts receivable–trade | **15,610** | 13,846 | **151,730** |
| Finished goods | **2,761** | 3,239 | **26,837** |
| Work in process | **2,729** | 2,673 | **26,526** |
| Raw materials | **2,608** | 2,483 | **25,350** |
| Prepaid expenses | **82** | 49 | **797** |
| Deferred tax assets | **1,525** | 2,119 | **14,823** |
| Other | **2,020** | 2,371 | **19,635** |
| Allowance for doubtful accounts | **(71)** | (109) | **(690)** |
| Total current assets | **53,052** | 48,475 | **515,669** |
| **Noncurrent assets** | | | |
| Property, plant and equipment | | | |
| Buildings | **5,812** | 5,544 | **56,493** |
| Structures | **177** | 105 | **1,720** |
| Machinery and equipment | **176** | 85 | **1,711** |
| Vehicles | **0** | 0 | **0** |
| Tools, furniture and fixtures | **1,256** | 1,199 | **12,208** |
| Land | **2,010** | 2,236 | **19,537** |
| Construction in progress | **1,475** | 792 | **14,337** |
| Total property, plant and equipment | **10,906** | 9,961 | **106,006** |
| Intangible assets | | | |
| Software | **828** | 463 | **8,048** |
| Other | **78** | 104 | **758** |
| Total intangible assets | **906** | 567 | **8,806** |
| Investments and other assets | | | |
| Investment securities | **1,002** | 642 | **9,740** |
| Stocks of subsidiaries and affiliates | **46,259** | 45,502 | **449,640** |
| Long-term loans receivable | **5,504** | 7,917 | **53,499** |
| Prepaid pension cost | **5,450** | 7,607 | **52,974** |
| Deferred tax assets | **2,640** | 1,955 | **25,661** |
| Other | **119** | 124 | **1,158** |
| Allowance for doubtful accounts | **(1)** | (1) | **(10)** |
| Total investments and other assets | **60,973** | 63,746 | **592,662** |
| Total noncurrent assets | **72,785** | 74,274 | **707,474** |
| Total | **¥125,837** | ¥122,749 | **$1,223,143** |

* The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥102.88 to U.S. $1.00, the approximate exchange rate on March 31, 2014.

| | Millions of yen | | Thousands of U.S. dollars* |
|---|---|---|---|
| | **FY2013 as of March 31, 2014** | FY2012 as of March 31, 2013 | **FY2013 as of March 31, 2014** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Notes and accounts payable–trade | **¥ 5,493** | ¥ 4,636 | **$ 53,392** |
| Short-term loans payable | **1,499** | 1,472 | **14,570** |
| Current portion of long-term loans payable | **5,000** | 600 | **48,600** |
| Lease obligations | **170** | 444 | **1,652** |
| Accounts payable–other | **3,112** | 3,312 | **30,249** |
| Accrued expenses | **1,878** | 1,842 | **18,254** |
| Income taxes payable | **2,179** | 1,039 | **21,180** |
| Advances received | **1,422** | 1,357 | **13,822** |
| Deposits received | **11,002** | 10,956 | **106,940** |
| Provision for product warranties | **50** | 91 | **486** |
| Provision for directors' bonuses | **55** | 77 | **535** |
| Other | **10** | 13 | **97** |
| Total current liabilities | **31,870** | 25,839 | **309,777** |
| **Non-current liabilities** | | | |
| Bonds payable | **6,000** | 6,000 | **58,320** |
| Long-term loans payable | **6,000** | 11,000 | **58,320** |
| Lease obligations | **16** | 186 | **156** |
| Provision for directors' retirement benefits | **6** | 6 | **58** |
| Other | **406** | 551 | **3,947** |
| Total non-current liabilities | **12,428** | 17,743 | **120,801** |
| Total liabilities | **44,298** | 43,582 | **430,578** |
| **Net assets** | | | |
| **Shareholders' equity** | | | |
| Capital stock | **19,052** | 19,052 | **185,187** |
| Capital surplus | | | |
| Legal capital surplus | **28,003** | 28,003 | **272,191** |
| Total capital surplus | **28,003** | 28,003 | **272,191** |
| Retained earnings | | | |
| Legal retained earnings | **2,468** | 2,468 | **23,989** |
| Other retained earnings | **32,230** | 30,199 | **313,278** |
| General reserve | **21,719** | 21,719 | **211,110** |
| Retained earnings brought forward | **10,511** | 8,480 | **102,168** |
| Treasury stock | **(869)** | (867) | **(8,447)** |
| Total shareholders' equity | **80,884** | 78,855 | **786,198** |
| **Valuation and translation adjustments** | | | |
| Valuation difference on available-for-sale securities | **465** | 205 | **4,520** |
| Total valuation and translation adjustments | **465** | 205 | **4,520** |
| **Subscription rights to shares** | **190** | 107 | **1,847** |
| Total net assets | **81,539** | 79,167 | **792,565** |
| Total | **¥125,837** | ¥122,749 | **$1,223,143** |

# Non-consolidated Statement of Income

| | Millions of yen | | Thousands of U.S. dollars* |
|---|---|---|---|
| | **FY2013 From April 1, 2013 to March 31, 2014** | FY2012 From April 1, 2012 to March 31, 2013 | **FY2013 From April 1, 2013 to March 31, 2014** |
| **Net sales** | **¥54,091** | ¥52,398 | **$525,768** |
| Cost of sales | **29,278** | 28,779 | **284,584** |
| **Gross profit** | **24,813** | 23,619 | **241,184** |
| **Selling, general and administrative expenses** | **17,518** | 14,766 | **170,276** |
| **Operating income (loss)** | **7,295** | 8,853 | **70,908** |
| Interest and dividend income | **510** | 721 | **4,957** |
| Other | **648** | 799 | **6,299** |
| Non-operating income | **1,158** | 1,520 | **11,256** |
| Interest expenses | **232** | 395 | **2,255** |
| Other | **252** | 246 | **2,450** |
| Non-operating expenses | **484** | 641 | **4,705** |
| **Ordinary income (loss)** | **7,969** | 9,732 | **77,459** |
| Gain on reversal of subscription rights to shares | **—** | 4 | **—** |
| Other | **—** | 0 | **—** |
| Extraordinary income | **—** | 4 | **—** |
| Impairment loss | **—** | 806 | **—** |
| Other | **—** | 0 | **—** |
| Extraordinary loss | **—** | 806 | **—** |
| **Income (Loss) before income taxes** | **7,969** | 8,930 | **77,459** |
| **Income taxes–current** | **2,683** | 610 | **26,079** |
| **Income taxes–deferred** | **(114)** | 254 | **(1,108)** |
| **Net income (loss)** | **¥ 5,400** | ¥ 8,066 | **$ 52,488** |

## Independent Auditor's Report

To the Board of Directors of Anritsu Corporation:

We have audited the accompanying consolidated financial statements of Anritsu Corporation and its consolidated subsidiaries, which comprise the consolidated statements of financial position as at March 31, 2014 and 2013, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the years then ended , and notes, comprising a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Anritsu Corporation and its consolidated subsidiaries as at March 31, 2014 and 2013, and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2014 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Basis of presenting consolidated financial statements (3).

KPMG AZSA LLC

July, 28, 2014
Tokyo, Japan

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